



MEETINGS SCHEDULED FOR MARCH

Location:

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

THURSDAY, MARCH 26, 2015

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, March 26, 2015.

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 Board Meeting

Thursday, March 26, 2015

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 February 19, 2015
- 5. Reports**
 - A. Chair
 - B. Commissioner
 - C. CommitteeNone.
- 6. Consent Agenda**
 - A. Adoption of HUD 2015 Annual Action Plan for HOME and HOPWA
 - B. Commitment Modification, Low and Moderate Income Rental (LMIR) Program
 - Medina Woods Townhomes, Medina, D7653
- 7. Action Items**
 - A. Community Homeownership Impact Fund Program Scoring Revisions for the 2015 Single Family Request For Proposal (RFP)
- 8. Discussion Items**
 - A. Update: Preparing the 2016-19 Strategic Plan
- 9. Informational Items**

None.
- 10. Other Business**

None.
- 11. Adjournment**

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MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING**Thursday, February 19, 2015**

2:00 p.m.

State Street Conference Room – 1st Floor

400 Sibley Street, St. Paul, MN 55101

1. Call to Order.

Chair DeCramer called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 2:01 p.m.

2. Roll Call.

Members present: Gloria Bostrom, John DeCramer, George Garnett, Joe Johnson, Ken Johnson, Stephanie Klinzing, and Rebecca Otto.

Minnesota Housing staff present: Tal Anderson, Erika Arms, Paula Beck, Dan Boomhower, Jessica Deegan, Gloria Goodwyn, Susan Haugen, Anne Heitlinger, Bill Kapphahn, Kasey Kier, Diana Lund, Shannon Myers, John Patterson, Devon Pohlman, Caryn Polito, Paula Rindels, Joel Salzer, Becky Schack, Kayla Schuchman, Kim Stuart, Will Thompson, Rob Tietz, Mary Tingerthal, LeAnne Tomera, Dan Walsh, Heidi Welch, Xia Yang.

Others present: Chip Halbach, Minnesota Housing Partnership; Shannon Guernsey, MN NAHRO; Jeff Huggett, Dominion; Tom O’Hern, Assistant Attorney General; Celeste Grant, Office of the State Auditor.

3. Agenda Review

Chair DeCramer announced the report for agenda item 7.A. – Publicly Owned Housing Selections had been revised to correct certain numbers in the narrative. The information in the resolution was unchanged.

4. Approval of the Minutes.**A. Regular Meeting of Thursday, January 22, 2015**

Auditor Otto moved approval of the minutes as written. Mr. Joe Johnson seconded the motion. Motion carries 7-0.

5. Reports**A. Chair**

None.

B. Commissioner

Commissioner Tingerthal reported her excitement about the action to be taken on the Public Housing program, sharing that the Agency would do a press release about the availability of GO bonds for public housing and hoped that the information would be reported in Greater Minnesota. Commissioner Tingerthal also stated that Ms. Shannon Guernsey, Executive Director of Minnesota NAHRO, was in the audience and would be happy to take the news of the board’s decision back to her constituency.

The Commissioner reported that the Agency had hosted the Governor’s cabinet meeting earlier in the day and Lieutenant Governor Smith walked around the building and met staff. Commissioner Tingerthal also provided an update on legislative hearings, stating that all committees are having hearings on the budget bill that the governor introduced and both of the Agency’s hearings went extremely well. Commissioner Tingerthal stated that she expects there may be a supplemental budget bill if the revenue forecast is strong.

Commissioner Tingertal stated that she would be in Washington, D.C. the first week of March to meet with members of the congressional delegation as part of the National Council of State Housing Agencies' Legislative Conference.

Commissioner Tingertal also reported the Interagency Council on Homelessness made a report to the community about activities from the past year. Approximately 170 people attended the event either in-person or online and six of the 11 Council Commissioners attended as well. Prominent in the report was the \$100 million in bonding for housing. Commissioner Tingertal offered to have State Director to Prevent and End Homelessness Cathy ten Broeke present a short version of that report to the board if they were interested.

C. Committee

There were no committee reports.

6. Consent Agenda

A. Commitment, Economic Development Housing Challenge (EDHC) Program - Lonoke, Minneapolis, D0837

MOTION: Mr. George Garnett moved approval of the consent agenda and the adoption of Resolution No. MHFA 15-004. Ms. Klinzing seconded the motion. Motion carries 7-0.

7. Action Items

A. Selections, Publicly Owned Housing Program (POHP) Public Housing Rehabilitation (General Obligation Bond Proceeds)

Ms. Susan Haugen, program manager for POHP, described the program, which is funded through a 2014 legislative appropriation. Ms. Haugen stated that a selection panel reviewed all applications and gave priority to funding those with a focus on health and safety issues, energy conservation improvements and those that leverage other resources. Ms. Haugen stated that a modest set-aside would be maintained as a contingency reserve. In response to a question from Mr. Ken Johnson, guest Shannon Guernsey (MN NAHRO) stated that there are 121 public housing entities that are owned or operated by HRAs throughout the state. In response to a question from Mr. DeCramer, Ms. Haugen stated that it was unknown how long it would take for HUD to make a determination on the Redwood Falls request for assistance. **MOTION:** Ms. Bostrom moved approval of the POHP selections and the adoption of Resolution No. MHFA 15-005. Mr. Ken Johnson seconded the motion. Motion carries 7-0.

B. Proposed Revisions to the Qualified Allocation Plan (QAP) and Procedural Manual, 2017 Housing Tax Credit (HTC) Program

Ms. Kayla Schuchman requested preliminary approval of the proposed revisions to the 2017 Housing Tax Credit Program and Qualified Allocation Plan. Ms. Schuchman stated that there was revision to the board report regarding the amount of time in which WalkScore will respond to disputed scores. The contract with WalkScore has now been finalized and they will respond within 45 days. Ms. Schuchman stated that Minnesota Housing will have \$12.5 million credits available statewide and the Agency administers 75% of credits in the state, inclusive of those that are apportioned back to the Agency through joint powers agreements with suballocators. Ms. Schuchman stated that each year staff assesses needed modifications to ensure the QAP aligns with the Agency's strategic plan, policy needs and federal changes. Ms. Schuchman added that there is a yearlong process for updating, which includes listening to suggestions from staff, developers and stakeholders and reviewing how the criteria is working for applications received and reviewed. The Planning, Research and Evaluation Division performed a scoring assessment to determine the impact of each criterion and multiple planning meetings were held with the Multifamily tax credit team, Agency management, and the Research and Policy divisions. Potential applications have 15 months to prepare materials. This extended time is intended to allow for a better alignment of proposals with

Agency priorities. Staff are also reviewing opportunities to streamline the application process by eliminating redundancies and requests for unnecessary information. Staff will continue to look for process improvements in future years. Ms. Schuchman highlighted major changes in the following areas: strategic priority policy thresholds; alignment of QAP policy with the Olmstead and Heading Home Minnesota plans; a shift from a focus on foreclosure remediation to community recovery; workforce housing; and preservation. Ms. Schuchman then described the process, which includes a request for public comment and a public hearing. Comments received are reviewed and responded to by staff and shared with the board at the time final approval is sought. After approval by the board, final approval of the QAP from the Governor is sought.

