

Greater Minnesota Housing Fund & Minnesota Equity Fund

2013 Annual Report



**Healthy
Communities**



**Impact
Capital**



**Healthy
Families**

Letter to the Community and Our Partners

Dear Friends,

The Greater Minnesota Housing Fund is proud to support the fine work of our many affordable housing partners across Minnesota. Together we help build stronger, healthier individuals, families, and communities. We remain committed to being a mission-driven organization that is nimble and responsive to local initiatives.

In 2013 Greater Minnesota Housing Fund provided over \$22.7 million in loans and grants to help housing organizations create or preserve 524 affordable homes for low-income families and individuals. Our subsidiary, the Minnesota Equity Fund, also assembled and invested an additional \$30 million in private equity capital which supported the creation of over 160 affordable rental homes.

GMHF continues to pursue innovative strategies. In 2013 these included: designing an innovative program to preserve maturing USDA Rural Development-funded housing whose subsidies are ending; designing financing techniques and prototypes for the production of low-subsidy workforce housing; and testing new methods for preserving naturally affordable, market-rate housing.

In 2013 GMHF began financing community health clinics, which are essential for healthy communities. By financing the non-profit Apple Tree Clinic which serves low-income families, frail elderly, and the disabled, we help to deliver critical services to the same populations served by affordable housing.

GMHF remains dedicated to the goal of preventing and ending homelessness. We are partners in the formation of the new Heading Home Funders' Collaborative which works with state agencies and foundations to advance Minnesota's plan to end homelessness for veterans by 2015 and for children by 2020.

When torrential rain and flooding slammed Northeastern Minnesota, we acted within days to stabilize the Duluth Seaway Hotel, an older rental property in deteriorated condition that serves extremely low-income individuals which was about to be condemned due to flood damage. We provided emergency financing and technical assistance which helped to save and rehabilitate this critically needed low-income housing.

We are fortunate to live in a state with generous philanthropic institutions and elected leaders who understand how essential safe, decent affordable housing is to health, employment, educational attainment, and the success of our state's economy. We look forward to working together more with all of our partners in the coming year.

