Minnesota Housing
Affordable Housing Plan Overview

October 16, 2009
Presentation Summary

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Mission and Strategic Priorities

*Minnesota Housing finances and advances affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster strong communities.*

Minnesota Housing works to accomplish this mission by focusing on five strategic priorities:

- Finance new affordable housing opportunities
- Preserve existing affordable housing
- End long-term homelessness
- Increase emerging market homeownership
- Address the foreclosure crisis through prevention and recovery
Highlights of Minnesota Housing Assistance in 2008

Minnesota Housing assisted more than 67,000 households in the amount of $669.8 million:

- $259.4 million for nearly 46,000 rental units or tenant households (primarily section 8 and rental assistance)
- $409.9 million for more than 21,000 homebuyers or homeowners
- More than $1 million for organizational support, technical assistance, and capacity building
Highlights of Minnesota Housing Assistance in 2008

Minnesota Housing worked to:

- Finance the purchase of nearly 2,800 existing homes and the construction of nearly 800 new housing units
- Preserve nearly 5,700 units of existing affordable housing
- Helped prevent homelessness for nearly 9,000 households
Assistance distribution aligns closely with share of eligible households

Comparison of Household Assistance, FFY 2008

<table>
<thead>
<tr>
<th>Region</th>
<th>Share of Assisted Households</th>
<th>Share of Eligible Households</th>
<th>Share of Funds</th>
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<td>West Central</td>
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Environmental Scan

• Affordability continues to decline
  » Most lower-income Minnesotans spend more than 30% of income on housing

• Demographic shifts
  » Aging population
  » High percentage of emerging market first time homebuyers

• Foreclosures

• Credit Markets

• Impact on Minnesota Housing
Environmental Scan: Affordability

- Growing share of households (homeowners and renters) are spending more than 30% of income on housing:
  - Declining incomes – especially renters
  - Until recently, increasing home sale prices
- Recent declines in home sale prices
  - Largely driven by lender-mediated sales
Cost Burden Households
Percentage of Lower-Income Households Spending More than 30% Income on Housing, 2005-2007

Legend
- 23.37% - 33.61%
- 33.62% - 41.05%
- 41.06% - 47.01%
- 47.02% - 55.35%
- 55.36% - 65.71%

Source: Minnesota Housing Analysis of the U.S. Census Bureau's American Community Survey 2005-2007 3-Year Estimates

*For this indicator, households with an income of less than $50,000 are considered lower-income.

Context for Affordable Housing Plan
Environmental Scan: Demographic Shifts

- Minnesota is becoming more racially and ethnically diverse
- Homeownership gap is still substantial
- Traditional first-time homebuyer cohort is substantial for emerging markets (communities of color)
- Emerging markets have significant growth potential
Environmental Scan: Foreclosures

• Housing Crisis:
  » People losing their homes
  » Neighborhood destabilization
  » Declining home values

• Economic Crisis:
  » Toxic assets (mortgages and MBS) held by banks and financial institutions
  » Financial uncertainty / nervous investors
  » Investment funds sitting on sidelines
  » Economic slowdown
Foreclosure
120 Highest Need Zip Codes

Source: Minnesota Housing analysis of Federal Reserve Board estimates based on First American LoanPerformance, April 2008

Context for Affordable Housing Plan
Foreclosure
Metro High Need Zip Codes

Source: Minnesota Housing analysis of Federal Reserve Board estimates based on First American LoanPerformance, April 2008

Context for Affordable Housing Plan
Environmental Scan: Credit Markets

- Because of uncertainty, investment funds sitting on the sidelines
- Investors unwilling to invest in municipal bonds (including housing) at a competitive rate
- Housing agencies unable to offer competitive mortgages
- Tax credits decline in value
Environmental Scan: Impact on Minnesota Housing

• Impact on Operations:
  » Affects ability to provide financing at a competitive rate
  » Higher delinquencies and foreclosures for our loan programs
  » Downgrading of private mortgage insurance companies
  » Declining tax credit rates
  » Declining median incomes affecting rents paid to multifamily projects
Affordable Housing Plan Overview

• 2010-11 AHP is second largest in the history of the agency
• Due in large part to increases in federal funds available through the American Recovery and Reinvestment Act
• Estimated 97,000 Minnesota Households will be served
• Federal resources allow agency to reposition other sources of funding
Affordable Housing Plan, 2010-2011

