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Date: January 12, 2024

To: Representative Howard, Chair, Housing Finance and Policy
Representative Johnson, Republican Lead, Housing Finance and Policy
Representative Gomez, Chair, Taxes
Representative Davids, Republican Lead, Taxes
Senator Port, Chair, Housing and Homelessness Prevention
Senator Lucero, Ranking Minority Lead, Housing and Homelessness Prevention
Senator Rest, Chair, Taxes
Senator Weber, Ranking Minority Lead, Taxes

From: Ryan Baumtrog, Assistant Commissioner, Minnesota Housing

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Subject: Workforce Housing Development Program Report

Pursuant to Minnesota Statutes 462A.39, Subdivision 6, Minnesota Housing is required to report on the projects that receive grants or deferred loans under the Workforce Housing Development Program.

Summary of Program

This program awards funds to small and mid-sized Greater Minnesota communities with workforce market rate rental housing needs. Applicants request funds in the form of a grant or a deferred loan. Among other considerations the program's statute requires vacancy rates to be five percent or less for at least the prior two-year period, one or more businesses to indicate that the lack of available rental housing has impeded their ability to recruit and hire employees, and local match. The on-going base funding for the program is \$4 million and the 2023 the Legislature appropriated a one-time increase of \$35 million for FY 2024-25.

Program Update

The most recent Request for Proposal (RFP) process was for the FY 2022-23 appropriation which closed on January 11, 2022. Minnesota Housing's Board of Directors approved nine projects totaling just over \$4.5 million in April 2022. Another RFP was not completed in 2022 or planned in early 2023 due to the lack of state funding.

The 2023 legislative session appropriated a one-time increase of \$35 million for the program, in addition to the base biennial budget of \$4 million. The Legislature also amended several

provisions in the the statute including adding Tribal reservations as eligible recipients, clarifying that an eligible recipient must be located outside a metropolitan county, and increasing the amount of funding that can be applied for from 25% of a projects total development costs to 50%.

In response to these statutory changes and to make other program updates, staff revised the Program Guide which was approved at the 2023 December board meeting. Staff has set a tentative timeline for the 2024 RFP for the program as follows:

January 29, 2024 - RFP materials released

April 16, 2024 – Application due date

July 25, 2024 – Board selection meeting

The 2024 RFP will include resources from the historic one-time increase that was appropriated in the 2023 Legislative Session.

Program Resources and Outreach

Staff are currently in the process of updating all program materials and resources to match the 2023 legislative changes and other program updates. These materials have a tentative release date of January 29, 2024 and will be available on the [Workforce Housing Development Program webpage](#).

Minnesota Housing provided several outreach opportunities in the past year, including:

- Provided project-specific technical assistance to interested applicants.
- Presented information on the program at the Affordable Housing Summit in May.
- Co hosted virtual regional housing meetings in Southwest, Northwest and Northeast Minnesota in May and June to market the Workforce Housing Development Program.
- Provided information on the program at Minnesota Housing Partnerships Advancing Housing and Community Development event in June.
- Provided information on the program at a Scott County roundtable event in September.
- Provided information on the program at a Mankato Area Townhall event in October.
- Provided information on the program at the Co-Designing Real Estate Solutions Event hosted by NEOO Partners in November.

Summary of Funding Selections

To date, the program has deployed \$12 million in resources to add 679 new market rate rental units to communities across Greater Minnesota, inclusive of units available for occupancy and units in the development pipeline. Over 80% of the developments selected are in communities with populations less than 5,000, which is a policy priority for the program. The program also prioritizes smaller size developments.

RFP Year	City	Award Amount	Number of Units
2021	Alexandria	\$499,000	64
2021	Cold Springs	\$495,700	60
2021	Cook County Grand Marais EDA*	\$648,000	6
2021	Dassel	\$424,000	20
2021	Ellendale	\$491,000	20
2021	Fosston	\$201,000	9
2021	Pipestone*	\$31,600	2
2021	Plainview	\$1,304,000	43
2021	Warroad	\$499,000	65
		\$3,913,700	281
2020	Granite Falls*	\$99,500	3
2020	Roseau	\$1,582,571	37
2020	Eden Valley	\$329,000	20
		\$1,911,571	57
2019	Blue Earth*	\$400,000	14
2019	Watkins	\$417,400	20
2019	Park Rapids	\$650,000	28
2019	Redwood Falls*	\$770,000	30
2019	Long Prairie	\$1,338,620	37
		\$2,406,020	85
2018	Alexandria	\$1,000,000	37
2018	Park Rapids	\$550,000	28
		\$1,550,000	65
2017	Albert Lea	\$150,000	12
2017	Baudette	\$500,000	24
2017	Duluth	\$180,000	96

2017	Luverne	\$680,000	27
2017	Pelican Rapids	\$767,000	32
		\$2,277,000	191
Program Totals**		\$12,058,291	679

*The funding for these selections were subsequently rescinded.

**Totals do not include rescinded projects.

If you have any questions, please contact Ryan Baumtrog, Assistant Commissioner for Policy at 651-296-9820 or ryan.baumtrog@state.mn.us