



2024-2025 Affordable Housing Plan

Public Comment Draft

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Summary – 2024 and 2025 at a Glance

The Affordable Housing Plan (AHP) identifies key activities that Minnesota Housing will carry out over the next two years and provides an estimate of the financial resources we expect to make available. This \$4.5 billion plan is our largest ever, and we expect to serve between 75,000 and 90,000 households in each of the two years.

These housing investments are as critical as ever. Minnesota continues to face persistent housing challenges, including a significant shortage of housing that is affordable, some of the country’s worst housing disparities, and the growing problem of people experiencing homelessness and sleeping outside.

We need to **Go Big So Everyone Can Go Home.**

Table 1: Expected Investments by Activity in 2024-2025

| Program Category | 2024-2025 Estimated Resources Available |
|--|---|
| Homebuyer Financing and Home Refinancing | \$2,498,000,000 |
| Homebuyer/Owner Education and Counseling | \$7,384,000 |
| Home Improvement Lending | \$75,544,000 |
| Single Family Production – New Construction and Rehabilitation | \$120,513,000 |
| Manufactured Housing | \$44,071,000 |
| Other Single Family | \$5,000,000 |
| Rental Production – New Construction and Rehabilitation | \$390,724,700 |
| Rental Assistance Contract Administration | \$472,000,000 |
| Housing Stability for Vulnerable Populations | \$291,135,000 |
| Multiple Use Resources | \$447,750,000 |
| Other | \$67,202,000 |
| COVID Housing Recovery | \$112,024,000 |
| Total | \$4,531,347,700 |

To achieve our strategic objectives, over the next two years, we will focus on:

- Deploying the \$1.3 billion the 2023 Legislature made available for 2024 and 2025, which is a major investment above the more typical \$115 million base budget from the previous biennium. These funds will supplement the other \$3.2 billion we will make available from federal, Agency and bond resources.

- Creating and launching the 18 new programs that the legislature created with the new resources, adding to our 39 existing programs and hiring at least 50 new staff to conduct the expanded work.
- Creating a more inclusive, equitable and just housing system that prioritizes the people and places most impacted by housing instability. This will require us to authentically engage and partner with community, particularly people who have been historically excluded, raise their voices and vision, co-create solutions that respond to their needs, and achieve meaningful results. This work has begun at the Agency and will take additional time and resources.

Chapter 1 – Going Big Equitably

The 2024-2025 Affordable Housing Plan (AHP) is Minnesota Housing’s business plan for implementing the first two years of our 2024-2027 Strategic Plan. The AHP covers October 1, 2023 through September 30, 2024 and provides information on the policy, program and operational initiatives we plan to carry out over the next two years. It also provides estimates of the financial resources we expect to make available through each of our programs.

Housing Needs for the Next Two Years

For more than a decade, Minnesota has confronted several persistent housing challenges.

- In Minnesota, 640,000 households are cost burdened, meaning they pay more than 30% of their gross income on housing.¹ In particular, over 258,000 households make less than \$50,000 a year and pay over 50% of their income on housing.² These households are likely one financial setback, even relatively minor, from missing a housing payment.
- The supply of housing that is affordable is very limited throughout the state.
 - In Minneapolis and St. Paul, the vacancy rate for rental units affordable to households with incomes at or below 30% of the area median income (AMI) is effectively 0%, whereas a healthy vacancy rate is about 5%.³
 - In the 16 counties in and around the Twin Cities metro area, the months-supply of homes selling for \$300,000 or less is only one month, whereas a healthy supply is about five months.⁴
 - Employers in cities across Greater Minnesota are adding jobs, but there is not enough housing, and programs that finance market-rate housing are not sufficiently large enough to address the need.
- Newly constructed housing is not affordable for typical renters or homeowners.
 - Only 32% of newly constructed rental units in the last five years are affordable to renters with incomes at or below 80% of AMI when 70% of renters have incomes at or below 80% of AMI.
 - Without rental assistance, only 1% of new rental units are affordable to households with incomes at or below 30% of AMI, while 28% of renters have incomes at or below 30% AMI.⁵
 - Most homeowners cannot afford a modest, newly constructed home. In today’s market, a new 1,600 square-foot starter home can cost \$400,000 or more while a household with the median homeowner income can only afford a \$300,000 home.

- Minnesota has the fourth largest homeownership-rate disparity between non-Latino white households and Indigenous, Black and households of color. While 77% of non-Latino white households in Minnesota own their homes, only 49% of Indigenous, Black and households of color do. The homeownership rate for Black households is egregiously low at 29%.⁶ That rate is significantly lower than the 46% rate realized by Black households in 1950.⁷
- In 2023, about 8,393 people in Minnesota experienced homelessness on a given night, which is a 9% increase since 2017. The increase has been very large for people living outside and unsheltered, with a 51% increase in that period.⁸ In addition, a Native American in Minnesota is over 28 times more likely to experience homelessness than non-Latino whites.
- Between 2023 and 2038, the number of Minnesotans who are age 65 or older is expected to grow by 21%, while Minnesota's overall population is only expected to grow by 8%.⁹ As older Minnesotans from the Baby Boom generation (born between 1946 and 1964) become less independent over time, the need will rise for home modifications and housing with service connections.

In addition to the challenges faced by renters and homeowners throughout the state, high interest rates, volatile construction costs and other market factors are creating challenges for our partners, requiring persistence and dedication to develop the housing and deliver the housing assistance.

To address these challenges for the last four years, Minnesota Housing has been following the guiding phrase **Going Big So Everyone Can Go Home**, and we indeed went bigger between 2018 and 2022.

- Our home mortgage lending increased by 21%, from 4,622 to 5,595 loans, during a period when the inventory of affordable homes for sale declined by 67%.
- Our financing of new rental housing increased by 12% from 758 units to 851.
- We created new emergency housing programs that supported people facing COVID-related hardships and distributed hundreds of millions of dollars.

Even with these increases, the persistence of the housing challenges demonstrates we have much more to do. New challenges have arisen since 2018 as well, including rising interest rates, higher construction costs and other market factors, which means the Agency will need more resources to achieve the type of results we reached during the previous period.

Going Big

Fortunately, we received a historic one-time investment from the Legislature, and the Agency can go even bigger, providing more resources to partners and helping more people. For program years 2024 and 2025 combined, we expect to make available \$4.5 billion from a combination of federal, state, Agency and bond resources to finance our 57 current programs, which is our largest Affordable Housing Plan ever. This includes the 2023 Minnesota Legislature’s \$1.3 billion in housing investments, far more than our typical base budget of \$115 million for the biennium. The funding tables, household/unit forecasts and graphs in Chapter 3 outline how these funds will be used and the impact they will have by activity area and program. The following bullets summarize the increase by activity area:

- Home Mortgage Lending: \$215 million
 - Primarily downpayment assistance for first generation homebuyers
- Homebuyer Education: \$2 million
- Manufactured Housing & Communities: \$35 million
 - Funds for community ownership and infrastructure and home purchase, renovation, repair and removal
- Housing Development and Rehabilitation: \$640 million
 - Development of new owner-occupied and rental housing
 - Preservation, rehabilitation and/or remediation of existing affordable housing, including naturally occurring affordable housing (without previous government subsidies and income/rent restrictions)
- Rental Assistance and Homelessness Supports: \$225 million
 - State-funded rental assistance and homelessness prevention resources
- Other: \$58 million
 - Multiple uses, but most of the assistance going to nonprofit developers for organizational support

Deploying the \$1.3 billion is a major undertaking. Coming into 2024, Minnesota Housing had 39 programs. The 2023 Legislature added 18 new programs. Table 2 in Chapter 3 lists all 57 programs and their expected funding levels. Each of the new programs will need:

- Staff to implement them,

- Program procedures and documents developed, including program guides, requests for proposals, selection criteria and procedures, and contracts/grant agreements, and
- Compliance, monitoring and reporting procedures created.

While creating these new systems is significant, we expect to have all the new programs operational by the end of calendar year 2024, which will entail hiring over 50 new staff in a challenging hiring market. The work has already begun, which includes committing nearly \$50 million through the new Stable Housing Organizational Relief Program in October 2023. This program provides financial support to nonprofits that own or control housing units that are experiencing significant detrimental financial impacts due to recent economic and social conditions.

Recognizing the state’s significant housing needs, we are taking steps to get these funds into community and focusing on deploying the resources as effectively and equitably as possible. As our 2024-2027 Strategic Plan outlines, we are prioritizing the people and places most impacted by housing instability. Effectively engaging and serving these communities takes a little more time, which is one of the key lessons learned during our operation of RentHelpMN and HomeHelpMN, our two primary COVID emergency housing recovery programs.

With program infrastructure already in place, we will be able to award the increased funding for existing programs faster than the new programs. For example, we expect to award over half of the Economic Development and Housing Challenge funds and Housing Infrastructure resources (two of our primary housing development programs with a combined biennial appropriation of \$325 million) in December 2023.

The extensive effort of gearing up to deploy these additional resources, along with our base funding, will be one of our two primary tasks. The other primary task will be deploying those resources effectively and equitably.

Deploying Resources Effectively and Equitably

A core part of our 2024-2027 Strategic Plan is creating a more inclusive, equitable and just housing system that prioritizes the people and places most impacted by housing instability. This requires the Agency to be very deliberate in how we engage with community, deliver our work and with whom the Agency partners to deliver the resources. The Strategic Plan calls for the Agency to:

- Co-create solutions with community
- Support community voices and vision
- Hire consultants with lived expertise

- Expand community partnerships and share power
- Diversify the partners who administer our programs
- Build capacity
- Provide technical assistance
- Increase awareness of housing programs
- Reduce and eliminate barriers to programs and housing
- Simplify and streamline programs and processes
- Increase flexibility in program eligibility and use of funds
- Expand housing choices and affordability

Effectively carrying out each of these tasks across all our programs will take time and resources. While we have been moving in this direction organizationally, we are still developing the capacity and skills to do it well and comprehensively. For example, authentically engaging communities, building trust and co-creating solutions takes time, dedication and practice. The goal is to develop these skills and ways of doing business over the next four years.

A critical part of this work is better serving the communities most impacted by housing instability. To define this work, we hired 12 consultants with lived expertise in navigating housing instability and barriers to co-create our 2024-2027 Strategic Plan. The consultants had diverse experiences and perspectives, ranging from people who had experienced homelessness to first-time homebuyers. They provided key insights and strategies for improving the housing system. When people face housing instability, especially when their lives are in crisis, knowing where to turn to get quick access to resources is vital for establishing and maintaining housing stability. The consultants told us that when people face a housing crisis they do not know where to turn for assistance or what their options are; however, if they are able to identify and find assistance, the process of getting the assistance can be full of barriers and feel overwhelming. We need to create housing programs and a system that is designed to effectively meet the needs and assist people in housing crisis.

A critical first step will be training staff throughout the Agency in human-centered design, which is an approach for designing/redesigning products, services, processes and systems that puts the customer at the center of the design process to create results that resonate with and are tailored to the customer's needs. Our goal is to have all our programs go through a human-centered design/redesign process over the next four years as staff carry out their regular and ongoing reviews and assessments of the Agency's programs, processes and systems. After that, staff will regularly get feedback from customers (our program partners and the Minnesotans they serve) about their experiences and take action to achieve continuous improvement to remove barriers, increase access to the Agency's programs and achieve better and more equitable outcomes.

Pursuing Energy Efficiency and Climate Resiliency

A key strategic objective in our 2024-2027 Strategic Plan is to develop green, energy-efficient, climate-resilient, sustainable housing. Housing development and rehabilitation is a significant contributor to energy and material waste, and housing creation and maintenance is a driver of hazardous material use. At the same time, higher home energy bills are disproportionately affecting people with low incomes. Renters and Minnesotans with fewer financial resources are less able to make money-saving home energy and climate-resiliency upgrades, maintain their indoor air quality and safety and affordably heat and cool their homes. To develop green, energy-efficient, climate-resilient, sustainable housing, we will:

- Provide owners, developers and property managers equitable access to information and technical assistance;
- Provide owners and developers equitable access to financial support to make energy-efficient and climate-resilient improvements; and
- Align and leverage resources and programs, including raising awareness about and leveraging the clean-energy funds made available through the federal Inflation Reduction Act and other sources.

This will include:

- Actively participating in the following initiatives of the Walz/Flanagan Administration:
 - The One Minnesota Plan and its climate resiliency goals,
 - The Climate Subcabinet and Climate Action Framework, and
 - The Minnesota Climate Innovation Finance Board of Directors;
- Developing an internal climate action plan that will be the roadmap for decarbonizing affordable housing subsidized housing in Minnesota;
- Updating our building and sustainability standards, including the selection criteria and incentives incorporated into our process for selecting housing developments for funding;
- Exploring ways to provide technical assistance and funding through our Publicly Owned Housing Program (POHP) to increase the energy efficiency, renewable energy, electrification and climate resiliency of public housing;
- Pursuing sustainability funding in partnership with the Minnesota Department of Commerce from sources such as:
 - The Energy Efficiency Community Block Grant to support an interest rate reduction for energy improvements funded by our home improvement program,
 - The federal Solar for All funds, and

- The U.S. Department of Energy’s High Efficiency Electrification Home Rebates and Home Energy Performance-Based Whole House Rebates;
- Supporting the Minnesota Pollution Control Agency’s application for the EPA’s Climate Pollution Reduction Grants, which will likely include affordable housing decarbonization resources; and
- Pursuing other federal climate opportunities.

Finishing COVID Housing Recovery

Our RentHelpMN and HomeHelpMN programs played a large role in the Agency’s overall operations over the last two and half years. The initial phase of the RentHelpMN distributed about \$430 million to renters who were behind on their rental payments because of a COVID-related hardship; and HomeHelpMN distributed about \$110 million to homeowners who were behind on their mortgage or other housing payments. The initial phase of RentHelpMN stopped taking new applications in January 2022, and HomeHelpMN stopped taking new applications in July 2023. While HomeHelpMN has disbursed its last funds, RentHelpMN still has over \$80 million to disburse, largely from reallocations from the federal government that we received for effectively deploying the initial allocations. We expect about half of the remaining funds will go out as renter assistance to targeted populations, and about half will be allocated to the development or rehabilitation of rental housing that is affordable.

Under the American Rescue Plan (ARP), Minnesota Housing is also receiving an allocation of approximately \$31 million in HOME Investment Partnerships funding (HOME-ARP) to assist individuals or households who are experiencing or are at risk of homelessness, along with other vulnerable populations. Ten percent of those funds will be used for administrative costs, with the remaining funds (\$28 million) dedicated to assistance. We anticipate using these funds as housing development resources for individuals and families experiencing homelessness and sleeping outside. This funding allocation is separate from our regular annual HOME appropriation.

Chapter 2 – Resources for Our Work

For 2024 and 2025, we are currently estimating we will make available \$4.5 billion for program investments, our largest allocation ever. We expect to serve between 75,000 and 90,000 households in each of the two years. Because we will likely award more of the increased resources the first year, we will serve closer to 90,000 households in the first year and closer to 75,000 in the second year.

These resources include state, federal, Agency and bond funds and encompass funds that are: (1) newly available, (2) made available in previous AHPs but went unused, and (3) repayments of loans.

Overview of Our Program Investment Plan

Through our programs, we provide a wide continuum of tools for financing affordable housing and related services, ranging from grants for homelessness prevention and rental assistance to mortgages for home purchases and improvements. As shown in Table 2, nine of our 57 programs account for nearly 80% of the estimated investment plan.

- **Home Mortgage Loans** (line 1) will involve an estimated \$2.2 billion in lending over the two-year period, supporting about 4,500 homebuyers in each of the two years.
- **Downpayment Assistance for First Generation Homebuyers** (lines 4 and 5) will provide over the two years \$150 million to assist first-time homebuyers whose parents were not homeowners or had experienced foreclosure. Minnesota Housing will administer \$50 million, and Midwest Minnesota Community Development Corporation (MMCDC) will administer the other \$100 million. The two programs combined will serve roughly 4,670 homebuyers over the next two years.
- **Multifamily First Mortgages – Low- and Moderate-Income Rental (LMIR)** (line 20) will provide over the two years an estimated \$160 million for rental housing development, rehabilitation and refinancing, which will help finance 700 to 1,100 rental units in each of the two years. This will be a mix of permanent financing and bridge/construction loans. This financing is driven by demand and can vary from year to year.
- **Low-Income Housing Tax Credits** (line 22) is one of our primary programs for developing and rehabilitating affordable rental housing. The nearly \$24 million of 9% credits from the federal government over the two years should generate approximately \$200 million in private equity for the construction or rehabilitation of roughly 380 units of affordable rental housing in each of the next two years.
- **Section 8 Rental Assistance Contract Administration** (line 31) will provide an estimated \$472 million of federal project-based rental assistance over the two years

and annually support nearly 30,000 of the state's lowest-income households. With this assistance, households generally spend no more than 30% of their income on rent and utilities.

