



March 30, 2023

**Re: Comments on SF 2566 – Housing Finance Omnibus Bill**

Chair Port and members of the Senate Housing and Homelessness Prevention Committee:

The League of Minnesota Cities appreciates the opportunity to provide comments on the housing appropriations and policy outlined in SF 2566 as amended by the A2 amendment. On behalf of our 837 member cities, we appreciate your attention this session on the vast scope of housing needs in cities across the state of Minnesota. While local governments are innovating with limited resources to address locally identified housing needs, an expanded state-local partnership and a significant increase in housing resources are critical if we are to adequately address housing needs across the state.

**Articles 1 and 2: Housing Appropriations and Housing Policy**

***Economic Development & Challenge Fund Grant Program*** – The League is pleased with the one-time increase to the Economic Development & Challenge Fund Grant program in FY 2024 and FY 2025. Funding this important and flexible program with an additional \$100 million each over the next biennium will result in more housing projects being completed and will positively impact local economic development that comes with adequate affordable housing options for the local workforce.

***Workforce Housing Development Program*** – The League appreciates the inclusion of \$40 million in funding over the next biennium for the Workforce Housing Development program. The need for additional workforce housing in greater Minnesota cities is immense to support local economic expansion and ensure that cities can offer new workforce housing opportunities to accommodate job growth. Funding this program at a more meaningful level will ensure that more workforce housing is completed in the greater Minnesota cities that need it most.

***Manufactured Home Park Infrastructure Grants*** – The League supports the inclusion of an additional \$25 million over the next biennium for Manufactured Home Park Infrastructure Grants. Infrastructure serving manufactured home parks is most often private infrastructure and, in many parks, it has fallen into disrepair. This program is critical to support a key source of affordable housing in communities across the state and additional funding will ensure that residents in manufactured home parks are served by improved infrastructure including water systems, sewer lines and roads.

***Workforce Homeownership Program*** – The League supports the additional \$35 million in funding over the next biennium for the Workforce and Affordable Homeownership Program. This successful program provides grants to eligible applicants including cities to support development costs, rehabilitation, land development, and the construction of new owner-occupied workforce housing. Workforce housing is sorely needed in cities across the state to support local economic expansion and job growth.

***Homeownership Assistance Fund*** – The League supports the inclusion of \$25 million in additional funding for the Homeownership Assistance Fund, which is crucial in addressing the racial disparity in homeownership. The program provides resources to support BIPOC homeowners and homebuyers and additional funding for this program is an important step in addressing the persistent racial gap in homeownership.

***Homeownership Education Counseling and Training (HECAT)*** – The longstanding HECAT program helps support homeowners with education, counseling, and training to ensure successful and sustainable homeownership and provides financial support for activities that assist a wide array of homeowners. The additional \$3 million over the next biennium will help support more homeowners across the state.

***Housing Infrastructure Bonds*** – The authorization of \$100 million in Housing Infrastructure Bonds for FY 2024 and FY 2025 is crucial and will help construct and preserve units across the housing spectrum. Housing Infrastructure Bonds continue to be an important and flexible capital investment resource for housing utilized in communities across the state and we appreciate the inclusion of a historic level of Housing Infrastructure Bond authorization.

***Community Stabilization Program*** – The League supports the \$100 million in one-time funding for FY 2024 and FY 2025 for the creation of a Community Stabilization program to assist with preservation efforts. This program will help ensure existing naturally occurring affordable multi-family and owner-occupied housing units remain available to individuals and families with low-income or moderate incomes. Grants to eligible recipients including cities will be utilized effectively to acquire and rehabilitate naturally occurring affordable housing as well as reducing interest rates and providing gap financing to ensure preservation of single- and multi-family naturally occurring affordable housing stock.

***First-Generation Homebuyers Down Payment Assistance Fund*** – The League supports the inclusion of \$100 million in one-time funding for FY 2024 for a First-Generation Homebuyers Down Payment Assistance Fund. Modeled after successful programs developed at the local level, a statewide first-generation down payment assistance fund will help support existing local efforts to address racial disparities in homeownership and deploy additional resources to reduce barriers to homeownership.

***Local Housing Trust Fund State Matching Grants*** – The League strongly supports the inclusion of \$10 million in one-time funding to provide resources for Local Housing Trust Fund matching grants to bolster the development of more local housing trust funds across the state. Local Housing Trust Funds serve as an important and flexible tool for cities to address housing needs.

***Greater Minnesota Housing Infrastructure Grants*** – The League strongly supports the inclusion of \$5 million in funding to the Minnesota Housing Finance Agency to assist cities with the cost of infrastructure needed to support residential development. Infrastructure, especially in greater Minnesota cities, is often the most expensive component of residential development and state resources to assist cities with the cost of installing necessary infrastructure, especially in greater Minnesota, will help attract more development.

***High-Rise Sprinkler System Grant*** – The League appreciates the inclusion of \$10 million in one-time funding for FY 2024 for the provision of grants to qualifying large multi-family buildings that do not have sprinkler fire suppression systems. Retrofitting these buildings can be cost-prohibitive to property owners but are an important life-safety upgrade to keep residents safe.

***Homeownership Investment Grants*** – The League supports the inclusion of \$80 million in one-time funding for FY 2024 and FY 2025 to support homeownership investment grants. This new program will assist non-profits and community development financial institutions to increase the supply of affordable owner-occupied homes, financing programs for affordable owner-occupied homes and manufactured housing, and services to increase access to affordable owner-occupied homes in low-income communities and communities of color.

***Housing Cost Reduction Incentive Program*** – Cities across the state are innovating with limited resources to adjust local regulations and waive fees to ensure affordability. However, fee waivers and adjustments to regulations associated with development does not result in the absence of the cost to cities and their tax bases. The provision of \$2.5 million in one-time funding for this new program will improve the state-local partnership and help support innovation at the local level that ensures affordability while still allowing cities to address locally-identified housing needs, which vary greatly from community to community.

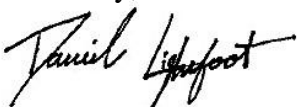
***Housing Infrastructure Bonds for Deeply Affordable Housing*** – The League supports the inclusion of language to add the financing, construction, acquisition, and rehabilitation of permanent housing for households with incomes at or below 50 percent AMI as an eligible use of Housing Infrastructure Bonds. Deeply affordable housing is often the most challenging housing stock to attract and almost always requires additional resources to ensure affordability

#### **Article 5: Metropolitan Sales Tax and Housing Aid**

***Metropolitan Sales Tax and Housing Aid*** – The League appreciates the inclusion of a variation of the Local Affordable Housing Aid program. Flexible funding sent directly to local units of government from the state is an important step in expanding the state-local partnership while allowing local units of government to assess uniquely identified housing needs without rigid parameters. However, we are disappointed that the program was reduced in scope to only be available to metropolitan local governments and is not funded statewide via general fund spending. Cost burden as well as construction and preservation needs in greater Minnesota are substantial and limiting this program to the metro area falls short of addressing greater Minnesota housing needs.

Thank you for your consideration

Sincerely,



Daniel Lightfoot  
Intergovernmental Relations Representative  
League of Minnesota Cities