

(\$ in thousands)

Project Title	Priority Ranking	Funding Source	Project Requests for State Funds		
			2024	2026	2028
Housing Infrastructure Bonds	1	AP	\$ 300,000	\$ 300,000	\$ 300,000
Public Housing Rehabilitation	2	GO	\$ 120,000	\$ 120,000	\$ 120,000
Total Project Requests			\$ 420,000	\$ 420,000	\$ 420,000
General Obligation Bonds (GO) Total			\$ 120,000	\$ 120,000	\$ 120,000
Appropriation Bonds (AP) Total			\$ 300,000	\$ 300,000	\$ 300,000

Housing Infrastructure Bonds

AT A GLANCE

2024 Request Amount: \$300,000

Priority Ranking: 1

Project Summary: Minnesota Housing requests the authority to issue \$300 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.

Project Description

Housing Infrastructure is 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 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 \$300 million in Housing Infrastructure Bond proceeds 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.

Permanent Supportive Housing

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 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, or as the subsidy contracts and regulatory agreements expire, often ownership transfers, in addition to significant injections of capital provided by HIB 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. New construction senior housing is a priority use for the funds and 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 ownerships. HIBs finance forgivable loans and grants for the acquisition, rehabilitation, adaptive reuse, or new construction of single-family housing. These resources are also access 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 Park Acquisition and Infrastructure

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

Expanded Use from 2023 Legislative Session

The private market does not build deeply affordable rental housing. The legislature created a new eligible use of HIB 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.

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, but Minnesota still has not caught up and overcome the under production between 2006 and 2016. We still have a shortage of about 50,000 housing units.

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

People facing homelessness remains at high levels. About 8,000 people experience homelessness each night, nearly 2,000 of whom are sleeping outside, unsheltered. People facing chronic homelessness has increased 123% since 2017.

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. 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 2024 legislative session, the funding will initially be awarded to rental housing, single family development and manufactured home communities in December 2024.

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.

HIBs 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 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 2022, 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 2022.

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Public Housing Rehabilitation

AT A GLANCE

2024 Request Amount: \$120,000

Priority Ranking: 2

Project Summary: \$120 million in General Obligation bond proceeds 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.

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 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.

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.

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