



2018-2021 Strategic Plan





About Greater Minnesota Housing Fund

Greater Minnesota Housing Fund (GMHF) works with the housing development community throughout Minnesota to create and preserve affordable housing for the full spectrum of housing needs, including affordable rental housing and homeownership, and supportive housing for our most vulnerable populations.

GMHF recognizes that an adequate supply of affordable housing is part of our state's economic infrastructure, as important as schools, roads and bridges, and provides the foundation for success at school and at work.

GMHF is Minnesota's leading nonprofit affordable housing intermediary, providing loans, grants and equity investments for the creation and preservation of affordable housing throughout Minnesota. As of 2017, GMHF has awarded over \$270 million in financing, leveraging over \$1.2 billion to finance over 14,000 affordable homes in its 20+ year history.

GMHF operates two additional social impact investment funds:

- **Minnesota Equity Fund (MEF)**, which provides tax credit equity for the creation of affordable rental housing and is a joint venture with Cinnaire; and
- **NOAH Impact Fund**, which assembles socially motivated capital to acquire and preserve naturally occurring affordable housing (NOAH) in the Minneapolis-Saint Paul metropolitan area.

GMHF is a certified Community Development Financial Institution (CDFI), a member of the Federal Home Loan Bank of Des Moines, and is rated "Four Stars AA+ Policy Plus" by Aeris.

Executive Summary

Greater Minnesota Housing Fund retained FUND Consulting to facilitate a strategic planning process in 2017.¹ The resulting plan reaffirms GMHF's mission, core purpose, and operating principles.

The plan identifies three strategic goals that will guide GMHF's work in addressing the state's affordable housing needs.

These three goals include:



Provide Leadership & Expertise to Solve Housing Challenges



Align Programming with Current and Evolving Priorities



Ensure Organizational Effectiveness & Sustainability

The above goals and the strategies identified to meet these goals outlined in the following pages are meant to serve as a framework for GMHF over the next four years. GMHF is committed to these goals, but recognizes it works in an ever changing environment. As such, as new opportunities arise, it will assess the opportunity's fit within these identified goals and will update the strategic plan strategies as needed to reflect the current environment.

¹ FUND Consulting conducted stakeholder interviews and surveys, analysis of economic and demographic trends, identification of best practices, SWOT analysis and a series of planning meetings with the GMHF board and staff. The essential findings and strategies are incorporated into this 2018-2021 Strategic Plan.



GMHF Mission, Core Purpose and Operating Principles

Mission Statement

GMHF supports the creation of strong communities and affordable homes through making strategic investments and forming effective partnerships.

Core Purpose

GMHF serves the housing needs of Minnesota residents along the entire spectrum of affordable housing. It accomplishes this by providing financial resources, planning and technical assistance, education, training, convening, and advocating for policy and systems change. GMHF is driven to these activities because stable housing is the foundation for economic vitality, and improved education, employment and health outcomes.

Operating Principles

The following principles guide how we work:

Holistic. GMHF develops comprehensive strategies for affordable housing and community development that result in safe, decent, and affordable homes in livable communities.

Collaborative. GMHF actively collaborates with diverse stakeholders to leverage public and private resources and community acceptance for affordable housing.

Entrepreneurial. GMHF is innovative, responsive, and flexible in providing capital, knowledge and technical assistance essential to the development of successful community-based initiatives.

Research-based. GMHF is committed to adopting best practices, conducting applied research through demonstration projects and transferring knowledge to the field.

Social Justice. GMHF's activities are guided by social and economic justice and achieving greater social equity for disadvantaged populations.

