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Housing Finance Agency

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<https://www.mnhousing.gov/>

AT A GLANCE

- Provided more than \$1.8 billion in housing assistance, serving 69,500 households.
- Have Aa1 and AA+ credit ratings with Moody's and Standard & Poor's.
- Financed loans to nearly 3,600 first-time homebuyers, financed homebuyer education and counseling for more than 7,000 households and provided home improvement resources for over 1,300 homes.
- Created, rehabilitated or refinanced nearly 2,700 units of rental housing and assisted over 46,000 renters.
- Provided over \$600 million in pandemic related emergency assistance over the last few years.
- Over the past three years, 44% of competitive assistance has been provided to Greater Minnesota.

All numbers are for Federal Fiscal Year 2023

PURPOSE

Success in life starts at home for all ages and all people. When we have safe, secure places to live, parents earn more, kids learn better, health and well-being improve, and communities prosper. Our homes are the foundation of our communities and housing affordability is critical to economic growth.

In Minnesota, the creation of housing has not kept up with needs, leading to housing challenges and a housing shortage of an estimated 50,000 homes. Housing challenges associated with high home costs and limited availability of homes are consistent and persistent making it difficult for individuals and families to find and maintain housing stability. These challenges are not shared equally across different races and ethnicities. People of color and Indigenous communities are more likely to face housing instability, be evicted and experience homelessness than white households. Other housing indicators include:

- An estimated 210,000 renter households making 50% area median income or less spend more than 30% of their income on housing.
- Minnesota has the 13th largest disparity in homeownership rates in the country for households of color and Indigenous households.
- About 20,000 people face homelessness each night.

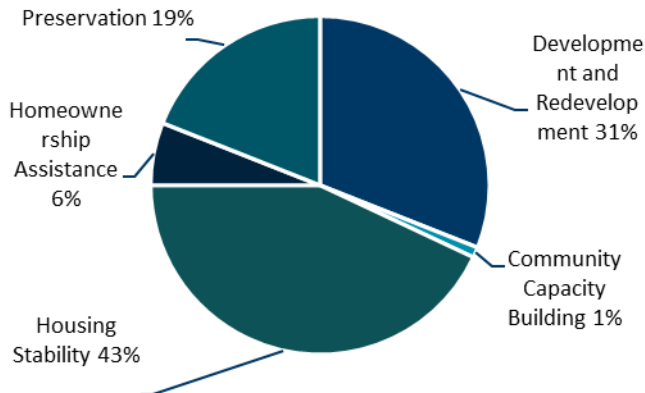
Our vision is that all Minnesotans live and thrive in a stable, safe and accessible home they can afford in a community of their choice. To work towards this vision, Minnesota Housing collaborates with individuals, communities and partners to finance rental housing and homeownership opportunities throughout the entire state.

Minnesota Housing activities and initiatives support the Governor's One Minnesota Priorities several areas including: Equity and Inclusion, Minnesota's Environment, Fiscal Accountability, Customer Experience and Measurable Results, Children and Families, Thriving Communities, Housing and Workforce & Healthy Minnesotans. Housing stability is important for every family, and housing stability is important to making progress on state goals related to education, health and the economy.

More detailed information on the agency's Strategic Plan as well as other agency plans detailing our work and how we measure progress can be found on our website (<https://www.mnhousing.gov/policy-and-research/agency-plans.html>)

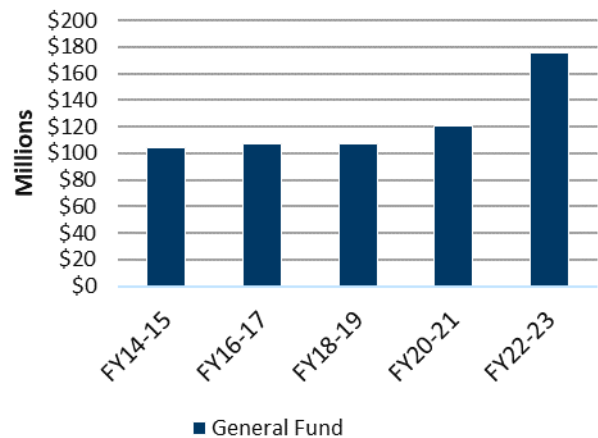
BUDGET

**Spending by Program
FY 2023 Actual**



Source: Budget Planning & Analysis System (BPAS)

Historical Spending



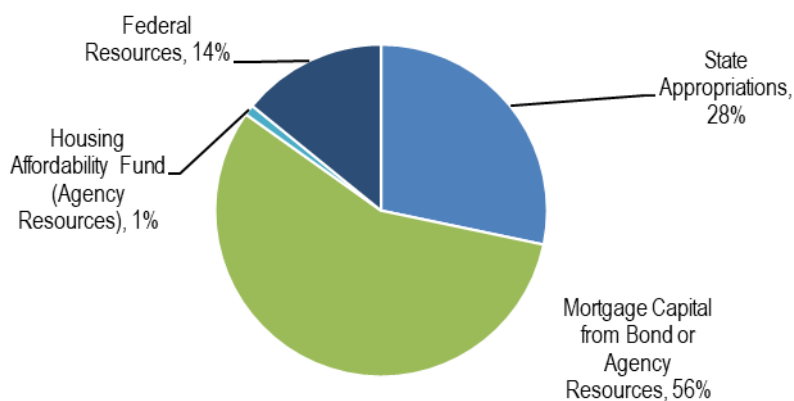
Source: General Fund Balance Statement

We finance our programs through a combination of bond proceeds, federal resources, state appropriations, state capital investments and agency resources. We do not rely on state appropriations to fund our operating expenses, allowing state appropriations to go directly to programs. We issue tax exempt and taxable debt, using the proceeds to finance loans for rental developments and loans to low- to moderate-income homebuyers. We then pay for our operating expenses using the spread that remains from loan repayments after we have repaid our bond holders.

We have an independent Board of Directors, which has management and control of our activities and legally, the Board is the agency. The Board is comprised of six citizen members appointed by the Governor, with the state auditor as an ex-officio member. The Board directs our policies, approves all funding decisions and holds monthly public meetings.

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

Minnesota Housing Funding By Source



Source: Minnesota Housing 2024-25 Affordable Housing Plan

STRATEGIES

Housing stability is at the core of Minnesota Housing's mission that emphasizes thriving communities, equity and inclusion and children and families. We support our mission by providing a wide range of rental, homeownership and homelessness assistance programs.

Our focus with scarce resources is on serving households that make the least with a goal to serve communities most impacted by housing instability. Since housing outcomes are not equal across different races and ethnicities, we have begun using an antiracist lens to evaluate program changes and are working to remove systemic barriers and policies that perpetuate housing instability for people of color and indigenous communities. We are also focusing more on financing climate-resilient housing and energy efficiency improvements across homeownership and rental housing as well as financing the unique housing needs in Greater Minnesota.

We deliver our programs through a statewide network of local lenders, community-based organizations, local housing and redevelopment authorities and for-profit and nonprofit developers. We award resources through competitive request for proposal (RFP) processes across the agency, often combining multiple federal, state and private funds into consolidated RFPs.

Rental Housing: We finance new construction, rehabilitation and preservation of rental housing using federal low income housing tax credits, state and federal appropriations and agency first mortgages.

- We served over 46,000 Minnesota households through our multifamily rental programs in 2023.
- Over 80% of renters made less than \$30,000 per year.
- We financed the new construction and preservation of 2,655 units of affordable rental housing in 2023 using state and federal resources.

Homeownership Opportunities: We offer first-time homebuyer loans, downpayment assistance programs, a refinance program, development resources, and home improvement loan programs to support Minnesota homebuyers and homeowners. Overall, we account for about 6% of the State's total mortgage lending.

- We provided home mortgage loans to 4,485 Minnesota households in 2023.
- The first-time homebuyers we served had a median annual household income of \$71,000.
- 37% of the first-time homebuyers we served were households of color or from indigenous communities compared to the industry average of 21%.
- 96% of the homebuyers who received a Minnesota Housing first mortgage also received assistance with downpayment and closing costs.

Housing Stability: In addition to financing rental housing for people facing homelessness, we provide rental assistance and short-term financial assistance to individuals and families who are homeless or who face housing instability.

- We provided state-funded rental assistance to nearly 2,300 households in 2023. These households have a median annual household income of around \$10,000.
- We helped over 10,200 households (with a median household income of about \$11,000) to prevent and assist people facing homelessness.
- We lead and collaborate on the statewide Crossroads to Justice Plan: Minnesota's New Pathways to Housing, Racial and Health Justice for People Facing Homelessness as well as the state's Olmstead Plan that helps people with disabilities live, work and learn in the most integrated setting possible.

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

Housing Finance

Agency Expenditure Overview

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | |
|--|----------------|----------------|----------------|------------------|---------------|------|
| | | | | | FY26 | FY27 |

Expenditures by Fund

| | | | | | | |
|-------------------------------|----------------|----------------|----------------|------------------|------------------|----------------|
| 8000 - Housing Finance Agency | 733,967 | 457,253 | 583,758 | 1,008,311 | 1,057,176 | 632,501 |
| Total | 733,967 | 457,253 | 583,758 | 1,008,311 | 1,057,176 | 632,501 |
| Biennial Change | | | | 400,850 | | 97,608 |
| Biennial % Change | | | | 34 | | 6 |

Expenditures by Program

| | | | | | | |
|-------------------------------|----------------|----------------|----------------|------------------|------------------|----------------|
| Development and Redevelopment | 47,296 | 52,926 | 76,588 | 287,661 | 334,748 | 143,901 |
| Housing Stability | 274,132 | 87,944 | 86,190 | 173,169 | 128,031 | 106,271 |
| Homeownership Assistance | 122,809 | 19,615 | 68,948 | 106,478 | 107,359 | 7,352 |
| Preservation | 243,357 | 253,302 | 304,099 | 367,153 | 408,635 | 306,747 |
| Community Capacity Building | 8,234 | 1,208 | 606 | 12,072 | 14,627 | 2,720 |
| Administration | 38,138 | 42,257 | 47,329 | 61,778 | 63,776 | 65,510 |
| Total | 733,967 | 457,253 | 583,758 | 1,008,311 | 1,057,176 | 632,501 |

Expenditures by Category

| | | | | | | |
|------------------------------|----------------|----------------|----------------|------------------|------------------|----------------|
| Compensation | 32,716 | 35,170 | 40,412 | 48,164 | 50,091 | 52,096 |
| Operating Expenses | 72,725 | 30,069 | 22,212 | 26,727 | 26,635 | 17,213 |
| Grants, Aids and Subsidies | 584,503 | 349,811 | 423,930 | 649,668 | 748,342 | 455,989 |
| Capital Outlay-Real Property | | | 1 | | | |
| Other Financial Transaction | 44,023 | 42,203 | 97,204 | 283,752 | 232,108 | 107,203 |
| Total | 733,967 | 457,253 | 583,758 | 1,008,311 | 1,057,176 | 632,501 |

Full-Time Equivalents

| | | | | | |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 267.53 | 292.06 | 303.20 | 315.00 | 328.00 | 328.00 |
|---------------|---------------|---------------|---------------|---------------|---------------|

