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mnhousing.gov/

AT A GLANCE

- Minnesota Housing provided more than \$1 billion in housing assistance, serving nearly 70,000 households
 - We hold Aa1 and AA+ credit ratings with Moody's and Standard & Poor's
 - We provided loans to more than 4,035 first-time homebuyers and assisted nearly 45,000 renters
 - We created or rehabilitated more than 2,700 units of affordable rental housing
 - We provided state rental assistance and homelessness prevention resources to over 11,200 households
- All numbers are for Federal Fiscal Year 2017*

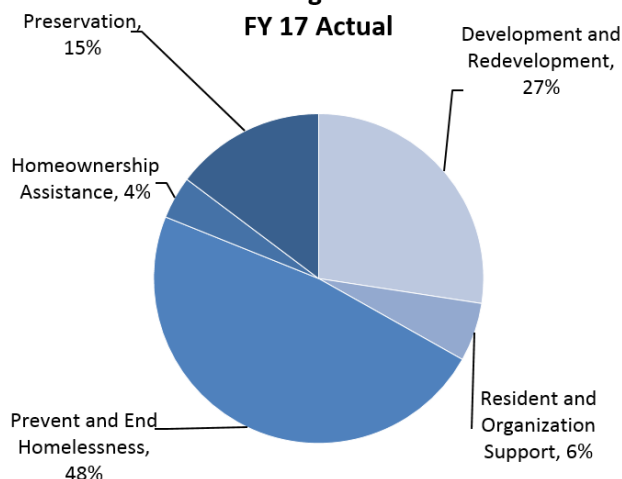
PURPOSE

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 flourishing communities; they fuel the engine of our economy. Yet the affordability of homes in Minnesota, relative to our ability to pay for them, has been declining for years as rising costs for homes, transportation, health care, education and other basic goods outpace the increase in average incomes. Currently 25 percent of all Minnesotans and more than 45 percent of renters are cost-burdened, paying more than 30 percent of their income for housing. More than 7,600 households are homeless on a given night.

At Minnesota Housing we believe that housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing. Our vision is that all Minnesotans live in a safe, stable 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. We contribute to the statewide goal of **strong and stable families and communities and a thriving economy that encourages business growth and employment opportunities.**

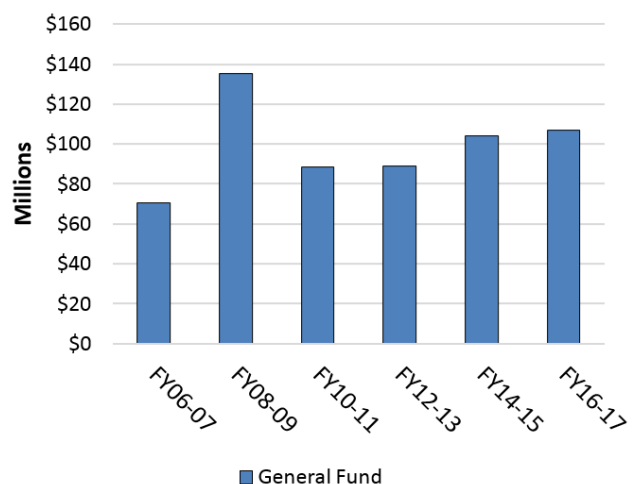
BUDGET

**State Appropriation Spending by Program
FY 17 Actual**



Source: SWIFT

Historical Spending

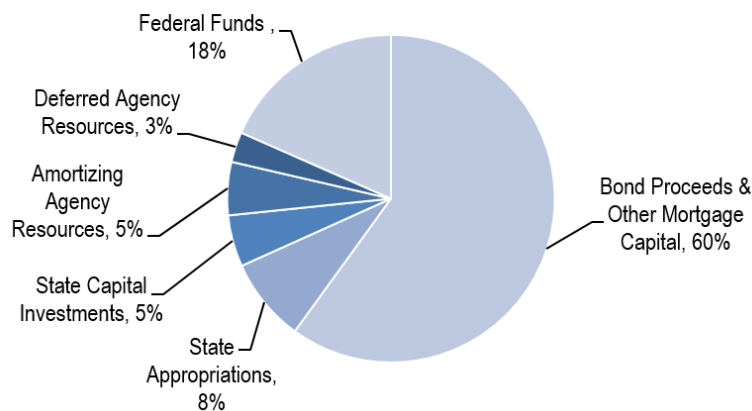


Source: General Fund Balance Statement

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 and approves all funding decisions, and has 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.

Minnesota Housing Funding By Source 2018



Source: Minnesota Housing 2018 Affordable Housing Plan

STRATEGIES

We achieve our mission by serving a wide range of Minnesotans through rental, homeownership and homelessness assistance programs. We deliver these 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.

To help communities identify their housing needs, we have developed [Community Profiles](#) that provide demographic indicators in each of Minnesota's 87 counties.

- **Affordable Rental Housing:** We finance new construction, rehabilitation and preservation of affordable rental housing using federal low income housing tax credits, state appropriations, and first mortgages. We also provide rental assistance and administer federal Section 8 contracts.
 - We served nearly 42,000 Minnesota households through our multifamily rental programs in 2017.
 - More than three-quarters of renters served made less than \$20,000 per year.
 - We funded the new construction and preservation of 2,767 units of affordable rental housing in 2017.
 - We preserved 1,715 units of federally assisted rental housing in 2017 and 3,096 in 2016. Federally-assisted rental housing includes housing with rental assistance funded by the U.S.

Department of Housing and Urban Development (HUD) and USDA Rural Development, as well as public housing.

- **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 provided home mortgage loans to 4,035 Minnesota households in 2017.
 - The homebuyers we served had a median annual household income of \$54,349.
 - Thirty-two percent of the homebuyers we served were households of color or Hispanic ethnicity.
 - Ninety-three percent of the homebuyers who received a Minnesota Housing first mortgage (3,742 households) also received assistance with their downpayment and closing costs.
- **Preventing and Ending Homelessness:** We provide rental assistance and short-term financial assistance to individuals and families who are homeless or who face housing instability.
 - We provided state-funded rental assistance to 2,556 households in 2017. These households have a median annual household income of \$9,415.
 - We provided assistance to 6,914 households (with an average household income of \$12,000) to prevent homelessness.
 - Eleven state agencies including Minnesota Housing updated the statewide *Plan to Prevent and End Homelessness* and committed to achieving the goals: finish the job of ending veteran and chronic homelessness, to prevent and end homelessness for youth unaccompanied by parents or guardians by the end of 2020, and to prevent and end homelessness for families with children by the end of 2020.
 - There has been an overall 8 percent decrease in homelessness since 2014, including a 20 percent decrease in family homelessness, 27 percent decrease in chronic homelessness and a 56 percent decrease in veteran homelessness. Unsheltered homelessness – people experiencing homelessness in outdoor locations and living in vehicles – has increased significantly.

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

Housing Finance

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21

Expenditures by Fund

8000 - Housing Finance Agency	302,602	287,913	317,170	346,809	334,022	337,758	348,022	349,758
Total	302,602	287,913	317,170	346,809	334,022	337,758	348,022	349,758
Biennial Change				73,464		7,801		33,801
Biennial % Change				12		1		5
Governor's Change from Base								26,000
Governor's % Change from Base								4

Expenditures by Program

Development and Redevelopment	23,129	18,060	23,714	32,052	27,727	30,437	34,727	35,437
Prevent and End Homelessness	30,368	29,265	34,055	41,031	37,626	37,920	43,126	43,420
Homeownership Assistance	3,388	2,578	6,942	4,339	3,885	3,885	3,885	3,885
Preservation	211,785	197,815	213,445	226,589	221,722	221,722	222,222	222,222
Resident and Organization Supp	3,461	4,764	3,384	4,385	3,865	3,865	4,865	4,865
Administration	30,471	35,431	35,631	38,413	39,197	39,929	39,197	39,929
Total	302,602	287,913	317,170	346,809	334,022	337,758	348,022	349,758

Expenditures by Category

Compensation	23,948	25,447	26,863	28,615	29,316	30,034	29,316	30,034
Operating Expenses	8,748	10,915	11,484	12,676	12,501	12,515	12,501	12,515
Grants, Aids and Subsidies	227,292	229,766	233,714	250,810	248,940	252,394	262,498	263,952
Capital Outlay-Real Property		3						
Other Financial Transaction	42,613	21,782	45,109	54,708	43,265	42,815	43,707	43,257
Total	302,602	287,913	317,170	346,809	334,022	337,758	348,022	349,758

