MEETINGS SCHEDULED FOR SEPTEMBER

Location:

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

THURSDAY, SEPTEMBER 25, 2014

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, September 25, 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.

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Equal Opportunity Housing and Equal Opportunity Employment

AGENDA

Minnesota Housing Finance Agency

Board Meeting

Thursday, September 25, 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 August 28, 2014
5. **Reports**
   A. Chair
   B. Commissioner
   C. Program and Policy Committee Meeting of September 3, 2014
6. **Consent Agenda**
   A. Amendments, Lower Sioux Indian Community Proposal, Community Homeownership Impact Fund
   B. Publically Owned Housing Program (POHP), Revisions to Manual
7. **Action Items**
   A. Bridge to Success
   B. 2015 Affordable Housing Plan
   C. Selection/Commitment, Housing Trust Fund (HTF) Young Families Rental Assistance Pilot
   D. Selection/Commitment, PINES (Preservation: Identifying Needs, Exploring Strategies) Proactive Preservation Pilot Program
8. **Discussion Items**
   None.
9. **Informational Items**
   A. Post-Sale Report, Homeownership Finance Bonds, 2014 Series B/C
   B. Conflict of Interest Disclosure Reporting
   C. Report of Action under Delegated Authority
   – Non-material Changes to the Affordable Housing Plan
10. **Other Business**
11. **Adjournment**

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MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING
Thursday, August 28, 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 1:04 p.m.
2. **Roll Call.**
   Members present: Chair Ken Johnson, Gloria Bostrom, John DeCramer, George Garnett, Joe Johnson, Stephanie Klinzing, Rebecca Otto.
   Minnesota Housing staff present: Tal Anderson, Paula Beck, Loir Berg, Jim Cegla, Chuck Commerford, Mike Haley, Susan Haugen, Ruth Hutchins, Karen Johnson, Bill Kapphahn, Kurt Keena, Janine Langsjoen, Julie LaSota, Diana Lund, Marty McCarthy, Shannon Myers, Kirsten Partenheimer, John Patterson, Tony Peleska, Luis Pereira, Leslee Post, William Price, Paula Rindels, Gayle Rusco, Megan Ryan, Joel Salzer, Becky Schack, Barb Sporlein, Kim Stuart, Will Thompson, Rob Tietz, Mary Tingerthal, Katie Topinka, Elaine Vollbrecht, Dan Walsh, Amber Zumski-Finke.
   Others present: Jean Lee, APAHC, CHI/RRFC; Chip Halbach, Minnesota Housing Partnership; Melanie Lien, Piper Jaffray; Tom O'Hern, Office of the State Attorney General.
3. **Agenda Review**
   There were no changes to the agenda.
4. **Approval of the Minutes**
   A. Regular Meeting of July 24, 2014
   Auditor Otto moved approval of the minutes as written. Mr. DeCramer seconded the motion. Motion carries 7-0.
5. **Reports**
   A. Chair
   There was no chair's report.
   B. Commissioner
   Commissioner Tingerthal reminded the board that there was a program and policy committee meeting to discuss the Affordable Housing Plan tentatively scheduled for September 3. The committee meeting is necessary to review comments submitted by the public. Commissioner Tingerthal stated that, this year, staff obtained early public comment in May and utilized that information when writing the draft plan and then had a public comment period, which included a webinar, following the release of the draft. Commissioner Tingerthal also shared that the House of Representatives' Housing Finance and Policy Committee had a hearing on the Affordable Housing Plan and the state ethnic and cultural councils were in attendance. The Plan received a very strong endorsement by those councils, who support the inclusion of dollars for housing in the upcoming legislative session.

   Commissioner Tingerthal shared that the Agency's financial advisors have been asked to prepare a capital adequacy study. The last study was completed three years ago and it is used to provide a long-term look at the earnings capacity of the Agency and how to plan over the very long term future. That study will be presented to the board likely in March, 2015.

Commissioner Tingerthal also shared that Moody's Investors Services published an article regarding HFA single family bond financing that talks about how tax exempt bonds will likely be back. The Agency has been back in the tax exempt market for several months and was recognized by name for its inclusion of hedging costs in the most recent transaction. Commissioner Tingerthal offered recognition to the finance team and the in-house team for being the first in the country to figure out that technicality.

Commissioner Tingerthal shared that the State of Minnesota offers two very well run management development programs, the Emerging Leaders Institute and the Senior Leadership Institute, and this year, the Agency had two nominations for SLI and five for ELI. Commissioner Tingerthal stated that she was pleased to announce that all seven of the Agency's applicants were selected to participate and congratulated the participants: Kurt Keena and Kim Stuart (SLI), and Anne Heitlinger, Dan Walsh, Ashley Oliver, Ruth Hutchins and Jessica Deegan (ELI).

The following new employee introductions were made:

- Roger Moeller introduced the agency's new server administrator, Steve Lindseth, and Pa Kou Xiong, a student intern working with the help desk from Johnson High School
- Shannon Myers introduced Amber Zumski-Finke, who has joined the Multifamily operations team and will work on budgets, program and project management and policy development.
- Diana Lund introduced Marty McCarthy, Multifamily underwriter and William Price, Multifamily loan processor.
- Joe Salzer introduced Adam Connell, who will support two Multifamily programs and focus on the customer service initiative.

C. Finance and Audit Committee of August 28, 2014

Chair Johnson reported that the Finance and Audit Committee had met and received the results of the annual audit, for which the new audit firm, McGladrey, LLC, issued an unqualified opinion. The committee also approved interdepartmental transfers. Chair Johnson thanked the Agency's staff for their work on the audit. **MOTION:** Auditor Otto moved to accept the report and ratify the actions of the committee. Ms. Bostrom seconded the motion. Motion carries 7-0.

6. Consent Agenda

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

MOTION: Mr. Joe Johnson moved approval of the consent agenda. Ms. Klinzing seconded the motion. Motion carries 7-0.

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

Mr. Dan Walsh presented this request for additional funding for a multiple building project in Minneapolis that will provide more than 500 units of deeply affordable housing. Mr. Walsh stated that, without the modification, it is reasonable to assume that the development would not move forward. **MOTION:** Mr. Joe Johnson moved approval and adoption of Resolution No. MHFA 14-037. Mr. DeCramer seconded the motion. Motion carries 7-0.

B. Selection/Commitment, Asset Management Loan - Crestview Community Apartments, St. Paul, D2538

Ms. Leslee Post presented this request to commit funding to complete repairs for a 44 unit supportive housing development in Saint Paul. Ms. Post stated that the funding would resolve erosion issues at the site and fund repairs to the parking lot and stated that a civil engineering firm as well as MNDot have been involved with the project. **MOTION:** Auditor Otto moved approval and adoption of Resolution No. MHFA 14-038. Mr. Garnett seconded the motion. Motion carries 7-0.

C. Selection/Commitment, Rental Rehabilitation Deferred Loan (RRDL) Pilot Program

Ms. Susan Haugen presented this request to approval three proposals for participation in the Rental Rehabilitation Deferred Loan pilot program. Ms. Haugen then provided background information about the program, stating that the program is designed to meet the unique needs of smaller properties in greater Minnesota that are not competitive in the consolidated RFP. Ms. Haugen described the selection process and provided information about the selected applicants. In response to a question from Mr. DeCramer, Ms. Haugen stated that there were three applications for funding and all were selected and that applications were limited to buildings with twelve or more units. **MOTION:** Ms. Klinzing moved approval and adoption of Resolution No. MHFA 14-039. Mr. Joe Johnson seconded the motion. Motion carries 7-0.

D. Amendments, Lower Sioux Indian Community Proposal, Community Homeownership Impact Fund

Mr. Luis Pereira presented this request to amend an award for the Lower Sioux Indian Community contract for title program. Mr. Pereira stated that the award had been previously modified to allow for LSIC to receive an administrative fee. Mr. Pereira stated that the requested modification was necessary because development costs have risen above the estimate and LSIC is no longer able to fund the difference between actual development costs and the home purchase prices. The requested amendment would raise the purchase price, make the down payment requirement 1% rather than $1,000 and reduce the number of units from four to three. In response to a question from Mr. Joe Johnson, Mr. Pereira stated that there is a combination of factors attributing to the higher costs and applications are prepared using estimated costs. When the final design is determined, that can cause higher costs. At Mr. DeCramer's request, Mr. Pereira described the characteristics of the homes that would be built. Mr. Garnett stated that purchasers would have a higher monthly payment as well as a higher balloon as the result of the changes. Mr. Pereira responded that the Tribe is confident that there is a pool of buyers with incomes that would support the purchase. **MOTION:** Chair Johnson offered a motion to increase the amount of the funding award to allow the construction of four units as originally intended. Mr. Garnett seconded the motion. Auditor Otto inquired if the program budget was sufficient to fund four units at the higher cost and Mr. Pereira stated that it was. Mr. O'Hern clarified that the construction costs did not change and the higher costs were a result of the LSIC no longer providing gap financing. All members voted in favor of Mr. Johnson's motion and staff was asked to prepare a request for the September board meeting. **MOTION:** Mr. Garnett moved to approve the amendment as presented by staff. Ms. Klinzing seconded the motion. Motion carries 7-0.

E. Affordable Housing Plan Amendment, Home Mortgage Programs

Ms. Kim Stuart presented this request for an increase in net funding for the home mortgage programs. Ms. Stuart stated that the program year began with lower than anticipated production that picked up mid-year and has continued to be strong. **MOTION:** Mr. Joe Johnson moved approval of the amendments. Ms. Bostrom seconded the motion. Motion carries 7-0.

F. Selections, Homeownership Education, Counseling and Training Fund

Ms. Ruth Hutchins presented this request to approve the selection of providers under the HECAT program. Ms. Hutchins provided background information about the HECAT program, which provides funding statewide to deliver services to prevent foreclosure and educate buyers. Ms. Hutchins stated that 39 applications were received requesting $2 million dollars. All applications were approved, including six organizations that serve emerging markets, for total funding in the amount of $1.5 million. In response to a question from Ms. Klinzing, Ms. Hutchins stated that counseling is available online through the Framework program, a program that the Agency started with the Homeownership Center in 2012. A total of 1,600 households have used the online program this year. Commissioner Tingerthal shared additional information about the Framework program and stated that it is important to provide services both online and in-person. **MOTION:** Ms. Klinzing moved approval of the selections. Auditor Otto seconded the motion. Motion carries 6-0, with Mr. Joe Johnson recusing himself.

G. Program Concept and Procedural Manual Changes, Deferred Payment Loan Plus Program

Ms. Kirsten Partenheimer requested approval of a new program concept and the manual changes to reflect changes stemming from this option, as well as income limit changes to the deferred payment loan program in general. Ms. Partenheimer stated that the Deferred Payment Loan Plus program would serve as a successor to the recently retired HOME HELP program, which had low participation. The new program offering will be an option under the deferred payment loan, to be used in conjunction with the Start Up first time buyer program. Ms. Partenheimer described the eligibility requirements and targeted populations for the program. Participating lenders in the program will need to apply and go through an approval process. Commissioner Tingerthal offered comments in support of the program, stating that the program staff conducted deep analysis to arrive at the program recommendations. Commissioner Tingerthal also stated that the HOME HELP program was becoming more restricted and the Agency made the determination to shift those resources to programs that would be better able to absorb the compliance costs. **MOTION:** Mr. DeCramer moved approval of the program concept and manual changes. Mr. Joe Johnson seconded the motion. Motion carries 7-0.

8. Discussion Items

A. 2014 Affordable Housing Plan and 2013-2015 Strategic Plan: Third Quarter Progress Report

Mr. John Patterson presented this progress report, stating that the Agency fell $1 million short of a record August, but would go above 100% by the end of the year. Mr. Patterson also stated that HECAT expenditures were down slightly, but that it was good news, as it likely reflects a lower need for foreclosure counseling. Mr. Patterson also reviewed a list of board approved amendments to the affordable housing plan. Discussion item, no action needed.

B. Draft 2015 Affordable Housing Plan

Mr. Patterson presented the Agency's program budget for 2015, highlighting the major changes from 2014 to 2015.

Ms. Bostrom inquired about how the Agency would ensure that mistakes made prior to the great recession would not be repeated; how the Agency would ensure that renters who want to become homeowners are qualified to be successful homeowners. Mr. Mike Haley responded that the Agency's goal is providing successful homeownership opportunities and has worked very hard to provide services that will enhance the probably for success for borrowers. Ms. Bostrom inquired about the number of defaults the Agency has had and Mr. Haley responded that the Agency's loans performed well compared to trends and that our products are prudently underwritten. There was continued discussion regarding successful homeownership. There was also a discussion regarding funding for asset management and Commissioner Tingerthal stated that the Agency is now using a two step process for asset management by addressing immediate, short term needs and also long term permanent solutions. In response to a question from Chair Johnson, Mr. Haley stated that market acceptance of the new programs is growing and the mortgage credit certificate is slowly growing following focus groups with lenders. Ms. Klinzing inquired about the Agency's participation in the Olmstead subcabinet and

Commissioner Tingerthal provided background information about the Olmstead Plan, which is the state's written plan for ensuring the integration of persons with disabilities. Commissioner Tingerthal added that one of the Agency's big contributions to the implementation is its successful application to the HUD Section 811 program, which brought 85 new housing vouchers to Minnesota that will be utilize in existing affordable rental properties. The Agency has also provided funding to conduct a pilot quality of life survey that tests where people with disabilities are living and how they view their quality of life in terms of integration. The Agency has also provided office space for the Olmstead Implementation Office. Ms. Klinzing inquired about collaborating with the Department of Human services to provide housing options for seniors. Mr. Patterson responded that the collaboration with DHS is to ensure that rental options and services are in line as people age and can no longer live in their homes. Commissioner Tingerthal added that, as the Agency moves forward with its next strategic plan, the policy for senior housing will continue to evolve, but will continue to focus on those of the lowest income. Discussion item, no action needed.

9. Informational Items

None.

10. Other Business

11. Adjournment.

The meeting was adjourned at 2:42 p.m.

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Ken Johnson, Chair

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AGENDA ITEM: 6.A.
MINNESOTA HOUSING BOARD MEETING
September 25, 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 an amendment to an Impact Fund award to the Lower Sioux Indian Community (LSIC) as previously-approved by the Minnesota Housing board of Directors at the August 2014 board meeting.

FISCAL IMPACT:

The total funding commitment to the LSIC would increase from $435,600 to $567,600, consisting of $39,600 as a non-repayable administrative fee to the LSIC, and $528,000 in deferred loan funds to be used by eligible homebuyers as interim financing to purchase four new units ($132,000 per unit).

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, the board 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, the board 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.

On August 28, 2014, the board approved amendments to the terms of LSIC's award. The amendments included an increase in the purchase price of units to be constructed from $99,000 to $132,000, with the LSIC funding any construction costs exceeding $132,000 per unit, and a reduction in the number of units to be constructed from four to three. While agreeing to those other amendments, the board indicated support for increasing the funding commitment to the LSIC by an amount that would support a fourth unit, as originally requested by LSIC. The board requested that staff first consult with the LSIC to determine the appropriate level of funding increase. Staff and the LSIC determined that a $132,000 increase in deferred loan funds would be sufficient financing to support a fourth unit. The LSIC has estimated per-unit construction costs of $135,380, and Minnesota Housing's deferred loan funds to be used to support contracts for title for each of the four purchasing households will not exceed $132,000 per unit.

AGENDA ITEM: 6.B
MINNESOTA HOUSING BOARD MEETING
September 25, 2014

ITEM: Publicly Owned Housing Program (POHP), Revisions to Program Manual

CONTACT: Emily Strong, 651-296-3631
emily.strong@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 requests board approval of changes to the POHP Manual to ensure compliance with applicable statutes and the current program requirements. Due to the extent of the changes, a redlined version of the manual has not been included but will be provided upon request.

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):
- Background
- POHP Manual as revised

BACKGROUND:
The Publicly Owned Housing Program (POHP) is funded by the proceeds of general obligation bonds and provides forgivable, interest-free deferred loans to Public Housing Agencies (PHAs) for capital improvements. Minnesota Statutes sections 16A.695 and 462A.202 govern these GO bond proceeds. Several changes enacted by the 2014 Bonding Bill necessitate revisions to the manual to ensure compliance with the bill.

Staff was asked to provide a comprehensive review of the program to ensure it complies with applicable statute and laws and to review for areas of improvements, particularly as they affect POHP applicants/recipients. Under this comprehensive review, staff updated the program manual and the RFP guide with corrections and plain language revisions. The result is a combined manual that contains only the information pertaining to the 2014 GO bond allocation. This project was reviewed and approved by the Multifamily Operations team, the Multifamily Clearinghouse Committee and the Mortgage Credit Committee.

