Minnesota Housing
Finance Agency

MEETINGS SCHEDULED FOR AUGUST

Location:

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

THURSDAY, AUGUST 28, 2014

Finance and Audit Committee Meeting
Jelatis Conference Room – Third Floor
11:30 a.m.
Note: *Committee materials will be available at the meeting.*

Regular Board Meeting
State Street Conference Room – First Floor
1:00 p.m.

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, August 28, 2014.

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

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 are met. In accordance with Minn. Stat. §462A.041, the Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.

Minnesota Housing Finance Agency

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

DATE: August 21, 2014

TO: Minnesota Housing Board Members

FROM: Mary Tingerthal
Commissioner

SUBJECT: **FINANCE AND AUDIT COMMITTEE MEETING**

A meeting of the **Finance and Audit Committee** has been scheduled for **11:30 a.m.,** on **Thursday, August 28** at the offices of Minnesota Housing, 400 Sibley Street, Suite 300, St. Paul, MN in the **Jelatis Conference Room on the third floor**.

The topic for discussion at this meeting is:

A. Discussion, Fiscal 2014 Financial Results, Financial Audit, and Federal Program Single Audit
B. Approval, Fiscal 2014 Interfund Transfers
C. Information, Fiscal 2014 Report of Transfers of Funds for Reimbursement of Administrative Expenses

All members are encouraged to attend.

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

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AGENDA
Minnesota Housing Finance Agency
Board Meeting
Thursday, August 28, 2014
1:00 p.m.

State Street Conference Room – First Floor
400 Sibley Street, St. Paul, Minnesota 55101

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
   A. Regular Meeting of July 24, 2014
5. **Reports**
   A. Chair
   B. Commissioner
   C. Finance and Audit Committee of August 28, 2014
6. **Consent Agenda**
   A. Selection/Commitment, Housing Opportunities for Persons with AIDS (HOPWA) Renewal
      - Minnesota AIDS Project (D3621)
7. **Action Items**
   A. Modification/Commitment, Preservation Affordable Rental Investment Fund (PARIF) and HOME Affordable Rental Preservation (HARP)
      - Minneapolis Portfolio Preservation Project (MP3), Minneapolis, D7586
   B. Selection/Commitment, Asset Management Loan
      - Crestview Community Apartments, St. Paul, D2538
   C. Selection/Commitment, Rental Rehabilitation Deferred Loan (RRDL) Pilot Program
   D. Amendments, Lower Sioux Indian Community Proposal, Community Homeownership Impact Fund
   E. Affordable Housing Plan Amendment, Home Mortgage Programs
   F. Selections, Homeownership Education, Counseling and Training Fund
   G. Program Concept and Procedural Manual Changes, Deferred Payment Loan Plus Program
8. **Discussion Items**
   A. 2014 Affordable Housing Plan and 2013-2015 Strategic Plan: Third Quarter Progress Report
   B. Draft 2015 Affordable Housing Plan
9. **Informational Items**
   None.
10. **Other Business**
11. **Adjournment**

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MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING
Thursday, July 24, 2014
1:00 p.m.
State Street Conference Room – 1st Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
   Chair Johnson called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:03 p.m.
2. **Roll Call.**
   Members present: Gloria Bostrom, John DeCramer, George Garnett, Joe Johnson, Ken Johnson, Stephanie Klinzing and Rebecca Otto.
   Minnesota Housing staff present: Gene Aho, Anne Heitlinger, Barb Sporlein, Cal Greening, Carrie Weisman, Christina Akinola, Chuck Commerford, Dan Boomhower, Devon Pohlman, Diana Lund, Doug Glaser, Emily Strong, Heidi Erickson, Joel Salzer, John Patterson, Karin Todd, Kasey Kier, Katie Topinka, Kay Finke, Kim Gelhar, Kim Stuart, Mary Tingerthal, Becky Schack, Krissi Hoffmann, Kurt Keena, Luis Pereira, Margaret Kaplan, Megan Ryan, Mike Haley, Paula Rindels, Rob Tietz, Ruth Hutchins, Susan Haugen, Tal Anderson, Tonja Orr, Bill Kapphahn, Xia Yang.
   Others present: James Smith, Dorsey & Whitney; Jean Lee, APAHC, CHI/RRFC; Chip Halbach, Minnesota Housing Partnership; Henriet Hendriks, Minnesota House of Representatives; Paul Rebholz, Wells Fargo; Tom O'Hern, Office of the State Attorney General.
3. **Agenda Review**
   Chair Johnson welcomed George Garnett to the board. Chair Johnson announced that a new item, 7.F., regarding the Quick Start disaster recovery program and the Fix Up loan program had been added to the agenda and that copies of the board memo were available at members' places.
4. **Approval of the Minutes.**
   A. Regular Meeting of June 19, 2014
   Mr. Joe Johnson moved approval of the minutes as written. Auditor Otto seconded the motion. Motion carries 7-0.
5. **Reports**
   A. Chair
   There was no chair's report.
   B. Commissioner
   Commissioner Tingerthal opened her report by acknowledging the floods that have been occurring across the state. She stated that it has been an unusual natural disaster presenting an unusual set of circumstances and that was why the additional agenda item was being brought for consideration. Commissioner Tingerthal requested a meeting of the Finance and Audit Committee immediately preceding the August 28 Board meeting and reported that she joined the Minnesota Housing Habitat 500 team for this year's bike ride. The effort was conducted outside of work hours and raised more than $5,000 for Minnesota Habitat for Humanity Minnesota.

   The following new employee introductions were made:

- Diana Lund introduced Karin Todd, who had joined the Agency as a mortgage loan processor. Ms. Todd has a degree in Urban Studies from the University of Minnesota and was previously employed as a housing program officer at Minnesota Housing Partnership
- Joel Salzer introduced Kristine Zimba, who joined the Agency as the Family Homeless Prevention and Assistance Program manager. Ms. Zimba was previously employed at the YWCA of Saint Paul, most recently as the director of housing and support services.
- Kurt Keena introduced Carrie Weisman, who joined the Agency as a member of the preservation and RFA processing team. Ms. Weisman has 18 years of commercial loan servicing experience and was most recently employed at NorthMarq.
- Tony Peleska introduced Kim Gelhar, who as joined the Agency as the administrative assistant to the BTS and PAE divisions. Ms. Gelhar has a degree from Dakota County Technical College, where she was previously employed.
- Kay Finke introduced Doug Glaser, who has joined the BTS division as a quality assurance analyst.

Commissioner Tingerthal also reported that the following personnel matters:
- The Agency has engaged a search firm to assist in recruiting the Assistant Commissioner for Multifamily.
- There had been small restructuring of clerical and paraprofessional staff in the Multifamily division which resulted in three people leaving the Agency and the addition of some positions in other areas.
- Tonja Orr would be leaving the Agency in September after 20 years.

C. Committee

None

6. Consent Agenda

A. Modification, Affordable Rental Investment Fund (ARIF) - Central Neighborhood Apartments, Minneapolis, D2799

B. Modification of Board Resolutions, Rental Rehabilitation Deferred Loan (RRDL) Pilot Program

C. Commitment Extensions, Publically Owned Housing Program (POHP)

MOTION: Ms. Stephanie Klinzing moved approval of the consent agenda and the adoption of Resolutions No. MHFA 14-031, MHFA 14-032, MHFA 14-033 and MHFA 14-034. Mr. John DeCramer seconded the motion. Motion carries 7-0.

7. Action Items

A. Amendments to the 2014 Affordable Housing Plan (AHP)

Mr. John Patterson presented this request to approve amendments to the affordable housing plan, stating that the need to amend is evidence that the Agency is actively managing its programs to get funds out the door and meet housing needs. Mr. Patterson stated that there have been strong applications for the homeownership capacity program and staff is requesting more resources to fully implement that program. Changes were also being sought for the following programs: Deferred Payment Loans, Monthly Payment Loans, Homeownership Capacity Initiative, Home Improvement Loans, Housing Trust Fund Rent Assistance, HOME HARP, HOME HELP, Rental Rehabilitation Loans, and Strategic Priority Contingency Fund

In response to a question from Joe Johnson, Mr. Patterson stated that the policy regarding Pool 3 funds has been to keep a reserve of unbudgeted funds, typically one year's worth, as a "rainy day fund." Mr. Patterson added that there were a few years in which the Agency was unable to transfer funding to Pool 3 and having that fund balance paid off.

Commissioner Tingerthal shared that the Board would see the Agency's financial results for year-end at the August meeting and added that it has been the Agency's policy to complete a review after the final financials are completed to determine what amount of earnings would be transferred to Pool 3. Commissioner Tingerthal added that there have been many changes over the last several years and that she has been discussing with the Agency CFO the preparation of an updated capital adequacy model and the policy for transferring funds to Pool 3 will be reviewed as part of that study. **MOTION:** Ms. Bostrom moved approval of the requested amendments to the affordable housing plan. Mr. Joe Johnson seconded the motion. Motion carries 7-0.

B. Selection/Commitment, Low and Moderate Income Rental (LMIR) and Flexible Financing for Capital Costs (FFCC) Programs - South Quarter, IV, Minneapolis (D7593)

Diana Lund presented this request to approve funding under the LMIR and FFCC programs for South Quarter IV, a redevelopment at Franklin and Portland Avenues that is part of a ten-year transformative neighborhood project. South Quarter IV is a fusion of an existing 30-unit building and the new construction of 90 units in two four story buildings. At the time the board approved the selection, project costs exceeded the predictive cost model by 34%. The project now exceeds the predictive cost model by 40%. The high costs of this development are the result of land acquisition that occurred over a ten year period, which resulted in significant holding costs. The development also has a high level of sustainability and energy efficiency that adds to the development cost. Aeon (the developer) has made a $4 million contribution from its capital campaign. Other funding for the building has been secured from Hennepin County, the City of Minneapolis, The Met Council, Family Housing Fund and US Bank (as equity partner). Ms. Bostrom stated that she was trying to get her arms around the development costs, describing them as unbelievable. Ms. Bostrom also inquired about the capital campaign, stating she was not aware of anything like that having been done in the past. Ms. Lund replied that Aeon is proactive and does a fair amount of fundraising for other developments as well. Agency staff has had conversation with Aeon over the past ten years regarding the development costs and part of Aeon's response was to have the capital campaign. Ms. Lund stated that Agency staff is not aware of those who contributed to the campaign, but that the City of Minneapolis monitored the campaign and made some awards in response to the campaign having reached benchmarks. **MOTION:** Auditor Otto moved approval and adoption of Resolution No. MHFA 14-035. Mr. Joe Johnson seconded the motion. Motion carries 7-0.

C. Housing Trust Fund (HTF) – Bridge to Stabilization Fund

Mr. Joel Salzer presented this request for approval of a pilot program, which is the third of three activities to make use of the base increase to the Housing Trust Fund that was approved by the legislature in 2013. Mr. Salzer stated that the Bridge to Stabilization Fund would be a resource available to projects receiving technical assistance from the Stewardship Council and that the funds would be used to address an immediate crisis that will help the project move to a long term stabilization plan. The other two uses are short term rental assistance to a variety of targeted populations and an emerging practice that is known as "step down services," which is the facilitated transition of households in supportive housing to the private market.

Mr. Salzer stated that many preservation projects have both a short term crisis that can be addressed with a small amount of money as well as a long-term stabilization issue. The creation of this pilot program would simplify securing funds needed to remedy these short term crisis situation. The program would be administered in partnership with the Family Housing Fund and the Greater Minnesota Housing Fund. Funding would be available only to projects that have a true, immediate need for which no other resources are available and for which resolving the immediate crisis would allow a degree of long term success. In order to access the funds, owners must create a long term stabilization plan that is supported by management and leadership.

In response to a question from Auditor Otto, Mr. Salzer stated that the Stewardship Council meets monthly and is comprised of staff from the local HUD office, Hennepin and Ramsey counties, the City of Minneapolis, the Department of Human Services and the Corporation for Supportive Housing.

In a response to a question from Mr. Garnett, Mr. Salzer provided as an example of something that may be benefit from a small amount of funds a situation in which an organization serving as a rental assistance administrator had to close its doors. Agency staff accessed $7,000 for the organization, allowing it to handle the need logistics to continue serving 100 households. The amount of money needed was small, but it took a great deal of staff time to identify available resources. **MOTION:** Mr. John DeCramer moved approval and adoption of Resolution No. MHFA 14-036. Auditor Otto seconded the motion. Motion carries 6-0, with Ms. Bostrom recusing herself.

D. Originator Selections, Targeted Mortgage Opportunity Program

Ms. Devon Pohlman requested approval of the selection of three originators in the Targeted Mortgage Opportunity Program. Ms. Pohlman stated that the Board approved the program concept in April and that the goal of the program is to provide first mortgage financing to buyers who complete intensive counseling. The buyers must demonstrate an ability to repay but have been unable to secure a traditional mortgage product due to the very rigid current underwriting standards.

Ms. Pohlman stated that program originators were sought through an RFP that outlined the goals of the program and how to originate under the program. Staff reviewed threshold requirements, such as ability to meet licensing standards, underwriting capacity and the ability to prudently review compensating factors, as well as service area, partnerships with counseling agencies and the ability to serve the borrowers targeted for this program. Three proposals were received and all are recommended for approval. Ms. Pohlman added that the Twin Cities Habitat for Humanity (Habitat) model is slightly different than that of the other two originators. Habitat works with homeowners to provide them with a fully renovated home. This model offers limited geographic choice but ensures the buyer is purchasing a high quality home. Staff are seeking conditional approval of Habitat in order to perform due diligence on their underwriting standards and their homebuyer education model, which includes sweat equity. Staff will monitor the pipeline and are reserving flexibility to do a pool collapse to meet borrower need if production levels vary greatly. The program will launch in mid-September. In response to a question from Mr. Joe Johnson, Ms. Pohlman stated that the Agency has not yet determined who will service the program but it would not be serviced internally. **MOTION:** Ms. Klinzing moved approval of the selection of Build Wealth Minnesota, SHOP Home Mortgage and Twin Cities Habitat for Humanity as originators for the Targeted Mortgage Opportunity Program. Mr. Joe Johnson seconded the motion. Motion carries 7-0.

E. Selections, Enhanced Financial Capacity Homeownership Initiative

Ms. Ruth Hutchins presented this request to approve selections under the Enhanced Financial Capacity Homeownership Initiative. Ms. Hutchins stated that Minnesota has the largest homeownership gap in the nation, despite having the best statewide pre-purchase training infrastructure in the country and additional tools were needed to close the homeownership gap;

it is necessary to provide better coverage by expanding services to educators who provide assistance to underrepresented buyers, increasing the probability of successful homeownership.

Ms. Hutchins stated the RFP was released in April. Proposals were reviewed for experience, program design and program budget by two Minnesota housing staff and then presented to a selection committee comprised of Minnesota Housing staff. Fifteen applications were received and seven were being recommended for approval.

Ms. Hutchins stated that awardee performance and progress against goals will be reviewed by staff in March, at which time a second disbursement will be made under the grant agreement. The program seeks to serve 700 households in a 14 month period. In response to a question from Mr. DeCramer regarding the selection process, Ms. Hutchins stated that the recommended applications had ample leverage, experience working with targeted populations and had existing programs.

Mr. Garnett stated that, to some extent, the program criteria would work against populations that are trying to serve immigrant or new populations in the Twin Cities. Mr. Garnett provide as an example the AEOC, stating they would not have historic homeownership experience and questioned if the criteria works against organizations trying to enter the field. Mr. Mike Haley, Assistant Commissioner for Single Family, responded that, the program requires that there be linkages with those organizations, as the program goal is to build financial capacity in the individuals served. Staff is looking at organizations that have extensive experience working with immigrant populations because an organization can put households through counseling, but if they are unbanked they will still have hard time succeeding. As an example, Mr. Haley stated that Build Wealth works with both African Americans and African immigrants. **MOTION:** Mr. George Garnett moved approval. Mr. John DeCramer seconded the motion. Motion carries 7-0.

Commissioner Tingerthal added that the awardees for the Targeted Mortgage Opportunity and Enhanced Finance Capacity Homeownership Initiative programs have been aware that they were being recommended for selections for only a few days and would need time to gear up and be ready to have their programs on the streets. Commissioner Tingerthal stated that staff is working with the organizations the Agency's communications team to prepare for the program roll out, but that board members should not expect to see any publicity about these programs until September. Commissioner Tingerthal added that she expects the programs would be well received and that there will be a fair amount of demand. The time between selection and roll out will ensure organizations are prepared for success and ready to accept applications for counseling and for mortgages.

Commissioner Tingerthal stated that the Enhanced Finance Capacity Homeownership Initiative program is planning to serve about 700 households and the Targeted Mortgage Opportunity Program's goal is to serve 115 households. Tingerthal stated that the much smaller number for the mortgage program is intentional, as staff expects that many households who complete the capacity program will qualify for a traditional mortgage. Staff will work with financial community to ensure counseling agencies are fully aware of all the options and there it is not a one-for-one relationship between the two programs.

F. Approval, Changes, Community Fix Up Loan and Quick Start Disaster Recovery Program

Mr. Cal Greening presented this request to make the Community Fix Up Loan (CFUL) program available to homeowners impacted by the June flood event. Mr. Greening stated that the flood event resulted in significant damage in numerous counties, but damage sustained was not at level that will result in an individual assistance declaration from either the Federal Emergency Management Agency (FEMA) or the Small Business Administration (SBA). To put the loss in context, Mr. Greening stated that SBA provided $8 million in loans for the North Minneapolis. Mr. Greening also stated that the Agency would not be receiving any special funding from the legislature to address flood damage to housing. CFUL, funded through the disaster relief contingency fund, would be available in place of the Quick Start program and would include a rate buy-down. Mr. Greening stated that it is not known at this time how much money will be needed. There are a high number of damaged properties, but the amount of damage is low. Mr. Joe Johnson inquired why funds were not available from other resources. Mr. Greening stated that damage did not meet the minimum levels required to receive SBA or FEMA assistance.

Commissioner Tingerthal added that the level of damage to houses was by and large relatively minor and no county in the state would meet the SBA threshold. Rock and Nobles counties are eligible for SBA funding because they border a neighboring community in Iowa that sustained the amount of damage required for SBA assistance. Commissioner Tingerthal stated that SBA sets eligibility in a complicated way. Regarding legislative appropriations, Tingerthal stated that the legislature established a contingency fund to help local communities to meet match requirements for federal dollars. The availability of this fund has tamped down demand for a special legislative session because the available contingency money could be used to trigger the federal match.

In response to a question from Mr. DeCramer, Mr. Greening responded that direction from the declarations for individual assistance generally is the result of the preliminary damage assessments done by local (state) SBA, FEMA and Homeland Security and Emergency Management (HSEM) and that floods are difficult disasters to deal with because water will go where it wants to go and direct damage and secondary damages are treated the same. Commissioner Tingerthal added that the biggest differentiation between coverage of direct or secondary damage is insurance coverage and that the Agency generally requires a first stop with the insurance company. Commissioner Tingerthal added that staff is working with the Department of Commerce, who is manning a hotline for consumers with questions about their insurance.

In response to a question from Ms. Bostrom, Mr. Greening stated that the current maximum loan amount under CFUF is $30,000 and staff is requesting a reduced maximum of $20,000 in order to assist more households. Commissioner Tingerthal added that preliminary review indicates that $20,000 per household appears to be sufficient and that the level of damage per household is quite minor, particularly when compared with the Northeast Minnesota flooding. **MOTION:** Auditor Otto moved approval of the request to make CFUF available to flood victims at reduced interest rates. Mr. Joe Johnson seconded the motion. Motion carries 7-0.

8. Discussion Items

A. Bridge to Success Program, Implementation Update

Mr. Luis Pereira presented this progress report on the Bridge to Success Program, which allows a 10-year contract-for-deed, allowing purchasers time to improve their credit, reduce household debt and obtain traditional financing. The program requires both pre- and post-purchase counseling. Mr. Pereira stated that 90 contracts have been originated. The program has conservative debt-to-income ratios compared with other Agency first mortgage products. The program is serving larger sized families with higher household income and lower credit scores.

The program also provides a high level of service to households of color; 51% compared with 37% under comparable first mortgage program. The delinquency rate is higher, but that is expected given the borrower characteristics. The initial investments made have allowed the program to come to scale while possibly attracting private lenders to offer socially responsible contract for deed programs. Mr. Joe Johnson stated that the loans are performing better than he had expected. Information item, no action needed.

B. Successor to HOME Homeowner Entry Loan Program (HOME HELP)

Mr. Mike Haley presented to the board information about termination of an existing program and the concept of a potential replacement program offering.

Mr. Haley stated that, as part of the Affordable Housing Plan, staff review coverage and performance of current programs and determine how to improve achieving mission given the resources we have. This year staff looked closely at HOME HELP, which is funded by federal funds and has had a good mission performance since its implementation in 2004, but the volume has been going down. HOME HELP is currently offered with Start Up and provides deeper down payment assistance for lenders who submitted materials and agreed to use funds to meet specific policy objects. The implementation of federal funds has become so onerous that few lenders participate in the program; there are 93 single family lenders and only 13 offer HOME HELP. HOME HELP is a non-secondary market product that carries additional overlay requirements and disclosures. Staff is proposing to transfer federal HOME funds to Multifamily for development purpose and will develop a new Single Family program with a comparable amount of money to achieve the same policy objects and will still require that lenders using the product are meeting specific Agency objectives through the use of the program.

In response to a question from Chair Johnson, Mr. Haley stated that staff will have lender input session to help flesh out the requirements of the new program. In response to Ms. Bostrom, Mr. Haley stated that the funds for the new program will come from Pool 3. Chair Johnson stated that sizing the initial allocation for the program will be problematic. Mr. Haley stated that staff are designing the program so that it will be easier to originate but will message to lenders that there are limited resources and when they're gone; they're gone. Mr. Haley added that it wouldn't surprise him if the new program serves more households of color and Hispanic ethnicity but a lower percentage overall because the program is easier to originate. Mr. Haley added that the Agency cannot reserve funds for a particular class of borrower. Discussion item, no action needed.

9. Informational Items

A. Semi-annual Variable Rate Debt and Swap Performance Review as of July 1, 2014

Information item, no action needed.

B. Post-sale Report, Homeownership Finance Bonds, 2014 Series A

Commissioner Tingerthal thanked the finance team for an excellent bond sale.

C. Report of Complaints Received by Agency or Chief Risk Officer

Information item, no action needed.

10. Other Business

11. Adjournment.

The meeting was adjourned at 2:18 p.m.

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Ken Johnson, Chair

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AGENDA ITEM: 6.A.
MINNESOTA HOUSING BOARD MEETING
August 28, 2014

ITEM: Selection/Commitment, Housing Opportunities for Persons with AIDS (HOPWA) Renewal
- Minnesota AIDS Project (D3621)

CONTACT: Elaine Vollbrecht – 651-296-9953
elaine.vollbrecht@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________________

ACTION: ☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff recommends the adoption of a motion approving $143,152 for funding under the Housing Opportunities for Persons with AIDS Program (HOPWA) for the Minnesota AIDS Project (MAP), subject to Staff's review and approval of the Sponsor and the terms and conditions of the Agency's grant agreement.

FISCAL IMPACT:
The source of HOPWA funds is the U.S. Department of Housing and Urban Development, so there is no fiscal impact to the Agency.

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☑ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Background

Background:
Minnesota Housing is the State of Minnesota's administrator for the Housing Opportunities for Persons with AIDS (HOPWA) formula funds, appropriated annually by the federal government. HUD HOPWA formula funds are distributed under a statutory formula that is based on AIDS surveillance information (cumulative AIDS cases and area incidence) from the Centers for Disease Control and Prevention.

The State formula funds serve greater Minnesota, outside of the 13 county Eligible Metropolitan Statistical Area (EMSA). Low-income persons (at or below 80 percent of area median income [AMI]) that are medically diagnosed with HIV/AIDS, together with their families, are the beneficiaries eligible to receive HOPWA-funded assistance.

The amount appropriated for FY 2015 is $147,579, of which $143,152 is available for funding. The remaining three percent is applied toward Agency administrative expenses. The Minnesota HIV Housing Coalition has established the funding priorities for the HOPWA Program, which includes priority for the renewal and sustainability of existing programs. Minnesota Housing posted application materials in June 2014 and received an application from the Minnesota AIDS Project (MAP), the current grant administrator. MAP requested funding in the amount of $143,152 to renew and administer the funds from October 1, 2014 to September 30, 2015.

MAP has administered HOPWA funds throughout greater Minnesota since 2001, serving households in 42 of 76 Greater Minnesota counties in FY 2013. MAP works collaboratively with a variety of community organizations and receives referrals from Rural AIDS Action Network, Mayo Clinic HIV Clinic and Social Services, Minnekota Health Project and Minnesota AIDS Project - Duluth. Funds are available to eligible persons as short-term and emergency assistance for rental, mortgage and utility payments (STRMU). Due to the limited funding available, MAP distributes their emergency assistance through a lottery based on referrals from the service providers, with restrictions on the funding amount and number of times the funding can be accessed. MAP assisted 165 households with STRMU in FY2013, with the majority of households receiving assistance at income levels below 30 percent AMI. MAP anticipates serving between 150 - 170 individuals living with HIV/AIDS and their family members in FY 2014.

MAP has noted an increase in the number of HIV positive individuals living in Greater Minnesota and accessing services. The costs of rent, mortgage and utilities continued to rise in the last year, leaving households living with HIV/AIDS at risk for ongoing emergency needs. Participants in Greater Minnesota experience difficulty in obtaining long-term rental subsidies.

Staff has completed its review of the proposal and recommends approval.

Minnesota Housing Finance Agency

AGENDA ITEM: 7.A.
MINNESOTA HOUSING BOARD MEETING
August 28, 2014

ITEM: Modification/Commitment, Preservation Affordable Rental Investment Fund (PARIF) and HOME Affordable Rental Preservation (HARP)
- Minneapolis Portfolio Preservation Project (MP3), Minneapolis (D7586)

CONTACT: Dan Walsh, 651-296-3797
dan.walsh@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________________

ACTION:

☑ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Minnesota Housing Finance Agency (Agency) staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing a HOME Affordable Rental Preservation (HARP) commitment in an amount not to exceed $7,300,000, subject to the review and approval of the Mortgagor, the terms and conditions of the Agency mortgage loan commitment and Mortgage Credit Committee approval. This loan will be made from HOME federal appropriations.

FISCAL IMPACT:
The 2014 amended Affordable Housing Plan (AHP) as of July 24, 2014 allocated nearly $11.8 million in new activity for the HARP program. Funding for this loans falls within the approved budget, and the loan will be made at an interest rate and on terms consistent with what is described in the AHP.

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☑ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☑ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Background
- Resolution

Background

The Agency Board, at its October 25, 2012, meeting, approved this development for processing under the Preservation Affordable Rental Investment Fund (PARIF) program. The following summarizes the changes in the composition of the proposal since that time:

DESCRIPTION:	**2012**	**2014**	**VARIANCE**
Total Development Cost	$55,018,089	$57,056,442	$2,038,353
Gross Construction Cost	$20,431,688	$22,346,749	$1,915,061
Agency Sources:			
LMIR 1st Mortgage	$8,708,436	$0	($8,708,436)
LMIR Bridge Loan	$20,000,000	$0	($20,000,000)
Assumed HTF and EDHC Deferred Loans (Existing)	$1,287,000	$0	($1,287,000)
PARIF*	$1,500,000	$1,500,000	$0
HARP	$0	$7,300,000	$7,300,000
Total Agency Sources	$30,208,436	$8,800,000	($21,408,436)
Other Non-Agency Sources:			
HUD 221(d)(4) 1st Mortgage	$0	$10,364,996	$10,364,996
Housing Tax Credit Proceeds – Enterprise Community Partners	$15,847,480	$15,096,510	($750,970)
Historic Tax Credit Proceeds – Enterprise Community Partners	$5,366,023	$3,569,126	($1,796,897)
Assumed City Deferred Loan (Existing)	$13,790,625	$12,355,804	($1,434,821)
Hennepin County AHIF	$500,000	$700,000	$200,000
Property Reserves (Existing)	$1,281,811	$1,933,200	$651,389
Interim Income	$0	$834,879	$853,560
Sales Tax Rebate	$545,000	$543,026	($1,974)
Energy Rebates	$0	$100,000	$100,000
GP Loan (Cash Flow)	$750,000	$1,250,000	$500,000
Acquisition Seller's Note (Cash Flow)	$2,169,767	$402,147	($1,767,620)
Deferred Developer Fee (Cash Flow)	$1,679,001	$2,606,654	$927,653
GP Cash	$100	$100	$0
Source To-Be-Determined	$1,592,846	$0	($1,592,846)
Total Permanent Sources*	$55,018,089	$58,556,442	$3,557,034

Gross Rents:						
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
O BR / SRO	383	$441-$635	410	$427-$480	15	($14)-($155)
1 BR	159	$718-$901	159	$544-$888	0	($174)-($13)
2 BR	23	$634-$1,122	23	$714-$1,084	0	$80-($38)
Total Number of Units	567		582		15	

*NOTE: The HARP funding is sized to replace the 2012 PARIF award. The PARIF is not expected to be a permanent funding source; however, it will not be de-committed at this time to mitigate significant delays in closing due to unforeseen events that could result in an additional funding gap.

Factors Contributing to Variances:

Costs

- TDC has increased primarily due to construction scope modifications and prices and required capitalized reserves.
- TDC has decreased primarily due to the reduced purchase price, which is comprised of non-cash assumed debt, the repayment of interim acquisition financing and the repayment of Minnesota Housing's existing amortizing NCTC loans, HTF deferred loans and EDHC deferred loans. Remaining cash to the related party seller will be put back into the transaction as a seller's note.

Agency Sources

- The $4,513,000 increase in deferred funding is needed to close the permanent funding gap. Without these funds, it is reasonable to assume the development may not go forward at all for the following four reasons:
    - The National Park Service denied the Maryland property's application for historic status, which created a nearly $1.8MM funding gap due to the reduction in historic tax credit proceeds.
    - Unless a closing occurs by January 2015, the housing tax credit syndicator would put the development in a different fund, which would likely reduce its equity factor from 97 cents to a more typical 90 cents, creating a $1.5MM funding gap according to current projections.
    - It is reasonable to assume interest rates will rise in the coming years.
- MP3 will utilize a HUD 221(d)(4) first mortgage and a bridge loan from a private lender rather than a LMIR first mortgage and LMIR bridge loan.
- The HARP award is sized to fill the permanent funding gap and replace the PARIF award. The program switch from PARIF, HTF and EDHC to HARP is a more efficient way to manage the development for the long term.

Non-Agency Sources

- Historic tax credit proceeds declined when the Maryland was deemed non-historic.
- The city forgave accrued interest, which reduced its existing, assumed deferred loan.
- The developer secured more AHIF funds than anticipated in 2012.
- Detailed analyses of existing property reserves, interim income and energy rebates led to corresponding increases in those sources.
- The developer secured more private donations, which increased the general partner loan.
- The acquisition seller's note commensurately declined with the purchase price.
- The deferred developer fee amount increased to fill the permanent funding gap.

Gross Rents, Unit Types and Population Served

- The borrower is converting the Maryland's vacant restaurant space into 15 efficiency units.
- The borrower is not increasing existing rents except at turnover. At turnover, rents increase an average of 3%.
- Ninety-seven units in the development will benefit from project-based Section 8 rent assistance. Up to 25 units will receive rental assistance and service funding through Group Residential Housing (GRH).

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

RESOLUTION NO. MHFA 14-

RESOLUTION APPROVING MORTGAGE COMMITMENT
HOME AFFORDABLE RENTAL PRESERVATION (HARP) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide construction financing for a scattered site multiple-unit housing development that will be occupied by persons and families of low and moderate income, as follows:

Name of Development:	Minneapolis Portfolio Preservation
Owner/Mortgagor:	Aeon Preservation Limited Partnership
Managing General Partner:	Aeon (or an affiliate)
Location of Development:	Minneapolis
Number of Units:	582
General Contractor:	Frerichs Construction Company, Saint Paul
Architect:	Adsit Architecture, Minneapolis
Amount of Development Cost:	$57,056,442
Amount of HARP Loan (not to exceed):	$7,300,000

WHEREAS, the Agency has determined that such applicant is an eligible sponsor under the Agency's rules; that such permanent mortgage loan is not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the preservation of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, the Agency has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations and policies;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide a permanent mortgage loan from appropriated funds to said applicant for the indicated development, subject to the following and conditions:

1. The closing of such HARP loan shall be on or before May 31, 2016;

2. The amount of the HARP loan shall be up to $7,300,000; the interest rate on the loan shall be 0 percent; the maturity date for the loan shall be co-terminus with the Development's first mortgage;

3. The Mortgagor shall agree to keep the Maryland, Heritage and Barrington properties in the Section 8 program or other Housing Assistance program for the term of the HARP loan;

4. Agency staff shall review and approve the mortgagor;

5. The Mortgagor shall enter into an Agency Mortgage Loan Commitment with terms and conditions embodying the above in form and substance acceptable to Agency staff; and

6. The sponsor, the Mortgagor, and such other parties as Agency staff in their sole discretion deem necessary, shall execute all such documents relating to said loan, to the security therefore, and to the operation of the development, as Agency staff in their sole discretion deem necessary.

RESOLVED, FURTHER, that it is hereby determined to finance the development with funds from the HOME federal appropriations.

Adopted this 28th day of August 2014.

