



**State of Minnesota
Consolidated Annual Performance
and Evaluation Report
for Federal Fiscal Year 2005**

Submitted to the
U.S. Department of
Housing and Urban Development
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ATTACHMENTS

- 2006 Emergency Shelter Grant Program Awards
- 2005 Emergency Shelter Grant Program Awards
- HOME Match Report
- HOME Annual Performance Report
- HOME MURL Awards
- HOME Rental Rehabilitation Administrators
- HOPWA Performance Charts
- IDIS Year 2005 Summary of Accomplishments (C04PR23 is a summary
by program and type of activity, available from the MHFA upon request)
- IDIS Summary of Consolidated Plan Projects for Report Year 2005
(C04PR06 is a list of CDBG, ESG, HOME, and HOPWA projects
available from the MHFA upon request)
- Small Cities Development Program Performance Evaluation Report
(a list of proposed and actual SCDP projects available from DEED)
- Minnesota Statewide Analysis of Impediments to Fair Housing
Choice (AI)-FY 2005 Summary and Analysis

**State of Minnesota
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Evaluation Report for
Federal Fiscal Year 2005**

Introduction

On behalf of the State of Minnesota, the Minnesota Housing Finance Agency, the Minnesota the Department of Employment and Economic Development, and the Minnesota Department of Human Services submit the *Consolidated Annual Performance and Evaluation Report* (CAPER) to the U. S. Department of Housing and Urban Development (HUD) for Federal Fiscal Year 2005. This is in fulfillment of HUD's requirements for the consolidating planning and fund application process as provided by Code of Federal Regulations, title 24, section 91.520.

The Minnesota Consolidated Housing and Community Development Plan - FY 2002-2006 presents the state's strategy for using federal funds to meet identified housing and community development needs and serves as a condition for funding of the Community Development Block Grant (CDBG), HOME, Housing Opportunities for Persons with AIDS (HOPWA), and Emergency Shelter Grant (ESG) programs. The CAPER provides a summary of state agency performance in meeting goals established in the consolidated plan and includes a summary analysis of conditions that impede fair housing choice in the state (see attachments).

This CAPER summarizes assistance provided through state agencies in the 2005 federal fiscal year (October 1, 2004 through September 30, 2005). The report contains a discussion of the resources available to the state, the way in which state agencies used those resources, the number and types of households assisted, and how other public policies affected affordable and supportive housing and community development. Information enables a comparison between anticipated and actual assistance activities, as well as progress toward meeting priorities identified in the state's consolidated plan.

Access to Data

Federal assistance reported here generally is available to households in nonentitlement areas of the state; entitlement areas submit performance reports on housing and community development assistance in their own jurisdictions, separately. Minnesota Urban and Rural Homesteading HOME funds are available statewide.

The *Summary of Consolidated Plan Projects* (IDIS C04PR06) lists CDBG, ESG, HOME, and HOPWA projects by program, location in the state, estimated cost, and funds drawn down. This lengthy report is available from the MHFA upon request. The *Program Year 2005 Summary of Accomplishments* (IDIS C04PR23) summarizes expenditures by federal program, by eligibility category, e.g., economic development, and by status (underway or completed). It includes summary demographics for assistance recipients, e.g., number of households by HUD income category. IDIS reports may be obtained from the MHFA at: 400 Sibley, Suite 300, Saint Paul, MN 55101 or by calling 1-800-657-3769 (toll free) or 651-296-7608 or by e-mails to mhfa@state.mn.us. Additional information on HOME and HOPWA selections is available from the MHFA website at: <http://www.mhfa.state.mn.us/RFP.htm>

Information and details concerning residential and rental rehab projects for 2005 as well as community development can be found in DEED's *Performance Evaluation Report (PER)*. Contact DEED for additional information or to obtain a copy of that report: <http://www.deed.state.mn.us/Community/>

Information regarding job creation can be obtained by contacting DEED at: Minnesota Department of Employment and Economic Development, Main Office 332 Minnesota Street, Suite E-200, Saint Paul MN 55101 or 651-296-3711, 888-GET-JOBS (438-5627), Fax 651-296-0994, TTY/TDD 651-282-5909.

Additional information regarding ESG projects or activities is available through DHS from this mailing address: Minnesota Department of Human Services, Office of Economic Opportunity, 444 Lafayette Road, Saint Paul, MN 55155 or (651) 296-6117 or: <http://www.dhs.state.mn.us/cfs/oeo/esgp.htm>

IDIS data and additional information reported in some sections of the CAPER may not always be identical. IDIS tracks commitments and disbursements to "projects," which may be local administrators or assistance providers through which funds are made available to property owners or homebuyers. CAPER guidelines require that jurisdictions report on assistance to households only, e.g., occupants of completed developments and owners who are occupying purchased homes. Information in the CAPER may be different in nature and scope than information available through IDIS. The CAPER also requires jurisdictions to report based on specific activities and the goals or priorities they address, information which IDIS does not necessarily enable the state to do, e.g., the state currently has three different HOME-funded programs addressing different priorities, which are identified in IDIS simply as HOME-funded activities. As noted elsewhere, the way in which HUD requires ESG funds to be

spent, e.g., by ESG program year, does not correspond to the federal fiscal year on which the state is to report information in the CAPER.

Resources Available

Minnesota receives the largest amount of assistance from HUD for housing and community development under the Small Cities Development Program (SCDP), administered through the Department of Employment and Economic Development (DEED).

Eligible applicants for the SCDP funds are cities, counties and townships in areas of the state that do not qualify as entitlement entities and, therefore, are not eligible to receive an allocation of Community Development Block Grant funds directly from HUD. The state awards SCDP funds to applicants on a competitive basis; communities may use funds for public facilities, economic development, downtown commercial revitalization, residential housing rehabilitation (owner and renter occupied), new housing construction, homeownership assistance, and relief from flood or other natural disasters.

The Department of Human Services (DHS) administers federal funds from HUD under the Emergency Shelter Grant (ESG). ESG provides assistance to grantees throughout the state for the operating costs of shelters and transitional housing facilities, essential services, and homelessness prevention. The state selects grantees on a competitive basis.

In FFY 2005, DHS also received funding allocations from HUD under the Supportive Housing Program to assist households who experience homelessness and from Projects for Assistance in Transition from Homelessness (PATH). PATH funds may provide outreach, screening and treatment, referrals, housing assistance, support services, linkage with mental health services, and other types of assistance for homeless people with a serious and persistent mental illness.

HOME funds comprise Minnesota's second largest allocation of federal housing assistance, made available primarily for housing rehabilitation. The Minnesota Housing Finance Agency (MHFA) provides the HOME funds it receives from HUD either directly or through local entities – community action agencies, local units of government, local housing authorities. HOME dollars currently are being used for rental rehabilitation assistance to property owners, assistance to nonprofits and local governments to acquire and rehabilitate housing for resale to first-time buyers, disaster relief, and CHDO operating expenses. The MHFA also has received fund allocations from HUD for the American Dream Downpayment Initiative to assist first-time homebuyers.

The MHFA receives the state's allocation of HOPWA formula funds from HUD. The MHFA administers HOPWA funds in cooperation with the Minnesota HIV Housing Coalition. The MHFA also is the state's principle allocator of federal Housing Tax Credits (HTC) and sells mortgage revenue bonds, both of which are activities important to the provision of affordable housing and are authorized in the federal tax code.

The U.S. Departments of Energy and Health and Human Services make funds available to the state for weatherization, energy assistance, and energy-related repair. The Minnesota Department of Commerce receives and allocates these funds to community action agencies, counties, and Indian reservations on a formula basis for direct delivery at the local level. In accordance with HUD guidelines, this program activity (e.g., assistance with energy payments, energy-related repair) is not included in the assessment of the state's performance toward meeting goals for assisting households.

The Minnesota Department of Public Safety receives an allocation of federal funds, annually. A portion of these funds may be used to provide some operating assistance and other related assistance to emergency shelters for battered women and their children. Disbursements of these federally funds do not meet the HUD CAPER reporting guidelines that define assistance to households, e.g., assistance for transitional or permanent housing.

The Federal Emergency Management Agency administers funds for emergency food and shelter in Minnesota; however, since these funds do not flow through a state agency they are not included in this discussion.

In FFY 2005, the MHFA expended more than \$73 million of federal Section 8 Housing Assistance Payments to assist nearly 13,000 households occupying MHFA-financed rental housing built under the New Construction component of the Section 8 program. The MHFA, under a contract with HUD, also administered \$86 million in federal Section 8 Housing Assistance Payments for over 18,000 households occupying HUD or conventionally financed housing. The MHFA also expended more than \$1.4 million in federal Section 236 funds in 2005 for interest reduction payments on MHFA-financed developments with 567 units of affordable housing.

HUD finances rental housing development in Minnesota; however, this assistance is not disbursed to or through state agencies. The state generally includes data on units assisted and assistance amounts awarded by HUD, as requested by the local HUD office; however, data were not available for this report in 2005.

State Appropriations and Other State Resources

In 2003, at the request of Governor Pawlenty, state agencies formed a work group that included representatives from: the MHFA, DHS, DOC, and DEED; local, county, and federal government; philanthropic organizations; and developers and business interests. The group met and developed a plan, published in 2004, to: 1) reduce the number of Minnesotans who experience long-term homelessness; 2) reduce the inappropriate use of crisis services; and 3) improve employability and other outcomes for families and individuals experiencing long-term homelessness. This plan facilitates the coordination of supportive housing efforts between funders, providers of services, and housing developers to make better use of currently available funding streams. Between 2004 and 2010, the state intends to devote an estimated \$540 million, including state appropriations, MHFA resources, and general obligation bonds, to provide 4,000 units of housing with support services for households experiencing long-term homelessness.

For additional details or a copy of the plan, call the MHFA or check the MHFA's website at: <http://www.mhfa.state.mn.us/multifamily/LTH.htm>

The resources of state agencies provide the greatest dollar amount of assistance for affordable housing in Minnesota. The most abundant resource available to states for affordable housing assistance continues to be proceeds from the sale of revenue bonds. Appropriations from the Minnesota Legislature and state agency resources also support housing and community development programs. The MHFA uses its own resources, e.g., reserves, to provide additional leverage in projects that may not have access to traditional or adequate sources of funding for affordable housing or housing for people with special needs.

Private foundations and nonprofit organizations provide a significant contribution to housing assistance in Minnesota, e.g., the McKnight and Blandin Foundations fund the Greater Minnesota Housing Fund (GMHF), which provides opportunities for the development of affordable housing programs and projects outside the Minneapolis/Saint Paul metropolitan area. The MHFA and GMHF issue joint requests for proposals and coordinate the process of reviewing and selecting proposals for funding.

Section VI of **Minnesota's Consolidated Plan for Housing and Community Development, FFY 2002 – 2006** includes a list of major nonprofits in Minnesota that work to provide or promote affordable housing. These organizations do not report their assistance activity to the state unless they are acting as administrators of state-allocated funds; therefore, most nonprofit assistance cannot be discussed in this report.

Meeting Goals: An Assessment

The state has established two fundamental goals for housing and community development assistance: to meet basic housing needs and to strengthen communities. Populations with highest priority needs for housing assistance include: extremely low-income renters, extremely low-income homeowners, and low-income people with special needs, including people experiencing homelessness. Highest priority for community development assistance includes: the need for public facilities, infrastructure, and economic development (see **Minnesota's Consolidated Plan for Housing and Community Development, FFY 2002 – 2006**, Section VI).

The state's six strategies to meet basic housing needs and strengthen communities are to:

- 1) Provide affordable rental housing
- 2) Strengthen the Continuum of Care
- 3) Enhance services for people with special needs
- 4) Strengthen the housing stock
- 5) Provide homeownership opportunities
- 6) Support community development

The largest number of people that the state is able to assist with federal resources is through ESG, for people experiencing homelessness. Assistance to homeless people includes operating costs for transitional housing facilities as well as assistance to individuals or families; ESG funding is also used for homelessness prevention activities.

The largest amount of assistance that the state is able to provide with federal resources is through SCDP, particularly for the rehabilitation of owner-occupied homes and the improvement of public facilities.

Based on one-year goals set in the 2004 Action Plan, and five-year goals set in section VI of **Minnesota's Consolidated Plan for Housing and Community Development, FFY 2002 – 2006**, the following tables compare projected and actual assistance activity, by strategy. In general, the state met or exceeded the amount of assistance to households projected for FFY 2005, with few exceptions.

The state's program year for ESG operations, e.g., state allocation of federal funds to local grantees, spans two federal fiscal years due to federal requirements on when and how ESG funds must be spent once the state receives them. DHS staff continues to work with local HUD staff to improve the ease and accuracy of annual reporting in the CAPER, which is based on the federal fiscal year of October 1 to September 30.

Under HOME programs, the difference between projections (which could include disbursements to local administrators as well as rehab funds disbursed for projects that may not have been completed during the year) and assisted households (which only includes completed occupied units) may rest, in large part, with methodology. HUD requires jurisdictions to report on occupied housing units, e.g., rehabilitation of a property may have been completed at the end of 2005, but if the unit remains unoccupied until 2006, it cannot be reported in the CAPER as a household assisted until 2006.

Details of SCDP funding awards and accomplishments are identified in DEED's Performance Evaluation Report, which is available through that state agency. The *Self-Evaluation* section of the CAPER includes a discussion of funding awards in FFY 2005 under SCDP.

The following tables will identify federally funded assistance programs under each strategy that the program implements when data become available. Program goals and actual assistance amounts provided are presented only once, to avoid double counting. The first table will show data on goals and accomplishments in FFY 2005 and the second will show cumulative accomplishments toward meeting 2002-2006 goals.

For a more complete analysis of housing and community development in Minnesota, see the *Self-Evaluation* section of this report.