Auditor Otto stated that the adjustment to the preservation scoring criteria appears to have been made to help new construction and questioned if that fit with the Agency's strategic priorities. Ms. Schuchman stated that there are mitigating factors for the impact of the scoring change, including the fact that a lot of points are available for preservation, which means the top scoring projects in all funding pools for tax credits are preservation and it was determined that a five point reduction will still result in a substantial number of preservation units. Ms. Schuchman stated that, beginning with the 2016 QAP, there is a requirement that preservation applications also submit projects for 4% tax credits so that staff can structure with that less scarce resource when feasible, noting that it is much more difficult to structure new construction with 4% credits than it is preservation. Commissioner Tingerthal stated that she agreed with Ms. Schuchman's points and added that staff looked very hard at the issue and investigated different options and came to the conclusion that the point reduction and the dual application path was the best way to fund preservation projects, which are easily structured with tax exempt bonds and 4% credits, and can also be funded with PARIF and Housing Infrastructure Bonds. Commissioner Tingerthal stated that preservation remains a top priority for the Agency. Staff feel the change will even the playing field while still providing for preservation because of the availability of other effective, but less scarce, resources. In response to a question from Ms. Bostrom, Ms. Schuchman stated that most rehab projects are typically occupied but there occasionally are adaptive reuse rehab projects, but those types of projects would not receive preservation points.

In response to a question from Ms. Bostrom, Ms. Schuchman stated that there are a number of criteria in the plan that are specified in law and for which we are required to give preference, providing qualified census tracts as an example. Ms. Schuchman did state that the Agency has substantial flexibility to add things above and beyond what the IRS requires. Ms. Schuchman added that a number of criteria are also required by state statute and code, but most criteria are identified by the Agency.

Ms. Bostrom expressed concern that the program may be trying to do too much with so many criteria, priorities and policies integrated and inquired about the costs of preparing a proposal. Ms. Schuchman responded that the Agency wants to be clear about its top priorities – the seven core things expected of applications – but staff are really looking at processes and how to reduce paperwork and the time needed to apply. Ms. Schuchman added that it is anticipated that it will take staff and developers about a month to complete an application. Mr. John Patterson added that the Agency did conduct a study of 2002-2013 applications and found that costs did not change much, despite adding requirements. Mr. Patterson stated that there are many applications and much interest so it is important that the Agency be very clear about what types of projects it is interested in funding. Ms. Bostrom stated she felt it was important to focus on cost containment to ensure the resources can be stretched to build or preserve as many units as possible and inquired if

there was any way the Agency can help reduce application costs for developers. Commissioner Tingerthal responded that, by moving the plan out from three months to 15 months, the Agency is allowing much more time for developers to complete an application and use tools like the Community Profiles to seek out land or properties that will receive a high score. The desire is to increase transparency and the ability of developers to accurately self-score applications so time and resources are not spent on projects that will not be competitive. Commissioner Tingerthal stated that the developer community is responding by paying attention to the criteria. Commissioner Tingerthal added that the Agency provides software to determine if a particular property meets the geographic priority, making that piece much easier than it was four years ago.

Mr. DeCramer inquired if, in areas in which minimum units or particular types of units are stipulated, the Agency was putting an emphasis on larger developments and restricting smaller developments. Commissioner Tingerthal responded that the size of the project is more driven by the location or the community in which it is located, and that it is more likely that a project will go for the long-term-homeless units than the percentage.

Ms. Klinzing stated that she was very happy to see that she could easily pick out the priorities and that the lead time provided will help the work to be done. Ms. Klinzing also commented that the application process sets up projects to seek outside funding support as well, which is needed.

Commissioner Tingerthal noted that there was an additional change on page 19. The October dates for the Round 2 selections are actually the dates of the Round 1 selections.

MOTION: Mr. Ken Johnson moved approval of presenting the proposed changes for public comment. Ms. Klinzing seconded the motion. Motion carries 7-0.

C. Commitment, Low and Moderate Income Rental (LMIR) Program - Medina Woods Townhomes, Medina, D7653

Ms. Caryn Polito presented this request for commitment and described the property as a 26-unit new construction townhome project in Medina. Ms. Polito stated that the project was selected in the 2013 Consolidated RFP to receive LMIR funds and housing tax credits. Ms. Polito stated that there have been significant increases in costs per unit since selection, due to the project size decreasing from 32 to 26 units and the city no longer providing waivers for water and sewer access fees/charges or Community Development Block Grant funding. Ms. Polito also stated that a redesign needed because of a failed request for rezoning had significantly increased the costs, with soft costs and construction costs having increased 52% and 56% respectively. **MOTION:** Mr. Garnett moved approval of the commitment and the adoption of Resolution No. MHFA 15-006. Auditor Otto seconded the motion. Motion carries 7-0.

A discussion about cost containment followed the vote, with Ms. Bostrom stating that she has concerns about the costs per unit of this development being so much higher than the predictive model. Ms. Bostrom stated that it is important the Agency ensure it is providing the maximum number of units possible from its resources. Ms. Bostrom also complemented the developer on deferring more of their fee, and the significant increase in tax credit equity, stating that these actions show a commitment from both partners. Auditor Otto stated that she was pleased to see that the development included three- and four-bedroom units, because there are many low-income large families and not enough units large enough to keep families together. Mr. Ken Johnson stated he shared both Auditor Otto and Ms. Bostrom's thoughts and concerns about both the need for the large units and the cost of the project. Mr. Garnett stated that it was likely the issue of higher costs will continue and the Agency must think about evaluating developments differently. Mr. Garnett

suggested that it may be useful to look at per-foot costs rather than per-unit costs, particular if housing is being tailored to meet changing community needs. Mr. Garnett also stated that the Agency needs to examine the role played by cities in development costs through fees assessed and suggested that the Agency require developers to have agreements with or approvals from cities in place before the Agency moves applications forward.

The board then had a discussion about the challenges of building affordable housing in higher income areas. Guest Jeff Huggett of Dominion, the project developer, shared with the board the process of getting approval for the Medina Woods development and ways of addressing “NIMBYism,” including educating the community about pre-existing affordable housing in the community and the benefits of affordable housing. Mr. Huggett stated that he has been in the business for 20 years and has seen less NIMBYism and that he attributes some of that reduction to the high quality construction and finishes that are now used. The board then discussed financial contributions needed by communities for these developments to be financial feasible, for example, contributions from HRAs and fee waivers. Ms. Klinzing stated that, as a former mayor, she understood why cities are hesitant to waive fees.

D. Targeted Mortgage Opportunity Program Procedural Manual

Ms. Heidi Welch requested approval of the Targeted Mortgage Opportunity Program Procedural Manual, stating that the program concept had been approved by the board in April, with originators having been approved in July. Ms. Welch described the program as designed to reach borrowers deemed ready for sustainable homeownership but who are experiencing difficulty securing financing through the traditional market. Ms. Welch stated that program participants receive intensive counseling and loans are underwritten using conventional or FHA guidelines, with an emphasis on compensating factors. Ms. Welch stated that, although the sample is small, staff have conducted a preliminary analysis of program data and, although sample size is very small have done preliminary analysis of the data and found that 79% of loans in the program have been made to households of color; the average borrower age of 42 compared with 34 in other programs; and the household size is larger - 3.1 persons compared to 2.1 in other programs. **MOTION:** Ms. Bostrom moved approval of the manual. Mr. Joe Johnson seconded the motion. Motion carries 6-0, with Mr. Garnett absent for voting.

8. Discussion Items

A. 2015 Affordable Housing Plan and 2013-15 Strategic Plan: First Quarter Progress Report

Mr. John Patterson presented the progress report, stating that production continues to be extremely high, but is supported with a lot of downpayment assistance and there is a possibility that funding may run out. Multifamily new production is also up, and funding per unit is down primarily due to an increase in the use of 4% tax credits. Mr. Patterson also stated that the 33% of borrowers are from households of color, which surpasses the goal. Discussion item. No action.

B. Financial Results for the Six Months Ending December 31, 2014 (Kapphahn)

Mr. Bill Kapphahn presented the financial results, noting that the operating results revenue over expense was \$8 million, compared to \$14 million in the previous year. Mr. Kapphahn stated that the major reason for the change is financing expense, including hedging fees, which previously had been reported as an interest expense but accounting guidelines now require that the expense be reporting differently. Mr. Kapphahn then reviewed the balance sheet with the board, stating that total assets increased by the number of net bond issuances and noted that MBS's secured by bonds had passed the billion dollar mark for the first time.

