

(\$ in thousands)

Project Title	Rank	Fund	Project Requests for State Funds			Gov's Rec	Gov's Planning Estimates	
			2024	2026	2028	2024	2026	2028
Housing Infrastructure Bonds	1	AP	150,000	150,000	150,000	50,000	50,000	50,000
		GF	150,000	150,000	150,000	0	0	0
Public Housing Rehabilitation	2	GO	60,000	60,000	60,000	7,500	7,500	7,500
		GF	60,000	60,000	60,000	0	0	0
Total Project Requests			420,000	420,000	420,000	57,500	57,500	57,500
Appropriation Bonds (AP) Total			150,000	150,000	150,000	50,000	50,000	50,000
General Fund Cash (GF) Total			210,000	210,000	210,000	0	0	0
General Obligation Bonds (GO) Total			60,000	60,000	60,000	7,500	7,500	7,500

<https://www.mnhousing.gov/>

AT A GLANCE

- Provided more than \$2.1 billion in housing assistance, serving over 109,000 households.
- Have Aa1 and AA+ credit ratings with Moody's and Standard & Poor's.
- Financed loans to nearly 5,600 first-time homebuyers, financed homebuyer education and counseling for more than 7,300 households and provided home improvement resources for nearly 1,200 homes.
- Created, rehabilitated or refinanced more than 2,700 units of rental housing and assisted over 40,000 renters.
- Over the past three years, 45% of competitive assistance has been provided to Greater Minnesota.

All numbers are for Federal Fiscal Year 2022

PURPOSE

Success in life starts at home for all ages and all people. When we have safe, secure places to live, parents earn more, kids learn better, health and well-being improve, communities prosper and we all thrive. Our homes are the foundation of our communities and they fuel the engine of our economy.

In Minnesota, housing challenges are consistent and persistent and they are not shared equally across different race and ethnicities. People of color and Indigenous communities are more likely to face housing instability, be evicted and experience homelessness than white households. Other housing indicators include:

- An estimated 215,000 renter households making 50% area median income or below spend more than 30% of their income on housing.
- Minnesota has the 13th largest disparity in homeownership rates in the country for households of color and Indigenous households.
- About 8,400 people face homelessness each night, including nearly 1,700 people who sleep outside.

Our vision is that all Minnesotans live and thrive in a stable, safe and accessible home they can afford in a community of their choice. To work towards this vision, Minnesota Housing collaborates with individuals, communities and partners to finance rental housing and homeownership opportunities throughout the entire state.

STRATEGIES

Housing stability is at the core of Minnesota Housing's mission that emphasizes thriving communities, equity and inclusion and children and families. We support our mission by providing a wide range of rental, homeownership and homelessness assistance programs.

Our focus is on serving households that make the least and we direct resources to communities most impacted by housing instability. We have begun using an antiracist lens to evaluate program changes and are working to remove systemic barriers and policies that perpetuate housing instability for people of color and indigenous communities. We are also focusing more on financing climate resilient housing and energy efficiency improvements.

We deliver our programs through a statewide network of local lenders, community-based organizations, local housing and redevelopment authorities and for-profit and nonprofit developers. We work with other public and

private funders to make most of the funds for housing development available in a comprehensive, one-stop competitive application process.

- **Rental Housing:** We finance new construction, rehabilitation and preservation of rental housing using federal low income housing tax credits, state and federal appropriations and first mortgages. We prioritize rental opportunities that are affordable to households that make the least. We also provide rental assistance and administer federal Section 8 contracts.
 - We served over 40,000 Minnesota households through our multifamily rental programs in 2022.
 - Over three-quarters of renters made less than \$30,000 per year.
 - We financed the new construction and preservation of 2,784 units of affordable rental housing in 2022 with state and federal resources.

- **Homeownership Opportunities:** We offer first-time homebuyer loans, downpayment assistance programs, a refinance program, and two home improvement loan programs to support Minnesota homebuyers and homeowners. We account for about 6% of the State’s total mortgage lending.
 - We provided home mortgage loans to 5,595 Minnesota households in 2022.
 - The first-time homebuyers we served had a median annual household income of \$62,400.
 - Forty percent of the first-time homebuyers we served were households of color or from indigenous communities compared to industry average of 21%
 - Ninety-eight percent of the homebuyers who received a Minnesota Housing first mortgage also received assistance with downpayment and closing costs.

