($ in Thousands)

Project Title	2010 Agency Priority Ranking	Agency Project Request for State Funds ($ by Session)				Governor's Recommendations	Governor's Planning Estimate	
		2010	2012	2014	Total	2010	2012	2014
Non-Profit Foreclosed Rental Property Acquistion/Rehab & Supportive Housing	1	$27,500	$25,000	$20,000	$72,500	$5,000	$0	$0
Community Land Trust in Foreclosure Impacted Areas Along Transit Cooridors	2	2,500	2,500	0	5,000	0	0	0
Public Housing Rehabilitation	3	10,000	0	0	10,000	0	0	0
Total Project Requests		$40,000	$27,500	$20,000	$87,500	$5,000	$0	$0

Agency Profile At A Glance

Two-Year State Budget:
- $1.4 billion (all funds)
- 4 Sources:
  - ⇒ 44 percent bond sales
  - ⇒ 33 percent federal funds
  - ⇒ 15 percent agency resources
  - ⇒ 8 percent state appropriations

Annual Business Processes:
- Provided $670 million in housing assistance in FFY 2008.
- Served 67,000 households.
- 84 percent of all households served had annual incomes under $20,000.

Agency Purpose

The Minnesota Housing Finance Agency (MHFA) is committed to meeting Minnesotans' needs for decent, safe, affordable housing, and stronger communities.

The agency's strategic plan sets forth the following policy objectives:
- End long-term homelessness
- Finance new affordable housing opportunities
- Preserve existing affordable housing
- Increase emerging markets homeownership
- Address foreclosures

Core Functions

MHFA funds housing activity in five broad areas:
- **Development and Redevelopment Programs** fund the new construction and rehabilitation of rental housing, and homes for ownership for families with a range of incomes.
- **Homeownership Loan Programs** fund home purchase and home improvement loans for families and individuals with a range of incomes not served by the private sector alone.
- **Supportive Housing Programs** fund housing development, rental assistance, and homeless prevention activities for very low-income families and individuals who often face other barriers to stability, economic self-sufficiency, and independent living.
- **Preservation of Housing Programs** seek to preserve the stock of affordable housing that is in danger of being lost due to opt-outs for market reasons, physical deterioration, or both.
- **Resident and Organization Support** provide operating funds for organizations that develop affordable housing, offer homebuyer training, education, and foreclosure prevention assistance, or coordinate regional planning efforts.

Operations

Management and control of the agency is vested in the board of directors. The board is comprised of six citizen members appointed by the governor and one ex-officio member, the state auditor. The board directs the policies of the agency and adopts an affordable housing plan, approves funding decisions, adopts finance policies, and selects the finance team.

The agency staff includes 215 full-time equivalent employees in four major divisions: housing finance and operations; housing programs (including multifamily and homeownership); and housing policy. More than half of all the employees are professional level employees.

- The finance and operations staff is responsible for the management of the assets and liabilities of the agency which includes a portfolio of housing related loans and other investments totaling $3.4 billion, and a portfolio of debt totaling $2.47 billion. The staff manages the process of raising capital through periodic debt issuances. The staff in this division also prepare financial forecasts, budgets, and fiscal year-end audited financial reports for all funds and accounts. Staff is responsible for the accurate and timely reporting of all accounting and financial information necessary to comply with disclosure requirements and board policies. This division also includes the staff managing the agency's information systems and human resources staff.

- The staff of the multifamily housing program division manages the process of assisting in the financing of new construction, rehabilitation, and preservation of rental housing. This staff oversees the provision of tenant support services, rental assistance, and homeless prevention activities. The staff is also responsible for the oversight of the management of the agency's portfolio of rental housing, monitoring compliance with state and federal requirements, and administering the Section 8 contracts of 32,000 units of rental housing that include the contracts on 18,000 units previously administered by Housing and Urban Development (HUD).

- The homeownership housing program division staff manages programs to assist with the financing of home purchases and home improvements. It also manages the process of assisting in the financing of new home construction for ownership and neighborhood revitalization. The staff oversees the provision of homeownership education services. The staff also administers programs that provide post-purchase support and foreclosure prevention for homeowners.

- The housing policy division includes governmental affairs, research, and policy.

The agency's assistance is delivered through local lenders, community action programs, local housing and redevelopment authorities, and for-profit and nonprofit developers. MHFA joins with other public and private funders to make available development and redevelopment funds in a comprehensive, single application, one-stop selection process.

