

## Housing Finance

## Projects Summary

(\$ in thousands)

Project Title	Rank	Fund	Project Requests for State Funds			Gov's Rec	Gov's Planning Estimates	
			2026	2028	2030		2026	2028
Housing Infrastructure Bonds	1	AP	200,000	200,000	200,000	50,000	50,000	50,000
Public Housing Rehabilitation	2	GO	50,000	50,000	50,000	10,000	10,000	10,000
<b>Total Project Requests</b>			250,000	250,000	250,000	60,000	60,000	60,000
<b>Appropriation Bonds (AP) Total</b>			200,000	200,000	200,000	50,000	50,000	50,000
<b>General Obligation Bonds (GO) Total</b>			50,000	50,000	50,000	10,000	10,000	10,000

**AT A GLANCE**

- Provided more than \$1.96 billion in housing assistance, serving 73,600 households.
- Have Aa1 and AA+ credit ratings with Moody's and Standard & Poor's.
- Financed loans to over 4,100 first-time homebuyers, financed homebuyer education and counseling for nearly 6,000 households and provided home improvement resources for over 1,500 homes.
- Created, rehabilitated or refinanced over 2,600 units of rental housing and assisted over 51,000 renters.
- Over the past three years, 45% of competitive assistance has been provided to Greater Minnesota.

*All numbers are for Federal Fiscal Year 2024*

**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, and communities prosper. Our homes are the foundation of our communities and housing affordability is critical to economic growth.

In Minnesota, the creation of housing has not kept up with needs, leading to housing challenges and a housing shortage of an estimated 65,000 homes. Housing challenges associated with high home costs and limited availability of homes are consistent and persistent making it difficult for individuals and families to find and maintain housing stability. These challenges are not shared equally across different races 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 210,000 renter households making 50% area median income or less spend more than 30% of their income on housing.
- Minnesota has the 11th largest disparity in homeownership rates in the country for households of color and Indigenous households.
- About 50,000 people face homelessness at some point during the year.

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.

Minnesota Housing activities and initiatives support the Governor's One Minnesota Priorities several areas including: Equity and Inclusion, Minnesota's Environment, Fiscal Accountability, Customer Experience and Measurable Results, Children and Families, Thriving Communities, Housing and Workforce & Healthy Minnesotans. Housing stability is important for every family, and housing stability is important to making progress on state goals related to education, health and the economy.

More detailed information on the agency's Strategic Plan as well as other agency plans detailing our work and how we measure progress can be found on our website (<https://www.mnhousing.gov/policy-and-research/agency-plans.html> )

## 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 with scarce resources is on serving households that make the least with a goal to serve communities most impacted by housing instability. Since housing outcomes are not equal across different races and ethnicities, we 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 across homeownership and rental housing as well as financing the unique housing needs in Greater Minnesota.

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 award resources through competitive request for proposal (RFP) processes across the agency, often combining multiple federal, state and private funds into consolidated RFPs.

**Rental Housing:** We finance new construction, rehabilitation and preservation of rental housing using federal low income housing tax credits, state and federal appropriations and agency first mortgages.

- We financed the new construction and preservation of 2,601 units of affordable rental housing, including 1,275 for new construction, in 2024 using state and federal resources.
- Nearly 80% of renters made less than \$25,000 per year.
- We assisted over 34,000 Minnesota households through federal rental assistance programs in 2024.

**Homeownership Opportunities:** We offer first-time homebuyer loans, downpayment assistance programs, a refinance program, development resources, and home improvement loan programs to support Minnesota homebuyers and homeowners. Overall, we account for about 8% of the State's total mortgage lending.

- We provided home mortgage loans to 5,119 Minnesota households in 2024.
- The first-time homebuyers we served had a median annual household income of \$74,000.
- 42% of the first-time homebuyers we served were households of color or from indigenous communities compared to the industry average of 23%.
- 95% 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.

