MEETINGS SCHEDULED FOR DECEMBER

Location:

Minnesota Housing
400 Sibley Street, Suite 300
St. Paul, MN 55101
State Street Conference Room - First Floor

THURSDAY, DECEMBER 16, 2010

AUDIT COMMITTEE
11:00 a.m.

REGULAR BOARD MEETING
1:00 p.m.

The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on December 16, 2010.

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

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Minnesota Housing Finance Agency

400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

TO: Minnesota Housing Board Members

FROM: Daniel M. Bartholomay
Commissioner

DATE: Thursday, December 9, 2010

SUBJECT: **AUDIT COMMITTEE**

A meeting of the **Audit Committee** has been scheduled for **11:00 a.m.,** on **Thursday, December 16, 2010,** at the offices of Minnesota Housing, 400 Sibley Street, Suite 300, St. Paul, MN in the **State Street Conference Room on the first floor**.

The topics for discussion at this meeting are:

A. Discussion, LarsonAllen Organizational Risk Assessment.

B. Discussion, Administrative Budget Update.

All members are invited to attend.

If you have questions, please call Becky Schack at (651) 296-2172.

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BOARD AGENDA ITEM: 6.B.

DATE: December 16, 2010

ITEM: Discussion, Administrative Budget Update

CONTACT: Patricia Hippe, (651) 297-3125
patricia.hippe@state.mn.us

REQUEST:

☐ Approval ☑ Information ☐ Discussion

TYPE(S):

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

☐ Selection(s) ☐ Waiver(s) ____________________

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
The Board requested a fiscal 2011 administrative budget progress report. Such a report will be provided at the December board meeting.

FISCAL IMPACT:

MEETING AGENCY PRIORITIES:

☐ Address Foreclosure ☐ Finance New Affordable Housing Opportunities

☐ End Long-Term Homelessness ☐ Increase Emerging Market Homeownership

☐ Preserve Existing Affordable Housing

ATTACHMENT(S):
Supporting materials will be provided at the December Board meeting.

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A G E N D A

MINNESOTA HOUSING FINANCE AGENCY
BOARD MEETING
Thursday, December 16, 2010
1:00 p.m.

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

1. **Call to Order.**
2. **Agenda Review.**
3. **Approval of the Minutes.**
   A. Regular Board Meeting of November 18, 2010.
4. **Chairman's Report.**
5. **Commissioner's Report and Introductions.**
6. **Audit Committee:**
   A. Discussion, LarsonAllen Organizational Risk Assessment.
   B. Discussion, Administrative Budget Update.
7. **Program Committee:**
   None.
8. **Finance Committee:**
   None.
9. **Action Items:**
   A. Summary Review:
   1. Approval, Amendment of Investor Continuing Disclosure Policy.
   2. Approval, Amendment to 2010-2011 Affordable Housing Plan.
   3. Approval, Commitment Extension, Asset Management Loan and Section 8 Program
      - Whispering Pines, Caledonia.
   4. Approval, Selections, Community Activity Set Aside Program.
   5. Approval, Program Waiver, HOME Homeowner Entry Loan Program.
   6. Approval, Commitment Extension, Preservation Affordable Rental Investment Fund (PARIF) Program
      - Riversouth Apartments, Grand Rapids.

B. **Discussion - General:**
   1. Approval, Neighborhood Stabilization Program (NSP3) Concept.
   2. Approval, 2011 Action Plan and Amendments to the Affordable Housing Plan.
   3. Discussion, Progress Report on Agency Goals.

C. **Discussion - Homes:**
   1. Approval, Changes, Minnesota Urban and Rural Homesteading Program and Procedural Manual.
   2. Approval, Administrator Transfer and Affordable Housing Plan Modification, Minnesota Urban and Rural Homesteading Program.

D. **Discussion – Multifamily:**
   1. Approval, Commitment, Section 1602/Exchange (1602) Program; Approval, Assumption, Low Income Large Family Rental Housing (LILF) and Affordable Rental Investment Fund (ARIF) Programs; Approval, Prepayment, New Construction Tax Credit Mortgage Loan (NCTC) Program
      – East Side Commons, Saint Paul.
      – Bradley Terrace, Saint Paul.
      – York/Sims Family Housing, Saint Paul.
      – G.A. Johnson, Saint Paul.
   2. Approval, Design and Underwriting Guidelines for Existing Manufactured Housing Communities.

10. Review and Information Items.

A. Information, HUD Sustainable Regional Communities Grant Award, Living Cities Announcement, Ford Foundation Initiative.

B. Information, Performance Pilot and Temporary Rental Assistance Program Progress Reports.

11. Other Business.

None.

12. Adjournment.

MINUTES

MINNESOTA HOUSING FINANCE AGENCY
BOARD MEETING
Thursday, November 18, 2010
1:00 p.m.

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

1. **Call to Order.**
   Chair Finch called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:08 p.m.
   Members Present: Messrs. Finch, Himle and Johnson. Mses. Bostrom, Lyon, Auditor Otto.
   Members Absent: Mses. Sanderson.
   Minnesota Housing Staff Present: Commissioner Dan Bartholomay, Deputy Commissioner Patricia Hippe, Gene Aho, Chris Allen, Tami Bayne-K, Jeannette Blankenship, Shelley Bork, Joe Gonnella, Cal Greening, Mike Haley, Pat Hanson, Karen Hassan, Sue Haugen, Bill Kapphahn, Jessica Kaufhold, Marcia Kolb, Holli Largent, Katy Lindblad, Julie LaSota, Amy Long, Judy Marder, Carrie Marsh, Eric Mattson, Tonja Orr, John Patterson, Tony Peleska, Adaire Peterson, Tou Perrizo, Megan Ryan, Becky Schack, Kim Stuart, Anne Thomson, Will Thompson, Krista Turner, Elaine Vollbrecht, Heidi Whitney, Don Wyszynski.
   Others Present: Melanie Lien, Piper Jaffray, Inc.; Leigh Rosenberg, Minnesota Housing Partnership; Frank Fallon, RBC; Paula Rindels, Dorsey and Whitney (by phone); Gene Slater, CSG Advisors (by phone); Tom O'Hern, Assistant Attorney General; Celeste Grant, Office of the State Auditor.
2. **Agenda Review.**
   It was noted that item 8.A.6 would be presented as the first general discussion item. Revised Board reports were distributed for items 8.A.3., 8.A.8. and 8.B.3.
3. **Approval of the Minutes.**
   A. **Program Committee Meeting of October 28, 2010.**
      The program committee minutes were presented.
   B. **Regular Board Meeting of October 28, 2010.**
      The regular meeting minutes were approved by a unanimous voice vote with the following change: Strike Mses. Bostrom from the affirmative vote for item 10.B. – Approval, Formalization Board Committees.
4. **Chairman's Report.**
   There was no chairman's report.

5. **Commissioner's Report and Introductions.**
   Anne Thomson, Multifamily, introduced Holli Largent, Administrative and Office Support Specialist. Gene Aho, Single Family, introduced Chris Allen, Community Business Representative and Cal Greening, Housing Professional – Policy Development Team.
   The Commissioner congratulated Auditor Otto on her re-election, provided an update on the Energy Saver Rebate program, distributed information to Board members about the Rethinking Housing Conference and thanked the Supportive Housing Team for their pre-meeting presentation of the film "Homeless Youth: Finding Home."
6. **Program Committee:**
   None.
7. **Finance Committee:**
   None.
8. **Action Items:**
   A. **Summary Review:**
   - **8.A.(1). Approval, Selections, Community Activity Set Aside Program (CASA).**
   - **8.A.(2). Approval, Program Waivers, HOME Homeowner Entry Loan Program (HELP) Program.**
   - **8.A.(3). Approval, Changes, Quick Start Procedural Manual.**
   - **8.A.(4). Approval, Commitment, Modification/Change, Housing Trust Fund (HTF) Operating Subsidy Supplemental Grants.**
   - **8.A.(5). Approval, Commitment/Selection, Housing Trust Fund (HTF) Rental Assistance - Metropolitan Council Housing & Redevelopment Authority (HRA); - Morrison County Housing & Redevelopment Authority (HRA).**
   - **8.A.(6). Approval, Commitment, Low and Moderate Income Rental (LMIR) Program, Approval, Commitment/Selection, Low and Moderate Income Rental Bridge Loan (LMIR-BL) Program and Approval, Assumption and Loan Modification, Preservation Affordable Rental Investment Fund (PARIF) Program - Dover Hill, Golden Valley.**
   - **8.A.(7). Approval, Commitment, Housing Trust Fund (HTF) Program, 501(c)(3) Non-Profit Housing Bonds (a) - Boxleitner Place, Minneapolis; (b) - Youngdahl Living, Owatonna.**
   - **8.A.(8). Approval, Commitment, Housing Trust Fund (HTF) Program, 501(c)(3) Non-Profit Housing Bonds and Approval, Assumption**

and Loan Modification, Preservation Affordable Rental Investment Fund (PARIF) Program - Redeemers Arms, St. Paul.

8.A.(9). Approval, Commitment, Modification/Change, Low and Moderate Income Rental (LMIR) Program Loan – Northgate Woods, Blaine.

Ms. Susan Haugen answered questions regarding 8.A.4. and 8.A.7.b. Elaine Vollbrecht answered questions regarding 8.A.5. Auditor Otto requested that the sponsor name listed on the resolution for 8.A.7.b. be corrected to read the same as in related documents. **MOTION:** Mr. Himle motioned to approve the summary review items with the change noted above and adopt the following resolutions: Resolution No. MHFA 10-99: Resolution Extending Commitment Date Housing Trust Fund Operating Subsidy; Resolution No. MHFA 10-100: Resolution Approving Grant Amendment/Commitment Housing Trust Fund (HTF) Program; Resolution No. MHFA 10-105: Resolution Approving Mortgage Loan Commitment Housing Trust Fund (HTF) Program, 501(c)(3) Bonds – Youngdahl Living; Resolution No. MHFA 10-108: Resolution Approving Mortgage Loan Commitment Housing Trust Fund (HTF) Program, 501(c)(3) Bonds – Redeemers Arms; Resolution No. MHFA 10-109: Resolution Approving Assumption Sale Preservation Affordable Rental Investment Fund (PARIF) Program – Redeemers Arms; Resolution No. MHFA 10-110: Resolution Approving Loan Modification PARIF Program – Redeemers Arms; Resolution No. MHFA 10-111: Resolution Approving Mortgage Commitment Extension Low and Moderate Income Rental (LMIR) Program – Northgate Woods; Resolution No. MHFA 10-112: Resolution Approving Mortgage Loan Commitment Housing Trust Fund (HTF) Program, 501(c)(3) Bonds – Boxleitner Place. Mr. Johnson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Lyon, Bostrom and Auditor Otto. Voting No: None. Abstain: None. Absent: Mses. Sanderson.

B. Discussion - General:

Ms. Julie LaSota presented information and answered questions regarding 8.A.6. Ms. Bostrom moved to approve the item and adopt the following resolutions: Resolution No. MHFA 10-101: Resolution Approving Mortgage Commitment Low and Moderate Income Rental Bridge Loan (LMIR-BL) – Dover Hill; Resolution No. MHFA 10-102: Resolution Approving Mortgage Loan Commitment Loan and Moderate Income Rental (LMIR) – Dover Hill; Resolution No. MHFA 10-103: Resolution Approving Loan Modification PARIF Program – Dover Hill; Resolution No. MHFA 10-104: Resolution Approving Assumption Sale Preservation Affordable Rental Investment Fund (PARIF) Program – Dover Hill. Auditor Otto seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle;

Mses. Lyon, Bostrom and Auditor Otto. Voting No: None. Abstain: None. Absent: Mses. Sanderson.

8.B.(1.) Approval, Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Limited Obligation Note, Series 2010C.

Deputy Commissioner Patricia Hippe and Ms. Paula Rindels, Dorsey & Whitney, presented information regarding the bond issue. **MOTION:** Ms. Lyon moved to approve the item and adopt Resolution No. MHFA 10-106: Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Limited Obligation Note, Series 2010C. Mr. Johnson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Lyon, Bostrom and Auditor Otto. Voting No: None. Abstain: None. Absent: Mses. Sanderson.

8.B.(2.) Approval, Resolution Authorizing Issuance and Sale of Rental Housing Bonds 2010, Series C.

Deputy Commissioner Patricia Hippe presented information regarding the bond issue. Mr. Gene Slater, CSG Advisors, provided information regarding the current bond market. Ms. Rindels provided details regarding the rate and term of the issuance. **MOTION:** Mr. Johnson moved to approve the item and adopt Resolution No. MHFA 10-107: Resolution Relating to Rental Housing Bonds, Authorizing the Issuance and Sale Thereof. Mr. Himle seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Lyon, Bostrom and Auditor Otto. Voting No: None. Abstain: None. Absent: Mses. Sanderson.

8.B.(3.) Approval, 2011-2012 Strategic Plan.

Commissioner Dan Bartholomay presented an overview of changes to the Plan since the November meeting. Discussion followed. **MOTION:** Ms. Bostrom moved to approve the 2011-2012 Strategic Plan with the following changes: remove the listing of Board members from the publication and add the date of approval, add an action step addressing succession planning within the Organizational Capacity priority and include additional information regarding foreclosure response activities in the "Minnesota Housing by the Numbers" section. Mr. Johnson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Lyon and Bostrom. Voting No: None. Abstain: Auditor Otto. Absent: Mses. Sanderson.

C. Discussion - Homes:

8.C.(1.) Approval, Changes, Revenue Bond Program Procedural Manual, MBS and HOME Homeownership Entry Loan Program (HOME HELP) Procedural Manual.

Ms. Kim Stuart presented the information to the Board for approval. **MOTION:** Ms. Bostrom moved to approve the requested changes. Mr. Johnson seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Lyon, Bostrom and Auditor Otto. Voting No: None. Abstain: None. Absent: Mses. Sanderson.

D. Discussion – Multifamily:

8.D.(1). Approval, Loan Modification, Preservation Affordable Rental Investment Fund (PARIF) Program - Apple Valley Villa, Apple Valley.

Ms. LaSota presented the information to the Board. **MOTION:** Mr. Himle moved to approve the item and adopt Resolution No. MHFA 10-113: Resolution Approving Loan Modifications Preservation Affordable Rental Investment Fund (PARIF) Program – Apple Valley Villa. Ms. Bostrom seconded the motion. Upon voting, the following voted yes: Messrs. Finch, Johnson, and Himle; Mses. Lyon, Bostrom and Auditor Otto. Voting No: None. Abstain: None. Absent: Mses. Sanderson.

8.D.(2). Information, Low and Moderate Income Rental Bridge Loan (LMIR-BL) Program - Lyndale Green, Minneapolis.

Ms. Karen Hassan presented information to the Board and answered questions. Informational item; no action needed.

9. Review and Information Items.

A. Information, Partner Update – Greater Minnesota Housing Fund.

Mr. Warren Hanson, Greater Minnesota Housing Fund, presented information and answered questions from the Board regarding the history and current activities of the organization. Mr. Himle noted that Minnesota Housing has one seat on the Board of the Greater Minnesota Housing Fund and encouraged other Board members to take the opportunity to participate.

10. Other Business.

None.

11. Adjournment.

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

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BOARD AGENDA ITEM: 9.A.(1)

DATE: December 16, 2010

ITEM: Approval, Amendment of Investor Continuing Disclosure Policy

CONTACT: Patricia Hippe, 651-297-3125
patricia.hippe@state.mn.us

Joe Gonnella, 651-296-2293
joe.gonnella@state.mn.us

REQUEST:

☑ Approval ☐ Information ☐ Discussion

TYPE(S):

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

☐ Selection(s) ☐ Waiver(s) ☐ Other: ______________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
The amendments identified on the attached draft of the Investor Continuing Disclosure Policy achieve several purposes. They:

(1) delete the attachment to the Policy identifying the existing 11 material events and instead refer to the events required to be reported under continuing disclosure agreements entered into under the Securities and Exchange Commission (SEC) Rule 15(c)2-12;

(2) shorten the period for delivery of the Agency's annual financial report to 120 days permitting the Agency to be recognized for prompt reporting under EMMA (the Electronic Municipal Market Access system) as proposed by the Municipal Securities Rulemaking Board; and

(3) delete references to specific single family bond resolutions so that the Policy does not need to be amended whenever a new single family bond resolution is adopted.

FISCAL IMPACT:
None.

MEETING AGENCY PRIORITIES:

☐ Address Foreclosure ☑ Finance New Affordable Housing Opportunities

☐ End Long-Term Homelessness ☐ Increase Emerging Market Homeownership

☐ Preserve Existing Affordable Housing

ATTACHMENT(S):
- Background
- Exhibit A: Draft of Amended Investor Continuing Disclosure Policy

Amendment of Continuing Investor Disclosure Policy

BACKGROUND:

As an issuer of publicly offered bonds, the Agency is obligated under continuing disclosure agreements to make periodic disclosures of certain information to the financial markets. In addition, the Agency voluntarily discloses certain other information to the markets regarding its bonds and portfolios of loans and investments. The Board adopted an Investor Continuing Disclosure Policy (the "Policy") in 1997, which has been amended several times, to acknowledge these disclosure obligations and additional voluntary undertakings.

On May 26, 2010, the Securities and Exchange Commission (the "SEC") adopted amendments to Rule 15c2-12 (the "Rule") that would affect continuing disclosure obligations for the primary offerings of government securities occurring on or after December 1, 2010. The amendments subject variable rate demand obligations to continuing disclosure requirements, add four events (tender offers, bankruptcy type events, mergers or consolidations if material, and the appointment of a successor trustee or change in name of the trustee if material) to the list of 11 events to be reported, and eliminate the "materiality" requirement for the reporting of eight of the existing 11 events. (The events required to be disclosed under the amended Rule are listed in Exhibit A to this Memorandum.) Moreover, in addition to the current "timely" requirement for the filing of event notices, the amendments require filing within ten business days after the occurrence of the event. None of these amendments has a significant effect on Agency disclosure practices, but the Policy must be revised to reflect the amendments.

Because the amendments to the Rule do not affect the continuing disclosure agreements the Agency entered into before December 1, 2010, the Agency's disclosure obligations are different for bonds issued before and after that date. As a consequence, it is proposed that the Policy deal with disclosure obligations more generally.

The proposed amendments to the Policy are highlighted on the attached draft amended Investor Continuing Disclosure Policy.

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INVESTOR CONTINUING DISCLOSURE POLICY

Adopted by the Board January 23, 1997
Amended February 26, 1998
Amended January 28, 1999
Amended March 28, 2002
Amended February 24, 2005
Amended July 23, 2009
Amended December 16, 2010

Under continuing disclosure agreements that it has entered into relating to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC"), the Minnesota Housing Finance Agency (the "Agency") has certain obligations to disclose specified information to the holders or beneficial owners of its bonds. In addition to these obligations, the Agency voluntarily discloses certain other information to the investing community about its bonds and portfolios of loans and investments. This policy describes the Agency's mandatory obligations, as generally set forth in the continuing disclosure agreement relating to each issuance of publicly offered bonds, and the Agency's voluntary disclosure undertakings.

MANDATORY OBLIGATIONS

Agency Disclosure Representative

The Agency will designate an Agency Disclosure Representative (the "Representative") and notify each trustee of the Agency's publicly offered bonds in writing of the designation and any subsequent designations.

Annual Reporting

Annual Financial Report: The Agency's annual financial report must be filed within ~~nine months~~120 days following fiscal year end ~~(i.e., by March 31 of the following calendar year)~~ with each of the designated Nationally

Recognized Municipal Securities Information Repositories ("NRMSIRs"~~)~~) ~~, State Information Depositories (if applicable)~~ and each trustee. Effective July 1, 2009, the only NRMSIR designated by the SEC is the Municipal Securities Rulemaking Board (the "MSRB") and its EMMA (Electronic Municipal Market Access) internet repository.

~~The report must include the prior year's financial statements for the Single Family Mortgage, Rental Housing and Residential Housing Finance Bond Resolutions, as applicable, as well as for the General Reserve.~~

The Agency must follow accounting principles generally accepted in the United States of America in preparation of the annual financial report.

~~For Rental Housing bond issues, certain of the information contained in Official Statement Appendix A, *Description of Mortgage Loans and Developments Presently Financed and Available to be Financed by Rental Housing Bonds*, must be updated annually as of fiscal year end and filed on the same schedule as the annual financial report.~~

Additional Information: In addition, any additional financial information or operating data contained in the Official Statement and identified in the applicable continuing disclosure agreement must be updated annually for the preceding fiscal year or as of the end of the preceding fiscal year and filed on the same schedule as the annual financial report.

Annual reports must be filed with EMMA in the electronic format and with the identifying information specified by MSRB rules.

Material Events and Reporting

The Representative has responsibility for maintaining a general awareness of events that must be disclosed under Agency continuing disclosure agreements or might be deemed material to holders or potential purchasers of the Agency's bonds and for coordinating the determination of materiality as soon as possible after occurrence. In determining materiality, the Representative will consult with appropriate parties such as Agency management, legal counsel, bond counsel and underwriter's counsel.

If an event ~~is deemed material and~~ is required to be disclosed under continuing disclosure agreements, written notice, electronic or hard copy, will be timely provided to the trustee instructing the trustee either to submit an ~~material~~ event notice to EMMA or notifying the trustee that the Agency has done so. Notices of ~~material~~ events that are filed with EMMA must contemporaneously be published on the Agency's website under the "Investors" section. ~~(See Attachment for a listing of notice events, which may be material as defined by the SEC and are contained in the Agency's continuing disclosure agreements.)~~

~~A material events notice does not need to be provided to the trustee for events No. 8 and No. 9 (see Attachment) as long as the Representative has determined that existing procedures for notifying the trustee of bond calls and defeasances are followed.~~

If an event has occurred that may be material to holders or potential purchasers of the Agency's bonds but is not required to be disclosed under applicable continuing disclosure agreements, the Representative will consult with appropriate parties, such as Agency management, legal counsel and bond counsel, and determine whether, how and when voluntary disclosure of such event should be made.

VOLUNTARY UNDERTAKINGS

Secondary Market Disclosure Reports

Resolutions Financing Single Family Loans:	Will be filed by the fifteenth day of the second calendar month following calendar quarter end (or if such day is not a business day, by the next succeeding business day) by electronic transmission to EMMA.
~~Residential Housing Finance:~~	~~Will be filed by the fifteenth day of the second calendar month following calendar quarter end (or if such day is not a business day, by the next succeeding business day) by electronic transmission to EMMA~~
Rental Housing:	Will be filed semiannually by the fifteenth day of the second calendar month following the six months ended June 30 and December 31 (or if such day is not a business day, by the next succeeding business day) by electronic transmission to EMMA. (Certain information contained in the Rental Housing disclosure report meets the mandatory requirement to update Appendix A, noted above, but must be separately filed as a mandatory filing.)

Disclosure reports will be published in the "Investors" section on the Agency's website contemporaneously with transmitting them to EMMA. The Agency will supply hard copy disclosure reports to investors or interested parties upon specific request as soon as practicable following transmission to EMMA and posting to the website.

Investor Inquiries

The Representative has responsibility for coordinating the Agency's response to investor inquiries. The Representative shall assign individuals within the Agency with responsibility for responding to investor inquiries, and shall establish procedures for response to inquiries when the assigned individuals are not available. Unless otherwise directed by the Representative or the Deputy Commissioner, the Agency's response to investor inquiries shall be limited to summarizing or clarifying information otherwise available to investors through Agency mandatory or voluntary disclosure or other information previously distributed to the public by the Agency. If disclosure is made to an investor of material information that is not publicly available, the Representative shall promptly take the steps necessary to ensure that such material information is disclosed publicly, by submission to EMMA, posting on the Agency's website or other means.

Internal Staff Review

Annually, the Representative and legal counsel will review with management staff the Agency's continuing disclosure obligations. The purpose of this effort is to maintain a sufficient level of awareness about the obligations to ensure that the Representative is alert to possible material events.

Annual Board Review

Annually, the Representative and legal counsel will review with the Board the Agency's disclosure obligations and, if appropriate, a sample Official Statement.

~~Attachment~~

~~Notice Events, as identified by the SEC in Rule 15c2-12:~~

1. ~~Principal and interest payment delinquencies (on the bonds);~~
2. ~~Non-payment related defaults;~~
3. ~~Unscheduled draws on debt service reserves reflecting financial difficulties;~~
4. ~~Unscheduled draws on credit enhancements reflecting financial difficulties;~~
5. ~~Substitution of credit or liquidity providers or their failure to perform;~~
6. ~~Adverse tax opinions or events affecting the tax-exempt status of the security;~~
7. ~~Modifications to rights of security holders;~~
8. ~~Bond calls;~~
9. ~~Defeasances;~~
10. ~~Release, substitution, or sale of property securing repayment of the securities;~~
11. ~~Rating changes.~~

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BOARD AGENDA ITEM: 9.A.(2)

DATE: December 16, 2010

ITEM: Approval, Amendment to 2010-2011 Affordable Housing Plan

CONTACT: Patricia Hippe, (651) 297-3125
patricia.hippe@state.mn.us

REQUEST:

☑ Approval ☐ Information ☐ Discussion

TYPE(S):

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

☐ Selection(s) ☐ Waiver(s) ☐ Other: ____________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
The Affordable Housing Plan describes the purposes for which funds that are budgeted to programs may be used. In the 2010-2011 Affordable Housing Plan the description for the Minnesota Mortgage Program is written narrowly enough that it fails to mention certain activities normally conducted in connection with this program such as purchasing for the Agency's own portfolio non-compliant loans and mortgage-backed securities that contain non-compliant loans. The Agency acquires non-compliant loans and MBS only after exhausting all legal remedies. It is requested that the Board amend the 2010-2011 Affordable Housing Plan to revise description for the Minnesota Mortgage Program to explicitly include these activities. A black-lined version of the proposed language is attached.

FISCAL IMPACT:
Loans or MBS acquired through the Minnesota Mortgage Program for the Agency's portfolio utilize Pool 2 funding. During this budget cycle Pool 2 has sufficient resources for this and all other budgeted activities.

MEETING AGENCY PRIORITIES:

- ☐ Address Foreclosure
- ☑ Finance New Affordable Housing Opportunities
- ☐ End Long-Term Homelessness
- ☑ Increase Emerging Market Homeownership
- ☐ Preserve Existing Affordable Housing

ATTACHMENT(S):

- Black lined program narrative for the Minnesota Mortgage Program

<table>
<tr><th colspan="2">Minnesota Mortgage Program (MMP)</th></tr>
<tr><td>Program Description</td><td>The Minnesota Mortgage Program (MMP) provides a secondary market for below-market-interest-rate, fully-amortizing first mortgage loans for low-and moderate-income first-time homebuyers. The loans are originated through first mortgage lenders throughout the State. Mortgage interest rates for the program are determined regularly, based upon statewide mortgage market conditions to provide a favorable rate to homebuyers while considering the Agency’s borrowing costs.

Under MMP, Minnesota Housing sells mortgage revenue bonds (MRB) to finance two mortgage programs. For purposes of the Plan, “MMP” refers to the Minnesota Mortgage Program and the Community Activity Set-Aside Program, both of which deliver first mortgages to eligible borrowers.

The New Markets Mortgage Program (NMMP) is a sub-program of MMP introduced in 2009 to serve interest-averse homebuyers. NMMP is funded from Pool 2, delivered through a single mortgage lender, and provides Minnesota Housing with a yield equivalent to its other mortgage programs.

The Minnesota Mortgage Program, available statewide through participating lenders, continues to serve the greatest number of borrowers (64 percent of all MRB-financed homebuyers in 2008) with the largest amount of financing. Under the Community Activity Set-Aside Program (36 percent of all MRB-financed homebuyers in 2008), the Agency offers access to a designated pool of funding for lenders and their community partners that are addressing a locally identified community credit need.

<u>Loans or mortgage-backed securities found to be not in compliance with MRB terms or MMP rules may be purchased using Pool 2 funds after exhausting legal or other remedies.</u>

Current income limit: $67,200 for 1-4 persons, Minneapolis/Saint Paul metropolitan area.

Maximum loan amount: $298,125 in the Minneapolis/Saint Paul metropolitan area</td></tr>
<tr><td>Strategic Priorities Supported</td><td>Finance New Affordable Housing Opportunities
Increase Emerging Market Homeownership</td></tr>
</table>

Program Performance and Trends	For the Program Assessment period of October 1, 2007 – September 30, 2008, Agency purchases under MMP decreased to: • 2,764 loans • $354,892,118 in loans • average loan was $128,398 • median household income was $39,781 or 56.7 percent of statewide median • 16.2 percent of total were households of color Adverse capital markets in 2008 and 2009 limited Minnesota Housing's ability to raise capital cost effectively. Thus, in 2008 and 2009 Minnesota Housing purchased fewer loans than in recent years and intentionally managed its purchase of mortgages under MMP and CASA to the resources available.
Proposal for 2010-2011	Based on resources available for new activity in 2010-2011 and assuming capital markets improve the cost of borrowing, Minnesota Housing expects to finance loans for 4,541 households under this program.
Sources and Uses	See table below
Legal Authority	Minn. Stat. §462A.05, Subd. 3; Minn. Stat. §462A.073; Minn. Rules, Parts 4900.3200-3290; IRC §143

Sources and Uses

	08-09 Plan	10-11 Plan
Sources		
Carry Forward of Undisbursed Bond Proceeds	$119,698,756	$ -0-
Carry forward of Housing Investment Fund	57,000,000	-0-
New Housing Investment Fund Allocation	-0-	7,500,000
New Bond Issues	800,000,000	550,000,000
Total Sources	$976,698,756	$ 557,500,000
Uses		
Program Disbursements for Prior Plan Commitments	$119,698,756	$ -0-
New Program Activity for Current Plan	857,000,000	557,500,000
Total Uses	$976,698,756	$ 557,500,000

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Equal Opportunity Housing and Equal Opportunity Employment

BOARD AGENDA ITEM: 9.A.(3)

DATE: December 16, 2010

ITEM: Whispering Pines, Caledonia - D0259

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

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Selection(s) ☐ Waiver(s) ☐ Other: ______________________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff is requesting a 12 month extension to the Asset Management Loan and Loan Modification commitments for the above development to December 31, 2011 to allow for reassessment of the proposed work scope and closing of the loan and modification.