____
CHAIRMAN

AGENDA ITEM: 7.B.
MINNESOTA HOUSING BOARD MEETING
August 28, 2014

ITEM: Selection/Commitment, Asset Management Loan
- Crestview Community Apartments, St. Paul (D2538)

CONTACT: Leslee Post, 651-296-9822
leslee.post@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________________

ACTION:

☑ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing selection and commitment of an asset management loan in an amount not to exceed $278,740.

FISCAL IMPACT:
In the 2014 amended Affordable Housing Plan (AHP), the Board allocated $3,000,000 in new activity for the Asset Management loan program. Funding for this loan falls within the approved budget and the loan will be made at an interest rate and on terms consistent with what is described in the Affordable Housing Plan.

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☑ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Background
- Development Summary
- Resolution

Background:
Crestview Community is a 44 unit supportive housing development on Westminster Street in St. Paul and located adjacent to MN Department of Transportation (MNDOT) property at the intersection of Maryland Avenue and Interstate 35E. 100% of the units receive the benefit of Project-Based vouchers (PBV) provided by the St. Paul PHA.

The owner has grappled for a number of years with erosion issues on the bluff on the west side of the property that abuts the MNDOT property.

The source of the erosion is storm water run-off caused by the final failure of the 40-year old storm water management system that did not include catch basins nor tie into the city storm sewer; the system instead relied on the concept that the parking lot could shed water in an equally distributed manner off the lot onto neighboring properties and thereby maintain the integrity of the rather steep slope below. The property now faces serious erosion issues with a collapsing parking lot due to the wash-out of the slope beneath it.

The owner collaborated with funders as well as Minnesota Department of Transportation (MNDOT), St. Paul Department of Planning and Economic Development (PED), Capitol Region Watershed District (CRWD), and the Ramsey Conservation District (RCD); the result of the collaboration is a solution that includes a suggestion by MNDOT engineers that the owner eliminate a proposed, storm sewer connection and retention system entirely and tie directly into the treatment ponds on state right-of-way below the slope. MNDOT analysts participated in the current scope and approved the final plan. In addition, MNDOT provided material (soil) and right-of-way access in Fall 2013 so that the owner could effect a temporary repair to the slope while the final solution was reached. The donated material will be reused in the final repair. The collaboration with MNDOT reduced the estimated cost by almost 50%.

In addition, the St. Paul PED is willing to waive storm water retention requirements and the owner was awarded a $10,000 grant for re-vegetation through the CRWD Stewardship Grant program.

Staff recommends approval of this request for funding in an amount not to exceed $278,740 to be used to remediate slope erosion, manage storm water run-off and to repair the parking lot behind the two northern most buildings at Crestview Community.

- The proposed asset management loan would be deferred for approximately 20 years at 0% interest making it coterminous with existing Minnesota Housing deferred Minnesota Families Affordable Rental Investment Fund (MARIF) and Housing Trust Fund (HTF) loans.
- Loan proceeds would be deposited into a special rehabilitation escrow with funds requested through the Agency’s normal asset management draw process; the draws would be reviewed by the Agency architect and the work inspected as deemed necessary.
- In return for provision of an asset management loan not to exceed $278,740, the owner would be required to continue to participate in the PHA’s Project-based voucher (PBV) program for the term of the asset management loan.

DEVELOPMENT SUMMARY
DEVELOPMENT:

Name:	Crestview Community Expansion (fka Crestview Apts)			App#:	M16879
Address:	Multiple Building Addresses				
City:	Saint Paul	County:	Ramsey	Region:	MHIG

EXISTING DEBT

ELHIF -Amortizing	$ 188,383
Interest Rate:	6.90%
Term (Years):	30
Maturity Date:	12/1/2033
ELHIF	$ 69,075
Interest Rate:	1.00%
Term (Years):	30
Maturity Date:	12/1/2033
St. Paul HRA	$ 500,000
Interest Rate:	0.00%
Term (Years):	28
Maturity Date:	12/8/2028
FHF	$ 435,000
Interest Rate:	0.00%
Term (Years):	28
Maturity Date:	12/8/2028
MARIF	$ 238,890
Interest Rate:	2.00%
Term (Years):	30
Maturity Date:	10/7/2034
HTF	$ 362,658
Interest Rate:	2.00%
Term (Years):	30
Maturity Date:	10/7/2034
St. Paul -HOME	$ 528,000
Interest Rate:	2.00%
Term (Years):	30
Maturity Date:	10/1/2034
St. Paul- HOME RR	$ 72,000
Interest Rate:	5.00%
Term (Years):	30
Maturity Date:	10/7/2034

FHF	$ 182,000
Interest Rate:	2.00%
Term (Years):	30
Maturity Date:	10/7/2034
New Foundations AHP	$ 150,500
Interest Rate:	2.00%
Term (Years):	30
Maturity Date:	12/31/2034
PPL Deferred	$ 285,000
Interest Rate:	0.00%
Term (Years):	30
Maturity Date:	12/31/2034

MORTGAGOR:

Ownership Entity:	Crestview Community Limited Partnership
General Partner/Principals:	PPLNF LLC

DEVELOPMENT TEAM:

General Contractor:	N/A
Architect:	N/A
Attorney:	N/A
Management Company:	Project for Pride in Living Inc, Minneapolis
Service Provider:	PPL / New Foundations, Saint Paul

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 278,740	Asset Management Fund	
	Funding Source:	Hsg Affordability Fund(Pool 3)
	Interest Rate:	0.00%
	Term (Years):	20.0

RENT GRID:

UNIT TYPE	**NUMBER**	**UNIT SIZE**	**GROSS RENT**	**AGENCY LIMIT**	**INCOME AFFORD-ABILITY****
1BR	7	570	$ 729	$ 729	30% of income
2BR	21	851	$ 908	$ 908	30% of income
3BR	5	1,194	$ 1,240	$ 1,240	30% of income
1 BR	3	570	$ 729	$ 729	30% of income
2 BR	7	851	$ 908	$ 908	30% of income
3 BR	1	1,194	$ 1,240	$ 1,240	30% of income
TOTAL	44				

NOTES: *The amounts listed under "Agency Limit" are based on the rents allowed by the PHA's Project-based voucher (PBV) program.

**Please note that all 44 units have the benefit of Project based-vouchers and while the gross rents reflect the actual contract rent plus a utility allowance, the tenant only pays 30 percent of household.

Purpose:
Correct and remediate slope erosion and related work.

Target Population:
Very low income families with single heads of household having dual diagnoses of mental illness and chemical dependency.

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit	Per LTH Unit
Total Development Cost	$315,340		$7,167	
Acquisition or Refinance Cost			$0	
Gross Construction Cost	$275,440		$6,260	
Soft Costs (excluding Reserves)	$39,900		$907	
Non-Mortgageable Costs (excluding Reserves)			$0	
Reserves				
Agency Deferred Loan Sources				
Asset Management Fund	$278,740		$6,335	
Total Agency Sources	$278,740		$6,335	
Total Loan-to-Cost Ratio		88.40%		
Other Non-Agency Sources				
Seller Note	$0		$0	
Def. Developer Fee	$0		$0	
Capitol Region Watershed District - Grant	$10,000		$227	
Partnership Funds	$26,600		$605	
Total Non-Agency Sources	$36,600		$832	

Board Agenda Item: 7.B.
Attachment: Resolution

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

RESOLUTION NO. MHFA 14-

RESOLUTION APPROVING MORTGAGE LOAN SELECTION/COMMITMENT
ASSET MANAGEMENT LOAN PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Agency) heretofore loaned $866,676 for permanent loan financing for a multifamily rental housing development known as Crestview Community Apartments in St. Paul, MN, MHFA Development No. 2538 (the Development); and

WHEREAS, Agency staff has proposed an agreement to finance slope erosion remediation and related work at the Development based on the following terms:

Minnesota Housing will provide an Asset Management loan in an amount not to exceed $278,740 and with the following terms:

1. The loan will be deferred for approximately 20 years; the term will be coterminous with existing Minnesota Housing deferred Minnesota Families Affordable Rental Investment Fund (MARIF) and Housing Trust Fund (HTF) loans;

2. Interest rate will be 0%;

3. At loan closing, the loan proceeds will be deposited into a special rehabilitation escrow account for slope erosion remediation and related work;

4. The owner must agree to continue to participate in the PHA's Project-based voucher (PBV) program for the entire term of the asset management loan; and

5. The loan closing will occur on or before March 31, 2015

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes commitment of the Asset Management loan under the terms stated above.

Adopted this 28th day of August, 2014.

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CHAIRMAN

AGENDA ITEM: 7.C.
MINNESOTA HOUSING BOARD MEETING
August 28, 2014

ITEM: Selection/Commitment, Rental Rehabilitation Deferred Loan (RRDL) Pilot Program

CONTACT: Susan Haugen, 651-296-9848
Susan.haugen@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff recommends the adoption of a resolution authorizing the commitment of Rental Rehabilitation Deferred Loan (RRDL) Pilot program funds to three developments in the amount of $849,058.

FISCAL IMPACT:
RRDL Program is funded with state appropriations. Funding recommendation falls within the approved budget and terms as described in the 2014 Affordable Housing Plan (AHP).

MEETING AGENCY PRIORITIES:

☐ Promote and support successful homeownership ☑ Preserve federally-subsidized rental housing

☑ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):

- Background and Recommendation
- Recommendations Summary
- Development Location Map
- Development Summaries
    - Parkview Court
    - Uptown Apartments
    - Braham Heights Apartments
- Resolution

Background:
The Rental Rehabilitation Deferred Loan Pilot Program (RRDL) was approved by the Board in October, 2011. The program was designed to provide loans to owners of affordable rental housing developments in Greater Minnesota who have limited access to other financing and are not competitive in the Multifamily Consolidated Request for Proposals (RFP). RRDL funds are used to make necessary improvements to correct health and safety items, increase energy efficiency, and prevent future deterioration, thereby preserving this much-needed affordable rental housing stock.

On April 7, 2014, Minnesota Housing issued an RRDL RFP making $1 million available to Greater Minnesota rental property owners. Minnesota Housing received 3 applications requesting $849,058.

The Development Location Map shows the location of the three applications. The map also indicates the RRDL selection preference areas of high job growth, rent burden, and the RRDL Administrator service areas.

- All three applications submitted were from nonprofit RRDL Administrators/owners.
- Two are approximately 10 miles from high job growth centers; the other within 35 miles.
- Together, all three applications preserve a total of 28 units of either USDA RD or HUD Rental Assistance making them affordable to households with income of less than 50% of the area media.
- Parkview provides affordable housing opportunities to families. Uptown is the only non-senior subsidized housing option in Silver Lake. And, Braham provides much needed housing to seniors on fixed incomes.

The attached individual development summaries describe each proposal in detail.

Agency staff completed the selection and underwriting review of each proposal in accordance with the RRDL program guidelines and recommends the three applications for funding.

RRDL awards may not to exceed $300,000 per development and are structured as end loans with an interest rate of 0% and payment deferred for 30 years.

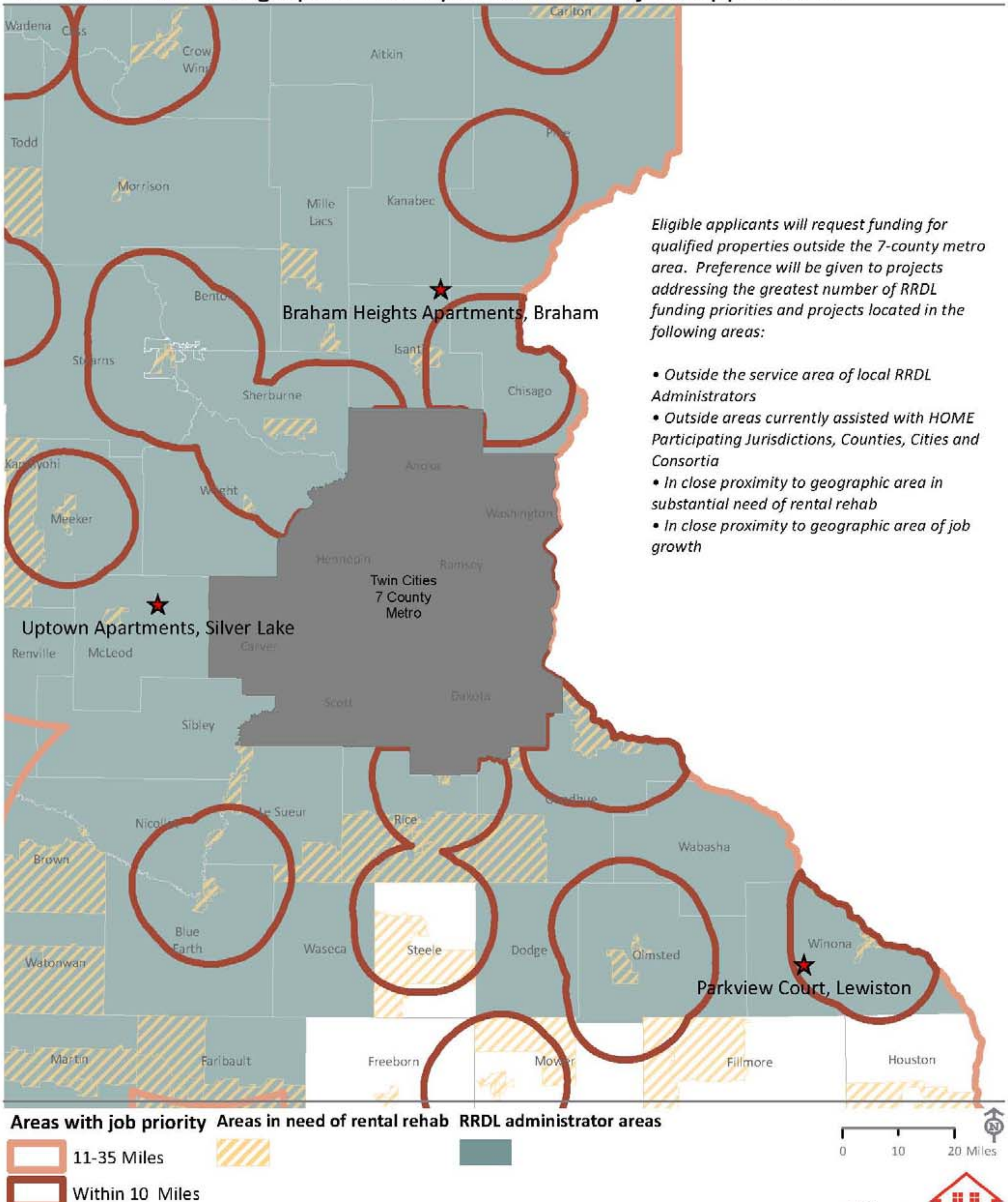
Recommendation:
Staff recommends the adoption of a resolution authorizing the commitment of Rental Rehabilitation Deferred Loan (RRDL) Pilot program funds in the amount of $849,058, to the three recommended developments identified on the recommendations summary.

Rental Rehabilitation Deferred Loan Program
Recommendation Summary

D#	M#	Development	Applicant	City	County	Units	Recommended Amount
7698	16740	Parkview Court	Southeastern Minnesota Multi-County HRA	Lewiston	Winona	12	$299,058
3072	16738	Uptown Apartments	Southwest Minnesota Housing Partnership	Silver Lake	McLeod	12	$300,000
6423	16739	Braham Heights Apartments	Central Minnesota Housing Partnership	Braham	Isanti	12	$250,000
				Total Recommended		**36**	**$849,058**

Board Agenda Item: 7.C.
Attachment: Map

RRDL 2014 RFP Geographic Priority Areas and Project Applications



Source: Minnesota Housing analysis of data from MN Department of Employmen tand Economic Development, and American Community Survey. Date: 07/22/2014.

Minnesota Housing Finance Agency

2014 RRDL Proposal Summary
Application Date: 5/12/2014

Reviewer: B. Porter **Date:** 8/5/2014
Recommended Amount: $299,058

A. DEVELOPMENT INFORMATION:

Dev. #	Development Name	Development Address / City
7698	Parkview Court	32 – 58 Benson Drive, Lewiston

App. #	# of Units	# Program Units
16740	12	12

# Rent Assisted Units / Type	Contract Expiration Date
6 /Section 8 voucher (portable)	

Unit Type	Unit Count	Gross Rent	Rent Restriction
2BR	3	$677	80% AMI
3BR	9	$805	80% AMI
Total	12		
Target Households		Families with Children	

Purpose of Proposal
Southeastern MN Multi-County HRA is requesting RRDL funding of approximately $299,058 for the proposed moderate rehabilitation of the Parkview Court townhome property in Lewiston, Winona county. The property consists of three 2 story/4-unit townhome buildings of wood frame construction built in 1998. There are a total of 12 units [three 2 BR units, and nine 3BR units]. Each unit has its own private entrance and single stall garage. The proposed scope encompasses roof replacement, replacement of non-operable windows [all other windows replaced in 2011], overhead doors, entry doors, AC condenser units and patios (partial), kitchen updating, replacements of hot water heaters (partial), and the repair of driveways and correction of drive drainage and grade problems [water currently draining towards units. structural integrity at risk under current conditions]. The TDC is proposed at approximately $310,000 [including approximately. $290,000 rehab.

B. EXISTING BORROWER INFORMATION:

Borrower	Entity Type (LP/LLC/ Nonprofit, etc.)	GP/Managing Member
Southeastern MN Multi-County HRA	Nonprofit HRA	

C. EXISTING FINANCING:

Program/ Source/ Lender	Original Principal Amount	Outstanding Balance	Financing Terms		Lien Priority
			%	*Maturity Date*	
Winona County GO Bond (Northland Securities)	$1,063,857	$277,428	4%	1/1/2028	1st

D. PROPOSED NEW FINANCING:

Lender	Loan Amount	Financing Terms		Requested Lien Priority	Excess Fund Usage *(List Amount and purpose)*
		%	*Term (yrs)*		
Minnesota Housing RRDL	$299,058	0%	30	2nd	

Additional Comments:
Parkview Court was initially developed using Winona County GO Bonds and receives an annual operations assistance payment (SEMMCHRA levy funds) through a Special Benefit Tax Agreement. The payment varies in size averaging approximately $20,000 with an annual ceiling of approximately $30,000.

RRDL Proposal Feasibility

The application was generally well put together and the proposal has good feasibility. The property is located approximately 10 miles from Winona. The property is receiving County levy operating assistance payments and exhibits relatively stable historical operations. With levy based operating assistance taken annually as income, the property cash flows at approximately $3,500 at year 1 and at approximately $12,000 at year 15. The property is around 16 years old and needs the proposed rehab to check deterioration, maintain building integrity, and extend its useful life out to a projected 50 years minimum. Scope was developed in conjunction with SEMMCHRA's coordinated capital improvement planning. The proposed rehab improvements will tighten the building envelopes, increase energy efficiency, cure potentially damaging drainage and grading conditions and generally improve the quality of the property. Rehab is consistent with County and SEMMCHRA goals/objectives. SEMMCHRA organization provides Management Staff. Six tenants currently receive and bring rental assistance to the development through the Section 8 (portable) voucher program administered through SEMMCHRA. Rent affordability currently provided to tenants is between 45% and 48% of AMI.

As a Condition to Agency approvals, the Owner must resolve useful life questions on certain rehabilitation scope items raised by Minnesota Housing's review architect to the satisfaction that architect and the Owner and Minnesota Housing Architect must resolve to a Final RRDL Work Scope and Final RRDL project budget for the project.

Administrator/Owner Capacity

Owner/developer has good capacity and experience levels for the proposed rehab project. Ownership of the property is currently under the non-profit housing authority entity of the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (SEMMCHRA). The RRDL TDC for this project will be maintained below the $300,000 level to accommodate this ownership structure versus formation of a Single Asset Entity.

Physical and Technical Review

Project was originally constructed in 1998 and based on an exterior site inspection; the development from the exterior is in very good condition. Although it might be desirable to have more energy efficient windows, doors and hot water heaters, they have not reached the end of their useful life and it seems premature to replace the windows and doors. The roof is also called to be replaced. Without a full close-up inspection it is difficult to evaluate it completely. However the roof seemed to have useful life and can make more out of its life span. Site is an established town home development near other types of housing. The Limited Scope Document for Sustainability was complete and scope for the most part meets our standards. The form identified passive venting water heaters that are proposed to remain passive venting. If this scope was approved with tighter windows, we would require switching to sealed combustion units for safety since the water heaters are planned for replacement. This additional work has not been accounted for.

Architect Miller Hanson is experienced and their fee proposal is reasonable. General Contractor is not selected. No apparent environmental concerns. Construction cost of $290,933 or TDC of $309,058 and $25,755/Unit is comparable to other rehabilitation projects proposed with similar work scope items.

Market and Community Review

Agency research and Community Profile data at the county level indicates a mid-percentile vacancy rating. This data at the census tract level also indicates a mid-percentile vacancy rating translating to a vacancy percentage rating at approximately 8 % for the tract. The applicant states that this SEMMCHRA-owned development is operating at zero % vacancy and has a standing waiting list of approximately 20 households. The applicant's pro forma is currently reflecting a 4% vacancy rate. "Actuals" operating reports from the owner indicate vacancy rates of approximately 2.8% ('13), 3.8% ('12), and 6.9% ('11). Budgeted vacancy rates for the property were 6% ('13), 6% ('12), and 8% ('11). M&O levels are trending a little low at $648/rm., however, historical "actuals" reports as provided by the applicant reflect per room M&O's at $641 ('13), $615 ('12), and $584 ('11). The Minnesota Housing does not have any comps available for this application. With income inclusive of county levy operating assistance, vacancy rate pro forma at 4% and M&O's at $648, trending income at 2% and expenses at 3%, the project carries a DCR at Y1 of approximately 1.06 increasing to approximately 1.24 at Y15 and cash flows between approximately $3,500 and $12,000 - Yrs.1 through 15 respectively. It is anticipated that the development should continue to be marketable with the improvements added per this RRDL scope of work. The development's current rent structure is set at levels at or below current FMR's. FMR's will continue to materially dictate the applicant's marketed rent levels as they currently have voucher based Section-8 on 6 of the 12 units. Lewiston's census tract is rated as mid percentile cost burdened, minimum gain for population growth and minimum gain for household growth. Although not high in walkability characteristics, Parkview Court is located within reasonable travel distance to a variety of services in the Lewiston and greater Winona area and has curb to curb dial a ride type transit services provided by Rolling Hills Transit serving Lewiston and its neighboring communities of Altura, St. Charles and Winona. There is also a bus that travels from Winona to Rochester daily, passing through Lewiston. Parkview Court is located within approximately 10 miles of the city of Winona, which is one of the major employment centers for the county. Lewiston's census tract is also ranked as a Top Job area by Minnesota Housing's community and market measures.

2014 RRDL Proposal Summary **Reviewer:** B. Porter **Date:** 8/5/2014
Application Date: 5/12/2014 **Recommended Amount: $**300,000

A. DEVELOPMENT INFORMATION:

Dev. #	Development Name	Development Address / City
3072	Uptown Apartments	301 Center Street NW, Silver Lake

App. #	# of Units	# Program Units
16738	12	12

# Rent Assisted Units / Type	Contract Expiration Date
10 /Rural Development 515	

Unit Type	Unit Count	Gross Rent	Rent Restriction
1BR	5	$518	80% AMI
2BR	7	$595	80% AMI
Total	12		
Target Households		General Occupancy	

Purpose of Proposal

Southwest Minnesota Housing Partnership is requesting RRDL funding of approximately $300,000 for the proposed moderate rehabilitation of the Uptown Apartments property in Silver Lake, McLeod county. The property consists of one 2 story/12-unit walk up building of slab on grade wood frame construction built in 1980. The building contains five 1 BR units and 7 2BR units. Parking is provided through 24 stalls of surface parking. The project targets health/safety, energy efficiency and accessibility improvements. The proposed scope encompasses roof replacement (threat of near future water intrusion due to product failure, RD concern), electrical upgrades, CO and smoke detectors, fire alarm system, parking/sidewalk repairs, door replacements (RD concern), accessibility improvements and various common area improvements. The TDC is proposed at approximately $300,000 [including appx. $274,000 rehab]. Uptown Apartments is a USDA Rural Development 515 property accompanied by RD rental assistance and an RD interest rate reduction payment (RD Interest Credit Agreement) of approximately $13,300.

B. EXISTING BORROWER INFORMATION:

Borrower	Entity Type (LP/LLC/ Nonprofit, etc.)	GP/Managing Member
Southwest Minnesota Housing Partnership	Nonprofit 501(c)(3)	Rick Goodemann/CEO

C. EXISTING FINANCING:

Program/ Source/ Lender	Original Principal Amount	Outstanding Balance	Financing Terms		Lien Priority
			%	*Maturity Date*	
USDA Rural Development	$154,525	$119,263	8.75%	02/28/29	1st
USDA Rural Development	$138,424	$125,119	6.13%	01/02/32	2nd
Celink	$57,000	$20,379	6.00%	01/07/18	3rd

D. PROPOSED NEW FINANCING:

Lender	Loan Amount	Financing Terms		Requested Lien Priority	Excess Fund Usage *(List Amount and purpose)*
		%	*Term (yrs)*		
Minnesota Housing RRDL	$300,000	0%	30	4th	

Additional Comments:
Uptown Apartments also annually receives a $13,300 interest rate reduction payment through Rural Development.

RRDL Proposal Feasibility

The application was put together in an acceptable fashion and the proposal has reasonable feasibility. The property is located in central Silver Lake approximately 8 miles east of Hutchinson. The property is a Rural Development 515 class property and was serving low-income elderly households through May of 2012. The operational stability of the property is somewhat fragile with limited cash flow potentials. With the RD structuring, it is not unusual for the property to be unable to generate the cash flows needed to fund rehabilitation needed to adequately maintain the property for the long term. The property is currently the only non-senior subsidized housing option in Silver Lake. In 2012 the property was re-characterized with RD approvals from elderly to family. Since then, property occupancy levels have improved. The property does show significant struggles prior to 2013. Through RD, the project carries long-term federal subsidies. It is important to complete the needed rehab so that the property can continue to operate in a more stable way providing housing to a vulnerable low-income rental population. The owner indicates that RD identified Uptown Apartments as one of its properties that, although not an immediate threat, could lose its RA contract permanently if the property fails to meet RD's standards. Allowed to deteriorate, the 10 units of RD rental assistance may be at risk of being lost. When they acquired the property in 2004, SWMHP was only able to make various general updates and repairs. Through the proposed improvements, the life of the property will be extended and stability of the RD 515 rental assistance will be preserved for the long term. Rent affordability currently provided to tenants is between 36% and 38% of AMI.

As a Condition to Agency approvals, the Owner and Minnesota Housing Architect must resolve to a Final RRDL Work Scope and Final RRDL project budget for the project, and the Owner must apply to Rural Development seeking re-amortization, interest rate reductions and term extensions of the lesser of 30 years or the maximum extension, not less than 10 years, Rural Development will approve for the two RD loans currently on the property.

Administrator/Owner Capacity

Owner/developer has good capacity and experience levels for the proposed rehab project. Ownership of the property is currently under the non-profit housing authority entity of the Southwest Minnesota Housing Partnership (SWMHP). The RRDL TDC for this project will be maintained below the $300,000 level to accommodate this ownership structure versus formation of a Single Asset Entity.

Physical and Technical Review

This property was constructed in 1980 and is near the main part of town and across the street from a park. Rehabilitation items identified include roof replacement, handicap accessibility upgrades, exterior doors and some HVAC equipment. Other items include entry sidewalk and stoop repair to correct tripping hazards, and select unit improvements. Clarify after selection, that refrigerator specified for accessibility is the best choice (top loaded verses side by side). Work scope proposed is validated with supporting pictures and the PNA submitted. Photographs show the asphalt shingle product failure and need for replacement. Other handicap accessibility and energy efficiency improvements are supported. Construction cost of $274,065 and TDC per unit of $25,126 is in the acceptable range for work proposed. Work Scope items meet our Limited Scope Sustainability requirements and specifications.

Architect is I & S Group who is experienced and their fees are reasonable. Contractor is to be determined.

Market and Community Review

Agency research and Community Profile data at the county level indicates an upper mid-percentile vacancy rating (40-60 percentile/8.3%). This data at the census tract level also indicates an upper mid-percentile vacancy rating translating to a vacancy percentage rating at approximately 8.3 % for the tract. Since May 2012, this SWMHP-owned development has operated at an average vacancy of approximately 10% year to date but is anticipating improved performance due to the RD project designation change from elderly to family for the RD 515 property. The applicant's pro forma reflects a 7% vacancy rate. "Actuals" operating reports from the owner indicate vacancy rates of approximately 20% ('13), 15% ('12), and 8% ('11). RD Budgeted vacancy rates for the property were 15% ('13), 10 ('12), and 10% ('11). Pro forma M&O levels are trending a low at $760/rm., however, historical "actuals" reports as provided by the applicant reflect RD budgeted per room M&O's at $808 ('13), $691 ('12), and $719 ('11). With income inclusive of RD interest reduction credit, vacancy rate pro forma at 10% and M&O's at $760, trending income at 2% and expenses at 3%, the project carries a DCR at Y1 of 1.05 decreasing to .095 at Y15, and cash flows beginning at $1,368 and declining to a negative cash flow at Y15 of <$1,528>. A DCR below 1.0 and negative cash flows begin at approximately Y11. The development's current rent structure is set at levels at or below current FMR's. FMR or lower rents will continue to materially dictate the applicant's marketed rent levels as long as they currently have the RD 515 structuring, budgeting controls and the accompanying RD rent assistance. Silver Lake's census tract is rated as upper mid- percentile cost burdened, moderate gain for population growth and moderate gain for household growth. Uptown's location is reasonably walkable. It is located within a half mile radius of a variety of schools and services. It is also within a reasonable travel distance to a variety of services in Hutchinson, and has a dial a ride type transit service provided by Trail Blaizer Transit serving McLeod and Sibley county. Hutchinson, approximately 8 miles west of Silver Lake is also an area offering moderate access to job opportunity in the area.

2014 RRDL Project Selection Summary **Reviewer:** Erin Coons **Date:** 8/5/2014
Application Date: 5/12/2014 **Recommended Amount:** $250,000

A. DEVELOPMENT INFORMATION:

Dev. #	Development Name	Development Address / City
6423	Braham Heights Apartments	204 – 215 5th St SW, Braham MN 55006

App. #	# of Units	# Program Units
M16739	12	12

Unit Type	Unit Count	Gross Rent	Rent Restriction
1BR	1	545	80% AMI
2BR	11	545	80% AMI
Total	12		
Target Households		Seniors	

# Rent Assisted Units / Type	Contract Expiration Date
12 / RD Rental Assistance	

Purpose of Proposal
Central Minnesota Housing Partnership is requesting RRDL funding of approximately $250,000 for the proposed moderate rehabilitation of the Braham Heights Apartments in Braham, located in Isanti County. The property consists of six 2 unit duplexes (12 unit's total), buildings are of wood frame construction built in 1975. Of the total 12 units there is one 1BR unit and eleven 2BR units. Each unit has its own private entrance and outdoor parking space (non-covered). The proposed scope encompasses parking lot, roof, window and door replacements. In addition the scope of work also includes the repair of one of the USDA RD units that currently isn't up to the standards required for occupancy. This unit was left damaged by the form occupant and has been vacant for some time.

B. EXISTING BORROWER INFORMATION:

Borrower	Entity Type (LP/LLC/ Nonprofit, etc.)	GP/Managing Member
Central Minnesota Housing Partnership	Nonprofit	

C. EXISTING FINANCING:

Program/ Source/ Lender	Original Principal Amount	Outstanding Balance	Financing Terms		Lien Priority
			%	*Maturity Date*	
USDA RD	$287,522.00	$245,002.00	7.25	7/15/2036	1
Minnesota Housing HOME	$152,945.00	$152,945.00	0	12/17/2039	2

D. PROPOSED NEW FINANCING:

Lender	Loan Amount	Financing Terms		Requested Lien Priority	Excess Fund Usage *(List Amount and purpose)*
		%	*Term (yrs)*		
Minnesota Housing RRDL	$250,000	0%	30	3rd	

Additional Comments:
The owner must apply to Rural Development seeking re-amortization, interest rate reductions and term extensions of the lesser of 30 years or the maximum extension, not less than 10 years.

RRDL Proposal Feasibility
The application was well put together and all information needed was given, the project shows great feasibility. Owner/developer has good capacity and experience levels for the proposed rehab project. The RRDL TDC for this project will be maintained below the $300,000 level at $250,000 with the owner providing an additional $900 to the project as the 5% of soft costs contribution. The scope of work is needed in order to continue the life of this housing development and to have in running and operating at full occupancy. Rural Development notes that they are in agreement with the scope of work for this project and are pleased to see that the uninhabited unit will finally be repaired. The property is currently not showing a positive cash flow but would if all units were rentable and occupied. Based on the proforma with a vacancy at 5% the property does cash flow. Rent affordability currently provided to tenants is between 43% and 49% of AMI so the property will be able to meet RRDL's rent and income restrictions with no change to the current households. All 12 units have rent assistance through Rural Development.

The Owner must apply to Rural Development seeking re-amortization, interest rate reductions and term extensions of the lesser of 30 years or the maximum extension, not less than 10 years, Rural Development will approve for the two RD loans currently on the property.

Administrator/Owner Capacity
Owner/developer has good capacity and experience levels for the proposed rehab project. The owner has worked as an administrator in the RRDL Program model and has routinely delivered on time and within budget projects. They presently have 18 building that they have developed with a total of 518 units in service. The mission of CMHP ties closely with MN Housings. They presently have three staff members who are focused on developing multifamily housing and are currently working on one other development project.

