Housing Finance Agency

Projects Summary
($ in Thousands)

Project Title	2012 Agency Priority Ranking	Agency Project Request for State Funds ($ by Session)				Governor's Recommendations	Governor's Planning Estimate	
		2012	2014	2016	Total	2012	2014	2016
Housing Infrastructure Bonds	1	$30,000	$20,000	$0	$50,000	$25,000	$20,000	$0
Public Housing Rehabilitation	2	10,000	10,000	0	20,000	7,000	7,000	0
Total Project Requests		$40,000	$30,000	$0	$70,000	$32,000	$27,000	$0

Agency Profile At A Glance

Development and Redevelopment
- Financed more than 1,900 home purchases;
- Financed nearly 1,000 new construction housing units;
- Invested nearly $14 million to assist communities hit by the foreclosure crisis; and
- Administered $8.4 million in housing tax credits and supporting federal assistance for more than 2,000 units of housing.

Homelessness Prevention and Supportive Housing
- 9,653 households received homeless prevention assistance;
- 2,770 households received state funded rental assistance; and
- 364 housing units for very low-income households were constructed or rehabbed with Housing Trust Fund (HTF) monies.

Homeownership Assistance
- 1,246 households received entry cost assistance through the Homeownership Assistance Fund (HAF) and HOME Help program;
- 65% of first-time homebuyers with a Minnesota Housing mortgage received entry cost assistance; and
- Average entry cost assistance is $6,700.

All figures are for Federal Fiscal Year 2010

Preservation
- 365 federally-assisted housing units preserved through the Affordable Rental Investment Fund – Preservation (PARIF);
- For every $1 invested in rental housing preservation, $5.70 in federal assistance is retained; and
- 297 households received assistance to rehab or preserve their home.

Resident and Organizational Support
- 21,661 households received foreclosure prevention assistance or homebuyer training services; and
- 13,000 Minnesota households received mortgage foreclosure intervention and counseling assistance.

Administration
- All state-funded appropriations fund program expenditures; none is spent on administration.
- Standard and Poor's Ratings Services affirmed an "AA+" rating and Moody's Investors Service affirmed an "Aa1" rating;
- Disbursed $305 million for more than 26,000 homeowners or homebuyers; and
- Disbursed $411 million for nearly 46,000 rental units or tenant households.

Agency Purpose

The Minnesota Housing Finance Agency (Minnesota Housing) finances and advances affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster stronger communities.

FY 2012 Minnesota Housing Program Resources by Source (in thousands)

Bond Proceeds	$	290,000	44%
Federal Resources	$	211,125	32%
Housing Investment Fund	$	69,400	11%
State Appropriations	$	58,557	9%
Housing Affordability Fund	$	29,202	4%

Allocation of 2012 Resources by Strategic Priority (in thousands)

Preserve Existing Affordable Housing	$	331,870	41%
Finance New Opportunities for Affordable Housing	$	316,382	39%
Mitigate Foreclosure Impact	$	126,067	16%
Prevent and End Long-Term Homelessness	$	34,965	4%

Strategies

Minnesota Housing has four strategic priorities:
- Finance new affordable housing opportunities.
- Preserve existing affordable housing.
- Mitigate foreclosure crisis through prevention and recovery.
- Prevent and end long-term homelessness.

To accomplish its strategic priorities, Minnesota Housing 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.

Homeless Prevention and 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.

Homeownership Assistance Programs fund home purchase and home improvement loans for families and individuals with a range of incomes not served by the private sector alone.

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 Programs 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 five major divisions: housing finance and operations; multifamily housing programs; homeownership programs; housing policy and Commissioner's office. 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 $3.5 billion, and a portfolio of debt totaling $2.55 billion. The staff manages the process of raising capital through periodic debt issuances. Staff in this division also prepares 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 over 300 rental housing developments, monitoring compliance with state and federal requirements, and administering the Section 8 contracts of 31,000 units of rental housing that include the contracts on 18,000 units previously administered by Housing and Urban Development (HUD).

The **homeownership 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, policy and community development.

