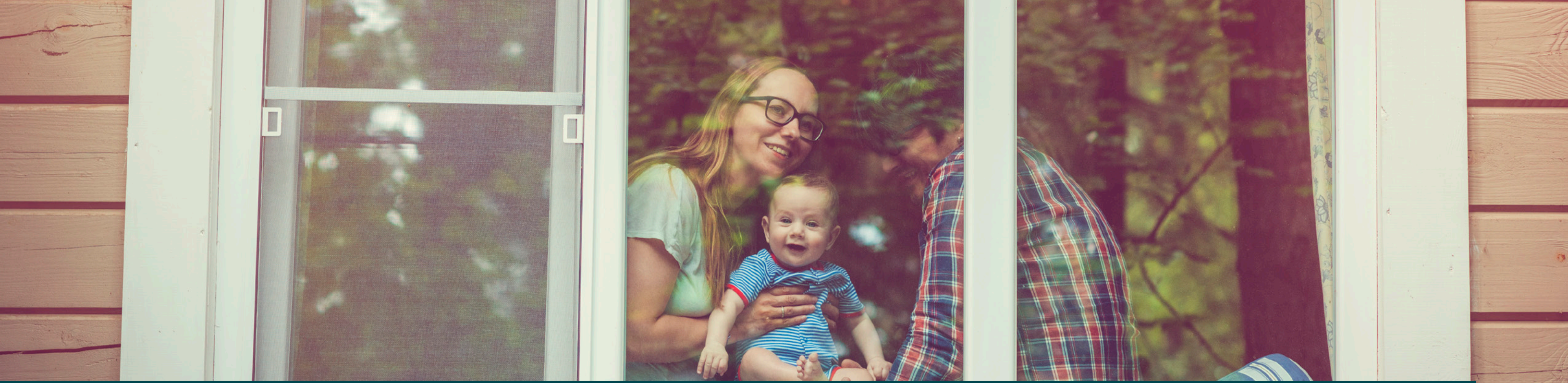
2020-2021

AFFORDABLE HOUSING PLAN

MINNESOTA HOUSING


SOLD



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SUMMARY: 2020 AND 2021 AT A GLANCE

This Affordable Housing Plan (AHP) identifies the actions we will carry out over the next two years and provides an estimate of the financial resources that we expect to deploy. We have an ambitious agenda because there is a critical shortage of housing that is affordable and we are in a strong position to address it. We provide a wide range of strong programs and have a strong balance sheet. This $3 billion AHP is our largest ever, and we expect to deploy roughly $1.5 billion and serve nearly 73,000 households in each of the two years. In 2011, our program investment plan was $700 million.

TABLE 1: EXPECTED INVESTMENTS BY ACTIVITY IN 2020-21

Program Category	Funding
Homebuyer Financing and Home Refinancing	$2,115,770,000
Homebuyer/Owner Education and Counseling	$6,064,000
Home Improvement Lending	$61,544,000
Rental Production - New Construction and Rehabilitation	$272,432,000
Rental Assistance Contract Administration	$374,000,000
Housing Stability for Vulnerable Populations	$63,014,000
Multiple Use Resources	$182,140,000
Total	**$3,074,964,000**

In the first year of this AHP, we will determine more precisely how we will implement the strategies in our new 2020-22 Strategic Plan and put in place the structures to carry out those actions. We will:

- Enhance our community development and engagement strategy
- Simplify and streamline programs
- Build partner capacity
- Focus on the people and places most impacted by housing instability, especially children
- Start creating an inclusive and equitable housing system
- Collaborate with other state agencies and partners
- Identify, secure and leverage resources
- Create and preserve more affordable housing opportunities

These enhancements are needed for all Minnesotans to live in a stable, safe home they can afford in a community of their choice. While the critical shortage of housing affects most Minnesotans, it is much worse for some people. The number of Minnesotans living outside without shelter is rising at an alarming rate, and the state has large housing disparities for people of color, indigenous communities, individuals with disabilities, and other people disproportionally impacted.

As our 2020-22 Strategic Plan states, we will:

GO BIG
SO EVERYONE CAN
GO HOME.

CHAPTER 1: IMPLEMENTING OUR STRATEGIC DIRECTION

This Affordable Housing Plan (AHP) is our business plan for implementing the first two years of our new 2020-22 Strategic Plan. It covers October 1, 2019 through September 30, 2021.

In recent years, we have significantly improved our program results. Coming out of the Great Recession and the financial crisis, we retooled our programs to work effectively in the new reality of the post-crisis housing market, which allowed us to access and distribute a lot more assistance.

While we went substantially bigger with these improvements, we have not gone big enough to address the persistent issues in the housing market.

- 448,000 lower-income households in Minnesota are spending more than 30% of their income on housing;[1]
- Minnesota has the fourth worst homeownership disparity in the country for households of color and indigenous communities;[2] and
- An American Indian is over 20 times more likely to experience homelessness than a person who is white.[3]

We are in a strong position to address these issues and go even bigger.

Between 2011 and 2019, we increased our:

Annual investment plan from about $700 million to...	**$1.3 billion+**
Home mortgage lending from 2,245 loans to...	**5,100**
Lending to first-time homebuyers of color or from indigenous communities from 549 to...	**1,400**
Financing of new rental housing from 703 units to about...	**1,100**

In the first year of this AHP, we will determine more precisely how we will implement our new strategies and put in place the structures, such as a new community development and engagement strategy, to carry out those actions. While previous AHPs identified specific policy and program initiatives to carry out established strategies, this AHP initially focuses on launching our new strategies and refining how we work.

With this AHP, we also switch from a one-year to a two-year plan. We received our two-year appropriations from the state, and our annual funding from the federal government continues to be relatively consistent, despite uncertain federal budgets. A two-year AHP provides our staff and partners with direction about what we expect our funding to be for two years, not just one, which is helpful for program planning. With a two-year AHP, we leave open the possibility of updating the plan after the first year if circumstances substantially change, including the availability of additional resources from the state or federal government. We will likely provide a second-year update to the 2020-21 AHP after we determine more precisely how we will implement our new strategies and identify specific policy and program initiatives for 2021.

The following sections outline our work and commitments to action for the next two years.

ESTABLISH SMART GOALS FOR A KEY SET OF OUR STRATEGIC OBJECTIVES

Our 2020-22 Strategic Plan identifies 14 objectives for the next three years, which are helpful for communicating our strategic direction, but are not always tangible. In contrast, Specific, Measurable, Achievable, Relevant, and Time-bound (SMART) goals provide focus, inspire action and create accountability. In 2020, we will set SMART goals for a key set of our strategic objectives.

We currently have the SMART goal of 35% of our first-time homebuyer mortgages going to households of color and indigenous communities, which we are on the verge of achieving. This goal and earlier versions were a key driver behind our success in more than doubling our lending to households of color and indigenous communities.

These goals will articulate specifically how big we will go.

Our Commitment to Action in 2020-21:

- Establish SMART goals for a key set of our objectives, which will likely cover:
  - Lending to households of color and indigenous communities,
  - Preventing and ending homelessness,
  - Creating additional housing opportunities for renters with incomes at or below 30% of the area median income (AMI), and
  - Other objectives
- Create and start implementing action plans to achieve each goal. For example, we are already partnering with the Minnesota Department of Veteran Affairs and others on an action plan to be the fourth state to end veteran homelessness.

ENHANCE OUR COMMUNITY ENGAGEMENT STRATEGY

As a finance agency, we rely on developers, lenders, program administrators, and service providers to implement the programs that we finance, and we have developed strong relationships with them to create and improve programs. However, we need to improve our engagement with the people who need the housing and services that we finance. They have insights and expertise about what strategies and programs will best meet their needs. This type of engagement requires a different approach, including working with community leaders and organizers to bring people together and being flexible about when and where meetings occur. For example, we should attend existing community meetings. Most importantly, it involves creating more opportunities for participation in program decision-making, listening, and taking action on what we learn. For example, we are currently evaluating the performance and management of the permanent supportive housing that we have financed, and the evaluation includes surveys and meetings with tenants to gain their insights and perspective. However, this type of engagement needs to be ongoing and not a one-time effort for an evaluation or the development of a plan.

Our Commitment to Action in 2020-21:

- Create and implement a new community development and engagement strategy
- Create the capacity, structure, partnerships and expertise to carry out this work effectively

WE ARE IN A STRONG POSITION TO GO

EVEN BIGGER

TO ADDRESS PERSISTENT HOUSING ISSUES.

WE WILL REDUCE BARRIERS TO OUR PROGRAMS BY MAKING THEM EASIER TO ACCESS AND MORE FLEXIBLE.

SIMPLIFY AND STREAMLINE PROGRAMS

A key strategy repeated throughout our new strategic plan is to simplify and streamline our programs to make them easier to access and use and increase their flexibility so that they will meet evolving needs and work in different situations. In conversations across the state, community members have repeatedly suggested these actions. An analysis of our programs shows proportionally less activity in some areas of the state, including some rural counties, particularly along the western and southern borders. These communities are typically smaller and less densely populated and often served by smaller program administrators. We will balance this streamlining, simplifying and increasing flexibility with a program's statutory, policy and fiduciary requirements. In recent years, we have already simplified the single-family Home Improvement Loan Program and Rehabilitation Loan Program. In 2019, we expect lending under the Home Improvement Loan Program to increase from 673 to about 830 borrowers with the changes. We are also in the process of restructuring the multifamily Rental Rehabilitation Deferred Loan (RRDL) program by adjusting the program requirements and underwriting criteria to better serve the borrowers. We will carry out similar activities for other programs.

Our Commitment to Action in 2020-21:

- Create and start a process for systematically going through our programs to streamline and simplify them and increase their flexibility
- Identify and explore options for creating programs that work better in smaller communities and rural Minnesota

BUILD PARTNER CAPACITY

In recent years, we have partnered with about 400 organizations to administer the programs that we finance, and our capacity to meet the housing needs of Minnesota is only as strong as their capacity. As described in the previous section, some of these organizations are small, have limited resources, or face administrative challenges. In other situations, organizations are strong and want to expand their reach. There are also organizations owned or run by people of color or from indigenous and other disproportionally impacted communities that are not part of our delivery network but need to be if we want to effectively serve diverse communities. Some of these organizations may need to develop the capacity to access and/or administer our programs. Capacity building is another key strategy identified throughout our new strategic plan.

Our Commitment to Action in 2020-21:

- Work with partners to identify opportunities to build capacity
- Enhance our current capacity building strategy and programs
- Continue to provide technical assistance to organizations applying for our funding and/or administering our programs
- Reassess barriers to administering our programs, including the fees that we pay partners to administer some of our programs

FOCUS ON THE PEOPLE AND PLACES MOST IMPACTED, ESPECIALLY CHILDREN

For all Minnesotans to live and thrive in safe, stable housing they can afford in a community of their choice, we must focus on the people and places most impacted by housing instability, which includes being cost-burdened or homeless, living in overcrowded or substandard housing, moving frequently or not having access to homeownership. These communities are our priority because they are not being served well by the current housing market. Examples include:

PEOPLE		PLACES
• Lowest Income (e.g. <= 30% of area median income (AMI)) • People of Color • Indigenous Individuals • LGBTQ • People Experiencing Homelessness • People with Disabilities • Immigrants • Large Families • Seniors • Children	People Facing Barriers and/or Limited Choices: • Poor Credit • Limited Savings • Criminal History • Evictions • Transitioning Out of Foster Care, Prison, Other Systems	• Disinvested Communities in the Metro Area and Greater Minnesota • Tribal Nations/Indigenous Communities • Manufactured Home Communities • Communities with Job Growth and a Limited Housing Supply

Children are often among those most impacted by housing instability, and the impact can last a lifetime through reduced educational achievement, poor health, and even trauma. If all children were stably housed in safe, affordable homes in a community of their family's choice, Minnesota would be a great place to live for everyone.

