



Housing is the Foundation for Success: 2016-2019 Strategic Plan





A STRONG FOUNDATION.

As Minnesota Housing completes its 2013 to 2015 Strategic Plan, we have moved successfully from the dark days of the mortgage crisis and the Great Recession to a robust housing market and a Minnesota Housing that is well-positioned for a strong future.

We are pleased to share *Housing is the Foundation for Success*, our 2016-2019 Strategic Plan, as we help Minnesotans build strong futures through affordable housing.

OUR FUTURE:

The 2016-2019 Strategic Plan

Our Strategic Plan anticipates a strong economy and housing market but recognizes the growing number of families and individuals that struggle to afford the place they call home. We believe having an affordable, stable home is the foundation for success. This Plan focuses on serving the housing needs of individuals, families and communities that are underserved. We recognize the systemic and institutional barriers people face in seeking safe, stable and affordable housing, and we will work to remove these obstacles.

This Plan identifies five priority areas for the next four years. These priorities will build on our core housing activities and will be guided by our **principles**:

- We focus on **people with the greatest needs, fewest choices, and largest barriers**.
- We ensure that people from all backgrounds and cultures have **equitable access to housing** through our programs.
- **We work with community leaders** across the state to help them understand and address their local housing needs.
- **We maintain multiple programs** so that individuals and families with a wide range of needs can obtain stable, affordable housing.
- We deploy our financial resources in ways that **meet multiple policy goals and leverage other resources**.
- We encourage the development of **housing that is cost effective and sustainable**.

We will use this Strategic Plan to guide the work of developing our annual Affordable Housing Plans and operating budgets for the next four years.

We will use this framework to manage our work and measure results.

We will go beyond the “sticks and bricks” of housing and focus on the ways that housing is the foundation for success – making individuals, families, and communities stronger. Housing is the foundation for family and community stability. Safe, stable, affordable housing is critical for success in education, health, and economic stability, and we will emphasize housing strategies that are linked to these broader outcomes.

OUR VISION:

The big, audacious goal

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



OUR MISSION:

The core purpose

Housing is the foundation for success,
so we collaborate
with individuals, communities and partners
to create, preserve and finance
affordable housing.



OUR VALUES:

The fundamental beliefs

We achieve **results** to improve the lives of Minnesotans.
We strive for **equity** in access to housing choices.
We lead with **respect** and act with **integrity**.
We **engage** people, communities and partners
across Minnesota.
We are **innovative** problem solvers.
We seek **diversity** in thought and in partnership.
We are **accountable** for our actions.



OUR CORE ACTIVITIES:

The ongoing work each year

Although specific programs will evolve from year to year, we remain committed to the following core activities to achieve our mission.

Promote and Support Successful Homeownership

Successful homeownership allows individuals and families to place roots in a community, create stability, and build wealth. Receiving the keys to a first home is a powerful memory associated with a bright future and new opportunities. Homeownership is also a significant responsibility with many challenges and risks. We support successful homeowners through:

- Comprehensive homebuyer and homeowner support, including outreach, education, and counseling.
- Affordable and accessible homebuyer financing, including first mortgages and downpayment and closing cost assistance.
- Affordable home improvement financing.

While our programs serve a range of low- and moderate-income owners and buyers, we focus our efforts on individuals and families who face barriers to homeownership but can be successful homeowners with support. We are committed to eliminating racial and ethnic disparities in homeownership.

Finance New Affordable Rental Opportunities

We believe rental housing should be high quality and affordable, with access to employment, services, amenities, public transportation, quality schools, and other opportunities. With rental vacancy less than 3 percent and 67 percent of lower-income renters spending more than 30 percent of their income on housing, the lack of affordable rental housing is both chronic and severe. The production of new affordable rental housing is critically important to meet the needs of communities across Minnesota.

We support new affordable rental opportunities by financing the construction of new units and providing rent assistance. We offer amortizing first mortgages, housing tax credits, and deferred loans for housing that serves a range of households and needs. Under this Strategic Plan, we will focus on bringing new rental units that are high quality and affordable to market as quickly and cost effectively as possible. We will continue to support fair housing choices by balancing the dual goals of providing housing that gives lower-income households opportunities to live in higher-income communities and supporting housing development that revitalizes communities.