- **Housing Stability:** In addition to financing rental housing for people facing homelessness, we provide rental assistance and short-term financial assistance to individuals and families who are homeless or who face housing instability. The number of people facing homelessness, especially people sleeping outside, has been increasing in recent years.
 - We provided state-funded rental assistance to over 2,200 households in 2022. These households have a median annual household income of around \$10,000.
 - We provided assistance to over 57,000 households (with a median household income of about \$15,000) to prevent and assist people facing homelessness
 - Minnesota Housing and twelve state agencies collaborate on the statewide *Plan to Prevent and End Homelessness*.

M.S. 462A (<https://www.revisor.mn.gov/statutes/?id=462A>) provides the legal authority for Minnesota Housing.

AT A GLANCE

Minnesota Housing has 5 focus areas in our Strategic Plan:

- 1) Improve the Housing System
- 2) Increase Housing Availability
- 3) Make Homeownership More Accessible
- 4) Support People Needing Additional Services
- 5) Strengthen Communities

State investments in capital resources are critical to achieving the agency's mission, strategic priorities, and our ability to serve individuals and families most impacted by housing instability. Housing capital investments build and preserve housing for people at the lowest incomes and bonding bills have historically provided the largest investments the State makes in affordable housing development.

Factors Impacting Facilities or Capital Programs

Everyone wants a home they can afford in a community of their choice because it provides the foundation for success, supports educational achievement, stable employment, health, and prosperity. Today, however, many Minnesotans are struggling with the cost of housing.

- Just over 215,000 renter households at or below 50% Area Median Income (AMI) a year spend more than 30% of their income on housing;
- About 8,000 people experience homelessness each night, around 2,000 of whom are sleeping outside, unsheltered. More than 8,000 children are homeless or highly mobile in school districts across the state;
- Minnesota has the 13th-largest homeownership disparity in the country for Black, Indigenous and People of Color households;
- An American Indian is over 20 times more likely to experience homelessness than a person who is white; and
- Research found that the housing shortage in the Twin Cities metro area could limit job growth and result in a loss to the Gross Regional Product of \$215 million annually.

Generally, housing costs have outpaced increases in income and the lack of housing that is affordable has an impact on the economy. Many Minnesotans are experiencing the effects of the housing shortage with the high price of renting or buying a home, and the rates of homelessness are increasing. Additional market forces including low vacancy rates in recent years, higher interest rates and the loss of unsubsidized affordable housing units, have added pressure on the housing system.

Homelessness is Persistent

In Minnesota, roughly 8,000 people are homeless each night. This number includes around 3,200 people in families and an estimated nearly 2,000 people sleep outside without shelter – a significant increase in recent years. A person of color in Minnesota is more likely to experience homelessness than a person who is white/non-Hispanic. Native Americans and American Indians are 30 times more likely experiencing homelessness than their white, non-Hispanic counterparts.

Homelessness is the most severe form of housing instability and encompasses many societal failures. It is often the result of inadequate and inequitable systems involving housing, physical and behavioral health, employment,

and education. The State has responded, but the severity of the housing crisis is a significant challenge. Around one-third of people experiencing homelessness are working.

Based on the 2022 Point in Time Count, the number of people experiencing homelessness in Minnesota is slightly higher than it was in 2017. The number of people sleeping outside has tripled in the past several years and Minnesota numbers have outpaced national averages. We also know that older adults are experiencing homelessness. Specifically, the number of adults age 55 and older experiencing homelessness increased since 2015. With the state's aging demographic and affordable housing needs for older Minnesotans, Housing Infrastructure Bonds can be used to help create housing for low-income seniors (30% AMI) that the private market currently isn't creating.

The increase in homelessness among certain populations demonstrates a need for more supportive housing. Supportive housing is housing with services, which help reduce the social costs of homelessness by keeping individuals out of emergency rooms, shelters and the correctional system. Housing Infrastructure Bonds are the primary way the State finances permanent supportive housing.

We know that where we make investments, we see results. With a focus on reducing homelessness among veterans, we have effectively ended veterans' homelessness in nearly every region of the state. We have also funded three projects exclusively for veterans using Housing Infrastructure Bonds, which have helped to minimize the number of veterans experiencing homelessness.

