MEETINGS SCHEDULED FOR SEPTEMBER

Location:

Minnesota Housing
400 Sibley Street, Suite 300
St. Paul, MN 55101

THURSDAY, SEPTEMBER 27, 2012

Special Meeting
Jelatis Conference Room - Third Floor
11:30 a.m.

Regular Board Meeting
State Street Conference Room - First Floor
1:00 p.m.

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, September 27, 2012.

Items requiring approval are neither effective nor final until voted on and approved by the Minnesota Housing Board.

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Minnesota Housing Finance Agency
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Equal Opportunity Housing and Equal Opportunity Employment

A G E N D A
Minnesota Housing Finance Agency
Board Meeting
Thursday, September 27, 2012
1:00 p.m.

State Street Conference Room – 1st Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
2. **Agenda Review.**
3. **Approval of the Minutes**
   A. Regular Meeting of August 30, 2012.
   B. Special Meeting of August 30, 2012.
   C. Special Meeting of September 5, 2012.
4. **Chairman's Report.**
5. **Commissioner's Report and Introductions.**
6. **Audit Committee.**
   None.
7. **Program Committee.**
   None.
8. **Finance Committee.**
   None.
9. **Action Items:**
   A. Summary Review:
      1. Approval, Changes, Program Waiver, Homeownership Assistance Fund.
      2. Approval, Changes, Mortgage Loan "Start Up" Procedural Manual.
      3. Approval, Commitment Extension, Economic Development and Housing Challenge (EDHC) Program
         - Urban Homeworks Phase III, Minneapolis.
      4. Approval, Commitment Extension, Publically Owned Housing Program (POHP)
         - Spruce Apartments, Waconia.
   B. Discussion – General:
      1. Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Homeownership Finance Bonds, 2012 Series B (GNMA and FNMA Pass-Through Program).
      2. Approval, 2013 Affordable Housing Plan.

C. Discussion – Homes:

None.

D. Discussion – Multifamily:

1. Approval, Selection/Commitment, Low and Moderate Income Rental (LMIR) Program.
   - Boardwalk Apartments, Wayzata.
2. Approval, Changes, Rental Rehabilitation Deferred Loan (RRDL) Program Guide
   - Chapter 13: Multifamily Disaster Assistance Funds.

10. Review and Information Items.

A. Presentation, Minnesota Homeownership Center Framework Online Education System.

B. Information, Reporting Non-Compliance with Agency Policy.

11. Other Business.

None.

12. Adjournment.

MINUTES

MINNESOTA HOUSING FINANCE AGENCY REGULAR BOARD MEETING
Thursday, August 30, 2012
1:00 p.m.
State Street Conference Room – 1st Floor
400 Sibley Street, St. Paul, MN 55101

1. Call to Order.

Chair Johnson called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:19 p.m.

Members present: Chair Ken Johnson, Gloria Bostrom, Steve Johnson, Celeste Grant for Auditor Rebecca Otto, John DeCramer, Stephanie Klinzing and John DeCramer.

Minnesota Housing staff present: Commissioner Mary Tingerthal, Gene Aho, Paula Beck, Kate Bitney, Dan Boomhower, Joe Gonnella, Cal Greening, Ruth Hutchins, Bill Kapphahn, Kasey Kier, Marcia Kolb, Diana Lund, Carrie Marsh, Eric Mattson, Tonja Orr, John Patterson, Tony Peleska, Luis Pereira, Terry Schwartz, Nancy Slattsveen, Barb Sporlein, Kim Stuart, Will Thompson, LeAnne Tomera, Katie Topinka, Elaine Vollbrecht, Dan Walsh, Summer Watson, Don Wyszynski.

Others present: Chip Halbach, Minnesota Housing Partnership; Jean Lee, APAAC, Children's Hope International; Paula Rindels, Dorsey & Whitney; Melanie Lien, Piper Jaffray; Chris Flannery, Piper Jaffray; Dan Garrett, Midwest Housing Equity Group; Gene Slater, CSG Advisors; Cory Hoeppner, RBC Capital Markets; Tom O'Hern, Assistant Attorney General.

2. Agenda Review.

The following changes were made to the agenda:

- The addition of agenda item 9.D.2., approving changes to the Quick Start Disaster Recovery Program.
- Agenda item 10.A has been revised to include a summary of the special session.

3. Approval of the Minutes.

A. Regular Meeting of July 26, 2012.

Ms.Klinzing moved approval of the minutes as written. Mr. DeCramer seconded the motion. Motion carries 7-0.

4. Chairman's Report.

Upon request of Chair Johnson, Mr. DeCramer shared his experience attending the NCSHB Annual Conference. Mr. DeCramer stated that the conference was a good and educational experience and encouraged other members to attend.

5. Commissioner's Report and Introductions.

Commissioner Tingerthal reminded the group that there would be a special meeting to discuss governance following the regular meeting and that there would be another special meeting on September 5 to review the Affordable Housing Plan and public comments received on the plan. The Commissioner stated that public comments on the plan were being accepted through Friday, August 30.

Commissioner Tingerthal reported the following:

- NCSHA has asked that staff hold a conference call for other HFAs during which they would describe the pass-through bond transaction. There is considerable interest from other HFAs. The call will occur on September 5.
- The Special Session of the Legislature has concluded and funding has been provided to aid in disaster recovery efforts in NE Minnesota. A memo was distributed to members detailing the outcomes of the Special Session.

One new employee was introduced. Diana Lund introduced Kate Bitney, who comes to the Agency from HEARTH Connection. Kate has more than 12 years experience in supportive housing and will manage the FHPAP program.

6. **Audit Committee:**
   Chair Ken Johnson reported that the Audit committee heard audit results from CliftonLarsonAllen and also heard the presentation of the annual financial report by staff. The committee also heard a presentation on single family program funding options, the post-sale report for the Homeownership Finance bonds 2012 Series A and approved the fiscal year 2012 interfund transfers. **MOTION:** Mr. Joe Johnson moved to approve the report and ratify the actions of the Audit Committee. Ms. Bostrom seconded the motion. Motion carries 7-0.
7. **Program Committee:**
   None.
8. **Finance Committee:**
   None.
9. **Action Items:**
   A. Summary Review:
   9.A.(1). Approval, Selection/Commitment, Housing Opportunities for Persons with AIDS (HOPWA) Renewal.
   9.A.(2). Approval, Commitment, Low and Moderate Income Rental (LMIR) Program - Sunset Ridge Apartments, Minnetonka.
   9.A.(3). Approval, Assumption Section 8 Loan and Asset Management Loan - Munger Terrace, Duluth.
   9.A.(4). Approval, Loan Modification, Low and Moderate Income Rental Program (LMIR) - Riverside Terrace, Thief River Falls.
   9.A.(5). Approval, Changes, Program Waiver, Homeownership Assistance Fund (HAF).
   9.A.(6). Approval, Modification, Loans to Twin Cities Community Land Bank and Family Housing Fund.
   Ms. Bostrom requested that item 9.A.(6) be voted on separately. **MOTION:** Ms. Bostrom moved approval of items 9.A.(1), 9.A.(2), 9.A.(3), 9.A.(4), and 9.A.(5). Ms. Klinzing seconded the motion. Motion carries 7-0. Mr. Joe Johnson moved approval of item 9.A.(6). Mr. DeCramer seconded the motion. Motion carries 5-0 (Bostrom, K. Johnson abstaining).

B. Discussion – General:

9.B.(1). Discussion, Draft 2013 Affordable Housing Plan.

Mr. John Patterson provided a presentation of the draft Affordable Housing Plan, which is the Agency's business plan which outlining key programs and policy initiatives. Mr. Patterson highlighted changes from the previous year to funding levels and described new programs. Mr. Patterson reported that the Agency had hosted a webinar about the plan the past week that had a good number of participants and that included 30 minutes of question and answer time. Feedback received thus far on the plan has been supportive and positive. The deadline for the pubic to submit comments is August 31. In response to a question from Mr. Steve Johnson, Commissioner Tingerthal stated that the Agency's management staff had a good amount of discussion regarding continuing with a one-year plan or returning to a two year plan and she felt that, in a rapidly changing environment, she felt strongly that the Agency should continue with single year plans. Commissioner Tingerthal agreed that the planning process is very detailed but she feels that, given the amount of the budget, the level of detail and planning devoted to the budget is warranted. No action needed.

C. Discussion – Homes:

9.C.(1). Approval, Substantial Amendment, Neighborhood Stabilization Plan 3 (NSP 3).

Ms. Ruth Simmons presented this item, stating that it would complete the reallocation of funds that had been awarded to the City of Big Lake that they were unable to expend due to capacity issues as well as expand three subrecipient target areas. In response to questions from members, Ms. Simmons stated that the City of Brooklyn Park is working on single family properties with three non profit developers and the City of Brooklyn Center is working on both multifamily (the Shingle Creek project) and single family properties. **MOTION:** Ms. Klinzing moved approval. Mr. Steve Johnson seconded the motion. Motion carries 7-0.

9.C.(2). Approval, Mortgage Loan "Step Up" Procedural Manual.

Ms. Kim Stuart presented for approval this program manual, noting that the program concepts and draft manual had been approved by the Board at its April meeting. Program names and an overlay concerning minimum credit scores and debt-to-income ratios have been added to the manual, the latter having been developed based on work done with the US Bank MRBP team. Members stated that they found the graphic depicting the different ownership programs to be helpful and that the manual itself was well written. **MOTION:** Ms. Bostrom moved approval. Mr. Joe Johnson seconded the motion. Motion carries 7-0.

9.C.(3). Approval, Selections, Homeownership Education, Counseling and Training Fund.

Ms. Nancy Slattsveen presented this request for approval of organizations to deliver homebuyer education services and described the process for selecting applicants and making disbursements. In response to a question from Ms. Bostrom, Ms. Slattsveen stated that the experience of an organization, the content of their proposal and the geographic area in which they operate are all evaluated when determining capacity. In response to a question from Mr. DeCramer, Ms. Slattsveen stated that a homebuyer's club provides a more intensive training opportunity for homebuyers. **MOTION:** Ms. Bostrom moved approval. Mr. DeCramer seconded the motion. Motion carries 7-0.

D. Discussion – Multifamily:

9.D.(1). Approval, Selection/Commitment, Housing Trust Fund (HTF), Rental Assistance Grant Renewals.

Ms. Elaine Vollbrecht presented this request, noting that an increased number of subsidies are going to Greater Minnesota than in previous years. Ms. Vollbrecht also stated that the grant agreements contain contingency language in the event the Affordable Housing Plan is approved with an amount other than what is currently panned for this program. Commissioner Tingerthal called attention to the outcomes described in the report, stating that this is one of the most impactful programs the Agency administers and that it is very rare for an HFA to serve such low-income households. **MOTION:** Mr. DeCramer moved approval. Mr. Steve Johnson seconded the motion. Motion carries 7-0.

9.D.(2). Approval, Quick Start Disaster Recovery Program Manual.

Mr. Cal Greening provided information regarding the impact of the flood event in NE Minnesota, described the program and presented this request to approve changes that would extend eligibility for the program to non-owner occupied properties of up to four units and also to allow non-owner occupants to be eligible for more than one loan. **MOTION:** Mr. Joe Johnson moved approval. Mr. Steve Johnson seconded the motion. Motion carries 7-0.

10. Review and Information Items.

A. Information, Summary of Special Session.

Information item, no action needed.

11. Other Business.

None.

12. Adjournment.

The meeting was adjourned at 2:40 p.m.

MINUTES

MINNESOTA HOUSING FINANCE AGENCY SPECIAL BOARD MEETING
Thursday, August 30, 2012
2:50 p.m.
Jelatis Conference Room – 3rd Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
   Chair Johnson called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 2:53 p.m.
   Members present: Chair Ken Johnson, Gloria Bostrom, Steve Johnson, Celeste Grant for Auditor Rebecca Otto, John DeCramer, Stephanie Klinzing and John DeCramer.
   Minnesota Housing staff present: Commissioner Mary Tingerthal, Paula Beck, Joe Gonnella, Becky Schack, Barb Sporlein, Will Thompson.
   Others present: Tom O'Hern, Assistant Attorney General.
2. **Board Governance**
   Mr. Tom O'Hern stated that the objective of the meeting was to discuss ways in which to streamline the board agenda, codify Board policies, and determine what duties can and should be delegated to the Commissioner. Commissioner Tingerthal added that the meeting was for discussion only; no voting would occur at the meeting.

   Mr. O'Hern provided the group with a historical overview of the legal status of the Agency and its rulemaking process and authority.

   The group discussed the following:
   - Roles and responsibilities of Board members
   - Potential changes to the bylaws, including the order of the agenda and the ability of members to participate in meetings by phone or other electronic means.
   - Committees of the Board and membership of those committees

   It was agreed that Chair Johnson and Mr. O'Hern would work on draft language for revised committee resolutions and bylaws and that those items would brought for a vote at an additional special meeting to be scheduled in conjunction with the September meeting.
3. **Adjournment.**
   The meeting was adjourned at 5:00 p.m.

MINUTES

MINNESOTA HOUSING FINANCE AGENCY SPECIAL BOARD MEETING
Wednesday, September 5, 2012
2:00 p.m.
Jelatis Conference Room – 3rd Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
   Chair Johnson called to order the special meeting of the Board of the Minnesota Housing Finance Agency at 2:05 p.m.
   Members present: Chair Ken Johnson, Gloria Bostrom, Steve Johnson, Celeste Grant, Auditor Rebecca Otto, John DeCramer, Stephanie Klinzing and John DeCramer (all by phone).
   Minnesota Housing staff present: Commissioner Mary Tingerthal, Tal Anderson, Mike Haley, Margaret Kaplan, Tonja Orr, John Patterson, Becky Schack, Terry Schwartz, Barb Sporlein, Will Thompson, Katie Topinka.
   Others present: Chip Halbach, Minnesota Housing Partnership; John Errigo, Aeon; Celeste Grant, Office the State Auditor; Tom O'Hern, Assistant Attorney General.
2. **Agenda Review.**
   Commissioner Tingerthal stated that four comments had been received on the draft Affordable Housing Plan that was presented to the Board at its meeting on August 30. John Patterson went through the comments received and staff responses with members. There was discussion regarding:
   - How the Agency can help its for-profit and non-profit partners develop capacity;
   - Distribution of funding between rental and ownership programs;
   - How the Agency has adjusted the role of the Community Development Director to be better positioned to work with and address the needs of individual communities;
   - How the Agency provides technical assistance to organizations participating in or applying to participate in the HECAT program.

   Staff stated that some language in the Affordable Housing Plan would be refined in order to better describe the Agency's work in the areas discussed.

   Members expressed their support of the plan and their appreciation of the staff who've worked hard to develop the plan and its innovative programs.

   No action needed.
3. **Adjournment.**
   The meeting was adjourned at 2:32 p.m.

AGENDA ITEM: 9.A.1.
MINNESOTA HOUSING BOARD MEETING
September 27, 2012

ITEM: Approval, Changes, Program Waiver, Homeownership Assistance Fund

CONTACT: Mary Rivers, 651-297-3127
mary.rivers@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☑ Waiver(s)

☐ Other: ____________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff is requesting a waiver for a HOME Homeowner Entry Loan Program (HOME HELP) loan originated by Lake Area Mortgage. The loan will require a waiver in order to use the Homeownership Assistance Fund – Alternate Entry Cost Assistance.

FISCAL IMPACT:
The fiscal impact of granting this waiver is modest. The Homeownership Assistance Fund (HAF) uses either appropriated or Pool 3 funds and the maximum amount of a HAF loan under the Community Activity Set Aside Program (CASA) is $4,500. HOME HELP uses federal HOME funds and the maximum amount of a loan is $10,000. Thus, there is a net increased loan amount of $5,500 out of appropriated or Pool 3 resources for each loan waiver granted. Furthermore, 70% of the principal of each HOME HELP loan is forgiven after the sixth year of owner occupancy compared to a HAF loan which is due on sale of the property. To be consistent and not penalize the borrower, if the Alternate Entry Cost Assistance Loan is not paid within six years, $7,000 per loan would be forgiven, which is not typically the case with loans funded with HAF resources.

MEETING AGENCY 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

ATTACHMENT(S):
- Background

BACKGROUND:
Staff requests Alternate Entry Cost Assistance waivers when a lender originates a loan under HOME HELP, but does not comply with HOME requirements. When this occurs, HAF is used to pay the lender for the HOME HELP loan. The loans comply with HAF program guidelines but have a higher amount of the assistance than provided under HAF. The Agency experiences modest financial loss when it grants this type of waiver.

Waiver requests include the following:

- Lake Area Mortgage:
  - Loan Number 0012613803, Loan Amount $10,000. Staff found that the borrower exceeded the allowed HOME income limits. This is the first Alternate Entry Cost Assistance waiver for Lake Area Mortgage.

AGENDA ITEM: 9.A.2.
MINNESOTA HOUSING BOARD MEETING
September 27, 2012

ITEM: Approval, Changes, Mortgage Loan "Start Up" Procedural Manual

CONTACT: Kimberly Stuart, 651-296-9959
kim.stuart@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S

☐ Administrative ☐ Commitment(s) ☑ Modification/Change ☑ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff request approval of the Start Up manual changes that implement a credit overlay, add Framework as an approved form of homebuyer education, update the program names, and edit language for consistency with the companion manual, Step Up.

FISCAL IMPACT:
The Procedural Manual implements requirements for the program, which is budgeted through the Affordable Housing Plan.

MEETING AGENCY 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

ATTACHMENT(S):
- Background
- Exhibit A
- Start Up Procedural Manual

BACKGROUND:

The board approved the attached Start Up manual in August, 2012. The proposed changes include:

- Implementation of a credit overlay required by US Bank Home Mortgage, the Master Servicer. The credit overlay requires borrowers to have a minimum credit score of 640 and a maximum debt to income ratio (DTI) of 45%. For borrowers with a credit score of 660 or greater, the maximum DTI increases to 50%. This type of credit overlay is currently common in the mortgage industry. Minnesota Housing and US Bank Home Mortgage will review the credit overlay semi-annually and upon implementation of the anticipated federal Qualified Mortgage rule and make any necessary adjustments based on the rule and/or a review of loan performance. This credit overlay also applies to the Step Up program. Staff will update the Step Up manual with the same language.
- Inclusion of Framework, the Minnesota Home Ownership Center's online homebuyer education platform demonstrated at today's board meeting, as an approved form of homebuyer education for Minnesota Housing borrowers.
- Updates to the program names
- Edits to language for consistency with the Step Up manual approved by the board last month

Minnesota Housing Mortgage Loans

START UP Loans

Products
HFA Preferred™, HFA Preferred Risk Sharing™, FHA, FHA Streamlined 203K, RD, VA

First-time Homebuyer Options

Subject to MRB requirements such as 3 yr FTHB, Subsidy Recapture, income/purchase price limits

PURCHASE LOAN

Fund Source: Tax exempt Mortgage Revenue Bonds packaged as Mortgage Backed Security

1st Mtg Execution
-Bond sale
-Secondary Market
(with letter to the borrower)

DOWNPAYMENT AND CLOSING COST LOANS[1]

Monthly Payment Loan

Fund Source:
-Pool 2
-Secondary Market Revenue

Basic Features:
-Amortizing with monthly payments
-Interest rate equal to first mortgage rate
-Up to $5,000

Deferred Payment Loan

Fund Source:
-HAF Appropriations
-Pool 3

Basic Features:
-Deferred payment
-Interest-free
-Up to $3,000

HOME HELP Loan

Fund Source:
-HOME Federal Funds

Basic Features:
-Deferred payment
-Interest-free
-Federal guidelines
-50% Forgiven after 6 yrs
-Up to $10,000

STEP UP Loans

Products REFINANCE & PURCHASE:
HFA Preferred Risk Sharing™, HFA Preferred™, FHA, RD, VA

Non-first-time Homebuyer Options

MRB requirements do not apply

PURCHASE LOAN

Fund Source: Sold on Secondary Market packaged as Mortgage Backed Security

1st Mtg Execution
-Secondary Market

REFINANCE LOAN

Fund Source: Sold on Secondary Market packaged as Mortgage Backed Security

1st Mtg Execution
-Secondary Market

DOWNPAYMENT AND CLOSING COST LOANS

Monthly Payment Loan

Fund Source:
Secondary Market Revenue

Basic Features:
-Amortizing with monthly payments
-Interest rate equal to first mortgage rate
-Up to $5,000

[1]Not available with HFA Preferred Risk Sharing™

Minnesota Housing Finance Agency

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2.07 Homebuyer Education

Qualified Homebuyer Education[1] is required~~**must be delivered in a classroom setting, be completed prior to closing**~~ ~~and is required~~ for ~~borrower~~Borrowers~~s~~ securing Minnesota Housing financing under the following:

~~CASA Program~~

- Fannie Mae HFA Preferred (Conventional);
- Fannie Mae HFA Preferred Risk Sharing™ (Conventional); and
- ~~Borrower~~Borrowers~~s~~ receiving funds for down payment or closing cost loans through the Deferred Payment Loan, the Monthly Payment Loan or HOME HELP loans.

Homebuyer education may be delivered either by instructors trained under Home Stretch or NeighborWorks® America in ~~through~~ a classroom setting or via the Minnesota Home Ownership Center's Framework, an online home buyer education platform. Homebuyer education must be completed prior to closing.

The above noted requirements will be satisfied when at least one ~~borrower~~Borrower per household provides a certificate of completion.

2.08 Credit Scores and Debt-to-Income (DTI) Ratios

A credit score of 640 or higher is required of all Borrower(s).

- If the Borrower(s) have a ~~a~~ credit score ~~-~~ between 640 and 660, the DTI may not exceed 45%~~.~~ or the maximum DTI permitted by the underlying mortgage product, whichever is lower.
- If the Borrower(s) have a ~~a~~ credit score of 660 or higher, the maximum DTI may ~~increase to~~not exceed 50%~~.~~ or the maximum DTI permitted by the underlying mortgage product, whichever is lower.
- If there are multiple Borrowers in a transaction and all have credit scores, the score from the Borrower with the lowest credit score will determine the maximum DTI.
- If no Borrower(s) have credit scores, alternative credit suggesting a prudent underwriting risk must be developed; and the maximum DTI is 45% or the maximum DTI permitted by the underlying mortgage product, whichever is lower.
- If one Borrower~~(s)~~ has a credit score of at least 640 but the other Borrower(s) do not have a credit score, the question of whether alternative credit must be developed for the Borrower(s) without a

[1] Available courses are listed on the Homeownership Center website at: http://www.hocmn.org

score is deferred to the underlying loan product guidelines~~.~~ and the maximum DTI is 45% or the maximum DTI permitted by the underlying mortgage product, whichever is lower.

~~If T~~~~the Borrower's credit score (score Lender's underwriter uses to underwrite the loan) is less than~~~~must be at least~~ ~~620,~~ ~~. the Lender must identify appropriate compensating factors.~~

5.~~04~~02 Deferred Payment Loan— ~~Borrower~~Borrower Eligibility

~~The Borrower must meet at least one of the following criteria:~~

~~Be purchasing a home in an MMP Spotlight Area (see MMP Spotlight Areas in the Resources section of the Minnesota Housing Mortgage Loan Program Forms webpage). A home in an MMP Spotlight area is located in either:~~

~~A Low-Income Census Tract; or,~~

~~A High Need Zip Code;~~

~~Earn less than 60% of area median income tiered by household size (see HAF Income Limits on Minnesota Housing's website); or,~~

~~The first mortgage is sold to the Master Servicer under the CASA program.~~

The ~~Borrower~~Borrower(s) must earn less than 60% of area median income tiered by household size (see ~~HAF~~Deferred Payment loan Income Limits on Minnesota Housing's website).

Homebuyer Education

Homebuyer Education is required for all Borrowers who receive Deferred Payment Loans.

Homebuyer education may be delivered either by instructors trained under Home Stretch or NeighborWorks® America in a classroom setting or via the Minnesota Home Ownership Center's Framework, an online home buyer education platform. Homebuyer education must be completed prior to closing.

The above noted requirements will be satisfied when at least one Borrower per household provides a certificate of completion.

~~Minimum Credit Score~~:

~~If the Borrower(s) have a credit score, the credit score the Lender's underwriter uses to underwrite the loan must be at least 620;~~

~~If no Borrower(s) have credit scores, alternative credit suggesting a prudent a underwriting risk must be developed; and,~~

~~If one Borrower has a credit score of at least 620 but the other Borrower(s) does not have a credit score, the question of whether alternative credit must be developed for the Borrower(s) without a score is deferred to the underlying loan product guidelines.~~

Cash Investment~~:~~

A minimum cash investment of the lesser of 1% of the purchase price or $1,000, including prepaids, is required. The cash investment must come from the ~~Borrower~~Borrower's~~'s~~ assets and may not be a gift, grant, loan or sweat equity contribution.

Asset Limit~~:~~

A ~~Borrower~~Borrower's~~'s~~ liquid assets after closing are limited to the greater of ~~six~~ eight months principal, interest, taxes, and insurance or $~~5~~8,000.

5.06 Monthly Payment Loan ~~Borrower~~Borrower Eligibility

The Borrower(s) income may not exceed the Start Up income limits listed on Minnesota Housing's website.

Homebuyer Education

Homebuyer Education is required for all Borrowers who receive Deferred Payment Loans.

Homebuyer education may be delivered either by instructors trained under Home Stretch or NeighborWorks® America in a classroom setting or via the Minnesota Home Ownership Center's Framework, an online home buyer education platform. Homebuyer education must be completed prior to closing.

The above noted requirements will be satisfied when at least one Borrower per household provides a certificate of completion.

Cash Investment

A minimum cash investment of the lesser of 1% of the purchase price or $1,000, including prepaids, is required. The cash investment must come from the ~~Borrower~~Borrower's assets and may not be a gift, grant, loan or sweat equity contribution.

Asset Limit

There is no asset limitation for Monthly Payment Loans.

Minnesota Housing
Finance Agency

AGENDA ITEM: 9.A.(3)
MINNESOTA HOUSING BOARD MEETING
September 27, 2012

ITEM: Loan Commitment Extension Urban Homeworks Phase lll

CONTACT: Terri Parker, 651-297-5141
terri.parker@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☑ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff is requesting adoption of the attached Resolution extending the loan commitment period for the referenced development.

FISCAL IMPACT:
None

MEETING AGENCY 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

ATTACHMENT(S):
- Background
- Resolution

Background:

Economic Development and Housing Challenge Program – D6395 Urban Homeworks Rental: Reclaim, Phase III, Minneapolis

Urban Homeworks Rental Reclaim consists of 65 units, of which 30 units are foreclosed units. The development was separated into three Phases. Phase II, the first phase to close, closed May 5, 2011 and Phase I closed December 2011. The initial loan commitment for Phase III, a refinance and rehab of occupied properties owned and operated by Urban Homeworks was authorized by the Board in January 28, 2010 and a loan commitment extension was authorized in March 22, 2011.

Focusing their efforts on reclaiming foreclosed properties in North Minneapolis, Urban Homeworks closed a Phase IV on April 11, 2012. The developer is again able to direct its efforts to the closing of Phase III.

The developer is making progress through the closing requirements and staff is requesting an extension to December 31, 2012 to allow time to close.

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION APPROVING MORTGAGE COMMITMENT EXTENSION

WHEREAS, the Board has previously authorized the issuance of a loan commitment on the development hereinafter named by its Resolution No. MHFA 10-5; and an extension by its Resolution No. MHFA 11-054.

WHEREAS, staff represents that the application continues to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations, and policies and an additional extension is necessary in order to close the loan.

NOW THEREFORE, BE IT RESOLVED:

1. Extend the commitment expiration date on the development noted below from September 30, 2012 to December 31, 2012:

- Urban Homeworks Rental: Reclaim, Phase III, Minneapolis - D6395

2. Except for the extended commitment expiration dates, all other terms and conditions of Resolution Nos. MHFA 10-5 and MHFA 11-054 remain in effect.