To support the most impacted communities, we must have effective programs and be a leader in all things housing. If a housing need cannot be met by one of our programs, we will collaborate with others to identify solutions and advocate for action. The community engagement work outlined in the previous section is a critical step in meeting the needs of communities most impacted by housing instability.

Our Commitment to Action in 2020-21:

- Reorient our multifamily programs to increase the development of housing that:
  - Is affordable to renters with an income at or below 50% of AMI, with a special focus on 30% of AMI, and
  - Has a longer affordability period
- Finance the development and preservation of housing with three or more bedrooms to serve larger families with children
- Strategically use Housing Infrastructure Bond (HIB) proceeds, which can be used for permanent supportive housing (including behavioral health), preservation, senior housing, and community land trusts
- Increase our lending to first-time homebuyers of color or from indigenous communities by increasing our overall mortgage lending and the share of the mortgages going these households
- Create a team, structure and strategy within Minnesota Housing to support and preserve manufactured housing
- Create a team, structure and strategy within Minnesota Housing to address the housing needs of older Minnesotans, which includes strengthening our partnership with the Minnesota Department of Human Services (DHS)
- Enhance our strategy for supporting Tribal nations and indigenous communities
- Continue leading and making progress in our interagency work through the Office to Prevent and End Homelessness and the Olmstead Implementation Office, which coordinates state agencies' work to help people with disabilities live, learn and work in integrated settings

STABLE AND AFFORDABLE HOMES
SUPPORT SUCCESS IN OTHER AREAS OF LIFE.

START CREATING AN INCLUSIVE AND EQUITABLE HOUSING SYSTEM

Minnesota has some of the worst disparities in the country, and the housing system plays a role by creating barriers, limiting choices and limiting access to resources and opportunity. A key objective of our current strategic plan is to create an inclusive and equitable housing system so that all Minnesotans live and thrive in a safe, stable home they can afford in a community of their choice. We will also focus on how developers, construction contractors, lenders, organizations and other businesses owned and run by people from communities most impacted by disparities equitably benefit from the housing economy.

Our commitments to action listed in the previous sections are key steps to creating an inclusive and equitable housing system, especially when they are carried out with the goal of eliminating disparities. We must (1) continually engage people who are the disproportionally impacted, (2) create more opportunities for participation in program decision making; (3) focus our work on those most impacted; (4) simplify and streamline our programs so that they are easier for the disproportionally impacted communities to access and use; and (5) build the capacity of our partners and potential partners from the disproportionally impacted communities to deliver our programs.

Our Commitment to Action in 2020-21:

- Increase the number of leaders and staff at Minnesota Housing who are from the communities most impacted by disparities
- Continue and enhance our journey to become more culturally competent and incorporate these practices into everything we do
- Collect and report data about the disproportionally impacted communities at the most disaggregated level to understand differences in disparities
- Start reviewing and adjusting program structures, processes, requirements and restrictions to better serve the disproportionally impacted communities and eliminate disparities
- Identify barriers to housing access and stability for renters and support solutions to address them, such as, tenant protections/rights and evidence-based screening practices that appropriately balance housing access and safe housing
- Partner with more organizations from disproportionally impacted communities to develop and implement solutions

COLLABORATE WITH OTHER STATE AGENCIES AND PARTNERS

Societal challenges involve complex interactions across issues and sectors, and housing plays a key role because it is the foundation for success, supporting educational achievement, stable employment, health, and success in other areas of life. If we want to build off that foundation, we must work with other state agencies and partners to align and leverage resources. We will go beyond our current interagency work through the Interagency Council on Homelessness and the Olmstead subcabinet.

Our Commitment to Action in 2020-21:

- Continue and expand our partnership with the Department of Education, Department of Human Services, school districts, and other community organizations by making Homework Starts with Home a permanent program (rather than a pilot) that uses rental assistance and other supports to stabilize the housing and improve the educational outcomes for students experiencing homelessness
- Work with the Department of Human Services to develop a strategy and action plan to more effectively integrate services into the housing we finance, which will include effectively using the new authority that the state received in 2019 from the federal government to use Medical Assistance to pay for some housing-related services
- Improve the effectiveness of coordinated entry (a locally-run process for matching people experiencing homelessness with available resources)
- Partner with the Department of Health, the health care sector and community organizations to explore opportunities to align and leverage housing and health care investments; for example, we are partnering with the Department of Health in a Health Impact Project grant that it received from the Robert Wood Johnson Foundation and the Pew Charitable Trusts for cross-sector partnerships and collaboration
- Partner with the Department of Corrections to implement housing strategies to help ex-offenders successfully reenter the community and decrease recidivism
- Be an active partner in the Governor's interagency initiatives around homelessness, equity and inclusion, children, criminal justice, and climate
- Partner with the Department of Revenue to identify and strengthen tools that promote housing development and affordability

IDENTIFY, SECURE AND LEVERAGE RESOURCES

Going bigger also requires securing additional resources and using them as effectively as possible. In recent years, we have more than doubled our program investments by expanding home mortgage lending, securing more resources, such as Housing Infrastructure Bonds (HIBs), and making sound investments, which generate earnings that can be reinvested in housing. Given current opportunities and the need for more housing, we need to do more.

Our Commitment to Action in 2020-21:

- Use our existing resources as effectively and efficiently as possible; for example we are co-sponsoring the Construction Revolution Summit–an initiative to develop and implement an action plan to use technology and innovation (including modular and panelized construction techniques) to increase construction productivity and decrease costs
- Advocate for the federal adoption of the Affordable Housing Credit Improvement Act of 2019, which would increase our allocation of 9% Low-Income Housing Tax Credits (LIHTC) by 50%
- Pursue additional federal funding for Section 811 (rental assistance for people with disabilities) in the upcoming Notice of Funding Available (NOFA)
- Secure additional HIB resources in the next bonding bill
- Secure additional General Obligation (GO) or other resources for public housing rehabilitation
- Prepare for the next biennial budget and the opportunity to increase our state funding by documenting the success of our strategies and programs in improving the lives of people in Minnesota
- Continue making sound investments with our Pool 2 resources to finance housing that is affordable and generate earnings that we can reinvest in additional housing (See Appendix A-1 for a description of Pool 2 resource and our other funding sources)
- Analyze the staffing, systems and technology resources that will be needed to administer additional resources

HOUSING IS THE FOUNDATION FOR SUCCESS.

CREATE AND PRESERVE MORE AFFORDABLE HOUSING OPPORTUNITIES

In 2018, the Minnesota Housing Task Force called for the development of 300,000 new homes across all types and price points to have a healthy housing market. Minnesota also has an aging housing stock, which is more likely to be affordable, that needs to be preserved.

Our Commitment to Action in 2020-21:

- Streamline and simplify our programs and identify, secure, and leverage resources (as described above)
- Refine our multifamily preservation strategy with a focus on naturally occurring affordable housing (NOAH), which is housing that is affordable without government subsidies and rent restrictions

IMPLEMENT ACTIONS

Our 2020-22 Strategic Plan and this AHP direct us to improve how we and our programs work. We will start implementing these actions in 2020 during our annual program cycle, which includes:

- Annual review of our single-family loan programs (homeownership and improvement), which occurs in the fall of each year so that program changes are in place by the spring and the next home-buying season
- Development of the Qualified Allocation Plan, which lays out the process for selecting rental developments to receive Low-Income Housing Tax Credits
- Development of Request for Proposals (RFPs) for programs that award funds on a competitive basis, which occur annually or biennially

Because we have over 30 programs, it will take at least a few years to fully reorient all our programs to our new approach, but we will start the process in 2020.

CHAPTER 2: RESOURCES FOR OUR WORK

For the two-year period of 2020-21, we have a $3 billion program investment plan, our largest ever. We estimate that we will deploy roughly $1.5 billion and serve nearly 73,000 households each of the two years. Nine years ago, our annual investment plan was $700 million.

OVERVIEW OF OUR PROGRAM INVESTMENT PLAN

We provide a wide continuum of tools for financing affordable housing and related services, ranging from grants for homelessness prevention and rental assistance to mortgages for home purchase and improvements. As shown in Table 2, three programs account for a majority of the 2020-21 program investment plan.

- **Home Mortgage Loans** (line 1) will provide about $2 billion in mortgage loans and support an estimated 5,130 homebuyers in each year of the two years.
- **Rental Assistance Contract Administration** (line 18) will provide about $374 million of federal project-based rental assistance to annually support about 30,000 of the state's lowest income households. With this assistance, households generally spend no more than 30% of their income on rent and utilities.
- **Low-Income Housing Tax Credits** (line 10) is our primary program for developing and rehabilitating affordable rental housing. The $23 million of 9% credits that we expect to receive from the federal government will generate an estimated $200 million in private equity and leverage other financial resources to construct or rehabilitate roughly 650 units of affordable rental housing in each of the next two years.

We will also reserve portions of our tax-exempt private activity bond allocation for additional multifamily projects to generate private equity from 4% housing tax credits. Some of these projects also utilize our deferred loan resources, so the units produced by these projects are already included in our overall unit count for 2020 and 2021.

4% TAX CREDITS

While not in our program investment plan, we award 4% credits to rental housing developments that are financed with tax-exempt private activity bonds, which are regulated by Internal Revenue Service and can be used by states for a variety of purposes.

Unlike 9% credits, awards of 4% credits are not directly capped, but there are statewide volume limitations on the use of tax-exempt private activity bonds for housing. On a yearly basis, the use of 4% credits can generate a significant amount of private equity for affordable housing.

Table 2 also shows, by program, the median incomes of the low- and moderate-income households that we served in 2018, which ranged from $8,600 to $74,000. The statewide HUD median family income in 2018 was $84,200.

Program	Median Income
Rental assistance programs (lines 18-22)	$8,700 to $12,400
Rehabilitation Loan Program (line 7)	$14,658
Low-Income Housing Tax Credits (line 10)	$20,800
Single-Family Economic Development and Housing/Challenge (line 25)	$41,600
Home Mortgage Loans (line 1)	$55,598
Home Improvement Loan Program (line 6)	$70,200