The POHP manual revisions are specific to the 2014 GO bond allocation and include:

- "Plain language" revisions throughout the revised manual
- Chapter 2 –
    - Removed outdated information pertaining to previous GO bond allocations
    - Clarified the definition of "Owner" in accordance with 2014 Bonding Bill
    - Clarified the "Operations/Management" in accordance with the 2014 Bonding Bill
- Chapter 3 –
    - Clarification of loan term in the event of PHA Program change
- Chapter 4
    - Revised the Application Content requirements to match the Request for Proposal (RFP) Application
- Chapter 5 –
    - Added chapter 5 to eliminate the need for a separate RFP Guide
    - Clarified the timeline and expectations of post-selection
    - Revised the loan commitment term to match the current Multifamily Commitment Policy
- Chapter 6 –
    - Clarified the Minnesota's Sustainable Building Design (MSBD) requirements
    - Clarified the Department of Administration's Predesign requirements
- Chapter 7 –
    - Clarification of compliance term
- Chapter 8 –
    - Added the Minnesota Management and Budget Jobs Reporting Requirement

Publicly Owned Housing Program (POHP) Manual 2014 Appropriations

September 25, 2014

EQUAL HOUSING OPPORTUNITY

The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, or sexual or affectional orientation in the provision of services.

An equal opportunity employer.

This information will be made available in alternative format upon request.

Table of Contents

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 established by the 1971 session of the Minnesota Legislature to finance the construction and rehabilitation of housing for families of low- and moderate-income. In addition to providing financing for multifamily rental units, single family mortgage loans, and home improvement loans and grants, the Agency participates in and administers other programs that assist in increasing or improving affordable housing for Minnesota residents.

Procedural Manual

This Procedural Manual sets forth the terms and conditions under which Minnesota Housing will provide financing under the Publicly Owned Housing Program.

Publicly Owned Housing Program (POHP)

The proceeds of General Obligation Bonds (GO Bonds) fund POHP and are used to provide financing in the form of a 20-year, deferred, forgivable loan to public housing authorities and agencies (PHAs). PHAs use these loans to rehabilitate and preserve public housing.

Chapter 1 – Program Background and Purpose

1.01 Program Background and Purpose

POHP was first established by the Minnesota Legislature in 2005 to offer assistance in the form of a loan to PHAs that provide rental housing to families (households with children). Since 2005, POHP has received increased funding and support from the Minnesota Legislature and continues to provide assistance to PHAs in the form of a 20-year, deferred, forgivable loan. The 2014 Minnesota Legislature appropriated $20 million in GO Bond funds to Minnesota Housing for the rehabilitation of public housing under POHP.

Minnesota Statutes sections 16A.695 and 462A.202 govern GO Bond proceeds, which require the project to be owned by a state agency or political subdivision and require a public program be provided in the project. Specific uses of POHP funds are limited to:

- Rehabilitation of public housing, particularly to address health, safety, conservation issues; and
- Improvements of a capital nature.

Chapter 2 – Eligibility Criteria

2.01 Property

- The property must be Public Housing, defined as housing for low-income persons that is financed by the federal government and owned and operated by public housing authorities/agencies formed by cities or counties
- The property must be an existing building(s)

2.02 Owner

All applicants must satisfy the following requirements:

- The applicant must have the authority to own and operate the project, enter into the loan agreements required by Minnesota Housing, and comply with the requirements of Minnesota Statutes sections 16A.695 and 462A.202
- The applicant must be a local unit of government, such as a city, county, or housing development authority as defined in Minnesota Statutes Section 462C.02, subdivision 6
- The applicant must have a current, audited Public Housing Assessment System (PHAS) rating of 80 or above. The PHAS rating system is operated by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC)

2.03 Operations/Management

The applicant (public owner) must directly operate and manage the project.

2.04 Income Limits

All units in a project financed with POHP funds must be occupied by households whose income at the time of initial occupancy does not exceed the maximum household income as determined by the U.S. Department of Housing and Urban Development (HUD).

2.05 Eligible Use(s) of Funds

Eligible uses of funds include but are not limited to:

- Expenditures of a capital nature such as design, rehabilitation, or major remodeling
- Major roof reconstruction or replacement
- Major window replacement projects
- Other improvements that add value or life to a building and are not of a recurring nature

2.06 Ineligible Use(s) of Funds

Ineligible uses of funds include but are not limited to:

- Expenditures that are not of a capital nature, do not add value or life to a building, or are of a recurring nature
- Operating expenses and costs, reserves, market studies, up-front marketing expenses, hazard and liability insurance, legal fees not attributable to the acquisition or

betterment of the property, relocation expenses, and other ongoing maintenance improvements
- Expenses that are incurred prior to March 22, 2014 (the effective date of the law appropriating the funds)
- New construction of public housing

Chapter 3 – Funding and Loan Information

3.01 Funding Source

The 2014 Minnesota Legislature allocated up to $20 million available through POHP, which is disbursed through a Request for Proposal (RFP). The funding is made available through the sale of GO Bonds. The bonds are issued by MMB and are backed by the full faith and credit of the State of Minnesota.

3.02 Funding Amount

- There is no minimum or maximum loan request limit
- Minnesota Housing will review bid documents for cost reasonableness
- Minnesota Housing may fund all or part of a project identified on the application

3.03 Loan Types

- Construction Loan - A construction/permanent, long-term loan to finance construction/rehabilitation and eligible soft costs. The loan funds are advanced during construction/rehabilitation as the project progresses
- End Loan - A permanent, long-term loan that is used to pay off a short-term construction/rehabilitation loan or other form of interim financing

3.04 Loan Terms

Selected proposals will be awarded funding in the form of a zero interest, deferred loan with a 20-year term. At the end of the 20-year term, the debt will be forgiven if no event of default has occurred. However, the applicant is required to continue to own and operate the project for a public purpose for 35 years or until it is sold, whichever occurs first. Minnesota Housing reserves the right to review the PHA's POHP eligibility / repayment of POHP funds if the PHA should no longer participate in the HUD Public Housing Program. A GO Bond Declaration of Covenants as well as a Rent and Income Declaration must be executed in connection with the closing of the loan must be recorded against the property.

Any sale of the property requires prior written approval by Minnesota Housing and MMB. Sale of GO Bond financed property cannot occur unless the owner or agency determines by official action that:

- The property is no longer usable or needed to carry out the governmental program for which it was acquired or constructed;
- The sale is made as authorized by law; and
- The sale is made at fair market value

Chapter 4 – Application Requirements

4.01 Applicant Responsibilities

The applicant is responsible for understanding the submission requirements necessary for a complete application. Applicants are able to access the application, supplemental materials, and resources on Minnesota Housing's website: www.mnhousing.gov. Application materials are available Wednesday, August 5, 2014.

4.02 Application Deadline/Application Submission

The application package must be received no later than 5:00 p.m. Central Standard Time on Wednesday, November 5, 2014.

Applicants must submit the application and all required materials using Box.com (see instructions) **AND** send one complete, hard copy via USPS to:

Minnesota Housing
400 Sibley Street
Suite 300
Saint Paul, MN 55101
Attention: Laird Sourdif

4.03 Application Content

The application package must include all of the following:

- Completed, signed, and dated Application Form;
- Most current Operating Budget approved by board resolution;
- Current approved PHA Plan;
- Most current Five-Year Capital Fund Program (CFP) Action Plan;
- Most current CFP Annual Statement to include any grants with unobligated funds from previous years;
- Most recent audited PHAS score report issued by REAC showing a score of 80 or above;
- Screenshot of the Electronic Line of Credit Control System (eLOCCS) webpage showing obligated and expended capital funds for CFP grants from the past three years;
- Screenshot of the eLOCCS webpage showing obligated and expended Capital Fund Recovery Grant (CFRG) funds;
- Two years of comparative audited financial statements or most current Financial Data System (FDS);
- An itemized, detailed Scope of Work and an itemized Construction Budget prepared by a third party Licensed Architect, Licensed Professional Engineer, or Qualified Rehab Specialist; and
- If relocation of tenants is required, an acceptable relocation plan and budget must be submitted to Minnesota Housing for approval.

- A Needs Assessment prepared by a third party Licensed Architect, Licensed Professional Engineer, or Qualified Rehab Specialist. Select one of the following options:
  - Option 1. Provide a Property Needs Assessment (PNA) prepared one year or less from the date of this application
  - Option 2. Provide a PNA prepared more than one year and less than ten years from the date of this application **AND** a current Minnesota Housing 20-Year Capital Expenditure (20YCE) Template to reflect capital expenditure needs
  - Option 3. Provide a Minnesota Housing Physical Needs Assessment Template (PNAT) **AND** a current Minnesota Housing 20-Year Capital Expenditure (20YCE) Template to reflect capital expenditure needs

Exceptions:

- Projects with a total construction contract amount of less than $300,000 (excluding construction contingencies and environmental remediation) are not required to provide any needs assessments or future capital expenditure information.
- Projects with a construction cost in excess of $300,000 with a narrow single scope of rehabilitation for critical need, life safety, code, or emergency items by a single specialty contractor (such as elevator rehab, minor site work, fire alarm, fire sprinkler, etc.) can request a waiver from the Needs Assessment requirement by contacting Minnesota Housing POHP staff.

The following optional attachments may be submitted at the applicant's discretion:

- Architectural or engineered plans such as site plans, floor plans, exterior building elevations, 3D renderings, etc.
- Photographs of overall property, existing conditions, and proposed improvement areas
- Other information deemed appropriate by the applicant to support the application

Chapter 5 – Selection and Award Process

5.01 Review of the RFP Application

- Minnesota Housing staff will review all POHP submissions after the application process has closed on Wednesday, November 5, 2014 at 5:00 p.m. The application package and required submissions are reviewed for consistency with Minnesota Housing's strategic priorities and selection standards. All proposals are subject to Minnesota Housing's market, architectural, construction, management, closing review, and processing requirements
- A Minnesota Housing staff architect will conduct a preliminary architectural review for design compliance. A site visit may be conducted based upon the scope of work and construction costs
- The Minnesota Housing selection committee reviews all proposals and provides recommendations for funding
- Final selection is presented to and approved by the Minnesota Housing Board

5.02 Selection Notification

Applications recommended for acceptance will be presented to the Minnesota Housing Board within the first quarter of 2015. All applicants will be notified of their status after the board has taken action.

5.03 Intake Meeting

Projects that are selected for funding meet with Minnesota Housing Staff during an in initial intake meeting. The meeting should take place within 90 days of award. The purpose of the intake meeting is to review the details of the proposal and specific requirements of the program, particularly the due diligence requirements necessary to issue a commitment or to close the loan. The intake meeting may be in person at Minnesota Housing offices or via teleconference.

5.04 Closing/Commitment Due Diligence Checklists

POHP recipients are required to submit due diligence items throughout the loan process. Separate checklists exist for construction loans and end loans:

- Construction Loan Checklist
- End Loan Checklist

5.05 Issuance of Loan Commitment

Once the initial due diligence and design reviews are complete, Minnesota Housing issues a Mortgage Loan Commitment for End Loans or a Loan Closing for Construction Loans. POHP recipients are able to begin rehabilitation activities once the commitment is issued.

5.06 Loan Commitment Terms and Closing Dates

The POHP commitment term and closing date are determined by the type of loan the applicant requests:

- End Loan - The project must enter into an end loan commitment within 20 months of Board approval. The project must be completed and the loan closed within 18 months once the end loan commitment is issued.
- Construction Loan – The construction loan must close within 20 months from the initial Minnesota Housing Board approval date. Minnesota Housing reserves the right to recapture funds if a project does not close on time.

Chapter 6 – Design and Construction Review

Every applicant is required to comply with all of the following:

- The Minnesota Housing Rental Design/Construction Standards;
- The most recently adopted edition of the Minnesota Building Code, International Building Code (IBC); and
- Any other local, state, and national codes and standards in effect. The most restrictive codes and regulations will apply.

POHP applicants are encouraged to seek Minnesota Housing Staff Architect input early in the design process to ensure rehabilitation plans and designs meet Minnesota Housing's objectives.

6.01 Plan Review and Plan Approval

After the initial intake meeting and approval of scope of work, the applicant must submit construction documents at the 50% completion phase and the 100% completion phase to the assigned Minnesota Housing Staff Architect. Loan commitment for end loans and loan closing for construction loans are contingent upon an approved set of plans. Construction will not start without plan approval. Construction documents must include hard copy, bound full size plans and a hard copy, bound project manual (specifications). An electronic PDF must be included with the 100% set for Minnesota Housing electronic archiving purposes.

6.02 Environmental Standards

Applicants must include the following environmental submittals and actions:

- A Phase I Environmental Site Assessment (ESA);
- Additional environmental information such as Phase II ESAs, Lead-Based Paint (LBP) Inspection/Assessments, Asbestos-Containing Material (ACM) Assessments, Asbestos Containing Material (ACM) Operating and Maintenance (O&M) Plans, Response Action Plans (RAC), etc.; and
- Ongoing testing during construction and any remediation must be included in the project budget and scope of work
- Exceptions:
  - A HUD "Categorical Exclusion Determination" may substitute a Phase I ESA if approved by Minnesota Housing
  - A Phase I ESA is not required for projects with a total construction cost less than $300,000

  Contact Minnesota Housing architect staff if you have questions regarding these exceptions.

6.03 Architectural Services

Applicants must use the services of a Licensed Architect and/or Licensed Professional Engineer unless waived per Minnesota Housing's Architect's Guide (also refer to section 4.03 of this manual).

6.04 Design-build Design and Construction Delivery

Design-build delivery is not allowed unless approved by Minnesota Housing. Design-build is typically only allowed for single subcontractor-type scope of work such as elevator upgrades, re-roofing, etc.

6.05 Construction Loan Administration

To ensure compliance with approved construction documents and regardless of an end loan or a construction loan, Minnesota Housing must:

- Be granted access to the construction site during construction
- Receive regular construction meeting minutes and observation reports from the PHA's Architect (electronic PDF only)
- Receive (electronic PDF only) copies of Request for Proposal (RFP), Change Orders, Architectural Supplemental Instructions (ASIs), or any other change directive. Change Orders must be submitted to and approved by Minnesota Housing prior to acceptance or being executed

6.06 Construction Loan Pay Draw Process

For construction loans, contractor pay applications will be reviewed on site once a month at a regularly scheduled pay draw meeting with the Owner, General Contractor, and PHA's Architect in attendance. Upon Approval of the Pay Application by the PHA's Architect, the Pay Application and other soft cost expenses (with receipts) must be submitted to Minnesota Housing for processing through the Draw Form process. A Minnesota Housing Staff Architect may or may not attend on-site pay draw meetings. Photos of the construction progress must be included with the pay application.

Submittals required for End of Construction and Project Close-out are included in the POHP Mortgage Checklist.

6.07 B3 Sustainable Building Guidelines

The Buildings, Benchmarks, and Beyond (B3) program outlines Minnesota's Sustainable Building Design (MSBD) requirements. Per Minnesota Statutes Section 16B.325, all projects funded by GO Bond proceeds must comply with B3 Sustainability Guidelines. More information about B3 is available at http://b3mn.org.

All recipients of POHP funds must complete the Form P-Oc: Applicability Form. This form determines if the recipient is required to follow B3 requirements or is eligible for a waiver. Minnesota Housing recommends POHP recipients complete Form P-Oc: Applicability Form immediately after the announcement of awards.

A recipient is required to comply with B3 requirements if **both** of the following apply:

- The building exceeds 10,000 square feet; **and**
- If modifications are made to the HVAC system.

If the recipient receives a B3 waiver from MSBD, they must provide a copy of the waiver to Minnesota Housing via email: MHFA.POHP@state.mn.us. **In addition, any projects receiving a B3 waiver are required to comply with** Minnesota Housing's Limited Scope**.**

6.08 Predesign Requirements

Minnesota Statutes Section 16B.335 requires predesign and legislative review for GO Bond funded projects with a total construction cost (including construction contingencies) of $1,500,000 or more. Applicants should review the statute for exemptions.

Predesign is a written plan that is completed prior to designing and constructing the project. It includes information regarding the project purpose, architectural plans, project budget, and schedule. It should also include information on the staffing and operating budget for the project. Please see the Department of Administration Predesign Manual for Capital Projects.

Applicants who propose projects at or near the $1.5 million construction cost mark should consult with the Department of Administration (Gordon Christofferson, 651.201.2380) to ensure the correct timeline and procedure are followed.

6.09 Prevailing Wage

The applicant must agree that it will comply with all of the applicable provisions contained in Minnesota Statutes section 116J.871 and Chapter 177.

Chapter 7 – Compliance Monitoring and Reporting

7.01 Compliance Monitoring Requirement

Minnesota Housing performs periodic inspections of housing it finances. The frequency of physical inspections is determined by several factors such as loan type, term, loan amount, etc. Owners will be notified in advance of any inspection.

7.02 Compliance Reporting Requirement

POHP recipients are required to provide annual reporting using the Property Online Reporting Tool (PORT). PORT collects an annual certification of compliance and data on the occupants of housing it finances. Instructions on how to access PORT can be found here.

