

GREATER MINNESOTA
HOUSING FUND



2019 Annual Report

*Innovating
to meet Minnesota's*

HOUSING

challenges



There's no place like

HOME

The President's Report

Dear Friends and Colleagues

Every year Greater Minnesota Housing fund collaborates with other housing leaders throughout Minnesota on housing production and preservation and developing innovation solutions to our state's housing challenges.

In 2019, we focused extra attention on the linkage between improved health outcomes and stable housing. To advance this work, GMHF established the Minnesota Health and Housing Initiative to foster more intentional partnerships between health care institutions and affordable housing developers. A series of cross-sector roundtables culminated in a statewide Health and Housing Summit in early 2020 that validated the opportunity to create more partnerships between health providers and affordable housing developers. GMHF hopes to create a Health and Housing Fund in 2020 to facilitate investments by health care organizations in affordable housing.

Affordable housing innovations include designing a new affordable rental development without subsidy and creating partnerships between health care institutions and affordable housing developers to help improve health outcomes.

To raise capital to address housing needs for households with very low and extremely low incomes, GMHF sought and was awarded \$55 million in Bond Guarantee Program (BGP) Funds by the U.S. Treasury's Community Development Financial Institution (CDFI) Fund. The CDFI BGP program provides capital at below market rates to preserve affordable rental housing in rural and urban communities.

In 2019, GMHF partnered with Real Estate Equities, a second-generation family-owned developer of affordable housing, with the goal of planning a new affordable rental housing without subsidy. After months of research, designs were created to build a new 164-unit rental development at a cost of \$120,000 per unit, or roughly 50% of the normal costs, using innovative design and materials, smaller units, and affordable

mortgage financing. Technology Park Apartments in Rochester, Minnesota, is on track to be fully leased up mid-year 2020. The combination of smart design and innovative financing produced new unsubsidized affordable housing that will provide affordable rents for Rochester's low-income workforce.

After launching the NOAH Impact Fund in 2017 and preserving the affordability of over 700 homes

in 23 naturally affordable apartment buildings, GMHF worked in 2019 to establish Phase II of the NOAH Impact Fund, which will be capitalized at \$33.5 million. By year end 2019, GMHF had obtained commitments for \$23.5 million and is in negotiations with Minnesota foundations for the final investments. GMHF has also turned attention to the preservation of smaller NOAH (Naturally Occurring Affordable Housing) apartment buildings, with 4 to 40 units at risk of loss to speculative investors intending to maximize rents over affordability. In 2019, GMHF created a new \$5 million Small NOAH Fund to address the preservation of these smaller properties statewide.

On behalf of the GMHF board and staff, we extend our sincere thanks to all our financial supporters and project partners. Together we ensure more Minnesotans have a place to call home.

Sincerely,



A handwritten signature in blue ink that reads "Kim Bretheim".

Kim Bretheim
Board Chair



A handwritten signature in blue ink that reads "Warren Hanson".

Warren Hanson
President & CEO



About
GMHF

Having a roof over one's head, a safe environment, and a place to call home are the building blocks of a healthy life. Stable homes create a foundation for child development, school achievement, career success, and healthy families. GMHF works with local housing partners to ensure that all communities across Minnesota preserve the affordable housing that already exist in their communities and create new homes when there is a lack and a need.

Housing is a critical part of Minnesota's economic infrastructure, as important as schools, roads and bridges. Investments in housing revitalize their surrounding neighborhoods and spur reinvestment in their communities.

MISSION

Greater Minnesota Housing Fund supports the creation of **strong communities and affordable homes** through making **strategic investments and forming effective partnerships.**

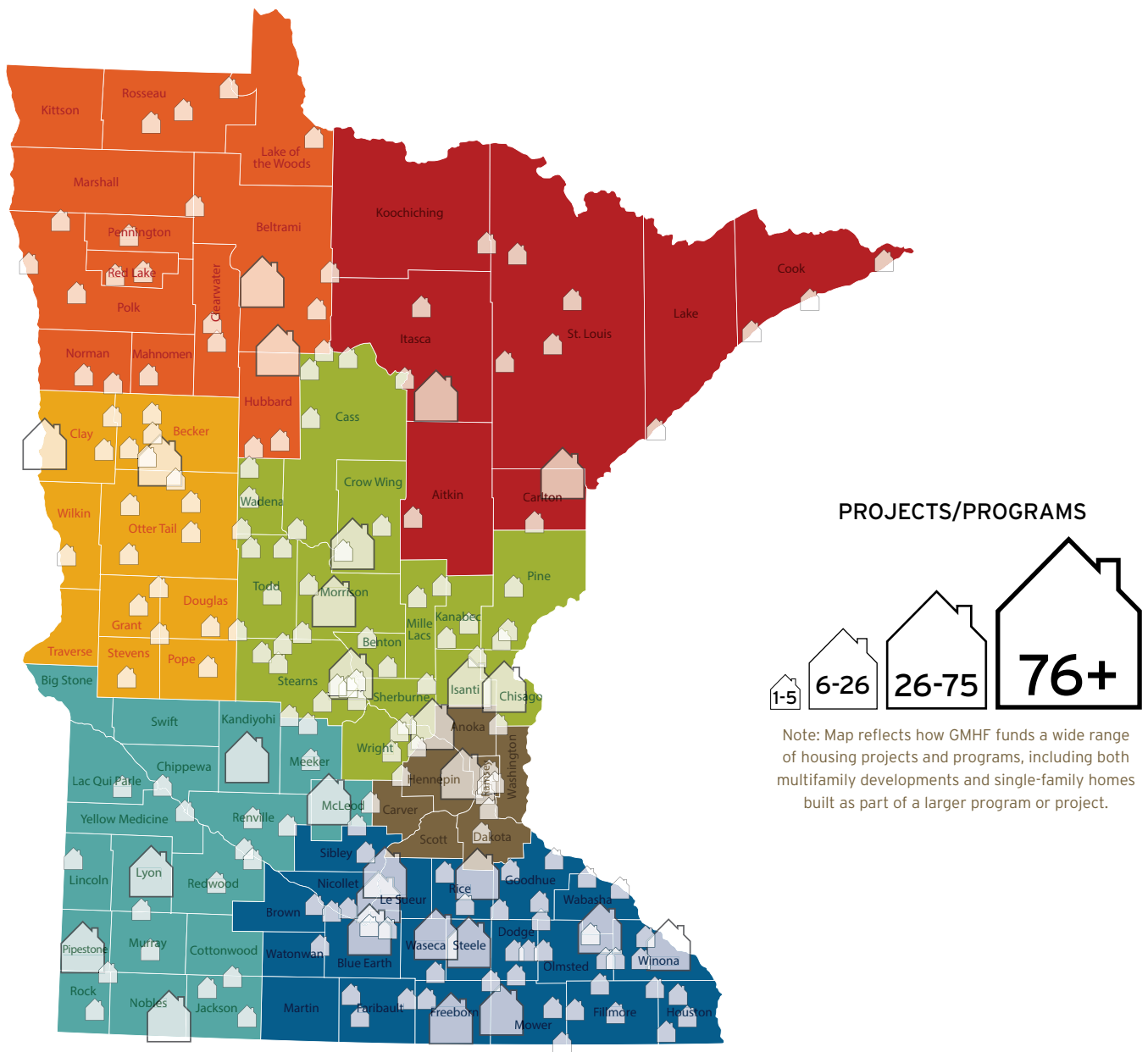




STATEWIDE IMPACTS

Since 1996, **Greater Minnesota Housing Fund** has invested **\$376.4 million** in **191 communities**, financing **670 developments**, leveraging **\$1.2 billion**, & creating **16,139 homes**.