TABLE 2: OVERVIEW OF 2020-21 PROGRAM INVESTMENT PLAN

		2020-21 Anticipated Resource Deployment	2017-18 Actual Disbursement of Funds	Activity	Median Income Served (2018)	Percentage Served from Communities of Color (2018)
	Homebuyer Financing and Home Refinancing	**$2,115,770,000**	**$1,528,488,727**			
1	Home Mortgage Loans	$2,000,000,000	$1,462,051,777	First Mortgage	$55,598	33.5%
2	Deferred Payment Loans	$71,770,000	$41,323,450	Downpayment and Closing Cost Loans	$49,635	36.1%
3	Monthly Payment Loans	$44,000,000	$25,113,500	Downpayment and Closing Cost Loans	$74,040	29.4%
	Homebuyer/Owner Education and Counseling	**$6,064,000**	**$5,622,994**			
4	Homebuyer Education, Counseling & Training (HECAT)	$3,064,000	$3,342,350	Education & Counseling	$37,200	52.5%
5	Enhanced Homeownership Capacity Initiative	$3,000,000	$2,280,644	Education & Counseling	$36,000	84.9%
	Home Improvement Lending	**$61,544,000**	**$36,366,755**			
6	Home Improvement Loan Program	$42,000,000	$24,377,125	Home Improvement Loan	$70,200	9.4%
7	Rehabilitation Loan Program (RLP)	$19,544,000	$11,989,630	Home Improvement Loan	$14,658	3.8%
	Rental Production - New Construction and Rehabilitation	**$272,432,000**	**$123,534,940**			
8	Multifamily First Mortgages	$150,000,000	$56,442,250	Amortizing Loan	$24,544	54.7%
9	Flexible Financing for Capital Costs (FFCC)	$12,000,000	$6,211,740	Deferred Loan	See First Mortgage	See First Mortgage
10	Low-Income Housing Tax Credits (LIHTC)	$23,205,000	$19,144,880	Investment Tax Credit	$20,800	45.7%
11	National Housing Trust Fund	$6,558,000	$2,700,000	Deferred Loans and Operating Grants	N/A	N/A
12	HOME	$20,497,000	$11,659,506	Deferred Loan	$12,222	57
13	Preservation - Affordable Rental Investment Fund (PARIF)	$28,436,000	$16,756,022	Primarily Deferred Loan	$14,328	42.9%
14	Asset Management	$6,000,000	$1,019,328	Loans & Grants	N/A	N/A
15	Rental Rehabilitation Deferred Loan Pilot (RRDL)	$17,986,000	$2,339,846	Deferred Loan	$16,391	17.4%
16	Publicly Owned Housing Program (POHP) - GO Bonds	$1,750,000	$7,261,368	Deferred Loan	$10,680	24.3%
17	Workforce Housing Development	$6,000,000	$0	Deferred Loans and Grants	N/A	N/A
	Rental Assistance Contract Administration	**$374,000,000**	**$373,435,203**			
18	Section 8 - Project-Based Rental Assistance	$374,000,000	$373,435,203	Rent Assistance	$12,443	36.8%
	Housing Stability for Populations Needing Extra Support	**$63,014,000**	**$51,630,849**			
19	Housing Trust Fund (HTF)	$27,292,000	$25,565,226	Rent Assistance and Operating Support	$9,712	61.7%
20	Homework Starts with Home	$3,500,000	$0	Rent Assistance and Other Supports	N/A	N/A

		2020-21 Anticipated Resource Deployment	2017-18 Actual Disbursement of Funds	Activity	Median Income Served (2018)	Percentage Served from Communities of Color (2018)
21	Bridges	$9,176,000	$8,522,026	Rent Assistance	$9,949	29.6%
22	Section 811 Supportive Housing Program	$1,560,000	$963,914	Rent Assistance	$8,709	50.0%
23	Family Homeless Prevention and Assistance Program (FHPAP)	$21,038,000	$16,269,408	Grants	$11,628	60.8%
24	Housing Opportunities for Persons with AIDS (HOPWA)	$448,000	$310,275	Grants	$20,127	50.0%
	Multiple Use Resources	**$182,140,000**	**$66,429,318**			
25	Economic Development and Housing/ Challenge (EDHC)	$42,850,000	$32,550,541	Loans and Grants	MF: $20,387 SF: $41,600	MF: 71.6% SF: 57.6%
26	Single Family Interim Lending	$2,500,000	$1,105,354	Construction Loan	$48,245	44.4%
27	Housing Infrastructure Bonds (HIB)	$130,000,000	$29,255,242	Primarily Deferred Loans	MF: $8,645 SF: $41,978	MF: 49.2% SF: 75.0%
28	Workforce Affordable Homeownership Program	$500,000	$0	Loans and Grants	N/A	N/A
29	Manufactured Home Communities	$2,000,000	$0	Grants and Loans	N/A	N/A
30	Technical Assistance and Operating Support	$4,290,000	$3,518,181	Grants	N/A	N/A
	Total	**$3,074,964,000**	**$2,185,508,786**			

For context, Table 2 also provides the funding that we actually disbursed in 2017 and 2018, which are the two most recently completed years. The biggest increases are in five areas.

We expect Home Mortgage lending to be over $500 million higher in 2020-21 than in 2017-18 (line 1). Over the last several years, our mortgage lending has steadily increased even with rising home prices, a declining inventory of homes for sale that are affordable to our borrowers, and regulatory changes. Through program adjustments, effective implementation and outreach, and continued low interest rates, we have significantly increased our lending.

We are forecasting nearly $50 million more in annual down-payment and closing-cost lending (lines 2 and 3). The increase supports a higher volume of home mortgage lending and reflects higher home prices. Down-payment and closing-cost loans are a key part of our strategy for increasing lending to households of color and indigenous communities. For example, in 2018, 66% of our Deferred Payment Plus Loans went to households of color and indigenous communities.

Our forecast for Home Improvement lending is $25 million higher (lines 6-7). In 2018, we streamlined and simplified these programs making it easier for our lending partners to administer them and made the loans more beneficial for our borrowers. Our lending has increased since then.

We expect Multifamily First Mortgage lending to be nearly $100 million higher (line 8). Through our business development activity, we have significantly increased lending in the last year, which we expect to continue.

For 2020-21, we expect to have about $100 million more in Housing Infrastructure Bond (HIB) resources than we disbursed in 2017-18 (line 27). In the last two legislative sessions, we received significant HIB resources, along with additional eligible uses of the funds. For example, we can now finance senior housing with HIBs.

We also have four new programs added in the last couple of years:

- Workforce Housing Development (line 17)
- Homework Starts with Home (Line 20)
- Workforce Affordable Homeownership Program (Line 28)
- Manufactured Home Communities (Line 29)

ANNUAL HOUSEHOLD AND UNIT PROJECTIONS

As show in Table 3, we expect to assist nearly 73,000 households in each of the next two years.

TABLE 3: 2020-21 FORECAST OF HOUSEHOLDS OR HOUSING UNITS ANNUALLY ASSISTED, BY PROGRAM

	Program	Households or Units
Homebuyer Financing and Home Refinancing		**5,130**
1	Home Mortgage Loans	5,130
2	Deferred Payment Loans	Included in First Mortgage Count
3	Monthly Payment Loans	
Homebuyer/Owner Education & Counseling		**23,140**
4	Homebuyer Education, Counseling & Training (HECAT)	21,890
5	Enhanced Homeownership Capacity Initiative	1,250
Home Improvement Lending		**1,410**
6	Home Improvement Loan Program	1,050
7	Rehabilitation Loan Program (RLP)	360
Rental Production- New Construction and Rehabilitation		**3,210**
8	Multifamily RFP/HTC/Pipeline Production	2,180
9	Multifamily First Mortgage - Low and Moderate Income Rental (LMIR)	Part of RFP/HTC/ Pipeline Total
10	Flexible Financing for Capital Costs (FFCC)	
11	Multifamily Flexible Capital Account	
12	Low-Income Housing Tax Credits (LIHTC)	
13	National Housing Trust Fund	
14	Housing Infrastructure Bonds (HIB) - Multifamily RFP	
15	Economic Development and Housing/ Challenge (EDHC)	
16	HOME	
17	Preservation - Affordable Rental Investment Fund (PARIF)	
18	Asset Management	200
19	Rental Rehabilitation Deferred Loan (RRDL)	600
20	Publicly Owned Housing Program (POHP)	110
21	Workforce Housing Development	120
Rental Assistance Contract Administration		**29,220**
22	Section 8 - Project-Based Rent Assistance	29,220
Housing Stability for Populations Needing Extra Support		**10,090**
23	Housing Trust Fund (HTF)	2,580
24	Homework Starts with Home	220
25	Bridges	710
26	Section 811 Supportive Housing Program	150
27	Family Homeless Prevention and Assistance Program (FHPAP)	6,190
28	Housing Opportunities for Persons with AIDS (HOPWA)	240
Multiple Use Resources		**555**
29	EDHC - Single Family RFP (Impact Fund)	450
30	Single Family Interim Lending	Part of EDHC RFP
31	Housing Infrastructure Bonds (HIB) - Community Land Trusts	Part of EDHC RFP
32	Workforce Affordable Homeownership Program	5
33	Manufactured Home Communities	100
Total		**72,755**

HOMEBUYER FINANCING AND REFINANCING

FIGURE 10: HOUSEHOLDS/HOMES ASSISTED – HOME MORTGAGE LOANS

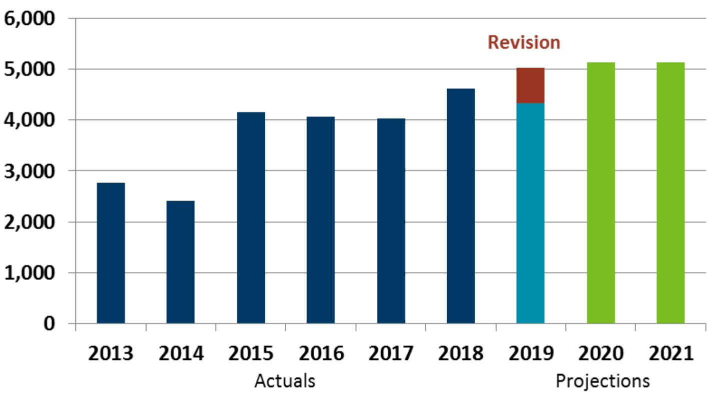
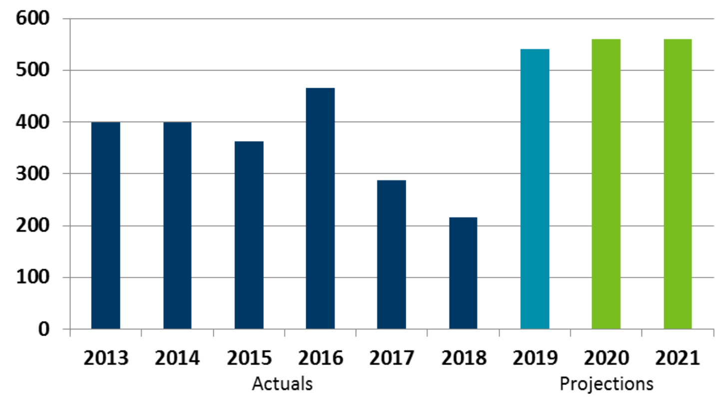


Figure 10 shows our historical home mortgage lending, which was around 2,500 mortgages in 2013 and 2014. It then took off in 2015, reaching 4,000 mortgages in 2015 through 2018, and about 5,000 since then. Despite a tight supply of homes and regulatory changes, we have increased our lending. In the graph, the dark blue bars show actual activity, the light blue bar is our estimate under the 2019 AHP, and the green bars are our annual projections under the 2020-21 AHP.

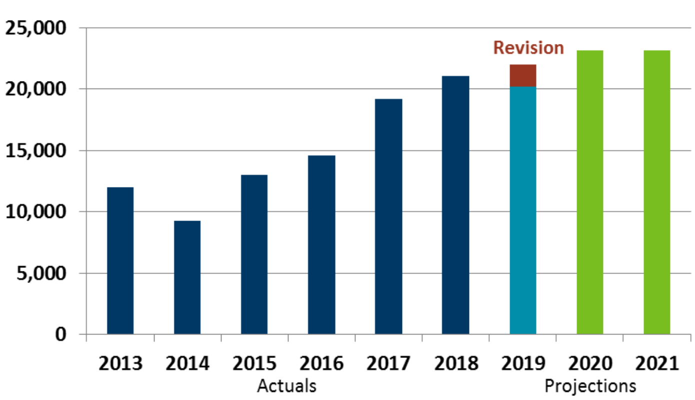
FIGURE 11: HOUSEHOLDS/HOMES ASSISTED – OTHER HOMEOWNERSHIP OPPORTUNITIES



In each of the next two years, we expect to serve about 560 households under "other homeownership opportunities", which is slightly higher than the 400 households we have typically served. In 2020, we are adding two new programs – the Workforce Affordable Homeownership Program and Manufactured Home Communities. (Figure 11 includes the single-family portion of the Economic Development and Housing/Challenge program, Housing Infrastructure Bond proceeds going to community land trusts, Single Family Interim Lending, Workforce Affordable Homeownership Program, and Manufactured Home Communities.)

