

Housing Finance

Projects Summary

(\$ in thousands)

Project Title	Rank Fund		Project Requests for State Funds			Gov's Rec	Gov's Planning Estimates	
			2020	2022	2024	2020	2022	2024
Housing Infrastructure Bonds	1	AP	180,000	180,000	180,000	200,000	200,000	200,000
Public Housing Rehabilitation	2	GO	60,000	60,000	60,000	60,000	60,000	60,000
Total Project Requests			240,000	240,000	240,000	260,000	260,000	260,000
Appropriation Bonds (AP) Total			180,000	180,000	180,000	200,000	200,000	200,000
General Obligation Bonds (GO) Total			60,000	60,000	60,000	60,000	60,000	60,000

mnhousing.gov/

AT A GLANCE

- Minnesota Housing provided more than \$1.2 billion in housing assistance, serving nearly 67,000 households
 - We hold Aa1 and AA+ credit ratings with Moody's and Standard & Poor's
 - We provided loans to more than 4,600 first-time homebuyers and assisted nearly 40,000 renters
 - We created or rehabilitated more than 2,000 units of affordable rental housing
 - We provided state rental assistance and homelessness prevention resources to over 9,700 households
- All numbers are for Federal Fiscal Year 2018*

PURPOSE

Success in life starts at home for all ages and all people. When we have safe, secure places to live, parents earn more, kids learn better, health and well-being improve, and communities prosper. Our homes are the foundation of our flourishing communities; they fuel the engine of our economy. Yet the affordability of homes in Minnesota, relative to our ability to pay for them, has been declining for years as rising costs for homes, transportation, health care, education and other basic goods outpace the increase in incomes. Currently 25 percent of all Minnesotans and more than 45 percent of renters are cost-burdened, paying more than 30 percent of their income for housing. Nearly 8,000 households are homeless on a given night.

At Minnesota Housing we believe that housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing. Our vision is that all Minnesotans live in a safe, stable home they can afford in a community of their choice. We finance affordable homeownership and rental housing to provide opportunities across the housing continuum for individuals and families throughout the state. We contribute to the statewide goal of **strong and stable families and communities and a thriving economy that encourages business growth and employment opportunities.**

STRATEGIES

We achieve our mission by serving a wide range of Minnesotans through rental, homeownership and homelessness assistance programs. We deliver these programs through a statewide network of local lenders, community-based organizations, local housing and redevelopment authorities, and for-profit and nonprofit developers. We work with other public and private funders to make funds for housing development and redevelopment available in a comprehensive, one-stop competitive application process. Over the past three years, nearly half of competitive assistance has gone to Greater Minnesota.

To help communities identify their housing needs, we have developed [Community Profiles](#) that provide demographic indicators in each of Minnesota's 87 counties.

- **Affordable Rental Housing:** We finance new construction, rehabilitation and preservation of affordable rental housing using federal low income housing tax credits, state appropriations, and first mortgages. We also provide rental assistance and administer federal Section 8 contracts.
 - We served nearly 42,000 Minnesota households through our multifamily rental programs in 2018.
 - More than three-quarters of renters served made less than \$20,000 per year.
 - We funded the new construction and preservation of 2,065 units of affordable rental housing in 2018.

- We preserved 1,008 units of federally assisted rental housing in 2018. Federally-assisted rental housing includes housing with rental assistance funded by the U.S. Department of Housing and Urban Development (HUD) and USDA Rural Development, as well as public housing.
- **Homeownership Opportunities:** We offer first-time homebuyer loans, downpayment assistance programs, a refinance program, and two home improvement loan programs to support Minnesota homebuyers and homeowners.
 - We provided home mortgage loans to 4,622 Minnesota households in 2018.
 - First-time homebuyers we served had a median annual household income of \$55,598.
 - 33.5% percent of the homebuyers we served were households of color or Hispanic ethnicity. The rest of the mortgage industry is around 15%.
 - 50 percent of the homebuyers we serve have annual incomes less than \$55,000
 - Nearly 97 percent of the homebuyers who received a Minnesota Housing first mortgage also received assistance with their downpayment and closing costs.
- **Preventing and Ending Homelessness:** We provide rental assistance and short-term financial assistance to individuals and families who are homeless or who face housing instability.
 - We provided state-funded rental assistance to 2,505 households in 2018. These households have a median annual household income less than of \$9,700.
 - We provided assistance to 5,536 households (with an average household income less than \$12,000) to prevent homelessness.
 - Eleven state agencies including Minnesota Housing updated the statewide *Plan to Prevent and End Homelessness* and committed to achieving the goals: finish the job of ending veteran and chronic homelessness, to prevent and end homelessness for youth unaccompanied by parents or guardians by the end of 2020, and to prevent and end homelessness for families with children by the end of 2020.
 - Overall the number of people experiencing homelessness increase from 7,243 in 2018 to 7,977 in 2019. While progress has been made in some areas, notably Veterans homelessness, other populations have increased. For example, people sleeping outside (unsheltered homelessness) – has tripled over five years, people experiencing chronic homelessness has increase 48 percent since 2014 and older adults (age 55+) have seen the biggest increases in homelessness.

