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**2010-2011
Affordable Housing Plan**



2010 - 2011 Affordable Housing Plan

Table of Contents

- A. Overview
- B. Advancing the Agency's Strategic Plan
- C. Affordable Housing Plan, October 1, 2010 through September 30, 2011
- D. Projected Long Term Bond Issues and Projected Sources of Bonding Authority
- E. Restricted Net Assets
 - 1. Net Assets Restricted by Covenant
 - 2. Housing Endowment Fund (Pool 1) Computation
- F. Program Narrative
- G. Board Resolutions
 - 1. Resolution No. MHFA 07-16, Resolution amending Resolution No. MHFA 88-7 regarding net asset requirements and investment guidelines for General Reserve Account assets.



2010-2011 Affordable Housing Plan

Overview

Every two years the Board of Directors of the Minnesota Housing Finance Agency (Minnesota Housing) adopts an Affordable Housing Plan ("Plan"), setting forth the funding sources and amounts for housing programs for the biennium. This Plan is for the period October 1, 2009 through September 30, 2011 as the Agency's program budget year coincides with the fiscal year of the Federal government (see section "Fiscal Years" below).

This overview addresses the following topics:

- Financial summary and comparison to the 2008-2009 Plan
- Program and policy highlights
- Plan development process
- Sources of funding for the Plan
- Fiscal years

FINANCIAL SUMMARY AND COMPARISON TO 2008-2009 AFFORDABLE HOUSING PLAN

The 2010-2011 Plan proposes \$1.4 billion in new funding for housing activity, which is \$221 million or nearly 14 percent less than the original 2008-2009 Plan. If additional housing resources become available, the 2010-2011 Plan will be amended to add new activity. The following table compares new activity from the original 2008-2009 Plan to new activity proposed in the 2010-2011 Plan.

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

	2008-2009 Biennium Original	2010-2011 Biennium Proposed
Homeownership Programs	\$ 974,974,391	\$ 659,316,889
Rental Production Programs	246,094,928	296,569,532
Rental Portfolio Management	358,135,501	374,750,000
Agency-wide Items	44,755,979	71,961,221
Totals	\$ 1,623,960,799¹	\$ 1,402,597,642

Reasons for decreased new activity in the proposed 2010-2011 Plan as compared to the original 2008-2009 Plan are:

- Mortgage revenue bond activity for homeownership programs is budgeted at a 35 percent decrease and reflects continuing difficulty with cost-effectively raising capital in the bond market.
- State appropriations reflect a 27 percent decrease due to reductions in the Agency's base appropriation for 2010-2011 and non-reoccurring appropriations in 2008-2009 that were not repeated for 2010-2011.
- Federal resources reflect a 19 percent increase due to additional resources to aid the struggling housing credit market and to address foreclosures.
- Pool 2 resources reflect a 9 percent decrease. Loan warehousing of \$57 million in the prior plan was not repeated in this plan. Loan warehousing is a temporary investing activity rather than a program activity, thus it does not need to be budgeted. The decrease for loan warehousing is partially offset by new budget

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

allocations to address foreclosures and manufactured home park conversions. It is also worth noting that because Pool 2 funds must be used for loans that bear interest and make regular principal payments, viable proposals for Pool 2 funding are not as prevalent as requests for other funds. Additional Pool 2 funds could be made available to this Plan if additional proposals are developed.

- Pool 3/foundation resources are budgeted at a 12 percent decrease over the previous Plan. Agency financial results for fiscal 2009 and those projected for fiscal 2010, reduced the long-term forecast of Pool 3 funds. By modestly reducing the Pool 3 funds budgeted for 2010-2011, the Agency expects the level of resources available on a sustained basis for deferred, non-investment grade loans and grants to recover.

During the course of any given Plan, not all of the resources budgeted for new activity are committed or spent. Except for Federal and State appropriations, resources not committed to specific projects or loans in one Plan expire at the end of that Plan and are returned to their fund of origin for allocation in a future Plan. Commitments that exist at the end of one Plan are “carried forward” to the subsequent Plan and referred to as “carry forward”. “Carry forward” is not considered new activity or funded with new resources. The following table sets forth the 2010-2011 Plan including the carry forward amounts by source of resources. The Affordable Housing Plan Program Narrative at Tab F provides a program-by-program description of the amount of carry forward resources budgeted for each program under the Plan.

Table 2: New and Carry Forward Program Resources Available for the Affordable Housing Plan ending September 30, 2011

	(in '000's)		Total
	New	Carry Forward	
Federal Resources	\$462,302	\$50,499	\$512,801
State Appropriations	111,376	88,646	200,022
Bond Proceeds	618,000	0	618,000
Housing Investment Fund (Pool 2)	158,750	35,999	194,749
Housing Affordability Fund (Pool 3/foundation)	52,170	29,505	81,675
Totals	\$ 1,402,598	\$204,649	\$1,607,247

FINAL NEW ACTIVITY TAB A

Figure 1: Affordable Housing Plan 2010-2011 program resources new activity, in thousands and percentages

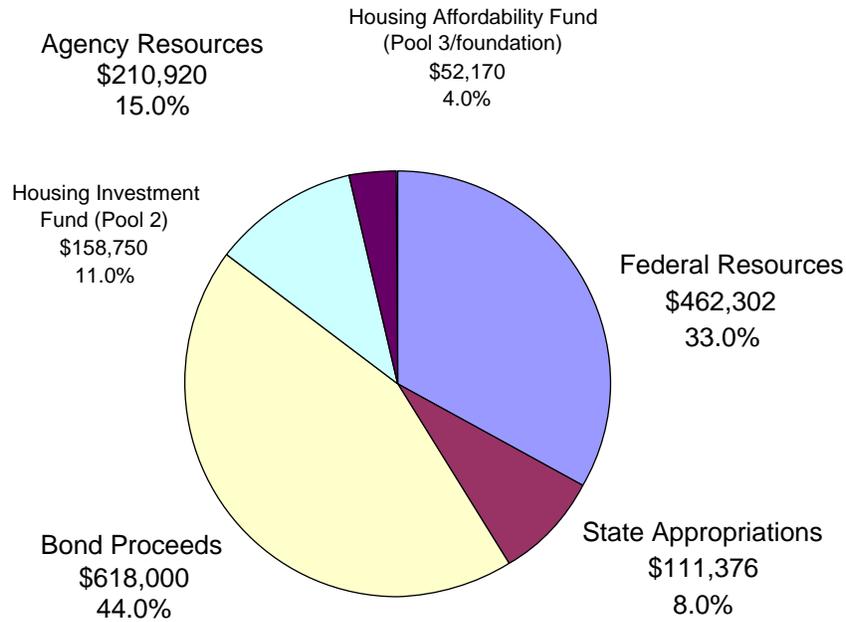
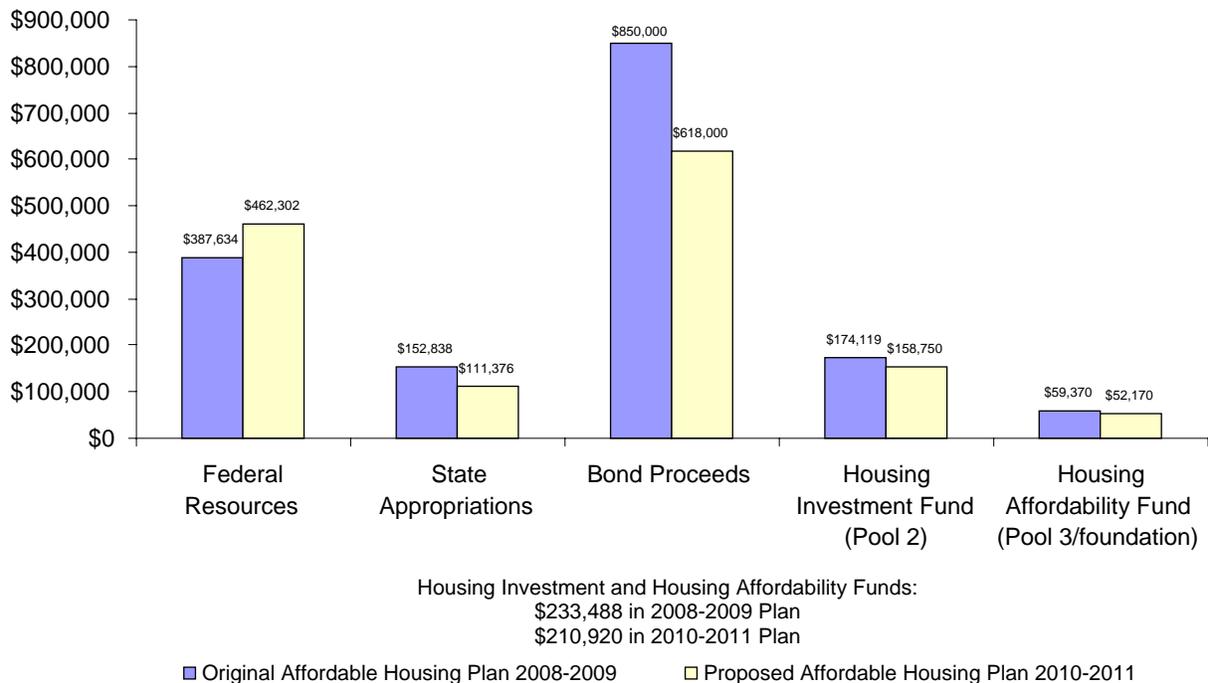


Figure 2: Affordable Housing Plans 2008-2009 and 2010-2011, new activity only, in thousands



PROGRAM AND POLICY HIGHLIGHTS

Under this Affordable Housing Plan the Agency will invest nearly \$1.4 billion to support a continuum of affordable housing activities. Despite the severe economic climate, we have been able to put together a strong plan that responds to the housing challenges we face. There are 14% fewer funds available for the 2010-11 biennium than in the last biennium. However, given the challenges the State and Agency face as result of the near collapse of the credit market and the recession, we are fortunate to be able to present such a robust Affordable Housing Plan. This is due, in part, to increases in Federal funding aimed at stimulating the economy, significant support from State leaders who appropriated critical housing resources, and the financial strength of the Agency. The Agency is committing over \$200 million of internally generated resources to the plan.

Under this Plan Minnesota Housing anticipates it will serve approximately 97,000 households or units. Despite the fact that fewer resources are available under this Plan as compared to the current Plan, the Agency anticipates serving approximately 7,000 more households. The projected increase in the number of households served is due largely to the fact that the cost per household served is quite low with some funding sources and activities, such as counseling under the National Foreclosure Mitigation Counseling program, thus enabling the Agency to reach a large number of households with a relatively modest funding level. The Agency will aggressively implement its strategy to address a continuum of affordable housing needs for low- and moderate-income households across the State.

Highlights of the Plan include:

- An increased emphasis on affordable housing preservation, and foreclosure prevention and remediation.
- A priority for investing in projects that maximize the positive community impact of our housing investments. In particular, projects that link housing investments to other quality of life outcomes such as environment, transportation, education and economic development will be encouraged.
- Continuation of the Agency's commitment to the State's Business Plan to End Long-Term Homelessness and related efforts to prevent homelessness including \$41.8 million in State appropriations and \$12 million from Agency resources (Pool 3). The Agency and its partners are reviewing and updating their strategy to fulfill the business plan.
- Maximum use of one-time Federal funding made available through the Housing and Economic Recovery Act and the American Reinvestment and Recovery Act to

FINAL NEW ACTIVITY TAB A

address challenges facing stalled tax credit projects and stretch State and local funds to address foreclosure and other housing activities.

- \$550 million in first mortgages to create homeownership opportunities for low- and moderate-income first time homebuyers with specific attention to marketing to emerging markets.
- An allocation of \$16.3 million for entry cost and down payment assistance, to be used with the Minnesota Mortgage Program.
- \$45.7 million in Agency resources (\$38 million Pool 2 and \$7.7 million Pool 3) is added to \$15 million in State appropriations for the Challenge Fund, which is one of our most flexible programs. The Challenge Fund budget allows for the potential for additional significant foreclosure remediation efforts.
- \$45.5 million of Agency resources (Pool 2) paired with up to \$7.65 million in Federal energy conservation grants to expand the effectiveness of the Fix-up Fund and reduce energy costs for homeowners while improving their homes.
- Continued partnership with the State's public housing community to preserve our public housing stock - an important and cost-effective affordable housing resource which serves very low income, senior and disabled Minnesotans - with \$2 million in general obligation bond proceeds and a request for additional GO bond proceeds for public housing preservation.
- A 50% increase in the technical assistance fund (from \$2 to \$3 million) to support a number of special projects including: an initiative with the Urban Land Institute and the Council of Mayors to reform zoning; work with the Urban Land Institute to pilot some innovations; to respond to an increased need for research .

In addition, a number of ideas were generated during the course of the development of the Plan that could result in program changes and proposed amendments to the Plan. These include a greater emphasis on sustainability and innovation as undergirding values for all of the Agency's work, increasing community impact which could spur new approaches to working in partnership, and the importance of transit oriented affordable housing development. The budget reflects a new partnership with the Department of Commerce around energy conservation. Federal stimulus funds administered by the Department of Commerce will be combined with Agency funds to promote energy conservation improvements for residential properties and will be used for weatherization of multifamily rental properties, thereby reducing the demand on Agency resources for deferred loans for rehabilitation. In addition, we will revisit our land acquisition strategies, and continually work to improve and streamline our processes. This plan balances the importance of responding to current market conditions while challenging ourselves and our partners to build capacity for the future.

Tab B provides more detail for these yet-to-be-developed ideas and describes how the Affordable Housing Plan advances the Agency's strategic plan.

AFFORDABLE HOUSING PLAN DEVELOPMENT PROCESS

The development of this Affordable Housing Plan coincided with the arrival of a new Commissioner, a process to update our 2007 strategic plan, and economic challenges as a consequence of a significant recession. Minnesota Housing program, policy, and financial staff worked in cross-divisional teams to analyze and develop various elements of the Plan, including the updated strategic plan. We also solicited input from key stakeholders and partners to inform our priority setting. This included a discussion with the Housing Resource Advisory Committee - a group of 25 housing and community development leaders from across the State - and surveys to lenders and delivery partners. The board was briefed on the priorities that emerged from the strategic planning process, reviewed a set of principles that were established to guide priority setting for the use of Agency resources and will review the Affordable Housing Plan for comment and approval.

Through a series of discussions staff articulated many ideas for how we could most effectively use Agency resources to achieve our strategic priorities. These ideas were filtered through the principles to develop a list of the most promising ones. The principles included concepts of leverage, whether there is a unique role for Minnesota Housing, the ability to stimulate new partners and policy impacts, cost-effectiveness, sufficiency of scale, community impact, and realistic timeframe for expenditures. Ideas were then evaluated and analyzed by small teams who developed “case statements” that described the potential impact, feasibility, and need for Agency resources. Activities funded from Agency resources promote one or more strategic priorities or assist in implementing the collaboration and leadership components of the overarching strategy of Minnesota Housing. Allocation of funding among the various activities is based in part on a realistic assessment of how much money could be disbursed during the Plan period. A number of these ideas are incorporated into either this Plan or into the “Next Steps for Program Development and Refinement” set forth at Tab B.

Agency resources were allocated to the Plan in accordance with financial parameters established by the Board in Resolution No. MHFA 07-16 (attached as Tab G). Pool 3 resources were allocated to the Plan on the basis of assuring the long-term sustainability of Pool 3.

SOURCES OF FUNDING FOR THE AFFORDABLE HOUSING PLAN

To identify the sources of funding for this Plan, staff projected the resources that will be available to Minnesota Housing to invest in housing programs during the biennium. The Plan allocates funds from four primary categories of resources as described below. The precise amounts of some funding sources are known at the time the Plan is developed while others, such as loan repayments, are estimates of resources that will become available during the biennium. Various analytical approaches, including fund cash flow analysis, are used to project resources available for housing programs.

Federal Resources. There are two types of Federal resources: appropriations to the U.S. Department of Housing and Urban Development (HUD) that are made available to Minnesota Housing and housing tax credits. For purposes of the Plan, current funding levels are used for the HUD appropriations – Section 8, HOME and Housing Opportunities for Persons with AIDS – and adjusted once Congress has adopted each year’s budget. The amount of Federal housing tax credits is based on a per capita formula and may vary slightly each year. Tax Credit Assistance Program (TCAP) funds are distributed to the State tax credit allocating agencies on a formula basis. The amount available under Section 1602/Exchange Program will be determined based on the amount of tax credits returned to the Agency.

State Appropriations. The amount of funding and the programs funded are based on the 2010-2011 general fund budget adopted by the 2009 Minnesota Legislature. A State capital budget is anticipated during the course of this Plan, and any additional appropriations will be reflected as a proposed amendment.

Bond Proceeds. Bond proceeds are generated by the issuance of tax-exempt bonds. Tax-exempt bond proceeds available to the Plan are determined by the amount of new bonding authority made available to the Agency under a State allocation formula, the projected amount of bonds refunded over the next two years, and an estimate of the amount of bonding authority contributed by cities and counties for issuance on their behalf. The amount of tax-exempt 501(c)(3) bonds budgeted is based on the amount of debt service the Minnesota Legislature authorized and agreed to fund.

Agency Resources. Minnesota Housing generates resources from its bond funds and makes them available for investment in housing programs. Board guidelines governing the use of Agency resources are located in Tab G. Agency resources are currently categorized as follows:

- Housing Investment Fund (also known as “Pool 2”). The Housing Investment Fund’s balance is set according to the net asset requirements and investment guidelines adopted by the Board in April, 2007 after review and confirmation with the rating agencies and the Agency’s cash flow projections. The level of funding that must reside 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 the greater of \$615 million or the combined net assets of the same funds for the immediately preceding audited fiscal year end. According to Board policy, use of these funds is limited to investment quality loans and investment grade securities as defined by the Agency. Most of the net assets in Pool 2 are already invested in housing loans; 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. 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.

FISCAL YEARS

The 2010-2011 Affordable Housing Plan uses two different fiscal years based on the sources of funds. The Plan budgets Federal appropriations and Agency resources, including bond proceeds and Pool 2 and Pool 3/foundation on a Federal fiscal year. State appropriations, on the other hand, are budgeted on a State fiscal year - July 1 to June 30. The difference approach simplifies budget preparation from an accounting standpoint and provides a clearer picture of the budget for State appropriations. Using a Federal fiscal year for State appropriations, as had been done in Plans prior to 2008, resulted in appropriations in the first year of the State budget biennium being budgeted in one Plan and then largely carried forward as uncommitted into the next Plan. The 2010-2011 Plan budgets State appropriations available in State fiscal years 2010 and 2011 as new activity.



2010-2011 Affordable Housing Plan Advancing the Agency's Strategic Plan

Minnesota Housing is a mission-focused, strategy-driven organization, building the financial, operational, human resources, and partnership infrastructure necessary to achieve its strategic priorities. The Agency's Strategic Plan is the blueprint for building this foundation and provides an overview of the Agency's mission, vision, values, priorities, strategies, and performance measures. Minnesota Housing's biennial Affordable Housing Plan lays out the funding sources and budgeted amounts for the Agency's housing programs for a two-year period.

The Agency recently reviewed and is in the process of updating its strategic plan due to changes in the economic climate and the appointment of a new Commissioner to lead the Agency. The last formal plan was written in 2007.

The following document describes the environmental context in which the Agency is currently operating and how the 2010-2011 Affordable Housing Plan advances the updated Strategic Plan.

THE ECONOMIC, FINANCIAL, AND HOUSING ENVIRONMENT

Minnesota Housing is developing the 2010-2011 Affordable Housing Plan during a period of significant economic and market turmoil. These conditions define and will continue to dictate the environment in which the Agency operates, creating substantial challenges and uncertainty. Minnesota Housing's Strategic Plan and Affordable Housing Plan must reflect and address this environment.

During 2008, the American economy was entering a recession at the same time that financial institutions were holding large amounts of "toxic assets," mortgages and mortgage-backed securities that had subprime and/or adjustable interest rates. As defaults on these mortgages increased, the health of financial institutions spiraled

downward. Consequently, the financial markets nearly collapsed at the end of the 2008, putting the economy into deep recession.

The near collapse of the financial markets has put the municipal bond market into turmoil. Nervous investors seeking greater certainty and safety put their funds heavily into U.S. treasury securities. They have been unwilling to purchase mortgage revenue bonds from Minnesota Housing and other housing finance agencies at competitive interest rates, even if the agencies have strong bond ratings. As of the summer of 2009, the bond market is correcting itself but is not yet fully functional.