Mr. Rob Tietz shared information with the board about the hedging component, which he described as locking a profit today for delivery in the future. Mr. Tietz stated that the Agency has included

hedging costs in five bond transactions. The benefit of including that cost is that the Agency earns the hedge cost back over time as the bonds pay out. Mr. Tietz stated that he believed Minnesota Housing was the only HFA in the country to be including hedging costs in their bonds, adding that most HFAs have chosen to deliver production to the TBA market and are more dependent upon current income at the expense of future income streams.

Commissioner Tingerthal added that the Agency is in a period of intentionally building up its balance sheet and, because of the accounting changes, this means that upfront hits to finances will be seen. Because of this the Agency will not have a comparable net income to the previous year, but, as an entity, the Agency will earn dollars on those assets on a regular basis for many years to come. Commissioner Tingerthal stated that this strategy impacts current income but provides a sustainable financial future when the current premiums are no longer available. Mr. Tietz added that the Agency has flexibility in determining how to handle delivery and changes its method for whichever makes the most financial sense for the Agency at the time.

Ms. Bostrom questioned why other HFAs are not following this model. Mr. Tietz stated that there is a commitment to having staff to manage the process and to take the associated risks.

Auditor Otto and Mr. Ken Johnson both shared positive statements about the financial health and management of the Agency. Discussion item. No action needed.

9. Informational Items

A. Report of Action Under Delegated Authority -Multifamily Funding Modifications Annual Report

B. Post-Sale Report, Homeownership Finance Bonds, 2015 Series A
Informational items. No presentation or discussion.

10. Other Business

None.

11. Adjournment.

The meeting was adjourned at 3:33 p.m.



AGENDA ITEM: 6.A
MINNESOTA HOUSING BOARD MEETING
March 26, 2015

ITEM: Adoption of HUD 2015 Annual Action Plan for HOME and HOPWA

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

Ryan Baumtrog, 651-296-9820
 ryan.baumtrog@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 the board adopt portions of the Annual Action Plan for the period October 1, 2014 to September 30, 2015, that is required by HUD for Minnesota Housing to receive FY2015 HOME and HOPWA funds. The board is requested to approve the activities and the dollar amounts shown in the Annual Plan.

FISCAL IMPACT:

The 2015 allocation for HOME is \$5,646,729, or almost \$728,000 less than the 2014 allocation of \$6,374,701. The HOPWA allocation is increased from \$149,579 to \$147,997.

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
- Pertinent pages from the Annual Action Plan

BACKGROUND:

Minnesota Housing, DEED, and DHS are required by HUD to develop an Annual Action Plan (the Plan) in order to receive Community Planning and Development program funds from HUD. DEED is the lead agency for development of the Plan. The HOME Investment Partnerships program (HOME) and the Housing Opportunities for Persons with AIDS (HOPWA) are administered by Minnesota Housing and it is these portions of the Action Plan that the Board is being asked to approve.

The major purpose of the Plan is to describe how Community Planning and Development funds will be deployed by the three state agencies to address the goals of providing decent housing; providing a suitable living environment; and expanding economic opportunities and to meet the objectives of the five year consolidated plan that the Board approved January 2012.

The uses of HOME and HOPWA funds described in the Plan are consistent with those in the Affordable Housing Plan (AHP) for 2015 that the Board adopted last September: HOME will be used for the preservation of affordable rental housing but can also be used for new construction projects if needed; and HOPWA to provide emergency assistance to enable homeowners and renters with HIV/AIDS to avoid homelessness.

The amount of funds in the Plan is different from the AHP amounts for the following reasons:

- The allocation amounts for HOME and HOPWA were only recently announced and are different from the AHP amounts that were estimates based on past allocations,
- Amounts that were allocated by the Board to HOME Affordable Rental Program projects at the time the AHP was adopted are considered by the agency to be committed and, therefore, not included as available funds in the AHP. However, HUD does not consider HOME funds to be committed until they are under a written agreement with the developer, which increases the amount of funds that appear as available in the Plan on October 1, 2014. The result is that the AHP provided a total of \$7,774,846 consisting of estimated new appropriations of \$6,374,701; carryforward from previous years' allocations of \$1,150,145; and program income of \$250,000. By contrast, the Plan provides \$13,660,261 consisting of actual new appropriations of \$5,646,729; program income of \$250,000; and carryforward from previous years' allocations of \$7,763,532, which were largely allocated to projects at the beginning of the AHP on October 1, 2014, but not then under written commitment.

MINNESOTA ANNUAL ACTION PLAN FOR HOUSING AND COMMUNITY DEVELOPMENT 2015



FINAL 2015

Executive Summary

AP-05 Executive Summary - 24 CFR 91.200(c), 91.220(b)

1. Introduction

In 1994, the U.S. Department of Housing and Urban Development (HUD) issued new rules consolidating the planning, application, reporting, and citizen participation processes for four formula grant programs: Community Development Block Grants (CDBG), Home Investment Partnerships (HOME), Emergency Shelter Grants (ESG),^[1] and Housing Opportunities for Persons with AIDS (HOPWA). The new single-planning process, termed the Consolidated Plan for Housing and Community Development, is intended to more comprehensively fulfill three basic goals: to provide decent housing, to provide a suitable living environment, and to expand economic opportunities.

According to HUD, the Consolidated Plan is designed to be a collaborative process whereby a community establishes a unified vision for housing and community development actions. The Plan offers entitlement jurisdictions the opportunity to shape housing and community development programs into effective, coordinated neighborhood and community development strategies. It also allows for strategic planning and citizen participation to occur in a comprehensive context, thereby reducing duplication of effort.

As the lead agency for the Consolidated Plan, the Minnesota Department of Employment and Economic Development (DEED), along with the sister administering agencies of the Housing Finance Agency (Minnesota Housing) and Department of Human Services (DHS), hereby follows HUD's guidelines for citizen and community involvement. These agencies are responsible for overseeing citizen participation requirements that accompany the Consolidated Plan and the CDBG, HOME, ESG, and HOPWA programs.

Purpose of the Annual Action Plan

The 2015 Minnesota Annual Action Plan for Housing and Community Development is the one-year planning document that identifies the needs and respective resource investments regarding the state's housing, homeless and non-homeless special needs populations, community development, and economic development needs.

[1]Recently renamed the Emergency Solutions Grant.

2. Summarize the objectives and outcomes identified in the Plan

This could be a restatement of items or a table listed elsewhere in the plan or a reference to another location. It may also contain any essential items from the housing and homeless needs assessment, the housing market analysis or the strategic plan.

The goals of DEED, Minnesota Housing, and DHS are to provide decent housing, a suitable living environment, and expanded economic opportunities for the state's low and moderate income residents. These agencies strive to accomplish these goals by maximizing and effectively utilizing all available funding resources to conduct housing and community development activities that will serve the economically disadvantaged residents of the state. By addressing needs and creating opportunities at the individual and neighborhood levels, Minnesota hopes to improve the quality of life for all residents. These goals are further explained as follows:

Board Agenda Item 6.A.
Attachment: Annual Action Plan

Providing decent housing entails helping homeless persons obtain appropriate housing and assisting those at risk of homelessness, preserving the affordable housing stock, increasing the availability of permanent housing that is affordable to low- and moderate-income persons without discrimination, and increasing the supply of supportive housing.

Providing a suitable living environment requires improving the safety and livability of neighborhoods and increasing access to quality facilities and services.

Expanding economic opportunities involves creating jobs that are accessible to low- and moderate-income persons, making mortgage financing available for low- and moderate-income persons at reasonable rates, providing access to credit for development activities that promote long-term economic and social viability of the community, and empowering low-income persons to achieve self-sufficiency to reduce generational poverty in federally-assisted and public housing.