Physical and Technical Review
In general, the proposed scope of appears to reconcile with the needs of this 39 year old property. The "Estimated Age" of major elements in the PNAT suggests that most items were updated about 20 years ago. Proposed scope appears to address items with 0-5 years of "Effective Remaining Life" (ERL). There does not appear to be any environmental concerns such as LBP or ACM included. The age of the building would suggest environmental hazards are present. A Phase I ESA, Asbestos assessment, and/ or Lead-based Paint Inspection should be provided if the total loaned amount goes over $300,000. Each unit has its own exterior entry and own mechanical, water heater and electric service. There is not accessibility items included in the scope of work. Any reasonable requests for increased accessibility shall be included. Also, a general contractor shall be identified through negotiated contract or hard bid to multiple general contractors. Rural Development's notes regarding this project is that based on their last physical inspection the scope of work appears to be consistent with the items they had noted as being needed.

Market and Community Review
The property is located within a current RRDL Administrator jurisdiction. The site is also within 35 miles of a job center but not within an economic integration tract. The property is also within an area with low share of renters cost burdened, high vacancy rate, and very high rate of foreclosures. The overall vacancy rate in Braham has increased from 1.7% in 2010 to 5.2% in 2014. However Braham Heights apartments has had lower vacancy rates (with the exemption of the vacant unit/un-inhabitable that was damaged by the prior tenants pets) and there is a high need in the area of fixed income senior housing which this development is. The resident have access to the Heartland Express bus service which gives them access to the nearby City of Cambridge with further connections to the Twin Cities metro.

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Board Agenda Item: 7.C.
Attachment: Resolution

MINNESOTA HOUSING FINANCE AGENCY

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

RESOLUTION NO. MHFA 14-

RESOLUTION APPROVING LOAN COMMITMENTS
RENTAL REHABILIATION DEFERRED LOAN PILOT PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Minnesota Housing) has received applications to provide rehabilitation financing for multifamily rental housing developments serving persons and families of low and moderate income; and

WHEREAS, Minnesota Housing staff has reviewed the applications and determined that the applications are in compliance under Minnesota Housing's rules, regulations and policies; that such loans are not otherwise available, wholly or in part, from private lenders or other agencies upon equivalent terms and conditions; and that the applications will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Minnesota Housing staff to issue a commitment from appropriated funds to said applicants in the amounts and conditions set forth below:

1. **Uptown Apartments, Silver Lake**, a loan in the amount of $300,000; and

2. **Braham Heights Apartments, Braham**, a loan in the amount of $250,000; and

3. **Parkview Court, Lewiston**, a loan in the amount of $299, 058; and

4. The interest rate on each loan shall be 0 percent; and the maturity date of the loan shall be 30 years from the date of closing; and

5. Each loan is subject to entering into a loan commitment in form and substance acceptable to Minnesota Housing staff within 20 months from the adoption date of this Resolution and must be closed within 18 months of its respective loan commitment date; and

6. The administrator, the builder, the architect, the mortgagor, and such other parties shall execute all such documents relating to said loan, to the security therefore, to the construction and operation of the development, as Minnesota Housing, in its sole discretion, deems necessary.

Adopted this 28th day of August, 2014.

____
CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 7.D.
MINNESOTA HOUSING BOARD MEETING
August 28, 2014

ITEM: Amendments, Lower Sioux Indian Community Proposal, Community Homeownership Impact Fund

CONTACT: Luis Pereira, 651-296-8276, luis.pereira@state.mn.us
Tal Anderson, 651-296-2198, tal.anderson@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other:

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Approve amendments related to a commitment of funds for the Lower Sioux Indian Community (LSIC) Home Ownership Initiative Phase II, previously approved by the Minnesota Housing board under the 2013 Single Family Request for Proposals, and modified at the January 2014 board meeting.

FISCAL IMPACT:
None. Total funds awarded would remain at $435,600 (of which $39,600 would not be repaid to the Agency by the LSIC in 30 years).

MEETING AGENCY PRIORITIES:

☑ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Background

BACKGROUND

On November 7, 2013 Minnesota Housing's Board of Directors approved $435,600 for the Lower Sioux Indian Community (LSIC) Home Ownership Initiative Phase II, a Contract for Title program to allow four tribal member households earning up to 115% area median income (AMI) to purchase new modular units to be sited by the LSIC on existing lots in the community. The estimated hard costs for each unit was approximately $132,000. Each homeowner was expected to purchase a unit for $99,000, including a down payment of $1,000 and LSIC would fund the difference in the costs of construction. Additional program terms include an application fee, a 30-year contract for title that amortizes with a balloon payment at the end of five years, and a program interest rate based on a current market interest rate not to exceed 4%.

On January 23, 2014, Minnesota Housing's Board of Directors approved a modification of this award to permit the LSIC to receive $39,600 (of the $435,600 awarded) as an administrative fee for the program, as grant funds. This modification was approved in lieu of the LSIC retaining, as an administrative fee, a portion of the interest received on contracts for title, as originally proposed.

Minnesota Housing was approached by LSIC to amend the award terms, stating the following:

- LSIC no longer has the ability to fund the difference between the actual costs of each of the four units and the home owner's purchase price of $99,000.
- Development costs have risen above the initial estimated $132,000 per-unit hard construction costs included in the original application in July 2013 to$135,380.
- The original application was based on a modular home model that was subsequently determined to not meet the Green Communities criteria as required by Minnesota Housing. As an alternative, the LSIC proposes to use a stick-built home design which will require modifications to comply with the Green Communities criteria.
- LSIC has determined that it can build high-quality yet modest stick-built homes for approximately $135,380 per unit.

The proposed amendments to the terms of the award are as follows:

1) The construction type will change from modular units to stick-built units.
2) The number of units to be funded with Minnesota Housing's Deferred Loan Funds will decrease from 4 to 3.
3) A homeowner's purchase price of a unit will increase from $99,000 to $132,000 with the LSIC funding any construction costs that exceed $132,000. It is estimated that the construction cost of a unit will be $135,380.
4) Minnesota Housing's deferred loan funds used to support contracts for title for each of the three purchasing households will not exceed $132,000.
5) The down payment amount required for each homeowner will increase from $1,000 to 1% of the contract for title amount.

Because LSIC is targeting homebuyers earning between 80-115% of AMI, it is confident that this population will be able to afford the larger loan payment associated with the stick-built homes.

Other program terms contained in the Fund Availability, Disbursement and Loan/Grant Agreement with the LSIC will not change.

AGENDA ITEM: 7.E.
MINNESOTA HOUSING BOARD MEETING
August 28, 2014

ITEM: Affordable Housing Plan Amendment, Home Mortgage Programs

CONTACT: Kimberly Stuart, 651-296-9959
kim.stuart@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other:

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Due to strong program production, staff requests that the Board approve additional funding under the 2014 AHP for the Home Mortgage Programs.

FISCAL IMPACT:
The change increases net funding by $40 million for the Home Mortgage Programs under the 2014 AHP.

MEETING AGENCY PRIORITIES:

☑ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Summary of Recommended Amendment

SUMMARY OF RECOMMENDED AMENDMENT

The Home Mortgage Programs, which include Start Up, Step Up and MCC with First Mortgage, provide first mortgage financing to first time, repeat and refinance borrowers. After a slow start to the year, production picked up in April and remains strong. In fact, the programs experienced their highest ever July production. As a result, staff requests an increase to the AHP budget for the Home Mortgage Programs of $40 million, as outline in Table 1. The Agency uses a mix of Mortgage Revenue Bond and secondary market sales to fund the loans purchased under these programs.

Table 1: Summary of 2014 AHP Funding Changes

Program	Current AHP Allocation	Revised AHP Allocation	Change	Funding Source
Home Mortgage Programs	$376,000,000	$416,000,000	$40,000,000	MRB/TBA

In July, the board approved an additional $2,000,000 in funding for Monthly Payment Loan and $500,000 in funding for Deferred Payment Loan, the downpayment and closing cost loans that support the Home Mortgage Programs, which combined with the above increase, should bring us to the end of the program year.

AGENDA ITEM: 7.F.
MINNESOTA HOUSING BOARD MEETING
August 28, 2014

ITEM: Selections, Homeownership Education, Counseling and Training Fund

CONTACT: Tal Anderson, 651-296-2198, tal.anderson@state.mn.us
Ruth Hutchins, 651-297-3128, ruth.hutchins@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other:

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
The Homeownership Education, Counseling and Training (HECAT) Fund provides yearly financial support for comprehensive homebuyer training which may include education and counseling in a variety of areas, including: in-person homebuyer education and counseling (pre-purchase), home equity conversion counseling, and foreclosure prevention counseling.

Staff is hereby requesting Board approval of its funding recommendations for participants in the HECAT program.

FISCAL IMPACT:
HECAT funding recommendations are supported by the Affordable Housing Plan budget, state appropriations and committed co-funder leverage.

MEETING AGENCY PRIORITIES:

☑ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☑ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Background and Discussion
- 2014-2015 HECAT Proposal Recommended for Approval

BACKGROUND:
Minnesota Housing and its funding partners (Minnesota Home Ownership Center, the Greater Minnesota Housing Fund, and the Family Housing Fund) accepted proposals under the Homeownership Education, Counseling and Training Fund (HECAT) program on June 9, 2014.

The HECAT application and selection process supports organizations wishing to expand existing activities, services and partnerships, while recognizing the importance of supporting established organizations providing continuity of service.

The funding process supports efforts toward establishing and coordinating a statewide partnership delivery model for the continuum of services needed to promote successful and sustainable homeownership and awards organizations that demonstrate strong experience, leveraging ability and targeting efforts in accordance with the Agency's program outreach goals and strategic direction.

Proposal Review and Selection Process
HECAT proposals submitted to Minnesota Housing must address a number of criteria as established by the Minnesota statute governing the program. Specifically, proposals are reviewed and recommended pursuant to the following criteria:

- The extent to which there is an equitable geographic distribution of funds among program applicants.
- The prior experience of the applicant in administering and delivering specified comprehensive homebuyer training services.
- The reasonableness of the applicant's budget, including the applicant's ability to leverage other resources with program funds.
- The extent to which program services are targeted to low-income and/or emerging market populations.
- The credentials and/or certifications demonstrated by the applicant pertaining to the specific service(s) the applicant proposes to provide.

All proposals are initially reviewed and evaluated by both Minnesota Housing and Minnesota Home Ownership Center staff. Proposals are presented to a selection committee, which score proposals pursuant to the criteria summarized above. The selection committee was comprised of staff from Minnesota Housing, the Minnesota Home Ownership Center and the Greater Minnesota Housing Fund.

In an effort to assure equitable funding allocations, a tiered outputs-based performance model is used which reviews applicant past performance in relation to the number of households served by HECAT providers. The tiered funding model allows for some flexibility in funding award levels within specified ranges, based on performance within the range and overall strength of a specific organization's proposal.

DISCUSSION:
Recommended Selections
The total amount of funding available for the 2014-2015 HECAT year is approximately $1.5 million with contributions of $859,427 from Minnesota Housing and $650,000 from the Minnesota Home Ownership Center, the Greater Minnesota Housing Fund and the Family Housing Fund. Thirty-nine proposals were received this funding round requesting a maximum amount of just under $2.1 million.

Sixty-one percent of the funds are allocated for homebuyer counseling and homebuyer education and thirty-five percent for foreclosure counseling. Four percent of the funds are allocated for home equity conversion mortgage counseling.

In addition to HECAT, Minnesota Housing also funds foreclosure prevention counseling with federal funds from the National Foreclosure Mitigation and Counseling (NFMC) program. The additional NFMC funds ensure that foreclosure prevention counseling organizations have capacity to meet consumer demand for this counseling service. Funding through NFMC Round Eight was awarded in March 2014 for $768,858 and will run through December 31, 2014.

Final funding awards will be presented to awardees once the HECAT funding partners have obtained Board approvals in September. Awards are subject to grantee agreement to meet performance and service area expectations as outlined in individual funding contracts.

Selection Trends
Three organizations were added this year including African Economic Development Solutions serving the African immigrant population, Northside Residents Redevelopment Council with service availability in North Minneapolis and White Earth Investment Initiative serving the Native American communities.

The proposals selected for funding this round provide a full spectrum of comprehensive homebuyer training program services. Selected activities include 1) foreclosure prevention counseling; 2) in-person homebuyer education workshops in several languages; 3) individualized homebuyer counseling; and 4) home equity conversion counseling.

Foreclosure Prevention: The number of foreclosures affecting many areas of the state continues to heighten the awareness of foreclosure prevention counseling supported under HECAT. There were 11,834 foreclosures in Minnesota in 2013, a decrease of 34 percent from 2012.

While foreclosure most dramatically affects the borrower losing a home, neighborhoods impacted by concentrations of foreclosures are vulnerable to its social costs, including increases in boarded, vacant houses and declining home prices. In light of this trend, 19 providers are being recommended for $525,750 in HECAT funds to provide foreclosure counseling services.

Pre-purchase Education and Counseling: One of the best ways to prevent foreclosure is to assure that potential homebuyers have access to information to enable success in the first place. Minnesota is recognized as having the best infrastructure for homebuyer education and counseling in the country. The selection committee is committed to sustaining this infrastructure, and recommends funding 33 organizations with $927,180 in HECAT funding.

Home Equity Conversion Counseling (HECM): Home equity conversion loan options continue to grow slowly in acceptance. These loan programs, which require borrower counseling, are supported by two statewide counseling organizations which HECAT recommends funding in the amount of $56,497.

Emerging Markets: Minnesota has the largest disparity between homebuyers of color and white homebuyers. The funding recommendation includes ten organizations that provide services to emerging markets for in-person homebuyer education and counseling services.

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2014-2015 HECAT PROPOSALS RECOMMENDED FOR APPROVAL

			Funding Recommendation by Program			
PROVIDER	Amount Requested	Amount Recommended	Homebuyer Education	Homebuyer Counseling	Home Equity Conversion Counseling	Foreclosure Counseling
African Development Center	130,000	61,500	33,000	28,500		
African Economic Development Solutions	45,000	16,200	11,200	5,000		
African Families Development Network	67,000	23,000	16,000	7,000		
Anoka County Community Action Program, Inc.	65,000	52,100	15,000	17,100		20,000
Arrowhead Economic Opportunity Agency	136,437	55,300	17,600	13,000		24,700
Bi-County Community Action Programs, Inc.	30,899	10,000				10,000
Bii Gii Winn	12,000	11,300	5,000	6,300		
Carver County Community Development Agency	35,000	25,160	8,160	5,000		12,000
CCCS of The Village Family Service Center	35,000	35,000	17,500	17,500		
Central Minnesota Housing Partnership	35,000	25,000	20,000	5,000		
Communidades Latinas Unidas en Servivio (CLUES)	33,000	27,600	15,000	5,250		7,350
Community Action Duluth	35,000	33,400	18,400	15,000		
Community Action Partnership for Suburban Hennepin	145,000	85,800	42,000	28,800		15,000
Community Neighborhood Housing Services	85,000	85,000	30,000	30,000		25,000
Dakota County Community Development Agency	69,000	50,000	15,000	20,000		15,000
Headwaters Regional Development Commission	25,000	20,800	8,800	12,000		
Hmong American Partnership	12,000	9,000	4,000	5,000		
Housing and Redevelopment Authority - City of St Paul	23,000	19,950				19,950
Inter-County Community Council	10,000	8,400				8,400
KOOTASCA Community Action, Inc.	28,000	20,800	5,600	15,200		
Lao Assistance Center	8,461	8,461	3,461	5,000		
Lutheran Social Service of Minnesota	250,000	242,597			22,597	220,000
Mankato Economic Development Authority	10,457	10,457	10,457			
Model Cities Community Development Corporation	23,500	23,082	12,082	11,000		
Neighborhood Development Alliance	80,000	80,000	16,000	40,000		24,000
Northside Residents Redevelopment Council	15,000	15,000	15,000			
Northwest Community Action, Inc.	50,761	11,460	6,460	5,000		
One Roof Community Housing	50,000	42,100	25,000	17,100		
PRG, Inc.	133,500	103,200	46,000	45,200		12,000
Reverse Mortgage Counselors, Incorporated	40,000	33,900			33,900	
Rochester/Olmsted Community Housing Partnership	39,000	34,200	16,800	8,400		9,000
Scott County Community Development Agency	31,000	27,000	5,000	5,000		17,000
Southwest Minnesota Housing Partnership	41,000	18,600	10,200	8,400		

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2014-2015 HECAT PROPOSALS RECOMMENDED FOR APPROVAL

			Funding Recommendation by Program			
PROVIDER	Amount Requested	Amount Recommended	Homebuyer Education	Homebuyer Counseling	Home Equity Conversion Counseling	Foreclosure Counseling
Three Rivers Community Action Inc.	60,000	30,560	15,360	15,200		
Twin Cities Habitat for Humanity	35,000	34,200				34,200
Washington County HRA	62,000	53,600	12,000	15,000		26,600
West Central MN Communities Action, Inc.	30,000	23,400	5,500	9,450		8,450
White Earth Investment Initiative	15,000	15,000	7,500	7,500		
Wright County Community Action, Inc.	50,691	27,300	10,200			17,100
TOTALS:	**2,081,706**	**1,509,427**	**499,280**	**427,900**	**56,497**	**525,750**

2014-2015 HECAT RECOMMENDATION BY PROGRAM

PROGRAM	Dollar Amount	Percentage of Total Funds
Homebuyer Education	$499,280	33%
Homebuyer Counseling	$427,900	28%
Home Equity Conversion Counseling	$56,497	4%
Foreclosure Counseling	$525,750	35%
TOTALS:	**$1,509,427**	**100%**

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Minnesota Housing Finance Agency

AGENDA ITEM: 7.G.
MINNESOTA HOUSING BOARD MEETING
August 28, 2014

ITEM: Program Concept and Procedural Manual Changes, Deferred Payment Loan Plus Program

CONTACT: Kirsten Partenheimer, 651-296-8255
kirsten.partenheimer@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other:

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Approve the Program Concept for the Deferred Payment Loan Plus (DPL Plus) loan option available under the Deferred Payment Loan Program, changes to the Start Up Procedural Manual related to DPL Plus, and income limit increases for larger household sizes (four or more person households) to the Deferred Payment Loan Program.

FISCAL IMPACT:
Funding of $3.5 million is recommended for the Deferred Payment Loan Plus loan option in the 2014 Affordable Housing Plan.

MEETING AGENCY PRIORITIES:

☑ Promote and support successful homeownership ☐ Preserve federally-subsidized rental housing

☐ Address specific and critical needs in rental housing markets ☐ Prevent and end homelessness

☐ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- Background
- Start Up Program Procedural Manual

BACKGROUND:
Staff recommends offering a second downpayment assistance loan option available under the Deferred Payment Loan Program as a replacement to the HOME HELP program. The Deferred Payment Loan Plus (DPL Plus) option is designed to reach mission-targeted borrowers by providing a more streamlined downpayment loan structure to enhance and broaden lender and borrower access. It complements the regular Deferred Payment Loan option, which offers borrowers an interest-free deferred loan in an amount up to 5% of the purchase price or $5,000 (not to exceed $7,500). The maximum loan amount for DPL Plus is 10,000.

The HOME HELP program historically served the highest percentage of mission-rich borrowers among the three downpayment and closing cost loan programs, with 48% of loans made to households of color and Hispanic ethnicity and 55% to single-adult households with dependent children. However, federal funding requirements resulted in relative few transactions, with less than 25 loans originated monthly.

In the 2015 Affordable Housing Plan (AHP), staff recommends allocating $3.5 million in Pool 3 funding for the DPL Plus loan option replacing the use of federal funds previously used to administer HOME HELP (subject to Board approval of the AHP in September). The use of Pool 3 funds allows staff to develop a streamlined program with largely the same terms as the current Deferred Payment Loan option, with additional targeting criteria to reach underserved borrowers.

Deferred Payment Loan Plus
DPL Plus requires lenders to apply to use the program. Selection criteria focus on lender ability and willingness to reach targeted borrowers through an outreach and marketing plan with an annual performance evaluation for renewal.

Lenders approved for the program evaluate borrower need for additional downpayment, closing cost or principal write-down assistance. Borrowers who meet two of three eligibility requirements are eligible for up to $10,000.

Staff evaluated loan and borrower characteristics under the Start Up and three downpayment and closing cost loan programs to develop DPL Plus targeting criteria. DPL Plus borrowers must meet two of the following three criteria:

- Larger household size (four or more household members)
- Single adult-headed household with a dependent child
- Household with a minimum front-end housing ratio of 28%

In addition, staff are evaluating the legal feasibility of a fourth targeting criterion related to households with a household member with a disability. All targeting criteria must adhere to the Equal Protection Clause of the Constitution and the Fair Housing Act. Pending feasibility after legal review, staff recommends including this fourth target whereby eligible borrowers must meet two of the four criteria and will update the Procedural Manual accordingly.

Income Limit Recommendation – Deferred Payment Loan Program
Households of color and Hispanic ethnicity comprise a sizable share of larger household size (four or more persons) families served by Start Up, but a relatively small percentage of overall households served. Four or more person households comprise 20% of all first-time homebuyers served, with 49% households of color and Hispanic ethnicity.

We recommend increasing the income limits for the Deferred Payment Loan Program, which impact both the both the DPL and DPL Plus loan options, as follows:

HOUSEHOLD SIZE

	3		**4**		**5**		**6**	
Metro & Rochester	$60,000	(no change)	$66,500	(+6,500)	$72,000	(+7,200)	$77,000	(+7,400)
Statewide	$55,000	(no change)	$59,500	(+4,500)	$64,000	(+4,600)	$69,000	(+5,200)

	7		**8**		**9**		**10+**	
Metro & Rochester	$82,500	(+8,100)	$88,000	(+8,800)	$93,000	(+9,000)	$96,485	(+7,685)
Statewide	$73,500	(+5,300)	$78,500	(+5,900)	$83,000	(+6,000)	$84,985	(+3,585)

The income limits for the 1-3 person households remain the same at approximately 75% of Area Median Income (AMI) while the limits for four or more households increase to 80% of AMI. This change should open up program eligibility use for larger households, which should enhance program use among underserved populations.

Implementation Timeline

Staff anticipate accepting commitments under the DPL Plus program beginning on October 1, 2014, pending approval by Minnesota Housing's Board of Directors in September of the FY 2014 Affordable Housing Plan. As a result of HOME HELP's federal requirements, there will be approximately a one month gap when HOME HELP loan commitments are not accepted prior to the availability of DPL Plus commitments. During this interim period, staff will conditionally accept applications from interested DPL Plus lenders for an October 1, 2014 launch. The DPL program continues to be available for all income-eligible borrowers.

Introduction

Mission Statement
Minnesota Housing finances affordable housing for low- and moderate-income households while fostering strong communities.

Background
The Minnesota Housing Finance Agency ("Minnesota Housing") was created in 1971 by the Minnesota Legislature.

Minnesota Housing offers programs funded with mortgage revenue bonds ("MRB") to finance the purchase of new and existing homes by low- and moderate-income Borrowers. Under the Mortgage Backed Securities ("MBS") MRB Program, the Master Servicer purchases closed loans originated by private lenders under prescribed program requirements.

Minnesota Housing also provides financial assistance to potential Borrowers who need downpayment and closing cost loans to make homeownership possible.

Procedural Manual
This Procedural Manual sets forth for lenders the terms and conditions under which the Master Servicer will purchase mortgages under Minnesota Housing's Start Up and downpayment and closing cost loan programs.

Mortgage Revenue Bond Programs
Start Up Program. The Start Up Program offers low-interest loans throughout Minnesota to low- and moderate-income, first-time homebuyer Borrowers through local participating lenders.

Downpayment and Closing Cost Loans
Deferred Payment Loan Program (see Chapter 5). Deferred payment loans assist Borrowers with downpayment and/or closing costs with interest-free deferred loans.

Monthly Payment Loan (see Chapter 5). The Monthly Payment Loan provides an amortizing loan with an interest rate equal to the first mortgage to assist Borrowers with downpayment and closing costs.

~~**HOME Homeowner Entry Loan Program (see HOME HELP Manual).** HOME Homeowner Entry Loan Program (HOME HELP) uses federal HOME dollars to bridge affordability gaps and promote successful homeownership by providing downpayment and closing cost loans to eligible Borrowers.~~

Chapter 5 – Downpayment and Closing Cost Loans

The downpayment and closing cost loan options available with Start Up include the Deferred Payment Loan, the Deferred Payment Loan Plus, and the Monthly Payment Loan ~~and HOME HELP~~. The three options provide assistance to pay for eligible expenses including downpayment and customary buyer closing costs.

5.01 Deferred Payment Loan Program

~~Deferred Payment Loans:~~

- ~~Provide assistance to pay for eligible Borrower expenses including downpayment and customary closing costs;~~
- ~~Are available only in increments of $100 up to the greater of 5% of the purchase price (rounded up to the nearest $100), or $5,000;~~
- ~~The maximum loan amount cannot exceed $7,500;~~
- ~~Are available only in conjunction with a first mortgage loan purchased by the Master Servicer under a Minnesota Housing Mortgage Revenue Bond program; and~~
- ~~Are permitted in conjunction with the Fannie Mae HFA Preferred Risk Sharing™ product.~~

The two Deferred Payment loan options available are:

- Deferred Payment Loan
- Deferred Payment Loan Plus

The Deferred Payment Loan Program provides assistance to pay for eligible expenses, including downpayment and customary buyer closing costs. The Deferred Payment Loan and the Deferred Payment Loan Plus:

- Are available only in conjunction with a first mortgage loan purchased by the Master Servicer under a Minnesota Housing Mortgage Revenue Bond (MRB) program;
- May be combined only with Minnesota Housing First-Time Homebuyer loan products with a 30-year term;
- FHA 203K Streamlined Purchases are available in increments of $100 up to the maximum loan amount. Loan amounts are rounded up to the nearest $100;
- Are a junior lien;
- Must be paid in full when, among other things:
  - The maturity date of the Deferred Payment is reached,
  - The property is sold or transferred,
  - The first mortgage is paid in full, upon a refinancing or otherwise, or

  - o The first mortgage is in default or is declared to be due and payable in full.
- Are permitted in conjunction with the Fannie Mae HFA Preferred Risk Sharing product; and
- Cannot be assumed.

The **Deferred Payment Loan** is available in increments of $100 up to the greater of 5% of the purchase price or $5,000 ($7,500 maximum loan). Loan amounts are rounded up to the nearest $100.

The **Deferred Payment Loan Plus**:

- Is available to lenders approved under the Deferred Payment Loan Plus program;
- Is available in increments of $100 up to $10,000 ($10,000 maximum loan). Loan amounts are rounded up to the nearest $100; and
- May be used for principal write-down in addition to downpayment and customary buyer closing costs.

5.02 Deferred Payment Loan Program Borrower Eligibility

Borrower maximum income to be eligible for the Deferred Payment Loan Program is indexed to area median income (AMI) and tiered by household size (see Deferred Payment Loan Program Income Limits on Minnesota Housing's website).

In addition to the Borrower Eligibility requirements in Chapter 2, eligible borrowers must demonstrate two of the following conditions, if using the **Deferred Payment Loan Plus**:

- Single-audit household with one or more dependent children;
- Household size of four or more household members;
- Minimum front-end housing ratio of 28%; or
- Household includes a household member with a disability.

Homebuyer Education. Homebuyer Education is required for all Borrowers who receive a loan under the Deferred Payment Loan~~s~~ Program.

Homebuyer education may be delivered either by instructors trained under Home Stretch or NeighborWorks® America in a classroom setting or via the Minnesota Home Ownership Center's Framework, an online home buyer education platform. Homebuyer education must be completed prior to closing.

The above noted requirements will be satisfied when at least one Borrower per household provides a certificate of completion.

Cash Investment. A minimum cash investment of the lesser of 1% of the purchase price or $1,000, including prepaids, is required. The cash investment must come from the Borrower's assets and may not be a gift, grant, loan or sweat equity contribution.

Asset Limit. A Borrower's liquid assets after closing are limited to the greater of eight months principal, interest, taxes, and insurance or $8,000.

Cash to the Borrower at Closing. Borrowers may receive cash back at closing only when all of the following criteria apply:

- The cash to the Borrower at closing represents a refund of dollars paid outside of closing ~~is~~ and is reflected on the HUD-1 Settlement Statement;
- The cash to the Borrower at closing does not compromise the Borrower's minimum cash investment requirement; and
- The underlying first mortgage product and the insurer/guarantor allow the refund.

~~5.03 Deferred Payment Loan Requirements~~

- ~~Deferred Payment loans may be combined only with Minnesota Housing First-Time Homebuyer loan products with a 30-year term;~~
- ~~The Deferred Payment Loan may be originated with the HFA Preferred Risk Sharing Product;~~
- ~~The Borrower(s) must repay the loan in full when, among other things:~~
  - ~~The maturity date of the Deferred Payment loan is reached~~
  - ~~The property is sold or transferred~~
  - ~~The first mortgage is paid in full, upon a refinancing or otherwise, or~~
  - ~~The first mortgage is in default or becomes or is declared to be due and payable in full.~~
- ~~The Deferred Payment Loan is a junior lien; and~~
- ~~A Deferred Payment Loan cannot be assumed.~~

5.~~04~~03 Deferred Payment Loan Program Lender Warranties

In addition to the warranties stated in Section 1.07, Lender warrants the following:

- Borrower's cash investment is paid from Borrower's out of pocket funds;
- Borrower's liquid asset reserves after closing are not more than the greater of ~~8~~ eight months' PITI or $8,000; and
- Deferred Payment Loan Program monies received by Borrower(s) are being applied to the transaction and verified through the HUD-1 closing statement.

5.~~05~~04 Monthly Payment Loans

Monthly Payment Loans provide assistance to pay for eligible expenses, including downpayment and customary buyer closing costs. Monthly Payment Loans:

- Are available only in conjunction with a Minnesota Housing first mortgage loan;
- Are available in increments of $100 up to the greater of 5% of the purchase price (rounded up to the nearest $100), or $5,000;
- FHA 203K Streamlined Purchases are available in increments of $100 up to the greater of 5% of the purchase price plus the cost of repairs (rounded up to the nearest $100), or $5,000;
- Must occupy second lien position when combined with a non-Minnesota Housing Community Second Mortgage;
- Have an interest rate equal to that of the first mortgage;
- Are fully amortizing and are payable in level monthly payments over a 10-year term;
- Are due on the first of each month, beginning with the due date of the initial monthly payment for the first mortgage;
- Must be paid in full upon:
    - Sale or refinance of the property,
    - Transfer of title to the property,
    - Payment in full of the first mortgage at maturity, or
    - The first mortgage is declared due and payable whether through default or other event; and
- May be originated with the HFA Preferred Risk Sharing Product™; and
- May not be assumed.

5.~~06~~05 Monthly Payment Loan Borrower Eligibility

Borrowers must satisfy all Start Up eligibility requirements as well as the following additional requirements for the Monthly Payment Loan.

Income Limits. Start Up income limits apply to Monthly Payment Loan Borrowers.

Homebuyer Education. Homebuyer Education is required for all Borrowers who receive Monthly Payment Loans.

Homebuyer education may be delivered either by instructors trained under Home Stretch or NeighborWorks® America in a classroom setting or via the Minnesota Home Ownership

Center's Framework, an online home buyer education platform. Homebuyer education must be completed prior to closing.
The above noted requirements will be satisfied when at least one Borrower per household provides a certificate of completion.

Cash Investment. A minimum cash investment of the lesser of 1% of the purchase price or $1,000, including prepaids, is required. The cash investment must come from the Borrower's assets and may not be a gift, grant, loan or sweat equity contribution.

Asset Limit. Monthly Payment Loans have no asset limit.

Cash to the Borrower at Closing. Borrowers may receive cash back at closing only when all of the following criteria apply:

- The cash to the Borrower at closing represents a refund of dollars paid outside of closing is and reflected on the HUD-1 Settlement Statement;
- The cash to the Borrower at closing does not compromise the Borrower's minimum cash investment requirement; and
- The underlying first mortgage product and the insurer/guarantor allow the refund.

5.~~07~~06 Monthly Payment Loan Lender Warranties

In addition to the warranties stated in Section 1.07, the Lender warrants the following:

- Borrower's cash investment is paid from Borrower's own funds; and
- Funds received by the Borrower(s) are being applied to the transaction and verified through the HUD-1 closing statement.

5.~~08~~07 Housing Choice Voucher (HCV) Homeownership Program

The HCV Homeownership Program allows HUD Section 8 recipients to use their voucher subsidy to meet monthly homeownership expenses. Lenders originating HCV Homeownership loans must:

- Complete the US Bank Home Mortgage MRBP Section 8 Homeownership Subsidy Program Agreement and Home Choice/Section 8 Contract Information Form; and
- Service the loans prior to purchase by the Master Servicer in compliance with this Procedural Manual. This involves collecting a portion of the monthly payment from the Borrower(s) and a portion of the monthly payment from the public housing authority.

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AGENDA ITEM: 8.A
MINNESOTA HOUSING BOARD MEETING
August 28, 2014

ITEM: 2014 Affordable Housing Plan and 2013-15 Strategic Plan: Third Quarter Progress Report

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

REQUEST:

☐ Approval ☑ Discussion ☑ Information

TYPE(S):

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

☐ Other: ______________________________

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
Staff has attached for your review the third quarter progress report for the 2014 Affordable Housing Plan and the 2013-15 Strategic Plan.

