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Agency Purpose

The Minnesota Housing Finance Agency (Minnesota Housing) finances and advances affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster stronger communities.

At a Glance

Development and Redevelopment

- Financed more than 1,300 home purchases;
- Financed more than 1,400 new construction housing units;
- Invested more than $40 million to assist communities hit by the foreclosure crisis; and
- Administered $8.1 million in housing tax credits for more than 1,300 units of housing.

Homelessness Prevention and Supportive Housing

- 11,227 households received homeless prevention assistance;
- 2,624 households received state funded rental assistance; and
- 497 housing units for very low-income households were constructed or rehabbed with Housing Trust Fund (HTF) monies.

Homeownership Assistance

- 492 households received Homeownership Assistance Fund (HAF) assistance;
- 40% of first-time homebuyers with a Minnesota Housing mortgage received HAF assistance; and
- Average HAF assistance is $3,289.

All figures are for Federal Fiscal Year 2009

Preservation

- 560 federally-assisted housing units preserved through the Affordable Rental Investment Fund – Preservation (PARIF);
- For every $1 invested in rental housing preservation, $5.70 in federal assistance is retained; and
- 392 households received assistance to rehab or preserve their home.

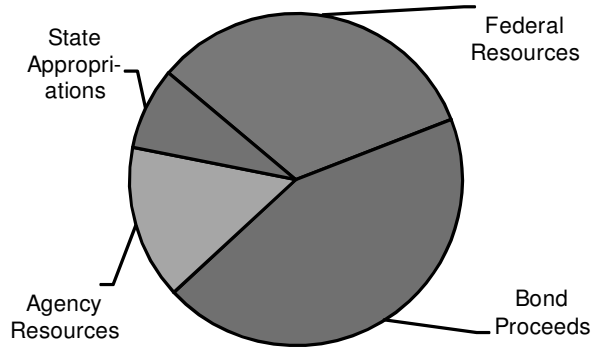
Resident and Organizational Support

- 24,899 households received foreclosure prevention assistance or homebuyer training services; and
- 16,000 Minnesota households received mortgage foreclosure intervention and counseling assistance.

Administration

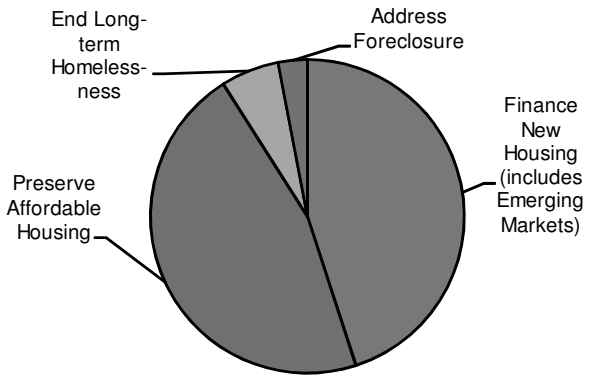
- All state-funded appropriations fund program expenditures; none is spent on administration.
- Standard and Poor's Ratings Services affirmed an "AA+" rating and Moody's Investors Service affirmed an "Aa1" rating;
- Disbursed $190 million for more than 28,000 homeowners or homebuyers; and
- Disbursed $254 million for nearly 50,000 rental units or tenant households.

Minnesota Housing Resources 2010-2011



Source: Minnesota Housing data

Uses of Funding by Strategic Priority, 2010-2011



Source: Minnesota Housing data

Strategies

Minnesota Housing has five strategic priorities:

- Finance new affordable housing opportunities.
- Preserve existing affordable housing.
- Address the foreclosure crisis through prevention and recovery.
- End long-term homelessness.
- Increase emerging market homeownership.

To accomplish its strategic priorities, Minnesota Housing funds housing activity in five broad areas:

Development and Redevelopment Programs fund the new construction and rehabilitation of rental housing, and homes for ownership for families with a range of incomes.

Homeless Prevention and Supportive Housing Programs fund housing development, rental assistance, and homeless prevention activities for very low-income families and individuals who often face other barriers to stability, economic self-sufficiency, and independent living.

Homeownership Assistance Programs fund home purchase and home improvement loans for families and individuals with a range of incomes not served by the private sector alone.

Preservation of Housing Programs seek to preserve the stock of affordable housing that is in danger of being lost due to opt-outs for market reasons, physical deterioration, or both.

Resident and Organization Support Programs provide operating funds for organizations that develop affordable housing, offer homebuyer training, education, and foreclosure prevention assistance, or coordinate regional planning efforts.

Operations

Management and control of the agency is vested in the board of directors. The board is comprised of six citizen members appointed by the governor and one ex-officio member, the state auditor. The board directs the policies of the agency and adopts an affordable housing plan, approves funding decisions, adopts finance policies, and selects the finance team.

The agency staff includes 215 full-time equivalent employees in four major divisions: housing finance and operations; housing programs (including multifamily and homeownership); and housing policy. More than half of all the employees are professional level employees.

The **finance and operations** staff is responsible for the management of the assets and liabilities of the agency, which includes a portfolio of housing related loans and other investments totaling $3.4 billion, and a portfolio of debt totaling $2.47 billion. The staff manages the process of raising capital through periodic debt issuances. Staff in this division also prepares financial forecasts, budgets, and fiscal year-end audited financial reports for all funds and accounts. Staff is responsible for the accurate and timely reporting of all accounting and financial information necessary to comply with disclosure requirements and board policies. This division also includes the staff managing the agency's information systems and human resources staff.

The staff of the **multifamily housing program division** manages the process of assisting in the financing of new construction, rehabilitation, and preservation of rental housing. This staff oversees the provision of tenant support services, rental assistance, and homeless prevention activities. The staff is also responsible for the oversight of the management of the agency's portfolio of rental housing, monitoring compliance with state and federal requirements, and administering the Section 8 contracts of 32,000 units of rental housing that include the contracts on 18,000 units previously administered by Housing and Urban Development (HUD).

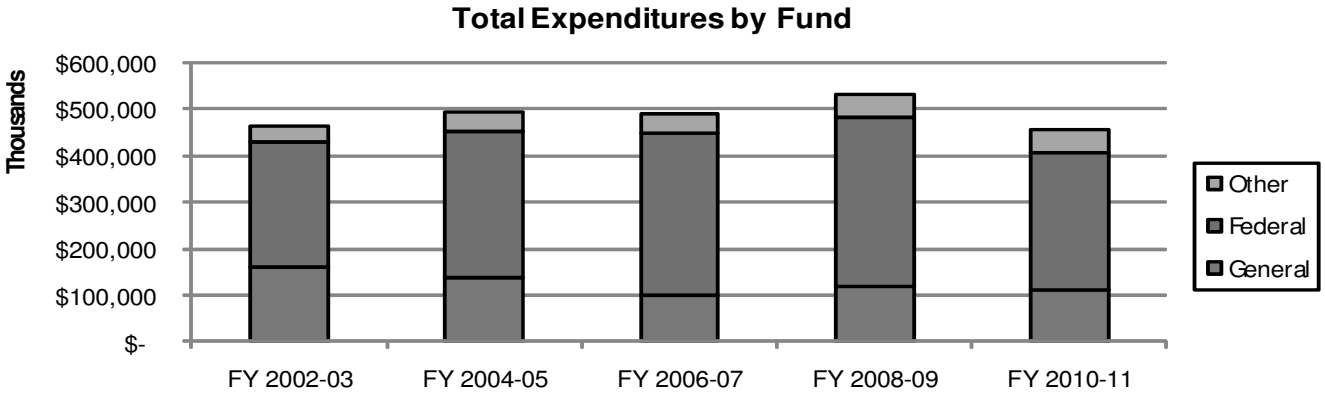
The **homeownership housing program division** staff manages programs to assist with the financing of home purchases and home improvements. It also manages the process of assisting in the financing of new home

construction for ownership and neighborhood revitalization. The staff oversees the provision of homeownership education services. The staff also administers programs that provide post-purchase support and foreclosure prevention for homeowners.

The **housing policy division** includes governmental affairs, research, and policy.

The agency's assistance is delivered through local lenders, community action programs, local housing and redevelopment authorities, and for-profit and nonprofit developers. Minnesota Housing joins with other public and private funders to make available development and redevelopment funds in a comprehensive, single application, one-stop selection process.

Budget Trends Section



** FY 2010-11 is estimated, not actual. Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/22/10.*

External Factors Impacting Minnesota Housing- Trends impacting the agency include the high unemployment rate and uncertain economy, which leads to housing instability; continued high levels of foreclosures; bond market uncertainty that may impact the agency's ability to offer mortgages to first-time homebuyers at advantageous rates; changing demographics that may reduce the first-time homebuyer pool; declining rental vacancy rates; overbuilt single family home stock; tax credit investors' preference for particular development types and locations; and continued mismatch between housing, jobs and transportation.

Contact

Assistant Commissioner of Housing Policy
Phone: (651) 296-9820
http://www.mnhousing.gov

Dollars in Thousands

	Current FY2010	Current FY2011	Governor Recomm. FY2012	Governor Recomm. FY2013	Biennium 2012-13
Direct Appropriations by Fund					
General					
Current Appropriation	41,067	40,972	40,972	40,972	81,944
Recommended	**41,067**	**44,972**	**38,595**	**38,595**	**77,190**
Change		0	(2,377)	(2,377)	(4,754)
% Biennial Change from 2010-11					-10.3%
Expenditures by Fund					
Direct Appropriations					
General	0	0	38,595	38,595	77,190
Statutory Appropriations					
Federal Stimulus	36,884	60,863	10,500	10,000	20,500
Housing Finance Agency	287,586	330,010	241,777	242,177	483,954
Total	**324,470**	**390,873**	**290,872**	**290,772**	**581,644**
Expenditures by Category					
Total Compensation	17,858	19,215	19,456	19,856	39,312
Other Operating Expenses	6,588	6,848	6,848	6,848	13,696
Payments To Individuals	257,127	294,187	226,113	225,636	451,749
Local Assistance	4,434	4,648	3,004	2,981	5,985
Other Financial Transactions	38,463	65,975	35,451	35,451	70,902
Total	**324,470**	**390,873**	**290,872**	**290,772**	**581,644**
Expenditures by Program					
Development And Redevelopment	59,139	111,967	22,659	22,659	45,318
Homeless Prevent And Supportiv	26,035	28,883	25,773	25,773	51,546
Homeownership Assistance	9,717	5,922	5,103	5,103	10,206
Preservation	196,217	210,647	204,965	204,465	409,430
Resident And Organization Supp	8,916	7,391	6,068	6,068	12,136
Administration	24,446	26,063	26,304	26,704	53,008
Total	**324,470**	**390,873**	**290,872**	**290,772**	**581,644**
Full-Time Equivalents (FTE)	**207.8**	**213.6**	**213.6**	**213.6**	

HOUSING FINANCE AGENCY

Change Summary

Dollars in Thousands

	FY2011	Governor's Recomm. FY2012	Governor's Recomm. FY2013	Biennium 2012-13
Fund: GENERAL				
FY 2011 Appropriations	**40,972**	**40,972**	**40,972**	**81,944**
Technical Adjustments				
Current Law Base Change		(344)	(344)	(688)
Subtotal - Forecast Base	**44,972**	**40,628**	**40,628**	**81,256**
Change Items				
Budget Reduction	0	(2,033)	(2,033)	(4,066)
Reallocation from Challenge to HTF	0	0	0	0
Total Governor's Recommendations	**44,972**	**38,595**	**38,595**	**77,190**
Fund: FEDERAL STIMULUS				
Planned Statutory Spending	**60,863**	**10,500**	**10,000**	**20,500**
Total Governor's Recommendations	**60,863**	**10,500**	**10,000**	**20,500**
Fund: HOUSING FINANCE AGENCY				
Planned Statutory Spending	**330,010**	**241,777**	**242,177**	**483,954**
Total Governor's Recommendations	**330,010**	**241,777**	**242,177**	**483,954**

Fiscal Impact ($000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	$(2,033)	$(2,033)	$(2,033)	$(2,033)
Net Fiscal Impact	$(2,033)	$(2,033)	$(2,033)	$(2,033)

Recommendation

The Governor recommends a reduction of $2.033 million in FY 2012 and $2.033 million in FY 2013 to the Housing Finance Agency general fund budget. The Governor intends that the Housing Finance Agency should focus its general funds on maintaining its highest priority services. In addition, the Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

This proposal represents a 5% reduction to the Housing Finance Agency base General Fund forecast budget.