3. Evaluation of past performance

This is an evaluation of past performance that helped lead the grantee to choose its goals or projects.

The State's evaluation of its past performance has been completed in a thorough Consolidated Annual Performance and Evaluation Report (CAPER). This document states the objectives and outcomes identified in the 2012 to 2016 Consolidated Plan and includes an evaluation of past performance through measurable goals and objectives compared to actual performance. This document can be found on DEED's website <http://mn.gov/deed/government/financial-assistance/community-funding/>, available 12/31/2014. Minnesota Housing's 2014 goal for rental rehabilitation was 519 units for a total HOME cost of \$7,788,099. Minnesota Housing actually awarded through written agreements \$8,561,000 for 183 HOME units in 5 developments. The number of units was less and the costs were greater than anticipated. The homeownership assistance goal was 321 units for a cost of \$3,400,000. On September 30, 2014, 238 units were funded for \$1,800,000. Administrative requirements of HOME dissuaded lenders and homebuyers from choosing HOME in favor of alternative forms of assistance and the program was known to be winding down. As of September 30, 2014, HOPWA had provided assistance to 152 households totaling \$147,579. HOPWA fell minimally short of its household assisted goal of 170, but met its expenditure goal.

For the Emergency Solutions Grant Program (ESG), in the 2012-2016 Consolidated Plan DHS projected serving 12,158 persons with emergency shelter each year. According to the recently submitted 2013 CAPER, DHS met and exceeded this goal and provided shelter to 14,665 persons. For 2013 DHS also projected re-housing 460 individuals and having 350 individuals remain stably housed as a result of ESG prevention and re-housing assistance. According to the recently submitted 2013 CAPER, DHS met and exceeded the first part of the goal, re-housed 478 individuals. However, it was not possible to determine if DHS met the goal of 350 persons remaining stably housed at exit due to the fact that many of these individuals remained in the ESG Re-housing program at the end of the program year. Of the 326 households who did exit during the year, 229 remained stably housed.

For DEED, as of September 30, 2014 Owner Occupied rehab goal for 2014 was 300 with actual accomplishments totaling 399 for an amount \$7,183,855. For rental rehab the goal set was 50 with actual accomplishments at 79 totaling 742,605. Commercial rehab's goal was 50 and accomplishments at 97 for 1,990,183. For public facilities the goal was 500 with accomplishments of 1,103 costing 3,508,308. New construction's goal was 0. Due to the lateness in HUD allocations projects are not progressing as quickly. Additional activities such as clearance and acquisition had high units accomplished but low goals set as this are directly related to tornado and flooding projects which are impossible to predict. DEED projected 75 LMI jobs, however, due to lower than usual demand for funds

accomplished only 25 full time equivalent LMI jobs. Funding in the amount of \$400,000 was awarded and the remaining balance was returned to the Small Cities Development Program.

See a number 7 summary below for DHS detail.

4. Summary of Citizen Participation Process and consultation process

Summary from citizen participation section of plan.

The Consolidated Planning process has been designed to enumerate Minnesota's overall strategy for coordinating federal and other housing and community development resources to provide decent housing, establish and maintain a suitable living environment, and expand economic opportunities, particularly for low- and moderate-income persons. Interested groups and individuals have also been encouraged to provide input into all aspects of Minnesota's Consolidated Planning activities, from assessing needs to setting priorities through performance evaluation. The public involvement process was initiated with the Citizen Participation Plan (CPP). The objectives of the CPP are to ensure that the citizens of Minnesota, particularly persons of low- and moderate-income, persons living in slum and blight areas, units of local government, housing agencies, and other interested parties, are provided with the opportunity to participate in the planning process and preparation of the Consolidated Plan, including amendments to the Consolidated Plan and the Annual Performance Report. The CPP is attached in admin tab.

The State has aimed to broaden public participation through numerous opportunities for citizens to contribute information, ideas, and opinions about ways to improve Minnesota's neighborhoods, promote housing affordability and enhance the delivery of public services to local residents. These include a broad-based, statewide survey of interested citizens and stakeholders pertaining to Minnesota's housing and community development needs; meetings with agency representatives and stakeholders during focus group sessions to address rental, homeowner, and homeless needs; and regional forums held across the state to gather input from Minnesota citizens and interested parties. Other steps the State took to encourage widespread participation in the planning process included publishing notices in local newspapers, with a combined circulation of over two million readers, and direct solicitation of stakeholders and their interest groups.

The State of Minnesota continues to be committed to keeping all interested groups and individuals informed of each phase of the Consolidated Planning process and of activities being proposed or undertaken under HUD formula grant programs. DEED, Minnesota Housing, and DHS published the draft Consolidated Plan for public review in a manner that afforded citizens, public agencies, and other interested parties a reasonable opportunity to examine its contents and submit comments. The draft Plan included the amount of assistance the state agencies expect to receive and the range of activities that may be undertaken, including the estimated amount that will benefit persons of low- and moderate-income.

The availability of a completed draft Plan, how to access a copy of it, and information on public hearings was published in the statewide edition of the Minneapolis Star Tribune on Sunday, Sunday July 6, 2014, and emailed by Minnesota Housing to 4,400 individual and organization stakeholders. The notices described the purpose of the Plan and directed readers to where the Plan and directions on how to submit comment on needs, the draft action plan, and the CAPER was available. Documentation of this information is included in unique appendices. Furthermore, citizens and groups may obtain a reasonable number of free copies of the proposed Action Plan by contacting DEED at 651-259-7462 or toll free at 800-657-3858 or the document may be downloaded from the DEED or Minnesota Housing websites.

DEED presented ideas to its participants during input meetings throughout the state. Completed surveys available at DEED. Participants are concerned about the reduction of HUD funds and also the attempt to reduce administration fees. Overall the participants are content with the use of the funds.

5. Summary of public comments

This could be a brief narrative summary or reference an attached document from the Citizen Participation section of the Con Plan.

No comments received by DEED.

6. Summary of comments or views not accepted and the reasons for not accepting them

No comments or views were not accepted.

7. Summary

For the Emergency Solutions Grant Program (ESG), in the 2012-2016 Consolidated Plan DHS projected serving 12,158 persons with emergency shelter each year. According to the recently submitted 2013 CAPER, DHS met and exceeded this goal and provided shelter to 14,665 persons.

For 2013 DHS also projected re-housing 460 individuals and having 350 individuals remain stably housed as a result of ESG prevention and re-housing assistance.

According to the recently submitted 2013 CAPER, DHS met and exceeded the first part of the goal, re-housed 478 individuals. However, it was not possible to determine if DHS met the goal of 350 persons remaining stably housed at exit due to the fact that many of these individuals remained in the ESG Re-housing program at the end of the program year. Of the 326 households who did exit during the year, 229 remained stably housed.

Expected Resources

AP-15 Expected Resources – 91.320(c)(1,2)

Introduction

Anticipated resources are assumed to equal new appropriations for 2014 plus carry forward of prior years' resources plus program income, as described below.

Anticipated Resources

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Reminder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
CDBG	public - federal	Acquisition Admin and Planning Economic Development Housing Public Improvements Public Services	16,847,866	100,000	3,000,000	19,947,866	0	DEED CDBG community and economic development.

Board Agenda Item 6.A.
Attachment: Annual Action Plan

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Reminder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
HOME	public - federal	Acquisition Homebuyer assistance Homeowner rehab Multifamily rental new construction Multifamily rental rehab New construction for ownership TBRA	5,646,729	250,000	7,763,532	13,660,261	0	MHFA: Rental rehabilitation and new construction
HOPWA	public - federal	Permanent housing in facilities Permanent housing placement Short term or transitional housing facilities STRMU Supportive services TBRA	147,997	0	183,394	331,391	0	MHFA: Emergency assistance for homeowners and renters; MAP admin of \$3,181; MHFA admin of \$4,427 2015 funds will not be allocated until October 2015

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 1				Expected Amount Available Reminder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
ESG	public - federal	Conversion and rehab for transitional housing Financial Assistance Overnight shelter Rapid re-housing (rental assistance) Rental Assistance Services Transitional housing	1,908,855	0	1,638,747	3,547,602	0	ESG resources will be used to provide shelter, prevention and rapid rehousing assistance.