The deteriorating economy and financial turmoil are affecting Minnesota Housing in several ways:

- It's been difficult to sell bonds at rates that provide competitive mortgage rates, which has significantly restricted the resources available to purchase mortgages. During the first six months of calendar year 2009, Minnesota Housing purchased \$43 million of mortgages. In contrast, during the same period in 2007 and 2008, the Agency respectively purchased \$231 million and \$154 million of mortgages.
- The amount of new funding available from the Pool 3/foundation fund (excluding revolving funds) has been reduced from \$48 million in the previous Affordable Housing Plan to \$41 million in this plan to reflect the reduction in Agency earnings on its loans and other investments and the desirability of future predictable and sustainable funding levels.
- The downturn in the economy has reduced the tax liability of investors who purchase housing tax credits, which has made tax credits a less desirable investment. Housing projects that have received tax credits have had difficulty syndicating or placing the credits to raise private equity for projects. Federal resources are available through the American Recovery and Reinvestment Act (ARRA) to supplement the housing tax credit program while the market is stabilizing.
- Rising unemployment and job losses are undermining the ability of borrowers to make the payments on the mortgages owned by Minnesota Housing. From March of 2008 to June 2009 (a 15 month period), the percentage of Minnesota Housing's mortgages that are 60 or more days past due doubled, jumping from 3.48 percent to 6.89 percent.
- The mounting volume of mortgage foreclosures across the country has undermined the viability of private mortgage insurance companies. Consequently, their products are currently not a credible option for insuring Minnesota Housing's mortgages.
- The foreclosure crisis is destabilizing neighborhoods across the State and driving down home values. Between 2005 and 2008, the number of sheriff sales in Minnesota increased by nearly 300 percent, and the number of loan delinquencies and new foreclosures filings continue to increase in 2009. Some neighborhoods have experienced dramatic declines in home values, even for homes not involved in a

foreclosure. For example, in North Minneapolis, the median sales price for homes sold outside the foreclosure process dropped by 35 percent between the first quarter of 2008 and the first quarter of 2009.¹

- The FY 2010-2011 State appropriations for Minnesota Housing are 96 percent of the previous biennium's base and do not include \$24.6 million in one-time only funds.
- While Global Insight, the State's economic consulting firm, expects the U.S. economy to start recovering during the third quarter of 2009, they project that the national unemployment rate will remain above 9 percent through 2011.²

There are other important factors in the housing market to consider, such as:

- While Minnesota has the highest homeownership rate (75.2 percent) in the country, it also has the 8th largest gap in the homeownership rate between white, non-Hispanic households and households from communities of color.³
- More and more families are becoming cost burdened by their housing payments. Between 1999 and 2007, the percentage of families spending 30 percent or more of their income on housing jumped from 22 percent to 33 percent. Minnesota's rank among the 50 states in the percentage of cost burdened households jumped from the 43rd highest percentage to the 25th highest.⁴
- The most recent point-in-time estimate of homelessness in Minnesota shows a 4 percent increase between 2007 and 2008. The nation as a whole saw a 1 percent decline. Some of the increase in Minnesota is attributable to the better methodology for counting.

Although Minnesota Housing faces many challenges, it continues to operate a highly effective organization:

- Financially, the Agency is sound. It currently maintains AA+/Aa1 bond ratings from Standard & Poor's and Moody's respectively, with a positive outlook from Standard & Poor's.
- The Agency is achieving its mission. Compared with other states, Minnesota Housing is serving a lower-income population. For example, the Agency ranks number one in the country in mortgage-revenue-bond borrowers with incomes at or below 50 percent of the local area median income.
- The Agency and its partners are securing Federal stimulus resources such as HERA, ARRA, and other housing funding sources as they become available.

MINNESOTA HOUSING'S STRATEGY

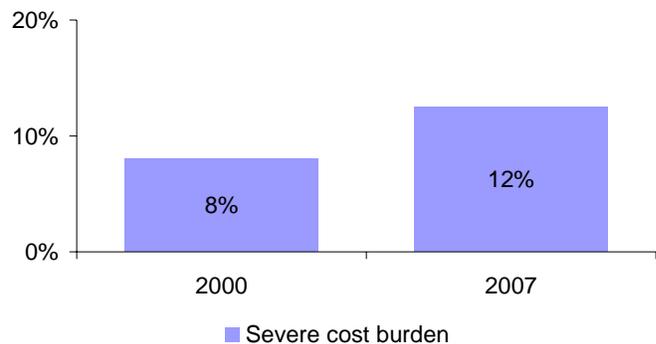
The four key components of Minnesota Housing's Strategic Plan are:

- ★ Invest its resources to address a continuum of affordable housing needs for low- and moderate-income households across the State;
- ★ Manage its resources, which include financial assets, housing knowledge, policy expertise, and relationships so that the Agency can be a sustainable source of investment for addressing current and future affordable housing needs;
- ★ Collaborate with a broad network of delivery and funding partners to maximize the impact of its housing investments; and
- ★ Provide leadership to confront significant housing and community challenges where the investment of its housing resources has the potential to have a substantial positive community impact.

Minnesota's continuum of affordable housing needs

In 2007, one in eight Minnesota households spent more than 50 percent of their income on housing ("a severe housing cost burden").⁵ (See Figure 1.) The number of Minnesota households paying more than 50 percent of their income on housing increased by 127,576 from 1999 to 2007, causing the State's rank to fall from 2nd to 16th lowest in the percentage of severely cost burdened households.⁶ Low and moderate income households with a severe housing cost burden spend roughly 50 percent less on necessities (such as food, clothing, and health care) compared with households with no housing cost burden.⁷ By making their housing more affordable, Minnesota Housing enhances these households' quality of life.

Figure 1: Housing cost burden in Minnesota

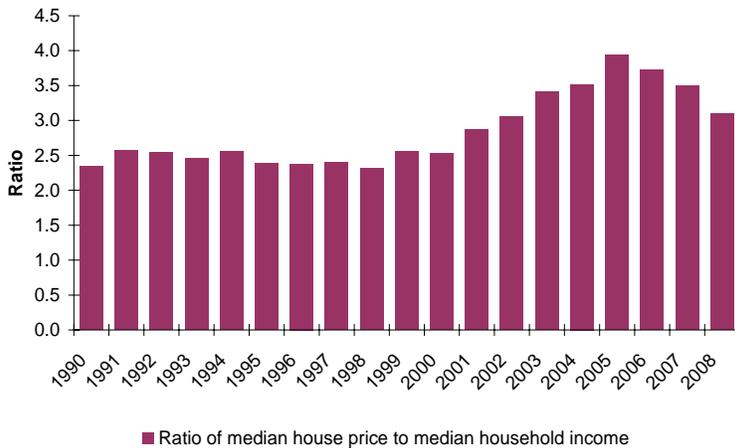


Source: U.S. Census Bureau, Decennial Census, 2000 and American Community Survey, 2007.

Homeownership

Another key indicator of affordable housing need is the ability of lower and moderate income households to achieve homeownership. Although Minnesota has the nation's highest homeownership rate at 75.2 percent, homeownership has become less affordable in Minnesota.⁸ As Figure 2 shows, homeownership became far less affordable during the first part of the current decade with a rising house price-to-

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



Source: Ratio from Joint Center for Housing Studies, Harvard University, State of the Nation's Housing 2009.

income ratio; but since 2005, housing has become more affordable with a declining ratio.⁹ Overall, between 2000 and 2007, the median home price in the Minneapolis-St. Paul metropolitan statistical area has risen faster than the median household income. Median house prices increased by 49 percent from 2000 to 2007 relative to an 18 percent increase in median household income over the same period.^{10,11}

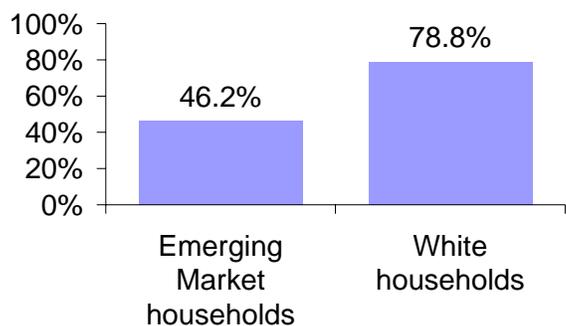
The housing market is in a slump with declining prices, but the economy has been in a deep recession with a very high unemployment rate and wage freezes and cuts. Thus, affordability will continue to be a challenge.

Minnesota Housing provides affordable homeownership opportunities for Minnesotans through below-market-interest-rate mortgages and entry cost assistance to qualified first-time homebuyers. The median household income of first-time homebuyers receiving a mortgage in year 2008 was \$39,781.¹²

Homeownership gap

Despite Minnesota's nation-leading homeownership rate, Minnesota has one of the nation's largest gaps between the white households and households from communities of color (the emerging market for homeownership). In 2007, the emerging market homeownership rate (46.2 percent) lagged the rate for white households (78.8 percent) by 32.6 percentage points.¹³ (See Figure 3.) Minnesota Housing, an original

Figure 3: Homeownership rates, 2007



Source: U.S. Census Bureau, American Community Survey, 2007

co-convener of the Emerging Markets Homeownership Initiative (EMHI), is committed to increasing emerging market homeownership through its own lending programs. For example, the Agency increased its target for emerging market loans from 16.0 percent of loans purchased by the Agency in 2008 to 17.5 percent in 2009. Minnesota Housing has estimated that about 17 percent of households eligible for Agency first mortgage financing are from emerging markets. (For more information on the Emerging Market Homeownership Initiative, visit: www.emhimn.org.) The dramatic increase in foreclosures and the tightening credit market presents a complex challenge for maintaining and increasing emerging market homeownership.

Rental Housing

Many of the people who rent can't afford homeownership. Fifty-nine percent of Minnesota's renting households have income less than \$35,000 or just below the median household income for the Agency's first-time homebuyer mortgage programs.^{14,15} Thirty-five percent are below \$20,000, which makes entering homeownership for the first time very difficult.¹⁶ Of the roughly 290,000 households with incomes below \$35,000 that rent, 71 percent pay more than 30 percent of their income on rent.¹⁷

Minnesota Housing increases rental affordability by providing access to tax-credit equity, amortizing loans, deferred loans, rental assistance, and grants. It uses these tools as an incentive for property owners to create or retain units for low- and moderate-income households. The median income of the 7,800 households residing in properties constructed or rehabilitated with Agency funds was \$13,445 in 2008.¹⁸ The Agency also administers a form of rental assistance through the Section 8 project-based assistance program to 30,108 households to make up the difference between what these low-income households can afford and fair market rents. The median income of these households was less than \$11,000 in 2008.¹⁹

Homelessness

Individuals and households with no permanent housing, people experiencing short and long-term homelessness, have the greatest housing need. Based on its 2006 Homelessness Survey, the Wilder Research Center estimates that there are at least 2,500 adults in Minnesota experiencing long-term homelessness.^{20,21} In 2004, Minnesota Housing worked with other State agencies and a broad-based working group to develop the State's Business Plan to End Long-Term Homelessness by 2010. Five years into that plan, Minnesota Housing has committed funds to 2,492 units or vouchers on the path to developing 4,000 new permanent supportive housing opportunities for the long-term homelessness. (For more information on the State's Business Plan to End Long-Term Homelessness, visit www.mnhousing.gov.)

Statewide need, statewide presence

Minnesota Housing serves the entire State. In program year 2008, Minnesota Housing’s single-family and multifamily programs served first-time homebuyers, homeowners, and renters in all 87 Minnesota Counties. The Agency makes every effort to ensure that its resources are allocated across the State proportionate to housing need. (See Figures 4 and 5.)

Figure 4: Distribution of households assisted with Minnesota Housing, Program Year 2008

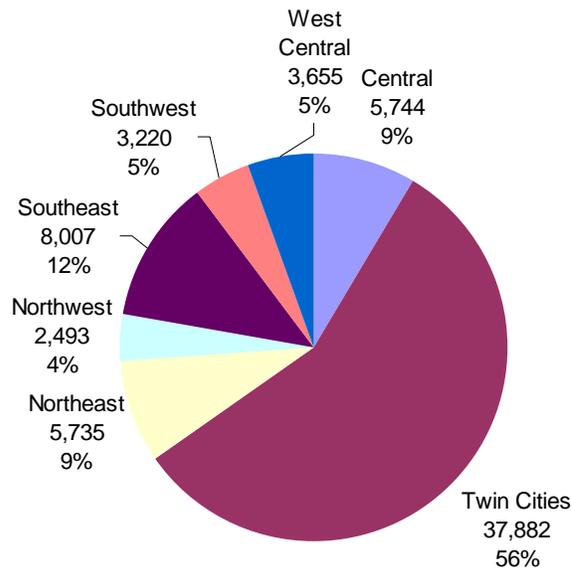
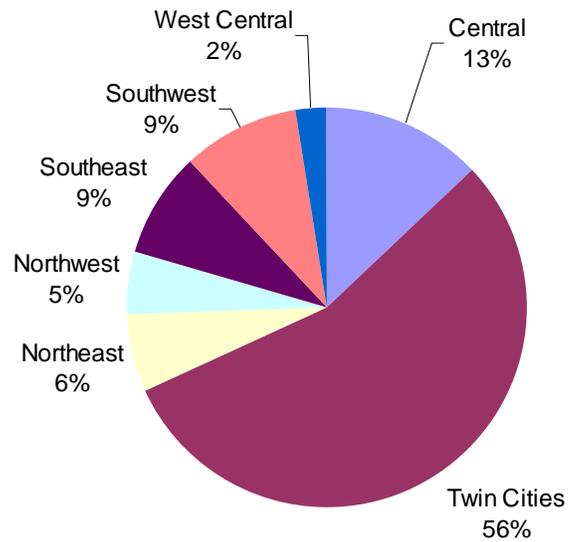


Figure 5: Share of households estimated to be eligible for assistance



A sustainable source of investment

Minnesota Housing is committed to remaining a sustainable source of investment for affordable housing in Minnesota. This Affordable Housing Plan is consistent with the Agency’s financial policies that allow the Agency to continue to invest in investment-quality loans, low- or no-interest deferred loans and grants by creating a sustainable resource to finance affordable housing for the long term.

Based on conservative earnings expectations, the Agency will be able to sustain this level of commitment of Agency resources for the foreseeable future.

A broad network of valued partners

Minnesota Housing collaborates with a range of delivery, funding, community, and policy partners to achieve its mission. As a primary financier of affordable housing, the Agency plays a leadership role in a strong network of partners from the private, public, philanthropic, and non-profit sectors. Critical partners include: non-profit and for-profit developers, non-profit housing intermediaries, faith based organizations, the

Metropolitan Council, and all levels of government (Federal, State, county, and local). Together, these organizations coordinate and leverage their resources to address the entire continuum of affordable housing needs in Minnesota. This results-oriented network has been the steward of the State’s long-term and bipartisan commitment to create housing opportunities for low and moderate income people.

The Federal government is a key partner of Minnesota Housing and has committed nearly \$1.32 billion in housing resources in 2009 to Minnesota through appropriations and tax benefits. (See Table 1.) While a portion of these resources flowed through Minnesota Housing – as tax-exempt bonding authority, Housing Tax Credit allocations, Section 8 Housing Assistance Payments, and the State appropriated of the HOME dollars – the U.S. Department of Housing and Urban Development (HUD) directly manages significant portions of these investments. Twenty-one thousand units of public housing, funded by HUD, but managed by local public housing agencies, complement Minnesota Housing’s own rental housing loan portfolio.

Table 1: Total Federal commitment to housing in Minnesota, 2009

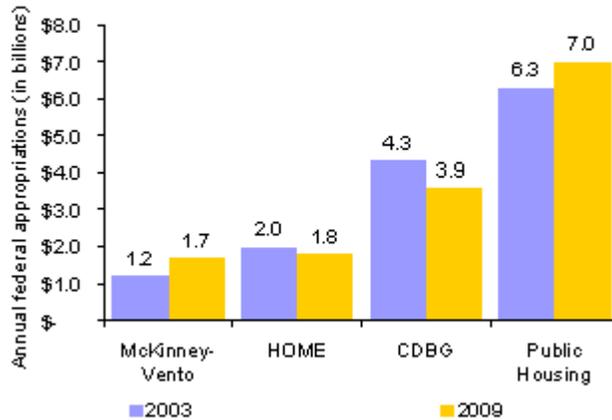
Program or Program Activity	Amount \$ (in millions)
Housing Tax Credits ²²	\$ 11.4
Tax-exempt bonding authority (new)	263.6
HOME	22.9
Community Development Block Grant (CDBG)	57.4
Rental Housing (Section 8 and public housing) *	426.4
Homeless Assistance (McKinney-Vento and HOPWA)	26.4
HUD Section 202 and 811 (elderly and disabled)	15.2
Rural Housing Services (loans, grants, rental assistance)	303.0
Neighborhood Stabilization Program (NSP)	57.8
American Recovery and Reinvestment Act	135.8
Total	\$1,319.9

*Estimate

After years of declining commitment to affordable rental housing, the Obama Administration has offered a budget that renews and strengthens HUD’s commitment. Public housing capital funds are recommended for increase. The proposed budget recognizes the need to incent Section 8 owners to not opt out of the program by fully funding the program. A major bill to preserve the assisted housing stock is progressing through Congress. The budget increases funding for the Housing Choice voucher program; hopefully the era of falling numbers of vouchers in use is over.

Given the new Federal leadership and the opportunity it creates, Minnesota Housing will work with its partners, nationally and locally, to promote housing policies to better address housing needs in Minnesota. (See Figure 6.)

Figure 6: Federal appropriations to affordable housing (nationwide)



Local governments are another key partner in affordable housing. Some manage their own allocations of Federal resources, some allocate Housing Tax Credits, some have local tax levies to support affordable housing, many have Housing and Redevelopment Authorities, and all are interested in ensuring an adequate and appropriate supply of affordable housing in their communities.

Minnesota Housing is committed to working well with local

governments to achieve their housing goals while leveraging broader community impact. Minnesota Housing collaborated with the Metropolitan Council and the Family Housing Fund to develop an initiative to provide loan funds to help communities meet affordable housing needs through the acquisition of land along and near transportation corridors for future development that includes affordable housing. The Regional Council of Mayors identified the lack of such funding as a barrier to the development of affordable housing.

Confronting significant housing and community challenges.

The Spring 2009 flooding in the Red River Valley is a prime example of how Minnesota Housing responds to community crisis. Assisted rental property vacancies in the area were identified immediately for those displaced by the flooding. A flood recovery program for homeowners was in place and accepting applications shortly after the State legislature appropriated funding. Outreach to affected homeowners continues. Agency staff also participated in the interagency Recovery Task Force that coordinates the various State Agency’s recovery efforts.

THE STRATEGIC PRIORITIES OF MINNESOTA HOUSING

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

- ★ Financing new affordable housing opportunities;
- ★ Preserving existing affordable housing;
- ★ Ending long-term homelessness; and
- ★ Increasing emerging market homeownership.
- ★ Addressing the foreclosure crisis through prevention and recovery

This section outlines how the programmatic investments described in this Plan support Minnesota Housing's strategy and strategic priorities. As outlined in the program descriptions in Tab F of this Plan, most of the Agency's programs support more than one strategic priority – e.g., many housing development programs can support rehabilitation and preservation of existing affordable housing ("Preserving existing affordable housing") or the construction of new affordable housing ("Financing new affordable housing opportunities"). Figure 7 and Table 2 show the estimated distribution by strategic priority of resources under the 2010-2011 Plan that can be associated with strategic priorities. Figure 8 shows the estimated distribution of those resources in the 2010-2011 Plan over which the Agency has more discretion to direct to specific priorities. Table 3 displays resources that can be associated with strategic priorities by program.

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

Figure 7: Estimated distribution of 2010-2011 Plan resources (\$1.4 billion) by strategic priority

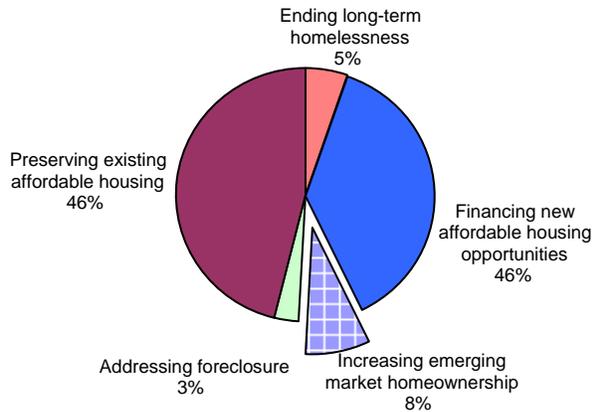


Figure 8: Estimated distribution of discretionary 2010-2011 Plan resources (\$1.7 billion) by strategic priority

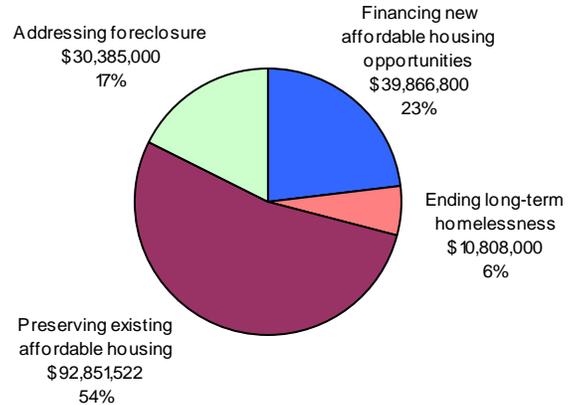


Table 2: Estimated distribution of 2010-2011 Plan resources by strategic priority

Strategic Priority	Amount	Percent of total
Financing new affordable housing opportunities	\$633,239,303	45.3%
<i>(Increasing emerging market homeownership)</i>	<i>(\$112,840,590)</i>	<i>(8.1%)</i>
Preserving existing affordable housing	\$642,083,690	46.0%
Ending long-term homelessness	\$74,974,613	5.4%
Addressing foreclosure	\$46,014,506	3.3%
Total	\$1,396,312,112	100%

NOTE: Total excludes \$198,000 in new activity in Federal Special Projects, a program in run-off, and \$6,087,530 in activities that cannot be allocated to a specific strategic goal (Administrative Expenses under HOME, Capacity-Building Grant Program, and the Technical Assistance Fund). Resources included in the column entitled "Increasing Emerging Market Homeownership" are a duplication of resources included in the "Financing New Affordable Housing Opportunities" column and are not included in the totals.

