

Local Affordable Housing Aid Panel Handout

Minnesota NAHRO Conference 9/13/2023

In 2023, the Minnesota Legislature appropriated funds directly to local governments to help them to develop and preserve affordable and workforce housing within their jurisdictions in order to keep families from losing housing and to help those experiencing homelessness find housing. Aid funds must be spent on a “Qualifying Project”. They created two programs: Statewide Local Housing Aid (SAHA) and Local Affordable Housing Aid (LAHA).

SAHA is funded with state funds and distributed to Minnesota’s 87 counties, Tier I cities in Greater Minnesota (populations over 10,000), and tribal governments. Minnesota Housing is to establish a grant program for Tier II cities to access SAHA. LAHA is funded with a quarter percent metro sales tax and distributed to the 7 metro counties and Tier 1 metro cities.

Detailed Information

- The statutory laws can be found on the Revisor’s website (<https://www.revisor.mn.gov/statutes/>) SAHA is in Minnesota Statutes Chapter 477A.36 and LAHA in Chapter 477A.35. The statutes lay out definitions, distribution, qualifying projects, enforcement, and reporting requirements.
- Information on amounts and distribution amounts can be found on the Department of Revenue’s website (<https://www.revenue.state.mn.us/statewide-affordable-housing-aid> and <https://www.revenue.state.mn.us/local-affordable-housing-aid>).
- Reporting information and Tier II city grant program can be expected at a later date on Minnesota Housing’s website (www.mnhousing.gov)

Defining Local Housing Needs

The SAHA/LAHA qualifying projects are fairly broad. To decide what to use the funds on will depend on several variables including the area’s housing needs, local politics, and capacity within the locality to implement desired solutions. To understand the housing needs, a locality could rely on existing data, comprehensive or strategic plans, and its local housing authority. A locality could also complete a new housing study and solicit community input.

Having a strong understanding of what the local housing problems or issues are will help narrow down the types of projects, programs, and activities. A locality will also want to assess other resources available to ensure the funds are not duplicative, maximize leverage of other funds, and have the greatest impact and success in addressing local housing issues.

Collaborating with Local Housing Authority

Direct recipients may want to collaborate with the housing authority serving their jurisdiction. There is at least one housing authority serving every community in Minnesota. The advantages of working with a local housing authority are their knowledge and skills in housing programs, existing staff capacity to implement programs quickly, expertise with program compliance, leverage with their existing funds, and their connections with developers and funders.

Qualifying Projects

Qualifying projects must be affordable to households with incomes which do not exceed, for homeownership projects, 115% of the greater of state or area median income as determined by HUD and, for rental housing projects, 80% percent of the greater of state or area median income as determined by HUD, except that the housing developed or rehabilitated with funds under this section must be affordable to the local work force. Priority is to be given to projects at 80% state/area median income for homeownership and 50% state/area median income for rental projects.

The following is a chart matching the qualifying projects as solutions to local housing needs. It is intended as an idea generated. It is not meant to be a full list of how the SAHA/LAHA funds can be spent, nor is it a comprehensive list of the housing needs that can be addressed by a qualifying project.

Qualifying Project	Local Housing Issue
Emergency rental assistance	Economic issue impacting renters – layoffs by predominant employer
Financial support to nonprofit affordable housing providers	Reliance on nonprofit housing providers and donations are down
Construction of affordable rentals or homes for sale	Low vacancy rates and increasing rents indicate a lack of supply, coupled with a lack of developers indicating a need for public intervention – construction by the HRA
Acquisition of existing properties	Affordable housing is at risk of being purchased and converted to higher rent or sale price; need to preserve the affordability
Acquisition of land for affordable housing	Land zoned and intended for affordable housing is not resulting in it; public ownership allows for greater development control
Rental Rehabilitation program	Disinvestment by landlords, aging housing stock, storm or other property damage; improve the habitability, accessibility, and energy-efficiency of apartments
Home Rehabilitation program	Disinvestment by homeowners, aging housing stock, gap in other programs (i.e. income limits or beyond health and safety improvements); improve the habitability, accessibility, and energy-efficiency of homes
Demolition and clearance	Blighted properties, removal needed to make room for affordable housing development
Construction or permanent financing	Low vacancy rates and increasing rents indicate a lack of supply, developer interest coupled with lack of lenders or high interest rates
Interest rate reduction program	Prevalence of high interest rates or variable rate mortgages; lowers and stabilizes monthly payments
Refinancing	Unaffordability of existing debt; with ability to offer better terms
Gap financing	Marked difference between the cost to develop and the market value of a property or between the cost to develop and what occupant can afford; reduces housing cost burden, instability, and has potential to reduce home ownership disparities
Development of market rate residential rental properties (Greater Minnesota only)	Sustained low vacancy rates and lack of rental housing is impacting ability of businesses to find employees