Table of Contents
Housing Finance

mnhousing.gov

AT A GLANCE

- Provided more than $1.4 billion in housing assistance, serving nearly 70,000 households
- Have Aa1 and AA+ credit ratings with Moody's and Standard & Poor's
- Financed loans to more than 4,000 first-time homebuyers, financed homebuyer education and counseling for nearly 21,000 households and provided home improvement resources for 1,130 homes.
- Created or rehabilitated more than 3,215 units of rental housing and assisted over 41,000 renters
- Provided state rental assistance and homelessness prevention resources to over 10,143 households
- Over the past three years, half of competitive assistance has been provided to Greater Minnesota.

All numbers are for Federal Fiscal Year 2019

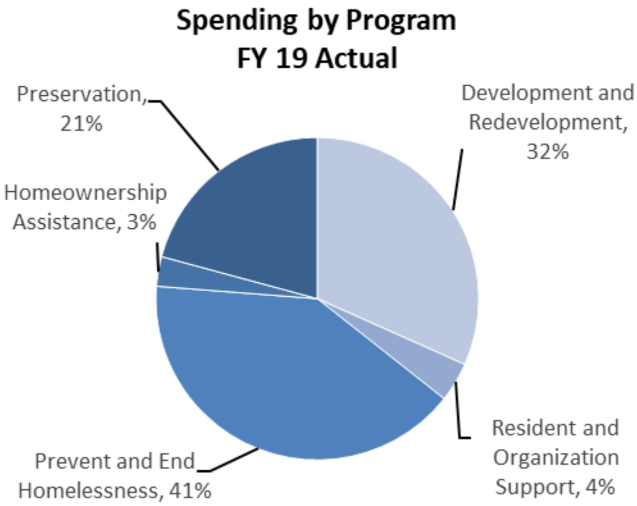
PURPOSE

Success in life starts at home for all ages and all people. When we have safe, secure places to live, parents earn more, kids learn better, health and well-being improve, communities prosper and we all thrive. Our homes are the foundation of our communities; they fuel the engine of our economy. Minnesota is losing the affordability of homes and housing production has not kept up with demand and demographics. In Minnesota, housing challenges are not shared equally across different race and ethnicities. People of color and Indigenous communities are more likely to face housing instability, be evicted and experience homelessness than white households. Currently many Minnesotans struggle with housing instability, as described below.

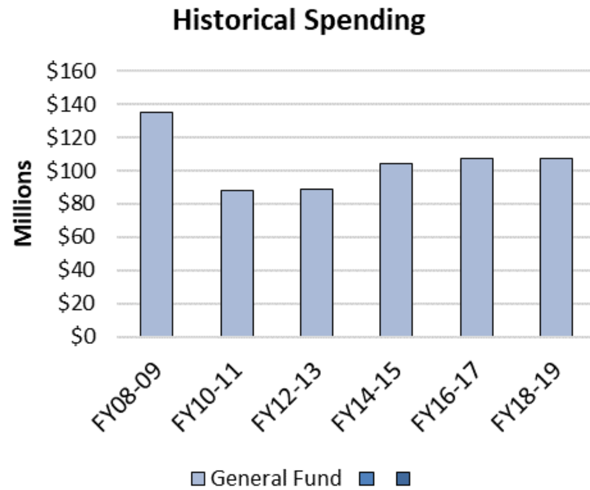
- Nearly 150,000 renter households making less than $50,000 a year spend more than 50% of their income on housing.
- Minnesota has the fourth-largest disparity in homeownership rates in the country for households of color and Indigenous households.
- More people are experiencing homelessness. Unsheltered homelessness has increased 108% since 2014. About 8,000 people experience homelessness each night, 1,650 of whom are sleeping outside, unsheltered. More than 8,000 children are homeless or highly mobile in school districts across the state.

Minnesota Housing collaborates with individuals, communities and partners to create, preserve and finance housing that is affordable. Our vision is that all Minnesotans live in a stable, safe home they can afford in a community of their choice. We finance affordable homeownership and rental housing to provide opportunities across the housing continuum for individuals and families throughout the state.

BUDGET



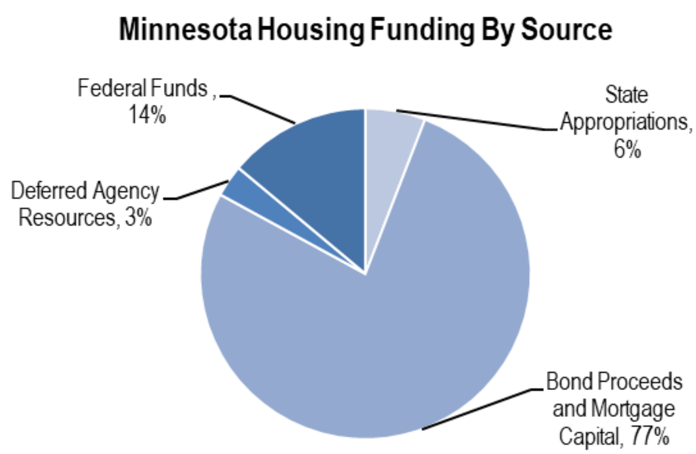
Source: SWIFT



Source: General Fund Balance Statement

We finance our programs through a combination of bond proceeds, federal resources, state appropriations, state capital investments and agency resources. We do not rely on state appropriations to fund our operating expenses, allowing 100 percent of state appropriations to go directly to programs. We issue tax exempt and taxable debt, using the proceeds to finance loans for rental developments and provide loans to low- to moderate-income homebuyers. We pay for our operating expenses using the spread that remains from loan repayments after we have repaid our bond holders. We have an independent Board of Directors, which has management and control of our activities. Legally, the Board is the agency. The Board is comprised of six citizen members appointed by the Governor, with the state auditor as an ex-officio member. The Board directs our policies, approves all funding decisions and holds monthly public meetings.

Our bond issuer ratings are AA+ and Aa1 from Standard and Poor's Rating Services and Moody's Investor Services, Inc. Our credit ratings are separate from and not directly dependent on ratings on debt issued by the State of Minnesota.



Source: Minnesota Housing 2020-21 Affordable Housing Plan

STRATEGIES

Housing stability is at the core of Minnesota Housing's mission that emphasizes thriving communities, equity and inclusion and children and families. We support our mission by providing a wide range of rental, homeownership and homelessness assistance programs. Our focus is on serving households that make the least and we direct resources to communities most impacted by housing instability. We have begun using an antiracist lens to evaluate program changes and are working to remove systemic barriers and policies that perpetuate housing instability for people of color and indigenous communities. We deliver our programs through a statewide network of local lenders, community-based organizations, local housing and redevelopment authorities and for-profit and nonprofit developers. We work with other public and private funders to make funds for housing development and redevelopment available in a comprehensive, one-stop competitive application process.

- **Rental Housing Minnesotans Can Afford:** We finance new construction, rehabilitation and preservation of rental housing using federal low income housing tax credits, state appropriations and first mortgages. We prioritize rental opportunities that are affordable to households that make the least. We also provide rental assistance and administer federal Section 8 contracts.
    - We served over 41,000 Minnesota households through our multifamily rental programs in 2019.
    - More than three-quarters of renters served made less than $20,000 per year.
    - We financed the new construction and preservation of 3,215 units of affordable rental housing in 2019 with state and federal resources.
- **Supporting Homeownership Opportunities:** We offer first-time homebuyer loans, downpayment assistance programs, a refinance program, and two home improvement loan programs to support Minnesota homebuyers and homeowners. We account for about 6% of the State's total mortgage lending.
    - We provided home mortgage loans to 5,015 Minnesota households in 2019.
    - The first-time homebuyers we served had a median annual household income of $56,850.
    - Almost thirty-five percent of the first-time homebuyers we served were households of color or from indigenous communities
    - Ninety-eight percent of the homebuyers who received a Minnesota Housing first mortgage also received assistance with downpayment and closing costs.
- **Preventing and Ending Homelessness:** In addition to financing rental housing for people experiencing homelessness, we provide rental assistance and short-term financial assistance to individuals and families who are homeless or who face housing instability. People experiencing homelessness, especially people sleeping outside, has been increasing in recent years.
    - We provided state-funded rental assistance to 2,465 households in 2019. These households have a median annual household income of around $10,000.
    - We provided assistance to 6,013 households (with an average household income of $12,000) to prevent and assist people experiencing homelessness.
    - Minnesota Housing and eleven state agencies collaborate on the statewide Plan to Prevent and End Homelessness.

M.S. 462A (https://www.revisor.mn.gov/statutes/?id=462A) provides the legal authority for Minnesota Housing.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Expenditures by Fund								
8000 - Housing Finance Agency	317,170	306,054	320,626	577,887	578,702	401,975	587,952	411,225
Total	**317,170**	**306,054**	**320,626**	**577,887**	**578,702**	**401,975**	**587,952**	**411,225**
Biennial Change				275,288		82,164		100,664
Biennial % Change				44		9		11
Governor's Change from Base								18,500
Governor's % Change from Base								2
Expenditures by Program								
Development and Redevelopment	23,714	25,404	22,229	36,694	39,203	39,203	43,453	43,453
Prevent and End Homelessness	34,055	35,946	42,766	248,568	240,638	57,927	244,638	61,927
Homeownership Assistance	6,942	2,233	4,120	4,501	4,001	4,001	5,751	5,751
Preservation	213,445	204,839	212,704	243,446	249,561	254,731	248,561	253,731
Resident and Organization Support	3,384	3,640	3,065	3,961	3,789	3,789	4,039	4,039
Administration	35,631	33,992	35,742	40,717	41,510	42,324	41,510	42,324
Total	**317,170**	**306,054**	**320,626**	**577,887**	**578,702**	**401,975**	**587,952**	**411,225**
Expenditures by Category								
Compensation	26,863	27,663	29,393	30,980	31,742	32,523	31,742	32,523
Operating Expenses	11,484	8,990	8,451	11,335	11,384	11,437	11,634	11,687
Grants, Aids and Subsidies	233,714	233,450	252,503	477,471	475,916	298,355	482,916	305,355
Other Financial Transaction	45,109	35,951	30,278	58,101	59,660	59,660	61,660	61,660
Total	**317,170**	**306,054**	**320,626**	**577,887**	**578,702**	**401,975**	**587,952**	**411,225**
Full-Time Equivalents	**248.69**	**246.43**	**252.70**	**255.87**	**255.87**	**255.87**	**255.87**	**255.87**

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22	Forecast Base FY23	Governor's Recommendation FY22	Governor's Recommendation FY23
1000 - General								
Direct Appropriation	54,798	52,798	64,048	56,548	57,798	57,798	67,048	67,048
Transfers In		290						
Transfers Out	54,798	52,798	64,048	56,548	57,798	57,798	67,048	67,048
Cancellations		290						
3010 - Coronavirus Relief								
Direct Appropriation				100,000	0	0	0	0
Transfers Out				100,000				
8000 - Housing Finance Agency								
Balance Forward In	188,076	196,213	206,863	234,521	391,195	172,195	391,195	172,195
Receipts	258,404	251,403	267,358	561,299	277,148	282,615	277,148	282,615
Transfers In	71,873	67,517	80,972	175,218	83,514	89,910	92,764	99,160
Transfers Out	5,122	2,217	49	1,956	960	960	960	960
Balance Forward Out	196,062	206,862	234,519	391,195	172,195	141,785	172,195	141,785
Expenditures	**317,170**	**306,054**	**320,626**	**577,887**	**578,702**	**401,975**	**587,952**	**411,225**
Biennial Change in Expenditures				275,288		82,164		100,664
Biennial % Change in Expenditures				44		9		11
Governor's Change from Base								18,500
Governor's % Change from Base								2
Full-Time Equivalents	248.69	246.43	252.70	255.87	255.87	255.87	255.87	255.87

(Dollars in Thousands)

	FY21	FY22	FY23	Biennium 2022-23
Direct				
Fund: 1000 - General				
FY2021 Appropriations	**56,548**	**56,548**	**56,548**	**113,096**
Base Adjustments				
Current Law Base Change		1,250	1,250	2,500
Forecast Base	**56,548**	**57,798**	**57,798**	**115,596**
Change Items				
Increase Home Stability – Family Homeless Prevention and Assistance Program		2,000	2,000	4,000
Build More Homes – Challenge Program		2,000	2,000	4,000
Support and Strengthen Homeownership: Homeownership Assistance Fund		1,750	1,750	3,500
Increase Home Stability – Homework Starts with Home		1,750	1,750	3,500
Build More Homes - Workforce and Affordable Housing		750	750	1,500
Preserve the Homes We Have: Manufactured Housing Park Infrastructure Funding		500	500	1,000
Homeownership Education, Counseling, and Training (HECAT) Program		250	250	500
Increase Home Stability – Bridges Rental Assistance		250	250	500
Transfer from the Rental Rehab Deferred Loan to the Workforce Housing Development Program		0	0	0
Total Governor's Recommendations	**56,548**	**67,048**	**67,048**	**134,096**
Fund: 3010 - Coronavirus Relief				
FY2021 Appropriations	**100,000**	**100,000**	**100,000**	**200,000**
Base Adjustments				
All Other One-Time Appropriations		(100,000)	(100,000)	(200,000)
Forecast Base	**100,000**	**0**	**0**	**0**
Total Governor's Recommendations	**100,000**	**0**	**0**	**0**
Dedicated				
Fund: 8000 - Housing Finance Agency				
Planned Spending	**577,887**	**578,702**	**401,975**	**980,677**
Forecast Base	**577,887**	**578,702**	**401,975**	**980,677**
Change Items				
Increase Home Stability – Family Homeless Prevention and Assistance Program		2,000	2,000	4,000
Build More Homes – Challenge Program		2,000	2,000	4,000
Support and Strengthen Homeownership: Homeownership Assistance Fund		1,750	1,750	3,500
Increase Home Stability – Homework Starts with Home		1,750	1,750	3,500
Build More Homes - Workforce and Affordable Housing		750	750	1,500
Preserve the Homes We Have: Manufactured Housing Park Infrastructure Funding		500	500	1,000
Homeownership Education, Counseling, and Training (HECAT) Program		250	250	500

(Dollars in Thousands)

	FY21	FY22	FY23	Biennium 2022-23
Increase Home Stability – Bridges Rental Assistance		250	250	500
Transfer from the Rental Rehab Deferred Loan to the Workforce Housing Development Program		0	0	0
Total Governor's Recommendations	**577,887**	**587,952**	**411,225**	**999,177**

Revenue Change Summary

Dedicated

Fund: 8000 - Housing Finance Agency	FY21	FY22	FY23	Biennium 2022-23
Forecast Revenues	**561,299**	**277,148**	**282,615**	**559,763**
Total Governor's Recommendations	**561,299**	**277,148**	**282,615**	**559,763**

Housing Finance

FY 2022-23 Biennial Budget Change Item

Change Item Title: Increase Home Stability – Family Homeless Prevention and Assistance Program

Fiscal Impact ($000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Appropriation	2,000	2,000	0	0
Transfer Out	2,000	2,000	0	0
Housing Fund				
Transfer In	2,000	2,000	0	0
Expenditures	2,000	2,000	0	0
Net Fiscal Impact = (Expenditures – Revenues)	2,000	2,000	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a $4 million increase to the Family Homeless Prevention and Assistance Program to serve an estimated 2,000 households during the FY 2022-23 biennium. Program funds are used for support services and direct assistance to prevent homelessness or rehouse homeless households as quickly as possible. Services include case management and housing navigation assistance while, direct assistance can include short-term rent assistance, security deposits, utility assistance and transportation assistance to improve housing stability.