FINAL NEW ACTIVITY TAB B

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

	Financing new affordable housing opportunities	<i>Increasing emerging market homeownership</i>	Ending long- term homelessness	Preserving existing affordable housing	Addressing foreclosure	Total
Affordable Rental Investment Fund – Preservation (PARIF)			\$1,895,369	\$17,058,324		\$18,953,693
Asset Management				\$23,000,000		\$23,000,000
Asset Management Financing Adjustment Factor (FAF)/Financing Adjustment (FA)				\$8,500,000		\$8,500,000
Bridges	\$5,384,941					\$5,384,941
Contract Administration				\$190,000,000		\$190,000,000
Disaster Relief Contingency Fund				\$475,664		\$475,664
Economic Development and Housing Challenge	\$2,934,705			\$25,663,816	\$34,099,506	\$62,698,027
Ending Long-Term Homelessness Initiative Fund (ELHIF)			\$6,300,000	\$1,200,000		\$7,500,000
Family Homeless Prevention and Assistance Program (FHPAP)			\$14,930,290			\$14,930,290
Fix-Up Fund				\$53,150,000		\$53,150,000
Flexible Financing for Capital Costs (FFCC)	\$1,620,000		\$988,000	\$5,922,000		\$8,530,000
Flood Economic Development and Housing Challenge				\$2,700,000		\$2,700,000
Habitat for Humanity	\$4,000,000	\$3,010,000				\$4,000,000
HOME HELP	\$3,780,000	\$3,386,000			\$4,095,000	\$7,875,000
Homeownership Assistance Fund (HAF)	\$8,420,595	\$2,694,590				\$8,420,595
Homeownership Education, Counseling and Training (HECAT)	\$2,252,793				\$1,200,000	\$3,452,793
Homeownership Opportunity Program					\$5,320,000	\$5,320,000

FINAL NEW ACTIVITY TAB B

	Financing new affordable housing opportunities	<i>Increasing emerging market homeownership</i>	Ending long- term homelessness	Preserving existing affordable housing	Addressing foreclosure	Total
Housing Opportunities for Persons with AIDS (HOPWA)			\$249,050			\$249,050
Housing Tax Credits (HTC)	\$31,903,580			\$59,249,506		\$91,153,086
Housing Trust Fund (HTF)	\$442,689		\$45,411,904	\$11,400,000		\$57,254,593
HUD Section 236 Program				\$3,250,000		\$3,250,000
HUD Section 8 Program				\$150,000,000		\$150,000,000
Low and Moderate Income Rental (LMIR)	\$8,100,000		\$4,200,000	\$59,700,000		\$72,000,000
Manufactured Home Relocation Trust Fund				\$476,479		\$476,479
Minnesota Mortgage Program (MMP)	\$557,500,000	\$103,750,000				\$557,500,000
Non-profit Capacity Building Revolving Loans	\$1,000,000		\$1,000,000	\$2,320,000		\$4,320,000
Publicly-Owned Housing Program (POHP)				\$2,000,000		\$2,000,000
Rehabilitation Loan Program				\$11,122,022		\$11,122,022
Rental Rehabilitation Loans				\$14,095,879		\$14,095,879
Single Family Interim Lending	\$5,900,000			\$800,000	\$1,300,000	\$8,000,000
<i>Total by strategic priority</i>	\$633,239,303	\$112,840,590	\$74,974,613	\$642,083,690	\$46,014,506	\$1,396,312,112

Note: Total excludes \$6,285,530 in activities that cannot be allocated to a specific strategic goal (administrative expenses under HOME, Capacity Building Grants, Federal Special Projects, and the Technical Assistance Fund. Resources included in the column entitled "Increasing Emerging Market Homeownership" are a duplication of resources included in the "Financing New Affordable Housing Opportunities" column and are not included in the totals.

Under the Minnesota Housing strategy management system, the Agency is tracking its performance relative to targets and projections established for each of its strategic priorities. The results of the balanced scorecard are presented to the Board semi-annually.

This Plan increases funding for the Minnesota Mortgage Program as compared to expected actual performance during the 2008-2009 Plan period from \$460 million to \$557 million. The projection assumes an improvement in bond market conditions.

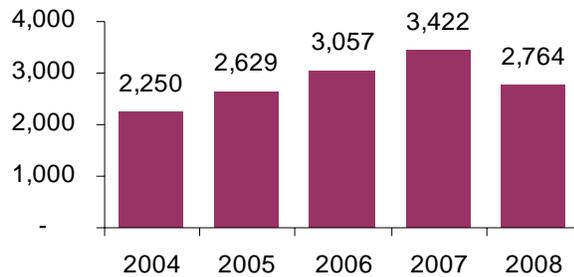
Financing new affordable housing opportunities

Minnesota Housing finances new affordable housing opportunities by assisting first-time homebuyers and by making loans and grants to support new construction and acquisition/ rehabilitation of new affordable housing opportunities, both multifamily rental and owner-occupied. This Affordable Housing Plan proposes a potential allocation of \$630 million toward financing new affordable housing opportunities.²³

Mortgage and entry-cost assistance for first-time homebuyers

To assist first-time homebuyers, Minnesota Housing provides a secondary market for below-market-rate mortgages for first-time homebuyers through the Minnesota Mortgage Program. Using primarily tax-exempt bonds, Minnesota Housing has traditionally offered first-time homebuyers below-market interest rates, allowing buyers who meet Minnesota Housing’s income requirements to make lower monthly payments. In the current climate, the interest rate on Minnesota Housing mortgages exceeds the market. We expect our interest rates to be more competitive as the bond market corrects itself. Additionally, HOME HELP and the Homeownership Assistance Fund (HAF) provide additional entry-cost assistance to increase the ability of customers to qualify for a mortgage. (See Figure 8.)

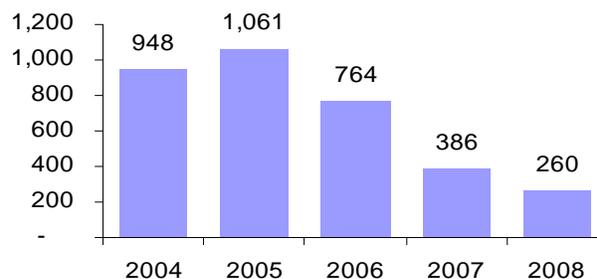
Figure 9: Number of first-time homebuyers receiving mortgage assistance from Minnesota Housing



Construction and other new affordable housing opportunities

Minnesota Housing finances new construction and other new affordable homeownership opportunities through the Community Revitalization Fund (CRV), Habitat for Humanity Initiative, Tribal Indian Housing Program, and other programs. (See Figure 9.) The elimination of the ECHO program (down payment and entry cost assistance combined with a non-Minnesota Housing financed mortgage) and the larger amounts of gap financing needed, have reduced the number of affordable housing opportunities that Minnesota Housing is funding in this category.

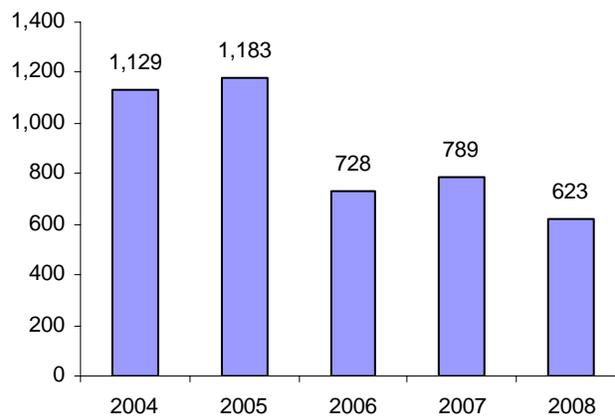
Figure 10: Number of new homeownership opportunities financed by Minnesota Housing other than mortgage assistance



The Agency also supports construction of new affordable rental housing – including the conversion and adaptive reuse of non-residential structures to rental housing – through a

number of programs, including the Economic Development and Housing Challenge Fund, Housing Tax Credits, and the Low and Moderate Income Rental Program. (See Figure 10.) Private market terms that were more favorable than those offered by the Agency resulted in Minnesota Housing financing more preservation than new construction of rental housing. In addition, economic and market conditions have limited the Agency's ability to use housing tax credits to finance rental projects. Despite these constraints, Minnesota Housing continues to finance a sizeable number of new housing opportunities.

Figure 11: Number of new construction rental housing units financed by Minnesota Housing



Preserving existing affordable housing

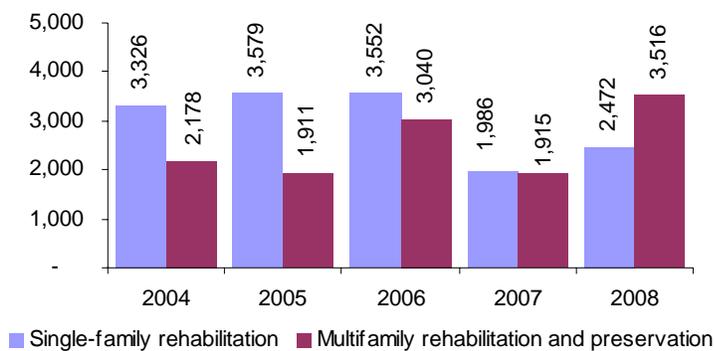
Preserving existing affordable housing, both rental and owner-occupied, is often the most cost-effective and environmentally sound way to ensure an ongoing supply of affordable housing. There are two ways the Agency preserves housing, through rehabilitation and by extending the commitment to affordability under Federal programs.

Rehabilitation of owner-occupied housing

To preserve single-family housing, the Agency finances developers to rehabilitate owner-occupied affordable housing through the Economic Development and Housing Challenge Fund. The Agency also purchases loans through the Fix-Up Fund and Rehabilitation Loan program to help homeowners improve their homes. The Agency is collaborating with the Department of Commerce to couple Federal energy

conservation funds with the Agency’s home improvement loan program – the Fix-Up Fund – to incent homeowners to make energy conservation improvements. It is expected that this incentive will increase production under the Fix-Up Fund. (See Figure 11.) Market conditions and program changes contributed to a decrease in home improvement loan applications, and 2007 flood relief activity in Southeastern Minnesota caused a temporary spike in 2008.

Figure 12: Number of affordable housing units preserved or rehabilitated with funding from Minnesota Housing



Preservation and rehabilitation of rental housing

Approximately 75,000 multi-family units have received or currently receive (Federal or State) assistance to keep them affordable.

The Agency administers \$340 million in Federal housing assistance to preserve the affordability and livability of 30,000 federally assisted units. An additional 170,000 units receive no direct government assistance but provide affordable rental housing opportunities. Retaining the affordability of these units by averting market rate conversions or loss due to physical deterioration is an Agency priority. (See Figure 11.)

Minnesota Housing also preserves affordable housing by carefully managing the Agency’s own portfolio of more than 300 Agency-financed affordable housing developments and administering project-based Section 8 developments. The Agency applies Asset Management, Financing Adjustment Factor (FAF), and Financing Adjustment (FA) funds to refinance loans, address deferred maintenance, rehabilitate properties, and provide operating subsidies to ensure

developments are decent and safe and to protect the Agency's assets.

As an administrator of Section 8-financed developments, Minnesota Housing helps ensure that these properties remain both financially viable and physically decent and that Federal rental assistance continues to support low-income Minnesota households. As a quality administrator, the Agency performs management and occupancy reviews, processes contract renewals and monthly payment vouchers, and follows up on physical inspections.

Ending long-term homelessness

This Affordable Housing Plan is the fourth Plan to demonstrate the Minnesota Housing commitment to the Business Plan to End Long-Term Homelessness.

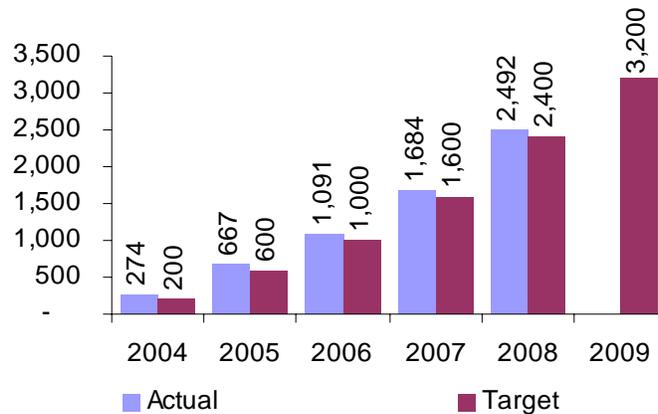
Minnesota Housing is one of the key actors in efforts to end long-term homelessness along with sister State agencies: Department of Human Services, Department of Corrections, and Department of Employment and Economic Development, as well as the State and regional Heading Home organizations.

The Agency uses multiple strategies to help achieve the State's Business Plan to End Long-Term Homelessness. These include providing funds to: (1) develop new rental housing, (2) acquire and rehabilitate existing rental housing, (3) support tenant-based and project-based rental assistance, and (4) grant operating subsidies.

Given the difficult economic environment and challenges of securing services funding, Minnesota Housing will finance fewer new supportive housing units than in the last biennium, but the Agency will maintain the momentum to achieve the long-term goal of creating 4,000 new housing opportunities for long-term homeless people. The Agency expects to add 300 units on top of the 2,492 units that are already underway or developed. (See Figure 12.)

Beyond project financing, Minnesota Housing is also committing time and talent to maintain the momentum of the business plan. For example, the Agency provides funding to support the Homeless Management Information System HMIS (a tracking system to capture the results of this work) and planning processes. A number of State agencies, including Minnesota Housing, will help fund the Wilder Center Survey of Homelessness in Minnesota, which occurs every two years.

Figure 13: Cumulative number of supportive housing opportunities funded for people experiencing long-term homelessness



As part of our efforts to minimize homelessness, in January 2009, the Agency made \$1.5 million available for temporary rental assistance (24 months) for families who are newly homeless. Those funds are intended to quickly move families with school age children out of shelters and into permanent housing.

The programs that address long-term homelessness include the Family Homeless Prevention and Assistance Program (FHPAP), which provides short-term cash assistance for services and housing to prevent and minimize homelessness; Bridges, a rental assistance program for people with mental illness; the Housing Opportunities for Persons with AIDS (HOPWA) program; and the Housing Trust Fund (HTF) that funds capital costs, rental assistance and operating subsidies. Additional resources for this effort include Pool 3 resources for the Ending Long-Term Homelessness Fund and proceeds from non-profit housing bonds.

Increasing emerging market homeownership

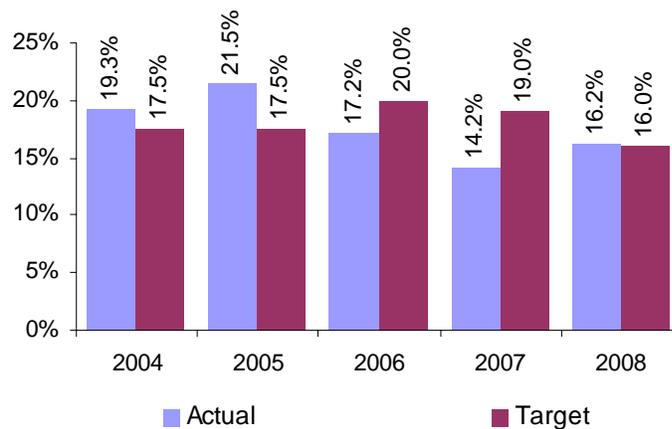
All of the resources used to support first-time homebuyers also benefit first-time homebuyers from emerging markets. To the degree that the Agency’s strategic efforts to increase production to emerging markets are successful, more resources will benefit emerging market households.

Changes in the market for first mortgages – particularly the collapse of the subprime lending market and the rise in foreclosures – have particularly affected first-time homebuyers from emerging markets. With its focus on sustainable long-term homeownership, the Agency provides a responsible alternative to subprime lending to low- and moderate- income households.

Minnesota Housing continues to support initiatives to increase its production of mortgages for emerging markets. These efforts include: (1) advertising efforts targeted toward emerging markets, (2) creating a mortgage broker pilot, and (3) establishing a profit-based (rather than an interest-based) mortgage product for homebuyers whose religious faith prohibits interest-based borrowing. (See Figure 13.)

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

Figure 14: Percent emerging market households among Minnesota Housing mortgages



In this Affordable Housing Plan, Minnesota Housing is using Federal HOME resources to provide additional entry cost assistance through the HOME HELP program. The program goals are to assist more emerging market households to enter homeownership.

Foreclosures

Minnesota Housing responds to confront significant housing and community challenges. For example, Minnesota Housing, in cooperation with its partners, is responding to the large number of foreclosures occurring in many parts of the State. According to data from HousingLink, the number of sheriff sales statewide increased nearly 300 percent between 2005 and 2008.²⁴ While foreclosure most dramatically affects the borrower losing a home, it has negative impacts on entire neighborhoods. Concentrations of foreclosures create blight and contribute to a rapid decline in home prices. Using Federal, State, and Agency resources, Minnesota Housing has supported foreclosure-prevention counseling and foreclosure-remediation assistance through a partnership with the

Minnesota Home Ownership Center, the Family Housing Fund, the Greater Minnesota Housing Fund, local communities, and others.

Between October, 2006 and July, 2009 Minnesota Housing committed \$12.3 million for foreclosure prevention activities and \$70.6 million for foreclosure remediation activities.

In response to the foreclosure crisis, Minnesota Housing has committed \$82.7 million since October, 2006 to assist with the foreclosure prevention and neighborhood remediation efforts. Of the \$82.7 million, \$38 million is from the Neighborhood Stabilization Program (NSP) funding that the Agency allocated through partnerships with local governments throughout the State, \$8.8 million is from the National Foreclosure Mitigation Counseling Program and \$3.4 million is from the Federal HOME program to provide down payment assistance for the purchase of foreclosed homes. The balance is from State appropriations and Agency resources. Agency resources of \$26 million are being utilized for a strategic land acquisition program in foreclosure impact areas, a new community land bank and an acquisition and rehabilitation initiative. State appropriations totaling \$2.4 million have been used for remediation activities. The Minnesota Housing Board adopted a temporary priority under the Challenge Program for foreclosure recovery efforts. These investments are critical to helping jumpstart the recovery of neighborhoods most severely impacted by the foreclosure crisis.

NEXT STEPS FOR PROGRAM DEVELOPMENT AND REFINEMENT

Part of the development process for the Affordable Housing Plan was a brainstorming session to identify activities that could be funded from Pools 2 & 3 or HOME funds to help meet our strategic priorities and respond to the current housing and economic environment. All of the activities the Agency currently engages in were reaffirmed in the brainstorming session as important to meeting our strategic priorities. Some intriguing new concepts were suggested as well as enhancements to on-going activities.

The schedule for completing the AHP was not amendable to a full exploration and development of the new ideas identified below. It is our intention to delve into the new approaches listed below over the next 6-9 months. Additional funds are expected to be added to the budget as tax credit projects are re-underwritten with Federal stimulus money. An examination of "stale" commitments may also free up additional funds for new activities or approaches. As ideas are more fully developed, amendments to the AHP may be recommended.

- 1) **Focusing Resources for Community Impact.**
We are committed to promoting and supporting development/redevelopment plans that recognize the interaction between housing development/land use decisions and transportation needs and costs, energy and water conservation and community and economic viability. The Agency will improve efforts to make connect with local, targeted development/redevelopment plans. We will explore additional ways to focus our resources for greater impact.
- 2) **Foreclosure Prevention.**
A portion of homeowners with Minnesota Housing first mortgages may face stresses on their household budgets due to a loss of a second job or reduction in hours or overtime or commissions. A temporary modification of our borrower's loans might help preserve the homeownership for these households. We will explore potential aids for households caught in a temporary bind such as monthly assistance for a few years until the economic situation stabilizes.
- 3) **Refinancing/Foreclosure Prevention.**
Until the foreclosure crisis has diminished, the Agency needs to continue to explore refinancing options. Other HFAs have offered refinancing products but have not had much demand for the product. ARM resets are a growing issue and threaten to add to the foreclosure crisis.
- 4) **Green Housing.**
Minnesota Housing has incorporated green housing criteria into our normal course of business. Collaboration with the Department of Commerce is resulting in increased coordination between energy and conservation resources and Agency resources. We will consider the next steps we should take to promote green housing. Possibilities include an emphasis on renewable, promoting more experimental technologies, and expanding the amounts of Federal energy conservation resources dedicated to residential buildings. A by-product of these efforts will be an increased demand for workers in green jobs.
- 5) **Homelessness Prevention/Housing Affordability.**
As unemployment increases, even normally affordable housing becomes unaffordable and the risk of homelessness increases. One way to prevent long-term homeless and to stave off homelessness is through the provision of short term rental assistance (24 months or less). We will examine the opportunities and barriers to using HOME funds in particular to address housing affordability issues and to assist newly homeless households.
- 6) **Homelessness Prevention/ Supportive Housing.** The Department of Human Services (DHS) is working on a couple of projects to discharge persons with

mental illness from the State hospital into an appropriate community setting. For some individuals scattered site housing would not be appropriate. DHS would provide the funding for the necessary supportive services so that residents could successfully remain in the community. In the event that DHS is able to secure the services funding, Minnesota Housing will consider making rental assistance available for the residents of these projects.

7) **Employer Assisted Housing.**

The Regional Council of Mayors has identified employer assisted housing as an issue of interest, in order to make housing more affordable, to strengthen their communities, and as a way of promoting the connections between housing, transportation, and climate change. Successful employer assisted housing efforts have frequently involved a government-funded component so that employers see their money leveraging government money. Minnesota Housing will explore mechanisms to support employer assisted housing initiatives.

8) **Rental Housing Preservation.**

Most of the Agency's rental housing preservation efforts are targeted towards already assisted housing. The Agency may be able to offer financing terms and conditions to assist with rehabilitation needs that bring non-assisted rental housing into the affordable realm or secure affordability for the long term.