Creating and preserving affordable housing in Minnesota's 87 counties



HOUSING DEVELOPMENTS BY REGION 1996-2019



GMHF Affordable Housing Impact Data

\$5,400

average annual rent
savings per family



1,102

jobs created directly
and indirectly through
construction²



20%

greater likelihood
of on time high
school graduation¹



12%

of all renters
were once
homeless³



50%

of all households
have children³



29%

are headed by
people of color³



98%

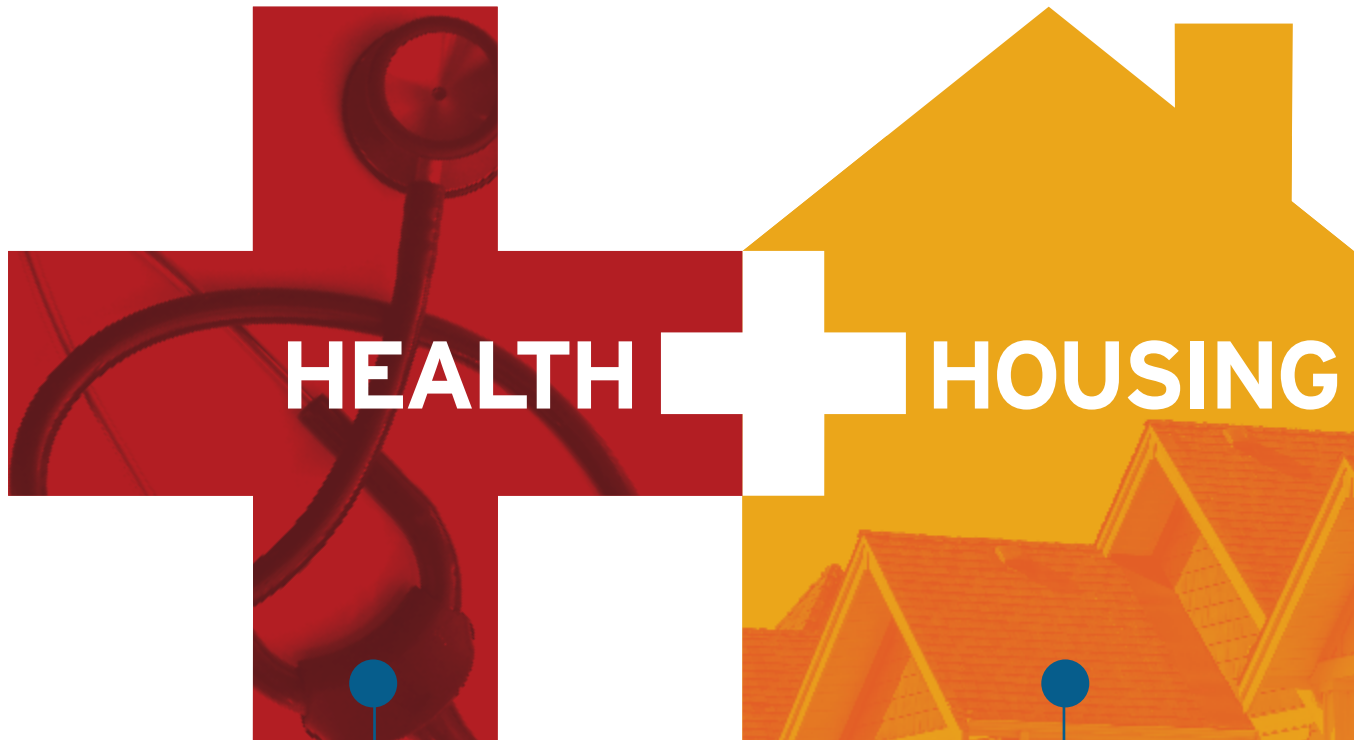
of all households
earn less than
80% of median
income³

1 As compared to students who experience homelessness or otherwise unstable housing (*Institute for Children, Poverty and Homelessness, 2018.*)

2 Based on 725 affordable homes built, calculations from National Association of Home Builders.

3 Demographic information from GMHF fund.

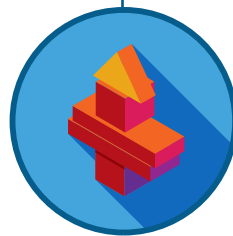
Housing is Healthcare



12%
reduction in
overall healthcare
expenditures of
Medicaid recipients



17
years longer
life expectancy



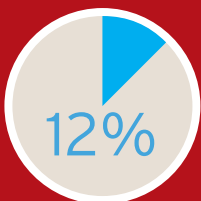
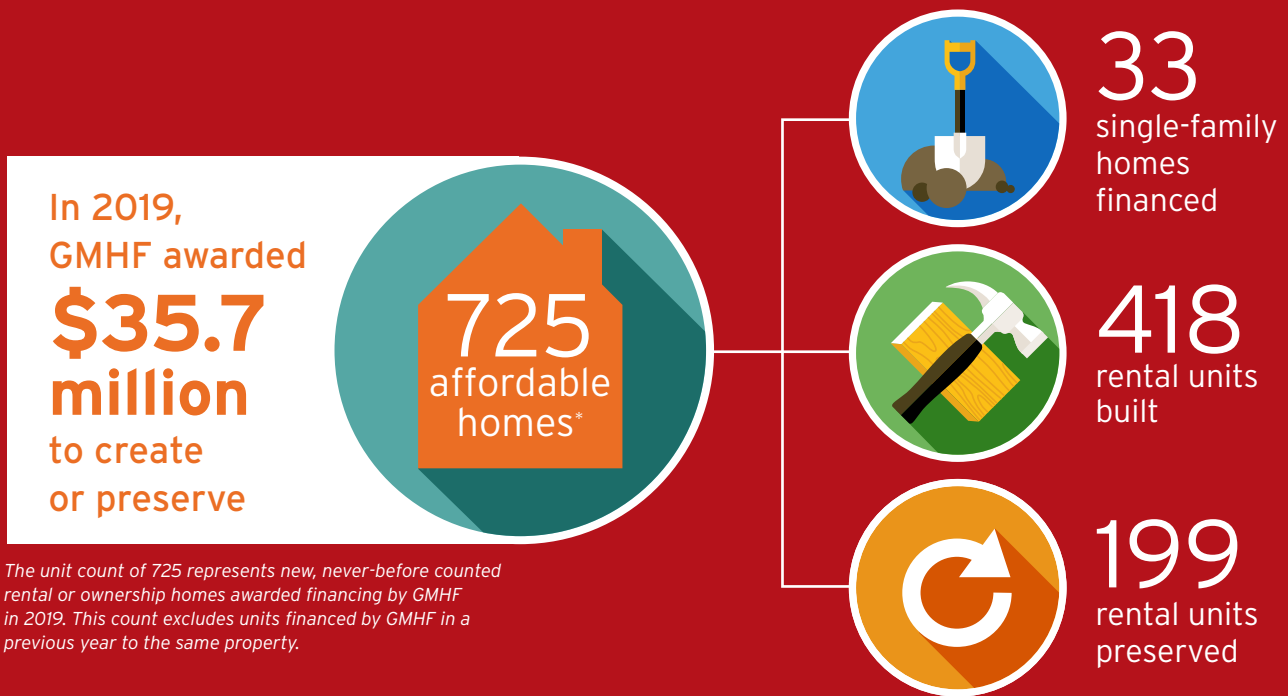
20%
of families said
their child's health
was better since
moving into
affordable housing



18%
decrease
in ER visits

Statewide Development Lending Impacts

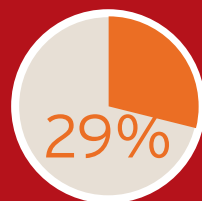
In 2019, GMHF awarded more than \$35.7 million in development loans to create or preserve affordable homes. The developments GMHF financed were typically located in high job-growth communities such as Crookston, Duluth, Preston, and Rochester, in addition to investments in smaller, underserved, Greater Minnesota communities.



of all renters were once homeless



of all households have children



of all households are headed by people of color



of all households earn less than 80% of median income

Featured Projects



Technology Park, Rochester, MN

DEVELOPER Real Estate Equities

UNITS 164 apartments

TARGET Workforce individuals and families

GMHF LENDING

\$3.4 million mezzanine construction loan

\$3.4 million equity investment

TOTAL COST \$19.7 million

Real Estate Equities, Greater Minnesota Housing Fund, and Merchants Capital partnered to create Technology Park, which will provide 164 units of naturally affordable rental housing to Rochester’s workforce. Smart building design and innovative financing make it a model in the industry for creating new affordable housing without relying on scarce federal subsidies like tax credits.

While units normally cost \$250,000, smart design, smaller units and mortgage financing made the end cost of each unit less than \$120,000.



Parkview Heights, Owatonna, MN

DEVELOPER Twin Cities Housing Development Corporation (TCHDC)

UNITS 48 townhomes

TARGET Workforce individuals and families

GMHF LENDING \$2,970,000 amortizing first mortgage

TOTAL COST \$3.8 million

Parkview Heights was at risk of losing its federal rental assistance status. GMHF’s ability to provide flexible financing allowed TCHDC to quickly acquire the property and preserve the existing rental assistance until it could apply to Minnesota Housing for Low Income Housing Tax Credits (LIHTC). Parkview Heights includes two-, three- and four-bedroom townhomes and is home to a large East African community. Preserving the affordability of these large units was important because replacing them is cost-prohibitive. TCHDC needed to acquire the property prior to securing tax credits, so GMHF worked with TCHDC to close quickly and structure the financing to allow for future LIHTC funding and the complete rehabilitation of the property.

