Minnesota Housing

2017 Affordable Housing Plan

Minnesota Housing Finance Agency

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BOLD, CREATIVE, COLLABORATIVE

The 2017 Affordable Housing Plan (AHP) is our business plan for the upcoming program year (October 1, 2016 to September 30, 2017). While we are fortunate to live in a State with a growing economy and a healthy job market, we still confront the challenge of meeting the growing need for affordable housing with limited resources. To achieve our vision of all Minnesotans having a stable home they can afford in the community of their choice, we will be bolder, more creative, and more collaborative than ever before. It is not just about what we do, it is also about how we do it.

SUMMARY:
2017 At a Glance

Minnesota confronts the troubling fact that a growing number of families and individuals struggle to afford a place to call home even when we have a strong economy and job market. Since 2000, the number of Minnesota households spending more than 30 percent of their income on housing increased 69 percent from 350,000 to 590,000. Having a stable, affordable home is the foundation for success, providing the stability for individuals and families to thrive. To remove the systemic and institutional barriers that people face in obtaining affordable housing, we must think and act differently, which will involve:

- Leveraging strong financial management to get the most out of scarce resources,
- Developing effective partnerships to create a strong network of lenders, developers, and community-based organizations who help people get the housing they need,
- Being flexible and responsive to meet changing housing needs across the state,
- Providing equitable access to programs and opportunity, and
- Removing barriers to affordable housing through innovation and creativity.

We also need the resources to carry out this work and are excited to make available over $1 billion to assist over 64,000 Minnesota households with their housing needs in 2017.

Figure 1: Funding by Activity

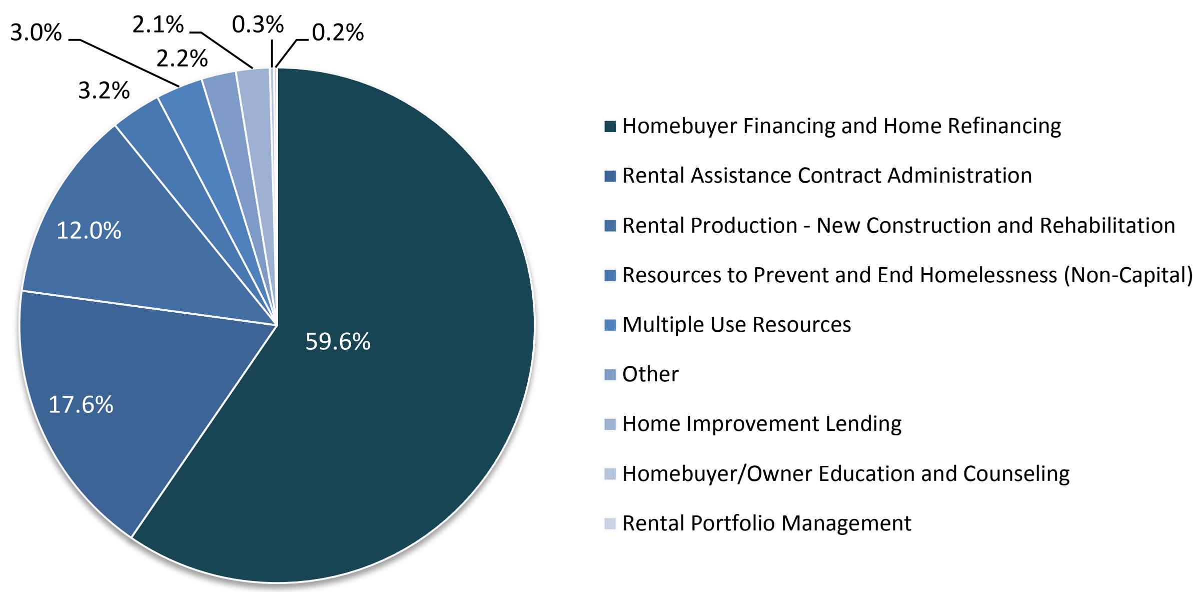


Table 1: Funding by Activity

Program Category	Funding
Homebuyer Financing and Home Refinancing	$634,700,000
Homebuyer/Owner Education and Counseling	$2,767,000
Home Improvement Lending	$22,600,000
Rental Production - New Construction and Rehabilitation	$128,107,255
Rental Assistance Contract Administration	$187,079,695
Resources to Prevent and End Homelessness (Non-Capital)	$33,601,039
Rental Portfolio Management	$2,000,000
Multiple Use Resources	$31,434,779
Other	$23,089,629
Total	**$1,065,379,397**

Highlights include:

- Making available $600 million for home mortgage lending. We couple these resources with a strong track record of effectively serving households of color and Hispanic ethnicity to reduce the homeownership disparity.
- Redesigning our funding strategy with Twin Cities Habitat for Humanity to use our investment as seed capital to attract other investors and expand its business model.
- Redesigning our Qualified Allocation Plan (QAP) for housing tax credits to make it clearer and more transparent. Housing tax credits are our primary tool for financing rental housing development and rehabilitation.
- Supporting rental housing developments with funds from the National Housing Trust Fund and by forward committing a portion of the funds from the Economic Development and Housing Challenge program.

While we face significant challenges in having all Minnesotans live in a safe, stable home they can afford in a community of their choice, we are strengthening the infrastructure to move toward that vision.

CHAPTER 1:
The Need

Housing is the foundation for success, providing individuals and families with the stability to thrive. To help build that foundation, this Affordable Housing Plan (AHP) will guide us in how we will allocate scarce housing resources for the next year. In addition to our continued commitment to providing equitable access to affordable homeownership and rental housing, the plan provides new direction on several focused and deliberate investments to address challenging issues that impact our most vulnerable residents. We know that where we focus our efforts and direct our resources, we can make a difference.

Minnesota Needs More Affordable Housing

DECREASE IN INCOMES

After adjusting for inflation, median incomes have declined by **5.6 percent** and monthly housing costs have increased by **8.1 percent** since 2000.[1]

INCREASE IN COST BURDENED

The number of households spending more than 30 percent of their income on housing increased **69 percent** from 350,000 in 2000 to **590,000** in 2014.[2]

INCREASE IN HOME COSTS

In the last year, rents and home prices in the metro area increased by **5.3 percent.**[3] Average monthly rents increased from $1,018 to $1,072, and median home prices climbed from $229,000 to $242,000.

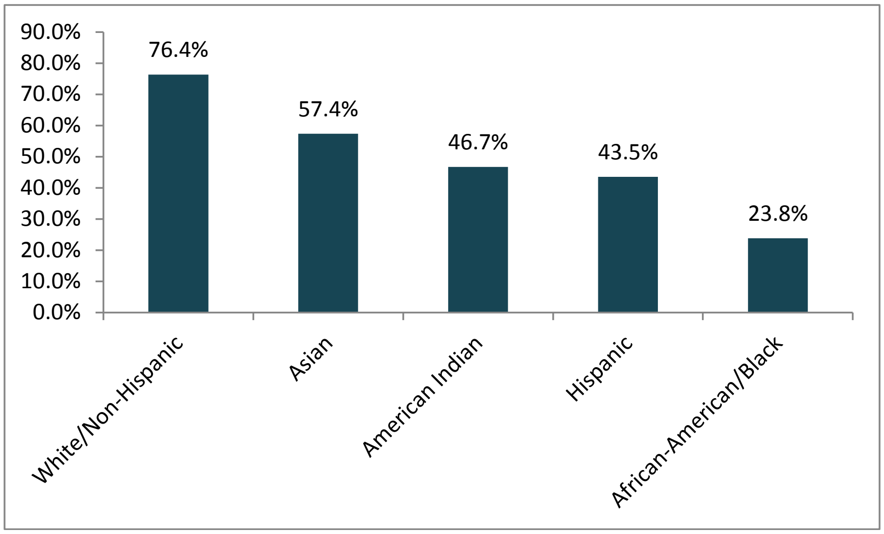
DECREASE IN SUPPLY

The rental vacancy rate is about **3 percent** around the state (5 percent that reflects a balanced market).[4] The months supply of homes for sale is **3.9 months**, below the desired 5 month supply.[5]

Minnesota is Becoming More Diverse and Has Significant Disparities in Housing Outcomes

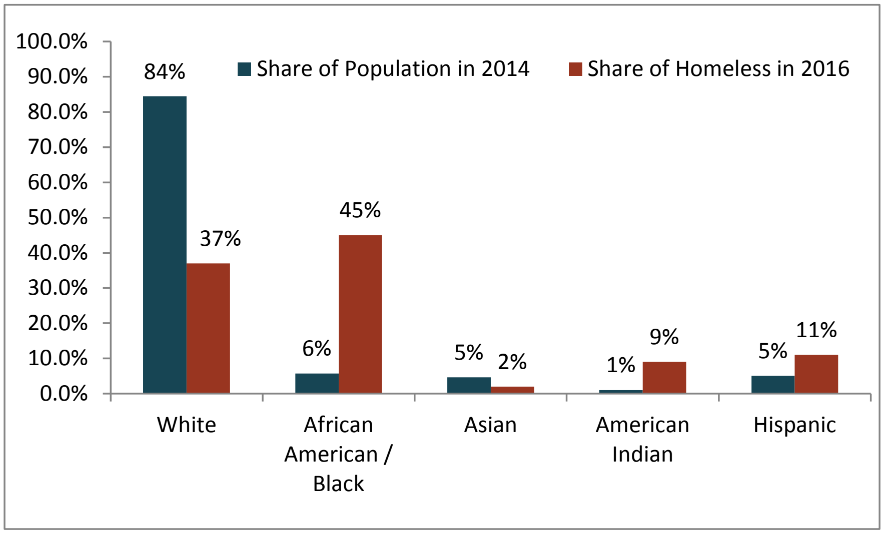
- The share of Minnesotans who are of color or Hispanic ethnicity will increase from 19 percent in 2015 to 25 percent in 2035.[6]
- Minnesota has the third highest homeownership disparity in the country. While 76.4 percent of white/non-Hispanic households own their home, only 41.0 percent of households of color or Hispanic ethnicity do.

Figure 2: 2014 Minnesota Homeownership Rates by Race and Ethnicity



- Households of color or Hispanic ethnicity are far more likely to be homeless, as shown in Figure 2. Fortunately, the number of homeless in Minnesota has dropped by 13 percent in the last two years, but still stands at 7,304 people in the latest count.[7]

Figure 3: Share of Minnesota Population and Homeless by Race and Ethnicity[8]



- Minnesota is also becoming older. The number of Minnesotans age 65 or older is expected to nearly double in the next 25 years.[9] Incomes of seniors decline as they age, increasing the demand for affordable housing.

CHAPTER 2:
Our Approach

Minnesota Housing is much more than a financial institution with a mission – we are an organization striving to build on community strengths and create better places for families and individuals to thrive. To achieve our vision of all Minnesotans having a stable home they can afford in the community of their choice, we must be bolder, more creative, and more collaborative than ever before. It is not just about **what** we do, it is also about **how** we do it.

While the systemic and institutional barriers that have shut some people out of housing cannot be erased overnight, we are moving the needle on addressing some of the most serious challenges that Minnesotans face. Through dynamic partnerships and a flexible business model, we are able to take advantage of new opportunities and innovations in the area of affordable housing.

OUR STRATEGIC PRIORITIES

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

Along with our strategic priorities, mission, vision, and values, the following principles will guide our work in 2017:

- Leverage **strong financial management** to get the most out of scarce resources
- Develop **effective partnerships** to create a strong network of lenders, developers, and community-based organizations who help people get the housing they need
- Be **flexible and responsive** to meet changing housing needs across the state
- Provide **equitable access** to programs and opportunity
- Remove barriers to affordable housing through **innovation and creativity**

Leverage Strong Financial Management

With disciplined, risk-based financial management, we have built a strong balance sheet capable of producing earnings and providing some continuity of funding and services into the future. We can be flexible and innovative with Agency-generated funds, sometimes using them as seed capital to leverage additional private investment. By balancing near-term needs and long-term capacity, we can change the way we allocate resources to address both opportunities and challenges presented by the marketplace.

INVESTING IN BRIDGE TO SUCCESS

The foreclosure and financial crises created a large number of potential homebuyers who were unable to obtain a traditional mortgage and a large number of homes for sale in certain neighborhoods. In response, we invested $12.4 million in Bridge to Success, a contract-for-deed program that serves as an alternative financing arrangement for homebuyers who are unable to obtain a traditional mortgage. Today, with support from us and others, the program has invested $20.9 million and helped put 143 families on the path to successful homeownership.

Using a similar seed capital model, we are changing our investment strategy with Twin Cities Habitat for Humanity to address the challenge of increasing the supply of affordable new single family homes. Through 2020, we plan to invest an estimated $10 million, including $2.5 million from the 2017 AHP. These funds will help launch their mortgage capital acquisition strategy and create a $75 million lending pool, with the goal of serving over 400 new homebuyers, who will reflect Minnesota's increasingly diverse population.

Our Commitment to Action

In 2017 we will:

- Identify, assess and possibly pursue other investment opportunities, including an investment fund through the Greater Minnesota Housing Fund to address the loss of naturally-occurring affordable housing (rental housing without public investments or assistance).
- Implement a business development plan that will increase our capacity to effectively serve multifamily developments with first mortgages.

Develop Effective Partnerships

To best serve Minnesota, particularly historically underrepresented communities, we will increase the number and depth of our organizational partnerships. We depend on a robust network of lenders, developers, community-based organizations, communities, and stakeholders across the state to both inform our priorities and deliver our products.

By listening and collaborating with all of these partners, we can better understand the barriers people experience, community needs, and the outcomes of our decisions. This allows us to respond to the needs of communities, collaborate with the right partners, learn from others as we craft solutions together, and work to close any gaps in our partnership network.

WORKING WITH PARTNERS ACROSS MINNESOTA

We work closely with organizations like the Arrowhead Economic Opportunity Agency (AEOA) to create better outcomes for individuals, families, and communities in Northeastern Minnesota. We have supported AEOA through our Community Housing Development Organization operating support program and our Capacity Building Initiative to increase their capacity to serve their communities. We partner with them on programs from the single family Rehabilitation Loan Program to the Rental Rehabilitation Deferred Loan Program. We listened to their needs at Housing and Community Dialogues and made program improvements as a result. We also provided project-level technical assistance and worked with other partners to support AEOA so they could successfully access financing to develop the Ivy Manor Apartments in Virginia.

In 2017, we seek to strengthen our partnership network. We will seek out organizations that connect with and serve particular cultural and ethnic groups and support organizations with limited resources as they serve a broad range of needs in large, often rural, geographies.

Other state agencies are also key members of our partnership network. Because housing is the foundation for success, we collaborate with them to achieve successful outcomes in health, education, economic stability, and other areas. Formal collaborations include the Interagency Council on Homelessness, the Olmstead Subcabinet, and the World's Best Workforce (an educational initiative to prepare children for the workforce). Activities such as coordinated grant making and ensuring that housing is coupled with needed support services play a key role.

Our Commitment to Action

In 2017 we will:

- Invest new resources to develop effective relationships with organizations of all sizes.
- Work with the broader home-buying industry, including lenders, homeownership advisors and real estate agents to increase sustainable homeownership and address homeownership disparities.
- Increase our commitment to reaching out to historically underrepresented communities on an ongoing and consistent basis.
- Target our outreach and capacity building resources to communities where programs appear to be reaching far fewer people than the need suggests.
- Partner with organizations to better understand housing needs and options for action.

Be Flexible and Responsive

In the last ten years, we have seen dramatic changes in the housing and financial markets and the State's economy and demographics. In addition, housing needs vary from community to community. To work in this environment and take advantage of the opportunities and innovations that arise, we have to be flexible and responsive. At the same time, we need to avoid creating too much complexity in our programs.

In response to changes in home prices and lending activity, and feedback from our lending partners, we recently increased the maximum downpayment and closing-cost loan available under our Deferred Payment Loan program from $5,500 to $7,500. With higher home prices and fewer sellers willing to pay the sale's transaction costs, lower-income households need additional assistance to become homebuyers. Our mortgage team listened to our lenders as market conditions changed, which has led to many more homebuyers.

CREATING THE RENTAL REHABILITATION DEFERRED LOAN (RRDL) PROGRAM

In 2012, we created the Rental Rehabilitation Deferred Loan (RRDL) program to improve smaller rental properties in rural Minnesota. Like many new ventures, the program needed to be refined after it was launched. We responded to feedback from community-based organizations and made it more functional for landlords of smaller buildings. We simplified the application and underwriting process and made loans to properties with 1-4 units completely forgivable to encourage more rehabilitation of this critical source of affordable housing.

