



**2016-19 Strategic Plan**  
**Housing is the Foundation for Success**

**Draft for Public Comment**  
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## Introduction

### How Minnesota Housing will use the 2016-2019 Strategic Plan

As Minnesota Housing completes its 2013 to 2015 Strategic Plan, the Agency has moved successfully from the dark days of the mortgage crisis and the Great Recession to a robust housing market and a Minnesota Housing that is well-positioned for a strong future.

This Strategic Plan for 2016 to 2019 charts a course for a future that anticipates a strong economy and housing market but also anticipates a growing number of families and individuals that will have difficulty being able to afford the place they call home. Because having an affordable, stable home is the foundation for success, this Plan puts a focus on serving those individuals, families and communities that are not served well by the mainstream marketplace to meet their housing needs. This includes people with extremely-low incomes, less than perfect credit, disabilities, health conditions, large families, and other barriers.

This Plan sets out five priority areas that will receive special attention during the next four years. These priorities will build on the Agency's core activities and will be guided by several **principles** that direct the Agency's work:

- **We work with community leaders** across the state to help them understand and address their local housing needs.
- **We maintain multiple programs** so that individuals and families with a wide range of needs can obtain stable, affordable housing.
- We ensure that people from all backgrounds and cultures have **equal access to housing** through our programs.
- Whenever possible, we deploy our financial resources in ways that **meet multiple policy goals and leverage other resources**.
- We encourage the development of **housing that is cost effective and sustainable**.

Minnesota Housing will use this Strategic Plan to guide the work of developing the Agency's annual business plans (Affordable Housing Plans), budgets and operating plans for the next four years. The Agency uses this framework to manage its work and measure results. Each annual Affordable Housing Plan will look to the priority areas, strategies, and principles contained in this Plan to direct the resources and guide the activities that the Agency commits to each year.

In defining our work, we go beyond the "sticks and bricks" of housing and focus on the ways that housing is the foundation for success – making individuals, families, and communities stronger. Data clearly shows that housing is the foundation for family and community stability. Safe, stable, affordable housing is critical for success in education, positive health outcomes, economic stability, and other areas. In our work, we will emphasize housing strategies and activities that are linked to these broader outcomes.

## Vision, Mission and Values

### Vision

All Minnesotans live in a safe, stable home they can afford in a community of their choice.

### Mission

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.

### Values

We achieve **results** to improve the lives of Minnesotans.

We strive for **equity** in access to housing choices.

We lead with **respect** and act with **integrity**.

We **engage** people, communities and partners across Minnesota.

We are **innovative** problem solvers.

We seek **diversity** in thought and in partnership.

We are **accountable** for our actions.

## Core Activities

Our business plans will evolve from year to year, but we will always remain committed to the following core activities to achieve our mission. The following pages outline our ongoing work across multiple programs that meet a range of housing needs.

### Promote and Support Successful Homeownership

Successful homeownership is an important goal for many individuals and families, allowing them to place roots in a community, create stability, and build wealth through home equity. Receiving the keys to a first home is a powerful memory associated with a bright future and new opportunities. We know homeownership is a large responsibility with many challenges and risks, and we support successful homeowners through:

- comprehensive homebuyer and homeowner support, including outreach, education, and counseling,
- affordable and accessible homebuyer financing, including first mortgages and down-payment and closing-cost assistance, and
- affordable home improvement financing.

While our programs serve a range of low- and moderate-income owners and buyers, we focus on individuals and families who face larger barriers to homeownership but will be successful homeowners with assistance and support.

### **Finance New Affordable Rental Opportunities**

We believe rental housing needs to be high quality and affordable and provide access to employment, services, amenities, public transportation, quality schools, and other opportunities. Unfortunately, there is a limited supply of housing that meets these criteria, and we must do more.

We support new affordable rental opportunities by financing the construction of new units and providing rent assistance. We offer amortizing first mortgages, housing tax credits, and deferred loans for housing that serves a range of households and needs. In our funding decisions, we balance the dual goals of providing housing that gives lower-income households opportunities to live in higher-income communities and providing housing that helps revitalize disinvested lower-income communities.