HOMEBUYER/OWNER EDUCATION, COUNSELING, AND COACHING

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

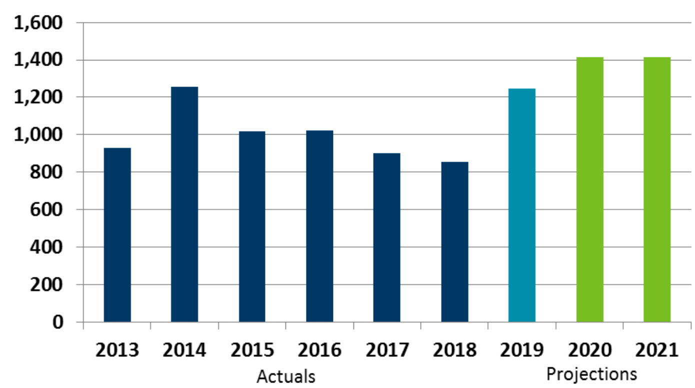


As shown in Figure 12, education and counseling declined in 2013 and 2014, reflecting less need for foreclosure prevention counseling. The need for homebuyer education continues and has increased since 2014. The addition of the Homeownership Center's online course called Framework, which is an alternative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

HOME IMPROVEMENT LENDING

Home improvement production (Figure 13) has struggled in the recent past with the availability of home equity lines of credit and cash from mortgage refinancing limiting demand for our installment loans. With recent changes to the program that made it more desirable for borrowers and easier to administer, our lending volume has start to significantly increase. (Figure 14 includes both the Home Improvement Loan Program and the Rehabilitation Loan Program.)

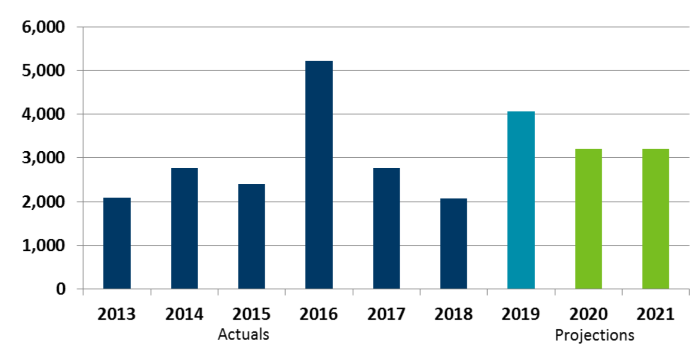
FIGURE 13: HOUSEHOLDS/HOMES ASSISTED – HOME IMPROVEMENT PROGRAMS



RENTAL PRODUCTION

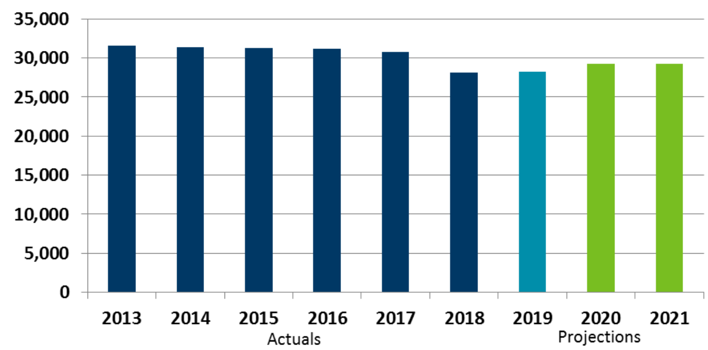
In a typical year, rental unit production (new constructions and rehabilitation) varies between 2,000 and 3,000 units; however, it jumped to 4,000 in 2019 with the availability of significant Housing Infrastructure Bond (HIB) and General Obligation (GO) bond resources. Based on current federal and state resources, we expect production to drop slightly to the 3,000 and 4,000 range in 2020 and 2021. In the 2019 legislative session, we received $60 million in HIB resources, but no GO bond resources for public housing rehabilitation. Ten million dollars in GO bond resources would typically support the rehabilitation of roughly 1,000 units. Production in 2016 was particularly high with the completion of developments that received a large round of bond proceeds ($100 million). (Figure 14 captures all the programs in the rental production area and the multifamily portion of the Economic Development and Housing/ Challenge and Housing Infrastructure Bond programs.)

FIGURE 14: UNITS ASSISTED - RENTAL PRODUCTION



RENT ASSISTANCE CONTACT ADMINISTRATION

FIGURE 15: HOUSEHOLDS ASSISTED – RENTAL ASSISTANCE CONTRACT ADMINISTRATION



Activity in Section 8 contract administration has been very steady (Figure 15). These are ongoing contracts that we administer, and the number of households served does not vary significantly from year to year. The number dropped slightly in recent years and is now coming back up. Due to federal budget uncertainties, HUD decided to take over the administration of 24 Section 8 properties, but we have since regained the administration of those contracts. The households in these 24 properties continued to receive Section 8 assistance, but we did not administer it for a period. With the last Section 236 mortgages maturing in 2017, that program closed out. It became a small program in recent years as it wound down.

HOUSING STABILITY FOR POPULATIONS NEEDING EXTRA SUPPORTS

In 2016, the availability of state-funded rental assistance and operating subsidies increased (Figure 16). In the 2016-17 biennium, we have received an additional $2.5 million for the Bridges program (rental assistance for people with very low incomes and a serious mental illness). We have also increased activity under Housing Trust Fund rental assistance, with most of the new activity focused on pilot programs that test new approaches. One of the pilots (Homework Starts with Home) just became an ongoing and standalone program. Finally, we have added the Section 811 program that serves people with disabilities. As shown in Figure 16, overall activity declined modestly in 2019 with the Minnesota Department of Human Services taking over the administration of some operating subsidies in supportive housing developments that we had previously administered for them. (Figure 16 includes the four rental assistance programs and Housing Trust Fund operating subsidies.)

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

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

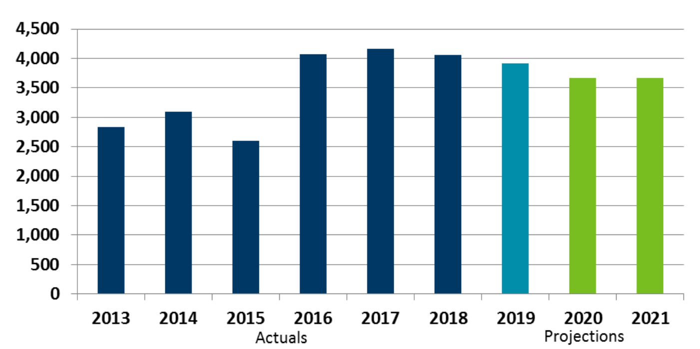
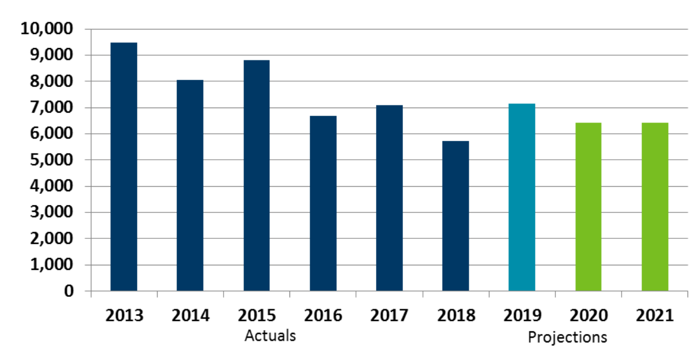


FIGURE 17: HOUSEHOLDS ASSISTED – TARGETED ASSISTANCE – FHPAP AND HOPWA

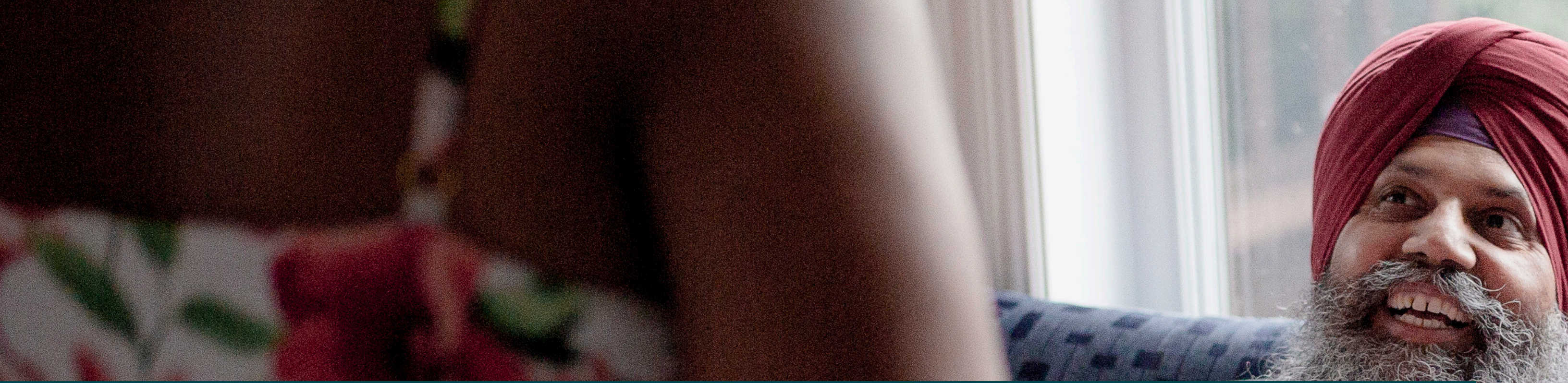


ENDNOTES

1 Minnesota Housing Analysis of data from the U.S. Census Bureau, American Community Survey (1-Year Sample, 2018). Lower-income is defined as less than $50,000 of annual income.

2 Minnesota Housing Analysis of data from the U.S. Census Bureau, American Community Survey (1-Year Sample, 2018).

3 Minnesota Housing Analysis of data from the U.S. Census Bureau, American Community Survey (1-Year Sample, 2017), and HUD's 2018 Point-in-Time count of the homeless population.



APPENDIX A-1: OVERVIEW OF FUNDING SOURCES

Our strong balance sheet and financial resources are a key strength. This Appendix describes each of our funding sources and outlines how we will use them in 2020 and 2021. Table 1 shows estimates of our planned program investments by funding source. Appendix A-2 is a crosswalk that shows how we will allocate resources from each source to each program.

TABLE 1: 2020-21 ESTIMATED PROGRAM INVESTMENTS BY FUNDING SOURCE

Program Category	2020-2021 AHP
Federal Resources	$428,268,000
State Appropriated Resources	$180,446,000
Mortgage Capital from Bond or Agency Resources (including Pool 2)	$2,370,250,000
Housing Affordability Fund (Pool 3)	$96,000,000
Total	**$3,074,964,000**

FUNDING SOURCE DESCRIPTIONS

Federal Resources: There are various types of federal resources, including appropriations to the U.S. Department of Housing and Urban Development (HUD) that are made available to Minnesota Housing and Low-Income Housing Tax Credits from the Internal Revenue Service (IRS). For planning purposes, we generally assume that 2020 and 2021 HUD appropriations will remain at 2019 levels, which is subject to change. The amount of federal housing tax credits is based on a per capita formula.

State Appropriated Resources: The amount of funding is based on the 2020-21 general fund budget adopted by the 2019 Minnesota Legislature. Unused funds from previous year appropriations and repayments of loans are also sources of funding.

Bond Resources and Other Mortgage Capital

- **State Capital Investments:** These funds have traditionally come from the state capital budget (bonding bill) and include General Obligation (GO) Bond and Housing Infrastructure Bond (HIB) proceeds. However, HIBs can be funded through the regular appropriations process, which occurred for the most recent funding.
- **Agency Bond Proceeds and Other Mortgage Capital:** Bond proceeds are generated by the issuance of tax-exempt, taxable, and recycled bonds. Certain tax-exempt bonding activity is limited statewide by IRS rules, which cap the amount of new issuance, making it a scarce resource. We can also sell mortgage-backed securities backed by loans originated under our program on the secondary market.