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

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

	FY 2002-03	**FY 2004-05**	**FY 2006-07**	**FY 2008-09**	**FY 2010-11**
General	$160,446	$135,892	$ 98,832	$118,983	$110,210
Federal	$266,825	$316,263	$347,104	$362,768	$296,032
Other	$ 36,845	$ 40,310	$ 44,097	$ 49,179	$ 48,380

* *in thousands*

** *FY 2010-11 is estimated, not actual. Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/22/10.*

External Factors Impacting Minnesota Housing- Trends impacting the agency include the high unemployment rate and uncertain economy, which leads to housing instability; continued high levels of foreclosures; bond market uncertainty that may impact the agency's ability to offer mortgages to first-time homebuyers at advantageous rates; changing demographics that may reduce the first-time homebuyer pool; declining rental vacancy rates; overbuilt single family home stock; tax credit investors' preference for particular development types and locations; and continued mismatch between housing, jobs and transportation.

Contact

Tonja M. Orr
Assistant Commissioner of Housing Policy
Phone: (651) 296-9820
Website: http://www.mnhousing.gov

At A Glance: Agency Long-Range Strategic Goals

- Provide New Opportunities for Affordable Housing
- Mitigate Foreclosure Impact through Prevention and Remediation
- Preserve Existing Affordable Housing
- Prevent and End Long-Term Homelessness

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

Minnesota Housing's capital bonding requests support three of its strategic priorities:

- Mitigate Foreclosure Impact through Prevention and Remediation
- Preserve Existing Affordable Housing
- Prevent and End Long-Term Homelessness

Foreclosure Trends

Minnesota has experienced a dramatic increase in sheriff's sales on residential foreclosures since 2005, rising from 7,000 in 2005 to 26,000 in 2010. While the loan delinquency rate is declining after a peak at the end of 2009, there remain a considerable number of delinquent mortgages that lenders have yet to foreclose on and move to sheriff sale. The initial years of the foreclosure crisis were fueled by subprime loan; in recent years an increasingly higher portion of foreclosures are in the prime mortgage market. The unemployment rate of 7.2% in August, 2011, while below the national rate, is a significant factor in foreclosures in the prime mortgage market and contributes to the concern that the foreclosure crisis is not over. The concentration of the foreclosure crisis appears to be shifting from the certain neighborhoods in Minneapolis and St. Paul to the outer ring suburbs and Greater Minnesota, particularly Rice, LeSueur, Sibley, McLeod, Renville, Meeker, Benton, Kanabec and Pine counties.

A related troubling trend is the decline in median home sales price. In the Twin Cities metropolitan area, median home sales prices declined by 31.5% between 2006 and 2010. The decline is in part attributable to the number of sheriff sales and short sales. The decline in sales prices has resulted in a large portion of mortgages being "underwater" – meaning that the property is worth less than the amount owed on the mortgage. One estimate is that, as of the end of 2010, 15.9% of the mortgages in Minnesota were underwater and 46.2% of the mortgages in the Twin Cities area were underwater. Property owners with negative equity may be more willing to simply walk away from their home, thereby exacerbating the foreclosure crisis. Homeowners with negative equity are unable to qualify for financing to cover the costs of needed repairs. As a consequence, the housing stock will deteriorate.

Preservation Trends

Minnesota has approximately 72,000 units of rental housing that have received or currently receive federal or state assistance to keep them affordable. These properties are located throughout the state, in large and small communities alike. The affordable housing stock is an essential part of communities' infrastructure, so preservation of the affordable housing stock 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 convert to market or be lost to deterioration.

Thirty-one thousand (31,000) of these affordable housing units are federally subsidized through the Section 8 program. Section 8 housing is among the most affordable housing available since the tenant is required to pay only 30% of household income towards the rent and the federal government makes up the difference between the tenant's contribution and an agreed upon contract rent. In the next five years, it is estimated that 30% of the Section 8 units (or nearly 10,000 units) in Minnesota are at risk of opting out of the program and will no longer be affordable housing. The Section 8 properties for the most part are approaching 30 years old and many have not had sufficient income to be adequately maintained.