7.03 Compliance Term

All projects funded through GO Bond proceeds are required to comply with the affordability restrictions and are subject to monitoring and reporting for 35 years or until the property is sold, whichever occurs first, beginning on the date of closing.

Chapter 8 – Contract Compliance Plan

8.01 Policy

Minnesota Housing practices affirmative action to ensure equal opportunity in all its developments, programs, and other endeavors. Minnesota Housing's goals are to provide services and programs to a representative mix of Minnesota communities and to provide employment opportunities through its programs and developments. This policy applies to all Minnesota Housing employees and external partners

8.02 Purpose

The purpose of the Contract Compliance Plan is to make clear, to its employees and external partners, Minnesota Housing's commitment to act affirmatively to achieve equal opportunity in all of its operations.

8.03 Goals

Minnesota Housing's goals are:

- To ensure minority and female contractors and subcontractors equal access to business opportunities on Minnesota Housing financed projects and to encourage their presence at all levels
- To ensure contractors meet Minnesota Housing's employment and business goals
- To ensure the workforce on projects and programs Minnesota Housing finances reflects the demographics of the area in which each workforce is located

These goals will apply for the length of the contract or the term of Minnesota Housing's loan agreements. Minnesota Housing, at its discretion, may set numerical or percentage goals dependent on the location and size of a given project. Current goals will be determined by staff based on the location of the project.

8.04 Requirements

Minnesota Housing is required to comply with all applicable local, state, and federal laws. These requirements are passed on to everyone the Agency does business with, either by contractual agreement or as a Minnesota Housing policy.

8.05 Sanctions

Minnesota Housing has the contractual authority to demand full payment of any loan, stop proceeding with any project at any stage, and cease to do business with any entity or individual that fails to follow its affirmative action policies or fails to meet its/his/her contractual equal opportunity obligations.

8.06 Equal Opportunity Laws/Rules

The operations of Minnesota Housing are regulated by Equal Opportunity Laws and Rules, including but not limited to the following, as may be amended:

- Executive Order 11246 (Affirmative Action Requirements, Federal and federally derived Contracts)
- Executive Order 11625 (Minority Business Enterprises)
- The Civil Rights Act of 1964 (Title VII)
- Equal Employment Act of 1972
- The Americans with Disabilities Act of 1990
- Section 504 of the Rehabilitation Act of 1973 as amended
- Minnesota Human Rights Act (Section 363A.36)
- Fair Housing Amendments Act of 1988

8.07 Jobs Reporting Requirement

Per Minnesota Statute 16A.633, Subdivision 4 (MN Laws of 2012 Chapter 293, Section 28), PHAs are required to:

- Include the Jobs Reporting Provision language on Jobs Reporting in the construction contract(s) with the contractor(s)
- Review contracts between the contractor(s) and subcontractor(s) to ensure the Jobs Reporting Provision Language is included in construction contract(s)
- Ensure the information in the Jobs Reporting Attachment of the Repayment Agreement is completed by the contractor(s) and is submitted to Minnesota Housing prior to closing
  - Note: A Jobs Reporting Attachment must be completed for each approved project

Chapter 9 – Minnesota Housing's Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, family status, or sexual orientation.

Minnesota Housing's fair housing policy incorporates the affirmative fair housing marketing practices addressed in Title VIII of the Civil Rights Act of 1968 as amended by the Fair Housing Amendment Act of 1988, which state that it is unlawful to discriminate in the sale, rental, and financing of housing based on race, color, religion, sex, handicap, familial status, or national origin. Minnesota Housing's fair housing policy also incorporates the fair housing protections provided by the Minnesota Human Rights Act.

In part, regarding rental housing issues, Title VIII and the Human Rights Act make it unlawful to: (i) discriminate in the selection/acceptance of applicants in rental of housing units; ii) discriminate in terms, conditions or privileges of rental of a dwelling unit; (iii) engage in any conduct relating to the provision of housing that otherwise make unavailable or denies rental of a dwelling unit; (iv) make or publish (or have anyone else make or publish) advertisements that indicate preferences or limitations based on race, etc.; (v) tell a person that because of race, etc., a dwelling unit is not available when it is; and (vi) deny access to, or membership or participation in, associations or other services, organizations, or facilities relating to the business of renting a dwelling or discriminate in the terms, conditions, membership, or participation.

Minnesota Housing has a commitment to affirmatively further fair housing for members of the disabled communities by promoting the accessibility requirements set out in the Fair Housing Amendments Act of 1988, which establish design and construction mandates and provide for the residents' right to make reasonable accommodations, under certain conditions. (Applicable to covered multifamily dwellings, which are buildings consisting of 4 or more units if such buildings have one or more elevators. It is also applicable to ground floor dwelling units in other buildings consisting of 4 or more dwelling units).

All Minnesota Housing programs require owners to market affirmatively, using specific steps geared to the particular program. These steps include:

- Outreach to all groups protected by the Civil Rights Act of 1968, amended in 1988, and those protected by the Minnesota Human Rights Act
- Affirmative marketing strategy that reaches protected groups
- Self-analysis to make sure all steps are non-discriminatory
- Upon request by Minnesota Housing, the submission of reports and documents that confirm the owner's fair housing efforts

Participants will be expected to use affirmative fair housing marketing practices in soliciting renters, determining eligibility, and concluding all transactions.

Appendix A: Definitions

TERM	DEFINITION
Construction Loan	A construction/permanent long-term loan to finance construction/rehabilitation and eligible soft costs. The loan funds are advanced incrementally during construction/rehabilitation.
End Loan	A permanent, long-term loan that is used to pay off a short-term construction/rehabilitation loan or other form of interim financing.
Qualified Rehab Specialist	A non-licensed professional (or entity) with at least 5 years of experience providing physical needs assessments and preparing project work scopes for multifamily housing rehab projects similar in scope and operation to those typically financed by Minnesota Housing.
Qualified Third Party Needs Assessor	Licensed Architect, Professional Engineer, Qualified Rehab Specialist, or Qualified Needs Assessor or entity that is not affiliated (no identity of interest) with the property's ownership, project, or management.
Jobs Reporting	The state mandated reporting requirement to ensure women and minorities have equal access to jobs created by Minnesota Housing funded projects

Appendix B: Forms List

Minnesota Housing's Limited Scope
Minnesota Housing 20-Year Capital Expenditure (20YCE) Template
Minnesota Housing Physical Needs Assessment Template (PNAT)
Jobs Compliance Workbook

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Minnesota Housing Finance Agency

AGENDA ITEM: 7.A
MINNESOTA HOUSING BOARD MEETING
September 25, 2014

ITEM: Bridge to Success

CONTACT: 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:
Staff requests Board approval of additional financing for the Bridge to Success Program which is designed to facilitate the reduction of for-sale inventory of single-family homes in targeted neighborhoods while expanding the buyer pool through a responsible alternative financing tool.

FISCAL IMPACT:
The 2015 Affordable Housing Plan being presented for approval today includes $2 million of Pool 2 resources for Bridge to Success.

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:
Bridge to Success is a community recovery financing program administered by SHOP Home Mortgage (SHOP), a joint venture between the Greater Metropolitan Housing Corporation (GMHC) and Dayton's Bluff Neighborhood Housing Services (DBNHS).

During the 2012 Affordable Housing Plan year, Minnesota Housing approved the Program Concept and budgeted $10.4 million from Pool 2 for this program.

Other current investors in the Bridge to Success program include the Family Housing Fund ($3.1 million), American Bank ($3 million) and US Bank ($2.6 million).

In July, 2014, Minnesota Housing staff provided a program update to the Board with program highlights of the transactions originated between August 2012 and June 2014, including:

- 112 transactions originated
- $16,170,111 total program volume
- 50+% of borrowers are below 80% of area median income (AMI)
- 50+% of borrowers are from communities of color or Hispanic ethnicity
- Average credit scores are 20+ points below the minimum for Start Up and Step Up Agency first mortgages
- Larger-than-average household sizes as compared to Agency first mortgages

SHOP Home Mortgage is currently finalizing additional investments from lenders supporting the programs they expect to close this fall.

At present, SHOP Home Mortgage is in need of capital to fund transactions currently in their loan pipeline, including transactions with imminent closing dates over the next few weeks.

As a part of the 2015 Affordable Housing Plan (AHP), Agency staff is proposing an additional $2 million investment from Pool 2 that would allow SHOP to continue processing and closing transactions in their current pipeline. As a part of this proposed financing, SHOP would agree to cease all new program activity until additional financing is finalized.

Minnesota Housing Finance Agency

AGENDA ITEM: 7.B
MINNESOTA HOUSING BOARD MEETING
September 25, 2014

ITEM: 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:
Attached is the 2015 Minnesota Housing Affordable Housing Plan (AHP) for Board approval.

FISCAL IMPACT:
The 2015 AHP allocates $954 million of federal, state, and Agency resources for the period October 1, 2014 to September 30, 2015.

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 Changes – Final Affordable Housing Plan versus August Draft
- 2015 Minnesota Housing Affordable Housing Plan (with track changes from August draft)
- Final Affordable Housing Plan (provided under separate cover)

Summary of Changes – Final AHP versus August Draft

The changes in the text of the 2015 AHP (as shown in the "track changes" version) largely reflect clarifications to the activities that the Agency will carry out next year, and the funding changes largely reflect revised estimates of uncommitted funds that will carry forward from the 2014 AHP to the 2015 AHP. However, there is one exception. We have added $2 million for the Bridge to Success program, which provides contract-for-deed financing. Details on the funding changes are provided in the table and discussion below.

2015 AHP - Change in Requested Funding From August Draft

		August Draft	2015 AHP Final	Change from August Draft
	Homebuyer and Home Refinance	**$455,036,200**	**$455,036,200**	**$0**
1	Home Mortgage Loans	$400,000,000	$400,000,000	$0
2	Targeted Mortgage Opportunity Program	$10,000,000	$10,000,000	$0
3	Mortgage Credit Certificates (MCC)	$20,000,000	$20,000,000	$0
4	Deferred Payment Loans	$7,500,000	$7,500,000	$0
4a	Deferred Payment Loans Plus	$3,500,000	$3,500,000	$0
5	Monthly Payment Loans	$7,500,000	$7,500,000	$0
6	Single Family Interim Lending	$1,600,000	$1,600,000	$0
7	Habitat for Humanity Initiative	$2,000,000	$2,000,000	$0
8	Homebuyer Education, Counseling & Training (HECAT)	$2,186,200	$2,186,200	$0
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**
9	Home Improvement Loan Program	$19,975,000	$19,975,000	$0
9a	Targeted Home Improvement Interest Write-Down	$0	$0	$0
10	Rehabilitation Loan Program (RLP)	$8,600,000	$8,600,000	$0
	Rental Production- New Construction and Rehabilitation	**$186,798,750**	**$189,639,605**	**$2,840,855**
11	Multifamily Amortizing First Mortgages	$95,000,000	$95,000,000	$0
11a	Low and Moderate Income Rental (LMIR)	$85,000,000	$85,000,000	$0
11b	MAP Lending (Multifamily Accelerated Processing)	$10,000,000	$10,000,000	$0
12	Flexible Financing for Capital Costs (FFCC)	$4,500,000	$4,500,000	$0
13	Low-Income Housing Tax Credits (LIHTC)	$8,646,840	$8,582,340	-$64,500
14	Affordable Rental Preservation	$14,007,305	$17,106,078	$3,098,773
14a	Preservation Affordable Rental Initiative Fund (PARIF)	$5,613,729	$9,331,232	$3,717,503
14b	HOME Affordable Rental Preservation (HARP)	$8,393,576	$7,774,846	-$618,730
15	Housing Trust Fund (Capital from HIB)	$43,853,648	$43,853,648	$0
16	Publicly Owned Housing Program (POHP)	$20,231,839	$20,197,539	-$34,300
17	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$559,118	$400,000	-$159,118
	Rental Assistance Contract Administration	**$181,392,671**	**$181,392,671**	**$0**
18	Section 8 - Performance Based Contract Administration	$112,500,000	$112,500,000	$0
19	Section 8 - Traditional Contract Administration	$68,250,000	$68,250,000	$0
20	Section 236	$642,671	$642,671	$0
	Resources to Prevent and End Homelessness (Non-Capital)	**$28,786,183**	**$29,115,921**	**$329,739**
21	Housing Trust Fund (HTF)	$14,723,594	$15,231,963	$508,369
22	Ending Long-Term Homelessness Initiative Fund (ELHIF)	$1,972,796	$1,972,796	$0
23	Bridges	$3,138,091	$2,959,461	-$178,631
24	Section 811 Demonstration	$235,000	$235,000	$0
25	Family Homeless Prevention and Assistance Program (FHPAP)	$8,569,123	$8,569,123	$0
26	Housing Opportunities for Persons with AIDS (HOPWA)	$147,579	$147,579	$0
	Rental Portfolio Management	**$3,000,000**	**$3,600,000**	**$600,000**
27	Asset Management	$1,000,000	$1,600,000	$600,000
28	Asset Management - Financing Adjustment Factor (FAF) / Financing Adjustment (FA)	$2,000,000	$2,000,000	$0
	Multiple Use Resources	**$59,885,869**	**$62,574,772**	**$2,688,903**
29	Economic Development and Housing/ Challenge (EDHC)	$55,230,869	$57,895,356	$2,664,487
29a	Request for Proposals (RFP) - Single and Multifamily	$17,321,170	$18,021,457	$700,287
29b	Housing Infrastructure Bonds (HIB)	$35,909,699	$35,873,899	-$35,800
29c	Bridge to Success		$2,000,000	$2,000,000
29d	Community-Owned Mobile Home Parks	$2,000,000	$2,000,000	$0
30	Technical Assistance and Operating Support	$2,655,000	$2,679,416	$24,416
31	Organizational Loans	$0	$0	$0
32	Strategic Priority Contingency Fund	$2,000,000	$2,000,000	$0
	Other	**$3,287,032**	**$3,658,949**	**$371,917**
33	Housing Infrastructure Bond Issuance Costs	$700,000	$700,000	$0
34	Manufactured Home Relocation Trust Fund	$1,201,044	$1,196,244	-$4,800
35	Flood Disaster	$0	$0	$0
36	Disaster Relief Contingency Fund	$1,385,988	$1,762,705	$376,717
	Total	**$946,761,705**	**$953,593,118**	**$6,831,414**

Overall, we are requesting $6.8 million more in 2015 than we originally requested in the August draft. The following discussion explains larger changes. The other changes are largely a result of more current information about actual commitments that will be completed prior to the end of the 2014 AHP.

Line 14a: Staff had intended to bring additional housing projects that would use PARIF funds to the Board for commitment in September (the last month of the 2014 AHP). These projects are not ready, and the uncommitted funds will carry forward to the 2015 AHP.

Line 14b: Some existing housing projects that had been selected to receive HARP funds had loan modifications that increased commitments and decreased the uncommitted balances that will carry forward.

Line 21: The 2015 funding levels now include funds from the Department of Human Services (DHS) that will be used for operating subsidies under DHS' Housing with Supports for Adults with Serious Mental Illness (HSASMI) program. Minnesota Housing administers these funds for DHS through the Housing Trust Fund.

Line 27: Staff had intended to bring additional housing projects that would use Asset Management funds to the Board for commitment in September. These projects are not ready. The 2014 funds that would have gone to these projects are being budgeted again in 2015 so that these projects can move forward in 2015.

Line 29a: The amount of uncommitted funds carrying forward increased. First, a funding modification for a multifamily project that we expected to occur under the 2014 AHP will not occur until the 2015 AHP. Second, loan repayments are higher than originally expected.

Line 29c: With the success of the Bridge to Success program (which provides contract-for-deed financing to homebuyers unable to access a traditional mortgage), we will budget another $2 million of Pool 2 funds for the program. We provided the program $10.4 million in 2012.

Line 36: The initial commitment of Quick Start funds (made available to address property damage resulting from the heavy rains in the spring and summer of 2014) has occurred more slowly than originally anticipated. The uncommitted funds will carry forward from the 2014 AHP to the 2015 AHP.

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2015 Minnesota Housing Affordable Housing Plan

Text Changes Between Final Plan and August Draft

2015 Affordable Housing Plan

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Executive Summary

The 2015 Affordable Housing Plan (AHP) is Minnesota Housing's business plan for the upcoming year. It outlines program and policy initiatives, specifies program-by-program funding, and establishes lending production and assistance goals. The plan allocates $954 million of federal, state, and agency resources, which will assist approximately 70,400 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.

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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	14,506	-425
Home Improvement Loans	845	1,561	716
Rental Production	2,668	6,063	3,395
Agency Rental and Operating Assistance*	2,404	3,585	1,181

* This figure was low in 2012. A more typical number would be about 2,900 households assisted

Background

Minnesota Housing has evolved to better meet the growing need for affordable housing through three phases: 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.

