2008-2009
Affordable Housing Plan

Minnesota Housing Finance Agency

2008-2009 Affordable Housing Plan

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3. Exhibit 2 to Resolution No. MHFA 07-35, 2008-2009 Affordable Housing Plan Development, principles to guide budgeting decisions for Pool 2 and Pool 3/foundation.

2008-2009 Affordable Housing Plan

Overview

Every two years the Board of Directors of the Minnesota Housing Finance Agency (Minnesota Housing) adopts an Affordable Housing Plan ("Plan"), setting forth the funding sources and amounts for housing programs for the biennium. This Plan will begin October 1, 2007 and end on September 30, 2009 as the agency's program budget year coincides with the fiscal year of the federal government (see Fiscal years below).

This overview addresses the following topics:

- Financial summary and comparison to the current Plan
- Sources of funding for the Plan
- Program and policy highlights
- Plan development process
- Fiscal years

FINANCIAL SUMMARY AND COMPARISON TO CURRENT AFFORDABLE HOUSING PLAN

The proposed Plan is for $1.6 billion of new housing activity, which is $351,664,135 or 28 percent more than the original 2006-2007 Plan. If additional housing resources become available, the 2008-2009 Plan will be amended for new activity. The following table compares the 2006-2007 Plan, original for new activity, with the proposed 2008-2009 Plan for new activity.

Table 1: New Program Resources Available for the Affordable Housing Plan

	2006-2007 Biennium Original	2008-2009 Biennium Proposed
Homes Programs	$ 724,645,842	$ 974,974,391
Multifamily Production Programs	198,163,287	247,770,332
Multifamily Portfolio Management	318,410,389	357,089,618
Cross-Divisional Items	31,561,819	44,611,131
Totals	**$ 1,272,781,337[1]**	**$ 1,624,445,472**

There are three primary reasons for the increased new activity in the proposed 2008-2009 Plan as compared to the original 2006-2007 Plan:

- Mortgage revenue bond activity is budgeted at a 26 percent increase. This is the highest level determined to be sustainable by staff and reflects an increased demand for these resources. Changes in the lending environment, such as the tightening of underwriting standards, including those adopted by Fannie Mae, decreased availability of subprime loans, and pricing of loans based on risk, along with the availability of job loss protection insurance in connection with Minnesota Housing loans has made Minnesota Housing's mortgage products more attractive.
- Pool 3/foundation resources are budgeted at a 67 percent increase over the previous Plan. The increase is a result of the financial restructuring approved by the Board in April 2007 that more clearly identifies the level of resources available on a sustained basis for deferred, non-investment grade loans and grants.
- State appropriations increased by 64 percent; the base budget was increased as well as an appropriation of non-reoccurring funds.

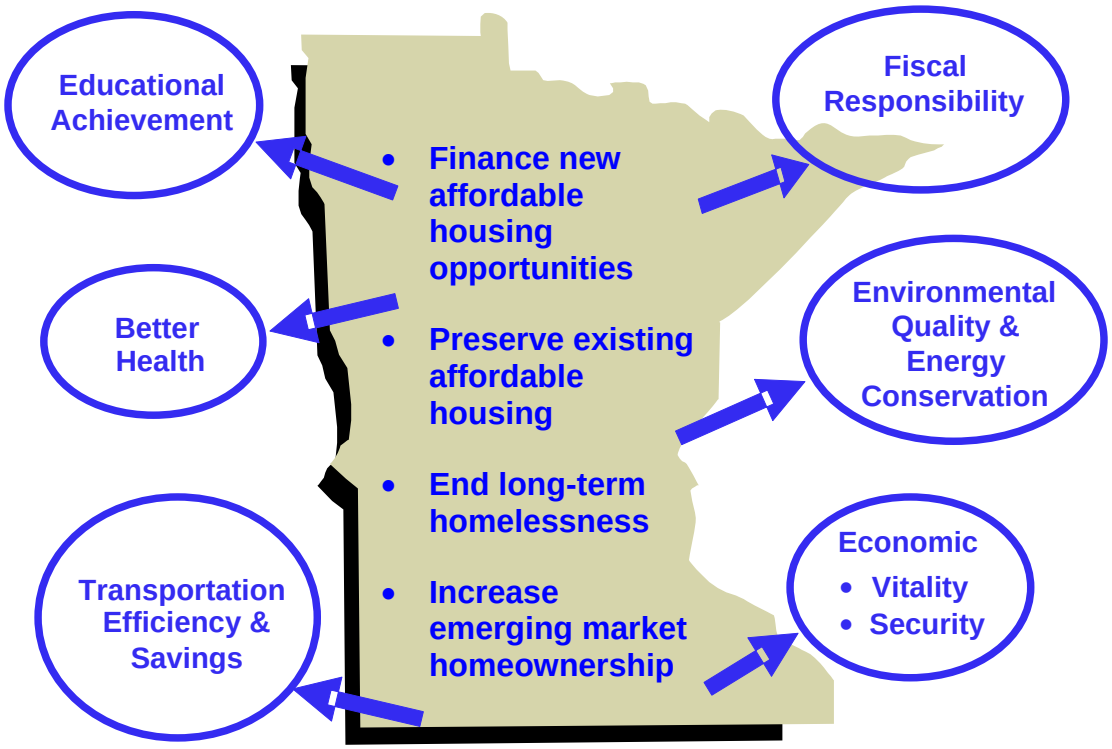
[1] For purposes of comparison, all funds are treated as they are in the proposed 2008-2009 Plan. (See fiscal years discussion below.)

Historically during the course of the implementation of a Plan, not all resources budgeted for new activity are committed to specific projects or loans or to delivery partners for specific programs. Resources which are not committed in one Plan and which are available for commitment in the subsequent Plan are referred to as "carry forward". "Carry forward" is not considered new activity or funded with new resources. The following table sets forth the Plan including the carry forward amounts by source of resources. The Affordable Housing Plan Program Narrative at Tab F provides a program-by-program description of the amount of carry forward resources budgeted for each program under the Plan.

Table 2: New and Carry Forward Program Resources Available for the Affordable Housing Plan ending September 30, 2009

	(in '000's)		
	New	**Carry Forward**	**Total**
Federal Resources	$ 388,194	$ 20,851	$ 409,045
State Appropriations	152,763	53,917	206,680
Bond Proceeds	850,000	85,675	935,675
Housing Investment Fund (Pool 2)	174,118	60,452	234,570
Housing Affordability Fund (Pool 3/foundation)	59,370	18,622	77,992
Totals	**$ 1,624,445**	**$ 239,517**	**$ 1,863,962**

Strategic Goals and Key Outcomes



SOURCES OF FUNDING FOR THE AFFORDABLE HOUSING PLAN

To identify the sources of funding for this Plan, Minnesota Housing staff project the resources that will be available to Minnesota Housing to invest in housing programs during the biennium. The Plan allocates funds from four primary categories of resources. The precise amounts of some funding sources are known at the time of the development of the Plan while others are estimates of the resources that will become available during the biennium. The Risk-Based Capital Study, and other analytical approaches, all of which identify the resources available for housing programs, supplements staff management of the cash flow in these funds.

Federal Resources. There are two types of federal resources: appropriations from the U.S. Department of Housing and Urban Development (HUD) and Housing Tax Credits. For purposes of the Plan, current funding levels are used for the HUD appropriations – Section 8, HOME and Housing Opportunities for Persons with AIDS – and adjusted once Congress has adopted each year's budget. The amount of federal Housing Tax Credits is based on a per capita formula and may vary slightly each year.

State Appropriations. The amount of funding and the programs funded are based on the 2008-2009 general fund budget adopted by the 2007 Minnesota Legislature. A state capital budget is anticipated during the course of this Plan, and any additional appropriations will be reflected as a proposed amendment.

Bond Proceeds. Bond proceeds are generated by the issuance of tax-exempt and taxable bonds. Tax-exempt bond proceeds available to the Plan are determined by the amount of new bonding authority, the projected amount of refundings over the next two years, and the estimated amount of bonding authority contributed by cities and counties for issuance on their behalf. Taxable bond proceeds available to the Plan are determined by the amount of homeownership lending Minnesota Housing wishes to do beyond the extent of its tax-exempt bonding authority and the amount of lending opportunities for activities that do not qualify for tax-exempt financing (e.g., general obligation borrowings for home improvement or to leverage existing rental housing loans). In the 2008-2009 Plan, taxable bond issuance is proposed only for single-family homeownership lending whereas, in the 2006-2007 Plan, taxable bonds were budgeted for home improvement and rental housing lending.

Agency Resources. Minnesota Housing has resources generated from its bond funds which are available for investment in housing programs. Agency resources are currently categorized as follows:

- Housing Investment Fund (also known as "Pool 2"). The Housing Investment Fund's balance is set according to the net asset requirements and investment guidelines adopted by the Board in April, 2007 after review and confirmation with the rating agencies and the agency's cash flow projections. According to Board policy, use of these funds is limited to investment quality loans and investment grade securities as defined by the agency. The level of funding for Pool 2 is an amount that will cause the combined net assets in the General Reserve Account and bond funds (exclusive of Pool 3/foundation) to be the greater of $615 million or the combined net assets of the same funds for the immediately preceding audited fiscal year end.
- Housing Affordability Fund (also known as "Pool 3/foundation"). The Housing Affordability Fund is set pursuant to the same Board policy as the Housing Investment Fund (above) and its balance is the net assets in excess of the required balances in Pools 1 and 2. This fund is more flexible than the Housing Investment Fund as it may be used for programs not resulting in amortizing investment quality loans including deferred loans and grants.

Figure 1: Affordable Housing Plan 2008-2009 program resources new activity, in thousands and percentages

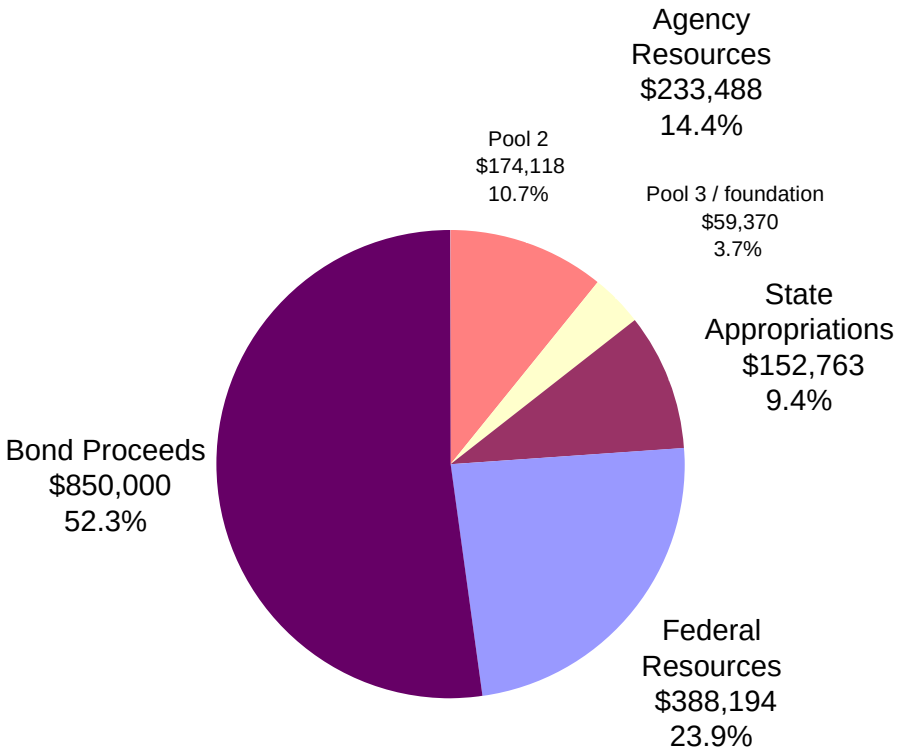
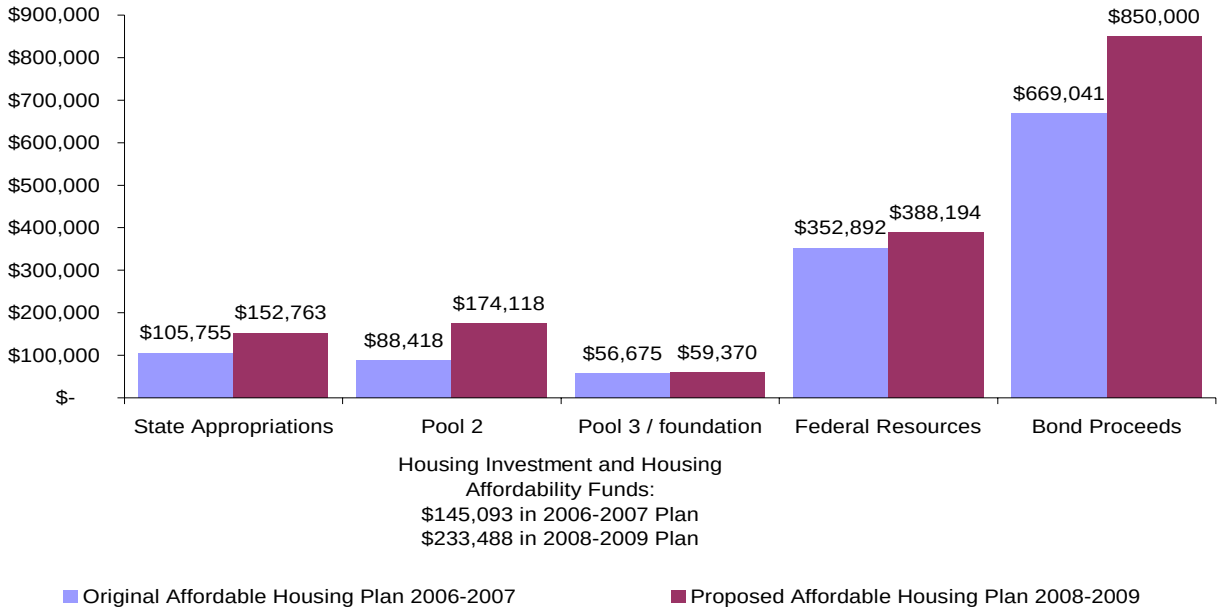


Figure 2: Affordable Housing Plans 2006-2007 and 2008-2009, new activity only, in thousands



PROGRAM AND POLICY HIGHLIGHTS

This $1.6 billion Plan represents the largest investment in new housing activity in the agency's history. Under this Plan Minnesota Housing anticipates it will serve approximately 90,000 households, which is over a 10 percent increase from what is projected under the current Plan, as the agency will be able to aggressively implement its strategy to address a continuum of affordable housing needs for low- and moderate-income households across the state. Highlights of the Plan include:

- An increase in the Minnesota Mortgage Program of 36 percent to $857 million to provide first time homebuyers new housing opportunities.
- A $15 million increase to the state appropriated Challenge Fund which will assist efforts to link housing investments to other quality of life outcomes such as environment, transportation, education and economic development.
- An allocation of $10 million for downpayment assistance which will assist the agency in reaching emerging markets in support of the Emerging Market Homeownership Initiative (EMHI).
- Continuation of the agency's commitment to the state's Business Plan to End Long-Term Homelessness and related efforts to prevent homelessness including a doubling of the Family Homeless Prevention and Assistance Program (FHPAP).
- Continued commitment to preserving the state's affordable housing stock including a new partnership with the state's public housing community for the purpose of preserving our public housing stock, an important and cost-effective affordable housing resource which serves very low income, senior and disabled Minnesotans.
- Re-establishment of the Minnesota Urban Rural Homesteading Program (MURL) with Pool 3/foundation resources. MURL has been one of the agency's most successful programs in revitalizing housing stock to promote community redevelopment and offering homeownership opportunities to very low income Minnesotans.
- Increases in technical assistance to Minnesota Housing's delivery partners in response to the complexity of affordable housing development and the need to connect housing to other quality of life outcomes.

In addition, a number of ideas were generated during the course of the development of the Plan that could result in program changes and proposed amendments to the Plan. These include continued efforts to pursue "green housing", responding to the dramatic increases in foreclosures, enhancing the rehabilitation loan program, and developing land acquisition strategies for affordable housing. Tab B provides a more comprehensive description of how the Plan advances the agency's strategic plan and the ideas under development that the agency will pursue.

AFFORDABLE HOUSING PLAN PROCESS

The development of this Affordable Housing Plan coincided with the agency's implementation of its strategy management system, the development of a new strategic plan, and significant changes to the agency financial structure. Minnesota Housing program, policy, and financial staff worked in cross-divisional teams to analyze and develop various elements of the Plan, including the related strategic plan, strategy map, and balanced scorecard. Based on deliberations at a Board policy retreat on June 27, 2007, the Minnesota Housing Board adopted Resolution No. MHFA 07-35 on June 28, 2007 (attached at Tab G) adopting the agency strategic plan. The Board also established financial parameters for the Plan, reviewed the principles to guide the use of agency resources in the Plan, and adopted a policy which established the process used for this Plan as a guide for the development of future Plans. The Plan exceeds the amount estimated available in Resolution No. MHFA 07-35 primarily due to higher estimates of available federal resources and the addition of bond refinancing resources, state general obligation bond resources, and revolving funds.

In addition, staff developed a set of principles to help guide decisions about the use of Pool 2 and Pool 3/foundation resources. Each idea proposed for the use of these resources was filtered through the principles. The activities funded from agency resources promote one or more of the strategic priorities or assist in implementing the collaboration and leadership components of the overarching strategy of Minnesota Housing. Allocation of funding among the various activities is based in part on a realistic assessment of how much money could be disbursed during the Plan period.

During this process, Minnesota Housing staff also consulted with external stakeholders on various elements of the Plan. On August 1, 2007, the Commissioner's Housing Resource Advisory Committee, a statewide group of 25 housing and community development stakeholders representing a variety of interests, met to review all of the above referenced information, provide feedback, and discuss ideas for the agency to consider in the Plan. A number of these ideas are incorporated into either this Plan or into the "Next Steps for Program Development and Refinement" set forth at Tab B.

FISCAL YEARS

The 2008-2009 Affordable Housing Plan uses two different fiscal years based on the sources of funds. Previous Plans used a federal fiscal year – October 1 to September 30. The 2008-2009 Plan budgets federal appropriations and agency resources, including bond proceeds and Pools 2 and Pool 3/foundation on a federal fiscal year. State appropriations, on the other hand, are budgeted on a state fiscal year – July 1 to June 30. The change in approach to the state appropriations simplifies budget preparation from an accounting standpoint and provides a clearer picture of the budget. Using a federal fiscal year for state appropriations resulted in appropriations in the first year of the state budget biennium being budgeted in one Plan and then largely carried forward as uncommitted into the next Plan, with the exception of a few programs. In a few programs, state appropriations are committed shortly after the beginning of the biennium and were shown in previous Plans as a commitment carried forward and not available for new activity. The 2008-2009 Plan budgets state appropriations available in state fiscal years 2008 and 2009 as new activity.

2008-2009 Affordable Housing Plan
Advancing the Agency's Strategic Plan

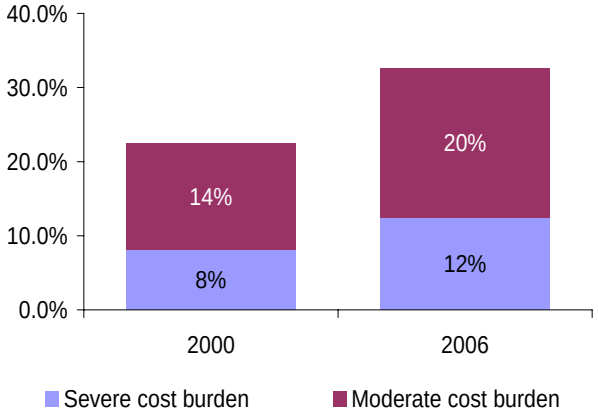
In June 2007, the Minnesota Housing Board of Directors adopted a new Strategic Plan to provide a framework to govern the development of this Affordable Housing Plan. This document demonstrates how the 2008-2009 Affordable Housing Plan advances the Strategic Plan.

THE MINNESOTA HOUSING STRATEGY

In its Strategic Plan, Minnesota Housing identified the four key components of its overarching strategy as:

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

Figure 1: Housing cost burden in Minnesota



Source: U.S. Census Bureau, Decennial Census, 2000 and American Community Survey,

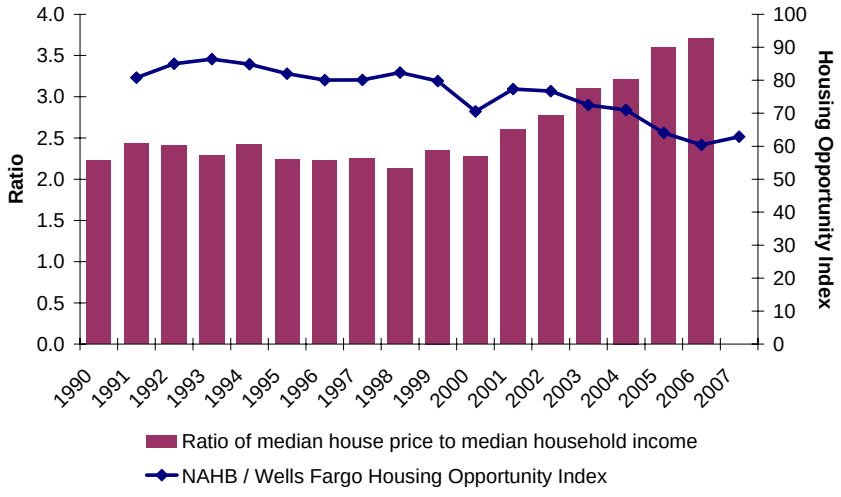
Minnesota's continuum of affordable housing needs

Basic indicators of the need for affordable housing are the shares of households who pay 30 percent or more and 50 percent or more of their incomes on housing. In 2006, over three in ten Minnesota households spent more than 30 percent of their income on housing ("moderate housing cost burden"), and one in eight households spent more than 50 percent of their income on housing ("severe housing cost burden").[1] (See Figure 1.) Minnesota ranks 26th lowest among the states on the percentage of households with at least moderate cost burden.[2] The number of Minnesota households paying more than 50 percent of their income on housing increased by 124,230 from 2000 to 2006, causing the state's rank to fall from 2nd to 14th least severe housing cost burden.[3] Low and moderate income households with severe housing cost burden spend roughly one-third less on core non-discretionary household expenses such as food and health care compared to households with no housing cost burden.[4] By making their housing more affordable, Minnesota Housing enhances these households' quality of life.