Rationale

The Housing Finance agency's total base forecast general fund budget is $40.628 million for FY 2012 and $40.628 million for FY 2013 and includes amounts budgeted for Development/Redevelopment, Homelessness Prevention and Supportive Housing, Homeownership Assistance, Preservation and Resident and Organizational Support Program Areas. Specifically, the Housing Finance Agency will reduce program budgets by the following amounts:

PROGRAM AREAS	AGENCY PROGRAMS	BASE REDUCTION FY 2012-13
Development/Redevelopment	Economic Development and Housing Challenge program	$2,468,000
Homeownership Assistance	Homeownership Assistance Fund program	$54,000
Preservation	Affordable Rental Investment Fund Preservation program	$454,000
Preservation	Rental Rehabilitation Loan program	$796,000
Resident and Organizational Support	Homeownership Education, Counseling and Assistance Program	$228,000
Resident and Organizational Support	Capacity Building Grant program	$66,000

Budget reductions will result in fewer housing units being preserved or rehabilitated, fewer first-time homebuyers receiving down payment assistance and less financial support being available for nonprofit affordable housing organizations. Budget reductions are targeted to minimize the impact on programs that most effectively leverage non-state resources. Budget reductions will not impact the homelessness and supportive housing programs that serve the most vulnerable populations.

The budget reductions to the Economic Development and Housing Challenge program safeguard sufficient funding to facilitate the use of the entire allocation of federal housing tax credits to leverage private equity. An estimated 55 fewer rental housing units will be rehabilitated as a result of the proposed budget reductions to the Rental Rehabilitation Loan program. The reductions to the Homeownership Assistance Fund program will result in down payment and closing cost assistance being available to approximately 13 fewer potential first-time homebuyers which is likely to mean that fewer households will be become homeowners. Homeownership education and counseling will be available to an estimated 900 fewer households over the course of the biennium.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	0	0	0	0
Net Fiscal Impact	$0	$0	$0	$0

Recommendation

The Governor recommends a reallocation of $1 million in FY 2012 and $1 million in FY 2013 from the Economic Development and Housing Challenge (Challenge) program to the Housing Trust Fund program. The reallocation will preserve 150 rental assistance opportunities each year that were initially awarded in the 2011-2012 biennium.

Rationale

In the Laws of 2009, Chapter 78, Article 1, Section 6, a $4 million increase to the Challenge program and a concomitant $4 million decrease to the Housing Trust Fund program for FY 2012-13 was directed. With the reallocation, the base for the Housing Trust Fund program will be $19.110 million in FY 2012-13. The base for the Challenge program will be $16.786 million. With the change, the base for the Housing Trust Fund is $2 million less than the base appropriation for FY 2010-2011. The reallocation, along with the recommended budget reductions, result in a base for the Challenge program nearly identical to the base appropriation for FY 2010-2011.

The Housing Trust Fund program is the primary source of general fund appropriations for the capital costs and rental assistance for housing for the lowest income Minnesotans. Nearly 3,300 housing opportunities have been financed to date as part of the initiative to end long-term homelessness. Due to the changes established in the 2009 legislation, 300 fewer households each year would benefit from the housing opportunities made available through rental assistance than were assisted in the FY 2010-11 biennium. Reallocation of funding to the Housing Trust Fund program will preserve half of those housing opportunities that otherwise would be lost.

The Challenge program provides gap financing for the development and redevelopment of workforce housing. Sufficient funds are retained in the Challenge program to leverage all of the available federal tax credit resources and to continue to make progress on foreclosure recovery in the hardest hit communities.

Statutory Change: Not Applicable

Program at a Glance

In FFY 2009 Minnesota Housing
- financed more than 1,300 existing home purchases;
- financed more than 1,400 new construction housing units;
- invested more than $40 million to assist communities hardest hit by the foreclosure crisis; and
- administered $8.1 million in housing tax credits for more than 1,300 units of housing.

Program Description

This program funds the new construction and rehabilitation of housing, both rental and homes for ownership, needed to sustain economic growth and vitality. In times of economic and employment growth, new housing is essential. Rehabilitating the existing stock is an important strategy for retaining existing employers and related economic activity.

This activity supports goals shared with other state agencies such efforts to reduce greenhouse gas emissions by financing housing that is located near transportation and transit systems, jobs and services and by requiring the housing it finances to meet aggressive energy conservation goals. Re/development also contributes to healthy homes, both in the construction materials used and siting priorities for active living and sustainable communities. This activity supports communities in implementing the housing element of their comprehensive plan by providing financial assistance for the acquisition of land for future affordable housing development.

Re/development program funds are made available primarily through a competitive, comprehensive, one-stop, single application process sponsored by Minnesota Housing, the Family Housing Fund, the Greater Minnesota Housing Fund, the Metropolitan Council, and others.

Population Served

Homeowners, homebuyers, and tenants of rental housing are served by this program. Additionally, communities receive assistance in their stabilization and revitalization efforts due to the impact of the foreclosure crisis through this budget activity.

Services Provided

Economic Development and Housing Challenge Program (M.S. Chapter 462A.33)

As the primary program to fund development and redevelopment activities, the Challenge program funds a wide variety of development and redevelopment activities, including new construction, acquisition, and rehabilitation of both rental housing and homes for ownership. Assistance is provided generally in the form of no-interest, deferred loans to local units of government, and for-profit and nonprofit developers. The income maximum for the owner-occupied housing funded under this program is set at 115% of greater of state or area median income ($96,600 in the Twin Cities metro area for 2010). The income maximum for the rental housing funded under this program is set at 80% of greater of state or area median income ($67,200 in the Twin Cities metro area for 2010). The income maximums allow for a range of workforce housing to be developed or rehabilitated.

At least 50% of the funds must be used only for projects in which an employer has made some sort of financial contribution to the housing from non-state resources or has other local leverage sources in order to reduce the need for deferred loan or grant funds. Projects that show cost reduction or avoidance as a result of local regulatory relief are given a priority in selection for funding. These requirements have helped to increase the amount of monies from non-state resources that are invested in affordable housing projects.

Minnesota Housing has adopted the Enterprise Institute's National Green Communities Criteria as mandatory criteria for all new construction and applicable rehabilitation improvements funded by Minnesota Housing. The Green Communities criteria have goals of achieving energy conservation in excess of the energy code, achieving low life time operating cost, and establishing air quality and lighting standards that create a healthy environment. At least $32 million of Challenge Program funds have been committed to 3,050 housing units meeting the Green Communities criteria.

Under a new initiative in response to communities' request for land acquisition funds to allow for time to plan for affordable housing, $1.3 million in Challenge programs funds has been committed for affordable homeownership

projects in suburban communities with significant affordable housing needs and for homeownership and rental housing developments closely integrated with transit systems.

Funding exclusively for Urban Indian and Tribal Indian Housing projects are set-aside through the Economic Development and Housing Challenge Program. Projects funded through Urban Indian Housing provide both home ownership and rental housing opportunities for low- and moderate-income American Indians residing in the urban areas of the state. Projects funded through Tribal Indian Housing include mortgage loans, home improvement financing, and rental housing opportunities to American Indian families and persons throughout the state.

Neighborhood Stabilization Program
The federally-funded Neighborhood Stabilization Program (NSP) received a third round of funding through the Dodd-Frank Wall Street Reform and Consumer Protection Act in July 2010. Minnesota received $12.5 million, of which $5 million will be administered by Minnesota Housing. Funds may be used to establish financing mechanisms for the purchase and rehabilitation of abandoned and foreclosed residential properties to sell or rent the properties, establish land banks, demolish blighted structure and redevelop demolished or vacant properties. The U.S Department of Housing and Urban Development will develop a formula for allocation of the funding among state and local units of government.

Historical Perspective
The FY2008-09 biennial appropriations to Minnesota Housing included $15 million in one-time appropriations. These funds were requested in order to encourage housing that is efficient and sustainable; maximizes existing infrastructure and preserves green spaces; is integrated with transit and transportation systems; is accessible to jobs and services; and expands the diversity of housing choices within communities.

In 2009, the Tribal and Urban Indian programs were consolidated with the Challenge program in order to streamline the delivery of the resources.

The FY2010-11 biennial budget included a 33 percent reduction in the Challenge program. This reduction was offset by federal funds targeted to improving the Housing Tax Credit program outcomes. The Tax Credit Assistance Program (TCAP) and Section 1602 Exchange Program (Exchange) filled funding gaps and moved developments forward that had been awarded tax credits but were unable to secure the necessary equity due to the decline in the value of the tax credits. Through July 2010, $28 million in TCAP funding and $62 million in Exchange funding had been committed to stalled tax credit projects in Minnesota.

The federal Department of Housing and Urban Development (HUD) awarded nearly $58 million in Neighborhood Stabilization Program (NSP) funds from the Housing and Economic Recovery Act (HERA) to Minnesota ($38.8 million) and five of its cities and counties ($19 million). These NSP funds are to be used primarily for the acquisition and rehabilitation of abandoned and foreclosed properties. Minnesota Housing received $38.8 million to administer in targeted areas with greatest need identified through a funding formula that included: areas with the greatest percentage of home foreclosures; areas with the highest percentage of homes financed by a subprime mortgage related loan; and areas identified as likely to face a significant rise in the rate of home foreclosures. A second round of funding was authorized in the American Recovery and Reinvestment Act of 2009, known as NSP2. Through a competitive process, applicants in Minnesota received $37.5 million.

Key Program Goals & Measures
Minnesota Housing Re/Development program is instrumental in achieving the agency's strategic goals of:
- financing new affordable housing opportunities;
- preserving existing affordable housing; and
- addressing the foreclosure crisis through prevention and recovery.

