

Project Title	2006 Agency Priority Ranking	Agency Project Request for State Funds (\$ by Session)				Governor's Recommendations 2006	Governor's Planning Estimate	
		2006	2008	2010	Total		2008	2010
Permanent Supportive Housing Loans	1	\$33,000	\$25,000	\$30,000	\$88,000	\$0	\$0	\$0
Land Acquisition Revolving Loans	2	5,000	5,000	0	10,000	0	0	0
Total Project Requests		\$38,000	\$30,000	\$30,000	\$98,000	\$0	\$0	\$0

Permanent Supportive Housing Loans

2006 STATE APPROPRIATION REQUEST: \$33,000,000

AGENCY PROJECT PRIORITY: 1 of 2

PROJECT LOCATION: Statewide

Project At A Glance

- ◆ Loans to construct or acquire and/or rehabilitate permanent supportive housing for families with children and individuals who experience long-term homelessness.

Project Description

This request for \$33 million in bond funds is to construct, acquire, and rehabilitate approximately 400-660 units of permanent supportive housing for families with children and individuals who experience long-term homelessness or are at risk of becoming homeless for a long term. Funds would be made available to developments throughout the state on a competitive basis. This request conforms to the state’s business plan to end long-term homelessness developed by a working group established by the legislature in 2003. The business plan anticipated appropriations of \$20 million in GO bond proceeds in 2004 and \$25 million in 2006 to implement the business plan. A \$33 million appropriation in 2006 would bring implementation of the business plan back on track with respect to the GO bond proceeds portion.

Permanent supportive housing is the keystone of efforts to reform the way that various systems address problems of homelessness by moving from a band-aid approach to more cost-effective prevention and long-term solutions. Permanent supportive housing is affordable rental housing with links to the services necessary to enable tenants to live in the community and lead successful lives. Fifty-two percent (52%) of the adults and unaccompanied youth identified as long-term homeless reported suffering from a serious or persistent mental illness; another 24% reported a dual diagnosis of both

mental illness and chemical dependency. Forty-eight percent (48%) of the adults and unaccompanied youth identified as long-term homeless reported a chronic health condition.

Permanent supportive housing has demonstrated its cost effectiveness. Evaluations of permanent supportive housing programs across the country and in Minnesota have found that it can be provided without adding to the long-term costs currently incurred for this population by reducing the use of hospitals, jails, treatment centers, emergency rooms, shelters, and crisis services. Permanent supportive housing has the potential to improve the outcomes for homeless households, including increased employment and improved school attendance and educational achievement for the children.

The Wilder Research Center in its 2003 Wilder homelessness survey found that 20,347 Minnesotans are estimated to be homeless or precariously housed. This funding request, and the business plan, focus on the small subset of this population: those individuals and families with children who are experiencing long-term homelessness. Based on estimates from the 2003 Wilder Survey, at least 4,000 units of supportive housing are projected to be needed by 2010 to meet the goal of ending long-term homelessness. Approximately 28% of the homeless adults surveyed in the 2031 Wilder Survey lived in Greater Minnesota, the remainder lived in the Twin Cities metropolitan area. Of the homeless persons living in the Twin Cities metro area, 5% reported that their last permanent address was in Greater Minnesota.

The appropriation would be to the Local Government Unit Housing Account program (M.S. 462A.202, subd. 3a). The Local Government Unit Housing Account program provides deferred loans to local units of government for the development, construction, acquisition, improvement, or rehabilitation of housing properties for low or moderate income persons. Local units of government that own and manage the property, or contract with a service provider to operate the property for a minimum of 20 years, are eligible to receive program assistance. After 20 years, the loan is deemed paid in full.

Impact on Agency Operating Budgets (Facilities Notes)

Funding this program will have no impact on the agency’s operating budget. The ongoing operating costs or supportive services will be provided from

Permanent Supportive Housing Loans

other sources, including resident contributions, and federal, state, and local government funds.

Previous Appropriations for this Project

Since 1990, the legislature has appropriated funds each biennium for supportive housing developments as part of capital bonding legislation.

Other Considerations

The 2003 Minnesota Legislature directed the commissioners of the Housing Finance Agency, and the departments of Human Services, Corrections, and Employment and Economic Development, to convene a Work Group on Supportive Housing for Persons Experiencing Long-Term Homelessness. This group's mission was to develop and implement strategies to make the various systems more cost effective and to increase the employability and self-sufficiency of families with children and individuals who experience long-term homelessness. (Laws of Minnesota 2003, Chapter 128, article 15, section 9.) This Working Group submitted a report and business plan to the legislature in March 2004.

Real progress has been made in implementing the business plan. In 2004, 134 units of permanent supportive housing for the long-term homeless received funding commitments for construction or rehabilitation and 136 units were funded through rental assistance. The business plan set a goal of 200 units for 2004. More than 135 supportive housing units are currently in the pre-development stage.

The state will not be undertaking this commitment alone. In December 2004, organizations from the private sector capitalized an Innovation Fund to provide a flexible source of funding for elements of supportive housing and services that are not now funded through mainstream federal and state government programs.

Project Contact Person

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Governor's Recommendations (To be completed by the Department of Finance at a later date)

Land Acquisition Revolving Loans

2006 STATE APPROPRIATION REQUEST: \$5,000,000

AGENCY PROJECT PRIORITY: 2 of 2

PROJECT LOCATION:

Project At A Glance

Revolving loan to reduce gap between costs of producing affordable entry-level homes for ownership or affordable rental housing and what Minnesota's workforce can afford to pay for housing.

Project Description

MHFA requests \$5 million to make loans for the local units of government for the purchase of land for future development of residential housing. The gap between housing costs and family incomes continues to grow. Between 1990 and 2000 statewide median home values rose 24% while median family incomes rose only 15%. Land costs account for approximately 8-10% of the costs of new rental housing. Land costs in some metro counties are as high as \$200,000 per acre. The amount of needed gap can be reduced if some of the inflationary pressures on housing could be avoided by acquiring land well in advance of its development for housing.

The seven county metropolitan area is expected to grow by 1.5 million people by 2030. Based on a study commissioned by MHFA, the Metropolitan Council, the Family Housing Fund, and the Greater Minnesota Housing Fund, by 2010 there will be an unmet need for 22,000 affordable housing units.

This proposal is for a pilot program to fund the acquisition of land in advance of specific development activities is a new funding activity for MHFA. Many of the details of how such funding should operate need to be examined. It is expected that acquisition plans would be required to be consistent with the Metropolitan Council's Regional Development Framework.

Impact on Agency Operating Budgets (Facilities Notes)

MHFA would administer the fund with existing resources.

Previous Appropriations for this Project**Other Considerations**

None.

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