Homeownership

Another key indicator of affordable housing need is the ability of lower and moderate income households to achieve homeownership. Although Minnesota has the nation's highest homeownership rate at 76.3 percent, homeownership has become less affordable in Minnesota.[5] As Figure 2 shows, the median home price in the Minneapolis-St. Paul metropolitan statistical area has risen faster than the median household income since 2000.[6,7] While historically low mortgage interest rates earlier in this decade enabled homebuyers to buy relatively more house for their income, median house prices increased by 52 percent from 2000 to 2005 relative to 10 percent growth in median household income over the same period.[8,9] Currently, the housing market is in a slump with stagnant prices although it is unlikely

Figure 2: Declining affordability in the Minneapolis-St. Paul MSA



Source: Ratio from Joint Center for Housing Studies, Harvard University, State of the Nation's Housing 2007. NAHB / Wells Fargo Housing Opportunity Index from the National Association of Home Builders.

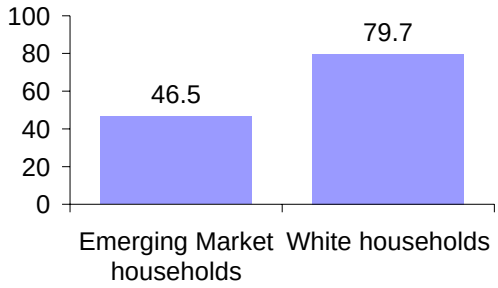
that this will result in a significant increase in affordability for lower income households.

Minnesota Housing provides affordable homeownership opportunities for Minnesotans through below-market-interest-rate mortgages, downpayment assistance, and monthly assistance to qualified first-time homebuyers. The median household income of assisted first-time homebuyers in program year 2006 was $37,812.[10]

Homeownership gap

Despite Minnesota's nation-leading homeownership rate, Minnesota has among the nation's largest gaps between the white homeownership rate and the rate for households of color or Hispanic ethnicity. Emerging market homeownership lagged white homeownership by 46.5 percent to 79.7 percent in 2006.[11] Minnesota Housing, an original co-convener of the Emerging Markets Homeownership Initiative (EMHI), has committed to increasing emerging market homeownership through its own lending programs. (For more information on the Emerging Market Homeownership Initiative, visit: www.emhimn.org .) The recent dramatic increase in foreclosures and the contraction of the subprime mortgage market are presenting new challenges in bringing emerging market households into homeownership.

Figure 3: Homeownership rates, 2005



Source: U.S. Census Bureau, American Community Survey, 2006.

Rental Housing

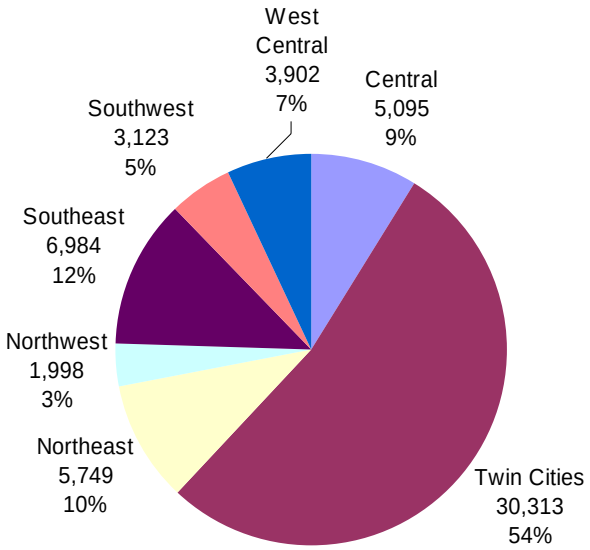
Many of the people who rent their housing are financially unable to enter or sustain homeownership. Sixty-two percent of Minnesota's renting households have a household income less than $35,000, just below the median household income of the Minnesota Housing first-time homebuyer mortgage programs.[12,13] Thirty-seven percent have a household income less than $20,000, a level which makes entering homeownership for the first time difficult.[14] Of the 300,000 renting households with incomes below $35,000, 58 percent pay at least 35 percent of their income on rent.[15]

Minnesota Housing advances the affordability of rental housing in the state through access to tax-credit equity, amortizing loans, deferred loans and grants that incent property owners to designate or retain rental units for low- and moderate-income households. The median income of the 2,569 households residing in properties constructed or rehabilitated with Minnesota Housing funds in 2006 was $15,000.[16] Minnesota Housing also provides rental assistance that pays the difference between what low-income households can afford and fair market rents. The median income of the 31,607 households receiving rental assistance (including federal Section 8 payments) through Minnesota Housing was $10,288 in 2006.[17]

Homelessness

Those with the greatest housing need are individuals and households with no permanent housing, people experiencing homelessness and long-term homelessness. Based on its 2006 Homelessness Survey, the Wilder Research Center estimates that there are at least 2,500 adults in Minnesota experiencing long-term homelessness. [18,19] In 2004, Minnesota Housing worked with other state agencies and a broadly-based working group to develop the state's Business Plan to End Long-Term Homelessness by 2010. Three years into that plan, Minnesota Housing continues to play a key role in the development of 4,000 new permanent supportive housing opportunities for households experiencing long-term homelessness. (For more information on the state's Business Plan to End Long-Term Homelessness, visit www.mnhousing.gov.)

Figure 4: Distribution of households assisted with Minnesota Housing resources, Program Year 2006



Statewide need, statewide presence

Minnesota Housing invests its resources to meet affordable housing needs across the state of Minnesota. In Program Year 2006, Minnesota Housing made loans to first-time homebuyers and homeowners interested in home improvement in all 87 counties of the state. The agency also assists renters through either the development, rehabilitation or ongoing management of affordable rental housing (including administering federal Section 8 payments) in every Minnesota county. Minnesota Housing makes every effort to ensure that it allocates its resources across the state proportionate to housing need. (See Figure 4.)

A sustainable source of investment

Minnesota Housing is committed to remaining a sustainable source of investment for affordable housing in Minnesota. This Affordable Housing Plan is consistent with recently-adopted financial policies that will allow the agency to continue to invest in both investment-quality loans as well as low or no interest bearing deferred loans/grants that support affordable housing in Minnesota over the long term.

A broad network of partners

Minnesota Housing collaborates with a range of delivery, funding, community, and policy partners to achieve its mission of financing and advancing affordable housing for low- and moderate-income households. The agency plays a significant leadership role in an affordable housing coalition which includes the private sector, the federal government, state government, other state agencies, city and county government, the Metropolitan Council, housing intermediaries, philanthropic and non-profit organizations, and faith-based organizations. Together, these organizations commit and mutually leverage their resources to produce and sustain affordable housing in Minnesota. This results-oriented coalition has benefited from a long-term and bipartisan commitment to continued public sector investment in affordable housing.

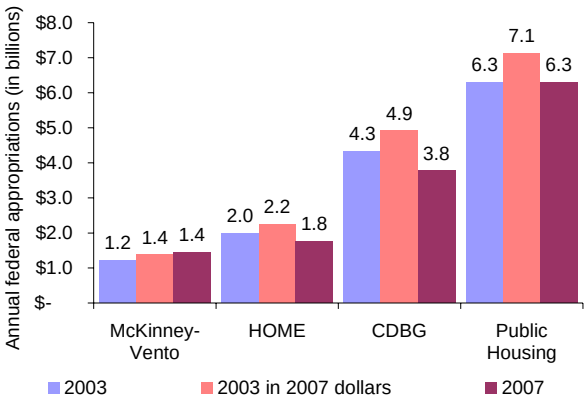
The federal government has been a key partner in this coalition, committing $1.05 billion in 2007 to Minnesota through appropriations and tax benefits. (See Table 1.) While a portion of those resources flow through Minnesota Housing – part of the tax-exempt bonding authority, Housing Tax Credit allocations, Section 8 Housing Assistance Payments, and the state portion of the HOME dollars – the U.S. Department of Housing and Urban Development (HUD) directly manages other large portions of the federal affordable housing investments. Twenty-one thousand units of public housing, funded by the federal government and managed by local public housing agencies, complement Minnesota Housing's own portfolio of affordable housing.

Table 1: Total federal commitment to housing in Minnesota, 2007

Program or Program Activity	Amount $ (in millions)
Housing Tax Credits[20]	$10.1
Tax-exempt bonding authority (new)	$313.5
HOME	$21.7
Community Development Block Grant (CDBG)	$58.5
Rental Housing (Section 8 and public housing)	$427.1
Homeless Assistance (McKinney-Vento and HOPWA)	$21.4
HUD Section 202 and 811 (elderly and disabled)	$11.4
Rural Housing Services (loans, grants, rental assistance)	$187.0
Total	**$1,050.7**

Except for increases to homeless assistance programs over recent years, the federal government has not maintained its financial commitment to affordable housing. Renewals of contracts for Section 8 assistance, both project-based and tenant-based, requires significant new appropriations authority without adding any new housing opportunities or addressing increased operating costs and needed repairs.[21] To reduce the budgetary impact of the increased appropriations for the Section 8 program, appropriations to other housing programs have held steady or declined. (See Figure 5.) The appropriations to public housing, while stable, continue to be below what is necessary to maintain the nation's public housing infrastructure.

Figure 5: Federal appropriations to affordable housing (nationwide)



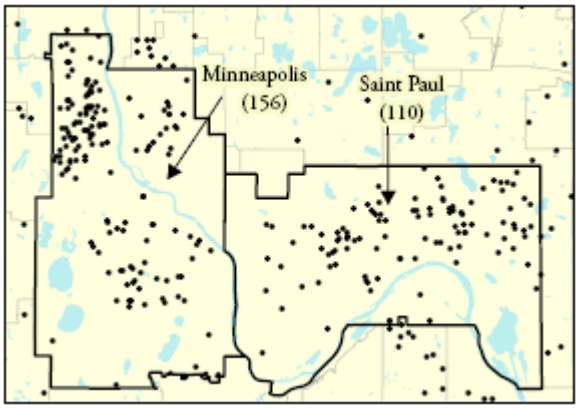
HUD is now funding $0.82 per dollar of public housing operating costs.[22] As a result, public housing agencies are coping by reducing service, delaying repairs, and selling housing stock. Minnesota Housing is working to expand and maintain the state's affordable housing stock in spite of the challenges of federal disinvestment. Additionally, the agency continues to work with national advocacy organizations and Minnesota's congressional delegation to increase federal resources for housing.

Local governments are another key partner in affordable housing. Some manage their own allocations of federal resources, some allocate Housing Tax Credits, some have local tax levies to support affordable housing, many have Housing and Redevelopment Authorities, and all are interested in ensuring an adequate and appropriate supply of affordable housing in their communities. Of special note during this Affordable Housing Plan is the agency's ongoing commitment to the Housing Resources Pilot, also known as the Performance Pilot. Under the Housing Resources Pilot, Minnesota Housing has entered into multi-year contracts with three communities for the construction and preservation of affordable housing.

Confronting significant housing and community challenges

Minnesota Housing strategically uses its resources to confront significant housing and community challenges when the agency has the capacity to have a significant impact. For example, Minnesota Housing, working with its partners, has begun to respond to the rash of foreclosures that is currently sweeping certain areas of the state. According to a report by the Greater Minnesota Housing Fund and HousingLink, the number of sheriff's sales statewide increased roughly 75 percent from 2005 to 2006, and, based on early data, are likely to continue this dramatic rate of increase through 2007.[23] While foreclosure most dramatically affects the borrower losing a home, neighborhoods affected by concentrations of foreclosures – as seen in Figure 6 – are vulnerable to the social cost of foreclosure, including increases in boarded vacant houses and falling home prices. [24] Using resources from the Homeownership Education, Counseling and Training Fund, Minnesota Housing has supported foreclosure

Figure 6: Distribution of sheriff's sales, December 2006



prevention counseling and loans in cooperation with the Minnesota Home Ownership Center, the Family Housing Fund, and the Greater Minnesota Housing Fund. Responding to the current situation, Minnesota Housing has made a $10 million loan to Minneapolis and a $1 million award to Minneapolis, and a $500,000 award to Saint Paul to address the community impacts of foreclosure. The agency is also beginning a targeted foreclosure prevention initiative in heavily-affected areas.

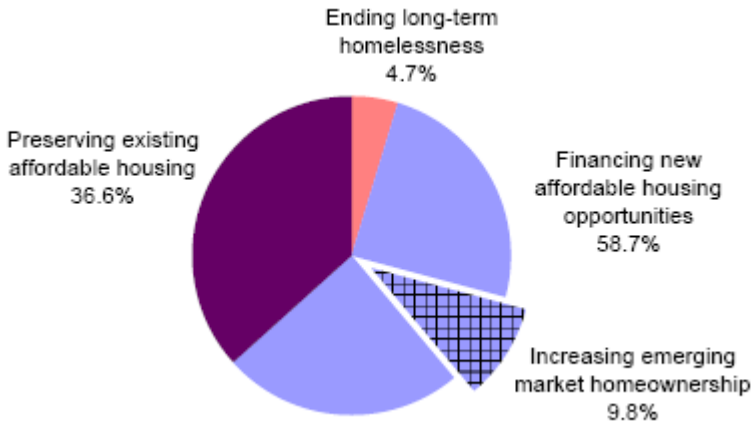
THE STRATEGIC PRIORITIES OF MINNESOTA HOUSING

Within its overall strategy, Minnesota Housing has identified four strategic priorities to govern this Affordable Housing Plan:

- ✶ Financing new affordable housing opportunities;
- ✶ Preserving existing affordable housing;
- ✶ Ending long-term homelessness; and
- ✶ Increasing emerging market homeownership.

This section outlines how the programmatic investments described in this Plan support the Minnesota Housing strategy and strategic priorities. As outlined in the program descriptions in Tab F of this Plan, most of the agency's programs support more than one strategic priority – e.g., many housing development programs can support rehabilitation and preservation of existing affordable housing ("Preserving existing affordable housing") or the construction of new affordable housing ("Financing new affordable housing opportunities"). Figure 7 and Table 2 provide an estimate of distribution of 2008-2009 Plan resources by strategic priority. Table 3 (at the end of this Tab) allocates the housing resources across the strategic priorities on the basis of the use of these funds by program during the last program year, October 1, 2005 through September 30, 2006.

Figure 7: Estimated distribution of 2008-2009 Plan resources ($1.6 billion) by strategic priority



Over the course of this Plan, the distribution of funds toward each strategic priority will vary based on housing market conditions and types of applications for funding received.

Table 2: Estimated distribution of 2008-2009 Plan resources by strategic priority

Strategic Priority	Amount	Percent of total
Financing new affordable housing opportunities	$949,651,159	58.7%
(Increasing emerging market homeownership)	($158,294,411)	(9.8%)
Preserving existing affordable housing	$592,324,337	36.6%
Ending long-term homelessness	$75,988,795	4.7%
Total	**$1,617,964,291**	**100.0%**

NOTE: Total excludes $198,000 in new activity in Federal Special Projects, a program in run-off, and $6,283,181 in activities that cannot be allocated to a specific strategic goal (Administrative Expenses under HOME, Capacity-Building Grant Program, Disaster Relief Contingency Fund, and the Technical Assistance Fund).

Under the Minnesota Housing strategy management system, the agency has already set explicit performance targets for two of its strategic priorities – ending long-term homelessness and increasing emerging market homeownership. To assess progress toward ending long-term homelessness, Minnesota Housing will compare the number of housing opportunities created through production or rental assistance with the targets set for each year of the Business Plan to End Long-Term Homelessness.[25] For increasing emerging markets homeownership, the agency will measure the number of emerging market households that receive its home mortgage loans and that number as a share of total Minnesota Housing mortgage production.

Financing new affordable housing opportunities

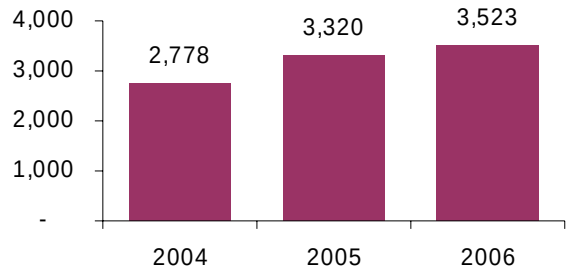
Minnesota Housing finances new affordable housing opportunities by assisting first-time homebuyers and by making loans and grants to support the construction of new affordable housing, both multifamily rental and owner-occupied. This Affordable Housing Plan proposes a potential allocation of nearly one billion dollars toward financing new affordable housing opportunities.[26]

This Plan increases the Minnesota Mortgage Program from $630 million in the last Plan to $857 million – a 36 percent increase in the resource that greatly enhances our first-time homebuyer program.

New housing opportunities for first-time homebuyers

To assist first-time homebuyers, Minnesota Housing provides a secondary market for below-market rate interest mortgages for first-time homebuyers through the Minnesota Mortgage Program. Using primarily tax-exempt bonds, Minnesota Housing is able to offer first-time homebuyers below-market interest rates, allowing buyers who meet Minnesota Housing's income requirements to reduce their monthly payments by five percent compared to market-rate mortgages. Additionally, the American Dream Downpayment Initiative and the Homeownership Assistance Fund provide additional downpayment assistance and, for eligible borrowers, monthly cost assistance. (See Figure 8.)

Figure 8: First-time homebuyers receiving Minnesota Housing mortgages/mortgage assistance, by program year

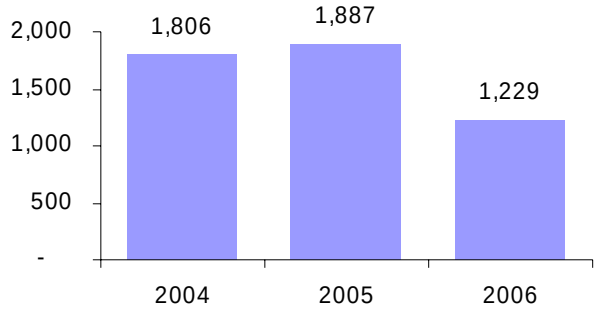


Construction of new affordable housing

Minnesota Housing finances developers constructing new affordable owner-occupied housing through the family of programs collectively known as the Community Revitalization Fund (CRV), including resources from the Economic Development and Housing Challenge Fund, Interim Lending –

Innovative Housing Loan Program (IHLP), and Interim Lending – Partnership for Affordable Housing (PAH). Minnesota Housing finances developers constructing new affordable rental housing – including the conversion and adaptive reuse of non-residential structures to rental housing – through a number of programs, including the Economic Development and Housing Challenge Fund, Housing Tax Credits, and the Low and Moderate Income Rental Program. (See Figure 9.)

Figure 9: New affordable housing units, owner-occupied and renter-occupied (excluding units for ending long-term homelessness), constructed with Minnesota Housing financing by program year



Preserving existing affordable housing

Financing the preservation and rehabilitation of affordable housing, either rental or owner-occupied, is often the most cost-effective approach to ensuring an ongoing supply of affordable housing. The rehabilitation of existing affordable housing stock is also the most environmentally responsible, reusing existing infrastructure and minimizing the need for new building supplies. Preservation efforts include both the physical rehabilitation of affordable housing and extending the commitment to affordability under federal programs.

This Affordable Housing Plan targets $5 million of the PARIF state appropriations to address the critical need in the preservation and rehabilitation of the state's deteriorating public housing stock.

Minnesota Housing is particularly concerned about the potential loss of critical public housing units and has committed resources to help address the preservation amid federal funding cutbacks. Minnesota Housing requested and received a special state appropriation of $2.5 million in PARIF funds to respond to the chronic federal underfunding of public housing and its adverse impact on the supply and livability of affordable housing in the state. Additionally, this Plan provides an

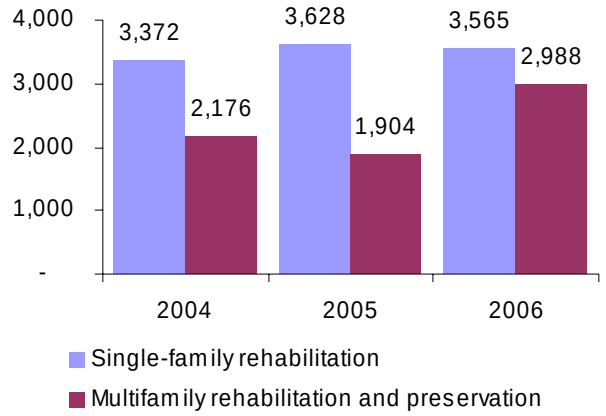
additional $2.5 million of the PARIF appropriation be used for public housing preservation.

