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

A G E N D A
Minnesota Housing Finance Agency
Board Meeting
Thursday, August 30, 2012
1:00 p.m.

State Street Conference Room – 1st Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
2. **Agenda Review.**
3. **Approval of the Minutes**
   A. Regular Meeting of July 26, 2012.
4. **Chairman's Report.**
5. **Commissioner's Report and Introductions.**
6. **Audit Committee.**
   A. Discussion, Presentation of Annual Financial Report, Annual Financial Audit and Federal Single Audit.
   B. Discussion, Post Sale Report for Homeownership Finance Bonds 2012 Series A.
   C. Discussion, Funding Options for Single Family First Mortgage Production.
   D. Approval, Fiscal 2012 Interfund Transfers.
7. **Program Committee.**
   None.
8. **Finance Committee.**
   None.
9. **Action Items:**
   A. Summary Review:
      1. Approval, Selection/Commitment, Housing Opportunities for Persons with AIDS (HOPWA) Renewal.
      2. Approval, Commitment, Low and Moderate Income Rental (LMIR) Program
         - Sunset Ridge Apartments, Minnetonka.
      3. Approval, Assumption Section 8 Loan and Asset Management Loan
         - Munger Terrace, Duluth.
      4. Approval, Loan Modification, Low and Moderate Income Rental Program (LMIR)
         - Riverside Terrace, Thief River Falls.
      5. Approval, Changes, Program Waiver, Homeownership Assistance Fund (HAF).
      6. Approval, Modification, Loans to Twin Cities Community Land Bank and Family Housing Fund.

B. Discussion – General:

1. Discussion, Draft 2013 Affordable Housing Plan.

C. Discussion – Homes:

1. Approval, Substantial Amendment, Neighborhood Stabilization Plan 3 (NSP 3).
2. Approval, Mortgage Loan "Step Up" Procedural Manual.
3. Approval, Selections, Homeownership Education, Counseling and Training Fund.

D. Discussion – Multifamily:

1. Approval, Selection/Commitment, Housing Trust Fund (HTF), Rental Assistance Grant Renewals.

10. Review and Information Items.

A. Information, Summary of Special Session.

11. Other Business.

None.

12. Adjournment.

MINUTES

MINNESOTA HOUSING FINANCE AGENCY BOARD MEETING
Thursday, July 26, 2012
1:00 p.m.
State Street Conference Room – 1st Floor
400 Sibley Street, St. Paul, MN 55101

1. **Call to Order.**
   Chair Ken Johnson called to order the regular meeting of the Board of the Minnesota Housing Finance Agency at 1:04 p.m.
   Members present: Gloria Bostrom, John DeCramer, Ken Johnson, Joe Johnson, and Auditor Otto. **Absent:** Stephanie Klinzing, Steve Johnson.
   Minnesota Housing staff present: Commissioner Mary Tingerthal, Tal Anderson, Paula Beck, Margaret Davies, Joe Gonnella, Doug Grout, Phil Hagelberger, Mike Haley, Margaret Kaplan, Bill Kapphahn, Kurt Keena, Katie Kinley, Marcia Kolb, Diana Lund, Eric Mattson, Deanna Olson, Tonja Orr, John Patterson, Nikki Rask, Megan Ryan, Joel Salzer, Becky Schack, Barb Sporlein, Kim Stuart, Will Thompson, LeAnne Tomera, Katie Topinka, Tom Waknitz, Dan Walsh, Xia Yang.
   Others present: Paula Rindels, Dorsey & Whitney; Melanie Lien, Chris Flannery, Piper Jaffray; Chip Halbach, Minnesota Housing Partnership; Paul Rebholz, Wells Fargo; Dan Garrett, MHEG; Frank Fallon, RBC Capital Markets; Jean Lee, CHI/RRFC, APAHC; Tom O'Hern, Office of the Minnesota Attorney General; Celeste Grant, Office of the Minnesota State Auditor.
2. **Agenda Review.**
   Members approved a request from Chair Johnson that item 9.B.2. be presented before 9.B.1.
3. **Approval of the Minutes.**
   A. **Regular Meeting of June 21, 2012.**
      Auditor Otto moved to approve the minutes as written. Mr. DeCramer seconded the motion. Motion carries 4-0, Mr. Joe Johnson abstaining.
4. **Chairman's Report.**
   Chair Ken Johnson reported the following upcoming meeting dates:
   Audit Committee at 12:00 p.m. on Thursday, August 30; Regular meeting at 1:00 p.m. on Thursday, August 30; Special meeting immediately following the regular meeting on Thursday August 30; Committee meeting by phone on Wednesday, September 5 to review comments on the Affordable Housing Plan.
5. **Commissioner's Report and Introductions.**
   Commissioner Tingerthal reported that some good comments, both verbal and written, were received during a webinar on the Strategic Plan, noting that hosting webinars is a good practice for the Agency to adopt.

   Copies of the four papers that were submitted to the Bi-Partisan Commission were provided to members at their places prior to the start of the meeting. The Commissioner had been in Washington, D.C. and reported that the papers submitted to the commission are getting exposure.

   Staff will present and discuss the initial draft of the Affordable Housing Plan (AHP) at the August meeting. There will be a public webinar on August 21, followed by a special board meeting by phone on September 5 to review the comments received on the AHP. The Commissioner noted that there is a shorter amount of time than usual between the August and September meetings because the August meeting is one week later in order to allow for public notice requirements related to the Affordable Housing Plan. Because of this shortened amount of time, the draft AHP will be provided to before they receive their regular board packet.

A memo updating members on Agency activities related to the floods in NE Minnesota was distributed to members. A disaster declaration has been issued for public infrastructure and municipalities may apply for assistance from FEMA. The request for individual assistance has been denied. Governor Dayton will file an appeal. The Agency will assist in staffing the Small Business Administration assistance centers and will take applications for FEMA assistance, should it become available. The Agency staffed Disaster Recovery Centers the weekend of July 6. Contact information was collected for more than 300 homeowners, renters and landlords. Although we were not able to take applications, center visitors were appreciative of having someone available to talk to them. One communication has been sent to those whose information was collected. The Governor has met with legislative leadership and they are committed to calling a special session to commit resources to the flood recovery effort. Commissioner Tingerthal expects there will be an Agency request for funding. The amount of the request will be dependent upon FEMA assistance. The Commissioner thanked staff who worked at the DRCs and who will work at future recover centers.

The following employee introductions were made:

- Tom Waknitz introduced Katie Kinley and Deanna Olson. Katie has been with the Agency as a contractor since November of 2011 and is now a permanent employee. Katie's experience includes working with Oracle and in supply chain and production management in the financial services industry. Deanna Olson has also been on staff as a contractor and has more than twenty years of experience as a business analyst with past employers including Wells Fargo and Carlson Companies. Deanna will focus on the web initiative and the loan servicing project.
- Tonja Orr introduced Katie Topinka and Margaret Kaplan. Katie is the new legislative liaison and has a Master's in Public Administration from the University of Wisconsin. Katie comes to the Agency from the Office of Senator Franken. Margaret Kaplan has joined the Agency as its Community Development Director. The position has been reformulated to have a focus on making sure the Agency has and maintains good connections with community development efforts, particularly in Greater Minnesota, and ensuring that we understand how to best help these communities. Margaret has her undergraduate and law degrees from the University of Minnesota and has held positions with the Housing Preservation Partnership, All Parks Alliance for Change and CURA.
- Doug Grout introduced the newest member of the HAP team, Nikki Rask. Nikki is a graduate of Saint Cloud State and comes from the Metro HRA team at the Met Council.

6. Audit Committee:
None.

7. Program Committee:
None.

8. Finance Committee:
None.

9. Action Items:

A. Summary Review:

9.A.(1). Approval, Commitment Low and Moderate Income Rental (LMIR) Program - Park Manor Estates, Detroit Lakes.

9.A.(2). Approval, Commitment Low and Moderate Income Rental (LMIR) Program - Riverside Terrace, Thief River Falls.

9.A.(3). Approval, Modification, Asset Management Loan - Northwoods Commons, Baudette.

9.A.(4). Approval, Modification, Asset Management Loan - Valleyview Commons, Mahnomen.

MOTION: Joe Johnson moved approval of the summary review items. Gloria Bostrom seconded the motion. Motion carries 5-0.

B. Discussion – General:

9.B.(1). Approval, 2013-2015 Strategic Plan.

Deputy Commissioner Barb Sporlein requested approval of the strategic plan, noting that there was both a public comment period and a webinar for the plan. Many comments were received, most of which were supportive and focused on implementation, although some expressed a desire for stronger and clarity of language. Ms. Sporlein summarized the changes between the draft and final version. Auditor Otto requested that staff find alternate wording for the key themes that used the word "ensure." Ms. Sporlein thanked the Board, Commissioner and staff for their support and participation in the process and thanked John Patterson for his leadership and project management skills. **MOTION:** Gloria Bostrom moved approval of the plan with the changes requested by Auditor Otto. John DeCramer seconded the motion. Motion carries 5-0.

9.B.(2). Approval, Resolution Authorizing Issuance and Sale of Minnesota Housing Finance Agency Homeownership Finance Bonds, 2012 Series A (Mortgage Backed Securities Program).

Chief Financial Officer Don Wyszynski, Gene Slater of CSG Advisors and Dave Amsden of Kutak Rock presented information on this sale, noting that the proceeds would be the lowest cost capital ever to be raised by a housing finance agency. In response to a question from Joe Johnson, Mr. Wyszynski stated that both the rate and the amount were set on a "not-to-exceed" basis. During the presentation a question was raised regarding the LIBOR manipulation. Mr. Wyszynski stated that if it is found that LIBOR was suppressed, the Agency may have claims of financial harm. Agency finance staff are preparing a memo that includes financial calculations for the Office of the Attorney General regarding the matter. Any action on the matter will be at the discretion of the Attorney General. **MOTION:** Gloria Bostrom moved approval. Joe Johnson seconded the motion. Motion carries 5-0.

C. Discussion – Homes:

9.C.(1). Approval, Changes, Mortgage Loan Program Procedural Manual: MBS.

Kim Stuart presented the changes to the MBS manual, noting that the current revisions do not include changes to the first-time homebuyer program. Those changes would be presented for approval in August. The key changes are: the consolidation of two first-time homebuyer programs into one; the addition of an amortizing entry cost assistance loan; and technical changes around a new contract structure that the Agency is entering into with its master servicer. Program names are not yet finalized but a lender focus group has been conducted and there would soon be an internal meeting to determine the program names. Ms. Stuart noted that a reference to the CASA program within the manual would be removed before the manual is finalized. In response to a question from Ms. Bostrom, Ms. Stuart stated that staff intends to continue operating under the

MBS model rather than return to a whole loan model. **MOTION:** Joe Johnson moved approval. Auditor Otto seconded the motion. Motion carries 5-0.

9.C.(2). Approval, Changes, HOME Homeowner Entry Loan Program (HELP) Procedural Manual.

Margaret Davies requested approval of manual changes to the Federally funded entry-cost assistance program, noting that the concept for the new program had been presented and approved at the April meeting. A key change is the adjustment of the maximum debt ratio. This change was requested by Agency lending partners and is more in line with industry standards. A worksheet is being developed for lender use that will comply with changes to the Federal rules. **MOTION:** Auditor Otto moved approval. John DeCramer seconded the motion. Motion carries 5-0.

D. Discussion – Multifamily:

None.

10. Review and Information Items.

A. Information, Semi-annual Variable Rate Debt and Swap Performance Review as of July 1, 2012.

In response to a question from Chair Ken Johnson regarding the Commissioner's authority to unwind or file legal action in respect to Agency swap agreements without board approval, Don Wyszynski stated that there are a number of protections in the swap agreements, including the AA ratings of our counterparties and collateral requirements. The agreements also contain provisions for termination but it is unknown if the Commissioner has authority independent of the Board to terminate the agreements. Assistant Attorney General Tom O'Hern stated that the Commissioner may not institute a lawsuit; lawsuits must be filed by the State Attorney General. Mr. O'Hern also stated that the ability of the Commissioner to terminate the agreements without Board approval would need to be investigated. Chair Ken Johnson requested that Mr. O'Hern prepare a memo regarding the Commissioner's authority relative to exiting these agreements and present it to the Board at its August Finance Committee meeting. Information item, no action needed.

11. Other Business.

None.

12. Adjournment.

The meeting was adjourned at 2:00 p.m.

Minnesota Housing Finance Agency

AGENDA ITEM: 9.A.(1)
MINNESOTA HOUSING BOARD MEETING
August 30, 2012

ITEM: Housing Opportunities for Persons with AIDS (HOPWA) Renewal

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

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff recommends the adoption of a motion approving $138,392 for funding under the Housing Opportunities for Persons with AIDS Program (HOPWA) for the Minnesota AIDS Project (MAP), subject to Staff's review and approval of the Sponsor and the terms and conditions of the Agency's grant agreement.

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

MEETING AGENCY PRIORITIES:

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

☐ Address specific and critical needs in rental housing markets

☑ Prevent and end homelessness ☐ Prevent foreclosures and support community recovery

ATTACHMENT(S):
- Background
- Development Summary

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

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

The amount appropriated in FY 2012 for FY 2013 is $142,672, of which $138,392 is available for funding. The remaining three percent is applied toward Agency administrative expenses. The Minnesota HIV Housing Coalition has established the funding priorities for the HOPWA Program, which includes priority for the renewal and sustainability of existing programs. Minnesota Housing made the funds available in June 2012 and received an application from the Minnesota AIDS Project (MAP), the current grant administrator, to renew and administer the funds from October 1, 2012 to September 30, 2013.

The Minnesota AIDS Project (MAP) has administered HOPWA funds throughout greater Minnesota since 2001, offering short-term and emergency assistance for rental, mortgage and utility payments (STRMU) for individuals and families living with HIV that have incomes below 80 percent of area median income. Due to the limited funding available, MAP distributes their emergency assistance through a lottery based on referrals from collaborations with service providers, with restrictions on the funding amount and number of times the funding can be accessed. MAP assisted 160 households in FY2011, with the majority of households receiving assistance at incomes below 30 percent AMI. MAP has requested funding in the amount of $138,392 to renew their existing grant.

Staff has completed its review of the following proposal and recommends approval as described in the attached report.

Development Summary

Development:

Name:	Minnesota AIDS Project		App#: MRA16376
Address:	1400 Park Ave		
City:	Minneapolis	County: Hennepin	Region: Greater MN

Grantee:

Minnesota AIDS Project (MAP)

Current Funding Request/ Program and Terms:

$ 138,392 Housing Opportunities for Persons with AIDS (HOPWA)
Funding Source: HOPWA
Term (Years): One Year Grant Renewal October 1, 2012 – September 30, 2013

Purpose:

MAP disburses the HOPWA funds through their Greater Minnesota Emergency Assistance Program (GMEA) to provide Short-Term Rent, Mortgage and Utility (STRMU) assistance throughout Greater Minnesota to low-income persons (at or below 80 percent of area median income) that are medically diagnosed with HIV/AIDS and their families. MAP will serve between 150 - 170 individuals living with HIV/AIDS and their family members with emergency housing assistance for up to two months in a twelve month period.

Target Population:

Households living with HIV in Greater Minnesota, at or below 80 percent AMI.

Development Team Capacity:

MAP has disbursed the HOPWA funds throughout Greater Minnesota since 2001, serving households in 43 of 76 Greater Minnesota counties in FY11. MAP works collaboratively with a variety of community organizations and receives referrals from Rural AIDS Action Network, Mayo Clinic HIV Clinic and Social Services, Minnkota Health Project and Minnesota AIDS Project - Duluth.

Market Feasibility:

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

AGENDA ITEM: 9.A.(2)
MINNESOTA HOUSING BOARD MEETING
August 23, 2012

ITEM: Sunset Ridge Apartments, Minnetonka – D6720

CONTACT: Kasey Kier, 651-284-0078
kasey.kier@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Minnesota Housing Finance Agency ("Agency") staff has completed the underwriting and technical review of the proposed development and recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental (LMIR) program commitment in the estimated amount of $2,718,592 subject to the review and approval of the Mortgagor and the terms and conditions of the Agency mortgage loan commitment.

FISCAL IMPACT:
In the current Affordable Housing Plan (AHP), staff proposed, and the Board allocated, $68 million in new activity for the LMIR program, including $28 million from the Housing Investment Fund (Pool 2). Funding for this loan falls within the approved budgets and the loan will be made at an interest rate and on terms consistent with what is described in the AHP.

This LMIR loan will generate $132,139 in fee income (construction oversight fee and origination fee) as well as interest earnings, which will help offset Agency operating costs.

MEETING AGENCY PRIORITIES:

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

☑ Address specific and critical needs in rental housing markets

☑ Prevent and end homelessness ☐ Prevent foreclosures and support community recovery

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

Board Agenda Item: 9.A.(2)
Attachment: Background

Background:
The Minnesota Housing Finance Agency (Agency) Board, at its November 17, 2011 meeting approved this development for processing under the under the Low and Moderate Income Rental (LMIR) program. The following summarizes the changes in the composition of the proposal since the Board approved its selection:

DESCRIPTION:	**SELECTION**		**COMMITMENT**		**VARIANCE**	
Total Development Cost	$12,535,507		$12,963,592		$428,085	
Gross Construction Cost	$7,987,200		$8,328,722		$341,522	
Agency Sources:						
LMIR (Pool 2)	$2,718,592		$2,718,592		$0	
Total Agency Sources	$2,718,592		$2,718,592		$0	
Other Non-Agency Sources:						
Boston Financial Syndication	$8,131,915		$8,560,000		$428,085	
City Of Mtka TIF/Community Housing Coalition	$985,000		$985,000		$0	
Hennepin County HOME	$700,000		$700,000		$0	
Gross Rents:						
Unit Type	**# of DU**	**Rent**	**# of DU**	**Rent**	**# of DU**	**Rent**
1 BR	1	$751	1	$751	0	$0
1 BR	9	$775	9	$775	0	$0
1 BR - Market Rate	2	$991	2	$950	0	<$41>
2 BR – PBV	2	$130	2	$900	0	$770
2 BR	25	$900	25	$900	0	$0
2 BR – Market Rate	6	$1200	6	$1150	0	<$50>
3 BR – PBV	2	$130	2	$1040	0	$910
3 BR	12	$1040	12	$1040	0	$0
3 BR – Market Rate	5	$1360	5	$1300	0	<$60>
Total Number of Units	**64**		**64**			

Factors Contributing to Variances:
HTC equity pricing improved from an anticipated $0.86 per credit to $0.90 which was sufficient to fill the gap for the construction cost and environmental abatement increases. Soft costs rose due to increases in city fees, financing fees and bridge loan interest.

Other Significant Events since Board Selection:
The 4 long term-homeless (LTH) units were underwritten at the LTH benchmark rents. Following selection, the development received approval for Project Based Vouchers from the Metro HRA for the 4 LTH units allowing the rents to be underwritten at the 50 percent AMI level. Those households will pay no more than 30 percent of their income toward rent.

Development Summary

DEVELOPMENT: D6720

Name:	Sunset Ridge Apartments			App#: M16098
Address:	12720 Wayzata Blvd.			
City:	Minnetonka	County:	Hennepin	Region: MHIG

MORTGAGOR:

Ownership Entity:	Sunset Ridge of Minnetonka Limited Partnership
General Partner/Principals:	JVF Sunset Hill LLC, DDC Sunset Hill LLC

DEVELOPMENT TEAM:

General Contractor:	CBS Construction Services Inc, Champlin
Architect:	DBA Architects, Oakdale
Attorney:	Faegre Baker Daniels LLP, Minneapolis
Management Company:	Northstar Residential LLC, Minnetonka
Service Provider:	Salvation Army Services, Inc, Roseville

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 2,718,592	LMIR First Mortgage	
	Funding Source:	Hsg Investment Fund(Pool 2)
	Interest Rate:	4.75%
	MIP Rate:	0.25%
	Term (Years):	30
	Amortization (Years):	30

RENT GRID:

UNIT TYPE	NUMBER	UNIT SIZE (SQ. FT.)	GROSS RENT	AGENCY LIMIT	INCOME AFFORD-ABILITY*
1BR	8	794	$775	$787	$31,000
1BR	1	768	$775	$787	$31,000
1BR	1	768	$751	$787	$30,040
1BR-MKT	2	794	$950	$ 990 (mkt)	$38,000
2BR	4	993	$900	$945	$36,000
2BR	21	1,091	$900	$945	$36,000
2BR	2	1,091	$900	$945	$36,400
2BR-MKT	6	1,091	$1,150	$ 1200 (mkt)	$46,000
3BR	14	1,335	$1,040	$1,091	$41,600
3BR–MKT	2	1,335	$1,300	$ 1500 (mkt)	$52,000
3BR-MKT	3	1,465	$1,300	$1500 (mkt)	$52,000
TOTAL	64				

NOTES: **The LMIR Program, in conjunction with Housing Tax Credits, limits rents to be affordable at 50% rent limits and allows incomes up to 60% income limits.*
***The development will have four units dedicated to serving long-term homeless households, of which all will benefit from Metro HRA Project Based Vouchers.*

Purpose:
New construction of a 64 unit four-story elevator building located in the city of Minnetonka. This mixed income development will contain 13 market rate units and 51 Housing Tax Credit (HTC) units with rents affordable to households at 50 percent AMI, four of which will be deemed for households experiencing long-term homelessness. The proposal is a mix of one, two and three bedroom units with underground parking and surface parking for guests. It is an excellent opportunity to meet the City's housing goals to meet locally identified housing needs close to transit.

Target Population:
The development will serve families with children, including single head of households with children and individuals and families of color. Four of the units will be restricted to families experiencing long-term homelessness.

Project Feasibility:
Development financing includes an amortizing LMIR mortgage of $2,718,592, $700,000 in Hennepin County HOME funding, $980,000 in TIF from the city of Minnetonka being combined with a contribution of $5000 from the Community Housing Coalition. This financing will be leveraged with $8,560,000 of tax credit equity. Following selection, the project was awarded 4 Metropolitan Council Project Based Section 8 Vouchers as rental subsidy for the four long-term homeless families.

Development Team Capacity:
Duffy Development Company, Inc. has a long history of bringing development proposals to completion on time and within budget and have extensive experience with marketing and leasing units with project based subsidy. The developer has utilized Agency first mortgages, deferred loans and tax credits with proven success. The Agency has had positive experience with Northstar Residential, LLC, a property management entity affiliated with Duffy Development.

Physical and Technical Review:
The site is located on the north frontage road of highway 394 across from Ridgedale shopping center close to nearby services, jobs and transportation options. The site plan is good for this 64 unit development of 1, 2, and 3 bedroom units. Play areas and green spaces are located on the more sheltered piece of site and other rental multi-family housing developments are located nearby. The site is located in an area that is in a high demand school district. Estimated costs are reasonable and total development costs are within 25% of the predictive cost model estimate.

Market Feasibility:
This proposal is located in an economically integrated location close to low to moderate wage jobs. The proposed rents are significantly lower than the achievable market rents ($990 1 bedroom/$1200-$1250 2 bedroom/$1500 3 bedroom). The market study and appraisal supports the need for the proposed development and surrounding comparable developments have low vacancy rates at 3% and long waiting lists.

Supportive Housing:
The supportive services for the long-term homeless families will be provided by The Salvation Army Twin Cities Social Services, based in Roseville, MN. The Salvation Army's Twin Cities Social Services will work with other service providers that work with the homeless to identify client referrals. Targeted service providers will include emergency shelter facilities, providers of emergency lodging, outreach workers, County social service staff, and providers of direct assistance programs. The Salvation Army will also utilize its own programs as sources of potential tenants. Services will focus on assisting families to become stable and to retain their housing, and to develop the skills and resources necessary for maintaining independent housing over time. The Salvation Army has worked successfully with long-term homeless individuals and families through its HOPE Harbor and Harvest Hills developments, and as the primary service provider to Albertville Townhomes. The Salvation Army will provide on-site case management to perform screening, intake and assessment of candidates for supportive services, referral and linkage to other community agencies, coordination of service providers to ensure consistency of care for participants, advocacy for participants. Duffy Development and the Salvation Army are strong partners and the family units are needed.

Board Agenda Item: 9.A.(2)
Attachment: Development Summary

DEVELOPMENT COST SUMMARY (estimated):

	Total		Per Unit
Total Development Cost	$12,963,592		$202,556
Acquisition or Refinance Cost	$1,170,995		$18,297
Gross Construction Cost	$8,328,722		$130,136
Soft Costs (excluding Reserves)	$3,188,875		$49,826
Non-Mortgageable Costs (excluding Reserves)	$0		$0
Reserves	$275,000		$4297
Total LMIR Mortgage (Including 4% DCE)	$2,718,592		$42,478
First Mortgage Loan-to-Cost Ratio		21%	
Agency Deferred Loan Sources			
Total Agency Sources	$2,718,592		$42,478
Total Loan-to-Cost Ratio		21%	
Other Non-Agency Sources			
Syndication Proceeds*	$8,560,000		$133,750
Hennepin Cty HOME	$700,000		$10,938
Community Hsg. Coalition/Mtka TIF	$985,000		$15,391
Total Non-Agency Sources	$10,245,000		$160,078

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

RESOLUTION NO. MHFA 12-

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

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

Name of Development: Sunset Ridge Apartments

Sponsor: Sunset Ridge of Minnetonka Limited Partnership

Guarantors: John Duffy, Jeff VonFeldt and Duffy Development Company, Inc.

Location of Development: Minnetonka

Number of Units: 64

General Contractor: CBS Construction Services, Inc.

Architect: DBA Architects

Amount of Development Cost: $12,963,592

Amount of LMIR Mortgage: $2,718,592

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

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide a construction and permanent mortgage loan to said applicant from the Housing Investment Fund (Pool 2 under the LMIR Program) for the indicated development, upon the following terms and conditions:

1. The amount of the LMIR amortizing loan shall be $2,718,592; and

2. The closing of the LMIR loan (processed as an end loan) shall be on or before February 28, 2014 (which shall also be the LMIR Commitment Expiration Date); and

3. The interest rate on the permanent LMIR loan shall be 4.75 percent per annum plus 0.25 percent MIP based on a 30 year amortization; and

4. The term of the permanent LMIR loan shall be 30 years; and

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

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

7. John Duffy, Jeff VonFeldt and Duffy Development Company, Inc. shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved 1.15 debt service coverage (assuming stabilized expenses) for three successive months; and

8. John Duffy, Jeff VonFeldt and Duffy Development Company, Inc. shall guarantee the mortgagor's payment obligation under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and

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

Adopted this 30th day of August, 2012.

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CHAIRMAN

Minnesota Housing
Finance Agency

AGENDA ITEM: 9.A.(3)
MINNESOTA HOUSING BOARD MEETING
August 30, 2012

ITEM: Munger Terrace, Duluth – D0442

CONTACT: Terri Parker, 651-297-5141
terri.parker@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Agency staff recommends the adoption of a resolution approving the transfer of ownership of Munger Terrace from SNM Development Company Limited Partnership to Munger Terrace Limited Liability Limited Partnership and the assumption of the Section 8 Loan and Asset Management Loan

FISCAL IMPACT:
None

MEETING AGENCY PRIORITIES:

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

☐ Address specific and critical needs in rental housing markets

☐ Prevent and end homelessness ☐ Prevent foreclosures and support community recovery

ATTACHMENT(S):
- Background
- Resolution

Board Agenda Item: 9.A.(3)
Attachment: Background

Background

Munger Terrace (the "Development") is a forty-five unit 100% Section 8 development located in the Duluth's Central Hillside neighborhood. SNM Development Company Limited Partnership ("Seller") originally developed the property in 1979 utilizing the Section 8 program (the "First Mortgage Loan") and in 2009 an asset management loan (the "Second Mortgage Loan") was provided for emergency deck repairs. The First Mortgage Loan matures December 1, 2021 and the Second Mortgage is due and payable in one lump sum on December 1, 2021. The current Housing Assistance Payment Contract ("HAP Contract") expires in 2019, the Owner agreed to remain the HAP contract for the remaining term plus an additional 10 years.

In 2011 the Seller entered into a purchase agreement with a new tax credit limited partnership in conjunction with an allocation of housing tax credits. The new tax credit limited partnership, Munger Terrace Limited Liability Limited Partnership will assume the First Mortgage Loan, Second Mortgage Loan and the HAP Contract.

Approving the assumption will allow the sale of the Development to a new tax credit entity and preserve the HAP Contract by addressing the health and safety issues. Repositioning this property for the long term will leverage an estimated $6,248,000 of Federal Section 8 rental assistance over the 30 year term of the tax credit declaration.

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Board Agenda Item: 9.A.(3)
Attachment: Resolution

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

RESOLUTION NO. MHFA 12-

RESOLUTION APPROVING ASSUMPTION SALE OF

SECTION 8 LOAN AND ASSET MANAGEMENT LOAN

NOW THEREFORE, BE IT RESOLVED, that the Minnesota Housing Finance Agency Board (the "Board") hereby consents to the sale by SNM Development Company Limited Partnership ("Seller") of the property know as Munger Terrace, located in Duluth, Minnesota, MHFA Development No. 0442 (the "Development") to Munger Terrace Limited Liability Limited Partnership, a Minnesota limited liability limited partnership ("Buyer"), and the assumption by Buyer of all obligations of the Seller under the mortgages and accompanying documents with Minnesota Housing Finance Agency ("Agency"), contingent upon the following conditions:

1. The Buyer and Seller enter into an assumption agreement, in form and substance acceptable to the Agency, assuming the existing Section 8 amortizing first mortgage, the existing Asset Management second mortgage and any and all additional Agency loans and agreements; and

2. Kenneth Talle and William Burns shall guarantee the Buyer's payment obligation under the Section 8 Regulatory Agreement and Section 8 Mortgage (other than principal); and

3. That the management agent for the Development meet the requirements of and be approved by the Agency in accordance with its procedures; and

4. That an assumption fee be paid to the Agency in an amount in accordance with Board policy no later than the date of execution and delivery of the assumption agreement; and

5. That this assumption approval will expire on February 28, 2014.

Adopted this 30th day of August, 2012.