Our Commitment to Action

In 2017 we will:

- Redesign the Qualified Allocation Plan (QAP) for federal tax credits so it is clear, transparent and responsive to the housing needs of Minnesotans with simpler and more straightforward selection criteria.
- Continue implementing our multifamily Remodel project – a redesign to improve and streamline the competitive process that rental housing developments go through from concept and application for funding to construction and lease-up.
- Continue implementing our new single-family loan origination system, which will provide an improved system for our lending partners.

Provide Equitable Access to Programs and Opportunity

Part of creating an equitable society is giving all Minnesotans the opportunity to live in a safe, stable home they can afford in a community of their choice. While Minnesota has a high overall rate of homeownership, we also have the third highest gap in homeownership rates between white households and households of color and Hispanic ethnicity. We are committed to reducing this unacceptable racial and ethnic disparity. We have made significant strides, increasing our lending to households of color and Hispanic ethnicity by 69 percent between 2014 and 2015 from 674 to 1,141 first-time homebuyers. These households represented 29 percent of our first-time homebuyers. In contrast, they only account for 11 percent of lending by the overall mortgage industry in Minnesota.[10]

Developing partnerships with organizations and individuals deeply connected to communities of color and Hispanic ethnicity is a critical component of our strategy to reduce the homeownership disparity. Our staffing model includes business development representatives who reach out to lenders, real estate agents, and other professionals who work in communities that are historically underserved. Our team works with these active partners to deliver our lending programs. We also modified our downpayment and closing-cost loans to more effectively serve the needs of households of color and Hispanic ethnicity and people with barriers to successful homeownership.

ADDRESSING HOMEOWNERSHIP BARRIERS

Our Enhanced Homeownership Capacity Initiative (Homeownership Capacity) funds trusted community organizations that provide comprehensive homebuyer training and financial coaching that is both rooted in national best practices and specifically tailored to the needs of individual households. Currently, more than 90 percent of the participants are households of color or Hispanic ethnicity. As one of our recent homebuyers stated, "Homeownership … means stability, security, and strength."

While our mortgages account for roughly 5 percent of lending in Minnesota, we will challenge the entire home-buying industry to help us close the homeownership gap. We will continue participating in the Homeownership Opportunity Alliance – an industry coalition dedicated to closing the homeownership disparity gap.

Disparities and inequitable access to opportunity goes beyond homeownership. People of color are far more likely to experience homelessness than people who are white. The instability created by homelessness reduces educational outcomes. In the 2015-16 school year, only 25 percent of third graders experiencing homelessness were proficient in reading compared with 39 percent of third graders who received free-and-reduce priced lunches, another low-income group.[11] To address these differences, we launched a rent assistance pilot for homeless and highly mobile students. Of the 124 families receiving assistance, 83 percent did not move while participating in the pilot, a strong indicator of housing stability. Of the 521 children in the participating families, over 90 percent are of color. In 2017, we will report on whether school attendance has improved for children in these families and use the lessons learned from the pilot to improve the design and operation of rental assistance provided through the Housing Trust Fund.

People with disabilities also face barriers to affordable housing. We are committed to implementing the state's Olmstead Plan and ensuring that people with disabilities have housing choices in the community. For example, we are now working to connect people with disabilities with our home improvement programs, including the Fix -Up Program and Rehabilitation Loan Program, to address accessibility needs in their homes. This includes reaching out to the Minnesota State Council on Disability, PACER, and Minnesota Association for Centers for Independent Living to provide them more information and training about how our programs can help improve housing for people with disabilities.

Our Commitment to Action

In 2017 we will:

- Increase our outreach and work with historically underrepresented communities as not only people who use our programs but also as leaders and partners in the work we do every day.
- Recognizing our role as participants in the Minnesota economy, improve contracting and hiring goals for developments that receive funding from Minnesota Housing.
- Consistent with the goals of the Statewide Plan to End Homelessness, incorporate equity criteria into our decision-making about which organizations receive our grant dollars so that our service delivery partners are more reflective of the communities that they serve.
- Create a pilot to reach renters living in properties funded by Minnesota Housing who are good candidates for homeownership. The initiative will not only increase home-buying opportunities, it could also free up scarce affordable units for other low-income renters.

Remove Barriers to Affordable Housing through Innovation and Creativity

Providing equitable access to programs and opportunity, particularly for the hardest to house, requires new thinking. There are many factors that create barriers for individuals and families to access affordable housing in a community of their choice. Because many of these factors are so deeply rooted in systemic and institutional biases, we cannot address them with traditional thinking. We strive to develop innovative and creative approaches to address these persistent barriers.

To develop creative and innovative solutions, we must understand the barriers to accessing affordable housing. Some people face racial discrimination. Others have to overcome societal biases toward their disabilities. A person's history can also be a barrier, including criminal records, evictions, and poor credit. The key is to create solutions that treat each person as an individual and with dignity.

SUPPORTING COLLABORATION AND INNOVATIVE SOLUTIONS

In the City of Bemidji, homelessness was taking a toll on the community, families, and individuals. While churches and nonprofit organizations worked to develop short-term emergency shelters, the community came together around a development by Center City Housing Corporation for 60 new apartments, including ten units for people who had experienced long term homelessness. A primary goal was to create homes for individuals who were chronic inebriates. The leadership of organizations like Headwaters Regional Development Commission and the partnership with businesses, tribal communities, social service agencies, the city, and local law enforcement present a model of how communities can work together to address a local crisis. This development, which includes partnerships with both the Leech Lake and Red Lake tribal communities, will ensure that there are safe stable affordable housing opportunities for people with a wide range of housing and service needs.

Our Commitment to Action

In 2017 we will:

- Continue to provide guidance to rental property owners regarding overly restrictive tenant screening policies that make it difficult for people to access safe, stable, affordable housing. We recently provided our multifamily development partners guidance on tenant selection plans that will create rental housing opportunities for more people. Our tenant selection plan guidance is consistent with HUD's recent guidance on criminal background screening, which suggests that arrests alone should not be a basis for rejecting a prospective tenant and that the nature and severity of the crime, as well as the amount of time that has passed, should be considered.
- Provide guidance and monitoring to property owners in our portfolio regarding their Affirmatively Furthering Fair Housing Marketing Plans.

- Create a landlord risk mitigation fund pilot with funding authorized by the 2016 Legislature to encourage landlords to rent to people they might not otherwise. Under the pilot, eligible landlords will be reimbursed for damages, lost rent, or eviction costs that are greater than the tenant's security deposit. This program will use research on effective practices from around the nation. In many programs, the reimbursement funds are paired with other strategies, such as housing location and support services for the tenants and landlord-tenant mediation.

Looking Ahead

As we undertake the work outlined in this AHP, we do so in an environment where the need for affordable housing continues to grow. While we are fortunate to live in a State with a growing economy and a healthy job market, the combination of stagnant wages for many low and moderate income workers and rapidly rising housing costs means that many Minnesota households still live in unhealthy or unstable homes, or pay too much of their monthly income for housing. That's why we target our resources and use them to attract other resources to the housing sector.

As we make specific plans for 2017, we are also aware that there are other issues emerging in the housing market that will likely require our attention. For example:

- After more than a 10-year period when tax-exempt bonding authority was plentiful, we expect that the demand for bonding authority to exceed the amounts available. Our review of this situation may suggest changes to policies for how projects requesting tax-exempt bonds and 4 percent housing tax credits are evaluated.
- In recent months, the number of manufactured home park communities facing closure has increased. If this trend continues, we will evaluate how we work with the communities and households that stand to lose this housing, which is often deeply affordable.
- Following the great recession, there was a general increase in the number of single family homes in Minnesota communities being used as rental properties. Communities have begun to raise concerns about the physical condition of these properties. We will identify and consider possible options for bringing more resources to this segment of the rental housing market.
- As we assess additional research on the housing needs of seniors and the applications that we received under a pilot for senior rental housing, we will refine our strategy for serving the growing number of lower-income seniors.

We look forward to working with communities and partners across the State to maximize the positive impact of the programs outlined in this AHP while we also assess these emerging and growing challenges.

CHAPTER 3:
Resources for Our Work

We are excited to make available over $1 billion for housing assistance in 2017. This chapter provides an overview of our programs and budget for 2017. Appendices A and B provide details about our funding and include detailed overviews of each program.

Budget and Program Overview

We carry out a wide range of affordable housing activities, ranging from grants for homelessness prevention and rent assistance to mortgages to buy and improve homes. Three programs account for a majority of the 2017 budget:

- **Home Mortgage Loans** (line 1) will provide a projected $600 million of lending and support an estimated 3,750 homebuyers in 2017.
- **Rental Assistance Contract Administration** (lines 23-24) includes $187 million of federal rental assistance for more than 30,000 of the state's lowest income households. With this assistance, households spend no more than 30 percent of their income on rent.
- **Low-Income Housing Tax Credits** (line 16) is our primary program for developing and rehabilitating affordable rent housing. The $9.5 million of credits will generate an estimated $90 million in private equity to construct or preserve about 650 units of affordable rental housing.

Table 2 also shows, by program, the median incomes of the low- and moderate-income households that we served in 2015, which range from $9,000 to $68,000:

Program	Median Income
Rent assistance programs (lines 23 to 28):	$9,126 to $12,522
Low and Moderate Income Rental (line 12):	$22,499
Habitat for Humanity Initiative (line 6):	$31,932
Home Mortgage Loans (line 1):	$51,159
Home Improvement Loan Program (line 10):	$68,132

Table 2: 2016 and 2017 Program and Budget Overview

		2016 Original Funding Level	2017 Funding Level	Activity	Median Income Served (2015)	Percentage Served from Communities of Color (2015)
	Homebuyer Financing and Home Refinancing	**$533,700,000**	**$634,700,000**			
1	Home Mortgage Loans	$510,000,000	$600,000,000	First Mortgage	$51,159	27.0%
2	Targeted Mortgage Opportunity Program	$4,000,000	$0	First Mortgage	$49,237	84.5%
3	Mortgage Credit Certificates (MCC)	$15,400,000	$5,700,000	Tax Credit on Home Mortgage Interest	$60,969	15.8%
4	Deferred Payment Loans	$11,000,000	$15,500,000	Downpayment and Closing Cost Loans	$43,680	32.6%
5	Monthly Payment Loans	$11,300,000	$11,000,000	Downpayment and Closing Cost Loans	$66,537	24.6%
6	Habitat for Humanity Initiative	$2,000,000	$2,500,000	Homebuyer Financing	$31,932	77.6%
	Homebuyer/Owner Education and Counseling	**$2,267,000**	**$2,767,000**			
7	Homebuyer Education, Counseling & Training (HECAT)	$1,517,000	$1,517,000	Education & Counseling	$35,780	41.9%
8	National Foreclosure Mitigation Counseling (NFMC)	$0	$0	Education & Counseling	N/A	N/A
9	Enhanced Homeownership Capacity Initiative	$750,000	$1,250,000	Education & Counseling	$33,384	93.2%
	Home Improvement Lending	**$25,980,000**	**$22,600,000**			
10	Home Improvement Loan Program	$17,380,000	$14,000,000	Home Improvement Loan	$68,132	9.0%
11	Rehabilitation Loan Program (RLP)	$8,600,000	$8,600,000	Home Improvement Loan	$14,195	18.5%
	Rental Production- New Construction and Rehabilitation	**$128,395,925**	**$128,107,255**			
12	First Mortgage - Low and Moderate Income Rental (LMIR)	$70,000,000	$60,000,000	Amortizing Loan	$22,449	53.1%
13	First-Mortgage - MAP Lending (Multifamily Accelerated Processing)	$15,000,000	$20,000,000	Amortizing Loan	N/A	N/A
14	Flexible Financing for Capital Costs (FFCC)	$3,500,000	$0	Deferred Loan	N/A	N/A
15	Multifamily Flexible Capital Account	$0	$4,500,000	Deferred Loan	N/A	N/A
16	Low-Income Housing Tax Credits (LIHTC)	$9,308,770	$9,546,045	Investment Tax Credit	$21,862	42.2%
17	National Housing Trust Fund	$0	$3,000,000	Deferred Loans and Operating Grants	N/A	N/A
18	Housing Trust Fund - Capital (Housing Infrastructure Bonds - HIB)	$10,849,200	$3,000,000	Deferred Loan	$9,423	50.2%
19	Preservation - Affordable Rental Investment Fund (PARIF)	$9,492,171	$13,900,580	Deferred Loan	$14,316	44.8%
20	HOME	$814,938	$11,518,166	Deferred Loan	$16,915	24.6%
21	Preservation - Publicly Owned Housing Program (POHP) - GO Bonds	$1,300,378	$1,687,858	Deferred Loan	$10,428	26.6%
22	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$8,130,468	$954,606	Deferred Loan	$14,435	8.3%
	Rental Assistance Contract Administration	**$181,322,117**	**$187,079,695**			
23	Section 8 - Performance Based Contract Administration	$129,000,000	$135,000,000	Rent Assistance	$11,796	36.3%
24	Section 8 - Traditional Contract Administration	$52,000,000	$52,000,000	Rent Assistance	$12,522	26.5%
25	Section 236	$322,117	$79,695	Interest Rate Reduction	N/A	N/A

		2016 Original Funding Level	2017 Funding Level	Activity	Median Income Served (2015)	Percentage Served from Communities of Color (2015)
	Resources to Prevent and End Homelessness (Non-Capital)	**$30,325,668**	**$33,601,039**			
26	Housing Trust Fund (HTF)* - Net	$15,671,279	$17,963,789	Rent Assistance and Operating Support	$9,126	64.7%
26a	Funding for new contracts	$2,595,000	$33,332,578			
26b	Adj. to spread contracts over two years	$13,076,279	-$15,368,789			
27	Bridges - Net	$4,695,108	$6,339,508	Rent Assistance	$9,768	32.0%
27a	Funding for new contracts	$2,607,216	$9,471,799			
27b	Adj. to spread contracts over two years	$2,087,892	-$3,132,292			
28	Section 811 Supportive Housing Program	$1,217,100	$500,000	Rent Assistance	N/A	N/A
29	Family Homeless Prevention and Assistance Program (FHPAP) - Net	$8,594,184	$8,644,000	Grants	$11,160	56.8%
29a	Funding for new contracts	$0	$17,288,000			
29b	Adj. to spread contracts over two years	$8,594,184	-$8,644,000			
30	Housing Opportunities for Persons with AIDS (HOPWA)	$147,997	$153,742	Grants	$17,137	47.0%
	Rental Portfolio Management	**$3,444,176**	**$2,000,000**			
31	Asset Management	$3,444,176	$2,000,000	Loans & Grants	N/A	N/A
	Multiple Use Resources	**$36,995,322**	**$31,434,779**			
32	Economic Development and Housing/Challenge (EDHC) - Regular	$19,575,000	$24,279,779	Loans and Grants	MF=$18,740 SF=$39,144	MF=68.2% SF=53.4%
33	EDHC - Housing Infrastructure Bonds (HIB)	$9,480,800	$0	Deferred Loans	N/A	N/A
34	EDHC - Community-Owned Manufactured Home Parks	$2,000,000	$2,000,000	Amortizing Loans	N/A	N/A
35	Single Family Interim Lending	$1,562,000	$1,000,000	Construction Loan	N/A	N/A
36	Technical Assistance and Operating Support	$2,377,522	$2,655,000	Grants	N/A	N/A
37	Strategic Priority Contingency Fund	$2,000,000	$1,500,000	Loans & Grants	N/A	N/A
	Other	**$3,658,949**	**$3,853,641**			
38	Housing Infrastructure Bond Issuance and Other Costs	$900,000	$0	Admin.	N/A	N/A
39	Manufactured Home Relocation Trust Fund	$1,196,644	$1,163,695	Grants	N/A	N/A
40	Organizational Investments / Loans	$0	$10,000,000	Loans	N/A	N/A
41	Naturally Occurring Affordable Housing Investment / Loan	$0	$10,000,000	Loans	N/A	N/A
42	Disaster Relief Contingency Fund	$1,756,997	$1,925,934	Loans & Grants	N/A	N/A
	Total	**$966,283,849**	**$1,065,379,397**			

NOTE: The section of the table addressing "Resources to Prevent and End Homelessness" has adjustments to reflect the two-year contracts for these programs. (See lines 26-29.) All funds are committed in the first year of the contract, but activities are carried out over the two years of the contract. The "a" part of the program line shows all the funds that will be committed to execute the contract, while the "b" part is an adjustment to spread out the activities over the two years of the contract. The "Net Activity" line (the part without a letter) shows the net level of activity in a year after the adjustment. The Family Homeless Prevention and Assistance Program (line 29) is the simplest example. In 2017, we will commit $17.288 million for the two year contracts (line 29a). To reflect program activity, half of those funds ($8.644 million) will be shifted out of 2017 (the negative number in line 29b) and into 2018. The net effect is the $8.644 million of program activity in both 2017 and 2018 (top part of line 29). While displaying both funding and program activity adds a level of complexity, it is necessary. The "a" line is needed from a budgeting perspective to show the funds that are needed to enter into a contract, while the "Net Activity" line more accurately reflects annual program activity.