- **Bring It Home Rental Assistance** (line 35) will provide over the two years an estimated \$124 million for rental assistance, which will be administered by local Public Housing Authorities (PHAs) and Housing and Redevelopment Authorities (HRAs) and modeled after the federal Housing Choice Vouchers. However, Bring It Home will allow the maximum subsidized rents to be 20% higher than allowed for Housing Choice Vouchers. We estimate that the program will annually assist about 4,700 when fully operational.
- **Family Homeless Prevention and Assistance Program (FHPAP)** (line 37) will provide over the two years \$92.5 million (which is significantly higher than the two-year base budget of \$20.5 million) to families and individuals who are homeless or about to become homeless. We expect these resources to assist about 18,500 households in 2024 and 12,300 in 2025. Demand for this program exceeds even these additional resources, and partners plan to assist more households earlier in the biennium. In a typical year, FHPAP serves about 4,500 households.
- **Economic Development and Housing Challenge (EDHC)** (line 40) will provide nearly \$125 million over the two years and support the development, rehabilitation and gap financing of roughly 1,000 owner-occupied and rental housing units in 2024 and 250 in 2025. This is an existing program with expanded funding, and we expect to award most of the funds in the first year.
- **Housing Infrastructure** (Line 41) will provide \$214 million of resources over the two years and support the development and rehabilitation of roughly 2,100 owner-occupied and rental housing units in 2024 and about 530 in 2025. This is also an existing program with expanded funding, and we expect to award over half of the funds in the first year. The Legislature can provide Housing Infrastructure funds through bonding or appropriated cash. In addition, the 2023 Legislature appropriated \$200 million for Housing Infrastructure activities, and these appropriated funds provide additional flexibility in how we finance the housing developments compared with bond resource. We also have about \$14 million of unused bonding authority from previous bonding bills.

We will also use portions of our tax-exempt private activity bond allocation for multifamily projects to generate private equity from 4% housing tax credits. Some of these projects also utilize our deferred loan resources, so the units produced by these jointly funded projects are already included in our overall unit count for 2024 and 2025.

4% Tax Credits. While not in our program investment plan, we allocate 4% credits to rental housing developments that are financed with tax-exempt private activity bonds, which are regulated by the Internal Revenue Service and can be used by states for a variety of purposes. Unlike 9% credits, awards of 4% credits are not directly capped, but there are statewide volume limitations on the use of tax-exempt private activity bonds for housing. On a yearly basis, the use of 4% credits generates a significant amount of private equity for affordable housing.

In Table 2, we have identified the 18 new programs with asterisk (*) next to the program.

Table 2: Overview of 2024-2025 Program Investment Plan

| | | 2024-2025 Resources to be Made Available | 2021-2022 Actual Disbursement / Deployment of Resources | Activity | Median Income Served (2022) | Share BIPOC (2022) |
|---|--|---|--|------------------------------------|--|-----------------------------------|
| | Homebuyer Financing and Home Refinancing | \$2,498,000,000 | \$2,578,161,207 | | | |
| 1 | Home Mortgage Loans | \$2,200,000,000 | \$2,448,673,609 | First Mortgage | \$66,906 | 39.9% |
| 2 | Deferred Payment Loans | \$92,000,000 | \$75,998,154 | Downpayment and Closing Cost Loans | \$57,645 | 40.6% |
| 3 | Monthly Payment Loans | \$46,000,000 | \$53,489,444 | Downpayment and Closing Cost Loans | \$89,162 | 39.5% |
| 4 | First Generation Homebuyer Loan Program - Minnesota Housing* | \$50,000,000 | N/A | Downpayment Assistance | N/A | N/A |
| 5 | Community-Based First-Generation Homebuyers Assistance* | \$100,000,000 | N/A | Downpayment Assistance | N/A | N/A |
| 6 | NeighborWorks Fee-Based Home Purchasing * | \$10,000,000 | N/A | Downpayment Assistance | N/A | N/A |
| | Homebuyer/Owner Education and Counseling | \$7,384,000 | \$4,813,237 | | | |
| 7 | Homebuyer Education, Counseling & Training (HECAT) | \$4,384,000 | \$2,637,729 | Education & Counseling | \$43,000 | 52.1% |

| | | 2024-2025 Resources to be Made Available | 2021-2022 Actual Disbursement / Deployment of Resources | Activity | Median Income Served (2022) | Share BIPOC (2022) |
|----|--|---|--|---------------------------------------|--|-----------------------------------|
| 8 | Homeownership Capacity | \$3,000,000 | \$2,175,508 | Education & Counseling | \$40,800 | 89.7% |
| | Home Improvement Lending | \$75,544,000 | \$72,403,719 | | | |
| 9 | Home Improvement Loan Program | \$60,000,000 | \$63,292,604 | Home Improvement Loan | \$83,498 | 15.3% |
| 10 | Rehabilitation Loan Program (RLP) | \$15,544,000 | \$9,111,115 | Home Improvement Loan | \$16,186 | 13.3% |
| | Single Family Production - New Construction and Rehabilitation | \$120,513,000 | \$2,000,889 | | | |
| 11 | Single Family Interim Lending | \$20,000,000 | \$1,601,965 | Construction Loans | \$48,004 | 65.0% |
| 12 | Workforce & Affordable Homeownership Development Program | \$60,513,000 | \$398,924 | Loans and Grants | N/A | N/A |
| 13 | Homeownership Investment Grants* | \$40,000,000 | N/A | Grants for Affordable Housing Lending | N/A | N/A |
| | Manufactured Housing and Communities | \$45,071,000 | \$4,893,504 | | | |
| 14 | Manufactured Home Community Financing | \$7,000,000 | \$2,775,000 | Amortizing and Deferred Loans | N/A | N/A |
| 15 | Manufactured Home Community Redevelopment Grants | \$17,071,000 | \$2,055,554 | Grants | N/A | N/A |
| 16 | Manufactured Home Park Cooperative Acquisition* | \$10,000,000 | N/A | Grant for Revolving Loan Fund | N/A | N/A |
| 17 | Manufactured Home Lending Grants* | \$10,000,000 | N/A | Grants for Lending Services | N/A | N/A |

| | | 2024-2025 Resources to be Made Available | 2021-2022 Actual Disbursement / Deployment of Resources | Activity | Median Income Served (2022) | Share BIPOC (2022) |
|----|--|---|--|-------------------------------------|--|-----------------------------------|
| 18 | Manufactured Home Relocation Trust Fund | \$0 | \$62,950 | Relocation Assistance | N/A | N/A |
| | Other Single Family | \$5,000,000 | \$0 | | | |
| 19 | BuildWealth 9,000 Equities* | \$5,000,000 | N/A | Grant for a Targeted Loan Pool | N/A | N/A |
| | Rental Production - New Construction and Rehabilitation | \$390,724,700 | \$241,983,971 | | | |
| 20 | Multifamily First Mortgages - Low- and Moderate-Income Rental (LMIR) | \$160,000,000 | \$138,765,149 | Amortizing Loans | \$27,469 | 48.7% |
| 21 | Flexible Financing for Capital Costs (FFCC) | \$0 | \$8,182,671 | Primarily Deferred Loans | N/A | N/A |
| 22 | Low Income Housing Tax Credits (LIHTC) – 9% | \$23,633,700 | \$23,926,536 | Investment Tax Credits | \$23,370 | 49.7% |
| 23 | National Housing Trust Fund | \$8,824,000 | \$800,000 | Deferred Loans and Operating Grants | N/A | N/A |
| 24 | HOME | \$25,296,000 | \$16,799,000 | Deferred Loans | \$13,291 | 51.5% |
| 25 | Preservation - Affordable Rental Investment Fund (PARIF) | \$20,862,000 | \$33,735,123 | Deferred Loans | \$13,692 | 50.7% |
| 26 | Asset Management | \$0 | \$2,917,000 | Loans | N/A | N/A |
| 27 | Rental Rehabilitation Deferred Loan Pilot (RRDL) | \$14,117,000 | \$1,410,000 | Deferred Loans | \$19,200 | 14.9% |
| 28 | Publicly Owned Housing Program (POHP) - GO Bonds | \$88,794,000 | \$11,372,391 | Deferred Loans | \$12,347 | 32.4% |
| 29 | Workforce Housing Development Program | \$39,198,000 | \$4,076,101 | Deferred Loans and Grants | N/A | N/A |

| | | 2024-2025 Resources to be Made Available | 2021-2022 Actual Disbursement / Deployment of Resources | Activity | Median Income Served (2022) | Share BIPOC (2022) |
|----|---|---|--|---|--|-----------------------------------|
| 30 | High-Rise Sprinkler Grants* | \$10,000,000 | N/A | Grants | N/A | N/A |
| | Rental Assistance Contract Administration | \$472,000,000 | \$436,701,012 | | | |
| 31 | Section 8 - Project-Based Rental Assistance | \$472,000,000 | \$436,701,012 | Rental Assistance | \$13,164 | 38.9% |
| | Housing Stability for Populations Needing Extra Support | \$291,135,000 | \$55,949,377 | | | |
| 32 | Housing Trust Fund (HTF) | \$29,633,000 | \$22,693,231 | Rental Assistance and Operating Support | \$9,000 | 62.5% |
| 33 | Homework Starts with Home | \$5,500,000 | \$4,363,803 | Rental Assistance and Other Supports | \$16,800 | 77.8% |
| 34 | Bridges | \$10,676,000 | \$7,268,295 | Rental Assistance | \$10,800 | 32.2% |
| 35 | Bring It Home Rental Assistance* | \$124,000,000 | N/A | Rental Assistance | N/A | N/A |
| 36 | Section 811 Supportive Housing Program | \$2,930,000 | \$2,085,547 | Rental Assistance | \$11,063 | 50.6% |
| 37 | Family Homeless Prevention and Assistance Program (FHPAP) | \$92,500,000 | \$19,065,861 | Grants | \$12,948 | 56.2% |
| 38 | Housing Opportunities for Persons with AIDS (HOPWA) | \$896,000 | \$472,640 | Grants | \$23,184 | 52.0% |
| 39 | Strengthen the Supportive Housing System* | \$25,000,000 | N/A | Grants | N/A | N/A |
| | Multiple Use Resources | \$447,750,000 | \$175,458,195 | | | |
| 40 | Economic Development and Housing Challenge (EDHC) | \$124,850,000 | \$27,385,133 | Loans and Grants | MF: N/A SF: \$47,639 | MF: N/A SF: 62.8% |

| | | 2024-2025 Resources to be Made Available | 2021-2022 Actual Disbursement / Deployment of Resources | Activity | Median Income Served (2022) | Share BIPOC (2022) |
|----|---|---|--|---------------------------------|--|-----------------------------------|
| 41 | Housing Infrastructure Resources | \$214,100,000 | \$146,186,729 | Primarily Deferred Loans | MF: \$8,526 SF: \$47,310 | MF: 53.5% SF: 76.0% |
| 42 | State Housing Tax Credit Program | TBD | N/A | Deferred Loans | N/A | N/A |
| 43 | Community Stabilization* | \$90,000,000 | N/A | Grants or Loans | N/A | N/A |
| 44 | Greater Minnesota Housing Infrastructure* | \$8,000,000 | N/A | Grants | N/A | N/A |
| 45 | Lead-Safe Homes* | \$4,000,000 | N/A | Grants | N/A | N/A |
| 46 | Local Housing Trust Fund Grants* | \$6,800,000 | N/A | Grants | N/A | N/A |
| 47 | Strategic Investments/Loans | \$0 | \$1,886,333 | Loans | N/A | N/A |
| | Other | \$67,202,000 | \$3,057,525 | | | |
| 48 | Technical Assistance and Operating Support | \$8,702,000 | \$3,057,525 | Grants | N/A | N/A |
| 49 | Disaster Recovery and Relief Contingency Fund | \$0 | \$0 | Grants | N/A | N/A |
| 50 | Stable Housing Organizational Relief Program* | \$50,000,000 | N/A | Grants | N/A | N/A |
| 51 | Housing Mediation Grant Programs* | \$3,000,000 | N/A | Grants | N/A | N/A |
| 52 | Local Housing Aid Grants (Grants to Tier 2 cities)* | \$4,500,000 | N/A | Grants | N/A | N/A |
| 53 | Grant to City of Minneapolis* | \$1,000,000 | N/A | Grant | N/A | N/A |
| | COVID Housing Recovery | \$112,024,000 | \$522,185,444 | | | |
| 54 | COVID-19 Housing Assistance Program (CHAP) | \$0 | \$62,727,252 | Renter and Homeowner Assistance | N/A | N/A |

| | | 2024-2025 Resources to be Made Available | 2021-2022 Actual Disbursement / Deployment of Resources | Activity | Median Income Served (2022) | Share BIPOC (2022) |
|--------------|---|---|--|--------------------------|--|-----------------------------------|
| 55 | Emergency Rental Assistance (ERA) - Regular RentHelpMN | \$0 | \$448,217,605 | Renter Assistance | \$15,418 | 66.1% |
| 56 | Emergency Rental Assistance (ERA) - Targeted Assistance | \$41,500,000 | \$0 | Renter Assistance | N/A | N/A |
| 57 | Emergency Rental Assistance (ERA) - Capital Funding | \$42,500,000 | \$0 | Primarily Deferred Loans | N/A | N/A |
| 58 | Homeowner Assistance Fund (HAF) - HomeHelpMN | \$0 | \$11,240,587 | Homeowner Assistance | \$50,219 | 45.3% |
| 59 | HOME - ARP (American Rescue Plan) | \$28,024,000 | \$0 | Loans and Grants | N/A | N/A |
| Total | | \$4,531,347,700 | \$4,097,608,080 | | | |

To provide context, Table 2 describes the type of funding provided under each program, with more detailed descriptions of each program provided in Appendix B. Table 2 also provides the funding that we disbursed in 2021 and 2022, which are our two most recently completed program years with fully reported data. The 2024-2025 AHP numbers reflect the amounts that we anticipate making available for new awards over the next two years, while the 2021-2022 numbers reflect actual funds disbursed in two recent years. Some programs move quickly from awards to disbursement, while others, particularly housing development, can take around two years.

Table 2 also shows, by program, the median incomes of the low- and moderate-income households that we served in 2022 (the most recent year for which complete data is available), which ranged from \$8,526 to \$83,498. According to HUD, the statewide median family income in 2022 was \$104,000.

Sample of Programs

| | Median Income(s) |
|--|---------------------|
| • Rental assistance programs (lines 31-36) | \$9,000 to \$16,800 |
| • Rehabilitation Loan Program (line 10) | \$16,186 |
| • Low-Income Housing Tax Credits (line 22) | \$23,370 |

- Single-Family Economic Development and Housing Challenge (line 40) \$47,639
- Home Mortgage Loans (line 1) \$66,906
- Home Improvement Loan Program (line 9) \$83,498

Annual Household and Unit Projections

As shown in Table 3, we expect the resources in this AHP will assist between 75,000 and 90,000 households or housing units in each of the next two years. Our household and housing unit estimates assume that all the resources shown in this AHP will be deployed. In the end, we will probably fall short for some programs but may also exceed the resource estimates for other programs. Our Home Mortgage Loans, Multifamily First Mortgages and Home Improvement Loans are demand-driven and financed with resources that are less limited.

The household and housing unit estimates for the 18 new programs are quite uncertain. Particularly for new programs where there is a wide range of uses and costs, such as Local Housing Trust Fund Grants, it is unclear how much funding will be provided to support each household or housing unit. It is also not always clear the extent to which these funds will be paired with and leverage other funding sources. If combined with other resources, the funds included in the AHP will be able to assist more households and housing units. Finally, the timing of when these new programs will be launched and fully operational is unclear. Thus, the following figures for new programs should be viewed as order of magnitude estimates. The new programs are identified with an asterisk (*).

Table 3: 2022-2023 Forecast of Households or Housing Units Annually Assisted, by Program

| Program | | 2024 Households or Units | 2025 Households or Units |
|--|--|----------------------------------|----------------------------------|
| Homebuyer Financing and Home Refinancing | | 7,200 | 4,500 |
| 1 | Home Mortgage Loans | 4,500 | 4,500 |
| 2 | Deferred Payment Loans | Included in First Mortgage Count | Included in First Mortgage Count |
| 3 | Monthly Payment Loans | | |
| 4 | First Generation Homebuyer Assistance Program - Minnesota Housing* | | |
| 5 | Community-Based First-Generation Homebuyers Assistance (Excluding Assistance Paired with MN Housing Mortgage)* | 2,600 | 0 |
| 6 | NeighborWorks Fee-Based Home Purchasing* | 100 | 0 |
| Homebuyer/Owner Education & Counseling | | 8,300 | 8,300 |

| Program | | 2024 Households or Units | 2025 Households or Units |
|--|--|--------------------------------|--------------------------------|
| 7 | Homebuyer Education, Counseling & Training (HECAT) | 7,300 | 7,300 |
| 8 | Homeownership Capacity | 1,000 | 1,000 |
| Home Improvement Lending | | 1,260 | 1,260 |
| 9 | Home Improvement Loan Program | 1,000 | 1,000 |
| 10 | Rehabilitation Loan Program (RLP) | 260 | 260 |
| Single Family Production - New Construction and Rehabilitation | | 2,160 | 960 |
| 11 | Impact Fund - EDHC and Housing Infrastructure Resources | 1,600 | 400 |
| 12 | Single Family Interim Lending | Included with Impact Fund | Included with Impact Fund |
| 13 | Workforce & Affordable Homeownership Development Program | 380 | 380 |
| 14 | Homeownership Investment Grants* | 180 | 180 |
| Manufactured Housing and Communities | | 2,300 | 470 |
| 15 | Manufactured Home Community Financing | 100 | 100 |
| 16 | Manufactured Home Community Redevelopment Grants | 1,900 | 310 |
| 17 | Manufactured Home Park Cooperative Acquisition* | 240 | 0 |
| 18 | Manufactured Home Lending Grants* | 60 | 60 |
| 19 | Manufactured Home Relocation Trust Fund | TBD | TBD |
| Other Single Family | | 20 | 0 |
| 20 | BuildWealth 9,000 Equities* | 20 | 0 |
| Rental Production- New Construction and Rehabilitation | | 6,900 | 5,820 |
| 21 | Multifamily RFP/HTC/Pipeline Production | 1,500 | 800 |
| 22 | Multifamily First Mortgage - Low-and Moderate-Income Rental (LMIR) | Part of RFP/HTC/Pipeline Total | Part of RFP/HTC/Pipeline Total |
| 23 | Flexible Financing for Capital Costs (FFCC) | | |
| 24 | Low-Income Housing Tax Credits (LIHTC) – 9% | | |
| 25 | National Housing Trust Fund | | |
| 26 | Housing Infrastructure Bonds (HIB) - Multifamily RFP | | |
| 27 | Economic Development and Housing Challenge (EDHC) | | |
| 28 | HOME | | |
| 29 | Preservation - Affordable Rental Investment Fund (PARIF) | | |

