APPENDIX B:
PROGRAM DESCRIPTIONS

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NOTES ON READING THE PROGRAM DESCRIPTIONS:

- "Housing Investment Fund" and "Pool 2" refer to the same resource.
- "Housing Affordability Fund" and "Pool 3" refer to the same resource.
- The sum of the projections for the number of housing units or households assisted by individual programs during the plan period exceed the total number of households projected to be served across all programs. This occurs because some households or housing units will receive assistance from multiple programs 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 and changes.
- The funding levels described in the narratives are the estimated amounts available for commitment in 2019. For amortizing loans (Home Mortgages, Monthly Payment Loans, Home Improvement Loans, Multifamily First Mortgages, Single Family Interim Lending, and Community Owned Manufactured Home Parks), the funding level is an estimate of demand and not a fixed budget.
- "Program" is used broadly throughout the AHP to refer to Minnesota Housing programs, initiatives, and activities.

HOMEBUYER FINANCING AND HOME REFINANCING

HOME MORTGAGE LOANS

We offer two home mortgage programs, Start Up serving first-time home buyers, and Step Up for borrowers who do not qualify for Start Up. Step Up offers both purchase and refinance options. Under the programs, participating lenders originate fully-amortizing first mortgages throughout the state. To support home mortgage borrowers, we also offer downpayment and closing cost loans that are structured to meet the needs of low- and moderate-income homeowners. To promote successful homeownership, our home mortgage programs also require at least one borrower in a first time homebuyer household to complete homebuyer education.

In our current business model for homeownership, we access capital to finance the purchase of mortgage-backed securities containing our program mortgages primarily by selling bonds in the municipal bond market. Program mortgages not eligible for bond sales are sold on the secondary market.

We remain committed through our programs to serve households of color or Hispanic ethnicity and households with incomes below 80 percent of area median income.

Current household income limits for Start Up:

Property Location	Maximum Household Income	
	1-2 person	3 or more
Minneapolis/Saint Paul Metro Area (11-county)	$94,300	$108,400
Dodge and Olmstead Counties	$90,500	$104,000
All Other Counties	$84,200	$96,800

Current income limits for Step Up:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$141,000
Dodge and Olmstead Counties	$141,000
All Other Counties	$125,900

Purchase price limits:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$328,000
All Other Counties	$271,100

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:

- 4,035 loans
- $661,274,817 total loan amount
- $163,885 average loan
- A median household income of $54,349 or 68 percent of the statewide median income
- 32% percent of households were of color or Hispanic ethnicity

Our home mortgage programs are experiencing high production, which is heavily supported by downpayment and closing cost loans. Ninety-seven percent of home mortgage borrowers use some type of downpayment and closing cost loan, which is comparable with other top-producing housing finance agencies nationally.

Proposal for 2019

Expected 2019 funding is $800,000,000.

With the amount of funds requested to support downpayment and closing cost loans, the 2019 home mortgage production forecast is $800 million. This is a similar level of production to what we expect to achieve in 2018, which increased from an original forecast of $630 million. If production strengthens, we will need additional funds in 2019 or program changes for downpayment and closing cost loans.

Based on resources available for new activity, we expect to finance mortgages for 4,324 households. Reducing the homeownership disparity for households of color or Hispanic ethnicity will continue to be a priority.

DEFERRED PAYMENT LOANS

We offer two downpayment and closing cost loans—Deferred Payment Loans and Monthly Payment Loans—that support homeowners receiving Start Up and Step Up first mortgage loans. For the past two years, 95-97% of our borrowers have received one of these downpayment and closing cost loans.

The Deferred Payment Loan (DPL) provides an interest-free, deferred loan for downpayment and closing costs to income-eligible first-time homebuyers purchasing a home under the Start Up program. Borrowers that receive DPL lack the necessary funds for standard mortgage downpayment and closing costs. The maximum loan amount is $10,000. The program serves lower income households than the amortizing Monthly Payment Loan (MPL) and is funded through a combination of state appropriations and Pool 3 funds.

To ensure that funds support successful homeownership, DPL requires borrowers to contribute a minimum cash investment of the lesser of one percent of the purchase price or $1,000 and have a credit score of at least 640.

Current income limits are adjusted by household size. Limits for households of one to two members are:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$68,000
Dodge and Olmstead Counties	$68,000
All Other Counties	$61,000

Current purchase price limits are:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$328,200
All Other Counties	$271,100

Program Performance and Trends

The availability of DPL is a driver of overall home mortgage production, particularly among lower-income and more targeted borrowers. In 2016, we increased the maximum DPL loan amounts slightly to reflect higher downpayment and closing costs resulting from higher home prices and sellers who are no longer willing to pay a sale’s transaction costs. The changes went into effective on June 29, 2016.

- For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:
- 2,388 loans
- $17,536,900 total loan amount
- $7,344 average loan
- A median household income of $47,708 or 59 percent of the statewide median income
- 34 percent of households were of color or Hispanic ethnicity

Proposal for 2019

Expected 2019 funding is $22,000,000.

If home mortgage demand remains very strong, additional resources may be needed to support DPL, or we will have to make program changes.

Based on resources available for new activity, we expect to support 2,675 households.

MONTHLY PAYMENT LOANS

Monthly Payment Loans (MPLs) are interest-bearing, amortizing loans that provide downpayment and closing cost funds. MPLs support our Start Up and Step Up home mortgage loan programs. Borrowers who qualify for MPLs receive up to $15,000. MPLs use Pool 2 resources have a 10-year term with an interest rate equal to that of the first mortgage.

To ensure that funds support successful homeownership, MPL requires borrowers to contribute a minimum cash investment of the lesser of one percent of the purchase price or $1,000 and have a credit score of at least 640.

Current household income limits are:

Property Location	Maximum Household Income	
	1-2 person	3 or more
Minneapolis/Saint Paul Metro Area (11-county)	$94,300	$108,400
Dodge and Olmstead Counties	$90,500	$104,000
All Other Counties	$84,200	$96,800

Current purchase price limits are:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$328,200
All Other Counties	$271,100

Program Performance and Trends

Demand for this program has remained strong since its introduction in late 2012.

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:

- 1,360 loans
- $11,174,300 total loan amount
- $8,216 average loan

- A median household income of $70,034 or 87 percent of the statewide median income
- 29 percent of households were of color or Hispanic ethnicity

Proposal for 2019

Expected 2019 funding is $18,000,000.

For 2019, we anticipate over one-third of overall home mortgage production will involve MPL, which would require $18 million for MPL. MPL production is subject to overall home mortgage production trends, the interest rate environment, the overall percentage of our borrowers who need a downpayment and closing cost loan, and program design. Given that MPL is available with both home mortgage options, the demand for MPL depends upon the demand for first mortgage loans. If home mortgage demand remains very strong, additional resources may be needed to support MPL, or we will have to make program changes.

Based on resources available for new activity, we expect to fund loans for 1,636 households.