FISCAL IMPACT:
None

MEETING AGENCY PRIORITIES:

☑ Promote and support successful homeownership ☑ Preserve federally-subsidized rental housing

☑ Address specific and critical needs in rental housing markets ☑ Prevent and end homelessness

☑ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- 2014 Affordable Housing Plan and 2013-15 Strategic Plan: Third Quarter Progress Report

2014 Affordable Housing Plan and 2013-15 Strategic Plan Third Quarter Progress Report

(October 1, 2013 – September 30, 2014)

August, 2014

Overview of Progress

Tables 1-3 summarize the Agency's activities through the third quarter of the 2014 Affordable Housing Plan (AHP). Overall, program activity is progressing as expected with the Agency distributing 74% of the AHP funds in the first three quarters. Pipeline programs that provide financing throughout the year should have committed roughly 75% of their funds and achieved 75% of the production goal. RFP programs that have already committed their funds for the year should be near 100%. Of special note:

- After a slower than expected start, single-family first mortgage production saw sizable increases in production this summer.

- After struggling the last few years, single-family home improvement activity has had a very strong year.

- Production for new rental construction was particularly strong under November's RFP and tax credit selections, which is needed with the low vacancies rates in the rental market. This is offset by a smaller share of rental production funding going to rehabilitation than we have seen in recent years. With the Agency's preservation pilot that directs PARIF and HARP funds to high priority preservation projects on a pipeline basis, rehabilitation production has the potential to increase during the last quarter.

- Asset Management production is below the 75% benchmark but is showing an improvement over last year.

Changes to 2014 AHP Funding Levels

Table 4 at the end of this document lists the changes in the 2014 AHP funding levels that have been implemented either by staff through delegated authority or by the Board through AHP amendments.

Table 1: Production (Units with Funding Commitments), Programmatic, and Financial Indicators

Quarter 3 of 2014 AHP (75% through AHP)

	Original AHP Forecast	Actual To-Date	Portion of AHP Forecast Completed
Single Family Production – Homes			
1. First Mortgages (Net Commitments)	2,844	2,050	72%
2. Other Opportunities*	287	251	87%
3. Owner-Occupied Home Improvement/Rehabilitation	1,196	1,183	99%
4. Total	*4,327*	*3,484*	*81%*
Homebuyer Education, Counseling and Training - Households			
5. Education, Counseling, and Training (HECAT)*	12,567	7,556	60%
Multifamily Production – Rental Units			
6. New Rental Construction	544	777	143%
7. Rental Rehabilitation	1,974	1,705	86%
8. Asset Management	433	212	49%
9. Total	*2,951*	*2,694*	*91%*
Rental Assistance and Operating Subsidies - Households			
10. Agency Funded Rental Assistance and Operating Subsidies*	3,565	3,740	105%
11. Section 8 and 236 Contracts	31,485	31,411	100%
12. Total	*35,050*	*35,151*	*100%*
Homeless Prevention			
13. Family Homeless Prevention and Assistance Program (FHPAP)* & Housing Opportunities for Persons with AIDS (HOPWA)	9,977	Current numbers not available	Not Available
Build Sustainable Housing			
14. Percentage of New Construction or Rehabilitation Units that Meet Sustainable Design Criteria:			
a. Single Family	50%	45%	**
b. Multifamily	100%	93%	**
Address Foreclosures			
15. Homes/Units Acquired	415	547	132%
Increase Emerging Market Homeownership			
16. Percentage of Mortgages Going to Households of Color or Hispanic Ethnicity	22%	24%	**
Earn Revenue to Sustain Agency and Fund Pool 3			
17. Return on Net Assets – State Fiscal Year 2014***	$19.4 million	$28.7 million	**
18. Annualized Return on Net Assets (%) – State Fiscal Year 2014***	2.7%	4.2%	**

* Funds for Habitat for Humanity, HECAT, multifamily rent assistance and operating subsidies, and FHPAP are committed by the Board in July-September, at the end of an AHP. Thus, funds committed under the 2013 AHP (in July-September 2013) fund program activity in 2014 (October 1, 2013 to September 30, 2014). To reflect 2014 program activity for these programs, this table shows the households supported in 2014 with 2013 AHP funds. For all other programs, the table shows the households and housing units supported by funds provided in the 2014 AHP.

** Not Applicable.

*** Minnesota Housing does not forecast return on net assets. The figure in the forecast column is the return achieved in the previous state fiscal year (2013) and is provided as a point of reference. The figures for 2014 are unaudited and will not be finalized until August 28, 2014.

Table 2: Distribution of Resources
Quarter 2 of 2014 AHP (50% through AHP)

	AHP Forecast	Actual To-Date
19. Percentage of Original Funds Committed Under the AHP	95%	74%

Table 3: Management of Loan Assets
Quarter 2 of 2014 AHP (50% through AHP)

	AHP Forecast	Actual To-Date
20. Delinquency Rate for Combined Whole Loan & MBS Single-Family Portfolio (Feb. 28, 2014)	3.11%*	5.91%**
21. Foreclosure Rate for Combined Whole Loan & MBS Single-Family Portfolio (Feb. 28, 2014)	0.71%*	1.18%**
22. Percentage of Multifamily Developments with Amortizing Loan on Watch List	Under 10%	8%
23. Percentage of Outstanding Multifamily Loan Balances on Watch List	Under 10%	4%

* This is benchmark, rather than a forecast, and it is based on a Minnesota Housing analysis of all mortgages in the state as reported by the Mortgage Bankers Association. The benchmark applies to the March 31, 2014.
**The information presented is on an Agency-wide basis and includes both whole loan and MBS production as part of the loan portfolio. As such, the information is not directly relevant to the security of any bonds of the Agency and should not be relied upon for that purpose. The Agency publishes separate disclosure reports for each of its bond resolutions. Due to a change in USBank reporting, delinquency and foreclosure rates for MBS loans are unavailable for June 2014. The values shown for MBS and Whole reflect the portfolio status as of February 2014.

Discussion of Items for Tables 1-3

- **Line 1:** After a slow start, lending volume for single-family first mortgages has increased significantly this summer. Because of the strong production, staff will be seeking at the August Board meeting additional funds to finance single-family first mortgages.

- **Line 2:** Production for other housing opportunities is progressing largely as expected. The Community Homeownership Impact Fund completed a successful selection process, achieving 70% of the forecast under this activity. The number of homes receiving funds was a little less than expected because funding per home was about 20% higher than forecasted, which limited production with available funding. Production for other programs under this activity will increase over the year as the Agency continues to support the Twin Cities Community Land Bank with a revolving line of credit and Habitat Humanity.

- **Line 3:** Overall, owner-occupied home improvement/rehabilitation is experiencing strong production compared with the forecast. All three programs (Fix-Up Fund, owner-occupied rehabilitation funded under the Impact Fund, and Rehabilitation Loan Program) are above expected production for this time of year.

- **Line 4:** Overall, production in the Single Family – Homes category is on track.

- **Line 5:** Production for the HECAT program is a little slow (60% of year-end forecast). With the subsiding foreclosure crisis, the demand for foreclosure counseling is diminishing.

- **Line 6**: Funding of new rental construction units has been very strong, with unit production exceeding the year-end forecast. With the completion of the RFP and tax credit selections in November, additional production will be limited.

- **Line 7:** Offsetting strong production for new construction has been more limited production for rehabilitation. A smaller share of funding under the RFP and tax credit selection process went to rehabilitation than the Agency has experienced in the last few years, with a larger share going to new construction. With the preservation pilot that will direct PARIF and HOME HARP funds to high priority preservation projects on a pipeline basis, rehabilitation production has the potential to increase over the last quarter.

- **Line 8:** By achieving 49% of the year-end forecast, asset management production is behind the forecast at the third quarter mark. However, the production level is an improvement over last year.

- **Line 9:** In aggregate, rental production is on track.

- **Line 10:** With respect to Agency financed rental assistance and operating subsidies, production is right on track. These households will continue to receive support through the rest of the year.

- **Line 11:** Section 8 and 236 contract administration is performing as expected. These project-based units will continue to receive support through the rest of the year.

- **Line 12:** Overall rent assistance and operating subsidy production (federal and state) is right on track.

- **Line 13:** Assistance provided under FHPAP is performing as expected. While production numbers through June 30, 2014 are not yet available, 4,415 households had been assisted through March 31, 2014.

- **Line 14:** The majority of Minnesota Housing's production meets sustainable design criteria.

  On the single-family side, all of the homes receiving funds under the Community Homeownership Impact Fund for new construction or rehabilitation meet the standard. However, the Fix-Up Fund (FUF) home improvement program is market driven, and borrowers are not required to follow sustainable design criteria in their home improvement efforts. Thus, the single-family percentage is less than 100%. Very strong FUF production has reduced this percentage below the forecast of 50%.

  Typically, the multifamily percentage is very close to 100%. One project selected for funding in November (St. Anne's Senior Housing) is an acquisition deal with no rehabilitation and is exempt from the sustainable design criteria. Another development (Seaway) is a disaster relief project and only needs to meet limited scope sustainability, not the full Green Communities criteria.

- **Line 15:** The Agency has exceeded the forecasted level for acquiring foreclosed homes and rental units.

- **Line 16:** The Agency continues to meet its goal of lending to communities of color or Hispanic ethnicity. The Agency estimates that 20% to 26% of renter households that are income eligible for Minnesota Housing first mortgages are from a community of color or Hispanic ethnicity. The achievement of 24% indicates that the Agency has no disparities in its lending, which is a challenge in the current credit and regulatory environment.

- **Lines 17 and 18:** The return on net assets in state fiscal year 2014 is higher than in 2013. The figures for 2014 are unaudited and will not be finalized until August 28, 2014.

- **Line 19:** The Agency is generally on schedule for distributing its resources, with 74% of the funds committed through the third quarter of 2014.

- **Lines 20-21:** This information is out of date. Due to a change in US Bank reporting, delinquency and foreclosure rates for MBS loans are unavailable for June 2014. USBank has concerns about reporting to the Minnesota Housing the performance of loans that the Agency has sold on the secondary market. Agency staff are working with USBank to create a solution, which will allow Minnesota Housing to track and report the performance of all loans that were originated under one of its programs.

  The values shown for MBS and Whole reflect the portfolio status as of February 2014.

  The reported delinquency rate (5.91%) for single family first mortgages (whole loan and MBS) is higher than the market-wide benchmark for Minnesota (3.11%). However, this is an improvement from the December 2013 rate, which was 6.75%. The Agency's foreclosure rate is also higher than the benchmark.

- **Line 22-23**: The Agency is meeting its goal for minimizing the number and share of loans on its multifamily watch list.

Table 4 - Funding Changes since the Start of the 2014 AHP

	Original 2014 AHP	Change in Estimated Un-committed Balances or Re-payments	Change in Federal Appro-priations	10% Adjustment under Delegation Authority	Board Approved Amend-ments	Revised 2014 AHP	Funding Source
Homebuyer and Home Refinance							
Home Mortgage Loans*	$376,000,000	$0	$0	$0	$40,000,000	$416,000,000	Bonds and Mortgage Capital
Deferred Payment Loans	$4,000,000	$1,232,295	$0	$0	$500,000	$5,732,295	State and Pool 3
Monthly Payment Loans	$7,000,000	$0	$0	$700,000	$2,000,000	$9,700,000	Pool 2
HOME HELP	$3,400,000	$0	$0	$0	-$600,000	$2,800,000	Federal
Homebuyer Education, Counseling & Training	$1,316,000	$135,000	$768,858	$0	$0	$2,219,858	State and Federal
Enhance Homeownership Capacity	$500,000	$0	$0	$0	$150,000	$650,000	Pool 3
Home Improvement							
Home Improvement Loan Program	$13,830,000	$0	$0	$0	$3,075,000	$16,905,000	Pool 2 and Pool 3
Rehabilitation Loan Program	$6,600,000	$1,851,437	$0	$0	$0	$8,451,437	State
Rental Production							
Low and Moderate Income Rental	$40,000,000	$0	$0	$0	$11,000,000	$51,000,000	Pool 2 and Bonds
Flexible Financing for Capital Costs	$4,500,000	$0	$0	$0	$800,000	$5,300,000	Pool 3
Low Income Housing Tax Credits	$8,201,743	$181,984	$0	$0	$0	$8,383,727	Federal
HOME HARP	$7,380,869	$3,846,856	$407,230	$0	$600,000	$12,234,955	Federal
PARIF	$12,722,070	$219,347	$0	$0	$0	$12,941,417	State
Publicly Owned-Housing Program	$58,281	$139,258	$0	$0	$0	$197,539	State
Rental Rehab Deferred Loan	$3,138,000	$118,176	$0	$0	$3,137,000	$6,393,176	State
Rental Rehab Loan	$0	$0	$0	$0	$200,000	$200,000	Pool 2
Resources to Prevent and End Homelessness							
Housing Trust Fund	$3,935,134	-$340,805	$0	$0	$700,000	$4,294,329	State
Bridges	$400,000	$258,221	$0	$0	$0	$658,221	State
Family Homeless Prevention and Assist.	$0	$100,245	$0	$0	$0	$100,245	State
HOPWA	$139,245	$0	$8,334	$0	$0	$147,579	Federal

	Original 2014 AHP	Change in Estimated Un-committed Balances or Re-payments	Change in Federal Appro-priations	10% Adjustment under Delegation Authority	Board Approved Amend-ments	Revised 2014 AHP	Funding Source
Multiple Use Resources							
Economic Development and Housing/Challenge	$17,327,907	$1,405,479	$0	$0	$0	$18,733,386	State
EDHC - Housing Infrastructure Bonds	$0	$585,347	$0	$0	$0	$585,347	State
Technical Assistance and Operating Support	$2,740,920	$534,996	$0	$0	$0	$3,275,916	State and Pool 3
Strategic Priority Contingency Fund	$2,000,000	$0	$0	$0	-$1,525,000	$475,000	Pool 3
Other							
HOME Admin. Expenses	$592,222	$0	$45,248	$0	$0	$637,470	Federal
Manufactured Home Relocation Trust Fund	$1,279,536	-$65,842	$0	$0	$0	$1,213,694	State
Disaster Relief Contingency Fund	$1,719,357	$144,448	$0	$0	$0	$1,863,805	State
	$518,781,284	**$10,346,442**	**$1,229,670**	**$700,000**	**$60,037,000**	**$591,094,396**	
*The $40 million increase is contingent on Board approval at the August 28, 2014 meeting							

Table 4 shows the funding changes to the 2014 AHP since it was first approved by the Board in September 2013.

- The first column lists the programs with a change.
- The next column shows the funding level originally approved under the 2014 AHP.
- The table then shows the changes in the estimated loan repayments or uncommitted balances that carried forward between the 2013 and 2014 AHPs. The original 2014 AHP was approved before the 2013 AHP finished, and the carry forward amounts were estimates, not final numbers. In addition, if loan repayments are lower or higher than expected, funding levels change. Staff made these changes to the AHP using authority delegated by the Board.
- The federal government did not finalize its 2014 appropriations until after the 2014 AHP started. Table 4 reflects the changes to the funding levels from the amount originally estimated. Staff made these changes to the AHP funding levels using authority delegated by the Board.
- The Board has delegated staff the authority to increase funding from Pool 2 or bond resources by 10%, if funds are needed and available. This column reflects changes made using this authority.
- The next column shows the funding changes that the Board made to the 2014 AHP through amendments.
- The last two columns show the revised funding levels and the source of the funding.

Minnesota Housing Finance Agency

AGENDA ITEM: 8.B
MINNESOTA HOUSING BOARD MEETING
August 28, 2014

ITEM: Draft 2015 Affordable Housing Plan

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

REQUEST:

☐ Approval ☑ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________________

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
Staff has attached for your review a draft of the 2015 Affordable Housing Plan (AHP). In the draft, staff recommends a $947 million program budget for 2015, which will assist an estimated 67,000 housing units or households. The final 2015 AHP will be brought to the Board for approval at the September 25, 2014 meeting.

FISCAL IMPACT:
None. This is a discussion item.

MEETING AGENCY PRIORITIES:

☑ Promote and support successful homeownership ☑ Preserve federally-subsidized rental housing

☑ Address specific and critical needs in rental housing markets ☑ Prevent and end homelessness

☑ Prevent foreclosures and support community recovery ☐ Strengthening Organizational Capacity

ATTACHMENT(S):
- 2015 Draft Affordable Housing Plan

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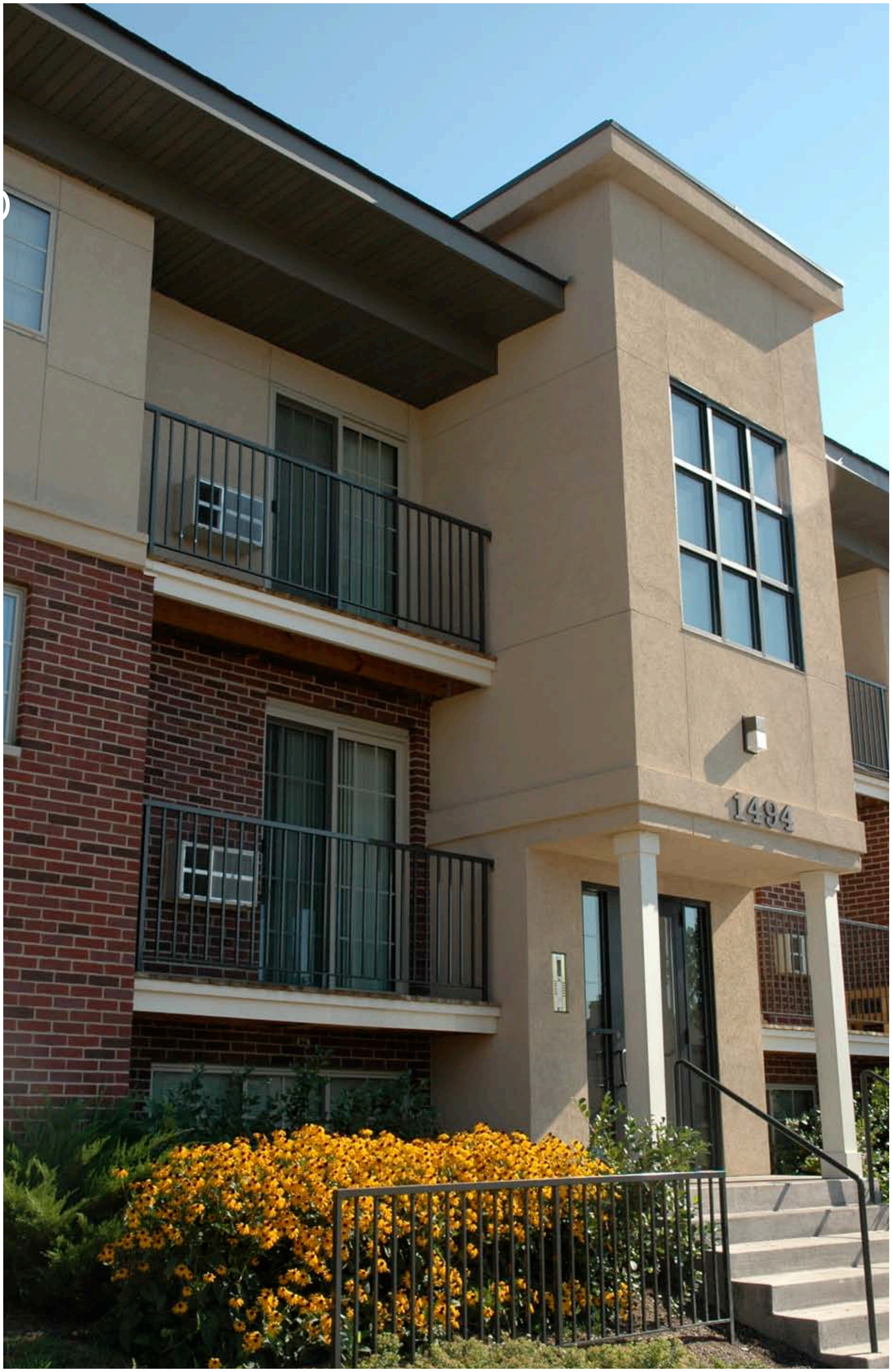
Minnesota Housing Finance Agency

2015 Draft Affordable Housing Plan



DRAFT - 2015 Affordable Housing Plan

Executive Summary

The 2015 Affordable Housing Plan (AHP) is the annual business plan for the work of Minnesota Housing for the upcoming year. It outlines program and policy initiatives, specifies program-by-program funding, and establishes lending production goals and rental assistance and development expectations. The plan allocates $947 million of federal, state, and agency resources, which will assist approximately 67,000 households. We developed the plan based on our strategic priorities, themes that have emerged from carrying out our last AHP, market conditions, and feedback from staff and stakeholders.

As we implement this plan, we will maximize our impact by collaborating with our partners and other state agencies. We will offer a range of housing choices and emphasize stable housing as a platform for success for all Minnesotans. We will invest our resources in ways that advance equity and create housing opportunities for people of all races, ethnicities, and abilities in communities across the state. We will remain committed to envisioning housing as an essential piece of healthy and thriving communities of opportunity.

Strategic Priorities

Our strategic priorities, as established in our 2013-2015 Strategic Plan, are:

- Promoting and supporting successful homeownership
- Preventing foreclosures and supporting community recovery
- Addressing specific and critical needs in rental housing markets
- Preserving federally subsidized rental housing
- Preventing and ending homelessness

To successfully achieve these priorities, we have become more nimble as an organization and more flexible in adapting our programs to meet evolving housing needs. Table 1 shows the expected change in housing assistance resulting from our efforts in five key program areas, which has been supported by a recovering economy and housing market. We have seen significant growth in assistance in four of the five areas. The decline is occurring in education and counseling, which is a positive outcome because it reflects a declining need for foreclosure counseling.

Table 1: Number of Unit/Households Assisted - Key Program Areas

	2012	2015	Change
Homeownership/Refinance	2,328	3,003	675
Homebuyer/Homeowner Education/Counseling	14,931	10,500	-4,431
Home Improvement Loans	845	1,561	716
Rental Production	2,668	6,024	3,356
Agency Rental and Operating Assistance*	2,404	3,459	1,055

* 2012 was a low year. A more typical annual number for 2010-2013 was 2,900.

Background

Minnesota Housing has evolved to better meet the growing need for affordable housing in three major phases beginning with: 1) significant program changes in the 2013 AHP; 2) adjusting and refining programs under the 2014 AHP to better serve specific populations and communities that face barriers to affordable housing; and 3) maximizing our impact in the 2015 AHP.

2013 AHP – Phase One: Significant program changes

- **Added new financing tools**
  - Selling tax-exempt bonds with a different payment structure
  - Selling mortgage-backed securities on the secondary market to access attractively-priced private capital
  - Issuing mortgage credit certificates, which annually provide eligible first-time homebuyers up to $2,000 in federal income taxes reductions based on their mortgage interest
- **Redesigned homeownership and home improvement loan products**
  - Simplified our product for first-time homebuyers
  - Added products for non-first-time homebuyers (move-up and refinancing loans)
  - Added an amortizing loan for downpayment and closing cost assistance
  - Enhanced products for home improvement loans
- **Increased the use of tax-exempt bonds for rental housing**
  - Encouraged more rental developments to make use of 4% federal housing tax credits
- **Became a MAP (Multifamily Accelerated Processing) lender**
  - Allows us to fast-track the processing of multifamily first mortgage loans insured by FHA and provide capital with lower interest rates
- **Enhanced our housing and community dialogues**
  - Gained a better understanding of specific affordable housing and community development needs across the state
- **Enhanced our preservation strategies**
  - Created tools for preserving federally-subsidized rental housing through the PINES (Preservation: Identifying Needs and Establishing Strategies) initiative.

2014 AHP – Phase Two: Better serving populations that face barriers to affordable housing

- **Created the Enhanced Homeownership Capacity Initiative and the Targeted Mortgage Opportunity Program**
  - Provided specialized homebuyer training and mortgage products for borrowers who are likely to be successful homeowners but unable to access typical mortgage financing
- **Reinvigorated the Minnesota Interagency Council on Homelessness**
  - Created new state Plan to Prevent and End Homelessness
  - Added new rent assistance pilot programs for ex-offenders transitioning out of correctional facilities and highly-mobile families with school-age children
- **Implemented the new Governor's Jobs and Housing Initiative**
  - Expanded workforce housing in job growth areas across the state
- **Enhanced Community Homeownership Impact Fund**
  - Directed resources to communities with a combination of lower-income residents, older housing stock, and/or large price declines

2015 AHP – Phase Three: Action plan for maximizing our impact

As we begin the third and final year of our current Strategic Plan, we are poised to take the progress made over our last two phases and maximize our impact. Now that we've completed program redesigns and have had success positioning housing as a critical component of economic growth and thriving communities, we now have the opportunity to focus more on how we do our work. For this AHP, we will focus on the four following areas. Detailed action steps are listed later in this plan for each area.

1) **Emphasize the importance of stable housing as a platform for success**
2) **Offer a range of housing choices**
3) **Invest resources in areas of critical need**
4) **Do more with limited resources**

Large and Growing Need for Affordable Housing

Between 2000 and 2012, the percentage of Minnesotans who were cost burdened by their housing payments (spending more than 30% of their income for housing) increased from 22 percent to 30 percent. The trend occurred because median incomes declined by 9 percent (after adjusting for inflation) and median monthly housing costs increased by 4 percent for renters and 2 percent for homeowners.[1]

While Minnesota continues to create jobs, they are typically in lower wage industries,[2] which has constrained income growth. The median price of a home sold in the Twin Cities region increased by $31,650 in the last three years.[3] In the rental market, rents are on the rise, with vacancy rates well below 4 percent. In the last three years, average rents in the Twin Cities region increased from $935 to $1,000.[4] This is of particular concern for the lowest-income households as they are far more likely to be cost burdened. While 30 percent of all Minnesota households are cost burdened, 57 percent of households earning less than $50,000 are cost burdened.[5]

Rising rents and low vacancy rates demonstrate the need for building new affordable housing, but there is also a growing need to preserve the stock of existing affordable housing. Minnesota has nearly 40,000 units with project-based rent assistance (31,000 HUD Section 8 units and 7,000 USDA Section 515 units). Most of these units were built 30 to 40 years ago, and many have unmet rehabilitation needs and limited resources. The state's 21,000 units of public housing face a similar situation. The state's stock of Low-Income Housing Tax Credit (LIHTC) housing and tribal housing (funded under the Native American Housing Assistance and Self Determination Act or NAHASDA) is also aging. Finally, Minnesota's overall housing stock, both rental and ownership, is getting older across the state.

There is a growing need to ensure that housing programs address the barriers and special challenges for certain Minnesota households:

- With its Olmstead Plan, Minnesota will need to increase the number of opportunities for people with disabilities to live in the community.
- With its Plan to Prevent and End Homelessness, Minnesota will need to increase housing opportunities for people at risk of homelessness, especially supportive housing for youth and families with children.
- The share of Minnesota households who are of color or Hispanic ethnicity is projected to rise from about 18% now to 25% in 2035. With Minnesota having the largest disparity in the country (37.6 percentage points) in the homeownership rates between white households and

households of color or Hispanic ethnicity, the state needs to increase the opportunities that these households have to access successful homeownership.
- The number of senior households in Minnesota is expected to double in the next 15 to 20 years. As seniors age, providing housing with access to services and resources to maintain their homes becomes more important.

It is our practice at Minnesota Housing to monitor these changing housing trends and needs and adjust our Affordable Housing Plan each year to reflect these changes.

The 2015 AHP contains the following sections:

- Chapter 1 - Program Budget Overview
- Chapter 2 - 2015 Action Plan
- Chapter 3 - Funding by Strategic Priority
- Chapter 4 - Household and Unit Projections
- Chapter 5 - Funding by Source
- Appendix A - Program Funding by Source
- Appendix B - Program Narratives

Chapter 1 – Program Budget Overview for 2015

As shown in Table 2, our 2015 program budget is $947 million, a 21 percent increase from the previous year budget of $785 million. The $161 million increase in the 2015 budget is explained largely by the $100 million in funds from the recent state bonding bill, a $45 million increase in funding for amortizing loans through the Low and Moderate Income Rental (LMIR) program, and a $24 million increase in funding for Home Mortgage Loans. This creates our largest annual program budget ever and demonstrates both the need for our work and confidence in our organization. The program categories in Table 2 below summarize our programs.

Table 2: Funding by Program Category

Program Category	Original 2014 AHP	Proposed 2015 AHP
Homebuyer and Home Refinance*	$431,338,750	$455,036,200
Home Improvement	$20,930,000	$28,575,000
Rental Production - New Construction and Rehabilitation	$86,000,963	$186,798,750
Rental Assistance Contract Administration	$183,890,970	$181,392,671
Resources to Prevent and End Homelessness (Non-Capital)	$29,020,389	$28,786,183
Rental Portfolio Management	$6,500,000	$3,000,000
Multiple Use Resources*	$24,068,827	$59,885,869
Other	$3,591,115	$3,287,032
Total	$785,341,014	$946,761,705

* From the original 2014 AHP, this table has taken out $8.5 million of estimated activity that was expected to occur with the Twin Cities Community Land Bank and the Family Housing Fund and $1 million under Non-Profit Capacity Building Loans. Both of these are revolving loan accounts. It has been a challenge to accurately reflect the activity of these revolving accounts when presented with non-revolving funds. Thus, the funding tables in the AHP will no longer include a budgeted amount unless additional funds are added. Details on these loans will still be provided in the Program Narratives (Appendix B) under the Organizational Loan program.

Primary Funding Changes

Homebuyer and Home Refinance funding will increase by $24 million, which includes:

+ $24 million increase in Home Mortgage Loan originations,
+ $4 million increase in funding for downpayment and closing cost assistance through the Deferred Payment Loan and Monthly Payment Loan programs,
+ $1 million increase in Homebuyer Education, Counseling, and Training, which includes $100,000 to support a proposed new federal pilot (Homeowners Armed with Knowledge or HAWK),
- $6 million decrease in Mortgage Credit Certificate financing; while the $20 million budgeted for 2015 is less than the 26 million budgeted for 2014, actual MCC activity in 2014 will likely come in less than $20 million.

Home Improvement funding will increase by $8 million, which includes:

+ $6 million increase in Home Improvement Loans, and
+ $2 million increase in Rehabilitation Loans.

Rental Production funding will increase by $101 million, which includes:

+ $44 million increase in Housing Trust Fund (HTF) capital resources from Housing Infrastructure Bond proceeds (HIB), and
+ $20 million increase in General Obligation Bond proceeds for public housing

rehabilitation activities under the Publically Owned Housing Program (POHP).

+ $45 million increase in amortizing loan resources under the Low and Moderate Income Rental (LMIR) program,
- $6 million decrease for Affordable Rental Preservation, which is more than offset by an increase in preservation funding using Housing Infrastructure Bonds in the Multiple Use Resources category, and
- $3 million decrease for Rental Rehabilitation Deferred Loans (RRDL).

Rental Portfolio Management funding will decrease by $3.5 million

- $3.5 million decrease because we will use Asset Management funds primarily for smaller time-sensitive needs and direct owners to use our other programs for addressing other needs.

Multiple Use Resources category funding will increase by $36 million

+ $36 million increase in Housing Infrastructure Bond proceeds that will be administered through the Economic Development and Housing/Challenge (EDHC) program. (The Agency expects to administer the remaining part of the $80 million of HIB resources through the Housing Trust Fund program, which is in the Rental Production category.)

Table 3 lists each of our programs with both 2014 and 2015 funding levels. For more detailed information about each program, see Appendix B (Program Narratives).