Housing Finance

Agency Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | |
|---|---------|---------|-----------|-----------|---------------|---------|
| | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
| 1000 - General | | | | | | |
| Direct Appropriation | 67,798 | 107,798 | 814,098 | 299,978 | 82,798 | 82,798 |
| Transfers In | | 44 | | | | |
| Transfers Out | 67,798 | 107,798 | 814,098 | 299,978 | 82,798 | 82,798 |
| Cancellations | | 44 | | | | |
| 2310 - Housing Assistance | | | | | | |
| Receipts | | | 26,619 | 41,900 | 43,500 | 45,075 |
| Transfers Out | | | 26,619 | 41,900 | 43,500 | 45,075 |
| 3010 - Coronavirus Relief | | | | | | |
| Transfers In | 574 | 9 | | | | |
| Cancellations | 574 | 9 | | | | |
| 3015 - ARP-State Fiscal Recovery | | | | | | |
| Direct Appropriation | 27,000 | | | | | |
| Transfers In | 15,000 | | | | | |
| Transfers Out | 27,000 | | | | | |
| Cancellations | 15,000 | | | | | |
| 8000 - Housing Finance Agency | | | | | | |
| Balance Forward In | 373,524 | 326,525 | 344,569 | 1,034,726 | 822,464 | 327,972 |
| Receipts | 579,600 | 336,551 | 362,885 | 413,113 | 396,308 | 379,331 |
| Transfers In | 123,297 | 143,149 | 943,216 | 406,784 | 184,391 | 185,990 |
| Transfers Out | 22,767 | 6,247 | 32,187 | 23,848 | 18,015 | 17,015 |
| Balance Forward Out | 319,687 | 342,726 | 1,034,724 | 822,464 | 327,972 | 243,777 |
| Expenditures | 733,967 | 457,253 | 583,758 | 1,008,311 | 1,057,176 | 632,501 |
| Biennial Change in Expenditures | | | | 400,850 | | 97,608 |
| Biennial % Change in Expenditures | | | | 34 | | 6 |
| Full-Time Equivalents | 267.53 | 292.06 | 303.20 | 315.00 | 328.00 | 328.00 |

(Dollars in Thousands)

| | FY25 | FY26 | FY27 | Biennium 2026-27 |
|--|-----------|-----------|-----------|---------------------|
| Direct | | | | |
| Fund: 1000 - General | | | | |
| FY2025 Appropriations | 299,978 | 299,978 | 299,978 | 599,956 |
| Base Adjustments | | | | |
| Current Law Base Change | | (217,180) | (217,180) | (434,360) |
| Forecast Base | 299,978 | 82,798 | 82,798 | 165,596 |
| Dedicated | | | | |
| Fund: 8000 - Housing Finance Agency | | | | |
| Planned Spending | 1,008,311 | 1,057,176 | 632,501 | 1,689,677 |
| Forecast Base | 1,008,311 | 1,057,176 | 632,501 | 1,689,677 |
| Revenue Change Summary | | | | |
| Dedicated | | | | |
| Fund: 2310 - Housing Assistance | | | | |
| Forecast Revenues | 41,900 | 43,500 | 45,075 | 88,575 |
| Fund: 8000 - Housing Finance Agency | | | | |
| Forecast Revenues | 413,113 | 396,308 | 379,331 | 775,639 |

Program: Development and Redevelopment

<https://www.mnhousing.gov/>

AT A GLANCE

- The state is short an estimated 50,000 units of housing to keep up with needs and demand.
- The Economic Development and Housing Challenge (Challenge) program, was established in 1999 to create more rental and homeownership opportunities funded 401 homes in 2023.
- The Workforce Housing Development program serves Greater Minnesota and has built or financed nearly 1,000 rental homes since 2017, almost all of them in towns with fewer than 5,000 people.
- The Workforce and Affordable Homeownership Program focuses on the lack of supply of homes across the entire state. The program received \$60.5 million in FY 2024-25 with a base budget of \$250,000.
- We started financing grants to manufactured home communities for park infrastructure and acquisition starting in FY 2021.
- The State Housing Tax Credit Program and Contribution Fund relies on contributions of individual taxpayers to provide loans and grants for housing development.

Numbers are for FFY2023, unless otherwise noted

PURPOSE AND CONTEXT

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

The development of new housing is critical for economic recovery, growth and job creation. Maintaining recent levels of production will be critical to keeping up with demographics and will be needed longer-term economic growth. Minnesota under-produced housing units during and after the Great Recession. Not developing enough new homes for several years created the housing shortage. Businesses throughout the state are expanding, and many are struggling to hire enough workers, in part because of a lack of affordable homes in communities.

We finance development of new rental housing and single-family housing for homeownership throughout the state through several development programs. Building new housing is critical and we also need to rehab and improve the homes to better serve low- to moderate-income homeowners, homebuyers and renters.

SERVICES PROVIDED

We finance the activities in this program through the state-appropriated Economic Development and Housing Challenge program, the Greater Minnesota Workforce Housing Development program, the Manufactured Home Community Redevelopment Program, the Workforce and Affordable Homeownership program, State Housing Tax Credit and Contribution Fund program, and Housing Infrastructure, as well as with federal funding.

Economic Development and Housing Challenge (“Challenge”) Program: The Challenge Program allows us to provide no-interest, deferred loans to for-profit and nonprofit developers and local units of government to develop workforce housing in their communities. The Challenge Program provides flexibility by letting communities identify the types of housing that best fit their needs. It can be used for new construction or

rehabilitation and funds both rental housing and homeownership opportunities. A goal of program is to use the funding on housing projects that include a financial contribution from non-state resources.

Rental Development: We finance workforce housing in both the metropolitan area and Greater Minnesota. Resources are available through a competitive Request for Proposals process published each spring. Income limits for rental housing are up to 80 percent of the greater of area or statewide median household income. For most of the state, this is a maximum household income of \$89,360 per year. The programs has financed new workforce homes in Greater Minnesota, including Perham, Worthington, Glenwood, St. Michael, Mankato, Austin, Duluth, Cambridge, Warroad, Thief River Falls, Jackson, Roseau, Rochester and Owatonna to name a few. The funding also supports the development workforce housing in the metropolitan area.

Homeownership Development: The Challenge Program funds the development and rehabilitation of single-family, owner-occupied affordable, and workforce housing activity in communities across Minnesota. Funds can also be used for downpayment assistance. Resources are available through a competitive Request for Proposals process published each spring. The income maximum for owner-occupied housing is 115 percent of the greater of state or area median household income, with priority on serving lower incomes. Currently, that is a maximum median household income of \$143,635 per year for the metro and \$128,455 for most of the rest of the state.

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

Workforce and Affordable Homeownership Program: This \$250,000 per year program finances homeownership development grants to cities, tribal governments, nonprofit organizations, cooperatives and community land trusts for development of workforce and affordable homeownership projects. The purpose of the program is to increase the supply of workforce and affordable, owner-occupied multifamily or single-family housing throughout Minnesota. Funds can be used for development costs, rehabilitation, affordability gap, land development and manufactured home park infrastructure. The program was added as a base program in 2019 and the program received \$60.5 million in FY 2024-25.

Greater Minnesota Workforce Housing Development Program: The base funding for this program is \$2 million per year and the program targets small to mid-sized cities in Greater Minnesota with rental workforce housing needs. This program meets the needs of smaller communities by helping to finance new construction of 12 or fewer homes and prioritizes cities with fewer than 5,000 people. Funding is available to build market-rate residential rental properties in communities with job growth and demand for workforce rental housing. Communities are required to secure matching funds, one dollar for every two dollars in funding offered through the program. Since this program was established in 2017, it has built new housing in communities such as Albert Lea, Baudette, Duluth, Luverne, Pelican Rapids, Alexandria, Park Rapids, Blue Earth, Long Prairie, Redwood Falls and Watkins. This program received \$39 million for FY 2024-25.

Manufactured Home Community Redevelopment Program: The \$1 million per year grant program funds infrastructure improvements or acquisition of manufactured home parks to assist the needs for aging manufactured home communities around the state. The program prioritizes projects based on health, safety and critical needs improvements, as well as projects that leverage support from local municipalities, and/or projects converting a community to a cooperative ownership model. Eligible applicants include privately, publicly or cooperatively owned communities, as well as nonprofit organizations acting as an intermediary on behalf of a park. Funds are made available through an annual competitive request for proposals (RFP) process. The program first received a base appropriation in 2019. The program received an additional \$16 million in one-time resources for FY 2024-25.

State Tax Credit Contribution Program: This state tax credit program was created by the Legislature in 2021. Starting in 2023 tax year, individual taxpayers can contribute to the program and receive a tax credit on their contribution. Individuals are able to designate the funds to a specific qualifying projects or can provide their

contributions to a general pool to provide loans and grants to affordable housing projects. A total of \$9.9 million in credits are available each year. If all the credits are claimed, around \$11.6 million will be available for grants and loans to affordable housing projects each year.

Housing Infrastructure: In 2023, the Legislature provided a one-time state appropriation of \$200 million for the Housing Infrastructure. Historically, Housing Infrastructure resources have been provided as Housing Infrastructure Bonds which allows the agency to issue debt to finance grants and loans for stated purposes with the debt service paid by the State of Minnesota. Housing Infrastructure eligible uses are permanent supportive housing, federally assisted rental housing, senior housing, single family development, manufactured home communities, rental workforce housing and new in 2024, cooperatively-owned housing. Resources are available through several RFPs administered by the agency. The resources were allocated in the 2023 and 2024.

One-time Funding:

In 2023, the Legislature created the **Greater Minnesota Housing Infrastructure Grant**. The program makes grants to cities to provide up to 50 percent of the capital costs of public infrastructure necessary for an eligible workforce housing development program. The program was funded one-time with \$5 million in state appropriations and \$3 million in General Obligation (GO) bond proceeds.

In 2023, the Legislature provide \$10 million established the **Manufactured Home Lending Program**. The funds must be used for new manufactured home financing programs, manufactured home down payment assistance or manufactured home repair, renovation, removal and site preparation programs. Manufactured Home Park Coop Purchase. The program is administered by NeighborWorks Home Partners.

Our federal programs in this activity include:

National Housing Trust Fund – Minnesota Housing receives funding from U.S. Housing and Urban Development (HUD) for the National Housing Trust Fund. The program is targeting to building, rehabilitating, preserving and operating rental housing for extremely low-income families (30% of area median income and below). The funds come to Minnesota Housing based on a formula, require a state match and have one- and five-year planning requirements.

HOME Investment Partnerships – Minnesota Housing receives funds from HUD for the HOME Investment Partnership programs to funding a wide range of affordable housing activities to low-income households. The funds come to Minnesota Housing based on a formula, require a state match and have one- and five-year planning requirements. Currently HOME funds are used for new construction and rehabilitation of rental housing. The program also received a one-time amount during the pandemic to reduce homelessness and increase housing stability.