Adopted this 27th day of September 2012.

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CHAIRMAN

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AGENDA ITEM: 9.A(4)
MINNESOTA HOUSING BOARD MEETING
September 27, 2012

ITEM: Loan Commitment Extension Spruce Apartments

CONTACT: Terri Parker, 651-297-5141
terri.parker@state.mn.us

REQUEST: Select one only

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☑ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff is requesting adoption of the attached Resolution extending the loan commitment time for the referenced development.

FISCAL IMPACT:
None

MEETING AGENCY 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

ATTACHMENT(S):
- Background
- Resolution

Background:

Public Housing Preservation – D6386 Spruce Apartments, Waconia (31 units)

At its January 20, 2010, meeting, the Board approved funding commitments for ten Public Housing preservation projects funded by a GO Bond appropriation to the Agency. Spruce Apartments loan was structured as an end loan. Closing of end loans do not occur until project completion. The end loan structure and obtaining HUD-Washington approval of the loan documents created a need for an additional extension to March 31, 2012 which was granted by the Board at its September 22, 2011, meeting.

A second extension to September 30, 2012 to allow additional time to finalize due diligence items and for the rehabilitation activities to be completed was granted by the Board at its March 22, 2012, meeting.

While preparing to close the end loan for Spruce Apartments an encroachment of the building into a platted right of way was identified. This is resolvable, but will take additional time; therefore, staff is requesting an additional extension to December 31, 2012 to allow for closing.

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION APPROVING MORTGAGE COMMITMENT EXTENSION

WHEREAS, the Board has previously authorized the issuance of a loan commitment on the development hereinafter named by its Resolution No. MHFA 10-5 and two further loan commitment extensions by Resolution Nos. MHFA 11-054 and MHFA 12-015.

WHEREAS, staff represents that the application continues to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations, and policies but needs an additional loan commitment extension in order to resolve an encroachment issue..

NOW THEREFORE, BE IT RESOLVED:

1. Extend the loan commitment expiration date on the development noted below from September 30, 2012 to December 31, 2012:

- Spruce Apartments, Waconia - D6386

2. Except for the extended commitment expiration dates, all other terms and conditions of Resolution Nos. MHFA 10-5, MHFA 11-054 and MHFA 12—015 remain in effect.

Adopted this day of September 27, 2012.

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CHAIRMAN

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AGENDA ITEM: 9.B.(1)
MINNESOTA HOUSING BOARD MEETING
September 27, 2012

ITEM: Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Homeownership Finance Bonds, 2012 Series B (GNMA and FNMA Pass-Through Program)

CONTACT: Don Wyszynski, 651-296-8207 don.wyszynski@state.mn.us
Joe Gonnella, 651-296-2293 joe.gonnella@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☑ Other: Bond Transaction

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:

Agency staff is preparing to issue bonds to provide financing for mortgage loans purchased under its single family first-mortgage programs. Kutak Rock, LLP, the Agency's bond counsel, will send the series resolution and draft Preliminary Official Statement describing the transaction under separate cover. The Board will be asked to adopt a resolution approving the terms of the bond issue on a not-to-exceed basis.

FISCAL IMPACT:

The Agency anticipates achieving results similar to the 2012 Series A bonds issued at the end of July, and consequently the transaction will utilize only a small amount of the Agency's accumulated excess spread to allow the Agency to earn the maximum allowable spread under Federal tax law.

MEETING AGENCY 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

ATTACHMENT(S):

None.

AGENDA ITEM: 9.B.(2)
MINNESOTA HOUSING BOARD MEETING
September 27, 2012

ITEM: 2013 Affordable Housing Plan

CONTACT:

Mary Tingerthal, 651-296-5738
mary.tingerthal@state.mn.us

John Patterson, 651-296-0763
john.patterson@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☑ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ________________________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Attached is the 2013 Minnesota Housing Affordable Housing Plan for Board approval.

FISCAL IMPACT:
The Affordable Housing Plan (AHP) allocates $874 million of federal, state, and agency resources for the period October 1, 2012 through September 30, 2013.

MEETING AGENCY 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

ATTACHMENT(S):
- Summary of Changes – Final AHP versus August Draft
- 2013 Minnesota Housing Affordable Housing Plan

Summary of Changes – Final AHP versus August Draft

Many the changes in the 2013 Affordable Housing Plan (AHP) are clarifications or technical revisions in the plan's narrative. However, there were several large funding changes. The attached table lists all the programs, their proposed funding level in the August draft, their funding level in the final draft, and an explanation of any change. A few large changes need to be highlighted (see attached table for details):

- Low and Moderate Income Rental (LMIR): $60 million increase (see line 11).
- Flood Disaster funding: $12 million increase (line 35).
- Twin Cities Community Land Bank/Family Housing Fund Revolving Funds (estimate of commitments): $8 million reduction (line 29)
- Financing Adjustment Factor (FAF) / Financing Adjustment (FA): $3 million increase (line 28).
- Asset Management: $1 million reduction (line 27).

Finally, a new section (Authorization of Adjustments) was added to the plan (the last section before the appendices). In a rapidly changing and evolving environment, staff anticipate that several changes to the AHP will likely be needed over the year. In this section, staff outline the potential changes for which they seek prior authorization from the Board to make, if needed, without coming back to the Board with an AHP amendment. This will allow the Agency to be nimble, proactive, and responsive.

Changes in Funding from August to September Drafts of 2013 AHP

		Final 2013 Funding	August Draft Funding	Change	Explanation
	Homebuyer and Home Refinance	$419,306,959	$420,455,408	-$1,148,449	
1	Home Mortgage Loans	$350,000,000	$350,000,000	$0	
2	Mortgage Credit Certificates (MCC)	$50,000,000	$50,000,000	$0	
3	Homeownership Assistance Fund (HAF)	$5,841,209	$5,841,209	$0	
4	HOME HELP	$4,000,000	$4,000,000	$0	
5	Amortizing Down-payment and Closing Cost Loans	$5,000,000	$5,000,000	$0	
6	Single Family Interim Lending	$910,000	$910,000	$0	
7	Habitat for Humanity Initiative	$2,000,000	$2,000,000	$0	
8	Homebuyer Education, Counseling, & Training (HECAT)	$1,555,750	$2,704,199	-$1,148,449	$1.2M reduction because NFMC funds (Round 6 of federal foreclosure counseling funds) committed under the 2012 AHP, rather than later during 2013 AHP; reduction partially offset by a $30,000 increase in contributions from Homeownership Center and a higher uncommitted balance.
	Home Improvement	$26,215,000	$26,215,000	$0	
9	Home Improvement Loan Program	$20,465,000	$20,465,000	$0	
10	Rehabilitation Loan Program (RLP)	$5,750,000	$5,750,000	$0	
	Rental Production-New Construction and Rehabilitation	$146,947,057	$86,597,057	$60,350,000	
11	Low and Moderate Income Rental (LMIR)	$90,000,000	$30,000,000	$60,000,000	While reviewing RFP/HTC applications, staff saw an opportunity to finance some developments with first mortgages using tax-exempt bonds, particularly in conjunction with 4% Low Income Housing Tax Credits. Staff estimate that roughly $45 million will be used for short-term bridge loans.
12	Flexible Financing for Capital Costs (FFCC)	$4,000,000	$4,000,000	$0	
13	Low-Income Housing Tax Credits (LIHTC)	$8,043,053	$8,043,053	$0	

Changes in Funding from August to September Drafts of 2013 AHP

		Final 2013 Funding	August Draft Funding	Change	Explanation
14	Affordable Rental Preservation (PARIF and HOME HARP)	$25,315,849	$24,965,849	$350,000	The uncommitted HOME balance is $350,000 higher than originally estimated (2012 CHDO operating support that was funded with Pool 3 funds, rather than HOME. Unused HOME funds transferred to HOME HARP for 2013 activity.)
15	Housing Trust Fund (Capital)	$12,000,000	$12,000,000	$0	
16	Publicly Owned Housing Program (POHP)	$5,567,979	$5,567,979	$0	
17	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$1,520,176	$1,520,176	$0	
18	Rental Rehabilitation Loan Program	$500,000	$500,000	$0	
	Rental Assistance Contract Administration	$179,840,000	$179,840,000	$0	
19	Section 8 - Performance Based Contract Administration (PBCA)	$107,100,000	$107,100,000	$0	
20	Section 8 - Traditional Contract Administration (TCA)	$71,115,000	$71,115,000	$0	
21	Section 236	$1,625,000	$1,625,000	$0	
	Resources to Prevent and End Homelessness (Non-Capital)	$25,074,443	$24,798,672	$275,771	
22	Housing Trust Fund (HTF)	$10,588,219	$10,588,219	$0	
23	Ending Long-Term Homelessness Initiative Fund (ELHIF)	$3,364,781	$3,364,781	$0	
24	Bridges	$3,513,771	$3,238,000	$275,771	Increased estimate of funds from the Minnesota Department of Human Services to fund the Bridges Regional Treatment Center (RTC) pilot program.
25	Family Homeless Prevention and Assistance Program (FHPAP)	$7,465,000	$7,465,000	$0	
26	Housing Opportunities for Persons with AIDS (HOPWA)	$142,672	$142,672	$0	

Changes in Funding from August to September Drafts of 2013 AHP

		Final 2013 Funding	August Draft Funding	Change	Explanation
	Rental Portfolio Management	$6,460,090	$4,368,737	$2,091,353	
27	Asset Management	$3,100,000	$4,100,000	-$1,000,000	Less funding needed because of increase in FAF/FA activity; see line 28.
28	Financing Adjustment Factor (FAF) / Financing Adjustment (FA)	$3,360,090	$268,737	$3,091,353	Increased estimate of activity that will occur under this program. With fewer interest-saving earnings flowing into the program, the Agency will spend down the uncommitted balance as the program winds down.
	Multiple Use Resources	$55,005,198	$63,004,698	-$7,999,500	
29	Economic Development and Housing/ Challenge (EDHC)	$49,489,227	$57,489,227	-$8,000,000	Reduced estimate of commitments that will occur in 2013 under the two revolving loans funds that support the TCCLB - $12M rather than $20M. Need time to ramp up activity under the new loan structure and amount.
30	Technical Assistance and Operating Support	$2,515,971	$2,515,471	$500	Fixed incorrectly entered funding amount.
31	Non-Profit Capacity Building Loan Program	$1,000,000	$1,000,000	$0	
32	Strategic Priority Contingency Fund	$2,000,000	$2,000,000	$0	
	Other	$15,592,951	$3,323,554	$12,269,397	
33	Administrative Expenses HOME	$615,415	$615,415	$0	
34	Manufactured Home Relocation Trust Fund	$1,279,536	$1,279,536	$0	
35	Flood Disaster	$12,720,000	$588,017	$12,131,983	$12,720,000 disaster appropriation on August 24, less $450,603 cancellation of 2010 flood funds and transfer of $137,414 of other disaster funds to the Disaster Relief Contingency Fund (see line 36).
36	Disaster Relief Contingency Fund	$978,000	$840,586	$137,414	Transfer of disaster funds ($137,414) from the Flood Disaster (EDHC) program (see line 35).
	Total	$874,441,698	$808,603,126	$65,838,572	

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2013 Affordable Housing Plan

Minnesota Housing Finance Agency

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2013 Affordable Housing Plan

Executive Summary

The 2013 Affordable Housing Plan (AHP) is Minnesota Housing's annual business plan for carrying out the Agency's core work for the upcoming year and implementing the 2013-15 Strategic Plan. The AHP outlines key programmatic and policy initiatives for the year, specifies program-by-program funding, and establishes production targets. In total, the plan allocates more than $874 million of federal, state, and agency housing resources, which will assist approximately 67,900 households or housing units.

The housing and financial markets and economy have seen dramatic changes since 2008. Rather than waiting for conditions to become "normal" again, the Agency is embracing a "new normal" and has updated many of the Agency's products and tools to meet evolving housing needs and market conditions. Overall, the work in the plan reflects three driving approaches that are critical for operating in the current environment:

- **Being nimble**
- **Being proactive**
- **Being responsive**

To help accomplish this, Minnesota Housing has decided to switch from a two-year to a one-year AHP.

Being strategic and proactive is more critical than ever. The need for affordable housing is growing, while the resources to meet that need are shrinking. The percentage of Minnesotans who are cost burdened by their housing payments (spending more than 30% of their income on housing) increased from 22 percent in 2000 to 33 percent in 2010.[1] In 2010, more than half of lower-income households (58 percent) were cost-burdened.[2] At the same time, resources are shrinking to meet the growing need. Not only is the market for selling housing bonds very challenging, but the federal government and state have cut funding for housing. Between 2011 and 2012, the federal government cut HOME funding to Minnesota from $9.2 million in 2011 to $6.2 million in 2012, and the state reduced its biennial appropriation to the Agency from $82.0 million for 2010/11 to $76.1 million for 2012/13. Minnesota Housing needs an effective plan for moving forward in this environment.

Key changes and initiatives for 2013 will include:

- **Implementing the Agency's new Strategic Plan.** To move forward proactively and strategically in the current environment, Minnesota Housing has established five priorities for 2013 through 2015:
    - Promote and support successful homeownership,
    - Preserve federally subsidized rental housing,
    - Address specific and critical needs in rental housing markets,
    - Prevent and end homelessness, and
    - Prevent foreclosures and support community recovery.

The other key initiatives listed below are directly aligned with these priorities.

- **Adding financing tools to overcome challenges presented by the housing bond market.** The changes include:

    - Selling tax-exempt bonds with a different payment structure to attract investors who purchase mortgage-backed securities, rather than relying solely on investors who purchase municipal tax-exempt bonds,
    - Selling the Agency's mortgage-backed securities on the secondary market to access attractively-priced private capital, and
    - Potentially issuing mortgage credit certificates (which provide income tax credits for eligible homeowners for a portion of the mortgage interest they pay), which is an alternative use of the Agency's bonding authority.

- **Implementing a revised and enhanced set of homeownership and home improvement loan products.** With these changes, the Agency will serve a full range of low- and moderate-income homebuyers and homeowners across the state in the new housing market. The primary focus will continue to be on "start up" products for first-time homebuyers and "fix up" products for home improvement and rehabilitation, but the Agency will also have, for the first time, "step up" products for existing homeowners to refinance or move into a new home.

- **Using tax-exempt bonds for multifamily lending to enable developments to become eligible for 4% housing tax credits.** To be eligible for the 4% credits, at least 50% of a development's costs must be financed with tax-exempt bonds. This initiative will make it easier for Minnesota to more fully utilize an existing financing source.

- **Enhancing and refining the state's strategies and tools for preserving and stabilizing affordable rental housing, particularly federally-subsidized units.** This includes: (1) collaboration with the Agency's funding partners through the Minnesota Preservation Plus Initiative (MPPI), and (2) an internal initiative (PINES – Preservation: Indentifying Needs and Establishing Strategies) to enhance existing data, tools, and processes and be proactive and preventative in preserving and stabilizing the Agency's rental portfolio.

- **Working with partners and stakeholders around the state to understand and meet their specific affordable housing and community development needs.** Minnesota is not monolithic, and needs vary. Minnesota Housing realizes that a strict one-size-fits-all approach does not work and that its programs need to flexible enough to address not only statewide needs but also community specific needs.

- **Refocusing the state's efforts to prevent and end homelessness.** With the anticipated achievement of 4,000 additional housing opportunities - the primary goal under the state's Business Plan to End Long-Term Homelessness - the state needs to develop a new plan for the next phase of its efforts to prevent and end homelessness.

- **Continuing current foreclosure prevention efforts but also focusing resources on recovery as communities move beyond the crisis.** Community recovery from the foreclosure crisis is more than a housing recovery. For a community that was destabilized to once again become a desirable place to live, it needs job opportunities, good schools, safe neighborhoods, access to public transportation, and places to shop and participate in community activities. The Agency's housing investments will be integrated with these other recovery efforts.

- **Developing a better understanding of how the Agency can effectively support its delivery partners across the state.** Minnesota Housing relies on partners to deliver the products and services that it finances. The Agency needs effective partners to achieve its mission.

- **Securing state funding for 2014-15 during the 2013 legislative session and advocating nationally for effective use of federal resources for affordable housing.** Minnesota Housing receives a large share of its resources from federal and state appropriations and federal tax law (exemptions and credits). Effectively securing and using these resources is critical to the Agency successfully fulfilling its mission.

The Agency developed the 2013-15 Strategic Plan and 2013 AHP through a thorough process that included an assessment of the housing environment, a statewide survey of housing partners and stakeholders, seven regional housing dialogues in six locations around the state, discussions with staff and the Agency's Board, and a public comment period for initial drafts.

The 2013 AHP contains the following sections:

- Program Budget Overview
- Key Initiatives
- Funding by Strategic Priority
- Household and Unit Projections
- Funding by Source
- Authorization of Adjustments
- Appendix A: Program Funding by Source
- Appendix B: "Gap/Affordability" Financing by Program – Appropriated and Pool 3 Funds – 2012 and 2013
- Appendix C: Program Narratives

Program Budget Overview

As shown in Table 1, the Agency's 2013 program budget is $874 million, which is a 33 percent increase from the previous year. In a period of a challenging bond market and reduced appropriations, the Agency is able to increase its budget by identifying additional funding options and aggressively pursuing those that will further the Agency's mission of financing affordable housing for low- and moderate-income Minnesotans.

Table 1: Funding by Program Category

Program Category	Original 2012 AHP	Proposed 2013 AHP
Homebuyer and Home Refinance	$271,204,957	$419,306,959
Home Improvement	$26,215,000	$26,215,000
Rental Production - New Construction and Rehabilitation	$113,621,769	$146,947,057
Rental Assistance Contract Administration	$181,625,000	$179,840,000
Resources to Prevent and End Homelessness (Non-Capital)	$22,005,304	$25,074,443
Rental Portfolio Management	$4,375,015	$6,460,090
Multiple Use Resources	$36,458,538	$55,005,198
Other	$3,101,697	$15,592,951
Total	$658,607,280	$874,441,698

The primary changes in funding are:

- The Agency will increase its Homebuyer and Home Refinance activity by roughly $100 million by adding financing tools (primarily selling mortgage-backed securities on the secondary market) and by expanding the Agency's mortgage products from only serving first-time homebuyers to also serving certain existing homeowners. This will be supplemented with an additional $50 million of mortgage enhancements through mortgage credit certificates.

- The Agency will expand its amortizing lending for rental housing under the Low and Moderate Income Rental (LMIR) program by $22 million (from a proposed level of $68 million in 2012 to $90 million in 2013). Of the $90 million budget for LMIR, $70 million will be financed with tax-exempt bonds to enable developments to be eligible for 4% housing tax credits. This increase is shown in the Rental Production line in Table 1.

- The Agency will receive $5.5 million of general obligation bond proceeds and $30 million of housing infrastructure bond proceeds from the 2012 state bonding bill. Bonding proceeds from the state were not available in 2012. In Table 1, the bond proceeds are split between Rental Production and Multiple Use Resources.

- The Agency recently created two new revolving loan funds to support the lending activities of the Twin Cities Community Land Bank (TCCLB) by restructuring $13 million of existing debt and adding $7 million of new funds. Of the $20 million in the two funds, Minnesota Housing estimates that it will commit $12 million during the 2013 AHP. In Table 1, this funding is included in Multiple Use Resources.

- With the floods in Northeast Minnesota, the Legislature appropriated $12.7 million for disaster recovery. The Other category in Table 1 shows this funding.

- There were some slight funding reductions. For example, in 2012, the Agency launched a new pilot program for rental property rehabilitation in rural Minnesota (Rental Rehabilitation Deferred Loan program), largely with a $7 million balance of uncommitted funds from previous years' appropriations. The Agency carried out a successful launch of the program, which will continue in 2013 at a lower level of funding because a relatively large balance of uncommitted funds is no longer available. In addition, the Rental Rehabilitation Deferred Loan (RRDL) contracts are for two years, and local administrators will still be deploying 2012 funds in 2013.

Overall, the Agency developed the funding decisions in the 2013 AHP based on several factors, which include:

- Fulfilling the Agency's mission,
- Following the strategic priorities outlined in the 2013-15 Strategic Plan,
- Accessing all funding sources that the Agency can effectively use to further its mission,
- Matching funding sources with the activities that they can legally and effectively support (state and federal appropriations and federal tax law restrict how funds can be used),
- Serving the full spectrum of low- and moderate-income Minnesota households, which range from extremely-low to moderate income, homeowners to renters, urban to rural, etc.,
- Meeting the varying needs of these Minnesota households,
- Funding a full spectrum of affordable housing activities, which include homeownership, home improvement, new rental construction, rental preservation, rental assistance, supportive housing, homeless prevention, foreclosure prevention, community recovery, etc.,
- Directing "gap/affordability" funds (grants and deferred loans) to the Minnesota households needing the most help to obtain stable housing,
- Examining the long-term sustainability of the funding, and
- Maintaining the Agency's long-term financial strength.

In addition, the Agency is continually investigating ways to provide additional support. For example, the Agency is currently considering becoming a MAP (Multifamily Accelerated Process) lender, which would improve access to low-cost mortgages for multifamily developers and reduce the need for deferred loan financing.

The program categories in Table 1 summarized the 36 programs carried out by the Agency. Table 2 lists each of the programs and their 2013 budget, along with basic program information. For more detailed information about each program, see Appendix C.

Table 2: 2013 Budget and Program Summary

		2013 Funding	Activity	Median Income Served	Percentage Served from Communities of Color
	Homebuyer and Home Refinance	**$419,306,959**			
1	Home Mortgage Loans	$350,000,000	First Mortgage	$43,660	23%
2	Mortgage Credit Certificates (MCC)	$50,000,000	Tax Credit on Interest	N/A	N/A
3	Homeownership Assistance Fund (HAF)	$5,841,209	DP and CC Assistance*	$43,536	27%
4	HOME HELP	$4,000,000	DP and CC Assistance*	$37,607	43%
5	Amortizing Down-payment and Closing Cost Loans	$5,000,000	DP and CC Assistance*	N/A	N/A
6	Single Family Interim Lending	$910,000	Revolving Deferred Loan	$35,220	40%
7	Habitat for Humanity Initiative	$2,000,000	Homebuyer Financing	$33,900	86%
8	Homebuyer Education, Counseling, & Training (HECAT)	$1,555,750	Education & Counseling	$34,944	26%
	Home Improvement	**$26,215,000**			
9	Home Improvement Loan Program	$20,465,000	Home Improvement Loan	$62,750	8%
10	Rehabilitation Loan Program (RLP)	$5,750,000	Home Improvement Loan	$13,211	11%
	Rental Production- New Construction and Rehabilitation	**$146,947,057**			
11	Low and Moderate Income Rental (LMIR)	$90,000,000	Amortizing Loan	$21,840	38%
12	Flexible Financing for Capital Costs (FFCC)	$4,000,000	Deferred Loan	N/A	N/A
13	Low-Income Housing Tax Credits (LIHTC)	$8,043,053	Investment Tax Credit	$18,532	49%
14	Affordable Rental Preservation (PARIF and HOME HARP)	$25,315,849	Deferred Loan	$13,845	43%
15	Housing Trust Fund (Capital)	$12,000,000	Deferred Loan	$9,060	52%
16	Publicly Owned Housing Program (POHP)	$5,567,979	Deferred Loan	$11,172	41%
17	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$1,520,176	Deferred Loan	N/A	N/A
18	Rental Rehabilitation Loan Program	$500,000	Amortizing Loan	$27,600	89%
	Rental Assistance Contract Administration	**$179,840,000**			
19	Section 8 - Performance Based Contract Administration (PBCA)	$107,100,000	Rent Assistance	$10,534	37%
20	Section 8 - Traditional Contract Administration (TCA)	$71,115,000	Rent Assistance	$11,752	24%
21	Section 236	$1,625,000	Interest Rate Reduction	N/A	N/A
	Resources to Prevent and End Homelessness (Non-Capital)	**$25,074,443**			
22	Housing Trust Fund (HTF)	$10,588,219	RA and OS**	$7,680	64%
23	Ending Long-Term Homelessness Initiative Fund (ELHIF)	$3,364,781	RA and OS**	$8,328	63%
24	Bridges	$3,513,771	Rent Assistance	$9,234	28%
25	Family Homeless Prevention and Assistance Program (FHPAP)	$7,465,000	Grants	$9,360	52%
26	Housing Opportunities for Persons with AIDS (HOPWA)	$142,672	Grants	$15,807	49%
	Rental Portfolio Management	**$6,460,090**			
27	Asset Management	$3,100,000	Loans	N/A	N/A
28	Financing Adjustment Factor (FAF) / Financing Adjustment (FA)	$3,360,090	Loans & Grants	N/A	N/A

		2013 Funding	Activity	Median Income Served	Percentage Served from Communities of Color
	Multiple Use Resources	**$55,005,198**			
29	Economic Development and Housing/ Challenge (EDHC)	$49,489,227	Loans & Grants	$27,756	50%
30	Technical Assistance and Operating Support	$2,515,971	Grants	N/A	N/A
31	Non-Profit Capacity Building Loan Program	$1,000,000	Revolving Deferred Loan	N/A	N/A
32	Strategic Priority Contingency Fund	$2,000,000	Loans & Grants	N/A	N/A
	Other	**$15,592,951**			
33	Administrative Expenses HOME	$615,415	Admin.	N/A	N/A
34	Manufactured Home Relocation Trust Fund	$1,279,536	Grants	N/A	N/A
35	Flood Disaster	$12,720,000	Loans & Grants	N/A	N/A
36	Disaster Relief Contingency Fund	$978,000	Loans & Grants	N/A	N/A
	Total	**$874,441,698**			

* "DP and CC Assistance" is Down-payment and Closing Cost Assistance
** "RA and OS" is Rental Assistance and Operating Support

As shown in Table 2, the two biggest program areas for the Agency are mortgages for homebuyers and home refinancing (line 1) and the administration of Section 8 contracts for project-based rent assistance (lines 19 and 20). Both of these areas are critical for the Agency to fulfill its mission. The mortgage activity allows low- and moderate-income households to pursue the dream of homeownership, which they would have otherwise struggled to achieve. In light of the foreclosure crisis, Minnesota Housing expands its commitment to promote and support successful homeownership. The mortgage program is also the Agency's primary business engine that generates revenues to cover agency-wide operating expenses and fund the Agency's Pool 3/Foundation, which finances grant and deferred-loan activity throughout the Agency. To complement the single family mortgage activity, the Section 8 program (project-based) makes it possible for about 30,000 of the state's lowest income households to spend only 30 percent of their income on rent and utilities. Another large program is the Low Income Housing Tax Credit (LIHTC) program (line 13). While the agency will allocate $8.0 million of tax credits in 2013 to developments for lower income renters, these credits will likely generate between $64 million and $75 million in private capital to finance the developments, depending on the pricing of the tax credits.[3]

Table 2 also includes a new line item for the budget – "Strategic Priority Contingency Fund" (line 32). During the year, a few programs are likely to need additional funds. To be nimble and responsive, the Agency has set aside $2 million of contingency funds to meet those needs.