FISCAL IMPACT:
None

MEETING AGENCY PRIORITIES:

☐ Address Foreclosure ☐ Finance New Affordable Housing Opportunities

☐ End Long-Term Homelessness ☐ Increase Emerging Market Homeownership

☑ Preserve Existing Affordable Housing

ATTACHMENTS:
- Background
- Resolution

BACKGROUND:
The Minnesota Housing Board at its September 24, 2009 meeting approved the issuance of commitments for an Asset Management loan and for modification of the first mortgage for the above development. The commitments expired March 31, 2010.

At its April 22, 2010, meeting, the Minnesota Housing Board approved Resolution No. MHFA 10-31 which reestablished and extended the commitments to December 31, 2010.

Due to concerns regarding increased cost estimates, an Agency staff architect made a visit to the site in July, 2010, to reassess the physical needs of the development. Because the existing work scope did not adequately address the concerns and additional recommendations for correction resulting from the reassessment, the owner was required to 1) Revise the overall capital improvement plan to include the recommendations made by the Agency's architect and 2) Revise the overall financial plan to show how all identified and required capital needs will be funded. The revised plan has not yet been received and reviewed by Agency staff.

Staff is recommending further extension of the commitments on the above-noted development to December 31, 2011 to continue to allow for the reassessment of the proposed work scope and closing of the asset management loan and modification of the first mortgage.

MINNESOTA HOUSING FINANCE AGENCY

400 Sibley Street - Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 10-

RESOLUTION EXTENDING COMMITMENT DATE
ASSET MANAGEMENT LOAN AND SECTION 8 PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) previously authorized commitments for the development hereinafter named by Resolutions MHFA 09-59 and 09-60, both with an expiration date of March 31, 2010; and,

WHEREAS, the Board also reestablished and extended the expiration date to December 31, 2010 by it Resolution MHFA 10-31 to allow for closing of the asset management loan and first mortgage modification; and,

WHEREAS, it is the desire of the Agency to further extend the expiration date to allow for reassessment of the proposed work scope and closing of the asset management loan and first mortgage modification; and,

WHEREAS, the application continues to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations, and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT the Board hereby extends the commitment expiration date on the development hereinafter named to the date indicated below, and hereby confirms the said commitment:

- Whispering Pines, Caledonia (D0259)
- New Commitment Expiration Date: December 31, 2011
- Except for the extended commitment term, all terms of the original MHFA Resolutions No. 09-59, 09-60, and 10-31 remain in effect.

Adopted this 16th day of December, 2010.

____
CHAIRMAN

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BOARD AGENDA ITEM: 9.A.(4)

DATE: December 16, 2010

ITEM: Community Activity Set Aside Program

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

REQUEST:

☑ Approval ☐ Information ☐ Discussion

TYPE(S):

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

☑ Selection(s) ☐ Waiver(s) ☐ Other: ______________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff is hereby requesting Board approval of its recommendations to approve participants in the Community Activity Set Aside Program (CASA).

FISCAL IMPACT:
None.

MEETING AGENCY PRIORITIES:

☑ Address Foreclosure ☐ Finance New Affordable Housing Opportunities

☐ End Long-Term Homelessness ☑ Increase Emerging Market Homeownership

☐ Preserve Existing Affordable Housing

ATTACHMENTS:
- Background
- Initiative Detail

BACKGROUND:
CASA is Minnesota Housing's most targeted mortgage revenue bond program. Through CASA, Minnesota Housing provides access to mortgage loans as well as Homeownership Assistance Fund entry cost assistance funds to assist partnerships comprised of local lenders, non-profit housing providers, local governments, community organizations, and other participants in reaching emerging markets and single-headed households and supporting workforce housing opportunities. The following recommended selections for CASA meet the guidelines for participation contained within the CASA Program Concept.

Staff applies threshold indicators and considers compensating factors when determining whether to recommend a specific proposal for funds access under CASA. The threshold indicators include:

- confirmation that initiative targets fit within the Program Concept; and
- strength of partnership; and
- focused marketing plan; and
- homebuyer support including homebuyer education and/or counseling.

In addition to the threshold indicators, staff also considers compensating factors including local leverage and innovation when making recommendations to the Board. Minnesota Housing offers participation in its HOME Homeowner Entry Loan Program (HOME HELP) to participating CASA lenders. HOME HELP provides CASA homebuyers access to additional entry cost assistance, if needed. Lenders participating in the following CASA initiatives receive access to HOME HELP funds upon completion and acceptance of the HOME HELP application materials.

INITIATIVE DETAIL:

RHAG Region	Application Partners	Initiative Name and Targets	Notes and/or Past Success
Southeast MN	Home Federal Savings Bank Merchants Bank Eastwood Bank City of Winona	**Winona Area First-Time Homebuyer Program 2010** ☐ **New Initative** ☑ **Reapplication** ☐ **HOME HELP** ☑ **Emerging Markets** ☑ **Single-Headed Households** ☑ **Workforce Housing**	Served 100% workforce housing. Partnership has recruited new lender with ties to emerging markets community in hopes of improving outreach and production.
Southeast MN	Pioneer Bank Wells Fargo Home Mortgage United Prairie Bank Community Bank Mankato City of North Mankato South Central Minnesota Multi-County HRA Partners for Affordable Housing Minnesota Valley Action Council	**North Mankato Emerging Markets 2011** ☐ **New Initative** ☑ **Reapplication** ☑ **HOME HELP** ☑ **Emerging Markets** ☑ **Single-Headed Households** ☐ **Workforce Housing**	Served no households in 2010. Traditional mortgage rates were less than Minnesota Housing rates. City has recruited a new lender and will be leveraging new CDBG funds with this initiative. Feels more confident that they can meet their goals this year.

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BOARD AGENDA ITEM: 9.A.(5)

DATE: December 16, 2010

ITEM: HOME Homeowner Entry Loan Program

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

REQUEST:

☑ Approval ☐ Information ☐ Discussion

TYPE(S):

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

☐ Selection(s) ☑ Waiver(s) ☐ Other: ______________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
PHH Home Loans is requesting a Board waiver under the Minnesota Housing mortgage revenue bond program and a related mortgage enhancement program, the HOME Homeowner Entry Loan Program (HOME HELP).

FISCAL IMPACT:
None.

MEETING AGENCY PRIORITIES:

☑ Address Foreclosure ☐ Finance New Affordable Housing Opportunities

☐ End Long-Term Homelessness ☑ Increase Emerging Market Homeownership

☐ Preserve Existing Affordable Housing

ATTACHMENT:
Background

BACKGROUND:
PHH Home Loans is requesting this Board waiver under the Community Activity Set Aside (CASA) Mortgage Program for Loan Number 0012598998. The borrower was found to have exceeded the limit of liquid cash assets on hand after closing.

The lender has acknowledged their oversight and has modified their processes to include more detailed reviews of the Minnesota Housing guidelines and further training as to documentation of assets.

The lender has not received any prior waivers relating to the HOME HELP program. PHH Home Loans has contributed significantly to our goal of reaching the emerging markets and foreclosure remediation targets set out with the CASA/HOME HELP program. This is a breakdown of their loans to date:

Lender	Total Loans	EM Borrowers	Foreclosed Properties
PHH Home Loans	97	70	16

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BOARD AGENDA ITEM: 9.A.(6)

DATE: December 16, 2010

ITEM: Riversouth Apartments, Grand Rapids – D3308

CONTACT: Kayla Schuchman, 651-296-3705
kayla.schuchman@state.mn.us

REQUEST:

☑ Approval ☐ Information ☐ Discussion

TYPE(S):

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

☐ Selection(s) ☐ Waiver(s) ☐ Other:

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:

Staff is requesting an extension to the Preservation Affordable Rental Investment Fund (PARIF) Program commitment to June 30, 2011 to allow for the performance of due diligence activities and closing of the loan in conjunction with the closing of an outside first mortgage.

FISCAL IMPACT:

Delaying the disbursement of the PARIF loan has no adverse fiscal impact.

MEETING AGENCY PRIORITIES:

☐ Address Foreclosure ☐ Finance New Affordable Housing Opportunities

☐ End Long-Term Homelessness ☐ Increase Emerging Market Homeownership

☑ Preserve Existing Affordable Housing

ATTACHMENTS:

- Background
- Development Summary
- Resolution

BACKGROUND:

The Board, at its October, 2007 meeting, approved this development for processing under the Low and Moderate Income Rental (LMIR) and Preservation Affordable Rental Investment Fund (PARIF) Programs. At its May 28, 2009 meeting, the Board was presented with a revised request and approved a PARIF loan commitment for the above named development, and further extended the terms of the commitment under the PARIF program at its May 27, 2010 meeting. At its September 23, 2010 meeting the Board further approved an extension of the commitment through December 31, 2010.

Closing for this development was initially delayed due to title issues that the owner was unaware of. These issues have been resolved, and the owner has since made application for an FHA insured 221(d)4 mortgage. The owner expects to receive a commitment from HUD by the end of December 2010, with closing expected in late January 2011. Significant progress toward closing has been exhibited and the loan file is in closing.

DEVELOPMENT SUMMARY:

DEVELOPMENT:

Name:	Riversouth Apartments			App#:	M13673
Address:	501 River Rd SE				
City:	Grand Rapids	County:	Itasca	Region:	NEMIF

MORTGAGOR:

Ownership Entity:	Riversouth Investors, Limited Partnership
General Partner/Principals:	David Thies, Ken Talle, Thies & Talle Management, Inc

DEVELOPMENT TEAM:

General Contractor:	Troseth Companies, Inc., Princeton
Architect:	Blumentals Architecture Inc, Minneapolis
Attorney:	Dorsey & Whitney, Minneapolis
Management Company:	Thies & Talle Management, Inc, Chanhassen
Service Provider:	N/A

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$	580,000	PARIF	State Appropriation
		Funding Source:	Preservation ARIF
		Interest Rate:	0.00%
		Term (Years):	30

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE	GROSS RENT	AGENCY LIMIT	INCOME AFFORD-ABILITY*
1BR – Sec. 8	4	650	$530	$530	30% of income
2BR – Sec. 8	6	850	$705	$ 705	30% of income
1BR	23	650	$530	$ 530	$21,200
2BR	21	850	$665	$ 665	$26,600
TOTAL	54				

NOTES: HUD approved rents on Section8 units. FMR rents on others.

Purpose:

The purpose of this transaction is to preserve a 54 unit federally assisted development in an economically viable community. By providing the owners with financial incentives, project based Section 8 and below market rents will be preserved for the long term on 40 of the 54 units. In addition, substantial rehabilitation will take place to help ensure marketability of all of the units.

Target Population:

This 54 unit development targets the local workforce, with incomes at or below 80% AMI, per the Section 236 program. Many of the current residents earn below 50% AMI. Thies & Talle Management will continue to affirmatively market to underserved population groups such as single headed households with minor children and households of color.

Project Feasibility:

Thies & Talle Enterprises and Thies & Talle Management have owned and operated this development since it was originally constructed in 1972. It is in reasonable condition for a property its age and marketing will be further enhanced with the proposed rehabilitation. The long term economic forecast for this area of the state is favorable.

Development Team Capacity:

The Agency has had long term favorable experience with the general partners and management agent. We had a satisfactory experience on a similar preservation /rehabilitation transaction in Owatonna. The owner has the capacity to move quickly upon funding approval.

Physical and Technical Review:

This existing 54 unit townhouse/apartment building is well-situated on the south side of town, across the road from Pine Ridge Apartments, a development in the Agency's Section 8 portfolio. The proposed work scope is reasonable and substantially complete. Total rehabilitation cost appears reasonable. The developer and architect have the experience and capacity. From an architectural/construction technical standpoint, this is a viable preservation project.

Market Feasibility:

Itasca County has had moderate employment and household growth in recent years. The city of Grand Rapids has had population and household growth in recent years and expects expansion at its major employer, a paper manufacturer.

Supportive Housing:

N/A

DEVELOPMENT COST SUMMARY (estimated):

	Total	Per Unit
Total Development Cost	$2,450,000	$45,370
Gross Construction Cost	$1,520,230	$28,152
Agency Deferred Loan Sources		
PARIF	$580,000	$10,741
Total Agency Sources	$580,000	$10,741
Total Loan-to-Cost Ratio	24%	
Other Non-Agency Sources		
FHA Insured 1st Mortgage	$1,600,000	$29,630
GMHF	$270,000	$5,000
Total Non-Agency Sources	$1,870,000	$34,630

MINNESOTA HOUSING FINANCE AGENCY

400 Sibley Street, Suite 300
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RESOLUTION NO. MHFA 10-

RESOLUTION APPROVING MORTGAGE COMMITMENT EXTENSION PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) PROGRAM

WHEREAS, the Board has heretofore authorized the issuance of a commitment on the development hereinafter named by Resolution No. MHFA 09-26, and extension of that commitment by Resolution No. MHFA 10-37 and Resolution No. MHFA 10-84; and

WHEREAS, it is the desire of the Agency to further extend the commitment expiration date of December 31, 2010, to allow for the performance of due diligence activities and for closing of the loan; and

WHEREAS, the application continues to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations, and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes the commitment expiration date on Riversouth Apartments (Development No. D3308) to the date indicated below, and hereby confirms the renewal of said commitment, subject to the revisions noted herein:

1. The Commitment Expiration Date: June 30, 2011; and

2. Except for the extended commitment expiration date, all terms and conditions of MHFA Resolutions No. 10-37 and 10-84 remain in effect.

Adopted this 16th day of December, 2010

____

CHAIRMAN

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BOARD AGENDA ITEM: 9.B.(1)

DATE: December 16, 2010

ITEM: Neighborhood Stabilization Program (NSP3) Concept

CONTACT: Ruth Simmons, 651-297-5146
ruth.simmons@state.mn.us

REQUEST:

☑ Approval ☐ Information ☐ Discussion

TYPE(S):

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

☐ Selection(s) ☐ Waiver(s) ☐ Other: ______________________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
The purpose of this report is to review the Neighborhood Stabilization Program (NSP3) which provides funding for foreclosure remediation, and to recommend approval of the program concept. Staff also requests authorization to make award assignments to local governments without engaging in a competitive application process; aggregate assignments to total $5 million.

FISCAL IMPACT:
As this is a federally sponsored program and not funded from state appropriations it will not have any fiscal impact on the Agency's financial condition.

MEETING AGENCY PRIORITIES:

☑ Address Foreclosure ☑ Finance New Affordable Housing Opportunities

☐ End Long-Term Homelessness ☑ Increase Emerging Market Homeownership

☑ Preserve Existing Affordable Housing

ATTACHMENTS:
- Background
- NSP3 Program Concept Summary

BACKGROUND:

On October 19, 2010, the Obama Administration announced the award of an additional $1 billion to stabilize neighborhoods hard hit by foreclosure. The Housing and Urban Development's (HUD's) ***Neighborhood Stabilization Program (NSP3***) is authorized under the Wall Street Reform and Consumer Protection Act of 2010 (Frank-Dodd Act of 2010), Notice 75 FR 64322 of October 19,2010, and represents a third round of funding to provide targeted emergency assistance to local governments to acquire, redevelop or demolish foreclosed properties. Minnesota Housing is named grantee of $5 million under this authority.

To date, there have been two other rounds of NSP funding, in which Minnesota Housing was named grantee under one: the Housing and Economic Recovery Act of 2008 (HERA) that provided $3.92 billion across the nation. Minnesota Housing was awarded $38.8 million.

NSP3 PROGRAM CONCEPT

Eligible Applicants:
Government entities, cities and counties

Subrecipient model:
Minnesota Housing staff will engage local governments to administer the NSP3 program.

Timelines and non-competitive assignment process:
HUD's guidance is for states to do as much analysis of the market as possible during the action plan stage to avoid spending time and resources in markets that are not right for NSP3. HUD further advises grantees to make selections prior to submitting the Amended Action Plan.
Therefore, staff began its target area analysis immediately upon receipt of the NSP3 notice/guidance rules. Local governments who met the NSP3 high need, high impact target area threshold criteria were initially identified for assignment during the month of November 2010. Final assignment recommendations will be determined by early January 2011 after a comprehensive review and selection of best target areas for NSP3 investments. Assignment recommendations will be subject to negotiation input from each local government and staff's approval of their program description application examining final target areas proposed and corresponding strategies, leverage and/or area assets, capacity/degree of readiness, and plan for stabilization. Assignment recommendations will be announced in the action plan "draft" to be posted on January 14, 2011, subject to a public comment period of 15 days, ending on January 30, 2011. The final action plan and award recommendations will be presented for approval at the February 2011 Board meeting. Staff must submit an action plan substantial amendment to HUD by March 1, 2011.
The following local governments were identified for assignment:

The City of Big Lake	Greater Minnesota
The City of Minneapolis	Metro
The City of St. Paul	Metro
Anoka County	Metro
Dakota County	Metro
Hennepin County	Metro
Ramsey County	Metro

Area Targeting, selection:
To determine target areas, Minnesota Housing staff used five criteria to select census tracts and block groups for funding. The criteria are: cities and counties previously receiving NSP funds, significant foreclosure impact, access to employment and/or transit, areas with high to moderate levels of rental housing, and marketability. The analysis first honed in on census tracts that met each criteria and then further refined the target areas to block groups.

Primary Requirements

1) City or county is a previous recipient of NSP funds. Because NSP3 is a complex program with limited funds available, staff recommends working with experienced subrecipients.
2) Significant foreclosure impact. HUD requires grantees to target their NSP3 funds by using HUD's Foreclosure Need Index Score and requires an average score for all areas not less than 17. An individual score of not less than 17 for each target area was selected. An index score of 17 -20 is considered high need.

Local Market Priorities / Metro, Suburban Metro, or Greater Minnesota

3) Access to transit **OR** Access to jobs. HUD encourages grantees to carry out its NSP activities in the context of a comprehensive plan which includes consideration of access to transit, affordable housing, employers and services.
    a. Staff evaluated access to transit by identifying locations within:
        i. ½ mile of a hi-frequency network stop (Metro Transit), or ½ mile of a transit stop for Metro areas, and,
        ii. ½ mile of a transit stop in Suburban Metro areas, and,
        iii. ½ mile of a transit stop or, secondly, areas with established public dial a ride servicesin Greater Minnestoa areas.
    b. With respect to access to jobs, staff determined a minimum threshold job count based on the median number of low or moderate wage jobs per block group.
4) Rental Housing: HUD requires grantees to give preference to rental housing. Staff recommends that the 25% of funds required to be spent on households with 50% of income or less be devoted to rental housing.
    a. To include a rental program the target area must have a rental rate exceeding 25 percent for the area. The purpose of this selection criterion is to exclude areas that are predominantly homeownership.
5) Marketability: Based on experience from NSP1, staff recommends target areas be neither too "hot" nor too "cold".
    a. To assess the general market conditions of a jurisdiction, month's supply inventory is evaluated using zip code level data. Zip code areas with a month's supply inventory between 4 and 10 months were considered priority for targeting NSP3 funds.

Program Goals and Impact:

In order to respond to rising foreclosures and falling home values, NSP3 goals established by HUD are:

- A primary focus on neighborhood stabilization with tight target areas; fewer funds are available and HUD expects grantees to have more impact; and,
- Mitigation of housing decline, and market collapse.

To stabilize a neighborhood, HUD recommends grantees select target areas small enough so that at least 20 percent of the real estate owned (REO) properties in the target area receive assistance. For each block group, Minnesota Housing staff will review with local governments the number of REO properties plus the count needing assistance to have a stabilizing impact. This count will be based on the assumption that each property will receive $50,000 in assistance, estimated to stay in the property after the sale. Due to limited funding, local governments will be required to narrow their targeting to a few blocks. Increased capacity will be encouraged through other funding sources. Until the program is underway it can be difficult to predict the level of interest and need for NSP3 funding in certain markets, i.e., demand, supply, vacancy, etc. Therefore, staff will identify a sufficient number of high need areas in the action plan so that it can substitute a different area should it find one area is not the right fit. Target area changes will be subject to demand/supply in areas. Investing in NSP1 target areas to secure stabilization is a primary criterion in order to build upon previous activity. Staff recommends target areas be characterized by moderate to low demand, a market insufficient to correct itself yet not collapsed.

Eligible NSP3 Activities are for housing purposes -homeownership and/or rental. Transitional housing is not eligible:

1) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon in order to sell, rent or redevelop.
2) Establish and operate land banks for homes and residential properties that have been foreclosed upon.
3) Demolish blighted structures- limited to 10 percent of total grant funds.
4) Redevelop demolished or vacant properties.
5) Administration costs- limited to 10 percent of total grant funds.

Target population, area benefits, property discount, and rehabilitation requirements

1) Activities are to benefit low- to moderate-income homebuyers and renters with household incomes not exceeding 120 percent of area median income.
2) 25 percent of total grant funds must benefit low income households with incomes at 50 percent of area medium income or below.
3) Homebuyers must complete eight hours of homeownership counseling by a certified HUD counseling agency.
4) Subrecipients shall acquire properties at a minimum discount of 1 percent of the appraised value.
5) Subrecipients shall preserve affordability for the longest extent possible.
6) Properties shall meet rehabilitation standards; green components are encouraged.
7) Subrecipients shall to the maximum extent feasible, provide for the hiring of employees who reside in the vicinity or contract with small businesses that are owned and operated by persons residing in the vicinity of projects funded with NSP3. Vicinity is defined as each NSP3 target area.

Expenditure requirements:

1) Subrecipients must expend 50 percent of allocated funds within two years of the date funds are made available and 100 percent of the funds must be expended within three years.
2) Interim evaluations– If staff deems that progress toward obligating/expending funds is insufficient for meeting the expenditure requirements, Minnesota Housing may reallocate the funds between subrecipients or apply the funds directly.

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BOARD AGENDA ITEM: 9.B.(2)

DATE: December 16, 2010

ITEM: Approval, 2011 Action Plan and Amendments to the Affordable Housing Plan

CONTACT: Jim Cegla – 651-297-3126
Jim.cegla@state.mn.us

REQUEST:

☑ Approval ☐ Information ☐ Discussion

TYPE(S):

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

☐ Selection(s) ☐ Waiver(s) ☐ Other: ______________________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:

1. Approve the 2011 Action Plan, subject to HUD's final approval.
2. Authorize staff to amend the Affordable Housing Plan (AHP) to implement the recommended 2011 HOME and HOPWA allocations.

FISCAL IMPACT:
The Action Plan is, in part, the State's application to HUD for certain programs, including the HOME Investment Partnership Program (HOME) and the Housing Opportunities for Persons with AIDS (HOPWA). Final grant amounts are not yet known, but staff expects amounts to be similar to last year at approximately $10.5 million for HOME and $137,000 for HOPWA. HOME has a match obligation of 25% of funds expended in the year, excluding amounts spent for HOME program administration. The agency meets this match obligation with tenant-based rental assistance provided from the Bridges and Housing Trust Fund programs. The match obligation should be approximately $2.4 million.

MEETING AGENCY PRIORITIES:

☑ Address Foreclosure ☑ Finance New Affordable Housing Opportunities

☑ End Long-Term Homelessness ☐ Increase Emerging Market Homeownership

☑ Preserve Existing Affordable Housing

ATTACHMENTS:

- Background

BACKGROUND:
As part of the State's annual application for HOME, Housing Opportunities for Persons with AIDS (HOPWA), Community Development Block Grant, and Emergency Shelter Grant funds, staffs from Minnesota Housing and the Departments of Employment and Economic Development (DEED) and Human Services prepare an Action Plan (Plan). DEED, the lead agency for the Plan, submits it to HUD at the end of December. Assuming funding levels are the same as 2010, Minnesota Housing will receive approximately $10.5 million of HOME, and $135,000 of HOPWA funds.

Attached are pages from the Plan that are relevant to Minnesota Housing's activities, including comments and responses. If you would like the entire Plan, please contact Jim Cegla and he will provide it to you.

The main purpose of the Plan is to describe to the public and HUD the activities that will be undertaken with the federal funds covered in the Plan over the program year beginning October 1, 2010. HUD has 45 days to review and comment, approve, or disapprove the Plan.

A public comment process requires that the three state departments conduct two public hearings: one on housing and community development needs, which is conducted prior to the draft Plan, and the other to take comments on the draft Plan. On September 23 and before the first public hearing, the Agency emailed notices of the public hearings and information on how to comment on housing and community development needs and the draft Plan to over 5,650 individuals and organizations. Prior to the second hearing, the draft Plan was posted on DEED's and Minnesota Housing's websites, hard copies were mailed to 49 public libraries and interest groups, and instructions on how to comment on the draft Plan were prominently displayed on the Agency's website. The three departments received both oral and written comment on community development and housing needs, and the activities presented in the draft Plan.

HOME Activities and Funding Amounts

The activities that the Plan proposes to fund with 2011 HOME funds are:

• HOME HELP: $1,000,000

• Rental Capital Program: $4.2 million (Approximately forty percent of the expected grant amount)

• Rehabilitation Loan Program: $4.2 million (Approximately forty percent of the expected grant amount)

• Agency Administrative: $1.05 million (Approximately ten percent of the expected grant amount)

Allocating funds in this way will require amendments to the two-year allocations of HOME funds in the AHP for HOME HELP, Rental Capital Program (f.k.a. Asset Management), and Agency Administrative. Amendments are required for HOME HELP because the program has fully used its two-year allocation; Rental Capital Program because the program's name and purpose will change and the allocation will be reduced to accommodate continued need for HOME HELP funding; and Agency Administrative because it is based on a percentage of the grant amount, which is not yet known. Additional amendments will be necessary when the grant is received and the exact amount of the grant is known.

As in past years, the plan also has two placeholder activities to respond to disasters, and to provide tenant-based rental assistance, should the Board decide at a later date to undertake either activity.

Public Comments

Several public comments were received supporting the HOME activities proposed in the Plan. Six comments asked that the agency consider reinstating the Community Housing Development Organization (CHDO) Operating Support program.

HOME regulations permit using up to 5% of the agency's annual grant to pay operating costs of CHDOs that are receiving CHDO set-aside project funds or will receive project funds within 24 months, according to the terms and conditions set forth in a written agreement between the CHDO and the agency. CHDO set-aside funds are a set-aside of 15% of HOME grants for projects that are owned, sponsored, or developed by CHDOs. CHDOs are nonprofit organizations with a particular board structure and processes that formally ensures the involvement of low-income persons in development decisions. The amount of the operating expenses paid to any CHDO in a year is limited to the greater of $50,000 or 50% of the CHDO's total annual operating expenses.

The agency used to offer such a program as a means to help CHDOs develop their capacity to undertake housing development, and to defray the costs of undertaking development that was funded with HOME CHDO set-aside dollars. The last awards were made in February 2006. That same month, HUD issued Notice CPD 06-01, which made clear that, "Costs associated with a HOME project are not eligible for CHDO operating assistance. Further, CHDO operating assistance cannot be provided to cover the cost of administering HOME activities as a subrecipient and may not be awarded as compensation for development of a HOME project in lieu of a developer's fee."

HUD believes that developer fees and indirect costs of a HOME project should be adequate to support the activities necessary to bring a HOME development to completion.

The questions for the agency to consider in making a decision to fund CHDO operating costs are:

1. What are the operating support needs of CHDOs?
2. Why do they need help paying operating costs?
3. If the costs are not associated with the HOME development, what activities of the CHDO do the costs support and should the agency use its HOME resources to support them? What will be the outputs and outcomes?
4. What do CHDOs bring to a development that is unique from other nonprofits and does the agency believe that is something the agency wants to divert project funds to support?

Staff recommends that the Board not adopt a CHDO operating support program at this time, but permit staff to use the time during which the agency, DEED and DHS will develop a new 5-year consolidated plan to explore those questions and make a recommendation for the 2012 HOME grant a year from now.

HOPWA Activities and Funding Amounts

HOPWA will continue to provide emergency rent, mortgage, and utility assistance through the Minnesota AIDS Project.

FINAL

The State of Minnesota Action Plan for Housing and Community Development FY2011

91.320 Action Plan

§91.320 Action Plan

This section is written pursuant to the requirements of Section 91.320 of the Consolidated Plan regulations and is organized by paragraph citation.

§91.320(b) Executive Summary

Throughout the Consolidated Plan process, the state was mindful of its housing and community development challenges that were identified in public comment and regional public forums and through secondary statistical research. Widespread distribution of invitations to comment on housing and community needs, there were two attendees at the public meetings. The state believes that the housing and community needs are the same as when the 2007-2011 Consolidated Plan was developed; consequently, federal resources will be used to address public facilities projects, commercial rehabilitation, emergency shelters, homeless prevention, affordable housing development, homeownership, and residential rehabilitation in 2011.