Table 1 - Expected Resources – Priority Table

Explain how federal funds will leverage those additional resources (private, state and local funds), including a description of how matching requirements will be satisfied

The HOME match requirement is met through tenant-based rental assistance from Minnesota Housing's Bridges program, which provides a rent subsidy for up to five years to persons with mental illness until they can obtain a permanent rent subsidy; and the Housing Trust Fund program. The CDBG match will be a mix of private, local, and state resources such as loans from local banks, weatherization funds, and Minnesota Housing rehabilitation loans. CDBG-Economic Development match is through local initiatives, local banks, and owner equity.

DHS has required its sub-recipients to provide eligible matching funds at the sub-recipient level for each dollar requested in ESG funding. To

ensure compliance with the requirement, DHS has required identification of matching funds in all sub-recipient contracts and reimbursement requests. In addition, review of ESG matching funds has been added to the ESG Monitoring Protocol for ESG subrecipients and ensures that the adequate documentation of eligibility exists for funds used to match ESG. Because of the diverse nature of local homelessness program funding, it is not possible to summarize at the State level the exact types and amounts of each funding source, but the most common sources of matching funds include state Family Homelessness Prevention and Assistance Funds (FHPAP), state and HUD Transitional Housing Program funds (for scattered-site programs), Minnesota Community Action Grants, Private Foundations and Individual Donations.

Minnesota Housing's Affordable Rental preservation program (HOME) leverages other agency, private, and low-income housing tax credit investment.

If appropriate, describe publically owned land or property located within the jurisdiction that may be used to address the needs identified in the plan

For DEED, CDBG public facilities projects will include public infrastructure such as water treatment which will benefit 51% LMI (census or survey) or greater based on city wide projects or target areas in those communities.

Discussion

Not applicable

Annual Goals and Objectives

AP-20 Annual Goals and Objectives – 91.320(c)(3)&(e)

Goals Summary Information

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
3	Create Economic Opportunities	2012	2013	Non-Housing Community Development	SLUM AND BLIGHT COMMERCIAL DISTRICT CITYWIDE PUBLIC FACILITIES	Non Housing-Comm Development-Public Facilities	CDBG: \$5,999,000	Public Facility or Infrastructure Activities other than Low/Moderate Income Housing Benefit: 1422 Persons Assisted Public Facility or Infrastructure Activities for Low/Moderate Income Housing Benefit: 2246 Households Assisted Facade treatment/business building rehabilitation: 75 Business
4	Create Economic Opportunities-Jobs	2012	2013	Non-Housing Community Development	Economic Development	Non housing-economic development-Jobs-DEED	CDBG: \$2,461,636	Jobs created/retained: 60 Jobs

Board Agenda Item 6.A.
Attachment: Annual Action Plan

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
6	Enhance affordable housing opportunities	2112	2116	Affordable Housing	TARGET AREA HOUSING REHAB Balance of State	Affordable Rental Rehab-DEED and MH Affordable Single Family Housing Rehab-DEED	CDBG: \$8,486,079 HOME: \$13,660,000	Rental units rehabilitated: 290 Household Housing Unit Homeowner Housing Rehabilitated: 350 Household Housing Unit Other: 100 Other
7	Prevent homelessness	2012	2016	Persons At-Risk of Homelessness	Balance of State	Homeless Prevention-DHS & MHFA	HOPWA: \$183,394 ESG: \$154,623	Homelessness Prevention: 220 Persons Assisted
8	Rapidly Re-house Homeless Persons	2012	2016	Homeless	Balance of State	Rapid Re-Housing - DHS	ESG: \$293,250	Tenant-based rental assistance / Rapid Rehousing: 159 Households Assisted
9	Emergency Shelter	2012	2016	Homeless	Balance of State	Emergency Shelter - DHS	ESG: \$1,178,277	Homeless Person Overnight Shelter: 12658 Persons Assisted

Table 2 – Goals Summary

Goal Descriptions

3	Goal Name	Create Economic Opportunities
	Goal Description	<p>CDBG: For water and sewer improvements to communities, the state proposes 3469 people of which 2246(59%) are LMI (census or survey) and 1422 non LMI for approx. \$2,700,000. Entries in goal indicators are for people.</p> <p>Target area slum and blight districts in small towns (usually a downtown area), the state proposes 75 units \$3,299,000.</p> <p>DEED allows a maximum of 15% of project costs to administer the grant.</p>
4	Goal Name	Create Economic Opportunities-Jobs
	Goal Description	
6	Goal Name	Enhance affordable housing opportunities
	Goal Description	<p>In 2015, CDBG plans to fund the rehab 350 Owner occupied units. Rental rehab of 32(combination of single family, duplexes and 3 or more of multi-family). DEED and Minnesota Housing are partnering for 168 rental unit rehab. The remaining rental of 185 is with HOME funds.</p> <p>CDBG: Goals: Proposes rehab of Single family owner occupied units (350). Single family rental and small multifamily rental rehabilitations, and large multifamily rental with DEED partnering with Minnesota Housing with a goal of 100 units. We are not proposing to fund any new rental housing projects. DEED allows a maximum of 15% of project costs to administer the grant.</p> <p>HOME: It is Minnesota Housing's preference to use its HOME funds for rental preservation; however, a portion of HOME funds may be redirected to rental new construction, depending on the type of applications received in response to Minnesota Housing's Consolidated RFP and the relative need for new construction or preservation. Multi-family rental rehabilitation (290 units approx. \$13,660,000) units.</p>
7	Goal Name	Prevent homelessness

Board Agenda Item 6.A.
Attachment: Annual Action Plan

	Goal Description	70 of the 240 persons assisted with homelessness prevention will be attributable to the Emergency Solutions Grant Program (ESG). The remaining 220 persons will be served under the Housing Opportunities for Persons with AIDS (HOPWA) program. As stated in the 2012-2016 Consolidated Plan (Goal 1), the goal of these ESG funds is that persons at-risk of homelessness are stably rehoused or diverted from shelter as quickly and effectively as possible, through the provision of short and medium-term rental assistance and housing relocation and stabilization services.
8	Goal Name	Rapidly Re-house Homeless Persons
	Goal Description	As stated in the 2012-2016 Consolidated Plan (Goal 1), the goal of these ESG funds is that homeless persons are stably rehoused or diverted from shelter as quickly and effectively as possible, through the provision of short and medium-term rental assistance and housing relocation and stabilization services.
9	Goal Name	Emergency Shelter
	Goal Description	As stated in the 2012-2016 Consolidated Plan (Goal 3), the goal of these funds are to ensure homeless persons, including special needs populations, have adequate emergency shelter. For the upcoming program year, we anticipate that 12,658 homeless persons will receive adequate emergency shelter. Note: Funding allocated to this goal (below) does not include administrative and data collection funds.

Table 3 – Goal Descriptions

AP-25 Allocation Priorities – 91.320(d)**Introduction**

For the SCDP program we have three times the request for funds than we are able to award. Although estimated five year goals for specific activities need to be set as required by HUD the reality is that if goals are not achieved it is based on the lack of funding, economic times, and local objectives and goals that, while compliant with the program, do not achieve the numeric goals of DEED. Thank you for having an allocation number early and allowing us to set a goal based on an allocation, it is much easier to plan realistically. DEED believes that using one year accomplishments and current funding as a source for future planning of funds is more realistic and five year goals hold no merit due to uncertainty of future funding. The SCDP program is highly utilized and very successful in Greater Minnesota and the goals have little to no impact on the decision for the use of future funds.