Budget

MHFA's largest source of financing is the sale of tax-exempt and taxable bonds that totals approximately 44 percent of the agency's budget. Proceeds from the sale of these bonds provide mortgage loans to first-time homebuyers and rental housing developments. Repayments made to programs funded by mortgage revenue bonds are made available for the same activities.

Agency resources constitute 15 percent of the agency's budget. Agency resources are earnings over the years in excess of funds needed to cover loan loss and self-insurance. Agency resources are used for a variety of housing activities including entry cost assistance, activities related to the initiative to end long-term homelessness, first mortgage financing of rental properties, and preservation of MHFA financed rental properties.

Federal funds constitute 33 percent of MHFA funds. In the FY 2010-2011 biennium, the two largest programs receiving federally appropriated funds are the Section 8 Housing Assistance payments program and the Home Investment Partnership Program (HOME). In the past, the agency has received federal funding for a number of smaller programs as well.

State appropriations constitute 8 percent of the total program funds expected to be distributed in FY 2010-2011. State appropriations for the FY 2010-2011 biennium total $86.7 million from the general fund.

Contact

Tonja M. Orr, Assistant Commissioner
Phone: (651) 296-9820

The MHFA web site at www.mnhousing.gov provides information about agency programs, application forms and procedures, and other useful information for persons seeking assistance with the financing of affordable housing.

At A Glance: Agency Long-Range Strategic Goals

- Address the foreclosure crisis
- End long-term homelessness
- Increase emerging market homeownership
- Preserve existing affordable housing
- Finance new affordable housing opportunities

Trends, Policies and Other Issues Affecting the Demand for Services, Facilities, or Capital Programs

Minnesota Housing Finance Agency's (MHFA) capital bonding requests support three of its strategic priorities:

- Addressing the foreclosure crisis
- Ending long-term homelessness
- Preserving exiting affordable housing

Foreclosures Trends

In 2008, there were 26,265 residential foreclosures sheriff's sales in Minnesota. Minnesota ranked 14th highest among states in the percentage of foreclosures started in the second quarter of 2009, 16th highest in the percentage of prime loans, 10th in the highest in the percentage of subprime loans in foreclosures.

The extent of the foreclosure crisis in each census tract in the state is measured by HUD based on two indices. Based on these indices, seventeen percent (17%) of Minnesota's 1303 census tracts – 224 tracts – scored high enough to be eligible for federal funding under the Neighborhood Stabilization Program – round 2. Of the 224 high need tracts, 200 are located in 19 counties. The 19 counties with census tracts with high concentrations of foreclosures and/or vacancies are: Anoka, Dakota, Hennepin, Ramsey, Scott, Washington, Chisago, Isanti, Rice, Sherburne, Wright, Kanabec, Mille Lacs, Pine, Sterns, Cass, Crow Wing, Faribault, St. Louis.

Concentrations of foreclosures create blight and contribute to the decline in home prices. For example, in North Minneapolis, the median sales price for homes sold outside the foreclosure process dropped by 35% between the first quarter of 2008 and 2009.

The federal government has made a significant contribution to assist neighborhoods in effort to recover from the foreclosure crisis. $38.8 million in Neighborhood Stabilization Programs (NSP) funds were allocated to Minnesota Housing for distributions to areas of greatest need. Twenty-two (22) cities or counties were awarded NSP funding to combat the destabilizing effect foreclosures have on communities. It is estimated that only about 700 properties will be acquired with these funds. HUD allocated another $19.5 million in NSP funds directly to cities and counties. Since 2006, Minnesota Housing has committed $2.4 million in state appropriations for remediation efforts as well as $21 million in agency resources for remediation and prevention efforts. The vast majority of the foreclosure remediation efforts are focused on single family homes for homeownership. Yet, in some communities a sizable portion of the mortgage foreclosures are on multi-unit rental properties. For example in Hennepin County, about 10% of the foreclosures are on multi-unit rental properties.

Homelessness Trends

Fifty-four percent of the adults identified in the 2006 Wilder Research Center's Statewide Survey on Homelessness have been homeless for more than 12 months, or at least four times in the last year. Thirty-one percent of the long-term homeless persons were living in greater Minnesota at the time of the survey. It is estimated that about 4,406 persons experience long-term homelessness in Minnesota in a year. The report on the 2006 Wilder Survey is at http://www.wilder.org/research.