### **Preserve the Existing Housing Stock**

The existing affordable housing stock is a critical component of our state infrastructure, providing homes for many Minnesotans. However, a sizable share of this stock is affordable because it needs extensive repairs or rehabilitation. We know repairing existing housing is less expensive and more environmentally friendly than building new housing, and we will continue to pursue this cost-effective approach. We work with community leaders, individual owners, developers, lenders, and other funders to preserve the existing housing stock by:

- Starting with a strong understanding of the existing stock and its condition;
- Assessing and setting priorities for possible investments;
- Providing flexible financing tools that meet different types of home improvement and preservation needs;
- Providing technical assistance and support to those applying for financing; and
- Supporting effective management of the properties after the investment.

### **Provide Housing Resources to Support Community and Economic Development**

Safe, stable, and affordable housing is a critical component of a vibrant community. For a community to thrive, there needs to be an array of housing choices that meet the needs of people across the income spectrum. Housing by itself cannot build a thriving community; community and economic development takes a holistic approach, including jobs, transportation, education, health and safety.

We support community and economic development by:

- Engaging community leaders to understand how affordable housing is part of a community's pathway to success;

- Providing communities with the tools they need to understand and analyze their local housing needs;
- Supporting local partners with technical assistance and flexible financing; and
- Collaborating with federal, state, and local entities to align resources and address community needs.

### **Lead, Collaborate, and Take Action on Critical Housing Issues**

In an era of increasing affordable housing needs, limited resources, and rapidly changing housing and financial markets, we must be a thought leader by identifying and articulating housing and community needs, developing solutions, and securing the resources to implement those solutions. We work closely with a network of lenders, developers, property managers and owners, and service partners to meet our mission; and we will strive to engage not only traditional development and service partners, but also engage the wisdom of people from all communities that are served by our programs.

### **Strengthen the Financial and Organizational Capacity of the Agency**

Minnesota Housing is well managed, and our track record of earnings has put us in a strong financial position. Compared with other state housing finance agencies, we have a broad range of programs funded by a combination of state and federal appropriations, tax-exempt bonds, tax credits, and agency earnings. We also fund our operating expenses with revenue generated from our financing activities, using no state appropriations for the Agency's regular operations.

We will strengthen our financial capacity by maintaining our earnings and effectively managing our operating costs. Our work is only as strong as our staff, processes, and systems, so we will also strengthen our organizational capacity by attracting, developing and retaining an outstanding workforce and improving our business processes and supporting technology.

## **Our Strategic Priorities**

### **Preserve Housing with Federal Project-Based Rent Assistance**

Federal project-based rent assistance is a critical housing resource in Minnesota, allowing over 60,000 lower-income renter households to spend no more than 30 percent of their income on housing. Most of these Section 8, USDA Rural Development, Public Housing and other units were built in the 1970s and 1980s and are at risk of being lost due to poor physical condition, limited owner or management capacity, or the opportunity to convert to market-rate housing. Preserving these properties is a priority not only to maintain the quality of this critical housing resource but also to ensure that Minnesota continues to receive hundreds of millions of dollars of rent assistance from the federal government. These properties are also home to some of our lowest income households, who often have significant medical and service needs.

**Strategy: Strengthen our understanding of housing with federal project-based rent assistance****How:**

- Gain a better understanding of each property, including the location, physical and financial condition, unit and tenant characteristics, owner and management capacity, and local market and community conditions.
- Consolidate data from multiple sources into a statewide inventory.
- Compile and assess information from the wide range of expertise that exists within Minnesota Housing and with our partners.
- Engage managers and owners of these properties and partner with the other agencies that have funded and monitor them to develop mutual goals and solutions.

**Strategy: Secure resources to preserve these properties****How:**

- Secure and target funds for preservation, including funds from the state (both biennial appropriations and bonding bills) and federal government under the HOME and Low-Income Housing Tax Credit programs.
- Pursue and secure a range of resources to meet different preservation needs, including General Obligation Bonds for public housing and state appropriations for the Rental Rehabilitation Deferred Loan Program to preserve small rural properties.

**Strategy: Fund the highest priority projects****How:**

- Collaborate with our funding partners to identify potential projects.
- Proactively work with and provide technical assistance to property owners during the concept and application process to promote quality applications.
- Become even more strategic, systematic, and transparent in how we assess and prioritize preservation proposals in our selections and funding.
- Allocate limited resources based on priorities.
- Evaluate the outcomes of our selections, work with the interagency stabilization and preservation groups, and assess the needs and risks in the state's overall portfolio to refine and enhance the priority criteria and selection process.