HOME funds are not allocated to local units of government or to nonprofits to administer. The Minnesota Housing Finance Agency awards HOME funds through its HOME Affordable Rental Preservation program directly to owners and loan applicants for constructing new or rehabilitating affordable rental developments. The program is available throughout the state.

HOPWA provides temporary emergency rental and homeowner assistance to persons with HIV/AIDS to avoid homelessness. Funds are available through the Minnesota AIDS Project throughout the portion of the state that is outside the 13-county metropolitan area that accesses the Minneapolis HOPWA grant.

ESG funds for shelter will be awarded to programs throughout the state of Minnesota. ESG funds for rehousing will be targeted to non-entitlement areas only. ESG funds will be used for the purposes of providing shelter and rehousing activities, some of which fall under the category of rapid re-housing and some of which are considered a prevention activity by HUD (even though the assisted households lack permanent housing and need to be re-housed). Minnesota has a state funded program named the Family Homeless Prevention and Assistance Program which is used to meet homelessness prevention needs in the state for persons needing assistance with arrears to stay in their housing and avert homelessness.

Funding Allocation Priorities

	Create Economic Opportunities (%)	Create Economic Opportunities-Jobs (%)	Enhance affordable housing opportunities (%)	Prevent homelessness (%)	Rapidly Re-house Homeless Persons (%)	Emergency Shelter (%)	Total (%)
CDBG	44	1	55	0	0	0	100
HOME	0	0	100	0	0	0	100
HOPWA	0	0	0	100	0	0	100
ESG	0	0	0	5	19	76	100

Table 4 – Funding Allocation Priorities

Reason for Allocation Priorities

Percentages include administration costs. Allocation priorities are based on needs in market study, needs assessment and public input.

CDBG: Seventy percent of the funds will serve low to moderate income persons, categories include housing rehabilitation or public facilities. The remaining thirty percent will be spent on ED for jobs, commercial slum and blight or urgent threat, including administration dollars. The state does not intend on spending funds toward public services for homelessness as DHS receives ESG funds to address this. CDBG rental housing rehab funded by DEED in conjunction with the MH RFP does allocate rehab dollars to homelessness units as part of the multifamily projects.

HOPWA: Federal regulations dictate both the geography in which HOPWA funds may be used and the beneficiaries. Because only 15% of persons living with HIV/AIDS live in counties outside the seven-county Twin Cities metropolitan area and most are already housed, preventing homelessness is a more rational approach than housing development or tenant-based rent assistance.

HOME: Many federally assisted and naturally affordable housing developments need rehabilitation to preserve their federal rent subsidy or affordability of their units. There is a growing need for affordable rental housing.

ESG: The majority of shelter beds in the state of Minnesota are located with-in ESG entitlement areas, however, the balance is shifting gradually towards more shelter beds in non-entitlement areas where many homeless persons originally resided. ESG shelter funds will be targeted to non-entitlement areas, but some ESG funding of shelters in entitlement areas will continue. ESG rehousing activities will be funded in non-entitlement areas only. Indicators of rehousing need such as poverty, housing burden and public assistance use show a need that is commensurate with federal ESG formula allocation of ESG funds.

How will the proposed distribution of funds will address the priority needs and specific objectives described in the Consolidated Plan?

For CDBG, the distribution of funds address the high needs of housing by providing safe, stable and affordable housing to low to moderate income households. In creating economic opportunities, the rehabilitation of commercial property eliminates slum and blight, for assistance to businesses there is job creation for low to moderate income persons.

For HOME, the consolidated plan ranks very low-income renters of every type as a high priority need and tenants with incomes between 51% and 80% as a medium priority need. Targeting the HOME funds for rental new construction or rehabilitating rental developments that are already populated with tenants at these income levels ensures that HOME addresses the priority needs of renters. Deferred loan funding enhances affordability by reducing the need for amortizing debt, which could force owners to increase rents to repay the loans.

Minnesota uses its HOPWA resources to maintain persons with HIV/AIDS in their current housing by providing emergency assistance because that is the most pressing need identified for this population.

As outlined in the Consolidated Plan, ESG funds will be used to meet the priority needs of providing emergency shelter, prevention and rapid re-housing to persons at-risk of, and experiencing, homelessness.



AGENDA ITEM 6.B.
MINNESOTA HOUSING BOARD MEETING
March 26, 2015

ITEM: Medina Woods Townhomes, Medina (D7653)

CONTACT: Caryn Polito, 651-297-3123
 Caryn.Polito@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 Board, at its February 19, 2015 meeting, approved this development for commitment under the Low and Moderate Income Rental (LMIR) program, with a LMIR commitment for an end loan in the amount of \$769,000. Staff requests that the Board approve a modification to the guarantors for the loan.

FISCAL IMPACT:

In the 2014 amended Affordable Housing Plan (AHP), the Board allocated \$51 million in new activity for the LMIR program which includes \$21 million from the Housing Investment Fund (Pool 2) and \$30 million for LMIR and LMIR Bridge Loan activity through tax-exempt bonding. Funding for this loan falls within the approved budget and the loan will be made at an interest rate and terms consistent with the AHP. Additionally, this loan should generate \$74,034 in fee income (origination fee and construction oversight fee) as well as interest earnings which will help offset Agency operating costs.

MEETING AGENCY PRIORITIES:

Promote and support successful homeownership Preserve federally-subsidized rental housing
 Address specific and critical needs in rental housing markets Prevent and end homelessness
 Prevent foreclosures and support community recovery Strengthening Organizational Capacity

ATTACHMENT(S):

- Background
- Resolution

Background:

Since the February 19, 2015 Board approval of the LMIR commitment, the developer has requested a modification to the guarantors of the LMIR end loan.

In order to relieve its principals from certain long-term obligations and facilitate estate planning, Dominion has formed two entities, Dominion Holdings I, LLC and Dominion Holdings II, LLC, for the purpose of providing certain corporate guaranties in connection with development and acquisition projects. Individual principals of Dominion will no longer be providing long-term operations guaranties.

The developer submitted financials which demonstrate that the guarantor entities have sufficient assets. Agency credit review staff have reviewed and approved this change.

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

RESOLUTION NO. MHFA 15-

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM**

WHEREAS, the Board has previously authorized the commitment for the development hereinafter named by its Resolution No. 15-006; and

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

WHEREAS, Agency staff has determined that the proposed guarantors have the financial wherewithal to ensure stable operations of the development.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby modifies the funding commitment for Medina Woods Townhomes, D7653, as follows:

1. Dominion Holdings I, LLC and Dominion Holdings II, LLC shall each guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.15 debt service coverage ratio (assuming stabilized expenses) for three successive months; and
2. Dominion Holdings II, LLC shall guarantee the mortgagor's payment under LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency.
3. All other terms and conditions of MHFA Resolution No. 15-006 shall remain in effect.

Adopted this 26th day of March 2015.

CHAIRMAN

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AGENDA ITEM: 7.A.
MINNESOTA HOUSING BOARD MEETING
March 26, 2015

ITEM: Community Homeownership Impact Fund Program Scoring Revisions for the 2015 Single Family Request for Proposals (RFP)

CONTACT: Luis Pereira, 651-296-8276 Tal Anderson, 651-296-2198
 luis.pereira@state.mn.us 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 the proposed scoring revisions for the Community Homeownership Impact Fund for the 2015 Single Family Request for Proposals (RFP).