Based on the 2006 Wilder Survey, conservative estimates are that 57 percent of the adults identified as long-term homeless and unaccompanied juveniles suffer from a serious or persistent mental illness and 34 percent report a chemical dependency problem. Twenty-five percent of the long-term homeless adults and unaccompanied juveniles report a dual diagnosis of both mental illness and chemical dependency. Research has found that those persons who experience long-term homelessness and who suffer from a mental illness or substance abuse consume a disproportionate share of the funds and services for homeless persons.

Supportive housing has the potential to reduce costs to health care, mental health, chemical health, corrections, law enforcement, education, housing and child welfare systems, and usage of crisis services and out-of-home placement for children.

The Minnesota Supportive Housing and Managed Care Pilot was established by the Legislature in 1996 to provide the most challenging homeless families with supportive housing. A March 2009 evaluation of the Pilot found that the Pilot had a small impact on the overall level of mainstream service costs relative to the comparison group. Costs were shifted away from inpatient mental health and chemical dependency services, detox and prisons to more routine preventative care. Use of alcohol and/or drugs declined. Participants in the Pilot achieved a high level of housing stability.

Public Housing Trends

The 21,000 units of public housing in Minnesota provide decent, safe affordable housing for some of the lowest income families and individuals in the state; the average income of residents is $12,873. For seven consecutive years between 2001-2007, the federal government's funding commitment for the capital costs of maintaining public housing declined. The deferred maintenance needs of some public housing developments adversely impact the livability for the residents and can increase the operating cost, particularly for utilities.

In 2007, $5 million in state appropriations were awarded to 24 public housing authorities to preserve 2200 housing units. In 2009, the legislature appropriated $2 million in GO bonds proceeds for the same purpose.

Provide a Self-Assessment of the Condition, Suitability, ad Functionality of Present Facilities, Capital Projects, or Assets

Funds for affordable housing have been included in the major capital bonding bills, since 1990. The demand for state resources for affordable housing typically exceeds the amounts available by a factor of 3. The appropriation of the debt service for non-profit housing bonds in 2008 has provided a new tool to assist with affordable housing needs.

Agency Process Used to Arrive at these Capital Requests

In developing the foreclosure remediation request, the Agency was influenced primarily by three sources of information: 1) the analysis of zip codes with highest needs conducted for the Neighborhood Stabilization Program (NSP) plan and submitted HUD, 2) the applications received for NSP funding, and 3) the Minnesota Foreclosure Partners Council's identification of needs. The Partners Council is a public/private partnership convened to facilitate a rapid, coordinated response to the mortgage foreclosure crisis in Minnesota. The Partners Council has adopted a "Coordinated Plan to Address Foreclosure in Minnesota".

The supportive housing request is a continuation of implementation of the "Business Plan to End Long-term Homelessness" developed by a legislatively mandated working group. The plan identifies the need for 4000 new supportive housing opportunities. To date, more than 2000 supportive housing opportunities have been financed. The current request reflects the challenges of securing funding for the services component of supportive housing.

Major Capitol Project Authorized in 2006 and 2007

As of 9/01/2009 all of the funding is committed to seven projects, four of which are occupied, the remainder are either under construction or expected to start in 2010. $2 million in GO bond proceeds was appropriated for transitional housing and those funds have been fully committed to projects. The 2006 appropriation assisted over 170 units of housing.

2010 STATE APPROPRIATION REQUEST: $27,500,000

AGENCY PROJECT PRIORITY: 1 of 3

PROJECT LOCATION: Areas most impacted by the foreclosure crisis, Statewide

Project At A Glance

$2.2 million annually for 20 years for the debt service on $27.5 million of non-profit housing bonds issued by Minnesota Housing to:
- acquire and rehabilitate foreclosed properties and,
- construct or acquire and rehabilitate permanent supportive housing.

Project Description

This request is for debt service on $27.5 million in non-profit housing bonds issued by Minnesota Housing to:
- acquire and rehabilitate foreclosed properties into approximately 100 units of rental housing located in areas that have been hardest hit by the foreclosure crisis and,
- to construct or acquire and rehabilitate an estimated 200 units of permanent supportive housing, particularly for persons experiencing or at risk of experiencing long-term homelessness.

Funds would be made available statewide for rental housing developments that are owned by experienced and qualified non-profit organizations. The non-profit organization must have as part of its mission the provision of affordable housing to qualify for an award of non-profit housing bond proceeds. The rental housing acquired, rehabilitated or constructed with this funding must remain affordable for a minimum of 20 years.