Sincerely,



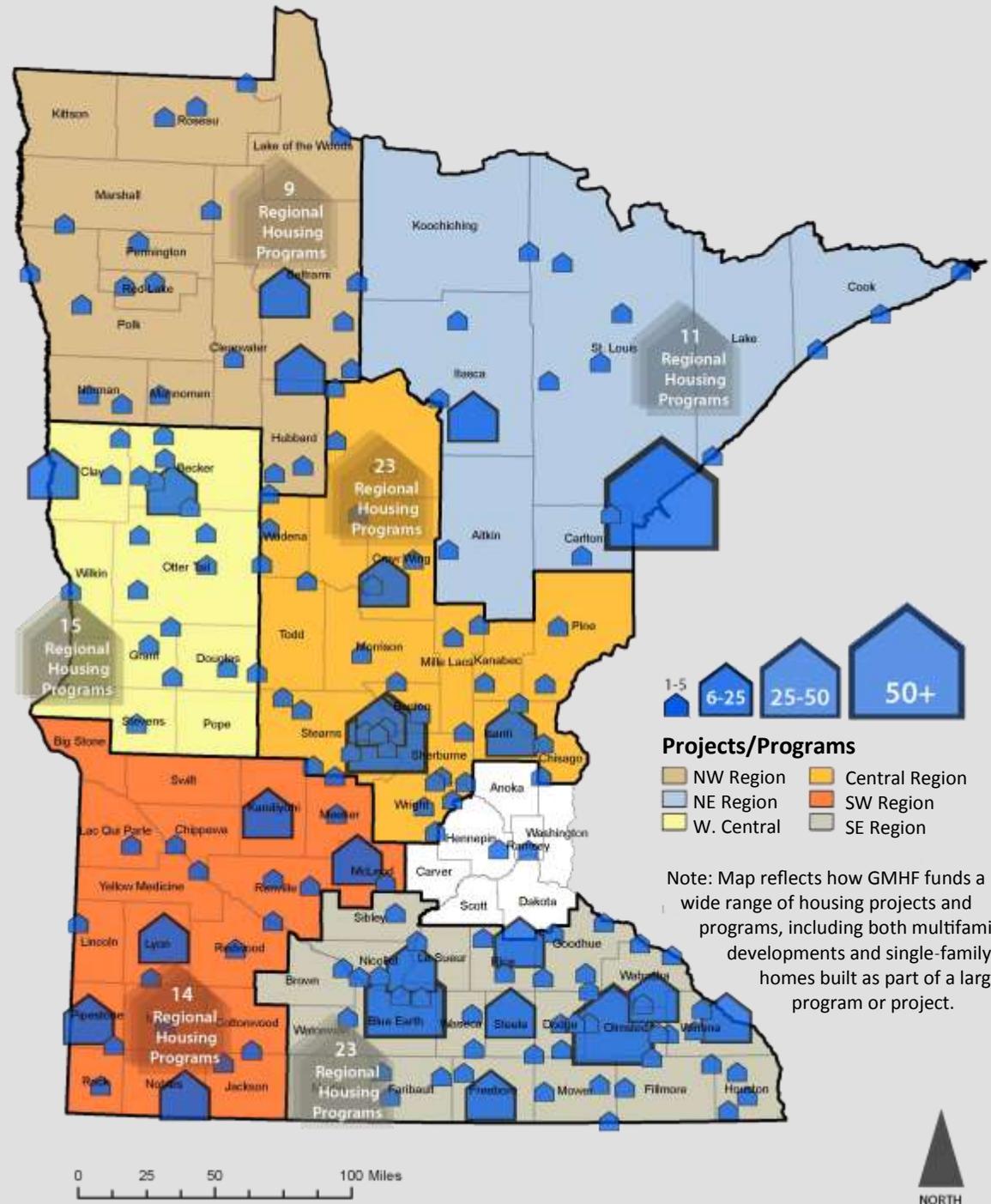
Pete Connor, Board Chair



Warren Hanson, President & CEO

Community Impact

Greater Minnesota Housing Fund has financed the creation of over 12,000 homes for low-income families, children, and individuals in 500 developments serving over 150 communities.



Note: Map reflects how GMHF funds a wide range of housing projects and programs, including both multifamily developments and single-family homes built as part of a larger program or project.

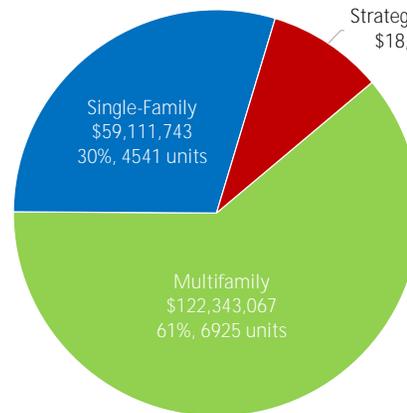
Investments & Impacts

In 2013 Greater Minnesota Housing Fund Provided \$22.7 Million to Finance 524 Affordable Homes

GMHF provides program-related loans to support the creation and preservation of affordable housing in addition to providing direct program services and grant funding activities related to our mission. In 2013, GMHF provided \$22.7 million in loans and grants to 27 projects financing 459 units as part of its efforts to create and preserve safe, decent, and affordable housing for low-income Minnesota families.

