CURA Housing Forum

Minnesota Housing Strategic Plan

Because Home Means Everything

May 16, 2008
Minnesota Housing finances and advances affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster strong communities.
Presentation Outline

• A Strategy Driven Organization
• Vision, Mission, Values
• Strategic Themes
• Strategic Context
• Strategic Priorities/Strategy Implementation – FY08/09 Affordable Housing Plan
• Strategy Tracking – The Balanced Score Card
• Strategy Adjustment - Response to Current Market Conditions
• Q & A
Our vision: All Minnesotans live in affordable homes.

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

VALUES: What principles and guidelines govern the effective pursuit of our mission?

<table>
<thead>
<tr>
<th>Stewardship</th>
<th>Integrity</th>
<th>Collaborative</th>
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<th>Results-driven</th>
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<tbody>
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<td>S3: Financing new affordable housing opportunities</td>
<td>S4: Increasing emerging market homeownership</td>
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STRATEGIC PRIORITIES: What are our specific strategic priorities for achieving our mission?

<table>
<thead>
<tr>
<th>STRATEGIC THEMES:</th>
<th>MANAGE ITS RESOURCES TO BE A SUSTAINABLE SOURCE OF INVESTMENT</th>
<th>COLLABORATE WITH A BROAD NETWORK OF DELIVERY AND FUNDING PARTNERS TO MAXIMIZE THE IMPACT OF ITS HOUSING INVESTMENTS</th>
<th>INVEST ITS RESOURCES TO ADDRESS A CONTINUUM OF AFFORDABLE HOUSING NEEDS FOR LOW- &amp; MIDDLE-INCOME HOUSEHOLDS ACROSS THE STATE</th>
<th>PROVIDE LEADERSHIP TO CONFRONT SIGNIFICANT HOUSING AND COMMUNITY CHALLENGES</th>
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<tr>
<td>E1: Timely distribution of resources</td>
<td>F1: Revenue earned to sustain Agency and fund Pool 3 / Foundation</td>
<td>E2: Committed to quality customer service</td>
<td>E3: Serving a continuum of low-income households</td>
<td>E4: Advancing effective housing policy</td>
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<td>F2: Access to capital at favorable terms</td>
<td>F3: External resources leveraged</td>
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<tr>
<td>P1: Issue and manage debt</td>
<td>P4: Develop and manage customer and partner relationships</td>
<td>P5: Fund sustainable affordable homeownership</td>
<td>P6: Align housing investments with positive quality of life outcomes</td>
<td>P7: Underwrite and fund quality sustainable affordable rental housing</td>
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<tr>
<td>P2: Optimize and manage housing investments</td>
<td></td>
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<td>P8: Develop and manage intergovernmental and stakeholder relationships</td>
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<td>P3: Review and refine operating processes</td>
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EXTERNAL OUTCOMES: What measurable outcomes do we expect as a result of our efforts?

INTERNAL PROCESS PERSPECTIVE: How effective are we at delivering our mission and achieving our outcomes?

INTERNAL TO THE ORGANIZATION (DIMES): What key processes enable our organization to achieve our goals?

TALENT AND TECHNOLOGY: To achieve our mission, how will we sustain our ability to change and improve as an organization?
**Vision, Mission, Values**

*Our vision:* All Minnesotans live in affordable homes.  

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

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**Our Core Principles:**

- F3: External resources leveraged
- E3: Serving a continuum of low-income households
- E4: Advancing effective housing policy
- E2: Committed to quality customer service

**Revenue Earned**

- Pool 3
- Foundation}

**Supportive of the following**

- Independent Resources
- Federal Resources
- State Resources
- Other Resources

Revised February 20, 2008
Strategic Themes

- Manage resources to be a sustainable source of investment

Performance and Condition Measures
(in thousands, as of June 30, 2007; for Bond Funds and General Reserve excluding State and Federal Appropriations)

<table>
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<th>Description</th>
<th>Amount</th>
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<tr>
<td>Total Assets</td>
<td>$3,289,000</td>
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<tr>
<td>Total Liabilities</td>
<td>$2,538,000</td>
</tr>
<tr>
<td>Net Assets</td>
<td>$751,000</td>
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<tr>
<td>Revenue over Expenses</td>
<td>$31,000</td>
</tr>
<tr>
<td>(including unrealized gains/losses)</td>
<td></td>
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<tr>
<td>Loans outstanding</td>
<td>$2,059,000</td>
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Bond Ratings: AA+ Standard & Poors
Aa1 Moody’s
Strategic Themes

• Collaborate with a broad network of delivery and funding partners to maximize the impact of housing investments
Strategic Themes

- Invest resources to address a continuum of affordable housing needs for low- & moderate-income households across the state.