**Strategy: Effectively use resources to achieve positive outcomes****How:**

- Run efficient, effective, flexible, and timely funding processes that provide the right resources to the right projects at the right time.
- Support properties after funding through proactive asset management.

## **Reduce Minnesota's Racial and Ethnicity Disparity in Homeownership**

In 2013, Minnesota had the third highest disparity in the homeownership rate between white/non-Hispanic households and households of color. While the rate for white/non-Hispanic households is 76.0 percent, it is 40.6 percent for households of color. We are committed to working with our partners to close this gap and help more families of color establish the roots and stability that will bring them success in employment, school, and life.

We are proud of our track record of lending to households of color, and we will do more, pushing the larger lending industry to follow our lead.

### **Strategy: Emphasize homebuyer and financial literacy counseling and coaching**

#### *How:*

- Continue to support and emphasize our traditional Homebuyer Education, Counseling & Training (HECAT) program.
- Identify lessons learned from our new Enhanced Financial Capacity Homeownership Initiative, a pilot program that provides specialized support to people who are likely to be successful homeowners with intensive financial empowerment and homeownership coaching.

### **Strategy: Continue to design and offer mortgage programs that support homeownership for households of color**

#### *How:*

- Understand the needs of our borrowers and lower-income homebuyers in general before making any program changes.
- Understand the potential impact of alternative program designs and underwriting guidelines and overlays.

### **Strategy: Support post-purchase success for homeowners**

#### *How:*

- Provide at-risk homeowners with access to affordable home improvement financing and post-purchasing counseling.

### **Strategy: Grow our outreach and marketing efforts for diverse communities**

#### *How:*

- Proactively engage lenders, real estate agents, and other industry professionals that serve diverse communities and educate them about our programs and support their work.
- Continue to support and expand the work of our Business Development Team.
- Expand marketing and create co-branded opportunities to promote our programs to households of color.
- Proactively participate in community events throughout the year that allow us to connect with people who are under-represented in the home-buying market.
- Invite influential lending partners who represent diverse communities to participate with us.

**Strategy: Be an industry leader in promoting successful homeownership for households of color**

*How:*

Demonstrate strategies and programs that successfully serve households of color and bring the entire industry along with us, which is critical when we only account for 3 to 6 percent of the state's production of home-purchase mortgages.

## **Prevent and End Homelessness**

People experiencing homelessness have significant needs and often face multiple and large barriers to having stable housing. Stable housing is a critical element of well-being, including educational performance and health. According to the state's 2014 point-in-time count, the number of homeless in Minnesota on a given day is more than 8,300 and slowly climbing. Although the overall number is increasing, we have reduced the number for chronic and veteran homelessness, where we have focused our attention and made investments in evidence-based practices that are implemented well at the local level. Unfortunately, these declines have been offset by increases in other categories of homelessness, most notably families with children.

**Strategy: Continue to lead the Interagency Council on Homelessness**

*How:*

- Play a leadership role in the 11-agency Council on Homelessness, which Commissioner Tingerthal co-chairs.
- Provide support for the Office to Prevent and End Homelessness (the administrative arm of the Interagency Council) with office space and resources.
- Align resources, coordinate efforts, and focus on key areas of program improvement, which could include such actions as coordinated grant making across agencies.

**Strategy: Support the development of a stronger infrastructure to combat homelessness statewide**

*How:*

- Serve as the lead agency in charge of overseeing the Homeless Management Information System (HMIS) with the goal of making it a more robust and effective resource for local service providers and the state to understand who is homeless, the services they receive, and their outcomes.
- Provide capacity building grants to local Continuums of Care that are responsible for coordinating homeless services across their respective regions and implementing new federal requirements, including coordinated entry for people receiving homeless services.

**Strategy: Use data, research, and other information to make evidence-based decisions**

*How:*

- Utilize an improved HMIS, point-in-time count, and coordinated entry to make better informed decisions regarding our homeless strategies and investments.

- Link HMIS data with other state data systems that have information about people experiencing or at risk of homelessness.