Strategic Plan Framework

 <p>Provide Leadership & Expertise to Solve Housing Challenges</p>	<p>GMHF is committed to working in partnership to provide leadership in addressing Minnesota’s affordable housing challenges.</p>	<p>A</p>	<p>Explore Innovative Solutions. <i>GMHF will continue to incubate creative and innovative approaches on all aspects of affordable housing needs in the state of Minnesota.</i></p>
		<p>B</p>	<p>Build Public Will for Policy Advances. <i>GMHF will provide leadership to design innovative programmatic solutions and advance public policy that fosters affordable housing preservation and production.</i></p>
 <p>Align Programming with Current & Evolving Priorities</p>	<p>GMHF seeks to provide greater access to the full spectrum of housing choices for low- and moderate income individuals and families that are aligned with local and regional needs. GMHF has four key programmatic areas in its strategic framework. These relate to the primary purpose of the organization.</p>	<p>A</p>	<p>Preserve Minnesota’s Existing Affordable Housing Stock. <i>GMHF will intervene to preserve at-risk affordable housing, make strategic investments, and advance policies to preserve affordable housing threatened by conversion and speculation.</i></p>
		<p>B</p>	<p>Increase the Supply of New Affordable Housing. <i>GMHF will make strategic investments to produce new affordable housing that meets the diverse needs of Minnesota’s workforce, and other low and moderate income households and disadvantaged populations.</i></p>
		<p>C</p>	<p>Remove Barriers to Successful Homeownership. <i>GMHF will ensure that more Minnesotans have access to homeownership and the opportunity to build family wealth and opportunity for the future.</i></p>
		<p>D</p>	<p>Prevent and End Homelessness. <i>GMHF will engage with private and public sector leaders to prevent and end homelessness for families with children and other individuals who are at grave risk.</i></p>
 <p>Ensure Organizational Effectiveness & Sustainability</p>	<p>To achieve its strategic goals, GMHF will continue to engage mission-driven leaders to provide the expertise required to raise capital and invest for impact.</p>	<p>A</p>	<p>Assemble Capital and Invest for Impact. <i>To achieve its strategic goals, GMHF will maintain existing levels of capitalization and assemble new capital for strategic lending, investing and grantmaking that address the critical affordable housing needs of Minnesota’s most vulnerable residents.</i></p>
		<p>B</p>	<p>Strengthen Organizational Capacity and Effectiveness. <i>Strengthen organizational capacity, adapt to changing opportunities, provide effective management, ensure organizational sustainability and support strong governance.</i></p>

2018-2021 Priorities, Strategies, and Actions



Provide Leadership & Expertise to Solve Housing Challenges

Provide leadership to the state's most difficult housing challenges, design innovative solutions, and pursue public policy that advances affordable housing preservation and production.

GMHF's close working relationships with state and local government enable it to inform and help guide the development of innovative affordable housing strategies and encourage policy advances that will increase the supply of affordable housing. GMHF is also able to assist in building public will to support policy advances.

A Explore Innovative Solutions

Assess the current housing policy arena to lift up what works and to identify emerging best practices that will improve our ability to meet the housing needs of lower-income Minnesotans.

Apply GMHF's leadership to conduct innovative research and development to design and test new approaches in financing affordable housing to optimal effect for low-income and at-risk residents and for GMHF's affordable housing partners.

STRATEGIES:

- i. Provide policy leadership** to advocate for affordable housing priorities and for state and federal funding; contribute to the national policy dialogue through state and national coalitions.
- ii. Continue to advance thought leadership** on affordable housing.

Actions:

- **Impact Investing:** Continue to approach potential impact investors to assemble capital for NOAH Impact Fund II and a metro-wide distressed property stabilization fund, and attract new tax credit investors to Minnesota Equity Fund, among other opportunities.
- **Private Activity Bonds for Housing:** Work with partners to refine public financing bonds to make them more accessible for a range of affordable housing uses, including preservation and new construction of rental housing, single-family mortgages and senior housing.
- **Health and Housing:** Explore opportunities for innovative linkages between health and housing to improve family health outcomes, by examining national models and engaging health and human service agency experts, policy experts and thought leaders in the private health insurance sector.
- **Housing Policy:** Work with partners to provide support for a state task force to explore and report on the future of housing in Minnesota, conducting follow-up to implement actionable state and local policy recommendations.
- **Consolidated Super RFP:** Help to reshape statewide funding priorities and advocating for Greater Minnesota through our partnership with Minnesota Housing and other local and regional housing agencies, and as a co-funder in the Consolidated Super RFP.

iii. Support innovation to address emerging affordable housing needs for Minnesota's most vulnerable households.

Actions:

- Provide leadership and expertise to support state and local initiatives and lift up what works.
- Conduct research and development activities to identify innovative solutions.
- Provide strategic grant support for policy and system change activities.

- Continually assess alignment of current programs with critical community needs and adjust as necessary.

B Build Public Will for Policy Advances

Work with partners to lay a foundation of understanding of the benefits of affordable housing to increase public acceptance of the creation and preservation of affordable homes and related policies.