Full-Time Equivalents

237.03	243.23	248.69	252.00	252.00	252.00	252.00	252.00
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Housing Finance

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
1000 - General								
Direct Appropriation	54,298	52,798	54,798	52,798	52,798	52,798	66,798	64,798
Transfers In		33						
Transfers Out	54,298	52,798	54,798	52,798	52,798	52,798	66,798	64,798
Cancellations		33						
8000 - Housing Finance Agency								
Balance Forward In	169,933	166,834	188,076	196,062	167,535	155,400	167,535	155,400
Receipts	233,231	246,850	258,404	252,344	252,865	253,159	252,865	253,159
Transfers In	71,531	68,772	71,873	73,099	78,728	85,138	92,728	97,138
Transfers Out	5,261	6,554	5,122	7,161	9,706	12,911	9,706	12,911
Balance Forward Out	166,832	187,988	196,062	167,535	155,400	143,028	155,400	143,028
Expenditures	302,602	287,913	317,170	346,809	334,022	337,758	348,022	349,758
Biennial Change in Expenditures				73,464		7,801		33,801
Biennial % Change in Expenditures				12		1		5
Governor's Change from Base								26,000
Governor's % Change from Base								4
Full-Time Equivalents	237.03	243.23	248.69	252.00	252.00	252.00	252.00	252.00

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Direct				
Fund: 1000 - General				
FY2019 Appropriations	52,798	52,798	52,798	105,596
Forecast Base	52,798	52,798	52,798	105,596
Change Items				
Increase Home Stability: Homework Starts with Home		3,000	3,000	6,000
Build More Homes: Workforce Housing		5,000	5,000	10,000
Increase Home Stability: Family Homelessness Prevention and Assistance Program		2,000	2,000	4,000
Support and Strengthen Homeownership: Homeownership Capacity Program		1,000	1,000	2,000
Preserve The Homes We Have: Rehabilitation Loan Program		500	500	1,000
Build More Housing: Local Housing Trust Fund Match		2,000		2,000
Increase Home Stability: Bridges Rental Assistance Program		500	500	1,000
Total Governor's Recommendations	52,798	66,798	64,798	131,596
Dedicated				
Fund: 8000 - Housing Finance Agency				
Planned Spending	346,809	334,022	337,758	671,780
Forecast Base	346,809	334,022	337,758	671,780
Change Items				
Increase Home Stability: Homework Starts with Home		3,000	3,000	6,000
Build More Homes: Workforce Housing		5,000	5,000	10,000
Increase Home Stability: Family Homelessness Prevention and Assistance Program		2,000	2,000	4,000
Support and Strengthen Homeownership: Homeownership Capacity Program		1,000	1,000	2,000
Preserve The Homes We Have: Rehabilitation Loan Program		500	500	1,000
Build More Housing: Local Housing Trust Fund Match		2,000		2,000
Increase Home Stability: Bridges Rental Assistance Program		500	500	1,000
Total Governor's Recommendations	346,809	348,022	349,758	697,780
Revenue Change Summary				
Dedicated				
Fund: 8000 - Housing Finance Agency				
Forecast Revenues	252,344	252,865	253,159	506,024
Total Governor's Recommendations	252,344	252,865	253,159	506,024

Housing Finance

FY 2020-21 Biennial Budget Change Item

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

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Appropriation	3,000	3,000	3,000	3,000
Transfer Out	3,000	3,000	3,000	3,000
Housing Fund				
Transfer In	3,000	3,000	3,000	3,000
Expenditures	3,000	3,000	3,000	3,000
Net Fiscal Impact = (Expenditures – Revenues)	3,000	3,000	3,000	03,000
FTEs	0	0	0	0

Recommendation:

The Governor recommends \$6 million for the Homework Starts with Home program to serve an estimated 375 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:

On any given day more than 9,000 children are identified as homeless or highly mobile in school districts across the state. This impacts 1,200 schools and 300 school districts in 76 of Minnesota's 87 counties.

In the last three biennial budgets, the Legislature approved a total of \$6 million in one-time funding for the Rental Assistance for Homeless and Highly Mobile Students program and the Homework Starts at Home program. Under these initiatives, Minnesota Housing provided 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, we know 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.

Minnesota Housing, the Office to Prevent and End Homelessness, Minnesota Management and Budget, Department of Education, Department of Human Services and the Heading Home Minnesota Funders Collaborative (HHMFC, a group of philanthropic organizations that work collectively to prevent and end homelessness) worked collaboratively to award funds for the \$2 million that was appropriated for Homework Starts with Home. We received 14 applications that represented 21 counties, 37 public and charter school districts and seven early childhood programs. Total requests were \$13.6 million. We awarded funds to 5 applicants: two applicants from greater Minnesota, two from the metro and one from the suburban metro with unique approaches and innovative models, including increasing equity, leveraging federal Section 8 vouchers, and serving Native Americans living within and outside the tribal nation.

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.

Minnesota Housing 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.

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, 90% of the students that received housing assistance were households of color.

Results:

An evaluation of the Rental Assistance for Highly Mobile Students Program found that at the end of the pilot, 90 percent of the students with a known housing status were stably housed. The students who achieved stable housing during the pilot had stable and better attendance than homeless students statewide. In contrast,

homeless students who did not receive rental assistance missed enough school to be considered chronically absent.

In addition to this evaluation, the University of Minnesota has awarded a Grand Challenge grant for the Homework Starts with Home initiative. Researchers at the University will be evaluating the efficacy of the initiative with more information available Spring 2019.

Statutory Change(s):

None

Housing Finance

FY 2020-21 Biennial Budget Change Item

Change Item Title: Build More Homes: Workforce Housing

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Appropriation	5,000	5,000	1,000	1,000
Transfer Out	5,000	5,000	1,000	1,000
Housing Fund				
Transfer In	5,000	5,000	1,000	1,000
Expenditures	5,000	5,000	1,000	1,000
Net Fiscal Impact = (Expenditures – Revenues)	5,000	5,000	1,000	1,000
FTEs	0	0	0	0

Recommendation:

The Governor recommends a \$10 million increase to the Economic Development and Housing Challenge program in the FY 2020-21 biennium and \$2 million in subsequent 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 \$10 million will create an additional 150-350 new workforce housing opportunities across the state under this program.

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 about 4 percent – and as low as 2.2 percent in the metro area – 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 development of new housing is also 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, the 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.

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. At least 50 percent of Challenge Program funds must be used for housing projects that include a financial contribution from non-state resources.

Minnesota Housing finances 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.

Equity and Inclusion:

The Challenge program serves a high percentage of households of color. In 2017, 68.9% of the families in rental units funded by the Challenge program were households of color and 45.3 percent of families served by the Challenge program for homeownership were households of color. With the new funding, Minnesota Housing 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:

Minnesota Housing measures its 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, the agency also wants to ensure that it is serving a range of households, so the number of Minnesotans served at lower income levels is reviewed as well.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Percentage of units in rental developments funded that are located in the top workforce housing communities (areas with job growth).	83%	93%	FFY2016, FFY2017
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) 11% B) 43% C) 100%	A) 26% B) 76% C) 100%	FFY2016, FFY2017

Statutory Change(s):

Not applicable

Housing Finance

FY 2020-21 Biennial Budget Change Item

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

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Appropriation	2,000	2,000	2,000	2,000
Transfer Out	2,000	2,000	2,000	2,000
Housing Fund				
Transfer In	2,000	2,000	2,000	2,000
Expenditures	2,000	2,000	2,000	2,000
Net Fiscal Impact = (Expenditures – Revenues)	2,000	2,000	2,000	2,000
FTEs	0	0	0	0

Recommendation:

The Governor recommends a \$4 million increase to the Family Homelessness Prevention and Assistance Program to serve an estimated 3,100 households. 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 1993 Minnesota Legislature established the Family Homeless Prevention and Assistance Program (FHPAP) to 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 65% 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 that Minnesota Housing puts forward every two years. In the last RFP, Minnesota Housing awarded all of the appropriations and had more than \$6 million in requests that were not able to be funded. Grant awards to administrators range from \$400,000 to \$4.5 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 also reviewed for planning, project design, monitoring and evaluation, budget, history of performance, and program capacity. The average assistance per household is \$1,300 and the programs serves nearly 7,000 households each year.