RESULTS

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

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

| Measure name | Measure type | Measure data source | Historical trend | Most recent data |
|---|--------------|---------------------|---|--|
| Percentage of units in rental developments funded that are located in the top workforce housing communities (areas with job growth). | Quantity | Program data. | The Agency has maintained in every year other than one a high level (90% or higher) in the share of development located in workforce housing communities. | FFY2019: 97% FFY2020: 95% FFY2021: 98% FFY2022: 90% FFY2023: 86% |
| Distribution of units financed annually with units affordable at: A) 30% of median income or less. B) 50% at median income or less, or C) 80% at median income or less | Results | Program data. | All units in all years have been affordable to low-income households (80% of the area median income or less) and 13% to 25% have been affordable to extremely- low-income households (30% of the area median income or less)/ | FFY2019: A) 13 % B) 53% C) 100% FFY2020: A) 15% B) 51% C) 100% FFY2021: A) 25% B) 68% C) 100% FFY2022: A) 24% B) 78% C) 100% FFY2023: A) 13% B) 66% C) 100% |

Evidence of Effectiveness

| Evidence-based practice: | Source: | FY 24-25 Expenditures |
|---|---|--|
| Many state and federal rental development resources are paired with the federal Low-Income Housing Tax Credit program (LIHTC) to fund the same rental developments. The LIHTC program has been shown to increase access to affordable and quality housing, and it has the potential to reduce crime, increase neighborhood socio-economic diversity, and reduce blight. | Results First Clearinghouse Database: https://evidence2impact.psu.edu/results-first-resources/clearing-house-database/ What Works for Health: https://www.countyhealthrankings.org/strategies-and-solutions/what-works-for-health/strategies/low-income-housing-tax-credits-lihtcs | The Challenge Program = \$11.5 million |

M.S. 462A.33 (<https://www.revisor.mn.gov/statutes/?id=462A.33>) provides the legal authority for Minnesota Housing's development and redevelopment activities.

M.S. 462A.38 (<https://www.revisor.mn.gov/statutes/cite/462A.38>) provides the legal authority for the Workforce and Affordable Homeownership Program.

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

462A.2035 (<https://www.revisor.mn.gov/statutes/cite/462A.2035>) provides the legal authority for the Manufactured Home Redevelopment Program.

M.S. 462A.40 (<https://www.revisor.mn.gov/statutes/cite/462A.40>) provides the legal authority for the Tax Credit Contribution Fund Program.

M.S. 462A.37 (<https://www.revisor.mn.gov/statutes/cite/462A.37>) provides the legal authority for the Housing Infrastructure Program

Development and Redevelopment

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | |
|--|----------------|----------------|----------------|------------------|----------------|----------------|
| | | | | | FY26 | FY27 |
| <u>Expenditures by Fund</u> | | | | | | |
| 8000 - Housing Finance Agency | 47,296 | 52,926 | 76,588 | 287,661 | 334,748 | 143,901 |
| Total | 47,296 | 52,926 | 76,588 | 287,661 | 334,748 | 143,901 |
| Biennial Change | | | | 264,026 | | 114,400 |
| Biennial % Change | | | | 263 | | 31 |
| <u>Expenditures by Activity</u> | | | | | | |
| Development and Redevelopment | 47,296 | 52,926 | 76,588 | 287,661 | 334,748 | 143,901 |
| Total | 47,296 | 52,926 | 76,588 | 287,661 | 334,748 | 143,901 |
| <u>Expenditures by Category</u> | | | | | | |
| Operating Expenses | 793 | 850 | 1,539 | 2,555 | 3,230 | 2,198 |
| Grants, Aids and Subsidies | 31,237 | 36,069 | 51,392 | 148,836 | 195,040 | 77,536 |
| Other Financial Transaction | 15,266 | 16,008 | 23,657 | 136,270 | 136,478 | 64,167 |
| Total | 47,296 | 52,926 | 76,588 | 287,661 | 334,748 | 143,901 |

Development and Redevelopment

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | |
|--------------------------------------|----------------|----------------|----------------|------------------|----------------|----------------|
| | | | | | FY26 | FY27 |
| 1000 - General | | | | | | |
| Direct Appropriation | 23,975 | 16,175 | 268,175 | 174,175 | 16,175 | 16,175 |
| Transfers Out | 23,975 | 16,175 | 268,175 | 174,175 | 16,175 | 16,175 |
| 8000 - Housing Finance Agency | | | | | | |
| Balance Forward In | 48,184 | 76,140 | 85,150 | 342,823 | 307,454 | 78,255 |
| Receipts | 24,916 | 18,072 | 30,781 | 40,963 | 50,950 | 37,873 |
| Transfers In | 50,336 | 43,864 | 304,204 | 211,679 | 54,599 | 55,623 |
| Transfers Out | | | 725 | 350 | | |
| Balance Forward Out | 76,140 | 85,150 | 342,822 | 307,454 | 78,255 | 27,850 |
| Expenditures | 47,296 | 52,926 | 76,588 | 287,661 | 334,748 | 143,901 |
| Biennial Change in Expenditures | | | | 264,026 | | 114,400 |
| Biennial % Change in Expenditures | | | | 263 | | 31 |

Program: Housing Stability**Activity: Rental Assistance**

<https://www.mnhousing.gov/>

AT A GLANCE

- Assisted more than 13,609 households in 2023.
- Median annual income of households served is \$9,500-\$15,000.
- Nearly 50 percent of the households served were families with children for the Housing Trust Fund program
- This activity contributes to the goals of the Minnesota Interagency Council on Homelessness' *Plan to Prevent and End Homelessness* and the State's Olmstead Plan.

Numbers are for FFY2023, unless otherwise noted

PURPOSE AND CONTEXT

An estimated 210,000 renter households making 50% area median income or less spend more than 30% of their income on housing. Rental assistance is critical to providing housing stability for individuals and families to tie the amount their pay in rent to their actual income. Rental assistance and other types of housing assistance is essential to the state's efforts to prevent and end homelessness.

Rental assistance and services combine to provide supportive housing to help individuals and families with multiple barriers to obtaining and maintaining housing. Supportive housing provides stability for the poorest households so they can successfully address barriers to employment, complete school or training and achieve independent living.

Achieving housing stability for individuals and families requires first securing affordable housing and then receiving support services that align with their needs. This is referred to as the 'Housing First' model. People with disabilities and individuals who have faced homelessness benefit when health care and support services, like employment services, are available to them in their homes. Research shows that people do better when needed services and stable homes are coordinated. The broader community benefits from supportive housing, through reductions in expensive public systems such as emergency room visits.

SERVICES PROVIDED

Housing Trust Fund Program: Through the Housing Trust Fund program, we fund rental assistance for households with 76 percent of people served having experienced long-term homelessness. Renters pay 30 percent of their income towards rent. In 2023, 1,243 households received rental assistance under this program with an average annual assistance of \$10,495. Sixty-three percent of those who received rental assistance in 2023 were households of color or from Indigenous communities. We have a priority to serve households with incomes that do not exceed 30 percent of the metropolitan area median income.

The state appropriation (\$11.7 million per year) currently funds rental assistance while new supportive housing developments are financed through Housing Infrastructure resources.

Homework Starts with Home: Housing stability for children and their families leads to improved attendance, school success and increases in household income. Homework Starts with Home funds housing assistance and services for homeless and highly mobile students and their families. An evaluation of this program found that 90

percent of households that received assistance were stably housed within two years. The students who achieved stable housing during the pilot had better attendance than homeless students statewide. In contrast, homeless students who did not receive rental assistance missed enough school to be considered chronically absent. Additionally, household income increased 15 percent during the program and some households went from homeless to homeowners in just over two years.

The program is a partnership with the Heading Home Minnesota Funders Collaborative, the Office to Prevent and End Homelessness, and the Departments of Education and Human Services. The base budget for the program is \$1.75 million per year.

Bridges Program: Through the Bridges program, we provide rental assistance for households in which at least one adult member has a serious mental illness. Households with incomes below 50 percent of the area median income are eligible for this program (currently below \$59,100 for a four-person household in the metropolitan area and \$52,000 for a four-person household in much of the remainder of the state). We partner with the Department of Human Services to deliver this program. Households receive both rental assistance and assistance from a social service agency. Under this program, families can afford stable housing in the community until public housing or a federal Section 8 certificate or voucher becomes available.

This program plays an important role in the state's Olmstead Plan, as it helps people with disabilities live, work and learn in the most integrated setting possible.

Rent Assistance: Established in the 2023 Legislative Session, rent assistance (commonly referred to as 'Bring It Home' rental assistance) is a statewide rental assistance program. The program provides housing vouchers to families, as well as project-based rental assistance, for cost-burdened households earning 50% area median income (AMI) or less. This program will limit the amount those households pay in rent to 30% of their income. Funds will be prioritized for households earning under 30% AMI that include children. The program is administered locally by Housing and Redevelopment Authorities (HRAs) based on a need formula. The program is funded by state appropriations (\$23 million per year) as well as a portion of the metro area sales tax that was established in 2023.

Our federal programs in this activity include:

Federal Housing Opportunities for Persons with AIDS (HOPWA) Program: Through the HOPWA Program we provide grants that can be used to meet the housing needs of persons with Acquired Immune Deficiency Syndrome (AIDS), HIV-positive status or related diseases and their families. The federal program authorizes grants for both housing assistance and services. Minnesota Housing's HOPWA funds are used for short-term housing assistance and rental subsidies.

Section 811: This federal program provided funding to states for project-based rental assistance to create integrated, cost-effective supportive housing for people with disabilities. Section 811 plays an important role in implementing the state's Olmstead Plan by creating new supportive housing opportunities across the state. This allows persons with disabilities to live as independently as possible in the community. These funds were awarded to projects through our consolidated Request for Proposal process and we partner with the Department of Human Services on this program. Minnesota Housing has received 3 rounds of funding under this program, receiving the highest amount of any housing finance agency in the country.

RESULTS

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

| Measure name | Measure type | Measure data source | Historical trend | Most recent data |
|--|--------------|---|---|--|
| Percentage of people who remained in housing or had a positive exit (moved to permanent affordable housing). | Quantity | Homeless Management Information System (HMIS) | The activity had a positive outcome for about 90% of program participants in each of the past several years. | SFY2019: 87% SFY2020: 92% SFY2021: 92% SFY2022: 89% SFY2023: 88% |
| Percentage of households with increased income from entry to exit. | Results | Homeless Management Information System (HMIS) | Nearly half of program participants in each of the last several years had their incomes increase while being served by the program. | SFY2019: 42% SFY2020: 48% SFY2021: 48% SFY2022: 42% SFY2023: 40% |

Evidence of Effectiveness

| Evidence-based practice: | Source: | FY 24-25 Expenditures |
|--|---|--|
| The Bridges and Housing Trust Fund program can utilize a “housing first” strategy and housing with services for people with disabilities and/or experiencing long-term homelessness, which have been shown to reduce homelessness, increase housing stability and reduce hospital utilization. | <p>What Work for Health (Housing First): https://www.countyhealthrankings.org/strategies-and-solutions/what-works-for-health/strategies/housing-first</p> <p>What Work for Health (Service Enriched Housing): https://www.countyhealthrankings.org/strategies-and-solutions/what-works-for-health/strategies/service-enriched-housing</p> <p>Minnesota Inventory: https://mn.gov/mmb/results-first/inventory/</p> <p>Results First Clearinghouse Database: https://evidence2impact.psu.edu/results-first-resources/clearing-house-database/</p> | <p>Bridges = \$4.4 million</p> <p>Housing Trust Fund = \$13.4 million</p> |
| Homework Starts with Home and Rental Assistance, including Bridges and Housing Trust Fund, fund rental assistance vouchers that operate very similarly to the federal Housing Choice Voucher (Section 8) program, which has been shown in increase neighborhood choice and socio-economic diversity and reduce homelessness and exposure to crime. | <p>Work Works for Health: https://www.countyhealthrankings.org/strategies-and-solutions/what-works-for-health/strategies/housing-choice-voucher-program-section-8</p> <p>Minnesota Inventory: https://mn.gov/mmb/results-first/inventory/</p> <p>Results First Clearinghouse Database: https://evidence2impact.psu.edu/results-first-resources/clearing-house-database/</p> | <p>Homework Starts with Home = \$2.1 million</p> <p>Bridges = \$4.4 million</p> <p>Housing Trust Fund = \$13.4 million</p> |

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

M.S. 462A.2097 (<https://www.revisor.mn.gov/statutes/?id=462A.2097>) provide the legal authority for the Bridges Program

M.S. 462A.2095 (<https://www.revisor.mn.gov/statutes/cite/462A.2095>) provides the legal authority for the rent assistance program.