Evaluation of Past Performance

HOME

The Minnesota Housing Finance Agency board of directors sets funding priorities in its two-year Affordable Housing Plan (AHP). Funding levels are based on state biennial appropriations, agency reserves that are dedicated to housing activities, and assumptions of federal funding levels at the time the plan is adopted. The current AHP began on October 1, 2009 and continues through September 30, 2011.

Annual allocations of HOME funds to the agency's programs are based on an assumption of an even rate of obligation of the funds among the programs over the two years of the AHP. To the extent funds are not obligated at an even rate, funds may be diverted between programs to satisfy immediate demand in certain programs in the first year of the AHP, assuming that funds usage will accelerate for the other programs later in the AHP cycle. Significant reallocations occurred in 2010 and are described below.

Homebuyer Downpayment and Closing Cost Assistance (HOME HELP)

For 2010, Minnesota Housing initially allocated $2,800,000 of HOME funds for a downpayment assistance program called HOME Help, or the HOME Homeowner Entry Loan Program. This was subsequently reduced to $2,723,812 due to funding at slightly lower levels than expected. Additional funds were allocated to the program from unused prior years' awards and unused 2010 funds from the Asset Management program ($1.37 million); Rehabilitation Loan Program ($1 million). 562 households were served in 2010 compared to the goal of 280. The number of assisted households is greater than the goal due to the increased demand in the real estate and mortgage markets from the first-time homebuyer tax credit. That increased demand resulted in the agency allocating more funds to HOME Help than anticipated.

HOME Rental Rehabilitation

For 2010, Minnesota Housing allocated $0 to the HOME Rental Rehabilitation program. Minnesota Housing estimated it would provide rehabilitation assistance to 125 low-income rental units, and committed funds to 327 units with carryover funds from previous years. 282 units were completed due to projects being completed with funds from prior years' allocations.

HOME Asset Management

For 2010, Minnesota Housing allocated $3,850,000 to this new program. That amount was reduced to $2,476,157 when additional funds were needed for HOME Help, and asset management projects did not materialize. HOME funds were not used in this program because funds available from McKinney

Act Refundings provided adequate capital for preserving the properties targeted for HOME Asset Management funding.

<u>Rehabilitation Loan Program</u>
For 2010 $2.8 million was initially allocated to the program. $1 million was diverted to HOME Help due to high demand in that program and a slow start to the Rehabilitation Loan Program. The Rehabilitation Loan Program had previously been funded with state appropriations. The change to using HOME funds rather than state appropriations required new processes and forms resulting in an initially slower rate of funds usage.

For 2010, $1.8 million was committed to 72 single family homes, including 30 completed homes with over $635,000 of improvements.

<u>HOPWA</u>
Having served 155 households in 2010, Minnesota Housing slightly exceeded its projection of serving 150.

<u>Community Development Block Grant(CDBG) Funding</u>
The following needs identified Housing and Community Development within the State of MN Consolidated Plan 2007-2011 continue to be a priority for funding from CDBG with some minor revisions.

> The majority of CDBG funds will continue to focus attention on housing rehabilitation and preservation, economic needs of communities and public infrastructure needs. Due to the current downturn of new construction needs, there does not appear to be as much of a demand for the creation of new, affordable housing, but that trend can change quickly, so we will continue to keep a watchful eye on the need for new affordable housing.

Summary of Planned Actions
Based on the information received and the needs documented, the state will focus their attention on the continued needs of communities statewide by:

- Focusing on the findings from the citizen participation efforts (public forums, regional housing advisory committees and continuum of care meetings, and public comments).

- Allocating program dollars to their best use, with the recognition that nonprofits and communities vary in their capacities and that some organizations will require more assistance and resources.

- Recognizing that the private market is a viable resource to assist the state in achieving its housing and community development goals.

- Emphasizing flexibility in funding allocations.

- Maintaining local decision-making and allowing communities to tailor SCDP programs to best fit their needs.

- Leveraging and recycling resources, wherever possible.

- Understanding the broader context within which housing and community development actions are taken, particularly in deciding where to make housing and community development investments.

The above summary is based on the fact that the state continues to have an unmet demand for safe and decent affordable housing units to serve extremely low and very low income households.

That the top regional needs identified in the public forums continue to included affordable housing, housing rehabilitation and preservation, and public infrastructure improvements.

That the housing and service needs of special populations are significant, and resources to address these needs are lacking.

Summary of Objectives and Outcomes

SCDP Activities	Objective	Outcome
Owner Occupied Rehab	2	1
Rental Rehabilitation	2	1
Commercial Rehabilitation	3	3
Public Facilities Projects	1	3
New Construction	2	2
Homeownership Assistance	2	2
Relocation	2	1
Acquisition	1	1
Clearance	1	1
HOME Activities		
Homeowner Rehabilitation	2	2
Rental Rehabilitation	2	2
Downpayment Assistance	2	2
HOPWA Activities		
Emergency rent, mortgage, utility assistance	2	2
ESG Activities		
Emergency Shelters	1	1

Objective

1 Create suitable living environments

2 Provide decent affordable housing

3 Create economic opportunities

Outcome

1 Availability/accessibility

2 Affordability

3 Sustainability

Evaluation of Past Performance

HOME Downpayment Assistance (ADDI)/HOME Help		
2007	56 HH(Households)	$555,000
2008	54 HH	$794,948
2009	339 HH	$5,804,630
2010	562 HH	$6,721,419
HOME Rental Rehabilitation		
2007	441 Units	$5,970,087
2008	406 Units	$5,684,000
2009	364 Units	$6,969,805
2010	327 Units	$6,463,962
Minnesota Urban and Rural Homestead Program(MURL)		
2007	6 Units	$608,656
Rehabilitation Loan Program		
2010	30 HH	$635,571
Asset Management Program		
2010	0 Units	$0
Small Cities Development Program		
2007		
Owner Occupied Rehabilitation	646 HH	$8,825,472
Rental Rehabilitation	167 HH	$892,547
Commercial	167 Units	$2,865,137
New Housing	32 HH	$900,000
Homeownership Assistance	17 HH	$260,862
Relocation	7 HH	$67,600
Acquisition	11 Units	$1,494,162
Clearance	1 Unit	$1,253

Economic Development	101 Jobs	$1,228,589
2008		
Owner Occupied Rehabilitation	461 HH	$ 10,096,408
Rental Rehabilitation	90 HH	$ 1,785,980
Commercial Rehabilitation	100 Units	$ 3,187,569
Public Facilities Projects	2,586 HH	$ 3,455,811
New Housing	0 HH	$ 0 HH
Homeownership Assistance	3 HH	$ 26,117
Relocation	1 HH	$ 150
Acquisition	5 Units	$ 53,366
Clearance	42 Units	$ 108,911
Economic Development	98 Jobs	$ 1,434,011
2009		
Owner Occupied Rehabilitation	443 HH	6,547,357
Rental Rehabilitation	169 HH	972,820
Commercial Rehabilitation	127 Units	1,751,529
Public Facilities Projects	3,494 HH	2,642,220
New Housing	18 HH	449,970
Homeownership Assistance	2 HH	29,919
Relocation	O HH	0.0
Acquisition	6 Units	249,297
Clearance	0 Units	0.0
Economic Development	306 Jobs	704,129
2010		
Owner Occupied Rehabilitation	483 HH	$8,513,042
Rental Rehabilitation	134 HH	$868,566
Commercial Rehabilitation	131 Units	$2,005,130

Public Facilities Projects	981 HH	$1,441,060
New Housing	24 Units	$450,000
Homeownership Assistance	3 HH	$38,536
Relocation	2 HH	$0.00
Acquisition	6 Units	$302,442
Clearance	2 Units	$10,811
Economic Development	269 Jobs	$2,670,544
Housing Opportunities for Persons with AIDS		
2007	125 HH	$111,255
2008	139 HH	$110,033
2009	167 HH	$122,853
2010	155 HH	$120,928
Emergency Shelter Grants Program		
2007	26,441 individuals	$$1,232,379
2008	30,386 individuals	$1,237,138
2009	13,114	$1,240,248
2010	In progress	$1,240,291

The Citizen Participation and Consultation Process. The state reached out to citizens, advocacy organizations, nonprofits, local governments, business, and the affordable housing industry in general through an official legal notice published in the statewide edition of the September 12, 2010, Minneapolis Star Tribune and the September 13, 2010, State Register, soliciting their participation in public hearings and written comments.

On September 23, 2010, Minnesota Housing emailed a notice of availability of the 2011 draft Action Plan and public comment period and public hearing to over 5,650 organizations and individuals who had signed up for "E-NEWS Alert," an email publication of items of interest to Minnesota Housing's stakeholders.

The MN Department of Employment and Economic Development invited the public to attend one of eleven informational sessions provided throughout the state to educate the public about programs available and any modifications that were made. The public was encouraged to provide comment. Over 520 representatives from local governments, non-profits, businesses and state and local government participated. For a complete list of Citizen Participation see Appendix D. Input was also received in six addition workshops that were held in greater

Minnesota by the Small Cities staff, two in April 2010, one in May 2010, and three in July 2010. A complete list can be found in Appendix D.

The consultation process involved the following types of organizations:

Source	Yes	No
Health Service agencies	x	
Social Service agencies including those focusing on services to children, elderly persons, persons with disabilities, person with HIV/AIDS and their families, homeless persons	x	
State/Local health and child welfare agencies (LBP)	x	
Health Department data on addresses of housing units in which children have been identified as lead poisoned examined	x	
Local governments in non-entitlement areas (CDBG)	x	
Other public or private agencies	x	

A public hearing was held on Monday, September 27, 2010 and a second public hearing was held on Thursday, November 18, 2010 at the MN Department of Employment and Economic Development Office, 332 Minnesota St. Suite E200, St. Paul MN 55101, Capital Room.

Summary of Public Notices see Appendix C.
Summary of Comments or Views see Appendix E.

HOME Funds

HOME downpayment assistance provides downpayment assistance that permits the homebuyer to obtain a mortgage for the balance of the purchase price. The maximum amount of downpayment assistance is currently $8,500 but may be changed throughout the program cycle to respond to market needs. The Rental Capital program will leverage other resources of the development, including project reserves, but the amount of non-HOME funds will be determined for each project based on the project's financial needs and capacity. The Rehabilitation Loan Program attempts to maximize its rehabilitation by combining with Weatherization when possible. The Rehabilitation Loan Program requires borrowers to apply for Energy Assistance, which is the portal to Weatherization funds.

HOME Match Funds. Minnesota Housing matches HOME dollars with state-funded tenant-based rental assistance through its Housing Trust Fund and Bridges programs.

Local Resources

In addition to the federal housing resources covered by this Consolidated Plan (i.e., CDBG, HOME, ESGP, and HOPWA), Minnesota benefits from a wide variety of state, local, private, and non-profit resources.

The CDBG Program leverages the following types of resources: Minnesota Housing, Bank Loans, Federal Home Loans, Rural Development, PFA, private funds, etc.

The state does not have any plans for developing institutional structures, but rather continue to participate in the various structures currently in place, supporting NAHRO's conferences and the Working Together conference. Minnesota Housing coordinates its RFP selections with other funding partners, including DEED. DEED's CDBG grantees coordinate CDBG funding with Minnesota Housing, Greater Minnesota Housing Fund, Department of Human Services, Rural Development, and Weatherization funding. DHS will continue to participate in the various structures currently in place. The State hosts the Minnesota Interagency Council on Homelessness through which all state agencies involved in the provision of services to homeless persons meets monthly. Members of the Interagency Council are assigned to all Continuum of Care committees and Family Homeless Prevention and Assistance Program advisory committees to provide technical assistance and attend meetings of these groups. The State also hosts the Interagency Stabilization Group as well as the Greater Minnesota and Metro area Stewardship Councils to ensure coordination of funding resources.
The State participates in a number standing meetings with representatives from local government, non-profit and private providers of housing and homelessness services too numerous to list.
The State hosts the Minnesota Interagency Council on Homelessness through which all state agencies involved in the provision of services to homeless persons meets monthly. Members of the Interagency Council are assigned to all Continuum of Care committees and Family Homeless Prevention and Assistance Program advisory committees to provide technical assistance and attend meetings of these groups. The State also hosts the Interagency Stabilization Group as well as the Greater Minnesota and Metro area Stewardship Councils to ensure coordination of funding resources.

§91.320(d) Activities

HOME Program Activities

The state's HOME programs provide funds directly to borrowers, with or without the assistance of contractors employed by the state to assist in delivering the program, as in the case of HOME Homeowner Entry Loan Program and the HOME Rehabilitation Loan programs.

Minnesota's HOME funds will be allocated in the proportions described below for each program. Additionally, 10% will be allocated for administrative expenses. MHFA's Board is empowered to make allocations of funds. It is MHFA's Board that would reallocate HOME funds between programs described in the action plan; allocate additional funds that might become available either through a greater grant amount or the receipt of program income; or unallocate funds in response to a lesser-than-anticipated grant amount.

Rental Capital Program. This program would be used with or without other Agency financing to fill financing gaps of new construction, rehabilitation, or acquisition/rehabilitation projects and would have the following characteristics:

- The assistance would be a zero percent interest rate deferred loan,
- The projects would be larger scale to provide economies of scale in monitoring and administration,
- Per-unit assistance would typically be less than $15,000, but could equal or exceed $15,000 if there is other assistance that requires ongoing compliance monitoring beyond 5 years that could be paid from non-HOME sources.
- New construction would be permissible, but compliance monitoring would be required for 20 years and paid with non-HOME sources for compliance years 6 through 20.
- Loans would be provided directly to owners by the Agency after the projects are determined to qualify for other agency financing, such as first mortgage financing or low-income housing tax credits, and that they meet HOME income and rent eligibility requirements. Exception: Federally-assisted projects with existing Minnesota Housing first mortgages are not required to receive other agency financing to qualify for Rental Capital.

Preservation of assisted housing will have priority of funding. Applications for funding will be considered in a competitive process, except for federally-assisted housing where Minnesota Housing has a first mortgage.

Forty percent of 2011 funds would be allocated to the program, as well as $2.5 million of Asset Management carry forward funds from 2010.

Rehabilitation Loan Program. The Rehabilitation Loan Program will be provided 40% of the 2011 HOME funds for deferred repayment loans with zero percent interest for low-income homeowners to finance basic home improvements that directly affect the safety, habitability, energy efficiency or accessibility of their homes and to bring them into compliance with Minnesota Housing's rehabilitation standards. Eligible applicants must occupy the home as their principal residence for 15 years, or 10 years if it is a mobile home located in a mobile home park; have assets not in excess of $25,000; and have a gross annual income of no greater than 30% of the 11-county metropolitan area median income, adjusted for family size, except that in no case may it exceed the HOME income limits. At successful completion of the loan requirements, their deferred loan is forgiven.

The minimum loan amount is $1,000 and the maximum loan amount is $24,999. However, up to $10,000 of additional funds may be provided if necessary for required lead hazard reduction.

When the Rehabilitation Loan Program is used to respond to a disaster, gross annual income of borrowers shall not exceed 80% of area median income, adjusted for family size, and the amount of HOME assistance, including soft costs, may not exceed the maximum per-unit subsidy amount of 24CFR §92.250. Authority to use HOME funds in a disaster response and the income limits, loan amounts, and loan terms will be determined by the Minnesota Housing Board.

Eligible soft costs will be paid from HOME funds, but not included in the loan amount.

HOME Downpayment Assistance. Ten percent of the 2011 HOME funds will be allocated to the HOME Homeowner entry loan program (HOME Help). HOME Help provides assistance for downpayment and closing costs, including eligible soft costs, to low-income first-time homebuyers. Assistance is in the form of a zero percent interest rate deferred loan. If the property is sold or ceases to be the principal residence of the homebuyer within five years, the full amount of the loan must be repaid. After the fifth year, 30% of the original loan amount remains owing and must be repaid when the property is sold or ceases to be the homebuyer's principal residence or the loan matures.

Rationale for Allocations. HOME downpayment assistance, and preservation of affordable rental housing benefits low- and extremely low-income renter households. The consolidated plan needs assessment demonstrates that those households are the most likely to be cost burdened, to be more severely cost-burdened, and to have other housing problems.

The need for homeowner rehabilitation is also demonstrated by the consolidated plan needs assessment, which indicates that 54% of low-income households are owners, 46% have housing problems, 44% are cost-burdened, and 18.5% are severely cost-burdened.

Therefore, MHFA will allocate the one-half of its HOME funds to activities that provide affordable rental housing or first-time homebuyer housing primarily to low- and extremely low-income renter households, and the balance to owner-occupied rehabilitation and agency administration.

HOME Tenant-Based Rental Assistance (TBRA). The Minnesota Housing Board may allocate program income or reallocate a portion of HOME funds from one or more activities for use in a TBRA program to address long-term homelessness. TBRA may be provided to assist households experiencing homelessness through qualified nonprofits or local governments. Alternatively HOME TBRA may be made available to Public Housing Agencies to assist any eligible household as incentive for the PHA to provide a comparable number of project-based vouchers for permanent supportive housing. In either case, the administrator must arrange for the availability of supportive services for the formerly homeless tenants whether they are receiving HOME TBRA, or project-based voucher assistance. Local market conditions for use of TBRA would be such that there would not be a readily available supply of permanent supportive housing for homeless households.

Portability of assistance would be limited to housing within the jurisdiction of the entity through which the rent assistance is provided.

The level of HOME TBRA that Minnesota Housing would provide to households experiencing long-term homelessness would be sufficient to move the homeless household into decent housing, but provide adequate incentives for the household to accept Section 8 rent assistance or public housing when it becomes available.

HOME Disaster Response. The Minnesota Housing Board may allocate program income or reallocate a portion of HOME funds from one or more activities for use in a disaster response. The type of response will be determined based on the needs in the disaster area and the other resources that may be available. All recipients of assistance and their housing will be HOME-eligible.

HOPWA Program Activities. All HOPWA funds are allocated for use outside the EMSA. In consideration of the fact that almost all persons with HIV/AIDS in Greater Minnesota are housed, the state will fund activities to assist persons to stay in their housing. Those activities are emergency assistance with rent, mortgage, and utility payments. Priority for funding will be given to the Minnesota AIDS Project to continue existing programs. Minnesota Housing will use 3% of the HOPWA grant for administrative expenses.

ESGP Activities.

Under the reauthorization of the McKinney/Vento Homeless Assistance Act (HEARTH Act), beginning in FFY 2011, the amount of ESGP funds that can be used for shelter activities is limited to 60% of the awarded amount or the amount of FFY 2010 ESG funds expended on emergency shelter, whichever is greater. This latter amount is called the "Hold Harmless" amount. In federal fiscal year 2010, the State of Minnesota spent the entire ESG award amount, excluding five percent for program administration, on shelter activities.

For FFY 2011, the State of Minnesota intends to expend the maximum amount allowable under the Hearth Act for shelter operations and services. Any award amount that exceeds this amount will be used for other ESG eligible activities.

Funding for the operating and service costs of shelters will benefit approximately 13,144 individuals. The number of persons served other ESG eligible activities will depend on the amount of funding available for these activities. The projects do not anticipate receiving any program income during this period

The target date for completion of these activities is June 30, 2012.

SCDP Activities. The SCDP portion of CDBG funds are made available to the state for distribution to develop viable eligible communities by providing financial assistance to address the need for decent, safe, and affordable housing, and economic development and public facility needs; and provide a suitable living environment by expanding economic opportunities, principally benefiting low- to moderate-income households.

Eligible applicants are cities with a population under 50,000 and counties and townships with an unincorporated population of fewer than 200,000.

DEED anticipates the funding level for this program to be approximately $22,000,000 annually. Funds are made available through a competitive selection process throughout the state.

SCDP Disaster Response. DEED may allocate program income and/or reverted dollars from previous or current CDBG awards for use in a federally and/or state declared disaster response. The type of response will be determined based on the needs in the disaster area and the other resources that may be available. All recipients of assistance will need to meet CDBG requirements.

Lead Remediation. In 2003, the MN Department of Employment and Economic Development (DEED) and Minnesota Department of Health (MDH) partnered to implement a Lead Hazard Control grant in the amount of $2.43 million dollars and remediated lead in over 300 properties.

§91.320(e) Outcome Measures and 91.320(c)(3) Annual Objectives

HOME and HOPWA

The objective for all HOME and HOPWA activities is decent housing, and the outcome category is affordability. Affordability will be provided through affordable HOME financing for the rehabilitation and preservation of affordable rental units and affordable deferred-loan assistance for downpayment assistance and rehabilitation of owner-occupied single family homes; and affordable emergency assistance from the HOPWA program to help low-income persons with HIV/AIDS remain in their housing.

- Rental Capital Program: 150 units rehabilitated for low-income renters;
- Owner Rehabilitation: 160 rehabilitated units of owner-occupied housing.
- HOME Downpayment Assistance: 110 households will receive downpayment assistance.
- HOPWA: 150 low-income households will receive emergency assistance to remain in their homes.

ESGP

The objectives of the ESGP funding will be to create suitable living environments for the households that use the shelters receiving these funds. The outcome measure that will be used to determine success will be to maintain the availability of shelter space.. The specific indicator used to measure this outcome will be the number of persons served in shelters receiving this funding.

SCDP

The objective and expected outcomes for the **SCDP** program activities are as follows:

Activity	Objective	Outcome
Owner Occupied Rehab	2	1
Rental Rehab	2	1
Commercial Rehab	3	3
Public Facilities Projects	1	3
New Construction	2	2
Homeownership Assistance	2	2
Relocation	2	1
Acquisition	1	1
Clearance	1	1

Objective
1 Create suitable living environments
2 Provide decent affordable housing
3 create economic opportunities

Outcome
1 Availability /accessibility
2 Affordability
3 Sustainability

Any new activities not currently being addressed will be reviewed for outcome measures at the time they are being addressed.

§91.320(f) Geographic Distribution

HOME funds are available for use throughout the State. This is a change in policy from previous years when the availability of Rental Rehabilitation funds were restricted to non-entitlement areas.

Any HOME disaster response that may be necessary will be limited to the area of the disaster.

HOPWA funds are allocated for use outside the EMSA because these are the only funds available in those areas specifically for persons with HIV/AIDS.

ESGP
The ESG application process will be open to programs statewide. A priority will be given to applications from programs in non-ESG entitlement areas. The funds will be targeted according to need as measured by the incidence of poverty, housing burden (households paying more than 50 percent of income for housing), and public assistance caseloads.

SCDP
SCDP funds are allocated to cities with a population less than 50,000, and counties and townships with an unincorporated population of fewer than 200,000. The flexibility of this program ensures that eligible applicants are able to prioritize and address the needs of their communities.

§91.320(g) Affordable Housing Goals, 2011

Rental Capital Program:	150 units will be rehabilitated and occupied by low-income households
Rehabilitation Loan Program	160 single family owner-occupied houses will be rehabilitated for low-income households
HOME Downpayment Assistance:	110 low-income households will purchase affordable housing
HOME-TBRA (contingent goal):	20 homeless persons/households obtain affordable rental housing
HOPWA:	150 households will remain in their houses and avoid homelessness.
ESG:	13,144 individuals in households
SCDP Rental Rehab:	80 households rehabilitated and maintain fair market rents
SCDP Owner Occupied Rehab:	375 low to moderate income families/units
SCDP Down payment assistance:	0 low to moderate income households
SCDP New Housing Rental:	25 low to moderate income units at fair market rents

§91.320(k)(2) HOME

(ii) Resale and Recapture of HOME Funds used for Homebuyers

HOME downpayment assistance (HOME HELP) will enforce affordability restrictions by a zero percent interest rate deferred payment subordinate mortgage that requires repayment of some or all of the HOME assistance if the home is sold or ceases to be the borrower's principal residence during the term of the mortgage. The amount that is subject to recapture will be reduced from 100 percent to 30 percent of the original amount of assistance after the sixth anniversary of the loan.

The amount that is subject to recapture is limited to the amount of net proceeds available (sales price minus payment of superior claims against the property and closing costs). Net proceeds are first used to repay downpayment assistance before distributing the balance to the homeowner or other claimants.

(iv) HOME HELP

HOME HELP provides assistance for downpayments, closing costs, and eligible soft costs to first-time homebuyers receiving a Community Activity Set-Aside (CASA) Minnesota Housing mortgage. The program's goals are increasing homeownership among households of color and providing incentives to stabilize neighborhoods by providing assistance to households that purchase foreclosed properties or homes in foreclosure-impacted areas.

Rehabilitation costs are not an eligible expense for projects funded with HOME HELP.

To ensure the suitability of families to undertake and maintain homeownership, Minnesota Housing will mandate that, at minimum, buyers complete training in the "Home Stretch" curriculum or its equivalent. "Home Stretch" is the curriculum of the Home Ownership Center, a nonprofit organization dedicated to promoting sustainable home ownership for low- and moderate-income Minnesotans through the development and delivery of quality, standardized education, counseling, and related support services. The following organizations have homebuyer education requirements and have approved Home Stretch as fulfilling those requirements: Minnesota Housing, Fannie Mae, Freddie Mac, FHLMC, FHA, Rural Development, Mortgage Guaranty Insurance Corporation, and a number of private mortgage insurers.

§91.320(k)(4) HOPWA

Minnesota Housing will award its HOPWA allocation to continue its program of temporary emergency rent, mortgage, and utility assistance for persons and families with HIV/AIDS by extending the funding of the Minnesota AIDS Project, which provides this assistance outside the EMSA.

The state anticipates that 150 household will be assisted in the 2010 program year.

§91.330 Monitoring

Minnesota Housing

Rental Programs
Minnesota Housing will monitor HOME Rental Rehabilitation and HOME Rental Capital properties for compliance by annually requiring owners to submit tenant income and rent information for review for compliance with HOME regulations. Minnesota Housing multifamily division staff will physically inspect each property at least as frequently as required by 24 CFR §92.504(d) for compliance with property standards and to verify the accuracy of information owners submitted regarding tenant incomes and rents, and continued use of a HOME-eligible lease form.

Minnesota Housing employs a "HOME Rental Rehabilitation Loan Program Compliance Manual" that it provides to owners and management agents of HOME-assisted rental properties. Minnesota Housing has not yet implemented the HOME Rental Capital program, but a similar compliance manual will be employed in that program as well. The manual covers all HOME compliance issues, including leases, rents, incomes, maintaining unit mix, affirmative marketing, and property standards.

Minnesota Housing has completed development of and has implemented a "Compliance Monitoring System" for tracking required submissions from owners, instances of non-compliance, and reporting on whether compliance is achieved. The system is automated with pre-determined times for follow-up reminders to staff to complete identified tasks and jobs according to the required schedule, reporting to managers when internal standards for correcting non-compliance are not met, and automatic notices to owners and property managers when non-compliance is found.

Downpayment Assistance
Minnesota Housing monitors compliance in its HOME Help program by reviewing each downpayment assistance file for eligibility before funding it, and annually reviewing the performance of each lender that originates the loans. Results of each lender review are shared with the lender, both verbally and in writing. Areas requiring improvement and strategies for performance improvement are discussed with the lender.

The Agency' staff will monitor the work of each of its contract inspectors by re-inspecting a sample of homes, but no fewer than one house per contract inspector. The size of the re-inspection sample for each contract inspector will depend on the outcome of re-inspections previously conducted. In addition to this re-inspection protocol, each inspection is reviewed by Agency staff to ensure that visual assessments of paint are conducted for properties that are built before 1978, that if paint stabilization is required a clearance examination demonstrates clearance, and that items identified as deficient in the initial inspection are indicated as corrected in the follow-up inspection report. This review is completed before HOME funds are committed and disbursed.

Single-Family Rehabilitation Loan Program

All loan documents and verifications are submitted to Minnesota Housing for review for compliance before HOME funds are committed. Loans are reviewed for:

- HOME compliance;
- Minnesota Housing program/policy compliance;
- Fraud or misrepresentation on the part of any party involved in the transaction; and
- Trends and/or other indicators that may have an impact on the financial viability of the loan program in part or in whole.

This will occur via a four stage loan review process throughout the life of the loan origination, rehabilitation and loan purchase approval process, specifically:

- The first stage will be the environmental review;
- The second stage will be at time of loan commitment;
- The third stage will be half way through rehabilitation; and
- The fourth stage will be upon completion of the rehabilitation and before loan purchase approval.

In addition to a complete review of each loan file for compliance with program requirements, Rehabilitation Loan Program Lenders will be monitored on a regular basis. Lenders will be selected for monitoring based on an annual risk analysis, which includes these variables:

- Loan Volume,
- Number of findings during loan review,
- Communication status,
- Staff turnover;
- Last time monitored; and,
- Outcome of last monitoring visit.

Based on this risk analysis, the goal is to monitor five lenders a year. There are currently 44 lenders enrolled in the program, 23 of which are active.

Monitoring will include, but is not limited to:
Ensuring Lenders maintain capital and trained personnel adequate to render the services required as a part of the Lender's participation in the Program;
Ensuring Lenders maintain loan program records;
Ensuring Lenders maintain appropriate insurance coverage; and
Site visits to rehabilitated properties assisted by the Rehabilitation Loan Program.

Errors in any aspect of the loan origination and documentation processes are communicated to lenders as they are identified by Agency staff and must be corrected before the loans are purchased by Minnesota Housing. On-site monitoring results are documented by Agency staff and provided in writing to the appropriate staff at the originating lender's office.

