

Minnesota Housing finances
and advances **affordable** housing
opportunities for low and moderate
income Minnesotans to
enhance quality of life and **foster**
strong **communities**.



Strategic Plan

Strategic Plan 2007

Minnesota Housing periodically undertakes a comprehensive review of its priorities, goals, measures, and operations and prepares a strategic plan. This discipline helps the agency be clear about its priorities and thereby communicate them to external partners, stakeholders and employees.

Minnesota Housing intends to be a strategy-driven organization, building the financial, operational, and human resources infrastructure necessary to achieve its strategic priorities and sustain a healthy organization over the long term. As a strategy-driven organization, Minnesota Housing will:

- ★ lay out clear strategic priorities for its housing programs;
- ★ respond to customers, stakeholders and delivery partners as the strategic priorities are defined, implemented, and revised;
- ★ preserve financial strength to advance its mission and sustain its organizational capacity over the long term;
- ★ cultivate organizational excellence and quality internal processes to finance and deliver high impact housing programs; and
- ★ create the capacity to grow and change by valuing and utilizing the full capacity of its people, its information, and its technology.

Minnesota Housing must balance its commitment to each of these principles. To do so, the agency commits to an ongoing cycle of analyzing external trends, driving performance through targets and benchmarks (for more information, see the agency's Balanced Scorecard), responding to external and internal feedback and adjusting either the strategic plan and/or its operational practices as necessary. This process is the agency's strategy management system.

Vision, Mission and Values

*Our **vision** is our dream, our destination, our guiding vision of success. Our **mission**, the route to reach that destination, describes what we do and delineates our distinctive contributions toward our goals. Together, our vision and mission reflect our belief that affordable housing is necessary for individuals to be healthy, families to be strong and communities to be vibrant. Our **values** are the underlying principles that guide operations, decisions and staff and define our sense of organizational identity.*

Our vision is for all Minnesotans to live in affordable homes.

Our mission is to finance and advance affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster strong communities.

Our five operating values are:

- ★ *Collaboration:* Minnesota Housing collaborates with a range of delivery, funding, community and policy partners to achieve our mission. To achieve effective internal and external collaboration, we commit ourselves to candid and open communication, transparency in our actions, and a respect for diverse perspectives.
- ★ *Integrity:* The people of Minnesota Housing are dedicated, committed and competent public servants who are accountable for our actions. We set high moral and ethical standards for ourselves and our work. Our integrity is the foundation for the public trust that allows us to serve the people of Minnesota.
- ★ *Mission-focused:* We recognize that our daily work improves the lives of people and the communities where they live. The agency focuses on increasing affordable housing opportunities to households not well-served by conventional markets.
- ★ *Results-driven:* We are accountable for the measurable results our work produces. We establish ambitious targets and benchmarks, measure and communicate progress with the best data available, and make necessary adjustments to our strategy and operations.
- ★ *Stewardship:* As a resource for meeting Minnesota's affordable housing needs both today and tomorrow, we manage Minnesota Housing to be both financially and organizationally sound and sustainable over the long term. We are accountable to the citizens of Minnesota and our bondholders for sound financial practices.

Strategy

*Our **strategy** outlines the choices and trade-offs that we make to distinguish ourselves from others with similar goals. Strategy defines the basic value that we intend to deliver to our customers and what makes Minnesota Housing unique and competitive. By laying out a strategy and focusing our activities around our strengths, Minnesota Housing helps both our employees and our external stakeholders know who we are, what we do, and what we don't do.*

The strategy of Minnesota Housing is to:

- ★ Invest its resources to address a continuum of affordable housing needs for low and moderate income households across the state;
- ★ Manage its resources, which include financial assets, housing knowledge, and policy expertise, so that the agency can be a sustainable source of investment for addressing current and future affordable housing needs;
- ★ Collaborate with a broad network of delivery and funding partners to maximize the impact of its housing investments; and
- ★ Provide leadership to confront significant housing and community challenges where the investment of its housing resources has the potential to have a substantial and constructive positive impact.