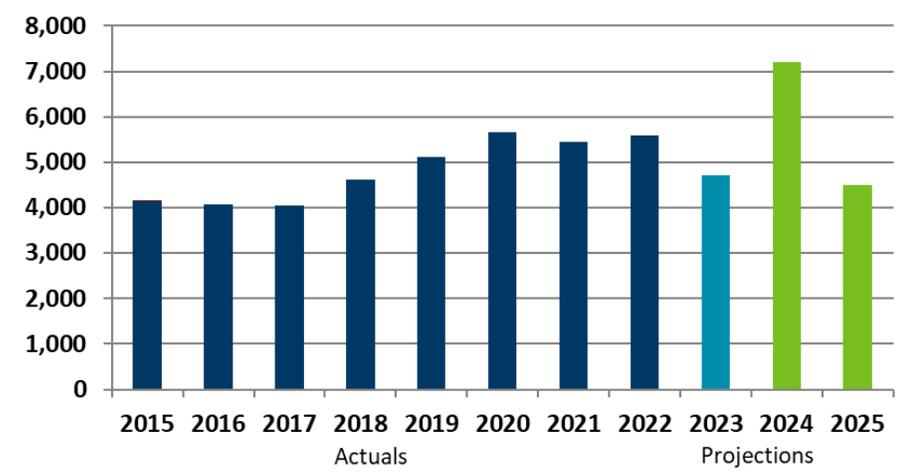
| Program | | 2024 Households or Units | 2025 Households or Units |
|--|---|---------------------------------|---------------------------------|
| 30 | Emergency Rental Assistance (ERA) RentHelpMN Capital | | |
| 31 | HOME - ARP (American Rescue Plan) | 90 | 90 |
| 32 | Asset Management | 0 | 0 |
| 33 | Rental Rehabilitation Deferred Loan (RRDL) | 50 | 350 |
| 34 | Publicly Owned Housing Program (POHP) | 3,700 | 3,700 |
| 35 | Workforce Housing Development Program | 560 | 560 |
| 36 | High-Rise Sprinkler Grants* | 1,000 | 320 |
| Rental Assistance Contract Administration | | 29,500 | 29,500 |
| 37 | Section 8 - Project-Based Rent Assistance | 29,500 | 29,500 |
| Housing Stability for Populations Needing Extra Support | | 25,040 | 23,110 |
| 38 | Housing Trust Fund (HTF) | 2,200 | 2,200 |
| 39 | Homework Starts with Home | 350 | 350 |
| 40 | Bridges | 740 | 740 |
| 41 | Bring It Home Rental Assistance* | 470 | 4,700 |
| 42 | Section 811 Supportive Housing Program | 170 | 210 |
| 43 | Family Homeless Prevention and Assistance Program (FHPAP) | 18,500 | 12,300 |
| 44 | Housing Opportunities for Persons with AIDS (HOPWA) | 310 | 310 |
| 45 | Strengthen the Supportive Housing System* | 2,300 | 2,300 |
| Multiple Use Resources | | 1,390 | 1,180 |
| 46 | Community Stabilization * | 650 | 440 |
| 47 | Greater Minnesota Housing Infrastructure* | 300 | 300 |
| 48 | Lead-Safe Homes* | 360 | 360 |
| 49 | Local Housing Trust Fund Grants* | 80 | 80 |
| 50 | Strategic Investments/Loans | TBD | TBD |
| Other | | 240 | 40 |
| 51 | Local Housing Aid Grants (Tier 2 Cities)* | 40 | 40 |
| 52 | Grant to City of Minneapolis* | 200 | 0 |
| COVID Housing Recovery | | 5,900 | 0 |
| 53 | Emergency Rental Assistance (ERA) - Targeted Assistance | 5,900 | 0 |
| Total | | 90,210 | 75,140 |

The following graphs show the number of households that we served in 2015 through 2022 (dark blue bars), and the households that we are projecting to serve in 2023 through 2025. The 2023 figures (light blue bars) are based on current projected awards, and the 2024 and 2025 figures (green bars) are based on the funds that we estimate will be available under this AHP. Particularly for the housing development programs, projects can take two years for funds to be used after being selected for funding. Thus, some of these funds will not assist households until after 2025, but we show them in 2022 and 2023 to reflect the number of households that will eventually be assisted with funds awarded in those years.

Homebuyer Financing and Home Refinancing

Figure 1 shows our historical home mortgage lending, which served around 4,000 households annually in 2015 through 2017. Production increased in 2018 through 2020, reaching nearly 5,700 households 2020 and leveled off through 2022. For 2023, we expect to serve about 4,700 households, recognizing the rise in interest rates and very limited inventory of affordable homes have dampened lending activity. With the additional funds provided during the 2023 legislative session for first-generation homebuyers, we expect the home lending that we support to increase significantly in program year 2024. This is not only the home mortgages that we finance but also the home mortgages that will be supported by the Community-Based First-Generation Homebuyers Assistance that will be administered by the Midwest Minnesota Community Development Corporation.

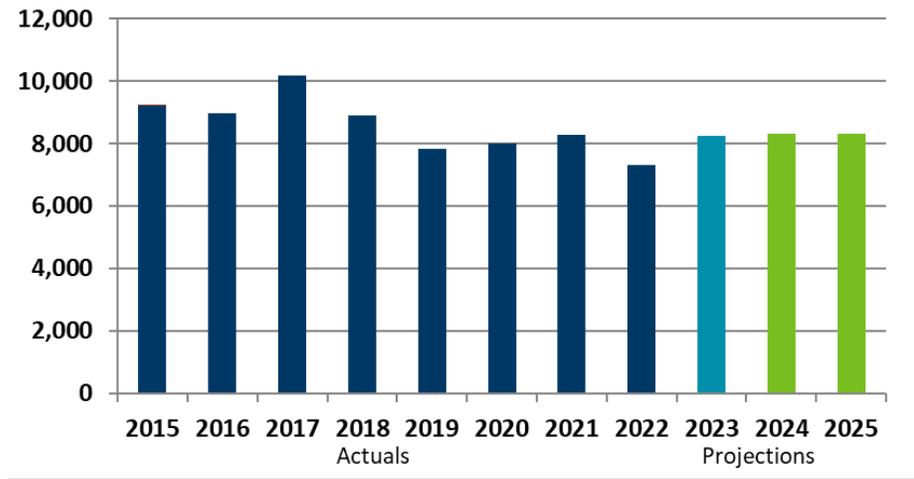
Figure 1: Households/Homes Assisted – Homebuyer Financing and Home Refinancing



Homebuyer/Owner Education, Counseling and Coaching

As shown in Figure 2, education and counseling that we directly fund has been relatively steady over the past few years. (Figure 2 includes Homebuyer Education, Counseling and Training (HECAT) and the Homeownership Capacity.)

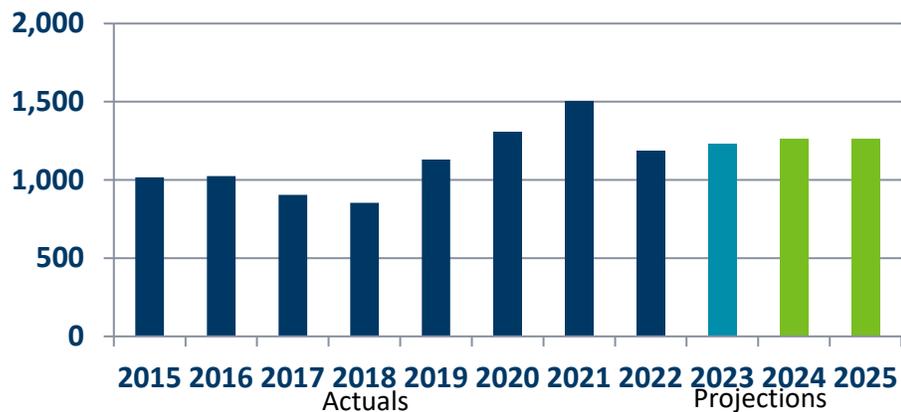
Figure 2: Households Assisted – Homebuyer/Owner Education, Counseling and Coaching



Home Improvement Lending

For several years, demand for our home improvement programs (installment loans) was reduced with the availability of home equity lines of credit and cash from mortgage refinancing that was driven by low interest rates. With program changes a few years ago that made our program more desirable for borrowers and easier to administer, our lending volume increased. Lending was particularly high in 2021 but then dropped off a bit. There may have been some COVID-related home improvement activity in 2020 and 2021 with people spending more time at home. In addition, construction costs, interest rates and supply/contractor issues created headwinds for the past couple of years. (Figure 3 includes both the Home Improvement Loan Program and the Rehabilitation Loan Program.)

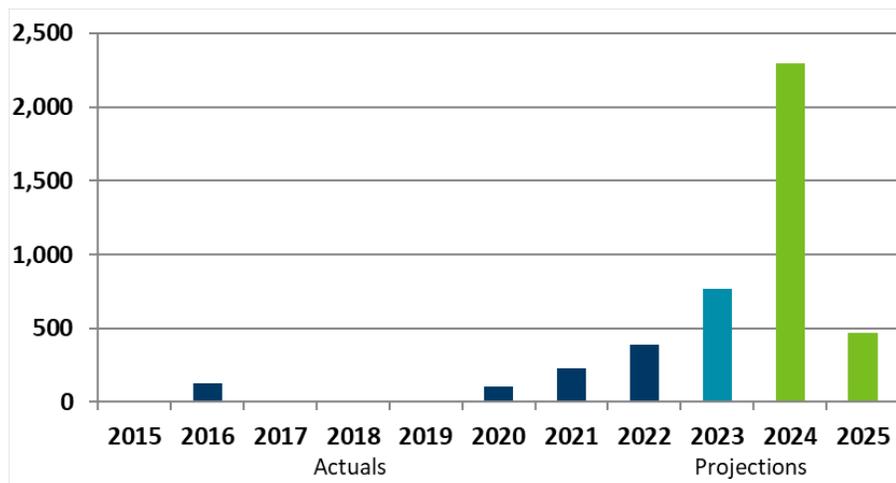
Figure 3: Households/Homes Assisted – Home Improvement Programs



Manufactured Housing and Communities

Over the past few years, Minnesota Housing has been expanding its manufactured housing activities, as reflected in Figure 4. With the funds made available during the 2023 legislative session, we will see a large increase in activity in 2024. Activity may then drop back down closer to 2023 levels, depending on funding availability. (Figure 4 includes Community-Owned Manufactured Home Parks, Manufactured Home Park Redevelopment Grants, Manufactured Home Park Acquisition and Manufactured Home Lending Grants.)

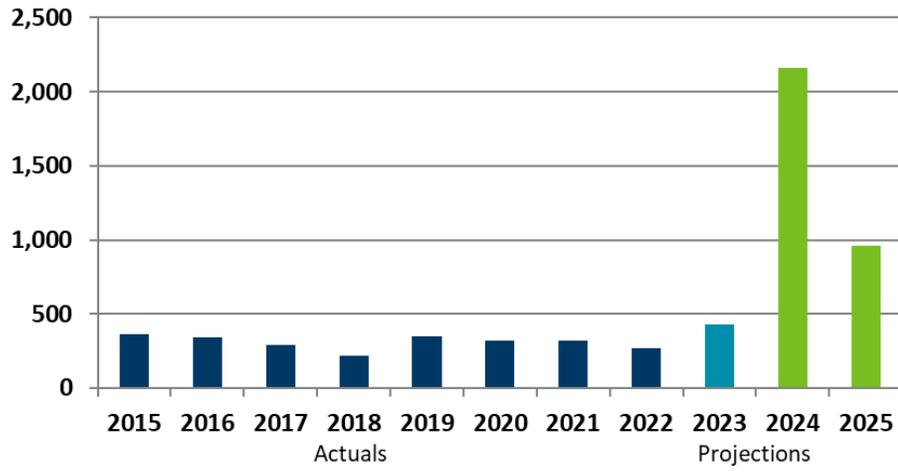
Figure 4: Households/Homes Assisted – Manufactured Housing and Communities



Single Family New Construction, Rehabilitation and Gap Financing Assistance

Typically, we see about 350 single-family homes financed each year. The Go Big investment will dramatically increase production. (Figure 5 includes the single-family portion of the Economic Development and Housing Challenge program and Housing Infrastructure Bond proceeds along with Single-Family Interim Lending, Workforce and Affordable Homeownership Development and Homeownership Investment Grants.)

Figure 5: Households/Homes Assisted – Single Family Housing New Construction, Rehabilitation and Support

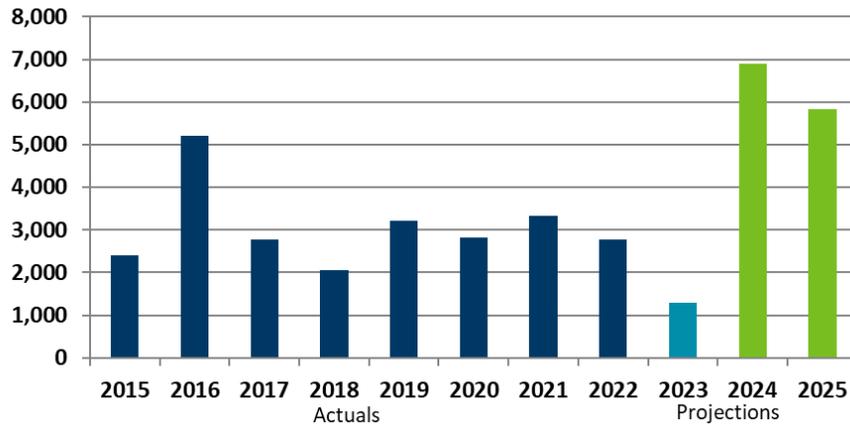


Rental New Construction and Rehabilitation

In a typical year, the rental new construction and rehabilitation that we finance varies between 2,000 and 3,000 units. Production is particularly high in years that have a large amount of state general obligation (GO) bond resources to finance the rehabilitation of public housing through our Publicly Owned Housing Program (POHP). Because the funding per unit is quite low for this program (often around \$10,000 per unit), we can rehabilitate a large number of units.

In the past couple of years, the cost of construction, rising market interest rates and volatile pricing for low-income housing tax credits have limited the number of new development and rehabilitation units we can finance. The 2023 Legislature increased funding for the Economic Development and Housing Challenge program, Housing Infrastructure resources and the Publicly Owned Housing Program. Additional capital funding is also available from COVID Housing Recovery Funds (Emergency Rental Assistance – Capital Funding and HOME American Rescue Program funds). (Figure 6 captures all of the programs in the rental production area, the multifamily portion of the Economic Development and Housing Challenge program and Housing Infrastructure resources, and capital funding from COVID Housing Recovery Funds.)

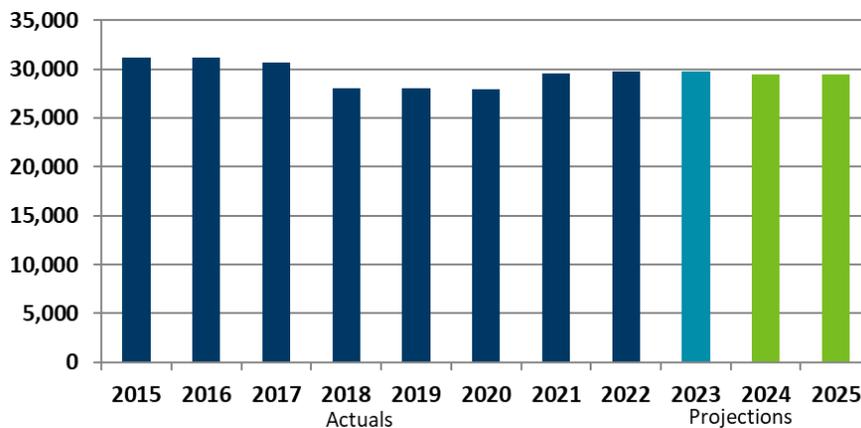
Figure 6: Units Assisted - Rental New Construction and Rehabilitation



Rental Assistance Contract Administration

Activity in Section 8 contract administration has been very steady (Figure 7) for years. These are ongoing project-based Section 8 contracts that we administer on behalf of HUD, and the number of households served does not vary significantly from year to year. The number dropped slightly several years ago and then came back up. Due to federal budget uncertainties, HUD decided to take over the administration of 24 Section 8 properties, but we have since regained administration of those contracts. The households in these 24 properties continued to receive Section 8 assistance, but we did not administer it for a period.

Figure 7: Households Assisted – Rental Assistance Contract Administration

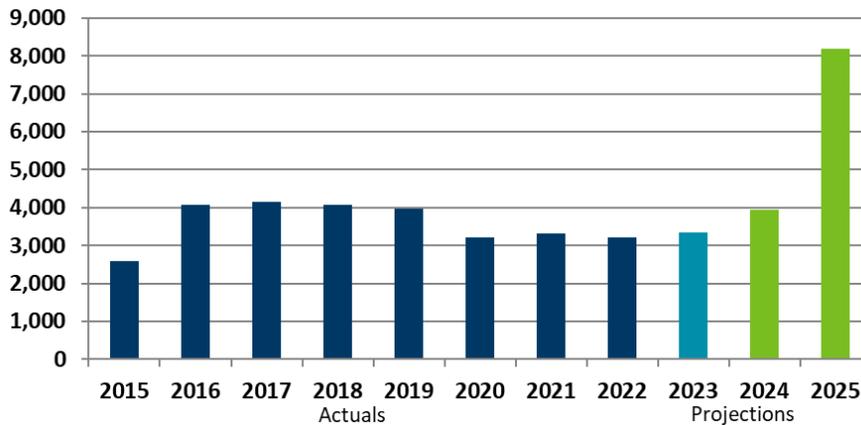


Housing Stability for Populations Needing Extra Supports

As shown in Figure 8, overall activity in rental assistance and operating subsidies declined after 2019 when the Minnesota Department of Human Services took over the administration of some operating subsidies in supportive housing developments that we had previously

administered for them. With the creation of the Bring It Home Rental Assistance Program, we will see an additional 4,700 households assisted by 2025. The program will first become operational in 2024 and ramp up to be fully operational during 2025. (Figure 8 includes our five rental assistance programs and Housing Trust Fund operating subsidies.)