- We provided state-funded rental assistance to over 2,000 households in 2024. These households have a median annual household income of around \$10,000.
- We helped over 11,100 households (with a median household income of about \$11,000) to prevent and assist people facing homelessness.
- We lead and collaborate on the statewide Crossroads to Justice Plan: Minnesota's New Pathways to Housing, Racial and Health Justice for People Facing Homelessness as well as the state's Olmstead Plan that helps people with disabilities live, work and learn in the most integrated setting possible.

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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.

- Over 210,000 renter households at or below 50% Area Median Income (AMI) a year spend more than 30% of their income on housing;
- About 9,000 people experience homelessness each night and around 50,000 people experience homelessness at some point during the year.
- Minnesota has the 11th-largest homeownership disparity in the country for Black, Indigenous and People of Color households;
- A Native American is over 31 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 construction costs, higher interest rates and the loss of unsubsidized affordable housing units, have added pressure on the housing system.

### *Homelessness is Persistent*

In Minnesota, roughly 9,000 people are homeless each night and roughly 50,000 people experience homelessness at some point during a year. Sheltered homelessness increased by 16% between 2018 and 2024, and unsheltered homelessness increased by 86%. A person of color in Minnesota is more likely to experience homelessness than a person who is white/non-Hispanic.

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 2024 Point in Time Count, the number of people experiencing homelessness in Minnesota is higher than it was in 2018. The number of people sleeping outside has increased significantly in the past several years and Minnesota numbers have outpaced national averages. Additionally, the number of adults age 55 and older experiencing homelessness increased over the past decade. 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 is not 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 federal 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 34,000 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. Historically, 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. More 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 unsafe. 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*

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. Minnesota has had a tight homebuying market for the last decade (supply below 5.5 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 only slightly been able to reduce the number of unfunded projects.

The state needs more than 65,000 new homes to have create a better housing market = where home prices and rents are relative stable. Progress has been made due to state and private investments with production exceeding the housing units needed for household growth since 2017, but the lack of housing production between 2006 and 2017 created a significant hole. Additionally, pressures from increasing costs associated with housing development (land, labor and lumber), as well as higher interest rates have made housing development more challenging.

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 2024 and 2025**

In 2024 and 2025, the Legislature provided a total of \$100 million in new Housing Infrastructure Bond authority. All those resources will be committed to rental, homeownership and manufactured housing developments by December 2025.

The Legislature also provided \$26 million in funding for public housing rehab in the 2025 Legislative Session. Those funds were committed to projects in August 2025.

The Legislature also authorized two new programs including \$3 million for cooperative manufactured housing public infrastructure in Greater Minnesota, as well as \$2.4 million to develop new, local public housing.

**Housing Infrastructure Bonds****AT A GLANCE**

**2026 Request Amount:** \$200,000

**Priority Ranking:** 1

**Project Summary:** Minnesota Housing requests \$200 million in Housing Infrastructure Bonds (HIB). The state needs more housing development and HIBs finance the new construction or rehabilitation of single family, rental housing and manufactured home community infrastructure. HIBs are critical to both increasing housing supply and preserving existing affordable housing.

**Project Description**

Housing Infrastructure is the largest state source of capital for housing development. Housing Infrastructure leverages local, federal and private investment and spurs development that otherwise would not happen and provides critical financing to build new housing and preserve existing housing. 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.

This request is for a general fund appropriation to pay the debt service on \$200 million in Housing Infrastructure Bonds issued by Minnesota Housing. The resources will be awarded through competitive, statewide Request for Proposal (RFP) processes to private for-profit and non-profit developers for supportive housing, preservation, senior housing, deeply affordable rental housing, single family development and manufactured home communities. The following are the current uses of Housing Infrastructure.