Grantmaking

GMHF awarded \$886,995 in grants in 2019 to assist non-profit housing organizations working statewide to advance affordable housing efforts. Their work includes legislative and legal advocacy, tenant organizing, homebuyer training, manufactured home park preservation, bond financing rules, HRA staff and board training, funder collaborations and other complementary efforts to further the work of the affordable housing field in Minnesota.

2019 GRANTS AWARDED

Multiple Counseling and Training Organizations

Organizational Operating Support Grants

All Parks Alliance for Change (APAC)

APAC protects the rights of manufactured home park residents through education and organizing, and advocates for policy change that supports safe, affordable, and stable manufactured home communities.

CloseKnit (fka Minnesota Home Host Network)

CloseKnit supports youth facing homelessness by facilitating stable housing through locating host homes and supportive relationships with the caring adults already in their lives who are not service providers.

Corporation for Supportive Housing (CSH)

CSH helps local communities create cost-effective permanent supportive housing with services to address homelessness, mental health needs, substance use recovery, family separations unnecessary institutionalizations, and poverty.

Heading Home Minnesota

Funders Collaborative (HHMFC)

HHMFC works to educate and engage funders to work together to prevent and end homelessness through aligning philanthropic grant support and advancing needed change in homeless systems.

Home Line

Home Line delivers tenant protection services, including legal services, tenant organizing, empowering tenants with tenant's rights education, and operating a statewide tenant's rights hotline.

Housing Justice Center (HJC)

HJC provides legal services to attack barriers to creating affordable housing in communities across Minnesota and protects tenants from eviction and discrimination through ensuring that federal laws are followed by public and private entities.

Minnesota Housing Partnership

(MPH) MPH conducts original research, training, education and grassroots and grassroots organizing to build support for affordable housing through engaging community leaders and employers to champion housing policies and funding.

Minnesota Coalition for the Homeless (MCH) MCH organizes educational forums, advocacy training sessions, and engages community leaders to build the base of support for ending homelessness and securing needed funding for affordable housing with supportive services.

Minnesota Continuum of Care (COC) a community strategic plan to organize and deliver housing and services to reduce the incidence of homelessness by assisting homeless individuals, youth and families with children to move to self-sufficiency and permanent housing.

Minnesota Home Ownership Center (HOC) HOC supports community-based organizations with culturally-responsive homeownership education and training and development of innovative homeownership training content and homebuyer training web technology.

One Roof Community Housing One Roof Community Housing develops innovative homes and apartments in NE Minnesota using the Community Land Trust (CLT) model and other methods to achieve permanent affordability.

ULI Minnesota 2019-20 ULI Minnesota engages public and private sector leaders to foster collaboration, share knowledge, and influence meaningful strategic action in the responsible use of land to create and sustain thriving communities.

Program and Project Grants:

Prosperity's Front Door (PFD) To support PFD's statewide network of business, government, community and nonprofit leaders focused on advancing the six key goals and 28 recommendations of the 2018 Governor's Housing Task Force.

Brownton Housing Corporation To assist BHC with creation of a non-profit entity to hold affordable housing assets to help stabilize properties and maintain affordability.

Heading Home Minnesota Funder Collaborative To support strategic grantmaking and emergency funding needs to address homelessness.

Indian Housing Directors Group To support the statewide Indian Housing Conference and convening of tribal leaders and partner organizations.

Itasca County and Grand Rapids Housing and Redevelopment Authorities (HRA) To support strategic planning for shared services and possible merger of the HRA for the City of Grand Rapids and the HRA for Itasca County.

Minnesota Chapter of the National Association of Housing and Redevelopment Organizations (NAHRO) To assist Minnesota NAHRO with research and knowledge sharing and technical assistance for navigating consolidation of local HRAs into regional HRAs

Southside Community Health Services (SSCHS) To Assist SSCHS with technical planning for creation of a new mixed use facility with affordable housing.

Minnesota Health & Housing Initiative

Increasingly, housing organizations are partnering with health care entities to create more housing and improve health outcomes together.

A prominent and growing body of research shows that health outcomes improve for people who have access to stable and affordable housing.

Better management of chronic diseases, leading to reduced costs of medical care and better health outcomes, become possible with stable housing. Hospitals and taxpayers pay the ultimate financial price for the failure to manage acute and chronic healthcare effectively.^{1,2} When housed, formerly homeless persons thrive and are able to manage

chronic health issues like diabetes, mental illness, and asthma. There is a growing opportunity nationally and in Minnesota to align housing strategies with the health sector as a proven way to better address social determinants of health. Leaders from both fields are better motivated to coordinate and expand resources.

Goals of the GMHF Health and Housing Initiative:

In support of better health outcomes and stable homes for Minnesota's more vulnerable residents, GMHF is engaging health and housing leaders to foster effective health and housing partnerships and better coordinate investments.

Activities of the new Minnesota Health & Housing initiative include:

Establishment of a Community of Practice: Engagement of state-wide leaders in the health and housing fields in periodic sharing of knowledge and best practices to identify opportunities for cross sector collaboration on projects, programs, and systems change.

Support the Creation of Replicable Projects and Programs: Through targeted funding and technical assistance, foster the development of projects that will provide stable housing with improved healthcare.

Creation of a Health & Housing Investment Fund: Work with cross sector leaders to develop a health and housing investment fund to support unique affordable housing models that improve health outcomes.

Collaboration on Public Policy Advances: Work cross sector to improve policies at the state and local level that will effectively enable housing and health services to be aligned to improve health and reduce system costs.

Research and Development of Best Practices: Research and document best practices and publish findings from health & housing projects and programs.



1 Sadowski, et al. Effect of a Housing and Case Management Program on Emergency Department Visits and Hospitalizations Among Chronically Ill Homeless Adults. Journal of the American Medical Association: May 6, 2009.

2 Matthew Desmond & Sandel, Megan. Investing in Housing for Health Improves Both Mission and Margin for Health Care. Journal of the American Medical Association: December 19, 2017.

Minnesota's Housing Scorecard



In 2019, GMHF supported Prosperity's Front Door in the development of a Housing Scorecard with a \$100,000 grant. The Housing Scorecard laid out several goals to put Minnesotans on the path to improved housing. According to Minnesota Housing Partnership's 2019 State of Housing report, more than one in four—or 572,133—households in our state were cost-burdened by housing. That means they paid more than 30% of their income for housing, making it likely they cut back on necessities like food, education and medicine to pay their rent or mortgage.

The Housing Scorecard is based on goals that align closely with GMHF's mission to produce and preserve affordable housing:

1. Commit to Homes as a Priority:

Create and broader and stronger public commitment to the urgent need for more homes that are affordable to more Minnesotans.

2. Preserve the Homes we Have:

Keep the homes and apartments we already have, especially those that are most affordable.

3. Build More Homes: Build 300,000 new homes by 2030, across all types, prices and locations.

4. Increase Home Stability:

Assist twice as many families at risk of losing their homes because of rent increases, evictions and heavy cost burdens.

5. Link Home and Services: Build stronger links between where we live and the services we may need to live stable lives.

6. Support and Strengthen Homeownership:

Create stronger pathways to sustainable homeownership, with a focus on removing barriers for households of color.



Construction Revolution

In 2019, the Construction Revolution Summit brought together leaders from across Minnesota and the nation to explore innovative techniques in residential development and construction, including the use of modular and panelized elements. At the Summit, participants explored new technologies and approaches, connected with and drafted an action plan to accelerate the use of innovative construction techniques.

Spearheaded by former Minnesota Housing Commissioner of Housing Mary Tingerthal, the summit brought attention to new building techniques have the potential to increase the number of affordable housing units. More housing units may be built for the same number of dollars by bringing down the cost of construction.

GMHF co-sponsored the event.



Supporting Innovation and Leadership of Our Housing Partners

GMHF supports housing organizations across Minnesota through partnership, grant support, and leadership. In 2019, GMHF supported Prosperity Front Door's Housing Scorecard and co-sponsored the Construction Revolution. GMHF leadership participates on the boards, task forces and committees of other housing organizations, including: Heading Home MN, Housing Leadership Council, and the Housing Justice Center. GMHF is proud of the involvement of its team in our partners' success and achievements.