HOMEBUYER/OWNER EDUCATION AND COUNSELING

HOMEOWNERSHIP EDUCATION, COUNSELING & TRAINING (HECAT)

The Homeownership Education, Counseling and Training (HECAT) program supports comprehensive homebuyer education and counseling, including: pre-purchase homebuyer education (Home Stretch), pre-purchase homebuyer services (financial wellness or homebuyer counseling), home equity conversion (reverse mortgage) counseling, and foreclosure prevention counseling. Besides the regular state appropriation, the Greater Minnesota Housing Fund and the Homeownership Center have historically each contributed $250,000 annually to the program, and the Family Housing Fund has contributed $150,000. We award the funds through a competitive annual Request for Proposals (RFP) process. Homebuyer education also includes Framework, an online option.

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:

- 8,268 households served through the traditional HECAT program and an additional 8,956 households through Framework
- $1,750,850 total funding
- $188 average Minnesota Housing assistance per household
- A median household income of $36,000 or 45 percent of the statewide median income
- 47 percent of households were of color or Hispanic ethnicity

Proposal for 2019

Expected 2019 funding is $1,527,000.

Based on resources available for new activity, the program will assist 19,088 households (including online Framework training).

ENHANCED HOMEOWNERSHIP CAPACITY INITIATIVE

Households of color or Hispanic ethnicity are an increasing share of the state's population, yet Minnesota's homeownership disparity (the homeownership rate differential between white/non-Hispanic households and households of color) is the fifth-highest in the nation. These households often struggle to access the mortgage market.

Homeownership Capacity has been a pilot program funded with state appropriations and Pool 3 resources that provides intensive financial education, comprehensive homebuyer/owner training, and case management services to prepare families for sustainable homeownership. It serves a range of households but has targeted efforts to reach households of color and low-to-moderate income households to increase their probability of successful homeownership.

In the most recent round of funding, thirteen organizations will provide services – nine in the Twin Cities metro, four in Greater Minnesota, and two in both areas.

Program Performance and Trends

This initiative supports new and expanded homeowner training efforts through existing organizations, which leverage funds from a number of sources.

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:

- 868 households served
- $1,108,504 total grant amount
- $1,277 average Minnesota Housing funding per household
- A median household income of $34,158 or 43 percent of the statewide median income
- 84 percent of households were of color or Hispanic ethnicity

Proposal for 2019

Expected 2019 funding is $1,250,000.

In July 2018, Minnesota Housing's Board approved the conversion of this pilot into a permanent program.

Based on the resources available for new activity, we anticipate serving approximately 1,136 households.

HOME IMPROVEMENT LENDING

HOME IMPROVEMENT LOAN PROGRAM

The Home Improvement Loan Program (including Fix Up and Community Fix Up Loans) uses Pool 2 resource to provide fully-amortizing home improvement loans to low- and moderate-income homeowners to improve the livability and energy efficiency of their homes. The Community Fix Up component is an add-on for eligible Fix Up lending partners and provides affordable financing to support community partnerships that target resources. Lending partners working with Community Fix Up are able to offer a slightly lower interest rate compared to the regular Fix Up Loan Program. Fix-Up and Community Fix Up loans are key tools for addressing the state's aging housing stock.

The program serves a broad range of incomes and promotes economic diversity in lending. With higher loan-to-value limits than traditional loan products and an unsecured loan option, borrowers are able to improve and preserve their homes when other financing options may not be available to them.

Income limit:

Property Location	Income Limit
Minneapolis/Saint Paul Metro Area (11-county)	$141,000
Dodge and Olmstead Counties	$141,000
All Other Counties	$125,900

(No Income limit for unsecured energy incentive and secured energy/accessibility loans.)

Maximum loan amount:

- $50,000 for secured loans
- $15,000 for unsecured loans and secured energy/accessibility loans.

Program Performance and Trends

For the Program Assessment period of October 1, 2016 —September 30, 2017, we reported:

- 644 loans
- $12,489,603 total loan amount
- $19,394 average loan
- A median household income of $69,732 or 87 percent of the statewide median income
- 12 percent of households were of color or Hispanic ethnicity

Loan production has leveled off in recent years. Staff completed a program evaluation and is implementing changes in the last quarter of the 2018 program year, which includes:

- Changing income limits (see above)
- Form changes
- Interest rate changes (does not apply to Energy or Accessibility loans)
- Program changes

Proposal for 2019

Expected 2019 funding is $17,000,000.

The recent program changes are designed to make the program easier for lenders to use and better meet borrowers' needs, and as a result, the projected demand for the program should increase. Staff will focus on lender training, increase outreach to new and existing lenders, and continue to promote Community Fix Up initiatives.

Based on the resources available for new activity, we anticipate serving approximately 895 households.

REHABILITATION LOAN PROGRAM (RLP)

The Rehabilitation Loan Program (RLP) provides zero-percent deferred loans to extremely-low-income homeowners at or below 30 percent of area median income (AMI) to improve the safety, livability, or energy efficiency of their homes. The homes are rehabilitated to the greatest extent practicable to meet the rehabilitation standard adopted by the Agency in 2010. Homeowners who need emergency assistance or have an essential accessibility need are referred to the Emergency & Accessibility Loan (ELP) component of the program.

A network of over 30 lender partners, such as community action agencies and local units of government, administer RLP throughout the state. The maximum 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 manufactured home park. All loans are forgiven after the loan term if the borrower does not sell, transfer title, or cease to occupy the property during the loan term.

Current income limits are adjusted by household size, from $19,900 for a single person household to $28,300 for a four-person household. Other borrower assets cannot exceed $25,000.

Maximum loan amount: $15,000 for an ELP and $27,000 for an RLP loan.

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:

- 260 loans
- $6,641,005 total loan amount
- $25,542 average loan
- A median household income of $14,286 or 18 percent of statewide median income
- 10 percent of households were of color or Hispanic ethnicity

Over the past year, staff completed a program assessment and redesigned the program to increase efficiency in program delivery and better meet the needs of our lender partners. The redesign streamlines the loan origination and review processes and increases the compensation for our lender partners. Staff also completed three in-person lender trainings and conducted outreach to current and potential new lenders to address gaps in the program's coverage.

Proposal for 2019

2019 funding is $9,494,000.

In 2019, staff will implement the program redesign, including providing training and technical assistance to lenders on the process enhancements and assessing the new redesign for further program improvements. Program staff will prioritize outreach to ensure statewide program coverage in urban, suburban and rural markets, as well as coverage to core demographics who often receive assistance, including seniors and households with a disabled member.

Based on resources available for the program, we expect to fund rehabilitation loans for approximately 352 households.

RENTAL PRODUCTION - NEW CONSTRUCTION AND REHABILITATION

MULTIFAMILY FIRST MORTGAGES

We make available Multifamily First Mortgages through our Low and Moderate Income Rental (LMIR) program and MAP (Multifamily Accelerated Processing) lending, using resources from Pool 2, Agency bond proceeds, and other mortgage capital.

Low and Moderate Income Rental (LMIR)

We have the ability to finance amortizing first mortgages. Traditionally, we have made direct loans through our Low and Moderate Income Rental Program (LMIR) using either Pool 2 resources or proceeds from the issuance of tax-exempt bonds. Direct loans are generally made under LMIR in combination with HUD's Risk Sharing Program.