The Next Decade of Housing study commissioned by Minnesota Housing, Family Housing Fund, and Greater Minnesota Housing Fund estimated that by 2010 there will be a shortfall of 33,000 affordable housing units for low-income households statewide if production is maintained at historic levels.

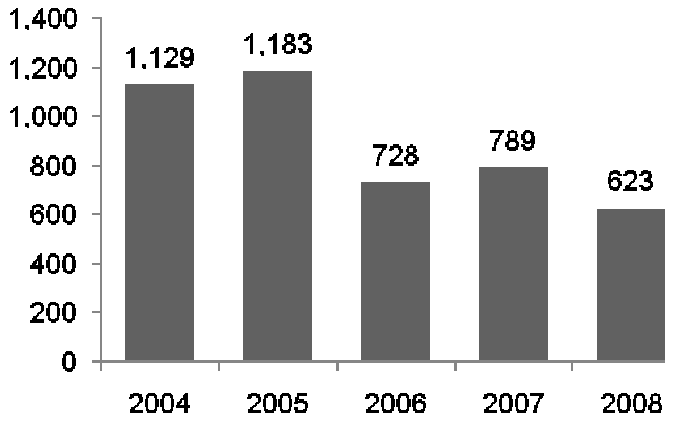
Minnesota Housing has been an early and substantial funder of foreclosure recovery, largely for the acquisition and rehabilitation of foreclosed homes. The agency has made available more than $70 million since 2007, including revolving loans, subsidies, and $38.8 million from HUD's Neighborhood Stabilization Program (NSP1). To maximize the potential for impact with limited resources, Minnesota Housing has worked with local sub-recipients to concentrate funds in targeted neighborhoods. Local entities are also devoting their own resources to foreclosure recovery, including NSP funds that they received directly from HUD, which includes nearly $19 million under NSP1 and $37.5 million under NSP2. The agency is confident that all NSP1 funds will be completely committed within the 18 month timeframe provided by HUD.

In the first six months of federal FY2010, 85 percent of the multifamily units, 86 percent of the single-family homes, and 100 percent of the community development units that were selected for rehabilitation or new construction funding will be built to Minnesota Housing's green standards.

In support of transit oriented development, Minnesota Housing has committed since the fall of 2008 $49 million to 8 multifamily developments with 1,700 units that are within ½ mile of station areas along the Hiawatha, Central Corridor, and North Star transit lines.

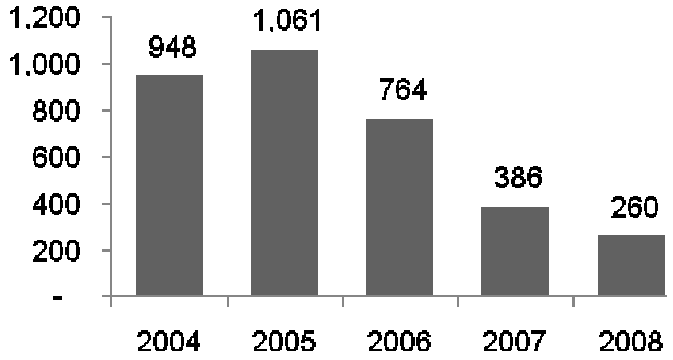
As the economy has slowed in the past few years, new construction of affordable rental housing has declined and preservation and rehabilitation has increased. In 2008, 623 new affordable rental housing units were constructed, down from a peak in 2005 of 1,183 units, as shown in the chart below.

New rental housing units financed by Minnesota Housing



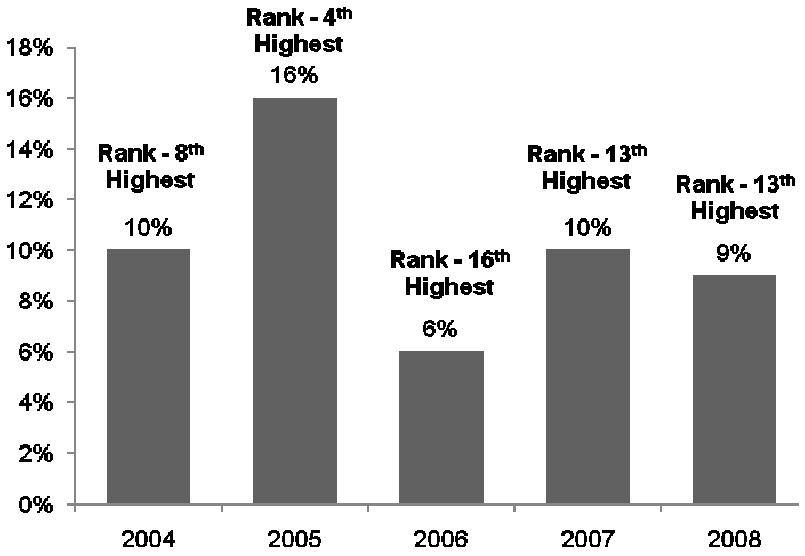
The story is much the same in the single-family homeownership market, where the increase in foreclosed and vacant homes has increased rehabilitation opportunities and dramatically reduced new construction opportunities. In 2008, 260 new homeownership opportunties were financed by Minnesota Housing through funding other than mortgage assistance, down from a peak in 2005 of 1,061 units, as show in the chart below. This number is expected to remain low until the market absorbs much of the excess housing stock that is available.

New homeownership opportunities finance by Minnesota Housing other than mortgage assistance



A major component of the Re/Development activity is closing any funding gaps on housing tax credit developments to ensure the state is able to leverage important federal investment and private equity. Housing tax credits are one of the agency's primary tools for financing affordable housing. Nationally, Minnesota Housing ranks 13th in the percentage of units financed with housing tax credits that are affordable to households with incomes below 30 percent of the area median income (AMI), which represents a very-low income population. The chart below shows the percentage and rank over the last several years.

Housing Tax Credits affordable to households with income less than 30% AMI



Program Funding

State appropriations for this activity are 23% of the total state General Fund appropriations to Minnesota Housing for the FY2010-11 biennium.

Contact

Assistant Commissioner of Housing Policy
Phone: (651) 296-9820
For further information, visit Minnesota Housing's website at: http://www.mnhousing.gov.

HOUSING FINANCE AGENCY

Program: DEVELOPMENT AND REDEVELOPMENT

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Expenditures by Fund					
Direct Appropriations					
General	0	0	7,159	7,159	14,318
Statutory Appropriations					
Federal Stimulus	33,702	56,845	10,000	10,000	20,000
Housing Finance Agency	25,437	55,122	5,500	5,500	11,000
Total	**59,139**	**111,967**	**22,659**	**22,659**	**45,318**
Expenditures by Category					
Payments To Individuals	51,321	86,795	14,472	14,472	28,944
Local Assistance	36	216	5	5	10
Other Financial Transactions	7,782	24,956	8,182	8,182	16,364
Total	**59,139**	**111,967**	**22,659**	**22,659**	**45,318**
Expenditures by Activity					
Development And Redevelopment	59,139	111,967	22,659	22,659	45,318
Total	**59,139**	**111,967**	**22,659**	**22,659**	**45,318**

Program Description

The purpose of the Homeless Prevention and Supportive Housing program is to provide supportive housing and other assistance to persons experiencing homelessness or at risk of becoming homeless due a crisis situation.

Budget Activities

This program includes the following budget activities:

- Supportive Housing and Rental Assistance
- Homelessness Prevention

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Expenditures by Fund					
Direct Appropriations					
General	0	0	19,658	19,658	39,316
Statutory Appropriations					
Housing Finance Agency	26,035	28,883	6,115	6,115	12,230
Total	**26,035**	**28,883**	**25,773**	**25,773**	**51,546**
Expenditures by Category					
Payments To Individuals	21,493	21,541	24,208	24,208	48,416
Local Assistance	6	4	4	4	8
Other Financial Transactions	4,536	7,338	1,561	1,561	3,122
Total	**26,035**	**28,883**	**25,773**	**25,773**	**51,546**
Expenditures by Activity					
Supportive Housing	18,297	21,136	18,308	18,308	36,616
Homelessness Prevention	7,738	7,747	7,465	7,465	14,930
Total	**26,035**	**28,883**	**25,773**	**25,773**	**51,546**

Activity at a Glance

For FFY 2009

- 800 households received Bridges assistance;
- 1,824 households received other state funded rental assistance;
- 497 housing units for very low-income households were constructed or rehabbed with Housing Trust Fund (HTF) monies;
- 167 households in Greater Minnesota received Housing Opportunities for Persons with Aids (HOPWA) funds in FFY 2009 for emergency assistance of rental, mortgage, and utility payments to assist in housing search and referral services.

Activity Description

Supportive housing is permanent housing with support services. Supportive housing is an essential element of efforts to achieve the strategic goal of ending long-term homelessness. Supportive housing stabilizes housing for the poorest households or households with special needs so they can successfully address barriers to employment, complete school or training, and/or achieve independent living. For some households, providing both housing and services is essential to success; one without the other does not lead to success.

Population Served

Supportive housing programs serve individuals and families with multiple barriers to obtaining and maintaining housing, including persons who are homeless or at risk of becoming homeless, and persons with mental illness, substance abuse disorders, or persons with HIV/AIDS.

Seventy percent (70%) of the Housing Trust Fund monies are used for housing families and households experiencing long-term homelessness or those at risk of experiencing long-term homelessness; the remainder of funds are used for housing affordable to households with incomes at or below 30% of median ($25,100 for 2010).

Services Provided

Housing Trust Fund Program (M.S. Chapter 462A.201)

The Housing Trust Fund is the largest of the state-appropriated items in this budget activity. The Housing Trust Fund provides 0% interest deferred loans for the financing of affordable permanent and supportive rental housing and limited equity cooperative housing for very low-income households. It also provides grants and loans for the costs of operating rental housing that are unique to the operation of low-income rental housing and for rental assistance. Housing assisted under this program must serve households with incomes that do not exceed 60% of metropolitan area median income ($50,400 for 2010); 75% of the program funds must be used for housing for households with incomes that do not exceed 30% of the metropolitan area median income ($25,100 for 2010). Nonprofit and for-profit organizations as well as local units of government are eligible to receive funds under this program. Increasingly by combining with tax credits and using bond proceeds, the agency is able to provide housing for the hardest to serve, which is not economically viable without a subsidy.

Bridges (M.S. Chapter 462A.2097)

The Bridges Program, statutorily known as the Rent Assistance for Persons with Mental Illness Program, provides rent assistance for households in which at least one adult member has a serious and persistent mental illness. Eligibility for the program is limited to households with incomes below 50% area median income. This activity links housing with social services through a partnership between a housing agency and a social service agency. The rental assistance is intended to stabilize the household in the community until a Section 8 certificate or voucher becomes available.

Housing Opportunities for Persons with AIDS (HOPWA)

The Housing Opportunities for Persons with AIDS (HOPWA) Federal program provides grants that can be used to meet the housing needs of persons with Acquired Immune Deficiency Syndrome (AIDS), HIV-positive status or related diseases, and their families. The program authorizes grants for both housing assistance and services. Minnesota Housing's HOPWA funds are used for rental subsidies. HOPWA funds are appropriated by Congress to the U.S. Department of Housing and Urban Development. The State of Minnesota receives a direct award of funds for the portion of the State not covered by the 11-county Minneapolis/Saint Paul metropolitan area.