\$55M CDFI Bond Guarantee Program Award

As a tribute to GMHF's financial strength, solid reputation and success in deploying the entire first round of CDFI Bond Guarantee Program (BGP) of \$10M in one year, the CDFI Fund officially announced that GMHF's application for \$55M in BGP II funding was approved on October 8th. Enacted as part of the Small Business Jobs Act, the CDFI Bond Guarantee Program is an innovative federal credit program designed to function at zero cost to taxpayers. It provides eligible CDFIs access to long-term, fixed rate, affordable capital to encourage economic growth and development.



COVID-19 Interventions



As of the publishing of our 2019 Annual Report, the world is facing new challenges as a result of the global COVID-19 pandemic. GMHF's role as an intermediary that is able to direct resources to critical areas of need during this crisis has become more important during this crisis.

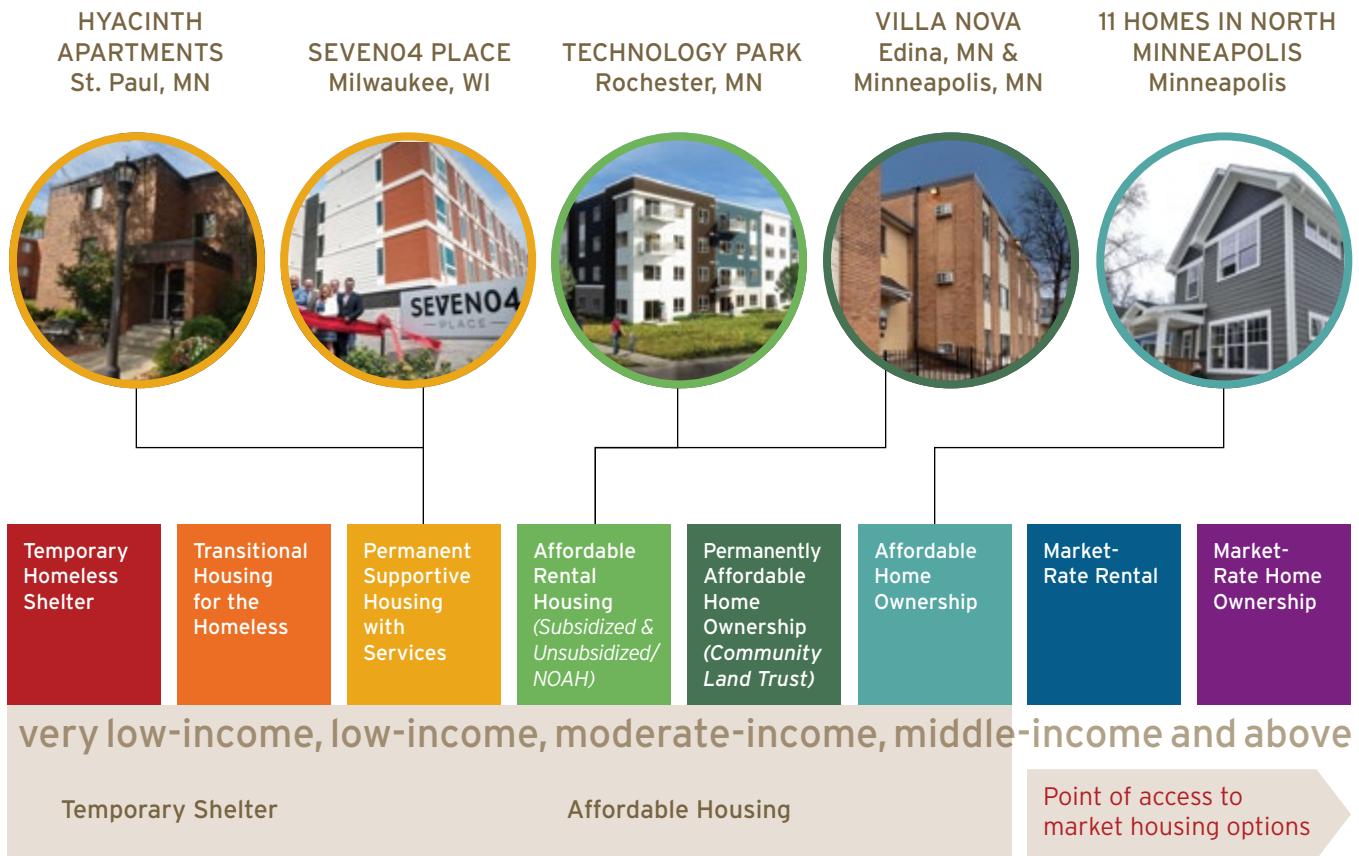
To help ensure a quick recovery, GMHF is facilitating a collaboration of partners to address crisis-related housing needs. GMHF is also conducting ongoing research on the damaging impacts on tenants and rental property owners of the COVID-19 pandemic, to underscore the need for resources and to share best practices.

GMHF has established the Emergency Tenant Rent Relief Fund and Housing Organization Stabilization Fund with the goal of raising \$1.2 million for this support. GMHF has stepped up these and other fundraising efforts to provide urgent and much-needed tenant rent relief and operational support for our partners on the frontlines of recovery.

As always, GMHF is working with its borrowers to provide technical assistance and lending solutions as needed to ensure the production and preservation of affordable housing through Minnesota continues.



Greater Minnesota Housing Fund Invests in Development Along the Housing Continuum



GMHF supports Minnesota communities as they create and preserve affordable homes across the continuum of need, from rental properties to ownership options, apartments to single-family homes, with supportive services to independent living.

Housing with supportive services delivers social services on-site to people struggling with homelessness, mental health issues, substance addictions, prior convictions, or other barriers that keep them from accessing housing without assistance.

Affordable rental housing includes both subsidized developments

financed with tax credits as well as unsubsidized apartments that charge rents affordable to people at 60% of area median income.

Community land trust housing and cooperatively owned manufactured home communities are two models of affordable home ownership that separate the cost of land from the homes and provide an affordable entry point for individuals and families with modest incomes.

GMHF supports the creation of new affordable homes to make home ownership a reality for more households, especially households of color and recent immigrants, recognizing that buying a home is

a key to building wealth. GMHF helps families achieve home ownership but preserves the affordability for the long-term so future families can benefit.

Buyers and renters of affordable homes typically earn less than 80% of area median income. More than half of the households earn GMHF serves below 30% of area median income.

GMHF also preserves naturally affordable, unsubsidized housing that serves low and moderate-income families earning 60-115% of median income through the NOAH Impact Fund.



HOME

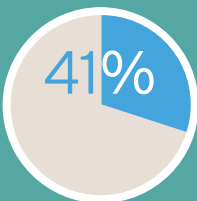
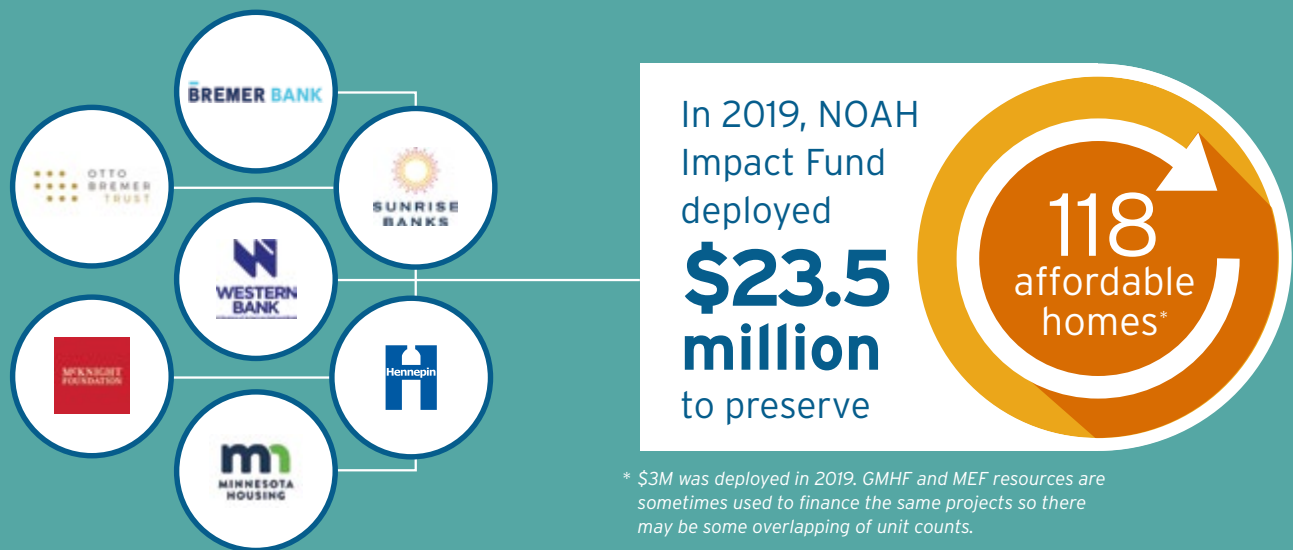
is the Foundation

NOAH Impact Fund



NOAH (Naturally Occurring Affordable Housing) refers to residential rental properties that are affordable but are unsubsidized by any federal program. Investors see these as targets for purchase, upgrades, and raising rents. Some new owners cease to accept Section 8, putting households in jeopardy of losing their homes—as well as their schools, childcare, church communities and other networks.