The RFP is reviewed and the program is supported 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.

Equity and Inclusion:

Nearly 60% 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.

In the past, tribal nations have not been eligible grantees. However, both Red Lake and White Earth have had experience as sub grantees. In support of the Governor's Executive Order to Strengthen Tribal Relationships with State Government Agencies, Minnesota Housing requested a change in statute to allow tribal nations to apply. 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:

In order to measure the success of this program, Minnesota Housing tracks 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).

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
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%	FFY2016, FFY2017

Statutory Change(s):

Not applicable

Minnesota Housing

FY 2020-21 Biennial Budget Change Item

Change Item Title: Support and Strengthen Homeownership: Homeownership Capacity Program

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Appropriation	1,000	1,000	1,000	1,000
Transfer Out	1,000	1,000	1,000	1,000
Housing Fund				
Transfer In	1,000	1,000	1,000	1,000
Expenditures	1,000	1,000	1,000	1,000
Net Fiscal Impact = (Expenditures – Revenues)	1,000	1,000	1,000	1,000
FTEs	0	0	0	0

Recommendation:

The Governor recommends a \$2 million increase for the Homeownership Capacity program to serve an estimated 1,667 households. This program provides intensive homebuyer and financial education to prospective low- to moderate- income homebuyers, with an emphasis on serving households of color. This recommendation is an evidenced-based practice, proven to increase homeownership and wealth.

Rationale/Background:

Minnesota has one of the nation's highest rates of homeownership, while at the same time it has the worst disparity in homeownership rates between white households and households of color. As 76 percent of white households own their home compared to only 41 percent of households of color who own their home, our disparity rate is unacceptable. With more than 64,000 income-eligible households of color, Minnesota Housing believes this gap can close through intensive financial education and coaching to remove barriers, such as low credit scores, or lack of savings to qualify for homeownership.

Proposal:

The Homeownership Capacity Initiative helps households of color increase their probability of becoming successful homeowners through comprehensive homeowner training. Homeownership Capacity supplements traditional homeownership training programs and provides intensive services, including financial education, one-on-one coaching regarding asset building, credit report education, consumer protection, family budgeting, and education on issues such as basic home maintenance, home insurance coverage and other financial empowerment services such as workforce development, technology training, career development and entrepreneurship opportunities.

Funds will be awarded to nonprofit and community housing organizations through a competitive Request for Proposal (RFP) process. Minnesota Housing will continue to work with organizations that serve traditionally underserved communities and communities of color. These organizations provide the homebuyer education and financial training directly to potential homeowners. Current administrators include: African Development Center, Bii Gii Wiin, Build Wealth (through a direct appropriation), Community Action Duluth, Community Action Partnership of Hennepin County, Comunidades Latinas Unidas En Servicio (CLUES), Hmong American Partnership, Lutheran Social Service of Minnesota (LSS Financial Counseling), Mankato Economic Development Authority, Minneapolis Urban League, Neighborhood Development Alliance (NeDA), NeighborWorks Home Partners (NWHP), PRG, Inc., Project for Pride in Living, Inc. (PPL), Southwest Minnesota Housing Partnership (SWMHP), and Three Rivers Community Action, Inc.

Minnesota Housing currently administers the Homeownership Capacity program with agency resources. The program has been established in partnership with community housing organizations that will seek funding under this program. Therefore, Minnesota Housing will be able to get the funds committed to grantees quickly through Request for Proposals (RFP) process. Additionally, more permanent resources will help organizations reach more Minnesotans and help close the homeownership gap.

Equity and Inclusion:

This program was created specifically to address the gap in homeownership rates between white households and households of color. When Minnesota Housing initially created the pilot program, the agency met with organizations that serve communities of color to assist in the design of the program. Funds have been awarded to nonprofit organizations and local units of government that represent and serve communities of color. The agency continues to work closely with these administrators to ensure that the program is working to reach communities of color and other traditionally underserved communities.

As of December 31, 2017, 2,193 clients had entered the program, nearly 90% of them identifying as a household of color.

Results:

More than 80% of clients experienced an increase in their credit score

- The median credit score of clients with a reported outcome increased from 611 at program entry to 658 at the time of program completion.

Program participants increased savings or paid off debt

- Of people who completed the program, 73% increased their savings.
- Many of those who did not see an increase in savings chose to use funds to pay off debt collections and/or purchase their first home.
- On average, clients experienced a \$3,600 improvement in their financial picture (increased savings and/or reduced debt collections), while those that purchased a home had a \$5,000 improvement.

Clients who completed the program increased their knowledge and are taking positive financial actions.

- More than 79% of clients reported an increase or significant increase in their understanding of the banking system, the importance of a spending plan, and how credit and savings affect their ability to obtain a loan.
- At least, 76% of clients reported an increase or significant increase in the frequency that they track their spending, make good financial decisions, and take steps towards improving their credit and saving money.
- Seventy-nine percent reported an increase in their ability to handle financial obstacles.

Increased homeownership:

- Nearly 60% of those with a reported outcome bought a home within a year of completing the program, and another 19% were still pursuing homeownership after one year.
- The remaining 22% decided not to pursue homeownership at this time.

Statutory Change(s):

Not applicable

Housing Finance

FY 2020-21 Biennial Budget Change Item

Change Item Title: Preserve The Homes We Have: Rehabilitation Loan Program

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Appropriation	500	500	500	500
Transfer Out	500	500	500	500
Housing Fund				
Transfer In	500	500	500	500
Expenditures	500	500	500	500
Net Fiscal Impact = (Expenditures – Revenues)	500	500	500	500
FTEs	0	0	0	0

Recommendation:

The Governor recommends a \$1 million increase for the Rehabilitation Loan Program. This program provides funding for health, safety and energy efficiency improvements for very low-income homeowners. More than 40 percent of households served by this program are seniors who want to stay in their home and age in place and nearly one-third of households have a family member with a disability. The increase will allow Minnesota Housing to serve an additional 40 homeowners each year.

Rationale/Background:

The Rehabilitation Loan Program provides deferred, forgivable loans to very low-income homeowners throughout the state. Expanding the program was a recommendation made by the Governor's Housing Task Force.

In recent years, more than 50 percent of the homeowners served by the program live in Greater Minnesota and use the program to help make health, safety and energy efficiency improvements to their homes. The loans maintain or restore owner-occupied housing to decent and safe conditions. The program serves homeowners who often have incomes that are too low to qualify for loans in the private sector. In 2017, the median annual income of households served was \$14,286, and the average assistance per household was \$25,542.

Without funding for health, safety and energy efficiency improvements, these homeowners may be forced into rental housing, assisted living or may need to relocate to another community to find safe, affordable housing. Relocating is often less affordable to the homeowner than remaining in their home. A recent Wilder Research study found that the monthly cost for seniors remaining in their own home and receiving home and community-based services is 78% lower than the cost of going into a nursing home, and 40% lower than the cost of assisted living.

The study also found that 51,500 senior homeowner households in Minnesota are income eligible for the Rehab Loan Program and 16,400 of these households (32%) have home rehabilitation or improvement needs that are necessary for them to stay in their home another 5 years.

In recent years Minnesota Housing supplemented state appropriations with agency resources to try to meet this growing demand. With the current combination of state appropriations and agency resources, we are only able to serve about 400 homeowners per biennium.

The Rehabilitation Loan Program is an important program that meets the state's goals of allowing seniors to age in place and helping persons with disabilities remain in their homes if they choose to do so. The Rehabilitation

Loan Program will also help meet vision of the state's Olmstead Implementation Plan, ensuring that Minnesotans with disabilities will have the opportunity to live close to their families and friends, to live more independently, to engage in productive employment and to participate in community life.

Proposal:

The Rehabilitation Loan Program is administered through a network of non-profit community development organizations, which are primarily community action agencies. Community action agencies receive an origination fee when they administer loans to homeowners.

With \$1 million in additional funding, Minnesota Housing would be able to serve approximately 40 additional homeowners, roughly split equally between the metro and Greater Minnesota. One-hundred percent (100%) of the increase will go towards funding the program because we do not use state appropriations to pay for operating expenses.