Table 2 also shows the full spectrum of low and moderate income households that the Agency serves, based on historical data. Rent assistance programs (lines 19-24) typically serve households with incomes around $10,000, while the Home Improvement Loan Program (line 9) serves households in the $60,000 range. The rental property development programs and the homebuyer programs serve households with incomes in between. For comparison, the statewide area median income is $73,900 in 2012.[4]

Minnesota Housing also serves each region of the state in relative proportion to each region's share of households and jobs. This includes the Twin Cities metropolitan area, Greater Minnesota job centers, and rural areas. While the Agency does not use a rigid regional allocation formula, the Agency is committed to monitoring the distribution to determine if it is distributing resources in a manner that is reasonably proportional. This Agency's historical track record of proportional allocations can be found in the Agency's report *Regional Distribution of Minnesota Housing Assistance*.[5]

Finally, Table 2 shows the percentage of households served that are from communities of color or Hispanic ethnicity, based on historical data. Minnesota Housing wants to make sure that households that have traditionally faced barriers to affordable housing have access to its programs. As shown in Table 2, households from communities of color or Hispanic ethnicity represent a relatively large share of the households served by the Agency.

Key Initiatives

As the previous section outlined, Minnesota Housing provides a full spectrum of housing finance options to serve a wide range of low- and moderate-income households across the state. To enhance these core business functions and implement the 2013-15 Strategic Plan, the Agency will carry out several key initiatives in 2013.

Financial Operations

The current condition of financial markets and the economy have created challenges for the Agency. With a lackluster recovery from the Great Recession and ongoing concern about the European debt crisis, interest rates in general, and mortgage rates in particular, are expected to remain very low. To spur the economy, the Federal Reserve Bank has committed to keep interest rates low, particularly long-term rates, through 2014. In addition, uncertainty about European debt has made investing in U.S. Treasury securities more attractive, which has also kept U.S. interest rates low. In an environment where mortgage rates are at historic lows, the Agency's ability to effectively use tax-exempt mortgage revenue bonds to finance mortgages with interest rates below these historically low rates has been very limited since the fall of 2008. To alleviate the situation, the federal government created the New Issue Bond Program (NIBP), which allowed the Agency to borrow from the U.S. Treasury at very low interest rates (similar to the 10-year Treasury rate) from the fall of 2009 through December of 2011. NIBP allowed the agency to provide mortgages with interest rates at or below market rates.

With the tax-exempt bond market continuing to face challenges and the expiration of NIBP, the Agency has explored alternative financing strategies. In all likelihood, the Agency will utilize each of the following options to some degree in the coming year.

- **Selling tax-exempt bonds with a different structure.** In the past, the Agency has sold its bonds to traditional buyers of municipal tax-exempt bonds. As discussed, this market has been very challenging, preventing the Agency from receiving favorable interest rates. However, in August of 2012, the Agency developed a unique bond offering by restructuring the bond payments and targeting investors who typically purchase mortgage-backed securities, rather than municipal tax-exempt bonds. All of the mortgages backing these bonds will be insured/guaranteed by the Federal Housing Administration (FHA), USDA-Rural Development, or the Veterans Administration and will be packaged into mortgage-backed securities guaranteed by Ginnie Mae. The bond sale was extremely successful and will be a model for future sales.

- **Selling the Agency's mortgage-backed securities (MBSs) to private investors.** Because the Agency's single family loans are securitized into Ginnie Mae or Fannie Mae mortgage-backed securities, and because there is a very large investor market for these securities, the Agency can form and sell these securities as the loans are originated. At current loan rates, these securities can be sold for an upfront "premium" that approximates what the Agency could expect to earn over time on a bond issue. This funding option will be used to finance any loans originated to non-first-time home buyers since those loans will not be eligible to be included in a tax-exempt bond issue.

- **Issuing mortgage credit certificates (MCCs).** The Agency can convert a portion of its bonding authority to MCCs which allows borrowers receiving an MCC to utilize a portion of their interest expense on a mortgage loan as a tax credit rather than taking an itemized deduction on their tax return.

- **Retaining mortgage-backed securities as Agency investments.** The Agency generates substantial cash flow on a monthly basis, and holding an MBS as an investment can provide a much higher yield than non-loan investment alternatives available to the Agency. Minnesota housing will make investment decisions based on which options generate the best risk-adjusted yield and return for the Agency.

Another source of financing that could be more fully utilized is 4% Low Income Housing Tax Credits for rental housing. These credits are worth about one-third as much as the regular 9% credits, and competition for them is less intense. However, to qualify for them, at least 50% of a development's costs must be financed with tax-exempt bonds. Based on a review of the applications for multifamily financing in the 2012 RFP (request for proposals), Minnesota Housing anticipates providing as much as $70 million of tax-exempt bond financing to developments, making them eligible for the 4% credits. An estimated $45 million of the tax-exempt bond production will likely serve as short term bridge loans.

Programs that Support Homebuyers, Homeowners, and Home Improvement

To serve low- and moderate-income homebuyers across the state with varying financial needs and conditions, Minnesota Housing's first mortgage and down-payment/closing cost loans have evolved over time and increased in complexity. To address this complexity, the Agency recently redesigned its first mortgage programs to provide homebuyers with more attractive home-buying financing tools in the current market. The changes include:

- Simplifying the mortgage revenue bond (MRB) compliant programs to one program;

- Providing down-payment and closing cost loans to more borrowers by adding a new interest-bearing, repayable option to supplement the existing interest-free, deferred-loan options; and

- Expanding the pool of eligible borrowers, which will include:
    - Increasing income limits for first-time homebuyer from 80 to 100 percent of area median income on a permanent basis for one and two person households;
    - Increasing the income limit for 3+ person households to 115% of area median income; and
    - Creating non-first-time homebuyer options for home purchases and mortgage refinances.

The Agency expects these efforts to expand production for Minnesota Housing's Home Mortgage Loan Program from $250 million in 2012 to $350 million in 2013. The purpose of these changes is to serve more low- and moderate income homebuyers and homeowners who are not being served by the private market, not to shift resources away from the Agency's traditional borrowers. For example, existing homeowners will be served through Fannie Mae's Preferred Risk Sharing program, which is only available through Housing Finance Agencies (HFAs). In addition, with these changes, Minnesota Housing will maintain its commitment to serving at least as many borrowers with incomes less than 80 percent of area median income and emerging market homebuyers (households of color or Hispanic ethnicity) as the Agency served before these changes.

Minnesota Housing's Board has already approved the changes to the Home Mortgage Loan Program, and the changes should be in place before year-end. Effectively implementing and monitoring these changes will be a primary goal for 2013. The redesigned program will better serve low- and moderate-income homebuyers and homeowners in Minnesota and help promote and support successful homeownership.

In addition, the Agency has revised its home improvement loan products, which it has offered since 1976. Loan volume has varied through the program's history, but traditional activity has been declining in recent years reflecting the economic decline in the broader home improvement sector. Although recent volume has appeared strong, it was temporarily supported by the availability of Energy Saver Rebates, which were funded with federal stimulus money and used to encourage energy-efficient home improvements. While use of the Agency's improvement products has declined, the need is not subsiding. The state's homeowner housing stock is aging with a median of 42 years.[6] In addition, with recent property value declines, some homeowners do not have the equity to secure a traditional home improvement or home equity loan. At the end of 2011, 18.4 percent of Minnesota households with a mortgage were underwater, owing more on their mortgages than their homes are worth.[7]

The home improvement program changes include:

- Offering loans with a lower interest rate (1 percentage point lower) for energy efficiency and home accessibility improvements, increasing lender per-loan payments, and eliminating pre-payment penalties.

- Providing greater clarity in underwriting standards for lenders, including establishing minimum credits scores of 620.

- Re-introducing an unsecured home improvement loan as a way to increase financing options for homeowners with nominal cost improvements and/or limited equity in their homes. To manage risk, the unsecured loans will have a higher interest rate and higher minimum credit score than secured loans. They will also contain an incentive for borrowers that choose payments through automatic withdrawal.

These changes to the home improvement programs went into effect in June, 2012 and are expected to increase loan production over time. Greater production will help the Agency promote and support successful homeownership. Affordably maintaining a home is a key part of being a successful homeowner, but it can be a struggle for low- and moderate-income homeowners. In addition, the unsecured loan option will help communities recover from the price declines caused by the foreclosure crisis and market collapse by allowing underwater homeowners to obtain financing and make essential investments in their homes.

Foreclosures continue to be an issue in Minnesota. The number of sheriff sales increased dramatically from 7,000 in 2005 to a high of 26,000 in 2008. Since then, the number has leveled off – staying between 21,000 and 26,000.[8]

To support community recovery from the foreclosure crisis, the Agency is exploring the possibility of helping establish a contract-for-deed program in Greater Minnesota with $4 million of financing. The program would be similar to the Bridge to Success program that the Agency helped finance with $10.4 million in 2012 in the Twin Cities. Bridge to Success has the goal of increasing the pool of homebuyers of foreclosed properties in targeted metro-area neighborhoods by providing contract-for-deed financing with intensive counseling and monitoring for transactions not yet eligible for traditional mortgage financing.

Finally, the Agency continues to support homebuyer and foreclosure counseling through its Homeownership Education, Counseling Training, and Counseling (HECAT) program ($1.6 million) and the National Foreclosure Mitigation and Counseling (NFMC) program. Minnesota Housing will apply for another round of NFMC funding that may become available. Minnesota has been one of the most successful states in securing and using NFMC funds. Since the creation of the program, the state has received $14.6 million, which is the third highest among states. Only California and Pennsylvania, two more populous states, have received more. The state has used these funds very effectively. Of the households seeking foreclosure counseling, 60 percent avoided foreclosure, with 89 percent of those households staying in their homes.[9]

Programs that Support Renters and the Homeless

Minnesota Housing is directly involved in two broad-based initiatives to preserve the affordability and physical condition of affordable rental housing. This first initiative is the Minnesota Preservation Plus Initiative (MPPI), which is a partnership among the Family Housing Fund, the Greater Minnesota Housing Fund, and Minnesota Housing with financial support from the MacArthur Foundation. This ongoing initiative continues to expand, accelerate, and leverage the existing preservation work being done in Minnesota. Key activities include:

- Continuing to explore avenues for developing a statewide database of affordable rental housing to better understand the location and characteristics of the state's inventory;

- Significantly expanding the use of Minnesota Housing's property-risk predictive model to facilitate early detection of at-risk properties, which includes monitoring financial, physical, and operational conditions; and

- Funding a feasibility study to explore local threats to existing unsubsidized affordable properties.

The second initiative (PINES, which stands for Preservation: Indentifying Needs and Establishing Strategies) is an internal effort at the Agency that is aligned with MPPI. Under PINES, the Agency will refine and enhance existing data, tools, and processes to be more proactive and preventative in preserving and stabilizing the Agency's multifamily portfolio. In the first year of the initiative, the Agency refined the criteria and thresholds for identifying properties at imminent risk of losing their subsidies without additional investments. In the upcoming year, the Agency will start refining the criteria and thresholds for identifying properties that may not be at imminent risk of losing their subsidies but need investments to stabilize the property and prevent imminent risk in the future.

While preserving the affordability and physical condition of all affordable housing in the state is important Agency work, preserving the state's federally-subsidized rental housing is critical and a strategic priority. Tenants in federally subsidized units only pay 30% of their income on housing (rent and utilities). The state needs to keep and preserve these subsidies. Minnesota has almost 40,000 housing units with federally-funded project-based rent assistance – nearly 31,000 units through Section 8 and 7,000 units through USDA Rural Development. In the spring of 2011, Minnesota staff prepared a preliminary estimate that roughly 30% of the Section 8 units were at risk of leaving the program. In addition, many of these properties are now 30 to 40 years old and becoming dated and needing repair and rehabilitation. A substantial portion of them also lack sufficient reserves to pay for substantial repair and rehabilitation. For example, the Agency recently found that 19% of the Section 8 properties in which the Agency has financing have reserve levels less than $1,500 per unit and another 17% have reserves of $1,500 to $2,999 per unit. Regardless of property condition, reserves of $1,500 per unit are a concern, and reserves between $1,500 and $2,999 per unit are likely a concern, particularly for older properties that are becoming dated.

In addition to focusing on preservation, Minnesota Housing will examine ways that the Agency can fund developments that meet specific and critical needs in rental markets. During the community engagement process for the development the Strategic Plan and the AHP, partners and stakeholders identified specific rental housing needs that were critical to their community, but not necessarily a statewide need. These included shortages of:

- Rental housing in general, reflected by low vacancy rates and rising rents,
- Workforce housing in communities with strong job growth,
- Rental properties with large units (multiple bedrooms) for large families, and
- Affordable senior housing, particularly in older communities.

Putting this priority into practice will be a key goal for the upcoming year. The process will start by evaluating funding applications that the Agency received in 2012 and finding developments that did not score well in the selection process because they did not meet the statewide needs emphasized in the selection process but might meet a critical local need that is clearly documented. In addition, the Agency will emphasize ongoing dialogues with communities about their housing and community development needs. The Agency recently refined the position description for its Community Development Director to focus on this type of work. Finally, ongoing research and data analysis by the Agency related to local needs, such as housing for seniors, will play a key role. Based on these assessments, the Agency will explore ways to refine the selection/funding processes to accommodate critical local needs that are well substantiated and documented.

Minnesota Housing will also examine other ways to adjust funding options to accommodate the identified local needs. For example, the Agency will:

- Continue to work with the National Council of State Housing Agencies (NCSHA) to change requirements under the Low Income Housing Tax Credit (LIHTC) program to allow income averaging. Rather than requiring each tenant to have an income at or below 60 percent of the area median income (AMI), LIHTC would require the average of all the tenants to be at or below 60 percent (with no tenant having an income greater than 80 percent of AMI). This would encourage mixed income developments and support workforce housing. For example, a working family with an income at 78 percent of AMI could live in a tax credit unit as long as they were offset by another household with an income at or below 42% of AMI.

- Encourage mixed-income developments that use Minnesota Housing's multifamily first mortgage program (LMIR – Low and Moderate Income Rental) in combination with a shallow subsidy (deferred loan) to support new construction in communities with low vacancy rates, particularly those with a growing workforce.

- Encourage developments that use resources that are less scarce and competitive (such as tax-exempt bond financing with 4% tax credits) to expand the amount of available resources to meet these local needs.

Preventing and ending homelessness is another strategic priority for Minnesota Housing. While the Agency and its partners have made significant strides in creating permanent supportive housing opportunities for the long-term homelessness, more needs to be done. According to Wilder Research's survey (carried out every three years), the number of homeless increased from 9,244 in 2006 to 13,100 in 2009.[10]

The Agency and its partners need to refocus the state's homelessness efforts. This will include:

- Strengthening the Minnesota Interagency Council on Homelessness (MICH). Minnesota Housing Commissioner Tingerthal has already received the commitment from nine state agency commissioners to participate in MICH and meet on a regular basis to coordinate homelessness efforts across the departments. The work of the commissioners will be supported by regular meetings and work of the agencies' policy directors and program staff.

- Initiating the development of a new plan for ending and preventing homelessness. With the anticipated achievement of 4,000 additional housing opportunities - the primary goal under the state's Business Plan to End Long-Term Homelessness - a new framework needs to be developed that will address the state's effort to prevent and end homelessness.

- Hiring a State Director for Preventing and Ending Homelessness, who will guide the implementation of the state's strategic and business plan to prevent and end homelessness, help align and maximize opportunities with the federal strategic plan, and promote coordination among the state agencies' policies and programs.

- Implementing new federal HEARTH Act requirements. New interim rules for the Continuum of Care (CoC) program have been issued under the federal HEARTH Act. (The CoC program provides a framework for participating organizations to coordinate the delivery of housing and services to address homelessness in a community.) For example, the new interim rules require a coordinated intake and common assessment of all participants receiving support under the CoC programs. In addition, the federal government will start to evaluate CoC organizations not only on their performance of HUD-funded activities but also on non-HUD-funded activities as well. These two changes, among others, will require greater coordination within and across the CoCs with support from Minnesota Housing and the Department of Human Services.

Agency-Wide / Crossing-Cutting Activities

Minnesota Housing will be leader and strong voice for affordable housing across Minnesota and in Washington DC. Key activities for the year will include:

- Securing state funding for 2014-15 during the 2013 legislative session. Over the last several years, Minnesota Housing has been very successful in demonstrating to the Legislature the need for affordable housing and the success of the Agency's programs in meeting those needs. During the 2012 session, the Agency received $5.5 million in general obligation bond proceeds for rehabilitating public housing and $30 million in housing infrastructure bond proceeds for creating supportive housing for the long-term homeless, preserving affordable rental housing, investing in foreclosed rental properties, and supporting community land trusts. During the 2011 session, Minnesota Housing received only a modest decrease in its state appropriation relative to the size of the projected budget deficit that the Legislature needed to eliminate.

- Advocating nationally for the effective use of federal resources for affordable housing. In July, Commissioner Tingerthal submitted four policy papers to the Bipartisan Policy Center's Housing Commission. The topics covered:

  - A temporary increase in Low Income Housing Tax Credits (LIHTC) for preservation,
  - Continuing rental assistance for USDA Rural Development properties with maturing mortgages,
  - Authority to reallocate chronically unused project-based rent assistance, and
  - An affordable housing and supportive services demonstration for older adults in rural communities.

  As the Bipartisan Commission writes its full report in the fall of 2012 and presents it to the President and Congress in 2013, the Agency will continue to advocate for the adoption of these and other national policy initiatives.

  During the 2013, the Agency will also continue to work with the National Council of State Housing Agencies (NCSHA) and other national partners in advocating for affordable housing funding and strong housing policies that support low- and moderate-income households and effective community development. As the federal government wrestles with its large deficit, maintaining strong Low-Income Housing Tax Credit and Tax-Exempt Mortgage Revenue Bond programs will be particularly important.

During 2013, the Agency will also develop a better understanding how it can effectively support its delivery partners across the state. Minnesota Housing is a finance agency that relies on partners to deliver the products and services that it finances. These partners include lenders, developers, service providers, community groups, counties, cities, housing authorities, and others. For 2013, the Agency has budgeted about $2.5 million for technical assistance and operating support, which is supplemented with another $1.9 million of new commitments from two revolving loan funds for interim lending (the Non-Profit Capacity Building Loan Program and the Single Family Interim Lending program, which have a combined size of $9.3 million in assets). The agency will assess how it can most effectively use these funds and support its partners. For example, in this AHP, the Agency will fund operating support for CHDOs (Community Housing Development Organizations) with $300,000 of Agency Pool 3/Foundations funds.

Minnesota Housing will support the Metropolitan Council as it creates a Fair Housing Equity Assessment (FHEA) for the Twin Cities metropolitan area. The FHEA is a requirement under the Sustainable Communities Regional Planning Grant that the Council received from HUD and will assess issues related to access to opportunities (e.g. quality jobs, schools, transportation, services, and amenities), concentration of poverty, racial segregation, and Fair Housing. This assessment, along with the Agency's own research, will help Minnesota Housing continually assess its RFP (request for proposal) and LIHTC selection criteria. The goal of the criteria is to appropriately balance multiple, and at times competing, priorities – including economic integration, location efficiency, access to opportunities, community revitalization, and preservation of federally subsidized rental housing.

Funding by Strategic Priority

Table 3 shows Minnesota Housing's funding by strategic priority. The first two sets of priorities are "comprehensive priorities" because almost all of the Agency's funding can be allocated between the two of them. The comprehensive rental category combines two priorities – preserving federally subsidized housing and addressing specific and critical needs in rental housing markets. The last two priorities are "targeted" because only a subset of the Agency's funding is allocated to them. (It should be noted that the same funds can fulfill more than one priority. In addition, the program areas in the shaded boxes are sub-components of the overall program listed above the box.)

As the last line of Table 3 shows, Agency funding is split 56/44 between homeownership and rental housing. As discussed earlier, the expansion of the Agency's homebuyer and refinancing mortgage programs and the availability of new sources of capital increased homeownership activity, but the Agency is also increasing its amortizing lending for rental housing and will use state bonding proceeds largely for rental housing.

The $40.5 million projected for preventing and ending homelessness accounts for 5 percent of the overall budget. These programs include rental production efforts that finance the development of supportive housing units for the long-term homeless. Homeless programming also includes Agency rent assistance (Housing Trust Fund, Ending Long-Term Homelessness Initiative Fund, and Bridges) targeted to vulnerable populations that are homeless or at-risk of becoming homeless, including people with extremely low incomes and/or serious mental illnesses. The Agency also funds prevention efforts through the Family Homeless Prevention and Assistance Program (FHPAP), which provides short-term assistance for services and housing payments. Finally, under HOPWA, the Agency provides grants to meet the housing needs of people with AIDS, HIV-positive status, or a related-disease.

In 2013, the Agency projects that it will invest approximately $207 million to prevent foreclosures and support community recovery. On the prevention side, the Agency expects to invest about $750,000 on foreclosure counseling through the HECAT program. However, at the end of the 2012 AHP, Minnesota Housing committed nearly $1.2 million of National Mitigation and Counseling (NFMC) funds from the federal government for foreclosure counseling. While these funds were made available under the previous AHP, they will support some 2013 activity. In addition, if funds are available, Minnesota Housing will apply for another round of NFMC funding. The agency will likely invest just over $200 million for the purchase and rehabilitation of foreclosed properties or the construction, purchase, or rehabilitation of any property in a zip code that has been heavily impacted by the foreclosure crisis. The last category accounts for the majority of the expected investments. The Agency encourages and incents investment in high impact zip codes through several mechanisms, which include awarding selection points in the RFP process to developments located in these zip codes.

The split of program funding in Table 3 by strategic priority is not an actual allocation, but rather a projection based on historical investment patterns with adjustments for recent program changes and the availability of other funding for similar activities. The actual splits will be made as investment decisions are made by homebuyers, homeowners, developers, and the Agency. Thus, Table 3 provides a general picture of how the Agency expects the funds to be invested.

Table 3: 2013 Funding by Strategic Priority

			Comprehensive Priorities		Targeted Priorities	
		AHP Total	Successful Home-ownership	Rental Housing 1. Federal Preservation 2. Critical Needs	Homelessness	Community Foreclosure Recovery
	Homebuyer and Home Refinance	**$419,306,959**	**$419,306,959**	**$0**	**$0**	**$149,025,994**
1	Home Mortgage Loans	$350,000,000	$350,000,000			$124,250,000
2	Mortgage Credit Certificates (MCC)	$50,000,000	$50,000,000			$17,750,000
3	Homeownership Assistance Fund (HAF)	$5,841,209	$5,841,209			$2,581,814
4	HOME HELP	$4,000,000	$4,000,000			$2,426,230
5	Amortizing Down-payment and Closing Cost Loans	$5,000,000	$5,000,000			$670,000
6	Single Family Interim Lending	$910,000	$910,000			$600,600
7	Habitat for Humanity Initiative	$2,000,000	$2,000,000			N/A
8	Homebuyer Education, Counseling, & Training (HECAT)	$1,555,750	$1,555,750			$747,350
	Home Improvement	**$26,215,000**	**$26,215,000**	**$0**	**$0**	**$4,041,130**
9	Home Improvement Loan Program	$20,465,000	$20,465,000			$2,701,380
10	Rehabilitation Loan Program	$5,750,000	$5,750,000			$1,339,750
	Rental Production- New Construction and Rehabilitation	**$146,947,057**	**$0**	**$146,947,057**	**$14,147,119**	**$28,405,669**
11	Low and Moderate Income Rental (LMIR)	$90,000,000		$90,000,000	$531,649	$17,640,000
12	Flexible Financing for Capital Costs (FFCC)	$4,000,000		$4,000,000	$78,518	$784,000
13	Low-Income Housing Tax Credits (LIHTC)	$8,043,053		$8,043,053	$372,243	$1,576,438
14	Affordable Rental Preservation	$25,315,849		$25,315,849	$1,164,710	$4,961,906
14a	*Affordable Rental Investment Fund - Preservation (PARIF)*	*$14,308,133*		*$14,308,133*	*$658,276*	*$2,804,394*
14b	*HOME HARP*	*$11,007,716*		*$11,007,716*	*$506,433*	*$2,157,512*
15	Housing Trust Fund (Capital)	$12,000,000		$12,000,000	$12,000,000	$2,352,000
16	Publicly Owned Housing Program (POHP)	$5,567,979		$5,567,979		$1,091,324
17	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$1,520,176		$1,520,176		
18	Rental Rehabilitation Loan Program	$500,000		$500,000		
	Rental Assistance Contract Administration	**$179,840,000**	**$0**	**$179,840,000**	**$0**	**$0**
19	Section 8 - Performance Based Contract Administration (PBCA)	$107,100,000		$107,100,000		
20	Section 8 - Traditional Contract Administration (TCA)	$71,115,000		$71,115,000		
21	Section 236	$1,625,000		$1,625,000		

			Comprehensive Priorities		Targeted Priorities	
		AHP Total	Successful Home-ownership	Rental Housing 1. Federal Preservation 2. Critical Needs	Homelessness	Community Foreclosure Recovery
	Resources to Prevent and End Homelessness (Non-Capital)	**$25,074,443**	**$0**	**$25,074,443**	**$25,074,443**	**$0**
22	Housing Trust Fund (HTF)	$10,588,219		$10,588,219	$10,588,219	
23	Ending Long-Term Homelessness Initiative Fund (ELHIF)	$3,364,781		$3,364,781	$3,364,781	
24	Bridges	$3,513,771		$3,513,771	$3,513,771	
25	Family Homeless Prevention and Assistance Program (FHPAP)	$7,465,000		$7,465,000	$7,465,000	
26	Housing Opportunities for Persons with AIDS (HOPWA)	$142,672		$142,672	$142,672	
	Rental Portfolio Management	**$6,460,090**	**$0**	**$6,460,090**	**$0**	**$0**
27	Asset Management	$3,100,000		$3,100,000		
28	Financing Adjustment Factor (FAF) / Financing Adjustment (FA)	$3,360,090		$3,360,090		
	Multiple Use Resources	**$55,005,198**	**$29,160,000**	**$20,329,227**	**$1,011,058**	**$25,568,128**
29	Economic Development and Housing/ Challenge (EDHC)	$49,489,227	$29,160,000	$20,329,227	$1,011,058	$25,568,128
29a	*Request for Proposals (RFP) - Multifamily and Single-Family*	*$13,489,227*	*$9,160,000*	*$4,329,227*	*$1,011,058*	*$6,102,128*
29b	*Twin Cities Community Land Bank / Family Housing Fund*	*$12,000,000*	*$12,000,000*			*$9,000,000*
29c	*Community Owned Mobile Home Parks*	*$2,000,000*	*$2,000,000*			
29e	*Greater MN - Contract for Deed*	*$4,000,000*	*$4,000,000*			*$4,000,000*
29f	*Infrastructure Bonds: Preservation, Foreclosure, & CLTs*	*$18,000,000*	*$2,000,000*	*$16,000,000*		*$6,466,000*
30	Technical Assistance and Operating Support	$2,515,971	TBD	TBD	TBD	TBD
31	Non-Profit Capacity Building Loan Program	$1,000,000	TBD	TBD	TBD	TBD
32	Strategic Priority Contingency Fund	$2,000,000	TBD	TBD	TBD	TBD
	Other	**$15,592,951**	**$11,542,578**	**$2,155,422**	**$250,000**	**$0**
33	Administrative Expenses HOME	$615,415	TBD	TBD	TBD	TBD
34	Manufactured Home Relocation Trust Fund	$1,279,536	TBD	TBD	TBD	TBD
35	Flood Disaster	$12,720,000	$10,703,149	$2,016,851	$250,000	
36	Disaster Relief Contingency Fund	$978,000	$839,429	$138,571		
	Total	$874,441,698	$486,224,537	$380,806,239	$40,482,620	$207,040,921
	Percentage Split *		56%	44%	5%	24%

Shaded activities are sub-allocations of the program above.
* The sum of homeownership and rental priorities do not equal the total funding because $7.4 million is not allocated to a priority.