Distribution of households assisted with Minnesota Housing resources, Program Year 2006

- Homeless
  - < 30% AMI
- Home Improvement
  - < 115% AMI

Homeless
- Central: 3,902 (7%)
- Southwest: 3,123 (5%)
- Southeast: 6,984 (12%)
- Northwest: 1,998 (3%)
- Northeast: 5,749 (10%)
- Twin Cities: 30,313 (54%)

Home Improvement
- Central: 5,095 (9%)

Total
- Central: 8,997
- Southwest: 3,123
- Southeast: 6,984
- Northwest: 1,998
- Northeast: 5,749
- Twin Cities: 30,313

- Total: 42,934
Strategic Themes

- Provide leadership to confront significant housing and community challenges

- LEAD
- PARTNER
- FOLLOW
Strategic Context - Homelessness

- Nation-leading Business Plan is on track and on budget with more than 1,724 housing opportunities financed

- Part of a broader *Heading Home Minnesota* effort to prevent and end homelessness
Strategic Context – Homeownership

• **Highest homeownership rate in the nation (76.3%)**

• **Fifth largest minority homeownership gap**

Strategic Context – Increasing Cost Burden

- Minnesota has the 14th lowest percentage of households of any state (12.4%) confronting “severe” cost burden by paying 50% or more of their income for housing.
Strategic Context – Foreclosure

• 1% of U.S. households were in some stage of foreclosure during 2007

• Housing Link data projects over 28,000 foreclosures for 2008 a projected 39% increase from 2007

Household/Family Impact  Community Impact  Economic Impact
Minnesota’s $5 million of assistance in 2008 would be negated by the $413 million

Federal Disinvestment in Affordable Housing
Federal Appropriations to HUD for Affordable Housing

- Consistent increases in McKinney-Vento funding have helped Minnesota’s efforts to end long-term homelessness.
- Despite exceeding inflation, the growth in Section 8 appropriations has been insufficient to renew all vouchers and provide fully-funded annual contracts due to increased costs of utilities and other operating expenses, providing tenant protection vouchers for tenants of buildings leaving the project-based Section 8 program, and renewing project-based contracts.
- If enacted, the proposed 2009 budget would fund 100,000 fewer Section 8 vouchers nationwide in 2009 than in 2008; 1,600 fewer in Minnesota.
- Public Housing has a $20 billion backlog of capital needs.
- Only 84% of operating expenses are being met.
- Minnesota’s $5 million of assistance in 2008 would be negated by the $413 million Capital Fund reduction proposed for 2009 ($6.2 million for Minnesota).
- Adjusted for inflation, the proposed 2009 budget represents a 17.8% reduction in HOME and a 41.8% reduction in CDBG funding since 2003.
Strategic Context – Housing Driven Downturn and Projected State Deficit

- The economic weakness caused by the housing slump and higher energy prices seen as a serious problem...
- ... the bad economic news has outweighed the good
- ... coupled with signs that global financial markets still were struggling ... the economy was weaker than previously suspected
- Credit market turmoil

Minnesota Deficit at a Glance:
- $935 million deficit in FY 2008-09
- $1.1 billion deficit in FY 2010-11; deficit is $2.1 billion when the impact of inflation is included

Source: February 2008 Forecast, Minnesota Department of Finance
Minnesota Housing Strategic Priorities/
Strategy Implementation  
$1.6 Billion 2008-09 Affordable Housing Plan (AHP)

Sources

- **Agency Resources**  
  - Pool 2  
    - $174,118  
    - 10.7%  
  - Pool 3/Foundation  
    - $59,370  
    - 3.7%
- **State Appropriations**  
  - $152,763  
  - 9.4%
- **Federal Resources**  
  - $388,194  
  - 23.9%
- **Bond Proceeds**  
  - $850,000  
  - 52.3%
Minnesota Housing Strategic Priorities/Strategy Implementation 2008-09 Affordable Housing Plan (AHP)