Housing Stock is Getting Older

Minnesota has approximately 120,000 units of privately-owned rental housing that have received or currently receive federal or state assistance to keep them affordable. These properties are located throughout the state, in large and small communities alike. The affordable housing stock is an essential part of communities' infrastructure and its preservation is critical to communities' continued vitality. As these properties age, or as the subsidy contracts and regulatory agreements expire, there is a risk that these units may be lost due to physical deterioration or diminished capacity of the ownership entity. With the lack of affordable housing, there is additional risk that some properties may convert to market rate housing and no longer be affordable for low income residents.

Around 30,000 of these privately-owned affordable housing units are federally subsidized through the Section 8 program. Section 8 housing is among the most affordable housing available because the tenant is required to pay only 30% of household income towards rent. The federal government makes up the difference between the tenant's contribution and an agreed upon contract rent. Another 7,000 privately-owned affordable housing units are federally subsidized through USDA Rural Development.

The Section 8 and USDA Rural Development portfolios were developed primarily from the 1960s to the 1980s. Due to the age of the housing stock, rents may not be able to keep up with the physical demands of the properties. Capital investments are needed to make physical improvements so that the properties can remain intact and affordable for decades to come. Funding is used to ensure that the health, safety and quality of this critical affordable housing stock is maintained for its low-income residents well into the future. With the capital investments provided by the State, the private owner is required to commit to at least 20 more years of affordability.

Minnesota Housing, along with its philanthropic funding partners and local and federal partners, has taken a systematic, long-term approach to stabilization and preservation that recognizes that preservation of existing housing is often the most cost-effective means of providing affordable housing. Typically, for every \$1 of state funding, \$4 in anticipated federal assistance is preserved.

People Are Getting Older

The State Demographer's Office is forecasting nearly 219,000 more Minnesotans age 65+ in 2038 than there were in 2023. In 2035, seniors will account for more than 30% of the population in many counties, particularly in north central Minnesota and some border counties around the state. Initially, as baby boomers retire, they likely will live independently and age-in place, but as they get older and disabilities increase, the housing demands will become more complex.

The State is likely to face challenges in providing housing to seniors that is: (1) affordable, (2) keeps them in the community as long as possible, and (3) provides adequate access to care, services and amenities. These challenges are exacerbated by the lack of affordable housing that currently exists.

Federal Investments Not Keeping Pace with Need

Minnesota has more than 21,000 public housing units funded by the federal government and owned and operated by local public housing authorities. Public housing exists in all 87 counties and serves the lowest income households in the state. Most than 90% of public housing units are 35+ years old. Seventy-five percent (75%) of public housing residents earn less than \$15,000 per year. Nearly two-thirds (66%) of households in public housing are seniors or households with disabilities and about one-third (33%) are children.

Over the years the federal government's commitment to support public housing has diminished as appropriations for operations and maintenance of the housing stock have been reduced to inadequate levels. Consequently, some public housing authorities have been forced to sell some of their units to reduce operating costs and generate enough revenue to properly maintain the remaining inventory. Others have delayed needed maintenance and repairs, putting units at risk of becoming uninhabitable. Due to the lack of resources to preserve the buildings and keep them safe for residents, many public housing authorities are looking for resources to address the backlog of needs.

Not Enough Single Family Homes

Minnesota has one of the nation's highest rates of homeownership (71.9%), while at the same time it has one of the largest disparities in homeownership rates between white households and Black, Indigenous, and People of Color (BIPOC).

In addition to structural and institutional barriers, one of the reasons for this gap is the lack of availability of affordable homeownership opportunities. The number of available single-family homes for sale has been at historic lows over the past few years and single family production has not kept up with the demand. The months-supply of homes selling for less than \$250,000 in June 2021 was just 0.9 months, when a healthy supply is about 5 months. Minnesota has a shortage of nearly 40,000 owner-occupied homes, across all price points. The lack of supply of available homes continues to drive up prices throughout the state. These dynamics creates a greater need for new affordable opportunities that are within reach for first-time, along with low- and moderate-income buyers.

Aging Manufactured Home Communities

Manufactured homes —factory-made dwelling units built on a permanent chassis (a transportable frame) —are an important and often overlooked affordable housing option across the state.

Nearly all manufactured home parks have infrastructure needs. The homeowners who live in parks with deteriorating infrastructure are in a precarious situation. While they own their homes, they do not own the land beneath them, thus creating challenging issues when a park owner decides to sell the property. Having failing infrastructure can be a determining factor in deciding to sell or close a community. Because residents of the parks are typically very low-income, they are often not able to pay increased rents that could be used finance the

infrastructure improvements. Several manufactured home communities in the Twin Cities have shuttered and several in Greater Minnesota have recently closed and a new communities has not opened in Minnesota since the 1990's.