With the additional resources Minnesota Housing plans to work more closely with the Department of Human Services (DHS) to provide support to seniors accessing this program.

Equity and Inclusion:

The Rehabilitation Loan Program serves very low-income households. Households in which at least one member has a serious disability made up 40 percent of the households served. Nearly 10 percent of the households served in 2017 were households of color.

Results:

Minnesota Housing tracks the number of seniors and the number of households with a person with a disability served in order to measure outcomes of this program. The agency also examines 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.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Results	Percentage of households most in need (less than 30% of median income) that received rehabilitation loans.	70%	60%	FFY2016, FFY2017
Results	Percentage of rehab loans provided to seniors.	34%	42%	FFY 2016, FFY2017
Results	Percentage of rehab loans to households that identified as having at least one household member with a disability.	42%	32%	FFY2016, FFY2017

Statutory Change(s):

Not applicable

Housing Finance

FY 2020-21 Biennial Budget Change Item

Change Item Title: Build More Housing: Local Housing Trust Fund Match

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Appropriation	2,000	0	0	0
Transfer Out	2,000	0	0	0
Housing Fund				
Transfer In	2,000	0	0	0
Expenditures	2,000	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	2,000	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends a one-time appropriation of \$2 million to provide state matching funds to incentivize communities to dedicate local resources to a Housing Trust Fund. Local Housing Trust Funds allow communities to attract additional resources from public and private organizations and jump start housing initiatives that generate investment and jobs. Administered by local jurisdictions, these Trust Funds enable communities to prioritize developments that maximize benefit to the local community.

Rationale/Background:

To grow and sustain their local economies, cities are looking for creative ways to make housing development work. Local Housing Trust Funds (LHTF) are a proven tool to help meet local housing needs.

In 2017, legislation was passed that provides local jurisdictions with clear direction promoting the establishment of local trust funds to bring together public and private investment. While some additional communities are moving forward with establishing a Local Housing Trust Funds, we believe others would be more willing to create a Fund with a state-based incentive.

Proposal:

The \$2 million recommended in this proposal would provide grants to communities that establish a Local Housing Trust Fund and dedicate local revenue to the fund for affordable housing projects. Minnesota Housing will establish an RFP to award funds and anticipates awarding match funds to 7-13 communities. Local Housing Trust Funds have broad uses to meet locally identified issues and needs, including:

- Making grants, loans, and loan guarantees for the development, rehabilitation, or financing of rental and single family housing
- Match other funds from federal, state or private resources for housing projects
- Provide down payment assistance, rental assistance and homebuyer counseling services.

Equity and Inclusion:

Local Housing Trust Funds have been used to meet locally identified housing needs. These programs allow communities to direct resources to projects and issues of concern of their choosing. This allows communities to better respond to changing demographics and cultural preferences, such as households that prefer multi-generational living arrangements. It also allows communities to address their unique needs such as the loss of affordable housing that leads to the displacement or a workforce housing shortage.

Results:

Minnesota Housing is planning to track the amount of local revenue and other private resources leveraged by the state funds and require reporting on the local uses of funds, including:

- type of housing,
- number of households served,
- average household income served,
- % of households served that are households of color

Statutory Change(s):

Not applicable

Housing Finance

FY 2020-21 Biennial Budget Change Item

Change Item Title: Increase Home Stability: Bridges Rental Assistance Program

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Appropriation	500	500	500	500
Transfer Out	500	500	500	500
Housing Fund				
Transfer In	500	500	500	500
Expenditure	500	500	500	500
Net Fiscal Impact = (Expenditures – Revenues)	500	500	500	500
FTEs	0	0	0	0

Recommendation:

The Governor recommends a \$1 million increase to the Bridges rental assistance program. 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 80 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 temporary 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. The Bridges program is designed to provide a relatively seamless transition-in-place for participants when they receive a Housing Choice Voucher.

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 proposal represents an increase to an existing program. This increase will allow Minnesota Housing and partners to serve an additional 80 households. 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 DHS to administer the program.

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:

Through the programs under this budget activity, Minnesota Housing provides 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 Minnesota Housing's performance in this activity, the agency tracks outcomes including housing stability and changes in income levels.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Percentage of people who remained in housing for at least a year or had a positive exit (moved to permanent affordable housing).	85%	84%	State FY2016 State FY 2017
Results	Percentage of households with increased income from entry to exit.	40%	40%	State FY2016, State FY 2017

Statutory Change(s):

Not applicable

Housing Finance

FY 2020-21 Biennial Budget Change Item

Change Item Title: Manufactured Housing Relocation Trust Fund

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
Housing Fund				
Transfer In	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends changes related to the Manufactured Home Relocation Trust Fund. The Trust Fund assists owners of manufactured homes with relocation expenses in the event that their manufactured home park closes. Part of this proposal includes raising the maximum level in the Trust Fund from \$1 million to \$3 million.

Rationale/Background:

There are nearly 800 manufactured home communities in Minnesota. These communities provide significant affordable housing opportunities across the state and offer the most affordable form of homeownership. New communities are not being built and in recent years the state has seen several large park closures, including the closing of Lowry Grove in St. Anthony, which displaced 100 families and received significant press coverage. Other park closures occurred in Bloomington, Rothsay and Garrison.

As a result of these park closures, the Trust Fund balance fell below \$100,000. Due to the recent increase in closures and in anticipation of future park closures due to sales and park infrastructure issues, Minnesota Housing is pursuing changes to the Relocation Trust Fund to ensure adequate resources are available to provide payments to homeowners. In current law, the state stops collecting when the Trust Fund reaches the maximum level. At the current \$1 million maximum level, it is possible the Trust Fund is depleted and therefore inaccessible to help residents in the event of a park closure.

Proposal:

The proposal includes the following specific items:

- Increase trust fund maximum balance from \$1 million to \$3 million
- Increase the current allowable relocation radius from 25 to 50 miles of the closed park without raising maximum relocation costs for households that receive funds
- Require local governments to determine if there was an ordinance in effect on May 26, 2007 that provided compensation to displaced residents, rather than requiring Minnesota Housing to make this determination
- Allow for manufactured homeowners applying for funds to only provide a statement from park owner that rent is current, rather than provide documentation that \$15 payments to the trust fund have been made
- Address timing issues:
 - Change minimum notice for park closures from 9 months to 12 months
 - Extend deadline for residents to vacate from 60 days to 90 days after the required public hearing
 - Add requirement for re-issuing closure statements if a park does not close within 24 months of initial closure statement
- Change “municipality” to “local government authority” in several places because not all parks are located in municipalities

Equity and Inclusion:

Minnesota has one of the nation's highest rates of homeownership, while at the same time it has the worst disparity in homeownership rates between white households and households of color. As 76 percent of white households own their home and only 41 percent of households of color own their home, our disparity rate is unacceptable. Manufactured homes offer homeownership opportunities to families for whom ownership is otherwise out of reach. Recent park closures have led to displacement and have disproportionately impacted households of color.

Results:

This proposal would allow Minnesota Housing to more efficiently administer payments to manufactured homeowners when parks close. This would provide homeowners more opportunity to move in a reasonable amount of time and the resources to help find a new location for their homes.

Each year we provide a report to the Legislature that includes: the balance of the fund, the total revenues received in the previous fiscal year, the amount of payments to homeowners and the ending balance in the fund.

Statutory Change(s):

M.S. 327C.095

Housing Finance

FY 2020-21 Biennial Budget Change Item

Change Item Title: Homelessness Management Information System Support

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	680	680	680	680
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	680	680	680	680
FTEs	0	0	0	0

Recommendation:

The Governor recommends \$680,000 annually to the Department of Human Services, in partnership with Minnesota Housing, to support the ongoing cost of the Homelessness Management Information System, a local information technology system that is required to receive state and federal homelessness resources.

Rationale/Background:

HMIS is a local information technology system operated by the Department of Human Services and used to collect data, both at the client-level and community level. The HMIS collects information from all homeless service providers throughout the state, regarding more than 20,000 homeless beds across the state. These beds include emergency shelters, transitional housing programs, permanent supportive housing providers, homeless prevention programs, and other service providers in contact with people experiencing homelessness, such as outreach programs and drop-in centers.