9) **Fix-Up Fund Refinement.**

There is a segment of the homeowner population that is served by neither the Fix-Up Fund nor the Rehabilitation Loan program and does not have access to affordable financing for home improvements. (The group is between the median income of the Fix-Up Fund of \$59,000 and the Rehabilitation Loan program of \$21,000). Some combination of grant and loan funds might help us provide that segment of the population with a viable financing product so they can make necessary repairs and improvements to their homes.

10) **Bond Resolution Protection.**

The Agency is committed to policies that support strong communities. Increasingly in the last year we were faced with the dilemma of accepting an offer from an investor on an REO property versus accepting a lower offer from a future resident of the REO property. The Agency has opted to accept the lower offer to encourage homeownership over investor ownership. We will consider whether we should repay the bond resolutions for the lost sale proceeds in those situations.

11) **Organizational Support.**

Our non-profit and community-based developer partners are key players in the provision of affordable housing. As philanthropic funding for organizational

support declines and less revenue generating opportunities appear for the non-profit developers, the Agency will need to be clearer about its role and the resources it can bring to the table for organizational support.

12) **Technical Assistance.**

As new strategies are considered, the Agency, our delivering partners and awardees may need technical assistance to bring concepts to reality.

CONCLUSION

Minnesota Housing is proud of the commitments that it is making in this Affordable Housing Plan to support its mission of financing and advancing affordable housing opportunities for low- and moderate-income Minnesotans to enhance quality of life and foster strong communities. This Plan invests \$1.4 billion over two years to advance the Agency's five strategic priorities:

- ★ Financing new affordable housing opportunities;
- ★ Preserving existing affordable housing;
- ★ Ending long-term homelessness; and
- ★ Increasing emerging market homeownership.
- ★ Addressing the foreclosure crisis through prevention and recovery

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

NOTE: All tables of numbers presented estimate only new activity over the period of this 2010-2011 Affordable Housing Plan and do not include carry-forward from the 2008-2009 Affordable Housing Plan.

¹ Minneapolis Area Association of Realtors, *Foreclosures and Short Sales in the Twin Cities Housing Market: Q1 2009 Update*; <http://www.mplsrealtor.com/downloads/market/Lender-Mediated/Main.htm>; accessed July 15, 2009.

² Global Insight forecast data provided by Minnesota Management and Budget, July 2009.

³ U.S. Census Bureau, American Community Survey 2007.

⁴ U.S. Census Bureau, Decennial Census 2000 and American Community Survey 2007.

⁵ U.S. Census Bureau, American Community Survey 2007.

⁶ U.S. Census Bureau, Decennial Census 2000 and American Community Survey 2007.

⁷ Joint Center on Housing Studies, Harvard University, *State of the Nation's Housing 2009*. These data come from the JCHS's tabulations of the 2007 Consumer Expenditure Survey. These are national data.

⁸ U.S. Census Bureau, American Community Survey 2007.

⁹ Joint Center on Housing Studies, Harvard University, *State of the Nation's Housing 2009*.

¹⁰ U.S. Census Bureau, Decennial Census 2000 and American Community Survey 2007.

¹¹ Certificate of Real Estate Value, Department of Revenue, analysis by Minnesota Housing.

¹² Represents households assisted through CASA and MMP.

¹³ U.S. Census Bureau, American Community Survey 2007.

¹⁴ U.S. Census Bureau, American Community Survey 2007.

¹⁵ Minnesota Housing, *Housing Assistance in Minnesota Program Assessment: October 1, 2007 – September 30, 2008*.

¹⁶ U.S. Census Bureau, American Community Survey 2007.

¹⁷ U.S. Census Bureau, American Community Survey 2007.

¹⁸ Program year 2008 (October 1, 2007 through September 30, 2008) data for households occupying units in developments assisted by Affordable Rental Investment Fund- Preservation (PARIF), Economic Development and Housing Challenge, Ending Long-Term Homelessness, HOME Rental Rehabilitation, Housing Trust Fund, Low and Moderate Income Rental, Publicly Owned Rental Housing, Rental Rehabilitation, and Housing Tax Credits.

¹⁹ Program year 2008 (October 1, 2007 through September 30, 2008) data for households receiving rental assistance funded through Section 8 PBCA, Section 8 Minnesota Housing, Bridges, and Housing Trust Fund Rental Assistance.

²⁰ Wilder Foundation, *Overview of homelessness in Minnesota 2006*, April 2007 (available at www.wilderresearch.org).

²¹ Minnesota Housing, www.mnhousing.gov/initiatives/index.aspx.

²² The nominal amount of Housing Tax Credits considerably understates the resultant equity as the nominal amount of credit is paid each year for ten years, discounted based on market conditions.

²³ Includes resources to increase emerging market homeownership, but excludes resources devoted solely to ending long-term homelessness.

²⁴ HousingLink, *Minnesota Foreclosure Supplement Report*, February 2009 (available at www.housinglink.org).

Affordable Housing Plan
October 1, 2009 through September 30, 2011

FINAL NEW ACTIVITY TAB C

A	B	C	D	E	F	G	H	I
							DRAFT	
	Federal Resources	State Appropriations	Bond Proceeds	Housing Investment Fund (Pool 2)	Housing Affordability Fund (Pool 3/ foundation)	Total	Estimated Outstanding Commitments/ Selections/Fees at 9/30/09	Estimated New Activity- Production
HOMEOWNERSHIP								
Production:								
1 Fix Up Fund	7,650,000	-	-	46,358,842	-	54,008,842	858,842	53,150,000
2 Habitat for Humanity Initiative	-	-	-	2,000,000	2,000,000	4,000,000	-	4,000,000
3 HOME Homeowner Entry Loan Program (HELP)	9,613,874	-	-	-	-	9,613,874	1,738,874	7,875,000
4 Homeownership Assistance Fund (HAF)	-	4,102,575	-	-	4,998,027	9,100,602	680,007	8,420,595
5 Homeownership Education, Counseling, Training Fund (HECAT)	1,542,507	4,061,263	-	-	-	5,603,770	2,150,977	3,452,793
6 Homeownership Opportunity Program (HOP)	-	-	-	5,000,000	320,000	5,320,000	-	5,320,000
7 Manufactured Home Relocation Trust Fund	-	476,479	-	-	-	476,479	-	476,479
8 Minnesota Mortgage Program (MMP) (1)	-	-	550,000,000	7,500,000	-	557,500,000	-	557,500,000
9 Rehabilitation Loan Program	9,622,022	4,322,057	-	-	-	13,944,079	2,822,057	11,122,022
10 Single Family Interim Lending	-	1,000,000	-	-	7,000,000	8,000,000	-	8,000,000
Homeownership in Run-off:								
11 Minnesota Urban and Rural Homesteading Program (MURL)	20,000	-	-	-	1,015,273	1,035,273	1,035,273	-
HOMEOWNERSHIP Totals	28,448,403	13,962,374	550,000,000	60,858,842	15,333,300	668,602,919	9,286,030	659,316,889

Affordable Housing Plan
October 1, 2009 through September 30, 2011

FINAL NEW ACTIVITY TAB C

A	B	C	D	E	F	G	H	I
	Federal Resources	State Appropriations	Bond Proceeds	Housing Investment Fund (Pool 2)	Housing Affordability Fund (Pool 3/ foundation)	Total	DRAFT Estimated Outstanding Commitments/ Selections/Fees at 9/30/09	Estimated New Activity-Production
RENTAL								
Production:								
12 Affordable Rental Investment Fund - Preservation (PARIF)	-	35,645,760	-	-	-	35,645,760	16,692,067	18,953,693
13 Bridges	-	5,611,178	-	-	-	5,611,178	226,237	5,384,941
14 Ending Long-Term Homelessness Initiative Fund (ELHIF)	-	-	-	-	27,237,553	27,237,553	19,737,553	7,500,000
15 Family Homeless Prevention & Assistance Program (FHPAP)	-	14,985,290	-	-	-	14,985,290	55,000	14,930,290
16 Flexible Financing for Capital Costs (FFCC)	-	-	-	-	13,208,340	13,208,340	4,678,340	8,530,000
17 Housing Opportunities for Persons with AIDS (HOPWA)	417,034	-	-	-	-	417,034	167,984	249,050
18 Housing Tax Credit Program	74,903,086	-	-	16,250,000	-	91,153,086	-	91,153,086
19 Housing Trust Fund Regular Program (HTF)	-	45,612,450	30,000,000	-	-	75,612,450	18,357,857	57,254,593
20 Low and Moderate Income Rental Program (LMIR)	-	-	30,000,000	67,093,574	-	97,093,574	25,093,574	72,000,000
21 Nonprofit Capacity Building Revolving Loan Program	-	-	-	-	4,320,000	4,320,000	-	4,320,000
22 Publicly Owned Housing Program (POHP)	-	18,670,719	-	-	-	18,670,719	16,670,719	2,000,000
23 Rental Rehabilitation Loan Program	12,013,203	11,595,879	-	2,546,397	-	26,155,479	12,059,600	14,095,879
Rental in Run-off:								
24 Federal Special Projects	198,000	-	-	-	-	198,000	-	198,000
Totals, Rental Production	87,531,323	132,121,276	60,000,000	85,889,971	44,765,893	410,308,463	113,738,931	296,569,532
Portfolio Management:								
25 Asset Management.	7,700,000	-	8,000,000	-	10,198,228	25,898,228	2,898,228	23,000,000
26 Asset Management - FAF/FA	11,313,468	-	-	-	-	11,313,468	2,813,468	8,500,000
27 Contract Administration	190,000,000	-	-	-	-	190,000,000	-	190,000,000
28 HUD Section 236 Program	3,250,000	-	-	-	-	3,250,000	-	3,250,000
29 HUD Section 8 Program	150,000,000	-	-	-	-	150,000,000	-	150,000,000
Totals, Rental Portfolio Management	362,263,468	-	8,000,000	-	10,198,228	380,461,696	5,711,696	374,750,000
Totals, RENTAL Production and Portfolio Management	449,794,791	132,121,276	68,000,000	85,889,971	54,964,121	790,770,159	119,450,627	671,319,532

Affordable Housing Plan
October 1, 2009 through September 30, 2011

FINAL NEW ACTIVITY TAB C

A	B	C	D	E	F	G	H	I
	Federal Resources	State Appropriations	Bond Proceeds	Housing Investment Fund (Pool 2)	Housing Affordability Fund (Pool 3/ foundation)	Total	DRAFT Estimated Outstanding Commitments/ Selections/Fees at 9/30/09	Estimated New Activity- Production
Agency-wide Budget Items								-
30 Agency Administrative Expenses (HOME)	2,708,445	-	-	-	-	2,708,445	353,488	2,354,957
31 Agency Technical Assistance Fund	-	-	-	-	3,677,208	3,677,208	677,208	3,000,000
32 Capacity Building Grant Program	-	874,073	-	-	-	874,073	141,500	732,573
33 Disaster Relief Contingency Fund	-	575,412	-	-	-	575,412	99,748	475,664
34 Economic Development & Housing Challenge Program	-	46,325,726	-	48,000,000	7,700,000	102,025,726	39,327,699	62,698,027
35 Flood Economic Development & Housing Challenge Program	-	3,078,084	-	-	-	3,078,084	378,084	2,700,000
Agency-wide Budget Items in Run-off:								
36 Neighborhood Stabilization Program (NSP)	31,849,929	-	-	-	-	31,849,929	31,849,929	-
37 Tribal Indian Housing Program	-	2,565,806	-	-	-	2,565,806	2,565,806	-
38 Urban Indian Housing Program (UIHP)	-	519,394	-	-	-	519,394	519,394	-
TOTAL BUDGET, OLD AND NEW ACTIVITY	512,801,568	200,022,145	618,000,000	194,748,813	81,674,629	1,607,247,155	204,649,513	1,402,597,642
Outstanding Commits/Selects/Fees/ at 9/30/09 (Estimated)	50,499,453	88,646,618	-	35,998,813	29,504,629	204,649,513	204,649,513	-
TOTAL BUDGET, NEW ACTIVITY ONLY	462,302,115	111,375,527	618,000,000	158,750,000	52,170,000	1,402,597,642	-	1,402,597,642

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

Minnesota Housing
Affordable Housing Plan
October 1, 2009 through September 30, 2011
(in '000's)

Projected Long Term Bond Issues

	Housing Trust Fund 501(c)3 Bonds	Minnesota Mortgage Program (RHFB)	Low & Moderate Income Rental Program (RH)*	Total
Carryforward of Undisbursed Bond Proceeds	\$ -	\$ -	\$ -	\$ -
New Bond Issues	30,000	550,000	30,000	610,000
Total Carryforward and New Activity	\$ 30,000	\$ 550,000	\$ 30,000	\$ 610,000

*The LMIR budget includes \$8 million in resources from excess yield produced by bond refundings.

Projected Sources of Bonding Authority

	Housing Trust Fund 501(c)3 Bonds	Minnesota Mortgage Program (RHFB)	Low & Moderate Income Rental Program (RH)	TOTAL
Tax Exempt Volume Cap:				
Carryforward of 2008 Entitlement	\$ -	\$ 187,000	\$ -	\$ 187,000
Carryforward of 2008 Unified Pool transfer	-	151,000	-	151,000
2009 Entitlement	-	108,000	-	108,000
FHLB Notes Outstanding, 9/30/09	-	364,000	-	364,000
New entitlement 2010	-	88,000	20,000	108,000
New entitlement 2011	-	98,000	10,000	108,000
From cities and counties (OBO) 2010	-	45,000	-	45,000
From cities and counties (OBO) 2011	-	45,000	-	45,000
From Housing Pool and/or Unified Pool 2009	-	200,000	-	200,000
From Housing Pool and/or Unified Pool 2010	-	-	-	-
From current refunding 2010	-	65,000	-	65,000
From current refunding 2011	-	65,000	-	65,000
Total Tax Exempt Volume Cap	\$ -	\$ 1,416,000	\$ 30,000	\$ 1,446,000
Total General Obligation Bonds	\$ 30,000	\$ -	\$ -	\$ 30,000
Total Tax Exempt Volume Cap and General Obligation Bonds	\$ 30,000	\$ 1,416,000	\$ 30,000	\$ 1,476,000
Anticipated Short Term Debt Issuance	\$ -	\$ (866,000)	\$ -	\$ (866,000)
Projected New Activity Long Term Debt Issuance	\$ 30,000	\$ 550,000	\$ 30,000	\$ 610,000
Percentage of New Activity expected to be Taxable	N/A	0%	N/A	0%

**Minnesota Housing
Affordable Housing Plan October 2010 - September 2011
Net Assets Restricted by Covenant
Certain Balances Maintained According to Agency's Board Guidelines
Amounts as of June 30, 2009
(in thousands)**

The descriptions below reflect the Net Assets Restricted by Covenant as reported in the June 30, 2009 audited financial statements.

<u>Net Assets - Restricted by Covenant</u>	<u>Amount at June 30, 2009 (in thousands)</u>
<p>Pool 1 (Housing Endowment Fund)</p> <p>An amount equal to 1% of loans outstanding (excluding loans in Pool 3/foundation) invested in short term, investment grade securities at market interest rates. Assets of Pool 1 are held in the General Reserve Account.</p>	\$ 24,081
<p>Pool 2 (Housing Investment Fund)</p> <p>An amount that causes the combined net assets in the General Reserve Account and bond funds (exclusive of Pool 3/foundation and exclusive of all unrealized gains and losses resulting from marking to market investment securities, including mortgage-backed securities, and interest rate hedges entered into by the Agency for which the unrealized loss or gain will no be realized if the security or interest rate hedge is held to maturity or its optional termination date) to be the greater of the combined net assets of the same funds for the immediately preceding audited fiscal year end or the combined net assets of the same funds for the immediately preceding fiscal year end plus current fiscal year income over expenses and transfers in Pool 2 less an amount transferred to Pool 3 / foundation that is approved by the board. Assets will be invested in investment quality housing loans or investment grade securities. Assets of Pool 2 will be held in the bond funds.</p>	\$374,850
<p>Pool 3/foundation (Housing Affordability Fund)</p> <p>Net assets in excess of the required balances for Pools 1 and 2 may be invested in investment grade securities and used for programs not resulting in amortizing investment quality loans including, but not limited to zero percent loans, loans at interest rates substantially below market, high risk loans, deferred loans, revolving funds, and grants and rental assistance. Assets of Pool 3/foundation will be held in the bond funds.</p>	\$82,597

Agency Wide Total

\$481,528

FINAL NEW ACTIVITY TAB E-2

**Minnesota Housing
Affordable Housing Plan October 2009 - September 2011
Housing Endowment Fund (Pool 1) Computation
June 30, 2009
(in thousands)**

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

The following table illustrates how this amount is calculated. It has been extracted from the Agency's audit report ("Loans Receivable, Net" footnote) and internal accounting records for Pool 3/foundation loans as of July 1, 2009.

<u>Funds</u>	<u>Outstanding Principal</u>	<u>Allowance for Loan Losses</u>	<u>Unamortized Premiums (Discounts) and Fees</u>	<u>Loans Receivable, Net</u>
General Reserve	\$ 0	\$ 0	\$ 0	\$ 0
Rental Housing	202,544	(7,566)	(1,294)	193,684
Residential Housing Finance	2,004,827	(31,512)	3,669	1,976,984
Single Family	226,351	(3,129)	(1,670)	221,552
Combined Totals	<u>\$2,433,722</u>	<u>\$ (42,207)</u>	<u>\$ 705</u>	<u>\$2,392,220</u>
Less Pool 3/foundation Loans				
Outstanding	<u>25,582</u>			
Adjusted Outstanding				
Principal	<u>\$2,408,140</u>			
	<u>x 1%</u>			
Housing Endowment Fund				
(Pool 1) Requirement	<u>\$ 24,081</u>			



2010 - 2011 Affordable Housing Plan

Program Narrative Table of Contents

<u>PROGRAM</u>	<u>PAGE</u>
<i>Homeownership- Production</i>	
Fix-Up Fund (FUF) <i>(line 1, tab c)</i>	2
Habitat for Humanity Initiative <i>(line 2, tab c)</i>	4
HOME Homeowner Entry Loan Program (HOME HELP) <i>(line 3, tab c)</i>	5
Homeownership Assistance Fund (HAF) <i>(line 4, tab c)</i>	7
Homeownership Education, Counseling and Training Fund (HECAT) <i>(line 5, tab c)</i>	8
Homeownership Opportunity Program (HOP) <i>(line 6, tab c)</i>	10
Manufactured Home Relocation Trust Fund <i>(line 7, tab c)</i>	11
Minnesota Mortgage Program (MMP) <i>(line 8, tab c)</i>	12
Rehabilitation Loan Program <i>(line 9, tab c)</i>	13
Single Family Interim Lending <i>(line 10, tab c)</i>	15
<i>Homeownership - Programs in Run-Off</i>	
Minnesota Urban and Rural Homesteading Program (MURL) <i>(line 11, tab c)</i>	16

Rental - Production

Affordable Rental Investment Fund – Preservation (PARIF) <i>(line 12, tab c)</i>	17
Bridges <i>(line 13, tab c)</i>	18
Ending Long-Term Homelessness Initiative Fund (ELHIF) <i>(line 14, tab c)</i>	20
Family Homeless Prevention & Assistance Program (FHPAP) <i>(line 15, tab c)</i>	21
Flexible Financing for Capital Costs (FFCC) <i>(line 16, tab c)</i>	23
Housing Opportunities for Persons with AIDS (HOPWA) <i>(line 17, tab c)</i>	24
Housing Tax Credit Program <i>(line 18, tab c)</i>	25
Housing Trust Fund Program (HTF) <i>(line 19, tab c)</i>	27
Low-and-Moderate Income Rental Program (LMIR) <i>(line 20, tab c)</i>	29
Nonprofit Capacity Building Revolving Loan Program <i>(line 21, tab c)</i>	30
Publicly Owned Housing Program (POHP) <i>(line 22, tab c)</i>	31
Rental Rehabilitation Loan Program <i>(line 23, tab c)</i>	33

Rental - Programs in Run-Off

Federal Special Projects <i>(line 24, tab c)</i>	35
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Rental - Portfolio Management

Asset Management <i>(line 25, tab c)</i>	36
Asset Management FAF/FA <i>(line 26, tab c)</i>	37
Contract Administration <i>(line 27, tab c)</i>	38
HUD Section 236 Program <i>(line 28, tab c)</i>	39
HUD Section 8 Program <i>(line 29, tab c)</i>	40

Agency-Wide Budget Items

Agency Administrative Expenses (HOME) <i>(line 30, tab c)</i>	42
Agency Technical Assistance Fund <i>(line 31, tab c)</i>	43
Capacity Building Grant Program <i>(line 32, tab c)</i>	44
Disaster Relief Contingency Fund <i>(line 33, tab c)</i>	45
Economic Development & Housing Challenge Program <i>(line 34, tab c)</i>	46
Flood Economic Development and Housing Challenge Program <i>(line 35, tab c)</i>	48

Agency-wide Budget Items in Runoff:

Neighborhood Stabilization Program (NSP) <i>(line 36, tab c)</i>	49
Tribal Indian Housing Program <i>(line 37, tab c)</i>	50
Urban Indian Housing Program (UIHP) <i>(line 38, tab c)</i>	51



2010-2011 Affordable Housing Plan

Program Narrative

Key to reading the Affordable Housing Program Narrative:

1. The "Housing Investment Fund" referred to in the "Sources" portion of the Narrative is also referred to in other documents in the Affordable Housing Plan as "Pool 2".
2. Similarly, the "Housing Affordability Fund" referred to in the "Sources" portion of the Narrative is also referred to in other documents in the Affordable Housing Plan as "Pool 3/foundation".
3. The projections for number of housing units or households assisted by programs during the Plan period exceed the total number of households projected to be served across all programs. Some households or housing units will be assisted through multiple programs in order to achieve needed affordability levels.
4. The projections for the number of households or units assisted generally are based on the average assistance per unit or per household for the last five years, by program, adjusted for inflation.
5. Several programs have multiple funding sources which may necessitate some differences in program rules depending on the funding sources.