Self-Assessment of Agency Facilities and Assets

Minnesota Housing does not own or operate facilities covered by this request. The request is for financing of activities that improve and augment the infrastructure of affordable housing in communities throughout the state. Without these critical funds, communities stand to lose housing units that are vital to serving the needs of citizens and vulnerable populations in these communities.

Agency Process for Determining Capital Requests

The need for affordable housing is significant and growing. The agency's requests don't meet the needs, but the resources will significantly impact the housing landscape in communities all across the state. We typically receive at least three to four times as much in requests for deferred financing as we have funding available. In 2023, we received almost \$400 million in deferred loan requests from across the state. Due to recent Housing Infrastructure Bond (HIB) authorizations, we have been able to reduce the number of unfunded projects.

We learned through the Housing Task Force that we were over 50,000 housing units short from having a healthy housing supply where home prices and rents are relative stable. Since the 2018 Task Force report, we have made progress on the rental side, but need a lot more construction for homeownership. We are still about 40,000 units short on the homeownership side. The private sector cannot do alone. We also need to preserve the homes we have and build more, especially for those at the lowest income levels.

While we need new homes, the state's existing housing is aging and in need of capital for rehabilitation to preserve the affordability of these properties. When these developments that have federal financing are sold or converted, we lose the federal assistance forever. This portfolio continues to age and with additional wear and tear, the maintenance backlogs continue to grow.

Major Capital Projects Authorized in 2023

In 2023, the Legislature provided \$200 million in cash appropriations in FY 2024-25 for the Housing Infrastructure program. The majority of that funding will be committed to rental, homeownership and manufactured housing projects in December 2023. Remaining funds will be committed to projects in 2024.

The Legislature also provided a total of \$87 million in funding for public housing rehab in the 2023 Legislative Session, \$5 million of which is for a grant to the Minneapolis Public Housing Authority. The first of at least two RFPs for public housing will begin in fall 2023.

Housing Infrastructure Bonds

AT A GLANCE

2024 Request Amount: \$300,000

Priority Ranking: 1

Project Summary: Minnesota Housing requests \$300 million in the Housing Infrastructure program. This includes the authority to issue \$150 million in Housing Infrastructure Bonds (HIB) and \$150 million in appropriations. The state needs more housing development and the Housing Infrastructure program finances the new construction or rehabilitation of single family, rental housing and manufactured home community infrastructure.

Project Description

Housing Infrastructure is the largest state source of capital for housing development. Housing Infrastructure leverages local, federal and private investment, spurs development that the private market does not create and provides critical financing to build new housing and preserve existing housing to meet local housing needs.

This request is for a general fund appropriation to pay the debt service on \$150 million in Housing Infrastructure Bond proceeds issued by Minnesota Housing and \$150 million in appropriations. The resources will be awarded through competitive, statewide Request for Proposal (RFP) processes to private for-profit, governmental and non-profit developers for supportive housing, preservation, senior housing, deeply affordable rental housing, single family development and manufactured home communities. The State has supported the use of appropriation bonds because over 95% of the housing in the state is privately owned and State GO bonds are limited to publicly owned assets.

Permanent Supportive Housing

Permanent supportive housing is deeply affordable rental housing (30% AMI) with connections to services necessary to help renters live in the community and improve their lives. Supportive housing creates housing stability for households with the lowest incomes and households with service needs so they can address significant mental health challenges, chronic health conditions, substance abuse disorders and other barriers to self-sufficiency. The housing stability and additional services help individuals and families complete school or training, get connected to programs, achieve employment and eventually attain independent living. Residents include households persons with disabilities, people with mental illness, and those who are facing homelessness, including youth and veterans.

Preservation of Existing Federally-Assisted Housing

Minnesota is at risk of losing tens of thousands of affordable units of housing due to deterioration, conversion to market rate rents, or diminished capacity of the ownership entity. The federal Section 8

program has provided the largest portion of the privately owned, federally assisted rental housing in the state with around 30,000 units. The privately owned Section 8 portfolio was developed primarily from the 1960s to the 1980s. In addition, Minnesota has 6,000 units financed by U.S. Department of Agriculture Rural Development that are of a similar age. As these properties age significant injections of capital provided by Housing Infrastructure are needed to ensure that properties can remain intact and affordable for decades into the future. If the properties are not preserved, the federal subsidies can be lost to the state.

