2022-2023

AFFORDABLE HOUSING PLAN

MINNESOTA HOUSING

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SUMMARY:
2022 AND 2023 AT A GLANCE

This Affordable Housing Plan (AHP) identifies key activities that we will carry out over the next two years and provides an estimate of the financial resources we expect to make available. This $3.93 billion AHP is our largest ever, and we expect to make available approximately $2 billion to serve roughly 86,000 households in each of the two years. Besides our ongoing work, this plan includes about $508 million for COVID-19 housing recovery, primarily rental and homeownership assistance for Minnesota individuals and families that have faced a COVID-19-related economic hardship.

TABLE 1: EXPECTED INVESTMENTS BY ACTIVITY IN 2022-2023

Program Category	2022-2023 Estimate Resources Available
Homebuyer Financing and Home Refinancing	$2,321,770,000
Homebuyer/Owner Education and Counseling	$6,063,174
Home Improvement Lending	$116,544,000
Rental Production - New Construction and Rehabilitation	$272,218,000
Rental Assistance Contract Administration	$465,000,000
Housing Stability for Vulnerable Populations	$66,655,679
Multiple Use Resources	$169,440,000
COVID-19 Housing Recovery	$507,831,609
Total	**$3,925,522,461**

Over the next two years, we will focus on:

- Deploying $508 million of federal COVID-19 housing recovery funds to significantly reduce the threat of evictions, foreclosures, housing displacement and homelessness that is currently confronting far too many Minnesota individuals and families. We estimate that about 130,000 Minnesota households have been behind on their housing payments and may need assistance.
- Making progress on three persistent housing challenges in Minnesota:
    - Address the state's very large homeownership disparity between white/non-Latinx households and Black, Indigenous and households of color by increasing the share of our first-time homebuyer mortgages going to Black, Indigenous and households of color to 40%.
    - Address the severe shortage of rental housing affordable to households with incomes at or below 30% of the area median income by working to make 45% of the new-construction rental units that we finance deeply affordable.

  - Address the very limited supply of affordable homes for sale by increasing the resources available for single-family housing development and rehabilitation and supporting manufactured homes and communities, which should result in over 1,000 homes receiving assistance each year.
- Making housing in Minnesota more inclusive and equitable. We will:
  - Increase Minnesota Housing's diversity, inclusivity and cultural competence
  - Foster co-creation of solutions with communities
  - Diversify the partners we fund and with whom we work
  - Make our programs more inclusive and equitable
  - Address systemic barriers
  - Continually analyze outcomes and program processes
- Creating a culture of innovation and entrepreneurship at Minnesota Housing. With persistent and seemingly intractable housing challenges, we also need to rethink how we work. We will focus on program designs, financing structures, and exploring different ways of meeting local housing needs.

CHAPTER 1: RECOVERY, EQUITY, ACCESS AND INNOVATION

The 2022-2023 Affordable Housing Plan (AHP) is Minnesota Housing's business plan for implementing the last two years of our current Strategic Plan. The AHP covers October 1, 2021 through September 30, 2023 and provides information on the policy, program and operational initiatives we plan to carry out over the next two years. It also provides estimates of the financial resources we expect to make available through each of our programs.

HOUSING NEEDS FOR THE NEXT TWO YEARS

As we reach what we hope is near the end of the COVID-19 pandemic, we will continue to support housing and economic recovery. The pandemic and increased focus on social justice over the past year and a half have put a focus on structural inequities and gaps in the housing industry and broader society. We will also continue to take on the significant housing challenges facing families and communities across the state that were persistent before the pandemic.

The large amount of federal COVID relief resources (from the Consolidated Appropriations Act and American Rescue Plan) for renter and homeowner assistance, as well as housing development resources targeting the lowest-income Minnesotans, will be critical to our work for the next two years. The AHP also includes resources from the 2021 state legislative session.

The pandemic and economic fallout has had a profound impact on individuals and families across Minnesota, and some, particularly Black, Indigenous and households of color, continue to face significant challenges.

- When the pandemic first hit in March 2020, Minnesota lost nearly 400,000 jobs in that first month; and by August 1, 2021, 16 months later, the state was about 69% of the way back to pre-pandemic employment levels.[1]
- During the pandemic, Black, Indigenous and workers of color have been three times more likely to file an unemployment insurance claim than white workers because the pandemic has hit their jobs harder. Black workers alone have been six times more likely to file a claim.[2]
- We estimate that about 70,000 homeowner and 60,000 renter households have been behind on their housing payments and may need assistance, and Black, Indigenous and households of color have been about three time more likely to be behind than white households, and Black households alone have been six times more likely.[3]
- The share of homeowners and renters who are behind has been about twice what we normally see in Minnesota.

These pandemic-related challenges are on top of and have made worse the persistent and seemingly intractable housing problems that confront the state:

- In Minnesota, 536,000 households are cost burdened, meaning they pay more than 30% of their gross income on housing.[4] In particular, over 200,000 households make less than $50,000 a year and pay over 50% of their income on housing.[5] These households are likely one financial setback, even relatively minor, from missing a housing payment.
- The supply of housing that is affordable is very limited throughout the state:
    - For example, in Minneapolis and St. Paul, the vacancy rate for rental units affordable to households with incomes at or below 30% of the area median income (AMI) is effectively 0%, whereas a healthy vacancy rate is about 5%,[6] and
    - In the 16 counties in and around the Twin Cities metro area, the months-supply of homes selling for $250,000 or less is only one month, whereas a healthy supply is about five months.[7]

  While the best data highlighting this issue come from areas in and around the Twin Cities metro area, the very limited supply is a statewide issue.
- Newly constructed housing is not affordable for typical renters or homeowners:
    - 69% of newly constructed rental units in the last five years are not affordable to low-income renters (those with incomes at or below 80% of AMI);
    - Without rental assistance, only 1% of new units are affordable to households with incomes at or below 30% of AMI;[8] and
    - The median sale price of a newly constructed home is $430,000,[9] while a household with the median homeowner income can only afford a $300,000 home.
- Minnesota has the fourth-largest homeownership-rate disparity between white/non-Latinx households and Black, Indigenous and households of color, 77% compared with 44%; and the 25% homeownership rate for Black households is egregiously low [10] and significantly lower than the 46% rate achieved by Black households in 1950.[11]
- In 2020, about 7,940 people in Minnesota experienced homelessness on a given night, which is an 8% increase since 2016. The increase has been extraordinarily large for people living outside and unsheltered, with a 119% increase in that period.[12] In addition, an Indigenous person in Minnesota is over 20 times more likely to experience homelessness than someone who is white/non-Latinx.
- Employers in cities across Greater Minnesota are adding jobs, but there is not enough housing, and programs that finance market-rate housing are not sufficiently large to address the need.
- Between 2021 and 2037, the number of Minnesotans who are age 65 or older is expected to grow by 33%, while Minnesota's overall population is only expected to grow by 7%.[13] As older Minnesotans from the Baby Boom generation (born in 1946 through 1964) become less independent over time, the need to provide affordable housing with service connections will increase.

While not included in this AHP, the Agency will pursue additional housing investments at the state and federal level. In 2022, the state Legislature will have a session focused on a capital investment/bonding bill and have conversations regarding how discretionary State Fiscal Recovery Funds that Minnesota will receive through the American Rescue Plan could be used to support housing, on top of the funds already set aside for housing assistance. There is also ongoing talk about additional federal housing resources.

THE PANDEMIC AND ECONOMIC FALLOUT HAVE HAD A PROFOUND IMPACT ON INDIVIDUALS AND FAMILIES ACROSS MINNESOTA.

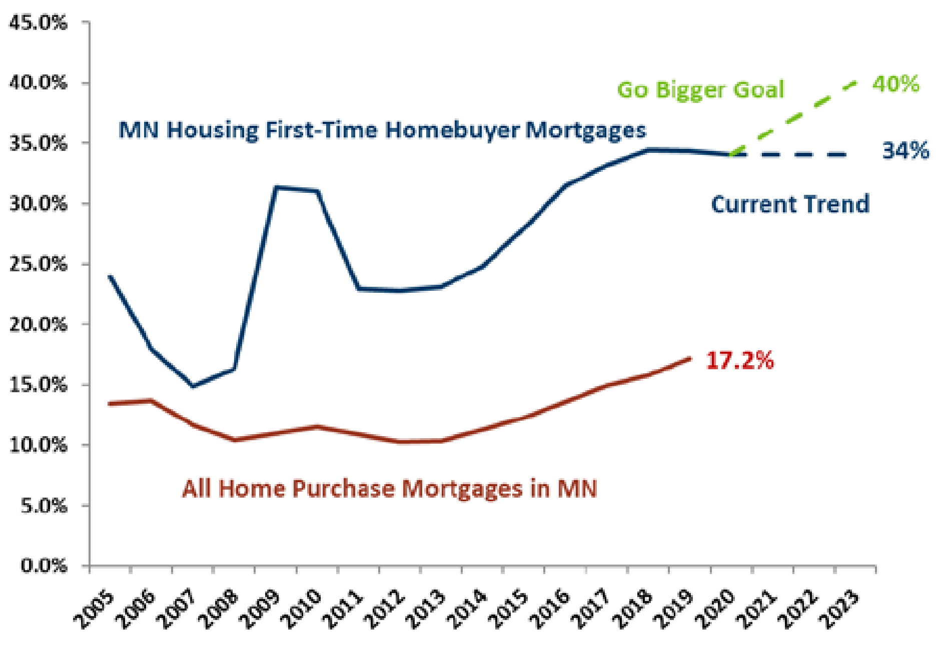
THE SUPPLY OF HOUSING THAT IS AFFORDABLE IS VERY LIMITED THROUGHOUT THE STATE.