The foreclosure crisis isn't over. Mortgage delinquencies continue to increase. The number of sheriff sales in Minnesota due to mortgage foreclosure increased by 278 percent between 2005 and 2008. Three significant factors contribute to the expectations that foreclosures will continue at high levels over the next two to three years:
- the high level of unemployment,
- Alt-A loans are a growing problem, and
- adjustable rate mortgage (ARM) resets.

In Hennepin County ten percent of the foreclosures are on multi-unit residential properties. Anecdotal evidence from shelters indicates an increase in families evicted from foreclosed rental properties. This proposal will help put foreclosed rental housing back in service, managed by responsible owners and operated as affordable housing for the long term.

In some counties, sheriff sales are concentrated in a few neighborhoods within a community or in a few communities within a county. The concentration of foreclosures has a devastating impact on the community or neighborhood. Vacant and abandoned properties become commonplace, property values decline and crime increases, all of which lead to a further disinvestment in the community or neighborhood. Property values reflect the impact of a concentration of foreclosures in an area. Property values in North Minneapolis, for example, have declined by 50.6 percent between 2002 and 2008.

The decline in property values presents an opportunity to secure affordable housing at a reasonable price. Even at lower prices, assistance is needed to maintain the rental housing as affordable housing. Experienced rental property managers know that the management of scattered site rental housing is more expensive than managing a similar number of units on one site. In areas impacted by foreclosure, the rents that can be commanded are not sufficient to properly maintain the housing and cover management cost. Many of the foreclosed properties were not well maintained before they were sold and/or their condition deteriorated after abandonment. Rehabilitation of the units will be necessary in many cases. An estimated 100 units in properties acquired and rehabilitated with the bond proceeds will be able to maintain affordability for low- and moderate- income rental households for at least 20 years.

A portion of the bond proceeds would be used to construct or acquire and rehabilitate properties for use as permanent supportive housing for households who are experiencing homelessness, particularly those experiencing long-term homelessness.

Permanent supportive housing is the keystone in efforts to reform the way that various systems address the challenges of homelessness by moving from a band-aid approach to more cost-effective prevention and long-term solutions. Permanent supportive housing is affordable rental housing with links to the services necessary to enable tenants to live in the community and lead successful lives.

Supportive housing in Minnesota is demonstrating its cost effectiveness. A rigorous evaluation of the Managed Care and Supportive Housing pilot program found that as a result of the pilot, participants maintained housing stability, there was a 36 percent reduction in the number of days people used illegal drugs or alcohol to intoxication and costs shifted from prison, inpatient hospital care and detox to doctors, psychiatrist and prescription medicines.

The funding could help fill the gap on approximately 150 units of permanent supportive housing that is only partially funded or for which the committed funding sources are no longer viable. An additional 50 units of permanent supportive housing, towards the goal of creating 4,000 housing opportunities, would be assisted.

Impact on Agency Operating Budget

The foreclosed rental properties acquired and rehabilitated with bond proceeds are expected to meet their operating costs through the income from tenants' rents. The permanent supportive housing properties are expected to cover operating costs through a combination of tenant contribution toward rents, rental assistance, group residential housing assistance and operating subsidies from the Housing Trust Fund. Minnesota Housing does not include operating assistance for specific projects in its state appropriations requests. Award of funding for permanent supportive housing will be dependent on the availability of funding for needed supportive services.

Previous Appropriations

Permanent supportive housing consistent with a plan to end-long-term homelessness has received the following appropriations:

2005	$12 million	-	GO bond proceeds
2006	$19.5 million	-	GO bond proceeds
2008	$30 million	-	501 (c) (3) bond proceeds

Other Considerations

The Minnesota Foreclosure Partners Council was convened in 2007 to facilitate a rapid, coordinated response to the mortgage foreclosure crisis. The Partners Council is a coalition of the public and private sector. In its March 2009 report, "The Coordinated Plan to Address Foreclosure in Minnesota," the Partners Council identifies the need for funds to acquire and rehabilitate properties and incentives for and coordination of the rehabilitation and redevelopment efforts of the private market.