Data reported within the HMIS includes individual client demographic (gender, age, ethnicity) and household information (housing status, services provided, income). Centralizing data in one place allows service providers, regional planning bodies and state agencies to look at both client outcomes at the program level and evaluate service-use patterns across the entire network of providers to ensure that all resources are being invested in the most efficient services and targeted to the most appropriate populations. It provides a clearer picture of people who experience homelessness, their needs, and how that population changes over time. HMIS allows programs to manage data in a secure and standardized environment that also offers an aggregate view of state-wide efforts to end homelessness.

The state is required to maintain the HMIS system to receive federal homelessness funding. The state receives more than \$40 million per year in federal homelessness funds. Additionally, all service providers that receive state homelessness resources are required to use the system.

Proposal:

The additional funding will pay for a portion of the costs of operating the state Homeless Management Information System (HMIS) by the Department of Human Services. It will support integration of data between HMIS and other key state data assets and enhance existing HMIS capacity to help providers target state and federal homelessness resources more strategically. Currently, HMIS is supported by local Continuum of Care organizations, federal grantees and service providers.

Equity and Inclusion:

Households of color and people with disabilities are disproportionately represented in the homeless population. Equity remains an area of focus for the HMIS Governing Board as HMIS is being used to support regional Equity

and Inclusion projects such as Supporting Partnerships for Anti-Racist Communities (SPARC) which disaggregates data to focus on systemic racism in homelessness response systems.

Results:

We know from many [examples across the country](#) that when communities use their data well, they make the most progress to prevent and end homelessness. With this additional funding, Minnesota will be positioned to target resources to prevent and end homelessness even more effectively and efficiently.

Current measures include:

- Bed Coverage
- Data Quality, specifically universal data element completeness
- HUD performance measures:
 - Length of time homeless
 - Returns to homeless
 - Number of homeless persons
 - Job and income growth
 - First time homeless
 - Stabilizing people experiencing homelessness
 - Housing placement and retention

The above result and performance measurements reflect key data points that the state and federal government use as indicators of success when making funding decisions. The ability to enter, extract and analyze HMIS data, and use it as evidence to either continue making investments in effective programming or to shift resources to better target both populations and activities is vital. Underperformance in this area puts the federal funding (more than \$40 million) at risk.

State staff, community partners and the HMIS system administrator have developed a [governing infrastructure](#) to ensure data is protected and all security measure meet and/or exceed requirements. This governing body and committee structure are also charged to ensure data quality and integrity, which is regularly reviewed and reported to the governing board.

Furthermore, philanthropic partners recently announced an investment in a data analyst position at Minnesota Housing and the Office to Prevent and End Homelessness to work with HMIS and other data systems to focus and drive statewide efforts to prevent and end homelessness.

Statutory Change(s):

NA

Net Impact by Fund (dollars in thousands)			FY 20	FY 21	FY 20-21	FY 22	FY 23	FY 22-23
General Fund			680	680	1,360	680	680	1,360
HCAF								
Federal TANF								
Other Fund								
Total All Funds			680	680	1,360	680	680	1,360
Fund	BACT#	Description	FY 20	FY 21	FY 20-21	FY 22	FY 23	FY 22-23
GF	56	HMIS PT Contract	1,000	1,000	2,000	1,000	1,000	2,000
GF	REV1	Administrative FFP @ 32%	(320)	(320)	(640)	(320)	(320)	(640)
Requested FTE's								
Fund	BACT#	Description	FY 20	FY 21	FY 20-21	FY 22	FY 23	FY 22-23

Housing Finance

FY 2020-21 Biennial Budget Change Item

Change Item Title: Capital Investment Bill Debt Service

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
<i>Debt Service – GO Bonds</i>	15,954	58,199	65,064	61,677
<i>Debt Service – Appropriation Bonds</i>	0	0	0	4,800
<i>Cash-Financed Projects</i>	1,920	0	0	0
Expenditures	17,784	58,199	65,064	66,477
Trunk Highway Fund				
Expenditures	1,272	5,119	7,944	8,504
Net Fiscal Impact = (Expenditures – Revenues)	19,146	63,318	73,008	74,981
FTEs	0	0	0	0

Request:

The Governor recommends \$82.464 million in FY 2020-2021 to support his 2019 capital budget recommendations. Of this total:

- \$76.073 million is from the general fund to pay for cash-financed projects and debt service on \$1.018 billion in general obligation bonds and \$120 million in appropriation bonds.
- \$6.391 million is from the trunk highway fund for debt service on \$92 million in trunk highway bonds.

Rationale/Background:

The Governor recommended a total of \$1.27 billion in capital projects. Both general fund cash and debt service are needed to finance these projects.

Proposal:

More information about the Governor's 2019 capital budget recommendations can be found in the "Current Capital Budget" section of MMB's website.

Equity and Inclusion:

The Governor's 2019 capital budget includes 73 individual projects. Of those, 37 are statutory programs that impact projects across the state, 20 projects are located in the metro-area, and 16 projects are located in greater Minnesota.

Results:

This recommendation will allow the state to meet its financial obligations with respect to debt service and the financing of capital projects.

Program: Development & Redevelopment

mnhousing.gov/

AT A GLANCE

- The Economic Development and Housing Challenge program funded 530 homes in 2017
- Median annual income of households served under this program is \$21,413 for rental housing and \$40,280 for homeownership
- At least 50 percent of funds must be used for projects in which there is a contribution from non-state resources
- Since 2012, we have financed more than 1,900 new workforce housing homes in job growth areas in Greater Minnesota

Numbers are for FFY2017, unless otherwise noted

PURPOSE & CONTEXT

The affordability of homes has been a competitive advantage for Minnesota and our employers, but a growing shortage of homes is pushing 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 about 4 percent – and as low as 2.2 percent in the metro area – 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 development of new housing is critical for economic growth and job creation. As businesses have been expanding throughout the state, many are struggling to hire 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 under this program through the state-appropriated Economic Development and Housing Challenge program and the Greater Minnesota Workforce Housing Development 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 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. 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 1,900 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 \$96,900 per year for most of the state.

Greater Minnesota Workforce Housing Development Program: This program targets small to mid-size 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. In 2017, five cities were awarded funds to finance 91 units in Albert Lea, Baudette, Duluth, Luverne and Pelican Rapids. Prior to 2017, this program was administered by the Department of Employment and Economic Development.

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).

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Percentage of units in rental developments funded that are located in the top workforce housing communities (areas with job growth).	83%	93%	FFY2016, FFY2017
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) 11% B) 43% C) 100%	A) 26% B) 76% C) 100%	FFY2016, FFY2017

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.39 (<https://www.revisor.mn.gov/statutes/cite/462A.39>) provides the legal authority for the Greater Minnesota Workforce Development Program

Development and Redevelopment

Program Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<u>Expenditures by Fund</u>								
8000 - Housing Finance Agency	23,129	18,060	23,714	32,052	27,727	30,437	34,727	35,437
Total	23,129	18,060	23,714	32,052	27,727	30,437	34,727	35,437
Biennial Change				14,577		2,398		14,398
Biennial % Change				35		4		26
Governor's Change from Base								12,000
Governor's % Change from Base								21

Expenditures by Activity

Development and Redevelopment	23,129	18,060	23,714	32,052	27,727	30,437	34,727	35,437
Total	23,129	18,060	23,714	32,052	27,727	30,437	34,727	35,437

Expenditures by Category

Operating Expenses	40	40	35	33	33	33	33	33
Grants, Aids and Subsidies	9,184	9,299	10,490	15,375	15,094	18,254	22,094	23,254
Other Financial Transaction	13,905	8,720	13,189	16,644	12,600	12,150	12,600	12,150
Total	23,129	18,060	23,714	32,052	27,727	30,437	34,727	35,437

Development and Redevelopment

Program Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
1000 - General								
Direct Appropriation	14,925	14,175	14,925	14,925	14,925	14,925	21,925	19,925
Transfers Out	14,925	14,175	14,925	14,925	14,925	14,925	21,925	19,925
8000 - Housing Finance Agency								
Balance Forward In	35,442	34,483	37,411	38,965	30,460	27,817	30,460	27,817
Receipts	2,295	2,313	5,344	2,791	1,125	1,125	1,125	1,125
Transfers In	19,875	19,175	19,925	20,756	23,959	27,164	30,959	32,164
Transfers Out		500						
Balance Forward Out	34,483	37,411	38,967	30,460	27,817	25,669	27,817	25,669
Expenditures	23,129	18,060	23,714	32,052	27,727	30,437	34,727	35,437
Biennial Change in Expenditures				14,577		2,398		14,398
Biennial % Change in Expenditures				35		4		26
Governor's Change from Base								12,000
Governor's % Change from Base								21

Program: Prevent and End Homelessness

Activity: Supportive Housing

mnhousing.gov/

AT A GLANCE

- Assisted more than 2,800 households in 2017
- Median annual income of households served is \$8,000-\$9,000
- Nearly 8,700 students experience homelessness in Minnesota's public and charter schools based on fall student enrollment data for the 2017-18 school year. These students attend 1,239 different schools located in 312 different public and charter school districts across 76 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 FFY2017

PURPOSE & CONTEXT

Many Minnesotans will need services in their homes at some point during their lives. An estimated 70 percent of people age 65 or older will need long-term care related to daily living. People with disabilities and individuals who have experienced trauma also benefit when healthcare and support services are available to them in their homes, and research shows that people do better when needed services and stable homes are coordinated. The broader community benefits too, through reductions in expensive public systems, such as emergency room visits or police time.

