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Minnesota Gains \$100 Million in Housing Bonding

by Michael Anderson // 2014, Summer



In May, Minnesota Governor Mark Dayton signed a bill providing \$100 million in state bonds for affordable housing. The Homes for All Alliance, led by the Metropolitan Consortium of Community Developers and the Minnesota Coalition for the Homeless, involving a number of other advocacy groups, celebrated their victory in securing funding expected to build or rehabilitate more than 5,000 affordable homes and stabilize communities impacted by foreclosures across the state.

Advocates hosted state capitol events including Homeless Day on the Hill, Housing Development Day on the Hill, and Habitat on the Hill. Advocates highlighted developments in the pipeline so legislators could better grasp how bond money would be put to good use. Legislative District Profiles, created by Minnesota Housing Partnership for Homes for All, identified housing and homeless concerns by state district. No Minnesota district has enough affordable homes to meet the needs of renters. Thousands of advocates—mental health advocates, teachers, housing organizations, faith-based groups, and local governments—used traditional and social media, letters and direct meetings to win Homes for All's full \$100 million request.

While the bond funding does not directly support the Minnesota Housing Trust Fund, the new funding is closely linked to use of trust fund resources. The Minnesota Legislature established the Housing Trust Fund Program in 1988 to support the development of affordable housing for low-income persons and families. Revenue is generated from the interest earnings on real estate broker's trust accounts; interest accrued on revenue bond application fees and forfeited fees; and state appropriated funds.

Since 2002, Housing Trust Fund resources may be used for operating subsidy and rental assistance funding, in addition to the capital funding it has historically provided. In 2005, Housing Trust Fund rules were modified to add a funding priority for developments and programs that serve households experiencing long-term homelessness. In 2004, the Ending Long-Term Homelessness Initiative Fund (ELHIF) for permanent rental housing was established by Minnesota Housing (the state housing finance agency) to serve households experiencing long-term homelessness and is administered through the Housing Trust Fund rules. In 2007, the Department of Human Services-Adult Mental Health Division entered into an Interagency Agreement with Minnesota Housing to provide operating funding to developments that expand housing opportunities for adults with serious mental illness.

The Housing Trust Fund and ELHIF Programs may be used to fund three general types of activities: capital funding, operating subsidy, and rental assistance. Statute requires that 75% of the Housing Trust Fund program funds be used for the benefit of households whose income does not exceed 30% of the area median income. Minnesota Housing has elected to reserve up to 70% of the Housing Trust Fund for proposals that create permanent rental housing opportunities with support services for households experiencing long-term homelessness. Minnesota Housing may provide an operating subsidy for rental housing for which the agency has provided capital funding.

The 2014 bonding proceeds may be used, among other uses, for the construction or acquisition/rehabilitation of supportive housing. The supportive housing developments will be guided by the Housing Trust Fund rules. The Housing Trust Fund operating support and rental assistance for this housing is an important component in the success of these developments. Proposals for use of the new bonding resource have already been received by Minnesota Housing.

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