Rehabilitation of owner-occupied housing

Minnesota Housing is committing $6 million of Pool 3/foundation agency resources to restore the Minnesota Urban and Rural Homesteading program (MURL), a successful program rehabilitating single-family housing and providing very low-income households with homeownership opportunities. In 2007, the agency was forced to terminate the program using federal resources due to new and inordinate regulatory barriers imposed by HUD.

On the single-family side, Minnesota Housing finances developers rehabilitating existing affordable owner-occupied housing through the Economic Development and Housing Challenge Fund and the Minnesota Urban and Rural Homesteading Program (MURL). The agency also purchases loans made to individual homeowners who are investing in the rehabilitation of their own property through the Fix-Up Fund and the Rehabilitation Loan Program. (See Figure 10.)

Figure 10: Existing affordable housing units preserved or rehabilitated (excludes units for ending long-term homelessness) with Minnesota Housing resources, by program year



Preservation and rehabilitation of rental housing

On the multifamily side, Minnesota Housing finances developers preserving and rehabilitating affordable rental housing through a number of programs. Currently, there are approximately 75,000 units of multifamily rental housing that have received or currently receive federal or state assistance to keep them affordable. There are approximately an additional 170,000 units that, although they receive no direct assistance, nonetheless provide affordable rental housing opportunities. A particular priority of the agency is to retain these units as affordable, averting either a conversion to market rate rents or the unit loss due to physical deterioration. (See Figure 10.)

In addition to its work with owners and developers on the preservation and rehabilitation of existing affordable rental

housing, Minnesota Housing has two additional efforts that preserve affordable housing – managing the agency's own portfolio of affordable housing and administering Section 8 developments. Minnesota Housing has a portfolio of roughly 300 agency-financed developments with amortizing loans. The agency uses Asset Management funds and Financing Adjustment Factor (FAF)/Financing Adjustment (FA) to maintain the viability of these developments as affordable rental housing, providing loan refinancing, deferred maintenance, operating subsidies or physical rehabilitation to protect the agency's assets and ensure the development is decent, safe and sanitary.

Minnesota Housing administers Section 8 developments, both HUD-mortgaged and agency-mortgaged, by performing management and occupancy reviews, processing contract renewals, processing monthly payment vouchers, and following up on physical inspections. The work of Minnesota Housing helps ensure that the Section 8-financed developments remain both financially viable and physically decent and that federal rental assistance continues to help low-income Minnesota households.

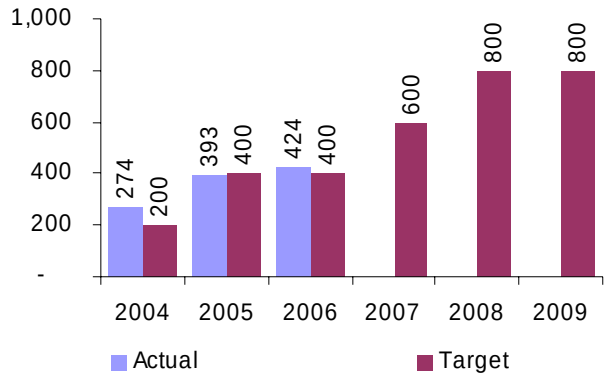
Ending long-term homelessness

Minnesota Housing demonstrates its commitment to the state's Business Plan to End Long-Term Homelessness by funding the development of new housing opportunities for people experiencing long-term homelessness through new rental housing construction, acquisition and rehabilitation of existing rental housing, tenant-based and project-based rental assistance, and operating subsidies.

Coming into this Affordable Housing Plan, the Business Plan commits Minnesota Housing to funding more than twice as many new housing opportunities as were funded during the last Affordable Housing Plan. (See Figure 11.) This commitment will require a significant expenditure of agency time and effort to ensure the ongoing adequate capacity of supportive housing developers. To further support the Business Plan, Minnesota Housing is also funding a portion of the Homeless Management Information System (HMIS) and additional technical assistance to the Continuums of Care.

This Affordable Housing Plan is the third Plan to demonstrate the Minnesota Housing commitment to the Business Plan to End Long-Term Homelessness and has put the effort ahead of schedule and on budget for the third year in a row.

Figure 11: Housing opportunities for people experiencing long-term homelessness



State appropriations for the Family Homeless Prevention and Assistance Program (FHPAP) have doubled, allowing the program to expand into 22 additional counties. With this added funding, 74 of 87 counties (85 percent) are now covered and will serve some of the state's most disadvantaged residents.

This Affordable Housing Plan also marks the doubling of state appropriations for the Family Homeless Prevention and Assistance Program (FHPAP), which provides short-term cash assistance for services and housing to prevent and minimize homelessness. Other programs preventing homelessness are Bridges, a rental assistance program for people with mental illness, and the Housing Opportunities for Persons with AIDS (HOPWA) program.

Increasing emerging market homeownership

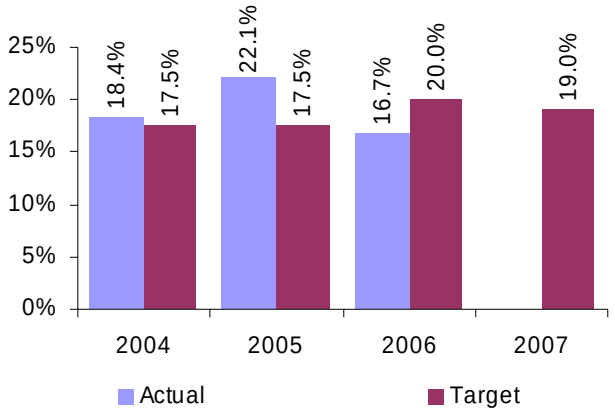
All of the resources used to support first-time homebuyers also benefit first-time homebuyers from emerging markets. The table on the next page uses the proportion of emerging market households served in program year 2006 (October 1, 2005 to September 30, 2006) to estimate the share of the total 2008-2009 allocations that will serve emerging markets. To the degree that the agency's strategic efforts to increase production to emerging markets are successful, more resources will benefit emerging market households. By definition, all beneficiaries of the newly-reestablished Tribal Indian Housing and Urban Indian Housing Programs are assumed to be households of color.

Changes in the market for first mortgages – particularly the collapse of the subprime lending market and the rise in foreclosures – have particularly affected first-time homebuyers from emerging markets. While an unknown share of subprime borrowers would have been eligible for prime rate mortgages[27], emerging markets are disproportionately likely to have had subprime mortgages. With its focus on sustainable long-term

homeownership, the agency provides a responsible alternative to subprime lending to low- and moderate- income households.

In the first half of 2007, Minnesota Housing has seen unprecedented overall production in its mortgage revenue bond programs accompanied by lackluster production to emerging markets – a result, in part, of emerging markets feeling skittish about mortgages amidst the highly-publicized rise in foreclosures. Minnesota Housing continues to develop new initiatives – such as advertising efforts targeted toward emerging markets and creating a new mortgage broker pilot – to improve its production in emerging markets. (See Figure 12.)

Figure 12: Percent emerging market households among Minnesota Housing mortgages



Minnesota Housing is allocating $10 million in federal HOME and Pool 3/foundation agency resources to provide expanded downpayment assistance. The agency will use the additional assistance to open the door to homeownership for more emerging market households.

In this Affordable Housing Plan, Minnesota Housing is using federal HOME resources to provide additional downpayment assistance through the American Dream Downpayment Initiative. The agency hopes that the additional downpayment assistance will help Minnesota Housing and its lender network assist more emerging market households to enter homeownership.

Additionally, Minnesota Housing will continue to provide financial support to the Emerging Markets Homeownership Initiative, governed by an independent board representing the homeownership industry and the broader community.

NEXT STEPS FOR PROGRAM DEVELOPMENT AND REFINEMENT

During the housing trend review, program analysis, internal staff deliberation and external stakeholder consultation that led to this Affordable Housing Plan, a number of ideas emerged for new programs to be developed or existing programs to be refined. While the timeline for the development of the Affordable Housing Plan did not allow these ideas to be fully realized, the agency has identified the following items for additional development over the next two years. As the agency works with its partners to further clarify these ideas and respond to ever-changing market conditions, program changes or proposed amendments to this Affordable Housing Plan may result.

1. *"Green housing":* Now that the agency has adopted an environmental and energy efficiency policy related to the construction of new multifamily rental housing it finances, Minnesota Housing plans to explore developing similar environmental and energy policies for single-family development and multifamily rehabilitation projects.
2. *Foreclosure:* As described previously, Minnesota Housing is examining what new or expanded roles it can and should play to assist homeowners and communities affected by the dramatic increase in foreclosures across the state.
3. *Land acquisition strategies:* The lack of land available at reasonable costs is often cited as one of the primary barriers to the development of affordable housing in areas where it is most needed. Minnesota Housing is assessing if the current softening in segments of the housing market presents opportunities for the agency to finance the acquisition of land cost-effectively for future affordable housing in currently undeveloped areas with anticipated future growth and, if so, how the agency and its partners should respond. Minnesota Housing is also exploring if it has an appropriate role in longer-term strategies for land acquisition.
4. *Rehabilitation loan programs:* Minnesota Housing wants to better coordinate its housing rehabilitation programs with other community improvement efforts, particularly in Greater Minnesota and rural communities, for broader impact.
5. *Single-family development support (CRV):* Minnesota Housing is reviewing its policies and procedures regarding affordability and value gap funding to support the development of owner-occupied housing.
6. *Agency multifamily first mortgage product (LMIR):* Minnesota Housing will continue its review of its multifamily first mortgage product, Low and Moderate Income Rental Program, to better reflect the agency's mission and a clear understanding of the program's implications for Pool 3/foundation resources.
7. *Homeownership assistance to very low-income households:* Minnesota Housing will explore how to structure homeownership assistance, including Habitat for

Humanity mortgages, the Minnesota Urban and Rural Homesteading Program (MURL), and Pool 3/foundation resources, to serve very low-income households and advance agency strategic priorities.

8. *Downpayment assistance and strategies to improve emerging market production:* With this Affordable Housing Plan, Minnesota Housing is making a new commitment of federal HOME resources for downpayment assistance to supplement state appropriations in order to better target emerging market households. The agency is particularly interested in monitoring the effectiveness of additional downpayment assistance and other strategies intended to better reach first-time homebuyers from emerging markets.
9. *Public housing:* With the implementation of its public housing preservation program, Minnesota Housing expects to identify new opportunities to collaborate with and meet the needs of public housing agencies in Minnesota to advance shared strategic priorities.
10. *Funding process changes:* Minnesota Housing seeks to continuously improve the processes it uses to make resources available to its delivery partners. Following up on the performance awards pilot, the agency will continue discussions with its local government and other delivery partners to determine what process changes could result in more and better affordable housing provided more cost effectively.
11. *Capacity building, technical assistance, and outreach:* Because Minnesota Housing cannot accomplish its mission without a strong network of delivery partners, the agency will respond to requests for increased attention to and a clearer strategy related to capacity building, technical assistance, and outreach.
12. *Responding to affordable housing need in comprehensive plans:* Communities in the Minneapolis/Saint Paul metropolitan area are currently revising their comprehensive plans which must now include sufficient land to meet projected local and regional affordable housing needs. Minnesota Housing will work with the Metropolitan Council and metropolitan area communities to provide resources to assist communities in meeting their projected need for affordable housing.

CONCLUSION

Minnesota Housing is proud of the commitments that it is making in this Affordable Housing Plan to support its mission of financing and advancing affordable housing opportunities for low- and moderate-income Minnesotans to enhance quality of life and foster strong communities. This Plan invests over $1.6 billion over two years to advance the agency's four strategic priorities:

- ✶ Financing new affordable housing opportunities;
- ✶ Preserving existing affordable housing;
- ✶ Ending long-term homelessness; and
- ✶ Increasing emerging market homeownership.

Under this Plan Minnesota Housing anticipates it will serve approximately 90,000 households, which is over a 10 percent increase from what is projected under the current Plan.

NOTE: All tables of numbers presented estimate only new activity over the period of this 2008-2009 Affordable Housing Plan and do not include carry-forward from the 2006-2007 Affordable Housing Plan.

[1] U.S. Census Bureau, American Community Survey 2006.
[2] U.S. Census Bureau, American Community Survey 2006.
[3] U.S. Census Bureau, American Community Survey 2006.
[4] Joint Center on Housing Studies, Harvard University, *State of the Nation's Housing 2006*. These data come from the JCHS's tabulations of the Consumer Expenditure Survey, using the Quarterly Interview Surveys for calendar 2003. These are national data.
[5] U.S. Census Bureau, American Community Survey 2006.
[6] Joint Center on Housing Studies, Harvard University, *State of the Nation's Housing 2007*.
[7] The National Association of Home Builders/Wells Fargo Housing Opportunity Index is the proportion of homes sold in a given area that are considered affordable to a household earning that area's median family income under standard mortgage underwriting criteria and prevailing interest rates for a 30-year fixed-rate mortgage. For more information, visit: www.nahb.org .
[8] U.S. Census Bureau, Decennial Census 2000 and American Community Survey 2005.
[9] Certificate of Real Estate Value, Department of Revenue, analysis by Minnesota Housing.
[10] Represents an unduplicated count of households assisted through ADDI, Bruce Vento Affordable Housing, CASA, ECHO, Habitat for Humanity, MMP, and MCPP.
[11] U.S. Census Bureau, American Community Survey 2006.
[12] U.S. Census Bureau, American Community Survey 2006.
[13] Minnesota Housing, *Housing Assistance in Minnesota Program Assessment: October 1, 2005 – September 30, 2006*.
[14] U.S. Census Bureau, American Community Survey 2006.
[15] U.S. Census Bureau, American Community Survey 2006.
[16] Program year 2006 (October 1, 2005 through September 30, 2006) data for units assisted for the first time by Affordable Rental Investment Fund – Minnesota Families (MARIF), Economic Development and

Housing Challenge, HOME Rental Rehabilitation, Housing Trust Fund, Low and Moderate Income Rental, Rental Rehabilitation, and Housing Tax Credits. Represents 2,569 households.

[17] Program year 2006 (October 1, 2005 through September 30, 2006) data for household receiving rental assistance funded through Section 8 PBCA, Section 8 Minnesota Housing, Bridges, Housing Trust Fund Rental Assistance, and Rental Assistance for Family Stabilization. Represents 31,607 households (of which 30,208 were Section 8-assisted).

[18] Wilder Foundation, *Overview of homelessness in Minnesota 2006*, April 2007 (available at www.wilderresearch.org).

[19] Minnesota Housing, www.mhfa.state.mn.us/multifamily/LTH_Definitions.htm .

[20] The nominal amount of Housing Tax Credits considerably understates the resultant equity as the nominal amount of credit is paid each year for ten years, discounted based on market conditions.

[21] The U.S. Congress initially authorized appropriations for Section 8 project-based contracts for the full term of the annual contributions contract, usually between 20 and 40 years. New appropriations authority is needed to renew the contracts and is an increase in appropriation. On the other hand, actual expenditure of funds on an annual basis has not increased due to the renewals of contracts.

[22] U.S. Department of Housing and Urban Development, "Explanation of Proration: Public Housing Operating Fund, Second Interim Funding Cycle, Calendar Year 2007," March 28, 2007.

[23] Greater Minnesota Housing Fund and HousingLink, *Foreclosures in Greater Minnesota: A Report Based on County Sheriff's Sale Data*, July 2, 2007 (available at www.gmhf.com or www.housinglink.org).

[24] Map prepared by HousingLink for the Foreclosure Funders Prevention Council of the Minneapolis-Saint Paul Metropolitan Region, Joel Larson, cartographer.

[25] Note that the numbers for ending long-term homelessness represent commitments rather than closings.

[26] Excludes resources devoted solely to ending long-term homelessness.

[27] According to "Wow, I could've had a prime mortgage," written by Les Christie (accessed from CNNMoney.com, August 15, 2007), Freddie Mac has estimated that somewhere between 15 and 35 percent of borrowers whose subprime loans it purchased in 2005 might have qualified for prime-rate loans. For the same year, Fannie Mae has estimated that as many as 50 percent of borrowers whose subprime loans it purchased could have qualified for prime rates.

Table 3: Estimated distribution of Affordable Housing Plan resources by program by strategic priority

	Financing new affordable housing opportunities	Preserving existing affordable housing	Ending long-term homelessness	Increasing emerging market homeownership	Total
Affordable Rental Investment Fund – Preservation (PARIF)		$23,492,285	$701,623		**$24,193,908**
American Dream Downpayment Initiative (ADDI)	$10,418,419			$4,802,891	**$10,418,419**
Asset Management		$15,000,000			**$15,000,000**
Asset Management Financing Adjustment Factor (FAF)/Financing Adjustment (FA)		$9,089,618			**$9,089,618**
Bridges			$5,694,358		**$5,694,358**
Contract Administration		$170,000,000			**$170,000,000**
Economic Development and Housing Challenge	$21,108,235	$13,768,715			**$34,876,950**
Ending Long-Term Homelessness Initiative Fund (ELHIF)			$18,000,000		**$18,000,000**
Family Homeless Prevention and Assistance Program (FHPAP)			$14,930,000		**$14,930,000**
Fix-Up Fund		$59,118,500			**$59,118,500**
Flexible Financing for Capital Costs (FFCC)	$1,389,219	$7,360,781			**$8,750,000**
Habitat for Humanity	$4,000,000			$4,000,000	**$4,000,000**
HOME Rental Rehabilitation		$18,554,992			**$18,554,992**
Homeownership Assistance Fund (HAF)	$9,870,000			$2,921,520	**$9,870,000**
Homeownership Education, Counseling and Training (HECAT)	$3,704,530				**$3,704,530**
Housing Opportunities for Persons with AIDS (HOPWA)			$338,580		**$338,580**
Housing Tax Credits (HTC)	$11,250,000		$3,750,000		**$15,000,000**
Housing Trust Fund (HTF)	$3,992,696	$3,223,564	$16,837,940		**$24,054,200**
HUD Section 236 Program		$3,000,000			**$3,000,000**
HUD Section 8 Program		$160,000,000			**$160,000,000**

Interim Lending – Innovative Housing Loan Program (IHLP)	$184,719	$119,281			**$304,000**
Interim Lending – Partnership for Affordable Housing (PAH)	$4,253,391	$2,746,609			**$7,000,000**
Low and Moderate Income Rental (LMIR)	$15,082,950	$79,917,050			**$95,000,000**
Minnesota Mortgage Program (MMP)	$857,000,000			$143,119,000	**$857,000,000**
Minnesota Urban and Rural Homesteading (MURL)		$6,000,000			**$6,000,000**
Non-profit Capacity Building Revolving Loans	$4,320,000				**$4,320,000**
Publicly-Owned Housing Program (POHP)			$15,736,294		**$15,736,294**
Rehabilitation Loan Program		$17,558,942			**$17,558,942**
Rental Rehabilitation Loans		$3,000,000			**$3,000,000**
Tribal Indian Housing	$3,077,000			$3,077,000	**$3,077,000**
Urban Indian Housing		$374,000		$374,000	**$374,000**
Total by strategic priority	**$949,651,159**	**$592,324,337**	**$75,988,795**	**$158,294,411**	**$1,617,964,291**

NOTE: Total excludes $198,000 in new activity in Federal Special Projects, a program in run-off, and $6,283,181 in activities that cannot be allocated to a specific strategic goal (Administrative Expenses under HOME, Capacity-Building Grant Program, Disaster Relief Contingency Fund, and the Technical Assistance Fund).

