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Red Wing, Minnesota Creates Affordable Housing Trust Fund

by Michael Anderson // 2016, [Winter](#)



Red Wing, Minnesota, with a population of less than 20,000, has created a housing trust fund ... demonstrating for the state both the call for and the power of rural communities addressing the need for safe, affordable homes. The Red Wing Housing and Redevelopment Authority receives property tax levy funds and City Council approved their request to increase the levy amount and will allocate \$96,842 of tax levy funds to the Affordable Housing Trust Fund.

In 2014, a comprehensive needs analysis for the City identified a 0% vacancy in affordable rental housing and a .9% vacancy in market rental housing. The study also identified a need for more than 1,000 affordable homes. Putting this in the context of knowing that some 6,600 people commute into the City each day for their employment ... it was clear Red Wing needed to support a growth in affordable housing.

The Housing and Redevelopment Authority saw creating a housing trust fund as two steps: establishing the trust fund and finding funds. The initial proposal to the Board of Commissioners was made in the summer of 2015. In September, the Authority identified the steps involved in creating the housing trust fund, revenue options, and requested the Board to request that the City approve the additional tax levy funds as seed money to establish the fund. The timing and the rationale were perfect.

Randal Hemmerlin, Executive Director of the Red Wing Housing and Redevelopment Authority, was the key advocate for taking these steps. He subsequently submitted a very thoughtful blog to MHP Connect ... hosted by the Minnesota Housing Partnership. Just a few excerpts illustrate how creative the initiative is in Red Wing and the potential Hemmerlin is suggesting for the state:

It is no longer much of a secret that a housing shortage exists throughout Minnesota. The State's population continues to grow as business is growing its workforce

One idea that came in 2015 that the City of Red Wing HRA is using to promote new housing or rehabbing existing housing was the establishment of an Affordable housing Trust Fund (AHTF). An AHTF is not a new concept and has been used in Minnesota before by cities such as Minneapolis. It is not common, however, to see AHTFs in rural communities Since all housing needs are local, it makes sense that local jurisdictions have a stake in the matter financially and an AHTF would allow that to happen

Throughout the state, it is estimated that we have \$34 million in unused HRA Tax levies that could be used to create AHTFs. To increase the chances of AHTFs being created statewide, a matching state fund could be developed to match the local dollars 1 to 1, or even 3 to 1. Another idea is that Minnesota Housing or DEED housing fund applications that come from jurisdictions with an AHTF would receive a priority over applications from jurisdictions that do not have an AHTF

With the housing shortage being so critical in our communities and the pressure for funding sources so great, an AHTF may be just the ticket that a local community can use to increase its housing supply.

Minnesota Statutes allow an HRA to levy an annual tax through its elected officials. The total amount that can be levied is set, but many communities throughout Minnesota are collecting less than what is permitted ... thus the estimated \$34 million in unused tax levies. In Red Wing, the HRA clearly identified the implications of an inadequate supply of affordable housing, particularly for a rural community: difficulty for businesses to recruit and retain employees; the impact of inadequate housing on education and health; the need to provide opportunities for seniors; and the tax benefits of a growing vital community.

Red Wing has set an important precedent for Minnesota communities and plans to use the funds to increase workforce affordable housing and to rehabilitate space in second and third story buildings downtown, creating more livable opportunities.

For more information, contact: Randal Hemmerlin, Red Wing Housing and Redevelopment Authority, www.redwinghra.org.

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