Rationale/Background:

The Family Homeless Prevention and Assistance Program (FHPAP) assist families who are homeless or at imminent risk of homelessness. The program goals are to prevent homelessness, minimize periods of homelessness and eliminate repeat episodes of homelessness. In 1995, the program expanded to include single adults and youth. Tribal nations became eligible applicants in 2016.

Minnesota statute outlines the program requirements, which require that each grantee establish an advisory committee to ensure that project design, implementation and evaluation is reflective of local need. The advisory committee's membership includes homeless advocate organizations, providers, people who have experienced homelessness, and a state staff person from the Minnesota Interagency Council on Homelessness (MICH). Other members include law enforcement, service providers, faith-based organizations, counties and landlords.

This statewide program serves all 87 counties. In the metro area, counties are eligible to apply for funding. In greater Minnesota, it may be a county, group of contiguous counties, nonprofit organizations with board approval of counties in their service area and tribal nations. The majority of grantees also utilize sub-grantees such as youth providers, mental health providers and outreach providers to best meet unique local needs.

Currently, Minnesota Housing provides funds to 20 grantees across the state. FHPAP funds are used for support services and direct assistance to prevent homelessness or rehouse people quickly as possible. Services include case management and housing location assistance. Direct assistance can include short-term rent assistance, security deposits, utility assistance and transportation assistance to improve housing stability. Current funding levels only serve about two-thirds of those eligible to receive FHPAP assistance.

The number of households served has decreased over the past two biennia due to the program expanding to include a rapid rehousing strategy. The U.S. Department of Housing and Urban Development (HUD) has identified rapid rehousing as a promising practice to reduce homelessness. Rapid rehousing has three key components, including short-term rental assistance, housing location services and case management to assist households with higher needs to find and maintain housing. Minnesota Housing has supported the shift to serving fewer households in order to target funds to households with higher needs.

Proposal:

The additional resources will be distributed through a competitive Request for Proposal process or through amendments to existing grantees. Currently, only 1 in 10 individuals eligible for the program receive assistance. In the last RFP, Minnesota Housing awarded all of the appropriations and had more than $4 million in requests that were not able to be funded. Grant awards to administrators range from $393,000 to $1.3 million and are based on need statistics such as number of households in poverty, unemployed and severely cost burdened (paying 50% or more of their income in rent). Applications are typically reviewed for planning, project design, monitoring and evaluation, budget, history of performance, and program capacity. The average assistance per household is about $1,500-2,000 and the program serves around 6,000 households each year.

Requests for assistance are reviewed by several state agencies including Department of Human Services (DHS) - Office of Economic Opportunities, DHS - Community Living and Supports, DHS - Office of Indian Policy, the Department of Education and the Department of Corrections.

Impact on Children and Families:

More than 3,400 families experience homelessness on any given night in Minnesota. This program is intended to stabilize families before a housing crisis begins, or minimize disruption if one does occur.

Equity and Inclusion:

In 2019, 64% of the households receiving FHPAP assistance were households of color. Programs are designed to meet local needs and issues. Advisory groups must include someone with lived experience.

The Minnesota Tribal Collaborative is a partnership between five tribal nations, including: White Earth, Leech Lake, Red Lake, Mille Lacs and Bois Forte. The Minnesota Tribal Collaborative has successfully applied for other state funding, and the collaborative works together to address and end homelessness in tribal nations. This is their first application for FHPAP funds acting as the grant administrator, and White Earth is acting as the lead applicant.

Results

To measure the success of this program, we track the percentage of households served who are identified as at risk for homelessness and who do not return to shelter within 12 months. Data on homelessness comes from the Homeless Management Information System (HMIS).

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Results	Percentage of households who were identified as at risk for homelessness or were homeless, were served, and didn't return to a shelter within 12 months.	94%	94%	FFY2018, FFY2019

For this program we also track: number of households served, income, race/ethnicity, disability status of households to assess if we are reaching underserved communities

Housing Finance

FY 2022-23 Biennial Budget Change Item

Change Item Title: Build More Homes – Challenge Program

Fiscal Impact ($000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Appropriation	2,000	2,000	0	0
Transfer Out	2,000	2,000	0	0
Housing Fund				
Transfer In	2,000	2,000	0	0
Expenditures	2,000	2,000	0	0
Net Fiscal Impact = (Expenditures – Revenues)	2,000	2,000	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a $4 million increase to the Economic Development and Housing Challenge program, for the FY 2022-23 biennium, to produce more new workforce housing opportunities across the state, with a focus on increasing housing opportunities in growing communities. Minnesota Housing estimates that $4 million will create an additional 60-100 new workforce housing opportunities across the state.

Rationale/Background:

The affordability of homes has been a competitive advantage for Minnesota and our employers, but a growing shortage of homes and other market conditions are pushing prices beyond the reach of many individuals and families. This is limiting economic growth and household mobility. Additionally, new housing construction has not kept pace with household growth, as evidenced by the short supply of homes for rent or sale. In Minnesota today, the statewide rental vacancy rate is between 4% and 6%, with slightly higher rates in the metro. There's also less the a five-month supply of homes for sale, denoting an unbalanced market. These conditions limit options for families and make it harder for many to have a stable place to live.

The development of new housing is critical for economic growth and job creation. As businesses expand throughout the state, many are struggling to hire workers, in part because of a lack of affordable homes. Through the Challenge program, Minnesota Housing will work with local partners to develop new rental housing and single family housing options throughout the state. We will also help communities and partners to redevelop existing sites to create new housing opportunities to better serve low- to moderate-income homeowners, homebuyers and renters. We receive more requests than we can select with current funding levels.

Proposal:

The Challenge Program allows Minnesota Housing to provide no-interest, deferred loans, to for-profit and nonprofit developers and local units of government to develop workforce housing in their communities. The Challenge Program is flexible; letting communities identify the type of housing that best fits their needs. It can be used for new construction or rehabilitation and funds both rental housing and homeownership opportunities.

We finance workforce rental housing in both the metropolitan area and Greater Minnesota. Resources are available through a competitive Request for Proposals process published each spring. Income limits for rental housing are up to 80 percent of the greater of area or statewide median household income. For most of the state, this is a maximum household income of $67,400 per year.

The Challenge Program also funds the development and rehabilitation of single-family, owner-occupied affordable in communities across Minnesota. Resources are available through a competitive Request for Proposals process published each spring. The income maximum for owner-occupied housing is 115 percent of the greater of state or area median household income. Currently, that is a maximum median household income of $96,900 per year for most of the state.

Impact on Children and Families:

Housing stability by preventing foreclosure is critical for children's success in school and parent's ability to find and keep employment. In addition, homeownership is the primary way families build wealth and accumulate generational wealth over time. Also, Minnesota Housing has a priority for building large family units with development resources.

Equity and Inclusion:

The Challenge program serves a high percentage of households of color. In 2019, 71% of the families in rental units funded by the Challenge program were households of color and 60% percent of families served by the Challenge program for homeownership were households of color. With the new funding, we will work to continue serving a high percentage of households of color. Additionally, we have been working to provide technical assistance to help organizations owned by people of color better compete in the application process, but more work is still needed.

Results:

We measure our performance in this program by examining the percentage of units financed in top job growth areas and the level of affordability. Under the Challenge Program, all rental units must be affordable to households earning 80 percent of median income. However, we also want to ensure we're serving a range of households, so we review how many Minnesotans we are serving at lower income levels.

Housing that is affordable to the local workforce generally includes households earning between $30,000 and $50,000 annually. This range varies from county to county. We base our wage calculations on data from the Department of Employment and Economic Development (DEED).

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Percentage of units in rental developments funded that are located in the top workforce housing communities (areas with job growth).	90%	97%	FFY2018, FFY2019
Results	Distribution of units financed annually with units affordable at: A) 30% of median income or less. B) 50% at median income or less, or C) 80% at median income or less	A) 20% B) 34% C) 100%	A) 13% B) 53% C) 100%	FFY2018, FFY2019

For this program we also track: the number of housing units developed or rehabilitated, the number and share of housing units developed or rehabilitated in workforce housing areas (those with job growth, large number of jobs, and/or a large share workers commuting into it for work) and income and race/ethnicity of tenants and homeowners to assess if we are reaching underserved communities.

Housing Finance

FY 2022-23 Biennial Budget Change Item

Change Item Title: Support and Strengthen Homeownership: Homeownership Assistance Fund

Fiscal Impact ($000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Appropriation	1,750	1,750	0	0
Transfer Out	1,750	1,750	0	0
Housing Fund				
Transfer In	1,750	1,750	0	0
Expenditures	1,750	1,750	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,750	1,750	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a $3.5 million increase in the FY 2022-23 biennium for the Homeownership Assistance Fund. This program helps moderate-income households become successful homeowners by providing downpayment and closing cost assistance.

Rationale/Background:

Minnesota has one of the nation's highest rates of homeownership (more than 70 percent), while at the same time it has one of the largest disparities in homeownership rates between white households and Black, Indigenous, and People of Color (BIPOC). This gap has been largely unchanged over the last 20 years. A lack of the wealth available for entry costs – including downpayment and closing costs – contributes to the homeownership gap. Other reasons for the gap include credit and lending practices, cultural factors, systemic racism and discrimination.

Housing Finance knows that homeownership is the primary driver for building wealth for low- and moderate-income households. Each year of successful homeownership adds nearly $10,000 in household wealth. It also creates stability for families and stronger connections within our communities. We're helping start these households on the path to homeownership through our mortgage programs, marketing and outreach, homebuyer education, and assistance with downpayment and closing costs.

Housing Finance provides loans for some of the upfront funds needed to purchase a home. Many moderate-income households have sufficient income to make monthly mortgage payments, but lack the wealth necessary for a downpayment and closing costs. This activity helps finance a portion of these costs and makes it possible for these families to purchase a home. The vast majority of downpayment and closing cost assistance provided by the agency comes from agency resources.

Proposal:

An additional $3.5 million would enable Housing Finance to serve about 400 more homebuyers during the FY 2022-23 biennium. Through the Homeownership Assistance Fund, Housing Finance will provide assistance to first-time homebuyers to use toward downpayment assistance and closing costs in the form of a second mortgage with no interest, defer repayment of the loan, and in some cases the downpayment may be forgiven. In cases such as a sale or refinance, the loan is repaid to the agency.

Homebuyers who receive assistance are required to participate in homebuyer education, have a credit score of at least 640 and provide minimum cash investment. Our network of private lenders delivers the downpayment loan programs directly to homebuyers.

Impact on Children and Families:
Over half of the households served by the Homeownership Assistance Fund are families with children. We also know that homeownership is the largest asset for most low- and moderate income families, and the primary means by which these families develop generational wealth.

Equity and Inclusion:
Minnesota has one of the worst disparities in homeownership between white households and Black, Indigenous, and People of Color (BIPOC) households in the country. Currently, over 60,000 renter households of color in Minnesota have the income they need to potentially buy a home and are within the prime homebuying age range. More than a third of households served through this program are BIPOC.

Results:
Support and Strengthen Homeownership – Homeownership Assistance Fund
To track our outcomes for this program we examine the percentage of loans issued to households of color and indigenous community as well as how many of our homebuyers use our downpayment loan programs. We compare the homebuyers that use our lending products to the broader mortgage market.

As of 2018, 34% of households that are income-ready to buy a home and in the prime first-time homebuyer age (25 to 440 are households of color. We made 34% of our first-time homebuyer loans to households of color or Hispanic ethnicity in Federal Fiscal Years 2018 and 2019. By comparison, according to Home Mortgage Disclosure Act (HMDA) data, lending to households of color as a percentage of all mortgage activity in the overall mortgage market was only 16% in 2018.

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Quantity	Percentage of Housing Finance loans for first-time homebuyers issued to households of color and indigenous communities.	34%	34%	FFY2018, FFY2019
Quality	Percentage of downpayment assistance provided to households of color and indigenous communities.	36%	37%	FFY2018, FFY2019
Results	Percentage of homebuyer loans that included downpayment assistance.	97%	98%	FFY2018, FFY2019

For this program we also track: the number first-time homebuyers served, the percentage of homebuyer loans that included downpayment assistance and the income, race/ethnicity, credit score, household size of homebuyers to assess if we are reaching underserved communities.