Comparison of Assistance Goals and Assistance Provided, 2005

Goals and strategies	Goals for 2005			Accomplishments for 2005		
	Households to be assisted	Assistance amount	Income level to assist	Households assisted	Assistance amount	Incomes assisted
<i>Provide affordable rental housing</i>						
SCDP						
New rental	32 units	\$295,000	Up to 80% MFI	See DEED PER	See DEED PER	<=80%
Rental rehab	131 units	\$1,727,968	Up to 80% MFI	See DEED PER	See DEED PER	<=80%
HOME Rental Rehab	410 households	\$5,595,913	100% LI, 44%extremelyLI	336 household	\$4,822,880	All LI, est 82% extremely
<i>Strengthen Continuum of Care</i>						
ESG	19,000 individual; 36 shelters	\$1,197,334	Not applicable	36,370 individuals and 42 shelters	\$1,184,699	Must be extremely LI for assistance
<i>Enhance services for special needs</i>						
ESG	See Strengthen Continuum of Care					
HOPWA	60 households	\$110,000	Not applicable	146	\$118,413	100% low,
<i>Strengthen housing stock</i>						
SCDP						
Owner occupied rehab	914 units, 26 communities	\$8,116,444	Up to 80% of median (MFI)	See DEED PER	See DEED PER	<=80% MFI
Rental rehab	See Provide affordable rental housing					
HOME						
Rental rehab	See Provide affordable rental housing					
MN Urban & Rural Homesteading	50 units	\$3,130,000	100% LI and 17% extremely LI	9	\$662,154	100% LI, 22% extremely LI
Disaster relief	No goals set			7	\$92,976	
<i>Provide homeownership opportunities</i>						
SCDP						
Owner rehab	See Strengthen housing stock					
Homeowner assistance	14 units	\$370,000	Up to 80% MFI	See DEED PER	See DEED PER	
HOMEMURL	See Strengthen housing stock					
<i>Support community development</i>						
SCDP						
Public facilities improvements	15 sewer/ water systems, 15 communities	\$4,871,390	Not applicable	See DEED PER	See DEED PER	Not applicable
Commercial property rehab	139 buildings, 9 communities	\$2,595,060	Not applicable	See DEED PER	See DEED PER	Not applicable
Economic, workforce dev	336 jobs retained/created	\$2,312,000	Not applicable	See DEED PER	See DEED PER	Not applicable

Comparison of Assistance Goals and Assistance Provided, 2002-2005

Goals and strategies	Goals for 2002-2006		Actual, 2002-2005	
	Households to be assisted	Assistance amount	Households assisted	Assistance amount
<i>Provide affordable rental housing</i>				
SCDP				
New rental	50 units	\$1,500,000	See DEED PER	
Rental rehab	750 units	\$1,500,000	See DEED PER	
HOME Rental Rehab	2,500 households	\$29,000,000	1,338	\$12,847,311
<i>Strengthen Continuum of Care</i>				
ESG	95,000 individuals 200 shelters	\$5,750,000	85,512	\$4,313,184
<i>Enhance services for special needs</i>				
ESG	See Strengthen Continuum of Care			
HOPWA	300 households	\$500,000	374	\$224,005
<i>Strengthen housing stock</i>				
SCDP				
Owner occupied rehab	2,500 homes	\$50,000,000	See DEED PER	
Rental rehab	See Provide affordable rental housing			
HOME				
Rental rehab	See Provide affordable rental housing			
...MN Urban & Rural Homesteading (MURL)	250 units	\$16,000,000	31	\$1,428,582
Rehab Disaster Loans	No five-year projections			
<i>Provide homeownership opportunities</i>				
SCDP				
Owner rehab	See Strengthen housing stock			
Homeowner assistance	50 families	\$1,250,000		
HOME MURL	See Strengthen housing stock			
<i>Support community development</i>				
SCDP				
Public facilities improvements	100 systems	\$30,000,000	See DEED PER	
Commercial property rehab	500 buildings	\$15,000,000	See DEED PER	
Economic and workforce development	5,000 jobs	\$20,000,000	See DEED PER	

Affirmatively Furthering Fair Housing

The state prepares an *Analysis of Impediments to Fair Housing Choice*, which identifies commonly recognized impediments to fair housing and action steps that the state has taken to address them. A summary of the *Analysis of Impediments to Fair Housing Choice* is included in attachments to the CAPER; the full report is available through the MHFA or on the agency's website at: http://www.mhfa.state.mn.us/about/about_reports.htm

Data on the racial/ethnic background of beneficiaries in FFY 2005 under SCDP are available in reports from DEED. DEED requires all grantees to develop a fair housing plan that affirmatively furthers fair housing. Community development funds for housing assistance are not released until grantees submit a plan that is approved by the department.

SCDP grantees must consider equal employment opportunity and affirmative action throughout the life of their grants in all activities and grant administration. At the annual Implementation Workshop held for new grantees, equal employment opportunity requirements are discussed and a handbook is distributed which details the statutory requirements and the actions which need to be taken or suggested be taken. Grantees are required to include equal opportunity language in all contracts; engineers and architects include equal opportunity materials (including EO 12846, Section 3 Clause, Uniform Administrative Requirements, and a list of applicable laws) in all bidding and contract documents. Equal employment opportunity actions and requirements are discussed at pre-construction conferences and other forums as appropriate or as the opportunity arises. Grantees report to DEED, annually, on the number and amount of contracts that were awarded to women- or minority-owned businesses (WMBE) and Section 3 businesses.

Of the households assisted through the MHFA under all HOME-funded programs in FFY 2005, more than 9% were headed by a householder of color, i.e., a race identified as other than white, or white and of Hispanic ethnicity. See the HOME narrative in this report for more detailed descriptions of the state's actions to affirmatively further fair housing under this program.

Affordable Housing

HUD does not consistently require jurisdictions, in each of the various CPD programs, to collect or report the data necessary to determine housing affordability under all programs. Agencies have cooperated to the extent possible in providing information.

Data on the affordability (as defined by Section 215 guidelines) of housing funded through SCDP is not available; however, data on incomes of all households assisted under SCDP activities indicate that nearly all households had incomes in the low- to moderate-income group, defined under this program as up to 80% of median income.

DHS does not have as a goal of the ESG program to provide affordable housing as defined by Section 215. No ESG money is spent on any permanent housing activity. Households served by the ESG program are likely to be low-income. DHS does not collect income information on ESG recipients; however most are likely to be extremely low incomes since one of the criteria for qualifying for assistance is that a person does not have the resources to afford housing (often even for a night, otherwise they are asked to spend their money on a motel).

In accordance with MHFA guidelines, all housing funded through HOME programs meets affordability guidelines. All tenants and owners had gross incomes at or below 80% of area median.

HOME-Assisted Households by Income Group, FFY 2005

Program	Households by income group		
	0% - 30%	31% - 50%	51% - 80%
MURL	22%	56%	22%
Flood	33%	33%	33%
RR	82%	16%	2%

The table **Comparison of Assistance Goals and Actual Assistance Provided, 2005** in the previous section titled *Meeting Goals: An Assessment* shows income groups assisted in CDBG, HOME, and HOPWA programs.

Continuum of Care

The MHFA and DHS have provided funds for regional development of Continuum of Care (CoC) Plans with matching grants from the Bush Foundation. Currently, thirteen CoC regions exist in Minnesota. Committees have developed plans that identify and describe: regional homelessness, assistance needs of people experiencing homelessness or people at risk of becoming homeless, gaps in regional service delivery for the homeless, and a plan for addressing those gaps. These plans are available on Internet at: <http://www.mhponline.org/Sidebar/continuumofcare2.htm> or through one of these local contacts:

**Continuum of Care Contacts
November 2005**

<p>ANOKA COUNTY Merry Kemp, Coordinator Anoka County Community Development 2100 3rd Avenue Anoka, MN 55303-2265 Phone: 763-323-5708 Fax: 763-323-5682 merry.kemp@co.anoka.mn.us</p> <p>Barb Wold, Housing Coordinator Anoka County Community Development 2100 3rd Avenue Anoka, MN 55303-2265 Phone: 763-422-7392 barb.wold@co.anoka.mn.us</p>	<p>HENNEPIN COUNTY Mark Hendrickson, Coordinator Hennepin County Housing Development 417 North Fifth Street, Suite 320 Minneapolis, MN 55401-1362 Phone: 612-348-2199 mark.hendrickson@co.hennepin.mn.us</p>
<p>CENTRAL MINNESOTA Brenda Engelking, Coordinator Central MN Housing Partnership (CMHP) 810 W St. Germain St. #303 St. Cloud, MN 56301 Phone: 320-259-0393 Fax: 320-259-9590 brenda@cmhp.net</p> <p>Kathy Burski, Chair Lakes and Pines CAC 1700 Maple Avenue East Mora, MN 55051 Phone: 320-679-1800 ext. 162 kathyb@lakesandpines.org</p>	<p>NORTHEAST MINNESOTA Patty Beech, Coordinator 630 North 60th Avenue East Duluth, MN 55804 Phone: 218-525-4957 Fax: 218-525-4957 pbeech@cpinternet.com</p> <p>Lorrie Janatopoulos, Chair Arrowhead Economic Opportunity Agency (AEOA) 702 3rd Ave. S. Virginia, MN 55792-2797 Phone: 218-749-2912 x259 ljanatop@aeoa.org</p>
<p>DAKOTA COUNTY Maribeth Lundeen, (Temp. Coordinator) Dakota County Social Services 1 Mendota Rd W. #300 West St. Paul, MN 55118 Phone: 651-554-6345 maribeth.lundeen@co.dakota.mn.us</p> <p>Reyne Branchaud-Linsk, Chair Dakota Woodlands 3430 Wescott Woodlands Eagan, MN 55123 Phone: 651-456-9110 Fax: 651-456-9244 reynewoodlands@qwest.net</p>	<p>NORTHWEST MINNESOTA John Pugleasa, Coordinator Beltrami Area Service Collaborative 616 America Ave. NW Suite 150 Bemidji, MN 56601-3852 Phone: 218-333-8190 Fax: 218-333-8193 john@beltrami.org</p> <p>Anne McGill, Chair Bi-County Community Action (Bi-CAP) 2529 15th Street N.W. PO Box 579 Bemidji, MN 56601-0579 Phone: 218-751-4631 ext. 104 amcgill@paulbunyan.net</p>

**Continuum of Care Contacts
November 2005**

<p>RAMSEY COUNTY Jim Anderson, Coordinator Ramsey County Human Services 160 E. Kellogg Blvd., #9500 St. Paul, MN 55101 Phone: 651-266-4116 jim.anderson@co.ramsey.mn.us</p>	<p>WASHINGTON COUNTY Tina O'Malley Bayonet, Housing Coordinator Washington County Community Services 14949 62nd St. N, P.O. Box 30 Stillwater, MN 55082 Phone: 651-430-6529 Tina.Bayonet@co.washington.mn.us</p>
<p>SCOTT AND CARVER COUNTIES Judson Kenyon, Coordinator Scott - Carver - Dakota CAP Agency 712 Canterbury Road Shakopee, MN 55379 Phone: 952-322-3513 jkenyon@capagency.org</p> <p>Lisa Akinseye 2496 145th Street West Rosemount, MN 55068 Phone: 651-322-3518 lakinseye@capagency.org</p>	<p>WEST CENTRAL MINNESOTA Carla Solem, Coordinator West Central MN CoC Coordinator 3539 19th Street South Fargo, ND 58104 Phone: 701-306-1944, Fax: 701-235-8681 carlas@cableone.net</p> <p>Dale Rollie, Chair Lakes and Prairies CAP, Inc. 715 11th St. N., Suite 402 Moorhead, MN 56560 Phone: 218-299-7845, Fax: 218-299-7547 daler@lakesandprairies.net</p>
<p>SOUTHEAST MINNESOTA Mary Ulland Evans Three Rivers Community Action, Inc. 1414 North Star Drive Zumbrota, MN 55992 Phone: 507-732-8555, Fax: 507-732-8547 mary.ullandevans@threeriverscap.org</p> <p>Mary Vrieze, Chair Southern Minnesota Regional Legal Services 903 West Center Street, Suite 130 Rochester, MN 55902 Phone: 507-292-0080, Fax: 507-292-0060 mary.vrieze@smrls.org</p>	<p>SOUTHWEST MINNESOTA Lori Raiber Heartland Community Action P.O. Box 1359 Willmar, MN 56201 Phone: 320-235-0850, Fax: 320-235-7703 lorir@heartlandcaa.org</p> <p>Linda Sjoberg, Chair SW MN Mental Health Consortium 1550 Hwy 71 NE Willmar, MN 56201 Phone: 320-231-5308, Fax: 320-231-5637 linda.sjoberg@state.mn.us</p>
<p>ST. LOUIS COUNTY Kathy Bogren, Coordinator St. Louis County Planning 307 First Street South, Suite 117 Virginia, MN 55792 Phone: 218-742-9563, Fax: 218-749-7194 bogrenk@co.st-louis.mn.us</p>	<p style="text-align: center;">(This space intentionally left blank)</p>

ESG funding is used to strengthen the Continuum of Care systems through provision of direct services to homeless persons. ESG funds were provided to grantee agencies in every CoC region, each of which has as a priority preventing homelessness and providing shelter and supportive services for homeless individuals and families. ESG funds were provided to shelters in all CoC regions to pay for the operating and service costs of these programs and were provided for prevention activities in areas not receiving MHFA Family Homeless Prevention and Assistance Program funds.

For a period of time, the state used ESG funds used to provide technical assistance to CoC committees. This activity assisted in accomplishing Strategy Two of the state's Action Plan - Strengthening the Continuum of Care. After the HUD determination that ESG funds were not eligible to be used for such a purpose, the state continued to provide technical assistance to Continuum of Care committees using non-ESG resources, although at a reduced level.

Both MHFA and DHS use CoC Plans in the process of reviewing and selecting proposals for funding under ESG and transitional housing programs. DHS offers each CoC committee the opportunity to provide comments and recommendations on each ESG application submitted from their region. This allows CoC committees to have input into how ESG funds are spent in their community, ensuring that funds are directed toward meeting gaps in their CoC systems.

Minnesota's Homeless Management Information System (HMIS) is an Internet-based system that presents standardized and timely information to housing and service providers to better serve their clients. Local planners, providers, and advocates have developed a version of the system that strengthens provider efforts to end homelessness without jeopardizing the privacy of those they are serving. In 2004 and 2005, selected CoC regions tested Minnesota's version of HMIS; statewide implementation of HMIS began on July 1, 2005. All required agencies and departments are now using HMIS, along with many voluntary participants. There are currently 140 agencies using HMIS. For more information on HMIS, visit this website:

<http://www.hmismn.org/index.php>

Other Actions Undertaken

Obstacles to Meeting Underserved Needs

One of the obstacles state agencies face as they try to meet the need for housing and community development assistance is the difficulty of quantifying or measuring the need for assistance on a statewide level. One of the best sources of objective information for use in assessing need is the Census Bureau, which publishes detailed data for states only once every 10 years; Census data

published more frequently are by area, e.g., metropolitan area or region of the U.S.

The ability to meet anticipated needs is subject to a variety of factors that are not necessarily within the control of the state, such as the inclination or capacity of communities and local partners to participate in assistance programs, the availability of feasible development or funding proposals, and the availability of other public and private resources for housing and community development.

Fostering Affordable Housing through Tax Credits

Housing Tax Credits have been an important tool in the development and preservation of affordable rental housing in Minnesota, having generated more than 23,000 affordable units since 1987. The MHFA has allocated credits for about 76% of the HTC housing units available in the state today; suballocators, including Duluth, Minneapolis, Rochester, Saint Cloud, Saint Paul, and Dakota and Washington counties have allocated the remainder within their jurisdictions.

The MHFA has developed an overall tax credit allocation plan based on an assessment of local housing needs, which currently gives preference to developments serving families, underserved populations, and the lowest-income tenants, and that utilize existing infrastructure, support job growth and use cost avoidance or reduction techniques. Allocation preference also is given for owners obligating to serve qualified tenants for the longest period of time. As new resources and needs are identified, the MHFA may add selection priorities, e.g., developments which best leverage tax credits with other local, employer, or conventional financing or developments including project-based rental assistance. The state's current Qualified Allocation Plan for housing tax credits may be viewed at:

http://www.mhfa.state.mn.us/multifamily/Fall_05_HTC_Qual_All_Plan_QAP.pdf

Minnesota law provides for two selection rounds for the allocation of tax credits, limiting selections in the first round to proposals that meet certain regional threshold criteria. Eligible Metropolitan proposals include: large family, single room occupancy and substantial rehabilitation proposals in neighborhoods targeted by a city for revitalization. Eligible Greater Minnesota proposals include: proposals with financing from the Rural Housing Service (RHS) and projects that meet identified local needs. Statewide, eligible proposals include: projects serving persons with special needs or disabilities and proposals that will preserve existing subsidized housing at risk of loss due to conversion to market rate housing or to physical deterioration. In the first funding round, the threshold requirements apply to the MHFA and local tax credit authorities (sub-allocators). The distribution of tax credits between the MHFA and the sub-allocators is determined by formula set in Minnesota Statute. All credits that are

not used in the first round are returned to the MHFA for allocation in the second round based upon identified selection priorities to ensure that tax credits are allocated to the highest priority proposals.