ACHIEVING OUR KEY STRATEGIC GOALS

In our Strategic Plan, we established two goals to address the large homeownership disparity and severe shortage of deeply affordable rental units.

- **Key Goal #1:** By 2023, have 40% of our first-time homebuyer mortgages going to Black, Indigenous and households of color.

Figure 1: Share of Home Mortgages to Black, Indigenous and Households of Color



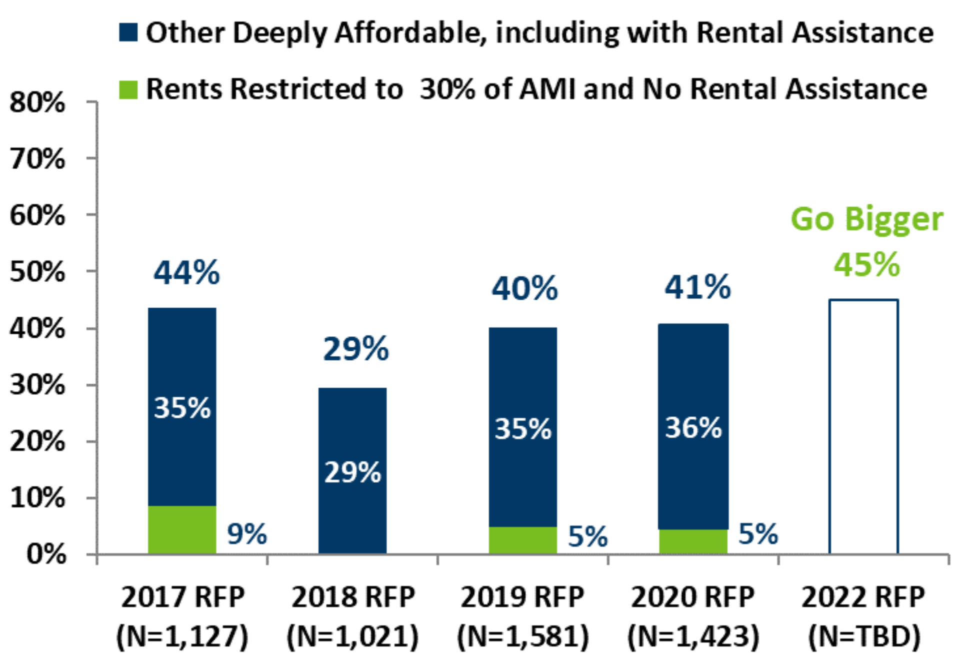
While our rate of lending to Black and Indigenous households and households of color is twice the market-wide rate in Minnesota, we only account for about 6% of the overall market. Because our lending can only modestly impact the overall disparity, we need the entire homebuying industry to act. Our role is to be on the forefront of this work, try new strategies, share what we learn, and provide leadership for industry-wide action.

Awareness of homeownership opportunities, trust in the real estate and mortgage industries, and wealth/savings and credit challenges are key barriers to homeownership. To increase lending to Black, Indigenous and households of color, we will continue and enhance our work to:

- o Prepare potential homeowners for successful homeownership through the Homebuyer Education, Counseling and Training (HECAT) program and the Homeownership Capacity program (multi-year financial and credit coaching), which includes recent changes to the Homeownership Capacity program to incentivize successful completion of the program;
- o Tailor the size of our downpayment and closing-cost loans to meet the needs of our borrowers;
- o Develop outreach and marketing strategies to reach mortgage industry partners of color, including lenders and real estate agents;
- o Partner with real estate associations, including the National Association of Hispanic Real Estate Professionals, the Asian Real Estate Association, the National Association of Real Estate Brokers and the Minnesota Realtors;
- o Reach communities of color through community engagement, such as providing program information at events, connecting with community leaders and organizations, and promoting our work through social media posts and ads, local media interviews, and community newspaper articles; and
- o Explore the possibility of new downpayment and closing-cost assistance options geared toward first-generation homebuyers, as well as options for homeowners in manufactured home communities.

- **Key Goal #2:** With the 2022 Consolidated RFP selections, have 45% of our new construction rental units be deeply affordable.

Figure 2: Share of New Rental Units that Will be Deeply Affordable*



* Includes new construction and adaptive-reuse units: (1) with contract rents that are affordable to households with incomes at or below 30% of the area median income (AMI), (2) with rental assistance, including Housing Support, and/or (3) that are permanent supportive housing.

Our success will be dependent on several factors, including: (1) the availability of Housing Infrastructure Bonds (HIBs), which is one of our most effective tools for financing deeply affordable units, particularly supportive housing; (2) the availability of rental assistance (including Housing Support from the

Department of Human Services and local housing authorities project-basing[14] some of their Housing Choice Vouchers); and (3) incentivizing in our consolidated RFP selection criteria units with rent restricted to no more than 30% of AMI.

To increase the share of deeply affordable rental units that we finance:

- o We continue to request additional HIBs. HIBs are the No. 1 source of capital provided by the State for housing development. In 2021, the Legislature approved a conditional authorization for another $100 million in HIB authority, dependent on the federal government not providing additional housing resources by December 31, 2021. The Agency will continue to advocate for more HIB authority in the 2022 legislative session. HIBs can be used for various types of housing projects, including supportive housing and housing for seniors.
- o We amended our selection criteria under the 2021 consolidated RFP to include:
    - ▪ A requirement that developments restrict rents to no more than 30% of AMI[15] in at least 2% of the units in the development; and
    - ▪ More selection points for developments that restrict additional units at the 30% AMI rent level, awarding the most points in this category to projects that restrict at least 30%.[16]

- **Key Goal #3**: As an additional goal, we will increase the supply of affordable single-family homes and rehabilitate/improve existing owner-occupied homes. With median home prices increasing 19% in just the last year, the opportunity to achieve homeownership is slipping away from many Minnesotans.[17] Statewide, the median home sale price is $325,000, while a household with the median homeowner income can afford a $300,000 home.[18] To address this affordability challenge, our work for 2022 and 2023 will include:
    - o Potentially allocating $18.333 million of the $100 million of the new conditional HIB authority to developing affordable single-family homes and another $15 million to address infrastructure needs in manufactured home communities (assuming the federal government does not provide resources for these activities before December 31, 2021);

- Continuing to administer the Economic Development and Housing Challenge (EDHC) program, which typically awards roughly $15 million over a two-year period for single-family development and homeownership;
- Making available $3.75 million (which includes a $3.25 million one-time increase) for our Workforce Homeownership Program, which also funds the development of homeownership opportunities; and
- Continuing to build out our manufactured-home activities. In 2019, we created a new position to oversee our work financing infrastructure needs in manufactured home communities; and additional activities will include:
  - $3.75 million for the Manufactured Home Park Redevelopment program (which includes a $1.75 million one-time increase);
  - $15 million of the conditional HIB funds set-aside for manufactured home community needs (assuming the federal government does not provide resources for this activity before December 31, 2021);
  - The potential for resources to finance community ownership of parks; and
  - Exploring better lending options to serve families looking to live in a manufactured home community. This activity builds upon legislation passed in 2020 that changed the property classification for single family homes in cooperatively owned manufactured home communities.

Alternatives to traditional, single-family detached homes (including townhomes, condominiums, manufactured homes, and others) will be a part of the strategy to make owner-occupied homes more affordable.

COVID-19 HOUSING AND ECONOMIC RECOVERY

Since the early days of the pandemic and a historic level of job layoffs, Minnesotans have struggled with their rent and mortgage payments. Fortunately, most people have been protected by forbearance procedures and the state's eviction moratorium, but with those protections phasing out, the roughly 130,000 households in Minnesota who recently have been behind on their housing payments may need assistance to avoid an eviction, foreclosure or housing displacement. The average renter who has been behind has missed five to six months of payments and has owed $5,000, resulting in about $300 million in arrears; and the average homeowner who is behind is seven to eight months behind and owes $9,000, resulting in about $650 million in arrears.[19] A sizable majority, but not all, of these households are eligible for the new housing assistance programs.

