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Housing Finance

Housing Finance — Agency Profile

https://www.mnhousing.gov/

AT A GLANCE

- Provided more than $1.9 billion in housing assistance, serving 93,500 households.
- Have Aa1 and AA+ credit ratings with Moody's and Standard & Poor's.
- Financed loans to nearly 4,400 first-time homebuyers, financed homebuyer education and counseling for more than 8,200 households and provided home improvement resources for 1,500 homes.
- Created or rehabilitated more than 3,300 units of rental housing and assisted over 41,100 renters.
- Over the past three years, 45% of competitive assistance has been provided to Greater Minnesota.

All numbers are for Federal Fiscal Year 2021

PURPOSE

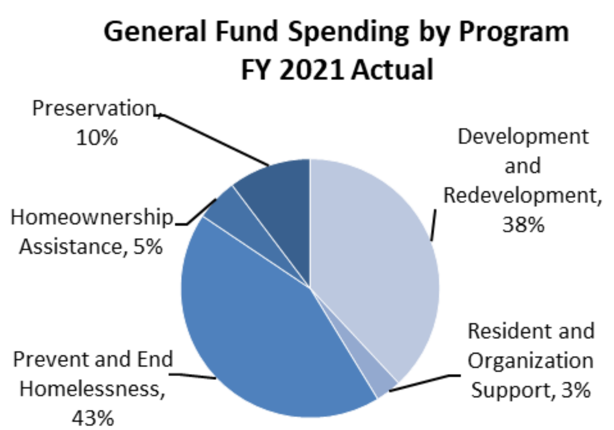
Success in life starts at home for all ages and all people. When we have safe, secure places to live, parents earn more, kids learn better, health and well-being improve, communities prosper and we all thrive. Our homes are the foundation of our communities and they fuel the engine of our economy.

In Minnesota, housing challenges are consistent and persistent and they are not shared equally across different race and ethnicities. People of color and Indigenous communities are more likely to face housing instability, be evicted and experience homelessness than white households.

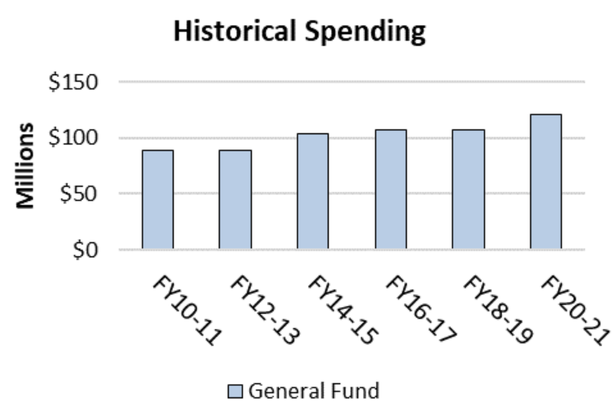
- An estimated 150,000 renter households making less than $50,000 a year spend more than 50% of their income on housing. (2019 American Community Survey)
- Minnesota has the fourth-largest disparity in homeownership rates in the country for households of color and Indigenous households.
- About 8,000 people face homelessness each night, including nearly 2,000 people who sleep outside.

Minnesota Housing collaborates with individuals, communities and partners to create, preserve and finance housing that is affordable. Our vision is that all Minnesotans live in a stable, safe 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.

BUDGET



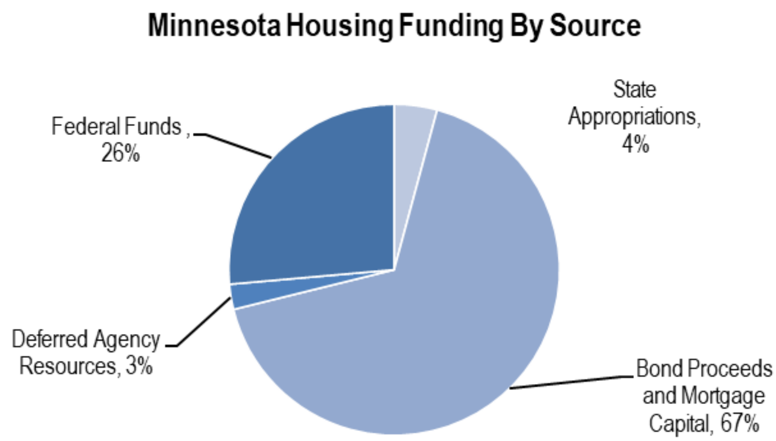
Source: SWIFT



Source: General Fund Balance Statement

We finance our programs through a combination of bond proceeds, federal resources, state appropriations, state capital investments and agency resources. We do not rely on state appropriations to fund our operating expenses, allowing 100 percent of state appropriations to go directly to programs. We issue tax exempt and taxable debt, using the proceeds to finance loans for rental developments and provide loans to low- to moderate-income homebuyers. We pay for our operating expenses using the spread that remains from loan repayments after we have repaid our bond holders. We have an independent Board of Directors, which has management and control of our activities. Legally, the Board is the agency. The Board is comprised of six citizen members appointed by the Governor, with the state auditor as an ex-officio member. The Board directs our policies, approves all funding decisions and holds monthly public meetings.

Our bond issuer ratings are AA+ and Aa1 from Standard and Poor's Rating Services and Moody's Investor Services, Inc. Our credit ratings are separate from and not directly dependent on ratings on debt issued by the State of Minnesota.



Source: Minnesota Housing 2022-23 Affordable Housing Plan

STRATEGIES

Housing stability is at the core of Minnesota Housing's mission that emphasizes thriving communities, equity and inclusion and children and families. We support our mission by providing a wide range of rental, homeownership and homelessness assistance programs. Our focus is on serving households that make the least and we direct resources to communities most impacted by housing instability. We have begun using an antiracist lens to evaluate program changes and are working to remove systemic barriers and policies that perpetuate housing instability for people of color and indigenous communities. We deliver our 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.

- **Rental Housing Minnesotans Can Afford:** We finance new construction, rehabilitation and preservation of rental housing using federal low income housing tax credits, state appropriations and first mortgages. We prioritize rental opportunities that are affordable to households that make the least. We also provide rental assistance and administer federal Section 8 contracts.
  - We served over 41,100 Minnesota households through our multifamily rental programs in 2021.
  - Three-quarters of renters made less than $25,000 per year.
  - We financed the new construction and preservation of 3,332 units of affordable rental housing in 2021 with state and federal resources.

- **Supporting 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 account for about 6% of the State's total mortgage lending.
    - We provided home mortgage loans to 5,445 Minnesota households in 2021.
    - The first-time homebuyers we served had a median annual household income of $58,800.
    - Thirty-seven percent of the first-time homebuyers we served were households of color or from indigenous communities
    - Ninety-seven percent of the homebuyers who received a Minnesota Housing first mortgage also received assistance with downpayment and closing costs.

- **Preventing and Ending Homelessness:** In addition to financing rental housing for people experiencing homelessness, we provide rental assistance and short-term financial assistance to individuals and families who are homeless or who face housing instability. People experiencing homelessness, especially people sleeping outside, has been increasing in recent years.
    - We provided state-funded rental assistance to 2,099 households in 2021. These households have a median annual household income of around $19,500.
    - We provided assistance to 4,804 households (with an average household income of $2,049) to prevent and assist people experiencing homelessness.
    - Minnesota Housing and eleven state agencies collaborate on the statewide *Plan to Prevent and End Homelessness.*

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

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
8000 - Housing Finance Agency	320,626	704,735	733,967	508,264	471,741	463,178	539,241	762,678
Total	**320,626**	**704,735**	**733,967**	**508,264**	**471,741**	**463,178**	**539,241**	**762,678**
Biennial Change				216,870		(307,312)		59,688
Biennial % Change				21		(25)		5
Governor's Change from Base								367,000
Governor's % Change from Base								39
Expenditures by Program								
Development and Redevelopment	22,229	32,821	30,276	76,562	90,314	87,426	95,314	242,426
Prevent and End Homelessness	42,766	399,180	285,928	91,375	52,913	45,213	95,413	127,713
Homeownership Assistance	4,120	4,555	121,586	16,231	8,635	4,885	23,635	54,885
Preservation	212,704	227,945	248,026	272,877	269,272	274,272	269,272	281,272
Resident and Organization Support	3,065	3,268	10,012	5,213	3,850	3,850	8,850	8,850
Administration	35,742	36,965	38,138	46,006	46,757	47,532	46,757	47,532
Total	**320,626**	**704,735**	**733,967**	**508,264**	**471,741**	**463,178**	**539,241**	**762,678**
Expenditures by Category								
Compensation	29,393	31,185	32,716	37,135	37,866	38,611	37,866	38,611
Operating Expenses	8,451	25,170	72,725	20,497	13,923	12,203	15,123	13,703
Grants, Aids and Subsidies	252,503	611,140	584,503	377,703	358,650	348,151	406,400	480,484
Other Financial Transaction	30,278	37,240	44,023	72,929	61,302	64,213	79,852	229,880
Total	**320,626**	**704,735**	**733,967**	**508,264**	**471,741**	**463,178**	**539,241**	**762,678**
Full-Time Equivalents	**252.70**	**258.62**	**267.53**	**280.24**	**292.97**	**292.97**	**292.97**	**292.97**

(Dollars in Thousands)

1000 - General

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Direct Appropriation	64,048	56,548	67,798	57,798	57,798	57,798	471,048	371,048
Transfers Out	64,048	56,548	67,798	57,798	57,798	57,798	471,048	371,048

3010 - Coronavirus Relief

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Direct Appropriation		100,000						
Transfers In			574					
Transfers Out		82,000						
Cancellations		18,000	574					

3015 - ARP-State Fiscal Recovery

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Direct Appropriation			27,000					
Transfers In			15,000					
Transfers Out			27,000					
Cancellations			15,000					

8000 - Housing Finance Agency

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Balance Forward In	206,863	234,846	373,524	319,689	227,719	187,354	227,719	533,104
Receipts	267,358	688,464	579,600	329,115	336,438	336,038	336,438	336,038
Transfers In	80,972	156,580	123,297	117,903	131,397	138,497	544,647	451,747
Transfers Out	49	2,048	22,767	30,724	36,459	40,009	36,459	40,009
Balance Forward Out	234,519	373,107	319,687	227,719	187,354	158,702	533,104	518,202
Expenditures	**320,626**	**704,735**	**733,967**	**508,264**	**471,741**	**463,178**	**539,241**	**762,678**
Biennial Change in Expenditures				216,870		(307,312)		59,688
Biennial % Change in Expenditures				21		(25)		5
Governor's Change from Base								367,000
Governor's % Change from Base								39
Full-Time Equivalents	252.70	258.62	267.53	280.24	292.97	292.97	292.97	292.97

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Direct				
Fund: 1000 - General				
FY2023 Appropriations	**57,798**	**57,798**	**57,798**	**115,596**
Forecast Base	**57,798**	**57,798**	**57,798**	**115,596**
Change Items				
Capacity Building Program		5,750	5,750	11,500
Community Stabilization		100,000		100,000
Downpayment Assistance		64,000	64,000	128,000
Greater Minnesota Workforce Housing Development Program		20,000	20,000	40,000
Homelessness Prevention		50,000	50,000	100,000
Homeownership Counseling and Training		1,000	1,000	2,000
Homework Starts with Home Expansion		2,500	2,500	5,000
Housing for People with Disabilities		5,000	5,000	10,000
Housing Infrastructure		50,000	50,000	100,000
Local Housing Needs - Challenge Program		50,000	50,000	100,000
Manufactured Home Park Preservation		12,500	12,500	25,000
Public Housing Rehabilitation		10,000	10,000	20,000
Rental Assistance		5,000	5,000	10,000
Strengthen Supportive Housing		20,000	20,000	40,000
Workforce and Affordable Homeownership		17,500	17,500	35,000
Total Governor's Recommendations	**57,798**	**471,048**	**371,048**	**842,096**
Dedicated				
Fund: 8000 - Housing Finance Agency				
Planned Spending	**508,164**	**471,641**	**463,078**	**934,719**
Forecast Base	**508,164**	**471,641**	**463,078**	**934,719**
Change Items				
Capacity Building Program		4,000	4,000	8,000
Community Stabilization		5,000	40,000	45,000
Downpayment Assistance		15,000	50,000	65,000
Greater Minnesota Workforce Housing Development Program			15,000	15,000
Homelessness Prevention		30,000	60,000	90,000
Homeownership Counseling and Training		1,000	1,000	2,000
Homework Starts with Home Expansion		2,500	2,500	5,000
Housing for People with Disabilities		5,000	5,000	10,000
Housing Infrastructure			40,000	40,000
Local Housing Needs - Challenge Program			40,000	40,000
Manufactured Home Park Preservation			10,000	10,000
Public Housing Rehabilitation			7,000	7,000
Rental Assistance		5,000	5,000	10,000

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Strengthen Supportive Housing			10,000	10,000
Workforce and Affordable Homeownership			10,000	10,000
Total Governor's Recommendations	**508,164**	**539,141**	**762,578**	**1,301,719**

Revenue Change Summary

Dedicated

	FY23	FY24	FY25	Biennium 2024-25
Fund: 8000 - Housing Finance Agency				
Forecast Revenues	**329,115**	**336,438**	**336,038**	**672,476**
Total Governor's Recommendations	**329,115**	**336,438**	**336,038**	**672,476**

Housing Finance

FY 2024-25 Biennial Budget Change Item

Change Item Title: Capacity Building Program

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Appropriation	5,750	5,750	0	0
Transfer Out	5,750	5,750	0	0
Housing Fund				
Transfer In	5,750	5,750	0	0
Spending	4,000	4,000	3,500	0
Net General Fund Fiscal Impact = (Expenditures – Revenues)	5,750	5,750	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends an $11.5 million increase in FY 2024-25 for the Capacity Building Program. The program provides grants to fund activities which help create inclusive and thriving communities. Funds will build capacity to address root causes of housing challenges and housing disparities and build power in communities most impacted by housing issues. The funds will also be used strategically to help deploy agency program funding.

Rationale/Background:

The Capacity Building Program funds activities that build the capacity of organizations and communities so they can address root causes of housing challenges and create thriving and inclusive communities. Communities most impacted by housing challenges and disparities are experts and key partners in developing solutions to these challenges. Minnesota Housing trusts organizations and communities to use their knowledge and creativity to develop strategies that work for them.

The Capacity Building Program helps Minnesota Housing's strategic objectives of "Creating an Equitable and Inclusive Housing System" and "Strengthening Communities" by:

- Fostering the co-creation of solutions with communities;
- Addressing systemic barriers;
- Diversifying the partners we fund and with whom we work; and
- Bolstering cross-sector community development work.

The agency supports the program with agency resources and currently receives $645 thousand in annual state appropriations to support a limited number of organizations and activities.

Proposal:

The funds will be awarded through a competitive application process to nonprofit organizations, Tribal governments and tribal business entities, local governmental entities and collaborations for either organizational capacity building or intermediary capacity building activities. A priority of the one-time funding will be to assist organizations with the implementation of a historic amount of state housing resources for activities ranging from homelessness prevention to homeownership development.

For organizational capacity building, the funds will be used to build the grantee's own capacity to address root causes of housing challenges and housing disparities, build power in communities most impacted by housing challenges and disparities, pilot innovative solutions to housing challenges, and support inclusive and equitable communities. The funds will also be used to support the deployment of agency programs. Eligible activities include but are not limited to:

- Pilot projects to test creative solutions to housing challenges;
- Community engagement, education and leadership development to facilitate community-led decision-making to meet a housing need;
- Partnership development to build a stronger network better aligned to advance equity and address housing needs;
- Staff development and training to build organizational capacity to meet community needs, as defined by the community; and
- Staff time to help deploy housing resources.

For intermediary capacity building, the funds are used to build the capacity of others through pass-through grants and/or technical assistance in the grantee's area of experience and expertise. The purpose of intermediary capacity building is to develop and strengthen the capacity of communities, stakeholders and organizations operating in the areas of housing planning, community and program development, and community engagement. Grants are intended to support efforts to build the capacity of communities, and/or organizations to meet community housing goals and needs. Eligible activities include but are not limited to:

- Community planning activities such as convening a variety of local stakeholders to identify housing needs and priorities, inform them about development processes, and create a housing development plan;
- Convening regional housing providers to create a regional market study and assess housing needs;
- Providing technical assistance to a community-based organization to increase organizational capacity to engage in housing development and planning activities through strengthening internal policies and technical skills;
- Providing technical assistance and pass-through grants to assist a community-based organization to become certified as a Community Housing Development Corporation; and
- Pass-through grants to hire a consultant for a housing-related need.

Impact on Children and Families & Equity and Inclusion:

The Capacity Building Program covers a range of activities to build organizational capacity to address housing disparities, build power in communities most impacted by housing challenges and disparities, pilot innovative solutions to housing challenges, and support inclusive and equitable communities.

The program utilizes community reviewers for the selections process and prioritizes grantees where communities most impacted by housing challenges and disparities are involved in the planning and implementation of the proposed project.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:

Results for this program vary due to the range of activities funded. Outcomes are a significant factor in program scoring related to the extent to which increased capacity will address a gap in the housing system and result in outcomes that ultimately benefit communities most impacted. There are many examples of Capacity Building Program grantees subsequently being selected for other agency housing assistance programs.