By investing in a continuum of affordable housing needs for low and moderate income Minnesotans, Minnesota Housing finances single-family and multifamily housing opportunities and implements housing programs that are part of the core activity of most housing finance agencies, including mortgage revenue bond lending for first-time homebuyers and the financing, underwriting, and asset management of multifamily housing developments. Minnesota Housing also finances initiatives and implements programs that enhance or supplement these core activities to achieve identified policy or financial objectives.

Managing its resources to be a sustainable source of future investment, Minnesota Housing exercises stewardship of its financial capital, its organizational capacity and human resources, and its housing knowledge and policy expertise so that resources are available to address housing needs for generations to come.

Working and investing in collaboration with others, Minnesota Housing cannot and does not function in isolation from its many delivery and funding partners whose collaboration is critical to implementation of Minnesota Housing's strategy.

Providing leadership targeted to areas of significant challenge with the potential for a substantial positive impact acknowledges the choices that Minnesota Housing must make. If the agency tried to lead on all issues, it would not lead on any issue well. There are instances where Minnesota Housing should lead, instances where it should be a partner supporting the leadership of others, and instances where it should respond to the requests of others based on existing policies and resource availability.

Through its work to finance and advance affordable housing opportunities for low and moderate income Minnesotans, Minnesota Housing contributes to the strength of Minnesota's communities and enhances the quality of life of individuals, families, communities and the entire state. An adequate supply of affordable housing located near job opportunities and other important services contributes to individual and family economic security, community and statewide economic vitality, transportation efficiency, environmental quality and energy conservation, healthy outcomes, and educational achievement.

Strategic Objectives

Strategic objectives describe our strategy and the operational processes necessary to achieve it.

Adopting a balanced scorecard framework, Minnesota Housing organizes its strategic objectives into five perspectives:

- ★ *Strategic priorities:* Within our overall strategy, what are our key areas of emphasis?
- ★ *External:* To advance our mission and strategic priorities, how should our external stakeholders view us?
- ★ *Financial:* What financial outcomes must we achieve to maintain our success?
- ★ *Internal business process:* What internal operational processes do we use to achieve our strategy?
- ★ *Talent and technology:* What are the human and technological assets that lead to success?

The first three strategic perspectives describe the outcomes that Minnesota Housing works to achieve; the latter two describe how Minnesota Housing develops and organizes its internal organizational capacity.

Strategic Priorities

Minnesota Housing has identified four strategic priorities related to specific housing program outcomes. Two of the strategic priorities are ongoing activities that are at the core of the organization's mission and strategy – financing new affordable housing opportunities and preserving existing affordable housing. The other two strategic priorities represent current areas of emphasis where the agency has an opportunity to use its resources to advance affordable housing in Minnesota – ending long-term homelessness and increasing emerging market homeownership.

Key measures of strategic priorities:

- # of mortgage revenue bond-funded mortgages to first-time homebuyers
- # of newly-constructed rental housing units
- # of housing units preserved or rehabilitated by Minnesota Housing
- % of federally-assisted rental units determined to be at risk that are preserved to be affordable
- # of housing opportunities funded for people experiencing long-term homelessness
- # and % of emerging market mortgages purchased

- ★ *Finance new affordable housing opportunities:* Financing new affordable housing opportunities occurs through two primary activities – providing below-market interest mortgages to first-time homebuyers and lending to developers for the construction of new affordable housing, either rental or homeownership. Minnesota Housing also makes existing homes affordable to new homeowners through acquisition and resale programs such as Community Land Trusts.
- ★ *Preserve existing affordable housing:* Financing the preservation and rehabilitation of affordable housing, either rental or owner-occupied, is often the most cost-effective approach to ensuring an ongoing supply of affordable housing. Preservation efforts include both the physical rehabilitation of affordable housing and extending the commitment to affordability with a particular emphasis on federal programs.
- ★ *End long-term homelessness:* Long-term homelessness is a breakdown in Minnesota's social compact – the state's vulnerable populations should not be left to the streets. Minnesota Housing is playing a significant leadership role in the state's business plan to end long-term homelessness by 2010. Strategically targeted interventions, including an increased supply of permanent supportive housing, will help Minnesota end long-term homelessness.
- ★ *Increase emerging market homeownership:* Although Minnesota has the nation's highest homeownership rate, Minnesota has among the nation's largest gaps between the white homeownership rate and the rate for households of color or Hispanic

ethnicity. This “homeownership gap” for emerging markets stymies the American dream for these families and prevents wealth creation. Minnesota Housing was an original convener of the Emerging Markets Homeownership Initiative (EMHI) and has committed to increasing emerging market homeownership through its own lending programs.