Minnesota has more than 21,000 public housing units funded by the federal government. These units are located across the state. Between 2002 and 2010 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 uninhabitable. As part of the 2009 federal economic stimulus legislation, Minnesota public housing authorities received a total of $47 million, as well as some additional competitive funds. Despite the injection of this funding, it falls short of the amount needed to address all of the identified capital needs. The capital fund appropriations were recently cut by 20% and even prior to this reduction did not cover the annual accrual of repairs.

Minnesota Housing, along with its philanthropic funding partners and local and federal partners, has taken a systematic, long-term approach to stabilization/preservation that recognizes that preservation of existing housing is often the most cost-effective means of providing affordable housing. Since 1998, Minnesota Housing has preserved nearly 13,500 federally subsidized rental units. For every $1 of state funding, $5.50 in federal assistance is preserved.

Homelessness Trends

The 2009 Wilder Research Center Report of Homelessness in Minnesota found that the number of persons experiencing homelessness increased by 25% between 2006 and 2009 after leveling off in the mid-2000's. It is estimated that there were more than 13,100 homeless persons in Minnesota on any given night in 2009 and 46,400 are estimated to experience homelessness at least once during the year. Forty percent (40%) of the homeless adults attributed their loss of housing to the loss of a job or reduced hours of employment. Long-term unemployment, long-term homelessness, the number of persons with serious barriers to stable housing and the number of homeless persons who are aged 12-21 all increased between 2006 and 2009. Similar to findings in 2006, three-fourths (74%) of all homeless adults reported having at least one major health issue, but among those experiencing long-term homelessness, the portion of persons with serious mental illness, chronic health conditions or cognitive disability has increased since 2006.

Children with their parents make up one-third of the total homeless population. Most of those children (67%) live with their mother only. The percentage of parents reporting that all of their school age children attended school on the day of the survey declined from 90% in 2006 to 84% in 2010.

Pursuant to the Business Plan to End Long-term Homelessness, over 3,500 permanent supportive housing opportunities have been financed; this represents 90% of the goal of 4,000 housing opportunities. People with long histories of homelessness are now in housing. Almost two-thirds of those housed in housing developed under the plan had been homeless for more than one year; one-third had been homeless for at least three years. People are achieving housing stability. Eighty-six percent (86%) of the households served were still in housing at the end of the reporting year. Emergency expenditures have been reduced as a result of the permanent supportive housing opportunities created. Hennepin County saved $78,000 by housing only six people. Money was saved through fewer jail days, fewer stays in county funded emergency shelters, and fewer days in detox. Local plans to prevent and end homelessness have been developed in most regions of the state, and these plans complement and build on the state's Business Plan to End Long-term Homelessness.

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

Minnesota Housing does not own or operate facilities covered by this request. The request is for financing of activities that improve and augment the infrastructure of affordable housing in communities throughout the state. Without these critical funds, communities stand to lose housing units that are vital to serving the needs of citizens in these communities.

Agency Process Used to Arrive at these Capital Requests

Minnesota Housing has consulted with numerous other organizations to identify the key priorities outlined in this request. These include:

The Minnesota Foreclosure Partners Council, a consortium of private and public organizations from throughout the state, was convened in 2007 to facilitate a rapid, coordinated response to the mortgage foreclosure crisis. Their September 2010 report, "The Coordinated Plan to Address Foreclosure in Minnesota," influenced the identification of foreclosure remediation needs.

The Business Plan to End Long-term Homelessness, which has the goal of providing 4,000 new supportive housing opportunities by 2015, also contributed to the identification of funding needs. As of June 2011, Minnesota Housing has financed 3,582 permanent supportive housing opportunities, meeting 90% of the goal.

Minnesota Housing is a member of three Interagency Stabilization groups that, together with state, federal and local units of government and philanthropic lending partners, collaborate on efforts to preserve and stabilize affordable housing across the state. These groups have informed the agency's preservation activities and funding requests. The agency is also part of the Preservation Plus Intiative funded by the MacArthur Foundation. The initiative is designed help the state and its philanthropic lending partners to fill gaps in its existing preservation infrastructure, expand successful strategies, and develop new preservation tools.

