Planning Affordable Housing Activities

Affordable Housing Plan

October 2018–September 2019

MINNESOTA HOUSING

CONTENTS

SUMMARY:
2019 AT A GLANCE

We are creating a prosperous Minnesota, where people succeed and communities thrive. Housing plays a critical role in this future because *housing is the foundation for success.*

When homes are safe, stable, and affordable, Minnesotans have positive outcomes in employment, school, health and other areas of life. However, we have a lot of work to do because about 550,000 Minnesota households, roughly 1 in 4, are cost burdened, paying more than 30 percent of their income on housing.[1]

In 2019, we will complete the last year of our 2016-19 Strategic Plan. The four years have been successful. We are currently on track by the end of the 2019 program year to:

- Serve about 175,000 Minnesota households;
- Increase our annual mortgage lending from 4,089 to 4,324 loans;
- Increase our annual lending to first-time homebuyers of color from 1,141 to 1,286 loans;
- Finance the construction of 4,200 new rental units;
- Rehabilitate 17,488 owner-occupied and rental homes;

- Retain 99 percent of the state's 37,000 units with federal project-based rent assistance;
- Reduce homelessness by 8 percent (the reduction in the three most recent years);
- Address several other critical housing issues, including manufactured and senior housing;
- Finance the development of workforce housing in Greater Minnesota;
- Sponsor several broad-based collaborations, including the Governor's Task Force on Housing, the Interagency Council on Homelessness, the Olmstead subcabinet; and
- Make significant internal process improvements in both the single-family and multifamily areas.

This coming year will be the capstone for our 2016-19 Strategic Plan. We have our largest one-year program investment plan ever, over $1.3 billion, and will serve over 69,000 Minnesota households.

In 2019, we plan to:

- Operate an $800 million home mortgage program. In 2018, we originally forecasted $630 million of lending activity. However, through program adjustments, effective implementation, and outreach, we significantly increased it to about $800 million. We expect to reach a similar level in 2019 and serve 4,324 borrowers.
- Maintain 35 percent of our first-time homebuyer mortgages going to households of color. In the overall Minnesota mortgage industry, only 14 percent of all home-purchase mortgages go to households of color.
- Award over $200 million for rental development and rehabilitation ($180 million from the rental production program and additional funds from the multiple-use-resource programs). We expect to finance the development and rehabilitation of about 4,062 rental units.
- Continue implementing the state's Plan to Prevent and End Homelessness and the Olmstead Plan (an interagency effort to provide people with disabilities the choice and opportunity to live, learn, work, and enjoy life in integrated settings in the community).

The year will also be a time for transition and planning. We will:

- Have a new Governor,
- Develop our 2020-2023 Strategic Plan, and
- Review and assess the recommendations of the Governor's Task Force on Housing, identifying ones we can incorporate into our work.

As we complete the 2016-19 Strategic Plan, we will take stock of where we are, look to the future, and plan our next steps.

TABLE 1: FUNDING BY ACTIVITY

Program Category	Original 2018 AHP	2019 AHP
Homebuyer Financing and Home Refinancing	$663,000,000	$840,000,000
Homebuyer/Owner Education and Counseling	$2,802,000	$2,777,000
Home Improvement Lending	$24,794,000	$26,494,000
Rental Production - New Construction and Rehabilitation	$135,654,833	$179,920,842
Rental Assistance Contract Administration	$189,555,000	$178,810,000
Housing Stability for Vulnerable Populations	$32,539,903	$29,870,556
Multiple Use Resources	$76,678,015	$85,026,481
Other	$1,960,314	$2,368,232
Total	**$1,126,984,065**	**$1,345,267,111**

CHAPTER 1: HOME AND A PROSPEROUS MINNESOTA

We are building a better Minnesota, where people flourish, children succeed in school, and communities thrive.

We are fortunate to already have committed partners, and we call on others – individuals, community groups, faith-based organizations, businesses, and government – to engage on this community-wide effort to build a stronger foundation for success.

Our prosperity and future depend on:

All Minnesotans living in a safe, stable home they can afford in a community of their choice.

With safe, stable homes that are affordable:

- Newly hired workers will find a place to live, allowing economic expansion to continue;
- Day care providers and teachers will live in homes near work, reducing their commute time and making it easier to care for and teach our children;
- Children experiencing housing instability and frequent moves will achieve stability and regularly attend school, making class room instruction more consistent for all our students;
- Family and friends struggling with chemical dependency or a mental illness will have a stable place to call home, allowing them to focus on their treatment;
- Young families will find homes to buy, allowing them to achieve the benefits of homeownership; and
- Seniors will be able to make home modifications and arrange for in-home services, allowing them to age in place and stay near family.

To build a prosperous Minnesota for everyone, we are committed to collaborating with individuals, communities and partners to create, preserve and finance affordable housing.

The Governor's Task Force on Housing recently issued a report with recommendations for creating a prosperous Minnesota. The Task Force was a statewide, multisector planning effort involving representatives from private businesses, nonprofit organizations, and government. Minnesota Housing fully supported the Task Force and served as a lead sponsor. In 2019, as we develop our 2020-23 Strategic Plan, we will leverage the work of the Task Force and incorporate applicable recommendations into our work. In the meantime, we will finish the 2016-19 Strategic Plan with a strong 2019 Affordable Housing Plan (AHP), which serves as our annual business plan, allocating existing resources and laying out program and policy initiatives for the year.


LAKEGIRL

CHAPTER 2:
OUR APPROACH

In our 2016-19 Strategic Plan, we created the big, audacious goal of "All Minnesotans living in a safe, stable home they can afford in a community of their choice."

With 550,000 Minnesota households cost burdened by their housing payments, we still have a lot of work to do. On the positive side, 2019 will be a strong conclusion to a successful strategic plan. We will continue to make significant advancements in each of our core activities and strategic priorities.

The work of Minnesota Housing and its partners is extensive, reaching all four corners of the state and serving the full continuum of low- and moderate-income housing needs. During the 2016-19 Strategic Plan, we are on track to assist a total of 175,000 Minnesota households, with 2019 being a strong year – serving over 69,000 households.[2]

The following sections highlight our work under each:
core activity
and strategic priority.

OUR CORE ACTIVITIES

- Promote and support successful homeownership
- Finance new affordable rental opportunities
- Preserve the existing housing stock
- Provide housing resources to support community and economic development
- Lead, collaborate and take action on critical housing issues
- Strengthen our financial and organizational capacity

OUR STRATEGIC PRIORITIES

- Reduce Minnesota's racial and ethnic homeownership disparity
- Preserve housing with federal project-based rent assistance
- Prevent and end homelessness
- Finance housing responsive to Minnesota's changing demographics
- Address specific and critical local housing needs

HOW WE WORK

- Be flexible and responsive
- Develop effective partnerships
- Remove barriers and provide equitable access to programs and opportunity
- Solve problems through innovation and creativity
- Leverage our strong financial and operational capacity

ACHIEVING HOMEOWNERSHIP

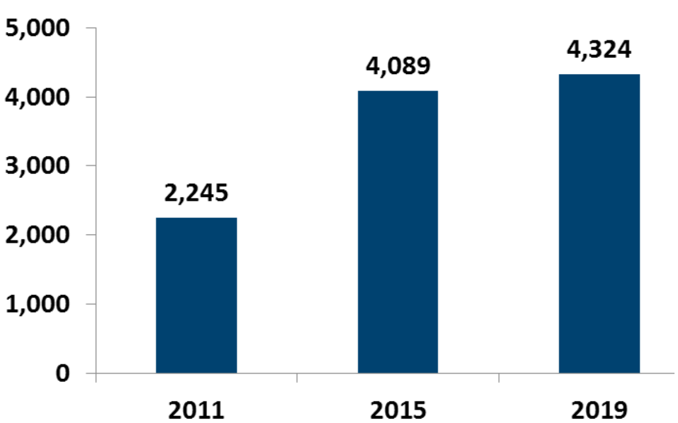
A mother of three wanted to become a homeowner; however, she was passed over by several real estate agents because she lacked resources for the downpayment and closing costs. She had resigned herself to paying $1,700 per month to rent a townhome.

Fortunately, she was eventually referred to a real estate agent who had the expertise and knowledge to connect her with a lender offering our mortgages and downpayment loans. Despite losing out in several multiple-offer situations, she finally became the owner of a three-bedroom, two-bath townhome in the fall of 2017. The new homeowner and her real estate agent cohosted a well-attended housewarming party.

PROMOTE AND SUPPORT SUCCESSFUL HOMEOWNERSHIP

Homeownership increases housing stability and connections to the community and is the primary way most families build wealth. Each year of successful homeownership increases household wealth by an average of $9,500.[3] It also frees up affordable rental housing. Roughly 27,000 of the 110,000 Minnesota's rental units that are affordable to the lowest-income households are occupied by households that can afford homeownership.[4] If these households with more resources successfully transition to homeownership, existing affordable rental housing would become available for Minnesota's lowest-income individuals and families.

FIGURE 1: HOME MORTGAGES FINANCED BY MINNESOTA HOUSING



Our record level of mortgage lending is a great success, nearly doubling from 2,245 mortgages in 2011 to an expected 4,324 in 2019. This dramatic increase occurred despite the inventory of homes selling for less than $250,000 being cut in half between 2014 and 2017.[5]

OUR COMMITMENT TO ACTION IN 2019

- Maintain our record level of home mortgage lending through continuous improvement in program design, business development, and operations.

REDUCE MINNESOTA'S RACIAL AND ETHNIC HOMEOWNERSHIP DISPARITY

While Minnesota benefits from having the 3rd highest homeownership rate in the country, we also have the 5th highest homeownership disparity between white/non-Hispanic households and households of color.[6] To help all Minnesotans have equitable access to the benefits of homeownership, we and our program partners reach out to households of color to increase their:

- Knowledge and comfort with the home buying process,
- Savings and credit scores,
- Access to downpayment and closing cost loans, and

OVERCOMING POOR CREDIT AND HIGH DEBT

A Hispanic father of four had dreamed of being a homeowner and was referred to a Homeownership Capacity administrator by his real estate agent in the spring of 2015. When he and his coach first met, they learned that his credit report was 11 pages long, he had been the victim of identity theft, and his credit score was only 594.

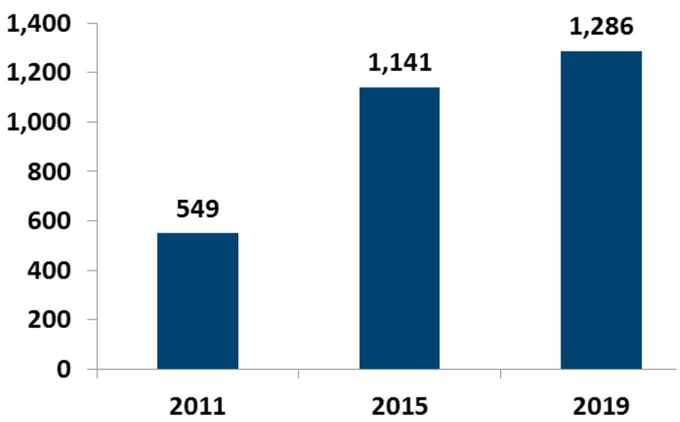
By late fall, he cleaned up the identify theft accounts on his report, established a budget, reduced his debt from $18,000 to $6,000, and increased his credit score to 648. He was ready for homeownership and bought a home two months later. He acknowledged that it was a tough process but becoming a homeowner was worth it.

- Access to quality and affordable mortgages.

We have created innovative and effective programs, including the Enhanced Homeownership Capacity Initiative (Homeownership Capacity), a program that provides intensive financial coaching to underserved populations. The program has been very successful.

