

One Minnesota Budget



2024-25 Budget Recommendations and 2023 Capital Investment Recommendations

Commissioner Jennifer Leimaile Ho



Serving All of Minnesota

The Governor's and Lt. Governor's budget responds to the range of housing needs felt by Minnesotans in all regions of the state, while focusing on closing disparities and assisting lowest-income Minnesotans and underserved geographies:

- Rental and homeownership
- New construction and preservation
- Deeply affordable housing and market-rate housing in Greater Minnesota
- Homelessness prevention and homeownership development
- Rental assistance and downpayment assistance

Housing Needs: All of Minnesota is Affected

Impact of Housing Unaffordability

- 590,000 households pay 30% or more of their income for housing.
- 79% of Extremely Low Income Minnesota renters are cost burdened.
- 184,000 households between the ages of 25-44 are potentially income-ready to purchase a home.
- Limited supply of single-family homes for sale, particularly for homes selling for \$250,000 or less.
- Roughly 8,000 people face homelessness on a given night.

Historic Investments in Housing Stability

Governor's Housing Budget at a Glance

FY 2024-25 Base Budget	\$115.6 million
<i>Governor's Recommendations</i>	<i>+\$726.5 million</i>
Total FY 2024-25 Recommendations	\$842.1 million
FY 2026-27 Planning Estimates	\$115.6 million
<i>Governor's Recommendations</i>	<i>+\$41.5 million</i>
Total FY 2026-27 Recommendations	\$157.1 million

Capital Investment Recommendations

Public Housing Rehabilitation (State General Obligation Bonds)	\$60 million
Housing Infrastructure Bonds (Appropriation Bonds)	\$250 million

Going Big So Everyone Can Go Home

2024-25 Budget and 2023 Capital Improvement Recommendations by Program Area

	FY 2024-2025
Preserve and Create New Homes <ul style="list-style-type: none">Public Housing Rehabilitation (State General Obligation)Housing Infrastructure Bonds (Appropriation Bonds)	\$473.8 million <i>+\$420 million</i> \$60 million \$250 million
Increase Housing Stability	\$221 million <i>+\$165 million</i>
Support and Strengthen Homeownership	\$134.5 million <i>+\$130 million</i>
Build and Support Organizational Capacity	\$12.8 million <i>+\$11.5 million</i>

Preserve and Create New Homes



Preserve and Create New Homes

PRESERVE AND CREATE NEW HOMES	
Economic Development and Housing Challenge (Challenge)	\$125.9 million <i>+\$100 million</i>
Workforce Homeownership Program	\$35.5 million <i>+\$35 million</i>
Community Stabilization (NEW)	\$100 million <i>+\$100 million</i>
Greater Minnesota Workforce Housing Program	\$44 million <i>+\$40 million</i>
Housing Infrastructure	\$100 million <i>+\$100 million</i>
+ Housing Infrastructure Bonds (Appropriation Bonds)*	\$250 million
Public Housing Rehab	\$20 million <i>+\$20 million</i>
+ Public Housing Rehab (State General Obligation Bonds)*	\$60 million
Manufactured Home Park Infrastructure Grants	\$27 million <i>+\$25 million</i>
Rental Rehabilitation Loans	\$7.9 million
Preservation (PARIF)	\$8.4 million
Rehab Loans (Single Family)	\$5.5 million
APPROPRIATIONS	\$473.8 million <i>+\$420 million</i>
CAPITAL IMPROVEMENT*	\$310 million

Preserve and Create New Homes: Economic Development and Housing Challenge

Economic Development and Housing Challenge (Challenge Program)

*No. 1 source of state appropriations
to develop new housing.*

- No-interest deferred loans or grants to for-profit and non-profit developers and local units of government.
- Provides flexibility by letting communities identify the types of housing that best fit their needs.
- Can be used for new construction or rehabilitation and funds both rental housing and homeownership.



FY 2024-25: **\$125.9 million**

Change: **+\$100 million**

**Projected
Impact:** **+1,200 housing
opportunities**

Preserve and Create New Homes: Workforce and Affordable Homeownership

Workforce and Affordable Homeownership

Increase the supply of homeownership housing throughout the State.

- Grants to cities, tribal governments, nonprofit organizations, cooperatives, and community land trusts for housing development.
- Funds can be used for development costs, rehabilitation, land development and manufactured home park infrastructure.
- Base funding is \$250,000 per year.



FY 2024-25:	\$35.5 million
Change:	+\$35 million
Projected Impact:	+500 homes created

Preserve and Create New Homes: Community Stabilization

Community Stabilization – Naturally Occurring Affordable Housing (NOAH)

Investing in existing housing to maintain housing that is currently affordable to low-income households.