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CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 9.A.(4)
MINNESOTA HOUSING BOARD MEETING
August 30, 2012

ITEM: Riverside Terrace, Thief River Falls – D1655

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

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff requests approval to modify the amount of the Low and Moderate Income Rental (LMIR) program commitment to $2,366,042.

FISCAL IMPACT:
In the current Affordable Housing Plan (AHP), staff proposed and the Board allocated $68 million in new activity for the LMIR program, including $28 million from the Housing Investment Fund (Pool 2). Funding for this loan falls within the approved budgets, and the loan will be made at an interest rate and on terms consistent with what is described in the AHP.

This LMIR loan will generate $73,322 in fee income (construction oversight fee and origination fee) as well as interest earnings, which will help offset Agency operating costs.

MEETING AGENCY PRIORITIES:

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

☐ Address specific and critical needs in rental housing markets

☑ Prevent and end homelessness ☐ Prevent foreclosures and support community recovery

ATTACHMENT(S):
- Background
- Resolution

Board Agenda Item: 9.A.(4)
Attachment: Background

BACKGROUND

At its July 26, 2012 meeting, the Minnesota Housing Finance Agency Board approved this development for a commitment of $2,056,736 under the Low and Moderate Income Rental (LMIR) program, executing resolution 12-050. The request increases the loan amount by $309,306.

The development's tax credit investor recently lowered its capital contribution; thereby the development needs to increase its LMIR mortgage loan amount. The proposed, modified amount of $2,366,042 complies with all Minnesota Housing underwriting guidelines and requirements and HUD risk share regulations as approved by the mortgage credit committee.

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Board Agenda Item: 9.A.(4)
Attachment: Resolution

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

RESOLUTION NO. MHFA 12-

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

WHEREAS, the Minnesota Housing Finance Agency (Agency) heretofore committed $2,056,736 under the Low and Moderate Income Rental program (LMIR) for permanent loan financing for a multifamily rental housing development known as Riverside Terrace in Thief River Falls, Minnesota, MHFA Development No. 1655 (the Development); and

WHEREAS, it is the desire of staff to increase the LMIR mortgage loan amount; and

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes a change to the LMIR mortgage loan amount for the Development and hereby confirms the renewal of said commitment upon the following terms and conditions:

1. The amount of the LMIR mortgage loan shall be $2,366,042; and

2. Except for the increased LMIR mortgage loan amount, all other terms and conditions of MHFA Resolution No. 12-050 remain in effect.

Adopted this 30th day of August 2012.

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CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 9.A.5.
MINNESOTA HOUSING BOARD MEETING
August 30, 2012

ITEM: Approval, Program Waiver, Homeownership Assistance Fund

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

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other:

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff is requesting conversion of a HOME Homeowner Entry Loan Program (HOME HELP) loan originated by Fairway Independent Mortgage Company. The loan will require a waiver in order to use the Homeownership Assistance Fund – Alternate Entry Cost Assistance.

FISCAL IMPACT:
The fiscal impact of granting this waiver is modest. The Homeownership Assistance Fund (HAF) uses either appropriated or Pool 3 funds and the maximum amount of a HAF loan under the Community Activity Set Aside Program (CASA) is $4,500. HOME HELP uses federal HOME funds and the maximum amount of a loan is $10,000. Thus, there is a net increased loan amount of $5,500 out of appropriated or Pool 3 resources for each loan waiver granted. Furthermore, 70% of the principal of each HOME HELP loan is forgiven after the sixth year of owner occupancy compared to a HAF loan which is due on sale of the property.

MEETING AGENCY PRIORITIES:

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

☑ Address specific and critical needs in rental housing markets

☐ Prevent and end homelessness

☑ Prevent foreclosures and support community recovery

ATTACHMENT(S):
- Background

Board Agenda Item: 9.A.5.
Attachment: Background

BACKGROUND:

Staff requests "alternate entry cost assistance" waivers when a lender originates a loan under the HOME Homeowner Entry Loan Program (HELP), but does not comply with HOME requirements. When this occurs, the Homeownership Assistance Fund (HAF) is used to pay the lender for the HOME HELP loan. The loans comply with HAF program guidelines but have a higher amount of the assistance than provided under HAF. The Agency experiences modest financial loss when it grants this type of waiver.

The waiver pertains to the following transaction:

- Fairway Independent Mortgage Company:
    - Loan Number 0012613803, Loan Amount $10,000. Staff found the HOME HELP inspection was not completed prior to closing and therefore not compliant with HOME requirements. This is the first "alternate entry cost assistance" waiver for Fairway Independent Mortgage Company.

AGENDA ITEM: 9.A.(6)
MINNESOTA HOUSING BOARD MEETING
August 30, 2012

ITEM: Approval, Modification, Loans to Twin Cities Community Land Bank and Family Housing Fund.

CONTACT: Mary Ruch, 651-296-9826
Mary.Ruch@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other:

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Modification of the approved maturity dates from June 30, 2015 to June 30, 2016 for two revolving lines of credit approved in April 2012 by the Board:

- $15,000,000 to the Twin Cities Community Land Bank (TCCLB) for the purpose of foreclosure recovery and neighborhood stabilization, and;
- $5,000,000 to the Family Housing Fund that is passed through to its TCCLB subsidiary for the purpose of lending for strategic acquisition, interim financing, new construction and land banking.

FISCAL IMPACT:
None

MEETING AGENCY PRIORITIES:

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

☐ Address specific and critical needs in rental housing markets

☐ Prevent and end homelessness ☑ Prevent foreclosures and support community recovery

ATTACHMENT(S):

- Resolution

Board Agenda Item: 9.A.(6)
Attachment: Resolution

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street – Suite 300
Saint Paul, Minnesota 55101

RESOLUTION NO. MHFA 12-

RESOLUTION APPROVING A MODIFICATION OF LOANS TO TWIN CITIES COMMUNITY LAND BANK AND FAMILY HOUSING FUND

WHEREAS, the Board approved a restructuring of its existing financing to the Family Housing Fund and the Twin Cities Community Land Bank in April 2012; and

WHEREAS, the approved $15,000,000 revolving line of credit to TCCLB is for the purpose of supporting its lending activity to developers for the acquisition, rehabilitation and sale of foreclosed one-to-four single family residences in the 7 county Minneapolis/Saint Paul, Minnesota metropolitan area, to be occupied as principal residences by persons and families of low and moderate income; and

WHEREAS, the approved $5,000,000 revolving line of credit to the FHF is passed through to its subsidiary, the TCCLB, for the purpose of lending for strategic acquisition, interim financing, new construction and land banking;

WHEREAS, the nature of lending specified for the lines of credit would need to be in wind-down mode 12 months prior to the maturity date and the effect of the wind-down limits the Agency's commitment to make advances to only a two year period with the approved June 30, 2015 maturity date;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Boardy hereby extends the maturity dates on the revolving lines of credit to the Twin Cities Community Land Bank and the Family Housing Fund to June 30, 2016. All other terms and conditions of the loans are unchanged.

Adopted this 30th day of August, 2012.

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CHAIRMAN

Minnesota Housing Finance Agency

AGENDA ITEM: 9.B.1.
MINNESOTA HOUSING BOARD MEETING
August 30, 2012

ITEM: Draft 2013 Affordable Housing Plan

CONTACT: Mary Tingerthal, 651-296-5738
mary.tingerthal@state.mn.us

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

REQUEST:

☐ Approval ☑ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________________

ACTION:

☐ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
Attached is the draft 2013 Affordable Housing Plan (AHP) for your review and Board discussion. It is the Agency's annual business plan for carrying out its core work for the upcoming year and implementing the 2013-15 Strategic Plan. The AHP outlines key programmatic and policy initiatives for the year, specifies program-by-program funding, and establishes production targets. Staff will bring the final Plan to the Board for approval in September.

FISCAL IMPACT:
When the final 2013 AHP is approved by the Board, it will allocate about $809 million of Agency resources for investment in 2013.

MEETING AGENCY PRIORITIES:

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

☑ Address specific and critical needs in rental housing markets

☑ Prevent and end homelessness ☑ Prevent foreclosures and support community recovery

ATTACHMENT(S):

- Minnesota Housing's Draft - 2013 Affordable Housing Plan.

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DRAFT - 2013 Affordable Housing Plan

Executive Summary

The 2013 Affordable Housing Plan (AHP) is Minnesota Housing's annual business plan for carrying out the Agency's core work for the upcoming year and implementing the 2013-15 Strategic Plan. The AHP outlines key programmatic and policy initiatives for the year, specifies program-by-program funding, and establishes production targets. In total, the plan allocates about $809 million of federal, state, and agency housing resources, which will assist approximately 67,000 households or housing units.

The housing and financial markets and economy have seen dramatic changes since 2008. Rather than waiting for conditions to become "normal" again, the Agency is embracing a "new normal" and has updated many of the Agency's products and tools to meet evolving housing needs and market conditions. Overall, the work in the plan reflects three driving approaches that are critical for operating in the current environment:

- **Being nimble**
- **Being proactive**
- **Being responsive**

To accomplish this, Minnesota Housing has decided to permanently switch from a two-year to a one-year AHP to improve its ability to be nimble, proactive, and responsive.

Being strategic and proactive is more critical than ever. The need for affordable housing is growing, while the resources to meet that need are shrinking. The percentage of Minnesotans who are cost burdened by their housing payments (spending more than 30% of their income on housing) increased from 22 percent in 2000 to 33 percent in 2010.[1] In 2010, more than half of lower-income households (58 percent) were cost-burdened.[2] At the same time, resources are shrinking to meet the growing need. Not only is the market for selling housing bonds very challenging, but the federal government and state have cut funding for housing. Between 2011 and 2012, the federal government cut HOME funding to Minnesota from $9.2 million in 2011 to $6.2 million in 2012, and the state reduced its biennial appropriation to the Agency from $82.0 million to $76.1 million. Minnesota Housing needs an effective plan for moving forward in this environment.

Key changes and initiatives for 2013 will include:

- **Implementing the Agency's new Strategic Plan.** To move forward proactively and strategically in the current environment, Minnesota Housing has established five priorities for 2013 through 2015:
    - Promote and support successful homeownership,
    - Preserve federally subsidized rental housing,
    - Address specific and critical needs in rental housing markets,
    - Prevent and end homelessness, and
    - Prevent foreclosures and support community recovery.

The other key initiatives listed below are directly aligned with these priorities.

- **Adding financing tools to overcome challenges presented by the housing bond market.** The changes include:
    - Selling the Agency's mortgage-backed securities on the secondary market to access attractively-priced private capital, and
    - Potentially issuing mortgage credit certificates (which provide income tax credits for eligible homeowners for a portion of the mortgage interest they pay), which is an alternative use of the Agency's bonding authority.

- **Implementing a revised and enhanced set of homeownership and home improvement loan products.** With these changes, the Agency will serve a full range of low- and moderate-income homebuyers and homeowners across the state in the new housing market. The primary focus will continue to be on "start up" products for first-time homebuyers and "fix up" products for home improvement and rehabilitation, but the Agency will have, for the first time, "step up" products for existing homeowners to refinance or move into a new home,

- **Enhancing and refining the state's strategies and tools for preserving and stabilizing affordable rental housing, particularly federally-subsidized units.** This includes: (1) collaboration with our funding partners through the Minnesota Preservation Plus Initiative (MPPI), and (2) an internal initiative (PINES – Preservation, Indentifying Needs, and Establishing Strategies) to enhance existing data, tools, and processes and be proactive and preventative in preserving and stabilizing the Agency's rental portfolio.

- **Working with partners and stakeholders around the state to understand and meet their specific affordable housing and community development needs.** Minnesota is not monolithic, and needs vary. Minnesota Housing realizes that a strict one-size-fits-all approach does not work and that its programs need to flexible enough to address community specific needs.

- **Refocusing the state's efforts to prevent and end homelessness.** With the anticipated achievement of 4,000 additional housing opportunities, the primary goal under the state's Business Plan to End Long-Term Homelessness, the state needs to develop a new plan for the next phase of its efforts to prevent and end homelessness.

- **Continuing current foreclosure prevention efforts but also focusing resources on recovery as communities move beyond the crisis.** Community recovery from the foreclosure crisis is more than a housing recovery. For a community that was destabilized to once again become a desirable place to live again, it needs job opportunities, good schools, safe neighborhoods, access to public transportation, and places to shop and participate in community activities. The Agency's housing investments will be integrated with these other recovery efforts.

- **Developing a better understanding of how the Agency can effectively support its delivery partners across the state.** Minnesota Housing relies on partners to deliver the products and services that it finances. The Agency needs effective partners to achieve its mission.

- **Securing state funding for 2014-15 during the 2013 legislative session and advocating nationally for effective use of federal resources for affordable housing.** Minnesota Housing receives a large share of its resources from federal and state appropriations and federal tax law (exemptions and credits). Effectively securing and using these resources is critical to the Agency successfully fulfilling its mission.

The Agency developed the 2013-15 Strategic Plan and 2013 AHP through a thorough process that included an assessment of the housing environment, a statewide survey of housing partners and stakeholders, seven regional housing dialogues in six locations around the state, discussions with staff and the Agency's Board, and a public comment period for initial drafts.

The 2013 AHP contains the following sections:

- Budget and Program Overview
- Key Initiatives
- Funding by Strategic Priority
- Household and Unit Projections
- Funding by Source
- Appendix A: Program Funding by Source
- Appendix B: "Gap" Financing by Program – Appropriated and Pool 3 Funds – 2012 and 2013
- Appendix C: Program Narratives

Program Budget Overview

As shown in Table 1, the Agency's 2013 program budget is $809 million, which is a 23 percent increase from the previous year. In a period of a challenging bond market and reduced appropriations, the Agency is able to increase its budget by identifying additional funding options and aggressively pursuing those that will further the Agency's mission of financing affordable housing for low- and moderate-income Minnesotans.

Table 1: Funding by Program Category

Program Category	Original 2012 AHP	Proposed 2013 AHP
Homebuyer and Home Refinance	$271,204,957	$420,455,408
Home Improvement	$26,215,000	$26,215,000
Rental Production - New Construction and Rehabilitation	$113,621,769	$86,597,057
Rental Assistance Contract Administration	$181,625,000	$179,840,000
Resources to Prevent and End Homelessness (Non-Capital)	$22,005,304	$24,798,672
Rental Portfolio Management	$4,375,015	$4,368,737
Multiple Use Resources	$36,458,538	$63,004,698
Other	$3,101,697	$3,323,554
Total	$658,607,280	$808,603,126

The funding changes primarily reflect three factors.

- By adding financing tools (primarily selling mortgage-backed securities on the secondary market and issuing mortgage credit certificates) and by expanding the Agency's mortgage products from only serving first-time homebuyers to also serving certain existing homeowners, the Agency will increase its homebuyer and home refinancing activity by roughly $100 million, which will be supplemented with an additional $50 million of mortgage enhancements through mortgage credit certificates.

- The Agency will receive $5.5 million of general obligation bond proceeds and $30 million of housing infrastructure bond proceeds from the 2012 state bonding bill. Bonding proceeds from the state were not available in 2012. In Table 1, the bond proceeds are split between rental production and multiple use resources.

- There were some slight funding reductions for other programs. Most notably, in the 2012, the Agency planned to commit $20 million under its amortizing loan program for rental properties (Low and Moderate Income Rental) for conduit financing, through which the Agency intended to issue bonds on the behalf of others for preservation activities. Because tax exempt bond rates continue to be unattractive, there was no demand for this program, and conduit financing is not included in the 2013 budget. In addition, in 2012, the Agency launched a new pilot program for rental property rehabilitation in rural Minnesota (Rental Rehabilitation Deferred Loan program), largely with a $7 million balance of uncommitted funds from previous year's appropriations.

The Agency carried out a successful launch of the program, which will continue in 2013 at a lower level of funding because a relatively large balance of uncommitted funds is no longer available.

The program categories in Table 1 are a summary of 36 programs carried out by the Agency. Table 2 lists each of the programs and their 2013 budget, along with basic program information. For more detailed information about each program, see Appendix C.

As shown in Table 2, the two biggest program areas for the Agency are mortgages for homebuyers and home refinancing (line 1) and the administration of Section 8 contracts for project-base rent assistance (lines 19 and 20). Both of these areas are critical for the Agency to fulfill its mission. The mortgage activity allows low- and moderate-income households to pursue the dream of homeownership, which they would have otherwise struggled to achieve. In light of the foreclosure crisis, Minnesota Housing expands its commitment to promote and support successful homeownership. The mortgage program is also the Agency's primary business engine that generates revenues to cover agency-wide operating expenses and fund the Agency's Pool 3/Foundation, which finances grant and deferred loan activity throughout the Agency. To complement the single family mortgage activity, the Section 8 program (project-based) makes it possible for about 30,000 of the state's lowest income households to spend only 30 percent of their income on rent and utilities. Another large program is the Low Income Housing Tax Credit (LIHTC) program (line 13). While the agency will allocate $8.0 million of tax credits in 2013 to developments for lower income renters, these credits will likely generate between $64 million and $75 million in private capital to finance the developments, depending on the pricing of the tax credits.[3]

Table 2 also includes a new line item for the budget – "Strategic Priority Contingency Fund" (line 32). During the year, a few programs are likely to need additional funds. To be nimble and responsive, the Agency has set aside $2 million of contingency funds to meet those needs.

Table 2 also shows the full spectrum of low and moderate income households that the Agency serves. Rent assistance programs (lines 19-24) typically serve households with incomes around $10,000, while the Home Improvement Loan Program (line 9) serves households in the $60,000 range. The rental property development programs and the homebuyer programs serve households with incomes in between. By comparison, the statewide area median income is $73,900 in 2012.[4]

Minnesota Housing also serves each region of the state in relative proportion to each region's share of households and jobs. This includes the Twin Cities metropolitan area, Greater Minnesota job centers, and rural areas. While the Agency does not use a rigid regional allocation formula, the Agency is committed to monitoring the distribution to determine if it is distributing resources in a manner that is reasonably proportional. This Agency's historical track record of proportional allocations can be found in the Agency's report *Regional Distribution of Minnesota Housing Assistance*.[5]

Table 2: 2013 Budget and Program Summary

		2013 Funding	Activity	Median Income Served
	Homebuyer and Home Refinance	**$420,455,408**		
1	Home Mortgage Loans	$350,000,000	First Mortgage	$44,856
2	Mortgage Credit Certificates (MCC)	$50,000,000	Tax Credit on Interest	N/A
3	Homeownership Assistance Fund (HAF)	$5,841,209	DP and CC Assistance*	$43,536
4	HOME HELP	$4,000,000	DP and CC Assistance*	$37,607
5	Amortizing Down-payment and Closing Cost Loans	$5,000,000	DP and CC Assistance*	N/A
6	Single Family Interim Lending	$910,000	Revolving Deferred Loan	N/A
7	Habitat for Humanity Initiative	$2,000,000	Homebuyer Financing	$31,896
8	Homebuyer Education, Counseling, & Training (HECAT)	$2,704,199	Education & Counseling	$34,944
	Home Improvement	**$26,215,000**		
9	Home Improvement Loan Program	$20,465,000	Home Improvement Loan	$62,750
10	Rehabilitation Loan Program (RLP)	$5,750,000	Home Improvement Loan	$13,211
	Rental Production- New Construction and Rehabilitation	**$86,597,057**		
11	Low and Moderate Income Rental (LMIR)	$30,000,000	Amortizing Loan	$21,840
12	Flexible Financing for Capital Costs (FFCC)	$4,000,000	Deferred Loan	$21,840
13	Low-Income Housing Tax Credits (LIHTC)	$8,043,053	Investment Tax Credit	$18,532
14	Affordable Rental Preservation (PARIF and HOME HARP)	$24,965,849	Deferred Loan	$13,845
15	Housing Trust Fund (Capital)	$12,000,000	Deferred Loan	$9,060
16	Publicly Owned Housing Program (POHP)	$5,567,979	Deferred Loan	$11,172
17	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$1,520,176	Deferred Loan	N/A
18	Rental Rehabilitation Loan Program	$500,000	Amortizing Loan	$27,600
	Rental Assistance Contract Administration	**$179,840,000**		
19	Section 8 - Performance Based Contract Administration (PBCA)	$107,100,000	Rent Assistance	$10,534
20	Section 8 - Traditional Contract Administration (TCA)	$71,115,000	Rent Assistance	$11,752
21	Section 236	$1,625,000	Interest Rate Reduction	N/A
	Resources to Prevent and End Homelessness (Non-Capital)	**$24,798,672**		
22	Housing Trust Fund (HTF)	$10,588,219	Rent Assistance	$7,680
23	Ending Long-Term Homelessness Initiative Fund (ELHIF)	$3,364,781	Rent Assistance	$7,680
24	Bridges	$3,238,000	Rent Assistance	$9,234
25	Family Homeless Prevention and Assistance Program (FHPAP)	$7,465,000	Grants	$9,360
26	Housing Opportunities for Persons with AIDS (HOPWA)	$142,672	Grants	$15,807
	Rental Portfolio Management	**$4,368,737**		
27	Asset Management	$4,100,000	Loans	N/A
28	Financing Adjustment Factor (FAF) / Financing Adjustment (FA)	$268,737	Loans & Grants	N/A
	Multiple Use Resources	**$63,004,698**		
29	Economic Development and Housing/ Challenge (EDHC)	$57,489,227	Loans & Grants	$27,756
30	Technical Assistance and Operating Support	$2,515,471	Grants	N/A
31	Non-Profit Capacity Building Loan Program	$1,000,000	Revolving Deferred Loan	N/A
32	Strategic Priority Contingency Fund	$2,000,000	Loans & Grants	N/A
	Other	**$3,323,554**		
33	Administrative Expenses HOME	$615,415	Admin.	N/A
34	Manufactured Home Relocation Trust Fund	$1,279,536	Grants	N/A
35	Flood - Economic Development and Housing/Challenge	$588,017	Loans $ Grants	N/A
36	Disaster Relief Contingency Fund	$840,586	Loans $ Grants	N/A
	Total	**$808,603,126**		

* "DP and CC Assistance" is Down-payment and Closing Cost Assistance

Key Initiatives

As the previous section outlined, Minnesota Housing provides a full spectrum of housing finance options to serve a wide range of low- and moderate-income households across the state. To enhance these core business functions and implement the 2013-15 Strategic Plan, the Agency will carry out several key initiatives in 2013.

Financial Operations

The current condition of financial markets and the economy have created challenges for the Agency. With a lackluster recovery from the Great Recession and ongoing concern about the European debt crisis, interest rates in general, and mortgage rates in particular, are expected to remain very low. To spur the economy, the Federal Reserve Bank has committed to keep interest rates low, particularly long-term rates, through 2014. In addition, uncertainty about European debt has made investing in U.S. Treasury securities more attractive, which has also kept U.S. interest rates low. In an environment where mortgage rates are at historic lows, the Agency's to ability to effectively use tax-exempt mortgage revenue bonds to finance mortgages with interest rates below these historically low rates has been very limited since the fall of 2008. To alleviate the situation, the federal government created the New Issue Bond Program (NIBP), which allowed the Agency to borrow from the U.S. Treasury at very low interest rates (similar to the 10-year Treasury rate) from the fall of 2009 through December of 2011. NIBP allowed the agency to provide mortgages with interest rates at or below market rates.

With the tax-exempt bond market continuing to face challenges and the expiration of NIBP, the Agency has explored alternative financing strategies. In all likelihood, the Agency will utilize each of the following options to some degree in the coming year.

- **Selling tax-exempt bonds with a different structure.** In the past, the Agency has sold its bonds to traditional buyers of municipal tax-exempt bonds. As discussed, this market has been very challenging, preventing the Agency from receiving favorable interest rates. However, in August of 2012, the Agency developed a unique bond sale by restructuring the bond payments and targeting investors who purchase mortgage-backed securities, rather than municipal tax-exempt bonds. All of the mortgages backing these bonds will be insured/guaranteed by the Federal Housing Administration (FHA), USDA-Rural Development, or the Veterans Administration and will be packaged into mortgage-backed securities guaranteed by Ginnie Mae. The bond sale was extremely successful and will be a model for future sales.

- **Selling the Agency's mortgage-backed securities (MBSs) to private investors.** Because the Agency's single family loans are securitized into Ginnie Mae or Fannie Mae mortgage-backed securities, and because there is a very large investor market for these securities, the Agency can form and sell these securities as the loans are originated. At current loan rates, these securities can be sold for an upfront "profit" that approximates what the Agency could expect to earn over time on a bond issue. This funding option will be used to finance any loans originated to non first-time home buyers since those loans will not be eligible to be included in a tax-exempt bond issue.

- **Issuing mortgage credit certificates (MCCs).** The Agency can convert a portion of its bonding authority to MCCs which allows borrowers receiving an MCC to utilize a portion of their interest expense on the loan as a tax credit rather than taking an itemized deduction on their tax return.

- **Retaining mortgage-backed securities as Agency investments.** The Agency generates substantial cash flow on a monthly basis, and holding an MBS as an investment can provide a much higher yield than non-loan investment alternatives available to the Agency. Minnesota housing will make investment decisions based on which options generate the highest yield and return for the agency.

Programs that Support Homebuyers, Homeowners, and Home Improvement

To serve low- and moderate-income homebuyers across the state with varying financial needs and conditions, Minnesota Housing's first mortgage and down-payment and closing cost loans have evolved over time and increased in complexity. To address this complexity, the Agency recently redesigned its first mortgage programs to provide homebuyers with more attractive home-buying financing tools in the current market. The changes include:

- Simplifying the mortgage revenue bond (MRB) compliant programs to one program;

- Providing down-payment and closing cost assistance to more borrowers by adding a new interest-bearing, repayable option to supplement the existing interest-free, deferred-loan options; and

- Expanding the pool of eligible borrowers, which will include:
    - Increasing income limits for first-time homebuyer from 80 to 100 percent of area median income on a permanent basis for one and two person households;
    - Increasing the income limit for 3+ person households to 115% of area median income; and
    - Creating non-first-time homebuyer options for home purchases and mortgage refinances.

The Agency expects these efforts to expand production for Minnesota Housing's Home Mortgage Loan Program from $250 million in 2012 to $350 million in 2013. The purpose of these changes is to serve more low- and moderate income homebuyers and homeowners who are not being served by the private market, not to shift resources away from the Agency's traditional borrowers. With these changes, Minnesota Housing will maintain its commitment to serving at least as many borrowers with incomes less than 80 percent of area median income and emerging market homebuyers (households of color or Hispanic ethnicity) as the Agency served before these changes.

Minnesota Housing's Board has already approved the changes to the Home Mortgage Loan Program, and the changes should be in place before year-end. Effectively implementing and monitoring these changes will be a primary goal for 2013. The redesigned program will better serve low- and moderate-income homebuyers and homeowners in Minnesota and help promote and support successful homeownership.

In addition, the Agency has revised its home improvement loan products, which it has offered since 1976. Loan volume has varied through the program's history, but traditional activity has been declining in recent years reflecting the economic decline in the broader home improvement sector. Although recent volume has appeared strong, it was temporarily supported by the availability of Energy Saver Rebates, which were funded with federal stimulus money and used to encourage energy efficient home improvements. While use of the Agency's improvement products is declining, the need is not subsiding. The state's homeowner housing stock is aging with a median of 42 years.[6] In addition, with recent property value declines, some homeowners do not have the equity to secure a traditional home improvement or home equity loan. At the end of 2011, 18.4 percent of Minnesota households with a mortgage were underwater, owing more on their mortgages than their homes are worth.[7]

The program changes include:

- Offering loans with a lower interest rate (1 percentage point lower) for energy efficiency and home accessibility improvements, increasing lender per-loan payments, and eliminating pre-payment penalties.

- Providing greater clarity in underwriting standards for lenders, including establishing minimum credits scores of 620.

- Re-introducing an unsecured home improvement loan as a way to increase financing options for homeowners with nominal cost improvements and/or limited equity in their homes. To manage risk, the unsecured loans will have a higher interest rate and higher minimum credit score than secured loans. They will also contain an incentive for borrowers that choose to have their payments made through automatic withdrawal.

These changes to the home improvement programs went into effect in June, 2012 and are expected to increase loan production over time. Greater production will help the agency promote and support successful homeownership. Affordably maintaining a home is a key part of being a successful homeowner, but it can be a struggle for low- and moderate-income homeowners. In addition, the unsecured loan option will help communities recover from the price declines caused by the foreclosure crisis and market collapse by allowing underwater homeowners to obtain financing and make essential investments in their homes.