Housing Finance

FY 2024-25 Biennial Budget Change Item

Change Item Title: Community Stabilization

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Appropriation	100,000	0	0	0
Transfer Out	100,000	0	0	0
Housing Fund				
Transfer In	100,000	0	0	0
Spending	5,000	40,000	50,000	5,000
Net General Fund Impact = (Expenditures – Revenues)	50,000	50,000	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a $100 million increase in FY 2024-25 to preserve and improve existing housing commonly referred to as Naturally Occurring Affordable Housing (NOAH). In recent years, the affordability of housing throughout the state has been eroded as older apartments and single-family homes are purchased and upscaled, leading to increased rents and home values. Community Stabilization is a new program and the resources will be used to acquire, rehabilitation and preserve existing rental and homeownership housing so that it remains affordable for current and future renters.

Rationale/Background:

Since the economic recession of 2008-2009, the loss of the affordable rents in Naturally Occurring Affordable Housing (NOAH) has emerged as a critical issue. This has occurred with rental housing as well as single-family housing. Minnesota Housing has several programs to preserve housing that is federally assisted but does not have state appropriations for NOAH.

NOAH is rental housing that is affordable without public assistance or subsidy. On the rental side the properties are typically built between 1940 and 1980 and have rents that range from $500 to $1,200 per month. Those rent levels are what make the housing affordable to families. Statewide, there are at least 240,0000 unsubsidized rental NOAH units. While these properties are typically older and lack amenities, many are in desirable locations. These factors make them prime opportunities for acquisition and repositioning to appeal to a different market segment. Once these properties are acquired, the increase in minimum credit score, larger rent-to-income ratios, and higher rents often leads to a significant number of rapidly displaced households, many with low-incomes and few options to relocate. This has happened many times throughout the state.

According to Minnesota Housing's 2018 "Loss of Naturally Occurring Affordable Housing" Report, statewide, approximately 2,000 affordable rental units are annually lost after a purchase, 1,300 of which are in the metro area. In the Twin Cities metro area, suburban communities are losing larger properties, while Minneapolis and St. Paul are losing smaller properties. We also know that two-bedroom units are more likely to lose their affordability than studio units, and that units in higher-rent communities are more likely to lose their affordability.

Since these are private transactions between two willing parties, there is little that can be done to slow the timeline or alter the agreements made. The acquisition of these properties typically requires significant upfront investment, which is often difficult for organizations that would look to acquire NOAH properties while keeping them affordable. There have been efforts in the nonprofit community to better position mission-driven organizations to compete with for-profit developers when NOAH properties become available by providing additional resources. While a handful of acquisitions by mission-driven organizations are completed, the vast majority are sold for higher prices than nonprofits can pull together financing. If acquired by nonprofits, there is typically additional longer-term or rehab financing that is needed. Of the renters benefiting from the stabilization provided by the Greater Minnesota Housing Fund's NOAH Impact Fund, nearly 40 percent have federal Section 8 rent assistance and more than 84 percent earn less than $30,000.

On the homeownership front, a recent report showed that national investors are snapping up Twin Cities area houses to rent, creating higher prices and fewer opportunities for buyers as some neighborhoods are being transformed. National investors and housing actors such as Zillow have been active buyers in the Twin Cities area. Per a recent article by the Minneapolis Federal Reserve titled "Understanding the Rise of Investor-Owned Homes" states, "while investor ownership of single-family homes creates rental opportunities in neighborhoods where they might not otherwise exist, certain strategies pursued by investors seeking to maximize profits can, for example, lead to a deterioration of housing quality. Investors with deep pockets may make it harder for families, particularly lower-income households who are more likely to be people of color, to compete in the home-buying process."

Proposal:

Minnesota Housing will issue a competitive Request For Proposal process or processes (RFP) for the resources and would evaluate combining these resources with other private and philanthropic resources. The funding will be available for both acquisition, rehabilitation and acquisition/rehabilitation. Priority may be given to properties that have already been acquired and need significant rehabilitation and long-term financing to stabilization the property. The agency will evaluate options to make some of the resources available for the timely acquisition of properties, such as providing the funds to an intermediary.

On the rental side, the funds would be used to provide zero percent deferred loans or grants to acquire and/or rehabilitate rental housing to improve and maintain the property for an additional 20+ years. Eligible projects will range from larger developments in the metro area to smaller developments in Greater Minnesota.

On the homeownership side, the funds would be available to nonprofit, for-profit and governmental entities to develop homeownership opportunities to acquire the single-family homes and single-family portfolios and keep them affordable. A focus of the resources will be on single-family portfolio sale opportunities. The funds may also be used to provide rehabilitation loans where a current homeowner is at risk of losing the property due to significant deferred maintenance and they are unable to pay an amortizing loan.

Impact on Children and Families:

This proposal would prevent disruption for families with children who live in these developments for a lower cost per unit than developing new housing. Previous acquisitions of these properties have caused large-scale household displacement, including homelessness. Many of those displaced were families with school-aged children. Since these transactions are unpredictable and can take place at any time, children can be forced to miss school, have to transfer schools during the school year, or face transportation barriers to staying in their current school.

In the metro area, several of the properties that have been recently acquired but need help with rehabilitation costs have a large percentage of families residing at their developments.

Equity and Inclusion:

While there isn't widely available demographic data on the residents of NOAH properties, we know from recent examples of acquisitions that led to displacement that many households are voucher holders, which are disproportionately people of color, people with disabilities, or seniors on fixed incomes. According to Greater Minnesota Housing Fund, from 2010-2015, nearly 60 percent of transactions were in racially diverse communities.

One of the highest profiles examples of NOAH was a transaction of a property in 2015 led to a class-action lawsuit on behalf of voucher holders, which argued that the requirements implemented by new management led to displacement of residents that belonged to federally-protected classes based on race, disability, familial status, and national origin. The lawsuit was eventually settled and the new management agreed to eliminate minimum income requirements and loosen other rules.

These transactions can happen at any time and are highly unpredictable which can lead to displacement of families with children during the school year. This has occurred in recent examples of NOAH acquisitions.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:

For the NOAH Preservation Program, we'll measure our performance by the number of NOAH units preserved and kept affordable without subsidies to low-income households.

Type of Measure	***Name of Measure***
Quantity	Number of NOAH units preserved
Results	Distribution of units financed annually with units affordable at: A) 30% of median income or less. B) 50% at median income or less, or C) 80% at median income or less

Housing Finance

FY 2024-25 Biennial Budget Change Item

Change Item Title: Downpayment Assistance

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Appropriation	64,000	64,000	4,000	4,000
Transfer Out	64,000	64,000	4,000	4,000
Housing Development				
Transfer In	64,000	64,000	4,000	4,000
Expenditures	15,000	50,000	50,000	21,000
Net General Fund Fiscal Impact = (Expenditures – Revenues)	64,000	64,000	4,000	4,000
FTEs	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends a $128 million increase in FY 2024-25 and $4 million per year ongoing for additional downpayment and closing cost assistance. Minnesota has one of the nation's highest rates of homeownership (more than 70 percent), and also has one of the largest disparities in homeownership rates between white households and households that are Black, Indigenous or people of color. In addition to supporting the agency's downpayment assistance program, the funding will be used to fund a new First-Generation Homebuyer Program as well as provide resources to local lenders and partners to serve households not being reached by Minnesota Housing's programs.

Rationale/Background:
Minnesota has one of the nation's highest rates of homeownership (more than 70 percent), while at the same time it has one of the largest disparities in homeownership rates between white households and households that are Black, Indigenous or people of color. This gap has been largely unchanged over the last 20 years. A lack of the wealth available for entry costs – including downpayment and closing costs – contributes to the homeownership gap. Other reasons for the gap include credit and lending practices, cultural factors, systemic racism and discrimination. The need for additional downpayment assistance has increased over recent months with the increase in interest rates.

Homeownership is the primary driver for building wealth for low- and moderate-income households. Each year of successful homeownership adds nearly $10,000 in household wealth. It also creates stability for families and stronger connections within our communities. We're helping start these households on the path to homeownership through our mortgage programs, marketing and outreach, homebuyer education, and assistance with downpayment and closing costs.

The program provides loans for some of the upfront funds needed to purchase a home. Many moderate-income households have sufficient income to make monthly mortgage payments but lack the wealth necessary for a downpayment and closing costs. This activity helps finance a portion of these costs and makes it possible for these families to purchase a home. The vast majority of downpayment and closing cost assistance provided by the agency comes from agency resources.

Proposal:
Through the agency’s current downpayment and closing cost assistance programs, we provide assistance to first-time homebuyers to use toward downpayment assistance and closing costs in the form of a second mortgage with no interest, defer repayment of the loan, and in some cases the downpayment may be forgiven. In cases such as a sale or refinance, the loan is repaid to the agency. Homeowners that can afford more can access higher downpayment and closing-cost assistance through an amortizing loan, rather than a zero-interest, deferred loan.

Homebuyers who receive assistance are required to participate in homebuyer education, have a credit score of at least 640 and provide minimum cash investment. Our network of private lenders delivers the downpayment loan programs directly to homebuyers.

The additional funding will be used to fund additional program changes to adjust to the changing marketplace and the needs for potential homebuyers. This can include, but is not limited to, increasing downpayment assistance loan amounts and principal reduction. The funding will also be used to fund a First-Generation Homebuyer Program. This would provide downpayment and closing cost funds to low- to moderate-income first-generation homebuyers using Minnesota Housing’s first-time homebuyer purchase programs and lenders. The program will be used in conjunction with other Minnesota Housing downpayment and closing cost loans to ensure the program is reaching new borrowers that are not being reached with current programs.

Additionally, funding will be made available for community partners such as Community Development Financial Institutions (CDFIs) to fund assistance that reaches potential homeowners that Minnesota Housing’s programs are not reaching for standard loan programs or due to low credit score.

Impact on Children and Families:
Over half of the households served by the downpayment and closing cost assistance Homeownership Assistance Fund are families with children. We also know that homeownership is the largest asset for most low- and moderate-income families, and the primary means by which these families develop generational wealth.

Equity and Inclusion:
Minnesota has one of the worst disparities in homeownership between white households and Black, Indigenous, and people of color households in the country. Currently, over 65,000 renter households of color in Minnesota have an income that would make them potentially ready to buy a home and are within the prime homebuying age range. About 40 percent of households served through this program are households of color.

Tribal Consultation:
Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:
To track our outcomes for this program we examine the percentage of loans issued to Black, Indigenous and households of color as well as how many of our homebuyers use our downpayment loan programs. We compare the homebuyers that use our lending products to the broader mortgage market.

As of 2019, 36 percent of households that are income-ready to buy a home and in the prime first-time homebuyer age range (25 to 44) are households of color. We made 37 percent of our first-time homebuyer loans to households of color or Hispanic ethnicity in Federal Fiscal Year 2021 and 40 percent in Federal Fiscal Year 2022. By comparison, according to Home Mortgage Disclosure Act (HMDA) data, lending to households of color as a percentage of all home-purchase mortgage activity in the overall mortgage market was only 21 percent in 2021.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Percentage of Minnesota Housing loans for first-time homebuyers issued to households of color and indigenous communities.	34%	38%	FFY2020, FFY2021
Quality	Percentage of downpayment assistance provided to households of color and indigenous communities.	36%	39%	FFY2020, FFY2021
Results	Percentage of homebuyer loans that included downpayment assistance.	95%	97%	FFY2020, FFY2021

For this program we also track the number first-time homebuyers served, the percentage of homebuyer loans that included downpayment assistance and the income, race/ethnicity, credit score, and household size of homebuyers to assess if we are reaching underserved communities.

Housing Finance

FY 2024-25 Biennial Budget Change Item

Change Item Title: Greater Minnesota Workforce Housing Development Program

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Appropriation	20,000	20,000	0	0
Transfer Out	20,000	20,000	0	0
Housing Fund				
Transfer In	20,000	20,000	0	0
Expenditures	0	15,000	20,000	5,000
General Fund Net Fiscal Impact = (Expenditures – Revenues)	20,000	20,000	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a $40 million increase in FY 2024-25 for the Greater Minnesota Workforce Housing Development program. This program builds new rental housing in Greater Minnesota, predominantly in cities and towns with populations under 5,000. While many communities have had increased jobs in the region, the market has not added adequate new housing. The development of new housing in all regions of Greater Minnesota is critical for economic growth and job creation.

Rationale/Background:

The affordability of homes has been a competitive advantage for Minnesota and our employers and will be critical as we strengthen our economy in the coming years. New housing construction has not kept pace with household growth, as evidenced by the shortage of available housing. The statewide rental vacancy rate is about four percent to six percent, but lower in some communities, and there is about a two-month supply of homes for sale, significantly less than the five-month supply that reflects a balanced market. These conditions limit options for families and make it harder for many to have a stable place to live.

The development of new housing is critical for economic growth and job creation in all corners of the state. Businesses in a position to expand struggle to hire workers, in part because of a lack of affordable homes. Through the Workforce Housing Development Program, we work with local partners to develop new rental housing options throughout the state and serve communities that do not often apply for other agency resources. The program also has no income limits on developments and prioritizes applications with the highest percentage of market rate units. Low prevailing rents make new housing development in Greater Minnesota difficult without governmental resources.

In our last Request For Proposals, we had 23 applications requesting about $18.9 million in the last RFP. We were able to fund just over $4 million.

Proposal:

The Workforce Housing Development Program is available exclusively to smaller to midsize communities in Greater Minnesota. The program prioritizes smaller developments and often serves communities that do not typically receive funding from our other new construction programs.

The Workforce Housing Development Program is a competitive program that targets small to midsize cities in Greater Minnesota with rental workforce housing needs. Funds may be used for qualified expenditures that result in the direct development of rental properties, including: (1) acquisition of a property, (2) construction or improvements, or (3) provision of loans, grants, interest rate subsidies, public infrastructure, and related financing costs. Funds are targeted to proposals with the greatest proportion of market-rate units but can also be used for developments with rent and income restrictions imposed by other funding sources for some units. Communities with 5,000 or fewer residents have a funding priority.

Funding is available under a stand-alone request for proposals (RFP). Proposals are ranked and scored according to the Workforce Housing Development Program statute. Proposed rents are evaluated against the current and projected jobs and wages within the community. Funding is solely from state appropriations at $4 million per biennium.

Impact on Children and Families:

Many communities in Greater Minnesota lack enough affordable housing. This proposal is intended to provide additional funding for a program to build more housing that will enable companies to continue to expand their workforce and for families to have more affordable housing choices. Housing availability closer to employment opportunities helps reduce transportation barriers and reduce commute times, which allows for more time at home.

Equity and Inclusion:

This program does not require demographic information to be collected for the units developed. However, households of color and Indigenous households make up 50 percent to 75 percent households served by other agency programs that prioritize new rental development.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

We do anticipate several Tribal affiliated partners to apply for the program.

Results:

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Percentage of funding that is in communities with a population less than 10,000	100%	100%	FY2020, FY2021
Quantity	Number of new communities selected for new housing construction	N/A	100%	FY2020, FY2021
Quantity	Number of developments less than 30 units	100%	66%	FY2020, FY2021

Housing Finance

FY 2024-25 Biennial Budget Change Item

Change Item Title: Homelessness Prevention

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Appropriation	50,000	50,000	4,250	4,250
Transfer Out	50,000	50,000	4,250	4,250
Housing Fund				
Transfer In	50,000	50,000	4,250	4,250
Expenditure	30,000	60,000	14,250	4,250
Net General Fund Fiscal Impact = (Expenditures – Revenues)	50,000	50,000	4,250	4,250
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends an increase of $100 million in FY 2024-25 and $8.5 million in FY 2026-27 to the Family Homelessness Prevention and Assistance Program (FHPAP) targeted for homelessness prevention. The priority for funding will be on direct assistance, but the funds may also be used for landlord risk mitigation funds and to better coordinate access to prevention services and funding. The housing assistance is typically paid to the housing provider or property owner.

Rationale/Background:

Minnesota Housing has administered programs with federal funds to prevent displacement and homelessness during the pandemic. It started in Fall 2020 with the COVID Housing Assistance Program (CHAP). The agency administered RentHelpMN (for renters) and HomeHelpMN (for homeowners). The funds are used similarly to the prevention component of Family Homelessness Prevention and Assistance Program and can pay housing-related costs such as rent, lease fees, mortgage, property taxes, and utilities.

The Minnesota legislature established the Family Homeless Prevention and Assistance Program (FHPAP) to assist families who are homeless or at imminent risk of homelessness. The program’s goals are to prevent homelessness, minimize periods of homelessness, and eliminate repeat episodes of homelessness. The program expanded to include single adults and youth in 1995 and Tribal nations became eligible applicants in 2016.

Minnesota statute outlines the program requirements, which require that each grantee establish an advisory committee to ensure that project design, implementation and evaluation is reflective of local need. The advisory committee’s membership includes homeless advocate organizations, providers, people who have experienced homelessness, and a state staff person from the Minnesota Interagency Council on Homelessness (MICH). Other members include law enforcement, service providers, faith-based organizations, counties and landlords.

This statewide program serves all 87 counties. In the metro area, counties are eligible to apply for funding. In greater Minnesota, it may be a county, group of contiguous counties, non-profit organizations with board approval of counties in their service area and tribal nations. The majority of grantees also utilize sub-grantees such as youth providers, mental health providers and outreach providers to best meet unique local needs.