Senior Housing

The State Demographer's Office is forecasting nearly 219,000 more Minnesotans age 65+ in 2038 than there were in 2023. Housing Infrastructure funds the acquisition, rehabilitation, adaptive reuse or new construction of senior housing. Funding will be used for housing affordable to seniors (55 years of age and older) earning between 30% and 50% of Area Median Income. New construction senior housing is a priority use for the funds as senior housing at these income levels is a critical need not met by the private market.

Single Family Development

Minnesota has a current shortage of approximately 40,000 homes for ownership. Housing Infrastructure finances forgivable loans and grants for the acquisition, rehabilitation, adaptive reuse, or new construction of single-family housing. These resources are also accessed for community land trusts. Community land trusts are non-profit organizations that acquire and own land for the long-term. The community land trust leases the land to a low or moderate-income homeowner who purchases the structure built on the land held in trust.

Manufactured Home Park Acquisition and Infrastructure

Manufactured housing represents some of the most affordable and underresourced housing across the state in urban, suburban, and rural settings. Housing Infrastructure finances improvements and infrastructure, including storm shelters and community facilities, for manufactured home parks, as well as acquisition.

Deeply Affordable New Construction

The private market does not build deeply affordable rental housing. The Legislature created a new eligible use of Housing Infrastructure in 2023 to finance the costs of construction, acquisition, and rehabilitation of permanent housing that is affordable for households with incomes at or below 50 percent of the area median income. The focus of this new use is for new construction.

Project Rationale

To eliminate our housing deficit, Minnesota needs to continue investment in both new construction and preservation of existing affordable homes.

Housing disparities are persistent in Minnesota. Black, Indigenous and People of Color (BIPOC) are more likely to be severely cost-burdened, be evicted and face homelessness while also being less likely to become homeowners. In recent years, over 50% of households served by Housing Infrastructure were BIPOC.

Minnesota needs to build more housing, especially for those with the lowest incomes. Housing production has increased, but Minnesota still has not caught up and overcome the under production between 2006 and 2016. We still have a shortage of about 40,000 housing units. Housing Infrastructure is the primary source of capital for housing development in the state.

We need to preserve more housing. Around 10,000 of the 30,000 HUD Section 8 units have contracts that expire in the next four years, putting them at risk of being lost permanently. These units allow renters to pay 30% of their income towards rent. Additionally, the state’s Section 8 portfolio is aging and in need of capital for rehabilitation to preserve the affordability of these properties that exist in all 87 counties

Housing instability is impacting more Minnesotans and people facing homelessness remains at high levels. Nearly 215,000 renter households making less than \$50,000 a year spend more than 30% of their income on housing. About 8,000 people experience homelessness each night, nearly 2,000 of whom are sleeping outside, unsheltered. Housing Infrastructure builds deeply affordable rental housing with the median annual household income for renters in Housing Infrastructure developments was less than \$10,000 in 2022.

The housing shortage is limiting economic growth. The shortage of housing in the Twin Cities metro area could limit job growth and reduce Gross Regional Product by \$215 million annually. Housing Infrastructure is the primary source of capital for housing development in the state.

Project Timeline

Housing Infrastructure loans and grants are awarded across Minnesota through several statewide, competitive application processes: one for rental housing, another for single family development and another for manufactured home communities. If approved in the 2024 legislative session, the funding will initially be awarded in December 2024 with some developments beginning construction in 2025.

Other Considerations

Heading Home Plan – Housing Stability for All Minnesotans

The Minnesota Interagency Council on Homelessness is comprised of 12 State agencies, the Met Council and the Governor’s Office and is accountable for leading the state’s efforts to achieve housing stability for all Minnesotans through the Heading Home Plan. The Council is lead by Lt. Governor Flanagan and co-chaired by Commissioner Harpstead from Department of Human Services and Commissioner Ho from Minnesota Housing.

Housing Infrastructure are a critical tool for building new rental housing and preserving housing that’s affordable at the lowest-income levels. Housing Infrastructure Bonds are the main source of capital to build permanent supportive housing which brings affordable housing with access to services.

Green Communities Criteria

Minnesota Housing has adopted a sustainability policy based on the national Enterprise Green Communities Criteria which were designed specifically for the affordable housing community. Minnesota Housing uses a Minnesota Overlay and Guide to accompany the Enterprise Green Communities criteria to make the criteria specific to Minnesota's climate and local regulations.

