Safe, decent, affordable homes

Healthy neighborhoods

Impact investments

Community engagement
Dear Friends and Colleagues,

2014 was a fruitful year at the Greater Minnesota Housing Fund. Here are some of the highlights:

**GMHF developed workforce housing solutions to address housing shortages in job-growth areas.** Communities from Roseau to Worthington sought to create housing for their growing workforce to retain local employers. In 2014, GMHF helped lead workforce housing planning efforts in Roseau, Warroad, Thief River Falls, Worthington, Jackson, Perham, Duluth, and nine cities in Olmsted County. GMHF introduced prototypes and financing models for low- or no-subsidy housing with the goal of reducing costs in a limited-subsidy environment and maximizing leverage of private debt, equity, and local contributions. These models will be tested through demonstration projects in 2015.

**GMHF became a member of the Federal Home Loan Bank of Des Moines.** GMHF became the first Minnesota Community Development Financial Institution (CDFI) member of Federal Home Loan Bank (FHLB) Des Moines in late 2014. This partnership helps GMHF access new financial resources and enables GMHF to increase its lending activities to underserved populations in Minnesota by significantly raising GMHF’s borrowing capacity.

**GMHF secured new federal capital funds for permanent multifamily financing:** In 2014, GMHF received a special $2 million federal grant award from the Department of Treasury’s Community Development Financial Institution (CDFI) Fund, its 6th consecutive funding award. Securing this scarce federal funding is critical to GMHF’s ability to bring long-term financing capital for affordable housing.

In 2014, GMHF provided direct financing of over $32.1 million through development loans and program grants that created or preserved 811 affordable housing units.

**GMHF’s nonprofit subsidiary, the Minnesota Equity Fund (MEF), assembled $20.3 million in new socially motivated investor capital for Minnesota and the Twin Cities.** In 2014, MEF’s lead investor, UnitedHealth Group (UHG), committed to $12 million in equity investments as part of their commitment to a $50 million partnership with GMHF announced in 2013. GMHF also secured additional capital of $8.25 million via a multi-investor pool through Great Lakes Capital Fund for developments in Minnesota.

GMHF thanks its many nonprofit, private sector, and government partners for their innovation and collaboration in helping Minnesota families and children access safe, decent, affordable housing and the many social benefits that flow from having a place to call home.

Warren Hanson, President & CEO

Dale Roemmich, Board Chair

[Signatures]
In 2014, GMHF provided direct financing of over $32.1 million in a combination of development loans and program grants that created or preserved 811 affordable housing units.

The developments GMHF financed were typically located in high job-growth communities such as Duluth, Worthington, Rochester, Faribault, Austin, and other growing communities, in addition to investments in smaller, underserved communities.

**Resident demographics**

**Families living in homes financed by GMHF**

GMHF tracks the demographics of residents living in the affordable apartments and homes it has financed since 1996.

The statistics to the right provide a glimpse of those who reside in housing GMHF supports.

- 9% of all renters were once homeless
- 53% of all households have children
- 25% of all households are headed by people of color
- 95% of all households earn less than 80% of median income
GMHF lending & grantmaking results in homes for families

GMHF is the largest affordable housing CDFI lender in Greater Minnesota with a $35 million fund for development lending. GMHF provides 0% deferred “gap” financing for the creation of multi-family rental homes and to low-income homebuyers to help families purchase affordable homes. This unique lending model helps serve low-income families by providing needed gap subsidy with limited grant funds and reducing the cost of development through low-cost financing.

GMHF provides grants for down payment assistance to organizations like Three Rivers Community Action to help new immigrant families become stable homeowners.

Making strides to end long-term homelessness in Greater MN

Since 2002, GMHF has funded the creation of supportive housing toward the state goal of ending homelessness in Minnesota. GMHF works in partnership with Minnesota Housing, Family Housing Fund, Corporation for Supportive Housing and many other funders involved in the Heading Home Minnesota Funders Collaborative.

GMHF supports the collaborative and its efforts by providing program grants for homeless studies and systems change initiatives that help integrate Minnesota’s various housing and human services to better meet the needs of Minnesota’s homeless families and individuals. GMHF also provides gap funding, pre-development grants, and project loans for supportive housing projects throughout Minnesota. In 2014 GMHF provided funding for more than 200 permanent supportive housing units (424 units total) serving seven site-based supportive housing programs and two scattered-site supportive housing programs.

