

(\$ in thousands)

Project Title	Priority Ranking	Funding Source	Project Requests for State Funds		
			2020	2022	2024
Housing Infrastructure Bonds	1	AP	\$ 180,000	\$ 180,000	\$ 180,000
Public Housing Rehabilitation	2	GO	\$ 60,000	\$ 60,000	\$ 60,000
Total Project Requests			\$ 240,000	\$ 240,000	\$ 240,000
General Obligation Bonds (GO) Total			\$ 60,000	\$ 60,000	\$ 60,000
Appropriation Bonds (AP) Total			\$ 180,000	\$ 180,000	\$ 180,000

Housing Infrastructure Bonds

AT A GLANCE

2020 Request Amount: \$180,000

Priority Ranking: 1

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

Project Description

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

Supportive Housing

A portion of the bond proceeds 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 condition, substance abuse disorder and other barriers to self-sufficiency. The housing stability and additional services help individuals and families complete school or training, get connected to programs, achieve employment and eventually attain independent living

Preservation

The federal Section 8 program has provided the largest portion of the privately owned, federally assisted rental housing in the state. Thirty-one thousand (31,000) units were financed under this program. The privately owned Section 8 portfolio was developed primarily from the 1960s to the 1980s. In addition, Minnesota has thousands of units financed by U.S. Department of Agriculture Rural Development that are of a similar age. As these properties age, or as the subsidy contracts and regulatory agreements expire, there is risk that these units may be lost due to physical deterioration, conversion to market rate rents, or diminished capacity of the ownership entity. Often ownership transfers and significant injections of capital provided by Housing Infrastructure Bonds are needed to ensure that properties can remain intact and affordable for decades into the future. If the properties

are not preserved, the federal subsidies are lost to the state.

Community Land Trust

Housing Infrastructure Bond proceeds can be used to pay for the cost of the acquisition of land that will be held by community land trusts for single family homeownership. Community land trusts are non-profit organizations that acquire and own land for the long-term. The community land trust leases the land to a low- or moderate – income homeowner who purchases the building on the land held in trust.

Senior Housing

Housing Infrastructure Bond 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% and 50% of Area Median Income. Senior housing at these income levels is currently not broadly being met by the market.

Manufactured Home Park Acquisition and Infrastructure

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

Project Rationale

There continue to be significant affordable housing needs throughout the state. In Minnesota, about 600,000 households (30%) are considered to be cost-burdened, meaning they pay more than 30 percent of their income for housing. The state's lowest-income renter households (at or below 30% of AMI) are most impacted, with 77% cost-burdened and 59% severely cost-burdened (paying more than half their income for housing costs).

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

The state's Section 8 portfolio is aging and in need of capital for rehabilitation to preserve the affordability of these properties that exist in all 87 counties. When these developments are sold or converted, we lose the federal assistance forever. This portfolio continues to age and with additional wear and tear, the maintenance backlogs continue to grow.

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

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

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

conditions.

The 2018 Wilder Study revealed once again that people of color, both adults and youth, are disproportionately represented among the homeless population. While adults who identify as Black or African American are 5% of Minnesota's overall population, they represent 37% of people experiencing homelessness. American Indian adults are 1% of the state's overall population, but 12% of the homeless population. This compares to people who identify as White, who make 83% of Minnesota's adult population, but 34% of the homeless population.

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

We typically receive at least three to four times as much in requests for deferred financing as we have funding available. This year, we received almost \$310 million in deferred loan requests from across the state.

Project Timeline

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

Other Considerations

Statewide Plan to Prevent and End Homelessness

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

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

Green Communities Criteria

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

Impact on Agency Operating Budgets

This request does not impact Minnesota Housing's operating budget. Minnesota Housing does not use General Fund appropriations for operating expenses. The developers applying for funding are expected to meet their operating costs through the income they receive from rents, or in the case of community land trusts, through income from the land lease.

Description of Previous Appropriations

In 2012, we awarded \$30 million in Housing Infrastructure Bond proceeds to projects that preserve existing federally subsidized rental housing, create new permanent supportive housing opportunities, and to stabilize communities impacted by the foreclosure crisis. The bond proceeds were committed in 2012 and were used to construct or preserve 472 units of housing.

In 2014, we awarded \$80 million in Housing Infrastructure Bond proceeds to projects for the same purposes. The bond proceeds were committed in 2014 and were used to construct or preserve 1,239 units of housing.

In 2015, the Legislature authorized an additional \$10 million in Housing Infrastructure Bond proceeds. These proceeds were used to construct or preserve 162 units of affordable housing.

In 2017, the Legislature authorized an additional \$35 million in Housing Infrastructure Bond proceeds. The Legislature also authorized an additional \$20 million in Housing Infrastructure Bond proceeds using previous debt service appropriations, due to low interest rates on the bonds issued in 2014 and 2015. This total of \$55 million in Housing Infrastructure Bond proceeds was awarded to projects in fall 2017 and impacted 507 homes.

In 2018, the Legislature authorized an additional \$80 million in Housing Infrastructure Bond proceeds, with \$30 million of that amount dedicated to permanent supportive housing for households behavioral health needs. \$28.4 million was awarded in the fall of 2018, which impacted 406 homes.

In 2019, during the 1st Special Session, the Legislature approved an additional \$60 million in Housing Infrastructure Bond authorization. This amount will be added to just under \$60 million in existing authorization and awarded in the fall of 2019.

Project Contact Person

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

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

Project Rationale

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

Project Timeline

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

Other Considerations

N/A

Impact on Agency Operating Budgets

This request does not impact Minnesota Housing's operating budget. Minnesota Housing does not use General Fund appropriations for operating expenses. Public housing authorities pay the operating costs for the projects and in many cases the projects funded through this program reduce operating costs.

Description of Previous Appropriations

In 2012, the agency received \$5.5 million in GO bond proceeds for public housing rehabilitation. The funding was used for the rehabilitation of 950 units of public housing.

In 2014, the agency received \$20 million in GO bond proceeds for public housing rehabilitation. The funding was used for the rehabilitation of 2,500 units of public housing. Seventy-five percent of the units are located in Greater Minnesota.

In 2017, the agency received \$10 million in GO bond proceeds for public housing rehabilitation. These funds were awarded to public housing authorities in early 2018. Funds were awarded to public housing authorities in early 2018 and preserved 2,068 units throughout the state.

In 2018, the agency received \$10 million in GO bond proceeds for public housing rehabilitation. These funds were awarded to public housing authorities in early 2019. Funds were awarded to public housing authorities in early 2019 and will preserve 1,380 units throughout the state.

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