Agency Resources: We generate earnings from our lending and investment activities and reinvest them in wide variety of housing programs. Agency resources are currently categorized as follows:

- **Housing Investment Fund (Pool 2):** Most of our investment-earning assets are carried in the Housing Investment Fund, and most assets in Pool 2 produce revenue that supports our operations and programs. We can transfer Pool 2 earnings to Pool 3 only to the extent that we project that our aggregate net position will satisfy our Board policy and rating agency stress tests. The earning assets that use Pool 2 funds are required to be of investment grade quality. Accordingly, the planned allocation of Pool 2 funds in a given AHP is primarily determined by the expected market opportunities that meet those loan and investment quality considerations and the projected earnings and net asset requirements for the future.
- **Housing Affordability Fund (Pool 3):** Pool 3 resources come from: (1) transfers from Pool 2 that capture a portion of the Agency's earnings, and (2) repayments or prepayments from loans previously funded under Pool 3. Because Pool 3 has no earnings requirements, it is more flexible than Pool 2 and can be used for deferred loans and grants. However, Pool 3 is a more limited resource than Pool 2 because it is dependent on the transfer of earnings from Pool 2.

OUR STRONG FINANCIAL RESOURCES
ARE A KEY STRENGTH
AND HELP US SERVE MORE PEOPLE.

APPENDIX A-2: PROGRAM FUNDING BY SOURCE

		2020-21 Total	Federal Resources	State Appropriations	Mortgage Capital from Bond or Agency Resources	Housing Affordability Fund (Pool 3)
	Homebuyer Financing and Home Refinancing	**$2,115,770,000**	**$0**	**$6,770,000**	**$2,044,000,000**	**$65,000,000**
1	Home Mortgage Loans	$2,000,000,000	$0	$0	$2,000,000,000	$0
2	Deferred Payment Loans	$71,770,000	$0	$6,770,000	$0	$65,000,000
3	Monthly Payment Loans	$44,000,000	$0	$0	$44,000,000	$0
	Homebuyer/Owner Education and Counseling	**$6,064,000**	**$0**	**$4,064,000**	**$0**	**$2,000,000**
4	Homebuyer Education, Counseling & Training (HECAT)	$3,064,000	$0	$3,064,000	$0	$0
5	Enhanced Homeownership Capacity Initiative	$3,000,000	$0	$1,000,000	$0	$2,000,000
	Home Improvement Lending	**$61,544,000**	**$0**	**$7,544,000**	**$42,000,000**	**$12,000,000**
6	Home Improvement Loan Program	$42,000,000	$0	$0	$42,000,000	$0
7	Rehabilitation Loan Program (RLP)	$19,544,000	$0	$7,544,000	$0	$12,000,000
	Rental Production - New Construction and Rehabilitation	**$272,432,000**	**$52,260,000**	**$52,422,000**	**$151,750,000**	**$16,000,000**
8	Multifamily First Mortgage	$150,000,000	$0	$0	$150,000,000	$0
9	Flexible Financing for Capital Costs (FFCC)	$12,000,000	$0	$0	$0	$12,000,000
10	Low-Income Housing Tax Credits (LIHTC)	$23,205,000	$23,205,000	$0	$0	$0
11	National Housing Trust Fund	$6,558,000	$6,558,000	$0	$0	$0
12	HOME	$20,497,000	$20,497,000	$0	$0	$0

		2020-21 Total	Federal Resources	State Appropriations	Mortgage Capital from Bond or Agency Resources	Housing Affordability Fund (Pool 3)
13	Preservation Affordable Rental Investment Fund (PARIF)	$28,436,000	$0	$28,436,000	$0	$0
14	Asset Management	$6,000,000	$2,000,000	$0	$0	$4,000,000
15	Rental Rehabilitation Deferred Loan (RRDL)	$17,986,000	$0	$17,986,000	$0	$0
16	Publicly Owned Housing Program (POHP)	$1,750,000	$0	$0	$1,750,000	$0
17	Workforce Housing Development	$6,000,000	$0	$6,000,000	$0	$0
	Rental Assistance Contract Administration	**$374,000,000**	**$374,000,000**	**$0**	**$0**	**$0**
18	Section 8 - Project-Based Rental Assistance		$374,000,000	$0	$0	$0
	Housing Stability for Populations Needing Extra Support	**$63,014,000**	**$2,008,000**	**$61,006,000**	**$0**	**$0**
19	Housing Trust Fund (HTF)	$27,292,000	$0	$27,292,000	$0	$0
20	Homework Starts with Home	$3,500,000	$0	$3,500,000	$0	$0
21	Bridges	$9,176,000	$0	$9,176,000	$0	$0
22	Section 811 Supportive Housing Program	$1,560,000	$1,560,000	$0	$0	$0
23	Family Homeless Pre-vention and Assistance Program (FHPAP)	$21,038,000	$0	$21,038,000	$0	$0
24	Housing Opportunities for Persons with AIDS (HOPWA)	$448,000	$448,000	$0	$0	$0
	Multiple Use Resources	**$182,140,000**	**$0**	**$48,640,000**	**$132,500,000**	**$1,000,000**
25	Economic Development and Housing/Challenge (EDHC)	$42,850,000	$0	$42,850,000	$0	$0
26	Single Family Interim Lending	$2,500,000	$0	$0	$2,500,000	$0
27	Housing Infrastructure Bonds	$130,000,000	$0	$0	$130,000,000	$0
28	Workforce Affordable Homeownership Program	$500,000	$0	$500,000	$0	$0
29	Manufactured Home Communities	$2,000,000	$0	$2,000,000	$0	$0
30	Technical Assistance and Operating Support	$4,290,000	$0	$3,290,000	$0	$1,000,000
	AHP Total	**$3,074,964,000**	**$428,268,000**	**$180,446,000**	**$2,370,250,000**	**$96,000,000**

APPENDIX B: PROGRAM DESCRIPTIONS

HOUSING STABILITY FOR POPULATIONS NEEDING EXTRA SUPPORT

MULTIPLE USE RESOURCES

OTHER

NOTES ON READING THE PROGRAM DESCRIPTIONS:

- “Housing Investment Fund” and “Pool 2” refer to the same resource, which is described in Appendix A.
- “Housing Affordability Fund” and “Pool 3” refer to the same resource, which is described in Appendix A.
- The sum of the projections for the number of housing units or households assisted by individual programs during the plan period exceed the total number of households projected to be served across all programs. This occurs because some households or housing units will receive assistance from multiple programs to achieve needed affordability levels.
- The projections for the number of households or units assisted generally are based on the average assistance per household or unit for the last five years, by program, adjusted for inflation and program trends and changes.
- The funding levels described in the narratives are estimates of the amounts we expect to deploy in 2020-2021. The number of households the Agency expects to serve with each funding source is an estimate, and the final numbers will depend on actual expenditures and will be reported in the annual Program Assessment Report.
- “Program” is used broadly throughout the Affordable Housing Plan to refer to Minnesota Housing programs, initiatives, and activities.

HOMEBUYER FINANCING AND HOME REFINANCING

HOME MORTGAGE LOANS

We offer two home mortgage programs – Start Up serving first-time home buyers and Step Up for borrowers who do not qualify for Start Up. Step Up offers both purchase and refinance options. Under the programs, participating lenders originate fully-amortizing first mortgages throughout the state. To support home mortgage borrowers, we also offer downpayment and closing-cost loans structured to meet the needs of low- and moderate-income homeowners. To promote successful homeownership, our home mortgage programs also require at least one borrower in a first time homebuyer household to complete homebuyer education.

In our current business model for homeownership, we access capital to finance the purchase of mortgage-backed securities containing our program mortgages primarily by selling bonds in the municipal bond market. Program mortgages not eligible for bond sales are sold on the secondary market.

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

Current household income limits for Start Up:

Property Location	Maximum Household Income	
	1-2 person	3 or more
Minneapolis/Saint Paul Metro Area (11-county)	$100,000	$115,000
Dodge & Olmstead Counties	$93,800	$107,800
All Other Counties	$88,600	$101,800

Current income limits for Step Up:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$149,500
Dodge & Olmstead Counties	$149,500
All Other Counties	$132,500

Purchase price limits:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$330,100
All Other Counties	$283,300

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 4,622 loans
- $800,803,963 total loan amount
- $173,259 average loan
- A median household income of $55,148 or 66% of the statewide median income
- 34% of households were of color or from indigenous communities

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

Expected Activity for 2020-2021

Expected 2020-2021 funding is $2,000,000,000.

We expect production in 2020 and 2021 to be similar to 2019, with the potential to grow to $1 billion in net first mortgage loans by 2021. Industry changes or changes in market conditions could affect production.

Based on resources available for new activity, we expect to finance mortgages for about 5,130 households each of the two years. Reducing the homeownership disparity for households of color and indigenous communities will continue to be a priority.

DEFERRED PAYMENT LOANS

We offer two downpayment and closing-cost loans—Deferred Payment Loans (DPLs) and Monthly Payment Loans (MPLs)—that support homeowners receiving Start Up and Step Up first mortgage loans. For the past two years, approximately 97% of our borrowers have received one of these downpayment and closing-cost loans.

The Deferred Payment Loan provides an interest-free, deferred loan for downpayment and closing costs to income-eligible first-time homebuyers purchasing a home under the Start Up program. Borrowers that receive DPL lack the necessary funds for standard mortgage downpayment and closing costs. The maximum loan amount is $10,000. The program serves lower income households than the amortizing Monthly Payment Loan and is funded through a combination of state appropriations and Pool 3 funds.

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

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

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$72,000
Dodge & Olmstead Counties	$72,000
All Other Counties	$64,000

Current purchase price limits are:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$330,100
All Other Counties	$283,300

Current purchase price limits match the Start Up program purchase price limits.

Program Performance and Trends

The availability of DPL is a driver of overall home mortgage production, particularly among lower-income and more targeted borrowers. DPL has been our most effective tool for serving households of color and indigenous communities.

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 3,021 loans
- $23,786,550 total loan amount
- $7,874 average loan
- A median household income of $49,635 or 59% of the statewide median income
- 36% of households were of color or from indigenous communities

Expected Activity for 2020-2021

Expected 2020-2021 funding is $71,770,000.

If home mortgage demand remains very strong, additional resources may be needed to support DPL, or we will have to make program changes.

Based on resources available for new activity, we expect to support 3,260 households each of the two years.

MONTHLY PAYMENT LOANS

Monthly Payment Loans (MPLs) are interest-bearing, amortizing loans that provide downpayment and closing-cost funds. MPLs support our Start Up and Step Up home mortgage loan programs. Borrowers who qualify for MPLs receive up to $15,000. MPLs use Pool 2 resources and have a 10-year term with an interest rate equal to that of the first mortgage.

To ensure that funds support successful homeownership, MPL requires borrowers to contribute a minimum cash investment of the lesser of one percent of the purchase price or $1,000 and have a credit score of at least 640.

Current household income limits for Start Up:

Property Location	Maximum Household Income	
	1-2 person	3 or more
Minneapolis/Saint Paul Metro Area (11-county)	$100,000	$115,000
Dodge & Olmstead Counties	$93,800	$107,800
All Other Counties	$88,600	$101,800

Current income limits for Step Up:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$149,500
Dodge & Olmstead Counties	$149,500
All Other Counties	$132,500

Current purchase price limits are:

Property Location	Maximum
Minneapolis/Saint Paul Metro Area (11-county)	$330,100
All Other Counties	$283,300

Program Performance and Trends

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

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 1,454 loans
- $13,939,200 total loan amount
- $9,587 average loan
- A median household income of $74,040 or 88% of the statewide median income
- 29% of households were of color or from indigenous communities

Expected Activity for 2020-2021

Expected 2020-2021 funding is $44,000,000.

