Minnesota Housing
2016 Affordable Housing Plan

Minnesota Housing Finance Agency

CONTENTS

Listing of Tables and Figures

A PRODUCTIVE ERA.

The 2016 Affordable Housing Plan (AHP) is our business plan for the upcoming program year (October 1, 2015 to September 30, 2016) and outlines the initial steps for launching our new 2016-19 Strategic Plan. The new Strategic Plan anticipates a productive era for the Agency. We have moved beyond the Great Recession and are well-positioned to address the growing need for more affordable housing in Minnesota.

EXECUTIVE SUMMARY

Affordable housing is the **foundation for success**, allowing individuals, families, and communities to thrive. Through this AHP, we will go beyond the "sticks and bricks" of housing and focus on how it leads to success in education, health, economic stability, and other areas. Our work under the 2016 AHP will focus on the individuals, families, and communities that have the greatest need for stable, affordable housing.

This plan builds on the 2015 AHP and will be one of the largest plans we have ever implemented. The AHP outlines program funding, describes program and policy initiatives, and establishes lending and assistance goals.

The 2016 plan allocates $966 million of federal, state, and Agency resources, which will assist about 65,000 households.

Table 1: Funding by Program Category, 2016

Program Category	Funding
Homebuyer Financing and Home Refinancing	$553,700,000
Homebuyer/Owner Education and Counseling	$2,267,000
Home Improvement Lending	$25,980,000
Rental Production - New Construction and Rehabilitation	$128,395,925
Rental Assistance Contract Administration	$181,322,117
Resources to Prevent and End Homelessness (Non-Capital)	$30,325,667
Rental Portfolio Management	$3,444,176
Multiple Use Resources	$36,995,322
Other	$3,853,641
Total	**$966,283,848**

The strong economy and housing market present both opportunities and challenges. On one hand, a strong housing market is driving our home mortgage lending to historic levels in 2015. With a 3.9 percent unemployment rate, home prices still below their 2006 peak, and historically low interest rates, strong production will likely continue. On the other hand, rental markets are tight, with the rental vacancy rate in much of the state below 3 percent, driving up rents and making it difficult for people to find homes with affordable rents.

The activities in this plan are aligned with our Strategic Priorities to address challenges and seize opportunities.

Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

- Pursue at least $510 million of mortgage lending with a goal of 27 percent of our first-time homebuyer mortgages going to households of color and Hispanic ethnicity
- Fund $22.3 million of downpayment and closing cost assistance
- Emphasize homebuyer capacity building and coaching and increase funding for the Enhanced Homeownership Capacity Initiative
- Engage the homebuying industry to reduce disparities in the larger market

Prevent and End Homelessness

- Allocate $41+ million to preventing and ending homelessness, with an emphasis on families and youth
- Launch a new two- or three-year Plan to Prevent and End Homelessness
- Coordinate better housing and services funding with the Department of Human Services

Preserve Housing with Federal Project-Based Rent Assistance

- Invest $26+ million to preserve existing affordable housing
- Create year-round funding for preservation activities in order to act quickly on high priority preservation projects

Finance Housing Responsive to Minnesota's Changing Demographics

- Develop a strategy for housing lower-income seniors that supports aging in place when appropriate, and research funding models for rental housing for very-low-income seniors
- Incent developers to build larger units for large families
- Support housing choices for the growing number of people with disabilities in our communities

Address Specific and Critical Local Housing Needs

- Build the capacity of local organizations to identify, create, and implement housing solutions
- Work with local communities to assess their housing needs and identify strategies and resources to meet those needs
- Review our programs to ensure that they are simple, flexible, accessible and timely

CHAPTER 1:
Introduction

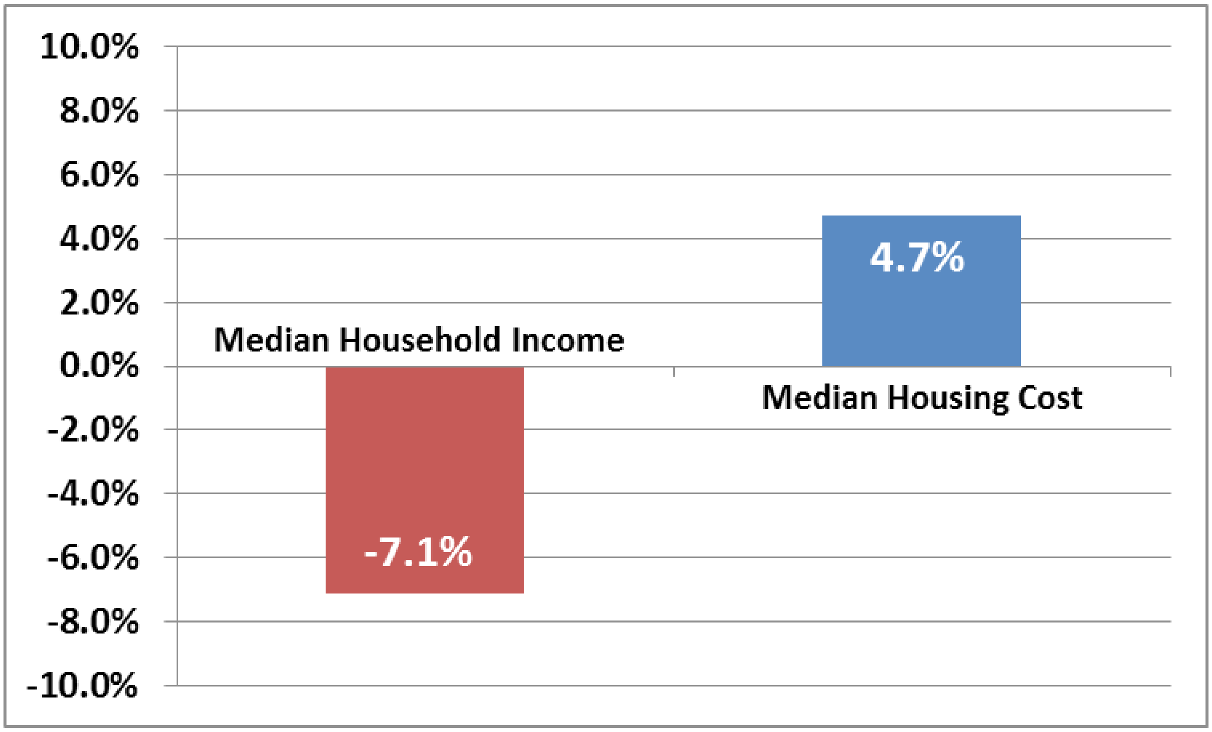
The 2016 Affordable Housing Plan (AHP) is Minnesota Housing's business plan for the program year starting October 1, 2015 and outlines the initial steps for launching our 2016-19 Strategic Plan. The new Strategic Plan anticipates a productive era for the Agency. We have moved successfully from the dark days of the mortgage crisis and the Great Recession to a robust housing market and a Minnesota Housing that is well-positioned for a strong future. From this strengthened position, we will focus on the growing number of households struggling to find a place to call home. Having an affordable, stable home in a community of choice is the **foundation for success**, allowing individuals, families, and communities to thrive and succeed.

Need for More Affordable Housing

While Minnesota's economy is strong, with an unemployment rate of just 3.9 percent,[1] many low- and moderate-income households struggle to afford housing.

- Housing costs are rising faster than incomes. Since 2000, median household incomes have declined by 7.1 percent after controlling for inflation, while median housing costs have increased by 4.7 percent.[2]

Figure 1: Change in Median Incomes and Housing Costs (adjusted for inflation), 2000 to 2013



- Nearly 600,000 Minnesota households are cost burdened, spending more than 30 percent of their income on housing.[3] Since 2000, that number has increased by 68 percent.[4]
- Households earning less than $50,000 are far more likely to be cost burdened (57 percent compared with 28 percent of all households).[5]
- In much of Minnesota, the rental vacancy rate is below 3 percent, reflecting a shortage of rental housing and market forces that lead to rising rents.[6]
- Between June 2014 and June 2015, the median home sale price statewide increased 7 percent from $193,000 to $206,500.[7]

Many Minnesotans Face Barriers, Limited Choices, and Special Needs in Their Search for Housing

- In January 2015, more than 7,500 people in Minnesota were homeless.[8] Three out of four adults experiencing homelessness on a given night have at least one of the following: a chronic health condition, serious mental illness, or substance abuse disorder.[9]
- About 270,500 children are in lower-income households that pay more than 30 percent of their income for housing.[10]
- About 46,000 senior homeowner households in Minnesota have an extremely-low income,[11] leaving them with limited options to maintain the quality of their housing and add needed accessibility features.
- Minnesota working families are struggling to find housing opportunities in Greater Minnesota job centers, and employers face challenges recruiting and retaining employees.[12]
- Minnesota has the third largest disparity in homeownership rates between white/non-Hispanic households (76.0 percent) and households of color and Hispanic ethnicity (40.6 percent).

Reading this Plan

Overall, this plan funds 42 programs. The chapters provide an overview, while the appendices go into the details. We suggest that you use Appendix B as a reference document. If you have questions or want to learn more about a specific program, you can easily find the program description by using the table of contents at the start of Appendix B.

At the highest level, Minnesota Housing supports eight broad activities:

1. Homebuyer Financing and Home Refinancing
2. Homebuyer/Owner Education and Counseling
3. Home Improvement Lending
4. Rental Production – New Construction and Rehabilitation
5. Rental Assistance Contract Administration
6. Resources to Prevent and End Homelessness (Non-Capital) – State Funded Rent Assistance, Operating Subsidies, and Other
7. Rental Portfolio Management
8. Multiple Use Resources, primarily to Support Community Development

The program descriptions and budget are organized around these eight categories. The separate programs listed under each activity have different funding sources or specialized types of support.

CHAPTER 2:
Program and Budget Overview

At our core, Minnesota Housing is a financial institution that provides loans, tax credits, and grants to create new affordable housing opportunities and preserve existing ones. How we secure and allocate resources is fundamental to our work.

Funding our Work

With the large and growing need for more affordable housing, we are proud to allocate $966 million to our 2016 program budget, which will assist about 65,000 households and be one of the largest budgets we have ever implemented. While our original 2015 program budget was $954 million, we increased it to $1.2 billion due to historic production levels in our home mortgage lending.

Table 2 presents our 2016 AHP budget by program and compares it with the original and revised 2015 budgets. The table also provides information about the primary activity carried out under each program and summary data about the households served. (Appendix B at the end of the plan provides more details about each program.)

As the section headers and activity descriptions in Table 2 highlight, we carry out a wide range of affordable housing activities. Three program areas account for a majority of the 2016 AHP budget:

- **Home Mortgage Loans** (line 1) are projected to include $510 million of lending and support over 3,500 households. Earnings from these loans fund many agency-wide operating expenses and the Agency's Affordable Housing Fund (Pool 3), which finances grants and deferred loans for affordable housing activities across the Agency.
- **Rental Assistance Contract Administration** (lines 22-23) includes $181 million of rental assistance and provides stable, affordable housing to about 30,000 of the state's lowest-income households. With the assistance, households only spend 30 percent of their income on rent.
- **Low-Income Housing Tax Credits** (line 16) is our primary program for developing affordable rental properties. While the $9.3 million of credits is not a large share of the budget, they will generate about $84 million in syndication proceeds from the investors who purchase the credits.[13] These investment funds become equity invested in affordable rental housing.

Table 2 also shows the spectrum of low- and moderate-income households served in 2014. The median household incomes range from under $9,000 to over $67,000. For example:

Programs	**Median 2014 Income**
• Rent assistance programs (lines 22-25 and 27):	$8,796 to $12,504
• Low and Moderate Income Rental (line 13):	$27,606
• Habitat for Humanity Initiative (line 6):	$30,464
• Home Mortgage Loans (line 1):	$50,906
• Home Improvement Loan Program (line 11):	$67,605

Table 2: 2015 and 2016 Program and Budget Summary

		Original 2015 Funding Level	Revised 2015 Funding Level	2016 Funding Level	Activity	Median Income Served (2014)	Percentage Served from Communities of Color (2014)
	Homebuyer Financing and Home Refinancing	**$450,500,000**	**$734,986,302**	**$553,700,000**			
1	Home Mortgage Loans	$400,000,000	$675,000,000	$510,000,000	First Mortgage	$50,906	24%
2	Targeted Mortgage Opportunity Program	$10,000,000	$10,000,000	$4,000,000	First Mortgage	Not Available	Not Available
3	Mortgage Credit Certificates (MCC)	$20,000,000	$20,000,000	$15,400,000	Tax Credit on Home Mortgage Interest	$56,883	20%
4	Deferred Payment Loans	$11,000,000	$15,554,902	$11,000,000	Down Payment and Closing Cost Assistance	$41,752	30%
5	Monthly Payment Loans	$7,500,000	$12,431,400	$11,300,000	Down Payment and Closing Cost Assistance	$60,960	22%
6	Habitat for Humanity Initiative	$2,000,000	$2,000,000	$2,000,000	Homebuyer Financing	$30,464	74%
	Homebuyer/Owner Education and Counseling	**$2,936,200**	**$2,503,605**	**$2,267,000**			
7	Homebuyer Education, Counseling & Training (HECAT)	$1,517,000	$1,531,064	$1,517,000	Education and Counseling	$33,600	38%
8	National Foreclosure Mitigation Counseling (NFMC)	$669,200	$322,541	$0	Education and Counseling	Not Available	Not Available
9	Enhanced Homeownership Capacity Initiative	$650,000	$650,000	$750,000	Education and Counseling	Not Available	Not Available
10	Homeowners Armed with Knowledge (HAWK)	$100,000	$0	$0	Education and Counseling	Not Available	Not Available
	Home Improvement Lending	**$28,575,000**	**$26,382,796**	**$25,980,000**			
11	Home Improvement Loan Program	$19,975,000	$17,375,000	$17,380,000	Home Improvement Loan	$67,605	9%
12	Rehabilitation Loan Program (RLP)	$8,600,000	$9,007,796	$8,600,000	Home Improvement Loan	$14,314	12%

		Original 2015 Funding Level	Revised 2015 Funding Level	2016 Funding Level	Activity	Median Income Served (2014)	Percentage Served from Communities of Color (2014)
	Rental Production- New Construction and Rehabilitation	**$189,639,605**	**$190,303,453**	**$128,395,925**			
13	First Mortgage - Low and Moderate Income Rental (LMIR)	$85,000,000	$84,000,000	$70,000,000	Amortizing Loan	$27,606	41%
14	First-Mortgage - MAP Lending (Multifamily Accelerated Processing)	$10,000,000	$10,000,000	$15,000,000	Amortizing Loan	Not Available	Not Available
15	Flexible Financing for Capital Costs (FFCC)	$4,500,000	$4,605,000	$3,500,000	Deferred Loan	$27,606	41%
16	Low-Income Housing Tax Credits (LIHTC)	$8,582,340	$8,712,473	$9,308,770	Investment Tax Credit	$21,476	48%
17	Housing Trust Fund (Capital from Housing Infrastructure Bonds)	$43,853,648	$43,955,997	$10,849,200	Deferred Loan	$8,520	51%
18	Preservation - Affordable Rental Investment Fund (PARIF)	$9,331,232	$11,468,548	$9,492,171	Deferred Loan	$12,480	59%
19	Preservation - HOME	$7,774,846	$6,670,271	$814,938	Deferred Loan	$16,469	45%
20	Preservation - Publicly Owned Housing Program (POHP)	$20,197,539	$20,331,378	$1,300,378	Deferred Loan	$9,492	32%
21	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	$400,000	$559,786	$8,130,468	Deferred Loan	$14,599	1%
	Rental Assistance Contract Administration	**$181,392,671**	**$181,392,671**	**$181,322,117**			
22	Section 8 - Performance Based Contract Administration	$112,500,000	$112,500,000	$129,000,000	Rent Assistance	$11,520	38%
23	Section 8 - Traditional Contract Administration	$68,250,000	$68,250,000	$52,000,000	Rent Assistance	$12,504	27%
24	Section 236	$642,671	$642,671	$322,117	Interest Rate Reduction	Not Available	Not Available
	Resources to Prevent and End Homelessness (Non-Capital)	**$29,115,921**	**$30,656,116**	**$30,325,667**			
25	Housing Trust Fund (HTF) - Net	$15,231,963	$15,504,369	$13,948,678	Rent Assistance and Operating Support	$8,796	64%
25a	Funding for new contracts	$25,828,792	$26,373,604	$2,595,000			
25b	Adj. to spread contracts over two years	-$10,596,829	-$10,869,235	$11,353,678			
26	Ending Long-Term Homelessness Initiative Fund (ELHIF) - Net	$1,972,796	$1,972,796	$1,722,601	Rent Assistance and Operating Support	$15,322	60%
26a	Funding for new contracts	$3,945,592	$3,945,592	$0			
26b	Adj. to spread contracts over two years	-$1,972,796	-$1,972,796	$1,722,601			
27	Bridges - Net	$2,959,461	$3,593,795	$4,695,108	Rent Assistance	$9,624	33%
27a	Funding for new contracts	$5,918,921	$7,187,590	$2,607,216			
27b	Adj. to spread contracts over two years	-$2,959,461	-$3,593,795	$2,087,892			