Major Capital Projects Authorized in 2010 and 2011

In 2010 the authority of the agency to issue non-profit housing bonds was expanded from $30 million to $36 million, although the amount appropriated for debt service remained unchanged due to lower-than-expected interest rates. The agency was also authorized to use the bond proceeds for foreclosure recovery activities in addition to financing permanent supportive housing. All of the additional bonding authority has been utilized to finance 61 units of permanent supportive housing. No capital projects were authorized in the 2011 capital investment act.

2012 STATE APPROPRIATION REQUEST: $30,000,000

AGENCY PROJECT PRIORITY: 1 of 2

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

Project At A Glance

$2.4 million annually for 20 years for the debt service on $30 million of housing infrastructure bonds issued by Minnesota Housing to:

- acquire and rehabilitate federally subsidized rental housing,
- acquire and rehabilitate or replace foreclosed properties, and
- construct, or acquire and rehabilitate permanent supportive housing.

Project Description

This request is for a general fund standing appropriation to pay the debt service on housing infrastructure bonds. The debt service needed for $30 million in housing infrastructure bonds is $2.4 million per year for 20 years. The bonds will be issued by Minnesota Housing to:

- preserve existing federally subsidized rental housing,
- stabilize communities impacted by the foreclosure crisis by creating new affordable housing opportunities through rental units and community land trusts, and
- construct or acquire and rehabilitate permanent supportive housing, particularly for persons experiencing or at risk of experiencing long-term homelessness.

This funding will provide an estimated 450-600 new or preserved affordable housing opportunities.

For every $1 million in Minnesota Housing investment, nearly 12 FTE jobs are supported. With $30 million in housing infrastructure bonds, as many as 360 jobs would be supported.

Eligible applicants are experienced and qualified affordable housing developers. Funding will be provided in the form of a 20-year deferred loan. The housing acquired and rehabilitated or constructed with this funding must remain affordable for a minimum of 20 years. Funding would be made available using a competitive process that considers readiness to proceed among other factors in making selections.

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 community land trusts are expected to meet their operating costs through the income from the land lease. 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. Federally subsidized rental housing that is preserved will meet operating expenses with rent payment from tenants and housing assistance payments from the federal government.

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, $2.4 million in annual debt service appropriated

In 2010, the agency was authorized to issue $6 million in additional bonds based on the annual $2.4 million debt service appropriated in 2008 due to lower-than-expected interest rates. The use of the bond proceeds was expanded to include foreclosure remediation. All of the bond proceeds were awarded to supportive housing projects based on the applications received.

No funding has been provided for community land trusts with non-profit housing bonds; however, the Minnesota Housing Finance Agency has funded community land trusts since at least 2001. Between 2002-2010, $10.5 million has been committed to community land trusts.

Preservation of federally subsidized rental housing has been funded with general fund appropriations since 1998; nearly 13,500 units of federally subsidized housing have been preserved since that time.

Other Considerations

Foreclosure Recovery Activities
The foreclosure crisis continues to challenge communities and families across Minnesota. Mortgage delinquencies continue to increase. The number of sheriff sales in Minnesota due to mortgage foreclosure increased by 270 percent between 2005 and 2010. Three significant factors contribute to the expectations that foreclosures will continue at high levels over the next two to three years:

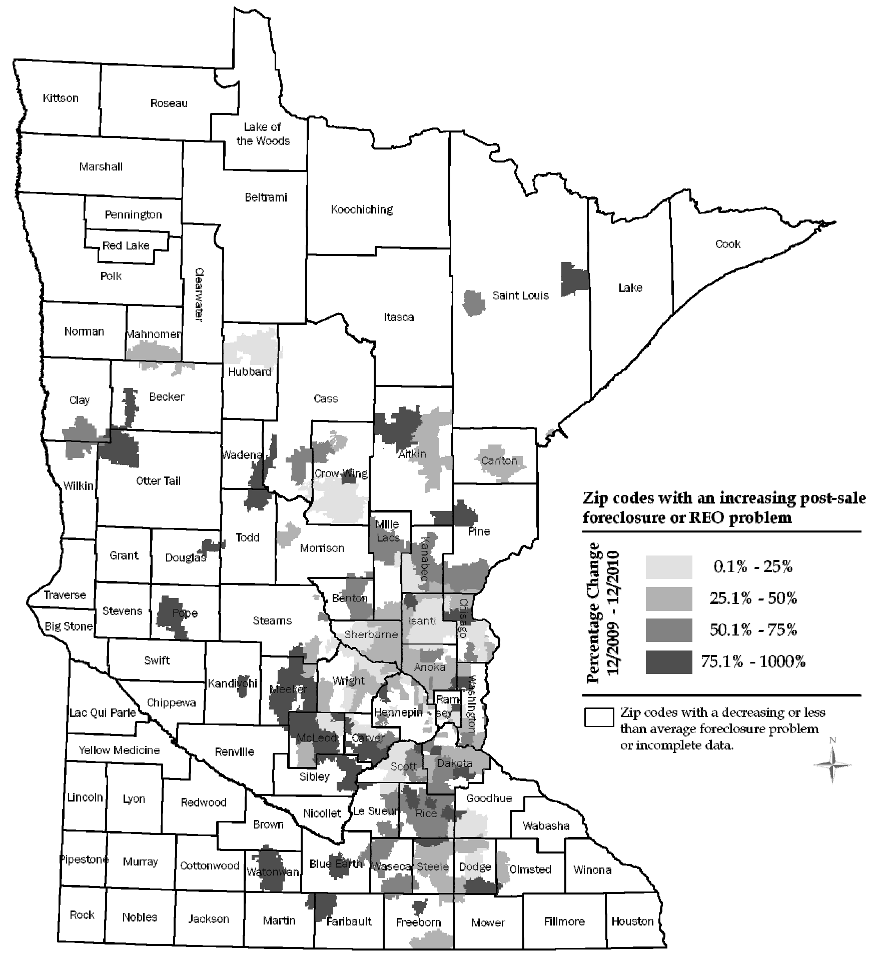
- the high level of unemployment,
- underwater homeowners who owe more than their homes are worth, and
- backlog of "shadow inventory" of properties, or pending supply not yet for sale.

The number of vacant homes due to foreclosures has contributed to the decline in property values. Vacant properties easily fall into disrepair and further devalue the neighborhood or community.

Some of the requested funding would be used to by affordable housing developers to acquire and rehabilitate foreclosed properties or to replace housing that is too deteriorated to rehabilitate. These properties will assist in stabilizing communities and create affordable housing opportunities for individuals and families for at least 20 years.

Funding would also be used to assist with another foreclosure recovery strategy: placing foreclosed, vacant and abandoned homes into community land trusts. Community land trusts are non-profit organizations that acquire and own land for the long term. The community land trust leases the land to a low- or moderate-income homeowner who purchases the building on the land held in trust. Typically, the community land trust restricts the resale price of the house and restricts eligible new homebuyers to low- and moderate-income households. The average estimated per parcel land acquisition cost is $35,000.