OUR CORE ACTIVITIES:

The ongoing work each year

Preserve the Existing Housing Stock

Existing affordable housing is a critical component of our state infrastructure, providing homes for thousands of Minnesotans. However, many of these homes and apartments need extensive rehabilitation and may be lost if not preserved. Repairing existing housing is less expensive than building new housing, and we will continue to work with community leaders, individual owners, developers, lenders, and other funders to preserve the existing housing stock by:

- Starting with a strong understanding of the existing stock and its condition.
- Assessing and setting priorities for possible investments.
- Providing flexible financing tools that meet different types of home improvement and preservation needs.
- Providing technical assistance and support to those applying for financing.
- Supporting effective management of the properties after the investment.

Provide Housing Resources to Support Community and Economic Development

Safe, stable, and affordable housing is a critical component of a vibrant community. For communities to thrive there needs to be an array of housing choices that meet the needs of all Minnesotans. Community and economic development goes beyond housing to include access to jobs, transportation, education, health, and safety. We support community and economic development by:

- Engaging with community leaders to better understand their housing needs and help them identify opportunities to create housing that is affordable to the local workforce.



- Providing communities with the tools they need to understand and analyze their local housing needs.
- Supporting local partners with technical assistance and flexible financing.
- Collaborating with federal, state, and local entities to align resources and address community needs.

Lead, Collaborate, and Take Action on Critical Housing Issues

As we experience increasing affordable housing needs, limited resources, and rapidly changing housing and financial markets, we will identify and articulate housing and community needs. We will collaborate to develop solutions and secure the resources to implement those solutions. We will continue to work closely with our network of lenders, developers, property managers and owners, and service partners to meet our mission. We will engage both our traditional development and service partners, as well as people from all communities that could benefit from our programs.

Strengthen the Financial and Organizational Capacity of the Agency

We depend on our people and financial strength to achieve our mission. We are well managed and our track record of earnings has put us in a strong financial position. We have a broad range of programs designed to meet a variety of housing needs. We finance our programs through a combination of state and federal appropriations, tax-exempt bonds, tax credits, and Agency earnings. We pay for our operating expenses with revenue generated from our financing activities without using scarce state appropriations.

We will strengthen our financial capacity by maintaining our earnings and effectively managing our operating costs. Our work is only as strong as our staff, processes, and systems, so we will also strengthen our organizational capacity by attracting, developing, and retaining a diverse workforce and improving our business processes and supporting technology.



STRATEGIC PRIORITY:

Preserve Housing with Federal Project-Based Rent Assistance

Federal project-based rent assistance is a critical housing resource in Minnesota, allowing more than 60,000 lower-income renter households to spend no more than 30 percent of their income on housing. These properties are home to some of our lowest income households. Most of these Section 8, USDA Rural Development, public housing and other units were built in the 1970s and 1980s, and many are at risk of being lost due to poor physical condition, limited owner or management capacity, or the opportunity to convert to market-rate housing. Preserving these properties is a priority not only to maintain the quality of this critical housing resource, but also to ensure that Minnesota continues to receive hundreds of millions of dollars of rent assistance from the federal government.

STRATEGY: **Strengthen our understanding of housing with federal project-based rent assistance**

- ACTIONS:**
- Gain a better understanding of federally-assisted properties by looking at existing data sources, accessing information from Agency staff and our partners, and having discussions with developers and local communities.
 - Work with the interagency stabilization and preservation groups, and assess the needs and risks in the state's overall portfolio to refine and enhance the priority criteria and selection process.



STRATEGY:

Secure resources

ACTIONS:

- Secure and target funds for preservation, including funds from the state and federal government.
- Develop products to meet different preservation needs and pursue and secure funds for those products, including General Obligation Bonds for public housing and state appropriations for the Rental Rehabilitation Deferred Loan Program to preserve small rural properties.
- Be poised to take advantage of new sources of capital or rental assistance as they become available from the federal government by closely monitoring HUD notices.

STRATEGY:

Fund the highest priority projects

ACTIONS:

- Collaborate with our funding partners to identify potential projects.
- Proactively work with and provide technical assistance to property owners during the concept and application process to promote quality applications.
- Become even more strategic, systematic, and transparent in how we assess and prioritize preservation proposals in our selections and funding.
- Allocate limited resources based on priorities.
- Run efficient, effective, flexible, and timely funding processes that provide the right resources to the right projects at the right time.
- Support properties after funding through proactive asset management.



STRATEGIC PRIORITY:

Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

In 2013, Minnesota had the third highest disparity in the homeownership rate between white/non-Hispanic households and households of color. While the rate for white/non-Hispanic households is 76.0 percent, it is 40.6 percent for households of color and Hispanic ethnicity. We are committed to working with our partners to close this gap and help more families of color become successful homeowners.