The MHFA requests funding proposals from housing sponsors under a consolidated application process. The MHFA combines tax credits with below-market interest rate mortgages (using agency reserves) and deferred loans (using state appropriations and contributions from funding partners) to make tax credit developments more affordable to lower income households.

The State of Minnesota and its sub-allocators reserved a total of more than \$7.6 million in tax credits in 2005 for nearly 1,500 proposed affordable rental units. Many of these tax credit units will be in developments financed at below-market interest rates with assistance from the RHS, the MHFA, or HUD, which enhances the affordability of the rental units produced. In 2004, rental property owners in Minnesota claimed \$6,379,691 in tax credits for the first time for 1,205 units of affordable rental housing occupied or available for occupancy.

Legislative Support for Affordable Housing and Community Development

In 2005, the Minnesota Legislature appropriated \$70,470,000 to the MHFA for housing assistance in 2006/2007 biennium, including: \$21.8 million for the Challenge Fund, nearly \$18 million to preserve the ongoing affordability of existing assisted housing, \$12.6 million for the Housing Trust Fund, \$7.4 million for family homeless prevention and assistance, \$5.3 million for rehabilitation loans to very low-income homeowners, \$3.3 million in voucher assist to people with mental illness, and \$2 million for homeownership education and nonprofit capacity building.

The state's plan for ending long-term homelessness in Minnesota by 2010, published by the Working Group on Long-Term Homelessness 2004, calls for the collaboration of governmental entities; private sector developers and businesses; and nonprofits, charitable groups and faith-based organizations to provide \$540 million for the creation of 4,000 units of supportive housing with services by 2010 for people experiencing long-term homelessness. The governor proposed a record \$20 million from the state's 2006 capital bonding authority to be used for the development of permanent supportive housing; the legislature approved \$12 million for this purpose. (The MHFA Board allocated \$10 million of the agency's own resources for ending long-term homelessness for the 2004/2005 biennium. In 2005, the Board allocated an additional \$20 million for supportive housing 2006/2007.)

In 1999, the legislature authorized DHS to establish a Supportive Housing and Managed Care Pilot to work with families and individuals with long histories of homelessness. Subsequently, the legislature expanded that pilot by

appropriating \$1,500,000 to DHS, annually, through 2007. This direct support services model linked to housing promotes coordination among housing, health, social service, and employment providers. In January of 2005 DHS reported to the Minnesota Legislature on outcomes that indicate initial success in the stability of participants; that report is available at:

http://www.dhs.state.mn.us/main/groups/economic_support/documents/pub/dhs_id_048311.pdf

The legislature also appropriated funds for the Transitional Housing Program for which DHS received \$3,238,000 per year for projects that include congregate facilities or scattered-site transitional housing. Funds may be used for the operating, administrative, and supportive service costs of providing transitional housing. Funding for Supportive Services for Permanent Supportive Housing is \$5,000,000 per year to DHS; \$400,000 to DHS for youth exiting foster care; and \$400,000 to the Department of Public Safety for the Homeless Outreach Pilot Project to provide outreach and a bridge to stable housing and services for persons experiencing homelessness.

The 2005 legislature also included federally recognized tribes and subdivisions and tribal housing corporations as eligible recipients for the MHFA Housing Challenge Fund program.

Rental properties subsidized under federal or state housing assistance programs or properties meeting certain income and rent restrictions may be eligible for a lower property tax rate of 0.75% (reduced from 1.25%) according to a state law enacted in 2005. Owners of qualifying rental properties may make application to the MHFA for taxes payable in 2006 for subsidized rental properties for the duration they meet the rent and income restrictions of the subsidy program, as described here:

http://www.mhfa.state.mn.us/about/Property_tax.htm

Barriers to Affordable Housing

Homeownership is an important means of accumulating wealth and strengthening families and communities; however, data show a significant gap in homeownership rates between households of color and non-Hispanic Caucasians, both nationally and in Minnesota. A variety of different local efforts exist, such as the 50/30 Project and community lending programs; however, there has been no broad, coordinated effort to address this situation. In June of 2004, Governor Pawlenty announced the creation of a statewide initiative to increase homeownership among households of color, the Emerging Markets Homeownership Initiative (EMHI). This is a collaboration of representatives from approximately 50 public and private groups including financial institutions, the housing industry, communities of color, and government. Participants, convened by FNMA, the Federal Reserve Bank of Minneapolis, and the MHFA,

worked to develop a business plan to increase homeownership rates among emerging markets, which they presented to the governor in June of 2005. The goal of the EMHI plan is to increase homeownership rates among emerging markets from the current 46% to 58% by 2012, to be achieved by Initiative stakeholders through efforts focused in six areas:

- Wealth and downpayment
- Credit and lending practices
- Cultural factors and preferences
- Discrimination
- Marketing and outreach
- Homebuyer counseling and financial education

Additional information and a copy of the plan are available through the MHFA, or at this website: <http://www.mhfa.state.mn.us/homes/EMHI.htm>

Recognizing that securing affordable rental housing can be difficult, especially for tenants with poor rental histories, the Rental Housing Pilot Program (RHPP) provided structured education and support (e.g., mediation) culminating in certification to “high-risk tenants.” In addition to providing tenants with education and case management, RHPP offered incentives and protections to landlords willing to rent to program graduates. Dakota, Hennepin, and Ramsey counties, together with the greater Duluth area, participated in this pilot that implemented a single curriculum (Rent Wise/Rent Smart) developed by the University of Wisconsin and adapted by the University of Minnesota for use in this state. The pilot program was funded with appropriations from the state legislature and contributions from the Family Housing Fund, the Greater Minnesota Housing Fund, and the MHFA. Initial evaluations suggest that RHPP participating tenants were more successful in securing and maintaining stable permanent housing than tenants who did not; however, funding constraints have prevented broader implementation of a structured program such as RHPP. The general RentWise curriculum is available statewide through the University of Minnesota Extension Services. See this website for details:

http://www.extension.umn.edu/capacity/fd/content_pages/RentWiseBrochurefinal.PDF

The state’s tax structure has been identified as a barrier to the development of affordable housing, a barrier that the legislation has attempted to diminish through various revisions to property tax laws related to rental housing.

The capacity of local entities to participate in assistance programs can be a barrier to providing affordable housing. Local participation in the delivery of housing assistance is essential, with some programs relying on funding from the community, e.g., through SCDP, and others on the participation of local nonprofits, e.g., as administrators of HOME Rental Rehabilitation funds. State funds for an Organizational Support Program provide grants to local nonprofits

to help them increase their capacity to deliver assistance by funding activities such as staff training. The MHFA funds a predevelopment Nonprofit Capacity Building Revolving Loan Program, using MHFA reserves, to cover a portion of the predevelopment costs typically incurred in developing an affordable housing project. Community Housing Development Organizations (CHDOs) working on HOME projects are eligible to apply for these predevelopment assistance programs.

In an attempt to address barriers to the production of new affordable housing, such as the cost of land, labor, and materials the Minnesota Legislature enacted and funded the Livable Communities Act of 1995. This action enables the Metropolitan Council to provide incentives to participating communities in the Minneapolis/Saint Paul metropolitan area to encourage affordable housing development and economic revitalization initiatives.

Institutional Structure

SCDP is available only in nonentitlement jurisdictions within the state, e.g., areas that do not receive a direct allocation of federal funds. DEED does not make geographic set-asides; all eligible nonentitlement applicants compete equally for available funds. Applications for SCDP are evaluated and ranked based on physical and financial needs, projected impact, cost effectiveness, and demographic characteristics, e.g., number of persons at or below poverty level, estimated market value.

Economic Development Program applications are evaluated based on creation or retention of private sector jobs, levels of private investment, and the increase in local tax base. Performance Evaluation Reports completed by DEED staff identify the location of proposed and actual projects by municipality.

DHS determines geographic targets for funding by a formula that takes into account the number of people in poverty, the number of people paying more than 50% of their income for rent, and the number of households receiving public assistance. This targeting formula also includes a determination of the amount of DHS funding for programs to address homelessness received in the previous year. DHS has chosen to provide supplemental ESG funding in entitlement areas, since these areas do not receive ESG funding through the federal ESG formula in proportion to their need for services for people experiencing homelessness. DHS sends requests for proposals to all grantees participating in the program previously, county social service agencies, advocacy organizations, community action agencies, reservation governments, Salvation Army units, and all known homeless service providers.

The MHFA provides HOME Rental Rehabilitation Funds outside entitlement areas, such as Minneapolis, based on local housing needs and demand for

assistance. The number and feasibility of proposals from property owners affects the geographic distribution of assistance provided under the program. The MHFA provides HOME funds for the Minnesota Urban and Rural Homesteading Program throughout Minnesota, including entitlement areas, with a preference for Community Housing Development Organizations (CHDOs).

The MHFA has made an extensive effort to identify and work with CHDOs in its HOME programs. The MHFA has certified more than 29 organizations as CHDOs in Minnesota. Staff continue to work with CHDOs and set-aside funds as appropriate. Under the HOME-funded CHDO Operating Expense Payment component of the Organizational Support Program, the MHFA may provide grants to eligible certified CHDOs selected for specific HOME projects, to enhance the capacity and long-term viability of the CHDO.

Affordable housing assistance in Minnesota depends upon a large network of local lenders, housing authorities, community action agencies, nonprofit organizations, and local governments throughout the state. In FFY 2005, the state certified 130 affordable housing projects or programs submitted by more than 100 different applicants (e.g., units of municipal or local government) throughout Minnesota as being consistent with the state's Consolidated Plan.

Coordinating Resources

State agencies involved in providing housing assistance in Minnesota work together to set policies, plan actions, and coordinate resource delivery through a number of interagency groups.

In an effort to coordinate resources for affordable housing the MHFA, the Metropolitan Council, and the Family Housing Fund formed the Metropolitan Housing Implementation Group (MHIG) with the HUD area office, Minneapolis PHA, LISC, GMMHC, the Corporation for Supportive Housing, and the Minnesota office of FNMA as partners. MHIG investment guidelines are used in evaluating proposals for the development of affordable housing in the metropolitan area. MHIG agencies cooperate in advertising for, reviewing, and selecting development proposals for funding. MHIG cooperates with municipal governments to implement the provisions of the Metropolitan Livable Communities Act.

State agency staff from the MHFA and DEED discuss housing and community development needs with local agencies and individuals to assist them in updating/implementing strategies for supporting economic development and affordable housing in areas with significant job growth. MDH, DEED, and the MHFA cooperate in reviewing participants for funding under programs such as SCDP to ensure more effective integration of assistance delivery at the local level.

The Interagency Stabilization Group (ISG) has been working with local nonprofits and units of government since 1993. The ISG coordinates funds for the stabilization and preservation of qualifying assisted rental housing. ISG members include the MHFA, the Family Housing Fund, the McKnight Foundation, the Minneapolis Community Development Agency, the Saint Paul Planning and Economic Development Department, LISC, HUD, and the Federal Home Loan Bank.

The Greater Minnesota Interagency Preservation Work Group is a consortium of public and nonprofit agencies created to work together to cooperatively address the preservation of federally assisted rental housing in Minnesota outside of the Minneapolis-Saint Paul Metropolitan Area. The participants include the MHFA, HUD, USDA, DEED, Federal Home Loan Bank of Des Moines, Duluth LISC, and the Greater Minnesota Housing Fund. By coordinating information about properties at risk of converting to market rate housing or at risk of loss due to physical deterioration, the participants are able to more strategically target their combined resources.

Programs available through the U.S. Department of Agriculture's Rural Housing Service (RHS) are an important source of assistance in Greater Minnesota. A variety of assistance is available, including: financing for the development of rental housing in rural areas, tenant-based rental assistance, and loans and grants to homeowners to rehabilitate their property. The MHFA and the RHS continue to cooperate to provide affordable housing in small towns and rural areas. MHFA and RHS staff work together on a case-by-case basis with developers applying for HOME Rental Rehabilitation funds. MHFA and RHS architects coordinate work on jointly funded projects by sharing information concerning inspections and draws. In order to meet certain match requirements, RHS proposals may obtain funding through applicable MHFA programs, e.g., Housing Trust Fund. RHS program assistance is not provided through state agencies; therefore, data are not included in this performance report, in accordance with HUD instructions.

DEED and the U.S. Department of Agriculture's Rural Utilities Services coordinate resources available for the financing of public infrastructure improvements. DEED funds are matched with USDA Rural Development to maintain affordability for communities and persons with low- and moderate-incomes.

Along with other key state agencies, the MHFA is a member of the State Advisory Council on Mental Health. The Council advises the Governor, Legislature and state departments on policies, programs and services affecting adults with mental illnesses and children with emotional disturbances.

The MHFA chairs the Interagency Task Force on Homelessness, a group of state agencies that includes staff of: DHS, the Minnesota Department of Corrections, the Minnesota Department of Public Safety, DEED, the Minnesota Department of Veterans Affairs, MDH, and the Veterans Homes Board. The Interagency Task Force on Homelessness coordinates the state's efforts to provide housing assistance and social services for homeless people and has facilitated the development and implementation of regional Continuum of Care plans. The MHFA also is a member of both the Saint Paul/Ramsey County and Hennepin County Funders Councils, whose missions are to end homelessness. Each Funders Council oversees five-year plans designed to produce housing for homeless and near homeless households. Other members are representatives from the Cities of Minneapolis and Saint Paul, Hennepin and Ramsey Counties, Metropolitan Council, United Way, Corporation for Supportive Housing, Family Housing Fund, Twin Cities LISC, Minneapolis and Saint Paul Public Housing Authorities, and HUD. The MHFA also participates in the Hennepin County Homeless Task Force.

The State's Business Plan to End Long-Term Homelessness recommended that the state appoint a Director for this effort. The MHFA, DHS, and the Department of Corrections appointed a Director who is responsible for developing a specific work plan, coordinating the multi-jurisdictional and multi-sector entities, and demonstrating tangible progress in the effort to end long-term homelessness.

The Minnesota HIV Housing Coalition (formerly called the Coalition for Housing for Persons with HIV) was formed in 1993 to facilitate access to quality housing and appropriate support services for individuals and families living with HIV in Minnesota. The Coalition advises the City of Minneapolis and the MHFA on the expenditure of HOPWA funds. The MHFA and the City of Minneapolis collaborate in allocating HOPWA funds to projects throughout the state for which sponsors seek assistance through the Request for Proposal process. The MHFA continues to collaborate with DHS on outreach efforts to ensure that the state addresses the needs of the HIV/AIDS population outside the 13-county Minneapolis/Saint Paul area. DHS, which has a broad understanding of regional HIV/AIDS issues and programs, is the official administrator of federal Ryan White funding for Minnesota.

Reducing Lead Based Paint Hazards

A \$2.4 million grant from HUD, received in late September of 2003, will enable DEED and the Minnesota Department of Health to work together to accelerate the removal of lead paint hazards from Minnesota homes. The focus will be on reducing the number of young children who may be endangered, especially children with elevated levels of lead in their blood. The state will match this federal grant with an additional \$2.8 million, mostly from SCDP funds available

through DEED, to pay the costs of activities including: lead risk assessments, lead hazard mitigation, community outreach, education and training.