Statewide Percentage Change in Loans in Post-Sale Foreclosure or REO



Supportive Housing Activities

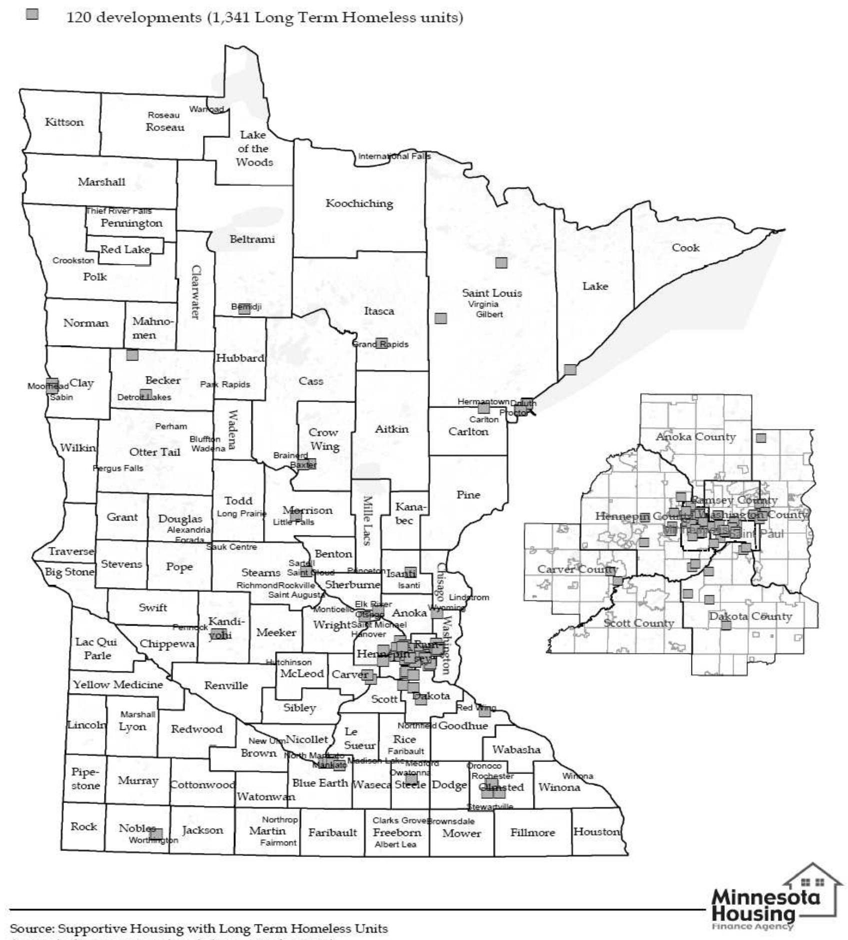
A portion of the bond proceeds would also be used to construct or acquire and rehabilitate properties for use as permanent supportive housing for households who are experiencing homelessness, including youth and those experiencing long-term homelessness in particular.

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 will help towards completing the State's goal of creating 4,000 housing opportunities for persons experiencing long-term homelessness.

Locations of Supportive Housing



Source: Supportive Housing with Long Term Homeless Units
(not including transitional or shelters - October 2011) .