The LMIR program makes interest-bearing, amortizing first mortgages available for the refinance, acquisition, rehabilitation, new construction, or conversion of rental developments that house low- and moderate-income Minnesotans. We also finance construction (bridge) loans under this program. Financing is available to housing sponsors both through the Request for Proposals (RFP) process and on a year-round pipeline basis. To enhance LMIR loans, we may also offer a companion, low- or no-interest deferred loan under the Flexible Financing for Capital Cost (FFCC) program, resulting in a lower overall interest rate on a blended basis.

Current rent restrictions: a minimum of 40 percent of units must be affordable to households with incomes at 60 percent of the area median income; or 20 percent of units must be at affordable to households with incomes at 50 percent area median income; and the balance of units may have rents at the Minnesota Housing determined "market rate."

Current tenant income restrictions: 40 percent of units must be occupied by households with incomes at 60 percent or less of the area median income; or 20 percent of units must be occupied by households with incomes at 50 percent or less of area median income; and 25 percent of units may be occupied by households with unrestricted incomes. The balance of the units may be occupied by households with incomes equal to or less than 100 percent of the area median income.

There are no set minimum or maximum loan amounts; however, due to financing costs, loans are generally not feasible with loan amounts less than $2 million on tax-exempt bond loans and $350,000 on all others.

For the past several years, the bond market has not produced attractive interest rates for long-term bonds; as a result, we have issued short-term tax-exempt bonds to finance LMIR construction (bridge) loans. Bridge loans are later paid off by permanent LMIR loans funded from Pool 2 resources, a structure that allows developments to qualify for 4 percent housing tax credits and realize the benefit of very low short-term interest rates while protecting against interest rate risk on the permanent mortgages. This structure is subject to change as directed by our finance staff (as the bond market changes).

MAP Lending

The HUD Multifamily Accelerated Processing (MAP) program provides mortgage insurance through HUD's Federal Housing Administration to facilitate new construction, rehabilitation, acquisition, and refinance of multifamily rental housing. MAP transactions are fully-insured, fully-amortizing loan products. Through a partnership with Dougherty Mortgage, we complete the loan underwriting and then assign HUD's commitment to a third party for rate lock, closing, funding, and servicing. These loans may be paired with our other loan programs.

Eligibility requirements: The development must meet the underwriting standards as prescribed by HUD, including loan-to-value requirements and debt-service-coverage ratio. The development team must also meet HUD requirements regarding experience and financial strength.

There are no set minimum or maximum loan amounts; however, due to financing costs, loans are generally not feasible in amounts of less than $1 million.

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, under LMIR, we reported:

- 10 loans for developments with 576 units
- $26,139,250 total loan amount
- $45,381 average LMIR assistance per unit
- A median household income of $25,129 or 31 percent of the statewide median income
- 53 percent of households were of color or Hispanic ethnicity

For MAP, we reported:

- 1 loan for a development with 75 units
- $2,662,000 total loan amount
- $35,493 average MAP assistance per unit

Proposal for 2019

2019 funding is $105,000,000.

To broaden the benefit and flexibility of our first mortgage programs, we have improved the program to make it more beneficial to borrowers and began exploring ways to streamline our application and review processes. We have also developed a year-round funding approach to enhance the marketing and benefit of our mortgage products. We expect to pair deferred funding sources (including FFCC, PARIF, Assets Management loans, and possibly HOME) with amortizing mortgages to support this year-round approach.

We review funding applications to determine if they would be better served as LMIR or MAP loans. For 2019, we will continue to explore and implement additional mortgage products.

We anticipate that roughly 50 percent of the permanent financing will be awarded through the RFP process and 50 percent will be awarded through year-round funding.

Based on resources available, we expect to assist up to 1,875 units under permanent LMIR financing (excluding bridge loans) and MAP lending, which would include new construction, rehabilitation, and refinancing.

FLEXIBLE FINANCING FOR CAPITAL COSTS (FFCC)

We provide Flexible Financing for Capital Costs (FFCC) deferred loans at low or no interest, using Pool 3 resources. FFCC is available only in conjunction with Agency-originated first mortgage loans for the refinance, acquisition, rehabilitation, new construction, or conversion of rental developments that house low- and moderate-income Minnesotans.

We allocate FFCC funds through the Request for Proposals (RFP) process and on a year-round pipeline basis, allowing us to act more quickly to meet the immediate needs of developments that would be unnecessarily delayed if required to wait for the next RFP.

Current rent restrictions: a minimum of 40 percent of units must be affordable to households with incomes at 60 percent of the area median income; or 20 percent of units must be at affordable to households with incomes at 50 percent area median income; and the balance of units may have rents at the Minnesota Housing determined "market rate."

Current tenant income restrictions: 40 percent of units must be occupied by households with incomes at 60 percent or less of the area median income; or 20 percent of units must be occupied by households with incomes at 50 percent or less of area median income; and 25 percent of units may be occupied by households with unrestricted incomes. The balance of the units may be occupied by households with incomes equal to or less than 100 percent of the area median income.

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

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:

- 4 FFCC loans for developments with 203 units
- $4,469,762 total loan amount
- $22,019 average FFCC assistance per unit

Proposal for 2019

Expected 2019 funding will be determined at a later date.

Because the need for FFCC is largely dependent on which develops ask for and receive a first mortgage with gap financing from us, demand for FFCC is very uncertain. Thus, we are not allocating funds to FFCC at this time. As RFP selections are made, we will transfer Pool 3 funds from the Multifamily Flexible Capital Account to FFCC. (The next program description outlines this account.)

Of the FFCC funds that will eventually be made available, we anticipate that approximately 60 percent of the funds will be awarded through the 2018 RFP and up to 40 percent will be awarded through year round pipeline.

Until we determine the amount of funds needed for FFCC, we cannot estimate the number of units that would be assisted.

MULTIFAMILY FLEXIBLE CAPITAL ACCOUNT

Our multifamily underwriting team has the difficult challenge of funding as many high-quality rental developments each year as possible with available funds and varying program restrictions. Matching the right funds to the right development to maximize the number of affordable housing opportunities is a complex process. The Multifamily Flexible Capital Account, using resources from our Housing Affordability Fund (Pool 3), allows us to fill the last funding gaps in projects to maximize production. We will use this account to fund FFCC activity, Asset Management loans, and other gaps.

Program Performance and Trends

This is not a program but a funding source typically run through the Asset Management and Flexible Financing for Capital Cost programs.

Proposal for 2019

Expected 2019 funding is $5,000,000.

Based on the resources available, we expect to fund the development or rehabilitation of about 187 units.

LOW-INCOME HOUSING TAX CREDITS (LIHTC)

Low-Income Housing Tax Credits (LIHTCs) provide federal income tax credits to owners and investors in the construction or acquisition/substantial rehabilitation of eligible rental housing. The housing must meet income and rent restrictions for a minimum of 30 years. The U.S. Department of Treasury's Internal Revenue Service (IRS) allocates 9% tax credits based upon state population and a per capita amount that increases each year with the cost of living. Syndication proceeds are the amounts of private equity invested in developments as a result of federal housing tax credits awarded and then sold to investors. The award of LIHTCs to developments is a highly competitive process, with requests far exceeding available credits.