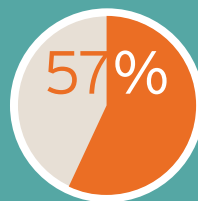
The NOAH Impact Fund preserves rental complexes across the Twin Cities to avoid these disruptions in people’s lives. Since inception in 2017, NOAH Impact Fund has deployed \$23.5 million and preserved 701 units of affordable housing. Due to the Fund’s success, NOAH Fund II was created and by year end, Fund II had almost completed capitalization at \$27.5 million, with a need to raise the last \$6M in 2020.



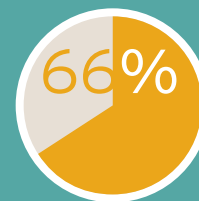
of all renters were once homeless



of all households have children



of all households are headed by people of color



of all households earn less than 80% of median income



Hyacinth Apartments, St. Paul, MN

NOAH Impact Fund and Minneapolis-based for-profit owner/developer Hempel Companies acquired Hyacinth Apartments in May 2019. The property is located in St. Paul's North End neighborhood. The property consists of 52 units in two 3-story buildings that were built in 1971. There is a mix of 3 studios, 40 one-bedroom apartments, and 9 two-bedroom apartments. Rents are affordable to individuals and families with incomes as low as 30% of the area median income.

Residential Transitions, Inc. is providing support services for 12 units that house people with developmental delays and other cognitive disabilities, using Medicaid waivers to subsidize the rent and the services. GMHF, Hempel Companies, and Residential Transitions, Inc. share a goal of serving people with disabilities in a community-integrated setting whenever possible. The availability of rent subsidy and support services stabilizes those residents and prevents homelessness by addressing their housing and health needs.

Hyacinth Apartments is in good condition. As partners, NOAH Impact Fund and Hempel Companies invested approximately \$225,000 to address the immediate capital needs of the property, mostly focused on life-safety repairs and parking lot maintenance. Reserves were capitalized, with ongoing contributions, to fund longer-term replacements of appliances, laundries, and flooring.

The City of St. Paul cited a July 2018 study by Minnesota Housing Partnership entitled *Market Watch: Saint Paul* that found that overall rents have risen across the City but that the North End was among the areas showing the highest increases over the period from 2010 to 2017. This fact, along with a market analysis that demonstrated that Hyacinth Apartments offered lower rents than other buildings in the surrounding area, prompted NOAH Impact Fund and Hempel Companies to intervene and preserve its affordability.

DEVELOPER

Hempel Companies

UNITS

52 apartments

TARGET

Workforce individuals and families with incomes at 30%-40% AMI

12 units for people with developmental delays and other cognitive disabilities

NOAH EQUITY

\$1.2 million

TOTAL COST

\$4.5 million



DEVELOPER

Aeon

UNITS

220 apartments: 209 in Minneapolis and 11 in Edina (pictured)

TARGET

Workforce individuals and families with incomes at or below 60% AMI

NOAH EQUITY

\$8.9 million

TOTAL COST

\$30.6 million

Villa Nova Portfolio, Minneapolis & Edina, MN

NOAH Impact Fund and Minneapolis-based nonprofit owner/developer Aeon acquired Villa Nova Portfolio in July 2019. The scattered site portfolio consists of 15 buildings with 209 units in Minneapolis and 1 building with 11 units in Edina. There is a mix of 28 studios, 165 one-bedroom apartments, 26 two-bedroom apartments, and 1 three-bedroom apartment. Rents for 153 units are affordable to individuals and families with incomes at or below 60% of the area median income. Rents for 15 units are affordable to households with incomes at or below 80% of the area median income. The remaining 52 units are unrestricted market rate units that, in effect, subsidize the affordability of the other units.

Villa Nova Portfolio has some significant physical needs, which are being addressed in a five-year capital improvement plan. As partners, NOAH Impact Fund and Aeon will invest approximately \$1.7 million to address life-safety repairs; replace roofing, flooring, appliances, laundries, and water heaters; and repair or replace sidewalks and parking lots. Funding will come from capitalized reserves and ongoing reserve contributions.

Both the City of Minneapolis and the City of Edina are keenly aware of the risk of the loss of unsubsidized affordable rental housing in those communities. In Minneapolis, the threat is not only the potential flipping of properties by speculators, but the outright demolition of older buildings and redevelopment with luxury rental housing. In Edina, one of the most affluent suburbs in the Twin Cities metro area, the goal is to preserve the affordability of its rental housing stock because it's needed to house the workforce. The goal of focusing resources in opportunity areas with access to good schools, jobs, services, and recreational opportunities, compelled NOAH Impact Fund and Aeon to acquire Villa Nova Portfolio to maintain its affordability.



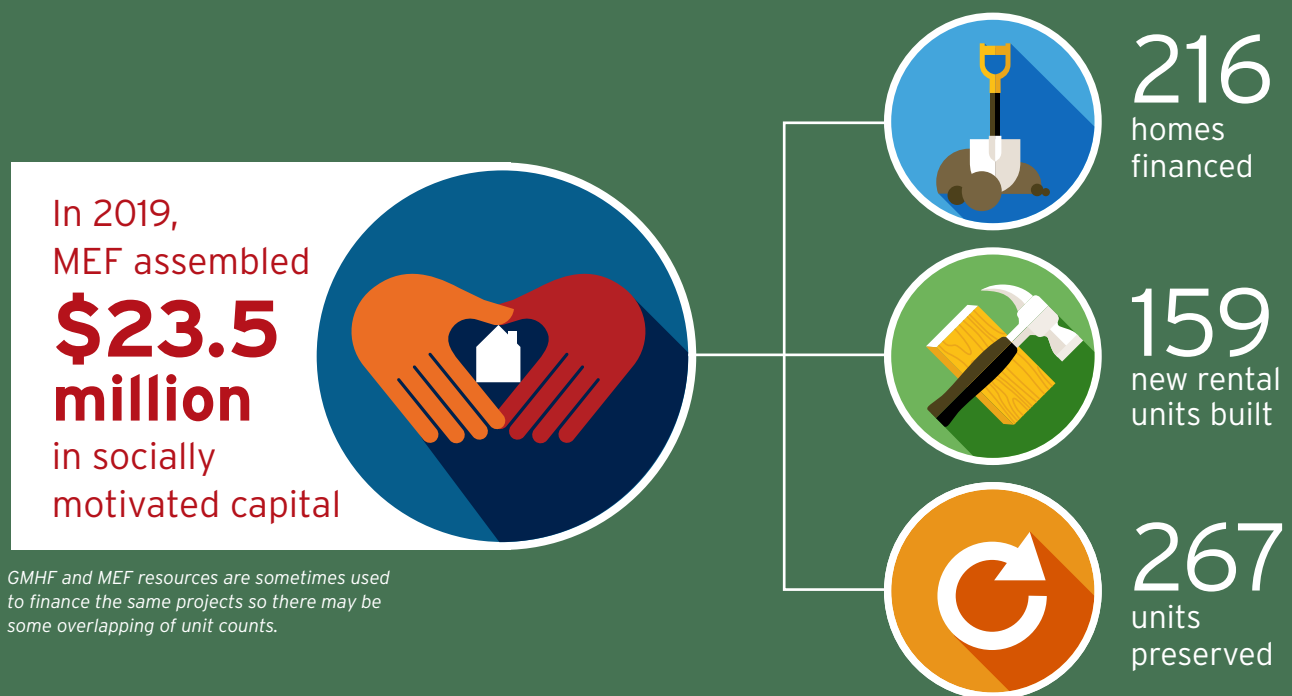
Home for

GOOD

Minnesota Equity Fund



The mission of the 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. GMHF operates MEF via a strategic partnership with Cinnaire. Cinnaire, based in Lansing, MI, provides access to tax credit equity and underwriting and asset management services for all MEF developments.