External Perspective

Minnesota Housing wants its external customers, delivery partners, and stakeholders to view the agency as:

- ★ *Mission-focused:* Minnesota Housing has an explicit focus on populations generally not well-served by conventional housing markets, particularly low, very-low and extremely-low income households.
- ★ *Efficient and effective:* Minnesota Housing has an obligation to maximize the effectiveness of its housing resources by minimizing unproductive costs and processes.
- ★ *Committed to quality customer service:* With the work of Minnesota Housing occurring through a network of delivery and funding partners, the agency must continue to provide quality customer service. We value our network of delivery and funding partners and appreciate that they choose to work with us.
- ★ *Lending at below-market interest rates and terms:* For many borrowers – first-time homebuyers and homeowners as well as owners and developers of affordable rental housing – the decision to use Minnesota Housing resources results from the agency providing attractive loan rates or terms.
- ★ *Advancing effective housing policy:* As the state’s largest single funder of affordable housing and a state agency that receives both federal and state appropriations, Minnesota Housing plays an important role in shaping housing policy at local, state and national levels.

Key measures of the external perspective:

- % of first-time homebuyer mortgage borrowers financed by Minnesota Housing at or below 50 percent of AMI
- % of newly-constructed rental housing units financed by Minnesota Housing affordable to tenants at or below 50 percent of AMI
- % of the Affordable Housing Plan committed
- % of the Affordable Housing Plan disbursed

Financial Perspective

As a financial institution, positive financial outcomes are critical to the health and vitality of Minnesota Housing. The agency's core financial strength, its solid net worth and high credit ratings give Minnesota Housing the freedom and the flexibility to make a significant impact on affordable housing in Minnesota. We have adopted three key financial objectives:

- ★ *Revenue earned to sustain the agency and fund Pool 3/foundation:* As a self-sustaining public entity, Minnesota Housing has an obligation to earn sufficient revenue to support its ongoing operations and sustainable lending functions. Just as importantly, however, Minnesota Housing aims to fund its Pool 3/foundation, which provides the resources specifically designated for grants or deferred loans.
- ★ *Access to capital at favorable terms:* Minnesota Housing needs to maintain access to capital and financial services on favorable financial terms to allow the agency to offer competitive loan rates and terms.
- ★ *External resources leveraged:* Minnesota Housing aims to use its resources to leverage resources from outside the agency to finance affordable housing. The more external resources that Minnesota Housing can leverage, the more affordable housing opportunities Minnesota Housing can help fund.

Key measures of the financial perspective:

- Return on net assets
- Growth in net assets
- Credit ratings
- Total dollars leveraged by Minnesota Housing and per dollar of Minnesota Housing funding

Internal Process Perspective

Minnesota Housing organizes its core organizational resources into internal processes that successfully create the desired outcomes defined by our strategic priorities, and the external and financial perspectives:

- ★ *Develop and manage customer, partner, stakeholder, and intergovernmental relationships:* Minnesota Housing collaborates with a range of delivery, funding, community, and policy partners to achieve our mission. The agency develops these relationships and partnerships through communications, customer service initiatives, technical assistance, and ongoing engagement in advisory groups such as the Regional Housing Advisory Groups. While maintaining its current delivery partners, the agency also pursues breadth and diversity in its external delivery partners.