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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 Governor's Jobs and Housing Initiative**
  - Expanded workforce housing in job growth areas across the state
- **Enhanced the Community Homeownership Impact Fund**
  - Directed resources to communities with a combination of lower-income residents, older housing stock, and/or large price declines

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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 experiencing or at risk of homelessness, especially supportive housing for youth and families with children.
- The share of Minnesotans who are of color or Hispanic ethnicity is projected to rise from about 18% now to 25% in 2035, and there are significant disparities in the housing market. Minnesota has the largest disparity in the country (37.6 percentage points) in the homeownership rates between white households and households of color or Hispanic ethnicity, and the state needs to

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increase the opportunities that these households have to access successful homeownership. There are also disparities in the rental market.

- Large families that are lower income face not only the barrier of finding affordable housing but also finding housing that is large enough to accommodate their family.
- The number of senior households in Minnesota is expected to double in the next 15 to 20 years. As seniors age, providing a range of housing options with access to services becomes more important.

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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 $954 million, a 21 percent increase from the previous year's budget of $785 million. The $168 million increase in the 2015 budget is explained largely by the $100 million 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.

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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	$189,639,605
Rental Assistance Contract Administration	$183,890,970	$181,392,671
Resources to Prevent and End Homelessness (Non-Capital)	$29,020,389	$29,115,921
Rental Portfolio Management	$6,500,000	$3,600,000
Multiple Use Resources*	$24,068,827	$62,574,772
Other	$3,591,115	$3,658,949
Total	$785,341,014	$953,593,118

* 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.

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 $104 million, which includes:

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+ $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,

- $3 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

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- $3 million decrease for Rental Rehabilitation Deferred Loans (RRDL).

Rental Portfolio Management funding will decrease by $3 million

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- $3 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.

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Multiple Use Resources funding will increase by $39 million

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+ $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	$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	$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**	**$189,639,605**			
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	$8,582,340	Investment Tax Credit	$17,837	43%
14	Affordable Rental Preservation	$20,102,939	$17,106,078	Deferred Loan		
14a	Preservation Affordable Rental Initiative Fund (PARIF)	$12,722,070	$9,331,232	Deferred Loan	$11,376	61%
14b	HOME Affordable Rental Preservation (HARP)	$7,380,869	$7,774,846	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	$20,197,539	Deferred Loan	$8,388	27%
17	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$3,138,000	$400,000	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

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PROGRAM BUDGET OVERVIEW FOR 2015 • 09/25/2014

		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**	**$29,115,921**			
21	Housing Trust Fund (HTF) - Net Activity	$14,407,373	$15,231,963	RA and OS****	$8,520	62%
21a	Funding for new contracts	$3,935,134	$25,828,792			
21b	Adj. to spread two-year contracts over two years	$10,472,239	-$10,596,829			
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	$2,959,461	Rent Assistance	$9,351	33%
23a	Funding for new contracts	$400,000	$5,918,921			
23b	Adj. to spread two-year contracts over two years	$2,711,500	-$2,959,461			
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**	**$3,600,000**			
27	Asset Management	$3,000,000	$1,600,000	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**	**$62,574,772**			
29	Economic Development and Housing/ Challenge (EDHC)	$19,327,907	$57,895,356	Loans & Grants		
29a	Request for Proposals (RFP) - Single-Family and Multifamily	$17,327,907	$18,021,457	Loans and Grants	$22,073 MF $37,386 SF	58% MF 40% SF
29b	Housing Infrastructure Bonds (HIB)	$0	$35,873,899	Deferred Loans	N/A	N/A
29c	Bridge to Success	$0	$2,000,000	Contract for Deed	$61,752	59%
29d	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	$2,679,416	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**	**$3,658,949**			
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	$1,196,244	Grants	N/A	N/A
36	Flood Disaster	$0	$0	Loans & Grants	$28,196	10%
37	Disaster Relief Contingency Fund	$1,719,357	$1,762,705	Loans & Grants	N/A	N/A
	Total	**$785,341,014**	**$953,593,118**			

*** "DP and CC Assistance" is Down-payment 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 about 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.

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- **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) (line 25).

In comparison, households of color or Hispanic ethnicity account for 13 percent of all households in Minnesota and 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]

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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 in 2015 in four areas:

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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 step areas listed above are key pieces for 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.

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- **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.[10] 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 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.

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  The plan addresses the needs of some of Minnesota's most vulnerable residents, who need a far more stable platform to succeed. Housing instability and the risk of homelessness often confront people who have: (1) extremely low-incomes, (2) disabilities or other barriers, (3) blemished rental, credit, or criminal histories, and/or (4) housing payments that account for more than 50 percent of their income. Serving this population requires a multi-agency coordinated effort.

- **The Olmstead Subcabinet.** In November of 2013, Minnesota adopted its Olmstead Plan,[11] 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

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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 $3.0 million in assistance.

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- **Department of Employment and Economic Development (DEED)**
  To promote economic and community development, we will coordinate housing investments with 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.
  - We are working with DEED to make recipients of DEED's Community Development Block Grants (CDBG) for small cities more aware of Minnesota Housing's resources, which they can also use to finance their housing projects.

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- **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.[12] 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.

- **Metropolitan Council**

  In 2015, we will work with the Metropolitan Council as it finalizes and implements its new Housing Plan and Fair Housing Equity Assessment (*Choice, Place and Opportunity*). This coordinated work will focus on housing choice, access to opportunity, and equity.

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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 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,
  - Financing supportive rental housing, and
  - Providing rental assistance to people with a severe mental illness through the Bridges program.

  Providing housing options for people with disabilities will require balance. On the one hand, providing housing options in integrated settings is important. On the other hand, some restrictions may be appropriate in some circumstances. For example, a person with a chemical dependency may be best served in a residence that requires sobriety for all its tenants. Our goal is to provide a range of options so that people with disabilities can choose the one that is best for them.

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- **Choices for Lower-Income Households.** Creating housing opportunities for very low income households has unique challenges because housing costs limit the choices available. We will

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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 community revitalization by investing in historically disinvested lower-income neighborhoods.

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- **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. 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 million in additional resources for our downpayment and closing cost assistance programs to support this higher level of mortgage activity.

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- **Choices for Historically Underserved and Under-resourced Communities**. Minnesota has disparities in both the homeownership and rental markets. With respect to homeownership rates, Minnesota has the largest disparity (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.

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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.

On the rental side, households of color or Hispanic ethnicity account for 13 percent of all Minnesota households but account for 32 percent of lower-income renter households that are cost burdened by their housing payments.[13] (We define lower income here as an annual income that is less than $50,000.) Minnesota Housing serves renter households of color well. For example, households of color make up 43% of the tenants in our tax credit developments and 62% of the households receiving rent assistance under the Housing Trust Funds program. By producing more affordable housing with the limited resources that are available, we can further address this market-wide disparity.

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Disparities are a particular problem for people experiencing homelessness. For example, while African Americans make up just 5 percent of Minnesota's population, they account for 37 percent of the people experiencing homelessness on a given night.[14] One of the strategic priorities of the state's Plan to Prevent and End Homelessness is to address this disparity.

- **Choices for Large Families.** Housing options for larger families (often immigrant) are limited when there is an inadequate supply of larger, multi-bedroom units. Finding larger apartments that are affordable can be particularly challenging. In 2015, we will take steps to better understand: (1) the housing needs of larger families, (2) the supply of larger affordable rental units, and (3) ways that we can change our funding criteria to better serve larger families.

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- **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.

  In addition, many lower-income seniors are renters, and many more will become renters as they age and are no longer able to stay in their homes. In 2015, we will continue to engage our partners about how we can use our resources more effectively to serve low-income seniors who have the most limited housing options, particularly those with the lowest incomes.

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, we will:

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- **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:

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  - 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 trusts 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 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).

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- **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 to make 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.

  Even though our focus is shifting to general community recovery, more work is still needed around foreclosure recovery. In 2015, we will budget another $2 million to the Bridge for Success program that offers contract-for-deed financing, allowing households unable to obtain a traditional mortgage to buy a home. This program is geographically targeted to neighborhoods heavily impacted by the foreclosure crisis with the goal of reducing the number of foreclosed homes for sale. In 2012, Minnesota Housing committed $10.4 million to the program. With the success of the program, we are committing another $2 million in 2015.

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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.

  One possible use of 4% tax credits is financing mixed-income developments (properties with both affordable and market-rate units). These development are particularly intriguing because they not only increase the supply of affordable housing but also result in economic integration within the building itself. However, financing of mix-income developments can be tricky, and we will continue to explore with our partners ways to effectively finance these types developments.

- **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 $94 million projected for preventing and ending homelessness accounts for 10 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.

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In 2015, we project we will invest approximately $223 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.

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We will potentially invest over $222 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.

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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.

FUNDING BY STRATEGIC PRIORITY • 09/25/2014

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	**$189,639,605**	**$0**	**$189,639,605**	**$63,916,648**	**$36,764,488**
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	$16,478,528
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)	$8,582,340		$8,582,340	$684,000	$1,663,816
14	Affordable Rental Preservation	$17,106,078		$17,106,078	$54,000	$3,316,270
14a	*Preservation Affordable Rental Initiative Fund (PARIF)*	*$9,331,232*		*$9,331,232*	*$27,000*	*$1,809,000*
14b	*HOME Affordable Rental Preservation (HARP)*	*$7,774,846*		*$7,774,846*	*$27,000*	*$1,507,271*
15	Housing Trust Fund (Capital from Housing Infrastructure Bonds)	$43,853,648		$43,853,648	$43,853,648	$8,501,689
16	Publicly Owned Housing Program (POHP)	$20,197,539		$20,197,539		$3,915,597
17	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$400,000		$400,000		$77,546
	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)	**$29,115,921**	**$0**	**$29,115,921**	**$29,115,921**	**$0**
21	Housing Trust Fund (HTF) - Net Activity	$15,231,963		$15,231,963	$15,231,963	
22	Ending Long-Term Homelessness Initiative Fund - Net Activity	$1,972,796		$1,972,796	$1,972,796	
23	Bridges - Net Activity	$2,959,461		$2,959,461	$2,959,461	
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	**$3,600,000**	**$0**	**$3,600,000**	**$0**	**$0**
27	Asset Management	$1,600,000		$1,600,000		
28	Asset Management - Financing Adjustment Factor (FAF) / Financing Adjustment (FA)	$2,000,000		$2,000,000		
	Multiple Use Resources	**$62,574,772**	**$12,344,326**	**$45,551,030**	**$1,007,000**	**$14,168,482**
29	Economic Development and Housing/ Challenge (EDHC)	$57,895,356	$12,344,326	$45,551,030	$1,007,000	$14,168,482
29a	*Request for Proposals (RFP) - Single-Family and Multifamily*	*$18,021,457*	*$5,980,551*	*$12,040,906*	*$207,000*	*$4,726,531*
29b	*Housing Infrastructure Bonds (HIB)*	*$35,873,899*	*$2,363,775*	*$33,510,124*	*$800,000*	*$7,441,951*
29c	*Bridge to Success*	*$2,000,000*	*$2,000,000*			*$2,000,000*
29d	*Community-Owned Mobile Home Parks*	*$2,000,000*	*$2,000,000*			
30	Technical Assistance and Operating Support	$2,679,416	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	**$3,658,949**	**$0**	**$0**	**$0**	**$0**
33	Housing Infrastructure Bond Issuance Costs	$700,000				
34	Manufactured Home Relocation Trust Fund	$1,196,244	TBD	TBD	TBD	TBD
35	Flood Disaster	$0	TBD	TBD	TBD	TBD
36	Disaster Relief Contingency Fund	$1,762,705	TBD	TBD	TBD	TBD
	Total	**$953,593,118**	**$495,955,526**	**$449,299,227**	**$94,039,569**	**$223,306,158**
	Percentage Split *		52%	47%	10%	23%

Shaded activities are sub-allocations of the program above.
* The sum of homeownership and rental priorities do not equal the total funding because $8.3 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 70,400 households or units. Under the AHP's projections, homeownership programs account for about 52 percent of the funds (see Table 4) but only 28 percent of the households/units (see Table 5). In contrast, rental programs account for 47 percent of the funds but 72 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 10 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.

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

			Comprehensive Priorities		Targeted Priorities	
		AHP Total	Successful Home-ownership	Rental Housing 1. Federal Preservation 2. Critical Needs	Home-lessness	Community Foreclosure Recovery
	Homebuyer and Home Refinance	**17,534**	**17,534**	**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)					
4	Deferred Payment Loans	*Part of Home-Mortgage and Targeted-Mortgage Production*				
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)	13,600	13,600			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	**6,063**	**0**	**6,063**	**500**	**1,172**
11	Multifamily RFP/HTC/Pipeline Production (including EDHC)	2,939		2,939	500	570
12a	Low and Moderate Income Rental (LMIR)					
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)	*Part of RFP/HTC/Pipeline Production*				
15b	HOME Affordable Rental Preservation (HARP)					
16	Housing Trust Fund (Capital from HIB)					
17	Publicly Owned Housing Program (POHP)	3,107		3,107		602
18	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	16		16		
	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)	**13,270**	**0**	**13,270**	**13,270**	**0**
22	Housing Trust Fund (HTF) - Net Activity	2,514		2,514	2,514	
23	Ending Long-Term Homelessness Initiative Fund (ELHIF) - Net Activity	493		493	493	
24	Bridges - Net Activity	533		533	533	
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	

			Comprehensive Priorities		Targeted Priorities	
		AHP Total	Successful Home-ownership	Rental Housing 1. Federal Preservation 2. Critical Needs	Home-lessness	Community Foreclosure Recovery
	Rental Portfolio Management	**240**	**0**	**240**	**0**	**0**
28	Asset Management	107		107		
29	Asset Management - Financing Adjustment Factor (FAF) / Financing Adjustment (FA)	133		133		
	Multiple Use Resources	**458**	**458**	**0**	**0**	**159**
32	Economic Development and Housing/ Challenge (EDHC)					
32a	Request for Proposals (RFP) - **Impact Fund Only**	315	315			126
32b	Housing Infrastructure Bonds (HIB) - Impact Fund Only	49	49			20
32c	Bridge to Success	14	14			14
32d	Community-Owned Mobile Home Parks	80	80			
33	Technical Assistance and Operating Support	N/A				
34	Organizational Loans	N/A				
35	Strategic Priority Contingency Fund	TBD	TBD	TBD	TBD	TBD
	Other	**126**	**126**	**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	126	126			
	Total	**70,357**	**19,679**	**50,678**	**13,770**	**8,877**
			28%	72%	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.

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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 Loan 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.

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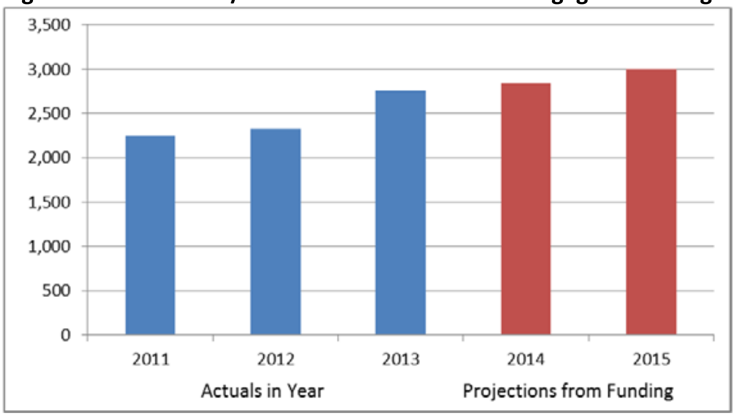
Figure 1: Households/Homes Assisted - Home Mortgage Loan Program



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.)

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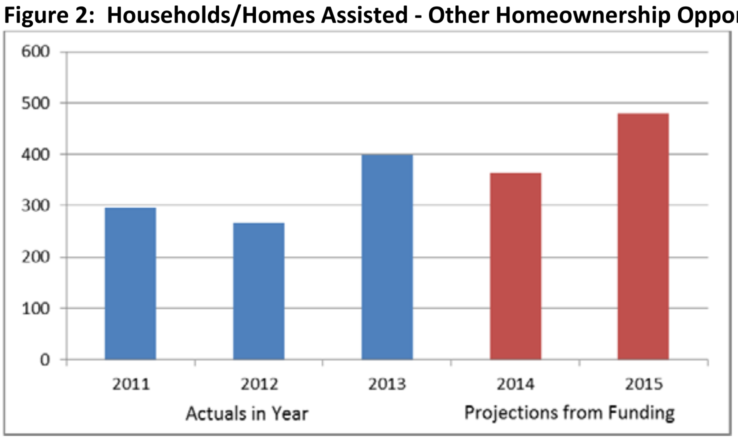
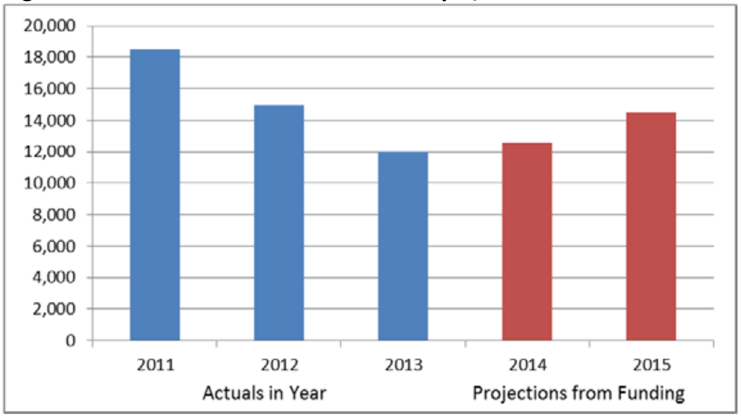
Figure 2: Households/Homes Assisted - Other Homeownership Opportunities



The overall 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. The increase in households assisted in 2015 reflects the addition of homebuyer counseling provided through the Homeownership Center's online course called Framework. This is a relatively new counseling tool that we have supported but not included in our count of assisted households in previous years.