Featured Projects



Apex Townhomes Detroit Lakes, MN

DEVELOPER DW Jones

UNITS 30 townhomes

TARGET families and homeless

MEF EQUITY \$1.8 million

INVESTOR Cinnaire Fund 33

TOTAL COST \$7.1 million

Detroit Lakes is a growing community with little land available for multifamily development. DW Jones became acutely aware of the local shortage of affordable rental housing when a news article highlighted the tragic fact that 85 homeless children were enrolled in the school district. DW Jones immediately began planning the development of Apex Townhomes. DW Jones partnered with Premiere Alliance to secure a site, with the City of Detroit Lakes to obtain TIF, and with Mahube-Otwa Community Action Partnership to provide support services for four homes that would serve formerly homeless families.



Garfield Square Duluth, MN

DEVELOPER Center City

UNITS 50 apartments

TARGET homeless

MEF EQUITY \$3.6 million

INVESTOR Cinnaire Fund 33

TOTAL COST \$13.2 million

Garfield Square is the culmination of a state and local partnership to create safe permanent supportive housing in Duluth. In 2014, the Duluth HRA acquired the nearby Seaway Hotel, which housed homeless people but had an unsavory reputation. With emergency repair and operating funding from GMHF, and new management and support from Center City and CHUM, the renamed Esmond Building was stabilized until a permanent replacement could be built. Garfield Square is the new home for its former residents. The partners employ a Housing First model to serve formerly homeless individuals who have multiple barriers to stable housing.



Seven04 Place Milwaukee, WI

DEVELOPER Rule Enterprises and Impact Seven

UNITS 60 apartments

TARGET families and veterans

MEF EQUITY \$6.3 million

INVESTOR UnitedHealth Group

TOTAL COST \$12.2 million

Affordable rental housing with support services provides downstream benefits to the health and well-being of residents. Seven04 Place offers 14 units for veterans, with support services provided or facilitated by Milwaukee County Housing Division and Center for Veterans Issues. Safe housing combined with case management stabilizes residents and prevents homelessness, while reducing health care costs. Seven04 Place is in a gentrifying neighborhood and will serve low-income residents who otherwise might be displaced due to increased market prices. UnitedHealth Group has invested nearly \$100 million with MEF since 2013.

2019 Financial Statements

STATEMENT OF ACTIVITY	2019
Contributions	\$ 437,963
Program Service Revenues	3,560,085
Interest and Dividends, Net	1,128,698
Investments - Gains (Losses)	2,296,760
Present Value Discount - Amortization	978,722
Total Revenue	\$ 8,402,228
Program Services	\$ 5,565,994
Management & General	1,502,541
Total Expense	\$ 7,068,535
Change in Net Assets	\$ 1,333,693
Net Assets, Beginning of Year	\$ 81,875,359
Net Assets, End of Year	\$83,209,052

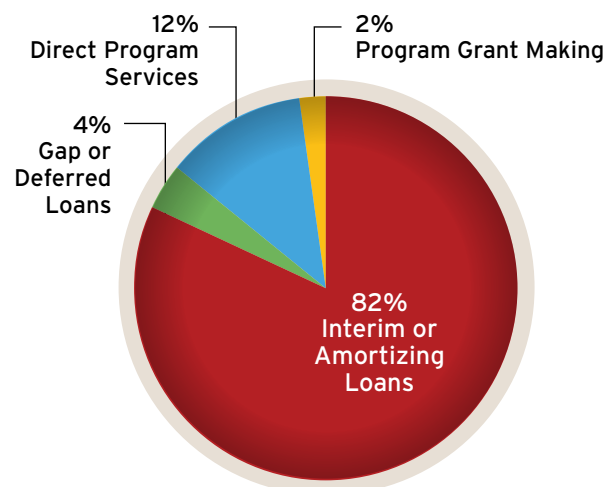
BALANCE SHEET	2019
Cash	\$ 1,247,805
Other Current Assets	525,616
Contributions and Grants Receivable:	
Current	2,900,000
Long-Term	-
Property and Equipment	32,930
Right of Use Asset, Net of Current	108,190
Loans and Loan Related Receivables:	
Current	14,921,529
Long-Term	98,091,536
Present Value Discount	(33,788,486)
Loan Loss Reserve	(3,158,649)
Investments	43,555,518
Investment in NOAH Impact Fund LLC & Subsidiary	2,338,972
Total Assets	\$ 126,774,961

Accounts Payable and Other Current Liabilities	\$ 2,473,520
Grants Payable - Current	\$ 206,195
Notes Payable:	
Notes Payable	\$ 44,228,676
Present Value Discount	\$ (3,450,672)
Lease Liability	108,190
Net Assets - Total	83,209,052
Total Liabilities and Net Assets	\$ 126,774,961

Thank you to our 2019 Funders & Investors:

Bank of America	Jane and Thomas Nelson
Bank of the West	
Blandin Foundation	The Saint Paul and Minnesota Community Foundation
Bremer Bank	
Otto Bremer Trust	Sunrise Banks
Bush Foundation	UnitedHealth Group
Margaret A. Cargill Foundation	US Department of the Treasury, Community Development Finance Institution Fund
CDFI Fund - Bond Guarantee Program	
Cinnaire	USDA Rural Development
Federal Home Loan Bank of Des Moines	Wells Fargo
Hennepin County	Western Bank, a division of American National Bank
McKnight Foundation	
Minnesota Housing	

GMHF PROGRAM RELATED ACTIVITIES 2019





2019 Directors

Jane Barrett, Red Lake

Executive Director, Red Lake
Reservation Housing Authority

Joseph Errigo, Minneapolis

Retired President & CEO,
CommonBond Communities

Rosymar Hjermsstad, Park Rapids

Executive Director,
Kinship of Park Rapids Area

Cheryl Key, Lake City

Wabasha County Commissioner

Stephanie Klinzing, Elk River

Director, State Housing Agency

Emily Larson, Duluth

Mayor, City of Duluth

Dale Roemmich, Pipestone

President, First Farmers &
Merchants National Bank

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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.



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Women leaving prison transition home at Solace

Southwest Minnesota Housing Partnership Builds Permanent Supportive Housing to Ensure Hard-to-House, Formerly Incarcerated Women Have Homes and Avoid Recidivism

Minnesota Equity Fund and Greater Minnesota Housing Fund invested over \$2 million in Solace Apartments in St. Peter, Minnesota.

Solace Apartments provides permanent supportive housing to 30 women who are homeless or at risk of homelessness who have been incarcerated with a drug offense and subject to court-ordered treatment with case management.

The project is specifically designed to break the recidivism cycle and to enable women and their families to regain health and stability and thereby reduce costs to the criminal justice and health systems.

Solace Apartments is the result of a robust public-private partnership inspired by a county drug court judge who saw a need for safe, decent affordable housing with support services for the “hard to house.” The developer, Southwest Minnesota Housing Partnership (SWMHP), convened and facilitated a community advisory committee to develop and design a housing project with support services that

Solace Apartments
St. Peter, Minnesota

Minnesota Equity Fund (MEF) Investment:	\$1.9M
<i>Multiple impact investors via Cinnaire Fund 32</i>	
GMHF Gap Loan Financing Contribution:	\$300K
Solace Apartments Total Development Cost:	\$7.2M

Community Partners: Southwest Minnesota Housing Partnership (SWMHP), ASC Psychological Services, City of St. Peter, Greater Minnesota Housing Fund, Minnesota Equity Fund, Nicollet County Courts, Nicollet County Public Defender’s Office, River’s Edge Hospital, St. Peter School District

could respond to the need.

SWMHP builds and rehabs affordable multifamily apartments and single-family homes. SWMHP owns 45 rental properties with 1,581 apartments. SWMHP has also provided homebuyer education and counseling services to over 4,100 households.

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Workforce units, co-op grocery build community

Minority-owned developer returns to roots to transform North Minneapolis neighborhood

NBA star and North Minneapolis native Devean George decided to give back to his home community by making his firm’s first investment affordable apartments for working families with children.