- 87% of clients are households of color.
- Median credit scores have increased from 611 at program entry to 658 at program completion.
- Clients who completed the program improved their financial picture on average by $3,600 through increased savings and reduced debt collections.

FIGURE 2: LOANS TO FIRST-TIME HOMEBUYERS OF COLOR



- Nearly 60% of the clients who completed the program with a reported outcome bought a home within a year.

Since 2011, we will more than doubled our lending to households of color who are first-time homebuyers.

Currently, about 35% of our mortgages for first-time homebuyers go to households of color, when only 14% of all home-purchase mortgages in Minnesota do.[7] Since our mortgages only account for about 5% of the industry total in Minnesota, we are supporting a broader, industry-wide effort to substantially reduce the homeownership gap in Minnesota.

OUR COMMITMENT TO ACTION IN 2019

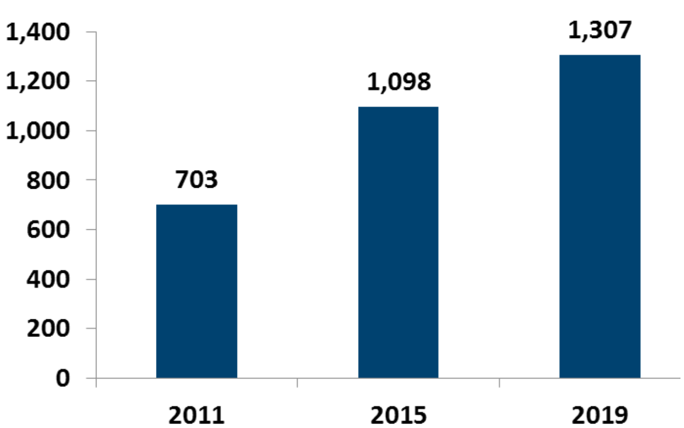
- Maintain 35% of our first-time homebuyer mortgages going to households of color.
- Continue Homeownership Capacity as a permanent program.
- Fund our downpayment and closing cost loans, which are critical in supporting underserved populations.
- Continue to lead the Homeownership Opportunity Alliance, an industry-wide coalition to expand homeownership for households of color, and implement its new campaign – "Get Ready. Be Ready!"

FINANCE NEW AFFORDABLE RENTAL OPPORTUNITIES

The ideal, balanced rental market has a 5% vacancy rate, allowing renters to have choices when searching for an apartment but filling vacancies relatively quickly for landlords. For the last few years, Minnesota's statewide vacancy rate has been about 4%, and much lower in some markets. To bring the rental vacancy rate up to the ideal 5% in all markets, Minnesota needs to build an additional 3,000 rental units annually for the next five years on top of the 8,000 annual units currently being built.[8] About 70% of the new units need to be affordable to households with an income at or below 80% of the area median income (AMI) to match the incomes of the Minnesota renters who will occupy these units.[9] However, only about 20% of new construction is currently affordable for these lower-income households.[10]

Since 2011, we have significantly increased our annual financing of new rental construction.

FIGURE 3: NEW RENTAL CONSTRUCTION FINANCED BY MINNESOTA HOUSING



During the 2016-19 Strategic Plan, we are on pace to finance the construction of 4,200 new rental units.

OUR COMMITMENT TO ACTION IN 2019

- Award up to $60 million of Housing Infrastructure Bond (HIB) proceeds for housing development. The state's 2018 bonding bill was very supportive of affordable housing needs, adding senior housing as a new use of funds on top of the current uses (supportive housing and preservation) and emphasizing supportive housing for people with behavioral health needs as a funding priority (setting aside up to $30 million). We will award some of the HIB funds this year and, with the new uses, reserve some for next year. The 2019 resources will finance about 500 rental units, with a majority being new construction.
- Award $12.4 million of Low-Income Housing Tax Credits, which are the primary resource for developing affordable rental housing. This year's allocation is our largest ever (due to an additional allocation from Congress), will generate about $110 million in investor equity, and should finance about 700 rental units, mostly new construction.
- Award about $2 million from the Workforce Housing Development program. Last year, we selected five developments, creating 191 new apartments in Pelican Rapids, Luverne, Duluth, Albert Lea, and Baudette.
- Continue our commitment to energy efficiency and conservation. Reducing energy use is not only good for the environment but also reduces utility costs, making housing more affordable. We have an Energy Fellow on staff who helps: (1) housing developers connect with people in the health, building materials, energy efficiency, renewable energy, and water sectors; (2) owners and developers leverage the Conservation Improvement Program incentives offered by utility companies (e.g. rebates for energy efficient appliances and systems); and (3) building owners and property managers with whole-building energy monitoring and usage and the impacts they have on owner- and tenant-paid utility bills.

ADDRESSING THE SHORTAGE OF RENTAL HOUSING

In the fall 2016, we awarded Low-Income Housing Tax Credits and a deferred loan through the Economic Development and Housing/Challenge program to Valley High Flats, a three-story, 60-unit new development in northwest Rochester with a mix of one to three bedroom units. The development will serve Rochester's growing population and job market. According to a local market analysis, job growth has resulted in a need for over 2,400 units of new affordable housing in the area. Valley High Flats is well located in a higher-income community with qualify schools and access to transit. Four of the two-bedroom units will serve families who have experienced long-term homelessness, with these tenants paying no more than 30% of their income on rent, which will provide them with a foundation for success.

PRESERVE THE EXISTING HOUSING STOCK

It is far more cost effective to maintain and improve an existing home than to build a new one. In Greater Minnesota, the average cost of developing a new affordable rental unit with Low-Income Housing Tax Credits is about $200,000, while the average cost to acquire and rehabilitate an existing unit is only $125,000.[11] Minnesota has an extensive stock of affordable housing. About 290,000 units rent for $875 per month or less (which is affordable to a family earning $35,000) and about 900,000 homes have a value of $200,000 or less (which is affordable to buy for a family earning $60,000).[12] Many of these affordable units are in older properties. As shown in Figures 4 and 5, older homes are generally more affordable, but they can deteriorate to the point that they are no longer decent places to live.

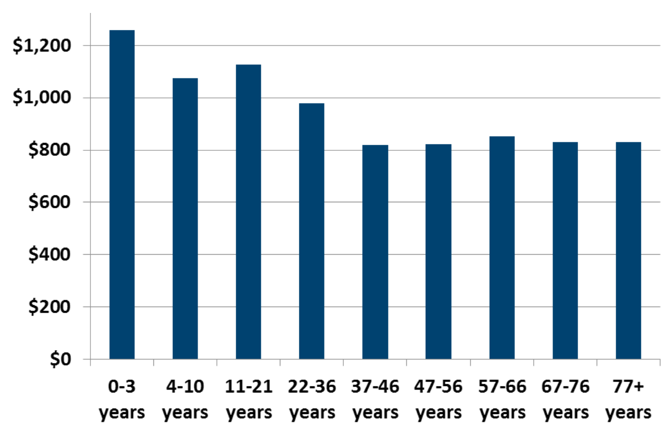
During the 2016-19 Strategic Plan, we are on track to improve or rehabilitate:

- 5,207 owner-occupied homes
- 12,282 rental units

OUR COMMITMENT TO ACTION IN 2019

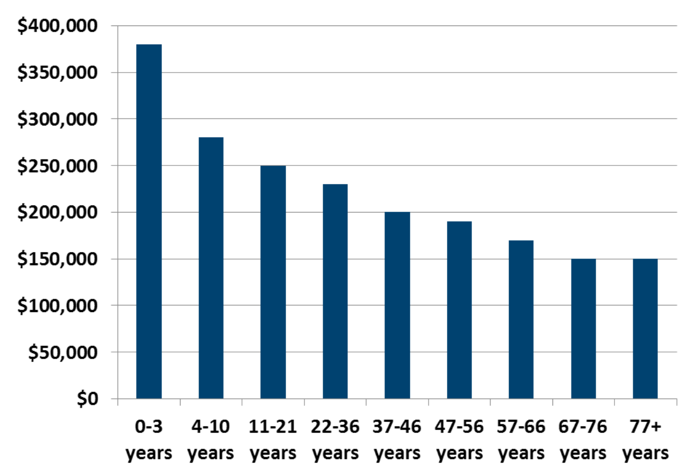
- Increase lending under the Home Improvement Loan program by implementing recent improvements that make it easier to administer and more beneficial to borrowers.
- Increase the reach of the Rehabilitation Loan

FIGURE 4: MEDIAN RENT BY AGE OF PROPERTY



Source: Minnesota Housing analysis of data from the Census Bureau's American Community Survey (2016 1-year sample, microdata, iPums.org)

FIGURE 5: MEDIAN HOME VALUE BY AGE OF PROPERTY



Source: Minnesota Housing analysis of data from the Census Bureau's American Community Survey (2016 1-year sample, microdata, iPums.org)

Program, which serves the lowest-income homeowners (including owners of manufactured homes), by implementing recent improvements that make it easier to administer.

- Refine our overall strategy for supporting manufactured homes and parks. For example, infrastructure improvements at manufactured home parks are now an eligible use of proceeds from Housing Infrastructure Bonds (HIBs) and will be included in our next single-family request for proposals (RFP) or in a separate RFP.
- Make available $9.2 million for the preservation of public housing through our Publicly-Owned Housing Program (POHP). Minnesota has just over 20,000 public housing units.
- Redesign the Rental Rehabilitation Deferred Loan (RRDL) program, which focuses on rehabilitating smaller properties. Statewide, about 60% of rental units are in properties with 19 or fewer units, and 42% are in properties with 4 or fewer units.[13]

PRESERVE HOUSING WITH FEDERAL PROJECT-BASED RENT ASSISTANCE

Minnesota has about 138,000 renter households with an income at or below 30% of the area median income (AMI) who spend more than 30% of their income on rent and utilities, leaving limited resources for food, clothing, health care, and other necessities.[14] Rent assistance, which pays the difference between the market rent and what a tenant can afford, is a direct way to guarantee that people are not cost burdened. Through HUD's project-based Section 8 and USDA Rural Development (RD) programs, almost 37,000 Minnesota households receive rent assistance that is tied to a specific apartment; however, the assistance is at risk of being lost as the contracts providing the assistance expire/mature or properties deteriorate.

We and our partners are effectively preserving this assistance. So far, during this current strategic plan, Minnesota has only lost about 1% of these units (30 of the 30,000+ Section 8 units and 350 of the 6,700 Rural Development units) due to contract opt-outs or maturing/pre-paid mortgages. We also successfully manage Minnesota's project-based Section 8 units for HUD through our performance based contract, achieving a near perfect performance assessment from HUD and earning all the possible contract fees and performance incentives. High quality contract administration ensures that the properties are well run, payments are made in a timely fashion, and tenant and owner issues are quickly resolved, which increases the likelihood that the owners will extend their contracts with HUD.

OUR COMMITMENT TO ACTION IN 2019

- Maximize the use of PARIF (Preservation Affordable Rental Investment Fund) and HIB (Housing Infrastructure Bond) funds. These are our two primary resources for rehabilitating and preserving properties with federal project-based rent assistance.
- Retain our Section 8 performance-based contract with HUD. The current contract is due to expire on December 31, 2018.

LEAD, COLLABORATE AND TAKE ACTION ON CRITICAL HOUSING ISSUES

Our mission is clear: **Housing is the foundation for success, so we collaborate with individuals, communities, and partners to create, preserve, and finance affordable housing.** Affordable housing provides individuals, families, and communities with the stability to thrive in all areas of life, including health, education, and employment. To maximize these benefits and create synergies, we lead, collaborate and take action.