		Original 2015 Funding Level	Revised 2015 Funding Level	2016 Funding Level	Activity	Median Income Served (2014)	Percentage Served from Communities of Color (2014)
28	Section 811 Demonstration	$235,000	$842,975	$1,217,100	Rent Assistance	Not Available	Not Available
28a	Funding for new contracts	$235,000	$3,085,500	$3,282,344			
28b	Adj. to spread contracts over five years	$0	-$2,242,525	-$2,065,244			
29	Family Homeless Prevention and Assistance Program (FHPAP) - Net	$8,569,123	$8,594,184	$8,594,184	Grants	$10,140	57%
29a	Funding for new contracts	$17,138,245	$17,188,367	$0			
29b	Adj. to spread contracts over two years	-$8,569,123	-$8,594,184	$8,594,184			
30	Housing Opportunities for Persons with AIDS (HOPWA)	$147,579	$147,997	$147,997	Grants	$18,234	48%
	Rental Portfolio Management	**$3,600,000**	**$2,495,000**	**$3,444,176**			
31	Asset Management	$1,600,000	$495,000	$0	Loans	Not Available	Not Available
32	Asset Management - Financing Adjustment Savings	$2,000,000	$2,000,000	$3,444,176	Loans and Grants	Not Available	Not Available
	Multiple Use Resources	**$64,174,772**	**$63,841,009**	**$36,995,322**			
33	Economic Development and Housing/Challenge (EDHC) - Regular	$18,021,457	$19,917,445	$19,575,000	Loans and Grants	MF: $20,381 SF: $37,090	MF: 62.4% SF: 46.6%
34	EDHC - Housing Infrastructure Bonds (HIB)	$35,873,899	$35,771,550	$9,480,800	Deferred Loans	Not Available	Not Available
35	EDHC - Bridge to Success	$2,000,000	$2,000,000	$0	Contract for Deed	$67,730	55%
36	EDHC - Community-Owned Manufactured Home Parks	$2,000,000	$2,000,000	$2,000,000	Amortizing Loans	Not Available	Not Available
37	Single Family Interim Lending	$1,600,000	$1,313,000	$1,562,000	Construction Loan	Not Available	Not Available
38	Technical Assistance and Operating Support	$2,679,416	$2,839,014	$2,377,522	Grants	Not Available	Not Available
39	Organizational Loans	$0	$0	$0	Deferred and Amortizing Loans	Not Available	Not Available
40	Strategic Priority Contingency Fund	$2,000,000	$0	$2,000,000	Loans and Grants	Not Available	Not Available
	Other	**$3,658,949**	**$3,958,681**	**$3,853,641**			
41	Housing Infrastructure Bond Issuance and Other Costs	$700,000	$700,000	$900,000	Admin.	Not Available	Not Available
42	Manufactured Home Relocation Trust Fund	$1,196,244	$1,196,644	$1,196,644	Grants	Not Available	Not Available
43	Flood Disaster	$0	$0	$0	Loans and Grants	$32,500	<5%
44	Disaster Relief Contingency Fund	$1,762,705	$2,062,037	$1,756,997	Loans and Grants	Not Available	Not Available
	Total	**$953,593,118**	**$1,236,519,633**	**$966,283,848**			

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 25-29.) 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. Two-year contracts were and will be signed in 2015. In 2015, we will commit $17.188 million for the two year contracts (line 29a). To reflect program activity, half of those funds ($8.594 million) will be shifted out of 2015 (the negative number in line 29b) and into 2016. The net effect is the $8.594 million of program activity in both 2015 and 2016 (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.

There are two primary changes between the 2015 and 2016 AHPs:

- **In the 2016 AHP, we will have $78 million less in proceeds from state bonding.** The reduction is split between Housing Infrastructure Bond proceeds administered through the Housing Trust Fund program (line 17) and the Economic Development and Housing/Challenge program (line 34) and General Obligation Bond proceeds administered through the Publicly-Owned Housing Program (line 20).[14] In the 2015 AHP, we budgeted $100 million in new bond proceeds for these programs to which we added a small amount of unused bond proceeds from previous years. In the 2016 AHP, we will have $22 million in proceeds, including $10 million from new Housing Infrastructure Bonds from the 2015 Legislature and $12 million of deferred proceeds from previous years.
- **Our home mortgage lending increased dramatically in the last year.** In the 2015 AHP, we originally budgeted $400 million for Home Mortgage Loans (line 1). Demand far exceeded our expectations, and we increased the budget to $675 million during the year. In the 2016 AHP, we are budgeting $510 million, which is significantly higher than the original 2015 amount, but lower than the revised amount. The Agency's mortgage lending in 2016 may be limited by the availability of funds for downpayment and closing cost assistance provided through the Deferred Payment Loan (DPL) program (line 4), which is primarily funded from Pool 3.

Other changes between the 2015 and 2016 AHP budgets are more modest, with a few needing an explanation.

- The **Targeted Mortgage Opportunity Program** (line 2) is a pilot program that is designed to provide a specialized mortgage product to borrowers who are likely to be successful homeowners but are unable to access traditional mortgage financing in the current market. Of the $18 million of mortgage financing that we made available for the pilot, $4 million remains available to allocate to lenders in the 2016 AHP budget. In addition, we estimate that lenders will have another $2 million that we have already allocated to them but they have not yet committed to a borrower. As is standard practice for pilot programs, we are evaluating the program and will make program design and funding adjustments as a result of the evaluation.
- We are increasing funding for the **Enhanced Homeownership Capacity Initiative** from $650,000 to $750,000. This pilot program provides intensive financial education and case management services to support families as they pursue homeownership. While this pilot is still being evaluated, initial results are very positive with over 90 percent of participants coming from households of color and Hispanic ethnicity. With the $750,000, we expect to serve about 500 households in total.
- We are not budgeting funds for two federal education and counseling programs. The **National Foreclosure Mitigation and Counseling** program (line 8) appears to be winding down after completing nine rounds of funding with smaller amounts in recent years. The need for these funds is also winding down as the volume of foreclosures has continually dropped over the last few years. The **Homeowners Armed with Knowledge** program (line 10) was a proposed federal pilot in 2015 that the federal government did not implement.

- We are reducing multifamily first-mortgage lending under the **Low and Moderate Income Rental - LMIR** (line 13) program by about $15 million, but increasing first mortgage lending by $5 million under the **Multifamily Accelerated Processing (MAP)** program (line 14). Overall, we are expecting a $10 million decline in multifamily first-mortgage lending, largely because we will finance less new construction and rehabilitation this year without the influx of Housing Infrastructure Bond funds from the state.
- In the 2016 AHP, we are not initially budgeting new **HOME** (line 19) appropriations from the federal government. HOME funding has declined significantly in recent years, and the amount of 2016 funding is uncertain. We will budget these funds after we receive them. Previously, we budgeted an expected amount. We should receive the 2016 federal appropriation in the spring of 2016, and these funds will be made available to projects with our October 2016 selections, which fall under the 2017 AHP. The $814,938 of HOME funds in the 2016 AHP reflects uncommitted funds from previous federal appropriations.
- The **Rental Rehabilitation Deferred Loan (RRDL)** program runs a Request for Proposals (RFP) every other year, and we will make available the full allotment of 2016-17 appropriations in the 2016 AHP, with an overall funding level of $8.1 million. In the 2017 AHP, we anticipate no new funds being available.

Table 2 also shows small changes between the original and revised 2015 budgets. These small changes occurred as we revised our estimates of: (1) state and federal appropriations that remained uncommitted at the end of the 2014 AHP and carried forward to the 2015 AHP, and (2) loan repayments into these accounts. During the year, we also redirected unused Pool 3 and Pool 2 resources from various programs to the Deferred Payment Loan (line 4) and Monthly Payment Loan (line 5) programs to increase funding for downpayment and closing cost assistance that was needed to support our historic level of home mortgage lending in 2015.

Evolving and Uncertain Budget Environment

We finance our activities from five sources.

- **Mortgage capital**, primarily from mortgage revenue bonds sold by the Agency for amortizing loans
- **Tax credits** from the federal government that generate private equity financing
- **State and federal appropriations** (including Housing Infrastructure and GO Bond proceeds) for grants and deferred loans
- **Agency Resources**
    - **Housing Investment Fund (Pool 2)** for amortizing loans
    - **Housing Affordability Fund (Pool 3)** for grants and deferred loans

Pools 2 and 3 are agency resources. Over the last 40 years, we have generated interest earnings from our mortgage lending and devoted them to Pool 2 to be invested in additional amortizing loans, which strengthens our balance sheet. With a strong balance sheet, we have also been able to annually allocate a share of the earnings to Pool 3. See Chapter 5 and Appendix A for more details on all these sources.

This budget was developed in an evolving and uncertain financial environment, requiring us to carefully prioritize activities. While we continue to receive strong support from the state, federal funding has declined. For example, HOME appropriations to Minnesota Housing have declined by 46 percent in the last five years, from $10.5 million in 2010 to $5.6 million in 2015. In addition, while our own assets remain very strong, the current low-interest rate environment limits the earnings from those assets. For a financial institution, a lower interest rate means lower earnings from its balance sheet. As a result, we are reducing our Pool 3 budget by 19 percent from $29.9 million in the 2015 AHP to $24.4 million in the 2016 AHP and expecting further reductions in 2017, even if interest rates start to rise. This will require us to be very strategic in our funding decisions going forward. Specifically,

- Competition for Pool 3 resources will increase, and programs and organizations that have received relatively stable support from Pool 3 in the past may experience reductions going forward.
- Furthermore, as we reach out to communities and populations that have traditionally not received our funding, demand for our resources will increase as more needs come to light. This will increase the competition for grants and deferred loans financed through Pool 3 and state and federal appropriations. While these efforts will provide us with a more complete picture of the state's housing needs, it will require us to make difficult decisions with the limited resources available.

CHAPTER 3:
Strengthening the Foundation for Success

In an uncertain financial environment, we have created a solid foundation for low- and moderate-income households to succeed by:

- Providing a wide range of financing tools that create and preserve affordable housing,
- Serving households across the housing continuum, and
- Engaging with local communities to learn about their needs and help them identify and implement solutions.

Our goal in 2016 is to reinforce this foundation and expand on whom we serve.

Core Work

The strong economy and housing market are putting new demands on the Agency that we have not experienced in recent years. We will take several steps to enhance our core work.

Under the 2016 AHP, we will:

Fund Increased Levels of Home Mortgage Activity

With a projected 4,600 home mortgages, 2015 production will be nearly 40 percent higher than it was 2007, which was the previous high in the last decade, as shown in Table 3. Until 2015, our highest production ever was in 1995, when we funded 4,484 home mortgages.

Table 3: Home Mortgage Lending History

Program Year	Mortgages Financed - Net Commitments	Minnesota Unemployment Rate (June)a	Twin Cities Median Home Price (June)b	Market Interest Rate (June)c
2004*	2,250	4.8%	$220,000	6.29%
2005*	2,629	3.9%	$231,000	5.58%
2006*	3,057	3.8%	$236,000	6.68%
2007	3,345	4.6%	$232,500	6.66%
2008	2,684	5.3%	$205,000	6.32%
2009	1,134	8.1%	$173,500	5.42%
2010	2,254	7.3%	$180,000	4.74%
2011	2,281	6.5%	$162,200	4.51%
2012	2,352	5.5%	$178,700	3.68%
2013**	2,985	4.8%	$210,000	4.07%
2014**	2,838	3.9%	$219,500	4.16%
2015 original forecast**	2,941	3.9%	$229,900	3.98%
2015 revised forecast**	4,600			
2016 forecast**	3,517	TBD	TBD	TBD

*Based on purchased loans, rather than net commitments. **Minnesota Housing expanded its lending beyond first-time homebuyers to include existing homeowners. a. Minnesota Department Employment and Economic Development (DEED), Local Area Unemployment Statistics, seasonally adjusted unemployment rate. b. Minneapolis Area Association of Realtors, Monthly Indicators. c. Board of Governors of the Federal Reserve System, Selected Interest Rates – Conventional Mortgages.

With the stronger economy and low unemployment rate, more Minnesotans are financially stable and buying homes. In addition, home prices are still below their 2006 highs, and mortgage interest rates are near historic lows. This is a prime opportunity for low- and moderate-income Minnesotans to become homeowners. For example, a family buying a median-priced home in 2006 would have had a monthly payment of $1,989. Today, that same payment would be $1,564.[15]

To facilitate home buying, we will:

- **Secure mortgage capital at the lowest possible cost** by pursuing a best-execution policy that weighs the costs of selling tax-exempt mortgage revenue bonds compared with selling our mortgage-backed securities on the secondary market. Pursuing the lowest cost option minimizes the interest rate that we charge our borrowers;
- **Provide different mortgage products to serve different borrowers**, including first-time homebuyers and existing homeowners who wish to refinance or move on to a different home;
- **Provide downpayment and closing cost assistance to our borrowers,** including deferred and amortizing loans and mortgage credit certificates (tax credits on mortgage interest);
- **Implement new loan origination software**, which will streamline operations for our lenders and staff; and
- **Support homebuyer education and counseling**, which helps consumers understand the home buying process and supports homeowners after they have purchased their home.

We expect our production to be very strong again in 2016, with over $500 million in lending, but it could be even higher if interest rates remain low and more resources become available for deferred loans to finance downpayment and closing cost assistance.

Address a Tight Rental Market

In much of the state, rental housing vacancy rates are below 3 percent. When vacancies are below 4 percent, rents generally increase faster than inflation, and lower-income households have a very difficult time finding rental housing, especially those with criminal records, poor credit, unlawful-detainers/evictions, or other issues.

In addition, 67 percent of lower-income renter households in Minnesota are currently cost-burdened by their rent.[16] In 2016, we will focus resources on increasing the supply of affordable housing and bringing those housing opportunities to the market as quickly as possible.

Under our 2016 AHP, we will:

- **Devote a significant share of our multifamily funding to new construction.** Applications for new construction financing (versus rehabilitation) increased from 47 percent of the proposed units during the last competitive funding round to 54 percent for the upcoming round.

- **Continue carrying out the Multifamily Division's remodel project,** under which we are redesigning and streamlining our application and funding processes - everything from proposal inception through application, selection, underwriting, closing, construction management, and lease up. The remodel will reduce the time it takes a development to move from concept to occupancy.
- **Make available all $2 million of Housing and Job Growth Initiative funds in the first year of the biennium.** As a result, workforce housing needs around the state will be addressed as quickly as possible, which will support job and economic growth.

Strategic Priorities

While we have created a solid foundation to serve low- and moderate-income households with a wide range of housing finance tools, many households, especially those with the greatest needs, fewest choices, and largest barriers, struggle to find affordable housing. Our strategic priorities focus on serving these households better.

Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

In 2013, Minnesota had the third highest disparity in the homeownership rate between white/non-Hispanic households (76.0 percent) and households of color (40.6). We are committed to reducing this disparity by reaching out to households of color and Hispanic ethnicity and addressing the barriers that they face in achieving homeownership.

Under the 2016 AHP, we will:

- **Provide at least $516 million of first mortgage lending.**
  - $510 million – Home Mortgage Loans
  - $4 million – Targeted Mortgage Opportunity Program
  - $2 million – Habitat for Humanity Initiative
- **Fund downpayment and closing cost assistance.**
  - $11.0 million - Deferred Payment Loans
  - $11.3 million - Monthly Payment Loans
- **Strive for 27 percent of our first-time homebuyer mortgages going to households of color and Hispanic ethnicity.** We estimate that just over 25 percent of renter households that are income eligible for our mortgage products are of color or Hispanic ethnicity. In 2015, we are on track to achieve the 27 percent goal. Our success toward this goal in 2016 will depend on our outreach efforts and the availability of downpayment and closing cost assistance, primarily Deferred Payment Loans. In the first 9 months of the 2015 AHP, households of color and Hispanic ethnicity accounted for:
  - 34 percent of our borrowers receiving Deferred Payment Loans,[17]
  - 24 percent of our borrowers receiving Monthly Payment Loans, and
  - 15 percent receiving no downpayment and closing cost assistance.

- **Continue Evaluating the Targeted Mortgage Opportunity Program.** This pilot is currently in its second year and provides a specialized mortgage product for borrowers who are likely to be successful homeowners but are unable to access traditional mortgage financing in the current market, with an emphasis on households of color and Hispanic ethnicity. In 2016, we will continue evaluating the pilot and determine next steps about how to most effectively serve these borrowers.
- **Emphasize Homebuyer/Owner Capacity Building and Coaching.** Being prepared for and educated about homeownership is a key to success. While our traditional Homebuyer Education, Counseling & Training (HECAT) program effectively serves households of color and Hispanic ethnicity, accounting for 38 percent of participants, our new Enhanced Homeownership Capacity Initiative is reaching these communities even more effectively. In the first part of the initiative, households of color and Hispanic ethnicity accounted for over 90 percent of participants. As a result, we increasing funding for the initiative from $650,000 to $750,000. The $750,000 will serve about 500 households in total.
- **Engage the homebuying industry to reduce disparities in the larger market.** We will continue to be active in the Homeownership Opportunity Alliance – a coalition of lenders, realtors and other industry leaders actively dedicated to finding and implementing strategies to reduce the homeownership disparity. This industry-wide work is critical because our lending accounts for only 3 to 6 percent of the state's home-purchase mortgages.
- **Prepare an analysis of gaps.** We will compare the needs of people of color and Hispanic ethnicity, the effectiveness of our current strategies to meet those needs, and the gaps between the two. While we effectively serve people of color and Hispanic ethnicity, we must do even better to help reduce the disparity.