For HOPWA capital projects, monitoring consists of:
1) Owners annual submission of a Deferred Loan Owner Certification and Characteristics of Tenant Household Report.
2) Property inspections per our Board-approved inspection cycle unless they have compliance issues that require more frequent inspections.

Inspection includes a physical inspection of the property, tenant file review to conform eligibility, and HOPWA Development Review using the checklist that covers whether there are service plans in place; whether HOPWA residents receive the services offered to them; if any adverse actions have been taken against residents since the last HOPWA review; if residents were terminated from the program, review evidence of due process that was provided the tenants; and compliance with audit and record retention requirements.

Monitoring of emergency rent and mortgage assistance includes:

1. Monthly review of administrative budget, production, and utilization of funding.
2. Evidence that the grantee is collecting appropriate demographic data.
3. Biennial site visits to the grantee to review the following:
    - Policies and procedures
    - Compliance with audit and data practices requirements
    - Documentation of compliance with time limits for assistance
    - Documentation of all aspects of tenant eligibility
    - Documentation that each participant was provided an opportunity to receive case management services
    - Source documentation of rental, mortgage, or utility expense

SCDP(not Economic Development or Microenterprise)

Grant Funds

There are two forms of monitoring which are conducted by SCDP staff, Onsite and Desk.

Onsite:

All monitoring aspects are conducted by SCDP staff based on projects in their geographical region including any new projects. Management checks each SCDP representatives monitoring schedule to ensure all monitoring are being completed.

Each grantee will be monitored through an on-site visit at least once during the term of the funding agreement. Follow-up monitoring may occur if there are significant findings of noncompliance with program requirements to ensure that problems have been corrected; or if other indicators of program noncompliance or administrative difficulties become apparent from reviews of program documents, telephone conversations, or other sources. Grantees are notified in writing prior to our monitoring visit. Once on site, an entrance meeting is conducted to discuss the monitoring process, the monitoring is then conducted and once completed an exit meeting is held to discuss the results of the monitoring. DEED staff then produces a written report of the visit to the grantee concerning the monitoring including any concerns or findings with appropriate actions and due dates that are needed to be addressed by the grantee. A monitoring checklist/guide has been developed by DEED as a tool to assist in the monitoring process. All grants are subject to monitoring to ascertain whether the activities stated within the approved application address federal objectives, are eligible activities, and if adequate progress has been made by the grantee within the time period stated in the funding agreement.

The monitoring process would include a review of a sample of files to determine:

- Meeting goals and objectives
- Actions to ensure compliance with rules and regulations
- Actions to ensure timeliness of expenditures

Desk Monitoring

Desk monitoring is conducted on an ongoing basis from start of grant until closeout. The SCDP representative reviews start up documents, ongoing activities, payments to grantees, annual reports,

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Appendix E
Comments

2011 Action Plan Public Hearing Attendance

September 27, 2010 – No attendance

November 18, 2010

Carolyn Brown, Member

L.I.F.T. to End Poverty

and

Hector Garcia, Executive Director

CLAC, Chicano Latino Affairs Council

No comments were received both attendees inquired about all programs. General information questions were answered.

Summary of Comments and Responses

Comment

Comments received from the Southwest Minnesota Housing Partnership (SWMHP), the Headwaters Housing Development Corporation, the Northern Communities Land Trust, the Central Minnesota Housing Partnership, Three Rivers Community Action, Inc., and Duluth LISC generally supported the HOME programs described in the Action Plan, but each requested that the State modify the draft plan to allocate 5% of HOME grant to CHDO Operating Expenses, as permitted by law. Ms. Barb Sanderson, Minnesota Housing Board Member, also commented in support of providing funds for CHDO Operating Expenses.

Response

The HOME program rules permit the State to use HOME to pay a portion of the Operating Expenses of CHDOs that receive CHDO set-aside funds, or will receive CHDO set-aside funds within 24 months under a written agreement with the State. Funds for Operating Expenses may not be used to pay the operating expenses of CHDO developments, or the costs of CHDOs that are associated with CHDO set-aside projects.

The State will not adopt the recommendation to allocate funds to CHDO Operating Expenses for 2011, but will engage interested parties during the coming year to explore the need and purpose of using HOME funds for CHDO Operating Expenses as part of its 2012 consolidated plan.

Comment

SWMHP commented that the State should prioritize the use of its HOME funds in non-entitlement areas.

Response

Unlike the CDBG program, Minnesota Housing's allocation of HOME is not designated by HUD for use only in non-entitlement communities. The Agency allocates its HOME resource in ways that help the agency achieve its housing objectives, without regard to location. Minnesota Housing has multiple funding sources and, taken as a whole, distributes them equitably between all areas of the State.

Comment

SWMHP commented that the State should focus the HOME Rental Capital Program on preserving federally-assisted rental properties.

Response

The State agrees with and appreciates SWMHP's comment. Accordingly, the Rental Capital Program description has been modified to give priority to preservation of affordable rental projects.

Comment
Use of CDBG non-entitlement funds for homelessness, research, and data collection using the HMIS system.

Response
Non-entitlement cities, counties, townships and unincorporated areas apply to the State of Minnesota for CDBG funds based on their own set of priorities. Very few communities apply to the CDBG program for homeless funds as there are alternative sources for those funds.

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FAX 651-280-3700

www.wilderresearch.org

EXECUTIVE DIRECTOR
Paul Mattessich

11/19/2010

To Whom It May Concern:

The Homeless Management Information System (HMIS) is a Department of Housing and Urban Development (HUD) requirement and successful community participation in the system is rated as part of HUD's funding process. Because of the requirements, and the potential importance of information collected through HMIS to Heading Home Minnesota and other efforts to address homelessness in the state, it is an important part of the homeless and supportive housing system in Minnesota. Therefore, Minnesota's HMIS should be considered within the State of Minnesota Action Plan for Housing and Community Development FY2011.

As part of the Continuum of Care (CoC) processes, HMIS participation and reporting capabilities are rated and used by HUD within the overall CoC score to ascertain funding. Without a good HMIS rating, HUD funding to support Homeless and Other Special Needs Activities outlined in the plan could be in some jeopardy.

In addition, the new HEARTH Act guidelines increase the role of HMIS reporting in Continuum of Care processes. HMIS plays a key role, both in supporting the local resources and the Homeless and Other Special Needs activities included in the State of Minnesota Action Plan for Housing and Community Development FY2011. HMIS can also fill the need for data to support both the Heading Home Minnesota plan and local Heading Home plans.

While HMIS is increasing in importance in the role of reporting on the Homeless and Other Special Needs Activities in Minnesota, and the Continuum of Care processes, HUD has not committed any further resources to HMIS. If the HMIS funding continues only at the current level, Minnesota's HMIS likely will not have enough resources to meet HUD and CoC goals.

As CDBG funds are eligible for use on HMIS systems and the goals of the system align well with the majority of project described in the

Consolidated Plan, we encourage consideration of how HMIS fits with the Plan and its funding alignments beyond our current contracts with agencies running programs described in Homeless and Other Special Needs Activities section.

As described in the plan, current resources are not sufficiently meeting community needs. Overlooking HMIS within the Action Plan could result in further limitation of homeless assistance programs. Including HMIS within the plan will strengthen Minnesota's chances of receiving resources vital to serving those experiencing homelessness in our state.

Sincerely,

Craig Helmstetter
HMIS Project Director

Laura McLain
HMIS Project Manager

Southwest Minnesota Housing Partnership

"Putting Together the Pieces of Community Development"

November 19, 2010

RE: Comments on the State of Minnesota Action Plan for Housing and Economic Development FY 2011

To Whom It May Concern,

The Southwest Minnesota Housing Partnership is a non-profit community housing development organization (CHDO) that is active in southwestern, south-central and west central Minnesota. We provide many housing related services to our low and moderate income residents. The major services that we provide include the development and ownership of affordable housing, the administration of housing and commercial rehabilitation programs, ownership of supportive housing units and the coordination of homeless services, assistance to homebuyers and homeownership education programs and community planning services.

We have reviewed the 2011 State of Minnesota Action Plan for Housing and Economic Development FY 2011 and are generally supportive of the plan but would like to make the following comments:

1. We believe that the use of HOME funds controlled by the State of Minnesota should be prioritized to non-entitlement areas. The plan does indicate that Minnesota's HOME allocation received for the non-entitlement areas will be utilized regardless of a jurisdiction's access to their own HOME allocation and does not appear to address the access to HOME Funds by communities who are not Participating Jurisdictions and have to rely on the State of Minnesota.

2. We are very supportive of the use of HOME funds for a Rental Capital Program but would urge the State to focus HOME resources on the preservation of existing federally assisted rental properties. This would align the Action Plan more closely with work being conducted by the Minnesota Preservation Task Force and support important preservation activities being implemented across the State of Minnesota.

3. We would strongly urge the amendment of the plan to utilize 5% of HOME funding for CHDO operating support. This is an allowable use of HOME funds and has been provided in past plans to support the implementation of the plan by CHDOs. CHDO operating support is critical to organizations such as ours that operate within large geographical service areas and provide many critical services to our communities and their residents. The use of this support will allow the Southwest Minnesota Housing Partnership increase our capacity to implement the goals as identified within the Action Plan.

NeighborWorks CHARTERED MEMBER

Center for Regional Development
2401 Broadway Avenue
Slayton, MN 56172-1142

Phone: 507.836.8673
Fax: 507.836.8866

Email: swmhp@swmhp.org
Website: www.swmhp.org

We appreciate the opportunity to make comments concerning this Important Action Plan. Please contact me if you need anything further.

Sincerely

Rick Goodemann, Executive Director
Southwest Minnesota Housing Partnership

Minnesota Department of **Human Services**

December 6, 2010

Justin Vorbach
Southwest Minnesota Housing Partnership
2401 Broadway Avenue
Suite 4
Slayton, MN 56172

Dear Mr. Vorbach,

Thank you for submitting comments on the State of Minnesota's Consolidated Plan. Your comments were in support of the language proposed by the Minnesota Department of Human Services in the draft plan for use of the Emergency Solutions Grant Program funding. No changes will be made to the language contained in the Consolidated Plan draft.

Thank you for taking the time to comment.

Sincerely,

Connie Greer

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MACV

MINNESOTA ASSISTANCE COUNCIL FOR VETERANS

SERVING VETERANS THROUGHOUT MINNESOTA

November 19, 2010

Action Plan, Attn: Gloria Stiehl
Minnesota Department of Employment and Economic Development
First National Bank Building
332 Minnesota Street, Suite E200
St. Paul, MN55101-1351

RE: 2011 ACTION PLAN OF THE STATE OF MINNESOTA'S 2007-2011 CONSOLIDATED HOUSING AND COMMUNITY DEVELOPMENT PLAN COMMENTS

As an HPRP grantee, I **strongly support** extending the HPRP timeline from a grant end date of September 30, 2011 to the date in federal regulation which would be 3 years from the start date or September 30, 2012. (p.28/see below)

Homelessness Prevention and Rapid Rehousing Program

Homelessness Prevention and Rapid Rehousing Program (HPRP) funding has been awarded to 30 grantees in non-entitlement areas for ESG for the time period of October 1, 2009 through September 30, 2011 for the following activities:

DHS has contracts with HPRP projects that run for two years, while the federal rules allow for the program funds to be used for three years. There is a requirement to show expenditures of 60% of the funds by the end of the second year by the federal government which I am certain grantees could meet, however, as exemplified by our organization's case, we took time at the beginning of this grant to make sure we were implementing in a consistent fashion throughout our three regional offices. We took the time to put all of the changes in place regarding new forms and eligibility, which had to be blended with our other programs. So we didn't actually start utilizing the dollars until 1Q 2010. Also, being that the program allows clients to receive up to 18 months of

360 ROBERT STREET N., SUITE 306 • SAINT PAUL, MN 55101
OFFICE 651.291.8756 • FAX 651.225.8491
www.mac-v.org • mac-v@mac-v.org

assistance, the two year contract is already limiting the length of time any new HPRP client can be in the program to 11 months at this point and will continue to decrease as we approach the contract deadline.

This one time NON-RENEWABLE funding is being leveraged to fill gaps in services and many grantees could produce positive and significant outcomes if this funding timeline followed the federal regulations. Also, given the best information we have, it looks like the funding to continue 'HPRP like activities' will only be at most 7% of what we have under the current HPRP program. It only makes logical sense then to make the HPRP funds last for a longer time in order to effectuate the best desirable outcomes possible with this one-time funding.

I have gotten this comment from many of my peer HPRP grantees and strongly request this be given serious consideration.

Regards,

Kathleen Vitalis

Executive Director
Minnesota Assistance Council for Veterans
651-222-0613 (work)
612.205.5001 (cell)
kvitalis@mac-v.org
www.mac-v.org

Minnesota Department of **Human Services**

December 6, 2010

Kathleen Vitalis
Executive Director
Minnesota Assistance Council for Veterans
360 Robert Street North
Suite306
St. Paul, Minnesota 55101

Dear Ms. Vitalis,

Thank you for submitting comments on the State of Minnesota's Consolidated Plan. Your comments regarding extending the end date of the Homelessness Prevention and Rapid Rehousing Program (HPRP) resulted in the addition of the following language:

"The Minnesota Department of Human Services will consider requests for an extension of the HPRP funding period on a case by case basis."

Thank you for taking the time to express your concerns about the HPRP.

Sincerely,

Connie Greer
Minnesota Department of Human Services

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Responses to Ms. Watlov Phillips' Comments

1. DHS has been advised by HUD to move forward on ESGP planning using the HEARTH Act authorizing language. If the regulations require changes then the plan will be amended. If Plan changes amount to a substantial amendment, then a public comment period will be provided, as required in the State's Citizen Participation Plan.

2. DHS encourages homeless participation; the public participation process is in place as identified in the con plan and as specified in the Hearth act.

3. DHS will maintain flexibility as outlined in the five-year plan as allowed by the Hearth act.

4. DHS will confer/consult with the Coc's through a variety of venues as required by the Hearth act.

5. To DHS's knowledge, the Con plan contains the most comprehensive list of affordable housing opportunities available

6. Minnesota Housing does not support using its HOME funds on tenant-based rent assistance except if necessary to support the initiative to end long-term homelessness. The state is not in a position to provide continuous funding and to take over what has traditionally been a federal responsibility.

7. The State does not have control over how Federal and Local governments use their resources; however, beneficiaries of Minnesota Housing Finance Agency funding tend to have limited income. Nearly 80% of on-Section 8 renters in 2009 had incomes less than $20,000 a year, or 20.4% of the statewide median income of $72,900. Approximately 55% of homeowners and buyers had incomes less than $40,000 a year, or 54.8% of statewide median.

People of color are over-represented in homeownership and rehabilitation programs, compared to their share of the eligible population. In 2009, 31% of first-time homebuyers were households of color compared to 17% of the population of households of color that would be eligible for the program. Of the agency's programs that served 500 or more households in 2009, households of color constituted from as low as 5.7% in the HOME Rental Rehabilitation Program, which was offered only in Greater Minnesota, to as high as 62.2% in the Housing Trust Fund Rental Assistance program.

Source: "Housing Assistance in Minnesota Program Assessment: October 1, 2008 – September 30, 2009.

8. The flexibility of SCDP funds allows communities to create their own selection criteria for the activities they are requesting funds for as long as they meet the criteria of the SCDP program, so priorities for special needs populations are addressed within each individual application that is submitted to DEED.

9. No Response

10. Neither DEED nor Minnesota Housing will coordinate their other resources with NSP. However, Minnesota Housing uses its HOME-Help program, used in conjunction with the Community Activity Set-aside (CASA) program, to target the purchase of foreclosed properties. In 2010, 32% of HOME-Help borrowers purchased foreclosed properties.

Comment (11a): State agencies that require the use of HMIS work with providers to ensure data quality and reliability. Data quality continues to improve as providers become more familiar with the system; state and local programs now use HMIS data for various reports. The State encourages those who know of specific examples of incorrect or invalid data to report instances of inaccurate data to Wilder Research, the administrator of HMIS .

Comment (11b): Wilder Research, administrator of the HMIS system, the state, and all HMIS users take data privacy very seriously. The HMIS Governing Group, which acts in an advisory capacity to Wilder Research, has stringent policies and procedures regarding access to HMIS records. Violations are reported to Wilder Research which acts quickly to resolve any issue. To date, there has been just one violation which required Service Point, the software provider, to make a change to the software.

Comment (11c): HUD has never addressed the issue of funding the HMIS mandate. Recognizing the financial burden the system may place on organizations that serve people experiencing homelessness, the state has made funding available for HMIS and will continue to do so. The state believes it is in the interest of policy makers, administrators, providers and, ultimately, clients to maintain a reliable and responsive data management system for housing programs that serve people who are or have been homeless in Minnesota.

The next budget and the State commitment to address issues of homelessness will be determined by the next Governor.

Comment (11d): The HMIS Data and Technical Standards Final Notice was published in the Federal Register on July 30, 2004. The State is obligated to comply with the Notice until such time as it is amended to meet the reporting requirements of HEARTH. This has been updated – April 2010 (although we never found the actual federal register of the final data standards). I think we could just say this:
The HEARTH regulations have not been published. The state will work with Wilder Research to ensure that the HMIS will meet the HEARTH reporting requirements and performance standards once the final regulations are published.

12. The Minnesota Interagency Council on Homelessness, a council of nine state agencies whose work impacts homelessness in the state, spearheaded the development of *Heading Home: Minnesota's Roadmap for Ending Homelessness*, which will be released to the public in November. At a time when the state is on the brink of electing new leaders to both the executive and legislative branches of state

government, the primary purpose of the Roadmap is to educate new leaders on the importance of ending homelessness – and the potential for achieving this goal – and to articulate a set of strategies for moving toward that goal. The Roadmap also provides local communities with "next steps" for their work to prevent and end homelessness. The Roadmap was developed in the context of existing federal, state and local plans to prevent and end homelessness, including the State's Business Plan to End Long term Homelessness. Many local communities in Minnesota followed on the heels of the state's commitment to ending long-term homelessness by creating plans to end homelessness in their communities. The federal government then developed and released a strategic plan to prevent and end homelessness in the nation. Released in June 2010, the federal plan sets out a vision for the country, a set of assumptions on which the plan is based and goals for ending homelessness for specific populations. Minnesota has adapted the values and assumptions to the work being done in our community and set out a plan that will direct the state toward accomplishing the federal goals in Minnesota.

The key strategies endorsed by the Minnesota Interagency Council on Homelessness are:

To educate, engage, and collaborate:

- Strengthen all relationships and partnerships that underlie the state's work to end homelessness and specifically the Interagency Council itself.
- Educate policy makers, including state legislators, about populations that are homeless and strategies for addressing homelessness, with a focus on leaders new to office
- Advance the state's ability to collect and analyze data on the characteristics of people homeless and solutions to homelessness by strengthening the statewide Homeless Management Information System and programs' ability to share data between and among agencies

To increase access to stable housing:

- Work with public housing agencies to expand eligibility for individuals, youth and families that have experienced homelessness

To reach out to people who are homeless and at risk of homelessness:

- Develop and promote population-specific best practices for assisting people leaving institutions
- Assist communities in developing information and referral materials for judges and court personnel who interact with people who are homeless or at risk of homelessness.

To improve well-being:

- Build on current efforts to assist people with Social Security disability applications

To transform the housing crisis response system:

- Work with the federal government and with MN communities to develop and promote a tool for assessing the needs of individuals, youth, and families that are homeless or at high risk of becoming homeless.

<u>Responses to Ms. Lee's Comments</u>

Minnesota Housing attempts to ensure that ethnic communities and all Minnesotans have access to the information they need to access programs, either as a recipient, or as a developer or lender.

The "Quick Links" section on the home page of Minnesota Housing's website has a button labeled "eNews Signup." Clicking on that button brings the reader to a page where they may register to receive eNews alerts dealing with a number of topics, including funding opportunities in either or both single- or multi-family programs, conferences, training sessions, and other information about Minnesota Housing. This provides the public a convenient way to be notified of items of interest and relieves them of periodically reviewing the website for new information.

Minnesota Housing believes that it is in the best interests of potential housing providers, the clients they hope to serve, and the agency to provide technical assistance to anyone that wants it to help them develop a viable application in response to a Request for Proposals and a successful program. Therefore, during Multifamily program RFPs Minnesota Housing conducts a webinar on the application process, makes the recorded webinar available for viewing over the internet, and makes the questions that were asked during the webinar and the answers, and the webinar Power Point presentation available for viewing over the internet.

Minnesota Housing's "Multifamily Technical Assistance" webpage also provides links to other technical assistance providers, including the Corporation for Supportive Housing, the Minnesota Housing Partnership, the Local Initiatives Support Corporation, Green Communities, Metro-wide Engagement on shelter and Housing, Minnesota Department of Human Services, and the Greater Metropolitan Housing Corporation.

The Agency's single-family programs offer technical assistance and reaches out in a manner similar to the multi-family programs, offering in-person and webinar training to help applicants prepare their proposals. And as described above, households of color generally participate in Agency programs in a larger proportion than their representation in the general population.

Minnesota Consolidated Plan: 2011

Additional and updated Public Comments: November 19, 2010
Sue Watlov Phillips, M.A., C.S.P.
Executive Director, Elim Transitional Housing, Inc
President, Integrated Community Solutions, Inc.

1. The State Consolidated Plan should not make any changes to ESG or CoC plans until the HEARTH final regulations are published. We are requesting an additional public comment period time be available once the HEARTH and Consolidated Plan regulations are finalized to review the Minnesota Consolidated Plan and its goals and objectives.

   We are requesting that the State Coordinates with the other entitlement communities to coordinate the use of CDBG funding to rehab shelters and transitional housing, so that ESG funds may be used to provide at least current level of shelter, outreach and Prevention and Rapid Rehousing Activities.

   How will the State coordinate sign off for its ESG plan as required by HEARTH in each COC area it funds?

2. ESG grantees will be required in the McKinney Vento as amended by HEARTH to have **Homeless participation. How will the State monitor it?**

3. ESG Funds: In the 2011 Action Plan, we request the ongoing flexibility as outlined in the 5 Year Plan be available for the use of ESG Funds. This will provide the flexibility to address the changes in funding which may occur in the 2011 Minnesota Legislative Session. **While we support the focus of ESG funding on shelter activities as described in the Draft Consolidated Plan, we are concerned about how we will continue to provide Prevention and Rapid Rehousing services with Federal funds when HPRP funds end in Fall 2011?**

4. How will State incorporate ESG, COC, and the new Rural Housing Stability Grant Program changes into State Consolidated Plan as the HEARTH Act amends McKinney Vento?

5. **We again request the plan include all affordable housing opportunities through DHS- including GRH, GRH- LTH, LTH Services, Corrections, and Domestic Abuse Programs, etc. We encourage DHS and others on the Interagency assist with this list.**
   We oppose any attempt by State staff to limit/ restrict the use or the flexibility for FHPAP funding, through the RFP process in 2011.

6. HOME Tenant Based Rent Subsidies have been successfully utilized for people with limited incomes since 1994 in Anoka County. In light of the State Deficit and potential reduction in State funded programs, we encourage the expansion of the HOME tenant based rent subsidy program to include all populations not just those serving Long Term Homeless populations. Focus should be at 30% and below median in urban areas and 50% of median income in rural areas. In addition, we request that communities of Color and Veterans are prioritized to utilize these Funds.

We disagree with State's response to our original comment. The HOME TBRA program does not fit with Minnesota LTH Housing models- which are Housing First, NOT requiring people to pay rent, be or apply for subsidized housing and no time limit on length of stay as prescribed in the HTFLTH and GRH-LTH programs. HOME TBRA does require people to pay rent and be good tenants to maintain the rental assistance. Again we request the State use HOME TBRA to assist people who are at risk of experiencing homelessness as a Prevention Tool and those experiencing homelessness as a Medium Term Shallow Rent Subsidy program to assist in replacing some of the HPRP funds we end in the Fall of 2011.

We request the State changes all LTH programs and requires, not suggests, participants to pay rent, be good tenants, apply or other subsidized housing, children attend school and address at least one issue that is causing instability in their housing.

We have demonstrated for 16 years in Anoka County that HOME TBRA is an excellent prevention tool and a Medium Term Subsidy for Rapidly Rehousing people experiencing homelessness without an ongoing commitment of Federal or State funds.

7. We recognize that the State has insufficient funding to meet the underserved needs. It is imperative our Federal, State, and Local resources are targeted to meet the needs of people with very limited income (below 30% of median) and people of color.

8. SCDP Funds: We would like the plan to describe how these funds will be prioritized and identify specific outcomes to help people with incomes under 30% and 50% of median income and people of color in affordable housing developments that assists special needs populations. We request these funds are focused on rental rehab. **Thank you for your explanation.**

9. **How will you use the Economic Development and Housing Challenge Program to focus linking housing investments to other quality of life outcomes related to environment, energy, transportation, and education?**

10. **Why is Minnesota Hosing and DEED not coordinating their resources with current and the new NSP funds available to communities directly from HUD and/or the State NSP funds allocated to local communities?**

11. The HMIS system in Minnesota is:
    a. Not providing reliable and valid data or reports. **We do report issues to Wilder and have a large 3Ring Notebook of issues we would be happy to share with the Interagency of emails of problems with Wilder.**
    b. Violations of data privacy have occurred. **The Hennepin County System is open. Private data is being shared without informed consent.**
    c. It is an unfunded or underfunded mandate by HUD and the State. It is utilizing funding previously used for services and housing to pay for the system, providers must utilize private donations to pay for the collection of HMIS and the administration of HMIS. State agencies are utilizing significant staff time and Administrative funds for HMIS. Private funders are also being asked to fund HMIS. How will the State address these concerns and prioritize and increase funding for homeless prevention, outreach, emergency shelters, youth homeless programs and transitional housing, and permanent housing programs with the deficit the

State will be addressing in 2011? **Is the State going to ask for specific funding to reimburse providers for their costs?**

d. **Our current HMIS will not meet reporting requirement needs as HEARTH amends McKinney Vento, how will the State address this issue and how will providers be reimbursed for these additional expenses?**

12. Any plan to end homelessness must have be an inclusive process – which includes listening sessions with people who have experienced homelessness, providers, faith community, and others in every CoC region in Minnesota. The plan must clearly identify a realistic plan of actual resources to implement the plan and include all people at risk or experiencing homelessness. It should be seamless system in which people can move between programs to access appropriate services. It should not be designed to respond to a specific population but rather recognize that people go through many transitions in life. Any State Plan to End Homelessness must identify, coordinate and compliment the CoC, ESG, Rural Housing Stability, and the Consolidated Plans as well as other State mainstream housing and services plans. All homeless programs should be expected and required to transition participants to mainstream housing and services programs. Participants should be required to pay their portion of rent, abide by landlord tent laws, apply for subsidized housing, and be expected to attempt to increase income through employments and/or public assistance, and to identify and access resources to help address issues that have caused their instability. **We do not believe the proposed " Road Map" provides a specific plan with an implementation strategy with specific and realistic funding mechanisms to prevent homelessness, create housing, create livable income, ensure affordable health care, and civil rights are protected- all key components to ending homelessness and Bringing Minnesota Home.**

    We disagree with the conclusion that the LTH Plan did not meet its goals just, because of the economy. The original LTH plan was dependent upon an increase in Federal Section 8 and maintenance and/or increase other Federal resources, which as we stated in all previous comments on the original and the recalibrated plan were not realistic based on what was being proposed in Congress.

13. **Barriers to Affordable Housing and Affirmatively Furthering Fair Housing: We have significant concerns that School Districts are re-drawing their boundaries so children living in low income housing go to one school and other children from families with higher incomes go to different school. Please see Myron Orfield's latest research for more information.**

The following responses are numbered to correspond to the November 19 comments of Sue Watlov Phillips, M.A., C.S.P., Executive Director of Elim Transitional Housing Inc., and President , Integrated Community Solutions, Inc.

1. State CDBG funds are used in non-entitlement areas only.
2. DHS Response
3. DHS Response
4. DHS Response
5. DHS Response;

Comments opposing limiting or restricting the use or flexibility for FHPAP funding in the 2011 RFP process are outside the scope of the Action Plan and have been forwarded to the appropriate staff at Minnesota Housing.

6. The State has allocated almost $15 million for prevention of homelessness for the 2010-11 biennium. The State believes that the Family Homeless and Prevention Program is more useful and can respond more quickly in preventing homelessness than HOME-TBRA.

Comments regarding changing the long-term homeless programs to require actions specified in the comments are outside the scope of the Action Plan and have been forwarded to the appropriate staff at Minnesota Housing for consideration.

7. The State does not have control over how Federal and Local governments use their resources; however, beneficiaries of Minnesota Housing Finance Agency funding tend to have limited income. Nearly 80% of on-Section 8 renters in 2009 had incomes less than $20,000 a year, or 20.4% of the Statewide median income of $72,900. Approximately 55% of homeowners and buyers had incomes less than $40,000 a year, or 54.8% of Statewide median.

People of color are well represented in homeownership and rehabilitation programs, compared to their share of the eligible population. In 2009, 31% of first-time homebuyers were households of color compared to 17% of the population of households of color that would be eligible for the program. Of the agency's programs that served 500 or more households in 2009, households of color constituted from as low as 5.7% in the HOME Rental Rehabilitation Program to as high as 62.2% in the Housing Trust Fund Rental Assistance program.