M.S. 462A (<https://www.revisor.mn.gov/statutes/?id=462A>) provides the legal authority for Minnesota Housing.

AT A GLANCE

Minnesota Housing has 5 focus areas in our Strategic Plan:

- 1) Improve the Housing System
- 2) Increase Housing Availability
- 3) Make Homeownership More Accessible
- 4) Support People Needing Additional Services
- 5) Strengthen Communities

Investments in the bonding bill are critical to achieving the agency's mission, strategic priorities and our ability to serve individuals and families most impacted by housing instability. Housing investments in the bonding bill build and preserve housing for people at the lowest incomes and bonding bills provide the largest investments the State makes in affordable housing development.

Factors Impacting Facilities or Capital Programs

Everyone wants a home they can afford in a community of their choice because it provides the foundation for success, supports educational achievement, stable employment, health, and prosperity. Today, however, many Minnesotans are struggling with the cost of housing.

- 434,000 lower-income households in Minnesota are spending more than 30% of their income on housing;
- Minnesota has the third worst homeownership disparity in the country for households of color;
- An American Indian is over 20 times more likely to experience homelessness than a person who is white; and
- Research found that the housing shortage in the Twin Cities metro area could limit job growth and result in a loss to the Gross Regional Product of \$215 million annually.

We are at a critical moment for housing in Minnesota. Housing costs are significantly outpacing increases in income and the lack of housing that is affordable has an impact on the economy. Many Minnesotans are experiencing the effects of the housing shortage with the high price of renting or buying a home, and the rates of homelessness are increasing. Additional market forces including low vacancy rates and the loss of unsubsidized affordable housing units will continue to put pressure on the housing system.

Homelessness is Increasing

In Minnesota, roughly 8,000 people are homeless each night. This number includes almost 3,400 people in families. According to a Wilder Survey, an estimated 1,650 people sleep outside without shelter -- an increase of 125% since 2015. A person of color in Minnesota is nearly ten times more likely to experience homelessness than a person who is white/non-Hispanic. Homelessness is the most severe form of housing instability and encompasses many societal failures. It is often the result of inadequate and inequitable systems involving housing, physical and behavioral health, employment, and education. The state has responded, but the severity of the housing crisis is a significant challenge. Around one-third of people experiencing homelessness are working.

The number of people experiencing homelessness has increased in recent years. The number of people experiencing homelessness in Minnesota is slightly higher than it was in 2010, although nationally it's 13% lower. The number of people sleeping outside has tripled in the past 5 years, including a 55% increase in the last year, which outpaces national averages. We also know from the 2018 Wilder study that older adults are experiencing homelessness. Specifically, the number of adults age 55 and older experiencing homelessness increased by 25% since 2015. With the state's aging demographic and affordable housing needs for older Minnesotans, Housing

Infrastructure Bonds can be used to help create housing for low-income seniors that the private market currently isn't providing.

The increase in homelessness among certain populations demonstrates a need for more supportive housing. Supportive housing is housing with services, which help reduce the social costs of homelessness by keeping individuals out of emergency rooms, shelters and the correctional system. Housing Infrastructure Bonds are the primary way the State finances permanent supportive housing.

We know that where we make investments, we see results. With a focus on reducing homelessness among veterans, we have effectively ended veterans' homelessness in multiple regions of the state. We have also funded three projects specifically for veterans using Housing Infrastructure Bonds, which have helped to minimize the number of veterans experiencing homelessness.