- ★ *Issue and manage debt:* To obtain capital to finance affordable housing opportunities in Minnesota, Minnesota Housing staff constantly monitor the financial markets to identify new opportunities for the agency to issue and manage its debt efficiently and prudently over the long term.
- ★ *Review and refine operating processes:* Constantly pursuing operational efficiency and effectiveness, Minnesota Housing commits itself to a regular review of its operating processes and procedures. Through its strategy management system, the agency will identify key processes and/or programs for review.
- ★ *Align housing investments with positive quality of life outcomes:* Recognizing how affordable housing advances quality of life, Minnesota Housing coordinates its housing investments with factors that contribute to quality of life, such as economic integration, environmentally sustainable construction techniques, and proximity to employment and amenities. Additionally, the agency plans to seek out development opportunities with explicit ties to quality of life outcomes such as enhanced educational or environmental outcomes.
- ★ *Underwrite and fund quality sustainable affordable housing:* Minnesota Housing underwrites and makes loans to build, rehabilitate, and preserve quality sustainable affordable housing, both renter- and owner-occupied. Minnesota Housing's underwriting assures that its loans finance high-quality affordable housing that is financially sustainable over the long term.
- ★ *Commit and purchase homeownership and home improvement loans:* Purchasing homeownership and home improvement loans is one of the agency's core activities. By providing a secondary market for home improvement loans and first-time homebuyer mortgages at below-market interest rates and terms, Minnesota Housing expands the supply of housing opportunities available to low and moderate income Minnesotans and helps lenders expand their markets.
- ★ *Optimize and manage existing investments through audit, review and evaluation:* With extensive portfolios of multifamily and single-family loans, Minnesota Housing allocates significant resources to managing its existing investments. Regular review of the portfolios helps Minnesota Housing ensure the ongoing stability of its investments, assures the rating agencies that the agency remains a credit-worthy

Key measures of the internal process perspective:

- \$ of mortgage revenue bond loans and home improvement loans purchased
- % of delinquent loans in the homeownership and home improvement portfolios
- % of and \$ losses from foreclosures in the homeownership portfolio
- % of developments and % of outstanding multifamily loan balance on the multifamily Watchlist

investment, and helps ensure the continued good quality of housing for our ultimate customers, the residents.

Talent and Technology Perspective

The fundamental organizational resources of Minnesota Housing are its people – the experienced and capable professional management and staff – and its technology – the systems that allow the people of Minnesota Housing to use data and information to make optimal decisions. Minnesota Housing has designated five core strategic objectives around Talent and Technology:

★ *Recruit and retain a diverse skilled workforce:*
Minnesota Housing's most important assets are its employees. Our success results from their skills and commitment. The knowledge, skills and abilities of the agency's workforce are the foundation for its capacity to create affordable housing.

★ *Develop today's workforce for tomorrow's needs:*

Minnesota Housing's workforce needs ongoing opportunities to adapt their skills for the needs of tomorrow.

★ *Collaborate and share knowledge within and across divisions:* Although Minnesota Housing organizes itself into several core operating divisions, housing, financial and policy expertise lie in all divisions. Interdivisional communication and collaboration maximizes the agency's productivity and knowledge.

★ *Leverage technology systems:* Minnesota Housing intends to adopt and utilize appropriate technology systems. The agency recognizes that the strategic impact of technology systems for both employees and external stakeholders requires not only the technology but also adequate staff capacity, upgraded processes and quality system maintenance.

★ *Organize and apply information to drive and support decisions:* Minnesota Housing believes that sound policy, program, and financial decisions are based upon reliable, timely and carefully analyzed data. Quality information tells us where we have been, where we are, and serves as a basis for guiding decisions of where we want or need to go.

Key measures of the Talent and Technology perspective:

- # of Affirmative Action goals met
- Employee turnover rate
- % of employees attending skill / knowledge development trainings
- % of supported databases in an enterprise environment

Strategic Plan Implementation

This strategic plan reflects how Minnesota Housing intends to operate within the overall context of Minnesota's housing market and policy environment. Through its strategy management system, Minnesota Housing will review its performance against this strategic plan at least quarterly using a balanced scorecard that outlines performance measures, benchmarks and targets for each strategic objective. Agency staff continue to develop appropriate measures for all objectives. At least annually, Minnesota Housing will review and update this plan as well to reflect current understandings of both the agency's capacity and the external environment. The current version of this strategic plan and biannual performance updates will be available on the agency's website.

When the strategy review cycle identifies objectives where extra effort is necessary beyond the normal course of business, the agency will develop formal strategic initiatives to achieve objectives or close the gap between actual performance and targets on key measures. Strategic initiatives represent special time-limited (from weeks to years) efforts to improve the performance of the agency. Strategic initiatives might include implementing new technology, reengineering a process or a program, or implementing targeted efforts to upgrade performance.