Rental Assistance

Activity Expenditure Overview

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | |
|--|----------------|----------------|----------------|------------------|---------------|---------------|
| | | | | | FY26 | FY27 |
| <u>Expenditures by Fund</u> | | | | | | |
| 8000 - Housing Finance Agency | 20,133 | 20,925 | 21,307 | 79,204 | 97,024 | 93,752 |
| Total | 20,133 | 20,925 | 21,307 | 79,204 | 97,024 | 93,752 |
| Biennial Change | | | | 59,453 | | 90,265 |
| Biennial % Change | | | | 145 | | 90 |
| <u>Expenditures by Category</u> | | | | | | |
| Operating Expenses | 8 | 12 | 27 | 760 | 1,010 | 1,085 |
| Grants, Aids and Subsidies | 20,150 | 20,913 | 21,280 | 78,444 | 96,014 | 92,667 |
| Other Financial Transaction | (25) | | | | | |
| Total | 20,133 | 20,925 | 21,307 | 79,204 | 97,024 | 93,752 |

Rental Assistance

Activity Financing by Fund

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | |
|--------------------------------------|----------------|----------------|----------------|------------------|---------------|---------------|
| | | | | | FY26 | FY27 |
| 1000 - General | | | | | | |
| Direct Appropriation | 17,734 | 17,734 | 65,734 | 19,734 | 42,734 | 42,734 |
| Transfers Out | 17,734 | 17,734 | 65,734 | 19,734 | 42,734 | 42,734 |
| 2310 - Housing Assistance | | | | | | |
| Receipts | | | 26,619 | 41,900 | 43,500 | 45,075 |
| Transfers Out | | | 26,619 | 41,900 | 43,500 | 45,075 |
| 8000 - Housing Finance Agency | | | | | | |
| Balance Forward In | 17,768 | 17,236 | 16,418 | 90,827 | 76,549 | 69,551 |
| Receipts | 1,512 | 1,783 | 1,771 | 2,892 | 3,392 | 3,892 |
| Transfers In | 17,897 | 18,325 | 96,769 | 62,034 | 86,634 | 88,209 |
| Transfers Out | | | 2,825 | | | |
| Balance Forward Out | 17,044 | 16,418 | 90,827 | 76,549 | 69,551 | 67,900 |
| Expenditures | 20,133 | 20,925 | 21,307 | 79,204 | 97,024 | 93,752 |
| Biennial Change in Expenditures | | | | 59,453 | | 90,265 |
| Biennial % Change in Expenditures | | | | 145 | | 90 |

Program: Housing Stability**Activity: Homelessness Prevention and Assistance**

<https://www.mnhousing.gov/>

AT A GLANCE

- Family Homeless Prevention and Assistance Program served 10,260 households in 2023, including 60% households of color and Indigenous households.
- Median annual household income of households assisted was \$11,292.
- 49% of the households served were families with children.
- Resources available in all 87 counties.
- During the pandemic, Minnesota Housing received over \$500 million in federal funds to provide emergency rental assistance to renters and property owners.

Numbers are for FFY2023, unless otherwise noted

PURPOSE AND CONTEXT

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

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

SERVICES PROVIDED

Family Homeless Prevention and Assistance Program (FHPAP): Through FHPAP, we provide grants to counties and nonprofit organizations to assist families with children, single adults or youth who are homeless or at imminent risk of homelessness. We currently fund around 20 grantees that serve people in all 87 counties in Minnesota. The program receives \$10.3 million per year in general fund appropriations after receiving \$115 million for FY 2024-25. Additionally, in 2023, \$10 million was provided directly to Tribal Nations.

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

One-time Funding:

In 2023, \$25 million in one-time funding was provided to **Supportive Housing** program to provide funding to cover costs needed for supportive housing to operate effectively (e.g. front desk, tenant service coordination, security costs, etc.) and to demonstrate financially sustainable ways to provide services for supportive housing residents. In 2024, \$15 million was reallocated to the Community Stabilization program for recapitalization of distressed buildings that includes supportive housing.

In 2023, the Legislature provided \$3 million to Community Mediation Minnesota to administer a statewide housing mediation program to provide support to renters and residential rental property owners.

Our federal programs in this activity include:

COVID-19 Housing Assistance: Minnesota Housing implemented three separate emergency housing assistance programs during the pandemic. The first, was the COVID-19 Housing Assistance Program which was available between August 2020 and December 2020. The second, was the Emergency Rental Assistance (ERA) program which was available April 2021 through January 2022, known as RentHelpMN. The third program and smallest program, which was made available due to federal ERA reallocations from other states, was Targeted RentHelpMN, which was available August 2023 through fall 2024. In total, these programs provided over \$525 million in direct assistance to cover unpaid housing-related bills to help individuals and families maintain housing during and after the public health emergency. Most payments were made directly to the property owner and the programs served all 87 counties.

RESULTS

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

| Measure name | Measure type | Measure data source | Historical trend | Most recent data |
|--|--------------|---|--|--|
| Percentage of households who were identified as at risk for homelessness or were homeless, were served, and didn't return to a shelter within 12 months. | Results | Homeless Management Information System (HMIS) | In each of the last several years, nearly all program participants did not return to homelessness within a year. | FFY2019: 91% FFY2020: 93% FFY2021: 96% FFY2022: 97% FFY2023: 96% |

Evidence of Effectiveness

If the program/activity is currently implementing or supporting evidence-based practices, complete the table below. The definitions of evidence used by Results Management are available at <https://mn.gov/mmb/results-first/definitions-of-evidence/>. Resources to find evidence-based practices are available at <https://mn.gov/mmb/evidence/finding/>.

| Evidence-based practice: | Source: | FY 24 Expenditures |
|--|--|------------------------|
| One of the primary uses of the Family Homeless Prevention and Assistance Program (FHPAP) is rapid-rehousing rental assistance. | What Works for Health: https://www.countyhealthrankings.org/strategies-and-solutions/what-works-for-health/strategies/rapid-re-housing-programs Minnesota Inventory: https://mn.gov/mmb/results-first/finding-using-evidence/ Results First Clearinghouse Database: https://evidence2impact.psu.edu/results-first-resources/clearing-house-database/ | FHPAP - \$52.9 million |

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

M.S. 462A.42 (<https://www.revisor.mn.gov/statutes/cite/462A.42>) provides the legal authority for the Supportive Housing program.

Homelessness Prevention and Assistance

Activity Expenditure Overview

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | |
|--|----------------|----------------|----------------|------------------|---------------|---------------|
| | | | | | FY26 | FY27 |
| <u>Expenditures by Fund</u> | | | | | | |
| 8000 - Housing Finance Agency | 254,000 | 67,019 | 64,883 | 93,965 | 31,007 | 12,519 |
| Total | 254,000 | 67,019 | 64,883 | 93,965 | 31,007 | 12,519 |
| Biennial Change | | | | (162,171) | | (115,322) |
| Biennial % Change | | | | (51) | | (73) |
| <u>Expenditures by Category</u> | | | | | | |
| Operating Expenses | 53,589 | 9,372 | 11,207 | 4,455 | 550 | 250 |
| Grants, Aids and Subsidies | 200,456 | 57,647 | 53,676 | 50,410 | 30,457 | 12,269 |
| Other Financial Transaction | (45) | | | 39,100 | | |
| Total | 254,000 | 67,019 | 64,883 | 93,965 | 31,007 | 12,519 |

Homelessness Prevention and Assistance

Activity Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | |
|-----------------------------------|---------|--------|--------|-----------|---------------|-----------|
| | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
| 1000 - General | | | | | | |
| Direct Appropriation | 10,269 | 60,269 | 68,269 | 18,849 | 10,269 | 10,269 |
| Transfers Out | 10,269 | 60,269 | 68,269 | 18,849 | 10,269 | 10,269 |
| | | | | | | |
| 3010 - Coronavirus Relief | | | | | | |
| Transfers In | 574 | 9 | | | | |
| Cancellations | 574 | 9 | | | | |
| | | | | | | |
| 3015 - ARP-State Fiscal Recovery | | | | | | |
| Direct Appropriation | 27,000 | | | | | |
| Transfers In | 15,000 | | | | | |
| Transfers Out | 27,000 | | | | | |
| Cancellations | 15,000 | | | | | |
| | | | | | | |
| 8000 - Housing Finance Agency | | | | | | |
| Balance Forward In | 117,124 | 43,121 | 77,585 | 85,177 | 25,588 | 4,850 |
| Receipts | 159,270 | 40,070 | 4,205 | 15,998 | | |
| Transfers In | 30,269 | 60,269 | 70,669 | 19,628 | 10,269 | 10,269 |
| Transfers Out | 15,574 | 9 | 2,400 | 1,250 | | |
| Balance Forward Out | 37,089 | 76,431 | 85,176 | 25,588 | 4,850 | 2,600 |
| Expenditures | 254,000 | 67,019 | 64,883 | 93,965 | 31,007 | 12,519 |
| Biennial Change in Expenditures | | | | (162,171) | | (115,322) |
| Biennial % Change in Expenditures | | | | (51) | | (73) |

Program: Homeownership Assistance

<https://www.mnhousing.gov/>

AT A GLANCE

- Helped 3,547 households buy their first home in 2023 through downpayment assistance programs.
- Median annual income of households served with downpayment assistance is \$70,965 for our deferred, no monthly payments, loan program.
- More than one-third (37 percent) of households served are households of color and Indigenous households.
- Nearly 60 percent of the households served were families with children.
- Assisted 6,337 households with Homebuyer Education, Counseling and Training with a median income of households served is \$47,790.

Numbers are for FFY2023, unless otherwise noted

PURPOSE AND CONTEXT

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

More resources and more intentional efforts are needed because while Minnesota has one of the nation's highest rates of homeownership (more than 70 percent), we also have the 13th largest disparity in homeownership rates between white households and households of color. This gap has been largely unchanged over the last 20 years. A lack of the wealth available for entry costs – including downpayment and closing costs – contributes to the homeownership gap. Other reasons for the gap include credit and lending practices, cultural factors, systemic racism and discrimination. Currently, over 60,000 renter households of color in Minnesota have the income they need to potentially buy a home and are within the prime homebuying age range.