Table 3: 2014 and 2015 Budget and Program Summary

		Original 2014 Funding Level	2015 Funding Level	Activity	Median Income Served	Percentage Served from Communities of Color
	Homebuyer and Home Refinance	**$431,338,750**	**$455,036,200**			
1	Home Mortgage Loans	$376,000,000	$400,000,000	First Mortgage	$48,500	23%
2	Targeted Mortgage Opportunity Program	$10,000,000	$10,000,000	First Mortgage	N/A	N/A
3	Mortgage Credit Certificates (MCC)	$25,600,000	$20,000,000	Tax Credit on Interest	N/A	N/A
4	Deferred Payment Loans: Downpayment and Closing Costs	$4,000,000	$7,500,000	DP and CC Assistance***	$45,006	28%
4a	Deferred Payment Loans Plus	$3,400,000	$3,500,000	DP and CC Assistance***	$38,975	47%
5	Monthly Payment Loans: Downpayment and Closing Costs	$7,000,000	$7,500,000	DP and CC Assistance***	$55,761	20%
6	Single Family Interim Lending	$1,522,750	$1,600,000	Deferred Loan	N/A	N/A
7	Habitat for Humanity Initiative	$2,000,000	$2,000,000	Homebuyer Financing	$29,745	63%
8	Homebuyer Education, Counseling & Training (HECAT)	$1,316,000	$2,186,200	Education & Counseling	$35,602	32%
8a	Enhanced Homeownership Capacity Initiative	$500,000	$650,000	Education & Counseling	N/A	N/A
8b	Homeowners Armed with Knowledge (HAWK)	$0	$100,000	Education & Counseling	N/A	N/A
	Home Improvement	**$20,930,000**	**$28,575,000**			
9	Home Improvement Loan Program	$13,830,000	$19,975,000	Home Improvement Loan	$62,941	9%
9a	Targeted Home Improvement Interest Write-Down	$500,000	$0	Home Improvement Loan	N/A	N/A
10	Rehabilitation Loan Program (RLP)	$6,600,000	$8,600,000	Home Improvement Loan	$14,100	13%
	Rental Production- New Construction and Rehabilitation	**$86,000,963**	**$186,798,750**			
11	Multifamily Amortizing First Mortgages	$50,000,000	$95,000,000	Amortizing Loan	$17,794	41%
11a	Low and Moderate Income Rental (LMIR)	$40,000,000	$85,000,000	Amortizing Loan	$17,794	41%
11b	MAP Lending (Multifamily Accelerated Processing)	$10,000,000	$10,000,000	Accelerated Processing	N/A	N/A
12	Flexible Financing for Capital Costs (FFCC)	$4,500,000	$4,500,000	Deferred Loan	N/A	N/A
13	Low-Income Housing Tax Credits (LIHTC)	$8,201,743	$8,646,840	Investment Tax Credit	$17,837	43%
14	Affordable Rental Preservation	$20,102,939	$14,007,305	Deferred Loan		
14a	Preservation Affordable Rental Initiative Fund (PARIF)	$12,722,070	$5,613,729	Deferred Loan	$11,376	61%
14b	HOME Affordable Rental Preservation (HARP)	$7,380,869	$8,393,576	Deferred Loan	N/A	N/A
15	Housing Trust Fund (Capital from Housing Infrastructure Bonds)	$0	$43,853,648	Deferred Loan	N/A	N/A
16	Publicly Owned Housing Program (POHP)	$58,281	$20,231,839	Deferred Loan	$8,388	27%
17	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$3,138,000	$559,118	Deferred Loan	N/A	N/A
	Rental Assistance Contract Administration	**$183,890,970**	**$181,392,671**			
18	Section 8 - Performance Based Contract Administration	$113,000,000	$112,500,000	Rent Assistance	$11,088	38%
19	Section 8 - Traditional Contract Administration	$70,000,000	$68,250,000	Rent Assistance	$12,114	26%
20	Section 236	$890,970	$642,671	Interest Rate Reduction	N/A	N/A

		Original 2014 Funding Level	2015 Funding Level	Activity	Median Income Served	Percentage Served from Communities of Color
	Resources to Prevent and End Homelessness (Non-Capital)	**$29,020,389**	**$28,786,183**			
21	Housing Trust Fund (HTF) - Net Activity	$14,407,373	$14,723,594	RA and OS****	$8,520	62%
21a	Funding for new contracts	$3,935,134	$24,812,054			
21b	Adj. to spread two-year contracts over two years	$10,472,239	-$10,088,460			
22	Ending Long-Term Homelessness Initiative Fund (ELHIF) - Net Activity	$3,420,271	$1,972,796	RA and OS****	$10,531	64%
22a	Funding for new contracts	$1,719,000	$3,945,592			
22b	Adj. to spread two-year contracts over two years	$1,701,271	-$1,972,796			
23	Bridges - Net Activity	$3,111,500	$3,138,091	Rent Assistance	$9,351	33%
23a	Funding for new contracts	$400,000	$6,276,182			
23b	Adj. to spread two-year contracts over two years	$2,711,500	-$3,138,091			
24	Section 811 Demonstration	$80,000	$235,000	Rent Assistance	N/A	N/A
25	Family Homeless Prevention and Assistance Program (FHPAP) - Net Activity	$7,862,000	$8,569,123	Grants	$9,588	56%
25a	Funding for new contracts	$0	$17,138,245			
25b	Adj. to spread two-year contracts over two years	$7,862,000	-$8,569,123			
26	Housing Opportunities for Persons with AIDS (HOPWA)	$139,245	$147,579	Grants	$17,635	47%
	Rental Portfolio Management	**$6,500,000**	**$3,000,000**			
27	Asset Management	$3,000,000	$1,000,000	Loans	N/A	N/A
28	Asset Management - Financing Adjustment Factor (FAF) / Financing Adjustment (FA)	$3,500,000	$2,000,000	Loans & Grants	N/A	N/A
	Multiple Use Resources	**$24,068,827**	**$59,885,869**			
29	Economic Development and Housing/ Challenge (EDHC)	$19,327,907	$55,230,869	Loans & Grants		
29a	Request for Proposals (RFP) - Single-Family and Multifamily	$17,327,907	$17,321,170	Loans and Grants	$22,073 MF $37,386 SF	58.2% MF 40.2% SF
29b	Housing Infrastructure Bonds (HIB)	$0	$35,909,699	Deferred Loans	N/A	N/A
29c	Community-Owned Mobile Home Parks	$2,000,000	$2,000,000	Amortizing Loans	N/A	N/A
30	Technical Assistance and Operating Support	$2,740,920	$2,655,000	Grants	N/A	N/A
31	Organizational Loans	$0	$0	Defer. & Amort. Loans	N/A	N/A
32	Strategic Priority Contingency Fund	$2,000,000	$2,000,000	Loans & Grants	N/A	N/A
	Other	**$3,591,115**	**$3,287,032**			
33	HOME Administrative Funds*	$592,222	N/A	Admin.	N/A	N/A
34	Housing Infrastructure Bond Issuance Costs	$0	$700,000	Admin.	N/A	N/A
35	Manufactured Home Relocation Trust Fund	$1,279,536	$1,201,044	Grants	N/A	N/A
36	Flood Disaster	$0	$0	Loans & Grants	$28,196	10%
37	Disaster Relief Contingency Fund	$1,719,357	$1,385,988	Loans & Grants	N/A	N/A
	Total	**$785,341,014**	**$946,761,705**			

*** "DP and CC Assistance" is Downpayment and Closing Cost Assistance
**** "RA and OS" is Rental Assistance and Operating Support
NOTE: The section of the table addressing "Resources to Prevent and End Homelessness" has adjustments to reflect the two-year contracts for these programs. (See lines 21-23 and 25.) All funds are committed in the first year of the contract, but activities are carried out over the two years of the contract. The "a" part of the program line shows all the funds that will be committed to execute the contract, while the "b" part is an adjustment to spread out the activities over the two years of the contract. The "Net Activity" line (the part without a letter) shows the net level of activity in a year after the adjustment. The Family Homeless Prevention and Assistance Program (line 25) is the simplest example. Two-year contracts were and will be signed in 2013 and 2015. In 2015, we will commit $17.14 million for the two year contracts (line 25a). To reflect program activity, half of those funds ($8.57 million) will be shifted out of 2015 (the negative number in line 25b) and into 2016. The net effect is the $8.57 million of program activity in 2015 (top part of line 25). The $7.86 million shown in line 25b for 2014 reflects the half of the program activity that shifted from 2013 into 2014. While displaying both funding and program activity adds a level of complexity, it is necessary. The "a" line is needed from a budgeting perspective to shows the funds that are needed to enter into a contract, while the "Net Activity" line more accurately reflects annual program activity.

As shown in Table 3, our three biggest program areas are:

- **Mortgages for homebuyers and home refinancing** (lines 1 and 2). Our mortgage programs will help almost 3,000 more households achieve the dream of homeownership. In addition, it generates revenues to fund the Agency's Pool 3/Foundation (which finances grant and deferred-loan activity throughout the Agency) and covers agency-wide operating expenses.

- **Administration of Section 8 contracts for project-based rent assistance** (lines 18 and 19). This makes it possible for about 30,000 of the state's lowest-income households to have stable housing because they spend only 30 percent of their income on rent and utilities.

- **The Low-Income Housing Tax Credit (LIHTC) program** (line 13) is our primary program for developing affordable rental properties. While we will allocate $8.6 million of tax credits in 2015 to developments for lower income renters, these credits will likely generate between $69 million and $78 million in private capital to finance the developments, depending on the pricing of the tax credits.[6]

Table 3 also shows the spectrum of low- and moderate-income households we serve.

- **Rent assistance programs** (lines 18-23) $10,000
- **Low-Income Housing Tax Credits** (line 13) $17,800
- **Habitat for Humanity** (line 7) $29,700
- **Home Mortgage Loans** (line 1) $48,500
- **Home Improvement Program** (line 9) $63,000

For comparison, the HUD-defined statewide median family income is $74,200 for Minnesota in 2014.[7]

In addition, we serve a large percentage of households from communities of color or Hispanic ethnicity. As shown in Table 3, households of color or Hispanic ethnicity represented in 2013:

- 23 percent of our **homebuyers** (line 1),
- 43 percent of **tenants in our tax credit developments** (line 13), and
- 56 percent of households participating in the **Family Homeless Prevention and Assistance Program** (FHPAP).

In comparison, households of color or Hispanic ethnicity account for 13 percent of all households in Minnesota; and lower-income households of color or Hispanic ethnicity account for 18 percent of all lower-income households in Minnesota.[8] (Lower-income is defined here as annual household incomes less than $50,000.)

We also serve each region of the state in relative proportion to each region's share of households and jobs. This includes the Twin Cities metropolitan area, Greater Minnesota job centers, and rural areas. While the Agency does not use a rigid regional allocation formula, the Agency is committed to monitoring the distribution to determine if it is distributing resources in a manner that is reasonably proportional. This Agency's recent history of regional allocations can be found in the Agency's report *Regional Distribution of Minnesota Housing Assistance*.[9] [This report is currently being updated and will be completed before by September 15.]

Chapter 2 – Maximizing our Impact: An Action Plan for 2015

Maximizing our impact is critical as the need for affordable housing continues to grow and resources are limited. We will align our work plan and action steps in 2015 in four areas:

1) **Emphasize the importance of stable housing as a platform for success**
2) **Offer a range of housing choices**
3) **Invest resources in areas of critical need**
4) **Do more with limited resources**

1) Emphasize the importance of stable housing as a platform for success

Housing is the foundation for family and community stability. Safe, stable, affordable housing is critical to success in education, positive health outcomes, and economic stability. Housing as a platform for success is central to our mission.

The three other action steps listed above are key pieces to building and enhancing that platform, but a critical step is our continued initiatives to coordinate and enhance our work with other state agencies. Working with other agencies to better align our programs and services will allow us to leverage each other's resources and have a larger impact and achieve broader success for low- and moderate income Minnesotans and their communities.

- **Minnesota Interagency Council on Homelessness (Interagency Council).** In December of 2013, the Interagency Council adopted a new two-year state Plan to Prevent and End Homelessness. The plan includes the 11 state agencies that participate in the Interagency Council, who will coordinate and align their existing programs and funds that serve people who are homeless or at risk of becoming homeless around the 12 strategies in the plan. This will lead to better program outcomes with all the state's resources working together. Commissioner Mary Tingerthal co-chairs the Interagency Council with Commissioner Cindy Jesson from the Department of Human Services.

- **The Olmstead Sub-cabinet.** In November of 2013, the Minnesota adopted its Olmstead Plan,[10] which has an overall goal of making Minnesota a place where people with disabilities are living, learning, working and enjoying life in the most integrated settings. The plan established an Olmstead Implementation Office, which will oversee the implementation of the plan across the eight state agencies that serve on the Olmstead subcabinet, including Minnesota Housing. We will host the staff of the Olmstead Implementation Office in our offices during the 2015 program year. One of the actions for housing in the Olmstead Plan is the development of additional affordable housing opportunities for people with disabilities. An important effort in 2015 will be the state’s Section 811 demonstration program, which will provide 85 units of project-based rent assistance with supportive services to people with disabilities. Specifically, the program will: (1) increase housing opportunities for people with disabilities, (2) help people with disabilities move from institutions to community-based settings, (3) reduce public costs of homelessness and institutional care, (4) create a centralized outreach and referral system, and (5) develop new service linkages. The 2015 AHP includes $235,000 for the Section 811 demonstration.

- **Department of Human Services (DHS)**:
  - As the baby boom generation retires and the senior population grows and ages, the two agencies will work together to coordinate housing options and senior services.
  - The two agencies will continue to coordinate their work for other lower-income and vulnerable populations. For example, the Bridges program (an ongoing program partnership between the two agencies) provides temporary tenant-based rent assistance for people with a serious mental illness. The program provides housing stability while they pursue more permanent affordable housing options. Under the 2015 AHP, the Bridges program will provide $3.1 million in assistance.

- **Department of Employment and Economic Development (DEED)**
  To promote economic and community development, we will coordinate housing investments with the Department of Employment and Economic Development (DEED).
  - DEED participates in our consolidated Request for Proposals (RFP).
  - Another $5 million will become available in 2015 under for the Governor's Housing-Job Initiative. We will allocate funds to projects in communities where a lack of affordable housing is a barrier to job expansion.
  - Recipients of funds under DEED's Community Development Block Grant (CDBG) for small cities are made aware of Minnesota Housing's resources that they can also use to finance their housing projects.

- **Department of Commerce**
  Utility costs are an important part of overall housing costs. By reducing utility costs, energy efficiency makes housing more affordable. We have an ongoing partnership with the Department of Commerce to improve the energy efficiency of housing, particularly affordable housing. Recently, the two agencies jointly funded:
  - A pilot project to test the benefits of a tool from Bright Power called Energy Scorecards that tracks, reports, and grades a rental property's energy and water use over time. With this tool, property owners and managers can see how efficiently their buildings are operating and where improvements can be made. Going forward, we need to: (1) determine if and how this tool can be effectively integrated into our operations, and (2) support its use more broadly in multifamily housing across the state. Effectively using Energy Scorecards will be part of a larger initiative to refine and enhance our green/sustainable housing policies, which to date have largely focused on our green/sustainable standards for new construction and rehabilitation.
  - An energy-efficiency incentive under our Home Improvement Loan Program that offers a 4.99% interest rate for energy-efficiency improvements, rather than the regular 6.99% rate.

- **Department of Health**
  - We will work in partnership with the Department of Health on its Healthy Homes initiative, which will address such things as asthma exacerbation, childhood lead exposure, radon exposure, and unintentional injuries.[11] The initiative focuses not only on addressing health and safety issues in existing housing but also making sure that new housing is healthy. We have financing options to address health and safety issues for both new construction and rehabilitation. For example, the Rehabilitation Loan Program provides interest-free deferred loans to extremely low-income homeowners to address

health and safety issues. The median income of these homeowners is just $14,100. In 2015, this program will provide $8.6 million in assistance.

- **Department of Education**
    - Our partnership with the Minnesota Department of Education includes a $2 million pilot program to provide rent assistance to homeless and highly-mobile families with school-age children with the goal of using increased housing stability to improve school performance.

- **Department of Corrections**
    - We have a rent assistance pilot with the Department of Correction for ex-offenders, with the goal of using increased housing stability to reduce the rate of re-offense.
    - The Department of Corrections also participates in the consolidated RFP for the Community Homeownership Impact Fund by providing the option of using labor from correctional facilities for some of the construction and rehabilitation projects.

2) Offer a range of housing choices

Decisions about where to live are informed by social factors that are unique to each individual or household. We strive to create financing for a range of safe, stable, affordable housing options across the state. We will continue our commitment to creating equity in housing choices in urban, suburban, and rural communities. We will continue to ensure that historically underserved and under-resourced populations have access to opportunities for both successful homeownership and affordable rental housing.

- **Choices for People with Disabilities.** We will continue to support housing choice for people with disabilities through our support of universal design criteria in the rental properties we finance. Other efforts include:
    - Being a partner in implementing Minnesota's Olmstead plan,
    - Carrying out the Section 811 project-based rent assistance demonstration program, and
    - Providing rental assistance to people with a severe mental illness through the Bridges program.

- **Choices for Lower-Income Households.** Creating housing opportunities for very low income households has unique challenges because housing cost limits the choices available. We will continue to balance our ongoing commitment to economic integration by creating new housing opportunities for low-income households in higher-income communities with our commitment to help communities reinvest and revitalize historically disinvested neighborhoods.

- **Choices for More Renters to Become Homeowners.** We want to make sure that low- and moderate income Minnesotans who are ready to be successful homeowners have the opportunity to enter the market while interest rates are low and house prices are lower than levels in the mid-2000s. Therefore, for 2015, we budgeted $400 million for first mortgages, which is higher than recent years and a stretch goal. Reaching $400 million of first-mortgage production is uncertain and dependent on several factors, some of which are driven by the overall market and outside of our control. We have also allocated $4.1 in additional resources for our downpayment and closing cost assistance programs to support this higher level of mortgage activity.

- **Choices for Historically Underserved and Under-resourced Communities**. Minnesota has the largest disparity in homeownership rates (37.6 percentage points) between white households and households of color or Hispanic ethnicity. The current mortgage credit environment presents barriers for historically underserved and under-resourced communities. We will continue to use our traditional strategies for successful homeownership:
  - Providing strong financial support for homebuyer education, counseling, and training through the HECAT program, with 32 percent of the households served in 2013 coming from communities of color or Hispanic ethnicity, and
  - Using our existing first-mortgage products.

  Even though we continue to achieve our goal of originating at least 22% of the first mortgages that we finance to households of color or Hispanic ethnicity, the overall mortgage market in Minnesota struggles to serve this community. To take further steps to help bridge this gap in the overall market, we created the Enhanced Homeownership Capacity Initiative and the Targeted Mortgage Opportunity Program to provide specialized homebuyer training and mortgage products to borrowers who are likely to be successful homeowners but are unable to access mortgage financing in the current market, with an emphasis on households of color or Hispanic ethnicity. During 2014, we expanded the Homeownership Capacity Initiative from a $500,000 to a $650,000 program to take full advantage of the high quality applications that it received. We are making another $650,000 available in 2015. In 2014, we funded the Targeted Mortgage program with $8 million for mortgages and $2 million for a loan loss reserve. In 2015, we will provide another $10 million for mortgages but no additional funding for the loss reserve, recognizing that the $2 million already budgeted is a sufficient reserve.

- **Choices for Seniors**. Seniors have a variety of housing needs and preferences, which evolve as they get older. Consequently, we will provide a range of housing choices for seniors. Because most lower-income seniors will remain homeowners through age 75, offering home improvement and rehabilitation loans will be important as homeowners reach the initial stages of retirement. Seniors who choose to age in their homes may need accessibility aids or other modifications to their existing homes. Because the installation of accessibility features is not a common use of the funds under our programs, we will research the needs of seniors who are lower-income homeowners and adjust our products to better serve them, if needed.

3) Invest resources in areas of critical need

With limited resources, we need to identify critical housing and community development needs around the state and make investments in those areas. In 2015, key action steps will include:

- **Effectively use the $100 Million of Bond Funds from the 2014 Legislature.** This level of funding was a vote of confidence in the affordable housing community throughout Minnesota. We will work with our partners to use these resources quickly and effectively to meet community needs.

  Of the $100 million, the Legislature made available $80 million from Housing Infrastructure bond proceeds to:
  - Construct or acquire/rehabilitate housing that will be used as permanent supportive housing,
  - Preserve existing federally-assisted housing,

- Acquire and rehabilitate foreclosed rental housing or construct new rental housing on parcels that have been foreclosed, or
- Acquire land by community land trust for single family housing.

We will administer these funds through the Housing Trust Fund (HTF) and Economic Development and Housing/Challenge (EDHC) programs.

The Legislature also made available the remaining $20 million from General Obligation Bonds for rehabilitating public housing. We will administer these funds through the Public Owned Housing Program (POHP).

- **Host Housing and Community Development Dialogues.** Under the direction of our Director of Community Development, we will continue to host community dialogues around the state in 2015 to help us: (1) learn more about housing and community development needs in specific communities and markets, (2) make program adjustments if needed, and (3) make community leaders aware of our programs and how to access them to meet their needs.

- **Use Our Community Profiles to Identify Housing and Community Needs Around the State.** The profiles are an interactive mapping and data access tool for assessing and comparing housing and community needs around the state. The profiles provide key information for community leaders to assess and identify their needs and for us in making funding decisions under our various Requests for Proposals (RFPs).

- **Continue Implementing the Governor's Jobs and Housing Initiative.** In some parts of the state, a lack of affordable housing is a barrier to job growth. Employers want to expand, but shortages of affordable housing for the potential new employees have made employers reluctant to expand in these communities. To help overcome this barrier, the Governor has sponsored a $10 million initiative under the Economic Development and Housing/Challenge (EDHC) program for the 2014-15 biennium to fund the development of affordable workforce housing in these communities. We made $5 million available under the 2014 AHP and will make the final $5 million available under the 2015 AHP.

- **Prioritize Community Recovery** The foreclosure and economic crisis that peaked in 2008 and 2009 destabilized many communities in Minnesota. For several years, we have had a funding priority for communities with a lot of foreclosures. However, with the foreclosure crisis subsiding, we are shifting our focus to general community recovery. Starting with funding allocated under the 2014 AHP, we have used an additional criterion to help select projects for funding under the Community Homeownership Impact Fund. Projects in communities with a combination of lower-income residents, older housing stock, and/or large price declines receive a funding preference.

4) Do more with limited resources

As the need for affordable housing increases, we need to do more with limited resources, including:

- **Use Multiple Tools for Obtaining Capital for Home Mortgages.** We strive to provide our borrowers with the lowest interest rates available. Having the flexibility to use more than one tool (selling both bonds and mortgage-backed securities) allows us to obtain capital on the most favorable terms possible, which translates into lower interest rates for our borrowers.

- **Issue Mortgage Credit Certificates (MCCs).** MCCs annually provide eligible first-time homebuyers with up to $2,000 in income tax reductions based on the mortgage interest they pay. To finance MCCs, we use bonding authority that would otherwise expire and go unused. With the success of our new MCC program, we will convert additional bonding authority into MCC authority for use in 2015 to support a $20 million program.

- **Replace HOME HELP with a More Flexible Program.** Since 2006, we have used federal HOME funds to offer deferred loans for downpayment and closing cost assistance (the HOME HELP program). Federal HOME rules made the product non-standard and difficult to market and use; and recent changes to HOME rules have made it even more difficult. Despite being a challenge, HOME HELP has reached a set of borrowers that need the additional assistance that it provides (HOME HELP has a maximum loan amount of $10,000, while the maximum for the Deferred Payment Loan (DPL) program is $7,500.) HOME HELP serves a large number of single-parent households, larger households, and households of color or Hispanic ethnicity. To better serve these borrowers, we are replacing HOME HELP with Deferred Payment Loan Plus (DPL+), a new program that will use Pool 3 funds, which are more flexible than HOME funds. In 2015, all HOME funds will go to the HOME Affordable Rental Preservation (HARP) program.

- **Use Multifamily Tax-Exempt Bonds to Make Developments Eligible for 4% Housing Tax Credits.** To meet the growing list of critical housing needs in individual rental markets, we need to fully access and leverage all available funding sources – for example, 4% housing tax credits. To be eligible for these credits, at least 50% of a development's costs must be financed with tax-exempt bonds. Under the 2015 AHP, we will budget $50 million of Low and Moderate Income Rental (LMIR) loans as bridge financing for the construction period, before permanent financing is closed. These LMIR bridge loans will be financed with tax-exempt bonds, making the projects eligible for 4% tax credit financing.

- **Implement MAP (Multifamily Accelerated Processing) Lending.** In 2013, we became a MAP lender, and in 2014, our underwriters have completed their training. We can now originate FHA-insured mortgages using a fast-track processing system and have the loans financed through a third-party investor. By originating MAP loans, we increase the access that our developer partners have to a full range of amortizing mortgage options. In 2015, we expect to originate $10 million of MAP loans.

- **Implement the PINES Initiative.** PINES stands for Preservation: Identifying Needs and Establishing Strategies. Through this initiative we are enhancing and refining our strategies and tools for preserving federally-subsidized rental housing and other critical affordable rental units. For example, we have re-designed the selection criterion we use to identify priority preservation projects for funding under the Low-Income Housing Tax Credit program to make the criterion more objective, transparent, and systematic. In addition, we created a PINES pilot that has set aside funds from the Preservation Affordable Rental Investment Fund (PARIF) and HOME Affordable Rental Program (HARP) to proactively identify, solicit, and fund high-priority preservation opportunities on a pipeline basis, rather than be reactive and wait for owners to apply for funds through the annual Request for Proposals (RFP) process.

- **Identify the Full Scope of the Housing Preservation Needs Across the State.** Under our 2013-15 Strategic Plan, we focused on preserving federally-subsidized rental housing. However, there is a wide range of other housing that needs to be preserved besides HUD Section 8 and USDA Section 515 housing, including public, tax credit, tribal, and other affordable rental housing, along with aging single-family homes that are affordable and occupied by the owner. This applies to preserving both the affordability and the physical condition of the housing. We will identify and prioritize the full range of preservation needs to effectively use our limited preservation resources.

- **Continue to Emphasize Cost Containment.** Through our process for reviewing and selecting projects to be funded, we encourage developers to be innovative and creative in finding ways to reduce costs without compromising the quality, durability, and location-desirability of the housing. In addition, developers are encouraged to eliminate unnecessary costs.

  However, there are also cost drivers over which developers have limited or no control. To address these issues, we joined several partners to sponsor the 2014 Minnesota Cost Challenge to identify and fund the implementation of an innovative idea to reduce these types of costs. The winning idea was a strategy for getting local communities to eliminate costly regulations and unnecessary delays in their development processes. Many other innovative ideas were also submitted and discussed, including: (1) an insurance or guarantee product that would reduce cash reserves a development needs to hold, and (2) a consolidated set of legal documents that all funders of subordinate debt would agree to use, which would reduce legal costs. In 2015, we will further investigate these ideas.

  Finding ways to contain and reduce costs will be an ongoing conversation.

- **Review Program Operations to Streamline our Services and Add Flexibility.** The requirements, processes, and timelines we create can be a cost driver by creating unnecessary complexity, uncertainty, and delays. In 2015, we will primarily focus on our Multifamily Division, which launched a process improvement initiative in 2014 that will be implemented through 2015. Phase 1 includes all the work associated with "project processing", everything from proposal inception and concept, through application, selection, underwriting, commitment, closing, construction management, and lease up.

  With respect to the Single-Family Division, we are replacing our loan origination system to make the work of lenders much easier.

- **Re-examine How We Use our Resources to Prevent and End Homelessness**. We have several non-capital programs to help prevent and end homelessness, including rent assistance, operating subsidies, and prevention efforts. With the recent adoption of the state's Plan to Prevent and End Homelessness, we will evaluate these programs to determine if they can be improved.

Chapter 3 – Funding by Strategic Priority

Table 4 shows our funding by strategic priority. The first two sets of priorities are comprehensive priorities because almost all of our funding can be allocated between the two of them. The comprehensive rental category combines two priorities – preserving federally-subsidized housing and addressing specific and critical needs in rental housing markets. The last two priorities are targeted because only a subset of our funding is allocated to them. (It should be noted that the same funds can fulfill more than one priority. In addition, the program areas in the shaded boxes are sub-components of the overall program listed above the box.)

As the last line of Table 4 shows, the share of our funding is split 52/47 between homeownership and rental housing. As we will outline in the following section, the 2015 AHP supports more renter households than homeowners, even when the funds are split close to 50/50.

The $87 million projected for preventing and ending homelessness accounts for 9 percent of the overall budget. These programs include rental production efforts that finance the development of supportive housing units for people experiencing long-term homelessness. Homeless programming also includes rent assistance (Housing Trust Fund, Ending Long-Term Homelessness Initiative Fund, and Bridges) targeted to vulnerable populations that are homeless or at-risk of becoming homeless, including people with extremely low incomes and/or serious mental illnesses. We also fund prevention efforts through the Family Homeless Prevention and Assistance Program (FHPAP), which provides short-term assistance for services and housing-related payments. Finally, under HOPWA, we provide a grant to meet the housing needs of people with AIDS, HIV-positive status, or a related disease.

In 2015, we project we will invest approximately $221 million to prevent foreclosures and support community recovery. On the prevention side, we expect to invest about $1.3 million on foreclosure counseling through the HECAT program, which includes an expected $669,200 of federal funding from the 9th round of funding under the National Foreclosure Mitigation Counseling (NFMC) program. Minnesota has been one of the most successful states in securing and using NFMC funds. Since the creation of the program and 8 rounds of funding, the state has received $16.4 million, which is the third highest among states. Only California and Pennsylvania, two more populous states, have received more.

We will potentially invest over $219 million for the purchase and rehabilitation of foreclosed properties or the construction, purchase, or rehabilitation of any property in a zip code that has been heavily impacted by the foreclosure crisis. The last category accounts for the majority of the expected investments. We encourage and incent investment in high impact zip codes through several mechanisms, which include awarding selection credit in the RFP process to developments located in these zip codes.

The split of program funding in Table 4 by strategic priority is not an actual allocation, but a projection based on historical investment patterns with adjustments for recent program changes.

Table 4: 2015 Funding by Strategic Priority

			Comprehensive Priorities		Targeted Priorities	
		AHP Total	Successful Home-ownership	Rental Housing 1. Federal Preservation 2. Critical Needs	Homeless -ness	Community Foreclosure Recovery
	Homebuyer and Home Refinance	**$455,036,200**	**$455,036,200**	**$0**	**$0**	**$166,476,630**
1	Home Mortgage Loans	$400,000,000	$400,000,000			$144,226,580
2	Targeted Mortgage Opportunity Program	$10,000,000	$10,000,000			$5,136,612
3	Mortgage Credit Certificates (MCC)	$20,000,000	$20,000,000			$7,211,329
4	Deferred Payment Loans	$7,500,000	$7,500,000			$3,073,171
4a	Deferred Payment Loans Plus	$3,500,000	$3,500,000			$1,797,814
5	Monthly Payment Loans	$7,500,000	$7,500,000			$3,115,124
6	Single Family Interim Lending	$1,600,000	$1,600,000			$640,000
7	Habitat for Humanity Initiative	$2,000,000	$2,000,000			N/A
8	Homebuyer Education, Counseling & Training (HECAT)	$2,186,200	$2,186,200			$1,276,000
8a	Enhanced Homeownership Capacity Initiative	$650,000	$650,000			$0
8b	Homeowners Armed with Knowledge (HAWK)	$100,000	$100,000			$0
	Home Improvement	**$28,575,000**	**$28,575,000**	**$0**	**$0**	**$5,896,558**
9	Home Improvement Loan Program	$19,975,000	$19,975,000			$4,238,726.79
9a	Targeted Home Improvement Interest Write-Down	$0	$0			$0
10	Rehabilitation Loan Program (RLP)	$8,600,000	$8,600,000			$1,657,831.33
	Rental Production- New Construction and Rehabilitation	**$186,798,750**	**$0**	**$186,798,750**	**$57,663,000**	**$36,213,745**
11	Multifamily Amortizing First Mortgages	$95,000,000		$95,000,000	$19,076,000	$18,417,178
11a	Low and Moderate Income Rental (LMIR)	$85,000,000		$85,000,000	$19,076,000	$16,478,527
11b	MAP Lending (Multifamily Accelerated Processing)	$10,000,000		$10,000,000		$1,938,650
12	Flexible Financing for Capital Costs (FFCC)	$4,500,000		$4,500,000	$249,000	$872,393
13	Low-Income Housing Tax Credits (LIHTC)	$8,646,840		$8,646,840	$684,000	$1,676,320
14	Affordable Rental Preservation	$14,007,305		$14,007,305	$54,000	$2,715,527
14a	*Preservation Affordable Rental Initiative Fund (PARIF)*	*$5,613,729*		*$5,613,729*	*$27,000*	*$1,088,306*
14b	*HOME Affordable Rental Preservation (HARP)*	*$8,393,576*		*$8,393,576*	*$27,000*	*$1,627,221*
15	Housing Trust Fund (Capital from HIB)	$43,853,648		$43,853,648	$37,600,000	$8,501,689
16	Publicly Owned Housing Program (POHP)	$20,231,839		$20,231,839		$3,922,246
17	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$559,118		$559,118		$108,393
	Rental Assistance Contract Administration	**$181,392,671**	**$0**	**$181,392,671**	**$0**	**$0**
18	Section 8 - Performance Based Contract Administration	$112,500,000		$112,500,000		
19	Section 8 - Traditional Contract Administration	$68,250,000		$68,250,000		
20	Section 236	$642,671		$642,671		
	Resources to Prevent and End Homelessness (Non-Capital)	**$28,786,183**	**$0**	**$28,786,183**	**$28,786,183**	**$0**
21	Housing Trust Fund (HTF) - Net Activity	$14,723,594		$14,723,594	$14,723,594	
22	Ending Long-Term Homelessness Initiative Fund (ELHIF) - Net Activity	$1,972,796		$1,972,796	$1,972,796	
23	Bridges - Net Activity	$3,138,091		$3,138,091	$3,138,091	
24	Section 811 Demonstration	$235,000		$235,000	$235,000	
25	Family Homeless Prevention and Assistance Program (FHPAP) - Net Activity	$8,569,123		$8,569,123	$8,569,123	
26	Housing Opportunities for Persons with AIDS (HOPWA)	$147,579		$147,579	$147,579	
	Rental Portfolio Management	**$3,000,000**	**$0**	**$3,000,000**	**$0**	**$0**
27	Asset Management	$1,000,000		$1,000,000		
28	Asset Management - Financing Adjustment Factor (FAF) / Financing Adjustment (FA)	$2,000,000		$2,000,000		
	Multiple Use Resources	**$59,885,869**	**$10,111,931**	**$45,118,938**	**$1,007,000**	**$11,991,757**
29	Economic Development and Housing/ Challenge (EDHC)	$55,230,869	$10,111,931	$45,118,938	$1,007,000	$11,991,757
29a	*Request for Proposals (RFP) - Single-Family and Multifamily*	*$17,321,170*	*$5,748,156*	*$11,573,014*	*$207,000*	*$4,542,865*
29b	*Housing Infrastructure Bonds (HIB)*	*$35,909,699*	*$2,363,775*	*$33,545,924*	*$800,000*	*$7,448,892*
29c	*Community-Owned Mobile Home Parks*	*$2,000,000*	*$2,000,000*			
30	Technical Assistance and Operating Support	$2,655,000	TBD	TBD	TBD	TBD
31	Organizational Loans	$0	TBD	TBD	TBD	TBD
32	Strategic Priority Contingency Fund	$2,000,000	TBD	TBD	TBD	TBD
	Other	**$3,287,032**	**$0**	**$0**	**$0**	**$0**
33	Housing Infrastructure Bond Issuance Costs	$700,000				
34	Manufactured Home Relocation Trust Fund	$1,201,044	TBD	TBD	TBD	TBD
35	Flood Disaster	$0	TBD	TBD	TBD	TBD
36	Disaster Relief Contingency Fund	$1,385,988	TBD	TBD	TBD	TBD
	Total	**$946,761,705**	**$493,723,131**	**$445,096,542**	**$87,456,183**	**$220,578,690**
	Percentage Split *		52%	47%	9%	23%

Shaded activities are sub-allocations of the program above.