We are proud of our track record of lending to households of color and Hispanic ethnicity and will encourage the larger lending industry to follow our lead.

We will refine our strategies through a gaps analysis, under which we will identify the needs of people of color and Hispanic ethnicity, the effectiveness of our current strategies to meet those needs, and the gaps between the two.

STRATEGY: **Emphasize homebuyer and financial counseling and coaching**

- ACTIONS:**
- Continue to support our traditional Homebuyer Education, Counseling & Training (HECAT) program.
 - Identify lessons learned from our Enhanced Homeownership Capacity Initiative, a pilot program that provides specialized support to people who are likely to be successful homeowners with intensive financial empowerment and homeownership coaching.

STRATEGY: **Continue to design and offer mortgage programs that support homeownership for households of color and Hispanic ethnicity**

- ACTIONS:**
- Understand the needs of our borrowers and lower-income homebuyers before making any program changes.
 - Understand the potential impact of alternative program designs and underwriting guidelines.



STRATEGY: Support post-purchase success for homeowners

ACTION: ● Provide at-risk homeowners with access to affordable home improvement financing and post-purchase counseling.

STRATEGY: Grow our outreach and marketing efforts for diverse communities

ACTIONS:

- Proactively engage counselors, lenders, real estate agents, and other industry professionals that serve, and who are ideally from, communities of color or Hispanic ethnicity. Educate them about our programs and support their work. Support and expand the work of our Business Development Team to reach these underserved communities. Expand marketing and create co-branded opportunities to promote our programs to households of color and Hispanic ethnicity.
- Proactively participate in community events throughout the year to connect with people who are under-represented in the homebuying market.
- Invite influential lending partners who represent diverse communities to partner with us.

STRATEGY: Be an industry leader in promoting successful homeownership for households of color and Hispanic ethnicity

ACTION: ● Demonstrate to mortgage industry professionals strategies and programs that successfully serve households of color and Hispanic ethnicity. Encourage them to follow our lead, since we only account for three to six percent of the state's home-purchase mortgage production and more effort is needed to reach all potential homebuyers.



STRATEGIC PRIORITY:

Prevent and End Homelessness

People experiencing homelessness have significant needs and often face multiple and large barriers to having stable housing. Stable housing is a critical element of well-being, including educational performance and health. According to the state's 2015 annual homeless count, the number of homeless in Minnesota on a given day is about 7,500, which is a 10 percent decline from the previous year. This recent decline in the number of homeless provides initial evidence that the state's strategies to prevent and end homelessness are working. We will continue to play a leadership role in this effort.

STRATEGY: **Continue to lead the Interagency Council on Homelessness**

- ACTIONS:**
- Play a leadership role in the 11-agency Council on Homelessness.
 - Provide support for the Office to Prevent and End Homelessness (the administrative arm of the Interagency Council) with office space and resources.
 - Align resources, coordinate efforts, and focus on key areas of program improvement, which could include coordinated grant making across agencies.

STRATEGY: **Support the development of a stronger infrastructure to combat homelessness statewide**

- ACTIONS:**
- Serve as the lead agency in charge of overseeing the Homeless Management Information System (HMIS) with the goal of making it a more robust and effective resource for local service providers and the state to understand who is homeless, their needs, the services they receive, and their outcomes.
 - Provide funding to support the organizations responsible for coordinating homeless services across regions and implementing new federal requirements, including coordinated entry for people receiving homeless services.

STRATEGY: Use data and research to target resources through evidence-based decisions

- ACTIONS:**
- Utilize an improved HMIS, annual homeless count, and coordinated entry to make better informed decisions regarding our homeless strategies and investments.
 - Link HMIS data with other state data systems that have information about people experiencing or at risk of homelessness.

STRATEGY: Secure resources and support a comprehensive continuum of housing and service options

- ACTIONS:**
- Ensure that each individual and family experiencing or at risk of homelessness receives the right assistance to meet their needs for the right period of time in the right setting.
 - Secure resources to: (1) construct new housing and preserve existing housing, (2) subsidize ongoing property operations in targeted cases, (3) provide monthly rent assistance, and (4) provide grants for prevention activities.
 - Work with the Minnesota Department of Human Services (DHS) and our service partners to provide housing and services more seamlessly, rather than two completely separate resources that are administered independently. Support services are critical because three out of four adults experiencing homelessness on a given night have at least one of the following: a chronic health condition, serious mental illness, or substance abuse disorder.
 - Establish alternative options for people who have stabilized their lives in supportive housing. These options will still provide affordable housing but with a lower level of services or no services.