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

SERVICES PROVIDED

We're helping to close the gap and start households on the path to homeownership through our mortgage programs, marketing and outreach, homebuyer education, and assistance with downpayment and closing costs.

Homeownership Assistance Fund: Through the Homeownership Assistance Fund with a base appropriation of \$885,000 per year, we provide assistance to first-time homebuyers to use toward downpayment and closing costs. In 2023, the average downpayment and closing cost loans financed with state appropriations and agency resources was \$14,305 for about 2,838 households. In 2023, the Legislation provided a one-time appropriation of \$50 million for this activity.

We provide the assistance in the form of a second mortgage with no interest. We defer repayment of the loan, and in some cases, it may be forgiven. In cases such as a sale or refinance, the loan is repaid to Minnesota Housing so we can help another first-time homebuyer. The average household income for a household that received

assistance was \$65,793 in 2023. Homebuyers who receive assistance are required to participate in homebuyer education, have a credit score of at least 640 and provide minimum cash investment. Our network of private lenders delivers the downpayment loan programs directly to homebuyers.

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

Homebuyer Education, Counseling and Training Program: Through the Homebuyer Education, Counseling and Training (HECAT) program, Minnesota Housing works in collaboration with a network of housing counseling organizations. Together we have designed a comprehensive statewide delivery network for homebuyer training and education. This network is overseen by the Minnesota Home Ownership Center, a nonprofit organization based in St. Paul.

The homebuyer training network receives support from state and federal appropriations as well as lending institutions and foundations. We award grants to qualified nonprofit counseling organizations through a competitive Request for Proposal process. The organizations provide both pre-purchase and post-purchase counseling for low- and moderate-income first-time homebuyers. We also provide funding for foreclosure prevention counseling to help homeowners avoid foreclosure whenever possible.

The base appropriation for HECAT is \$857,000 per year and the program received a one-time increase of \$2 million in FY 2024-25.

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

One-time Funding in 2023:

First Generation Downpayment Assistance - \$150 million total, including \$50 million administered directly by Minnesota Housing and our lender network and \$100 million administered by Midwest Minnesota Community Development Corporation (MMCDC) and a network of Community Development Financial Institutions (CDFIs). The two programs provide downpayment assistance to buyers whose parents did not own a home or who lost a home to foreclosure. Each program has income limits and maximum purchase prices.

- The agency program provides deferred, interest-free and forgivable loans up to \$35,000 with half the loan forgiven after 10 years and the rest after 20 years. The agency's program can be paired with the agency's first mortgage and other qualifying downpayment assistance programs.
- The program administered by MMCDC provides a deferred, interest free and forgivable loan up to \$32,000 that is forgiven over five years (20 percent forgiven each year).

Homeownership Investment Grants - \$40 million to support initiatives that encourage affordable homeownership across the state. The resources are delivered through critical Community Development Financial Institutions (CDFIs) for: housing development to increase supply of affordable owner-occupied homes, financing programs for affordable new construction, acquisition, rehabilitation and resale of existing homes or for establishing revolving loan accounts.

Manufactured Home Lending Grants - \$10 million to NeighborWorks Home Partners to provide manufactured home financing, downpayment assistance, and home rehab resources to manufactured homeowners and their homes located in cooperatives.

Fee-based Home Purchasing - \$10 million to NeighborWorks Home Partners to develop and administer home purchase products for interest-adverse buyers.

Our federal programs in this activity include:

COVID-19 Homeownership Assistance Fund: Funded with federal funds, the Homeownership Assistance Fund (HomeHelpMN) provided financial assistance to eligible homeowners to bring past-due mortgage payments and eligible housing related expenses current. The program was available statewide to homeowners that had an income equal to or less than 100% of area median income, had experienced a qualified financial hardship on or after January 2020 and had past-due mortgage and/or other housing-related expenses. The program also offered information about accessing services to evaluate solutions and navigate foreclosure.

RESULTS

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

For reference, as of 2018, 34% of households that are income-ready to buy a home and in the prime first-time homebuyer age (25 to 44) are households of color. We made 40% of our first-time homebuyer loans to households of color or Hispanic ethnicity in Federal Fiscal Years 2022 and 37% in 2023. By comparison, according to Home Mortgage Disclosure Act (HMDA) data, lending to households of color as a percentage of all mortgage activity in the overall mortgage market was only 23% in 2023.

| Measure name | Measure type | Measure data source | Historical trend | Most recent data |
|---|--------------|---------------------------------|--|--|
| Percentage of Minnesota Housing loans for first-time homebuyers issued to households of color and indigenous communities. | Quantity | Minnesota Housing program data. | The percentage is nearly twice the rate for all home purchase lending in Minnesota (21%) and has been steadily increasing. High interest rates and a very limited supply of home for sale reduced the percentage a little in 2023. | FFY2019: 34% FFY2020: 34% FFY2021: 38% FFY2022: 40% FFY2023: 37% |
| Percentage of downpayment assistance going to households of color and indigenous communities. | Quality | Minnesota Housing program data. | This trend is very similar to the trend for all first-time homebuyer loans. | FFY2019: 37% FFY2020: 36% FFY2021: 39% FFY2022: 41% FFY2023: 38% |
| Percentage of homebuyer loans that included downpayment assistance. | Results | Minnesota Housing program data. | For each of the last several years, nearly all mortgages have downpayment assistance. | FFY2019: 98% FFY2020: 95% FFY2021: 97% FFY2022: 98% FFY2023: 96% |

| | | | | |
|--|---------|---|---|--|
| Foreclosures prevented as a percentage of closed counseling cases. | Results | Minnesota Homeownership Center's Community Impact Report 2023 | Over the last several years, the share of foreclosure counseling cases that result in a prevented foreclosure has risen to 95%. | FFY2019: 87% FFY2020: 84% FFY2021: 94% FFY2022: 93% FFY2023: 95% |
|--|---------|---|---|--|

Evidence of Effectiveness

| Evidence-based practice: | Source: | FY 24-25 Expenditures |
|---|---|-----------------------|
| The Homeownership Assistance Fund (HAF) provides downpayment and closing-cost assistance to first-time homebuyers. Participants are required to take homebuyer education. | Christina Pierhoples Stacy, Brett Theodos, and Bing Bai, "How to Prevent Mortgage Default Without Skin in the Game: Evidence from an Integrated Homeownership Support Nonprofit," <i>Journal of Housing Economics</i> 39 (2018), pp. 17-24. This study from staff at the Urban Institute shows that downpayment assistance coupled with other services, including homebuyer education and counseling (which Minnesota Housing requires), help people get over the savings barrier and achieve successful homeownership with a low downpayment. The study used a quasi-experiential design with propensity matching to create the comparison group to evaluate the Homewise program in New Mexico. The implementation of and the population served by Minnesota Housing's Homeownership Assistance Fund (HAF) aligns closely with the Homewise program. | HAF = \$54.6 million |
| Homebuyer Education, Counseling and Training (HECAT) Program prepares homebuyers for the homebuying process and homeownership. | Laura R. Peck, Shawn R. Moulton, Debbie Gruenstein Bocian, Tori Morris and Donna Demarco, <i>Long-Term Impact Report: The HUD First-Time Homebuyer Education and Counseling Demonstration</i> (Abt Associates, June 2021); https://www.abtglobal.com/sites/default/files/files/insights/reports/2022/long-term-impact-report-hud-first-time-homebuyer-education-counseling-demonstration.pdf | HECAT = \$1.8 million |

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

M.S. 462A.41 (<https://www.revisor.mn.gov/statutes/cite/462A.41>) provides the legal authority for Minnesota Housing's First Generation Down Payment Assistance program.

M.S. 462A.209 (<https://www.revisor.mn.gov/statutes/?id=462A.209>) provides the legal authority for the Homeownership, Education Counseling and Training Program

M.S. 462A.35 (<https://www.revisor.mn.gov/statutes/?id=462A.35>) provides the legal authority for the Manufactured Home Relocation Trust Fund

Homeownership Assistance

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | |
|--|----------------|----------------|----------------|------------------|---------------|------|
| | | | | | FY26 | FY27 |

Expenditures by Fund

| | | | | | | |
|-------------------------------|----------------|---------------|---------------|----------------|----------------|--------------|
| 8000 - Housing Finance Agency | 122,809 | 19,615 | 68,948 | 106,478 | 107,359 | 7,352 |
| Total | 122,809 | 19,615 | 68,948 | 106,478 | 107,359 | 7,352 |
| Biennial Change | | | | 33,001 | | (60,715) |
| Biennial % Change | | | | 23 | | (35) |

Expenditures by Activity

| | | | | | | |
|--------------------------|----------------|---------------|---------------|----------------|----------------|--------------|
| Homeownership Assistance | 122,809 | 19,615 | 68,948 | 106,478 | 107,359 | 7,352 |
| Total | 122,809 | 19,615 | 68,948 | 106,478 | 107,359 | 7,352 |

Expenditures by Category

| | | | | | | |
|-----------------------------|----------------|---------------|---------------|----------------|----------------|--------------|
| Operating Expenses | 6,069 | 12,677 | 2,550 | 3,684 | 4,544 | 605 |
| Grants, Aids and Subsidies | 109,052 | 1,424 | 11,671 | 49,115 | 99,015 | 2,947 |
| Other Financial Transaction | 7,688 | 5,515 | 54,727 | 53,679 | 3,800 | 3,800 |
| Total | 122,809 | 19,615 | 68,948 | 106,478 | 107,359 | 7,352 |

Homeownership Assistance

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | |
|--------------------------------------|----------------|----------------|----------------|------------------|----------------|--------------|
| | | | | | FY26 | FY27 |
| 1000 - General | | | | | | |
| Direct Appropriation | 2,742 | 1,742 | 262,742 | 2,742 | 1,742 | 1,742 |
| Transfers Out | 2,742 | 1,742 | 262,742 | 2,742 | 1,742 | 1,742 |
| 8000 - Housing Finance Agency | | | | | | |
| Balance Forward In | 19,188 | 21,867 | 9,202 | 206,429 | 106,203 | 4,496 |
| Receipts | 121,499 | 4,500 | 3,423 | 3,510 | 3,910 | 3,510 |
| Transfers In | 3,448 | 2,157 | 268,002 | 2,242 | 1,742 | 1,742 |
| Transfers Out | | | 5,250 | (500) | | |
| Balance Forward Out | 21,326 | 8,908 | 206,429 | 106,203 | 4,496 | 2,396 |
| Expenditures | 122,809 | 19,615 | 68,948 | 106,478 | 107,359 | 7,352 |
| Biennial Change in Expenditures | | | | 33,001 | | (60,715) |
| Biennial % Change in Expenditures | | | | 23 | | (35) |

Program: Preservation**Activity: Rental Preservation and Rehabilitation**

<https://www.mnhousing.gov/>

AT A GLANCE

- Rental preservation resources are the most cost-effective way to keep housing affordable.
- Property owners across the state are facing increasing challenges addressing both rehab needs and operating costs (e.g. insurance costs) associated with their developments.
- Of Minnesota's over 30,000 project-based Section 8 units across the state, around half are in projects with a contract that will expire in the next 10 years.
- Of Minnesota's over 9,000 United States Department of Agriculture Rural Development (USDA RD) units, nearly 2,000 are in properties with a mortgage that will mature in the next 10 years and may lose its rent assistance that keeps the home affordable.