- 30% overall increase
- 44% state appropriations increase
- Not including record $31 million of state appropriated support in 2008

Housing Investment and Housing Affordability Funds:
$145,093 in 2006-2007 Plan
$233,489 in 2008-2009 Plan

- $105,755 State Appropriations
- $152,838 Pool 2
- $174,119 Pool 3 / foundation
- $56,675 Federal Resources
- $352,892 $387,634 Bond Proceeds
- $850,000

Original Affordable Housing Plan 2006-2007
Proposed Affordable Housing Plan 2008-2009
Strategic Priorities – Strategy Implementation

Estimated distribution of 2008-2009 Affordable Housing Plan resources ($1.6 billion) by strategic priority

- 4,299 new opportunities — first time buyers and single/multifamily new construction*
- 4,368 units preserved or rehabilitated
- $5 million allocated for public housing preservation
- Responding to foreclosure crisis with more than $30 million prevention and remediation investments
- Leader in developing EMHI
- Targeting Agency resources and efforts to minority homebuyers
## Strategy Tracking – The Balanced Score Card

### BALANCED SCORECARD

<table>
<thead>
<tr>
<th>Objective</th>
<th>Measure</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
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<tbody>
<tr>
<td>S1: End long-term homelessness</td>
<td>S1a: # of housing opportunities funded (by selection date)</td>
<td>424</td>
<td>600</td>
<td>623 (thru 12/15/07)</td>
</tr>
<tr>
<td></td>
<td>S1b: % of housing opportunities funded that are occupied</td>
<td>31%</td>
<td>N/A</td>
<td>59% (749 out of 1,25)</td>
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<tr>
<td></td>
<td>S1c: # of households receiving assistance to prevent homelessness</td>
<td></td>
<td></td>
<td>6,842</td>
</tr>
<tr>
<td>S4: Increase emerging market homeownership</td>
<td>S4a: # of emerging market mortgages purchased</td>
<td>511</td>
<td>581</td>
<td>478</td>
</tr>
<tr>
<td></td>
<td>S4b: # of emerging market loans purchased through lending partners featured in co-branded adv</td>
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### Financial: Balance mission and financial sustainability

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<td>F1: Revenue earned to sustain Agency and fund Pool 3 / Foundation</td>
<td>F1a: Return on net assets</td>
<td>5.2% (SFY 06)</td>
<td>5.5%</td>
<td>5.86% (SFY 07)</td>
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<tr>
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<td>F1b: % of net asset growth transferred each year to Pool 3 / Foundation</td>
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<td>F1c: $ transferred each year to Pool 3 / Foundation</td>
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<tr>
<td>F2: Access to capital at favorable terms</td>
<td>F2a: Credit ratings</td>
<td>Aa1/AA+</td>
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Strategy Adjustment – Response to Current Market Conditions

• Large single family housing inventory, declining values, and tightening credit
• Lower rental vacancy rates and declining tax credit prices
• Demand for increased value and affordability gap resources
Strategy Adjustment – Response to Current Market Conditions

• Our **policy** response:
  » Generate housing related economic activity and occupancy – now
  » Stabilize markets by absorbing existing single family inventory vs. new construction
  » Increase multifamily production
  » Take advantage of strategic opportunities (e.g. land acquisition)
  » Utilize all housing tax credits available
Strategy Adjustment – Response to Current Market Conditions

• **Our resource response options:**
  » Creative, flexible financing; new product development
  » Consider increased allocation from Pool 2 – investment quality
  » Review existing funding awards/commitments
  » Consider increased Pool 3/foundation allocation consistent with long-term agency financial sustainability
  » Work with delivery and funding partners to increase resources
  » Aggressive state budget proposal for FY 2010 - 2011
  » Continued aggressive federal advocacy
The Chinese use two brush strokes to write the word 'crisis.' One brush stroke stands for danger; the other for opportunity. In a crisis, be aware of the danger - but recognize the opportunity.

John F. Kennedy
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