FY 2022-23 Biennial Budget Change Item

Change Item Title: Increase Home Stability – Homework Starts with Home

Fiscal Impact ($000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Appropriation	1,750	1,750	0	0
Transfer Out	1,750	1,750	0	0
Housing Fund				
Transfer In	1,750	1,750	0	0
Expenditures	1,750	1,750	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,750	1,750	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends $3.5 million increase for the Homework Starts with Home program in the FY 2022-23 biennium to serve an estimated 325 families. This recommendation funds an evidence-based practice that will provide rent and other housing assistance to families with school-aged children that lack housing stability. Rent and housing-based assistance have been proven to enhance housing stability and increase school attendance rates for homeless and highly mobile students.

Rationale/Background:
9,060 students experiencing homelessness were enrolled in Minnesota schools on October 1, 2019. This is a statewide issue impacting 1,172 schools and 309 school districts in 77 of Minnesota's 87 counties.

In 2019, Homework Starts with Home received a base appropriation of $3.5 million per biennium. Under these initiatives, Housing Finance provides rental assistance to highly mobile families with school-aged children. As families entered the program, all the students had housing stability and/or school mobility issues, and two-thirds were homeless or doubled up on the day they entered the program. At the end of the program, 90% of the students with a known housing status were stably housed. The Homework Starts with Home Initiative builds upon the success of the Highly Mobile Students Initiative.

Homeless children and youth face educational barriers and trauma when they do not have a safe and affordable place to live, and their education can be disrupted by moves and changing schools as they transition between temporary locations. Students experiencing homelessness are more likely to experience developmental delays; face physical and mental health problems; have increased exposure to violence; suffer from stress, depression and trauma; repeat a grade; be chronically absent; have frequent school changes; and have higher rates of disciplinary actions.

Homeless students demonstrate third-grade reading proficiency at rates less than half of the general student population and substantially below their low-income but housed counterparts. Recent research indicates that a single episode of homelessness impacts educational achievement for two to three years. Families experiencing homelessness are often hard for a community's homeless response system to identify and serve since they may live "doubled up" with family and friends. Schools can be the trusted community touch-point to identify and connect homeless students and their families to the resources and services they need.

Three convergent factors make this a crucial moment to create housing stability for homeless students:

- *First, knowing what works.* Providing housing stability resources stabilizes families, improves a child's education, attendance, performance, and increases parent income.

- *Second, public and private leaders are committed to addressing educational achievement and equity.* These commitments are demonstrated through interagency collaboration, the Minnesota Interagency Council on Homelessness, and private initiatives including; Generation Next, the Heading Home Minnesota Funders Collaborative, and business partners which support critical education and homelessness initiatives.

- *Third, efforts to support homeless students can leverage existing resources.* Every school district across the state is federally mandated to designate district homeless liaisons and school point people. The responsibilities of school homeless liaisons are to identify policy barriers to enrollment, attendance and success; build awareness and provide outreach; link school and community resources; and enroll the child or youth who is homeless and provide support services.

Proposal:

Funding will be awarded through a competitive request for proposal (RFP). Resources will be provided to families based on their individualized needs. Families receiving rental assistance under the Housing Trust Fund will be families in need of longer term assistance to achieve housing stability. Resources through the Family Homeless Prevention and Assistance Program (FHPAP) will serve homeless or highly mobile families who do not need longer term rental assistance. These families will instead receive homeless prevention and rapid rehousing services. These cost-effective short term interventions have been demonstrated to prevent or end homelessness for families in many cases. Housing instability for some families could be resolved primarily through improved connections with existing human services or economic assistance programs.

Housing Finance will continue to partner with the Office to Prevent and End Homelessness, Departments of Education, Human Services, Minnesota Management and Budget and the Heading Home Minnesota Funders Collaborative as well as other key stakeholders to provide technical assistance, advice, and consultation.

Impact on Children and Families:

Housing stability is critical for children's success in school and parent's ability to find and keep employment. This program targets families with school-age children. More than 3,400 families experience homelessness on any given night in Minnesota. 9,060 students experiencing homelessness were enrolled in Minnesota schools on October 1, 2019. This is a statewide issue impacting 1,172 schools and 309 school districts in 77 of Minnesota's 87 counties.

Equity and Inclusion:

Student homelessness disproportionately impacts students of color, American Indian students, LGBTQ students, and students with disabilities. Under the Rental Assistance for Highly Mobile Families Initiative, over 90% of the students that received housing assistance were households of color.

Results:

We are working with the University of Minnesota Moving to link Homework Starts with Home data with education data (attendance, test performance, disciplinary actions) and child protection data to evaluate a wide range of outcomes. We will use a quasi-experimental control group for comparison.

We provide a variety of resources to create supportive rental housing opportunities and serve people who have experienced homelessness or who have a disability. These programs keep some of Minnesota's most vulnerable citizens out of homelessness and institutions. To measure our performance in these programs we track outcomes including housing stability and changes in income levels.

Type of Measure	Name of Measure	Previous	Current	Dates
Quantity	Percentage of people who remained in housing for at least a year or had a positive exit (moved to permanent affordable housing).	88%	87%	SFY2018 SFY 2019
Results	Percentage of households with increased income from entry to exit.	40%	42%	SFY2018, SFY 2019

For this program we also track: the number of households served, the income, race/ethnicity, disability status of households to assess if we are reaching underserved communities.

FY 2022-23 Biennial Budget Change Item

Change Item Title: Build More Homes – Workforce and Affordable Homeownership Program

Fiscal Impact ($000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Appropriation	750	750	0	0
Transfer Out	750	750	0	0
Housing Fund				
Transfer In	750	750	0	0
Expenditures	750	750	0	0
Net Fiscal Impact = (Expenditures – Revenues)	750	750	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a $1.5 million increase for the FY 2022-23 biennium for the Workforce and Affordable Homeownership Program. This funding provides competitive grants to increase the supply of workforce and affordable homeownership opportunities across the state.

Rationale/Background:

Minnesota has one of the nation's highest rates of homeownership (more than 70 percent), while at the same time it has one of the largest disparities in homeownership rates between white households and Black, Indigenous, and People of Color (BIPOC).

In addition to structural and institutional barriers, one of the reasons for this gap is the lack of availability of affordable homeownership opportunities. The lack of supply of available homes continues to drive up prices throughout the state. For years, the state has had a homebuying marketplace in which there are more perspective buyers than available homes and the inventory of homes for sales is historically low. These dynamics creates a greater need for new affordable opportunities that are within reach for first-time, along with low- and moderate-income buyers.

In the 2019 Legislative Session, the Legislature appropriated base funding of $500,000 per biennium for the Workforce and Affordable Homeownership Development Program. Prior to 2019, the program had been funded with a one-time appropriation of $750,000.

Proposal:

An additional $1.5 million would enable Minnesota Housing to serve around 40-50 more households during the FY 2022-2023 biennium. The funds would be awarded through a competitive process program finances homeownership development grants to cities, tribal governments, nonprofit organizations, cooperatives and community land trusts for development of workforce and affordable homeownership projects.

The purpose of the program is to increase the supply of workforce and affordable, owner -occupied multifamily or single -family housing throughout Minnesota. Funds can be used for development costs, rehabilitation, land development and manufactured home park infrastructure.

Impact on Children and Families:

Homeownership is the largest asset for most low- and moderate-income families, and the primary means by which these families develop generational wealth.

Equity and Inclusion:
Minnesota has one of the worst disparities in homeownership between white households and Black, Indigenous, and People of Color (BIPOC) households in the country. Currently, over 60,000 renter households of color in Minnesota have the income they need to potentially buy a home and are within the prime homebuying age range.

Results:
As of FY 2020, this is a new program for Minnesota Housing. We plan to track: the number of housing units developed or rehabilitated, the number and share of housing units developed or rehabilitated in workforce housing areas (those with job growth, large number of jobs, and/or a large share workers commuting into it for work) and the income and race/ethnicity of tenants and homeowners to assess if we are reaching underserved communities.

Minnesota Housing

FY 2020-21 Biennial Budget Change Item

Change Item Title: Preserve the Homes We Have: Manufactured Housing Park Infrastructure Funding

Fiscal Impact ($000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Appropriation	500	500	0	0
Transfer Out	500	500	0	0
Housing Fund				
Transfer In	500	500	0	0
Expenditures	500	500	0	0
Net Fiscal Impact = (Expenditures – Revenues)	500	500	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a $1 million increase in the FY 2022-2023 biennium to fund the infrastructure needs of manufactured home parks across the state. The grants provided through the Manufactured Home Park Redevelopment Program will provide infrastructure improvements to manufactured home parks that have housing that is often the most affordable in community. Infrastructure improvements include streets, sewer, water and lighting, as well as storm shelters.

Rationale/Background:

Manufactured homes—factory-made dwelling units built on a permanent chassis (a transportable frame)—are an important and often overlooked affordable housing option across the state. In the metro, manufactured homes outnumber the publicly subsidized housing units and nearly outnumber affordable rental units constructed or rehabilitated using Low Income Housing Tax Credits. The situation is very similar in small communities across the state. Further, manufactured homes offer homeownership opportunities to families for whom ownership is otherwise currently out of reach.

Minnesota Housing has resources to support the preservation and improvements of manufactured homes, as well as the purchase of new homes, but lack on-going resources to finance infrastructure improvements (roads, sewer, lighting, water, storm shelters, etc.) of the parks. Nearly all manufactured home parks have infrastructure needs. Most parks are privately-owned and therefore are not eligible for existing federal, state or local infrastructure funds.

The homeowners who live in parks with deteriorating infrastructure are in a precarious situation. While they own their homes, they do not own the land beneath them, thus creating challenging issues when a park owner decides to sell the property. Having failing infrastructure can be a determining factor in deciding to sell a property and there are not federal or state infrastructure resources available to address this need.

Because residents of the parks are typically very low-income, they are often not able to pay increased rents that could be used finance the infrastructure improvements. Several manufactured home communities in the Twin Cities have shuttered and several in Greater Minnesota have recently closed and a new communities has not opened in Minnesota since the 1990's.

Proposal:

The Governor recommends $1 million in FY 2022-23 to be awarded on a competitive basis through a Request for Proposal (RFP) process to support improvements to streets, sewer, water and lighting, and storm shelters. After the initial competitive process, any remaining funds would be made available when parks have additional infrastructure needs. The preservation of these homes is a cost-effective uses of state resources.

Impact on Children and Families:

Housing stability by preventing foreclosure is critical for children's success in school and parent's ability to find and keep employment. In addition, homeownership is the primary way families build wealth and accumulate generational wealth over time.

Equity and Inclusion:

Compared to Minnesota residents overall, manufactured home park residents are predominately low- or extremely low-income, more racially and ethnically diverse, and more likely to have a disability.

Results:

As of FY 2020, this was a new program for Minnesota Housing. We will track the number of homes assisted and investment per home; however, we plan to limit overall data collection we track for this program due to the new type of borrowers we're intending to reach and the limited amount of accurate data they have of their residents and homeowners.

Housing Finance

FY 2022-23 Biennial Budget Change Item

Change Item Title: Homeownership Education, Counseling, and Training (HECAT) Program

Fiscal Impact ($000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Appropriation	250	250	0	0
Transfer Out	250	250	0	0
Housing Fund				
Transfer In	250	250	0	0
Expenditure	250	250	0	0
Net Fiscal Impact = (Expenditures – Revenues)	250	250	0	0
FTEs	**0**	**0**	**0**	**0**

Request:

The Governor recommends a $500,000 increase for the FY 2022-23 biennium for the Homebuyer Education, Counseling, and Training (HECAT) program to serve an additional 2,500 households each year, anticipating that many homeowners will need foreclosure counseling given the economic impacts of the pandemic.

Rationale/Background:

The first several months of the pandemic have had severe consequences for the state's economy and has disproportionally impacted households with low and moderate incomes. While there has been some recovery as parts of the economy open, we need to prepare to deal with the fallout long after the pandemic is over. We saw immediate effects on homeowners that experienced a loss of income and got behind. Homeowners seeking mortgage help have applied for almost a quarter of the funding for through our COVID Housing Assistance Program.

During an ongoing public health crisis, preventing displacement becomes even more critical. While a single foreclosure can negatively impact a neighborhood, a wave of foreclosures caused by a deep and prolonged economic crisis can devastate an entire region. Families lose their housing and credit standing, financial institutions take losses and tighten credit and lending practices, and the housing industry grinds to a halt.

The foreclosure process is long and stressful for a homeowner, but the support provided by our partner organizations can often help avoid the worst consequences. We're fortunate in Minnesota to have a strong network of community organizations with experience helping struggling homeowners understand their options during foreclosure. Ensuring that these services are available statewide will be critical to preserving neighborhoods and communities hardest hit.

Proposal:

The Governor recommends funding of $500,000 for the Homeownership Education, Counseling and Training (HECAT) Fund to support 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. In addition to the state appropriation, Family Housing Fund, Greater Minnesota Housing Fund and the Minnesota Homeownership Center have typically contributed a total of $550,000 annually to the program.

Funds will be awarded to nonprofit and community housing organizations through a competitive Request for Proposal (RFP) or through amendments to current grant agreements. We plan to prioritize foreclosure prevention with the new resources.

Impact on Children and Families:

Housing stability by preventing foreclosure is critical for children's success in school and parent's ability to find and keep employment. In addition, homeownership is the primary way families build wealth and accumulate generational wealth over time.

Equity and Inclusion:

Minnesota has one of the worst disparities in homeownership between white households and Black, Indigenous, and People of Color (BIPOC) households in the country. BIPOC households were more likely before the pandemic to be cost-burdened by their housing, and sectors of the economy that have been most impacted are more likely to employ BIPOC workers. Investing in community-based organizations that provide foreclosure counseling will ensure that these services are available throughout the state and provided in culturally-relevant manner that reflects the populations served.

Results:

For the HECAT program, we track the foreclosures prevented as a percentage of closed counseling cases. In FFY 2018, it was 74%. We also track: the number of homeowners and potential homebuyers served, income, race/ethnicity of homeowners and home potential homebuyers to assess if we are reaching underserved communities.