Minnesota Housing currently provides funds to almost two dozen grantees across the state. FHPAP funds are used for support services and direct assistance to prevent homelessness or rehouse people quickly as possible. Services include case management and housing location assistance. Direct assistance can include short-term rent assistance, security deposits, utility assistance and transportation assistance to improve housing stability. Current funding levels only serve about 65 percent of those eligible to receive FHPAP assistance.

Proposal:

The focus with the additional resources will be to provide direct assistance such as rental assistance and eviction prevention funding. Funds may also be used to provide housing stability services, as well as resources to facilitate more coordinated access to prevention assistance. More coordinated access points to assistance have been a key feature of the COVID-19 Housing Assistance Program and RentHelpMN.

Minnesota Housing awarded all of the appropriations in the last funding process and had more than $6 million in requests that were not able to be funded. Grant awards to administrators range from $400,000 to $4.5 million and are based on need statistics such as number of households in poverty, unemployed and severely cost burdened (paying 50 percent or more of their income in rent). Grantees are also reviewed for planning, project design, monitoring and evaluation, budget, history of performance, and program capacity. In 2020, the average assistance per household was $2,017 and the program served over 4,500 households.

The program is supported by several state agencies including Department of Human Services (DHS) - Office of Economic Opportunities, DHS - Community Living and Supports, DHS - Office of Indian Policy, the Department of Education and the Department of Corrections.

The proposal also includes an expansion of the Housing Provider Risk Mitigation Fund program. The purpose of the program is to provide a financial guarantee and case management services to incentivize rental housing owners to rent to tenants they would otherwise be unlikely to serve.

Impact on Children and Families:

Housing stability is critical for children’s success in school and parent’s ability to find and keep employment. This program targets families with school-age children. More than 3,000 families experience homelessness on any given night in Minnesota. This proposal is intended to increase the number of families we are able to serve through the program. The demand routinely outpaces the amount of funding available in a given year. The Administration is working on a goal to reduce the number of the families experiencing homelessness by 50 percent over the next several years and this is one of two programs Minnesota Housing has that is geared towards families and youth.

Equity and Inclusion:

About 62 percent of the households receiving FHPAP assistance were households of color, which is similar to CHAP and households served so far by RentHelpMN. Programs are designed to meet local needs and issues. Advisory groups must include someone with lived experience.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☒Yes
☐No

Results:

In order to measure the success of this program, we track the percentage of households served who are identified as at risk for homelessness and who do not return to shelter within 12 months. Data on homelessness comes from the Homeless Management Information System (HMIS).

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Results	Percentage of households who were identified as at risk for homelessness or were homeless, were served, and didn't return to a shelter within 12 months.	93%	96%	FFY 2020, FFY 2021

Housing Finance

FY 2024-25 Biennial Budget Change Item

Change Item Title: Homeownership Counseling and Training

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Appropriation	1,000	1,000	0	0
Transfer Out	1,000	1,000	0	0
Housing Fund				
Transfer In	1,000	1,000	0	0
Expenditures	1,000	1,000	0	0
Net General Fund Fiscal Impact = (Expenditures – Revenues)	1,000	1,000	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a $2 million increase in FY 2024-25 for the Homeownership Education, Counseling and Training (HECAT) program. Through a statewide network of non-profits and local government the program provides services to potential and current homebuyers, including: (1) in-person homeownership education (2) homeownership services (financial wellness and homebuyer counseling), (3) home equity conversion (reverse mortgage) counseling, and (4) foreclosure prevention counseling. A priority of the program is to close the homeownership gap between white households and Black, Indigenous and People of Color (BIPOC) which is one of the highest in the nation.

Rationale/Background:

Minnesota has one of the nation's overall highest rates of homeownership. Despite some recent progress, the state still has some of the worst disparity in homeownership rates between white households and households of color in the country. According to the 2021 American Community Survey:

- 78 percent of white households were homeowners in 2021, up from 77 percent in 2019
- 51 percent of BIPOC households were homeowners in 2021, up from 44 percent in 2019
- 31 percent of Black households were homeowners in 2021, up from 25 percent in 2019

In 2021, Minnesota had the:

- 4th highest overall homeownership rate in the country, when it was the 6th highest in 2019
- 13th largest disparity between white and BIPOC households, when it was the 4th largest in 2019
- 4th largest disparity between white and Black households, when it was the 3rd largest in 2019

The Legislature appropriated $857,000 for the HECAT Program in FY 2021. A total of four funding partners (Greater Minnesota Housing Fund, Family Housing Fund, Minnesota Homeownership Center, and Minnesota Housing) committed a total of $1.414 million for statewide HECAT Program services with a goal to serve an estimated 7,603 households.

Proposal:

The Homeownership Education, Counseling and Training (HECAT) Fund supports comprehensive pre-purchase services, including: (1) in-person homeownership education (Home Stretch and Realizing the American Dream), (2) homeownership services (financial wellness and homebuyer counseling), (3) home equity conversion (reverse mortgage) counseling, and (4) foreclosure prevention counseling. In addition to the state appropriation, Family Housing Fund, Greater Minnesota Housing Fund and the Minnesota Homeownership Center have annually contributed up to a total of $550,000 to the program. We award the funds through an annual competitive request for proposals (RFP) process. The online homeownership education course, Framework, is an alternate option to HECAT-funded homeownership education.

Impact on Children and Families:

Homeownership is the largest asset for most low- and moderate-income families and the primary means by which these families develop generational wealth.

Equity and Inclusion:

The HECAT program received its first legislature appropriation in 1995 to support eligible nonprofits and governmental entities who provide full-cycle homeownership services to eligible home buyers and homeowners through all phases of home purchasing and homeownership sustainability. The persistent gaps in homeownership rates between white households and households of color underscore the need for additional investment in programs that prepare perspective homebuyers for homeownership.

In 2021, funding partners gave priority in awarding HECAT funds to applications that demonstrate intent and ability to serve underserved populations, as defined by the Funding Partners as:

- Low- to moderate-income households (less than 80 percent of area median income)
- Individuals and/or households of color
- Single heads of household with minor children

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:

For the program assessment period of October 1, 2019 – September 30, 2020, the agency reported:

- 6,986 households served through HECAT program (and an additional 16,169 households were served through Framework)
- $1,424,595 total funding
- $204 average Minnesota Housing assistance per household
- A median household income of $41,498 or 45 percent of the statewide median income
- 56 percent of households were Black, Indigenous or households of color

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Results	Foreclosures prevented as a percentage of closed counseling cases.	84%	94%	FFY2020, FFY2021

Change Item Title: Homework Starts with Home Expansion

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Appropriation	2,500	2,500	2,500	2,500
Transfer Out	2,500	2,500	2,500	2,500
Housing Fund				
Transfer In	2,500	2,500	2,500	2,500
Expenditure	2,500	2,500	2,500	2,500
General Fund Net Fiscal Impact = (Expenditures – Revenues)	2,500	2,500	2,500	2,500
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a $5 million increase in FY 2024-25 to expand the Homework Starts with Home program. Priority for the new funding will be to serve younger children and pregnant families experiencing or at-risk of homelessness. An estimated 5,000 young children not yet in school are identified when they access certain state early childhood programs as being at-risk of or experiencing homelessness. The funding will provide rent and other housing assistance to families with or expecting children that lack housing stability.

Rationale/Background:

Homeless children and youth face educational barriers and trauma when they do not have a safe and affordable place to live and their education can be disrupted by moves and changing schools as they transition between temporary locations. Students experiencing homelessness are more likely to experience developmental delays; face physical and mental health problems; have increased exposure to violence; suffer from stress, depression and trauma; repeat a grade; be chronically absent; have frequent school changes; and have higher rates of disciplinary actions. Homeless students demonstrate third-grade reading proficiency at rates less than half of the general student population and substantially below their low-income but housed counterparts. Recent research indicates that a single episode of homelessness impacts educational achievement for two to three years. Families experiencing homelessness are often hard for a community's homeless response system to identify and serve since they may live "doubled up" with family and friends. Schools can be the trusted community touch-point to identify and connect homeless students and their families to the resources and services they need.

Currently, only families with a Kindergarten aged child or older are eligible for the Homework Starts with Home program. This proposal would expand and prioritize households that are expecting their first child or have a child at pre-kindergarten age or younger. Based on data for the Early Learning Scholarships program (Department of Education), Home Visiting (Department of Health), Child Care Assistance Program (Department of Human Services) and Head Start (Department of Education) there are around 5,000 children that are currently experiencing homelessness or are at-risk of homelessness.

Minnesota Housing is currently funding three collaborations across the state including two in the metro and one in Greater Minnesota to assist around 370 households.

Proposal:
Funding will be awarded through a competitive request for proposal (RFP) process. Resources will be provided to families based on their individualized needs through community partners. With the additional resources, the priority with the new funding will be on the new population (pre-natal to pre-k). Families receiving rental assistance under the Housing Trust Fund will be families in need of longer-term assistance to achieve housing stability. Resources through the Family Homeless Prevention and Assistance Program (FHPAP) will serve homeless or highly mobile families who do not need longer term rental assistance. These families will instead receive homeless prevention and rapid rehousing services. These cost-effective short-term interventions have been demonstrated to prevent or end homelessness for families in many cases.

With the expansion in population served, the model will be adjusted to take referrals from providers including, but not included to organizations that administer the Early Learning Scholarships, Home Visiting, Head Start, and Child Care Assistance programs.

Minnesota Housing will continue to partner with the Interagency Council of Homelessness, Departments of Education, Human Services, Minnesota Management and Budget and potentially the Heading Home Minnesota Funders Collaborative as well as other key stakeholders to provide technical assistance, advice, and consultation.

Impact on Children and Families:
Every household served through this program in 2020 had children. The program has shown that housing stability increased attendance and leads to increased parental incomes. Over 25 percent were long-term homeless families.

Equity and Inclusion:
Student homelessness disproportionately impacts students of color, American Indian students, LGBTQ students, and students with disabilities.

In 2020, over 75 percent of the households assisted identified as being Black, Indigenous or households of Color.

Tribal Consultation:
Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:
For the Program Assessment period of October 1, 2019 – September 30, 2020, we reported:

- 191 households assisted
- $5,383 average Homework Starts with Home assistance per unit
- A median household income of $8,052 or nine percent of the statewide median
- 77 percent of households were Black, of color or from Indigenous communities

Housing Finance

FY 2024-25 Biennial Budget Change Item

Change Item Title: Housing for People with Disabilities

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Appropriation	5,000	5,000	5,000	5,000
Transfers Out	5,000	5,000	5,000	5,000
Housing Fund				
Expenditures	5,000	5,000	5,000	5,000
Revenues	5,000	5,000	5,000	5,000
Net General Fund Fiscal Impact = (Expenditures – Revenues)	5,000	5,000	5,000	5,000
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a $10 million increase in FY 2024-25 and $5 million per year ongoing to help people with disabilities transition to and maintain housing in the community of their choice. The funding will be used to provide rental assistance for people with disabilities currently connected with the Department of Corrections and potentially the Department of Human Services. Individuals would receive a subsidy that would require them to pay no more than 30 percent of their income for their housing. The funds may also be used for incentives or risk mitigation funding for rental owners to increase access to homes in the private market.

Rationale/Background:

Through the Bridges program, Minnesota Housing provides rental assistance for households in which at least one adult member has a serious mental illness. Households with incomes below 50 percent of the area median income are eligible for this program (currently below $58,650 for a four-person household in the metropolitan area and $41,650 for a four-person household in much of the remainder of the state).

Under the Bridges program currently, households are stabilized in the community until a Section 8 certificate or voucher becomes available. This program plays an important role in the state's Olmstead Implementation Plan. The goal of the Olmstead Implementation Plan is for people with disabilities to live, learn, work and enjoy life in the most integrated setting of their choice. The Bridges program will help meet the goal of allowing people with disabilities to transition out of more segregated settings and choose where they live, with whom, and in what type of housing.

Minnesota Housing currently partners with the Department of Human Services (DHS) to deliver this program. Households served under the program receive both rental assistance and access to community mental health services. DHS provides referrals to Bridges and the program funds community-based outreach, mental health, substance abuse, case management and other support services, as well as a limited set of housing services.

Prior to receiving a rental assistance voucher through Bridges, households frequently live with family or friends, live in housing that is more expensive than they can afford, live in emergency shelter, or have been in an institution.

Proposal:

The recommendation is a partnership with the Department of Corrections (DOC) and potentially the Department of Human Services (DHS) to create more options and support for people with disabilities to transition and maintain housing of their choice. Specifically, this proposal is intended to provide rental assistance and ongoing supportive services for:

- People with a disability or disabling condition who are transitioning from a segregated setting, as defined in the Olmstead plan, which includes institutions, homelessness, and other provider-controlled settings.
- People with a disability who are exiting, or recently exited, institutions, such as chemical dependency treatment facilities, mental health treatment facilities, Minnesota Correctional Facilities, or on correctional supervision in the community.

The proposal generally consists of three separate components:

1. Rental assistance funding administered by Minnesota Housing. Individuals served would receive a subsidy that would allow them to pay no more than 30 percent of their income for their housing.
2. Incentivizes funding for rental property owners to increase the likelihood they'll rent to those who will be served by this proposal, especially in a difficult housing market. This will include points of contact for rental property owners, and technical assistance to create and implement inclusive policies for their properties.
3. Supportive services funding that would pay for services.

This proposal has several impacts that will bring significant value to the state:

- Opportunity for individuals served within systems traditionally unfamiliar with housing interventions and stabilization services (i.e., justice and corrections systems).
- Removing systemic barriers to accessing a rental assistance resource that historically would be targeted through community based coordinated entry (CE) processes. Coordinated entry is the process used to align individuals and families with various state and federal funds based on specific needs. Coordinated entry is responsive to the needs of individuals within the community; however, it does not include people who are preparing to be released from incarcerated settings to homelessness or housing instability.
- Creating choice for persons within the target population to live in integrated community settings with the assistance of a rental assistance voucher and supportive services.
- Connecting with individuals on a rental assistance resource designed for a more seamless transition to community and housing stability.

Impact on Children and Families:

Around 30 percent of the households served through the Bridges program are families with children. There should be opportunities to prioritize children and families through this collaboration. Finding and maintaining affordable and accessible housing for people with disabilities and for families where a family member has a disability are consistent challenges across the state. Those challenges are exacerbated when an individual is involved in the justice system.

Equity and Inclusion:

In 2021, 32 percent of the households served under the Bridges program were Black, Indigenous or households of color. Given the focus on justice-involved individuals and over-representation of BIPOC households that are justice-involved, it is anticipated that this program will need to expand both the rental assistance administrators who deliver the program as well as landlords that work with the state and federal rental assistance programs.

Tribal Consultation:
Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:
Potential measures include: the percentage of people who remained in housing for at least a year or had a positive exit and percent of people served who did not return to institutions/segregated settings.

FY 2024-25 Biennial Budget Change Item

Change Item Title: Housing Infrastructure

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Appropriation	50,000	50,000	0	0
Transfer Out	50,000	50,000	0	0
Housing Fund				
Transfer In	50,000	50,000	0	0
Expenditures	0	40,000	46,000	14,000
General Fund Net Fiscal Impact = (Expenditures – Revenues)	50,000	50,000	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends $100 million for the Housing Infrastructure program. The Housing Infrastructure program provides loans and grants for the development of permanent supportive housing, preservation of existing housing, senior housing, single family homes and manufactured home park infrastructure. The agency is also requesting a new use to build deeply affordable rental homes.

Rationale/Background:

Housing Infrastructure Bonds have been the largest state source of capital for housing development over the last 10 years. Housing Infrastructure Bonds leverage local, federal and private investment and spur development that otherwise would not happen.

For rents to match incomes, Minnesota should annually be producing roughly 5,000 new rental homes that are affordable to households with incomes at or below 50 percent of the area median, which varies by county from $37,500 to $52,800 for a household of three people. The private market cannot or will not produce new units at these incomes without public investment.

We need to preserve more housing. About 10,000 of the over 30,000 HUD Section 8 units have contracts that expire in the next four years, putting them at risk of being lost permanently. 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.

More people are experiencing homelessness and permanent supportive housing ends homelessness. People staying outdoors has increased 60 percent since 2017. Around 8,000 people experience homelessness each night, around 1,770 of whom are sleeping outside, unsheltered.

Housing instability is impacting more Minnesotans. About 215,000 renter households with an income at or below 50 percent of the area median income (which varies by county from $37,500 to $52,800 for a household of three people) are cost-burdened, meaning they spend more than 30 percent of their income on housing. To address this, we need to build around 5,000 units of new housing at 50 percent AMI or below, as well as provide more rental assistance.

The senior population is increasing rapidly. The State Demographer's Office is forecasting nearly 220,000 more seniors (age 65+) in Minnesota between 2023 and 2038, and many of these seniors will need affordable independent living homes.

Minnesota has a shortage of homes for sale with just a two-month supply available, when a five-month supply is considered a balanced market. The shortage is particularly severe for homes selling for less than $250,000, which accounts for less than 10 percent of listings, and many of these affordable existing homes have repair and rehabilitation needs.

The housing shortage is limiting economic growth. The shortage of housing in the Twin Cities metro area could limit job growth and reduce Gross Regional Product by $215 million annually.