Household Unit Projections

Table 4 shows that Agency's forecast of how many households or housing units will be assisted. As the shown in the last line of the table, Minnesota Housing expects to assist roughly 67,900 households or units. Under the AHP, homeownership programs account for 56 percent of the funds (see Table 3) but only 32 percent of the households/units (see Table 4). In contrast, rental programs account for 44 percent of the funds but 68 percent of the households/units. This shift occurs because homeownership programs require more resources per household. A typical Home Mortgage Loan is $120,000. In contrast, a typical annual rent subsidy is $6,000. The homelessness priority accounts for 5 percent of the funds, compared with 17 percent of the households and units assisted. Foreclosure recovery accounts for 24 percent of the funds, compared with 21 percent of households/units.

Table 4: 2013 Forecast of Assisted Households or Housing Units by Program and Strategic Priority

			Comprehensive Priorities		Targeted Priorities	
		AHP Total	**Successful Home-ownership**	**Rental Housing 1. Federal Preservation 2. Critical Needs**	**Home-lessness**	**Community Foreclosure Recovery**
	Homebuyer and Home Refinance	**18,942**	**18,942**	**0**	**0**	**13,088**
1	Home Mortgage Loans	2,917	2,917			1,088
2	Mortgage Credit Certificates (MCC)					
3	Homeownership Assistance Fund (HAF)					
4	HOME HELP	*Part of Home Mortgage Loan Production*				
5	Amortizing Down-payment and Closing Cost Loans					
6	Single Family Interim Lending	*Part of EDH/Challenge*				
7	Habitat for Humanity Initiative	25	25			N/A
8	Homebuyer Education, Counseling, & Training (HECAT)	16,000	16,000			12,000
	Home Improvement	**1,470**	**1,470**	**0**	**0**	**221**
9	Home Improvement Loan Program	1,200	1,200			158
10	Rehabilitation Loan Program	270	270			63
	Rental Production - New Construction and Rehabilitation	**3,984**	**0**	**3,984**	**150**	**762**
11	Multifamily RFP/HTC/Pipeline Production (including EDHC)	2,522		2,522	150	494
12	Low and Moderate Income Rental (LMIR)					
13	Flexible Financing for Capital Costs (FFCC)					
14	Low-Income Housing Tax Credits (LIHTC)					
15	Affordable Rental Preservation (PARIF and HOME)	*Part of RFP/HTC/Pipeline Production*				
16	Housing Trust Fund (Capital)					
17	Economic Development and Housing /Challenge - MF RFP and Infrastructure Bonds					
18	Publicly Owned Housing Program (POHP)	1,367		1,367		268
19	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	95		95		
20	Rental Rehabilitation Loan Program	*Part of RRDL Production*				

			Comprehensive Priorities			Targeted Priorities	
		AHP Total	Successful Home-ownership	Rental Housing 1. Federal Preservation 2. Critical Needs		Home-lessness	Community Foreclosure Recovery
	Rental Assistance Contract Administration	**30,227**	**0**	**30,227**		**0**	**0**
21	Section 8 - Performance Based Contract Administration (PBCA)	17,850		17,850			
22	Section 8 - Traditional Contract Administration (TCA)	11,853		11,853			
23	Section 236	524		524			
	Resources to Prevent and End Homelessness (Non-Capital)	**11,533**	**0**	**11,533**		**11,533**	**0**
24	Housing Trust Fund (HTF)	1,756		1,756		1,756	
25	Ending Long-Term Homelessness Initiative Fund (ELHIF)	631		631		631	
26	Bridges	685		685		685	
27	Family Homeless Prevention and Assistance Program (FHPAP)	8,294		8,294		8,294	
28	Housing Opportunities for Persons with AIDS (HOPWA)	166		166		166	
	Rental Portfolio Management	**250**	**0**	**250**		**0**	**0**
29	Asset Management	120		120			
30	Financing Adjustment Factor (FAF) / Financing Adjustment (FA)	130		130			
	Multiple Use Resources	**681**	**681**	**0**		**0**	**456**
31	Economic Development and Housing/ Challenge						
31a	Request for Proposals (RFP) - **CRV Only**	431	431				285
31b	Twin Cities Community Land Bank/Family Housing Fund	87	87				87
31c	Community Owned Mobile Home Parks	56	56				
31d	Greater MN - Contract for Deed	40	40				40
31e	Infrastructure Bonds - **CLTs Only**	67	67				44
32	Technical Assistance and Operating Support						
33	Non-Profit Capacity Building Loan Program						
34	Strategic Priority Contingency Fund	TBD	TBD	TBD		TBD	TBD
	Other	**766**	**454**	**312**		**125**	**0**
35	Administrative Expenses HOME						
36	Manufactured Home Relocation Trust Fund	TBD	TBD			TBD	
37	Flood Disaster	719	420	298		125	
38	Disaster Relief Contingency Fund	47	34	14			
	Total	67,852	21,546	46,306	0	11,808	14,528
			32%	68%		17%	21%

Table 4 shows some programs shaded in gray. With respect to the homebuyer programs, these programs support the Agency's home mortgage loans with enhancements, such as down-payment and closing cost assistance. Because all the homes supported by these enhancements are also supported by the Agency's home mortgage loans, the table does not count the enhanced units in the total to avoid double counting. With respect to the rental production programs, funding from multiple programs often go into the same properties. A development could receive a first mortgage from LMIR, housing tax credits, and a deferred loan through the Economic Development and Housing/Challenge program.

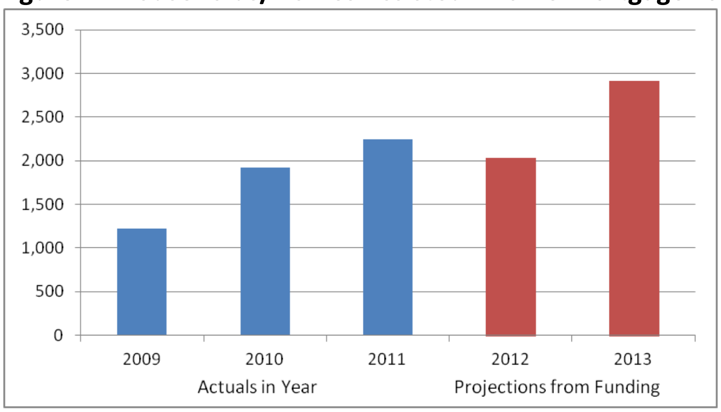
To avoid double counting, Table 4 presents all the rental units financed with these programs in combination.

The following graphs show the estimated number of households/units that will be assisted with 2013 funding in relation to the number of households/units assisted in previous years. The graphs are organized by the broad program categories and exclude activity related to disasters/floods, which are intermittent and not part of the Agency's baseline activity.

Homebuyer and Home Refinance Programs

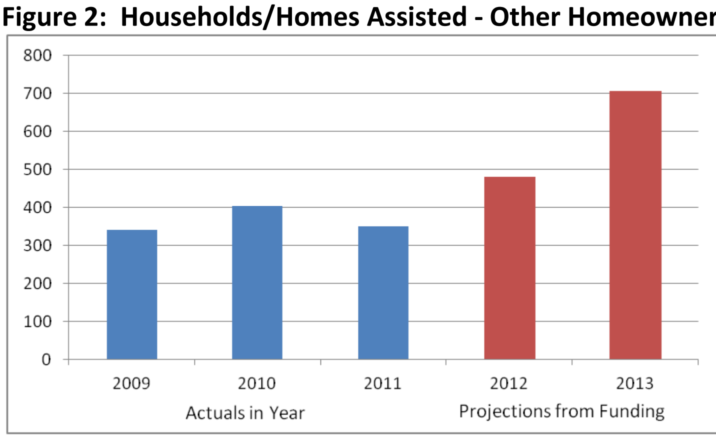
Figure 1 shows the Agency's production in home mortgage loans recovering after the housing bust in 2008. The large increase in production in 2013 reflects the expanded lending activity that the Agency will carry out with redesigned programs and additional financing sources.

Figure 1: Households/Homes Assisted - Home Mortgage Loan Program



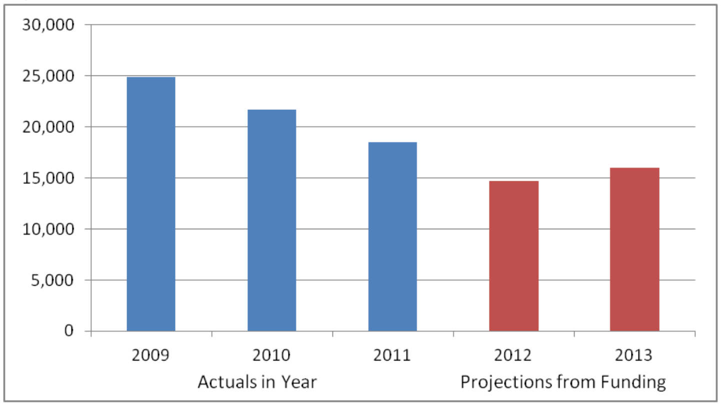
The large increase in other homeownership opportunities (Figure 2) reflects a larger than typical Economic Development and Housing/Challenge budget for RFP activities, which will likely support additional single-family projects. In addition, the Agency restructured two loans as revolving funds ($20 million total) that support lending by the Twin Cities Community Land Bank.[11] During this AHP, the Agency assumes that $12 million of loan commitments will occur under these revolving funds. (The programs captured in Figure 2 include the Habitat for Humanity Initiative, the single-family portion of the Economic Development and Housing/Challenge program, and Single Family Interim Lending.)

Figure 2: Households/Homes Assisted - Other Homeownership Opportunities



The decline in education and counseling assistance (Figure 3) largely reflects the reduced funding and need for foreclosure counseling as mortgage delinquency and foreclosure rates in Minnesota have declined since the peak of the foreclosure crisis. While the number of mortgage delinquencies and foreclosures has declined slightly, there is still a critical need for these counseling resources.

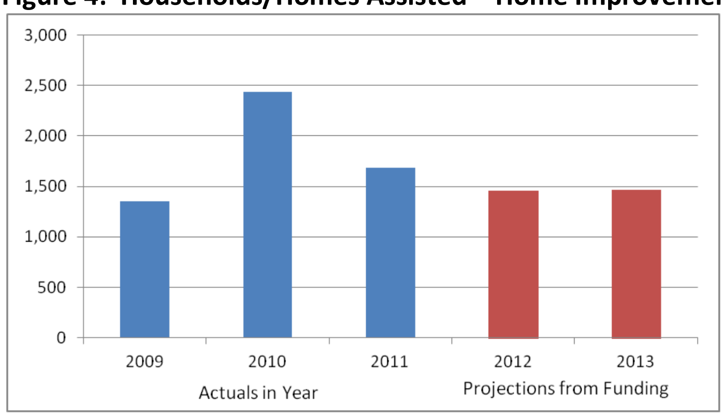
Figure 3: Households Assisted – Homebuyer/Homeowner Education and Counseling



Home Improvement Programs

Home improvement production (Figure 4) has been limited since the downturn in the economy in 2008. Production was high in 2010 because of federal stimulus funds that financed the Energy Saver Rebate program provided an incentive for energy efficiency improvements. (Figure 4 includes both the Home Improvement Loan Program and the Rehabilitation Loan Program.)

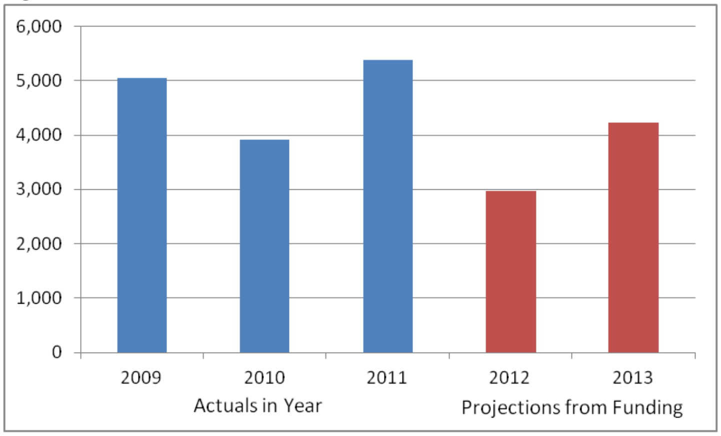
Figure 4: Households/Homes Assisted – Home Improvement Programs



Rental Production and Rental Portfolio Management

Rental production (new construction and rehabilitation) has varied over the last several years. Production should be higher in 2013 than 2012 largely because of state bonding proceeds from general obligation and housing infrastructure bonds and additional LMIR lending. (Figure 5 captures all the programs in the rental production category, the multifamily portion of the Economic Development and Housing/Challenge program, and all the activity in the rental portfolio management category.)

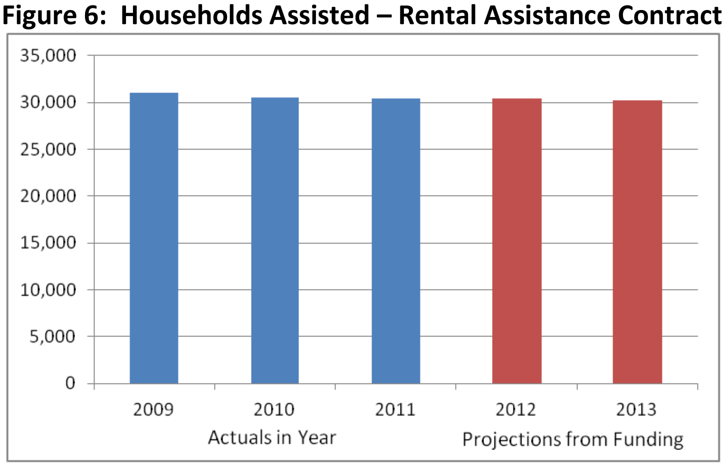
Figure 5: Units Assisted – Rental Production



Rental Assistance Contract Administration

As shown in Figure 6, activity in the Section 8 and 236 contract administration has been very steady over the last several years.

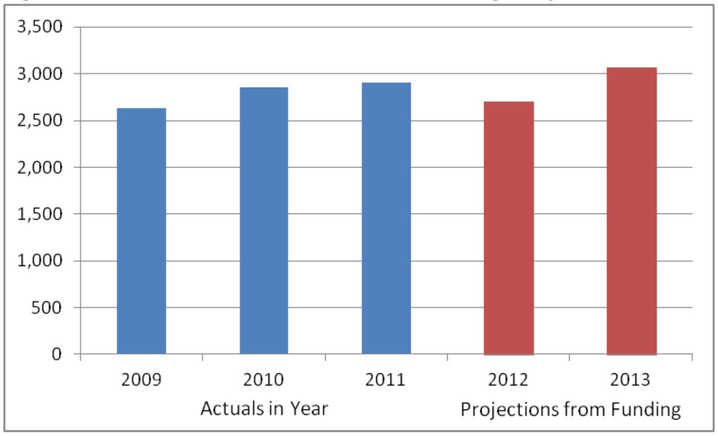
Figure 6: Households Assisted – Rental Assistance Contract Administration



Resources to Prevent and End Homeless (Non-Capital)

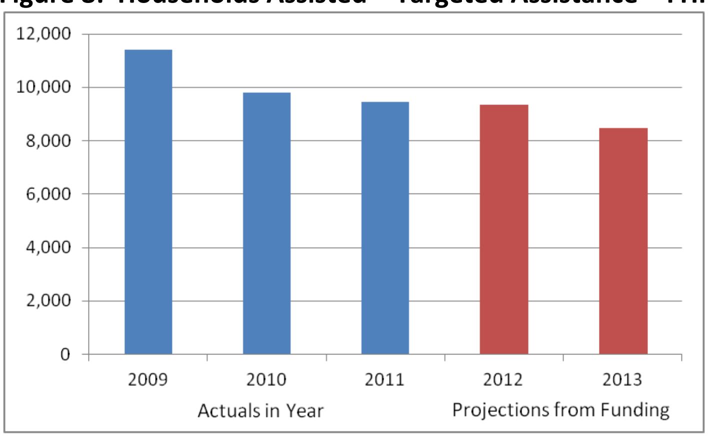
Activity under the Agency's rental and operating assistance programs (Housing Trust Fund, Ending Low-Term Homelessness Initiative Fund, and Bridges) has been relatively stable over the last few years. (See Figure 7.)

Figure 7: Households/Units Assisted – Agency Rental and Operating Assistance



The number of households assisted by the Family Homeless Prevention and Assistance Program (FHPAP) and the Housing Opportunities for Persons with AIDS (HOPWA) program has declined slowly over the last few years. There was an initial decline in funding; however, since then, the average cost of assistance per household has increased, thereby reducing the number of households assisted.

Figure 8: Households Assisted – Targeted Assistance – FHPAP and HOPWA



Funding by Source

Table 5 shows the 2013 funding levels by source of funds.

Table 5: 2013 Funding by Source

	Original 2012 AHP	Proposed 2013 AHP
Federal Funds	$211,448,439	$207,008,946
State Appropriations	$58,556,573	$73,754,883
State Bonds (General Obligation and Housing Infrastructure)		$35,500,000
Bond Proceeds & Other Mortgage Capital	$290,000,000	$470,000,000
Housing Investment Fund (Pool 2)	$69,400,000	$64,500,000
Housing Affordability Fund (Pool 3) - Regular	$17,917,268	$21,997,869
Housing Affordability Fund (Pool 3) - Revolving Funds	$11,285,000	$1,680,000
Total	$658,607,280	$874,441,698

There are several reasons for the changes in funding by source between 2012 and 2013.

- The reduction in federal resources reflects fewer HOME funds being available.

- Funds from state appropriations are higher in 2013, largely because of the $12.7 million appropriated for the Northeast Minnesota floods.

- The 2012 state bonding bill is providing $35.5 million of proceeds that were not available under the previous plan.

- Agency bond proceeds and other mortgage capital budgeted under this plan are significantly higher than the previous plan. As discussed earlier, for homeownership financing, Minnesota Housing will start using additional tools, which will include selling mortgage-backed securities on the secondary market and possibly issuing Mortgage Credit Certificates (income tax credits for homeowners for a portion of the mortgage interest that they pay). For rental housing, the Agency will be financing more amortizing loans with tax-exempt bonds.

- Pool 2 resources budgeted under the 2013 AHP will decrease by about $5 million from the original 2012 plan. This reflects less Low and Moderate Income Rental (LMIR) lending with Pool 2 resources (with more LMIR lending supported with bond proceeds). The reduction in LMIR Pool 2 activity is partially offset by new Pool 2 funding for the Twin Cities Community Land Bank under the Economic Development and Housing/Challenge program and an amortizing down-payment/closing-cost loan option to support the Home Mortgage Loan activity.

- Regular Pool 3 resources increased by about $4 million. Part of the increase will occur because the Agency is transferring $3 million out of two revolving loan funds back into Pool 3 for general use. (See next bullet for details.)

- Both the Single-Family Interim Lending and Non-Profit Capacity Building Loans are revolving funds that were originally funded with Pool 3 resources. Many of these loans have a 20 month term. Thus, under the traditional two-year AHP, these funds typically revolved once during the AHP. Consequently, loan commitments during a two-year AHP generally equaled the overall size of the fund. When developing the 2012 AHP (the first one-year AHP), staff made the simplifying assumption that these funds would continue to revolve once during the year, which did not occur. For the 2013 AHP, staff developed more precise estimates of the loan commitments that will likely occur during the year as the funds partially revolve. The last line of Table 5 shows the $1.68 million estimate. In the process of developing this estimate, staff identified $2 million in the Single-Family Interim Lending fund and $1 million in the Non-Profit Capacity Building Loan fund that are unlikely to be needed in the future. Rather than allowing these funds to sit in the revolving funds unused, the Agency is transferring the $3 million back to the regular part of Pool 3 for general use.

To identify funds available under this plan by source, staff projected the resources that will be available to Minnesota Housing from each source during the year. The plan allocates funds from five primary sources as described below. The precise amount of some funding categories is known at the time the plan is developed, while others (such as loan repayments) are estimates of resources that will become available during the year. Staff used various analytical approaches (including fund cash flow analysis) to project the amount of resources available for housing programs.

Federal Resources. There are two types of federal resources: (1) appropriations to the U.S. Department of Housing and Urban Development (HUD) that are made available to Minnesota Housing, and (2) housing tax credits. For purposes of the plan, current funding levels are used for the HUD appropriations – Section 8/236, HOME, and Housing Opportunities for Persons with AIDS (HOPWA) – and will be adjusted once Congress has adopted the year's budget. The amount of federal housing tax credits is based on a per capita formula and may vary slightly each year.

State Appropriations. The amount of funding from the state is based on the 2012-13 general fund budget adopted by the 2011 Minnesota Legislature. The Agency generally split the appropriations evenly between 2012 and 2013. It also includes disaster funds appropriation in August of 2012.

State Bond Proceeds. These funds come from the state capital budget (bonding bill) and include general obligation and housing infrastructure bond proceeds.

Agency Bond Proceeds and Other Mortgage Capital. Bond proceeds are generated by the issuance of tax-exempt bonds. Tax-exempt bond proceeds have historically been limited by the amount of new bonding authority made available to the Agency under a state allocation formula, the projected amount of bonds refunded over the next year, and an estimate of the amount of bonding authority contributed by cities and counties for issuance on their behalf. However, market conditions have made it difficult to fully utilize all of the available bonding authority. To access these under-utilized resources, the Agency may issue mortgage credit certificates, which will count against the state's bonding authority. In addition, the Agency will be selling some its mortgage-backed securities on the secondary market to access attractively-priced private capital, which is a new financing tool for the agency.

Agency Resources. Minnesota Housing generates resources from its lending activities and makes them available for investment in housing programs. Agency resources are currently categorized as follows:

- Housing Investment Fund (also known as "Pool 2"). The Housing Investment Fund's balance is set according to the net asset requirements and investment guidelines adopted by the Board in April, 2007 after review and confirmation with the rating agencies and the agency's cash flow projections. The level of funding that must be retained in Pool 2 is an amount that will cause the combined net assets in the General Reserve Account and bond funds (exclusive of Pool 3/foundation) to be not less than the combined net assets of the same funds for the immediately preceding audited fiscal year end. The practical result of this requirement is to set the amount of current period earnings as an upper limit on the amount that can be annually transferred from Pool 2 to Pool 3. According to Board policy, the use of Pool 2 funds is limited to investment quality loans and investment grade securities as defined by the agency. Most of the net assets in Pool 2 are already invested in housing loans, so it is the Pool 2 liquid assets and expected loan repayments that are available for budgeting in the Plan.

- Housing Affordability Fund (also known as "Pool 3/Foundation"). The Housing Affordability Fund is set pursuant to the same Board policy as the Housing Investment Fund above, and its balance is the net assets in excess of the required balances in Pools 1 and 2. The sources of ongoing funding for Pool 3 are transfers of a portion of current period earnings from Pool 2, combined with any repayments or prepayments from loans previously funded under Pool 3. This fund is more flexible than the Housing Investment Fund as it may be used for programs not resulting in amortizing, investment quality loans, including deferred loans and grants.

Authorization of Adjustments

Minnesota Housing staff are aware of several adjustments that may be needed during the 2013 AHP. With the adoption of the 2013 AHP, the Agency's board is authorizing staff to make the following adjustments, if needed:

- The AHP, as written, splits the $30 million of housing infrastructure bond proceeds by allocating $12 million to the Housing Trust Fund for supportive housing and $18 million to the Economic Development and Housing/Challenge program for preservation, rental foreclosure, and community land trust activities. These splits are estimates. Depending on which developments are funded under the RFP and their funding needs, the Agency may need to change the allocation to reflect those needs.

- As discussed, the Agency has set aside $2 million of Pool 3 funds in a Strategic Priority Contingency Fund. If staff identify additional funding needs that are aligned with the Agency's strategic priorities, staff will allocate these funds.

- The federal HOME program funds a few Minnesota Housing programs. Once HOME funding for 2013 is established by federal appropriation, staff will only adjust funding for the HOME Affordable Rental Preservation program to reflect any difference between the estimated HOME funding and the actual level (after HOME Administrative Expenses are adjusted to reflect the 10 percent cap on administrative expenses). The HOME HELP will not receive an adjustment.

- Any funding adjustments made by the federal government to Low Income Housing Tax Credits, Housing Opportunities for Persons with AIDS, Section 8 or Section 236 will occur in those individual programs.

- The Agency has three primary revolving loan accounts – Single Family Interim Lending, Non-Profit Capacity Building, and Twin Cities Community Land Bank / Family Housing Fund. To more accurately reflect program activity in the AHP, staff have estimated and reported the commitments that will likely occur under these accounts during the year, rather than the overall size of the accounts. However, if funds are available in the accounts and there is demand beyond the original estimates, staff will make additional loans.

- Funding for several programs include funds that become available when existing loans are repaid and contributions from partner organizations are received (see the funding tables in Appendix C). The AHP, as written, reflects staff's current estimates for these repayments and contributions. If the Agency receives more repayments and contributions than estimated, staff will make the additional funds available for commitment.

Staff will notify the Board on a quarterly basis regarding any adjustments made to the AHP in accordance with this authorization.

Notes

[1] Minnesota Housing analysis of data from the U.S. Census Bureau, 2000 Decennial Census and 2010 American Community Survey.
[2] In this context, lower-income households have annual incomes less than $50,000. In 2010, the statewide area median income (AMI) was $73,000. A household income of $50,000 was 68 percent of the statewide AMI.
[3] A credit is be used to offset 10 years of tax liability. Thus, a $100,000 tax credit will generate $1 million of tax breaks over the 10 years. In today's syndication market, credits can sell for 80 to 90 cents on the dollar, or higher.
[4] U.S. Department of Housing and Urban Development, Notice on Median Family Incomes for FY 2012 (December 1, 2011); http://www.huduser.org/portal/datasets/il/il12/Medians2012.pdf.
[5] Minnesota Housing, *Regional Distribution of Minnesota Housing Assistance* (August 2012); http://www.mnhousing.gov/idc/groups/administration/documents/webcontent/mhfa_011777.pdf.
[6] Minnesota Housing analysis of data from the U.S. Census Bureau, 2010 American Community Survey.
[7] CoreLogic Press Release, CoreLogic Report Negative Increase in Q4 2011 – March 1, 2012.
[8] Minnesota Housing analysis of data from HousingLink.
[9] Homeownership Center, *2011 Foreclosure Counseling Program Report*.
[10] Wilder Research, *Homelessness in Minnesota: Key Findings from the 2009 Statewide Survey.*
[11] The two new revolving loan funds were financed with funds from an existing $10 million loan (non-revolving) to the Family Housing Fund, $3 million that used to be part of a revolving fund for My Home Source, and $7 million of new Pool 2 funds.