Housing Stock is Getting Older

Minnesota has approximately 72,000 units of privately-owned rental housing that have received or currently receive federal or state assistance to keep them affordable. These properties are located throughout the state, in large and small communities alike. The affordable housing stock is an essential part of communities' infrastructure and its preservation is critical to communities' continued vitality. As these properties age, or as the subsidy contracts and regulatory agreements expire, there is a risk that these units may be lost due to physical deterioration or diminished capacity of the ownership entity. Given the low vacancy rates and demand for rental units across the state, there is additional risk that some properties may convert to market rate housing and no longer be affordable for low income residents.

Thirty-one thousand (31,000) of these privately-owned affordable housing units are federally subsidized through the Section 8 program. Section 8 housing is among the most affordable housing available because the tenant is required to pay only 30% of household income towards rent. The federal government makes up the difference between the tenant's contribution and an agreed upon contract rent. Another 7,000 privately-owned affordable housing units are federally subsidized through USDA Rural Development.

The Section 8 and USDA Rural Development portfolios were developed primarily from the 1960s to the 1980s. Due to the age of the housing stock, rents may not be able to keep up with the physical demands of the properties. Capital investments are needed to make physical improvements so that the properties can remain intact and affordable for decades to come. Funding is used to ensure that the health, safety and quality of this critical affordable housing stock is maintained for its low-income residents well into the future. With the capital investments provided by the State, the private owner is required to commit to at least 20 more years of affordability.

Minnesota Housing, along with its philanthropic funding partners and local and federal partners, has taken a systematic, long-term approach to stabilization and preservation that recognizes that preservation of existing housing is often the most cost-effective means of providing affordable housing. Typically, for every \$1 of state funding, \$4 in anticipated federal assistance is preserved.

People Are Getting Older

Over the next 15 years, the number of Minnesotans age 65 or older will increase by about 400,000, which will create new housing challenges. In 2035, seniors will account for more than 30% of the population in many counties, particularly in north central Minnesota and some border counties around the state. Initially, as baby boomers retire, they likely will live independently and age-in place, but as they get older and disabilities increase, the housing demands will become more complex.

The State is likely to face challenges in providing housing to seniors that is: 1) affordable, (2) keeps them in the community as long as possible, and (3) provides adequate access to care, services and amenities. These challenges are exacerbated by the lack of affordable housing that currently exists.

Federal Investments Not Keeping Pace

Minnesota has more than 21,000 public housing units funded by the federal government and owned and operated by local public housing authorities. Public housing exists in all 87 counties and serves the lowest income households in the state. Most than 90% of public housing units are 20+ years old. Seventy-five percent (75%) of public housing residents earn less than \$15,000 per year. Nearly two-thirds (66%) of households in public housing are seniors or households with disabilities and about one-third (33%) are children.

The federal government's commitment to support public housing has diminished as appropriations for operations and maintenance of the housing stock have been reduced to inadequate levels. Consequently, some public housing authorities have been forced to sell some of their units to reduce operating costs and generate enough revenue to properly maintain the remaining inventory. Others have delayed needed maintenance and repairs, putting units at risk of becoming uninhabitable. Due to the lack of resources to preserve the buildings and keep them safe for residents, many public housing authorities are looking for resources to address the backlog of needs.

Self-Assessment of Agency Facilities and Assets

Minnesota Housing does not own or operate facilities covered by this request. The request is for financing of activities that improve and augment the infrastructure of affordable housing in communities throughout the state. Without these critical funds, communities stand to lose housing units that are vital to serving the needs of citizens and vulnerable populations in these communities.

Agency Process for Determining Capital Requests

The need for affordable housing is significant and growing. We simply need more housing. The agency's requests don't meet the needs, but will significantly impact the housing landscape across the state. We typically receive at least three to four times as much in requests for deferred financing as we have funding available. In 2019, we received almost \$310 million in deferred loan requests from across the state.

There continue to be significant affordable housing needs throughout the state. In Minnesota, over 430,000 households are considered to be cost-burdened, meaning they pay more than 30 percent of their income for housing. The state's lowest-income renter households (at or below 30% of AMI) are most impacted, with 77% cost-burdened and 59% severely cost-burdened (paying more than half their income for housing costs).