Minnesota Housing funds 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 living in permanent supportive housing. Renters pay 30 percent of their income towards rent. In 2017, 1,674 households received rental assistance under this program with an average annual assistance of \$7,400. Sixty-five percent of those who received rental assistance in 2017 were households of color or Hispanic ethnicity. We have a priority to serve households with incomes that do not exceed 30 percent of the metropolitan area median income, which is currently \$25,750 for a household of four.

The Housing Trust Fund can also be used to provide capital funds in the form of zero percent interest, deferred loans to finance the construction of affordable permanent and supportive rental housing. The state appropriation currently funds rental assistance only while new supportive housing developments are financed through Housing Infrastructure Bonds provided in the State's Capital Investment Bill.

Homework Starts with Home: The Legislature approved two, one-time appropriations of \$2 million for the Rental Housing for Highly Mobile Students Initiative. The goal of the initiative was to create housing stability for children and their families that would ultimately lead to school success. We selected three administrators to provide the rental assistance and services in Minneapolis, St. Paul and Moorhead. 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.

In evaluating the program we found that assessing needs and providing tiered assistance may be the most effective strategy for serving students and families experiencing homelessness. This research led to the Homework Starts with Home Initiative. In FY 2018-19 we received a one-time appropriation of \$2 million for the program, including \$1.75 million in rental assistance and \$250,000 for homelessness prevention assistance. In 2018, Minnesota Housing, the Heading Home Minnesota Funders Collaborative, the Office to Prevent and End Homelessness, and the Departments of Education and Human Services selected two grantees from greater Minnesota, two from the metro and one from the suburban metro to serve approximately 240 households over the next two years.

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 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.

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 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). This is the first year that states have received funding from this resource, which was established in 2008 and provided through a formula based on population. Funds are awarded to developments as part of our consolidated Request for Proposal process and are 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.

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).	85%	84%	State FY2016 State FY 2017
Results	Percentage of households with increased income from entry to exit.	40%	40%	State FY2016, State FY 2017

M.S. 462A.201 (<https://www.revisor.mn.gov/statutes/?id=462A.201>) and M.S. 462A.2097 (<https://www.revisor.mn.gov/statutes/?id=462A.2097>) provide the legal authority for Minnesota Housing's supportive housing activities.

Supportive Housing

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<u>Expenditures by Fund</u>								
8000 - Housing Finance Agency	21,890	20,614	25,287	31,878	29,107	29,401	32,607	32,901
Total	21,890	20,614	25,287	31,878	29,107	29,401	32,607	32,901
Biennial Change				14,661		1,343		8,343
Biennial % Change				34		2		15
Governor's Change from Base								7,000
Governor's % Change from Base								12

Expenditures by Category

Operating Expenses	10	7	761	297	200	200	200	200
Grants, Aids and Subsidies	21,880	20,606	24,530	31,581	28,907	29,201	32,407	32,701
Other Financial Transaction			(4)					
Total	21,890	20,614	25,287	31,878	29,107	29,401	32,607	32,901

Supportive Housing

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
1000 - General								
Direct Appropriation	17,734	16,234	17,484	15,734	15,734	15,734	19,234	19,234
Transfers Out	17,734	16,234	17,484	15,734	15,734	15,734	19,234	19,234
8000 - Housing Finance Agency								
Balance Forward In	14,491	17,518	19,079	19,514	13,332	10,138	13,332	10,138
Receipts	1,425	1,811	2,819	4,289	4,599	4,893	4,599	4,893
Transfers In	28,596	25,363	27,903	27,238	30,348	33,553	33,848	37,053
Transfers Out	5,104	5,000	5,000	5,831	9,034	12,239	9,034	12,239
Balance Forward Out	17,518	19,079	19,514	13,332	10,138	6,944	10,138	6,944
Expenditures	21,890	20,614	25,287	31,878	29,107	29,401	32,607	32,901
Biennial Change in Expenditures				14,661		1,343		8,343
Biennial % Change in Expenditures				34		2		15
Governor's Change from Base								7,000
Governor's % Change from Base								12

Program: Prevent and End Homelessness

Activity: Homelessness Prevention

mnhousing.gov/

AT A GLANCE

- Assisted 6,914 households in 2017, including 60% households of color or Hispanic ethnicity
- Median annual household income of households assisted was \$12,000
- Services available in all 87 counties

All numbers are for Federal Fiscal Year 2017

PURPOSE & 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. Effectively ending homelessness means we need to prevent homelessness whenever possible.

SERVICES PROVIDED

Family Homeless Prevention and Assistance Program (FHPAP): Through FHPAP, we provide flexible 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 19 grantees that serve people in all 87 counties in Minnesota. 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 48 percent of funds were used for support services and 45 percent of funds were used for direct cash assistance.

In 2016, the Legislature approved one-time funding for a Landlord Risk Mitigation Fund, which is being run as a pilot through the Family Homeless Prevention and Assistance Program. The fund provides financial assurance for landlords to encourage them to rent to people they might not normally consider, including people with criminal histories, people who have experienced homelessness, or people with mental illness. Landlords are able to make claims to the fund if they incur expenses beyond the amount of a tenant's security deposit, up to a certain dollar amount. The program is currently serving areas in central Minnesota, northeast Minnesota and suburban Hennepin County.

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).

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
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%	FFY2016, FFY2017

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.

Homelessness Prevention

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21

Expenditures by Fund

8000 - Housing Finance Agency	8,478	8,652	8,768	9,153	8,519	8,519	10,519	10,519
Total	8,478	8,652	8,768	9,153	8,519	8,519	10,519	10,519
Biennial Change				791		(883)		3,117
Biennial % Change				5		(5)		17
Governor's Change from Base								4,000
Governor's % Change from Base								23

Expenditures by Category

Grants, Aids and Subsidies	8,478	8,652	8,768	9,153	8,519	8,519	10,519	10,519
Total	8,478	8,652	8,768	9,153	8,519	8,519	10,519	10,519

Homelessness Prevention

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Direct Appropriation	8,519	8,769	8,769	8,519	8,519	8,519	10,519	10,519
Transfers Out	8,519	8,769	8,769	8,519	8,519	8,519	10,519	10,519
8000 - Housing Finance Agency								
Balance Forward In	230	279	451	634				
Receipts	8	54	183					
Transfers In	8,519	8,769	8,769	8,519	8,519	8,519	10,519	10,519
Balance Forward Out	279	451	634					
Expenditures	8,478	8,652	8,768	9,153	8,519	8,519	10,519	10,519
Biennial Change in Expenditures				791		(883)		3,117
Biennial % Change in Expenditures				5		(5)		17
Governor's Change from Base								4,000
Governor's % Change from Base								23

Program: Homeownership Assistance

mnhousing.gov/

AT A GLANCE

- Helped 4,048 households buy homes with our loans in 2017
- Provided downpayment and closing cost assistance to 3,742 households
- Median annual income of households served with downpayment assistance is \$47,708
- More than one-third (35 percent) of households served are households of color or Hispanic ethnicity

All numbers are for Federal Fiscal Year 2017

PURPOSE & 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 fifth worst disparity in homeownership rates between white households and households of color. A lack of the money 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, and discrimination. Currently, over 64,000 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 Homeownership Assistance Fund, we provide between \$5,000 and \$7,500 in assistance to first-time homebuyers to use toward downpayment and closing costs. 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. Homebuyers with incomes at or below 60 percent of the area median income are eligible for assistance. In the Twin Cities and Rochester metropolitan areas, this is currently a maximum household income of \$68,000 per year. In Greater Minnesota, the income limit is currently \$61,000 per year.