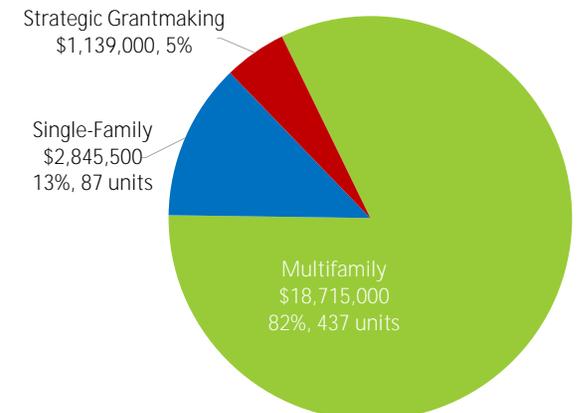


GMHF Funding Awarded by Program Area



1996—2013

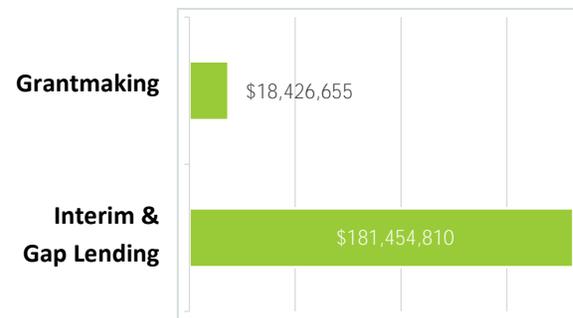
Totals: \$199 million | 11,466 units



2013

Total: \$22.7 million | 524 units

GMHF Funding Awarded by Loan Type



1996—2013

Total: \$199 million



2013

Total: \$22.7 million



Greater Minnesota Housing Fund Addresses Housing Needs Across the Housing Continuum

GMHF supports communities as they create affordable housing opportunities across the continuum of housing need, from emergency shelters and supportive housing for homeless persons to community land trust housing and co-operatively owned manufactured home communities, to the rehabilitation of aging affordable rental homes and the development of new rental and single-family homes.

GMHF serves low-income homebuyers and renters who earn less than 80% of area median income. More than half of these households earn below 30% of area median income. Due to limited public and private funding, GMHF is also exploring opportunities to preserve naturally affordable housing that serves low and moderate-income families earning 80-115% of median income.

Affordable Housing Makes Brighter Outcomes Possible

With safe, decent and affordable housing, families and individuals are better able to succeed at work, in school, and remain healthy to engage in the civic life of their communities.



Greater Minnesota Housing Fund

GMHF is the primary affordable housing financing and technical assistance intermediary for Greater Minnesota. As a certified Community Development Financial Institution (CDFI), GMHF provides predevelopment, acquisition, and construction financing through its \$35 million development fund. GMHF also provides downpayment loans and grants for homebuyers, and conducts research, education, advocacy, and other program and funding activities. GMHF operates the Minnesota Equity Fund which provides private equity for affordable housing via the syndication of low-income housing and historic tax credits.

Development Lending & Grantmaking

GMHF is the largest CDFI lender in Greater Minnesota with a \$35 million revolving loan fund for interim lending. GMHF also provides zero percent deferred “gap” financing for the creation of multi-family rental homes and to low-income homebuyers to help families purchase affordable homes. Over the past 18 years, this unique lending model has greatly helped serve low-income families by providing gap subsidy with limited grant funds while reducing the cost of development through low-cost financing.

Community Dialogues & Engagement

In a broad 80-county service area comprised of six regions, GMHF plays a critical role of convening partners, developers, local government, and community leaders in regional or statewide settings, as well as locally, to align affordable housing priorities with local needs, share emerging strategies, and design solutions based on diverse experiences and models.

Planning and Technical Assistance

GMHF packages its loans and financial assistance with extensive on-the-ground technical assistance to build the capacity and expertise of local community leaders and affordable housing developers, including community-based nonprofits, housing and redevelopment authorities, local governments, for-profit developers, and native tribes. These organizations include both high-performing developers with experience in both single- and multi-family housing to small organizations and communities with limited experience who rely on GMHF for leadership, training, and technical assistance. GMHF technical assistance includes project-based TA in planning and design before financing is packaged; to housing plans, market studies, land use planning, smart growth and neighborhood design, training in the areas of project concepts, preservation, workforce housing development, and community revitalization.