Housing Finance

FY 2022-23 Biennial Budget Change Item

Change Item Title: Increase Home Stability – Bridges Rental Assistance

Fiscal Impact ($000s)	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
General Fund				
Appropriation	250	250	0	0
Transfer Out	250	250	0	0
Housing Fund				
Transfer In	250	250	0	0
Expenditure	250	250	0	0
Net Fiscal Impact = (Expenditures – Revenues)	250	250	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a $500,000 increase to the Bridges rental assistance program for the FY 2022-23 biennium. This program supports people with a serious mental illness and allows them to live in integrated settings in their communities by ensuring they are also provided access to supportive mental health services and stable housing. This increase in resources will provide rental assistance to an additional 70 households.

Rationale/Background:

Stable housing is an integral part to treating a mental illness. Prior to receiving a rental assistance voucher through Bridges, individuals served by this program frequently live with family or friends, in housing that is more expensive than they can afford, in emergency shelters, or at an institution.

Through the Bridges program, Minnesota Housing provides rental assistance for households with at least one adult member who has a serious mental illness. Households with incomes below 50 percent of the area median income are eligible for Bridges. Currently this threshold is below $42,900 for a four-person household in the metropolitan area and $38,600 for a four-person household in much of the remainder of the state).

The program plays a key role in the Agency's contribution to Minnesota's Olmstead Implementation Plan goals, and is cooperatively administered, monitored and evaluated by Minnesota Housing and the Department of Human Services. This collaboration is essential to the effective operation of the program, as is the collaboration of housing and mental health agencies at the regional and county level. Bridges grantees are required to work with their local Adult Mental Health Initiative (AMHI) or tribal nation mental health agency to implement the program.

Funds available under the Bridges program provide rental subsidy payments and, in some instances, security deposits, for eligible adults with a serious mental illness. The program requires participants to register for a permanent rental subsidy, primarily Housing Choice Vouchers, formerly known as Section 8, when the waiting lists are open.

Under this program, families can afford stable housing in the community until a federal Section 8 certificate or voucher or public housing becomes available. This program plays an important role in the state's Olmstead Plan, as it helps people with disabilities live, work and learn in the most integrated setting.

Proposal:

This $500,000 increase will allow Minnesota Housing and partners to serve an estimated 70 households across the state. This funding will help reduce the current waiting list and will help meet the goals outlined in the state's

Olmstead Implementation Plan. People with mental illness are often among the most challenging to house, and given current market conditions (low rental vacancies, increase cost of rent) are having more challenges finding and maintain stable housing.

Minnesota Housing works with local government agencies to deliver the Bridges program. Administrators are selected or re-certified each biennium following the legislative session. Minnesota Housing will also continue to work directly with Department of Human Services to administer the program. Minnesota Housing is also collaborating with the Department of Corrections to serve individuals leaving a correctional facility. Work is also being done to remove barriers to utilizing rental assistance.

Impact on Children and Families:
Creating housing stability for households with a family member experiencing mental illness ensures that they can focus on treatment, employment, or school.

Equity and Inclusion:
100% of the households served by the Bridges program have a disability. Nearly 1/3 of those who receive rental assistance are households of color.

Results:
A focus of the new resources will be on increasing our partnership with the Department of Corrections and individuals leaving a correctional facility. We anticipate working with the Department of Corrections to track results around a reduction to recidivism.

We provide a variety of resources to create supportive rental housing opportunities and serve people who have experienced homelessness or who have a disability. These programs keep some of Minnesota's most vulnerable citizens out of homelessness and institutions. To measure our performance in these programs we track outcomes including housing stability and changes in income levels.

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Quantity	Percentage of people who remained in housing for at least a year or had a positive exit (moved to permanent affordable housing).	88%	87%	SFY2018 SFY 2019
Results	Percentage of households with increased income from entry to exit.	40%	42%	SFY2018, SFY 2019

For this program we also track: the number of households served, the income, race/ethnicity, disability status of households to assess if we are reaching underserved communities.

Housing Finance

FY 2022-23 Biennial Budget Change Item

Change Item Title: Transfer from the Rental Rehab Deferred Loan to the Workforce Housing Development Program

Fiscal Impact ($000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Appropriation	0	0	0	0
Transfer Out	0	0	0	0
Housing Fund				
Transfer In	0	0	0	0
Expenditures	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	
FTEs	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends transferring $2 million one-time during the 2022-2023 biennium from the Rental Rehab Development Program to the Workforce Housing Development Program.

Rationale/Background:
The affordability of homes has been a competitive advantage for Minnesota and our employers, and will be critical as we rebuild our economy in the coming years. Prior to the pandemic, new housing construction did not keep pace with household growth, as evidenced by the short supply of homes for rent or sale. In Minnesota today, the statewide rental vacancy rate is about 4 percent – and effectively zero in some regions – and there is less than a two-month supply of homes for sale. These conditions limit options for families and make it harder for many to have a stable place to live.

The Workforce Housing Development program was established by the legislature in 2015. It was originally administered by the Department of Employment and Economic Development and transferred to Minnesota Housing in 2018. Funding is awarded through a stand-alone Request for Proposal process.

The development of new housing is critical for economic growth and job creation. Businesses in a position to expand struggle to hire workers, in part because of a lack of affordable homes. Through the Workforce Housing Development Program, Minnesota Housing works with local partners to develop new rental housing options throughout the state. The program also has no income limits on developments and prioritizes applications with the highest percentage of market rate units.

Proposal:
The Governor recommends a one-time transfer of $2 million from the Rental Rehabilitation Deferred Loan (RRDL) program to the Workforce Housing Development Program. The Workforce Housing Development Program is available exclusively to smaller to mid-size communities Greater Minnesota. The program prioritizes smaller developments and often serves communities that do not typically receive funding from our other new construction programs.

The Workforce Housing Development Program is a competitive program that 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 5,000 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 at $4 million per biennium.

After the transfer, the Rental Rehab Deferred Loan program will still have $5.5 million for the next biennium and will be out for its next request for proposal in Spring 2021. Last year with the RRDL program, Minnesota Housing partnered for United States Department of Agriculture Rural Development to rehab 21 projects (544 units) and $9.6 million in Greater Minnesota. The program is also being restructured to adjust the program requirements and underwriting criteria to better serve borrowers in smaller developments (less than 8 units of housing).

Impact on Children and Families:
This proposal is intended to provide additional funding for a program that will enable employees to live closer to where they work and build new housing in communities that have a lack of rental housing.

Equity and Inclusion:
Since the program is relatively new to Minnesota Housing, we do not yet have demographic information for the units developed. However, Black, Indigenous, and People of Color households make up about two-thirds of the households served by other agency programs that prioritize new rental development.

Housing Finance

FY 2022-23 Biennial Budget Change Item

Change Item Title: Capital Investment Bill Debt Service and Cash

Fiscal Impact ($000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Expenditures	39,397	12,655	17,027	20,823
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	39,397	12,655	17,027	20,823
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends $52.052 million in the FY 2022-23 biennium from the general fund to support his revised 2021 capital budget recommendations.

Rationale/Background:

- The Governor's 2021 capital budget recommendations were announced in February 2021.
- The Governor's revised 2021 capital budget recommendations were announced in March 2021.
- This change item includes the general fund cash and debt service needed to finance projects included in the Governor's revised 2021 capital budget recommendations.

Proposal:

The Governor's revised 2021 capital budget recommendations can be found in the "Current Capital Budget" section of MMB's website: https://mn.gov/mmb/budget/capital-budget/current/

This $550.443 million proposal includes:

- $272.107 million in General Obligation Bonds
  This amount is $32.107 million above the $240 million in general obligation bonds included in the forecast. General fund cash is required to finance debt service for projects.
- $250 million in Appropriation Bonds
  This includes $100 million in Housing Infrastructure Bonds at Minnesota Housing and $150 million in Redevelopment Appropriation Bonds at the Department of Employment and Economic Development. General fund cash is required to finance debt service for these projects.
- $28.336 million in General Fund Cash
  This includes a $15 million set-aside for equity projects and additional FY 2022 general fund capital investments.

Impact on Children and Families:

The resources made available by Housing Infrastructure Bonds will impact children and families by increasing affordable housing and creating new supportive housing opportunities for the most vulnerable families and youth experiencing homelessness. This resource is critical to preserving and building new housing opportunities across the state. Housing Infrastructure Bonds are the largest state source of development resources. People in families accounted for over 40% of the total number of people experiencing homelessness in 2020. 9,060 students experiencing homelessness were enrolled in Minnesota schools on October 1, 2019. These students were in 1,172 schools and 309 school districts in 77 of Minnesota's 87 counties. Housing stability is proven to increase family incomes and improve school attendance.

The resources made available by Redevelopment Appropriations Bonds will impact children and families by building generational wealth and employment opportunities in neighborhoods that currently have high poverty rates resulting from structural racism. This resource will support rebuilding efforts in the cities of Minneapolis and St. Paul arising from the damage and destruction to small businesses and other private property that occurred in response to the killing of George Floyd and compounded by long-standing structural systems of inequality and racism within the cities, state, and nation. The financing provided by these appropriation bonds will serve a public purpose and redevelop the areas damaged by civil unrest.

Equity and Inclusion:

The resources made available by Housing Infrastructure Bonds will increase affordable housing and create new housing for individuals, families, and youth experiencing homelessness, which disproportionally impacts certain populations, such as African Americans, American Indians, people with disabilities, and lesbian, gay, bisexual, transgender, or questioning/queer (LGBTQ) people. Black, Indigenous and people of color are more likely to pay a higher percentage of their income on housing, be evicted, experience homelessness, and sleep outside.

The resources made available by Redevelopment Appropriations Bonds include a focus on equity. The damage and destruction from these incidents were primarily focused in areas of the cities with a high proportion of people of color and Indigenous people. These redevelopment efforts will create or retain jobs, preserve the tax base, support enterprise development and wealth creation for persons adversely affected by long-standing structural racial discrimination and poverty, help prevent displacement of small businesses owned by people of color and Indigenous people, and stabilize these impacted neighborhoods.

The general fund cash set-aside for equity projects will support capital projects from community-based organizations that are led by and serve communities of color and American Indians, as these organizations have not traditionally had access to capital investment from the state.

Housing Finance

FY 2022-23 Biennial Budget Change Item

Change Item Title: Expanded Use of Housing Infrastructure Bonds

Fiscal Impact ($000s)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund				
Appropriation	0	0	0	0
Transfer Out	0	0	0	0
Housing Fund	0	0	0	
Transfer In	0	0	0	0
Expenditures	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a statutory change to add rental housing for households earning up to 50% of the Area Median Income as an eligible use for Housing Infrastructure Bonds with a priority for projects that serve households at the lowest incomes.

Rationale/Background:

Housing Infrastructure Bonds (HIB) are the agency's largest and most flexible state-appropriated resource for housing preservation and development, particularly for permanent supportive housing for people who have experienced homelessness. Since 2012, the agency has received authorization from the legislature for $415 million in HIB. A key feature is the leverage of other resources in projects that use HIB, in that it's typically about half the total development cost of a project. When combined with other local, state, and federal resources, HIB has impacted over 4,700 units throughout the state.

Currently Housing Infrastructure Bonds can be used to build permanent supportive housing for people or families experiencing or at risk of homelessness, preserve federally assisted rental housing, create affordable housing for seniors age 55 and older (new in 2018), finance manufactured home community infrastructure (new in 2018) and develop single-family homes, including in community land trusts (expanded in 2020) .

While new construction supportive housing remains a critical tool to address barriers and help people who have experienced homelessness get and keep housing, we know that many households' incomes simply don't match the cost of available housing. In the 2018 Wilder Statewide Homeless Study, 38% of respondents said they left their last housing because they could not afford it, and 56% of those experiencing homelessness said they had difficulty finding housing because there was nothing available they could afford. These households don't necessarily need supportive services to gain and keep housing; they may just need a place to rent that matches what they're able to pay. Statewide, there are almost 180,000 extremely low-income households (those earning less than 30% of Area Median Income), and fewer than 70,000 units available that these households can afford.

Proposal:

The Governor recommends adding rental housing for households earning up to 50% of Area Median Income ($50,000/year for a family of 4 in the Twin Cities metro, and ranging from $36,200 to $46,900 in greater Minnesota) as an eligible use for Housing Infrastructure Bonds. Priority will be given to developments that serve households at the lowest incomes.

Impact on Children and Families:

This new eligible use would allow us to partner with communities to preserve and create more deeply-affordable housing, meeting the housing needs for more extremely low income households with children. In addition, this change would provide additional resources to provide housing opportunities to keep kids in place and avoid disruptions like increased school absences or having to attend a new school.

Equity and Inclusion:

Homelessness and housing instability disproportionately impacts people of color, people with disabilities, and the LGBTQ community. Households of color also have lower median incomes than white households, and women of color make up a significant portion of the workforce in low-wage, fast-growing occupations.

Program: Development & Redevelopment

mnhousing.gov/

AT A GLANCE

- The Economic Development and Housing Challenge (Challenge) program funded 611 homes in 2019.
- Median annual income of households served under Challenge is $21,485 for rental housing and $47,159 for homeownership.
- Under the Challenge program, 52% of the households served were families with children for rental housing and 64% for homeownership
- Since 2012, we have financed more than 2,000 new workforce housing homes in job growth areas in Greater Minnesota. The Workforce Housing Development program exclusively serves Greater Minnesota
- We started financing grants to manufactured home communities for park infrastructure starting in FY 2021.

Numbers are for FFY2019, unless otherwise noted

PURPOSE AND CONTEXT

The affordability of homes has been a competitive advantage for Minnesota and its employers, but a shortage of homes continues to push prices beyond the reach of many individuals and families. New housing construction has not kept pace with household growth since the Great Recession, as evidenced by the short supply of homes for rent or sale. In Minnesota today, the statewide rental vacancy rate is around 4 to 5 percent – and as low as 3 percent in the metro area – and there is about a two-month supply of homes for sale. These conditions limit options for families and make it harder for many to have a stable place to live.

The development of new housing is critical for economic recovery, growth and job creation. Maintaining recent levels of production will be critical to keeping up with demographics and will be needed longer-term economic growth. Minnesota under-produced housing units during and after the Great Recession. This contributed to the recent housing shortage. Until the pandemic, businesses had been expanding throughout the state, and many were struggling to hire enough workers, in part because of a lack of affordable homes.