The Minnesota Legislature designated Minnesota Housing as the primary allocating agency of LIHTC in Minnesota and qualified local cities and counties as suballocators.

We award 9% tax credits in two rounds of a competitive allocation process held each year. Round 1 is held concurrent with our Request for Proposals, and a smaller Round 2 is traditionally held early in the next calendar year. We establish a waiting list of unfunded or partially funded applications at the conclusion of Round 2.

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. Our Qualified Allocation Plan (QAP) includes selection criteria and preferences required by Section 42 and deemed appropriate to local conditions and established by us based on input from the public, partners and stakeholders.

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:

- 828 LIHTC units receiving credits
- $94,957,135 in syndication proceeds (investor equity from the sale of credits)
- $114,683 average syndication amount per unit
- A median household income of $22,682 or 28 percent of the statewide median income
- 44 percent of households were of color or Hispanic ethnicity

Proposal for 2019

Expected 2019 funding is $12,413,026 in credits, which should generate about $110,0000,000 in syndication proceeds. This year's allocation will be our largest ever, due to an additional allocation from Congress.

We expect to allocate tax credits to support 717 rental units in 2019.

NATIONAL HOUSING TRUST FUND (NHTF)

The National Housing Trust Fund (NHTF) is an affordable housing production program that complements existing Federal, State, and local efforts to increase and preserve the supply of safe, affordable housing for extremely low-income households, including families experiencing homelessness. The Fund is capitalized through contributions from the government sponsored enterprises Fannie Mae and Freddie Mac and administered by U.S. Department of Housing and Urban Development.

Current Rent Restrictions: Rents of an extremely low-income tenant shall not exceed affordability at 30 percent of AMI. HUD will publish the NHTF rent limits on an annual basis.

Current Income Restrictions: NHTF-assisted units must be occupied by households with incomes at or below 30% of the area median income (AMI).

Program Performance and Trends

The first development closed in September 2017 and supports 16 units. The second development has an anticipated closing date of late fall 2018 and will support 19 units.

Proposal for 2019

Expected 2019 funding is $3,445,781.

The program will provide financing for one to two developments that are:

- New construction,
- Acquisition with rehabilitation,
- Rehabilitation without acquisition, or
- Operating subsidies for one of the above developments that produces new units meeting the permanent supportive housing strategic priority (up to 30% of the grant)

Based on the available resources, funds are expected to support 26 units in 2019.

HOME

HOME provides deferred loans for new construction, rehabilitation or acquisition/rehabilitation of permanent affordable rental housing, including housing with state or federal project-based rental subsidies. The program is funded with federal appropriations.

We allocate HOME funds through the annual Request for Proposals (RFP) process and on a year-round pipeline basis, allowing us to act more quickly to meet the immediate needs of developments that would be adversely impacted if required to wait for the next RFP.

Tenant income limit: The U.S. Department of Housing and Urban Development (HUD) annually sets limits for the HOME program.

Rent limits: HUD annually sets limits for the HOME program.

Maximum assistance amount: HUD annually sets the maximum per-unit subsidy.

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:

- 2 loans for developments with 110 units
- $4,403,000 total loan amount
- $37,000 average HOME assistance per unit

- A median household income of $19,083 or 24 percent of the statewide median income
- 42 percent of households were of color or Hispanic ethnicity

This program is a critical tool in the long-term preservation of expiring project-based Section 8 contracts, as well as other project-based assisted housing.

Proposal for 2019

Expected 2019 funding is $11,885,573

In 2019, HOME funds will be used to support either new construction or rehabilitation needs. We anticipate assisting about 85 rent units.

PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF)

PARIF provides loans to fund the preservation of: 1) permanent affordable rental housing with federal project-based federal rent subsidies that are in jeopardy of being lost, and 2) existing supportive housing developments. Eligible activities under PARIF include rehabilitation, acquisition and rehabilitation, and debt restructuring.

We allocate PARIF funds, which are state appropriations, through our annual Request for Proposals (RFP) process and on a year-round pipeline basis, allowing us to act more quickly to meet the immediate needs of developments that would be adversely impacted if required to wait for the next RFP.

Tenant income limit: PARIF is subject to the federal guidelines for the units being preserved.

Maximum assistance amount: None

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:

- 11 loans for developments with 688 units
- $9,916,531 total loan amount
- $14,414 average PARIF assistance per unit
- A median household income of $17,826 or 22 percent of the statewide median income
- 44 percent of households were of color or Hispanic ethnicity

This program is a critical tool in the long-term preservation of expiring project-based Section 8 contracts, properties with Rural Development rental assistance, and other project-based federally assisted housing.

Proposal for 2019

Expected 2019 funding is $17,782,453.

We anticipate that approximately 80 percent of the funds will be awarded through the 2018 RFP and up to 20 percent will be awarded through the year-round pipeline.

Based on resources available for new activity, we expect to fund 445 units.

ASSET MANAGEMENT

Under the Asset Management program, resources are available on a pipeline basis to fund deferred maintenance, capital improvements, or acquisition or to buy out partners. Eligible properties include those with financing from Minnesota Housing, including those with existing affordability restrictions or rental assistance contracts administered by Minnesota Housing. Because we prioritize properties already in Minnesota Housing's portfolio, referrals primarily come from Minnesota Housing's asset management and compliance staff.

Under the Asset Management program, we can provide a range of loan types, including interest-bearing, non-interest bearing, amortizing, and/or deferred loans.

Owners receiving funds under this program must agree to extend affordability restrictions to be coterminous with the new loan.

Funding for Asset Management comes from two sources: (1) Financing Adjustment Factor (FAF)/Financing Adjustment (FA), and (2) Pool 3. FAF/FA are federal funds and come from a financing agreement between the U.S. Department of Housing and Urban Development (HUD) and Minnesota Housing.

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, we provided asset management assistance for no developments. The program was inactive during this time, with staff preparing new guidelines and considerations.

Proposal for 2019

We expect to make available $5,500,000 in FA/FAF funds to support 183 units. As needed, we will also transfer available Pool 3 funds from the Multifamily Flexible Capital Account to the Asset Management to assist additional rental units. The amount that we will transfer and the number of additional units that would be assisted are unknown at this time.

RENTAL REHABILITATION DEFERRED LOAN PILOT PROGRAM (RRDL)

RRDL provides deferred loans at no interest to individuals, developers, nonprofits, units of government, and tribal housing corporations for the moderate rehabilitation of existing affordable rental housing throughout Greater Minnesota. The program is funded with state appropriations and designed to serve owners of smaller federally-assisted properties or naturally affordable properties that do not apply or would not be competitive in our regular Consolidated Request for Proposals process.