**Strategy: Secure resources and support a comprehensive continuum of housing and service options**

*How:*

- Ensure that each individual and family experiencing or at risk of homelessness receives the right assistance to meet their needs for the right period of time in the right setting.
- Secure resources to: (1) construct new housing and preserve existing housing, (2) subsidize ongoing property operations in targeted cases, (3) provide monthly rent assistance, and (4) and provide grants for prevention activities.
- Work with the Minnesota Department of Human Services (DHS) and our service partners to provide housing with services more seamlessly, rather than two completely separate resources that are administered independently. Support services are critical because three out of four adults experiencing homelessness on a given night have at least one of the following – a chronic health condition, serious mental illness, or substance abuse disorder.
- Establish “move-on” options for people who have stabilized their lives in supportive housing. These options will still provide affordable housing but with a lower level of services or no services.

**Strategy: Effectively implement investments**

*How:*

- Pursue evidence-based practices.
- Provide and target resources at a level sufficient to have a significant impact on homelessness.
- Support effective implementation of programs at the local level.

**Finance Housing that Meets Needs Arising from Minnesota’s Changing Demographics**

In the coming years, we will see significant shifts in Minnesota’s population. The number of seniors will nearly double in the next 25 years; and the number of people from communities of color will increase by 50 percent in the next 20 years. With these shifts, new affordable housing needs will emerge and existing needs will become more complicated. We will determine how to best meet these emerging needs by crafting solutions based on data and analysis, capturing the wisdom of the community, and piloting innovative approaches.

**Strategy: Understand the changing demographics and how they will affect affordable housing needs across the state and in individual communities**

*How:*

- Assess annual demographic data from the U.S. Census Bureau’s *American Community Survey*, the State Demographer’s Office, and other sources; and combine these statewide analyses with data and information from local housing studies and plans.
- Convene statewide and community dialogues to discuss the implications of the data.

**Strategy: Identify possible solutions for addressing the emerging needs****How:**

- Compile a set of possible solutions and assess their potential through research on national best practices and our ongoing dialogues with state and local experts.

**Strategy: Take action if the need and solution are apparent****How:**

- With the oldest baby boomers now reaching age 70, most lower-income seniors are still homeowners and living independently. As a result, we will initially focus on financing home repairs and modifications, which will allow them to age in place for as long as possible.
- To better serve large families, we will examine our funding criteria to ensure that they provide appropriate incentives for developers to construct some larger, multi-bedroom units in communities with a growing number of large families.

**Strategy: Pilot innovative or new approaches to explore new solutions****How:**

- Pilot and test new approaches. Providing lower-income seniors with affordable congregate housing choices that include an array service options will be particularly challenging, especially if the choices provide continuity and flexibility.
- Bring successful pilots to an appropriate scale.

**Address Specific and Critical Local Housing Needs**

We recognize that housing issues are local. The needs of an individual community or region cannot be met through a statewide priority framework alone. We strive to be adaptable and flexible so that communities large and small can access Minnesota Housing's resource in ways that meet local housing needs.

**Strategy: Work with local communities to assess their housing needs and identify strategies and resources available to meet those needs****How:**

- Encourage communities to prepare housing studies and plans so they can identify and prioritize community needs and catalyze clear action.
- Help convene discussions and dialogues in communities throughout the state so we have a shared understanding of local and regional issues, needs, and solutions.
- In the context of broader community planning:
  - Provide communities with tools they can use to understand demographic and market conditions, including our *Community Profiles*;
  - Help connect communities with the key partners and resources they will need to address their local housing priorities; and
  - Honor our organizational commitment to be an active and engaged partner.

**Strategy: Collaborate with funding partners to provide communities with an understandable array of financing tools to meet varying housing needs.**

*How:*

- Collaborate with funding partners to communicate clearly with local communities about the full array of financing resources that are available.
- Help communities that may not be aware of all their funding options understand the available resources so that resources are better utilized.
- Work with communities to apply for resources that best meet their needs and use the most flexible resources to fill gaps when more restrictive resources are not a viable option.

**Strategy: Provide resources that are as simple, flexible, accessible, and timely as possible**

*How:*

- While we must ensure resources serve the intended population, comply with federal and state regulations, are sound investments, and are appropriately used, we will examine our programs and products to ensure that they do not create unnecessary barriers for organizations and communities as they work to meet local housing needs.