The Minnesota Overlay & Guide to Enterprise Green Communities is required for all new developments and for substantial rehabilitation projects funded by the agency and will apply to developments that are selected to receive HIB. The criteria cover a range of mandatory and optional criteria related to energy efficiency and the environment including efficient lighting, use of renewable energy, low-impact development, water-conserving fixtures, healthy building materials, access to public transportation, landscaping and integrative design. The building performance standards within the criteria require projects to commission an independent HERS Rater who conducts energy modeling and performs onsite inspections during construction as required for Energy Star Certification. Minnesota Housing architects also make site visits to verify requirements are being met.

Impact on Agency Operating Budgets

This request does not impact Minnesota Housing's operating budget. Minnesota Housing does not use General Fund appropriations for operating expenses. The developers applying for funding are expected to meet their operating costs through the income they receive from rents, or in the case of community land trusts, through income from the land lease.

Description of Previous Appropriations

Minnesota Housing received past appropriations for the construction of permanent supportive housing as follows:

In 2010, the agency was able to issue \$6 million in additional bonds based on the annual \$2.4 million debt service appropriated in 2008 due to lower-than-expected interest rates.

In 2012, we awarded \$30 million in Housing Infrastructure Bond proceeds to projects that preserve existing federally subsidized rental housing, create new permanent supportive housing opportunities, and to stabilize communities impacted by the foreclosure crisis. The bond proceeds were committed in 2012 and were used to construct or preserve 472 units of housing.

In 2014, we awarded \$80 million in Housing Infrastructure Bond proceeds to projects for the same purposes. The bond proceeds were committed in 2014 and were used to construct or preserve 1,239 units of housing.

In 2015, the Legislature authorized an additional \$10 million in Housing Infrastructure Bond proceeds. These proceeds were used to construct or preserve 162 units of affordable housing.

In 2017, the Legislature authorized an additional \$35 million in Housing Infrastructure Bond proceeds. The Legislature also authorized an additional \$20 million in Housing Infrastructure Bond proceeds using previous debt service appropriations, due to low interest rates on the bonds issued in 2014 and 2015. This total of \$55 million in Housing Infrastructure Bond proceeds will be awarded to projects in fall 2017.

In 2018, the Legislature authorized an additional \$80 million in Housing Infrastructure Bond proceeds, with \$30 million of that amount dedicated to permanent supportive housing for households behavioral health needs. \$28.4 million was awarded in the fall of 2018, which impacted 406 homes.

In 2019, during the 1st Special Session, the Legislature approved an additional \$60 million in Housing Infrastructure Bond authorization. This amount will be added to just under \$60 million in existing authorization and awarded in the fall of 2019.

In 2020, during the 1st Special Session, the Legislature approved an additional \$100 million in Housing Infrastructure Bond authorization. The vast majority of that authorization was awarded at the end of 2020 and early 2021.

In 2021, the Legislature approved \$100 million in HIB authorization. The vast majority of that authorization was awarded to projects in 2021 and 2022 funding processes.

In 2023, the Legislature approved \$200 million in Housing Infrastructure appropriations, not HIB debt. Those appropriations will finance rental housing, single family development and manufactured home park infrastructure starting in 2023.

Project Contact Person

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Governor's Recommendation

The Governor recommends \$50 million in appropriation bonds for this request. Also included are budget estimates of \$50 million for each planning period for 2026 and 2028.

Housing Finance

Project Detail

(\$ in thousands)

Housing Infrastructure Bonds

PROJECT FUNDING SOURCES

Funding Source	Prior Years	FY 2024	FY 2026	FY 2028
State Funds Appropriated and Requested				
Appropriation Bonds	\$ 540,000	\$ 150,000	\$ 150,000	\$ 150,000
General Fund Cash	\$ 0	\$ 150,000	\$ 150,000	\$ 150,000
State Funds Pending				
Non-State Funds Already Committed				
Non-State Funds Pending				
TOTAL	\$ 540,000	\$ 300,000	\$ 300,000	\$ 300,000