As of September 30, 2005, DEED has committed a majority of the LHCG rehabilitation funds. Sixty-five projects are completed, 55 are in construction, and approximately 50 additional projects are at some stage of the process. A portion of the Lead Hazard Control funds are being used by the Minnesota Department of Health to address the lead hazards in homes in which children have been identified as lead poisoned and orders have been issued for the property. Approximately, 18 properties identified by MDH are in the process of rehabilitation or completed. The Minnesota Department of Health (MDH) will be carrying out the education and outreach component of the LHCG. Twenty events are planned over the next two and one-half years, estimated to reach 1,000 people. Several events were held in 2004-2005 including three county fairs, direct mailings to families whose children received blood lead level tests. Information regarding lead hazards and the LHCG is being distributed at WIC clinics. DEED, MDH and the MHFA are working with the Minnesota Department of Commerce in providing training opportunities for construction contractors. A proposed hands-on lead safe work practices course is planned that will be held at three locations around the state.

DEED has a lead hazard reduction policy that includes requirements for notification to residential owners, inspection of deteriorated paint, correction and removal, if applicable, in accordance with HUD/Minnesota Department of Health requirements. This policy is distributed to all new grantees at the Implementation Workshop and other sessions as well as through general or specific mailings. Grantees are required to provide all residential occupants of units to be rehabilitated with the publication, "How to Protect Your Family from Lead in the Home." In addition, grantees are required to include in all residential rehabilitation contracts language which prohibits the use of lead paint and requires contractors to carry out rehabilitation in accordance with lead safe work practices where applicable with particular attention to residential units with pregnant women or children less than six years of age. This policy reflects the HUD lead hazard reduction rules applicable to DEED grantees.

DEED's and MHFA's federally funded programs comply with the lead-based paint requirements of 24 CFR part 35. Lead hazard reduction is an eligible improvement in state- and MHFA-funded property improvement and rehabilitation loan programs. In December 2004, the MHFA board of directors approved a lead-based paint policy of substantially complying with the HUD lead rule at 24 CFR part 35 in state funded programs with health and safety requirements. That policy is being implemented as funding becomes available for affected programs

When MHFA provides non-federal funds through its consolidated RFP which constitute a substantial portion of a rental project's funding or when the agency's funds are secured with a first mortgage, an analysis of lead-based paint is conducted as part of the environmental review, and hazards are mitigated.

The state has made substantial progress in improving the lead hazard reduction infrastructure in Minnesota since implementation of 24 CFR part 35. In 2005 the number of firms certified to do lead hazard reduction is 132, there are 7 licensed project designers, 161 risk assessors, 240 lead supervisors, 112 lead workers, and 18 lead sampling technicians. In 2005, DEED supported this infrastructure development by: providing CDBG funds to support training of rehabilitation contractors and staffs of grantees.

DEED and MHFA were members of the Minnesota Childhood Lead Poisoning 2010 Elimination Plan Advisory Workgroup. The mission of the workgroup was to provide technical expertise and advisory support to the Minnesota Department of Health (MDH) through the development of a strategic plan to eliminate childhood lead poisoning by 2010. The workgroup completed its work in June 2004 and subgroups will now implement the recommendations of the final report, which is available at:

<http://www.health.state.mn.us/divs/eh/lead/reports/index.html#2010>

DEED and MHFA are also members of the Minnesota Collaborative Lead Education and Assessment Network (M-CLEAN), which is convened by the Minnesota Department of Health. Members are all state and local government and nonprofit organizations dealing with lead-based paint and public health. M-CLEAN provides a forum for sharing information among its members, and for providing, on an informal basis, a sounding board for possible lead policies.

DEED and MHFA participated in a legislatively mandated study to make recommendations to the legislature regarding how to promote and encourage primary prevention; how to ensure that all children at risk are tested for elevated blood lead levels; whether or not to reduce the state mandatory intervention from 20 to 10 micrograms of lead per deciliter of whole blood and if a reduction is not recommended whether to develop guidelines on intervention for children with blood levels between 10 and 20 micrograms of lead per deciliter of whole blood; how to provide incentives and funding support to owners for lead hazard prevention and reduction; and ways to provide resources for local jurisdictions to conduct outreach.

In addition to the above activities, the Environmental Health Division of the State of Minnesota's Department of Health oversees a comprehensive lead remediation program that includes testing, health care and environmental

remediation. The program is largely funded by federal dollars (HUD and CDC), with additional funding provided by the state's general fund.

Reducing Poverty

The Minnesota Family Investment Program (MFIP) is the state's major welfare reform initiative for low-income families with children. MFIP's three main goals are to help people: leave and remain independent of welfare, obtain and keep jobs, and increase income/decrease poverty. Efforts to ensure that the state meets MFIP goals include: employment and job training services, health care assistance, and child care subsidies for MFIP families. This includes a diversionary work program that helps people to find employment before they reach the need for MFIP. Data from a Minnesota Department of Human Services longitudinal study show that more than two-thirds of MFIP families followed over a three-year period had either left assistance or were on MFIP and working 30 or more hours per week. The number of families in Minnesota receiving welfare has decreased over 30 percent since 1994, despite increases in 2002 and 2003.

By state law, all businesses assisted with DEED funds through the Minnesota Investment Fund must pay new hires a minimum wage of \$10.23 per hour. DEED policy requires a minimum wage of \$9.00 in Greater Minnesota and \$12.00 in the Metro area. Each year, programs funded through DEED create many new jobs in Minnesota. Additional information on job creation is available from DEED (see the *Explanation of Data* section for details).

Leveraging Resources

DEED leverages its SCDP housing rehabilitation funds with MHFA, lender, and property owner contributions. Each applicant jurisdiction is expected to provide as much local money as practicable, contingent upon the financial capability of the applicant. DEED and USDA Rural Development coordinate funds for correcting or improving public infrastructure especially for LMI communities. DEED staff estimate that SCDP projects historically have leveraged nonfederal funds in an amount at least equal to SCDP funds.

DHS reports that the Supportive Housing Program leveraged \$168,078 in FFY 2005, providing support services to individuals in Greater Minnesota.

The MHFA has used Housing Tax Credits and HOME funds in conjunction with state or agency-funded assistance and other contributions. In FFY 2005, HOME provided 64.5% of the total funds used in HOME-funded projects with 35.5% provided by resources from other public or private entities and from property owners.

The MHFA also leverages federal funds and funds from outside the agency in its own assistance programs, including the Challenge Fund, the Housing Trust Fund, and the Low and Moderate Income Rental Program. In FFY 2005 the MHFA closed loans on rental housing developments that leveraged \$5,816,115 in annual Housing Tax Credits with \$14,611,726 in financing from the MHFA's Low- and Moderate-Income Rental Program; \$45,167,760 in other MHFA resources; and resources from the MHFA's funding partners.

Local contributions are essential to the provision of affordable housing and community development and have included donations of land or write-down of project costs, tax increment financing, and municipal financing. Under the MRB-financed Community Set-Aside, the MHFA gives priority during the selection process to those proposals that demonstrate local investment pursuant to a housing plan, local government participation that reduces costs, and the extent to which private investors, e.g., local employers, contribute. Under the state-appropriated Challenge Fund, legislation requires that at least 50% of Challenge funds must be utilized in projects that include a financial or in-kind contribution from an area employer, and a contribution from at least one of the following: local unit of government, private philanthropic organization, religious organization, or charitable organization.

Minnesota's private foundations, such as the McKnight Foundation, have contributed their resources to a variety of single family programs and multifamily projects. As noted earlier, the contributions of foundations and nonprofit organizations to affordable housing development, while significant, cannot be documented here.

Matching Contributions

ESG requires a one-to-one matching of funds. In FFY 2005, DHS used \$2,988,000 in Transitional Housing Program funds, and \$350,000 in Emergency Services Program funds to meet the Emergency Shelter Grant Program matching requirement.

In FFY 2005, DHS used \$484,000 of state funds with \$680,000 in federal PATH funds to assist homeless people who have mental illness. State funds in the amount of \$226,667 met the 3:1 match requirement for PATH.

Under the HOME program, each participating jurisdiction must contribute funds to affordable housing in an amount that is not less than 25% of HOME funds drawn from a jurisdiction's HOME Investment Treasury account during the reporting period. Minnesota met HUD's HOME match contribution requirement in FFY 2005 and expects to carry over qualifying excess match dollars to FFY 2006 (see the HOME Match Report in the attachments to the CAPER).

Self-Evaluation

Each one of the state agencies reporting in the CAPER historically has measured its performance in meeting established goals and objectives throughout the annual report. Outputs documented in the section titled *Meeting Goals: An Assessment* include a summary of the assistance provided in FY 2005 compared to goals established for FFY 2005 in the last Annual Plan. Also included is a list of total assistance provided from 2002 to 2005, by program, compared to five-year goals established in the state's **Consolidated Plan for Housing and Community Development, FFY 2002 – 2006**.

The *Affordable Housing* section of this report includes a comparison of annual goals for FFY 2005 and the actual outcomes of assistance to households, i.e., proportion of assisted households with extremely low-incomes in 2005, assistance to households of color. Other sections throughout the report include information such as the proportion of private or other nonfederal funds leveraged by CPD assistance, clearly a measure of the state's success in strengthening communities through the most effective use of public resources. IDIS reports include summary data on outcomes of federal assistance programs.

Minnesota state agencies report to the Governor and the public at least annually on their performance toward achieving established goals. The progress of state agencies toward achieving their overall goals is measured by a variety of indicators; results may be reviewed at this website:
<http://departmentresults.state.mn.us/>

DHS, DEED, and the MHFA set annual and five-year performance goals for outputs and outcomes of housing and community development assistance programs as shown in the *Meeting Goals* section of this report, a measure of progress toward achieving them. DEED performance toward achieving goals also may be identified through its annual Performance Evaluation Report (PER), much of which is summarized in the CAPER, e.g., information on assistance to households by income and race. The PER in its entirety is available through DEED.

In investing its resources during FFY 2005, the state adhered to its five-year and annual plans, to the extent resources permitted. The ability to meet anticipated goals is subject to a variety of factors that are not necessarily within the control of the state, such as the availability of feasible development proposals and the participation of lenders, administrators, and other local partners as funders or as part of the delivery system.

The following is an analysis and self-evaluation of federally-funded assistance activity, including discussion of why the state may not have succeeded in meeting its goals. Programs such as SCDP may provide assistance in more than

one strategy area; however, information on each assistance program is presented under that strategy it most fully addresses. This section also identifies assistance programs funded with state or agency resources, details of which are beyond the scope of this report.

1. Provide affordable housing for extremely low and low-income renters

SCDP provides funds to local units of government to establish programs for rehabilitation of rental properties occupied primarily by low- and moderate-income families. The SCDP funds rehabilitate substandard rental units to standard condition with the requirement that at least 51% of the units be occupied by low and moderate-income families at affordable rates (defined as being at or below Fair Market Rents). Generally, grantees establish programs that provide deferred loans with no principal or interest payment unless ownership of the property is sold, transferred or converted, or if occupancy and affordable rental rates do not conform to the loan requirements. In some circumstances, grantees establish finance plans with very low repayments. Local community action programs, housing and redevelopment authorities or other for-profit or nonprofit organizations usually implement the programs, designed to correct health or safety problems. For FFY 2005, to address this priority, DEED awarded funds to rehabilitate 85 residential rental units (single family and multifamily buildings). Additional information on these projects may be found in DEED's Performance Evaluation Report (PER). See the *Access to Data* section for details on how to contact DEED.

Under the HOME Rental Rehabilitation Program, the MHFA provides deferred loans at no interest to owners of affordable rental property – up to \$14,000 per unit. Activity occurred almost exactly as projected. In FFY 2005, the MHFA provided a total of \$4,822,880 under the HOME Rental Rehabilitation Program to 27 developments for which rehab was completed during the year, assisting 336 households. As of September 30, 2005, the MHFA had an additional \$15,948,016 in HOME funds committed to the rehabilitation of rental properties (HOME units).

The MHFA disbursed a total of \$432,875 in HOME funds during the year to assist CHDOs with operating expenses related to owning, sponsoring, or developing HOME-eligible housing. Additional MHFA Endowment Funds provided \$1,939,000 in financing for predevelopment or soft costs under the Nonprofit Capacity Building Revolving Loan Program.

Owners of 1,205 units of low-income housing claimed tax credits in the amount of \$6,379,691 for the first time in 2004. The MHFA reports, annually, on those HTC units complete and occupied or available for occupancy. Because of when

and how data on these HTC units are available to the MHFA, information always will be for the year prior to the current reporting year.

Through its project-based assistance programs, the MHFA provided first mortgages and deferred assistance for the new construction or substantial rehabilitation of more than 2,300 units of affordable housing in the total amount of \$58.9 million. This assistance included \$9.4 million for the preservation of the affordability of more than 500 units of existing subsidized housing. The MHFA also assisted owners of existing affordable rental housing with nearly \$3 million in deferred maintenance and asset management loans. This assistance was funded through bond sale proceeds, state appropriations, and the agency's own resources. More information on assistance available under MHFA programs is contained the annual assessment of accomplishments, *MHFA Housing Assistance in Minnesota*, available at: http://www.mhfa.state.mn.us/about/about_reports.htm

2. Build a stronger continuum of care to serve people experiencing homelessness

The state assisted the greatest number of households or individuals under the Emergency Shelter Grant Program addressing the needs of homeless people in approximately the amount of the assistance goal for 2005.

Minnesota's Consolidated Plan for Housing and Community Development, FFY 2002 – 2006 states the following priorities for homelessness funding:

Current levels of service to homeless persons will be maintained in Minnesota to the extent possible.

The state used Emergency Shelter Grant Program funding of \$1,184,699 in FFY 2005 to support the on-going efforts of homelessness prevention, to provide shelter, and to assist transitional housing providers. ESG funds assisted a total of more than 36,000 individuals in households during the year. DHS provided ESG funds to emergency shelter and transitional housing programs for the purpose of maintaining current levels of service. Given difficulties with reporting systems, this may not reflect total ESG expenditure activity.

Under the Supportive Housing Program, DHS also funded \$613,135 in supportive services to assist 854 households (1,742 individuals) in Greater Minnesota during the reporting year. As of June 1, 2005, DHS transferred responsibility for the Supportive Housing to three nonprofit agencies who will administer the program.

Assist each region in establishing continuum of care systems

The State of Minnesota Interagency Task Force on Homelessness, in consultation with the Minnesota Housing Partnership, has provided technical assistance to

assist in the establishment of Continuum of Care Committees across the state. Currently, thirteen Continuum of Care (CoC) regions exist in Minnesota covering the entire state.

DHS has offered each CoC committee the opportunity to review and provide recommendations on each ESG application submitted from their region, as well as other DHS-administered homeless programs. This ensures that ESG funding is used to address locally determined priorities for prevention, shelter, and transitional housing.

For the 2004/2005 biennium, the MHFA allocated \$10 million of its own resources as part of the state's Initiative to End Long-Term Homelessness. Deferred loan funds were available on a pipeline basis, as well as through the Request for Proposal process, for acquisition, development, or rehabilitation of permanent supportive rental housing; operating subsidies; and rental assistance.