**Permanent Supportive Housing**

The root of people experiencing homelessness is a lack of deeply affordable housing and Housing Infrastructure resources provide the capital resources necessary to build permanent supportive housing which serves households with incomes below 30% area median income (AMI). Permanent supportive housing is deeply affordable rental housing with connections to services to help tenants 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. 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 people with disabilities, people with mental illness, and those who are facing homelessness, including youth and veterans.

**Preservation of Existing Housing**

Minnesota is at risk of losing tens of thousands of affordable units of housing due to deterioration, conversion to market rate rents, or financial challenges of operating existing housing. The federal Section 8 program has provided the largest portion of the privately owned, federally assisted rental

housing in the state with around 34,000 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, or as the subsidy contracts and regulatory agreements expire, often ownership transfers, and 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. HIBs fund the acquisition, rehabilitation, adaptive reuse or new construction of senior housing. Funding would be used for housing affordable to seniors (55 years of age and older) earning between 30% and 50% of Area Median Income. Senior housing at these income levels is not met by the 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 a critical source of financing 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 building on the land held in trust.

#### Manufactured Home Community Acquisition and Infrastructure

Manufactured housing represents some of the most affordable and under-resourced housing across the state in both 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 Rental Housing

The Legislature recently created a new eligible use to finance the costs of construction, acquisition, and rehabilitation of permanent housing that is affordable to households with incomes at or below 50 percent of the area median income for the applicable county or metropolitan area.

#### Cooperative Rental Housing

The Legislature recently created a new eligible use to finance the costs of construction, acquisition, rehabilitation, conversion, and development of cooperatively owned housing created under chapter 308A, 308B, or 308C that is affordable to low- and moderate-income households. This is the newest eligible use of Housing Infrastructure resources.

### **Project Rationale**

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

**Minnesota needs to build more housing, especially for those with the lowest incomes.** Housing production has increased in recent years, but Minnesota still has not caught up and overcome the under production between 2006 and 2016. We still have a shortage of around 65,000 housing units to meet the needs.

**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. In addition to federally rent-assisted developments, previously financed affordable housing developments need additional resources for recapitalization efforts as many federal low-income housing tax credit developments are into their second and third decades of operations and costs at the properties increase.

**People facing homelessness remains at high levels.** About 9,000 people experience homelessness each night, nearly 2,000 of whom are sleeping outside, unsheltered. Wilder Research estimates that roughly 50,000 people experience homelessness at some point during the year. While sheltered homelessness increased by 16% between 2018 and 2024, unsheltered homelessness increased by 86%

**Housing instability is impacting more Minnesotans.** Nearly 215,000 renter households making less than \$50,000 a year spend more than 30% of their income on housing.

**The housing shortage is limiting economic growth.** There are high economic costs associated with the lack of affordable housing and housing instability of individuals and families leads to cost increases in healthcare, education and other areas. The shortage of housing in the Twin Cities metro area could limit job growth and reduce Gross Regional Product by \$215 million annually.

## **Project Timeline**

HIBs are awarded statewide through several statewide, competitive application processes. One for rental housing, another for single family development and another one for manufactured home communities. If approved in the 2026 legislative session, the funding will initially be awarded to rental housing, single family development and manufactured home communities in December 2026.

## **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 Commissioners of Human Services and Minnesota Housing.

Housing Infrastructure resources are a critical tool to building new rental housing and preserving housing that's affordable at the lowest-income levels. Housing Infrastructure resources 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 Housing Infrastructure resources. 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**

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.

In 2014, we awarded \$80 million in Housing Infrastructure Bond proceeds to projects for the same purposes. The resources were committed in 2014.

In 2015, the Legislature authorized an additional \$10 million in Housing Infrastructure Bond proceeds. These resources were allocated to projects in 2015.

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 was awarded to projects in the fall of 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 with behavioral health needs.

In 2019, during the 1st Special Session, the Legislature approved an additional \$60 million in Housing Infrastructure Bond authorization. This amount was added to just under \$60 million in existing authorization that was 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. Most of that authorization was awarded at the end of 2020 and

early 2021.

