

THE WALZ-FLANAGAN BUDGET



TO MOVE MINNESOTA FORWARD

HOUSING

Total New Investment: \$225.5 million General Fund (FY 2023)
 \$184 million General Fund (FY 2024-25)
 \$250 million Housing Infrastructure Bonds
 \$60 million Public Housing Rehab
 \$719.5 million over three years

BUILD MORE HOMES



Challenge

The Governor recommends a \$25 million increase to the Economic Development and Housing Challenge program in FY 2023 and \$25 million in FY 2024-25 to produce more new housing opportunities across the state. Many employers across the state are hiring more people, but often the limited supply of housing is impacting business expansion. The priority for the funding will be on increasing rental and homeownership housing opportunities in communities where the lack of housing is impacting job growth, as well as providing downpayment assistance to first-time homebuyers through community-based nonprofit organizations and local units of government. This recommendation will create an estimated 1,225 housing opportunities across the state over three years.

FY 2023 Enacted Budget – \$12.9 million

FY 2024-25 Base Budget – \$25.8 million

Workforce and Affordable Homeownership

The Governor recommends an increase of \$12 million per year starting in FY 2023 to increase the supply of single-family homes across the state. 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. This recommendation will create an estimated 900 homes over three years.

FY 2023 Enacted Budget – \$250,000

FY 2024-25 Base Budget – \$500,000

Greater Minnesota Workforce Housing

The Governor recommends \$10 million in FY 2023 and \$16 million in FY 2024-25 for the Greater Minnesota Workforce Housing Development program. This program builds new rental housing in Greater Minnesota, typically 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. The additional funding will create an estimated 865 new units of housing in Greater Minnesota over three years.

FY 2023 Enacted Budget – \$2 million

FY 2024-25 Base Budget – \$4 million

Flexible Financing for Capital Costs

The Governor recommends \$10 million in FY 2023 for a Flexible Financing for Capital Costs program to fund financing gaps in housing development. The program will provide deferred loans or grants to developments that need additional financing due to either ineligible costs from a specific funding source or to help with unanticipated gaps in financing due to changing market conditions. For example, the costs of construction materials increased 17% last year compared to the previous year. This funding will assist around 333 units of rental housing.

INCREASE HOME STABILITY



Housing Trust Fund – Rental Assistance

The Governor recommends a \$10 million increase in FY 2023 and a base increase of \$25 million in FY 2024-25 to the Housing Trust Fund program to provide rental assistance for individuals and families. The state’s rental assistance program 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 rent assistance receives rental assistance. The new funding will provide housing assistance to an estimated 1,500 households each year.

FY 2023 Enacted Budget – \$11.6 million

FY 2024-25 Base Budget – \$23.3 million



Pre-Natal to Pre-K Housing Assistance (Homework Starts with Home Expansion)

The Governor recommends \$10 million each year starting in FY 2023 to add to and expand the Homework Starts with Home program. On any given day, around 8,000 school-age children are identified as homeless or highly mobile in school districts across the state. This impacts more than 1,400 schools in 300 school districts that cover 77 of Minnesota’s 87 counties. 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. The funding will provide housing assistance for an estimated 1,425 families each year.

FY 2023 Enacted Budget – \$1.750 million

FY 2024-25 Base Budget – \$3.5 million



Homelessness Prevention

The Governor recommends an increase of \$19.5 million in FY 2023 and an increase of \$19 million in FY 2024-25 to the Family Homelessness Prevention and Assistance Program. Significant one-time federal resources, including the COVID-19 Emergency Rental Assistance program, will run out of funding in 2022, leaving many renters one life incident away from losing their housing without adequate homelessness prevention resources. The priority for funding will be on direct assistance, but the funds may also be used to better coordinate access to prevention services and funding. The housing assistance is typically paid to the housing provider or property owner. We estimate that the new funding will serve an estimated 19,250 households over three years.

FY 2023 Enacted Budget – \$10.3 million

FY 2024-25 Base Budget – \$20.5 million

Landlord Risk Mitigation Fund

The Governor recommends \$5 million in FY 2023 to expand the Landlord 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 not likely rent to. With a tight rental market, it can be challenging for any renter to find housing and people with felony records, multiple evictions, behavioral health challenges, and long-term or chronic homelessness face significant challenges in finding stable housing and meeting the rental screening criteria. The funding will help an estimated 2,000 households find stable housing.