TOTAL PROJECT COSTS

Cost Category	Prior Years	FY 2024	FY 2026	FY 2028
Property Acquisition	\$ 129,600	\$ 72,000	\$ 72,000	\$ 72,000
Predesign Fees	\$ 0	\$ 0	\$ 0	\$ 0
Design Fees	\$ 0	\$ 0	\$ 0	\$ 0
Project Management	\$ 0	\$ 0	\$ 0	\$ 0
Construction	\$ 410,400	\$ 228,000	\$ 228,000	\$ 228,000
Relocation Expenses	\$ 0	\$ 0	\$ 0	\$ 0
One Percent for Art	\$ 0	\$ 0	\$ 0	\$ 0
Occupancy Costs	\$ 0	\$ 0	\$ 0	\$ 0
Inflationary Adjustment	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL	\$ 540,000	\$ 300,000	\$ 300,000	\$ 300,000

IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2024	FY 2026	FY 2028
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	\$ 150,000	100 %

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
User Financing	\$ 0	0 %

STATUTORY REQUIREMENTS

The following requirements will apply to projects after adoption of the bonding bill.

Is this project exempt from legislative review under M.S. 16B.335 subd. 1a?	Yes
Predesign Review (M.S. 16B.335 subd. 3):	
Does this request include funding for predesign?	N/A
Has the predesign been submitted to the Department of Administration?	N/A
Has the predesign been approved by the Department of Administration?	N/A
Will the project design meet the Sustainable Building Guidelines under M.S. 16B.325?	N/A
Will the project designs meet applicable requirements and guidelines for energy conservation and alternative energy sources (M.S. 16B.335 subd. 4 and 16B.32)?	Yes
Have Information Technology Review Preconditions been met (M.S. 16B.335 subd. 5 & 6)?	N/A
Will the project comply with the targeted group purchasing requirement (M.S. 16C.16 subd. 13)?	Yes
Will the project meet public ownership requirements (M.S. 16A.695)?	N/A
Will a use agreement be required (M.S. 16A.695 subd. 2)?	N/A
Will program funding be reviewed and ensured (M.S. 16A.695 subd. 5)?	N/A
Will the matching funds requirements be met (M.S. 16A.86 subd. 4)?	N/A
Will the project be fully encumbered prior to the Cancellation Deadline (M.S. 16A.642): December 31, 2028?	Yes
M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required	N/A
M.S. 473.4485: Guideway Project	
Is this a Guideway Project?	N/A
Is the required information included in this request?	N/A

Public Housing Rehabilitation

AT A GLANCE

2024 Request Amount: \$120,000

Priority Ranking: 2

Project Summary: \$120 million to preserve existing public housing built over 50 years ago to keep it decent, safe and accessible and to improve its climate resiliency for its current and future residents. This request includes \$60 million in state general obligation bonds and \$60 million in cash appropriations.

Project Description

The requested funding will provide investments in aging public housing stock that needs repair. Funding will provide improvements in fire prevention systems, heating and cooling systems, building exteriors, energy efficient windows, elevators and other critical health and safety items. Priority will be given to those projects that address health and safety needs, including fire suppression systems, accessibility improvements. as well as projects related to climate resiliency.

The housing comes in all sizes and types, from scattered site single family homes to high rise apartments for elderly families, and is in all 87 counties. Nearly 66% of households residing in public housing are seniors or people with disabilities and about 33% are families with children.

Funding will be awarded through a competitive application process. Eligible applicants are public housing authorities.

Cash appropriations are critical because some public housing buildings have repositioned their buildings under Housing and Urban Development (HUD). This repositioning can impact their public ownership status.

Project Rationale

Public housing is existing affordable housing that serves about 36,000 of the lowest income residents of the state, including many seniors, persons with disabilities and families with children. There are more than 20,000 public housing units that are owned and operated by around 120 public housing authorities throughout 87 Minnesota counties. Over 65 percent of the residents have incomes under \$15,000 per year. Residents pay 30 percent of their income toward rent.

Public housing is owned and managed by local public housing authorities and financed by the federal government. More than 95 percent of public housing units in the state are greater than 40+ years old and many require updates in order to remain in operation as safe and healthy places to live.

It is critical that we preserve and improve this housing stock for the state's lowest income residents.

Project Timeline

Funding will be awarded through a statewide, competitive request for proposal. If funding is provided during the 2024 legislative session, we anticipate that funds would be available by fall of 2024 with resources awarded to projects by early 2025, and construction beginning in 2025.

Other Considerations

N/A

Impact on Agency Operating Budgets

This request does not impact Minnesota Housing's operating budget. Minnesota Housing does not use General Fund appropriations for operating expenses. Public housing authorities pay the operating costs for the projects and in many cases the projects funded through this program reduce operating costs.