Historical Perspective

In 2003, leaders from public, private and nonprofit communities in Minnesota decided to launch an all-out effort to bring people home, beginning with those who have long histories of homelessness. Based on legislation proposed by Governor Tim Pawlenty and adopted by the Legislature, a Working Group was formed that developed a Business Plan to End Long-Term homelessness by 2010, primarily be creating 4,000 units of permanent supportive housing. The idea behind the Business Plan was to tackle a complex social problem—long-term homelessness—in a business-like manner, defining a strategy, setting goals for each year of the plan, outlining a financing strategy, evaluating progress, and adjusting the Plan to reflect experience.

In 2004, the eligible uses of the Housing Trust Fund were expanded to include operating subsidies and rental assistance as part of the implementation of the Business Plan to End Long-Term Homelessness. In 2006, the Plan was updated based on survey results from the Wilder Foundation, and another recalibration is underway in 2010 based on results from the 2009 survey.

Minnesota Housing requested and received State appropriate debt service for $30 million in non-profit housing bonds through the capital bonding process from the 2008 Minnesota Legislature. The agency received approval from the 2010 Minnesota Legislature to issue an additional $6 million in non-profit housing bonds with no increase in debt service due to historically low interest rates.

Key Activity Goals & Measures

The supportive housing and rental assistance budget activity advances the agency's strategic priority of:

Ending long-term homelessness.

Minnesota Housing, along with the Departments of Human Services and Corrections, is a key partner in implementing the Business Plan to End Long-Term Homelessness in Minnesota. Developed by a working group of public and private stakeholders, the Business Plan aims to provide permanent supportive housing to an additional 4,000 long-term homeless households by 2010.

This activity is essential to meeting Minnesota Housing's strategic priority of ending long-term homelessness.

Ending Long-term Homelessness. Minnesota Housing's strategic plan can be found at: www.mnhousing.gov/news/reports/index.aspx

At the end of 2009, almost 1,800 households were created through the Business Plan. Of those:

- 42 percent were families; 58 percent were single adults.
- 9 percent were households headed by youth under 22. Over half of these households were families (55%).
- 42 percent of participants self-identified as Black/African-American, 20 percent as American Indian.
- 73 percent of adults reported some type of disability, mental illness being the most prevalent (53%).

Housing created through the Business Plan has made a difference in people's lives.

- *People with long histories of homelessness are in housing.* 88 percent of households served in the 2009 calendar year were still in housing at the end of the year or had moved into another permanent housing option.
- *Household income is increasing.* 31 percent of households served experienced an increase in income since entering housing and 17 percent of households have income from wages.
- *Health and well-being are improving***.** After 18 months in housing, participants in the Minnesota Supportive Housing and Managed Care Pilot reported fewer mental health symptoms, reduced use of alcohol and/or drugs and a greater sense of safety.

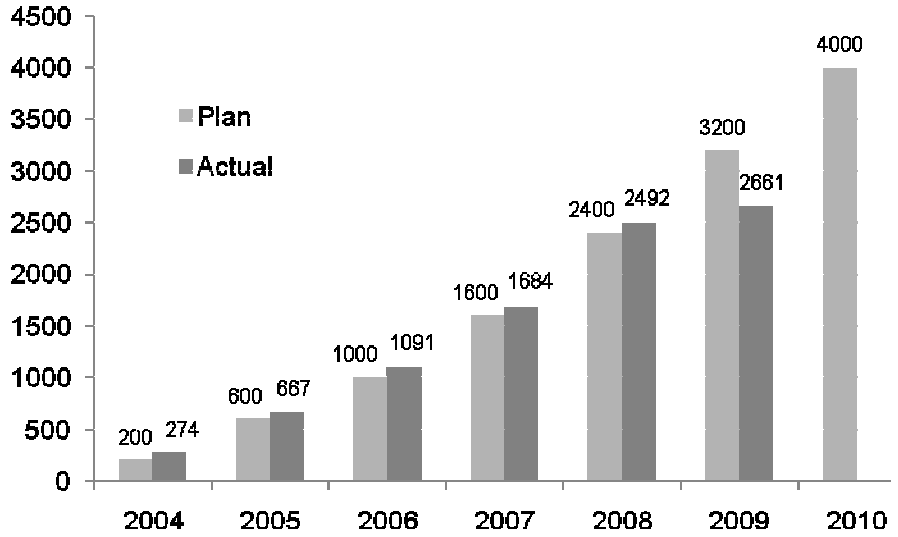
Public funds are redirected from short-term emergency expenditures to longer-lasting investments in well-being.

- *Emergency expenditures are reduced.* As an example, Hennepin County's Frequent Users of Shelter and Emergency Services (FUSE) initiative saved $78,000 by housing six people; the results included 161 fewer jail days, 397 fewer stays in shelters, 45 fewer days in detox.

- *Public funds are used more effectively.* The Minnesota Supportive Housing and Managed Care Pilot (2001 – 2007) reported that, although overall costs did not change significantly, the type of expenditures shifted away from jails, inpatient treatment, and detox to more routine and preventive care such as outpatient medical and mental health care and pharmacy costs.

During the first five years of the Business Plan, the state met its production goals; however, the economic downturn and the stalled market for housing tax credits significantly hindered production in 2009. Consequently, the state did not meet its 2009 goals, as shown below. The Business Plan to End Long-Term Homelessness will be recalibrated in late 2010 to reflect the realities of the financial market and the 2009 Wilder Homeless Survey.

New Supportive Housing Opportunities under the Business Plan to End Long-term Homelessness (cumulative totals)



Activity Funding

32% of the total state General Fund appropriations for Minnesota Housing is devoted to supportive housing and rental assistance. In addition to state appropriations for this activity, Minnesota Housing expects to receive $375,000 in the FY2010-11 biennium from interest on Real Estate Brokers Trust accounts pursuant to M.S. Chapter 82.50 subd.8.

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For further information, visit Minnesota Housing's website at: http://www.mnhousing.gov

HOUSING FINANCE AGENCY
Program: HOMELESS PREVENT AND SUPPORTIV
Activity: SUPPORTIVE HOUSING

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Expenditures by Fund					
Direct Appropriations					
General	0	0	12,193	12,193	24,386
Statutory Appropriations					
Housing Finance Agency	18,297	21,136	6,115	6,115	12,230
Total	**18,297**	**21,136**	**18,308**	**18,308**	**36,616**
Expenditures by Category					
Payments To Individuals	13,978	14,071	16,743	16,743	33,486
Local Assistance	6	4	4	4	8
Other Financial Transactions	4,313	7,061	1,561	1,561	3,122
Total	**18,297**	**21,136**	**18,308**	**18,308**	**36,616**

Activity at a Glance

In FFY 2009
- 11,227 households received homeless prevention assistance;
- Average assistance per household under the Family Homeless Prevention and Assistance Program is $728; and
- Median household income was $9,912 and 54% were emerging market households.

Activity Description
Homeless prevention activities provide housing and other assistance to households who are at risk of becoming homeless due to a crisis situation, extremely low-incomes, or physical or mental health problems. These activities also assist households in moving out of emergency shelters and other temporary settings so that they do not become long-term homeless. The development of additional rental housing affordable for extremely low income households is another critical homelessness prevention activity.

Population Served
This activity serves households facing a crisis that may have or already has resulted in the loss of permanent housing.

Services Provided
Family Homeless Prevention and Assistance Program (M.S. Chapter 462A.204)
The Family Homeless Prevention and Assistance Program (FHPAP) provides flexible grants to counties and nonprofit organizations to use to assist families, single adults or youth who are homeless or at imminent risk of homelessness. Grant recipients are required to design or redesign an emergency response system to shift the focus to prevention of homelessness and a more rapid move to transitional or permanent housing. FHPAP now serves80 counties.

Historical Perspective
Base funding for the Family Homelessness Prevention and Assistance Program was doubled for FY2008-09 biennium. Base funding remained steady through the FY2010-11 biennium.

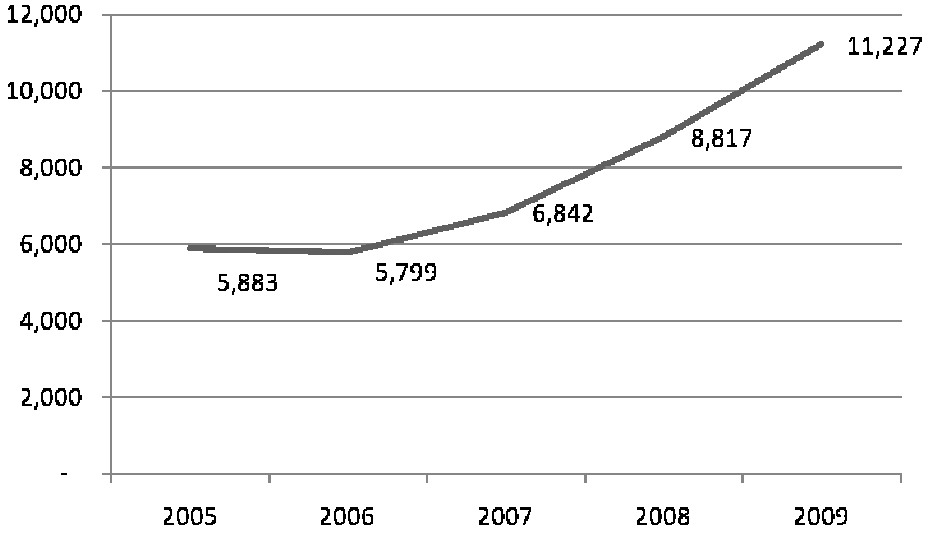
In 2009, the Legislature made a one-time appropriation of $500,000 for a High-Risk Adult Demonstration Project.

Key Activity Goals & Measures
The homelessness prevention budget activity advances the agency's strategic priorities of:
Ending long-term homelessness.
In state fiscal year 2009, the Family Homeless Prevention and Assistance Program served:
- 6,497 Families
- 2,062 Youth
- 2,978 Single Adults, many of whom are veterans

More than 17,500 households were served by the FHPAP statewide in FY 2008-2009, representing more than 32,000 individuals, including 16,000 children.

Because of the increase in available FHPAP funding, the number of households that have averted homelessness is on the rise, as shown by the chart below.

Households served by Family Homeless Prevention and Assistance Program



Activity Funding

18% of the total state General Fund appropriations for Minnesota Housing is devoted to homeless prevention.