Affordable Housing Plan October 1, 2007 through September 30, 2009

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A	B	C	D	E	F	G	H	I
				Residential Housing Finance Bond Resolution Board Restricted Fund Balances				
	Federal Resources	State Appropriations	Bond Proceeds	Housing Investment Fund (Pool 2)	Housing Affordability Fund (Pool 3/ foundation)	Total	Estimated Outstanding Commitments/ Selections/Fees at 9/30/07	Estimated New Activity- Production
MINNESOTA HOMES DIVISION								
Production:								
1 American Dream Downpayment Initiative	9,418,419	-	-	-	1,000,000	10,418,419	-	10,418,419
2 Fix Up Fund	-	-	-	65,365,000	-	65,365,000	6,246,500	59,118,500
3 Habitat for Humanity Initiative	-	-	-	-	4,000,000	4,000,000	-	4,000,000
4 Homeownership Education, Counseling, Training Fund (HECAT)	-	3,977,183	-	-	-	3,977,183	272,653	3,704,530
5 Interim Lending - Innovative Housing Loan Program	-	1,000,000	-	-	-	1,000,000	696,000	304,000
6 Interim Lending - Partnership for Affordable Housing	-	-	-	-	7,000,000	7,000,000	-	7,000,000
7 Minnesota Mortgage Program (MMP) (1)	-	-	884,000,000	57,000,000	-	941,000,000	84,000,000	857,000,000
8 MMP, Homeownership Assistance Fund (HAF)	-	7,281,390	75,000	-	5,100,000	12,456,390	2,586,390	9,870,000
9 Minnesota Urban and Rural Homesteading Program (MURL)	600,000	-	-	-	6,000,000	6,600,000	600,000	6,000,000
10 Rehabilitation Loan Program	-	18,986,181	-	-	-	18,986,181	1,427,239	17,558,942
Programs in Run-Off:								
11 Entry Cost Homeownership Opportunity Program (ECHO)	-	-	-	-	121,900	121,900	121,900	-
HOMES Division Totals	10,018,419	31,244,754	884,075,000	122,365,000	23,221,900	1,070,925,073	95,950,682	974,974,391

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	Federal Resources	State Appropriations	Bond Proceeds	Housing Investment Fund (Pool 2)	Housing Affordability Fund (Pool 3/ foundation)	Total	Estimated Outstanding Commitments/ Selections/Fees at 9/30/07	Estimated New Activity- Production
MULTIFAMILY DIVISION								
Production:								
12 Affordable Rental Investment Fund - Preservation (ARIF)	-	32,628,365	-	-	-	32,628,365	8,434,457	24,193,908
13 Bridges	-	5,877,442	-	-	-	5,877,442	183,084	5,694,358
14 Ending Long-Term Homelessness Initiative Fund (ELHIF)	-	-	-	-	29,000,000	29,000,000	11,000,000	18,000,000
15 Family Homeless Prevention & Assistance Program (FHPAP)	-	14,930,000	-	-	-	14,930,000	-	14,930,000
16 Flexible Financing for Capital Costs (FFCC)	-	-	-	-	13,950,000	13,950,000	5,200,000	8,750,000
17 HOME Rental Rehabilitation	33,486,918	-	-	-	-	33,486,918	14,931,926	18,554,992
18 Housing Opportunities for Persons with AIDS (HOPWA)	402,662	-	-	-	-	402,662	64,082	338,580
19 Housing Tax Credit Program	15,000,000	-	-	-	-	15,000,000	-	15,000,000
20 Housing Trust Fund Regular Program (HTF)	-	35,507,181	-	-	-	35,507,181	11,452,981	24,054,200
21 Low and Moderate Income Rental Program (LMIR) (2)	-	-	41,600,000	104,155,000	-	145,755,000	50,755,000	95,000,000
22 Nonprofit Capacity Building Revolving Loan Program	-	-	-	-	4,320,000	4,320,000	-	4,320,000
23 Publicly Owned Housing Program (POHP)	-	22,316,038	-	-	-	22,316,038	6,579,744	15,736,294
24 Rental Rehabilitation Loan Program	-	-	-	3,050,000	-	3,050,000	50,000	3,000,000
Programs in Run-Off:								
25 Affordable Rental Investment Fund - Regular	-	192,336	-	-	-	192,336	192,336	-
26 Federal Special Projects	545,000	-	-	-	-	545,000	347,000	198,000
Totals, Multifamily Production	49,434,580	111,451,362	41,600,000	107,205,000	47,270,000	356,960,942	109,190,610	247,770,332
Portfolio Management:								
27 Asset Management	-	-	10,000,000	-	5,500,000	15,500,000	500,000	15,000,000
28 Asset Management - FAF/FA	13,655,243	-	-	-	-	13,655,243	4,565,625	9,089,618
29 Contract Administration	170,000,000	-	-	-	-	170,000,000	-	170,000,000
30 HUD Section 236 Program	3,000,000	-	-	-	-	3,000,000	-	3,000,000
31 HUD Section 8 Program	160,000,000	-	-	-	-	160,000,000	-	160,000,000
Totals, Multifamily Portfolio Management	346,655,243	-	10,000,000	-	5,500,000	362,155,243	5,065,625	357,089,618
Totals, Multifamily Production and Portfolio Management	396,089,823	111,451,362	51,600,000	107,205,000	52,770,000	719,116,185	114,256,235	604,859,950

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								-
Cross-Divisional Budget Items								-
32 Agency Administrative Expenses (HOME)	2,744,369	-	-	-	-	2,744,369	150,000	2,594,369
33 Agency Technical Assistance Fund	-	-	-	-	2,000,000	2,000,000	-	2,000,000
34 Capacity Building Grant Program (3)	192,522	1,072,071	-	-	-	1,264,593	225,522	1,039,071
35 Disaster Relief Contingency Fund	-	724,741	-	-	-	724,741	75,000	649,741
36 Economic Development & Housing Challenge Program	-	58,595,714	-	5,000,000	-	63,595,714	28,718,764	34,876,950
37 Tribal Indian Housing Program	-	3,077,000	-	-	-	3,077,000	-	3,077,000
38 Urban Indian Housing Program	-	514,394	-	-	-	514,394	140,394	374,000
TOTAL BUDGET, OLD AND NEW ACTIVITY	409,045,133	206,680,036	935,675,000	234,570,000	77,991,900	1,863,962,069	239,516,597	1,624,445,472
Outstanding Commits/Selects/Fees/ at 9/30/07 (Estimated)	20,851,155	53,917,042	85,675,000	60,451,500	18,621,900	239,516,597	239,516,597	-
TOTAL BUDGET, NEW ACTIVITY ONLY	388,193,978	152,762,994	850,000,000	174,118,500	59,370,000	1,624,445,472	-	1,624,445,472

(1) Includes the following programs: Community Activity Set-Aside Program (CASA), Minnesota City Participation Program (MCPP), and Minnesota Mortgage Program (MMP).

(2) Includes the following programs: Low and Moderate Income Rental First Mortgage Loans, Bridge Loans and Contingent Bridge Loans .

Commitments up to $15 million may be made for Contingent Bridge Loans, which are unlikely to be funded; $5 million is included in the budget for actual disbursements.

(3) The existing commmitment figure includes $192,522 from HOME CHDO Operating Grants, but there is no funding from HOME for new activity.

Strategic Goal Legend:

Financing New Affordable Housing Opportunities
Ending Long-Term Homelessness
Increase Minority Homeownership
Preservation of Affordable Housing
Programs Addressing Multiple Strategic Priorities

Minnesota Housing
Affordable Housing Plan
October 1, 2007 through September 30, 2009
(in '000's)

Projected Long Term Bond Issues

	Home Improvement Program (RHFB)	Minnesota Mortgage Program (RHFB)	Low & Moderate Income Rental Program (RH)	Total
Carryforward of Undisbursed Bond Proceeds	$ -	$ 84,000	$ 1,600	$ 85,600
New Housing Investment Fund Allocation		57,000	-	57,000
New Bond Issues		800,000	40,000	840,000
Total Carryforward and New Activity	**$ -**	**$ 941,000**	**$ 41,600**	**$ 982,600**

Projected Sources of Bonding Authority

	Home Improvement Program (RHFB)	Minnesota Mortgage Program (RHFB)	Low & Moderate Income Rental Program (RH)	TOTAL
Tax Exempt Volume Cap:				
Carryforward of 2007 Entitlement	$ -	$ 131,918	$ -	$ 131,918
Short term debt outstanding 9-30-07	-	325,280	-	325,280
New entitlement 2008	-	82,000	20,000	102,000
New entitlement 2009	-	82,000	20,000	102,000
From cities and counties (OBO) 2008	-	36,000	-	36,000
From cities and counties (OBO) 2009	-	36,000	-	36,000
From Housing Pool and/or Unified Pool 2008	-	-	-	-
From Housing Pool and/or Unified Pool 2009	-	-	-	-
From current refunding 2008	-	50,855	-	50,855
From current refunding 2009	-	89,075	-	89,075
Total Tax Exempt Volume Cap	$ -	$ 833,128	$ 40,000	$ 873,128
Total Taxable Bonds	$ -	$ 280,000	$ -	$ 280,000
Total Tax Exempt Volume Cap and Taxable Bonds	$ -	$ 1,113,128	$ 40,000	$ 1,153,128
Anticipated Short Term Debt Issuance	$ -	$ (313,128)	$ -	$ (313,128)
Projected New Activity Long Term Debt Issuance	**$ -**	**$ 800,000**	**$ 40,000**	**$ 840,000**
Percentage of New Activity expected to be Taxable	N/A	35%	N/A	33%

Minnesota Housing
Affordable Housing Plan October 2007 – September 2009
Net Assets Restricted by Covenant
Certain Balances Maintained According to Agency's Board Guidelines
Amounts as of July 1, 2007
(in thousands)

Effective July 1, 2007 the Agency's Board amended its guidelines for Net Assets Restricted by Covenant. The previous guidelines had been in effect since 1988, and were amended as part of an overall fund restructuring which also became effective on July 1, 2007.

The descriptions below reflect the restrictions effective July 1, 2007, and are different than the Net Assets Restricted by Covenant as reported in the June 30, 2007 audited financial statements.

Net Assets – Restricted by Covenant	Amount at July 1, 2007 (in thousands)
Pool 1 (Housing Endowment Fund) An amount equal to 1% of loans outstanding (excluding loans in Pool 3/foundation) will be invested in short term, investment grade securities at market interest rates. Assets of Pool 1 will be held in the General Reserve Account.	$ 20,627
Pool 2 (Housing Investment Fund) An amount that will cause the combined net assets in the General Reserve Account and bond funds (exclusive of Pool 3/foundation) to be the greater of $615 million or the combined net assets of the same funds for the immediately preceding audited fiscal year end. Assets will be invested in investment quality housing loans or investment grade securities. Assets of Pool 2 will be held in the bond funds.	$346,039
Pool 3/foundation (Housing Affordability Fund) Net assets in excess of the required balances for Pools 1 and 2 may be invested in investment grade securities and used for programs not resulting in amortizing investment quality loans including, but not limited to zero percent loans, loans at interest rates substantially below market, high risk loans, deferred loans, revolving funds, and grants and rental assistance. Assets of Pool 3/foundation will be held in the bond funds.	$110,000
Agency Wide Total	$476,666

FINAL Tab E-2

Minnesota Housing
Affordable Housing Plan October 2007 – September 2009
Housing Endowment Fund (Pool 1) Computation
July 1, 2007
(in thousands)

Effective July 1, 2007, Board Policy sets the Housing Endowment Fund (Pool 1) requirement at 1% of loans outstanding (excluding loans in Pool 3/foundation).

The following table illustrates how this amount is calculated. It has been extracted from the Agency's audit report ("Loans Receivable, Net" footnote) and internal accounting records for Pool 3/foundation loans as of July 1, 2007.

Funds	Outstanding Principal	Allowance for Loan Losses	Unamortized Premiums (Discounts) and Fees	Loans Receivable, Net
General Reserve	$ 0	$ 0	$ 0	$ 0
Rental Housing	234,564	(8,706)	(1,382)	224,476
Residential Housing Finance	1,566,850	(12,236)	3,725	1,558,339
Single Family	279,836	(89)	(2,740)	277,007
Combined Totals	$2,081,250	$ (21,031)	$ (397)	$2,059,822
Less Pool 3/foundation Loans Outstanding	18,546			
Adjusted Outstanding Principal	$2,062,704			
	x 1%			
Housing Endowment Fund (Pool 1) Requirement	$ 20,627			

Minnesota Housing
Affordable Housing Plan October 2007 – September 2009
Housing Investment Fund (Pool 2) Computation
July 1, 2007
(in thousands)

Effective July 1, 2007, Board Policy sets the Housing Investment Fund (Pool 2) requirement at an amount that will cause the combined net assets in the General Reserve Account and bond funds (exclusive of Pool 3/foundation) to be the greater of $615 million or the combined net assets of the same funds for the immediately preceding audited fiscal year end.

The amount shown below represents the initial sizing of Pool 2 on July 1, 2007 as approved by the Board.

Net Assets	**July 1, 2007**
General Reserve	
Invested in capital assets	$ 4,385
Pool 1	20,627
Total General Reserve	$ 25,012
Rental Housing	86,013
Single Family	63,031
Residential Housing - bond funds	120,895
subtotal - General Reserve and bond funds	$ 294,951
Actual Pool 2 balance	**$ 346,039**
Total net asset balance (exclusive of Pool 3/foundation)	$ 640,990
Minimum required net asset balance (exclusive of Pool 3/foundation)	$ 615,000

FINAL Tab E-4

Minnesota Housing
Affordable Housing Plan October 2007 – September 2009
Housing Affordability Fund (Pool 3/foundation) Computation
July 1, 2007
(in thousands)

In accordance with Board Policy, the Housing Affordability Fund (Pool 3/foundation) represents Net Assets Restricted by Covenant in excess of the required balances for Pools 1 and 2.

Total Net Assets Restricted by Covenant as of July 1, 2007	$	476,666
Less:		
Housing Endowment Fund Requirement (Pool 1)		(20,627)
Housing Investment Fund Requirement (Pool 2)		(346,039)
Housing Affordability Fund (Pool 3/foundation)	$	110,000

2008 – 2009 Affordable Housing Plan

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2008-2009 Affordable Housing Plan

Program Narrative

Key to reading the Affordable Housing Program Narrative:

1. The "Housing Investment Fund" referred to in the "Sources" portion of the Narrative is also referred to in other documents in the Affordable Housing Plan as "Pool 2".

2. Similarly, the "Housing Affordability Fund" referred to in the "Sources" portion of the Narrative is also referred to in other documents in the Affordable Housing Plan as "Pool 3/foundation".

3. The projections for number of housing units or households assisted by programs during the Plan period exceed the total number of households projected to be served across all programs. Some households or housing units will be assisted through multiple programs in order to achieve needed affordability levels.

4. The projections for the number of households or units assisted is based on the average assistance per unit or per household for the last three years, by program, adjusted for inflation.

Minnesota Housing
Affordable Housing Plan Program Narrative
October 1, 2007 through September 30, 2009

MINNESOTA HOMES DIVISION – PRODUCTION

American Dream Downpayment Initiative (ADDI)	
Program Description	The American Dream Downpayment Initiative (ADDI) provides downpayment and property rehabilitation assistance to assist low and moderate income homebuyers purchasing their first home. Funds are to be made available to borrowers and lenders participating in the agency's mortgage revenue bond programs and, possibly, through private lender community initiatives. To be eligible to participate in the program, lenders will be required to demonstrate enhanced and effective targeting of program resources in accordance with agency strategic goals. ADDI is funded primarily through the federal HOME program, and must meet HOME requirements. The HOME allocation is supplemented with Pool 3/foundation resources. Borrower assistance will be provided in the form of an interest-free, junior lien which will be fully forgiven after a five-year occupancy period. Current income limit: 80 percent of county median income adjusted for family size Maximum loan amount: $10,000
Strategic Priorities Supported	Finance New Affordable Housing Opportunities Increase Emerging Market Homeownership
Program Performance and Trends	For the Program Assessment period of October 1, 2005 – September 30, 2006 ADDI funded 76 loans in the amount of $755,000. The average loan amount was $9,934. The median income of assisted households was $36,004 or 52.8 percent of the statewide median income in 2006. Among households assisted with ADDI in 2006, 46.1 percent were of color. During the 2006 Plan period, an allocation of HOME funds for ADDI was mandated by the federal government; no such requirement is anticipated in the near future. The 2006 program had a $10,000 maximum loan amount. In the interest of serving more households, the maximum loan amount may be lowered to $5,000 except in the case of rehabilitation to address lead remediation needs.
Proposal for 2008-2009	$10.4 million is available for this activity. The program structure may be refined during the 2008 Plan period following examination of options to increase the effectiveness of targeting downpayment assistance and maximizing the number of households served. At this level of funding, based on previous levels of activity, this program is expected to provide assistance to 1,560 households.

		06-07 Plan	08-09 Plan
Sources and Uses	**Sources**		
	New Housing Affordability Fund Allocation	$ -0-	$ 1,000,000
	Reallocation of previous Federal HOME Appropriations	$ 1,237,220	$ 2,418,419
	New Federal HOME Appropriations	$ 600,000	$ 7,000,000
	Total Sources	$ 1,837,220	$ 10,418,419
	Uses		
	Program Disbursements for Prior Plan Commitments	$ -0-	$ -0-
	New Program Activity for Current Plan	$ 1,837,220	$ 10,418,419
	Total Uses	$ 1,837,220	$ 10,418,419
Legal Authority	Title II of the Cranston-Gonzales National Affordable Housing Act; 42 U.S.C. 12821 et. seq.; 24 C.F.R 92; Minn Stat. §462A.057		

Fix-Up Fund (FUF)

Program Description	The Fix-up Fund (FUF) provides below-market interest rate, fully-amortizing home improvement loans to assist low to moderate-income homeowners in improving the livability and energy efficiency of their homes. Loan interest rates are determined based upon interest rates that are offered on similar products by lenders. Loans are delivered by a network of participating lenders throughout the state. Loan to value limits for the program are at 110 percent of the after-improved value of the property. A component of the program waives the income and equity limits when the improvements will enable a resident with a disability to reside in the property. The Community Fix-up Fund (CFUF) is a sub-program of the Fix-up Fund. The Community Fix-up Fund offers more flexible program requirements than the Fix-up Fund to support local initiatives, including lower program interest rates and more aggressive loan underwriting criteria. Lenders participating in FUF may apply to access CFUF for targeted activities that meet locally defined home improvement needs and objectives. Lenders often partner with community organizations for the use of these funds. Eligible targeted activities may include discount loan programs, nonprime lending initiatives, initiatives that focus funds towards specific improvement types or older homes, or other home improvement needs determined within a community or neighborhood. Current income limit: 115 percent of Minneapolis/Saint Paul metropolitan area median income Maximum loan amount: $35,000
Strategic Priorities Supported	Preserve Existing Affordable Housing

Program Performance and Trends	For the Program Assessment period of October 1, 2005 – September 30, 2006, the Fix-Up Fund financed 2,610 loans in an amount of $36,723,164. The average loan provided during this period was $14,070. The median income of borrower households was $53,664 or 78.7 percent of statewide median income at that time. Among borrower households in 2006, 6.6 percent were of color. Since October 2006, production has declined significantly with 966 loans in an amount of $13,880,601 originated through June 30, 2007. A possible cause for the decline in production is implementation of a number of changes to program features, including both the pricing and fee structure as suggested under the Risk-Based Capital Study. Other factors such as marketing and outreach as well as general market conditions could also have contributed to production changes. For the Program Assessment period of October 1, 2005 – September 30, 2006, the Community Fix-up Fund financed 488 loans in an amount of $6,972,555. The average loan under the program was $14,288. The median income of households served was $53,173, which was 56.7 percent of statewide median income in 2006. Thirteen percent of households served under this program were of color. Activity has also decreased under CFUF from 731 loans financed in 2004 to 604 in 2005 to 488 in 2006. Through June 30, 2007, 288 loans in an amount of $3,219,071 have been purchased. This change was anticipated as the result of several strategies adopted to improve program targeting, lower costs, and enhance opportunities for additional interest income. In 2006, Minnesota Housing financed 29 non-prime CFUF loans (5.9 percent of total) in the amount of $501,653 for an average loan amount of $17,298.
Proposal for 2008-2009	There is $59.2 million in new activity available for FUF and CFUF. At this level of funding, based on previous levels of activity, this program is expected to provide assistance to 3,660 households. This program will be part of an examination about improving coordination of resources and targeting resources more effectively. It should be noted that bond sale contributions are no longer budgeted in the Plan but are considered an investment from the Housing Investment Fund (Pool 2).

		06-07 Plan	08-09 Plan
Sources and Uses	**Sources**		
	Carry Forward of Housing Investment Fund	$ 7,634,009	$ 6,246,500
	New Housing Investment Fund Allocation	33,821,113	$ 59,118,500
	New Bond Issues	26,430,000	$ -0-
	Total Sources	$ 67,885,122	$ 65,365,000
	Uses		
	Program Disbursements for Prior Plan Commitments	$ 7,634,009	$ 6,246,500
	New Program Activity for Current Plan	60,151,113	$ 59,118,500
	Bond Sale Contributions for New Program Activity	100,000	$ -0-
	Total Uses	$ 67,885,122	$ 65,365,000
Legal Authority	Minn. Stat. §462A.05, Subd. 15; Minn. Rules, Parts 4900.0610-0700		

Habitat for Humanity Initiative	
Program Description	The Habitat for Humanity Initiative is an annual loan of $2 million to provide a secondary market for interest-free loans originated by Habitat for Humanity Minnesota affiliates for households participating in the Habitat for Humanity Program throughout Minnesota. Each loan is structured with a 2 percent rate of return with quarterly payments of principal and interest to the agency and a loan term of 25 years. A trustee handles the collateral and transactional part of the initiative. Current income limit: Less than or equal to 50 percent of the greater of state or area median income Maximum loan amount: None
Strategic Priorities Supported	Finance New Affordable Housing Opportunities Increase Emerging Market Homeownership
Program Performance and Trends	For the Program Assessment period of October 1, 2005 – September 30, 2006, 19 households received over $1.5 million under this effort with average Minnesota Housing funding per household of $80,519. The median household income of families served was $28,272, which was 41.5 percent of statewide median income at that time. Of households assisted in 2006, all were households of color.
Proposal for 2008-2009	Please note that the $4 million commitment provided herein is the fourth and fifth years of a total five-year commitment. At this level of funding, based on previous levels of activity, this program is expected to provide assistance to 50 households.