We anticipate approximately 30% of overall home mortgage production will involve MPL. MPL production is subject to overall home mortgage production trends, the interest rate environment, the overall percentage of our borrowers who need a downpayment and closing-cost loan, and program design. Given that MPL is available with both home mortgage options, the demand for MPL depends upon the demand for first mortgage loans.

Based on resources available for new activity, we expect to fund loans for 1,760 households each of the two years.

HOMEBUYER/OWNER EDUCATION AND COUNSELING

HOMEOWNERSHIP EDUCATION, COUNSELING & TRAINING (HECAT) FUND

The Homeownership Education, Counseling and Training (HECAT) Fund supports comprehensive pre-purchase services, including: in-person homeownership education (Home Stretch and Realizing the American Dream), homeownership services (financial wellness and homebuyer counseling), home equity conversion (reverse mortgage) counseling, and foreclosure prevention counseling. Besides the state appropriation, Family Housing Fund, Greater Minnesota Housing Fund and the Minnesota Homeownership Center have annually contributed a total of $550,000 to the program. We award the funds through a competitive annual Request for Proposals (RFP) process. The online homeownership education course, Framework, is an alternate option for homeownership education and is not funded through HECAT.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 7,911 households served through the traditional HECAT program and an additional 12,135 households through Framework
- $1,591,500 total funding
- $182 average Minnesota Housing assistance per household
- A median household income of $37,200 or 44% of the statewide median income
- 53% of households were of color or from indigenous communities

Expected Activity for 2020-2021

Expected 2020-2021 funding is $3,064,000.

Based on resources available for new activity, the program will assist 21,890 households each of the two years (including online Framework training).

ENHANCED HOMEOWNERSHIP CAPACITY INITIATIVE

Households of color are an increasing share of the state's population, yet Minnesota's homeownership disparity (the homeownership rate differential between white/non-Hispanic households and households of color) is the fourth-highest in the nation. These households often struggle to access the mortgage market.

The Homeownership Capacity program is funded with Pool 3 resources and provides intensive financial education, coaching, and case management services to prepare families for sustainable homeownership. It serves a range of households but has targeted efforts to reach households of color and low-to-moderate income households to increase their probability of successful homeownership. In the most recent round of funding, fifteen organizations will provide services–eight in the Twin Cities metro, four in Greater Minnesota, two in both areas, and one statewide.

Program Performance and Trends

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

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 997 households served
- $1,172,140 total grant amount
- $1,176 average Minnesota Housing funding per household
- A median household income of $36,000 or 43% of the statewide median income
- 85% of households were of color or from indigenous communities

Expected Activity for 2020-2021

Expected 2020-2021 funding is $3,000,000.

Based on the resources available for new activity, we anticipate serving approximately 1,250 households each of the two years.

HOME IMPROVEMENT LENDING

HOME IMPROVEMENT LOAN PROGRAM

The Home Improvement Loan Program (including Fix Up and Community Fix Up Loans) uses Pool 2 resource to provide fully-amortizing home improvement loans to low- and moderate-income homeowners to improve the livability and energy efficiency of their homes. The Community Fix Up component is an add-on for eligible Fix Up lending partners and provides affordable financing to support community partnerships that target resources. Lending partners working with Community Fix Up are able to offer a slightly lower interest rate compared to the regular Fix Up Loan Program. Fix Up and Community Fix Up loans are key tools for addressing the state's aging housing stock.

The program serves a broad range of incomes and promotes economic diversity in lending. With higher loan-to-value limits than traditional loan products and an unsecured loan option, borrowers are able to improve and preserve their homes when other financing options may not be available to them.

Property Location	Income Limit
Minneapolis/Saint Paul Metro Area (11-county)	$149,500
Dodge & Olmstead Counties	$149,500
All Other Counties	$132,500

(No Income limit for unsecured energy incentive and secured energy/accessibility loans.)

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

Program Performance and Trends

For the Program Assessment period of October 1, 2017 —September 30, 2018, we reported:
- 617 loans
- $11,887,522 total loan amount
- $19,267 average loan
- A median household income of $70,200 or 83% of the statewide median income
- 9% of households were of color or from indigenous communities

Changes to the program were implemented in July 2018. Since implementation, loan production has increased nearly 40%.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $42,000,000.

Program staff will conduct a program analysis each year to identify program changes to better serve Minnesotans across the state. Staff will continue to offer lender training and will focus on lender outreach and new lender onboarding to make the program more accessible throughout the state.

Based on current loan production trends and the resources available for new activity, we anticipate serving approximately 1,050 households each of the two years.

REHABILITATION LOAN PROGRAM (RLP)

The Rehabilitation Loan Program (RLP) provides zero-interest, deferred loans to extremely-low-income homeowners at or below 30% of area median income (AMI) to improve the safety, livability, or energy efficiency of their homes. The homes are rehabilitated to the greatest extent practicable to meet rehabilitation standards. Homeowners who need emergency assistance or have an essential accessibility need are referred to the Emergency & Accessibility Loan (ELP) component of the program.

A network of over 30 lender partners, such as community action agencies and local units of government, administer RLP/ELP throughout the state. The maximum loan term is 15 years for properties taxed as real property and 10 years for manufactured homes taxed as personal property and located in a manufactured home community. All loans are forgiven after the loan term if the borrower does not sell, transfer title, or cease to occupy the property during the loan term.

Current income limits are adjusted by household size, from $21,000 for a single person household to $30,000 for a four-person household. Other borrower assets cannot exceed $25,000.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 236 loans
- $5,348,625 total loan amount
- $22,664 average loan
- A median household income of $14,658 or 17% of statewide median income
- 4% of households were of color or from indigenous communities

Over the past year, staff completed two in-person lender trainings and conducted outreach to current and potential new lenders to address gaps in the program's coverage.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $19,544,000.

In 2020-2021, staff will improve service to manufactured home owners, including assessing the ability to incorporate manufactured home replacement into the program which would require a statutory change. Staff will also implement lender oversight that will include providing training and technical assistance to lenders to improve delivery of the program. Finally, program staff will conduct a gaps analysis to assess how the program has served households of color, indigenous communities, seniors, and households with a disabled member. Program staff will then prioritize outreach to ensure these households will be adequately served.

Based on resources available for the program, we expect to fund rehabilitation loans for approximately 360 households each of the two years.

RENTAL PRODUCTION - NEW CONSTRUCTION AND REHABILITATION

MULTIFAMILY FIRST MORTGAGES

We make available Multifamily First Mortgages through our Low and Moderate Income Rental (LMIR) program, using resources from Pool 2 and Agency bond proceeds. Direct loans are generally made under LMIR in combination with HUD's Risk Sharing Program.

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

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

Current tenant income restrictions: 40% of units must be occupied by households with incomes at 60% or less of the area median income; or 20% of units must be occupied by households with incomes at 50% or less of area median income; and 25% 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% of the area median income.

Program Performance and Trends

For the Program Assessment period of October 1, 2017– September 30, 2018, we reported:

- 13 loans for developments with 666 units
- $27,641,000 total loan amount
- $41,503 average LMIR assistance per unit
- A median household income of $24,544 or 29% of the statewide median income
- 55% of households were of color or from indigenous communities

Expected Activity for 2020-2021

Expected 2020-2021 funding is $150,000,000.

To broaden the benefit and flexibility of our first mortgage programs, we have improved the program to make it more beneficial to borrowers and began exploring ways to streamline our application and review processes. We have also developed a year-round funding approach to enhance the marketing and benefit of our mortgage products.

Based on resources available for the program for permanent first mortgages, we expect to finance 1,000 rental units in each of the two years.

FLEXIBLE FINANCING FOR CAPITAL COSTS (FFCC)

We provide Flexible Financing for Capital Costs (FFCC) deferred loans at low or no interest, using Pool 3 resources. FFCC is generally available only in conjunction with Agency-originated first mortgage loans for the refinance, acquisition, rehabilitation, new construction, or conversion of rental developments that house low- and moderate-income Minnesotans. Loans include both rent and income restrictions.

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

Current tenant income restrictions: 40% of units must be occupied by households with incomes at 60% or less of the area median income; or 20% of units must be occupied by households with incomes at 50% or less of area median income; and 25% 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% of the area median income.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 5 FFCC loans for developments with 217 units
- $1,741,978 total loan amount
- $8,028 average FFCC assistance per unit

Expected Activity for 2020-2021

Expected 2020-2021 funding is $12,000,000.

Based on resources available for the program for permanent first mortgages, we expect to finance 420 rental units in each of the two years.

LOW-INCOME HOUSING TAX CREDITS (LIHTC)

Low-Income Housing Tax Credits (LIHTCs) provide federal income tax credits to owners and investors in the construction or acquisition/substantial rehabilitation of eligible rental housing. The U. S. Department of Treasury's Internal Revenue Service (IRS) allocates 9% tax credits based upon state population and a per capita amount that increases each year with the cost of living. Syndication proceeds are the amounts of private equity invested in developments as a result of federal housing tax credits awarded and then sold to investors. The award of 9% LIHTCs to developments is a highly competitive process, with requests far exceeding available credits. Housing financed with 9% LIHTC must meet income and rent restrictions for a minimum of 30 years.

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

We award 9% tax credits in two rounds of a competitive allocation process held each year. Round 1 is held concurrent with our Request for Proposals, and a smaller Round 2 is traditionally held early in the next calendar year. We establish a waiting list of unfunded or partially funded applications at the conclusion of Round 2.

Section 42 of the Internal Revenue Code requires that tax credit allocating agencies develop an allocation plan for the distribution of the tax credits within the jurisdiction of the allocating agency. Our Qualified Allocation Plan (QAP) includes selection criteria and preferences required by Section 42 and deemed appropriate to local conditions and established by us based on input from the public, partners and stakeholders.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 1,018 LIHTC units receiving 9% tax credits
- $111,586,589 in syndication proceeds (investor equity from the sale of credits)
- $109,614 average syndication amount per unit
- A median household income of $20,800 or 25% of the statewide median income
- 46% of households were of color or from indigenous communities

Expected Activity for 2020-2021

It is expected that Minnesota Housing will allocate $23,205,000 in 9% tax credits in 2020-21, which should generate about $200,000,000 in syndication proceeds for the two years combined.

We expect to allocate tax credits to support 650 rental units in each of the two years.

NATIONAL HOUSING TRUST FUND (NHTF)

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

Current Rent Restrictions: Rents for an extremely low-income tenant shall not exceed affordability at 30% of the area median income (AMI). HUD will publish the NHTF rent limits on an annual basis.

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

Program Performance and Trends

For the Program Assessment period of October 1, 2017– September 30, 2018 we reported:
- 1 loan for development with 30 units
- $2,700,000 total loan amount
- $90,000 average NHTF assistance per unit

Expected Activity for 2020-2021

Expected 2020-2021 funding is $6,558,000.

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

Based on the available resources, funds are expected to support 40 units in each of the two years.

HOME

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

We allocate HOME funds through the annual Request for Proposals (RFP) process and on a year-round basis.

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

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

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

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:
- 2 loans for developments with 176 units
- $7,256,506 total loan amount
- $41,230 average HOME assistance per unit
- A median household income of $12,222 or 15% of the statewide median income
- 57% of households were of color or from indigenous communities

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.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $20,497,000.

In 2020-21, HOME funds will be used to support either new construction or rehabilitation needs. We anticipate financing about 140 rental units in each of the two years.

PRESERVATION AFFORDABLE RENTAL INVESTMENT FUND (PARIF)

PARIF provides loans to fund the preservation of: 1) permanent affordable rental housing with federal project-based rent subsidies that are in jeopardy of being lost, 2) existing supportive housing developments, and 3) the newly added use of Naturally Occurring Affordable Housing properties. Eligible activities under PARIF include rehabilitation, acquisition and rehabilitation, and debt restructuring.