Program funds are available through a network of local administrators. For developments located in areas of the state that are not represented by a local program administrator, owners may apply directly to Minnesota Housing for RRDL funds as a project-specific applicant. Loan terms range from 10 to 30 years depending on the loan amount. Buildings that contain 1-4 units may apply for loans up to $100,000 and these loans are 100% forgivable. Properties containing five or more units, may apply for loans where 10 percent of the loan amount is forgiven after the loan term has been met.

Current tenant income limit: 80 percent of the greater of the statewide or area median income (AMI) for a family of four, not adjusted for family size.

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

Program Performance and Trends

RRDL continues to not reach as many naturally affordable properties as intended, especially properties with

1-4 units. As we move into the 2019 AHP, staff are refining potential program changes and improvements, with the ultimate goal of serving more renter households, strengthen the delivery network, as well as streamline the application and underwriting processes.

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:

- 2 loans for developments with 48 units
- $574,517 total loan amount
- $11,969 average RRDL assistance per unit
- A median household income of $19,028 or 24 percent of the statewide median income
- 20 percent of households were color or Hispanic ethnicity

Proposal for 2019

Expected 2019 funding is $9,735,313.

We typically run the Request for Proposal (RFP) process for RRDL every other year. After the program changes have been refined and approved, agency staff will carry out an RFP for RRDL funds.

Based on resources available, we expect to finance 649 units.

PUBLICLY OWNED HOUSING PROGRAM (POHP)

Through the Publicly Owned Housing Program (POHP), we provide deferred, forgivable loans at no interest to eligible public housing authorities or housing and redevelopment authorities to preserve/rehabilitate properties that they own and operate under HUD's Public Housing program. Funds are from the proceeds of state General Obligation Bonds and can be used only for eligible capital costs of a non-recurring nature that add value or life to the buildings.

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:

- 13 loans for developments with 917 units
- $5,251,450 total loan amount
- $5,727 average POHP assistance per unit
- A median household income of $13,700 or 17 percent of the statewide median
- 21 percent of households were of color or Hispanic ethnicity

Proposal for 2019

Expected 2019 funding is $9,231,696.

The tentative RFP schedule for POHP has applications due in December 2018 and funding recommendations going to our Board in April or May 2019.

Based on resources available for new activity, we expect to rehabilitate 1,154 units.

GREATER MINNESOTA WORKFORCE HOUSING DEVELOPMENT PROGRAM

This competitive funding program targets small to mid-size cities in Greater Minnesota with rental workforce housing needs. Funds may be used for qualified expenditure resulting in the direct development of rental properties, including: (1) acquisition of a property, (2) construction or improvements, or (3) provision of loans or subsidies, grants, interest rate subsidies, public infrastructure, and related financing costs. Funds target housing proposals with the greatest proportion of market rate units, but can be used to fund housing with rent and income restrictions imposed by other funding sources. There is also a funding priority to communities with 30,000 or fewer residents.

Funding is available under a stand-alone request for proposals (RFP). Proposals are ranked and scored according the Workforce Housing Development program statute. Proposed project rents are evaluated against the current and projected jobs and wages within the community. This program furthers Minnesota Housing's strategic priority of addressing specific and critical local housing needs by working with communities in Greater Minnesota that have a demand for workforce rental housing. Funding is solely from state appropriations.

Program Performance and Trends

In the first year of operation, we projected deploying $2,000,000 in funds for the development of approximately 80 units of housing. We selected five projects totaling $2,073,000 and 191 new units of rental housing throughout Greater Minnesota.

Proposal for 2019

Expected 2019 funding is $1,927,000.

Based on resources and past program performance, we expect the funds to support the development of 80 units of new rental housing in Greater Minnesota.

RENTAL ASSISTANCE CONTRACT ADMINISTRATION

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 and 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 contract rent of assisted units.

Under an agreement with HUD that has been extended several times, we administer existing Section 8 contracts for affordable rental units that were not part of our Section 8 Traditional Contract Administration (TCA) first mortgage portfolio as a Performance Based Contract Administrator. Our primary responsibilities under PBCA are performing management and occupancy reviews, processing contract renewals and annual rent adjustments, processing monthly payment vouchers, responding to tenant concerns, and following up on Real Estate Assessment Center physical inspections. These activities assist 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, 2016 – September 30, 2017, we reported:

- 21,443 households assisted
- $137,065,490 in Housing Assistance Payments (HAP)
- $6,392 average (HAP) assistance per household
- A median household income of $12,000 or 15 percent of the statewide median income
- 39 percent of households were of color or Hispanic ethnicity

The geographic distribution of developments is important in understanding differences in assistance (and tenants assisted) between PBCA and TCA. A greater proportion of PBCA units are located in the Twin Cities Metropolitan Area than TCA units.

Proposal for 2019

Expected 2019 funding is $141,460,000.

Our current agreement with HUD extends through December 31, 2018, and we expect information on a new invitation to bid or an additional contract extension by year's end. We currently manage 406 PBCA contracts under this agreement. PBCA revenue earned through administration of the contracts pays 100 percent of the cost of administering the program.

Since 2007, about 100 TCA contracts have transitioned to PBCA. Funding levels will continue to change as Section 8 contracts transition from the TCA portfolio to PBCA, per HUD's instruction. Because PBCA outlays are based in part on the number of assisted units in the portfolio, outlays will increase as the portfolio increases. The transition from TCA to PBCA has been mitigated a little. For budget reasons, HUD is taking over the administration of 24 Section 8 properties, rather than adding them to our PBCA portfolio. These units will continue to receive assistance, but not from us.

We expect to assist an estimated 21,763 units under PBCA.

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 and 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 contract rent of assisted units.

We provided permanent mortgage financing for more than 235 Section 8 Traditional Contract Administration (TCA) properties developed from 1975 to the mid-1980s. We currently manage 121 of these TCA contracts. Our primary responsibilities under Section 8 TCA are to perform asset management functions, including carrying out management and occupancy reviews, processing contract renewals and annual rent adjustments, processing monthly payment vouchers, and responding to tenant concerns. These activities assist us in identifying and planning for the preservation needs of developments with Section 8 assistance.

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:

- 8,948 households assisted
- $51,524,013 in Housing Assistance Payments (HAP)
- $5,758 average HAP assistance per household
- A median household income of $12,603 or 16 percent of the statewide median income
- 29 percent of households were of color or Hispanic ethnicity

Geographic distribution of developments is important in understanding differences in assistance (and tenants assisted) between PBCA and TCA. A greater proportion of PBCA units are located in the Twin Cities Metropolitan Area than TCA units.

Funding levels will change as Section 8 contracts transition from the TCA portfolio to PBCA, per HUD's instruction.

Proposal for 2019

Expected 2019 funding is $37,350,000.

We expect to assist an estimated 6,496 units under TCA.

HOUSING STABILITY FOR VULNERABLE POPULATIONS

HOUSING TRUST FUND (HTF)

Historically, funding for the HTF has been used to fund capital, rental assistance, and operating subsidy expenses. In recent years, we have used HTF state appropriations for rental assistance and some operating subsidies. HTF serves low-income families and individuals who are near-homeless, homeless, or long-term homeless.