Numbers are for FFY2023, unless otherwise noted

PURPOSE AND CONTEXT

Generally, the most cost-effective way to provide homes that are affordable to most Minnesotans is to preserve our existing stock. This is particularly true as the growing demand outpaces new supply and the tight market drives home prices higher.

Minnesota has approximately 120,000 units of rental housing that have received or currently received federal, state and/or local support to keep the units affordable. This represents about five percent of the homes in Minnesota, but they play a vital role in serving the state's lowest-income households. These include project-based Section 8 properties, USDA Rural Development properties, public housing, Low-Income Housing Tax Credit units and other subsidized properties. These properties are located throughout the state, in large and small communities alike.

The affordable housing stock is an essential part of communities' infrastructure, and its preservation is critical to communities' continued vitality. As these properties age, or as the subsidy contracts and regulatory agreements expire, there is a risk that these units may be lost due to physical deterioration or diminished capacity of the owner. In some markets, there is additional risk that some properties may convert to market-rate housing and no longer be affordable for low-income residents.

Over 30,000 of these affordable housing units are federally subsidized through the Section 8 program. Section 8 housing is among the most affordable housing available because the tenant is required to pay only 30 percent of household income towards rent. The federal government makes up the difference between the tenant's contribution and an agreed-upon contract rent. This is a critical benefit because the median income of Section 8 households is about \$13,000.

Another over 9,000 privately owned affordable housing units are federally subsidized through USDA Rural Development. Around 6,000 of the over 9,000 have rent assistance paired with the unit, allowing residents to pay 30 percent of their income on rent. Many of these properties are smaller and in rural communities which makes the developments critical to preserve.

The state's affordable housing properties are both aging and limited in the total rents (revenue) they can charge. Because many costs related to operating housing (e.g. insurance, costs of repairs, security costs, etc.) are

increasing, there is increasing need to provide resources and support to maintain the financial stability and operations of the affordable housing we have in the state.

Through rental preservation and rehabilitation, Minnesota Housing provides funding for the rehabilitation, repair and stabilization of aging rental housing through several programs.

SERVICES PROVIDED

Affordable Rental Investment Fund – Preservation (PARIF): The PARIF program finances loans to make improvements for the health, safety and quality of federally assisted affordable housing stock that are maintained for low-income residents. This program receives \$4.218 million per year from state appropriations. The Section 8 and USDA RD portfolios were developed primarily from the 1960s to the 1980s.

Due to the age of the housing stock, rents may not be able to keep up with the physical demands of the properties. The properties need large injections of capital through PARIF to make physical improvements and other support so that the properties can remain intact and affordable for decades into the future. In some markets, the developments can also convert to market rate properties as their federal contracts expire which leads to a loss of affordable housing. In exchange for receiving funding from Minnesota Housing, owners must agree to continue participating in the federal rental assistance program (Section 8 or USDA RD) for the maximum term available.

Rental Rehabilitation Deferred Loan Program (RRDL): The program receives \$3.743 million in state appropriations each year. The program funds capital repairs focusing on health and safety repairs to keep it in good condition for years to come. Since 2019, the priority and exclusive use of the program has been to provide capital resources in partnership with USDA Rural Development to assist developments in their Section 515 mortgage program. This critical housing stock needs to be improved and kept within the Rural Development program, otherwise federal rental assistance can be lost. The agency's work in this place is regarded as nation leading.

One-time Funding in 2023 and 2024:

Stable Housing Organizational Relief Program (SHORP) – In 2023, the Legislature created the \$50 million SHORP program to provide one-time financial assistance to support eligible rental housing owners that have experienced significant detrimental financial impacts due to economic conditions.

Community Stabilization – In 2023, the Legislature created the Community Stabilization program. In 2024, the Legislature increased resources and modified the program. \$50 million was set-aside for recapitalization of distressed multifamily properties (with up to \$15 million set-aside for supportive housing properties), \$41.750 million for multifamily naturally occurring affordable housing (NOAH), \$10 million for single-family NOAH and \$13.250 million for two legislatively-named grants. These funds are all available through competitive request for proposal process or pipeline funding opportunities.

Publicly Owned Housing Program (POHP) – Typically funded in the State's Capital Investment bill, the Legislature provided \$15 million (\$5 million legislatively-named) in state appropriations for the program in 2023. The Legislature also included \$30.1 million in state appropriation the Capital Investment bill (as well as \$41.9 million in State General Obligation bonds)

High Risk Sprinklers - \$10 million to provide grants to owners of eligible buildings for the installation of sprinkler systems. \$4 million is legislatively-named for specific buildings.

Lead Safe Homes – \$3 million to provide grants to support making homes safer through lead testing and hazard reduction.

Other Programs and Initiatives:

Using agency resources, we also invested in a Naturally Occurring Affordable Housing (NOAH) Impact Fund (Rounds 1 and 2) administered by Greater Minnesota Housing Fund. The fund finances the acquisition and preservation of naturally affordable rental housing to preserve the affordability of such homes for the long term. All investments target rental properties at risk of conversion to higher rents and the threat of displacement of low- and moderate-income residents.

The agency also supports the preservation and rehabilitation of properties through the federal low-income housing tax credit and Housing Infrastructure programs.

RESULTS

Preservation of existing affordable rental housing is one of our strategic priorities. We measure our results by reviewing the number of federally assisted rental units that are preserved and the median income of the households we serve.

| Measure name | Measure type | Measure data source | Historical trend | Most recent data |
|--|--------------|---------------------------------------|---|---|
| Number of federally assisted rental units preserved. | Quantity | Minnesota Housing Program Data | Over the last several years, the Agency has annually rehabilitated 1,100 to 1,700 affordable rental units. | FFY2019: 1,638 FFY2020: 1,143 FFY2021: 1,298 FFY2022: 1,272 FFY2023: 1,321 |
| Median income of households served for Section 8. | Quantity | <i>Minnesota Housing Program Data</i> | For each of the last several years, the annual incomes of the renters in these units have been extremely low. | FFY2019: \$12,648 FFY2020: \$12,651 FFY2021: \$12,708 FFY2022: \$13,164 FFY2023: \$13,965 |

Evidence of Effectiveness

| Evidence-based practice: | Source: | FY 24-Expenditures |
|---|---|--|
| Affordable Rental Investment Fund – Preservation (PARIF) and Rental Rehabilitation Deferred Loan (RRDL) Program provide loans for the rehabilitation and preservation of rental housing, which has been shown to improve housing conditions, health outcomes and mental health. It also has the potential to increase/improve energy efficiency and neighborhood quality and stability and reduce hospital utilization and absenteeism. | What Works for Health: https://www.countyhealthrankings.org/strategies-and-solutions/what-works-for-health/strategies/housing-rehabilitation-loan-grant-programs Results First Clearinghouse Database: https://evidence2impact.psu.edu/results-first-resources/clearing-house-database/ | PARIF = \$13.3 million RRDL = \$1.7 million |

M.S. 462A.21, subd.8b (<https://www.revisor.mn.gov/statutes/?id=462A.21>) provides the legal authority for the PARIF program.

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

Rental Preservation and Rehabilitation

Activity Expenditure Overview

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | |
|--|----------------|----------------|----------------|------------------|----------------|---------------|
| | | | | | FY26 | FY27 |
| <u>Expenditures by Fund</u> | | | | | | |
| 8000 - Housing Finance Agency | 16,368 | 16,447 | 47,245 | 92,580 | 126,300 | 29,224 |
| Total | 16,368 | 16,447 | 47,245 | 92,580 | 126,300 | 29,224 |
| Biennial Change | | | | 107,009 | | 15,699 |
| Biennial % Change | | | | 326 | | 11 |
| <u>Expenditures by Category</u> | | | | | | |
| Operating Expenses | | | | 983 | 3,621 | |
| Grants, Aids and Subsidies | | | 32,249 | 43,218 | 43,929 | 600 |
| Other Financial Transaction | 16,368 | 16,447 | 14,995 | 48,379 | 78,750 | 28,624 |
| Total | 16,368 | 16,447 | 47,245 | 92,580 | 126,300 | 29,224 |

Rental Preservation and Rehabilitation

Activity Financing by Fund

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | |
|--------------------------------------|----------------|----------------|----------------|------------------|----------------|---------------|
| | | | | | FY26 | FY27 |
| 1000 - General | | | | | | |
| Direct Appropriation | 7,961 | 7,961 | 131,961 | 77,961 | 7,961 | 7,961 |
| Transfers Out | 7,961 | 7,961 | 131,961 | 77,961 | 7,961 | 7,961 |
| 8000 - Housing Finance Agency | | | | | | |
| Balance Forward In | 59,641 | 51,875 | 51,380 | 169,791 | 147,282 | 31,053 |
| Receipts | 7,742 | 7,991 | 3,561 | 2,110 | 2,110 | 2,110 |
| Transfers In | 7,961 | 7,961 | 169,488 | 70,365 | 7,961 | 7,961 |
| Transfers Out | 7,100 | | 7,395 | 2,404 | | |
| Balance Forward Out | 51,875 | 51,380 | 169,790 | 147,282 | 31,053 | 11,900 |
| Expenditures | 16,368 | 16,447 | 47,245 | 92,580 | 126,300 | 29,224 |
| Biennial Change in Expenditures | | | | 107,009 | | 15,699 |
| Biennial % Change in Expenditures | | | | 326 | | 11 |

Program: Preservation**Activity: Homeownership Rehabilitation**

<https://www.mnhousing.gov/>

AT A GLANCE

- Assisted 224 homeowners through the Rehabilitation Loan Program (RLP) and 1,116 homeowners through the Fix-up Fund Loan Program.
- Median annual income of households served through RLP is \$17,083 and the median income for Fix-up Fund is \$99,625.
- Eighty-nine percent of homeowners served through RLP reside in Greater Minnesota.

All numbers are for FFY2023, unless otherwise noted

PURPOSE AND CONTEXT

Maintaining and improving the state's existing single-family housing is critical, especially considering the age of many homes across the state are well over 50 years old. As homes age, many aspects of the home need to be maintained or replaced in order to keep it safe and habitable. Often these repairs cost thousands of dollars and many families do not room in their family budget to afford an additional monthly cost. Home rehabilitation resources help homeowners remain in their homes, which is often the most affordable option in the community, especially for seniors.

A study by Wilder Research found that over 16,000 extremely low-income senior households (households at or below 30 percent of their area's median income) have home rehabilitation needs, including both habitability repairs and accessibility improvements. For an estimated cost of around \$25,000 (inflation adjusted from their report), these seniors would be able to stay in their own rehabilitated homes and their communities for another five years. Compared to the cost of assisted-living alternatives, this cost is minimal, and studies show that most seniors prefer to age in place.

Minnesota Housing provides loans to maintain or improve owner-occupied housing to decent and safe conditions. We serve homeowners who often have incomes that are too low to qualify for loans in the private sector. Increasingly the agency is looking for more opportunities and resources to make homes more climate resilient and energy efficient through home improvement loans.