Prevent and End Homelessness

People experiencing homelessness have significant needs and often face multiple and large barriers to stable housing. They are some of society's most vulnerable populations. Fortunately, our efforts to address their needs are showing signs of success. According to the U.S. Department of Housing and Urban Development's 2015 annual homeless count, the number of homeless in Minnesota on a given day is about 7,500, which is a 10 percent decline from the previous year. To continue and enhance this downward trend, we will play a leadership role in this effort during 2016.

Under the 2016 AHP, we will:

- **Allocate funds targeted to preventing and ending homelessness.**
    - $30 million for rent assistance, operating subsidies for supportive housing, and other assistance:
        - $13.9 million - Housing Trust Fund (HTF) – primarily rent assistance
        - $1.7 million - Ending Long-Term Homelessness Initiative Fund (ELHIF) – primarily operating subsidies
        - $4.7 million - Bridges – rent assistance for people with a serious mental illness

- $1.2 million - Section 811 – rent assistance for people with disabilities
- $8.6 million – Family Homeless Prevention and Assistance Program (FHPAP)
- $0.1 million – Housing Opportunities for Persons with AIDS (HOPWA)

- $11 million of capital financing specifically for permanent supportive housing (Housing Infrastructure Bonds administered through the Housing Trust Fund). In addition, when allocating other rental production funds, we will continue to prioritize projects that provide at least four units of supportive housing for people experiencing or at-risk of long-term homelessness. This has proven an effective strategy for including in most developments units for people experiencing long-term homelessness.

- **Pursue opportunities for additional funding.** Accessing and leveraging available funding sources is critical in an era of limited sources. For example, if the 2016 Legislature takes up a bonding bill, we will pursue funding from Housing Infrastructure Bonds.
- **Focus on families and youth when financing permanent supportive housing.** In the last five years, the state has significantly reduced chronic and veteran homelessness. While much more needs to be done for all people experiencing homelessness, families and youth need special attention. We are now incorporating this focus into our criteria for selecting projects for funding.
- **Continue to work in partnership with the Department of Human Service and others to better coordinate housing and service financing.** For example, coordinated grant making and evaluation could be an effective strategy to use scarce resources in a more targeted and collaborative manner. This streamlined effort could also add value by reducing administrative costs and increasing control for the grantee and/or local community.
- **Assist each Continuum of Care, which are local homelessness planning entities, across the state in developing and implementing their HUD-required Coordinated Entry System.** Once implemented, people in need of supportive housing and homeless services will go to one source to get information, receive an assessment of needs, and be referred directly to the most appropriate housing resource within their community.
- **Help lead the Minnesota Interagency Council on Homelessness.**
  - Have Commissioner Tingerthal continue to co-chair the Council.
  - Host the Office to Prevent and End Homelessness, which is the administrative arm of the Interagency Council, in our office space. The Office is now co-located with the team responsible for implementing the state's Olmstead Plan, which is directing strategies that will allow people with disabilities to live and work in integrated community settings. Because 76 percent of adults experiencing homelessness on a given night have a disability, the two teams have a lot of common work.
  - Work with the Office to Prevent and End Homelessness and the 11 other agencies in the Interagency Council to write and implement the Council's next two- or three-year plan. The inaugural two-year plan proved effective, and the next one will build upon and leverage that success.
  - Serve as the lead agency for the Homeless Management Information System (HMIS), the statewide system that tracks services and supports provided to people experiencing homelessness.

Preserve Housing with Federal Project-Based Rent Assistance

Minnesota has more than 60,000 housing units with federally-funded project-based rent assistance, including Section 8, USDA Rural Development, public housing, and other units. The households in these units spend only 30 of their income on the housing with the federal government paying the rest of the rent, which is a valuable resource for the households and the state. The households are generally extremely-low income and often vulnerable. For example, with Section 8 units, the median household income is about $11,000, 21 percent of the occupants have a disability, and 51 percent of the household heads or spouses are seniors.[18] Most of these units were built in the 1970s and 1980s, and many are at risk of being lost due to poor physical condition, limited owner or management capacity, or the opportunity to convert to market-rate housing. Preserving this housing stock and the federal assistance is critical.

Under the 2016 AHP, we will:

- **Fund preservation activities.**
  - $26.6 million specifically designated for preservation:
    - $6.9 million - Economic Development and Housing/Challenge (EDHC) from Housing Infrastructure Bonds[19]
    - $9.5 million - Preservation Affordable Rental Initiative Fund (PARIF)
    - $0.8 million – HOME
    - $1.3 million - Publically Owned Housing Program (POHP) from General Obligation Bonds
    - $8.1 million - Rental Rehabilitation Deferred Loan (RRDL)
  - Other funds can be used for both preservation and new construction, including Low-Income Housing Tax Credits (LIHTC), First Mortgages, and Flexible Financing for Capital Costs (FFCC).

  While some of these funds will address preservation of units without federal project-based assistance, federal project-based units will be the priority.
- **Pursue opportunities for additional funding.** Accessing available funding sources is critical in an era of limited sources. For example, if the 2016 Legislature takes up a bonding bill, we will pursue funding from Housing Infrastructure Bonds and General Obligation Bonds.
- **Make some funds available on a year-round basis.** Preservation projects have typically been funded through the Agency's once-a-year RFP process. In the 2016 AHP, we are setting aside some Low and Moderate Income Rental (LMIR), Flexible Financing for Capital Costs (FFCC), and Preservation-Affordable Rental Investment Funds (PARIF) funds to be available throughout the year. As a result, we will respond to preservation requests more quickly.
- **Focus on immediate and high priority preservation projects.** For the next few years, we will focus on preserving developments with maturing Section 515 mortgages from USDA Rural Development. By 2019, nearly 900 units, with over half having rent assistance, will be in properties where the mortgage will mature

and the rent assistance could be lost. We will collaborate with our Greater Minnesota partners to identify, assess, and prioritize many of these critical developments to keep them affordable.

Finance Housing Responsive to Minnesota's Changing Demographics

In the coming years, we will see significant shifts in Minnesota's population. The number of people age 65 and older will nearly double in the next 25 years,[20] and the number of people from communities of color and Hispanic ethnicity will increase by 50 percent in the next 20 years.[21] There is also a growing need for larger housing units for larger families, particularly immigrant families.

Under the 2016 AHP, we will:

- **Develop a clear strategy for housing lower-income seniors.**
  - Continue to research and assess senior demographics, housing issues, and innovative solutions.
  - Examine and quantify the rehabilitation and accessibility needs of lower-income senior homeowners who want and are able to stay in their homes. We will also assess the best approach for financing these rehabilitation needs. Most lower-income seniors are homeowners, and this is a critical issue, especially when retired baby boomers are still relatively young and living independently.
  - Develop the parameters for a pilot project to finance a rental housing development that serves seniors with very limited resources with an array of service options.
- **Review our selection and funding criteria to ensure that we are giving developers sufficient incentives to build larger units for large families.**
  - Review our funding criteria and policy priorities to assess how well projects with larger units have scored in the selection process.
  - Interview affordable housing developers about how they determine the unit mix for the projects that they develop.
- **Ensure that people with disabilities have additional options for where they live.**
  - Work with the Olmstead Subcabinet to implement the state's Olmstead Plan to ensure that people with disabilities have housing choices in the community.
  - Implement the additional $2.5 million for the Bridges program for the 2016-17 biennium. This program provides rent assistance to people with a serious mental illness.
  - Implement our new funding criteria that give preference for single family and multifamily projects that include accessibility features and/or universal design.

Address Specific and Critical Local Housing Needs

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

Under the 2016 AHP, we will:

- **Make funds available that local communities can access to meet housing and community development needs.** Some of our programs are particularly well-equipped to meet emerging local needs, including:
  - $10 million – the portion of the Economic Development and Housing/Challenge (EDHC) funds that will likely to be allocated to the Single Family Division's Impact Fund (regular appropriation, Housing Infrastructure Bonds proceeds, and interim construction lending). This program provides recipients with significant flexibility in using the funds to meet locally defined homeownership needs.
  - $2 million of gap financing for housing affordable to the local workforce through the Housing and Job Growth Initiative.
  - $17 million of amortizing Home Improvement Loans to help address the aging housing stock.
  - $9 million of interest-free deferred loans under the Rehabilitation Loan Program to address health, livability, and accessibility needs of extremely-low-income homeowners.
  - $8 million of gap financing through the Rental Rehabilitation Deferred Loan (RRDL) program to address the aging stock of smaller rental properties in Greater Minnesota.
- **Review our programs to ensure that they are as simple, flexible, accessible, and timely as possible.** In the last year, we evaluated the RRDL program, which resulted in changes to make the program simpler and more accessible, particularly for 1-4 unit rental properties. We also carried out a "Voice of the Customer" exercise with our Rehabilitation Loan Program administrators, asking for feedback about the program's operations. In 2016, we will carry out similar activities for additional programs.
- **Work with local communities to assess their housing needs and identify strategies and resources available to meet those needs.**
  - Provide communities with tools, such as our Community Profiles, to help them understand their demographic, housing, and market conditions and encourage communities to gather additional information though local and regional housing studies and other tools.
  - Help convene discussions and dialogues in communities throughout the state so that we have a shared understanding of local and regional issues, needs, and solutions and can incorporate the needs of local communities into our program design and policy decisions. In 2015, we conducted seven Housing and Community Dialogues; and in 2016, we are planning a similar series along with individual meetings with community stakeholders and regional collaboratives.

- Continue ongoing consultations with the eleven federally recognized Tribal Nations located throughout Minnesota to identify local housing needs, potential resources, policy changes, and partnership opportunities.
- Work with the Metropolitan Council and local officials to help implement the Council's new Housing Policy Plan.
- Continue to work with federal, state and philanthropic funding partners to more clearly communicate to local communities the full array of resources available to them to ensure that these resources are broadly and fully used. The large array of programs and funding sources can be confusing and intimidating to local communities, particularly ones with smaller staffs. As an example of this work, we partnered with USDA-Rural Development and the Department of Employment and Economic Development (DEED) last year to develop training to maximize the use and benefits of home improvement programs.

- **Build the capacity of local organizations to identify, create, and implement housing solutions.**
  - Make available over $2 million for Technical Assistance and Operating Support grants. We will enhance the statewide network of organizations engaged in housing and community development. Examples include:
    - $300,000 for the Capacity Building Initiative – an effort started in 2015 to provide funds on a competitive basis to build organizational capacity in underserved communities or to support geographic expansion of service areas into underserved communities;
    - $250,000 in operating support for Community Housing Development Organizations (CHDOs) in Greater Minnesota to ensure that we have a strong network of development partners across the state; and
    - $270,000 in capacity building for Continuums of Care. This is particularly important as Minnesota launches the coordinated entry process.
  - Provide technical assistance to our program and development partners so that they understand the range of funding opportunities and are able to submit competitive applications. In addition, our compliance staff will work with property owners and managers to implement best management practices.

CHAPTER 4:
Household and Unit Projections

We hold ourselves accountable by turning dollars into housing units and households assisted. It is the housing that provides the foundation for success. As Table 4 shows, we expect to assist about 65,000 households and units under the 2016 AHP.

Table 4: 2016 Forecast of Assisted Households or Housing Units, by Program

	Program	Households or Units
Homebuyer Financing and Home Refinancing		**3,569**
1	Home Mortgage Loans	3,517
2	Targeted Mortgage Opportunity Program	26
3	Mortgage Credit Certificates (MCC)	Included in First Mortgage Count
4	Deferred Payment Loans	
5	Monthly Payment Loans	
6	Habitat for Humanity Initiative	25
Homebuyer/Owner Capacity Building		**13,540**
7	Homebuyer Education, Counseling & Training (HECAT)	13,040
8	National Foreclosure Mitigation Counseling (NFMC)	0
9	Enhanced Homeownership Capacity Initiative	500
Home Improvement Lending		**1,326**
10	Home Improvement Loan Program	1,030
11	Rehabilitation Loan Program (RLP)	297
Rental Production- New Construction and Rehabilitation		**3,589**
12	Multifamily RFP/HTC/Pipeline Production	3,124
13	First Mortgage - Low and Moderate Income Rental (LMIR)	Part of RFP/HTC/ Pipeline Total
14	First-Mortgage - MAP Lending (Multifamily Accelerated Processing)	
15	Flexible Financing for Capital Costs (FFCC)	
16	Low-Income Housing Tax Credits (LIHTC)	
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	Preservation - HOME	
22	Preservation - Publicly Owned Housing Program (POHP)	0
23	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	465

	Program	Households or Units
Rental Assistance Contract Administration		**30,786**
24	Section 8 - Performance Based Contract Administration	21,500
25	Section 8 - Traditional Contract Administration	8,667
26	Section 236	619
Resources to Prevent and End Homelessness (Non-Capital)		**11,704**
27	Housing Trust Fund (HTF)	2,475
28	Ending Long-Term Homelessness Initiative Fund (ELHIF)	823
29	Bridges	624
30	Section 811 Demonstration	160
31	Family Homeless Prevention and Assistance Program (FHPAP)	7,473
32	Housing Opportunities for Persons with AIDS (HOPWA)	148
Rental Portfolio Management		**138**
33	Asset Management	138
Multiple Use Resources		**390**
34	EDHC - Single Family Regular RFP	263
35	EDHC - Housing Infrastructure Bonds (HIB) - Community Land Trusts	47
36	EDHC - Community-Owned Manufactured Home Parks	80
37	Single Family Interim Lending	Part of RFP Total
38	Technical Assistance and Operating Support	N/A
39	Organizational Loans	N/A
40	Strategic Priority Contingency Fund	TBD
Other		**88**
41	Housing Infrastructure Bond Issuance and Other Costs	N/A
42	Manufactured Home Relocation Trust Fund	TBD
43	Flood Disaster	0
44	Disaster Relief Contingency Fund	88
Total		**65,129**

In terms of households/units assisted, the largest program areas:

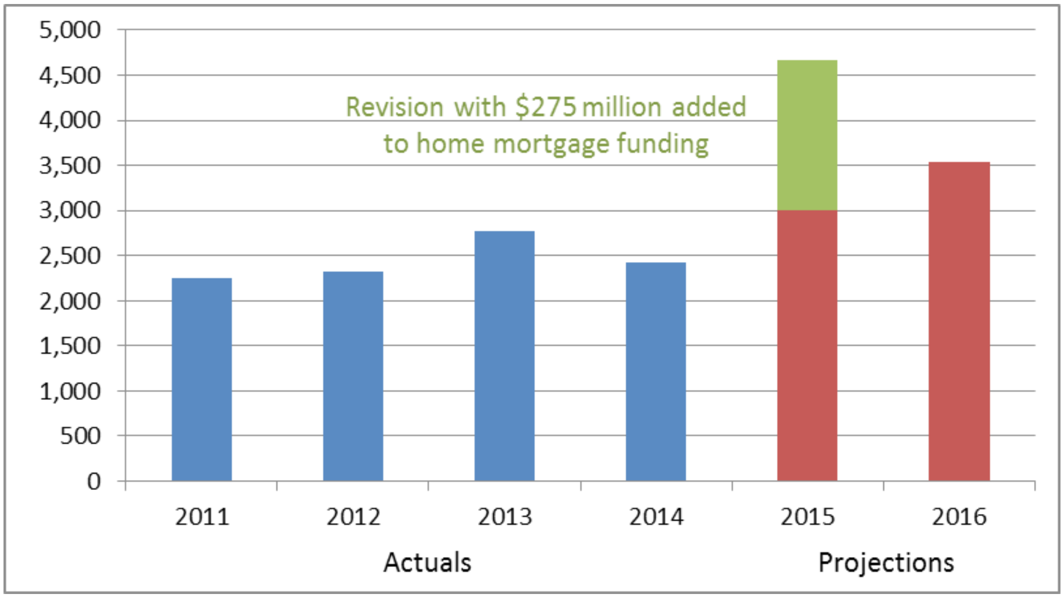
• Section 8 Contract Administration (lines 24 and 25):	30,167
• Homeownership Education, Counseling & Training – HECAT (line 7)	13,040
• Family Homeless Prevention and Assistance Program – FHPAP (line 31)	7,473
• Home Mortgage Loans (line 1)	3,517
• Multifamily Production (line 12)	3,124

The following graphs, which are organized by broad program categories, show the estimated number of households/units that Minnesota Housing will assist in 2016 compared with the number of households/units assisted in previous years.