Current tenant income limit: 60 percent of the area median income (AMI) for the Minneapolis/Saint Paul metro region, with priority for proposals at 30 percent of AMI and proposals to serve the long-term homeless.

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:

- 1,674 households assisted
- $9,266,305 in total disbursements
- $7,402 average HTF assistance per household
- A median household income of $9,186 or 11 percent of the statewide median income
- 65 percent of households were of color or Hispanic ethnicity

Proposal for 2019

Minnesota Housing typically provides HTF rental assistance and operating subsidies under two-year contracts with local administrators, and 2019 is a contract year. For rent assistance, we will enter into new two-year contracts. For operating subsidies, we will fund a one-year extension of current grants in order to change the timeline of the Request for Proposals (RFP) and complete an evaluation of the program. After the timeline change, the RFPs for rent assistance and operating subsidies will be in alternating years, not the same year.

We expect to make available $27,390,000 for the new contracts, which annualizes to $15,495,00 of assistance in 2019. All of the funding for operating subsidies is for 2019.

The rental assistance contracts will include the Step Down pilot, which helps households, who need a lower-level of support, move from supportive housing units with high service levels to scattered site units with rental assistance and lower-intensity supportive services. The "step down" transition will make the more intensive supportive housing units available for new households that need the higher level of support.

We will also make available $500,000 for rental assistance that will be combined with funds from Margaret A. Cargill Philanthropies for a pilot program to serve homeless youth in northwestern Minnesota.

Based on resources available in 2019, we expect to provide rental assistance for an estimated 2,006 households through the core contracts and the pilots and assist 894 units through operating subsidies.

BRIDGES

Bridges is a state-funded rental assistance program for people with a serious mental illness. The goal of Bridges is to assist individuals so they can live in integrated settings in their communities until a permanent housing subsidy is available. Bridges operates in selected counties throughout the state and is administered through local housing organizations. The Minnesota Department of Human Services and Minnesota Housing collaborate in the administration of this program.

Tenants are responsible for a portion of the rent, which is generally equal to 30 percent of their income. Participants are required to be on a waiting list or eligible for a permanent rent subsidy, such as a Section 8 Housing Choice Voucher.

Bridges is a major component of Minnesota Housing's contribution to achieving the goals of Minnesota's Olmstead Plan, as well as a significant part of the state's Plan to Prevent and End Homelessness. In 2015, the program started prioritizing households with:

- Persons residing in an institution or other segregated setting who will be homeless upon discharge.
- Persons experiencing homelessness for one year or more, or multiple times in the last three years.
- People experiencing or at imminent risk of homelessness.

Current tenant income limit: 50 percent of area median income.

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:

- 882 households assisted
- $4,167,435 in total disbursements
- $6,271 average Bridges assistance per household
- A median household income of $9,644 or 12 percent of the statewide median income
- 31 percent of households were color or Hispanic ethnicity

Proposal for 2019

Bridges funds rent assistance under two-year contracts with local administrators. Minnesota Housing funded the most recent contracts in the 2017 AHP, and 2019 is a contract year.

We expect to make available $9,193,270 for the new two-year contracts, which annualizes to $4,596,635 of assistance in 2019.

Based on the resources available in 2019, we expect to assist an estimated 888 households.

SECTION 811 SUPPORTIVE HOUSING PROGRAM

Section 811 is a federal program under which the U.S. Department of Housing and Urban Development (HUD) has provided funding to states for project-based rental assistance to create integrated, cost-effective supportive housing units for people with disabilities. The goals of the program are to:

- Increase housing opportunities for people with disabilities,
- Transition people with disabilities from institutions to community-based settings,
- Reduce public costs of homelessness and institutional care,
- Create a centralized outreach and referral system, and
- Develop new service linkages.

We implement the program in partnership with the Minnesota Department of Human Services (DHS). DHS staff coordinates all outreach, screening, and referrals for 811 units and works with property owners to ensure support services are offered to tenants.

Eligible applicants for Minnesota's allocation of 811 funding include private and public owners of multifamily housing. The project-based rent assistance covers the difference between the tenant's payment and the approved gross rent.

Eligible tenants include extremely low-income households with one or more disabled members, who are either participating in the Minnesota Department of Human Services' Money Follows the Person demonstration program or are experiencing long-term homelessness.

The Section 811 program is a key tool for achieving the goals of the Olmstead Plan to provide integrated housing options for people with disabilities. It is a unique opportunity to expand supportive housing for people with disabilities and leverage Medicaid resources for services.

The state will enter into contracts with selected owners for a minimum of 20 years, with initial funding for a period of five years. Funding beyond the first five years is subject to federal appropriations. A small portion of the grant is used to pay for administrative expenses.

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:

- 71 households assisted
- $362,022 in total disbursements
- $5,099 average Section 811 assistance per household
- A median household income of $8,070 or 10 percent of the statewide median income
- 55 percent of households were of color or Hispanic ethnicity

HUD initially awarded Minnesota $3 million for up to 85 units of project-based rental assistance. We have awarded all of this funding for 84 project-based rental assistance subsidies (one unit less than the original goal of 85 units). Lease up of 811 units began in early 2016 with 71 households in housing by the end of June 2017.

In 2015, we received a second round of funding for an additional 75 units, which were awarded to existing or new properties through the Multifamily Consolidated RFP process. We selected nine properties with 48 units for the 811 program in the 2015 and 2016 RFPs, and the remaining 27 units were awarded in the 2017 funding rounds.

Proposal for 2019

The Section 811 funds spread over five years will support $1.2 million of annual activity. We expect to disburse about $912,000 in 2019 and support roughly 127 households, with lease up is still occurring.

FAMILY HOMELESS PREVENTION AND ASSISTANCE PROGRAM (FHPAP)

Under FHPAP, we assist families with children, unaccompanied youth, and single adults who are homeless or are at imminent risk of homelessness. Funds are used for a broad range of purposes aimed at preventing homelessness, shortening the length of stay in emergency shelters, eliminating repeat episodes of homelessness, and assisting individuals and families experiencing homelessness to secure permanent affordable housing.

FHPAP assists extremely low-income people primarily through short-term rent assistance (limited to 24 months but typically less than three months), security deposits, utilities and transportation assistance, and case management services. FHPAP grants also encourage and support innovations at the county, region, or local level for a more seamless and comprehensive homelessness response system.

Grant funds are awarded through a competitive Request for Proposals process. In the seven-county Twin Cities metro area, only counties are eligible to apply for funding. In Greater Minnesota, eligible applicants include counties, groups of contiguous counties acting together, or community-based nonprofit organizations or tribal nations.

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:

- 6,914 households assisted
- $8,667,049 in total disbursements
- $1,254 average FHPAP assistance per household
- A median household income of $12,000 or 15 percent of the statewide median income
- 59 percent of households were of color or Hispanic ethnicity

The total number of households served has declined over the past few years because the program has targeted assistance to households with higher needs and utilized rapid rehousing as a strategy. Rapid rehousing provides short term rental assistance, housing case management and housing navigation services.