		06-07 Plan	08-09 Plan
Sources and Uses	**Sources**		
	Carry Forward of Housing Affordability Fund Allocation	$ -0-	$ -0-
	New Housing Affordability Fund Allocation	4,000,000	$ 4,000,000
	Total Sources	$ 4,000,000	$ 4,000,000
	Uses		
	Program Disbursements for Prior Plan Commitments	$ -0-	$ -0-
	New Program Activity for Current Plan	4,000,000	4,000,000
	Total Uses	$ 4,000,000	$ 4,000,000
Legal Authority	Minn. Stat. §462A.21, Subd. 5		

Homeownership Education, Counseling and Training Fund (HECAT)	
Program Description	The Homeownership Education, Counseling and Training Fund (HECAT) provides financial support to eligible nonprofit organizations or public agencies offering comprehensive homebuyer/owner training on a pre- or post-purchase basis. It also assists individuals facing foreclosure due to a temporary financial crisis by providing counseling services and, if applicable, mortgage payment or other financial assistance on a one-time basis. Funds under this program are provided either in the form of grants to organizations providing home buyer/owner training or foreclosure prevention counseling, or in the form of interest-free deferred loans to homeowners at risk of foreclosure. The state appropriations are awarded through a combined Request for Proposals in cooperation with the Family Housing Fund, the Greater Minnesota Housing Fund, and the Minnesota Home Ownership Center as funding partners. Current income limit: none, but participants with incomes less than or equal to 60 percent of area median are encouraged Maximum loan amount: $5,500
Strategic Priorities Supported	Finance New Affordable Housing Opportunities Increase Emerging Market Homeownership

Program Performance and Trends	For the Program Assessment period of October 1, 2005 – September 30, 2006, more than 35 local agencies assisted 8,800 households as a result of program funding in the amount of $2,066,763. This is an overall average of $234 in assistance per household. Included here is $559,785 in loans to 130 households to prevent foreclosure (average loan amount of $4,306) as well as grants to agencies offering pre- and post-purchase education and training. Median annual household income of all HECAT participants in 2006 was $31,876 or 46.7 percent of state median income at that time. Of households assisted during 2006, 19.3 percent were households of color.
Proposal for 2008-2009	There is $3,704,530 available for new activities. This includes state appropriations of $1,730,000 plus contributions from funding partners and anticipated repayments. At this level of funding, based on previous levels of activity, this program is expected to provide assistance to 14,020 households. The HECAT program may be part of additional actions that might be undertaken to respond the foreclosure crisis.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of State Appropriations	$ 2,195,042	$ 447,183
New State Appropriations	1,540,000	$ 1,730,000
Contributions from Funding Partners	1,500,000	$ 1,500,000
Housing Affordability Fund	70,000	$ -0-
Repayments	200,000	$ 300,000
Total Sources	$ 5,505,042	$ 3,977,183
Uses		
Program Disbursements for Prior Plan Commitments	$ 2,195,042	$ 272,653
New Program Activity for Current Plan	3,310,000	$ 3,704,530
Total Uses	$ 5,505,042	$ 3,977,183

Legal Authority	Minn. Stat. §462A.209

Interim Lending – Innovative Housing Loan Program (IHLP)

Program Description	The Innovative Housing Loan Program (IHLP) provides a revolving fund of interim loan funds. Monies are used to encourage innovations in the development or rehabilitation of single-family housing. Both nonprofit and for-profit sponsors and/or developers may apply for the program. Loans are interest-free for nonprofit entities and are at 6 percent interest for for-profit entities.
Strategic Priorities Supported	Finance New Affordable Housing Opportunities Increase Emerging Market Homeownership

Program Performance and Trends	Program Assessment data for IHLP are included in data provided for the Community Revitalization Fund, which is the umbrella program under which Minnesota Housing currently delivers the Challenge Program and two interim construction financing programs. Information on the Interim Lending – Innovative Housing Loan Program is not available separately given current database constraints; however, the Community Revitalization Fund (CRV) as a whole has proven to be a valuable resource for increasing the housing supply for low-and moderate-income households. Of CRV-financed units reported in 2006, 53.3 percent were new construction. Among reported loans, 29.5 percent of borrowers were households of color (including nearly 50 loans funded for Indian housing). The median income of CRV borrowers in 2006 was $34,000 or 49.9 percent of statewide median at that time.
Proposal for 2008-2009	The Innovative Loan program is a revolving fund; repayments of $273,071 are anticipated. Total new activity is budgeted at $304,000. At this level of funding, based on an average loan amount of $110,000, approximately three loans may be made.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of State Appropriations	$ 726,929	$ 726,929
New State Appropriations	-0-	-0-
Repayments	303,071	273,071
Total Sources	$ 1,030,000	$ 1,000,000
Uses		
Program Disbursements for Prior Plan Commitments	$ 30,000	$ 696,000
New Program Activity for Current Plan	1,000,000	304,000
Total Uses	$ 1,030,000	$ 1,000,000

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

Interim Lending – Partnership for Affordable Housing (PAH)

Program Description	The Partnership for Affordable Housing Program (PAH) provides a revolving fund of interim loan funds at an interest rate of 2 percent to support increasing the affordable housing supply. The program is delivered through partnership arrangements between the agency, nonprofit housing providers and local lenders.
Strategic Priorities Supported	Finance New Affordable Housing Opportunities Preserve Existing Affordable Housing Increase Emerging Market Homeownership
Program Performance and Trends	Program Assessment data for PAH are included in data provided for the Community Revitalization Fund (CRV), which is the umbrella program under which Minnesota Housing currently delivers the Challenge Fund and two interim construction financing programs for homeownership activities. Information on PAH is not available separately given current database constraints; however, the Community Revitalization Fund as a whole has proven to be a valuable resource for increasing the housing supply for low-and moderate-income households. Of CRV-financed units reported in 2006, 53.3 percent were new construction. Among reported loans, 29.5 percent of borrowers were households of color (including nearly 50 loans funded for Indian housing). The median income of CRV borrowers in 2006 was $34,000 or 49.9 percent of statewide median at that time.
Proposal for 2008-2009	There is a total of $7,000,000 available under the PAH program. Loan repayments that are received during the Plan period will be available for new program activity. Based on an average loan amount of $150,000, approximately 46 loans may be made under this program during the Plan period.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Revolving Housing Affordability Fund Allocation	$ 297,019	$ -0-
New Housing Affordability Fund Allocation	7,000,000	$ 7,000,000
Total Sources	$ 7,297,019	$ 7,000,000
Uses		
Program Disbursements for Prior Plan Commitments	$ 297,019	$ -0-
New Program Activity for Current Plan	7,000,000	7,000,000
Total Uses	$ 7,297,019	$ 7,000,000

Legal Authority	Minn. Stat. §462A.05, Subd. 2

Minnesota Mortgage Program (MMP)	
Program Description	The Minnesota Mortgage Program (MMP) provides 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 based upon statewide mortgage market conditions to provide a favorable rate to homebuyers while maximizing for the agency the interest rate spread for each mortgage revenue bond sale. 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/Minnesota City Participation Program and the Community Activity Set-Aside Program, both of which deliver first mortgages to eligible borrowers. The Minnesota Mortgage Program/Minnesota City Participation Program, available statewide through participating lenders, continues to serve the greatest number of borrowers (66.9 percent of all MRB-financed homebuyers in 2006) with the largest amount of financing. Under the Community Activity Set-Aside Program (33.1 percent of homebuyers), 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. Current income limit: $63,000 for 1-4 persons, Minneapolis/Saint Paul metropolitan area. Maximum loan amount: $298,125 in the Minneapolis/Saint Paul metropolitan area
Strategic Priorities Supported	Finance New Affordable Housing Opportunities Increase Emerging Market Homeownership

Program Performance and Trends	For the Program Assessment period of October 1, 2005 – September 30, 2006, agency purchases increased to 3,057 loans in the amount of $372,535,744. The average loan purchased during this period was $121,863; $109,039 for MMP/MCPP and $147,740 for CASA. The median income of all MMP borrower households was $37,440, which was 54.9 percent of statewide median income in 2006. Among all MMP borrowers, 16.7 percent were of color. At least 90 percent of borrowers under MMP programs meet the U.S. Department of Housing & Urban Development definition of low income; however, the distribution has shifted from 50.0 percent of Minnesota Housing borrowers in 2001 having incomes at the lower end of the distribution to 33.0 percent in 2006 (i.e., at or below 50 percent of area median). In 2006 Minnesota Housing purchased a considerably greater number of loans than in recent years and anticipates a record number of purchases in 2007 based on activity for the first three quarters of 2007 (2,355 loans purchased in the amount of $304.6 million). A number of program changes were made to increase the competitive nature of Minnesota Housing products, and other changes may be considered during the current Affordable Housing Plan to assure that the program continues to target its resources well and remain financially strong. The Risk-Based Capital Study recommended exploring the use of alternative program instruments (e.g., 40-year amortizing loans) to maintain borrower affordability while reducing the need for internal mortgage enhancement subsidies (see "Minnesota Mortgage Program—Homeownership Assistance Fund"). Between implementation of the capacity to purchase 40-year mortgages under the Community Activity Set-Aside Program (CASA) in February 2006 until the end of the program year on September 30, 2006, Minnesota Housing purchased 138 40-year mortgages or 23.4 percent of all loans purchased under CASA during that time. For the first three quarters of program year 2007, Minnesota Housing purchased 389 40-year mortgages or 54.6 percent of the CASA loans Minnesota Housing purchased during that time.
Proposal for 2008-2009	At this level of funding, based on previous average loan amounts, this program is expected to provide assistance to 6,330 households. It should be noted that bond sale contributions are no longer budgeted in the Plan but are considered an investment from the Housing Investment Fund (Pool 2).

		06-07 Plan	08-09 Plan
Sources and Uses	**Sources**		
	Carry Forward of Undisbursed Bond Proceeds	$ 103,438,740	$ 84,000,000
	New Bond Issues/Housing Investment Fund Warehousing	600,000,000	857,000,000
	Housing Affordability fund	30,000,000	-0-
	Total Sources	$ 733,438,740	$ 941,000,000
	Uses		
	Program Disbursements for Prior Plan Commitments	$ 103,438,740	$ 84,000,000
	New Program Activity for Current Plan	600,000,000	857,000,000
	Bond Sale Contributions for New Program Activity	30,000,000	-0-
	Total Uses	$ 733,438,740	$ 941,000,000
Legal Authority	Minn. Stat. §462A.05, Subd. 3; Minn. Stat. §462A.073; Minn. Rules, Parts 4900.3200-3290; IRC §143		

Minnesota Mortgage Program – Homeownership Assistance Fund (HAF)	
Program Description	The Homeownership Assistance Fund (HAF) provides monthly payment assistance and entry cost assistance to income eligible first time homebuyers purchasing their homes through an agency mortgage revenue bond program (i.e., the Minnesota Mortgage Program/Minnesota City Participation Program or the Community Activity Set Aside Program). A HAF loan is provided in the form of an interest-free, deferred second mortgage loan. Current income limit: 60 percent of area or state median income unless participating under CASA or otherwise a targeted borrower where the limit is established at 80 percent of state or area median income. Maximum loan amount: up to $3,000 entry cost assistance; $75 monthly assistance for a maximum of $1,800 in monthly assistance.
Strategic Priorities Supported	Finance New Affordable Housing Opportunities Increase Emerging Market Homeownership

Program Performance and Trends	For the Program Assessment period of October 1, 2005 – September 30, 2006, the agency provided 1,276 loans in an amount of $10,784,733. The average loan per household during this period was $8,452; however, this average loan amount decreased to $4,053 in the first three quarters of 2007 reflecting the fact that Minnesota Housing no longer offered $10,000 HAF equity contribution loans after February 17, 2006. The median income of households served in 2006 was $36,116 or 53.0 percent of statewide median income at that time. HAF assisted a relatively high percentage of emerging market borrowers; in 2006, 29.6 percent were households of color. The proportion of borrowers of color under HAF decreased in 2006 relative to previous years due largely to the change in program participation by a Minneapolis/Saint Paul area lender that had served a significant number of emerging market borrowers. Use of HAF has varied widely in recent years. The percentage of MMP-assisted borrowers receiving HAF fluctuated from a high of 68 percent in 2002 to 41.7 percent in 2006. The first three quarters of 2007 show a deliberate decrease from previous activity in both the number of HAF borrowers (657) and the proportion (32.1 percent of MRB borrowers) receiving HAF. A variety of changes to HAF were considered during the last Affordable Housing Plan. The volume of activity had put considerable stress on the program and could not be sustained over the long term. As a result, staff took steps to use available resources for the program more effectively, most notably eliminating equity contribution loans.
Proposal for 2008-2009	The Minnesota Legislature restored appropriations to HAF of $1,770,000 for downpayment and monthly assistance in 2008 – 2009. In addition, $4,800,000 is expected in repayments to this program and an allocation of Pool 3/foundation fund is made to this program. At this level of funding, based on previous levels of activity, this program is expected to provide assistance to 2,060 households. Under the current structure of the HAF program, the demand should not exceed available funds. Staff continues to monitor program usage and tailor the program to the budgeted funding and market conditions.

		06-07 Plan	08-09 Plan
Sources and Uses	**Sources**		
	New State Appropriations	$ -0-	$ 1,770,000
	Carry Forward of State Appropriations	5,461,565	711,390
	Carry Forward of Housing Affordability Fund	1,246,320	1,800,000
	Repayments	4,810,850	4,800,000
	New Housing Affordability Fund Allocation	-0-	3,300,000
	Bond Issue	2,611,265	75,000
	Total Sources	$ 14,130,000	$ 12,456,390
	Uses		
	Program Disbursements for Prior Plan Commitments	$ 2,782,916	$ 2,586,390
	New Program Activity for Current Plan	11,347,084	9,870,000
	Total Uses	$ 14,130,000	$ 12,456,390
Legal Authority	Minn. Stat. §462A.21, Subd. 8; Minn. Rules, Parts 4900.1300-1359		

Minnesota Urban and Rural Homesteading Program (MURL)	
Program Description	The Minnesota Urban and Rural and Homesteading Program (MURL) provides funding to nonprofit organizations and public agencies. These entities then acquire single family residences that are vacant, condemned or abandoned, rehabilitate the properties, and then sell them by way of interest-free contract-for-deed to at risk first-time homebuyers who agree to abide by a "good neighbor policy." Under certain circumstances MURL funds may be used for new construction.
Strategic Priorities Supported	Preserve Existing Affordable Housing Increase Emerging Market Homeownership
Program Performance and Trends	Data for the Program Assessment period of October 1, 2005 – September 30, 2006 for the MURL Program show assistance to 30 households in an amount of $2,960,389. The average assistance provided per household was $98,680. The median income of households served was $24,896 which was 36.5 percent of statewide median income at that time. Among households served, 10.0 percent were households of color. The MURL Program has historically operated outside the Minneapolis/Saint Paul metropolitan area. With a new source of funding for the program, some MURL activity is expected in the metro area.

Proposal for 2008-2009	Due to U.S. Department of Housing and Urban Development regulations concerning the use of federal funds, this program will no longer be funded by the agency's allocation of HOME resources; however, given its effectiveness, the agency has elected to continue funding the program through Pool 3/foundation resources of $6,000,000 during the period of the this Plan. At this level of funding, based on previous levels of activity, this program is expected to provide assistance to 50 households.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Housing Affordability Fund	$ -0-	$ 6,000,000
Carry Forward of Federal HOME Appropriations	$ 5,387,139	600,000
New Federal HOME Appropriations	6,260,000	-0-
Total Sources	$ 11,647,139	$ 6,600,000
Uses		
Program Disbursements for Prior Plan Commitments	$ 5,374,714	$ 600,000
New Program Activity for Current Plan	6,272,425	6,000,000
Total Uses	$ 11,647,139	$ 6,600,000

Legal Authority	24 C.F.R. Part 92; Minn. Stat. §462A.057

Rehabilitation Loan Program

Program Description	The Rehabilitation Loan Program provides interest-free, deferred loans to low-income homeowners to finance home improvements directly affecting the safety, habitability, energy efficiency and accessibility of their homes. The program is administered by local agencies that contract to deliver the program in accordance with statute and program requirements. Current income limit: $23,550 for 1-4 person households; 30 percent of Minneapolis/Saint Paul area median) Maximum loan amount:$15,000 (or $20,000 when accessibility improvements are needed)
Strategic Priorities Supported	Preserve Existing Affordable Housing

Program Performance and Trends	Updated data for the Program Assessment period of October 1, 2005 – September 30, 2006 show that the Rehabilitation Loan Program disbursed 380 loans in an amount of $4,113,518. The average assistance per household based only on completed loans was $7,276. The median income of households served was $12,817 which was 18.8 percent of statewide median income at that time. Among assisted households, 6.3 percent were households of color.
Proposal for 2008-2009	Minnesota Housing will explore options for a more focused use of some of the program resources to achieve neighborhood or community improvements as well as benefiting individual homeowners. Resources from other home improvement loan programs that serve a higher income level may be combined to provide a neighborhood or community with loans for the continuum of household incomes. The $9,874,000 appropriation for 2008 – 2009 is a $4,566,000 increase over the appropriation for 2006 – 2007 and includes $1.3 million in one-time appropriations. At this level of funding, based on previous levels of activity, this program is expected to provide assistance to 2,210 households.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of State Appropriations	$ 8,609,583	$ 6,612,181
Carry Forward of Federal HOME Appropriations	137,980	-0-
New State Appropriations	5,308,000	9,874,000
Repayments	3,000,000	2,500,000
Total Sources	$ 17,055,563	$ 18,986,181
Uses		
Program Disbursements for Prior Plan Commitments	$ 8,747,563	$ 1,427,239
New Program Activity for Current Plan	8,308,000	17,558,942
Total Uses	$ 17,055,563	$ 18,986,181

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

MINNESOTA HOMES DIVISION – PROGRAMS IN RUN-OFF

Entry Cost Homeownership Opportunity Program (ECHO)

Program Description

The Entry Cost Homeownership Opportunity Program (ECHO) provides down payment, closing cost and related assistance to individuals purchasing a home under a community lending initiative developed and implemented by a private or public mortgage lender using either portfolio or secondary market lending sources. Assistance is provided in the form of a 5 percent simple interest deferred loan with interest accruals capped after ten years.

Current income limit: Less than or equal to 80 percent of area or state median income
Maximum loan amount: $3,000

Program Performance and Trends

For the Program Assessment period of October 1, 2005 – September 30, 2006, the agency funded 413 ECHO loans in an amount of $1,229,632, for an average loan of $2,977. The median income of households served under the program was $41,916 or 61.5 percent of statewide median income at that time. Among households assisted in 2006, 20.6 percent were of color.

In the first three quarters of program year 2007, Minnesota Housing funded 105 ECHO loans, a decrease from 413 loans in program year 2006.

Proposal for 2008-2009

The lending environment has changed significantly since the ECHO Program was developed. There are fewer "community lending programs" where home mortgage loans are originated and held within lender portfolios today as lending industry contraction has resulted in fewer lenders with capital available to offer such programs. As a result, Minnesota Housing is terminating this program and providing opportunities for linking entry cost assistance resources with private lender initiatives that are carefully targeted to support agency goals.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of Housing Affordability Fund	$ 48,000	$ 121,900
New Housing Affordability Fund Allocation	2,500,000	-0-
Total Sources	$ 2,548,000	$ 121,900
Uses		
Program Disbursements for Prior Plan Commitments	$ 48,000	$ 121,900
New Program Activity for Current Plan	2,500,000	-0-
Total Uses	$ 2,548,000	$ 121,900

Legal Authority

Minn. Stat. §462A.21, Subd. 8

MULTIFAMILY DIVISION – PRODUCTION

Affordable Rental Investment Fund - Preservation (PARIF)	
Program Description	The Affordable Rental Investment Fund – Preservation (PARIF) is a statewide program that provides below-market interest-deferred loans to help cover the costs of preserving permanent affordable rental housing with long-term, project-based federal subsidies that are in jeopardy of being lost. Program funds may also be used to preserve existing supportive housing developments. The program provides funds to help with the costs of acquisition, rehabilitation and debt restructuring, as well as equity take-out, deferred loans. Current tenant income limit: subject to federal guidelines of assistance being preserved Maximum assistance amount: None
Strategic Priorities Supported	Preserve Existing Affordable Housing End Long-Term Homelessness
Program Performance and Trends	For the Program Assessment period of October 1, 2005 – September 30, 2006 the agency provided 15 PARIF loans in the amount of $15,705,159. The average loan provided during this period was $1,047,011 or an average of $12,100 per unit. The median income of the households reporting in 2006 was $10,668 which is 15.6 percent of statewide median income. Of tenant households served in 2006, 49.8 percent were households of color. In 2006, PARIF provided the greatest amount of units and funding in the history of the program. The program continues to be a critical tool in the long-term preservation of expiring project-based Section 8 contracts as well as other project-based federally assisted housing.
Proposal for 2008-2009	Of the $20.5 million state PARIF appropriation for 2008 – 2009, $5 million will be made available for public housing preservation. At this level of funding, based on previous levels of activity, this program is expected to provide assistance to 1,880 households.