Minnesota Housing is home to both the Interagency Council on Homelessness and the Olmstead Subcabinet, with Commissioner Tingerthal serving as a chair for both interagency efforts. The Council is a collaboration of 11 state agencies, the Metropolitan Council, and the Governor's Office with the goal of preventing and ending homelessness. The Olmstead Subcabinet is a similarly structured eight-agency collaboration with the goal of providing people with disabilities the choice and opportunity to live, learn, work, and enjoy life in integrated settings in the community.

At the local level, we have a statewide network of about 400 organizations administering our programs, including lenders, developers, service providers, and community organizations. To ensure that we have a strong capacity in every corner of the state, we fund the Capacity Building Initiative to help communities across Minnesota where a lack of organizational capacity creates the risk that geographic areas and constituencies will be underserved. Through the Initiative, we annually have a competitive process through which we provide local capacity-building projects up to $40,000 in one-time funding.

We will also support and collaborate with communities, cities, and counties, who are more active than ever in identifying potential affordable housing strategies.

OUR COMMITMENT TO ACTION IN 2019

- Identify recommendations from the Governor's Task Force on Housing that we can incorporate into our work.
- Continuing implementing the Plan to Prevent and End Homelessness and the Olmstead Plan.

PREVENT AND END HOMELESSNESS

Homelessness is the most severe form of housing instability, causing massive disruption in the lives of single-adults, parents, children, and youth. At least, 7,600 Minnesotans experience homelessness on any given night, and a much larger group is precariously housed and one crisis away from homelessness. Homelessness occurs for many reasons, but a lack of affordable housing is a primary cause. While the lack of affordable housing is critical, the shortage of any rental housing is making the situation worse. Landlords have multiple people applying for single

STABILIZING A HOME AND A FAMILY

The Community Homeownership Impact Fund (using Economic Development and Housing/Challenge appropriations) recently financed the rehabilitation of a home owned by a retired senior citizen, who has two children and a nephew living with her. Each has a serious medical condition, including traumatic brain injury, stage-3 cancer, and diabetes.

While she keeps an immaculate home, it was starting to fall into disrepair, and she could not afford the necessary work with much of her fixed income dedicated to the family's medical bills. Throughout the project, the owner was dumbfounded that she received the help.

PRESERVING CRITICAL RENTAL HOUSING

Como by the Lake is 99-unit property in St. Paul with of the 57 units having project-based Section 8 rent assistance. The property serves seniors and people with disabilities. In 2015, the owner gave notice to opt out of their Section 8 contract, leaving the residents frightened they could not remain in their homes and the community. They organized and made it clear that they wanted their housing preserved as affordable for the long-term.

Fortunately, the nonprofit Aeon agreed to purchase the property in 2016. In the fall of 2016, Minnesota Housing awarded $2.6 million of federal HOME funds to support the $14.9 million acquisition and rehabilitation of the property. The financing from Minnesota Housing will ensure that the Section 8 contract will go until 2053.

SPONSORING THE GOVERNOR'S TASK FORCE ON HOUSING

Last winter, Governor Dayton created a Task Force on Housing to take on Minnesota's growing housing instability, which puts the state's economic competitive advantage at risk. The non-partisan Task Force of housing experts, business leaders and community stakeholders held meetings across the state, explored best practices, policies, gaps, and new strategies, and proposed recommendations.

The effort was supported by a collaborative that included Minnesota Housing, the Governor's Office, Itasca Project, Greater Minnesota Housing Fund, Family Housing Fund, Metropolitan Council, McKnight Foundation, Blandin Foundation, Bush Foundation and St. Paul Foundation. Minnesota Housing played a key leadership role by providing funding, about half of the staff support, and office and meeting space.

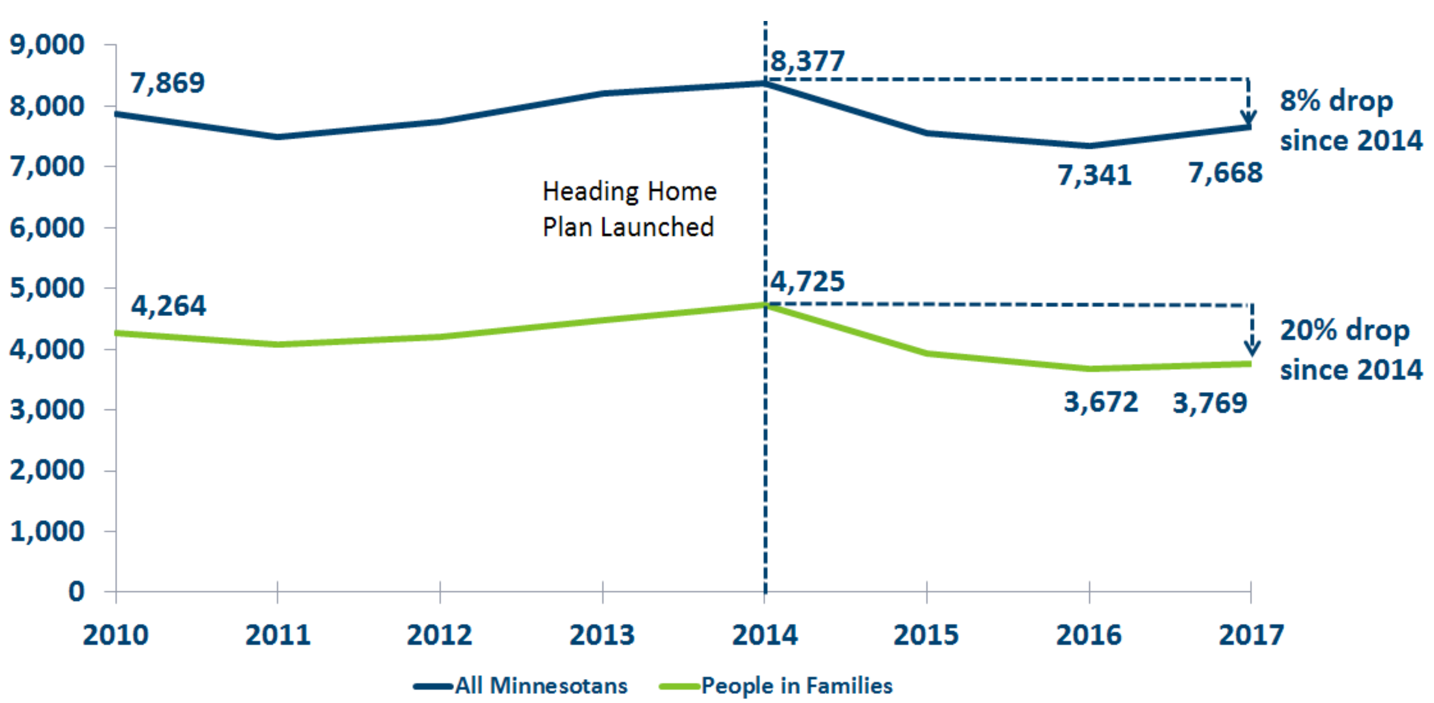
vacancy, allowing them to screen out people with imperfections in their histories, including those with unstable employment, low credit scores, criminal records, or evictions.

In 2014, the Interagency Council on Homelessness released its first Plan to Prevent and End Homelessness, which aligned, coordinated, and leveraged the work of 11 state agencies and the Metropolitan Council. Since the first plan was released in 2014, homelessness in Minnesota has declined by 8%.

Each year, Minnesota Housing supports about 15,000 households through homelessness prevention, rent assistance, and permanent supportive housing activities. In the last few years, we have also carried out several pilots to test and evaluate innovative strategies to address homelessness.

- **Homework Starts with Home** is a new pilot that was launched in 2018 and will provide rent as-

FIGURE 6: HOMELESSNESS IN MINNESOTA



PREVENTING HOMELESSNESS

A couple was recently struggling with homelessness. While both had a history of employment, the woman had struggled with mental health issues and lost her job, and the man had his hours reduced, making rent unaffordable. A local administrator of the Family Homeless Prevention and Assistance (FHPAP) program provided them with 6 months of temporary rental assistance. During that time, she received therapeutic support. Today, both are employed. FHPAP enabled them to overcome their barriers and maintain housing stability. Their case manager stated, "We are given the opportunity to walk with people who have walked a long way alone. It is pretty amazing when they let us join them."

sistance and other supports for students and their families experiencing homelessness, with the twin goals of stabilizing their housing and improving educational outcomes. The pilot is a cooperative effort of Minnesota Housing, the departments of Education and Human Services, and philanthropy, and the results will be evaluated by a team from the University of Minnesota. It will test and evaluate a "progressive engagement" model that calibrates and adjusts the level of support to the needs of the students and families. The pilot will serve about 237 families through five local administrators in Clay, Beltrami, Hennepin, and Ramsey counties.

- **The Landlord Risk Mitigation Fund** provides financial incentives and other supports to landlords that rent to people struggling to find housing, including people with criminal histories or experiencing homelessness. The fund pays for lost rent or damages not covered by the security deposit. The goal is to serve 180 households through three local administrators in suburban metro, the Brainerd area, and St. Louis County
- The **Step Down** pilot provides rent assistance and a transition out of services for people currently in supportive housing who no longer require this level of support. The goal is to free up supportive housing for those currently needing it. The pilot annually serves just over 20 households. In 2017, the pilot received an award from the National Council of State Housing Agencies (NCSHA).

OUR COMMITMENT TO ACTION IN 2019

- Carry out the actions we have committed to in the recently adopted *Heading Home Together: Minnesota's 2018-2020 Action Plan to Prevent and End Homelessness.* This plan goes beyond coordinating the work of state agencies and now includes broader multi-sector strategies involving local organizations and philanthropy. The goal is to effectively end homelessness by preventing it whenever possible, and when that is not possible, making the experience rare, brief, and one-time.
- Continue pursuing the goal of creating 5,000 new housing opportunities by 2020 for households experiencing homelessness or at risk.
- Implement the Homework Starts with Home pilot program and measure results for the students and their families.

PROVIDE HOUSING RESOURCES TO SUPPORT COMMUNITY AND ECONOMIC DEVELOPMENT

Safe, stable, and affordable housing is a critical component of a vibrant community. Communities thrive when they have a full array of housing choices that meets the needs of all residents. Communities need:

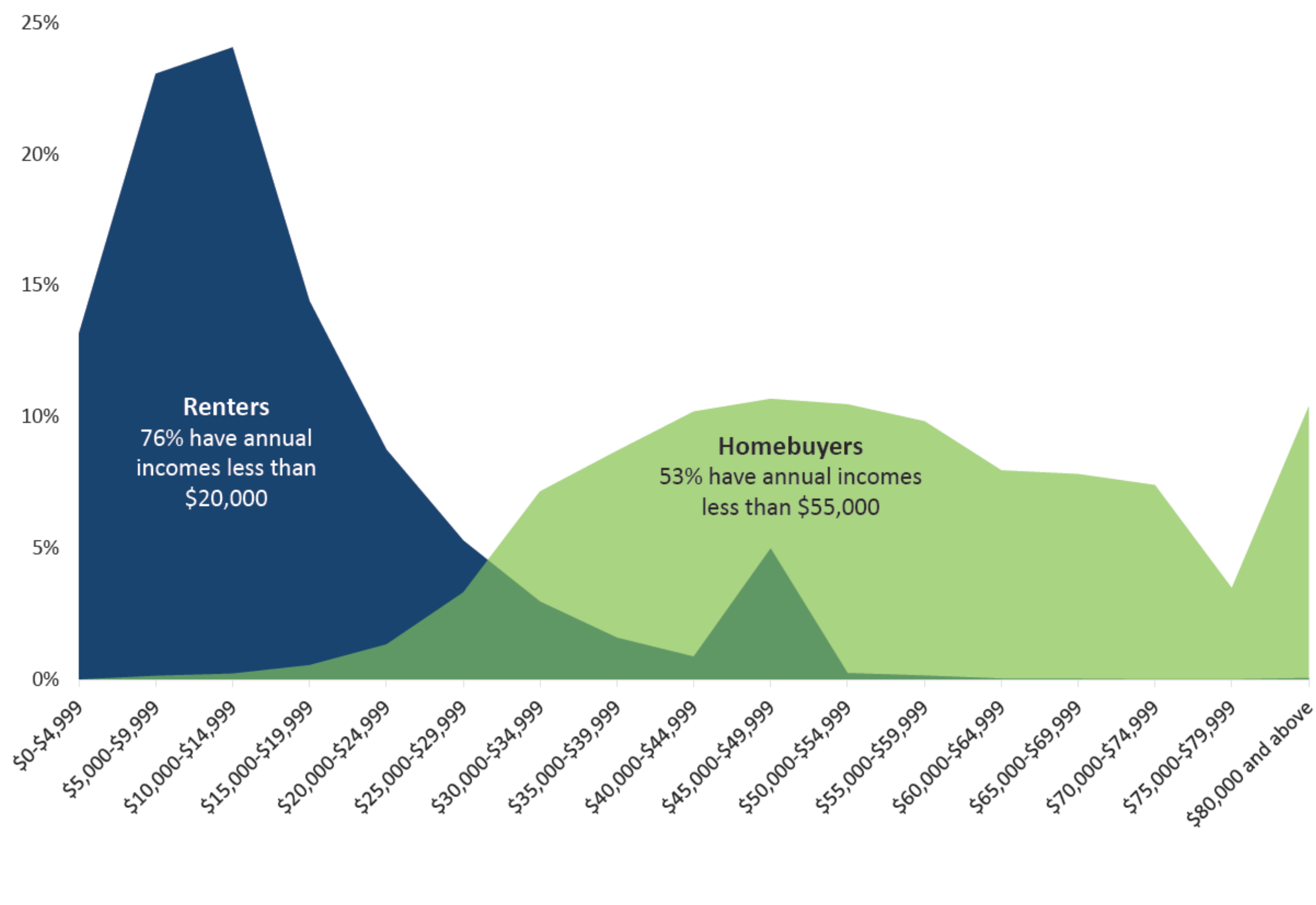
- Gap financing to develop new affordable rental and ownership housing that will serve the growing workforce,
- Supportive housing for a people with disabilities,
- Rent assistance for single parents who work full time in low-wage jobs and need stable homes for their children,
- Resources to preserve manufactured home parks,
- Downpayment and closing cost loans paired with affordable mortgages for young families who want to buy their first home, and
- Home improvement and rehabilitation funds for senior homeowners who want to stay in the community and live near their families.

To meet these needs, we offer a suite of programs that serve the full continuum of housing needs for low- and moderate-income Minnesotans.

OUR COMMITMENT TO ACTION IN 2019

- Maintain a suite of programs that serve the full continuum of housing needs for low- and moderate-income households in communities across Minnesota.
- Continue engaging, listening to, and supporting communities looking for ways meet their housing needs.

FIGURE 7: INCOME DISTRIBUTION OF HOUSEHOLDS SERVED IN 2017



FINANCE HOUSING RESPONSIVE TO MINNESOTA'S CHANGING DEMOGRAPHICS

Minnesota's demographics are changing rapidly, as shown in Figures 8 and 9. By 2035, Minnesota's population of color is projected to increase by 50%, while the white/non-Hispanic population will increase by only 4%. We are also becoming older. By 2036, the State Demographer expects Minnesota to have almost 485,000 more seniors than the current 840,000.

As described earlier, we have more than doubled our mortgage lending to households of color in the last eight years. In 2016, we also carried out a pilot that funded the development of two senior rental projects – Mysa House in Mora and The Glen at Valley Creek in Woodbury. The financing of these developments prepared us for using Housing Infrastructure Bond (HIB) proceeds to finance senior housing, which the Legislature added as an eligible use in 2018 and will be available under the 2019 Consolidated Request for Proposals.

OUR COMMITMENT TO ACTION IN 2019

- Start using HIB proceeds to develop senior housing.
- Identify additional and more-effective ways to link housing and services for seniors and others.
- Continue financing rental housing for large families.

ADDRESS SPECIFIC AND CRITICAL LOCAL HOUSING NEEDS

While more affordable housing is needed across Minnesota, each community has its own priorities. One community may need to focus on the shortage of workforce housing, while another may need larger rental units for its growing population of large immigrant families. We partner with communities across the state to assess needs, identify solutions, and access resources.

- Each year, we co-host housing dialogues in communities across Minnesota to identify needs and discuss solutions. In 2018, we rolled these into the eight Regional Housing Forums sponsored by the Governor's Task Force on Housing, with about 500 Minnesotans attending in total.

ADDING WORKFORCE HOUSING TO A GROWING COMMUNITY

In 2018, we awarded $680,000 for the construction of Town Square Apartments (a new three-story building with 27 units in Luverne) under our Workforce Housing Development Program. The award will help bridge the gap between the development costs and the rent revenue the units will generate. The city has an estimated rental vacancy rate of 1.5% and a demand for an additional 72 rental units. In 2017, truShrimp announced plans to build a facility in Luverne, which will add nearly 100 jobs to the local economy, adding demand to an already tight rental market. The project is part of a larger redevelopment plan for Luverne that will include a mix of commercial, retail, housing, and mixed-use buildings.

BUILDING SENIOR HOUSING

Mysa House is a 24-unit senior development in Mora, Minnesota, owned by the Housing and Redevelopment Authority (HRA). The development serves an important policy goal of providing senior housing with services. St. Clare Living Community will offer a-la-carte service options that can be purchased individually either by private pay or through Kanabec-Pine Community Health programs for qualified households. The development is part of a larger senior campus that is also owned by the Mora HRA that includes a senior activity center, assisted living, and memory care. Mysa House will serve lower income households, with twelve households also benefiting from project-based Housing Choice Vouchers (most serving extremely-low income seniors).

FIGURE 8: MINNESOTA POPULATION GROWTH (2015-2035) BY RACE

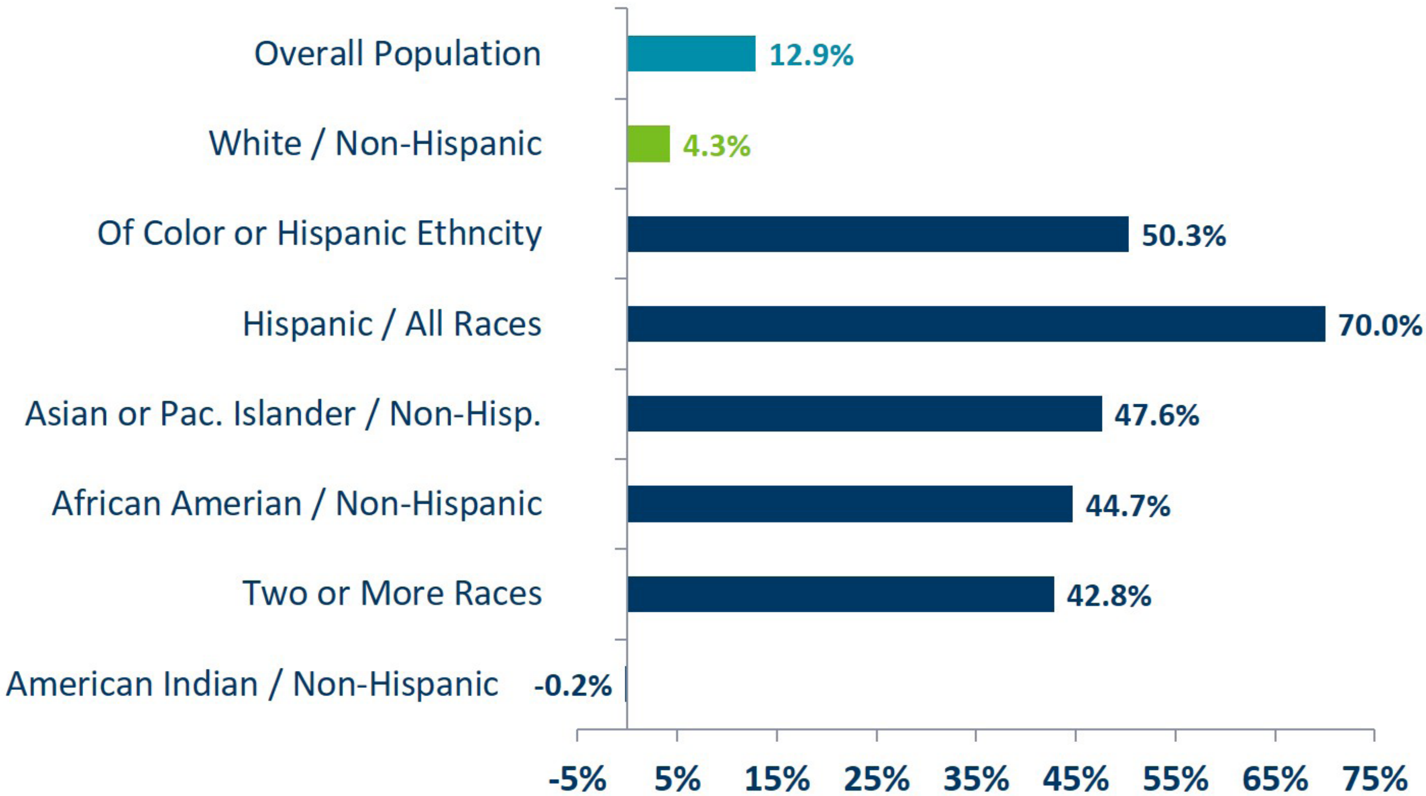
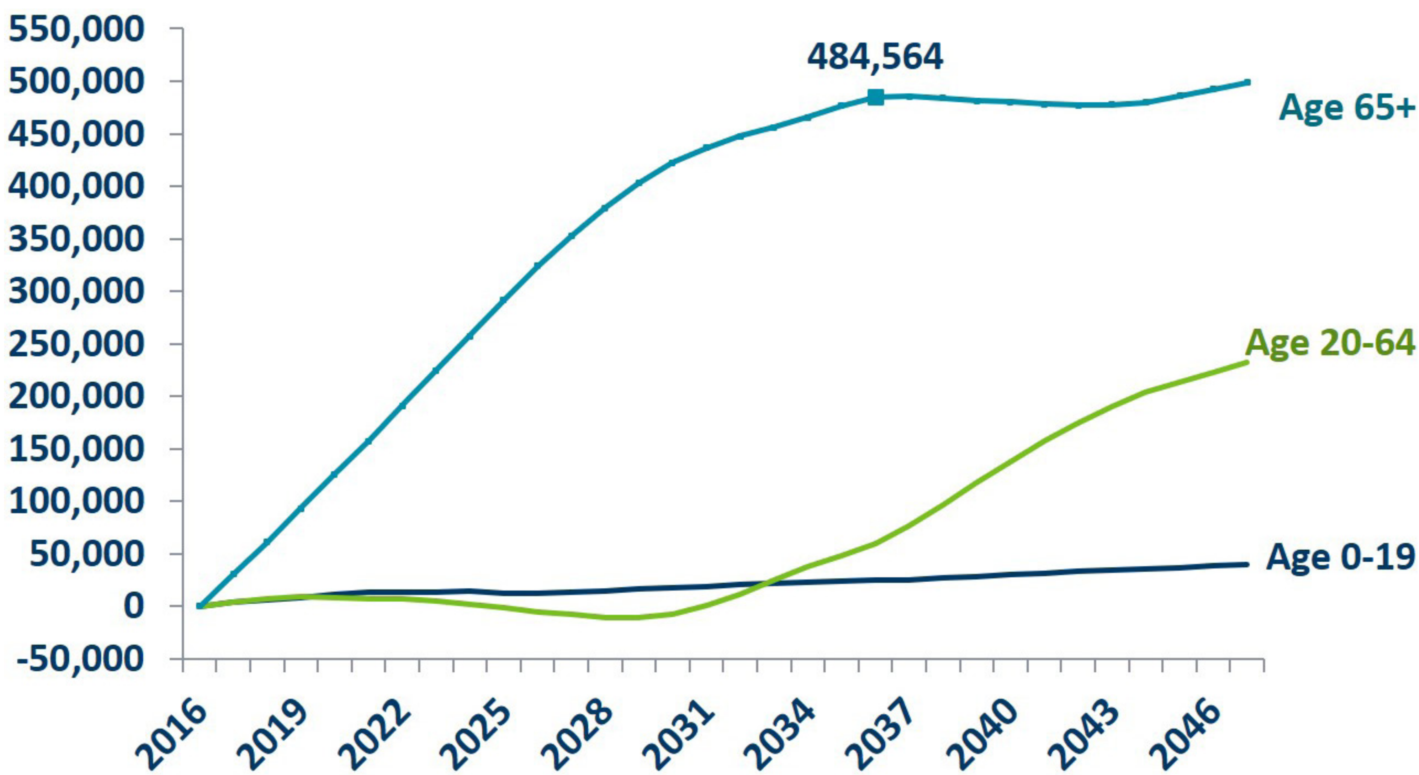