Homebuyer Financing and Home Refinancing

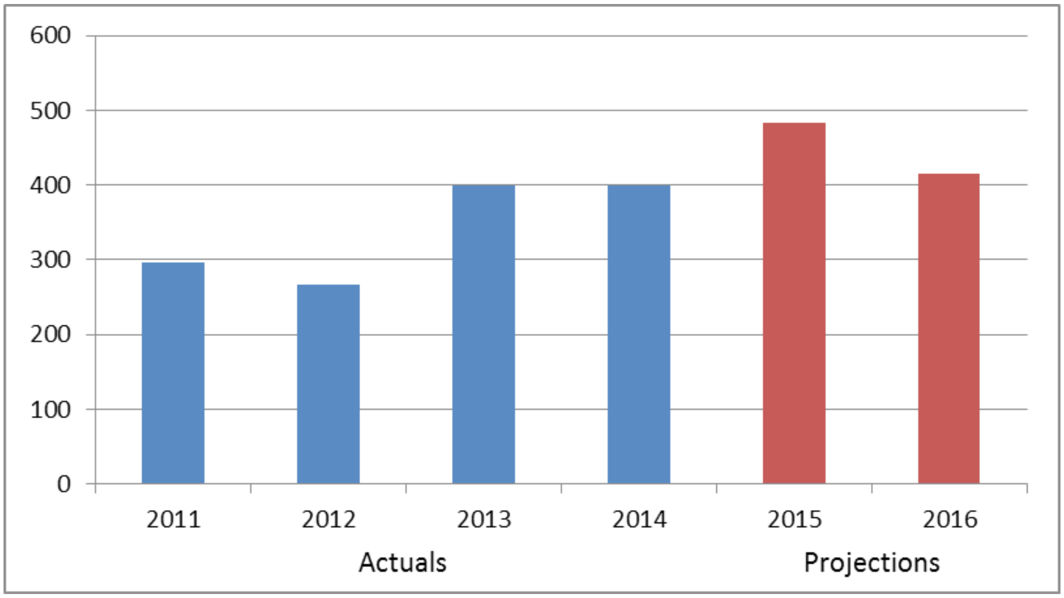
Figure 2 shows our production for home mortgage loans, which held steady between 2,000 and 2,500 loans in first part of the decade. As discussed earlier, production exceeded expectations in 2015, and we added another $275 million to the Home Mortgage Loan budget. We expect 2016 production to be lower, but remain high from a historical perspective. With rising home prices, the possibility of higher interest rates, and regulatory issues, production may decline on its own. However, if demand remains at its current levels, the limited supply of funds for downpayment and closing cost assistance will likely constrain production. (Figure 2 includes both the Home Mortgage Loan program and the Target Mortgage Opportunity Program.)

Figure 2: Households/Homes Assisted - Home Mortgage Loans



We expect the number of households served under "other homeownership opportunities" (Figure 3) to decline slightly in 2016, back to a traditional level. Production is particularly high in 2015 with the large amount of Housing Infrastructure Bond (HIB) funds from the 2014 bonding bill. The purchase of land by community land trusts for single-family homeownership is an eligible use of these funds. (Figure 3 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.)

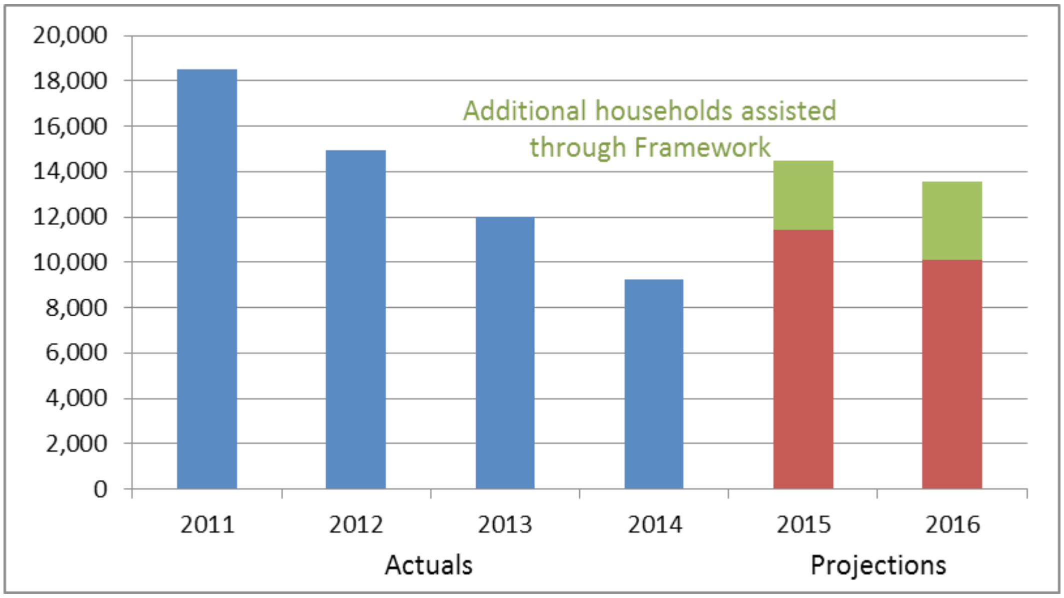
Figure 3: Households/Homes Assisted - Other Homeownership Opportunities



Homebuyer/Owner Capacity Building - Education and Counseling

The overall decline in education and counseling assistance (Figure 4) largely reflects the reduced funding and need for foreclosure counseling as the mortgage foreclosure rate in Minnesota has declined since the peak of the foreclosure crisis. While the number of mortgage foreclosures has declined, there is still a need for these counseling resources. The increase in households assisted in 2015 reflects the addition of homebuyer counseling provided through the Homeownership Center's online course called Framework. This is a relatively new counseling tool that we have supported but not included in our count of assisted households prior to 2015.

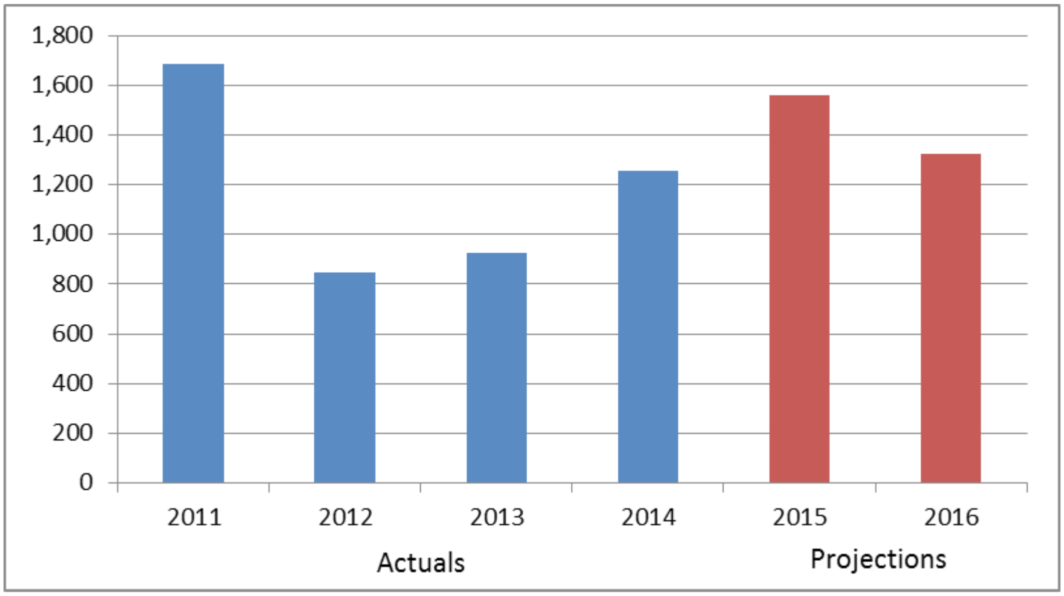
Figure 4: Households Assisted – Homebuyer/Homeowner Education and Counseling



Home Improvement Lending

Home improvement production (Figure 5) was limited after the downturn in the economy in 2008. Production was high in 2011 because of federal stimulus funds that financed the Energy Saver Rebate program, which provided an incentive for energy efficiency improvements. Since 2012, production has slowly increased with the improving economy and housing market. The 2015 projection is turning out to be too high; actual production will be closer to 1,200. (Figure 5 includes both the Home Improvement Loan Program and the Rehabilitation Loan Program.)

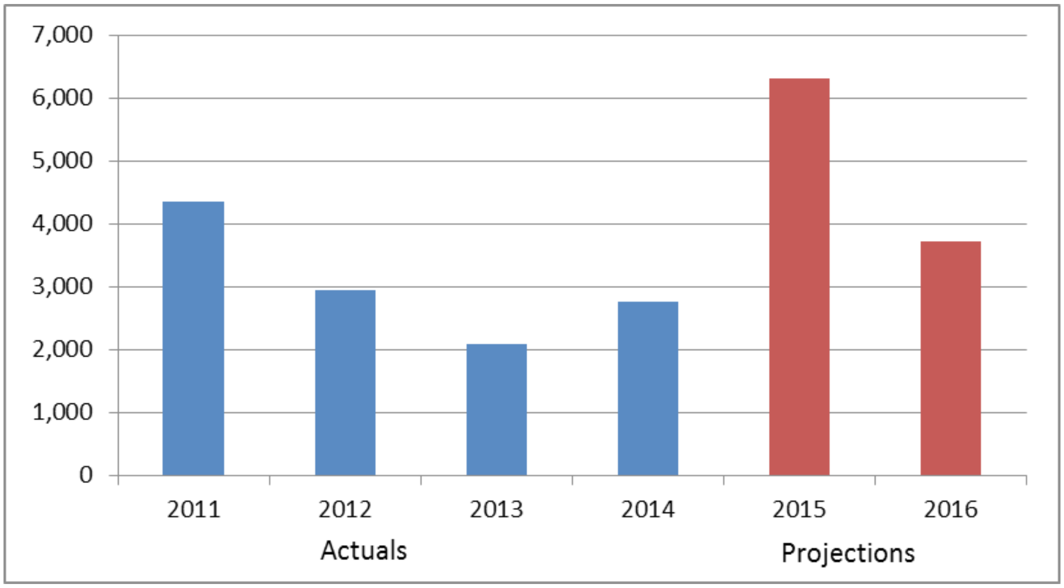
Figure 5: Households/Homes Assisted – Home Improvement Programs



Rental Production and Portfolio Management

Overall, production has been increasing since 2013. The very large level in 2015 resulted from the $100 million for Housing Infrastructure Bonds and General Obligation Bonds approved by the Legislature in its 2014 bonding bill. (Figure 6 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.)

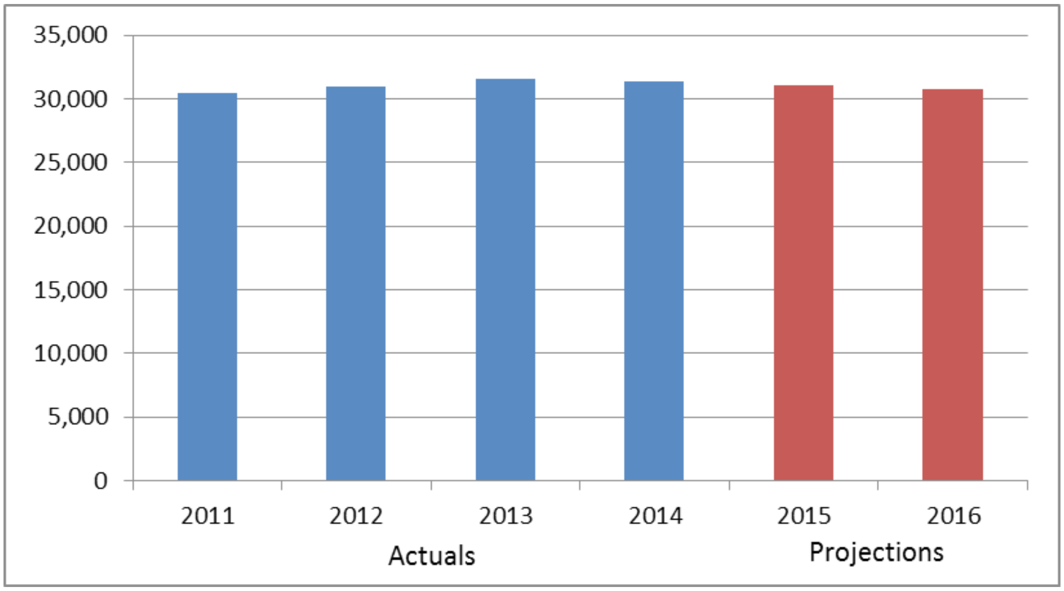
Figure 6: Units Assisted – Rental Production and Portfolio Management



Rental Assistance Contract Administration

As shown in Figure 7, activity in the Section 8 and 236 contract administration has been very steady. These are ongoing contracts we administer, and the number of households served does not vary significantly from year to year.

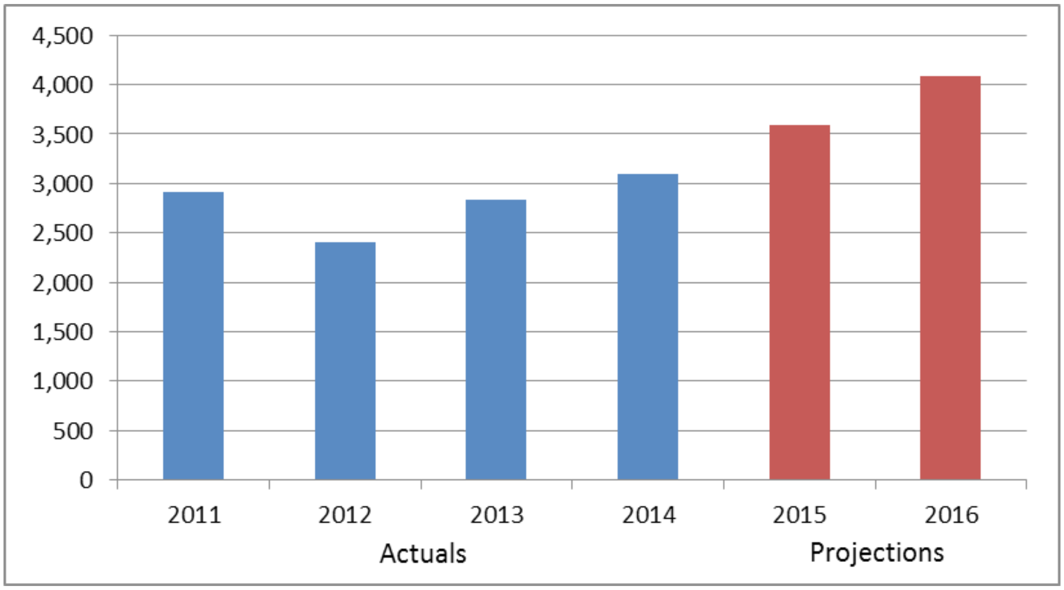
Figure 7: Households Assisted – Rental Assistance Contract Administration



Resources to Prevent and End Homelessness (Non-Capital)

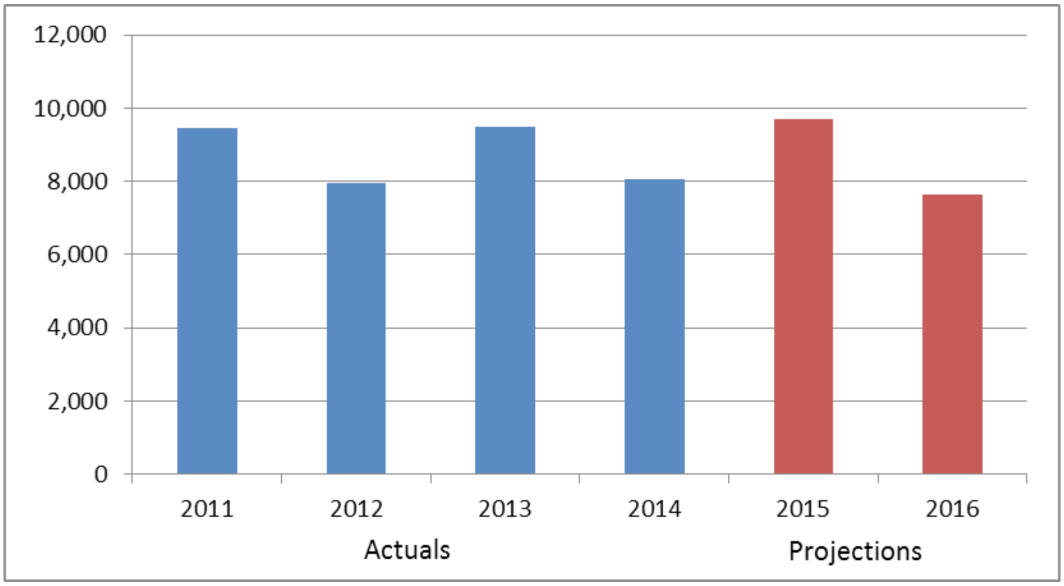
Since 2012, there has been an increase in activity for state and Agency funded rental assistance and operating subsidies. See Figure 8. For 2016 and 2017, we received an additional $2.5 million for the Bridges program, which provides rental assistance to people with a serious mental illness.