For the next several years, Minnesota Housing will directly receive federal stimulus and recovery funds under three programs, as described below. Besides these programs, the Agency will also be in conversations regarding the potential use of discretionary federal State Fiscal Recovery Funds, which will be available to Minnesota through the American Rescue Plan, to finance additional housing needs.

- Under the federal Emergency Rental Assistance Program, Minnesota expects to receive about $670 million, with Minnesota Housing expecting to receive about $537 million of those funds for our **RentHelpMN** program, with the remaining $133 million going to six local units of government. Under this program, renters with incomes at or below 80% of the area median income who experienced a COVID-19-related financial hardship are eligible for up to 18 months of assistance for both past-due and future rent. Future rent payments will be covered in three-month installments. The program launched in April 2021. In program years 2022 and 2023, we currently expect to distribute roughly $372 million in assistance to households.
- Under the federal Homeowner Assistance Fund, Minnesota Housing expects to receive $128 million to assist homeowners, with $109 million being used for financial assistance and counseling. Our **HomeHelpMN** program is expected to cover past due principal, interest, taxes, insurance and other housing payments; loan modifications; and certain counseling services. The program's overall goal is to reach homeowners in greatest need of assistance and most at risk of foreclosure and losing their homes. Initially, the program will be available to homeowners with incomes at or below 100% of the median income. The program will likely have a maximum benefit of $35,000 per household. Like the rental program, a household must have faced a COVID-19-related financial hardship to be eligible.
- Under the American Rescue Plan (ARP), Minnesota Housing will also receive an allocation of approximately $31 million in HOME Investment Partnerships funding (**HOME-ARP**) to assist individuals or households who are experiencing homelessness, or at risk, along with other vulnerable populations. Fifteen percent of those funds can be used for administrative costs, with the remaining funds dedicated to assistance. We anticipate using these funds as housing development resources for individuals and families experiencing homelessness and sleeping outside. The origin of this new program came from some success converting underutilized hotels into either non-congregate shelter or permanent housing during the pandemic. This funding allocation is separate from our regular annual HOME appropriation.

As Congress works on additional infrastructure and budget bills, we may get additional federal resources in the next two years beyond those already in place or expected through regular appropriations, and we will utilize these funds in accordance with federal requirements and Agency goals.

Housing construction is also an economic stimulus and plays a key role in economic recoveries. As a review by the Federal Reserve Bank of Philadelphia states:

Although homebuilding [ownership and rental] constitutes a small portion of GDP — on average 4.7 percent since 1947 — it has outsize importance for the rest of the economy. In general, the housing sector leads the recovery in the rest of the economy, and the last recession suggests that without the housing sector, recovery is slow.[20]

Under this Affordable Housing Plan, we expect to allocate about $550 million in resources to the construction, rehabilitation and improvement of single-family and multifamily housing, which will help the Minnesota economy recover from the COVID-19 pandemic.

HOUSING CONSTRUCTION IS AN ECONOMIC STIMULUS AND PLAYS A KEY ROLE IN ECONOMIC RECOVERIES.

EQUITY AND ACCESS

The pandemic and increased focus on social justice over the last year and a half have put a focus on structural inequities and gaps in the housing industry and broader society. During the pandemic, Black Minnesotans were six times more likely to apply for unemployment benefits than white Minnesotans and also six times more likely to be behind on their mortgage and rent payments. These disparities were on top of some of the nation's worst pre-pandemic disparities in housing, income, wealth, education and health. To achieve Governor Tim Walz's concept of **One Minnesota**, where everyone thrives, not just some, we need to reorient how we work and expand who has a voice at the table and participates in and benefits from the housing economy.

Our current Strategic Plan lays out six overarching strategies to create an inclusive and equitable housing system:

1. **Increase Minnesota Housing's diversity, inclusivity and cultural competency**
2. **Foster co-creation of solutions with communities**
3. **Make our programs more inclusive and equitable**
4. **Address systemic barriers**
5. **Diversify the partners we fund and with whom we work**
6. **Continually analyze outcomes and program processes**

In this section of the AHP, we identify the actions we will take over the next two years under each of these strategies. In some areas, we have already started this work and need to enhance and bring it to scale across the entire Agency. As a critical step, we created a position and hired a Director of Equity and Inclusion to serve on the Agency's leadership team and lead the journey. To support the Director, the Agency has created an Equity Change Team made up of leaders and staff from across the Agency. The policy, program and operational changes outlined here will be made by staff and teams throughout the Agency, but the Equity Change Team will facilitate and coordinate the internal work.

INCREASE MINNESOTA HOUSING'S DIVERSITY, INCLUSIVITY AND CULTURAL COMPETENCY

In this area, we have two primary goals:

- **Hire more staff who are Black, Indigenous or people of color, have a disability, or are a veteran**

  Since 2018, 29% of our new hires have been BIPOC, compared with 20% of all our staff; and 12% of new hires have a disability, compared with 13% of all staff. To increase our hiring in these areas, we are:

  - Recruiting candidates on the People of Color website, the Minnesota Council of Nonprofits website, LinkedIn, and specialty websites for specific positions
  - Making sure unconscious bias is not impeding our ability to select the best candidates to interview
  - Revising our interview questions and candidate scoring rubrics to remove cultural biases
  - Making sure staff on interview panels are racially diverse
  - Actively participating in the Connect 700 program, which is a program to make the state a leader in hiring people with disabilities

- **Retain 75% of employees who are Black, Indigenous or people of color, have a disability, or are a veteran**

  Of our new hires from 2017 through 2019, we have retained 82% who are BIPOC, 67% who have a disability, and 100% who are veterans. To consistently reach and surpass this goal, we are:

  - Creating a more inclusive and equitable work environment by:
    - Building internal capacity to administer the Intercultural Development Inventory (IDI), a cultural competency assessment, across the Agency and delivering feedback and development sessions.
    - Continuing to support trainings and experiences sponsored by the Agency's Cultural Competency Committee, which includes activities like screening and discussing "Cracking the Code," a film that "asks Americans to talk about the causes and consequences of systemic inequity."
  - Promoting and encouraging career development and growth opportunities for employees.
  - Making sure the Agency's nominations for the state's staff development programs, including the Emerging Leaders Institute and Senior Leaders Institute, reflect opportunities for employees who are Black, Indigenous and persons of color, have a disability or are veterans to develop their careers and advance.
  - Offering a competitive tuition assistance program to support employees in job- or Agency-related higher education.
  - Revamping our mentorship program with a focus on equity and inclusion.

FOSTER CO-CREATION OF SOLUTIONS WITH COMMUNITIES

We have taken steps to improve in this area over the last two years, but we need to expand and improve this work further.

- **Bring community members to the table to design policies and programs.**

  Examples of this work that we want to expand include:

  - **Proactively engaging the community on the front end.** To develop our 2022-2023 Qualified Allocation Plan for awarding Low Income Housing Tax Credits (a primary tool for financing affordable rental housing), we proactively reached out to communities across the state before developing the plan, when we have traditionally relied on a public comment period after developing a draft. From January through March 2020, the Agency held 17 engagement sessions. In-person engagement strategies included informational and technical assistance sessions in Greater Minnesota, focus groups with residents of tax credit properties, and meetings with stakeholder groups. Over 400 people participated, representing a range of stakeholders including cities, counties, service providers, affordable housing developers, community-based organizations, Indian housing directors and residents.

- **Directly engaging people with lived experience** (those who live in or need the housing we finance). In the focus groups with residents of tax credit properties we asked, “When choosing a place to live, what neighborhood and property characteristics are most important to you?” “What challenges have you and your family and friends faced when trying to find housing that is affordable in a community of your choice?” “What has been your experience living in your current building?” This feedback played an important role in shaping the content of the Qualified Allocation Plan and how we will allocate tax credits going forward.
- **Establishing workgroups to co-create solutions.** In the spring of 2021, the Olmstead Implementation Office, which is housed within Minnesota Housing, launched five workgroups to explore solutions that address specific challenges that confront people with disabilities in living, learning, working and enjoying life in the most integrated setting possible. The workgroup topics are: (1) affordable, safe, accessible housing, (2) juvenile justice and special education, (3) workforce shortage and people with disabilities, (4) preventing abuse and neglect of people with disabilities, and (5) data collection practices. Each workgroup is comprised of a mix of state employees, service providers and people with disabilities.

- **When selecting housing developments to fund, prioritize those that have incorporated community engagement and planning in the creation of the proposal.**

Our current scoring criteria for selecting multifamily developments in the Consolidated Request for Proposal process includes points for housing development projects that involve active:

- Implementation of a Community Development Initiative to address locally identified needs and priorities, with active engagement by local stakeholders; and
- Participation in the development of the housing project proposal by communities most impacted by housing disparities. The proposed housing development must address a housing disparity. This equitable development priority was added to the selection process in 2021.