State appropriations to DHS are used to provide operating funds to transitional housing programs and to provide emergency housing and services. DHS awards funds through a competitive process. For FFY 2005, DHS received \$2,988,500 in state appropriations for transitional housing and \$350,000 for emergency services

Under Projects for Assistance in Transition from Homelessness (PATH), DHS disbursed a total of \$1,094,000 to fund mental health staff and to provide rental assistance to 1,000 households.

Under the state-funded Family Homeless Prevention and Assistance Program, the MHFA provided more than \$3.3 million in cash assistance to nearly 5,900 households who were homeless or at immediate risk of becoming homeless during the first three quarters of FFY 2005 (for which data were available).

Although SCDP funds are not used specifically for homelessness assistance or prevention, the funds assist in rehabilitating and preserving existing affordable housing (both owner and renter occupied) for low- and moderate-income families. SCDP helps ensure the quantity and habitability of the state's existing housing stock and preserves valuable, affordable housing for communities and future generations.

3. Enhance housing and services to those with special housing needs

Under the Housing Opportunities for Persons with AIDS (HOPWA) program, the state received \$105,000 from HUD in FFY 2005 that it allocated to nonprofit agencies assisting people living with HIV in Greater Minnesota. During the year, households received emergency housing assistance, supportive services, and housing information services. The median income of the persons assisted with

HOPWA funds was \$9,540. Nearly 40% of households assisted were from communities of color.

The Department of Human Services provides assistance to people with a serious and persistent mental illness in the form of support services, cash assistance, and Medicaid waivers. This assistance is intended to enable people with special needs to remain in their homes or communities. Under the state-funded Crisis Housing Assistance Fund, DHS assisted 425 households with rent assistance and mortgage or utility payments in the amount of \$412,500.

The state assists an average of 14,000 people per month (an estimated \$87 million in assistance in 2005) through the DHS Group Residential Housing Program for elderly people and people with disabilities. Income supplements assist clients with room and board costs in certain licensed settings. The department also provides state funds to assist people experiencing homelessness, e.g., for transitional housing, case management, services coordination. DHS also uses state funds for a homesharing program that matches elderly homeowners, who may be in need of assistance with chores or additional income, with eligible renters.

Under the state-funded Bridges Program, designed to assist people with mental illness and their families, the MHFA assisted more than 480 households with vouchers and security deposit assistance in the amount of more than \$1.6 million.

The Small Cities Development Program does not provide funds specifically to address housing for people with special needs; however, SCDP funds are used to rehabilitate homes that may be owned and occupied by low- and moderate-income families who need to make accessibility improvements for a disabled member of the household. New rental housing construction is completed in accordance with the Americans with Disabilities Act (ADA) and Section 504 of the Rehabilitation Act of 1973. Commercial rehabilitation programs also are carried out with consideration of the ADA and the accessibility needs of the public.

4. Strengthen a community's housing stock

Programs that assist communities to strengthen their housing stock include energy related repair and weatherization funds from the U.S. Department of Energy (historically about \$10 million, annually). The state also receives federal funds under the Low Income Home Energy Assistance Program (\$85 million in 2005); however, assistance under these programs do not meet HUD's requirements for CAPER reporting, so they are not included in this report.

SCDP and HOME programs help to strengthen housing stock; however, most of these programs are discussed in the context of the strategies they most fully

implement--supporting community development, providing affordable housing, and providing homeownership opportunities.

The Small Cities Development Program provides funds to local units of government to establish housing rehabilitation programs for very low and low and moderate-income families who own and occupy substandard homes suitable for rehabilitation. Generally, grantees establish programs that provide deferred loans with no principal or interest payments unless the home is sold within a certain period of time. Local community action programs, housing and redevelopment authorities or other for profit or nonprofit organizations often implement the programs, which address health or safety problems. For FFY 2005, DEED awarded \$9,269,130 for the rehab of 555 owner occupied housing units by low/moderate income households.

The MHFA strengthens communities' housing stock throughout the state through a variety of state or agency-funded programs. The MHFA provided nearly \$48 million to more than 3,400 homeowners to rehabilitate or improve the property they occupy and an additional \$6.4 million in grant funds to communities to meet local revitalization needs. The MHFA funded 7 flood relief rehab loans for which homeowners completed work in 2005 with \$92,976 in HOME funds. Under the Low and Moderate Income Rental Program, the MHFA loaned more than \$16 million in financing (including Flexible Financing for Capital Costs) to assist the construction or rehabilitation of 521 rental units. The state-funded Economic Development and Housing Challenge Fund provided nearly \$6.5 million to fund the construction, acquisition, or rehabilitation of more than 500 units of affordable or workforce housing.

Under the state-funded Organizational Support Program and the MHFA-funded Nonprofit Capacity Building Revolving Loan Program, the MHFA provides assistance to local nonprofit organizations to increase their capacity to meet local housing needs.

5. Assist in providing homeownership opportunities

The MHFA funds the Minnesota Urban and Rural Homesteading Program (MURL), with federal HOME funds. Under this program, the MHFA grants funds to nonprofit sponsors who acquire and rehabilitate vacant or abandoned property for sale to at-risk borrowers on a contract-for-deed basis. Where rehabilitation is not cost-effective, MHFA may approve new construction of housing. In FFY 2005, nonprofit organizations acquired 31 parcels with HOME funds in the amount of \$2,904,614 to be rehabilitated and sold to first-time homebuyers. Nine homebuyers purchased and occupied units for which rehabilitation was completed with \$662,154 in HOME funds. Assistance to households was less than the units of housing the MHFA had anticipated funding under this program; however, that may be due to a difference in how

the MHFA projects (units acquired or rehabilitated) and how HUD requires jurisdictions to report (households assisted). In September 2005, the MHFA committed an additional \$4.1 million in HOME MURL funds to local administrators for 38 new homesteading projects.

The state received a \$291,799 American Dream Downpayment Initiative (ADDI) grant in 2005 and expects to begin disbursing funds in early 2006. ADDI assistance will be available through participating lenders in conjunction with first mortgage financing under the MHFA's MRB-financed Community Activity Set Aside and the state-funded Homeownership Assistance Fund for qualifying lower income first-time homebuyers.

The Small Cities Development Program can provide and has provided funds to local units of government to establish homeownership assistance programs for very low, low, and low- and moderate- income families. Generally, local units of government provide assistance in the form of deferred loans with no principal or interest payment (unless the property is sold or transferred) for mortgage assistance, lot purchase assistance, down payment assistance, or abatement of assessment for infrastructure. The programs frequently are administered with the assistance of local community action or housing and redevelopment authorities.

The state provides homeownership opportunities through the sale of tax-exempt mortgage revenue bonds and state or MHFA-funded entry cost assistance programs. In FFY 2005, the MHFA purchased more than \$316 million in first mortgages for 2,600 first-time homebuyers and funded entry cost loans in the amount of more than \$16.4 million. The state also appropriates funds to the MHFA for homeownership education and training, and foreclosure prevention and assistance.

6. Support community development and revitalization

The Small Cities Development Program (SCDP) provides the greatest amount of assistance to support community development in the state and is, in fact, the largest amount of HUD funds received by the state for housing and community development assistance under any program. In FY 2005, DEED provided a total of \$23,840,221 in SCDP funds to assist a variety of projects. The state's entire Small Cities Program (Community Development Block Grant) allocation is awarded on a fiscal year for these activities.

With various DEED funding sources and programs available, communities can undertake activities to strengthen its housing stock in a coordinated and simultaneous approach. The Small Cities Program, Economic Development Program, Public Facilities Authority, and the Contaminated Cleanup and Redevelopment grant programs are available to address public utility needs for

housing, economic development and construction or rehabilitation of the housing stock.

The DEED Small Cities Development Program provides funds to local units of government for downtown revitalization, economic development loans to businesses, and for public infrastructure improvements such as water and sewer systems. To address these priorities, in FFY 2005 DEED awarded \$2,266,979 to cities for downtown commercial rehabilitation of 95 commercial properties; \$3,034,271 to cities for water system and sanitary sewer improvements. With \$3,370,000 in economic development funded activities, the DEED created or retained 431 jobs.

The Minnesota Department of Employment and Economic Development provides resources for cleanup of contaminated sites through its state-funded Contaminated Cleanup and Redevelopment programs. For FY 2005, approximately \$8,936,364 was provided for 23 projects of site cleanup and redevelopment. A new program funded in 2003 with \$1,000,000 from the U.S. Environmental Protection Agency has provided assistance for cleanup of brownfield sites. Another \$500,000 was awarded in 2004 for a Revolving Loan Fund and an additional \$1,000,000 was awarded for a Petroleum Revolving Loan Fund. The Public Facilities Authority has funded loans to 12 communities with \$87,240,000 for sewer improvement projects and 18 communities with \$45,876,000 for water improvement projects.

Citizen Participation

Minnesota state agencies use the Consolidated Planning process as one way in which to maintain awareness of local assistance needs. DEED takes the lead in conducting public hearings and forums on the Con Plan, annually, in various areas around the state. In preparation for the 2006 Con Plan, the state will hold two public hearings, one in October and one in November of 2005, to elicit input from citizens, advocates, and assistance providers.

The state notified the public of the availability of the draft in the *State Register* and the *Tribune*. The draft CAPER for 2005 was available for public comment for 30 days, beginning October 31, 2005, and extending through the end of the business day on November 30, 2005. Copies of the CAPER were posted in the websites of the MHFA and DEED, mailed to depositories (e.g., local libraries) throughout the state, and photocopies were available from MHFA and DEED upon request. The state received no comments on the draft CAPER. Updates to the draft may be made, annually, based on information that does not become available to staff until November or December.

ESG Program Narrative

For state Con Plan Program Year 2005, the state assisted 36,370 homeless persons with ESG funding. Of this total an estimated 19,000 received shelter. While shelter itself does not "reduce homelessness," it enhances access to other services such as transitional housing, permanent housing, and other mainstream resources. Sheltering persons with ESG funds is also "effective" in that it provides a safe place to stay. Every year in Minnesota, persons without shelter die of exposure to the elements.

ESG funds were used to provide persons with prevention services. These services included first months/damage deposit. ESG funds were also used to provide supportive services to persons. These services included drop-in centers, case management, transportation, mental health care, childcare, legal advice and assistance and other supportive services.

The state does not have the resources to formally evaluate the outcomes of ESG funded prevention and supportive services, but it is generally agreed upon by service providers, Continuum of Care committees and the state's Interagency Task Force on Homelessness that providing the above mentioned services successfully reduces homelessness.

HOME Program Narrative

Meeting different housing needs identified in the plan

In its **Consolidated Plan for Housing and Community Development, FFY 2002 – 2006**, the state identifies two fundamental housing assistance goals: to meet basic housing needs and to strengthen communities. Minnesota provides HOME funds through the MHFA and its participating administrators and grantees. The MHFA works to ensure that HOME fund allocations are consistent with identified goals and strategies identified in the plan.

Some HOME funds are available in communities throughout the state that do not receive entitlements directly from HUD; other funds are available statewide. The MHFA designated the HOME formula grant funds received for 2005 as follows:

MHFA Allocation of HOME Funds for 2005

Program or activity	Allocation of funds	Percentage of funds
HOME Rental Rehabilitation	\$5,846,000	56.9%
HOME MURL	\$3,130,000	30.5%
Administrative Expenses	\$776,548	7.6%
CHDO Operating Funds	\$513,000	5.0%
Total	\$10,265,548	100.0%

In FFY 2005, the MHFA provided HOME funds for rehabilitation of rental property; assistance to nonprofits to acquire, rehabilitate, and sell vacant/abandoned property sold on contract-for-deed to homebuyers; flood relief rehabilitation; and assistance to CHDO's for operating expenses. These HOME-funded programs addressed three different strategies identified in the state's plan including: providing affordable rental housing for low-income tenants, strengthening the housing stock, and providing homeownership opportunities.

HOME-funded projects completed in 2005 included \$5,578,010 in HOME funds that provided affordable housing for 352 low-income households.

The following table presents a geographic distribution of HOME assistance to households. It is important to note that most counties in the Metro and the Northeast regions are entitlement areas, which receive allocations of HOME funds directly from HUD and therefore are not eligible for HOME project funds (other than MURL) from the state. According to HUD guidelines, this report includes information on all developments (and their occupants) for which rehab that was completed during FFY 2005.

The CAPER requires jurisdictions to report on assistance to households, i.e., occupied units for which rehabilitation is complete or a homebuyer occupies a purchased unit. For rental rehabilitation, geographic distribution of assistance includes total HOME funds for rehabilitation, not just the amount disbursed as of September 30, 2005 (year end).

**HOME Funded Developments Completed During FFY 2005
by Region in Minnesota**

Regions	HOME assistance	
	Households	Funds in completed projects
Central	166	\$2,364,337
Metro	0	\$0
Northeast	30	\$448,000
Northwest	12	\$463,335
Southeast	53	\$828,281
Southwest	78	\$1,277,553
West Central	13	\$196,504
Total	352	\$5,578,010

Note

HOME funds generally are not available in entitlement areas; the exception is HOME MURL.

Geographic distributions of data include total HOME funds expended for households in units for which rehab was completed during the reporting year.

Minnesota Counties by Region

Northwest:	Beltrami Clearwater Hubbard Kittson Lake of the Woods Mahnommen Marshall Norman Pennington Polk Red Lake Roseau	West Central:	Becker Clay Douglas Grant Otter Tail Pope Stevens Traverse Wilkin	Southwest:	Big Stone Chippewa Cottonwood Jackson Kandiyohi Lac Qui Parle Lincoln Lyon McLeod Meeker Murray Nobles Pipestone Redwood Renville Rock Swift Yellow Medicine	Southeast:	Blue Earth Brown Dodge Faribault Fillmore Freeborn Goodhue Houston Le Sueur Martin Mower Nicollet Olmsted Rice Sibley Steele Wabasha Waseca Watonwan Winona	Metro:	Anoka Carver Dakota Hennepin Ramsey Scott Washington
Northeast:	Aitkin Carlton Cook Itasca Koochiching Lake St. Louis	Central:	Benton Cass Chisago Crow Wing Isanti Kanabec Mille Lacs Morrison Pine Sherburne Stearns Todd Wadena Wright						

Minnesota does not use HOME funds for tenant-based rent assistance, given the amount of assistance already available through the Section 8 Housing Assistance Payments Program. According to HUD's **Inventory of Subsidized Housing**, housing authorities in the state administer more than 25,000 Section 8 certificates and vouchers. The state legislature's biennial appropriation to the MHFA includes assistance for voucher programs, e.g., the appropriation for 2004/2005 included more than \$3 million for tenant-based rental assistance and \$7.4 million for Family Homeless Prevention and Assistance (which assists households primarily through tenant-based assistance and services). Because of these resources, the MHFA allocates the greatest portion of HOME funds to the rehabilitation of rental property for very low-income tenants.

Maintaining the quality and affordability of existing housing is important in preventing homelessness, especially among "at-risk" populations. The MHFA designates the largest proportion of its HOME funds for the moderate rehabilitation of existing rental housing. In addition, the Minnesota Legislature appropriated funds to preserve the ongoing affordability of existing federally subsidized housing (\$18.5 million for 2004/2005).