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

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

Maximum assistance amount: None

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 4 loans for developments with 481 units
- $6,839,491 total loan amount
- $14,219 average PARIF assistance per unit
- A median household income of $14,328 or 17% of the statewide median income
- 43% of households were of color or from indigenous communities

This program is a critical tool in the long-term preservation of expiring project-based Section 8 contracts, properties with Rural Development rental assistance, and other project-based federally assisted housing.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $28,436,000.

We anticipate that approximately 100% of the funds will be awarded through the 2019 RFP. Any funds not awarded and any repayments received may be available on a year-round basis.

Based on resources available for new activity, we expect to fund 410 rental units in each of the two years.

ASSET MANAGEMENT

Under the Asset Management program, resources are available on a year-round basis to fund deferred maintenance, capital improvements, or acquisition or to buy out partners. Properties with Minnesota Housing financing are eligible, including those with existing affordability restrictions or rental assistance contracts administered by Minnesota Housing. Because we prioritize properties already in Minnesota Housing's portfolio, referrals primarily come from Minnesota Housing's asset management and compliance staff.

Under the Asset Management program, we can provide a range of loan types, including interest-bearing, non-interest bearing, amortizing, and/or deferred loans.

Owners receiving funds under this program must agree to extend affordability restrictions to be coterminous with the new loan.

Funding for Asset Management comes from two sources: (1) Financing Adjustment Factor (FAF)/Financing Adjustment (FA), and (2) Pool 3. FAF/FA are federal funds and come from a financing agreement between the U.S. Department of Housing and Urban Development (HUD) and Minnesota Housing.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we provided $1,019,328 in asset management assistance for 236 units in 3 developments.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $6,000,000.

Based on resources available for new activity, we expect to fund about 200 rental units in each of the two years.

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 permanent rental housing throughout Greater Minnesota. The program is funded with state appropriations and designed to serve owners of smaller federally-assisted properties or naturally affordable properties that do not apply or would not be competitive in our regular Consolidated Request for Proposals process.

RRDL funds are available on a year round basis and through targeted RRDL Request for Proposals. Owners may apply directly to Minnesota Housing for RRDL funds. Loan terms range from 10 to 30 years depending on the loan amount. Properties containing eight or more units may apply for loans where 10% of the loan amount is forgiven after the loan term has been met.

Current tenant income limit: 80% of the greater of the statewide or area median income (AMI) for a family of four, not adjusted for family size.

Maximum loan amount: $35,000 per unit up to a maximum loan of $500,000.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 13 loans for developments with 167 units
- $1,765,329 total loan amount
- $10,571 average RRDL assistance per unit
- A median household income of $16,391 or 20% of the statewide median income
- 17% of households were color or from indigenous communities

Expected Activity for 2020-2021

RRDL continues to not reach as many naturally affordable properties as intended, especially properties with 1-7 units. As we move into the 2020-2021 AHP, staff have streamlined the application and underwriting processes for projects 8 units or more, and is continuing to refine program changes for projects with 1-7 units.

A special one-time RFP for properties assisted by USDA Rural Development (RD) that have 8 units or more has been issued. Owners of non-RD properties of 8 units or more can still apply directly to Minnesota Housing for RRDL funds.

Expected 2020-2021 funding is $17,986,000.

Based on resources available, we expect to finance 600 rental units.

PUBLICLY OWNED HOUSING PROGRAM (POHP)

Through the Publicly Owned Housing Program (POHP), we provide deferred, forgivable loans at no interest to eligible public housing authorities or housing and redevelopment authorities to preserve/rehabilitate properties that they own and operate under HUD's Public Housing program. The program is funded with state General Obligation (GO) bond proceeds, which 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, 2017 – September 30, 2018, we reported:

- 2 loans for developments with 174 units
- $2,009,918 total loan amount
- $11,551 average POHP assistance per unit
- A median household income of $10,680 or 13% of the statewide median
- 24% of households were of color or from indigenous communities

Expected Activity for 2020-2021

As of the start of the 2020, expected 2020-2021 funding is $1,750,000. If there is a bonding bill during the 2020 legislative session and GO bond proceeds for POHP are included, the amount will go up.

Based on resources currently available, we expect to finance 110 rental units each of the two years.

WORKFORCE HOUSING DEVELOPMENT PROGRAM

This competitive program targets small to mid-size cities in Greater Minnesota with rental workforce housing needs. Funds may be used for qualified expenditures that result in the direct development of rental properties, including: (1) acquisition of a property, (2) construction or improvements, or (3) provision of loans, grants, interest rate subsidies, public infrastructure, and related financing costs. Funds are targeted to proposals with the greatest proportion of market rate units, but can be used for developments with rent and income restrictions imposed by other funding sources for some units. Communities with 30,000 or fewer residents have a funding priority.

Funding is available under a stand-alone request for proposals (RFP). Proposals are ranked and scored according the Workforce Housing Development Program statute. Proposed rents are evaluated against the current and projected jobs and wages within the community. Funding is solely from state appropriations.

Program Performance and Trends

This is a relatively new program, and data are not yet available.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $6,000,000.

Based on resources and past program performance, we expect the funds to support the development of 120 units of new rental housing in Greater Minnesota in each of the two years.

RENTAL ASSISTANCE CONTRACT ADMINISTRATION

SECTION 8 – PROJECT-BASED RENTAL ASSISTANCE

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% of the area median income. No new development has been funded under this program since the mid-1980s; however, HUD and the agency collaborate to not only preserve and extend existing contracts but also transfer project-based budget authority from developments with owners that want to exit the program to partially-assisted or previously-unassisted properties. Under existing contracts, tenants pay no more than 30% of adjusted household income for rent. HUD pays the difference between tenant rent payments and the contract rent of assisted units.

We provided permanent mortgage financing for more than 235 Section 8 Traditional Contract Administration (TCA) properties developed from 1975 to the mid-1980s. We currently manage 121 of these TCA contracts.

Through a contract with HUD under the Performance Based Contract Administration (PBCA) authority, the agency, as a PHA, administers existing project based Section 8 contracts for another 406 properties.

Under these contracts, the agency helps administer this important federal program, including 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. In addition to ensuring that this deeply affordable housing resource remains viable and in compliance with federal requirements, 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, 2017 – September 30, 2018, we reported:

TCA	PBCA
• 6,726 households assisted • $43,952,331 in Housing Assistance Payments (HAP) • $6,535 average HAP assistance per household • A median household income of $12,864 or 15% of the statewide median income • 29% of households were of color or from indigenous communities	• 21,349 households assisted • $140,893,369 in Housing Assistance Payments (HAP) • $6,600 average (HAP) assistance per household • A median household income of $12,311 or 15% of the statewide median income • 39% of households were of color or from indigenous communities

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

Expected Activity for 2020-2021

Our current PBCA agreement with HUD has been extended several times. The agency continues to work with HUD regarding extensions to that agreement and the possibility of a federal RFP regarding PBCA services in the future. We currently manage 406 PBCA contracts under this agreement. PBCA revenue earned through administration of the contracts pays 100% of the cost of administering the program.

Expected 2020-2021 funding is $374,000,000.

We expect to assist an estimated 29,220 units in each of the two years.

HOUSING STABILITY FOR POPULATIONS NEEDING EXTRA SUPPORT

HOUSING TRUST FUND (HTF)

Historically, funding for the HTF has been used to fund capital, rental assistance, and operating subsidy expenses. In recent years, we have used HTF state appropriations for rental assistance and some operating subsidies. HTF serves High Priority Homeless (HPH) families and individuals, defined as households prioritized for permanent supportive housing by the Coordinated Entry System.

Current tenant income limit: 60% of the area median income (AMI) for the Minneapolis/Saint Paul metro region, with priority for proposals at 30% of AMI and proposals to serve High Priority Homeless households.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 1,611 households assisted
- $9,625,871 in total disbursements
- $7,753 average HTF assistance per household
- A median household income of $9,762 or 12% of the statewide median income
- 64% of households were of color or from indigenous communities

Expected Activity for 2020-2021

Minnesota Housing provides HTF rental assistance and operating subsidies under two-year contracts with local administrators. For rent assistance, we will enter into new two-year contracts in 2021. For operating subsidies, we will enter into new two-year contracts in 2020.

In previous AHPs, the Homework Starts with Home pilot, which provides rent assistance to families experiencing homelessness with school-age children, was funded under this program. With the 2020-21 AHP, it is now a standalone program.

Expected 2020-2021 funding is $27,292,000.

Based on resources available, we expect to provide rental assistance for an estimated 1,690 households and assist 890 units through operating subsidies.

HOMEWORK STARTS WITH HOME

Homework Starts with Home is a state-funded program that provides rent assistance and other supports to families with school-age children experiencing housing instability that we administer in partnership with the Department of Education (MDE) and others. It was created in response to the increasing number of students experiencing homelessness and is built upon the successful Rental Assistance Pilot for Homeless and Highly Mobile Families. The program serves people who are homeless or at imminent risk of homelessness, including: (a) families with children eligible for a pre-Kindergarten through grade 12 academic program and (b) youth (with or without children of their own) who are eligible for an academic program who are facing housing instability without their parent or guardian. The goals of the program are to create housing stability and improve academic achievement.

In 2018, the Homework Starts with Home was started with $4.15 million of one-time funding from Housing Trust (rent assistance), the Family Homeless Prevention and Assistance Program (other supports), and the Heading Home Minnesota Funders Collaborative (other supports). With initial funding, three communities were awarded funds through a competitive Request for Proposals. A collaborative approach involving local housing organizations, schools, and service providers is a key feature of the local program design.

With the 2020-21 biennial budget from the state Legislature, it is now a standalone program.

Program Performance and Trends

This is a new program and results have not been reported.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $3,500,000, which is just state funding.

Once fully operational, we expect to annually assist roughly 220 families.

BRIDGES

Bridges is a state-funded rental assistance program for people with a mental illness. The goal of Bridges is to assist individuals so they can live in integrated settings in their communities until a permanent housing subsidy is available. Bridges operates in selected counties throughout the state and is administered through local housing organizations. The Minnesota Department of Human Services and Minnesota Housing collaborate in the administration of this program.

Tenants are responsible for a portion of the rent, which is generally equal to 30% of their income. The program is designed to be a bridge to a permanent rent subsidy, such as a Section 8 Housing Choice Voucher.

Bridges is an important component of Minnesota Housing's contribution to achieving the goals of Minnesota's Olmstead Plan, as well as a significant part of the state's Plan to Prevent and End Homelessness. In 2015, the program started prioritizing households with:

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

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

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 894 households assisted
- $4,354,591 in total disbursements
- $6,519 average Bridges assistance per household
- A median household income of $9,949 or 12% of the statewide median income
- 30% of households were color or from indigenous communities

Expected Activity for 2020-2021

Bridges funds rent assistance under two-year contracts with local administrators. Minnesota Housing entered the most recent contracts in 2019 AHP, and we will enter into the next set of contracts in 2021.

Expected 2020-2021 funding is $9,176,000.

Based on the resources available, we expect to assist an estimated 710 households in each of the two years.

SECTION 811 SUPPORTIVE HOUSING PROGRAM

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

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

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

The state enters into contracts with selected public and private rental property 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. The project-based rent assistance covers the difference between the tenant's payment and the approved gross rent. A small portion of the grant is used to pay for administrative expenses.