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For further information, visit Minnesota Housing's website at: http://www.mnhousing.gov

HOUSING FINANCE AGENCY
Program: HOMELESS PREVENT AND SUPPORTIV
Activity: HOMELESSNESS PREVENTION

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Expenditures by Fund					
Direct Appropriations					
General	0	0	7,465	7,465	14,930
Statutory Appropriations					
Housing Finance Agency	7,738	7,747	0	0	0
Total	**7,738**	**7,747**	**7,465**	**7,465**	**14,930**
Expenditures by Category					
Payments To Individuals	7,515	7,470	7,465	7,465	14,930
Other Financial Transactions	223	277	0	0	0
Total	**7,738**	**7,747**	**7,465**	**7,465**	**14,930**

Program at a Glance

In FFY 2009 Minnesota Housing
- disbursed $190 million for more than 28,000 homeowners or homebuyers;
- disbursed $254 million for nearly 50,000 rental units or tenant households; and
- issued an aggregate $1,385 million in bonds for State Fiscal Year 2010.
- Both Standard and Poor's Ratings Services affirmed an "AA+" rating and Moody's Investors Service affirmed an "Aa1" rating.

Program Description

Minnesota Housing works to finance and advance affordable housing opportunities for low- and moderate-income Minnesotans to enhance quality of life and foster strong communities.

In FY 2010-11, Minnesota Housing reaffirmed four strategic priorities and added a fifth strategic priority to address the foreclosure crisis through prevention and recovery.

Work continued on the business plan to achieve the strategic priority of ending long-term homelessness. Each annual goal under the plan for permanent supportive housing was surpassed until market conditions dramatically weakened in 2009. The plan is under revision in 2010 to adjust for the new challenges. In June 2005, an initiative regarding work on the goal of increasing the homeownership rate on emerging markets was launched. Progress has been steady though challenging given the turmoil in the housing market, and goals were exceeded prior to 2009.

Information technology improvement efforts were implemented during the FY 2010-11 biennium, including new compliance and monitoring systems, Intranet and progress on a website redesign, to ensure information is easily accessible to the public and our partners. The agency continues to refine its web-based application databases for multifamily projects and single-family mortgage system. This has decreased costs and increased efficiency.

A Housing Resource Advisory Committee continues to meet on a regular basis to discuss emerging housing trends and proposed responses so as to best advance the agency's mission of meeting Minnesotans' needs for decent, safe, affordable housing and stronger communities. In 2007, a balanced scorecard was adopted to guide strategy management and decision-making. In response to recent changes in senior leadership due to retirement, the agency is evaluating its structure and outcomes.

As of 6-30-2010, Minnesota Housing had approximately $3.6 billion in assets. At June 30, 2010, Minnesota Housing's issuer ratings were "AA+" and "Aa1" from Standard and Poor's Ratings Services and Moody's Investors Service, Inc., respectively. Minnesota Housing's credit ratings are separate from, and are not directly dependent on, ratings on debt issued by the State of Minnesota. Ongoing reporting to and communications with the bond rating agencies are priorities for the agency.

Population Served

Homebuyers, homeowners, and tenants with low- and moderate-incomes benefit from the administration of agency programs.

Services Provided

Agency staff engages in a number of activities to ensure that state-appropriated, federal and other funds are well invested and the investments are well managed.

Activities surrounding the various homeownership assistance provided by Minnesota Housing include processing loan reservations and disbursements, compliance monitoring of funds used for homeownership assistance, monitoring of loan services, and provision of delinquency assistance and loss mitigation tools.

For multifamily rental properties, five major components require review and oversight: underwriting, construction, marketing/initial rent-up, long-term management, and oversight for troubled properties. Federal monitoring for compliance must also be performed with the federal Section 8, Section 236, Low-Income Housing Tax Credits, and HOME Investment Partnership (HOME) programs, including compliance with imposed rent and income restrictions. The portfolio of federal housing tax credit properties is growing by approximately 1,000 units per year. Federal law requires that a portion of tax credit units be monitored every year. In addition, Minnesota Housing is

the Traditional Contract Administrator or Performance Based Contract Administrator (PBCA) for many project-based Section 8 housing developments.

The agency's portfolio grows as additional funds are disbursed for housing. A concomitant increase in the responsibilities for loan portfolio management, investment and debt management, and property management results from a larger portfolio.

Key Program Goals & Measures

The Administration program area contributes to advancing all of the agency's strategic priorities of:

- Financing new affordable housing opportunities
- Preserving existing affordable housing;
- Ending long-term homelessness;
- Increasing emerging market homeownership; and
- Addressing the foreclosure crisis through prevention and recovery.

In setting an administrative budget, the agency seeks to strike an appropriate balance between maximizing agency resources available for housing needs and investing in adequate staff and technology to ensure efficient operations, appropriate oversight, and quality housing. Total operating costs as a percentage of assistance provided typically does not exceed five percent. FY 2009 exceeded this benchmark because of the temporarily decline in mortgage lending, which reduced by nearly one-third the total assistance provided by the agency.

(Dollars in Thousands)

Assistance Provided	Year Ended 9/30/2002	Year Ended 9/30/2003	Year Ended 9/30/2004	Year Ended 9/30/2005	Year Ended 9/30/2006	Year Ended 9/30/2007	Year Ended 9/30/2008	Year Ended 9/30/2009	Year Ended 9/30/2010 (estimate)
Total Assistance Provided by the agency	$520,956	$466,806	$533,983	$637,314	$717,616	$744.983	669.756	$444.237	$609.957
Actual Operating Costs	$18,222	$19,089	$20,186	$20,124	$21,266	$22,832	$24,001	$25,178	$24,447
Operating Costs as a % of Assistance Provided	3.50%	4.09%	3.78%	3.16%	2.96%	3.06%	3.58%	5.66%	4.00%

A separate operating cost report is provided to the Minnesota Legislature each year.

Minnesota housing consistently ranks among the top housing finance agencies in the country by the rating agencies. Minnesota Housing is in the top five agencies out of the fifty housing finance agencies rated by Moody's and in the top four agencies out of the 24 housing finance agencies rated by Standard and Poor's.

Program Funding

The agency's operation costs are not covered by state General Fund appropriations; the funding source for agency operations is the slight yield on bonds issued by the agency.

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Expenditures by Fund					
Statutory Appropriations					
Housing Finance Agency	24,446	26,063	26,304	26,704	53,008
Total	**24,446**	**26,063**	**26,304**	**26,704**	**53,008**
Expenditures by Category					
Total Compensation	17,858	19,215	19,456	19,856	39,312
Other Operating Expenses	6,588	6,848	6,848	6,848	13,696
Total	**24,446**	**26,063**	**26,304**	**26,704**	**53,008**
Expenditures by Activity					
Administration	24,446	26,063	26,304	26,704	53,008
Total	**24,446**	**26,063**	**26,304**	**26,704**	**53,008**
Full-Time Equivalents (FTE)	**207.8**	**213.6**	**213.6**	**213.6**	

Program at a Glance

In FFY 2009:
- 492 households received Homeownership Assistance Fund (HAF) assistance;
- 40% of first-time homebuyers with a Minnesota Housing mortgage received HAF assistance; and
- Average assistance under the HAF program is $3,289.

Program Description
The homeownership assistance program combines state General Fund appropriations with bond proceeds and federal funds to provide entry cost assistance loans. Homeownership assistance programs also conduct marketing and outreach aimed at reaching underserved populations.

Population Served
The homeownership loan program area serves low- and moderate-income first-time homebuyers.

Services Provided
Homeownership Assistance Fund
Minnesota Housing state-appropriated entry cost (downpayment and closing costs) assistance loan program is the Homeownership Assistance Fund (M.S 462A.21, Subd. 8), or HAF. It provides entry costs to more modest income homebuyers who are purchasing their first home through one of Minnesota Housing's mortgage revenue bond programs. Assistance is in the form of a 0% interest second mortgage loan. Repayment of the loan is deferred until the home is sold, the mortgage is refinanced, or the borrower no longer occupies the home as his or her principal residence. Eligible homebuyers must have income that does not exceed 80% of the greater of state or area median income; income limits may be adjusted for family size. Repayments and prepayments of loans are invested in new loans. A network of participating lenders delivers this assistance.

HOME Homeowner Entry Loan Program
The HOME Homeowner Entry Loan Program (HELP) loan is a Federal Home Investment Partnership downpayment assistance program. The HOME HELP loan is a deferred interest-free loan, which must be fully repaid within the first six years of the loan if the borrower sells or vacates the property. After the sixth year, 70% of the loan is forgiven and the remaining 30% of the HOME HELP loan amount is repaid when the loan matures, the property is sold, or is no longer owner-occupied. The major goals of the HOME HELP downpayment and closing cost assistance program are emerging market homeownership and foreclosure remediation through the purchase of vacant homes resulting from foreclosure or purchase of homes located in foreclosure impact areas as designated by a local unit of government. The program supports the goals by providing borrowers with entry cost assistance in declining market conditions and providing funds to bring borrowers housing ratio as close to 30% as possible.

Historical Perspective
The 2003 legislature directed that for the 2008-09 biennium funding for the HAF program be restored to $1.77 million. Previously, funding for that program had been suspended for FY 2004-05 and 2006-07. The HAF funding remained at $1.77 million for the 2010-2011 biennium. The short-term impact of the elimination of HAF appropriations resulted in fewer potential homeowners receiving entry cost assistance and the long-term impact results in fewer revolving funds to help future homeowners.

HOME HELP was established in 2008 to provide affordable entry cost assistance to emerging market homeowners and in areas impacted by foreclosure.

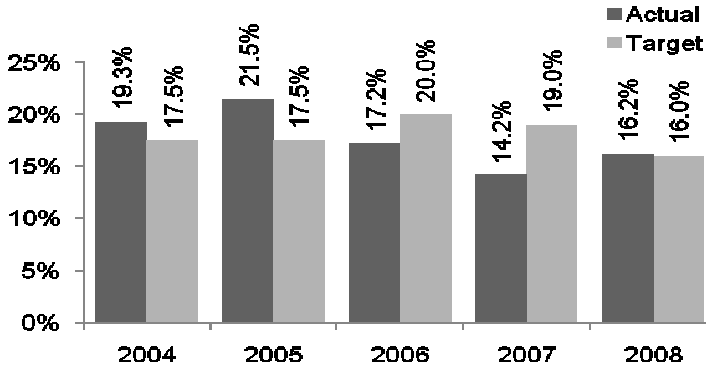
Key Program Goals & Measures
The homeownership loan activity advances the agency's strategic priorities of:
- Financing new affordable housing opportunities; and
- Increasing emerging market homeownership.

The homeownership gap between white, non-Hispanic households and households of color and/or Hispanic ethnicity in 2008 was 31%, placing Minnesota in the top ten states for the largest homeownership gap.