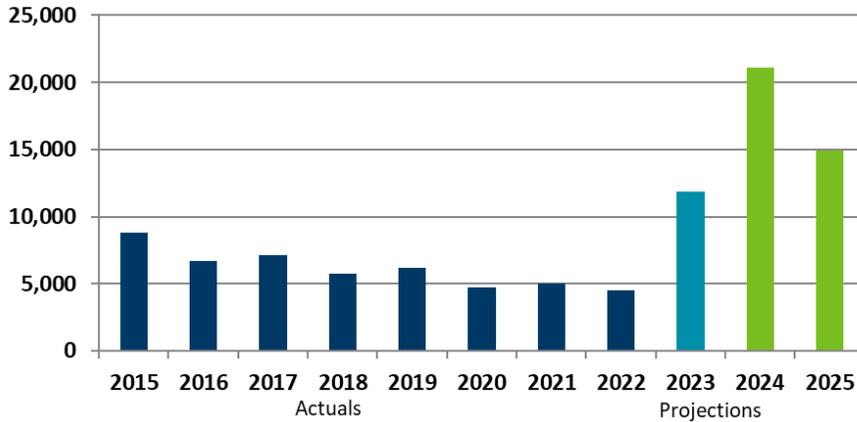
Figure 8: Households/Units Assisted – Agency Rental and Operating Assistance



The number of households assisted by the Family Homeless Prevention and Assistance Program (FHPAP) and Housing Opportunities for Persons with AIDS (HOPWA) (Figure 9) has declined in recent years because FHPAP has targeted clients needing more support, which requires more funding per household. However, the 2023 Legislature made available \$115.5 million for FHPAP, which is \$95 million more than the base appropriation for a two-year biennium. About \$23 million of this was made available and disbursed in program year 2023, leaving \$92.5 million for 2024 and 2025. Demand for FHPAP exceeds even these expanded resources, and we will work with our program grantees to get these funds to families and individuals as quickly as possible, serving the most households in 2024.

In addition, the 2023 Legislature made available \$25 million to strengthen the supportive housing system.

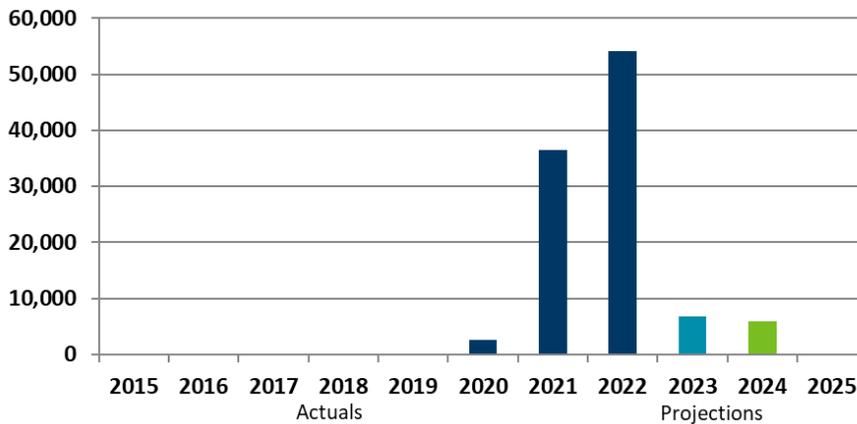
Figure 9: Households Assisted – Targeted Assistance – FHPAP, HOPWA and Strengthening the Supportive Housing System



COVID Housing Recovery

Our COVID Housing Recovery efforts started in the summer of 2020 and reached peak activity in 2022, when we served more than 50,000 households who were behind on their rent or mortgage payments because of a COVID-related hardship. We will be administering the last of the COVID funds in 2024 and 2025, largely from reallocations that we received from the U.S. Department of Treasury for effectively deploying our original rental assistance. Some of the COVID recovery funds (Emergency Rental Assistance – Capital Funding and HOME-ARP) will finance the development or rehabilitation of rental housing and are reflected in the rental production graph (Figure 6). The 2024 program activity in Figure 10 reflects the remaining emergency rental assistance being provided through our targeted program.

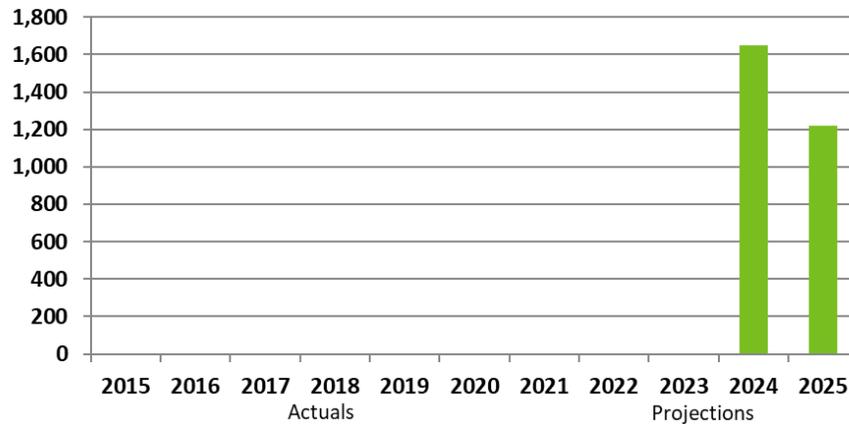
Figure 10: Households Assisted – COVID Housing Recovery (Renter and Homeowner Payment Assistance)



Other Programs

Finally, several of our new programs serve targeted needs or are for broad general use and do not fit neatly into one of the previous activity areas. These are the programs listed under the Multiple Use Resources or Other category of Table 3.

Figure 11: Households or Housing Units Assisted – Other



Endnotes

¹ Minnesota Housing analysis of data from the U.S. Census Bureau’s American Community Survey (2022, 1-year sample).

² Minnesota Housing analysis of microdata from the U.S. Census Bureau’s American Community Survey (2022, 1-year sample).

³ HousingLink, Minneapolis and St. Paul Rental Housing Briefs (September 2023).

⁴ Minneapolis Area Association of Realtors data for July 2023.

⁵ Minnesota Housing analysis of 2016 to 2021 data from the Metropolitan Council, https://stats.metc.state.mn.us/data_download/DD_start.aspx and HUD’s Comprehensive Housing Affordability Strategy (CHAS) data (2015-2019).

⁶ Minnesota Housing analysis of data from the U.S. Census Bureau’s American Community Survey (2022, 1-year sample).

⁷ Horowitz, Eng Ky, Starling and Tchourumoff, *Systemic Racism Haunts Homeownership Rates in Minnesota* (Minneapolis Federal Reserve Bank, February 25, 2021); <https://www.minneapolisfed.org/article/2021/systemic-racism-haunts-homeownership-rates-in-minnesota#:~:text=Minnesota's%20homeownership%20gap%20is%20among%20the%20largest%20in%20the%20nation&text=In%201950%2C%20the%20gap%20in,now%2050%20percentage%20points%20wide.>

⁸ U.S. Department of Housing and Urban Development, Point-in-Time count.

⁹ Minnesota Housing analysis of data from the Minnesota State Demographic Center; Long-Term Populations Projects for Minnesota (released October 2020).



Appendix A-1: Overview of Funding Sources

Our strong balance sheet and financial resources are a key strength. This Appendix describes each of our funding sources and outlines how we will use them in 2024 and 2025. Table A-1 shows estimates of our planned program investments by funding source. Table A-2 is a crosswalk that shows how we currently plan to allocate resources from each source to each program.

Table A-1: 2024-2025 Estimated Program Investments by Funding Source

| Program Category | 2024-2025 Estimated Resources Available |
|--|---|
| Federal Resources | \$645,603,700 |
| State Appropriated Resources | \$1,285,046,000 |
| Mortgage Capital from Bond or Agency Resources | \$2,551,968,000 |
| Housing Affordability Fund (Pool 3) | \$48,730,000 |
| Total | \$4,531,347,700 |

Funding Source Descriptions

Federal Resources: There are various types of federal resources, including appropriations to the U.S. Department of Housing and Urban Development (HUD) that are made available to Minnesota Housing and Low Income Housing Tax Credits from the Internal Revenue Service (IRS). For planning purposes, we generally assume that 2024 and 2025 HUD appropriations will remain at 2023 levels, which is subject to change. The amount of federal housing tax credits is based on a per capita formula. This Affordable Housing Plan (AHP) also includes the remaining COVID Housing Recovery funds.

State Appropriated Resources: The amount of funding is based on the 2024-2025 general fund budget adopted by the 2023 Minnesota Legislature. Any unused funds from previous year appropriations and repayments of loans are included.

Mortgage Capital from Bond or Agency Resources

State Capital Investments: These resources come from the state capital budget (bonding bill) and have traditionally funded the Publicly Owned Housing Program (POHP) with state General Obligation (GO) Bond proceeds and Housing Infrastructure resources with Housing Infrastructure Bond (HIB) debt authorization, for which the State pays the debt service. However, in 2023 the legislature funded all of the Housing Infrastructure resources (\$200 million) and part of POHP (\$45 million) with state appropriations and the rest with GO (\$42 million). The 2023 legislature provided \$3 million in GO for the Greater Minnesota Housing Infrastructure program, which is a new program, as well as \$5 million in cash appropriations.

Agency Bond Proceeds and Other Mortgage Capital: Bond proceeds are generated by the issuance of tax-exempt and taxable bonds. Certain tax-exempt bonding activity is limited statewide by IRS rules, which cap the amount of new issuance, making it a limited resource. We can also sell mortgage-backed securities backed by loans originated under our Home Mortgage program on the secondary market.

Housing Investment Fund (Pool 2): We generate earnings from our lending and investment activities and reinvest them in a wide variety of housing programs. Most of our investment-earning assets are carried in the Housing Investment Fund, and most assets in Pool 2 produce revenue that supports our operations and programs. The earning assets that use Pool 2 funds are required to be of investment-grade quality.

Housing Affordability Fund (Pool 3): Pool 3 resources come from: (1) transfers from Pool 2 that capture a portion of the Agency's earnings, and (2) repayments or prepayments from loans previously funded under Pool 3. We can transfer Pool 2 earnings to Pool 3 only to the extent that we project that our aggregate net position will satisfy our Board policy and rating agency stress tests. Because Pool 3 has no earnings requirements, it is more flexible than Pool 2 and can be used for deferred loans and grants. However, Pool 3 is a more limited resource than Pool 2 because it is dependent on the transfer of earnings from Pool 2.

Appendix A-2: 2024-2025 Estimated Program Resources by Source

| | | 2024-2025 Estimated Total | Federal Resources | State Appropriations | Mortgage Capital from Bonds or Agency Resources | Housing Affordability Fund (Pool 3) |
|---|--|---------------------------------|----------------------|-------------------------|---|---|
| Homebuyer Financing and Home Refinancing | | \$2,498,000,000 | \$0 | \$215,770,000 | \$2,246,000,000 | \$36,230,000 |
| 1 | Home Mortgage Loans | \$2,200,000,000 | \$0 | \$0 | \$2,200,000,000 | \$0 |
| 2 | Deferred Payment Loans | \$92,000,000 | \$0 | \$55,770,000 | \$0 | \$36,230,000 |
| 3 | Monthly Payment Loans | \$46,000,000 | \$0 | \$0 | \$46,000,000 | \$0 |
| 4 | First Generation Homebuyer Assistance Program - Minnesota Housing | \$50,000,000 | \$0 | \$50,000,000 | \$0 | \$0 |
| 5 | Community-Based First-Generation Homebuyers Assistance | \$100,000,000 | \$0 | \$100,000,000 | \$0 | \$0 |
| 6 | NeighborWorks Fee-Based Home Purchasing | \$10,000,000 | \$0 | \$10,000,000 | \$0 | \$0 |
| Homebuyer/Owner Education & Counseling | | \$7,384,000 | \$0 | \$5,384,000 | \$0 | \$2,000,000 |
| 7 | Homebuyer Education, Counseling & Training (HECAT) | \$4,384,000 | \$0 | \$4,384,000 | \$0 | \$0 |
| 8 | Enhanced Homeownership Capacity Initiative | \$3,000,000 | \$0 | \$1,000,000 | \$0 | \$2,000,000 |
| Home Improvement Lending | | \$75,544,000 | \$0 | \$7,544,000 | \$60,000,000 | \$8,000,000 |
| 9 | Home Improvement Loan Program | \$60,000,000 | \$0 | \$0 | \$60,000,000 | \$0 |
| 10 | Rehabilitation Loan Program (RLP) | \$15,544,000 | \$0 | \$7,544,000 | \$0 | \$8,000,000 |
| Single Family Production - New Construction and Rehabilitation | | \$120,513,000 | \$0 | \$100,513,000 | \$20,000,000 | \$0 |
| 11 | Single Family Interim Lending | \$20,000,000 | \$0 | \$0 | \$20,000,000 | \$0 |
| 12 | Workforce & Affordable Homeownership Development Program | \$60,513,000 | \$0 | \$60,513,000 | \$0 | \$0 |
| 13 | Homeownership Investment Grants | \$40,000,000 | \$0 | \$40,000,000 | \$0 | \$0 |
| Manufactured Housing and Communities | | \$44,071,000 | \$0 | \$37,071,000 | \$7,000,000 | \$0 |

Appendix A-2: 2024-2025 Estimated Program Resources by Source

| | | 2024-2025 Estimated Total | Federal Resources | State Appropriations | Mortgage Capital from Bonds or Agency Resources | Housing Affordability Fund (Pool 3) |
|----|---|---------------------------------|----------------------|-------------------------|---|---|
| 14 | Manufactured Home Community Financing | \$7,000,000 | \$0 | \$0 | \$7,000,000 | \$0 |
| 15 | Manufactured Home Community Redevelopment Grants | \$17,071,000 | \$0 | \$17,071,000 | \$0 | \$0 |
| 16 | Manufactured Home Park Cooperative Acquisition | \$10,000,000 | \$0 | \$10,000,000 | \$0 | \$0 |
| 17 | Manufactured Home Lending Grants | \$10,000,000 | \$0 | \$10,000,000 | \$0 | \$0 |
| 18 | Manufactured Home Relocation Trust Fund | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Other Single Family | \$5,000,000 | \$0 | \$5,000,000 | \$0 | \$0 |
| 19 | BuildWealth 9,000 Equities | \$5,000,000 | \$0 | \$5,000,000 | \$0 | \$0 |
| | Rental Production- New Construction and Rehabilitation | \$390,724,700 | \$57,753,700 | \$131,103,000 | \$201,868,000 | \$0 |
| 20 | Multifamily First Mortgage - Low- and Moderate-Income Rental | \$160,000,000 | \$0 | \$0 | \$160,000,000 | \$0 |
| 21 | Flexible Financing for Capital Costs (FFCC) | \$0 | \$0 | \$0 | \$0 | \$0 |
| 22 | Low Income Housing Tax Credits (LIHTC) - 9% | \$23,633,700 | \$23,633,700 | \$0 | \$0 | \$0 |
| 23 | National Housing Trust Fund | \$8,824,000 | \$8,824,000 | \$0 | \$0 | \$0 |
| 24 | HOME | \$25,296,000 | \$25,296,000 | \$0 | \$0 | \$0 |
| 25 | Preservation Affordable Rental Investment Fund (PARIF) | \$20,862,000 | \$0 | \$20,862,000 | \$0 | \$0 |
| 26 | Asset Management | \$0 | \$0 | \$0 | \$0 | \$0 |
| 27 | Rental Rehabilitation Deferred Loan (RRDL) | \$14,117,000 | \$0 | \$14,117,000 | \$0 | \$0 |
| 28 | Publicly Owned Housing Program (POHP) | \$88,794,000 | \$0 | \$46,926,000 | \$41,868,000 | \$0 |
| 29 | Workforce Housing Development Program | \$39,198,000 | \$0 | \$39,198,000 | \$0 | \$0 |
| 30 | High-Rise Sprinkler Grants | \$10,000,000 | \$0 | \$10,000,000 | \$0 | \$0 |
| | Rental Assistance Contract Administration | \$472,000,000 | \$472,000,000 | \$0 | \$0 | \$0 |