- Acquire, rehabilitate, and/or preserve existing rental and owner-occupied housing that is at risk of becoming unaffordable.
- Maintain affordability for current and future households.



FY 2024-25: **\$100 million**

Change: **NEW**

**Projected
Impact:** **+2,000 homes
preserved**

Preserve and Create New Homes: Greater Minnesota Workforce Housing Program

Greater Minnesota Workforce Housing Program

Provide grants to local units of government to build new rental housing.

- Market dynamics make it difficult to create new units of rental housing in Greater Minnesota.
- Vast majority of developments are in communities with a population less than 5,000.



FY 2024-25:	\$44 million
Change:	+\$40 million
Projected Impact:	+1,140 new homes

Preserve and Create New Homes: Housing Infrastructure

Housing Infrastructure

Provide loans and grants to develop housing.

- Permanent supportive housing
- Preservation of existing housing
- Senior housing
- Single-family homes
- Manufactured home park infrastructure
- Requested new use: deeply affordable homes
- In addition to the Governor's Capital Budget \$250 million recommendation.



FY 2024-25:

\$100 million

Change:

New funding source

**Projected
Impact:**

+800-1,200 homes

Preserve and Create New Homes: HIB Governor's Recommendation



\$250 million recommended for Housing Infrastructure Bonds

- Develop and preserve permanent supportive housing.
- Preserve federally assisted rental housing.
- Create affordable housing for seniors aged 55 and older (new in 2018).
- Manufactured home community acquisition and infrastructure (new in 2018).
- Develop homeownership opportunities, including homes in community land trusts (expanded in 2020).

Preserve and Create New Homes: HIB

Why Housing Infrastructure Bonds?

- 95% of the housing in the state is privately owned.
- State GO bonds can only be used for publicly-owned housing.
- Created in 2012, Housing Infrastructure Bonds (HIB) are the **largest state source** of capital for housing development and are unique around the country.
- Bonds leverage local, federal and private investment and spur development that otherwise would not happen.



Preserve and Create New Homes: HIB New Use Proposed in 2023



- The biggest gap in housing development is housing that is affordable to individuals and families with lower incomes.
- Proposal would expand the allowed uses of HIB to include housing for **people making less than 50% of the Area Median Income.**

Preserve and Create New Homes: HIB Project Highlight – Supportive Housing

Red Lake Supportive Housing – 2022 Project Selections

Construction will begin this year for 28 units of supportive housing, built as twin homes/duplexes with one to three bedrooms per unit.

The homes will be situated near two new service centers that will provide extra support for those who may struggle to keep their housing.

The developer is Red Lake Housing.



Preserve and Create New Homes: Public Housing Rehab

Public Housing Rehab

Provide loans for the rehabilitation of public housing .

- Addresses 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.
- In addition to the Governor's Capital Budget \$60 million recommendation.



FY 2024-25:

\$20 million

Change:

New funding source

**Projected
Impact:**

+1,670 units

Preserve and Create New Homes: GO Bonds Governor's Recommendation



\$60 million recommended for Publicly Owned Housing Program (POHP) financed by State General Obligation Bonds

- Established by the Minnesota Legislature in 2005.
- Purpose to rehabilitate and preserve public housing units.
- Funds provided as a 20-year, deferred, forgivable loan to HRAs/PHAs that operate public housing.
- Awarded statewide on a competitive basis.
- Request and funding process prioritizes life and safety, accessibility and energy efficient projects. Agency prioritizes the funding of fire suppression systems.

Preserve and Create New Homes: GO Bonds POHP Example – Viking Tower, Alexandria

\$2,087,150 (2018)

Viking Tower is a high-rise development built in 1969. Consisting of 106 one-bedroom units, the development is owned and managed by Alexandria Housing and Redevelopment Authority.



Preserve and Create New Homes: GO Bonds POHP Example – Viking Tower

Alexandria HRA was awarded POHP funds allowing them to complete work on mechanical and plumbing systems. The old and failing systems were causing serious water leaks and issues with temperature control, as well as building and unit ventilation issues.



Preserve and Create New Homes: Manufactured Home Park Infrastructure

Manufactured Home Park Infrastructure

Provides grants to owners to improve shared infrastructure.

- Grants can be used for water and sewer upgrades, storm shelter construction and repairs, electrical work, road and sidewalk improvements, and other infrastructure needs.
- 2022 RFP selections included \$9.5 million to improve 742 home lots.