Statewide Initiatives and Programs



Preserving Naturally Affordable Housing

Minnesota's supply of affordable rental housing is threatened as units are lost each year to physical deterioration, opt-out from federal housing programs, and market-rate conversion. Lack of affordable rental housing destabilizes families and threatens community vitality. GMHF collaborates with the Family Housing Fund and Minnesota Housing on the Minnesota Preservation Plus Initiative (MPPI), with a goal to preserve 18,000 units of affordable housing over ten years. Our related report, "The Space Between: Realities and Possibilities in Preserving Unsubsidized Affordable Rental Housing" is available at www.gmhf.com.

Homeownership Education and Training

The Greater Minnesota Housing Fund, jointly with the Family Housing Fund and Minnesota Housing, continues to provide support to the Minnesota Homeownership Center for a statewide network of pre-purchase education and counseling for lower-income homebuyers

through the HECAT program. In 2013, GMHF contributed a \$250,000 grant to a funding pool that supported counseling for 3,255 households through this critical program.

Preventing and Ending Homelessness



In 2013, the GMHF provided support to Heading Home Minnesota, Hennepin, and Ramsey—state and county programs aimed at ending homelessness by creating supportive housing and innovative prevention and outreach protocols through coordinated partnerships. In 2013, GMHF provided support for the development of a new statewide plan to address homelessness, "Heading Home: Minnesota's Plan to Prevent and End Homelessness." Read the plan and learn more at www.headinghomeminnesota.org.

Minnesota Green Communities

GMHF continued to partner with the Family Housing Fund and Enterprise Community Partners to offer Minnesota Green Communities, an



initiative designed to foster the creation of affordable, healthier, and more energy-efficient housing throughout Minnesota. Program Coordinator Janne Flisrand works with the partners to update the Minnesota Overlay to the Green Communities Criteria, which Minnesota Housing requires all affordable housing projects applying to the Consolidated RFP meet. More information is online at www.mngreencommunities.org.

Homes for All: New Affordable Housing Resources

GMHF supports the Homes For All Coalition, which in 2013 built bipartisan support at the legislature to increase funding for housing and homelessness services. The \$33 million budget increase will fund state programs like rental assistance, affordable housing development, homelessness prevention, long term and transitional homeless services, and housing and services for youth.

Digging Deep to Finance Permanent Supportive Housing for Homeless Families and Children in Duluth's Hillside Neighborhood

The Steve O'Neil Apartments and Supportive Housing development is named for a former GMHF board member and long-time champion of the homeless. This Duluth housing development brought both GMHF and MEF to the table as major investors.

The O'Neil complex, also known as the **Duluth Hillside Apartments**, was awarded \$1 million in gap and revolving loan funds from GMHF, along with MEF equity of \$10.1 million. The project, slated to open in fall 2014, consists of 44 units of new construction for permanent supportive housing in Duluth, MN.

The primary focus of the project is to provide housing and supportive services for families with children who have the highest barriers to securing and maintaining housing, and have experienced multiple instances of homelessness.

Duluth's leading nonprofit housing and service organizations came together as partners to make the O'Neil/Hillside Apartments become a reality, including Center City Housing Corp., One Roof Community Housing, and Churches United in Ministry.



The 44 units are in a single, four-story, elevator building with secured entrances and a front desk staffed 24 hours a day. The attractive design of the building meets the needs of the residents as well as the surrounding neighborhood. In addition to the 44 units of supportive housing, the building will contain a Community Service Facility. The

Community Service Facility will serve low-income members of Duluth by providing outreach to homeless families, case management services, youth programming, and six emergency shelter apartments with services for homeless families.

Greater Minnesota Housing Fund Supports Healthy Families, Children, & Seniors by Financing Community Health Clinics

Greater Minnesota Housing Fund financed its first community health clinic in 2013. This is new territory for GMHF, funding a community development that does not include housing. As part of our strategic planning, we identified community health clinics as important to building healthy families and communities.