Engaging community leaders in regional housing dialogues

Each year GMHF partners with Minnesota Housing and USDA-Rural Development to host regional roundtables with non-profit partners, developers & builders, state & local government officials, and community leaders in regional community settings to discuss local housing needs and strategies. This series of community-based conversations across the state help GMHF and other funding partners better align affordable housing priorities with local needs, share emerging strategies, and design innovative affordable housing solutions.

GMHF co-hosts the regional housing dialogues with partners Minnesota Housing and USDA-Rural Development.
GMHF integrates “green” principles into affordable housing

Minneapolis Green Communities is a partnership between the Family Housing Fund (FHF) and GMHF to foster the creation of affordable, healthy, and energy-efficient housing throughout Minnesota. Over the past decade Green Communities has successfully improved affordable housing by reducing energy costs, requiring/recommending “green” building materials and practices, employing conservation-minded land-use planning, and highlighting the creation of healthy environments and lifestyles for individuals, children, and families.

In this most recent year of “going green” the partners have successfully integrated all Green Communities criteria into the system of affordable housing, and developers have largely adopted green as the best way to build affordable housing for durability, cost savings, and residents’ health.

Housing Institute builds teams to get projects off the ground

The Housing Institute is an in-depth, capacity-building program designed to promote regional collaboration and formal partnerships among small housing and economic development organizations that face reduced federal and state resources. The Housing Institute is run by GMHF in close collaboration with the Minnesota Housing Partnership.

The third Housing Institute included a team in Grand Rapids, where the Institute was instrumental in solidifying the regional partnership, securing the selected land site from the school district, and preparing the team to submit a fully developed, successful proposal to Minnesota Housing for state funding for the supportive housing project.

The fourth Housing Institute was launched in December 2014 with participation from teams from the Central MN-Region 5, East Central, West Central, Carlton County, and Cloquet. This program has led to measurable improvements in local capacity, translating to effective projects on the ground.

Timely, hands-on Technical Assistance

GMHF combines its financial assistance with extensive technical assistance to build the capacity and expertise of local community leaders and affordable housing developers. Many organizations rely on GMHF for planning and technical assistance (TA), training and community engagement. GMHF assistance includes project-based TA in project planning, design, market studies, neighborhood planning, financial modeling, and employer assisted housing efforts.

Minnesota HRA directors participated in GMHF’s technical assistance sessions to better position themselves to secure new 2014 state funds for needed public housing rehab.
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.
Building Better Neighborhoods, One Home at a Time

Not long ago, Tammy Jacka and her three sons were living in a drafty manufactured home in Thief River Falls. By spring 2014, Tammy realized she was paying almost 300 percent of what most people pay to heat their homes. Armed with a pre-approved USDA loan for a new or existing home and ready for something new, Tammy approached the Northwest Minnesota Housing Cooperative (NMHC) about having a home constructed: a new home with a warranty. Raising three boys on her own, she had neither the time nor budget to fix up an existing home.

The maximum limit of Tammy’s USDA loan wasn’t enough to enable her to buy a conventional new home with NMHC as she had hoped. However, NMHC was in the early stages of partnering with Greater Minnesota Housing Fund (GMHF) on an affordable housing concept called Building Better Neighborhoods (BBN). To assist the Jacka family, NMHC advanced this concept quicker than expected.

GMHF proposed a BBN concept where the home designs are efficient and affordable. Often home sale prices are driven up by wider lots with more infrastructure costs. The BBN concept reduces the infrastructure costs by bucking the industry practice that bigger must be better. The BBN home plans maximize the value of the home design by reducing any frills and putting the focus on the housing needs of the family.

“NMHC comes last in the partnership and provides a simple path to homeownership,” says NMHC president, Jeff Fagerstrom. “Often it is a daunting task to construct a new home. NMHC offers a solid residential construction management skill set and a large membership of construction workers who are professional and take all the worries out of the building process.”

“Alone each agency cannot provide housing to families like the Jackas,” says Fagerstrom, “but together it is one dream come true for Tammy and her boys.”
Minnesota Equity Fund is the GMHF’s Nonprofit Subsidiary. The mission of Minnesota Equity Fund (MEF) is to enable socially motivated corporations and financial institutions to make sound economic investments in affordable housing developments in communities throughout Minnesota and beyond. MEF raises capital and fosters real estate partnerships with the goal of producing positive social and economic outcomes for families and communities throughout Minnesota.

In 2014, MEF assembled $20.3 million in new socially motivated investor capital for Minnesota and the Twin Cities. MEF’s lead investor, UnitedHealth Group (UHG), committed to $12 million in 2014 equity investments as part of their $50 million partnership with MEF announced in 2013.