We learned through the Housing Task Force that we are about 50,000 housing units short for the state's current population. Over the next decade, we need an additional 300,000 new units just to keep pace with population growth. This would be a 50% increase over current pace of production, which the private sector cannot do alone. We need to preserve the homes we have and build more, especially for those at the lowest income levels.

While we need new homes, the state's existing housing is aging and in need of capital for rehabilitation to preserve the affordability of these properties. When these developments that have federal financing are sold or converted, we lose the federal assistance forever. This portfolio continues to age and with additional wear and tear, the maintenance backlogs continue to grow.

Major Capital Projects Authorized

In 2019, the Legislature authorized Minnesota Housing to issue \$60 million in Housing Infrastructure Bonds. This new authorization, along with remaining amounts from 2018 will be awarded in November 2019.

In 2018, the Legislature authorized an additional \$80 million in Housing Infrastructure Bond proceeds, with \$30 million of that amount set-aside to permanent supportive housing for households behavioral health needs. In total, \$28.4 million was awarded in the fall of 2018, which financed 406 homes. In 2018, the agency received \$10 million in GO bond proceeds for public housing rehabilitation. Funds were awarded to public housing authorities in early 2019 and will preserve 1,380 units throughout the state.

In 2017, the Legislature authorized Minnesota Housing to issue \$35 million in new Housing Infrastructure Bonds and provided authority to issue up to \$20 million in Housing Infrastructure Bonds using existing debt service appropriations from the 2014 and 2015 bonding authorizations. Projects using these funds will be selected in October 2017. The bill also authorized \$10 million in General Obligation bonds for public housing rehabilitation, which will be used to fund the public housing rehabilitation program. All the projects are complete or under construction.

In 2015, the Legislature authorized Minnesota Housing to issue \$10 million in Housing Infrastructure Bonds. These funds, along with a small amount of Housing Infrastructure Bonds from 2014 were awarded to projects in October 2015. The funding was used for four (4) multifamily projects and four (4) single family projects. All of the projects are complete or under construction.

In 2014, the agency was authorized to issue \$80 million in Housing Infrastructure Bonds. The bonding authority has been used to finance the construction or preservation of nearly 1,200 units of affordable housing in 11 multifamily and six (6) single family projects. Ninety percent (90%) of the bonding authority was committed within six months of authorization, and all of the projects are complete or under construction. The Legislature also approved \$20 million in GO Bonds for public housing in 2014. Thirty-five (35) projects were selected to receive funds, with 28 projects located in Greater Minnesota. All of the funds were committed within six months.

Housing Infrastructure Bonds

AT A GLANCE

2020 Request Amount: \$180,000

Priority Ranking: 1

Project Summary: Minnesota Housing requests \$180 million in Housing Infrastructure Bonds, which would finance 1,400-1,600 homes throughout the state. The resource is critical to preserving and building new housing opportunities across the state. Housing Infrastructure Bonds are the primary housing development resource provided by the Legislature.

Project Description

This request is for a general fund appropriation to pay the debt service on \$180 million in Housing Infrastructure Bond proceeds issued by Minnesota Housing. Funds will be awarded through a competitive Request for Proposal process to private for-profit and non-profit developers for supportive housing, preservation, community land trust, senior housing, and manufactured home park projects. The amount of this request has the potential to accommodate new uses to serve lower incomes, which the agency is currently exploring.

Supportive Housing

Funds are used to construct or acquire and rehabilitate properties for permanent supportive housing for households who are experiencing homelessness, including youth, veterans, those experiencing long-term homelessness and for persons with disabilities or people who struggle with mental illness.

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 the lowest income households and households with service needs so they can address mental health challenges, chronic health conditions, substance abuse disorder and other barriers to self-sufficiency. The housing stability and additional services help individuals and families complete school or training, get connected to programs, and maintain employment.

Preservation

The federal Section 8 program has provided the largest portion of the privately owned, federally assisted rental housing in the state. Thirty-one thousand (31,000) units were financed under this program. The privately owned Section 8 portfolio was developed primarily from the 1960s to the 1980s. In addition, Minnesota has thousands of 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, there is risk that these units may be lost due to physical deterioration, conversion to market rate rents, or diminished capacity of the ownership entity. Often ownership transfers and significant injections of capital provided by Housing Infrastructure Bonds 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 are lost to the state.