In 2013 Greater Minnesota Housing Fund provided \$2.5 million in support to **Apple Tree Dental Clinic**. Apple Tree has locations throughout Minnesota including in Coon Rapids, Hawley, Madelia, Rochester, Fergus Falls, and Mounds View, and serves dozens more cities with its mobile dental units. Community health clinics like Apple Tree serve the same population as the affordable housing we finance, particularly the frail elderly, the handicapped and very low-income families and children.

Greater Minnesota Housing Fund has explored financing community development projects like community health centers in light of the expansion of subsidized health care services provided by the American Care Act, and MNsure, which is the Minnesota Health Care Insurance Exchange.

This pilot project gave Greater Minnesota Housing Fund the chance to further its knowledge of medical facility financing and demonstrate its capacity to underwrite and finance community medical facilities at a time when the demand for these facilities is increasing. Nationally, many CDFI peers have already stepped into the community medical financing arena.



In addition to their brick-and-mortar clinics, Apple Tree Dental's mobile units bring dental equipment and medical services to rural communities in Greater Minnesota, setting up mobile clinics in a nursing home, community center, or school facility to help meet the local need.

Minnesota Equity Fund

GMHF's Nonprofit Subsidiary

The Minnesota Equity Fund (MEF) is designed to enable socially motivated corporations and financial institutions to make sound economic investments in affordable housing developments in communities throughout and beyond Minnesota. MEF raises capital and fosters real estate development partnerships with the goal of providing investors with a sound investment that will produce positive social and economic outcomes for families and communities throughout Minnesota.



Minnesota Equity Fund Invests in Affordable Housing

Minnesota Equity Fund provided tax credit equity to over 160 new units of affordable housing in 2013. These new units include long-term homeless units, supportive housing with services, family housing, and senior housing. Developments financed in 2013 include **The Seasons Townhomes** in Ramsey, **Prairiewood Townhomes** in Faribault, **Prairie Rose Apartments** in Red Lake Falls, the **Steve O'Neil Apartments** in Duluth, and the **Gilmore Estates** in Jacksonville, Ill. The developments were financed through a \$50 million investment commitment from UnitedHealth Group, which has partnered with Minnesota Equity Fund to invest in affordable housing in Minnesota, Wisconsin, Michigan, Indiana, and other states.



The Seasons Townhomes, Ramsey: The Seasons is a 50-unit affordable housing community linked with the Northstar Commuter Rail Corridor. Developed by Podawiltz Development Corporation (PDC), the community provides affordable-housing for low-income and formerly homeless individuals and families.

PHOTO CREDIT: STAR TRIBUNE/MINNEAPOLIS-ST. PAUL 2014

Helping Minnesota Companies Invest in Minnesota Communities to Create Affordable Housing for Families in Minnesota and beyond.

Minnesota Equity Fund Investments

Project Name & Location	LIHTC Equity	Project Type and Affordability
The Seasons of Ramsey Ramsey, MN	\$9.3 million	50 housing units for families and long-term homeless; 100% of units at or below 60% AMI; 4 units at or below 30% AMI.
Gilmore Estates Jacksonville, IL	\$2.8 million	17 senior housing units for tenants at 30-60% AMI; 5 for very low-income seniors.
Prairie Rose Red Lake Falls, MN	\$1.4 million	16 units for families at or below 60% AMI.
Prairiewood Townhomes Faribault, MN	\$6.3 million	30 units for families and long-term homeless with services for residents at or below 60% AMI.
Steve O'Neil Hillside Apartments Duluth, MN	\$10.0 million	44 units supportive family housing with services for homelessness; residents pay no more than 30% of income.



Prairie Rose Apartments, Red Lake Falls, Minnesota

D.W. Jones Inc. substantially rehabilitated an existing 16-unit multifamily community development to provide affordable housing for low-income individuals and families in Red Lake Falls, Minnesota.