MEF also secured $8.25 million for developments in Minnesota through Great Lakes Capital Fund via its current multi-investor pool. Great Lakes Capital Fund and MEF are strategic partners in the operation of Minnesota Equity Fund.

Highlighted MEF Syndications in 2014:

- **Commons at Penn, Minneapolis**: 45 units of new construction of mixed-use, workforce housing
- **Veterans Community at Fort Snelling**: 58 rental units for long-term homeless veterans and their families
- **$4.2M in LIHTC Equity from MEF**
- **$10M in LIHTC Equity from MEF**
CommonBond Communities has developed 58 units of new affordable housing with supportive services on the Fort Snelling Upper Post for veterans and their families experiencing homelessness.

The project rehabilitates five existing historic buildings following Minnesota State Historic Preservation Office and United States Park Service standards. The project includes 45 studio units, 7 one-bedroom units, 2 two-bedroom units, and 4 three-to-four bedroom units. The exteriors have been restored to historic standards, and interiors have been transformed into beautiful apartments with abundant community spaces.

Amenities include in-floor heating, central air conditioning, walk-in closets, walking trails, athletic facilities and nearby light rail transit. This investment was syndicated through MEF’s UnitedHealth Group Proprietary Fund.

Commons at Penn will be a new construction, 45-unit, mixed-use, transit-oriented development providing a mix of residential homes between one and three bedrooms, all targeted to households at or below 60% of area median income. The development is designed as a three-story, mixed-use property with an elevator and underground parking. Amenities include an on-site fitness center, tot-lot, gated picnic area, secure bike storage, and community space. There will be green space for outdoor activities and play areas on grade and on a raised courtyard on the second floor. The first floor includes 4,500 square feet of community facility space intended for local nonprofits. The development is within close proximity to employment opportunities, public transportation, and also located along the future Bottineau Boulevard Light Rail Transitway that will run from Downtown Minneapolis along County Road 81 to Brooklyn Park. This investment was syndicated through MEF’s Great Lakes Capital Multi-Investor Fund.
### Statement of Activity

#### SUPPORT AND REVENUE

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporary</td>
</tr>
<tr>
<td>Contributions</td>
<td>$ 8,740</td>
<td>$ 9,200,000</td>
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<tr>
<td>Program Service Revenues</td>
<td>1,759,402</td>
<td>1,759,402</td>
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<tr>
<td>Interest and Dividends, Net</td>
<td>900,959</td>
<td>900,959</td>
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<tr>
<td>Unrealized (Loss) Gain on Investments</td>
<td>578,970</td>
<td>578,970</td>
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<tr>
<td>Realized (Loss) Gain on Investments</td>
<td>367,869</td>
<td>367,869</td>
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<tr>
<td>Amortization of PV Discount on Loans</td>
<td>2,622,540</td>
<td>2,622,540</td>
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<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Total - Revenue</strong></td>
<td><strong>$ 6,238,480</strong></td>
<td><strong>$ 9,200,000</strong></td>
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<tr>
<td>Net Assets Released from Restrictions</td>
<td>5,198,900</td>
<td>-5,198,900</td>
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<tr>
<td><strong>Total Support and Revenue</strong></td>
<td><strong>$ 11,437,380</strong></td>
<td><strong>$ 4,001,100</strong></td>
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#### EXPENSE

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
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<tbody>
<tr>
<td>Program Services</td>
<td>$ 6,877,655</td>
<td>$ 6,877,655</td>
</tr>
<tr>
<td>Support Services: Management &amp; General</td>
<td>620,207</td>
<td>620,207</td>
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<tr>
<td><strong>Total Expense</strong></td>
<td><strong>$ 7,497,862</strong></td>
<td><strong>$ 7,497,862</strong></td>
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#### CHANGE IN NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets - Beginning of Year</td>
<td>$ 53,534,765</td>
<td>$ 59,319,207</td>
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<tr>
<td><strong>Net Assets - END OF YEAR</strong></td>
<td><strong>$ 57,474,283</strong></td>
<td><strong>$ 60,644,273</strong></td>
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<tr>
<td></td>
<td><strong>$ 3,939,518</strong></td>
<td><strong>$ 1,325,066</strong></td>
</tr>
<tr>
<td></td>
<td><strong>$ 4,001,100</strong></td>
<td><strong>$ 6,044,273</strong></td>
</tr>
<tr>
<td><strong>$ 7,940,618</strong></td>
<td><strong>$ 1,325,066</strong></td>
<td><strong>$ 6,044,273</strong></td>
</tr>
</tbody>
</table>

