

(\$ in thousands)

Project Title	Priority Ranking	Funding Source	Project Requests for State Funds		
			2022	2024	2026
Housing Infrastructure Bonds	1	AP	\$ 250,000	\$ 250,000	\$ 250,000
Public Housing Rehabilitation	2	GO	\$ 60,000	\$ 60,000	\$ 60,000
Total Project Requests			\$ 310,000	\$ 310,000	\$ 310,000
General Obligation Bonds (GO) Total			\$ 60,000	\$ 60,000	\$ 60,000
Appropriation Bonds (AP) Total			\$ 250,000	\$ 250,000	\$ 250,000

Housing Infrastructure Bonds

AT A GLANCE

2022 Request Amount:	\$250,000
Priority Ranking:	1
Project Summary:	Minnesota Housing requests debt service on \$250 million in Housing Infrastructure Bonds (HIB). HIB proceeds finance loans or grants for single family and rental housing development, with a priority on building housing and serving families at lower income levels.

Project Description

Housing Infrastructure Bonds (HIB) are the largest state source of capital for housing development. HIBs leverage local, federal and private investment and spur development that otherwise would not happen and provide critical financing to build new housing and preserve existing housing. The State has supported using appropriation bonds because over 95% of the housing in the state is privately owned and State GO bonds are limited to public ownership.

This request is for a general fund appropriation to pay the debt service on \$250 million in Housing Infrastructure Bond proceeds issued by Minnesota Housing. The proceeds will be used finance loans and grants awarded through competitive, statewide Request for Proposal processes to private for-profit and non-profit developers. The loans and grants are used for permanent supportive housing for people experiencing homelessness, the preservation of existing federally-assisted housing, single family/homeownership development including community land trusts, senior housing, and manufactured home communities. The following provides a brief summary of each use.

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 conditions, substance abuse disorders, and other barriers to self-sufficiency. Housing stability and additional services help individuals and families complete school or training, get connected to programs, achieve employment and a place to call home.

Preservation

The federal Section 8 program provides the largest portion of the privately owned, federally assisted rental housing in the state. Around 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. When ownership transfers, significant capital is often needed and can be provided by Housing Infrastructure Bonds to ensure that properties can remain in the program and affordable for decades into the future. If the properties are not preserved, the federal subsidies are lost to the state.

Senior Housing

Housing Infrastructure Bond proceeds are 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 and older) earning between 30% and 50% of Area Median Income. New construction senior housing at these income levels is currently not broadly being met by the market.

Single Family Development

New in 2019, Housing Infrastructure Bond proceeds can be used to finance forgivable loans for the acquisition, rehabilitation, adaptive reuse, or new construction of single-family housing. These resources are also used 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 Communities

Housing Infrastructure Bond proceeds can be made available to finance the acquisition, improvement, and infrastructure including storm shelters and community facilities, of manufactured home communities.

Potential New Uses

Minnesota Housing will be exploring potential new uses to Housing Infrastructure Bonds resources. Previous Governor recommendations include rental housing new construction at 50% AMI or below. Any new uses will take into consideration other capital funding that may be available such as through the State Fiscal Recovery Fund, any federal action on an infrastructure bill and the implications of issuing debt to finance to affordable housing compared with other financing sources.

Project Rationale

Minnesota needs to build more housing, especially for those with the lowest incomes. Minnesota needs to build 300,000 homes statewide by 2030, including at least 2,500 each year for those earning \$30,000 or less. The private market cannot or will not produce new units at these incomes without public investment.

We need to preserve more housing. About 10,000 of the over 30,000 HUD Section 8 units have contracts that expire in the next four years, putting them at risk of being lost permanently. 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.

More people are experiencing homelessness. Unsheltered homelessness has increased 125% since 2015. Around 8,000 people experience homelessness each night, around 1,650 of whom are sleeping outside, unsheltered. More than 9,000 children are homeless or highly mobile in school districts

across the state.

Housing instability is impacting more Minnesotans. Nearly 150,000 renter households making less than \$50,000 a year are considered severely cost-burdened, meaning they spend more than 50% of their income on housing.

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.

We need more investments. Minnesota Housing is typically able to finance only one in three or four rental developments.

Project Timeline

Housing Infrastructure Bond proceeds 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 2022 legislative session, the funding would be awarded to rental housing, single family development and manufactured home communities beginning in the fall of 2022.

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

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

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 was awarded to projects in fall 2017 and impacted 507 homes.

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. Most of that authorization was awarded at the end of 2020 and early 2021.

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Public Housing Rehabilitation

AT A GLANCE

2022 Request Amount:	\$60,000
Priority Ranking:	2
Project Summary:	Minnesota Housing requests \$60 million in General Obligation bond proceeds to preserve existing public housing to keep it decent, safe and healthy for its low income residents. Throughout the state, approximately 6,000 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. The housing can be found in all 87 counties, comes in all sizes and types, from scattered single family housings to high rise apartments for elderly families. Nearly 66% of households residing in public housing are seniors or people with disabilities, and about 33% are families with children.

Funding will provide improvements in fire suppression systems, accessibility improvements, 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.

The resources will be awarded through a competitive application process. Eligible applicants are local public housing authorities.

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 around 120 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 over 20 years old. It is critical that we preserve this housing stock for the state’s lowest income residents.

This capital request may be impacted by a federal infrastructure bill and appropriations to the Public Housing Capital Fund in the upcoming FY 2022 federal budget.

Project Timeline

Funding will be awarded through a statewide, competitive request for proposal. If funding is provided during the 2022 legislative session, we anticipate that funds would be available by fall of 2022 with

resources awarded to projects by early 2023, and that construction could begin in 2023.

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. Funds were awarded to public housing authorities in early 2018 and preserved 2,068 units throughout the state.

In 2018, the agency received \$10 million in GO bond proceeds for public housing rehabilitation. These funds were awarded to public housing authorities in May 2019 will preserve 1,622 units throughout the state.

In 2020, the agency received \$16 million in GO bond proceeds for public housing rehabilitation. These funds will be awarded to individual projects in summer or early fall of 2021.

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