Minnesota Housing is one of three conveners of the public-private Emerging Markets Homeownership Initiative (EMHI) to increase the accessibility of information and resources to communities of color and close the gap in

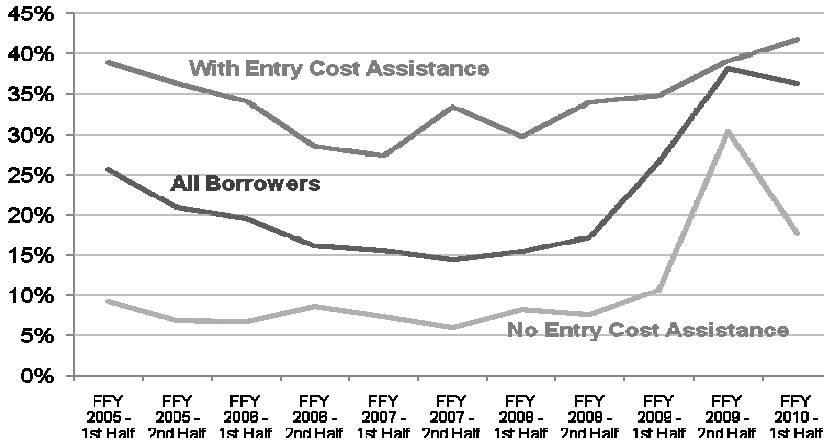
homeownership rates. EMHI participants developed a business plan that calls for 40,000 new emerging markets homeowners by 2012. To help ensure that emerging market households have equal access to mortgage financing and homeownership, Minnesota Housing has made special outreach efforts to these communities. The chart below shows progress over time in the households served and the target for each year. Minnesota Housing's current goal is for at least 17.5 percent of its borrowers to come from emerging markets. Recently, the agency has been very successful in exceeding its goal with more than 35 percent of its borrowers coming from emerging markets.

Emerging Market Households among Minnesota Housing mortgages



Entry cost assistance also helps the agency serve households from communities of color (emerging market households). The chart below presents data showing that households receiving entry cost assistance are much more likely to be from a community of color. Households of color have often faced barriers to homeownership.

Minnesota Housing Homebuyers who are from Emerging Markets



Program Funding

State appropriations for this activity are 2% of Minnesota Housing's General Fund appropriations for FY2010-11.

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HOUSING FINANCE AGENCY

Program: HOMEOWNERSHIP ASSISTANCE

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Expenditures by Fund					
Direct Appropriations					
General	0	0	858	858	1,716
Statutory Appropriations					
Housing Finance Agency	9,717	5,922	4,245	4,245	8,490
Total	**9,717**	**5,922**	**5,103**	**5,103**	**10,206**
Expenditures by Category					
Local Assistance	85	30	30	30	60
Other Financial Transactions	9,632	5,892	5,073	5,073	10,146
Total	**9,717**	**5,922**	**5,103**	**5,103**	**10,206**
Expenditures by Activity					
Homeownership Assistance	9,717	5,922	5,103	5,103	10,206
Total	**9,717**	**5,922**	**5,103**	**5,103**	**10,206**

Program Description

The purpose of the Preservation program area is to strategically preserve the existing affordable housing stock.

Budget Activities

This program includes the following budget activities:

- Homeowner Rehabilitation
- Project Based Rental Assistance
- Rental Preservation and Rehabilitation

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Expenditures by Fund					
Direct Appropriations					
General	0	0	9,952	9,952	19,904
Statutory Appropriations					
Federal Stimulus	3,182	4,018	500	0	500
Housing Finance Agency	193,035	206,629	194,513	194,513	389,026
Total	**196,217**	**210,647**	**204,965**	**204,465**	**409,430**
Expenditures by Category					
Payments To Individuals	179,587	182,548	184,107	183,630	367,737
Local Assistance	567	760	723	700	1,423
Other Financial Transactions	16,063	27,339	20,135	20,135	40,270
Total	**196,217**	**210,647**	**204,965**	**204,465**	**409,430**
Expenditures by Activity					
Rental Perservation And Rehab	13,696	24,149	16,985	16,985	33,970
Homeowner Rehabilitation	6,376	7,868	4,350	3,850	8,200
Project Based Rental Assistanc	176,145	178,630	183,630	183,630	367,260
Total	**196,217**	**210,647**	**204,965**	**204,465**	**409,430**

Activity at a Glance

In FFY 2009
- 392 households received assistance to rehab or preserve their home;
- average assistance under the Rehabilitation Loan Program for homeowners was $14,339; and
- Median household income of homeowners was $13,661.

Activity Description
The Rehabilitation Loan Program assists low-income homeowners in financing basic home improvements that directly affect the safety, habitability, energy efficiency or accessibility of their homes.

Population Served
Low-income homeowners with home improvements needs.

Services Provided
Rehabilitation Loan Program provides deferred loans of up to $24,999 to very low-income homeowners with annual incomes of $20,200 for a household of two (adjusts for household size) for the purpose of correcting health and safety hazards within their homes and improving their homes' habitability, accessibility, and energy efficiency. Loans are forgiven if the borrower does not sell, transfer title, or ceases to occupy the property during the loan term; the borrower no longer lives in the home, or 30 years, whichever occurs first. Repayments are recycled into new loans. Historically, repayments under this program have averaged about $1 million per year. Loans are distributed through local administrators who are familiar with the local area's needs, typically a Housing and Redevelopment Authority or a Community Action Partnership agency.

Historical Perspective
The funding source for non-amortizing loans for rehabilitation of rental housing was changed this biennium from federal HOME Investment Partnership program funds to state appropriations. The change in funding source was made primarily to simplify the program for both delivery partners and property owners. Therefore, the Rehabilitation Loan Program for homeowners is now funded with federal HOME funds.

Nearly 40% of Minnesota's housing stock was built before 1959. For many low-income homeowners, the lack of funds to maintain their housing is the greatest threat to continued homeownership.

Key Activity Goals & Measures
The homeowner rehabilitation activity advances the agency's strategic priority of preserving existing affordable housing.

Rehabilitation activity has increased recently with the increased emphasis on energy efficiency. Minnesota Housing is pursuing partnership opportunities to improve energy efficiency for low-income homeowners and reduce operating costs at the same time. In 2009, more than half of the improvements made through the rehabilitation loan program for homeowners improved the energy efficiency of the home.

Activity Funding
Due to the recent change in funding sources, the Rehabilitation Loan Program is funded from federal HOME Investment Partnership funds. State appropriations are no longer the funding source.

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For further information, visit Minnesota Housing's website at: http://www.mnhousing.gov.

HOUSING FINANCE AGENCY
Program: PRESERVATION
Activity: HOMEOWNER REHABILITATION

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Expenditures by Fund					
Statutory Appropriations					
Federal Stimulus	3,182	4,018	500	0	500
Housing Finance Agency	3,194	3,850	3,850	3,850	7,700
Total	**6,376**	**7,868**	**4,350**	**3,850**	**8,200**
Expenditures by Category					
Payments To Individuals	3,039	3,838	477	0	477
Local Assistance	466	660	503	480	983
Other Financial Transactions	2,871	3,370	3,370	3,370	6,740
Total	**6,376**	**7,868**	**4,350**	**3,850**	**8,200**

Activity at a Glance

In FFY 2009:

- $71,855,949 in Section 8 Housing Assistance payments was disbursed for 12,418 units of rental housing;
- $98,709,532 in Section 8 Housing Assistance payments was disbursed for 18,134 units of housing for which Minnesota Housing is the contract administrator;
- The median income of the households living in Section 8 units was $10,509; and
- Every Minnesota County has at least one federally assisted rental project.

Activity Description

This budget activity is one of the key means by which the Minnesota Housing achieves its strategic goal of preserving existing affordable housing. Effective administration of Project Based Rental Assistance and strategically targeting incentives to at-risk units ensures that these homes for people with some of the lowest incomes in the state are preserved.

Effective administration of housing assistance payment contracts on approximately 32,000 units of Section 8 housing is an important strategy employed by Minnesota Housing to preserve federally-assisted housing.

Population Served

Tenants of federally subsidized housing are generally among the lowest income households served by Minnesota Housing.

Services Provided

Minnesota Housing administers three types of housing assistance payment contracts to preserve federally-assisted housing.

Section 8 Traditional Contract Administration (TCA)

Minnesota Housing is the Traditional Contract Administrator (TCA) for project-based Section 8 housing developments whose construction was originally financed by Minnesota Housing. The assistance is in the form of rental subsidies to low- and moderate-income tenants. The tenant pays no more than 30% of his or her income for rent and HUD pays the difference between the tenant's contribution and a rent amount set by contract based on HUD requirements, particulars of financing and development needs. Minnesota Housing's role includes processing tenant data to ensure accurate and timely subsidy payments and processing annual rental adjustments and asset management. The Housing Assistance Payments are committed for the remainder of the mortgage term (originally 30 or 40 years).

Section 8 Performance Based Contract Administration (PBCA)

Minnesota Housing is the Performance Based Contract Administrator (PBCA) for project-based Section 8 housing developments that are not administered either directly by HUD or by Minnesota Housing as TCA. The assistance is in the form of rental subsidies to extremely low to moderate-income tenants. Minnesota Housing has contracted with HUD to perform certain tasks and earns administrative fees in that role. These tasks include: 1) Process tenant data to ensure accurate and timely subsidy payments, 2) Renew Section 8 contracts, 3) Process annual rental adjustments, 4) Perform annual management and occupancy reviews and 5) Respond to tenant and other customer concerns. The Housing Assistance Payments are committed for between one and twenty years, based on HUD approval.

Section 236 Interest Rate Reduction Program

The agency administers Section 236 interest rate reduction payments for 13 rental housing developments throughout Minnesota. The assistance is in the form of a shallow subsidy provided by HUD to lenders to cover the difference between a 1% interest rate and the market rate on a mortgage loan. Tenants must pay a basic rent, which is calculated on the basis of the reduced interest mortgage, or 30% of the tenant's income, not to exceed a market rent, whichever is greater. Tenants of the units covered by the interest-rate subsidy must have incomes at or below 80% of area median income. In general, the low-income use restrictions apply for at least 20 years.

Key Activity Goals & Measures

The preservation activity advances the agency's strategic priority of preserving existing affordable housing. Less than 10% of the developments in the Section 8 program are on the watch-list for the potential to lose the project-

based assistance. Staff work closely with property owners to ensure the project based rental assistance is preserved through timely maintenance and effective administration of the funding.

Activity Funding

The U.S. Department of Housing and Urban Development (HUD) provides funding for project based rental assistance. Funding amounts have been relatively steady in recent years. No state General Fund appropriations are used for this activity.

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For further information, visit Minnesota Housing's website at: http://www.mnhousing.gov.

HOUSING FINANCE AGENCY
Program: PRESERVATION
Activity: PROJECT BASED RENTAL ASSISTANC

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Expenditures by Fund					
Statutory Appropriations					
Housing Finance Agency	176,145	178,630	183,630	183,630	367,260
Total	**176,145**	**178,630**	**183,630**	**183,630**	**367,260**
Expenditures by Category					
Payments To Individuals	176,145	178,630	183,630	183,630	367,260
Total	**176,145**	**178,630**	**183,630**	**183,630**	**367,260**

Activity at a Glance

In FFY 2009:

- 560 federally-assisted housing units were preserved through the Affordable Rental Investment Fund – Preservation (PARIF);
- average assistance per unit was $10,917 through PARIF; and the
- median household income was $12,211.
- For every $1 the agency spends to preserve these housing units, $5.70 in federal assistance is leveraged.

Activity Description

This budget activity is one of the key means by which the Minnesota Housing Finance Agency achieves its strategic goal of preserving the existing affordable housing stock.