Appendix A-2: 2024-2025 Estimated Program Resources by Source

| | | 2024-2025 Estimated Total | Federal Resources | State Appropriations | Mortgage Capital from Bonds or Agency Resources | Housing Affordability Fund (Pool 3) |
|----|--|---------------------------------|----------------------|-------------------------|---|---|
| 31 | Section 8 - Project-Based Rental Assistance | \$472,000,000 | \$472,000,000 | \$0 | \$0 | \$0 |
| | Housing Stability for Populations Needing Extra Support | \$291,135,000 | \$3,826,000 | \$287,309,000 | \$0 | \$0 |
| 32 | Housing Trust Fund (HTF) | \$29,633,000 | \$0 | \$29,633,000 | \$0 | \$0 |
| 33 | Homework Starts with Home | \$5,500,000 | \$0 | \$5,500,000 | \$0 | \$0 |
| 34 | Bridges | \$10,676,000 | \$0 | \$10,676,000 | \$0 | \$0 |
| 35 | Bring It Home Rental Assistance | \$124,000,000 | \$0 | \$124,000,000 | \$0 | \$0 |
| 36 | Section 811 Supportive Housing Program | \$2,930,000 | \$2,930,000 | \$0 | \$0 | \$0 |
| 37 | Family Homeless Prevention and Assistance Program (FHPAP) | \$92,500,000 | \$0 | \$92,500,000 | \$0 | \$0 |
| 38 | Housing Opportunities for Persons with AIDS (HOPWA) | \$896,000 | \$896,000 | \$0 | \$0 | \$0 |
| 39 | Strengthen the Supportive Housing System | \$25,000,000 | \$0 | \$25,000,000 | \$0 | \$0 |
| | Multiple Use Resources | \$447,750,000 | \$0 | \$430,650,000 | \$17,100,000 | \$0 |
| 40 | Economic Development and Housing/Challenge (EDHC) | \$124,850,000 | \$0 | \$124,850,000 | \$0 | \$0 |
| 41 | Housing Infrastructure Resources | \$214,100,000 | \$0 | \$200,000,000 | \$14,100,000 | \$0 |
| 42 | State Housing Tax Credit Program | TBD | \$0 | TBD | \$0 | \$0 |
| 43 | Community Stabilization | \$90,000,000 | \$0 | \$90,000,000 | \$0 | \$0 |
| 44 | Greater Minnesota Housing Infrastructure | \$8,000,000 | \$0 | \$5,000,000 | \$3,000,000 | \$0 |
| 45 | Lead Safe Homes | \$4,000,000 | \$0 | \$4,000,000 | \$0 | \$0 |
| 46 | Local Housing Trust Fund Grants | \$6,800,000 | \$0 | \$6,800,000 | \$0 | \$0 |
| 47 | Strategic Investments / Loans | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Other | \$67,202,000 | \$0 | \$64,702,000 | \$0 | \$2,500,000 |

Appendix A-2: 2024-2025 Estimated Program Resources by Source

| | | 2024-2025 Estimated Total | Federal Resources | State Appropriations | Mortgage Capital from Bonds or Agency Resources | Housing Affordability Fund (Pool 3) |
|----|--|---------------------------------|----------------------|-------------------------|---|---|
| 48 | Technical Assistance and Operating Support | \$8,702,000 | \$0 | \$6,202,000 | \$0 | \$2,500,000 |
| 49 | Disaster Recovery and Relief Contingency Fund | \$0 | \$0 | \$0 | \$0 | \$0 |
| 50 | Stable Housing Organizational Relief Program | \$50,000,000 | \$0 | \$50,000,000 | \$0 | \$0 |
| 51 | Housing Mediation Grant Programs | \$3,000,000 | \$0 | \$3,000,000 | \$0 | \$0 |
| 52 | Local Housing Aid Grants (Tier 2 Cities) | \$4,500,000 | \$0 | \$4,500,000 | \$0 | \$0 |
| 53 | Grant to City of Minneapolis | \$1,000,000 | \$0 | \$1,000,000 | \$0 | \$0 |
| | COVID Housing Recovery | \$112,024,000 | \$112,024,000 | \$0 | \$0 | \$0 |
| 54 | Emergency Rental Assistance (ERA)- Targeted Assistance | \$41,500,000 | \$41,500,000 | \$0 | \$0 | \$0 |
| 55 | Emergency Rental Assistance (ERA) - Capital Funding | \$42,500,000 | \$42,500,000 | \$0 | \$0 | \$0 |
| 56 | Homeowner Assistance Fund (HAF) - HomeHelpMN | \$0 | \$0 | \$0 | \$0 | \$0 |
| 57 | HOME - ARP (American Rescue Plan) | \$28,024,000 | \$28,024,000 | \$0 | \$0 | \$0 |
| | AHP Total | 4,531,347,700 | \$645,603,700 | \$1,285,046,000 | \$2,551,968,000 | \$48,730,000 |



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Notes on reading the program descriptions:

- “Housing Investment Fund” and “Pool 2” refer to the same resource, which is described in Appendix A.
- “Housing Affordability Fund” and “Pool 3” refer to the same resource, which is described in Appendix A.
- The sum of the projections for the number of housing units or households assisted by individual programs during the plan period exceed the total number of households projected to be served across all programs. This occurs because some households or housing units will receive assistance from multiple programs to achieve needed affordability levels.
- The projections for the number of households or units assisted generally are based on the average assistance per household or unit for the last five years, by program, adjusted for inflation and program trends and changes.
- The funding levels described in the narratives are estimates of the amounts we expect to deploy with partners in 2024-2025. The number of households the Agency expects to serve with each funding source is an estimate, and the final numbers will depend on actual expenditures and will be reported in the annual Program Assessment Report.
- “Program” is used broadly throughout the Affordable Housing Plan to refer to Minnesota Housing programs, initiatives and activities.

HOMEBUYER FINANCING AND HOME REFINANCING

Home Mortgage Loans

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

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

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

Current household income limits for Start Up:

| <u>Property Location</u> | <u>Maximum Household Income</u> | |
|---|---------------------------------|------------------|
| | <u>1-2 person</u> | <u>3 or more</u> |
| Minneapolis/Saint Paul Metro Area (11-county) | \$124,200 | \$142,800 |
| Dodge and Olmsted Counties | \$118,000 | \$136,700 |
| All Other Counties | \$111,700 | \$128,400 |

Current income limits for Step Up:

| <u>Property Location</u> | <u>Maximum</u> |
|---|----------------|
| Minneapolis/Saint Paul Metro Area (11-county) | \$185,700 |
| Dodge and Olmsted Counties | \$185,700 |
| All Other Counties | \$167,000 |

Purchase price limits for Start Up:

| <u>Property Location</u> | <u>Maximum</u> |
|---|----------------|
| Minneapolis/Saint Paul Metro Area (11-county) | \$515,200 |
| All Other Counties | \$472,030 |

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 5,595 loans
- \$1,278,524,156 total loan amount
- \$228,512 average loan
- A median household income of \$66,906 or 64% of the statewide median family income
- 40% of households were Indigenous, Black or households of color overall, and 40% of first-time Start Up borrowers were Black, Indigenous or households of color

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

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$2.2 billion. Industry changes or changes in market conditions could affect production.

Based on resources available for new activity, we expect to finance mortgages for about 4,500 households each of the two years. Reducing the homeownership disparity for Indigenous, Black and households of color will continue to be a priority.

Deferred Payment Loans

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

The Deferred Payment Loan provides an interest-free, deferred loan for downpayment and closing costs to income-eligible first-time homebuyers purchasing a home under the Start Up program. Borrowers that receive DPL lack the necessary funds for standard mortgage

downpayment and closing costs. The maximum loan amount is \$18,000. The program serves lower income households than the amortizing Monthly Payment Loan and is funded through a combination of state appropriations and Pool 3 funds.

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

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

| <u>Property Location</u> | <u>Maximum</u> |
|---|----------------|
| Minneapolis/Saint Paul Metro Area (11-county) | \$89,000 |
| Dodge and Olmsted Counties | \$89,000 |
| All Other Counties | \$80,000 |

Current purchase price limits are:

| <u>Property Location</u> | <u>Maximum</u> |
|---|----------------|
| Minneapolis/Saint Paul Metro Area (11-county) | \$515,200 |
| All Other Counties | \$472,030 |

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

Program Performance and Trends

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

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 3,403 loans
- \$40,129,477 total loan amount
- \$11,792 average loan
- A median household income of \$57,645 or 55% of the statewide median income
- 41% of households were Indigenous, Black or households of color

Expected Activity for 2024-2024

The estimated 2024-2025 resources are \$92,000,000.

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

Based on resources available for new activity, we expect to support about 2,840 households each of the two years.

Monthly Payment Loans

Monthly Payment Loans (MPLs) are interest-bearing, amortizing loans that provide downpayment and closing-cost funds. MPLs support our Start Up and Step Up home mortgage loan programs. Borrowers who qualify for MPLs receive up to \$18,000. MPLs use Pool 2 resources and have a 10-year term with an interest rate equal to that of the first mortgage.

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

Current household income limits for Start Up:

| <u>Property Location</u> | <u>Maximum Household Income</u> | |
|---|---------------------------------|------------------|
| | <u>1-2 person</u> | <u>3 or more</u> |
| Minneapolis/Saint Paul Metro Area (11-county) | \$124,200 | \$142,800 |
| Dodge and Olmsted Counties | \$118,000 | \$135,700 |
| All Other Counties | \$111,700 | \$128,400 |

Current income limits for Step Up:

| <u>Property Location</u> | <u>Maximum</u> |
|---|----------------|
| Minneapolis/Saint Paul Metro Area (11-county) | \$185,700 |
| Dodge and Olmsted Counties | \$185,700 |
| All Other Counties | \$167,000 |

Purchase price limits:

| <u>Property Location</u> | <u>Maximum</u> |
|---|----------------|
| Minneapolis/Saint Paul Metro Area (11-county) | \$515,200 |
| All Other Counties | \$472,030 |

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 2,089 loans
- \$29,419,658 total loan amount
- \$14,083 average loan
- A median household income of \$89,162 or 86% of the statewide median income
- 40% of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2024 resources are \$46,000,000.

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

Based on resources available for new activity, we expect to fund loans for 1,530 households each of the two years.

First Generation Homebuyer Loan Program – Minnesota Housing

The First Generation Homebuyer Loan Program is a new program and will provide targeted assistance to eligible first-generation homebuyers throughout the state. The Agency is partnering with local lenders to deliver the assistance.

The program will serve eligible first-generation homebuyers, which are households:

- Whose household income is at or below 115 percent of the statewide or area median income, whichever is greater, at the time of purchase; and
- Who is a first-time homebuyer as defined by the Agency.

Eligible households must also meet the following criteria:

- Have either never owned a home or owned a home but lost it due to foreclosure;
- Have a parent or prior legal guardian who: (1) does not currently own a home, and (2) has never previously owned a home or has previously owned a home but lost it due to foreclosure; and
- Have completed an approved homebuyer education course.

Eligible homebuyers are required to purchase the home within the maximum loan amount established by the Federal Housing Administration for the county in which the home is located. They must contribute a minimum of \$1,000 toward downpayment or closing costs and occupy the home as a primary residence.

- Assistance to households may be provided as a forgivable loan, a deferred loan, or a combination of both, and may be used for:
- Closing costs
- Downpayment
- Mortgage insurance
- Interest rate buydown
- Principal reduction

Homebuyers may use the funds to purchase a one- to four-unit home, including manufactured homes. The assistance is limited to the greater of ten percent of the purchase price of a home or \$35,000 per eligible first-generation homebuyer household. The Agency has discretion to adjust amount of assistance based on market conditions. The funds can be combined with other homebuyer assistance but must be used in conjunction with a conforming first mortgage loan that is fully amortizing, with or without interest, and meets the standard of a qualified mortgage or as otherwise determined by the Agency.

Loans would become repayable if the property:

- Converts to nonowner occupancy,
- Is sold within the loan period,
- Is subjected to an ineligible refinance,
- Is subjected to an unauthorized transfer of title, or
- Meets other criteria specified in the loan documents.

Recapture can be waived in the event of financial or personal hardship at the discretion of the Agency.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$50,000,000.

Based on resources available for new activity, we expect to fund loans for 1,560 households over of the two years with more of the households supported in the first year.

Community-Based First-Generation Homebuyers Assistance

The Community-Based First-Generation Homebuyers Assistance Program is a new statewide pilot program and will be administered by Midwest Minnesota Community Development Corporation (MMCDC). MMCDC is allowed to originate and service funds and authorize other Community Development Financial Institutions (CDFIs), Tribal entities, and nonprofit organizations administering downpayment assistance to reserve, originate, fund, and service funds for eligible households. Administrative costs are capped at \$3,200 per loan.

Funds may be used for closing costs, downpayment or principal reduction. An eligible household may select any first mortgage lender or broker of their choice, provided that the funds are used in conjunction with a conforming first mortgage loan. Funds may be used in conjunction with other programs for which the eligible household may qualify, and the loan may be placed in any priority position.

Assistance is limited to ten percent of the purchase price of a one or two unit home, but not to exceed \$32,000, and is provided in the form of a forgivable loan that becomes repayable if the property converts to nonowner occupancy, is sold, is subjected to an ineligible refinance, is subjected to an unauthorized transfer of title, or is subjected to a completed foreclosure action within the five-year loan term. Recapture can be waived in the event of financial or personal hardship.

To be an eligible for this program, a household must:

- Have income at or below 100 percent of the area median income at the time of purchase; and
- Include at least one adult member who:
 - Is preapproved for a first mortgage loan,
 - Who has either never owned a home or owned a home but lost it due to foreclosure, and
 - Whose parent or prior legal guardian either never owned a home or owned a home but lost it due to foreclosure.

At least one adult household member must complete an approved homebuyer education course prior to signing a purchase agreement and occupy the home as their primary residence.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$100,000,000. We expect to grant these funds to MMCDC in program year 2024 with funds being available for use by MMCDC for a three-year period commencing with the issuance of the grant.

Based on resources available for new activity, we expect to fund loans for 3,100 households over of the two years with about 470 of them paired with a Minnesota Housing home mortgage and roughly 2,640 paired with other home mortgages.

NeighborWorks Fee-Based Home Purchasing

The first-time homebuyer, fee-based home purchasing financing program is a new statewide pilot program run by NeighborWorks Home Partners. The appropriated funds will provide forgivable grants of downpayment assistance not to exceed 30 percent of the price of the eligible property that an eligible homebuyer seeks to purchase. Eligible properties include condominiums, townhouses, single-family homes, manufactured homes titled as real property, and buildings containing up to four dwelling units. This includes property subject to a ground lease with a community land trust, property on Indian Trust Land, or property participating in a shared equity homeownership program.

NeighborWorks Home Partners will provide grants to eligible homebuyers using no-interest, fee-based loans to finance the purchase of eligible properties and will determine the circumstances, terms, and conditions. An eligible homebuyer may use the funds in conjunction with any other funding programs.

To be eligible for this program, a household must:

- Have income at or below 130 percent of area median income;
- Reside in a census tract where at least 60 percent of occupied housing units are renter-occupied, based on the most recent estimates or experimental estimates provided by the American Community Survey of the United States Census Bureau;
- Finance the purchase of an eligible property with an interest-free, fee-based mortgage; and
- Be a first-time homebuyer as defined by Code of Federal Regulations, title 24, section 92.2.

In addition, an eligible household must:

- Complete an approved homebuyer education course prior to signing a purchase agreement,

- Complete an approved landlord education course prior to signing a purchase agreement if the property being purchased contains more than one dwelling unit,
- Contribute a minimum of \$1,000 to downpayment or closing costs, and
- Occupy the purchased property as the homebuyer's primary residence.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$10,000,000. We expect to award these funds to NeighborWorks Home Partners in program year 2024.

Based on resources available for new activity, we expect these funds to assistance roughly 100 households.

HOMEBUYER/OWNER EDUCATION AND COUNSLEING

Homeownership Education, Counseling and Training (HECAT) Fund

The Homeownership Education, Counseling and Training (HECAT) Fund supports comprehensive pre-purchase services, including: (1) in-person homeownership education (Home Stretch and Realizing the American Dream), (2) homeownership services (financial wellness and homebuyer counseling), (3) home equity conversion (reverse mortgage) counseling, and (4) foreclosure prevention counseling. Besides the state appropriation, Family Housing Fund, Greater Minnesota Housing Fund and the Minnesota Homeownership Center have annually contributed up just over \$500,000 to the program. We award the funds through a competitive Request for Proposals (RFP) process. The online homeownership education course, Framework, is an alternate option to HECAT-funded homeownership education. While Framework is part of the overall homebuyer educations system that we support, HECAT does not fund Framework.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 6,494 households served through HECAT program
- \$1,213,134 total funding
- \$163 average Minnesota Housing assistance per household
- A median household income of \$43,000 or 41% of the statewide median income

- 52% of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$4,384,000 a portion of which is contingent on funds being made available by partner organizations.

Based on the resources available for new activity, we anticipate that roughly 7,300 households will receive homebuyer/owner education and counseling each of the two years through HECAT.

Homeownership Capacity

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

The Homeownership Capacity program is funded with Pool 3 resources and state appropriations to BuildWealth MN and provides intensive financial education, coaching and case management services to prepare families for sustainable homeownership. It serves a range of households but has targeted efforts to reach households of color and low- to moderate-income households to increase their probability of successful homeownership.

This initiative supports new and expanded homeowner training efforts through existing organizations, which leverage funds from several sources. In the most recent round of funding, 19 organizations will provide services – twelve in the Twin Cities metro, four in Greater Minnesota, two in both areas, and one statewide.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 808 households served
- \$1,063,300 total grant amount
- \$1,316 average Minnesota Housing funding per household
- A median household income of \$40,800 or 39% of the statewide median income
- 90% of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$3,000,000.

Based on the resources available for new activity, we anticipate serving approximately 1,000 households each of the two years.

HOME IMPROVEMENT LENDING

Home Improvement Loan Program

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

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

Income limit:

| <u>Property Location</u> | <u>Income Limit</u> |
|---|---------------------|
| Minneapolis/Saint Paul Metro Area (11-county) | \$185,700 |
| Dodge and Olmsted Counties | \$185,700 |
| All Other Counties | \$167,000 |

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

Maximum loan amount:

- \$75,000 for secured loans
- \$25,000 for unsecured loans
- \$60,000 for secured energy loans
- \$35,000 for secured accessibility loans

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 1,022 loans

- \$28,043,068 total loan amount
- \$27,439 average loan
- A median household income of \$83,498 or 80% of the statewide median income
- 15% of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$60,000,000.