We finance development of new rental housing and single-family housing for homeownership throughout the state. We also help communities redevelop existing sites to create new housing opportunities to better serve low- to moderate-income homeowners, homebuyers and renters.

SERVICES PROVIDED

We finance the activities in this program through the state-appropriated Economic Development and Housing Challenge program, the Greater Minnesota Workforce Housing Development program, the Manufactured Home Community Redevelopment Program, the Affordable and Workforce Housing program, as well as through federal funding, federal low income housing tax credits and agency loan resources.

Economic Development and Housing Challenge ("Challenge") Program: The Challenge Program allows us to provide no-interest, deferred loans to for-profit and nonprofit developers and local units of government to develop workforce housing in their communities. The Challenge Program provides flexibility by letting communities identify the types of housing that best fit their needs. It can be used for new construction or rehabilitation and funds both rental housing and homeownership opportunities. At least 50 percent of Challenge Program funds must be used for housing projects that include a financial contribution from non-state resources.

Rental Development:
We finance workforce housing in both the metropolitan area and Greater Minnesota. Resources are available through a competitive Request for Proposals process published each spring. Income limits for rental housing are up to 80 percent of the greater of area or statewide median household income. For most of the state, this is a maximum household income of $67,400 per year. Since 2012, we have financed more than 2,000 new workforce homes in Greater Minnesota, including Perham, Worthington, Glenwood, St. Michael, Mankato, Austin, Duluth, Cambridge, Warroad, Thief River Falls, Jackson, Roseau, Rochester and Owatonna. We also supported the development workforce housing in the metropolitan area.

Homeownership Development:
The Challenge Program funds the development and rehabilitation of single-family, owner-occupied affordable and workforce housing activity in communities across Minnesota. Resources are available through a competitive Request for Proposals process published each spring. The income maximum for owner-occupied housing is 115 percent of the greater of state or area median household income. Currently, that is a maximum median household income of $119,000 per year for the metro and $105,600 for most of the rest of the state.

The funding for this program is $12.9 million per year for both rental and homeownership development.

Greater Minnesota Workforce Housing Development Program: This program targets small to mid-sized cities in Greater Minnesota with rental workforce housing needs. Funding is available to build market-rate residential rental properties in communities with proven job growth and demand for workforce rental housing. Communities are required to secure matching funds, one dollar for every two dollars in funding offered through the program. This program meets the needs of smaller communities by helping to finance new construction of 12 or fewer homes and prioritizes cities with fewer than 5,000 people. Since this program was established in 2017, it has financed 289 units in Albert Lea, Baudette, Duluth, Luverne, Pelican Rapids, Alexandria, Park Rapids, Blue Earth, Long Prairie, Redwood Falls and Watkins. This program is funded at $2 million per year.

Manufactured Home Community Redevelopment Program: This program was funded for the first time since 2001 in the 2019 Legislative Session. The $2 million grant program funds infrastructure improvements or acquisition of manufactured home parks to assist the needs for aging manufactured home communities around the state. The program prioritizes projects based on health, safety and critical needs improvements, as well as projects that leverage support from local municipalities, and/or projects converting a community to a cooperative ownership model. Eligible applicants include privately, publicly or cooperatively owned communities, as well as nonprofit organizations acting as an intermediary on behalf of a park. Funds are made available through an annual competitive request for proposals (RFP) process.

Workforce and Affordable Homeownership Program: This $250,000 per year program finances homeownership development grants to cities, tribal governments, nonprofit organizations, cooperatives and community land trusts for development of workforce and affordable homeownership projects. The purpose of the program is to increase the supply of workforce and affordable, owner-occupied multifamily or single-family housing throughout Minnesota. Funds can be used for development costs, rehabilitation, land development and manufactured home park infrastructure. The program was added as a base program in 2019 and the funds were made available through a competitive RFP.

RESULTS

We measure our performance in this budget program by examining the percentage of units financed in top job growth areas and the level of affordability. Under the Challenge Program, all rental units must be affordable to households earning 80 percent of median income. However, we also want to ensure we're serving a range of households, so we review how many Minnesotans we are serving at lower income levels.

Housing that is affordable to the local workforce generally includes households earning between $30,000 and $50,000 annually. This range varies from county to county. We base our wage calculations on data from the Department of Employment and Economic Development (DEED).

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Quantity	Percentage of units in rental developments funded that are located in the top workforce housing communities (areas with job growth).	90%	97%	FFY2018, FFY2019
Results	Distribution of units financed annually with units affordable at: A) 30% of median income or less. B) 50% at median income or less, or C) 80% at median income or less	A) 20% B) 34% C) 100%	A) 13% B) 53% C) 100%	FFY2018, FFY2019

M.S. 462A.33 (https://www.revisor.mn.gov/statutes/?id=462A.33) provides the legal authority for Minnesota Housing's development and redevelopment activities.
M.S 462A.38 (https://www.revisor.mn.gov/statutes/cite/462A.38) provides the legal authority for the Workforce and Affordable Homeownership Program.
M.S. 462A.39 (https://www.revisor.mn.gov/statutes/cite/462A.39) provides the legal authority for the Greater Minnesota Workforce Development Program.
M.S. 462A.2035 (https://www.revisor.mn.gov/statutes/cite/462A.2035) provides the legal authority for the Manufactured Home Redevelopment Program.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Expenditures by Fund								
8000 - Housing Finance Agency	23,714	25,404	22,229	36,694	39,203	39,203	43,453	43,453
Total	**23,714**	**25,404**	**22,229**	**36,694**	**39,203**	**39,203**	**43,453**	**43,453**
Biennial Change				9,806		19,483		27,983
Biennial % Change				20		33		47
Governor's Change from Base								8,500
Governor's % Change from Base								11
Expenditures by Activity								
Development and Redevelopment	23,714	25,404	22,229	36,694	39,203	39,203	43,453	43,453
Total	**23,714**	**25,404**	**22,229**	**36,694**	**39,203**	**39,203**	**43,453**	**43,453**
Expenditures by Category								
Operating Expenses	35	32	34	23	23	23	23	23
Grants, Aids and Subsidies	10,490	11,206	11,798	20,009	22,360	22,360	25,360	25,360
Other Financial Transaction	13,189	14,166	10,398	16,662	16,820	16,820	18,070	18,070
Total	**23,714**	**25,404**	**22,229**	**36,694**	**39,203**	**39,203**	**43,453**	**43,453**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
1000 - General								
Direct Appropriation	14,925	14,925	22,425	14,925	16,175	16,175	20,425	20,425
Transfers Out	14,925	14,925	22,425	14,925	16,175	16,175	20,425	20,425
8000 - Housing Finance Agency								
Balance Forward In	37,411	38,967	37,692	46,049	33,899	25,591	33,899	25,591
Receipts	5,344	9,205	8,159	9,619	14,720	14,720	14,720	14,720
Transfers In	19,925	14,925	22,425	14,925	16,175	16,175	20,425	20,425
Balance Forward Out	38,967	37,692	46,048	33,899	25,591	17,283	25,591	17,283
Expenditures	**23,714**	**25,404**	**22,229**	**36,694**	**39,203**	**39,203**	**43,453**	**43,453**
Biennial Change in Expenditures				9,806		19,483		27,983
Biennial % Change in Expenditures				20		33		47
Governor's Change from Base								8,500
Governor's % Change from Base								11

Program: Prevent and End Homelessness
Activity: Supportive Housing

mnhousing.gov/

AT A GLANCE

- Assisted more than 10,413 households in 2019.
- Median annual income of households served is $9,000-$12,000.
- 56% of the households served were families with children for the Housing Trust Fund program
- Nearly 9,000 students experienced homelessness in Minnesota's public and charter schools based on fall student enrollment data for the 2018-19 school year. These students attend over 1,200 different schools located in over 75 of Minnesota's 87 counties.
- This activity contributes to the goals of the Minnesota Interagency Council on Homelessness' *Plan to Prevent and End Homelessness* and the State's Olmstead Plan.

Numbers are for FFY2019, unless otherwise noted

PURPOSE AND CONTEXT

For many Minnesotans, achieving housing stability requires support services in addition to affordable housing. People with disabilities and individuals who have experienced homelessness benefit when health care and support services, like employment services, are available to them in their homes. Research shows that people do better when needed services and stable homes are coordinated. Many Minnesotans will need services in their homes at some point during their lives. For example, an estimated 70 percent of people age 65 or older will need long-term care related to daily living. The broader community benefits from supportive housing, through reductions in expensive public systems such as emergency room visits.

Minnesota Housing finances affordable housing with support services. This activity is essential to our efforts to prevent and end homelessness. Supportive housing serves individuals and families with multiple barriers to obtaining and maintaining housing. Supportive housing provides stability for the poorest households and households with special needs so they can successfully address barriers to employment, complete school or training and achieve independent living.

SERVICES PROVIDED

Housing Trust Fund Program: Through the Housing Trust Fund program, we fund rental assistance for households with nearly 75% of people served having experienced long-term homelessness. Renters pay 30 percent of their income towards rent. In 2019, 1,649 households received rental assistance under this program with an average annual assistance of $8,048. Sixty-one percent of those who received rental assistance in 2019 were households of color or from Indigenous communities. We have a priority to serve households with incomes that do not exceed 30 percent of the metropolitan area median income.

The state appropriation ($11.7 million per year) currently funds rental assistance while new supportive housing developments are financed through Housing Infrastructure Bonds provided in the State's Capital Investment Bill.

Homework Starts with Home: Housing stability for children and their families leads to improved attendance, school success and increases in household income. Homework Starts with Home funds housing assistance and services for homeless and highly mobile students and their families. An evaluation of this program found that 90 percent of households that received assistance were stably housed within two years. The students who achieved stable housing during the pilot had better attendance than homeless students statewide. In contrast, homeless students who did not receive rental assistance missed enough school to be considered chronically absent. Additionally, household income increased 15 percent during the program and some households went from homeless to homeowners in just over two years.

The program is a partnership with the Heading Home Minnesota Funders Collaborative, the Office to Prevent and End Homelessness, and the Departments of Education and Human Services. In 2019, the Legislature included the program in the agency's base budget at $1.75 million per year. In March 2020, four administrators (including three in Greater Minnesota) were selected to serve an estimated 784 households.

Bridges Program: Through the Bridges program, we provide rental assistance for households in which at least one adult member has a serious mental illness. Households with incomes below 50 percent of the area median income are eligible for this program (currently below $42,900 for a four-person household in the metropolitan area and $38,600 for a four-person household in much of the remainder of the state). We partner with the Department of Human Services to deliver this program. Households receive both rental assistance and assistance from a social service agency. Under this program, families can afford stable housing in the community until public housing or a federal Section 8 certificate or voucher becomes available. This program plays an important role in the state's Olmstead Plan, as it helps people with disabilities live, work and learn in the most integrated setting possible.

Our federal programs in this activity include:

Federal Housing Opportunities for Persons with AIDS (HOPWA) Program: Through the HOPWA Program we provide 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 federal program authorizes grants for both housing assistance and services. Minnesota Housing's HOPWA funds are used for housing assistance and rental subsidies.

National Housing Trust Fund: The state received its first allocation of funding from the National Housing Trust Fund in federal fiscal year 2015 ($3 million). Funds are awarded to developments as part of our consolidated Request for Proposal process and are typically used for supportive housing and developments serving extremely low-income households.

Section 811: This federal program provided funding to states for project-based rental assistance to create integrated, cost-effective supportive housing for people with disabilities. This allows persons with disabilities to live as independently as possible in the community. These funds were awarded to projects through our consolidated Request for Proposal process and we partner with the Department of Human Services on this program. Section 811 plays an important role in implementing the state's Olmstead Plan by creating new supportive housing opportunities across the state. In August 2020, the State of Minnesota received a new grant of $6.9 million to serve an additional 183 households over the next several years.

RESULTS

Through the programs under this budget activity, we provide a variety of resources to create supportive rental housing opportunities and serve people who have experienced homelessness or who have a disability. These programs keep some of Minnesota's most vulnerable citizens out of homelessness and institutions. To measure our performance in this activity, we track outcomes including housing stability and changes in income levels.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Percentage of people who remained in housing for at least a year or had a positive exit (moved to permanent affordable housing).	88%	87%	SFY2018 FY 2019
Results	Percentage of households with increased income from entry to exit.	40%	42%	SFY2018, SFY 2019

M.S. 462A.201 (https://www.revisor.mn.gov/statutes/?id=462A.201) provides legal authority for Housing Trust Fund Program
M.S. 462A.2097 (https://www.revisor.mn.gov/statutes/?id=462A.2097) provide the legal authority for the Bridges Program

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Expenditures by Fund								
8000 - Housing Finance Agency	25,287	27,282	31,153	38,158	40,965	47,658	42,965	49,658
Total	**25,287**	**27,282**	**31,153**	**38,158**	**40,965**	**47,658**	**42,965**	**49,658**
Biennial Change				16,743		19,312		23,312
Biennial % Change				32		28		34
Governor's Change from Base								4,000
Governor's % Change from Base								5

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Expenditures by Category								
Operating Expenses	761	598	231	168	204	224	204	224
Grants, Aids and Subsidies	24,530	26,683	30,922	37,990	40,761	47,434	42,761	49,434
Other Financial Transaction	(4)							
Total	**25,287**	**27,282**	**31,153**	**38,158**	**40,965**	**47,658**	**42,965**	**49,658**

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22	Forecast Base FY23	Governor's Recommendation FY22	Governor's Recommendation FY23
1000 - General								
Direct Appropriation	17,484	15,734	17,734	17,734	17,734	17,734	19,734	19,734
Transfers In		290						
Transfers Out	17,484	15,734	17,734	17,734	17,734	17,734	19,734	19,734
Cancellations		290						
8000 - Housing Finance Agency								
Balance Forward In	19,079	19,514	17,412	18,958	13,951	8,676	13,951	8,676
Receipts	2,819	(1,624)	(311)	332	(5,191)	(4,894)	(5,191)	(4,894)
Transfers In	27,903	27,093	33,010	32,819	40,881	47,277	42,881	49,277
Transfers Out	5,000	290						
Balance Forward Out	19,514	17,412	18,959	13,951	8,676	3,401	8,676	3,401
Expenditures	**25,287**	**27,282**	**31,153**	**38,158**	**40,965**	**47,658**	**42,965**	**49,658**
Biennial Change in Expenditures				16,743		19,312		23,312
Biennial % Change in Expenditures				32		28		34
Governor's Change from Base								4,000
Governor's % Change from Base								5

Program: Prevent and End Homelessness
Activity: Homelessness Prevention

mnhousing.gov/

AT A GLANCE

- Assisted 6,013 households in 2019, including nearly 65% households of color and Indigenous households.
- Median annual household income of households assisted was $11,899.
- 53% of the households served were families with children.
- Services available in all 87 counties.