**Minnesota Housing
Affordable Housing Plan Program Narrative
October 1, 2009 through September 30, 2011**

HOMEOWNERSHIP - PRODUCTION

Fix-Up Fund (FUF)	
Program Description	<p>The Fix-up Fund (FUF) provides below-market interest rate, fully-amortizing home improvement loans-to-assist low-to-moderate-income homeowners in improving the livability and energy efficiency of their homes. Loan interest rates are determined based upon interest rates that are offered on similar products by lenders. Loans are delivered by a network of participating lenders throughout the State. In 2008 Minnesota Housing began financing micro-energy and conservation loans to target energy efficiency improvements and renewable energy installations in cooperation with the Department of Commerce.</p> <p>Loan-to-value limits for the program are at 110 percent of the after-improved value of the property. A component of the program waives the income and equity limits when the improvements will enable a resident with a disability to reside in the property.</p> <p>The Community Fix-up Fund (CFUF) is a sub-program of the Fix-up Fund. The Community Fix-up Fund offers more flexible program requirements than the Fix-up Fund to support local initiatives, including lower program interest rates and more aggressive loan underwriting criteria. Lenders participating in FUF may apply to access CFUF for targeted activities that meet locally defined home improvement needs and objectives. Lenders often partner with community organizations for the use of these funds. Eligible targeted activities may include discount loan programs, nonprime lending initiatives, initiatives that focus funds towards specific improvement types or older homes, or other home improvement needs determined within a community or neighborhood.</p> <p>Current income limit: \$96,500 Maximum loan amount: \$35,000</p>
Strategic Priorities Supported	<p>Preserve Existing Affordable Housing</p>

<p>Program Performance and Trends</p>	<p>For the Program Assessment period of October 1, 2007 – September 30, 2008 under the Fix-Up Fund (only) Minnesota Housing financed:</p> <ul style="list-style-type: none"> • 948 loans • \$15,842,643 in loans • average loan was \$16,712 • median household income was \$57,997 or 82.6 percent of statewide median • 9.4 percent of total were households color <p>Production continues to decline significantly. For the first nine months of FFY 2009 the Agency financed 476 loans in the amount of \$8,146,713. The decline in production is the result of general economic conditions.</p> <p>For the Program Assessment period of October 1, 2007 – September 30, 2008, the Community Fix-up Fund (only) financed:</p> <ul style="list-style-type: none"> • 205 loans • \$3,329,484 in loans • average loan was \$16,241 • median household income was \$59,724 or 85.1 percent of statewide median • 12 percent of total were households of color <p>In FFY 2009 through June 30, 134 loans in an amount of \$2,251,470 have been financed. This change was anticipated as the result of general economic conditions as well as strategies adopted to improve program targeting, lower costs, and enhance opportunities for additional interest income.</p> <p>In 2008, Minnesota Housing financed 10 non-prime CFUF loans (4.9 percent of total) in the amount of \$105,242 for an average loan amount of \$10,524.</p>
<p>Proposal for 2010-2011</p>	<p>Based on resources available for new activity in 2010-2011, Minnesota Housing expects to finance loans for 3,110 households under this program. The availability of up to \$7.65 million in Federal stimulus funding for designated improvements under FUF and CFUF may significantly increase production during the biennium.</p>

FINAL NEW ACTIVITY TAB F

		08-09 Plan	10-11 Plan
Sources and Uses	Sources		
	Carry Forward of Housing Investment Fund	\$ 2,380,690	\$ 858,842
	New Housing Investment Fund Allocation	59,118,500	45,500,000
	New Federal Energy Stimulus Funds	-0-	7,650,000
	Total Sources	\$ 61,499,190	\$ 54,008,842
	Uses		
	Program Disbursements for Prior Plan Commitments	\$ 2,380,690	\$ 858,842
	New Program Activity for Current Plan	59,118,500	53,150,000
	Bond Sale Contributions for New Program Activity	-0-	-0-
	Total Uses	\$ 61,499,190	\$ 54,008,842
Legal Authority	Minn. Stat. §462A.05, Subd. 15; Minn. Rules, Parts 4900.0610-0700		

Habitat for Humanity Initiative	
Program Description	<p>The Habitat for Humanity Initiative is a loan to provide a secondary market for interest-free loans originated by Habitat for Humanity Minnesota affiliates for households participating in the Habitat for Humanity Program throughout Minnesota.</p> <p>Current income limit: Less than or equal to 50 percent of the greater of State or area median income. Limits are set by Habitat and are lower than those set by Minnesota Housing.</p> <p>Maximum loan amount: Limits are set by Habitat and are lower than those set by Minnesota Housing.</p>
Strategic Priorities Supported	<p>Finance New Affordable Housing Opportunities</p> <p>Increase Emerging Market Homeownership</p>
Program Performance and Trends	<p>For the Program Assessment period of October 1, 2007 - September 30, 2008, Minnesota Housing funded:</p> <ul style="list-style-type: none"> • 23 loans • \$2,087,886 in loans • average Minnesota Housing funding per household was \$90,778 • median household income was \$30,288 or 43.1 percent of statewide median • 78.3 percent of total were households of color
Proposal for 2010-2011	<p>Based on resources available for new activity in 2010-2011, Minnesota Housing expects to fund loans for 42 households under this program.</p>

		08-09 Plan	10-11 Plan
Sources and Uses	Sources		
	New Housing Investment Fund Allocation	\$ -0-	\$ 2,000,000
	New Housing Affordability Fund Allocation	4,000,000	2,000,000
	Total Sources	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
	Uses		
	Program Disbursements for Prior Plan Commitments	\$ -0-	\$ -0-
	New Program Activity for Current Plan	4,000,000	4,000,000
Total Uses	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>	
Legal Authority	Minn. Stat. §462A.21, Subd. 5		

HOME Homeowner Entry Loan Program (HOME HELP)	
Program Description	<p>The Homeowner Entry Loan Program (HOME HELP), which became available in May of 2008, provides downpayment and closing cost assistance to qualifying low and moderate income homebuyers purchasing their first home. Funds are made available to borrowers and lenders participating in the Agency’s mortgage revenue bond programs and, possibly, through private lender community initiatives. To be eligible to participate in the program, lenders are required to demonstrate enhanced and effective targeting of program resources in accordance with Agency strategic goals. One of the primary targets for this resource is the purchase of foreclosed homes or homes in foreclosure impact areas.</p> <p>HOME HELP is funded through the Federal HOME program and must meet HOME requirements. Borrower assistance is provided in the form of an interest-free deferred loan 70 percent of which may be forgiven after a five-year occupancy period. The remainder is repaid when the loan matures or the property is sold or is no longer owner occupied.</p> <p>Current income limit: 80 percent of county median income adjusted for family size Maximum loan amount: \$5,000 or \$10,000 or \$14,999 depending upon borrower eligibility</p>
Strategic Priorities Supported	Finance New Affordable Housing Opportunities Increase Emerging Market Homeownership Address Foreclosure

FINAL NEW ACTIVITY TAB F

<p>Program Performance and Trends</p>	<p>For the Program Assessment period of October 1, 2007 – September 30, 2008 HOME HELP funded:</p> <ul style="list-style-type: none"> • 57 loans • \$839,945 in loans • average loan amount was \$14,736 • median household income was \$35,106 or 50.0 percent of statewide median • 42.1 percent of total households were of color. <p>An allocation of HOME funds for HOME HELP was made available through an amendment to the 2008-2009 plan.</p>																																	
<p>Proposal for 2010-2011</p>	<p>Based on resources available for new activity in 2010-2011, Minnesota Housing expects to fund 534 loans under this program. Usage of this program was slow at the outset but has increased considerably in the last six months. The amount allocated to this activity and program details are subject to change pending receipt of actual Federal appropriations amount and completion of the citizen’s participation and consolidated planning process.</p>																																	
<p>Sources and Uses</p>	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right; width: 20%;">08-09 Plan</th> <th style="text-align: right; width: 20%;">10-11 Plan</th> </tr> </thead> <tbody> <tr> <td colspan="3">Sources</td> </tr> <tr> <td>Carry Forward of Federal HOME Appropriations</td> <td style="text-align: right;">\$ -0-</td> <td style="text-align: right;">\$ 3,138,874</td> </tr> <tr> <td>Reallocation of previous Federal HOME Appropriations</td> <td style="text-align: right;">2,418,419</td> <td style="text-align: right;">823,945</td> </tr> <tr> <td>New Housing Affordability Fund Allocation</td> <td style="text-align: right;">1,000,000</td> <td style="text-align: right;">-0-</td> </tr> <tr> <td>New Federal HOME Appropriations</td> <td style="text-align: right;">7,000,000</td> <td style="text-align: right;">5,651,055</td> </tr> <tr> <td style="padding-left: 20px;">Total Sources</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 10,418,419</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 9,613,874</td> </tr> <tr> <td colspan="3">Uses</td> </tr> <tr> <td>Program Disbursements for Prior Plan Commitments</td> <td style="text-align: right;">\$ -0-</td> <td style="text-align: right;">\$ 1,738,874</td> </tr> <tr> <td>New Program Activity for Current Plan</td> <td style="text-align: right;">10,418,419</td> <td style="text-align: right;">7,875,000</td> </tr> <tr> <td style="padding-left: 20px;">Total Uses</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 10,418,419</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 9,613,874</td> </tr> </tbody> </table>		08-09 Plan	10-11 Plan	Sources			Carry Forward of Federal HOME Appropriations	\$ -0-	\$ 3,138,874	Reallocation of previous Federal HOME Appropriations	2,418,419	823,945	New Housing Affordability Fund Allocation	1,000,000	-0-	New Federal HOME Appropriations	7,000,000	5,651,055	Total Sources	\$ 10,418,419	\$ 9,613,874	Uses			Program Disbursements for Prior Plan Commitments	\$ -0-	\$ 1,738,874	New Program Activity for Current Plan	10,418,419	7,875,000	Total Uses	\$ 10,418,419	\$ 9,613,874
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<p>Legal Authority</p>	<p>Title II of the Cranston-Gonzales National Affordable Housing Act; 42 U.S.C. 12701 et. seq.; 24 C.F.R 92</p>																																	

Homeownership Assistance Fund (HAF)	
Program Description	<p>The Homeownership Assistance Fund (HAF) provides downpayment and entry cost assistance to income eligible first time homebuyers purchasing their homes through an Agency mortgage revenue bond program (i.e., the Minnesota Mortgage Program (MMP), the New Markets Mortgage Program, or the Community Activity Set Aside Program). A HAF loan is provided in the form of an interest-free, deferred second mortgage loan.</p> <p>Current income limit: 60 percent of area or State median income unless participating under CASA or otherwise a targeted borrower where the limit is established at 80 percent of State or area median income.</p> <p>Maximum loan amount: currently up to \$3,000 entry cost assistance (monthly assistance was discontinued as of February 7, 2009)</p>
Strategic Priorities Supported	<p>Finance New Affordable Housing Opportunities Increase Emerging Market Homeownership</p>
Program Performance and Trends	<p>For the Program Assessment period of October 1, 2007 – September 30, 2008, Minnesota Housing funded:</p> <ul style="list-style-type: none"> • 904 loans • \$3,450,244 in loans • average loan was \$3,817 (includes monthly payment assistance) • median household income of \$36,705 or 52.3 percent of statewide median • 31.4 percent were households of color <p>Use of HAF has varied widely in recent years. The percentage of MMP-assisted borrowers receiving HAF fluctuated from a high of 68 percent in 2002 to 32.7 percent in 2008. The deliberate decrease in first mortgage lending (see Minnesota Mortgage Program) caused a decrease from previous activity in the number of HAF borrowers (380) during the first three quarters of 2009. However, the reduction in MMP resulted in an increase in the proportion (41.8 percent of MRB borrowers) receiving HAF. A variety of changes to HAF were implemented during the last Affordable Housing Plan, e.g., HAF monthly payment assistance was discontinued.</p>
Proposal for 2010-2011	<p>Based on resources available for new activity in 2010-2011, Minnesota Housing expects to fund loans for 2,807 households under this program. Under the current structure of the HAF program, the demand should not exceed available funds. The program’s design will continue to be evaluated to respond to market conditions and to consider innovative possibilities for the use of this resource, e.g., to encourage transit-linked mortgage options.</p>

FINAL NEW ACTIVITY TAB F

		08-09 Plan	10-11 Plan
Sources and Uses	Sources		
	Carry Forward of State Appropriations	\$ 711,390	\$ 382,575
	Carry Forward of Housing Affordability Fund	1,800,000	498,027
	Repayments of State Appropriations	4,800,000	2,000,000
	Bond Issue	75,000	-0-
	New State Appropriations	1,770,000	1,720,000
	New Housing Affordability Fund Allocation	3,300,000	4,500,000
	Total Sources	<u>\$ 12,456,390</u>	<u>\$ 9,100,602</u>
	Uses		
	Program Disbursements for Prior Plan Commitments	\$ 2,586,390	\$ 680,007
New Program Activity for Current Plan	9,870,000	8,420,595	
Total Uses	<u>\$ 2,456,390</u>	<u>\$ 9,100,602</u>	
Legal Authority	Minn. Stat. §462A.21, Subd. 8; Minn. Rules, Parts 4900.1300-1359		

Homeownership Education, Counseling and Training Fund (HECAT)	
Program Description	<p>The Homeownership Education, Counseling and Training Fund (HECAT) provides financial support to eligible nonprofit organizations or public agencies offering comprehensive homebuyer/owner training on a pre- or post-purchase basis. It also assists individuals facing foreclosure due to a temporary financial crisis by providing counseling services (funded in part through the National Foreclosure Mitigation Counseling Program) and, if applicable, mortgage payment or other financial assistance on a one-time basis. Funds under this program are provided either in the form of grants to organizations providing home buyer/owner training or foreclosure prevention counseling, or in the form of interest-free deferred loans to homeowners at risk of foreclosure. The appropriations are awarded through a combined Request for Proposals in cooperation with the Family Housing Fund, the Greater Minnesota Housing Fund, and the Minnesota Home Ownership Center as funding partners.</p> <p>Current income limit: none, but participants with incomes less than or equal to 60 percent of area median are encouraged Maximum loan amount: \$11,180 in the 11-county Twin Cities area and \$9,900 in the balance of the State</p>
Strategic Priorities Supported	<p>Finance New Affordable Housing Opportunities Address Foreclosure</p>

FINAL NEW ACTIVITY TAB F

<p>Program Performance and Trends</p>	<p>For the Program Assessment period of October 1, 2007 – September 30, 2008, Minnesota Housing funded:</p> <ul style="list-style-type: none"> • 16,165 households • \$2,854,355 funding amount • average assistance per household was \$177 • median household income of \$37,036 or 52.8 percent of statewide median • 31 percent of total were households of color 																																				
<p>Proposal for 2010-2011</p>	<p>Resources include State appropriations, contributions from funding partners, federal grant funds, and anticipated repayments. Based on these resources available for new activity in 2010-2011, Minnesota Housing expects to assist 19,554 households under this program.</p>																																				
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<p>Legal Authority</p>	<p>Minn. Stat. §462A.209</p>																																				

Homeownership Opportunity Program (HOP)																															
Program Description	<p>The Homeownership Opportunity Program (HOP) - Provides short-term, temporary financing for the acquisition and rehabilitation of vacant properties in, or in imminent danger of foreclosure, and for properties in a foreclosure impacted area. These loans are taken out by standard first mortgage products when the rehabilitation is completed.</p> <p>Eligible borrowers are owner-occupants with a total income less than \$93,100 and pre-approved for a first mortgage sufficient to take out the HOP loan.</p>																														
Strategic Priorities Supported	Address Foreclosure																														
Program Performance and Trends	HOP is a new program introduced in 2009; there is no program performance history.																														
Proposal for 2010-2011	Based on resources available for new activity in 2010-2011, Minnesota Housing expects to assist an estimated 70 units of housing.																														
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Legal Authority	Minn. Stat. §462A.05, Subd. 14e																														

Manufactured Home Relocation Trust Fund																												
Program Description	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 home owner 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 home owner 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 (formerly Department of Finance) for deposit in the Trust Fund held by Minnesota Housing. Minnesota Housing’s role is to make payments as directed by a third party neutral for the costs of relocation.																											
Strategic Priorities Supported	Preserve Existing Affordable Housing																											
Program Performance and Trends	In fiscal year 2008, 14,582 homeowners made payment to the Trust Fund totaling \$175,144. Forty-nine percent (49%) of the residents of the manufactured home parks that reported actually made payment to the Trust Fund. Two claims were filed and \$5,138.13 was disbursed to satisfy the claims.																											
Proposal for 2010-2011	It is difficult to predict the level of demand for these funds given the limited experience to date. Minnesota Housing is not responsible for paying claims if there are insufficient funds in the Trust Fund.																											
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Total Uses	\$ -0-	\$ 476,479																										
Legal Authority	Minn. Stat. §327C.095																											

Minnesota Mortgage Program (MMP)	
Program Description	<p>The Minnesota Mortgage Program (MMP) provides a secondary market for below-market-interest-rate, fully-amortizing first mortgage loans for low-and moderate-income first-time homebuyers. The loans are originated through first mortgage lenders throughout the State. Mortgage interest rates for the program are determined regularly, based upon statewide mortgage market conditions to provide a favorable rate to homebuyers while considering the Agency’s borrowing costs.</p> <p>Under MMP, Minnesota Housing sells mortgage revenue bonds (MRB) to finance two mortgage programs. For purposes of the Plan, “MMP” refers to the Minnesota Mortgage Program and the Community Activity Set-Aside Program, both of which deliver first mortgages to eligible borrowers.</p> <p>The New Markets Mortgage Program (NMMP) is a sub-program of MMP introduced in 2009 to serve interest-averse homebuyers. NMMP is funded from Pool 2, delivered through a single mortgage lender, and provides Minnesota Housing with a yield equivalent to its other mortgage programs.</p> <p>The Minnesota Mortgage Program, available statewide through participating lenders, continues to serve the greatest number of borrowers (64 percent of all MRB-financed homebuyers in 2008) with the largest amount of financing. Under the Community Activity Set-Aside Program (36 percent of all MRB-financed homebuyers in 2008), the Agency offers access to a designated pool of funding for lenders and their community partners that are addressing a locally identified community credit need.</p> <p>Current income limit: \$67,200 for 1-4 persons, Minneapolis/Saint Paul metropolitan area.</p> <p>Maximum loan amount: \$298,125 in the Minneapolis/Saint Paul metropolitan area</p>
Strategic Priorities Supported	<p>Finance New Affordable Housing Opportunities Increase Emerging Market Homeownership</p>
Program Performance and Trends	<p>For the Program Assessment period of October 1, 2007 – September 30, 2008, Agency purchases under MMP decreased to:</p> <ul style="list-style-type: none"> • 2,764 loans • \$354,892,118 in loans • average loan was \$128,398 • median household income was \$39,781 or 56.7 percent of statewide median • 16.2 percent of total were households of color <p>Adverse capital markets in 2008 and 2009 limited Minnesota Housing’s ability to raise capital cost effectively. Thus, in 2008 and 2009 Minnesota Housing purchased fewer loans than in recent years and intentionally managed its purchase of mortgages under MMP and CASA to the resources available.</p>

Proposal for 2010-2011	Based on resources available for new activity in 2010-2011 and assuming capital markets improve the cost of borrowing, Minnesota Housing expects to finance loans for 4,541 households under this program.		
Sources and Uses		08-09 Plan	10-11 Plan
	Sources		
	Carry Forward of Undisbursed Bond Proceeds	\$119,698,756	\$ -0-
	Carry forward of Housing Investment Fund	57,000,000	-0-
	New Housing Investment Fund Allocation	-0-	7,500,000
	New Bond Issues	800,000,000	550,000,000
	Total Sources	<u>\$976,698,756</u>	<u>\$557,500,000</u>
	Uses		
	Program Disbursements for Prior Plan Commitments	\$119,698,756	\$ -0-
	New Program Activity for Current Plan	857,000,000	557,500,000
	Total Uses	<u>\$976,698,756</u>	<u>\$557,500,000</u>
Legal Authority	Minn. Stat. §462A.05, Subd. 3; Minn. Stat. §462A.073; Minn. Rules, Parts 4900.3200-3290; IRC §143		

Rehabilitation Loan Program	
Program Description	<p>The Rehabilitation Loan Program provides interest-free, deferred loans to low-income homeowners to finance home improvements directly affecting the safety, habitability, energy efficiency and accessibility of their homes. The program is administered by local agencies that contract to deliver the program in accordance with statute and program requirements. Federal HOME funds will become a resource for this program in 2010-2011.</p> <p>Current income limit: adjusted by household size (\$25,200 for a 4-person household) Maximum loan amount: \$15,000 (\$20,000 when accessibility improvements are needed)</p>
Strategic Priorities Supported	Preserve Existing Affordable Housing