- **Have community members review and score proposals for funding.**

Since 2016, we have been expanding the use of community-based reviewers, and they are now involved in recommending funding decisions for the following grant programs: (1) Family Homeless Prevention and Assistance Program (FHPAP); (2) Housing Trust Fund Rental Assistance; (3) Homework Starts with Home; (4) Bridges Rental Assistance; (5) Homebuyer Education Counseling and Training (HECAT); (6) Homeownership Capacity; (7) Impact Fund; and (8) Manufactured Home Park Redevelopment Grants. Having community expertise and insights is critical in making effective, informed and transparent

WE NEED TO EXPAND WHO HAS A VOICE AT THE TABLE AND PARTICIPATES IN AND BENEFITS FROM THE HOUSING ECONOMY.

decisions. Recruitment of reviewers focuses on representation from across the state and different types of expertise and perspectives, along with voices from the populations to be served, particularly diverse and underrepresented communities.

- **Enhance our capacity building and support work**

  We have a capacity building program that last year awarded about $700,000. The funds are distributed through two RFPs:

  - A direct program that provides up to $40,000 directly to local organizations in one-time funding for one-year projects that: (1) address housing disparities; (2) build power in communities most impacted by housing challenges and disparities; (3) pilot innovative solutions to housing challenges; and (4) support inclusive and equitable communities. In the most recent round of funding, we funded 14 organizations.
  - A program that funds intermediary organizations to provide pass-through grants and/or technical assistance to develop and strengthen the capacity of: (1) communities, (2) stakeholders, and (3) organizations in housing planning, program development and engagement activities.

  We will look at the possibility of partnering with philanthropic organizations to continue and enhance the work.

  We are also looking at other ways to enhance this work, which would include building on the work of our Building Communities Committee, a cross-divisional team of Minnesota Housing staff who are focused on developing strategies for engaging, supporting and empowering communities. It is important for us to be regularly present in the community and understand each community's culture, needs and way of doing work.

DIVERSIFY THE PARTNERS WE FUND AND WITH WHOM WE WORK

We are currently working on three primary initiatives to diversify our partnerships, which we will continue to expand and enhance.

- **Incentivize, through project scoring, development teams that include organizations owned or operated by Black, Indigenous and people of color and/or women.**

  In our competitive funding process, we first awarded selection points for Black, Indigenous of people of color-owned/operated or women-owned/operated businesses in the 2018 Qualified Allocation Plan for Low-Income Housing Tax Credits. Participation in this area has increased substantially since then, with 85% of all applications in the 2020 Consolidated RFP receiving the points. To further increase participation, we increased the points in the 2022 Qualified Allocation Plan for development teams that include multiple

Black, Indigenous of people of color-owned/operated or women-owned/operated business entities. The goal is to build the capacity of these organizations to develop, manage, construct, design or own affordable housing in the future.

We also prioritize Black, Indigenous and people of color-owned/operated or women-owned/operated businesses in funding from the Impact Fund (our primary single-family development program) and the Homeownership Capacity program.

- **Increase the share of the vendors in our procurement process who are Black, Indigenous, people of color, people with disabilities and/or veterans.**

  Our current actions to increase the use of Targeted, Economically-Disadvantaged and Veteran-Owned businesses include:

  - Encouraging these vendors to participate by: (1) listing benefits in the request, such as by helping local business and supporting our community, and (2) waiving of solicitation requirements if the purchase is under $25,000 by using the Equity Select method – a simplified procurement process;
  - Actively promoting the vendors by referring Agency staff to a list of the vendors generated from the state's directory and recommending eligible vendors for the services if needed; and
  - Building a stronger relationship with the Office of Equity Procurement and working directly with their procurement staff.

- **Contract with organizations from and trusted by the community.**

  In 2014, we created the Homeownership Capacity program to provide multiyear financial coaching for renters who want to become homeowners but face credit, savings and other barriers and need coaching to become ready. To help address Minnesota's very large homeownership disparity for Black, Indigenous and households of color, we selected organizations from and run by people from these communities and which have strong track records of serving the community. These organizations include, but are not limited to, African Development Center, Build Wealth, Comunidades Latinas Unidas en Servicio, and Urban League of the Twin Cities. With these strong community ties, about 85% of program participants are Black, Indigenous and people of color. Most importantly, about 60% of participants who completed the program and reported an outcome bought a home within a year.

  As a more recent example, we selected 28 organizations to serve as field partners under the RentHelpMN program to reach out to communities most impacted by the COVID-19 pandemic and the resulting financial crisis and help those needing assistance apply for and navigate the program. These organizations include African Immigrants Community Services, Housing Justice Center, Isuroon, Lao Assistance Center of Minnesota, Latino Economic Development Center, Leech Lake Housing Authority and Rise Incorporated.

MAKE OUR PROGRAMS MORE INCLUSIVE AND EQUITABLE

A key tactic under this strategy is reviewing program structures, processes, requirements and restrictions with a renewed lens on inclusion and equity. We will focus on identifying and addressing barriers that prevent some households, developers, properties and communities from accessing resources. Examples include:

- In the fall and early winter of 2020, we ran the COVID-19 Housing Assistance Program (CHAP) that provided emergency housing assistance to both renters and homeowners. After the work was done, we identified lessons learned from the temporary program so that we could use them in other and future emergency housing programs. A key lesson included the need to devote resources for: (1) marketing and outreach, (2) leveraging trusted community-based organizations to create and amplify program awareness and participation, and (3) helping people apply for assistance.

- Over the last few years, we have substantially simplified our Rental Rehabilitation Deferred Loan (RRDL) program and Publicly Owned Housing Program (POHP). Both provide zero-interest, deferred loans, but with the first funding smaller rental properties in Greater Minnesota and the latter funding public housing developments across the state. Both programs have moved to a 'concept-based' application where applicants submit a general scope of work concept and cost estimate for the project. Applicants are not required to pay for third-party inspections, environmental reports, or provide a detailed development budget. If the applicant is selected for funding, those elements are completed with continual assistance from program staff during post-selection processing. Staff has also reduced the number of required application forms and materials to a minimum – from 30 plus to 10 or less. The most recent RRDL RFP had 21 applications that were scored, and a large share were applying to Minnesota Housing for funding for the first time. In each of the last three POHP RFPs (2017, 2018 and 2020), we received 15 to 24 applications with about 1/3 of the applications each year coming from local authorities that have never applied for POHP funding before.

A component of this strategy is geographic equity and making sure we address housing needs across the state, particularly in Greater Minnesota. Each community has its own housing needs, and our programs and processes need to be flexible enough to address all the needs, from supportive to workforce housing and from large cities to small rural communities.

Over the next two years, we will expand this review of our programs. We are already looking at ways to simplify our Consolidated RFP for multifamily development funding and recently made simplifying changes to the Impact Fund's RFP for single-family development.

ADDRESS SYSTEMIC BARRIERS

We will work to make our programs more inclusive and equitable, but there are also large systemic barriers in the overall housing industry where we can play an advocacy role.

For example, Minnesota Housing staff worked on several renter stability provisions during the 2021 legislative session, which resulted in legislation ending Governor Walz's evictions moratorium. This legislation included a provision that barred eviction filings for non-payment of rent for renters with a pending COVID-19 emergency rental assistance program application (including RentHelpMN) through June 1, 2022. Minnesota Housing also supported three different rental stability provisions including a 14-day pre-eviction filing notice requirement, evictions expungement changes, and source of income discrimination, but none were signed into law. The goal of these proposed changes is to start reforming Minnesota's tenant/property-owner laws, recognizing that the current laws result in Black, Indigenous and households of color disproportionately being evicted, experiencing housing instability, and unable to access affordable homes.

Future work with stakeholders could include how credit scores are calculated and used. Studies have found that credit scores can be discriminatory. For example, some scoring mechanisms have assumed borrowers who received loans from finance companies, which are disproportionately used by borrowers of color, are a worse credit risk than people who received loans from depository institutions.[21] In addition, rent payments typically do not show up on a credit report, while mortgage payments do. Black and Indigenous households and households of color are far more likely to be renters in Minnesota and are typically not getting credit for their timely housing payments, while homeowners are.

CONTINUALLY ANALYZE OUTCOMES AND PROGRAM PROCESSES

Part of creating change involves continuous improvement. What gets measured and tracked gets done, particularly if data is used to make mid-course adjustments. To create a more inclusive and equitable housing system, we need to understand outcomes, disparities and key drivers broken out by race, ethnicity, disability status and geography.

For example, we have increased our lending to first-time homebuyers who are Black, Indigenous or households of color from 530 loans in 2012 to 1,473 in 2020, nearly a three-fold increase in just eight years. These results were achieved through systematic tracking, analysis and response. Each year, our Home Mortgage team reviews the lending results from the previous year, develops and refines strategies to increase lending to BIPOC homebuyers, sets goals for the upcoming year, then tracks and monitors the results monthly. Any time a program or process change is considered, the first question asked is, "How will it affect lending to Black and Indigenous households and households of color?"

The eviction moratorium is ending

Know your rights. Mark these dates. Learn what you can do to stay in your home.