Appendix A

2013 Program Funding by Source

Appendix A: 2013 Program Funding by Source - Funds Available for Commitment

		2013 Total	Federal Resources	State Appropriations	State Bond Proceeds (General Obligation and and Housing Infrastructure)	Agency Bond Proceeds and Other Mortgage Capital	Housing Investment Fund (Pool 2)	Housing Affordability Fund (Pool 3) - Regular	Housing Afffordability Fund (Pool 3) - Revolving Funds
	Homebuyer and Home Refinance	**$419,306,959**	**$4,000,000**	**$3,826,959**	**$0**	**$400,000,000**	**$6,000,000**	**$4,800,000**	**$680,000**
1	Home Mortgage Loans	$350,000,000	$0	$0	$0	$350,000,000	$0	$0	$0
2	Mortgage Credit Certificates (MCC)	$50,000,000	$0	$0	$0	$50,000,000	$0	$0	$0
3	Homeownership Assistance Fund (HAF)	$5,841,209	$0	$2,041,209	$0	$0	$0	$3,800,000	$0
4	HOME HELP	$4,000,000	$4,000,000	$0	$0	$0	$0	$0	$0
5	Amortizing Down-payment and Closing Cost Loans	$5,000,000	$0	$0	$0	$0	$5,000,000	$0	$0
6	Single Family Interim Lending	$910,000	$0	$230,000	$0	$0	$0	$0	$680,000
7	Habitat for Humanity Initiative	$2,000,000	$0	$0	$0	$0	$1,000,000	$1,000,000	$0
8	Homebuyer Education, Counseling, & Training (HECAT)	$1,555,750	$0	$1,555,750	$0	$0	$0	$0	$0
	Home Improvement	**$26,215,000**	**$0**	**$5,628,293**	**$0**	**$0**	**$20,000,000**	**$586,707**	**$0**
9	Home Improvement Loan Program	$20,465,000	$0	$0	$0	$0	$20,000,000	$465,000	$0
10	Rehabilitation Loan Program (RLP)	$5,750,000	$0	$5,628,293	$0	$0	$0	$121,707	$0
	Rental Production- New Construction and Rehabilitation	**$146,947,057**	**$19,050,769**	**$15,896,288**	**$17,500,000**	**$70,000,000**	**$20,500,000**	**$4,000,000**	**$0**
11	Low and Moderate Income Rental (LMIR)	$90,000,000	$0	$0	$0	$70,000,000	$20,000,000	$0	$0
12	Flexible Financing for Capital Costs (FFCC)	$4,000,000	$0	$0	$0	$0	$0	$4,000,000	$0
13	Low-Income Housing Tax Credits (LIHTC)	$8,043,053	$8,043,053	$0	$0	$0	$0	$0	$0
14	Affordable Rental Preservation (PARIF and HOME HARP)	$25,315,849	$11,007,716	$14,308,133	$0	$0	$0	$0	$0
15	Housing Trust Fund (Capital)	$12,000,000	$0	$0	$12,000,000	$0	$0	$0	$0
16	Publicly Owned Housing Program (POHP)	$5,567,979	$0	$67,979	$5,500,000	$0	$0	$0	$0
17	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$1,520,176	$0	$1,520,176	$0	$0	$0	$0	$0
18	Rental Rehabilitation Loan Program	$500,000	$0	$0	$0	$0	$500,000	$0	$0
	Rental Assistance Contract Administration	**$179,840,000**	**$179,840,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
19	Section 8 - Performance Based Contract Administration (PBCA)	$107,100,000	$107,100,000	$0	$0	$0	$0	$0	$0
20	Section 8 - Traditional Contract Administration (TCA)	$71,115,000	$71,115,000	$0	$0	$0	$0	$0	$0
21	Section 236	$1,625,000	$1,625,000	$0	$0	$0	$0	$0	$0
	Resources to Prevent and End Homelessness (Non-Capital)	**$25,074,443**	**$142,672**	**$21,566,990**	**$0**	**$0**	**$0**	**$3,364,781**	**$0**
22	Housing Trust Fund (HTF)	$10,588,219	$0	$10,588,219	$0	$0	$0	$0	$0
23	Ending Long-Term Homelessness Initiative Fund (ELHIF)	$3,364,781	$0	$0	$0	$0	$0	$3,364,781	$0
24	Bridges	$3,513,771	$0	$3,513,771	$0	$0	$0	$0	$0
25	Family Homeless Prevention and Assistance Program (FHPAP)	$7,465,000	$0	$7,465,000	$0	$0	$0	$0	$0
26	Housing Opportunities for Persons with AIDS (HOPWA)	$142,672	$142,672	$0	$0	$0	$0	$0	$0
	Rental Portfolio Management	**$6,460,090**	**$3,360,090**	**$0**	**$0**	**$0**	**$0**	**$3,100,000**	**$0**
27	Asset Management	$3,100,000	$0	$0	$0	$0	$0	$3,100,000	$0
28	Financing Adjustment Factor (FAF) / Financing Adjustment (FA)	$3,360,090	$3,360,090	$0	$0	$0	$0	$0	$0
	Multiple Use Resources	**$55,005,198**	**$0**	**$11,858,817**	**$18,000,000**	**$0**	**$18,000,000**	**$6,146,381**	**$1,000,000**
29	Economic Development and Housing/ Challenge (EDHC)	$49,489,227	$0	$11,661,346	$18,000,000	$0	$18,000,000	$1,827,881	$0
30	Technical Assistance and Operating Support	$2,515,971	$0	$197,471	$0	$0	$0	$2,318,500	$0
31	Non-Profit Capacity Building Loan Program	$1,000,000	$0	$0	$0	$0	$0	$0	$1,000,000
32	Strategic Priority Contingency Fund	$2,000,000	$0	$0	$0	$0	$0	$2,000,000	$0
	Other	**$15,592,951**	**$615,415**	**$14,977,536**	**$0**	**$0**	**$0**	**$0**	**$0**
33	Administrative Expenses HOME	$615,415	$615,415	$0	$0	$0	$0	$0	$0
34	Manufactured Home Relocation Trust Fund	$1,279,536	$0	$1,279,536	$0	$0	$0	$0	$0
35	Flood Disaster	$12,720,000	$0	$12,720,000	$0	$0	$0	$0	$0
36	Disaster Relief Contingency Fund	$978,000	$0	$978,000	$0	$0	$0	$0	$0
	Total	**$874,441,698**	**$207,008,946**	**$73,754,883**	**$35,500,000**	**$470,000,000**	**$64,500,000**	**$21,997,869**	**$1,680,000**

Appendix B

“Gap/Affordability” Financing by Program

Appendix B: "Gap/Affordability" Financing by Program - Appropriated and Pool 3 Funds - 2012 & 2013

		Federal Resources	State Appropriations	State Bond Proceeds (General Obligation and and Housing Infrastructure)	Housing Affordability Fund (Poo3) - Regular	Proposed 2013 Total	Origininal 2012 AHP	Percentage Change between 2012 and 2013
	Homebuyer and Home Refinance	**$4,000,000**	**$3,596,959**	**$0**	**$4,800,000**	**$12,396,959**	**$13,239,957**	-6%
1	Homeownership Assistance Fund (HAF)	$0	$2,041,209	$0	$3,800,000	$5,841,209	$5,159,475	13%
2	HOME HELP	$4,000,000	$0	$0	$0	$4,000,000	$5,500,000	-27%
3	Habitat for Humanity Initiative	$0	$0	$0	$1,000,000	$1,000,000	$1,000,000	0%
4	Homebuyer Education, Counseling, & Training (HECAT)	$0	$1,555,750	$0	$0	$1,555,750	$1,580,482	-2%
	Home Improvement	**$0**	**$5,628,293**	**$0**	**$586,707**	**$6,215,000**	**$6,215,000**	0%
5	Home Improvement Loan Program	$0	$0	$0	$465,000	$465,000	$465,000	0%
6	Rehabilitation Loan Program (RLP)	$0	$5,628,293	$0	$121,707	$5,750,000	$5,750,000	0%
	Rental Production- New Construction and Rehabilitation	**$19,050,769**	**$15,896,288**	**$17,500,000**	**$4,000,000**	**$56,447,057**	**$44,339,756**	27%
7	Flexible Financing for Capital Costs (FFCC)	$0	$0	$0	$4,000,000	$4,000,000	$4,500,000	-11%
8	Low-Income Housing Tax Credits (LIHTC)	$8,043,053	$0	$0	$0	$8,043,053	$7,700,000	4%
9	Affordable Rental Preservation (PARIF and HOME HARP)	$11,007,716	$14,308,133	$0	$0	$25,315,849	$22,031,171	15%
10	Housing Trust Fund (Capital)	$0	$0	$12,000,000	$0	$12,000,000	$0	N/A
11	Publicly Owned Housing Program (POHP)	$0	$67,979	$5,500,000	$0	$5,567,979	$0	N/A
12	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$0	$1,520,176	$0	$0	$1,520,176	$10,108,585	-85%
	Resources to Prevent and End Homelessness (Non-Capital)	**$142,672**	**$21,566,990**	**$0**	**$3,364,781**	**$25,074,443**	**$22,005,304**	14%
13	Housing Trust Fund (HTF)	$0	$10,588,219	$0	$0	$10,588,219	$10,071,991	5%
14	Ending Long-Term Homelessness Initiative Fund (ELHIF)	$0	$0	$0	$3,364,781	$3,364,781	$1,598,600	110%
15	Bridges	$0	$3,513,771	$0	$0	$3,513,771	$2,706,396	30%
16	Family Homeless Prevention and Assistance Program (FHPAP)	$0	$7,465,000	$0	$0	$7,465,000	$7,488,496	0%
17	Housing Opportunities for Persons with AIDS (HOPWA)	$142,672	$0	$0	$0	$142,672	$139,821	2%
	Rental Portfolio Management	**$3,360,090**	**$0**	**$0**	**$3,100,000**	**$6,460,090**	**$5,250,030**	23%
17	Asset Management	$0	$0	$0	$3,100,000	$3,100,000	$4,375,015	-29%
19	Financing Adjustment Factor (FAF) / Financing Adjustment (FA)	$3,360,090	$0	$0	$0	$3,360,090	$875,015	284%
	Multiple Use Resources	**$0**	**$11,858,817**	**$18,000,000**	**$6,146,381**	**$36,005,198**	**$11,738,538**	207%
20	Economic Development and Housing/ Challenge (EDHC)	$0	$11,661,346	$18,000,000	$1,827,881	$31,489,227	$8,432,494	273%
21	Technical Assistance and Operating Support	$0	$197,471	$0	$2,318,500	$2,515,971	$3,306,044	-24%
22	Strategic Priority Contingency Fund	$0	$0	$0	$2,000,000	$2,000,000	$0	N/A
	Other	**$615,415**	**$0**	**$0**	**$0**	**$615,415**	**$1,406,306**	-56%
23	Administrative Expenses HOME	$615,415	$0	$0	$0	$615,415	$1,406,306	-56%
	Total	**$27,168,946**	**$58,547,347**	**$35,500,000**	**$21,997,869**	**$143,214,162**	**$104,194,891**	37%

This table excludes federal funding for Section 8 and 236, state appropriated and Pool 3 funds in revolving loan accounts, and unobligated state appropriations for Manufactured Home Relocation Trust Fund and Disaster funds.

The amount of "gap or affordability" financing in the 2013 AHP is about $39 million higher than the orginal 2012 AHP.   The increase can be largely attributed to the the $35.5 billion bonding bill that provided the Agency with proceeds from general obligation and housing instructure bonds.

2013 Affordable Housing Plan
Appendix C: Program Narratives

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Notes on reading the program narratives:

- "Housing Investment Fund" and "Pool 2" refer to the same resources.

- "Housing Affordability Fund" and "Pool 3/Foundation" refer to the same resources.

- The projections for number of housing units or households assisted by programs during the plan period exceed the total number of households projected to be served across all programs. This occurs because some households or housing units will receive assistance from multiple programs in order to achieve needed affordability levels.

- The projections for the number of households or units assisted generally are based on the average assistance per unit or per household for the last five years, by program, adjusted for inflation and program trends.

- Several programs have multiple funding sources which may necessitate some differences in program rules depending on the funding sources.

- The tables in the narratives show funds available for commitment in 2013. Previous AHPs also showed committed funds that had not yet disbursed. The 2013 narratives no longer show these committed balances for display simplicity.

Home Mortgage Loans

Minnesota Housing's home mortgage loans are fully-amortizing first mortgage loans at affordable interest rates for low- and moderate-income first-time homebuyers. In 2012, the Agency financed the program with mortgage revenue bond (MRB) proceeds. Participating first mortgage lenders throughout the state originate the loans for sale under the program. Home mortgage loans help Minnesota Housing to promote and support successful homeownership by offering financing with affordable interest rates, access to down-payment and closing cost assistance for eligible borrowers, and homebuyer education. The program supports borrowers traditionally not served by the private market.

In April, the Board approved significant changes to Minnesota Housing home mortgage loans, with implementation scheduled for October 1, 2012. The redesigned program contains one mortgage program designed for first-time homebuyers with borrower access to three down-payment and closing cost assistance options – two interest-free deferred loan options and a new interest-bearing, fully-amortizing loan option. In addition, the Agency plans to add a secondary market execution option (loans financed with proceeds from selling the Agency's mortgaged-backed securities) for both MRB-compliant home mortgage loans and expanded loan offerings available to non-first-time homebuyers. These expanded options will include both home purchase and mortgage refinance options. Loans sold on the secondary market are not subject to MRB tax-exempt bond requirements, unless the borrower receives a mortgage credit certificate (MCC).

By redesigning its home mortgage loan programs to include first mortgage programs for non-first-time homebuyers, the Agency employs the strategy of improving and adapting loan products to ensure a needs-based program. The Agency remains committed through its program redesign to continue to serve emerging market populations and households with incomes below 80 percent of area median income (AMI).

2012 income limits for 1-4 person households:

Property Location	Maximum
Minneapolis/Saint Paul metro area	$83,900
Rochester	$81,300
Balance of State	$73,900

Maximum loan amounts:
- $298,125 in the Minneapolis/Saint Paul metropolitan area
- $237,031 in the balance of the state

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing financed:
- 2,245 loans
- $260,898,768 total loan amount
- $116,123 average loan
- median household income of borrowers was $43,660 or 59.9 percent of statewide median
- 22.9 percent were households of color

Staff estimates home mortgage loan production will exceed its 2012 projection with $251 million in loans purchased/settled. The increased funding request for the 2013 AHP assumes increased demand from the new mortgage program options designed to serve borrowers previously unserved by the Minnesota Housing home mortgage loan programs. In addition, staff anticipates increased production from the proposed MCC option that supports MRB-eligible transactions sold under the secondary market execution.

The redesign of its home mortgage loan program delivers the most significant changes to the first mortgage programs the Agency has seen in almost two decades. This creates difficulties in estimating the cumulative effect of the multiple changes on production. The magnitude of program changes will require extensive lender training in the early months of the home mortgage loan program until lenders reach a comfort level with the programs.

Proposal for 2013

Based on resources available for new activity in 2013, Minnesota Housing expects to finance loans for an estimated 2,917 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	$350,000,000
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$350,000,000
2012 Original Total	**$250,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 3; Minn. Stat. §462A.073; Minn. Rules, Parts 4900.3200-3290; IRC §143

Mortgage Credit Certificates

Minnesota Housing is reviewing the option of making homeownership more affordable in 2013 by allowing homebuyers to claim a nonrefundable tax credit for a percentage of the annual mortgage interest paid. Mortgage Credit Certificates (MCCs) provide a dollar-for-dollar reduction against the homeowner's federal tax liability. Eligibility requirements for mortgage revenue bond (MRB) programs, such as first-time homebuyer status, also apply to an MCC program.

As an alternative to allowing the expiration of excess MRB authority, conversion of a portion of the Agency's bond authority into MCC authority allows Minnesota Housing to offer an alternate benefit to borrowers by creating an MCC program. When coupled with a first mortgage loan sold on the secondary market (an MCC cannot be used in conjunction with the Agency's MRB first mortgage program), eligible borrowers receive the benefits of an affordable interest rate, down-payment and closing cost assistance and an income tax credit.

Program Performance and Trends
This activity is new to Minnesota Housing.

Proposal for 2013
Staff estimates that $12.5 million in MCC authority will leverage $62.5 million in principal loan amounts (assuming a 20 percent credit rate) for an estimated 450 certificates.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	$50,000,000
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$50,000,000
2012 Original Total	**$0**

Legal Authority: Minn. Stat. §462A.05; IRC §143, Section 25

Homeownership Assistance Fund (HAF)

The Homeownership Assistance Fund (HAF) provides down payment and closing cost assistance loans to income-eligible first-time homebuyers purchasing their homes with Minnesota Housing home mortgage loans. In 2012, HAF loans provided support for borrowers purchasing properties in any of Minnesota Housing-defined “spotlight” areas and/or where borrowers earn 60 percent of area median income (AMI) or less. HAF provides borrowers with an interest-free, deferred mortgage loan.

The majority of borrowers that receive support from Minnesota Housing home mortgage loan programs lack the necessary wealth to meet standard down payment requirements and closing costs associated with a mortgage loan.

On October 1, 2012, staff plans to implement changes to the HAF program. The changes use agency funds prudently, support loan production, minimize borrower risk, and support borrower success. Changes include: increasing the first mortgage rate slightly, setting the qualifying income limit to 60 percent of AMI or less, and changing the loan amount to the greater of either three percent of the purchase price or $3,000 (rounded to the nearest $100). HAF program loans will be eligible for use with home mortgage loans that meet requirements for mortgage revenue bond (MRB) financial execution.

2012 income limits are adjusted by household size. Limits for a 4-person household:

Property Location	Maximum
Minneapolis/Saint Paul metro area	$50,350
Rochester	$48,800
Balance of State	$44,350

Current maximum loan amount: $3,000-$4,500

Program Performance and Trends

For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing financed:

- 1,162 loans
- $4,561,156 total loan amount
- $3,925 average loan
- median household income of borrowers was $43,536 or 59.7 percent of statewide median
- 27.5 percent were households of color

Staff anticipates that simplifying HAF eligibility criteria could renew interest in this option and increase use of the HAF program by lenders who have been confused by existing HAF requirements. In addition, lender familiarity with the HAF program could sustain usage due to ease of its use compared with the HOME HELP program and the new amortizing down-payment and closing cost loan option. Training on the changes related to the HOME HELP program and introduction of the new amortizing loan option may place continued pressure on the more familiar HAF program during the first several months of the 2013 AHP. Staff expects a slight drop off in HAF usage, once the lenders become familiar with the other down payment and closing cost loan program changes.

Proposal for 2013
In the past year, down-payment and closing cost loans supported nearly 75 percent of Minnesota Housing home mortgage loans. Upon launch of the redesigned program, staff anticipates most borrowers will receive down-payment and closing cost loans in the current lending environment. In the 2013 AHP, staff estimates a total first mortgage loan volume of $350,000,000, with HAF supporting roughly 55 percent of total loan volume.

Based on resources available for new activity in 2013, Minnesota Housing expects to fund HAF loans for an estimated 1,770 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	$797,000
Carry Forward of Unobligated Balances from Previous Plans	$144,209
Repayments	$1,100,000
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$3,800,000
Revolving	
2013 Total	$5,841,209
2012 Original Total	**$5,159,475**

Legal Authority: Minn. Stat. §462A.21, Subd. 8; Minn. Rules, Parts 4900.1300-1359

HOME Homeowner Entry Loan Program (HOME HELP)

The HOME Homeowner Entry Loan Program (HOME HELP) provides interest-free, deferred funding to eligible homebuyers for down-payment and closing costs. The program supports first-time homebuyers receiving a Minnesota Housing home mortgage loan. This federally funded program includes a provision to forgive 50 percent of the loan after six years of owner occupancy. HOME HELP aids low-income households in overcoming wealth barriers to homeownership.

To ensure that HOME HELP funds support successful homeownership, HOME HELP requires borrowers to contribute $1,000 of their own funds to the transaction, maintain adequate funds in reserve accounts to finance emergency funding needs, have a debt-to-income ratio of less than 50 percent and a credit score of at least 620. HOME HELP also requires at least one borrower per household to complete homebuyer education.

2012 income limit: 80 percent of county median income, adjusted for family size

Maximum loan amount: $10,000

Program Performance and Trends
For the period of October 1, 2010 – September 30, 2011 Minnesota Housing funded:

- 208 loans
- $1,824,498 total loan amount
- $8,772 average loan
- median household income of borrowers was $37,607 or 51.6 percent of statewide median
- 42.8 percent were households of color

Minnesota Housing is in the process of changing requirements for its down-payment and closing cost assistance loan programs. New HOME program requirements that make HOME HELP less aligned with mortgage industry standards and the change from a fixed to a calculated loan amount that decreases the amount available to some borrowers may decrease the program's attractiveness and loan volume.

Proposal for 2013
Beginning with the 2013 AHP, HOME HELP will be offered with all home mortgage loans eligible for mortgage revenue bond (MRB) that meet the requirements for MRB execution, and will no longer offer a flat loan amount to all borrowers that qualify. Eligible borrowers will receive funds based on demonstrated need (calculated by a loan amount formula). The formula also supports communities adversely impacted by the foreclosure crisis by incenting borrowers purchasing foreclosed property. Under the revised program, the percentage of the loan forgiven by the Agency decreases from 70 percent to 50 percent, allowing the Agency to assist more homeowners and fund the program more consistently.

Based on resources available for new activity in 2013, Minnesota Housing expects to fund approximately 400 HOME HELP loans.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$2,122,203
Carry Forward of Unobligated Balances from Previous Plans	$1,877,797
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$4,000,000
2012 Original Total	**$5,500,000**

Legal Authority: Title II of the Cranston-Gonzales National Affordable Housing Act; 42 U.S.C. 12701 et. seq.; 24 C.F.R 92

Amortizing Down-payment and Closing Cost Loans

Amortizing down-payment and closing cost loans are interest-bearing, level-payment loans that support the Agency's home mortgage loan program. Loans will be available in amounts of $5,000 or five percent of the purchase price, whichever is greater. The product contains a 10-year term and an interest rate equal to that of the first mortgage. The Board approved this loan product in April 2012 as part of the home mortgage loan business review and redesign.

Amortizing down-payment and closing cost loans support Minnesota Housing's strategic priority to promote and support successful homeownership by addressing the wealth barrier to homeownership, while making prudent use of agency resources. Adding this loan product also employs several Agency strategies: improving and adapting products to ensure that they are attractive and easy to use in a changing market, prudently using entry cost assistance to serve borrowers and support loan production without putting borrowers at unnecessary risk, and expanding the pool of lenders and the services provided to these lenders.

Program Performance and Trends

This is an activity new to Minnesota Housing. Funds support Minnesota Housing home mortgage loans and are available to borrowers who meet the guidelines and the program income limits. Based on a lender survey and several lender focus groups, staff estimates a moderate to high demand for this program. Some lenders may experience challenges with their internal systems affecting their ability to originate these loans.

Proposal for 2013

In the 2013 AHP, staff anticipates that 30 percent of the total loan volume of $350,000,000 may access the new amortizing down-payment and closing cost assistance loans

Based on resources available for new activity in 2013, Minnesota Housing expects to fund an estimated 769 down-payment and closing cost loans under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$5,000,000
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$5,000,000
2012 Original Total	**$0**

Legal Authority: Minn. Stat. §462A.05

Single Family Interim Lending

The Single Family Interim Lending Program combines activities known as the Innovative Housing Loan Program and the Partnership for Affordable Housing. This is a revolving fund of short-term financing at reduced interest rates used to support increasing the affordable housing supply. The program is designed to encourage innovations in the development or rehabilitation of single family housing and is delivered through partnership arrangements between the Agency, private sector housing providers and local lenders. Both nonprofit and for-profit sponsors and/or developers may apply for the program

Program Performance and Trends
Data on interim lending are included in data provided for the Community Revitalization Fund (CRV), which is the umbrella program under which Minnesota Housing currently delivers the Economic Development and Housing/Challenge Program and interim construction financing.

For the Program Assessment period of October 1, 2010 – September 30, 2011, under CRV (which includes both units funded with Single Family Interim Lending and the Economic Development and Housing/Challenge Program) Minnesota Housing funded:

- 242 loans
- $5,663,289 loan amount
- $23,402 average loan
- median household income of borrowers was $35,220 or 48.3 percent of statewide median
- 39.7 percent were households of color

CRV as a whole has proven to be a valuable resource for increasing the housing supply for low-and moderate-income households.

Proposal for 2013
Based on resources available for new activity in 2012, Minnesota Housing could make an estimated 11 construction loans.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	$230,000
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	$680,000
2013 Total	$910,000
2012 Original Total	**$6,965,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 2 and Minn. Stat. §462A.05, Subd. 18; Minn. Rules, Parts 4900.1200-1210

Habitat for Humanity Initiative

The Habitat for Humanity Initiative provides a secondary market for interest-free loans originated by Habitat for Humanity Minnesota affiliates for households participating in the Habitat for Humanity Program throughout Minnesota.

Current income limit: Less than or equal to 50 percent of the greater of state or area median income. Habitat sets specific borrower income limits, which are lower than Minnesota Housing's limits. Habitat also establishes maximum loan amounts that are lower than Minnesota Housing's home mortgage loan program limits.

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing funded:

- 35 loans
- $2,659,863 total loan amount
- $75,996 average Minnesota Housing funding per household
- median household income of borrowers was $33, 900 or 46.5 percent of statewide median
- 85.7 percent were households of color

The funding amount proposed is consistent with past funding amounts and staff expects similar program results**.**

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to fund loans for approximately 25 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$1,000,000
Housing Affordability Fund (Pool 3)	
Regular	$1,000,000
Revolving	
2013 Total	$2,000,000
2012 Original Total	**$2,000,000**

Legal Authority: Minn. Stat. §462A.21, Subd. 5

Homeownership Education, Counseling and Training (HECAT)

Homeownership Education, Counseling and Training (HECAT) supports: pre-purchase homebuyer training, home equity conversion counseling, and foreclosure prevention counseling. Minnesota Housing and its funding partners (the Minnesota Home Ownership Center, the Greater Minnesota Housing Fund, and the Family Housing Fund) accept funding proposals from administrators annually through a competitive RFP process. Minnesota Housing also funds foreclosure prevention counseling with federal funds from the National Foreclosure Mitigation and Counseling (NFMC) program. Current funding from NFMC will run through December 2012.

Current income limit: none, but participants with incomes less than or equal to 60 percent of area median are encouraged to participate.

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing funded:

- 18,503 households
- $3,707,488 funding amount
- $200 average Minnesota Housing assistance per household
- median household income of participants was $34,944 or 47.9 percent of statewide median
- 26 percent were households of color

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to fund assistance for approximately 16,000 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	$751,000
Carry Forward of Unobligated Balances from Previous Plans	$74,750
Repayments	$50,000
Contributions from Other Organizations	$680,000
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$1,555,750
2012 Original Total	**$1,580,482**

Legal Authority: Minn. Stat. §462A.209

Home Improvement Loan Program

Minnesota Housing's home improvement loan program provides below-market-interest-rate, fully-amortizing home improvement loans to low- and moderate-income homeowners to improve the livability and energy efficiency of their homes. The home improvement loan program is key to the Agency's priority to support successful homeownership.

A thorough product review of Minnesota Housings home improvement loan program was identified as an important business activity during the development of the 2012 AHP. The product review resulted in several changes to make the program more attractive in the current market. Changes to the program include:

- Reintroducing unsecured loans to enhance financing options for homeowners with modest cost improvements and/or higher loan-to-value ratios as well as for lien-averse homeowners. Pricing for unsecured loans will be higher than that of secured loans in order to compensate for increased risk.
- Increasing lender-earned fees to offset increased lender costs, incenting broader lender participation, and encouraging increased production from both private and non-profit lenders as well as to restore the profitability of smaller loans, which should ensure better service to lower income households.
- Paying lender fees out of Pool 3 so that the payment of lender-earned fees does not negatively impact program yield and APR issues are addressed.

2012 income limit: $96,500

Maximum loan amount: $35,000 for secured loan; $10,000 for unsecured loans

Program Performance and Trends
During the 2012 program year, Minnesota Housing's home improvement loan program was marketed under two names representing two program delivery options: the Fix-Up Fund and the Community Fix-Up Fund. For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing financed:

Fix-Up Fund

- 1,322 Fix-Up Fund loans
- $18,129,947 total loan amount
- $13,714 average loan
- median household income of borrowers was $63,007 or 86.4 percent of statewide median
- 6.7 percent were households of color

Community Fix-Up Fund

- 220 CFUF loans
- $2,781,133 total loan amount
- $12,642 average loan
- median household income of borrowers was $62,494 or 85.7 percent of statewide median
- 8.6 percent were households of color

In recent years, home improvement loan activity has been declining due to difficult economic conditions. Recent volume appeared strong, stimulated by the availability of one-time Energy Saver Rebates; without these rebates, volume has been relatively light.

Proposal for 2013
The challenge for this AHP year will be to successfully market the revised program to lenders and consumers statewide. Minnesota Housing has designed program changes to increase the appeal and functionality of its home improvement loan program.