FINAL NEW ACTIVITY TAB F

<p>Program Performance and Trends</p>	<p>For the Program Assessment period of October 1, 2007 – September 30, 2008, Minnesota Housing funded:</p> <ul style="list-style-type: none"> • 409 loans • \$5,649,172 in loans • average loan was \$13,812 • median household income was \$13,050 or 18.6 percent of statewide median • 6.6 percent of total were households of color 																																				
<p>Proposal for 2010-2011</p>	<p>Program terms will change under federally mandated HOME rules. Based on resources available for new activity in 2010-2011, added HOME program requirements, and higher loan limits to meet the HOME requirements that all health and safety issues be addressed, Minnesota Housing expects to fund loans for approximately 350-400 households under this program.</p> <p>The amount allocated to this activity and program details are subject to change pending receipt of actual Federal appropriations amount and completion of the citizen’s participation and consolidated planning process.</p>																																				
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<p>Legal Authority</p>	<p>Minn. Stat. §462A.05, Subd. 14a; Minn. Rules, Parts 4900.0610-0700 and Title II of the Cranston-Gonzales National Affordable Housing Act; 42 U.S.C. §12701 et seq.; 24 C.F.R. Part 92</p>																																				

Single Family Interim Lending			
Program Description	The Single Family Interim Lending Program combines previous activities known as the Innovative Housing Loan Program and the Partnership for Affordable Housing. This is a revolving fund of short-term financing at reduced interest rates used to support increasing the affordable housing supply. The program is designed to encourage innovations in the development or rehabilitation of single family housing and is delivered through partnership arrangements between the Agency, nonprofit housing providers and local lenders. Both nonprofit and for-profit sponsors and/or developers may apply for the program.		
Strategic Priorities Supported	Finance New Affordable Housing Opportunities Preserve Existing Affordable Housing Address Foreclosure		
Program Performance and Trends	<p>Program Assessment data for interim lending are included in data provided for the Community Revitalization Fund, which is the umbrella program under which Minnesota Housing currently delivers the Challenge Program and interim construction financing. Information on interim lending is not available separately; however, the Community Revitalization Fund (CRV) as a whole has proven to be a valuable resource for increasing the housing supply for low-and moderate-income households.</p> <p>Of CRV-financed units reported in 2008, 32.3 percent were new construction. Among reported loans, 31.1 percent of borrowers were households of color. The median income of CRV borrowers in 2008 was \$33,505 or 47.7 percent of statewide median at that time.</p>		
Proposal for 2010-2011	Based on resources available for new activity in 2010-2011, Minnesota Housing expects to make an estimated 64 construction loans under these program activities at an average combined loan amount of \$124,124.		
Sources and Uses		08-09 Plan	10-11 Plan
	Sources		
	Revolving State Appropriations	1,000,000	1,000,000
	Revolving Housing Affordability Fund Allocation	7,000,000	7,000,000
	Total Sources	\$ 8,000,000	\$ 8,000,000
	Uses		
	Program Disbursements for Prior Plan Commitments	\$ -0-	\$ -0-
	New Program Activity for Current Plan	8,000,000	8,000,000
	Total Uses	\$ 8,000,000	\$ 8,000,000
Legal Authority	Minn. Stat. §462A.05, Subd. 2 and Minn. Stat. §462A.05, Subd. 18; Minn. Rules, Parts 4900.1200-1210		

HOMEOWNERSHIP - PROGRAMS IN RUN-OFF

Minnesota Urban and Rural Homesteading Program (MURL)																															
Program Description	The Minnesota Urban and Rural and Homesteading Program (MURL) provides funding to nonprofit organizations and public agencies. These entities then acquire single family residences that are vacant, condemned or abandoned, rehabilitate the properties and then sell them by way of interest-free contract-for-deed to at risk first-time homebuyers who agree to abide by a "good neighbor policy." Under certain circumstances MURL funds may be used for new construction.																														
Strategic Priorities Supported																															
Program Performance and Trends	For the Program Assessment period of October 1, 2007 - September 30, 2008, Minnesota Housing funded: <ul style="list-style-type: none"> • 4 households • \$445,033 in loans • average loan was \$111,258 • median household income was \$21,768 or 31 percent of statewide median • data were unavailable on households of color 																														
Proposal for 2010-2011	None																														
Sources and Uses	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;"></th> <th style="text-align: right; width: 15%;">08-09 Plan</th> <th style="text-align: right; width: 15%;">10-11 Plan</th> </tr> </thead> <tbody> <tr> <td colspan="3">Sources</td> </tr> <tr> <td>Carry Forward of Housing Affordability Fund</td> <td style="text-align: right;">\$ -0-</td> <td style="text-align: right;">\$ 1,015,273</td> </tr> <tr> <td>Carry Forward of Federal HOME Appropriations</td> <td style="text-align: right;">425,843</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td>New Housing Affordability Fund Allocation</td> <td style="text-align: right; border-top: 1px solid black;">6,000,000</td> <td style="text-align: right; border-top: 1px solid black;">\$ -0-</td> </tr> <tr> <td style="padding-left: 20px;">Total Sources</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 6,425,843</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 1,035,273</td> </tr> <tr> <td colspan="3">Uses</td> </tr> <tr> <td>Program Disbursements for Prior Plan Commitments</td> <td style="text-align: right;">\$ 425,843</td> <td style="text-align: right;">\$ 1,035,273</td> </tr> <tr> <td>New Program Activity for Current Plan</td> <td style="text-align: right; border-top: 1px solid black;">6,000,000</td> <td style="text-align: right; border-top: 1px solid black;">-0-</td> </tr> <tr> <td style="padding-left: 20px;">Total Uses</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 6,425,843</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 1,035,273</td> </tr> </tbody> </table>		08-09 Plan	10-11 Plan	Sources			Carry Forward of Housing Affordability Fund	\$ -0-	\$ 1,015,273	Carry Forward of Federal HOME Appropriations	425,843	20,000	New Housing Affordability Fund Allocation	6,000,000	\$ -0-	Total Sources	\$ 6,425,843	\$ 1,035,273	Uses			Program Disbursements for Prior Plan Commitments	\$ 425,843	\$ 1,035,273	New Program Activity for Current Plan	6,000,000	-0-	Total Uses	\$ 6,425,843	\$ 1,035,273
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Legal Authority	24 C.F.R. Part 92; Minn. Stat. §462A.057																														

RENTAL - PRODUCTION

Affordable Rental Investment Fund - Preservation (PARIF)	
Program Description	<p>The Affordable Rental Investment Fund – Preservation (PARIF) is a statewide program that provides below-market interest-deferred loans to help cover the costs of preserving permanent affordable rental housing with long-term, project-based Federal subsidies that are in jeopardy of being lost. Program funds may also be used to preserve existing supportive housing developments. The program provides funds to help with the costs of acquisition, rehabilitation and debt restructuring, as well as equity take-out, deferred loans.</p> <p>Current tenant income limit: subject to Federal guidelines of assistance being preserved Maximum assistance amount: None</p>
Strategic Priorities Supported	<p>Preserve Existing Affordable Housing</p> <p>End Long-Term Homelessness</p>
Program Performance and Trends	<p>For the Program Assessment period of October 1, 2007 – September 30, 2008, Minnesota Housing funded:</p> <ul style="list-style-type: none"> • 19 PARIF loans • \$7,248,075 in loans (this included eight PARIF loans in the amount of \$4,939,475 and 11 PARIF loans for the preservation of public housing in the amount of \$2,308,600) • average loan amount was \$617,434 or an average of \$21,019 per unit; the average loan for public housing preservation was \$219,000 or an average of nearly \$3,700 per unit • median household income was \$10,554 or 15.0 percent of statewide median • 53.6 percent of total assisted were households of color <p>This program continues to be a critical tool in the long-term preservation of expiring project-based Section 8 contracts as well as other project-based federally assisted housing. It also has been an effective tool in advancing the business plan to end long-term homelessness.</p> <p>As of August 2009, Minnesota Housing estimates the present value of Federal assistance preserved through deferred funding, approximately 80 percent of which is PARIF, to be nearly \$700 million.</p>
Proposal for 2010-2011	Based on resources available for new activity in 2010-2011, Minnesota Housing expects to fund 1,211 units under this program.

FINAL NEW ACTIVITY TAB F

		08-09 Plan	10-11 Plan
Sources and Uses	Sources		
	Carry Forward of State Appropriations	\$ 11,936,365	\$ 17,803,760
	Repayments	200,000	200,000
	New State Appropriations	20,492,000	17,642,000
	Total Sources	<u>\$ 32,628,365</u>	<u>\$ 35,645,760</u>
	Uses		
	Program Disbursements for Prior Plan Commitments	\$ 8,434,457	\$ 16,692,067
New Program Activity for Current Plan	24,193,908	18,953,693	
Total Uses	<u>\$ 32,628,365</u>	<u>\$ 35,645,760</u>	
Legal Authority	Minn. Stat. §462A.21, Subd. 8b; Minn. Stat. §462A.05, Subd. 3b; Laws of Minnesota 2009, Chap. 17, Art. 1, Sec. 6; Minn. Rules, Parts 4900.3500-3550, 2700-2707		

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

<p>Program Performance and Trends</p>	<p>For the Program Assessment period of October 1, 2007 – September 30, 2008, Minnesota Housing funded:</p> <ul style="list-style-type: none"> • 756 households • more than \$2.5 million in funds • average monthly assistance amount was \$430 per household per month • median household income was \$8,616 or 12.3 percent of statewide median • 29.9 percent of total were households of color 																											
<p>Proposal for 2010-2011</p>	<p>Based on resources available for new activity in 2010-2011, Minnesota Housing expects to assist 833 households under this program.</p>																											
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<p>Legal Authority</p>	<p>Minn. Stat. §462A.2097; Minn. Rules, Parts 4900.3000-3050</p>																											

FINAL NEW ACTIVITY TAB F

Ending Long-Term Homelessness Initiative Fund (ELHIF)	
Program Description	<p>The Ending Long-Term Homelessness Initiative Fund (ELHIF) is used for permanent supportive housing for persons experiencing long-term homelessness, and operates under the Housing Trust Fund statute and program rules. Please refer to that program for a more complete description.</p> <p>In addition to the uses described under Housing Trust Fund, funds have been used for:</p> <ul style="list-style-type: none"> • Non-bondable development costs in general-obligation-bond-funded (GO) supportive housing projects. • Homeless Management Information System (HMIS) to collect data for coordination of efforts under this initiative.
Strategic Priorities Supported	<p>End Long-Term Homelessness Preserve Existing Affordable Housing</p>
Program Performance and Trends	<p>The Ending Long-Term Homelessness Business Plan had a goal of funding 2,400 housing opportunities by the end of 2008 for persons experiencing long-term homelessness. As of December 31, 2008, Minnesota Housing had created 808 new opportunities with a variety of resources, including ELHIF, bringing the cumulative total to 2,492 opportunities. The goals for the plan will be reevaluated in light of economic conditions, available supportive services funding and projected increases in homelessness; the goal may be adjusted, possibly extending implementation.</p> <p>Minnesota Housing originally committed \$50 million of its own resources to meeting this goal.</p> <p>Over the course of the last AHP, 74 percent of funds committed under ELHIF have been for capital and 26 percent for rental or operating subsidies.</p>
Proposal for 2010-2011	<p>Based on resources available for new activity in 2010-2011, Minnesota Housing expects to assist approximately 700 households under this program. Of the new resources being committed to this program, \$600,000 is from the original \$50 million commitment. The remainder of the new resources represents additional allocations of Agency resources to this effort.</p>

		08-09 Plan	10-11 Plan
Sources and Uses	Sources		
	Carry Forward of Housing Affordability Fund	\$ 21,790,871	\$ 19,737,553
	New Housing Affordability Fund Allocation	18,000,000	7,500,000
	Total Sources	<u>\$ 39,790,871</u>	<u>\$ 27,237,553</u>
	Uses		
	Program Disbursements for Prior Plan Commitments	\$ 21,790,871	\$ 19,737,553
New Program Activity for Current Plan	18,000,000	7,500,000	
Total Uses	<u>\$ 39,790,871</u>	<u>\$ 27,237,553</u>	
Legal Authority	This fund will be operated under the Housing Trust Fund Rules. Minn. Stat. §462A.201; Minn. Rules, Parts 4900.3700-3769		

Family Homeless Prevention and Assistance Program (FHPAP)	
Program Description	<p>The Family Homeless Prevention and Assistance Program (FHPAP) provides grants to encourage and support innovations at the county, region, or local level in redesigning the existing homelessness support system or in establishing a comprehensive system. Funds are used for a broad range of purposes aimed at preventing homelessness, shortening the length of stay in emergency shelters or length of homelessness, and assisting individuals and families experiencing homelessness to secure transitional or permanent affordable housing.</p> <p>Grant funds are awarded through a competitive application process for the State biennium. In the Minneapolis/Saint Paul metropolitan seven-county area, a county is the only eligible applicant. In Greater Minnesota, eligible applicants include a county, a group of contiguous counties jointly acting together, or a community-based nonprofit organization with a sponsoring resolution from each of the county boards of the counties located within its operating jurisdiction.</p> <p>Current household income limit: lacking sufficient resources to maintain or obtain housing; eligibility criteria set locally Maximum assistance amount: none beyond funding availability</p>
Strategic Priorities Supported	End Long-Term Homelessness

FINAL NEW ACTIVITY TAB F

<p>Program Performance and Trends</p>	<p>For the Program Assessment period of October 1, 2007 – September 30, 2008, Minnesota Housing funded:</p> <ul style="list-style-type: none"> • 8,817 households • \$5,930,272 disbursed • average assistance was \$673 per household • median household income was \$10,326 or 17.2 percent of statewide median • 51.6 percent of total were households of color <p>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 2008, 41 percent of funds distributed to providers for the biennium had been used for direct cash assistance including rent and mortgage assistance, security deposits, and transportation and utility assistance; 51 percent of funds were used for support services; and 8 percent were for program administration.</p> <p>FHPAP is an important resource in the effort to end homelessness. The program assists extremely low-income people at a low assistance per household cost, primarily with short-term tenant-based assistance (limited to 24 months, most typically one or two months). Grantee performance reports to the Agency indicate a high degree of success in meeting program objectives.</p>																											
<p>Proposal for 2010-2011</p>	<p>Based on resources available for new activity in 2010-2011, previous levels of activity, and an increase in maximum assistance available per household, this program is expected to assist approximately 8,700 households per year under this program.</p>																											
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<p>Legal Authority</p>	<p>Minn. Stat. §462A.204</p>																											

Flexible Financing for Capital Costs (FFCC)																												
Program Description	<p>The Flexible Financing for Capital Costs (FFCC) program provides deferred loans to support the production, stabilization, and maintenance of multifamily rental housing. Funds are provided only in conjunction with Low and Moderate Income Rental (LMIR) first mortgage loans and may be used for the refinancing of existing loans.</p> <p>The current FFCC program is administered on a pipeline basis allowing the Agency to act quickly to meet the immediate needs of a development that, if required to wait for a request for proposal (RFP), would be unnecessarily delayed and subjected to hardship.</p> <p>Current tenant income limit: 40 percent at 60 percent area median; or 20 percent at 50 percent area median; and 25 percent unrestricted; balance up to 100 percent area median income Maximum loan amount: no set limit</p>																											
Strategic Priorities Supported	<p>Finance New Affordable Housing Opportunities End Long-Term Homelessness Preserve Existing Affordable Housing</p>																											
Program Performance, Trends and Evaluation	<p>Data from the annual assessment report for 2008 show that Minnesota Housing financed \$3,695,949 million in FFCC loans to five developments. The average award was \$739,190 per development or \$6,732 per unit. This resource allowed the Agency to further assist 549 units of affordable housing (financed under LMIR) during the year.</p> <p>FFCC is linked to the LMIR program and part of the strategy and implementation of the LMIR first mortgage product.</p>																											
Proposal for 2010-2011	<p>Based on resources available for new activity in 2010-2011, Minnesota Housing expects to assist 911 units under FFCC.</p>																											
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Legal Authority	<p>Minn. Stat. §462A.05, Subd.3, and - Minn. Stat. §462A.21, Subd.8a.</p>																											

Housing Opportunities for Persons with AIDS (HOPWA)	
Program Description	<p>The Housing Opportunities for Persons with AIDS (HOPWA) Federal program provides grants that can be used to meet the housing needs of persons with Acquired Immune Deficiency Syndrome (AIDS), HIV-positive status or related diseases, and their families. The program authorizes grants for both housing assistance and services. HOPWA funds are appropriated by Congress to the U.S. Department of Housing and Urban Development. The City of Minneapolis receives and administers a direct grant for the 11-county Minneapolis/Saint Paul metropolitan area, and the State of Minnesota receives a direct award of funds for the portion of the State not covered by the City of Minneapolis grant.</p> <p>Current tenant income limit: 80 percent of area median income adjusted for family size Maximum assistance amount: none beyond funding availability</p>
Strategic Priorities Supported	End Long-Term Homelessness
Program Performance and Trends	<p>For the Program Assessment period of October 1, 2007 – September 30, 2008, Minnesota Housing funded:</p> <ul style="list-style-type: none"> • 139 households • \$102,590 in emergency rent, mortgage and utility assistance • median household income was \$10,668 or 15.2 percent of statewide median • average rental assistance per household per month was \$738 • 27 percent of total were households of color
Proposal for 2010-2011	<p>Renewal of the Minnesota AIDS Project Greater Minnesota Emergency Program, which provides short-term rent, mortgage, and utility assistance, is the most likely use of the funds. A final determination will be made after consultation with HIV/AIDS advocacy groups.</p> <p>Based on resources available for new activity in 2010-2011, Minnesota Housing expects to assist 283 households under this program.</p>

		08-09 Plan	10-11 Plan
Sources and Uses	Sources		
	Carry Forward of Federal Appropriations	\$ 159,750	\$ 167,984
	New Federal Appropriations	228,000	249,050
	Total Sources	\$ 387,750	\$ 417,034
	Uses		
	Program Disbursements for Prior Plan Commitments	\$ 159,750	\$ 167,984
New Program Activity for Current Plan	228,000	249,050	
Total Uses	\$ 387,750	\$ 417,034	
Legal Authority	Cranston-Gonzales National Affordable Housing Act 1990; 42 U.S.C. §12901-12921; 24 C.F.R. Part 574		

Housing Tax Credit Program	
Program Description	<p>The Housing Tax Credit (HTC) program provides a Federal income tax credit to owners and investors in the construction or acquisition with substantial rehabilitation of eligible rental housing. Housing must meet income and rent restrictions for a minimum of 15 years. Tax credits are awarded in two competitive allocation rounds each year held concurrently with the Minnesota Housing Combined Request for Proposals. The amount of tax credits allocated to each state is based upon the state population and a per capita amount which increases each year with the cost of living. A portion of the State’s allocation is allocated by statute among seven cities and counties that are designated suballocating agencies. Some suballocators have entered into a HTC Joint Powers Agreement with Minnesota Housing under which Minnesota Housing will perform certain functions related to the credit allocation and compliance monitoring. As a condition of the Joint Powers Agreement, the participating suballocator will apportion its entire annual tax credit distribution to Minnesota Housing to administer.</p> <p>In July 2008, the Congress enacted the Housing and Economic Recovery Act of 2008 that resulted in significant changes to HTC. Key revisions of the act: temporarily increased the State’s per capita allocation, set the 70 percent present value credit applicable percentage at a full fixed nine percent, and authorized State housing credit agencies to award a 30 percent basis boost to developments as needed for financial feasibility.</p> <p>In February 2009, President Obama signed the American Recovery and Reinvestment Act (ARRA) which was an unprecedented effort to stimulate the economy and save or create millions of jobs. ARRA provides Minnesota with the necessary tools and resources to bring “shovel ready” projects to production and close financing gaps in these projects created by reduced credit pricing and lack of syndicator equity.</p>

FINAL NEW ACTIVITY TAB F

<p>Strategic Priorities Supported</p>	<p>Finance New Affordable Housing Opportunities Preserve Existing Affordable Housing</p>		
<p>Program Performance and Trends</p>	<p>Between October 1, 2007 and September 30, 2008, Minnesota Housing and the State’s suballocators reserved \$11,834,463 in tax credits for 1,294 proposed low income housing tax credit units.</p> <p>For the Program Assessment period of October 1, 2007 – September 30, 2008:</p> <ul style="list-style-type: none"> • 1,119 HTC units in 24 developments for which owners claimed credits for the first time in the previous year, i.e., housing was complete and occupied or available for occupancy. Of these units, 81 percent were in developments for which owners received Minnesota Housing assistance in the form of a first mortgage or deferred loan. • \$8,699,775 in credit claimed • average annual HTC amount claimed per unit was \$7,775 • median income of households in HTC units funded by Minnesota Housing was \$15,507 or 22.1 percent of statewide median • 52.5 percent of total were households of color 		
<p>Proposal for 2010-2011</p>	<p>Minnesota Housing expects its portion of TCAP to be \$19.2 million; the Agency also anticipates that it may administer up to \$40.65 million in HTC exchange. The Agency is allocating \$16.25 million of its own resources to fund bridge loans to developers utilizing tax credits.</p> <p>Based on the available HTC credit ceiling, Minnesota Housing expects to allocate tax credits for approximately 1,700 units for the biennium. The balance of resources under this program will be used to assist additional development projects including those currently stalled in the application pipeline.</p>		
<p>Sources and Uses</p>		<p>08-09 Plan</p>	<p>10-11 Plan</p>
	<p>Sources</p>		
	<p>New Federal Housing Tax Credit Allocation</p>	<p>\$ 15,000,000</p>	<p>\$ 15,000,000</p>
	<p>New Tax Credit Exchange Funds</p>	<p>-0-</p>	<p>40,653,927</p>
	<p>New HOME Gap Financing (TCAP)</p>	<p>-0-</p>	<p>19,249,159</p>
	<p>New Housing Investment Fund Allocation</p>	<p>-0-</p>	<p>16,250,000</p>
	<p>Total Sources</p>	<p><u>\$ 15,000,000</u></p>	<p><u>\$ 91,153,086</u></p>
	<p>Uses</p>		
	<p>New Program Activity for Current Plan</p>	<p>\$ 15,000,000</p>	<p>\$ 91,153,086</p>
	<p>Total Uses</p>	<p><u>\$ 15,000,000</u></p>	<p><u>\$ 91,153,086</u></p>
<p>Legal Authority</p>	<p>Minn. Stat. §462A.221-225; IRC §42</p>		