SERVICES PROVIDED

Rehabilitation Loan Program - Through the owner-occupied Rehabilitation Loan Program we provide no-interest forgivable loans of up to \$37,500 for very low-income households. We forgive the loans after 15 years if the home remains the homeowner's primary residence. Local units of government and nonprofit organizations, including Community Action Agencies, deliver this program to homeowners and homeowners use the loans for health, safety, accessibility and energy-efficiency improvements. The program's base funding is \$2.772 million per year.

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

Historically Minnesota Housing supplements the \$2.772 million per year in state appropriations with agency resources for this program because need typically exceeds appropriated resources. The agency also provides other home rehabilitation programs serving households with incomes above 30% area median income using other state appropriations like the Challenge program.

Additional Home Improvement Lending - The agency also utilizes agency resources to offer home improvement loans to moderate-income families through the Fix Up Home Improvement Loan program targeting households who can afford a monthly payment. In 2023 this program served 1,116 households with a total of \$34.6 million in loans. These loans carry an amortizing interest rate and are available throughout the state through local lenders. Income limits, minimum credit score and owner-occupancy requirements apply to the loans and loan amounts from \$2,000 to \$75,000 with terms from 1 year to 20 years. To help with accessing the program, no downpayment is required and little to no equity in the home is required.

Disaster Relief Funding: Minnesota Housing acts as the lender of last resort after insurance and the Federal Emergency Management Agency to provide loan resources to homeowners whose home has been impacted by a natural disaster. Loans are provided to bring the home back to the condition it was prior to the natural disaster. This program is available subject to appropriations from the Legislature and only available if there's been a federal disaster declaration.

One-time funding in 2023:

Community Stabilization – In 2023, the Legislature created the Community Stabilization program. The program was modified in 2024 and \$10 million was set-aside specifically for single family grants or loans for acquisition or rehabilitation where market pressures or significant deferred rehabilitation needs could lead to displacement or loss of housing.

Federal funds in this activity:

With resources from the Department of Commerce, Minnesota Housing created the Energy Loan Plus program in 2024 to provide loans to make energy-conservation related improvements to homes. The program offers a below market interest rate with loans up to \$30,000 and is available through local lenders. Other parameters are similar to the Fix-Up Home Improvement Loan Program mentioned about.

RESULTS

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

| Measure name | Measure type | Measure data source | Historical trend | Most recent data |
|---|--------------|--------------------------------|--|--|
| Percentage of households with the lowest incomes (less than 30% of median income) that received rehabilitation loans. | Results | Minnesota Housing Program Data | An increasing share of program participants have the lowest incomes. | FFY2019: 55% FFY2020: 64% FFY2021: 63% FFY2022: 76% FFY2023: 75% |

| Measure name | Measure type | Measure data source | Historical trend | Most recent data |
|--|--------------|--------------------------------|--|--|
| Percentage of rehab loans provided to seniors. | Results | Minnesota Housing Program Data | An increasing share of program participants are seniors. | FFY2019: 39% FFY2020: 47% FFY2021: 44% FFY2022: 41% FFY2023: 52% |
| Percentage of rehab loans to households that identified as having at least one household member with a disability. | Results | Minnesota Housing Program Data | An increasing share of program participants have a household member with a disability. | FFY2019: 36% FFY2020: 37% FFY2021: 41% FFY2022: 40% FFY2023: 45% |

Evidence of Effectiveness

| Evidence-based practice: | Source: | FY 24 Expenditures |
|---|--|---|
| The Rehabilitation Loan Program provides zero-interest, deferred, forgivable loans to low-income homeowners to improve and rehabilitate their homes, which has been shown to improve housing conditions, health outcomes and mental health. It also has the potential to increase/improve energy efficiency and neighborhood quality and stability and reduce hospital utilization and absenteeism. | <p>What Works for Health: https://www.countyhealthrankings.org/strategies-and-solutions/what-works-for-health/strategies/housing-rehabilitation-loan-grant-programs</p> <p>Results First Clearinghouse Database: https://evidence2impact.psu.edu/results-first-resources/clearing-house-database/</p> | Rehabilitation Loan Program = \$4.1 million |

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

Homeownership Rehabilitation

Activity Expenditure Overview

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | |
|--|----------------|----------------|----------------|------------------|---------------|---------------|
| | | | | | FY26 | FY27 |
| <u>Expenditures by Fund</u> | | | | | | |
| 8000 - Housing Finance Agency | 5,085 | 4,724 | 4,171 | 8,300 | 16,335 | 11,523 |
| Total | 5,085 | 4,724 | 4,171 | 8,300 | 16,335 | 11,523 |
| Biennial Change | | | | 2,661 | | 15,387 |
| Biennial % Change | | | | 27 | | 123 |
| <u>Expenditures by Category</u> | | | | | | |
| Operating Expenses | 79 | 80 | 84 | 845 | 239 | 130 |
| Grants, Aids and Subsidies | 551 | 495 | 372 | 1,600 | 3,485 | 1,250 |
| Other Financial Transaction | 4,455 | 4,149 | 3,715 | 5,855 | 12,611 | 10,143 |
| Total | 5,085 | 4,724 | 4,171 | 8,300 | 16,335 | 11,523 |

Homeownership Rehabilitation

Activity Financing by Fund

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | |
|--------------------------------------|----------------|----------------|----------------|------------------|---------------|---------------|
| | | | | | FY26 | FY27 |
| 1000 - General | | | | | | |
| Direct Appropriation | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 |
| Transfers Out | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 | 2,772 |
| 8000 - Housing Finance Agency | | | | | | |
| Balance Forward In | 2,973 | 2,819 | 2,700 | 2,992 | 9,239 | 2,776 |
| Receipts | 2,159 | 1,833 | 1,691 | 1,775 | 7,100 | 7,100 |
| Transfers In | 2,772 | 2,772 | 2,772 | 13,101 | 2,772 | 2,772 |
| Transfers Out | | | | 329 | | |
| Balance Forward Out | 2,819 | 2,700 | 2,992 | 9,239 | 2,776 | 1,125 |
| Expenditures | 5,085 | 4,724 | 4,171 | 8,300 | 16,335 | 11,523 |
| Biennial Change in Expenditures | | | | 2,661 | | 15,387 |
| Biennial % Change in Expenditures | | | | 27 | | 123 |

Program: Preservation**Activity: Project Based Rental Assistance**<https://www.mnhousing.gov/>**AT A GLANCE**

- Over 200,000 renter households are lower-income and pay more than 30 percent of their income on rent.
- U.S. Department of Housing and Urban Development's Project-Based Rental Assistance supported nearly 30,000 households with a median annual income of households served is around \$13,965.
- 48 percent of the households served are elderly and 37 percent are disabled.

All numbers are for FFY2023, unless otherwise noted

PURPOSE AND CONTEXT

Minnesota Housing preserves existing affordable housing stock by administering the federal housing assistance payment contracts on behalf of the federal government. The U.S. Department of Housing and Urban Development (HUD) has into contracts with property owners to provide rental assistance for families with incomes less than 80 percent of the area median income. With the contract between the property and HUD, tenants pay no more than 30 percent of their income in rent. The tenants living in these developments are among the lowest-income of any served by Minnesota Housing, with a median income of about \$14,000.

Minnesota Housing's connection to these properties is important because we work with property owners and residents to address any concerns and our connection to the property also allows the agency the ability to extend other resource opportunities (e.g. rehabilitation resources) to these developments through our various programs. These rehabilitation resources provide incentives for the property owners to remain under contract with HUD and to continue to provide these deeply affordable homes.

The number of these homes available statewide has been consistent over the years, but an evolving federal landscape has recently increased the number from around 30,000 homes to nearly estimated 34,000 homes.

SERVICES PROVIDED

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

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

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

RESULTS

We measure our performance by examining the percentage of Section 8 units that could potentially convert to unassisted units, but whose contracts are preserved through one-, five-, 10-, and 20-year renewals. We also measure success based on the level of incentive fees we receive from HUD for our customer service and performance related to administering the program. Minnesota Housing is selected by HUD to administer contracts under this program.

| Measure name | Measure type | Measure data source | Historical trend | Most recent data |
|---|--------------|--------------------------------|--|--|
| Percentage of Section 8 rental units at risk of converting to market-rate rents that are renewed. | Results | Minnesota Housing Program Data | Over each of the last several years, Minnesota has lost almost none of its project-based Section 8 units to market-rate rents. | FFY2019: 98% FFY2020: 99% FFY2021: 99% FFY2022: 98% FFY2023: 99% |

Evidence of Effectiveness

| Evidence-based practice: | Source: | FY 24 Expenditures |
|---|---|---|
| Project-Based Section 8 rental assistance provides the same type of assistance as the Housing Choice Voucher (Section 8) program but the assistance is tied to a specific home/apartment rather than to assigned to a person who can take it with them as they move. While the project-based assistance would not necessarily increase neighborhood choice, it does reduce homelessness and poverty and increase food security and housing stability. | <p>What Works for Health: https://www.countyhealthrankings.org/strategies-and-solutions/what-works-for-health/strategies/housing-choice-voucher-program-section-8</p> <p>Minnesota Inventory: https://mn.gov/mmb/results-first/inventory/</p> <p>Results First Clearinghouse Database: https://evidence2impact.psu.edu/results-first-resources/clearing-house-database/</p> | Project-based Section 8 rental assistance = \$250.5 million |

Project Based Rental Assistance

Activity Expenditure Overview

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | |
|--|----------------|----------------|----------------|------------------|---------------|------|
| | | | | | FY26 | FY27 |

Expenditures by Fund

| | | | | | | |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 8000 - Housing Finance Agency | 221,903 | 232,131 | 252,683 | 266,273 | 266,000 | 266,000 |
| Total | 221,903 | 232,131 | 252,683 | 266,273 | 266,000 | 266,000 |
| Biennial Change | | | | 64,922 | | 13,044 |
| Biennial % Change | | | | 14 | | 3 |

Expenditures by Category

| | | | | | | |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Operating Expenses | | 0 | | | | |
| Grants, Aids and Subsidies | 221,903 | 232,130 | 252,683 | 266,273 | 266,000 | 266,000 |
| Total | 221,903 | 232,131 | 252,683 | 266,273 | 266,000 | 266,000 |

Project Based Rental Assistance

Activity Financing by Fund

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | |
|--------------------------------------|----------------|----------------|----------------|------------------|----------------|----------------|
| | | | | | FY26 | FY27 |
| 8000 - Housing Finance Agency | | | | | | |
| Balance Forward In | 5 | 5 | 8 | 23 | | |
| Receipts | 221,903 | 232,131 | 252,698 | 266,250 | 266,000 | 266,000 |
| Balance Forward Out | 5 | 5 | 22 | | | |
| Expenditures | 221,903 | 232,131 | 252,683 | 266,273 | 266,000 | 266,000 |
| Biennial Change in Expenditures | | | | 64,922 | | 13,044 |
| Biennial % Change in Expenditures | | | | 14 | | 3 |

Program: Community Capacity Building

<https://www.mnhousing.gov/>

AT A GLANCE

- Nearly 300 organizations locally administer one or more of Minnesota Housing's programs.
- Many local units of government are establishing Local Housing Trust Funds to help address their local housing needs.
- The Local Government Housing Programs Team helps support city and county implementation of Local Affordable Housing Aid (LAHA) and Statewide Affordable Housing Aid (SAHA) provided by the Department of Revenue.