Based on current loan production trends and the resources available for new activity, we anticipate serving approximately 1,000 households each of the two years.

Rehabilitation Loan Program (RLP)

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

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

Current income limits are adjusted by household size, from \$26,100 for a single person household to \$37,300 for a four-person household. Other borrower assets cannot exceed \$25,000.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 166 loans
- \$4,627,839 total loan amount
- \$27,879 average loan
- A median household income of \$16,186 or 16% of statewide median income
- 13% of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$15,544,000.

Based on resources available for new activity, we expect to fund rehabilitation loans for approximately 260 households each of the two years.

SINGLE FAMILY PRODUCTION – NEW CONSTRUCTION, REHABILITATION AND SUPPORTS

Besides the programs listed below, this activity includes the Economic Development Housing and Housing Challenge (EDHC) program and Housing Infrastructure Resources, which are included the Multiple Use Resources section of this appendix because they can be used for both single-family and multifamily development.

Single-Family Interim Lending

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

Program Performance and Trends

Performance data on interim lending are reported under the Impact Fund program in the EDHC description. The Impact Fund is the umbrella program under which we deliver the EDHC program, Housing Infrastructure Resources and interim construction financing for single-family owner-occupied housing.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$20,000,000.

Based on resources available for new activity, we expect to support the construction of about 160 homes in 2024 and 50 homes in 2025.

Workforce and Affordable Homeownership Development Program

The funds for the Workforce and Affordable Homeownership Development Program may be used for the development of homeownership opportunities and can be used for development costs, rehabilitation, land development and residential housing. In addition, the legislation allows for manufactured home community infrastructure development and repair and storm shelter development. Eligible program applicants are cities, tribal governments, nonprofit organizations, cooperatives and community land trusts.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 109 units
- \$3,095,971 of funds disbursed
- \$28,403 average assistance per household

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$60,513,000.

Based on resources available for new activity, we expect to support about 380 homes each of the two years.

Homeownership Investment Grants

The Homeownership Investment Grants is a new program and will provide funding to nonprofit Community Development Financial Institutions (CDFIs) that provide affordable housing lending or financing programs. The program is intended to support projects that encourage affordable homeownership. This can include:

- Increasing the supply of affordable owner-occupied homes,
- Financing programs for affordable owner-occupied new home construction,
- Acquisition, rehabilitation, and resale of affordable owner-occupied homes or homes to be converted to owner-occupied homes, or
- Establishing revolving loan accounts at community development financial institutions.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$40,000,000.

Based on resources available for new activity, we expect to support about 180 homes each of the two years.

MANUFACTURED HOUSING AND COMMUNITIES

Besides the programs listed below, this activity includes Housing Infrastructure Funds, which are included the Multiple Use Resources section of this appendix because they can be used for single-family and multifamily development and manufactured home community redevelopment.

Manufactured Home Community Financing

Minnesota Housing makes available on a year-round basis Agency resources (Pool 2, possibly in conjunction with some Pool 3 funds) for the acquisition, improvement and/or permanent financing of manufactured home communities throughout the state. These funds may be used independently or in connection with other resources, including our Manufactured Home Community Redevelopment Program and Manufactured Home Park Cooperative Purchase Program.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- One loan for a community with 61 homes
- \$2,775,000 total loan amount
- \$45,492 average assistance per home

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$7,000,000.

Based on resources available for new activity, we expect to support about 100 home lots each of the two years.

Manufactured Home Community Redevelopment Program

This program was created in statute in 2001, it was funded for the first time for the 2020-2021 biennium. Program funds are awarded as grants to eligible applicants for infrastructure improvements, such as storm shelters, street improvements and water and sewer system upgrades, or acquisition of manufactured home parks, as described in statute. The activities under statute are also an eligible use for Housing Infrastructure Resources.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 386 manufactured home lots
- \$3,950,702 total grant amount
- \$3,046 average assistance per lot

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$17,071,000.

Based on these funds, we expect to support about 1,180 manufactured home lots in 2024 and about 130 lots in 2025. We expect most of the funding to be awarded in the first year. In addition, Housing Infrastructure Resources (which are described in the Multiple Use Resource section of this appendix) can also be used for manufactured home community redevelopment. With those additional resources, we will also be able to support roughly 700 lots in 2024 and another 180 in 2025.

Manufactured Home Park Cooperative Purchase Program

This \$10 million grant to Northcountry Cooperative Foundation will establish a revolving loan fund to convert manufactured home parks to cooperative ownership. The program is intended to create and preserve housing affordable to households with incomes at or below 80% of AMI. All properties purchased must carry a 30-year affordability term.

This program is separate from, but can be used in conjunction with, the Manufactured Home Community Financing program, where Minnesota Housing provides amortizing lending with its own resources.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$10,000,000. We expect to award these funds to Northcountry Cooperative Foundation in program year 2024, which should support roughly 240 manufactured home lots.

Manufactured Home Lending Grants

Under this new program, Minnesota Housing will award grants to eligible organizations to create manufactured home lending services for: (1) the purchase of new homes, (2) downpayment assistance, and/or (3) home repair, renovation, removal, and site preparation. Eligible organizations must be tax-exempt nonprofits that are qualified lenders or certified Community Development Financial Institutions (CDFIs) with primary operations in Minnesota and that serve low-income populations in manufactured home communities owned by residents, cooperatives, nonprofits or municipalities. Interest earned and repayments of principal from loans issued under this program must be used for purposes specified under the program.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$10,000,000.

Based on resources available for new activity, we expect to support about 60 households in each of the two years.

Manufactured Home Relocation Trust Fund

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

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

by an appointed neutral third party. Starting in 2024, Minnesota Housing will be collecting the assessment.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported no Manufactured Home Relocation Trust Fund activity.

Expected Activity for 2024-2025

As of June 30, 2023, the fund had a \$2.1 million uncommitted balance, which is above the \$2 million threshold.

Disbursements from the fund vary significantly from year to year, depending on the level of park closures. We are not making an estimate of the assistance needs at this time.

OTHER SINGLE FAMILY

BuildWealth 9,000 Equities

This is a one-time grant of \$5 million to BuildWealth Minnesota for the 9,000 Equities Fund, a targeted loan pool that provides affordable first mortgages or equivalent financing opportunities to households struggling to access mortgages in historically underserved communities of color. This initiative intends to finance 9,000 new homeowners in the next five to seven years. Up to \$1 million of this amount may be used for a grant to the Stairstep Foundation to support completion of the Family Stabilization Plan program developed by BuildWealth Minnesota, which would provide financial literacy education, budget and debt counseling, and program outreach.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$5,000,000. We expect to award these funds to BuildWealth in program year 2024, which should support about 20 homebuyers.

RENTAL PRODUCTION – NEW CONSTRUCTION AND REHABILITATION

In addition to the programs listed below, this activity area includes a few other programs, including:

- The multifamily part of the Economic Development and Housing Challenge program and Housing Infrastructure Resources, which are described in the Multiple Use Resources section of this appendix. Those resources can be used for either single-family or multifamily development.
- Two programs described in the COVID Housing Recovery category: (1) Emergency Rental Assistance (ERA) – Capital Funding and (2) HOME – ARP.

Multifamily First Mortgages – Low- and Moderate-Income Rental (LMIR)

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

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

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

Current tenant income restrictions: 40% of units must be occupied by households with incomes at 60% or less of the area median income;¹ or 20% of units must be occupied by households with incomes at 50% or less of area median income; and 25% of units may be occupied by

¹ It is actually 60% of MTSP (Multifamily Tax Credit Subsidy Projects), which is very similar to AMI (area median income). We are using AMI in this explanation because it is a more widely used term.

households with unrestricted incomes. The balance of the units may be occupied by households with incomes equal to or less than 100% of the area median income.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 16 loans for developments with 786 units
- \$51,018,488 total loan amount
- \$64,909 average LMIR funding per unit
- A median household income of \$27,469 or 26% of the statewide median income
- 49% of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$160,000,000 for both permanent first mortgages and construction loans.

Based on resources we expect to be available for new permanent first mortgages (excluding construction/bridge loans), we expect to finance roughly 820 rental units in 2024 and 550 in 2025.

Flexible Financing for Capital Costs (FFCC)

We provide Flexible Financing for Capital Costs (FFCC) deferred loans at low or no interest, using Pool 3 resources. FFCC is generally available only in conjunction with Agency-originated first mortgage loans for the refinance, acquisition, rehabilitation, new construction or conversion of rental developments that house low- and moderate-income Minnesotans. FFCC loans may also be used in tandem with Housing Infrastructure Bond (HIB) loans to fund costs not otherwise eligible from HIB proceeds. Loans include both rent and income restrictions.

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

Current tenant income restrictions: 40% of units must be occupied by households with incomes at 60% or less of the area median income; or 20% of units must be occupied by households with incomes at 50% or less of the area median income; and 25% of units may be occupied by households with unrestricted incomes. The balance of the units may be occupied by households with incomes equal to or less than 100% of the area median income.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 1 FFCC loan for developments with 40 units
- \$1,680,000 total loan amount
- \$42,000 average FFCC assistance per unit

Expected Activity for 2024-2025

At this point, we are not expecting to use any FFCC funding for 2024 and 2025.

Low Income Housing Tax Credits (LIHTC) – 9%

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

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

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

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

The federal LIHTC program is separate from the State Housing Tax Credit program.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 791 LIHTC units receiving 9% tax credits
- \$102,899,993 in syndication proceeds (investor equity from the sale of credits)
- \$130,088 average syndication amount per unit
- A median household income of \$23,370 or 23% of the statewide median income
- 50% of households were Indigenous, Black or households of color

Expected Activity for 2024-2024

We estimate that that Minnesota Housing will allocate \$23,633,700 in 9% tax credits in 2024-2024, which should generate about \$200 million in syndication proceeds for the two years combined.

Based on the resources available for new activity, we expect to allocate tax credits to support 380 rental units in each of the two years.

National Housing Trust Fund (NHTF)

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

The program provides financing for:

- New construction,
- Acquisition with rehabilitation,
- Rehabilitation without acquisition, or
- Operating subsidies for one of the above developments that produces new units meeting the permanent supportive housing strategic priority (up to 33% of the grant)

Current Rent Restrictions: Rents for an extremely low-income tenant shall not exceed affordability at 30% of the area median income (AMI), as published by HUD for the NHTF program.

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

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- No National Housing Trust Fund projects completed the financing process in FFY 2022.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$8,824,000.

Based on the resources available for new activity, we could support roughly 50 units in each of the two years.

HOME

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

We allocate HOME funds through the annual Consolidated Request for Proposals (RFP) process.

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

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

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

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 1 loan for development with 32 units
- \$6,478,877 total loan amount
- \$202,465 average HOME assistance per unit
- A median household income of \$13,291 or 13% of the statewide median income
- 52% of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2023-2024 resources are \$25,296,000.

Based on resources available for new activity, we expect to fund about 130 rental units in each of the two years.

Preservation - Affordable Rental Investment Fund (PARIF)

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

We allocate PARIF funds, which are state appropriations, through our annual Consolidated Request for Proposals (RFP) process and on a year-round basis, if funding is available.

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

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

Maximum assistance amount: None

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 8 loans for developments with 326 units
- \$20,489,649 total loan amount
- \$62,852 average HOME assistance per unit
- A median household income of \$13,692 or 13% of the statewide median income
- 51% of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$20,862,000.

Based on resources available for new activity, we expect to fund 170 rental units in each of the two years.

Asset Management

Under the Asset Management program, resources are available on a year-round basis and are designed to fund properties with immediate critical health and life safety needs. Properties with financing from Minnesota Housing are eligible, including those with existing affordability

restrictions or rental assistance contracts administered by Minnesota Housing. Because we prioritize properties already in Minnesota Housing’s portfolio, referrals primarily come from Minnesota Housing’s asset management and compliance staff.

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

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

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

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we provided \$2,270,000 in asset management assistance for 101 units in four developments.

Expected Activity for 2024-2025

At this point, we are not expecting to use any Asset Management funding for 2024 and 2025.

Rental Rehabilitation Deferred Loan Pilot (RRDL) Program

RRDL provides deferred loans at no interest to individuals, developers, nonprofits, units of government and tribal housing corporations for the moderate rehabilitation of existing affordable permanent rental housing outside of the metro area. The program is funded with state appropriations and designed to serve owners of smaller properties that do not apply or would not be competitive in our regular Consolidated Request for Proposals (RFP) process.

RRDL funds are available through a targeted Request for Proposals. Owners can apply directly to Minnesota Housing for RRDL funds. Loan terms range from 15 to 30 years depending on the loan amount. Properties containing eight or more units may apply for loans where 10% of the loan amount is forgiven after the loan term has been met.

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

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 1 loan for development with 14 units
- \$700,000 total loan amount
- \$50,000 average RRDL assistance per unit
- A median household income of \$19,200 or 19% of the statewide median income
- 15% of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$14,117,000.

Based on resources available for new activity, we expect to fund about 400 rental units over the two years.

Publicly Owned Housing Program (POHP)

Through the Publicly Owned Housing Program (POHP), we provide deferred, forgivable loans at no interest to eligible public housing authorities or housing and redevelopment authorities to preserve/rehabilitate properties that they own and operate under HUD's Public Housing program. The program is traditionally funded with state General Obligation (GO) bond proceeds, which can be used only for eligible capital costs of a non-recurring nature that add value or life to the buildings, but for the 2024-2025 biennium, it includes some direct appropriations.

POHP funds are available through a Request for Proposals process with owners applying directly to the Agency. Loans are structured with a 20-year term and a 35-year compliance period. The loan amount is forgiven after the loan term has been met.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 8 loans for developments with 1,005 units
- \$4,448,400 total loan amount
- \$4,426 average POHP assistance per unit
- A median household income of \$12,347 or 12% of the statewide median
- 32% of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$88,794,000.

Based on resources currently available for new activity, we expect to support roughly 3,700 rental units in each of the next two years.

Workforce Housing Development Program

This competitive program targets small to mid-size cities, communities or federally recognized Tribal reservations in Greater Minnesota with rental workforce housing needs. Funds may be used for qualified expenditures that result in the direct development of rental properties. Funds are targeted to proposals with the greatest proportion of market-rate units but can be used for developments with rent and income restrictions imposed by other funding sources for some units. Communities with 30,000 or fewer residents have a funding priority.

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

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 4 loans for developments with 109 units
- \$3,095,971 total loan amount

Expected Activity for 2022-2023

The estimated 2022-2023 resources are \$39,198,000.

Based on resources available for new activity, we expect to fund about 560 rental units in each of the two years.

High-Rise Sprinkler Grants

High-Rise Sprinkler System Grants are a new, one-time program and will make grants up to \$2 million to owners of eligible buildings for installation of sprinkler systems and, if necessary, for relocation of residents during the installation of sprinkler systems. Nonprofit applicants will be prioritized and require a 25% match, while for-profit applicants require a 50% match.

To be eligible, existing residential buildings must have: (1) at least one story used for human occupancy that is 75 feet or more above the lowest level of fire department vehicle access, and (2) at least two-thirds of its units being affordable to households with an annual income at or below 50 percent of the area median income.

Up to \$4 million of the available amount is set aside for a grant to CommonBond Communities for installation of sprinkler systems at Seward Tower East and West.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$10,000,000, which includes a \$4 million set aside for CommonBond Communities.

Based on resources available for new activity, we could fund about 1,000 units in 2024 and 320 in 2025.

RENTAL ASSISTANCE CONTRACT ADMINISTRATION

Section 8 – Project-Based Rental Assistance

The Housing and Community Development Act of 1974 created the project-based Section 8 Housing Assistance Payments Program. Under the program, the U.S. Department of Housing and Urban Development (HUD) entered into contracts with property owners to provide rental assistance for a fixed period of time for families with incomes no greater than 80% of the area median income. No new development has been funded under this program since the mid-1980s; however, HUD and the Agency collaborate to not only preserve and extend existing contracts but also transfer project-based budget authority from developments with owners that want to exit the program to partially-assisted or previously-unassisted properties. Under existing contracts, tenants pay no more than 30% of adjusted household income for rent. HUD pays the difference between tenant rent payments and the contract rent of assisted units.

We provided permanent mortgage financing for more than 235 Section 8 Traditional Contract Administration (TCA) properties developed from 1975 to the mid-1980s. We currently manage one remaining TCA contract. Most have been converted to Performance-Based Contract Administration (PBCA) contracts.

Through a contract with HUD under the Performance Based Contract Administration (PBCA) authority, the Agency, as a Public Housing Authority (PHA), administers existing project-based Section 8 contracts for another 526 properties, which is expected to increase to 527 as the last contract converts to PBCA.

Under these contracts, the Agency helps administer this important federal program, including performing management and occupancy reviews, processing contract renewals and annual rent

adjustments, processing monthly payment vouchers, responding to tenant concerns and following up on Real Estate Assessment Center physical inspections. In addition to ensuring that this deeply affordable housing resource remains viable and in compliance with federal requirements, these activities assist us in identifying and planning for the preservation needs of developments with Section 8 assistance.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, for PBCA properties we reported:

- 29,763 households assisted
- \$223,308,128 in Housing Assistance Payments (HAP)
- \$7,503 average (HAP) assistance per household
- A median household income of \$13,164 or 13% of the statewide median
- 39% of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

Our current PBCA agreement with HUD has been extended several times. The Agency continues to work with HUD regarding extensions to that agreement and the possibility of a federal RFP regarding PBCA services in the future. We currently manage 526 PBCA contracts under this agreement. PBCA revenue earned through administration of the contracts pays 100% of the cost of administering the program.

The estimated 2024-2025 resources are \$472,000,000.

Based on resources available for new activity, we expect to support about 29,500 rental units each of the two years.