#### Financial Statements

Sharing best practices in the affordable housing field

Every year GMHF produces new publications featuring case studies and best practices in Minnesota’s affordable housing field. In 2014, GMHF produced “Models for Mergers and Collaborations among Minnesota’s Regional Housing Organizations,” an update to its “Employer-Assisted Housing Resource Guide,” and “So Much At Stake,” a report highlighting the steps taken when programs and units were successfully transferred from one housing organization to another.
### Balance Sheet

**ASSETS**

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$1,849,588</td>
<td>$123,785</td>
</tr>
<tr>
<td>Interest Receivable on Investments</td>
<td>98,171</td>
<td>130,282</td>
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<tr>
<td>Other Current Assets</td>
<td>211,992</td>
<td>58,975</td>
</tr>
<tr>
<td>Contributions and Grants Receivable</td>
<td>8,842,550</td>
<td>5,947,331</td>
</tr>
<tr>
<td>Investments</td>
<td>24,431,664</td>
<td>32,904,509</td>
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<tr>
<td>Property and Equipment - Net of Depreciation</td>
<td>142,840</td>
<td>147,500</td>
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<tr>
<td><strong>Loans and Interest Receivable:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>13,624,177</td>
<td>3,521,588</td>
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<tr>
<td>Long-Term</td>
<td>71,708,319</td>
<td>67,789,677</td>
</tr>
<tr>
<td>Less: Present Value Discount</td>
<td>(37,730,900)</td>
<td>(37,572,407)</td>
</tr>
<tr>
<td>Less: Allowance for Uncollectable Amounts</td>
<td>(3,806,257)</td>
<td>(2,730,528)</td>
</tr>
<tr>
<td>Loans and Interest - Net of Reserves</td>
<td>$43,795,339</td>
<td>$31,008,330</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$79,372,144</td>
<td>$70,320,712</td>
</tr>
</tbody>
</table>

**Liabilities and Net Assets**

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable and Accrued Expenses</td>
<td>$223,387</td>
<td>$207,491</td>
</tr>
<tr>
<td>Unearned Revenue</td>
<td>4,800</td>
<td>-</td>
</tr>
<tr>
<td>Grants Payable, Current</td>
<td>247,520</td>
<td>50,020</td>
</tr>
<tr>
<td>Notes Payable (Net of Present Value Discount)</td>
<td>10,311,546</td>
<td>9,418,928</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
<td>$10,787,253</td>
<td>$9,676,439</td>
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</table>

**Net Assets**

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted - Undesignated</td>
<td>$(7,479,699)</td>
<td>$5,670,441</td>
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<tr>
<td>Unrestricted - Board Designated</td>
<td>64,953,982</td>
<td>47,864,324</td>
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<tr>
<td>Temporarily Restricted</td>
<td>11,110,608</td>
<td>7,109,508</td>
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<tr>
<td><strong>Total Net Assets</strong></td>
<td>$68,584,891</td>
<td>$60,644,273</td>
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</table>

**Total Liabilities and Net Assets**

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td>$79,372,144</td>
<td>$70,320,712</td>
</tr>
</tbody>
</table>

GMHF is a member of the Homes for All coalition, which sought $100 million for affordable housing in 2014. Success came with the passage of $100 million in bonding for affordable housing in the Capital Investment Bill. Governor Dayton’s 2014 bonding proposal included just $50 million for housing, but advocates in the Homes for All alliance convinced legislators to go beyond the Governor’s recommendation to secure $100 million for affordable housing to Minnesota Housing. This major investment in housing was awarded competitively to all regions of the state for affordable rental housing, permanent supportive housing with services, affordable housing preservation, and public housing repairs. The Legislature also approved several other bills in 2014 to address pressing housing needs in the state, including a workforce housing bill for northern Minnesota’s key employment centers.

**Advocacy efforts result in $100M for Affordable Housing**
Greater Minnesota Housing Fund
Invests in Development Along 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.

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 down payment 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.
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Trisha Presley | Executive Assistant

Sonja Simonsen | Director of Syndication & Loan Officer

Jacqui Taylor | Program & Portfolio Analyst
The mission of the Greater Minnesota Housing Fund is to support the creation of strong communities and affordable homes by making strategic investments and forming effective partnerships.