Figure 8: 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. See Figure 9.

Figure 9: Households Assisted – Targeted Assistance – FHPAP and HOPWA



CHAPTER 5:
Funding by Source

Table 5 shows the 2016 AHP funding levels by source and compares it with the original and revised 2015 AHPs.

Table 5: 2016 Funding by Source

Program Category	Original 2015 AHP	Revised 2015 AHP	Proposed 2016 AHP
Federal Funds	$200,801,636	$200,088,928	$196,255,098
State Appropriations	$65,270,600	$72,655,128	$76,315,060
State Capital Investments (GO and Housing Infrastructure Bonds)	$100,625,086	$100,758,925	$22,530,378
Bond Proceeds and Other Mortgage Capital	$480,000,000	$755,000,000	$580,400,000
Housing Investment Fund (Pool 2)	$77,000,000	$78,331,400	$66,432,450
Housing Affordability Fund (Pool 3)	$29,895,796	$29,685,252	$24,350,863
Total	**$953,593,118**	**$1,236,519,633**	**$966,283,848**

There were a few sizable changes in funding by source between 2015 and 2016.

- **State Capital Investments** (GO and Housing Infrastructure Bonds) will decrease by about $78 million. The 2015 AHP included $100 million in bonding approved by the Legislature in 2014. The 2015 Legislative session was not a traditional bonding year, but the Legislature did pass a small bonding bill that included $10 million in Housing Infrastructure Bonds. In addition, $12 million from the previous bonding bill will likely go unused during the 2015 AHP and be available in the 2016 AHP, which means $22 million in bond proceeds will be available in the 2016 AHP.
- **Agency Bond Proceeds and Other Mortgage Capital** will increase by about $100 million from the original 2015 AHP, but will decrease by $175 million from the revised 2015 AHP. To finance a record level of home mortgage lending, we increased the 2015 budget for the Home Mortgage Loan program by $275 million.
- **State and Federal Resources** will largely remain unchanged in aggregate. An increase in state funds offsets a loss of federal funds.
- **Pool 2** funding will decrease by $11 million, largely reflecting a $5 million reduction in lending under the Low and Moderate Income Rental (LMIR) program and a $6 million reduction under the Targeted Mortgage Opportunity Program, which is a pilot program that is currently being evaluated before pursuing next steps.

- **Pool 3** funding will decline by 19 percent, reflecting reduced earnings for the Agency. In a low-interest rate environment, our assets generate fewer earnings.

  Table 6 outlines how the Pool 3 reductions are allocated. Only two programs avoid a reduction – the Habitat for Humanity Initiative and Enhanced Homeownership Capacity Initiative. These two programs serve some of our most mission-rich homebuyers. For the Enhance Homeownership Capacity Initiative, we decided it was important to not only maintain funding but also increase it from $650,000 to $750,000. The operating subsidies under the Ending Long-Term Homelessness Initiative Fund are fully funded. We were able to reduce Pool 3 funding to this program because the Minnesota Department of Human Services provided more funding to this activity than originally anticipated. For some other programs, we were able to find replacement funds from other sources.

  Table 6 also shows that we transferred almost $3.4 million of Pool 3 resources to Deferred Payment Loans during the 2015 AHP to help support our historic level of Home Mortgage Loan production. Borrowers served by the Deferred Payment Loan program represent our lowest income borrowers who need the assistance as a deferred loan. All of the transferred funds would have otherwise gone unused in the original program. Most of the funds came from the Strategic Priority Contingency Fund, which was created for this type of unexpected but priority need.

  In 2016, we are also maintaining the funding level for the Strategic Priority Contingency Fund. With Pool 3 funding decreases in other areas, we want to make sure that funds are available if additional resources are needed.

Table 6: Pool 3 Funding Changes by Program – 2015 to 2016

Program	2015 Original AHP	2015 Revised AHP	2016 AHP
Deferred Payment Loans (DPL)	$8,670,000	$12,057,000	$8,315,000
Single Family Interim Lending	$1,600,000	$1,313,000	$429,550
Habitat for Humanity	$1,000,000	$1,000,000	$1,000,000
Enhanced Homeownership Capacity Initiative	$650,000	$650,000	$750,000
Homeownership Armed with Knowledge	$100,000	$0	$0
Home Improvement Loan Program (FUF/CFUF)	$475,000	$475,000	$380,000
Rehabilitation Loan Program	$5,078,000	$4,867,456	$4,670,204
Flexible Financing for Capital Costs (FFCC)	$4,500,000	$4,605,000	$3,500,000
Ending Long-Term Homelessness Initiative Fund *	$1,972,796	$1,972,796	$1,722,601
Asset Management	$1,600,000	$495,000	$0
Technical Assistance and Operating Support	$2,250,000	$2,250,000	$1,583,508
Strategic Priority Contingency Fund	$2,000,000	$0	$2,000,000
Total	**$29,895,796**	**$29,685,252**	**$24,350,863**

The 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. For planning purposes, we generally assume that 2016 funding will remain at its 2015 level. However, for this year, we will not budget any new HOME funds until Congress finalizes the appropriation. Funding levels have been declining and are uncertain. 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 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. In the plan, we have noted the programs for which we will commit all the funds in the first year.

State Capital Investments. These funds come from the state capital budget (bonding bill) and include General Obligation and Housing Infrastructure Bond proceeds.

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. However, in the last few years, market conditions at times have made it difficult to use all of the available bonding authority. To access this under-used authority, we issued Mortgage Credit Certificates, which counts against the state's bonding authority. We also started selling some of our mortgage-backed securities on the secondary market as a way other than selling bonds to access attractively-priced private capital. In addition, we started accessing 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 (also known as "Pool 2") for amortizing loans. The Housing Investment Fund's balance is set according to the net asset requirements and investment guidelines adopted by the 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 (also known as "Pool 3") for deferred loans and grants. The Housing Affordability Fund is set pursuant to the same Board policy as the Housing Investment Fund 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.

NOTES

[1] Minnesota Department of Employment and Economic Development (DEED), Local Area Unemployment Statistics (LAUS) data, accessed July 23, 2015: https://apps.deed.state.mn.us/lmi/laus/.

[2] Minnesota Housing analysis of data from the U.S. Census Bureau, *2000 Decennial Census* and *2013 American Community Survey*.

[3] Minnesota Housing analysis of data from the U.S. Census Bureau, *2013 American Community Survey*.

[4] Minnesota Housing analysis of data from the U.S. Census Bureau, *2000 Decennial Census* and *2013 American Community Survey*. In 2000, 350,000 households were cost burdened; and in 2013, 590,000 were.

[5] Minnesota Housing analysis of data from the U.S. Census Bureau, *2013 American Community Survey*. We are classifying annual household incomes below $50,000 as lower income.

[6] Marquette Advisors, *Apartment Trends: Twin Cities Metro Area – 1st Quarter 2015*, p. 2. Vacancy data for Greater Minnesota is summarized in Minnesota Housing, *Research Memo: Need for Workforce Rental Housing in Minnesota* (March 2, 2015).

[7] Minnesota Association of REALTORS, *Local Market Update for June 2015*, p. 1. The figures are not adjusted for inflation because 2015 inflation data is not yet available.

[8] Minnesota's Point-in-Time count for the U.S. Department of Housing and Urban Development (HUD).

[9] Wilder Research, *Homelessness in Minnesota: Findings from the 2012 statewide homeless study* (September 2013).

[10] Minnesota Housing analysis of data from the U.S. Census Bureau, *2013 American Community Survey*. Lower income is defined as an annual household income that is $50,000 and less.

[11] U.S Census Bureau, *2012 American Community Survey, Public Use Microdata (PUMS)*.

[12] For example, across Minnesota 49 cities and townships have 15 percent or more of their workforce commuting 30 or more miles into the community for work. A lack of affordable housing in these communities can be a primary driver of the long commutes, and the issue is exacerbated by a growing workforce and limited options for building new affordable housing. Minnesota Housing, *Research Memo: Need for Workforce Rental Housing in Minnesota* (March 2, 2015).

[13] The credits are available for ten years, and the syndication proceeds estimate assumes that the credits will sell for 90 cents on the dollar.

[14] We also use a relatively small amount of the bond proceeds to finance bond-issuance and other costs (line 41 of Table 2).

[15] The payment includes principle, interest, taxes, and insurance (PITI). The payments are **not** adjusted for inflation.

[16] Minnesota Housing analysis of data from the U.S. Census Bureau, *2013 American Community Survey*.

[17] The rate is 28 percent for regular DPL and 64 for DPL plus.

[18] U.S. Department of Housing and Urban Development, *Picture of Subsidized Housing*, 2012.

[19] Besides preservation, foreclosure mitigation is another designated use of these funds. With the foreclosure need subsiding, the vast majority of these funds will likely go to preservation.

[20] Minnesota State Demographic Center, 2015-2040 population forecasts by age.

[21] Minnesota State Demographic Center, *Minnesota Population Projections by Race and Hispanic Origin, 2005 to 2035* (January 2009)

APPENDIX A:
2016 Program Funding by Source

		2016 Total	Federal Resources	State Approp-riations	State Capital Investment (GO & Housing Infrastructure Bonds)	Agency Bond Proceeds and Other Mortgage Capital	Housing Investment Fund (Pool 2) - Regular	Housing Investment Fund (Pool 2) - Revolving Funds	Housing Affordability Fund (Pool 3) - Regular	Housing Affordability Fund (Pool 3) - Revolving Funds
	Homebuyer Financing and Home Refinancing	**$553,700,000**	**$0**	**$2,685,000**	**$0**	**$525,400,000**	**$16,300,000**	**$0**	**$9,315,000**	**$0**
1	Home Mortgage Loans	$510,000,000				$510,000,000				
2	Targeted Mortgage Opportunity Program	$4,000,000					$4,000,000			
3	Mortgage Credit Certificates	$15,400,000				$15,400,000				
4	Deferred Payment Loans	$11,000,000		$2,685,000					$8,315,000	
5	Monthly Payment Loans	$11,300,000					$11,300,000			
6	Habitat for Humanity Initiative	$2,000,000					$1,000,000		$1,000,000	
	Homebuyer/Owner Education and Counseling	**$2,267,000**	**$0**	**$1,517,000**	**$0**	**$0**	**$0**	**$0**	**$750,000**	**$0**
7	Homebuyer Education, Counseling & Training	$1,517,000		$1,517,000						
8	National Foreclosure Mitigation Counseling	$0	$0							
9	Enhanced Homeownership Capacity Initiative	$750,000							$750,000	
	Home Improvement Lending	**$25,980,000**	**$0**	**$3,929,796**	**$0**	**$0**	**$17,000,000**	**$0**	**$5,050,204**	**$0**
10	Home Improvement Loan Program	$17,380,000					$17,000,000		$380,000	
11	Rehabilitation Loan Program	$8,600,000		$3,929,796					$4,670,204	
	Rental Production- New Construction and Rehabilitation	**$128,395,925**	**$10,123,708**	**$17,622,639**	**$12,149,578**	**$55,000,000**	**$30,000,000**	**$0**	**$3,500,000**	**$0**
12	First Mortgage - Low and Moderate Income Rental	$70,000,000				$40,000,000	$30,000,000			
13	First Mortgage - MAP (Multifamily Accelerated Processing)	$15,000,000				$15,000,000				
14	Flexible Financing for Capital Costs	$3,500,000							$3,500,000	
15	Low-Income Housing Tax Credits	$9,308,770	$9,308,770							
16	Housing Trust Fund (Capital from Housing Infrastructure Bonds)	$10,849,200			$10,849,200					
17	Preservation Affordable Rental Investment Fund	$9,492,171		$9,492,171						
18	Preservation - HOME	$814,938	$814,938							
19	Preservation - Publicly Owned Housing Program	$1,300,378			$1,300,378					
20	Rental Rehabilitation Deferred Loan Pilot Program	$8,130,468		$8,130,468						
	Rental Assistance Contract Administration	**$181,322,117**	**$181,322,117**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
21	Section 8 - Performance Based Contract Administration	$129,000,000	$129,000,000							
22	Section 8 - Traditional Contract Administration	$52,000,000	$52,000,000							
23	Section 236	$322,117	$322,117							

		2016 Total	Federal Resources	State Approp- riations	State Capital Investment (GO & Housing Infrastructure Bonds)	Agency Bond Proceeds and Other Mortgage Capital	Housing Investment Fund (Pool 2) - Regular	Housing Investment Fund (Pool 2) - Revolving Funds	Housing Affordability Fund (Pool 3) - Regular	Housing Affordability Fund (Pool 3) - Revolving Funds
	Resources to Prevent and End Homelessness (Non-Capital)	**$30,325,667**	**$1,365,097**	**$27,237,970**	**$0**	**$0**	**$0**	**$0**	**$1,722,601**	**$0**
24	Housing Trust Fund - Net	$13,948,678		$13,948,678						
24a	Funding for new contracts	$2,595,000		$2,595,000						
24b	Adj. to spread two-year contracts over two years	$11,353,678		$11,353,678						
25	Ending Long-Term Homelessness Initiative Fund - Net	$1,722,601							$1,722,601	
25a	Funding for new contracts	$0							$0	
25b	Adj. to spread two-year contracts over two years	$1,722,601							$1,722,601	
26	Bridges - Net	$4,695,108		$4,695,108						
26a	Funding for new contracts	$2,607,216		$2,607,216						
26b	Adj. to spread two-year contracts over two years	$2,087,892		$2,087,892						
27	Section 811 Demonstration - Net	$1,217,100	$1,217,100							
27a	Funding for new contracts	$3,282,344	$3,282,344							
27b	Adj. to spread two-year contracts over five years	-$2,065,244	-$2,065,244							
28	Family Homeless Prevention and Assist. Program - Net	$8,594,184		$8,594,184						
28a	Funding for new contracts	$0		$0						
28b	Adj. to spread two-year contracts over two years	$8,594,184		$8,594,184						
29	Housing Opportunities for Persons with AIDS	$147,997	$147,997							
	Rental Portfolio Management	**$3,444,176**	**$3,444,176**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
30	Asset Management	$0							$0	
31	Financing Adjustment Factor/Financing Adjustment	$3,444,176	$3,444,176							
	Multiple Use Resources	**$36,995,322**	**$0**	**$20,369,014**	**$9,480,800**	**$0**	**$3,132,450**	**$0**	**$4,013,058**	**$0**
32	Economic Development and Housing/ Challenge - Regular	$19,575,000		$19,575,000						
33	EDHC - Housing Infrastructure Bonds	$9,480,800			$9,480,800					
34	EDHC - Community-Owned Manufactured Home Parks	$2,000,000					$2,000,000			
35	Single Family Interim Lending	$1,562,000					$1,132,450		$429,550	
36	Technical Assistance and Operating Support	$2,377,522		$794,014					$1,583,508	
37	Organizational Loans	$0					$0	$0	$0	
38	Strategic Priority Contingency Fund	$2,000,000							$2,000,000	
	Other	**$3,853,641**	**$0**	**$2,953,641**	**$900,000**	**$0**	**$0**	**$0**	**$0**	**$0**
39	Housing Infrastructure Bond Issuance and Other Costs	$900,000			$900,000					
40	Manufactured Home Relocation Trust Fund	$1,196,644		$1,196,644						
41	Flood Disaster	$0		$0						
42	Disaster Relief Contingency Fund	$1,756,997		$1,756,997						
	2016 AHP Total	**$966,283,848**	**$196,255,098**	**$76,315,060**	**$22,530,378**	**$580,400,000**	**$66,432,450**	**$0**	**$24,350,863**	**$0**

APPENDIX B:
Program Descriptions

CONTENTS

Notes on reading the program narratives:

- "Housing Investment Fund" and "Pool 2" refer to the same resources.
- "Housing Affordability Fund" and "Pool 3" refer to the same resources.
- 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 2016.

HOMEBUYER FINANCING AND HOME REFINANCING

Home Mortgage Loans

Minnesota Housing offers 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 downpayment and closing cost loans structured to meet the needs of low- and moderate-income homeowners.

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

The Agency remains committed through our programs to serving 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)	$307,300
Balance of State	$258,600

Program Performance and Trends

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

- 2,417 loans
- $324,690,988 total loan amount
- $134,336 average loan amount
- Median household income of borrowers was $50,906 or 69 percent of statewide median income
- 24 percent were households of color or Hispanic ethnicity

The home mortgage programs are experiencing record production heavily supported by downpayment (DPA) and closing cost loans. Eighty-seven percent of home mortgage borrowers use some type of downpayment assistance (DPA), which is comparable with DPA usage in other top-producing HFAs nationally.

With the amount of funds requested to support DPA programs, staff estimate 2016 home mortgage production at $510 million. This represents a decrease relative to the 2015 AHP estimated production of $675 million. If production remains at the current pace, additional DPA program changes will be required in the 2016 AHP year to address the strong demand and limited resources for assistance.