* Includes funds from the Ending Long-Term Homelessness Initiative Fund under the 2016 AHP.

Funding under the 2016 and 2017 AHPs differ in three primary ways. (Line references are to Table 2.)

- **In 2017, we expect to increase our mortgage lending by $90 million above the amount originally budgeted in 2016 (line 1).** For 2016, we projected $510 million of lending, which was a significantly less than the $680 million we reached in 2015. We anticipated the decline because home prices and interest rates were expected to rise and mortgage lending had some regulatory changes. We expect 2016 lending to finish at an estimated $590 million and 2017 lending to have a similar volume. To support this lending, we increased funding for Deferred Payment Loans (line 4).
- **We will have fewer resources from Housing Infrastructure Bonds (lines 18 and 33).** We currently have $3.0 million of previously uncommitted Housing Infrastructure Bond funds available, which is a decrease from 2016. To help maintain multifamily rental construction and rehabilitation, we will use funds from other programs. For the first time ever, the federal government made available $3 million from the National Housing Trust Fund (line 17). We will also forward commit $6 million from the Economic Development and Housing Challenge program (line 32).
- **Using Agency resources, we plan address two housing issues – community development and preservation of naturally-occurring affordable housing (lines 40 and 41).** First, we plan to make available $10 million to support the Twin Cities Community Land Bank for foreclosure remediation and strategic land acquisition for housing development. Second, we are evaluating a potential $10 million investment through the Greater Minnesota Housing Fund to support the preservation of naturally-occurring affordable housing.

There are a few other notable changes that will not have a significant impact on the overall direction that we will take in 2017, but they are important for people interested in those specific programs.

- **Targeted Mortgage Opportunity Program (line 2)**. We suspended this pilot in 2016. The program provided a specialized mortgage product for borrowers who are likely to be successful homeowners but are unable to qualify for an industry-standard mortgage. The program ran into some programmatic and regulatory constraints. We are now investigating next steps and possible alternatives with our resources. This is a good example of how we are flexible and test new concepts, often through pilots. Sometimes they do not work as hoped, but we learn from those experiences, adjust, and move forward.
- **Mortgage Credit Certificates (MCCs) (line 3)**. Funding for the program will decline by $9.7 million. MCCs provide qualifying homebuyers with a tax credit on their mortgage interest. The authority to provide these credits derives from our tax-exempt bonding authority. While our tax-exempt bonding authority was plentiful, this was an effective program for supporting first-time homebuyers, and we used bonding authority that would have otherwise expired. Now that bonding authority is becoming more scarce, we will not convert more to MCCs.

- **Home Improvement Loan Program (line 10).** The reduction in funding reflects a decline in the demand for installment loans. Many homeowners are now using home equity lines of credits or cash from refinancing their mortgages to pay for their home improvement projects.
- **Flexible Financing for Capital Costs (FFCC) and Multifamily Flexible Capital Account (lines 14 and 15).** FFCC uses flexible Pool 3 funds to provide deferred loans to multifamily developments that receive a first mortgage from Minnesota Housing. (See Appendix A-1 for a detailed description of Pool 3 and our other funding sources.) There are also other financing gaps in rental housing proposals that need to be filled. To maximize our flexibility, we are creating a new account with Pool 3 resources to fund not only FFCC but also other deferred funding needs.
- **HOME and Rental Rehabilitation Deferred Loan (RRDL) (lines 20 and 22).** These funding changes are timing issues. In 2016, we originally did not budget any new 2016 HOME appropriations because of Congressional uncertainties and only budgeted the $814,938 that was still available from previous years. We later added the 2016 HOME appropriation to the 2016 AHP. For 2017, we are including the expected 2017 appropriation from the start. For the RRDL program, we run the Request for Proposal (RFP) process every other year. We ran it in 2016 with $8.1 million, which left $954,606 for projects in 2017. In 2018, we will run the next RFP with any new biennial appropriations.

Household and Unit Projections

We expect to assist more than 64,000 households in 2017, as shown in Table 3.

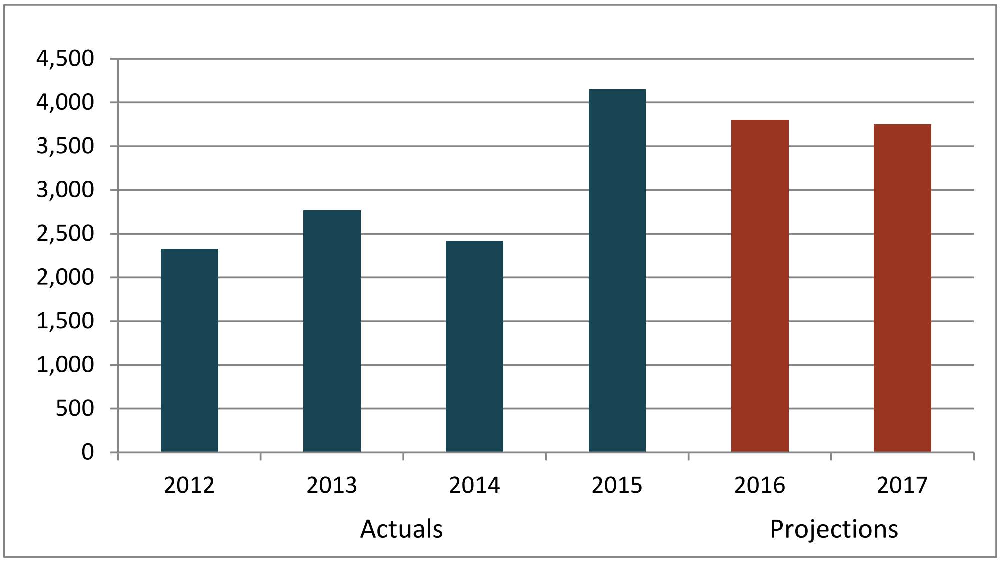
Table 3: 2017 Forecast of Assisted Households or Housing Units, by Program

	Program	Households or Units
Homebuyer Financing and Home Refinancing		**3,781**
1	Home Mortgage Loans	3,750
2	Mortgage Credit Certificates (MCC)	Included in First Mortgage Count
3	Deferred Payment Loans	
4	Monthly Payment Loans	
5	Habitat for Humanity Initiative	31
Homebuyer/Owner Education & Counseling		**14,643**
6	Homebuyer Education, Counseling & Training (HECAT) & National Foreclosure Mitigation and Counseling (NFMC)	13,810
7	Enhanced Homeownership Capacity Initiative	833
Home Improvement Lending		**1,138**
8	Home Improvement Loan Program	824
9	Rehabilitation Loan Program (RLP)	314
Rental Production- New Construction and Rehabilitation		**1,967**
10	Multifamily RFP/HTC/Pipeline Production	1,890
11	First Mortgage - Low and Moderate Income Rental (LMIR)	Part of RFP/HTC/ Pipeline Total
12	First-Mortgage - MAP Lending (Multifamily Accelerated Processing)	
13	Flexible Financing for Capital Costs (FFCC)	
14	Multifamily Flexible Capital Account	
15	Low-Income Housing Tax Credits (LIHTC)	
16	National Housing Trust Fund	
17	Housing Trust Fund (Capital from Housing Infrastructure Bonds)	
18	Economic Development and Housing/ Challenge (EDHC) - Regular	
19	EDHC - Housing Infrastructure Bonds (HIB)	
20	Preservation - Affordable Rental Investment Fund (PARIF)	
21	HOME	
22	Preservation - Publicly Owned Housing Program (POHP)	TBD
23	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	76
Rental Assistance Contract Administration		**30,727**
24	Section 8 - Performance Based Contract Administration	21,420
25	Section 8 - Traditional Contract Administration	8,935
26	Section 236	372
Resources to Prevent and End Homelessness (Non-Capital)		**11,733**
27	Housing Trust Fund (HTF)	3,456
28	Bridges	810
29	Section 811 Supportive Housing Program	93
30	Family Homeless Prevention and Assistance Program (FHPAP)	7,203
31	Housing Opportunities for Persons with AIDS (HOPWA)	171
Rental Portfolio Management		**100**
32	Asset Management	100
Multiple Use Resources		**397**
33	EDHC - Single Family Regular RFP	317
34	EDHC - Housing Infrastructure Bonds (HIB) - Community Land Trusts	0
35	EDHC - Community-Owned Manufactured Home Parks	80
36	Single Family Interim Lending	Part of RFP Total
37	Technical Assistance and Operating Support	N/A
38	Strategic Priority Contingency Fund	TBD
Other		**0**
39	Manufactured Home Relocation Trust Fund	TBD
40	Organizational Investments / Loans	TBD
41	Naturally Occurring Affordable Housing Investment / Loan	TBD
42	Disaster Relief Contingency Fund	TBD
Total		**64,486**

Homebuyer Financing and Home Refinancing

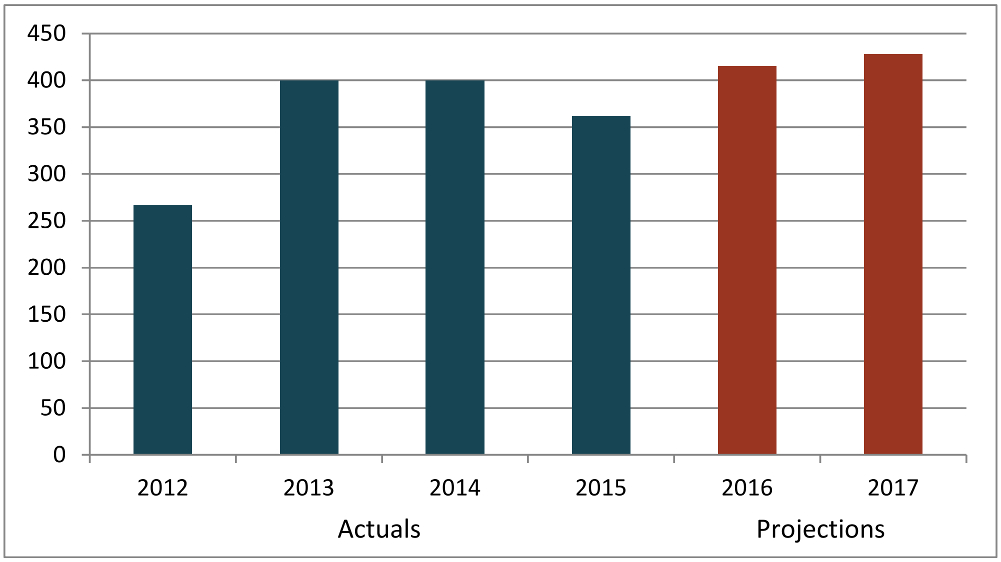
Figure 3 shows our production for home mortgage loans, which held steady between 2,300 and 2,800 loans between 2012 and 2014. Our lending then took off in 2015; and as expected, it has declined in 2016 with higher home prices and regulatory changes. We now expect production for 2016 will be about 3,700 loans, and 2017 should be similar.

Figure 4: Households/Homes Assisted - Home Mortgage Loans



In 2017, we expect the number of households served under "other homeownership opportunities" (Figure 4) to increase slightly. For 2017, we received a supplemental $750,000 appropriation for these activities. (Figure 4 includes the Habitat for Humanity Initiative, the single-family portion of the Economic Development and Housing/Challenge program (including HIB), and Single Family Interim Lending.)

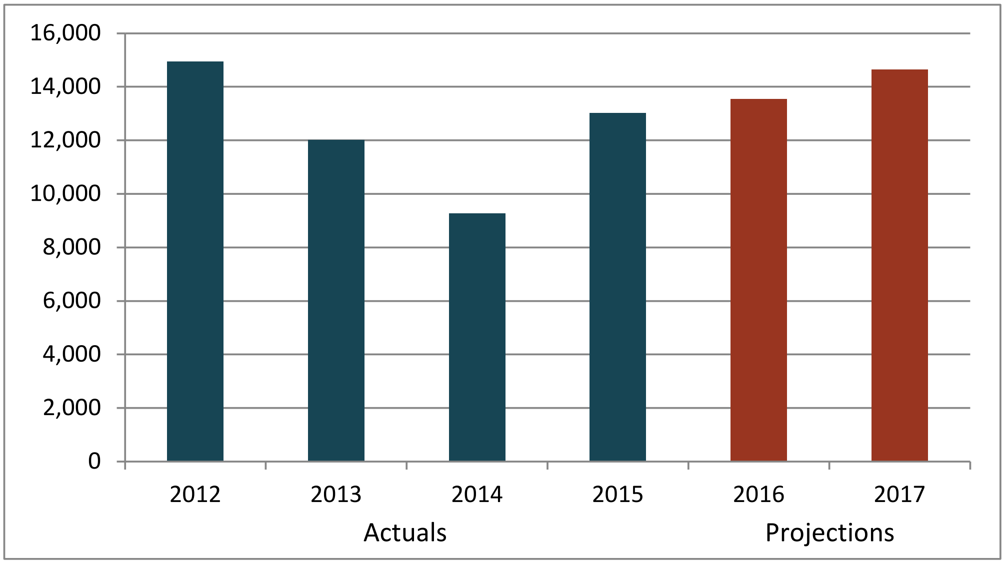
Figure 5: Households/Homes Assisted - Other Homeownership Opportunities



Homebuyer/Owner Capacity Building – Education and Counseling

The initial downward trend shown in Figure 5 reflects the declining need for foreclosure counseling, while the need for homebuyer education continues. The number of households assisted increased in 2015 with the addition of the Homeownership Center's online course for homebuyers called Framework, which is an alternative to traditional classroom training. (Figure 5 includes Homebuyer Education, Counseling & Training (HECAT), National Foreclosure Mitigation and Counseling (NFMC), and the Enhanced Homeownership Capacity Initiative.)

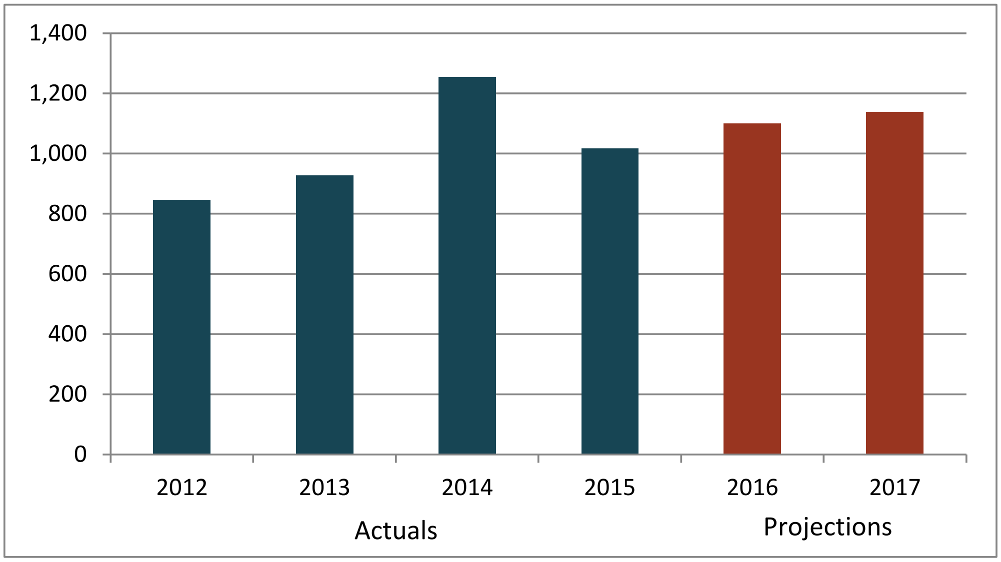
Figure 6: Households Assisted – Homebuyer/Homeowner Education and Counseling



Home Improvement Lending

Home improvement production (Figure 6) was limited after the recession. From 2012 through 2014, we saw increases but production has since subsided. The availability of home equity lines of credits and cash from mortgage refinancing has limited demand for our installment loans. Activity in 2017 should be similar to 2016. (Figure 6 includes both the Home Improvement Loan Program and the Rehabilitation Loan Program.)