GMHF operates best in partnership with other housing funders, local developers, local communities, and other key stakeholders. Developing partnerships, increasing local community capacity, and providing ongoing communications will enable GMHF to gain traction in building public will for affordable housing production, preservation, and policy setting.

STRATEGIES:

i. Leverage current and new partnerships to remain at the forefront of industry best practices and emerging needs to achieve positive impacts for residents of affordable housing.

ii. Increase the capacity of local communities and organizations to produce and preserve needed affordable housing.

Actions:

- Provide planning, programs and technical assistance to local communities through our program staff expertise.
 - *Building Better Neighborhoods*
 - *Employer Assisted Housing*
 - *Green and Healthy Homes*
 - *Housing Agency Capacity Building*
- Commit resources to project-based planning and technical assistance.

iii. Increase public will and acceptance of affordable housing through research, reports, media relations and other communications to build knowledge and understanding of affordable housing issues, and by convening public forums, conducting issue-based messaging, and mobilization of advocacy efforts.



Align Programming with Current & Evolving Priorities

GMHF seeks to provide greater access to the full spectrum of housing choices for low- and moderate-income individuals and families that are aligned with local and regional needs.

GMHF has four key programmatic areas in its strategic framework. These relate to the primary purpose of the organization.

- GMHF will provide existing and new programs and technical assistance to address each priority area listed in this section.
- GMHF will continue to support green, healthy and energy efficient affordable housing developments in order to improve health outcomes of residents, environmental sustainability, and reduce operating costs.
- GMHF will provide opportunities to increase community capacity that lead to the implementation of plans for new affordable housing and community developments in Minnesota.
- After deployment of NOAH Pool II, conduct an analysis of market conditions and favorability for NOAH Pool III.

A

Preserve Minnesota's Existing Affordable Housing Stock

Intervene to preserve at-risk affordable housing, make strategic investments, and advance policies to preserve affordable housing threatened by conversion and speculation.

Minnesota's supply of affordable rental housing is currently threatened as affordable homes are lost each year to deterioration, expiring federal housing contracts that result in conversions to market rate, and the upscaling of naturally affordable apartments. The shortage of affordable housing threatens community vitality, increases housing cost burdens, destabilizes families' finances, and results in increased transiency, evictions and homelessness. Yet, the

benefit of a stable and affordable home has been shown to improve key life outcomes in school, at work, and for family health. And, adequate housing is critical infrastructure for our state's economic competitiveness and is fundamental to job growth and an educated workforce.

STRATEGIES:

i. Preserve federally subsidized affordable rental housing through GMHF lending and MEF equity investments that target the developments most at-risk of conversion to market-rate housing.

Actions:

- Deploy low-cost capital to finance the highest priority developments.
- Collaborate with partners to assess capital needs and priorities, facilitate ownership transfers, provide technical assistance, and coordinate financing sources.

ii. Preserve naturally occurring unsubsidized affordable rental housing where affordable rents are at risk of dramatic increases causing the displacement of residents and the loss of affordability.

Actions:

- Deploy \$50 million in equity investments by 2021 from the NOAH Impact Fund to acquire and preserve 1500-2000 units of at-risk NOAH housing in the Twin Cities metro area.
- Research financing gaps for small-scale NOAH properties (2-24 units) and develop loan products to incent preservation of these units.
- Explore the possibility of expanding NOAH into other areas where affordability is at risk and where mission impact capital can be assembled.

iii. Preserve distressed rental properties in high-priority communities of need through lending, technical assistance, collaboration and legal/policy advocacy.

Actions:

- Develop financing tools that make lower cost capital available for preservation of distressed properties.
- Work collaboratively with our partners to support policy change, tenant advocacy, and incentives for property owners to restore troubled properties.

iv. Preserve existing single-family, owner-occupied housing affordable to households at or below 80% AMI.

Actions:

- Provide low-cost loans to help finance acquisition rehabilitation and owner-occupied rehabilitation in collaboration with other funders and local intermediaries.

B

Increase the Supply of New Affordable Housing

Make strategic investments to produce new affordable housing that meets the diverse needs of Minnesota's workforce, and other low- and moderate-income households and disadvantaged populations.

Minnesota's growing population and expanding workforce requires increased production of rental housing for lower-income households. Housing demands vary regionally and over time, with many communities seeking to accommodate a growing workforce, while others seek affordable senior housing options that in turn free up existing single-family homes for families. Homeless individuals in every region need a range of solutions from rapid re-housing to housing with services. GMHF will work with state and local leaders to address these dynamic needs and invest its mission capital to produce more affordable rental housing throughout Minnesota.