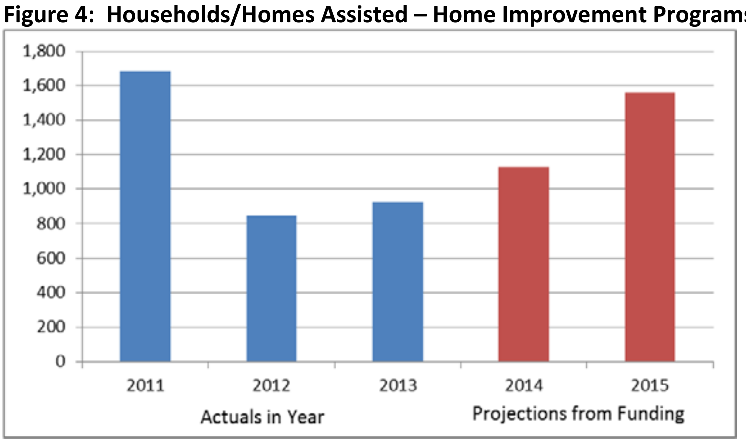
Figure 3: Households Assisted – Homebuyer/Homeowner Education and Counseling



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.)

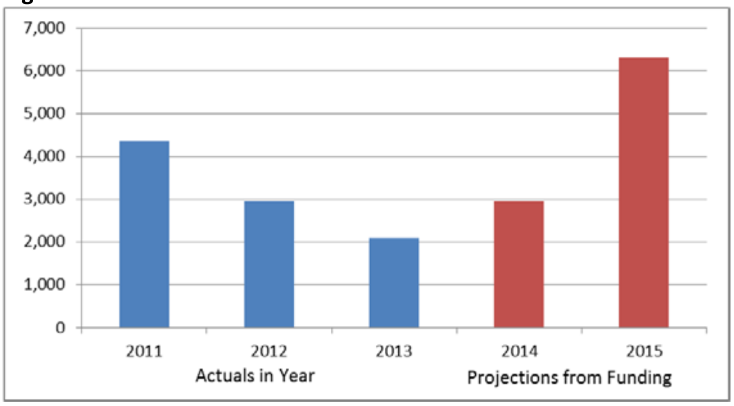
Figure 4: Households/Homes Assisted – Home Improvement Programs



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.)

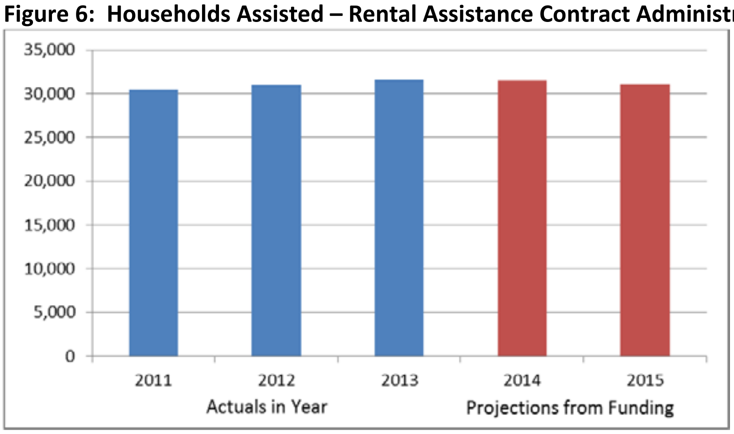
Figure 5: Units Assisted – Rental Production



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

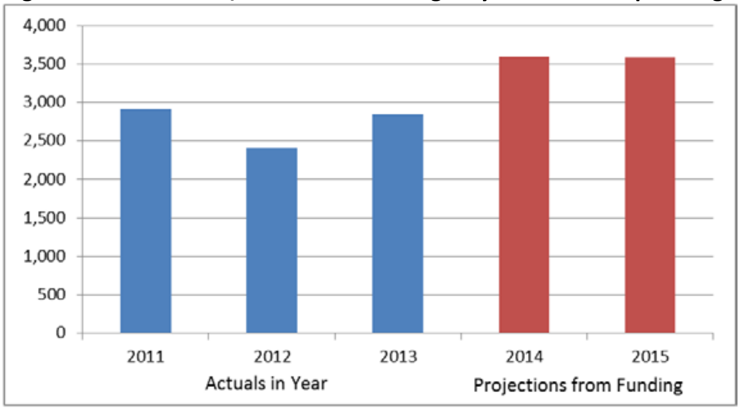


Resources to Prevent and End Homelessness (Non-Capital)

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.

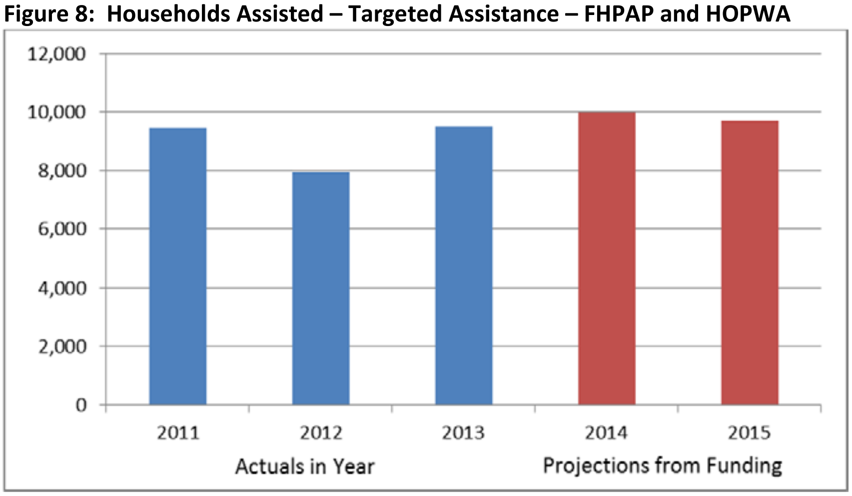
Deleted: The high estimate for 2014 was based on some overly optimistic assumptions, and the actual number of households/units assisted will probably end up closer to 3,500.

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	$200,801,636
State Appropriations	$71,249,898	$65,270,600
State Capital Investments (GO & Housing Infrastructure Bonds)	$58,281	$100,625,086
Bond Proceeds & Other Mortgage Capital	$441,600,000	$480,000,000
Housing Investment Fund (Pool 2)*	$41,500,000	$77,000,000
Housing Affordability Fund (Pool 3)*	$23,747,785	$29,895,796
Total	$785,341,014	$953,593,118

* 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.

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 $36 million, of which $25 million will be for increased permanent financing under LMIR, $6 million will be for increased home improvement lending, $2 million will be for increased mortgage lending under the Targeted Mortgage Program, and $2 million will be for contract-for-deed financing under Economic Development and Housing/Challenge.
- 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)

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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 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 base budget as the assumed funding level.

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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.aspx. 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* (September 2014); http://www.mnhousing.gov/idc/groups/administration/documents/webcontent/mhfa_011777.pdf.
[10] Minnesota Interagency Council on Homelessness, Heading Home: Minnesota's Plan to Prevent and End Homelessness (December 2013); http://www.mnhousing.gov/wcs/Satellite?blobcol=urldata&blobheadername1=Content-Type&blobheadername2=Content-Disposition&blobheadername3=MDT-Type&blobheadervalue1=application%2Fpdf&blobheadervalue2=attachment%3B+filename%3DMHFA_1016212.pdf&blobheadervalue3=abinary%3B+charset%3DUTF-8&blobkey=id&blobtable=MungoBlobs&blobwhere=1361480333912&ssbinary=true
[11] [11] 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.
[12] Minnesota Department of Health, *Minnesota Healthy Homes: Strategic Plan* (November 2012); http://www.health.state.mn.us/divs/eh/homes/forpartners/hhplan2012.pdf.
[13] Minnesota Housing Analysis of data from the United States Census Bureau, *2012 American Community Survey.*
[14] Minnesota Interagency Council on Homelessness, Heading Home: Minnesota's Plan to Prevent and End Homelessness (December 2013), p. 38.

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Appendix A: 2015 Program Funding by Source

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	**$189,639,605**	**$16,357,186**	**$9,731,232**	**$64,051,187**	**$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)	$8,582,340	$8,582,340	$0	$0	$0	$0	$0	$0	$0
14	Affordable Rental Preservation	$17,106,078	$7,774,846	$9,331,232	$0	$0	$0	$0	$0	$0
14a	Preservation Affordable Rental Initiative Fund (PARIF)	$9,331,232	$0	$9,331,232	$0	$0	$0	$0	$0	$0
14b	HOME Affordable Rental Preservation (HARP)	$7,774,846	$7,774,846	$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)	$20,197,539	$0	$0	$20,197,539	$0	$0	$0	$0	$0
17	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$400,000	$0	$400,000	$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)	**$29,115,921**	**$382,579**	**$26,760,546**	**$0**	**$0**	**$0**	**$0**	**$1,972,796**	**$0**
21	Housing Trust Fund (HTF) - **Net Activity**	$15,231,963	$0	$15,231,963	$0	$0	$0	$0	$0	$0
21a	Funding for new contracts	$25,828,792	$0	$25,828,792	$0	$0	$0	$0	$0	$0
21b	Adj. to spread two-year contracts over two years	-$10,596,829	$0	-$10,596,829	$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**	$2,959,461	$0	$2,959,461	$0	$0	$0	$0	$0	$0
23a	Funding for new contracts	$5,918,921	$0	$5,918,921	$0	$0	$0	$0	$0	$0
23b	Adj. to spread two-year contracts over two years	-$2,959,461	$0	-$2,959,461	$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	**$3,600,000**	**$2,000,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$1,600,000**	**$0**
27	Asset Management	$1,600,000	$0	$0	$0	$0	$0	$0	$1,600,000	$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	**$62,574,772**	**$0**	**$18,450,873**	**$35,873,899**	**$0**	**$4,000,000**	**$0**	**$4,250,000**	**$0**
29	Economic Development and Housing/ Challenge (EDHC)	$57,895,356	$0	$18,021,457	$35,873,899	$0	$4,000,000	$0	$0	$0
29a	Request for Proposals (RFP) - Single-Family and Multifamily	$18,021,457	$0	$18,021,457	$0	$0	$0	$0	$0	$0
29b	Housing Infrastructure Bonds (HIB)	$35,873,899	$0	$0	$35,873,899	$0	$0	$0	$0	$0
29c	Bridge to Success	$2,000,000	$0	$0	$0	$0	$2,000,000	$0	$0	$0
29d	Community-Owned Mobile Home Parks	$2,000,000	$0	$0	$0	$0	$2,000,000	$0	$0	$0
30	Technical Assistance and Operating Support	$2,679,416	$0	$429,416	$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	**$3,658,949**	**$0**	**$2,958,949**	**$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	$1,196,244	$0	$1,196,244	$0	$0	$0	$0	$0	$0
35	Flood Disaster	$0	$0	$0	$0	$0	$0	$0	$0	$0
36	Disaster Relief Contingency Fund	$1,762,705	$0	$1,762,705	$0	$0	$0	$0	$0	$0
	Total	**$953,593,118**	**$200,801,636**	**$65,270,600**	**$100,625,086**	**$480,000,000**	**$77,000,000**	**$0**	**$29,895,796**	**$0**

Appendix B: Program Narratives

2015 Affordable Housing Plan
Appendix B: Program Narratives

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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	**$376,000,000**

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 largest in the nation.

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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 support 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**

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Deleted: *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 Start Up, Step Up, or MCC first mortgage loans. Historically, the percentage of Minnesota Housing borrowers using one of the DPA programs has been significant, ranging from 60% to 80% of all borrowers.

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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. 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.

Deleted: DPL requires at least one borrower per household to complete homebuyer education.

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**

*Included $3.4 million in federal HOME HELP funding.

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 have experienced strong demand for the assistance.

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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 Homeownership 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.

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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 13,600 households under HECAT/NFMC and an estimated 235 households under HAWK.

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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.

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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

Minnesota Housing has the ability to finance and insure amortizing first mortgages. Traditionally, we have made direct loans through our 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.

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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 724 units in 2015.

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Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$8,560,000
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	$22,340
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	**$8,582,340**
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 and program income.

Tenant income limit: PARIF is subject to the 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 800 units under this program, including 622 units under PARIF and 178 units under HARP. Note that estimating HARP usage and projecting unit counts is complicated by the program's lack of historic data.

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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	$1,150,145
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	$4,613,232
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	**$17,106,078**
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 with 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.

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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.

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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 3,107 units of rehabilitation.

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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	$197,539
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$20,197,539**
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 $3.1 million to 2015.

Deleted: 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 16 units in 2015 under this program.

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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	$400,000
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	**$400,000**
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 $25.8 million. A portion of these contracts will cover 2016, leaving $15.2 million for program activity in 2015.

Based on resources available in 2015, we expect to fund an estimated 2,514 households or units under this program.

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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	$750,000
Contributions from Other Organizations	$1,700,000
Carry Forward of Unobligated Balances from Previous Plans	$436,792
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	**$25,828,792**
Adjustment to Spread Contracts Over Two Years	**-$10,596,829**
2015 Total	**$15,231,963**
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 nearly $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	$2,297,185
Carry Forward (ELHIF only)	$1,648,407
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 $5.9 million. A portion of these contracts will cover 2016, leaving nearly $3.0 million for program activity in 2015.

Based on resources available in 2015, we expect to assist an estimated 533 households under this program.

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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	$242,921
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	**$5,918,921**
Adjustment to Spread Contracts Over Two Years	**-$2,959,461**
2015 Total	**$2,959,461**
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 HMIS indicate that less than five percent of assisted household returned to shelter within six months of exiting this program.

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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 107 units under this program.

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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	**$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, Minnesota Housing funded:

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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 $35.9 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 1,106 units through the EDHC RFP and an additional 783 units through HIBs.

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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	$752,750
Repayments and Receipts	$500,000
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$2,565,707
State GO & Infrastructure Bond Proceeds	
New Funding	$35,446,352
Carry Forward of Unobligated Balances from Previous Plans	$427,547
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2015 Total	**$53,895,356**
2014 Original Total	**$17,327,907**

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

EDHC – Bridge to Success

Under the Economic Development and Housing/Challenge (EDHC) program, Minnesota Housing has provided funding to Bridge to Success, a contract-for-deed program managed by SHOP LLC. A contract-for-deed is an alternative financing arrangement for purchasing homes that serves homebuyers who are unable to obtain a traditional mortgage.

The Bridge to Success program addresses two key issues coming out of the recent economic and housing crisis – (1) the large number of potential homebuyers unable to obtain a traditional mortgage with the industry's stricter underwriting standards and (2) the large number of foreclosed homes for sale in certain neighborhoods of the Twin Cities metro area. To facilitate successful homeownership, the program combines pre- and post-purchasing housing counseling with a longer period to refinance out of the contract-for-deed to a traditional mortgage (up to ten years). The program is also geographically targeted to neighborhoods in the Twin Cities metro area that have been heavily impacted by the foreclosure crisis.

In 2012, Minnesota Housing provided $10.4 million to the program.

Current income limit: 115% of the area median income.

Maximum loan amount: $225,000

Program Performance and Trends

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

- 45 home purchases
- $6,342,285 of financing
- $140,105 average financing per home
- Median household income of $61,752 or 84% of statewide median
- 59% were households of color or Hispanic ethnicity

Proposal for 2015

In 2015, Minnesota Housing will provide another $2 million to the program. Based on resources available for new activity in 2015, we expect to fund an estimated 14 home purchases.

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	**$0**

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.

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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.

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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	$24,416
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	**$2,679,416**
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. Funding assists non-profit organizations, tribal councils, and local units of government in the development of housing projects for low-and moderate-income people. These short-term loans are used for two purposes - 1) foreclosure remediation lending and 2) pre-development lending activities. Foreclosure remediation lending covers costs such as the acquisition and rehabilitation of a one to four-unit residential property that is vacant, abandoned, foreclosed or acquired through a short sale and sold to an income-eligible buyer. Predevelopment lending covers costs such as architect fees, attorney fees, option on land and building and other costs associated with processing or preparations of a housing proposal.