8. Currently DEED partners with Minnesota Housing to fund affordable housing which includes rental rehabilitation.

9. See §91.320(i) of the Action Plan.

10. DEED's resources are limited to non-entitlement areas of the State. Jurisdictions that receive NSP funds directly from the federal government are CDBG entitlement communities and not eligible to receive State CDBG funds.

Minnesota's has sub-granted almost two-thirds of its NSP 1 funds to direct NSP recipients. Those NSP resources are being coordinated by the subrecipients. The State's awards to jurisdictions that have not received direct allocations of NSP funds from the federal government may or may not also receive State CDBG funds. DEED allows local government recipients of State CDBG funds to define their own housing and community development needs, and does not impose State preferences for how they use CDBG funds, including foreclosure remediation.

11. Comments regarding HMIS are outside the scope of the Action Plan. Alleged data practices violations should be brought to the Governing Group.

12. Comments regarding the plan to end homelessness are outside the scope of the Action Plan, but will be forwarded to appropriate parties for their consideration.

13. Comments regarding school district boundaries are outside the scope of the Action Plan.

Minnesota Department of **Human Services**

December 6, 2010

Ms. Sue Watlov-Phillips
Elim Transitional Housing
3989 Central Avenue N.E.
Columbia Heights, MN 55421

Dear Ms. Watlov-Phillips,

Thank you for submitting comments on the State of Minnesota's Consolidated Plan. Following is the response to the parts of your comments pertaining to the Emergency Shelter/Solutions Grants Program (ESGP) from the Minnesota Department of Human Services.

Regarding comment number one, the Minnesota Department of Human Services (DHS) deemed it necessary to anticipate the transition from the Emergency Shelter Grants Program to the Emergency Solutions Grant Program to the extent practicable in the 2011 draft Consolidated Plan. While many details remain to be spelled out in the upcoming release of the new ESGP regulations, the Hearth Act itself provides the broad parameters of how the program will function in the future. DHS anticipates that the new program regulation will apply to funding which will be allocated in July of 2011, therefore, it was not prudent to wait for the regulations to be released to plan for some of the most general aspects of the new program. DHS has been meeting with other ESG entitlement areas on the future use of ESG funding.

The response to comments 2-13 will require DHS to see more specifically what is contained in new ESG regulations before specific plans can be made to address these new requirements. At such a time as the new ESG regulations take effect, HUD is likely to require a Substantial Amendment to the Consolidated Plan. DHS will use that opportunity to address any new issues raised by the new regulations.

Thank you for submitting your comments. We look forward to working with you and all other parties involved in addressing the homelessness issue in the future.

Sincerely,

Connie Greer

444 Lafayette Road North • Saint Paul, Minnesota • 55155 • An Equal Opportunity Employer

Schieber, Christine (DEED)

From: Stiehl, Gloria (DEED)
Sent: Thursday, November 18, 2010 1:57 PM
To: Schieber, Christine (DEED)
Subject: FW: Action Plan comments

Fyi

Gloria Stiehl / Administrative Assistant
MN Department of Employment and Economic Development
1st National Bank Building, 332 Minnesota Street, Suite E200 St. Paul, MN 55101
Direct: 651-259-7462, TTY: 651-296-3900
www.positivelyminnesota.com

Follow DEED on

From: Jenny Larson [mailto:JLarson@threeriverscap.org]
Sent: Thursday, November 18, 2010 1:12 PM
To: Stiehl, Gloria (DEED)
Cc: Mike Thorsteinson; dan.bartholomay@state.mn.us; Chip Halbach; whanson@gmhf.com
Subject: Action Plan comments

Comments on The State of Minnesota Action Plan for Housing and Community Development FY2011

To Whom it May Concern:

Three Rivers Community Action, Inc. is a non-profit organization that owns, operates and develops affordable housing units and administers loan programs throughout southern Minnesota. Three Rivers has developed 480 units of affordable housing and provided over 100 homebuyers and homeowners with access to downpayment or rehabilitation loan programs.

As a Community Housing Development Organization (CHDO) committed to meeting the needs of low- and moderate-income households, Three Rivers Community Action is writing in support of the State of Minnesota's Action Plan for Housing and Community Development, particularly in the aspects and programs that benefit Greater Minnesota communities. In particular, Three Rivers is in support of the proposed HOME Rental Capital Program to assist in the preservation of rental housing stock, as well as the homebuyer programs for rehabilitation and downpayment assistance. These programs are essential to the economic vitality of Greater Minnesota and the diverse population that lives here.

In addition to the support of the proposed programs, Three Rivers is requesting that the Action Plan be amended to include a portion of HOME funds (5%) for CHDO operating support. This request is in line with previous years where a portion of the HOME funds were provided to local CHDOs to fulfill the goals of the state plan. As a CHDO, Three Rivers is committed to developing units, rehabilitating homes and rental units, and administering programs for low- and moderate-income households. CHDO operating funds will allow Three Rivers to fill administrative gaps, increase our capacity and better serve our large rural geography. The funds will allow CHDOs across the state to create and retain jobs that will lead to the successful accomplishments of the goals in the State Plan.

Thank you for your time and attention. Please contact me if you have any questions.

Sincerely,

Jenny Larson

Community Development Director
Three Rivers Community Action, Inc.
1414 North Star Drive
Zumbrota, MN

Phone: 507-732-8510
Fax: 507-732-8547
Email: jenny.larson@threeriverscap.org

Three Rivers Community Action, Inc., works with community partners to address basic human needs of people in our service area, thereby improving the quality of life of the individual, family and community. Please consider a donation of time or money. For more information on how you can help, visit our website at www.threeriverscap.org

Schieber, Christine (DEED)

From: Stiehl, Gloria (DEED)
Sent: Monday, November 29, 2010 9:04 AM
To: Schieber, Christine (DEED)
Subject: FW: 2011 Consolidated Action Plan Comments

fyi

Gloria Stiehl / Administrative Assistant MN Department of Employment and Economic Development
1st National Bank Building, 332 Minnesota Street, Suite E200 St. Paul, MN 55101
Direct: 651-259-7462, TTY: 651-296-3900
www.positivelyminnesota.com

Follow DEED on

-----Original Message-----
From: Pamela Kramer [mailto:pkramer@lisc.org]
Sent: Friday, November 19, 2010 6:24 PM
To: Stiehl, Gloria (DEED)
Cc: Joe Johnson; himleins@centurytel.net; Jeff Corey; Chip Halbach; bsanders@paulbunyan.net; Dan Bartholomay
Subject: 2011 Consolidated Action Plan Comments

Ms. Stiehl:
Please consider this email as Duluth Local Initiatives Support Corporation's (Duluth LISC) comments for the Minnesota Housing Consolidated Plan expressing our support for and interest in the creation of the Rental Capital Program and use of HOME funds to fund this 0% deferred loan program.

As an organization working in partnership with the City, Duluth HRA, local non-profit developers and private sector property owners on revitalizing neighborhoods and preserving our existing housing stock, we are very much in support of this type of program. Funds for rental rehabilitation are in short supply in Duluth and in Greater Minnesota. We are in strong support of this type of program, as well as those providing acquistion, down payment assistance and housing rehabilitation for existing and new home owners and addressing the foreclosure issue.

Duluth LISC also asks that the plan be amended to allocate 5% of HOME funds for CHDO Operating Support funding. This request iis in line with past funding where a protion of HOME funds were provided to local CHDOs to carry out their work and implement the goals of the state plan.

Since the Rental Capital Program has funds for development by CHDOs, the program could then utilize its authority to commit 5% of its HOME funding for CHDO operating expenses. This is another important resource that has not been available for several years. The operating funds can be particularly helpful in offsetting the costs associated with supporting Duluth CHDO's on their housing development strategies that is important work that is hard to pay for.

Thank you for your consideration for the creation and funding of the Rental Capitol Program in the state's 2011 Consolidated Plan. We hope that you will also amend the draft Action Plan to include a commitment of 5% of HOME funding for CHDO operating expenses.

Thanks you for the opportunity to submit these comments and for all of the great work that Minnesota Housing does in our community, in Greater Minnesota and statewide.

Respectfully,

Pam Kramer
Executive Director
Duluth LISC

Pamela Kramer
Executive Director
Duluth LISC
202 W. Superior Street Suite 401
Duluth, MN 55802
218-727-7761
pkramer@lisc.org

Northern Communities Land Trust
206 West 4th Street
Duluth, MN 55812

November 19, 2010

Comments on the State of Minnesota Action Plan for Housing and Community Development FY2011

To Whom it May Concern:

Northern Communities Land Trust (NCLT), is a non-profit organization that develops affordable housing units in Northeastern Minnesota. NCLT has developed 217 units of affordable housing.

As a Community Housing Development Organization (CHDO) committed to meeting the needs of low- and moderate-income households, NCLT is writing in support of the State of Minnesota's Action Plan for Housing and Community Development, particularly in the aspects and programs that benefit Greater Minnesota communities. In particular, NCLT is in support of the proposed HOME Rental Capital Program to assist in the preservation of rental housing stock, as well as the homebuyer programs for rehabilitation and downpayment assistance. These programs are essential to the economic vitality of Greater Minnesota and the diverse population that lives here.

In addition to the support of the proposed programs, NCLT is requesting that the Action Plan be amended to include a portion of HOME funds (5%) for CHDO operating support. This request is in line with previous years where a portion of the HOME funds were provided to local CHDOs to fulfill the goals of the state plan. As a CHDO, NCLT is committed to developing units, rehabilitating homes and rental units, and administering programs for low- and moderate-income households. CHDO operating funds will allow NCLT to fill administrative gaps, increase our capacity and better serve our large rural geography. The funds will allow CHDOs across the state to create and retain jobs that will lead to the successful accomplishments of the goals in the State Plan.

Thank you for your time and attention. Please contact me if you have any questions.

Sincerely,

Jeff Corey
Executive Director

Schieber, Christine (DEED)

From: Stiehl, Gloria (DEED)
Sent: Friday, November 19, 2010 1:50 PM
To: Schieber, Christine (DEED)
Subject: FW: Action Plan

FYI

Gloria Stiehl / Administrative Assistant
MN Department of Employment and Economic Development
1st National Bank Building, 332 Minnesota Street, Suite E200 St. Paul, MN 55101
Direct: 651-259-7462, TTY: 651-296-3900
www.positivelyminnesota.com

Follow DEED on

From: Tim Flathers [mailto:tflathers@hrdc.org]
Sent: Friday, November 19, 2010 1:45 PM
To: Stiehl, Gloria (DEED)
Subject: Action Plan

RE: State of Minnesota Action Plan for Housing and Community Development FY2011

To Whom it May Concern:

The Headwaters Housing Development Corporation is a nonprofit developer of affordable housing serving five Counties in north-central Minnesota. The HHDC supports the proposed HOME Rental Capital Program to assist in the preservation of rental housing stock, as well as the homebuyer programs for rehabilitation and down payment assistance. These programs are important tools to help create livable communities in Greater Minnesota.

The HHDC also supports amendment of the Action Plan so that a portion of HOME funds (5%) be made available for CHDO operating support. While the HHDC is not a CHDO, and would not directly benefit from this amendment, we recognize the need for operating support for those nonprofits that would qualify. Increasing the capacity of CHDO's to address the need for affordable housing will benefit the entire State.

I appreciate the opportunity to provide comment.

Tim Flathers

HEADWATERS
Regional Development Commission
Leading the Way

TIM FLATHERS
Community Development Director

218-333-6532 Direct Line
218-209-6417 Cell Phone
218-444-4722 Fax Line
218-444-4732 General

tflathers@hrdc.org

P.O. Box 906
Bemidji, MN 56619-0906

Schieber, Christine (DEED)

From: Stiehl, Gloria (DEED)
Sent: Friday, November 19, 2010 1:10 PM
To: Schieber, Christine (DEED)
Subject: FW: Action Plan

FYI

Gloria Stiehl / Administrative Assistant
MN Department of Employment and Economic Development
1st National Bank Building, 332 Minnesota Street, Suite E200 St. Paul, MN 55101
Direct: 651-259-7462, TTY: 651-296-3900
www.positivelyminnesota.com

Follow DEED on

From: Justin Vorbach [mailto:JustinV@swmhp.org]
Sent: Friday, November 19, 2010 1:02 PM
To: Stiehl, Gloria (DEED)
Subject: Action Plan

To Whom It May Concern:

The Southwest Minnesota Continuum of Care would like to comment as follows regarding the State of Minnesota Action Plan for Housing and Community Development FY 2011:

We support changes that increase resources to address homelessness in rural areas.

-Justin Vorbach
SW MN CoC Coordinator, on behalf of the SW MN CoC

Schieber, Christine (DEED)

From: Stiehl, Gloria (DEED)
Sent: Friday, November 19, 2010 9:13 AM
To: Schieber, Christine (DEED)
Subject: FW: Action Plan

FYI

Gloria Stiehl / Administrative Assistant
MN Department of Employment and Economic Development
1st National Bank Building, 332 Minnesota Street, Suite E200 St. Paul, MN 55101
Direct: 651-259-7462, TTY: 651-296-3900
www.positivelyminnesota.com

Follow DEED on

From: Bill Reinke [mailto:Bill@cmhp.net]
Sent: Friday, November 19, 2010 9:10 AM
To: Stiehl, Gloria (DEED)
Cc: Dan.Bartholomay@state.mn.us
Subject: Action Plan

Remarks regarding the State of Minnesota Action Plan for Housing and Community Development FY2011

To whom it may concern:

The Central Minnesota Housing Partnership (CMHP) is a regional private non-profit Community Housing Development Organization (CHDO) that is committed to assisting underserved communities to preserve, improve and increase the housing stock affordable to low and moderate income families and individuals. CMHP's region includes 16 counties in central Minnesota, which are: Aitkin, Benton, Carlton, Cass, Chisago, Crow Wing, Isanti, Kanabec, Mille Lacs, Morrison, Pine, Sherburne, Stearns, Todd, Wadena and Wright.

We are writing in support of the State of Minnesota's Action Plan for Housing and Community Development and those elements of the plan that serve communities and neighborhoods of Greater Minnesota. We applaud the inclusion of the HOME Rental Capital Program and its use of HOME funds for development, which affords the opportunity to preserve needed affordable rental housing. The Rental Capital Program is an innovative response to the affordable housing needs of Greater Minnesota.

Building on our support of the Rental HOME Program, we would also ask that the plan include the allowable 5% of HOME funds for CHDO operating support. These operating funds can provide quite significant assistance to the nonprofit sector, through CHDOs, as they seek to implement community development strategies and allow for the preservation and rehabilitation of more affordable housing.

CMHP, as a CHDO active in development activities, would utilize these funds to support more new affordable housing preservation projects, as a means of serving the low and moderate income population of central Minnesota communities. The expenditure of these funds for CHDO operating support will also serve as leverage to increase private sector development dollars in central Minnesota. Additional development dollars for affordable housing rehabilitation will bring needed jobs into the depressed construction sector of the state's economy as well.

Thank you very much for all you do in support of affordable housing and for your consideration of this request.

Sincerely,

Bill Reinke

Executive Director
Central Minnesota Housing Partnership, Inc.
37 28th Avenue North
Suite 102
St. Cloud, MN 56303-4242

bill@cmhp.net
(320) 259-0393
FAX (320) 259-9590

Minnesota Housing Finance Agency
400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

BOARD AGENDA ITEM: 9.B.(3)

DATE: December 16, 2010

ITEM: Discussion, Progress Report on Agency Goals

CONTACT: John Patterson, (651) 296-0763
john.patterson@state.mn.us

REQUEST:

☐ Approval ☐ Information ☑ Discussion

TYPE(S):

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

☐ Selection(s) ☐ Waiver(s) ☐ Other: ____________________

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:

For your review, we are providing an update on the agency's progress in implementing its Strategic Plan and Affordable Housing Plan for Federal Fiscal Year 2010 – October 1, 2009 through September 30, 2010. The report has two parts: (1) a short overview and discussion, and (2) a graphical report showing the percentage of funds disbursed, committed, and still available after the first year of the Affordable Housing Plan.

FISCAL IMPACT:

None

MEETING AGENCY PRIORITIES:

☑ Address Foreclosure ☑ Finance New Affordable Housing Opportunities

☑ End Long-Term Homelessness ☑ Increase Emerging Market Homeownership

☑ Preserve Existing Affordable Housing

ATTACHMENT(S):

- Minnesota Housing: Strategic Plan and Affordable Housing Plan - Progress Report for Federal Fiscal Year 2010
- Minnesota Housing Finance Agency, 10/1/09 – 9/30/10 Affordable Housing Plan Graphical Flash Report

Minnesota Housing Finance Agency

Minnesota Housing
Strategic Plan and Affordable Housing Plan
Progress Report for Federal Fiscal Year 2010

(October 1, 2009 – September 30, 2010)

Overview

Minnesota Housing has operated in a difficult environment during 2010. A slow recovery from the "Great Recession" and high unemployment have led to a continuing foreclosure crisis and a slow housing market. After dropping from 26,000 to 23,000 between 2008 and 2009, the number of foreclosures in Minnesota is expected to climb back over 26,000 for 2010.[1] While the federal homebuyer tax credit momentarily stimulated the homebuyer market, it has since slowed down. During the year, the inventory of homes for sale increased from a five-month supply to an eight-month supply.[2] (More than five months is considered a slow buyers' market.) On the rental side, the year started with a slow market but is improving with the vacancy rate dropping from 7.3 to 4.2 percent.[3] (A 5 percent rental vacancy rate is considered a balanced market.)

With respect to bond financing, it still is difficult to sell bonds competitively. However, with the Treasury Department buying mortgage revenue bonds with low interest rates under the New Issue Bond Program (NIBP), Minnesota Housing has been able to offer mortgages at competitive rates for much of the year.

Despite this difficult environment, Minnesota Housing has achieved its production expectations for new housing opportunities and preservation and earned a return on its net assets. The following table provides key production statistics for each of the agency's strategy priorities and several other important objectives. The section after the table provides notes and explanations for some of the items in the table.

---

[1] HousingLink, annual and quarterly foreclosure reports. The data apply to calendar years.
[2] Minneapolis Area Association of Realtors, *Monthly Market Indicators*. The data apply to the Twin Cities 13-county metropolitan statistical area and the periods January 2010 and November 2010.
[3] GVA Marquette Advisors, *Apartment Trends*. The data apply to the Twin Cities area and quarters one and three of 2010.

Key Production Levels (Units with Funding Commitments)

Federal Fiscal Year 2010 – Year 1 of 2010-11 AHP (Oct. 1, 2009 - Sept. 30, 2010)

	Forecast	Actual
Finance New Housing Opportunities		
1. Single-Family First Mortgages (purchased/settled)	1,816	1,783
2. Other Single-Family Housing Opportunities (CRV and others)	151	413
3. New Rental Construction Units	571	645
4. Rental Assistance Households (new and on-going)	1,969	2,779
Total	*4,507*	*5,620*
Preserve Existing Affordable Housing		
5. Owner-Occupied Homes	3,271	2,979
6. Rental Units	3,207	4,293
Total	*6,478*	*7,272*
Build Sustainable Housing		
7. Percentage of New Construction or Rehabilitation Units that Meet Sustainable Design Criteria:		
a. Single Family		61.3%
b. Multifamily		84.0%
c. Community Development		100%
Address Foreclosures		
8. Number of Counseling Interventions		13,008
9. Number of Homes/Units Acquired	1,208	828
End Long-Term Homelessness		
10. Number of Housing Opportunities Funded	800 320 revised	459
Increase Emerging Market Homeownership		
11. Percentage of Mortgages Going to Emerging Market Households	17.5%	31.0%
Serve Low- and Moderate-Income Minnesotans		
12. National Rank in Percentage of Single-Family First Mortgage Borrowers with Incomes at or Below 50% of Area Median Income (2008)		1st
13. National Rank in Percentage of Housing Tax Credit (HTC) Units that Are Affordable to Households with Incomes at or Below 30% of Area Median Income (2008)		12th
Distribute Resources in a Timely Fashion		
14. Percentage of Funds Committed or Disbursed Under the AHP:		
a. Homeownership		66%
b. Rental Production		84%
c. Rental Portfolio Management		49%
d. Agency-Wide Items		75%
Total		*68%*
Earn Revenue to Sustain Agency and Fund Pool 3		
15. Return on Net Assets (millions of $) – State Fiscal Year 2010	$16.8	$6.9
16. Return on Net Assets (%) – State Fiscal Year 2010	2.5%	1.0%

Explanation of Selected Items in the Table

Some of the production figures require an explanation. (To link the explanation to the table, we have included the line number from the table after each explanation.)

- The agency nearly reached its goal for single-family first mortgages, which is a success in the current market. For Minnesota Housing to continue this "normal" level of production in an environment where we cannot borrow money at competitive rates in the bond market, the agency needs the federal government to expand the New Issue Bond Program (NIBP) so that the agency can borrow more money from the Department of Treasury. (Line 1 of the table)

- We found a couple inconsistent assumptions in our forecast model for rental assistance, which underestimated our expected production level. The number of households receiving rental assistance in FFY 2009 was 2,627, which is a better forecasted level for 2010 than the 1,969 shown in the attached table. (Line 4 of the table)

- With respect to the preservation of rental housing, actual production exceeded expectations because the agency committed funding for some large developments. For example, Riverside Plaza has 1,303 units. (Line 6 of the table)

- In 2010, Minnesota Housing did not assist as many foreclosed homes as originally expected. More funding per foreclosed home was needed under the Neighborhood Stabilization Program (NSP) than was expected, reducing the number of units that could be assisted. In addition, with the foreclosure crisis, Minnesota Housing expected to devote 90 percent of its Challenge funds to foreclosures. However, our foreclosure partners have been so focused on NSP that they have had less capacity than anticipated to utilize other foreclosure remediation funds made available by Minnesota Housing. (Line 9 of the table)

- As part of the recalibration of the Business Plan to End Long-Term Homelessness that occurred earlier this year, Minnesota Housing revised its forecasted production level for calendar 2010 from 800 to 320 units. We have already exceeded the revised goal because more 501(c)(3) bond funds went to supportive housing than originally expected. (Line 10 of the table)

- The percentage of the agency's first mortgages going to emerging market households greatly exceeded expectation. Typically, during periods of high mortgage volume, a lower percentage of agency mortgages goes to emerging markets, while in slower periods, a greater percentage goes to emerging markets. Minnesota Housing targets resources to emerging markets under the Community Activity Set Aside (CASA), HOME HELP, and Homeownership Assistance Fund (HAF) programs. The targeting helps sustain emerging market production in slower periods. (Line 11 of the table)

- Minnesota Housing committed or disbursed 68 percent of its funds under the Affordable Housing Plan (AHP) during the first year of the two-year plan. (Line 14 of the table) To provide more detail about these funding activities, we have attached graphs showing the percentage of funds disbursed, committed, and still available by individual program. However, a caveat needs to be made. To reflect RFP activity from this October (the first month of the second year of the AHP), agency staff have updated commitment figures for RFP programs funded with federal and state resources. In reality, the graphs reflect funding activity in the first year of the AHP plus some additional RFP funding. This graphical report is broken out into three sections – single-family, multifamily, and agency-wide.

  Being over halfway through the AHP, Minnesota Housing would expect more than 50 percent of the funds to be committed or disbursed, which the agency has achieved. The 68 percent figure is hard to interpret in aggregate for a couple reasons. First, some programs obligate all their funds early in the plan. For example, the Family Homeless Prevention and Assistance Program, Bridges, and Housing Trust Fund Rental Assistance all commit two full years of funding during the first year of the AHP, with disbursements spread out over the entire two years. Second, because the graphs include commitments from October's RFP selection, all commitments for other programs have also been completed, for example, Housing Tax Credits. (See programs 7, 8, and 9 in the multifamily section of the graphical report.) The next round of tax credit selections will occur October 2011, which will be covered by the next AHP.

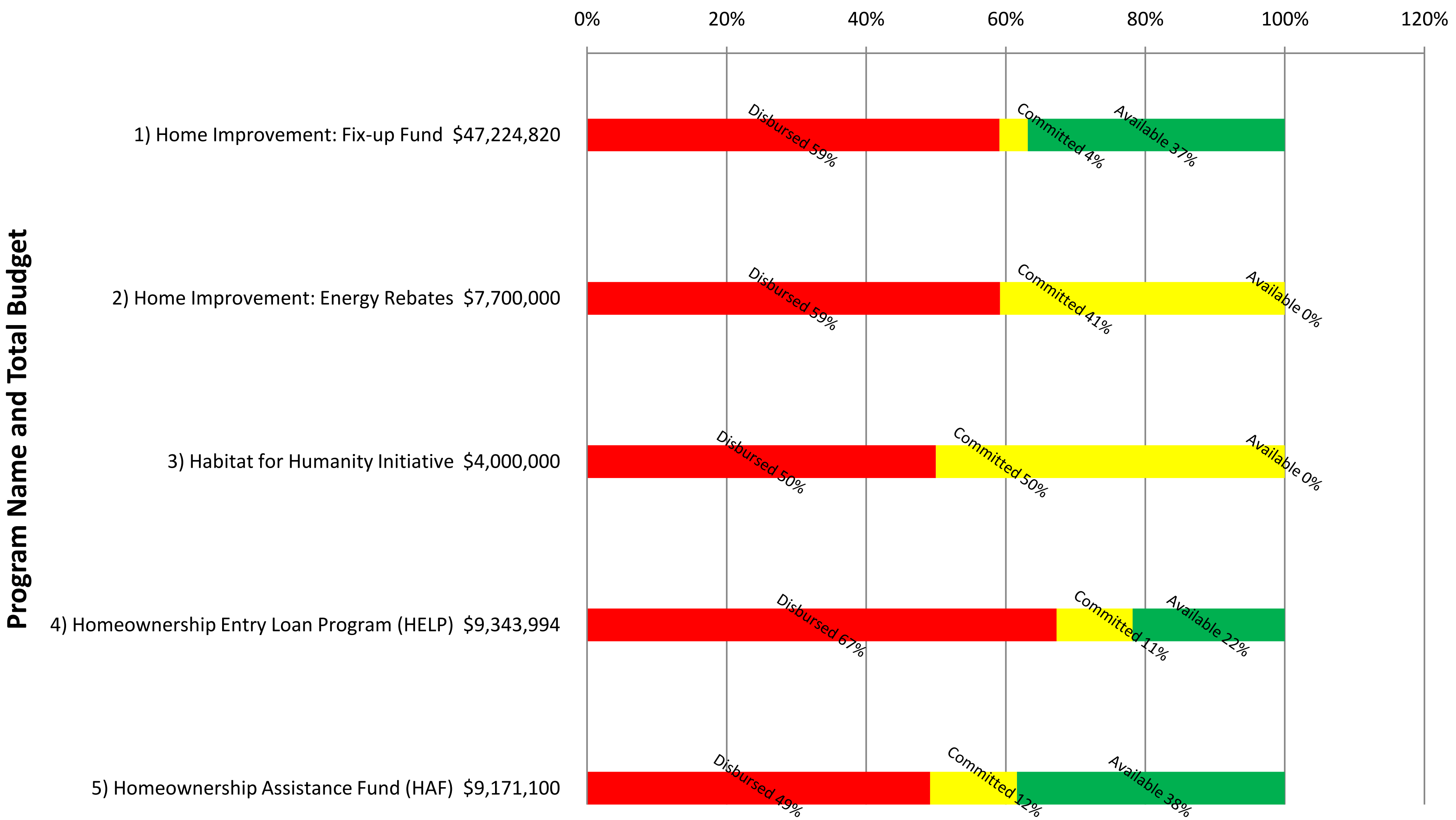
  A few other key points with respect to the graphs need to be made:

  - The agency has committed or disbursed 66 percent the AHP funding forecasted for single-family first mortgages. (Program 10 in the single-family section of the graphical report) The agency currently has the bonding authority to go beyond the $557 million of mortgage activity originally forecasted for the AHP.

  - Seventy-three percent of the Low and Moderate Income Rental (LMIR) program funds have been committed or disbursed. Staff have indicated that the agency may need to allocate more bond and Pool 2 funds to this program. (Program 13 in the multifamily section of the graphical report) As the graphs show, some programs funded with Pool 2 resources are proceeding slower than expected. (For example, see Manufactured Housing – program 5 in the agency-wide section of the graphical report; and the Homeownership Opportunity Program – program 8 of the single-family section.) Funds from these types programs could be redirected to LMIR.