HOUSING STABILITY FOR POPULATIONS NEEDING EXTRA SUPPORT

Housing Trust Fund (HTF)

Historically, funding for the HTF has been used to fund capital, rental assistance and operating subsidy expenses. In recent years, we have used HTF state appropriations for rental assistance and operating subsidies at some developments previously financed by Minnesota Housing. Households served by HTF include High Priority Homeless (HPH) families and individuals, defined as households prioritized for permanent supportive housing by the Coordinated Entry System for homelessness services.

Current tenant income limit: 60% of the area median income (AMI) for the supported household's region, with a priority for people at 30% of AMI and/or High Priority Homeless households.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 1,251 households assisted
- \$9,005,123 in total disbursements
- \$9,670 average HTF assistance per household
- A median household income of \$9,000 or 9% of the statewide median income
- 63% of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

Minnesota Housing provides HTF rental assistance and operating subsidies under two-year contracts with local administrators. For rent assistance, we entered into new two-year contracts in October 2023. For operating subsidies, we will issue a Request for Proposals in 2024.

The estimated 2024-2025 resources are \$29,633,000 for all HTF activities.

Based on resources available for new activity, we expect to support about 2,150 renter households each of the two years, about 1,510 through rental assistance and 640 through operating subsidies.

Homework Starts with Home

Homework Starts with Home is a state-funded program that provides rent assistance and other supports to families with children experiencing housing instability. We administer it in partnership with the Department of Education (MDE) and others. The program was created in response to the increasing number of students experiencing homelessness and is built upon the successful Housing Trust Fund Rental Assistance Pilot for Homeless and Highly Mobile Families. The program serves students and their families who are homeless or at imminent risk of homelessness, including: (1) families with children eligible for a pre-Kindergarten through grade 12 academic program, and (2) youth (with or without children of their own) who are eligible for an academic program and facing housing instability without their parent or guardian. The goals of the program are to create housing stability as well as improve academic achievement.

A collaborative approach involving local housing organizations, schools and service providers is a key feature of the local program design.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 378 households assisted
- \$2,381,332 in total disbursements
- \$6,300 average Homework Starts with Home assistance per unit
- A median household income of \$16,800 or 16% of the statewide median
- 78% of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$5,500,000.

Based on resources available for new activity, we expect to support about 350 renter households each of the two years.

Bridges

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

Tenants are responsible for a portion of the rent, which is generally equal to 30% of their income.

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

- Persons residing in an institution, segregated setting, or under correctional supervision who will be homeless upon exit,
- Persons experiencing homelessness who are assessed as High Priority Homeless (HPH) through the Coordinated Entry (CE) system, and
- People experiencing or at imminent risk of homelessness.

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

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 650 households assisted
- \$3,682,195 in total disbursements
- \$7,590 average Bridges assistance per household
- A median household income of \$10,800 or 10% of the statewide median income
- 32% of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

Bridges funds rent assistance under two-year contracts with local administrators. Minnesota Housing entered into the most recent contracts in July 2023.

The estimated 2024-2025 resources are \$10,676,000.

Based on resources available for new activity, we expect to support about 740 renter households each of the two years.

Bring It Home Rental Assistance

Bring It Home Rental Assistance is a new program and modeled after the federal HUD Section 8 program and can provide both tenant- and project-based rental assistance. The assistance amount for renters will equal to the difference between 30 percent of household income and the rent charged, plus an allowance for utilities if not included in rent. The maximum contract rent that can be subsidized is 120 percent of the payment standard as established by the local public housing authority unless the Agency allows otherwise.

Eligible households are those with an annual income of up to 50 percent of the area median income as determined by the United States Department of Housing and Urban Development, adjusted for family size, that is paying more than 30 percent of their annual income on rent. Eligibility is determined at the time a household first receives assistance and must be recertified annually. Households receiving rental assistance under the federal Section 8 program are not eligible.

Households with children 18 years of age and under and annual incomes of up to 30 percent of the area median income are prioritized. Program administrators are allowed to establish additional priority populations based on local need.

Funds will be distributed statewide to housing and redevelopment authorities or other local units of government that administer federal rental assistance, tribal governments or tribally-designated housing entities, or a nongovernmental organization if there are no other entities in

a region able to administer the program. Minnesota Housing is required to make grants statewide in proportion to the number of households eligible for assistance in each county based on the most recent American Community Survey. Entities that administer the program may use existing procedures for distributing rental assistance, or have new procedures approved by the Agency.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$124,000,000.

We are currently estimating that the program will be operational later in 2024, assisting 470 household in program year 2024. By 2025, the program should be fully operational, serving about 4,700 households annually.

Section 811 Supportive Housing Program

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

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

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

The state enters into contracts with selected public and private rental property owners for a minimum of 20 years, with initial funding for a period of five years. Funding beyond the first five years is subject to federal appropriations. The project-based rent assistance covers the difference between the tenant's payment and the approved gross rent. A small portion of the grant is used to pay for administrative expenses.

To ensure that this deeply affordable housing resource remains viable and in compliance with federal requirements, the Agency administers this program by performing management and occupancy audits, processing annual rent adjustments, processing monthly payment vouchers, responding to tenant concerns and performing Uniform Physical Condition Standards (UPCS) compliant physical inspections.

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

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 158 households assisted
- \$1,055,264 in total disbursements
- \$6,679 average Section 811 assistance per household
- A median household income of \$11,063 or 11% of the statewide median income
- 51% of households were Indigenous, Black or households of color

HUD initially awarded Minnesota \$3 million for up to 85 units of project-based rental assistance. We awarded all this funding for 84 project-based rental assistance subsidies (one unit less than the original goal of 85 units). In 2015, we received a second round of funding for an additional 75 units, which were awarded to existing or new properties through the Multifamily Consolidated RFP process in 2015 through 2017. In 2019, we received a third award from HUD for another 160 units, and 60 of those units are in the process of coming online in the next two years.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$2,623,000.

Based on resources available for new activity, we expect to support about 200 renter households in each of the two years.

Family Homeless Prevention and Assistance Program (FHPAP)

Under FHPAP, we assist families with children, unaccompanied youth and single adults who are homeless or are at imminent risk of homelessness. Funds are used for a broad range of purposes aimed at preventing homelessness, shortening the length of stay in emergency

shelters, eliminating repeat episodes of homelessness and assisting individuals and families experiencing homelessness to secure permanent affordable housing.

FHPAP assists extremely low-income people primarily through short-term rent assistance, security deposits, utilities and transportation assistance and case management services. FHPAP grants also encourage and support innovations at the county, region or local level for a more seamless and comprehensive homelessness response system.

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

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 4,341 households assisted
- \$9,221,441 in total disbursements
- \$2,124 average FHPAP assistance per household
- A median household income of \$12,948 or 13% of the statewide median income
- 62% of households were Indigenous, Black or households of color

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

Expected Activity for 2024-2025

FHPAP also operates under two-year contracts with local administrators. Minnesota Housing will enter into new contracts in calendar year 2023.

The estimated 2024-2025 resources are \$92,500,000.

Based on resources available for new activity, we expect to support about 18,500 households in 2024 and 12,300 in 2025.

Housing Opportunities for Persons with AIDS (HOPWA)

The Housing Opportunities for Persons with AIDS (HOPWA) program provides grants for housing assistance and services (including short-term rent, mortgage and utility assistance) for people with an HIV-positive status and their families.

The U.S. Department of Housing and Urban Development (HUD) allocates funds to local jurisdictions based on the number of individuals living with HIV or AIDS. The city of Minneapolis receives and administers a direct award for the 13-county Minneapolis/Saint Paul Metropolitan Statistical Area. We receive a direct award for the balance of the state.

Through September 30, 2023, Minnesota Housing had a contract with Rainbow Health to provide services to eligible households in greater Minnesota. In the fall of 2023, we are issuing a request for proposal so that eligible households in Greater Minnesota may continue to receive services.

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

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

- 165 households assisted in 48 counties
- \$241,566 of assistance disbursed
- \$1,464 average HOPWA assistance per household
- A median household income of \$23,184 or 22% of the statewide median income
- 52% of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is \$896,000.

Based on resources available for new activity, we expect to support about 310 households each of the two years.

Strengthen the Supportive Housing System

Strengthening the Supportive Housing System is a new program and will provide funding to increase alignment and strengthen supportive housing for individuals and families who have experienced homelessness. Eligible recipients may include local units of government, federally recognized American Indian Tribes or their Tribally Designated Housing Entities located in Minnesota, private developers, or nonprofit organizations. Funds may be used to:

- Cover costs needed for supportive housing to operate effectively, which may include building operating expenses such as front desk, tenant service coordination, revenue shortfall, and security costs.
- Support existing permanent supportive housing units, or cover costs associated with new permanent supportive housing units, or
- Create partnerships with the health care sector and other sectors to demonstrate sustainable ways to provide services for supportive housing residents, improve access to health care, and reduce the use of expensive emergency and institutional care. This may be done in partnership with other state agencies, including the Department of Health and the Department of Human Services.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$25,000,000.

Based on resources available for new activity, we could potentially support roughly 2,300 households in each of the two years.

MULTIPLE USE RESOURCES

Economic Development and Housing Challenge (EDHC)

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

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

We make EDHC loans and grants to local governments, private developers, tribal and urban Indian housing authorities or nonprofit organizations for both multifamily (minimum of four

units) and single-family projects. EDHC requires that 50% of the funds be used for projects that have leveraged funds from non-state resources. Preference is given to proposals with the greatest portion of costs covered by non-state resources.

Current income limit: 115% of the greater of area or state median income for owner-occupied housing and 80% of the greater of area or state median income for rental housing.

Maximum loan amount: None beyond funding availability.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported:

Multifamily EDHC

- No Multifamily EDHC projects completed the financing process in FFY 2022. Because we award funds each year, having no closed loans in 2022 is a timing anomaly.

Single-Family EDHC – Impact Fund

- 250 units
- \$6,131,839 total loan/grant amount
- \$24,527 average EDHC assistance per home
- A median household income of \$47,988 or 46% of statewide median income
- 65% of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$124,850,000.

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

Based on resources available for new activity, we expect to support roughly 1,000 owner-occupied and rental housing units in 2024 and 250 in 2025.

Housing Infrastructure Resources

Traditionally, Housing Infrastructure Bonds (HIBs) have funded this program with the bonds being issued by Minnesota Housing, as authorized by the Minnesota Legislature. HIBs can be issued as governmental, 501(c)(3) or private activity bonds. If the bonds are issued as private activity bonds, applicants for rental funding also may access 4% housing tax credits. At times,

direct appropriations can fund the program, which applies to the \$200 million provided for the 2024-2025 biennium.

Housing Infrastructure Resources may be used to finance the following project types:

- The acquisition, construction or rehabilitation of affordable permanent supportive housing for individuals and families without a permanent residence and people with behavioral health needs;
- The acquisition, rehabilitation, adaptive reuse or new construction of senior housing;
- The preservation of existing federally subsidized rental housing by funding acquisition, rehabilitation and refinancing;
- The acquisition of land by community land trusts and used for affordable single-family homeownership opportunities;
- The costs of acquisition, rehabilitation, adaptive reuse or new construction of single-family housing;
- The cost of acquisition and infrastructure needs for manufactured home communities; and
- The construction new rental housing affordable at or below 50% of AMI (new in 2023).

We allocate housing Infrastructure Resources through the annual Multifamily and Single-Family Requests for Proposals (RFPs). These funds are typically provided as deferred, no interest loans but also are provided as grants to fill value gap in single-family developments and assist community land trusts.

Current income limit: 115% of the greater of area or state median income for owner-occupied housing and 80% of the greater of area or statewide median income, not adjusted for household size for rental housing.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we reported five new rental developments:

- 271 units
- \$40,476,000 total loan amount
- \$149,358 average HIB assistance per unit
- A median household income of \$9,528 or 9% of the statewide median income
- 47% of households were Indigenous, Black or households of color

We financed four rental rehabilitation projects:

- 183 units
- \$ 20,072,293 total loan amount
- \$109,685 average HIB assistance per unit
- A median household income of \$2,436 or 2% of the statewide median income
- 77% of households were Indigenous, Black or households of color

We financed land acquisition by community land trusts:

- 23 homes
- \$958,900 total loan amount in bond proceeds
- \$39,954 average HIB assistance per unit
- A median household income of \$45,685 or 44% of the statewide median income
- 76% of households were Indigenous, Black or households of color

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is \$214,100,000. We expect to award most of these funds in 2024.

Based on resources available for new activity, we expect to support:

- Multifamily units:
 - 510 in 2024
 - 130 in 2025
- Single Family units:
 - 930 in 2024
 - 230 in 2025
- Manufactured home community lots:
 - 700 in 2024
 - 170 in 2025

These manufactured housing lots are also referenced in the early section about manufactured housing and communities.

State Housing Tax Credit Program and Contribution Fund

The State Housing Tax Credit Program and Contribution Fund is a new way to help finance multifamily and single-family housing across the state. The Minnesota Legislature created the Minnesota Housing Tax Credit Contribution account, as outlined in Minnesota Statutes 462A.40 and 290.0683. Minnesota Housing branded this program as the State Housing Tax Credit (SHTC)

Program and Contribution Fund to distinguish it as a state program and help avoid confusion with the Agency’s existing federal housing tax credit programs.

Funding for this program is unique because there are no state or federal appropriations. The SHTC program is entirely funded with eligible Minnesota taxpayer contributions. Eligible taxpayers can annually contribute at least \$1,000 but not more than \$2 million to the Contribution Fund. In return, the taxpayer receives a state Tax Credit Certificate that equals 85% of the contribution, which the taxpayer may use to reduce their state tax obligation. The maximum aggregate amount of tax credits allowed to all eligible contributors is \$9.9 million annually. Eligible uses of the funds include gap financing for new construction, acquisition, rehabilitation, demolition or removal of existing structures, construction financing and permanent financing. The authorizing legislation sunsets on December 31, 2028.

Program Performance and Trends

There has been no program activity.

Expected Activity for 2024-2025

The level of funding that the tax credit contribution fund will receive is very uncertain. At this time, we are unable to forecast a level of activity.

Community Stabilization

Community Stabilization is a new program and will provide grants or loans to preserve naturally occurring affordable housing (NOAH) through acquisition or rehabilitation. Eligible uses of these funds include acquisition, rehabilitation, interest rate reduction or gap financing of housing to support the preservation of naturally occurring affordable housing. Housing that serves lower-income households and maintains longer periods of affordability will be prioritized.

For purposes of the program, “naturally occurring affordable housing” means:

- Multiunit rental housing that:
 - Is at least 20 years old;
 - Has rents in a majority of units that are affordable to households at or below 60 percent of the greater of state or area median income; and
 - Does not currently have federal or state financing or tax credits that require income or rent restrictions, except for public housing.
- Owner-occupied housing located in communities where market pressures or significant deferred rehabilitation needs, as determined by the Agency, create opportunities for displacement or the loss of owner-occupied housing affordable to households at or

below 115 percent of the greater of state or area median income as determined by the United States Department of Housing and Urban Development.

Housing that receives financing under this program is subject to affordability terms. Owner-occupied housing must be affordable to households with incomes at or below 115 percent of the greater of state or area median income. Multifamily housing must remain affordable to low-income or moderate-income households as defined by the Agency and must accept rental subsidies.

Grants and loans may be made to several eligible recipients:

- A local unit of government,
- A federally recognized American Indian Tribe located in Minnesota or its Tribally Designated Housing Entity,
- A private developer,
- A limited equity cooperative or a cooperative created under Minnesota Statutes chapter 308A or 308B,
- A community land trust created for the purposes outlined in Minnesota Statutes 462A.31, subdivision 1, or
- A nonprofit organization.

The Agency has the discretion to make a grant to a statewide intermediary to facilitate the acquisition and associated rehabilitation of existing multiunit rental housing and may use an intermediary or intermediaries for the acquisition and associated rehabilitation of owner-occupied housing.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$90,000,000, which includes a \$10 million set aside for Aeon for Huntington Place.

Based on resources available for new activity, we expect to support about 650 housing units in 2024 and 440 in 2025.

Great Minnesota Housing Infrastructure

Greater Minnesota Housing Infrastructure is a new program and will provide grants to cities located outside of the Twin Cities metro area of up to 50 percent of the capital costs of public infrastructure necessary for an eligible workforce housing development project. Grants are

limited to \$30,000 per lot for single-family, duplex, triplex or fourplex housing developed, and \$180,000 per lot for multifamily housing with more than four units per building. Cities are limited to \$500,000 over a two-year period. A nonstate match is required and may be cash, other committed grant funds or in kind.

Single family, multifamily, owner-occupied and rental housing development projects are eligible. Housing infrastructure can include:

- Sewers,
- Water supply systems,
- Utility extensions,
- Streets,
- Wastewater treatment systems,
- Stormwater management systems, and
- Facilities for pretreatment of wastewater to remove phosphorus.

The Agency will evaluate projects based on whether:

- The project is necessary to increase sites available for housing development that will provide adequate housing stock for the current or future workforce; and
- The increase in workforce housing will result in substantial public and private capital investment in the city in which the project would be located.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$8,000,000.

Based on resources available for new activity, we expect infrastructure investments to support about 300 housing units in each of the two years.

Lead-Safe Homes

This is a new statewide grant program that will support making homes safer through lead testing and hazard reduction. Nonprofits and local units of government are eligible to apply. Projects are intended to serve low-income residents where there are high concentrations of lead poisoning in children based on data provided by the Minnesota Department of Health.

Activities can include: (1) lead risk assessments completed by a lead inspector or a lead risk assessor and (2) remediation of lead health hazards. For multifamily rental properties, at least

50% of the residents must have an income at or below 60 percent of the area median income. Up to 10% of a grant can be used for administrative expenses and provide education and outreach about lead health hazards.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resources are \$4,000,000.