Foreclosures continue to be an issue in Minnesota. The number of sheriffs sales increased dramatically from 7,000 in 2005 to a high of 26,000 in 2008. Since then, the number has leveled off – staying between 21,000 and 26,000.[8]

To support community recovery from the foreclosure crisis, the Agency is exploring the possibility of helping establish a contract-for-deed program in Greater Minnesota with $4 million of financing. It would be similar to the Bridge to Success program that the Agency helped finance with $10.4 million in 2012. Bridge is Success is an effort to increase the pool of homebuyers of foreclosed properties in targeted metro-area neighborhoods by providing contract-for-deed financing with intensive counseling and monitoring for transactions not yet eligible for traditional mortgage financing.

Finally, the Agency continues to support homebuyer and foreclosure counseling through its Homeownership Education, Counseling Training, and Counseling (HECAT) program ($1.5 million) and the National Foreclosure Mitigation and Counseling (NFMC) program. During 2013, the Agency will make available $1.2 million of NFMC funds and will apply for another round of funding that may become available. Minnesota has been one of the most successful states in securing and using NFMC funds. Since the creation of the program, the state has received $14.6 million, which is the third most among states. Only California and Pennsylvania, two more populous states, have received more. The state has used these funds very effectively. Of the households seeking foreclosure counseling, 60 percent avoided foreclosure, with 89 percent of those households staying in their home.[9]

Programs that Support Renters and the Homeless

Minnesota Housing is directly involved in two broad-based initiatives to preserve the affordability and physical condition of affordable rental housing. This first initiative is the Minnesota Preservation Plus Initiative (MPPI), which is a partnership among the Family Housing Fund, the Greater Minnesota Housing Fund, and Minnesota Housing with financial support from the MacArthur Foundation. This ongoing initiative continues to expand, accelerate, and leverage the existing preservation work being done in Minnesota. Key activities include:

- Continuing to explore avenues for developing a statewide database of affordable rental housing to better understand the location and characteristics of the state's inventory;

- Significantly expanding the use of Minnesota Housing's property-risk predictive model to facilitate early detection of at-risk properties, which includes monitoring financial, physical, and operational conditions; and

- Funding a feasibility study to explore local threats to existing unsubsidized but affordable properties.

The second initiative (PINES, which stands for Preservation, Indentifying Needs, and Establishing Strategies) is an internal effort at the Agency that is aligned with MPPI. Under PINES, the Agency will refine and enhance existing data, tools, and processes to be more proactive and preventative in preserving and stabilizing the Agency's multifamily portfolio. In the first year of the initiative, the Agency started refining the criteria and thresholds for identifying properties at imminent risk of losing their subsidies without additional investments. In the upcoming year, the Agency will start refining the criteria and thresholds for identifying properties that may not be at imminent risk of losing their subsidies but need investments to stabilize the property and prevent imminent risk in the future.

While preserving the affordability and physical condition of all affordable housing in the state is important Agency work, preserving the state's federally-subsidized rental housing is critical and a strategic priority. Tenants in federally subsidized units only pay 30% of their income on housing (rent and utilities). The state needs to keep and preserve these subsidies. Minnesota has almost 40,000 housing units with federally-funded project-based rent assistance – nearly 31,000 units through Section 8 and 7,000 units through Rural Development. In the spring of 2011, Minnesota staff prepared a preliminary estimate that roughly 30% of the Section 8 units were at risk of leaving the program. In addition, many of these properties are now 30 to 40 years old and becoming dated and needing repair and rehabilitation. A substantial portion of them also lack sufficient reserves to pay for substantial repair and rehabilitation. For example, the Agency recently found that 19% of the Section 8 properties in which the Agency has financing have reserve levels less than $1,500 per unit and another 17% have reserves of $1,500 to $2,999 per unit. Regardless of property condition, reserves of $1,500 per unit are a concern, and reserves between $1,500 and $2,999 per unit are likely to be a concern, particularly for older properties that are becoming dated.

In addition to focusing on preservation, Minnesota Housing will examine ways that the Agency can fund developments that meet specific and critical needs in rental markets. During the community engagement process for the development the Strategic Plan and the AHP, partners and stakeholders identified specific rental housing needs that were critical to their community, but not necessarily a statewide need. These included shortages of:

- Rental housing in general, reflected by low vacancy rates and rising rents,
- Workforce housing in communities with strong job growth,
- Rental properties with large units (multiple bedrooms) for large families, and
- Affordable senior housing, particularly in older communities.

Putting this priority into practice will be a key goal for the upcoming year. The process will start by evaluating funding applications that the Agency received in 2012 and finding developments that did not score well in the selection process because they did not meet the statewide needs emphasized in the selection process but might meet a critical local need that is clearly documented. Based on this assessment, the Agency will explore refining the selection process to accommodate critical local needs that are well substantiated and documented.

The Agency will also examine other ways to adjust funding options to accommodate the identified local needs. For example, the Agency will:

- Continue to work with the National Council of State Housing Agencies (NCSHA) to change requirements under the Low Income Housing Tax Credit (LIHTC) program to allow income averaging. Rather than requiring each tenant to have an income at or below 60 percent of the area median income (AMI), require the average of all the tenants to be at or below 60 percent (with no tenant having an income greater than 80 percent of AMI). This would encourage mixed income developments and support workforce housing. For example, a working family with an income at 78 percent of AMI could live in a tax credit unit as long as they were offset by another household with an income at or below 42% of AMI.

- Encourage mixed-income developments that use Minnesota Housing's multifamily first mortgage program (LMIR – Low and Moderate Income Rental) in combination with a shallow subsidy (deferred loan) to support new construction in communities with low vacancy rates, particularly those with a growing workforce.

- Encourage developments that use tax-exempt bond financing with 4% tax credits. Because tax-exempt interest rates are high, relative to other financing, competition for allocations of tax-exempt bonds is currently less intense than the historical norm. A key goal for this and other tactics will be finding ways to use resources that are less scarce and competitive to expand the amount of available resources to meet these local needs.

Preventing and ending homelessness is another strategic priority for Minnesota Housing. While the Agency and its partners have made significant strides in creating permanent supportive housing opportunities for the long-term homelessness, more needs to be done. According to Wilder Research's survey (carried out every three years), the number of homeless increased from 9,244 in 2006 to 13,100 in 2009.[10]

The Agency and its partners need to refocus the state's homelessness efforts. This will include:

- Strengthening the Minnesota Interagency Council on Homelessness (MICH). Minnesota Housing Commissioner Tingerthal has already received the commitment from nine state agency commissioners to participate in MICH and meet on a regular basis to coordinate homelessness efforts across the departments. The work of the commissioners will be supported by regular meetings and work of the agencies' policy directors and program staff.

- Initiating the development of a new plan for ending and preventing homelessness. With the anticipated achievement of 4,000 additional housing opportunities, the primary goal under the state's Business Plan to End Long-Term Homelessness, a new framework needs to be developed that will address the state's effort to prevent and end homelessness.

- Hiring a State Director for Preventing and Ending Homelessness, who will guide the implementation of the state's strategic and business plan to prevent and end homelessness, help align and maximize opportunities with the federal strategic plan, and promote coordination among the state agencies' policies and programs.

- Implementing new federal HEARTH Act requirements. New interim rules for the Continuum of Care (CoC) program have been issued under the federal HEARTH Act. (The CoC program provides a framework for participating organizations to coordinate the delivery of housing and services to address homelessness in a community.) For example, the new interim rules require a coordinated intake and common assessment of all participants receiving support under the CoC programs. In addition, the federal government will start to evaluate CoC organizations not only on their performance of HUD-funded activities but also on non-HUD-funded activities as well. These two changes, among others, will require greater coordination within and across the CoCs with support from Minnesota Housing and the Department of Human Services.

Agency-Wide /Crossing-Cutting Activities

As an Agency, Minnesota Housing will be leader and strong voice for affordable housing across Minnesota and in Washington DC. Key activities for the year will include:

- Securing state funding for 2014-15 during the 2013 legislative session. Over the last several years, Minnesota Housing has been very successful in demonstrating to the Legislature the need for affordable housing and the success of the Agency's programs in meeting those needs. During the 2012 session, the Agency received $5.5 million in general obligation bond proceeds for rehabilitating public housing and $30 million in housing infrastructure bond proceeds for creating supportive housing for the long-term homeless, preserving rental housing, investing in foreclosed rental properties, and supporting community land trusts. During the 2011 session, Minnesota Housing received only a modest decrease in its state appropriation relative to the size of the projected budget deficit that the Legislature needed to eliminate.

- Advocating nationally for the effective use of federal resources for affordable housing. In July, Commissioner Tingerthal submitted four policy papers to the Bipartisan Policy Center's Housing Commission. The topics covered:

    - A temporary increase in Low Income Housing Tax Credits (LIHTC) for preservation,
    - Continuing rental assistance for USDA Rural Development properties with maturing mortgages,
    - Authority to reallocate chronically unused project-based rent assistance, and
    - An affordable housing and supportive services demonstration for older adults in rural communities.

  As the Bipartisan Commission writes its full report in the fall of 2012 and presents it to the President and Congress in 2013, the Agency will continue to advocate for the adoption of these and other national policy initiatives.

  During the 2013, the Agency will also continue to work with the National Council of State Housing Agencies (NCSHA) and other national partners in advocating for affordable housing funding and strong housing policies that support low- and moderate-income households and effective community development. As the federal government wrestles with its large deficit, maintaining strong Low-Income Housing Tax Credit and Tax-Exempt Mortgage Revenue Bond programs will be particularly important.

During 2013, the Agency will also develop a better understanding how it can effectively support its delivery partners across the state. Minnesota Housing is a finance agency that relies on partners to deliver the products and services that it finances. These partners include lenders, developers, service providers, community groups, counties, cities, housing authorities, and others. For 2013, the Agency has budgeted about $2.5 million for technical assistance and operating support, which is supplemented with another $1.9 million of new commitments from two revolving loan funds for interim lending (the Non-Profit Capacity Building Loan Program and the Single Family Interim Lending program, which have a combined size of $9.3 million in assets). The agency will assess how it can most effectively use these support funds. For example, in this AHP, the Agency will fund operating support for CHDOs (Community Housing Development Organizations) with Agency Pool 3/Foundations funds, rather than the traditional HOME funds, to avoid saddling these local organizations with federal requirements tied to the use of HOME funds for operating support.

Minnesota Housing will support the Metropolitan Council as it creates a Fair Housing Equity Assessment (FHEA) for the Twin Cities metropolitan area. The FHEA is a requirement under the Sustainable Communities Regional Planning Grant that the Council received from HUD and will assess issues related to access to opportunities (e.g. quality jobs, schools, transportation, services, and amenities), concentration of poverty, racial segregation, and Fair Housing. This assessment, along with the Agency's own research, will help Minnesota Housing continually assess its RFP (request for proposal) and LIHTC selection criteria. The goal of the criteria is to appropriately balance multiple, and at times competing, priorities – including economic integration, location efficiency, access to opportunities, community revitalization, and preservation of federally subsidized rental housing.

Funding by Strategic Priority

Table 3 shows Minnesota Housing's funding by strategic priority. The first two sets of priorities are "comprehensive priorities" because almost all of the Agency's funding can be allocated between the two of them. The comprehensive rental category combines two priorities – preserving federally subsidized housing and addressing specific and critical needs in rental housing markets. The last two priorities are "targeted" because only a subset of the Agency's funding is allocated to them. (It should be noted that the same funds can fulfill more than one priority. In addition, the program areas in the shaded boxes are sub-components of the overall program listed above the box.)

As the last line of Table 3 shows, Agency funding is split 60/39 between homeownership and rental housing. In 2012, the split was closer to 50/50. As discussed earlier, the expansion of the Agency's homebuyer and refinancing mortgage programs and the availability of new sources of capital resulted in the shift towards homeownership programs.

The $39.5 million projected for preventing and ending homelessness accounts for 5 percent of the overall budget. These programs include rental production efforts that finance the development of supportive housing units for the long-term homeless. Homeless programming also includes Agency rent assistance (Housing Trust Fund, Ending Long-Term Homelessness Initiative Fund, and Bridges) targeted to vulnerable populations that are homeless or at-risk of becoming homeless, including people with extremely low incomes and/or serious mental illnesses. The Agency also funds prevention efforts through the Family Homeless Prevention and Assistance Program (FHPAP), which provides short-term assistance for services and housing payments. Finally, under HOPWA, the Agency provides grants to meet the housing needs of people with AIDS, HIV-positive status, or a related-disease.

In 2013, the Agency projects that it will spend approximately $207.5 million to prevent foreclosures and support community recovery. On the prevention side, the Agency expects to spend about $1.99 million on foreclosure counseling through the HECAT program, which includes federal funding from the National Foreclosure Mitigation and Counseling (NFMC) program. In addition, the agency will likely invest just over $200 million for the purchase and rehabilitation of foreclosed properties or the construction, purchase, or rehabilitation of any property in a zip code that has been heavily impacted by the foreclosure crisis. The last category accounts for the majority of the expected investments. The Agency encourages and incents investment in high impact zip codes through several mechanisms, which include awarding selection points in the RFP process to developments located in these zip codes.

The split of program funding in Table 3 by strategic priority is not an actual allocation, but rather a projection based on historical investment patterns with adjustments for recent program changes and the availability of other funding for similar activities. The actual splits will be made as investment decisions are made by homebuyers, homeowners, developers, and the Agency. Thus, Table 3 provides a general picture of how the Agency expects the funds to be invested.

Table 3: 2013 Funding by Strategic Priority

			Comprehensive Priorities		Targeted Priorities	
		AHP Total	Successful Home-ownership	Rental Housing 1. Federal Preservation 2. Critical Needs	Homelessness	Community Foreclosure Recovery
	Homebuyer and Home Refinance	**$420,455,408**	**$420,455,408**	**$0**	**$0**	**$150,269,425**
1	Home Mortgage Loans	$350,000,000	$350,000,000			$124,250,000
2	Mortgage Credit Certificates (MCC)	$50,000,000	$50,000,000			$17,750,000
3	Homeownership Assistance Fund (HAF)	$5,841,209	$5,841,209			$2,581,814
4	HOME HELP	$4,000,000	$4,000,000			$2,426,230
5	Amortizing Down-payment and Closing Cost Loans	$5,000,000	$5,000,000			$670,000
6	Single Family Interim Lending	$910,000	$910,000			$600,600
7	Habitat for Humanity Initiative	$2,000,000	$2,000,000			N/A
8	Homebuyer Education, Counseling, & Training (HECAT)	$2,704,199	$2,704,199			$1,990,781
	Home Improvement	**$26,215,000**	**$26,215,000**	**$0**	**$0**	**$4,041,130**
9	Home Improvement Loan Program	$20,465,000	$20,465,000			$2,701,380
10	Rehabilitation Loan Program	$5,750,000	$5,750,000			$1,339,750
	Rental Production - New Construction and Rehabilitation	**$86,597,057**	**$0**	**$86,597,057**	**$13,840,388**	**$16,577,069**
11	Low and Moderate Income Rental (LMIR)	$30,000,000		$30,000,000	$455,699	$5,880,000
12	Flexible Financing for Capital Costs (FFCC)	$4,000,000		$4,000,000	$67,301	$784,000
13	Low-Income Housing Tax Credits (LIHTC)	$8,043,053		$8,043,053	$319,065	$1,576,438
14	Affordable Rental Preservation	$24,965,849		$24,965,849	$998,322	$4,893,306
14a	*Affordable Rental Investment Fund - Preservation (PARIF)*	*$14,308,133*		*$14,308,133*	*$572,147*	*$2,804,394*
14b	*HOME HARP*	*$10,657,716*		*$10,657,716*	*$426,176*	*$2,088,912*
15	Housing Trust Fund (Capital)	$12,000,000		$12,000,000	$12,000,000	$2,352,000
16	Publicly Owned Housing Program (POHP)	$5,567,979		$5,567,979		$1,091,324
17	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$1,520,176		$1,520,176		
18	Rental Rehabilitation Loan Program	$500,000		$500,000		
	Rental Assistance Contract Administration	**$179,840,000**	**$0**	**$179,840,000**	**$0**	**$0**
19	Section 8 - Performance Based Contract Administration (PBCA)	$107,100,000		$107,100,000		
20	Section 8 - Traditional Contract Administration (TCA)	$71,115,000		$71,115,000		
21	Section 236	$1,625,000		$1,625,000		

			Comprehensive Priorities		Targeted Priorities	
		AHP Total	Successful Home-ownership	Rental Housing 1. Federal Preservation 2. Critical Needs	Homelessness	Community Foreclosure Recovery
	Resources to Prevent and End Homelessness (Non-Capital)	**$24,798,672**	**$0**	**$24,798,672**	**$24,798,672**	**$0**
22	Housing Trust Fund (HTF)	$10,588,219		$10,588,219	$10,588,219	
23	Ending Long-Term Homelessness Initiative Fund (ELHIF)	$3,364,781		$3,364,781	$3,364,781	
24	Bridges	$3,238,000		$3,238,000	$3,238,000	
25	Family Homeless Prevention and Assistance Program (FHPAP)	$7,465,000		$7,465,000	$7,465,000	
26	Housing Opportunities for Persons with AIDS (HOPWA)	$142,672		$142,672	$142,672	
	Rental Portfolio Management	**$4,368,737**	**$0**	**$4,368,737**	**$0**	**$0**
27	Asset Management	$4,100,000		$4,100,000		
28	Financing Adjustment Factor (FAF) / Financing Adjustment (FA)	$268,737		$268,737		
	Multiple Use Resources	**$63,004,698**	**$37,160,000**	**$20,329,227**	**$866,621**	**$36,568,128**
29	Economic Development and Housing/ Challenge (EDHC)	$57,489,227	$37,160,000	$20,329,227	$866,621	$36,568,128
29a	*Request for Proposals (RFP) - Multifamily and Single-Family*	*$13,489,227*	*$9,160,000*	*$4,329,227*	*$866,621*	*$6,102,128*
29b	*Twin Cities Community Land Bank / Family Housing Fund*	*$20,000,000*	*$20,000,000*			*$20,000,000*
29c	*Community Owned Mobile Home Parks*	*$2,000,000*	*$2,000,000*			
29d	*Greater MN - Contract for DEED*	*$4,000,000*	*$4,000,000*			*$4,000,000*
29e	*Infrastructure Bonds: Preservation, Foreclosure, & CLTs*	*$18,000,000*	*$2,000,000*	*$16,000,000*		*$6,466,000*
30	Technical Assistance and Operating Support	$2,515,471	TBD	TBD	TBD	TBD
31	Non-Profit Capacity Building Loan Program	$1,000,000	TBD	TBD	TBD	TBD
32	Strategic Priority Contingency Fund	$2,000,000	TBD	TBD	TBD	TBD
	Other	**$3,323,554**	**$0**	**$0**	**$0**	**$0**
33	Administrative Expenses HOME	$615,415	TBD	TBD	TBD	TBD
34	Manufactured Home Relocation Trust Fund	$1,279,536	TBD	TBD	TBD	TBD
35	Flood - Economic Development and Housing/Challenge	$588,017	TBD	TBD	TBD	TBD
36	Disaster Relief Contingency Fund	$840,586	TBD	TBD	TBD	TBD
	Total	$808,603,126	$483,830,408	$315,933,693	$39,505,681	$207,455,752
	Percentage Split *		60%	39%	5%	26%

* The sum of homeownership and rental priorities do not equal the total funding because $8.8 million is not allocated to a priority.

Household Unit Projections

Table 4 shows that Agency's forecast of how many households or housing units will be assisted. As the shown in the last line of the table, Minnesota Housing expects to assist roughly 67,000 households or units. Under the AHP, homeownership programs account from 60 percent of the funds (see Table 3) but only 32 percent of the households/units (see Table 4). In contrast, rental programs account for 39 percent of the funds but 68 percent of the households/units. This shift occurs because homeownership programs are more expensive. A typical Home Mortgage Loan is $120,000. In contrast, a typical annual rent subsidy is $6,000. The homelessness priority accounts for 5 percent of the funds, compared with 17 percent of the households and units assisted. Foreclosure recovery accounts for 26 percent of the funds, compared with 21 percent of households/units.

Table 4: 2013 Forecast of Assisted Households or Housing Units by Program and Strategic Priority

			Comprehensive Priorities		Targeted Priorities	
		AHP Total	Successful Home-ownership	Rental Housing 1. Federal Preservation 2. Critical Needs	Home-lessness	Community Foreclosure Recovery
	Homebuyer and Home Refinance	**18,943**	**18,943**	**0**	**0**	**12,868**
1	Home Mortgage Loans	2,917	2,917			1,088
2	Mortgage Credit Certificates (MCC)					
3	Homeownership Assistance Fund (HAF)					
4	HOME HELP	*Part of Home Mortgage Loan Production*				
5	Amortizing Down-payment and Closing Cost Loans					
6	Single Family Interim Lending	*Part of EDH/Challenge*				
7	Habitat for Humanity Initiative	25	25			N/A
8	Homebuyer Education, Counseling, & Training (HECAT)	16,001	16,001			11,780
	Home Improvement	**1,470**	**1,470**	**0**	**0**	**221**
9	Home Improvement Loan Program	1,200	1,200			158
10	Rehabilitation Loan Program	270	270			63
	Rental Production- New Construction and Rehabilitation	**3,883**	**0**	**3,883**	**126**	**742**
11	Multifamily RFP/HTC/Pipeline Production (including EDHC)	2,421		2,421	126	475
12	Low and Moderate Income Rental (LMIR)					
13	Flexible Financing for Capital Costs (FFCC)					
14	Low-Income Housing Tax Credits (LIHTC)					
15	Affordable Rental Preservation (PARIF and HOME)	*Part of RFP/HTC/Pipeline Production*				
16	Housing Trust Fund (Capital)					
17	Economic Development and Housing /Challenge - MF RFP and Infrastructure Bonds					
18	Publicly Owned Housing Program (POHP)	1,367		1,367		268
19	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	95		95		
20	Rental Rehabilitation Loan Program	*Part of RRDL Production*				

			Comprehensive Priorities		Targeted Priorities	
		AHP Total	Successful Home-ownership	Rental Housing 1. Federal Preservation 2. Critical Needs	Home-lessness	Community Foreclosure Recovery
	Rental Assistance Contract Administration	**30,227**	**0**	**30,227**	**0**	**0**
21	Section 8 - Performance Based Contract Administration (PBCA)	17,850		17,850		
22	Section 8 - Traditional Contract Administration (TCA)	11,853		11,853		
23	Section 236	524		524		
	Non-Capital Resources to Prevent and End Homelessness	**11,479**	**0**	**11,479**	**11,479**	**0**
24	Housing Trust Fund (HTF)	1,756		1,756	1,756	
25	Ending Long-Term Homelessness Initiative Fund (ELHIF)	631		631	631	
26	Bridges	631		631	631	
27	Family Homeless Prevention and Assistance Program (FHPAP)	8,294		8,294	8,294	
28	Housing Opportunities for Persons with AIDS (HOPWA)	166		166	166	
	Rental Portfolio Management	**174**	**0**	**174**	**0**	**0**
29	Asset Management	159		159		
30	Financing Adjustment Factor (FAF) / Financing Adjustment (FA)	15		15		
	Multiple Use Resources	**739**	**739**	**0**	**0**	**0**
31	Economic Development and Housing/ Challenge					
31a	Request for Proposals (RFP) - **CRV Only**	431	431			285
31b	Twin Cities Community Land Bank / Family Housing Fund	145	145			145
31c	Community Owned Mobile Home Parks	56	56			
31d	Greater MN - Contract for DEED	40	40			40
31e	Infrastructure Bonds - **CLTs Only**	67	67			44
32	Technical Assistance and Operating Support	TBD	TBD	TBD	TBD	TBD
33	Non-Profit Capacity Building Loan Program	TBD	TBD	TBD	TBD	TBD
34	Strategic Priority Contingency Fund	TBD	TBD	TBD	TBD	TBD
	Other	**0**	**0**	**0**	**0**	**0**
35	Administrative Expenses HOME	TBD	TBD	TBD	TBD	TBD
36	Manufactured Home Relocation Trust Fund	TBD	TBD	TBD	TBD	TBD
37	Flood - Economic Development and Housing/Challenge	TBD	TBD	TBD	TBD	TBD
38	Disaster Relief Contingency Fund	TBD	TBD	TBD	TBD	TBD
	Total	66,915	21,152	45,763	11,605	13,832
			32%	68%	17%	21%

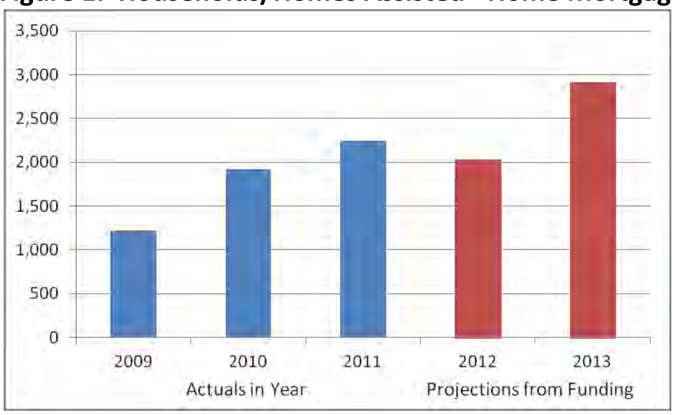
Table 4 shows some programs shaded in gray. With respect to the homebuyer programs, these programs support the Agency's home mortgage loans with enhancements, such as down-payment and closing cost assistance. Because all the homes supported by these enhancements are also supported by the Agency's home mortgage loans, the table does not count the enhanced units in the total to avoid double counting. With respect to the rental production programs, funding from multiple programs often go into the same properties. A development could receive a first mortgage from LMIR, housing tax credits, and a deferred loan through the Economic Development and Housing/Challenge program. To avoid double counting, Table 4 presents all the rental units financed with these program in combination.

The following graphs show the estimated number of households/units that will be assisted with 2013 funding in relation to the number of households/units assisted in previous years. The graphs are organized by the broad program categories.

Homebuyer and Home Refinance Programs

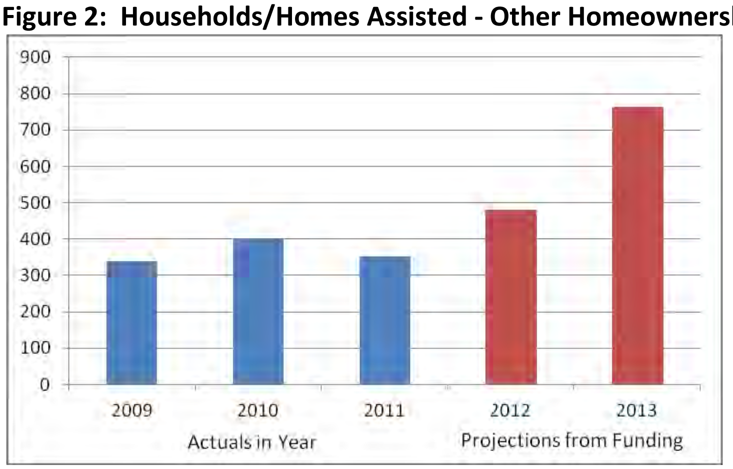
Figure 1 shows the Agency's production in home loan mortgages recovering after the housing bust in 2008. The large increase in production in 2013 reflects the expanded lending activity that the Agency will carry out with redesigned programs and additional financing sources.

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



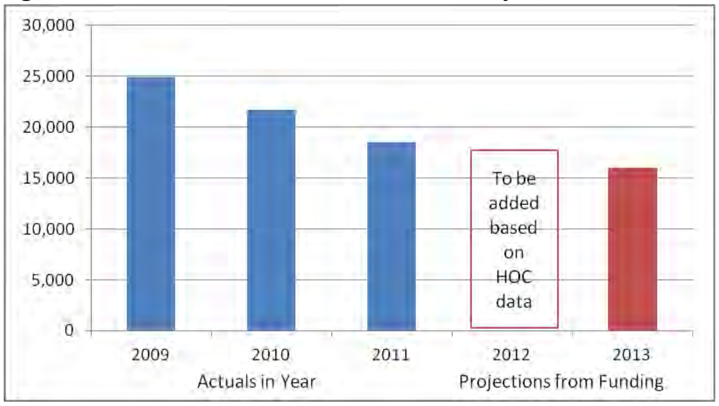
The large increase in other homeownership opportunities (Figure 2) reflects a larger than typical amount of Economic Develop and Housing/Challenge funds likely going to single-family projects in the upcoming RFP (request for proposals) selection process. In addition, the Agency restructured two loans as revolving funds ($20 million total) that support lending by the Twin Cities Community Land Bank.[11] For this AHP, the Agency assumes that these funds will revolve once during the year. (The programs captured in Figure 2 include the Habitat for Humanity Initiative, the single-family portion of the Economic Development and Housing/Challenge program, and Single Family interim Lending.)