Homebuyers who receive assistance under the Homeownership Assistance Fund 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.

RESULTS

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

For reference, as of 2016, 34% of households income eligible to buy a home are households of color. We made 33% of our first-time homebuyer loans to households of color or Hispanic ethnicity in Federal Fiscal Year 2016 and 35% in Federal Fiscal Year 2017. 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 14% in 2016.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Percentage of Minnesota Housing loans for first-time homebuyers issued to households of color or Hispanic origin.	32%	33%	FFY2016, FFY2017
Quality	Percentage of downpayment assistance provided to households of color or Hispanic origin.	34%	35%	FFY2016, FFY2017
Results	Percentage of homebuyer loans that included downpayment assistance.	88%	93%	FFY2016, FFY2017

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 FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21

Expenditures by Fund

8000 - Housing Finance Agency	3,388	2,578	6,942	4,339	3,885	3,885	3,885	3,885
Total	3,388	2,578	6,942	4,339	3,885	3,885	3,885	3,885
Biennial Change				5,315		(3,511)		(3,511)
Biennial % Change				89		(31)		(31)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Activity

Homeownership Assistance	3,388	2,578	6,942	4,339	3,885	3,885	3,885	3,885
Total	3,388	2,578	6,942	4,339	3,885	3,885	3,885	3,885

Expenditures by Category

Operating Expenses	1		1					
Other Financial Transaction	3,387	2,578	6,941	4,339	3,885	3,885	3,885	3,885
Total	3,388	2,578	6,942	4,339	3,885	3,885	3,885	3,885

Homeownership Assistance

Program Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Direct Appropriation	885	885	885	885	885	885	885	885
Transfers Out	885	885	885	885	885	885	885	885
8000 - Housing Finance Agency								
Balance Forward In	832	979	2,928	454				
Receipts	2,650	3,641	3,582	3,000	3,000	3,000	3,000	3,000
Transfers In	885	885	885	885	885	885	885	885
Balance Forward Out	979	2,928	454					
Expenditures	3,388	2,578	6,942	4,339	3,885	3,885	3,885	3,885
Biennial Change in Expenditures				5,315		(3,511)		(3,511)
Biennial % Change in Expenditures				89		(31)		(31)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Preservation

Activity: Rental Preservation and Rehabilitation

mnhousing.gov/

AT A GLANCE

- Preserved 2,569 federally assisted units
- There are 114,000 rental homes that have received public investment
- Of Minnesota's roughly 30,000 project-based Section 8 units, over 15,000 are in projects with a contract that will expire in the next 10 years
- 60.7% of households assisted are households of color or Hispanic ethnicity.

All measures are for FFY2017

PURPOSE & 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 366,000 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 200,000 of the 366,000 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 114,000 units of rental housing that have received or currently receive federal assistance to keep the units affordable. This represents about five percent of the homes in Minnesota, but they play a vital role in serving the lowest-income households. These include project-based Section 8 properties, USDA Rural Development properties, public housing, and other federally funded 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.

Thirty thousand (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 just \$12,000. Another 7,000 privately-owned affordable housing units are federally subsidized through USDA Rural Development, which operates on a similar basis.

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. The Section 8 and USDA Rural Development 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 Rural Development) 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 is funded through state appropriations. Through local administrators, 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.

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 five 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.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of federally assisted rental units preserved.	3,096	1,715	FFY2016, FFY2017
Quantity	Median income of households served.	\$12,246	\$12,177	FFY2016, FFY2017

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. Federal HOME funds fund the HOME Affordable Rental Preservation Program.

Rental Preservation and Rehab

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<u>Expenditures by Fund</u>								
8000 - Housing Finance Agency	21,840	5,421	21,536	28,750	23,528	23,528	23,528	23,528
Total	21,840	5,421	21,536	28,750	23,528	23,528	23,528	23,528
Biennial Change				23,024		(3,230)		(3,230)
Biennial % Change				84		(6)		(6)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

Operating Expenses		21	3	25	20	20	20	20
Other Financial Transaction	21,840	5,400	21,533	28,725	23,508	23,508	23,508	23,508
Total	21,840	5,421	21,536	28,750	23,528	23,528	23,528	23,528

Rental Preservation and Rehab

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
1000 - General								
Direct Appropriation	7,961	7,961	7,961	7,961	7,961	7,961	7,961	7,961
Transfers Out	7,961	7,961	7,961	7,961	7,961	7,961	7,961	7,961
8000 - Housing Finance Agency								
Balance Forward In	28,985	28,570	38,334	42,656	30,367	24,328	30,367	24,328
Receipts	13,464	7,225	17,895	8,500	9,528	9,528	9,528	9,528
Transfers In	7,961	7,961	7,961	7,961	7,961	7,961	7,961	7,961
Balance Forward Out	28,570	38,334	42,655	30,367	24,328	18,289	24,328	18,289
Expenditures	21,840	5,421	21,536	28,750	23,528	23,528	23,528	23,528
Biennial Change in Expenditures				23,024		(3,230)		(3,230)
Biennial % Change in Expenditures				84		(6)		(6)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Preservation

Activity: Homeownership Rehabilitation

mnhousing.gov/

AT A GLANCE

- Assisted 260 homeowners in 2017
- Median annual income of households served is \$14,286
- Fifty-two percent of homeowners served reside in Greater Minnesota

All numbers are for Federal Fiscal Year 2017

PURPOSE & CONTEXT

Minnesota has a strong supply of existing owned and rented homes that families and individuals can afford. Three-quarters of the owner-occupied homes in the state are valued at under \$250,000—a level generally considered affordable in today’s market—and 38 percent are valued at \$150,000 or less.

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. The income limit for a two-person household is \$19,900 per year. 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.

Minnesota Housing supplements state appropriations with agency resources for this program when possible because need greatly 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.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Results	Percentage of households most in need (less than 30% of median income) that received rehabilitation loans.	70%	60%	FFY2016, FFY2017
Results	Percentage of rehab loans provided to seniors.	34%	42%	FFY 2016, FFY2017
Results	Percentage of rehab loans to households that identified as having at least one household member with a disability.	42%	32%	FFY2016, FFY2017

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

Homeowner Rehabilitation

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21

Expenditures by Fund

8000 - Housing Finance Agency	3,723	3,916	3,724	5,550	3,772	3,772	4,272	4,272
Total	3,723	3,916	3,724	5,550	3,772	3,772	4,272	4,272
Biennial Change				1,636		(1,730)		(730)
Biennial % Change				21		(19)		(8)
Governor's Change from Base								1,000
Governor's % Change from Base								13

Expenditures by Category

Operating Expenses	79	85	100	100	100	100	100	100
Grants, Aids and Subsidies	365	393	346	450	400	400	458	458
Other Financial Transaction	3,279	3,437	3,278	5,000	3,272	3,272	3,714	3,714
Total	3,723	3,916	3,724	5,550	3,772	3,772	4,272	4,272

Homeowner Rehabilitation

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
1000 - General								
Direct Appropriation	2,772	2,772	2,772	2,772	2,772	2,772	3,272	3,272
Transfers Out	2,772	2,772	2,772	2,772	2,772	2,772	3,272	3,272
8000 - Housing Finance Agency								
Balance Forward In	2,492	2,656	2,594	2,968	1,190	1,190	1,190	1,190
Receipts	1,116	1,082	1,326	1,000	1,000	1,000	1,000	1,000
Transfers In	2,772	2,772	2,772	2,772	2,772	2,772	3,272	3,272
Balance Forward Out	2,656	2,594	2,968	1,190	1,190	1,190	1,190	1,190
Expenditures	3,723	3,916	3,724	5,550	3,772	3,772	4,272	4,272
Biennial Change in Expenditures				1,636		(1,730)		(730)
Biennial % Change in Expenditures				21		(19)		(8)
Governor's Change from Base								1,000
Governor's % Change from Base								13

Program: Preservation

Activity: Project-Based Rental Assistance

mnhousing.gov/

AT A GLANCE

- Assisted nearly than 31,000 households
- Median annual income of households served is \$12,000
- Forty-five percent of the households served are elderly and 31 percent are disabled

All numbers FFY2017

PURPOSE & 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 \$12,000.