Prairiewood Townhomes, Faribault, Minnesota

Three Rivers Community Action Inc. developed a new 30-unit multifamily community that provides affordable housing for low-income families and long-term homeless in Faribault, Minnesota.

Northeast Minnesota Floods Spurred Fast Action to Save Very Low-Income Housing

A major flood in June 2012 damaged many homes in the Northeast region of Minnesota, including the Seaway Hotel in Duluth.

The Seaway Hotel is an old working man's hotel that has continued to served as low cost rental housing for 70 very low-income, hard-to-house individuals, many with medical challenges and troubled rental histories.



Damage from the 2012 flood made the building “unfit for habitation,” according to the Duluth Fire Chief. Water damage, mold and mechanical failures made condemnation imminent with no other housing options for over 70 impoverished residents.

In spite of many barriers to financing, such as back taxes, a lack of cash flow, and management capacity issues, GMHF's board of directors acted to provide emergency stabilization funding of \$113,000 to make health and safety repairs which made it possible to forestall condemnation and allow for community leaders to attract other funding support.

GMHF also provided planning and technical assistance and partnered with local and state organizations including the Duluth Housing & Redevelopment Authority (HRA), One Roof Community Housing Organization, Center City Housing Corporation (CCHC), Duluth Local Initiatives Support Corporation (LISC), the City of Duluth, and Minnesota Housing to complete a larger package of financing to convert ownership to the Duluth HRA and fund the complete rehabilitation of the property housing with no tenant displacement.

Community Engagement and Collaboration Around Affordable Housing Solutions



Throughout each year, Greater Minnesota Housing Fund partners with Minnesota Housing and USDA Rural Development to convene a series of Regional Housing Dialogues throughout Greater Minnesota. Regional Housing Dialogues are an opportunity to meet with diverse community leaders about affordable housing needs and economic and demographic trends. The dialogues engage a broad network of civic, non-profit and government stakeholders for tactical, action-oriented discussions about how public and private partnerships can be created or strengthened to create innovative and effective housing solutions.

Local and regional housing dialogues are a key means for Greater Minnesota Housing Fund to identify ways to align funder priorities with local initiatives, share strategies and models across multiple regions, and design new programs.

Board & Staff

Directors 2013

Jane Barrett | Red Lake
Executive Director, Red Lake Reservation Housing Authority

Stephanie Cummings | Duluth
Vice President Retail Banking, Wells Fargo Bank

Joseph Errigo | Minneapolis
Retired President, CommonBond Communities

Joseph B. Johnson | Duluth
Senior Vice President/North Shore Manager, North Shore Mortgage

Duane R. Lund | Staples
Senior Consultant, Blandin Foundation

Steve O'Neil | Duluth
County Commissioner, St. Louis County

Dale Roemmich | Pipestone
President, First Farmers & Merchants National Bank

Richard Roesler | Mora
Retired CEO & President, Peoples National Bank of Mora

Barbara A. Sanderson | Grand Rapids
Minnesota Housing Finance Agency Board Representative

James Solem | Falcon Heights
Former Commissioner, Minnesota Housing

George Stone | Minneapolis
Program Director, Minnesota Corporation for Supportive Housing

Mark Voxland | Moorhead
Mayor, City of Moorhead

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Petrus Business Consultants, Owatonna

Kim Bretheim, Vice Chair
Housing Studio Leader, LHB Architects, Minneapolis

Nancy Vyskocil, Secretary/Treasurer
President, Northwest Minnesota Foundation, Bemidji

Warren Hanson
President and Chief Executive Officer

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Hal Clapp | Program/Loan Officer