Summary of on-site inspections of rental housing

To ensure program compliance, including property standards and HOME income guidelines, MHFA staff visit local administrators, annually, to review administrator files. The MHFA and local program administrators also inspect HOME-funded developments. Local administrators report the results of their inspections to the MHFA, as well as the results of tenant income surveys they conduct. Details of on-site inspections are available through the MHFA and local administrators. These files are subject to review by HUD auditors, annually.

During 2005, MHFA staff inspected the files of 15 local program administrators, of which all but one had sufficient, correct documentation on file. MHFA staff inspected 89 HOME-assisted units in 29 developments. In all of those inspected units, households met income requirements; however in 7 of the units, HQS were not met; in one unit, rent requirements were not met; and for three units, not all applicable documents were on file. The MHFA, local administrators, and property owners work together to correct any deficiencies, which are addressed within 30 days of identification. Any compliance problems identified in previous inspections and reports have been resolved.

An additional 42 inspections by local administrators showed all HOME units in compliance with housing codes and other applicable regulations.

Affirmative marketing actions

The MHFA HOME team assesses the success of affirmative marketing efforts in the HOME Rental Rehabilitation Program. In counties with significant populations of people of color, MHFA staff compare predetermined occupancy goals with actual occupancy data maintained by local administrators and Census data for the city or county in which developments are located, e.g., data on renters of color, people with disabilities, and female-headed families.

The MHFA may require corrective actions, such as more extensive outreach efforts to appropriate communities or organizations, to achieve the occupancy goals representative of the demographics in an area. Examples of outreach efforts to inform and solicit applications from those least likely to apply include the use of: community organizations, churches, employment centers, fair housing groups, housing counseling agencies, or other organizations that provides services to, or have as members, people in groups considered least likely to apply. MHFA staff did not report requiring any corrective actions in 2005.

MHFA staff have prepared the Administrative Procedures Manual, Administrative Monitoring Checklist, and File Compliance and Property Inspection Checklists for the HOME Rental Rehabilitation Program to promote the understanding of affirmative fair housing compliance (including monitoring of Affirmative Fair Housing Marketing Plans) and guidelines for outreach to minority and women-owned businesses as contractors or sub-contractors on projects. At annual HOME Rental Rehabilitation workshops, MHFA staff review agency guidelines and checklists regarding affirmative fair housing and outreach to minority and women-owned businesses. MHFA HOME team members also meet separately with program administrators to review guidelines and stress their importance.

According to *Census 2000*, 7.5% of the households in Minnesota were headed by a person of color, i.e., a person identified as being of a race other than white. Metropolitan areas of the state tend to have larger populations of color (11.1% in the seven-county Minneapolis/Saint Paul area); however, in Greater Minnesota approximately 3.4% of all households were of color. Updates to the decennial Census indicate that the proportion of households of color in Minnesota has increased in metropolitan areas such as Minneapolis/Saint Paul; however, updated data for Greater Minnesota are not available. Note that the MHFA's HOME funds are available only outside of Minneapolis, Saint Paul, and other entitlement areas of the state.

Households of color increased from 7.6% of all HOME-assisted households in FFY 2004 to 9.4% of all HOME-assisted households in FFY 2005.

**Households Assisted under
HOME-Funded Programs, FFY 2005**

Race of householder	Percentage of total assisted
American Indian or Alaskan Native	0.6%
Asian	0.6%
Black or African American	2.8%
Native Hawaiian or other Pacific Islander	0.0%
Balance/Other	0.3%
White Hispanic	5.1%
White nonHispanic	90.6%
Total	100.0%

All application packets available to individuals interested in HOME programs and each HOME procedural manual available through the MHFA informs participants of fair housing laws and the MHFA's affirmative marketing policy.

The MHFA requires that property owners submit Affirmative Fair Housing Marketing Plans for the marketing and occupancy of units assisted in developments of five units or more. Owners must update these marketing plans at least once every three years.

Outreach to women- and minority-owned businesses

Rehabilitation work was completed on 27 rental housing developments with 26 different owners in Greater Minnesota during FFY 2005. One of the owners of these properties identified themselves as being minority. More than 2% of the contractors and subcontractors on these projects were identified as minority-owned businesses and 13.3% were identified as women-owned businesses. Since the state itself does not enter into these contracts, they are not reported on HUD form 40107.

The HOME Rental Rehabilitation Program currently is made available locally by administrators selected by MHFA. All current administrators are local units of government or nonprofit agencies, and therefore cannot be identified either as women- or minority-owned businesses.

Each administrator receives a copy of the MHFA HOME Rental Rehabilitation Program Administrative Manual and each owner receives a copy of the MHFA HOME Rental Rehabilitation Owner's Manual. In these manuals, the MHFA provides clear directions to administrators and owners about fair housing and equal opportunity requirements.

The administrative manual cites the State Human Rights Act, Section 363A.36, requiring businesses with more than 40 full-time employees within Minnesota on a single working day during the previous 12 months and bidding for a state contract over \$100,000 to have a Certificate of Compliance ascertaining that they have in place an approved Affirmative Action Plan. It references HUD's Section 3 clause, regarding opportunities for job training and employment to low-income and very low-income persons for projects exceeding \$200,000 for property owners and \$100,000 for contractors. The manual also provides further directions to implement those requirements. It outlines the purpose of the affirmative fair housing marketing plan requirements and provides guidance related to implementation, record-keeping, and monitoring, and specifically requests the completion of the Fair Housing/Equal Opportunity Compliance Form (HOME Form 10) every three years for properties with five units or more, and an Affirmative Fair Housing Marketing Plan (HOME Form 11) for projects with five or more units.

The MHFA clearly shares with administrators its contract compliance goals: a) 6.9% of all contract dollars must be let to minority-owned and controlled business enterprises according to the goals for the county identified in the HOME Rental Rehabilitation Administrative Procedural Manual; b) 9.4% of total contract dollars must be let to women-owned and controlled business enterprises; c) affirmative action outreach to minorities and women must be conducted and documented for contracts in excess of \$50,000. In its manuals, the MHFA addresses fair housing and handicapped accessibility design requirements: 5% of dwelling units must be accessible and adaptable to persons with physical mobility impairments, for projects consisting of 15 units or more where the anticipated costs of rehabilitation is at 75% of the project replacement costs; and 2% (or one unit minimum) must be accessible to hearing or vision-impaired persons. In addition, 24 CFR Part 8 is referenced for all other rehabilitation projects. Finally, ANSI 117.1-1980 and Minnesota Building Code, Chapter 1340 are referenced as standards.

These fair housing and equal opportunity requirements are reinforced during technical trainings, site visits, and annual meetings the MHFA conducts with administrators.

HOPWA Program Narrative

The State of Minnesota first received a HOPWA grant in 1994 to support a wide variety of housing assistance and support services to people who are living with HIV/AIDS. When the City of Minneapolis became eligible to receive the HOPWA formula allocation in 1995, which served the Twin Cities metropolitan area, it left a gap in assistance to people in Greater Minnesota. Beginning in

1999, the MHFA has received an annual allocation of HOPWA funds from HUD to provide housing assistance and support services to people outside the 13-county Minneapolis/Saint Paul area. In 2005, the MHFA received a HOPWA allocation of \$105,000. This was committed in the 2005 RFP process to an agency that has established statewide networks to deliver assistance in areas of need throughout Greater Minnesota. The Minnesota AIDS Project (MAP) Greater Minnesota emergency housing assistance program has worked closely with HIV service providers in Greater Minnesota, including the Mayo Clinic's case management program, Minnkota, the Rural AIDS Action Network (RAAN), and the St. Joseph's Home Care and Hospice, as well as MAP's own case management programs in Duluth and St. Cloud, so that individuals living throughout Greater Minnesota are informed and can access MAP's emergency housing assistance and other programs.

The MHFA and the Department of Human Services collaborate to undertake outreach efforts that will ensure the needs of people with HIV/AIDS living in Greater Minnesota are met. This collaboration allows for greater coordination in the implementation of HIV/AIDS related projects. In September, 2003, the Department of Human Services conducted a written survey of people living with HIV/AIDS in Greater Minnesota, to determine housing and services needs and preferences. Some of the activities funded with HOPWA grants in the past include a comprehensive needs assessment, the development of a five year plan for meeting the housing needs of people living with HIV, housing information services and emergency housing assistance. To respond to the difficulty isolated Minnesotans experience in locating and accessing services, Minnesota HOPWA funds have also been used to fund an information and housing intervention network that connects participants to needed services that will help the individual maintain their housing or obtain housing. While progress has been made in increasing access to services, Minnesota's HOPWA funds are insufficient to fund both the emergency housing assistance program and the information and housing interventions network.

Presently HOPWA funds are used to assist people living with HIV in Greater Minnesota to prevent homelessness through the provision of short-term emergency housing (rental and mortgage assistance) and utility payments.

Following priorities set by the Minnesota HIV Housing Coalition, which acts as an advisory group to make recommendations for HOPWA funding, renewals for ongoing programs receive funding priority. There will be a separate renewal process for ongoing HOPWA programs. If funds appropriated exceed the amount necessary to continue those programs at comparable levels, or if priorities change to address changing needs, those funds will be made available in the MHFA Multifamily Consolidated RFP process.

The primary barriers encountered in the HOPWA program are as follows:

The corresponding actions taken in response to these barriers are as follow:

<p>1. Reduced state Human Services funding has resulted in fewer dollars for services, and caused the elimination of staff positions in the non-profit organizations delivering services to persons living with HIV/ AIDS, and added many new responsibilities to the remaining staff.</p>	<p>1. Worked with other state agencies and nonprofits to survey the needs of persons with HIV/ AIDS in rural Minnesota. Information from the survey will be used to target funding and activities.</p>
<p>2. Rural Minnesota service providers are often unaware of the persons in their community who are living with HIV/ AIDS, and may be ignorant of the needs of these persons, or may have prejudices that affect the availability of housing.</p>	<p>2. Worked with other organizations that had staff and funding for evaluation of needs of persons with HIV/ AIDS in rural Minnesota. Information will be used to promote education and increase housing opportunities.</p>
<p>3. Funding for both housing information services and emergency assistance is insufficient.</p>	<p>3. Reviewed Rural Housing Needs survey information along with information on housing resources, demographics; the Minnesota HIV Housing Coalition recommended priorities for selecting proposals.</p>

The Minnesota HIV Housing Coalition has developed a work plan that identifies four general strategies for the MHFA to follow in selecting proposals for HOPWA funding:

- *Increase affordable housing stock through housing development and subsidies
- *Promote intensive housing intervention
- *Fund emergency housing assistance
- *Facilitate a clearinghouse to serve the housing needs of individuals and families living with HIV/ AIDS.

The MHFA will continue to administer HOPWA funds for Greater Minnesota in cooperation with the Minnesota HIV Housing Coalition. Due to limited funds and high demand, it is expected that funding will continue to go toward emergency housing assistance in Greater Minnesota. MHFA will offer the state's formula grant and the City of Minneapolis grant, with other funding resources, in the annual Super Request for Proposals (RFP). Making funds available in a single RFP provides the opportunity for housing sponsors to increase leveraging

of funds from a variety of sources while encouraging a broad range of development throughout the state.

The MHFA undertook a substantial amendment to its Consolidated Plan in July 2002 to remedy a problem at that time of receiving limited numbers of applications for HOPWA funding. This strategy enables the MHFA to consider applications from anywhere in the state, but with a priority for applications outside the thirteen-county metropolitan area, and will permit MHFA to issue RFPs in addition to its annual "Super RFP" if needed. (Since the time of that amendment there has been sufficient need identified in Greater Minnesota to use the entire allocation of HOPWA funds awarded to MHFA.)

The MHFA lists funding awards on its website, together with other MHFA funding awards made through the Super Request for Proposals process:
http://www.mhfa.state.mn.us/rfp_mf.htm

This website includes HOPWA awards made on behalf of the City of Minneapolis as well; however, the CAPER does **not** include information on any HOPWA other than that available through the state. More detailed information on the use of HOPWA funds is available by contacting the MHFA.

Guide To Acronyms

CAPER	Consolidated Annual Performance and Evaluation Report
CDBG	Community Development Block Grant (federal)
CHDO	Community Housing Development Organization
CoC	Continuum of Care
CPD	Community Planning and Development (HUD department)
DHS	Minnesota Department of Human Services
DEED	Minnesota Department of Employment and Economic Development
ESG	Emergency Shelter Grant (federal)
FNMA	Federal National Mortgage Association
HMIS	Homeless Management Information System
HOPWA	Housing Opportunities for Persons with AIDS (federal)
HTC	Housing Tax Credits (federal)
HUD	U.S. Department of Housing and Urban Development
IDIS	HUD's information system
LISC	Local Initiatives Support Corporation
LMI	Low and moderate income
MDH	Minnesota Department of Health
MFIP	Minnesota Family Investment Program
MHFA	Minnesota Housing Finance Agency
PATH	Projects for Assistance in Transition from Homelessness (federal)
RHS	Rural Housing Service, U.S. Department of Agriculture (USDA)
SCDP	Small Cities Development Program (federal)
SHP	Supportive Housing Program (federal)

**FEDERAL FUNDS TO STATE AGENCIES IN MINNESOTA
FFY 2005**

	Small Cities (SCDP)	ESG	HOME	HOPWA	PATH	Supportive Housing
Federal funds received in 2005	\$23,840,221	\$1,184,699 in '04* \$1,197,334 in '05	\$10,265,458	\$105,000	\$680,000	\$725,126
Activities undertaken	Residential rehabilitation, public facilities, economic development	Homelessness prevention, operating assistance for shelters, supportive services	Nonentitle ment areas: rental and flood relief. State: Urban Homestead	Emerg housing asst for rent, mortgage, utilities, supportive services for people with HIV/ AIDS, and housing information& intervention network	Mental Health Services staff, security deposits, one month rent assistance	Housing and support services for homeless people
Geographic area served	Nonentitlement areas of the state	State	Non- entitlement areas of the state	State	Anoka, Clay, Dakota, Hennepin, Polk, Ramsey, St. Louis, Washington counties	C of C Regions: Central, NE, NW, West Central, SE, SW
Nonfederal funds leveraged or used as match	MHFA, private banks, owners	State transitional and ESP funds	MHFA, private banks, owners	None	Rule 78 state funds	State, local, private

*The ESG program year includes two federal fiscal years.

