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April 23, 2018

The Honorable Julie Rosen, Chair  
Finance Committee  
Minnesota Senate

The Honorable Richard Cohen, Ranking Member  
Finance Committee  
Minnesota Senate

**RE:** SF 2893, Omnibus Agriculture, Rural Development and Housing Finance Bill

Dear Legislators,

I am writing to provide comments from Minnesota Housing on the Omnibus Agriculture, Rural Development and Housing Finance Bill.

#### **Homework Starts with Home**

The Governor included \$4 million in his supplemental budget for Homework Starts with Home and made the program permanent. This funding is used to provide short-term and long-term rental assistance to families with school-aged children that are homeless or highly mobile. The initiative would help provide stable housing for 500 families, including an estimated 1,000 Minnesota kids. This initiative builds on the success of a pilot program that created housing stability for 90 percent of participants and strengthened attendance for students. There is statewide need for this funding. In the 2016-17 school year, students facing homelessness attended 1,241 different schools located across 77 of Minnesota's 87 counties. Unfortunately the Senate omnibus bill does not include funding for Homework Starts with Home. We hope that as the budget process continues, this important initiative will be funded at the level proposed by the Governor.

#### **Tax-Exempt Bond Reform**

The bill includes SF 3700 which pertains to tax-exempt bond reform. A work group of housing stakeholders met over the course of the summer and fall last year and agreed to five consensus items that should make up any bond reform package. These five items are reflected in the omnibus bill. With some technical changes, we believe these consensus items will have a positive impact and produce additional affordable rental units. We will continue to work with the authors to address the technical changes.

#### **Manufactured Home Park Infrastructure and Acquisition**

This bill includes several provisions to allow funding for manufactured home park infrastructure and acquisition of manufactured home parks:

- It establishes manufactured home parks as eligible applicants for the Challenge program and makes financing for manufactured home parks an eligible activity
- It establishes the financing of acquisition, improvement and infrastructure of manufactured home parks as an eligible use of Housing Infrastructure Bond proceeds
- It establishes acquisition of manufactured home parks as an eligible use of the Manufactured Home Park Redevelopment Program, a program which has not received appropriations since 2001

While the bill makes all of these statutory changes, it does not include any additional appropriations to meet these needs. We believe that manufactured housing is an important affordable housing resource and that an appropriation is the best way to fund manufactured home park acquisition and infrastructure. An appropriation is a flexible funding tool that can meet time-sensitive infrastructure or acquisition needs. Housing Infrastructure Bonds are a complex funding tool that requires advanced planning and specific plans for use and are likely not the best fit for financing manufactured home park infrastructure and acquisition.

### **Housing Affordability Fund**

We have serious concerns about Section 42 of the bill which requires the Agency to designate 10 percent of housing affordability fund (pool 3) dollars for single family homeownership development in cities with fewer than 10,000 residents and for manufactured housing projects.

The Minnesota Housing statute, under the provisions of 462A.04, vests management and control of the Agency solely in the Agency's Board of Directors. The Board approves the Agency's financing and policy decisions. In some previous years, the Agency has designated financial resources generated from its financing activities to fund activities that are allowed under provisions of 462A. These resources, if any, are determined on an annual basis following the completion of the Agency's annual financial audit and after taking into account the capital requirements imposed by rating agencies to retain the Agency's credit ratings. Such resources have been referred to by the Agency as its housing affordability fund (or pool 3). We have significant concerns that Section 42 of the bill would take away the control that is vested in the Agency's Board by statute, and, as a result, could negatively affect the Agency's long-term financial soundness and stability as well as its credit rating. It is important to the Agency and the credit rating agencies that the Board maintain its ability to manage agency resources and to sustain the Agency's financial soundness and stability.

While we do not oppose the activities proposed in Section 42 of the bill, we believe that if the Legislature would like more of these activities to occur, it should consider providing appropriations to do so.

Annually, the Agency uses a public process to establish a program budget, referred to as its Affordable Housing Plan. The Agency's Board adopts the Affordable Housing Plan each year and uses the plan to guide its allocation of resources throughout the year. We encourage those supporting the greater use of Agency resources for manufactured housing and for housing development in communities with a population under 10,000 to submit comments to the Agency as part of the public input process, which will commence in May of this year.

### **Report on Local Zoning**

Section 43 includes a requirement for Minnesota Housing to conduct a study on the effects of local zoning decisions, regulations and fees that raise the cost of affordable housing development. We

understand that costs of housing development are of significant interest and appreciated the opportunity to present on that topic earlier this session. We would like to have further discussion about whether Minnesota Housing is the agency best-suited to conduct such a study. We are also concerned that there is no funding provided for the study.

We hope you find this information helpful and we look forward to continuing to work with you as the process moves forward. Please do not hesitate to contact me, Ryan Baumtrog ([ryan.baumtrog@state.mn.us](mailto:ryan.baumtrog@state.mn.us)) or Katie Topinka ([katie.topinka@state.mn.us](mailto:katie.topinka@state.mn.us)) with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary Tingerthal", with a stylized flourish at the end.

Mary Tingerthal  
Commissioner

cc: Members of the Senate Finance Committee