Karen Dubrosky | Director, Minnesota Equity Fund

John Errigo | Syndication and Loan Officer

Warren Hanson | President and Chief Executive Officer

John Harrington | Program/Loan Officer

Ashley Henningsen | Loan Technician

Patrick Keefe | Chief Financial Officer

Mandi Kiesling | Staff Accountant

Amy Long | Program/Loan Officer

Rebecca Martin | Chief Operating Officer

Amy McCulloch | Vice President, Programs

Julie Pederson | Staff Accountant

Trisha Presley | Executive Assistant

Sonja Simonsen | Director of Syndication & Loan Officer

Jacqui Taylor | Program & Portfolio Analyst

Balance Sheet

Financial Statements

	2013	2012
ASSETS		
Cash	\$ 123,785	\$ 3,148,611
Interest Receivable on Investments	130,282	79,037
Other Current Assets	58,975	98,878
Contributions and Grants Receivable	5,947,331	5,495,374
Investments	32,904,509	26,509,397
Property and Equipment - Net of Depreciation	147,500	142,801
Loans and Interest Receivable:		
Current	3,521,588	9,983,208
Long-Term	67,789,677	63,202,155
Less: Present Value Discount	(37,572,407)	(36,690,543)
Less: Allowance for Uncollectible Amounts	(2,730,528)	(2,918,374)
Loans and Interest - Net of Reserves	<u>\$ 31,008,330</u>	<u>\$ 33,576,446</u>
Total Assets	<u>\$ 70,320,712</u>	<u>\$ 69,050,544</u>
Liabilities and Net Assets		
Accounts Payable and Accrued Expenses	\$ 207,491	\$ 242,750
Unearned Revenue	-	27,535
Grants Payable, Current	50,020	218,028
Notes Payable (Net of Present Value Discount)	9,418,928	9,243,024
Total Liabilities	<u>\$ 9,676,439</u>	<u>\$ 9,731,337</u>
Net Assets		
Unrestricted - Undesignated	\$ 5,670,441	\$ 6,267,970
Unrestricted - Board Designated	47,864,324	43,706,500
Temporarily Restricted	7,109,508	9,344,737
Total Net Assets	<u>\$ 60,644,273</u>	<u>\$ 59,319,207</u>
Total Liabilities and Net Assets	<u>\$ 70,320,712</u>	<u>\$ 69,050,544</u>

Statement of Activities

	2013			2012
	<i>Unrestricted</i>	<i>Temporary Restricted</i>	<i>Total</i>	<i>Total</i>
SUPPORT AND REVENUE				
Contributions	\$ 15,000	\$ 4,747,000	\$ 4,762,000	\$ 2,958,613
Program Service Revenues	2,079,388		2,079,388	1,772,860
Amortization of PV Discount on Loans	817,872		817,872	1,429,739
Interest and Dividends, Net	832,495		832,495	751,242
Unrealized (Loss) Gain on Investments	(1,279,688)		(1,279,688)	(144,540)
Realized (Loss) Gain on Investments	(210,957)		(210,957)	531,236
Miscellaneous	131		131	376
Total - Revenue	\$ 2,254,241	\$ 4,747,000	\$ 7,001,241	\$ 7,299,526
Net Assets Released from Restrictions	6,982,229	(6,982,229)	-	-
Total Support and Revenue	\$ 9,236,470	\$ (2,235,229)	\$ 7,001,241	\$ 7,299,526
EXPENSE				
Program Services	\$ 4,905,977		\$ 4,905,977	\$ 5,806,149
Support Services: Management & General	770,198		770,198	409,297
Total Expense	\$ 5,676,175	\$ -	\$ 5,676,175	\$ 6,215,446
CHANGE IN NET ASSETS				
Net Assets - Beginning of Year	\$ 49,974,470	(2,235,229)	\$ 59,319,207	\$ -
NET ASSETS - END OF YEAR	\$ 53,534,765	\$ 7,109,508	\$ 60,644,273	\$ 1,084,080

Community
Impact

Financial
Statements

MISSION

The mission of the Greater Minnesota Housing Fund is to support the creation of strong communities and affordable homes through making strategic investments and forming effective partnerships.



Serving Greater Minnesota Since 1996

Greater Minnesota Housing Fund & Minnesota Equity Fund

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