FIGURE 9: ADDITIONAL MINNESOTANS BY AGE ABOVE 2016 LEVELS



- On our website, we have an interactive Community Profiles tool that provides housing data and maps for every community in Minnesota, helping them plan and apply for housing resources.
- As outlined throughout this plan, we offer a full range of financing tools to serve low- and moderate-income Minnesotans. We want our programs to be broad and flexible enough to meet each community's needs.
- We also provide technical assistance before applications for funding are submitted. Developing affordable housing is complicated, and our applications can be demanding as we collect the information we need to ensure that our programs are well run and the housing developments will succeed. We offer technical assistance to all applicants so that each has the opportunity to submit a strong application.

OUR COMMITMENT TO ACTION IN 2019

- Host a series of Housing and Community Dialogues around the state, which will focus on how our work can best address local needs, as well as receiving input for the development of our 2020-23 Strategic Plan.

STRENGTHEN OUR FINANCIAL AND ORGANIZATIONAL CAPACITY

We depend on our staff, systems, and financial strength to fulfill our mission. These backroom operations allow our programs to improve the lives of Minnesotans in every corner of the state. Over the last few years, we have carried out two major process improvements. On the multifamily side, the Remodel project is a comprehensive, multiyear initiative to streamline all the processes in the division, starting with the selection and funding processes for housing developments, everything from project concept and application through construction and lease-up. For example, we created a customized online portal to receive funding applications for the multifamily consolidated RFP. On the single family side, we are putting in place a new loan origination system, which we and our lending partners will use to commit and purchase loans. These projects will improve both internal efficiencies and the experience of our external partners.

Our strong financial position allows us to not only access capital on favorable terms to finance our programs but also make strategic investments and loans. For

BUILDING HOUSING DRIVEN BY COMMUNITY NEED

Park Place of Bemidji is a two-story, 60-unit building, serving people suffering from chronic alcoholism and addiction, including many American Indians, through a "Housing First" approach with culturally-appropriate services and a uniquely-designed property that creates a home-like atmosphere.

The creation of Park Place was community driven, involving an expansive private-public partnership that included Center City Housing, Sanford Health, Minnesota Department of Human Services via the Mahube Collaborative, the Tribal Collaborative and the Housing Support program, the City of Bemidji, Beltrami County HRA, Beltrami County Sherriff's Department, Beltrami County Health & Human Services, City of Bemidji Police Department, Bemidji HRA, Headwaters Regional Development Corporation, Red Lake Nation, Leech Lake Band of Ojibwe, Minnesota Housing, Minnesota Equity Fund, Federal Home Loan Bank, Greater Minnesota Housing Fund, Enterprise, and Ottertail Power Company. The project was primarily financed with Housing Infrastructure Bond proceeds and Low-Income Housing Tax Credits from Minnesota Housing. It was the 2018 winner of the State Government Innovation Award.

IMPROVING INTERNAL PROCESSES

We recently purchased and started installing a new system from Mortgage Cadence that we and our lending partners will use to commit and purchase home mortgages. The system is very "configurable" and will support first mortgage products that are standard for the industry, as well as our unique products, such as deferred, zero-interest loans. As part of the project, we are also developing supporting applications that will:

- Track and manage the details of each loan with accounting and reporting functions, and
- Reconcile loan payments.

The implementation of these data and process integrations is critical to supporting viable home mortgage programs across the state.

example, in June 2017, we committed $5 million for an investment to preserve naturally occurring affordable rental housing through the Greater Minnesota Housing Fund. Minnesota has well over 200,000 rental units that are affordable without government subsidies, and these units are typically in older properties that lack modern amenities. We estimate that Minnesota is annually losing about 2,000 of these affordable units when their rents increase after properties are sold and rehabilitated.[15] In 2018, we also provided Habitat for Humanity Twin Cities with a $25 million line of credit to expand their business model.

OUR COMMITMENT TO ACTION IN 2019

- Go live with our new loan origination system for our single-family activities early in calendar year 2019.
- Continue implementing the multifamily Remodel project.
- Find opportunities to make other strategic investments and loans that provide a strong risk-adjusted rate of return and align with our mission.

CHAPTER 3:
RESOURCES FOR OUR WORK

For 2019, we have a $1.3 billion program investment plan, our largest ever. Eight years ago, the plan was only $700 million.

We have built this investment plan by improving the lives of Minnesotans with successful programs that have bi-partisan support in the state Legislature and Congress and by effectively managing our financial assets, which allows us to efficiently access the capital markets and earn returns that we can reinvest in housing across Minnesota.

OVERVIEW OF OUR PROGRAM INVESTMENT PLAN

We provide a wide continuum of tools for financing affordable housing, ranging from grants for homelessness prevention and rent assistance to mortgages for home purchase and improvements. As shown in Table 2, three programs account for a majority of the 2019 program investment plan.

- **Home Mortgage Loans** (line 1) will provide about $800 million in mortgage loans and support an estimated 4,324 homebuyers in 2019.
- **Rental Assistance Contract Administration** (line 21 and 22) will provide nearly $180 million of federal project-based rent assistance for 28,000 of the state's lowest income households. With this assistance, households generally spend no more than 30 percent of their income on rent and utilities.
- **Low-Income Housing Tax Credits** (line 13) is our primary program for developing and rehabilitating affordable rental housing. The $12.4 million of 9% credits that we receive from the federal government will generate an estimated $110 million in private equity and leverage other financial resources to construct or rehabilitate about 700 units of affordable rental housing.

We will also reserve portions of our tax-exempt private activity bond allocation for additional multifamily projects, which will also generate private equity from the sale of 4% tax credits. These projects typically also utilize our deferred loan resources, so the units produced by these projects are already included in our overall unit count for 2019.

4% TAX CREDITS

While not in our program investment plan, we award 4% credits to rental housing developments that are financed with tax-exempt private activity bonds. Unlike 9% credits, awards of 4% credits are not directly capped, but there are statewide volume limitations on the use of tax-exempt private activity bonds for housing. On a yearly basis, the use of 4% credits can generate a significant amount of private equity for affordable housing.

Table 2 also shows, by program, the median incomes of the low- and moderate-income households that we served in 2017, which ranged from $8,000 to $70,000. The statewide median family income in 2017 was $80,400.

Program	Median Income
Rent assistance programs (lines 23 to 25 and 35 to 36)	$8,070-$12,603
Rehabilitation Loan Program (line 9)	$14,826
Low-Income Housing Tax Credits (line 13)	$22,682
Habitat for Humanity Initiative (line 5)	$34,909
Home Mortgage Loans (line 1)	$54,349
Home Improvement Loan Program (line 8)	$69,732

TABLE 2: OVERVIEW OF THE 2017 AND 2018 PROGRAM INVESTMENT PLANS

		2018 Original Funding Level	2019 Funding Level	Activity	Median Income Served (2017)	Percentage Served from Communities of Color (2017)
	Homebuyer Financing and Home Refinancing	**$663,000,000**	**$840,000,000**			
1	Home Mortgage Loans	$630,000,000	$800,000,000	First Mortgage	$54,349	31.8%
2	Mortgage Credit Certificates (MCC)	$1,000,000	$0	Tax Credit on Home Mortgage Interest	$66,810	19.1%
3	Deferred Payment Loans	$18,500,000	$22,000,000	Downpayment and Closing Cost Loans	$47,708	34.8%
4	Monthly Payment Loans	$11,000,000	$18,000,000	Downpayment and Closing Cost Loans	$70,034	28.3%
5	Habitat for Humanity	$2,500,000	Rolled into Strategic Investments/Loans	Homebuyer Financing	$34,909	30.8%
	Homebuyer/Owner Education and Counseling	**$2,802,000**	**$2,777,000**			
6	Homebuyer Education, Counseling & Training (HECAT)	$1,552,000	$1,527,000	Education & Counseling	$36,000	46.5%
7	Enhanced Homeownership Capacity Initiative	$1,250,000	$1,250,000	Education & Counseling	$34,158	83.6%
	Home Improvement Lending	**$24,794,000**	**$26,494,000**			
8	Home Improvement Loan Program	$15,300,000	$17,000,000	Home Improvement Loan	$69,732	12.0%
9	Rehabilitation Loan Program (RLP)	$9,494,000	$9,494,000	Home Improvement Loan	$14,286	9.6%
	Rental Production - New Construction and Rehabilitation	**$135,654,833**	**$179,920,842**			
10	Multifamily First Mortgages	$70,000,000	$105,000,000	Amortizing Loan	$25,129	52.9%
11	Flexible Financing for Capital Costs (FFCC)	$0	$0	Deferred Loan	N/A	N/A
12	Multifamily Flexible Capital Account	$8,500,000	$5,000,000	Deferred Loan	N/A	N/A
13	Low-Income Housing Tax Credits (LIHTC)	$9,598,835	$12,413,026	Investment Tax Credit	$22,682	44.1%
14	National Housing Trust Fund	$3,118,428	$3,445,781	Deferred Loans and Operating Grants	N/A	N/A
15	HOME	$1,700,000	$11,885,573	Deferred Loan	$19,083	42%
16	Preservation - Affordable Rental Investment Fund (PARIF)	$16,623,916	$17,782,453	Primarily Deferred Loan	$17,826	44.3%
17	Asset Management	$2,482,043	$3,500,000	Loans & Grants	N/A	N/A
18	Rental Rehabilitation Deferred Loan Pilot (RRDL)	$9,601,587	$9,735,313	Deferred Loan	$19,028	20.0%
19	Publicly Owned Housing Program (POHP) - GO Bonds	$12,030,024	$9,231,696	Deferred Loan	$13,700	21.3%
20	Workforce Housing Development	$2,000,000	$1,927,000	Deferred Loans and Grants	N/A	N/A