In 2021, the Legislature approved \$100 million in HIB authorization. Most 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. Those appropriations were used to finance rental housing, single family development and manufactured home park infrastructure with selections in 2023 and 2024.

In 2024, the Legislature approved \$50 million in Housing Infrastructure Bonds, which were awarded to developments in December 2024.

In 2025, the Legislature approved \$50 million in Housing Infrastructure Bonds that will be allocated to projects in December 2025.

### **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 2028 and 2030.

## Housing Finance

## Project Detail

(\$ in thousands)

### Housing Infrastructure Bonds

#### PROJECT FUNDING SOURCES

Funding Source	Six Prior Years	FY 2026	FY 2028	FY 2030
<b><i>State Funds Appropriated and Requested</i></b>				
Appropriation Bonds	\$ 300,000	\$ 200,000	\$ 200,000	\$ 200,000
General Fund Cash	\$ 200,000	\$ 0	\$ 0	\$ 0
<b><i>State Funds Pending</i></b>				
<b><i>Non-State Funds Already Committed</i></b>				
<b><i>Non-State Funds Pending</i></b>				
<b>TOTAL</b>	<b>\$ 500,000</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>

#### TOTAL PROJECT COSTS

Cost Category	Six Prior Years	FY 2026	FY 2028	FY 2030
Property Acquisition	\$ 119,334	\$ 48,000	\$ 48,000	\$ 48,000
Predesign Fees	\$ 0	\$ 0	\$ 0	\$ 0
Design Fees	\$ 0	\$ 0	\$ 0	\$ 0
Project Management	\$ 0	\$ 0	\$ 0	\$ 0
Construction	\$ 380,666	\$ 152,000	\$ 152,000	\$ 152,000
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
<b>TOTAL</b>	<b>\$ 500,000</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>

#### IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2026	FY 2028	FY 2030
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0	0	0

#### SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	\$ 200,000	100 %

## SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

		Amount	Percent of Total
User Financing	\$ 0	0	0 %

## STATUTORY REQUIREMENTS

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

Has the project owner requesting state funds reviewed and agree to meet the applicable capital requirements listed in the “Statutory Requirements” below and in the “Capital Budget Requirements” section of the MMB Capital Budget Instruction documents?	
Is this project exempt from legislative review under M.S. 16B.335 subd. 1a?	Yes
<b>Predesign Review (M.S. 16B.335 subd. 3):</b>	
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
<b>Will the project design meet the Sustainable Building Guidelines under M.S. 16B.325?</b>	N/A
<b>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)?</b>	Yes
<b>Have Information Technology Review Preconditions been met (M.S. 16B.335 subd. 5 &amp; 6)?</b>	N/A
<b>Will the project comply with the targeted group purchasing requirement (M.S. 16C.16 subd. 13)?</b>	Yes
<b>Will the project meet public ownership requirements (M.S. 16A.695)?</b>	N/A
<b>Will a use agreement be required (M.S. 16A.695 subd. 2)?</b>	N/A
<b>Will program funding be reviewed and ensured (M.S. 16A.695 subd. 5)?</b>	N/A
<b>Will the matching funds requirements be met (M.S. 16A.86 subd. 4)?</b>	N/A
<b>Will the project be fully encumbered prior to the Cancellation Deadline (M.S. 16A.642): December 31, 2030?</b>	Yes
<b>M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required</b>	N/A
<b>M.S. 473.4485: Guideway Project</b>	
Is this a Guideway Project?	N/A
Is the required information included in this request?	N/A

**Public Housing Rehabilitation****AT A GLANCE****2026 Request Amount:** \$50,000**Priority Ranking:** 2**Project Summary:** \$50 million to preserve and improve existing public housing built over 40 years ago in order to keep it safe, accessible and more energy efficient for its current and future residents.**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, elevator modernization 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 energy efficiency.