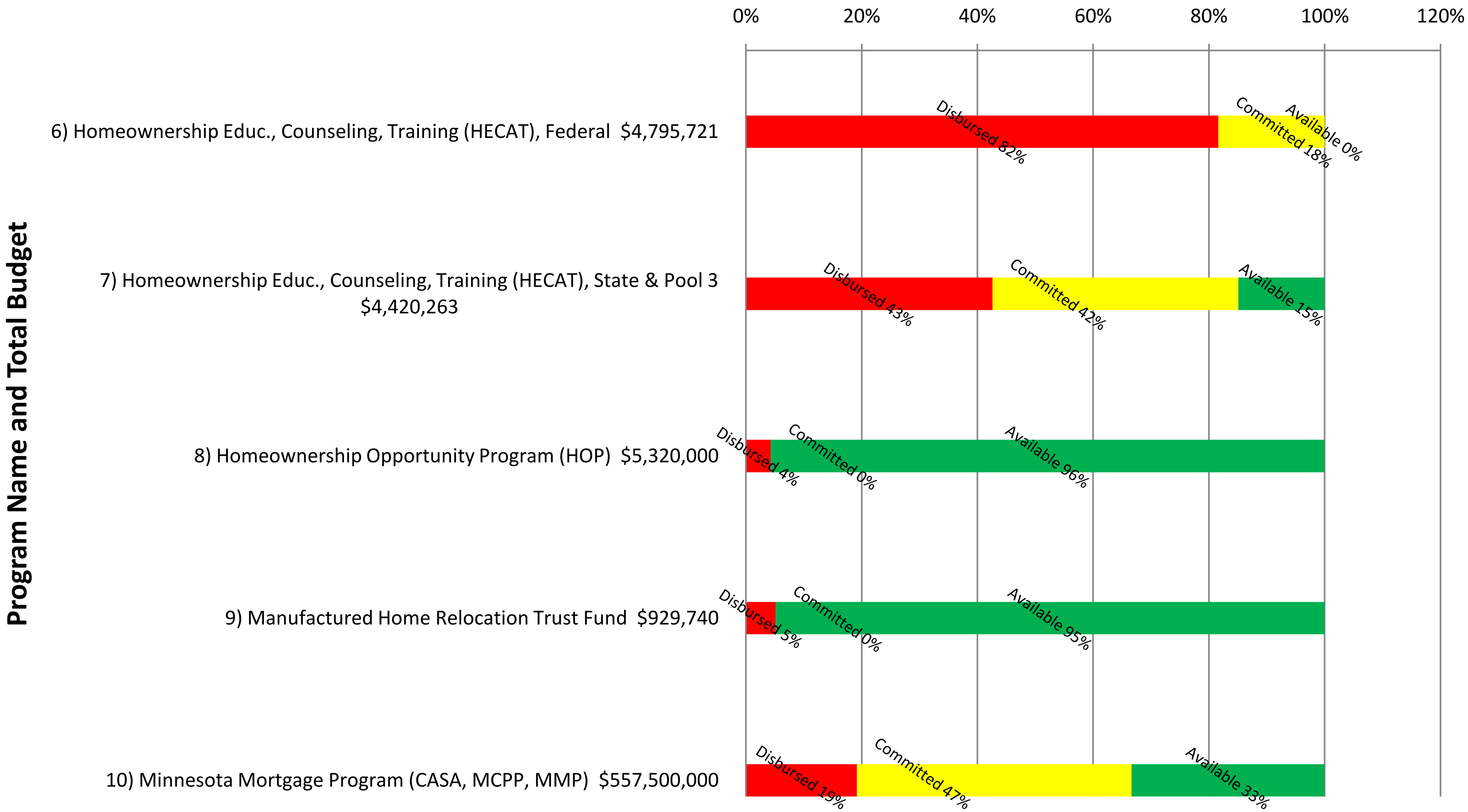
- While Minnesota Housing did not reach its goal of earning a $16.8 million return on its net assets, the agency did earn a $6.9 million return, which is a sound performance in a very difficult environment with heavy loan loss reserve requirements. (Line 15)

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Single Family Graphical Flash Report

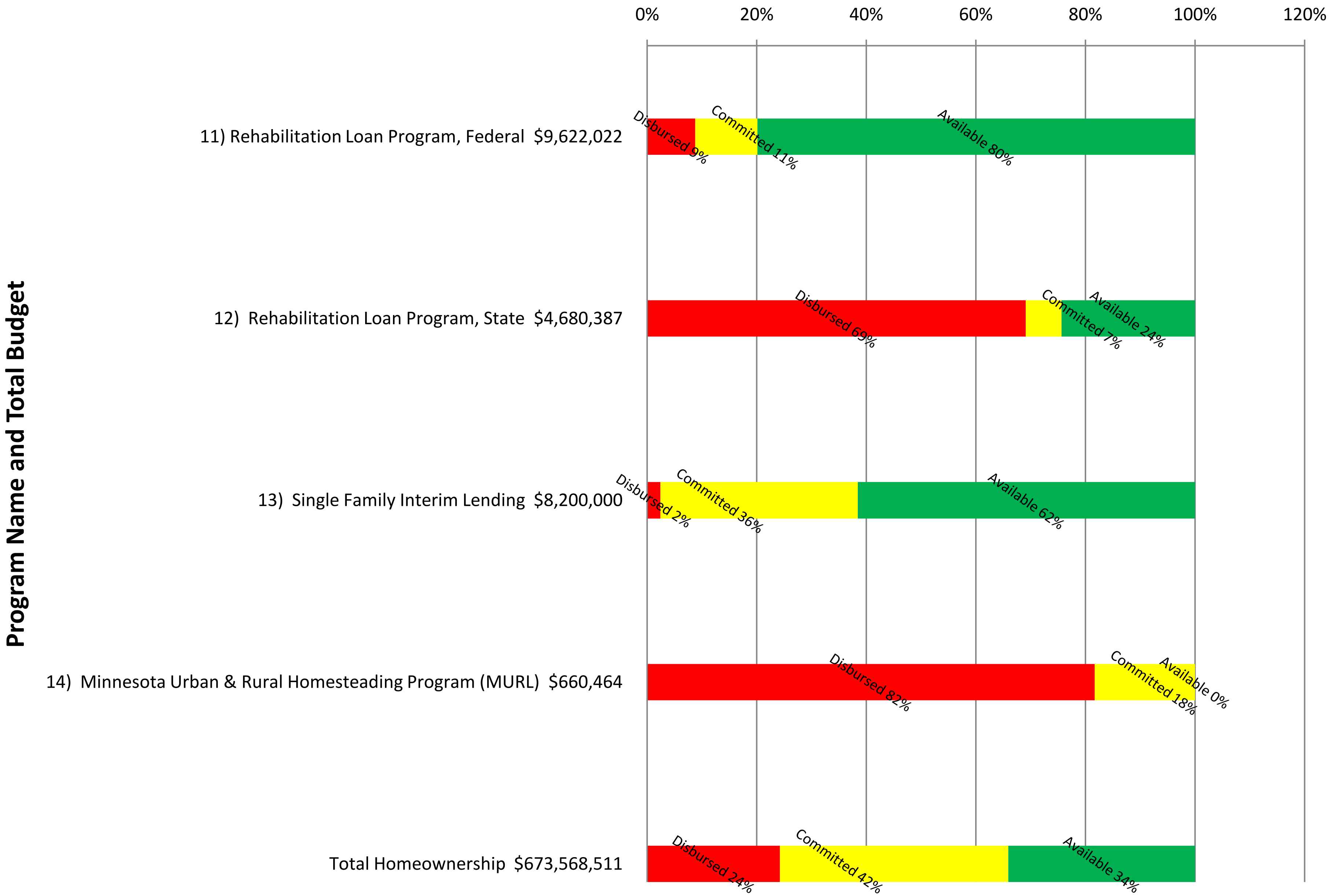


Agenda Item: 9.B.(3)

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Single Family Graphical Flash Report

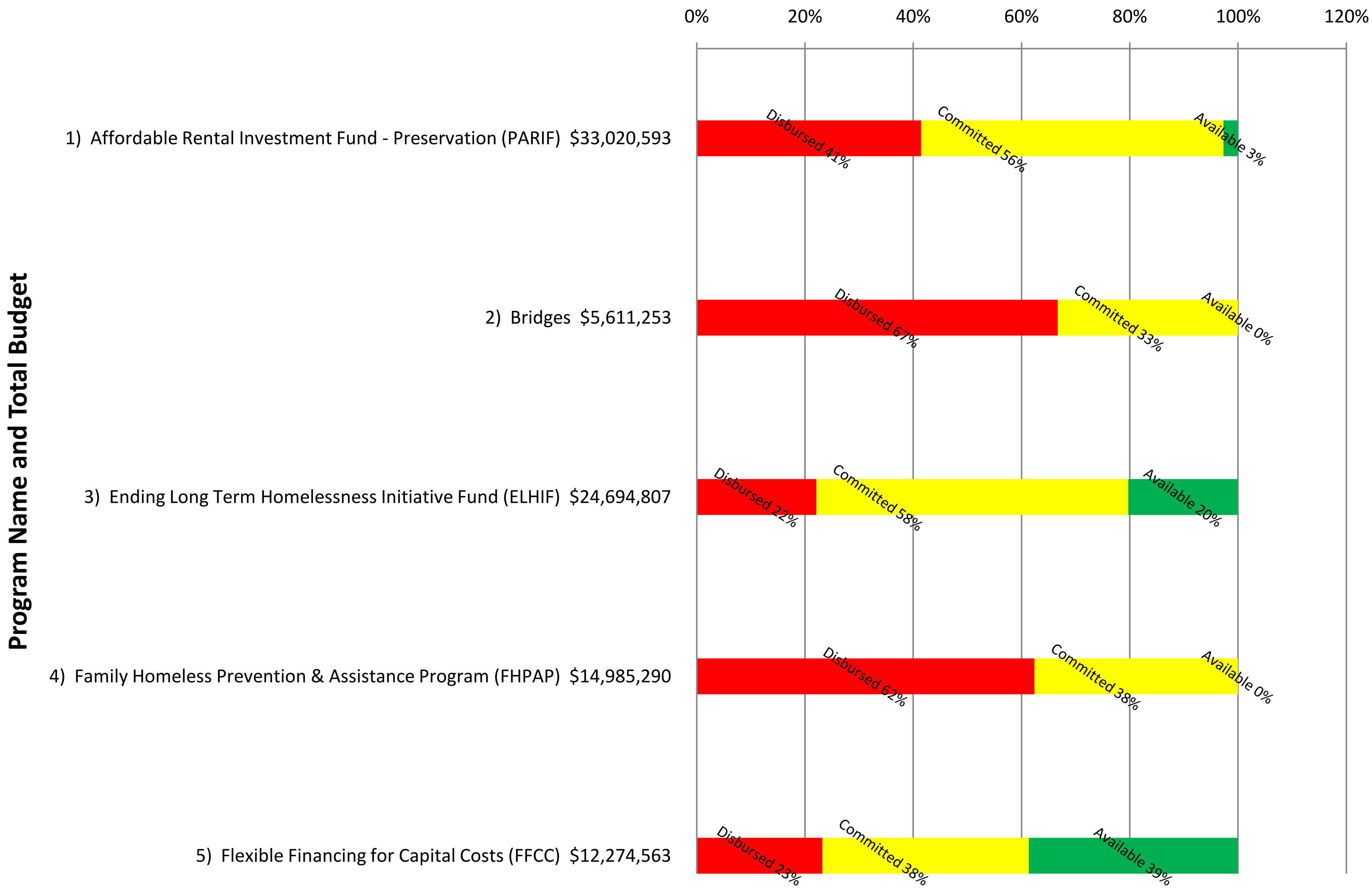


Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Single Family Graphical Flash Report



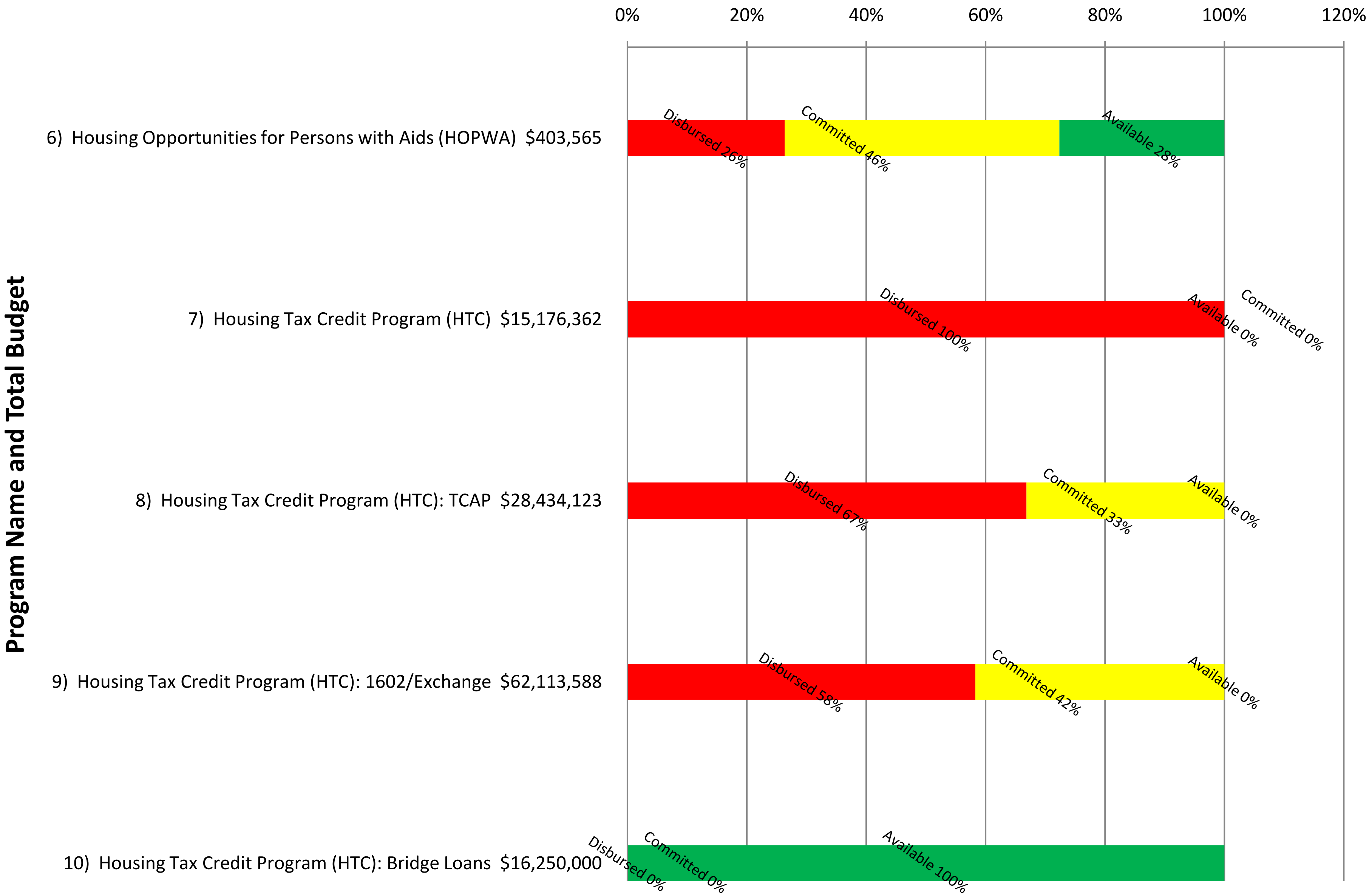
Agenda Item: 9.B.(3)

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report



Agenda Item: 9.B.(3)

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report

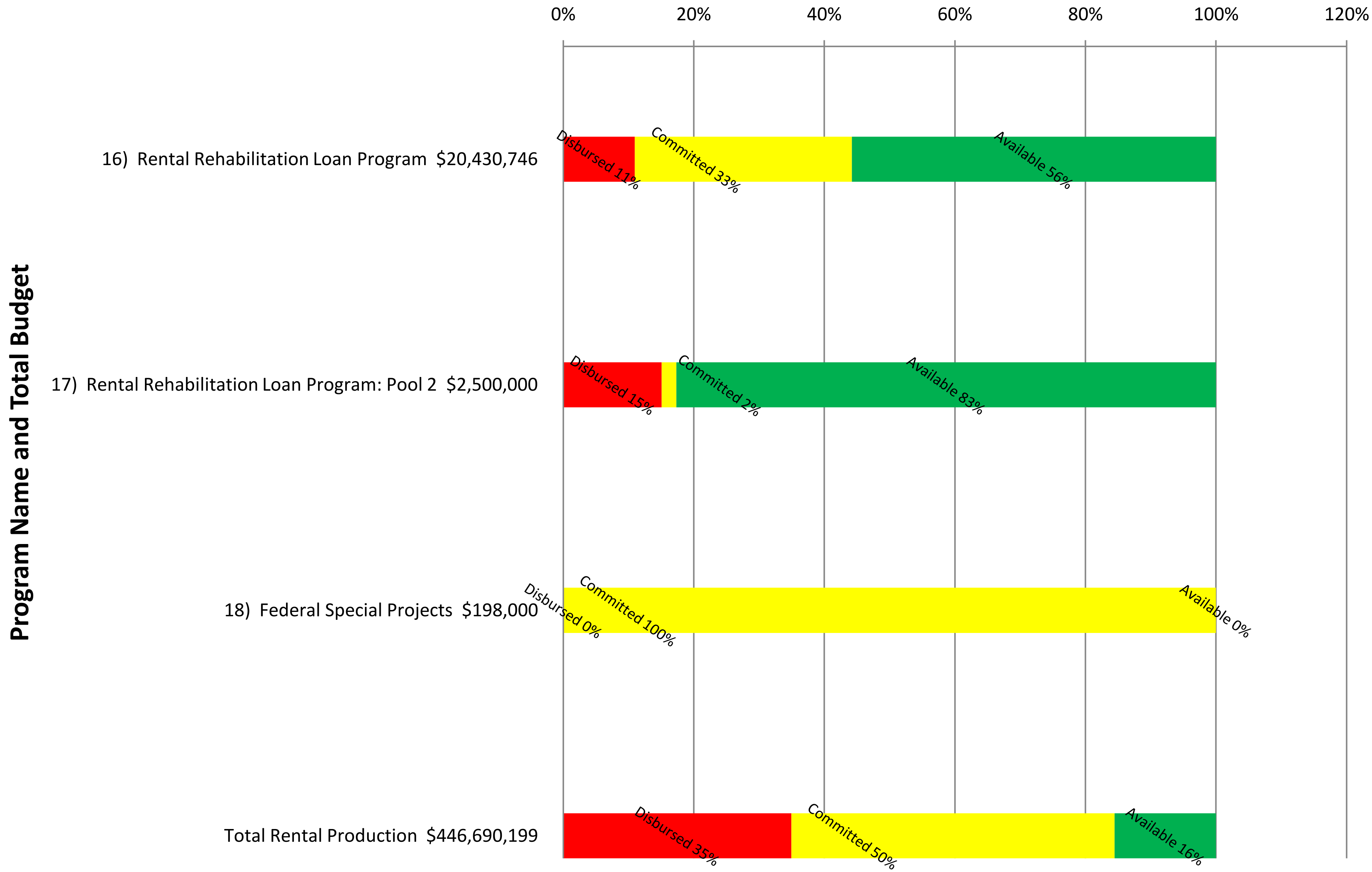


Agenda Item: 9.B.(3)

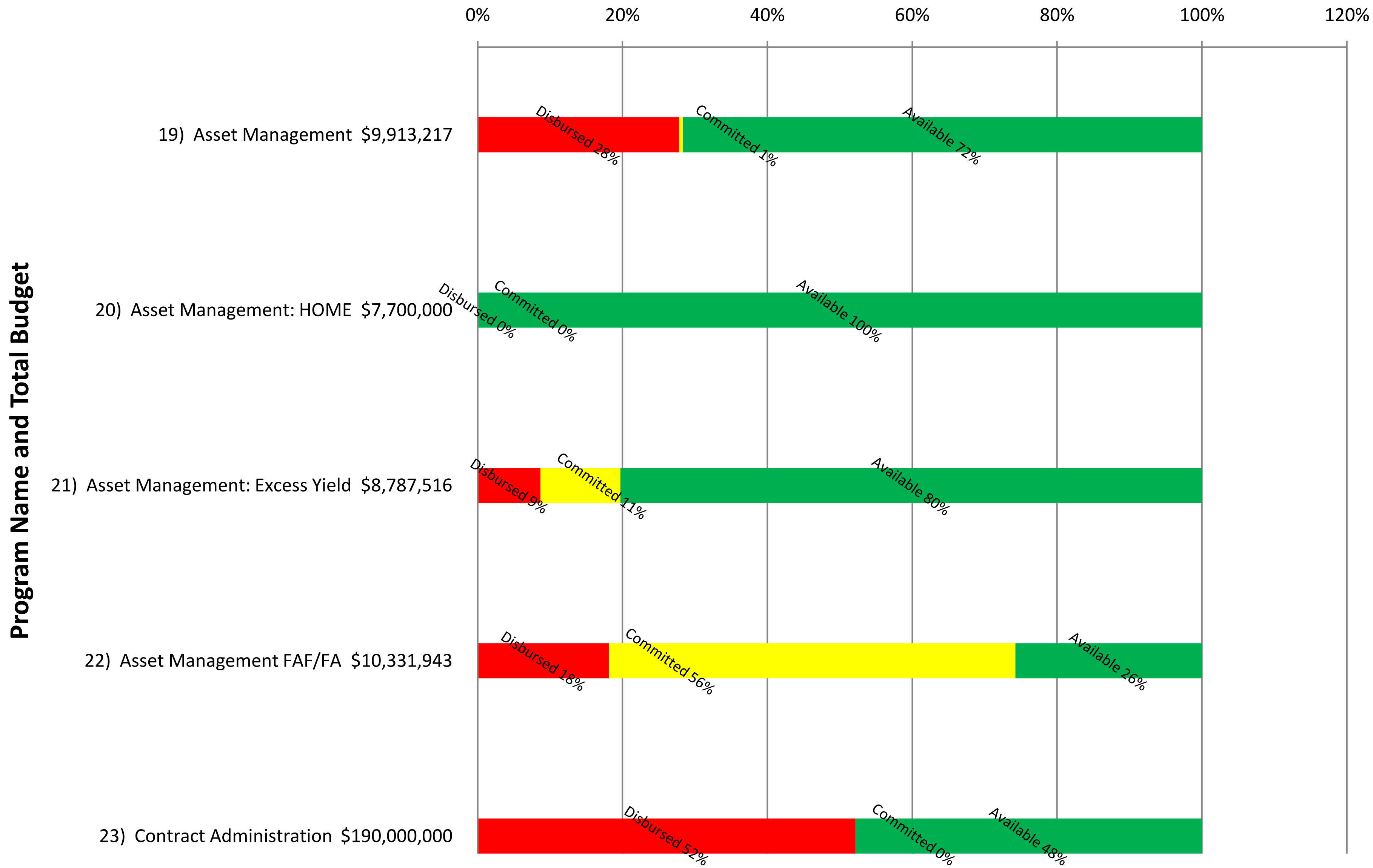
Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report

Agenda Item: 9.B.(3)

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report

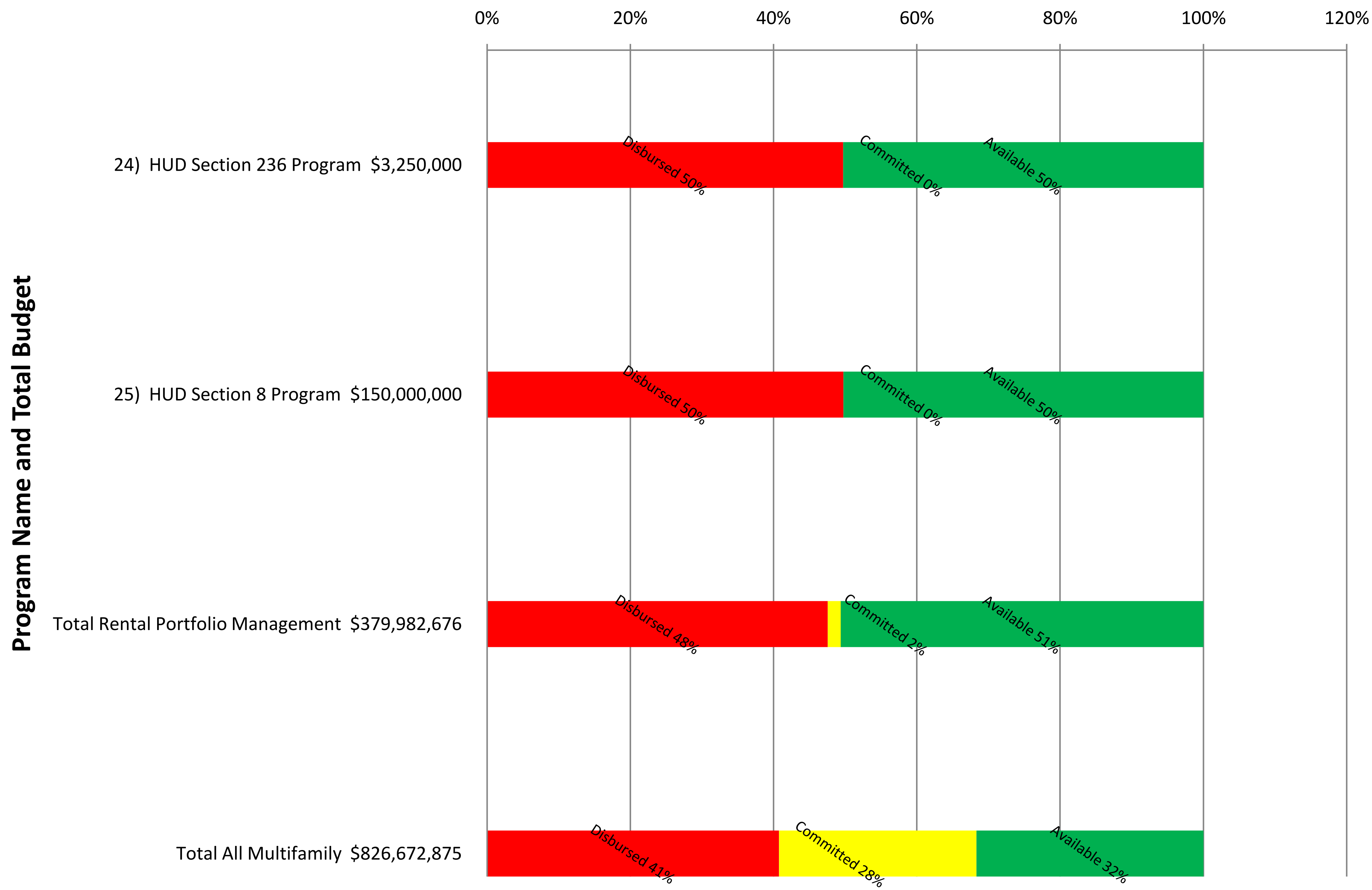


Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report



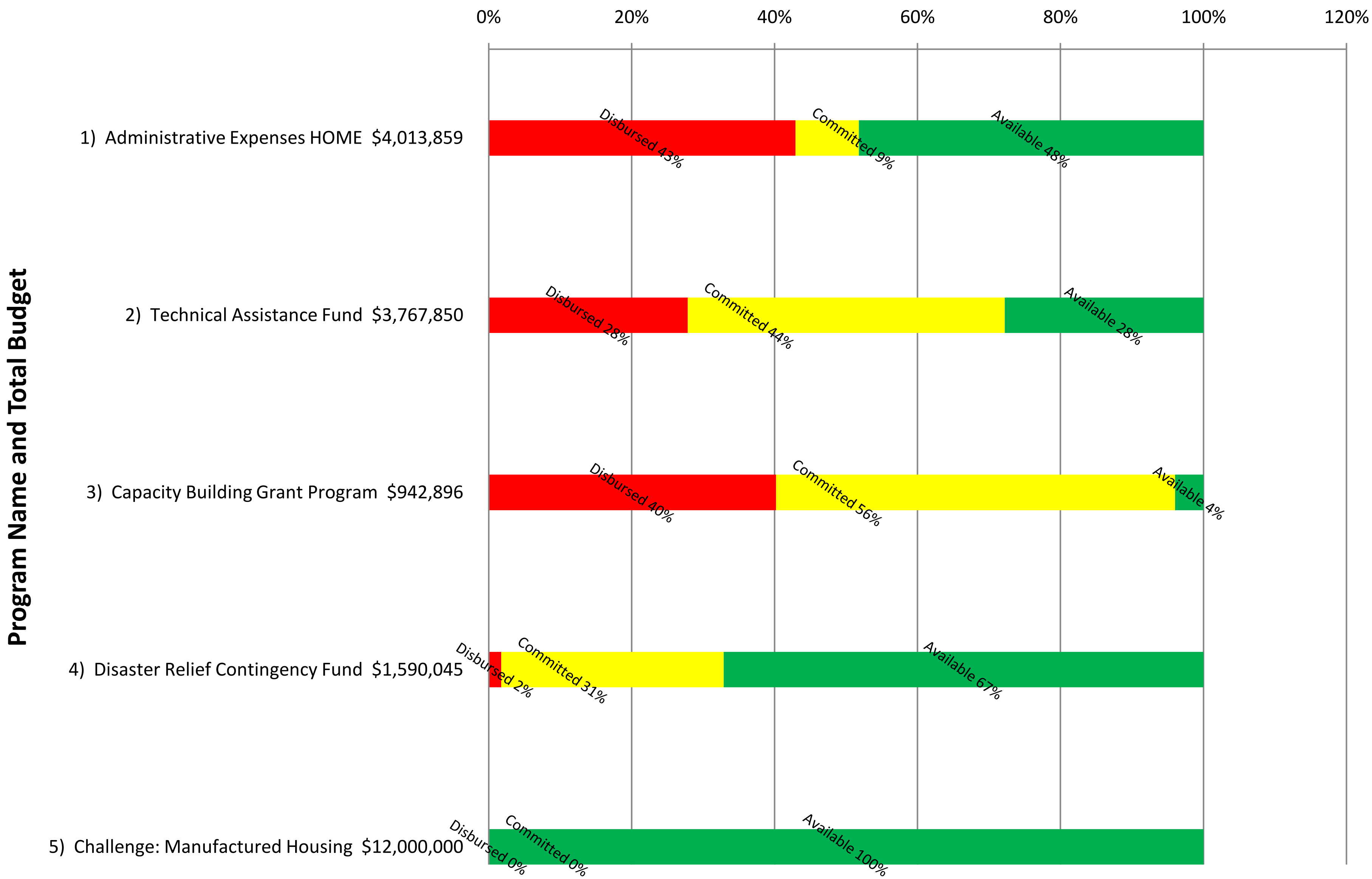
Agenda Item: 9.B.(3)