2006 Emergency Shelter Grant Program Awards for July 1, 2005 to June 30, 2006

CPS Project #	Agency	Original Budgeted Amount FFY 2006	Sum of activity funding	Total Final FSR Amount	Total IDIS Budgeted Amount	Total IDIS Drawn Amount	HUD Activity # operations	Original Total Operations \$	HUD Activity # Essential services	Original Total Essential Services \$	HUD Activity # prevention	Original Total Prevention \$
45	Ain Dah Yung	\$11,000	\$11,000	\$0	\$0	\$0	4793	\$11,000		\$0		\$0
46	Anoka County Community Action Program	\$20,000	\$20,000	\$0	\$0	\$0	4794	\$20,000	4796	\$0		\$0
47	Arrowhead Economic Opportunity Agency	\$37,500	\$37,500	\$0	\$0	\$0	4795	\$26,251	4797	\$11,250		\$0
48	Ascension Place	\$24,000	\$24,000	\$0	\$0	\$0	4798	\$3,000	4799	\$21,000		\$0
49	Avenues for Homeless Youth	\$29,150	\$29,150	\$0	\$0	\$0	4800	\$20,000	4801	\$9,150		\$0
50	Bi-CAP	\$15,500	\$15,500	\$0	\$0	\$0	4802	\$3,210	4803	\$4,650	4906	\$7,640
51	Care and Share	\$37,000	\$37,000	\$0	\$0	\$0	4804	\$37,000		\$0		\$0
52	Catholic Charities St. Paul/Mpls.	\$29,494	\$29,494	\$0	\$0	\$0	4805	\$29,494		\$0		\$0
53	Catholic Charities - St. Joes	\$25,000	\$25,000	\$0	\$0	\$0	4806	\$16,250	4807	\$8,750		\$0
54	Churches United for the Homeless	\$45,000	\$45,000	\$0	\$0	\$0	4808	\$40,000	4809	\$5,000		\$0
55	Community Action Center of Northfield	\$18,500	\$18,500	\$0	\$0	\$0	4810	\$12,950	4811	\$5,550		\$0
56	Dakota Woodlands	\$37,900	\$37,900	\$0	\$0	\$0	4812	\$29,420	4813	\$8,480		\$0
57	East Metro Women's Council	\$11,000	\$11,000	\$0	\$0	\$0	4814	\$7,700	4815	\$3,300		\$0
58	Evergreen House	\$17,325	\$17,325	\$0	\$0	\$0	4816	\$12,128	4817	\$5,198		\$0
59	Heartland Community Action Agency	\$15,003	\$15,003	\$0	\$0	\$0	4818	\$10,502	4819	\$4,501		\$0
60	Homeline	\$21,725	\$21,725	\$0	\$0	\$0		\$0		\$0	4820	\$21,725
61	Housing Coalition of the St. Cloud Area	\$15,000	\$15,000	\$0	\$0	\$0	4821	\$15,000		\$0		\$0
62	Inter-County Community Council, Inc.	\$22,500	\$22,500	\$0	\$0	\$0		\$0		\$0	4822	\$22,500
63	KOOTASCA Community Action, Inc.	\$28,000	\$28,000	\$0	\$0	\$0	4823	\$20,100	4824	\$7,900		\$0
64	Lakes and Pines Community Action Council	\$15,139	\$15,139	\$0	\$0	\$0	4825	\$9,790	4826	\$5,349		\$0
65	Life House, Inc.	\$18,000	\$18,000	\$0	\$0	\$0	4827	\$12,600	4828	\$5,400		\$0
66	Lutheran Social Services - St. Paul Youth	\$20,000	\$20,000				4829	\$10,000	4830	\$10,000		
67	Mahube Community Council, Inc.	\$23,900	\$23,900	\$0	\$0	\$0	4831	\$16,723	4832	\$7,177		\$0

Continued on next page

2006 Emergency Shelter Grant Program Awards for July 1, 2005 to June 30, 2006 (cont.)

CPS Project #	Agency	Original Budgeted Amount FFY 2006	Sum of activity funding	Total Final FSR Amount	Total IDIS Budgeted Amount	Total IDIS Drawn Amount	HUD Activity # operations	Original Total Operations \$	HUD Activity # Essential services	Original Total Essential Services \$	HUD Activity # prevention	Original Total Prevention \$
68	Motivation, Education and Training, Inc.	\$42,500	\$42,500	\$0	\$0	\$0	4833	\$42,500		\$0		\$0
69	Minnesota Valley Action Council, Inc.	\$27,500	\$27,500	\$0	\$0	\$0		\$2,750		\$8,250	4834	\$16,500
70	Northwest Community Action, Inc.	\$21,594	\$21,594	\$0	\$0	\$0		\$0		\$0	4835	\$21,594
71	Otter Tail-Wadena Community Action Council	\$27,306	\$27,306	\$0	\$0	\$0	4836	\$4,991	4837	\$8,210		\$14,105
72	Our Saviour's Housing	\$55,000	\$55,000	\$0	\$0	\$0	4838	\$38,500	4839	\$16,500		\$0
73	Ours to Serve	\$45,000	\$45,000	\$0	\$0	\$0	4840	\$31,500	4841	\$13,500		\$0
74	Partners for Affordable Housing	\$27,500	\$27,500	\$0	\$0	\$0	4842	\$17,563	4843	\$9,937		\$0
75	People Incorporated	\$44,500	\$44,500						4844	\$44,500		
76	People Serving People	\$25,000	\$25,000	\$0	\$0	\$0	4845	\$17,500	4846	\$7,500		\$0
77	Prairie Five Community Action Council, Inc.	\$5,500	\$5,500	\$0	\$0	\$0	4847	\$500	4848	\$2,500	4849	\$2,500
78	Rise Housing Services	\$32,500	\$32,500	\$0	\$0	\$0	4850	\$4,400	4851	\$28,100		\$0
79	St. Paul Area Council of Churches	\$50,000	\$50,000	\$0	\$0	\$0	4852	\$50,000		\$0		\$0
80	Salvation Army (Rochester)	\$5,000	\$5,000	\$0	\$0	\$0	4853	\$3,500		\$1,500		\$0
81	Salvation Army (St. Cloud)	\$32,500	\$32,500	\$0	\$0	\$0	4854	\$22,750	4855	\$9,750		\$0
82	Scott-Carver-Dakota CAP Agency	\$13,925	\$13,925	\$0	\$0	\$0	4856	\$2,892	4857	\$4,177	4858	\$6,856
83	SEMCAC	\$25,000	\$25,000	\$0	\$0	\$0	4859	\$17,210	4860	\$7,790		\$0
84	Simpson Housing Services, Inc.	\$53,500	\$53,500	\$0	\$0	\$0	4861	\$37,450	4862	\$16,050		\$0
85	Southwest Minnesota Opportunity Council	\$10,000	\$10,000	\$0	\$0	\$0		\$0	4863	\$4,000	4864	\$6,000
86	St. Stephen's Human Services	\$70,000	\$70,000	\$0	\$0	\$0	4865	\$48,500	4866	\$21,500		\$0
87	West Central Minnesota Communities Action	\$12,500	\$12,500	\$0	\$0	\$0	4867	\$1,250		\$0	4868	\$11,250
88	Western CAP	\$7,000	\$7,000	\$0	\$0	\$0	4869	\$3,936	4870	\$3,064		\$0
89	State Admin costs - activity number - 4871	\$59,866	\$59,866	\$0	\$0	\$0		\$0		\$0		\$0
	Total	\$1,230,827	\$1,230,827					\$710,809		\$329,482		\$130,670

**2005 Emergency Shelter Grant Program Awards
(July 1, 2004 to June 30, 2005)**

Name of Applicant	Award amount	Name of Applicant	Award amount
Ain Dah Yung	\$11,000	Minnesota Valley Action Council, Inc.	\$22,500
Anoka County Community Action Program, Inc.	\$11,000	Northfield Community Action Center	\$18,500
Arrowhead Economic Opportunity Agency, Inc.	\$37,500	Northwest Community Action, Inc.	\$21,594
Ascension Place	\$24,000	Otter Tail-Wadena Community Action Council, Inc.	\$29,000
Bi-CAP	\$14,000	Our Saviour's Housing	\$50,000
Care and Share	\$37,000	Our's to Serve	\$45,000
Catholic Charities St. Paul/Mpls.	\$29,494	Partners for Affordable Housing	\$30,075
Catholic Charities - St. Joes	\$25,000	People Serving People	\$25,000
Church of St. Stephens	\$70,000	Prairie Five Community Action Council, Inc.	\$5,500
Churches United for the Homeless	\$45,000	Project Foundation Home Away Centers, Inc.	\$25,000
Dakota Woodlands	\$37,900	Rise Housing Services	\$32,500
East Metro Women's Council	\$11,000	Salvation Army (St. Cloud)	\$32,500
Evergreen House	\$17,325	Salvation Army (Rochester)	\$12,562
Heartland Community Action Agency, Inc.	\$15,003	Scott-Carver-Dakota CAP Agency	\$13,925
Homeline	\$11,000	SEMCAC	\$37,521
Housing Coalition of the St. Cloud Area	\$15,000	Simpson Housing Services, Inc.	\$53,500
Inter-County Community Council, Inc.	\$22,500	Southwest Minnesota Opportunity Council	\$10,000
KOOTASCA Community Action, Inc.	\$28,000	St. Paul Area Council of Churches	\$60,000
Lakes and Pines Community Action Council, Inc.	\$30,000	West Central Minnesota Communities Action, Inc.	\$12,500
Life House, Inc.	\$12,500	Western CAP	\$7,060
Mahube Community Council, Inc.	\$26,131	State admin costs	\$59,234
Motivation, Education and Training, Inc.	\$50,875	Total	\$1,184,699

Annual Performance Report HOME Program

**U.S. Department of Housing
and Urban Development**
Office of Community Planning
and Development

OMB Approval No. 2506-0171
(exp. 05/31/2007)

Public reporting burden for this collection of information is estimated to average 2.5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

The HOME statute imposes a significant number of data collection and reporting requirements. This includes information on assisted properties, on the owners or tenants of the properties, and on other programmatic areas. The information will be used: 1) to assist HOME participants in managing their programs; 2) to track performance of participants in meeting fund commitment and expenditure deadlines; 3) to permit HUD to determine whether each participant meets the HOME statutory income targeting and affordability requirements; and 4) to permit HUD to determine compliance with other statutory and regulatory program requirements. This data collection is authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act or related authorities. Access to Federal grant funds is contingent on the reporting of certain project-specific data elements. Records of information collected will be maintained by the recipients of the assistance. Information on activities and expenditures of grant funds is public information and is generally available for disclosure. Recipients are responsible for ensuring confidentiality when public disclosure is not required.

This form is intended to collect numeric data to be aggregated nationally as a complement to data collected through the Cash and Management Information (C/M) System. Participants should enter the reporting period in the first block. The reporting period is October 1 to September 30. Instructions are included for each section if further explanation is needed.

Submit this form on or before December 31.	This report is for period (mm/dd/yyyy)		Date Submitted (mm/dd/yyyy)
Send one copy to the appropriate HUD Field Office and one copy to: HOME Program, Rm 7176, 451 7th Street, S.W., Washington D.C. 20410	Starting 10/01/2004	Ending 09/30/2005	

Part I Participant Identification

1. Participant Number M-05-SG-27-0100	2. Participant Name State of Minnesota		
3. Name of Person completing this report Minnesota Housing Finance Agency		4. Phone Number (Include Area Code) 651-296-7608	
5. Address 400 Sibley Street, Suite 300	6. City St. Paul	7. State MN	8. Zip Code 55101

Part II Program Income

Enter the following program income amounts for the reporting period: in block 1, enter the balance on hand at the beginning; in block 2, enter the amount generated; in block 3, enter the amount expended; and in block 4, enter the amount for Tenant-Based rental Assistance.

1. Balance on hand at Beginning of Reporting Period	2. Amount received during Reporting Period	3. Total amount expended during Reporting Period	4. Amount expended for Tenant-Based Rental Assistance	5. Balance on hand at end of Reporting Period (1 + 2 - 3) = 5
0.000	597,365.51	215,991.55	0.000	381,373.96

Part III Minority Business Enterprises (MBE) and Women Business Enterprises (WBE)

In the table below, indicate the number and dollar value of contracts for HOME projects completed during the reporting period.

	a. Total	Minority Business Enterprises (MBE)			f. White Non-Hispanic
		b. Alaskan Native or American Indian	c. Asian or Pacific Islander	d. Black Non-Hispanic	
A. Contracts					
1. Number					
2. Dollar Amount					
B. Sub-Contracts					
1. Number					
2. Dollar Amount					
	a. Total	b. Women Business Enterprises (WBE)	c. Male		
C. Contracts					
1. Number					
2. Dollar Amount					
D. Sub-Contracts					
1. Number					
2. Dollar Amounts					

Part IV Minority Owners of Rental Property

In the table below, indicate the number of HOME assisted rental property owners and the total dollar amount of HOME funds in these rental properties assisted during the reporting period.

	a. Total	Minority Property Owners				f. White Non-Hispanic
		b. Alaskan Native or American Indian	c. Asian or Pacific Islander	d. Black Non-Hispanic	e. Hispanic	
1. Number	26					25
2. Dollar Amount	4,822,880					Not Available

Part V Relocation and Real Property Acquisition

Indicate the number of persons displaced, the cost of relocation payments, the number of parcels acquired, and the cost of acquisition. The data provided should reflect only displacements and acquisitions occurring during the reporting period.

	a. Number	b. Cost
1. Parcels Acquired	31	2,904,614
2. Businesses Displaced		
3. Nonprofit Organizations Displaced		
4. Households Temporarily Relocated, not Displaced	37	33,406.90

Households Displaced	a. Total	Minority Business Enterprises (MBE)				f. White Non-Hispanic
		b. Alaskan Native or American Indian	c. Asian or Pacific Islander	d. Black Non-Hispanic	e. Hispanic	
5. Households Displaced - Number						
6. Households Displaced - Cost						

SINGLE FAMILY REQUEST FOR PROPOSAL - FALL 2005 ROUND ALLOCATIONS
Minnesota Urban and Rural Homesteading Program (MURL)
Funded Applications

Applicant Name	Project Name/Location	EVHI Region	MHFA Funding
			Amount Recommended
Arrowhead EOA	Hibbing and Virginia	NEMIF	\$131,854
Becker County EDA	Multiple Counties	WCMIF	\$250,000
Bi-County CAP, Inc.	Multiple Counties	CMIF	\$250,000
Central Minnesota Housing Partnership	Multiple Counties	CMIF	\$220,000
Duluth HRA	Duluth	NEMIF	\$250,000
Heartland Community Action Agency, Inc.	Multiple Counties	SWMIF	\$162,387
Hubbard County HRA	Nevis and Park Rapids	NWMIF	\$190,000
Inter-County Community Council	Thief River Falls	NWMIF	\$180,000
KOOTASCA Community Action, Inc.	International Falls	NEMIF	\$250,000
Minnesota Valley Action Council, Inc.	Multiple Counties	SEMIF	\$260,000
Northwest Community Action, Inc.	Multiple Counties	NWMIF	\$220,341
Region Five Development Commission	Long Prairie	CMIF	\$125,424
Southwest Minnesota Housing Partnership	Blue Earth	SEMIF	\$250,000
Three Rivers Community Action, Inc.	Multiple Counties	SEMIF	\$259,800
Tri-County Community Action Program	Avon and Richmond	CMIF	\$297,460
West Central MN Communities Action, Inc.	Grant County	WCMIF	\$177,700
West Central MN Housing Partnership	Dilworth and Moorhead	WCMIF	\$265,650
Western Community Action	Multiple Counties	SWMIF	\$384,514
TOTAL FUNDS ALLOCATED			\$4,125,130