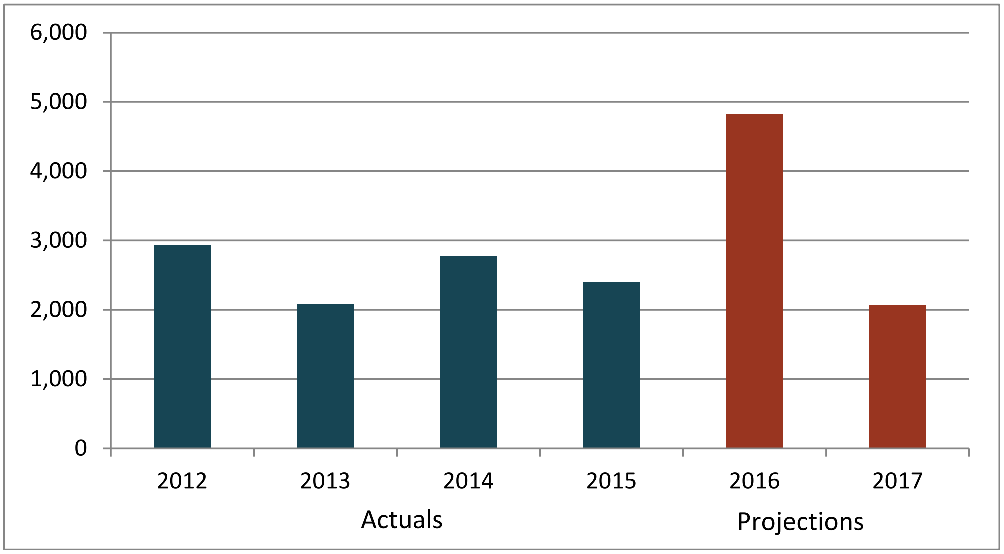
Figure 7: Households/Homes Assisted – Home Improvement Programs



Rental Production and Portfolio Management

In a typical year, production varies between 2,000 and 3,000 units, and we expect 2017 to fall on the lower end of this range with currently available resources. In addition, we expect more new construction than in previous years, which requires more funding per unit than rehabilitation. Activity in 2016 is particularly high with the construction of developments that received Housing Infrastructure Bond and General Obligation Bond proceeds from October 2014 awards. (Figure 7 captures all the programs in the rental production category, the multifamily portion of the Economic Development and Housing/Challenge program, and all the activity in the rental portfolio management category.)

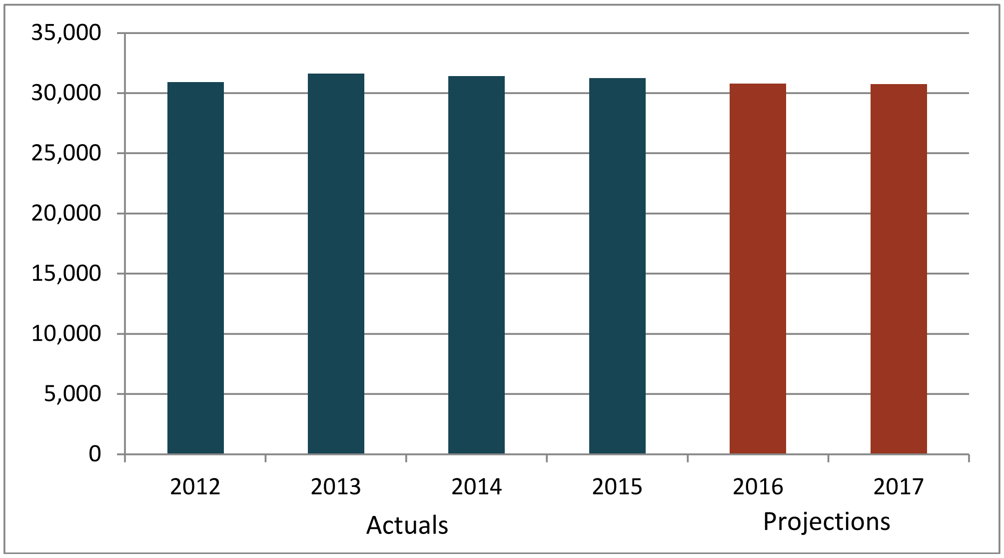
Figure 8: Units Assisted – Rental Production and Portfolio Management



Rental Assistance Contract Administration

Activity in the Section 8 and 236 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.

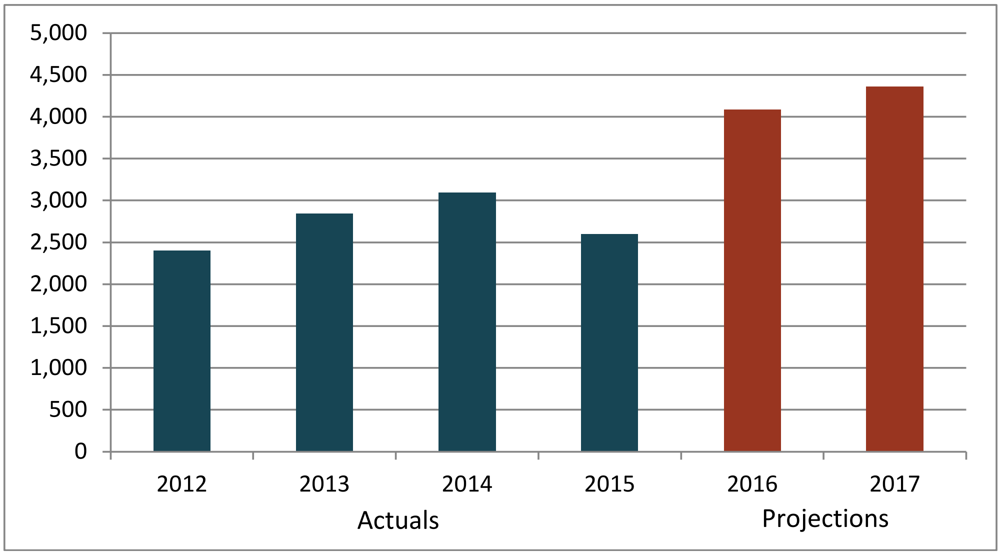
Figure 9: Households Assisted – Rental Assistance Contract Administration



Resources to Prevent and End Homelessness (Non-Capital)

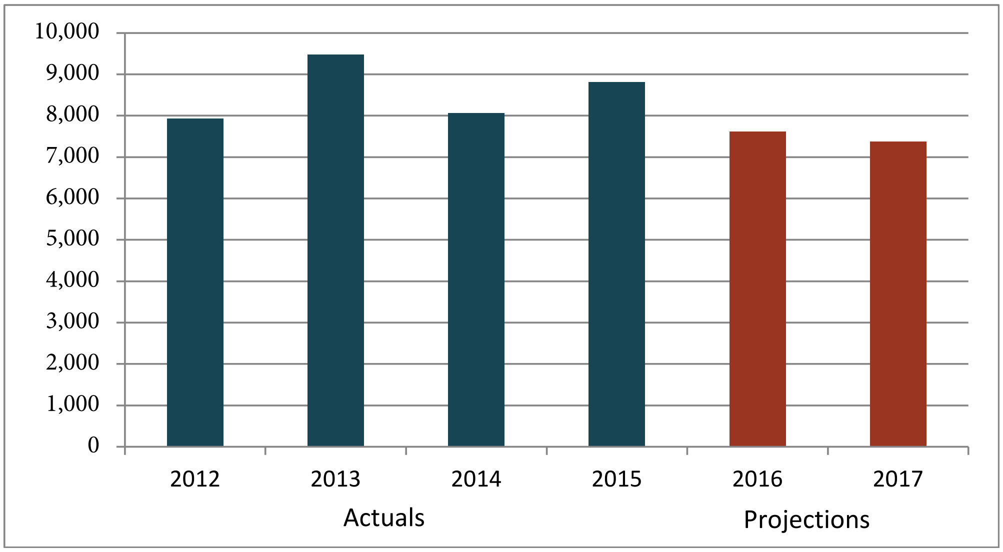
Since 2012, there has been an increase in activity for state and Agency funded rental assistance and operating subsidies (Figure 9). For 2016 and 2017, we received an additional $2.5 million for the Bridges program, which provides rental assistance to people with a serious mental illness. We also added the Section 811 program that serves people with disabilities. (Figure 9 includes Housing Trust Fund, Bridges, and Section 811.)

Figure 10: Households/Units Assisted – Agency Rental and Operating Assistance



The number of households assisted by the Family Homeless Prevention and Assistance Program (FHPAP) and Housing Opportunities Program for Persons with AIDS (HOPWA) has been relatively steady (Figure 10). The number has declined slightly in recent years as FHPAP has targeted harder-to-serve clients, which requires more funding per household.

Figure 11: Households Assisted – Targeted Assistance – FHPAP and HOPWA



NOTES

[1] Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2000 and 2014).

[2] Minnesota Housing analysis of data from the U.S. Census Bureau's 2000 Decennial Census and 2014 American Community Survey.

[3] Marquette Advisors, Apartment Trends: Twin Cities Metro Area (1st Quarter 2016), p. 2. The average rent increased from $1,018 in March 2015 to $1,072 in March 2016. Minneapolis Area Association of REALTORS, Monthly Indicators (June 2016), p. 8. The median price increased from $229,900 in June 2015 to $242,000 in June 2016. The rents and home prices are not adjusted for inflation.

[4] Marquette Advisors, Apartment Trends: Twin Cities Metro Area (1st Quarter 2016), p. 2; and various local market studies.

[5] Minnesota REALTORS, Monthly Indicators (June 2016), p. 12; and Minneapolis Area Association of REALTORS, Monthly Indicators (June 2016), p. 15.

[6] Minnesota Housing analysis of data from the Minnesota State Demographer.

[7] HUD 2015-16 Point-in-Time Counts.

[8] Minnesota Housing analysis of data from the U.S. Census Bureau's 2014 American Community Survey and HUD's 2016 Homeless Point-in-Time Count.

[9] Minnesota Housing analysis of data from the Minnesota State Demographer.

[10] Minnesota Housing analysis of data from the Federal Financial Institutions Examination Council collected under the Home Mortgage Disclosure Act (HMDA).

[11] Minnesota Department of Education.

APPENDIX A-1:
Overview of Funding Sources

Our strong balance sheet and financial resources are among our key strengths. This Appendix describes each of our funding sources and outlines how we will use them in 2017. The table in Appendix A-2 shows how we allocate resources from each source to each program.

Table 4 shows the 2017 AHP funding levels from each source and compares it with the original 2016 AHP. We then describe how each source operates after the discussion of Table 4.

Table 4: 2017 Funding by Source

Program Category	Original 2016 AHP	Proposed 2017 AHP
Federal Resources	$196,255,098	$213,797,648
State Appropriated Resources	$76,315,060	$84,694,391
State Capital Investments (GO & Housing Infrastructure Bonds)	$22,530,378	$4,687,858
Agency Bond Proceeds and Other Mortgage Capital	$580,400,000	$660,700,000
Housing Investment Fund (Pool 2)	$66,432,450	$74,227,500
Housing Affordability Fund (Pool 3)	$24,350,863	$27,272,000
Total	**$966,283,849**	**$1,065,379,397**

A few sources in 2017 will have sizable changes from what we originally budgeted in 2016.

- **Agency Bond Proceeds & Other Mortgage Capital** will increase by about $80.3 million. As discussed earlier, mortgage production in 2016 turned out to be higher than we originally anticipated. We expect 2017 production to be similar to the final 2016 level.
- **State Capital Investments (GO and Housing Infrastructure Bonds)** will decrease by about $17.8 million. Last year, we had $22.5 million in these resources, while this year, we have $4.7 million. The Governor recommended $90 million in additional funding in his capital investment proposal to the 2016 Legislature. The 2016 Legislature did not take action on a capital investment bill.
- **Federal Resources** will essentially remain the same. However, last year, we delayed budgeting the 2016 federal appropriation for HOME because the amount was uncertain. This year, we are budgeting it ahead of time so that we do not delay getting the funds committed. In addition, the HOME program will likely generate about $1.2 million in program repayments, which will be reused for new projects. We also expect to receive $6 million more to make Section 8 contract payments.
- **State Appropriated Resources** will be slightly higher. The 2016 Legislature appropriated $1.5 million in supplemental funds for three specific programs. In addition, we expect a higher level of loan repayments from previously appropriated funds, which we will recommit this year.
- **Housing Investment Fund (Pool 2)** investments will increase by $7.8 million. This reflects a few changes, including $20 million of new investments to support the Twin Cities Community Land Bank and to preserve naturally-occurring affordable housing. This increased investment is partially offset by a couple decreases. This includes a $5 million reduction in lending under the Low and Moderate Income Rental (LMIR) program,

due to lower overall multifamily production, and a $4 million reduction under the Targeted Mortgage Opportunity Program, which is a pilot program.

- **Housing Affordability Fund (Pool 3)** investments will increase by $2.9 million. The availability of Pool 3 depends largely on our earnings. In allocating Pool 3 resources, we also balance immediate and future needs that will draw upon Pool 3.

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

Federal Resources. There are two types of federal resources: (1) appropriations to the U.S. Department of Housing and Urban Development (HUD) that are made available to Minnesota Housing, and (2) Low-Income Housing Tax Credits from the Internal Revenue Service (IRS). For planning purposes, we generally assume that 2017 funding will remain at its 2016 level. The amount of federal housing tax credits is based on a per capita formula and may vary slightly each year.

State Appropriations. The amount of funding is largely based on the 2016-17 general fund budget adopted by the 2015 Minnesota Legislature. We generally split the appropriations evenly between state fiscal years 2016 and 2017, unless otherwise noted.

State Capital Investments. These funds come from the state capital budget (bonding bill) and include General Obligation and Housing Infrastructure Bond proceeds. There are no new resources for 2017 because the 2016 Legislature did not take action on a capital investment bill.

Agency Bond Proceeds and Other Mortgage Capital. Bond proceeds are generated by the issuance of tax-exempt bonds. Tax-exempt bond proceeds have historically been limited by the amount of new bonding authority under a state allocation formula, the projected amount of bonds refunded over the next year, and an estimate of the amount of bonding authority contributed by cities and counties for issuance on their behalf. In recent years, market conditions have made it difficult to use all of the available bonding authority. However, that is no longer the case, and bonding authority has once again become a scarce resource that we will need to manage very carefully. We also sell some of our mortgage-backed securities on the secondary market as another way to access attractively-priced private capital. Finally, for a couple of years now, we accessed a new source of mortgage capital for rental housing. We became a MAP (Multifamily Accelerated Processing) lender and now originate FHA-insured mortgages that are financed through a third-party investor.

Agency Resources. We generate resources from our lending activities and make them available for investment in housing programs. Agency resources are currently categorized as follows:

- **Housing Investment Fund (Pool 2) for amortizing loans and investments.** The Housing Investment Fund's balance is set according to the net asset requirements and investment guidelines adopted by our Board in April, 2007 after review and confirmation with the rating agencies and our cash flow projections. The level of funding that must be retained in Pool 2 is an amount that will cause the combined net assets in the General Reserve Account and bond funds (exclusive of Pool 3) to be not less than the combined net assets of the same funds for the immediately preceding audited fiscal year end. The practical result of this requirement is to set the amount of current period earnings as an upper limit on the amount that can be annually transferred from Pool 2 to Pool 3.

  According to Board policy, the use of Pool 2 funds is limited to investment quality amortizing loans and investment grade securities. Most of the net assets in Pool 2 are already invested in housing loans, so it is the Pool 2 liquid assets and expected loan repayments that are available for budgeting in the Plan.

- **Housing Affordability Fund (Pool 3) for deferred loans and grants.** The Housing Affordability Fund is set pursuant to the same Board policy as the Housing Investment Fund described above. The sources of ongoing funding for Pool 3 are transfers from Pool 2 that capture a portion of current period earnings, combined with any repayments or prepayments from loans previously funded under Pool 3.

  This fund is more flexible than the Housing Investment Fund, and it may be used for programs not resulting in amortizing, investment quality loans, including deferred loans and grants.