* The sum of homeownership and rental priorities do not equal the total funding because $7.9 million is not allocated to a priority.

Chapter 4 – Household and Unit Projections

Table 5 shows our forecast of households or housing units to be assisted. As the shown in the last line of the table, we expect to assist roughly 67,000 households or units. Under the AHP's projections, homeownership programs account for about 52 percent of the funds (see Table 4) but only 25 percent of the households/units (see Table 5). In contrast, rental programs account for 47 percent of the funds but 75 percent of the households/units. This shift to renters (when the analysis changes from funding levels to households assisted) occurs because homeownership programs require more resources per household. A typical Home Mortgage Loan is $136,000. In contrast, a typical annual rent subsidy is $6,000. The homelessness priority accounts for 9 percent of the funds, compared with 20 percent of the households and units assisted. Foreclosure recovery accounts for 23 percent of the funds, compared with 13 percent of households/units.

Table 5: 2015 Forecast of Assisted Households or Housing Units by Program and Strategic Priority

			Comprehensive Priorities		**Targeted Priorities**	
				Rental Housing		
		AHP Total	**Successful Home-ownership**	**1. Federal Preservation 2. Critical Needs**	**Home-lessness**	**Community Foreclosure Recovery**
	Homebuyer and Home Refinance	**14,434**	**14,434**	**0**	**0**	**7,221**
1	Home Mortgage Loans	2,941	2,941			1,060
2	Targeted Mortgage Opportunity Program	62	62			32
3	Mortgage Credit Certificates (MCC)	*Part of Home-Mortgage and Targeted-Mortgage Production*				
4	Deferred Payment Loans					
4a	Deferred Payment Loans Plus					
5	Monthly Payment Loans					
6	Single Family Interim Lending	*Part of EDH/Challenge*				
7	Habitat for Humanity Initiative	25	25			N/A
8	Homebuyer Education, Counseling & Training (HECAT)	10,500	10,500			6,128
8a	Enhanced Homeownership Capacity Initiative	671	671			0
8b	Homeowners Armed with Knowledge (HAWK)	235	235			0
	Home Improvement	**1,561**	**1,561**	**0**	**0**	**325**
9	Home Improvement Loan Program	1,248	1,248			265
9a	Targeted Home Improvement Interest Write-Down	Part of Home Improvement Loans				
10	Rehabilitation Loan Program (RLP)	313	313			60
	Rental Production- New Construction and Rehabilitation	**6,024**	**0**	**6,024**	**500**	**1,163**
11	Multifamily RFP/HTC/Pipeline Production (including EDHC)	2,889		2,889	500	560
12a	Low and Moderate Income Rental (LMIR)	*Part of RFP/HTC/Pipeline Production*				
12b	MAP Lending (Multifamily Accelerated Processing)					
13	Flexible Financing for Capital Costs (FFCC)					
14	Low-Income Housing Tax Credits (LIHTC)					
15a	Preservation Affordable Rental Initiative Fund (PARIF)					
15b	HOME Affordable Rental Preservation (HARP)					
16	Housing Trust Fund (Capital from HIB)					
17	Publicly Owned Housing Program (POHP)	3,113		3,113		603
18	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	22		22		
	Rental Assistance Contract Administration	**31,106**	**0**	**31,106**	**0**	**0**
19	Section 8 - Performance Based Contract Administration	18,750		18,750		
20	Section 8 - Traditional Contract Administration	11,375		11,375		
21	Section 236	981		981		
	Resources to Prevent and End Homelessness (Non-Capital)	**13,144**	**0**	**13,144**	**13,144**	**0**
22	Housing Trust Fund (HTF) - Net Activity	2,356		2,356	2,356	
23	Ending Long-Term Homelessness Initiative Fund (ELHIF) - Net Activity	493		493	493	
24	Bridges - Net Activity	565		565	565	
25	Section 811 Demonstration	45		45	45	
26	Family Homeless Prevention and Assistance Program (FHPAP) - Net Activity	9,521		9,521	9,521	
27	Housing Opportunities for Persons with AIDS (HOPWA)	164		164	164	

	Rental Portfolio Management	**200**	**0**	**200**	**0**	**0**
28	Asset Management	67		67		
29	Asset Management - Financing Adjustment Factor (FAF) / Financing Adjustment (FA)	133		133		
	Multiple Use Resources	**432**	**432**	**0**	**0**	**141**
32	Economic Development and Housing/ Challenge (EDHC)					
32a	Request for Proposals (RFP) - **Impact Fund Only**	303	303			121
32c	Housing Infrastructure Bonds (HIB) - Impact Fund Only	49	49			20
32d	Community-Owned Mobile Home Parks	80	80			
33	Technical Assistance and Operating Support	N/A				
34	Non-Profit Capacity Building Loan Program	N/A				
35	Strategic Priority Contingency Fund	TBD	TBD	TBD	TBD	TBD
	Other	**89**	**89**	**0**	**0**	**0**
36	Housing Infrastructure Bond Issuance Costs	N/A				
37	Manufactured Home Relocation Trust Fund	TBD	TBD		TBD	
38	Flood Disaster	0				
39	Disaster Relief Contingency Fund	89	89			
	Total	66,989	16,515	50,474	13,644	8,850
			25%	75%	20%	13%

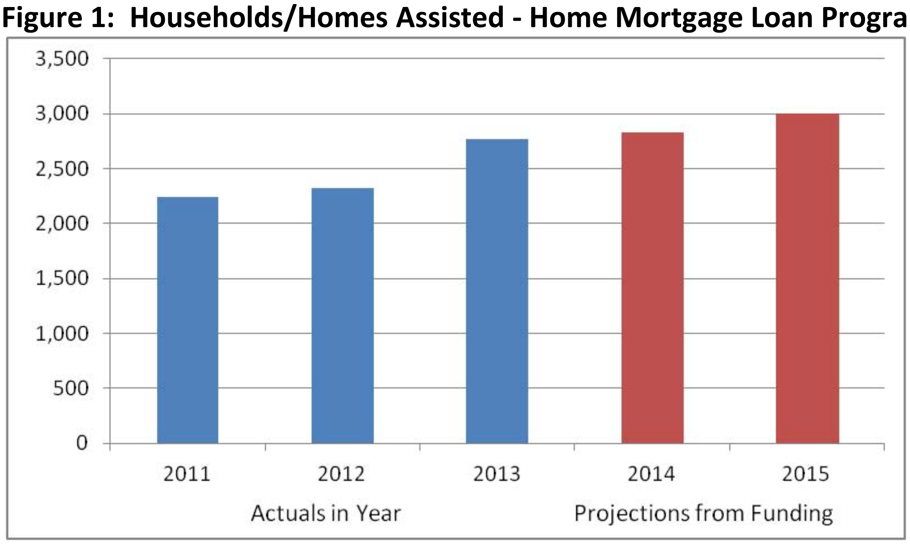
Table 5 shows some programs shaded in gray. The homebuyer programs include enhancements, such as downpayment and closing cost loans, that support first mortgages. Because all the homes supported by these enhancements are also supported by our home mortgage loans, the table does not count the enhanced units in the total to avoid double counting. The rental production programs include programs that often fund the same properties. A development could receive a first mortgage from LMIR, housing tax credits, and a deferred loan through the Economic Development and Housing/Challenge program. To avoid double counting, Table 5 presents all rental units financed with these programs in combination.

The following graphs show the estimated number of households/units that will be assisted in 2015 compared with the number of households/units assisted in previous years. The graphs are organized by the broad program categories and exclude activity related to disasters/floods, which are intermittent and not part of our baseline activity.

Homebuyer and Home Refinance Programs

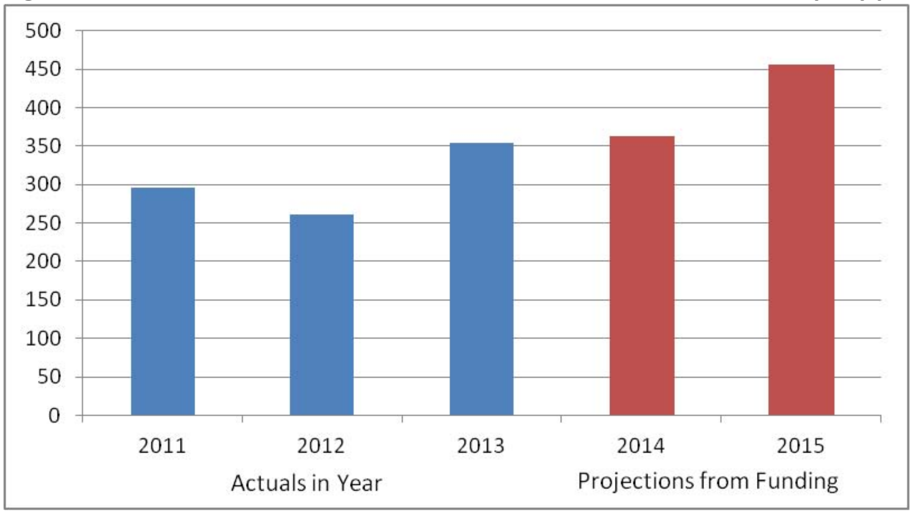
Figure 1 shows our production in home mortgage loans recovering after the housing market collapse in 2008. The increase in 2013 reflects the expanded lending activity with our redesigned programs. In 2015, we will increase our goal for the Home Mortgage Program so that households who are ready to become successful homeowners have the opportunity to take advantage of historically low interest rates and home prices that are still well below the levels from the mid-2000s.

Figure 1: Households/Homes Assisted - Home Mortgage Loan Program



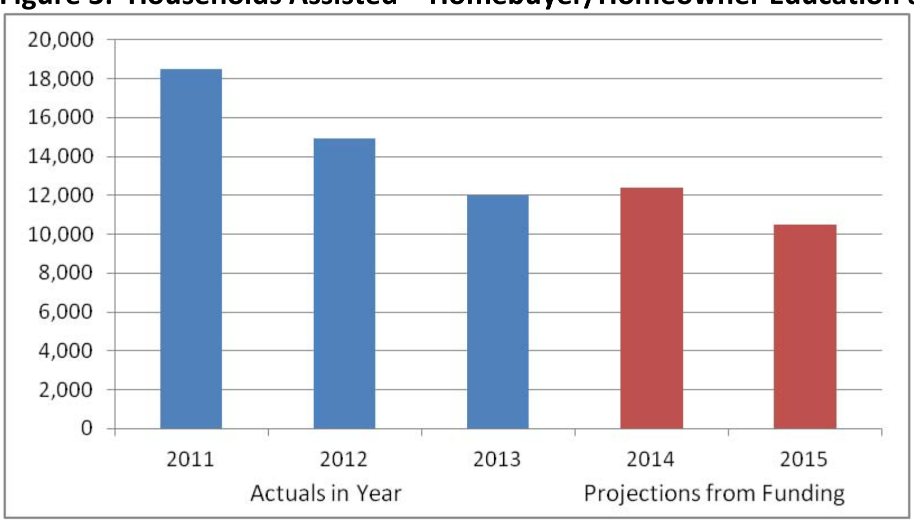
Our other homeownership opportunities (Figure 2) are expected increase in 2015 with the help of the large amount of Housing Infrastructure Bond funds that will be available. The purchase of land by community land trusts for single-family homeownership is an eligible use of these funds. (The programs captured in Figure 2 include the Habitat for Humanity Initiative, the single-family portion of the Economic Development and Housing/Challenge program, and Single Family Interim Lending.)

Figure 2: Households/Homes Assisted - Other Homeownership Opportunities



The decline in education and counseling assistance (Figure 3) largely reflects the reduced funding and need for foreclosure counseling as mortgage delinquency and foreclosure rates in Minnesota have declined since the peak of the foreclosure crisis. While the number of mortgage delinquencies and foreclosures has declined, there is still a need for these counseling resources.

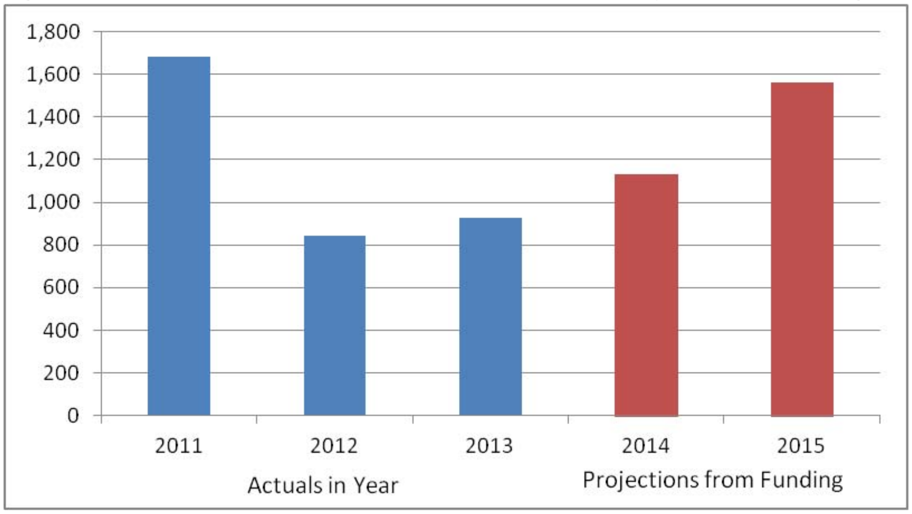
Figure 3: Households Assisted – Homebuyer/Homeowner Education and Counseling



Home Improvement Programs

Home improvement production (Figure 4) had been limited after the downturn in the economy in 2008. Production was high in 2010 and 2011 because of federal stimulus funds that financed the Energy Saver Rebate program, which provided an incentive for energy efficiency improvements. Since 2012, production has slowly increased with the improving economy and housing market. In addition, we redesigned our Home Improvement Loan products in 2012 to better meet the needs of low- and moderate-income homeowners, which has also helped increase production. (Figure 4 includes both the Home Improvement Loan Program and the Rehabilitation Loan Program.)

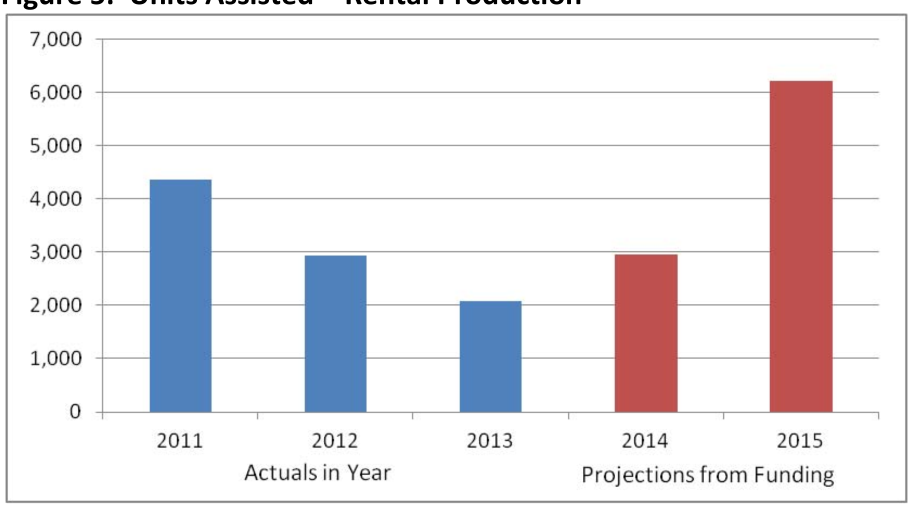
Figure 4: Households/Homes Assisted – Home Improvement Programs



Rental Production and Rental Portfolio Management

The large rental production increase in 2015 will come from the $100 million of funding provided in the 2014 bonding bill (Housing Infrastructure and General Obligation Bonds). (Figure 5 captures all the programs in the rental production category, the multifamily portion of the Economic Development and Housing/Challenge program, and all the activity in the rental portfolio management category.)

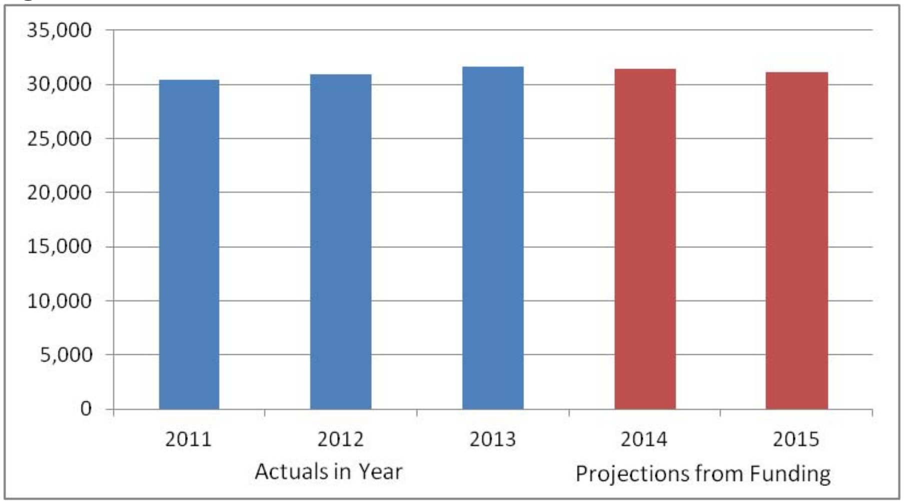
Figure 5: Units Assisted – Rental Production



Rental Assistance Contract Administration

As shown in Figure 6, activity in the Section 8 and 236 contract administration has been very steady over the last several years.

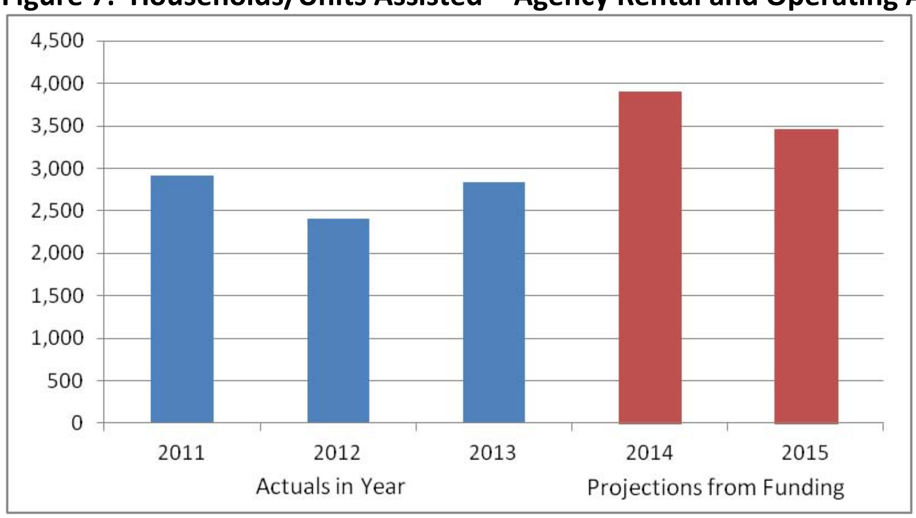
Figure 6: Households Assisted – Rental Assistance Contract Administration



Resources to Prevent and End Homelessness (Non-Capital)

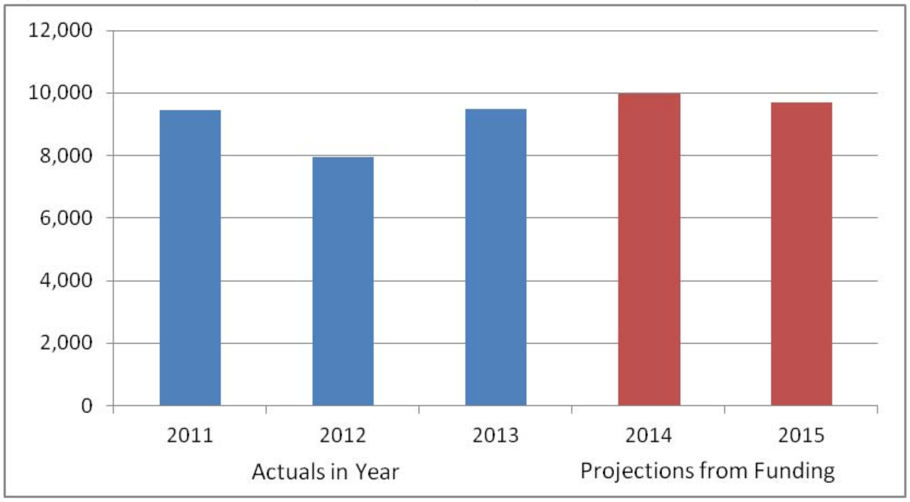
There will be an increase in rental and operating assistance in 2014 and 2015 because the Legislature made available for the first time $3 million for rent assistance for homeless or highly-mobile families with school-age children and for ex-offenders transitioning out of correctional facilities. (See Figure 7.) In addition, the Legislature increased the base appropriation for the Housing Trust Fund program by $1.4 million. The high estimate for 2014 was based on some overly optimistic assumptions, and the actual number of households/units assisted will probably end up closer to 3,500.

Figure 7: Households/Units Assisted – Agency Rental and Operating Assistance



The number of households assisted by the Family Homeless Prevention and Assistance Program (FHPAP) and Housing Opportunities Program for Persons with AIDS (HOPWA) has been relatively steady (around 10,000). See Figure 8. Activity was low in 2012 as a result of administrative complications related to the state government shutdown.

Figure 8: Households Assisted – Targeted Assistance – FHPAP and HOPWA



Chapter 5 – Funding by Source

Table 6 shows the 2015 funding levels by source of funds.

Table 6: 2015 Funding by Source

	Original 2014 AHP	Proposed 2015 AHP
Federal Funds	$207,185,049	$201,484,866
State Appropriations	$71,249,898	$60,285,857
State Capital Investments (GO & Housing Infrastructure Bonds)	$58,281	$100,695,186
Bond Proceeds & Other Mortgage Capital	$441,600,000	$480,000,000
Housing Investment Fund (Pool 2)*	$41,500,000	$75,000,000
Housing Affordability Fund (Pool 3)*	$23,747,785	$29,295,796
Total	$785,341,014	$946,761,705

* From the original 2014 AHP, this table has taken out $8.5 million of estimated activity that was expected to occur with the Twin Cities Community Land Bank and the Family Housing Fund (Pool 2 funds) and $1 million under Non-Profit Capacity Building Loans (Pool 3 funds). Both of these are revolving loan accounts. It has been a challenge to accurately reflect the activity of these revolving accounts when presented with non-revolving funds. Thus, the funding tables in the AHP will no longer include a budgeted amount unless additional funds are added. Details on these loans will still be provided in the Program Narratives (Appendix B) under the Organizational Loan program.

There will be sizable increases in funding from several sources.

- $100 million in **State Capital Investments** (GO and Housing Infrastructure Bond proceeds).
- **Agency Bond Proceeds & Other Mortgage Capital** will increase by $38 million, of which $24 million will be for increased home mortgage lending and $20 million will be for increased bridge lending (construction period financing) under the Low and Moderate Income Rental Income (LMIR) program. These increases are partially overset by a $6 million decrease in Mortgage Credit Certificate authority.
- **Pool 2** funding will increase by $34 million, of which $25 million will be for increased permanent financing under LMIR, $6 million will be for increased home improvement lending, and $2 million will be for increased mortgage lending under the Targeted Mortgage Opportunity Program.
- The reduction in funding under **State and Federal Appropriations** comes from a reduction in uncommitted funds that carry forward from one AHP to the next. In 2014, Minnesota Housing committed a large share of the available funds, reducing the carry forward from 2014 to 2015.
- With increased earnings, Minnesota Housing can allocate more funding to **Pool 3/Foundation**.

To identify funds available under this plan by source, staff projected the resources that will be available from each source during the year. The plan allocates funds from five primary sources as described below. The precise amount of some funding categories is known at the time the plan is developed, while others (such as loan repayments) are estimates of resources that will become available during the year. Staff used various analytical approaches (including fund cash flow analysis) to project the amount of resources available for housing programs.

Federal Resources. There are two types of federal resources: (1) appropriations to the U.S. Department of Housing and Urban Development (HUD) that are made available to Minnesota Housing, and (2) housing tax credits. For purposes of the plan, current funding levels are used for the HUD appropriations – Section 8/236, HOME, and Housing Opportunities for Persons with AIDS (HOPWA) – and will be adjusted once Congress has adopted the 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 from the state is based on the 2014-15 general fund budget adopted by the 2013 Minnesota Legislature. We generally split the appropriations evenly between state fiscal years 2014 and 2015. In addition, the funds for the 2016-17 biennium will be available on July 1, 2015, which overlaps with the last three months of the 2015 AHP. Some 2016 funds have been budgeted under the 2015 AHP. We use each program's current base budget as the assumed funding level.

State Capital Investment. These funds come from the state capital budget (bonding bill) and include General Obligation and Housing Infrastructure Bond proceeds.

Agency Bond Proceeds and Other Mortgage Capital. Bond proceeds are generated by the issuance of tax-exempt bonds. Tax-exempt bond proceeds have historically been limited by the amount of new bonding authority under a state allocation formula, the projected amount of bonds refunded over the next year, and an estimate of the amount of bonding authority contributed by cities and counties for issuance on their behalf. However, market conditions have made it difficult to fully utilize all of the available bonding authority. To access these under-utilized resources, we have started issuing Mortgage Credit Certificates, which counts against the state's bonding authority. We also started selling some of our mortgage-backed securities on the secondary market to access attractively-priced private capital. In addition, we started accessing a new source of mortgage capital for rental housing. We recently became a MAP (Multifamily Accelerated Processing) lender and now originate FHA-insured mortgages that are financed through a third-party investor.

Agency Resources. We generate resources from our lending activities and make them 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 our cash flow projections. The level of funding that must be retained in 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 not less than the combined net assets of the same funds for the immediately preceding audited fiscal year end. The practical result of this requirement is to set the amount of current period earnings as an upper limit on the amount that can be annually transferred from Pool 2 to Pool 3. According to Board policy, the use of Pool 2 funds is limited to investment quality loans and investment grade securities. Most of the net assets in Pool 2 are already invested in housing loans, so it is the Pool 2 liquid assets and expected loan repayments that are available for budgeting in the Plan.

- **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. The sources of ongoing funding for Pool 3 are transfers of a portion of current period earnings from Pool 2, combined with any repayments or prepayments from loans previously funded under Pool 3. 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.

Notes

[1] Minnesota Housing analysis of data from the United States Census Bureau, *2000 Decennial Census* and *2012 American Community Survey*. Incomes and costs are adjusted for inflation.
[2] Minnesota has 11 primary job classes, with five having an average weekly wage above $1,000 and six below $1,000. Three of the five higher-wage industries lost jobs over the last five years, with construction and manufacturing having the largest losses of all industries. In contrast, four of the six lower-wage industries gained jobs, with the largest gains in education and health services. Data from the Department of Employment and Economic Development's *Quarterly Census of Employment and Wages* (2008 and 2013).
[3] Minneapolis Area Association of Realtors, Monthly Market Indicators (June 2012 and June 2014); http://www.mplsrealtor.com/market-data. To account for seasonality of prices, the analysis involves June to June comparisons.
[4] Marquette Advisors, Apartment Trends (1st Quarter 2012 and 2nd Quarter 2014).
[5] Minnesota Housing analysis of data from the United States Census Bureau, *2012 American Community Survey*.
[6] A credit is used to offset 10 years of tax liability. Thus, a $100,000 tax credit will generate $1 million of tax breaks over the 10 years. In today's tax-credit market, credits can sell for 80 to 90 cents on the dollar, or higher.
[7] U.S. Department of Housing and Urban Development, Notice on Median Family Incomes for FY 2014 (December 18, 2013); http://www.huduser.org/portal/datasets/il/il14/Medians2014_v2.pdf.
[8] Minnesota Housing analysis of data from the United State Census Bureau, *2012 American Community Survey.*
[9] Minnesota Housing, *Regional Distribution of Minnesota Housing Assistance* (August 2012); http://www.mnhousing.gov/idc/groups/administration/documents/webcontent/mhfa_011777.pdf. [Update]
10 [10] For more information about the Olmstead Plan see: http://www.dhs.state.mn.us/main/idcplg?IdcService=GET_DYNAMIC_CONVERSION&RevisionSelectionMethod=LatestReleased&dDocName=opc_home.
[11] Minnesota Department of Health, *Minnesota Healthy Homes: Strategic Plan* (November 2012); http://www.health.state.mn.us/divs/eh/homes/forpartners/hhplan2012.pdf.