		2018 Original Funding Level	2019 Funding Level	Activity	Median Income Served (2017)	Percentage Served from Communities of Color (2017)
	Rental Assistance Contract Administration	**$189,555,000**	**$178,810,000**			
21	Section 8 - Performance Based Contract Administration	$138,500,000	$141,460,000	Rent Assistance	$12,000	38.8%
22	Section 8 - Traditional Contract Administration	$51,055,000	$37,350,000	Rent Assistance	$12,603	28.9%
	Housing Stability for Vulnerable Populations	**$32,539,903**	**$29,870,556**			
23	Housing Trust Fund (HTF) - Net Activity	$17,671,234	$15,495,000	Rent Assistance and Operating Support	RA=$9,186 OS=$9,468	RA=65.2% OS=60.8%
23a	Funding for new contracts	$6,889,986	$27,390,000			
23b	Adj. to spread contracts over two years	$10,781,248	-$11,895,000			
24	Bridges - Net Activity	$5,140,000	$4,596,635	Rent Assistance	$9,644	31.0%
24a	Funding for new contracts	$0	$9,193,270			
24b	Adj. to spread contracts over two years	$5,140,000	-$4,596,635			
25	Section 811 Supportive Housing Program	$660,000	$912,000	Rent Assistance	$8,070	54.5%
26	Family Homeless Prevention and Assistance Program (FHPAP) - Net Activity	$8,893,486	$8,668,476	Grants	$12,000	58.5%
26a	Funding for new contracts	$250,000	$17,070,286			
26b	Adj. to spread contracts over two years	$8,643,486	-$8,401,810			
27	Housing Opportunities for Persons with AIDS (HOPWA)	$175,184	$198,445	Grants	$17,344	46.3%
	Multiple Use Resources	**$76,678,015**	**$85,026,481**			
28	Economic Development and Housing/ Challenge (EDHC)	$20,653,959	$16,601,481	Loans and Grants	MF=$21,413 SF=$40,265	MF=69.8% SF=45.3%
29	Single Family Interim Lending	$4,400,000	$1,900,000	Construction Loan	$45,181	54.5%
30	Housing Infrastructure Bonds (HIB)	$45,349,056	$60,000,000	Primarily Deferred Loans	SH=$9,688 Pres=$15,211	SH=50.0% Pres=28.6%
31	Community-Owned Manufactured Home Parks	$2,250,000	$2,000,000	Amortizing Loans	N/A	N/A
32	Technical Assistance and Operating Support	$2,525,000	$2,525,000	Grants	N/A	N/A
33	Strategic Priority Contingency Fund	$1,500,000	$2,000,000	Loans & Grants	N/A	N/A
34	Strategic Investments / Loans	TBD	TBD	Investments / Loans	N/A	N/A
	Other	**$1,960,314**	**$2,368,232**			
35	Manufactured Home Relocation Trust Fund	$459,837	$621,178	Grants	N/A	N/A
36	Disaster Relief Contingency Fund	$1,500,477	$1,747,054	Loans & Grants	$18,534	6.7%
	Total	**$1,126,984,065**	**$1,345,267,111**			

NOTE: The section of the table addressing "Housing Stability for Vulnerable Populations" has adjustments to reflect the two-year contracts for some of these programs. (See lines 23, 24, and 26.) All funds are committed in the first year of the contract, but activities are carried out over the two years of the contract. The "a" part of the program line shows all the funds that will be committed to execute the contract, while the "b" part is an adjustment to spread out the activities over the two years of the contract. The "Net Activity" line (the part without a letter) shows the net level of activity in a year after the adjustment. The Bridges (line 24) is the simplest example. In 2019, we expect to commit $9,193,270 for the two-year contracts (line 24a). To reflect program activity, half of those funds ($4,596,635) will shift out of 2019 (the negative number in line 24b) and into 2020. The net effect is the $4,596.635 million of program activity in 2019 (top part of line 24). While displaying both funding and program activity adds a level of complexity, it is necessary. The "a" line is needed from a budgeting perspective to show the funds that are needed to enter into a contract, while the "Net Activity" line more accurately reflects annual program activity.

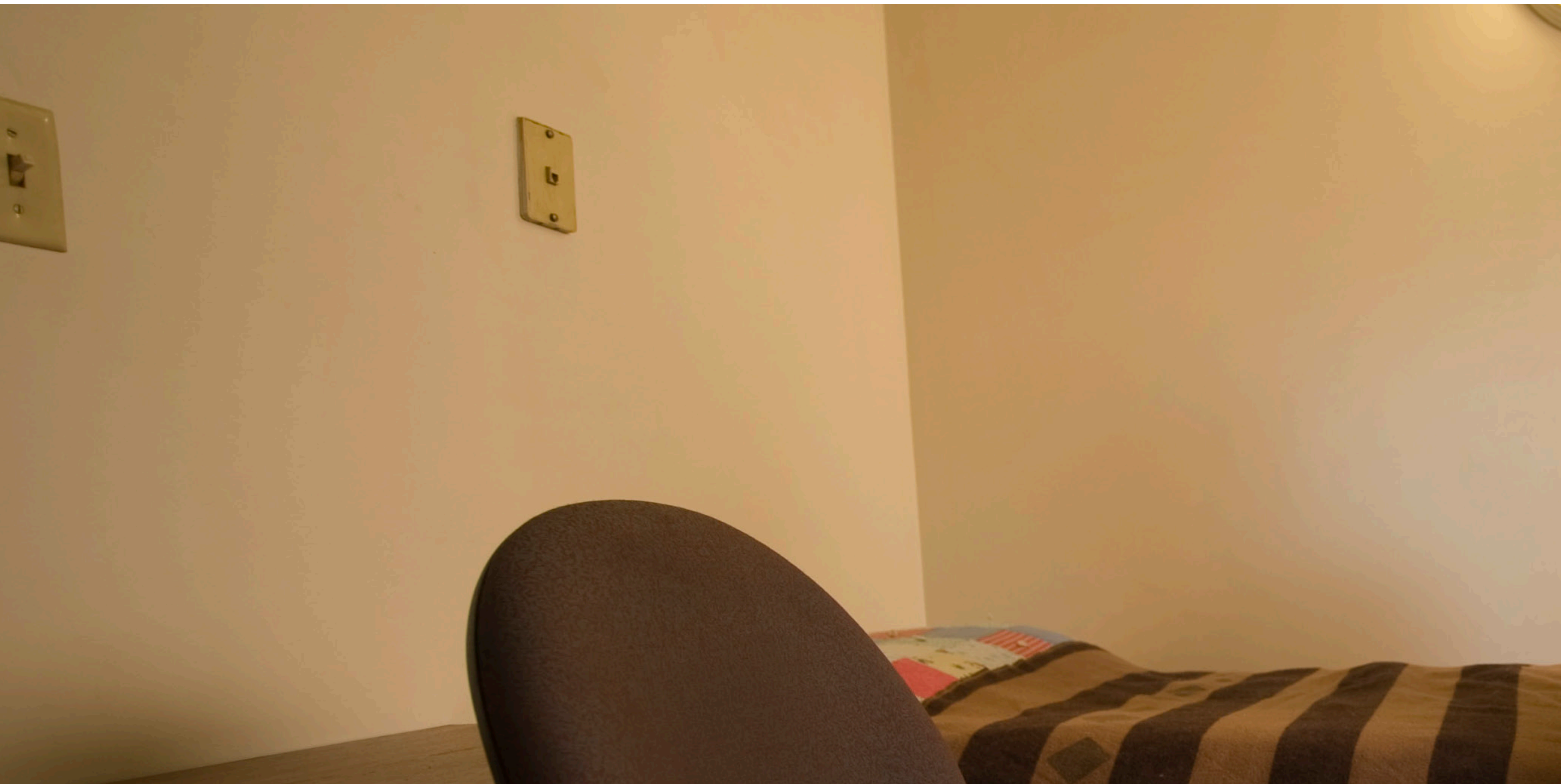
Our 2019 program investment plan is $218 million higher than 2018. Three programs account for the increase.

- **In 2019, we expect home mortgage lending to be $170 million higher than originally forecasted in 2018 (line 1).** In 2018, we originally estimated $630 million of lending activity, which was $50 million less than the $680 million we reached in 2017. With rising home prices, a declining inventory of homes for sale that are affordable to our borrowers, and the prospect of rising interest rates, we expected lending to decline in 2018. However, through program adjustments, effective implementation and outreach, and continued low interest rates, we not only maintained our lending in 2018, we significantly increased it to roughly $800 million. We expect to reach a similar level in 2019.
- **We are projecting up to $15 million more from Housing Infrastructure Bond (HIB) proceeds (line 30).** The Legislature increased HIB funding from $55 million in the 2017 bonding bill to $80 million in the 2018 bill. We committed most of the 2017 funds in program years 2017 and 2018, but some funds will carry forward to 2019. We expect to commit the 2018 funds in program years 2019 and 2020. Over the two years, we are setting aside up to $30 million of the new HIB resources for supportive housing for people with behavioral health needs.
- **We expect multifamily first mortgage lending to increase by $35 million (line 10).** Through our business development activities, we have better aligned this program with the needs of our borrowers.

The funding levels shown in Table 2 for amortizing loans (including Home Mortgages, Monthly Payment Loans, Home Improvement Loans, Multifamily First Mortgages, and Strategic Investments/Loans) should be viewed as forecasts of expected lending volumes, rather than a fixed budget. Demand and need for these loans will largely determine the amount of funds used.

Table 2 also includes a few other notable funding changes.

- **With the scarcity of tax-exempt bonding authority, we ended the Mortgage Credit Certificate (MCC) program (line 2).** The program used tax-exempt bonding authority that would have otherwise ex-



pired to provide eligible first-time homebuyers a special tax credit on a portion of their mortgage interest payments.

- **We increased funding for downpayment and closing cost loans by $10 million (lines 3 and 4).** This will support the home mortgage lending that we expect in 2019.
- **HOME funding is $10 million higher than last year (line 15).** Because of uncertainty in federal HOME funding in 2018, we only budgeted funds from loan repayments and uncommitted funds from previous years and did not budget any new appropriations. In 2019, we will budget the 2018 appropriations that have been finalized.
- **Funding for the Publicly Owned Housing Program is nearly $3 million lower than last year (line 19).** In the most recent bonding bill, the Legislature provided $10 million of general obligation bond proceeds for public housing. However, demand for funds from the previous bonding bill was so strong during the funding process that ended in April 2018 that we used a share of the new bonding resources, leaving about $9.2 million for the 2019 AHP.
- **Funding for Section 8 contract administration is $10 million lower in 2019 (Lines 21 and 22).** For budget reasons, HUD is taking over the administration of 24 Section 8 properties that were previously administered by Minnesota Housing. The units in these properties will continue to receive rent assistance, which will not be administered by us.
- **Funding for vulnerable populations appears to decline by $2.7 million (Lines 23-27).** Annual funding for these programs has not gone down. The apparent decline reflects a timing issue of when funds are committed and the Minnesota Department of Human Services now administering operating subsidies for supportive housing that we had previously administered for them.
- **We are projecting $4 million less under the Economic Development and Housing/Challenge program (line 28).** In 2018, we committed a sizable balance of funds that carried forward from previous years. There is a smaller 2019 balance.

HOUSEHOLD AND UNIT PROJECTIONS

As show in Table 3, we expect to assist over 69,000 households in 2019.