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Multifamily Graphical Flash Report



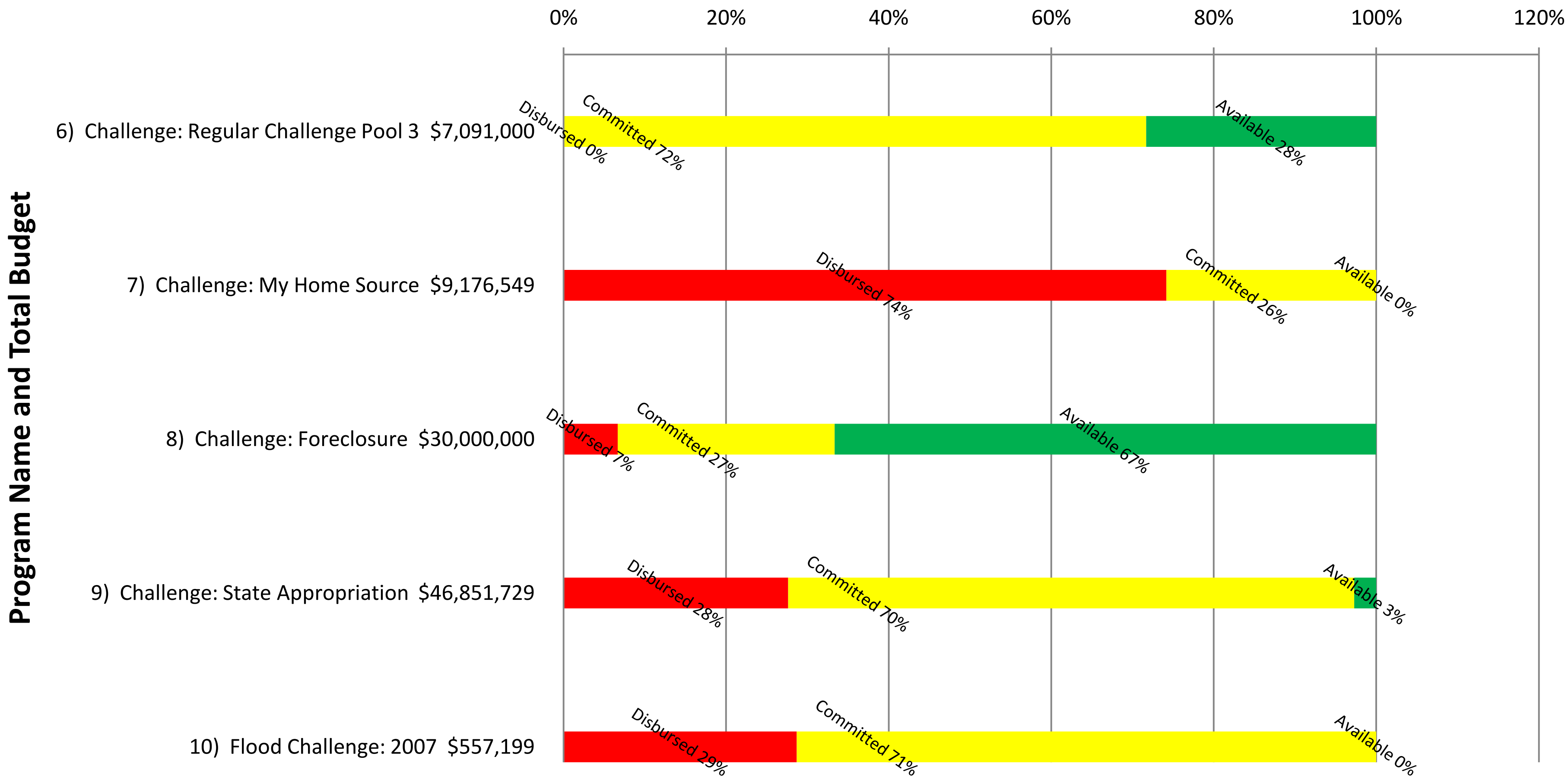
Agenda Item: 9.B.(3)

Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Agency-Wide Items Graphical Flash Report

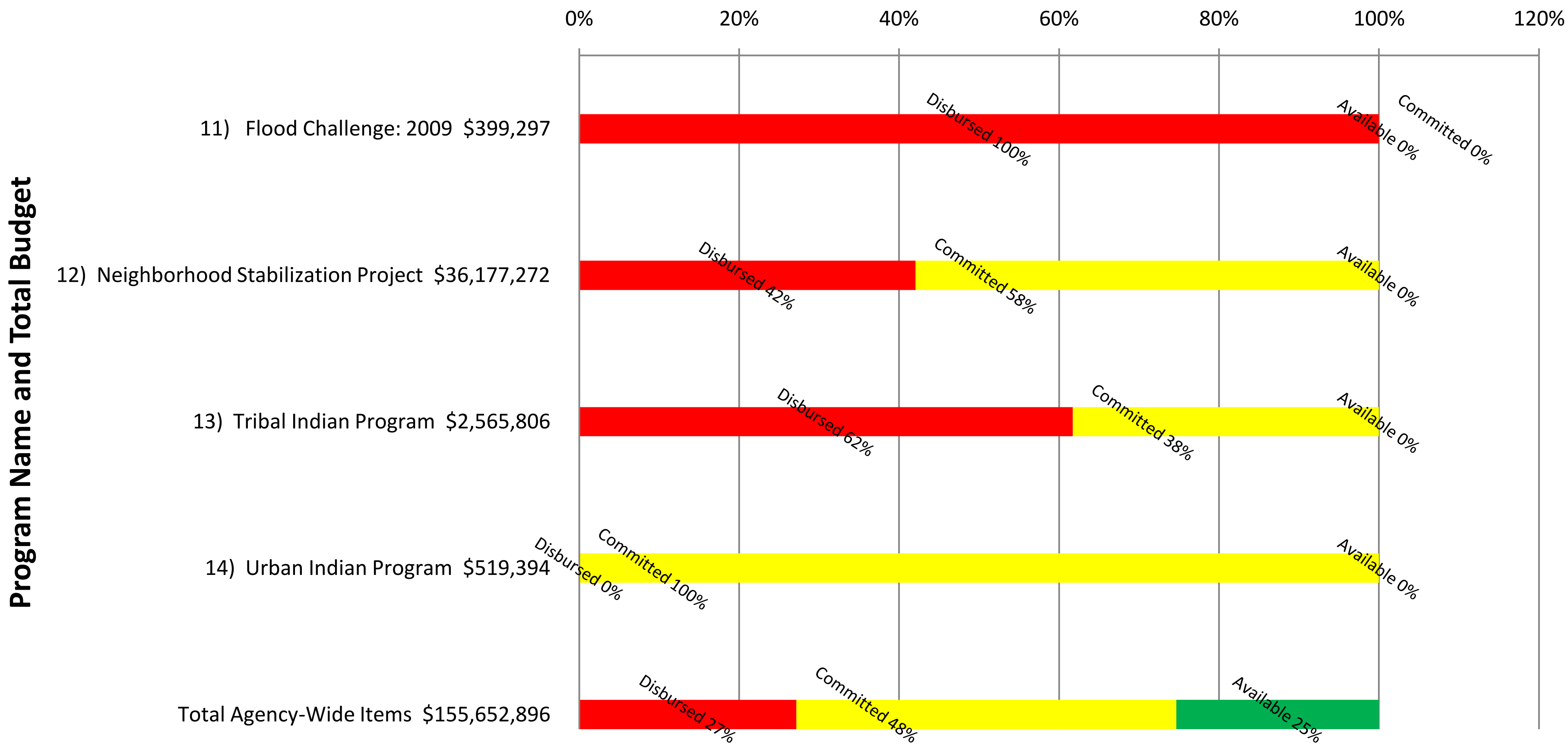


Agenda Item: 9.B.(3)

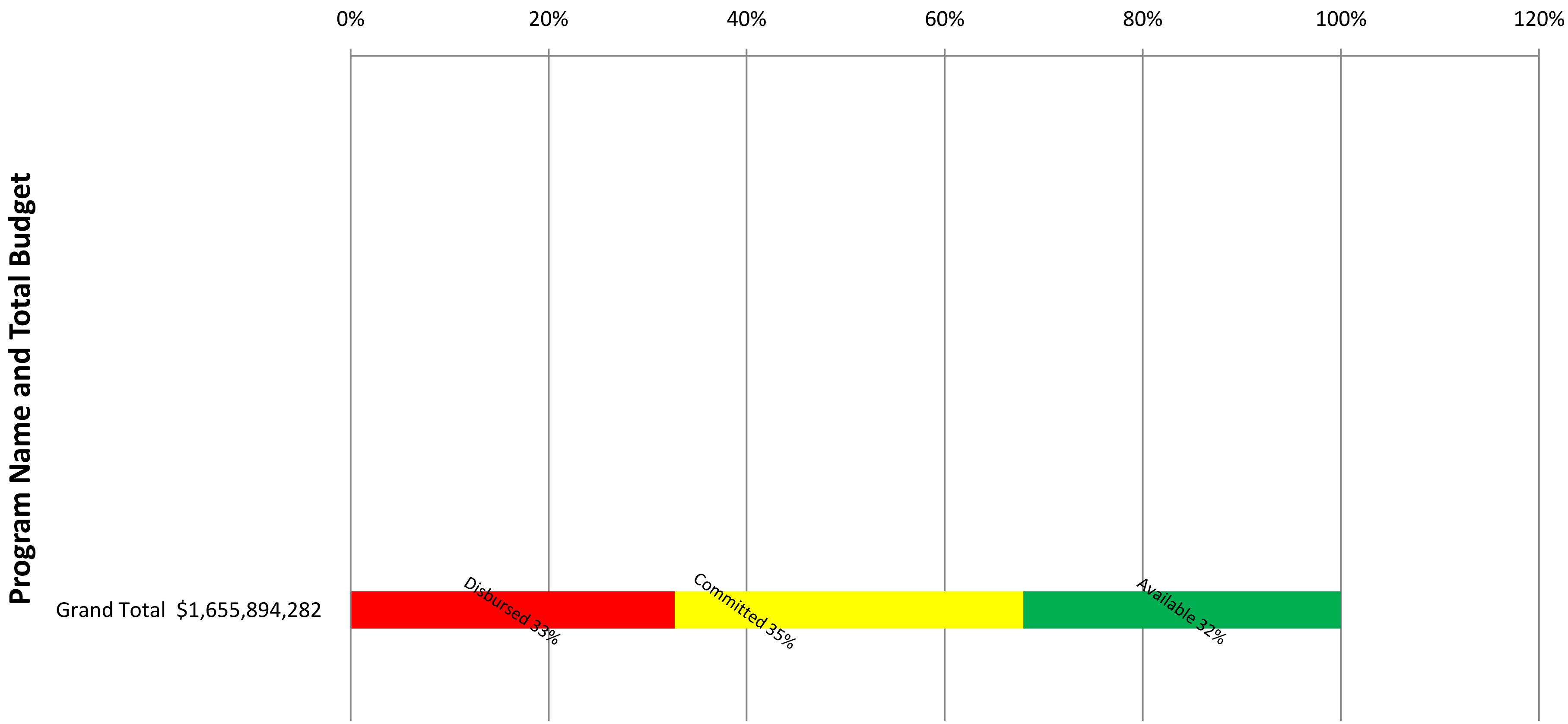
Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Agency-Wide Items Graphical Flash Report



Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Agency-Wide Items Graphical Flash Report



Minnesota Housing Finance Agency, 10/1/09 - 9/30/11 Affordable Housing Plan
Agency-Wide Items Graphical Flash Report



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BOARD AGENDA ITEM: 9.C.(1)

DATE: December 16, 2010

ITEM: Minnesota Urban and Rural Homesteading Program and Program Procedural Manual

CONTACT: Robert Russell, 651-296-9804
robert.russell@state.mn.us

REQUEST:

☑ Approval ☐ Information ☐ Discussion

TYPE(S):

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

☐ Selection(s) ☐ Waiver(s) ☐ Other: ______________________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff is hereby requesting Board approval of the recommended changes to the HOME- and State-Funded versions of the MURL Program and their respective Program Procedural Manuals. The changes will adjust the administrative reimbursement cap to actual cost incurred and disallow the production of additional homes using revolving account funds.

FISCAL IMPACT:
The changes will not impact the Agency's funding since funds are held in each Administrator's revolving account. The changes should better position MURL to be more sustainable in the future.

MEETING AGENCY PRIORITIES:

☐ Address Foreclosure ☐ Finance New Affordable Housing Opportunities

☐ End Long-Term Homelessness ☐ Increase Emerging Market Homeownership

☑ Preserve Existing Affordable Housing

ATTACHMENTS:
- Background
- Program Procedural Manuals with Changes

BACKGROUND:
MURL was established by the Minnesota Legislature in 1989. MURL was first funded in 1990 with state appropriations. Starting in 1992 – the advent of the federal HOME Investments Partnership Program – MURL was funded with HOME funds. HOME funding continued until early 2006, at which time the Department of Housing and Urban Development (HUD) determined that contracts for deed were no longer an eligible form of homeownership for HOME purposes. The Agency then funded the program for an additional year using Pool 3 resources. The program has been in run-off beginning with the most recent Affordable Housing Plan.

The purpose of MURL is to prevent or arrest the spread of blight, which is accomplished through the acquisition and rehabilitation of single family homes considered vacant, condemned, abandoned or otherwise desirable for rehabilitation. The rehabilitated homes are then sold using an interest-free contract for deed to "at-risk" homebuyers who are willing to strengthen the neighborhood by adhering to a good neighbor policy. An "at-risk" homebuyer is defined as an individual or family who is homeless, receiving public assistance or would otherwise be unable to afford homeownership because they lack the ability to meet mortgage industry underwriting standards for traditional mortgage financing.

Monthly contract payments and any sale proceeds, if homes are sold out of the program, are placed into a revolving account held by each Administrator. Historically, the revolving account is used to pay for:

- The rehabilitation of homes received back by an Administrator so that homes can be resold;
- The acquisition and rehabilitation of additional homes; and
- Administrative costs incurred, up to 10%, for servicing homes in an administrator's portfolio, which includes:
  - Collection of monthly payments;
  - Performing annual income recertifications/recalculations;
  - Performing annual inspections;
  - Due diligence to keep homeowners current on payments; and
  - Cancellation of contracts, if needed.

Over the life of MURL, over 390 units have been developed with initial funding. Currently, there are 386 homes held by 40 different Administrators. As of September 30, 2009, the average revolving account balance was at $66,772. The average revolving account balance has held steady over the past three years around $67,000, although this is down from 2004 when it was $84,184. As of September 30, 2009, the average portfolio size was eight homes per Administrator.

The first manual change seeks to ensure that Administrators are able to recover the costs they incur when administering the program. As outlined above, Administrators have intense servicing responsibilities. Under the current policy, they are able to take up to 10% of the principal payments received in a given year to reimburse their costs. Based on the last annual report, the average annual amount of principal payments was $2,400 per home. Given this, 10% per loan for servicing is in most cases insufficient to cover all of the costs incurred by an average Administrator for servicing.

The actual costs incurred by Administrators vary based on the stability of their homeowners. Based on annual reporting and recent requests from Administrators on this issue, the average costs incurred are closer to 27% of the principal payments made in a given year. In the past, Administrators were able to cover servicing cost shortfalls more easily because they received funds from developer fee income generated from the production of MURL homes.

Over the past several years, staff has seen an increase in the number of requests from Administrators about how to handle situations where homes are received back (turnovers) from homeowners who walk away or have their contract cancelled. Homes that are received back must be rehabilitated and resold to eligible homebuyers during the first 15.5 years of a home's life given the affordability period requirements under HOME. The costs of rehabilitating homes vary, but can range from $20,000 for minor rehabilitation to over $40,000 for moderate rehabilitation. Thus, getting one home back can nearly deplete the revolving account of an average Administrator. If and when an Administrator has another turnover, the Administrator may not have enough funds to rehabilitate the additional home. These issues can combine into a cycle of turnovers and resales when Administrators are not able to adequately rehabilitate a home before a resale, which may make the homebuyer more willing to walk away if it is perceived the home has outstanding maintenance needs.

The second manual change eliminates the allowance of using revolving account funds to complete additional homes. The hope is this change will institute good property management by increasing revolving account balances and ensuring there are sufficient funds to act as a reserve for home rehabilitation in the event a turnover. Doing so will allow the Agency to better ensure homes are kept in good condition and occupied to meet HOME affordability period requirements.

It should be noted that this change does not prohibit Administrators from acquiring and rehabilitating additional homes altogether, but would disallow the use of revolving account funds for this purpose. Administrators wishing to pursue additional homes can do so with leverage funding thereby allowing them to keep their program going while preserving their revolving account for existing homes in their portfolio.

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THE MINNESOTA URBAN AND RURAL HOMESTEADING PROGRAM

PROCEDURAL MANUAL

Minnesota Housing Finance Agency

MINNESOTA HOMES DIVISION

December 2010

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III. RECORDKEEPING REQUIREMENTS

The Eligible Organization is responsible for the maintenance of certain records, which indicate compliance with MURL Regulations. They include, but are not limited to:

A. Revolving Fund

An Eligible Organization shall provide for the establishment of a Revolving Fund into which all loan repayments, sales proceeds, or captured funds must be placed. If the Eligible Organization is in full compliance with the MURL Program and HOME Regulations, then it may use the funds contained in the Revolving Fund to rehabilitate and maintain Eligible Properties currently in the Eligible Organization's portfolio. As of December 17, 2010, the Eligible Organization may no longer acquire, rehabilitate or sell additional Eligible Properties. The Revolving Fund may also be used to pay any debt to remove a lien placed against an Eligible Property due to an Emergency Repair provided that the lien complied with Chapter 5, Section VIII of this Procedural Manual. A developer's fee may not be charged by the Administrator to the Revolving Fund for the removal of said lien.

On an annual basis beginning with the 2010 program year, any administrative expenses incurred during the year may be paid from the Revolving Fund provided an itemized list of expenses for said costs is submitted to Minnesota Housing as part of the aforementioned annual reports due March 31st of each year. All administrative costs submitted to Minnesota Housing must be certified as accurate by either the Executive Director or the Chief Financial Officer of the Eligible Organization.

NOTE: The terms, conditions, provisions and requirements contained herein regarding the use of the Revolving Fund shall control over any conflicting language found elsewhere, including, but not limited to the grant funding agreement.

B. Individual Project Records:

1. Records that demonstrate that each Eligible Property meets the property standards in Chapter Three, Section XIII of this Procedural Manual.

2. Records that demonstrate compliance with the requirements in Section 92.254 of the HOME Regulations for affordable homeownership including the initial Purchase Price and "after rehab" appraisal of the property.

3. Records demonstrating compliance with Uniform Relocation and Acquisition Act and regulations.

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Minnesota Urban and Rural Homesteading (State Funded) Program Procedural Manual

December 2010

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1.11 Repayment / Revolving Loan Account

The Administrator must repay all MURL Program Grant funds advanced to it to the extent required by the Participation Agreement. Repayment of Grant funds may be deferred if the Administrator establishes a separate Revolving Loan Account into which all Contracts for Deed repayments, sales proceeds of Eligible Properties or other recaptured Grant funds are deposited.

If an Administrator elects not to establish a Revolving Loan Account, then repayment of Grant funds shall be paid to Minnesota Housing in annual installments, evidencing the amount of Contract for Deed principal payments, at the time of the Annual Report.

1.12 Administrator Use of Revolving Loan Account Funds

Administrators may use the funds contained in the Revolving Loan Account as follows:

- To rehabilitate and maintain eligible properties;
- To bring into compliance with local code, any eligible properties returned to the Administrator due to Default, deed-in-lieu of foreclosure, foreclosure or abandonment;
- To pay a developer's fee of up to 10% of total development costs resulting from either of the above activities; or
- To pay any debt to remove a lien placed against an Eligible Property due to an Emergency Repair provided that the lien complied with Section 5.12 of this Procedural Manual. A developer's fee may not be charged by the Administrator to the Revolving Loan Account for the removal of said lien.

During the servicing phase the Administrator may use the Revolving Loan Account to pay for any documented MURL Program related administrative costs incurred during the program year provided an itemized list of expenses for said costs is submitted to Minnesota Housing as part of the Annual Report due by March 31st of each calendar year. All administrative costs submitted to Minnesota Housing must be certified as accurate by either the Executive Director or the Chief Financial Officer of the Administrator.

Note: Any and all use of funds from the Revolving Loan Account must be fully documented.

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Minnesota Housing Finance Agency

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BOARD AGENDA ITEM: 9.C.(2)

DATE: December 16, 2010

ITEM: Administrator Transfer and Affordable Housing Plan Modification, Minnesota Urban and Rural Homesteading Program

CONTACT: Robert Russell, 651-296-9804
robert.russell@state.mn.us

REQUEST:

☑ Approval ☐ Information ☐ Discussion

TYPE(S):

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

☐ Selection(s) ☐ Waiver(s) ☑ Other: Affordable Housing Plan Modification

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff is hereby requesting Board approval to allocate Pool 3/foundation resources to the Minnesota Urban and Rural Homesteading Program (MURL) for the purpose of:

- Finishing out activities funded under the 2010-11 Affordable Housing Plan (AHP);
- Repaying HUD for a noncompliant home; and,
- Facilitating the transfer of MURL homes from two dissolving Administrators to two receiving Administrators.

FISCAL IMPACT:
The request would allocate an additional $198,000 of Pool 3/foundation funds to the MURL Program's budget.

MEETING AGENCY PRIORITIES:

☐ Address Foreclosure ☐ Finance New Affordable Housing Opportunities

☐ End Long-Term Homelessness ☐ Increase Emerging Market Homeownership

☑ Preserve Existing Affordable Housing

ATTACHMENT:
Background

BACKGROUND:
The first request allows for the completion of homes outlined in the 2010-11 AHP. When the initial AHP budget was developed, there were 16 committed activities in the pipeline. At time of commitment, Administrators reserve funds based an estimated total development cost and they receive 75% of the committed amount as working capital to get through the project. For current AHP purposes, the undisbursed amount was rolled over to fund these activities. As these projects closed, some project budgets exceeded their estimated amount while others came in under budget. Of the original 16 homes, 14 homes have been completed leaving an estimated shortfall of about $62,000 to complete the two remaining homes.

The second request is for the repayment to the U.S. Department of Housing and Urban Development (HUD) for a noncompliant MURL home. West Central Minnesota Housing Partnership (WCMHP) originally completed and sold a MURL home in late 2000 using HOME Investment Partnerships Program funding from their 1999 award. The HOME-required affordability period for this home runs through late 2015. As part of the 2009 annual review process, staff discovered that the home was demolished in 2005. WCMHP maintains they received staff approval to demolish the home, but were unable to produce documentation indicating such approval. As a result of the demolition, there is no way to meet HUD's affordability period and repayment to HUD is required.

Shortly after the discovery, staff requested WCMHP repay the HOME investment. Over the course of the last year and a half, WCMHP and the Agency have worked to come up with a repayment solution. During that time, WCMHP has determined that they will be dissolving as an organization, making repayment by WCMHP unlikely. Per the Agency's policy for repaying funds to HUD, the other option prior to repayment has been exhausted since there are no other comparable homes that can accept the affordability period requirements. The Agency is still required to repay HUD the total HOME investment of $59,721.55.

The third request helps cover the anticipated cost of facilitating the transfer of MURL homes from two dissolving Administrators to two receiving Administrators. WCMHP has 17 homes in their portfolio, excluding the home to be repaid to HUD. One of those homes was sold on an interest-free mortgage and will be transferred to US Bank for servicing. The other 16 homes will be transferred to West Central Minnesota Communities Action (WCMNCA). WCMNCA is willing to accept the homes, but have requested upfront funding to help defray the cost of the transfer. The cost of the transfer includes enhancing their revolving account in the event of a turnover as well as to help cover the upcoming escrow payments – hazard insurance and property taxes – of the 16 homes.

In addition to WCMHP, Northwest Community Revitalization Corporation (NCRC) is the process of dissolving. The agency was notified of their dissolution as part of the 2009 annual review process. NCRC has one home in their portfolio, which is located in Brooklyn Park. In late 2009, the Agency approached Project for Pride in Living (PPL) to determine their interest in accepting NCRC's home. The Agency, NCRC and PPL have been in negotiations ever since. PPL seems willing to accept the home, but details of an agreement have yet to be reached.

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BOARD AGENDA ITEM: 9.D.(1)

DATE: December 16, 2010

ITEM: Section 1602/Exchange (1602) Program; Low Income Large Family Rental Housing (LILF) and Affordable Rental Investment Fund (ARIF) Programs; and New Construction Tax Credit Mortgage Loan (NCTC) Program

- East Side Commons, Saint Paul – D6257
- Bradley Terrace, Saint Paul – D1607
- York/Sims Family Housing, Saint Paul – D1626
- G.A. Johnson, Saint Paul – D2807

CONTACT: Kayla Schuchman, (651)296-3705
kayla.schuchman@state.mn.us

REQUEST:

☑ Approval ☐ Information ☐ Discussion

TYPE(S):

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

☐ Selection(s) ☐ Waiver(s) ☐ Other:

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:

Request adoption of Resolutions authorizing an extension of the Section 1602/Exchange Program commitment of $425,000 for the East Side Commons development, approval for the assumption and modification of an existing LILF loan in the amount of $240,000 for the York Sims development, approval for the assumption and modification of an existing ARIF loan in the amount of $100,000 for the G.A. Johnson development, subject to the review and approval of the Mortgagor, and the terms and conditions of the Agency mortgage loan commitment, and approval for the prepayment of an existing NCTC loan with a balance of approximately $273,283 for the Bradley Terrace development.

FISCAL IMPACT:

Extension of the 1602 commitment will have no fiscal impact.

Prepayment of the NCTC loan will decrease the interest income generated for the Agency; however a new LMIR loan is being processed for closing in early 2011, replacing this source of income. The ARIF program was funded through state appropriations and the LILF program through the Housing Affordability Fund. The modification to extend the maturity date of these loans delays repayment of these funds but serves a beneficial purpose as described in the background section of this report.

MEETING AGENCY PRIORITIES:

- [ ] Address Foreclosure
- [ ] Finance New Affordable Housing Opportunities
- [ ] End Long-Term Homelessness
- [ ] Increase Emerging Market Homeownership
- [x] Preserve Existing Affordable Housing

ATTACHMENTS:

- Background
- Development Summary
- Resolutions (4)

BACKGROUND:

The Minnesota Housing Finance Agency (Agency) Board, at its January 28, 2010, meeting, approved the East Side Commons development for processing under the LMIR program and approved the commitment of a Section 1602/Exchange deferred loan. Further, assumption of $340,000 of existing Minnesota Housing deferred debt outstanding on the property was recommended.

The East Side Commons development consists of three existing properties located within a quarter mile radius of each other, including the 30-unit Bradley Terrace development, the 10-unit York/Sims Family Housing development, and the 8-unit G.A. Johnson development. The three existing developments are in Minnesota Housing's portfolio, with Agency financing including an outstanding NCTC first mortgage on Bradley Terrace with a balance remaining of $273,283 as of November 30, 2010, a $240,000 LILF deferred loan on York/Sims, and a $100,000 ARIF deferred loan on G.A. Johnson.

The current owners of the three properties will sell to a new tax credit limited partnership that has agreed to preserve affordability at the development for 30 years, with Agency financing including new LMIR and 1602 loans, and assumption of the Agency's outstanding LILF and ARIF deferred loans. As part of this request, staff recommends approval by the new partnership for the assumption of the LILF and ARIF loans.

In order to facilitate a commitment for a new LMIR first mortgage, the NCTC mortgage on Bradley Terrace must be paid off. The NCTC mortgage prohibits prepayment prior to January 1, 2014, and as part of this request, staff recommends a waiver of this provision, provided the property continues as rent restricted.

In order to meet upcoming expenditure deadlines for the Section 1602 financing, the new owner proposes to process the financing in a two-step transaction, with assumption of the LILF loan (secured by the York/Sims development), assumption of the ARIF loan (secured by the G.A. Johnson development), and prepayment of the NCTC mortgage (secured by the Bradley Terrace development) occurring prior to December 31, 2010, and a closing on the new LMIR and 1602 financing to occur in 2011. The new LMIR and Section 1602/Exchange financing will be secured by all three properties, being combined and to be known as East Side Commons. In order to facilitate this two-step transaction, staff recommends an extension of the Section 1602/Exchange commitment through December 31, 2011.