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:

- Background

BACKGROUND:

The Community Homeownership Impact Fund team, supported by the Research and Policy Divisions of Minnesota Housing, recently conducted a review of the selection criteria under the Single Family RFP based on agency-wide updates to priorities. Revisions to the allocation of points to each RFP criteria category were last brought to board in May 2013; no changes were made to the 2013 allocation for the 2014 RFP.¹ The Impact Fund team is again bringing the proposed revisions to the point allocation to board to communicate to RFP applicants the relative priority level that is given to each criteria category. Supplied with the relative number of points allocated to each criteria category, applicants will be better-equipped to respond to Minnesota Housing's priorities and it may result in proposals that are more aligned with these priorities.

Five geographic-based policy areas were previously developed in conjunction with Minnesota Housing's Planning, Research and Evaluation staff. These include policy areas based on Foreclosure; Minimizing Transportation Costs and Promoting Access to Transit (to be renamed "Location Efficiency"); Economic Integration; Community Recovery; and Workforce Housing (i.e. the same criteria that applied to the Housing and Jobs Growth Initiative during Single Family RFPs 2013 and 2014).

Below are the criteria categories and the points allocated to each category for the 2015 Single Family Request for Proposals, including red-lined edits for revisions and updates made in 2015.

2015 SF RFP criteria category and points allocated:

1. **Foreclosure** – 5 points total, with full or partial points allocated based on the extent to which proposals address foreclosed properties and ~~/or the proposed~~ target areas that are within one or more Foreclosure Priority Areas.
2. **Foreclosure Remediation/Community Recovery Strategy** – 1 point.
3. **Efficient Land Use** – 5 points total, based on the extent to which:
 - a. Proposals maximize the efficient use of land;
 - b. Rehabilitation proposals maximize the adaptive reuse of buildings; and
 - c. New Construction proposals minimize the loss of agricultural land and green space.
4. ~~Minimizing Transportation Costs and Promoting Access to Transit~~ **Location Efficiency** – ~~5~~ 6 points total, appropriately defined for Metro areas and Greater Minnesota. In neighborhoods and/or cities proposed to be targeted in both the Metro and Greater Minnesota, walkability is prioritized based on a documented Walkscore rating of 50 or more.
5. **Economic Integration** – 5 points total, with points awarded based on the extent to which the proposed housing activity is affordable to eligible low- and moderate-income households is located within higher income areas and near job centers.
6. **Leverage** – ~~9~~ 11 points total, including a slightly greater priority on employer and philanthropic leverage contributions over governmental sources, under the "diversity of leverage" section:
 - a. The diversity of leverage;
 - b. The total leverage committed by activity; and
 - c. The leverage ratio.

¹See Minnesota Statutes §§ 462A.33-34 for the Economic Development and Housing Challenge Program statute; Minnesota Administrative Rule part 4900.3648. Subp. 1-4 for selection standards; and Minnesota Administrative Rule part 4900.3650, A-N for funding priorities.

7. **Other Investment/Cost Factors Related to Project Feasibility** – 5 points total, including:
 - a. Regulatory incentives;
 - b. Cost containment; and
 - c. The extent to which funds secure affordability of units for the long term and/or funds will be returned to the Agency.

8. **Marketing to Eligible and Underserved Populations** – 7 points total, including:
 - a. Marketing and outreach techniques;
 - b. The selection process/criteria for eligible households;
 - c. The suitability of housing design;
 - d. Incentive for projects incorporating Universal Design/Accessibility features; and
 - e. Incentive for 4+ bedroom homes to be marketed to large families in areas with demonstrated market need for such homes.

9. **Community Recovery** – 2 points total, with partial points allocated based on the extent to which a proposed target area coincides with a Community Recovery Priority Area.

10. **Cooperatively-Developed Plan (CDP)** – 2 points total, which is a community-supported plan that encompasses multiple affordable housing and related service initiatives in a geographically defined area that is developed through the cooperation and input of a local unit of government and a community or housing partner. Points are awarded based on whether:
 - a. A CDP was provided for the community in which the proposed target area is located; and
 - b. If a CDP was provided, ~~if~~ there is a clear connection between the plan's affordable/workforce housing needs and related service initiatives and the proposed housing activity.

11. **Workforce Housing** (~~Housing and Jobs Growth Initiative~~) – 4 points total, including:
 - a. Whether the vacancy rate among owner-occupied housing is demonstrated as low;
 - b. The extent to which the proposed target area falls within a Workforce Housing Priority Area and/or alternative, commuter- and/or job growth data is provided (i.e. job growth and high number of commuters); and
 - c. The extent to which there is a workforce housing need due to business expansion.

12. **Organizational Capacity** – 10 points total, including related housing experience; a demonstration of successful completion of similar projects; and other organizational due diligence factors.

13. **Overall Project Feasibility** – 10 points total, including the extent of the need for the proposed housing activity in the local market; the nature of the proposed site; the extent to which reasonable development costs are proposed; and the extent to which the housing (activity) is economically viable. This criterion formerly included five points for Community Need, but that is proposed as a separate criterion under the SF RFP.

14. **Community Need** – 5 points total, including the extent to which there is a well-defined community need for the housing activity in the target geography based on local demographic, workforce, and economic factors.

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AGENDA ITEM: 8.A.
MINNESOTA HOUSING BOARD MEETING
March 26, 2015

ITEM: Update: Preparing the 2016-19 Strategic 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:

With the Agency half way through the process of developing its 2016-19 Strategic Plan, staff will present an update to the Board and seek additional comments from Board members for consideration during the planning process. Please review the attached documents and provide feedback on the planning process and list of potential priorities that are currently under consideration.

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):

1. Overview: Board Review of Strategic Planning
2. Process and Timeline for Developing the 2016-19 Strategic Plan
3. Potential Strategic Priorities Currently under Consideration
4. Poor Families Struggle to Find Housing in a Tight Market (Star Tribune, March 9, 2015)
5. Background information (not included; available online from links below):
 - [Key Trends for Affordable Housing](#)
 - [Statewide Analysis of Gaps in Affordable Rental Housing](#)
 - [Review and Summary of Local Housing Studies](#)
 - [Summary of Issues and Possible Priorities Identified by Partners and Stakeholders](#)

Overview: Board Review of Strategic Planning

To help the Board review the strategic planning process, this report contains several attachments or links. See the list at the bottom of the cover memo. Most of the documents are self-explanatory. The background information listed on the cover memo are reports that provided data, information, and insights that helped guide us in developing the current draft list of potential priorities. The article from the Star Tribune details the struggles that families face in finding affordable rental housing.

The third item is a key document for the Board to review and consider - *Potential Strategic Priorities Currently under Consideration*. As we continue our engagement and assessment, we will narrow, amend, and refine the list of potential priorities. As a midpoint check-in, we would like get the Board's reaction to the list.

- What are your thoughts on the list?
- Is a critical issue missing?
- Should any of the potential priorities be rewritten or reframed?