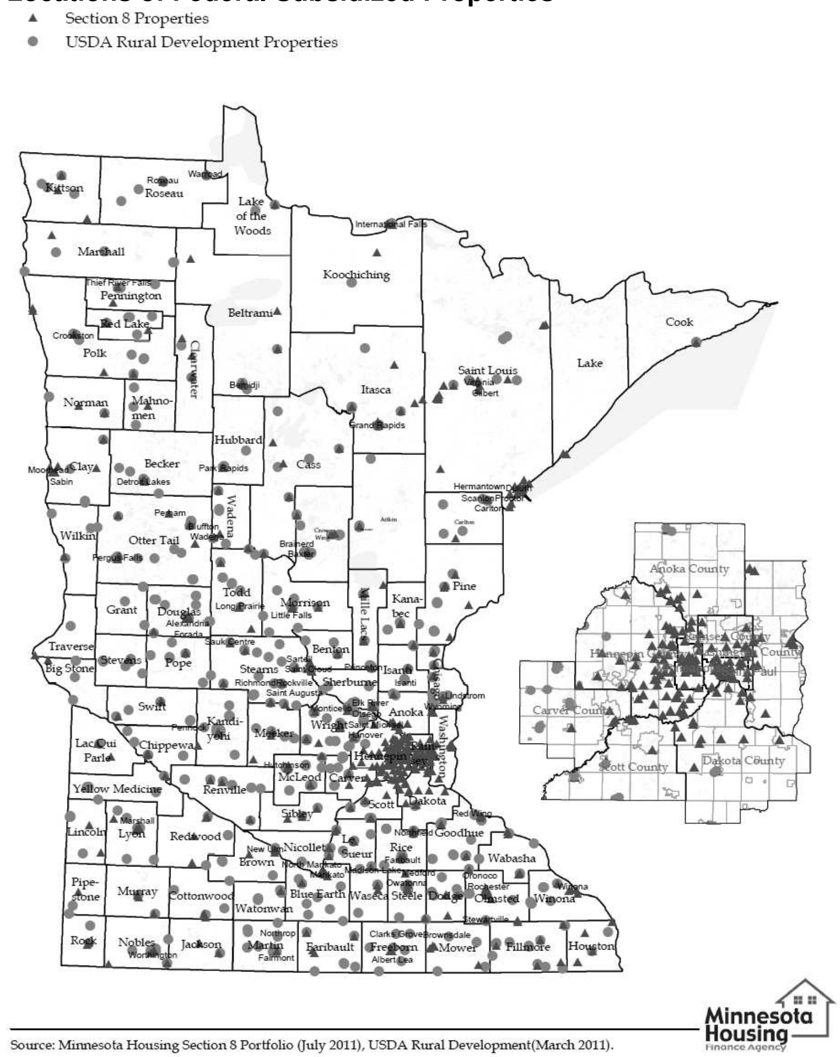
Preservation Activities

The federal Section 8 program has provided the largest portion of the privately owned, federally assisted rental housing in the state. Thirty-one thousand units (31,000) were financed under this program. Most of the federally assisted Section 8 properties in Minnesota are approaching 30 years old. Many have had insufficient revenues to be adequately maintained. Owners of many of the Section 8 properties have or are close to fulfilling their obligation to operate the properties as affordable housing and may chose to convert the housing to market rate housing. A crucial component of the affordable housing supply in communities across the state is at risk of being lost without funding to preserve this asset.

A temporary opportunity exists to accelerate the rate of preservation activities and preserve these important community assets by attracting additional private equity investment to these projects. By using tax-exempt private activity bonding authority to provide construction financing for these projects, federal tax credits can be obtained to attract private equity investment. The requested funding will be used to provide a portion of the permanent financing for these projects because income generated by the projects will likely be insufficient to cover the full cost of rehabilitation. As a general rule, if the state were to provide this gap financing, $1 of state funds would leverage $2 in private funds -- $1 in amortizing debt paid by the property owner and $1 in private equity from housing tax credits.

By accelerating preservation activities now, rehabilitation costs can be lower, more jobs are created at a time when the residential construction industry is suffering, we can take advantage of the expected low interest rate environment and an important component of communities' infrastructure is improved. In addition, for every $1 in state funding for preservation of federally assisted housing, $5.50 in federal funding is secured.

Locations of Federal Subsidized Properties



Governor's Recommendation

As proposed by Minnesota Housing, the Governor recommends Minnesota Housing issue $25 million of housing infrastructure bonds. The Governor also recommends that a general fund appropriation of up to $1.850 million annually for 20 years, starting in FY 2014, be provided to Minnesota Housing to pay the debt service on these bonds. Also included is a budget planning estimate of $20 million in housing infrastructure bonds in 2014.

Project Contact Person

Tonja M. Orr
Assistant Commissioner for Housing Policy
(651) 296-9820

Housing Infrastructure Bonds | ($ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
1. Property Acquisition	5,000	4,500	3,000	0	12,500
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	25,000	25,500	17,000	0	67,500
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**	**30,000**	**20,000**	**0**	**80,000**

CAPITAL FUNDING SOURCES	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
State Funds :					
General Fund Projects	0	0	0	0	0
Housing Finance Agency	30,000	30,000	20,000	0	80,000
State Funds Subtotal	30,000	30,000	20,000	0	80,000
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	**30,000**	**30,000**	**20,000**	**0**	**80,000**

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2012-13	FY 2014-15	FY 2016-17	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.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
No	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
Yes	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 2017

2012 STATE APPROPRIATION REQUEST: $10,000,000

AGENCY PROJECT PRIORITY: 2 of 2

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

This request is for $10 million in general obligation bonds for the rehabilitation of public housing. Public housing is housing owned and managed by local public housing authorities and is financed by the federal government. More than 21,000 public housing units are owned and operated by 124 public housing authorities throughout 210 Minnesota communities. 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.