Numbers are for FFY2019, unless otherwise noted

PURPOSE AND CONTEXT

When you lose your home, you lose your community — and the consequences of this major life disruption can last for decades. In Minnesota today, well over half of the lowest-income families in the state spend more than 50 percent of their income on their home costs.

Minnesota Housing programs provide housing and other assistance to households that are at risk of becoming homeless due to a crisis situation, extremely low incomes, and/or physical and mental health problems. This activity is an essential element of our efforts to prevent and end homelessness. In order to effectively end homelessness, we must prevent homelessness whenever possible.

SERVICES PROVIDED

Family Homeless Prevention and Assistance Program (FHPAP): Through FHPAP, we provide grants to counties and nonprofit organizations to assist families with children, single adults or youth who are homeless or at imminent risk of homelessness. We currently fund 20 grantees that serve people in all 87 counties in Minnesota. The program receives $10.3 million per year in general fund appropriations.

Grantees use funds for a broad range of activities aimed at homelessness prevention, minimizing episodes of homelessness, and eliminating repeat episodes of homelessness. Grantees provide financial assistance such as security deposits, transportation and utility assistance, short-term rental assistance (also known as rapid rehousing) or mortgage payment assistance. Grantees may also provide referrals for social services or affordable rental housing. Nearly 50 percent of funds were used for support services and 45 percent of funds were used for direct cash assistance.

COVID-19 Housing Assistance: Using federal Coronavirus Relief Funds, Minnesota Housing was allocated $100 million for the COVID-19 Housing Assistance Program. The program pays unpaid housing-related bills to help individuals and families maintain housing during the public health emergency and prevent evictions, foreclosures, and homelessness. Forty-four local administrators were selected to serve all 87 counties. The program is using a central intake via call and text and has an online application. Individuals and families must have a household income at or below 300% federal poverty guidelines and must have a housing-related bill, such as rent, mortgage or utility bill that is unpaid. Households must be unable to make the payment(s) owed because of the public health emergency due to unemployment, illness, or other COVID-19 related issue.

COVID-19 Emergency Rental Assistance: On December 27, 2020, the Consolidated Appropriations Act of 2021 was signed into federal law. The Emergency Rental Assistance Program was included in the law to aid renter households that have experienced or are at risk of financial hardship due to the COVID-19 pandemic. Minnesota's total initial allocation was $375,152,159, 55% of which is to be allocated directly to the State of Minnesota and 45% to local jurisdictions with populations above 200,000. These local jurisdictions include the cities of Minneapolis and Saint Paul and the counties of Anoka, Dakota, Hennepin, Ramsey and Washington. In addition, tribal nations were also eligible to certify for funding, separate from the total Minnesota allocation.

Minnesota Housing is anticipated to administer the $289.4 million of federal funds allocated directly to the agency for this emergency rental assistance. The following is a high-level summary of the program as of January 2021.

Eligible Recipients: Renter households with incomes no more than 80 percent of Area Median Income and have experienced financial hardship through the coronavirus outbreak and can demonstrate a risk of experiencing homelessness or housing instability. In addition, grantees must prioritize households with incomes no more than 50 percent of Area Median Income and to households where an individual has been unemployed for 90 days.

Uses: At least 90 percent of funds must be used for rent, utilities and home energy costs (both arrears and prospective) or other expenses related to housing incurred due to the pandemic while 10% may be used for administrative expenses or housing stability services as defined by the Treasury secretary.

Payments: Payments must be made directly to a lessor or utility/home energy provider on behalf of the eligible household unless the lessor or utility/home energy provider does not agree to accept the payment, in which case the grantee may make payments directly to the eligible household. Landlords can apply on behalf of tenants with their consent.

Use of Funds Timeline: The Treasury Department may recapture any funds not obligated by grantees as of September 30, 2021 and reallocate to grantees who have obligated at least 65 percent of original grant at that time. Remaining funds will be available until December 31, 2021 with potential for a 90 day extension

RESULTS

In order to measure the success of this program, we track the percentage of households served who are identified as at risk for homelessness and who do not return to shelter within 12 months. Data on homelessness comes from the Homeless Management Information System (HMIS).

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Results	Percentage of households who were identified as at risk for homelessness or were homeless, were served, and didn't return to a shelter within 12 months.	94%	94%	FFY2018, FFY2019

M.S. 462A.204 (https://www.revisor.mn.gov/statutes/?id=462A.204) provides the legal authority for the Family Homeless Prevention and Assistance Program.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Expenditures by Fund								
8000 - Housing Finance Agency	8,768	8,665	11,613	210,410	199,673	10,269	201,673	12,269
Total	**8,768**	**8,665**	**11,613**	**210,410**	**199,673**	**10,269**	**201,673**	**12,269**
Biennial Change				204,590		(12,081)		(8,081)
Biennial % Change				1,174		(5)		(4)
Governor's Change from Base								4,000
Governor's % Change from Base								2

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Expenditures by Category								
Grants, Aids and Subsidies	8,768	8,665	11,613	210,410	199,673	10,269	201,673	12,269
Total	**8,768**	**8,665**	**11,613**	**210,410**	**199,673**	**10,269**	**201,673**	**12,269**

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22	Forecast Base FY23	Governor's Recommendation FY22	Governor's Recommendation FY23
1000 - General								
Direct Appropriation	8,769	8,519	10,269	10,269	10,269	10,269	12,269	12,269
Transfers Out	8,769	8,519	10,269	10,269	10,269	10,269	12,269	12,269
3010 - Coronavirus Relief								
Direct Appropriation				100,000	0	0	0	0
Transfers Out				100,000				
8000 - Housing Finance Agency								
Balance Forward In	451	634	1,183	141	189,404		189,404	
Receipts	183	695	301	289,404				
Transfers In	8,769	8,519	10,269	110,269	10,269	10,269	12,269	12,269
Balance Forward Out	634	1,183	141	189,404				
Expenditures	**8,768**	**8,665**	**11,613**	**210,410**	**199,673**	**10,269**	**201,673**	**12,269**
Biennial Change in Expenditures				204,590		(12,081)		(8,081)
Biennial % Change in Expenditures				1,174		(5)		(4)
Governor's Change from Base								4,000
Governor's % Change from Base								2

Program: Homeownership Assistance

mnhousing.gov/

AT A GLANCE

- Helped 4,083 households buy their first home in 2019. Just over 100 of these households were financed with state appropriations.
- Median annual income of households served with downpayment assistance is $52,404 for our deferred loan program.
- More than one-third (37 percent) of households served are households of color and Indigenous households.
- Over 52% of the households served were families with children.

Numbers are for FFY2019, unless otherwise noted

PURPOSE AND CONTEXT

We know homeownership is the primary driver for building wealth for low- and moderate-income households. Each year of successful homeownership adds nearly $10,000 in household wealth. It also creates stability for families and stronger connections within our communities.

Minnesota Housing provides loans for some of the upfront funds needed to purchase a home. Many moderate-income households have sufficient income to make monthly mortgage payments, but lack the wealth necessary for a downpayment and closing costs. This activity helps finance a portion of these costs and makes it possible for these families to purchase a home.

SERVICES PROVIDED

The goal of this activity is to help moderate-income households become successful homeowners. Minnesota has one of the nation’s highest rates of homeownership (more than 70 percent), while at the same time it has the fourth largest disparity in homeownership rates between white households and households of color. This gap has been largely unchanged over the last 20 years. A lack of the wealth available for entry costs – including downpayment and closing costs – contributes to the homeownership gap. Other reasons for the gap include credit and lending practices, cultural factors, systemic racism and discrimination. Currently, over 60,000 renter households of color in Minnesota have the income they need to potentially buy a home and are within the prime homebuying age range. We’re helping start these households on the path to homeownership through our mortgage programs, marketing and outreach, homebuyer education, and assistance with downpayment and closing costs.

Homeownership Assistance Fund: Through the state-appropriated Homeownership Assistance Fund, we provide assistance to first-time homebuyers to use toward downpayment and closing costs. In 2019, the average downpayment and closing cost loans financed with state appropriations was $7,986 for just over 100 households. We provide the assistance in the form of a second mortgage with no interest. We defer repayment of the loan, and in some cases it may be forgiven. In cases such as a sale or refinance, the loan is repaid to Minnesota Housing. The average household income for a household that received assistance was $52,404 in 2019.

Homebuyers who receive assistance are required to participate in homebuyer education, have a credit score of at least 640 and provide minimum cash investment. Our network of private lenders delivers the downpayment loan programs directly to homebuyers.

Minnesota Housing supplements state appropriations with agency resources when possible, and also provides downpayment and closing cost assistance in the form of a monthly payment loan to borrowers with slightly higher incomes. These loans have a monthly payment and an interest rate.

RESULTS

To track our outcomes under this budget activity, we examine the percentage of loans issued to households of color and indigenous community as well as how many of our homebuyers use our downpayment loan programs.

For reference, as of 2018, 34% of households that are income-ready to buy a home and in the prime first-time homebuyer age (25 to 440 are households of color. We made 34% of our first-time homebuyer loans to households of color or Hispanic ethnicity in Federal Fiscal Years 2018 and 2019. By comparison, according to Home Mortgage Disclosure Act (HMDA) data, lending to households of color as a percentage of all mortgage activity in the overall mortgage market was only 16% in 2018.

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Quantity	Percentage of Minnesota Housing loans for first-time homebuyers issued to households of color and indigenous communities.	34%	34%	FFY2018, FFY2019
Quality	Percentage of downpayment assistance provided to households of color and indigenous communities.	36%	37%	FFY2018, FFY2019
Results	Percentage of homebuyer loans that included downpayment assistance.	97%	98%	FFY2018, FFY2019

M.S. 462A.21, subd.8 (https://www.revisor.mn.gov/statutes/?id=462A.21) provides the legal authority for Minnesota Housing's Homeownership Assistance Fund.

Homeownership Assistance

Program Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Expenditures by Fund								
8000 - Housing Finance Agency	6,942	2,233	4,120	4,501	4,001	4,001	5,751	5,751
Total	**6,942**	**2,233**	**4,120**	**4,501**	**4,001**	**4,001**	**5,751**	**5,751**
Biennial Change				(553)		(619)		2,881
Biennial % Change				(6)		(7)		33
Governor's Change from Base								3,500
Governor's % Change from Base								44

Expenditures by Activity

	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Homeownership Assistance	6,942	2,233	4,120	4,501	4,001	4,001	5,751	5,751
Total	**6,942**	**2,233**	**4,120**	**4,501**	**4,001**	**4,001**	**5,751**	**5,751**

Expenditures by Category

	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Operating Expenses	1	1	0	1	1	1	1	1
Other Financial Transaction	6,941	2,232	4,120	4,500	4,000	4,000	5,750	5,750
Total	**6,942**	**2,233**	**4,120**	**4,501**	**4,001**	**4,001**	**5,751**	**5,751**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
1000 - General								
Direct Appropriation	885	885	885	885	885	885	2,635	2,635
Transfers Out	885	885	885	885	885	885	2,635	2,635
8000 - Housing Finance Agency								
Balance Forward In	2,928	454	2,226	2,664	2,048	1,932	2,048	1,932
Receipts	3,582	3,120	3,672	3,000	3,000	3,000	3,000	3,000
Transfers In	885	885	885	885	885	885	2,635	2,635
Balance Forward Out	454	2,226	2,664	2,048	1,932	1,816	1,932	1,816
Expenditures	**6,942**	**2,233**	**4,120**	**4,501**	**4,001**	**4,001**	**5,751**	**5,751**
Biennial Change in Expenditures				(553)		(619)		2,881
Biennial % Change in Expenditures				(6)		(7)		33
Governor's Change from Base								3,500
Governor's % Change from Base								44

Program: Preservation
Activity: Rental Preservation and Rehabilitation

mnhousing.gov/

AT A GLANCE

- Rental preservation financing is the most cost effective way to keep housing affordable.
- Preserved and improved 2,107 homes.
- Of Minnesota's roughly 30,000 project-based Section 8 units across the state, over 15,000 are in projects with a contract that will expire in the next 10 years.
- Of Minnesota's roughly 10,000 United States Department of Agriculture Rural Development (USDA RD) units, nearly 2,000 are in properties with a mortgage that will mature in the next 10 years and lose its rent assistance that keeps the home affordable.

Numbers are for FFY2019, unless otherwise noted

PURPOSE AND CONTEXT

The most cost-effective way to provide homes that are affordable to most Minnesotans is to preserve our existing stock. This is particularly true as the growing demand outpaces new supply and the tight market drives home prices higher. Minnesota has around 360,000 apartments priced at a level that families who earn half the local median income can afford to rent. Naturally occurring affordable rental units (rental homes on the private market that are relatively low in price because of condition, location, lack of amenities, or other market factors) account for over 240,000 of the 360,000 total affordable rental units in Minnesota. We estimate that Minnesota is losing roughly 2,000 naturally occurring affordable rental units per year as low-priced properties are sold and improved, which leads to rent increases.

