

(\$ in thousands)

Project Title	Priority Ranking	Funding Source	Project Requests for State Funds		
			2018	2020	2022
Housing Infrastructure Bonds	1	AP	\$ 100,000	\$ 100,000	\$ 100,000
Public Housing Rehabilitation	2	GO	\$ 30,000	\$ 30,000	\$ 30,000
Total Project Requests			\$ 130,000	\$ 130,000	\$ 130,000
General Obligation Bonds (GO) Total			\$ 30,000	\$ 30,000	\$ 30,000
Appropriation Bonds (AP) Total			\$ 100,000	\$ 100,000	\$ 100,000

Housing Infrastructure Bonds

AT A GLANCE

2018 Request Amount: \$100,000

Priority Ranking: 1

Project Summary: \$8.0 million annually for 20 years for debt service on \$100 million in Housing Infrastructure Bonds. Housing Infrastructure Bond proceeds can be used for the acquisition and rehabilitation or new construction of permanent supportive housing, for the preservation of existing federally-assisted housing, or for the cost of the acquisition of land that will be held by community land trusts for single family homeownership. This request proposes to add senior housing as a new eligible use.

Project Description

This request is for a general fund appropriation to pay the debt service on \$100 million in Housing Infrastructure Bond proceeds issued by Minnesota Housing. Funds will be awarded through a competitive Request for Proposal process to private for-profit and non-profit developers for supportive housing, preservation, community land trust and senior housing projects.

Supportive Housing

A portion of the bond proceeds would be used to construct or acquire and rehabilitate properties for use as permanent supportive housing for households who are experiencing homelessness, including youth, veterans, those experiencing long-term homelessness and for persons with disabilities or people who struggle with mental illness.

Permanent supportive housing is affordable rental housing with connections to services necessary to enable tenants to live in the community and improve their lives. Supportive housing creates housing stability for the lowest income households and households with service needs so they can address significant mental health challenges, chronic health condition, substance abuse disorder 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

Preservation

The federal Section 8 program has provided the largest portion of the privately owned, federally assisted rental housing in the state. Thirty-one thousand (31,000) units were financed under this program. The privately owned Section 8 portfolio was developed primarily from the 1960s to the 1980s. In addition, Minnesota has thousands of 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, there is risk that these units may be lost due to physical deterioration, conversion to market rate rents, or diminished capacity of the ownership entity. Often ownership transfers, in addition to significant injections of capital provided by Housing Infrastructure Bonds 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 are lost to the state.

Community Land Trust

Housing Infrastructure Bond proceeds can be used to pay for the cost of the acquisition of land that will be held by community land trusts for single family homeownership. 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.

Senior Housing – New Eligible Use

This year we are proposing senior housing as a new eligible activity for Housing Infrastructure Bond proceeds. Funds would be available for the acquisition, rehabilitation, adaptive reuse or new construction of senior housing. Funding would be used for housing affordable to seniors (55 years of age or older) earning between 30% and 50% of Area Median Income. Senior housing at these income levels is currently not broadly being met by the market.

Project Rationale

There continue to be significant affordable housing needs throughout the state. In Minnesota, approximately 600,000 households, or 30% of households, are considered to be cost-burdened, meaning they pay more than 30 percent of their income for housing.

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.

Additionally, 7,668 people in Minnesota are homeless on a given night, according to the 2017 U.S. Department of Housing and Urban Development (HUD) point in time count. Overall, this was a 5% increase in homelessness from 2016. This number includes 3,769 people in families of which 2,437 (65%) were children. Additionally, 3,750 singles and adult couples are experiencing homelessness on any given night in Minnesota. While this trend line has been decreasing in recent years, we are seeing large overall increases in our unsheltered population (25%) and chronically homeless populations (21%). A 2015 report completed by Wilder showed that 35% of the homeless populations are children (age 17 and under) and that young people are most at risk of experiencing homelessness. That same study found that 83% percent of homeless adults have either significant mental illness, chronic health condition, substance abuse disorder, or evidence of a traumatic brain injury. 44 percent have more than one of those conditions. Housing stability and services are needed to address these conditions.

We also know from the 2015 Wilder homeless study that more seniors are experiencing homelessness. Specifically, the number of adults age 55 and older experiencing homelessness increased by 8 percent since 2012. With the state's aging demographic and affordable housing needs for older Minnesotans, Housing Infrastructure Bond proceeds can be used to help create housing for low-income seniors that is not being met through the market.