Based on resources available for new activity in 2013, Minnesota Housing expects to finance loans for an estimated 1,200 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$20,000,000
Housing Affordability Fund (Pool 3)	
Regular	$465,000
Revolving	
2013 Total	$20,465,000
2012 Original Total	**$20,465,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 15; Minn. Rules, Parts 4900.0610-0700

Rehabilitation Loan Program (RLP)

The Rehabilitation Loan Program (RLP) provides deferred loan financing to low-income homeowners needing to rehabilitate their existing housing to improve its safety, livability or energy efficiency. Existing residential housing is rehabilitated to the greatest extent practicable to meet a rehabilitation standard adopted by the Agency in 2010. Homeowners needing assistance of an emergency nature or who have an essential accessibility need are referred to the Emergency & Accessibility Loan (ELP) component of the program. RPL is a key component of the Agency priority to support successful homeownership. Local entities such as community action agencies administer the program.

The maximum RLP loan term is 15 years for properties taxed as real property and 10 years for manufactured homes taxed as personal property and located in a mobile home park. All loans are forgiven if the borrower does not sell, transfer title, or cease to occupy the property during the loan term.

2012 income limits are adjusted by household size: $25,200 for 4-person household
Maximum loan amount: $27,000

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing funded:

RLP
- 96 loans
- $2,126,966 total loan amount
- $22,145 average loan
- median household income of borrowers was $13,826 or 19 percent of statewide median
- 9.4 percent were households of color

ELP
- 45 loans
- $410,319 total loan amount
- $9,118 average loan
- median household income of borrowers was $12,596 or 17.3 percent of statewide median
- 13.3 percent were households of color

Program funding changes over the last several AHPs have led to a decline in production. During the 2008-09 AHP using state appropriations, actual commitments averaged $5.5 million a year. During the 2010-11 AHP using federal HOME funds, actual commitments averaged $2.5 million a year. During the 2012 AHP using state appropriations, actual commitments during the first 8.5 months may total $2.6 million, a pace of $3.4 million year.

RLP lender capacity has diminished with reduced federal and local resources for nonprofits. Many RLP lenders also delivered federal weatherization funds locally, and the cut to weatherization funding has led to reductions in lender staff. Over half of Minnesota Housing's RLP lenders have lost staff who normally would process RLP loans.

Proposal for 2013
Based on resources available for 2013, Minnesota Housing expects to fund rehabilitation loans for an estimated 270 households.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	$1,851,415
Carry Forward of Unobligated Balances from Previous Plans	$3,026,878
Repayments	$750,000
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$121,707
Revolving	
2013 Total	$5,750,000
2012 Original Total	**$5,750,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 14a; Minn. Rules, Parts 4900.0610-0700

Low and Moderate Income Rental Program (LMIR)

The Low and Moderate Income Rental Program (LMIR) makes interest-bearing, amortizing first mortgages available for the refinance, acquisition, rehabilitation or new construction/conversion of rental developments that house low- and moderate-income Minnesotans. This program also includes bridge loans and equity take-out loans. Financing is available to housing sponsors both through the Request for Proposals process and on an open pipeline basis. Deferred loans under Flexible Financing for Capital Costs are available in conjunction with LMIR loans.

Current eligibility requirements: 40 percent of units must be at 60 percent area median income or 20 percent of units must be at 50 percent area median income; and 25 percent of units may be unrestricted. The balance of the units may be up to 100 percent area median income.

Maximum loan amount: no set limit; minimum amount is two million dollars on tax-exempt bond loans and $350,000 on all others.

Program Performance and Trends
For the period of October 1, 2010 – September 30, 2011, Minnesota Housing financed:

- 11 loans for developments with 1,012 units (unadjusted count)
- $38,967,126 total loan amount
- $38,505 average LMIR assistance per unit
- median household income of tenants was $21,840 or 30 percent of statewide median
- 37.8 percent of households were of color

In the 2012 AHP, $20,000,000 was budgeted for conduit financing to preserve federally assisted housing with a focus on developments with minimal gap financing needs. The Agency continues to explore this as an option, but did not implement this approach in 2012.

Proposal for 2013
Staff estimates that $69,000,000 will be allocated through the 2012 RFP and the remaining $21,000,000 will be available through the pipeline process.

Based on resources available for new activity in 2013, Minnesota Housing expects to finance an estimated 1,307 units under this program. Minnesota Housing will finance a significant portion of the LMIR funding through tax-exempt bonds to enable developments to become eligible for “automatic” 4 percent housing tax credits. In these instances, at least 50 percent of the development costs must be financed with tax-exempt bonds. Minnesota Housing estimates that $45 million of the tax-exempt bond production will act as short-term bridge loans.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	$70,000,000
Housing Investment Fund (Pool 2)	$20,000,000
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$90,000,000
2012 Original Total	**$68,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 3

Flexible Financing for Capital Costs (FFCC)

The Flexible Financing for Capital Costs (FFCC) program provides deferred loans at low or no interest to support the production, stabilization, and maintenance of multifamily rental housing. Funds are provided only in conjunction with Low and Moderate Income Rental (LMIR) first mortgage loans and may be used in conjunction with the refinancing of existing loans.

The current FFCC program is administered both through the Consolidated RFP and on a pipeline basis, allowing the Agency to act more quickly to meet the immediate needs of developments that would be unnecessarily delayed and subjected to hardship if required to wait for the RFP.

Current eligibility requirements: 40 percent of units must be at 60 percent area median income or 20 percent of units must be at 50 percent area median income; and 25 percent of units may be unrestricted. The balance of the units may be up to 100 percent area median income.

Maximum loan amount: no set limit, subject to funding availability

Program Performance, Trends and Evaluation
For the period of October 1, 2010 – September 30, 2011, Minnesota Housing financed:

- 5 FFCC loans for developments with 228 units (unadjusted count)
- $4,328,804 total loan amount
- $18,986 average FFCC assistance per unit

As a result of the state's aging portfolio, the Agency anticipates a continued increase of preservation and stabilization requests.

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to fund an estimated 294 units under FFCC.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$4,000,000
Revolving	
2013 Total	$4,000,000
2012 Original Total	**$4,500,000**

Legal Authority: Minn. Stat. §462A.05, Subd.3, and - Minn. Stat. §462A.21, Subd.8a.

Low Income Housing Tax Credits (LIHTC)

Low Income Housing Tax Credits (LIHTC) provide federal income tax credit to owners and investors in the construction or acquisition with substantial rehabilitation of eligible rental housing. Housing must meet income and rent restrictions for a minimum of 30 years. Tax credits are awarded in a competitive allocation process held each year concurrent with the Minnesota Housing Consolidated Request for Proposals. The allocation of tax credits is based upon the state's population and a per capita amount that increases each year with the cost of living. The syndication proceeds are the amount of private equity invested in developments as a result of federal housing tax credits awarded.

Minnesota Housing was designated by the Minnesota Legislature as the primary allocating Agency of LIHTC in Minnesota. Qualified local cities and counties have also been designated by the Legislature as suballocators of the HTC.

Section 42 of the Internal Revenue Code requires that tax credit allocating agencies develop an allocation plan for the distribution of the tax credits within the jurisdiction of the allocating agency. Minnesota Housing's Qualified Allocation Plan (QAP) combines state and federally legislated priorities with other priorities established by Minnesota Housing following receipt of comments from the public, local municipalities and federal agencies. The QAP sets forth selection criteria that are appropriate to local conditions and support the Agency's mission and strategic priorities.

The award of LIHTCs is a highly competitive process with requests totaling 3:1 or 4:1 for each available credit dollar. LIHTCs are awarded in two rounds with Round 2 establishing a waiting list.

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011:

- 1,110 LIHTC units (unadjusted count) in 11 developments
- $62,137,381 in syndication proceeds
- $55,980 average syndication amount per unit
- median household income of tenants in LIHTC units financed by Minnesota Housing was $18,532 or 25.4 percent of statewide median
- 48.7 percent were households of color

Proposal for 2013
Based on the available LIHTC credit ceiling, Minnesota Housing expects to allocate tax credits for an estimated 787 units in 2013.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$7,947,872
Carry Forward of Unobligated Balances from Previous Plans	$95,181
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$8,043,053
2012 Original Total	**$7,700,000**

Legal Authority: Minn. Stat. §462A.221-225; IRC §42

Affordable Rental Preservation

Affordable Rental Preservation includes activity funded under the Affordable Rental Investment Fund – Preservation (PARIF) and HOME Affordable Rental Preservation (HOME HARP) programs. These are statewide programs that provide deferred loans to help cover the costs of preserving permanent affordable rental housing that may have long-term, project-based federal subsidies or supportive housing units. PARIF and HOME HARP provide funding that may be used for acquisition, rehabilitation, and debt restructuring, and in the case of at-risk federally assisted developments, equity take-out.

Tenant income limit: PARIF is subject to federal guidelines of assistance being preserved. Income limits under HOME HARP are set annually by the U.S. Department of Housing and Urban Development (HUD).

Maximum assistance amount: None

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing funded preservation under these two programs, now combined into Affordable Rental Preservation:

PARIF

- 9 loans for 2,232 units (unadjusted count)
- $17,321,435 total loan amount
- $7,760 average PARIF assistance per unit
- median household income of tenants was $13,845 or 19 percent of statewide median
- 43.3 percent were households of color

HOME

- 12 developments with 270 units (unadjusted count)
- $3,131,255 total loan amount
- $11,597 average HOME assistance per unit
- median household income of tenants in HOME units was $11,160 or 15.3 percent of statewide median
- 8.2 percent were households of color

This program continues to be a critical tool in the long-term preservation of expiring project-based Section 8 contracts as well as other project-based federally assisted housing. It also has been an effective tool in advancing the business plan to end long-term homelessness with the addition of preserving existing supportive housing in 2007 as an eligible activity.

As of July 2012, Minnesota Housing estimated the present value of federal assistance preserved through deferred funding, approximately 80 percent of which is PARIF, to be nearly $840 million.

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to fund an estimated 1,394 units under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$3,416,536
Carry Forward of Unobligated Balances from Previous Plans	$7,591,180
State Appropriations	
New Appropriations	$7,313,000
Carry Forward of Unobligated Balances from Previous Plans	$6,745,133
Repayments	$250,000
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$25,315,849
2012 Original Total	**$22,313,184**

Legal Authority: Minn. Stat. §462A.21, Subd. 8b and 14a; Minn. Stat. §462A.05, Subd. 3b; Laws of Minnesota 2009, Chap. 17, Art. 1, Sec. 6; Minn. Rules, Parts 4900.3500-3550, 2700-2707, 4900.0610-0700 and Title 11 of the Cranston-Gonzales National Affordable Housing Act; 42 U.S.C. §12701 et seq; 24 CFR Part 92

Housing Trust Fund (HTF Capital)

Historically, funding for the Housing Trust Fund (HTF) has come from either state appropriations or bond proceeds. For purposes of this AHP, only Housing Infrastructure Bond proceeds are available for capital purposes under the HTF. Capital assistance is in the form of deferred loans at no or low interest for the acquisition, construction, or rehabilitation of affordable permanent supportive housing. Funding priority is given to housing proposals that serve tenants with incomes at 30 percent of the median family income for the Minneapolis/Saint Paul metropolitan area. Priority also is given to proposals serving households experiencing long-term homelessness.

2012 tenant income limit: 60 percent of Minneapolis/Saint Paul Metropolitan Statistical Area median with priority for proposals affordable at 30 percent

Maximum loan amount: none beyond funding availability

Program Performance and Trends
Using bond sale proceeds, from October 1, 2010 – September 30, 2011 Minnesota Housing funded capital or operating expenses for:

- 6 loans for developments with 357 units (unadjusted count)
- $30,247,988 loan amount
- $84,728 average HTF per unit
- median household income of all HTF tenants was $9,060 or 12.4 percent of statewide median
- 51.8 percent of all HTF tenants were households of color

All HTF funds in the 2012 AHP were used to renew funding for existing rental and operating subsidy grants; capital funding reported in the Program Assessment for 2011 was from commitments in previous AHPs.

Proposal for 2013
Due to action taken in the 2012 legislative session, up to $30,000,000 in Housing Infrastructure Bond proceeds was made available through the Consolidated Request for Proposals (RFPs). Housing Infrastructure Bond proceeds, under the HTF, will be used to construct or acquire and rehabilitate supportive housing, particularly for persons experiencing or at risk of experiencing long-term homelessness. Of the $30,000,000 in bond proceeds available in the 2013 AHP, approximately $12,000,000 is anticipated to be used for supportive housing proposals under the HTF, and approximately $18,000,000 for preservation of rental housing and foreclosure recovery under the Economic Development and Housing/Challenge program. Final allocation of uses of the housing infrastructure bonds will be determined as part of the 2012 consolidated RFP selection process

Based on resources available for new activity in 2013, Minnesota Housing expects to fund an estimated 106 units under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	$12,000,000
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$12,000,000
2012 Original Total	**$0**

Legal Authority: Minn. Stat. §462A.201; Minn. Rules, Parts 4900.3700-3769

Publicly Owned Housing Program (POHP)

The Publicly Owned Housing Program (POHP) provides deferred, forgivable loans at no interest to eligible public entities to preserve/rehabilitate publicly owned housing. In the past, legislation has also authorized the acquisition, construction, or rehabilitation of permanent supportive rental or transitional housing. Funds are from proceeds of state general obligation (GO) bonds and may be used only for eligible capital costs of a non-recurring nature that add value or life to the buildings. The current appropriation to this program is for the rehabilitation of public housing only.

Priorities for the current round of funding include: 1) addressing health and safety issues, major systems repair or replacement that conserves energy or water resources and; 2) maximizing federal or local resources. POHP represents an important tool for public housing authorities that have limited access to traditional financing but have pressing capital needs in their public housing portfolios.

The funding level for POHP has varied dramatically over the years because it is subject to legislative approval and is therefore sensitive to changes in priorities and the state’s economic outlook.

Current tenant income limit: public housing income limits as established by the US Department of Housing and Urban Development (HUD).

Maximum loan amount: none beyond funding availability

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing financed:

- 7 loans for 316 units (unadjusted count)
- $10,252,331 total loan amount
- $32,444 average POHP assistance per unit
- median household income of tenants was $11,172 or 15.3 percent of statewide median
- 41.1 percent were households of color

Proposal for 2013
Based on the previous funding round, the Agency expects to receive approximately 20 eligible applications in 2013, and fund an estimated 1,367 units under POHP.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	$67,979
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	$5,500,000
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$5,567,979
2012 Original Total	**$0**

Legal Authority: Minn. Stat. §462A.202; Minn. Rules, Parts 4900.3100-3130

Rental Rehabilitation Deferred Loan (RRDL) Pilot Program

Minnesota Housing launched the Rental Rehabilitation Deferred Loan (RRDL) Pilot Program in October of 2011. This pilot program offers streamlined, moderate rehabilitation deferred loans to preserve existing affordable rental housing throughout Greater Minnesota. The program is intended to serve owners of smaller properties not applying through the competitive Request for Proposals process. RRDL gives preference to projects and programs serving areas that are not HOME entitlement areas. Loans are accessible through a local administrative network.

Eligible property owners may receive a deferred loan at no interest.

2012 tenant income limit: 80 percent of statewide or area median income (not adjusted for family size)

Maximum loan amount: $35,000 per unit for 1-2 units or $25,000 per unit up to a maximum loan of $300,000

Program Performance and Trends
The 2012 funding incorporated a combination of Housing Affordability Funds with the carry forward of state appropriations for a total of $10,108,585. In 2012, Minnesota Housing committed $8.5 million to local administrators that are in the process of committing funds to an estimated 560 rental units.

Proposal for 2013
Based on resources available for new activity, Minnesota Housing expects to finance an estimated 95 additional units in 2013 under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	$597,585
Carry Forward of Unobligated Balances from Previous Plans	$922,591
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$1,520,176
2012 Original Total	**$10,108,585**

Legal Authority: Minn. Stat. §462A.33; Minn. Rules, Parts 4900.3600-3652

Rental Rehabilitation Loan Program

The Rental Rehabilitation Loan Program provides property improvement amortizing loans to residential rental property owners through local participating lenders. Loans are interest-bearing and fully-amortizing for 1-15 year terms. Financing is available statewide.

Current tenant income limit: 80 percent of statewide median income

Maximum loan amount: $25,000 for 1-2 units; or $10,000 per unit up to $100,000

Program Performance and Trends

For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing financed:

- 7 loans for the rehabilitation of 55 units of rental housing
- $5,845 per unit average
- median household income of tenants was $27,600 or 37.9 percent of statewide median
- 88.6 percent were households of color

Proposal for 2013

Based on resources available for new activity in 2013, Minnesota Housing expects to finance an estimated 63 units under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$500,000
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$500,000
2012 Original Total	**$1,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 14

Section 8 – Performance Based Contract Administration (PBCA)

The Housing and Community Development Act of 1974 created the project-based Section 8 Housing Assistance Payments Program. Under the program, the U. S. Department of Housing & Urban Development (HUD) entered into contracts with property owners to provide rental assistance for a fixed period of time for families with incomes no greater than 80 percent of the area median income. No new development has been funded under this program since the mid-1980s; however, under existing contracts tenants pay no more than 30 percent of adjusted household income for rent. HUD pays the difference between tenant rent payments and the actual fair market rent of assisted units.

Effective August 1, 2000 the Agency entered into an agreement with the U.S. Department of Housing and Urban Development (HUD) to administer existing Section 8 contracts for affordable rental units that are not part of the Agency's first mortgage portfolio. The Agency's primary responsibilities under Section 8 Performance Based Contract Administration (PBCA) are performing management and occupancy reviews, processing contract renewals and annual rent adjustments, processing monthly payment vouchers, responding to tenant concerns, and following up on Real Estate Assessment Center physical inspections. These activities assist the Agency in identifying and planning for the preservation needs of developments with Section 8 assistance.

The contract with HUD to administer these Section 8 contracts was rebid in 2011 and Minnesota Housing was awarded the new contract, which extends from October 1, 2011 through September 30, 2013. Minnesota Housing currently administers 359 PBCA contracts for Section 8 units. PBCA revenue earned pays 100 percent of the cost of administering the program.

Program Performance and Trends

For the Program Assessment period of October 1, 2010 – September 30, 2011 Minnesota reported:

- 18,177 household assisted
- $107,061,831 Housing Assistance Payments (HAP) amount
- $5,890 average annual assistance per household
- median household income of tenants was $10,534 or 14.4 percent of statewide median
- 36.8 percent were households of color

Geographic distribution of developments is important in understanding differences in assistance (and tenants assisted) between Performance Based Contract Administration (PBCA) and Traditional Contract Administration (TCA - Minnesota Housing-financed Section 8). Nearly one-third of PBCA units are located in the cities of Minneapolis and Saint Paul; an estimated 16 percent of TCA units are located in the cities of Minneapolis and Saint Paul.

Proposal for 2013

Funding levels may change due to Section 8 contracts transitioning from the Traditional Contract Administration (TCA) portfolio to PBCA, per HUD's instruction. Because PBCA HAP outlays are based in part on the number of assisted units in the portfolio, HAP outlays will increase as the portfolio increases.

Because these funds are based on owner billings for subsidy for specific tenants, and are not discretionary or competitively awarded, the Agency will pass the funds through to these owners as HUD provides funding.

Minnesota Housing expects to assist an estimated 17,850 units in 2013 under PBCA.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$107,100,000
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$107,100,000
2012 Original Total	**$105,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 11; 42 U.S.C. §1437f (Section 8 of the Housing and Community Development Act of 1937, as amended)

Section 8 – Traditional Contract Administration (TCA)

The Housing and Community Development Act of 1974 created the project-based Section 8 Housing Assistance Payments Program. Under the program, the U. S. Department of Housing & Urban Development (HUD) entered into contracts with property owners to provide rental assistance for a fixed period of time for families with incomes no greater than 80 percent of the area median income. No new development has been funded under this program since the mid-1980s; however, under existing contracts tenants pay no more than 30 percent of adjusted household income for rent. HUD pays the difference between tenant rent payments and the actual fair market rent of assisted units. Minnesota Housing provided permanent mortgage financing for Section 8 Traditional Contract Administration (TCA) developments from 1975 to the mid-1980s.

Minnesota Housing currently administers 196 contracts for Section 8 units in Agency-financed rental developments. The Agency's primary responsibilities under Section 8 Traditional Contract Administration (TCA) are performing management and occupancy reviews, processing contract renewals and annual rent adjustments, processing monthly payment vouchers, responding to tenant concerns, and following up on Real Estate Assessment Center physical inspections. These activities assist the Agency in identifying and planning for the preservation needs of developments with Section 8 assistance.

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011 Minnesota reported:

- 11,713 household assisted
- $70,879,335 Housing Assistance Payments (HAP) amount
- $6,051 average annual assistance per household
- median household income of tenants was $11,752 or 16.1 percent of statewide median
- 23.8 percent were households of color

Geographic distribution of developments is important in understanding differences in assistance (and tenants assisted) between Traditional Contract Administration (TCA - Minnesota Housing-financed Section 8) and Performance Based Contract Administration (PBCA – other Section 8). An estimated 33 percent of PBCA units are located in the cities of Minneapolis and Saint Paul; an estimated 16 percent of TCA units are located in the center cities.

Proposal for 2013
Funding levels may change due to Section 8 contracts transitioning from the Traditional Contract Administration (TCA) portfolio to PBCA, per HUD's instruction.

Minnesota Housing expects to assist an estimated 11,853 units in 2013 under TCA.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$71,115,000
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$71,115,000
2012 Original Total	**$75,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 11; 42 U.S.C. §1437f (Section 8 of the Housing and Community Development Act of 1937, as amended)

Section 236 Program

The Section 236 program, which was used to fund low-income rental housing in the late 1960s and early 1970s, is an interest rate reduction program. The U.S. Department of Housing & Urban Development (HUD) subsidizes the interest rate on mortgages to a rate of one percent in order to reduce rents and keep the housing more affordable. The Section 236 program was a predecessor to the Section 8 program.

Program Performance and Trends
Under the Section 236 program, Minnesota Housing currently makes interest rate reduction payments to eight developments (more than 500 units of affordable housing). In 2011, the Agency disbursed $1,626,612 in interest reduction payments. Residents have household incomes at or below 80 percent of median income adjusted for family size.

Proposal for 2013
The program is long standing and well established and no changes are proposed or anticipated. The amount of funds in this program will continue to trend downward as the original mortgages mature.

Minnesota Housing expects to assist an estimated 524 units in 2013 under Section 236.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$1,625,000
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$1,625,000
2012 Original Total	**$1,625,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 11; 12 U.S.C. §1715z-1 (Housing and Urban Development Act of 1968)

Housing Trust Fund (HTF Non - Capital)

Historically, funding for the HTF has come from state appropriations and been used to fund capital, rental assistance and operating subsidy expenses. For the past two years, HTF resources have been used to sustain the Agency's rental assistance commitments. The Agency's commitment to rental assistance will continue for the 2013 AHP using state appropriated HTF allocations and a portion of the Ending Long-Term Homelessness Initiative Fund resources to sustain the current level of rental assistance.

HTF rental assistance funds serve low-income families and individuals who are near-homeless, homeless, and/or long-term homeless.

2012 tenant income limit: 60 percent of Minneapolis/Saint Paul Metropolitan Statistical Area median income (AMI) with priority for proposals at 30 percent of AMI and proposals to serve the long-term homeless.

Maximum loan amount: none beyond funding availability

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing funded (including operating subsidies awarded under a previous AHP):

HTF Rental Assistance

- 1,993 households assisted
- $10,772,986 HTF assistance amount
- $568 average HTF per household per month assistance ($6,813 annually)
- median household income of tenants was $7,680 or 10.5 percent of statewide median
- 64.3 percent were households of color

HTF Operating Subsidy

- 9 loans for developments with 377 units (unadjusted count)
- $1,056,338 HTF loan amount
- $2,802 average HTF assistance per unit

Proposal for 2013
It is expected that HTF funds in the 2013 AHP will be used to primarily to renew funding for existing rental assistance grants and also to provide operating subsidies.

Based on resources available for new activity in 2013, Minnesota Housing expects to fund an estimated 1,756 households or units under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	$9,555,000
Carry Forward of Unobligated Balances from Previous Plans	-$1,031,031
Repayments	$1,064,250
Contributions from Other Organizations	$1,000,000
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$10,588,219
2012 Original Total	**$10,071,991**

Legal Authority: Minn. Stat. §462A.201; Minn. Rules, Parts 4900.3700-3769

Ending Long-Term Homelessness Initiative Fund (ELHIF)

Historically, the Ending Long-Term Homelessness Initiative Fund (ELHIF), operating under the Housing Trust Fund statute and program rules has been used to fund capital, rental assistance, operating subsidy expenses and non-bondable development costs in general-obligation, bond-funded, supportive-housing projects.

ELHIF-assisted tenants meet the definition of long-term homelessness: lacking a permanent place to live continuously for a year or more or at least four times in the last three years.

2012 tenant income limit: 60 percent of Minneapolis/Saint Paul Metropolitan Statistical Area median income (AMI) with priority for proposals at 30 percent of AMI.

Maximum loan amount: none beyond funding availability

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing funded:

ELHIF Capital Funding

- 5 loans for developments with 417 units assisted (unadjusted count)
- $4,492,407 total assistance amount
- $10,773 average ELHIF per unit
- median household income of tenants was $8,328 or 11.4 percent of statewide median
- 63.2 percent were households of color

ELHIF Operating Subsidy

- 2 loans for developments with 82 units (unadjusted count)
- $426,000 total loan amount
- $5,195 average ELHIF assistance per unit

The primary strategy to achieve the goal of ending long term homelessness in Minnesota is to fund 4,000 housing opportunities for persons experiencing long-term homelessness by the end of 2015. As of March 30, 2012, the Plan had funded 3,695 new opportunities with a variety of resources, including ELHIF.

As resources have become more scarce, Minnesota Housing has prioritized the use of ELHIF funds to sustain the ongoing commitment of rental assistance and operating subsidy activities.

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to assist approximately 631 households or units under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$3,364,781
Revolving	
2013 Total	$3,364,781
2012 Original Total	**$1,598,600**

Legal Authority: This fund will be operated under the Housing Trust Fund Rules. Minn. Stat. §462A.201; Minn. Rules, Parts 4900.3700-3769

Bridges

Bridges is a tenant-based voucher program that operates in selected counties throughout the state, administered by local housing organizations. Grants provide temporary rental assistance and security deposits on behalf of participants with a serious mental illness. Payments are paid directly to landlords and tenants are responsible for their portion of the rent, equal to 30 percent of their income. Participants are required to be on a waiting list or eligible for a permanent rent subsidy, typically a Section 8 Housing Choice Voucher. The Minnesota Department of Human Services and Minnesota Housing collaborate in the administration of the program.

2012 tenant income limit: 50 percent of area median income

Maximum assistance amount: none beyond funding availability

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing funded:

- 558 households
- $2,131,899 assistance amount
- $433 per household per month average Bridges assistance amount ($5,214 annually)
- median household income of tenants was $9,234 or 12.7 percent of statewide median
- 28.5 percent were households of color

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to assist an estimated 685 households under this program.

New in the 2012 and 2013 AHPs is the Bridges Regional Treatment Center (RTC) pilot program. Funded entirely through the Minnesota Department of Human Services, Minnesota Housing will act as fiscal agent. In the state fiscal year 2012, $697,663 was made available. In 2013, $875,771 will be made available.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	$2,638,000
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	$875,771
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$3,513,771
2012 Original Total	**$2,706,396**

Legal Authority: Minn. Stat. §462A.2097; Minn. Rules, Parts 4900.3000-3050

Family Homeless Prevention and Assistance Program (FHPAP)

The Family Homeless Prevention and Assistance Program (FHPAP) assists families with children, unaccompanied youth, and single adults who are homeless or are at imminent risk of homelessness. Funds are used for a broad range of purposes aimed at preventing homelessness, shortening the length of stay in emergency shelters or length of homelessness, and assisting individuals and families experiencing homelessness to secure transitional or permanent affordable housing. FHPAP grants encourage and support innovations at the county, region, or local level in establishing a comprehensive homelessness response system or in redesigning an existing one.