Strengthen Supportive Housing

The Governor recommends \$12 million in FY 2023 and \$30 million in FY 2024-25 to strengthen supportive housing for individuals and families who are at-risk of or have experienced homelessness. Certain costs associated 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.

SUPPORT AND STRENGTHEN HOMEOWNERSHIP



Downpayment Assistance

The Governor recommends \$12 million in FY 2023 and \$20 million in FY 2024-25 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 Black, Indigenous and households of color. There are an estimated 179,000 renter households between the ages of 25 and 44 who are potentially income-ready to buy a home. With home prices increasing significantly in recent years and interest rates on the rise, the need for additional downpayment and closing cost assistance is critical to address the wealth needed to become a first-time homebuyer. This recommendation will help an estimated 2,667 households become first-time homebuyers over three years.

FY 2023 Enacted Budget – \$885,000

FY 2024-25 Base Budget – \$1.8 million

PRESERVE THE HOMES WE HAVE



Community Stabilization

The Governor recommends \$100 million in FY 2023 to preserve and improve existing housing commonly referred to as Naturally Occurring Affordable Housing. Investing in existing housing is an important and cost-effective way to maintain housing that is currently affordable to low-income households. 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 or 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 households. With \$100 million, the state will preserve an estimated 2,850 homes.

BONDING



Housing Infrastructure Bonds

The Governor recommends authorizing the Minnesota Housing Finance Agency to sell \$250 million in Housing Infrastructure Bonds and recommends a corresponding appropriation of up to \$20 million annually for 20 years from the general fund to pay the debt service on the bonds. Funds will be awarded through competitive request for proposal processes to for-profit developers, non-profit developers, Indian Tribes or tribal housing corporations, and local units of government for supportive housing, preservation, senior housing, single family development, and manufactured home communities. The Governor also recommends expanding the eligible uses of Housing Infrastructure Bonds to include new construction of rental housing for households with incomes at or below 50% of area median income.

Public Housing Rehabilitation program (General Obligation Bonds)

The Governor recommends \$60 million for the Public Housing Rehabilitation program to preserve existing public housing and keep it safe and healthy for residents. Funds are awarded statewide on a competitive basis to local public housing authorities for improvements in fire suppression systems, accessibility improvements, heating and cooling systems, building envelopes, energy efficient windows, elevators, and other critical health and safety items.

Governor's 2022 Bonding and Budget Recommendations

	FY2023	FY2024	FY2025	TOTAL
(\$ in millions)				
Minnesota Housing Proposed Increases	\$535.5	\$92.0	\$92.0	\$719.5
Capital	\$310.0		--	\$310.0
General Obligation Bonds for Public Housing Rehabilitation program	\$60.0	--	--	\$60.0
Housing Infrastructure Bonds	\$250.0	--	--	\$250.0
Programs	\$225.5	\$92.0	\$92.0	\$409.5
Challenge	\$25.0	\$15.0	\$15.0	\$55.0
Community Stabilization	\$100.0	--	--	\$100.0
Downpayment Assistance	\$12.0	\$10.0	\$10.0	\$32.0
Flexible Financing for Capital Costs	\$10.0	--	--	\$10.0
Greater Minnesota Workforce Housing	\$10.0	\$8.0	\$8.0	\$26.0
Homelessness Prevention	\$19.5	\$9.5	\$9.5	\$38.5
Housing Trust Fund – Rental Assistance	\$10.0	\$12.5	\$12.5	\$35.0
Landlord Risk Mitigation Fund	\$5.0	--	--	\$5.0
Pre-Natal to Pre-K Housing Assistance (Homework Starts with Home Expansion)	\$10.0	\$10.0	\$10.0	\$30.0
Strengthen the Supportive Housing Model	\$12.0	\$15.0	\$15.0	\$42.0
Workforce and Affordable Homeownership	\$12.0	\$12.0	\$12.0	\$36.0