The housing comes in all sizes and types, from scattered single family homes for families to high rise apartments for elderly families. The housing operates in large and small communities in all 87 counties including in Minnesota. 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. All applicants are provided technical assistance prior to submitting an application.

**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 approximately 21,000 public housing units that are owned and operated by over 100 public housing authorities (PHA) 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, making the housing deeply affordable.

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 to remain in operation as safe and healthy places to live.

Nationally, the backlog of repairs due to the deficit of funding for public housing capital is estimated to be up to \$70 billion, with annual appropriations around \$3 billion. Minnesota PHAs estimate their total need for additional capital between 2020-2024 was over \$500 million.

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 2026 legislative session, we anticipate that funds would be available by fall of 2026 with resources awarded to projects by early 2027, and construction on projects beginning in 2027.

### **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 awarded to 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. The funds were awarded through two rounds of funding in 2024 and 2025.

In 2025, the agency received \$26 million for public housing rehabilitation.

**Project Contact Person**

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**Governor's Recommendation**

The Governor recommends \$10 million in general obligation bonds for this request. Also included are budget estimates of \$10 million for each planning period for 2028 and 2030.

## Housing Finance

## Project Detail

(\$ in thousands)

### Public Housing Rehabilitation

#### PROJECT FUNDING SOURCES

Funding Source	Six Prior Years	FY 2026	FY 2028	FY 2030
<b><i>State Funds Appropriated and Requested</i></b>				
General Obligation Bonds	\$ 83,868	\$ 50,000	\$ 50,000	\$ 50,000
General Fund Cash	\$ 45,132	\$ 0	\$ 0	\$ 0
<b><i>State Funds Pending</i></b>				
	\$	\$	\$	\$
<b><i>Non-State Funds Already Committed</i></b>				
<b><i>Non-State Funds Pending</i></b>				
Federal Funds	\$ 0	\$ 10,000	\$ 10,000	\$ 10,000
<b>TOTAL</b>	<b>\$ 129,000</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>

#### TOTAL PROJECT COSTS

Cost Category	Six Prior Years	FY 2026	FY 2028	FY 2030
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	\$ 129,000	\$ 60,000	\$ 60,000	\$ 60,000
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
<b>TOTAL</b>	<b>\$ 129,000</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>

#### IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2026	FY 2028	FY 2030
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0	0	0

#### SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	\$ 50,000	100 %

## SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

		Amount	Percent of Total
User Financing	\$ 0	0	0 %

## STATUTORY REQUIREMENTS

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

Has the project owner requesting state funds reviewed and agree to meet the applicable capital requirements listed in the “Statutory Requirements” below and in the “Capital Budget Requirements” section of the MMB Capital Budget Instruction documents?	Yes
Is this project exempt from legislative review under M.S. 16B.335 subd. 1a?	Yes
<b>Predesign Review (M.S. 16B.335 subd. 3):</b>	
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
<b>Will the project design meet the Sustainable Building Guidelines under M.S. 16B.325?</b>	Yes
<b>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)?</b>	N/A
<b>Have Information Technology Review Preconditions been met (M.S. 16B.335 subd. 5 &amp; 6)?</b>	N/A
<b>Will the project comply with the targeted group purchasing requirement (M.S. 16C.16 subd. 13)?</b>	Yes
<b>Will the project meet public ownership requirements (M.S. 16A.695)?</b>	Yes
<b>Will a use agreement be required (M.S. 16A.695 subd. 2)?</b>	N/A
<b>Will program funding be reviewed and ensured (M.S. 16A.695 subd. 5)?</b>	N/A
<b>Will the matching funds requirements be met (M.S. 16A.86 subd. 4)?</b>	N/A
<b>Will the project be fully encumbered prior to the Cancellation Deadline (M.S. 16A.642): December 31, 2030?</b>	Yes
<b>M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required</b>	Yes
<b>M.S. 473.4485: Guideway Project</b>	
Is this a Guideway Project?	N/A
Is the required information included in this request?	N/A