Community Land Trust

Housing Infrastructure Bond resources can be used to pay for the cost of the acquisition of land that will be held by community land trusts for single family homeownership. 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.

Senior Housing

Housing Infrastructure Bond resources are available for the acquisition, rehabilitation, adaptive reuse or new construction of senior housing. Funding will be used for housing affordable to seniors (55 years of age and older) earning between 30% and 50% of Area Median Income. Senior housing at these income levels is currently not being met by the market.

Manufactured Home Park Acquisition and Infrastructure

A recently added use is financing the acquisition, improvement, and infrastructure including storm shelters and community facilities, of manufactured home parks.

Project Rationale

There continue to be significant affordable housing needs throughout the state. In Minnesota, about 550,000 households (30%) are considered to be cost-burdened, meaning they pay more than 30 percent of their income for housing. The state's lowest-income renter households (at or below 30% of AMI) are most impacted, with 77% cost-burdened and 59% severely cost-burdened (paying more than half their income for housing costs).

We learned through the Housing Task Force that we are about 50,000 housing units short for the state's current population. Over the next decade, we need an additional 300,000 new units just to keep pace with population growth. This would be a 50% increase over current pace of production, which the private sector cannot do alone. We need to preserve the homes we have and build more, especially for those at the lowest income levels.

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. When these developments are sold or converted, we lose the federal assistance forever. This portfolio continues to age and with additional wear and tear, the maintenance backlogs continue to grow.

While the most recent U.S. Department of Housing and Urban Development (HUD) point in time count data isn't final or public, we know that nearly 8,000 Minnesotans are homeless on a given night. This number includes almost 3,400 people in families. While the number of people experiencing homelessness in Minnesota is slightly higher than it was in 2010, nationally it's 13% lower. The number of people sleeping outside has tripled in the past 5 years, including a 55% increase in the last year, which outpaces national averages.

We also know from the 2018 Wilder study that more older adults are experiencing homelessness. Specifically, the number of adults age 55 and older experiencing homelessness increased by 25% percent since 2015. With the state's aging demographic and affordable housing needs for older Minnesotans, Housing Infrastructure Bond proceeds can be used to help create housing for low-income seniors that the private market currently isn't.

We also learned in the 2018 Statewide Homeless Study that 77% percent of homeless adults have at least one chronic health condition. Housing stability and services are needed to address these conditions.

The 2018 Wilder Study revealed once again that people of color, both adults and youth, are disproportionately represented among the homeless population. While adults who identify as Black or

African American are 5% of Minnesota's overall population, they represent 37% of people experiencing homelessness. American Indian adults are 1% of the state's overall population, but 12% of the homeless population. This compares to people who identify as White, who make 83% of Minnesota's adult population, but 34% of the homeless population.

We know that where we make investments we see results. With a focus on reducing homelessness among veterans, we have effectively ended veterans' homelessness in multiple regions of the state. We have also funded three projects specifically for veterans using Housing Infrastructure Bonds, which have helped to minimize the number of veterans experiencing homelessness.

We typically receive at least three to four times as much in requests for deferred financing as we have funding available. In 2019, we received requests for \$225 million in HIB funds from all across the state.

Project Timeline

Housing Infrastructure Bond proceeds are awarded statewide through a statewide, competitive application process. If approved in the 2020 legislative session, the funding would start to be awarded to communities in the fall of 2020. Minnesota Housing issues the bonds as developments need the resource.

Other Considerations

Statewide Plan to Prevent and End Homelessness

In 2018, the Minnesota Interagency Council on Homelessness released an updated Statewide Plan to Prevent and End Homelessness. The statewide plan reflects a commitment to deeper collaboration with partners in philanthropy, business, faith communities, tribal and local government, housing and service providers and people with lived experiences. The plan identifies seven principles that needed to prevent and end homelessness along with strategies and goals.

For Minnesota Housing, increasing investments in affordable housing and creating new supportive housing opportunities for the most vulnerable individuals, families and youth experiencing homelessness are critical pieces of achieving the vision of housing stability for all Minnesotans and meeting the goals outlined in the plan. One of the actions of the plan is to create 5,000 units of housing that are affordable at lower incomes. Housing Infrastructure Bond funds are critical to providing the resources to produce those homes.