- **State Appropriations**: $111,376 (8.0%)
- **Federal Resources**: $462,302 (33%)
- **Bond Proceeds**: $618,000 (44%)
- **Agency Resources**: $210,920 (15%)
- **Housing Affordability Fund (Pool 3/foundation)**: $52,170 (4%)

*NOTE: $86.768 million Agency base budget for FY 2010-2011*
Affordable Housing Plan
Comparison of Plan Years 2008-2009 and 2010-2011

Housing Investment and Housing Affordability Funds:
$233,488 in 2008-2009 Plan
$210,920 in 2010-2011 Plan

Original Affordable Housing Plan 2008-2009
Proposed Affordable Housing Plan 2010-2011

Federal Resources
State Appropriations
Bond Proceeds
Housing Investment Fund (Pool 2)
Housing Affordability Fund (Pool 3/foundation)
Affordable Housing Plan

• Incorporates statewide feedback
  » Emphasis on preservation
  » Foreclosure recovery
  » Leverage other funding sources
  » Consider challenges facing delivery partners during difficult economic time
Affordable Housing Plan

• Represents the full affordable housing continuum
  » Ending Long-Term Homelessness
  » Homelessness Prevention
  » Affordable Rental Housing
  » First-time Homebuyer Opportunities
  » Home Improvement Opportunities
Affordable Housing Plan, 2010-2011
Funding Uses by Priority

**Overall**
- Preserve existing affordable housing: 46%
- Address foreclosure: 3%
- Increase emerging market homeownership: 8%
- End long-term homelessness: 5%
- Finance new affordable housing opportunities: 46%

**Funding Uses**
- Preserve affordable housing: $92,851,522 (54%)
- Address foreclosure: $30,385,000 (17%)
- End long-term homelessness: $10,808,000 (6%)
- Increase emerging market homeownership: $92,851,522 (54%)
- Finance new affordable housing opportunities: $39,866,800 (23%)

**Discretionary**
- Finance new housing opportunities: $39,866,800 (23%)
- End long-term homelessness: $10,808,000 (6%)

**Affordable Housing Plan**
Affordable Housing Plan

• The affordable housing need far exceeds available resources
  » The next decade Housing Report (2003) cited a short fall of 33,000 affordable housing units by 2010
• Balances response to current crisis with strategic priorities
  » Responds to current market conditions
  » Leverages federal resources
• Increases focus of flexible funds toward foreclosure and preservation activities
• Maintains momentum on plan to end long-term homelessness
Affordable Housing Plan

• Maximizes community impact
  » Incorporates green criteria
  » Near transit corridors
  » Near jobs
  » Community amenities
Housing and Transportation Costs by Income and Housing Location

Households $20K - $35K

- In Central City: 32% Housing, 22% Transportation
- Near Other Employment Center: 35% Housing, 31% Transportation
- Away from Employment Center: 33% Housing, 37% Transportation

Households $35K - $50K

- In Central City: 23% Housing, 16% Transportation
- Near Other Employment Center: 26% Housing, 23% Transportation
- Away from Employment Center: 25% Housing, 26% Transportation

Source: Center for Housing Policy, A Heavy Load: The Combined Housing and Transportation Burdens of Working Families (October 2006)

Context for Affordable Housing Plan
Alternative Affordability Framework

- Average working family ($20K - $50K) spends 57% of income on housing and transportation.
- On average, for every dollar saved in housing costs by moving away from employment centers, transportation costs increase by over 77 cents.
- After 12 to 15 miles, increase in transportation costs outweigh savings in housing costs.
- HUD/DOT task force – redefine affordability

Source: Center for Housing Policy, A Heavy Load: The Combined Housing and Transportation Burdens of Working Families, October 2006
Important Regional Contexts

- Given the diversity of regions across the state implementation needs to respond to local conditions
- Community Profiles are new tool to help target based on community characteristics
- Making efforts to think creatively about how we deploy resources
- Regional dialogues underway
AHP Summary

• Minnesota Housing strives to serve the continuum of affordable housing needs across the state.
• The current Affordable Housing Plan balances shorter-term needs with longer term community impacts.
• Minnesota Housing focuses on the outcomes for people and communities.
Positioning the Agency for the Future

• Purposeful Partnerships
• Enhanced Communication
• Leadership Opportunities
• Focus on Community Impact –
  » Housing as platform for community and individual success
  » Alignment with other public investments
• Embrace values of innovation and sustainability
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