2013 Affordable Housing Plan
Appendix C: Program Narratives

Contents

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