The 2003 Minnesota Legislature directed the commissioners of the Housing Finance Agency, Human Services, Correction, and Employment and Economic Development to convene a Work Group on Supportive Housing for Persons Experiencing Long-Term Homelessness. This group's mission was to develop and implement strategies to make the various systems more cost effective and to increase the employability and self-sufficiency of families with children and individuals who experience long-term homelessness. (Law of Minnesota 2003, chapter 128, Article 15, section 9). The Working Group submitted its plan to the legislature in Minnesota 2004. It recommended the development of 4,000 permanent supportive housing opportunities for persons and households experiencing long-term homelessness. The Housing Finance Agency is more than halfway to this goal.

Governor's Recommendations

The Governor recommends a general fund appropriation of up to $400,000 annually for 20 years to pay the debt service on $5 million of non-profit housing bonds issued by Minnesota Housing for foreclosure recovery efforts and permanent supportive housing in furtherance of the business plan to end-long-term homelessness.

Non-Profit Foreclosed Rental Property Acquistion/Rehab & Supportive Housing | ($ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2010-11	FY 2012-13	FY 2014-15	TOTAL
1. Property Acquisition	3,000	8,400	7,636	6,109	25,145
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	27,000	19,100	17,364	13,891	77,355
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	**30,000**	**27,500**	**25,000**	**20,000**	**102,500**

CAPITAL FUNDING SOURCES	Prior Years	FY 2010-11	FY 2012-13	FY 2014-15	TOTAL
State Funds :					
General Fund Projects	0	0	0	0	0
Housing Finance Agency	30,000	27,500	25,000	20,000	102,500
State Funds Subtotal	30,000	27,500	25,000	20,000	102,500
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	**30,000**	**27,500**	**25,000**	**20,000**	**102,500**

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2010-11	FY 2012-13	FY 2014-15	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	0	0%
User Financing	0	0%

STATUTORY AND OTHER REQUIREMENTS Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
-	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
-	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
-	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
-	MS 16B.335 (5): Information Technology Review (by Office of Technology)
-	MS 16A.695: Public Ownership Required
-	MS 16A.695 (2): Use Agreement Required
-	MS 16A.695 (4): Program Funding Review Required (by granting agency)
-	Matching Funds Required (as per agency request)
-	MS 16A.642: Project Cancellation in 2015

Community Land Trust in Foreclosure Impacted Areas Along Transit Cooridors

2010 STATE APPROPRIATION REQUEST: $2,500,000

AGENCY PROJECT PRIORITY: 2 of 3

PROJECT LOCATION: Statewide

Project At A Glance

$200,000 annually for 20 years of debt service on $2.5 million of non-profit housing bonds issued by Minnesota Housing for community land trusts to assist in remediating communities or neighborhoods impacted by concentrations of foreclosures and to preserve affordable housing along mass transit corridors.

Project Description

Funding would be provided for community land trusts to acquire foreclosed, vacant and abandoned homes and permanently own the land. Funding will also be used to acquire homes along major transit corridors to preserve affordability.

Community land trusts are non-profit organizations that acquire and own land for the long term. The building is sold to a low- or moderate-income homebuyer and the community land trust leases the land to the homeowner. Typically, the community land trust restricts the resale price of the house and restricts eligible new homebuyers to low- and moderate- income households.

The costs of homeownership would be reduced by approximately 25 percent because the land costs are excluded from the purchase price. The community land trust model will assist lower income households in the community become homeowners and will ensure the long-term affordability of the home. The resale price is set according to a formula that provides the homeowner with some share of the equity in the home, but it retains affordability of the home for new low- and moderate-income homebuyers. Land costs range from $12,000 per home in parts of Northern Minnesota to $70,000 in some Twin Cities suburban areas. At an average cost of $50,000 per home, $2.5 million will bring 50 homes into community land trusts.

The concentration of foreclosures has a devastating impact on the community or neighborhood. Vacant and abandoned properties become commonplace, property values decline and crime increases. Community land trusts can help reverse this trend of disinvestment by bringing new homeowners to the area.

One of the common consequences of the development of new transit corridors is an increase in the cost of land along the corridor. Commercial redevelopment occurs along the transit corridors and the demand for housing within walking distance of the transit stops increases, pushing prices up. The community land trust model can help ensure that at least some of the housing along transit corridors remains affordable to low- and moderate-income households.

Impact of Operating Budget

None

Previous Appropriations

No funding has been provided for community land trusts as part of capital investment legislation; however, the Minnesota Housing Finance Agency has funded community land trusts since at least 2001. Between 2002-2007, $8.5 million has been committed to community land trusts.