Appendix A: 2015 Program Funding by Source

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Appendix A: 2015 Program Funding by Source

		2014 Total	Federal Resources	State Appropriations	State Capital Investment (GO & Housing Infrastructure Bonds)	Agency Bond Proceeds and Other Mortgage Capital	Housing Investment Fund (Pool 2) - Regular	Housing Investment Fund (Pool 2) - Revolving Funds	Housing Affordability Fund (Pool 3) - Regular	Housing Afffordability Fund (Pool 3) - Revolving Funds
	Homebuyer and Home Refinance	**$455,036,200**	**$669,200**	**$3,847,000**	**$0**	**$420,000,000**	**$18,500,000**	**$0**	**$12,020,000**	**$0**
1	Home Mortgage Loans	$400,000,000	$0	$0	$0	$400,000,000	$0	$0	$0	$0
2	Targeted Mortgage Opportunity Program	$10,000,000	$0	$0	$0	$0	$10,000,000	$0	$0	$0
3	Mortgage Credit Certificates (MCC)	$20,000,000	$0	$0	$0	$20,000,000	$0	$0	$0	$0
4	Deferred Payment Loans	$7,500,000	$0	$2,330,000	$0	$0	$0	$0	$5,170,000	$0
4a	Deferred Payment Loans Plus	$3,500,000	$0	$0	$0	$0	$0	$0	$3,500,000	$0
5	Monthly Payment Loans	$7,500,000	$0	$0	$0	$0	$7,500,000	$0	$0	$0
6	Single Family Interim Lending	$1,600,000	$0	$0	$0	$0	$0	$0	$1,600,000	$0
7	Habitat for Humanity Initiative	$2,000,000	$0	$0	$0	$0	$1,000,000	$0	$1,000,000	$0
8	Homebuyer Education, Counseling & Training (HECAT)	$2,186,200	$669,200	$1,517,000	$0	$0	$0	$0	$0	$0
8a	Enhanced Homeownership Capacity Initiative	$650,000	$0	$0	$0	$0	$0	$0	$650,000	$0
8b	Homeowners Armed with Knowledge (HAWK)	$100,000	$0	$0	$0	$0	$0	$0	$100,000	$0
	Home Improvement	**$28,575,000**	**$0**	**$3,522,000**	**$0**	**$0**	**$19,500,000**	**$0**	**$5,553,000**	**$0**
9	Home Improvement Loan Program	$19,975,000	$0	$0	$0	$0	$19,500,000	$0	$475,000	$0
9a	Targeted Home Improvement Interest Write-Down	$0	$0	$0	$0	$0	$0	$0	$0	$0
10	Rehabilitation Loan Program (RLP)	$8,600,000	$0	$3,522,000	$0	$0	$0	$0	$5,078,000	$0
	Rental Production- New Construction and Rehabilitation	**$186,798,750**	**$17,040,416**	**$6,172,847**	**$64,085,487**	**$60,000,000**	**$35,000,000**	**$0**	**$4,500,000**	**$0**
11	Multifamily Amortizing First Mortgages	$95,000,000	$0	$0	$0	$60,000,000	$35,000,000	$0	$0	$0
11a	Low and Moderate Income Rental (LMIR)	$85,000,000	$0	$0	$0	$50,000,000	$35,000,000	$0	$0	$0
11b	MAP Lending (Multifamily Accelerated Processing)	$10,000,000	$0	$0	$0	$10,000,000	$0	$0	$0	$0
12	Flexible Financing for Capital Costs (FFCC)	$4,500,000	$0	$0	$0	$0	$0	$0	$4,500,000	$0
13	Low-Income Housing Tax Credits (LIHTC)	$8,646,840	$8,646,840	$0	$0	$0	$0	$0	$0	$0
14	Affordable Rental Preservation	$14,007,305	$8,393,576	$5,613,729	$0	$0	$0	$0	$0	$0
14a	Preservation Affordable Rental Initiative Fund (PARIF)	$5,613,729	$0	$5,613,729	$0	$0	$0	$0	$0	$0
14b	HOME Affordable Rental Preservation (HARP)	$8,393,576	$8,393,576	$0	$0	$0	$0	$0	$0	$0
15	Housing Trust Fund (Capital from Housing Infrastructure Bonds)	$43,853,648	$0	$0	$43,853,648	$0	$0	$0	$0	$0
16	Publicly Owned Housing Program (POHP)	$20,231,839	$0	$0	$20,231,839	$0	$0	$0	$0	$0
17	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$559,118	$0	$559,118	$0	$0	$0	$0	$0	$0
	Rental Assistance Contract Administration	**$181,392,671**	**$181,392,671**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
18	Section 8 - Performance Based Contract Administration	$112,500,000	$112,500,000	$0	$0	$0	$0	$0	$0	$0
19	Section 8 - Traditional Contract Administration	$68,250,000	$68,250,000	$0	$0	$0	$0	$0	$0	$0
20	Section 236	$642,671	$642,671	$0	$0	$0	$0	$0	$0	$0
	Resources to Prevent and End Homelessness (Non-Capital)	**$28,786,183**	**$382,579**	**$26,430,808**	**$0**	**$0**	**$0**	**$0**	**$1,972,796**	**$0**
21	Housing Trust Fund (HTF) - **Net Activity**	$14,723,594	$0	$14,723,594	$0	$0	$0	$0	$0	$0
21a	Funding for new contracts	$24,812,054	$0	$24,812,054	$0	$0	$0	$0	$0	$0
21b	Adj. to spread two-year contracts over two years	-$10,088,460	$0	-$10,088,460	$0	$0	$0	$0	$0	$0
22	Ending Long-Term Homelessness Initiative Fund (ELHIF) - **Net Activity**	$1,972,796	$0	$0	$0	$0	$0	$0	$1,972,796	$0
22a	Funding for new contracts	$3,945,592	$0	$0	$0	$0	$0	$0	$3,945,592	$0
22b	Adj. to spread two-year contracts over two years	-$1,972,796	$0	$0	$0	$0	$0	$0	-$1,972,796	$0
23	Bridges - **Net Activity**	$3,138,091	$0	$3,138,091	$0	$0	$0	$0	$0	$0
23a	Funding for new contracts	$6,276,182	$0	$6,276,182	$0	$0	$0	$0	$0	$0
23b	Adj. to spread two-year contracts over two years	-$3,138,091	$0	-$3,138,091	$0	$0	$0	$0	$0	$0
24	Section 811 Demonstration	$235,000	$235,000	$0	$0	$0	$0	$0	$0	$0
25	Family Homeless Prevention and Assistance Program (FHPAP) - **Net Activity**	$8,569,123	$0	$8,569,123	$0	$0	$0	$0	$0	$0
25a	Funding for new contracts	$17,138,245	$0	$17,138,245	$0	$0	$0	$0	$0	$0
25b	Adj. to spread two-year contracts over two years	-$8,569,123	$0	-$8,569,123	$0	$0	$0	$0	$0	$0
26	Housing Opportunities for Persons with AIDS (HOPWA)	$147,579	$147,579	$0	$0	$0	$0	$0	$0	$0
	Rental Portfolio Management	**$3,000,000**	**$2,000,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$1,000,000**	**$0**
27	Asset Management	$1,000,000	$0	$0	$0	$0	$0	$0	$1,000,000	$0
28	Asset Management - Financing Adjustment Factor (FAF) / Financing Adjustment (FA)	$2,000,000	$2,000,000	$0	$0	$0	$0	$0	$0	$0

Appendix A: 2015 Program Funding by Source

		2014 Total	Federal Resources	State Appropriations	State Capital Investment (GO & Housing Infrastructure Bonds)	Agency Bond Proceeds and Other Mortgage Capital	Housing Investment Fund (Pool 2) - Regular	Housing Investment Fund (Pool 2) - Revolving Funds	Housing Affordability Fund (Pool 3) - Regular	Housing Afffordability Fund (Pool 3) - Revolving Funds
	Multiple Use Resources	**$59,885,869**	**$0**	**$17,726,170**	**$35,909,699**	**$0**	**$2,000,000**	**$0**	**$4,250,000**	**$0**
29	Economic Development and Housing/ Challenge (EDHC)	$55,230,869	$0	$17,321,170	$35,909,699	$0	$2,000,000	$0	$0	$0
29a	Request for Proposals (RFP) - Single-Family and Multifamily	$17,321,170	$0	$17,321,170	$0	$0	$0	$0	$0	$0
29b	Housing Infrastructure Bonds (HIB)	$35,909,699	$0	$0	$35,909,699	$0	$0	$0	$0	$0
29c	Community-Owned Mobile Home Parks	$2,000,000	$0	$0	$0	$0	$2,000,000	$0	$0	$0
30	Technical Assistance and Operating Support	$2,655,000	$0	$405,000	$0	$0	$0	$0	$2,250,000	$0
31	Organizational Loans	$0	$0	$0	$0	$0	$0	$0	$0	$0
32	Strategic Priority Contingency Fund	$2,000,000	$0	$0	$0	$0	$0	$0	$2,000,000	$0
	Other	**$3,287,032**	**$0**	**$2,587,032**	**$700,000**	**$0**	**$0**	**$0**	**$0**	**$0**
33	Housing Infrastructure Bond Issuance Costs	$700,000	$0	$0	$700,000	$0	$0	$0	$0	$0
34	Manufactured Home Relocation Trust Fund	$1,201,044	$0	$1,201,044	$0	$0	$0	$0	$0	$0
35	Flood Disaster	$0	$0	$0	$0	$0	$0	$0	$0	$0
36	Disaster Relief Contingency Fund	$1,385,988	$0	$1,385,988	$0	$0	$0	$0	$0	$0
	Total	**$946,761,705**	**$201,484,866**	**$60,285,857**	**$100,695,186**	**$480,000,000**	**$75,000,000**	**$0**	**$29,295,796**	**$0**

Appendix B: Program Narratives

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2015 Affordable Housing Plan
Appendix B: Program Narratives

Table of Contents

Multiple Use Resources

Other

Notes on reading the program narratives:

- “Housing Investment Fund” and “Pool 2” refer to the same resources.
- “Housing Affordability Fund” and “Pool 3/Foundation” refer to the same resources.
- The sum of the projections for the number of housing units or households assisted by individual programs during the plan period exceed the total number of households projected to be served across all programs. This occurs because some households or housing units will receive assistance from multiple programs in order to achieve needed affordability levels.
- The projections for the number of households or units assisted generally are based on the average assistance per unit or per household for the last five years, by program, adjusted for inflation and program trends.
- Several programs have multiple funding sources which may necessitate some differences in program rules depending on the funding sources.
- The tables in the narratives show funds available for commitment in 2015.

Home Mortgage Loans

Our home mortgage loans are fully-amortizing first mortgage loans at affordable interest rates for low- and moderate-income homebuyers. Home mortgage loans help us promote and support successful homeownership by offering financing with affordable interest rates, access to downpayment and closing cost loans for eligible borrowers, access to exclusive Housing Finance Agency loan products and homebuyer education. The program supports borrowers traditionally not served by the private market. We offer a mortgage program designed for first-time homebuyers ("Start Up") with borrower access to two downpayment and closing cost (DPA) loan options, including one interest-free deferred loan option and an interest-bearing fully-amortizing loan option. In addition, we offer a program for repeat and refinance borrowers ("Step Up") with access to the interest-bearing fully-amortizing downpayment and closing cost loan option.

In our current business model for homeownership, we access capital to finance mortgages by selling bonds and/or selling its mortgage-backed securities on the secondary market.

We remain committed through our programs to serving households of color or Hispanic ethnicity and households with incomes below 80 percent of area median income.

Current income limits for one and two person households:

Property Location	Maximum
Minneapolis/Saint Paul metro area	$82,900
Rochester	$81,300
Balance of State	$73,900

Current income limits for three or more person households:

Property Location	Maximum
Minneapolis/Saint Paul metro area	$95,335
Rochester	$93,495
Balance of State	$84,985

Maximum purchase price limits:
- $310,000 in the Minneapolis/Saint Paul metropolitan area
- $265,000 in the balance of the state

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013, we financed:
- 2,765 loans
- $356,730,116 total loan amount
- $129,016 average loan amount
- Median household income of borrowers was $48,500 or 66% of statewide median income
- 23% were households of color or Hispanic ethnicity

Start Up production is expected to increase in 2015 with Step Up production remaining stable at current levels. Overall home mortgage loan production is estimated at $400 million in net commitments, which includes Start Up, Step Up and MCC first mortgage production.

Estimating the market demand for Minnesota Housing loan products is a challenge. Uncertain market conditions related to regulatory changes, the increasing interest rate environment, recovering home valuation, and the overall employment outlook affect both need and demand for these products. Staff continuously works to ensure that the home mortgage programs and corresponding downpayment assistance programs meet the needs of low- and moderate-income homeowners (80% AMI and below), that loan commitments are targeted to households of color and Hispanic ethnicity, and that we maintain the quality of the MBS loan portfolio.

Proposal for 2015

Based on resources available for new activity in 2015, we expect to finance loans for an estimated 2,941 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	$400,000,000
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$400,000,000**
2014 Original Total	**$367,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 3; Minn. Stat. §462A.073; Minn. Rules, Parts 4900.3200-3290; IRC §143

Targeted Mortgage Opportunity Program

The Targeted Mortgage Opportunity Program provides sustainable first mortgage opportunities to households struggling to access mortgage credit and targets households of color or Hispanic ethnicity in Minnesota. Households of color or Hispanic ethnicity are an increasing share of the state's population. Some households of color and Hispanic ethnicity struggle to access the mortgage market, with the foreclosure crisis falling disproportionately on them, and a declining homeownership rate since 2008. Minnesota's homeownership disparity (the homeownership rate differential between White/non-Hispanic households and households or color or Hispanic ethnicity) is the highest in the nation.

Proposal for 2015

We are allocating $10 million under the 2015 AHP for this first mortgage loan pool for credit-worthy borrowers struggling to access a mortgage. The loan pool is marketed through collaborative efforts with organizations that work closely with and/or provide outreach to households of color or Hispanic ethnicity. As part of this effort, we work with designated organizations that support successful homeownership as well as financial stability through intensive homeowner and financial literacy training. Designated, culturally-competent mortgage lenders originate the loans, which will be serviced by an organization that understands the objective of the program. The program offers borrowers a non-conforming conventional loan product and funds from Pool 3 allocated in the 2014 AHP serve as a risk pool to reimburse Pool 2 for any losses that might occur under this program.

Based on resources available for new activity in 2015, we expect to assist an estimated 62 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$10,000,000
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$10,000,000**
2014 Original Total	**$10,000,000**

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

Mortgage Credit Certificates

As an alternative to allowing excess mortgage revenue bond (MRB) authority to expire, we converted some MRB authority into Mortgage Credit Certificates (MCCs) for first-time homebuyers. MCCs allow eligible homebuyers to claim a nonrefundable tax credit for a percentage of the mortgage interest paid per year by providing a dollar-for-dollar reduction against the homeowner's federal tax liability with a $2,000 cap per year. Eligibility requirements for MRB programs, such as first-time homebuyer status, also apply to the MCC program.

Current income limits for one and two person households:

Property Location	Maximum
Minneapolis/Saint Paul metro area	$82,900
Rochester	$81,300
Balance of State	$73,900

Current income limits for three or more person households:

Property Location	Maximum
Minneapolis/Saint Paul metro area	$93,335
Rochester	$93,495
Balance of State	$84,985

Program Performance and Trends

In November 2012, we converted $135,107,649 of expiring bonding authority to $33,776,912 in MCC authority. These funds were available through Minnesota Housing from June 24, 2013 through December 31, 2014, or until funds are exhausted. Bonding authority converted in December of 2014 will be available from January 1, 2015 through December 31, 2017, or until funds are exhausted.

For the Program Assessment period of October 1, 2012 – September 30, 2013, there was no program activity to report.

Proposal for 2015

We are budgeting $20 million of MCC authority for 2015.

Based on resources available for new activity in 2015, we expect to provide MCCs for an estimated 394 households under this program

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	$20,000,000
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$20,000,000**
2014 Original Total*	**$25,600,000**

*Bonding authority is converted to MCC authority.

Legal Authority: Minn. Stat. §462A.05; IRC §143, Section 25

Deferred Payment Loans

We offer two downpayment and closing cost loan programs (Deferred Payment Loan, and Monthly Payment Loan) that support homeowners purchasing of Start Up, Step Up, or MCC first mortgage loans. Historically, the percentage of Minnesota Housing borrowers using one of the three DPA programs has been significant, ranging from 60% to 80% of all borrowers.

The Deferred Payment Loan (DPL) provides an interest-free loan for down payment and closing costs for income-eligible first-time homebuyers purchasing a home under the Start Up program. Borrowers that receive DPL assistance lack necessary funds for standard mortgage downpayment and closing costs. The maximum loan amount is the greater of $5,000 or five percent of the home purchase price capped at $7,500. DPL requires at least one borrower per household to complete homebuyer education. The program serves lower income households than the amortizing Monthly Payment Loan (MPL) and is funded through a combination of state appropriations and Pool 3 funds.

As a result of the discontinuation of the HOME HELP program for the 2015 AHP, we developed the DPL Plus option, setting aside $3.5 million of DPL funding to reach targeted borrowers with similar characteristics and need as HOME HELP borrowers. Removing HUD’s non-industry standard program requirements through a targeted DPL Plus option enables us to enlist more lender delivery partners to reach targeted households with DPA need.

To ensure that funds support successful homeownership, DPL requires borrowers to contribute $1,000 of their own funds to the transaction, maintain adequate funds in reserve accounts to finance emergency funding needs, have a debt-to-income ratio of less than 50% and a credit score of at least 640. DPL also requires at least one borrower per household to complete homebuyer education.

Current income limits are adjusted by household size. Limits for households of up to four members are:

Property Location	Maximum
Minneapolis/Saint Paul metro area	$60,000
Rochester	$60,000
Balance of State	$55,000

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013, we financed:

- 742 loans
- $3,090,971 total loan amount
- $4,166 average loan
- Median household income of borrowers was $45,006 or 61% of statewide median
- 28% were households of color or Hispanic ethnicity

As a result of April 1, 2014 program changes that increased the maximum loan amount, we saw an increase in demand for DPL assistance.

Proposal for 2015

We request a total of $11 million—$7.5 million for DPL and $3.5 million for DPL Plus for the 2015 AHP. Demand for the DPL program is based on home mortgage production estimates that are subject to market volatility; therefore, it is important to view this funding request as conservative. With as many as 80% of Minnesota Housing borrowers using a downpayment and closing cost loan programs, if home mortgage demand exceeds estimated production, additional resources may be needed to support the DPL program.

Based on resources available for new activity in 2015, we expect to fund an estimated 1,200 DPL and 350 DPL Plus loans under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	$830,000
Revolving	
Repayments and Receipts	$1,500,000
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$8,670,000
Carry Forward (ELHIF only)	
2015 Total	**$11,000,000**
2014 Original Total	**$7,400,000**

Legal Authority: Minn. Stat. §462A.21, Subd. 8; Minn. Rules, Parts 4900.1300-1359

Monthly Payment Loans

Monthly Payment Loans (MPLs) are interest-bearing, amortizing loans that provide downpayment and closing cost funds to support our home mortgage loan programs, including "Start Up", "Step Up", and the first mortgage loans originated incident to the Mortgage Credit Certificate program. Borrowers who qualify for MPLs may receive up to the greater of $5,000 or 5% of the purchase price of the home. MPLs have a 10-year term with an interest rate equal to that of the first mortgage. We began offering MPLs in December 2012 and has experienced strong demand for the assistance.

To ensure that MPL funds support successful homeownership, MPL requires borrowers to contribute $1,000 of their own funds to the transaction, maintain adequate funds in reserve accounts to finance emergency funding needs, have a debt-to-income ratio of less than 50 percent and a credit score of at least 640. MPL also requires at least one borrower per household to complete homebuyer education.

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013, we funded:

- 612 loans
- $3,940,550 total loan amount
- $6,439 average loan
- Median household income of borrowers was $55,761 or 75% of statewide median
- 20% were households of color or Hispanic ethnicity

We request a total of $7.5 million for MPL for the 2015 AHP. Demand for the MPL program is based on home mortgage production estimates that are subject to market volatility; therefore, it is important to view this funding request as conservative. With as many as 80% of Minnesota Housing borrowers historically using a downpayment and closing cost loan program, if home mortgage demand exceeds estimated production additional resources may be needed to support this program.

Proposal for 2015

Based on resources available for new activity in 2015, we expect to fund loans for an estimated 1,071 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$7,500,000
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$7,500,000**
2014 Original Total	**$7,000,000**

Legal Authority: Minn. Stat. §462A.05

Single Family Interim Lending

Single Family Interim Lending involves the Partnership for Affordable Housing (PAH), funded from Pool 3. (The $1 million legislative appropriation for Innovative Housing, a revolving resource for interim financing, is now reported under the Economic Development and Housing/Challenge program.)

We provide interim loans to acquire, rehabilitate, demolish or construct owner-occupied housing. Interim loans funded through PAH have a 2% interest rate. The loan term is 20 months. Interim funding is awarded annually through the Single Family Request for Proposals process in accordance with our mission and funding priorities.

Program Performance and Trends

Data on interim lending are reported under the Community Homeownership Impact Fund. The Impact Fund is the umbrella program under which we currently deliver the Economic Development and Housing/Challenge Program and interim construction financing, primarily for single family owner-occupied housing.

Proposal for 2015

It is difficult to project the demand for interim financing in any given annual funding round because of the flexible nature of the funding source, which allows for rehabilitation as well as new construction activity. The request for the 2015 AHP reflects a rebound in new construction interest. Governor Dayton's Housing and Jobs Growth Initiative also suggests a greater need for interim construction financing in those parts of the state where employers are poised to expand but affordable housing is not adequate to meet the needs of the local workforce.

Based on resources available for new activity in 2015, we anticipate making interim or construction loans to administrators for approximately 16 housing units.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$1,600,000
Carry Forward (ELHIF only)	
2015 Total	**$1,600,000**
2014 Original Total	**$1,522,750**

Legal Authority: Minn. Stat. §462A.05, Subd. 2 and Minn. Stat. §462A.05, Subd. 18; Minn. Rules, Parts 4900.1200-1210

Habitat for Humanity Initiative

The Habitat for Humanity Initiative provides a secondary market for interest-free loans originated by Habitat for Humanity Minnesota affiliates for qualifying households throughout Minnesota (under its Next 1,000 Homes Fund).

Current income limit: below 60% of the Twin Cities area median income.

Habitat sets specific borrower income limits, which are lower than our limits. Habitat also establishes maximum loan amounts that are lower than our home mortgage loan program limits.

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013, we funded:

- 25 loans
- $1,999,658 total loan amount
- $79,968 average Minnesota Housing funding per household
- Median household income of borrowers was $33,352 or 45% of statewide median
- 88% were households of color or Hispanic ethnicity

Proposal for 2015

Based on resources available for new activity in 2015, we expect to fund loans for approximately 25 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$1,000,000
Housing Affordability Fund (Pool 3)	
Regular	$1,000,000
Carry Forward (ELHIF only)	
2015 Total	**$2,000,000**
2014 Original Total	**$2,000,000**

Legal Authority: Minn. Stat. §462A.21, Subd. 5

Homeownership Education, Counseling and Training (HECAT, NFMC, and HAWK)

Homeownership Education, Counseling and Training (HECAT) supports: pre-purchase homebuyer training, home equity conversion counseling, and foreclosure prevention counseling. Minnesota Housing and our funding partners (the Minnesota Home Ownership Center, the Family Housing Fund, and the Greater Minnesota Housing Fund) accept funding proposals from administrators annually through a competitive Request for Proposals process. We also fund foreclosure prevention counseling with federal funds from the National Foreclosure Mitigation and Counseling (NFMC) program and Homeowners Armed with Knowledge (HAWK). The Department of Housing and Urban Development (HUD) Office of Housing Counseling will launch HAWK as a pilot program to decrease the costs of FHA mortgage insurance for borrowers who successfully complete homeownership education and counseling before and after the purchase of their home. The HAWK program will be implemented beginning October 2014 pending HUD approval.

Current income limit: none, but participants with incomes less than or equal to 60% of area median are encouraged to participate.

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013, we funded:

- 12,010 households
- $2,712,685 funding amount
- $226 average Minnesota Housing assistance per household
- Median household income of participants was $35,602 or 48% of statewide median
- 32% were households of color or Hispanic ethnicity

A review of mortgage delinquency and foreclosure in Minnesota shows that rates are still high compared to historic trends. Many troubled loans remain in the system; however, rates have declined from the highs of 2008 – 2010 and need, especially for foreclosure counseling, has diminished.

Proposal for 2015

The 2015 HECAT budget from state appropriations is slightly higher than the previous year's budget. In addition, we are expecting about $699,200 in federal NFMC funds.

We also request $100,000 to finance the HAWK program's homebuyer education costs, which are not currently offered as part of the Homestretch or Framework curriculum and specific to the pre-contract, pre-closing, and post-closing counseling and education requirements under the program.

Based on resources available for new activity in 2015, we expect to fund assistance for an estimated 10,500 households under HECAT/NFMC and an estimated 235 households under HAWK.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$669,200
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	$857,000
New Appropriations 2015	
Revolving	
Repayments and Receipts	$10,000
Unused Funds from Previous Contracts	
Contributions from Other Organizations	$650,000
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	$100,000
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$2,286,200**
2014 Original Total	**$1,316,000**

Legal Authority: Minn. Stat. §462A.209

Enhanced Homeownership Capacity Initiative

The Enhanced Homeownership Capacity Initiative was a new item in the 2014 AHP that targets households of color or Hispanic ethnicity to increase their probability of successful homeownership in Minnesota through comprehensive homeowner training.

Households of color or Hispanic ethnicity are an increasing share of the state's population, yet Minnesota's homeownership disparity (the homeownership rate differential between White/non-Hispanic households and households of color or Hispanic ethnicity) is the highest in the nation. These households often struggle to access the mortgage market, and their homeownership rate has declined significantly since 2008.

The Minnesota Homeownership Center, with strong programming and financial support from us, has developed a statewide homeowner training infrastructure. This initiative will use new approaches to serving potential homeowners, such as supplementing traditional homeowner training with intensive financial literacy and providing case management services to enhance family stability and sustainable homeownership.

Program Performance and Trends

This initiative supports new and expanded homeowner training efforts through existing organizations. The effort is linked with the Targeted Mortgage Opportunity Program. There is no assistance activity to report as yet.

Proposal for 2015

Based on resources available for new activity in 2015, we anticipate serving 671 households.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$650,000
Carry Forward (ELHIF only)	
2015 Total	**$650,000**
2014 Original Total	**$500,000**

Legal Authority: Minn. Stat. §462A.209

Home Improvement Loan Program

Our Home Improvement Loan Program provides below-market-interest-rate, fully-amortizing home improvement loans to low- and moderate-income homeowners to improve the livability and energy efficiency of their homes. The Home Improvement Loan Program is key to our priority of supporting successful homeownership.

A thorough product review of our home improvement loan program was identified as an important business activity during the development of the 2012 AHP. The product review resulted in several changes to make the program more attractive in the current market, including:

- The reintroduction of unsecured loans to respond to the housing needs of underwater homeowners;
- Increasing lender fees and paying those fees out of Pool 3 as a way to offset increased lender costs, incent broader lender participation, and to not negatively impact program yield and address APR issues;
- Increasing the maximum loan amount (secured loan option to $50,000; unsecured loan option to $15,000; energy loan option to $15,000); and,
- Eliminating the income limit for energy and accessibility loan options.

Current income limit: $96,500

Maximum loan amount: $50,000 for secured loans; $15,000 for unsecured loans

Program Performance and Trends

In recent years, home improvement loan activity has declined due to difficult economic conditions and the availability of a number of other home improvement products.

For the Program Assessment period of October 1, 2012 – September 30, 2013, we financed:

- 721 loans
- $11,759,753 total loan amount
- $16,310 average loan
- Median household income of borrowers was $62,941 or 85% of statewide median
- 9% were households of color or Hispanic ethnicity

Recent program changes, along with an improving economy and housing market, have led to strong loan production in 2014 that should continue in 2015.

Proposal for 2015

With the increase in home improvement lending, we are allocating nearly $20 million to this program.

Based on resources available for new activity in 2015, we expect to finance loans for an estimated 1,248 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$19,500,000
Housing Affordability Fund (Pool 3)	
Regular	$475,000
Carry Forward (ELHIF only)	
2015 Total	**$19,975,000**
2014 Original Total	**$14,330,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 15; Minn. Rules, Parts 4900.0610-0700

Rehabilitation Loan Program (RLP)

The Rehabilitation Loan Program (RLP) provides deferred loan financing to low-income homeowners needing to rehabilitate their existing housing to improve its safety, livability or energy efficiency. Homeowners needing assistance of an emergency nature or having an essential accessibility need are referred to the Emergency & Accessibility Loan (ELP) component of the program. Local entities, such as community action agencies, administer the RLP.

The maximum RLP loan term is 15 years for properties taxed as real property and 10 years for manufactured homes taxed as personal property and located in a mobile home park. All loans are forgiven after the loan term if the borrower does not sell, transfer title, or cease to occupy the property during the loan term.

Current income limits are adjusted by household size; it is $22,400 for a three-person household

Maximum loan amount: $27,000

Program Performance and Trends

The funding source for RLP has varied over the past several AHPs causing production to lag in some years as administrators confronted changing program rules. Production has increased dramatically since 2013 when RLP was funded using state rather than federal appropriations.

For the Program Assessment period of October 1, 2012 – September 30, 2013, we funded:

- 207 loans
- $4,206,605 total loan amount
- $20,322 average loan
- Median household income of borrowers was $14,100 or 19% of statewide median
- 13% were households of color or Hispanic ethnicity

Proposal for 2015

A continued challenge for the upcoming year is to maintain lender capacity. Lender staff turnover and staff reduction have increased significantly in recent years due to budget cuts.

The program request for this 2015 AHP is to maintain the current funding level. Based on resources available for 2015, we expect to fund rehabilitation loans for an estimated 313 households.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	$2,772,000
Revolving	
Repayments and Receipts	$750,000
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$5,078,000
Carry Forward (ELHIF only)	
2015 Total	**$8,600,000**
2014 Original Total	**$6,600,000**

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

Amortizing First Mortgages

Multifamily has the ability to finance and insure amortizing first mortgages. Traditionally, we have made direct loans through its Low and Moderate Income Rental Program (LMIR) using either Pool 2 resources or proceeds from the issuance of tax exempt bonds. Direct loans are now made under LMIR in combination with HUD's Risk Sharing Program. In addition, loans are originated under HUD's Multifamily Accelerated Processing (MAP) program, which allows us to access the secondary market and securitize loans. MAP was a new product line implemented under the 2014 AHP.

LMIR

The Low and Moderate Income Rental Program (LMIR) makes interest-bearing, amortizing first mortgages available for the refinance, acquisition, rehabilitation or new construction/conversion of rental developments that house low- and moderate-income Minnesotans. We also may finance bridge loans and equity take-out loans under this program. Financing is available to housing sponsors both through the Request for Proposals process and on an open pipeline basis. In addition to HUD Risk Share insurance, Flexible Financing for Capital Costs deferred loans are available in conjunction with LMIR loans.

Current eligibility requirements: 40% of units must be affordable to households with incomes at 60% of the area median income or 20% of units must be at affordable to households with incomes at 50% area median income; and 25% of units may be unrestricted. The balance of the units may be affordable to households with incomes up to 100% of the area median income.

There are no set minimum or maximum loan amounts; however, due to financing costs, loans are generally not feasible with loan amounts less than $2 million on tax-exempt bond loans and $350,000 on all others.

MAP

The HUD Multifamily Accelerated Processing (MAP) program provides mortgage insurance through the Federal Housing Administration to facilitate the new construction, rehabilitation, acquisition, and refinance of multifamily rental housing. Loans are fully amortizing, interest bearing and non-recourse to borrowers with standard carve outs. Loans are funded by a third party lender and securitized into Ginnie Mae Mortgage Backed Securities pools. These loans may be paired with other Minnesota Housing loan programs.

Eligibility Requirements: The development project must meet the underwriting standards as prescribed by HUD, including loan-to-value requirements and debt service coverage ratio. The development team must also meet the HUD requirements regarding experience and financial strength.

There are no set minimum or maximum loan amounts; however, due to financing costs, loans are generally not feasible in amounts of less than $1 million.

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013, we financed:

- Eight loans for developments with 558 units
- $17,404,175 total loan amount

- $31,190 average assistance per unit
- Median household income of tenants was $17,794 or 24% of statewide median
- 41% of households were of color or Hispanic ethnicity

We report no MAP activity for the period of October 1, 2012 – September 30, 2013.

Proposal for 2015

We request $85 million for LMIR, for bridge loans and permanent financing, and $10 million for MAP lending. For LMIR, $50 million will come from mortgage revenue bonds for bridge loans, and $35 million will come from Pool 2 for permanent financing.

Based on resources available for new activity in 2015, we expect to assist an estimated 1,094 units under LMIR and an estimated 313 units under MAP (excluding bridge loans).

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	$60,000,000
Housing Investment Fund (Pool 2)	$35,000,000
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$95,000,000**
2014 Original Total	**$50,000,000**

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

Flexible Financing for Capital Costs (FFCC)

We provide Flexible Financing for Capital Costs (FFCC), which are deferred loans at low or no interest to support the production, stabilization, and maintenance of multifamily rental housing. We only fund FFCC in conjunction with Agency-originated first mortgage loans for the refinance, acquisition, rehabilitation or new construction/conversion of rental developments that house low- and moderate-income Minnesotans.

The current FFCC program is administered both through the Request for Proposals (RFP) process and on a pipeline basis, allowing us to act more quickly to meet the immediate needs of developments that would be unnecessarily delayed and subjected to hardship if required to wait for the next RFP.

Current eligibility requirements: 40% of units must be affordable to households with incomes at 60% of the area median income or 20% of units must be affordable to households with incomes at 50% of area median income; and 25% of units may be unrestricted. The balance of the units may be affordable to households with incomes up to 100% of the area median income.

Maximum loan amount: no set limit, subject to funding availability

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013, we financed:

- One FFCC loan for a development with 24 units
- $696,648 total loan amount
- $29,027 average FFCC assistance per unit

Proposal for 2015

As a result of the state's aging portfolio, we anticipate a continued increase of preservation and stabilization requests. We requested FFCC resources to address the preservation and stabilization of developments as well as the refinancing of existing loans.

Based on resources available for new activity in 2015, we expect to fund an estimated 263 units under FFCC.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$4,500,000
Carry Forward (ELHIF only)	
2015 Total	**$4,500,000**
2014 Original Total	**$4,500,000**

Legal Authority: Minn. Stat. §462A.05, Subd.3, and - Minn. Stat. §462A.21, Subd.8a.

Low-Income Housing Tax Credits (LIHTC)

Low-Income Housing Tax Credits (LIHTC) provide federal income tax credit to owners and investors in the construction or acquisition with substantial rehabilitation of eligible rental housing. Housing must meet income and rent restrictions for a minimum of 30 years. The allocation of tax credits is based upon the state's population and a per capita amount that increases each year with the cost of living. Syndication proceeds are the amounts of private equity invested in developments as a result of federal housing tax credits awarded and then sold to investors.

We were designated by the Minnesota Legislature as the primary allocating Agency of LIHTC in Minnesota. Qualified local cities and counties have also been designated by the Legislature as suballocators of the HTC.

We award tax credits in two rounds of a competitive allocation process held each year. Round 1 is held concurrent with the Minnesota Housing Request for Proposals and a smaller Round 2 occurs later. A waiting list is established at the conclusion of Round 2. The award of LIHTC's is highly competitive process with requests totaling 3:1 or 4:1 for each available credit dollar.

Section 42 of the Internal Revenue Code requires that tax credit allocating agencies develop an allocation plan for the distribution of the tax credits within the jurisdiction of the allocating agency. Minnesota Housing's Qualified Allocation Plan (QAP) combines state and federally legislated priorities with other priorities established by us following receipt of comments from the public, local municipalities and federal agencies. The QAP sets forth selection criteria that are appropriate to local conditions and support our mission and strategic priorities.

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013, we financed:

- 956 LIHTC units in 23 developments
- $96,666,472 in syndication proceeds
- $101,116 average syndication amount per unit
- Median household income of tenants in LIHTC units financed by Minnesota Housing was $17,837 or 24% of statewide median
- 43% were households of color or Hispanic ethnicity

Proposal for 2015

Based on the available LIHTC credit ceiling, we expect to allocate tax credits for an estimated 730 units in 2015.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$8,560,000
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	$86,840
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$8,646,840**
2014 Original Total	**$8,201,743**

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

Affordable Rental Preservation (PARIF and HARP)

Affordable Rental Preservation includes statewide activities funded under the Preservation Affordable Rental Investment Fund (PARIF) and HOME Affordable Rental Preservation (HARP) programs that provide deferred loans to cover the costs of preserving or stabilizing affordable rental housing.

The use of PARIF is restricted to developments that have at-risk project-based federal rent subsidies and/or existing at-risk supportive housing units. PARIF activities include rehabilitation, acquisition and rehabilitation, debt restructuring and equity take-out. HARP funds may be used to cover the financing gaps of rehabilitating or acquiring and rehabilitating permanent affordable rental housing with or without long-term federal project-based rental subsidies for the purpose of preserving the project-based subsidies or the affordability. For developments that do not have project-based federal rent subsidies, priority for HARP investment will go to developments that are currently subject to rent and income restrictions and where the owner will commit to long term additional rent and income restrictions that comply with the HOME program regulations. Additionally, these properties must be sited in locations that align with our geographic priorities and leverage funding commitments of at least 10% of the total development cost**.**

Starting in 2015, HOME administrative funds will be tracked under this program, rather than on a separate HOME Administrative Expenses line in the AHP (now deleted). HOME administrative funds are 10% of new appropriations.

Tenant income limit: PARIF is subject to federal guidelines of assistance being preserved. Income limits under HARP are set annually by the U.S. Department of Housing and Urban Development (HUD).

Rent limits: Rent limits under the HARP program are set annually by HUD.