Based on resources available for new activity, we expect to support about 360 housing units in each of the two years.

Local Housing Trust Fund Grants

In 2021, the Minnesota Legislature allocated money to create Minnesota Housing's Local Housing Trust Fund Grants program. This program will use \$1 million from legislative appropriations in 2021 and \$4.8 million from legislative appropriations in 2023. This program will provide grants to local housing trust funds established under Minnesota Statutes 462C.16 to incentivize increases in local funding dedicated to affordable housing.

Grantees are eligible to receive a grant amount equal to:

- 100 percent of the new public revenue committed to the local housing trust fund from any source other than the state or federal government, up to \$150,000; and
- Depending on funding availability, an amount equal to 50 percent of the new public revenue committed to the local housing trust fund from any source other than the state or federal government that is more than \$150,000 but not more than \$300,000.

The Agency will consult with interested stakeholders when developing the guidelines, applications and procedures for the program.

A grantee must use grant funds within five years of receipt to (1) pay for administrative expenses, but not more than 10% of the balance of the fund may be spent on administration; (2) make grants, loans and loan guarantees for the development, rehabilitation or financing of housing; (3) match other funds from federal, state or private resources for housing projects; or (4) provide downpayment assistance, rental assistance and home buyer counseling services. The funds must households with incomes at or below 115% of the state median income.

In addition to the \$5.8 million in local grants, the 2023 legislature made available \$1.0 million for the Northland Foundation to assist local governments to establish local or regional housing trust funds. They may also award grants and loans to other entities for authorized uses.

Program Performance and Trends

So far, there has been no funding disbursed under this program.

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is \$6,800,000.

Based on resources available for new activity, we expect to support about 80 housing units in each of the two years.

Strategic Investments / Loans

Periodically, we can make strategic investments or loans with Pool 2 resources or other mortgage capital to help address an affordable housing issue. For example, we have committed funds to help finance the Greater Minnesota Housing Fund's initiative to preserve naturally occurring affordable housing. These types of investment opportunities and initiatives are not always known or included when the Affordable Housing Plan is developed.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we disbursed no funding under this activity.

Expected Activity for 2024-2025

At this time, no investments opportunities have been identified.

OTHER

Technical Assistance and Operating Support

The Technical Assistance and Operating Support program provides grants that enhance the ability of housing and community development organizations to meet Minnesota's affordable housing needs. In previous years, this program supported our strategic objectives by:

- Providing resources for the state's homeless response system – including the state's Homeless Management Information System, the regional Continuum of Care's homelessness assistance planning, and coordinated entry;

- Providing grants to specific organizations – including the Homeownership Center for its statewide counseling network, HousingLink for its statewide affordable housing website, HOME Line’s Hotline providing statewide legal advice to renters; and
- Supporting capacity building programs and initiatives – including the Capacity Building Initiative and the Capacity Building Intermediary programs.

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, we funded \$1,430,392 of activity under this program.

Expected Activity for 2022-2023

The estimated 2022-2023 resource availability is \$8,702,000.

Disaster Recovery

Disaster response programs provide funding for the repair or replacement of renter or owner-occupied housing damaged by natural disasters, such as a flood or tornado. We distribute these funds through the Disaster Recovery program for single-family properties and assist in: (1) repairing damaged rental buildings, (2) providing relocation services to renters who are displaced or become homeless due to disasters, (3) building organizational capacity to respond to disasters, and (4) covering administrative costs related to disaster outreach.

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

Disaster Recovery funds provide homeowners and smaller rental property owners with deferred loans at no interest for repair costs that are not covered by federal assistance or insurance proceeds. The loan is forgiven if the homeowner remains in the property for 10 years, or for rental properties, if property owners keep rents affordable for 10 years. There are no income limits under the Disaster Recovery program.

Program Performance and Trends

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

Expected Activity for 2024-2025

At the start of the 2024-2025 AHP, no funds have been appropriated. Typically, the Minnesota Legislature appropriates funds for this program following the declaration of a disaster. If the Minnesota Legislature does not appropriate funds following a federal disaster declaration, the Agency may fund activities through the Disaster Relief Contingency Fund.

Disaster Relief Contingency Fund

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

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

Program Performance and Trends

For the Program Assessment period of October 1, 2021 – September 30, 2022, there was no reported program activity.

Expected Activity for 2022-2023

Disbursements from the fund vary significantly from year to year. We are not making an estimate of a funding level at this time. As of June 30, 2023, the fund had an uncommitted balance of nearly \$2.3 million.

Stable Housing Organizational Relief Program

The Stable Housing Organization Relief Program will support nonprofits that are experiencing significant detrimental financial impacts due to recent economic and social conditions. Grants are limited to \$4,000 per unit, with the per-unit amount calculated based on the total number of units each eligible organization owns or controls in the state.

Eligible organizations must:

- Be a nonprofit organization that is tax exempt under section 501(c)(3) of the Internal Revenue Code that has been doing business in the state for at least ten years as demonstrated by registration or filing of organizational documents with the secretary of state or be a Tribe or tribal designated housing authority;

- Have its primary operations located in the state;
- Be experiencing significant detrimental financial impact due to recent economic and social conditions, including but not limited to decreased operating revenue due to loss of rental income or increased operating expenses due to inflation in utility expenses, insurance, or other expenses;
- Have supportive services options available for the individuals and families residing in the rental housing it provides to low-income populations; and
- Provide housing units in the state that it owns or controls consisting of any of the following:
 - At least 1,000 units of naturally occurring affordable housing;
 - Rental housing units, not including naturally occurring affordable housing, of which 50% of the total number of units are rented to individuals or families whose annual incomes, according to the most recent income certification are at or below 30 percent of the area median income; or
 - At least 250 units of permanent supportive housing.

Grantees must use grant funds to maintain or improve the housing stability of tenants by expending funds on:

- Property maintenance, improvements, and security;
- Providing services, including services and programs that promote economic and social mobility;
- Efforts to attract and retain employees that will assist in providing services and support to tenants; or
- Forgiveness of all or a portion of rent balances owed by former or current tenants.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is \$50,000,000.

Housing Mediation Grant Programs

A one-time grant to Community Mediation Minnesota to administer a statewide housing mediation program to provide support to renters and residential rental property owners.

The funds will be used to:

- Provide housing dispute resolution services,

- Increase awareness of and access to housing dispute resolution services statewide,
- Provide alternative dispute resolution services, including but not limited to eviction prevention, mediation, and navigation services,
- Partner with culturally specific dispute resolution programs to provide training and assistance with virtual and in-person mediation services,
- Increase mediation services for seniors and renters with disabilities and illnesses that face housing instability,
- Increase the diversity and cultural competency of the housing mediator roster,
- Integrate housing mediation services with navigation and resource connection services, legal assistance, and court services programs,
- Develop and administer evaluation tools to design, modify, and replicate effective program outcomes, and
- Provide for necessary administrative expenses.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is \$3,000,000.

Local Housing Aid Grants (Tier 2 Cities)

This new program is a component of the Department of Revenue’s Statewide Local Housing Aid Program, which is designed to help tribal nations and local governments outside of the Twin Cities metropolitan area develop and preserve affordable housing.

For cities with a population over 10,000 and counties, funds will go directly from the Department of Revenue to the grantees based on a distribution factor. While Minnesota Housing will collect reports on the use of these funds starting on 2025, the distribution of the funds will not involve Minnesota Housing. For cities with a population under 10,000, the funds will come to Minnesota Housing for a grant program that will prioritize cities with a higher share of cost-burdened households. Housing projects for households with incomes at or below 80% of AMI for rental and 115% of AMI for homeownership are eligible for these funds, but households at or below 50% of AMI for rental and 80% for homeownership are prioritized. Priority will also be given to projects that:

- Reduce disparities in homeownership,
- Reduce housing cost burden, housing instability, or homelessness,
- Improve the habitability of homes,

- Create accessible housing, or
- Create more energy- or water-efficient homes.

Qualifying projects include:

- Emergency rental assistance for households with income less than 80% of area median income,
- Financial support to nonprofit affordable housing providers in their mission to provide safe, dignified, affordable and supportive housing, and
- Projects designed for the purpose of construction, acquisition, rehabilitation, demolition or removal of existing structures, construction financing, permanent financing, interest rate reduction, refinancing, and gap financing.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is \$4,500,000.

Based on resources available for new activity, we expect to support about 40 housing units in each of the two years.

Grant to City of Minneapolis

This a new, one-time program that provides a \$1 million grant to City of Minneapolis for the development Satori Village, a mixed-income and mixed-age housing project.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is \$1,000,000.

Based on resources available for new activity, we expect to support just under 200 housing units.

COVID HOUSING RECOVERY

Emergency Rental Assistance (ERA) – Targeted Assistance

In 2021 and 2022, Minnesota Housing operated RentHelpMN and successfully distributed \$428 million to nearly 60,000 renter households, which came from two rounds of ERA funding (ERA 1 and ERA 2). By December 2022, only seven states disbursed a higher share of their ERA allocation. As result of this effective disbursement of funds, the Agency has received four rounds of additional funds through the U.S. Department of Treasury’s reallocation process. In terms of reallocated funds per capita, Minnesota Housing ranked fifth highest among states and the District of Columbia.

Largely because of these reallocations, the Agency had roughly \$85 million of ERA 2 resources available for use through September 2025. The ERA 2 funding allows for expanded activities of direct assistance to renters, housing stability services, administration and up to 25% of the total ERA 2 grant for “other affordable housing” activities. Treasury has defined “other affordable housing” to mean flexible capital dollars to build, preserve and operate rental housing affordable to very low-income households.

Based on program and operational assessment and a stakeholder survey, the Agency decided in February 2023 to evenly split the remaining \$85 million between a targeted rental assistance program and capital projects. The even split was the pretty clear consensus option in the stakeholder survey.

The Agency launched a targeted rent assistance program in the summer of 2023 and relies on partnerships with community organizations to identify households who would benefit from assistance, provide services to households and connect renters with emergency rental assistance for rent arrears and prospective rent.

Eligible Activities:

- Direct assistance to households for rent and certain utilities (both arrears and prospective).
- Housing stability services for navigation and eviction prevention for all eligible renter households, not just those receiving direct assistance.
- Administrative expenses for providing direct assistance and housing stability services as defined by Treasury.

Eligible Recipients:

- Renter households with incomes no more than 80% of AMI with a priority for those with incomes no more than 50% of AMI and where an individual in the household has been unemployed for 90 days.
- Renter households who experienced financial hardship during the COVID-19 pandemic and are at risk of experiencing homelessness or housing instability.

Program Performance and Trends

This is a new program that launched in the summer of 2023.

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is \$41,500,000.

Based on resources available for new activity, we expect to support about 5,900 households.

Emergency Rental Assistance (ERA) – Capital Funding

We expect that about half of the remaining ERA 2 funds will go to capital projects. The funds will be used to directly fund construction and preservation and fill gaps on projects that receive other Agency resources.

The ERA 2 funding is well-suited for supportive housing developments that serve very low-income households and do not support amortizing debt. It is also suited for developments that receive sources, such as Housing Infrastructure Bonds, that exclude some necessary costs from program eligibility.

Eligible Activities:

- Construction, rehabilitation or preservation of affordable rental housing projects serving very low-income households.
- Operation of affordable housing projects serving very low-income families that were constructed, rehabilitated or preserved using ERA 2 funds.

Assistance Types:

- Loans or grants to affordable rental housing projects for eligible activities including up-front development costs and, potentially, reserves for program operations.
- Assisted units will be subject to a land use restriction agreement of at least 20 years, similar to other federal programs like the federal Low-Income Housing Tax Credit.

- In mixed-income developments, funds can be used only for the portion of the capital and operating costs directly attributable to the very low-income units.

Program Performance and Trends

This will be a new program in 2024.

Expected Activity for 2024-2025

The estimated 2024-2025 resource availability is \$42,500,000.

Based on resources available for new activity, we expect to support about 270 housing units.

HOME-ARP (American Rescue Plan)

Minnesota Housing received a one-time allocation of approximately \$31 million in HOME American Rescue Plan funding (HOME-ARP) to assist individuals or households who are experiencing or at risk of homelessness, along with other vulnerable populations. This funding allocation is separate from Minnesota Housing's regular annual HOME Investment Partnerships appropriation.

Minnesota Housing's approved allocation plan provides for a request for proposal (RFP) process for and tailored to eligible HOME-ARP activities. Specifically, Minnesota Housing plans to spend approximately \$27 million (89% of the grant) on the development of affordable rental housing, \$310,000 (1% out of an allowable 5% of the grant) on non-profit capacity building, and approximately \$3 million (10% out of an allowable 15% of the grant) on administration and planning.

Additionally, the allocation plan allows for a preference for the "qualifying population" of homeless as defined by 24 CFR § 91.5. Having a preference in the allocation plan allows Minnesota Housing to entertain proposals that are tailored to one qualifying population, rather than all of HOME-ARP's qualifying populations; however, having a preference does not limit Minnesota Housing's ability to choose projects or proposals focused only on that one qualifying population. As of the publication of this Affordable Housing Plan, the RFP timeline is still being determined.

Program Performance and Trends

This will be a new program in 2024-2025.

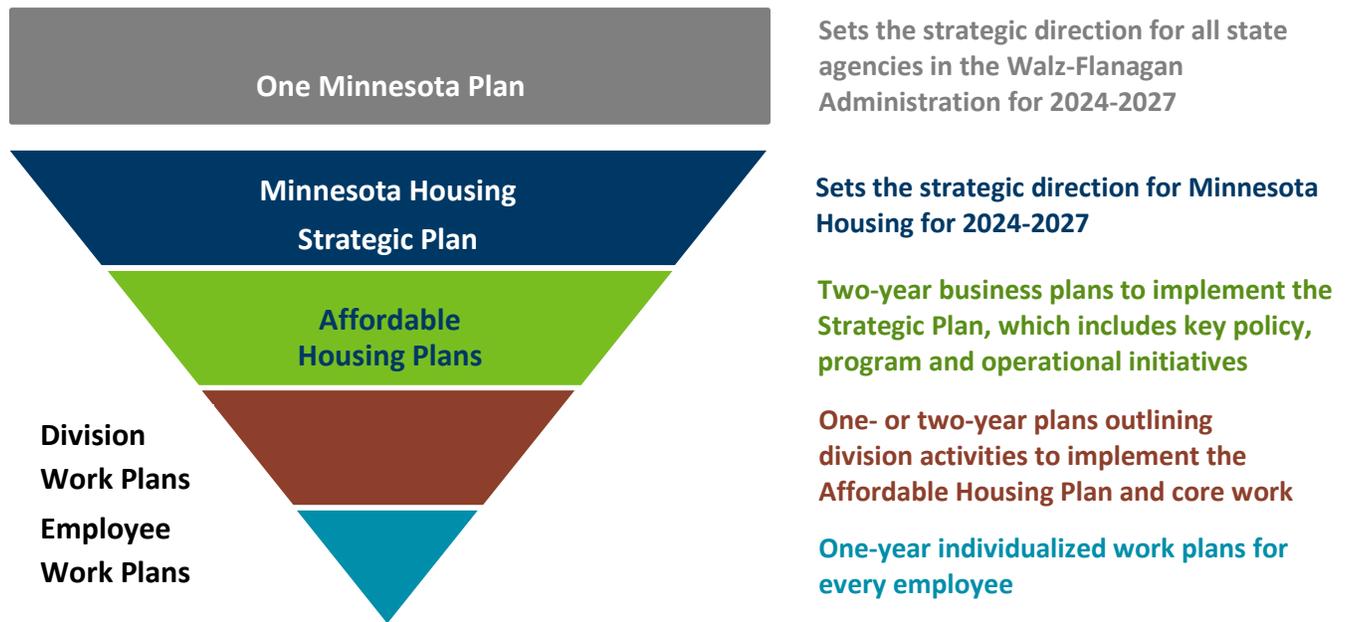
Expected Activity for 2024-2026

The estimated 2024-2025 resource availability is \$28,024,000.

Based on resources available for new activity, we expect to support about 180 housing units in total.

Appendix C: Strategic Management Structure and Reporting

A set of planning documents and processes direct and align Minnesota Housing’s work, as shown in the following diagram. The Affordable Housing Plan (AHP) is the piece that connects our day-to-day work with our Strategic Plan.



The structure starts with the strategic direction set by the Walz-Flanagan Administration and culminates in the work of every individual employee. The strategic and supporting plans align the work of every employee, and every employee sees how their work supports the strategic plan. The AHP is the business plan for implementing our strategic plan and establishes the key initiatives and provides resource estimates for a two-year period, which agency staff use to write their division and individual work plans. The AHP is rewritten every two years to reflect the new appropriations made available by the Legislature and other resource changes. It also considers new housing challenges, needs and opportunities.

The household and housing unit estimates in the AHP assume that all the funds made available are used and eventually disbursed. For some programs, we fall for short, but in other programs, we may end up using more resources than originally planned.

Accountability is key component of strategy management structure, and each set of plans in our structure has a tracking and reporting component. What gets tracked and reported gets done.

Reporting and accountability for the AHP comes in two sets of reports:

- Each quarter, Minnesota Housing staff report to the Agency's board of directors progress in awarding funds through RFP selections and deploying resources through other process, such as home mortgage commitments. This quarterly report focuses on the number of households and housing units that will be assisted with the resources that have been awarded and compares the initial results with our AHP forecasts. This report, which is based on the initial awarding of resources, is a leading indicator in tracking progress because it can take a couple of years for housing developments to go from being selected for funding to using the funds when construction is carried out. In some cases, funds that are awarded will go unused if a project is cancelled.
- At the end of each program year, in our Annual Program Assessment, we report to the Legislature and post on our website the funds that we disbursed that year and the number of households and housing units actually assisted for each program. This report captures our final results when the funding process is completed.