SERVICES PROVIDED

Under this activity, Minnesota Housing manages three separate federal rental assistance programs with similar, but not identical, administrative requirements. The federal programs are Section 8 performance based contract administration, Section 8 traditional contract administration and Section 236. 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.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Results	Percentage of Section 8 rental units at risk of converting to market-rate rents that are renewed.	99%	99%	FFY2016, FFY2017

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

Project Based Rental Assistance

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21

Expenditures by Fund

8000 - Housing Finance Agency	186,222	188,479	188,185	192,289	194,422	194,422	194,422	194,422
Total	186,222	188,479	188,185	192,289	194,422	194,422	194,422	194,422
Biennial Change				5,773		8,370		8,370
Biennial % Change				2		2		2
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Category

Grants, Aids and Subsidies	186,222	188,479	188,185	192,289	194,422	194,422	194,422	194,422
Total	186,222	188,479	188,185	192,289	194,422	194,422	194,422	194,422

Project Based Rental Assistance

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
8000 - Housing Finance Agency								
Balance Forward In	1	1	2	2				
Receipts	186,222	188,479	188,185	192,287	194,422	194,422	194,422	194,422
Balance Forward Out	1	2	2					
Expenditures	186,222	188,479	188,185	192,289	194,422	194,422	194,422	194,422
Biennial Change in Expenditures			5,773		8,370		8,370	
Biennial % Change in Expenditures			2		2		2	
Governor's Change from Base							0	
Governor's % Change from Base							0	

Program: Resident and Organization Support

mnhousing.gov/

AT A GLANCE

- Assisted 18,283 households with Homebuyer Education, Counseling and Training in 2017
- Median income of households served is \$36,000
- 295 organizations locally administer one or more of Minnesota Housing's programs

All numbers are for Federal Fiscal Year 2017

PURPOSE & 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 help ensure 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 organization 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, which is 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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Results	Foreclosures prevented as a percentage of closed counseling cases.	66%	73%	FFY2016, FFY2017
Results	Federal funds leveraged for Continuum of Care organizations per dollar of state money spent.	\$118	\$118	FFY2015, FFY2016

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>).

Resident and Organization Supp

Program Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<u>Expenditures by Fund</u>								
8000 - Housing Finance Agency	3,461	4,764	3,384	4,385	3,865	3,865	4,865	4,865
Total	3,461	4,764	3,384	4,385	3,865	3,865	4,865	4,865
Biennial Change				(456)		(39)		1,961
Biennial % Change				(6)		(1)		25
Governor's Change from Base								2,000
Governor's % Change from Base								26

Expenditures by Activity

Resident and Organization Supp	3,461	4,764	3,384	4,385	3,865	3,865	4,865	4,865
Total	3,461	4,764	3,384	4,385	3,865	3,865	4,865	4,865

Expenditures by Category

Operating Expenses	2,298	2,427	1,971	2,423	2,267	2,267	2,267	2,267
Grants, Aids and Subsidies	1,163	2,337	1,395	1,962	1,598	1,598	2,598	2,598
Other Financial Transaction			17					
Total	3,461	4,764	3,384	4,385	3,865	3,865	4,865	4,865

Resident and Organization Supp

Program Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
1000 - General								
Direct Appropriation	1,502	2,002	2,002	2,002	2,002	2,002	3,002	3,002
Transfers In		33						
Transfers Out	1,502	2,002	2,002	2,002	2,002	2,002	3,002	3,002
Cancellations		33						
8000 - Housing Finance Agency								
Balance Forward In	1,817	1,547	818	1,157	680	680	680	680
Receipts	1,685	2,064	1,333	1,467	1,450	1,450	1,450	1,450
Transfers In	1,506	2,002	2,389	2,441	2,415	2,415	3,415	3,415
Transfers Out		33						
Balance Forward Out	1,547	816	1,156	680	680	680	680	680
Expenditures	3,461	4,764	3,384	4,385	3,865	3,865	4,865	4,865
Biennial Change in Expenditures				(456)		(39)		1,961
Biennial % Change in Expenditures				(6)		(1)		25
Governor's Change from Base								2,000
Governor's % Change from Base								26

Program: Administration

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 billion each year to help Minnesotans live in safe, stable, affordable homes

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, Section 236, 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, 2017 we had more than \$3.5 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.

Support Divisions: In addition to our two primary business divisions and the finance division, Minnesota Housing has a number of support 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 quality housing. Our total operating costs, as a percentage of assistance provided, typically does not exceed 5 percent.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Operating costs as a percentage of assistance provided.	2.82%	3.19%	FFY2016, FFY2017

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

Administration

Program Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21

Expenditures by Fund

8000 - Housing Finance Agency	30,471	35,431	35,631	38,413	39,197	39,929	39,197	39,929
Total	30,471	35,431	35,631	38,413	39,197	39,929	39,197	39,929
Biennial Change				8,142		5,082		5,082
Biennial % Change				12		7		7
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Activity

Administration - Housing	30,471	35,431	35,631	38,413	39,197	39,929	39,197	39,929
Total	30,471	35,431	35,631	38,413	39,197	39,929	39,197	39,929

Expenditures by Category

Compensation	23,948	25,447	26,863	28,615	29,316	30,034	29,316	30,034
Operating Expenses	6,321	8,334	8,613	9,798	9,881	9,895	9,881	9,895
Capital Outlay-Real Property		3						
Other Financial Transaction	201	1,646	155					
Total	30,471	35,431	35,631	38,413	39,197	39,929	39,197	39,929

Full-Time Equivalents

237.03	243.23	248.69	252.00	252.00	252.00	252.00	252.00
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Administration

Program Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
8000 - Housing Finance Agency								
Balance Forward In	85,643	80,800	86,460	89,712	91,506	91,247	91,506	91,247
Receipts	24,365	40,181	37,736	39,010	37,741	37,741	37,741	37,741
Transfers In	1,417	1,845	1,269	2,527	1,869	1,869	1,869	1,869
Transfers Out	157	1,021	122	1,330	672	672	672	672
Balance Forward Out	80,798	86,374	89,712	91,506	91,247	90,256	91,247	90,256
Expenditures	30,471	35,431	35,631	38,413	39,197	39,929	39,197	39,929
Biennial Change in Expenditures				8,142		5,082		5,082
Biennial % Change in Expenditures				12		7		7
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	237.03	243.23	248.69	252.00	252.00	252.00	252.00	252.00

(Dollars in Thousands)

Federal Agency and CFDA #	Federal Award Name and Brief Purpose	New Grant	FY2018 Actuals	FY2019 Budget	FY2020 Base	FY2021 Base	Required State Match or MOE?	FTEs
HUD - 14.228	Neighborhood Stabilization Program – Community foreclosure recovery through single family housing acquisition, rehab and resale	No	491	1,692	0	0	No	1.25
HUD -14.241	HOPWA - Housing Opportunities for People With AIDS – Housing assistance for people with AIDS.	No	150	200	200	200	No	.50
HUD - 14.326	Section 811 Rental Assistance , rental assistance for homeless households	No	951	897	1,100	1,100	No	1.50
HUD – 14.275	National Housing Trust Fund – Affordable housing production for extremely low income households.	Yes	392	2,900	3,007	3,301	No	2.00
HUD - 14.195	Section 8 – Agency Portfolio – Asset and compliance management of rental housing	No	49,293	50,002	50,000	50,000	No	10.00
HUD - 14.327	Section 8 – Contract Administration – Asset and compliance management of rental housing, on behalf of HUD	No	138,892	142,287	144,422	144,422	No	25.00
HUD – 14.239	HOME Investment Partnership – Affordable housing production for low income households.	No	10,829	9,500	8,778	8,778	Match	5.50
HUD - 14.169	National Foreclosure Mitigation Counseling – Housing counseling for homeowners facing foreclosure.	No	167	37	0	0	Match	.50
	Federal Fund – Agency Total		201,165	207,515	207,507	207,801		

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.