Proposal:

The Housing Infrastructure Program provides no-interest, deferred loans and grants awarded through competitive, statewide Request for Proposal processes to private for-profit and non-profit developers. Typically, loan and grants provided through the Housing Infrastructure program are financed by bond proceeds on debt issued by Minnesota Housing where the annual debt service payments come from state appropriations from the state. This proposal is to provide a direct appropriation (cash) to finance those loans and grants. Providing a direct appropriation for this program reduces the long-term cost to the state, provides more flexibility in the timing of financings (currently the agency can only issue debt once a year) and eliminates certain costs associated with issuing debt.

The loans and grants are used for permanent supportive housing for people experiencing homelessness, the preservation of existing federally-assisted housing, and single family/homeownership development including community land trusts, senior housing, and manufactured home communities. The following provides a brief summary of each use.

<u>Supportive Housing</u>

A priority of the resources would be used to construct or acquire and rehabilitate properties for use as 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 significant mental health challenges, chronic health conditions, substance abuse disorders and other barriers to self-sufficiency. Housing stability and additional services help individuals and families complete school or training, get connected to programs, achieve employment and provide a place to call home.

<u>Preservation</u>

The federal Section 8 program provides the largest portion of the privately owned, federally assisted rental housing in the state. Around 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. When ownership transfers, significant capital is often needed and can be provided by Housing Infrastructure resources to ensure that properties can remain in the program and affordable for decades into the future. If the properties are not preserved, the federal subsidies can be lost to the state.

<u>Senior Housing</u>

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

Single Family Development

New in 2019, Housing Infrastructure resources can be used to finance forgivable loans for the acquisition, rehabilitation, adaptive reuse, or new construction of single-family housing. These resources are also used for community land trusts. 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.

Manufactured Home Communities

Housing Infrastructure resources can be made available to finance the acquisition and improvement, of manufactured home communities and infrastructure including storm shelters and community facilities,.

Multifamily Rental Housing - New Eligible Use

This year we are proposing new construction of rental housing as a new eligible activity for Housing Infrastructure. Funds would be available to finance the costs of the construction of multifamily rental housing for households with incomes at or below 50 percent of area median income (AMI) with a priority at 30 percent AMI.

Impact on Children and Families:

Housing instability is impacting more Minnesotans. About 215,000 renter households with an income at or below 50 percent of the area median income (which varies by county from $37,500 to $52,800 for a household of three people) are cost-burdened, meaning they spend more than 30 percent of their income on housing. To address this, we need to build around 5,000 units of new housing at 50 percent AMI or below, as well as provide more rental assistance.

For rents to match incomes, Minnesota should annually be producing roughly 5,000 new rental homes that are affordable to households with incomes at or below 50 percent of the area median, which varies by county from $37,500 to $52,800 for a household of three people.

Housing Infrastructure is the agency's best financing tool for building and preserving affordable housing for people facing homelessness and to develop rental housing, single family housing and manufactured home community infrastructure for people with lower incomes.

Equity and Inclusion:

The Housing Infrastructure program is one of the agency's best tools to build deeply affordable and supportive housing. Black, Indigenous and households of color are more likely to be evicted and cost burdened in their housing and they are more likely to face homelessness and sleep outside. In FFY 2021, over 50 percent of the households served were Black, Indigenous and households of color.

The agency has also been working to diversify its partners. We have been working to provide technical assistance to help organizations owned by people of color better compete in the application process and more incentives in our selections process for women owned and minority owned businesses.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:

The agency tracks annual household incomes and who is receiving assistance.

In FFY 2021 for the Housing Infrastructure program, annual household incomes were $9,363 which is around 10 percent of the state median income. Over 50 percent of the households served were Black, Indigenous and households of color and over 34 percent were households with a disability.

Change Item Title: Local Housing Needs – Challenge Program

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Appropriation	50,000	50,000	0	0
Transfer Out	50,000	50,000	0	0
Housing Funds				
Transfer In	50,000	50,000	0	0
Expenditures	0	40,000	50,000	10,000
General Fund Net Fiscal Impact = (Expenditures – Revenues)	50,000	50,000	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a $100 million increase in FY 2024-25 to the Economic Development and Housing Challenge program to produce more housing opportunities across the state. The priority will be increasing rental and homeownership housing opportunities communities where the lack of housing is impacting job growth, as well as providing downpayment assistance to first-time homebuyers.

Rationale/Background:

The Challenge program is the primary source of state appropriations to develop new housing. It can also be used to acquire and improve existing housing. The affordability of homes has been a competitive advantage for Minnesota and our employers, but a growing shortage of homes and other market conditions are pushing prices beyond the reach of many individuals and families. This is limiting economic growth and household mobility. Additionally, new housing construction has not kept pace with household growth, as evidenced by the short supply of homes for rent or sale. In Minnesota, the statewide rental vacancy rate is currently between four and six percent, with slightly lower rates in the metro. There's also less than a five-month supply of homes for sale, denoting an unbalanced market. These conditions limit options for families and make it harder for many to have a stable place to live.

The development of new housing is critical for economic growth and job creation. As businesses expand throughout the state, many are struggling to hire workers, in part because of a lack of affordable homes. Through the Challenge program, Housing Finance will work with local partners to develop new rental housing and single family housing options throughout the state. We will also help communities and partners to redevelop existing sites to create new housing opportunities to better serve low- to moderate-income homeowners, homebuyers, and renters. We currently receive more requests than we can select with current funding levels.

In FFY 2021, the Median annual income of households served under Challenge is $19,795 for rental housing and $46,247 for homeownership. 45 percent of the households served were families with children for rental housing and 56 percent for homeownership.

Proposal:

The Challenge program provides no-interest, deferred loans to for-profit and nonprofit developers and local units of government to develop workforce housing in their communities. The Challenge program is flexible, letting communities identify the type of housing that best fits their needs. It can be used for new construction or rehabilitation and funds both rental housing and homeownership opportunities. Nearly two-thirds of the requests for funding process are for new construction.

The program finances rental housing in both the metropolitan area and Greater Minnesota. Resources are available through a competitive Request for Proposals process published each spring. Income limits for rental housing are up to 80 percent of the greater of area or statewide median household income. For most of the state, this is a maximum household income of $94,600 per year for the metro area and $83,200 for most of the rest of the state.

The Challenge Program also funds the development and rehabilitation of single-family, owner-occupied affordable homes in communities across Minnesota. Resources are available through a competitive Request for Proposals process published each spring. The income maximum for owner-occupied housing is 115 percent of the greater of state or area median household income. Currently, this is a maximum household income of $136,000 per year for the metro area and $119,600 for most of the rest of the state.

Housing stability is critical for children's success in school and parent's ability to find and keep employment. Research shows that providing stable housing increasing kids' attendance in schools and increases the income of parents. In addition, homeownership is the primary way families build wealth and accumulate generational wealth over time. Also, we have a priority for building large family units with these resources.

Equity and Inclusion:

The Challenge program serves a high percentage of households that are Black, Indigenous or People of Color. In 2021, 73 percent of the households funded by the Challenge program were Black, Indigenous and households of color. With the new funding, we will work to continue serving a high percentage of households of color. Additionally, we have been working to provide technical assistance to help organizations owned by people of color better compete in the application process and more incentives in our selections process.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☒Yes

☐No

The Challenge program has a Tribal Housing set-aside that is reserved for projects from Tribal Nations. With the increase to this program, the Tribal Housing set-aside will be increased proportionality to the overall increase. The set-aside in FY 2023 is $1.2 million.

The Challenge program has been used by Tribal Nations for both homeownership financing and development as well as rental housing. We heard from Tribal visits and on-going collaboration with Tribal Nations that more resources for housing development is a top priority.

Results:

We measure our performance in this program by examining the percentage of units financed in top job growth areas and the level of affordability. Under the Challenge Program, all rental units must be affordable to households earning 80 percent of median income. However, we also want to ensure we're serving a range of households, so we review how many Minnesotans we are serving at lower income levels.

Housing that is affordable to the local workforce generally includes households earning up to $50,000 to $100,000, depending on the county. We use wage data from the Department of Employment and Economic Development (DEED) to help determine what is affordable to the local workforce.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Percentage of units in rental developments funded that are located in the top workforce housing communities (areas with job growth).	95%	98%	FFY 2020, FFY 2021
Results	Distribution of units financed annually with units affordable at: A) 30% of median income or less. B) 50% at median income or less, or C) 80% at median income or less	A) 15% B) 51% C) 100%	A) 25% B) 68% C) 100%	FFY 2020, FFY 2021

For this program we also track the number of housing units developed or rehabilitated, the number and share of housing units developed or rehabilitated in workforce housing areas (those with job growth, large number of jobs, and/or a large share workers commuting into it for work) and income and race/ethnicity of tenants and homeowners to assess if we are reaching underserved communities.

Housing Finance

FY 2024-25 Biennial Budget Change Item

Change Item Title: Manufactured Home Park Preservation

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 20270
General Fund				
Appropriation	12,500	12,500	0	0
Transfer Out	12,500	12,500	0	0
Housing Fund				
Transfer In	12,500	12,500	0	0
Spending	0	10,000	12,500	2,500
Net General Fund Fiscal Impact = (Expenditures – Revenues)	12,500	12,500	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends a $25 million increase in FY 2024-25 to the Manufactured Home Community Redevelopment Program. This program provides grants to fund infrastructure improvements or acquisition of manufactured home parks to assist the needs for aging manufacture home communities around the state. The program will prioritize projects based on health, safety and critical need improvements, as well as projects that leverage support from local municipalities, and projects converting a community to a cooperative ownership model.

Rationale/Background:

Manufactured homes—factory-made dwelling units built on a permanent chassis (a transportable frame)—are an important and often overlooked affordable housing option across the state. Manufactured home parks are the largest source of naturally occurring affordable housing in the state. Housing located in manufactured home communities is often the most affordable in the community, and a new park has not opened in the Metro area since 1991. The situation is very similar in smaller communities across the state. Further, manufactured homes offer homeownership opportunities to families for whom ownership is otherwise often out of reach.

Minnesota Housing has resources to support the preservation and improvements of manufactured homes, as well as the purchase of new homes, but lacks on-going resources to finance infrastructure improvements (roads, sewer, lighting, water, storm shelters, etc.) of the parks. Nearly all manufactured home parks have infrastructure needs. Most parks are privately owned and therefore aren't eligible for existing federal, state or local infrastructure funds.

The homeowners in manufactured home communities can, at times, find themselves in a precarious situation. While they own their homes, they don't own the land beneath them, thus creating challenging issues when a park owner decides to sell the property. Having failing infrastructure can be a determining factor for a park owner to sell a property, and there are no federal and limited state infrastructure resources available to address this need.

Because residents of the parks are often very low-income, they are not able to pay increased rents that could be used to finance the infrastructure improvements. Since 1991, more than a dozen mobile home parks in the Twin Cities have shuttered, and several in Greater Minnesota have closed.

The Manufactured Home Community Redevelopment Program was created in 2020 when the legislature allocated $2 million in state appropriations to the statute governing the program to address the needs of aging manufactured home communities around the state. The legislature has funded the program with $3.75 million in state appropriations for the current biennium, with an additional $15 million in Housing Infrastructure Bond (HIB) proceeds set aside for the program until January 16, 2024.

In the last request for proposal process, Minnesota Housing received 25 proposals for infrastructure redevelopment from manufactured home communities totaling $25,727,065. Four of the 25 proposals included acquisition activities.

Proposal:

Funds will be provided on a competitive basis through a request for proposal (RFP) process. There is a priority for health and safety requests, as well as requests that leverage local resources. The preservation of these homes is one of the most cost-effective uses of state resources. Program funds will be awarded as grants to eligible applicants for infrastructure improvements or acquisition of manufactured home parks, as described in statute.

Eligible applicants include privately, publicly or cooperatively owned communities, as well as nonprofit organizations acting as an intermediary on behalf of a park. Funds are not eligible for use on individual homes but intended to benefit the community as a whole.

Eligible uses of funds include:

- Infrastructure improvements, including water and sewer installation, installment or repair of storm shelters, electrical work, road and sidewalk improvements, or other infrastructure needs as approved in writing by Minnesota Housing.
- Acquisition of Manufactured Home Parks, with priority given to Cooperative ownership models.

Grantees will be expected to meet the terms of an affordability period of up to 25 years, and lot rent increase restrictions of no more than five percent per year, unless approved by Minnesota Housing. Statute also requires that park owners establish an account for replacement reserves for infrastructure and improvement repairs and Agency staff will oversee monitoring and reporting requirements.

Equity and Inclusion:

Compared to Minnesota's population overall, Minnesotans who live in manufactured home parks are:

- Very low- and extremely low-income residents
- More racially and ethnically diverse (Hispanic residents are especially overrepresented)
- More likely to have disabilities

Results:

The program is relatively new and is just beginning to report results on the developments selected. This includes:

- Number of households served
- Average household income served
- Non-state resources leveraged
- Percent of households served that are households of color

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Change Item Title: Public Housing Rehabilitation

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Appropriation	10,000	10,000	0	0
Transfer Out	10,000	10,000	0	0
Housing Fund				
Transfer In	10,000	10,000	0	0
Spending	0	7,000	10,000	3,000
General Fund Net Fiscal Impact = (Expenditures – Revenues)	10,000	10,000	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:
The Governor recommends $20 million in FY 2024-25 for the Public Housing Rehabilitation Program. The program provides loans for the rehabilitation of public housing, particularly to address health, safety, accessibility and energy efficiency issues. Public housing is in all 87 counties, comes in all sizes and types, from scattered single-family homes for large families to high rise apartments for elderly families.

Rationale/Background:
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. The housing is deeply affordable rental housing with residents paying 30 percent of their income toward rent.

More than 21,000 public housing units are owned and operated by around 120 public housing authorities throughout 87 Minnesota counties. Nearly 75 percent of the residents have incomes under $15,000 per year. Nearly 66 percent of households residing in public housing are seniors or people with disabilities, and about 33 percent are families with children.

Very limited new public housing is being developed and most of the public housing was developed several decades ago with more than 90 percent of public housing units in the state are over 20 years old. It is critical that we preserve this housing stock for the state’s lowest income residents.

Proposal:
The requested funding will provide investments in aging public housing stock that needs repairs. The housing can be found in all 87 counties, comes in all sizes and types, from scattered single-family homes for large families to high rise apartments for elderly families.

The resources will be awarded through a competitive application process. Eligible applicants are local public housing authorities. Funding will provide improvements in fire suppression systems, accessibility improvements, 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 (including fire suppression) and reduce building operating costs.

This program has historically been funded in the state's bonding bill through general obligation (GO) bonds. The proposal to utilize state appropriations (cash) reduces the long-term cost to the state and allows the resources to better align with recent transitions where properties move from one federal funding platform (traditional public housing) to another, for example, project-based rental subsidies under Section 8. These properties maintain the deep affordability for renters, but the new ownership structure may not meet the Constitutional requirement of public ownership.

Impact on Children and Families:
Public housing provides deeply affordable rental opportunities for families with children. Renter households pay 30 percent of their income in rent and the federal government covers the additional costs. Waiting lists for public housing are long and families can wait years to access the deeply affordable housing. Around one-third of households living in public housing are families with children.

Equity and Inclusion:
Black, Indigenous and households of color are more likely than white households to live in poverty, be cost-burdened in their housing (pay more than 30 percent of their income on housing), be evicted and experience homelessness. Public housing provides deeply affordable and permanent homes to families.

Tribal Consultation:
Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:
The agency tracks characteristics of the people served through the program. In FFY 2021, the annual household incomes were $12,398 which is around 13 percent of the state median income. For the units rehabilitated in FFY 2021, nearly 30 percent were Black, Indigenous and households of color. Nearly 45 percent were seniors and/or had a person with disability living in the unit.

Change Item Title: Rental Assistance

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Appropriation	5,000	5,000	5,000	5,000
Transfer Out	5,000	5,000	5,000	5,000
Housing Development Fund				
Expenditures	5,000	5,000	5,000	5,000
Revenues	5,000	5,000	5,000	5,000
Net General Fund Fiscal Impact = (Expenditures – Revenues)	5,000	5,000	5,000	5,000
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a $10 million increase in FY 2024-25 to the Housing Trust Fund (HTF) program to provide rental assistance for individuals and families. The state's rental assistance program is targeted to individuals and families facing or at-risk of homelessness and allows renters to pay 30 percent of their income towards rent and helps meet the overall need in the state that is not met through federal programs. Only one out of every four individuals/families that is income-qualified for federal rental assistance receives rental assistance.

Rationale/Background:

The state's rental assistance program helps meet the overall need in the state that is not met through federal programs and serves a very low-income population. Only one out of every four individuals/families that income qualifies for federal rental assistance receives rental assistance and 75 percent of the households receiving rental assistance through our Housing Trust Fund program have experienced long-term homelessness. Rental assistance is a cost-effective way to provide housing stability and help property owners pay their bills.

Through the Housing Trust Fund program, we fund rental assistance for households living in permanent supportive housing. Renters pay 30 percent of their income towards rent. In 2021, 1,408 households received rental assistance under this program with an average amount of $9,142 annually. The median annual household income was $8,904.

Some grantees administer multiple programs serving different populations. Current grants are administered by 39 organizations (local housing agencies and non-profits), with some grantees managing multiple program focuses. The program currently serves around 68 Minnesota counties and seven tribal nations.

Due to low vacancy rates, landlords in general are less willing to accept rental vouchers or persons with barriers to housing stability, or they are less willing to meet required physical standards. Rent levels above the local payment standard also present a challenge that will need to be addressed.