The Section 811 program is an important tool for achieving the goals of the Olmstead Plan to provide integrated housing options for people with disabilities. It is a unique opportunity to expand supportive housing for people with disabilities and leverage Medicaid resources for services.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 100 households assisted
- $601,892 in total disbursements
- $6,019 average Section 811 assistance per household
- A median household income of $8,709 or 10% of the statewide median income
- 50% of households were of color or from indigenous communities

HUD initially awarded Minnesota $3 million for up to 85 units of project-based rental assistance. We awarded all of this funding for 84 project-based rental assistance subsidies (one unit less than the original goal of 85 units). In 2015, we received a second round of funding for an additional 75 units, which were awarded to existing or new properties through the Multifamily Consolidated RFP process in 2015 through 2017. As these projects are completed and the units lease up, the number of households assisted will increase.

Expected Activity for 2020-2021

In 2020 and 2021, we expect to disburse about $1,560,000 and support roughly 150 households, each of the two years.

FAMILY HOMELESS PREVENTION AND ASSISTANCE PROGRAM (FHPAP)

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

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

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

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 5,536 households assisted
- $7,602,359 in total disbursements
- $1,373 average FHPAP assistance per household
- A median household income of $11,628 or 14% of the statewide median income
- 61% of households were of color or from indigenous communities

The total number of households served has declined over the past few years because the program has targeted assistance to households with higher needs and utilized rapid rehousing as a strategy. Rapid rehousing provides short term rental assistance, housing case management and housing navigation services.

Expected Activity for 2020-2021

FHPAP also operates under two-year contracts with local administrators. Minnesota Housing entered into the most recent contracts in 2019, and we will enter into new contracts in 2021.

Expected 2020-2021 funding is $21,038,000.

Based on the resources available, we expect to assist an estimated 6,190 households in each of the two years.

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS (HOPWA)

The Housing Opportunities for Persons with AIDS (HOPWA) program provides grants for housing assistance and services (including short-term rent, mortgage, and utility assistance) for people with Acquired Immune Deficiency Syndrome (AIDS), HIV-positive status, or related diseases and their families. The U.S. Department of Housing and Urban Development (HUD) allocates formula funds to local jurisdictions based on the number of individuals living with HIV or AIDS. The City of Minneapolis receives and administers a direct award for the 13-county Minneapolis/Saint Paul Metropolitan Statistical Area. We receive a direct award for the portion of the state not covered by the City of Minneapolis grant and contract with JustUs Health to administer these funds.

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

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 174 households assisted in 50 counties
- $155,433 of assistance disbursed
- $893 average HOPWA assistance per household
- A median household income of $20,127 or 24% of the statewide median income
- 50% of households were of color or from indigenous communities

Expected Activity for 2020-2021

Expected 2020-2021 funding is $448,000.

Based on the resources available, we expect to assist an estimated 240 households in each of the two years.

MULTIPLE USE RESOURCES

ECONOMIC DEVELOPMENT AND HOUSING/CHALLENGE (EDHC) – REGULAR

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

Our Multifamily and Single Family divisions allocate these resources to proposals submitted through competitive Request for Proposals (RFP) processes. Staff evaluates proposals according to EDHC selection standards and our strategic priorities. RFP funding for single family housing is available under the Community Homeownership Impact Fund (“Impact Fund”), which is the umbrella program for EDHC, Housing Infrastructure Bonds (HIB), and Single Family Interim Lending for homeownership activities.

We make EDHC loans and grants to local governments, private developers, tribal and urban Indian housing authorities, or nonprofit organizations for both multifamily (minimum of four units) and single family projects. EDHC requires that 50% 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% of the greater of area or state median income for owner-occupied housing and 80% of the greater of area or state median income for rental housing.

Maximum loan amount: None beyond funding availability.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

Multifamily EDHC	Single Family EDHC - Impact Fund
• 7 loans to developments with 233 units • $6,792,072 total loan amount • $29,151 average EDHC assistance per unit • A median household of $20,387 or 24% of the statewide median income • 72% of households were of color or from indigenous communities	• 198 units • $4,802,082 total loan/grant amount • $24,253 average EDHC assistance per home • A median household income of $41,600 or 49% of statewide median income • 58% of households were of color or from indigenous communities

Expected Activity for 2020-2021

Expected 2020-2021 funding is $42,850,000.

We will allocate funds through our Single Family and Multifamily RFPs, with any remaining funds made available on a year-round basis in multifamily and through an incentive fund in Single Family.

Based on resources available for new activity, we expect to fund an estimated 700 housing units in each of the two years.

SINGLE FAMILY INTERIM LENDING

Single Family Interim Lending provides loans, most often to smaller nonprofit organizations, to acquire, rehabilitate, demolish, or construct owner-occupied housing under the Community Homeownership Impact Fund (“Impact Fund”). The homes are then sold to households with incomes at or below 115% of the area median income (AMI). Interim loans are financed with Agency resources and have a term of 26 months. Funds are awarded annually through the Single Family Request for Proposals process in accordance with our mission and priorities.

Program Performance and Trends

Performance data on interim lending are reported under the Impact Fund program in the EDHC description. The Impact

Fund is the umbrella program under which we deliver the Economic Development and Housing/Challenge program and interim construction financing for single family owner-occupied housing.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $2,500,000.

For 2020 and 2021, Single Family Interim Lending will be funded through interest-earning Pool 2 resources.

Based on resources available for new activity, we anticipate making interim or construction loans to administrators for approximately 20 housing units in each of the two years.

HOUSING INFRASTRUCTURE BONDS (HIBS)

Housing Infrastructure Bonds (HIBs) are issued by Minnesota Housing, as authorized by the Minnesota Legislature, to address specific critical housing needs. HIB proceeds may be used to finance the following project types:

- The acquisition, construction, or rehabilitation of affordable permanent supportive housing for individuals and families without a permanent residence and people with behavioral health needs;
- The acquisition, rehabilitation, adaptive reuse or new construction of senior housing;
- The preservation of existing federally subsidized rental housing by funding acquisition, rehabilitation, and refinancing; and
- The acquisition of land by community land trusts and used for affordable single-family homeownership opportunities.

HIB funds are allocated through the annual Multifamily and Single-Family Requests for Proposals (RFP). HIBs can be issued as governmental, 501c3, and private activity bonds. If the bonds are issued as private activity bonds, applicants also may access 4% housing tax credits. HIB proceeds are typically provided as deferred, no interest loans.

Current income limit: 80% of the greater of area or state median income for owner-occupied housing and 80% of the greater of area or statewide median income, not adjusted for household size for rental housing.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported two supportive housing developments:

- 177 units
- $13,475,837 total loan amount
- $76,135 average HIB assistance per unit
- A median household income of $8,645 or 10% of the statewide median income
- 49% of households were of color or from indigenous communities

We financed one preservation project:

- 75 units
- $3,134,528 total loan amount
- $41,794 average HIB assistance per unit
- A median household income of $15,211 or 19% of the statewide median income
- 50% of households were of color or from indigenous communities

We financed land acquisition by community land trusts:

- 4 homes
- $83,000 total loan amount
- $20,750 average HIB assistance per unit
- A median household income of $41,978 or 49% of the statewide median income
- 75% of households were of color or from indigenous communities

Expected Activity for 2020-2021

Expected 2020-2021 funding is $130,000,000.

Based on the resources available, we expect to finance an estimated 560 housing units in each of the two years.

WORKFORCE AFFORDABLE HOMEOWNERSHIP PROGRAM

In the 2016 Supplemental Budget, the Legislature authorized Minnesota Housing to establish the Workforce Affordable Homeownership Program. The funds may be used for the development of homeownership opportunities and can be used for development costs, rehabilitation, land development, and residential housing. In addition, the legislation allows for manufactured home community infrastructure development and repair and storm shelter development. Eligible program applicants are nonprofit organizations, cooperatives and community land trusts.

Expected Activity for 2020-2021

Expected 2020-21 Funding is $500,000. Funds will be awarded through a request for proposals.

Based on resources available for the program, we expect to provide assistance for 5 homes each of the two years.

MANUFACTURED HOME COMMUNITIES

With our 2020-22 Strategic Plan, we are enhancing our approach to supporting manufactured housing and communities, which will include administering Manufactured Home Park Redevelopment Grants. While this program was created in statute in 2001, it was funded for the first time for the 2020-21 biennium. Under this program, we will focus on infrastructure improvements, such as storm shelters and community facilities, to preserve manufactured home communities.

As we refine our overall strategy, we may develop other ways to support manufactured housing.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $2,000,000.

Based on the resources available, we expect to support an estimated 100 housing units in each of the two years.

TECHNICAL ASSISTANCE AND OPERATING SUPPORT

The Technical Assistance and Operating Support program provides grants that enhance the ability of housing and community development organizations to meet Minnesota's affordable housing needs. This program supports all our strategic objectives by:

- Providing resources for the state's homeless response system – including the state's Homeless Management Information System, the regional Continuum of Care's homelessness assistance planning, and coordinated entry;
- Providing grants to specific organizations – including the Homeownership Center for its statewide counseling network and HousingLink for its statewide affordable housing website; and
- Supporting capacity building programs and initiatives – including the Capacity Building Initiative, Community Developer Capacity, and the Capacity Building Intermediary program.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we funded $2,208,062 of activity under this program.

Expected Activity for 2020-2021

Expected 2020-2021 funding is $4,290,000.

OTHER

MANUFACTURED HOME RELOCATION TRUST FUND

The Manufactured Home Relocation Trust Fund requires owners of manufactured home parks to pay $15 per licensed lot into a Trust Fund each year if the fund's balance is below $2,000,000. The park owner is authorized to collect funds from each manufactured homeowner either monthly or in a lump sum that is paid to Minnesota Management and Budget for deposit into the Trust Fund. The Trust Fund is available to homeowners who must relocate because the park they live in is being closed.

The statute sets out a process for determining the amount of money for which a homeowner is eligible for either moving or selling their home. Minnesota Management and Budget collects the assessment, and we make payments to homeowners, with claims overseen by an appointed neutral third party, for eligible costs.

Program Performance and Trends

State law suspends collection of the fee if the balance in the account is equal to or exceeds $2 million. The current balance is below the $2 million, triggering the collection of fees.

For the Program Assessment period of October 1, 2017 – September 30, 2018, we reported:

- 61 households assisted
- $281,371 total disbursements
- $4,613 average assistance per household

Expected Activity for 2020-2021

Disbursements from the fund vary significantly from year to year. We are not making an estimate of the funding level at this time. As of June 30, 2019, the fund had a $650,000 uncommitted balance.

DISASTER RECOVERY

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

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

Disaster Recovery funds provide 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 Disaster Recovery program.

Program Performance and Trends

Typically, activities have been funded by special appropriations from the Minnesota Legislature following a federal disaster declaration and determination of the level of available federal funding from the Federal Emergency Management Agency and the Small Business Administration. State appropriations have ranged from $1,000,000 for the May 2011 Minneapolis tornado to $12,720,000 for the August 2012 flooding in northeast Minnesota

For the program assessment period October 1, 2017 – September 30, 2018, we did not fund any loans under this program.

Expected Activity for 2020-2021

At the start of the 2020-21 AHP, no funds have been appropriated. Typically, the Minnesota Legislature appropriates funds for this program following the declaration of a disaster. If the Minnesota Legislature does not appropriate funds following a federal disaster declaration, the Agency may fund activities through the Disaster Relief Contingency Fund.

DISASTER RELIEF CONTINGENCY FUND

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

The terms and conditions under which the funds are made available are at the sole discretion of Minnesota Housing. Eligible uses of funds have included writing down the interest rate on Home Improvement Loans and activating the Disaster Recovery program.

Program Performance and Trends

For the Program Assessment period of October 1, 2017 – September 30, 2018, we funded 9 loans for $198,287.

Expected Activity for 2020-2021

Disbursements from the fund vary significantly from year to year. We are not making an estimate of a funding level at this time. As of June 30, 2019, the fund had a $1.8 million uncommitted balance.

MINNESOTA HOUSING

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