Commons at Penn is a new construction development with 47 rental homes at the corner of Penn Avenue and Golden Valley Road in North Minneapolis, an area that had been identified as a food desert. George’s firm, Building Blocks, worked with community members to add a co-operative grocery store in the first floor of the building to ensure community access to healthy foods.

The mixed-use, transit-oriented development provides a mix of residential homes with 1 to 3 bedrooms, all serving households at or below 60% of area median income. Amenities include an on-site tot lot and gated picnic area, secure bike storage, a community room and fitness center.

Commons at Penn Minneapolis, Minnesota

Minnesota Equity Fund (MEF) Investment: \$4.2M
Multiple impact investors via Cinnaire Fund 29

Total Development Cost: \$10.8M

Community Partners: Building Blocks, Cinnaire, City of Minneapolis, Hennepin County, Greater Minnesota Housing Fund, Minnesota Equity Fund, Metropolitan Council, Minnesota Housing, NorthPoint Health & Wellness Center, Pohlad Family Foundation, Real Estate Equities, Sunrise Banks, Twin Cities LISC, Watson-Forsberg

The development is close to employment opportunities, public transportation, and is located along the future Bottineau Boulevard Light Rail Transitway that is planned to run from Downtown Minneapolis to Brooklyn Park.

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Homeless, chemically dependent find support

Tribes & civic leaders join to provide homes for extremely vulnerable individuals

Park Place of Bemidji opened its doors on a cold and snowy day in 2017, welcoming 60 chronically homeless individuals to their new homes.

Many of the new residents of Park Place had been living in encampments in nearby woods, largely invisible to the rest of the community.

The one-room apartments provide permanent homes with nursing care to individuals who have been struggling with substance abuse and have experienced often times life-threatening homelessness.

Center City Housing Corp. of Duluth developed the new 60-unit complex in response to a housing study that revealed extensive homelessness and chemical addiction, especially among Native American residents in Bemidji and Beltrami County.

Regional health-care provider Sanford Health had provided emergency care to so many homeless individuals struggling with chemical dependence and mental health issues (often linked and know as co-

Park Place of Bemidji
Bemidji, Minnesota

Minnesota Equity Fund (MEF) Investment:	\$3.2M
<i>Multiple impact investors via Cinnaire Fund 31</i>	
GMHF Support Services Grant:	\$100K
Park Place Total Development Cost:	\$10.9M

Community Partners: Center City Housing Corp, Cinnaire, Red Lake Reservation Housing Authority, Leech Lake Band of Ojibwe Housing Authority, City of Bemidji, Community Resource Connections, Greater Minnesota Housing Fund, Minnesota Equity Fund, Minnesota Housing, Sanford Health

occurring disorders) that they offered the services of an on-site nurse when they learned of the new development, contributing to the supportive services available to residents at Park Place.

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Families find security and chance to rebuild lives

Duluth's Steve O'Neil Apartments provides homes & coaching to stabilize homeless families

The opening of Steve O'Neil Apartments marked a new chapter in the lives of 44 formerly homeless families who now have safe, affordable homes with on-site support services to help them live healthier lives and break the cycle of long-term homelessness.

The development is located in the heart of downtown Duluth, close to jobs and public transportation, and offers family life skills coaching, an on-site early childhood center, and shared meals. Residents pay no more than 30% of their income for rent.

The 44-unit permanent supportive housing community and six-room emergency homeless family shelter is named for homeless advocate, St. Louis County Commissioner and GMHF board member Steve O'Neil, who passed away in 2013.

Homeless service provider, Churches United in Ministries (CHUM) saw a tremendous need for a family-centered residential community in Duluth when demand at its emergency shelters doubled between 2009 and 2013, with 75 families seeking shelter, in-

Steve O'Neil Apartments Duluth, Minnesota

GMHF Predevelopment Loan:	\$1M
GMHF Construction Loan:	\$9.9M
GMHF Gap Loan Financing Contribution:	\$500K
Minnesota Equity Fund (MEF) Investment:	\$10.5M
<i>MEF Impact Investor: UnitedHealth Group (UHG)</i>	
Total Development Cost:	\$12.9M

Community Partners: Center City Housing Corp., Churches United in Ministry (CHUM), City of Duluth, Duluth HRA, Duluth LISC, Duluth Superior Area Community Foundation, Greater Minnesota Housing Fund, Minnesota Equity Fund, Minnesota Housing, Northland Foundation, One Roof Community Housing, United HealthGroup

cluding 141 children. Many of the families seeking shelter were headed by single mothers who had also experienced homelessness as a child.

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Once a middle school, soon to be home for many

Historic Cloquet school saved from demo to make way for 57 affordable apartments, offices

When Roers Investments, LLC announced they would be converting the old Cloquet Middle School into apartments, Cloquet Schools Superintendent Ken Scarbrough breathed a sigh of relief. The historic 1921 building, slated for demolition, would be saved and the \$1.3 million earmarked for demolition could now go to other repairs in other schools. Plus, Scarbrough noted, Cloquet gained a tremendous resource in the new affordable rental homes.

"The need for affordable housing and workforce housing is absolutely immense in our community," said Scarbrough, citing a Cloquet housing study. Cloquet is about 15 miles from Duluth, MN. The site is in a predominately residential neighborhood.

The historic school was slated for demolition until the school board and City of Cloquet issued an RFP in 2015 to investigate possible uses for the building, with the primary focus being housing development. The adaptive reuse and historic preservation of the building is supported by the community because it

**Cloquet Middle School Apartments
Cloquet, Minnesota**

GMHF Construction Loan:	\$11M
GMHF Amortizing Permanent 1st Mortgage:	\$1.43M
GMHF Amortizing Permanent 2nd Mortgage:	\$300K
Total Development Cost:	\$14.8M

Community Partners: City of Cloquet, Cloquet School District, Federal Historic Preservation Program, Greater Minnesota Housing Fund, Minnesota Housing, Roers Investments, LLC, State Historic Preservation Office

provides housing opportunities for area employers while preserving the local building.

The building will offer a range of units from single-room studio apartments up to three bedrooms and target households earning between \$37,980 and \$56,430 per year.

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Formerly homeless make Conifer Estates home

High rates of homelessness in Bemidji led to tribal partnerships for new supportive housing

GMHF’s commitment to partnering with tribal nations and local communities to end homelessness led to its involvement in Conifer Estates in Bemidji.

On a single day in 2009, 393 people were known to be homeless in the Northwest Region of Minnesota, including 235 children and youth through age 21. As the economy worsened and homelessness increased, housing leaders in Beltrami County initiated a planning process to bring a supportive housing project into the community.

Conifer Estates residents have access to supportive services such as life-skills training, money management, employment referrals, counseling, and crisis intervention. Tribal members can access additional services directly from their tribe. Conifer Estates is the only housing development in the region for which two tribal nations and a local agency share in the management and delivery of services.

The 20-unit development consists of 16 supportive and three transitional housing units, as well as one

**Conifer Estates Supportive Housing
Bemidji, Minnesota**

GMHF Predevelopment Loan:	\$100K
GMHF Gap Loan Financing Contribution:	\$255K
Conifer Estates Total Development Cost:	\$7.2M

Community Partners: Red Lake Reservation HRA, Red Lake Nation, Leech Lake Band of Ojibwe, Leech Lake HRA, Headwaters Housing Development Corp., Beltrami County HRA, Bi-County Community Action Program Inc., City of Bemidji, Corporation for Supportive Housing, D.W. Jones Management, Greater Minnesota Housing Fund, Minnesota Housing, Minnesota Housing Partnership

caretaker's unit, all designed to successfully house homeless families. Red Lake Nation HRA and Leech Lake Nation HRA each hold the master lease for five units and sublet these 10 units to eligible tribal members. The remaining nine units are available to other households experiencing long-term homelessness.

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NCF empowers residents to become owners

Northcountry Cooperative Foundation assists park residents with preservation & training

Through its flexible financing programs, GMHF supports Northcountry Cooperative Foundation (NCF) to empower the residents of manufactured home park communities to become resident owners, improve housing conditions, and avoid displacement.

In 2017, Zumbro Ridge Estates, a 122-unit manufactured home park community in Rochester, was facing redevelopment pressures and at risk of loss.

Through NCF’s industry know-how, plus resident organizing and training, Zumbro Ridge residents had the opportunity to acquire the mobile home park and convert it from investor-owned to a Resident-Owned Community (ROC), using a cooperative ownership model.

NCF assembled an array of low-cost financing for the acquisition and provided extensive training and capacity building for the resident board and resident owners.