Proposal:

We currently award the funds through a competitive request for proposal (RFP) every two years. The HTF Rental Assistance Program is designed to be flexible so grantees can select the subsidy structure that best fits the needs of their population, with a focus on those individuals and families facing or at-risk of homelessness. A focus of the additional resources will be on increasing landlord participation and encouraging new organizations to apply to become HTF rental assistance administrators.

The program is available statewide and additional work will be done to bring on new administrators where regions of the state are less served or where need for rental assistance is the greatest. The agency may also consider project-basing some of the resources.

Impact on Children and Families:

Research has shown that housing stability can increase the income of adults and improves school attendance for kids. In 2021, around 52 percent of households are families with children and 75 percent of households have experience long-term homelessness.

Equity and Inclusion:

Black, Indigenous and people of Color (BIPOC) are more likely to live in poverty and pay more than 50 percent of their income in rent than white households. BIPOC households are more likely to evicted for non-payment of rent than white households.

In 2021, 64 percent of households receiving Housing Trust Fund rental assistance were households of Color. Work needs to be done to expand the administrators of HTF rental assistance to include administrators that can better provide culturally specific services.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:

Through the programs under this budget activity, we provide a variety of resources to create supportive rental housing opportunities and serve people who have experienced homelessness or who have a disability. These programs keep some of Minnesota's most vulnerable citizens out of homelessness and institutions. To measure our performance in this activity, we track outcomes including housing stability and changes in income levels

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Quantity	Percentage of people who remained in housing for at least a year or had a positive exit (moved to permanent affordable housing).	92%	92%	SFY2020 SFY2021
Results	Percentage of households with increased income from entry to exit.	48%	48%	SFY2020 SFY2021

Housing Finance

FY 2024-25 Biennial Budget Change Item

Change Item Title: Strengthen Supportive Housing

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Appropriation	20,000	20,000	0	0
Transfer Out	20,000	20,000	0	0
Housing Fund				
Transfer In	20,000	20,000	0	0
Expenditure	0	10,000	20,000	10,000
Net General Fund Fiscal Impact = (Expenditures – Revenues)	20,000	20,000	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends $20 million in FY 2024-25 to strengthen supportive housing for individuals and families who are at-risk of or have experienced homelessness. Certain associated costs needed for permanent supportive housing to operate effectively (such as front desk and security costs) do not have a reliable or coordinated source of funding, creating up-front and ongoing challenges to building and maintaining this critical type of housing. The funding may be used to create partnerships with the health care sector to demonstrate more sustainable ways to provide services for supportive housing residents, improve access to health care, and reduce use of expensive emergency and institutional care.

Rationale/Background:

Strengthening the infrastructure for supportive housing development to provide the necessary supports for housing stability for populations disparately impacted by homelessness and creating financial feasibility for operating supportive housing. The resources for service funding, front desk costs and rental assistance are limited in quantity and scope and developers have to cobble together funds that are often not the best fit for the population or adequate to provide the affordability and support services needed to assist households to maintain housing stability. Funding timelines for these resources also do not align with capital funding timelines, making it difficult to determine feasibility of the units and long-term sustainability required for the term of the capital funding and life of the property. The agency has increasingly used capital resources to fund these costs, which reduces the overall number of new affordable and supportive housing units we can fund.

This is a long-term issue that has been identified by housing developers, service providers, policy groups and advocates for supportive housing. The Stewardship Council, a committee consisting of supportive housing funding entities and advocates, have historically tried to solve financial feasibility issues within supportive housing on a case-by-case basis. In recent years, the Council has shifted to identifying and implementing supportive housing fidelity standards, aligning existing funding resources as well securing new resources to bolster the stability of supportive housing in Minnesota.

In addition, people experiencing homelessness have high rates of chronic health conditions and often their engagements with healthcare occur in crisis situations, typically involving emergency or institutional care that often serve critical life-saving roles but do not result in lasting or resilient progress toward better health outcomes. Previous research shows that access to stable housing for people who have experienced homelessness can shift access to care from crisis, institutional, and uncompensated care toward routine and preventive care.

Recently, Minnesota established Housing Stabilization Services as an authorized state plan benefit for Medical Assistance participants. These services help people transition successfully into stable housing, maintain tenancy, and avoid future homelessness or institutionalization. Housing Stabilization Services are presently being ramped up with assessment and service delivery typically being offered by non-profit organizations specializing in supporting people experiencing homelessness transitioning to and maintaining permanent housing. These benefits provide an important pillar for recognizing the profound impact of housing stability on health and healthcare access. By themselves, however, they do not also leverage the health services that people experiencing homelessness must secure to remain stably housed, nor do they provide care management services spanning multiple disciplines or providers. This kind of coordination is essential. In fact, a significant driver of the progress on Veteran homelessness in Minnesota and across the country is the result of strong engagement of the U.S. Department of Veterans Affairs healthcare system in responding to the health and housing needs of Veterans experiencing homelessness.

Recognizing that nearly every person experiencing homelessness in Minnesota is on or eligible for a public health insurance program, Minnesota Housing will seek to enhance how healthcare organizations and the state's healthcare purchasing authority can support greater progress for people experiencing homelessness toward stable housing and better health outcomes. Minnesota Housing will pursue a partnership with the Department of Human Services (DHS) to use some of this authorization for incentives for integrated healthcare partnership organizations and health plans to more effectively engage, support, coordinate care for, and promote housing outcomes for people experiencing homelessness. Minnesota Housing anticipates that this effort will identify options for more sustainable financing for services in supportive housing for people experiencing homelessness.

The intended results are alignment of the resources needed to fund quality supportive housing that is affordable to the population and provides the necessary supports to assist households in stabilizing and maintaining housing.

Proposal:

This program will fund components of supportive housing that currently do not have any type of reliable funding stream. Some of the funding would be made available through the agency's Consolidated Request for Proposal process where the agency selects developments for permanent supportive housing. These funds could be used to provide base level funding for tenant service coordination to assist residents to maintain housing stability and connect to the support services they want and/or need, provide front desk gap funding for safety and security. The rents collected at permanent supportive housing developments typically do not provide enough income to the property to pay for these costs. The funds may also be provided to existing permanent supportive housing developments that need assistance stabilizing the costs at their properties.

The funds targeted for fostering partnerships with healthcare organizations would likely be issued through a separate request for proposal, potentially in partnership with the DHS.

Impact on Children and Families:

Supportive housing is a well-established, evidence-based, and highly effective response to homelessness. In the 2018 Minnesota Homeless Study, 32 percent of those experiencing homelessness were children (17 or younger) living with their parents. Children experiencing homelessness face significant impacts from homelessness, including health, child development, and academic outcomes. Nearly half (46 percent) of parents experiencing homelessness reported that at least one of their children had to change schools because of their housing situation.

Equity and Inclusion:

Black, Indigenous and People of Color are more likely to live in poverty, be cost-burdened with their housing, be evicted, experience homelessness and sleep outside compared to white households. Permanent supportive housing is critical to providing both stable housing and optional services to improve the lives of people who live there.

Tribal Consultation:
Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:
This is a new program with the goal to stabilize and strengthen Minnesota’s supportive housing capacity. Specific program data has not been designed; however, by strengthening the supportive housing model, this proposal will make supportive housing more effective and impactful for the children and families it serves and determine financing options for increasing Minnesota’s supportive housing stock.

Housing Finance

FY 2024-25 Biennial Budget Change Item

Change Item Title: Workforce and Affordable Homeownership

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Appropriation	17,500	17,500	0	0
Transfer Out	17,500	17,500	0	0
Housing Fund				
Transfer In	17,500	17,500	0	0
Expenditures	0	10,000	20,000	5,000
Net General Fund Fiscal Impact = (Expenditures – Revenues)	17,500	17,500	0	0
FTEs	**0**	**0**	**0**	**0**

Recommendation:

The Governor recommends a $35 million increase in FY 2024-25 to increase the supply of single-family homes across the state. In recent years there has been a shortage of single family homes which has limited access for first-time homebuyers. The Workforce and Affordable Homeownership Program finances homeownership development grants to cities, tribal governments, nonprofit organizations, cooperatives and community land trusts for development of workforce and affordable homeownership projects. Funds can be used for development costs, rehabilitation, land development and manufactured home park infrastructure.

Rationale/Background:

Minnesota has one of the nation's highest rates of homeownership (more than 70 percent), while at the same time it has one of the largest disparities in homeownership rates between white households and Black, Indigenous, and People of Color (BIPOC).

Increasing interest rates and rising construction costs have slowed the development of single family homes in recent months. The lack of supply of available homes continues to drive up prices throughout the state. For years, the state has had a homebuying marketplace in which there are more perspective buyers than available homes and the inventory of homes for sales is historically low. These dynamics creates a greater need for new affordable opportunities that are within reach for first-time, along with low- and moderate-income buyers.

In the 2019 legislative session, the legislature appropriated base funding of $500,000 per biennium for the Workforce and Affordable Homeownership Development Program. In the 2021 legislative session, the legislature appropriated a $3.25 million, one-time increase. Prior to 2019, the program had been funded with a one-time appropriation of $750,000.

Proposal:

The funds would be awarded through a competitive process. The program finances homeownership development grants to cities, tribal governments, nonprofit organizations, cooperatives and community land trusts for development of workforce and affordable homeownership projects. There is also a desire to make the funding more continuously available throughout the year to be available as opportunities for acquisition arise.

The purpose of the program is to increase the supply of workforce and affordable, owner-occupied multifamily or single-family housing throughout Minnesota. Funds can be used for development costs, rehabilitation, land development and manufactured home park infrastructure.

Minnesota Housing will explore the opportunity to have funding available more continuously throughout the year with the increased funding. Non-profit developers have said that timelier access to development financing is a barrier to building new homes and completing acquisitions of existing homes.

Impact on Children and Families:
Housing stability is critical for children's success in school and parents' ability to find and keep employment. Research shows that providing stable housing increasing kids' attendance in schools and increases the income of parents. In addition, homeownership is the primary way families build wealth and accumulate generational wealth over time.

Equity and Inclusion:
Minnesota has one of the worst disparities in homeownership between white households and Black, Indigenous, and People of Color (BIPOC) households in the country. Currently, over 60,000 renter households of color in Minnesota have the income they need to potentially buy a home and are within the prime homebuying age range.

Tribal Consultation:
Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

Results:
As of FY 2020 this is a new program with limited funding to-date. We are beginning to track the number of housing units developed or rehabilitated, the number and share of housing units developed or rehabilitated in workforce housing areas (those with job growth, large number of jobs, and/or a large share of workers commuting into it for work) and the income and race/ethnicity of tenants and homeowners to assess if we are reaching underserved communities.

Housing Finance

FY 2024-25 Biennial Budget Change Item

Change Item Title: Debt Service and Cash Impact for Capital Investments

Fiscal Impact ($000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	904,609	52,386	90,037	96,454
Revenues	0	0	0	0
Special Revenue Fund				
Expenditures	(1,085)	(1,085)	(1,085)	(1,085)
Revenues	0	0	0	0
Trunk Highway Fund				
Expenditures	13,051	9,290	14,410	15,537
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	916,575	60,591	103,362	110,906
FTEs	**10.3**	**10.3**	**10.3**	**4.3**

Recommendation:

The Governor recommends $956.995 million in FY 2024-25 and $186.491 million in FY2026-27 from the general fund and $22.341 in FY2024-25 and $29.947 million in FY 2026-27 from the trunk highway fund to support recommended capital investments for the 2023 Legislative Session. This recommendation also includes a savings to the Special Revenue Fund with an impact of -$2.17 million in FY 2024-25 and -$2.17 million in FY 2026-27.

In addition, the Governor is holding the general fund cash required to finance the debt service for $880 million in general obligation bonds, which is the level assumed in the November 2022 forecast and thus has no fiscal impact compared to forecast levels.

Rationale/Background:

General fund and trunk highway fund cash is required for the debt service and cash impacts of projects included in the Governor's 2023 Capital Budget Recommendations. There is also a special revenue fund impact of savings.

Proposal:

The Governor's 2023 Capital Budget Recommendations will be published on January 26, 2023, in the "Current Capital Budget" section of MMB's capital budget website: https://mn.gov/mmb/budget/capital-budget/current/.

Impact on Children and Families:

The Governor's 2023 Capital Budget Recommendations include funding for projects and programs across the state that benefit children and families.

Equity and Inclusion:

The Governor's 2023 Capital Budget Recommendations include funding set aside for projects from community-based organizations that are led by and serve communities of color and American Indians.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐Yes
☒No

IT Costs

This recommendation does not have an impact on IT costs via MNIT.

Results:

This recommendation invests in a number of projects and programs, each with a unique scope.

Statutory Change(s):

No statutory changes are needed for this change item, which holds the debt service and cash impact of the Governor’s 2023 Capital Budget Recommendations.

AT A GLANCE

- The Economic Development and Housing Challenge (Challenge) program funded 575 homes in 2021.
- Median annual income of households served under Challenge is $19,795 for rental housing and $46,247 for homeownership.
- Under the Challenge program, 45% of the households served were families with children for rental housing and 56% for homeownership
- The Workforce Housing Development program exclusively serves Greater Minnesota and has built or financed nearly 750 homes since 2017.
- We started financing grants to manufactured home communities for park infrastructure starting in FY 2021.

Numbers are for FFY 2021, unless otherwise noted

PURPOSE AND CONTEXT

The affordability of homes has been a competitive advantage for Minnesota and its employers, but a shortage of homes continues to push prices beyond the reach of many individuals and families. New housing construction has not kept pace with household growth since the Great Recession, as evidenced by the short supply of homes for rent or sale. In Minnesota today, the statewide rental vacancy rate is around 4 to 5 percent – and as low as 3 percent in the metro area – and there is a limited supply of homes for sale. These persistent conditions limit options for families and make it harder for many to have a stable place to live.

The development of new housing is critical for economic recovery, growth, and job creation. Increasing levels of production will be critical to keeping up with demographics and will be needed longer-term economic growth. Minnesota under-produced housing units during and after the Great Recession. This contributed to the recent housing shortage. Businesses are expanding throughout the state, and many are struggling to hire enough workers, in part because of a lack of homes that are affordable.

We finance development of new rental housing and single-family housing for homeownership throughout the state. We also help communities redevelop existing sites to create new housing opportunities to better serve low- to moderate-income homeowners, homebuyers, and renters.

SERVICES PROVIDED

We finance the activities in this program through the state-appropriated Economic Development and Housing Challenge program, the Greater Minnesota Workforce Housing Development program, the Manufactured Home Community Redevelopment Program, the Affordable and Workforce Housing program, as well as through federal funding, federal low income housing tax credits and agency resources.

Economic Development and Housing Challenge ("Challenge") Program: The Challenge Program allows us to provide no-interest, deferred loans to for-profit and nonprofit developers and local units of government to develop workforce housing in their communities. The Challenge Program provides flexibility by letting communities identify the types of housing that best fit their needs. It can be used for new construction or rehabilitation and funds both rental housing and homeownership opportunities. At least 50 percent of Challenge

Program funds must be used for housing projects that include a financial contribution from non-state resources. The funding is used for rental development and homeownership activities.

Rental Development:

We finance workforce housing in both the metropolitan area and Greater Minnesota. Resources are available through a competitive Request for Proposals process published each spring. Income limits for rental housing are up to 80 percent of the greater of area or statewide median household income. For most of the state, this is a maximum household income of $74,480 per year. Since 2012, we have financed more than 2,200 new workforce homes in Greater Minnesota, including Perham, Worthington, Glenwood, St. Michael, Mankato, Austin, Duluth, Cambridge, Warroad, Thief River Falls, Jackson, Roseau, Rochester and Owatonna. We also supported the development workforce housing in the metropolitan area.

Homeownership Activities:

The Challenge Program funds the down payment assistance, development and rehabilitation of single-family, owner-occupied affordable and workforce housing activity in communities across Minnesota. Resources are available through a competitive Request for Proposals process published each spring. The income maximum for owner-occupied housing is 115 percent of the greater of state or area median household income. Currently, that is a maximum median household income of $120,635 per year for the metro and $107,065 for most of the rest of the state.

The funding for this program is $12.9 million per year for both rental and homeownership development.

Greater Minnesota Workforce Housing Development Program: This program targets small to mid-sized cities in Greater Minnesota with rental workforce housing needs. Funding is available to build market-rate residential rental properties in communities with proven job growth and demand for workforce rental housing. Communities are required to secure matching funds, one dollar for every two dollars in funding offered through the program. This program meets the needs of smaller communities by helping to finance new construction of 12 or fewer homes and prioritizes cities with fewer than 5,000 people. Since this program was established in 2017, it has built or selected 747 units in communities such as Albert Lea, Baudette, Duluth, Luverne, Pelican Rapids, Alexandria, Park Rapids, Blue Earth, Long Prairie, Redwood Falls and Watkins. This program is funded at $2 million per year.

Manufactured Home Community Redevelopment Program: This program was funded for the first time since 2001 in the 2019 Legislative Session. The $2 million grant program funds infrastructure improvements or acquisition of manufactured home parks to assist the needs for aging manufactured home communities around the state. The program prioritizes projects based on health, safety, and critical needs improvements, as well as projects that leverage support from local municipalities, and/or projects converting a community to a cooperative ownership model. Eligible applicants include privately, publicly or cooperatively owned communities, as well as nonprofit organizations acting as an intermediary on behalf of a park. Funds are made available through an annual competitive request for proposals (RFP) process. In two years, the program has selected projects in 17 communities to improve the infrastructure for over 1,500 lots. The program is also funded with Housing Infrastructure Bonds.