As of the end of state fiscal year 2017, 44 percent of funds allocated to providers were used for direct cash assistance including rent and mortgage assistance, security deposits, and transportation and utility assistance; 48 percent of funds were used for support services; and 8 percent of funds were used for program administration.

Available data, collected through Minnesota's Homeless Management Information System (HMIS), indicate that only 6 percent of assisted households returned to shelter within one year of exiting the program. HMIS also tracks the percentage of households stably housed at program exit.

Percentage of FHPAP Households Stably Housed At Exit

Biennium	% Stably Housed at Exit
2016-17	80%
2014-15	77%
2012-13	78%
2010-11	78%

Proposal for 2019

FHPAP also operates under two-year contracts with local administrators, and 2019 is a contract year.

We expect to make available $17,070,286 for the new two-year contracts, which annualizes to $8,688,476 of assistance in 2019.

Based on resources available in 2019, we expect to assist an estimated 6,935 households.

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS (HOPWA)

The Housing Opportunities for Persons with AIDS (HOPWA) program provides grants for housing assistance and services (including short-term rent, mortgage, and utility assistance) for people with Acquired Immune Deficiency Syndrome (AIDS), HIV-positive status, or related diseases and their families. The U.S. Department of Housing and

Urban Development (HUD) allocates formula funds to local jurisdictions based on the number of individuals living with HIV or AIDS. The City of Minneapolis receives and administers a direct award for the 13-county Minneapolis/Saint Paul Metropolitan Statistical Area. We receive a direct award for the portion of the state not covered by the City of Minneapolis grant and contract with the Minnesota AIDS Project to administer these funds.

Current tenant income limit: 80 percent of area median income, adjusted for family size.

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:

- 178 households assisted in 50 counties
- $154,842 of assistance disbursed
- $870 average HOPWA assistance per household
- A median household income of $17,344 or 22 percent of the statewide median income
- 46 percent of households were of color or Hispanic ethnicity

Proposal for 2019

Expected 2019 funding is $198,445.

Based on resources available for new activity, we expect to assist an estimated 209 households.

MULTIPLE USE RESOURCES

ECONOMIC DEVELOPMENT AND HOUSING/CHALLENGE (EDHC) – REGULAR

Under the Economic Development and Housing/Challenge Program (EDHC), we provide grants or deferred loans for construction, acquisition, rehabilitation, interest rate reduction, interim or permanent financing, refinancing, and gap funding. Funds are used to support economic and community development within an area by meeting locally identified housing needs for either renter or owner-occupied housing.

Our Multifamily and Single Family divisions allocate these resources to proposals submitted through competitive Request for Proposals (RFP) processes. Staff evaluate proposals according to EDHC selection standards and our strategic priorities. RFP funding for single family housing is available under the Community Homeownership Impact Fund ("Impact Fund"), which is the umbrella program for EDHC and interim construction financing for homeownership activities.

We make EDHC loans and grants 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.

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

Maximum loan amount: None beyond funding availability.

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:

Multifamily EDHC

- 7 loans to developments with 255 units
- $16,877,296 total loan amount
- $66,185 average EDHC assistance per unit
- A median household of $21,413 or 27 percent of the statewide median income
- 70 percent of households were of color or Hispanic ethnicity

Single Family EDHC – Impact Fund

- 275 loans
- $5,651,266 total loan/grant amount
- $20,550 average EDHC assistance per home
- A median household income of $40,280 or 50 percent of statewide median income
- 45 percent of households were of color or Hispanic ethnicity

Proposal for 2019

Expected 2019 funding is $16,601,481.

We will allocate funds through our 2018 Single Family and Multifamily RFPs, with any remaining funds made available on a pipeline basis in multifamily and through an incentive fund in Single Family.

Based on resources available for new activity, we expect to fund an estimated 561 units.

SINGLE FAMILY INTERIM LENDING

Single Family Interim Lending provides loans, most often to smaller nonprofit organizations, to acquire, rehabilitate, demolish, or construct owner-occupied housing under the Community Homeownership Impact Fund program. The homes are then sold to households with incomes at or below 115% of the area median income (AMI). Interim loans are financed with Agency resources and have a term of 26 months. Funds are awarded annually through the Single Family Request for Proposals process in accordance with our mission and priorities. While two-thirds of the units supported in the past year have been affordable to households with incomes at or below 80 percent AMI, the ongoing need for workforce housing may mean that a greater portion of units supported in the coming year will serve households with incomes between 80 percent and 115 percent of AMI.

Program Performance and Trends

Performance data on interim lending are reported under the Community Homeownership Impact Fund in the EDHC program. The Impact Fund is the umbrella program under which we deliver the Economic Development and Housing/Challenge program and interim construction financing, primarily for single family owner-occupied housing.

Proposal for 2019

Expected 2019 funding is $1,900,000.

For 2019, Single Family Interim Lending will be funded through both interest-earning Pool 2 resources and interest-free Pool 3 resources, enabling the Agency to maximize returns on Pool 2 investments while still meeting the mission-oriented need of supporting the development of single family homes that are affordable.

Based on resources available for new activity, we anticipate making interim or construction loans to administrators for approximately 19 housing units.

HOUSING INFRASTRUCTURE BONDS (HIBS)

We have allocated Housing Infrastructure Bond (HIB) proceeds for the following project types:

- The acquisition, construction, or rehabilitation of affordable permanent supportive housing. Funding priority is given to housing proposals that serve households experiencing long-term homelessness and households at risk of becoming homeless;
- The preservation of existing federally subsidized rental housing by funding acquisition, rehabilitation, and refinancing; and
- The acquisition of land by community land trusts and used for affordable single-family homeownership opportunities.

In its 2018 session, the Legislature added two new uses for HIB proceeds: (1) senior housing, and (2) improvements and infrastructure for manufactured home parks. They also placed an emphasis on supportive housing for people with behavioral health needs.

HIB funds are allocated through the annual multifamily and single-family Request for Proposal (RFP). HIBs can be issued as governmental, 501c3, and private activity bonds. If the bonds are issued as private activity bonds, applicants also may access 4% housing tax credits. HIB proceeds are provided as deferred, no interest loans.

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

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported two supportive housing developments:

- 103 units
- $12,178,056 total loan amount
- $118,234 average HIB assistance per unit
- A median household income of $9,688 or 12 percent of the statewide median income
- 50 percent of households were of color or Hispanic ethnicity

We financed one preservation project:

- 75 units
- $3,134,528 total loan amount
- $41,794 average HIB assistance per unit
- A median household income of $15,211 or 19 percent of the statewide median income
- 50 percent of households were of color or Hispanic ethnicity

We financed land acquisition by community land trusts:

- 14 homes
- $383,821 total grant amount
- $27,416 average HIB assistance per unit
- A median household income of $38,838 or 48 percent of the statewide median income
- 29 percent of households were of color or Hispanic ethnicity

Proposal for 2019

The Legislature provided $80 million of HIB funding in their 2018 bonding bill, with up to $30 million set aside for supportive housing for people with behavioral health needs. We plan to commit these funds and some uncommitted funds from previous bonding bills under the 2019 and 2020 AHPs. After this fall's RFP selections, future funding rounds will include senior and manufactured housing projects.