The Twin Cities Community Land Bank and the Family Housing Fund administer the foreclosure remediation lending activities throughout the seven-county Twin Cities area. The Greater Metropolitan Housing Corporation and the Local Initiatives Support Corporation administer the predevelopment lending activities throughout the seven-county Twin Cities area while the Local Initiatives Support Corporation of Duluth serves greater Minnesota. Individual loans are selected and underwritten by the administrators with results reported to Minnesota Housing.

Maximum loan amounts vary by administrator. Loans typically are for terms of one or two years at an interest rate set by the administrator.

Program Performance and Trends

The program, which achieves nearly a 1:1 match from our administrators, was established as a revolving loan program with repayments support new loan production. The program supports the Agency's interest in the development or expansion of the capacity of non-profit housing providers.

For the Program Assessment period of October 1, 2012 – September 30, 2013, through the revolving loan to the Twin Cities Community Land Bank, Minnesota Housing funded:

- 148 households
- $17,183,473 assistance amount
- $116,105 average assistance per household
- Median household income was $62,133 or 84% of statewide median
- 18% were households of color or Hispanic ethnicity

Proposal for 2015

For 2015, no additional funding will be provided under the program, however; existing revolving loan funds will continue to provide assistance. Minnesota Housing expects to finance loans for an estimated 145 households from the existing funds that revolve under this program.

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.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	$1,196,244
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	**$1,196,244**
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 appropriations from the Minnesota Legislature 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.

Deleted: appropriations

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 $189,000, leaving $1,174,805 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 126 units through the Disaster Relief Contingency Fund.

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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	$1,662,705
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	**$1,762,705**
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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AGENDA ITEM: 7.C
MINNESOTA HOUSING BOARD MEETING
September 25, 2014

ITEM: Selection/Commitment, Housing Trust Fund (HTF) Young Families Rental Assistance Pilot

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:
Staff requests adoption of the attached Resolution authorizing $350,000 from the Housing Trust Fund (HTF) for rental assistance grants for the term of January 1, 2015 to June 30, 2017. This will fund grants providing short-term rental assistance for young families experiencing homelessness whose head of household is age 18-24 at initial occupancy.

FISCAL IMPACT:
The requested funds are state appropriations which were appropriated for the HTF during the 2013 Legislative session. The appropriation is an increase to the HTF base budget, and the request is for a partial commitment of these funds. These funds were budgeted 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):
- Background
- HTF Rental Assistance Funding Recommendations
- Resolution

Background

Children and youth make up nearly one-half of all people experiencing homelessness in Minnesota. Preventing and ending homelessness for families with children, as well as for unaccompanied youth, by 2020 is one of the priorities of Heading Home: Minnesota's Plan to Prevent and End Homelessness, and preventing and ending homelessness is one of Minnesota Housing's five Strategic Priorities.

The Housing Trust Fund (HTF) Young Families Rental Assistance Pilot is designed to combine rental assistance with services to prevent future episodes of homelessness for young families with children. These funds are available to fund programs offering up to 24 months of rental assistance for eligible families with children whose head of household is age 24 or under at time of initial occupancy, and who are homeless, or who have experienced prior episodes of homelessness and are at risk of recurrence of homelessness. The funds will be provided to the selected grantees in the form of a grant for the term of thirty months.

The Agency solicited proposals via a competitive Request for Proposals for this pilot program, with applications due July 31, 2014. Eligible applicants included current administrators of state or federal rental assistance voucher programs with secured service funding for their proposal. The Agency received nine applications totaling requests for over $1.8 million and proposing to provide rental assistance for up to 117 households.

Agency staff reviewed the applications, with priority given to applicants who:

- Administer an existing program serving young families with children who are currently experiencing homelessness or with prior episodes of homelessness;
- Leverage other housing assistance resources;
- Integrate services with mainstream resources;
- Demonstrate public and/or private partnerships;
- Demonstrate positive outcomes serving a similar population; and
- Have experience reporting in HMIS.

Program Funding Recommendations

Staff recommends funding two of the nine proposals, representing $350,000, to serve up to 27 households. The funds will be administered under the HTF Rental Assistance Program and will provide rent subsidies, as well as security deposits and other housing and administrative related expenses. The two recommended proposals best address the priorities of the program. Additional considerations were recent funding of HTF rental assistance pilots serving families and equitable distribution of funding throughout the state. The seven non-selected proposals were not as competitive in meeting the stated requirements and/or priorities, or they represented applicants or a geographic area which recently received HTF funding through rental assistance pilots serving homeless and highly mobile students, or young families in Hennepin County.

- Evergreen Youth and Family Services (Evergreen)
    - Evergreen will serve ten youth-headed households with children in northwest Minnesota. Evergreen offers homeless youth a continuum of housing options based on each youth's developmental readiness for independent living. Evergreen's housing program is based in Bemidji, but draws youth from a multi-county area, which includes three of the State's top five most impoverished counties for children. Evergreen staff provides housing case management,

and partners with multiple organizations to expand the range of services provided and ensure that youth can access mainstream resources. The wrap-around services offered are consistent with the US Interagency Council on Homelessness intervention model for homeless youth, which includes: stable housing, permanent connections, education/employment, and social/emotional well-being. Evergreen is a recipient of Homeless Youth Act service funding offered through the Office of Economic Opportunity at the Minnesota Department of Human Services.

- South St. Paul Housing and Redevelopment Authority (South St. Paul HRA)
    - This program is a collaboration combining the rental assistance experience of the South St. Paul HRA with the supportive housing experience of the Dakota County Supportive Housing Unit (Dakota County SHU), and will serve up to seventeen young families in all cities in Dakota County. The Dakota County SHU currently operates a HUD Continuum of Care funded transitional housing grant that provides rental assistance and services for 48 families, of which approximately half are headed by young parents. Dakota County's Point in Time count indicated a dramatic increase in homeless families, many of whom are young families with children. The pilot funding will address an identified gap in housing programs for young families with age appropriate services. Services will focus on education and financial empowerment with services specific to young parents such as child care assistance, financial and career counseling, and student mentoring.

Both recommended proposals meet the stated funding priorities and other Agency criteria. Thirty seven percent of the housing opportunities recommended are in Greater Minnesota, and sixty three percent are in the metro area. A breakdown of the funding is included in this report.

The funding requested is a portion of $1.4 million appropriated as an increase to the base budget of the Housing Trust Fund for FY14-15. Staff recommends that $350,000 of those funds be used for this pilot rental assistance program.

Funding Recommendations
Housing Trust Fund Program Young Families Rental Assistance Pilot

	D7754 Evergreen Youth and Family Services	D3541 South St. Paul Housing and Redevelopment Authority
Funding Recommended	$150,000	$200,000
Number of Households	10	17
Geographic Area	Beltrami, Cass, Clearwater, Hubbard & Mahnomen Counties & Leech Lake, Red Lake & White Earth Indian Reservations	Dakota County
Rental Assistance Administrator	Evergreen Youth and Family Services	South St. Paul Housing and Redevelopment Authority
Primary Service Provider	Evergreen Youth and Family Services	Dakota County Supportive Housing Unit

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

RESOLUTION NO. MHFA 14-

RESOLUTION APPROVING SELECTION/AUTHORIZATION TO FUND HOUSING TRUST FUND (HTF) RENTAL ASSISTANCE GRANTS

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications to provide funds for short-term rental assistance program for young families experiencing homelessness, with head of household age 18-24 at initial occupancy.

WHEREAS, the Agency staff has reviewed the applications and determined that they are in compliance under the Agency's rules, regulations and policies; that such grants 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.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to enter into grant agreements using State resources and in compliance with applicable statutes and regulations as set forth, subject to changes allowable under the multifamily funding modification policy, upon the following conditions:

1. The Agency staff shall review and approve the following Grantees the total recommended amounts for two years;

• Evergreen Youth and Family Services	D7754	$150,000
• South St. Paul Housing and Redevelopment Authority	D3541	$200,000

2. The issuance of grant agreements in form and substance acceptable to the Agency staff and the closing of the individual grants shall occur no later than six months from the adoption date of this Resolution; and

3. The sponsors and such other parties shall execute all such documents relating to said grants, to the security therefore, as the Agency, in its sole discretion, deems necessary.

Adopted this 25th day of September, 2014.

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CHAIRMAN

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Minnesota Housing Finance Agency

AGENDA ITEM: 7.D
MINNESOTA HOUSING BOARD MEETING
September 25, 2014

ITEM: Selection/Commitment, PINES (Preservation: Identifying Needs, Exploring Strategies) Proactive Preservation Pilot Program

CONTACT: Julie LaSota, 652-296-9827
Julie.LaSota@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 approximately $7.3 million of Preservation Affordable Rental Housing Investment Fund (PARIF) program funds to three developments under the PINES Pilot program.

FISCAL IMPACT:
PARIF 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
- Recommendations Summary
- Pilot Proposal Summaries
  - Ebenezer Park Apartments, Minneapolis
  - Creek Terrace Apartments, Minneapolis
  - Cardinal Homes, Fergus Falls
- Resolution

Background:
The PINES Proactive Preservation Pilot (PINES Pilot) concept was discussed with the Board in November, 2013 and launched on January 2, 2014 to test out receptivity of owners to make long-term commitments to preserve federally assisted housing within two target markets (conversion to market or unmet capital needs), both which take action well in advance of loan maturity and subsidy contract expiration dates and focus on preserving in place – without the added costs involved in a transfer of ownership or housing tax credits. With $12 million in deferred loan funding available it was anticipated that Pilot investments would preserve 400-600 project based units in 5-8 properties and provide the Agency with trends and information that could be used to develop more targeted, proactive and cost efficient preservation efforts in the future.

What sets the PINES Pilot approach apart from our traditional Open Pipeline or RFP process is that staff proactively reached out to a select group of owners that met PINES priorities based on location first and then the property's risk of conversion to market or unmet capital needs. To contain the list of eligible properties, the following threshold criteria were established:

- 30 units (100% federally assisted) or 20% of units in a predominantly market rate project; and
- Located in an area that exhibits at least three of the Agency's geographic priorities (Growth: Household, Jobs, Transportation, Workforce and Economic Integration and/or High Need: Foreclosure Priority, Cost Burdened Low Income Renters, Foreclosure Priority Area and Qualified Census Tract); and
- Properties must not have received substantial financial assistance from the Agency within the past fifteen years.

Applying the above criteria to the state's inventory of Section 8 and Rural Development properties resulted in a list of 150 properties. The primary funding tools for the Pilot were PARIF and HARP (along with LMIR and MAP amortizing financing), so a further focus was placed on nonprofit owned properties with unmet capital needs and profit motivated owners who either have followed through on opt out efforts or who own properties in strong locations of economic integration.

To date staff invited twelve organizations to discuss participating in the PINES Pilot, identifying a specific property in the invitation. Each discussion began with a holistic review of the organization's overall needs and approach to asset management and the specific property's financial and physical structure. In many instances it was determined that Housing Tax Credits or other Agency/RFP specific resources were a better fit for the owner or the individual property needs and a referral was made for RFP technical assistance. This resulted in four developments with applications currently pending through the RFP, two developments in the queue for Agency MAP amortizing first mortgages and many referrals to local administrators of the RRDL program. Several owners declined the invitation to participate.

Staff is currently working on six candidates for PINES Pilot funding. Three of these developments are far enough along to make recommendations for Selection/Commitment allowing staff to move into the due diligence phase of underwriting.

Recommendation Summary:

Staff is recommending selection of the following developments for consideration under the PINES Pilot as detailed in the individual project Summary reports. Selection of these developments should result in the preservation of 277 units with Agency deferred loan investment of $7,280,692 that will leverage more than $32 million in Section 8 rent subsidy over the loan terms; a return of nearly $4.5 for every $1 in deferred loan funding. More detailed Project Summary Reports are attached.

	Ebenezer Park Apartments **Minneapolis** **(D3369)**	**Creek Terrace Apartments** **Minneapolis** **(D0953)**	**Cardinal Homes** **Fergus Falls** **(D3299)**
Nonprofit sponsor	Ebenezer (an affiliate of Fairview Health Services)	David Hornig, Creek Terrace Apartments LLC (profit-motivated owner)	Cardinal Homes, Inc. (single asset nonprofit)
Number of Units	200 total units 200 Section 8 units	82 total units 16 Section 8 units	61 total units 61 Section 8 units
Population served	Elderly/Disabled (under HUD Section 202 Program)	General Occupancy (1 and 2 bedroom units)	Elderly/Disabled and General Occupancy
PINES Pilot target market	Capital Needs	Conversion to Market Rents in non-HAP units are $150 - 200 higher	Capital Needs
PINES funding	$5,488,000 FHA insured amortizing loan $4.8 million PARIF deferred loan	$320,000 PARIF deferred loan (equity takeout – unrestricted use of proceeds)	$2,160,692 PARIF deferred loan (structured as a cashflow loan)
Owner commitment to affordability	35 years co-terminous with MAP term	20 years Renewal under HUD's Mark-Up-to-Market program	30 years
Total Development Cost	$10.4 million	$320,000	$2,285,692
Per Unit Cost	$52,190	$20,000	$37,470
Federal assistance preserved over loan term (projected)	$25 million	$1.3 million	$6.5 million

Similar to the Consolidated RFP Selections, staff is requesting conceptual approval of the deal structure and approval to move forward in the due diligence phase of underwriting, after which each development will be reviewed and approved by the Mortgage Credit Committee prior to entering into a loan commitment with the Borrower.

Recommendation:

Staff recommends the adoption of a resolution authorizing the commitment of Preservation Affordable Rental Investment Fund (PARIF) program funds in the aggregate amount of $7,280,692 to the three developments identified herein.

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2014 PINES Pilot Proposal Summary **Recommended Pilot PARIF Funding**: $4,800,000

DEVELOPMENT INFORMATION:

Dev. #	Development Name	Development Address / City
3369	Ebenezer Park Apartments	2700 Park Ave., Minneapolis

# of Units	# Program Units
200	200

Unit Type	Unit Count	Gross Rent	Rent Restriction
1BR	190	$902	Subj. to HAP
2BR	10	$1079	Subj. to HAP
Total	200		
Target Households		Elderly/Disabled	

# Rent Assisted Units / Type	Minimum Rent Subsidy Period
200 units – Section 8 HAP and Section 202	35 years (co-terminous with MAP loan)

EXISTING BORROWER INFORMATION:

Borrower	Entity Type (LP/LLC/ Nonprofit, etc.)	GP/Managing Member
Ebenezer Park Apartments	Nonprofit	Ebenezer (an affiliate of Fairview Health Services)

PROPOSED NEW FINANCING:

Lender	Loan Amount	Financing Terms		Requested Lien Priority	Excess Fund Usage *(List Amount and purpose)*
		%	*Term (yrs)*		
Minnesota Housing MAP	$5,488,000	4.25 est.	35 est.	1st	Payoff existing financing and rehabilitation
MH – PARIF	$4,800,000	0	35	2nd	Rehab and related costs

Additional Comments:
This is an existing Section 202 development with 100% of the units assisted with Section 8.

PINES Pilot Proposal Feasibility
This property was developed by the current owner in 1980 and has been managed by Ebenezer since inception. The property is located on the Ebenezer campus with linkages to elderly services, medical facilities, employment opportunities, retail, places of worship and mass transit. The existing Section 202 mortgage with an approximate principal balance of $ 2.5 million will be prepaid and replaced with an FHA insured first mortgage originated and underwritten by the Agency. Additionally the Agency proposes a $4.8 million deferred loan with the owner contributing approximately $150,000. The development is feasible as proposed with a moderate rehabilitation. On-going monthly deposits to the

replacement reserve will be sized based on a 20 year physical needs analysis and it is anticipated that this investment will result in long term financial and physical viability of the housing units.

Owner Capacity

Owner/developer has strong capacity and experience levels for the proposed rehab project. Ownership of the property will continue under the non-profit structure. Fairview Health Services is the parent company of Ebenezer Services and has a strong financial capacity.

Physical and Technical Review

This is an existing 17 story tower located in South Minneapolis. To the adjacent South is the Ebenezer corporate offices and surface parking with small scale neighborhood offices and older low rise multifamily housing across the street to the East. The Swedish Institute is across the street to the North. Turn of the century single family homes (some converted to office space) across the street to the West. The scope of work appears to align with a building 34 years old (built in 1980). Most of the scope of work is cosmetic and improvements to items which have outlived their Estimated Useful Life.

Market and Community Review

Agency research and Community Profile data at the county level indicates a 2.2% vacancy rate for subsidized units. The median household income in this census tract is $16,461, median rent for all units in the census tract is $612 and 64% of lower income renters in this census tract are cost burdened. The property averages less than 3% vacancy. The development's location meets the following Geographic Priorities: Workforce Area, Jobs Growth, Household Growth, Cost Burdened Low Income Renters, Qualified Census Tract and Transportation Priority.