APPENDIX A-2:
2017 Program Funding by Source

		2017 Total	Federal Resources	State Appropriations	State Capital Investment (GO & Housing Infrastructure Bonds)	Agency Bond Proceeds and Other Mortgage Capital	Housing Investment Fund (Pool 2)	Housing Affordability Fund (Pool 3)
	Homebuyer Financing and Home Refinancing	**$634,700,000**	**$0**	**$3,285,000**	**$0**	**$605,700,000**	**$12,500,000**	**$13,215,000**
1	Home Mortgage Loans	$600,000,000				$600,000,000		
2	Mortgage Credit Certificates (MCC)	$5,700,000				$5,700,000		
3	Deferred Payment Loans	$15,500,000		$3,285,000				$12,215,000
4	Monthly Payment Loans	$11,000,000					$11,000,000	
5	Habitat for Humanity Initiative	$2,500,000					$1,500,000	$1,000,000
	Homebuyer/Owner Education and Counseling	**$2,767,000**	**$0**	**$2,017,000**	**$0**	**$0**	**$0**	**$750,000**
6	Homebuyer Education, Counseling & Training (HECAT)	$1,517,000		$1,517,000				
7	National Foreclosure Mitigation Counseling (NFMC)	$0	$0					
8	Enhanced Homeownership Capacity Initiative	$1,250,000		$500,000				$750,000
	Home Improvement Lending	**$22,600,000**	**$0**	**$3,772,000**	**$0**	**$0**	**$13,727,500**	**$5,100,500**
9	Home Improvement Loan Program	$14,000,000					$13,727,500	$272,500
10	Rehabilitation Loan Program (RLP)	$8,600,000		$3,772,000				$4,828,000
	Rental Production - New Construction and Rehabilitation	**$128,107,255**	**$24,064,211**	**$14,855,186**	**$4,687,858**	**$55,000,000**	**$25,000,000**	**$4,500,000**
11	First Mortgage - Low and Moderate Income Rental (LMIR)	$60,000,000				$35,000,000	$25,000,000	
12	First Mortgage - MAP Lending (Multifamily Accelerated Processing)	$20,000,000				$20,000,000		
13	Flexible Financing for Capital Costs (FFCC)	$0						$0
14	Multifamily Flexible Capital Account	$4,500,000						$4,500,000
15	Low-Income Housing Tax Credits (LIHTC)	$9,546,045	$9,546,045					
16	National Housing Trust Fund	$3,000,000	$3,000,000					
17	Housing Trust Fund - Capital (Housing Infrastructure Bonds)	$3,000,000		$0	$3,000,000			$0
18	Preservation Affordable Rental Investment Fund (PARIF)	$13,900,580		$13,900,580				
19	HOME	$11,518,166	$11,518,166					
20	Preservation - Publicly Owned Housing Program (POHP)	$1,687,858			$1,687,858			
21	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$954,606		$954,606				
	Rental Assistance Contract Administration	**$187,079,695**	**$187,079,695**	**$0**	**$0**	**$0**	**$0**	**$0**
22	Section 8 - Performance Based Contract Administration	$135,000,000	$135,000,000					
23	Section 8 - Traditional Contract Administration	$52,000,000	$52,000,000					
24	Section 236	$79,695	$79,695					

		2017 Total	Federal Resources	State Appropriations	State Capital Investment (GO & Housing Infrastructure Bonds)	Agency Bond Proceeds and Other Mortgage Capital	Housing Investment Fund (Pool 2)	Housing Affordability Fund (Pool 3)
	Resources to Prevent and End Homelessness (Non-Capital)	**$33,601,039**	**$653,742**	**$32,720,797**	**$0**	**$0**	**$0**	**$226,500**
25	Housing Trust Fund (HTF) - Net Activity	$17,963,789		$17,963,789				$0
25a	Funding for new contracts	$33,332,578		$33,332,578				$0
25b	Adj. to spread two-year contracts over two years	-$15,368,789		-$15,368,789				$0
26	Bridges - Net Activity	$6,339,508		$6,113,008				$226,500
26a	Funding for new contracts	$9,471,799		$9,018,799				$453,000
26b	Adj. to spread two-year contracts over two years	-$3,132,292		-$2,905,792				-$226,500
27	Section 811 Supportive Housing Program	$500,000	$500,000					
28	Family Homeless Prevention and Assistance Program (FHPAP) - Net Activity	$8,644,000		$8,644,000				
28a	Funding for new contracts	$17,288,000		$17,288,000				
28b	Adj. to spread two-year contracts over two years	-$8,644,000		-$8,644,000				
29	Housing Opportunities for Persons with AIDS (HOPWA)	$153,742	$153,742					
	Rental Portfolio Management	**$2,000,000**	**$2,000,000**	**$0**	**$0**	**$0**	**$0**	**$0**
30	Asset Management	$2,000,000	$2,000,000					
	Multiple Use Resources	**$36,995,322**	**$0**	**$20,369,014**	**$9,480,800**	**$0**	**$3,132,450**	**$4,013,058**
31	Economic Development and Housing/Challenge (EDHC) - Regular	$24,279,779		$24,279,779				
32	EDHC - Housing Infrastructure Bonds (HIB)	$0			$0			
33	EDHC - Community-Owned Manufactured Home Parks	$2,000,000					$2,000,000	
34	Single Family Interim Lending	$1,000,000					$1,000,000	
35	Technical Assistance and Operating Support	$2,655,000		$675,000				$1,980,000
36	Strategic Priority Contingency Fund	$1,500,000						$1,500,000
	Other	**$3,853,641**	**$0**	**$2,953,641**	**$900,000**	**$0**	**$0**	**$0**
37	Manufactured Home Relocation Trust Fund	$1,163,695		$1,163,695				
38	Organizational Investments / Loans	$10,000,000					$10,000,000	
39	Naturally Occurring Affordable Housing Investment / Loan	$10,000,000					$10,000,000	
40	Disaster Relief Contingency Fund	$1,925,934		$1,925,934				
	2017 Proposed AHP Total	**$1,065,379,397**	**$213,797,648**	**$84,694,391**	**$4,687,858**	**$660,700,000**	**$74,227,500**	**$27,272,000**

APPENDIX B:
Program Descriptions

CONTENTS

Notes on reading the program descriptions:

- "Housing Investment Fund" and "Pool 2" refer to the same resource.
- "Housing Affordability Fund" and "Pool 3" refer to the same resource.
- The sum of the projections for the number of housing units or households assisted by individual programs during the plan period exceed the total number of households projected to be served across all programs. This occurs because some households or housing units will receive assistance from multiple programs in order to achieve needed affordability levels.
- The projections for the number of households or units assisted generally are based on the average assistance per unit or per household for the last five years, by program, adjusted for inflation and program trends.
- Several programs have multiple funding sources, which may necessitate some differences in program rules depending on the funding sources.
- The tables in the narratives show funds available for commitment in 2017.

HOMEBUYER FINANCING AND HOME REFINANCING

Home Mortgage Loans | $600,000,000

We offer three home mortgage programs. The first two (Start Up and MCC with first mortgage programs) serve first-time homebuyers; the third (Step Up) assists current homeowners refinancing or purchasing homes. Under the programs, participating lenders originate fully-amortizing first mortgages throughout the state. Each of the three loan types offers loans for downpayment and closing costs that are structured to meet the needs of low- and moderate-income homeowners.

In the current business model for homeownership, we accesses capital to finance the purchase of mortgage-backed securities containing program mortgages by selling bonds and/or selling our mortgage-backed securities on the secondary market.

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

Current household income limits for first-time buyers:

Property Location	Maximum Household Income	
	1-2 person	3 or more
Minneapolis/Saint Paul (11-county area)	$86,600	$99,500
Rochester	$81,700	$93,900
Balance of State	$77,400	$89,000

Current income limits for repeat and refinance buyers:

Property Location	Maximum
Minneapolis/Saint Paul (11-county area)	$124,000
Rochester	$124,000
Balance of State	$110,600

Purchase price limits:

Property Location	Maximum
Minneapolis/Saint Paul (11-county area)	$307,900
Balance of State	$255,500

Program Performance and Trends

For the Program Assessment period of October 1, 2014 – September 30, 2015, we financed:

- 4,089 loans
- $599,372,332 total loan amount
- $146,582 average loan amount
- Median household income of borrowers was $51,159 or 66 percent of statewide median income
- 27 percent were households of color or Hispanic ethnicity

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

Proposal for 2017

With the amount of funds requested to support downpayment and closing-cost loans, we estimate 2017 home mortgage production will be $600 million. This would be a similar level of production as we expect to achieve in 2016, which increased from an original budget of $510 million to $590 million. If production strengthens, we will need additional funds in 2017 or program changes for downpayment and closing-cost loans.

Based on resources available for new activity in 2017, we expect to finance loans for 3,750 households. Reducing the homeownership disparity for households of color or Hispanic ethnicity with these resources will continue to be a priority in 2017.

Program Funding by Source

Source	Amount
Agency Bond Proceeds and Other Mortgage Capital	$600,000,000
2017 Total	**$600,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 3; Minn. Stat. §462A.073; Minn. Rules, Parts 4900.3200-3290; IRC §143

Mortgage Credit Certificates (MCCs) | $5,700,000

The Internal Revenue Service permits state housing finance agencies to convert mortgage revenue bond (MRB) authority into Mortgage Credit Certificates (MCCs) for first-time homebuyers. MCCs make homeownership more affordable by allowing eligible homebuyers to claim a nonrefundable tax credit for a percentage of their mortgage interest up to $2,000 annually. Eligibility requirements for MRB programs, such as first-time homebuyer status, also apply to MCCs.

Between November 2012 and January 2016 we converted a total of $277 million of unused bonding authority:

- $135 million in 2012,
- $92 million in December 2014, and
- $50 million in January 2016.

The total amount of bonding authority converted to approximately $69 million in MCC authority (with 25 percent rate for converting bonding authority into MCC authority).

The following table shows an example of how the tax credit works.

Mortgage amount	$170,000
Mortgage interest rate	3.5%
Annual mortgage interest payment	$5,952
Credit rate	25%
Annual tax credit	$1,488

Program Performance and Trends

MCCs support additional lending by the Agency and advance our business model. Ninety-seven percent of MCC borrowers have used our first mortgages to purchase their home.

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing allocated MCCs for:

- 272 borrowers
- Median household income of borrowers was $60,969 or 79 percent of statewide median income
- 16 percent were households of color or Hispanic ethnicity

Proposal for 2017

After 2016, we expect to have approximately $5.7 million of MCC authority remaining, which we will use in 2017, allowing the program to run through the spring 2017.

We expect to assist approximately 134 homebuyers in 2017 under this program.

Program Funding by Source

Source	Amount
Agency Bond Proceeds and Other Mortgage Capital	$5,700,000
2017 Total	**$5,700,000**

Legal Authority: Minn. Stat. §462A.05; IRC §143, Section 25

Deferred Payment Loans | $15,500,000

We offer two downpayment and closing-cost loans—Deferred Payment Loans and Monthly Payment Loans—that support homeowners receiving Start Up, Step Up, or MCC first mortgage loans. Historically, the percentage of our borrowers receiving one of the two types of downpayment and closing-cost loans has been significant, ranging from 60 percent to 90 percent of all borrowers.

The Deferred Payment Loan (DPL) provides an interest-free, deferred loan for downpayment and closing costs to income-eligible first-time homebuyers purchasing a home under the Start Up program. Borrowers that receive DPL lack the necessary funds for standard mortgage downpayment and closing costs. The maximum loan amount is $7,500. The program serves lower income households than the amortizing Monthly Payment Loan (MPL) and is funded through a combination of state appropriations and Pool 3 funds.

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

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

Property Location	Maximum
Minneapolis/Saint Paul (11-county area)	$60,000
Rochester	$60,000
Balance of State	$55,000

Current purchase price limits are:

Property Location	Maximum
Minneapolis/Saint Paul (11-county area)	$307,900
Balance of State	$255.500

Program Performance and Trends

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

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing financed:

- 2,023 loans
- $13,135,425 total loan amount
- $6,493 average loan
- Median household income of borrowers was $43,680 or 56 percent of statewide median income
- 33 percent were households of color or Hispanic ethnicity

Proposal for 2017

The 2017 budget includes $15.5 million for DPL. If home mortgage demand remains very strong, additional resources will be needed to support DPL, or we will have to make program changes.

Based on resources available for new activity in 2017, we expect to support 2,067 households under this program.

Program Funding by Source

Source	Amount
State Appropriations	
New Appropriations 2018	$885,000
Repayments and Receipts	$2,400,000
Housing Affordability Fund (Pool 3)	$12,215,000
2017 Total	**$15,500,000**

Legal Authority: Minn. Stat. §462A.21, Subd. 8; Minn. Rules, Parts 4900.1300-1359

Monthly Payment Loans | $11,000,000

Monthly Payment Loans (MPLs) are interest-bearing, amortizing loans that provide downpayment and closing-cost funds. MPLs support our home mortgage loan programs, including Start Up, Step Up, and the first mortgage loans originated under the Mortgage Credit Certificate program. Borrowers who qualify for MPLs receive up to 10,000. MPLs have a 10-year term with an interest rate equal to that of the first mortgage.

To ensure that funds support successful homeownership, MPL requires borrowers to contribute a minimum cash investment of the lesser of one percent of the purchase price or $1,000 and have a credit score of at least 640. MPL also requires at least one borrower in each household receiving a Start Up loan to complete homebuyer education.

Current household income limits are:

Property Location	Maximum Household Income	
	1-2 person	3 or more
Minneapolis/Saint Paul (11-county area)	$86,600	$99,500
Rochester	$81,700	$93,900
Balance of State	$77,400	$89,000

Current purchase price limits are:

Property Location	Maximum
Minneapolis/Saint Paul (11-county area)	$307,900
Balance of State	$255,500

Program Performance and Trends

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

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing funded:

- 1,437 loans
- $10,463,950 total loan amount
- $7,282 average loan
- Median household income of borrowers was $66,537 or 86 percent of statewide median income
- 25 percent were households of color or Hispanic ethnicity

Proposal for 2017

For 2017, we anticipate about one-third of general home mortgage production will involve MPL, which would require $11 million for MPL. MPL production is subject to overall home mortgage production trends, the interest rate environment, the overall percentage of our borrowers who need a downpayment and closing-cost loan, and program design changes. Given that MPL is the only downpayment and closing-cost loan available with all home mortgage options, the demand for MPL depends upon the demand for Start Up, Step Up, and MCC first mortgage loans. This budget request anticipates potential downpayment and closing-cost program changes if overall first mortgage demand continues to be high.

Based on resources available for new activity in 2017, we expect to fund loans for 1,222 households under this program.

Program Funding by Source

Source	Amount
Housing Investment Fund (Pool 2)	$11,000,000
2017 Total	**$11,000,000**

Legal Authority: Minn. Stat. §462A.05

Habitat for Humanity Initiative | $2,500,000

In 2016 and prior years, the Habitat for Humanity Initiative supported low-interest loans originated by Habitat for Humanity Minnesota affiliates for qualifying households under its Next 1,000 Homes Fund.

While income limits are less than or equal to 50 percent of the greater of state or area median income in the existing program, Habitat sets specific borrower income limits, which typically are lower than our limits. Habitat also establishes maximum loan amounts that are lower than the Agency's home mortgage loan program limits.

Program Performance and Trends

For the Program Assessment period of October 1, 2014 – September 30, 2015, under Habitat's Next 1,000 Homes, we funded:

- 29 loans
- $2,089,129 total loan amount
- $72,039 average Minnesota Housing funding per household
- Median household income of borrowers was $33,384 or 43 percent of statewide median income
- 78 percent were households of color or Hispanic ethnicity

Proposal for 2017

In 2017, we plan to change our investment strategy. Existing investments will continue to support the Next 1,000 Homes Fund, which will just serve Greater Minnesota. For Twin Cities Habitat for Humanity, we plan to invest an estimated $10 million through 2020, with $2.5 million provided in 2017. These funds will help launch their mortgage capital acquisition strategy and create a $75 million lending pool, with a goal of serving 400 new homebuyers, largely reflective of Minnesota's increasingly diverse population.

Under this new initiative, the income limits will be 80 percent of the area median income.

Based on resources available for new activity in 2017, we expect our funds to support loans for approximately 31 households under this program.

Program Funding by Source

Source	Amount
Housing Investment Fund (Pool 2)	$1,500,000
Housing Affordability Fund (Pool 3)	$1,000,000
2017 Total	**$2,500,000**

Legal Authority: Minn. Stat. §462A.21, Subd. 5; Minn. Stat. §462.33; Minn. Rules, Parts 4900.3600-3652; and Board adopted Investment Policy, which in relevant part is consistent with Minn. Stat. §11a.24

HOMEBUYER/OWNER EDUCATION AND COUNSELING

Homeownership Education, Counseling & Training (HECAT) | $1,517,000

Homeownership Education and Counseling (HECAT) supports pre-purchase homebuyer training, home equity conversion counseling, and post-purchase counseling. We and our funding partners (the Minnesota Homeownership Center, the Family Housing Fund, and the Greater Minnesota Housing Fund) accept funding proposals annually from administrators through a competitive Request for Proposals process.