TABLE 3: 2019 FORECAST OF ASSISTED HOUSEHOLDS OR HOUSING UNITS, BY PROGRAM

	Program	Households or Units
Homebuyer Financing and Home Refinancing		**4,324**
1	Home Mortgage Loans	4,324
2	Deferred Payment Loans	Included in First Mortgage Count
3	Monthly Payment Loans	
Homebuyer/Owner Education & Counseling		**20,224**
4	Homebuyer Education, Counseling & Training (HECAT)	19,088
5	Enhanced Homeownership Capacity Initiative	1,136
Home Improvement Lending		**1,246**
6	Home Improvement Loan Program	895
7	Rehabilitation Loan Program (RLP)	352
Rental Production- New Construction and Rehabilitation		**4,062**
8	Multifamily RFP/HTC/Pipeline Production	1,995
9	First Mortgage - Low and Moderate Income Rental (LMIR)	Part of RFP/HTC/ Pipeline Total
10	First-Mortgage - MAP Lending (Multifamily Accelerated Processing)	
11	Flexible Financing for Capital Costs (FFCC)	
12	Multifamily Flexible Capital Account	
13	Low-Income Housing Tax Credits (LIHTC)	
14	National Housing Trust Fund	
15	Housing Infrastructure Bonds (HIB) - Multifamily RFP	
16	Economic Development and Housing/ Challenge (EDHC)	
17	HOME	
18	Preservation - Affordable Rental Investment Fund (PARIF)	
19	Asset Management	183
20	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	649
21	Preservation - Publicly Owned Housing Program (POHP)	1,154
22	Workforce Housing Development	80

	Program	Households or Units
Rental Assistance Contract Administration		**28,259**
23	Section 8 - Performance Based Contract Administration	21,763
24	Section 8 - Traditional Contract Administration	6,496
Housing Stability for Vulnerable Populations		**11,059**
25	Housing Trust Fund (HTF)	2,900
26	Bridges	888
27	Section 811 Supportive Housing Program	127
28	Family Homeless Prevention and Assistance Program (FHPAP)	6,935
29	Housing Opportunities for Persons with AIDS (HOPWA)	209
Multiple Use Resources		**541**
30	EDHC - Single Family RFP (Impact Fund)	407
31	Single Family Interim Lending	Part of EDHC RFP
32	Housing Infrastructure Bonds (HIB) - Community Land Trusts	Part of EDHC RFP
33	Community-Owned Manufactured Home Parks	133
34	Technical Assistance and Operating Support	TBD
35	Strategic Priority Contingency Fund	TBD
36	Strategic Investments/Loans	TBD
Other		**TBD**
37	Manufactured Home Relocation Trust Fund	TBD
38	Disaster Relief Contingency Fund	TBD
Total		**69,715**

Note: The forecasted numbers are based on the assumption that all of funds budgeted in the AHP are used.

HOMEBUYER FINANCING AND REFINANCING

FIGURE 10: HOUSEHOLDS/HOME ASSISTED – HOME MORTGAGE LOANS

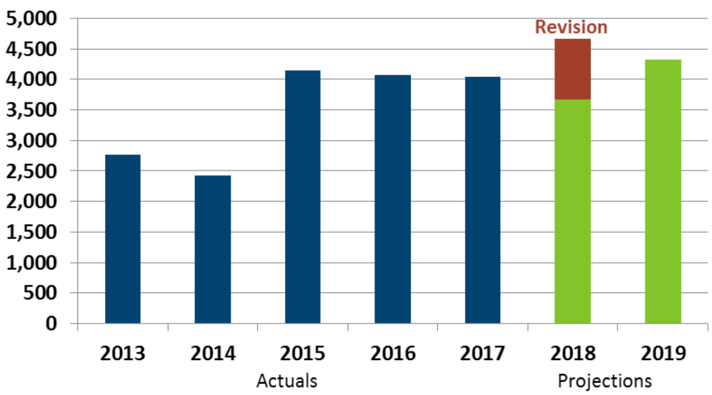


FIGURE 11: HOUSEHOLDS/HOMES ASSISTED – OTHER HOMEOWNERSHIP OPPORTUNITIES

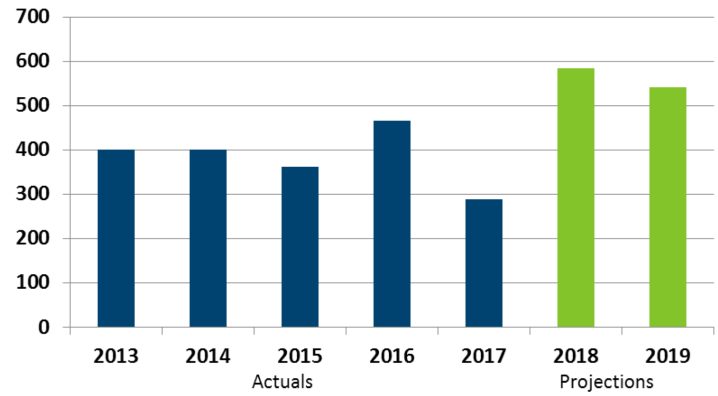


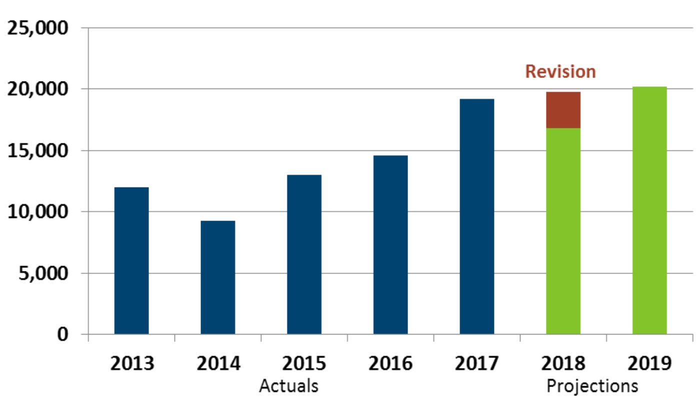
Figure 10 shows our historical home mortgage lending, which was about 2,500 mortgages in 2013 and 2014. It then took off in 2015, reaching 4,000 mortgages in 2015 through 2017, and about 4,500 since then. Despite a tight supply of homes, rising prices and interests, and regulatory changes, we have increased our lending.

In 2019, we expect to serve a little more than 500 households under "other homeownership opportunities", which is higher than the 400 households we typically served in previous years.

Activity and funding in 2018 was particularly high with a large balance of Economic Development and Housing/Challenge funds carrying forward from the previous year. (Figure 11 includes the Habitat for Humanity Initiative, the single-family portion of the Economic Development and Housing/Challenge program, Housing Infrastructure Bond proceeds going to community land trusts, Single Family Interim Lending, and Community-Owned Manufactured Home Parks.)

HOMEBUYER/OWNER EDUCATION, COUNSELING, AND COACHING

FIGURE 12: HOUSEHOLDS ASSISTED – HOMEBUYER/OWNER EDUCATION AND COUNSELING

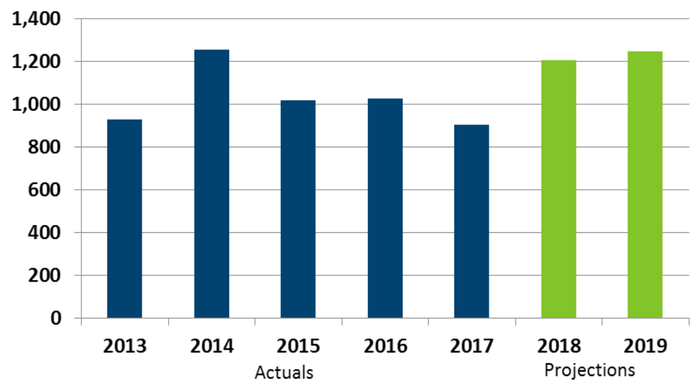


As shown in Figure 12, education and counseling declined in 2013 and 2014, reflecting less need for foreclosure prevention counseling. The need for homebuyer education continues and has increased since 2014. The addition of the Homeownership Center's online course called Framework, which is an alternative to traditional classroom training, has supported the increase. (Figure 12 includes Homebuyer Education, Counseling & Training (HECAT) and the Enhanced Homeownership Capacity Initiative.)

HOME IMPROVEMENT LENDING

Home improvement production (Figure 13) was limited after the recession. Since then, production has increased, but the availability of home equity lines of credit and cash from mortgage refinancing has limited demand for our installment loans. Activity in 2014 was particularly strong because of a special program offering that our largest lender ran at the State Fair. Lending in 2018 will come in lower than originally projected, but we expect activity to increase in 2019 due to changes that made the program more desirable for borrowers and easier to administer. (Figure 14 includes both the Home Improvement Loan Program and the Rehabilitation Loan Program.)

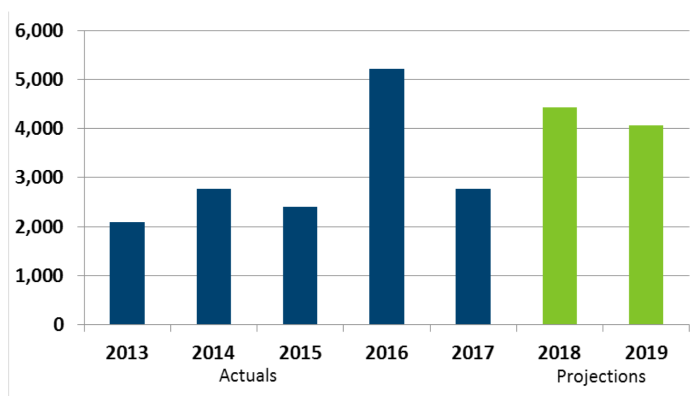
FIGURE 13: HOUSEHOLDS/HOMES ASSISTED – HOME IMPROVEMENT PROGRAMS



RENTAL PRODUCTION

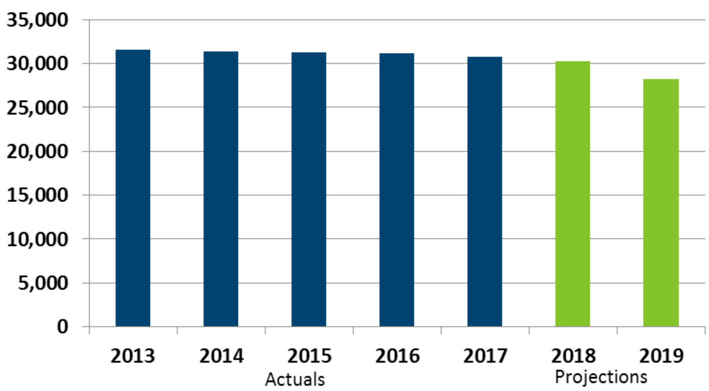
In a typical year, rental unit production (new constructions and rehabilitation) varies between 2,000 and 3,000 units, but we expect production to reach about 4,000 in 2018 and 2019 with the availability Housing Infrastructure Bond (HIB) and General Obligation Bond proceeds. A large allocation of Low-Income Housing Tax Credits (made possible by a temporary increase approved by Congress) is also supporting 2019 activity. Production in 2016 was particularly high with the completion of developments that received the last major round of bond proceeds ($100 million). Production in 2018 and 2019 will be tempered a little because we will fund more new construction projects than we did a few years ago. New construction projects require more funding per unit, which limits the number of assisted units. (Figure 14 captures all the programs in the rental production area and the multifamily portion of the Economic Development and Housing/Challenge and Housing Infrastructure Bond programs.)

FIGURE 14: UNITS ASSISTED - RENTAL PRODUCTION



RENT ASSISTANCE CONTACT ADMINISTRATION

FIGURE 15: HOUSEHOLDS ASSISTED – RENTAL ASSISTANCE CONTRACT ADMINISTRATION



Activity in the Section 8 and Section 236 contract administration has been very steady (Figure 15). These are ongoing contracts that we have administered, and the number of households served does not vary significantly from year to year. The number will drop slightly in 2019 because HUD has taken over administration of 24 Section 8 properties for budget reasons. The households in these 24 properties will continued to receive Section 8 assistance, but not from us. With the last Section 236 mortgages maturing in 2017, that program has closed out. It became a small program in recent years as it wound down.