HOME RENTAL REHABILITATION PROGRAM PARTICIPATING ADMINISTRATORS

ADMINISTRATOR	TERRITORY	CONTACT PHONE/FAX NO.
Becker County EDA 712 Minnesota Avenue, Box 1617 Detroit Lakes, MN 56502 087 631 005	Mahnomens and Becker Counties (except the City of Detroit Lakes)	Jon Thomsen (218) 846-7316 (218) 846-7329 <i>fax</i> jathoms@co.becker.mn.us
Carver County HRA 705 Walnut Street North Chaska, MN 55318 120 363 000	Carver and Scott Counties	Darin Berger (952) 448-7715 (952) 448-6506 <i>fax</i> darinb@hra.carver.mn.us
Central Minnesota Housing Partnership 810 West St. Germain, Suite 303 St. Cloud, MN 56302 200 073 567	Aitkin, Benton, Carlton, Cass, Chisago, Crow Wing, Isanti, Kanabec, Mille Lacs, Morrison, Pine, Sherburne, Stearns, Todd and Wright Counties (except the City of St. Cloud)	Deanna Hemmesch (320) 259-0393 or (888) 203-9301 (320) 259-9590 <i>fax</i> deanna@cmhp.net
Hubbard County HRA 310 East 3 rd Street Park Rapids, MN 56470 200 063 143	Hubbard County	Michele Mahowald (218) 732-9118 (218) 732-2943 <i>fax</i> hchra@unitel.com
Hutchinson HRA Hutchinson City Center 111 Hassan Street SE Hutchinson, MN 55350 014 238 014	City of Hutchinson	Judy Flemming (320) 234-4451 (320) 234-4240 <i>fax</i> jflemming@ci.hutchinson.mn.us
Mankato, City of 10 Civic Center Plaza, PO Box 3368 Mankato, MN 56002 047 498 001 00	Blue Earth, Brown, Faribault, LeSuer, Martin, Nicollet, Sibley, Waseca and Watonwan Counties	Molly Westman (507) 387-8628 (507) 388-7530 <i>fax</i> mwestman@city.mankato.mn.us
Northwest Minnesota Multi-County HRA PO Box 128 Mentor, MN 56736 065 252 008	Beltrami, Clearwater, Kittson, Lake of the Woods, Marshall, Norman Pennington, Polk, Red Lake, and Roseau Counties	John Scheving (218) 637-2431 (218) 637-2433 <i>fax</i> john@nwmnhra.org
Olmsted County HRA 2122 Campus Drive SE Rochester, MN 55904 034 113 001	Olmsted County	Rob Mathias (507) 281-7388 (507) 287-2275 <i>fax</i> mathias.robert@co.olmsted.mn.us
Otter Tail County HRA 1151 Friberg Avenue Fergus Falls MN 56537 200 535 027 01	Ottertail County	Dennis Christenson (218) 739-3249 (218) 736-4706 <i>fax</i> ffhra@prtcl.com
Red Wing HRA 428 West 5 th Street Red Wing, MN 55066 200 304 660 01	City of Red Wing	Amy Earney (651) 388-7571 X120 (651) 385-0551 <i>fax</i> amy.earney@ci.red-wing.mn.us
Rice County HRA 208 First Avenue Faribault, MN 55021	Rice County	Kim Lang (507) 333-0376 klang@ci.faribault.mn.us

HOME RENTAL REHABILITATION PROGRAM PARTICIPATING ADMINISTRATORS

ADMINISTRATOR	TERRITORY	CONTACT PHONE/FAX NO.
St. Cloud HRA 1225 West St. Germain St. Cloud, MN 56301 100 104 000 02	City of St. Cloud	Mike Haehn (320) 252-0880 (320) 252-0889 <i>fax</i> mhaehn@stcloudhra.com
SEMCAC Tew Memorial Building PO Box 549 Rushford, MN 55971 131 680 001	Dodge, Fillmore, Freeborn, Houston, Mower and Steele Counties and the Cities of Austin and Albert Lea	Cindy Vitse (507) 864-7741 (507) 864-2440 <i>fax</i> cindy.vitse@semcac.org
Southeast Minnesota Multi-County HRA (SEMMCHRA) 134 East 2 nd Street Wabasha, MN 55981 104 573 003	Wabasha, Goodhue and Winona Counties (except the City of Red Wing)	Jack Noll (651) 565-2638 (651) 565-3836 <i>fax</i> jackhra@wabasha.net
Southwest Minnesota Housing Partnership 2401 Broadway Ave, Suite 4 PO Box 265 Slayton, MN 56172 105 175 008	Chippewa, Cottonwood, Jackson, Lac Qui Parle, Lincoln, Lyon, McLeod, Meeker, Nobles, Pipestone, Redwood, Renville, Rock and Yellow Medicine Counties	Kristie Blankenship (507) 836-8547 (507) 836-8866 <i>fax</i> kristieb@swmhp.org
Wadena HRA 222 SE Second Street Wadena, MN 56482 012 645 006 00	Wadena County	Bonnie Brown (218) 631-7723 (218) 631-7709 <i>fax</i> bonnie@wadenahra.com
West Central Minnesota Housing Partnership 1500 North Union Avenue Memorial Building - 3D Fergus Falls, MN 56537 057 369 015	Traverse, Wilkin and Clay Counties (except the City of Moorhead)	Lynn Stadum (218) 998-6322 (218) 998-0603 <i>fax</i> wcmhp@prtcl.com
Willmar HRA 2200 23 rd Street NE, Suite 2090 Willmar, MN 56201 172 248 001	Kandiyohi County	Julie Monson (320) 235-8637 (320) 235-7831 <i>fax</i> dgaffaney@willmar.com

Name of HOPWA Grantee: State of Minnesota

Report covers the period: 10/1/2004 to 9/30/2005

Performance Chart 1 -- Actual Performance. Types of Housing Units Dedicated to Persons with HIV/AIDS that were Supported during the Operating Year

Type of Unit:	Number of units with HOPWA funds	Amount of HOPWA funds	Number of units with Other funds	Amount of Other funds	Deduction for units reported in more than one column	TOTAL by type of unit
1. Rental Assistance						
2. Short-term/emergency housing payments	146	\$126,701.42				146
3-a. Units in facilities supported with operating costs						
3-b. Units in facilities that were developed with capital costs and opened and served clients						
3-c. Units in facilities being developed with capital costs but not yet opened						
Subtotal	146	126,701				146
Deduction for units reported in more than one category						
TOTAL	146	126,701				146

Name of HOPWA Grantee: State of Minnesota

Report covers the period: 10/1/2004 to 9/30/2005

Performance Chart 2 -- Comparison to Planned Actions, as approved in the Action Plan/Consolidated Plan for this Operating Year (Estimated Numbers of Units)

Type of Unit:	Estimated Number of Units by type in the approved Consolidated Plan/ Action Plan for this operating year	Comment, on comparison with actual accomplishments (or attach)
1. Rental Assistance		
2. Short-term or emergency housing payments	60	Unspent funds from the previous year allowed for more people to be assisted.
3-a. Units in facilities supported with operating costs		
3-b. Units in facilities that were developed with capital costs and opened and served clients		
3-c. Units in facilities being developed with capital costs but not yet opened		
Subtotal	60	
Deduction for units reported in more than one category		
TOTAL	60	

Minnesota Statewide Analysis of Impediments to Fair Housing Choice (AI)- FY2005 SUMMARY AND ANALYSIS

Federal regulations require annual reporting, in a summary and analysis format, of actions taken to remedy to the impediments identified in the Analysis of Impediments to Fair Housing Choice document. The complete AI is available on the MHFA web site, at http://www.mhfa.state.mn.us/about/about_fairhousing.htm

The Department of Employment and Economic Development (DEED), the Department of Human Services (DHS), and the Minnesota Housing Finance Agency (MHFA) work steadfastly and affirmatively to further fair housing. These agencies are committed to serving Minnesotans in need, including those who traditionally may have been underserved by existing resources, people who may be least likely to have access to affordable housing.

This summary and analysis highlights the progress made by these three state agencies on the action steps identified in the Minnesota Statewide Analysis of Impediments to Fair Housing Choice

Homeownership

In June of 2004, Governor Pawlenty announced the creation of a statewide initiative to increase homeownership among households of color, the Emerging Markets Homeownership Initiative. This is a collaboration of representatives from approximately 50 public and private groups including financial institutions, the housing industry, communities of color, and government. Participants, convened by FNMA, the Federal Reserve Bank of Minneapolis, and the MHFA, worked to develop a business plan to increase homeownership rates among emerging markets, which they presented to Governor Pawlenty in 2005. The plan calls for 40,000 new emerging markets homeowners by 2012, i.e., increasing the homeownership rate to 58%, and presents strategies that will enhance applicant trust in the homebuying process, expand outreach, and explore mortgage product innovation. Additional information and a copy of the final plan are available through the MHFA or at this website: <http://www.mhfa.state.mn.us/homes/EMHI.htm>

These state agencies continue to provide incentives to real estate partners through events such as the MHFA annual Lenders' Awards, which recognize lenders for their outstanding successes in working with borrowers from underserved communities. They work on alleviating language, cultural, and religious barriers through homebuyer information provided in different languages and formats, including Hmong and Spanish (see the MHFA's fair housing website). Education, counseling, and training initiatives target traditionally underserved communities and communities most easily victimized by predatory lending practices.

Mortgage brokers represent a significant and growing category of first mortgage originators and point of access to mortgage financing for underserved populations. MHFA launched a mortgage broker demonstration to allow mortgage brokers to originate mortgage loans under MHFA's mortgage revenue bond programs.

MHFA's Board of Directors approved a loan of \$2 million to Habitat for Humanity to support their *1000 New Homes Campaign*. This loan commitment is the first phase of \$10 million in total loans over the next 5 years. MHFA has supported Habitat for Humanity homeownership efforts since 1991. Habitat targets homebuyers whose income does not exceed 50% of the HUD established median income. A large portion of the households served by Habitat are households of color and single parent families.

The agencies have continued to promote and support initiatives that will increase affordable homeownership opportunities, as evidenced by:

- Participating in the Emerging Markets Homeownership Initiative.
- Continuing to work through nontraditional lenders
- Continuing to participate in "Don't Borrow Trouble," which provides education for homebuyers and homeowners, as well as consumer guidance to avoid predatory lending.

Beginning in early 2006, the MHFA will make available the state's allocation of American Dream Downpayment Initiative (ADDI) funds, a total of more than \$1.2 million in assistance to lower income borrowers for whom homeownership is unaffordable even with a low-interest mortgage and HAF entry cost assistance from the MHFA. This additional ADDI assistance, offered to those households with the greatest need for assistance, will be available only through the MHFA's Community Activity Set-Aside (CASA), a first mortgage program. Nearly 40% of the 1,088 CASA borrowers in 2005 were households of color.

Multifamily Rental Housing

The state agencies strive to use resources most effectively to produce new units of affordable rental housing and to preserve the ongoing affordability of existing subsidized units.

As part of the Request for Proposal process, agencies make clear to applicants the necessity of adhering to fair housing standards. Proposals that focus on assisting underserved communities are prioritized during application review, and many programs encourage or require the leveraging of other public and private resources to maximize the effect of state funds being invested in affordable housing.

Following construction or rehabilitation in all MHFA multifamily programs, the MHFA requires Affirmative Fair Housing Marketing Plans (AFHMPs), which outline the demographic statistics in the area in which the housing development is located. The

MHFA has streamlined its AFHMP monitoring with regards to major MHFA Multifamily Division programs, achieving greater consistency in policies and procedures. The MHFA reports a higher participation rate of female-headed families and households of color than the proportion of those groups in the general population. This is true particularly in multifamily rental housing in the Minneapolis/Saint Paul area.

The MHFA is a member of the Fair Housing Implementation Council (FHIC), a metrowide fair housing group, which funded the nonprofit HousingLink to develop better information about the availability of subsidized, accessible rental housing, including specific attributes of the accessible housing. The FHIC also funded a study of tenant screening practices in the state that was completed in late summer 2004.

MHFA extended funding for a two-year old pilot project to find and stabilize high-risk tenants in affordable housing. The project provides training and case management to renters who cannot find housing due to poor rental histories. The project establishes relationships with landlords willing to rent to graduates of the training program. Preliminary evaluations of the pilot project indicate that training program graduates are more likely than other high-risk tenants to secure and remain in permanent rental housing with positive results for both renters and landlords.

Congress increased its funding appropriation for rental housing voucher assistance in 2005 under the Section 8 program; however, HUD guidelines on how public housing authorities may calculate contract amounts and limitation on cost increase adjustments may make it difficult to fully utilize the vouchers authorized. This could impact project-based Section 8 as well, as there is no longer a supply of Section 8 vouchers that can readily be allocated to project-based proposals.

Homelessness

According to Wilder Research data from a survey done in 2003, 57% of homeless adults were of color. Demographics no doubt have changed since *Census 2000* (11% of the population in Minnesota was identified as being of color at the time); however, people of color comprise a disproportionately high number within the homeless population.

In 2004, following extensive research and discussion, the Working Group on Long-Term Homelessness announced a \$540 million business plan to end long-term homelessness in Minnesota by 2010. Staff from DEED, DHS, and MHFA participated in that working group, which is now working to achieve the goal of 4,000 new units of supportive housing by 2010.

The MHFA committed \$10 million of its resources for the 2004/2005 biennium (\$20 million for 2006/2007) to providing deferred loans, operating grants, and rental assistance to sponsors of permanent housing for people experiencing long-term

homelessness. The MHFA targets other resources to implement the Long-Term Homeless business plan with efforts such as authorizing up to 25% of its tax credit allocations to projects with a long-term homeless selection priority.

The Governor's capital budget for 2006/2007 includes \$12 million in bonding authority for the development of supportive housing for the long-term homeless.

The Minnesota Department of Human Services, through the Office of Economic Opportunity, has incorporated into its review process a point system that rewards transitional housing funding applicants for recruiting the hardest to serve populations, including persons in shelters.

Current Issues

In September of 2005 the state established the State Assistance Center (SAC), a multi-agency collaboration of service-providers to assist Hurricane Katrina survivors with housing and services in Minnesota. SAC was a one-stop shop for all types of disaster assistance provided by state agencies, volunteer organizations, and faith-based groups to help hurricane survivors relocate and recover. As of the end of September 2005, more than 1,660 households had applied for FEMA assistance in Minnesota as a result of this hurricane.

The primary participating agencies are key departments of the State of Minnesota, as well as federal agencies including the Social Security Administration (SSA), Internal Revenue Service (IRS) and FEMA. Groups involved will include the Minnesota Housing Finance Agency, Minnesota Office of Tourism, Minnesota Council of Churches, League of Minnesota Cities, governor-appointed mayors' group, faith-based organizations and others. Storm survivors who resettle on a temporary or permanent basis will be provided with information and referrals for all kinds of housing.

The Minnesota Housing Finance Agency, in partnership with owners of MHFA-financed properties, the Minnesota Multi Housing Association and other organizations, has recruited and trained relocation counselors who are rental housing professionals experienced in resident screening. The relocation counselors will be available at the SAC to interview survivors and determine placement for longer-term housing. A housing vacancy inventory is being created and maintained by HousingLink. As of the end of September 2005, relocation counselors had worked with 217 families to identify housing in the state.

Workers at the SAC will assist survivors to apply for FEMA Individual Assistance and questions about assistance and FEMA programs, confirm applicant status and provide advocacy. Those seeking employment will be assisted in finding openings, filing applications, interviewing and learning about job programs. Survivors who are unemployed will be provided with information about applying for assistance.

Survivors will be able to apply for health care benefits, mental health services (short-term, long-term and specialized), food support, welfare assistance and other services specific to individual circumstances. Services for the elderly and those with special needs and/or disabilities will be addressed. Survivors will be able to enroll their children in schools. Orientation to Minnesota schools, connections to school districts and referrals to higher education institutions also will be provided.

At the encouragement of Department of Housing and Urban Development (HUD), local officials, including those in Minneapolis and Saint Paul, have given Hurricane Katrina victims preference on waiting lists for affordable housing.