		06-07 Plan	08-09 Plan
Sources and Uses	**Sources**		
	Carry Forward of State Appropriations	$ 18,249,152	$ 11,936,365
	Carry Forward of Federal Appropriations	-0-	-0-
	New State Appropriations	17,992,000	20,492,000
	Repayments	100,000	200,000
	Total Sources	$ 36,341,152	$ 32,628,365
	Uses		
	Program Disbursements for Prior Plan Commitments	$ 13,843,006	$ 8,434,457
	New Program Activity for Current Plan	22,498,146	24,193,908
	Total Uses	$ 36,341,152	$ 32,628,365
Legal Authority	Minn. Stat. §462A.21, Subd. 8b; Minn. Stat. §462A.05, Subd. 3b; Laws of Minnesota 2003, Chap. 128, Art. 10, Sec. 3; Minn. Rules, Parts 4900.3500-3550, 2700-2707		

Bridges	
Program Description	Bridges is a statewide program, operated in selected counties, which provides grants for temporary rental assistance payments and security deposits paid directly to landlords. Assistance is provided on behalf of participants with serious and persistent mental illness who are on a waiting list for a permanent rent subsidy, typically a Section 8 Housing Choice Voucher. Other eligible uses of Bridges funding include utility deposits, or payment of contract rent or utilities for up to 90 days during a medical or psychiatric crisis. The program is administered by local housing organizations in communities in which eligible applicants live. Referral to the program must be made by a mental health professional. The Minnesota Department of Human Services and Minnesota Housing collaborate in the administration of the program. The Department of Human Services operates a similar program that provides housing assistance to people with serious and persistent illness in crisis situations. Current tenant income limit: 50 percent of area median income Maximum assistance amount: none beyond funding availability
Strategic Priorities Supported	End Long-Term Homelessness

Program Performance and Trends	During 2006, 464 households were assisted through an estimated $1.7 million in Bridges appropriations at an average monthly assistance amount of $376 per household per month. A total of $29,974 in security deposit assistance also was paid on behalf of new tenants in 2006. Median household income of participants in 2006 was nearly $8,200 or 12.0 percent of statewide median income at that time. Among households assisted in 2006, 19 percent were households of color.
Proposal for 2008-2009	The $5,276,000 state appropriation for 2008 - 2009 includes a $2 million increase to the base appropriation for Bridges. An additional $418,358 is uncommitted from the previous Plan for a total of $5,694,358 for new activity. At this level of funding, assuming average assistance per household of $4,679 per year, this program is expected to provide assistance to at least 550 households per month, and $580,920 will be paid out in fees to the administrators.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of State Appropriations	$ 1,539,387	$ 601,442
New State Appropriations	3,276,000	5,276,000
Total Sources	$ 4,815,387	$ 5,877,442
Uses		
Program Disbursements for Prior Plan Commitments	$ 1,539,387	$ 183,084
New Program Activity for Current Plan	3,276,000	5,694,358
Total Uses	$ 4,815,387	$ 5,877,442

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

Ending Long-Term Homelessness Initiative Fund (ELHIF)	
Program Description	The Ending Long-Term Homelessness Initiative Fund (ELHIF) is used for permanent supportive housing for persons experiencing long-term homelessness, and can be utilized for the following: • Capital financing for acquisition, construction, rehabilitation of affordable and/or permanent supportive housing. • Operating Subsidies for unique costs associated with operating a low-income or supportive housing development or for revenue shortfall to help reduce the difference between the costs of operating a low-income housing development and the rents that the tenants can afford to pay. • Rental Assistance in the form of a tenant-based, sponsor-based, or project-based contract. Rental Assistance is intended to be temporary in nature and provide assistance to individual households. • Non-bondable development costs in general-obligation-bond-funded (GO) supportive housing projects. • Homeless Management Information System (HMIS) to collect data for coordination of efforts under this initiative. At least 75 percent of funds in ELHIF must be used for the benefit of persons and families whose income, at the time of initial occupancy, does not exceed 30 percent of the median family income for the metropolitan area. Current tenant income limit: 60 percent of Minneapolis /Saint Paul area median income with priority for proposals affordable at 30 percent Maximum loan amount: none beyond funding availability
Strategic Priorities Supported	End Long-Term Homelessness
Program Performance and Trends	The Ending Long-Term Homelessness Business Plan had a goal of funding 1,000 housing units by 2006 for persons experiencing long-term homelessness. As of December 31, 2006, Minnesota Housing had awarded funding for 1,091 opportunities with the help of ELHIF and other resources. The current business plan goal is to fund 1,600 housing opportunities by December 31, 2007 for persons experiencing long-term homelessness. In 2006, Minnesota Housing initially closed on ELHIF loans in the amount of $3,927,120 to fund 78 new or rehabilitated units (unduplicated count) in the average per unit amount of $39,668. In 2006, 202 households were assisted with rental vouchers funded by ELHIF at an average voucher amount of $550 per month. ELHIF also funded $19,119 in security deposits for new tenants in 2006.

Proposal for 2008-2009	During the Plan period, there will be $18,000,000 available for new program activity. The funding is expected to produce 600 LTH units with capital assistance, fund 600 new rental assistance housing opportunities, and provide operating subsidy and tenant / sponsor / project-based Rental Assistance for approximately 200 existing units.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of Housing Affordability Fund	$ 7,423,412	$ 11,000,000
New Housing Affordability Fund Allocation	20,000,000	18,000,000
New Federal Appropriations	500,000	-0-
Total Sources	$ 27,923,412	$ 29,000,000
Uses		
Program Disbursements for Prior Plan Commitments	$ 7,423,412	$ 11,000,000
New Program Activity for Current Plan	20,500,000	18,000,000
Total Uses	$ 27,923,412	$ 29,000,000

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

Family Homeless Prevention and Assistance Program (FHPAP)	
Program Description	The Family Homeless Prevention and Assistance Program (FHPAP) provides grants to encourage and support innovations at the county, region, or local level in redesigning the existing homelessness support system or in establishing a comprehensive system. Funds are used for a broad range of purposes aimed at preventing homelessness, shortening the length of stay in emergency shelters or length of homelessness, and assisting individuals and families experiencing homelessness to secure transitional or permanent affordable housing. Grant funds are awarded through a competitive application process for the state biennium. In the Minneapolis/Saint Paul metropolitan seven-county area, a county is the only eligible applicant. In Greater Minnesota, eligible applicants include a county, a group of contiguous counties jointly acting together, or a community-based nonprofit organization with a sponsoring resolution from each of the county boards of the counties located within its operating jurisdiction. Current household income limit: lacking sufficient resources to maintain or obtain housing; eligibility criteria set locally Maximum assistance amount: none beyond funding availability
Strategic Priorities Supported	End Long-Term Homelessness
Program Performance and Trends	Fifteen FHPAP providers assisted nearly 5,800 households in 2006 at an average assistance amount of $645 per household. FHPAP grantees have implemented a variety of homeless prevention and stabilization activities including rent or mortgage assistance, utility assistance, and an array of support services to assist people to stay in their homes or secure housing. As of the end of 2006, 48 percent of funds distributed to providers for the biennium had been used for direct cash assistance including rent and mortgage assistance, security deposits, and transportation and utility assistance; 44 percent of funds were used for support services; and 8 percent were for program administration. Of the households served in 2006, 60.4 percent were households of color. The median annual household income of assisted households was $8,492 or 12.5 percent of the statewide median income at that time. FHPAP is an important resource in the effort to end homelessness. The program assists extremely low-income people at a low assistance per household cost, primarily with short-term tenant-based assistance (limited to 24 months; most typically one or two months). Grantee performance reports to the agency indicate a high degree of success in meeting program objectives, e.g., preventing homelessness, reducing the length of shelter stays, reducing repeat shelter use.

Proposal for 2008-2009	The $14,930,000 state appropriation for 2008 – 2009 more than doubles the base appropriation for this program. With the inclusion of five new applicants (for a total of 20 grantees), 22 new counties will be served by the program in this biennium. 85 percent of Minnesota's counties now will be covered by the FHPAP (up from last biennium's 60 percent coverage). At this level of funding, based on previous levels of activity, this program is expected to provide assistance to 22,260 households

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of State Appropriations	$ 1,909,366	$ -0-
New State Appropriations	7,430,000	14,930,000
Total Sources	$ 9,339,366	$ 14,930,000
Uses		
Program Disbursements for Prior Plan Commitments	$ 1,909,366	$ -0-
New Program Activity for Current Plan	7,430,000	14,930,000
Total Uses	$ 9,339,366	$ 14,930,000

Legal Authority	Minn. Stat. §462A.204

Flexible Financing for Capital Costs (FFCC)

Program Description	The Flexible Financing for Capital Costs (FFCC) program provides deferred loans to support the production, stabilization, and maintenance of multifamily rental housing. Funds are provided in conjunction with Low and Moderate Income Rental (LMIR) first mortgage loans and may be used for the refinancing of existing loans. The current FFCC program is administered on a pipeline basis allowing the agency to act quickly to meet the immediate needs of a development that, if required to wait for a request for proposal (RFP), would be unnecessarily delayed and subjected to hardship. Current tenant income limit: 40 percent at 60 percent area median; or 20 percent at 50 percent area median; and 25 percent unrestricted; balance up to 100 percent area median income Maximum loan amount: no set limit
Strategic Priorities Supported	Finance New Affordable Housing Opportunities Preserve Existing Affordable Housing

Program Performance, Trends and Evaluation	Data from the annual assessment report for 2006 show that Minnesota Housing financed $2 million in FFCC loans to four developments. The average award was $501,132 per development or $8,949 per unit. This resource allowed the agency to further assist 224 units of affordable housing (financed under LMIR) during the year.
Proposal for 2008-2009	$8.75 million is available for the program. At this level of funding, based on previous levels of activity, this program is expected to provide assistance to 820 households. The FFCC program is linked to the LMIR program and will be part of a strategy and implementation plan that is developed for the LMIR first mortgage product.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of Housing Affordability Fund	$ 5,981,575	$ 5,200,000
New Housing Affordability Fund Allocation	12,000,000	8,750,000
Total Sources	$ 17,981,575	$ 13,950,000
Uses		
Program Disbursements for Prior Plan Commitments	$ 5,981,575	$ 5,200,000
New Program Activity for Current Plan	12,000,000	8,750,000
Total Uses	$ 17,981,575	$ 13,950,000

Legal Authority	Board Resolution

HOME Rental Rehabilitation

Program Description	The HOME Rental Rehabilitation program provides deferred loans to rehabilitate privately owned rental property to support affordable, decent, safe, and energy efficient housing for lower-income families. This program is administered by local housing agencies throughout most of the state. The HOME Rental Rehabilitation program is funded through federal HOME funds and new allocations of HOME funds will not occur until the annual appropriations are decided, which will most likely be in the springs of 2008 and 2009. Current tenant income limit: 60 percent of area median income for 1-4 units Maximum loan amount: up to $40,000 per unit with conditions
Strategic Priorities Supported	Preserve Existing Affordable Housing

Program Performance and Trends	Median income of households served under this program for the period October 1, 2005 – September 30, 2006 was $10,342 or 15.2 percent of the statewide median income at that time. Among tenants of HOME-assisted units completed in 2006, 12.2 percent were households of color. This program is a primary source of funding for rehabilitation of federally-assisted housing in Greater Minnesota, particularly Rural Development projects. Owners used HOME funds in the amount of $5,871,143 to complete the rehabilitation of 421 HOME units in 32 developments; average loan per development was $183,473 or $13,946 per HOME unit. Leveraging of non-Minnesota Housing funds strengthens the financial capacity of this program; 57.4 percent of the funds for HOME projects completed during 2006 were from sources other than Minnesota Housing.
Proposal for 2008-2009	This Plan assumes that future appropriations are the same as the 2006 appropriation ($10.3 million in HOME funds of which the Board allocated $5,846,000 to rental rehab in 2006). This is subject to change pending receipt of that actual appropriation and completion of the citizen participation and the consolidated planning processes. At this level of funding, based on previous levels of activity, this program is expected to provide assistance to 1,220 households.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of Federal HOME Appropriations	$ 15,948,016	$ 22,821,150
New Federal HOME Appropriations	11,692,000	10,665,768
Total Sources	$ 27,640,016	$ 33,486,918
Uses		
Program Disbursements for Prior Plan Commitments	$ 15,948,016	$ 14,931,926
New Program Activity for Current Plan	11,692,000	18,554,992
Total Uses	$ 27,640,016	$ 33,486,918

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

Housing Opportunities for Persons with AIDS (HOPWA)	
Program Description	The Housing Opportunities for Persons with AIDS (HOPWA) federal program provides grants that can be used to meet the housing needs of persons with Acquired Immune Deficiency Syndrome (AIDS), HIV-positive status or related diseases, and their families. The program authorizes grants for both housing assistance and services. HOPWA funds are appropriated by Congress to the U.S. Department of Housing and Urban Development. The City of Minneapolis receives and administers a direct grant for the 11-county Minneapolis/Saint Paul metropolitan area, and the State of Minnesota receives a direct award of funds for the portion of the state not covered by the City of Minneapolis grant. Current tenant income limit: 80 percent of area median income adjusted for family size Maximum assistance amount: none beyond funding availability
Strategic Priorities Supported	End Long-Term Homelessness
Program Performance and Trends	The program sponsors assisted 120 households in 2006 with $112,679 in emergency rent, mortgage and utility assistance. Median household income was unavailable in 2006; however in 2005 it was $9,540 or 14.2 percent of the statewide median at that time. The average rental assistance per household per month was $939 in 2006.
Proposal for 2008-2009	There is $228,000 in new federal appropriations available for this program. At this time, it is not known how the HIV/AIDS advocacy groups will recommend allocating the money for federal fiscal years 2008 and 2009. Minnesota Housing staff anticipate renewal of the Minnesota AIDS Project Greater Minnesota Housing Assistance Program, which provides short-term rent, mortgage, and utility assistance. For purposes of the Affordable Housing Plan, it was assumed that the amount of federal fiscal year 2008 and 2009 monies flowing through the agency only would be the amount of the HOPWA allocation to the state (e.g., $114,000 in 2007), a total available for new activity including carry forward of $338,580 of which $6,840 is allocated for agency overhead. At this level of funding, based on previous levels of activity, this program is expected to provide assistance to 340 households.

		06-07 Plan	08-09 Plan
Sources and Uses	**Sources**		
	Carry Forward of Federal Appropriations	$ 1,100,232	$ 174,662
	New Federal Appropriations	210,000	228,000
	Total Sources	$ 1,310,232	$ 402,662
	Uses		
	Program Disbursements for Prior Plan Commitments	$ 919,447	$ 64,082
	New Program Activity for Current Plan	390,785	338,580
	Total Uses	$ 1,310,232	$ 402,662
Legal Authority	Cranston-Gonzales National Affordable Housing Act 1990; 42 U.S.C. §12901-12921; 24 C.F.R. Part 574		

Housing Tax Credit Program	
Program Description	The Housing Tax Credit (HTC) program provides a federal income tax credit to owners and investors in the construction or acquisition with substantial rehabilitation of eligible rental housing. Housing must meet income and rent restrictions for a minimum of 15 years. Tax credits are awarded in two competitive allocation rounds each year held concurrently with the Minnesota Housing Combined Request for Proposals. The allocation of tax credits is based upon the state population and a per capita amount ($1.95 for 2008) which increases each year with the cost of living. A portion of the state's allocation is allocated by statute among seven cities and counties that are designated suballocating agencies. Some suballocators have entered into a HTC Joint Powers Agreement with Minnesota Housing under which Minnesota Housing will perform certain functions related to the credit allocation and compliance monitoring. As a condition of the Joint Powers Agreement, the participating suballocator will apportion its entire annual tax credit distribution to Minnesota Housing to administer.
Strategic Priorities Supported	Finance New Affordable Housing Opportunities End Long-Term Homelessness Preserve Existing Affordable Housing

Program Performance and Trends	Between October 1, 2005 and September 30, 2006, Minnesota Housing and the state's suballocators reserved $9,750,989 in tax credits for 1,509 low income housing tax credit units. In 2006, the Minnesota Housing reported a total of 815 HTC units in 23 developments for which owners claimed credits for the first time in the previous year, i.e., housing complete and occupied or available for occupancy. Of these units, 84.0 percent were in developments for which owners received Minnesota Housing assistance in the form of a first mortgage or deferred loan. The average annual HTC amount claimed per unit was $7,204. Occupants of Minnesota Housing-assisted HTC units reported a median income of $13,358. Among households in HTC units, 43.1 percent were households of color.
Proposal for 2008-2009	There is an estimated $15 million available for new activities based on the federal per capita formula. At this level of funding, based on previous levels of activity, this program is expected to provide assistance to 1,570 households.
Sources and Uses	

	06-07 Plan	08-09 Plan
Sources		
New Federal Resources: Housing Tax Credit Allocations	$ 15,000,000	$ 15,000,000
Total Sources	$ 15,000,000	$ 15,000,000
Uses		
New Program Activity for Current Plan	$ 15,000,000	$ 15,000,000
Total Uses	$ 15,000,000	$ 15,000,000

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

Housing Trust Fund Program (HTF)	
Program Description	The Housing Trust Fund (HTF) can be used for three general types of activities: capital financing, operating subsidies and rental assistance. Capital financing is provided for acquisition, construction, and rehabilitation of affordable and/or permanent supportive housing. Operating subsidies are provided for unique costs associated with operating a low-income or supportive housing development or for revenue shortfall to help reduce the difference between the costs of operating a low-income housing development and the rents that the tenants can afford to pay. Rental assistance is provided in the form of a tenant-based, sponsor-based, or project-based rental contract with an administrator. HTF rental assistance is intended to be temporary in nature and provide assistance to individual households. At least 75 percent of funds in HTF must be used for the benefit of persons and families whose income, at the time of initial occupancy, does not exceed 30 percent of the median family income for the Minneapolis/Saint Paul metropolitan area. Current tenant income limit: 60 percent of Minneapolis/Saint Paul area median with priority for proposals affordable at 30 percent Maximum loan amount: none beyond funding availability
Strategic Priorities Supported	End Long-Term Homelessness Preserve Existing Affordable Housing Finance New Affordable Housing Opportunities
Program Performance and Trends	For the Program Assessment period of October 1, 2005 - September 30, 2006, the agency initially closed on HTF loans for 18 developments in an amount of $5,893,779 (708 units, unduplicated count). The average per development loan was $327,432 or a per unit average of $5,184 in HTF funds. Median tenant income of tenant households for properties reporting in 2006 was $9,159, or 13.4 percent of statewide median income at that time. Among households occupying properties with HTF assistance, 61.2 percent were households of color. Of these loans, the agency provided operating subsidy grants for eight developments in the amount of $849,956 in 2006. The average grant was $106,245 with the average operating subsidy grant term being between three and four years. Operating subsidy grants under the most recent commitment round averaged $130,231 for a three-year term. Finally, the HTF funded more than $3 million in monthly rental assistance to 534 households in 2006 as well as $45,116 in security deposits. The average annual rental assistance per household was $5,652 based on an average monthly voucher amount of $471. The median income of households served was approximately $8,100 or 11.9 percent of statewide median at that time. Among households receiving HTF monthly rental assistance, 57.0 percent were households of color.

Proposal for 2008-2009	The HTF appropriation for 2008 – 2009 increased $9.5 million (from 2006 – 2007) to a total of $22,110,000 ($4.5 million of the increase is to the base). It is expected that approximately 48 percent of the funds will be used for capital costs, 42 percent for rental assistance, and the remainder for operating subsidies. Approximately 70 percent of the funds are expected to be used to serve households experiencing or at a risk of long-term homelessness. At this level of funding, based on previous levels of activity, this program is expected to provide assistance to 2,715 households.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of State Appropriations	$ 9,959,356	$ 12,447,181
New State Appropriations	12,610,000	22,110,000
Real Estate Brokerage Account Earnings	665,000	950,000
Total Sources	$ 23,234,356	$ 35,507,181
Uses		
Program Disbursements for Prior Plan Commitments	$ 10,753,000	$ 11,452,981
New Program Activity for Current Plan	12,481,356	24,054,200
Total Uses	$ 23,234,356	$ 35,507,181

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

Low and Moderate Income Rental Program (LMIR)

Program Description	The Low and Moderate Income Rental Program (LMIR) makes interest-bearing, amortizing, first mortgages available for the refinance, acquisition, rehabilitation or new construction/conversion of rental apartment buildings which house low-and-moderate-income Minnesotans. This program includes bridge loans and equity take-out loans. Funds are available both through the RFP and on an open pipeline basis. Deferred loans under Flexible Financing for Capital Costs (FFCC) are currently only available in conjunction with LMIR loans. Current tenant income limit: 40 percent of units must be at 60 percent area median; or 20 percent of units must be at 50 percent area median; and 25 percent of units may be unrestricted; balance may be up to 100 percent area median income Maximum loan amount: no set limit
Strategic Priorities Supported	Finance New Affordable Housing Opportunities Preserve Existing Affordable Housing

Program Performance and Trends	For the Program Assessment period of October 1, 2005 – September 30, 2006, Minnesota Housing provided 14 LMIR first mortgage loans for developments with 1,046 units (unduplicated count) in the amount of $33,668,578. The average LMIR loan provided during this period was $2,404,898 or $32,188 per unit. The amount of financing and number of units assisted in 2006 increased from levels occurring in the last biennium. The median income of the assisted households reporting in 2006 was $19,360 which is 28.4 percent of statewide median income. Among LMIR households reporting in 2006, 20.1 percent were households of color. The LMIR program is a critical tool for developers providing workforce housing, with or without tax credits.
Proposal for 2008-2009	There is $95 million available for new activities. At this level of funding, based on previous levels of activity, this program is expected to provide assistance to 2,330 households. Agency staff will review this program for the purpose of developing and implementing a strategy for the first mortgage product. It should be noted that bond sale contributions are no longer budgeted in the Plan but are considered an investment from the Housing Investment Fund (Pool 2).