HOUSING STABILITY FOR VULNERABLE POPULATIONS

Since 2015, there has been an increase in activity for state- and Agency-funded rent assistance and operating subsidies (Figure 16). Starting with the 2016-17 biennium, we have received an additional $2.5 million for the Bridges program (rent assistance for people with very low incomes and a serious mental illness). We have also increased activity under Housing Trust Fund rent assistance, with most of the new activity focused on pilot programs that test new approaches. Finally, we have added the Section 811 program that serves people with disabilities. As shown in Figure 16, overall activity in 2019 will decline modestly because the Minnesota Department of Human Services has taken over the administration of some operating subsidies in supportive housing developments that we had previously administered for them. (Figure 16 includes the three rent assistance programs and Housing Trust Fund operating subsidies.)

The number of households assisted by the Family Homeless Prevention and Assistance Program (FHPAP) and Housing Opportunities for Persons with AIDS (HOPWA) (Figure 17) has declined in recent years because FHPAP has targeted harder-to-serve clients, which requires more funding per household.

FIGURE 16: HOUSEHOLDS/UNITS ASSISTED – AGENCY RENTAL AND OPERATING ASSISTANCE

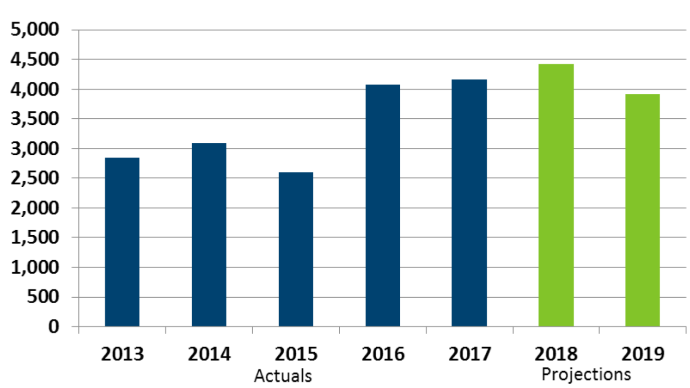
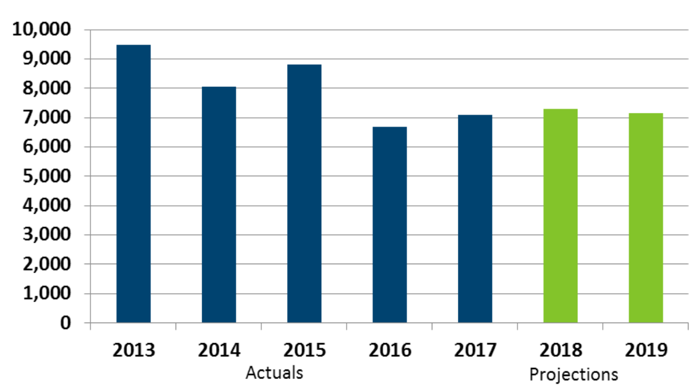


FIGURE 17: HOUSEHOLD ASSISTED – TARGETED ASSISTANCE – FHPAP AND HOPWA



NOTES

[1]Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2017, 1-year sample).

[2]Recipients of rent assistance typically receive it for multiple years, and they are counted only once in the four year total.

[3]Christopher E. Herbert, Daniel T. McCue, and Rocio Sanchez-Moyano, Is Homeownership Still an Effective Means of Building Wealth for Low-income and Minority Households? (Was it Ever?) (Harvard University, Joint Center for Housing Studies, September 2013, HBTL-06) pp. 2 and 45-46.

[4]Minnesota Housing analysis of HUD's CHAS data (2010-2014). For this analysis, we defined the "lowest-income renter households" as those with an income at or below 30% of the area median income (AMI), and the "renter households who are able to afford homeownership" as those with an income over 50% of AMI.

[5]Based on data for the 16-county Twin Cities metro area. The inventory dropped from 9,413 in June of 2014 to 4,314 in June of 2017.

[6]Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2016, 1-year sample).

[7]Federal Financial Institutions Examination Council, Home Mortgage Disclosure Act (HMDA) data (2016).

[8]Minnesota Housing estimate for the Governor's Task Force on Housing.

[9]Minnesota Housing analysis of data from the U.S. Department of Housing and Urban Development's (HUD's) CHAS data (2010-14).

[10]Based on Minnesota Housing Analysis of metro-area construction data from the Metropolitan Council; https://stats.metc.state.mn.us/data_download/DD_start.aspx.

[11]Minnesota Housing, 2018 Cost Containment Report (2018).

[12]Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2016, 1-year sample, microdata from IPUMS.com).

[13]Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2016, 1-year sample, microdata from IPUMS.com)

[14]U.S Department of Housing and Urban Development (HUD), Comprehensive Housing Affordability Strategy (CHAS) Data (2011-2015); https://www.huduser.gov/portal/datasets/cp.html.

[15]Minnesota Housing, The Loss of Naturally Occurring Affordable Housing (NOAH) (May 2, 2018).

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
Total	**$1,126,984,065**	**$1,345,267,111**

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
Total	**$33,687,000**	**$28,122,695**	**$34,087,000**

**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.

APPENDIX A-2:

2019 PROGRAM FUNDING BY SOURCE

		2019 Total	Federal Resources	State Appropriations	State Capital Investment (GO & Housing Infrastructure Bonds)	Housing Investment/ Loan Resources (Agency Bond Proceeds, Other Mortgage Capital, & Pool 2)	Housing Affordability Fund (Pool 3)
	Homebuyer Financing and Home Refinancing	**$840,000,000**	**$0**	**$3,885,000**	**$0**	**$818,000,000**	**$18,115,000**
1	Home Mortgage Loans	$800,000,000	$0	$0	$0	$800,000,000	$0
2	Deferred Payment Loans	$22,000,000	$0	$3,885,000	$0	$0	$18,115,000
3	Monthly Payment Loans	$18,000,000	$0	$0	$0	$18,000,000	$0
	Homebuyer/Owner Education and Counseling	**$2,777,000**	**$0**	**$2,027,000**	**$0**	**$0**	**$750,000**
4	Homebuyer Education, Counseling & Training (HECAT)	$1,527,000	$0	$1,527,000	$0	$0	$0
5	Enhanced Homeownership Capacity Initiative	$1,250,000	$0	$500,000	$0	$0	$750,000
	Home Improvement Lending	**$26,494,000**	**$0**	**$3,772,000**	**$0**	**$17,000,000**	**$5,722,000**
6	Home Improvement Loan Program	$17,000,000	$0	$0	$0	$17,000,000	$0
7	Rehabilitation Loan Program (RLP)	$9,494,000	$0	$3,772,000	$0	$0	$5,722,000
	Rental Production - New Construction and Rehabilitation	**$179,920,842**	**$31,244,380**	**$29,444,766**	**$9,231,696**	**$105,000,000**	**$5,000,000**
8	Multifamily First Mortgage	$105,000,000	$0	$0	$0	$105,000,000	$0
9	Flexible Financing for Capital Costs (FFCC)	$0	$0	$0	$0	$0	$0
10	Multifamily Flexible Capital Account	$5,000,000	$0	$0	$0	$0	$5,000,000
11	Low-Income Housing Tax Credits (LIHTC)	$12,413,026	$12,413,026	$0	$0	$0	$0
12	National Housing Trust Fund	$3,445,781	$3,445,781	$0	$0	$0	$0
13	HOME	$11,885,573	$11,885,573	$0	$0	$0	$0
14	Preservation Affordable Rental Investment Fund (PARIF)	$17,782,453	$0	$17,782,453	$0	$0	$0
15	Asset Management	$3,500,000	$3,500,000	$0	$0	$0	$0
16	Rental Rehabilitation Deferred Loan (RRDL)	$9,735,313	$0	$9,735,313	$0	$0	$0

		2019 Total	Federal Resources	State Appropriations	State Capital Investment (GO & Housing Infrastructure Bonds)	Housing Investment/ Loan Resources (Agency Bond Proceeds, Other Mortgage Capital, & Pool 2)	Housing Affordability Fund (Pool 3)
17	Publicly Owned Housing Program (POHP)	$9,231,696	$0	$0	$9,231,696	$0	$0
18	Workforce Housing Development	$1,927,000	$0	$1,927,000	$0	$0	$0
	Rental Assistance Contract Administration	**$178,810,000**	**$178,810,000**	**$0**	**$0**	**$0**	**$0**
19	Section 8 - Performance Based Contract Administration	$141,460,000	$141,460,000	$0	$0	$0	$0
20	Section 8 - Traditional Contract Administration	$37,350,000	$37,350,000	$0	$0	$0	$0
	Housing Stability for Vulnerable Populations	**$29,870,556**	**$1,110,445**	**$28,760,111**	**$0**	**$0**	**$0**
21	Housing Trust Fund (HTF) - Net Activity	$15,495,000	$0	$15,495,000	$0	$0	$0
21a	Funding for new contracts	$27,390,000	$0	$27,390,000	$0	$0	$0
21b	Adj. to spread two-year contracts over two years	-$11,895,000	$0	-$11,895,000	$0	$0	$0
22	Bridges - Net Activity	$4,596,635	$0	$4,596,635	$0	$0	$0
22a	Funding for new contracts	$9,193,270	$0	$9,193,270	$0	$0	$0
22b	Adj. to spread two-year contracts over two years	-$4,596,635	$0	-$4,596,635	$0	$0	$0
23	Section 811 Supportive Housing Program	$912,000	$912,000	$0	$0	$0	$0
24	Family Homeless Prevention and Assistance Program (FHPAP) - Net Activity	$8,668,476	$0	$8,668,476	$0	$0	$0
24a	Funding for new contracts	$17,070,286	$0	$17,070,286	$0	$0	$0
24b	Adj. to spread two-year contracts over two years	-$8,401,810	$0	-$8,401,810	$0	$0	$0
25	Housing Opportunities for Persons with AIDS (HOPWA)	$198,445	$198,445	$0	$0	$0	$0
	Multiple Use Resources	**$85,026,481**	**$0**	**$17,276,481**	**$60,000,000**	**$3,250,000**	**$4,500,000**

		2019 Total	Federal Resources	State Appropriations	State Capital Investment (GO & Housing Infrastructure Bonds)	Housing Investment/ Loan Resources (Agency Bond Proceeds, Other Mortgage Capital, & Pool 2)	Housing Affordability Fund (Pool 3)
26	Economic Development and Housing/Challenge (EDHC) - Regular	$16,601,481	$0	$16,601,481	$0	$0	$0
27	Single Family Interim Lending	$1,900,000	$0	$0	$0	$1,250,000	$650,000
28	Housing Infrastructure Bonds	$60,000,000	$0	$0	$60,000,000	$0	$0
29	Community-Owned Manufactured Home Parks	$2,000,000	$0	$0	$0	$2,000,000	$0
30	Technical Assistance and Operating Support	$2,525,000	$0	$675,000	$0	$0	$1,850,000
31	Strategic Priority Contingency Fund	$2,000,000	$0	$0	$0	$0	$2,000,000
32	Strategic Investments/Loans	TBD	$0	$0	$0	TBD	$0
	Other	**$2,368,232**	**$0**	**$2,368,232**	**$0**	**$0**	**$0**
33	Manufactured Home Relocation Trust Fund	$621,178	$0	$621,178	$0	$0	$0
34	Disaster Relief Contingency Fund	$1,747,054	$0	$1,747,054	$0	$0	$0
	AHP Total	**$1,345,267,111**	**$211,164,825**	**$87,533,590**	**$69,231,696**	**$943,250,000**	**$34,087,000**

APPENDIX B:

PROGRAM DESCRIPTIONS

CONTENTS

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.

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