Minnesota has approximately 120,000 units of rental housing that have received or currently received federal, state and/or local support to keep the units affordable. This represents about five percent of the homes in Minnesota, but they play a vital role in serving the state's lowest-income households. These include project-based Section 8 properties, USDA Rural Development properties, public housing, Low-Income Housing Tax Credit units and other subsidized properties. These properties are located throughout the state, in large and small communities alike. The affordable housing stock is an essential part of communities' infrastructure, and its preservation is critical to communities' continued vitality. As these properties age, or as the subsidy contracts and regulatory agreements expire, there is a risk that these units may be lost due to physical deterioration or diminished capacity of the owner. There is additional risk that some properties may convert to market-rate housing and no longer be affordable for low-income residents.

About 30,000 of these affordable housing units are federally subsidized through the Section 8 program. Section 8 housing is among the most affordable housing available because the tenant is required to pay only 30 percent of household income towards rent. The federal government makes up the difference between the tenant's contribution and an agreed-upon contract rent. This is a critical benefit because the median income of Section 8 households is about $13,000. Another nearly 10,000 privately owned affordable housing units are federally subsidized through USDA Rural Development, which operates on a similar basis. Around 6,000 of the 10,000 have rent assistance paired with the unit, allowing residents to pay 30% of their income on rent.

Through rental preservation and rehabilitation, Minnesota Housing provides funding for the rehabilitation, repair and stabilization of aging federally assisted rental housing and naturally affordable, unsubsidized rental housing.

SERVICES PROVIDED

Affordable Rental Investment Fund – Preservation (PARIF): Through the PARIF program, we ensure that the health, safety and quality of critical federally assisted affordable housing stock are maintained for low-income residents well into the future. This program receives $4.218 million per year from general fund appropriations. The Section 8 and USDA RD portfolios were developed primarily from the 1960s to the 1980s.

Due to the age of the housing stock, rents may not be able to keep up with the physical demands of the properties. The properties need large injections of capital through PARIF to make physical improvements so that the properties can remain intact and affordable for decades into the future. In exchange for receiving funding from Minnesota Housing, owners must agree to continue participating in the federal rental assistance program (Section 8 or USDA RD) for the maximum term available.

Rental Rehabilitation Deferred Loan Program: A significant portion of the naturally occurring affordable housing owners in Greater Minnesota struggle to finance major capital improvements and repairs. We provide capital assistance to the owners of naturally occurring affordable housing through the Rental Rehabilitation Deferred Loan Program, which receives $3.743 million state appropriations each year. We fund capital repairs to housing to keep it in good condition. In exchange for receiving funding from Minnesota Housing, owners of naturally occurring affordable housing agree to maintain rents at affordable levels. A priority is to serve developments with 1-4 units of housing, since that type of building represents nearly 50 percent of the housing stock in Greater Minnesota.

Through this program we also partner with federal USDA Rural Development to assist developments in their Section 515 mortgage program. This critical housing stock needs to be improved and kept within the Rural Development program, otherwise federal rental assistance is lost. In 2020, we selected 21 housing developments that included over 540 units.

Other Programs and Initiatives: Using agency resources, we also invested in a Naturally Occurring Affordable Housing (NOAH) Impact Fund administered by Greater Minnesota Housing Fund. The fund finances the acquisition and preservation of naturally affordable rental housing to preserve the affordability of such homes for the long term. All investments target rental properties at risk of conversion to higher rents and the threat of displacement of low- and moderate-income residents. We also fund preservation activities through the federally funded HOME program. Historically, HOME resources administered by Minnesota Housing have been used for preservation. Through the State's Capital Investment bill, we receive resources to preserve and rehab public housing.

RESULTS

Preservation of existing affordable rental housing is one of our strategic priorities. It is essential that we preserve existing affordable housing so that it is not lost due to deterioration or owners opting out of federal programs. We measure our results by reviewing the number of federally assisted rental units that are preserved and the median income of the households we serve.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of federally assisted rental units preserved.	771	1,638	FFY2018, FFY2019
Quantity	Median income of households served for Section 8.	$12,443	$12,648	FFY2018, FFY2019

M.S. 462A.21, subd.8b (https://www.revisor.mn.gov/statutes/?id=462A.21) provides the legal authority for the PARIF program. M.S. 462A.33 (https://www.revisor.mn.gov/statutes/?id=462A.33) and 462A.05, subd. 14A (https://www.revisor.mn.gov/statutes/?id=462A.05) provide the legal authority for the Rental Rehabilitation Deferred Loan program.

Rental Preservation and Rehabilitation

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Expenditures by Fund								
8000 - Housing Finance Agency	21,536	13,945	10,958	32,937	34,879	34,879	33,879	33,879
Total	**21,536**	**13,945**	**10,958**	**32,937**	**34,879**	**34,879**	**33,879**	**33,879**
Biennial Change				8,414		25,863		23,863
Biennial % Change				24		59		54
Governor's Change from Base								(2,000)
Governor's % Change from Base								(3)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Expenditures by Category								
Operating Expenses	3							
Other Financial Transaction	21,533	13,945	10,958	32,937	34,879	34,879	33,879	33,879
Total	**21,536**	**13,945**	**10,958**	**32,937**	**34,879**	**34,879**	**33,879**	**33,879**

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22	Forecast Base FY23	Governor's Recommendation FY22	Governor's Recommendation FY23
1000 - General								
Direct Appropriation	7,961	7,961	7,961	7,961	7,961	7,961	6,961	6,961
Transfers Out	7,961	7,961	7,961	7,961	7,961	7,961	6,961	6,961
8000 - Housing Finance Agency								
Balance Forward In	38,334	42,655	46,728	55,913	40,686	24,868	40,686	24,868
Receipts	17,895	10,057	12,182	9,749	11,100	11,100	11,100	11,100
Transfers In	7,961	7,961	7,961	7,961	7,961	7,961	6,961	6,961
Balance Forward Out	42,655	46,728	55,913	40,686	24,868	9,050	24,868	9,050
Expenditures	**21,536**	**13,945**	**10,958**	**32,937**	**34,879**	**34,879**	**33,879**	**33,879**
Biennial Change in Expenditures				8,414		25,863		23,863
Biennial % Change in Expenditures				24		59		54
Governor's Change from Base								(2,000)
Governor's % Change from Base								(3)

Program: Preservation
Activity: Homeownership Rehabilitation

mnhousing.gov/

AT A GLANCE

- Assisted 258 homeowners.
- Median annual income of households served is $15,079.
- Over fifty percent of homeowners served reside in Greater Minnesota.

All numbers are for FFY2019, unless otherwise noted

PURPOSE AND CONTEXT

Minnesota has a strong supply of existing owned and rented homes that families and individuals can afford. About half of the owner-occupied homes in the state are valued at under $250,000—a level generally considered affordable in today's market.

Maintaining older homes often requires rehabilitation or modernization, but these updates are almost always less expensive than building new homes – frequently less than half the cost. Home rehabilitation helps homeowners remain in their homes for a lower cost than buying and moving to a comparable property.

This is particularly true for senior homeowners. A recent study by Wilder Research found that 16,400 extremely low-income senior households (households at or below 30 percent of their area's median income) have home rehabilitation needs, including both habitability repairs and accessibility improvements. For an estimated cost of just $16,000 per home, these seniors would be able to stay in their own rehabilitated homes and their communities for another five years. Compared to the cost of assisted-living alternatives, this cost is minimal, and studies show that most seniors prefer to age in place.

Minnesota Housing provides loans to maintain or restore owner-occupied housing to decent and safe conditions. We serve homeowners who often have incomes that are too low to qualify for loans in the private sector.

SERVICES PROVIDED

For lower-income homeowners, the most affordable housing choice and typically the most preferred, is often to remain in their home. Through the owner-occupied Rehabilitation Loan Program we provide no-interest forgivable loans of up to $27,000 for very low-income households. We forgive the loans after 15 years if the home remains the homeowner's primary residence. Local units of government and nonprofit organizations, including Community Action Agencies, deliver this program to homeowners. Homeowners may use loans for health, safety, accessibility and energy-efficiency improvements.

This activity allows senior households or households with a person with a disability to avoid or delay costly institutionalization by addressing safety or accessibility housing needs. It also helps very low-income homeowners retain homeownership by using loan funds to make energy conservation improvements and health and safety improvements. Many aspects of housing have an impact on residents' health, including lead paint, radon, mold, poor ventilation and deferred maintenance. This program also serves families who own manufactured homes.

Minnesota Housing supplements the $2.772 million per year in state appropriations with agency resources for this program because need exceeds appropriated resources.

RESULTS

We track the number of seniors and the number of households with a person with a disability served in order to measure outcomes of this program. We also examine the number of people most in need – those earning less than 30 percent of HUD area median income – who receive rehabilitation loans in order to measure the program's success.

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Results	Percentage of households most in need (less than 30% of median income) that received rehabilitation loans.	66%	55%	FFY2018, FFY2019
Results	Percentage of rehab loans provided to seniors.	45%	39%	FFY 2018, FFY2019
Results	Percentage of rehab loans to households that identified as having at least one household member with a disability.	31%	36%	FFY2018, FFY2019

M.S. 462A.05, subd. 14 (https://www.revisor.mn.gov/statutes/?id=462A.05) provides the legal authority for the Rehabilitation Loan Program.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Expenditures by Fund								
8000 - Housing Finance Agency	3,724	5,853	5,198	3,813	3,772	3,772	3,772	3,772
Total	**3,724**	**5,853**	**5,198**	**3,813**	**3,772**	**3,772**	**3,772**	**3,772**
Biennial Change				(566)		(1,467)		(1,467)
Biennial % Change				(6)		(16)		(16)
Governor's Change from Base								0
Governor's % Change from Base								0
Expenditures by Category								
Operating Expenses	100	58	69	50	50	50	50	50
Grants, Aids and Subsidies	346	313	596	450	450	450	450	450
Other Financial Transaction	3,278	5,482	4,534	3,313	3,272	3,272	3,272	3,272
Total	**3,724**	**5,853**	**5,198**	**3,813**	**3,772**	**3,772**	**3,772**	**3,772**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
1000 - General								
Direct Appropriation	2,772	2,772	2,772	2,772	2,772	2,772	2,772	2,772
Transfers Out	2,772	2,772	2,772	2,772	2,772	2,772	2,772	2,772
8000 - Housing Finance Agency								
Balance Forward In	2,594	2,968	1,035	41				
Receipts	1,326	1,148	1,432	1,000	1,000	1,000	1,000	1,000
Transfers In	2,772	2,772	2,772	2,772	2,772	2,772	2,772	2,772
Balance Forward Out	2,968	1,035	41					
Expenditures	**3,724**	**5,853**	**5,198**	**3,813**	**3,772**	**3,772**	**3,772**	**3,772**
Biennial Change in Expenditures				(566)		(1,467)		(1,467)
Biennial % Change in Expenditures				(6)		(16)		(16)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Preservation
Activity: Project-Based Rental Assistance

mnhousing.gov/

AT A GLANCE

- Assisted over 28,000 households.
- Median annual income of households served is around $12,500.
- Nearly fifty percent of the households served are elderly and 34 percent are disabled.

All numbers are for FFY2019, unless otherwise noted

PURPOSE AND CONTEXT

Minnesota Housing preserves existing affordable housing stock by effectively administering and monitoring federal housing assistance payment contracts on behalf of the federal government. The U.S. Department of Housing and Urban Development entered into contracts with property owners to provide rental assistance for families with incomes less than 80 percent of the area median income. No new development has been funded under this program since the mid-1980s; however, under existing contracts, tenants pay no more than 30 percent of their income in rent. These tenants are among the lowest-income of any served by Minnesota Housing, with a median income of about $12,500.

SERVICES PROVIDED

Under this activity, Minnesota Housing manages two separate federal rental assistance programs with similar, but not identical, administrative requirements. The federal programs are Section 8 performance-based contract administration, and Section 8 traditional contract administration. Private owners of these buildings receive subsidies from HUD under each of these programs. The functions provided by Minnesota Housing staff under this program include:

- Analyzing and reviewing tenant data necessary to determine subsidy levels;
- Processing annual rent adjustments;
- Performing annual management and occupancy reviews, including a physical inspection; and
- Responding to tenant concerns.

These activities are required in order for property owners to receive their federal subsidy from HUD in a timely manner. The HUD subsidy ensures the proper maintenance of the housing while keeping rents affordable for the lowest-income Minnesotans.

RESULTS

Minnesota Housing has received incentive fees from HUD for its customer service and performance in administering Project-Based Section 8 contracts. The incentive fees reflect the agency’s efficiency and effectiveness in administering the Project-Based Section 8 contracts and in providing superior customer service to Section 8 customers. In addition to the incentive fees, we measure our performance by examining the percentage of Section 8 units that could potentially convert to unassisted units, but whose contracts are preserved through one-, five-, 10-, and 20-year renewals.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Results	Percentage of Section 8 rental units at risk of converting to market-rate rents that are renewed.	99%	99%	FFY2018, FFY2019

Minnesota Housing is selected by HUD to administer contracts under this program.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Expenditures by Fund								
8000 - Housing Finance Agency	188,185	185,042	196,547	206,696	210,910	216,080	210,910	216,080
Total	**188,185**	**185,042**	**196,547**	**206,696**	**210,910**	**216,080**	**210,910**	**216,080**
Biennial Change				30,017		23,747		23,747
Biennial % Change				8		6		6
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Expenditures by Category								
Grants, Aids and Subsidies	188,185	185,042	196,547	206,696	210,910	216,080	210,910	216,080
Total	**188,185**	**185,042**	**196,547**	**206,696**	**210,910**	**216,080**	**210,910**	**216,080**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
8000 - Housing Finance Agency								
Balance Forward In	2	2	3	5				
Receipts	188,185	185,042	196,550	206,691	210,910	216,080	210,910	216,080
Balance Forward Out	2	3	5					
Expenditures	**188,185**	**185,042**	**196,547**	**206,696**	**210,910**	**216,080**	**210,910**	**216,080**
Biennial Change in Expenditures				30,017		23,747		23,747
Biennial % Change in Expenditures				8		6		6
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Resident and Organization Support

mnhousing.gov/

AT A GLANCE

- Assisted 19,716 households with Homebuyer Education, Counseling and Training.
- Median income of households served is $36,460.
- Nearly 300 organizations locally administer one or more of Minnesota Housing's programs.