Housing Trust Fund Program (HTF)	
Program Description	<ul style="list-style-type: none"> • Capital financing for acquisition, construction, rehabilitation of affordable and/or permanent supportive housing. • Operating Subsidies for unique costs associated with operating a low income or supportive housing development or for revenue shortfall to help reduce the difference between the costs of operating a low income housing development and the rents that the tenants can afford to pay. • Rental Assistance in the form of a tenant based, sponsor based, or project based contract. Rental Assistance is intended to be temporary in nature and provide assistance to individual households. <p>At least 75 percent of funds in HTF must be used for the benefit of persons and families whose income, at the time of initial occupancy, does not exceed 30 percent of the median family income for the Minneapolis/Saint Paul metropolitan area.</p> <p>Current tenant income limit: 60 percent of Minneapolis/Saint Paul area median with priority for proposals affordable at 30 percent Maximum loan amount: none beyond funding availability</p>
Strategic Priorities Supported	<p>End Long-Term Homelessness Preserve Existing Affordable Housing Finance New Affordable Housing Opportunities</p>
Program Performance and Trends	<p>For the Program Assessment period of October 1, 2007 – September 30, 2008, Minnesota Housing funded capital or operating expenses for:</p> <ul style="list-style-type: none"> • 461 units in 11 developments • \$6,173,461 in loans • average per loan was \$561,224 or a per unit average of \$7,154 • median household income was \$10,200 or 14.5 percent of statewide median • 47.1 percent of total households in developments with HTF were households of color <p>For the Program Assessment period of October 1, 2007 – September 30, 2008, Minnesota Housing funded HTF rental assistance for:</p> <ul style="list-style-type: none"> • 1,467 households • \$6,648,944 assistance amount • average monthly assistance amount of \$541 per household per month • median household income was \$7,286 or 10.4 percent of statewide median • 62.4 percent of total were households of color

FINAL NEW ACTIVITY TAB F

<p>Proposal for 2010-2011</p>	<p>During the last AHP, 43 percent of HTF funds committed were for capital and 56 percent for rental and operating subsidies. It is expected that approximately 88 percent of HTF funds in the 2010-2011 AHP will be used to renew funding for existing rental and operating subsidy grants. Based on resources available for new activity in 2010-2011, Minnesota Housing expects to fund approximately 3,300 units under this program.</p> <p>Minnesota Housing requested and received State appropriated debt service for \$30 million in non-profit housing bonds through the capital bonding process from the 2008 Minnesota Legislature. The Agency will request appropriations for debt service for additional 501(c) (3) bonds as needed to advance the business plan to end long-term homelessness as well as address other strategic priorities. \$500,000 of State appropriations budgeted for this program is for a demonstration project for ex-offenders to provide stable housing and work opportunities. This is one-time only funding directed by the legislature for this use.</p>		
<p>Sources and Uses</p>	<p>Sources</p> <p>Carry Forward of State Appropriations</p> <p>Pohlad Foundation Contribution</p> <p>Real Estate Brokerage Account Earnings</p> <p>New 501 (c) (3) Bonds</p> <p>New State Appropriations</p> <p>Total Sources</p> <p>Uses</p> <p>Program Disbursements for Prior Plan Commitments</p> <p>New Program Activity for Current Plan</p> <p>Total Uses</p>	<p>08-09 Plan</p> <p>\$ 12,447,181</p> <p>-0-</p> <p>950,000</p> <p>-0-</p> <p>22,110,000</p> <p><u>\$ 35,507,181</u></p> <p>\$ 11,452,981</p> <p>24,054,200</p> <p><u>\$ 35,507,181</u></p>	<p>10-11 Plan</p> <p>\$ 21,227,450</p> <p>2,400,000</p> <p>375,000</p> <p>30,000,000</p> <p>21,610,000</p> <p><u>\$ 75,612,450</u></p> <p>\$ 18,357,857</p> <p>57,254,593</p> <p><u>\$ 75,612,450</u></p>
<p>Legal Authority</p>	<p>Minn. Stat. §462A.201; Minn. Rules, Parts 4900.3700-3769</p>		

Low-and-Moderate Income Rental Program (LMIR)			
Program Description	<p>The Low-and-Moderate Income Rental Program (LMIR) makes interest-bearing, amortizing, first mortgages available for the refinance, acquisition, rehabilitation or new construction/conversion of rental apartment buildings which house low-and-moderate-income Minnesotans. This program includes bridge loans and equity take-out loans. Funds are available both through the RFP and on an open pipeline basis. Deferred loans under Flexible Financing for Capital Costs (FFCC) are currently only available in conjunction with LMIR loans.</p> <p>Current tenant income limit: 40 percent of units must be at 60 percent area median; or 20 percent of units must be at 50 percent area median; and 25 percent of units may be unrestricted; balance may be up to 100 percent area median income</p> <p>Maximum loan amount: no set limit; minimum amount is \$2 million on tax exempt bond loans and \$350,000 on all others</p>		
Strategic Priorities Supported	<p>Finance New Affordable Housing Opportunities End Long-Term Homelessness Preserve Existing Affordable Housing</p>		
Program Performance and Trends	<p>For the Program Assessment period of October 1, 2007 – September 30, 2008, Minnesota Housing financed:</p> <ul style="list-style-type: none"> • 773 units in 10 developments • \$18,789,455 in loans • \$1,879,455 average loan or \$24,307 per unit (not including FFCC) • median household income was \$19,943 or 28.4 percent of statewide median • 35.5 percent of households occupying LMIR units were of color 		
Proposal for 2010-2011	<p>Based on resources available for new activity in 2010-2011, Minnesota Housing expects to finance 2,044 units under this program.</p>		
Sources and Uses		08-09 Plan	10-11 Plan
	Sources		
	Carry Forward of Undisbursed Bond Proceeds	\$ 1,013,861	\$ -0-
	Carry Forward of Housing Investment Fund	25,189,749	25,093,574
	New Bond Issues	40,000,000	30,000,000
	New Housing Investment Fund Allocation	55,000,000	42,000,000
	Total Sources	\$121,203,610	\$ 97,093,574
	Uses		
	Program Disbursements for Prior Plan Commitments	\$ 26,203,610	\$ 25,093,574
	New Program Activity for Current Plan	95,000,000	72,000,000
	Total Uses	\$121,203,610	\$97,093,574

FINAL NEW ACTIVITY TAB F

Legal Authority	Minn. Stat. §462A.05, Subd. 3
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Nonprofit Capacity Building Revolving Loan Program	
Program Description	<p>The Nonprofit Capacity Building Revolving Loan Program assists nonprofit organizations and local units of government in the development of housing projects for low-and moderate-income persons. The 0 to 3 percent interest deferred loan funds are to be used for predevelopment costs such as architect fees, attorney fees, options on land and buildings, and other costs associated with the processing or preparations of a housing project proposal. This program is delivered through administrators: Greater Metropolitan Housing Corporation and the Local Initiatives Support Corporation (Minneapolis/Saint Paul metropolitan) serve the seven-county Twin Cities area while the Minnesota Housing Partnership and the Local Initiatives Support Corporation (Duluth) serve the balance of the State.</p> <p>Individual loans are selected and underwritten by the administrators with results reported to Minnesota Housing on a quarterly basis. These short-term loans are often used in conjunction with Minnesota Housing deferred assistance or permanent mortgage financing.</p> <p>Current tenant income limit: 80 percent of statewide median income Maximum loan amount: varies by administrator</p>
Strategic Priorities Supported	<p>Finance New Affordable Housing Opportunities End Long-Term Homelessness Preserve Existing Affordable Housing</p>
Program Performance and Trends	<p>Minnesota Housing typically provides financing averaging approximately \$125,000 per loan. This program, which achieves nearly a 1:1 match from our administrators, was established as a revolving loan program with repayments supporting new loan production.</p> <p>The program supports the Agency’s interest in the development or expansion of the capacity of nonprofit housing providers. Per the Memorandum of Understanding (MOU) in place, all interest earnings from the funds that have been allocated to the administrators are used for new loan production.</p>
Proposal for 2010-2011	Based on resources available for new activity in 2010-2011, Minnesota Housing expects to finance approximately 35 loans under this program.

		08-09 Plan	10-11 Plan
Sources and Uses	Sources		
	Revolving Housing Affordability Fund Allocation	\$ 4,320,000	\$ 4,320,000
	Total Sources	<u>\$ 4,320,000</u>	<u>\$ 4,320,000</u>
	Uses		
	New Program Activity for Current Plan	\$ 4,320,000	\$ 4,320,000
Total Uses	<u>\$ 4,320,000</u>	<u>\$ 4,320,000</u>	
Legal Authority	Minn. Stat. §462A.21, Subd. 3a; Minn. Rules, Parts 4900.1925-1930		

Publicly Owned Housing Program (POHP)	
Program Description	<p>The Publicly Owned Housing Program (POHP) provides zero percent, interest-deferred loans to eligible public entities to acquire, construct, or rehabilitate permanent supportive rental or transitional housing. Funds are from proceeds of State general obligation bonds, and may be used only for eligible capital costs such as land, buildings, and related soft costs. Operational expenses are not eligible uses. Public ownership is required. A public entity may own and operate the rental housing or may contract with a nonprofit organization or another city to manage the development. Loans are forgiven after 20 years.</p> <p>Current tenant income limit: 50 percent of the greater of area or statewide median income Maximum loan amount: none beyond funding availability</p>
Strategic Priorities Supported	Preserve Existing Affordable Housing
Program Performance and Trends	<p>For the Program Assessment period of October 1, 2007 – September 30, 2008, Minnesota Housing financed:</p> <ul style="list-style-type: none"> • 29 units • \$4,002,731 in loans • an average of \$138,025 per unit • median household income was \$10,920 or 15.6 percent of area median • 29.2 percent of total were households of color
Proposal for 2010-2011	This is a nonprofit housing account for the development of permanent supportive housing. The Agency will request resources to rehabilitate 546 units of public housing under this program.

FINAL NEW ACTIVITY TAB F

		08-09 Plan	10-11 Plan
Sources and Uses	Sources		
	Carry Forward of State Appropriations	\$ 22,316,038	\$ 16,670,719
	New State Appropriations	-0-	2,000,000
	Total Sources	<u>\$ 22,316,038</u>	<u>\$ 18,670,719</u>
	Uses		
	Program Disbursements for Prior Plan Commitments	\$ 6,579,744	\$ 16,670,719
New Program Activity for Current Plan	15,736,294	2,000,000	
Total Uses	<u>\$ 22,316,038</u>	<u>\$ 18,670,719</u>	
Legal Authority	Minn. Stat. §462A.202; Minn. Rules, Parts 4900.3100-3130		

Rental Rehabilitation Loan Program	
Program Description	<p>The Rental Rehabilitation Loan Program provides property improvement loans to residential rental property owners. This line item has two components: a loan at 6% interest, fully amortizing up to 15 years component and a deferred loan component. A change in funding sources has prompted a review of the program design for the deferred loan program; revisions will be completed for the start of the new AHP period. There will be a transition year for the deferred loan component to accommodate the change in funding sources. The deferred loan component will be administrated through local administrators and loans will be initially available for properties located outside of HOME participating jurisdictions. Financing under the interest bearing loan component is available statewide.</p> <p>Current tenant income limit: 80 percent statewide median income Maximum loan amount: \$100,000 for an interest bearing loan, no maximum loan amount for the deferred loan.</p>
Strategic Priorities Supported	<p>Preserve Existing Affordable Housing</p>
Program Performance and Trends	<p>For the Program Assessment period of October 1, 2007 – September 30, 2008, Minnesota Housing financed:</p> <ul style="list-style-type: none"> • 23 loans for the rehabilitation of 186 units of rental housing • \$754,452 in loans • average loan size was \$32,802 or \$4,056 per unit • median household income was \$20,400 or 29.1 percent of statewide median • 15.5 percent of total were households of color <p>During that time, Minnesota Housing also used Federal HOME dollars to fund:</p> <ul style="list-style-type: none"> • 31 loans for the rehabilitation of 400 units of rental housing • \$4,827,738 in deferred loans • average loan size was \$155,733 or \$12,069 per unit • median household income was \$12,984 or 18.5 percent of statewide median • 17.7 percent of total were households of color <p>HOME funds will no longer be allocated to rental rehabilitation, but to the rehabilitation of owner-occupied housing. Rental Rehabilitation Loans will include Federal resources carried over from the 2008-2009 HOME Rental Rehabilitation Program as well as State appropriations for rehabilitation; however, due to Federal requirements, HOME no longer is a viable funding source for the rehabilitation of rental property.</p>

FINAL NEW ACTIVITY TAB F

Proposal for 2010-2011	Based on resources available for new activity in 2010-2011, Minnesota Housing expects to finance approximately 1,800 units under this program.		
Sources and Uses		08-09 Plan	10-11 Plan
	Sources		
	Carry Forward of Housing Investment Fund	\$ 30,000	\$ 46,397
	Carry Forward of Federal HOME Appropriation	22,821,150	12,013,203
	Carry Forward of State Appropriations	-0-	3,533,879
	New Housing Investment Fund Allocation	3,000,000	2,500,000
	New Federal HOME Appropriations	10,665,768	-0-
	New State Appropriations	-0-	8,062,000
	Total Sources	<u>\$ 36,516,918</u>	<u>\$ 26,155,479</u>
	Uses		
Program Disbursements for Prior Plan Commitments	\$ 14,961,926	\$ 12,059,600	
New Program Activity for Current Plan	21,554,992	14,095,879	
Total Uses	<u>\$ 36,516,918</u>	<u>\$ 26,155,479</u>	
Legal Authority	Minn. Stat. §462A.05, Subd. 14		

RENTAL - PROGRAMS IN RUN-OFF

Federal Special Projects																												
Program Description	Under the Federal Economic Development Initiative (EDI), Minnesota has received Special Project Grants to provide assistance for supportive housing developments and for homeless youth. The congressional appropriation requires that the funds be used for supportive housing for homeless youth.																											
Program Performance and Trends	Funds from two grants received in 2005 and 2006 have been awarded to the Booth Brown project and \$347,000 was disbursed in 2008. The Agency also received a \$198,000 Neighborhood Initiatives Grant for Homeless Youth in FFY 2006 that has not yet been committed.																											
Proposal for 2010-2011	The remaining \$198,000 will be awarded to a project that serves homeless youth.																											
Sources and Uses	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right; width: 20%;">08-09 Plan</th> <th style="text-align: right; width: 20%;">10-11 Plan</th> </tr> </thead> <tbody> <tr> <td colspan="3">Sources</td> </tr> <tr> <td>Carry Forward of Federal Appropriations</td> <td style="text-align: right;">\$ -0-</td> <td style="text-align: right;">\$ 198,000</td> </tr> <tr> <td>EDI Grant to Minnesota Housing</td> <td style="text-align: right;">545,000</td> <td style="text-align: right;">-0-</td> </tr> <tr> <td style="padding-left: 20px;">Total Sources</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 545,000</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 198,000</td> </tr> <tr> <td colspan="3">Uses</td> </tr> <tr> <td>Program Disbursements for Prior Plan Commitments</td> <td style="text-align: right;">\$ 347,000</td> <td style="text-align: right;">\$ -0-</td> </tr> <tr> <td>New Program Activity for Current Plan</td> <td style="text-align: right;">198,000</td> <td style="text-align: right;">198,000</td> </tr> <tr> <td style="padding-left: 20px;">Total Uses</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 545,000</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 198,000</td> </tr> </tbody> </table>		08-09 Plan	10-11 Plan	Sources			Carry Forward of Federal Appropriations	\$ -0-	\$ 198,000	EDI Grant to Minnesota Housing	545,000	-0-	Total Sources	\$ 545,000	\$ 198,000	Uses			Program Disbursements for Prior Plan Commitments	\$ 347,000	\$ -0-	New Program Activity for Current Plan	198,000	198,000	Total Uses	\$ 545,000	\$ 198,000
	08-09 Plan	10-11 Plan																										
Sources																												
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Uses																												
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New Program Activity for Current Plan	198,000	198,000																										
Total Uses	\$ 545,000	\$ 198,000																										
Legal Authority	Minn. Stats. §462A.05, Subds. 6, 11, and 12; and 462A.07, Subd. 13																											

RENTAL - PORTFOLIO MANAGEMENT

Asset Management	
Program Description	<p>The Asset Management account is used to make interest and non-interest bearing amortizing and deferred loans as well as rent subsidy grants and is an important resource for preserving the stock of affordable rental housing. A property needs analysis tool is used annually to project physical needs and operating deficiencies.</p> <p>Minnesota Housing-financed first mortgage developments may be eligible for funding from this account if reserves are inadequate to fund capital improvements. Loans from this source are typically low-or non-interest bearing, amortizing or deferred, and provide funding necessary for repairs and maintenance to protect the Agency's assets and ensure the development is decent, safe and sanitary.</p> <p>Minnesota Housing can also use these funds to pay for costs incurred when a property goes into default and eventually becomes Real Estate Owned (REO) by the Agency. Costs of legal representation for the Agency, taxes and insurance, other operating costs, capital improvements necessary to market the property, and loan losses are paid with resources allocated to this program. The funds are also used to stabilize troubled developments that, had they become REO, would have cost the Agency more in losses than the total cost of stabilizing them.</p>
Strategic Priorities Supported	<p>Preserve Existing Affordable Housing</p>
Program Performance and Trends	<p>For the period of October 1, 2007 – July, 31, 2009, the Agency provided 13 loans to developments in an amount of \$6,040,734. Loans averaged \$464,672 or \$11,891 per unit. All of the loans were low interest, ranging between 1 percent and 6 percent, and were used to provide capital improvements to rehabilitate the developments.</p> <p>Developments receiving asset management funds are generally required to extend any applicable Section 8 contracts for 10 additional years. The present value of extending the Section 8 contracts during the above timeframe was \$14.5 million.</p> <p>Demographics of the tenants in these developments are not currently available; however, at least two of the nine were Section 8-assisted developments, a good indication that tenants were extremely low-income households.</p>

<p>Proposal for 2010-2011</p>	<p>The property needs analysis tool identified at least 12 properties that will need asset management loans in the next two years; \$8 million is budgeted for this activity. Additional funds are being budgeted in anticipation of requests to fund elevator upgrades necessitated by new Federal government codes and standards for new and existing elevators. All elevators, related equipment, and adjacent areas must meet revised codes by January 29, 2012.</p> <p>Based on resources available for new activity in 2010-2011, Minnesota Housing expects to fund 1,407 units under this program</p>		
<p>Sources and Uses</p>	<p>Sources</p> <p>Carry Forward of Housing Affordability Fund</p> <p>Rental Housing 2004C Bond Proceeds</p> <p>New Federal Appropriation</p> <p>New Housing Affordability Fund Allocation</p> <p>Total Sources</p> <p>Uses</p> <p>Program Disbursements for Prior Plan Commitments</p> <p>New Program Activity for Current Plan</p> <p>Total Uses</p>	<p>08-09 Plan</p> <p>\$ 3,021,884</p> <p>10,000,000</p> <p>-0-</p> <p>5,000,000</p> <hr/> <p><u>\$ 18,021,884</u></p> <p>\$ 3,021,884</p> <p>15,000,000</p> <hr/> <p><u>\$ 18,021,884</u></p>	<p>10-11 Plan</p> <p>\$ 2,898,228</p> <p>8,000,000</p> <p>7,700,000</p> <p>7,300,000</p> <hr/> <p><u>\$ 25,898,228</u></p> <p>\$ 2,898,228</p> <p>23,000,000</p> <hr/> <p><u>\$ 25,898,228</u></p>
<p>Legal Authority</p>	<p>Minn. Stat. §462A.05, Subd. 3</p>		

<p>Asset Management FAF/FA</p>	
<p>Program Description</p>	<p>Financing Adjustment Factor (FAF) and Financing Adjustment (FA) savings come to the Agency as a result of an agreement between the U.S. Department of Housing and Urban Development (HUD) and Minnesota Housing to share in the savings resulting from refunding high interest rate bonds originally issued in 1980 and 1982 to finance Section 8 developments. These funds are used to pay for deferred maintenance and operating subsidies of previously funded Minnesota Housing multifamily projects to enable the projects to continue to serve low-and extremely low-income families. This account is used to make interest-and non-interest-bearing, amortizing and deferred loans or grants as well as rent subsidy grants. A property needs analysis tool is used to project physical needs and operating deficiencies.</p>
<p>Strategic Priorities Supported</p>	<p>Preserve Existing Affordable Housing</p>

FINAL NEW ACTIVITY TAB F

Program Performance and Trends	From October 1, 2007 - September 30, 2008, Minnesota Housing closed two FA loans. The present value of extending the Section 8 contract for 10 years was \$1.6 million.		
Proposal for 2010-2011	Based on resources available for new activity in 2010-2011, Minnesota Housing expects to finance 520 units under this program		
Sources and Uses		08-09 Plan	10-11 Plan
	Sources		
	Carry Forward of Federal FAF/FA Account	\$ 3,915,808	\$ 2,813,468
	New FAF/FA Account Allocation	10,135,501	8,500,000
	Total Sources	<u>\$ 14,051,309</u>	<u>\$ 11,313,468</u>
	Uses		
Program Disbursements for Prior Plan Commitments	\$ 3,915,808	\$ 2,813,468	
New Program Activity for Current Plan	10,135,501	8,500,000	
Total Uses	<u>\$ 14,051,309</u>	<u>\$ 11,313,468</u>	
Legal Authority	Minn. Stat. §462A.05, Subd. 11		