Figure 2: Households/Homes Assisted - Other Homeownership Opportunities



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

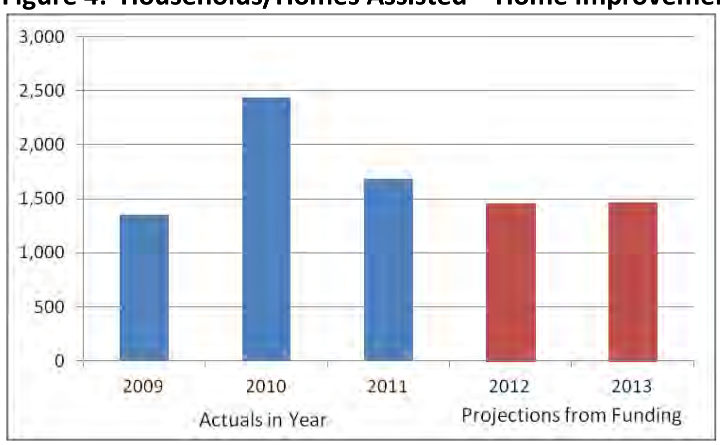
Figure 3: Households Assisted – Homebuyer/Homeowner Education and Counseling



Home Improvement Programs

Home improvement production (Figure 4) has been limited since the downturn in the economy in 2008. Production was high in 2010 because federal stimulus funds financed the Energy Saver Rebate program provided an incentive for energy efficiency improvements. (Figure 4 includes both the Home Improvement Loan Program and the Rehabilitation Loan Program.)

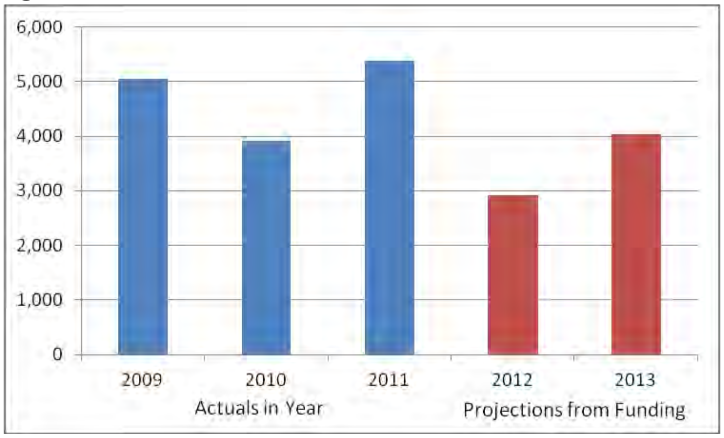
Figure 4: Households/Homes Assisted – Home Improvement Programs



Rental Production and Rental Portfolio Management

Rental production (new construction and rehabilitation) has varied over the last several years. Production should be higher in 2013 than 2012 largely because of state bonding proceeds from general obligation and housing infrastructure bonds. (Figure 5 captures all the programs in the rental production category, the multifamily portion of the Economic Development and Housing/Challenge program, and all the activity in the rental portfolio management category.)

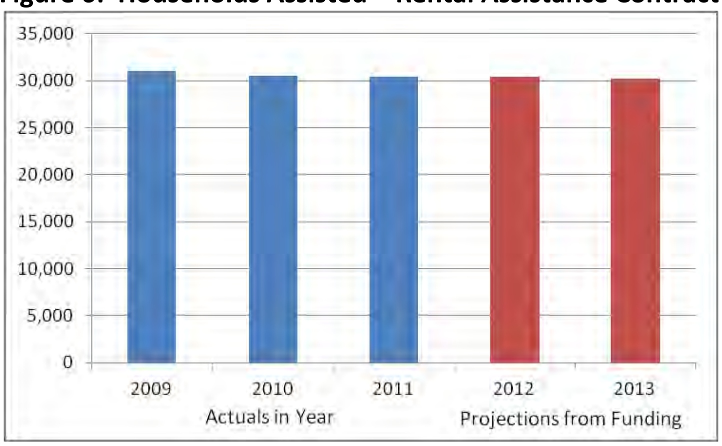
Figure 5: Units Assisted – Rental Production



Rental Assistance Contract Administration

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

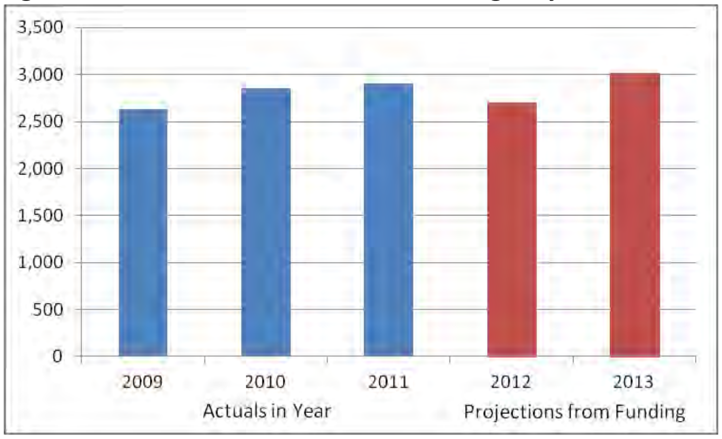
Figure 6: Households Assisted – Rental Assistance Contract Administration



Resources to Prevent and End Homeless (Non-Capital)

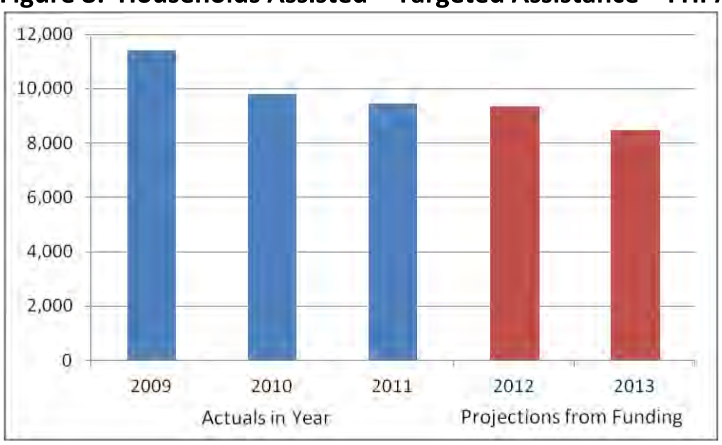
Activity under the Agency's rental and operating assistance programs (Housing Trust Fund, Ending Low-Term Homelessness Initiative Fund, and Bridges) has been relatively stable over the last few years. (See Figure 7.)

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



The number of households assisted by the Family Homeless Prevention and Assistance Program (FHPAP) and the Housing Opportunities for Persons with AIDS (HOPWA) program has declined slowly over the last few years. There was an initial decline in funding; however, since then, the average cost of assistance per household has increased, thereby reducing the number of households assisted.

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



Funding by Source

Table 5 shows the 2013 funding levels by source of funds.

Table 5: 2013 Funding by Source

	Original 2012 AHP	Proposed 2013 AHP
Federal Funds	$211,448,439	$204,764,695
State Appropriations	$58,556,573	$61,161,062
State Bonds (General Obligation and Housing Infrastructure)		$35,500,000
Bond Proceeds & Other Mortgage Capital	$290,000,000	$400,000,000
Housing Investment Fund (Pool 2)	$69,400,000	$82,500,000
Housing Affordability Fund (Pool 3) - Regular	$17,917,268	$22,997,369
Housing Affordability Fund (Pool 3) - Revolving Funds	$11,285,000	$1,680,000
Total	$658,607,280	$808,603,126

There are several reasons for the changes in funding by source between 2012 and 2013.

- The reduction in federal resources reflects fewer HOME funds being available following federal budget cuts.

- Funds from state appropriations are very similar in 2012 and 2013.

- The 2012 state bonding bill is providing $35.5 million of proceeds that were not available under the previous plan.

- Agency bond proceeds and other mortgage capital budgeted under this plan are significantly higher than the previous plan. As discussed earlier, Minnesota Housing will start using additional financing tools, which will include selling mortgage-backed securities on the secondary market and possibly issuing Mortgage Credit Certificates (income tax credits for homeowners for a portion of the mortgage interest that they pay).

- Pool 2 resources budgeted under the 2013 AHP will increase by about $13 million from the original 2012 plan. As discussed earlier, the Agency recently restructured two loans as revolving funds to support lending by the Twin Cities Community Land Bank, which included the infusion of an additional $7 million of Pool 2 funds, along with existing funds. The Agency has also budgeted $5 million of Pool 2 funds for a new amortizing down-payment and closing cost loan option.

- Regular Pool 3 resources increased by about $5 million. Part of the increase will occur because the Agency is transferring $3 million out of two revolving loan funds, which were originally funded out of Pool 3, back into Pool 3 for general use. (See next bullet for details.)

- Both the Single-Family Interim Lending and Non-Profit Capacity Building Loans are revolving funds that were originally funded with Pool 3 resources. Many of these loans have a 20 month term. Thus, under the traditional two-year AHP, these funds typically revolved once during the AHP. Consequently, loan commitments during a two-year AHP generally equaled the overall size of the fund. When developing the 2012 AHP (the first one-year AHP), staff made the simplifying assumption that these funds would continue to revolve once during the year, which did not occur. For the 2013 AHP, staff developed more precise estimates of the loan commitments that will likely occur during the year as the funds partially revolve. The last line of Table 5 shows the $1.68 million estimate. In the process of developing this estimate, staff identified $2 million in the Single-Family Interim Lending fund and $1 million in the Non-Profit Capacity Building Loan fund that are unlikely to be needed in the future. Rather than allowing these funds to sit in the revolving funds unused, the Agency is transferring the $3 million back to the regular part of Pool 3 for general use.

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

Federal Resources. There are two types of federal resources: (1) appropriations to the U.S. Department of Housing and Urban Development (HUD) that are made available to Minnesota Housing, and (2) housing tax credits. For purposes of the plan, current funding levels are used for the HUD appropriations – Section 8/236, HOME, and Housing Opportunities for Persons with AIDS (HOPWA) – and will be adjusted once Congress has adopted the year's budget. The amount of federal housing tax credits is based on a per capita formula and may vary slightly each year.

State Appropriations. The amount of funding from the state is based on the 2012-13 general fund budget adopted by the 2011 Minnesota Legislature. The Agency generally split the appropriations evenly between 2012 and 2013.

State Bond Proceeds. These funds come from the state capital budget (bonding bill) and include general obligation and housing infrastructure bond proceeds.

Agency Bond Proceeds and Other Mortgage Capital. Bond proceeds are generated by the issuance of tax-exempt bonds. Tax-exempt bond proceeds have historically been limited by the amount of new bonding authority made available to the Agency under a state allocation formula, the projected amount of bonds refunded over the next year, and an estimate of the amount of bonding authority contributed by cities and counties for issuance on their behalf. However, market conditions have made it difficult to fully utilize all of the available bonding authority. To access these under-utilized resources, the Agency will possibly be issuing mortgage credit certificates, which will count against the state's bonding authority. In addition, the Agency will be selling some its mortgage-backed securities on the secondary market to access attractively-priced private capital, which is a new financing tool for the agency.

Agency Resources. Minnesota Housing generates resources from its lending activities and makes them available for investment in housing programs. Agency resources are currently categorized as follows:

- Housing Investment Fund (also known as "Pool 2"). The Housing Investment Fund's balance is set according to the net asset requirements and investment guidelines adopted by the Board in April, 2007 after review and confirmation with the rating agencies and the agency's cash flow projections. The level of funding that must be retained in Pool 2 is an amount that will cause the combined net assets in the General Reserve Account and bond funds (exclusive of Pool 3/foundation) to be not less than the combined net assets of the same funds for the immediately preceding audited fiscal year end. The practical result of this requirement is to set the amount of current period earnings as an upper limit on the amount that can be annually transferred from Pool 2 to Pool 3. According to Board policy, the use of Pool 2 funds is limited to investment quality loans and investment grade securities as defined by the agency. Most of the net assets in Pool 2 are already invested in housing loans, so it is the Pool 2 liquid assets and expected loan repayments that are available for budgeting in the Plan.

- Housing Affordability Fund (also known as "Pool 3/Foundation"). The Housing Affordability Fund is set pursuant to the same Board policy as the Housing Investment Fund above, and its balance is the net assets in excess of the required balances in Pools 1 and 2. The sources of ongoing funding for Pool 3 are transfers of a portion of current period earnings from Pool 2, combined with any repayments or prepayments from loans previously funded under Pool 3. This fund is more flexible than the Housing Investment Fund as it may be used for programs not resulting in amortizing, investment quality loans, including deferred loans and grants.

NOTES

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[1] Minnesota Housing analysis of data from the U.S. Census Bureau, 2000 Decennial Census and 2010 American Community Survey.

[2] In this context, lower-income households have annual incomes less than $50,000. In 2010, the statewide area median income (AMI) was $73,000. A household income of $50,000 was 68 percent of the statewide AMI.

[3] A credit is be used to offset 10 years of tax liability. Thus, a $100,000 tax credit will generate $1 million of tax breaks over the 10 years. In today's syndication market, credits can sell for 80 to 90 cents on the dollar, or higher.

[4] U.S. Department of Housing and Urban Development, Notice on Median Family Incomes for FY 2012 (December 1, 2011); http://www.huduser.org/portal/datasets/il/il12/Medians2012.pdf.

[5] Minnesota Housing, *Regional Distribution of Minnesota Housing Assistance* (October 2011); http://www.mnhousing.gov/idc/groups/administration/documents/webcontent/mhfa_011777.pdf.

[6] Minnesota Housing analysis of data from the U.S. Census Bureau, 2010 American Community Survey.

[7] CoreLogic Press Release, CoreLogic Report Negative Increase in Q4 2011 – March 1, 2012.

[8] Minnesota Housing analysis of data from HousingLink.

[9] Homeownership Center, *2011 Foreclosure Counseling Program Report*.

[10] Wilder Research, *Homelessness in Minnesota: Key Findings from the 2009 Statewide Survey.*

[11] The two new revolving loan funds was financed with funds from an existing $10 million loan (non-revolving) to the Family Housing Fund, $3 million that used to be part of a revolving fund for My Home Source, and $7 million of new Pool 2 funds.

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Appendix A

2013 Program Funding by Source

DRAFT Appendix A: 2013 Program Funding by Source - Funds Available for Commitment

		2013 Total	Federal Resources	State Appropriations	State Bond Proceeds (General Obligation and and Housing Infrastructure)	Agency Bond Proceeds and Other Mortgage Capital	Housing Investment Fund (Pool 2)	Housing Affordability Fund (Poo3) - Regular	Housing Afffordability Fund (Pool 3) - Revolving Funds
	Homebuyer and Home Refinance	**$420,455,408**	**$5,197,102**	**$3,778,306**	**$0**	**$400,000,000**	**$6,000,000**	**$4,800,000**	**$680,000**
1	Home Mortgage Loans	$350,000,000	$0	$0	$0	$350,000,000	$0	$0	$0
2	Mortgage Credit Certificates (MCC)	$50,000,000	$0	$0	$0	$50,000,000	$0	$0	$0
3	Homeownership Assistance Fund (HAF)	$5,841,209	$0	$2,041,209	$0	$0	$0	$3,800,000	$0
4	HOME HELP	$4,000,000	$4,000,000	$0	$0	$0	$0	$0	$0
5	Amortizing Down-payment and Closing Cost Loans	$5,000,000	$0	$0	$0	$0	$5,000,000	$0	$0
6	Single Family Interim Lending	$910,000	$0	$230,000	$0	$0	$0	$0	$680,000
7	Habitat for Humanity Initiative	$2,000,000	$0	$0	$0	$0	$1,000,000	$1,000,000	$0
8	Homebuyer Education, Counseling, & Training (HECAT)	$2,704,199	$1,197,102	$1,507,097	$0	$0	$0	$0	$0
	Home Improvement	**$26,215,000**	**$0**	**$5,628,293**	**$0**	**$0**	**$20,000,000**	**$586,707**	**$0**
9	Home Improvement Loan Program	$20,465,000	$0	$0	$0	$0	$20,000,000	$465,000	$0
10	Rehabilitation Loan Program (RLP)	$5,750,000	$0	$5,628,293	$0	$0	$0	$121,707	$0
	Rental Production- New Construction and Rehabilitation	**$86,597,057**	**$18,700,769**	**$15,896,288**	**$17,500,000**	**$0**	**$30,500,000**	**$4,000,000**	**$0**
11	Low and Moderate Income Rental (LMIR)	$30,000,000	$0	$0	$0	$0	$30,000,000	$0	$0
12	Flexible Financing for Capital Costs (FFCC)	$4,000,000	$0	$0	$0	$0	$0	$4,000,000	$0
13	Low-Income Housing Tax Credits (LIHTC)	$8,043,053	$8,043,053	$0	$0	$0	$0	$0	$0
14	Affordable Rental Preservation (PARIF and HOME HARP)	$24,965,849	$10,657,716	$14,308,133	$0	$0	$0	$0	$0
15	Housing Trust Fund (Capital)	$12,000,000	$0	$0	$12,000,000	$0	$0	$0	$0
16	Publicly Owned Housing Program (POHP)	$5,567,979	$0	$67,979	$5,500,000	$0	$0	$0	$0
17	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$1,520,176	$0	$1,520,176	$0	$0	$0	$0	$0
18	Rental Rehabilitation Loan Program	$500,000	$0	$0	$0	$0	$500,000	$0	$0
	Rental Assistance Contract Administration	**$179,840,000**	**$179,840,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
19	Section 8 - Performance Based Contract Administration (PBCA)	$107,100,000	$107,100,000	$0	$0	$0	$0	$0	$0
20	Section 8 - Traditional Contract Administration (TCA)	$71,115,000	$71,115,000	$0	$0	$0	$0	$0	$0
21	Section 236	$1,625,000	$1,625,000	$0	$0	$0	$0	$0	$0
	Resources to Prevent and End Homelessness (Non-Capital)	**$24,798,672**	**$142,672**	**$21,291,219**	**$0**	**$0**	**$0**	**$3,364,781**	**$0**
22	Housing Trust Fund (HTF)	$10,588,219	$0	$10,588,219	$0	$0	$0	$0	$0
23	Ending Long-Term Homelessness Initiative Fund (ELHIF)	$3,364,781	$0	$0	$0	$0	$0	$3,364,781	$0
24	Bridges	$3,238,000	$0	$3,238,000	$0	$0	$0	$0	$0
25	Family Homeless Prevention and Assistance Program (FHPAP)	$7,465,000	$0	$7,465,000	$0	$0	$0	$0	$0
26	Housing Opportunities for Persons with AIDS (HOPWA)	$142,672	$142,672	$0	$0	$0	$0	$0	$0
	Rental Portfolio Management	**$4,368,737**	**$268,737**	**$0**	**$0**	**$0**	**$0**	**$4,100,000**	**$0**
27	Asset Management	$4,100,000	$0	$0	$0	$0	$0	$4,100,000	$0
28	Financing Adjustment Factor (FAF) / Financing Adjustment (FA)	$268,737	$268,737	$0	$0	$0	$0	$0	$0
	Multiple Use Resources	**$63,004,698**	**$0**	**$11,858,817**	**$18,000,000**	**$0**	**$26,000,000**	**$6,145,881**	**$1,000,000**
29	Economic Development and Housing/ Challenge (EDHC)	$57,489,227	$0	$11,661,346	$18,000,000	$0	$26,000,000	$1,827,881	$0
30	Technical Assistance and Operating Support	$2,515,471	$0	$197,471	$0	$0	$0	$2,318,000	$0
31	Non-Profit Capacity Building Loan Program	$1,000,000	$0	$0	$0	$0	$0	$0	$1,000,000
32	Strategic Priority Contingency Fund	$2,000,000	$0	$0	$0	$0	$0	$2,000,000	$0
	Other	**$3,323,554**	**$615,415**	**$2,708,139**	**$0**	**$0**	**$0**	**$0**	**$0**
33	Administrative Expenses HOME	$615,415	$615,415	$0	$0	$0	$0	$0	$0
34	Manufactured Home Relocation Trust Fund	$1,279,536	$0	$1,279,536	$0	$0	$0	$0	$0
35	Flood - Economic Development and Housing/Challenge	$588,017	$0	$588,017	$0	$0	$0	$0	$0
36	Disaster Relief Contingency Fund	$840,586	$0	$840,586	$0	$0	$0	$0	$0
	Total	**$808,603,126**	**$204,764,695**	**$61,161,062**	**$35,500,000**	**$400,000,000**	**$82,500,000**	**$22,997,369**	**$1,680,000**

Appendix B

"Gap/Affordability" Financing by Program

DRAFT Appendix B: "Gap/Affordability" Financing by Program - Appropriated and Pool 3 Funds - 2012 & 2013

		Federal Resources	State Appropriations	State Bond Proceeds (General Obligation and and Housing Infrastructure)	Housing Affordability Fund (Poo3) - Regular	Proposed 2013 Total	Origininal 2012 AHP	Percentage Change between 2012 and 2013
	Homebuyer and Home Refinance	**$5,197,102**	**$3,548,306**	**$0**	**$4,800,000**	**$13,545,408**	**$13,239,957**	2%
1	Homeownership Assistance Fund (HAF)	$0	$2,041,209	$0	$3,800,000	$5,841,209	$5,159,475	13%
2	HOME HELP	$4,000,000	$0	$0	$0	$4,000,000	$5,500,000	-27%
3	Habitat for Humanity Initiative	$0	$0	$0	$1,000,000	$1,000,000	$1,000,000	0%
4	Homebuyer Education, Counseling, & Training (HECAT)	$1,197,102	$1,507,097	$0	$0	$2,704,199	$1,580,482	71%
	Home Improvement	**$0**	**$5,628,293**	**$0**	**$586,707**	**$6,215,000**	**$6,215,000**	0%
5	Home Improvement Loan Program	$0	$0	$0	$465,000	$465,000	$465,000	0%
6	Rehabilitation Loan Program (RLP)	$0	$5,628,293	$0	$121,707	$5,750,000	$5,750,000	0%
	Rental Production- New Construction and Rehabilitation	**$18,700,769**	**$15,896,288**	**$17,500,000**	**$4,000,000**	**$56,097,057**	**$44,339,756**	27%
7	Flexible Financing for Capital Costs (FFCC)	$0	$0	$0	$4,000,000	$4,000,000	$4,500,000	-11%
8	Low-Income Housing Tax Credits (LIHTC)	$8,043,053	$0	$0	$0	$8,043,053	$7,700,000	4%
9	Affordable Rental Preservation (PARIF and HOME HARP)	$10,657,716	$14,308,133	$0	$0	$24,965,849	$22,031,171	13%
10	Housing Trust Fund (Capital)	$0	$0	$12,000,000	$0	$12,000,000	$0	N/A
11	Publicly Owned Housing Program (POHP)	$0	$67,979	$5,500,000	$0	$5,567,979	$0	N/A
12	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$0	$1,520,176	$0	$0	$1,520,176	$10,108,585	-85%
	Resources to Prevent and End Homelessness (Non-Capital)	**$142,672**	**$21,291,219**	**$0**	**$3,364,781**	**$24,798,672**	**$22,005,304**	13%
13	Housing Trust Fund (HTF)	$0	$10,588,219	$0	$0	$10,588,219	$10,071,991	5%
14	Ending Long-Term Homelessness Initiative Fund (ELHIF)	$0	$0	$0	$3,364,781	$3,364,781	$1,598,600	110%
15	Bridges	$0	$3,238,000	$0	$0	$3,238,000	$2,706,396	20%
16	Family Homeless Prevention and Assistance Program (FHPAP)	$0	$7,465,000	$0	$0	$7,465,000	$7,488,496	0%
17	Housing Opportunities for Persons with AIDS (HOPWA)	$142,672	$0	$0	$0	$142,672	$139,821	2%
	Rental Portfolio Management	**$268,737**	**$0**	**$0**	**$4,100,000**	**$4,368,737**	**$5,250,030**	-17%
17	Asset Management	$0	$0	$0	$4,100,000	$4,100,000	$4,375,015	-6%
19	Financing Adjustment Factor (FAF) / Financing Adjustment (FA)	$268,737	$0	$0	$0	$268,737	$875,015	-69%
	Multiple Use Resources	**$0**	**$11,858,817**	**$18,000,000**	**$6,145,881**	**$36,004,698**	**$11,738,538**	207%
20	Economic Development and Housing/ Challenge (EDHC)	$0	$11,661,346	$18,000,000	$1,827,881	$31,489,227	$8,432,494	273%
21	Technical Assistance and Operating Support	$0	$197,471	$0	$2,318,000	$2,515,471	$3,306,044	-24%
22	Strategic Priority Contingency Fund	$0	$0	$0	$2,000,000	$2,000,000	$0	N/A
	Other	**$615,415**	**$0**	**$0**	**$0**	**$615,415**	**$1,406,306**	-56%
23	Administrative Expenses HOME	$615,415	$0	$0	$0	$615,415	$1,406,306	-56%
	Total	**$24,924,695**	**$58,222,923**	**$35,500,000**	**$22,997,369**	**$141,644,987**	**$104,194,891**	36%

This table excludes federal funding for Section 8 and 236, state appropriated and Pool 3 funds in revolving loan accounts, and unobligated state appropriations for Manufactured Home Relocation Trust Fund, Flood-EDHC, and Disaster Relief Contingency Fund.

The amount of "gap or affordability" financing in the 2013 AHP is about $37 million higher than the orginal 2012 AHP. Most of the increase can be attributed to the the $35.5 billion bonding bill that provided the Agency with proceeds from general obligation and housing instructure bonds.

2013 Affordable Housing Plan
Appendix C: Program Narratives
DRAFT

Contents

2013 Affordable Housing Plan
Appendix C: Program Narratives

Contents

Notes on reading the program narratives:

- "Housing Investment Fund" and "Pool 2" refer to the same resources.
- "Housing Affordability Fund" and "Pool 3/foundation" refer to the same resources.
- The 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. This is because some households or housing units will receive assistance from multiple programs in order to achieve needed affordability levels.
- The projections for the number of households or units assisted generally are based on the average assistance per unit or per household for the last five years, by program, adjusted for inflation and program trends.
- Several programs have multiple funding sources which may necessitate some differences in program rules depending on the funding sources.
- The tables in the narratives show funds available for commitment in 2013. Previous AHPs also showed committed funds that had not yet disbursed. The 2013 narratives no longer show these committed balances for display simplicity.

Home Mortgage Loans

Minnesota Housing home mortgage loans are fully-amortizing first mortgage loans at affordable interest rates for low- and moderate-income first-time homebuyers. In 2012, the Agency finances the program with mortgage revenue bond (MRB) proceeds. Participating first mortgage lenders throughout the state originate the loans for sale under the program. Home mortgage loans help Minnesota Housing to promote and support successful homeownership by offering financing with affordable interest rates, access to down-payment and closing cost assistance for eligible borrowers, and homebuyer education. The program supports borrowers traditionally not served by the private market.

In April, the board approved significant changes to Minnesota Housing home mortgage loans, with implementation scheduled for October 1, 2012. The redesigned program contains one mortgage program designed for first time homebuyers with borrower access to three down-payment and closing cost assistance options – two interest-free deferred loan options and a new interest-bearing, fully-amortizing loan option. In addition, the Agency plans to add a secondary market execution option for both MRB-compliant home mortgage loans and expanded loan offerings available to non-first-time homebuyers. These expanded options will include both home purchase and mortgage refinance options. Loans sold on the secondary market are not subject to MRB tax-exempt bond requirements, unless the borrower receives a mortgage credit certificate (MCC).

By redesigning its home mortgage loan programs to include first mortgage programs for non-first-time homebuyers, the Agency employs the strategy of improving and adapting loan products to ensure a competitive program. The Agency remains committed through its program redesign to continue to serve emerging market populations and households with incomes below 80 percent of area median income (AMI).

2012 income limits for 1-4 person households:

Property Location	Maximum
Minneapolis/Saint Paul metro area	$83,900
Rochester	$81,300
Balance of State	$73,900

Maximum loan amounts:
- $298,125 in the Minneapolis/Saint Paul metropolitan area
- $237,031 in the balance of the state

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing financed:
- 2,245 loans
- $260,898,768 total loan amount
- $116,123 average loan
- median household income of borrowers was $43,660 or 59.9 percent of statewide median
- 22.9 percent were households of color

Staff estimates home mortgage loan production will exceed its 2012 projection with $251 million in loans purchased/settled. The increased funding request for the 2013 AHP assumes increased demand from the new mortgage program options designed to attract borrowers previously ineligible for Minnesota Housing home mortgage loan programs. In addition, staff anticipates increased production from the proposed MCC option that supports MRB-eligible transactions sold under the secondary market execution.

The redesign of its home mortgage loan program delivers the most significant changes to the first mortgage programs the Agency has seen in almost two decades. This creates difficulties in estimating the cumulative effect of the multiple changes on production. The magnitude of program changes will require extensive lender training in the early months of the home mortgage loan program until lenders reach a comfort level with the programs.

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to finance loans for an estimated 2,917 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	$350,000,000
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$350,000,000
2012 Total	**$250,000,000**

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

Mortgage Credit Certificates

Minnesota Housing is reviewing the option of making homeownership more affordable in 2013 by allowing homebuyers to claim a nonrefundable tax credit for a percentage of the annual mortgage interest paid. Mortgage Credit Certificates (MCCs) provide a dollar-for-dollar reduction against the homeowner's federal tax liability. Eligibility requirements for mortgage revenue bond (MRB) programs, such as first-time homebuyer status, also apply to an MCC program.

As an alternative to allowing the expiration of excess MRB authority, conversion of a portion of the Agency's bond authority into MCC authority allows Minnesota Housing to offer an alternate benefit to borrowers by creating an MCC program. When coupled with a first mortgage loan sold on the secondary market (an MCC cannot be used in conjunction with the Agency's MRB first mortgage program), eligible borrowers receive the benefits of an affordable interest rate, down-payment and closing cost assistance and an income tax credit.