FY 2024-25:	\$27 million
Change:	+\$25 million
Projected Impact:	+1,920 homes impacted

Increase Housing Stability



Increase Housing Stability

Program	FY 2024-2025
INCREASE HOUSING STABILITY	
Family Homeless Prevention (FHPAP)	\$120.5 million <i>+\$100 million</i>
Housing Trust Fund	\$33.3 million <i>+\$10 million</i>
Strengthen Supportive Housing (NEW)	\$40 million <i>+\$40 million</i>
Homework Starts with Home	\$8.5 million <i>+\$5 million</i>
Bridges	\$18.7 million <i>+\$10 million</i>
TOTAL	\$221 million <i>+\$165 million</i>

Increase Housing Stability: Family Homeless Prevention

Family Homelessness Prevention (FHPAP)

Prevent homelessness before it begins.

- Grants to counties, regions, nonprofits and other local organizations to provide direct assistance and services.
- Funds are used for homelessness prevention, minimizing episodes of homelessness and eliminating repeat episodes.



FY 2024-25: **\$120.5 million**

Change: **+\$100 million**

**Projected
Impact:** **+40,000 households
assisted**

Increase Housing Stability: Housing Trust Fund

Housing Trust Fund

Rental assistance to low-income families and operating subsidies to property owners.

- Grants to 39 local organizations to provide rental assistance so renters pay 30% of their income towards rent.
- Nearly 75% of people served have experienced long-term homelessness.



FY 2024-25: **\$33.3 million**

Change: **+\$10 million**

**Projected
Impact:** **+555 households
assisted per year**

Increase Housing Stability: Strengthen Supportive Housing

Strengthen Supportive Housing

Provides a reliable source of funding for some associated costs to support those impacted by homelessness.

- Expenses include services, front desk staffing, and rental assistance.
- May be awarded to projects funded through Consolidated RFP.



FY 2024-25:	\$40 million
Change:	<i>NEW</i>
Projected Impact:	+5,000 households impacted

Increase Home Stability: Homework Starts with Home

Homework Starts with Home

Housing stability for children and families leads to improved attendance, school success and increases in household income.

- Grants to local governments and nonprofit organizations provide rental assistance and homelessness prevention resources for families of students experiencing or at risk of homelessness.
- A collaborative approach involving local housing organizations, schools and service providers is a key feature of the local program design.



FY 2024-25:

\$8.5 million

Change:

+\$5 million

**Projected
Impact:**

**+355 families per
year**

Bridges

Housing support for families where at least one adult member has a serious mental illness.

- Stabilizes households by helping individuals pay for rent and by providing support services.
- Part of state's Olmstead Implementation Plan.



FY 2024-25: **\$18.7 million**

Change: **+\$10 million**

**Projected
Impact:** **+100 households
per year**

Support and Strengthen Homeownership



Support and Strengthen Homeownership

Program	FY 2024-2025
SUPPORT AND STRENGTHEN HOMEOWNERSHIP	
Downpayment Assistance	\$129.8 million <i>+\$128 million</i>
Homeownership Education, Counseling and Training Fund (HECAT)	\$3.7 million <i>+\$2 million</i>
Build Wealth	\$1 million
TOTAL:	\$134.5 million <i>+\$130 million</i>

Support and Strengthen Homeownership: Downpayment and Closing Cost Assistance

Downpayment and Closing Cost Assistance

Helps households that can afford a mortgage but need assistance with downpayment and closing costs.

- Homeownership is the primary driver for building wealth for low- and moderate-income households.
- Create new First Generation Homebuyer program
- Provide downpayment assistance to other lenders to serve households not being served by Minnesota Housing mortgage products.



FY 2024-25: **\$129.8 million**

Change: **+\$128 million**

Projected Impact: **+6,400 households initially**

Support and Strengthen Homeownership: Homeownership Education, Counseling & Training

Homeownership Education, Counseling and Training Fund (HECAT)

*Provides comprehensive
homeownership services.*

- Grants to non-profit organizations across the state to provide both pre-purchase and post-purchase counseling and services.
- The statewide network is overseen by Minnesota Homeownership Center.



FY 2024-25: **\$3.7 million**

Change: **+\$2 million**

**Projected
Impact:** **9,090 households
per biennium**

Build and Support Organizational Capacity



Build and Support Organizational Capacity

Program	FY 2024-2025
BUILD AND SUPPORT ORGANIZATIONAL CAPACITY	
Capacity Building	\$12.8 million <i>+\$11.5 million</i>
TOTAL	\$12.8 million <i>+\$11.5 million</i>

Build and Support Organizational Capacity: Capacity Building

Capacity Building

Assist organizations' ability to deliver critical housing programs and activities.

- Provides grants to a limited number of organizations to support a range of activities and initiatives.
- Current grantees of state appropriations include the Greater Minnesota Continuums of Care, HomeLine, OpenAccess and the Homeless Management Information System.



FY 2024-25:	\$12.8 million
Change:	+\$11.5 million

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Thank you