Description of Previous Appropriations

In 2012, the agency received \$5.5 million in GO bond proceeds for public housing rehabilitation. The funding was used for the rehabilitation of 950 units of public housing.

In 2014, the agency received \$20 million in GO bond proceeds for public housing rehabilitation. The funding was used for the rehabilitation of 2,500 units of public housing. Seventy-five percent of the units are located in Greater Minnesota.

In 2017, the agency received \$10 million in GO bond proceeds for public housing rehabilitation. These funds were awarded to public housing authorities in early 2018.

In 2018, the agency received \$10 million in GO bond proceeds for public housing rehabilitation. These funds were awarded to public housing authorities in early 2019.

In 2020, the agency received \$16 million in GO bond proceeds for public housing rehabilitation. These funds were award individual projects in fall 2021.

In 2023, the agency received a total of \$87 million for public housing rehabilitation. This includes \$41.868 million in GO bond proceeds and \$45.132 in general fund appropriations.

Project Contact Person

Ryan Baumtrog

Assistant Commissioner for Policy and Community Development

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Governor's Recommendation

The Governor recommends \$7.5 million in general obligation bonds for this request. Also included are budget estimates of \$7.5 million for each planning period for 2026 and 2028.

Housing Finance

Project Detail

(\$ in thousands)

Public Housing Rehabilitation

PROJECT FUNDING SOURCES

Funding Source	Prior Years	FY 2024	FY 2026	FY 2028
State Funds Appropriated and Requested				
General Obligation Bonds	\$ 113,000	\$ 60,000	\$ 60,000	\$ 60,000
General Fund Cash	\$ 0	\$ 60,000	\$ 60,000	\$ 60,000
State Funds Pending				
Non-State Funds Already Committed				
Non-State Funds Pending				
TOTAL	\$ 113,000	\$ 120,000	\$ 120,000	\$ 120,000

TOTAL PROJECT COSTS

Cost Category	Prior Years	FY 2024	FY 2026	FY 2028
Property Acquisition	\$ 0	\$ 0	\$ 0	\$ 0
Predesign Fees	\$ 0	\$ 0	\$ 0	\$ 0
Design Fees	\$ 0	\$ 0	\$ 0	\$ 0
Project Management	\$ 0	\$ 0	\$ 0	\$ 0
Construction	\$ 113,000	\$ 120,000	\$ 120,000	\$ 120,000
Relocation Expenses	\$ 0	\$ 0	\$ 0	\$ 0
One Percent for Art	\$ 0	\$ 0	\$ 0	\$ 0
Occupancy Costs	\$ 0	\$ 0	\$ 0	\$ 0
Inflationary Adjustment	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL	\$ 113,000	\$ 120,000	\$ 120,000	\$ 120,000

IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2024	FY 2026	FY 2028
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	\$ 60,000	100 %

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
User Financing	\$ 0	0 %

STATUTORY REQUIREMENTS

The following requirements will apply to projects after adoption of the bonding bill.

Is this project exempt from legislative review under M.S. 16B.335 subd. 1a?	Yes
Predesign Review (M.S. 16B.335 subd. 3):	
Does this request include funding for predesign?	N/A
Has the predesign been submitted to the Department of Administration?	N/A
Has the predesign been approved by the Department of Administration?	N/A
Will the project design meet the Sustainable Building Guidelines under M.S. 16B.325?	Yes
Will the project designs meet applicable requirements and guidelines for energy conservation and alternative energy sources (M.S. 16B.335 subd. 4 and 16B.32)?	N/A
Have Information Technology Review Preconditions been met (M.S. 16B.335 subd. 5 & 6)?	N/A
Will the project comply with the targeted group purchasing requirement (M.S. 16C.16 subd. 13)?	Yes
Will the project meet public ownership requirements (M.S. 16A.695)?	Yes
Will a use agreement be required (M.S. 16A.695 subd. 2)?	N/A
Will program funding be reviewed and ensured (M.S. 16A.695 subd. 5)?	N/A
Will the matching funds requirements be met (M.S. 16A.86 subd. 4)?	N/A
Will the project be fully encumbered prior to the Cancellation Deadline (M.S. 16A.642): December 31, 2028?	Yes
M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required	Yes
M.S. 473.4485: Guideway Project	
Is this a Guideway Project?	N/A
Is the required information included in this request?	N/A