Proposal for 2016

Based on resources available for new activity in 2016, Minnesota Housing expects to finance loans for an estimated 3,517 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	$510,000,000
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	**$510,000,000**
2015 Original Total	**$400,000,000**
2015 Revised Total	**$675,000,000**

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

Targeted Mortgage Opportunity Program

The Targeted Mortgage Opportunity Program provides first mortgage financing to prospective homebuyers otherwise capable of maintaining successful homeownership, but who are unable to qualify for an industry-standard mortgage product. The program offers borrowers a non-conforming conventional loan product.

Households of color or Hispanic ethnicity are an increasing share of the state's population, but some households of color and Hispanic ethnicity struggle to access the mortgage market. Homeownership rates among these communities declined between 2008 and 2012, but increased slightly in 2013. Tighter loan product and investor credit overlays, and the implementation of new regulations, have forced many households out of the homeownership market. This pilot initiative targets low-income renters and households of color or Hispanic ethnicity who have the financial resources to pay a mortgage.

The Targeted Mortgage Opportunity Program links with the Enhanced Homeownership Capacity Initiative, which is designed to support successful homeownership through intensive homeowner and financial empowerment training.

Current household income limits:

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:

Property Location	Maximum
Minneapolis/Saint Paul (11-county area)	$307,300
Balance of State	$258,600

Program Performance and Trends

This program was new in 2014 and for the Program Assessment period of October 1, 2013 – September 30, 2014, Minnesota Housing did not close any loans. In the first half of 2015, 41 borrowers received financing under this program. The average household income of borrowers was $52,622 and 80 percent were households of color or Hispanic ethnicity.

Proposal for 2016

Of the $18 million made available under this pilot program, $4 million remains uncommitted to lenders and will be available in the 2016 AHP. An additional $2 million over the last couple of years that has been assigned to lenders but not yet committed to homebuyers will also be available in 2016.

Additional funding for Targeted Mortgage may be requested through an amendment to the AHP pending the outcome of a program evaluation of the pilot currently underway.

Based on resources available for new activity in 2016, Minnesota Housing expects to assist an estimated 26 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$4,000,000
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	**$4,000,000**
2015 Original Total	**$10,000,000**
2015 Revised Total	**$10,000,000**

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

Mortgage Credit Certificates (MCCs)

The Internal Revenue Service permits state housing finance agencies to convert some of their mortgage revenue bond 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 the mortgage interest paid per year up to a $2,000 credit. Eligibility requirements for MRB programs, such as first-time homebuyer status, also apply to MCCs.

Program Performance and Trends

In November 2012, Minnesota Housing converted just over $135 million of expiring bonding authority, which provided $33.7 million in MCC authority. This first round of funding ran from June 24, 2013 through December 31, 2014 and used almost $14 million in MCC authority. In December 2014, the Agency converted an additional $92 million of bonding authority to make $23 million in MCC authority available for eligible loans closed before December 31, 2016.

While the program started slowly, MCC production has increased steadily to represent 6 percent of Minnesota Housing's first mortgage production. Staff estimates MCC authority production of $15.5 million, using 77 percent of available MCC authority. MCCs are a prudent use of Agency bonding authority and help provide sufficient loan volume to support the Agency's business model.

Ninety-four percent of MCC borrowers used a Minnesota Housing first mortgage to purchase their home.

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

- 178 mortgages with tax credits
- $33,881,140 total loan amount plus value of the tax credit
- $140,020 average first mortgage loan amount per household
- Median household income of borrowers was $56,883 or 77 percent of statewide median income
- 20 percent were households of color or Hispanic ethnicity

(This does **not** include 15 households for which we allocated MCCs without a Minnesota Housing first mortgage in 2014.)

Proposal for 2016

The 2016 AHP includes $15.4 million in MCC authority—$7.5 million in carry forward of existing MCC authority and $7.9 million of new MCC authority. The $7.9 million of new MCC authority in the 2016 AHP will require the Agency to convert another $40 million in bonding authority.

Minnesota Housing expects to assist approximately 267 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	$15,400,000
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	**$15,400,000**
2015 Original Total	**$20,000,000**
2015 Revised Total	**$20,000,000**

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

Deferred Payment Loans

Minnesota Housing offers two downpayment and closing cost loan programs—Deferred Payment Loans and Monthly Payment Loans—that support homeowners receiving Start Up, Step Up, or MCC first mortgage loans. Historically, the percentage of Minnesota Housing borrowers using one of the downpayment assistance programs has been significant, ranging from 60 percent to 90 percent of all borrowers.

The Deferred Payment Loan (DPL) provides a deferred loan at no interest for downpayment and closing costs to income-eligible first-time homebuyers purchasing a home under the Start Up program. Borrowers that receive DPL assistance lack necessary funds for standard mortgage downpayment and closing costs. The maximum loan amount is $6,000. The program serves lower income households than the amortizing Monthly Payment Loan (MPL) and is funded through a combination of state appropriations and Pool 3 funds.

As a result of the discontinuation of the HOME HELP program for the 2015 AHP, Minnesota Housing developed the DPL Plus option, setting aside funds to reach targeted borrowers with similar characteristics and needs as HOME HELP borrowers. Households that meet two or more targeting criteria (household of four or more people, single parent household with a dependent child, household with a disabled member, or with a minimum front-end housing ratio of 28 percent) are eligible for a loan of up to $7,500 through the DPL Plus option.

To ensure that funds support successful homeownership, DPL requires borrowers to contribute a minimum cash investment of the lesser of 1percent 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)	$307,300
Balance of State	$258,600

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 the 2015 AHP, unprecedented high first mortgage demand led the Agency to reduce downpayment and closing cost loan amounts, effective May 1, 2015, to serve more borrowers. With the limited DPL funds available, the Agency also redirected some unused Pool 3 funds from other programs to DPL.

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

- 533 loans
- $2,927,955 total loan amount
- $5,593 average loan
- Median household income of borrowers was $41,752 or 56 percent of statewide median income
- 30 percent were households of color or Hispanic ethnicity

Proposal for 2016

The 2016 AHP funding request anticipates an ongoing downpayment assistance structure with two programs: the MPL available to serve more moderate-income borrowers and the Deferred Payment Loan (DPL) to serve lower income and more targeted borrowers.

The 2016 budget includes $11 million for DPL and DPL Plus. If home mortgage demand remains very strong, additional resources will be needed to support DPL or the Agency will have to make changes to the program.

Based on resources available for new activity in 2016, Minnesota Housing expects to fund an estimated 1,833 households under this program (DPL and DPL Plus).

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	$885,000
Revolving	
Repayments and Receipts	$1,800,000
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$8,315,000
Carry Forward (ELHIF only)	
2016 Total	**$11,000,000**
2015 Original Total	**$11,000,000**
2015 Revised Total	**$15,554,902**

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

Monthly Payment Loans

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 the greater of $5,000 or five percent of the purchase price of the home (up to a maximum of $7,500). MPLs have a 10-year term with an interest rate equal to that of the first mortgage.

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 (including prepaids) 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)	$307,300
Balance of State	$258,600

Program Performance and Trends

Demand for this program has remained strong since its introduction three years ago. Due to increased overall home mortgage program demand and borrower DPA need, we requested an additional $1 million in April and another $2.6 million in June, bringing the 2015 budget total to $11.3 million.

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

- 1,181 loans
- $8,042,469 total loan amount
- $6,810 average loan
- Median household income of borrowers was $60,960 or 82 percent of statewide median income
- 22 percent were households of color or Hispanic ethnicity

Proposal for 2016

The 2016 AHP funding request anticipates an ongoing downpayment assistance structure with two programs: the MPL to serve more moderate-income borrowers and the Deferred Payment Loan (DPL) to serve lower income and more targeted borrowers. Under such a structure, staff estimates that just over one-third of general home mortgage production will involve MPL.

The 2016 proposal includes $11,300,000 for MPL. It is important to note that MPL production is subject to overall estimated home mortgage production trends, the interest rate environment, overall percentage of Minnesota Housing borrowers who need a DPA loan, and DPA program design changes. Given that MPL is the only DPA loan program 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 high overall first mortgage demand continues.

Based on resources available for new activity in 2016, Minnesota Housing expects to fund loans for an estimated 1,638 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$11,300,000
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	**$11,300,000**
2015 Original Total	**$7,500,000**
2015 Revised Total	**$12,431,400**

Legal Authority: Minn. Stat. §462A.05

Habitat for Humanity Initiative

The Habitat for Humanity Initiative provides a secondary market for low-interest loans originated by Habitat for Humanity Minnesota affiliates for qualifying households under its Next 1,000 Homes Fund.

Current income limit: less than or equal to 50 percent of the greater of state or area median income.

Habitat sets specific borrower income limits, which typically are lower than Minnesota Housing 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, 2013 – September 30, 2014, under Habitat's Next 1,000 Homes, we funded:

- 24 loans
- $1,911,210 total loan amount
- $81,762 average Minnesota Housing funding per household
- Median household income of borrowers was $34,921 or 47 percent of statewide median income
- 88 percent were households of color or Hispanic ethnicity

Proposal for 2016

Habitat has fully utilized funds and staff expects similar results in 2016.

Based on resources available for new activity in 2016, Minnesota Housing expects to fund loans for approximately 25 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$1,000,000
Housing Affordability Fund (Pool 3)	
Regular	$1,000,000
Carry Forward (ELHIF only)	
2016 Total	**$2,000,000**
2015 Original Total	**$2,000,000**
2015 Revised Total	**$2,000,000**

Legal Authority: Minn. Stat. §462A.21, Subd. 5

HOMEBUYER/OWNER EDUCATION AND COUNSELING

Homeownership Education, Counseling & Training (HECAT)

Homeownership Education and Counseling (HECAT) supports: pre-purchase homebuyer training, home equity conversion counseling, and post-purchase counseling. Minnesota Housing and its 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 2014, 48 percent completed Homestretch (the classroom option for homebuyer education) while another 26 percent completed Framework (the online option for homebuyer education) and 26 percent received one-on-one homebuyer counseling services. Thirty-seven percent of these clients were in Greater Minnesota with the remaining 63 percent in the Twin Cities Metropolitan Area. Of the households that received foreclosure counseling services in 2014, 64 percent avoided foreclosure.

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

- 9,268 households (including NFMC foreclosure counseling). An additional 2,289 households received homebuyer training through Framework
- $2,072,612 funding amount
- $224 average Minnesota Housing assistance per household
- Median household income of participants was $33,600 or 45 percent of statewide median income
- 38 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 diminished.

Proposal for 2016

The Minnesota Legislature appropriated $1.714 million for 2016-2017 for HECAT, with the amount split between the two years. 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 2016, Minnesota Housing expects to fund assistance for an estimated 13,040 households under HECAT (including online Framework training).

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	$857,000
New Appropriations 2016	
Revolving	
Repayments and Receipts	$10,000
Unused Funds from Previous Contracts	
Contributions from Other Organizations	$650,000
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	**$1,517,000**
2015 Original Total	**$1,517,000**
2015 Revised Total	**$1,531,064**

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

National Foreclosure Mitigation Counseling (NFMC)

Minnesota Housing has funded foreclosure prevention counseling with federal funds from the National Foreclosure Mitigation Counseling (NFMC) program.

Program Performance and Trends

Program performance is included in HECAT performance results.

Proposal for 2016

Funding through NFMC will run through December of 2015. If another round of NFMC funding is approved, Minnesota Housing intends to submit an application for an estimated $440,500 in November of 2015 (Round 10); award announcements may be made in April of 2016.

Of the $440,500 request, Minnesota Housing hopes to receive approximately $246,300 if NFMC Round 10 funding is approved. As the need for foreclosure counseling decreases, HUD has decreased available NFMC resources. We will not budget NFMC funds until we receive an award.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	**$0**
2015 Original Total	**$699,200**
2015 Revised Total	**$322,541**

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

Enhanced Homeownership Capacity Initiative

Households of color or Hispanic ethnicity are an increasing share of the state's population, yet Minnesota's homeownership disparity (the homeownership rate differential between white/non-Hispanic households and households of color 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 2013.

The Enhanced Homeownership Capacity Initiative, a pilot program, targets households of color or Hispanic ethnicity to increase their probability of successful homeownership in Minnesota through comprehensive homeowner training.

The Minnesota Homeownership Center, with strong programming and financial support from Minnesota Housing, has developed a statewide homeowner training infrastructure that will use new approaches to serving potential homeowners. They supplement traditional homeowner training with intensive financial education and case management services to enhance family stability and sustainable homeownership.

During the first two rounds of this pilot initiative, Minnesota Housing has funded eleven organizations to provide services; four of the organizations exclusively serve Greater Minnesota, six serve only in the Twin Cities Metropolitan Area, and one serves all areas of the state.

Program Performance and Trends

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

Minnesota Housing has allocated two rounds of funding since late 2014. In the most recent funding round, the average award per household was approximately $1,100.

In the six months since program implementation, Minnesota Housing has assisted 336 households. Of these:

- 35 percent had incomes less than 30 percent area median income (AMI)
- 36 percent had incomes 31 percent-50 percent of AMI
- 23 percent had incomes 51 percent-80 percent of AMI.
- Six percent had incomes greater than 80 percent of AMI
- 74 percent were households of color and 23 percent were of Hispanic ethnicity

Proposal for 2016

Based on resources available for new activity in 2016, Minnesota Housing anticipates serving approximately 500 households under this pilot program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$750,000
Carry Forward (ELHIF only)	
2016 Total	**$750,000**
2015 Original Total	**$650,000**
2015 Revised Total	**$650,000**

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

HOME IMPROVEMENT LENDING

Home Improvement Loan Program

The Home Improvement Loan Program, including the Fix Up Fund and Community Fix Up Fund, provides below-market interest rate, 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. In 2014, home improvement loans were originated in 94 percent of Minnesota's counties. 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 has been especially important in the current market, where home values are still recovering in many markets, 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, 2013—September 30, 2014, Minnesota Housing financed:

- 1,034 loans
- $16,769,911 total loan amount
- $16,218 average loan
- Median household income of borrowers was $67,605 or 91 percent of statewide median income
- Nine percent were households of color or Hispanic ethnicity

Recent program changes and an improving economy and housing market led to strong loan production in 2014; Minnesota Housing financed 43 percent more home improvement loans in 2014 than in 2013.

Despite ongoing improvement in the Minnesota economy and an increase in home values and homeowners' equity position, we have seen a leveling or slight drop off in loan production in 2015. Lender feedback indicates that renewed home equity lines of credit and cash-out first mortgage refinances are now pulling market share from fixed-term products.

In 2014, two initiatives were introduced. First, the Targeted Home Improvement Pilot was launched to increase service to homeowners whose income falls between the Agency's home improvement and rehabilitation loan programs (43 households served to date). Second, in partnership with the Minnesota Department of Commerce, we implemented an unsecured energy incentive loan that has produced 124 loans totaling $1,129,777 during the 2015 AHP.

Proposal for 2016

With recent trends in home improvement lending, the Agency is allocating $17.38 million for this program in 2016. Based on resources available for new activity in 2016, Minnesota Housing expects to finance loans for an estimated 1,030 households.

Minnesota Housing anticipates no major operational changes for the home improvement programs in 2016; however, staff will promote existing Fix Up accessibility financing options, helping to support the Agency's Olmstead initiative. We will continue to develop partnership arrangements with several energy company consortiums to promote this product to utility customers and contractors.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$17,000,000
Housing Affordability Fund (Pool 3)	
Regular	$380,000
Carry Forward (ELHIF only)	
2016 Total	**$17,380,000**
2015 Original Total	**$19,975,000**
2015 Revised Total	**$17,375,000**

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

Rehabilitation Loan Program (RLP)

The Rehabilitation Loan Program (RLP) provides deferred loan financing to low-income homeowners needing to rehabilitate their existing housing to improve its safety, livability, or energy efficiency. Existing residential 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 $18,200 for a single person household to $26,000 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

The funding source for RLP has varied over the past several AHPs causing production to lag in some years as administrators confronted changing program rules.

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

- 220 loans
- $4,711,744 total loan amount
- $21,417 average loan
- Median household income of borrowers was $14,314 or 19 percent of statewide median income
- 12 percent were households of color or Hispanic ethnicity

In the past year, staff has worked to: 1) improve program delivery, 2) clarify which improvements are classified as meeting safety and habitability needs, and 3) quantify the cost of improvements that are eligible for program funding.

Proposal for 2016

In 2016, program staff will work with administrators to identify program changes for improved client service and easier administrator execution. 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.

Based on resources available for the program in 2016, Minnesota Housing expects to fund rehabilitation loans for an estimated 297 households.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	$2,772,000
Revolving	
Repayments and Receipts	$750,000
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$407,796
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$4,670,204
Carry Forward (ELHIF only)	
2016 Total	**$8,600,000**
2015 Original Total	**$8,600,000**
2015 Revised Total	**$9,007,796**

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)

Minnesota Housing has 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 Low and Moderate Income Rental (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 equity take-out 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. In addition to HUD Risk Share insurance, Minnesota Housing funds deferred loans through Flexible Financing for Capital Costs, which is available in conjunction with LMIR loans.