2014 PINES Pilot Proposal Summary **Recommended Pilot PARIF Funding**: $320,000

DEVELOPMENT INFORMATION:

Dev. #	Development Name	Development Address / City
D0953	Creek Terrace Apartments	616 West 53rd Street, Minneapolis

# of Units	# Program Units
82	16

# Rent Assisted Units / Type	Minimum Rent Subsidy Period
16 units – Section 8 HAP	20 years

Unit Type	Unit Count	Gross Rent	Rent Restriction
1BR-Mkt	32	$765	none
2BR-Mkt	32	$975	none
1BR Sec.8	12	$585	Subj. to HAP
2BR Sec.8	4	$738	Subj. to HAP
Total	82		
Target Households		General Occupancy	

EXISTING BORROWER INFORMATION:

Borrower	Entity Type (LP/LLC/ Nonprofit, etc.)	GP/Managing Member
Creek Terrace Apartments LLC	Profit Motivated LLC	David Hornig

PROPOSED NEW FINANCING:

Lender	Loan Amount	Financing Terms		Requested Lien Priority	Excess Fund Usage *(List Amount and purpose)*
		%	*Term (yrs)*		
Minnesota Housing PARIF	$320,000	0	20	2nd	Cash out (unrestricted)

Additional Comments:
Creekside Terrace Apartments has a Traditional Section 8 Housing Assistance Payment (HAP) contract administered by Minnesota Housing that is still in its original term which expires on April 24, 2020. The owner filed its intent to opt out of the HAP contract effective 4/24/2015. The Agency will not consent to this opt out unless it is for the sole purpose of renewing the Section 8 HAP contract for twenty years under the Mark-up-to Market option. This PINES Pilot proposal has been developed to incent the owner to maintain the deep affordability of these well located units for the long term.

PINES Pilot Proposal Feasibility
Creekside Terrace Apartments is located in a strong location adjacent to the Minnehaha Parkway in south Minneapolis, on a bus route and close to jobs, schools, public services, retail and recreation. The development is a market rate development serving a general occupancy, with 20% of the units assisted with a HAP contract. The development is in good physical condition, having received an acceptable score at its last HUD REAC physical inspection in 2012. The property is conventionally financed with a $3.3 million bank loan and maintains a debt coverage ratio of over 2.0.

As a condition to Agency approvals, the Owner must agree to remain in the Section 8 program for a minimum of fifteen years beyond the current HAP expiration date of 4/24/2020. In exchange, the PINES

Pilot financing will be provided as a zero interest equity takeout loan with payment deferred until maturity (20 years) and with half of the principal forgiven at maturity. The loan is being structured this way to incent the owner to maintain these units as Section 8 units beyond the term of the original HAP contract, acknowledging that there are no economies of scale for this owner under the Section 8 program since this is the only property in its 70+ property portfolio that is under the HAP program.

Owner Capacity
Owner/developer has good capacity and experience with a very large naturally affordable portfolio that primarily serves the local workforce. All other properties owned and managed by the sponsor are well located in the Twin Cities area with a large concentration in south Minneapolis and are run as market rate, free of regulatory requirements. The owner currently contracts with a provider to ensure compliance within the Section 8 program.

Physical and Technical Review
Project was originally constructed and placed in service in 1980 and based on a recent inspection by Agency Asset Management staff, is well maintained and managed, with no deferred maintenance noted. No rehabilitation is anticipated with these loan proceeds. The owner has invested approximately $150,000 in capital improvements to the property within the past two years, including upgrading the elevators to meet state code.

Market and Community Review
Agency research and Community Profile data at the county level indicates a 2.2% vacancy rate for subsidized units. The median household income in this census tract is $105,517, median rent for all units in the census tract is $818 and nearly 70% of lower income renters in this census tract are cost burdened. The property averages 3% vacancy with less than 2% vacancy on the Section 8 units. The development's location meets the following Geographic Priorities: Economic Integration, Workforce Area, Jobs Growth, Cost Burdened Low Income Renters and Transportation.

2014 PINES Pilot Proposal Summary **Recommended Pilot PARIF Funding**: $2,160,692

DEVELOPMENT INFORMATION:

Dev. #	Development Name	Development Address / City
3299	Cardinal Homes	1110 N. Springen, Fergus Falls

# of Units	# Program Units
61	61

# Rent Assisted Units / Type	Minimum Rent Subsidy Period
61 units – Section 8 HAP	30 years

Unit Type	Unit Count	Gross Rent	Rent Restriction
1BR apt.	34	$500	Subj. to HAP
2BR apt.	16	$584	Subj. to HAP
3BR apt.	8	$713	Subj. to HAP
4BR SFH	3	$796	Subj. to HAP
Total	61		
Target Households		Elderly/Disabled (34 units)/ General Occupancy 27 Units	

EXISTING BORROWER INFORMATION:

Borrower	Entity Type (LP/LLC/ Nonprofit, etc.)	GP/Managing Member
Cardinal Homes, Inc.	Nonprofit	Cardinal Homes, Inc. Board of Directors

PROPOSED NEW FINANCING:

Lender	Loan Amount	Financing Terms		Lien Priority	Excess Fund Usage *(List Amount and purpose)*
		%	*Term (yrs)*		
MH – PARIF	$2,160,692	0	30	1st	Rehabilitation and related soft costs

Additional Comments:
This property was developed by the current owner and placed in service in 1972. The original HUD insured 221D3 first mortgage reached natural maturity in 2012. There is no permanent debt on the property at this time.

PINES Pilot Proposal Feasibility
Cardinal Homes is a 61 unit 100% Section 8 development that has some emergency physical needs (roofs, widows and siding) that cannot be met through property operations. The proposal developed for this property includes a $2.1 million PARIF loan that will allow the owner to complete emergency repairs as well as a moderate rehab of the unit interiors and replacement of mechanicals. The loan will be structured as a cash flow note with annual payments of 75% of surplus cash. The unpaid principal balance of the loan will be due and payable in one lump sum in 30 years. The owner will be contributing $125,000. The underwriting includes $600 per unit per year in deposits to the replacement reserve, in anticipation of ongoing capital needs over the life of the loan.

Owner Capacity
Cardinal Homes, Inc. is a single asset nonprofit that was established to develop and operate this 61unit development. The board is comprised of members of the local community and is actively engaged. The

property is fee managed by Augustana. There is an on-site caretaker and a full time maintenance staff.

Physical and Technical Review

The site is located approx. ¾ mile northeast of downtown Fergus Falls and is located within a primarily residential neighborhood. The development contains five (5) apartment buildings and (3) single family houses located within this site, which all are believed to have been originally construction in the early 1970s. There are a total of 61 rental units. The unit breakdown is as follows: (1) 34-plex (1-BR units), (3) single family homes (4-BR units), (2) 8-plexes (2-BR units), and (2) 4-plex (3-BR units). Onsite surface parking is provided for residents. There is also a concrete slab with a basketball hoop and three, small, maintenance/storage sheds located within the site. The apartment buildings contain garden style walkup units. There are no accessible dwelling units. All apartment buildings appear to be similarly constructed with brick masonry exteriors and wood siding at window locations. Roofing at the apartment buildings is ballasted membrane with approx. a 1:12 pitch with long overhangs. These long overhangs have helped preserve the masonry, siding and windows. The single family dwellings also appear to be similarly constructed (except no brick). The single family homes have asphalt shingle roofing with a 4:12 pitch. All exterior finishes appear original throughout. Extensive rehab is currently underway at one of the single family dwellings.

A Physical Needs Assessment and a 20 year Capital Needs Analysis will be completed and the results incorporated into the scope of work and loan underwriting. Major rehabilitation items will include roof replacement, siding and windows, site grading, replacement of mechanicals and common area and unit flooring and appliances. The owner has been completing rehabilitation on a rotating basis through project reserves, including replacement of unit cabinetry and flooring in approximately 25% of the units and boilers in three of the apartment buildings.

Market and Community Review

Agency research and Community Profile data at the county level indicates a 5.8% vacancy rate for subsidized units; the subsidized inventory includes a mix of Section 8 and USDA Section 515 units. The median household income in this census tract is $57,200, median rent for all units in the census tract is $513 and over 65% of lower income renters in this census tract are cost burdened. The property has a 6% vacancy with some of this attributed to major rehabilitation of the 4 bedroom single family homes that took those units off line for several months at a time. The 1 bedroom units have a high percentage of households with various disabilities. The development's location meets the following Geographic Priorities: Economic Integration, Household Growth and Cost Burdened Low Income Renters.

MINNESOTA HOUSING FINANCE AGENCY

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

RESOLUTION NO. MHFA 14-

RESOLUTION APPROVING LOAN COMMITMENTS FOR THE PINES PILOT PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF) PROGRAM

WHEREAS, the Minnesota Housing Finance Agency (Minnesota Housing) has solicited applications to provide financial incentives or rehabilitation financing for multifamily rental housing developments that have project based federal rental subsidies and serve 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 loan commitments from appropriated funds to said applicants in the amounts and conditions set forth below:

1. **Ebenezer Park Apartments – D3369, Minneapolis**, a deferred loan in the amount of $4,800,000 , without interest, and with a term to be co-terminous with the FHA insured first mortgage originated by the Agency (estimated to be 35 years); and

2. **Creek Terrace Apartments – D0953, Minneapolis**, a deferred loan in the amount of $320,000, without interest, and with a term co-terminous with a Section 8 renewal under the Mark-up-to Market program of not less than 20 years, with 50% of the loan forgiven upon maturity; and

3. **Cardinal Homes, Fergus Falls – D3299**, a loan in the amount of $2,160,692 without interest and with annual payments of 75% of cash flow with the remaining balance due 30 years from the date of closing; and

4. Each Mortgagor will enter into a covenant running with the land that complies with subd. 8b of Minn. Stat. § 462A.21, and the rider to the appropriation providing funds to the program (Minnesota Laws 2013, Regular Session, Chapter 85, article 1, section 4, subdivision 7), agreeing to enter into a covenant running with the land requiring owner to renew the Section 8 HAP contract for the term of the PARIF loan, and providing the right of first refusal to a nonprofit or local unit of government should the Owner receive a viable purchase offer during the term of the loan; and

5. Agency staff shall review and approve the Mortgagor or Grantee; and

6. The issuance of a mortgage loan commitment for all loans in form and substance acceptable to Agency staff and the closing of the loan shall occur no later than 20 months from the adoption date of this Resolution; and

7. The sponsor, the builder, the architect, the mortgagor, and such other parties shall execute all such documents relating to said loan or grant, to the security therefore, to the construction and operation of the development, as Agency, in its sole discretion, deems necessary.

Adopted this 25th day of September, 2014.

____
CHAIRMAN

AGENDA ITEM: 9.A
MINNESOTA HOUSING BOARD MEETING
September 25, 2014

ITEM: Post-Sale Report, Homeownership Finance Bonds, 2014 Series B/C

CONTACT: Rob Tietz, 651-297-4009
rob.tietz@state.mn.us

Bill Kapphahn, 651-215-5972
william.kapphahn@state.mn.us

REQUEST:

☐ Approval ☐ Discussion ☑ Information

TYPE(S):

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

☑ Other: Finance

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
The Agency sold $32,531,331 of Homeownership Finance Bonds, 2014 Series B (Non-AMT) and Series C (Taxable) on August 12, 2014 which settled on August 26, 2014. Pursuant to the Debt Management Policy, the attached post-sale report is provided by the Agency's financial advisor, CSG Advisors. This is an information item and does not require approval.

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):

- Post-Sale Report

CSG | advisors

Via Email Delivery

MEMORANDUM

Date: **August 18, 2014**

To: **Minnesota Housing Finance Agency**

From: **Gene Slater, Tim Rittenhouse**

Re: **Post-Sale Report**
$ 32,531,331 Homeownership Finance Bonds (HFB)
2014 Series B (Non-AMT) and Series C (Taxable)

BOND CRITERIA

The 2014 HFB Series B and C bonds, like those from Series A, were issued under the Board authorization on June 2nd of up to $100 million of single-family monthly pass-through bonds based on four key criteria:

1. ***Avoid major interest rate risk*** by continuing to hedge pipeline production until loans are either sold or permanently financed by bond issues.

2. ***Continue high ratings on all of Minnesota Housing's single-family Bonds***, with Series B and C rated Aaa.

3. ***Provide at least a comparable expected level of return to selling MBS,*** as measured at a reasonable assumed prepayment speed.

4. ***Enhance long-term financial sustainability*** through a mix of bond financing and sales of MBS to provide more balanced and financially sustainable results for Minnesota Housing**.**

With the issuance of Series B and C, this leaves approximately $29 million of bonding authorization available in HFB. The economics of these transactions in financing a particular month's pipeline production make it desirable to be able to move quickly to take advantage of bond market opportunities for pass-through issues. As such, it may make sense to request additional authorization for potential use later this year.

KEY RESULTS FOR MINNESOTA HOUSING

Key Measurable Objectives. Minnesota Housing's objectives were to:

1. Achieve full spread while maintaining existing zero participations to finance future production.

2. Obtain a present value return for Minnesota Housing at least similar to selling the same new MBS in the secondary market, assuming a reasonable prepayment speed.

Accomplishments. The results were successful.

- ***Full Spread.*** To avoid exceeding full spread on tax-exempt bonds, the issue was divided into:

  - a tax-exempt series at full spread (Series B) for $18,868,172 and
  - a taxable series with a similar effective return (Series C) for $13,663,159.

- ***Attractive Bond Yield.*** Bond yield on the tax-exempt portion, Series B was 2.95% versus the required yield of approximately 3.5% on a traditionally structured tax-exempt issue. The taxable series C was issued at 3.25%.

- ***Return to Minnesota Housing.*** Minnesota Housing received full spread on the new mortgages without using any of Minnesota Housing's existing zero participations. This provided a net present value return after all hedging costs of approximately 2.56 % at 100% prepayment speed, 1.51 % at 150% prepayment speed and .75% at 200% prepayment speed.

  The break-even speed compared to an MBS sale was approximately 130%, compared to 144% on Series A. The use of taxable bonds to stay within IRS spread limits was the reason for the slightly lower break-even speed on this transaction (the higher the break-even speed the better for Minnesota Housing). This enables the Agency to receive higher net present value than a MBS sale even if prepayments are relatively rapid.

- ***Hedging.*** The loan production pipeline remained fully hedged until bonds were sold. Inclusion of the hedge economics into the bond yield calculation permits Minnesota Housing to earn the widest possible spread.

- ***Continuing to Build Investor Demand.*** With over 3x investor orders for tax-exempt Series B, the underwriters continue to re-establish the market and liquidity for future tax-exempt pass-through bond issues.

Implications. Both the June issue for Series A and the August issue for Series B/C have demonstrated the renewed viability of the tax-exempt pass-through approach for enabling Minnesota Housing to finance production on-balance sheet. The disadvantage of the structure is that when it works really well it can create a wider spread than the Agency can retain, and it is difficult to create and use zeros in a pass-through. As a result, the Agency had to issue higher-yielding taxable debt for a portion of the bond issue to keep the transaction in compliance.

It is therefore important to develop a way that the Agency can take advantage of the full benefits of low rates on tax-exempt pass-through securities. The underwriters and ourselves have outlined several approaches to do so which will be explored over the next month.

Alternatively, Minnesota Housing still has significant over-collateral in RHFB to continue the structure used in recent RHFB transactions. This may turn out to be an attractive option on upcoming issues as well.

A potential refunding this fall which could be combined with a new money series is also a possibility this fall.

Together these indicate that Minnesota Housing has several ways to continue to use bonds to finance its ongoing pipeline.

TIMING AND STRUCTURE

Timing. The issue was priced on Tuesday August 12th, with closing on August 26th.

Sizing. The sizing was based on the pipeline of MBS being delivered in August as well as financing some MBS that had been purchased and retained in Pool 2.

Major Design Decisions. Key decisions by Minnesota Housing were to:

- Continue to include a 10-year par call at Minnesota Housing's option so that it can potentially take advantage of interest rates at that time to either refund the bonds or sell the MBS and pay off the bonds.

- Include both Fannie Mae as well as Ginnie Mae MBS in the issue, with no percentage limit, which is important as the Fannie Mae share of production has increased partly due to higher FHA insurance premiums to borrowers.

- Use a taxable series to avoid exceeding full spread on the tax-exempt bonds, since it is difficult to create and simultaneously use zero participations on a pass-through issue where all the loans and MBS are being delivered on the same day. As previously indicated, the finance team will explore options that will allow Minnesota Housing to potentially issue all the bonds on a tax-exempt basis to take full advantage of investor demand for its tax-exempt bonds.

Rating. Bonds under the HFB indenture are rated Aaa by Moody's.

BOND SALE RESULTS. Key highlights are:

1. ***Investor Interest for Tax-Exempt Series.*** There was significant institutional interest, with over $60 million of orders for Series B, or three times the amount of bonds offered. Buyers of Series B were able to realize the benefit of the tax-exemption, thus helping them to receive a significant yield benefit compared to investing in TBA securities.