Program Performance and Trends
This activity is new to Minnesota Housing.

Proposal for 2013
Staff estimates that $12.5 million in MCC authority will leverage $62.5 million in principal loan amounts (assuming a 20 percent credit rate) for an estimated 450 certificates.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	$50,000,000
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$50,000,000
2012 Total	**$0**

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

Homeownership Assistance Fund (HAF)

The Homeownership Assistance Fund (HAF) provides down payment and closing cost assistance loans to income-eligible first-time homebuyers purchasing their homes with Minnesota Housing home mortgage loans. In 2012, HAF loans provide support for borrowers purchasing properties in any of Minnesota Housing-defined “spotlight” areas and/or where borrowers earn 60 percent of area median income (AMI) or less. HAF provides borrowers with an interest-free, deferred mortgage loan.

The majority of borrowers that receive support from Minnesota Housing home mortgage loan programs lack the necessary wealth to meet standard down payment requirements and closing costs associated with a mortgage loan.

On October 1, 2012, staff plans to implement changes to the HAF program. The changes use agency funds prudently, support loan production, minimize borrower risk, and support borrower success. Changes include: increasing the first mortgage rate slightly, setting the qualifying income limit to 60 percent of AMI or less and changing the loan amount to the greater of either three percent of the purchase price or $3,000 (rounded to the nearest $100). HAF program loans will be eligible for use with home mortgage loans that meet requirements for mortgage revenue bond (MRB) financial execution.

2012 income limits are adjusted by household size. Limits for a 4-person household:

Property Location	Maximum
Minneapolis/Saint Paul metro area	$50,350
Rochester	$48,800
Balance of State	$44,350

Current maximum loan amount: $3,000-$4,500

Program Performance and Trends

For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing financed:

- 1,162 loans
- $4,561,156 total loan amount
- $3,925 average loan
- median household income of borrowers was $43,536 or 59.7 percent of statewide median
- 27.5 percent were households of color

Staff anticipates that simplifying HAF eligibility criteria could renew interest in this option and increase use of the HAF program by lenders who have been confused by existing HAF requirements. In addition, lender familiarity with the HAF program could sustain usage due to ease of its use compared with the HOME HELP program and the new amortizing down-payment and closing cost loan option. Training on the changes related to the HOME HELP program and introduction of the new amortizing loan option may place continued pressure on the more familiar HAF program during the first several months of the 2013 AHP. Staff expects a slight drop off in HAF usage, once the lenders become familiar with the other down payment and closing cost loan program changes.

Proposal for 2013

In the past year, down-payment and closing cost loans supported nearly 75 percent of Minnesota Housing home mortgage loans. Upon launch of the redesigned program, staff anticipates most borrowers will receive down-payment and closing cost loans in the current lending environment. In the 2013 AHP, staff estimates a total first mortgage loan volume of $350,000,000, with HAF supporting approximately 42 percent of total loan volume.

Based on resources available for new activity in 2013, Minnesota Housing expects to fund HAF loans for an estimated 1,770 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	$797,000
Carry Forward of Unobligated Balances from Previous Plans	$144,209
Repayments	$1,100,000
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$3,800,000
Revolving	
2013 Total	$5,841,209
2012 Total	**$5,159,475**

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

HOME Homeowner Entry Loan Program (HOME HELP)

HOME HELP provides interest-free, deferred funding to eligible homebuyers for down-payment and closing costs. The program supports first-time homebuyers receiving a Minnesota Housing home mortgage loan. This federally funded program includes a provision to forgive 50 percent of the loan after six years of owner occupancy. HOME HELP aids low-income households in overcoming wealth barriers to homeownership.

To ensure that HOME HELP funds support successful homeownership, HOME HELP requires borrowers to contribute $1,000 of their own funds to the transaction, maintain adequate funds in reserve accounts to finance emergency funding needs, have a debt-to-income ratio of less than 50 percent and a credit score of at least 620. HOME HELP also requires at least one borrower per household to complete homebuyer education.

2012 income limit: 80 percent of county median income, adjusted for family size

Maximum loan amount: $10,000

Program Performance and Trends
For the period of October 1, 2010 – September 30, 2011 Minnesota Housing funded:

- 208 loans
- $1,824,498 total loan amount
- $8,772 average loan
- median household income of borrowers was $37,607 or 51.6 percent of statewide median
- 42.8 percent were households of color

Minnesota Housing is in the process of changing requirements for its down-payment and closing cost assistance loan programs. New HOME program requirements that make HOME HELP less aligned with mortgage industry standards, and the change from a fixed to a calculated loan amount that decreases the amount available to some borrowers may decrease the program's attractiveness and loan volume.

Proposal for 2013
Beginning with the 2013 AHP, HOME HELP will be offered with all home mortgage loans eligible for mortgage revenue bond (MRB) that meet the requirements for MRB execution, and will no longer offer a flat loan amount to all borrowers that qualify. Eligible borrowers will receive funds based on demonstrated need (calculated by a loan amount formula). The formula also supports communities adversely impacted by the foreclosure crisis by incenting borrowers purchasing foreclosed property. Under the revised program, the percentage of the loan forgiven by the Agency decreases from 70 percent to 50 percent, allowing the Agency to assist more homeowners and fund the program more consistently.

Based on resources available for new activity in 2013, Minnesota Housing expects to fund approximately 400 HOME HELP loans.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$2,122,203
Carry Forward of Unobligated Balances from Previous Plans	$1,877,797
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$4,000,000
2012 Total	**$5,500,000**

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

Amortizing Down-payment and Closing Cost Loans

Amortizing down-payment and closing cost loans are interest-bearing, level-payment loans that support the Agency's home mortgage loan program. Loans will be available in amounts of $5,000 or five percent of the purchase price, whichever is greater. The product contains a 10-year term and an interest rate equal to that of the first mortgage. The Board approved this loan product in April 2012 as part of the home mortgage loan business review and redesign.

Amortizing down-payment and closing cost loans support Minnesota Housing's strategic priority to promote and support successful homeownership by addressing the wealth barrier to homeownership, while making prudent use of agency resources. Adding this loan product also employs several Agency strategies: improving and adapting products to ensure that they are attractive and easy to use in a changing market, prudently using entry cost assistance to serve borrowers and support loan production without putting borrowers at unnecessary risk, and expanding the pool of lenders and the services provided to these lenders.

Program Performance and Trends
This is an activity new to Minnesota Housing. Funds support Minnesota Housing home mortgage loans and are available to borrowers who meet the guidelines and the program income limits. Based on a lender survey and several lender focus groups, staff estimates a moderate to high demand for this program. Some lenders may experience challenges with their internal systems affecting their ability to originate these loans.

Proposal for 2013
In the 2013 AHP, staff anticipates that 30 percent of the total loan volume of $350,000,000 may access the new amortizing down-payment and closing cost assistance loans

Based on resources available for new activity in 2013, Minnesota Housing expects to fund an estimated 769 down-payment and closing cost loans under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$5,000,000
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$5,000,000
2012 Total	**$0**

Legal Authority: Minn. Stat. §462A.05

Single Family Interim Lending

The Single Family Interim Lending Program combines 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, private sector housing providers and local lenders. Both nonprofit and for-profit sponsors and/or developers may apply for the program

Program Performance and Trends
Data on interim lending are included in data provided for the Community Revitalization Fund (CRV), which is the umbrella program under which Minnesota Housing currently delivers the Economic Development and Housing/Challenge Program and interim construction financing.

For the Program Assessment period of October 1, 2010 – September 30, 2011, under CRV (which includes both units funded with Single Family Interim Lending and the Economic Development and Housing/Challenge Program) Minnesota Housing funded:

- 242 loans
- $5,663,289 loan amount
- $23,402 average loan
- median household income of borrowers was $35,220 or 48.3 percent of statewide median
- 39.7 percent were households of color

CRV as a whole has proven to be a valuable resource for increasing the housing supply for low-and moderate-income households.

Proposal for 2013
Based on resources available for new activity in 2012, Minnesota Housing could make an estimated 11 construction loans.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	$230,000
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	$680,000
2013 Total	$910,000
2012 Total	**$6,965,000**

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

Habitat for Humanity Initiative

The Habitat for Humanity Initiative provides a secondary market for interest-free loans originated by Habitat for Humanity Minnesota affiliates for households participating in the Habitat for Humanity Program throughout Minnesota.

Current income limit: Less than or equal to 50 percent of the greater of state or area median income. Habitat sets specific borrower income limits, which are lower than Minnesota Housing's limits. Habitat also establishes maximum loan amounts that are lower than Minnesota Housing's home mortgage loan program limits.

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing funded:

- 35 loans
- $2,659,863 total loan amount
- $75,996 average Minnesota Housing funding per household
- median household income of borrowers was $33, 900 or 46.5 percent of statewide median
- 85.7 percent were households of color

The funding amount proposed is consistent with past funding amounts and staff expects similar program results**.**

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to fund loans for approximately 25 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$1,000,000
Housing Affordability Fund (Pool 3)	
Regular	$1,000,000
Revolving	
2013 Total	$2,000,000
2012 Total	**$2,000,000**

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

Homeownership Education, Counseling and Training (HECAT)

Homeownership Education, Counseling and Training (HECAT) supports: pre-purchase homebuyer training, home equity conversion counseling, and foreclosure prevention counseling. Minnesota Housing and its funding partners (the Minnesota Home Ownership Center, the Greater Minnesota Housing Fund, and the Family Housing Fund) accept funding proposals from administrators annually through a competitive RFP process. Minnesota Housing also funds foreclosure prevention counseling with federal funds from the National Foreclosure Mitigation and Counseling (NFMC) program. Current funding from NFMC will run through December, 2012.

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

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing funded:

- 18,503 households
- $3,707,488 funding amount
- $200 average Minnesota Housing assistance per household
- median household income of participants was $34,944 or 47.9 percent of statewide median
- 26 percent were households of color

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to fund assistance for approximately 16,001 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$1,197,102
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	$751,000
Carry Forward of Unobligated Balances from Previous Plans	$56,097
Repayments	$50,000
Contributions from Other Organizations	$650,000
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$2,704,199
2012 Total	**$1,580,482**

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

Home Improvement Loan Program

Minnesota Housing's home improvement loan program provides below-market interest rate, fully-amortizing home improvement loans to low- and moderate-income homeowners to improve the livability and energy efficiency of their homes. The home improvement loan program is key to the Agency's priority to support successful homeownership.

A thorough product review of Minnesota Housings home improvement loan program was identified as an important business activity during the development of the 2012 AHP. The product review resulted in several changes to make the program more competitive in the current market. Changes to the program include:

- Reintroducing unsecured loans to enhance financing options for homeowners with modest cost improvements and/or higher loan-to-value ratios as well as for lien-averse homeowners. Unsecured loans will meet the community recovery needs identified in the 2012 AHP. Pricing for unsecured loans will be higher than that of secured loans in order to compensate for increased risk.
- Increasing lender fees to offset increased lender costs, incenting broader lender participation, and encouraging increased production from both private and non-profit lenders as well as to restore the profitability of smaller loans, which should ensure better service to lower income households.
- Paying lender compensation paid out of Pool 3 so that the payment of lender fees does not negatively impact program yield and so that APR issues are addressed.

2012 income limit: $96,500

Maximum loan amount: $35,000 for secured loan; $10,000 for unsecured loans

Program Performance and Trends

During the 2012 program year, Minnesota Housing's home improvement loan program was marketed under two names representing two program delivery options: the Fix-Up Fund and the Community Fix-Up Fund. For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing financed:

Fix-Up Fund

- 1,322 Fix-Up Fund loans
- $18,129,947 total loan amount
- $13,714 average loan
- median household income of borrowers was $63,007 or 86.4 percent of statewide median
- 6.7 percent were households of color

Community Fix-Up Fund

- 220 CFUF loans
- $2,781,133 total loan amount
- $12,642 average loan
- median household income of borrowers was $62,494 or 85.7 percent of statewide median
- 8.6 percent were households of color

In recent years, home improvement loan activity has been declining due to difficult economic conditions. Recent volume appeared strong, stimulated by the availability of one-time Energy Saver Rebates; without these rebates, volume has been relatively light.

Proposal for 2013
The challenge for this AHP year will be to successfully market the program to lenders and consumers statewide. Minnesota Housing has designed program changes to increase the appeal and functionality of its home improvement loan program.

Based on resources available for new activity in 2013, Minnesota Housing expects to finance loans for an estimated 1,200 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$20,000,000
Housing Affordability Fund (Pool 3)	
Regular	$465,000
Revolving	
2013 Total	$20,465,000
2012 Total	**$20,465,000**

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

Rehabilitation Loan Program (RLP)

The Rehabilitation Loan Program (RLP) provides deferred loan financing to low-income homeowners needing to rehabilitate their existing housing to improve its safety, livability or energy efficiency. Existing residential housing is rehabilitated to the greatest extent practicable to meet a rehabilitation standard adopted by the Agency in 2010. Homeowners needing assistance of an emergency nature or who have an essential accessibility need are referred to the Emergency & Accessibility Loan (ELP) component of the program. RPL is a key component of the Agency priority to support successful homeownership. Local entities such as community action agencies administer the program.

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

2012 income limits are adjusted by household size: $25,200 for 4-person household
Maximum loan amount: $27,000

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing funded:

RLP
- 96 loans
- $2,126,966 total loan amount
- $22,145 average loan
- median household income of borrowers was $13,826 or 19 percent of statewide median
- 9.4 percent were households of color

ELP
- 45 loans
- $410,319 total loan amount
- $9,118 average loan
- median household income of borrowers was $12,596 or 17.3 percent of statewide median
- 13.3 percent were households of color

Program funding changes over the last several AHPs have led to a decline in production. During the 2008-09 AHP using state appropriations, actual commitments averaged $5.5 million a year. During the 2010-11 AHP using federal HOME funds, actual commitments averaged $2.5 million a year. During the 2012 AHP using state appropriations, actual commitments during the first 8.5 months may total $2.6 million, a pace of $3.4 million year.

RLP lender capacity has diminished with reduced federal and local resources for nonprofits. Many RLP lenders also delivered federal weatherization funds locally, and the cut to weatherization funding has led to reductions in lender staff. Over half of Minnesota Housing's RLP lenders have lost staff who normally would process RLP loans.

Proposal for 2013
Based on resources available for 2013, Minnesota Housing expects to fund rehabilitation loans for an estimated 270 households.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	$1,851,415
Carry Forward of Unobligated Balances from Previous Plans	$3,026,878
Repayments	$750,000
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$121,707
Revolving	
2013 Total	$5,750,000
2012 Total	**$5,750,000**

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

Low and Moderate Income Rental Program (LMIR)

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

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

Maximum loan amount: no set limit; minimum amount is two million dollars on tax-exempt bond loans and $350,000 on all others.

Program Performance and Trends
For the period of October 1, 2010 – September 30, 2011, Minnesota Housing financed:

- 11 loans for developments with 1,012 units (unadjusted count)
- $38,967,126 total loan amount
- $38,505 average LMIR assistance per unit
- median household income of tenants was $21,840 or 30 percent of statewide median
- 37.8 percent of households were of color

In the 2012 AHP, $20,000,000 was budgeted for conduit financing to preserve federally assisted housing with a focus on developments with minimal gap financing needs. The Agency continues to explore this as an option, but did not implement this approach in 2012.

Proposal for 2013
Staff estimates that $20,000,000 will be allocated through the 2012 RFP and the remaining $10,000,000 will be available through the pipeline process.

Based on resources available for new activity in 2013, Minnesota Housing expects to finance an estimated 881 units under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$30,000,000
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$30,000,000
2012 Total	**$68,000,000**

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

Flexible Financing for Capital Costs (FFCC)

The Flexible Financing for Capital Costs (FFCC) program provides deferred loans at low or no interest 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 in conjunction with the refinancing of existing loans.

The current FFCC program is administered both through the Consolidated RFP and on a pipeline basis, allowing the Agency to act quickly to meet the immediate needs of developments that would be unnecessarily delayed and subjected to hardship if required to wait for the RFP.

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

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

Program Performance, Trends and Evaluation
For the period of October 1, 2010 – September 30, 2011, Minnesota Housing financed:

- 5 FFCC loans for developments with 228 units (unadjusted count)
- $4,328,804 total loan amount
- $18,986 average FFCC assistance per unit

As a result of the state's aging portfolio, the Agency anticipates a continued increase of preservation and stabilization requests.

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to fund an estimated 294 units under FFCC.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$4,000,000
Revolving	
2013 Total	$4,000,000
2012 Total	**$4,500,000**

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

Low Income Housing Tax Credits (LIHTC)

LIHTC is 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 30 years. Tax credits are awarded in a competitive allocation process held each year concurrent with the Minnesota Housing Consolidated Request for Proposals. The allocation of tax credits is based upon the state's population and a per capita amount that increases each year with the cost of living. The syndication proceeds are the amount of private equity invested in developments as a result of federal housing tax credits awarded.

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

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

The award of LIHTCs is a highly competitive process with requests totaling 3:1 or 4:1 for each available credit dollar. LIHTCs are awarded in two rounds with Round 2 establishing a waiting list.

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011:

- 1,110 LIHTC units (unadjusted count) in 11 developments
- $62,137,381 in syndication proceeds
- $55,980 average syndication amount per unit
- median household income of tenants in LIHTC units financed by Minnesota Housing was $18,532 or 25.4 percent of statewide median
- 48.7 percent were households of color

Proposal for 2013
Based on the available LIHTC credit ceiling, Minnesota Housing expects to allocate tax credits for an estimated 787 units in 2013.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$7,947,872
Carry Forward of Unobligated Balances from Previous Plans	$95,181
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$8,043,053
2012 Total	**$7,700,000**

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

Affordable Rental Preservation

Affordable Rental Preservation includes activity funded under the Affordable Rental Investment Fund – Preservation (PARIF) and HOME Affordable Rental Preservation (HOME HARP). These are statewide programs that provide deferred loans to help cover the costs of preserving permanent affordable rental housing that may have long-term, project-based federal subsidies or supportive housing units that are in jeopardy of being lost. PARIF and HOME HARP provide funding that may be used for acquisition, rehabilitation, and debt restructuring, and in the case of at-risk federally assisted developments, equity take-out.

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

Maximum assistance amount: None

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing funded preservation under these two programs, now combined into Affordable Rental Preservation:

PARIF

- 9 loans for 2,232 units (unadjusted count)
- $17,321,435 total loan amount
- $7,760 average PARIF assistance per unit
- median household income of tenants was $13,845 or 19 percent of statewide median
- 43.3 percent were households of color

HOME

- 12 developments with 270 units (unadjusted count)
- $3,131,255 total loan amount
- $11,597 average HOME assistance per unit
- median household income of tenants in HOME units was $11,160 or 15.3 percent of statewide median
- 8.2 percent were households of color

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 with the addition of preserving existing supportive housing in 2007 as an eligible activity.

As of July 2012, Minnesota Housing estimated the present value of Federal assistance preserved through deferred funding, approximately 80 percent of which is PARIF, to be nearly $840 million.

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to fund an estimated 1,380 units under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$3,416,536
Carry Forward of Unobligated Balances from Previous Plans	$7,241,180
State Appropriations	
New Appropriations	$7,313,000
Carry Forward of Unobligated Balances from Previous Plans	$6,745,133
Repayments	$250,000
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$24,965,849
2012 Total	**$22,313,184**

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

Housing Trust Fund (HTF Capital)

Historically, funding for the HTF has come from either state appropriations or bond proceeds. For purposes of this AHP, only Housing Infrastructure Bond proceeds are available for capital purposes under the HTF. Capital assistance is in the form of deferred loans at no or low interest for the acquisition, construction, or rehabilitation of affordable permanent supportive housing. Funding priority is given to housing proposals that serve tenants with incomes at 30 percent of the median family income for the Minneapolis/Saint Paul metropolitan area. Priority also is given to proposals serving households experiencing long-term homelessness.

2012 tenant income limit: 60 percent of Minneapolis/Saint Paul Metropolitan Statistical Area median with priority for proposals affordable at 30 percent

Maximum loan amount: none beyond funding availability

Program Performance and Trends
Using bond sale proceeds, from October 1, 2010 – September 30, 2011 Minnesota Housing funded capital or operating expenses for:

- 6 loans for developments with 357 units (unadjusted count)
- $30,247,988 loan amount
- $84,728 average HTF per unit
- median household income of all HTF tenants was $9,060 or 12.4 percent of statewide median
- 51.8 percent of all HTF tenants were households of color

All HTF funds in the 2012 AHP were used to renew funding for existing rental and operating subsidy grants; capital funding reported in the Program Assessment for 2011 was from commitments in previous AHPs.

Proposal for 2013
Due to action taken in the 2012 legislative session, up to $30,000,000 in Housing Infrastructure Bond proceeds was made available through the Consolidated Request for Proposals (RFPs). Housing Infrastructure Bond proceeds, under the HTF, will be used to construct or acquire and rehabilitate supportive housing, particularly for persons experiencing or at risk of experiencing long-term homelessness. Of the $30,000,000 in bond proceeds available in the 2013 AHP, approximately $12,000,000 is anticipated to be used for supportive housing proposals under the HTF, and approximately $18,000,000 for preservation of rental housing and foreclosure recovery under the Economic Development and Housing/Challenge Program. Final allocation of uses of the housing infrastructure bonds will be determined as part of the 2012 consolidated RFP selection process

Based on resources available for new activity in 2013, Minnesota Housing expects to fund an estimated 106 units under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	$12,000,000
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$12,000,000
2012 Total	**$0**

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

Publicly Owned Housing Program (POHP)

This program provides deferred, forgivable loans at no interest to eligible public entities to preserve/rehabilitate publicly owned housing. In the past, legislation has also authorized the acquisition, construction, or rehabilitation of permanent supportive rental or transitional housing. Funds are from proceeds of state general obligation (GO) bonds and may be used only for eligible capital costs of a non-recurring nature that add value or life to the buildings. The current appropriation to this program is for the rehabilitation of public housing only.

Priorities for the current round of funding include addressing health and safety issues, major systems repair or replacement that conserves energy or water resources, and maximization of federal or local resources. POHP represents an important tool for public housing authorities that have limited access to traditional financing but have pressing capital needs in their public housing portfolios.

The funding level for POHP has varied dramatically over the years because it is subject to legislative approval and is therefore sensitive to changes in priorities and the state's economic outlook.

Current tenant income limit: public housing income limits as established by the US Department of Housing and Urban Development (HUD).

Maximum loan amount: none beyond funding availability

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing financed:

- 7 loans for 316 units (unadjusted count)
- $10,252,331 total loan amount
- $32,444 average POHP assistance per unit
- median household income of tenants was $11,172 or 15.3 percent of statewide median
- 41.1 percent were households of color

Proposal for 2013
Based on the previous funding round, it is reasonable to expect that the Agency should see approximately 20 eligible applications in 2013. Minnesota Housing expects to fund an estimated 1,367 units under POHP.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	$67,979
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	$5,500,000
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$5,567,979
2012 Total	**$0**

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

Rental Rehabilitation Deferred Loan (RRDL) Pilot Program

Minnesota Housing launched the Rental Rehabilitation Deferred Loan (RRDL) Pilot Program in October of 2011. This pilot program offers streamlined, moderate rehabilitation deferred loans to preserve existing affordable rental housing throughout Greater Minnesota. The program is intended to serve owners of smaller properties not applying through the competitive Request for Proposals process. RRDL gives preference to projects and programs serving areas that are not HOME entitlement areas. Loans are accessible through a local administrative network.

Eligible property owners may receive a deferred loan at no interest.

2012 tenant income limit: 80 percent of statewide or area median income (not adjusted for family size)

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

Program Performance and Trends
The 2012 funding incorporated a combination of Housing Affordability Funds with the carry forward of state appropriations for a total of $10,108,585. In 2012, Minnesota Housing committed $8.5 million to local administrators that are in the process of committing funds to an estimated 560 rental units.

Proposal for 2013
Based on resources available for new activity, Minnesota Housing expects to finance ann estimated 95 additional units in 2013 under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	$597,585
Carry Forward of Unobligated Balances from Previous Plans	$922,591
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$1,520,176
2012 Total	**$10,108,585**

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

Rental Rehabilitation Loan Program

The Rental Rehabilitation Loan (RRL) Program provides property improvement amortizing loans to residential rental property owners through local participating lenders. Loans are interest bearing and fully amortizing for 1-15 year terms. Financing is available statewide.

Current tenant income limit: 80 percent of statewide median income

Maximum loan amount: $25,000 for 1-2 units; or $10,000 per unit up to $100,000

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing financed:

- 7 loans for the rehabilitation of 55 units of rental housing
- $5,845 per unit average
- median household income of tenants was $27,600 or 37.9 percent of statewide median
- 88.6 percent were households of color

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to finance an estimated 63 units under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$500,000
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$500,000
2012 Total	**$1,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 14

Section 8 – Performance Based Contract Administration (PBCA)

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

Effective August 1, 2000 the Agency entered into an agreement with the U.S. Department of Housing and Urban Development (HUD) to administer existing Section 8 contracts for affordable rental units that are not part of the Agency's first mortgage portfolio. The Agency's primary responsibilities are performing management and occupancy reviews, processing contract renewals and annual rent adjustments, processing monthly payment vouchers, responding to tenant concerns, and following up on Real Estate Assessment Center physical inspections. These activities assist the Agency in identifying and planning for the preservation needs of developments with Section 8 assistance.

The contract with HUD to administer these Section 8 contracts was rebid in 2011 and Minnesota Housing was awarded the new contract, which extends from October 1, 2011 through September 30, 2013. Minnesota Housing currently administers 359 PBCA contracts for Section 8 units. PBCA revenue earned pays 100 percent of the cost of administering the program.

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011 Minnesota reported:

- 18,177 household assisted
- $107,061,831 Housing Assistance Payments (HAP) amount
- $5,890 average annual assistance per household
- median household income of tenants was $10,534 or 14.4 percent of statewide median
- 36.8 percent were households of color

Geographic distribution of developments is important in understanding differences in assistance (and tenants assisted) between Performance Based Contract Administration (PBCA) and Traditional Contract Administration (TCA - Minnesota Housing-financed Section 8). Nearly one-third of PBCA units are located in the cities of Minneapolis and Saint Paul; an estimated 16 percent of TCA units are located in the center cities.

Proposal for 2013
Funding levels may change due to Section 8 contracts transitioning from the Traditional Contract Administration (TCA) portfolio to PBCA, per HUD's instruction. As PBCA HAP funds outlays are based in part on the number of assisted units in the portfolio, HAP paid would increase as the portfolio increases.

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

Minnesota Housing expects to assist an estimated 17,850 units in 2013 under PBCA.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$107,100,000
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$107,100,000
2012 Total	**$105,000,000**

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

Section 8 – Traditional Contract Administration (TCA)

The Housing and Community Development Act of 1974 created the project-based Section 8 Housing Assistance Payments Program. Under the program, the U. S. Department of Housing & Urban Development (HUD) entered into contracts with property owners to provide rental assistance for a fixed period of time for families with incomes no greater than 80 percent of the area median income. No new development has been funded under this program since the mid-1980s; however, under existing contracts tenants pay no more than 30 percent of adjusted household income for rent. HUD pays the difference between tenant rent payments and the actual fair market rent of assisted units. Minnesota Housing provided permanent mortgage financing for Section 8 Traditional Contract Administration (TCA) developments from 1975 to the mid-1980s.

Minnesota Housing currently administers 196 contracts for Section 8 units in Agency-financed rental developments. The Agency's primary responsibilities are performing management and occupancy reviews, processing contract renewals and annual rent adjustments, processing monthly payment vouchers, responding to tenant concerns, and following up on Real Estate Assessment Center physical inspections. These activities assist the Agency in identifying and planning for the preservation needs of developments with Section 8 assistance.

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011 Minnesota reported:

- 11,713 household assisted
- $70,879,335 Housing Assistance Payments (HAP) amount
- $6,051 average annual assistance per household
- median household income of tenants was $11,752 or 16.1 percent of statewide median
- 23.8 percent were households of color

Geographic distribution of developments is important in understanding differences in assistance (and tenants assisted) between Traditional Contract Administration (TCA - Minnesota Housing-financed Section 8) and Performance Based Contract Administration (PBCA – other Section 8). An estimated 33 percent of PBCA units are located in the cities of Minneapolis and Saint Paul; an estimated 16 percent of TCA units are located in the center cities.

Proposal for 2013
Funding levels may change due to Section 8 contracts transitioning from the Traditional Contract Administration (TCA) portfolio to PBCA, per HUD's instruction. As PBCA HAP funds outlays are based in part on the number of assisted units in the portfolio, HAP paid would increase as the portfolio increases. As these funds are based on owner billings for subsidy for specific tenants, and are not discretionary or competitively awarded, HUD will pay and PBCA will pass the funds through to these owners, as HUD provides funding.

Minnesota Housing expects to assist an estimated 11,853 units in 2013 under TCA.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$71,115,000
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$71,115,000
2012 Total	**$75,000,000**

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

Section 236 Program

The Section 236 program, which was used to fund low-income rental housing in the late 1960s and early 1970s, is an interest rate reduction program. The U.S. Department of Housing & Urban Development (HUD) subsidizes the interest rate on mortgages to a rate of one percent in order to reduce rents and keep the housing more affordable. The Section 236 program was a predecessor to the Section 8 program.