Program Performance and Trends

Of the households assisted in 2015, 50 percent participated in homebuyer education classroom courses, 22 percent received one-on-one pre-purchase counseling services, and 28 percent received foreclosure counseling. An additional 3,783 households participated in Framework, an online homebuyer education option. Thirty-six percent of these clients were in Greater Minnesota and 64 percent in the Twin Cities Metropolitan Area.

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing funded:

- 8,678 households (including NFMC foreclosure counseling). An additional 3,783 households participated online through Framework.
- $2,007,397 funding amount
- $231 average Minnesota Housing assistance per household
- Median household income of participants was $35,780 or 46 percent of statewide median income
- 42 percent were households of color or Hispanic ethnicity

A review of mortgage delinquency and foreclosure in Minnesota shows that some troubled loans remain in the system; however, rates have declined from the highs of 2008-2010 and need for foreclosure counseling has continued to diminish.

Proposal for 2017

We expect a state appropriation of $857,000. Also, historically the Greater Minnesota Housing Fund and the Homeownership Center have annually contributed $250,000 to the program and the Family Housing Fund has contributed $150,000.

Based on resources available for new activity in 2017, we expect to fund assistance for 13,810 households under HECAT (including online Framework training).

Program Funding by Source

Source	Amount
State Appropriations	
New Appropriations 2018	$857,000
Repayments and Receipts	$10,000
Contributions from Other Organizations	$650,000
2017 Total	**$1,517,000**

Legal Authority: Minn. Stat. §462A.209

National Foreclosure Mitigation Counseling (NFMC) | $0

We have funded foreclosure prevention counseling with federal funds from the National Foreclosure Mitigation Counseling (NFMC) program. These funds are administered in conjunction with the HECAT program.

Program Performance and Trends

Program performance is included in HECAT performance results.

Proposal for 2017

In the spring of 2016, we received $678,894 in NFMC funds (round 10), we committed these funds under the 2016 AHP and do not expect to additional funds in 2017.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$0
2017 Total	**$0**

Legal Authority: Minn. Stat. §462A.209

Enhanced Homeownership Capacity Initiative | $1,250,000

Households of color or Hispanic ethnicity are an increasing share of the state's population, yet Minnesota's homeownership disparity (the homeownership rate differential between white/non-Hispanic households and households of color or Hispanic ethnicity) is among the highest in the nation. These households often struggle to access the mortgage market, and their homeownership rate declined between 2008 and 2012, with a modest improvement in subsequent years.

The Enhanced Homeownership Capacity Initiative, a pilot program, provides intensive financial education, comprehensive homebuyer/owner training, and case management services to prepare families for sustainable homeownership. It serves a range of households but has targeted efforts to reach households of color or Hispanic ethnicity to increase their probability of successful homeownership.

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

Program Performance and Trends

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

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing funded:

- 548 loans
- $587,500 total grant amount
- $1,072 average Minnesota Housing funding per household
- Median household income of borrowers was $33,384 or 43 percent of statewide median income
- 92 percent were households of color or Hispanic ethnicity

Proposal for 2017

For 2017, we will allocate $1,250,000 for the pilot, including a $500,000 direct appropriation to one provider by the Legislature and $750,000 of Pool 3 funds that we will distribute through a competitive RFP.

Based on resources available for new activity in 2017, we anticipate serving approximately 833 households under this pilot program.

Program Funding by Source

Source	Amount
State Appropriations	
New Appropriations 2017 (designated)	$500,000
Housing Affordability Fund (Pool 3)	$750,000
2017 Total	**$1,250,000**

Legal Authority: Minn. Stat. §462A.209

HOME IMPROVEMENT LENDING

Home Improvement Loan Program | $14,000,000

The Home Improvement Loan Program, including the Fix Up Fund and Community Fix Up Fund, provides fully-amortizing home improvement loans to low- and moderate-income homeowners to improve the livability and energy efficiency of their homes. It is a key tool for addressing the state's stock of aging housing.

The program serves a broad range of incomes and promotes economic diversity in lending. With higher loan-to-value limits than traditional loan products and an unsecured loan option, borrowers are able to improve and preserve their homes when other financing options may be not available to them. This is an important product when home values in some markets are still recovering from the housing crisis, and traditional lender loan products are capped at an 80 percent loan-to-value ratio.

Current income limit: $99,500 for secured and unsecured loans (no limit for unsecured energy incentive and secured energy/accessibility loans).

Maximum loan amount: $50,000 for secured loans; $15,000 for unsecured loans and secured energy/accessibility loans.

Program Performance and Trends

For the Program Assessment period of October 1, 2014—September 30, 2015, Minnesota Housing financed:

- 811 loans
- $13,536,159 total loan amount
- $16,691 average loan
- Median household income of borrowers was $68,132 or 88 percent of statewide median income
- Nine percent were households of color or Hispanic ethnicity

Coming out of the recession, lending in this program initially increased with the stronger economy; however, over the last couple of years, we have seen a leveling or slight drop off. Lenders have told us that renewed home equity lines of credit and cash-out first mortgage refinances are pulling market share from fixed-term products.

Proposal for 2017

With recent trends in home improvement lending, we are allocating $14 million for this program. Based on resources available for new activity in 2017, we expect to finance loans for 824 households.

We anticipate no major operational changes for the home improvement programs in 2017; however, staff will look to support our Olmstead initiative by developing and implementing an outreach plan to increase awareness of loan resources among disability service organizations and increase program usage by households with accessibility needs. We will also continue to promote Community Fix Up initiatives with an interest-rate write down that reach lower income households than those served under regular program options and continue to develop partnerships with several energy company consortiums to promote our loan products to utility customers and contractors.

Program Funding by Source

Source	Amount
Housing Investment Fund (Pool 2)	$13,727,500
Housing Affordability Fund (Pool 3)	$272,500
2017 Total	**$14,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 15; Minn. Rules, Parts 4900.0610-0700

Rehabilitation Loan Program (RLP) | $8,600,000

The Rehabilitation Loan Program (RLP) provides deferred loan financing to low-income homeowners needing home rehabilitation to improve its safety, livability, or energy efficiency. The housing is rehabilitated to the greatest extent practicable to meet the rehabilitation standard adopted by the Agency in 2010. Homeowners who need emergency assistance or have an essential accessibility need are referred to the Emergency & Accessibility Loan (ELP) component of the program.

Local entities, such as community action agencies, administer RLP. The maximum loan term is 15 years for properties taxed as real property and 10 years for manufactured homes taxed as personal property and located in a manufactured home park. All loans are forgiven after the loan term if the borrower does not sell, transfer title, or cease to occupy the property during the loan term. Other borrower assets cannot exceed $25,000.

Current income limits are adjusted by household size, from $18,100 for a single person household to $25,800 for a four-person household.

Maximum loan amount: $15,000 for an emergency or accessibility loan and $27,000 for a rehabilitation loan.

Program Performance and Trends

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing funded:

- 205 loans
- $4,580,118 total loan amount
- $22,342 average loan
- Median household income of borrowers was $14,195 or 18 percent of statewide median income
- 19 percent were households of color or Hispanic ethnicity

In the past year, staff has worked to 1) improve program delivery and the capacity of local administrators, 2) improve oversight of funds for eligible uses and cost control, and 3) refine the onsite monitoring process to identify and select administrators needing higher levels of technical assistance.

Proposal for 2017

In 2017, we will continue to work with administrators to identify program changes that will improve client services and make administrator execution easier. Administrator capacity continues to be an issue, with thinly funded organizations, limited staff capacity to cover multiple program areas, and a recent trend toward administrator consolidation. This year, we will provide additional targeted technical assistance to administrators that "underserve" their market area, based on the number of eligible households compared with their origination volume, with a focus on outreach methods. We will also support our Olmstead initiative and increase awareness of Rehabilitation and Emergency products among households with a disabled family member and among service organizations.

Based on resources available for the program in 2017, we expect to fund rehabilitation loans for 314 households.

Program Funding by Source

Source	Amount
State Appropriations	
New Appropriations 2018	$2,772,000
Repayments and Receipts	$1,000,000
Housing Affordability Fund (Pool 3)	$4,828,000
2017 Total	**$8,600,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 14a; Minn. Rules, Parts 4900.0610-0700

RENTAL PRODUCTION - NEW CONSTRUCTION & REHABILITATION

First Mortgage – Low and Moderate Income Rental (LMIR) | $60,000,000

We have the ability to finance and insure amortizing first mortgages. Traditionally, we have made direct loans through our Low and Moderate Income Rental Program (LMIR) using either

Pool 2 resources or proceeds from the issuance of tax-exempt bonds. Direct loans are now made under LMIR in combination with HUD's Risk Sharing Program.

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

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

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

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

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

Program Performance and Trends

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing financed:

- Three LMIR loans for developments with 174 units
- $4,625,286 total loan amount
- $26,582 average assistance per unit
- Median household income of tenants was $22,440 or 29 percent of statewide median income
- 53 percent of households were of color or Hispanic ethnicity

Proposal for 2017

To broaden the benefit and flexibility of our first mortgage programs, we have adopted new mortgage products including HUD MAP loans and a Streamline Refinance product, which rolled out this past year. For 2017, we will continue to explore and implement additional mortgage products, and we developing a year-round funding approach to enhance the marketing and benefit of our mortgage products. We expect to pair deferred funding sources (including FFCC, PARIF and possibly HOME) with amortizing mortgages to support this year-round approach.

We are budgeting $25 million for LMIR permanent financing and $35 million for short-term bridge loans. We anticipate that roughly 70 percent of amortizing loan financing will be awarded through the RFP process and 30 percent will be awarded through year-round funding.

Based on resources available for new activity in 2017, we expect to assist 729 units under permanent LMIR financing (excluding bridge loans).

Program Funding by Source

Source	Amount
Agency Bond Proceeds and Other Mortgage Capital	$35,000,000
Housing Investment Fund (Pool 2)	$25,000,000
2017 Total	**$60,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 3

First Mortgage – Multifamily Accelerated Processing (MAP) | $20,000,000

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

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

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

Program Performance and Trends

One MAP loan for a development with 37 units closed during the period of October 1, 2014 – September 30, 2015. In the current interest rate environment, MAP loan volume is expected to increase, both through the RFP and on a pipeline basis.

Proposal for 2017

We expect $20 million to be available for MAP lending. We will review RFP applications to determine if they would be served better as HUD MAP loans or LMIR loans.

Based on resources available for new activity in 2017, we expect to assist 583 units under MAP.

Program Funding by Source

Source	Amount
Agency Bond Proceeds and Other Mortgage Capital	$20,000,000
2017 Total	**$20,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 3

Flexible Financing for Capital Costs (FFCC) | TBD

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

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

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

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

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

Program Performance and Trends

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing financed:

- One FFCC loan for a development with 100 units
- $846,000 total loan amount
- $8,460 average FFCC assistance per unit

Proposal for 2017

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

Of the FFCC funds that will eventually be made available, we anticipate that approximately 75 percent of the funds will be awarded through the 2016 RFP and up to 25 percent will be awarded through year round pipeline.

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

Program Funding by Source

Source	Amount
Housing Affordability Fund (Pool 3)	TBD
2017 Total	**TBD**

Legal Authority: Minn. Stat. §462A.05, Subd.3, and - Minn. Stat. §462A.21, Subd.8a.

Multifamily Flexible Capital Account | $4,500,000

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

Program Performance and Trends

This will be a new account for 2017, from which resources will be transferred to regular programs as needed.

Proposal for 2017

Program Funding by Source

Source	Amount
Housing Affordability Fund (Pool 3)	$4,500,000
2017 Total	**$4,500,000**

Low-Income Housing Tax Credits (LIHTC) | $9,546,045

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

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

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

Section 42 of the Internal Revenue Code requires that tax credit allocating agencies develop an allocation plan for the distribution of the tax credits within the jurisdiction of the allocating agency. Our Qualified Allocation Plan (QAP) combines state and federally legislated priorities with other priorities established by us based on input from the public, local municipalities, and federal agencies. The QAP sets forth selection criteria that are appropriate to local conditions and support our mission and strategic priorities.

Program Performance and Trends

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing financed or allocated:

- 1,408 LIHTC units
- $104,761,911 in syndication proceeds
- $74,405 average syndication amount per unit
- Median household income of tenants in LIHTC units financed by Minnesota Housing was $21,862 or 28 percent of statewide median income
- 42 percent were households of color or Hispanic ethnicity

Proposal for 2017

Based on the available LIHTC credit ceiling, we expect to allocate tax credits to support 646 units in 2017.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$9,546,045
2017 Total	**$9,546,045**

Legal Authority: Minn. Stat. §462A.221-225; IRC §42

National Housing Trust Fund | $3,000,000

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

Current Income Restrictions: NHTF-assisted units must be occupied by households with incomes at or below 30% of AMI.

Current Rent Restrictions: Rents of an extremely low-income tenant shall not exceed the greater of 30 percent of the federal poverty line or 30 percent of area median income. HUD will publish the HTF rent limits on an annual basis.

Program Performance and Trends

This is a new program in 2017.

Proposal for 2017

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

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

Based on the available resources, we expect to allocate tax credits to support 24 units in 2017.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$3,000,000
2017 Total	**$3,000,000**

Legal Authority: Housing and Economic Recovery Act of 2008, Section 1131; 12 U.S.C 4501 et seq; 24 C.F.R Part 93.

Housing Trust Fund (Capital from Housing Infrastructure Bonds) | $3,000,000

Historically, funding for the Housing Trust Fund (HTF) has come from either state appropriations or bond proceeds. Capital assistance is in the form of deferred loans with no or low interest for the acquisition, construction, or rehabilitation of affordable permanent supportive housing. Funding priority is given to housing proposals that serve veterans and their families, households experiencing long-term homelessness, and households at risk of becoming homeless.

We allocate proceeds from Housing Infrastructure Bonds (HIB) through the Consolidated Request for Proposal (RFP) process under both Housing Trust Fund and Economic Development and Housing/Challenge (EDHC) rules. We use HIB resources administered through HTF to finance supportive housing and through EDHC to finance preservation. We typically split the bond proceeds between these two programs. If the bonds are issued as private activity bonds, applicants also may access 4 percent housing tax credits

Current HTF tenant income limit: 60 percent of Minneapolis/Saint Paul Metropolitan Statistical Area median income with priority for proposals serving households at 30 percent of Minneapolis/Saint Paul Metropolitan Statistical Area median income.

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

Program Performance and Trends

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing funded:

- One loan for a development with 20 units
- $3,000,000 total loan amount
- $150,000 average assistance per unit
- Median household income of tenants was $9,423 or 12 percent of statewide median income
- 50 percent of households were of color or Hispanic ethnicity

Proposal for 2017

Due to the limited HIB balance that remains this year, we will likely fund no more than one development. Because supportive housing projects have fewer capital resource options than preservation, we expect to administer all HIB resources through the HTF program and none through EDHC. In addition, supportive housing projects, with fewer units, are less likely to support a bond/tax credit structure without HIB.

Based on resources available for new activity in 2017, we expect to fund no more than one project with about 24 units under this program.

Program Funding by Source

Source	Amount
State GO and Infrastructure Bond Proceeds	
Carry Forward of Unobligated Balances from Previous Plans	$3,000,000
2017 Total	**$3,000,000**

Legal Authority: Minn. Stat. §462A.201; Minn. Rules, Parts 4900.3700-3769

Preservation Affordable Rental Investment Fund (PARIF) | $13,900,580

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

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

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

Maximum assistance amount: None

Program Performance and Trends

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing funded:

- Two developments with 102 units
- $3,070,285 total loan amount
- $30,101 average PARIF assistance per unit
- Median household income of tenants was $14,316 or 19 percent of statewide median income
- 45 percent were households of color or Hispanic ethnicity

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

Proposal for 2017

PARIF is available through the RFP process and on a pipeline basis. We anticipate that approximately 80 percent of the funds will be awarded through the 2016 RFP and up to 20 percent will be awarded through the year-round pipeline. Pipeline requests will be considered if a project faces one of the following risks which preclude it from applying through the RFP: 1) the proposal has existing funding commitments that cannot be extended and will be otherwise lost; 2) the proposal involves immediate emergency repairs threatening the health and safety of existing tenants; 3) the current owner delivered an opt-out notice and the federal subsidy would be lost without an incentive or transfer; or 4) the proposal documents a unique housing opportunity that would be lost and that advances our strategic priorities as outlined in the RFP Guide.