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of Undisbursed Bond Proceeds	$ 10,131,884	$ 1,600,000
Carry Forward of Housing Investment Fund	38,755,965	49,155,000
New Bond Issues	40,000,000	40,000,000
New Housing Investment Fund Allocation	19,900,000	55,000,000
New Housing Affordability Fund Allocation	15,100,000	-0-
Total Sources	$123,887,849	$145,755,000
Uses		
Program Disbursements for Prior Plan Commitments	$ 48,887,849	$ 50,755,000
New Program Activity for Current Plan	73,000,000	95,000,000
Bond Sale Contributions for New Program Activity	2,000,000	-0-
Total Uses	$123,887,849	$145,755,000

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

Nonprofit Capacity Building Revolving Loan Program	
Program Description	The Nonprofit Capacity Building Revolving Loan Program assists nonprofit organizations and local units of government in the development of housing projects for low-and moderate-income persons. The 0 to 3 percent interest deferred loan funds are to be used for predevelopment costs such as architect fees, attorney fees, options on land and buildings, and other costs associated with the processing or preparations of a housing project proposal. This program is delivered through administrators: Greater Metropolitan Housing Corporation and the Local Initiative Support Corporation (Minneapolis/Saint Paul metropolitan) serve the seven-county Minneapolis/Saint Paul metropolitan area while the Minnesota Housing Partnership and the Local Initiative Support Corporation (Duluth) serve the balance of the state. Current tenant income limit: 80 percent of statewide median income Maximum loan amount: varies by administrator
Strategic Priorities Supported	Finance New Affordable Housing Opportunities
Program Performance and Trends	Minnesota Housing typically provides financing for approximately 20 capacity building loans annually, currently averaging approximately $125,000 per loan. The funds expended from this program have been used to facilitate new construction or acquisition and rehabilitation of existing housing. This program gets nearly a 1:1 match from our administrators. The program was established as a revolving loan program with repayments supporting new loan production. Individual loans are selected and underwritten by the administrators with results reported to Minnesota Housing on a quarterly basis. These short-term loans are often used in conjunction with Minnesota Housing deferred assistance or permanent mortgage financing; detailed data on developments, units financed, and occupants are not readily accessible at this time. The program supports the agency's interest in the development or expansion of the capacity of non-profit housing providers. Per the Memorandum of Understanding (MOUs) in place, all interest earnings from the funds that have been allocated to the administrators are used for new loan production.
Proposal for 2008-2009	Of the $4.3 million budgeted for new activity during this Plan period, $3.5 million will accrue interest at the simple rate of 3 percent but will be deferred for up to five years. Assuming average assistance of $175,000 per unit per development, this program is expected to provide assistance to approximately 550 housing units, which is projected to be twenty-four loans.

		06-07 Plan	08-09 Plan
Sources and Uses	**Sources**		
	Revolving Housing Affordability Fund Allocation	$ 4,320,000	$ 4,320,000
	Total Sources	$ 4,320,000	$ 4,320,000
	Uses		
	New Program Activity for Current Plan	$ 4,320,000	$ 4,320,000
	Total Uses	$ 4,320,000	$ 4,320,000
Legal Authority	Minn. Stat. §462A.21, Subd. 3a; Minn. Rules, Parts 4900.1925-1930		

Publicly Owned Housing Program (POHP)	
Program Description	The Publicly Owned Housing Program (POHP) provides zero percent, interest-deferred loans to eligible public entities to acquire, construct, or rehabilitate permanent supportive rental or transitional housing (including land and buildings). Funds are from proceeds of state general obligation bonds, and may be used only for eligible capital costs, such as land, buildings, and related soft costs. Operational expenses are not eligible uses. Public ownership is required. A public entity may own and operate the rental housing, or may contract with a nonprofit organization or another city to manage the development. Loans are forgiven after 20 years. Current tenant income limit: 50 percent of the greater of area or statewide median income Maximum loan amount: none beyond funding availability
Strategic Priorities Supported	End Long-Term Homelessness
Program Performance and Trends	$19.5 million was appropriated for the program in 2006; $17.5 million was specifically to provide permanent supportive for households experiencing long term homelessness and $2 million for transitional housing. In 2006, the program financed 138 units of housing in the amount of $12,069,657 (an average of $87,461 per unit); of these, 120 units were new construction.

Proposal for 2008-2009	There is $15,736,294 available and uncommitted at this time. These funds are expected to produce approximately 200 units of supportive or transitional housing. Total requests expected by the end of the calendar year for general obligation bond proceeds for supportive housing will equal or exceed the amount uncommitted at this time. Minnesota Housing is requesting an additional $30 million through the capital bonding process for consideration by the 2008 Minnesota Legislature. Depending on the outcome of the legislative session, funds will be allocated to this program or another program funding capital costs.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of State Appropriations	$ 26,852,164	$ 22,316,038
New State Appropriations	-0-	-0-
Total Sources	$ 26,852,164	$ 22,316,038
Uses		
Program Disbursements for Prior Plan Commitments	$ 14,502,164	$ 6,579,744
New Program Activity for Current Plan	12,350,000	15,736,294
Total Uses	$ 26,852,164	$ 22,316,038

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

Rental Rehabilitation Loan Program

Program Description	The Rental Rehabilitation Loan Program provides property improvement loans at 6 percent interest fully amortizing up to 15 years to residential rental property owners. Financing is available statewide. Current tenant income limit: 80 percent statewide median income Maximum loan amount: $100,000
Strategic Priorities Supported	Preserve Existing Affordable Housing
Program Performance and Trends	In 2006, Minnesota Housing financed 32 loans in the amount of $925,753 for the rehabilitation of 204 units of rental housing. Average loan size was $28,930 and average rehab financing per unit was $4,538. Median income of households reporting during the period October 1, 2005 – September 30, 2006 was $20,000 or 29.3 percent of statewide median income at that time. Among households occupying units reported, 29.6 percent were households of color.
Proposal for 2008-2009	There is $3 million available for new activities. At this level of funding, based on previous levels of activity, this program is expected to provide assistance to 630 households. This program is under consideration for a more coordinated and targeted use of resources.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of Housing Investment Fund	$ 163,481	$ 50,000
New Housing Investment Fund Allocation	2,977,000	3,000,000
Total Sources	$ 3,140,481	$ 3,050,000
Uses		
Program Disbursements for Prior Plan Commitments	$ 163,481	$ 50,000
New Program Activity for Current Plan	2,977,000	3,000,000
Total Uses	$ 3,140,481	$ 3,050,000

Legal Authority	Minn. Rules, Parts 4900.0530-0548

MULTIFAMILY DIVISION – PROGRAMS IN RUN-OFF

Affordable Rental Investment Fund - Regular

Program Description	The Affordable Rental Investment Fund was a statewide program that provided 0 to 1 percent interest non-amortizing deferred first or second mortgage loans to help cover the costs of the acquisition and rehabilitation or new construction of permanent low-income rental housing. Eligible tenant households could have incomes up to 80 percent of statewide median. The thrust of the program was to provide rental housing that would be affordable at the 50 percent income level.
Program Performance and Trends	The program was merged into the Economic Development and Housing Challenge Program in 2001. Performance trends are reflected under the Challenge Program.
Proposal for 2008-2009	No new activity is planned. All available funds are committed.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of State Appropriations	$ 692,336	$ 192,336
Total Sources	$ 692,336	$ 192,336
Uses		
Program Disbursements for Prior Plan Commitments	$ 692,336	$ 192,336
New Program Activity for Current Plan	-0-	-0-
Total Uses	$ 692,336	$ 192,336

Legal Authority	Minn. Stat. §462A.201, Subd. 8b

Federal Special Projects

Program Description	Under the Federal Economic Development Initiative (EDI), Minnesota has received Special Project Grants to provide assistance for supportive housing developments and for homeless youth. The congressional appropriation requires that the funds be used for supportive housing for homeless youth.
Program Performance and Trends	Funds from two grants received in 2005 and 2006 have been awarded to the Booth Brown project but have not yet been disbursed in 2007. The agency also received a $198,000 Neighborhood Initiatives Grant for Homeless Youth in FFY 2006 that has not yet been disbursed.
Proposal for 2008-2009	The remaining $198,000 will be awarded to a project, yet to be identified, that is located in Saint Paul and serves homeless youth.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
EDI Grant to Minnesota Housing	$ 248,000	$ 545,000
Total Sources	$ 248,000	$ 545,000
Uses		
Program Disbursements for Prior Plan Commitments	-0-	$ 347,000
Capital	$ 245,000	$ 198,000
Minnesota Housing Overhead, up to	$ 3,000	3,000
Total Uses	$ 248,000	$ 545,000

Legal Authority	Minn. Stats. §462A.05, Subds. 6, 11, and 12; and 462A.07, Subd. 13

MULTIFAMILY DIVISION – PORTFOLIO MANAGEMENT

Asset Management	
Program Description	The Asset Management account is used to make interest and non-interest bearing amortizing and deferred loans as well as rent subsidy grants. In 1999, a property needs analysis tool was developed to aid multifamily program staff in conducting extensive analysis of agency financed developments. This tool is used annually to help project physical needs and operating deficiencies. Minnesota Housing-financed first mortgage developments may be eligible for funding from this account if reserves are inadequate to fund capital improvements. Loans from this source are typically low-or non-interest bearing, amortizing or deferred, and provide funding necessary for repairs and maintenance to protect the agency's assets and ensure the development is decent, safe and sanitary. Minnesota Housing can also use these funds to pay for costs incurred when a property goes into default and eventually becomes Real Estate Owned (REO) by the agency. It provides for the costs of legal representation for the agency, taxes and insurance, other operating costs, capital improvements necessary to market the development for sale, and also funds the loan loss, or the difference, between the existing mortgage and the eventual selling price. The funds are also used to stabilize troubled developments that, had they become REO, would have cost the agency more in losses than the total cost of stabilizing them.
Strategic Priorities Supported	Preserve Existing Affordable Housing
Program Performance and Trends	For the period of October 1, 2005 – September 30, 2006, the agency provided seven loans to developments in an amount of nearly $2.0 million. Loans averaged $285,282 or $7,209 per unit. All of the loans were low interest, ranging between 1 percent and 6 percent, and were used to provide capital improvements to rehabilitate the developments. Asset Management is an important resource for preserving the stock of affordable housing. For developments receiving asset management funds in 2006, Multifamily staff calculated the present value of extending the Section 8 contracts for 10 years to be $14.5 million. Demographics of the tenants in these developments are not currently available; however, at least three of the seven were Section 8-assisted developments, a good indication that tenants were extremely low-income households.

Proposal for 2008-2009	Through the use of the property needs analysis tool, Multifamily program staff has identified approximately 14 properties that will need asset management loans in the next 2 years. $15 million is budgeted for this activity. The disproportionate dollar increase is due to one property budgeted in this Plan that will be particularly costly to address.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of Housing Affordability Fund	$ 3,727,356	500,000
Rental Housing 2004C Bond Proceeds	$ -0-	$ 10,000,000
New Housing Affordability Fund Allocation	6,000,000	5,000,000
Total Sources	$ 9,727,356	$ 15,500,000
Uses		
Program Disbursements for Prior Plan Commitments	$ 3,727,356	$ 500,000
New Program Activity for Current Plan	6,000,000	15,000,000
Total Uses	$ 9,727,356	$ 15,500,000

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

Asset Management Fund FAF/FA

Program Description	Financing Adjustment Factor (FAF) and Financing Adjustment (FA) savings come to the agency as a result of an agreement between the U.S. Department of Housing and Urban Development (HUD) and Minnesota Housing to share in the savings resulting from refunding high interest rate bonds originally issued in 1980 and 1982 to finance Section 8 developments. These funds are used to pay for deferred maintenance and operating subsidies of previously funded Minnesota Housing multifamily projects to enable the projects to continue to serve low-and extremely low-income families. This account is used to make interest-and non-interest-bearing, amortizing and deferred loans or grants as well as rent subsidy grants.
Strategic Priorities Supported	Preserve Existing Affordable Housing
Program Performance and Trends	The FAF/FA Asset Management Fund is another important resource for preserving the stock of affordable housing. From October 1, 2005 – September 30, 2006, Minnesota Housing closed one FA loan for which Multifamily staff calculated the present value of extending the Section 8 contract for 10 years to be $1.6 million.

Proposal for 2008-2009	$9 million is available to address preservation and operating subsidy needs.		
Sources and Uses		**06-07 Plan**	**08-09 Plan**
	Sources		
	Carry Forward of Federal FAF/FA Account	$ 3,029,547	$ 4,565,625
	New FAF/FA Account Allocation	9,218,389	$ 9,089,618
	Total Sources	$ 12,247,936	$ 13,655,243
	Uses		
	Program Disbursements for Prior Plan Commitments	$ 3,029,547	$ 4,565,625
	New Program Activity for Current Plan	9,218,389	9,089,618
	Total Uses	$ 12,247,936	$ 13,655,243
Legal Authority	Minn. Stat. §462A.05, Subd. 11		

Contract Administration	
Program Description	Effective August 1, 2000 the agency entered into an agreement with the U.S. Department of Housing and Urban Development (HUD) to administer HUD-mortgaged Section 8 developments. This agreement provides for an efficient, statewide administration of federal project-based rental assistance. The agency's primary responsibilities are performing management and occupancy reviews, processing contract renewals, processing monthly payment vouchers, and following up on Real Estate Assessment Center (REAC) physical inspections. These activities assist the agency in identifying and planning for the preservation needs of these Section 8 developments. The agency's current contract with HUD extends until June 30, 2009.
Strategic Priorities Supported	Preserve Existing Affordable Housing
Program Performance and Trends	Geographic distribution of developments is important in understanding differences in assistance (and tenants assisted) between Minnesota Housing-financed and Contract Administration (CA) Section 8. An estimated 33 percent of CA units are located in the cities of Minneapolis and Saint Paul; an estimated 16 percent of Minnesota Housing-financed units are located in the center cities. During the period October 1, 2005 – September 30, 2006, the median income of the nearly 18,000 households served under CA was $9,840 (14.4 percent of statewide median at that time). Among assisted households reporting, 32.7 percent were households of color.

Proposal for 2008-2009	It is anticipated that $170 million in Housing Assistance payments will be made to 349 Section 8 Contract Administration properties covering 17,520 units.		
Sources and Uses		**06-07 Plan**	**08-09 Plan**
	Sources		
	New Federal Contract Administration Allocation	$150,000,000	$ 170,000,000
	Total Sources	$150,000,000	$ 170,000,000
	Uses		
	New Program Activity for Current Plan	$150,000,000	$ 170,000,000
	Total Uses	$150,000,000	$ 170,000,000
Legal Authority	Minn. Stat. §462A.05, Subd. 11; 42 U.S.C. §1437f (Section 8 of the Housing and Community Development Act of 1937, as amended)		

HUD Section 236 Program	
Program Description	The Section 236 Program, which was used to fund low-income housing in the late 1960s and early 1970s, was predominately a program between the federal government, private lenders, and private for profit and non-profit developers. Under the Section 236 Program the federal government subsidized the interest rate on the mortgage from the then current market rate to a rate of 1 percent in order to reduce rents and make housing more affordable. The Section 236 Program was the predecessor to the Section 8 program.
Strategic Priorities Supported	Preserve Existing Affordable Housing
Program Performance and Trends	This program provides 567 units of affordable housing (202 elderly and 365 family) in nine developments to residents with incomes at or below 80 percent of median income adjusted for family size. In 2006, the agency disbursed nearly $2 million in interest reduction payments for Section 236 housing. We do not report separately on the demographics of tenants of Section 236 housing.
Proposal for 2008-2009	The contractual subsidy amount for the Plan period is $3,000,000. At this level of funding, it is expected to provide assistance to 567 housing units.

		06-07 Plan	08-09 Plan
Sources and Uses	**Sources**		
	New Federal Section 236 Allocation	$ 3,192,000	$ 3,000,000
	Total Sources	$ 3,192,000	$ 3,000,000
	Uses		
	New Program Activity for Current Plan	$ 3,192,000	$ 3,000,000
	Total Uses	$ 3,192,000	$ 3,000,000
Legal Authority	Minn. Stat. §462A.05, Subd. 11; 12 U.S.C. §1715z-1 (Housing and Urban Development Act of 1968)		

HUD Section 8 Program	
Program Description	The Section 8 program was enacted in 1974 to provide decent, safe, and sanitary affordable housing for households with a range of incomes. For all developments, at least 40 percent of new households must have incomes at or below 30 percent of the area median income. In developments built pre-1981, all new households must have incomes at or below 80 percent of the median income. In developments built since 1981, all new households must have incomes at or below 50 percent of the area median income. The U.S. Department of Housing & Urban Development (HUD) allows exceptions for developments that are experiencing vacancy problems.
Strategic Priorities Supported	Preserve Existing Affordable Housing
Program Performance and Trends	In 2006 Section 8 units housed nearly 13,000 tenant households with incomes at or below 80 percent of median income adjusted for family size. Geographic distribution of developments is important in understanding differences in assistance (and tenants assisted) between Minnesota Housing-financed and Contract Administration (CA) Section 8. An estimated 33 percent of CA units are located in the cities of Minneapolis and Saint Paul; an estimated 16 percent of Minnesota Housing-financed units are located in the center cities. Median income of households in Minnesota Housing-financed Section 8 developments was $11,086 (16.3 percent of statewide median) for the period October 1, 2005 – September 30, 2006. Among these Section 8 tenants, 17.5 percent were households of color.
Proposal for 2008-2009	It is anticipated that approximately $160 million in Housing Assistance payments will be made to 214 Section 8 buildings originally financed by Minnesota Housing.

		06-07 Plan	08-09 Plan
Sources and Uses	**Sources**		
	New Federal Section 8 Allocation	$150,000,000	$ 160,000,000
	Total Sources	$150,000,000	$ 160,000,000
	Uses		
	New Program Activity for Current Plan	$150,000,000	$ 160,000,000
	Total Uses	$150,000,000	$ 160,000,000
Legal Authority	Minn. Stat. §462A.05, Subd. 11; 42 U.S.C. §1437f (Section 8 of the Housing and Community Development Act of 1937, as amended)		

CROSS-DIVISIONAL BUDGET ITEMS

Agency Administrative Expenses (HOME)

Program Description	The HOME program regulations allow Minnesota Housing to recover the costs incurred in administering the program, subject to certain federal restrictions regarding what constitutes allowable costs and subject to the restriction that all administrative costs cannot exceed 10 percent of the federal appropriation. Agency Administrative Expenses are limited to agency overhead; administrative fees paid to local administrators count against the 10 percent administrative cost cap, but are paid from the program allocations.
Program Performance and Trends	The agency allocated 7.6 percent of its HOME allocation in federal fiscal year 2006 ($776,548) to overhead. With more precise cost coding over the past several years and the successful negotiation and implementation of an indirect cost rate in fiscal year 2002, Minnesota Housing has increased the amount of expenses that are recovered under the HOME program from less than $300,000 in 1996 to $814,788 in 2006. The agency's allocation of HOME funds to additional activities (e.g., downpayment assistance and ending long-term homelessness) have contributed to increased administrative costs, which nevertheless remain at 7 to 9 percent of annual HOME funds.
Proposal for 2008-2009	New allocations of HOME funds will not occur until the annual appropriations are decided, which will most likely be in the springs of 2008 and 2009. This Affordable Housing Plan assumes that the new appropriations are the same as the total 2006 appropriation of $10.3 million. This is subject to change pending receipt of the actual appropriations and completion of the citizen participation and the consolidated planning processes.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of Federal HOME Appropriations	$ 932,512	$ 781,507
New Federal HOME Appropriations	1,552,916	1,962,862
Total Sources	$ 2,485,428	$ 2,744,369
Uses		
Program Disbursements for Prior Plan Commitments	$ 103,535	$ 150,000
New Program Activity for Current Plan	2,381,893	2,594,369
Total Uses	$ 2,485,428	$ 2,744,369

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

Agency Technical Assistance Fund

Program Description	The Agency Technical Assistance Fund provides grants for projects or conferences that have an important state or regional impact and are consistent with the Minnesota Housing's mission. Grants may be used for projects that are research-oriented, that require external expertise to supplement existing staff, or that develop or support infrastructure related to the agency's strategic priorities. The Commissioner must approve all requests for funds.
Program Performance and Trends	Examples of expenditures include contributions to the Emerging Markets Homeownership Initiative, Organizational Support, the Wilder Statewide Survey of Homelessness, the maintenance of and expansion of the database and processing system by HousingLink to provide affordable rental housing vacancy information statewide, the state's Homeless Management Information System (HMIS), regional Continuum of Care planning, and assistance with the refinement and implementation of new initiatives.
Proposal for 2008-2009	Under the 2008 – 2009 Plan, funds will be made available for a variety of technical assistance needs including support for the Emerging Markets Housing Initiative, the Minnesota Home Ownership Center, HMIS, and HousingLink. Funding for Continuum of Care planning is likely to be increased to more adequately cover costs. Funds may be made available to increase capacity with respect to energy efficient and environmentally efficient housing as well as other technical assistance needs identified by delivery partners.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of Housing Affordability Fund	$ 24,000	$ -0-
New Housing Affordability Fund Allocation	584,600	2,000,000
Total Sources	$ 608,600	$ 2,000,000
Uses		
Carry Forward of Housing Affordability Fund	$ 24,000	$ -0-
New Program Activity for Current Plan	584,600	2,000,000
Total Uses	$ 608,600	$ 2,000,000