Workforce and Affordable Homeownership Program: This $250,000 per year program finances homeownership development grants to cities, tribal governments, nonprofit organizations, cooperatives, and community land trusts for development of workforce and affordable homeownership projects. The purpose of the program is to increase the supply of workforce and affordable, owner-occupied multifamily or single-family housing throughout Minnesota. Funds can be used for development costs, rehabilitation, land development and manufactured home park infrastructure. The program was added as a base program in 2019 and the funds were made available through a competitive RFP.

State Tax Credit Contribution Program: This new state tax credit program was created by the Legislature in 2021. Starting in tax year 2023,individual taxpayers will be able to contribute to the program and receive a tax credit on their contribution. The contributions will provide loans and grants to affordable housing projects. The program has set-asides for housing in towns or cities with a population of 2,500 or less; income requirements at 50% AMI or less, and single-family properties. A total of $9.9 million in credits are available each year. If all the credits are claimed, around $11.6 million will be available for grants and loans to affordable housing projects.

RESULTS

We measure our performance in this budget program by examining the percentage of units financed in top job growth areas and the level of affordability. Under the Challenge Program, all rental units must be affordable to households earning 80 percent of median income. However, we also want to ensure we're serving a range of households, so we review how many Minnesotans we are serving at lower income levels.

Housing that is affordable to the local workforce generally includes households earning between $30,000 and $50,000 annually. This range varies from county to county. We base our wage calculations on data from the Department of Employment and Economic Development (DEED).

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Percentage of units in rental developments funded that are located in the top workforce housing communities (areas with job growth).	95%	98%	FFY 2020, FFY 2021
Results	Distribution of units financed annually with units affordable at: A) 30% of median income or less. B) 50% at median income or less, or C) 80% at median income or less	A) 15% B) 51% C) 100%	A) 25% B) 68% C) 100%	FFY 2020, FFY 2021

M.S. 462A.33 (https://www.revisor.mn.gov/statutes/?id=462A.33) provides the legal authority for Minnesota Housing's development and redevelopment activities.
M.S 462A.38 (https://www.revisor.mn.gov/statutes/cite/462A.38) provides the legal authority for the Workforce and Affordable Homeownership Program.
M.S. 462A.39 (https://www.revisor.mn.gov/statutes/cite/462A.39) provides the legal authority for the Greater Minnesota Workforce Development Program.M.S.
462A.2035 (https://www.revisor.mn.gov/statutes/cite/462A.2035) provides the legal authority for the Manufactured Home Redevelopment Program.
M.S 462A.40 (https://www.revisor.mn.gov/statutes/cite/462A.40) provides the legal authority for the Tax Credit Contribution Fund Program.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
8000 - Housing Finance Agency	22,229	32,821	30,276	76,562	90,314	87,426	95,314	242,426
Total	**22,229**	**32,821**	**30,276**	**76,562**	**90,314**	**87,426**	**95,314**	**242,426**
Biennial Change				51,788		70,902		230,902
Biennial % Change				94		66		216
Governor's Change from Base								160,000
Governor's % Change from Base								90

Expenditures by Activity

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Development and Redevelopment	22,229	32,821	30,276	76,562	90,314	87,426	95,314	242,426
Total	**22,229**	**32,821**	**30,276**	**76,562**	**90,314**	**87,426**	**95,314**	**242,426**

Expenditures by Category

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Operating Expenses	34	36	35	1,704	2,033	1,033	2,033	1,033
Grants, Aids and Subsidies	11,798	15,925	19,656	51,309	68,759	63,960	70,009	114,793
Other Financial Transaction	10,398	16,861	10,586	23,549	19,522	22,433	23,272	126,600
Total	**22,229**	**32,821**	**30,276**	**76,562**	**90,314**	**87,426**	**95,314**	**242,426**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Direct Appropriation	22,425	14,925	23,975	16,175	16,175	16,175	266,175	166,175
Transfers Out	22,425	14,925	23,975	16,175	16,175	16,175	266,175	166,175
8000 - Housing Finance Agency								
Balance Forward In	37,692	46,364	40,791	68,697	50,975	44,058	50,975	289,058
Receipts	8,159	11,419	27,108	15,081	31,867	20,867	31,867	20,867
Transfers In	22,425	15,829	31,075	43,759	51,530	55,080	301,530	205,080
Balance Forward Out	46,048	40,791	68,698	50,975	44,058	32,579	289,058	272,579
Expenditures	**22,229**	**32,821**	**30,276**	**76,562**	**90,314**	**87,426**	**95,314**	**242,426**
Biennial Change in Expenditures				51,788		70,902		230,902
Biennial % Change in Expenditures				94		66		216
Governor's Change from Base								160,000
Governor's % Change from Base								90

Program: Prevent and End Homelessness
Activity: Supportive Housing

AT A GLANCE

- Assisted more than 8,295 households in 2021.
- Median annual income of households served is $9,000-$12,000.
- 52% of the households served were families with children for the Housing Trust Fund program
- Over 9,000 students experienced homelessness in Minnesota's public and charter schools in 77 of Minnesota's 87 counties (October 2019).
- This activity contributes to the goals of the Minnesota Interagency Council on Homelessness' *Plan to Prevent and End Homelessness* and the State's Olmstead Plan.

Numbers are for FFY 2021, unless otherwise noted

PURPOSE AND CONTEXT

For many Minnesotans, achieving housing stability requires support services in addition to affordable housing. People with disabilities and individuals who have experienced homelessness benefit when health care and support services, like employment services, are available to them in their homes. Research shows that people do better when needed services and stable homes are coordinated. Many Minnesotans will need services in their homes at some point during their lives. For example, an estimated 70 percent of people aged 65 or older will need long-term care related to daily living. The broader community benefits from supportive housing, through reductions in expensive public systems such as emergency room visits.

Minnesota Housing finances affordable housing with support services. This activity is essential to our efforts to prevent and end homelessness. Supportive housing serves individuals and families with multiple barriers to obtaining and maintaining housing. Supportive housing provides stability for the poorest households and households with special needs so they can successfully address barriers to employment, complete school or training and achieve independent living.

SERVICES PROVIDED

Housing Trust Fund Program: Through the Housing Trust Fund program, we fund rental assistance for households with nearly 75% of people served having experienced long-term homelessness. Renters pay 30 percent of their income towards rent. In 2021, 1,408 households received rental assistance under this program with an average annual assistance of $88,904. Sixty-four percent of those who received rental assistance in 2021 were households of color or from Indigenous communities. We have a priority to serve households with incomes that do not exceed 30 percent of the metropolitan area median income.

State appropriations ($11.7 million per year) currently fund rental assistance while new supportive housing developments are financed through Housing Infrastructure Bonds provided in the State's Capital Investment Bill.

Homework Starts with Home: Housing stability for children and their families leads to improved attendance, school success and increases in household income. Homework Starts with Home funds housing assistance and services for homeless and highly mobile students and their families. An evaluation of this program found that 90 percent of households that received assistance were stably housed within two years. The students who achieved stable housing during the pilot had better attendance than homeless students statewide. In contrast, homeless students who did not receive rental assistance missed enough school to be considered chronically absent. Additionally, household income increased 15 percent during the program and some households went from homeless to homeowners in just over two years.

The program is a partnership with the Heading Home Minnesota Funders Collaborative, the Office to Prevent and End Homelessness, and the Minnesota Departments of Education (MDE) and Human Services (DHS). In 2019, the Legislature included the program in the agency's base budget at $1.75 million per year. In March 2020, four administrators (including three in Greater Minnesota) were selected to serve an estimated 784 households.

Bridges Program: Through the Bridges program, we provide rental assistance for households in which at least one adult member has a serious mental illness. Households with incomes below 50 percent of the area median income are eligible for this program (currently below $49,800 for a four-person household in the metropolitan area and $37,250 for a four-person household in much of the remainder of the state). We partner with DHS to deliver this program. Households receive both rental assistance and assistance from a social service agency. Under this program, families can afford stable housing in the community until public housing or a federal Section 8 certificate or voucher becomes available. This program plays an important role in the state's Olmstead Plan, as it helps people with disabilities live, work and learn in the most integrated setting possible.

Our federal programs in this activity include:

Federal Housing Opportunities for Persons with AIDS (HOPWA) Program: Through the HOPWA Program we provide grants that can be used to meet the housing needs of persons with Acquired Immune Deficiency Syndrome (AIDS), HIV-positive status or related diseases and their families. The federal program authorizes grants for both housing assistance and services. Minnesota Housing's HOPWA funds are used for housing assistance and rental subsidies.

National Housing Trust Fund: The state received its first allocation of funding from the National Housing Trust Fund in federal fiscal year 2015. Funds are awarded to developments as part of our consolidated Request for Proposal process and are typically used for supportive housing and developments serving extremely low-income households.

Section 811: This federal program provided funding to states for project-based rental assistance to create integrated, cost-effective supportive housing for people with disabilities. This allows persons with disabilities to live as independently as possible in the community. These funds were awarded to projects through our consolidated Request for Proposal process and we partner with DHS on this program. Section 811 plays an important role in implementing the state's Olmstead Plan by creating new supportive housing opportunities across the state. In August 2020, Minnesota Housing received a new grant of $6.9 million to serve an additional 183 households over the next several years.

RESULTS

Through the programs under this budget activity, we provide a variety of resources to create supportive rental housing opportunities and serve people who have experienced homelessness or who have a disability. These programs keep some of Minnesota's most vulnerable citizens out of homelessness and institutions. To measure our performance in this activity, we track outcomes including housing stability and changes in income levels.

Type of Measure	Name of Measure	Previous	Current	Dates
Quantity	Percentage of people who remained in housing or had a positive exit (moved to permanent affordable housing).	92%	92%	SFY2020 SFY 2021
Results	Percentage of households with increased income from entry to exit.	48%	48%	SFY2020, SFY 2021

M.S. 462A.201 (https://www.revisor.mn.gov/statutes/?id=462A.201) provides legal authority for Housing Trust Fund Program

M.S. 462A.2097 (https://www.revisor.mn.gov/statutes/?id=462A.2097) provide the legal authority for the Bridges Program

Supportive Housing

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
8000 - Housing Finance Agency	31,153	31,543	31,929	32,076	34,644	34,944	47,144	57,444
Total	**31,153**	**31,543**	**31,929**	**32,076**	**34,644**	**34,944**	**47,144**	**57,444**
Biennial Change				1,308		5,583		40,583
Biennial % Change				2		9		63
Governor's Change from Base								35,000
Governor's % Change from Base								50

Expenditures by Category

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Operating Expenses	231	298	224	354	507	507	507	507
Grants, Aids and Subsidies	30,922	31,245	31,730	31,722	34,137	34,437	46,637	51,937
Other Financial Transaction			(25)					5,000
Total	**31,153**	**31,543**	**31,929**	**32,076**	**34,644**	**34,944**	**47,144**	**57,444**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Direct Appropriation	17,734	17,734	17,734	17,734	17,734	17,734	50,234	50,234
Transfers Out	17,734	17,734	17,734	17,734	17,734	17,734	50,234	50,234
8000 - Housing Finance Agency								
Balance Forward In	17,412	18,959	17,768	17,045	12,251	8,480	12,251	28,480
Receipts	(311)	(2,098)	(5,953)	9,423	13,019	13,319	13,019	13,319
Transfers In	33,010	32,450	37,158	45,443	53,209	56,759	85,709	89,259
Transfers Out				27,584	35,355	38,905	35,355	38,905
Balance Forward Out	18,959	17,768	17,045	12,251	8,480	4,709	28,480	34,709
Expenditures	**31,153**	**31,543**	**31,929**	**32,076**	**34,644**	**34,944**	**47,144**	**57,444**
Biennial Change in Expenditures				1,308		5,583		40,583
Biennial % Change in Expenditures				2		9		63
Governor's Change from Base								35,000
Governor's % Change from Base								50

Program: Prevent and End Homelessness
Activity: Homelessness Prevention

AT A GLANCE

- Assisted 4,804 households in 2021, including nearly 60% households of color and Indigenous households.
- Median annual household income of households assisted was $10,248.
- 49% of the households served were families with children.
- Services available in all 87 counties.

Numbers are for FFY 2021, unless otherwise noted

PURPOSE AND CONTEXT

When you lose your home, you lose your community — and the consequences of this major life disruption can last for decades. In Minnesota today, well over half of the lowest-income families in the state spend more than 50 percent of their income on their home costs.

Minnesota Housing programs provide housing and other assistance to households that are at risk of becoming homeless due to a crisis situation, extremely low incomes, and/or physical and mental health problems. This activity is an essential element of our efforts to prevent and end homelessness. In order to effectively end homelessness, we must prevent homelessness whenever possible.

SERVICES PROVIDED

Family Homeless Prevention and Assistance Program (FHPAP): Through FHPAP, we provide grants to counties and nonprofit organizations to assist families with children, single adults or youth who are homeless or at imminent risk of homelessness. We currently fund 20 grantees that serve people in all 87 counties in Minnesota. The program receives $10.3 million per year in general fund appropriations.

Grantees use funds for a broad range of activities aimed at homelessness prevention, minimizing episodes of homelessness, and eliminating repeat episodes of homelessness. Grantees provide financial assistance such as security deposits, transportation and utility assistance, short-term rental assistance (also known as rapid rehousing) or mortgage payment assistance. Grantees may also provide referrals for social services or affordable rental housing. Around 50 percent of funds are used for support services and 45 percent of funds are used for direct cash assistance.

COVID-19 Housing Assistance: Using federal funds, Minnesota Housing implemented two separate emergency housing assistance programs during the pandemic. The first, was the COVID-19 Housing Assistance Program which was available between August 2020 and December 2020. The second, was the Emergency Rental Assistance program (RentHelpMN) program which was available April 2021 through January 2022. The programs provided over $500 million in direct assistance to cover unpaid housing-related bills to help individuals and families maintain housing during the public health emergency. The vast majority of payments were made directly to the property owner and the programs served all 87 counties.

RESULTS

In order to measure the success of this program, we track the percentage of households served who are identified as at risk for homelessness and who do not return to shelter within 12 months. Data on homelessness comes from the Homeless Management Information System (HMIS).

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Results	Percentage of households who were identified as at risk for homelessness or were homeless, were served, and didn't return to a shelter within 12 months.	93%	96%	FFY 2020, FFY 2021

M.S. 462A.204 (https://www.revisor.mn.gov/statutes/?id=462A.204) provides the legal authority for the Family Homeless Prevention and Assistance Program.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
8000 - Housing Finance Agency	11,613	367,637	254,000	59,299	18,269	10,269	48,269	70,269
Total	**11,613**	**367,637**	**254,000**	**59,299**	**18,269**	**10,269**	**48,269**	**70,269**
Biennial Change				(65,951)		(284,761)		(194,761)
Biennial % Change				(17)		(91)		(62)
Governor's Change from Base								90,000
Governor's % Change from Base								315

Expenditures by Category

	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Operating Expenses		17,326	53,589	4,423				
Grants, Aids and Subsidies	11,613	350,311	200,456	54,876	18,269	10,269	48,269	70,269
Other Financial Transaction			(45)					
Total	**11,613**	**367,637**	**254,000**	**59,299**	**18,269**	**10,269**	**48,269**	**70,269**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Direct Appropriation	10,269	10,269	10,269	10,269	10,269	10,269	60,269	60,269
Transfers Out	10,269	10,269	10,269	10,269	10,269	10,269	60,269	60,269
3010 - Coronavirus Relief								
Direct Appropriation		100,000						
Transfers In			574					
Transfers Out		82,000						
Cancellations		18,000	574					
3015 - ARP-State Fiscal Recovery								
Direct Appropriation			27,000					
Transfers In			15,000					
Transfers Out			27,000					
Cancellations			15,000					
8000 - Housing Finance Agency								
Balance Forward In	1,183	141	117,124	37,090	8,687	687	8,687	20,687
Receipts	301	391,685	159,270	20,627				
Transfers In	10,269	92,269	30,269	10,269	10,269	10,269	60,269	60,269
Transfers Out			15,574					
Balance Forward Out	141	116,458	37,089	8,687	687	687	20,687	10,687
Expenditures	**11,613**	**367,637**	**254,000**	**59,299**	**18,269**	**10,269**	**48,269**	**70,269**
Biennial Change in Expenditures				(65,951)		(284,761)		(194,761)
Biennial % Change in Expenditures				(17)		(91)		(62)
Governor's Change from Base								90,000
Governor's % Change from Base								315

Program: Homeownership Assistance

AT A GLANCE

- Helped 4,399 households buy their first home in 2021.
- Median annual income of households served with downpayment assistance is $58,787 for our deferred loan program.
- More than one-third (38 percent) of households served are households of color and Indigenous households.
- 50% of the households served were families with children.

Numbers are for FFY2021, unless otherwise noted

PURPOSE AND CONTEXT

We know homeownership is the primary driver for building wealth for low- and moderate-income households. Each year of successful homeownership adds nearly $10,000 in household wealth. It also creates stability for families and stronger connections within our communities.

Minnesota Housing provides loans for some of the upfront funds needed to purchase a home. Many moderate-income households have sufficient income to make monthly mortgage payments, but lack the wealth necessary for a downpayment and closing costs. This activity helps finance a portion of these costs and makes it possible for these families to purchase a home.