Forty percent (40%) of the park residents are Hispanic, Native American or Asian. Seven percent (7%) are

Zumbro Ridge Estates Rochester, Minnesota

GMHF Mezzanine Loan:	\$250K
GMHF Gap Loan Financing Contribution:	\$150K
Total Development Cost:	\$2.8M

Community Partners: Greater Minnesota Housing Fund, Minnesota Housing, Northcountry Cooperative Foundation (NCF), Resident Owned Communities (ROC-USA)

senior citizens. Over three-quarters are below 60% AMI and nearly all are below 80% AMI.

GMHF provided low-cost, equity-like mezzanine financing and a 0% deferred loan to help finance acquisition and infrastructure improvements. First mortgage financing came from Resident Owned Communities (ROC-USA) and Minnesota Housing. Resident co-op members each provided individual membership participation contributions.

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Affordability nearly lost, but displacement avoided

Families and individuals with housing vouchers are able to stay in their homes now that affordability is permanently preserved through NOAH Impact Fund investment

The NOAH Impact Fund, a subsidiary of Greater Minnesota Housing Fund, partnered with nonprofit developer Aeon in 2018 to purchase 118 units of at-risk affordable workforce housing in Little Canada.

With expiring Low Income Housing Tax Credit affordability contracts, the owners had put this property on the market, intending to secure the maximum price and potentially eliminate acceptance of Section 8 vouchers to maximize rent revenue.

Following multiple rounds of bidding with competing buyers, nonprofit developer Aeon was able to negotiate a price that included a charitable “bargain sale” donation from the seller that decreased the net cost to purchase the property and enabled a more economic transaction for both buyer and seller.

Given the short window to close, the NOAH Impact Fund was able to move quickly with Aeon, package complete financing to acquire and stabilize project rents at 60% of Area Median Income for the long-term, and preserve acceptance of Section 8 vouchers.

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Provinces Apartments Little Canada, Minnesota

NOAH Impact Fund Equity Investment:	\$3M
Freddie Mac	\$8.1M
Ramsey County CDBG	\$200K
Seller Donation	\$135K
Total Development Cost:	\$14M

Impact Investors and Partners: Bremer Bank, Sunrise Banks, Western Bank a Division of American National Bank, Minnesota Housing, Hennepin County HRA, The McKnight Foundation, Otto Bremer Trust, Freddie Mac, Ramsey County

Given the fact that fewer and fewer apartment complexes in the East Metro accept tenant vouchers, the Provinces Apartment complex will continue to be an important workforce housing resource, providing 118 affordable units and Section 8 voucher acceptance.





Quick action keeps 239 rental homes affordable

Rents would have risen for low-income renters without intervention by NOAH Impact Fund & Aeon

NOAH Impact Fund, a subsidiary of Greater Minnesota Housing Fund, partnered with developer Aeon to purchase 239 units of NOAH workforce affordable housing in Bloomington and Brooklyn Center.

Towers Management put their entire 767-unit portfolio of apartments, built in the 1960s and 1970s, on the market in pursuit of a market price. The trend in the area is for such rental properties to be superficially updated and converted to premium rents, resulting in displacement of low-income, working families.

NOAH Impact Fund and Aeon worked with the seller to create an acquisition plan that included bringing in a national partner, Enterprise Community Partners, so that all 767 units could be purchased and affordability preserved.

On a very tight 60-day timeline, Aeon, NOAH Impact Fund and Enterprise were in fact able to purchase the entire portfolio, preserve the affordable rents for the long-term, finance immediate repairs and make im-

Towers Apartments
Bloomington & Brooklyn Center, Minnesota

NOAH Impact Fund Equity Investment:	\$7.9M
Freddie Mac	\$18.7M
Total Development Cost:	\$27.8M

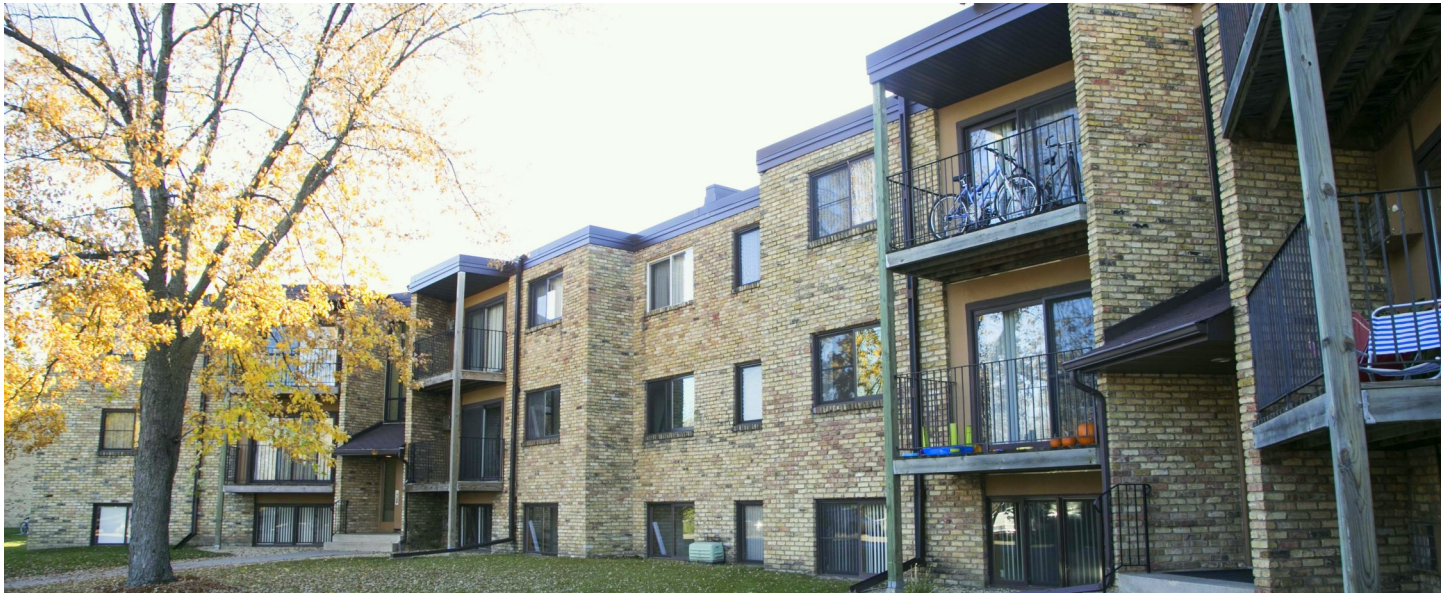
Impact Investors and Partners: Bremer Bank, Sunrise Banks, Western Bank a Division of American National Bank, Minnesota Housing, Hennepin County HRA, McKnight Foundation, Otto Bremer Trust, Freddie Mac

provements over time while maintaining affordability. Aeon is as committed to preserving rents affordable at 60% of AMI for 15 years.

Located in an area with excellent schools, access to transit and jobs, the Towers Apartments provides affordable yet unsubsidized housing for workforce families in the community.

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NOAH pilot project set stage for new impact fund

Low-income tenants faced higher rents and displacement as rental property prices increased

The Fountain Terrace Apartments complex was originally built by Bethel College in 1960 to provide affordable married student housing, and provided 85 units of all 2-bedroom apartments, close to excellent schools, good jobs, and services, with bus service at the front door of the property.

In more recent years the property was under private ownership with rents averaging 60% of AMI and still providing affordable homes to the area workforce.

However, in 2017 the property went up for sale at a time when area rents were rising fast and becoming less affordable, and speculative investors were seeking to invest in undervalued real estate.

Real Estate Equities (REE), a for-profit developer of affordable and market-rate housing, became aware of the owner’s interest in selling and inquired about an off-market acquisition at the same time that GMHF and REE began to work together to test the NOAH preservation model on a demonstration pro-

Fountain Terrace Apartments
New Brighton, Minnesota

NOAH Impact Fund Equity Investment: \$2.2M

Total Development Cost: \$6.8M

Impact Investors and Partners: Bremer Bank, Sunrise Banks, Western Bank a Division of American National Bank, Minnesota Housing, Hennepin County HRA, Greater Minnesota Housing Fund, McKnight Foundation, Otto Bremer Trust

ject. The result was that this first NOAH acquisition was quietly completed, without a broker, for less than the appraised value using early seed capital from GMHF. This became a proof-of-concept pilot transaction that provided a solid demonstration project for future impact investors, and formed the basis for creation of the NOAH Impact Fund.

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