Based on resources available for new activity in 2017, we expect to fund 463 units.

Program Funding by Source

Source	Amount
State Appropriations	
New Appropriations 2017	$4,218,000
Repayments and Receipts	$1,000,000
Carry Forward of Unobligated Balances from Previous Plans	$8,682,580
2017 Total	**$13,900,580**

Legal Authority: Minn. Stat. §462A.21, Subd. 8b and 14a; Minn. Stat. §462A.05, Subd. 3b; Laws of Minnesota 2009, Chap. 17, Art. 1, Sec. 6; Minn. Rules, Parts 4900.3500-3550, 2700-2707, 4900.0610-0700

HOME | $11,518,166

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

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

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

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

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

Program Performance and Trends

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing funded:

- Three developments with 252 units
- $10,641,261 total loan amount
- $42,227 average HOME assistance per unit
- Median household income of tenants was $16,915 or 22 percent of statewide median income
- 25 percent were households of color or Hispanic ethnicity

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

Proposal for 2017

In 2017, we will forward commit the 2017 HOME funds. This will better position us to meet federal commitment and expenditure deadlines. In 2016, we did not commit HOME funds until after receiving the federal appropriation, which created timing and logistical issues. In addition, for the first time in several years, we are likely to use HOME funds for new construction, which is appropriate given the low vacancy rates and need for additional affordable housing opportunities.

Based on resources available for new activity in 2017, we expect to fund 214 units.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$5,967,371
Repayments/Program Income	$1,206,342
Carry Forward of Unobligated Balances from Previous Plans	$4,344,453
2017 Total	**$11,518,166**

Legal Authority: Minn. Stat. §462A.21, Subd. 8b and 14a; Minn. Stat. §462A.05, Subd. 3b; Laws of Minnesota 2009, Chap. 17, Art. 1, Sec. 6; Minn. Rules, Parts 4900.3500-3550, 2700-2707, 4900.0610-0700 and Title 11 of the Cranston-Gonzales National Affordable Housing Act; 42 U.S.C. §12701 et seq; 24 CFR Part 92

Preservation – Publicly Owned Housing Program (POHP) | $1,687,858

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

Program Performance and Trends

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing funded:

- Three loans for 456 units
- $1,694,510 total loan amount
- $3,716 average assistance per unit
- Median household income of tenants was $10,428 or 14 percent of statewide median
- 27 percent were households of color or Hispanic ethnicity

Proposal for 2017

No new funding is available in 2017. The resources available in this AHP are unused funds from previous years, which we will likely use for funding modifications to existing awards.

Program Funding by Source

Source	Amount
State GO and Infrastructure Bond Proceeds	
Carry Forward of Unobligated Balances from Previous Plans	$1,687,858
2017 Total	**$1,687,858**

Legal Authority: Minn. Stat. §462A.202; Minn. Rules, Parts 4900.3100-3130

Rental Rehabilitation Deferred Loan Pilot Program (RRDL) | $954,606

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

Program funds are available through a network of local administrators. For developments located in areas of the state that are not represented by a local program administrator, owners may apply directly to us for RRDL funds as a project-specific applicant. Loan terms range from 10 to 30 years depending on the loan amount. Between 10 percent and 100 percent of an RRDL loan may be forgiven at maturity if all compliance requirements are met for the term of the loan.

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

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

Program Performance and Trends

In 2015, we completed an evaluation of the first four years of this pilot. RRDL has been most successful in rehabilitating 20 to 36 unit properties; and 1 to 4 unit properties remain underrepresented in the current portfolio of RRDL assisted units. A survey of administrators and potential borrowers indicated that owners of small properties were interested in the program, but frequently unable to complete the required application and due diligence materials. We implemented the evaluation recommendation that loans to properties with one to four units be fully forgivable to encourage rehabilitation of properties of this size. We will also continue to market the program to owners and recruit additional administrators with the skills necessary to assist owners in preparing funding applications.

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing funded:

- 27 loans for developments with 387 units
- $4,421,250 total loan amount

- $11,424 average RRDL assistance per unit
- Median household income of tenants was $14,435 or 19 percent of statewide median income
- Eight percent were households of color or Hispanic ethnicity

Proposal for 2017

We run the Request for Proposal (RFP) process for RRDL every other year. We ran it in 2016 with $8.1 million, which left $954,606 for projects in 2017. In 2018, we will run the next RFP with any new biennial appropriations.

Based on resources available and current production trends, we expect to finance 76 units.

Program Funding by Source

Source	Amount
State Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	$954,606
2017 Total	$954,606

Legal Authority: Minn. Stat. §462A.05 sub.14 and §462A.33; Minn. Rules, Parts 4900.3600-3652

RENTAL ASSISTANCE CONTRACT ADMINISTRATION

Section 8 – Performance Based Contract Administration (PBCA) | $135,000,000

The Housing and Community Development Act of 1974 created the project-based Section 8 Housing Assistance Payments Program. Under the program, the U. S. Department of Housing and Urban Development (HUD) entered into contracts with property owners to provide rental assistance for a fixed period of time for families with incomes no greater than 80 percent of the area median income. No new development has been funded under this program since the mid-1980s; however, under existing contracts, tenants pay no more than 30 percent of adjusted household income for rent. HUD pays the difference between tenant rent payments and the fair market rent of assisted units.

Under an agreement with HUD that has been extended several times, we administer existing Section 8 contracts for affordable rental units that were not part of our Section 8 Traditional Contract Administration (TCA) first mortgage portfolio. Our primary responsibilities under PBCA are performing management and occupancy reviews, processing contract renewals and annual rent adjustments, processing monthly payment vouchers, responding to tenant concerns, and following up on Real Estate Assessment Center physical inspections. These activities assist in identifying and planning for the preservation needs of developments with Section 8 assistance.

Program Performance and Trends

Our current agreement with HUD extends through December 31, 2017. We currently manage 408 PBCA contracts under this agreement. Since 2007, about 100 TCA contracts have transitioned to PBCA. PBCA revenue earned through administration of the contracts pays 100 percent of the cost of administering the program.

For the Program Assessment period of October 1, 2013 – September 30, 2014, Minnesota Housing reported:

- 21,422 households assisted
- $120,209,904 in Housing Assistance Payments
- $5,612 average assistance per household
- Median household income of tenants was $11,796 or 15 percent of statewide median income
- 36 percent were households of color or Hispanic ethnicity

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

Proposal for 2017

Funding levels will continue to change as Section 8 contracts transition from the TCA portfolio to PBCA, per HUD's instruction. Because PBCA outlays are based in part on the number of assisted units in the portfolio, outlays will increase as the portfolio increases.

We expect to assist an estimated 21,420 units in 2017 under PBCA.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$135,000,000
2017 Total	$135,000,000

Legal Authority: Minn. Stat. §462A.05, Subd. 11; 42 U.S.C. §1437f (Section 8 of the Housing and Community Development Act of 1937, as amended)

Section 8 – Traditional Contract Administration (TCA) | $52,000,000

The Housing and Community Development Act of 1974 created the project-based Section 8 Housing Assistance Payments Program. Under the program, the U. S. Department of Housing and Urban Development (HUD) entered into contracts with property owners to provide rental assistance for a fixed period of time for families with incomes no greater than 80 percent of the area median income. No new development has been funded under this program since the mid-1980s; however, under existing contracts, tenants pay no more than 30 percent of adjusted household income for rent. HUD pays the difference between tenant rent payments and the fair market rent of assisted units.

We provided permanent mortgage financing for more than 235 Section 8 Traditional Contract Administration (TCA) properties developed from 1975 to the mid-1980s. We currently manage 135 of these TCA contracts. Our primary responsibilities under Section 8 TCA are to perform asset management functions, management and occupancy reviews, process contract renewals and annual rent adjustments, process monthly payment vouchers, and respond to tenant concerns. These activities assist us in identifying and planning for the preservation needs of developments with Section 8 assistance.

Program Performance and Trends

For the Program Assessment period of October 1, 2014 – September 30, 2015, we reported:

- 8,948 households assisted
- $60,599,646 in Housing Assistance Payments
- $6,772 average assistance per household
- Median household income of tenants was $12,522 or 16 percent of statewide median income
- 27 percent were households of color or Hispanic ethnicity

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

Proposal for 2017

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

We expect to assist an estimated 8,935 units in 2017 under TCA.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$52,000,000
2017 Total	$52,000,000

Legal Authority: Minn. Stat. §462A.05, Subd. 11; 42 U.S.C. §1437f (Section 8 of the Housing and Community Development Act of 1937, as amended)

Section 236 | $79,695

The U.S. Department of Housing and Urban Development (HUD) encouraged the development of affordable rental housing in the late 1960s and early 1970s through the Section 236 program. HUD subsidized the interest rate on mortgages to a rate of one percent to reduce rents. Section 236 was a predecessor to the Section 8 program.

Program Performance and Trends

Under the Section 236 program, we currently pass through interest rate reduction payments to developments with affordable housing financed by us. Residents have household incomes at or below 80 percent of median income adjusted for family size.

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing provided interest rate reduction for Section 236 developments with 863 units.

Proposal for 2017

The program is long standing and well established. The amount of funds in this program will continue to trend downward as most of the original mortgages mature by December 2016. We expect to provide interest rate reduction to an estimated 372 units in 2017 under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$79,695
2017 Total	$79,695

Legal Authority: Minn. Stat. §462A.05, Subd. 11; 12 U.S.C. §1715z-1 (Housing and Urban Development Act of 1968)

RESOURCES TO PREVENT AND END HOMELESSNESS (NON-CAPITAL)

Housing Trust Fund (HTF) | $17,963,789

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

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

Program Performance and Trends

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing assisted:

- 1,840 households
- $9,929,713 assistance disbursed
- $7,152 average assistance per household
- Median household income of tenants was $9,126 or 12 percent of statewide median income
- 65 percent were households of color or Hispanic ethnicity

Proposal for 2017

Besides the regular HTF contracts and pilot programs, 2017 will include an additional $500,000 for a pilot rental assistance program for families from emerging communities who are at risk of being homeless and who have been victims of gender-based violence, including, but not limited to, domestic violence, sexual assault, trafficking, international abusive marriage, or forced marriage.

We provide HTF rental assistance and operating subsidies under two-year contracts with local administrators, and 2017 is a contract year. Roughly half of the funds committed in 2017 will be used in 2018.

Based on resources available in 2017, we expect to provide rental assistance for an estimated 1,969 households under this program through the core contracts and the pilots and assist 1,486 units through operating subsidies.

Program Funding by Source

Source	Amount
State Appropriations	
New Appropriations 2018	$22,942,000
New Appropriations 2017	$675,000
Unused Funds from Previous Contracts	$2,000,000
Contributions from Other Organizations	$2,000,000
Carry Forward of Unobligated Balances from Previous Plans	$5,715,578
Funding for New Contracts	**$33,332,578**
Adjustment to Spread Contracts Over Two Years	**-$15,368,789**
2017 Net Total	**$17,963,789**

Legal Authority: Minn. Stat. §462A.201; Minn. Rules, Parts 4900.3700-3769

Bridges | $6,339,508

Bridges is a state-funded rental assistance program for people with a serious mental illness. The goal of Bridges is to assist individuals to live in integrated settings in their communities until a permanent housing subsidy is available. Bridges operates in selected counties throughout the state. Local housing organizations administer these grants, which provide temporary rental assistance and security deposits on behalf of participants. The Minnesota Department of Human Services and Minnesota Housing collaborate in the administration of this program.

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

Bridges is a major component of our contribution to achieving Minnesota's Olmstead Plan goals as well as a significant part of the state's Plan to Prevent and End Homelessness. In 2015, the program implemented priorities to target resources to these goals. Bridges' priorities for serving households are:

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

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

Program Performance and Trends

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing funded:

- 750 households
- $2,974,330 assistance disbursed
- $5,832 average assistance per household
- Median household income of tenants was $9,768 or 13 percent of statewide median income
- 32 percent were households of color or Hispanic ethnicity

Proposal for 2017

Bridges funds rent assistance under two-year contracts with local assistance administrators, and 2017 is a contract year. Roughly half of the funds committed in 2017 will be used in 2018.

Based on the resources available in 2017, we expect to assist an estimated 810 households.

Program Funding by Source

Source	Amount
State Appropriations	
New Appropriations 2018	$8,176,000
Unused Funds from Previous Contracts	$500,000
Carry Forward of Unobligated Balances from Previous Plans	$342,799
Housing Affordability Fund (Pool 3)	$453,000
Funding for New Contracts	**$9,471,799**
Adjustment to Spread Contracts Over Two Years	**-$3,132,292**
2017 Net Total	**$6,339,508**

Legal Authority: Minn. Stat. §462A.2097; Minn. Rules, Parts 4900.3000-3050

Section 811 Supportive Housing Program | $500,000

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

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

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

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

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

The Section 811 program is a key tool for us to support the goals of the Olmstead Plan to provide integrated housing options for people with disabilities. It is a unique opportunity to expand supportive housing for people with disabilities through the leveraging of Medicaid resources for services in supportive housing.

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

Program Performance and Trends

HUD initially awarded Minnesota $3 million for up to 85 units of project-based rental assistance. We have awarded all of this funding for 84 project-based rental assistance subsidies (one unit less than the original goal of 85 units). Lease up of 811 units began in early 2016 with 26 households in housing by the end of June 2016.

In 2015, we received a second round of funding for an additional 75 units, which will be awarded to existing or new properties through the RFP process as well as on an open pipeline basis. We selected three properties with 18 units for the 811 program in the 2015 Multifamily Consolidated RFP, and will offer the remaining 811 units in the 2016 and 2017 funding rounds.

Proposal for 2017

The Section 811 funds spread over five years will support $1.2 million of annual activity. Because we are still in the ramp-up period, we expect to disburse about $500,000 in 2017 and support about 93 households.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$500,000
2017 Net Total	**$500,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 6, 11, and 12; Minn. Stat. §462A.06, Subd. 6

Family Homeless Prevention and Assistance Program (FHPAP) | $8,644,000

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

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

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

Program Performance and Trends

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing reported:

- 8,652 households
- $7,426,556 assistance disbursed
- $838 per household average assistance amount
- Median household income was $11,160 or 14 percent of statewide median income
- 57 percent were households of color or Hispanic ethnicity

As of the end of 2015, 44 percent of funds allocated to providers were used for direct cash assistance including rent and mortgage assistance, security deposits, and transportation and utility assistance; 48 percent of funds were used for support services; and eight percent of funds were used for program administration.

Available data, collected through Minnesota's Homeless Management Information System (HMIS), indicate that only six percent of assisted household returned to shelter within one year of exiting this program.

Proposal for 2017

FHPAP funds activities under two-year contracts through local administrators, and 2017 is a contract year. Roughly half of the funds committed in 2017 will be used in 2018.

As of July 1, 2016, the state changed the statute to allow Tribal Nations to apply directly to us for funding.

The 2016 Legislature also awarded $250,000 for landlord risk mitigation funds, which will provide an insurance pool for damages or lost rent and encourage landlords to rent to tenants that they would otherwise not likely rent to, including those with a criminal records or who are homeless or living in a segregated setting, such as an institution or shelter. The funds will be issued through a request for proposal process. Existing FHPAP grantees will be eligible to apply.

Based on resources available in 2017, we expect to assist an estimated 7,203 households.

Program Funding by Source

Source	Amount
State Appropriations	
New Appropriations 2018	$17,038,000
New Appropriations 2017	$250,000
Funding for New Contracts	**$17,288,000**
Adjustment to Spread Contracts Over Two Years	**-$8,644,000**
2017 Net Total	**$8,644,000**

Legal Authority: Minn. Stat. §462A.204

Housing Opportunities for Persons with AIDS (HOPWA) | $153,742

The federally funded Housing Opportunities for Persons with AIDS (HOPWA) program provides grants for housing assistance and services to address the housing needs of persons with Acquired Immune Deficiency Syndrome (AIDS), HIV-positive status, or related diseases and their families. The U.S. Department of Housing and Urban Development allocates HOPWA funds to local jurisdictions. The City of Minneapolis receives and administers a direct award for the 13-county Minneapolis/Saint Paul Metropolitan Statistical Area. We receive a direct award for the portion of the state not covered by the City of Minneapolis grant and contract with the Minnesota AIDS Project to administer these funds.