All numbers are for FFY2019, unless otherwise noted

PURPOSE AND CONTEXT

Minnesota Housing supports the infrastructure necessary for organizations to effectively deliver affordable housing throughout the state. Through the activities under this program, we serve a variety of individuals and organizations to make sure that affordable housing is maintained and that our partners serve diverse geographic and cultural communities.

SERVICES PROVIDED

We rely on a robust network of partners to deliver many of our programs. Through resident and organizational support, we provide resources to a statewide network of housing counseling organizations that assist homeowners at risk of foreclosure and homebuyers purchasing a home. We also provide assistance to nonprofits to help with regional planning and coordinating activities.

Homebuyer Education, Counseling and Training Program: Through the Homebuyer Education, Counseling and Training (HECAT) program, Minnesota Housing works in collaboration with a network of housing counseling organizations. Together we have designed a comprehensive statewide delivery network for homebuyer training and education. This network is overseen by the Minnesota Home Ownership Center, a nonprofit organization based in St. Paul. The homebuyer training network receives support from state and federal appropriations as well as lending institutions and foundations. We award grants to qualified nonprofit counseling organizations through a competitive Request for Proposal process. The organizations provide both pre-purchase and post-purchase counseling for low- and moderate-income first-time homebuyers. We also provide funding for foreclosure prevention counseling to help homeowners avoid foreclosure whenever possible.

Capacity Building Program: Capacity Building funds help organizations expand their ability to deliver our programs and reach diverse geographic and cultural communities. The Capacity Building Program supports a range of organizations and initiatives, including the Continuums of Care that ensure communities in Greater Minnesota have access to federal resources to prevent and end homelessness. The program also supports geographic and cultural community-based nonprofit developers and service providers who help communities deploy state and federal programs and compete for development dollars.

Manufactured Home Relocation Trust Fund: The Minnesota Manufactured Housing Relocation Trust Fund was created in 2007 by the Minnesota Legislature to provide participating homeowners in manufactured home parks with compensation in the event that all or part of their manufactured home park closes. The Act requires manufactured home park owners to make payments to the Trust Fund (via Minnesota Management and Budget) when a manufactured home park is being closed or the land will no longer be used as a manufactured home park. Minnesota Housing then processes requests and payments to homeowners relocating from closed parks.

RESULTS

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Results	Foreclosures prevented as a percentage of closed counseling cases.	74%	TBD	FFY2018, FFY2019
Results	Federal funds leveraged for Continuum of Care organizations per dollar of state money spent.	$118	$126	FFY2018, FFY2019

Funding for this program comes from state appropriations to the Homeownership, Education Counseling and Training Program (M.S. 462A.209, https://www.revisor.mn.gov/statutes/?id=462A.209) the Nonprofit Capacity Building Grant Program (M.S. 462A.21, Subd. 3b, https://www.revisor.mn.gov/statutes/?id=462A.21) and the Manufactured Home Relocation Trust Fund (M.S. 462A.35, https://www.revisor.mn.gov/statutes/?id=462A.35).

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Expenditures by Fund								
8000 - Housing Finance Agency	3,384	3,640	3,065	3,961	3,789	3,789	4,039	4,039
Total	**3,384**	**3,640**	**3,065**	**3,961**	**3,789**	**3,789**	**4,039**	**4,039**
Biennial Change				2		552		1,052
Biennial % Change				0		8		15
Governor's Change from Base								500
Governor's % Change from Base								7
Expenditures by Activity								
Resident and Organization Supp	3,384	3,640	3,065	3,961	3,789	3,789	4,039	4,039
Total	**3,384**	**3,640**	**3,065**	**3,961**	**3,789**	**3,789**	**4,039**	**4,039**
Expenditures by Category								
Operating Expenses	1,971	2,108	2,037	2,045	2,027	2,027	2,277	2,277
Grants, Aids and Subsidies	1,395	1,542	1,027	1,916	1,762	1,762	1,762	1,762
Other Financial Transaction	17	(10)						
Total	**3,384**	**3,640**	**3,065**	**3,961**	**3,789**	**3,789**	**4,039**	**4,039**

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22	Forecast Base FY23	Governor's Recommendation FY22	Governor's Recommendation FY23
1000 - General								
Direct Appropriation	2,002	2,002	2,002	2,002	2,002	2,002	2,252	2,252
Transfers Out	2,002	2,002	2,002	2,002	2,002	2,002	2,252	2,252
8000 - Housing Finance Agency								
Balance Forward In	818	1,156	1,312	1,780	1,391	1,204	1,391	1,204
Receipts	1,333	1,391	1,151	1,150	1,200	1,200	1,200	1,200
Transfers In	2,389	2,405	2,381	2,422	2,402	2,402	2,652	2,652
Balance Forward Out	1,156	1,312	1,779	1,391	1,204	1,017	1,204	1,017
Expenditures	**3,384**	**3,640**	**3,065**	**3,961**	**3,789**	**3,789**	**4,039**	**4,039**
Biennial Change in Expenditures				2		552		1,052
Biennial % Change in Expenditures				0		8		15
Governor's Change from Base								500
Governor's % Change from Base								7

Program: Administration

www.mnhousing.gov

AT A GLANCE

- Minnesota Housing holds AA+ and Aa1 credit ratings from Standard & Poor's and Moody's.
- We provide more than $1.4 billion to help Minnesotans live in safe, stable, affordable homes.

All numbers are for FFY2019, unless otherwise noted

PURPOSE & CONTEXT

Minnesota Housing does not own or operate any housing, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing. Homebuyers, homeowners and renters with low- to moderate incomes benefit from the administration and management of our wide range of programs.

SERVICES PROVIDED

We have two primary business divisions, Single Family and Multifamily, that conduct a variety of activities in order to administer state and federal programs. Along with a Finance Division that manages the agency's finances and assets, we have several other support divisions.

Single-Family Division: The single-family division implements our homeownership, homeowner and community development programs. Their activities include: monitoring homeownership lenders, working with home improvement partners, administering downpayment and closing cost assistance programs, processing loan reservations and disbursements, and compliance monitoring.

Multifamily Division: The multifamily division reviews and oversees multifamily rental properties. Their activities include: underwriting multifamily developments, overseeing construction and initial rent-up, overseeing long-term asset management and oversight of troubled properties. The multifamily division also monitors properties to ensure compliance with federal programs, including: Section 8, low-income housing tax credits and the HOME program. The multifamily division manages our rental development, rental preservation, supportive housing and homelessness prevention programs.

Finance: The finance team is responsible for managing the agency's investments and debt and for overseeing the agency's bond sales. As of June 30, 2020, Minnesota Housing had more than $4.9 billion in assets. Our bond issuer ratings were AA+ and Aa1 from Standard and Poor's Rating Services and Moody's Investor Services, Inc., respectively. Our credit ratings are separate from and are not directly dependent on ratings on debt issued by the State of Minnesota.

Other Divisions: In addition to our two primary business divisions and the finance division, Minnesota Housing has a number of divisions, including: Business and Technology Support, Policy and Community Development, Communications, Planning and Administration, and Legal and Risk Management.

RESULTS

In setting an administrative budget, we seek a balance between maximizing agency resources available for housing needs and investing in adequate staff and technology to ensure efficient operations, appropriate oversight and accessible and affordable housing. Our total operating costs, as a percentage of assistance provided, typically does not exceed 5 percent.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Operating costs as a percentage of assistance provided.	2.84%	2.46%	FFY2018, FFY2019

M.S. 462A (https://www.revisor.mn.gov/statutes/?id=462A) provides the legal authority for Minnesota Housing.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY18	FY19	FY20	FY21	FY22	FY23	FY22	FY23
Expenditures by Fund								
8000 - Housing Finance Agency	35,631	33,992	35,742	40,717	41,510	42,324	41,510	42,324
Total	**35,631**	**33,992**	**35,742**	**40,717**	**41,510**	**42,324**	**41,510**	**42,324**
Biennial Change				6,836		7,375		7,375
Biennial % Change				10		10		10
Governor's Change from Base								0
Governor's % Change from Base								0
Expenditures by Activity								
Administration - Housing	35,631	33,992	35,742	40,717	41,510	42,324	41,510	42,324
Total	**35,631**	**33,992**	**35,742**	**40,717**	**41,510**	**42,324**	**41,510**	**42,324**
Expenditures by Category								
Compensation	26,863	27,663	29,393	30,980	31,742	32,523	31,742	32,523
Operating Expenses	8,613	6,194	6,080	9,048	9,079	9,112	9,079	9,112
Grants, Aids and Subsidies		0						
Other Financial Transaction	155	136	269	689	689	689	689	689
Total	**35,631**	**33,992**	**35,742**	**40,717**	**41,510**	**42,324**	**41,510**	**42,324**
Full-Time Equivalents	**248.69**	**246.43**	**252.70**	**255.87**	**255.87**	**255.87**	**255.87**	**255.87**

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base FY22	Forecast Base FY23	Governor's Recommendation FY22	Governor's Recommendation FY23
8000 - Housing Finance Agency								
Balance Forward In	86,460	89,863	99,272	108,970	109,816	109,924	109,816	109,924
Receipts	37,736	42,369	44,220	40,354	40,409	40,409	40,409	40,409
Transfers In	1,269	2,957	1,269	3,165	2,169	2,169	2,169	2,169
Transfers Out	122	1,927	49	1,956	960	960	960	960
Balance Forward Out	89,712	99,270	108,969	109,816	109,924	109,218	109,924	109,218
Expenditures	**35,631**	**33,992**	**35,742**	**40,717**	**41,510**	**42,324**	**41,510**	**42,324**
Biennial Change in Expenditures				6,836		7,375		7,375
Biennial % Change in Expenditures				10		10		10
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	248.69	246.43	252.70	255.87	255.87	255.87	255.87	255.87

(Dollars in Thousands)

Federal Agency and CFDA #	Federal Award Name and Brief Purpose	New Grant	FY 2020 Actuals	FY 2021 Budget	FY 2022 Base	FY 2023 Base	Required State Match or MOE?	FTEs
Treasury - 21.019	**COVID-19 Housing Assistance Program:** Emergency assistance for unpaid rent, mortgage and utilities during COVID-19 **(Coronavirus Relief Fund)**	Yes	$ -	$ 100,000	$ -	$ -	No	8.00
Treasury - 21.019	**COVID Emergency Rental Assistance:** Emergency rent and utility assistance for low income renters impacted by COVID	Yes	$ -	$ 100,000	$ 189,404	$ -	No	10.00
HUD – 14.239	**HOME Investment Partnership:** Affordable housing production for low income households.	No	$ 906	$ 11,650	$ 11,700	$ 11,700	Match	5.50
HUD -14.241	**HOPWA - Housing Opportunities for People With AIDS:** Housing assistance for people with AIDS.	No	$ 197	$ 253	$ 253	$ 253	No	0.50
HUD -14.241	**HOPWA CARES - Housing Opportunities for People With AIDS:** Housing assistance for people with AIDS.	Yes	$ -	$ 37	$ -	$ -	No	0.25
HUD – 14.275	**National Housing Trust Fund:** Affordable housing production for extremely low income households.	No	$ 3,380	$ 5,151	$ 5,150	$ 5,150	No	2.00
HUD - 14.169	**National Foreclosure Mitigation Counseling:** Housing counseling for homeowners facing foreclosure.	No	$ -	$ 2	$ -	$ -	Match	0.25
HUD - 14.228	**Neighborhood Stabilization Program** Community foreclosure recovery through single family housing acquisition, rehab and resale	No	$ -	$ 1,178	$ -	$ -	No	1.25
HUD - 14.195	**Section 8 – Agency Portfolio:** Asset and compliance management of rental housing	No	$ 33,357	$ 13,504	$ 6,910	$ 7,080	No	7.00
HUD - 14.327	**Section 8 – Contract Administration:** Asset and compliance management of rental housing, on behalf of HUD	No	$ 163,191	$ 192,251	$ 204,000	$ 209,000	No	28.00
HUD – 14.327	**Section 8 – PBCA CARES CSP Contract Administration:** Asset and compliance management of rental housing, on behalf of HUD	Yes	$ -	$ 941	$ -	$ -	No	0.50
HUD - 14.326	**Section 811 Rental Assistance:** rental assistance for homeless households	No	$ 1,001	$ 1,100	$ 1,614	$ 1,911	No	1.50
	Federal Fund – Agency Total		**$ 202,032**	**$ 426,067**	**$ 419,031**	**$ 235,094**		**64.75**

Narrative:

Federal resources comprise approximately 20 percent of housing program activities for the agency. The awards fit within several program areas of the agency, from rental housing production (new construction and rehabilitation), to rental assistance contract administration, to housing counseling, and resources to prevent and end homelessness.

Minnesota Housing receives federal funds that flow through a variety of channels:

- Formula based direct appropriations – Currently direct appropriations (which don't require competitive application) are through the HOME Investment Partnerships, HOPWA, the National Housing Trust Fund programs, and previously the Neighborhood Stabilization Program.
- Fees and resources for rental assistance contract administration – Section 8 agency and HUD portfolios HUD Performance Based Contract Administration is competitively awarded and generates revenue based on performance. The Agency portfolio receives funding directly from HUD.
- Program specific grants – Section 811 Rental Assistance, and National Foreclosure Mitigation Counseling, both competitively applied for by the agency.

One key trend affecting these awards includes two awards above that are sun-setting and thus we will not see additional grants. The first is the Neighborhood Stabilization Program, which was a temporary program through HUD to aid in community recovery in the wake of the foreclosure crisis. The second is the National Foreclosure Mitigation Counseling program, which was another program through HUD to address the nationwide foreclosure crisis.

Another key trend is the transition between the Section 8 agency portfolio (Traditional Contract Administration) and the HUD portfolio that the agency administers via Performance Based Contract Administration). Over time, developments will transition from the TCA to the PBCA portfolio, per HUD's instruction.