Green Communities Criteria

Minnesota Housing has adopted a sustainability policy and implemented the Enterprise Green Communities criteria for all new developments and for substantial rehabilitation projects funded by the agency. The Green Communities criteria will apply to developments that are selected to receive housing infrastructure bond proceeds. The criteria cover a range of items related to energy efficiency and the environment including efficient lighting, use of renewable energy, low-impact development, water-conserving fixtures, and integrative design.

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

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 was awarded to projects in fall 2017 and impacted 507 homes.

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.

Project Contact Person

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Governor's Recommendation

The Governor recommends \$200 million in appropriation bonds for this request. Also included are budget estimates of \$200 million for each planning period for 2022 and 2024.

Housing Finance

Project Detail

(\$ in thousands)

Housing Infrastructure Bonds

PROJECT FUNDING SOURCES

Funding Source	Prior Years	FY 2020	FY 2022	FY 2024
State Funds Requested				
Appropriation Bonds	\$ 285,000	\$ 180,000	\$ 180,000	\$ 180,000
Funds Already Committed				
Pending Contributions				
TOTAL	\$ 285,000	\$ 180,000	\$ 180,000	\$ 180,000

TOTAL PROJECT COSTS

Cost Category	Prior Years	FY 2020	FY 2022	FY 2024
Property Acquisition	\$ 68,400	\$ 43,200	\$ 43,200	\$ 43,200
Predesign Fees	\$ 0	\$ 0	\$ 0	\$ 0
Design Fees	\$ 0	\$ 0	\$ 0	\$ 0
Project Management	\$ 0	\$ 0	\$ 0	\$ 0
Construction	\$ 216,600	\$ 136,800	\$ 136,800	\$ 136,800
Relocation Expenses	\$ 0	\$ 0	\$ 0	\$ 0
One Percent for Art	\$ 0	\$ 0	\$ 0	\$ 0
Occupancy Costs	\$ 0	\$ 0	\$ 0	\$ 0
Inflationary Adjustment	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL	\$ 285,000	\$ 180,000	\$ 180,000	\$ 180,000

IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2020	FY 2022	FY 2024
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	\$ 180,000	100 %
User Financing	\$ 0	0 %

STATUTORY REQUIREMENTS

The following requirements will apply to projects after adoption of the bonding bill.

Is this project exempt from legislative review under M.S. 16B.335 subd. 1a?	Yes
Predesign Review (M.S. 16B.335 subd. 3):	
Does this request include funding for predesign?	N/A
Has the predesign been submitted to the Department of Administration?	N/A
Has the predesign been approved by the Department of Administration?	N/A
Will the project design meet the Sustainable Building Guidelines under M.S. 16B.325?	N/A
Will the project designs meet applicable requirements and guidelines for energy conservation and alternative energy sources (M.S. 16B.335 subd. 4 and 16B.32)?	Yes
Have Information Technology Review Preconditions been met (M.S. 16B.335 subd. 5 & 6 and 16E.05 subd. 3)?	N/A
Will the project comply with the targeted group purchasing requirement (M.S. 16C.16 subd. 13)?	Yes
Will the project meet public ownership requirements (M.S. 16A.695)?	N/A
Will a use agreement be required (M.S. 16A.695 subd. 2)?	N/A
Will program funding be reviewed and ensured (M.S. 16A.695 subd. 5)?	N/A
Will the matching funds requirements be met (M.S. 16A.86 subd. 4)?	N/A
Will the project be fully encumbered prior to the Cancellation Deadline (M.S. 16A.642): December 31, 2024?	Yes
M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required	N/A
M.S. 473.4485: Guideway Project	
Is this a Guideway Project?	No
Is the required information included in this request?	N/A

Public Housing Rehabilitation**AT A GLANCE****2020 Request Amount:** \$60,000**Priority Ranking:** 2**Project Summary:** Minnesota Housing requests \$60 million in General Obligation bond proceeds to preserve existing public housing to keep it decent, safe and healthy for its low income residents. Throughout the state, approximately 6,000 units of housing will be rehabilitated with this funding.**Project Description**

The requested funding will provide investments in aging public housing stock that is in need of repairs. Public housing comes in all sizes and types, from scattered single family housing to high rise apartments for elderly families. Funding will provide investments in new heating and cooling systems, building envelopes, energy efficient windows, elevators and other critical health and safety items. Priority will be given to projects that address health and safety needs and reduce building operating costs. Funding will be awarded through a competitive application process. Eligible applicants are public housing authorities. Priority will be given to projects that include funding from other sources.