SERVICES PROVIDED

The goal of this activity is to help moderate-income households become successful homeowners. Minnesota has one of the nation’s highest rates of homeownership (more than 70 percent), while at the same time it has the fourth largest disparity in homeownership rates between white households and households of color. This gap has been largely unchanged over the last 20 years. A lack of the wealth available for entry costs – including downpayment and closing costs – contributes to the homeownership gap. Other reasons for the gap include credit and lending practices, cultural factors, systemic racism and discrimination. Currently, over 60,000 renter households of color in Minnesota have the income they need to potentially buy a home and are within the prime homebuying age range. We’re helping start these households on the path to homeownership through our mortgage programs, marketing and outreach, homebuyer education, and assistance with downpayment and closing costs.

Homeownership Assistance Fund: Through the state-appropriated Homeownership Assistance Fund, we provide assistance to first-time homebuyers to use toward downpayment and closing costs. In 2021, the average downpayment and closing cost loans financed with state appropriations was $10,506 for about 85 households. We provide the assistance in the form of a second mortgage with no interest. We defer repayment of the loan, and in some cases it may be forgiven. In cases such as a sale or refinance, the loan is repaid to Minnesota Housing. The average household income for a household that received assistance was $54,447 in 2021.

Homebuyers who receive assistance are required to participate in homebuyer education, have a credit score of at least 640 and provide minimum cash investment. Our network of private lenders delivers the downpayment loan programs directly to homebuyers.

Minnesota Housing supplements state appropriations with agency resources when possible, and also provides downpayment and closing cost assistance in the form of a monthly payment loan to borrowers with slightly higher incomes. These loans have a monthly payment and an interest rate.

COVID-19 Homeownership Assistance Fund: Funded with federal funds, the Homeownership Assistance Fund (HomeHelpMN) provided financial assistance to eligible homeowners to bring past-due mortgage payments and eligible housing related expenses current. The program was available statewide to homeowners that had an income equal to or less than 100% of area median income, had experienced a qualified financial hardship on or after January 2020 and had past-due mortgage and/or other housing-related expenses. The program also offered information about accessing services to evaluate solution and navigate foreclosure.

RESULTS

To track our outcomes under this budget activity, we examine the percentage of loans issued to households of color and indigenous community as well as how many of our homebuyers use our downpayment loan programs.

For reference, as of 2018, 34% of households that are income-ready to buy a home and in the prime first-time homebuyer age (25 to 440 are households of color. We made 34% of our first-time homebuyer loans to households of color or Hispanic ethnicity in Federal Fiscal Years 2020 and 37% in 2021. By comparison, according to Home Mortgage Disclosure Act (HMDA) data, lending to households of color as a percentage of all mortgage activity in the overall mortgage market was only 21% in 2021.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Percentage of Minnesota Housing loans for first-time homebuyers issued to households of color and indigenous communities.	34%	38%	FFY2020, FFY2021
Quality	Percentage of downpayment assistance provided to households of color and indigenous communities.	36%	39%	FFY2020, FFY2021
Results	Percentage of homebuyer loans that included downpayment assistance.	95%	97%	FFY2020, FFY2021

M.S. 462A.21, subd.8 (https://www.revisor.mn.gov/statutes/?id=462A.21) provides the legal authority for Minnesota Housing’s Homeownership Assistance Fund.

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
Expenditures by Fund								
8000 - Housing Finance Agency	4,120	4,555	121,586	16,231	8,635	4,885	23,635	54,885
Total	**4,120**	**4,555**	**121,586**	**16,231**	**8,635**	**4,885**	**23,635**	**54,885**
Biennial Change				129,142		(124,297)		(59,297)
Biennial % Change				1,489		(90)		(43)
Governor's Change from Base								65,000
Governor's % Change from Base								481
Expenditures by Activity								
Homeownership Assistance	4,120	4,555	121,586	16,231	8,635	4,885	23,635	54,885
Total	**4,120**	**4,555**	**121,586**	**16,231**	**8,635**	**4,885**	**23,635**	**54,885**
Expenditures by Category								
Operating Expenses	0	11	4,898	3,308	805	55	1,005	555
Grants, Aids and Subsidies			109,000	8,093	3,000		3,000	
Other Financial Transaction	4,120	4,544	7,688	4,830	4,830	4,830	19,630	54,330
Total	**4,120**	**4,555**	**121,586**	**16,231**	**8,635**	**4,885**	**23,635**	**54,885**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Direct Appropriation	885	885	1,885	885	885	885	64,885	64,885
Transfers Out	885	885	1,885	885	885	885	64,885	64,885
8000 - Housing Finance Agency								
Balance Forward In	2,226	2,664	17,659	18,867	6,651	1,901	6,651	50,901
Receipts	3,672	18,665	120,909	3,130	3,000	3,000	3,000	3,000
Transfers In	885	885	1,885	885	885	885	64,885	64,885
Balance Forward Out	2,664	17,659	18,867	6,651	1,901	901	50,901	63,901
Expenditures	**4,120**	**4,555**	**121,586**	**16,231**	**8,635**	**4,885**	**23,635**	**54,885**
Biennial Change in Expenditures				129,142		(124,297)		(59,297)
Biennial % Change in Expenditures				1,489		(90)		(43)
Governor's Change from Base								65,000
Governor's % Change from Base								481

Program: Preservation
Activity: Rental Preservation and Rehabilitation

AT A GLANCE

- Rental preservation financing is the most cost-effective way to keep housing affordable.
- Preserved and improved 1,527 homes.
- Over 20,000 Housing and Urban Development project-based Section 8 units across the state have a federal contract that will expire in the next 10 years.
- Over 2,000 US Department of Agriculture Rural Development (USDA RD) units are in properties with a mortgage and rental assistance that will mature in the next 10 years.

Numbers are for FFY2021, unless otherwise noted

PURPOSE AND CONTEXT

The most cost-effective way to provide homes that are affordable to most Minnesotans is to preserve our existing stock. This is particularly true as the growing demand outpaces new supply and the tight market drives home prices higher. Minnesota has around 360,000 apartments priced at a level that families who earn half the local median income can afford to rent. Naturally occurring affordable rental units (rental homes on the private market that are relatively low in price because of condition, location, lack of amenities, or other market factors) account for over 240,000 of the 360,000 total affordable rental units in Minnesota. We estimate that Minnesota is losing roughly 2,000 naturally occurring affordable rental units per year as low-priced properties are sold and improved, which leads to rent increases.

Minnesota has approximately 120,000 units of rental housing that have received or currently received federal, state and/or local support to keep the units affordable. This represents about five percent of the homes in Minnesota, but they play a vital role in serving the state's lowest-income households. These include project-based Section 8 properties, USDA Rural Development properties, public housing, Low-Income Housing Tax Credit units and other subsidized properties. 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 owner. There is additional risk that some properties may convert to market-rate housing and no longer be affordable for low-income residents.

About 30,000 of these 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 percent of household income towards rent. The federal government makes up the difference between the tenant's contribution and an agreed-upon contract rent. This is a critical benefit because the median income of Section 8 households is about $13,000. Another nearly 10,000 privately owned affordable housing units are federally subsidized through USDA Rural Development, which operates on a similar basis. Around 6,000 of the 10,000 have rent assistance paired with the unit, allowing residents to pay 30% of their income on rent.

Through rental preservation and rehabilitation, Minnesota Housing provides funding for the rehabilitation, repair and stabilization of aging federally assisted rental housing and naturally affordable, unsubsidized rental housing.

SERVICES PROVIDED

Affordable Rental Investment Fund – Preservation (PARIF): The PARIF program finances loans to make improvements for the health, safety and quality of federally assisted affordable housing stock that are maintained for low-income residents. This program receives $4.2 million per year from state appropriations. The Section 8 and USDA RD 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. The properties need large injections of capital through PARIF to make physical improvements so that the properties can remain intact and affordable for decades into the future. Properties can also convert to market rate properties as their federal contracts expire which leads to a loss of affordable housing. In exchange for receiving funding from Minnesota Housing, owners must agree to continue participating in the federal rental assistance program (Section 8 or USDA RD) for the maximum term available.

Rental Rehabilitation Deferred Loan Program: A significant portion of owners in Greater Minnesota struggle to finance major capital improvements and repairs. We provide capital assistance to the owners of housing through the Rental Rehabilitation Deferred Loan Program, which receives $3.7million in state appropriations each year. The program funds capital repairs to housing to keep it in good condition. In exchange for receiving funding from Minnesota Housing, owners of naturally occurring affordable housing agree to maintain rents at affordable levels. A priority is to serve smaller developments, since smaller developments (1 to 4 units) represents nearly 50 percent of the housing stock in Greater Minnesota.

Through this program we also partner with federal USDA Rural Development to assist developments in their Section 515 mortgage program. This critical housing stock needs to be improved and kept within the Rural Development program, otherwise federal rental assistance is lost.

Other Programs and Initiatives: Using agency resources, we also invested in a Naturally Occurring Affordable Housing (NOAH) Impact Fund administered by Greater Minnesota Housing Fund. The fund finances the acquisition and preservation of naturally affordable rental housing to preserve the affordability of such homes for the long term. All investments target rental properties at risk of conversion to higher rents and the threat of displacement of low- and moderate-income residents. We also fund preservation activities through the federally funded HOME program. Historically, HOME resources administered by Minnesota Housing have been used for preservation. Through the State's Capital Investment bill, we receive resources to preserve and rehab public housing.

RESULTS

Preservation of existing affordable rental housing is one of our strategic priorities. It is essential that we preserve existing affordable housing so that it is not lost due to deterioration or owners opting out of federal programs.

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Quantity	Number of federally assisted rental units preserved.	1,143	1,298	FFY 2020, FFY 2021
Quantity	Median income of households served for Section 8.	$12,651	$12,708	FFY 2020, FFY 2021

M.S. 462A.21, subd.8b (https://www.revisor.mn.gov/statutes/?id=462A.21) provides the legal authority for the PARIF program. M.S. 462A.33 (https://www.revisor.mn.gov/statutes/?id=462A.33) and 462A.05, subd. 14A (https://www.revisor.mn.gov/statutes/?id=462A.05) provide the legal authority for the Rental Rehabilitation Deferred Loan program.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
8000 - Housing Finance Agency	10,958	12,382	21,047	40,600	33,000	33,000	33,000	40,000
Total	**10,958**	**12,382**	**21,047**	**40,600**	**33,000**	**33,000**	**33,000**	**40,000**
Biennial Change				38,307		4,353		11,353
Biennial % Change				164		7		18
Governor's Change from Base								7,000
Governor's % Change from Base								11
Expenditures by Category								
Other Financial Transaction	10,958	12,382	21,047	40,600	33,000	33,000	33,000	40,000
Total	**10,958**	**12,382**	**21,047**	**40,600**	**33,000**	**33,000**	**33,000**	**40,000**

Rental Preservation and Rehabilitation

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24	Forecast Base FY25	Governor's Recommendation FY24	Governor's Recommendation FY25
1000 - General								
Direct Appropriation	7,961	7,961	7,961	7,961	7,961	7,961	17,961	17,961
Transfers Out	7,961	7,961	7,961	7,961	7,961	7,961	17,961	17,961
8000 - Housing Finance Agency								
Balance Forward In	46,728	55,913	69,343	61,694	39,155	25,216	39,155	35,216
Receipts	12,182	18,755	12,536	10,100	11,100	13,100	11,100	13,100
Transfers In	7,961	7,961	7,961	7,961	7,961	7,961	17,961	17,961
Transfers Out		904	7,100					
Balance Forward Out	55,913	69,343	61,693	39,155	25,216	13,277	35,216	26,277
Expenditures	**10,958**	**12,382**	**21,047**	**40,600**	**33,000**	**33,000**	**33,000**	**40,000**
Biennial Change in Expenditures				38,307		4,353		11,353
Biennial % Change in Expenditures				164		7		18
Governor's Change from Base								7,000
Governor's % Change from Base								11

Program: Preservation
Activity: Homeownership Rehabilitation

AT A GLANCE

- Assisted 203 homeowners.
- Median annual income of households served is $15,564.
- Ninety-four percent of homeowners served reside in Greater Minnesota.

All numbers are for FFY 2021, unless otherwise noted

PURPOSE AND CONTEXT

Maintaining older homes often requires rehabilitation or modernization, but these updates are almost always less expensive than building new homes – frequently less than half the cost. Today, a $250,000 home is more likely to have been built in the 1950’s or 1960’s and likely in need of rehab. Home rehabilitation helps homeowners remain in their homes for a lower cost than buying and moving to a comparable property.

There is a significant need for home rehabilitation resources. A study by Wilder Research found that over 16,000 extremely low-income senior households (households at or below 30 percent of their area’s median income) have home rehabilitation needs, including both habitability repairs and accessibility improvements. For an estimated cost of just $16,000 per home, these seniors would be able to stay in their own rehabilitated homes and their communities for another five years. Compared to the cost of assisted-living alternatives, this cost is minimal, and studies show that most seniors prefer to age in place.

Minnesota Housing provides loans to maintain or restore owner-occupied housing to decent and safe conditions. We serve homeowners who often have incomes that are too low to qualify for loans in the private sector.

SERVICES PROVIDED

For lower-income homeowners, the most affordable housing choice and typically the most preferred, is often to remain in their home. Through the owner-occupied Rehabilitation Loan Program, we provide no-interest forgivable loans of up to $37,500 for very low-income households. We forgive the loans after 15 years if the home remains the homeowner’s primary residence. Local units of government and nonprofit organizations, including Community Action Agencies, deliver this program to homeowners. Homeowners may use loans for health, safety, accessibility and energy-efficiency improvements.

This activity allows senior households or households with a person with a disability to avoid or delay costly institutionalization by addressing safety or accessibility housing needs. It also helps very low-income homeowners retain homeownership by using loan funds to make energy conservation improvements and health and safety improvements. Many aspects of housing have an impact on residents’ health, including lead paint, radon, mold, poor ventilation and deferred maintenance. This program also serves families who own manufactured homes.

Minnesota Housing supplements the $2.772 million per year in state appropriations with agency resources for this program because need exceeds appropriated resources. The agency also provides other home rehabilitation programs serving households with incomes above 30% area median income using agency resources.

RESULTS

We track the number of seniors and the number of households with a person with a disability served in order to measure outcomes of this program. We also examine the number of people most in need – those earning less than 30 percent of HUD area median income – who receive rehabilitation loans in order to measure the program's success.

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Results	Percentage of households most in need (less than 30% of median income) that received rehabilitation loans.	64%	63%	FFY 2020, FFY 2021
Results	Percentage of rehab loans provided to seniors.	47%	44%	FFY 2020, FFY 2021
Results	Percentage of rehab loans to households that identified as having at least one household member with a disability.	37%	41%	FFY 2020, FFY 2021

M.S. 462A.05, subd. 14 (https://www.revisor.mn.gov/statutes/?id=462A.05) provides the legal authority for the Rehabilitation Loan Program.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
8000 - Housing Finance Agency	5,198	3,857	5,076	3,772	3,772	3,772	3,772	3,772
Total	**5,198**	**3,857**	**5,076**	**3,772**	**3,772**	**3,772**	**3,772**	**3,772**
Biennial Change				(207)		(1,304)		(1,304)
Biennial % Change				(2)		(15)		(15)
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Operating Expenses	69	68	70	50	50	50	50	50
Grants, Aids and Subsidies	596	455	551	450	450	450	450	450
Other Financial Transaction	4,534	3,334	4,455	3,272	3,272	3,272	3,272	3,272
Total	**5,198**	**3,857**	**5,076**	**3,772**	**3,772**	**3,772**	**3,772**	**3,772**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Direct Appropriation	2,772	2,772	2,772	2,772	2,772	2,772	2,772	2,772
Transfers Out	2,772	2,772	2,772	2,772	2,772	2,772	2,772	2,772
8000 - Housing Finance Agency								
Balance Forward In	1,035	41	664	443	443	443	443	443
Receipts	1,432	1,708	2,083	1,000	1,000	1,000	1,000	1,000
Transfers In	2,772	2,772	2,772	2,772	2,772	2,772	2,772	2,772
Balance Forward Out	41	664	443	443	443	443	443	443
Expenditures	**5,198**	**3,857**	**5,076**	**3,772**	**3,772**	**3,772**	**3,772**	**3,772**
Biennial Change in Expenditures				(207)		(1,304)		(1,304)
Biennial % Change in Expenditures				(2)		(15)		(15)
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Preservation
Activity: Project-Based Rental Assistance

AT A GLANCE

- Assisted over 29,500 households.
- Median annual income of households served is around $12,700.
- Forty-six percent of the households served are elderly and 38 percent are disabled.

All numbers are for FFY 2021, unless otherwise noted

PURPOSE AND CONTEXT

Minnesota Housing preserves existing affordable housing stock by administering and monitoring federal housing assistance payment contracts on behalf of the federal government. The U.S. Department of Housing and Urban Development entered into contracts with property owners to provide rental assistance for families with incomes less than 80 percent of the area median income. No new development has been funded under this program since the mid-1980s; however, under existing contracts, tenants pay no more than 30 percent of their income in rent. These tenants are among the lowest-income of any served by Minnesota Housing, with a median income of about $12,500.