Contract Administration	
Program Description	<p>Effective August 1, 2000 the Agency entered into an agreement with the U.S. Department of Housing and Urban Development (HUD) to administer HUD-mortgaged Section 8 developments (348 contracts, more than 18,000 units). This agreement provides for an efficient, statewide administration of Federal project-based rental assistance. The Agency’s primary responsibilities are performing management and occupancy reviews, processing contract renewals, processing monthly payment vouchers, and following up on Real Estate Assessment Center (REAC) physical inspections. These activities assist the Agency in identifying and planning for the preservation needs of the HUD-mortgaged Section 8 developments.</p> <p>The Agency’s current contract with HUD extended until June 30, 2009; renegotiating or rebidding of the contract is in process.</p>
Strategic Priorities Supported	Preserve Existing Affordable Housing

<p>Program Performance and Trends</p>	<p>Geographic distribution of developments is important in understanding differences in assistance (and tenants assisted) between Minnesota Housing-financed and Contract Administration (CA) Section 8. An estimated 33 percent of CA units are located in the cities of Minneapolis and Saint Paul; an estimated 16 percent of Minnesota Housing-financed units are located in the center cities. During the period October 1, 2007 - September 30, 2008, the median income of the nearly 18,000 households served under CA was \$10,235 (14.6 percent of statewide median at that time). Among assisted households reporting, 33.9 percent were households of color.</p>		
<p>Proposal for 2010-2011</p>	<p>Housing Assistance Payments will be made under 348 Section 8 contracts covering 18,134 units.</p>		
<p>Sources and Uses</p>		<p>08-09 Plan</p>	<p>10-11 Plan</p>
<p>Legal Authority</p>	<p>Minn. Stat. §462A.05, Subd. 11; 42 U.S.C. §1437f (Section 8 of the Housing and Community Development Act of 1937, as amended)</p>		

<p>HUD Section 236 Program</p>	
<p>Program Description</p>	<p>The Section 236 Program, which was used to fund low-income housing in the late 1960s and early 1970s, was predominately a program between the Federal government, private lenders, and private for-profit and nonprofit developers. Under the Section 236 Program the Federal government subsidized the interest rate on the mortgage from the then current market rate to a rate of 1 percent in order to reduce rents and make housing more affordable. The Section 236 Program was a predecessor to the Section 8 program.</p>
<p>Strategic Priorities Supported</p>	<p>Preserve Existing Affordable Housing</p>
<p>Program Performance and Trends</p>	<p>This program provides 548 units of affordable housing in eight developments to residents with incomes at or below 80 percent of median income adjusted for family size. In 2008, the Agency disbursed nearly \$1.5 million in interest reduction payments for Section 236 housing. We do not report separately on the demographics of tenants of Section 236 housing.</p>

FINAL NEW ACTIVITY TAB F

Proposal for 2010-2011	The contractual subsidy amount for the Plan period is \$3,250,000. This funding will assist eight developments including more than 500 housing units.		
Sources and Uses		08-09 Plan	10-11 Plan
	Sources		
	New Federal Section 236 Allocation	\$ 3,000,000	\$ 3,250,000
	Total Sources	<u>\$ 3,000,000</u>	<u>\$ 3,250,000</u>
	Uses		
	New Program Activity for Current Plan	\$ 3,000,000	\$ 3,250,000
Total Uses	<u>\$ 3,000,000</u>	<u>\$ 3,250,000</u>	
Legal Authority	Minn. Stat. §462A.05, Subd. 11; 12 U.S.C. §1715z-1 (Housing and Urban Development Act of 1968)		

HUD Section 8 Program	
Program Description	The Section 8 program was enacted in 1974 to provide decent, safe, and sanitary affordable housing for households with a range of incomes. For all developments, at least 40 percent of new households must have incomes at or below 30 percent of the area median income. In developments built pre-1981, all new households must have incomes at or below 80 percent of the median income. In developments built since 1981, all new households must have incomes at or below 50 percent of the area median income. The U.S. Department of Housing & Urban Development (HUD) allows exceptions for developments that are experiencing vacancy problems.
Strategic Priorities Supported	Preserve Existing Affordable Housing
Program Performance and Trends	In 2008 Section 8 units housed more than 12,000 tenant households with incomes at or below 80 percent of median income adjusted for family size. Geographic distribution of developments is important in understanding differences in assistance (and tenants assisted) between Minnesota Housing-financed and Contract Administration (CA) Section 8. An estimated 33 percent of CA units are located in the cities of Minneapolis and Saint Paul; an estimated 16 percent of Minnesota Housing-financed units are located in the center cities. Median income of households in Minnesota Housing-financed Section 8 developments was \$11,546 (16.4 percent of statewide median) for the period October 1, 2007 – September 30, 2008. Among these Section 8 tenants, 19.9 percent were households of color.

FINAL NEW ACTIVITY TAB F

<p>Proposal for 2010-2011</p>	<p>Housing Assistance Payments will be made under 215 Section 8 contracts covering 12,418 units in developments financed by Minnesota Housing during the 1970s and 1980s.</p>		
<p>Sources and Uses</p>		<p>08-09 Plan</p>	<p>10-11 Plan</p>
	<p>Sources</p>		
	<p>New Federal Section 8 Allocation</p>	<p><u>\$ 160,000,000</u></p>	<p><u>\$ 150,000,000</u></p>
	<p>Total Sources</p>	<p><u><u>\$ 160,000,000</u></u></p>	<p><u><u>\$ 150,000,000</u></u></p>
	<p>Uses</p>		
	<p>New Program Activity for Current Plan</p>	<p><u>\$ 160,000,000</u></p>	<p><u>\$ 150,000,000</u></p>
	<p>Total Uses</p>	<p><u><u>\$ 160,000,000</u></u></p>	<p><u><u>\$ 150,000,000</u></u></p>
<p>Legal Authority</p>	<p>Minn. Stat. §462A.05, Subd. 11; 42 U.S.C. §1437f (Section 8 of the Housing and Community Development Act of 1937, as amended)</p>		

AGENCY - WIDE BUDGET ITEMS

Agency Administrative Expenses (HOME)			
Program Description	<p>The HOME program regulations allow Minnesota Housing to recover the costs incurred in administering the program, subject to certain Federal restrictions regarding what constitutes allowable costs and subject to the restriction that all administrative costs cannot exceed 10 percent of the Federal appropriation. Agency administrative expenses are limited to Agency overhead; administrative fees paid to local administrators count against the 10 percent administrative cost cap, but are paid from the program allocations.</p>		
Program Performance and Trends	<p>The Agency allocated 9.8 percent of its HOME allocation in Federal fiscal year 2009 (\$930,189) to overhead. With more precise cost coding over the past several years and the successful negotiation and implementation of an indirect cost rate in fiscal year 2002, Minnesota Housing has increased the amount of expenses that are recovered under the HOME program from less than \$300,000 in 1996 to an estimated \$930,000 in 2009. The Agency's allocation of HOME funds to additional activities (e.g., downpayment assistance and ending long-term homelessness) have contributed to increased administrative costs, which nevertheless remain at 7 percent to 10 percent of annual HOME funds.</p>		
Proposal for 2010-2011	<p>New allocations of HOME funds will not occur until the annual appropriations are decided which will most likely be in the spring of 2010 and 2011. This Affordable Housing Plan assumes that the new appropriations are the same as the total 2009 appropriation of \$10.5 million. This is subject to change pending receipt of the actual appropriations. Administrative costs are budgeted at 10% for this Affordable Housing Plan in anticipation of additional costs of administering a new program activity (Single Family Rehabilitation Loans).</p>		
Sources and Uses		08-09 Plan	10-11 Plan
	Sources		
	Carry Forward of Federal HOME Appropriations	\$ 781,507	\$ 493,488
	New Federal HOME Appropriations	1,962,862	2,214,957
	Total Sources	<u>\$ 2,744,369</u>	<u>\$ 2,708,445</u>
	Uses		
	Program Disbursements for Prior Plan Commitments	\$ 80,152	\$ 353,488
	New Program Activity for Current Plan	2,664,217	2,354,957
	Total Uses	<u>\$ 2,744,369</u>	<u>\$ 2,708,445</u>
Legal Authority	<p>Title II of the Cranston-Gonzales National Affordable Housing Act 1990; 42 U.S.C. §12701, et. seq.</p>		

Agency Technical Assistance Fund																												
Program Description	The Agency Technical Assistance Fund provides grants for projects or conferences that have an important State or regional impact and are consistent with the Minnesota Housing’s mission. Grants may be used for projects that are research-oriented, that require external expertise to supplement existing staff, or that develop or support infrastructure related to the Agency’s strategic priorities. The Commissioner must approve all requests for funds.																											
Program Performance and Trends	Examples of expenditures include contributions to the Emerging Markets Homeownership Initiative, the Wilder Statewide Survey of Homelessness, the maintenance of and expansion of the database and processing system by HousingLink to provide affordable rental housing vacancy information statewide, the State’s Homeless Management Information System (HMIS), regional Continuum of Care planning, the development of a guide for contractors to meet Green Communities criteria, a supportive housing institute, training on the Neighborhood Stabilization Program, and assistance with the refinement and implementation of new initiatives.																											
Proposal for 2010-2011	<p>Under the 2010 – 2011 Plan, funds will be made available for a variety of technical assistance needs including continued support for the Emerging Markets Housing Initiative, the Minnesota Home Ownership Center, HMIS, Heading Home Minnesota, and HousingLink.</p> <p>Funds may be made available to increase capacity with respect to energy efficient and environmentally efficient housing as well as other technical assistance needs identified by delivery partners.</p>																											
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Legal Authority	Minn. Stat. §462A.07, Subd. 6																											

Capacity Building Grant Program																															
Program Description	<p>The Capacity Building Grant Program provides organizational support funding to entities providing affordable housing and housing-related services.</p> <p>The Agency contracts with intermediary organizations to deliver a large portion of the program funds to eligible organizational recipients.</p>																														
Program Performance and Trends	<p>In 2008-2009, approximately 55 percent of the State-appropriated Capacity Building Grant funds were allocated to the Local Initiatives Support Corporation, 41 percent to the Continuum of Care regions, and four percent to Regional Housing Advisory Groups. A total of \$827,600 was awarded or disbursed during the biennium.</p>																														
Proposal for 2010-2011	<p>Staff expect to establish or renew contracts with intermediary organizations early in 2010.</p>																														
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Legal Authority	<p>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</p>																														

Disaster Relief Contingency Fund																												
Program Description	This fund was established by the 2001 Minnesota Legislature as the account into which the Agency would deposit all repayments of previously made disaster relief loans or grants. Funds deposited in this account are to be used to assist with rehabilitation or replacement of housing that is damaged by a natural disaster in areas that are covered by a presidential declaration of disaster. The terms and conditions under which the funds are made available are at the Agency's sole discretion.																											
Strategic Priorities Supported	Preserve Existing Affordable Housing																											
Program Performance and Trends	The 2007 Minnesota Legislature authorized the Agency to use these funds to help with damage due to the Browns Valley flood.																											
Proposal for 2010-2011	Based on resources available for new activity in 2010-2011, Minnesota Housing might expect to fund approximately 30 households under this program.																											
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Legal Authority	Minn. Stat. §462A.21, Subd. 29; Laws of Minnesota 2003, Chap. 128, Art. 10, Sec. 4, Subd. 2																											

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

<p>Program Performance and Trends</p>	<p>Program Assessment data for the owner-occupied housing funds under Economic Development and Housing Challenge Program is included in data provided for the Community Revitalization Fund (CRV), which is the umbrella program under which Minnesota Housing currently delivers the Challenge Fund, and two interim construction financing programs for homeownership activities. Information on the Challenge Fund is not available separately given current database constraints; however, the Community Revitalization Fund as a whole has proven to be a valuable resource for increasing the housing supply for low and moderate-income households.</p> <p>For the program assessment period October 1, 2007 – September 30, 2008, the Agency provided funding for owner-occupied housing 32.3 percent of which was new construction:</p> <ul style="list-style-type: none"> • 247 loans • \$4,570,225 in loans • average loan amount of \$18,503 • median household income was \$33,505 or 47.7 percent of statewide median • 31.1 percent of total were households of color <p>For the program assessment period October 1, 2007 – September 30, 2008, the Agency provided funding for affordable rental housing:</p> <ul style="list-style-type: none"> • 266 units in five rental housing developments • \$5,814,221 in loans • average loan amount was \$1,162,844 per development or \$8,742 per unit • median household income was \$23,894 or 34 percent of statewide median income • 42.6 percent of households occupying Challenge Fund units were households of color.
<p>Proposal for 2010-2011</p>	<p>Based on resources available for new activity in 2010-2011, Minnesota Housing expects to fund approximately 3,700 units under this program. Funds are budgeted for potential loans for community land bank activities, to further foreclosure remediation efforts and for potential loans to facilitate the conversion of manufactured home parks to cooperative ownership. For 2010-2011, the Challenge Fund includes a set-aside for the first 11 months of each year of the appropriations for both Tribal and Urban Indian Housing.</p>

FINAL NEW ACTIVITY TAB F

		08-09 Plan	10-11 Plan
Sources and Uses	Sources		
	Carry Forward of Housing Investment Fund	\$ -0-	\$ 10,000,000
	Carry Forward of State Appropriations	24,351,714	31,039,726
	Repayments of State Appropriations	-0-	500,000
	New Housing Affordability Fund	-0-	7,700,000
	New Housing Investment Fund	5,000,000	38,000,000
	New State Appropriations	34,244,000	14,786,000
	Total Sources	<u>\$ 63,595,714</u>	<u>\$102,025,726</u>
	Uses		
	Program Disbursements for Prior Plan Commitments	\$ 28,718,764	\$ 39,327,699
New Program Activity for Current Plan	34,876,950	62,698,027	
Total Uses	<u>\$ 63,595,714</u>	<u>\$102,025,726</u>	
Legal Authority	Minn. Stat. §462A.33; Minn. Rules, Parts 4900.3600-3652		

Flood Economic Development & Housing Challenge Program	
Program Description	<p>Minnesota Housing implemented the Flood Economic Development and Housing Challenge Program to address flood damage in southeastern Minnesota that occurred in August of 2007. Under this program, the Agency provided eligible homeowners with up to \$23,000 in forgivable, no-interest loans. The loans were used for capital improvements to return houses to their pre-disaster condition. Income limits for this program were waived.</p> <p>The program was funded through a \$16 million appropriation to the Challenge Fund by the 2007 special session of the Minnesota Legislature.</p>
Strategic Priorities Supported	Preserve Existing Affordable Housing
Program Performance and Trends	<p>For the program assessment period October 1, 2007 - September 30, 2008, the Agency provided funding for:</p> <ul style="list-style-type: none"> • 475 loans • \$10,761,071 in loans • average loan amount was \$22,655 • median household income was \$43,000 or 61.3 percent of statewide median • 2.9 percent of total were households of color

Proposal for 2010-2011	Based on resources available for new activity in 2010-2011, Minnesota Housing expects it might fund approximately 120 units under this program.		
Sources and Uses		08-09 Plan	10-11 Plan
	Sources		
	Carry Forward of State Appropriations	\$ -0-	\$ 378,084
	New State Appropriations	-0-	2,700,000
	Total Sources	<u>\$ -0-</u>	<u>\$ 3,078,084</u>
	Uses		
Program Disbursements for Prior Plan Commitments	\$ -0-	\$ 378,084	
New Program Activity for Current Plan	-0-	2,700,000	
Total Uses	<u>\$ -0-</u>	<u>\$ 3,078,084</u>	
Legal Authority	Minn. Stat. §462A.33; Minn. Rules, Parts 4900.3600-3652		

AGENCY-WIDE BUDGET ITEMS IN RUN-OFF

Neighborhood Stabilization Program (NSP)	
Program Description	The Neighborhood Stabilization Program (NSP) funds targeted emergency assistance to states and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight. Minnesota Housing has allocated Minnesota’s funding award in 2009 among nine agencies in the Twin Cities area and 12 in Greater Minnesota.
Strategic Priorities Supported	
Program Performance and Trends	This is a new federally funded program for which there is no performance history as awardees have only recently entered into agreements for the program. There are aggressive funds usage requirements for the program so activity is likely to be intense.
Proposal for 2010-2011	At this point the Agency is unaware of whether additional funds will be made available during this plan. Based on resources available for new activity in 2010-2011, Minnesota Housing expects to finance loans for approximately 350-400 households under this program.

FINAL NEW ACTIVITY TAB F

		08-09 Plan	10-11 Plan
Sources and Uses	Sources		
	Carry Forward of Federal Appropriations	\$ -0-	\$ 31,849,929
	Total Sources	<u>\$ -0-</u>	<u>\$ 31,849,929</u>
	Uses		
	Program Disbursements for Prior Plan Commitments	\$ -0-	\$ 31,849,929
Total Uses	<u>\$ -0-</u>	<u>\$ 31,849,929</u>	
Legal Authority	Title III of Division B, section 2301 of the Housing and Economic Recovery Act of 2008 (HERA)		

Tribal Indian Housing Program	
Program Description	The Tribal Indian Housing Program provides funds to support homeownership and rental opportunities to American Indian families throughout the State. Funds have been provided pursuant to housing plans to address the unique housing needs. Program terms and conditions are proposed by each tribe subject to review and approval by the Agency.
Strategic Priorities Supported	
Program Performance and Trends	For the Program Assessment period of October 1, 2007 - September 30, 2008, the Tribal Indian Housing Program provided: <ul style="list-style-type: none"> • 42 loans • \$3,991,969 in loans (including Minnesota Housing disbursements and revolving funds) • average loan per household was \$95,047 • median household income was \$39,829 or 56.7 percent of statewide median • 100 percent were households of color
Proposal for 2010-2011	To facilitate the most effective use of resources the Minnesota Legislature redirected Tribal and Urban Indian Housing funds to the Economic Development and Housing Challenge Fund. Tribal and urban Indian organizations will apply for funds on a competitive basis under that program in 2010-2011.

		08-09 Plan	10-11 Plan
Sources and Uses	Sources		
	Carry Forward of State Appropriations	\$ -0-	\$ 2,565,806
	New State Appropriations	<u>3,077,000</u>	<u>-0-</u>
	Total Sources	<u>\$ 3,077,000</u>	<u>\$ 2,565,806</u>
	Uses		
	Program Disbursements for Prior Plan Commitments	\$ -0-	\$ 2,565,806
New Program Activity for Current Plan	<u>3,077,000</u>	<u>-0-</u>	
Total Uses	<u>\$ 3,077,000</u>	<u>\$ 2,565,806</u>	
Legal Authority	Minn. Stat. §462A.07, Subd. 14; Minn. Rules, Parts 4900.0900-1080		

Urban Indian Housing Program (UIHP)	
Program Description	The Urban Indian Housing Program provides homeownership and rental housing opportunities for low and moderate-income American Indian households residing in designated urban areas of the State. Rental and other special assistance programs are typically provided in the form of a grant or interest-free, deferred loan.
Strategic Priorities Supported	
Program Performance and Trends	No Urban Indian Housing Program loans closed during the Program Assessment period between October 1, 2007 - September 30, 2008.
Proposal for 2010-2011	To facilitate the most effective use of resources the Minnesota Legislature redirected Tribal and Urban Indian Housing funds to the Economic Development and Housing Challenge Fund. Tribal and urban Indian organizations will apply for funds on a competitive basis under that program in 2010-2011.

FINAL NEW ACTIVITY TAB F

		08-09 Plan	10-11 Plan
Sources and Uses	Sources		
	Carry Forward of State Appropriations	\$ 140,394	\$ 519,394
	New State Appropriations	374,000	-0-
	Total Sources	<u>\$ 514,394</u>	<u>\$ 519,394</u>
	Uses		
	Program Disbursements for Prior Plan Commitments	\$ 140,394	\$ 519,394
New Program Activity for Current Plan	374,000	-0-	
Total Uses	<u>\$ 514,394</u>	<u>\$ 519,394</u>	
Legal Authority	Minn. Stat. §462A.07, Subd. 15; Minn. Rules, Parts 4900.1500-1586		

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

RESOLUTION NO. MHFA 07-16

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

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

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

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

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

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

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

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

NOW THEREFORE, be it resolved:

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

- Pool 1 (Housing Endowment Fund): An amount equal to 1% of loans outstanding (excluding loans in Pool 3) will be invested in short-term, investment grade securities at market interest rates. Assets of Pool 1 will be held in the General Reserve Account.
- Pool 2 (Housing Investment Fund): An amount that will cause the combined net assets in the General Reserve Account and bond funds (exclusive of Pool 3) to be the greater of \$615 million or the combined net assets of the same funds for the immediately preceding audited fiscal year end. Assets will be invested in investment quality housing loans or investment grade securities. Assets of Pool 2 will be held in the bond funds.
- Pool 3 (Housing Affordability Fund): Net assets in excess of the required balances for Pools 1 and 2 may be invested in investment grade securities and used for programs not resulting in amortizing investment quality loans including, but not limited to:
 - Zero-percent loans;
 - Loans at interest rates substantially below market;
 - High risk loans;
 - Deferred loans;
 - Revolving funds; and
 - Grants and rental assistance.

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

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

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



CHAIRMAN