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, the Agency has 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 Minnesota Housing's Finance staff (as the bond market changes).

Program Performance and Trends

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

- Three LMIR loans for developments with 243 units
- $6,334,302 total loan amount
- $26,067 average assistance per unit
- Median household income of tenants was $27,606 or 37 percent of statewide median income
- 41 percent of households were of color or Hispanic ethnicity

Proposal for 2016

We requested $30 million for LMIR permanent financing. Staff anticipate that roughly 70 percent of amortizing loan financing will be awarded through the RFP process and 30 percent will be awarded on a pipeline basis. Staff will review 2015 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 2016, Minnesota Housing expects to assist an estimated 936 units under LMIR (excluding bridge loans).

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	$40,000,000
Housing Investment Fund (Pool 2)	$30,000,000
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	**$70,000,000**
2015 Original Total	**$85,000,000**
2015 Revised Total	**$84,000,000**

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

First Mortgage – Multifamily Accelerated Processing (MAP)

The HUD Multifamily Accelerated Processing (MAP) program provides mortgage insurance through HUD's Federal Housing Administration to facilitate the 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, Minnesota Housing completes the loan underwriting and then assigns HUD's commitment to a third party for rate lock, closing, funding, and servicing. These loans may be paired with other Minnesota Housing 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 the 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

No MAP loans closed for the period of October 1, 2013 – September 30, 2014. In the current interest rate environment, MAP loan volume is expected to increase, both through the RFP and on a pipeline basis.

Proposal for 2016

Minnesota Housing is expecting $15 million to be available for MAP lending. Staff will review 2015 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 2016, Minnesota Housing expects to assist an estimated 468 units under MAP.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	$15,000,000
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	**$15,000,000**
2015 Original Total	**$10,000,000**
2015 Revised Total	**$10,000,000**

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

Flexible Financing for Capital Costs (FFCC)

Minnesota Housing provides Flexible Financing for Capital Costs (FFCC), which are 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.

Minnesota Housing allocates FFCC funds through the Request for Proposals (RFP) process and on a pipeline basis, allowing the Agency to act more quickly to meet the immediate needs of developments that would be unnecessarily delayed and subjected to hardship 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, 2013 – September 30, 2014, Minnesota Housing financed:

- Two FFCC loans for developments with 177 units
- $1,407,000 total loan amount
- $7,949 average FFCC assistance per unit

Proposal for 2016

FFCC is available through the RFP process and on a pipeline basis. Staff anticipate that approximately 80 percent of the funds will be awarded through the 2015 RFP and up to 20 percent will be awarded through the pipeline. It is advantageous to award more funds during the RFP in to order to fully fund as many viable LMIR loans as possible rather than holding back funds for unidentified opportunities.

Based on resources available for new activity in 2016, Minnesota Housing expects to fund an estimated 259 units under FFCC.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$3,500,000
Carry Forward (ELHIF only)	
2016 Total	**$3,500,000**
2015 Original Total	**$4,500,000**
2015 Revised Total	**$4,605,000**

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

Low-Income Housing Tax Credits (LIHTC)

Low-Income Housing Tax Credits (LIHTC) provide federal income tax credit 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 credit.

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

Minnesota Housing awards tax credits in two rounds of a competitive allocation process held each year. Round 1 is held concurrent with the Minnesota Housing Request for Proposals and a smaller Round 2 traditionally is held early in the calendar year. The Agency establishes 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. Minnesota Housing's Qualified Allocation Plan (QAP) combines state and federally legislated priorities with other priorities established by the Agency 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 the Agency's mission and strategic priorities.

Program Performance and Trends

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

- 532 LIHTC units
- $75,792,748 in syndication proceeds
- $142,468 average syndication amount per unit
- Median household income of tenants in LIHTC units financed by Minnesota Housing was $21,476 or 29 percent of statewide median income
- 48 percent were households of color or Hispanic ethnicity

Proposal for 2016

Based on the available LIHTC credit ceiling, Minnesota Housing expects to allocate tax credits for an estimated 729 units in 2016.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$9,308,770
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	**$9,308,770**
2015 Original Total	**$8,582,340**
2015 Revised Total	**$8,712,473**

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

Housing Trust Fund (Capital from Housing Infrastructure Bonds)

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.

The 2015 Minnesota Legislature authorized up to $10,000,000 in Housing Infrastructure Bond (HIB) proceeds to address affordable housing infrastructure needs in communities throughout the state. Minnesota Housing allocates HIB proceeds through the Consolidated Request for Proposal (RFP) process under both Housing Trust Fund and Economic Development and Housing/Challenge (EDHC) rules. The Agency splits the bond proceeds between these two programs.

Funds are available through the RFP and on a pipeline basis. An estimated 95 percent of the available funds will be allocated during the 2015 RFP; the remainder will be available for funding modifications. If the bonds are issued as private activity bonds, applicants also may access 4 percent housing tax credits.

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

Program Performance and Trends

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

- Two loans for developments with 78 units
- $9,021,849 total loan amount
- $115,665 average assistance per unit
- Median household income of tenants was $8,520 or 12 percent of statewide median income
- 51 percent of households were of color or Hispanic ethnicity

Proposal for 2016

Of the bond proceeds available for multifamily projects, staff recommended that a larger percentage be allocated to HTF and a smaller share to EDHC, given that supportive housing projects have fewer capital resource options than do preservation projects. Supportive housing projects, with a smaller number of units, are less likely to support a bond/tax credit structure. The Agency will combine new bond proceeds with unused funds from previous years.

Based on resources available for new activity in 2016, Minnesota Housing expects to fund an estimated 119 units under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	$4,111,200
Carry Forward of Unobligated Balances from Previous Plans	$6,738,000
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	**$10,849,200**
2015 Original Total	**$43,853,648**
2015 Revised Total	**$43,955,997**

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

Preservation Affordable Rental Investment Fund (PARIF)

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. PARIF is available through the Request for Proposals (RFP) process and on a pipeline basis.

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, 2013 – September 30, 2014, Minnesota Housing funded:

- Four developments with 174 units
- $2,072,901 total loan amount
- $11,913 average PARIF assistance per unit
- Median household income of tenants was $12,480 or 17 percent of statewide median income
- 59 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 2016

While most of the PARIF funding is to be offered through the RPF, staff recommend that a portion be reserved for pipeline requests. Pipeline requests will be considered if a project faces one of the following risks which preclude it from applying through the RFP: a) the proposal has existing funding commitments that cannot be extended and will be otherwise lost; b) the proposal is for immediate emergency repairs threatening the health and safety of existing tenants; c) the current owner delivered an opt-out notice and the federal subsidy would be lost without an incentive or transfer; or d) the proposal documents a unique housing opportunity that would be lost and that advances Minnesota Housing strategic priorities as outlined in the RFP Guide.

Based on resources available for new activity in 2016, Minnesota Housing expects to fund an estimated 500 units under PARIF.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	$4,218,000
Revolving	
Repayments and Receipts	$500,000
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$4,774,171
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	**$9,492,171**
2015 Original Total	**$9,331,232**
2015 Revised Total	**$11,468,548**

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

Preservation – HOME

Project sponsors may use HOME funds to fund deferred loans for the rehabilitation or acquisition/rehabilitation of permanent affordable rental housing with state or federal project-based rental subsidies.

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: None

Program Performance and Trends

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

- Three developments with 114 units
- $4,480,471 total loan amount
- $39,302 average HOME assistance per unit
- Median household income of tenants was $16,469 or 22 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 assisted housing.

Proposal for 2016

Under the 2015 AHP, the Agency forward-allocated the 2015 appropriation of HOME funds in order to reduce a backlog of funding commitments. With the backlog of commitments now eliminated, and uncertainty in the federal budget, we will not forward-allocate the next HOME appropriation.

The Agency will make the 2016 federal HOME appropriation available for selections and awards made in October 2016, which falls under the 2017 AHP. The funds available in the 2016 AHP reflect unused funds from previous years. Minnesota Housing will use these funds for modifications to existing awards, not new projects.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	$250,000
Carry Forward of Unobligated Balances from Previous Plans	$564,938
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	**$814,938**
2015 Original Total	**$7,774,846**
2015 Revised Total	**$6,670,271**

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)

Under the Publicly Owned Housing Program (POHP), Minnesota Housing provides deferred, forgivable loans at no interest to eligible public housing authorities or housing 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, 2013 – September 30, 2014, Minnesota Housing funded:

- 15 loans for 874 units
- $4,603,160 total loan amount
- $5,267 average assistance per unit
- Median household income of tenants was $9,492 or 13 percent of statewide median income
- 32 percent were households of color or Hispanic ethnicity

Proposal for 2016

No new funding is available in 2016. The resources available in this AHP are unused funds from previous years, which Minnesota Housing will use for funding modifications to existing awards, not new projects.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	$1,300,378
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	**$1,300,378**
2015 Original Total	**$20,197,539**
2015 Revised Total	**$20,331,378**

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

Rental Rehabilitation Deferred Loan Pilot Program (RRDL)

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

Financing is available to project owners through Minnesota Housing as well as through administrators operating programs in specific areas with an identified need for assistance. 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, staff completed an evaluation of the first four years of this pilot program. Recommendations included providing a fully forgivable deferred loan to qualifying properties with one to four units to address health, safety, and energy conservation issues. Approximately 20 percent of RRDL funds will be reserved for fully the forgivable loans, and the remaining funds will provide up to 10 percent forgiveness after compliance with all requirements.

RRDL has been most successful in rehabilitating 12-36 unit properties; one to four 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. Program staff will 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, 2013 – September 30, 2014, Minnesota Housing funded:

- 13 loans for developments with 178 units
- $2,391,492 total loan amount
- $13,435 average RRDL assistance per unit
- Median household income of tenants was $14,599 or 20 percent of statewide median income
- One percent were households of color or Hispanic ethnicity

Proposal for 2016

Based on resources available and current production trends, Minnesota Housing expects to finance an estimated 465 units in 2016 under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	$7,486,000
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$644,468
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	$8,130,468
2015 Original Total	$400,000
2015 Revised Total	$559,786

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)

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, Minnesota Housing administers existing Section 8 contracts for affordable rental units that were not part of the Agency's Section 8 Traditional Contract Administration (TCA) first mortgage portfolio. 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

Minnesota Housing's current agreement with HUD extends through June 30, 2016. The Agency currently manages 411 PBCA contracts under this agreement. Since 2007, nearly 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:

- 18,985 household assisted
- $112,544,603 in Housing Assistance Payments
- $5,928 average assistance per household
- Median household income of tenants was $11,520 or 16 percent of statewide median income
- 38 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 2016

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.

Minnesota Housing expects to assist an estimated 21,500 units in 2016 under PBCA.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$129,000,000
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	$129,000,000
2015 Original Total	$112,500,000
2015 Revised Total	$112,500,000

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)

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.

Minnesota Housing provided permanent mortgage financing for more than 235 Section 8 Traditional Contract Administration (TCA) properties developed from 1975 to the mid-1980s. The Agency currently manages 135 of these TCA contracts. Our primary responsibilities under Section 8 TCA are to perform 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, 2013 – September 30, 2014, we reported:

- 11,436 household assisted
- $67,426,187 in Housing Assistance Payments
- $5,896 average assistance per household
- Median household income of tenants was $12,504 or 17 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 2016

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

Minnesota Housing expects to assist an estimated 8,667 units in 2016 under TCA.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$52,000,000
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	$52,000,000
2015 Original Total	$68,250,000
2015 Revised Total	$68,250,000

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

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 in order to reduce rents. Section 236 was a predecessor to the Section 8 program.

Program Performance and Trends

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

For the Program Assessment period of October 1, 2013 – September 30, 2014, Minnesota Housing provided interest rate reduction for Section 236 developments with 981 units.

Proposal for 2016

The program is long standing and well established. The amount of funds in this program will continue to trend downward as the original mortgages mature by December 2016. Minnesota Housing expects to provide interest rate reduction to an estimated 619 units in 2016 under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$322,117
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	$322,117
2015 Original Total	$642,671
2015 Revised Total	$642,671

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)

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, Minnesota Housing has used HTF appropriations primarily for rental assistance and some operating subsidies. HTF rental assistance funds serve 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, 2013 – September 30, 2014, Minnesota Housing assisted:

- 1,792 households
- $9,012,726 assistance disbursed
- $6,791 average assistance per household
- Median household income of tenants was $8,796 or 12 percent of statewide median income
- 64 percent were households of color or Hispanic ethnicity

Proposal for 2016

Minnesota Housing provides HTF rental assistance and operating subsidies under two-year contracts with local assistance administrators. The most recent contracts were funded in the 2015 AHP and cover activity during the 2016 AHP; new funding is not needed for core contracts.

In 2016, we are funding new contracts for two pilot programs. First, $2 million will fund rent assistance for homeless or highly mobile families with school-aged children. Second, $420,000 will fund a pilot to transition people whose lives have stabilized out of supportive housing while still providing them with affordable housing. This will free up supportive housing for those with the greatest need.

Based on resources available in 2016, Minnesota Housing expects to provide rental assistance for an estimated 2,475 households under this program through the core contracts and the pilot.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	$2,175,000
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$420,000
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
Funding for New Contracts	**$2,595,000**
Adjustment to Spread Contracts Over Two Years	**$11,353,678**
2016 Net Total	**$13,948,678**
2015 Original Net Total	**$15,231,963**
2015 Revised Net Total	**$15,504,369**

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

Ending Long-Term Homelessness Initiative Fund (ELHIF)

Minnesota Housing has used the Ending Long-Term Homelessness Initiative Fund (ELHIF) for capital funding, rental assistance, operating subsidy expenses, and non-bondable development costs in General Obligation Bond supportive housing projects. ELHIF funds sustain Minnesota Housing's ongoing commitment to rental assistance and operating subsidy activities in the Housing Trust Fund and Bridges programs.

ELHIF-assisted tenants have experienced long-term homelessness, lacking a permanent place to live continuously for a year or more or at least four times in the last three years.

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.

Program Performance and Trends

For the Program Assessment period of October 1, 2013 – September 30, 2014, Minnesota Housing provided ELHIF operating and rental assistance for:

- 473 units
- $1,375,824 assistance disbursed
- $2,909 average assistance per unit
- Median household income of tenants was $15,322 or 21 percent of statewide median income
- 60 percent were households of color or Hispanic ethnicity

Proposal for 2016

ELHIF-funded activities operate under two-year contracts with local assistance administrators. Minnesota Housing funded the most recent contracts in the 2015 AHP. These contracts cover activity during the 2016 AHP; therefore, new funding is not needed for contracts in 2016.

Based on ELHIF resources available in 2016, Minnesota Housing expects to provide assistance for approximately 823 households.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2016	
New Appropriations 2015	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
Funding for New Contracts	**$0**
Adjustment to Spread Contracts Over Two Years	**$1,722,601**
2016 Net Total	**$1,722,601**
2015 Original Net Total	$1,972,796
2015 Revised Net Total	**$1,972,796**

Legal Authority: This fund operates under the Housing Trust Fund Rules. Minn. Stat. §462A.201; Minn. Rules, Parts 4900.3700-3769

Bridges

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.

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

Program Performance and Trends

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

- 704 households
- $2,655,376 assistance disbursed
- $5,544 average assistance per household
- Median household income of tenants was $9,624 or 13 percent of statewide median income
- 33 percent were households of color or Hispanic ethnicity

Priorities for serving households are (effective July 1, 2015):

- 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.

Bridges is a major component of the Agency's contribution to achieving Minnesota's Olmstead Plan goals as well as a significant part of the state's Plan to Prevent and End Homelessness.

Proposal for 2016

Bridges funds rent assistance under two-year contracts with local assistance administrators. Minnesota Housing funded the most recent contracts in the 2015 AHP. These contracts cover activity during the 2016 AHP, in which no new funding is needed. However, the 2015 legislature increased Bridges funding by $2.5 million. Of that amount, the Agency will commit $869,000 by the end of the 2015 AHP with $1.6 million left to commit in 2016.

Based on the resources available in 2016, Minnesota Housing expects to assist an estimated 624 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	$1,631,000
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	$192,000
Carry Forward of Unobligated Balances from Previous Plans	$784,216
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
Funding for New Contracts	**$2,607,216**
Adjustment to Spread Contracts Over Two Years	**$2,087,892**
2016 Net Total	**$4,695,108**
2015 Original Net Total	$2,959,461
2015 Revised Net Total	**$3,593,795**

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

Section 811 Demonstration

Section 811 is a federal demonstration 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 demonstration 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.

Minnesota Housing has implemented this demonstration in partnership with the Minnesota Department of Human Services (DHS). DHS staff will coordinate all outreach, screening, and referrals for 811 units. They will work with property owners to ensure that support services are offered to tenants.

Eligible applicants for Minnesota's allocation of 811 funding include private and public owners of multifamily housing with existing unsubsidized units. 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.

This demonstration is a key tool for the Agency 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 85 units of project-based rental assistance. Minnesota Housing is accepting applications on a pipeline basis until all 85 project-based rental assistance subsidies have been awarded. The Agency expects to award funding by the end of Calendar Year 2015.