Maximum assistance amount: None

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013, we funded:

PARIF

- Eight loans for 531 units
- $5,760,617 total loan amount
- $10,849 average PARIF assistance per unit
- Median household income of tenants was $11,376 or 15% of statewide median
- 61% were households of color or Hispanic ethnicity

HARP

- Two developments with 160 total units (124 HOME-assisted units)
- $4,145,000 total loan amount
- $25,906 average assistance per unit (total) or $33,427 per HOME unit

These programs continue to be critical tools in the long-term preservation of expiring project-based Section 8 contracts as well as other project-based federally assisted housing.

Proposal for 2015

Based on resources available for new activity in 2015, we expect to fund an estimated 568 units under this program, including 374 units under PARIF and 193 units under HARP. Note that estimating HARP usage and projecting unit counts is complicated by the program's lack of historic data.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$6,374,701
Repayments/Program Income	$250,000
Carry Forward of Unobligated Balances from Previous Plans	$1,768,875
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	$4,218,000
Revolving	
Repayments and Receipts	$500,000
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$895,729
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$14,007,305**
2014 Original Total	**$20,102,939**

Legal Authority: Minn. Stat. §462A.21, Subd. 8b and 14a; Minn. Stat. §462A.05, Subd. 3b; Laws of Minnesota 2009, Chap. 17, Art. 1, Sec. 6; Minn. Rules, Parts 4900.3500-3550, 2700-2707, 4900.0610-0700 and Title 11 of the Cranston-Gonzales National Affordable Housing Act; 42 U.S.C. §12701 et seq; 24 CFR Part 92

Housing Trust Fund – Capital

Historically, funding for the Housing Trust Fund (HTF) has come from either state appropriations or bond proceeds. Capital assistance is in the form of deferred loans at no or low interest for the acquisition, construction, or rehabilitation of affordable permanent supportive housing. Funding priority is given to housing proposals that serve tenants with incomes at 30% of the median family income for the Minneapolis/Saint Paul metropolitan area. Priority also is given to proposals serving households experiencing long-term homelessness.

Current tenant income limit: 60% of Minneapolis/Saint Paul Metropolitan Statistical Area median income with priority for proposals serving households at 30% of Minneapolis/Saint Paul Metropolitan Statistical Area median income.

Maximum loan amount: none beyond funding availability

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013, we did not fund any Housing Trust Fund capital loans.

Proposal for 2015

The 2014 Minnesota Legislature made available $80 million of Housing Infrastructure Bond proceeds. Of these funds, we are allocating roughly $44 million to the Housing Trust Fund-Capital program.

Based on resources available for new activity in 2015, we expect to fund an estimated 439 units under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	$43,853,648
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$43,853,648**
2014 Original Total	**$0**

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

Publicly Owned Housing Program (POHP)

The Publicly Owned Housing Program (POHP) provides deferred, forgivable loans at no interest to eligible public entities to preserve/rehabilitate properties that that they own and operate under the U.S. Department of Housing and Urban Development's Public Housing program. Past legislation also has authorized the acquisition, construction, or rehabilitation of publicly owned permanent supportive or transitional rental housing. Funds are from the proceeds of state general obligation bonds and can be used only for eligible capital costs of a non-recurring nature that add value or life to the buildings.

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013, we funded:

- Eight loans for 110 units
- $418,000 total loan amount
- $7,115 average POHP assistance per unit
- Median household income of tenants was $8,388 or 9% of statewide median
- 27% were households of color or Hispanic ethnicity

Proposal for 2015

The 2014 Minnesota Legislature made available $20 million of General Obligation Bond proceeds that we will administer through POHP in 2015. Based on this, we expect to fund an estimated 3,113 units of rehabilitation.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	$20,000,000
Carry Forward of Unobligated Balances from Previous Plans	$231,839
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$20,231,839**
2014 Original Total	**$58,281**

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

Rental Rehabilitation Deferred Loan Pilot Program (RRDL)

We launched the Rental Rehabilitation Deferred Loan (RRDL) Program as a pilot in October of 2011. RRDL provides deferred, no-interest loans to individuals, developers, nonprofits, units of government, and tribal housing corporations for the moderate rehabilitation of existing affordable rental housing throughout Greater Minnesota.

Up to 25% of the loan may be forgiven at the end of the full compliance period. The program is intended to serve owners of smaller federally assisted and non-assisted properties that do not apply through our competitive Request for Proposals process. RRDL gives preference to projects and programs serving areas that are not HOME entitlement areas.

Loans are accessible through a local administrative network; larger developments may apply directly to us for assistance. RRDL provides rehabilitation resources to both larger properties (12-60 units) through a specific project application process and smaller to medium properties (1-36 units) through a local administrative network.

Current tenant income limit: 80% of the greater of statewide or area median income, not adjusted for family size

Maximum loan amount: $35,000 per unit for 1-2 units or $25,000 per unit up to a maximum loan of $300,000

Program Performance and Trends

In 2014, we amended the AHP to commit nearly all RRDL funds for the 2014-2015 biennium in 2014. Originally, we had allocated $3.1 million to 2014 and 2015. Under the amendment, all but $559,118 of the funds were added to the 2014 allocation.

For the Program Assessment period of October 1, 2012 – September 30, 2013, we funded:

- Three loans for developments with 162 units
- $1,076,396 total loan amount
- $6,644 average RRDL assistance per unit

For the same period, RRDL Program Administrators selected and processed an additional:

- 20 loans for developments with 72 units
- $1,427,000 total loan amount
- $19,819 average RRDL assistance per unit

Proposal for 2015

Based on resources available and current production trends, we expect to finance an estimated 22 units in 2015 under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$559,118
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$559,118**
2014 Original Total	**$3,138,000**

Legal Authority: Minn. Stat. §462A.05 sub.14 and §462A.33; Minn. Rules, Parts 4900.3600-3652

Section 8 – Performance Based Contract Administration (PBCA)

The Housing and Community Development Act of 1974 created the project-based Section 8 Housing Assistance Payments Program. Under the program, the U. S. Department of Housing & Urban Development (HUD) entered into contracts with property owners to provide rental assistance for a fixed period of time for families with incomes no greater than 80% of the area median income. No new development has been funded under this program since the mid-1980s; however, under existing contracts, tenants pay no more than 30% of adjusted household income for rent. HUD pays the difference between tenant rent payments and the actual fair market rent of assisted units.

Effective August 1, 2000 we entered into an agreement with HUD to administer existing Section 8 contracts for affordable rental units that are not part of our first mortgage portfolio. Our primary responsibilities under Section 8 Performance Based Contract Administration (PBCA) are performing management and occupancy reviews, processing contract renewals and annual rent adjustments, processing monthly payment vouchers, responding to tenant concerns, and following up on Real Estate Assessment Center physical inspections. These activities assist us in identifying and planning for the preservation needs of developments with Section 8 assistance.

We currently administer 357 PBCA contracts. The PBCA revenue earned through the contract pays 100% of the cost of administering the program.

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013 we reported:

- 18,957 household assisted
- $112,184,137 in Housing Assistance Payments
- $5,908 average assistance per household
- Median household income of tenants was $11,088 or 15% of statewide median
- 38% were households of color or Hispanic ethnicity

Geographic distribution of developments is important in understanding differences in assistance (and tenants assisted) between PBCA and Traditional Contract Administration (TCA). Nearly one-third of PBCA units are located in the cities of Minneapolis and Saint Paul; an estimated 16% of TCA units are located in the cities of Minneapolis and Saint Paul.

Proposal for 2015

Funding levels will change as Section 8 contracts transition from the TCA portfolio to PBCA, per HUD's instruction. Because PBCA HAP outlays are based in part on the number of assisted units in the portfolio, HAP outlays will increase as the portfolio increases.

Because these funds are based on owner billings for subsidy for specific tenants, and are not discretionary or competitively awarded, we will pass the funds through to these owners as HUD provides funding.

We expect to assist an estimated 18,750 units in 2015 under PBCA.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$112,500,000
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$112,500,000**
2014 Original Total	**$113,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 11; 42 U.S.C. §1437f (Section 8 of the Housing and Community Development Act of 1937, as amended)

Section 8 – Traditional Contract Administration (TCA)

The Housing and Community Development Act of 1974 created the project-based Section 8 Housing Assistance Payments Program. Under the program, the U. S. Department of Housing & Urban Development (HUD) entered into contracts with property owners to provide rental assistance for a fixed period of time for families with incomes no greater than 80% of the area median income. No new development has been funded under this program since the mid-1980s; however, under existing contracts, tenants pay no more than 30% of adjusted household income for rent. HUD pays the difference between tenant rent payments and the actual fair market rent of assisted units.

We provided permanent mortgage financing for more than 235 Section 8 Traditional Contract Administration (TCA) developments from 1975 to the mid-1980s.

We currently administer 192 contracts for Section 8 units in Agency-financed rental developments. Our primary responsibilities under Section 8 TCA are: performing management and occupancy reviews, processing contract renewals and annual rent adjustments, processing monthly payment vouchers, responding to tenant concerns, and following up on Real Estate Assessment Center physical inspections. These activities assist us in identifying and planning for the preservation needs of developments with Section 8 assistance.

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013 we reported:

- 11,457 household assisted
- $69,132,439 in Housing Assistance Payments
- $6,034 average assistance per household
- Median household income of tenants was $12,114 or 16% of statewide median
- 26% were households of color or Hispanic ethnicity

Geographic distribution of developments is important in understanding differences in assistance and tenants assisted between TCA and PBCA housing. Nearly one-third of PBCA units are located in the cities of Minneapolis and Saint Paul; an estimated 16% of TCA units are located in the cities of Minneapolis and Saint Paul.

Proposal for 2015

Funding levels will change as Section 8 contracts transition from the TCA portfolio to PBCA, per HUD's instruction. Because these funds are based on owner billings for subsidy for specific tenants, and are not discretionary or competitively awarded, we will pass the funds through to these owners as HUD provides funding.

We expect to assist an estimated 11,375 units in 2015 under TCA.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$68,250,000
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$68,250,000**
2014 Original Total	**$70,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 11; 42 U.S.C. §1437f (Section 8 of the Housing and Community Development Act of 1937, as amended)

Section 236

The U.S. Department of Housing & Urban Development (HUD) encouraged the development of affordable rental housing in the late 1960s and early 1970s through the Section 236 program. HUD subsidized the interest rate on mortgages to a rate of 1% in order to reduce rents. Section 236 was a predecessor to the Section 8 program.

Program Performance and Trends

Under the Section 236 program, we currently pass through interest rate reduction payments to developments that include more than 500 units of affordable housing financed by us. Residents have household incomes at or below 80% of median income adjusted for family size.

Proposal for 2015

The program is long standing and well established and no changes are proposed or anticipated. The amount of funds in this program will continue to trend downward as the original mortgages mature by December 2016.

We expect to provide interest rate reduction to an estimated 981 units in 2015 under Section 236.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$642,671
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$642,671**
2014 Original Total	**$890,970**

Legal Authority: Minn. Stat. §462A.05, Subd. 11; 12 U.S.C. §1715z-1 (Housing and Urban Development Act of 1968)

Housing Trust Fund (HTF Non-Capital)

Historically, funding for the HTF has come from state appropriations and been used to fund capital, rental assistance and operating subsidy expenses. In recent years, HTF resources have been used primarily to sustain our rental assistance commitments. HTF rental assistance funds serve low-income families and individuals who are near-homeless, homeless, and/or long-term homeless.

Current tenant income limit: 60% of the Minneapolis/Saint Paul Metropolitan Statistical Area median income (AMI), with priority for proposals at 30% of AMI and proposals to serve the long-term homeless.

Maximum loan amount: none beyond funding availability

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013, we assisted:

- 1,652 households
- $8,427,668 assistance amount
- $5,108 average assistance per household
- Median household income of tenants was $8,520 or 12% of statewide median
- 62% were households of color or Hispanic ethnicity

Proposal for 2015

In 2015, we will enter into two-year contracts for rent assistance and operating subsidies totaling $24.9 million. A portion of these contracts will cover 2016, leaving $14.7 million for program activity in 2015.

Based on resources available in 2015, we expect to fund an estimated 2,356 households or units under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	$22,942,000
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	$1,500,000
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$370,054
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
Funding for New Contracts	**$24,812,054**
Adjustment to Spread Contracts Over Two Years	**-$10,088,460**
2015 Total	**$14,723,594**
2014 Original Total	**$14,407,373**

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

Ending Long-Term Homelessness Initiative Fund (ELHIF)

The Ending Long-Term Homelessness Initiative Fund (ELHIF), operating under the Housing Trust Fund statute and program rules, has been used for capital funding, rental assistance, operating subsidy expenses and non-bondable development costs in general-obligation, bond-funded, supportive housing projects.

ELHIF-assisted tenants meet the definition of long-term homelessness: lacking a permanent place to live continuously for a year or more or at least four times in the last three years.

Current tenant income limit: 60 percent of the Minneapolis/Saint Paul Metropolitan Statistical Area median income (AMI), with priority for proposals at 30 percent of AMI.

Maximum assistance amount: none beyond funding availability

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013, we provided ELHIF operating assistance for:

- 482 households
- $1,710,721 assistance amount
- $3,549 average assistance per household
- Median household income of tenants was $10,531 or 14% of statewide median
- 64% were households of color or Hispanic ethnicity

By the end of 2013, Minnesota had exceeded its goal of funding 4,000 housing opportunities for persons experiencing long-term homelessness. The state is proceeding with a new Plan to Prevent and End Homelessness in Minnesota.

We have prioritized the use of ELHIF funds to sustain its ongoing commitment to rental assistance and operating subsidy activities.

Proposal for 2015

In 2015, we will enter into two-year contracts for rent assistance and operating subsidies totaling $3.9 million. A portion of these contracts will cover 2016, leaving $2 million for program activity in 2015.

Based on resources available in 2015, we expect to provide subsidies for approximately 493 units under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$2,700,869
Carry Forward (ELHIF only)	$1,244,723
Funding for New Contracts	**$3,945,592**
Adjustment to Spread Contracts Over Two Years	**-$1,972,796**
2015 Total	**$1,972,796**
2014 Original Total	**$3,420,271**

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

Bridges

Bridges is a tenant-based voucher program that operates in selected counties throughout the state, administered by local housing organizations. Grants provide temporary rental assistance and security deposits on behalf of participants with a serious mental illness. Payments are paid directly to landlords and tenants are responsible for their portion of the rent, equal to 30% of their income. Participants are required to be on a waiting list or eligible for a permanent rent subsidy, typically a Section 8 Housing Choice Voucher. The Minnesota Department of Human Services and Minnesota Housing collaborate in the administration of the program.

Current tenant income limit: 50% of area median income

Maximum assistance amount: none beyond funding availability

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013, we funded:

- 707 households
- $2,597,829 assistance amount
- $3,781 average assistance per household
- Median household income of tenants was $9,351 or 13% of statewide median
- 33% were households of color or Hispanic ethnicity

Proposal for 2015

In 2015, we will enter into two-year contracts for rent assistance totaling $6.3 million. A portion of these contracts will cover 2016, leaving $3.1 million for program activity in 2015.

Based on resources available in 2015, we expect to assist an estimated 565 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	$5,676,000
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$600,182
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
Funding for New Contracts	**$6,276,182**
Adjustment to Spread Contracts Over Two Years	**-$3,138,091**
2015 Total	**$3,138,091**
2014 Original Total	**$3,111,500**

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

Section 811 Demonstration

Under this federal demonstration, HUD awarded Minnesota $3 million for project-based rental assistance for the development of integrated, cost-effective supportive housing.

Eligible applicants for Minnesota's allocation of 811 funding include private and public owners of multifamily properties that have been financed by Minnesota Housing and/or are in Minnesota Housing's Low Income Housing Tax Credit or project-based Section 8 portfolio of developments with existing unsubsidized units. Owners awarded funds under the demonstration will receive a project-based rent assistance subsidy that covers the difference between the tenant payment and the approved gross rent. Tenants pay 30% of their adjusted gross income for rent and utilities.

The pilot program has structured state-level partnerships that link housing and community-based services. The goals of the demonstration are to:

- Increase housing opportunities for people with disabilities;
- Transition people with disabilities from institutions to community-based settings;
- Reduce public costs of homelessness and institutional care;
- Create a centralized outreach and referral system; and
- Develop new service linkages.

We will implement this demonstration in partnership with the Minnesota Department of Human Services (DHS). DHS will recruit and coordinate referrals for eligible households and provide service linkages.

The demonstration is a key tool with which to support the goals of the Olmstead Plan to provide integrated housing options for people with disabilities. It is a unique opportunity to expand supportive housing for people with disabilities through the leveraging of Medicaid resources for services in supportive housing.

Program Performance and Trends

This is a new activity in 2015. We have advertised an initial Request for Proposals (RFP) with funding applications due June 6, 2014. We will enter into a contract with selected owners for a minimum of 20 years, with initial funding for a period of five years. Funding beyond the first five years is subject to federal appropriations.

Proposal for 2015

In 2015, as we begin to implement the demonstration, we expect to fund an estimated 45 units in the amount of $235,000. The longer-term expectation is to fund 85 units annually.

A small portion of the grant will be used to pay for administrative expenses.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$235,000
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$235,000**
2014 Original Total	**$80,000**

Legal Authority: 462A.05, subds. 6, 11, and 12; 462A.06, subd. 6

Family Homeless Prevention and Assistance Program (FHPAP)

The Family Homeless Prevention and Assistance Program (FHPAP) assists families with children, unaccompanied youth, and single adults who are homeless or are at imminent risk of homelessness. Funds are used for a broad range of purposes aimed at preventing homelessness, shortening the length of stay in emergency shelters, eliminating repeat episodes of homelessness, and assisting individuals and families experiencing homelessness to secure permanent affordable housing. The program assists extremely low-income people at a low assistance amount per household, primarily through short-term tenant-based assistance (limited to 24 months and most typically less than three months).

Grant funds are awarded through a competitive application process. In the Minneapolis/Saint Paul seven-county area, only counties are eligible to apply for funding. In Greater Minnesota, eligible applicants include counties, groups of contiguous counties jointly acting together, or community-based nonprofit organizations with a sponsoring resolution from each of the county boards of the counties located within their operating jurisdiction. FHPAP grants encourage and support innovations at the county, region, or local level to work toward a seamless and comprehensive homelessness response system.

All grantees are required to use Minnesota's Homeless Management Information System (HMIS) to collect household data and complete program reports to be submitted to us. Data collected through the Homeless Management Information System (HMIS) indicate that less than five percent of assisted household returned to shelter within six months of exiting this program.

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013, we reported:

- 9,314 households
- $7,705,783 funding amount
- $816 per household average assistance amount
- Median household income was $9,588 or 13% of statewide median
- 56% were households of color or Hispanic ethnicity

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 2013, 48 percent of funds allocated to providers were used for direct cash assistance including rent and mortgage assistance, security deposits, and transportation and utility assistance; 43% of funds were used for support services; and 9% of funds were used for program administration.

Proposal for 2015

In 2015, we will enter into two-year contracts for prevention and services assistance totaling $17.1 million. A portion of these contracts will cover 2016, leaving $8.6 million for program activity in 2015.

Based on resources available for new activity in 2015, this program is expected to assist an estimated 9,521 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	$17,038,000
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$100,245
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
Funding for New Contracts	**$17,138,245**
Adjustment to Spread Contracts Over Two Years	**-$8,569,123**
2015 Total	**$8,569,123**
2014 Original Total	**$7,862,000**

Legal Authority: Minn. Stat. §462A.204

Housing Opportunities for Persons with AIDS (HOPWA)

The Housing Opportunities for Persons with AIDS (HOPWA) program funds grants for housing assistance and services to meet the housing needs of persons with Acquired Immune Deficiency Syndrome (AIDS), HIV-positive status, or related diseases and their families. The U.S. Department of Housing and Urban Development allocates HOPWA funds to local jurisdictions. The City of Minneapolis receives and administers a direct grant for the 13-county Minneapolis/Saint Paul Metropolitan Statistical Area. We receive a direct award for the portion of the state not covered by the City of Minneapolis grant and contracts with the Minnesota AIDS Project to administer these funds.

Current tenant income limit: 80% of area median income adjusted for family size
Maximum assistance amount: none beyond funding availability

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013, we assisted:

- 165 households
- $116,691 assistance amount
- $707 average assistance per household
- Median household income was $17,635 or 24% of statewide median
- 47% were households of color or Hispanic ethnicity

Proposal for 2015

Based on resources available for new activity in 2015, we expect to assist an estimated 164 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$147,579
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$147,579**
2014 Original Total	**$139,245**

Legal Authority: Cranston-Gonzales National Affordable Housing Act 1990; 42 U.S.C. §12901-12921; 24 C.F.R. Part 574

Asset Management

Asset Management funds provide interest and non-interest bearing amortizing and deferred loans and rent subsidy grants to stabilize assets in our amortizing loan portfolio as well as supportive housing developments or high-risk developments that need stabilization funding. Asset Management funding provides for necessary repairs and maintenance to protect our assets and to ensure that developments are decent, safe and sanitary.

Asset Management funds may be used to pay for costs if a property goes into default and eventually becomes Real Estate Owned (REO) by us. The funds are also used to stabilize troubled developments that, if they became REO, would cost us more in losses than the total cost of stabilizing them. Resources are available on a pipeline basis when reserves are inadequate to fund needed capital improvements. Owners receiving funding under this program must agree to extend affordability restrictions for a minimum of ten years beyond the current commitment.

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013, we did not fund any asset management loans.

Proposal for 2015

Based on resources available for new activity in 2015, we expect to fund an estimated 67 units under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$1,000,000
Carry Forward (ELHIF only)	
2015 Total	**$1,000,000**
2014 Original Total	**$3,000,000**

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

Asset Management Financing Adjustment Factor (FAF)/ Financing Adjustment (FA)

Financing Adjustment Factor (FAF) and Financing Adjustment (FA) financing comes to us 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. We originally issued the bonds in 1980 through 1983 to finance Section 8 developments.

FAF/FA funds deferred maintenance and operating subsidies for eligible properties. We make these funds available in interest and non-interest-bearing amortizing loans, deferred loans or grants, as well as rent subsidy grants. Owners receiving assistance with these funds must agree to extend/renew the Section 8 Housing Assistance Payment (HAP) Contract or accept similar project-based replacement benefits for a minimum of ten years beyond the current commitment to the program.

Program Performance and Trends

We did not close any FAF/FA loans during the 2013 AHP period, as guidelines and processes for the deployment of the program were not clearly established. Clarified guidelines suggest greater activity in the future. Staff will identify target properties and market the availability of this resource to ensure its full utilization in the preservation of existing properties.

Proposal for 2015

Based on resources available for new activity in 2015, we expect to finance an estimated 133 units under this program.

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	$2,000,000
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$2,000,000**
2014 Original Total	**$3,500,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 11

Economic Development and Housing/Challenge (EDHC) – RFP

The Economic Development and Housing/Challenge Program (EDHC) provides grants or loans for the purposes of construction, acquisition, rehabilitation, permanent financing, interest rate reduction, refinancing, and gap financing. Funds are used to support economic development or job creation activities within a community or region by meeting locally identified housing needs for both renter and owner-occupied housing. Deferred loans are typically provided at no or low interest; we require that most affordability gap financing awards be provided in the form of loans repayable to us.

The program is designed to provide housing affordable to the local workforce based upon the wages of the jobs being created or retained in the area, fastest growing jobs in the local area, and jobs with the most openings in the local area, or wages of the workforce employed by organizations making contributions under the program.

The Multifamily and Single Family divisions allocate these state-appropriated EDHC resources to competitive proposals submitted through the Request for Proposals (RFP) process. Staff rank and score proposals according to EDHC selection standards and our strategic priorities.

EDHC loans may be made to cities, private developers, tribal and urban Indian housing authorities, nonprofit organizations, or owners of housing (including individuals) for both multifamily (minimum of four units) and single family projects. EDHC requires that 50% 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.

Current income limit: 115% of the state median income for owner-occupied housing and 80 percent of the greater of area or state median income for rental housing.

Maximum loan amount: None beyond funding availability

Program Performance and Trends

RFP funding for single family housing is available under the Community Homeownership Impact Fund. This fund is the umbrella program for EDHC and interim construction financing for homeownership activities. (A revolving $1 million appropriation for the Innovative Housing Loan Program, previously reported under Single Family Interim Lending, is now included under EDHC.)

For the Program Assessment period of October 1, 2012 – September 30, 2013, under the RFP funding for EDHC, we funded:

Multifamily EDHC

- 12 loans to developments with 719 units
- $14,493,947 total loan amount
- $20,158 average EDHC assistance per unit
- Median household income of $22,073 or 30% of statewide median
- 58% were households of color or Hispanic ethnicity

Single Family EDHC

- 309 loans
- $6,866,600 total loan amount
- $22,367 average loan
- Median household income was $37,386 or 51% of statewide median
- 40% were households of color or Hispanic ethnicity

Proposal for 2015

In addition to the regular EDHC biennial appropriation, the 2014 Minnesota Legislature provided us with $80 million of Housing Infrastructure Bond (HIB) proceeds. In 2015, we will administer $35 million of these finds through the EDHC program for preservation, foreclosure remediation, and community land trust activities. The remaining funds will be administered through the Housing Trust Fund.

Based on resources available for new activity in 2015, we expect to fund an estimated 1,063 units through the EDHC RFP and an additional 784 units through HIBs.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	$14,203,000
Revolving	$522,750
Repayments and Receipts	$500,000
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$2,095,420
State GO & Infrastructure Bond Proceeds	
New Funding	$35,446,352
Carry Forward of Unobligated Balances from Previous Plans	$463,347
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$53,230,869**
2014 Original Total	**$17,327,907**

Legal Authority: Minn. Stat. §462A.33; Minn. Rules, Parts 4900.3600-3652

EDHC – Community Owned Manufactured Home Parks

We are a participating lender investing in loans made by Resident Owned Capital, LLC (ROC-USA) a national nonprofit. ROC-USA lends to resident manufactured home cooperatives to enable them to purchase, own, and manage the parks that they occupy. ROC-USA acts as a lead lender and is responsible for loan servicing and loan origination and takes a lead role in due diligence review. In addition, ROC-USA contracts with Northcountry Cooperative Foundation (NCF), a local nonprofit, to engage cooperatives in development activities, such as organizing the cooperative entity and contracting for third party reports. NCF is retained after closing to provide ongoing technical assistance to the cooperative.

Program Performance and Trends

ROC-USA and NCF are marketing this program, for which activity has been slower than anticipated. For the Program Assessment period of October 1, 2012 – September 30, 2013, we did not close any Community Owned Manufactured Home Park loans.

Proposal for 2015

Although no applications are pending at this time, staff recommends that we allocate a small amount of Pool 2 funds to be used should a proposal materialize, which could fund an estimated 80 units.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$2,000,000
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$2,000,000**
2014 Original Total	**$2,000,000**

Legal Authority: Minn. Stat. §462A.33; Minn. Rules, Parts 4900.3600-3652

Technical Assistance and Operating Support

Technical Assistance and Operating Support provides organizational support funding to entities that provide affordable housing and housing-related services. We contract with intermediary organizations to deliver a large portion of the program funds to eligible organizational recipients. It also provides grants for projects that have an important State or regional impact. Grants may be used for projects that are research-oriented, require external expertise, or develop/ support infrastructure related to our strategic priorities.

Program Performance and Trends

Expenditures include contributions to: 1) the statewide counseling network through the Home Ownership Center, 2) the Wilder Statewide Survey of Homelessness, 3) the maintenance of and expansion of the system from HousingLink that provides affordable rental housing information statewide, 4) the state's Homeless Management Information System (HMIS), 5) regional Continuum of Care planning, and 6) the evaluation of updated national Green Communities criteria..

Proposal for 2015

Under the 2015 Plan, funds will be made available for a variety of operating support and technical assistance needs including continued support for the Minnesota Home Ownership Center, HMIS, and HousingLink. Twin Cities Local Initiatives Support Corporation (LISC), Duluth LISC, and the Minnesota Housing Partnership will provide operating support to other housing providers.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	$375,000
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	$30,000
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$2,250,000
Carry Forward (ELHIF only)	
2015 Total	**$2,655,000**
2014 Original Total	**$2,740,920**

Legal Authority: Minn. Stat. §462A.07, Subd. 6; Minn. Stat. §462A.21, Subd. 3b; Minn. Rules, Parts 4900.1931-1937; 42 U.S.C. §12701 et seq.; 24 C.F.R. Part 92

Organizational Loans

Organizational Loans is a merger of two existing programs – (1) Twin Cities Community Land Bank/Family Housing Fund and (2) Non-Profit Capacity Building Loan Program. A more complete description of the merged program will be provided in the final 2015 AHP.

For 2015, no additional funding will be provided under the program; however, existing revolving loan funds will continue to provide assistance.

Proposal for 2015

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$**
2014 Original Total	**$**

Legal Authority: Minn. Stat. §462A.21, Subd. 3a; Minn. Rules, Parts 4900.1925-1930

Strategic Priority Contingency Fund

During any given year, we anticipate that some programs are likely to need additional resources. To be more nimble and responsive, we have set aside contingency funds to meet unexpected needs.

Program Performance and Trends

For the Program Assessment period of October 1, 2012 – September 30, 2013, we did not use any Strategic Priority Contingency Fund resources; however, in 2014 we will use more than $1.5 million.

Proposal for 2015

For 2015, we will budget $2 million for the Strategic Priority Contingency Fund.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$2,000,000
Carry Forward (ELHIF only)	
2015 Total	**$2,000,000**
2014 Original Total	**$2,000,000**

Manufactured Home Relocation Trust Fund

The Manufactured Home Relocation Trust Fund requires owners of manufactured home parks to pay $12 per licensed lot into the Trust Fund each year. The owner of the manufactured housing park is authorized to recoup the $12 from the manufactured homeowner either monthly or in a lump sum. The Trust Fund is available to manufactured home owners who have to relocate because the park they are living in is being closed. The statute sets out the process for determining how much money a homeowner is eligible for and maximum amounts. Only those home owners who paid into the Trust Fund are eligible to receive payment. Funds are paid to Minnesota Management and Budget for deposit in the Trust Fund held by us. Our role is to make payments as directed by a neutral third party for the costs of relocation. We are not responsible for paying claims if there are insufficient funds in the Trust Fund.

Program Performance and Trends

The fund balance was $1.2 million as of March 31, 2014. State law suspends collection of the fee if the balance in the account is equal to or exceeds $1 million; therefore, no receipts are anticipated for 2015.

Proposal for 2015

It is difficult to predict the level of demand for these funds given the limited experience to date. One or perhaps two park closing are anticipated in 2015 with an undetermined number of eligible claims to be made.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$1,201,044
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$1,201,044**
2014 Original Total	**$1,279,536**

Legal Authority: Minn. Stat. §327C.095

Housing Infrastructure Bond Issuance Costs

This line item in the program budget covers the cost of issuing $80 million of Housing Infrastructure Bonds (HIBs).

Program Performance and Trends

This is a new line item in the Affordable Housing Plan.

Proposal for 2015

$700,000 in HIB proceeds will cover issuance costs in 2015.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	$700,000
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$700,000**
2014 Original Total	**$0**

Flood Disaster

Flood Disaster response programs provide funding for repair or replacement of renter or owner-occupied housing damaged by a natural disaster such as a flood or tornado. We implemented the original Flood Economic Development and Housing/Challenge Program to address flood damage in southeastern Minnesota that occurred in August of 2007. Subsequent Minnesota Legislature appropriations have included $2.7 million to address the 2009 Red River Valley flood, $4 million for the 2010 southern Minnesota flood, and $12.7 million for flood and wind damage in northeastern Minnesota in 2012. Local administrators under contract to deliver ongoing Agency programs typically deliver disaster relief to impacted areas through the single family Quick Start Disaster Recovery Program or through multifamily rental repair and homeless response programs.

Program Performance and Trends

Over the past six years, Minnesota has seen significant disasters that have required activation of Quick Start and other Agency housing assistance every 14 months. These have typically been funded by special appropriation from the Minnesota Legislature following a federal disaster declaration and determination of the level of available federal funding from the Federal Emergency Management Agency.

For the program assessment period October 1, 2012 – September 30, 2013, we provided funding for:

- 318 single family units
- $6,278,228 total loan amount
- $19,743 average per unit
- Median household income of homeowners was $28,196 or 38% of statewide median
- 10% were households of color or Hispanic ethnicity

Proposal for 2015

We are not making a request for funding under the 2015 AHP.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$0**
2014 Original Total	**$0**

Legal Authority: Minn. Stat. §462A.33; Minn. Rules, Parts 4900.3600-3652 and Minn. Stat. §12A.09

Disaster Relief Contingency Fund

This fund was established by the 2001 Minnesota Legislature as the account into which we 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. Funding also may be used for capacity building grants for disaster response and flood insurance payments. The terms and conditions under which the funds are made available are at our sole discretion.

Program Performance and Trends

We accessed all available funds in the Contingency Fund in July 2014 as a result of the heavy rain in the spring and summer of 2014. Funds will be used to write down the interest rate on Home Improvement Loans and activate the Quick Start Disaster Recovery program. We will use both program options to fund home and small rental building repair in 32 federally declared flood damaged counties and two tribal communities.

Proposal for 2015

Quick Start was activated for applications on August 1, 2014. Quick Start will address homeowner and small rental property repair needs in 32 federally declared flood damaged counties.

Estimated commitment under the 2014 AHP for the Quick Start flood program is $430,000, leaving $885,988 for the 2015 plan year ($500,000 will be made available to Home Improvement Loans for interest rate write-down).

Based on resources available for new activity in 2015, we could fund an estimated 89 units through the Disaster Relief Contingency Fund.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	$100,000
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$1,285,988
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$1,385,988**
2014 Original Total	**$1,719,357**

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

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