Grant funds are awarded through a competitive application process. In the Minneapolis/Saint Paul seven-county area, only counties are eligible to apply for funding. In Greater Minnesota, eligible applicants include a county, a group of contiguous counties jointly acting together, or a community-based nonprofit organization with a sponsoring resolution from each of the county boards of the counties located within its operating jurisdiction. All grantees are required to use Minnesota's Homeless Management Information System (HMIS) to collect household data and complete progress reports to be submitted to Minnesota Housing.

2012 household income limit: lacking sufficient resources to maintain or obtain housing; eligibility criteria set locally

Maximum assistance amount: none beyond funding availability

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing funded:

- 9,299 households
- $7,174,349 funding amount
- $772 per household average assistance amount
- median household income was $9,360 or 12.8 percent of statewide median
- 51.9 percent were households of color

FHPAP grantees have implemented a variety of homeless prevention and stabilization activities including rent or mortgage assistance, utility assistance, and an array of support services to assist people to stay in their homes or secure housing. As of the end of 2011, 43 percent of funds allocated to providers were used for direct cash assistance including rent and mortgage assistance, security deposits, and transportation and utility assistance; 49 percent of funds were used for support services; and 8 percent of funds were used for program administration.

FHPAP is an important resource in the effort to end homelessness. The program assists extremely low-income people at a low assistance per household cost, primarily with short-term tenant-based assistance (limited to 24 months, most typically less than three months). Data collected through the Homeless Management Information System (HMIS) indicate that less than five percent of assisted household returned to shelter within six months of exiting this program.

Proposal for 2013

Based on resources available for new activity in 2013, previous levels of activity, and an increase in maximum assistance available per household, this program is expected to assist an estimated 8,294 households during the year.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	$7,465,000
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$7,465,000
2012 Original Total	**$7,488,496**

Legal Authority: Minn. Stat. §462A.204

Housing Opportunities for Persons with AIDS (HOPWA)

The Housing Opportunities for Persons with AIDS (HOPWA) program funds grants for housing assistance and services to meet the housing needs of persons with Acquired Immune Deficiency Syndrome (AIDS), HIV-positive status or related diseases, and their families. HOPWA funds are appropriated by Congress to the U.S. Department of Housing and Urban Development. The City of Minneapolis receives and administers a direct grant for the 13-county Minneapolis/Saint Paul Metropolitan Statistical Area. Minnesota Housing receives a direct award of funds for the portion of the State not covered by the City of Minneapolis grant and contracts with the Minnesota AIDS Project to administer these funds.

Current tenant income limit: 80 percent of area median income adjusted for family size.
Maximum assistance amount: none beyond funding availability.

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing assisted:

- 160 households
- $123,912 assistance amount
- median household income was $15,807 or 21.7 percent of statewide median
- $774 average HOPWA assistance per household
- 49 percent were households of color

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to assist an estimated 166 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$142,672
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$142,672
2012 Original Total	**$139,821**

Legal Authority: Cranston-Gonzales National Affordable Housing Act 1990; 42 U.S.C. §12901-12921; 24 C.F.R. Part 574

Asset Management

The Asset Management account is used to make interest and non-interest bearing amortizing and deferred loans as well as rent subsidy grants. Developments may be eligible for funding from this account if reserves are inadequate to fund capital improvements. Loans provide funding necessary for repairs and maintenance to protect the Agency's assets and ensure that developments are decent, safe and sanitary.

Minnesota Housing also may use these funds to pay for costs incurred when a property goes into default and eventually becomes Real Estate Owned (REO) by the Agency. Holding costs such as legal representation for the Agency, taxes and insurance, other operating costs, capital improvements necessary to market the property, and loan losses are paid with resources allocated to this program. The funds also are used to stabilize troubled developments that, had they become REO, would have cost the Agency more in losses than the total cost of stabilizing them.

Owners receiving assistance with these funds must agree to extend/renew the Section 8 Housing Assistance Payment Contract or accept similar project-based replacement benefits for a minimum of ten years beyond the current commitment to the program.

Program Performance and Trends
For the period of October 1, 2010 – September 30, 2011, the Agency did not make any Asset Management loans. In the previous year, the Agency provided four loans to developments with 125 units in the amount of $2,794,456. Loans averaged $698,614 or $22,356 per unit.

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to fund 120 units.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$3,100,000
Revolving	
2013 Total	$3,100,000
2012 Original Total	**$3,500,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 3

Financing Adjustment Factor (FAF) / Financing Adjustment (FA)

Financing Adjustment Factor (FAF) and Financing Adjustment (FA) financing comes to the Agency as a result of an agreement between the U.S. Department of Housing and Urban Development and Minnesota Housing to share in the savings resulting from refunding high interest rate bonds originally issued in 1980 through 1983 to finance Section 8 developments. These funds are used to pay for deferred maintenance and operating subsidies of eligible properties. Minnesota Housing makes these funds available in interest-and non-interest-bearing amortizing loans, deferred loans or grants, as well as rent subsidy grants. Owners receiving assistance with these funds must agree to extend/renew the Section 8 Housing Assistance Payment Contract (HAP) or accept similar project-based replacement benefits for a minimum of ten years beyond the current commitment to the program.

Program Performance and Trends
From October 1, 2010 – September 30, 2011, Minnesota Housing closed two FAF/FA loans in the amount of $3,371,784 to assist 72 rental units with an average investment of $46,830 per unit.

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to finance an estimated 130 units under this program.

This will be the last year of substantial new funding coming into the program, with $360,090 coming in from interest savings; however, there is approximately $5.2 million in uncommitted funds that have accrued. Staff expects to commit $3.0 million of this balance in 2013. The remaining $2.2 million will be used in future AHPs.

Program Funding by Source

Source	Amount
Federal Funds	
New Funds	$360,090
Carry Forward of Unobligated Balances from Previous Plans	$3,000,000
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$3,360,090
2012 Original Total	**$875,015**

Legal Authority: Minn. Stat. §462A.05, Subd. 11

Economic Development and Housing/Challenge Program (EDHC)

The Economic Development and Housing/Challenge Program (EDHC) provides grants or loans for the purposes of construction, acquisition, rehabilitation, construction or permanent financing, interest rate reduction, refinancing and gap financing. Funds are used to support economic development or job creation activities within a community or region by meeting locally identified housing needs for both renter and owner-occupied housing. These deferred loans are typically provided at no or low interest; Minnesota Housing requires that most affordability gap financing awards be provided in the form of loans repayable to the Agency.

The program is designed to provide housing affordable to the local workforce based upon the wages of the jobs being created or retained in the area, fastest growing jobs in the local area, and jobs with the most openings in the local area, or wages of the workforce employed by organizations making contributions under the program.

EDHC loans may be made to cities, private developers, tribal and urban Indian housing authorities, nonprofit organizations or owners of housing, including individuals, for both multifamily (minimum of four units) and single family projects. EDHC requires that 50 percent of the funds be used for projects that have leveraged funds from non-state resources. Preference is given to proposals with the greatest portion of costs covered by non-state resources.

2012 income limit: 115 percent of the greater of area or state median income for owner-occupied housing and 80 percent of the greater of area or state median income for rental housing

Maximum loan amount: None beyond funding availability

Program Performance and Trends

Traditionally, EDHC funds have been awarded through the Request for Proposals (RFP) process. RFP funding for single family housing is available under Community Revitalization (CRV), which is the umbrella program for EDHC and two interim construction financing programs for homeownership activities. For the Program Assessment period of October 1, 2010 – September 30, 2011, under the RFP funding for EDHC, Minnesota Housing funded:

<u>Multifamily EDHC</u>

- loans to 8 developments with 1,528 units (unadjusted count)
- $10,363,029 total loan amount
- $6,782 average assistance per unit
- median household income of tenants was $20,293 or 27.8 percent of statewide median
- 59.7 percent were households of color

<u>Single Family EDHC (CRV)</u>

- 242 CRV loans
- $5,663,289 total loan amount
- $23,402 average loan
- median household income of borrowers was $35,220 or 48.3 percent of statewide median
- 39.7 percent were households of color

Proposal for 2013

More than $49 million will be made available for activities under EDHC in 2013, including:

- $12.3 million to EDHC RFP
- $1.2 million in state appropriations set aside for Indian housing

- $12 million for the Twin Cities Community Land Bank/Family Housing Fund – revolving loan fund
- $2 million for Community Owned Manufactured Home Parks
-
- $4 million for possible contract-for-deed financing in Greater Minnesota
- up to $18 million in state appropriations via Housing Infrastructure Bond proceeds. Housing Infrastructure Bond proceeds under EDHC will be used to preserve existing federally subsidized rental housing, and to stabilize communities impacted by the foreclosure crisis by creating new affordable housing opportunities through rental units and community land trusts. Of the $30,000,000 in bond proceeds, approximately $18,000,000 is anticipated to be used for preservation of rental housing and foreclosure recovery under EDHC, and approximately $12,000,000 for supportive housing proposals under the Housing Trust Fund.

Final allocation of uses of the housing infrastructure bonds will be determined as part of the 2012 consolidated RFP selection process

Based on resources available for new activity in 2013, Minnesota Housing expects to fund an estimated 1,675 units under EDHC.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	$6,955,000
Carry Forward of Unobligated Balances from Previous Plans	$4,456,346
Repayments	$250,000
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	$18,000,000
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$18,000,000
Housing Affordability Fund (Pool 3)	
Regular	$1,827,881
Revolving	
2013 Total	$49,489,227
2012 Original Total	**$27,832,494**

Legal Authority: Minn. Stat. §462A.33; Minn. Rules, Parts 4900.3600-3652

Technical Assistance and Operating Support

The Agency Technical Assistance and Operating Support Fund provides organizational support funding to entities providing affordable housing and housing-related services. The Agency contracts with intermediary organizations to deliver a large portion of the program funds to eligible organizational recipients. It also provides grants for projects that have an important State or regional impact and are consistent with the Minnesota Housing's mission. Grants may be used for projects that are research-oriented, that require external expertise to supplement existing staff, or that develop or support infrastructure related to the Agency's strategic priorities.

Program Performance and Trends

Examples of expenditures include contributions to the statewide counseling network through the Home Ownership Center, the Wilder Statewide Survey of Homelessness, the maintenance of and expansion of the database and processing system by HousingLink to provide affordable rental housing vacancy information statewide, the State's Homeless Management Information System (HMIS), regional Continuum of Care planning, the evaluation of updated national Green Communities criteria, and assistance with the refinement and implementation of new initiatives.

Proposal for 2013

Under the 2013 Plan, funds will be made available for a variety of operating support and technical assistance needs including continued support for the Minnesota Home Ownership Center, HMIS, Continuum of Care regions, and HousingLink. Twin Cities LISC, Duluth LISC, and the Minnesota Housing Partnership will provide operating support to other housing providers. In addition, this Affordable Housing Plan includes CHDO operating support.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	$125,000
Carry Forward of Unobligated Balances from Previous Plans	$72,471
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$2,318,500
Revolving	
2013 Total	$2,515,971
2012 Original Total	**$3,306,044**

Legal Authority: Minn. Stat. §462A.07, Subd. 6; Minn. Stat. §462A.21, Subd. 3b; Minn. Rules, Parts 4900.1931-1937; 42 U.S.C. §12701 et seq.; 24 C.F.R. Part 92;

Non-Profit Capacity Building Loan Program

The Nonprofit Capacity Building Loan Program assists nonprofit organizations and local units of government in the development of housing projects for low-and moderate-income persons. The 0 to 3 percent interest deferred loan funds are to be used for pre-development costs such as architect fees, attorney fees, options on land and buildings, and other costs associated with the processing or preparations of a housing project proposal. The program is a revolving loan fund delivered through administrators. Greater Metropolitan Housing Corporation and the Local Initiatives Support Corporation (Minneapolis/Saint Paul metropolitan) serve the seven-county Twin Cities area while the Minnesota Housing Partnership and the Local Initiatives Support Corporation (Duluth) serve the balance of the State.

Individual loans are selected and underwritten by the administrators with results reported to Minnesota Housing on a quarterly basis.

Current tenant income limit: 80 percent of statewide median income. Maximum loan amount: varies by administrator.

Program Performance and Trends
Minnesota Housing typically provides financing averaging approximately $125,000 per loan. This program, which achieves nearly a 1:1 match from our administrators, was established as a revolving loan program with repayments supporting new loan production.

The program supports the Agency's interest in the development or expansion of the capacity of nonprofit housing providers. Per the loan agreements in place, all interest earnings from the funds that have been allocated to the administrators are used for new loan production.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	$1,000,000
2013 Total	$1,000,000
2012 Original Total	**$5,300,000**

Legal Authority: Minn. Stat. §462A.21, Subd. 3a; Minn. Rules, Parts 4900.1925-1930

Strategic Priority Contingency Fund

This is a new line item in the AHP. During the year, Minnesota Housing anticipates that some programs are likely to need additional resources. To be more nimble and responsive, the Agency has set aside $2 million of contingency funds to meet those needs.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$2,000,000
Revolving	
2013 Total	$2,000,000
2012 Original Total	**$0**

Administrative Expenses (HOME)

The HOME program regulations allow Minnesota Housing to recover the costs incurred in administering the program, subject to certain Federal restrictions regarding what constitutes allowable costs and subject to the restriction that reimbursed administrative costs cannot exceed 10 percent of the Federal appropriation. Agency administrative expenses are limited to Agency overhead and administrative fees paid to local administrators.

Program Performance and Trends
The Agency traditionally has allocated six percent of its HOME funds to overhead. The Agency's allocation of HOME funds to additional activities in recent years, e.g., monitoring of HOME rental developments brought in-house, have contributed to increased administrative costs.

Proposal for 2013
New allocations of HOME funds will not occur until the annual appropriations are decided which will most likely be in the spring of 2013. This Affordable Housing Plan assumes that the amount of new appropriations is the same as the 2012 appropriation of $6.154 million; this is subject to change pending receipt of the actual funds.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$615,415
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$615,415
2012 Original Total	**$1,447,240**

Legal Authority: Title II of the Cranston-Gonzales National Affordable Housing Act 1990; 42 U.S.C. §12701, et. seq.

Manufactured Home Relocation Trust Fund

The Manufactured Home Relocation Trust Fund requires owners of manufactured home parks to pay $12 per licensed lot into the Trust Fund each year. The owner of the manufactured housing park is authorized to recoup the $12 from the manufactured homeowner either monthly or in a lump sum. The Trust Fund is available to manufactured home owners who have to relocate because the park they are living in is being closed. The statute sets out the process for determining how much money a homeowner is eligible for and maximum amounts. Only those home owners who paid into the Trust Fund are eligible to receive payment. Funds are paid to Minnesota Management and Budget for deposit in the Trust Fund held by Minnesota Housing. Minnesota Housing's role is to make payments as directed by a neutral third party for the costs of relocation. Minnesota Housing is not responsible for paying claims if there are insufficient funds in the Trust Fund.

Program Performance and Trends

The fund balance is nearly $1.3 million as of June 30, 2012. State law was amended in 2011 to suspend collection of the fee if the balance in the account is equal to or exceeds $1 million. Consequently, no receipts are anticipated for 2013.

Proposal for 2013

It is difficult to predict the level of demand for these funds given the limited experience to date. One park closing is anticipated in 2013 with an undetermined number of eligible claims to be made.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	$1,279,536
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$1,279,536
2012 Original Total	**$1,238,761**

Legal Authority: Minn. Stat. §327C.095

Flood Disaster

Minnesota Housing implemented the original Flood Economic Development and Housing/Challenge Program to address flood damage in southeastern Minnesota that occurred in August of 2007. Subsequent Minnesota Legislature appropriations have been $2.7 million to address the 2009 Red River Valley flood and $4 million for the 2010 southern Minnesota flood.

The goal of this program is to provide funding for repair/replacement of real property damaged by federally declared disasters in Minnesota. These legislative appropriations are administered through the Quick Start Disaster Recovery Program.

Since 2007, Minnesota has experienced a natural disaster approximately every 15 to 18 months.

Program Performance and Trends
For the program assessment period October 1, 2010 – September 30, 2011, the Agency provided funding for:

- 6 townhouse units
- $260,000 total loan amount
- $43,333 average per unit

Proposal for 2013
On August 24, 2012, the Minnesota Legislature appropriated $12,720,000 to Minnesota Housing for recovery efforts related to the mid-June 2012 flooding in Northeastern Minnesota and wind damage. Of that amount, $12.22 million was appropriated to the Economic Development and Housing Challenge program to assist homeowners and rental property owners. The funds for homeowners will be committed and disbursed under the Quick Start program. No interest loans are available up to $30,000 for repair costs that are not covered by federal assistance or insurance proceeds. The loan is forgiven if the homeowner remains in the property for 10 years. Similarly, funding is available in the form of a no interest, forgivable loan to restore rental housing properties damaged in the flooding. Assisted rental property owners must keep rents affordable for a period of 10 years in order for the loan to be forgiven. Property owners must apply for and accept the maximum amount of assistance available from the federal government and must have unmet needs in order to receive state assistance.

$250,000 was appropriated to the Capacity Building Grant program to provide organizational support to non-profit organization(s) for case management and construction management services for households with property damaged in the flooding.

$250,000 was appropriated to the Family Homeless Prevention and Assistance Program (FHPAP) to help households who have been displaced or are at-risk of being displaced to obtain or retain their housing. Assistance will most frequently take the form of security deposits and very short-term assistance with housing expenses. This funding will be administered through the current FHPAP administrators. Administrators serving the areas impacted by the flooding will have access to the pool of funds rather than an allocation of a specific dollar amount.

Assistance is available in the counties included in the Presidential Declaration of Major Disaster, DR-4069. These counties are: Aitkin, Carlton, Cass, Cook, Crow Wing, Dakota, Goodhue, Itasca, Kandiyohi, Lake, Meeker, Pine, Rice, Sibley, St. Louis, and the Fond du Lac Band of Lake Superior Chippewa, Grand Portage Band of Lake Superior Chippewa, and the Mille Lacs Band of Ojibwe.

The "Flood Disaster" line item in the 2013 AHP captures the disaster appropriation to the EDHC, Capacity Grant Building, and FHPAP programs.

Based on resources available for new activity in 2013, Minnesota Housing expects to fund an estimated 719 units or households under Flood Disaster.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	$12,720,000
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$12,720,000
2012 Original Total	**$292,821**

Legal Authority: Minn. Stat. §462A.33; Minn. Rules, Parts 4900.3600-3652 and Minn. Stat. §12A.09

Disaster Relief Contingency Fund

This fund was established by the 2001 Minnesota Legislature as the account into which the Agency would deposit all repayments of previously made disaster relief loans or grants. Funds deposited in this account are to be used to assist with rehabilitation or replacement of housing that is damaged by a natural disaster in areas that are covered by a presidential declaration of disaster. The terms and conditions under which the funds are made available are at the Agency's sole discretion.

Program Performance and Trends
In 2011, the fund provided $1 million through the Quick Start Disaster Recovery Program to aid victims of the North Minneapolis tornado with home repair.

Proposal for 2013
New program terms will determine the number of households to be assisted with contingency fund resources. Funds in the account will be made available to assist with recovery efforts from the June 2012 flooding in Northeastern Minnesota.

Based on resources available for new activity in 2013, Minnesota Housing expects to fund an estimated 47 units through the Disaster Relief Contingency Fund.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	$978,000
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$978,000
2012 Original Total	**$122,875**

Legal Authority: Minn. Stat. §462A.21, Subd. 29; Laws of Minnesota 2003, Chap. 128, Art. 10, Sec. 4, Subd. 2

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AGENDA ITEM: 9.D.(1)
MINNESOTA HOUSING BOARD MEETING
September 27, 2012

ITEM: Boardwalk Apartments, Wayzata – D1734

CONTACT: Leslee Post, 651-296-8277
leslee.post@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☐ Administrative ☑ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the amount of $860,110 subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:
In the current Affordable Housing Plan (AHP), as amended, the Board allocated $68 million in new activity for the LMIR program, including $28 million from the Housing Investment Fund (Pool 2). Funding for this loan falls within the approved budget and the loan will be made at an interest rate and on terms consistent with what is described in the AHP.

MEETING AGENCY 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

ATTACHMENT(S):

- Background
- Development Summary
- Resolution

Boardwalk Apartments is a 77 unit 100 percent Section 8 senior development. The Minnesota Housing Finance Agency (Minnesota Housing) financed Boardwalk in October, 1978 with a mortgage amount of $2,047,000 at an interest rate of 6.5 percent amortized over a 40-year term.

In 1998, the owner had the opportunity to opt out of the existing Section 8 contract; due to the prime location and good condition of the property, it was considered a viable candidate for conversion to market rate housing. Therefore, the Minnesota Housing Board approved the commitment of a $1,100,000 Equity Take-Out loan as an incentive for the owner to commit to keep the development in the Section 8 program through the term of the existing Section 8 HAP contract. The existing Section 8 Housing Assistance Payment (HAP) contract expires October 23, 2018.

The existing first mortgage has a balance of $837,218 and matures December, 2019; the equity take-out loan (second mortgage) has a current balance of $445,022 and matures on February 1, 2018. A loan closing is anticipated to occur prior to year end. The balance of the second mortgage at December 1, 2012 will be approximately $422,135.

The development has two elevators that need to be upgraded to meet elevator code mandated improvements; the estimated cost of upgrades is $175,000. Although the development is very well maintained, reserve balances are insufficient to cover the cost of the elevator upgrades. The owner has requested funding to cover the cost of the upgrades plus updates to unit interiors (cabinetry/lighting) & common areas and to make landscape and concrete improvements.

Staff is proposing to refinance the existing second mortgage with a new LMIR amortizing loan in the amount of $860,110. The proceeds will be used to:

1. Payoff existing second mortgage - $422,135
2. Fund capital improvements and soft costs - $437,975

The new second mortgage will have an interest rate of 4.75 percent and a term of 20 years. This Pool 2 loan will not be HUD insured (Risk Shared) as HUD does not allow second mortgages.

In exchange for new financing, the owner will commit to keep Boardwalk Apartments in the Section 8 program for 20 years beyond expiration of the current HAP contract. The present value of the additional 20 years of Section 8 assistance is more than $3,000,000. The minimum rent subsidy period will be extended from October 22, 2018 to October 22, 2038.

DEVELOPMENT SUMMARY

DEVELOPMENT:		D1734		
Name:	Boardwalk Apartments		App#:	M16156
Address:	150 Central Ave S			
City:	Wayzata	County: Hennepin	Region:	MHIG

MORTGAGOR:

Ownership Entity:	Boardwalk Partners of Wayzata
General Partner/Principals:	George Rickey, Jan Susee

DEVELOPMENT TEAM:

General Contractor:	N/A
Architect:	N/A
Attorney:	Susee & Lee, Ltd, Richfield
Management Company:	Metes & Bounds Management Co, Richfield
Service Provider:	N/A

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 860,110	LMIR Second Mortgage	
	Funding Source:	Housing Investment Fund (Pool 2)
	Interest Rate:	4.75%
	Term (Years):	20
	Amortization (Years):	20

RENT GRID:

UNIT TYPE	**NUMBER**	**UNIT SIZE (SQ. FT.)**	**GROSS RENT**	**AGENCY LIMIT***	**INCOME AFFORDABILITY****
1BR	74	550	$ 794	$ 794	30% of income
2BR	3	940	$ 918	$ 918	30% of income
TOTAL	77				

NOTES: *The amounts listed under “Agency Limit” are based on U.S. Department of Housing and Urban Development (HUD) approved rents.

**Please note that all 77 units have the benefit of Project Based Section 8, and while the gross rents reflect the actual contract rent plus a utility allowance, the tenant only pays 30 percent of his or her household income.

Purpose:
Physical stabilization of the development and preservation of the Project-Based Section 8 assistance.

Target Population:
Very low income senior and disabled households.

Project Feasibility:
Agency staff assigned to this development has determined that the estimated costs are reasonable based on bids provided by the owner.

Development Team Capacity:
The development team has an established history with the Agency and has the ability to complete the proposed improvements in a timely and satisfactory manner.

Physical and Technical Review:
The assigned Minnesota Housing staff asset manager completes annual inspections of the property and is in agreement with the scope of work proposed by the owner.

A Minnesota Housing staff architect will provide technical review as necessary prior to commencement of proposed improvements.

Market Feasibility:
There is continued need for affordable housing in the city of Wayzata as documented by a very low turnover rate and a lengthy waiting list. This development is located in a highly desirable location and will continue to be fully utilized throughout the proposed 20 year amortization.

DEVELOPMENT COST SUMMARY (estimated):	**Total**		**Per Unit**
Total Development Cost	$860,110		$11,170
Acquisition or Refinance Cost	$422,135		$5,482
Gross Construction Cost	$419,975		$5,454
Soft Costs	$18,000		$234
Total Agency Sources	$860,110		$11,170
Total Loan-to-Cost Ratio		100%	

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 12-

RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide construction and permanent financing for a multiple unit housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development:	Boardwalk Apartments
Sponsor:	Boardwalk Partners of Wayzata
Guarantor:	Jan H. Susee, Richfield
Location of Development:	Wayzata, MN
Number of Units:	77
General Contractor:	Metes & Bounds Management Company
Architect:	Not Applicable
Amount of Development Cost:	$860,110
Amount of LMIR Second Mortgage:	$860,110

WHEREAS, Agency staff has determined that such applicant is an eligible sponsor under the Agency's rules; that such construction and permanent mortgage loans are not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the rehabilitation and preservation of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, Agency staff has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide a construction and permanent mortgage loan to said applicant from the Housing Investment Fund (Pool 2) under the LMIR Program for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing second loan shall be $860,110; and

2. The Initial Closing of the LMIR second loan shall be on or before March 31, 2013 (which shall also be the LMIR Commitment Expiration Date); and

3. The interest rate on the permanent LMIR second loan shall be 4.75 percent per annum, with monthly payments based on a 20 year amortization; and

4. The term of the permanent second LMIR loan shall be 20 years; and

5. Agency staff shall review and approve the Mortgagor; and

6. The Mortgagor shall execute an Agency Mortgage Loan Commitment with terms and conditions embodying the above in form and substance acceptable to Agency staff; and

7. Jan H. Susee shall guarantee the mortgagor's payment obligation under the LMIR Building Loan Agreement, LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

8. The mortgagor and such other parties as Agency staff in its sole discretion deem necessary shall execute all such documents relating to said loan, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deem necessary.

Adopted this 27th day of September 2012.

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CHAIRMAN

AGENDA ITEM: 9.D.(2)
MINNESOTA HOUSING BOARD MEETING
September 27, 2012

ITEM: Approval, Changes, Rental Rehabilitation Deferred Loan (RRDL) Program Guide, Chapter 13 – Multifamily Disaster Assistance Funds.

CONTACT: Susan Haugen, 651-296-9848
susan.haugen@state.mn.us

Joel Salzer, 651-296-9828
joel.salzer@state.mn.us

REQUEST: The following selections were based on the SF Flood Quick Start Report in Aug 2012

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

☑ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff requests Board approval of the adoption of Chapter 13 of the RRDL Program Guide. This chapter indentifies specific modifications of the RRDL Program Guide that will allow the RRDL Program to serve as a vehicle to allocate Disaster Assistance Funds to repair flood related damage in residential rental properties with 5 or more units.