JUNE 30, 2021

Your lease could be terminated if you materially violate your lease agreement (does not include nonpayment of rent).

You could be evicted if you qualify for rental assistance but refuse to apply.

JULY 14

You could be evicted if you materially violate your lease agreement (does not include nonpayment of rent).

AUG 13

Your lease could be terminated if you have not paid your rent and are not eligible for COVID-19 rental assistance.

SEPT 12

You could be evicted if you have not paid your rent and are not eligible for COVID-19 rental assistance.

OCT 12

All lease termination and eviction protections are lifted except for eligible renters with pending COVID-19 rental assistance applications.

JUNE 1, 2022

All lease termination and eviction protections are lifted.

Know your rights and responsibilities

15-day notice
Between now and Oct. 12, property owners must give tenants a 15-day notice before they file an eviction for nonpayment.

Apply for help
You might be eligible for rental assistance. Go to RentHelpMN.org or call 211.

Refuse to apply?
Tenants who are behind on rent and eligible for help but refuse to apply can be evicted starting June 30.

Have legal questions?
Visit LawHelpMN.org for additional information and legal resources.

For the RentHelpMN program, we are collecting data beyond the six standard race categories (American Indian, Asian, Black, Pacific Islander, white and other) by breaking each category into subcategories – for example, splitting Asian into Hmong, Asian Indian, Chinese, Vietnamese, and other. We are also tracking and monitoring program results by race, disability status and county, which will allow us to adjust, such as revising our marketing and outreach strategies to address areas where we are falling short of our benchmarks.

Over the next two years, we will expand and enhance this work.

INNOVATION

Minnesota continues to face persistent housing challenges. More resources to address these challenges, such as more federal funding for rental assistance and housing development, would be a tremendous boost; however, we also need to innovate and remove barriers. We need a culture of innovation and creative thinking, where staff and external partners are encouraged to take risks and try new ideas to achieve the vision that "All Minnesotans live and thrive in a stable, safe home they can afford in a community of their choice."

The purpose of this work is to:

- Find new ways to address persistent housing challenges,
- Tap into and leverage the expertise and knowledge of staff and the community and empower them to be creative problem solvers,
- Make time, space and resources available for brainstorming, collaborating, problem solving and piloting,
- Create opportunities for cross-team and cross-division collaboration, and
- Be willing to accept some failures (particularly if contained and well managed).

Areas that appear ready for innovative thinking include:

- Creating a more inclusive and equitable housing system, with human-centered design and community co-developed solutions playing a key role,
- Increasing housing production and workforce housing in Greater Minnesota communities,
- Reducing the cost of building new housing, which would include modular and other alternative construction techniques, and
- Enhancing our work around climate change and green/energy-efficient housing.

The key is making available the time, space and resources for this type of work, regardless of its exact form.

CHAPTER 2: RESOURCES FOR OUR WORK

For 2022 and 2023, we are currently estimating we will make available $3.93 billion for program investments, our largest plan ever. We expect to deploy roughly $2.0 billion and serve an average of approximately 86,000 households each of the two years.

These resources include funds that are: (1) newly available, (2) made available in previous AHPs but went unused, and (3) repayments of loans.

OVERVIEW OF OUR PROGRAM INVESTMENT PLAN

Through our programs, we provide a wide continuum of tools for financing affordable housing and related services, ranging from grants for homelessness prevention and rental assistance to mortgages for home purchases and improvements. As shown in Table 2, six programs account for most of the estimated investment plan.

- **Home Mortgage Loans** (line 1) will involve an estimated $2.2 billion in lending over the two-year period and supporting about 4,890 homebuyers in each year of the two years.
- **Section 8 Rental Assistance Contract Administration** (line 18) will provide an estimated $465 million of federal project-based rental assistance over the two years and annually support nearly 30,000 of the state's lowest-income households. With this assistance, households generally spend no more than 30% of their income on rent and utilities.
- **Housing Infrastructure Bonds** (Line 31) could provide $120 million of bonding authority over the two years and support about 1,280 housing units in each of the two years if that bonding is split evenly between the two years. The $100 million of new HIB authorization is conditional and dependent on the federal government not providing additional housing resources by December 31, 2021.

4% Tax Credits. While not in our program investment plan, we allocate 4% credits to rental housing developments that are financed with tax-exempt private activity bonds, which are regulated by Internal Revenue Service and can be used by states for a variety of purposes. 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. Most of these bonds are used on rental housing, and on a yearly basis, the use of 4% credits can generate a significant amount of private equity for affordable housing.

- **Low Income Housing Tax Credits** (line 10) is one of our primary programs for developing and rehabilitating affordable rental housing. The $21 million of 9% credits from the federal government over the two years will generate an estimated $96 million in private equity annually for the construction or rehabilitation of roughly 550 units of affordable rental housing in each of the next two years.
- **RentHelpMN** (line 26) will potentially make available over $372 million to assist over the two years roughly 50,000 renter households who have faced a COVID-related economic hardship, with most renters assisted in program year 2022, and some households may be assisted across both years.
- **HomeHelpMN** (line 27) will make available $109 million to assist 6,700 homeowner households over the two years, again with most being assisted in program year 2022 and a smaller number in 2023.

We will also use portions of our tax-exempt private activity bond allocation for multifamily projects to generate private equity from 4% housing tax credits. Some of these projects also utilize our deferred loan resources, so the units produced by these jointly funded projects are already included in our overall unit count for 2022 and 2023.

Table 2 also shows, by program, the median incomes of the low- and moderate-income households that we served in 2020, which ranged from $6,168 to $81,180. According to HUD, the statewide median family income in 2020 was $91,800.

Sample of Programs	Median Income(s)
Rental assistance programs (lines 18-22)	$8,052 to $12,652
Rehabilitation Loan Program (line 7)	$15,591
Low-Income Housing Tax Credits (line 10)	$22,103
Single-Family Economic Development and Housing/Challenge (line 25)	$47,991
Home Mortgage Loans (line 1)	$63,116
Home Improvement Loan Program (line 6)	$78,587

TABLE 2: OVERVIEW OF 2022-2023 PROGRAM INVESTMENT PLAN

		2022-2023 Resources to be Made Available	2019-2020 Actual Disbursement / Deployment of Resources	Activity	Median Income Served (2020)	Share BIPOC (2020)
	Homebuyer Financing and Home Refinancing	**$2,321,770,000**	**$2,150,203,944**			
1	Home Mortgage Loans	$2,200,000,000	$2,055,334,285	First Mortgage	$63,116	32.8%
2	Deferred Payment Loans	$74,770,000	$53,419,875	Downpayment and Closing Cost Loans	$53,899	35.9%
3	Monthly Payment Loans	$47,000,000	$41,449,784	Downpayment and Closing Cost Loans	$81,180	29.8%
	Homebuyer/Owner Education and Counseling	**$6,063,174**	**$5,432,860**			
4	Homebuyer Education, Counseling & Training (HECAT)*	$3,063,174	$2,927,095	Education & Counseling	$41,498	56.4%
5	Homeownership Capacity	$3,000,000	$2,505,765	Education & Counseling	$42,000	82.9%
	Home Improvement Lending	**$116,544,000**	**$52,593,245**			
6	Home Improvement Loan Program	$101,000,000	$42,310,154	Home Improvement Loan	$78,587	10.6%
7	Rehabilitation Loan Program (RLP)	$15,544,000	$10,283,091	Home Improvement Loan	$15,591	9.4%
	Rental Production - New Construction and Rehabilitation	**$272,218,000**	**$208,624,365**			
8	Multifamily First Mortgages	$150,000,000	$127,710,844	Amortizing Loans	$26,190	58.6%
9	Flexible Financing for Capital Costs (FFCC)	$20,000,000	$15,574,363	Primarily Deferred Loans	N/A	N/A
10	Low-Income Housing Tax Credits (LIHTC)	$20,996,000	$11,776,695	Investment Tax Credits	$22,103	49.7%
11	National Housing Trust Fund	$18,506,000	$2,511,840	Deferred Loans and Operating Grants	N/A	N/A
12	HOME	$18,794,000	$10,003,440	Deferred Loans	$12,205	$12,205
13	Preservation - Affordable Rental Investment Fund (PARIF)	$24,436,000	$11,252,064	Deferred Loans	N/A	N/A
14	Asset Management	$6,000,000	$5,980,511	Loans	N/A	N/A
15	Rental Rehabilitation Deferred Loan Pilot (RRDL)	$9,486,000	$4,877,364	Deferred Loans	$17,125	15.4%
16	Publicly Owned Housing Program (POHP) - GO Bonds	$0	$15,631,224	Deferred Loans	$11,676	24.1%
17	Workforce Housing Development	$4,000,000	$3,306,020	Deferred Loans and Grants	N/A	N/A
	Rental Assistance Contract Administration	**$465,000,000**	**$385,701,451**			
18	Section 8 - Project-Based Rental Assistance	$465,000,000	$385,701,451	Rent Assistance	$12,652	35.7%