Legal Authority	Minn. Stat. §462A.07, Subd. 6

Capacity Building Grant Program

Program Description	The Capacity Building Grant Program provides organizational support funding to entities providing affordable housing and housing-related services. The agency contracts with intermediary organizations to deliver a large portion of the program funds to eligible organizational recipients.
Program Performance and Trends	In 2006, approximately 80 percent of the state-appropriated Capacity Building Grant funds were allocated to support development through local administrators, and 20 percent of the funds were allocated to Regional Housing Advisory Groups. A total of $183,600 was awarded and $165,600 disbursed during the year.
Proposal for 2008-2009	The 2008 – 2009 appropriation of $680,000 for Capacity Building Grants is a $180,000 (non-base) increase from 2006 – 2007.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of State Appropriations	$ 324,941	$ 392,071
Carry Forward of Federal HOME Appropriations	1,512,797	192,522
New State Appropriations	500,000	680,000
New Federal HOME Appropriations	1,026,000	-0-
Total Sources	$ 3,363,738	$ 1,264,593
Uses		
Program Disbursements for Prior Plan Commitments	$ 384,803	$ 225,522
New Program Activity for Current Plan	2,978,935	1,039,071
Total Uses	$ 3,363,738	$ 1,264,593

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

Disaster Relief Contingency Fund

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

Program Performance and Trends	The 2003 Minnesota Legislature appropriated $500,000 to this account to be used for the buy-out of owner-occupied housing in the city of Roseau. The 2007 Minnesota Legislature authorized the agency to use these funds to help with damage due to the Browns Valley flood notwithstanding the fact that the flood arc is not a presidentially-declared disaster area.
Proposal for 2008-2009	Approximately $725,000 is available to respond to natural disasters. At this level of funding, based on previous levels of activity, this program is expected to provide assistance to 50 households.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of State Appropriations	$ 623,816	$ 724,741
New State Appropriations	-0-	-0-
Repayments	-	-0-
Total Sources	$ 623,816	$ 724,741
Uses		
Program Disbursements for Prior Plan Commitments	$ 427,871	$ 75,000
New Program Activity for Current Plan	195,945	649,741
Total Uses	$ 623,816	$ 724,741

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

Economic Development & Housing Challenge Program	
Program Description	The Economic Development and Housing Challenge Program (Challenge Fund) provides grants or loans for the purpose of construction, acquisition, rehabilitation, construction or permanent financing, interest rate reduction, refinancing and gap financing of housing to support economic development or job creation activities within a community or region by meeting locally identified housing needs. Funds are used for both rental and owner-occupied housing. The thrust of the program is to provide housing that is affordable to the local workforce based upon the wages of the jobs being created or retained in the area, fastest growing jobs in the local area, and jobs with the most openings in the local area, or wages of the workforce employed by organizations making contributions under the program. Loans are typically provided without interest and are typically deferred or revolving. Minnesota Housing requires that most affordability gap financing awards be provided in the form of loans repayable to the agency. Challenge Fund grants or loans may be made to cities, private developers, nonprofit organizations or owners of housing, including individuals, for both multifamily and single family projects. The Challenge Fund requires that 50 percent of the funds be used for projects that have leveraged funds from non-state resources. Preference is given to proposals with the greatest portion of costs covered by non-state resources. Preference is also given to proposals with contributions from local units of government or private philanthropic organizations. Current income limit: 115 percent of the greater of area or state median income ($68,200 in 2006) for owner-occupied housing and 80 percent of the greater of statewide or area median income for rental housing. Maximum loan amount: None beyond funding availability
Strategic Priorities Supported	Finance New Affordable Housing Opportunities Preserve Existing Affordable Housing

Program Performance and Trends	Program Assessment data for the owner-occupied housing funds under Economic Development and Housing Challenge Program is included in data provided for the Community Revitalization Fund (CRV), which is the umbrella program under which Minnesota Housing currently delivers the Challenge Fund, and two interim construction financing programs for homeownership activities. Information on the Challenge Fund is not available separately given current database constraints; however, the Community Revitalization Fund as a whole has proven to be a valuable resource for increasing the housing supply for low and moderate-income households. Of 285 CRV-financed loans reported in 2006 ($10.8 million), 53.3 percent were for new construction. Current data show an average loan amount of $21,212 for Community Revitalization, e.g., gap financing. For CRV loans reported in 2006, 29.5 percent of borrowers were households of color (including nearly 50 loans funded for Indian housing). The median income of CRV borrowers in 2006 was $34,000 or 49.9 percent of statewide median at that time. For the program assessment period October 1, 2005 – September 30, 2006, the agency provided funding in the amount of $3,899,000 to six rental housing developments. The average loan amount was $649,833 per development or $10,023 per unit. The median tenant household income reported during 2006 was $17,450, which was 25.6 percent of statewide median income at that time. Among households reporting in 2006 52.4 percent were households of color. While the 2005 Minnesota Legislature adopted the agency's proposal to merge the Tribal Indian Housing Program and Urban Indian Housing Program with the Economic Development and Housing Challenge Fund for 2006 – 2007, the 2007 Minnesota Legislature made separate appropriations for these programs. Until July 1, 2007, the Challenge program had a statutory requirement that 50 percent of the program funds be used in projects with a contribution from an employer. The 2007 Minnesota Legislature modified this leverage requirement to focus more on the amount of money leveraged and to recognize the importance of contributions from local units of government.
Proposal for 2008-2009	The appropriation to the Challenge Fund for 2008 – 2009 increased by $15 million to a total of $34,244,000 (a one-time increase). Efforts will focus on linking new housing investments to other quality of life outcomes related to the environment, energy, transportation, and education. At this level of funding, based on previous levels of activity, this program is expected to provide assistance to 1,480 households.

		06-07 Plan	08-09 Plan
Sources and Uses	**Sources**		
	Housing Investment Fund	-0-	$ 5,000,000
	Carry Forward of State Appropriations	$ 19,379,891	$ 24,351,714
	New State Appropriations	21,814,000	$ 34,244,000
	Total Sources	$ 44,193,891	$ 63,595,714
	Uses		
	Program Disbursements for Prior Plan Commitments	$ 15,773,445	$ 28,718,764
	New Program Activity for Current Plan	25,420,446	$ 34,876,950
	Total Uses	$ 41,193,891	$ 63,595,714
Legal Authority	Minn. Stat. §462A.33; Minn. Rules, Parts 4900.3600-3652		

Tribal Indian Housing Program	
Program Description	The Tribal Indian Housing Program provides funds to support homeownership and rental opportunities to American Indian families throughout the state. Funds are provided pursuant to housing plans to address the unique housing needs. Program terms and conditions are proposed by each tribe subject to review and approval by the agency.
Strategic Priorities Supported	Increase Emerging Market Homeownership Preserve Existing Affordable Housing
Program Performance and Trends	For the Program Assessment period of October 1, 2005 – September 30, 2006, the Tribal Indian Housing Program provided a total of 49 loans in an amount of $5,110,274 (including Minnesota Housing disbursements and revolving funds). The average assistance per household was $104,291. The median income of households served was $33,628 or 49.3 percent of statewide median income at that time. Among borrower households, 83.7 percent were headed by a person of color (either the borrower **or** the co-borrower must be Indian in order to qualify for this assistance). To facilitate the most effective use of resources the 2005 Minnesota Legislature redirected Tribal and Urban Indian Housing funds to the Economic Development and Housing Challenge Fund. Tribal and urban Indian organizations began applying for funds on a competitive basis in 2006 under the Economic Development and Challenge Fund.

Proposal for 2008-2009	The 2007 Minnesota Legislature reinstated appropriations for the Indian Housing Programs. The Tribal program will again be administered as a separate program outside the Economic Development and Housing Challenge Fund. The legislature appropriated $3,077,000 for Tribal Indian Housing in 2008 – 2009.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of State Appropriations	$ 220,434	$ -0-
New State Appropriations	-0-	3,077,000
Total Sources	$ 220,434	$ 3,077,000
Uses		
Program Disbursements for Prior Plan Commitments	$ 220,434	$ -0-
New Program Activity for Current Plan	-0-	3,077,000
Total Uses	$ 220,434	$ 3,077,000

Legal Authority	Minn. Stat. §462A.07, Subd. 14; Minn. Rules, Parts 4900.0900-1080

Urban Indian Housing Program (UIHP)

Program Description	The Urban Indian Housing Program provides homeownership and rental housing opportunities for low and moderate-income American Indian households residing in designated urban areas of the state. Rental and other special assistance programs are typically provided in the form of a grant or interest-free, deferred loan.
Strategic Priorities Supported	Increase Emerging Market Homeownership Preserve Existing Affordable Housing Finance New Affordable Housing Opportunities
Program Performance and Trends	Urban Indian Housing Program loans in the amount of $241,000 closed during the Program Assessment period between October 1, 2005 – September 30, 2006. The loans assisted 16 affordable units in two rental developments. To facilitate the most effective use of resources, the 2005 Minnesota Legislature redirected Tribal and Urban Indian Housing funds to the Economic Development and Housing Challenge Fund. Tribal and urban Indian organizations began applying for funds on a competitive basis in 2006 under the Economic Development and Challenge Fund.

Proposal for 2008-2009	The 2007 Minnesota Legislature reinstated appropriations for the Indian Housing Programs. The program will again be administered as a separate program outside the Economic Development and Housing Challenge Fund. The legislature appropriated $374,000 for Urban Indian Housing in 2008 – 2009. At this level of funding, based on previous levels of activity, this program is expected to provide assistance to 40 households.

Sources and Uses

	06-07 Plan	08-09 Plan
Sources		
Carry Forward of State Appropriations	$ 586,348	$ 140,394
New State Appropriations	-0-	374,000
Repayments	-0-	-0-
Total Sources	$ 586,348	$ 514,394
Uses		
Program Disbursements for Prior Plan Commitments	$ 586,348	$ 140,394
New Program Activity for Current Plan	-0-	374,000
Total Uses	$ 586,348	$ 514,394

Legal Authority	Minn. Stat. §462A.07, Subd. 15; Minn. Rules, Parts 4900.1500-1586

MINNESOTA HOUSING FINANCE AGENCY

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

RESOLUTION NO. MHFA 07 - 35

RESOLUTION ADOPTING AGENCY STRATEGIC PLAN, ESTABLISHING FINANCIAL AND POLICY PARAMETERS FOR THE DEVELOPMENT OF THE AFFORDABLE HOUSING PLAN FOR FEDERAL FISCAL YEARS 2008-2009, AND ESTABLISHING PROCESS FOR SUBSEQUENT AFFORDABLE HOUSING PLANS

WHEREAS, every two years after the adoption by the legislature of the state's biennial budget, the Minnesota Housing Finance Agency ("Agency") adopts an Affordable Housing Plan ("AHP") for two federal fiscal years for the purpose of allocating the resources anticipated to be available to the Agency for various housing purposes and programs which the Agency is legally authorized to finance. The next AHP will begin October 1, 2007 (the beginning of federal fiscal year 2008) and end September 30, 2009 (the end of federal fiscal year 2009). It is the practice of the Agency Board to review and discuss a draft AHP at its August meeting, adopt an AHP its September meeting, and consider amendments as necessary during the course of the AHP.

WHEREAS, the Agency has adopted the practice of updating its Strategic Plan in preparation for each AHP so that the Strategic Plan and AHP can be consistent and aligned with each other. Agency staff has prepared a draft Agency Strategic Plan dated June 22, 2007 which was presented to and discussed with the Agency Board at a meeting conducted on June 27, 2007 and which is on file and of record at the Agency.

WHEREAS, Agency staff also prepared for the June 27, 2007 Board meeting financial information related to the estimated resources to be available to the Agency for the 2008-2009 AHP which is on file and of record at the Agency.

WHEREAS, Resolution No. MHFA 07-16 (attached as Exhibit 1) adopted on April 26, 2007 established financial policies and investment guidelines related to the two primary sources of resources available to the Agency from its internal resources ("Agency Resources"). The first is Pool 2 (Housing Investment Fund); the second is Pool 3 (Housing Affordability Fund) or ("Pool 3/foundation"). For the June 27 meeting of the Board, Agency staff provided financial and related information for the purpose of estimating the amount of Pool 2 and Pool 3/foundation resources available for

allocation to the AHP. In addition, Agency staff recommended policy principles for the allocation of resources from Pool 2 and the Pool3/foundation to various housing programs to be used as guidelines in preparing the 2008-2009 AHP. All of the information referenced is on file and of record at the Agency.

NOW, THEREFORE, BE IT RESOLVED:

1. The draft Strategic Plan dated June 22, 2007 is adopted as a guide to the development of the 2008-2009 AHP and for other financial and housing program matters to be addressed by the Agency.

2. The resources available to the Agency for allocation to the 2008-2009 AHP are from four principal sources: revenue bond issuance, federal resources, Agency Resources (Pool 2 and Pool 3/foundation), and state appropriations. Estimated federal resources are based on anticipated appropriations and allocations to housing programs. Estimated state appropriations are primarily those set forth in the state biennial budget for 2008-2009. Estimated revenue bond issuance is based on anticipated capital needs for various single family and multifamily programs. Estimated amounts for Agency Resources are as follows:

    a. The estimated amount of Pool 2 resources available for allocation in the 2008-2009 AHP for investment quality housing loans consistent with Resolution No. MHFA 07-16 is $175 million.

    b. The initial amount of the Pool 3/foundation is established at approximately $100 million of which an estimated $80 million consists of liquid resources and another $20 million in deferred loan assets. This initial amount has been reviewed with rating agencies and it has been determined that the use of these resources for deferred loans and other housing purposes consistent with Resolution No. MHFA 07-16 will have no adverse impact on the Agency's bond ratings nor on the sustainable lending functions of the Agency. Allocations from the Pool 3/foundation to the 2008-2009 Affordable Housing Plan are based on two principles. First, that there be sufficient resources in the Pool 3/foundation to allow for increased deployment of these resources over time for financing future housing programs. Second, that there remain sufficient resources in the Pool 3/foundation to respond to unique housing opportunities or challenges such as a decrease of other resources available to invest in housing programs. Based on these principles, the estimated allocation from the Pool 3/foundation to the 2008-2009 AHP is $50 million.

3. Based on paragraph 2 above, the following are estimates of the resources and the sources of those resources which are available for allocation to housing programs and purposes in the 2008-2009 AHP:

Source	$ Millions
Revenue Bond Issuance	840
Federal Resources	343
Agency Resources (Pool 2)	175
Agency Resources (Pool 3/foundation)	50
State Appropriations	115
Total	**1,523**

The draft AHP for 2008-2009 will be prepared based on these estimates of the available resources. The $50 million allocated from the Pool 3/foundation represents the amount the Agency intends to disburse including carryover commitments from previous AHPs. Consequently, the amount proposed to be budgeted in the 2008-2009 AHP may be greater than $50 million. In addition, parameters for Agency staff to make adjustments to the AHP in recognition that resource availability and program demands change during the course of an AHP will be developed.

4. As it relates to the allocation of Agency Pool 2 resources and Pool 3/foundation resources, the policy principles discussed with the Agency Board at its June 27, 2007 meeting (attached as Exhibit 2) should serve as a guide for allocating these resources to housing programs and purposes in the 2008-2009 AHP, and the AHP should articulate how these principles have been applied.

5. It is the policy of the Agency that a process similar to the one described and set forth in this Resolution No. MHFA 07-35 be utilized in preparation for each subsequent AHP the Agency considers and adopts. Specifically, Agency Resources allocated to the Pool 3/foundation must be consistent with Resolution No. MHFA 07-16 as may be amended, be reviewed with rating agencies, and be determined to not have an adverse impact on the sustainable lending functions of the Agency.

Adopted this 28th day of June, 2007.

CHAIRMAN

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
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RESOLUTION NO. MHFA 07-16

RESOLUTION AMENDING RESOLUTION NO. MHFA 88-7 REGARDING NET ASSET REQUIREMENTS AND INVESTMENT GUIDELINES FOR GENERAL RESERVE ACCOUNT ASSETS

WHEREAS, the Agency must remain fiscally responsible and avoid unreasonable risks in order to continue to be self-sustaining, to honor debt obligations and to achieve its mission; and

WHEREAS, proceeds from the sale of housing revenue bonds are the Agency's principal resource for providing housing loans; and

WHEREAS, housing loans made from the proceeds of housing revenue bonds are the principal revenue-generating activity of the Agency; and

WHEREAS, the loss or impairment of the ability to issue housing revenue bonds or to do so cost effectively would undermine the Agency's ability to remain financially self-sustaining and to finance housing for low- and moderate-income households; and

WHEREAS, the Agency has accumulated and maintained a balance of assets that is available to pay its debt obligations, to provide adequate reserves against loan losses, and to provide for the administration of programs, a portion of which assets must be maintained within the Agency's Bond Resolutions and the remainder of which must be maintained within the General Reserve Account; and

WHEREAS, assets in the General Reserve Account can only be used for the administration and financing of housing programs in accordance with the policy and purposes of Minnesota Statutes Chapter 462A; and

WHEREAS, the Agency finds it desirable to restructure its funds to more clearly distinguish its sustainable lending investments from its mission-intensive investments.

NOW THEREFORE, be it resolved:

1. That in order to provide financial security for the Agency's bondholders and to provide additional resources for housing loans, Resolution No. MHFA 88-7 is amended to provide for the following net asset requirements and investment guidelines for assets available to the General Reserve Account

- Pool 1 (Housing Endowment Fund): An amount equal to 1% of loans outstanding (excluding loans in Pool 3) will be invested in short-term, investment grade securities at market interest rates. Assets of Pool 1 will be held in the General Reserve Account.

- Pool 2 (Housing Investment Fund): An amount that will cause the combined net assets in the General Reserve Account and bond funds (exclusive of Pool 3) to be the greater of $615 million or the combined net assets of the same funds for the immediately preceding audited fiscal year end. Assets will be invested in investment quality housing loans or investment grade securities. Assets of Pool 2 will be held in the bond funds.

- Pool 3 (Housing Affordability Fund): Net assets in excess of the required balances for Pools 1 and 2 may be invested in investment grade securities and used for programs not resulting in amortizing investment quality loans including, but not limited to:
    - Zero-percent loans;
    - Loans at interest rates substantially below market;
    - High risk loans;
    - Deferred loans;
    - Revolving funds; and
    - Grants and rental assistance.

  Assets of Pool 3 will be held in the bond funds.

2. That the Agency will continually evaluate the investment policy contained herein in consideration of changes in the economy, credit ratings standards and the Agency's risk profile.

Adopted this 26th day of April, 2007, for implementation July 1, 2007

CHAIRMAN

2008 – 2009 AFFORDABLE HOUSING PLAN DEVELOPMENT

PRINCPLES TO GUIDE BUDGETING DECISIONS FOR POOL 2 AND POOL 3/ FOUNDATION

Collectively, the portfolio of proposals must address the housing continuum.

Threshold Criteria

Each proposal for use of resources in Pools 2 and 3 must:

1. Align with our mission, strategy and priorities
2. Have a clear objective
3. Lead to measurable results
4. Be realistic about how much money can be disbursed within the timeline of the Affordable Housing Plan
   - *Proposals that quickly disburse money to an intermediary should not necessarily be preferred. This is intended to help us not over commit money on an activity for which there will be a considerable delay in achieving housing outcomes.*

Proposals for Pools 2 or 3 resources should meet one or more of the following principles[1]:

1. Leverage new or redirected financial resources to housing
2. Invest money where others won't; be willing to lead
   - *Is "out there"- meaning the activity involves taking on some risk in terms of something we don't have much experience with or there's uncertainty about whether the activity can or will achieve the goal*
   - *We need to be aware of the political capital and relationship capital the proposal might require the Agency to expend*
3. Invest resources to influence others to make targeted policy and/or program changes aligned with our mission
4. Cost-effective (including recapturable funds)
   - *Takes advantage of an existing infrastructure of talent and/or technology*
   - *Does the proposal cost less to accomplish the objective/mission to do it this way rather than some other way*
   - *[If requesting Pool 3 resources] Justify why using Pool 2 resources is not possible or uses Pool 2 resources to the maximum extent possible*
5. Be at sufficient scale to achieve meaningful impact
   - *Helps determine whether it's worth the staff time.*

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[1] Some of the principles are mutually exclusive; proposals that meet more of the principles should have a greater likelihood of having resources devoted to the proposal.

As we refine our list, we will:

1) conduct some sort of benefit-cost analysis on each proposal , including an assessment of possible risks relative to possible benefits:
   - For our mission
   - For our agency

2) consider favoring, holding all else constant, proposals that get people housed more quickly

3) identify stakeholders for the various proposals so that we can develop a plan for engaging stakeholders.