All numbers are for FFY2023, unless otherwise noted

PURPOSE AND CONTEXT

Minnesota Housing supports the capacity needed for organizations to deliver affordable housing throughout the state, including many state-appropriated programs. Through the activities under this program, we serve a variety of organizations to help support their efforts in delivering affordable housing activities and working on local housing challenges.

SERVICES PROVIDED

We rely on a robust network of partners to deliver many of our programs. We provide: 1) assistance to nonprofits to help build their capacity to serve their communities and 2) resources to local units of government to support their efforts solving housing challenges. Additionally, the agency's Local Government Housing Programs team helps support cities and counties across the state administer new affordable housing aid resources.

Capacity Building Programs: Capacity Building funds help organizations increase their ability to deliver our programs and reach diverse geographic and cultural communities. Capacity Building Programs support a range of organizations and initiatives, including the Greater Minnesota Continuums of Care that ensure communities in Greater Minnesota have access to federal resources to prevent and end homelessness. Resources also support specific organizations such as HomeLine for their statewide tenant hotline, OpenAccess for their services supporting people facing homelessness and the Homeless Management Information System.

This program received a one-time \$5 million budget increase for FY 2024-25 and on-going funding is \$645,000 per year. The agency also supplements the state appropriations for Capacity Building with agency resources.

Local Housing Trust Fund Grants: The Legislature provided \$4.8 million in one-time resources to the Local Housing Trust Fund Grants program. The program provides grant funds to local communities 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. Funds in a local or regional housing trust fund must be used on specific housing related initiatives and administration.

One-time funding in 2023:

Build Wealth MN – The Legislature provides \$500,000 per year to support Build Wealth MN’s family stabilization program which provides intensive one-on-one financial wellness support to individuals and families. Additionally in 2023, the Legislature provided \$5 million as a grant for the 9,000 Equities Fund which is a targeted loan pool to provide affordable first mortgages or equivalent financing opportunities to households struggle to access mortgages in underserved communities of color.

Northland Foundation – The Legislature provided \$1 million to Northland Foundation to support local efforts in responding to their affordable housing needs.

RESULTS

| Measure name | Measure type | Measure data source | Historical trend | Most recent data |
|--|--------------|--------------------------------|---|--|
| Federal funds leveraged for Continuum of Care organizations per dollar of state money spent. | Results | Minnesota Housing Program Data | In each of the last several years, each dollar of funding for Greater Minnesota Continuums of Care have leverage \$124 to \$140 of federal funds. | FFY2019: \$126 FFY2020: \$135 FFY2021: \$141 FFY2022: \$124 FFY2023: \$140 |

M.S. 462A.21, Subd. 3b (<https://www.revisor.mn.gov/statutes/?id=462A.21>) provides the legal authority for Capacity Building Program.

Community Capacity Building

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | |
|--|----------------|----------------|----------------|------------------|---------------|------|
| | | | | | FY26 | FY27 |

Expenditures by Fund

| | | | | | | |
|-------------------------------|--------------|--------------|------------|---------------|---------------|--------------|
| 8000 - Housing Finance Agency | 8,234 | 1,208 | 606 | 12,072 | 14,627 | 2,720 |
| Total | 8,234 | 1,208 | 606 | 12,072 | 14,627 | 2,720 |
| Biennial Change | | | | 3,236 | | 4,669 |
| Biennial % Change | | | | 34 | | 37 |

Expenditures by Activity

| | | | | | | |
|-----------------------------|--------------|--------------|------------|---------------|---------------|--------------|
| Community Capacity Building | 8,234 | 1,208 | 606 | 12,072 | 14,627 | 2,720 |
| Total | 8,234 | 1,208 | 606 | 12,072 | 14,627 | 2,720 |

Expenditures by Category

| | | | | | | |
|----------------------------|--------------|--------------|------------|---------------|---------------|--------------|
| Operating Expenses | 7,081 | 75 | | 300 | 225 | |
| Grants, Aids and Subsidies | 1,154 | 1,133 | 606 | 11,772 | 14,402 | 2,720 |
| Total | 8,234 | 1,208 | 606 | 12,072 | 14,627 | 2,720 |

Community Capacity Building

Program Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | |
|-----------------------------------|--------|--------|--------|----------|---------------|-------|
| | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
| 1000 - General | | | | | | |
| Direct Appropriation | 2,345 | 1,145 | 14,445 | 3,745 | 1,145 | 1,145 |
| Transfers In | | 44 | | | | |
| Transfers Out | 2,345 | 1,145 | 14,445 | 3,745 | 1,145 | 1,145 |
| Cancellations | | 44 | | | | |
| 8000 - Housing Finance Agency | | | | | | |
| Balance Forward In | 469 | 1,628 | 1,520 | 17,609 | 13,832 | 1,650 |
| Receipts | 48 | 0 | 0 | 2,300 | 1,300 | 1,300 |
| Transfers In | 9,345 | 1,145 | 16,970 | 5,995 | 1,145 | 1,145 |
| Transfers Out | | 44 | 275 | | | |
| Balance Forward Out | 1,628 | 1,520 | 17,609 | 13,832 | 1,650 | 1,375 |
| Expenditures | 8,234 | 1,208 | 606 | 12,072 | 14,627 | 2,720 |
| Biennial Change in Expenditures | | | | 3,236 | | 4,669 |
| Biennial % Change in Expenditures | | | | 34 | | 37 |

Program: Administration

<https://www.mnhousing.gov/>

AT A GLANCE

- Minnesota Housing is regarded as one of the strongest Housing Finance Agency's in the county.
- Minnesota Housing holds AA+ and Aa1 credit ratings from Standard & Poor's and Moody's.
- We provided more than \$1.85 billion to help Minnesotans live in safe, stable, affordable homes.
- Minnesota Housing receives in an independent financial audit every year.
- Our total operating costs, as a percentage of assistance provided, typically does not exceed 3 percent.

All numbers are for FFY2023, unless otherwise note

PURPOSE AND CONTEXT

Housing needs have increased across the entire state. At the same time, the total amount of resources delivered by the agency and our partners has increased from \$1.26 billion in assistance in 2018 to \$1.85 billion in 2023, with a historic \$2.18 billion in 2022. Additionally, the historic state investment of over \$1.3 billion in 2023 and more than doubled the number of state appropriated programs administered by the agency.

Homebuyers, homeowners, renters, property owners, grantees and other stakeholders benefit from the administration and management of the wide range of programming. Compared to other Housing Finance Agency across the country, Minnesota Housing offers more resources and programs to meet the wide-ranging housing needs, in a large part due to the additional resources we receive from the Legislature. Historically the agency has not used state appropriations to cover the administrative costs associated with administering the state resources resulting in 100 percent of state appropriations being available households and partners across the state.

SERVICES PROVIDED

We have three primary business divisions, Single Family, Multifamily and Housing Stability, that conduct a variety of activities to administer state and federal programs with the networks of partners. Along with a Finance Division that manages the agency's finances and assets, we have several other support divisions to accomplish the critical work.

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

Multifamily Division: The multifamily division reviews and oversees multifamily rental property activities and programs. Their activities include: underwriting multifamily developments, providing loan and grant resources to developers, overseeing construction and initial rent-up, overseeing long-term asset management, as well as oversight and compliance for properties in the agency's portfolio. The multifamily division also monitors properties to ensure compliance with federal programs, including: Section 8, low-income housing tax credits, National Housing Trust Fund and the HOME program.

Housing Stability Division: Newly established, the Housing Stability Division manages programs and activities that provide stability to individuals, families, as well as the properties they live in. The programs administered include

rental assistance, emergency rental assistance and other activities related to supportive housing to assist individuals, families as well as the organizations focused on preventing and ending homelessness.

Finance: The finance team is responsible for managing the agency’s investments and debt and for overseeing the agency’s bond sales. Our bond issuer ratings were AA+ and Aa1 from Standard and Poor’s Rating Services and Moody’s Investor Services, Inc., respectively. Our credit ratings are separate from and are not directly dependent on ratings on debt issued by the State of Minnesota.

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

RESULTS

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

| Measure name | Measure type | Measure data source | Historical trend | Most recent data |
|---|--------------|---|--|---|
| Operating costs as a percentage of assistance provided. | Quantity | Minnesota Housing Operating Cost Report | Over the last several years, the Agency’s operating costs have never been more than 2.5% of the assistance provided. | FFY2019: 2.46% FFY2020: 2.32% FY2021: 1.99% FFY2022: 1.80% FFY2023: 2.28% |

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

Administration

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | |
|--|----------------|----------------|----------------|------------------|---------------|------|
| | | | | | FY26 | FY27 |

Expenditures by Fund

| | | | | | | |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 8000 - Housing Finance Agency | 38,138 | 42,257 | 47,329 | 61,778 | 63,776 | 65,510 |
| Total | 38,138 | 42,257 | 47,329 | 61,778 | 63,776 | 65,510 |
| Biennial Change | | | | 28,712 | | 20,179 |
| Biennial % Change | | | | 36 | | 19 |

Expenditures by Activity

| | | | | | | |
|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Administration | 38,138 | 42,257 | 47,329 | 61,778 | 63,776 | 65,510 |
| Total | 38,138 | 42,257 | 47,329 | 61,778 | 63,776 | 65,510 |

Expenditures by Category

| | | | | | | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Compensation | 32,716 | 35,170 | 40,412 | 48,164 | 50,091 | 52,096 |
| Operating Expenses | 5,107 | 7,003 | 6,806 | 13,145 | 13,216 | 12,945 |
| Capital Outlay-Real Property | | | 1 | | | |
| Other Financial Transaction | 316 | 84 | 110 | 469 | 469 | 469 |
| Total | 38,138 | 42,257 | 47,329 | 61,778 | 63,776 | 65,510 |

Full-Time Equivalents

| | | | | | |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 267.53 | 292.06 | 303.20 | 315.00 | 328.00 | 328.00 |
|---------------|---------------|---------------|---------------|---------------|---------------|

Administration

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | |
|--------------------------------------|----------------|----------------|----------------|------------------|---------------|---------------|
| | | | | | FY26 | FY27 |
| 8000 - Housing Finance Agency | | | | | | |
| Balance Forward In | 108,172 | 111,834 | 100,605 | 119,055 | 136,317 | 135,341 |
| Receipts | 40,551 | 30,172 | 64,753 | 77,315 | 61,546 | 57,546 |
| Transfers In | 1,269 | 6,657 | 14,342 | 21,740 | 19,269 | 18,269 |
| Transfers Out | 93 | 6,193 | 13,317 | 20,015 | 18,015 | 17,015 |
| Balance Forward Out | 111,761 | 100,213 | 119,055 | 136,317 | 135,341 | 128,631 |
| Expenditures | 38,138 | 42,257 | 47,329 | 61,778 | 63,776 | 65,510 |
| Biennial Change in Expenditures | | | | 28,712 | | 20,179 |
| Biennial % Change in Expenditures | | | | 36 | | 19 |
| Full-Time Equivalents | 267.53 | 292.06 | 303.20 | 315.00 | 328.00 | 328.00 |