Process and Timeline for Developing the 2016-19 Strategic Plan

PLANNING ACTIVITY	DATES
Survey housing community about affordable housing needs and potential priorities	October – December 2014
Prepare background planning documents: <ul style="list-style-type: none"> • Environmental Scan: Key Trends for Affordable Housing • Statewide Analysis of Gaps in Affordable Rental Housing • Review and Summary of Local Housing Studies • Summary of Issues and Possible Priorities Identified by Partners and Stakeholders 	September 2014 – March 2015
Develop draft list of potential priorities	March 2015
Survey housing community about draft list of potential priorities	March 2015
Check in with Board	March 26, 2015
Hold strategy sessions with thought leaders: <ul style="list-style-type: none"> • Using affordable housing as tool to promote economic prosperity <ul style="list-style-type: none"> ○ Greater Minnesota ○ Metro • Financing housing for Minnesota’s growing senior population • Financing and coordinating housing that is effectively linked with support services 	March- Early April 2015
Review with staff the Agency’s mission, vision, values, & priority on strengthening organizational capacity	March 26 and April 9, 2015
Hold focus group (internal staff and external partners) on the plan’s structure and layout: <ul style="list-style-type: none"> • How effective has the current plan been in communicating the Agency’s strategic direction and priorities? • What parts of the plan work well, and what parts work less well? • How should the 2015-16 plan be structured (layout and type of content) to provide the most value and be the most useful? 	April 14, 2015
Finalize list of strategic priorities and articulate strategies to pursue them	Late April and Early May, 2015
Post draft plan for 30-day public comment period	May 21, 2015
Present draft plan and public comments to board	June 25, 2015
Revise plan	Late June and Early July, 2015
Request board approval for final plan	July 23, 2015

Potential Strategic Priorities Currently Under Consideration

March 10, 2015

- Finance housing for low-income seniors
 - Finance a continuum of housing options effectively inked with a continuum of service options
 - Provide choice – aging in place in current home to living in senior-only housing
- Use affordable housing as a tool to promote community and economic prosperity
 - Promote economic and community development
 - Support a growing workforce
 - Support community revitalization and recovery
- Prevent and end homelessness
 - Implement the state’s Plan to Prevent and End Homelessness
 - Play a leadership role in coordinating across agencies and levels of government and with partners
- Provide housing choices for people with special needs or large barriers
 - Housing options with service connections for people with disabilities or special needs
 - Housing options for people with criminal records, unlawful detainers/evictions, poor credit scores, etc.
 - Housing options for extremely-low-income households and large families
- Address shortage of rental assistance options
 - Long waiting lists or closed lists
 - Vouchers being turned back because people cannot find a place to use them (tight market or substandard housing)
- Preserve affordability and physical condition of existing of affordable housing
 - Federally-subsidized rental housing
 - Other affordable housing with income or rent limits
 - Naturally occurring affordable housing
- Provide equitable access to successful homeownership
 - Provide options to people with imperfect credit, large down-payment barriers, student debt, or other barriers but are very likely be successful homeowners
 - Address homeownership disparity for households of color or Hispanic ethnicity
- Address rising housing costs
 - Total development costs
 - Rents
 - Home prices and interest rates (expected in future)



Poor families struggle to find housing in a tight market

Updated: March 9, 2015 - 10:03 AM

<http://www.startribune.com/local/south/295500301.html?page=all&prepage=2&c=y#continue>

"We just don't have the supply being built fast enough for the lower-income folks. ... There's not enough units."

By Jessie Van Berkel • jessie.vanberkel@startribune.com

Taneisha Terrell is always watching for "leasing" or "rent" signs on apartments. She constantly scans websites and booklets. For five months, she and her 1-year-old daughter have lived in an [Eagan](#) homeless shelter and hunted for a home.

Terrell has a lot of competition. Empty nesters, millennials and people hurt by the housing crash are also hunting for an apartment. Even as developers race to build thousands of new rentals, the Twin Cities vacancy rate remained at under 3 percent at the end of last year, according to the Minnesota Housing Partnership.

It's a good sign for landlords, who can afford to be picky. But people with low incomes, past evictions, big families and criminal histories are being turned away — even if they have a coveted housing voucher that entitles the landlord to guaranteed payment from the federal government.

"We just don't have the supply being built fast enough for the lower-income folks," said Markus Klimenko, Hennepin County's homeless and housing initiatives manager. "They get edged out. There's not enough units."

Counties and housing agencies are looking into incentive programs and spending more time convincing landlords to rent to people who are homeless.

But advocates said those are just stopgap measures, and the region needs more affordable housing.

Last week nearly 36,000 people applied for Section 8 vouchers when the Metropolitan Council opened its waiting list for the federally funded rental assistance program for the first time in eight years.

Meanwhile, families in the metro area who waited years for vouchers are returning them, unused, because they cannot find a place to rent. Renters have up to 120 days to secure a place before the voucher expires.

In the past six months, 38 percent of the families who received vouchers in Dakota County could not find an apartment before the expiration date, according to the Dakota County Community Development Agency.

Terrell is one of several people at Dakota Woodlands shelter with an unused voucher.

That did not happen in the past, shelter director Beth Broman said. Four years ago, when Broman took the job, she said the 22-bedroom family shelter was usually half full. Now, there are usually a dozen families on a waitlist to get in. The average stay is four to six months.

In St. Paul and [Minneapolis](#), Dorothy Day and Higher Ground shelters have opened overflow rooms. Dorothy Day is planning an expansion.

Those shelters for adults end up accepting people from the suburbs where there are few options for the homeless, said Tracy Berglund, director of housing stability at Catholic Charities, which runs the facilities.

Meanwhile, openings at shelters that can accommodate families are hard to come by. Anita Hill said she and her 3-year-old daughter, Cora, spent nights riding the Green Line back and forth between Minneapolis and St. Paul, before finally securing a spot at Dakota Woodlands.

Hill is one of the 36,000 people who applied for a Section 8 voucher last month.

"I'm just kind of in limbo, waiting to see if I qualify," she said.

Even if she does, many apartments in Dakota County don't participate in the program or cost more than the voucher.

The average rent in that county increased by \$60.98 over the past two years. The average rent for a two-bedroom apartment is now \$1,009.62, according to the Community Development Agency. The vacancy rate is just 1.86 percent, according to the agency.

A rate of 5 percent is considered well-balanced in the housing industry.

Solutions to a housing gap

With the high demand for housing, landlords can charge more and pick perfect tenants.

"If you have any blemishes on your record that really, really creates a big problem," said Minnesota Housing Partnership Director Chip Halbach.

Landlords are looking further into a tenant's past, said Julie Grothe, director of Delancey Services, a program at nonprofit Guild Incorporated that helps people with a history of homelessness. She knows someone who was rejected because of a felony conviction from 25 years ago.

Holiday Acres in West St. Paul has a few open units, site manager Michelle Krause said, but that's because they cost more than the Section 8 vouchers. Unlike other property managers, Krause said, she is willing to work with people who have vouchers.

"In West St. Paul especially, that is what is here. So that's what we do," Krause said, but they still have to be the right person. "There has to be a good vibe."

People who are "on the fringe" lose out in a tough rental market, said Greg Mailand, president of Mailand Management, which has 37 buildings around the Twin Cities.

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Attachment 4: Star Tribune Article

"If you've got more than one person applying for an apartment, you're going to take the one that makes the most sense for you, the one that fits your criteria the best," Mailand said.

Counties and agencies are channeling more time and money into building relationships with landlords.

Dakota County is looking into creating a position focused on that outreach and forming a fund that would compensate landlords for damage or missed rent.

Case managers in Hennepin County are spending more time helping each family find an apartment, Klimenko said.

Catholic Charities' housing staff "exploded" from one person in 2006 to 20 people, Berglund said. They started by "cold calling units and making friends" to build a network of landlords willing to work with the homeless, she said.

Those efforts are good but there needs to be more public investment in affordable housing, Halbach said, noting a gap between what people can afford and what's available.

"Something's got to fill that gap. You can't wish it away," Halbach said.

A few weeks ago, Terrell was waiting to hear from a property manager about an apartment.

It was a rare find: nice enough and affordable. Then the call came, and the people she had pinned her hopes on said her old landlord advised them not to rent to her.

"It was extremely frustrating," Terrell said. "The anticipation and waiting, and thinking that nothing could really stop you. And all of a sudden it stopped you. It was a bit discouraging, especially when you're looking for things in your price range and it's few and far in between."

The Metropolitan Council estimated the region needs to add 5,667 affordable units per year to meet the need by 2020. Fewer than 3,000 units have been built over the past three years.

While federal housing funds have waned, the state Legislature stepped up last year and invested \$100 million in affordable housing, which is expected to help build or rehabilitate 5,000 units.

"You can't create those overnight," Klimenko said. Meanwhile, he said, "You just hope [the rental market] doesn't get tighter. And it could."

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