STRATEGIC PRIORITY:

Finance Housing Responsive to Minnesota's Changing Demographics

In the coming years, we will see significant shifts in Minnesota's population. The number of people age 65 and older will nearly double in the next 25 years, and the number of people from communities of color and Hispanic ethnicity will increase by 50 percent in the next 20 years. With these shifts, new affordable housing needs will emerge and existing needs will become more complicated. We will determine how to best meet these emerging needs by partnering with communities and listening to their needs, crafting solutions based on data and analysis, and piloting innovative approaches.

STRATEGY: **Understand the changing demographics and identify solutions to better address changing and unmet needs**

- ACTIONS:**
- Assess annual demographic data from the U.S. Census Bureau's American Community Survey, the State Demographer's Office, and other sources. Combine these statewide analyses with data and information from local housing studies and plans.
 - Convene statewide and community dialogues to discuss the implications of the data, local housing needs, and the development of housing solutions together.
 - Compile a set of solutions and assess their potential through research on national best practices and our ongoing dialogues with state and local and community experts.



- Expand our partner network to ensure underserved population needs are being addressed.

STRATEGY:

Evaluate and strengthen current programs and implement new approaches

ACTIONS:

- Evaluate existing programs to ensure they continue to meet evolving needs and are effectively managed.
- Strengthen existing programs and pilot innovative and new approaches.
 - **Large families:** To better serve large families, we will examine our funding criteria to ensure that they provide appropriate incentives for developers to construct some larger, multi-bedroom units in communities with a growing number of large families.
 - **Culturally specific housing:** We will also explore additional opportunities to better serve new immigrant housing needs.
 - **Aging in place:** With the oldest baby boomers reaching age 70 in 2016, most lower-income seniors are still homeowners and living independently. As a result, we will initially focus on financing home repairs and modifications, which will allow individuals to age in place for as long as it is appropriate and possible.
 - **Senior rental housing:** Over the next couple of decades, there will be tens of thousands of additional senior renter households with extremely low incomes. We will explore ways to provide the lowest-income seniors with affordable multifamily housing choices that include an array of service options.



STRATEGIC PRIORITY:

Address Specific and Critical Local Housing Needs

We recognize that housing issues are local. The needs of an individual community or region cannot be met through a statewide priority framework alone. We strive to be adaptable and flexible so that all communities can access our resources to meet local housing needs.

STRATEGY: Work with local communities to assess their housing needs and identify strategies and resources available to meet those needs

ACTIONS:

- Encourage communities to prepare housing studies and plans so they can identify and prioritize community needs and initiate action steps, which can range from supportive housing for the homeless to workforce housing that supports job growth.
- Help convene discussions and dialogues in communities throughout the state so we have a shared understanding of local and regional issues, needs, and solutions.
- In the context of broader community planning, we will:
 - Provide communities with tools they can use to understand demographic and market conditions, including our *Community Profiles*.
 - Help connect communities with the key partners and resources they will need to address their local housing priorities.
 - Honor our organizational commitment to be an active and engaged partner.



STRATEGY: Provide communities with an understandable set of financing tools to meet their housing needs

- ACTIONS:**
- Communicate clearly with local communities about the full array of financial resources available to ensure they are fully and effectively used.
 - Encourage communities to apply for resources that best meet their needs, and to use the most flexible resources to fill gaps when more restrictive options are not viable.

STRATEGY: Provide resources that are as simple, flexible, accessible, and timely as possible

- ACTIONS:**
- Examine our programs and products to ensure that they do not create unnecessary barriers for organizations and communities as they work to meet local housing needs.
 - Ensure our resources serve the intended population, comply with federal and state regulations, are sound investments, and are appropriately used.
 - Continuously improve our programs and processes, using technology to meet needs most efficiently.



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This plan and associated resources can be found by visiting www.mnhousing.gov and clicking About Us > Strategic Plans.



NEXT STEPS.

We start our work on this strategic plan with a sense of optimism and momentum. Economic conditions and housing markets are strong. Changes we have made at Minnesota Housing over the last four years are multiplying the impact of our work. But our challenges are large, as housing costs grow faster than incomes for many of the households we serve. With this plan, we move forward to meet those challenges so that housing can be the foundation of success for more Minnesotans.

400 Sibley Street, Suite 300
Saint Paul, MN 55101
651.296.7608 | 800.657.3769 | mnhousing.gov

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calling 651.296.7608 or TTY 651.297.2361.