In order to preserve every unit of federally assisted rental housing as is economically feasible, Minnesota Housing provides incentive or rehabilitation loans, or both, for new or existing owners who will commit to staying in the federal assistance program for a longer term. This housing was financed originally with Housing and Urban Development (HUD), Minnesota Housing, or United States Department of Agriculture (USDA) Rural Development programs. No existing development program – federal, state, or local - can produce housing that is as affordable to residents as the existing stock of federally assisted housing. Preserving this housing costs substantially less per unit than new construction and, in many cases, leverages federal rent or mortgage subsidies well into the future.

Preservation is important because federally assisted housing stock continues to be threatened for three reasons:

- Physical deterioration threatens a significant portion of federally assisted housing.
- Federal policies and requirements and the increasingly frequent changes in these policies and requirements make continued participation in any publicly funded rental housing program less attractive to owners. An increasing number of owners are choosing to opt-out of the programs for estate planning reasons.
- Half of Minnesota's Section 8 housing stock was financed with 20-year mortgages that either have expired or will soon expire. In the future when the economy is expanding again and there is a high demand for rental housing, owners are financially motivated to opt out of their contract at the end of the term and convert to market rate housing.

Population Served

Tenants of federally subsidized housing are generally the among the lowest income households served by Minnesota Housing.

Services Provided

Affordable Rental Investment Fund – Preservation (M.S. Chapter 462A.21, Subd. 8b): The Affordable Rental Investment Fund – Preservation (PARIF) provides 0% deferred loans. The loans are most commonly in the form of preservation loans or loans to cover the costs of rehabilitation. Reservation loans are provided in situations where the development could, in Minnesota Housing's estimation, produce significantly greater revenues from market rents than it does under the federal program.

In exchange for receiving assistance from the state or federal government, rental property owners agree to charge rents that are affordable to lower-income households for all or a portion of their units for a specified period of time, 15 to 40 years depending on the type of assistance. When these contracts expire, the subsidized units are often at risk of converting to market-rate rents. Minnesota Housing preserves rental housing through rehabilitation financing and by extending the commitment to affordability under Federal programs. For every $1 the agency spends to preserve these housing units, $5.70 in federal assistance is leveraged. Without these preservation efforts, many more renters would face market-rate rents and be cost burdened. In 2008, 63 percent of renters with a household income below $50,000 were already spending more than 30 percent of their income on housing.

Rental Rehabilitation Loan Program: The Rental Rehabilitation Loan Program is under revision due to a recent switch in funding sources. The funding source for non-amortizing loans for rehabilitation of rental housing was changed in the FY 2010-2011 biennium from federal HOME funds to state general fund appropriations. The goal of the program is to rehabilitate existing affordable rental housing so that affordability is preserved and low to moderate-income households have access to decent housing that is convenient to jobs, transportation and essential services.

Historical Perspective

The ARIF - Preservation program has been funded since 1998. The focus of activities has shifted from projects at risk of conversion to market rate housing to projects that are at risk of losing federal assistance due to the physical condition of the aging building. In 2005, the program was expanded to include the preservation of supportive housing. Of the $20.5 million state preservation appropriation of 2008-09, $5 million was made available for preservation of federal public housing.

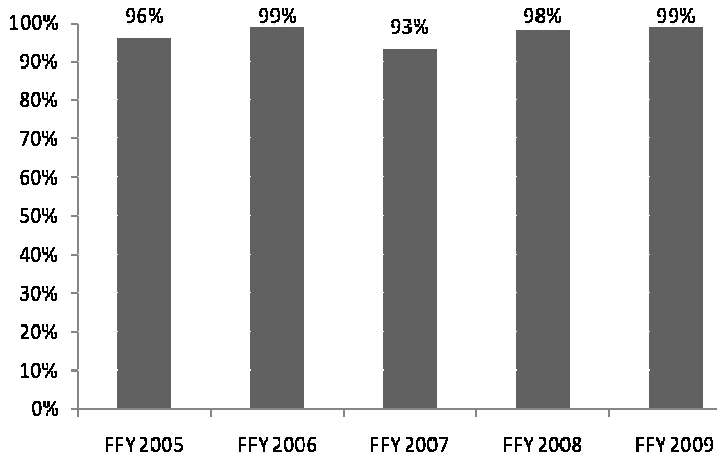
In FY 2010-11, the funding source for the rental rehabilitation loan program was switched from federal HOME Investment Partnership funds provided by the U.S. Department of Housing and Urban Development to state general fund appropriations. Previously, the home owner rehabilitation loan program had been funded out of the state general fund appropriations. The switch in funding sources for the two programs was made primarily to simplify the rental rehabilitation loan program for both delivery partners and property owners

Key Activity Goals & Measures

The preservation activity advances the agency's strategic priority of preserving existing affordable housing. Over the last several years, nearly all the Section 8 units that were at risk of losing their federal assistance were preserved for at least the short term, as shown in the chart below. Minnesota Housing's preservation efforts include: acting as HUD's contract administrator in processing annual renewals of Section 8 contracts, providing deferred loans for acquisition and/or rehabilitation, modifying mortgages to reduce the interest rate, redefining equity, and providing an equity takeout loan.

More than 50,000 units of privately owned, federally assisted rental housing and more than 21,000 units of public housing are in Minnesota. Of those, 14,357 units (including 1,908 public housing units) have received preservation funding to date. Only 23 federally assisted housing developments with 458 units in Minnesota Housing's portfolio have been lost to date. Preservation funds increasingly are being used to address the physical deterioration and/or the diminished owner capacity of federally assisted housing.

Percentage of Section 8 Rental At Risk of Converting to Market-Rate Rents that Were Preserved



Activity Funding

State appropriations for this activity are 18% of the total state general fund appropriations to Minnesota Housing for the FY2010-11 biennium.

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HOUSING FINANCE AGENCY
Program: PRESERVATION
Activity: RENTAL PERSERVATION AND REHAB

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Expenditures by Fund					
Direct Appropriations					
General	0	0	9,952	9,952	19,904
Statutory Appropriations					
Housing Finance Agency	13,696	24,149	7,033	7,033	14,066
Total	**13,696**	**24,149**	**16,985**	**16,985**	**33,970**
Expenditures by Category					
Payments To Individuals	403	80	0	0	0
Local Assistance	101	100	220	220	440
Other Financial Transactions	13,192	23,969	16,765	16,765	33,530
Total	**13,696**	**24,149**	**16,985**	**16,985**	**33,970**

Program at a Glance

In FFY 2009:
- 24,899 households received foreclosure prevention assistance or homebuyer training services;
- Continued funding of six regional advisory groups to promote coordination of planning on a regional basis.
- More than $10 million awarded to Minnesota Housing through the National Foreclosure Mitigation Counseling Program.
- 16,000 Minnesota households received mortgage foreclosure intervention and loss mitigation counseling assistance.

Program Description

The resident and organizational support program contributes to the Minnesota Housing Finance Agency's ability to achieve its strategic goals. It provides support for some of the organizational infrastructure necessary to effectively deliver affordable housing throughout the state.

This program area funds:
- homebuyer education and foreclosure prevention;
- regional planning and coordinating activities; and
- nonprofit operating costs.

Regional housing dialogues conducted by the agency in 2009 around the state found continued support for maintaining and enhancing local capacity to preserve and produce affordable housing. The State of Minnesota Consolidated Plan for Housing and Community Development FY 2007-11 also identifies lack of capacity as a barrier to producing affordable housing.

This budget activity contributes to the Minnesota Housing's ability to preserve existing affordable housing by ensuring homeowners at risk of foreclosure receive intervention and counseling assistance.

Population Served

- Homeowners faced with foreclosure and low- and moderate-income first-time homebuyers are served by the resident support activities.
- Nonprofit development organizations are assisted with maintaining or building their capacity to develop affordable housing.
- Regional networks are strengthened in their work on issues of regional planning and coordination.

Services Provided

Homeownership Education, Counseling, and Training Program (M.S. Chapter 462A.209)

Minnesota Housing, in collaboration with many other organizations, has brought together groups throughout the state, and designed a comprehensive statewide delivery network for homebuyer training and education overseen by the Homeownership Center in St. Paul. The homebuyer network is supported not only by the state but also lending institutions and their foundations. Experienced nonprofit organizations receive grants to provide comprehensive homebuyer training and support on either a pre- or post-purchase basis for low- and moderate-income first-time homebuyers. Funds may be used for either administrative support or program support. Nonfinancial assistance in the form of financial counseling services, screening and assessment, referrals, case management and advocacy is also provided. These services are now available in every county.

Foreclosure prevention counseling has also increased due to the surge in home foreclosures and delinquencies. In collaboration with the Homeownership Center's network, Minnesota Housing provides funding for foreclosure prevention counseling to avoid foreclosure where possible. Nonprofit and community based organizations also provide interest-free loans for homeowners who are faced with foreclosure due to a temporary financial hardship through the Foreclosure Prevention Assistance Program.

Nonprofit Capacity Building Grant program (M.S. Chapter 462A.21, Subd. 3b)

Two primary activities are funded through this program.
- *Regional planning and coordination*. Minnesota Housing funds regional planning and coordination using the six Minnesota Initiative Fund regions and the metropolitan area. Minnesota provides minimal funding for each region to convene Regional Housing Advisory Groups (RHAG) for the purpose of maintaining good communication between Minnesota Housing and the region. The Regional Housing Dialogues conducted in 2009 used this network of RHAGs to promote the discussion events and engage the communities. This type

of collaboration facilitates an effective network within the region between economic development and housing efforts, and facilitating the development of regional Continuum of Care Plans that identify

- existing homeless prevention and assistance programs and services;
- funding and service gaps; and
- priorities for state and federal funding.

All state agency members of the Interagency Task Force on Homelessness use Continuum of Care Plans when making funding decisions. Additional activities include supporting the Homelessness survey by the Wilder Research Center and the implementation of a new streamlined reporting system, HMIS.

- *Operating support for nonprofit developers*. Using both state general fund appropriations and federal funds, Minnesota Housing maintains an operating support program through a system of intermediaries to provide multi-year ongoing operating funds to build nonprofit capacity.

Manufactured Home Relocation Trust Fund (M.S. Chapter 462A.35)
The Minnesota Manufactured Housing Relocation Trust Fund (Trust Fund) was created in 2007 by the Minnesota Legislature to provide participating homeowners in manufactured home parks compensation in the event that all or part of their manufactured home park closes. Each manufactured park owner is assessed $12.00 per licensed lot. Park owners are authorized to recoup the $12.00 fee from residents either in a lump sum or as part of the monthly rent. The Act requires park owners to make payments to the Trust Fund when a manufactured housing park is being closed or the land will no longer be used as a manufactured housing park. Payments are made to Minnesota Management and Budget; Minnesota Housing is responsible for processing requests and payment to homeowners.

Historical Perspective

In 2008 the Minnesota Legislature increased the HECAT Mortgage Foreclosure Prevention Assistance program from a cap of $5,500 to a formula indexed to area median monthly owner costs, which were approximately $11,500 in the metro area and $10,200 in greater Minnesota in 2010. The change to an indexed formula was in response to increased monthly housing costs.