SERVICES PROVIDED

Under this activity, Minnesota Housing manages two separate federal rental assistance programs with similar, but not identical, administrative requirements. The federal programs are Section 8 performance-based contract administration, and Section 8 traditional contract administration. Private owners of these buildings receive subsidies from HUD under each of these programs. The functions provided by Minnesota Housing staff under this program include:

- Analyzing and reviewing tenant data necessary to determine subsidy levels;
- Processing annual rent adjustments;
- Performing annual management and occupancy reviews, including a physical inspection; and
- Responding to tenant concerns.

These activities are required in order for property owners to receive their federal subsidy from HUD in a timely manner. The HUD subsidy ensures the proper maintenance of the housing while keeping rents affordable for the lowest-income Minnesotans.

RESULTS

We measure our performance by examining the percentage of Section 8 units that could potentially convert to unassisted units, but whose contracts are preserved through 1-, 5-, 10-, and 20-year renewals. We also measure success based on the level of incentive fees we receive from HUD for our customer service and performance related to administering the program

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Results	Percentage of Section 8 rental units at risk of converting to market-rate rents that are renewed.	99%	99%	FFY 2020, FFY 2021

Minnesota Housing is selected by HUD to administer contracts under this program.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
8000 - Housing Finance Agency	196,547	211,706	221,903	228,505	232,500	237,500	232,500	237,500
Total	**196,547**	**211,706**	**221,903**	**228,505**	**232,500**	**237,500**	**232,500**	**237,500**
Biennial Change				42,155		19,592		19,592
Biennial % Change				10		4		4
Governor's Change from Base								0
Governor's % Change from Base								0

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
Expenditures by Category								
Grants, Aids and Subsidies	196,547	211,706	221,903	228,505	232,500	237,500	232,500	237,500
Total	**196,547**	**211,706**	**221,903**	**228,505**	**232,500**	**237,500**	**232,500**	**237,500**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25

8000 - Housing Finance Agency

	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Balance Forward In	3	5	5	5				
Receipts	196,550	211,706	221,903	228,500	232,500	237,500	232,500	237,500
Balance Forward Out	5	5	5					
Expenditures	**196,547**	**211,706**	**221,903**	**228,505**	**232,500**	**237,500**	**232,500**	**237,500**
Biennial Change in Expenditures				42,155		19,592		19,592
Biennial % Change in Expenditures				10		4		4
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Resident and Organization Support

AT A GLANCE

- Assisted 7,425 households with Homebuyer Education, Counseling and Training.
- Median income of households served is $42,384.
- Nearly 300 organizations locally administer one or more of Minnesota Housing's programs.

All numbers are for FFY 2021, unless otherwise noted

PURPOSE AND CONTEXT

Minnesota Housing supports the infrastructure necessary for organizations to effectively deliver affordable housing throughout the state. Through the activities under this program, we serve a variety of organizations to make sure that affordable housing is maintained and that our partners serve diverse geographic and cultural communities.

SERVICES PROVIDED

We rely on a robust network of partners to deliver many of our programs. Through resident and organizational support, we provide resources to a statewide network of housing counseling organizations that assist homeowners at risk of foreclosure and homebuyers purchasing a home. We also provide assistance to nonprofits to help with regional planning and coordinating activities.

Homebuyer Education, Counseling and Training Program: Through the Homebuyer Education, Counseling and Training (HECAT) program, Minnesota Housing works in collaboration with a network of housing counseling organizations. Together we have designed a comprehensive statewide delivery network for homebuyer training and education. This network is overseen by the Minnesota Home Ownership Center, a nonprofit organization based in St. Paul. The homebuyer training network receives support from state and federal appropriations as well as lending institutions and foundations. We award grants to qualified nonprofit counseling organizations through a competitive Request for Proposal process. The organizations provide both pre-purchase and post-purchase counseling for low- and moderate-income first-time homebuyers. We also provide funding for foreclosure prevention counseling to help homeowners avoid foreclosure whenever possible.

Capacity Building Programs: Capacity Building funds help organizations increase their ability to deliver our programs and reach diverse geographic and cultural communities. This funding supports a range of organizations and initiatives, including the Greater Minnesota Continuums of Care that ensure communities in Greater Minnesota have access to federal resources to prevent and end homelessness. Resources also support specific organizations such as HomeLine for their statewide tenant hotline, OpenAccess for their services supporting people facing homelessness, and the Homeless Management Information System (HMIS).

Manufactured Home Relocation Trust Fund: The Minnesota Manufactured Housing Relocation Trust Fund was created in 2007 by the Minnesota Legislature to provide participating homeowners in manufactured home parks with compensation in the event that all or part of their manufactured home park closes. Manufactured home park owners to make payments to the Trust Fund (via Minnesota Management and Budget) when a manufactured home park is being closed or the land will no longer be used as a manufactured home park. Minnesota Housing then processes requests and payments to homeowners relocating from closed parks.

Local Housing Trust Fund Grants: In 2020, the Legislature created the $1 million, one-time Local Housing Trust Fund Grants program. The program will provide grant funds to local communities equal to 100 percent of the new public revenue committed to the local housing trust fund from any source other than the state or federal government, up to $150,000, and depending on funding availability, an amount equal to 50 percent of the new public revenue committed to the local housing trust fund from any source other than the state or federal government that is more than $150,000 but not more than $300,000. Funds in a local or regional housing trust fund must be used on specific housing related initiatives and administration.

RESULTS

Type of Measure	*Name of Measure*	*Previous*	*Current*	*Dates*
Results	Foreclosures prevented as a percentage of closed counseling cases.	84%	94%	FFY2020, FFY2021
Results	Federal funds leveraged for Continuum of Care organizations per dollar of state money spent.	$125	$141	FFY2020, FFY2021

Funding for this program comes from state appropriations to the Homeownership, Education Counseling and Training Program (M.S. 462A.209, https://www.revisor.mn.gov/statutes/?id=462A.209) the Nonprofit Capacity Building Grant Program (M.S. 462A.21, Subd. 3b, https://www.revisor.mn.gov/statutes/?id=462A.21) and the Manufactured Home Relocation Trust Fund (M.S. 462A.35, https://www.revisor.mn.gov/statutes/?id=462A.35).

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
8000 - Housing Finance Agency	3,065	3,268	10,012	5,213	3,850	3,850	8,850	8,850
Total	**3,065**	**3,268**	**10,012**	**5,213**	**3,850**	**3,850**	**8,850**	**8,850**
Biennial Change				8,892		(7,525)		2,475
Biennial % Change				140		(49)		16
Governor's Change from Base								10,000
Governor's % Change from Base								130

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Activity								
Resident and Organization Supp	3,065	3,268	10,012	5,213	3,850	3,850	8,850	8,850
Total	**3,065**	**3,268**	**10,012**	**5,213**	**3,850**	**3,850**	**8,850**	**8,850**

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Category								
Operating Expenses	2,037	1,770	8,804	2,465	2,315	2,315	3,315	3,315
Grants, Aids and Subsidies	1,027	1,498	1,206	2,748	1,535	1,535	5,535	5,535
Other Financial Transaction			2					
Total	**3,065**	**3,268**	**10,012**	**5,213**	**3,850**	**3,850**	**8,850**	**8,850**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Direct Appropriation	2,002	2,002	3,202	2,002	2,002	2,002	8,752	8,752
Transfers Out	2,002	2,002	3,202	2,002	2,002	2,002	8,752	8,752
8000 - Housing Finance Agency								
Balance Forward In	1,312	1,779	1,999	4,087	2,600	2,467	2,600	4,217
Receipts	1,151	1,339	1,192	1,317	1,315	1,315	1,315	1,315
Transfers In	2,381	2,149	10,908	2,409	2,402	2,402	9,152	9,152
Balance Forward Out	1,779	1,999	4,086	2,600	2,467	2,334	4,217	5,834
Expenditures	**3,065**	**3,268**	**10,012**	**5,213**	**3,850**	**3,850**	**8,850**	**8,850**
Biennial Change in Expenditures				8,892		(7,525)		2,475
Biennial % Change in Expenditures				140		(49)		16
Governor's Change from Base								10,000
Governor's % Change from Base								130

Program: Administration

AT A GLANCE

- Minnesota Housing holds AA+ and Aa1 credit ratings from Standard & Poor's and Moody's.
- We provide more than $1.9 billion to help Minnesotans live in safe, stable, affordable homes.

All numbers are for FFY 2021, unless otherwise noted

PURPOSE AND CONTEXT

Minnesota Housing does not own or operate any housing, so we collaborate with individuals, communities, and partners to create, preserve, and finance affordable housing. Homebuyers, homeowners and renters with low- to moderate incomes benefit from the administration and management of our wide range of programs.

SERVICES PROVIDED

We have two primary business divisions, Single Family and Multifamily, that conduct a variety of activities in order to administer state and federal programs. Along with a Finance Division that manages the agency's finances and assets, we have several other support divisions.

Single-Family Division: The single-family division implements our homeownership, homeowner, and community development programs. Their activities include: monitoring homeownership lenders, working with home improvement partners, administering downpayment and closing cost assistance programs, processing loan reservations and disbursements, and compliance monitoring.

Multifamily Division: The multifamily division reviews and oversees multifamily rental properties. Their activities include: underwriting multifamily developments, overseeing construction and initial rent-up, overseeing long-term asset management and oversight of troubled properties. The multifamily division also monitors properties to ensure compliance with federal programs, including: Section 8, low-income housing tax credits, National Housing Trust Fund and the HOME program. The multifamily division manages our rental development, rental preservation, supportive housing and homelessness prevention programs.

Finance: The finance team is responsible for managing the agency's investments and debt and for overseeing the agency's bond sales. Our bond issuer ratings were AA+ and Aa1 from Standard and Poor's Rating Services and Moody's Investor Services, Inc., respectively. Our credit ratings are separate from and are not directly dependent on ratings on debt issued by the State of Minnesota.

Other Divisions: In addition to our two primary business divisions and the finance division, Minnesota Housing has a number of divisions, including: Business and Technology Support, Policy and Community Development, Communications, Planning and Administration, and Legal and Risk Management.

RESULTS

In setting an administrative budget, we seek a balance between maximizing agency resources available for housing needs and investing in adequate staff and technology to ensure efficient operations, appropriate oversight and accessible and affordable housing. Our total operating costs, as a percentage of assistance provided, typically does not exceed 5 percent.

Type of Measure	***Name of Measure***	***Previous***	***Current***	***Dates***
Quantity	Operating costs as a percentage of assistance provided.	3.32%	1.99%	FFY 2020, FFY 2021

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

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Expenditures by Fund								
8000 - Housing Finance Agency	35,742	36,965	38,138	46,006	46,757	47,532	46,757	47,532
Total	**35,742**	**36,965**	**38,138**	**46,006**	**46,757**	**47,532**	**46,757**	**47,532**
Biennial Change				11,436		10,145		10,145
Biennial % Change				16		12		12
Governor's Change from Base								0
Governor's % Change from Base								0
Expenditures by Activity								
Administration - Housing	35,742	36,965	38,138	46,006	46,757	47,532	46,757	47,532
Total	**35,742**	**36,965**	**38,138**	**46,006**	**46,757**	**47,532**	**46,757**	**47,532**
Expenditures by Category								
Compensation	29,393	31,185	32,716	37,135	37,866	38,611	37,866	38,611
Operating Expenses	6,080	5,660	5,107	8,193	8,213	8,243	8,213	8,243
Other Financial Transaction	269	120	316	678	678	678	678	678
Total	**35,742**	**36,965**	**38,138**	**46,006**	**46,757**	**47,532**	**46,757**	**47,532**
Full-Time Equivalents	**252.70**	**258.62**	**267.53**	**280.24**	**292.97**	**292.97**	**292.97**	**292.97**

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
8000 - Housing Finance Agency								
Balance Forward In	99,272	108,980	108,172	111,761	106,957	104,102	106,957	104,102
Receipts	44,220	35,285	40,551	39,937	42,637	45,937	42,637	45,937
Transfers In	1,269	2,265	1,269	4,405	2,369	2,369	2,369	2,369
Transfers Out	49	1,144	93	3,140	1,104	1,104	1,104	1,104
Balance Forward Out	108,969	108,420	111,761	106,957	104,102	103,772	104,102	103,772
Expenditures	**35,742**	**36,965**	**38,138**	**46,006**	**46,757**	**47,532**	**46,757**	**47,532**
Biennial Change in Expenditures				11,436		10,145		10,145
Biennial % Change in Expenditures				16		12		12
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	252.70	258.62	267.53	280.24	292.97	292.97	292.97	292.97

Housing Finance

Federal Funds Summary

(Dollars in Thousands)

Federal Agency and CFDA #	Federal Award Name and Brief Purpose	FY 2022 Actual	FY 2023 Budget	FY 2024 Base	FY 2025 Base	Required State Match or MOE?	FTEs
Treasury - CFDA 21.019	**COVID-19 Housing Assistance Program (CHAP)** – Emergency assistance for unpaid rent, mortgage and utilities during pandemic	$ (348)	$ -	$ -	$ -	No	0.50
Treasury CFDA 21.023	**COVID Emergency Rental Assistance (ERA)** – Emergency rent and utility assistance for low income renters impacted by COVID	$ 244,807	$ 43,416	$ 8,000	$ -	No	11.00
Treasury CFDA 21.026	**COVID Homeownership Assistance Fund (HAF)** – Emergency mortgage assistance for Homeowners	$ 113,896	$ 11,346	$ 3,750	$ -	No	10.00
Treasury CFDA 21.027	**COVID State Fiscal Recovery Fund** – Additional Emergency Rental Assistance funding and administration	$ 7,000	$ 5,000	$ -	$ -	No	0.50
HUD CFDA 14.239	**HOME** – American Rescue Plan – Funds to reduce homelessness and increase housing stability	$ -	$ 6,138	$ 18,000	$ 7,000	No	2.00
HUD CFDA 14.239	**HOME Investment Partnership** – Affordable housing resources for low income households.	$ 5,232	$ 15,750	$ 11,750	$ 11,750	Match	4.50
HUD CFDA 14.241	**HOPWA** - Housing Opportunities for People With AIDS – Housing assistance for people with AIDS.	$ 265	$ 280	$ 380	$ 380	No	0.50
HUD CFDA 14.241	**HOPWA CARES** - Housing Opportunities for People With AIDS – Housing assistance for people with AIDS.	$ 32	$ 1	$ -	$ -	No	0.25
HUD CFDA 14.275	**National Housing Trust Fund** – Affordable housing resources for extremely low income households.	$ 3,385	$ 7,501	$ 10,497	$ 10,497	No	3.00
HUD CFDA 14.169	**National Foreclosure Mitigation Counseling** – Housing counseling for homeowners facing foreclosure.	$ -	$ 4	$ -	$ -	Match	0.25
HUD CFDA 14.228	**Neighborhood Stabilization Program** – Community foreclosure recovery through single family housing acquisition, rehab and resale	$ 4	$ 1,283	$ -	$ -	No	1.00
HUD CFDA 14.195	**Section 8 – Agency Portfolio** – Asset and compliance management of federally assisted rental housing	$ 3,924	$ 3,505	$ 2,500	$ 2,500	No	4.00
HUD CFDA 14.327	**Section 8 – Contract Administration** – Asset and compliance management of federally assisted rental housing, on behalf of HUD	$ 217,146	$ 225,000	$ 230,000	$ 235,000	No	30.00
HUD CFDA 14.327	**Section 8 – PBCA CARES CSP Contract Administration** – Asset and compliance management of rental housing, on behalf of HUD	$ 833	$ -	$ -	$ -	No	0.25
HUD CFDA 14.326	**Section 811 Rental Assistance**, rental assistance for homeless households	$ 1,101	$ 1,350	$ 1,850	$ 2,150	No	1.50
	Federal Fund – Agency Total	**$ 597,277**	**$ 320,574**	**$ 286,727**	**$ 269,277**		**69.25**

Narrative

Federal grant resources comprise around 25 percent of housing program activities for the agency for 2022-23. The awards fit within several program areas of the agency, from rental housing production (new construction and rehabilitation), to rental assistance contract administration, to resources to address people at-risk or facing homelessness. In the last two years, the agency has received over $600 million in federal funds to address the increased needs of renters, property owners and homeowners during the pandemic. The pandemic federal funds are one-time.

Minnesota Housing receives federal funds that flow through a variety of channels:

• **Formula based direct appropriations** – Currently direct appropriations (which don't require competitive application to federal government) are through the HOME Investment Partnerships, HOPWA, and the National Housing Trust Fund programs.

• **Fees and resources for rental assistance contract administration** – Section 8 agency and HUD portfolios HUD Performance Based Contract Administration is competitively awarded and generates revenue based on performance. The Agency portfolio receives funding directly from HUD.

• **Program specific grants** – Section 811 Rental Assistance and during the pandemic, Emergency Rental Assistance, Homeownership Assistance Fund and HOME – American Rescue Plan.

There are few key trends impacting the agency's federal funds. First is that the agency received significant one-time resources to address the critical housing needs of renters, property owners and homeowners during the COVID-19 pandemic. Spending on those federal grant programs will continue to decrease throughout the next few years compared to FY 2022 spending levels. Currently there is not talk about reauthorizing these programs, but the agency has received several rounds of reallocations for the Emergency Rental Assistance Program. The agency did not receive direct appropriations through two other significant federal bills (Infrastructure Investment and Jobs Act and Inflation Reduction Act).