Project Rationale

Public housing is existing affordable housing that serves some of the lowest income residents of the state, including many seniors, persons with disabilities and families with children. Public housing is owned and managed by local public housing authorities and financed by the federal government. More than 21,000 public housing units are owned and operated by 124 public housing authorities throughout 87 Minnesota counties. Nearly 75 percent of the residents have incomes under \$15,000 per year. Residents pay 30 percent of their income toward rent. More than 90 percent of public housing units in the state are greater than 20 years old. It is critical that we preserve this housing stock for the state's lowest income residents.

Project Timeline

Funding will be awarded through a competitive request for proposal. If funding is provided during the 2020 legislative session, we anticipate that funds would be awarded to projects by early 2021, and that construction would begin during the summer of 2021.

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. Funds were awarded to public housing authorities in early 2018 and preserved 2,068 units throughout the state.

In 2018, the agency received \$10 million in GO bond proceeds for public housing rehabilitation. These funds were awarded to public housing authorities in May 2019 will preserve 1,622 units throughout the state.

Project Contact Person

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Governor's Recommendation

The Governor recommends \$60 million in general obligation bonds for this request. Also included are budget estimates of \$60 million for each planning period for 2022 and 2024.

Housing Finance

Project Detail

(\$ in thousands)

Public Housing Rehabilitation

PROJECT FUNDING SOURCES

Funding Source	Prior Years	FY 2020	FY 2022	FY 2024
State Funds Requested				
General Obligation Bonds	\$ 40,000	\$ 60,000	\$ 60,000	\$ 60,000
Funds Already Committed				
Pending Contributions				
TOTAL	\$ 40,000	\$ 60,000	\$ 60,000	\$ 60,000

TOTAL PROJECT COSTS

Cost Category	Prior Years	FY 2020	FY 2022	FY 2024
Property Acquisition	\$ 0	\$ 0	\$ 0	\$ 0
Predesign Fees	\$ 0	\$ 0	\$ 0	\$ 0
Design Fees	\$ 0	\$ 0	\$ 0	\$ 0
Project Management	\$ 0	\$ 0	\$ 0	\$ 0
Construction	\$ 40,000	\$ 60,000	\$ 60,000	\$ 60,000
Relocation Expenses	\$ 0	\$ 0	\$ 0	\$ 0
One Percent for Art	\$ 0	\$ 0	\$ 0	\$ 0
Occupancy Costs	\$ 0	\$ 0	\$ 0	\$ 0
Inflationary Adjustment	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL	\$ 40,000	\$ 60,000	\$ 60,000	\$ 60,000

IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2020	FY 2022	FY 2024
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	\$ 60,000	100 %
User Financing	\$ 0	0 %

STATUTORY REQUIREMENTS

The following requirements will apply to projects after adoption of the bonding bill.

Is this project exempt from legislative review under M.S. 16B.335 subd. 1a?	Yes
Predesign Review (M.S. 16B.335 subd. 3):	
Does this request include funding for predesign?	N/A
Has the predesign been submitted to the Department of Administration?	N/A
Has the predesign been approved by the Department of Administration?	N/A
Will the project design meet the Sustainable Building Guidelines under M.S. 16B.325?	Yes
Will the project designs meet applicable requirements and guidelines for energy conservation and alternative energy sources (M.S. 16B.335 subd. 4 and 16B.32)?	N/A
Have Information Technology Review Preconditions been met (M.S. 16B.335 subd. 5 & 6 and 16E.05 subd. 3)?	N/A
Will the project comply with the targeted group purchasing requirement (M.S. 16C.16 subd. 13)?	Yes
Will the project meet public ownership requirements (M.S. 16A.695)?	Yes
Will a use agreement be required (M.S. 16A.695 subd. 2)?	N/A
Will program funding be reviewed and ensured (M.S. 16A.695 subd. 5)?	Yes
Will the matching funds requirements be met (M.S. 16A.86 subd. 4)?	N/A
Will the project be fully encumbered prior to the Cancellation Deadline (M.S. 16A.642): December 31, 2024?	Yes
M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required	Yes
M.S. 473.4485: Guideway Project	
Is this a Guideway Project?	No
Is the required information included in this request?	N/A