		2022-2023 Resources to be Made Available	2019-2020 Actual Disbursement / Deployment of Resources	Activity	Median Income Served (2020)	Share BIPOC (2020)
	Housing Stability for Populations Needing Extra Support	**$66,655,679**	**$53,100,424**			
19	Housing Trust Fund (HTF)	$29,685,490	$23,440,955	Rent Assistance and Operating Support	$9,636	62.3%
20	Homework Starts with Home	$3,500,000	$1,028,176	Rent Assistance and Other Support	$8,052	77.0%
21	Bridges	$9,940,589	$7,913,431	Rent Assistance	$10,368	31.5%
22	Section 811 Supportive Housing Program	$2,385,000	$1,692,893	Rent Assistance	$10,368	52.6%
23	Family Homeless Prevention and Assistance Program (FHPAP)**	$20,577,600	$18,701,632	Grants	$9,972	61.8%
24	Housing Opportunities for Persons with AIDS (HOPWA)	$567,000	$323,337	Grants	$22,029	49.7%
	Multiple Use Resources	**$169,440,000**	**$78,129,620**			
25	Economic Development and Housing Challenge (EDHC)	$34,650,000	$32,640,359	Loans and Grants	MF: $20,370 SF: $47,991	MF: 69.9% SF: 61.9%
26	Single Family Interim Lending	$2,500,000	$2,124,942	Construction Loans	n/A	N/A
27	Housing Infrastructure Bonds (HIB)***	$120,000,000	$40,802,614	Primarily Deferred Loans	MF: $6,168 SF: $36,783	MF: 54.0% SF: 37.9%
28	Workforce Affordable Homeownership Program	$3,750,000	$0	Loans and Grants	N/A	N/A
29	Manufactured Home Community Redevelopment Program	$3,750,000	$0	Grants and Loans	N/A	N/A
30	Technical Assistance and Operating Support	$3,790,000	$2,561,705	Grants	N/A	N/A
31	Local Housing Trust Fund Grants	$1,000,000	$0	Grants	N/A	N/A
	COVID-19 Housing Recovery	**$507,831,609**	**$5,530,823**			
32	COVID-19 Housing Assistance Program (CHAP)		$5,530,823	Rental and Homeowner Assistance	$18,000	56.0%
33	RentHelpMN - Emergency Rental Assistance Program (ERAP)	$372,000,000	$0	Rental Assistance		
34	HomeHelpMN - Homeowner Assistance Fund (HAF)	$109,364,448	$0	Homeowner Assistance		
35	HOME - ARP (American Rescue Plan)	$26,467,161	$0	Loans and Grants		
	Total	$3,925,522,461	$2,939,316,732			

* Of the HECAT funding, $1,030,000 is contingent on funds being made available by partner organizations.

** The last three months of funding for FHPAP (July 1 through September 30, 2023) is contingent on funds coming from the 2023-2024 biennial appropriations.

***$100 million of the HIB resources conditional on federal action.

For context, Table 2 describes the type of funding provided under each program, with more detailed descriptions of each program provided in Appendix B. Table 2 also provides the funding that we disbursed in 2019 and 2020, which are our two most recently completed program years with reported data. The 2022-2023 AHP numbers reflect the amounts that we anticipate making available for new awards over the next two years, while the 2019-2020 numbers reflect actual funds disbursed in two recent years. Some programs move quickly from awards to disbursement, while others, particularly housing development, can take around two years.

Overall, we anticipate program activity to be nearly $1 billion higher for the next two years than it was in 2019 and 2020. Key changes include:

- **COVID-19 Housing Recovery Funds** (lines 31-34). We anticipate over $508 million in program activity over the next two years. These are very large one-time awards that will require a lot the Agency's attention.
- **Homebuyer Financing and Home Refinancing** (lines 1-3). We are currently estimating an increase of about $170 million in home lending. The change is driven by increases in home prices and mortgage amounts.
- **Section 8 Project-Based Rental Assistance** (line 18). Under this program, we expect an $80 million increase for a couple of reasons. First, HUD has transferred to Minnesota Housing an additional 24 developments to administer; and second, with rising rents, the amount of assistance per unit is increasing. We are also anticipating additional transfers.
- **Home Improvement Lending** (lines 6-7). We expect to increase our home improvement lending by over $60 million, with particularly strong production under the Fix-Up Fund, which is our Home Improvement Loan Program.
- **Rental Production** (lines 8-17). Across the 10 programs listed, Table 2 shows a funding increase of over $60 million for the two years. Part of the increase is due to timing issues. Rental development projects can take two years to move from selection for funding to those funds being disbursed, with some projects taking less time and others taking more. With varying development timelines, the disbursement of funds can get uneven even when the amount awarded at initial selection is consistent over time. The funding for Low-Income Housing Tax Credits (line 10) is a perfect example of this. The program did not see an increase in overall funding between 2019-2020 and 2022-2023, but, in 2020, there was a smaller than typical number of tax-credit projects reaching the final stages of the funding process, which understated the overall resource availability.
- **Housing Infrastructure Bonds** (line 27). We estimate a nearly $80 million increase from 2019-2020 activity levels. The 2022-2023 AHP includes a new $100 million allocation of Housing Infrastructure Bonds from the Legislature and about $20 million left from a previous authorization. The housing development timing issue described above is also a factor in the increase. The $100 million of new HIB resources includes legislatively designated amounts for single-family development ($18.333 million) and infrastructure needs in manufactured home communities ($15 million). Per state law, the new $100 HIB authorization is conditional, pending federal action.

ANNUAL HOUSEHOLD AND UNIT PROJECTIONS

As shown in Table 3, we expect the resources in this AHP will assist on average roughly 86,000 households or housing units in each of the next two years. In the end, it is unlikely that there will be an even split. Given the need for a timely response to COVID-19 housing recovery, the number of households assisted will likely be higher than 86,000 in 2022 and below 86,000 in 2023. Our household and housing unit estimates assume that all the resources shown in this AHP will be deployed. In the end, we will probably fall short for some programs but may also exceed the resource estimates for other programs. Our Home Mortgage Loans, Multifamily First Mortgages and Home Improvement Loans are demand-driven and financed with resources that are less limited.

TABLE 3: 2022-2023 FORECAST OF HOUSEHOLDS OR HOUSING UNITS ANNUALLY ASSISTED, BY PROGRAM

	Program	Households or Units
Homebuyer Financing and Home Refinancing		**4,890**
1	Home Mortgage Loans	4,890
2	Deferred Payment Loans	Included in First Mortgage Count
3	Monthly Payment Loans	
Homebuyer/Owner Education & Counseling		**8,160**
4	Homebuyer Education, Counseling & Training (HECAT)	6,960
5	Enhanced Homeownership Capacity Initiative	1,200
Home Improvement Lending		**1,960**
6	Home Improvement Loan Program	1,680
7	Rehabilitation Loan Program (RLP)	280
Rental Production- New Construction and Rehabilitation		**2,060**
8	Multifamily RFP/HTC/Pipeline Production	1,650
9	Multifamily First Mortgage	Part of RFP/ HTC/ Pipeline Total
10	Flexible Financing for Capital Costs (FFCC)	
11	Low-Income Housing Tax Credits (LIHTC)	
12	National Housing Trust Fund	
13	Housing Infrastructure Bonds (HIB) - Multifamily RFP	
14	Economic Development and Housing Challenge (EDHC)	
15	HOME	
16	Preservation - Affordable Rental Investment Fund (PARIF)	
17	Asset Management	150
18	Rental Rehabilitation Deferred Loan (RRDL)	190
19	Publicly Owned Housing Program (POHP)	0
20	Workforce Housing Development	70
Rental Assistance Contract Administration		**29,700**
21	Section 8 - Project-Based Rent Assistance	29,700
Housing Stability for Populations Needing Extra Support		**8,890**
22	Housing Trust Fund (HTF)	2,300
23	Homework Starts with Home	290
24	Bridges	720
25	Section 811 Supportive Housing Program	160
26	Family Homeless Prevention and Assistance Program (FHPAP)	5,140
27	Housing Opportunities for Persons with AIDS (HOPWA)	280
Multiple Use Resources		**1,470**
28	Impact Fund - EDHC and HIB	470
29	Single Family Interim Lending	Part of EDHC RFP
31	Workforce Affordable Homeownership Program	50
32	Manuf. Home Comm. Redevelop. Program (Including HIB)	950
COVID-19 Housing Recovery		**29,200**
33	RentHelpMN - Emergency Rental Assistance Program (ERAP)	25,000
34	HomeHelpMN - Homeowner Assistance Fund (HAF)	4,100
35	HOME-ARP (American Rescue Plan)	100
Total		**86,330**

The following graphs show the number of households that we served in 2015 through 2020 (dark blue bars), and the households that we are projecting to serve in 2021 through 2023. The 2021 figures (light blue bars) are based on current projected awards, and the 2022 and 2023 figures (green bars) are based on the funds that we estimate will be available under this AHP. For these graphs, we have assumed an even split in resources between 2022 and 2023. Given the immediate need for COVID-19 housing recovery, it is very likely that 2022 will have more activity than 2023 in the end. Also, particularly for the housing development programs, projects can take two years for funds to be used after being selected for funding. Thus, some of these funds will not assist households until after 2023, but we show them in 2022 and 2023 to reflect the number of households that will eventually be assisted with funds awarded in those years.