In 2015, Minnesota Housing 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.

Proposal for 2016

The Section 811 funds spread over five years will support $1.2 million of annual activity. With two rounds of Section 811 funding, the Agency expects to assist 160 households each year.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$3,000,000
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	$282,344
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
Funding for New Contracts	**$3,282,344**
Adjustment to Spread Contracts Over Two Years	**-$2,065,244**
2016 Net Total	**$1,217,100**
2015 Original Net Total	$235,000
2015 Revised Net Total	**$842,975**

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

Family Homeless Prevention and Assistance Program (FHPAP)

Under the Family Homeless Prevention and Assistance Program (FHPAP), Minnesota Housing assists 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 and most 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, 2013 – September 30, 2014, Minnesota Housing reported:

- 7,913 households
- $5,985,180 assistance disbursed
- $756 per household average assistance amount
- Median household income was $10,140 or 14 percent of statewide median income
- 57 percent were households of color or Hispanic ethnicity

As of the end of 2014, 42 percent of funds allocated to providers were used for direct cash assistance including rent and mortgage assistance, security deposits, and transportation and utility assistance; 49 percent of funds were used for support services; and nine percent of funds were used for program administration.

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

Proposal for 2016

FHPAP funds activities under two-year contracts through local administrators. Minnesota Housing funded the most recent contracts in the 2015 AHP. These contracts cover activity during the 2016 AHP, during which no new funding is needed.

Efforts to better target FHPAP funds (for example, to support households with the highest need for assistance) may result in a larger FHPAP cost per household in 2016 and fewer assisted households. Based on resources available in 2016, Minnesota Housing expects to assist an estimated 7,473 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
Funding for New Contracts	**$0**
Adjustment to Spread Contracts Over Two Years	**$8,594,184**
2016 Net Total	**$8,594,184**
2015 Original Net Total	$8,569,123
2015 Revised Net Total	**$8,594,184**

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

Housing Opportunities for Persons with AIDS (HOPWA)

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. Minnesota Housing receives a direct award for the portion of the state not covered by the City of Minneapolis grant and contracts 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, 2013 – September 30, 2014, Minnesota Housing assisted households in 45 counties as follows:

- 152 households
- $115,186 assistance disbursed
- $758 average assistance per household
- Median household income was $18,234 or 25 percent of statewide median income
- 48 percent were households of color or Hispanic ethnicity

Proposal for 2016

There are no proposed changes in how the program will operate. Funds HUD allocated in 2015 will be used for renewal of program activity in 2016.

Based on resources available for new activity in 2016, Minnesota Housing expects to assist an estimated 148 households under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$147,997
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	**$147,997**
2015 Original Total	$147,579
2015 Revised Total	**$147,997**

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

Asset Management funds provide interest and non-interest bearing amortizing and deferred loans as well as rent subsidy grants to stabilize assets in Minnesota Housing's amortizing loan portfolio. In 2015, Minnesota Housing expanded Asset Management to include assisting developments in the Agency's portfolio that are being monitored as if they were amortizing loans. Other changes allow the program to support developments that need stabilization funding or apply for assistance on a pipeline basis through a technical committee of the Interagency Stabilization Group.

Asset Management funding provides for necessary repairs and maintenance to protect Agency assets and to 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 the Agency 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, 2013 – September 30, 2014, Minnesota Housing provided asset management assistance for two developments with 69 units.

Proposal for 2016

Multifamily staff will focus on evaluating unmet needs within the portfolio as well as identifying new opportunities and processes for using Asset Management funds. Staff will clarify eligible uses of funds, identify the most appropriate "triggers" to deploy these funds, create more efficient processes for the use of funds, and build a strong internal understanding of asset management to better deploy funds in the future.

In 2016, the Agency will use the federally funded Asset Management Financing Adjustment Factor/Financing Adjustment program, rather than Pool 3 resources, to address portfolio needs (see the next program description).

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	$0
2015 Original Total	$1,600,000
2015 Revised Total	**$495,000**

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

Asset Management – Financing Adjustment Factor (FAF)/ Financing Adjustment (FA)

Financing Adjustment Factor (FAF)/Financing Adjustment (FA) financing are based on an agreement between the U.S. Department of Housing and Urban Development (HUD) and Minnesota Housing to share in the savings resulting from refunding high interest rate bonds. The Agency originally issued the bonds in 1980 and 1982 to finance Section 8 developments.

FAF/FA funds deferred maintenance, capital improvements, and operating subsidies. They typically are available as amortizing loans or deferred loans at no interest. Owners receiving assistance with FAF/FA funds must agree to extend affordability restrictions.

Program Performance and Trends

For the Program Assessment period of October 1, 2013 – September 30, 2014, Minnesota Housing did not close any FAF/FA loans. With clarified program guidelines, activity should increase in the future. Staff will identify target properties and market the availability of this resource to ensure its full utilization.

Proposal for 2016

Based on resources available for new activity in 2016, Minnesota Housing expects to fund an estimated 138 units under this program.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	$2,000,000
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	$1,444,176
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	$3,444,176
2015 Original Total	$2,000,000
2015 Revised Total	**$2,000,000**

Legal Authority: Minn. Stat. §462A.05, Subd. 11

MULTIPLE USE RESOURCES

Economic Development and Housing/Challenge (EDHC) – Regular

Under the Economic Development and Housing/Challenge Program (EDHC), Minnesota Housing provides 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.

Minnesota Housing's Multifamily and Single Family divisions allocate these state-appropriated resources to competitive proposals submitted through the Request for Proposals (RFP) process. Staff rank and score proposals according to EDHC selection standards and the Agency's strategic priorities.

EDHC loans may be made 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

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.

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

Multifamily EDHC

- 12 loans to developments with 739 units
- $11,931,596 total loan amount
- $16,146 average EDHC assistance per unit
- Median household income of $20,381 or 28 percent of statewide median income
- 62 percent were households of color or Hispanic ethnicity

Single Family EDHC

- 283 loans
- $4,652,434 total loan amount

- $15,155 average loan
- Median household income was $37,090 or 50 percent of statewide median income
- 47 percent were households of color or Hispanic ethnicity

Proposal for 2016

In addition to the regular appropriation in 2015, the Minnesota Legislature appropriated $2 million for the Governor's Housing and Jobs Initiative, which Minnesota Housing will allocate in the 2015 RFP (under the 2016 AHP).

In the October 2015 Request for Proposals (RFP) process, Minnesota Housing will allocate up funds for Community Homeownership Impact Fund projects and to affordable rental housing through the Multifamily RFP, with any other remaining funds made available on a pipeline basis.

Based on resources available for new activity in 2016, Minnesota Housing expects to fund an estimated 945 units through the EDHC RFP.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	$14,925,000
Repayments and Receipts	$500,000
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$4,150,000
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	$19,575,000
2015 Original Total	$18,021,457
2015 Revised Total	**$19,917,445**

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

EDHC – Housing Infrastructure Bonds (HIBs)

The 2015 Minnesota Legislature authorized up to $10,000,000 in Housing Infrastructure Bond (HIB) proceeds to address affordable housing infrastructure needs in communities throughout the state. Minnesota Housing allocates 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; and
- Acquire land to be held in trust by community land trusts and used for affordable single family homeownership opportunities.

Proposal for 2016

In the October 2015 Request for Proposals (RFP) process, Minnesota Housing will allocate EDHC funds for Community Homeownership Impact Fund projects; the Agency will allocate the remaining EDHC funds to affordable rental housing primarily through the Multifamily RFP, with any other remaining funds made available on a pipeline basis.

Based on resources available for new activity in 2016, Minnesota Housing expects to fund an estimated 399 units through the use of HIB proceeds.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	$4,988,800
Carry Forward of Unobligated Balances from Previous Plans	$4,492,000
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	$9,480,800
2015 Original Total	$35,873,899
2015 Revised Total	**$35,771,550**

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

EDHC – Community Owned Manufactured Home Parks

Minnesota Housing is 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, 2013 – September 30, 2014, Minnesota Housing did not close any Community Owned Manufactured Home Park loans.

Two applications for park financing are pending at this time.

Proposal for 2016

The Board has approved two transactions since 2010, one of which recently was restructured, resulting in the pay-off of Minnesota Housing's loan participation. While the Agency is continuing to fund the program, we will examine other ways to serve this market.

Based on resources available for this program in 2016, Minnesota Housing estimates being able to fund up to 80 units in 2016.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$2,000,000
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	$2,000,000
2015 Original Total	$2,000,000
2015 Revised Total	**$2,000,000**

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

Single Family Interim Lending

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 and Pool 3 funds and have a term of 20 months. Funds are awarded annually through the Single Family Request for Proposals process in accordance with the Agency's mission and priorities. While two-thirds of the units supported in the past year have been affordable to households with income 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.

The $1 million legislative appropriation for Innovative Housing, a revolving resource for interim financing, is no longer reported here, but under the Economic Development and Housing/Challenge program.

Program Performance and Trends

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

Proposal for 2016

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 2016 AHP allocation reflects a continued market interest in new construction. The Minnesota Legislature's $2 million appropriation for Governor Dayton's Housing and Jobs Growth Initiative in 2016-2017 also suggests a greater need for interim construction financing in those parts of the state where employers are poised to expand but affordable housing is not adequate to meet the needs of the local workforce.

For the upcoming Impact Fund awards, applicants have requested $4,265,500, principally for new construction activity. A preliminary staff assessment of applicant capacities show that potentially $1,562,000 may be needed this year to support competitive applications.

Based on resources available for new activity in 2016, Minnesota Housing anticipates making interim or construction loans to administrators for approximately 20 housing units.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	$1,132,450
Housing Affordability Fund (Pool 3)	
Regular	$429,550
Carry Forward (ELHIF only)	
2016 Total	$1,562,000
2015 Original Total	$1,600,000
2015 Revised Total	**$1,313,000**

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

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 including operating support for organizations that provide critical support services, operating support for Community Housing Development Organizations (CHDOs) in Greater Minnesota, special projects and research/ development activities, funding the infrastructure of our homelessness prevention networks, and competitive one-time capacity building funding.

The Agency has 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 the Agency's strategic priorities.

Program Performance and Trends

For the Program Assessment period of October 1, 2013 – September 30, 2014, Minnesota Housing funded $1,427,071 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 2016

The total budget for 2016 reflects the Minnesota Legislature's appropriation to Minnesota Housing in 2015 for capacity building and for the HMIS system.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	$645,000
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	$30,000
Carry Forward of Unobligated Balances from Previous Plans	$119,014
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$1,583,508
Carry Forward (ELHIF only)	
2016 Total	$2,377,522
2015 Original Total	$2,679,416
2015 Revised Total	$2,839,014

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

Organizational Loans

Organizational Loans assist nonprofit organizations, tribal councils, and local units of government in the development of housing projects for low-and moderate-income people. These short-term loans are used for foreclosure remediation and pre-development lending activities. Foreclosure remediation lending covers costs such as the acquisition and rehabilitation of residential property of up to four units that is vacant, abandoned, foreclosed, or acquired through a short sale and sold to an income-eligible buyer. Predevelopment lending covers costs such 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 a revolving fund delivered through administrators. The Twin Cities Community Land Bank and the Family Housing Fund (FHF) administer the foreclosure remediation lending activities throughout the seven-county Twin Cities Metropolitan Area. The Greater Metropolitan Housing Corporation and the Local Initiatives Support Corporation administer the predevelopment lending activities throughout the seven-county Twin Cities Metropolitan Area while the Local Initiatives Support Corporation of Duluth serves Greater Minnesota. Individual loans are selected and underwritten by the administrators with results reported to Minnesota Housing.

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

Program Performance and Trends

The program, which achieves nearly a 1:1 match from our administrators, was established as a revolving loan program with repayments that support new loan production. The program supports the Agency's interest in building the capacity of nonprofit housing providers.

For the Program Assessment period of October 1, 2013 – September 30, 2014, the revolving loan to the Twin Cities Community Land Bank/FHF assisted:

- 103 households
- $13,670,646 assistance amount
- $132,725 average assistance per household
- Median household income was $59,224 or 80 percent of statewide median income
- 29 percent were households of color or Hispanic ethnicity

Proposal for 2016

For 2016, Minnesota Housing will provide no additional funding under the program; however, the existing revolving loan funds will continue to assist borrowers.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	$0
2015 Original Total	$0
2015 Revised Total	$0

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

Strategic Priority Contingency Fund

During any given year, Minnesota Housing anticipates that some programs are likely to need additional resources. To be more nimble and responsive, the Agency sets aside contingency funds to meet unexpected needs.

Program Performance and Trends

For the Program Assessment period of October 1, 2013 – September 30, 2014, Minnesota Housing reallocated $1.525 million of program funds to: FFCC ($800,000), Home Improvement Loans ($75,000), Deferred Payment Loans ($500,000), and the Enhanced Homeownership Capacity Initiative ($150,000).

Proposal for 2016

For 2016, Minnesota Housing is providing $2 million for the Strategic Priority Contingency Fund.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	$2,0000,000
Carry Forward (ELHIF only)	
2016 Total	$2,000,000
2015 Original Total	$2,000,000
2015 Revised Total	$0

OTHER

Housing Infrastructure Bond Issuance and Other Costs

This line item in the budget covers the issuance and other costs of Housing Infrastructure Bonds (HIBs). The State of Minnesota pays the debt service on the bonds; however, the Agency incurs costs from issuing the debt.

Program Performance and Trends

In the 2014 session, the Minnesota Legislature authorized $80 million of HIBs, and in the 2015 session, the Legislature authorized an additional $10 million to address affordable housing needs in communities throughout the state. Minnesota Housing allocates HIB resources and reports funding activity under the EDHC and Housing Trust Fund programs.

Proposal for 2016

The timing and amount of the bond sale depends on the needs of the projects selected by the agency. Staff estimates issuance and related costs will be $900,000 in 2016.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO and Infrastructure Bond Proceeds	
New Funding	$900,000
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	$900,000
2015 Original Total	$700,000
2015 Revised Total	$700,000

Legal Authority: Minn. Stat. §462A.37

Manufactured Home Relocation Trust Fund

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. Minnesota Housing makes payments to homeowners, as directed by a neutral third party, for eligible relocation costs.

Program Performance and Trends

Minnesota Housing disbursed $14,000 to three homeowners in State Fiscal Year 2014 (due to park closings in 2013). The trust fund balance was $1.19 million as of December 31, 2014. State law suspends collection of the fee if the balance in the account is equal to or exceeds $1 million.

Proposal for 2016

It is difficult to predict the level of demand for these funds, but based on park owners' notice of intent to close (filed with the state), Minnesota Housing anticipates one to two park closings in 2016 with an undetermined number of eligible claims to be made.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$1,196,644
State GO and Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds and Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	$1,196,644
2015 Original Total	$1,196,644
2015 Revised Total	$1,196,244

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

Flood Disaster

Disaster response programs provide funding for repair or replacement of renter or owner-occupied housing damaged by natural disasters such as flood or tornado. Minnesota Housing distributes these funds through the Quick Start Disaster Recovery program for single family properties and also assists 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, 2013 – September 30, 2015, Minnesota Housing provided funding for:

- 106 units
- $2,076,054 total loan amount
- $19,585 average per unit
- Median household income was $32,500 or 44 percent of statewide median income

Average loan size depends upon the nature, severity, and location of the event; the availability of other resources for disaster recovery; and the assistance needs of the local population. Staff estimate an average loan amount of $22,200 since 2007.

Proposal for 2016

Typically, the Minnesota Legislature appropriates funds following the declaration of a disaster. Staff did not request funds in the 2016 because we can make no assumptions about what disasters might occur.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	$0
2015 Original Total	$0
2015 Revised Total	$0

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

Disaster Relief Contingency Fund

The Minnesota Legislature established this fund in 2001 as the account into which Minnesota Housing 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

The Agency made available all Contingency Fund resources in 2014 as a result of the heavy rain in the spring and summer of that year. Eligible uses of funds 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 2016

Based on resources available for new activity in 2016, Minnesota Housing could fund an estimated 69 units through the Disaster Relief Contingency Fund.

Program Funding by Source

Source	Amount
Federal Funds	
New Appropriations	
Repayments/Program Income	
Carry Forward of Unobligated Balances from Previous Plans	
State Appropriations	
New Appropriations 2017	
New Appropriations 2016	
Revolving	
Repayments and Receipts	
Unused Funds from Previous Contracts	
Contributions from Other Organizations	
Carry Forward of Unobligated Balances from Previous Plans	$1,756,997
State GO & Infrastructure Bond Proceeds	
New Funding	
Carry Forward of Unobligated Balances from Previous Plans	
Agency Bond Proceeds & Other Mortgage Capital	
Housing Investment Fund (Pool 2)	
Housing Affordability Fund (Pool 3)	
Regular	
Carry Forward (ELHIF only)	
2016 Total	$1,756,997
2015 Original Total	$1,762,705
2015 Revised Total	$2,062,037

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

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

Minnesota Housing Finance Agency