FISCAL IMPACT:
The changes allow the deployment of state appropriated funds allocated in the 2012 1st Special Session to assist residential rental property owners, with 5 or more units, to repair flood related damages.

MEETING AGENCY 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

ATTACHMENT(S):
- Background
- Rental Rehabilitation Deferred Loan Chapter 13 Disaster Assistance Funds

Background:
In the recent 2012 1st Special Session, the legislature appropriated Disaster Assistance Funds which may be used for a variety of activities, including the rehabilitation of multifamily (MF) rental developments consisting of 5 units or more. Minnesota Housing will engage the services of Rental Rehabilitation Deferred Loan (RRDL) Administrators to administer these funds and assist owners in completing the application process. Minnesota Housing staff will directly process applications for larger properties (more than 20 units) when appropriate. Due to the urgency in making critical repairs, staff is recommending modifications to the RRDL program requirements that would allow for the funds to be deployed in an expedient manner. These are consistent with modifications made in previous years when disaster funds have been appropriated by the state legislature. Chapter 13 of the RRDL Program Guide, which describes the modifications to the following sections of the guide: application process; selection standards; funding priorities; loan processing; eligibility criteria; loan processing fees; loan review and underwriting; due diligence requirements; rehabilitation standards; and loan servicing and monitoring.

Like the QuickStart program for Single Family, use of funds under this program require that applicants apply for hazard insurance claims and federal disaster funding and utilize any funds available from those sources before they can qualify for state disaster recovery funds.

All other requirements of RRDL Pilot Program remain in effect.

The current Rental Rehab Deferred Loan Pilot Program Guide is available on the Minnesota Housing website at:
http://www.mnhousing.gov/idc/groups/public/documents/webcontent/mhfa_012886.pdf

Rental Rehabilitation Deferred Loan (RRDL) Pilot Program Guide

Chapter 13 – Multifamily Disaster Assistance Funds –Revised 9/19/12
Pursuant to 2012 1st Special Session Laws Chapter 1, Article 1, § 7, Subdivision 2 the Minnesota Legislature has made an appropriation to Minnesota Housing to be used for disaster assistance ("Disaster Assistance") in the area included under Presidential Declaration of Major Disaster DR-4069, as amended ("DR-4069"); and damaged by severe storms and flooding from June 19, 2012, to June 20, 2012 (the "Flood Period"). Disaster Assistance for multifamily rental developments ("Multifamily Disaster Assistance") is intended to restore the development to its pre-disaster conditions when private insurance and/or federal assistance are not adequate or appropriate.

Multifamily Disaster Assistance is available to impacted properties either directly from Minnesota Housing for a Specific Project or through an Administrator Program Model, depending on size and complexity of the project.

This chapter is intended to add, clarify or exempt certain portions of this Program Guide to meet the special provisions for the making of loans which are funded by Multifamily Disaster Assistance.

13.01 General
The following provisions of this Chapter 13 clarify whether Multifamily Disaster Assistance must comply with, is exempt from, or must comply with revised provisions of a given chapter of this Program Guide. Each chapter or section is labeled as follows:

UNCHANGED: The chapters or sections remain unchanged and the provision of Multifamily Disaster Assistance shall comply fully with such chapters or sections.

NOT APPLICABLE: Multifamily Disaster Assistance is fully exempt from compliance with the chapters or sections.

REVISED: The chapters or sections are revised and the provision of Multifamily Disaster Assistance shall comply with the revised chapters or sections. **In the event of a conflict between the provisions in other chapters or sections of this Program Guide and the provisions of this Chapter 13, with respect to Multifamily Disaster Assistance, the provisions of this Chapter 13 shall control. Unless otherwise stated in this Chapter 13, provisions not in conflict shall remain in effect.**

13.02 Specific Provisions

INTRODUCTION: UNCHANGED

CHAPTER 1 – Program Purpose and Background: REVISED

The following is the only change:

There is no income limit for rental households served through the provision of Multifamily Disaster Assistance.

CHAPTER 2 – Application Process and Selection Standards

Section 2.1 Access to Funds: NOT APPLICABLE

Section 2.2 Funding Activities: REVISED
The following is the only change:
An Administrator's Program Model may accept eligible applicants and loans under this Chapter 13, notwithstanding the fact that such applicants and loans may be beyond the scope of Administrator's original Program Model concept presented to Minnesota Housing.

Section 2.3 Eligible Administrator Applicants: UNCHANGED

Section 2.4 Loan Limits and Terms: REVISED
The provisions of Section 2.4 are not applicable, except for the following revised provisions relating to Multifamily Disaster Assistance:

Minnesota Housing will provide Multifamily Disaster Assistance as a 0% interest deferred loan, forgivable after 10 years. Loans under the Program Model must not exceed $300,000, without prior written approval by Minnesota Housing. Loans may be structured as either an end loan or a construction loan. The maximum loan amount must not exceed $15,000 per unit without prior written approval by Minnesota Housing.

Section 2.5 Application for Funds: NOT APPLICABLE

Section 2.6 Selection Standards: NOT APPLICABLE

Section 2.7 Threshold Requirements: NOT APPLICABLE

Section 2.8 Strategic Priorities: NOT APPLICABLE

Section 2.9: **Funding Priorities**: NOT APPLICABLE

CHAPTER 3 – Processes and Responsibilities

Section 3.1 Procedures and Responsibilities for Program Models Only: REVISED
The following revisions and additional provision are added:
The Administrator shall accept applications for funds on a first-come first-served basis until December 15, 2012, unless this deadline is extended by Minnesota Housing. The flood related rehabilitation made with the proceeds of Multifamily Disaster Assistance must be completed by June 30, 2013.

In order to obtain a commitment for a loan made with proceeds of Multifamily Disaster Assistance, the Administrator must submit a complete RRDL 2012 Flood Recovery Loan Commitment/Closing Checklist and Certification and the required documentation.

All Administrators making loans with the proceeds of Multifamily Disaster Assistance must submit an RRDL 2012 Flood Recovery Monthly Report to Minnesota Housing. Minnesota Housing will provide Administrators with a monthly report form and instructions.

Section 3.2 Evidence of Misconduct Referred to Attorney General: UNCHANGED.

Section 3.3 Compliance with Privacy Statutes: UNCHANGED.

Section 3.4 Unauthorized Compensation: UNCHANGED.

Section 3.5 Representations and Warranties: UNCHANGED.

CHAPTER 4 – Eligibility Criteria

Section 4.1 Eligible Borrowers: UNCHANGED

Section 4.2 Eligible Properties: REVISED
The following revision and additional provisions are added:
Multifamily Disaster Assistance must be utilized for the rehabilitation of permanent rental housing with a minimum of five units.

Scattered site properties must have five or more units, be under common ownership and be processed as a single loan.

Multifamily Disaster Assistance must be utilized for properties damaged as a direct result of the severe storms and flooding during the Flood Period in those counties designated under DR- 4069.

The Borrower must demonstrate that private property insurance and/or federal assistance were denied or were not adequate to return the permanent rental housing property back to its pre-disaster condition.

Section 4.3 Ineligible Properties: UNCHANGED

Section 4.4 - Income Limits: NOT APPLICABLE

Section 4.5 - Economic Integration: NOT APPLICABLE

Section 4.6 - Rent Limits: UNCHANGED

Section 4.7- Utility Allowances: UNCHANGED

CHAPTER 5 – Eligible Improvements and Expenses

Section 5.1 Eligible Improvements/Expenses: REVISED

The following additional provisions are added:

Multifamily Disaster Assistance must be for costs not fully covered by hazard/flood insurance proceeds, and/or assistance from the Federal Emergency Management Agency and/or the Small Business Administration in accordance with the rehabilitation standards set forth in Chapter 9.

Any governmental funds or private insurance funds received subsequent to receipt of Multifamily Disaster Assistance funds relating to the same disaster shall result in a corresponding reduction/repayment of Multifamily Disaster Assistance funds.

Section 5.2 – Ineligible Improvements/Expenses: UNCHANGED

Section 5.3 – Eligible Soft Costs: REVISED
The following revision is added:

Project Management Fees are not applicable to loans made with proceeds of Multifamily Disaster Assistance. Multifamily Disaster Assistance fees in accordance with Chapter 6 below are eligible soft costs under the RRDL Program.

Section 5.4 – Ineligible Soft Cost: REVISED
The following revision is added:

Application Fees are not applicable for loans made with proceeds of Multifamily Disaster Assistance.

Section 5.5 Borrower's Contribution: NOT APPLICABLE

CHAPTER 6 – Administration Fees: REVISED
The provisions of Chapter 6 are not applicable, except for the following revised provisions relating to Multifamily Disaster Assistance:

An Administrator may receive the following Multifamily Disaster Assistance fees payable from RRDL loan proceeds for processing a RRDL loan made with the proceeds of Multifamily Disaster Assistance:

Properties with 5-20 units: $1,500 total - $1,000 paid at commitment and $500 paid when completed

Properties with more than 20 units: $2,500 total - $1500 paid at commitment and $1000 paid when completed.

CHAPTER 7 – Loan Review and Underwriting

Section 7.1 Evidence of Site Control: UNCHANGED

Section 7.2 Organizational Documentation: UNCHANGED

Section 7.3 Title Examination Requirement: UNCHANGED

Section 7.4 Underwriting Standards and Financial Analysis: REVISED
The provisions of Section 7.4 are not applicable, except for the following revised provisions relating to Multifamily Disaster Assistance:

The Administrator must have and utilize normal and prudent underwriting standards to underwrite a loan for a Borrower. The Administrator must document the evaluation and determination of the Project feasibility and the Borrower's credit history. The Administrator shall maintain trained personnel who are sufficiently knowledgeable to adequately service Minnesota Housing loans in accordance with industry accepted standards as determined at Minnesota Housing's sole discretion. Minnesota Housing will not issue a Loan Commitment without sufficient evidence of underwriting analysis.

The following are the required documents which must be reviewed and used to make a funding decision:

- Two years of operating budgets;
- Evidence of current mortgage payments;
- Evidence of current payment of real estate taxes;
- Evidence of current property and liability insurance; and
- Current rent rolls.

Section 7.5 Application to Completion Due Diligence Requirements: REVISED
The provisions of Section 7.5 are not applicable, except for the following revised provisions relating to Multifamily Disaster Assistance:

The rehabilitation outlined in the approved RRDL Program Scope of Work must be completed before June 30, 2013. Delays in submission or revision of any items could result in delays in loan closing.

A complete list of the required due diligence items for processing a loan receiving Multifamily Disaster Assistance Funds is available on the RRDL website http://www.mnhousing.gov/resources/apply/RentalRehabilitationDeferredLoan/index.aspx.

The phases of the Program Model loan completion process are listed below:

A. Project Selection Requirements
The Administrator shall collect, evaluate, approve, and maintain a complete file containing all required due diligence for each Project selected for a loan funded with the proceeds of Multifamily Disaster Assistance in compliance with the Owners RRDL 2012 Flood Recovery Loan Application File Checklist provided by Minnesota Housing and the terms of the Administrative Agreement.

B. Commitment and Closing Requirements

The Administrator will complete the RRDL 2012 Flood Recovery Loan Commitment / Closing Checklist and Certification, which details specific documentation/delivery requirements, and provide the information to Minnesota Housing for review. In addition, Administrators must specifically warrant that all applicable documentation has been obtained and reviewed to determine compliance with all RRDL Program requirements.

Minnesota Housing will prepare the loan documents and provide them to the Administrator to close the loan with the Borrower. The fully executed documents must be delivered to Minnesota Housing within 15 business days.

A RRDL 2012 Flood Recovery Loan Commitment will be issued for both End Loans and Construction Loans. At that time, Multifamily Disaster Assistance funds will be set aside for the approved Project.

1. For End Loans construction may begin upon execution of the RRDL 2012 Flood Recovery Loan Commitment and in accordance with the terms of any interim financing, if applicable. After completion of construction, the Administrator shall submit to Minnesota Housing, the required due diligence necessary to request preparation and delivery of the RRDL Flood Recovery Loan package, and arrange for a closing with the Borrower.

2. For Construction Loans, the RRDL Flood Recovery loan documents must be executed and recorded prior to the start of construction.

Documentation not delivered to Minnesota Housing within the time frames specified in this section may result in the refusal to issue a loan commitment, repayment of an RRDL loan, or any such remedy as identified in this Program Guide or allowed by law. Minnesota Housing, at its sole discretion, may also extend the specified timeframes.

C. Construction Requirements

Construction will be undertaken and inspected in compliance with all applicable requirements of Minnesota Housing Multifamily Rehabilitation Emergency Accelerated Process (REAP) (see Chapter 9), the Building Loan Agreement, and the Administrative Agreement.

D. Project Completion Requirements

The Administrator will prepare the RRDL 2012 Flood Recovery Completion Certification, which details specific documentation/delivery requirements, and provide the recorded legal documents to Minnesota Housing. In accordance with the requirements of the RRDL 2012 Flood Recovery Completion Certification, Administrators must (i) provide the completed and signed Administrator RRDL 2012 Flood Recovery Application File Checklist and the required documents and (ii) specifically warrant that the work was completed as detailed in the approved Scope of Work and that all applicable documentation has been obtained and reviewed to determine compliance with all RRDL Program requirements.

Section 7.6 Project Management and Operation: UNCHANGED

CHAPTER 8 – Loan Servicing and Monitoring:

Section 8.1 Minimum Effective Period: NOT APPLICABLE

Section 8.2 Transfer of Ownership: NOT APPLICABLE

Section 8.3 Loan Repayment: NOT APPLICABLE

Section 8.4 Partial Debt Reduction: NOT APPLICABLE

Section 8.5 Loss of Affordability Premium: NOT APPLICABLE

Section 8.6 Income and Occupancy Monitoring: REVISED
The provisions of Section 8.6 are not applicable, except for the following revised provisions relating to Multifamily Disaster Assistance:

A Data Practices Act Disclosure Statement will be required for each household that initially occupies a RRDL Program loan assisted unit. This information is necessary for the administration and management of State or Federal programs that provide housing for Low and Moderate Income Households.

CHAPTER 9 – Rehabilitation Standards

Section 9.1 General: REVISED
This section describes the minimum rehabilitation standards identified as the Multifamily Rehabilitation Emergency Accelerated Process (REAP) required for Project's receiving Disaster Assistance funds.

MINNESOTA HOUSING'S REHABILITATION EMERGENCY ACCELERATED PROCESS (REAP)
Overview
The purpose of this policy to provide an accelerated process for the immediate repair/ replacement of damaged elements to buildings due to a natural disaster. Understanding that time is critical to recovery from a natural disaster, Minnesota Housing has established a streamlined process for building design, architect requirements, and contractor requirements. The borrower and his/her team is encouraged to use and follow our standard procedures, however, only the requirements noted herein will be enforced by Minnesota Housing.

This accelerated process, in no way releases the owner, borrower, architect, contractor, or any other team member from their obligation to meet all applicable codes, standards, ordinances and/ or statutes.

Policy
Projects receiving Multifamily Disaster Assistance from Minnesota Housing must comply with the requirements noted herein. Minnesota Housing reserves the right to enforce all or portions of our typical, non-disaster assisted standards and guides if the proposed scope of work/ construction costs warrant a more detailed design and construction process.

Requirements
Eligible Disaster Assistance Use of REAP
To be eligible for the use of REAP for design and construction; projects must meet the following requirements:

- Funds must be used for the repair and/or replacement of damaged multifamily housing building systems, assemblies, and components which are not fully covered by insurance of said property.

- Funds shall be limited to the following uses:
    - To rehabilitate and return buildings to their pre-disaster condition (unless allowed otherwise as noted herein)
    - To remedy pre-disaster building code/ health & life safety issues
    - Post-disaster permanent construction to meet building code/ health & life safety items.
    - Replacement of appliances that are built-in or otherwise attached as a fixture
    - Replacement (or partial replacement) of roof

  - Minor exterior envelope replacement (masonry, siding, wall structure/ studs, sheathing, gypsum board/ plaster, vapor/ weather barriers, etc.)
  - Environmental remediation (Lead Based Paint/ Asbestos Containing Material/ Mold)
  - Interior finishes with real life safety deficiencies such as tripping hazards at flooring, mold on surfaces, broken glass/ window panes, etc.
  - Adding GFCI Receptacles & Smoke/ CO Detectors in locations as required for new construction
  - Installing ducted kitchen Range Hoods if the hood is being replaced
  - Installing bathroom exhaust fans if non-existent
  - Addressing code violations to the maximum extent possible
  - Clean-up and debris removal (performed by a contractor or vendor)

- Funds must be used towards buildings which are occupied by residents, or will be occupied by residents with (90) days.

- Funds must be used for buildings which have received by the Building Official, Fire Marshall/ Chief, or other Official with jurisdiction:
  - an Order of Condemnation, or
  - a revoked Certificate of Occupancy, or
  - a notice that the dwelling (or building) is deemed unfit for human habitation, or
  - other Notice(s) or Order(s) which pose an immediate threat to health, welfare and life safety for residents, staff, visitors and the general public

Ineligible Disaster Assistance Use of REAP
The following uses are ineligible to use REAP for design and construction.
- New building(s) and or new addition construction
- Gut rehabilitation
- Adaptive reuse
- Cosmetic, non-damaged, and non-life safety upgrades
- Luxury upgrades
- Landscaping improvement or repair

Properties which do not meet the qualifications and parameters outlined in this policy shall not be considered "Emergency" and shall follow Minnesota Housing's standard design and construction process.

Compliance with the three documents below (1) Rental Housing Design/ Construction Standards (RHD/CS) (2) Architect's guide and (3) Contractor's guide is required for properties receiving disaster assistance funds, except where noted below.

The above documents are available on the Minnesota Housing website at:
http://www.mnhousing.gov/idc/groups/public/documents/webcontent/mhfa_010795.pdf
http://www.mnhousing.gov/idc/groups/multifamily/documents/webcontent/mhfa_008062.pdf
http://www.mnhousing.gov/idc/groups/multifamily/documents/webcontent/mhfa_008061.pdf

1. **Rental Housing Design/ Construction Standards (RHD/CS)**
   Chapter 2 – General Occupancy Rental Housing Minimum New Construction Standards
   - The requirements of this chapter only apply to new construction.
   - Any improvements included in the "Multifamily Disaster Assistance" Scope of Work including new finishes, replacement of equipment, systems, building components, or assembly of components are required to comply with this chapter.

Chapter 3 – General Occupancy Rental Housing Minimum Rehabilitation Standards

- All requirements to of this chapter are waived and not required;
- However Minnesota Housing strongly encourages the following:
    - Item A. A Physical Needs Assessment (PNA) using Minnesota Housing's *Property Inspection Template*
    - Item B. Environmental - Contractors & building owners are required to comply with all applicable environmental codes and regulations. Minnesota Housing strongly encourages:
        - Lead Base Paint evaluation and reduction
        - Asbestos Containing Material inspection/ assessments
        - Mold investigation and mitigation
        - Other applicable environmental concerns

Chapter 8 – Sustainable Housing

- The Enterprise Green Communities Criteria (EGCC) and Minnesota Overlay current at the time of Emergency Funding award shall be applicable to any improvements enacted upon at the time of "Emergency" rehabilitation (repairs, replacement, etc). Improvements such as new finishes, replacement of equipment, systems, building components, or assembly of components are required to comply with the corresponding "Mandatory" criteria, except when the criteria specifically denotes "New Construction Only."
- Emergency Funding Required Criteria - 2011 EGCC and Minnesota Overlay Amendments
    - Criteria 5.1c Building Performance Standard – Three Stories or Less – Moderate Rehab
        - If existing equipment is replaced, it shall meet minimum efficiencies noted in item 2.c. of the Minnesota Overlay (5.1 addendum or ENERGYSTAR Builder Option Package).
    - Criteria 5.1d Building Performance Standard – Four Stories or more – Moderate Rehab
        - If existing equipment is replaced, it shall meet the minimum efficiencies noted in item 2.d. of the Minnesota Overlay (ENERGYSTAR Builder Option Package).
- Minnesota Overlay
    - Submittals are not required. Although, Minnesota Housing strongly encourages an Intended Methods Worksheet be completed and kept on file with the project team.
    - Waivers requests and other documents are not required unless requested by Minnesota Housing.

Chapter 9 – Design/ Construction Standards Supplement for Federally Funded Projects

- Only applicable if required by funding source statute or regulatory requirements.

2. Architect's Guide

All requirements of this guide are waived and not required with exception to the following which are required:

Chapter 2 – Architecture Services

- Requirements, Item 1. – An Architect and/ or Engineer shall be provided if any of the conditions noted for said professionals apply.

Chapter 3 – Architecture Compensation

- If an Architect is provided, compensation shall be a lump sum, fixed fee negotiated between the Owner and Architect subject to Minnesota Housing's approval.

Chapter 4 – Insurance Requirements

- If an Architect is provided, the insurance requirements shall be included.

Chapter 5 – Owner/ Architect Agreement

- If an architect is provided, a written agreement shall be included. Minnesota Housing strongly encourages AIA documents, but will allow limited scope letter/ proposal agreements subject to Minnesota Housing's approval.

Chapter 6 – 11

- Are not required unless requested by Minnesota Housing.

Chapter 12 – Construction Phase

- If an architect is provided, a limited scope of work for construction administration shall be included to meet applicable licensing and code requirements.

Chapter 13 – End of Construction

- Minnesota Housing reserves the right to receive close-out documents upon request.

3. Contractors Guide

All requirements of this guide are waived and not required with exception to the following which are required:

Chapter 2 – Contractor Selection/ Bidding Requirements/ Compensation

- A general contractor is strongly encouraged, however not required if there are (6) or less subcontractor trade types (i.e. roofing contractor, electrician, painting, etc…). If a general contractor is used, they shall meet all requirements noted in this chapter.
- All sub contractor work, whether directly bid to the Owner or through a general contractor must be competitively bid to at least (2) qualified subcontractors.

Chapter 3 – Insurance

- The building owner shall provide an "All Risk" Builders Risk Policy
- If a general contractor is used, insurance shall be per this chapter
- If no general contractor involved, each subcontractor must provide Comprehensive General Liability Insurance for their work.

Chapter 4 – Owner/ Contractor Agreement

- Minnesota Housing strongly encourages AIA documents; however a written proposal may be used subject to Minnesota Housing approval.
- No up-front/ pre –construction, down payments (earnest money) are/is allowed.
- Progress payments will be paid on a monthly basis with 10% retainage being held until final completion and close-out approved by Minnesota Housing.

Chapter 5 – Contractor's Surety

- Performance Bonds and Payment Bonds are required, however Minnesota Housing may choose to waive this requirement for projects with a construction cost less than $300,000.

Chapter 14 – Warranty Period

- All work including general contractor and (single direct bid) subcontractor work shall be warranted for one year per this chapter.

Where two standards govern the same condition, conformance to the most restrictive standard is required.

Section 9.2 Property Selection: UNCHANGED

Section 9.3 – Technical Assistance: NOT APPLICABLE

Section 9.4 - Rehabilitation Standards : NOT APPLICABLE

Section 9.5 – Sustainable Housing : NOT APPLICABLE

Section 9.6 - Preparation of Bid Specification/Scope of Work: NOT APPLICABLE

Section 9.7 – Obtaining and Evaluating Bids: NOT APPLICABLE

Section 9.8 – Bids and Estimates for Improvements: NOT APPLICABLE

Section 9.9 – Eliminating Work Scope Items: NOT APPLICABLE

Section 9.10 – Construction Contracts: UNCHANGED

Section 9.11 – Contractor Surety: UNCHANGED

Section 9.12 – Proceed to Work: UNCHANGED

Section 9.13 – Monitoring Construction Progress: UNCHANGED

Section 9.14 – Change Orders: UNCHANGED

Section 9.15 – Loan Closing Warranty Period: UNCHANGED

Section 9.16 – Construction Warranty Period: UNCHANGED

CHAPTER 10 – Affirmative Action and Equal Economic Opportunity Policy: UNCHANGED

CHAPTER 11 – Fair Housing Policy: UNCHANGED

CHAPTER 12 – Program Contacts: UNCHANGED

AGENDA ITEM: 10.A.
MINNESOTA HOUSING BOARD MEETING
September 27, 2012

ITEM: Presentation, Minnesota Homeownership Center Framework Online Education System

CONTACT: Mike Haley, 651-297-2678

REQUEST:

☐ Approval ☐ Discussion ☑ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☐ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
At a number of meetings, homebuyer education and counseling has been discussed and supported by the Board. Staff has described the Framework online homebuyer education offering that has recently been launched by the Minnesota Homeownership Center, and the Board indicated an interest in receiving a presentation on the system. Minnesota Homeownership Center staff will be at the meeting to conduct the presentation.

FISCAL IMPACT:
None.

MEETING AGENCY 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

ATTACHMENT(S):
None.

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AGENDA ITEM: 10.B
MINNESOTA HOUSING BOARD MEETING
September 27, 2012

ITEM: Reporting Non-Compliance with Agency Policy and Procedures.

CONTACT:

Will Thompson, 651-296-9813	Paula Beck, 651-296-9806
will.thompson@state.mn.us	paula.beck@state.mn.us

REQUEST:

☐ Approval ☐ Discussion ☑ Information

TYPE(S):

☐ Administrative ☐ Commitment(s) ☐ Modification/Change ☑ Policy ☐ Selection(s) ☐ Waiver(s)

☐ Other: ______________________________

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
Update from the Chief Risk Officer regarding complaints of potential Conflict of Interest, Misuse of Funds and Fraud that have been reported to the Agency or the Chief Risk Officer since the Board adopted Reporting Non-Compliance with Agency Policy and Procedures on January 27, 2011.

FISCAL IMPACT:
There were 17 reported instances of conflicts of interests, misused funds and fraudulent activity for the 21-month period beginning December 2010 and ending April 2012. A total of $101,476 was not recovered: misused funds ($85,270) and fraudulent activity ($16,206). See attached chart for details.

MEETING AGENCY 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

☑ Strengthening Organizational Capacity

ATTACHMENT(S):

- Report of Non-Compliance with Agency Policy and Procedures.

Report of Non-Compliance with Agency Policy and Procedures.

The Agency and the Chief Risk Officer have developed procedures for the receipt, retention and treatment of complaints received by the Agency or the Chief Risk Officer regarding conflict of interest, misuse of funds and fraud that have been submitted by any person external or internal to the Agency.

This reporting is designed to inform the Board of any such complaints received, their current status and their resolution, if one has been reached.

An updated report will be delivered to the Board quarterly, with the next report due December 20, 2012.

Complaints Received by Agency or Chief Risk Officer

Complaint	Status		
Resolution	Closed	In Process	Grand Total
Conflict of Interest	**2**		**2**
External Employment Approved	1		1
Insufficient Evidence	1		1
Fraud / Embezzlement	**2**	**3**	**5**
Funding Transferred to Different Entity	1		1
HUD Investigation Initiated		2	2
Insufficient Evidence	1		1
Revenue Recapture		1	1
Misuse of Funds	**7**	**3**	**10**
All Funds Returned to Agency	1		1
Insufficient Evidence	2		2
Issue Cured	1		1
Negotiated Settlement	1		1
None – Nonviable Counterparty	1		1
OLA Forwarded Complaint to County	1		1
None Yet		3	3
Grand Total	**11**	**6**	**17**

(Includes all reported complaints under Reporting Non-Compliance with Agency Policy and Procedures received from December 2010 through August 2012)

Key Trends:

- No new conflicts of interests, misused funds or fraudulent cases opened from May 2012 - August 2012
- One case closed from May 2012 - August 2012

Report Legend:

- Complaint – An allegation or inquiry of non-compliance with Agency policy and procedures
- Status – Can be either In Process or Closed
- Resolution – How was the complaint resolved (Closed Status), or current disposition (In Process)