

**APPENDIX A-1:**  
**OVERVIEW OF FUNDING SOURCES**

Our strong balance sheet and financial resources are a key strength. This Appendix describes each of our funding sources and outlines how we will use them in 2019. Table 1 shows our planned program investment by funding source and compares it with the original 2018 AHP. Appendix A-2 is a crosswalk that shows how we will allocate resources from each source to each program.

**TABLE 1: 2019 PLANNED PROGRAM INVESTMENTS BY FUNDING SOURCE**

Program Category	Original 2018 AHP	2019 AHP
Federal Resources	\$207,289,490	\$211,164,825
State Appropriated Resources	\$93,407,123	\$87,533,590
State Capital Investments (GO & Housing Infrastructure Bonds)	\$57,379,080	\$69,231,696
Pool 2, Agency Bond Proceeds, and Other Mortgage Capital	\$735,200,000	\$943,250,000
Housing Affordability Fund (Pool 3)	\$33,708,373	\$34,087,000
<b>Total</b>	<b>\$1,126,984,065</b>	<b>\$1,345,267,111</b>

## KEY CHANGES BY SOURCE

- **Federal Resources** are \$3.9 million higher in 2019.
- **State Appropriated Resources** are \$5.9 million lower, primarily because the Economic Development and Housing/Challenge (EDHC) and Housing Trust Fund (HTF) programs have smaller balances of funds carrying over from previous years.
- **State Capital Investments (General Obligation and Housing Infrastructure Bonds)** will be \$11.9 million higher. The Legislature increased funding from \$65 million in the 2017 bonding bill to \$90 million in the 2018 bill. We committed most of the funds from the 2017 bill in program years 2017 and 2018, but some unused funds will carry forward to 2019. We expect to commit all the funds from the 2018 bill in program years 2019 and 2020.
- **Housing Investment/Loan Resources: Pool 2, Agency Bond Proceeds, & Other Mortgage Capital** are projected to increase by over \$208 million, with increased home mortgage and multifamily first mortgage lending.
- **Housing Affordability Fund (Pool 3) investments** will increase by \$0.4 million.

The funding sources operate as described below. The precise amount of some resources is known at the time this plan is developed, while others (such as loan repayments) are estimates of resources that will become available during the year. Staff uses various analytical approaches (including cash flow analysis) to project the amount of resources available for housing programs.

## FUNDING SOURCE DESCRIPTIONS

- **Federal Resources:** There are various types of federal resources, including appropriations to the U.S. Department of Housing and Urban Development (HUD) that are made available to Minnesota Housing and Low-Income Housing Tax Credits from the Internal Revenue Service (IRS). For planning purposes, we generally assume that 2019 funding will remain at its 2018 level; however, as described earlier, we did not budget the 2018 HOME funds until the 2019 AHP because of funding uncertainty. The amount of federal housing tax credits is based on a per capita formula and will be higher for the next four years due to a temporary increase approved by Congress.
- **State Appropriations:** The amount of funding is based on the 2018-19 general fund budget adopted by the 2017 Minnesota Legislature. We generally split the appropriations evenly between state fiscal years 2018 and

2019. Repayments of loans from previous year appropriations are also a funding source.

- **State Capital Investments:** These funds come from the state capital budget (bonding bill) and include General Obligation (GO) Bond and Housing Infrastructure Bond (HIB) proceeds. For HIBs, we are allocating only a portion of the funds from the 2018 bonding bill in 2019, reserving some for the 2020 program year.
- **Agency Bond Proceeds and Other Mortgage Capital:** Bond proceeds are generated by the issuance of tax-exempt, taxable, and recycled bonds. Certain tax-exempt bonding activity is limited statewide by IRS rules, which cap the amount of new issuance, making it a scarce resource. We can also sell mortgage-backed securities backed by loans originated under our program on the secondary market. Finally, we are a MAP (Multifamily Accelerated Processing) lender, which allows us to originate FHA-insured multifamily mortgages that are financed through a third-party investor.
- **Agency Resources:** We generate earnings from our lending and investment activities and reinvest them in wide variety of housing programs. Agency resources are currently categorized as follows:
  - **Housing Investment Fund (Pool 2):** Most of our investment-earning assets are carried in the Housing Investment Fund, and most assets in Pool 2 produce revenue that supports our operations and programs. We can transfer Pool 2 earnings to Pool 3 only to the extent that we project that our aggregate net position will satisfy our Board policy and rating agency stress tests. The earning assets that use Pool 2 funds are required to be of investment grade quality. Accordingly, the planned allocation of Pool 2 funds in a given AHP is primarily determined by the expected market opportunities that meet those loan and investment quality considerations and the projected earnings and net asset requirements for the future.
  - **Housing Affordability Fund (Pool 3):** Pool 3 resources come from: (1) transfers from Pool 2 that capture a portion of the Agency’s earnings, and (2) repayments or prepayments from loans previously funded under Pool 3. Because Pool 3 has no earnings requirements, it is more flexible than Pool 2 and can be used for deferred loans and grants. However, Pool 3 is a more limited resource than Pool 2 because it is dependent on the transfer of earnings from Pool 2.

Table 2 shows the original funding amounts from Pool 3 under the 2018 and 2019 AHPs, along with the activity that we estimate will actually occur under the 2018 AHP.

**TABLE 2: POOL 3 FUNDING AND ACTIVITY**

	2018 AHP Original Funding	2018 Estimated Commitments	2019 AHP Funding
Deferred Payment Loans (DPL)	\$14,115,000	\$19,478,967	\$18,115,000
Habitat for Humanity Initiative **	\$1,000,000	\$0	\$0
Enhanced Homeownership Capacity Initiative	\$750,000	\$750,000	\$750,000
Rehabilitation Loan Program (RLP)	\$5,722,000	\$3,443,066	\$5,722,000
Multifamily Flexible Capital Account	\$8,500,000	\$2,520,162	\$5,000,000
Single Family Interim Lending	\$0	\$0	\$650,000
Community-Owned Manufactured Home Parks	\$250,000	\$250,000	\$0
Technical Assistance and Operating Support	\$1,850,000	\$1,680,500	\$1,850,000
Strategic Priority Contingency Fund	\$1,500,000	\$0	\$2,000,000
<b>Total</b>	<b>\$33,687,000</b>	<b>\$28,122,695</b>	<b>\$34,087,000</b>

\*\*Habitat for Humanity Twin Cities requested a line of credit instead of this previously anticipated funding. A \$25 million line of credit was put in place in 2018.