Program Performance and Trends
Under the Section 236 program, Minnesota Housing currently makes interest rate reduction payments to eight developments (more than 500 units of affordable housing). In 2011, the Agency disbursed $1,626,612 in interest reduction payments. Residents have household incomes at or below 80 percent of median income adjusted for family size.

Proposal for 2013
The program is long standing and well established and no changes are proposed or anticipated. The amount of funds in this program will continue to trend downward as the original mortgages mature.

Minnesota Housing expects to assist an estimated 524 units in 2013 under Section 236.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$1,625,000
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$1,625,000
2012 Total	**$1,625,000**

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

Housing Trust Fund (HTF Non - Capital)

Historically, funding for the HTF has come from state appropriations and been used to fund capital, rental assistance and operating subsidy expenses. For the past two years, HTF resources have been used to sustain the Agency's rental assistance commitments. The Agency commitment to rental assistance will continue for the 2013 AHP using all state appropriated HTF allocations and a portion of the ELHIF resources to sustain the current level of rental assistance.

HTF rental assistance funds serve low-income families and individuals who are near-homeless, homeless, and/or long-term homeless.

2012 tenant income limit: 60 percent of Minneapolis/Saint Paul Metropolitan Statistical Area median income (AMI) with priority for proposals at 30 percent of AMI and proposals to serve the long-term homeless.

Maximum loan amount: none beyond funding availability

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing funded (including operating subsidies awarded under a previous AHP):

HTF Rental Assistance

- 1,993 households assisted
- $10,772,986 HTF assistance amount
- $568 average HTF per household per month assistance ($6,813 annually)
- median household income of tenants was $7,680 or 10.5 percent of statewide median
- 64.3 percent were households of color

HTF Operating Subsidy

- 9 loans for developments with 377 units (unadjusted count)
- $1,056,338 HTF loan amount
- $2,802 average HTF assistance per unit

Proposal for 2013
It is expected that HTF funds in the 2013 AHP will be used to primarily to renew funding for existing rental assistance grants and also to provide operating subsidies.

Based on resources available for new activity in 2013, Minnesota Housing expects to fund an estimated 1,756 households or units under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	$9,555,000
Carry Forward of Unobligated Balances from Previous Plans	-$1,031,031
Repayments	$1,064,250
Contributions from Other Organizations	$1,000,000
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$10,588,219
2012 Total	**$10,071,991**

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

Ending Long-Term Homelessness Initiative Fund (ELHIF)

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

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

2012 tenant income limit: 60 percent of Minneapolis/Saint Paul Metropolitan Statistical Area median income (AMI) with priority for proposals at 30 percent of AMI.

Maximum loan amount: none beyond funding availability

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing funded:

ELHIF Capital Funding

- 5 loans for developments with 417 units assisted (unadjusted count)
- $4,492,407 total assistance amount
- $10,773 average ELHIF per unit
- median household income of tenants was $8,328 or 11.4 percent of statewide median
- 63.2 percent were households of color

ELHIF Operating Subsidy

- 2 loans for developments with 82 units (unadjusted count)
- $426,000 total loan amount
- $5,195 average ELHIF assistance per unit

The primary strategy to achieve the goal of ending long term homelessness in Minnesota is to fund 4,000 housing opportunities for persons experiencing long-term homelessness by the end of 2015. As of March 30, 2012, the Plan had funded 3,695 new opportunities with a variety of resources, including ELHIF.

As resources have become more scarce, Minnesota Housing has prioritized the use of ELHIF funds to sustain the ongoing commitment of rental assistance and operating subsidy activities.

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to assist approximately 631 households or units under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$3,364,781
Revolving	
2013 Total	$3,364,781
2012 Total	**$1,598,600**

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

Bridges

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

2012 tenant income limit: 50 percent of area median income

Maximum assistance amount: none beyond funding availability

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing funded:

- 558 households
- $2,131,899 assistance amount
- $433 per household per month average Bridges assistance amount ($5,214 annually)
- median household income of tenants was $9,234 or 12.7 percent of statewide median
- 28.5 percent were households of color

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to assist an estimated 631 households under this program.

New in the 2013 AHP is the Bridges Regional Treatment Center (RTC) pilot program. Funded entirely through the Minnesota Department of Human Services, Minnesota Housing will act as fiscal agent. A $1,020,000 appropriation is expected to serve 56 households in the metro area starting in May 2012 and $276,000 is expected to serve approximately 25 households in Greater Minnesota starting in September 2012.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	$2,638,000
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	$600,000
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$3,238,000
2012 Total	**$2,706,396**

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

Family Homeless Prevention and Assistance Program (FHPAP)

The Family Homeless Prevention and Assistance Program (FHPAP) assists families with children, unaccompanied youth, and single adults who are homeless or are at imminent risk of homelessness. Funds are used for a broad range of purposes aimed at preventing homelessness, shortening the length of stay in emergency shelters or length of homelessness, and assisting individuals and families experiencing homelessness to secure transitional or permanent affordable housing. FHPAP grants encourage and support innovations at the county, region, or local level in establishing a comprehensive homelessness response system or in redesigning an existing one.

Grant funds are awarded through a competitive application process. In the Minneapolis/Saint Paul seven-county area, only counties are eligible to apply for funding. In Greater Minnesota, eligible applicants include 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. All grantees are required to use Minnesota's Homeless Management Information System (HMIS) to collect household data and complete progress reports to be submitted to Minnesota Housing.

2012 household income limit: lacking sufficient resources to maintain or obtain housing; eligibility criteria set locally

Maximum assistance amount: none beyond funding availability

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing funded:

- 9,299 households
- $7,174,349 funding amount
- $772 per household average assistance amount
- median household income was $9,360 or 12.8 percent of statewide median
- 51.9 percent were households of color

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 2011, 43 percent of funds allocated to providers were used for direct cash assistance including rent and mortgage assistance, security deposits, and transportation and utility assistance; 49 percent of funds were used for support services; and 8 percent of funds were used for program administration.

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 less than three months). Data collected through the Homeless Management Information System (HMIS) indicate that less than five percent of assisted household returned to shelter within six months of exiting this program.

Proposal for 2013
Based on resources available for new activity in 2013, previous levels of activity, and an increase in maximum assistance available per household, this program is expected to assist an estimated 8,294 households during the year.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	$7,465,000
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$7,465,000
2012 Total	**$7,488,496**

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

Housing Opportunities for Persons with AIDS (HOPWA)

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

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

Program Performance and Trends
For the Program Assessment period of October 1, 2010 – September 30, 2011, Minnesota Housing assisted:

- 160 households
- $123,912 assistance amount
- median household income was $15,807 or 21.7 percent of statewide median
- $774 average HOPWA assistance per household
- 49 percent were households of color

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to assist an estimated 166 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$142,672
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$142,672
2012 Total	**$139,821**

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

Asset Management

The Asset Management account is used to make interest and non-interest bearing amortizing and deferred loans as well as rent subsidy grants. Developments may be eligible for funding from this account if reserves are inadequate to fund capital improvements. Loans provide funding necessary for repairs and maintenance to protect the Agency's assets and ensure that developments are decent, safe and sanitary.

Minnesota Housing also may use these funds to pay for costs incurred when a property goes into default and eventually becomes Real Estate Owned (REO) by the Agency. Holding costs such as 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 also are 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.

Owners receiving assistance with these funds must agree to extend/renew the Section 8 Housing Assistance Payment Contract or accept similar project-based replacement benefits for a minimum of ten years beyond the current commitment to the program.

Program Performance and Trends
For the period of October 1, 2010 – September 30, 2011, the Agency did not make any Asset Management loans. In the previous year, the Agency provided four loans to developments with 125 units in the amount of $2,794,456. Loans averaged $698,614 or $22,356 per unit.

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to fund 159 units.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$4,100,000
Revolving	
2013 Total	$4,100,000
2012 Total	**$3,500,000**

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

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

Financing Adjustment Factor (FAF) and Financing Adjustment (FA) financing comes to the Agency as a result of an agreement between the U.S. Department of Housing and Urban Development and Minnesota Housing to share in the savings resulting from refunding high interest rate bonds originally issued in 1980 through 1983 to finance Section 8 developments. These funds are used to pay for deferred maintenance and operating subsidies of eligible properties. Minnesota Housing makes these funds available in interest-and non-interest-bearing amortizing loans, deferred loans or grants, as well as rent subsidy grants. . Owners receiving assistance with these funds must agree to extend/renew the Section 8 Housing Assistance Payment Contract (HAP) or accept similar project-based replacement benefits for a minimum of ten years beyond the current commitment to the program.

Program Performance and Trends
From October 1, 2010 – September 30, 2011, Minnesota Housing closed two FAF/FA loans in the amount of $3,371,784 to assist 72 rental units with an average investment of $46,830 per unit.

Proposal for 2013
Based on resources available for new activity in 2013, Minnesota Housing expects to finance an estimated 15 units under this program.

Only a relatively small amount of funds remain to be obligated and expended from the original amount available under this program. Staff anticipates remaining funds to be fully expended in this AHP period.

Program Funding by Source

Source	Amount
Federal Funds	$268,737
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$268,737
2012 Total	**$875,015**

Legal Authority: Minn. Stat. §462A.05, Subd. 11

Economic Development and Housing/Challenge Program (EDHC)

The Economic Development and Housing/Challenge Program (EDHC) provides grants or loans for the purposes 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 renter and owner-occupied housing. These deferred loans are typically provided at no or low interest; Minnesota Housing requires that most affordability gap financing awards be provided in the form of loans repayable to the Agency.

The program is designed to provide housing affordable to the local workforce based upon the wages of the jobs being created or retained in the area, fastest growing jobs in the local area, and jobs with the most openings in the local area, or wages of the workforce employed by organizations making contributions under the program.

EDHC loans may be made to cities, private developers, tribal and urban Indian housing authorities, nonprofit organizations or owners of housing, including individuals, for both multifamily (minimum of four units) and single family projects. EDHC requires that 50 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.

2012 income limit: 115 percent of the greater of area or state median income for owner-occupied housing and 80 percent of the greater of area or state median income for rental housing

Maximum loan amount: None beyond funding availability

Program Performance and Trends

Traditionally, EDHC funds have been awarded through the Request for Proposals (RFP) process. RFP funding for single family housing is available under Community Revitalization (CRV), which is the umbrella program for EDHC and two interim construction financing programs for homeownership activities. For the Program Assessment period of October 1, 2010 – September 30, 2011, under the RFP funding for EDHC, Minnesota Housing funded:

<u>Multifamily EDHC</u>

- loans to 8 developments with 1,528 units (unadjusted count)
- $10,363,029 total loan amount
- $6,782 average assistance per unit
- median household income of tenants was $20,293 or 27.8 percent of statewide median
- 59.7 percent were households of color

<u>Single Family EDHC (CRV)</u>

- 242 CRV loans
- $5,663,289 total loan amount
- $23,402 average loan
- median household income of borrowers was $35,220 or 48.3 percent of statewide median
- 39.7 percent were households of color

Proposal for 2013

More than $57 million will be made available for activities under EDHC in 2013, including:

- $7.9 million in state appropriations to EDHC RFP
- $20 million for the Twin Cities Community Land Bank/Family Housing Fund – revolving loan fund

- $2 million for Community Owned Manufactured Home Parks
- $1.2 million in state appropriations set aside for Indian housing
- $4 million for possible contract-for-deed financing in Greater Minnesota
- up to $18 million in state appropriations via Housing Infrastructure Bond proceeds. Housing Infrastructure Bond proceeds under EDHC will be used to preserve existing federally subsidized rental housing, and to stabilize communities impacted by the foreclosure crisis by creating new affordable housing opportunities through rental units and community land trusts. Of the $30,000,000 in bond proceeds anticipated, approximately $18,000,000 is anticipated to be used for preservation of rental housing and foreclosure recovery under EDHC, and approximately $12,000,000 for supportive housing proposals under the Housing Trust Fund.

Final allocation of uses of the housing infrastructure bonds will be determined as part of the 2012 consolidated RFP selection process

Based on resources available for new activity in 2013, Minnesota Housing expects to fund an estimated 1,734 units under EDHC.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	$6,955,000
Carry Forward of Unobligated Balances from Previous Plans	$4,456,346
Repayments	$250,000
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	$18,000,000
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$26,000,000
Housing Affordability Fund (Pool 3)	
Regular	$1,827,881
Revolving	
2013 Total	$57,489,227
2012 Total	**$27,832,494**

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

Technical Assistance and Operating Support

The Agency Technical Assistance and Operating Support Fund provides organizational support funding to entities providing affordable housing and housing-related services. The Agency contracts with intermediary organizations to deliver a large portion of the program funds to eligible organizational recipients. It also provides grants for projects 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.

Program Performance and Trends
Examples of expenditures include contributions to the statewide counseling network through the Home Ownership Center, 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 evaluation of updated national Green Communities criteria, and assistance with the refinement and implementation of new initiatives.

Proposal for 2013
Under the 2013 Plan, funds will be made available for a variety of operating support and technical assistance needs including continued support for the Minnesota Home Ownership Center, HMIS, the Regional Housing Advisory Groups, Continuum of Care regions, and HousingLink. Twin Cities LISC, Duluth LISC and the Minnesota Housing Partnership will provide operating support to other housing providers. In addition, this Affordable Housing Plan includes CHDO Operating Support Program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	$125,000
Carry Forward of Unobligated Balances from Previous Plans	$72,471
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$2,318,000
Revolving	
2013 Total	$2,515,471
2012 Total	**$3,306,044**

Legal Authority: Minn. Stat. §462A.07, Subd. 6; Minn. Stat. §462A.21, Subd. 3b; Minn. Rules, Parts 4900.1931-1937; 42 U.S.C. §12701 et seq.; 24 C.F.R. Part 92;

Non-Profit Capacity Building Loan Program

The Nonprofit Capacity Building 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 pre-development 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. The program is a revolving loan fund 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.

Individual loans are selected and underwritten by the administrators with results reported to Minnesota Housing on a quarterly basis.

Current tenant income limit: 80 percent of statewide median income. Maximum loan amount: varies by administrator.

Program Performance and Trends
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.

The program supports the Agency's interest in the development or expansion of the capacity of nonprofit housing providers. Per the loan agreements in place, all interest earnings from the funds that have been allocated to the administrators are used for new loan production.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	$1,000,000
2013 Total	$1,000,000
2012 Total	**$5,300,000**

Legal Authority: Minn. Stat. §462A.21, Subd. 3a; Minn. Rules, Parts 4900.1925-1930

Strategic Priority Contingency Fund

This is a new line item in the AHP. During the year, Minnesota Housing anticipates that some programs are likely to need additional resources. To be nimble and responsive, the Agency has set aside $2 million of contingency funds to meet those needs.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$2,000,000
Revolving	
2013 Total	$2,000,000
2012 Total	**$0**

Administrative Expenses (HOME)

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 reimbursed administrative costs cannot exceed 10 percent of the Federal appropriation. Agency administrative expenses are limited to Agency overhead and administrative fees paid to local administrators.

Program Performance and Trends
The Agency allocated six percent ($1,138,277) of its HOME allocation in Federal Fiscal Year 2012 to overhead. The Agency's allocation of HOME funds to additional activities in recent years, e.g., monitoring of HOME rental developments brought in-house, have contributed to increased administrative costs.

Proposal for 2013
New allocations of HOME funds will not occur until the annual appropriations are decided which will most likely be in the spring of 2013. This Affordable Housing Plan assumes that the amount of new appropriations is the same as the 2012 appropriation of $18 million; this is subject to change pending receipt of the actual funds.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$615,415
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$615,415
2012 Total	**$1,447,240**

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

Manufactured Home Relocation Trust Fund

The Manufactured Home Relocation Trust Fund requires owners of manufactured home parks to pay $12 per licensed lot into the Trust Fund each year. The owner of the manufactured housing park is authorized to recoup the $12 from the manufactured homeowner either monthly or in a lump sum. The Trust Fund is available to manufactured home owners who have to relocate because the park they are living in is being closed. The statute sets out the process for determining how much money a homeowner is eligible for and maximum amounts. Only those home owners who paid into the Trust Fund are eligible to receive payment. Funds are paid to Minnesota Management and Budget for deposit in the Trust Fund held by Minnesota Housing. Minnesota Housing's role is to make payments as directed by a neutral third party for the costs of relocation. Minnesota Housing is not responsible for paying claims if there are insufficient funds in the Trust Fund.

Program Performance and Trends

The fund balance is nearly $1.3 million as of June 30, 2012. State law was amended in 2011 to suspend collection of the fee if the balance in the account is equal to or exceeds $1 million. Consequently, no receipts are anticipated for 2013.

Proposal for 2013

It is difficult to predict the level of demand for these funds given the limited experience to date. One park closing is anticipated in 2013 with an undetermined number of eligible claims to be made.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	$1,279,536
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$1,279,536
2012 Total	**$1,238,761**

Legal Authority: Minn. Stat. §327C.095

Flood Economic Development and Housing/Challenge Program

Minnesota Housing implemented the original Flood Economic Development and Housing/Challenge Program to address flood damage in southeastern Minnesota that occurred in August of 2007. Subsequent Minnesota Legislature appropriations have been $2.7 million to address the 2009 Red River Valley flood and $4 million for the 2010 southern Minnesota flood.

The goal of this program is to provide funding for repair/replacement of real property damaged by federally declared disasters in Minnesota. These legislative appropriations are administered through the Quick Start Disaster Recovery Program.

Since 2007, Minnesota has experienced a natural disaster approximately every 15 to 18 months.

Program Performance and Trends
For the program assessment period October 1, 2010 – September 30, 2011, the Agency provided funding for:

- 6 townhouse units
- $260,000 total loan amount
- $43,333 average per unit

Proposal for 2013
Total resources for new activity are not known until the event of a federally declared disaster.

The agency is requesting that uncommitted funds appropriated for recovery from previous disasters be transferred to the Disaster Relief Contingency Fund to be made available for the recovery efforts related to the June 2012 flooding in Northeastern Minnesota.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	$588,017
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$588,017
2012 Total	**$292,821**

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

Disaster Relief Contingency Fund

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

Program Performance and Trends
In 2011, the fund provided $1 million through the Quick Start Disaster Recovery Program to aid victims of the North Minneapolis tornado with home repair.

Proposal for 2013
New program terms will determine the number of households to be assisted with contingency fund resources. Funds in the account will be made available to assist with recovery efforts from the June 2012 flooding in Northeastern Minnesota.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	$840,586
Repayments	
Contributions from Other Organizations	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Revolving	
2013 Total	$840,586
2012 Total	**$122,875**

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

Minnesota Housing Finance Agency

AGENDA ITEM: 9.C.1.
MINNESOTA HOUSING BOARD MEETING
August 30, 2012

ITEM: Approval, Substantial Amendment, Neighborhood Stabilization Plan 3 (NSP3)

CONTACT: Ruth Simmons, 651-297-5146
ruth.simmons@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other:

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

SUMMARY REQUEST:
Staff hereby requests Board approval of Minnesota Housing's Neighborhood Stabilization Program (NSP3) Action Plan Substantial Amendment and corresponding reallocation of funds and target area expansions. Changes are described herein.

FISCAL IMPACT:
None.

MEETING AGENCY PRIORITIES:

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

☐ Address specific and critical needs in rental housing markets

☐ Prevent and end homelessness ☑ Prevent foreclosures and support community recovery

ATTACHMENT(S):
- Background
- Reallocation Recommendation and Target Area Expansions
- Target Area Maps (City of Minneapolis, Hennepin County, City of St. Paul)

Board Agenda Item: 9.C.1.
Attachment: Background

BACKGROUND:

The U.S. Department of Housing and Urban Development's (HUD) Neighborhood Stabilization Program 3 (NSP3) is authorized under the Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act of 2010), Notice 75 FR 64322 of October 19,2010. Minnesota Housing was named grantee of $5 million under this authority. The program provides targeted emergency assistance to local governments to acquire, redevelop or demolish and resell foreclosed properties, benefiting households with incomes of 120% AMI or below.

Assignment recommendations were approved by the Board at its February 2011 meeting. The following cities and counties were approved: City of Minneapolis, City of St. Paul, Hennepin County, Ramsey County, Dakota County, and the City of Big Lake.

Goals under the Program

1. Maximize the revitalization and stabilization impact on neighborhoods;
2. Preserve affordable housing opportunities in the targeted neighborhoods; and
3. Complement and coordinate with other federal, state and local investment in the targeted neighborhoods

Substantial Amendment Filings

In March of 2012, the City of Big Lake relinquished the balance of their funds. Therefore, a reallocation of $500,000 was recommended and approved from these funds for Hennepin County. The use was to support the preservation of the Shingle Creek Apartments in the Brooklyn Center neighborhood. A balance of $266,114.67 is remaining for reallocation.

Public Comment Period for this Substantial Amendment

The NSP3 Action Plan Substantial Amendment public comments due by August 16 will be part of this recommendation.

HUD Approval

Upon Board approval, staff is required to submit the NSP3 Action Plan Substantial Amendment to the HUD Minneapolis field office for their approval. HUD's approval is anticipated within two weeks of submission.

MINNEAPOLIS REALLOCATION AND TARGET AREA EXPANSION RECOMMENDATION:
Staff recommends that the City of Minneapolis receive the balance remaining from Big Lake's NSP3 grant in the amount of $266,114.47. The City of Minneapolis was selected because its current level of obligations are at 100%, and they have the capacity to receive and expend these funds with only seven months left to meet the NSP3 50% expenditure deadline. Weighing heavily on this recommendation was the current level of need under each NSP3 target area and subrecipient's readiness to commit and expend 50% of these additional funds prior to the March 2013 deadline.

The reallocation will be used to assist in the rehabilitation of four properties: two as regular rehabilitation projects and two as new construction projects. Additional administrative funds are recommended from the state's NSP3 administrative budget to maintain the 6% ratio originally assigned to their grant. Included in this recommendation is the expansion of their target area which improved their selection options. The target area, known as the Hawthorne neighborhood, one of the hardest foreclosure-impacted areas, is characterized as a dense metro area with high concentration of foreclosures and multiple demolitions. This reallocation increases the city's NSP3 unit count from 12 to 16 (four rentals and 12 homeownership units), which will continue the stabilization work already in progress in this neighborhood. The estimated number of properties needed to make an impact is 23, and has already been met with layered investments from NSP1, NSP2, CDBG, HOME, Metropolitan Council and other local sources. The City will contract these funds through the developer Project for Pride in Living (PPL). It is anticipated that at least two of the homes will be completed prior to the March 2013 expenditure deadline. With the additional administrative dollars the city has committed to expend 70% of their funds by January of 2013. With this recommendation, their total NSP3 grant increases from $766,804 to $1,046,918.47 and their total administrative budget increases from $45,804 to $63,149.

TARGET AREA EXPANSION RECOMMENDATIONS:
In the review of Minnesota Housing's NSP3 expenditure progress, staff makes the following recommendations to improve its grant obligations and expenditures, most specifically from Hennepin County and the City of St. Paul.

Hennepin County
Background:
Hennepin County has faced significant challenges in their NSP3 Brooklyn Park target area, only obligating two projects to date. Their small target area has caused difficulty in the location and selection process of foreclosed and or abandoned/vacant projects. It has also been limited in the number of residential units available, putting at risk its ability to reach the required expenditure levels.

Recommendation:
Staff recommends the expansion of Hennepin County's Brooklyn Park target area to allow expanded selection of foreclosed homes. The expansion will enhance the stabilization work already underway. Hennepin County's stabilization plan has been focused south of 85th Avenue North. The expanded area increases the block groups from two to 32 and extends approximately 3 ½ miles east and south of their current target area providing a high concentration of residential properties. The impact score for the revised target area is 132. Although HUD's impact score increases to 132, the number of foreclosed units assisted in this area is already exceeded at 166. The layered assistance comes from the City's EDA program, their NSP1, NSP2, NSP3, CDBG and other Minnesota Housing funds. Hennepin County's NSP3 investment of 11 units will continue to provide stabilization to the area given the vacancy rate of 3%-4% and their current rate of loans 90 days delinquent.

Board Agenda Item: 9.C.1.
Attachment: Reallocation Recommendation and Target Area Expansions

City of St. Paul
Background:
As of early June, 15 months since contract execution, St. Paul's NSP3 plan showed no progress. The issues were primarily identified as a target area issue, not large enough to generate the proper level of foreclosed or abandoned/vacant opportunities for redevelopment. St. Paul further confirmed that the department underwent a substantial restructuring, with new staff assigned to their NSP1 and NSP3 grants. These issues resulted in Agency staff re-examining St. Paul's feasibility in continuing their NSP3 program. After much review and discussion with St. Paul staff, their new strategy together with an expansion of their current target was determined to create the needed opportunities.

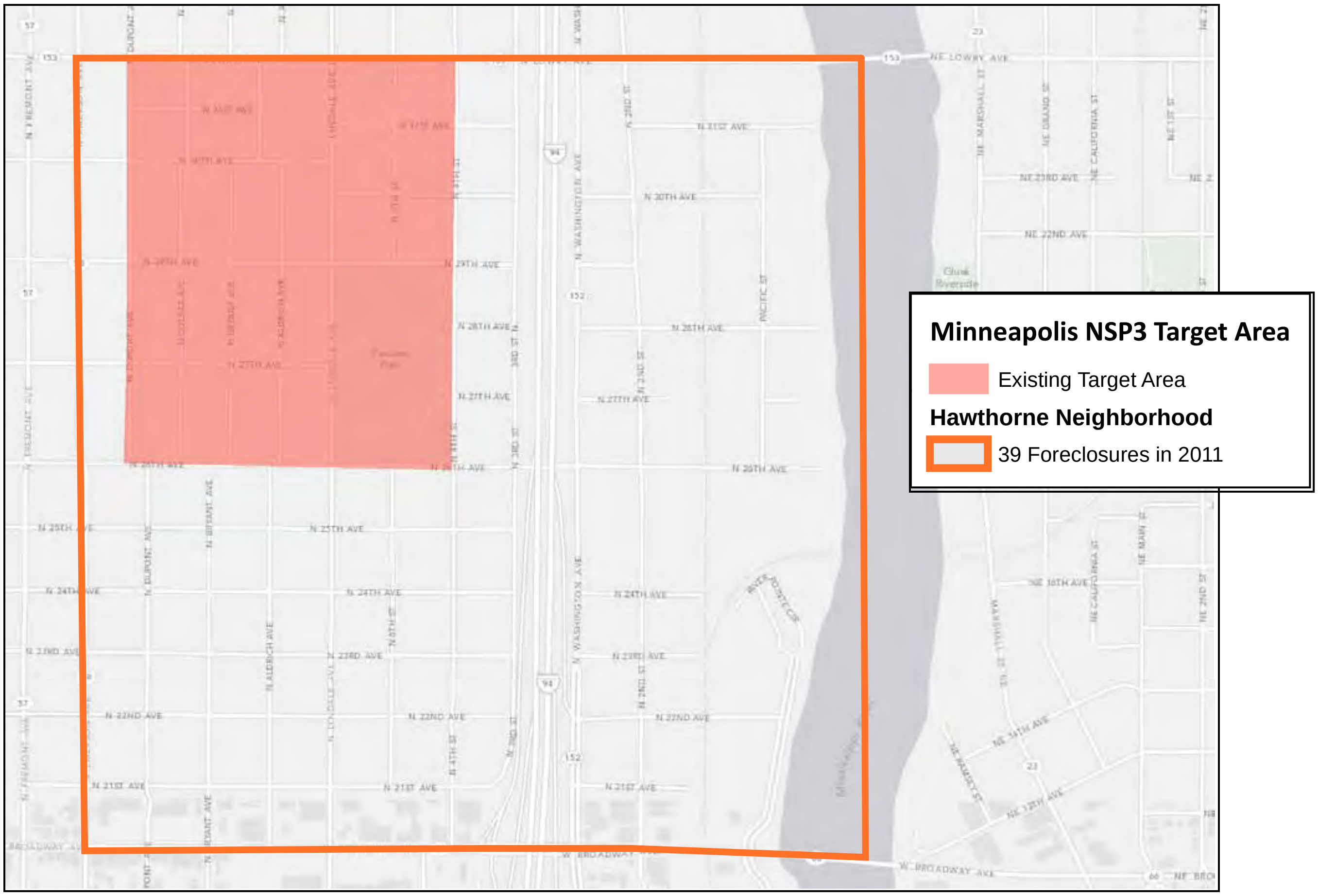
Recommendation:
Staff recommends the expansion of St. Paul's current target area. The purpose of this expansion is to increase St. Paul's pool of foreclosed homes. This proposal includes a change in strategy geared to jumpstart their NSP3 program. The slightly larger target area with a high need score of 20 overlaps their current area for NSP HUD direct funds. By overlapping target areas, it increases the number of foreclosed/vacant properties, making it feasible for St. Paul to meet their contractual obligations under NSP3, including their 50% expenditure requirement by March of 2013. The expansion provides the city a distinct advantage by making available NSP3 projects already under HRA ownership, making it possible to layer Minnesota Housing's NSP3 grant for rehabilitation contracts. Therefore, it will secure the obligations and expenditures required to be successful within the upcoming deadlines. Under the new plan, St. Paul's unit count increased from nine to 13. It also decreases the city's low income concentration from 42% to 34%, but is still within parameters required. The target area expands by several blocks to the north and east. The impact score increases from 13 to 16. Current layered investments have already met this score. These include local, State and Federal funding sources (NSP1, 2, 3, ISP and CDBG).