For 2019, we are budgeting up to $60,000,000 in HIB resources, and with the new uses, we will reserve the remaining funds for the following year. We estimate that the 2019 funds will support the development or rehabilitation of about 551 units.

Overall, we expect to allocate approximately 95% of the funds through the RFP, with the remaining amount available for funding modifications.

COMMUNITY OWNED MANUFACTURED HOME PARKS

We are a participating lender investing in loans made by Resident Owned Capital, LLC (ROC-USA), a national nonprofit. ROC-USA lends to resident manufactured home cooperatives to enable them to purchase, own, and manage the parks that they occupy. ROC-USA acts as a lead lender and is responsible for loan servicing and loan origination and takes a lead role in due diligence review. In addition, ROC-USA contracts with Northcountry Cooperative Foundation (NCF), a local nonprofit, to engage cooperatives in development activities, such as organizing the cooperative entity and contracting for third party reports. NCF is retained after closing to provide ongoing technical assistance to the cooperative.

Program Performance and Trends

The program had no activity in 2017.

Proposal for 2019

Expected 2019 funding is $2,000,000.

Based on resources available, we estimate being able to support about 133 homes in manufactured home parks.

TECHNICAL ASSISTANCE AND OPERATING SUPPORT

The Technical Assistance and Operating Support program provides grants that enhance the ability of housing and community development organizations to meet Minnesota's affordable housing needs. This program supports all our strategic priorities by:

- Providing resources for the state's homeless response system – including the state's Homeless Management Information System, the regional Continuum of Care's homelessness assistance planning, and coordinated entry;
- Providing grants to specific organizations – including the Homeownership Center for its statewide counseling network and HousingLink for its statewide affordable housing website; and
- Supporting capacity building programs and initiatives – including the Capacity Building Initiative, Community Developer Capacity, and the Capacity Building Intermediary program.

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, we funded $1,310,119 of activity under this program.

Proposal for 2019

Expected 2019 funding is $2,525,000.

STRATEGIC INVESTMENTS/LOANS

Periodically, we have the opportunity to make strategic investments/loans with Pool 2 resources or other mortgage capital to help address an affordable housing issue. For example, in 2017, we committed up to $5 million to help fund an initiative through the Greater Minnesota Housing Fund to preserve naturally-occurring affordable housing. In 2018, we provided Twin Cities Habitat for Humanity with a $25 million line of credit to expand their business model. These investment opportunities and initiatives are not always known when the Affordable Housing Plan is developed, but we want to have the ability to respond quickly when good opportunities arise.

Under this activity, we will have the authority to make these investments/loans, but only after the Minnesota Housing Board of Directors has received a briefing on the parameters governing the initiative. While the precise details of the initiative may not be completely fleshed out at the time of the briefing, it will provide the Board with information on the purpose, nature, and scope of the investment/loan. This will give us the flexibility to work out the final details and act quickly.

Program Performance and Trends

In 2017, we budgeted up to $10 million for an investment in a fund to preserve naturally-occurring affordable housing. We ended up committing up to $5 million.

Proposal for 2019

The type and size of these of these investments/loans will be determined as opportunities arise. At this time, we do not have an estimate of the amount that we will potentially invest.

STRATEGIC PRIORITY CONTINGENCY FUND

During any given year, we anticipate that some programs are likely to need additional resources. To be nimbler and more responsive, we set aside contingency funds from Pool 3 to meet unexpected needs. As needed, we transfer these funds to those programs.

Proposal for 2019

Expected 2019 funding is $2,000,000.

OTHER

MANUFACTURED HOME RELOCATION TRUST FUND

The Manufactured Home Relocation Trust Fund requires owners of manufactured home parks to pay $15 per licensed lot into a Trust Fund each year if the fund's balance is below $1,000,000. The park owner is authorized to collect funds from each manufactured homeowner either monthly or in a lump sum that is paid to Minnesota Management and Budget for deposit into the Trust Fund. The Trust Fund is available to homeowners who must relocate because the park they live in is being closed.

The statute sets out a process for determining the amount of money for which a homeowner is eligible for either moving or selling their home. Minnesota Management and Budget collects the assessment, and we make payments to homeowners, with claims overseen by an appointed neutral third party, for eligible costs.

Program Performance and Trends

State law suspends collection of the fee if the balance in the account is equal to or exceeds $1 million. Due to significant payments from the trust fund in 2017, the balance in the fund is below the $1 million required to trigger collection of fees.

For the Program Assessment period of October 1, 2016 – September 30, 2017, we reported:

- 101 households assisted
- $995,450 total disbursements
- $9,856 average assistance per household

Proposal for 2019

The 2019 available funds are expected to be $621,178.

FLOOD DISASTER

Disaster response programs provide funding for the repair or replacement of renter or owner-occupied housing damaged by natural disasters such as flood or tornado. We distribute these funds through the Quick Start Disaster Recovery program for single family properties and also assist in repairing damaged rental buildings, providing relocation services to renters displaced or homeless due to disasters, building organizational capacity to respond to disasters, and covering administrative costs related to disaster outreach.

Funds are typically delivered through administrators under contract to deliver ongoing Agency programs for the areas impacted by a disaster. These include administrators for the Single Family Rehabilitation Loan Program, the Multifamily Rental Rehabilitation Deferred Loan Program (RRDL), and the Family Homeless Prevention and Assistance Program (FHPAP).

Quick Start provides homeowners and smaller rental property owners with deferred loans at no interest for repair costs that are not covered by federal assistance or insurance proceeds. The loan is forgiven if the homeowner remains in the property for 10 years, or for rental properties, if property owners keep rents affordable for 10 years. There are no income limits under Quick Start.

Program Performance and Trends

Typically, activities have been funded by special appropriations from the Minnesota Legislature following a federal disaster declaration and determination of the level of available federal funding from the Federal Emergency Management Agency and the Small Business Administration. State appropriations have ranged from $1,000,000 for the May 2011 Minneapolis tornado to $12,720,000 for the August 2012 flooding in northeast Minnesota.

For the program assessment period October 1, 2016 – September 30, 2017, we did not fund any loans under this program.

Proposal for 2019

Typically, the Minnesota Legislature appropriates funds following the declaration of a disaster.

DISASTER RELIEF CONTINGENCY FUND

The Minnesota Legislature established this fund in 2001 as the account into which we deposit all repayments of previously made disaster relief loans or grants. Funds deposited in this account are used to assist with rehabilitation or replacement of housing that is damaged by a natural disaster in areas covered by a presidential declaration of disaster. Funding also may be used for capacity building grants for disaster response and flood insurance payments.

The terms and conditions under which the funds are made available are at the sole discretion of Minnesota Housing. Eligible uses of funds have included writing down the interest rate on Home Improvement Loans and activating the Quick Start Disaster Recovery program.

Program Performance and Trends

For the Program Assessment period of October 1, 2016 – September 30, 2017, we funded 30 loans for $401,316.

Proposal for 2019

Expected 2019 funding is $1,747,054.