HOMEBUYER FINANCING AND REFINANCING

FIGURE 3: HOUSEHOLDS/HOMES ASSISTED – HOME MORTGAGE LOANS

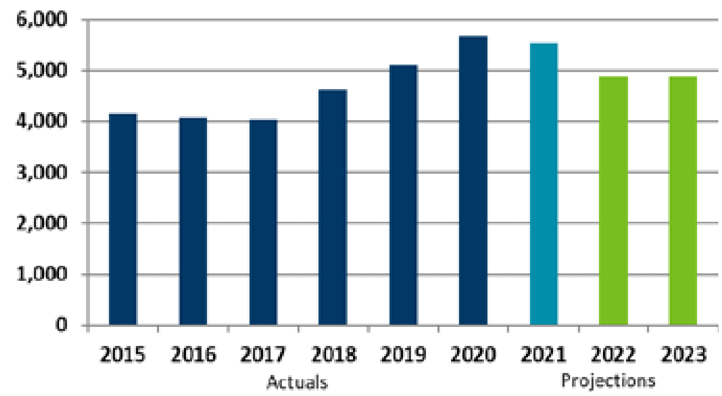
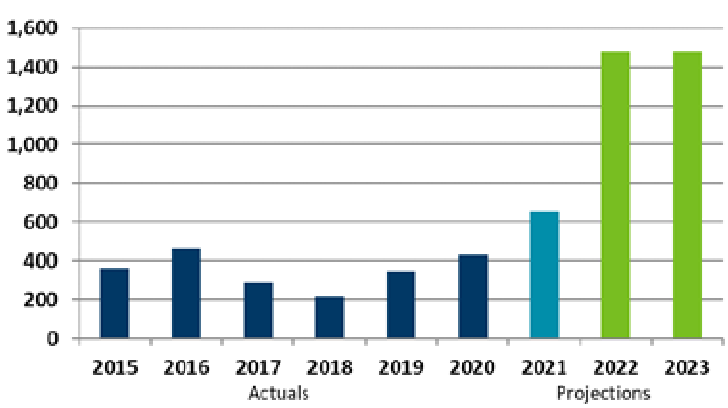


Figure 3 shows our historical home mortgage lending, which was around 4,000 mortgages in 2015 through 2017. It then increased in 2018 through 2020, reaching nearly 5,700. We are currently expecting production to taper off a bit to about 5,000 mortgages in both 2022 and 2023. From a dollar perspective, we expect to have a similar level of lending in the next two years as we did in 2020 and 2021, but with higher home prices and mortgage amounts, those funds will finance fewer mortgages. Historic low-interest rates have supported a high-level of mortgage lending the last couple of years. In addition, with a very limited inventory of homes selling for less than $250,000, low- and moderate-income borrowers face significant challenges in finding homes to buy.

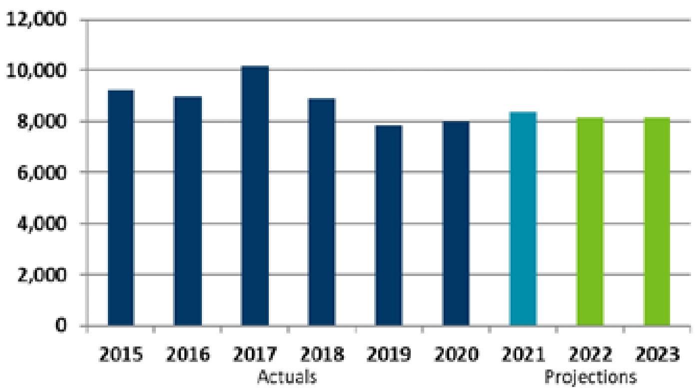
FIGURE 4: HOUSEHOLDS/HOMES ASSISTED – OTHER HOMEOWNERSHIP OPPORTUNITIES



In each of the next two years, we expect higher levels of activity under "other homeownership opportunities." Typically, we see about 400 single-family homes financed each year. With just over $33 million of HIB resources being set-aside (contingent on lack of federal action) for single-family development, including infrastructure for manufactured home communities, we are projecting annual production to jump to over 1,000 homes each year, which will be a stretch goal. The exact timing of the increase is dependent on how quickly the funds are deployed and used. It may take time to ramp up to that level of activity, with higher production in later years. (Figure 4 includes the single-family portion of the Economic Development and Housing/Challenge program, Housing Infrastructure Bond proceeds for single-family development, Single-Family Interim Lending, Workforce Affordable Homeownership Program, and Manufactured Home Redevelopment Program.)

HOMEBUYER/OWNER EDUCATION, COUNSELING, AND COACHING

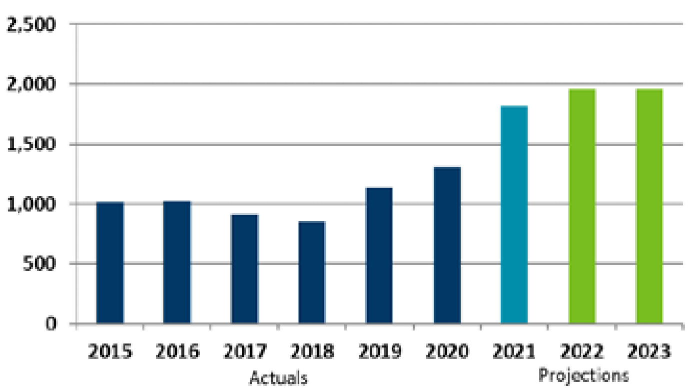
FIGURE 5: HOUSEHOLDS ASSISTED – HOMEBUYER/OWNER EDUCATION AND COUNSELING



As shown in Figure 5, education and counseling that we directly fund has been relatively steady over the last few years. The graph does not include clients served under the Homeownership Center's online course called Framework, which is an alternative to traditional classroom training and has grown significantly over the last few years. While Framework is part of the homebuyer education network that we support, we do not fund Framework. (Figure 5 includes Homebuyer Education, Counseling and Training (HECAT) and the Enhanced Homeownership Capacity Initiative.)

HOME IMPROVEMENT LENDING

FIGURE 6: HOUSEHOLDS/HOMES ASSISTED – HOME IMPROVEMENT PROGRAMS

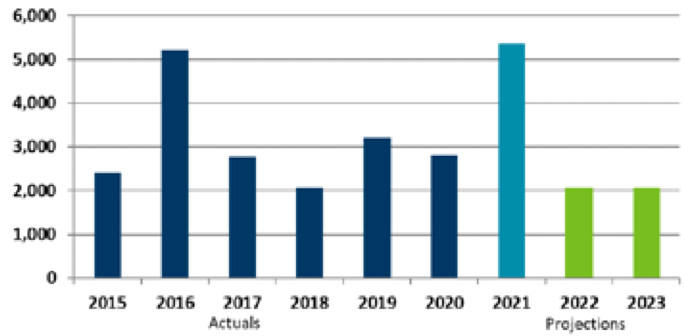


Our home improvement production struggled a few years ago with the availability of home equity lines of credit and cash from mortgage refinancing limiting demand for our installment loans. With recent changes to the program that made it more desirable for borrowers and easier to administer, our lending volume increased significantly. We now expect the lending activity to be twice as high as it was just a few years ago. (Figure 6 includes both the Home Improvement Loan Program and the Rehabilitation Loan Program.)

RENTAL PRODUCTION

In a typical year, the rental new construction and rehabilitation that we finance varies between 2,000 and 3,000 units. Production is particularly high in years that have a large amount of state GO bond resources to finance the rehabilitation of public housing through our Publicly Owned Housing Program (POHP). Because the funding per unit is quite low (often less than $10,000 per unit), we can rehabilitate a large number of units with those funds. Even with potentially sizable HIB resources in 2022-2023, we expect production to be lower than recent years for a few reasons. First, the cost of construction is increasing, which limits the number of units we can finance. Second, an increasing share of our funded projects are new construction, which requires more subsidy per unit than rehabilitation. Third, after a temporary four-year increase in our 9% Low Income Housing Tax Credit allocation from the federal government, the allocation is going back to its traditional level. Fourth, due to loan repayments (which we recycle into new loans) and other factors, we had a larger-than-normal level of funding for a couple of the rental production programs in recent years. (Figure 7 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.)

