

m EMPLOYMENT AND
ECONOMIC DEVELOPMENT

January 10, 2018

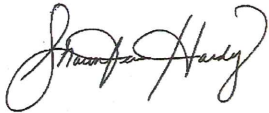
Chris Steller
Legislative Reference Library Acquisitions
645 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St Paul, MN 55155

Dear Mr. Steller,

Pursuant to Minnesota Statute 116J.549, subdivision 6, please find enclosed the 2018 Workforce Housing Development Annual Report. This report only covers grants awarded by DEED from program inception through state fiscal year 2017, as new funding for the program was transferred to the Minnesota Housing Finance Agency in the 2017 legislative session.

Thank you for your support of this critical economic development tool. Please do not hesitate to contact me if you have any questions or concerns.

Regards,



Shawntera Hardy
Commissioner

Enclosure

Workforce Housing Development Program

DEED Annual Report to the Legislature
As required by Minnesota Statute 116J.549, Subdivision 6
January, 2018

Total cost of salaries, printing, and supplies in
developing/preparing this report is \$175.00 (reported
as required by Minn. Stat. 3.197)

Background

2015, Minnesota Laws, 1st Special Session, Chapter 1, Article 2, Section 2 established a Workforce Housing Development Program and appropriated \$2 million in fiscal year 2016 and \$2 million in fiscal year 2017 for grants to communities in Greater Minnesota where a shortage of housing makes it difficult for businesses to attract the workers they need.

During the 2017 legislative session, the Minnesota Legislature transferred new funding for this program to the Minnesota Housing Finance Agency. Therefore, this report only covers grants awarded by DEED from program inception through state fiscal year 2017. All funds for the Workforce Housing Development program appropriated to the Department of Employment and Economic Development have been awarded.

The Workforce Housing Development Program is a competitive grant program that offers financial assistance to build market-rate residential rental properties for workers. Units of local government, nonprofits or the benefiting businesses must contribute \$1 for every \$2 provided by the program. Program grants provide up to 25 percent of the total project costs of a rental housing development.

Minnesota Statute 116J.549, Subd. 6, requires the Department of Employment and Economic Development (DEED) to report to the chairs and ranking minority members of the senate and house of representatives committees having jurisdiction over taxes and workforce development specifying the projects that received grants under the statute and the specific purposes for which the grant funds were used.

Program Outcomes to Date

The following is a summary of program outcomes as of December 31, 2017.

- \$3.8 million of grant funds have been awarded leveraging \$29,664,408 in local matching dollars
- A total of 6 funding awards have been made, resulting in the expected creation of 245 units of workforce housing when complete.
- Most of the projects awarded funding are currently under construction, with one completed, three currently under construction and two which will start construction in 2018.

Awards

Grants Awarded under Minnesota Statute 116J.549, subd. 6

In state fiscal year 2016, DEED released a request for proposals on October 1, 2015. The program received six applications requesting \$3.1 million and DEED awarded \$1.62 million in February of 2016:

Perham - \$620,000 was awarded on February 23, 2016 to assist with construction a 24 unit apartment building. Total project cost is \$2.6 million. The Workforce Housing Development Program (WHDP) funding is 24% of the project. Perham has a large workforce housing shortage and a rental housing vacancy rate of less than 1 percent. Barrel of Fun, KLN Brands, Arvig Enterprises, and Industrial Finishing have 1,400 employees. This project was completed in August of 2017.

Duluth - \$1,000,000 was awarded on February 23, 2016 to assist with construction a 72 unit apartment building. Total project cost is \$13,096,727. The WHDP request is 8% of the project. Duluth has a large workforce housing shortage and a rental vacancy rate of 3.1%. The project will provide housing for Cirrus, United Healthcare, Maurices, Essentia Health, St. Lukes, and Mills Fleet Farm. These businesses will be hiring more than 1,030 employees in 2016. This project is currently under construction and is expected to be completed in April 2018.

In state fiscal year 2017, DEED released a request for proposals on March 18, 2016. Interest in the program expanded and eight applications requesting \$5.9 million were received. Funding available for awards was \$2,180,000 million. In December of 2016, DEED awarded remaining funding to the following projects:

Worthington - \$868,000 was awarded on December 13, 2016 to assist with the construction of a 72 unit apartment building. Total project cost is \$6.5 million. WHDP is funding 13% of the project. Worthington has had a shortage of workforce housing for years. Worthington has a large workforce housing shortage and a rental vacancy rate of 2.4%. The employment base includes JBS (2,300 FTE), Worthington Schools (525 FTE) and Sanford Health (350 FTE). This project will start construction in 2018.

Warroad - \$249,041 was awarded on December 13, 2016 to assist with construction of a 29 unit apartment building. Total project cost is \$3.7 million. In combination with \$685,959 of Workforce Housing Pilot Program funds (appropriations to DEED of \$600,000 in 2015 and \$1.3 million in 2016), total DEED funding is 25% of the project. Workforce housing is very limited in the community and there is a rental vacancy rate of 2.1%. Marvin Windows employs more than 2,000 in Warroad with average wages of about \$40,000. William S. Marvin Fund is contributing \$200,000 towards the project. This project is under construction and is expected to be completed in April of 2018.

Glenwood - \$737,600 was awarded on December 13, 2016 to assist with construction of a 32 unit apartment building. Total project cost is \$4.8 million. WHDP is funding 15% of the project. Glenwood has a lack of workforce housing for a growing employment base that includes Fast Global Solutions (390 FTE), Glacial Ridge Health Systems (282 FTE) and Clyde Machines (103 FTE). This project is under construction and is expected to be completed in May of 2018.

Lutsen - \$325,359 was awarded on December 13, 2016 to assist with the construction of a 16 unit apartment building. Total project cost is \$5.9 million. WHDP is funding 12% of the project. Many businesses in the area have stated that their ability to grow is limited by a lack of workforce housing. In addition to seasonal employees, full-time year around employment includes Lutsen Resort (90 FTE), Lutsen Ski Area (40 FTE), Bluefin Bay (100 FTE), Caribou Highlands Lodge (37 FTE), Cook County (97 FTE). This project will start construction in 2018.