STRATEGIES:

i. Invest in new affordable rental housing by providing development loans and equity investments through MEF that meet the most pressing needs of local communities throughout Minnesota.

Actions:

- Finance high priority affordable housing developments throughout Minnesota, and work to become the lender and investor of choice for the affordable housing field as new needs emerge and other CDFIs reduce capitalization.
- Increase developer and community organization capacity through targeted technical assistance, training, convenings, and community engagement.
- Engage key partners and stakeholders to work in concert to meet the evolving needs and opportunities in local and regional markets.

- Engage employers to assist in addressing workforce housing needs through their participation in the financing of local housing and by encouraging acceptance and increasing public will through their support.

ii. Invest in new construction of affordable single-family homes that promote compact and efficient development patterns as a means of reducing costs, improving affordability and conserving land and infrastructure.

Actions:

- Promote the use of Building Better Neighborhood home plans and subdivision design concepts for communities seeking new development.
- Provide low-cost capital for new construction of single-family homes that are affordable and energy efficient.

C Remove Barriers to Successful Homeownership

GMHF will ensure that more Minnesotans have access to homeownership and the opportunity to build family wealth and opportunity for the future.

GMHF works with public and private entities to provide sustainable homeownership opportunities for low- and moderate-income homebuyers. GMHF recognizes that households of color and other emerging markets may not have had the training and coaching necessary to purchase a single-family home, build home equity, and gain greater economic stability. For this reason GMHF supports homebuyer education and training statewide to help make homeownership more equitable and close the racial gap in homeownership.

STRATEGIES:

i. Support homeowner/homebuyer outreach, education, and counseling services with a particular emphasis on geographic, cultural, racial, and ethnic diversity.

Actions:

- Maintain and expand the capacity of the homebuyer education network to offer homebuyer training and counseling, targeting support to providers with proven success serving emerging markets households.

- Collaborate with the homebuyer education network to expand efforts to embed culturally specific services within the banking and mortgage lending industry.
- Partner with the Minnesota Homeownership Center and Minnesota Housing to target mortgage programs and training resources to first-time homebuyers in underserved communities throughout Minnesota.

D Prevent and End Homelessness

GMHF will engage with private and public sector leaders to prevent and end homelessness for families with children and other individuals who are at risk of homelessness.

According to Heading Home Minnesota, there are approximately 10,000 Minnesotans who are homeless on any given night, including nearly 3,500 children with their parents. The homelessness of any person or family is both a human tragedy and a community failure, resulting in the loss of human potential and public and private dollars. GMHF collaborates with partners on preventing and ending homelessness, and provides grant support to pursue systems change and improve collaboration to create pathways to stable housing. GMHF and partners seek to enable families experiencing homelessness and individuals with special needs, mental/health disabilities, or other issues to be permanently housed.

STRATEGIES:

i. Increase access to and availability of housing that effectively meets the needs of Minnesota’s most vulnerable populations.

Actions:

- Finance new permanent supportive housing which is tailored to meet the needs identified by local communities.
- Expand policy efforts statewide to end homelessness, particularly in the priority area of preventing and ending homelessness for students and families with children by 2020.
- Preserve existing supportive housing through participation in the Stewardship Council, monitor project performance, and engage funding partners

and developers to jointly address financial and technical issues.

- Facilitate efforts with funding and development partners to increase the capacity of human service providers and management entities through improved training, technical assistance, and grant support.

ii. **Support enhanced coordination** of private, public, and philanthropic sectors in creating infrastructure to combat homelessness.

Actions:

- Engage private foundations more directly in coordinated efforts to prevent and end homelessness.
- Support statewide housing organizations, research agencies, and policy initiatives that further the work of GMHF in working to prevent and end homelessness.



GMHF will make investments in its organizational systems and human capital to deliver a high level of community impact through existing and new programs. GMHF will maintain its commitment to the stewardship of and access to philanthropic capital, as well as increase its own efficiency and effectiveness.

By streamlining internal systems and processes, staff will be able to implement new programs that serve the mission and provide flexibility in addressing unique community needs as they arise. Through disciplined business planning, sustainability planning, investing in staff development, strengthening its governance, and forming strategic partnerships, GMHF will become more resilient. GMHF will also invest in technology and add to its fundraising, development, and communications capacity.