Currently, HOPWA funds are used to fund short-term rent, mortgage, and utility assistance.

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

Program Performance and Trends

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing assisted households in 44 counties as follows:

- 156 households
- $139,252 assistance disbursed
- $893 average assistance per household
- Median household income was $17,137 or 22 percent of statewide median income
- 47 percent were households of color or Hispanic ethnicity

Proposal for 2017

Based on resources available for new activity in 2017, we expect to assist an estimated 171 households.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$153,742
2017 Total	**$153,742**

Legal Authority: Cranston-Gonzales National Affordable Housing Act 1990; 42 U.S.C. §12901-12921; 24 C.F.R. Part 574

RENTAL PORTFOLIO MANAGEMENT

Asset Management | $2,000,000

Asset Management funds can provide interest and non-interest bearing, amortizing and deferred loans to fund deferred maintenance, capital improvements, and operating subsidies, as well as rent subsidy grants, in order to stabilize assets in our amortizing loan portfolio.

In 2015, we expanded Asset Management to include assisting developments in our deferred loan portfolio that are being monitored as if they were amortizing loans. Other changes allow the program to support developments that need stabilization funding and allow properties to apply for assistance on a pipeline basis.

Asset Management funding provides for necessary repairs and maintenance to protect Agency assets and ensure that developments are decent, safe, and sanitary. Funds may be used to pay for costs if a property goes into default and eventually becomes Real Estate Owned (REO) by Minnesota Housing. Funds also may be used to stabilize troubled developments that, if they became REO, would cost us more in losses than the total cost of stabilizing them.

Resources are available on a pipeline basis when reserves are inadequate to fund needed capital improvements. Owners receiving funding under this program must agree to extend affordability restrictions for a minimum of ten years beyond the current commitment.

Program Performance and Trends

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing provided asset management assistance for two developments with 116 units.

Proposal for 2017

Multifamily staff will continue to focus on evaluating unmet needs within the portfolio as well as identifying new opportunities and processes for using and leveraging Asset Management funds. Staff have clarified eligible uses of funds and identified some of the most appropriate “triggers” to deploy these funds. Staff are creating more efficient processes for the use of funds and building a stronger internal alignment of asset management funds with other pipeline funding to better deploy funds in this next year.

In 2017, we will fund Asset Management loans to address portfolio needs with program funds from the Financing Adjustment Factor/Financing Adjustment (FA/FAF) pool, rather than Pool 3 resources. Based on resources available for new activity in 2017, we expect to assist an estimated 100 housing units.

Program Funding by Source

Source	Amount
Federal Funds	
Carry Forward of Unobligated Balances from Previous Plans	$2,000,000
2017 Total	$2,000,000

Legal Authority: Minn. Stat. §462A.05, Subd. 3

MULTIPLE USE RESOURCES

Economic Development and Housing/Challenge (EDHC) – Regular | $24,279,779

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

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

We make EDHC loans to cities, private developers, tribal and urban Indian housing authorities, nonprofit organizations, or owners of housing (including individuals) for both multifamily (minimum of four units) and single family projects. EDHC requires that 50 percent of the funds be used for projects that have leveraged funds from non-state resources. Preference is given to proposals with the greatest portion of costs covered by non-state resources.

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

Maximum loan amount: None beyond funding availability.

Program Performance and Trends

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing funded:

Multifamily EDHC

- 15 loans to developments with 931 units
- $24,458,423 total loan amount
- $26,271 average EDHC assistance per unit
- Median household income of $18,740 or 24 percent of statewide median income
- 69 percent were households of color or Hispanic ethnicity

Single Family EDHC

- 313 loans
- $6,597,387 total loan amount
- $21,490 average loan
- Median household income was $39,144 or 51 percent of statewide median income
- 53 percent were households of color or Hispanic ethnicity

Proposal for 2017

With the expectation of high demand for EDHC resources and no new funds from Housing Infrastructure Bonds, we decided to forward commit $6 million in 2017, which will increase the available resources.

In the October 2016 Request for Proposals (RFP) process, we will allocate funds for Community Homeownership Impact Fund projects and to affordable rental housing through our RFPs, with any other remaining funds made available on a pipeline basis.

In addition to the regular EDHC appropriations, the 2016 Legislature made available $750,000 for a new Workforce and Affordable Homeownership Development program, which will operate under a separate RFP than the Impact Fund.

Based on resources available for new activity in 2017, we expect to fund an estimated 510 units.

Program Funding by Source

Source	Amount
State Appropriations	
New Appropriations 2018	$6,000,000
New Appropriations 2017	$13,675,000
Repayments and Receipts	$1,000,000
Carry Forward of Unobligated Balances from Previous Plans	$ 3,604,779
2017 Total	$24,279,779

Legal Authority: Minn. Stat. §462A.33; Minn. Rules, Parts 4900.3600-3652

EDHC – Housing Infrastructure Bonds (HIBs) | $0

We allocate Housing Infrastructure Bond (HIB) proceeds through the Request for Proposal (RFP) process under both Housing Trust Fund and EDHC rules.

HIB proceeds used under EDHC rules may fund deferred loans to single family and multifamily housing developments. If the bonds are issued as private activity bonds, applicants also may access four percent housing tax credits for rental housing development.

EDHC HIB funds may be used to:

- Preserve existing federally subsidized rental housing by funding acquisition, rehabilitation, and refinancing;
- Acquire land to be held in trust by community land trusts and used for affordable single family homeownership opportunities; and
- In certain circumstances, finance the costs of construction, acquisition, and rehabilitation of supportive housing for individuals and families who are without a permanent residence.

Proposal for 2017

Based on the lack of HIB resources available for new activity in 2017, we do not expect to allocate HIB resources under EDHC.

Program Funding by Source

Source	Amount
State GO and Infrastructure Bond Proceeds	
New Funding	$0
Carry Forward of Unobligated Balances from Previous Plans	$0
2017 Total	$0

Legal Authority: Minn. Stat. §462A.33; Minn. Rules, Parts 4900.3600-3652

EDHC – Community Owned Manufactured Home Parks | $2,000,000

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

Program Performance and Trends

ROC-USA and NCF are marketing this program. For the Program Assessment period of October 1, 2014 – September 30, 2015, we did not close any Community Owned Manufactured Home Park loans.

Proposal for 2017

The Board has approved three transactions since 2010, one of which was restructured, resulting in the pay-off of our loan participation. While we are continuing to fund the program, we are examining other ways to serve this market.

Based on resources available for this program in 2017, we estimate being able to fund up to 80 units.

Program Funding by Source

Source	Amount
Housing Investment Fund (Pool 2)	$2,000,000
2017 Total	$2,000,000

Legal Authority: Minn. Stat. §462A.33; Minn. Rules, Parts 4900.3600-3652

Single Family Interim Lending | $1,000,000

Single Family interim loans are used to acquire, rehabilitate, demolish, or construct owner-occupied housing under the Community Homeownership Impact Fund program. Interim loans are financed with Pool 2 funds and have a term of 20 months. Funds are awarded annually through the Single Family Request for Proposals process in accordance with our mission and priorities. While two-thirds of the units supported in the past year have been affordable to households with incomes at or below 80 percent of the area median income, the ongoing need for workforce housing may mean that a greater portion of units supported in the coming year will serve households with incomes between 80 percent and 115 percent of the area median income.

Program Performance and Trends

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

Proposal for 2017

It is difficult to project the demand for interim financing in any given annual funding round because of the flexible nature of the funding source, which allows for rehabilitation as well as new construction activity. The 2017 AHP allocation reflects a continued market interest in new construction.

Based on resources available for new activity in 2017, we anticipate making interim or construction loans to administrators for approximately 10 housing units.

Program Funding by Source

Source	Amount
Housing Investment Fund (Pool 2)	$1,000,000
2017 Total	$1,000,000

Legal Authority: Minn. Stat. §462A.05, Subd. 2 and Minn. Stat. §462A.05, Subd. 18; Minn. Rules, Parts 4900.1200-1210

Technical Assistance and Operating Support | $2,655,000

The goal of Technical Assistance and Operating Support is to enhance the ability of housing and community development organizations to meet Minnesota's affordable housing needs. The program supports a wide range of activities, which includes finding for organizations that provide critical support services, Community Housing Development Organizations (CHDOs) in Greater Minnesota, special projects and research/development activities, the infrastructure of the state's homelessness prevention networks, and competitive one-time capacity building.

We have provided assistance to a variety of organizations for projects that have an important state or regional impact. Grants may be used for projects that are research-oriented, require external expertise, or develop/support infrastructure related to our strategic priorities.

Program Performance and Trends

For the Program Assessment period of October 1, 2014 – September 30, 2015, Minnesota Housing funded $1,736,261 under this program. Past allocations have funded: 1) the Home Ownership Center's statewide counseling network, 2) the Wilder Statewide Survey of Homelessness, 3) the maintenance of HousingLink's affordable rental housing information system, 4) the state's Homeless Management Information System (HMIS), 5) regional Continuum of Care homelessness assistance planning, and 6) the evaluation of updated national Green Communities criteria.

Proposal for 2017

Program Funding by Source

Source	Amount
State Appropriations	
New Appropriations 2017	$645,000
Contributions from Other Organizations	$30,000
Housing Affordability Fund (Pool 3)	$1,980,000
2017 Total	$2,655,000

Legal Authority: Minn. Stat. §462A.07, Subd. 6; Minn. Stat. §462A.21, Subd. 3b; Minn. Rules, Parts 4900.1931-1937; 42 U.S.C. §12701 et seq.; 24 C.F.R. Part 92

Strategic Priority Contingency Fund | $1,500,000

During any given year, we anticipate that some programs are likely to need additional resources. To be nimbler and more responsive, we set aside contingency funds to meet unexpected needs.

Proposal for 2017

For 2017, we are providing $1.5 million for the Strategic Priority Contingency Fund.

Program Funding by Source

Source	Amount
Housing Affordability Fund (Pool 3)	$1,500,000
2017 Total	$1,500,000

OTHER

Manufactured Home Relocation Trust Fund | $1,163,695

The Manufactured Home Relocation Trust Fund requires owners of manufactured home parks to pay $12 per licensed lot into a trust fund each year. The park owner is authorized to collect funds from each manufactured homeowner either monthly or in a lump sum that is paid to Minnesota Management and Budget for deposit into the trust fund. The fund is available to homeowners who must relocate because the park they occupy is being closed.

The statute sets out a process for determining the amount of money for which a homeowner is eligible. Only those homeowners who paid into the trust fund may receive payment. We make payments to homeowners, as directed by a neutral third party, for eligible relocation costs.

Program Performance and Trends

State law suspends collection of the fee if the balance in the account is equal to or exceeds $1 million.

Proposal for 2017

Program Funding by Source

Source	Amount
State Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	$1,163,695
2017 Total	$1,163,695

Legal Authority: Minn. Stat. §327C.095

Organizational Investments/Loans | $10,000,000

Organizational Investments and Loans assist non-profit organizations and local units of government in the preservation or development of affordable housing for low-and moderate-income households. The investments and loans provide lending capital to organizations for the purposes of: 1) foreclosure remediation, 2) strategic land acquisition, and 3) pre-development activities. Foreclosure remediation lending covers such costs as the acquisition, rehabilitation, and construction of a one to four-unit residential property that is vacant, abandoned, foreclosed or acquired through a short sale and sold to an income-eligible buyer. Pre-development lending covers such costs as architect fees, attorney fees, option on land and building, and other costs associated with processing or preparations of a housing proposal.

The program is administered through local organizations. The Twin Cities Community Land Bank administers the foreclosure remediation lending and strategic land acquisition activities throughout the seven-county Twin Cities area. The Greater Metropolitan Housing Corporation and the Local Initiatives Support Corporation have provided pre-development lending in the seven-county Twin Cities area, while the Local Initiatives Support Corporation of Duluth has served Duluth. Administrators select and underwrite the individual loans with results reported to us.

Maximum loan amounts vary by administrator. Loans to administrators typically are for terms of one or two years at an interest rate set by us.

Program Performance and Trends

The program, which generally achieves nearly a 1:1 match from our administrators, was established as a revolving loan program with repayments supporting new loan production. The program supports our interest in building the capacity of organizations as community development housing lenders.

Proposal for 2017

For 2017, we will support the Twin Cities Community Land Bank with a new $10 investment/set of loans. The $20 million of existing loans that supported the Land Bank were recently paid off.

Program Funding by Source

Source	Amount
Housing Investment Fund (Pool 2)	$10,000,000
2017 Total	$10,000,000

Legal Authority: Minn. Stat. §462A.21, Subd. 3a; Minn. Rules, Parts 4900.1925-1930

Naturally Occurring Affordable Housing Investment/Loan | $10,000,000

Naturally Occurring Affordable Housing (NOAH) is typically older apartment buildings that have become stylistically dated, lack the amenities desired by higher-income tenants, and command lower rents without government subsidies. Low vacancy rates are driving-up rents, and this housing is disappearing as investors buy them, make modest upgrades, and convert to them to higher-rent housing.

The Greater Minnesota Housing Fund is creating a $25 million fund to take equity positions in 10 to 12 NOAH properties over a two-to-three year period. As property purchases occur, investors will provide capital on a proportional basis to their investment commitment.

The NOAH Fund will target properties across the seven-county metro that are at high-risk of being converted to higher-cost housing. Many properties of interest will likely be in Hennepin or Ramsey County and located in both urban and suburban communities. The properties will be in close proximity to schools, public transportation, public services, and employment centers.

All properties must accept Section-8 vouchers. Beyond compliance with Fair Housing law, the Fund will work proactively to require outreach to communities of color and renters who are least likely to apply. However, to attract private capital into the Fund, there will likely be fewer constraints on owner-operators and properties than a typical Minnesota Housing program.

Program Performance and Trends

This is a potential new investment/loan, and there are no performance data or trends to report.

Proposal for 2017

We are evaluating a potential $10 million investment through the Greater Minnesota Housing Fund (GMHF) for the NOAH Fund. Our investment would leverage an additional $15 million to $20 million of private capital into the Fund and $80 million to $100 million of private debt capital at the property level, which will preserve the affordability of 1,000 units of multifamily rental housing for another 15 (or more) years. Because the timing of the financing and transactions is uncertain, we not projecting at this time the number of assisted units for 2017.

Program Funding by Source

Source	Amount
Housing Investment Fund (Pool 2)	$10,000,000
2017 Total	$10,000,000

Legal Authority: Minn. Stat. §462.33; Minn. Rules, Parts 4900.3600-3652; and Board adopted Investment Policy, which in relevant part is consistent with Minn. Stat. §11a.24

Flood Disaster | $0

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

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

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

Program Performance and Trends

Typically, activities have been funded by special appropriations from the Minnesota Legislature following a federal disaster declaration and determination of the level of available federal funding from the Federal Emergency Management Agency and the Small Business Administration. State appropriations have ranged from $1,000,000 for the May 2011 Minneapolis tornado to $12,720,000 for the August 2012 flooding in northeast Minnesota. Over the past six years, Minnesota has seen significant disasters that have required activation of Quick Start and other Agency disaster assistance approximately every 14 months.

For the program assessment period October 1, 2014 – September 30, 2015, Minnesota Housing provided funding for:

- 33 units
- $360,900 total loan amount
- $10,936 average per unit
- Median household income was $60,477 or 78 percent of statewide median income
- Six percent were households of color or Hispanic ethnicity

Proposal for 2017

Typically, the Minnesota Legislature appropriates funds following the declaration of a disaster. Thus, we have not budgeted funds for this program.

Program Funding by Source

Source	Amount
State Appropriations	
New Appropriations 2017	$0
2017 Total	$0

Legal Authority: Minn. Stat. §462A.33; Minn. Rules, Parts 4900.3600-3652 and Minn. Stat. §12A.09

Disaster Relief Contingency Fund | $1,925,934

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

The terms and conditions under which the funds are made available are at the sole discretion of Minnesota Housing.

Program Performance and Trends

Eligible uses of funds have included writing down the interest rate on Home Improvement Loans and activating the Quick Start Disaster Recovery program in 32 federally declared flood-damaged counties and two tribal communities.

Proposal for 2017

The resources in the table below reflect the funds currently available in the fund.

Program Funding by Source

Source	Amount
State Appropriations	
Carry Forward of Unobligated Balances from Previous Plans	$1,925,934
2017 Total	$1,925,934

Legal Authority: Minn. Stat. §462A.21, Subd. 29; Laws of Minnesota 2003, Chap. 128, Art. 10, Sec. 4, Subd. 2

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