NSP3 ACTION PLAN OVERVIEW:
The recommendations above represent the following changes. (See attached NSP Action Plan Substantial Amendment and maps.)

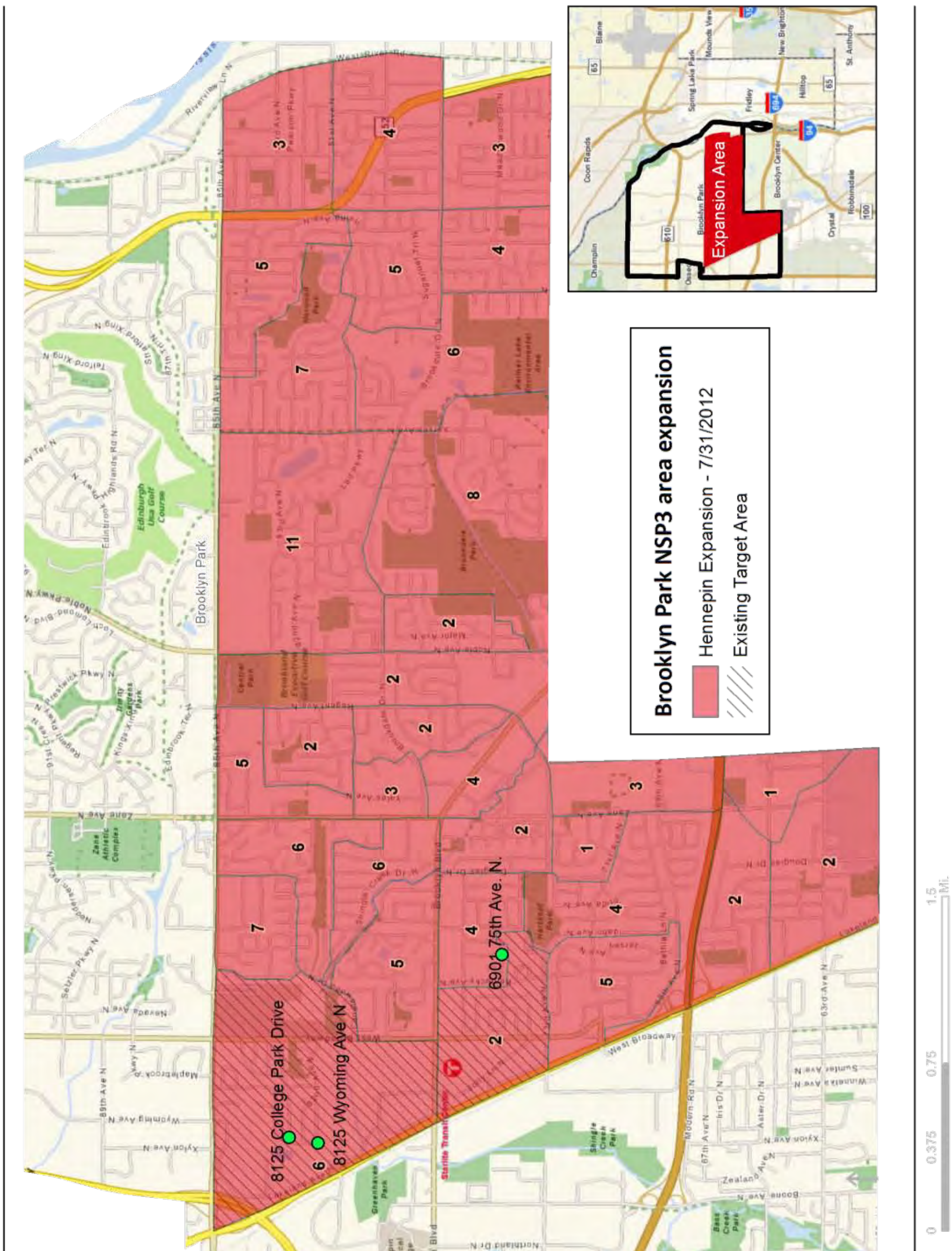
NSP3 Awardees

Awardee	Geographic Area	Activity	Total Funds, plus admin	Unit Count
Big Lake	Greater Minnesota	Acq/rehab, demolition, redevelopment	$ ~~322,000~~ $55,885.53	1
St. Paul	Metro	Acq/rehab	$ 744,640	~~9~~ 13
Minneapolis	Metro	Redevelopment	$ ~~765,804~~ $1,046,918.47	~~12~~ 16
Ramsey	Suburban Metro	Acq/rehab	$ 609,372	12
Dakota	Suburban Metro	Acq/rehab, financing mechanism	$ 638,242	4
Hennepin	Suburban Metro	Redevelopment	$1,669,942	53
		Grand Total Funds	$~~4,750,000~~ $4,765.000	~~91~~ 99

City of Minneapolis – NSP3 Expanded Target Area



Board Agenda Item: 9.C.1.
Attachment: Target Area Maps



Board Agenda Item: 9.C.1.
Attachment: Target Area Maps

Saint Paul NSP3 Target Area Expansion
- Align with Direct NSP3 target -

Target Area (with impact from block grp)

Existing Target Area

Created 07/31/2012 - Source HUD NSP3 Data, City of Saint Paul, Metropolitan Council Basemap

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Minnesota Housing Finance Agency

AGENDA ITEM: 9.C.2.
MINNESOTA HOUSING BOARD MEETING
August 30, 2012

ITEM: Approval, Mortgage Loan "Step Up" Procedural Manual

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

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S): If approval was checked above, select all types that apply

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

☐ Other:

ACTION:

☑ Motion ☐ Resolution ☑ No Action Required

SUMMARY REQUEST:
Staff requests approval of the Procedural Manual for the new secondary market-funded mortgage loan program, Step Up, approved by Board in April 2012.

FISCAL IMPACT:
The Procedural Manual implements requirements for the program, which is budgeted through the Affordable Housing Plan.

MEETING AGENCY PRIORITIES:

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

☐ Address specific and critical needs in rental housing markets

☐ Prevent and end homelessness ☐ Prevent foreclosures and support community recovery

ATTACHMENT(S):
- Background
- Draft Procedural Manual
- Diagram of New Program Structure

Board Agenda Item: 9.C.2
Attachment: Background

BACKGROUND:
Challenges to effectively issuing tax-exempt mortgage revenue bonds (MRBs) persist and alternative means of financing loans provide more possibilities to Agency programs in an uncertain market. At the April 2012 Board meeting, staff brought a recommendation to expand the pool of eligible borrowers by creating a non-first-time homebuyer option for purchase and refinance. Staff anticipates this first mortgage financing option has the capability to generate revenue sufficient to contribute towards funding Agency operations, contribute to Pool 3, and provide a sustainable source of downpayment and closing cost loans.

Just as with Minnesota Housing's first-time homebuyer program, the secondary market-funded programs will serve households at or below MRB income limits and those not adequately served by the private sector. As a result of the distressed housing market, many homeowners experienced losses in equity that make it difficult to meet equity investment requirements to downsize, move closer to their employment or purchase a larger home for an expanding family. The Agency has an opportunity to address local market failure with the implementation of a purchase option for non-first-time homebuyers. The refinance option supports successful homeownership by allowing homeowners, especially those with limited equity, to refinance to a more affordable monthly payment and/or more favorable terms.

The expansion guidelines are consistent with the State statutory requirement for Minnesota Housing to only provide financing not otherwise available from the private sector on equivalent terms and conditions. Step Up borrowers will be able to purchase and refinance with the Fannie Mae HFA Preferred Risk Sharing™ (PRS) product, which is available exclusively through housing finance agencies, and will have access to downpayment and closing cost assistance from the Monthly Payment Loan option. (See attached diagram of new program structure.) Minnesota Housing is a source of scarce downpayment and closing cost assistance loans that qualify as a community second mortgage loans, which can only be made available from non-profit or government source and are treated as such in the underwriting of the first mortgage loan.

The attached manual implements the board-approved program requirements. The manual does not include the MRB requirements since they do not apply to program loans placed into mortgage-backed securities (MBS) that are sold on the secondary market.

Significant program terms include:

- Owner occupancy required
- MRB income limits
- MRB loan and purchase price limits
- Access to the Monthly Payment Loan downpayment and closing cost assistance

Staff anticipates launching the new program options on or about October 1, 2012.

Minnesota Housing Mortgage Loans

Step Up Program Procedural Manual

October 1, 2012

Introduction

Mission Statement

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

Background

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

Minnesota Housing operates its Secondary Market Program, which includes the Step Up Program (Step Up) with a mortgage-backed securities (MBS) delivery model. Under this model the Master Servicer purchases closed loans originated by private lenders under prescribed program requirements.

Minnesota Housing also provides financial assistance to potential Borrowers who need down payment and closing cost loans to make homeownership possible with the Monthly Payment Loan.

Procedural Manual

This Procedural Manual sets forth for lenders the terms and conditions under which the Master Servicer will purchase mortgages under Minnesota Housing's Step Up and Monthly Payment Loan option. The Step Up is not subject to tax-exempt bond regulations and, therefore, is not restricted to first-time homebuyers.

Step Up Program

Step Up offers low-interest home mortgage and refinance loans throughout Minnesota to low and moderate income borrowers through local participating lenders.

Monthly Payment Loan Program

The amortizing Monthly Payment Loan provides loan with an interest rate equal to the first mortgage to assist borrowers with down payment and/or closing costs. See Chapter 5 for Monthly Payment guidelines. Then Monthly Payment Loan is the only Minnesota Housing down payment option available with Step Up.

Chapter 1- Lender Responsibilities and Warranties

1.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, is a supplement to the Participation Agreement for Minnesota Housing Single Family Mortgage Backed Securities Programs, as amended or supplemented (hereinafter referred to as the Participation Agreement) for Minnesota Housing mortgage programs executed between the Lender, the Master Servicer and Minnesota Housing. It is incorporated into such Participation Agreement by reference and is a part thereof as fully as if set forth in such Participation Agreement at length.

Minnesota Housing reserves the right to:

- Change the program interest rate or rates at any time at its sole discretion;
- Change its commitment policy at any time;
- Alter or waive any of the requirements herein;
- Impose other or additional requirements;
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated; and,
- Grant waivers, alterations or make revisions at its sole discretion.

1.02 Evidence of Misconduct Referred to Attorney General

- Minnesota Housing will refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of these programs to the Minnesota Attorney General's office for appropriate legal action.
- If, after a loan is made, a Lender discovers any material misstatements or misuse of the proceeds of the loan by the Borrower or others, the Lender shall promptly report such discovery to Minnesota Housing and the Master Servicer.

Minnesota Housing, or the Master Servicer, or both, may exercise all remedies available to them under the Participation Agreement or otherwise, both legal and equitable, to recover funds from the Lender and/or the Borrower. This includes repayment of loan funds, together with all applicable administrative costs and other fees or commissions received by the Lender in connection with the loan and reimbursement of all attorney fees, legal expenses, court costs or other expenses incurred by Minnesota Housing in connection with the loan or recovery thereof.

1.03 Disclosure and Use of Social Security Number/Minnesota Tax Identification Number

The Minnesota Revenue Recapture Act (Minnesota Statutes, Sections 270A.01 to 270A.12, as amended) allows the disclosure of the Borrower's Social Security Number or Minnesota Tax Identification Number to the Minnesota Department of Revenue. This could result in the application of state tax refunds to the payment of any delinquent indebtedness of the Borrower to Minnesota Housing.

1.04 Unauthorized Compensation

Lender may receive fees approved in this Procedural Manual. However, Lender shall not receive or demand from realtor/builder/property seller/Borrower:

- Kickbacks;
- Commissions; or
- Other compensation.

1.05 Minnesota Housing Due Diligence Audit Guidelines and Requirements

The Lender is required to keep on file a complete copy of documents for each loan originated for purchase by the Master Servicer. A loan file may be requested to be forwarded to Minnesota Housing for review. Loan audits will include, but are not limited to, a minimum of 10% of all loans purchased by the Master Servicer.

Audited loans are reviewed for:

- Minnesota Housing program/policy compliance;
- Fraud or misrepresentation on the part of any party involved in the transaction; and
- Trends and/or other indicators that may have an impact on the success of the Borrower and programs.

1.06 Termination of Lender Participation

Minnesota Housing may terminate the participation of any Lender under the programs at any time and may preclude Lender's future eligibility for reasons including, but not limited to, nonconformance with:

- This Procedural Manual;
- The Participation Agreement;
- The Master Servicer's Lender Guide;
- The Federal Fair Housing Law and/or the Equal Credit Opportunity Act;

- Any federal or state laws or acts that protect the Borrower's rights with regard to obtaining financing for homeownership; and
- Other applicable state and federal laws, rules and regulations.

Upon termination of a Lender's contract the Master Servicer will continue to purchase eligible loans for which a commitment has been issued, until the commitment expiration date.

- Minnesota Housing will not refund participation fees to the Lender.
- Minnesota Housing may, at its option, impose remedies other than termination of the contract for Lender nonperformance.
- Lender may request reinstatement into Minnesota Housing programs. The decision to reinstate a Lender shall be at Minnesota Housing's and/or the Master Servicer's sole discretion.

1.07 Covenants

The Lender agrees to comply with all applicable federal, State, and local laws, ordinances, regulations and orders, including but not limited to the following as then in effect (and any applicable rules, regulations and orders thereunder):

- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- Section 527 of the National Housing Act;
- Equal Credit Opportunity Act;
- Fair Credit Reporting Act;
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62;
- Federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968);
- Minnesota Human Rights Act – Minnesota Statutes Chapter 363A;
- Data Privacy - Minnesota Statutes Chapter 13 and Section 462A.065;
- Minnesota S.A.F.E. Mortgage Licensing Act of 2010 – Minnesota Statutes Chapters 58 and 58A;
- Americans with Disabilities Act;
- Fair and Accurate Credit Transactions Act;
- National Flood Insurance Act;
- Truth In Lending Act;
- Home Mortgage Disclosure Act
- Anti Predatory Lending Act;
- USA Patriot Act
- Bank Secrecy Act;
- Anti-Money Laundering and Office of Foreign Assets Control Policy;
- Internal Revenue Code of 1986, Section 6050H; and

- Real Estate Settlement Procedures Act of 1974.

In addition to the above-listed covenants, the Lender will have examined:

- The person who confirms on the HDS SF Web Application the Lender Representations and Warranties on behalf of the Lender has the authority to legally bind the Lender and is fully conversant with:
  - ◊ The Master Servicer's requirements;
  - ◊ Minnesota Housing program requirements;
  - ◊ The underlying loan product and insurer/guarantor requirements and,
- The lender is in compliance with all terms, conditions and requirements of:
  - ◊ The Participation Agreement;
  - ◊ This Procedural Manual and,
  - ◊ The Master Servicer's Lender Guide unless those terms, conditions and requirements have been specifically waived by Minnesota Housing or the Master Servicer, as applicable, in writing.

1.08 Lender Compensation

Lender is compensated for each loan purchased by the Master Servicer as follows:

- Origination fee collected from the Borrower in accordance with RESPA;
- Service release premium of 1% of the purchase price paid by the Master Servicer.

1.09 Annual Renewal Requirements and Fees

- All Lenders must meet the minimum loan volume requirements as specified by Minnesota Housing or by the Master Servicer, whichever is greater.
- Lenders must be approved by both Minnesota Housing and the Master Servicer to originate Minnesota Housing loans.

Chapter 2 - Borrower Eligibility

2.01 Borrower

One individual or multiple individuals are eligible to be a Borrower(s) only if such individual or individuals meet the requirements of this Procedural Manual.

2.02 Borrower Age

Borrower(s) must be 18 years of age or older or have been declared emancipated by a court having jurisdiction.

2.03 Unauthorized Compensation

Borrower(s) shall not receive kickbacks, rebates, discounts, and/or compensation from any subcontractor, realtor or property seller.

2.04 Principal Residence / Occupancy Requirement

Borrower(s) must intend to occupy the financed dwelling as a Principal Residence.

2.05 Credit Score

A credit score of 640 or higher is required of all Borrowers.

- If the Borrower(s) have a credit score, the credit score the Lender's underwriter uses to underwrite the loan must be at least 640;
- If no Borrower(s) have credit scores, alternative credit suggesting a prudent underwriting risk must be developed; and
- If one Borrower has a credit score of at least 640 but the other Borrower(s) do not have a credit score, the question of whether alternative credit must be developed for the Borrowers(s) without a score is deferred to the underlying loan product guidelines.

2.06 Debt-to-Income (DTI) Ratio

The maximum debt-to-income ratio is 45%.

2.07 Minnesota Housing Program Eligibility Income

The maximum household income may not exceed the income limits posted on Minnesota Housing's website. Household income is qualifying income calculated per product guidelines and is used to determine whether income limits are satisfied.

2.08 Loans to Employees and Affiliated Parties

Lender may make Minnesota Housing loans to their directors, officers, employees and/or their families as well as to builders, realtors and/or their families, and any other principal with whom the Lender does business. Minnesota Housing employees and/or their families are also eligible. The Borrower must meet all eligibility criteria for the program.

Chapter 3 - Property Eligibility

3.01 Eligible Properties

Properties eligible for a loan under Step Up must be located in the State of Minnesota and may include any of the following housing types:

- A single-family detached residence;
- A unit within an eligible Planned Unit Development ("PUD");
- An eligible unit of a condominium; and,
- A duplex.

3.02 Ineligible Properties

Newly constructed properties with private septic systems located within the following counties are not eligible for purchase under Step Up: Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright.

3.03 Loan and Purchase Price Limits

The maximum purchase price for purchase transactions and the maximum loan amount for refinance transactions may not exceed the house price limits posted on Minnesota Housing's website.

3.04 New Construction Requirements

Newly constructed properties must meet the following requirements:

- A property located within Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright counties must be serviced by a regional waste water treatment center or by a treatment system owned and operated by a local unit of government;
- The land must be zoned for residential housing;
- The land must not have been annexed within the previous calendar year;
- A Certificate of Occupancy must be issued for the property prior to loan closing; and,
- The Borrower may not act as the General Contractor.

Chapter 4 – Loan Eligibility

4.01 Eligible Loans

The Master Servicer purchases closed loans from Lenders under contract in Minnesota Housing's Mortgage Loans Program. The Lender must warrant that the following criteria have been met for each loan submitted for purchase.

Eligible loan products include:

- Conventional loan products underwritten to the following:
  - ◊ Fannie Mae HFA Preferred™;
    - o Approve/Eligible with DU®;
    - o Fannie Mae Expanded Approval Level 1/Eligible loans;
  - ◊ Fannie Mae HFA Preferred Risk Sharing™;
    - o May be originated only by participating lenders that have fully executed the HFA Preferred Risk Sharing™ Supplement to the Participation Agreement;
    - o Approve/Eligible with DU®; and
    - o Fannie Mae HFA Preferred Risk Sharing™ loans are not eligible for Expanded Approval.
- FHA 203B
- VA
- Rural Development (RD)

All loans purchased by Minnesota Housing must satisfy the following criteria:

- All local, state and federal laws and regulations including those relating to affirmative action, fair housing, equal opportunity, truth-in-lending and wrongful discrimination in residential housing have been met;
- The loan must be originated and closed in, or assigned to, the name of the Lender that is a party to the Participation Agreement and that has gained an Individual Commitment of funds from Minnesota Housing via the HDS SF Web Application.

4. 02 Ineligible Loans

Ineligible loans include but are not limited to loans originated/underwritten as follows:

- Expanded Approval Levels 2 and 3 under Fannie Mae's Desktop Underwriter for HFA Preferred; and
- Caution A-Minus Eligible Levels 1, 2, 3, 4 and 5 under Freddie Mac's Loan Prospector.
- Expanded Approval Levels 1, 2, and 3 under Fannie Mae's Desktop Under writer for HFA Preferred Risk Sharing

4.03 Interest Rate/Amortization Requirements

Minnesota Housing requires that all loans:

- Have a fixed interest rate;
- Be fully amortizing over the term of the loan and,
- Be payable on the first of each month in level monthly installments that include at least principal and interest.

4.04 Mortgage Term

Loans must have a 15-year or 30-year term.

4.05 Private Mortgage Insurance Coverage Requirements

- All loans requiring private mortgage insurance must have coverage at the levels prescribed by the underlying mortgage product guidelines.
- Loans originated pursuant to the Fannie Mae HFA Preferred Risk Sharing™ program with a loan-to-value ratio in excess of 80% are not required to have private mortgage insurance coverage.

4.06 Private Mortgage Insurance Companies – Minimum Requirements

Minimum requirements for private mortgage insurance companies must meet loan product guidelines.

4.07 Settlement/Closing Costs

Settlement/closing costs, fees or charges the Lender collects from any party in connection with any loan must:

- Comply with Minnesota law;
- Meet all requirements of the insurer/guarantor; and
- Not exceed an amount deemed usual or reasonable for the type of transaction being closed (e.g. FHA, VA, Conventional).

4.08 Gifts

All gifts received by Borrower(s) for a Minnesota Housing loan must satisfy the requirements of the applicable first mortgage loan product and the insurer/guarantor.

4.09 Non-Minnesota Housing Junior Liens/Community Seconds

All junior liens/community seconds (including resale restrictions) used in conjunction with a Minnesota Housing loan must comply with the following:

- All requirements of the applicable first mortgage loan product and insurer/guarantor;
- The Monthly Payment Loan must take prior position (2nd position) if combined with a junior lien;
- Junior liens do not reduce loan or purchase price limits;
- A Borrower may receive cash back at closing from junior lien proceeds only when the cash back represents a refund of the Borrower's own investment as allowed by the first mortgage product; and
- Minnesota Housing requires full disclosure of any and all junior liens.

4.10 Non-Complying Loans

Minnesota Housing and/or the Master Servicer shall have the right to take one or more of the following actions in the event a Lender submits a mortgage loan that does not, as determined by Minnesota Housing or the Master Servicer, comply with the requirements of this Procedural Manual:

- Adjust the purchase price of the non-complying loan;
- If not already purchased, refuse to purchase the loan;
- If already purchased, require the Lender to repurchase the loan for the purchase price;
- Terminate, suspend, or otherwise limit the Lender's Participation Agreement with Minnesota Housing and/or the Master Servicer and,
- Preclude the Lender from future participation in Minnesota Housing programs.

Chapter 5 – Down Payment and Closing Cost Loans

The down payment and closing cost loan option available with Step Up is the Monthly Payment Loan.

NOTE: Monthly Payment Loans may be subordinated only with prior written consent from Minnesota Housing.

5.01 Monthly Payment Loan Requirements

The Monthly Payment Loan is the only Minnesota Housing down payment and closing cost option available with Step-Up. Generally, Monthly Payment Loan Program loans:

- Are available only in conjunction with a Minnesota Housing first mortgage loan;
- Provide the greater of 5% of the home purchase price or $5,000 in increments of $100, to assist with down payment and customary closing costs incurred by the Borrower;
- Have an interest rate equal to that of the first mortgage;
- Are fully amortizing and are payable in level monthly payments over a 10-year loan term;
- Are due on the first of each month, beginning with the due date of the initial monthly payment for the first mortgage; and,
- Must be paid in full upon:
  - ◊ Sale or refinance of the property;
  - ◊ Transfer of title to the property;
  - ◊ Payment in full of the first mortgage at maturity or
  - ◊ The first mortgage is declared due and payable whether through default or other event.

5.02 Monthly Payment Loan Program Borrower Eligibility

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

Cash Investment

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

Cash to the Borrower at Closing

Borrowers may receive cash back at closing only when all of the following criteria apply:

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

5.03 Monthly Payment Loan Lender Warranties

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

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

Chapter 6 – Documentation Requirements

6.01 Loan Processing and Closing

All loans submitted to Minnesota Housing for approval must meet the following requirements:

- Loans must be closed and disbursed prior to requesting Minnesota Housing loan Funding Approval via the HDS SF Web Application.
- Lender must follow all mortgage industry regulatory and compliance provisions throughout the processing of the loan.
- All loan documents must be industry standard and meet the requirements of the Master Servicer, the underlying loan product and the insurer/guarantor, as applicable.
- All loan documents must be complete, accurate and reviewed by the Lender at the various and appropriate stages of the loan.
- For loans underwritten utilizing industry standard automated underwriting systems, Minnesota Housing requires full documentation when verifying income and assets to confirm Minnesota Housing eligibility.
- Minnesota Housing or industry-standard forms may not be altered in any way other than to add a company name and logo.
- The loan must be originated and closed in, or assigned to, the name of the Lender that is a party to the Participation Agreement and that has received an Individual Commitment of Funds from Minnesota Housing.
- All mortgage assignments must run directly from the Lender to the Master Servicer.
- Lender must submit final documents to the Master Servicer within 120 days of Master Servicer's loan purchase.

6.02 Minnesota Housing Documentation/Delivery Requirements

- The Master Servicer provides the Delivery Checklist form detailing specific documentation/delivery requirements. Lender must fully execute and deliver documents within designated timeframes.
- Lender has reviewed any and all contracts in connection with the residence sale transaction to ensure total compliance with this Procedural Manual.
- Documentation not delivered to the Master Servicer within the specified time frames, may result, at Minnesota Housing's or the Master Servicer's discretion, in the Lender being required to

repurchase the loan, or any other remedy as identified in this Procedural Manual.

Minnesota Housing and/or the Master Servicer at its sole discretion, may extend the timeframes identified in the Delivery Checklist.

6.03 Records Retention

Lender must retain any and all compliance documents (including compliance with Minnesota Housing program guidelines) as required by US Bank or industry standard.

Chapter 7 – Servicing

7.01 Servicing

Minnesota Housing may, at its discretion, subject to any contractual provisions between Minnesota Housing and the Master Servicer, change the Master Servicer.

7.02 Lender Servicing Responsibilities

During the period from loan closing to Master Servicer purchase and subsequent transfer of servicing of the loan, the Lender must collect, apply and enter into the HDS SF Web Application, all loan payments made by the Borrower. Loan payments collected must include:

- Monthly loan principal and interest;
- 1/12th of annual property tax;
- Mortgage insurance, if applicable;
- Flood insurance, if applicable;
- Hazard insurance (escrows);and,
- Assessments, if applicable.

In addition the Lender must complete the following servicing activities:

- Maintain payment history indicating:
  - ◊ Breakdown of principal, interest and escrows;
  - ◊ Any principal repayments;
  - ◊ Remaining principal balance of loan and,
  - ◊ Collection of any past due payments.

7.03 Hardship Policy

Minnesota Housing has in place a hardship policy for its Monthly Payment Loan that allows forgiveness either in part or whole if the Borrower is experiencing severe financial hardships that prevent him or her from paying back full indebtedness.

Appendix

Definitions

All terms used in the Procedural Manual use mortgage industry standard definitions except for the following:

Term	Definition
Individual Commitment	A specific legal commitment of funds with specific terms and conditions for use by a specific Borrower(s) purchasing a specific property.
Master Servicer	The company selected by Minnesota Housing to be the master servicer for the Mortgage Revenue Bond Mortgage Backed Securities Program.
New Construction/ Newly Constructed Residence	New construction or a newly constructed residence refers to a residence, which has either not been previously occupied or was completed within 24 months preceding the date of the home mortgage loan and was not subject to previous financing with a term greater than 24 months (i.e., a contract-for-deed, mortgage, or bridge loan).
Principal Residence	A property used as the primary domicile of the owner-occupant Borrower and his/her household.
Qualified Homebuyer Education	Qualified Homebuyer Education is homebuyer education completed in a **classroom** setting by organizations that have had staff trained under Home Stretch or NeighborWorks America.

Forms List

Monthly Payment Loan Note, if applicable

Monthly Payment Loan Mortgage, if applicable

Individual Commitment Period Extension

Manual Commitment Form

Board Agenda Item: 9.C.2
Attachment: Diagram of New Program Structure

Minnesota Housing Mortgage Loans

START UP Loans

Products
HFA Preferred™, HFA Preferred Risk Sharing™, FHA, FHA Streamlined 203K, RD, VA

First-time Homebuyer Options

Subject to MRB requirements such as 3 yr FTHB, Subsidy Recapture, income/purchase price limits

PURCHASE LOAN

Fund Source: Tax exempt Mortgage Revenue Bonds packaged as Mortgage Backed Security

1st Mtg Execution
-Bond sale
-Secondary Market
(with letter to the borrower)

DOWNPAYMENT AND CLOSING COST LOANS[1]

Monthly Payment Loan

Fund Source:
-Pool 2
-Secondary Market Revenue

Basic Features:
-Amortizing with monthly payments
-Interest rate equal to first mortgage rate
-Up to $5,000

Deferred Payment Loan

Fund Source:
-HAF Appropriations
-Pool 3

Basic Features:
-Deferred payment
-Interest-free
-Up to $3,000

HOME HELP Loan

Fund Source:
-HOME Federal Funds

Basic Features:
-Deferred payment
-Interest-free
-Federal guidelines
-50% Forgiven after 6 yrs
-Up to $10,000

[1]Not available with HFA Preferred Risk Sharing℠

STEP UP Loans

Products REFINANCE & PURCHASE:
HFA Preferred Risk Sharing™, HFA Preferred™, FHA, RD, VA

Non-first-time Homebuyer Options

MRB requirements do not apply

PURCHASE LOAN

Fund Source: Sold on Secondary Market packaged as Mortgage Backed Security

1st Mtg Execution
-Secondary Market

REFINANCE LOAN

Fund Source: Sold on Secondary Market packaged as Mortgage Backed Security

1st Mtg Execution
-Secondary Market

DOWNPAYMENT AND CLOSING COST LOANS

Monthly Payment Loan

Fund Source:
Secondary Market Revenue

Basic Features:
-Amortizing with monthly payments
-Interest rate equal to first mortgage rate
-Up to $5,000

Minnesota Housing

Draft Program Description | August 14, 2012

Minnesota Housing Finance Agency

AGENDA ITEM: 9.C.3.
MINNESOTA HOUSING BOARD MEETING
August 30, 2012

ITEM: Approval, Selections, Homeownership Education, Counseling and Training Fund

CONTACT: Nancy Slattsveen, 651-296-7994
nancy.slattsveen@state.mn.us

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other:

ACTION:

☑ Motion ☐ Resolution ☐ No Action Required

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

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

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

MEETING AGENCY PRIORITIES:

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

☐ Address specific and critical needs in rental housing markets

☐ Prevent and end homelessness ☑ Prevent foreclosures and support community recovery

ATTACHMENT(S):
- Background and Discussion
- 2012-2013 HECAT Proposal Recommended for Approval

BACKGROUND:
Minnesota Housing and its funding partners (Minnesota Homeownership Center, Greater Minnesota Housing Fund and the Family Housing Fund) accepted proposals under the Homeownership Education, Counseling and Training Fund (HECAT) program on June 5, 2012.