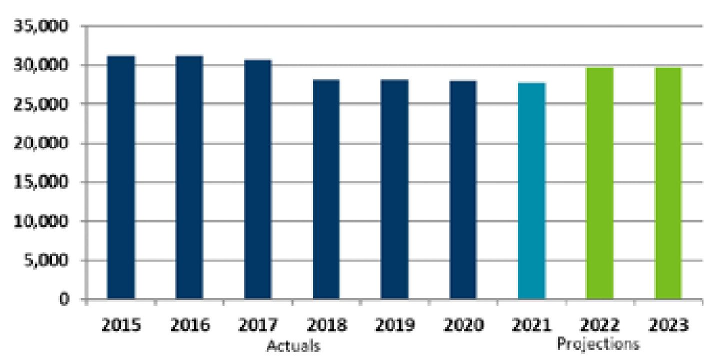
FIGURE 7: UNITS ASSISTED - RENTAL PRODUCTION



RENT ASSISTANCE CONTACT ADMINISTRATION

Activity in Section 8 contract administration has been very steady (Figure 8). These are ongoing contracts that we administer, and the number of households served does not vary significantly from year to year. The number dropped slightly several years ago and is now coming back up. Due to federal budget uncertainties, HUD decided to take over the administration of 24 Section 8 properties, but we have since regained administration of those contracts. The households in these 24 properties continued to receive Section 8 assistance, but we did not administer it for a period.

FIGURE 8: HOUSEHOLDS ASSISTED – RENTAL ASSISTANCE CONTRACT ADMINISTRATION



HOUSING STABILITY FOR POPULATIONS NEEDING EXTRA SUPPORTS

As shown in Figure 9, overall activity in rental assistance and operating subsidies declined after 2019 when the Minnesota Department of Human Services took over the administration of some operating subsidies in supportive housing developments that we had previously administered for them. (Figure 9 includes the four regular rental 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 10) has declined in recent years because FHPAP has targeted clients needing more support, which requires more funding per household.

FIGURE 9: HOUSEHOLDS/UNITS ASSISTED – AGENCY RENTAL AND OPERATING ASSISTANCE

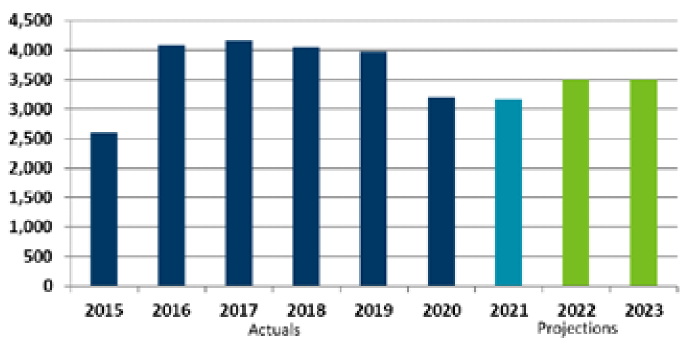
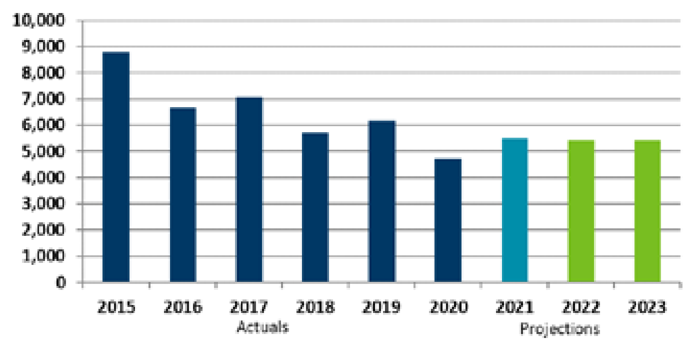


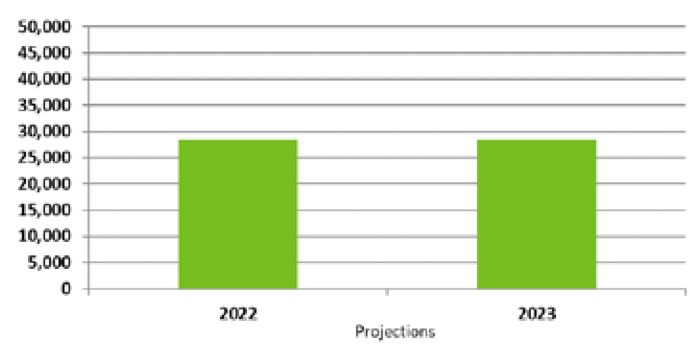
FIGURE 10: HOUSEHOLD ASSISTED – TARGETED ASSISTANCE – FHPAP AND HOPWA



COVID-19 HOUSING STIMULUS AND RECOVERY

We launched our new RentHelpMN program in April 2021. It is still too early in the program to predict accurately how many households we will have assisted and when. Some renters may come in during 2021, receive assistance for six months of late rent, be done, and not show up in our 2022 or 2023 numbers. Others may receive assistance throughout the life of the program. Some renters may come in for assistance for the first time in 2022. We have estimated that about 50,000 income-eligible Minnesota renter households haven been behind on their housing payments and may need assistance, and thousands more need rental assistance going forward given their low incomes and cost-burden status.

FIGURE 11: HOUSEHOLD ASSISTED – COVID RECOVERY



We don't know when homeowners will apply for and receive homeowner assistance, but we'll likely see a higher program activity in 2022. While we estimate that about 70,000 homeowner households in Minnesota have been behind on their housing payments and may need assistance, we will only have the resources to serve about 6,700 over the course of the program.

The HOME-ARP program will assist additional individuals or households who are experiencing homelessness, or are at risk of homelessness, along with other vulnerable populations.

To show the relative size of these federally funded programs, Figure 11 shows the number of households that we expect to serve over 2022 and 2023, evenly split between the two years. In all likelihood, we will assist substantially more households in 2022 than 2023, but it still unclear what the split will be. Some renters may be assisted in both years.

ENDNOTES

[1] Minnesota Department of Employment and Economic Development, Current Employment Statistics (through August 1, 2021).

[2] Minnesota Housing analysis of data from the Minnesota Department of Employment and Economic Development; https://mn.gov/deed/data/data-tools/unemployment-insurance-statistics/.

[3] Minnesota Housing estimate based on data provided by Black Knight Data & Analytics, LLC, Mortgage Bankers Association, Minnesota Multi-Housing Association, and U.S. Census Bureau's Pulse Survey and American Community Survey.

[4] Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2019, 1-year sample).

[5] Minnesota Housing analysis of microdata from the U.S. Census Bureau's American Community Survey (2019, 1-year sample, IPUMS).

[6] HousingLink, Minneapolis and St. Paul Rental Housing Briefs (April 2021).

[7] Minneapolis Area Association of Realtors.

[8] Minnesota Housing analysis of 2016 to 2020 data from the Metropolitan Council; https://stats.metc.state.mn.us/data_download/DD_start.aspx

[9] Minneapolis Area Association of Realtors; this data applies to the 16 counties in and around the Twin Cities metro area.

[10] Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2019, 1-year sample).

[11] Horowitz, Eng Ky, Starling and Tchourumoff, Systemic Racism Haunts Homeownership Rates in Minnesota (Minneapolis Federal Reserve Bank, February 25, 2021); https://www.minneapolisfed.org/article/2021/systemic-racism-haunts-homeownership-rates-in-minnesota#:~:text=Minnesota's%20homeownership%20gap%20is%20among%20the%20largest%20in%20the%20nation&text=In%201950%2C%20the%20gap%20in,now%2050%20percentage%20points%20wide.

[12] U.S. Department of Housing and Urban Development, Point-in-Time count.

[13] Minnesota Housing analysis of data from the Minnesota State Demographic Center; 2017-2070-mn-statewide-age-sex-projections-regular-series-msdc-dec2017_tcm36-321941

[14] Project-basing involves tying a housing voucher to a specific housing development.

[15] The rent restriction is actually affordable at 30% of the Multifamily Tax Subsidy Project (MTSP), which is the Internal Revenue Service's version of HUD's area median income. They are nearly the same, but slightly different.

[16] These requirements and selection criteria apply to projects funded through our Consolidated Request for Proposals (RFP).

[17] Minnesota Realtors, June 2021 Monthly Indicators.

[18] Minnesota Realtors, June 2021 Monthly Indicators.

[19] The $5,000 average amount behind on rent is based on initial applications to the RentHelpMN program. The $9,000 average amount behind on principle, interest, taxes, insurance and other housing payments is based on data from Black Knight Data & Analytics, LLC and some modeling done by Minnesota Housing.

[20] Burcu Eyigungor, Federal Reserve Bank of Philadelphia Research Department, "Housing's Role in the Slow Recovery" Economic Insights (Second Quarter, 2016), p. 6.

[21] Lisa Rice and Deidre Swesnik, "Discriminatory Effects of Credit Scoring on Communities of Color" (Prepared for Symposium on Credit Scoring and Credit Reporting, sponsored by Suffolk University Law School and National Consumer Law Center, June 6 and 7, 2021).

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