2. ***Investor Interest for Taxable Series.*** There was less demand for the taxable issue. This was originally priced at 3.20% but with only about $8 million of orders, the yield was raised to 3.25%.

3. ***Timing.*** The municipal market has outperformed Treasuries in 2014, with strong demand and very low supply providing the best start to the year for municipal bonds in 5 years. Although both the 10-year Treasury and the 10-year MMD had dropped 17 basis points in yield since the June sale, there had been very little drop in GNMA and Fannie Mae yields. These had only declined about 2 basis points – and these are the benchmark alternatives against which pass-through buyers look at Minnesota's issue.

4. ***Successful Sale.*** The sale proved favorable with the bond yield on Series B in the same relationship to GNMA yields as on Series A.

Comparable Transactions. Minnesota's HFB Series A in June was the only new money single-family pass-through transactions since Utah's in February (where in-state buyers were interested in CRA-type credit). Florida on April 23rd issued taxable refunding bonds at 3.0% with a 2036 final maturity (8 years shorter than Series A). Two days after the Series A sale, New Mexico sold a small $12.3 million taxable refunding with a 2035 final maturity at 2.75%.

All in all, this was a very good performance.

UNDERWRITING

Underwriters. RBC was the senior manager; regular co-managers were Piper Jaffray and Wells Fargo. Since monthly pass-through bonds are sold only to institutional investors, there was no selling group or rotating co-manager.

Underwriter Fees. Management fees were appropriate, consistent with industry standards, and in the same range as fees reported for other housing issues of similar size and structure.

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ISSUE DETAILS

Key Dates:	2014 B / C Bond Pricing for HFB Indenture	
	Institutional Order Period:	Tuesday, August 12, 2014
	Closing Date:	Tuesday, August 26, 2014

Economic Calendar. Economic signals have recently been positive or mixed as to the pace of economic growth, increasing speculation that the Fed after ending its purchase of securities will probably begin to raise rates next year. Consumer confidence rose above forecast levels at the end of July and initial unemployment claims have been slightly lower than forecast.

The bond market has been impacted most recently by investor demands for safety especially given the conflict in the Ukraine and renewed U.S. air involvement in Iraq. While increased confidence in the domestic economy has been pushing rates up, worries overseas have led to greater demand for bonds.

Treasuries. Long-term Treasury bond yields have remained significantly lower than the 3% yield on 10-year Treasuries at the beginning of the year, defying expectations that rates would rise as the Federal Reserve tapered bond purchases and the economy slowly improved. During the past two months, the 10-year Treasury yield has fluctuated, often with significant daily movements, between approximately a low of 2.45% and a high of 2.65%. When Series A was priced on June 10th the 10-year Treasury was 2.64% (after rising dramatically from 2.44% on May 28th). Since mid-July, yields have dropped to 2.47% on July 29th, rose extraordinarily by 10 basis points on July 30th and then with international news returned to 2.46% on the day of the pricing, close to 2014 lows. This is 18 basis points lower than when Series A was priced.

Municipals. After substantially outperforming Treasuries during the first part of the year, munis have slightly underperformed compared to the rally in Treasury in the last week of August. The 10-year AAA MMD on August 12th was 2.16% or 17 basis points lower than when Series A was priced.

What is striking is that even at such low absolute yields, the market has been especially strong with continued buyer appetite, a large amount of redemptions, and limited new supply for the demand. Overall factors include:

- Volume of new issuance continues at record low levels, with visible supply in July and August down to about $4 billion.
- Despite the absolute low level of rates, there has been ongoing and renewed retail and institutional interest.
- Credit spreads have continued to remain relatively wide, especially compared to the low absolute level of rates, with approximately 65 basis point differentials between the AAA G.O. MMD index and A-rated G.O.s, both at 10 years and at 30 years.

Issue	Date	10-Year Treasury	10-Year MMD	MMD/ Treasury Ratio	30-Year Treasury	30-Year MMD	MMD/ Treasury Ratio
2013 A*	1/9/13	1.88%	1.69%	89.9%	3.06%	2.80%	91.5%
2013 B*	4/8/13	1.76%	1.72%	97.7%	2.91%	2.94%	101.0%
*2013 RHFB A/B/C***	5/14/13	1.96%	1.81%	92.3%	3.17%	2.93%	92.4%
2013 C	6/17/13	2.19%	2.23%	101.8%	3.35%	3.50%	104.4%
*2014 RHFB A***	2/11/14	2.75%	2.52%	91.6%	3.69%	3.87%	104.9%
*2014 RHFB B***	4/16/14	2.65%	2.30%	86.8%	3.45%	3.51%	101.7%
2014 A*	6/10/14	2.64%	2.33%	88.3%	3.47%	3.36%	98.0%
2014 B / C*	8/7/14	2.46%	2.16%	87.0%	3.27%	3.21%	98.2%
Change from HFB 2014 A to 2014 B/C		**- 18 bp**	**- 17 bp**	**- 1.3%**	**- 20 bp**	**- 15 bp**	**+ 0.2%**

* Homeownership Finance Revenue Bonds (HFB)
** Residential Housing Finance Bonds (RHFB)

Municipal Calendar. The Minnesota competitive sale calendar was quite heavy for the week of the sale with $47 million in 6 issues bid on Monday and $903 million of State issues, almost all G.O.'s on Tuesday when the Agency priced its bonds. There are no other Minnesota negotiated sales on the BondBuyer calendar.

On August 7th, RBC had priced a MassHousing $50 million single-family issue and there a small $3.7 Maryland issue. No housing bonds are shown on the negotiated calendar for the week of the sale.

MBS Yields. MBS yields are very relevant because investors can choose between purchasing MBS themselves or purchasing HFAs' bonds backed by MBS. In effect, bond purchasers look as much to the spread between HFA bonds and MBS as they do to the spread between HFA bonds and Treasuries.

As can be seen, GNMAs are now trading at a much wider spread to both the 10-year Treasury and the 10-year MMD than they were during Minnesota Housing's June sale. Absolute yields are very slightly lower on Fannie's and very similar to what they were on GNMA's. The yields have been computed at the 150% prepayment speed that is assumed for break-even in the use of bonds.

Type	Delivery	Coupon	Measure	June 17, 2013	Feb. 11, 2014	April 16, 2014	June 10, 2014	August 12, 2014
GNMA	1 month	4.0	Price	106.31	105.98	105.80	106.23	106.38
			Yield*	3.17%	3.22%	3.24%	**3.18%**	**3.16%**
FNMA	1 month	4.5	Price	106.91	107.44	107.06	107.72	107.73
			Yield*	3.57%	3.50%	3.55%	**3.47%**	**3.46%**
10-year Treasury	n/a	n/a	Yield	2.19%	2.75%	2.65%	2.64%	2.46%
GNMA to 10-year Treasury	n/a	n/a	Yield*	144.75%	117.09%	122.26%	**120.45%**	**128.58%**
GNMA to 10-year MMD	n/a	n/a	Yield*	142.15%	127.78%	140.87%	**136.48%**	**146.44%**

*at 150% PSA

PASS-THROUGH BOND PRICING COMPARABLES, 2014 TO DATE

Pricing Date	8/12/14	6/12/14	6/11/14	6/10/14	4/23/14	2/4/14
Amount	$32,531,331	$12,646,801	$28,666,756	$38,526,925	$21,070,000	$20,000,000
Issuer	Minnesota HFA	New Mexico MFA	Indiana HCD	Minnesota HFA	Florida HFC	Utah HC
Series	2014 Series B,C	2014 Series B	2014 Series 1	2014 Series A	2014 Series A	2014 Series A
Program	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated
Rating(s)	Aaa / - / -	- / AA+ / -	- / - / AAA	Aaa / - / -	Aaa / - / -	Aa3 / - / -
Tax Status	B: TE Non-AMT; C: Taxable	Taxable	Taxable	Tax Exempt, Non-AMT	Taxable	Taxable
Use of Funds	New Money	Refunding	Refunding	New Money	Refunding	New Money
Maturity	2044	2035	2038	2044	2036	2044
Price	100.000	100.000	104.250	100.000	100.000	100.000
Coupon/Yield	B: 2.950; C: 3.250	2.750	3.090	3.000	3.000	2.900

Indicator	Indicative Yield 8/12/14	Spread	Weighted Average Life (yrs)	Indicative Yield 6/12/14	Spread	Weighted Average Life (yrs)	Indicative Yield 6/11/14	Spread	Weighted Average Life (yrs)	Indicative Yield 6/10/14	Spread	Weighted Average Life (yrs)	Indicative Yield 4/23/14	Spread	Weighted Average Life (yrs)	Indicative Yield 2/4/14	Spread	Weighted Average Life (yrs)
10-Year US Treasury	2.460	+49/+79		2.580	+17		2.650	+44		2.640	+36		2.700	+30		2.640	+26	
GNMA I @ 100% PSA	2.945	+0/+30		2.998	-25		3.039	+5		3.043	-4		3.162	-16		3.118	-22	
GNMA I @ Dlr Forecast	2.918	+3/+33		2.991	-24		3.047	+4		3.052	-5		3.212	-21		3.153	-25	
10-Year MMD	2.160	+79/+109		2.330	+42		2.330	+76		2.330	+67		2.280	+72		2.520	+38	
100% PSA			-			7.9			-			10.8			6.2			10.1
150% PSA			-			6.6			-			8.8			5.4			8.4
200% PSA			-			5.6			-			7.3			4.7			7.2
300% PSA			-			4.2			-			5.5			3.6			5.7
Notes							4.05% coupon at 104.25 price to yield 3.09% assuming historic prepayment speed											
Sr Manager	RBC Capital Markets			RBC Capital Markets			JP Morgan			RBC Capital Markets			RBC Capital Markets			Zions Bank		

AGENDA ITEM: 9.B
MINNESOTA HOUSING BOARD MEETING
September 25, 2014

ITEM: Conflict of Interest Disclosure Reporting

CONTACT: Will Thompson, 651-296-9813, will.thompson@state.mn.us | Paula Beck, 651-296-9806, paula.beck@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 Agency has implemented a process for employees to report actual or perceived conflicts of interest. This agenda item is intended to highlight the process for annual conflict of interest disclosure reporting and inform the Board of outcomes.

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):
- Background
- Results of 2014 conflict of interest disclosure reporting
- Conflict of Interest Annual Disclosure Form

BACKGROUND:
It is the policy of the Agency to be aware of actual, potential and perceived conflicts of interest involving employees of the Agency. Agency staff and the Chief Risk Officer have standardized a procedure for annual conflict of interest disclosure reporting, which has been incorporated into the Agency's Code of Ethics.

Each July, Agency employees are required to complete a Conflict of Interest Annual Disclosure Form (copy attached). Forms where questions are checked "Yes" are reviewed to determine if remedial actions are required. If remedial actions are required, the employee and his or her manager receive a memo from Human Resources which, depending on the scenario, communicates specific remedial actions as listed below:

Conflict of Interest Remedial Actions

Scenario	Remedial actions as a member of a board / or other entity:	Remedial actions as a Minnesota Housing Employee:
Agency employee is a member of a board and/or employee of an entity that conducts business dealings with the Agency:	1. Refrain from discussing non-public Agency business	1. Excuse oneself as a decision maker from business dealings of the identified board or other entity related to application, funding or monitoring of Agency programs
	2. Excuse oneself from voting on business dealings related to the application, funding or the monitoring of Agency programs	2. Have your manager identify an Agency employee to delegate business dealings related to application, funding and monitoring of Agency programs
	3. Refrain from dealing with properties that are financed, or which may reasonably be expected to be financed, by Minnesota Housing within the coming year.	3. Excuse oneself as a presenter to the Agency Board when an agenda item is solely related to the identified board or other entity
Agency employee has a family member who is a member of a board or other entity that conducts business dealing with the Agency:	Not Applicable	1. Refrain from discussing non-public Agency business

RESULTS OF 2014 CONFLICT OF INTEREST DISCLOSURE REPORTING:

- 225 Agency employees and contractors completed Conflict of Interest Annual Disclosure Form

- 15 employees were directed to comply with specific remedial actions for the 2014 Annual Disclosure. Agency staff who were directed to comply with specific remedial actions reported housing related employment, housing related employment of an immediate family member, and/or membership on the boards of the following 17 entities:
  - BuildWealth
  - City of Lakes Land Trust
  - Community Neighborhood Housing Service
  - Counselor Realty
  - Dayton's Bluff NHS
  - Dougherty Mortgage LLC
  - Framework Homeownership LLC
  - Franklin American Mortgage Company
  - HOME Line
  - Local Initiative Support Corp (LISC)
  - Minnesota Homeownership Center
  - Neighborhood Development Alliance (NeDA)
  - Neighborhood Housing Services (NHS) of Minneapolis
  - Seward Redesign Board
  - Sand Companies, Inc.
  - Twin Cities Community Land Bank
  - Two Rivers Community Land Trust

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800.657.3769 | fax: 651.296.8139 | tty: 651.297.2361 | www.mnhousing.gov
Equal Opportunity Housing and Equal Opportunity Employment

ANNUAL CONFLICT OF INTEREST DISCLOSURE FORM
MINNESOTA HOUSING FINANCE AGENCY EMPLOYEES

In order to ensure that employees are in compliance with Minnesota Housing's Code of Ethics, set forth in the Minnesota Housing Policy and Procedure Manual, Minnesota Housing requires all employees to complete the following questionnaire each year. The information you provide may be classified as private data under the Minnesota Government Data Practices Act and may be released to: (i) persons authorized to have access to the information under state or federal law; (ii) persons authorized by court order to have access to the information; (iii) persons to whom you give written consent to have access to the information; or (iv) all individuals in Minnesota Housing who have a need and right to know the information. Failure to provide the requested information may result in disciplinary action.

It is the policy of Minnesota Housing Finance Agency (Agency) to be aware of actual, potential or perceived conflicts of interest involving employees of the Agency. This form is designed to identify and disclose such conflicts.

______________________________	______________________________
Name	Division
______________________________	______________________________
Date	Position at Minnesota Housing

1. Are you or a member of your immediate family an officer, director, trustee, board member, partner (general or limited) employee or consultant of any company, firm, board, or organization that presently has business dealings with the Agency or which might reasonably be expected to have business dealings with the Agency in the coming year? ________Yes _________No

If yes, please list the name of the company, firm, board, or organization, the position held, and the nature of the business which is currently being conducted with the Agency of which may reasonably be expected to be conducted with the Agency in the coming year.

2. Do you or does any member of your immediate family have a financial interest, direct or indirect, in a company, firm, board, or organization which currently has business dealings with the Agency or which may reasonably be expected to have such business dealings with the Agency in the coming year? _______Yes ________No

If yes, please list the name of the company, firm, board, or organization, the nature of the interest and the name of the person holding the interest, and the nature of the business which is currently being conducted with the Agency or which may reasonably be expected to be conducted with the Agency in the coming year.

3. Do you or does any member of your immediate family have a financial or personal interest in property in which the Agency has a financial or other vested interest? _______Yes ______No

If yes, please provide details below:

4. Do you have outside employment? _______Yes ______No

If yes, please provide details below:

I have read the Minnesota Housing Employee Code of Ethics policy and understand that as an employee of Minnesota Housing it is my obligation to act in a manner that promotes the best interests of Minnesota Housing and to avoid conflicts of interest, and appearances of impropriety when making decisions and taking actions on behalf of Minnesota Housing.

My answers to the questions in this disclosure form are correctly stated to the best of my knowledge and belief. If a future possible conflict of interest arises with respect to my responsibilities to Minnesota Housing, I recognize that I have the obligation to submit a Request for External Employment or Board Membership Approval form to Human Resources, and to abstain from any participation in the matter until the Agency can determine whether a conflict exists and how that conflict shall be resolved.

_________________________________ **________________**
Signature **Date**

AGENDA ITEM: 9.C
MINNESOTA HOUSING BOARD MEETING
September 25, 2014

ITEM: Report of Action under Delegated Authority
- Non-material Changes to the Affordable Housing Plan

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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:
On October 24, 2013, the board approved several delegations of authority to the Commissioner, including delegation number 012, granting permission to increase the funding for programs funded with Mortgage Revenue Bonds or Pool 2 by no more than 10% of the budgeted amount, if there are sufficient resources to do so.

The Home Improvement Loan program was originally funded with $13.5 million in Pool 2 resources. The Board approved a $3 million increase to the program at its July 24, 2014 meeting.

Demand for the program remains strong and on Monday, September 15, the Commissioner, along with the Senior Leadership Team, approved a 10% increase ($1.6 million) of Pool 2 resources to the Fix Up Loan Program. The revised program budget with adjustments is $18.1 million. The increase was granted to meet the anticipated production needs through the end of the program year. Report of this action is being made to meet the reporting requirements under Board Delegation 13-012.

FISCAL IMPACT:
There are sufficient resources available in Pool 2 to fund this request and meet borrower demand for the program.

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):
- None