Governor's Recommendations

The Governor does not recommend a general fund appropriation to pay the debt service on non-profit housing bonds issued by Minnesota Housing for this project.

Community Land Trust in Foreclosure Impacted Areas Along Transit Cooridors | ($ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2010-11	FY 2012-13	FY 2014-15	TOTAL
1. Property Acquisition	0	2,500	2,500	0	5,000
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	0	0	0	0	0
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	**0**	**2,500**	**2,500**	**0**	**5,000**

CAPITAL FUNDING SOURCES	Prior Years	FY 2010-11	FY 2012-13	FY 2014-15	TOTAL
State Funds :					
General Fund Projects	0	0	0	0	0
Housing Finance Agency	0	2,500	2,500	0	5,000
State Funds Subtotal	0	2,500	2,500	0	5,000
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	**0**	**2,500**	**2,500**	**0**	**5,000**

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2010-11	FY 2012-13	FY 2014-15	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	0	0%
User Financing	0	0%

STATUTORY AND OTHER REQUIREMENTS Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
-	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
-	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
-	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
-	MS 16B.335 (5): Information Technology Review (by Office of Technology)
-	MS 16A.695: Public Ownership Required
-	MS 16A.695 (2): Use Agreement Required
-	MS 16A.695 (4): Program Funding Review Required (by granting agency)
-	Matching Funds Required (as per agency request)
-	MS 16A.642: Project Cancellation in 2015

2010 STATE APPROPRIATION REQUEST: $10,000,000

AGENCY PROJECT PRIORITY: 3 of 3

PROJECT LOCATION: Statewide

Project At A Glance

$10 million in G.O. Bond proceeds for Public Housing rehabilitation. Approximately 3,000 units of public housing will be rehabilitated with this funding.

Project Description

Public housing is housing owned and managed by local public housing authorities, but is financed by the federal government. More than 21,000 public housing units are owned and operated by 124 public housing authorities throughout Minnesota. The public housing authorities' operations range in size from 12 units of the Cass Lake Housing and Redevelopment Authority to 5,700 units of the Minneapolis Public Housing Authority and 4,300 units of the St. Paul Public Housing Authority. Nearly 75 percent of the residents of public housing have annual incomes of under $15,000. Over 35 percent of the residents are seniors. Residents of public housing generally pay 30 percent of their income for rent.

Between 2002 and 2009 the federal government's commitment to support public housing diminished as appropriations for operations and maintenance of the housing stock were reduced to inadequate levels. As a consequence, some public housing authorities have been forced to sell some of their units to reduce operating costs and generate enough revenue to properly maintain the remaining inventory. Others have delayed needed maintenance and repairs, putting units at risk of becoming inhabitable.

The 2007 Minnesota Legislature recognized the importance of preserving affordable public housing and appropriated $2.5 millions for that purpose. Funds were awarded to public housing authorities to help address their capital needs. As part of the 2009 economic stimulus legislation, Minnesota public housing authorities received a total of $47 million. Despite the injection of this funding, it falls short of the amount needed to address all of the indentified capital needs.

Public housing authorities are seeking ways to lower their operating costs. Investments in more energy efficient windows, heating and cooling systems and in renewable energy sources will help them achieve lower operating costs. The requested funding will prioritize projects that address health and safety needs and reduce operating costs by conserving energy.

Impact on Operating Budget

None. Public housing is housing owned and managed by local public housing authorities and is financed by the federal government.

Previous Appropriation

$2 million in G.O. Bond proceeds was appropriated in 2009. (Law of Minnesota 2009, Chapter 93, section A.) An RFP for this funding will be released in August.

Other Considerations

None

Governor's Recommendations

The Governor does not recommend capital funds for this request.

Public Housing Rehabilitation | ($ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2010-11	FY 2012-13	FY 2014-15	TOTAL
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	2,000	10,000	0	0	12,000
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	**2,000**	**10,000**	**0**	**0**	**12,000**

CAPITAL FUNDING SOURCES	Prior Years	FY 2010-11	FY 2012-13	FY 2014-15	TOTAL
State Funds :					
G.O Bonds/State Bldgs	2,000	10,000	0	0	12,000
State Funds Subtotal	2,000	10,000	0	0	12,000
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	**2,000**	**10,000**	**0**	**0**	**12,000**

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2010-11	FY 2012-13	FY 2014-15	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	10,000	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
Yes	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
Yes	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
Yes	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
Yes	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
No	MS 16A.642: Project Cancellation in 2015