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

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

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

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

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

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

DISCUSSION:
Recommended Selections
The total amount of funding available for the 2012-2013 HECAT year is $1.5 million with contributions of $890,680 from Minnesota Housing and $680,000 from the Minnesota Homeownership Center, the Family Housing Fund and the Greater Minnesota Housing Fund. Forty-two proposals were received this funding round requesting a maximum amount of $2.53 million.

Funding levels for pre-purchase homebuyer education and counseling, homebuyer clubs and home equity conversion counseling have increased from last funding round due to the fact that HECAT funded foreclosure prevention loans and post purchase counseling will not be provided, and additional carryover funding from last funding round is available.

Forty-seven percent of the funds are allocated for pre-purchase counseling and homebuyer education and forty-nine percent for foreclosure counseling. One percent of the funds are allocated for home buyer clubs and three percent for home equity conversion mortgage counseling.

In addition to HECAT, Minnesota Housing also funds foreclosure prevention counseling with federal funds from the National Foreclosure Mitigation and Counseling (NFMC) program. The additional NFMC funds ensure that foreclosure prevention counseling organizations have capacity to meet demand for this counseling service. Funding through NFMC Round Six was awarded in July 2012 for $1.197 million and will run through December 31, 2012.

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

Selection Trends

The proposals selected for funding this round provide a full spectrum of comprehensive homebuyer training program services. Selected activities include: 1) foreclosure prevention counseling; 2) pre-purchase homebuyer education workshops in several languages; 3) individualized pre-purchase counseling; 4) home equity conversion counseling; and 5) home buyer clubs.

Foreclosure Prevention: The number of foreclosures affecting many areas of the state continues to heighten the awareness of foreclosure prevention counseling and loan services supported under HECAT. There were 21,298 foreclosures in Minnesota in 2011 which is a decrease of 17 percent from 2010. However, foreclosures remain three to four times higher than before the crisis began.

While foreclosure most dramatically affects the borrower losing a home, neighborhoods impacted by concentrations of foreclosures are vulnerable to its social costs, including increases in boarded, vacant houses and declining home prices. In light of this trend, 21 providers are being recommended for $762,280 in HECAT funds to provide foreclosure counseling services.

Pre-purchase Education and Counseling: One of the best ways to prevent foreclosure is to assure that potential homebuyers have access to information to enable success in the first place. Minnesota is recognized as having the best infrastructure for pre-purchase homebuyer education and counseling in the country. The selection committee is committed to sustaining this infrastructure, and recommends funding 30 organizations with $746,400 in HECAT funding.

Home Equity Conversion Counseling (HECM): Home equity conversion loan options continue to grow slowly in acceptance. These loan programs, which require borrower counseling, are supported by two statewide counseling organizations which HECAT recommends funding in the amount of $42,500.

Home buyer clubs: One organization is recommended for funding in the amount of $19,500 allowing them to continue their home buyer club program.

New Organizations: Three new organizations are being recommended for HECAT funding this round: African Economic Development Solutions, Communidades Latinas Unidas en Servicio (CLUES), and Mahube-Otwa Community Action Partnership.

2012-2013 HECAT PROPOSALS RECOMMENDED FOR APPROVAL

			Funding Recommendation by Program			
PROVIDER	**Amount Requested**	**Amount Recommended**	**Foreclosure Counseling**	**Homebuyer Club**	**Home Equity Conversion Counseling**	**Pre-purchase Counseling & Workshops**
African Development Center	$120,000	$44,070				$44,070
African Economic Development Solutions*	$40,000	$19,500				$19,500
African Families Development Network	$50,000	$19,000				$19,000
American Indian Community Development Corporation	$10,000	$8,450				$8,450
Anoka County Community Action Program, Inc.	$120,000	$88,800	$60,000			$28,800
Arrowhead Economic Opportunity Agency	$84,605	$46,400	$21,600			$24,800
Bi-County Community Action Programs, Inc.	$36,922	$16,250	$16,250			
Carver County Community Development Agency	$60,000	$46,050	$35,000			$11,050
CCCS of The Village Family Service Center	$45,000	$54,000	$24,000			$30,000
Central Minnesota Housing Partnership	$35,000	$35,000				$35,000
Communidades Latinas Unidas en Servivio (CLUES)*	$15,000	$5,200	$5,200			
Community Action Duluth	$30,000	$29,500		$19,500		$10,000
Community Action Partnership for Suburban Hennepin	$165,875	$98,700	$51,000			$47,700
Community Neighborhood Housing Services	$95,000	$85,350	$35,000			$50,350
Dakota County Community Development Agency	$70,000	$69,000	$39,000			$30,000
Headwaters Regional Development Commission	$25,000	$16,900				$16,900
Hmong American Partnership	$12,000	$9,600	$2,600			$ 7,000
Housing and Redevelopment Authority - City of St Paul	$30,000	$30,000	$30,000			
KOOTASCA Community Action, Inc.	$24,000	$19,500				$19,500

			Funding Recommendation by Program			
PROVIDER	**Amount Requested**	**Amount Recommended**	**Foreclosure Counseling**	**Homebuyer Club**	**Home Equity Conversion Counseling**	**Pre-purchase Counseling & Workshops**
Lutheran Social Service of Minnesota	$220,000	$218,930	$203,930		$15,000	
Mahube-Otwa Community Action Partnership Inc.	$25,000	$12,500	$12,500			
Mankato Economic Development Authority	$14,477	$8,190				$8,190
Model Cities Community Development Corporation	$21,105	$21,105				$21,105
Neighborhood Development Alliance	$90,000	$75,000	$45,000			$30,000
Neighborhood Housing Services of Minneapolis, Inc.	$50,000	$47,460				$47,460
Northwest Community Action, Inc.	$105,090	$9,275				$9,275
One Roof Community Housing	$46,000	$28,800				$28,800
Powderhorn Residents Group, Inc.	$85,000	$81,690	$20,000			$61,690
Reverse Mortgage Counselors, Incorporated	$28,000	$27,500			$27,500	
Rochester/Olmsted Community Housing Partnership	$36,000	$30,150	$10,000			$20,150
Scott County Community Development Agency	$39,000	$25,200	$25,200			
Southwest Minnesota Housing Partnership	$40,000	$30,840				$30,840
Three Rivers Community Action Inc.	$50,000	$27,100				$27,100
Twin Cities Habitat for Humanity	$55,000	$55,000	$55,000			
Washington County HRA	$50,000	$47,420	$30,000			$17,420
West Central MN Communities Action, Inc.	$54,000	$25,450	$17,000			$8,450
White Earth Investment Initiative	$20,000	$18,200				$18,200
Wright County Community Action, Inc.	$75,807	$39,600	$24,000			$15,600
TOTALS:	**$2,172,881**	**$1,570,680**	**$762,280**	**$19,500**	**$42,500**	**$746,400**

* New Applicant/Provider

2012-2013 HECAT NON-RECOMMENDED PROPOSALS

PROVIDER	Amount Requested	Amount Recommended
APAHC by Children's Hope Intl/R&R Family	$262,800	$0
Lao Assistance Center of Minnesota	$15,000	$0
Neighborhood House	$30,000	$0
Tri-County Action Program, Inc.	$53,114	$0
TOTALS:	**$360,914**	**$0**

2012-2013 HECAT RECOMMENDATION BY PROGRAM

PROGRAM	Dollar Amount	Percentage of Total Funds
Foreclosure Counseling	$762,280	49%
Homebuyer Clubs	$19,500	1%
Home Equity Conversion Counseling	$42,500	3%
Homebuyer Education and Counseling	$746,400	47%
TOTALS:	**$1,570,680**	**100%**

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Minnesota Housing Finance Agency

AGENDA ITEM: 9.D.(1)
MINNESOTA HOUSING BOARD MEETING
August 30, 2012

ITEM: Housing Trust Fund (HTF) and Ending Long-Term Homelessness Initiative Fund (ELHIF) Rental Assistance Grant Renewals

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

REQUEST:

☑ Approval ☐ Discussion ☐ Information

TYPE(S):

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

☐ Other: ______________________

ACTION:

☐ Motion ☑ Resolution ☐ No Action Required

SUMMARY REQUEST:
Adoption of the attached Resolution authorizing $10,882,000 in HTF and ELHIF funds for rental assistance grants to continue to house 1,484 households from October 1, 2012 to September 30, 2013.

FISCAL IMPACT:
The requested HTF funds are state appropriations and therefore do not adversely impact the Agency's financial position. The ELHIF funds requested are available through the FY12 and proposed FY13 Minnesota Housing Affordable Housing Plans.

MEETING AGENCY PRIORITIES:

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

☐ Address specific and critical needs in rental housing markets

☑ Prevent and end homelessness ☐ Prevent foreclosures and support community recovery

ATTACHMENT(S):
- Background
- Exhibit A: 2012 HTF/ELHIF Rental Assistance Funding Recommendations Spreadsheet
- Resolution

Program Funding Recommendations

The recommendations on the attached Exhibit A will continue to provide housing opportunities for up to 1,484 low income households, including 1,155 opportunities for households experiencing long-term homelessness. The recommendations represent a net decrease of five households since the last renewal, with no decrease in the number of long-term homeless opportunities.

Background

In April 2012, the Agency notified administrators with HTF and ELHIF rental assistance grants expiring on or before September 30, 2012, of the opportunity to apply for renewal funding. Applications were due on May 30, 2012. The Agency received 52 applications requesting just over $11.5 million in funding to provide rental assistance for 1,518 households.

HTF and ELHIF rental assistance funds serve families and individuals at or below 60 percent AMI, most at or below 30 percent AMI at initial occupancy, and near homeless, homeless, and/or long-term homeless (LTH). The programs also serve households of color, single head of households and persons with disabilities. All applicants are recommended for renewal funding or one year extensions of the current grant. The grants are administered by 36 different organizations (local housing agencies and non-profits) through 52 different rental assistance grants. These organizations assist households with rental subsidies across 52 Minnesota counties, including six reservations.

Through the renewal application, a number of grantees requested to serve fewer or additional households as compared to their current grant level. Based on the Agency priority to prevent and end homelessness, and its commitment to the Business Plan to End Long-Term Homelessness, our recommendations will reduce the number of total households by five but maintain the current number of long-term homeless households. The long-term homeless household opportunities are sustained by redistributing fifteen opportunities to achieve the most impact through leveraging Group Residential Housing (GRH) funds, lower housing costs, or increasing opportunities where few currently exist. Eighty percent of the funding will serve households with long histories of homelessness.

Agency staff reviewed the applications, applying the following criteria.

- Alignment with the mission of the Agency.
- Compliance with Agency Statutes and Rules.
- Financial feasibility, market and organizational capacity.
- The extent to which proposals meet the Agency's funding priorities.
- Performance of the rental assistance administrator, including timely expenditure of funds, Homeless Management Information System (HMIS) reports, and success in reaching goals and objectives described in their application.

The funding recommendations for October 1, 2012 to September 30, 2013 are based on the following:

- For Tenant Based Rental Assistance (TBRA) grants providing rental subsidy at eligible housing of participant choice: Sustain the current number of long-term homeless opportunities by redistribution of LTH funding with a decrease of non-LTH opportunities as requested.

- For Sponsor Based Rental Assistance (SBRA) grants providing site- based rental assistance at properties in the Minnesota Housing portfolio: No change in current target number of households.

These recommendations continue our priority for supporting rental assistance in properties in the Minnesota Housing portfolio, with the reduction of five households occurring through tenant-based rental assistance programs.

Geographic Distribution:

- 71 percent of the housing opportunities are in the metro area;
- 29 percent are in greater Minnesota.

Program Outcomes:

- The average annual median household income was $7,680.
- Approximately 60 percent of the HTF/ELHIF rental assistance served families with children.
- The average length of time a household received rental assistance was 29 months.
- About half of the exits from the program were positive, with 45% of those being transitions to Section 8 or another permanent rental subsidy.

Program Administration
The HTF Rental Assistance Program is designed to be flexible so Administrators can select the subsidy structure that best fits their program. For example, some programs follow the Section 8 model in which the subsidy offered is the difference between 30 percent of the household's income and the contract rent. Other programs have opted to offer a subsidy cap in which a maximum amount, often based on bedroom size of the unit or family size, is offered to offset the rental expenses. Other variations in the program include targeted populations. Programs may exclusively target households experiencing long-term homelessness and may experience situations in which the household's income upon admission is extremely low or zero, or may target households with higher incomes. The household composition impacts the grant budget as does the geographic location, availability of eligible housing and local vacancy factors.

Program Trends
Each grantee has experienced a set of unique circumstances that have influenced their performance, number of households served, and funds utilized. The following provides a brief overview:

- Grant Utilization
    - Current grants are expected to utilize approximately 91% of the funds awarded. Utilization of grant funds may be affected by reductions in service funding, accessibility of other subsidies, availability of eligible housing, and lower costs. In addition, some grantees that substantially reduced the number of households served during the 2011 admission freeze took longer than anticipated to increase the number of households again when the freeze was lifted in October 2011.

- Program Reductions
    - A number of programs requested funding for fewer participants. Reasons cited include reductions in service funding and the availability of GRH. One existing program, which was in the process of phasing off the HTF rental assistance, did not submit an application for renewal due to the final participant transitioning to GRH.
- Grantee Collaboration
    - HTF and HTF-LTH Rental assistance grants awarded to Elim Transitional Housing were terminated, due to loss of their capacity to administer the subsidies. Approximately 120 households were assisted with these grants. Four of the current HTF rental assistance Administrators assumed the administration of these grants through transfer of the funds to seven of their current grants on April 1, 2012.

2012 HTF & ELHIF RENTAL ASSISTANCE FUNDING RECOMMENDATIONS - METRO

D#	Applicant	Current Funding	Singles	Families	HH Current Grant	LTH HH Current Grant	HH Requested	LTH HH Requested	HH Recommended	LTH HH Recommended	Funds Requested	HTF & ELHIF Funds Recommended
Tenant-and Sponsor-Based Rental Assistance: Scattered Site												
D1971	Carver County CDA	HTF-RA	X	X	13	0	13	0	13	0	$ 85,332	$ 85,000
D4041	Catholic Charities	HTF-LTH	X		32	32	32	32	32	32	$ 165,120	$ 160,000
D5883	Clare Housing - Project Cornerstone	HTF-LTH	X	X	18	18	18	18	18	18	$ 162,326	$ 162,000
D3557	Hearth Connection	HTF-RA	X	X	43	0	41	0	41	0	$ 384,744	$ 385,000
D5479	Hearth Connection - Metro (incl some areas in Greater MN)	HTF-LTH	X	X	162	162	162	162	162	162	$ 1,529,928	$ 1,530,000
D4067	Hennepin County - LTH Phase I	HTF-LTH	X	X	77	77	80	80	79	79	$ 675,000	$ 667,000
D3910	Lutheran Social Services	HTF-RA		X	54	0	55	0	52	0	$ 432,960	$ 426,000
D3910	Lutheran Social Services	ELHIF & HTF-LTH		X	19	19	19	19	19	19	$ 190,836	$ 191,000
D3910	Lutheran Social Services-All About the Kids	HTF-LTH		X	45	45	48	48	45	45	$ 553,536	$ 553,000
D3537	Metro HRA - RAAC	HTF-RA		X	54	0	54		54	0	$ 280,000	$ 270,000
D3865	Neighborhood House/East Side Family Center	HTF-LTH		X	11	11	12	12	12	12	$ 124,034	$ 124,000
D1930	People, Incorporated	HTF-LTH	X		18	18	18	18	18	18	$ 107,000	$ 107,000
D3883	Ramsey County - ACT & Rule 79 TCM	HTF-LTH	X	X	50	50	50	50	50	50	$ 351,000	$ 345,000
D4054	Restart, Inc.	ELHIF	X		1	1	0	0	0	0	$ 5,000	$ -
D1937	Simpson Housing Svcs.	HTF-RA		X	27	0	30	0	27	0	$ 192,960	$ 165,000
D1937	Simpson Housing Svcs.- SARAP	HTF-LTH	X		6	6	5	5	5	5	$ 41,400	$ 42,000
D5893	Simpson Housing Svcs.-Women's Housing Partnership	HTF-LTH	X		38	38	36	36	36	36	$ 268,704	$ 265,000
D2217	South Metro HS - AHAP	HTF-LTH	X		45	45	45	45	45	45	$ 307,531	$ 308,000
D5528	South Metro HS - PHOP	HTF-LTH	X	X	32	32	32	32	32	32	$ 232,095	$ 233,000
D3541	South St. Paul HRA	HTF-RA		X	23	0	25	0	23	0	$ 291,000	$ 251,000
D3541	South St. Paul HRA	HTF-LTH	X	X	23	23	25	25	23	23	$ 258,000	$ 192,000
D3747	St. Stephen's HS	HTF-RA	X	X	27	0	28	0	27	0	$ 206,640	$ 195,000
D3747	St. Stephen's HS - LTH	HTF-LTH	X	X	18	18	18	18	18	18	$ 124,848	$ 125,000
D3747	St. Stephen's HS - ELTH (fka FUSE/Kateri)	HTF-LTH	X		18	18	10	10	10	10	$ 76,560	$ 75,000
D3747	St. Stephen's HS - STRONG	HTF-LTH		X	73	73	73	73	70	70	$ 521,220	$ 505,000
D3859	Wilder - ROOF Project	HTF-LTH		X	9	9	10	10	9	9	$ 111,000	$ 93,000
D3875	YWCA of St. Paul	HTF		X	8	0	7	0	7	0	$ 46,200	$ 47,000
D3875	YWCA of St. Paul	HTF-LTH		X	15	15	15	15	15	15	$ 144,000	$ 144,000
Subtotal - Metro TBRA					**959**	**710**	**961**	**708**	**942**	**698**	**$ 7,868,974**	**$ 7,645,000**
Sponsor Based Rental Assistance: Site Based												
D5895	Audubon Crossings **(EXTEND)**	ELHIF		X	4	4	4	4	4	4	$ 36,396	$ 25,000
D3874	Commonbond - Vicksburg Commons	ELHIF	X	X	4	4	4	4	4	4	$ 24,000	$ 17,000
D3903	Emerge/PUC - Camden Apts. **(EXTEND)**	HTF-LTH		X	10	10	10	10	10	10	$ 20,000	$ 20,000
D3589	Episcopal Comm Svcs/Cedarview & Rivertown Commons	ELHIF		X	20	20	20	20	20	20	$ 149,710	$ 150,000
D2151	Indigenous Peoples Task Force - Maynidowahdak Odena	HTF-RA	X	X	10	0	14	0	10	0	$ 115,000	$ 118,000
D4073	Jeremiah Program - St. Paul Campus	ELHIF		X	4	4	4	4	4	4	$ 38,000	$ 38,000
D5960	Minnesota Place - Wilder **(EXTEND)**	ELHIF	X		10	10	10	10	10	10	$ 115,000	$ 32,000
D6194	Project for Pride in Living - Heading Home PPL	ELHIF		X	16	16	16	16	16	16	$ 168,960	$ 155,000
D3813	South Metro HS - Crane Ordway	ELHIF	X		14	14	14	14	14	14	$ 55,202	$ 55,000
D1838	Vail Place - Louisiana Court	ELHIF	X		18	18	18	18	18	18	$ 133,645	$ 133,000
D3863	The Wellstone	ELHIF	X		4	4	3	3	4	4	$ 27,000	$ 27,000
Subtotal - Metro SBRA					**114**	**104**	**117**	**103**	**114**	**104**	**$ 882,913**	**$ 770,000**
Totals - Metro					**1,073**	**814**	**1,078**	**811**	**1,056**	**802**	**$ 8,751,887**	**$ 8,415,000**

2012 HTF & ELHIF RENTAL ASSISTANCE FUNDING RECOMMENDATIONS - GREATER MINNESOTA

D#	Applicant	Current Funding	Singles	Families	HH Current Grant	LTH HH Current Grant	HH Requested	LTH HH Requested	HH Recommended	LTH HH Recommended	Funds Requested	HTF & ELHIF Funds Recommended
Tenant-and Sponsor-Based Rental Assistance: Scattered Site												
D3562	Bi-CAP	HTF-RA		X	27	0	27	0	27	0	$ 121,000	$ 121,000
D2211	Bi-CAP	HTF-LTH	X	X	72	72	72	72	72	72	$ 440,000	$ 440,000
D5967	Clay County	HTF-LTH	X	X	45	45	45	45	45	45	$ 333,870	$ 297,000
D5480	Hearth Connection - NE Project	HTF-LTH	X	X	80	80	80	80	80	80	$ 670,080	$ 661,000
D5478	Hearth Connection - Southern Project	HTF-LTH	X	X	71	71	71	71	71	71	$ 459,228	$ 455,000
D2022	Mahube	HTF-LTH	X	X	36	36	60	60	48	48	$ 320,400	$ 270,000
D3533	Olmsted HRA	HTF-RA	X	X	18	0	18	0	18	0	$ 77,760	$ 73,000
D6232	Red Lake Homeless Shelter	HTF-LTH	X	X	14	14	14	14	14	14	$ 86,688	$ 87,000
D3558	SouthCentral Multi Cty HRA	HTF-RA	X	X	30	0	30	0	30	0	$ 106,200	$ 103,000
D5899	SW MN Housing Partnership	ELHIF	X	X	7	7	7	7	7	7	$ 35,000	$ 35,000
Subtotal - Greater MN TBRA					**400**	**325**	**424**	**349**	**412**	**337**	**$ 2,650,226**	**$ 2,542,000**
Sponsor Based Rental Assistance: Site Based												
D6339	The Depot at Elk River Crossings **(EXTEND)**	ELHIF		X	4	4	4	4	4	4	$ 12,500	$ 12,000
D4082	Grand Oaks **(EXTEND)**	ELHIF		X	4	4	4	4	4	4	$ 36,480	$ 5,000
D6253	Normandy TH - New Pathways	ELHIF		X	6	6	6	6	6	6	$ 48,816	$ 35,000
D5208	River Rock	ELHIF		X	2	2	2	2	2	2	$ 15,000	$ 11,000
Subtotal - Greater MN SBRA					**16**	**16**	**16**	**16**	**16**	**16**	**$ 112,796**	**$ 63,000**
Totals - Greater MN					**416**	**341**	**440**	**365**	**428**	**353**	**$ 2,763,022**	**$ 2,605,000**
Totals - Statewide					**1,489**	**1,155**	**1,518**	**1,176**	**1,484**	**1,155**	**$ 11,514,909**	**$ 11,020,000**

HTF/ELHIF Funding Requested	**$ 11,514,909**
Total HTF/ELHIF Funding Recommendation	**$ 11,020,000**
Subtract Est. ELHIF Funds to Carry Over 9/30/12	**$ (118,000)**
Subtract Est. HTF Funds to Carry Over 9/30/12	**$ (20,000)**
Net HTF/ELHIF Funding Recommendation	**$ 10,882,000**
Est. ELHIF Funds to be Recaptured 9/30/12*	**$ 115,594**
Est. HTF Funds to be Recaptured 9/30/12*	**$ 767,708**

*Final HTF and ELHIF balances to be calculated when September Payment requests are reconciled.

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

RESOLUTION NO. MHFA xx-xxx

RESOLUTION APPROVING SELECTION/AUTHORIZATION TO HOUSING TRUST FUND (HTF) AND ENDING LONG-TERM HOMELESSNESS (ELHIF) RENTAL ASSISTANCE GRANT RENEWALS

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received applications to provide rental assistance for families and individuals who are low income, near homeless, homeless or long-term homeless.

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

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to enter into grant agreements using State and Agency resources and in compliance with applicable statutes and regulations as set forth, subject to Board approval of the Agency Fiscal Year 2013 Affordable Housing Plan, and changes allowable under the multifamily funding modification policy, upon the following conditions:

1. The Agency staff shall review and approve the following Grantees the total recommended for one year;

• Bi-County Community Action Program	D3562	$121,000
• Bi-County Community Action Program LTH	D2211	$440,000
• Carver County CDA	D1971	$85,000
• Catholic Charities	D4041	$160,000
• Clare Housing – Project Cornerstone	D5883	$162,000
• Clay County – Homeless to Housed	D5967	$297,000
• CommonBond Communities – Vicksburg Commons	D3874	$13,000
• Episcopal Community Services, Inc. – Cedarview Commons and Rivertown Commons	D3589	$140,000
• Hearth Connection	D3557	$385,000
• Hearth Connection – Metro Project	D5479	$1,530,000
• Hearth Connection – Northeast Project	D5480	$661,000
• Hearth Connection – Southern Project	D5478	$455,000
• Hennepin County Human Services & Public Health Dept. LTH Phase	D4067	$667,000
• Indigenous Peoples Task Force – Maynidoowahdak Odena	D2151	$118,000
• The Jeremiah Program – St. Paul Campus	D4073	$38,000
• D.W. Jones Management, Inc. – River Rock Townhomes	D5208	$6,000
• Lutheran Social Service	D3910	$426,000
• Lutheran Social Service - LTH	D3910	$191,000
• Lutheran Social Service – Kids Collaborative	D3910	$553,000

Board Agenda Item: 9.D.(1)
Attachment: Resolution

• Mahube Community Council	D2022	$270,000
• Metro HRA – Rental Assistance in Anoka County (RAAC)	D3537	$270,000
• Neighborhood House – East Side Housing Opportunity Program	D3865	$124,000
• New Pathways, Inc. – Normandy Townhomes	D6253	$30,000
• Olmsted HRA – Transitional Rental Assistance Program	D3533	$73,000
• People Incorporated – HTF-LTH	D1930	$107,000
• Project for Pride In Living – Heading Home PPL	D6194	$145,000
• Ramsey County – ACT & Rule 79 Targeted Case Management	D3883	$345,000
• Red Lake Homeless Shelter	D6232	$87,000
• Simpson Housing Services, Inc.	D1937	$165,000
• Simpson Housing Services, Inc. – SARA Program	D1937	$42,000
• Simpson Housing Services, Inc. – WHP	D5893	$265,000
• South Central Multi County HRA	D3558	103,000
• South Metro Human Services – Anoka Housing Assistance Program	D2217	$308,000
• South Metro Human Services – Crane Ordway	D3813	$55,000
• South Metro Human Services – Police Housing Outreach Project	D5528	$233,000
• South St. Paul HRA	D3541	$251,000
• South St. Paul HRA – LTH	D3541	$192,000
• Southwest Minnesota Housing Partnership	D5899	$32,000
• St. Stephen's Human Services	D3747	$195,000
• St. Stephen's Human Services – LTH	D3747	$125,000
• St. Stephen's Human Services – ELTH	D3747	$75,000
• St. Stephen's Human Services – STRONG	D3747	$505,000
• Vail Place – Louisiana Court Homeless Project	D1838	$133,000
• Hope Community Inc. - The Wellstone	D3863	$20,000
• Amherst H. Wilder Foundation – The ROOF Project	D3859	$93,000
• YWCA of St. Paul	D3875	$47,000
• YWCA of St. Paul - LTH	D3875	$144,000

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

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

Adopted this 30th day of August, 2012.

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CHAIRMAN

AGENDA ITEM: 10.A
MINNESOTA HOUSING BOARD MEETING
August 30, 2012

ITEM: Information, Summary of Special Session

CONTACT: Tonja Orr, 651-296-9820
tonja.orr@state.mn.us

REQUEST:

- [ ] Approval
- [ ] Discussion
- [x] Information

TYPE(S):

- [ ] Administrative
- [ ] Commitment(s)
- [ ] Modification/Change
- [x] Policy
- [ ] Selection(s)
- [ ] Waiver(s)
- [ ] Other: ______________________

ACTION:

- [ ] Motion
- [ ] Resolution
- [x] No Action Required

SUMMARY REQUEST:
The Minnesota Legislature will convene in special session on Friday, August 24 to pass legislation designating funding for flood recovery efforts related to the 2012 NE Minnesota flooding.

FISCAL IMPACT:
Unknown at this time.

MEETING AGENCY PRIORITIES:

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

ATTACHMENT(S):
A summary of the session will be provided at the Board meeting.