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 multiple regions of the state. We have also funded three projects specifically for veterans using Housing Infrastructure Bond proceeds, which have helped to minimize the number of veterans experiencing homelessness.

We typically receive three to four times as much in requests for deferred financing as we have funding available. There were \$117 million in requests that were unfunded when we had Housing Infrastructure Bond proceeds available in 2014. In 2017, we have received significant funding requests for \$55 million available.

Project Timeline

Housing Infrastructure Bond proceeds are awarded statewide through a statewide, competitive application process. If approved in the 2018 legislative session, the funding would be awarded by fall of 2018.

Other Considerations

Statewide Plan to Prevent and End Homelessness

In 2016, the Minnesota Interagency Council on Homelessness released an updated Statewide Plan to Prevent and End Homelessness. The plan identifies eight cross-cutting priorities and four population goals that the agencies of the Council pursued in 2016 and 2017. The vision of the Interagency Council is “housing stability for all Minnesotans” and the benchmark goals used to achieve this vision are aligned with the U.S. Interagency Council on Homelessness goals. They are:

- Resolve and prevent future Veteran homelessness;
- End chronic homelessness by the end of 2017;
- Prevent and end homelessness among families with children by the end of 2020; and
- Prevent and end homelessness among youth unaccompanied by parents or guardians by the end of 2020.

Increasing investments in affordable housing and creating new supportive housing opportunities for the most vulnerable individuals, families and youth experiencing homelessness are critical pieces of achieving the vision of housing stability for all Minnesotans and meeting the goals outlined in the plan. One of the actions of the plan is create 5,000 units of housing that is affordable at lower incomes. Housing Infrastructure Bond funds are critical to providing the resources to produce those units.

Green Communities Criteria

Minnesota Housing has adopted a sustainability policy and implemented the Enterprise Green Communities criteria for all new developments and for substantial rehabilitation projects funded by the agency. The Green Communities criteria will apply to developments that are selected to receive housing infrastructure bond proceeds. The criteria cover a range of items related to energy efficiency and the environment including efficient lighting, use of renewable energy, low-impact development, water-conserving fixtures, and integrative design.

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;

- | | | | |
|--------|----------------|---|--|
| • 2005 | \$12 million | - | GO bond proceeds |
| • 2006 | \$19.5 million | - | GO bond proceeds |
| • 2008 | \$30 million | - | 501 (c) (3) bond proceeds, \$2.4 million in annual debt service appropriated |

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.

Project Contact Person

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Public Housing Rehabilitation**AT A GLANCE****2018 Request Amount:** \$30,000**Priority Ranking:** 2**Project Summary:** \$30 million in General Obligation bond proceeds are requested to preserve existing public housing to keep it decent, safe and healthy for its low income residents. Throughout the state, approximately 3,750 units of housing will be rehabilitated with this funding.**Project Description**

The requested funding will provide investments in aging public housing stock that is in need of repairs. Public housing comes in all sizes and types, from scattered single family housing to high rise apartments for elderly families. Funding will provide investments in new heating and cooling systems, building envelopes, energy efficient windows, elevators and other critical health and safety items. Priority will be given to projects that address health and safety needs and reduce building operating costs. Funding will be awarded through a competitive application process. Eligible applicants are public housing authorities. Priority will be given to projects that include funding from other sources.

Project Rationale

Public housing is existing affordable housing that serves some of the lowest income residents of the state, including many seniors, persons with disabilities and families with children. Public housing is owned and managed by local public housing authorities and financed by the federal government. More than 21,000 public housing units are owned and operated by 124 public housing authorities throughout 87 Minnesota counties. Nearly 75 percent of the residents have incomes under \$15,000 per year. Residents pay 30 percent of their income toward rent. More than 90 percent of public housing units in the state are greater than 20 years old. It is critical that we preserve this housing stock for the state's lowest income residents.

Project Timeline

Funding will be awarded through a competitive request for proposal. If funding is provided during the 2018 legislative session, we anticipate that funds would be awarded to projects by early 2019, and that construction would begin during the summer of 2019.

Other Considerations**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 work projects funded through this program reduced 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 will be awarded to public housing authorities in early 2018.

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