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.

For every $1 million in Minnesota investment, nearly 12 FTE jobs are supported. With $10 million in G.O. bonds, 120 jobs would be supported.

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.) All of these funds have been awarded to public housing authorities. The 2007 Minnesota Legislature recognized the importance of preserving affordable public housing and appropriated $2.5 million for that purpose. Funds were awarded to public housing authorities to help address their capital needs.

Other Considerations

More than 92 percent of housing authorities have a waiting list and are unable to meet demand for affordable housing during this housing crisis, demonstrating the need for maintaining this affordable housing stock. Nearly 75 percent of the residents of public housing have annual incomes of under $15,000 and nearly 65 percent of the residents are seniors and/or have a disability. One third of public housing residents are children, many of whom are at high risk of homelessness or recently homeless. Residents of public housing generally pay 30 percent of their income for rent.

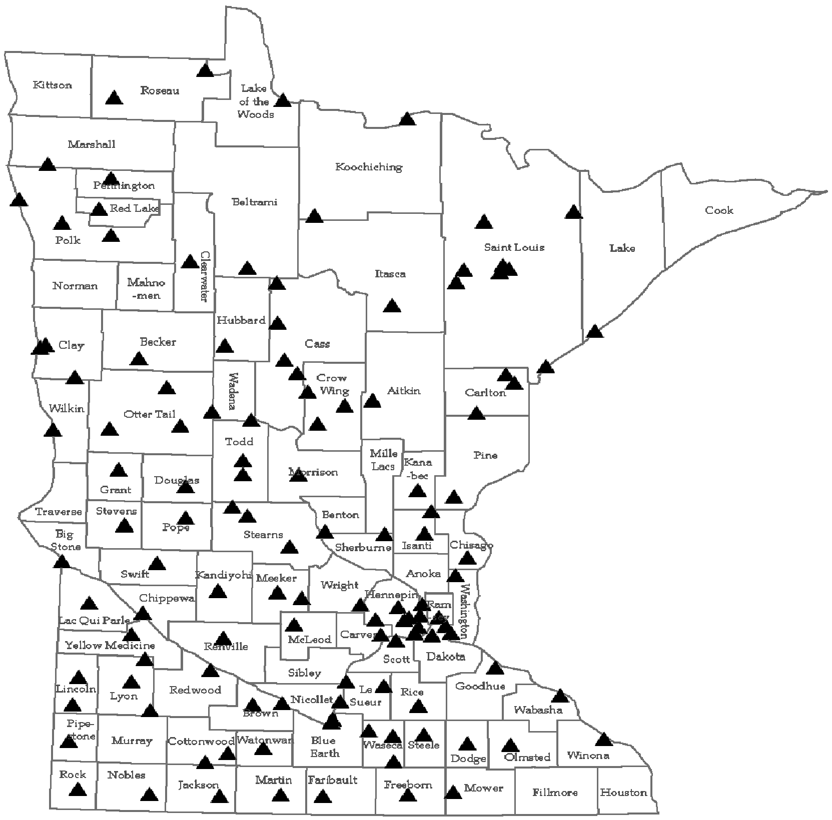
Project Contact Person

Tonja M. Orr
Assistant Commissioner for Policy
(651) 296-9820

Governor's Recommendations

The Governor recommends general obligation bonding of $7 million for this request. Also included is a budget planning estimate of $7 million in 2014.

Cities with Public Housing by County



Source: Public Housing Authorities, US Dept of HUD | July 22, 2011

Public Housing Rehabilitation | ($ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	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	10,000	0	22,000
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**	**10,000**	**0**	**22,000**

CAPITAL FUNDING SOURCES	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
State Funds :					
G.O Bonds/State Bldgs	2,000	10,000	10,000	0	22,000
State Funds Subtotal	2,000	10,000	10,000	0	22,000
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**	**10,000**	**0**	**22,000**

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2012-13	FY 2014-15	FY 2016-17	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)
Yes	MS 16A.642: Project Cancellation in 2017