DEVELOPMENT SUMMARY:

DEVELOPMENT:

Name:	East Side Commons			App#:	M14756
Address:	Multiple Building Addresses				
City:	Saint Paul	County:	Ramsey	Region:	MHIG

MORTGAGOR:

Ownership Entity:	East Side Commons LLLP
General Partner/Principals:	TCHDC East Side Commons LLC, ESNDC Eastside Commons LLC

DEVELOPMENT TEAM:

General Contractor:	Watson-Forsberg Company, Minneapolis
Architect:	Cermak Rhoades Architects, Saint Paul
Attorney:	Winthrop & Weinstine, PA, Minneapolis
Management Company:	Real Estate Equities Management LLC, Saint Paul
Service Provider:	East Side Family Center, Saint Paul

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$	800,606	LMIR First Mortgage	
		Funding Source:	Hsg Investment Fund(Pool 2)
		Interest Rate:	5.50%
		Term (Years):	30
		Amortization (Years):	30
$	425,000	Section 1602/Exchange	
		Funding Source:	Section 1602/Exchange
		Interest Rate:	0.00%
		Term (Years):	17
$	240,000	LILF	
		Funding Source:	Housing Affordability Fund (Pool 3)
		Interest Rate:	0.00%
		Term (Years)	30
$	100,000	ARIF	
		Funding Source:	State Appropriations
		Interest Rate:	0.00%
		Term (Years)	30

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORD-ABILITY*
3BR (LTH)	2	1,200	$ 125	$ 654	$ 5,000
2BR (LTH)	2	950	$ 125	$ 566	$ 5,000
2BR	3	950	$ 885	$ 943	$ 35,400
1BR	3	700	$ 699	$ 786	$ 27,960
3BR	7	852	$ 1,080	$ 1,090	$ 43,200
2BR	9	950	$ 925	$ 943	$ 37,000
3BR	10	1,200	$ 1,035	$ 1,090	$ 41,400
4BR	3	1,375	$ 1,138	$ 1,216	$ 45,520
2BR	3	852	$ 885	$ 943	$ 35,400
4BR	3	949	$ 1,188	$ 1,216	$ 47,520
0BR/SRO	4	500	$ 592	$ 733	$ 23,680
2BR	1	700	$ 740	$ 943	$ 29,600
TOTAL	50				

NOTES: *The LMIR Program, in conjunction with Housing Tax Credits, limits rents to be affordable at 50% AMI and allows incomes up to 60% AMI. In addition, four of the 50 units will be restricted to rents and incomes at 30%AMI.*

Purpose:

The purpose of funding the acquisition and rehabilitation of this development is the preservation of 48 units of existing affordable rental units, and new construction of two additional units of adjacent housing. The development is located on the east side of St. Paul within the City's "Invest St. Paul" community revitalization area, and consists of three existing developments located within a quarter mile radius of each other, the 30-unit Bradley Terrace Townhomes, the 10-unit York Sims development, and the 8-unit G.A. Johnson Building. The three existing developments are in Minnesota Housing's portfolio, with financing including first mortgage, deferred loan, and tax credit financing. The Bradley Terrace and York Sims developments have reached the end of the tax credit compliance periods, and all units are at risk due to physical deterioration.

Target Population:

This development will serve families with children, including four families experiencing long term homelessness, and will target households of color, and single headed households.

Project Feasibility:

The proposal was selected in January 2010 for a $425,000 award through the Section 1602 program, a $575,000 award from the Met Council LHIA program, and a LMIR loan of $800,606. In addition, the assumption of $340,000 of existing Minnesota Housing deferred debt outstanding on the property was recommended. The development has received approval for gap financing from the City of St. Paul and the Family Housing Fund, as well as City of St. Paul tax credits. The development appears to be financially feasible.

Development Team Capacity:

Twin Cities Housing Development Corporation (TCHDC) and East Side Neighborhood Development Corporation will serve as co-general partners, with TCHDC serving as the managing general and also the developer. TCHDC was established in 1984 and reports significant experience developing and owning this type of housing development.

Real Estate Equities was established in 1979 and currently has 322 developments, with a total of 3,577 units. Their current portfolio consists of developments financed with tax credits, project based Section 8, Minnesota Housing deferred loans and first mortgages.

The development team appears to have the necessary capacity to complete and operate the development.

Physical and Technical Review:

This project consists of rehabilitation of the 20 year old Bradley Terrace Townhomes, the 113 year old G.A. Johnson commercial building, and the 15 year old York Sims Townhomes, along with new construction of a duplex on a vacant lot adjacent to the York Sims site; all located adjacent to, or in close proximity to, the Payne Avenue commercial neighborhood of East St. Paul. The architect and developer show a strong understanding and commitment to satisfying Green Communities Criteria, and the work scope is well conceived and comprehensive.

Market Feasibility:

The development is located on the East Side of St. Paul, in a neighborhood targeted under the Invest Saint Paul initiative, which aims to combine efforts in order to strengthen challenged neighborhoods. While the primary market area has experienced population decline in recent years, the area also has a large concentration of families with approximately 43 percent of occupied units in the area occupied by renters. It is anticipated that the market contains sufficient demand for the development to achieve rents as proposed and remain occupied.

Supportive Housing:

East Side Family Center (ESFC), as service provider, will provide ongoing case management, referrals to specific services, life skills education, and will develop a Family Housing Plan and serve as a liaison with East Side schools. Tenants will be referred to the program through ESFC's offices located in four nearby schools, Real Estate Equities, and through work with various other St. Paul human service programs. ESFC also works with the East Side Housing Opportunity Program and Minnesota Housing rental assistance, which resources will be utilized to support the development. The supportive housing plan has been developed with input from the Corporation for Supportive Housing, and ESFC has experience providing supportive services to the target population.

DEVELOPMENT COST SUMMARY (estimated):

	Total	Per Unit
Total Development Cost	$11,310,733	$226,215
Gross Construction Cost	$4,735,281	$94,706
Agency Sources		
LMIR Loan	$800,606	$16,012
Section 1602/Exchange	$425,000	$8,500
LILF (assumption/modification)	$240,000	$4,800
ARIF(assumption/modification)	$100,000	$2,000
Total Agency Sources	$1,565,606	$31,312
Total Loan-to-Cost Ratio	14%	
Other Non-Agency Sources		
City of St. Paul	$1,473,291	$29,466
Family Housing Fund	$675,000	$13,500
Met Council LHIA	$575,000	$11,500
General Partner Cash	$950,000	$19,000
Syndication Proceeds	$5,890,108	$117,802
Remaining Gap	$181,728	$3,635
Total Non-Agency Sources	$9,745,127	$194,903

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

RESOLUTION NO. MHFA 10-

RESOLUTION APPROVING MORTGAGE COMMITMENT EXTENSION
SECTION 1602/EXCHANGE (1602) PROGRAM

WHEREAS, the Board has heretofore authorized the issuance of a commitment on the development hereinafter named by its Resolution No. MHFA 10-05; and

WHEREAS, it is the desire of the Agency to extend the expiration date to allow for closing of the loan; and

WHEREAS, the application continues to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations, and policies.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes the commitment expiration date on the East Side Commons development (Development No. D6257) to the date indicated below, and hereby confirms the renewal of said commitment, subject to the revisions noted herein:

1. The Commitment Expiration Date: December 31, 2011; and

2. Except for the extended commitment expiration date, all terms and conditions of MHFA Resolution No. 10-05 remain in effect.

Adopted this 16th day of December, 2010

____
CHAIRMAN

MINNESOTA HOUSING FINANCE AGENCY

400 Sibley Street - Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 10-

RESOLUTION APPROVING ASSUMPTION SALE AND LOAN MODIFICATION
LOW INCOME LARGE FAMILY RENTAL HOUSING (LILF) PROGRAM

NOW THEREFORE, BE IT RESOLVED, that the Board hereby consents to the sale by York/Sims Project Limited Partnership, a Minnesota limited partnership, (Seller), of the property known as York/Sims Family Housing, located in Saint Paul, Minnesota, MHFA Development No. 1626 (the Development), to East Side Commons, LLLP, a Minnesota limited liability limited partnership (Buyer), and the assumption by East Side Commons, LLLP of all obligations of the selling mortgagors under the mortgage and accompanying documents with the Minnesota Housing Finance Agency (Agency), contingent upon the following conditions:

1. That the Buyer and Seller enter into an assumption agreement, in form and substance acceptable to the Agency, assuming the existing LILF subordinate mortgage and any and all additional Agency loans and agreements; and

2. That the Buyer, as an owner, and the owner's management agent meet the requirements of and be approved by the Agency in accordance with its procedures; and

3. Agency staff shall modify the terms of the existing LILF loan documents by:
   a. Extending the loan term to a date that will be co-terminus with the new LMIR loan maturity date and deferring repayment to a date that will be co-terminus with the new LMIR permanent mortgage; and
   b. Amending the loan security to include the Bradley Terrace and G.A. Johnson developments in addition to the York/Sims Family Housing development; and

4. That this assumption approval will expire on January 31, 2011.

Adopted this 16th day of December, 2010.

____

CHAIRMAN

MINNESOTA HOUSING FINANCE AGENCY

400 Sibley Street - Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 10-

RESOLUTION APPROVING ASSUMPTION SALE AND LOAN MODIFICATION AFFORDABLE RENTAL INVESTMENT FUND (ARIF) PROGRAM

NOW THEREFORE, BE IT RESOLVED, that the Board hereby consents to the sale by G.A. Johnson, LLC, a Minnesota limited liability company, (Seller), of the property known as G.A. Johnson, located in Saint Paul, Minnesota, MHFA Development No. 2807 (the Development), to East Side Commons, LLLP, a Minnesota limited liability limited partnership (Buyer), and the assumption by East Side Commons, LLLP of all obligations of the selling mortgagors under the mortgage and accompanying documents with the Minnesota Housing Finance Agency (Agency), contingent upon the following conditions:

1. That the Buyer and Seller enter into an assumption agreement, in form and substance acceptable to the Agency, assuming the existing ARIF subordinate mortgage and any and all additional Agency loans and agreements; and

2. That the Buyer, as an owner, and the owner's management agent meet the requirements of and be approved by the Agency in accordance with its procedures; and

3. Agency staff shall modify the terms of the existing ARIF loan documents by:
   a. Extending the loan term to a date that will be co-terminus with the new LMIR loan maturity date and deferring repayment to a date that will be co-terminus with the new LMIR permanent mortgage; and
   b. Amending the loan to be non-recourse; and
   c. Amending the loan security to include the Bradley Terrace and York/Sims Family Housing developments in addition to the G.A. Johnson development.

4. That this assumption approval will expire on January 31, 2011.

Adopted this 16th day of December, 2010.

____

CHAIRMAN

MINNESOTA HOUSING FINANCE AGENCY

400 Sibley Street - Suite 300
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 10-

RESOLUTION APPROVING LOAN MODIFICATION
NEW CONSTRUCTION TAX CREDIT MORTGAGE LOAN (NCTC) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) heretofore loaned $640,316 on October 3, 1991 under the NCTC program for permanent loan financing for a multifamily rental housing development known as Bradley Terrace in Saint Paul, Minnesota, MHFA Development No. 1607 (the Development); and

WHEREAS, on January 21, 2004 the term was extended to December 1, 2016 and the interest rate reduced on the NCTC loan upon the condition that the development continue to comply with Section 42 rent restrictions through December 1, 2016, without prepayment of the loan prior to January 1, 2014; and

WHEREAS, East Side Commons, LLLP (Proposed Owner) and Agency staff have proposed an agreement to facilitate processing of new LMIR first mortgage financing, and the continued operation of the Development, based on the following terms:

1. Prepayment of the NCTC loan will be permitted upon the condition that the development continue to comply with Section 42 rent restrictions at least through December 1, 2016; and

NOW THEREFORE, BE IT RESOLVED:

Contingent upon Agency staff obtaining an agreement by the Owner to continue to restrict rents through December 1, 2016, Agency staff may allow prepayment of the existing NCTC loan on the above-described terms and conditions.

Adopted this 16th day of December, 2010.

____
CHAIRMAN

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Minnesota Housing Finance Agency
400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

BOARD AGENDA ITEM: 9.D.(2)

DATE: December 16, 2010

ITEM: Design and Underwriting Guidelines for Existing Manufactured Housing Communities

CONTACT: Julie Ann Monson, 651-297-3123
julie.ann.monson@state.mn.us

REQUEST:

☑ Approval ☐ Information ☐ Discussion

TYPE(S):

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

☐ Selection(s) ☐ Waiver(s) ☐ Other: ______________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Approval to update design and underwriting guidelines for existing manufactured housing communities.

FISCAL IMPACT:
N/A

MEETING AGENCY PRIORITIES:

☐ Address Foreclosure ☐ Finance New Affordable Housing Opportunities

☐ End Long-Term Homelessness ☐ Increase Emerging Market Homeownership

☑ Preserve Existing Affordable Housing

ATTACHMENTS:
Attachments to be distributed at 12/16 meeting.

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Minnesota Housing Finance Agency

400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
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BOARD AGENDA ITEM: 10.A

DATE: December 16, 2010

ITEM: HUD Sustainable Regional Communities Grant Award, Living Cities Announcement, Ford Foundation Initiative

CONTACT: Katy Lindblad, (651) 296-3617
katy.lindblad@state.mn.us

REQUEST:

☐ Approval ☑ Information ☐ Discussion

TYPE(S):

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

☐ Selection(s) ☐ Waiver(s) ☐ Other:

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
Minnesota Housing is part of a consortium that was recently awarded a HUD Regional Sustainable Communities Planning Grant, as well as a $16 million commitment from Living Cities. The Ford Foundation has also selected the Twin Cities to be part of its Metropolitan Opportunities Initiative.

FISCAL IMPACT:
$280,000 of the $5 million HUD grant will be coming to Minnesota Housing to administer.

MEETING AGENCY PRIORITIES:

☑ Address Foreclosure ☑ Finance New Affordable Housing Opportunities

☑ End Long-Term Homelessness ☑ Increase Emerging Market Homeownership

☑ Preserve Existing Affordable Housing

ATTACHMENT(S):
- Corridors of Opportunity Executive Summary

400 Sibley Street | Suite 300 | Saint Paul, MN 55101-1998 | 651.296.7608
800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
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Corridors of Opportunity
Executive Summary

HUD Sustainable Communities Regional Planning Grant
The U.S. Department of Housing and Urban Development has selected the Minneapolis-Saint Paul Area to receive a $5 million Sustainable Communities Regional Planning Grant. The Sustainable Communities Regional Planning Grant Program was designed to support regional planning efforts that integrate housing, land use, economic and workforce development, transportation, and infrastructure investments in a manner that empowers jurisdictions to consider the interdependent challenges of economic competitiveness and revitalization; social equity, inclusion, and access to opportunity; energy use and climate change; and, public health and environmental impacts. The program places a priority on investing in partnerships, including nontraditional partnerships (e.g., arts and culture, philanthropy, etc.) and bringing new voices to the regional planning process.

The grant program is a centerpiece of the Interagency Partnership for Sustainable Communities, a joint effort between HUD, the U.S. Department of Transportation, and the U.S. Environmental Protection Agency to leverage long-term development and reinvestment that advances improved environmental and economic sustainability and to engage stakeholders and citizens in meaningful decision-making roles. HUD chose to make the Partnership's six Livability Principles central to the program outcomes discussed in the NOFA:

1. Provide More Transportation Choices.
2. Promote Equitable, Affordable Housing.
3. Enhance Economic Competitiveness.
4. Support Existing Communities.
5. Coordinate Policies and Leverage Investment.
6. Value Communities and Neighborhoods.

Investment in transit, coupled with appropriate development strategies, can play a transformative role in improving the lives of people, the health of neighborhoods and the economic strength of the region. With that in mind, a regional "Corridors of Opportunity" initiative broadly embraces efforts supported by the federal Interagency Partnership for Sustainable Communities as well as by Living Cities. The application for the HUD grant was submitted by the Metropolitan Council on behalf of a consortium of regional partners that includes Metropolitan Council, Hennepin County, Ramsey County, the Counties Transit Improvement Board, the City of Minneapolis, the City of Saint Paul, Minnesota Housing, and the McKnight Foundation.

Minnesota Housing's Commissioner has been part of the local leadership for both the HUD and the Living Cities efforts from their inception. The Commissioner played a crucial role early by orchestrating an April site visit by Assistant Secretary Ron Sims and Office of Sustainable Housing and Communities Director Shelley Poticha. This was followed by a face-to-face meeting by the local Twin Cities leadership group with federal Interagency and HUD staff in Washington, D.C., which positioned the region well when the NOFA was issued in July. Because of the Twin Cities' already-strong regional planning institutions, the grant will advance implementation of the regional plan by focusing on issues surrounding the emerging transitway system.

Highlights of the funded proposal include:

- Vigorous community outreach and engagement;
- A focus on creating detailed corridor-wide comprehensive plans and implementation strategies along five emerging transitways: Southwest LRT, Bottineau, Cedar Avenue Bus Rapid Transit, Northstar Commuter Rail, and the Gateway Corridor (I 94 East);
- Provision of resources to local communities in transitway corridors to advance their capacity to implement corridor-wide strategies;
- Four special-focus projects in Central Corridor that are intended to be models for other corridors at later stages of their development: economic/workforce development, alternative energy systems, housing energy efficiency and affordability, and green infrastructure (stormwater);
- Several technical studies and program development;
- Study the feasibility of a "program of projects" approach that could allow the region to build out multiple transitways simultaneously;
- Gathering and reporting data for metrics and evaluation, and
- Planning support tools such as computerized visualization and scenario testing.

Minnesota Housing staff will administer and contract out $280,000 of grant funding for the following efforts:

- Improvements to HousingLink's web-based affordable housing clearinghouse to enable housing seekers to search listings by location features such as public transportation routes or schools and to have more complete listings of affordable housing with details about accessible features, property size, age and programs.
- Analysis of current and past GSE and HUD energy efficient mortgage (EEM) and locations efficient mortgage (LEM) products that identifies the barriers to use, along with development and promotion of EEM/LEM mortgage products preferred by homebuyers and lenders.
- Development of a landlord targeted strategy for energy efficiency improvements, retaining multifamily rental housing that is affordable to low- and moderate-income households.
- Development of a best practices affirmative fair housing marketing plan, fair housing resource guide and referral system.

Living Cities Integration Initiative
In a related effort, on October 28, Living Cities, a collaborative of 22 of the world's largest foundations and financial institutions, named the Twin Cities as one of five winners in its new Integration Initiative to:

- Improve the lives of low-income people in significant, measurable ways
- Create new "whole system" models of national significance
- Alter regional dynamics
- Attract and blend capital to scale change
- Sustain change through "new normals" to drive integration and accountability.

The Twin Cities will receive up to $16M total in grants ($2.75M); loans ($10M); and Program Related Investments ($3M). Supported work will include a mix of project-specific, implementation activities, and policy and planning reforms to more effectively align investments in housing, economic and community development, and workforce training along the region's transit corridors. The cross-sector, public-private collaboration aims to develop regional transit that expands opportunities and unlocks private capital to address the needs of low- income people.

Highlights of the funded proposal include:

- Family Housing Fund, Twin Cities Community Land Bank, and Local Initiatives Support Corporation (LISC) will preserve and create affordable housing in transit corridors and provide gap funds for mixed-income, mixed use projects.
- Neighborhood Development Center and Metropolitan Consortium of Community Developers will provide small business assistance and loan products such as a business growth fund, building ownership fund, and site control loan fund to create anchors and showcase the potential for ethnic and minority owned businesses along transit corridors.
- Urban Land Institute-Minnesota, Hennepin County, and others will guide and implement the Southwest LRT corridor investment framework and demonstrate replicable best practices of a cross-jurisdictional public-private partnership model.
- The Saint Paul Foundation will manage the initiative locally, supporting policy change work and program evaluation.

The McKnight Foundation and The Saint Paul Foundation are coordinating the initiative. Other partners include: Minnesota Housing; The Metropolitan Council; Hennepin and Ramsey Counties; The Cities of Minneapolis and St. Paul; Family Housing Fund; The Twin Cities Community Land Bank; Twin Cities LISC; Neighborhood Development Center; Metropolitan Consortium of Community Developers; Urban Land Institute-Minnesota; The Itasca Project; Central Corridor Funders Collaborative.

Ford Foundation Metropolitan Opportunities Initiative
While the Ford Foundation has not made a formal written commitment, on a site visit in August foundation staff indicated that Ford will support the Twin Cities Corridors of Opportunity as part of its five-year, $200 million effort to help transform the way cities,

suburbs and surrounding communities grow and plan for the future. This initiative will include 10-12 communities promoting a new metropolitan approach that interweaves housing, transportation and land-use policy to foster greater economic growth. Ford intends to support models that can be adopted and adapted in other metropolitan regions. The goal is to expand opportunity among all people in any given metro region—from many different communities and income levels—by ensuring that metropolitan communities plan together and collaborate on such common challenges as affordable housing, infrastructure investments, education and job creation. The foundation seeks to help communities move away from competing for public and private funding toward collaborating on regional initiatives, making limited resources go further.

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Equal Opportunity Housing and Equal Opportunity Employment

BOARD AGENDA ITEM: 10.B.

DATE: December 16, 2010

ITEM: Information, Performance Pilot and Temporary Rental Assistance Program Progress Report

CONTACT: John Patterson, (651) 296-0763
john.patterson@state.mn.us

Amy Long, (651) 296-0751
amy.long@state.mn.us

REQUEST:

☐ Approval ☑ Information ☐ Discussion

TYPE(S):

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

☐ Selection(s) ☐ Waiver(s) ☐ Other: ______________________

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:

For your review, we are providing progress reports for two pilot programs. The first program is the Performance Pilot, under which Minnesota Housing provided multiyear funding awards to three communities as an alternative to the traditional Request for Proposal (RFP) process. The second program is the Temporary Rental Assistance for Families (TRAF) program. This program serves recently homeless families with children.

FISCAL IMPACT:

None

MEETING AGENCY PRIORITIES:

☑ Address Foreclosure
☑ Finance New Affordable Housing Opportunities
☑ End Long-Term Homelessness
☐ Increase Emerging Market Homeownership
☑ Preserve Existing Affordable Housing

ATTACHMENT(S):

- Research Summary: Performance Pilot – Interim Review
- Executive Summary: Temporary Rental Assistance for Families Program – Progress Report, as of June 30, 2010

Full reports are available upon request.

Research Summary
Performance Pilot – Interim Review

Background

Starting in 2006, Minnesota Housing negotiated multi-year Performance Pilot agreements with three participants in response to proposals from HRAC concerning alternative methods for allocating funds that have traditionally been distributed through the RFP process. The purpose of the pilot is to test the concept of a multi-year performance-based award.

Minnesota Housing made funds available over multiple years; and participants were to spend their funds by 2012.

- City of Brooklyn Park ($2.1 million)
- Dakota County Community Development Agency ($2.4 million)
- City of Willmar/Kandiyohi County ($1.2 million).

Each participant had the flexibility to establish its own plans for using the funds, but in negotiations, Minnesota Housing required that the plans advance of the agency's priorities and goals. The funding agreements also required participants to monitor their progress and provide annual reports.

Interim Pilot Results

- Initially, reporting by participants to Minnesota Housing did not fully meet terms of the funding agreements. Some annual reports were made verbally rather than in writing, and some written reports did not address all requisite information. Program staff and the Research Department developed a new data collection tool to obtain the information needed for this evaluation.

- The pilot has struggled to achieve its key goals of attracting new sources of funding, increasing the efficiency of the development process, and developing more affordable housing.

    - Besides new levy authority for affordable housing in Kandiyohi County, other leveraged funds came from traditional sources, including HOME, Family Housing Fund, Southwest Minnesota Housing Partnership, Greater Minnesota Housing Fund, Met Council, tax credits, and tax increment financing.

    - The development process under the Performance Pilot does not appear to be faster than under the traditional RFP process. Some pilot projects were faster while some were slower than a similar RFP project. For example, foreclosure remediation projects in Brooklyn Park required an average of 9.4 months from the time the funds were available to project completion and occupancy, compared with an average 11 months for other foreclosure remediation completed under the Community Revitalization Program (CRV). As another example, of the three completed multifamily rental projects in Dakota County, two required 15 months from project application for pilot funding to loan closing while the third required 29 months (delay due to a lack of available housing tax credits in Dakota County at the time). The average closing time for comparable projects through traditional processing is 14 months.

- The level of affordable housing production in Brooklyn Park and Willmar/Kandiyohi increased with the pilot funding. These communities received funding levels under the pilot that they have traditionally not received under the RFP process. However, it is unclear what would have happened without the pilot. These funds could have gone to other communities under the RFP process and provided a similar amount of affordable housing. Dakota County's production with pilot funding was similar to the level before the pilot.

Units of Affordable Housing Funded Prior to and During the Pilot

	Pre-Pilot Activity					During Pilot	
Participant	**2002**	**2003**	**2004**	**2005**	**2006**	**2007-2010**	**Average annual**
Brooklyn Park	2	2	2	0	6	432	108
Dakota County	262	238	138	66	284	485	121
Kandiyohi/Willmar	0	0	0	6	1	72	18

- Brooklyn Park returned $515,000 because they were unable able to use their full allocation.

- As of August 2010, Kandiyohi/Willmar had more than $400,000 in uncommitted funds.

- Several of the projects funded by participants under the Performance Pilot would **not** have been selected under the RFP or pipeline process. For example, The Judicial Road new home construction proposal in Dakota County was denied twice under the standard CRV RFP process due to high developments costs. Dakota County approved funding for the construction of two homes on Judicial Road under the Pilot.

- Minnesota Housing staff had to provide significantly more technical assistance to oversee Pilot funds than originally expected.

Lesson Learned to Date

- Minnesota Housing and our partners had different priorities and expectations concerning the Performance Pilot. In the future, before proceeding, we need to verify that funding recipients understand and embrace the program's objectives, requirements, and expectations.

- Even though pilot projects often involve limited funding, they can take significant resources to implement well. They lack economies of scale. To adequately test a pilot project, we need to allocate sufficient staff time to implement it well.

TEMPORARY RENTAL ASSISTANCE FOR FAMILIES PROGRAM

Progress Report as of June 30, 2010

Executive Summary

GOAL:

Reduce the negative impact that homelessness has on families with children by:

- Preventing the entry into shelter, if possible, and shortening the shelter stays that do occur.
- Improving housing stability.
- Stabilizing and increasing income.
- Positively impacting educational outcomes.

Financing Plan:

$1.5 Million Minnesota Housing

$2.4 Million Pohlad Family Foundation

$3.9 Million in total grants

***$360,000 of Pohlad Family Foundation funding was used to fund supportive services.*

STRATEGY:

Provide short-term rental and supportive service funding to rapidly house approximately 240 families with children, who were in, or seeking, emergency shelter in Hennepin and Ramsey counties. The program targets households that are recently homeless as opposed to long-term homeless. In addition, school district homeless liaisons collaborated with the rental assistance administrators and supportive service providers to positively impact educational outcomes and school satisfaction.

NEED:

In the fall of 2008, emergency shelters in Hennepin and Ramsey counties were at or beyond capacity, reporting a dramatic increase (13 – 20%) in the number of families with children accessing emergency shelter. The economic downturn exacerbated this problem, leaving many unemployed and without housing.

YEAR ONE RESULTS:

- *Households in Housing*: 264 households were served, including 516 children. 22% of the households are headed by youth age 22 and under. 28% of households reported experiencing domestic violence.

- *Income*: 24% have income from employment. Although 13% have increased their incomes, overall household incomes have not increased, as originally anticipated. Economic factors including high unemployment have prevented some households from increasing their income.

- *Housing Stability:* The vast majority of households assisted (86%) maintain their current housing.
    - Of the 14% that have exited the program, one-third transitioned successfully and moved to unsubsidized housing or to another affordable housing opportunity.

- *School Satisfaction*: Approximately 95% of families indicate satisfaction with housing placement related to school attendance needs of their children.

> *"This country will not be a good place for any of us to live in unless we make it a good place for all of us to live in . . ."*
>
> Theodore Roosevelt

SUCCESS STORIES:

Increasing skills, income and connection to supportive services:

- While in the program a father finished his GED, increased his income by obtaining more clients for PCA work, enrolled in St. Paul College to start nursing program and the family moved into permanent affordable housing.

- A single mother with 2 children was able to return to her employment after taking a leave of absence due to her homeless situation. This mother is now pursuing a Culinary Arts Certificate so that she can apply for a higher paying position in her current place of employment.

- One of our program participants came to us after she lost her home through foreclosure and had not worked in the past year. She obtained all the coaching she could get from our case manager regarding developing a resume and learning effective job search skills. She aggressively applied for positions and conducted her employment search like it was a full time job. After two months in the program, she was hired as a Medical Administrative Assistance at the Veteran's Hospital starting at $17 per hour.

- A case manager visited a mother who mentioned that her four-year-old daughter struggled at her daycare. The daycare provider mentioned that she might be autistic and suggested that the mother have her evaluated. The mother contacted Early Intervention through a referral from the case manager and the agency came out to the house to meet her daughter and observe her behavior. Based on further test results, her daughter was diagnosed with Autism and is currently enrolled and attending preschool and special education classes to prepare her for kindergarten.

BEST PRACTICES:

- Families create and implement goal plans (including housing transition plans) with case management support.

- Program administrators work with landlords to identify and secure housing and reduce the cost of rent (for example, a 3 bedroom apartment for the price of a 2 bedroom). Case managers and housing support staff communicate with landlords to resolve issues as they arise in order to maintain housing.

- Supportive service staff facilitate and encourage communication with children's schools, including preschool, and promote relationships between school staff, parents, and case managers. When appropriate, these relationships increase stability for children and awareness regarding a child's potential needs.

- Help families build relationships with community members, school staff, benefits and employment connections, and family and friends. These connections help to increase potential for positive outcomes and hopefully reduce the risk of future occurrences of homelessness.