In 2008, Minnesota Housing was competitively awarded $4.33 million through the federal National Foreclosure Mitigation Counseling (NFMC) Program, administered by NeighborWorks, a Neighborhood Reinvestment Corporation approved by HUD. The target clients are owner-occupants of single-family (one- to four-unit) properties that obtained subprime loans, are delinquent on their mortgages, and are at risk of default and foreclosure. The funds support counseling, program related support activities and operational oversight. In three subsequent competitive funding rounds, Minnesota Housing was awarded an additional $6.5 million. Minnesota Housing has received the third highest amount of assistance for housing finance agencies, behind only California and Pennsylvania. Between the four funding rounds and legal assistance funds, the NFMC program has served 29,000 homeowners in Minnesota by expanding the network from 19 to 74 counselors statewide. Funding is anticipated to run out before Federal Fiscal Year 2012.

The NFMC funds supplement the existing agency program, the Foreclosure Prevention Assistance Program. The program services include foreclosure prevention counseling/advocacy and loan funds. However, given the increase in foreclosures across the state (foreclosures have increased 255% since 2005 with 23,019 sheriff sales in 2009), the agency's counseling resources are insufficient in meeting the need for foreclosure prevention counseling.

Key Program Goals & Measures

The resident and organizational support activity that advances the agency's strategic priorities of:

- Preserving existing affordable housing;
- Increasing emerging market homeownership; and
- Addressing the foreclosure crisis through prevention and recovery.

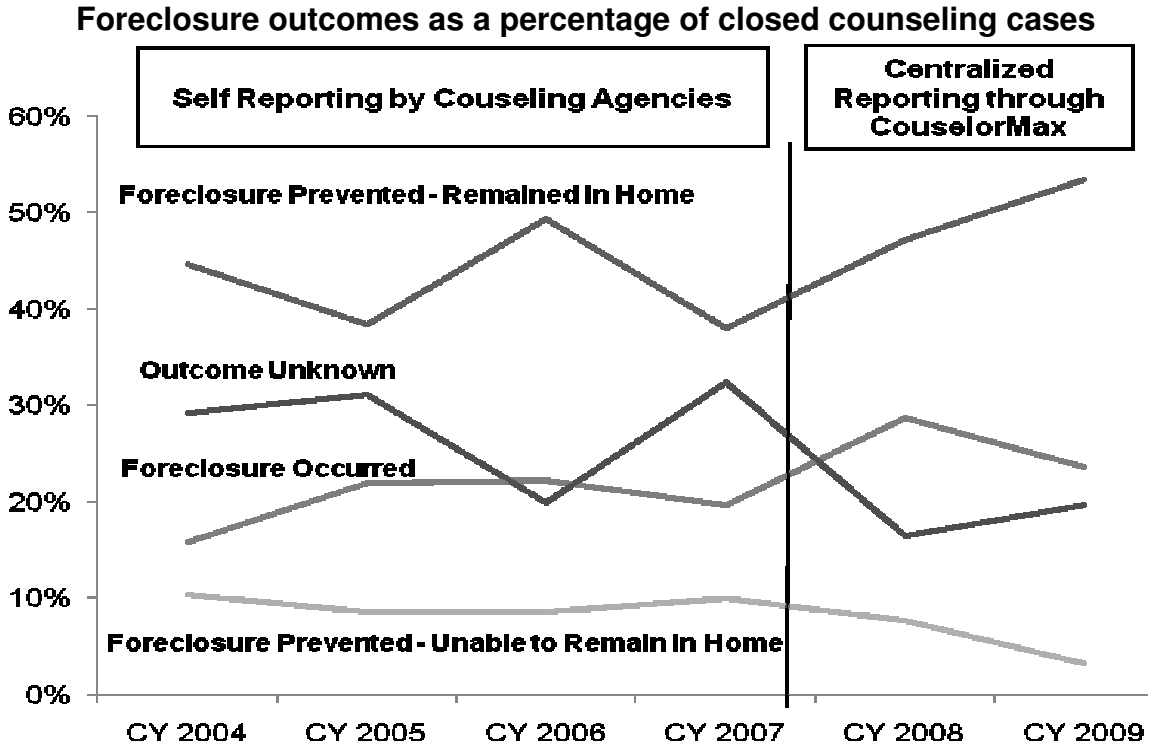
Strong nonprofit developers play an important role in meeting Minnesotan's affordable housing needs. Nonprofit developers more heavily emphasize community involvement and take on projects that the private sector finds less viable. One measurement of the strength of the nonprofit developer community is the number of affordable housing units developed.

Regional Continuum of Care planning is an essential component of the process of applying for federal funds. In FFY 2009, Minnesota received $21.045 in McKinney-Vento funds and $1.3 million in Emergency Shelter Grant funds. These funds assist with the provision of housing and services for homeless households. Minnesota Housing, through its financial support of the Regional Continuum of Care planning process in greater Minnesota, increases the likelihood that federal funding opportunities are maximized.

The Manufactured Home Relocation Trust Fund receipts for Fiscal Year 2009 were $190,609 from 548 different parks. The number of parks reporting increased by 26%, while the overall portion of residents in reporting parks who made payments to the Trust Fund compared to the previous year had a negligible decrease (less than 1%).

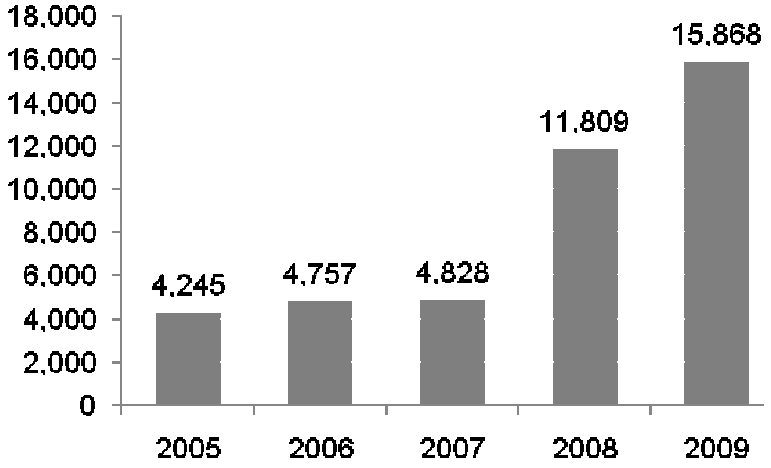
Foreclosure and homebuyer education counseling are both experiencing increased demand. While foreclosures increased 21% from 2008 to 2009, households seeking foreclosure counseling increased 34% over the same time period, with nearly 16,000 households served. Foreclosure was averted in 56% of the closed cases. In homebuyer education and pre-purchase counseling, 514 Home Stretch workshops were attended by 6,400 homebuyers (14% more than in 2008). Eighty-seven percent (87%) of attendees were first-time homebuyers and 77% had incomes below 80% AMI.

The Homeownership Center and its network of local agencies have achieved substantial success. The chart below shows that over the last several years, roughly 50 percent of clients served have avoided foreclosure and remained in their homes; while 20 percent went through a foreclosure. About ten percent of the households avoided a foreclosure but still lost their home. For example, a short sale may have occurred. The remaining 20 percent have had an unknown outcome.



The addition of federal National Foreclosure Mitigation Counseling funding has increased the capacity of the foreclosure prevention counseling network to intervene to assist homeowners at-risk or facing foreclosure. The chart below shows that the number of households in foreclosure prevention counseling increased by 274% between 2005 and 2009.

Foreclosure Prevention Counseling Intervention Through Minnesota Housing Partners



Foreclosure prevention is cost effective. According to an analysis by the Federal Reserve Bank of Minneapolis, foreclosure counseling only costs about $410 per household. In contrast, according to the Joint Economic Congressional Committee, each foreclosure costs homeowners, neighboring households, lenders, loan servicers, and local governments up to $80,000.

Program Funding

State appropriations for this activity are 2% of the total state General Fund appropriations to Minnesota Housing for the FY2010-11 biennium.

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For further information, visit Minnesota Housing's website at: http://www.mnhousing.gov.

HOUSING FINANCE AGENCY

Program: RESIDENT AND ORGANIZATION SUPP

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Expenditures by Fund					
Direct Appropriations					
General	0	0	968	968	1,936
Statutory Appropriations					
Housing Finance Agency	8,916	7,391	5,100	5,100	10,200
Total	**8,916**	**7,391**	**6,068**	**6,068**	**12,136**
Expenditures by Category					
Payments To Individuals	4,726	3,303	3,326	3,326	6,652
Local Assistance	3,740	3,638	2,242	2,242	4,484
Other Financial Transactions	450	450	500	500	1,000
Total	**8,916**	**7,391**	**6,068**	**6,068**	**12,136**
Expenditures by Activity					
Resident And Organization Supp	8,916	7,391	6,068	6,068	12,136
Total	**8,916**	**7,391**	**6,068**	**6,068**	**12,136**

Federal Award Name	New grant	Required state match/MOE? Yes/No		SFY 2010 Revenues	SFY 2011 Revenues	Estimated SFY 2012 Revenues	Estimated SFY 2013 Revenues
		Match	MOE				
Energy Rebate	No	No	No	3,182	4,018	**500**	**0**
HOME	No	No	No	15,288	16,887	**10,500**	**10,500**
HOPWA - Housing Opportunities for People With AIDS	No	No	No	112	150	**150**	**150**
National Foreclosure Mitigation Counseling	No	No	No	4,919	3,228	**3,000**	**3,000**
Neighborhood Initiative Grants	No	No	No	0	198	**0**	**0**
Neighborhood Stabilization Program	No	No	No	13,355	24,935	**2,500**	**2,500**
Section 8 – Agency Portfolio	No	No	No	76,999	77,000	**77,000**	**77,000**
Section 8 – Contract Administration	No	No	No	97,517	100,000	**105,000**	**105,000**
Section 236 Interest Reduction	No	No	No	1,629	1,630	**1,630**	**1,630**
Section 1602 Tax Credit Exchange	No	No	No	22,079	40,034	**10,000**	**10,000**
Tax Credit Assistance Program	No	No	No	11,623	16,811	**0**	**0**
Total				246,703	284,891	**210,280**	**209,780**

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012	Governor's Recomm. FY2013	Biennium 2012-13
Non Dedicated Revenue:					
Total Non-Dedicated Receipts	**0**	**0**	**0**	**0**	**0**
Dedicated Receipts:					
Grants:					
Federal Stimulus	36,884	60,863	10,500	10,000	20,500
Housing Finance Agency	199,109	220,058	196,930	196,930	393,860
Other Revenues:					
Housing Finance Agency	40,063	34,990	33,079	33,079	66,158
Other Sources:					
Housing Finance Agency	-6,436	-3,414	-740	-740	-1,480
Total Dedicated Receipts	**269,620**	**312,497**	**239,769**	**239,269**	**479,038**
Agency Total Revenue	**269,620**	**312,497**	**239,769**	**239,269**	**479,038**