A Assemble Capital and Invest for Impact

Maintain existing levels of capitalization and assemble new capital for strategic lending, investing and grantmaking that address the critical affordable housing needs of Minnesota's most vulnerable residents.

GMHF will build on the capital formation and deployment success of its development lending and its subsidiaries, Minnesota Equity Fund and the NOAH Impact Fund. As the primary nonprofit affordable housing intermediary in Minnesota, GMHF has a unique role and opportunities to provide critical financial resources at all stages of development, including loans, grants, and equity investments for housing development. By aggregating capital for high priority initiatives and statewide impact, GMHF is able to streamline the funding process for investors and developers of affordable housing. GMHF also has the ability to partner with public agencies and community banks and philanthropy to achieve affordable housing goals. GMHF will increase its lending focus on financing that serves the lowest-income Minnesotans as well supporting workforce housing demand in support of economic development and job growth. Interest in impact investing has grown as private investors seek both social impact and economic returns that are readily achieved with affordable housing which offers a stable real estate class plus improved health, education and employment outcomes.

STRATEGIES:

i. Capital formation:

- Grow the development loan fund to \$72 million by YE 2021.
- Grow the equity raised for Minnesota Equity Fund to \$225 million by YE 2021.
- Grow the NOAH Impact Fund to \$50 million by YE 2021.

ii. Development lending:

- Commit \$120 million in development loans between 2018-2021.
- Close \$100 million in development loans for affordable housing and community development.
- Achieve and maintain a 70% loan fund disbursement rate.

iii. Gap financing:

- Provide \$6.1 million in deferred gap loans between 2018-2021.
- Prioritize use of gap funds for lowest-income, emerging markets, and hard-to-serve households.

iv. MEF Equity:

Originate and close \$90 million in MEF equity syndications.

v. NOAH Equity:

Originate and close \$40 million in NOAH Impact Fund developments.

vi. Grantmaking:

Provide \$3.6 million for strategic grants to statewide partners working on high priority housing issues, including legislative policy, legal advocacy, tenant rights, manufactured home parks preservation, inter-agency efforts to end homelessness, research initiatives, convenings and demonstration projects.

vii Affordable housing production:

Assist in financing at least 3,000 units of affordable housing statewide.

viii. Endowment:

Investigate the potential of establishing a GMHF endowment to contribute to GMHF's long-term sustainability and support priority housing initiatives.

B

Strengthen Organizational Capacity and Effectiveness

Strengthen organizational capacity, adapt to changing opportunities, provide effective management, ensure organizational sustainability and support strong governance.

Operating efficiently and effectively enables GMHF to be more successful in meeting community needs. GMHF will continue to make investments in its organizational infrastructure and human capital to deliver a high level of community impact through new and existing programs. GMHF will maintain stewardship of its resources, effective operations, disciplined planning, staff development, and forming strategic partnerships.

STRATEGIES:

i. Staff capacity:

Engage staff leaders that are mission driven, adapt to changing opportunities and align staff

capacity with priorities to ensure the organization is effective in meeting the dynamic housing needs of Minnesota's low-income households.

Actions:

- Strengthen organizational culture and structure, increase accountability and maintain team focus on strategic plan goals.
- Align staffing plans to support the operational needs and mission of the organization.
- Invest in professional development and staff capacity through training, coaching and team building.
- Leverage our organizational capacity to assist other affordable housing organizations with their internal capacity, as needed.

ii. Board effectiveness:

Align board capacity with organizational and governance needs.

Actions:

- Support effective board governance through clear management accountability for strong performance and mission impact.
- Support a governance focus on strategic direction, clear and effective organizational policies, high ethical standards, organizational sustainability and growth.
- Attract board expertise that will effectively support mission and represents key stakeholder groups.

iii. Technology:

Align technological systems with organizational needs in an effort to streamline and enhance business processes, maintain data integrity and support analysis.

iv. Organizational sustainability:

Ensure organizational sustainability by actively managing the sustainability plan and meeting financial result targets.

Actions:

- Meet or exceed a self-sufficiency benchmark of 70%, loan capital deployment of 70% and a net asset ratio of 80%.
- Meet revenue targets for MEF and NOAH at scale.

v. Performance evaluation:

Evaluate GMHF performance and track progress against goals and objectives in order to maintain accountability of performance.



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