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Equal Opportunity Housing and Equal Opportunity Employment

May 25, 2011

The Honorable Keith Ellison
United States House of Representatives
1122 Longworth House Office Building
Washington, D.C. 20515

RE: HOME Investment Partnerships Program

Dear Congressman Ellison:

You've no doubt read or heard about the recent stories in the Washington Post alleging that the HOME Investment Partnerships Program (HOME) has "squandered hundreds of millions of dollars on stalled or abandoned projects." The articles report there are 700 "stalled" HOME-funded projects that were not complete. The implication of this report is that work on these projects had either not begun or was not completed, or that funds had been spent with nothing provided in return.

Since 1992 HOME has provided over \$142 million to Minnesota Housing to construct or rehabilitate over 9,300 affordable rental units and single-family homes; and to help over 1,300 first time homebuyers overcome the downpayment barrier to homeownership. In just the last year HOME provided nearly \$9.5 million to rehabilitate 346 affordable rental units and 65 homeowner units, and downpayment assistance for 562 low-income first time homebuyers.

Because there have been calls to investigate the HOME program over these perceived abuses, I wanted to share with you the details on three Minnesota Housing Finance Agency projects that appear among the 700 "stalled" projects as a way to shed light on the details of what HUD's data says and how it has been misunderstood.

HUD tracks HOME projects in its Integrated Disbursement and Information System (IDIS). One of the rules of the HOME program is that a project is not considered "complete" until all the work is complete and all HOME funds allocated to the project have been drawn and expended. Housing development is a difficult and complicated undertaking and sometimes, despite everyone's best efforts and intentions, not everything goes right. When that occurs, prudent HOME grantees will withhold a portion of the funding until errors are corrected and the project is made right. This ensures that HOME funds are used appropriately and that the project provides decent housing upon completion. Unfortunately, the prudent action of delaying final disbursement causes the project to be considered open or incomplete in IDIS, implying to an uninformed reader of the data that the project is not providing affordable housing.

Minnesota Housing had three projects that were included in the report. One project is a single-family property in Virginia, Minnesota that was acquired and rehabilitated by the Arrowhead Economic Opportunity Agency (AEOA) with the goal of selling it to a low-income first-time homebuyer. About the

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time the rehabilitation was completed and the property put up for sale, the mortgage housing markets fell apart. The property has had three interested buyers, but a closing never occurred because of a variety of reasons, none of them the fault of AEOA. AEOA has another buyer we hope will go through to closing. In this case, Minnesota Housing held back a part of the HOME funds until the property is sold.

Rehabilitation on two rental projects was complete and the units occupied by HOME-eligible tenants; but because of disputes regarding some expenses and the beginning of the compliance period, Minnesota Housing withheld a portion of the HOME funds as leverage to ensure settlement of outstanding issues. These two projects were included in the Post's count of 700 stalled projects, despite the fact that rehabilitation had been completed and the units are occupied.

Finally, the HOME program permits project-specific assistance loans to help Community Housing Development Organizations with pre-construction costs, feasibility studies, architectural plans, zoning approvals and the like. If the project is found to not be viable for whatever reason, it may not go forward. The result is that HOME funds may be spent not on a project, but rather on determining if a project is feasible. Even though HOME funds were spent and not a single unit resulted from that expenditure, the determination that the project was not viable is itself important to safeguard against investing HOME funds in a project that will likely not succeed.

Housing development and the HOME program are complicated and there are a number of explanations for the findings of the article, but no single explanation fits all the projects.

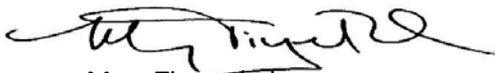
We urge Congress to keep in mind the several legitimate reasons for projects to seemingly "stall," to consider the good the HOME program accomplishes, and to not rush to judgment.

If you have any questions about Minnesota Housing's use of the HOME program or wish to discuss the technical issues surrounding IDIS data, please call Jim Cegla of my staff at 651-297-3126.

If there are any questions or additional information we can provide to you, please contact Jim Cegla of my staff at 651-297-3126 or jim.cegla@state.mn.us.

Thank you for your assistance preserving these important programs.

Sincerely,



Mary Tingertal
Commissioner

cc: Carrie Johnson, Office of Congressman Keith Ellison
Jim Cegla, Minnesota Housing