

Local Housing Trust Funds: Concept to Implementation

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Areas of Focus

Research | Policy | Community Development

MHP advocates for equitable housing policy, conducts research to inform solutions, and delivers community development services throughout the country.



Community Development

Technical assistance and capacity-building from coast to coast, specializing in rural and Native communities.



Research and Publications

Using a data-driven approach to research housing need, disparities, and solutions for lasting impact.

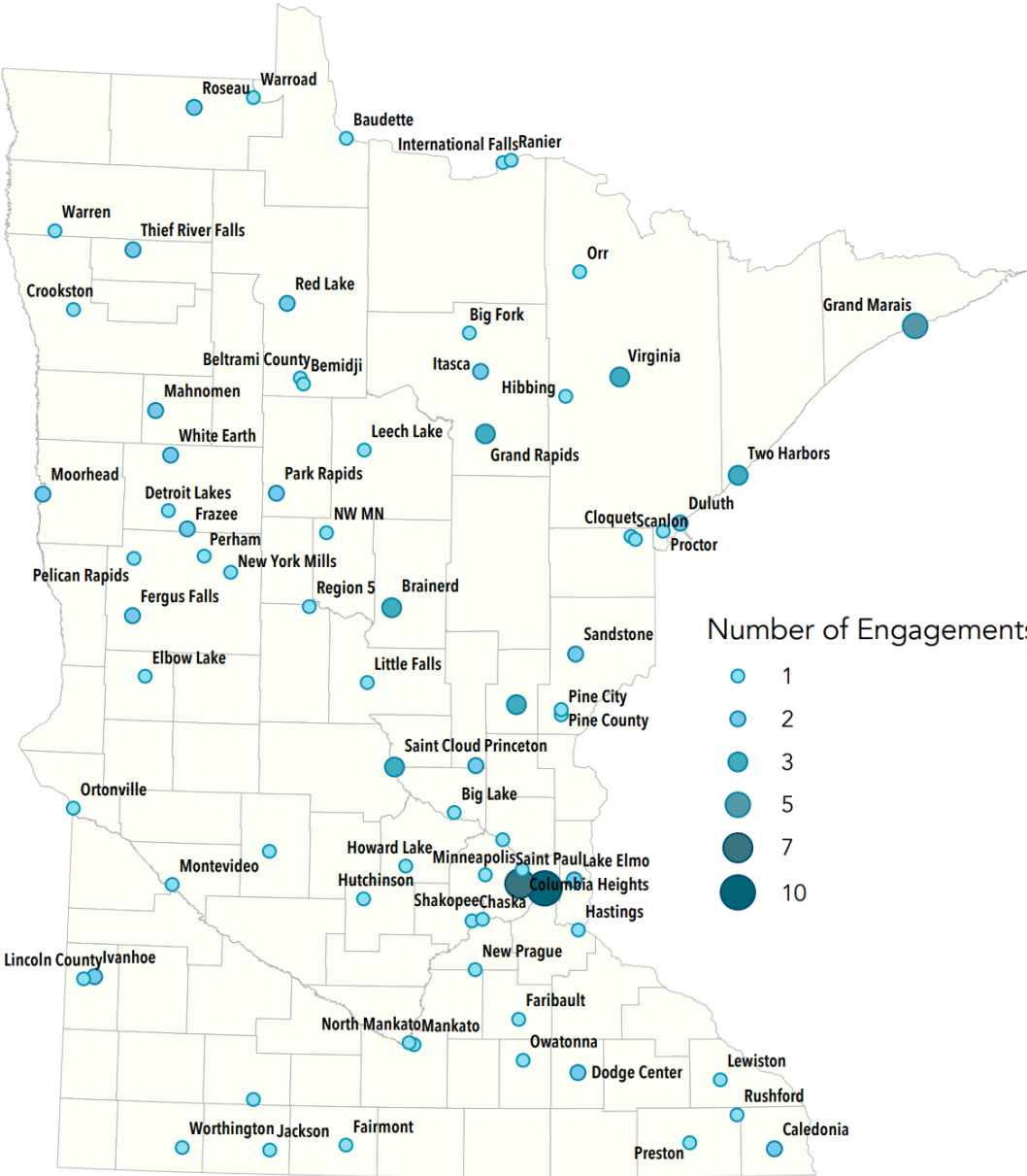


Public Policy

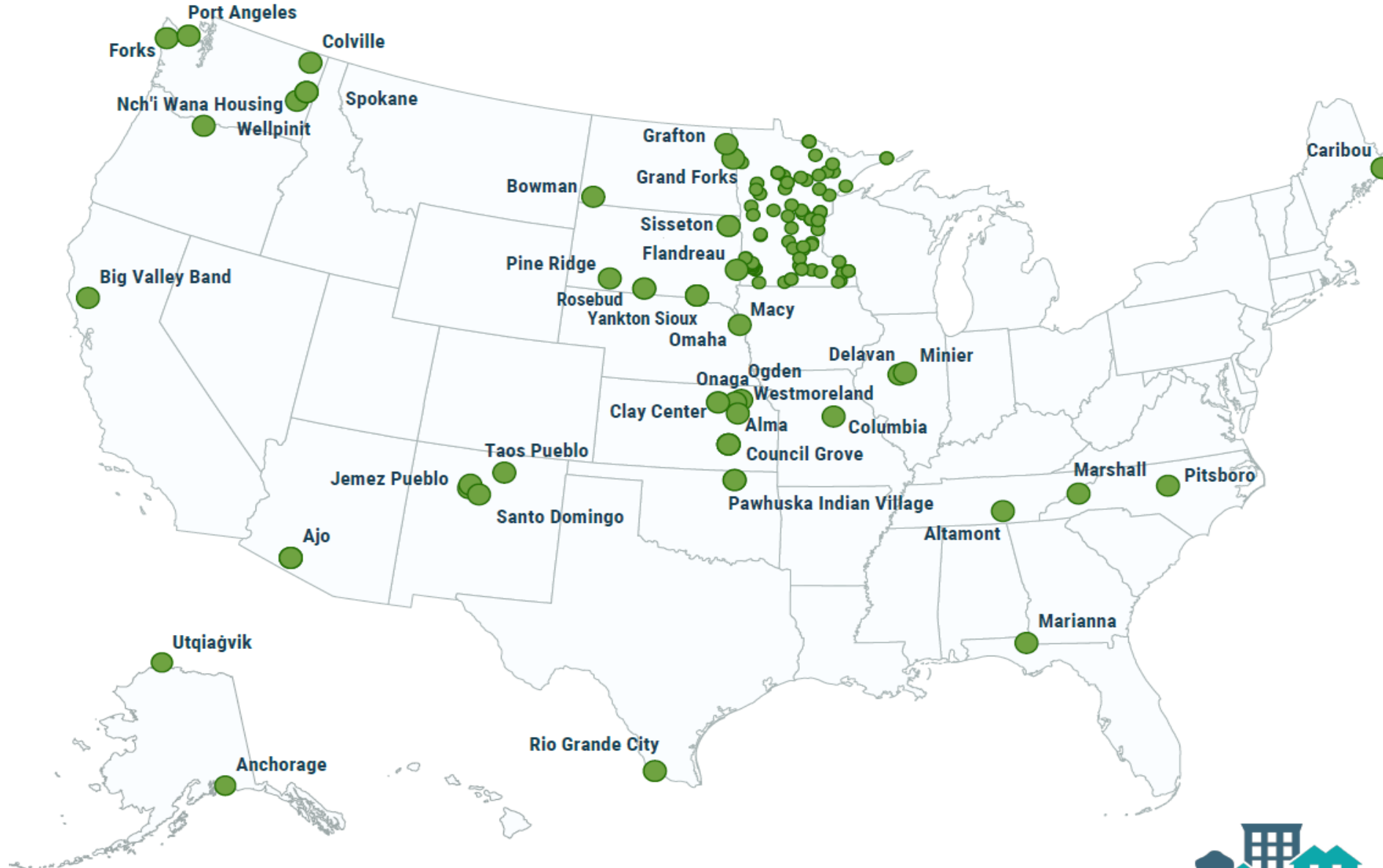
Advocating for housing investment and equitable allocation of resources at the federal, state, and local levels.

MHP Technical Assistance Locations in MN 2009-2020

Rooted in Minnesota



MHP Technical Assistance Locations, 2018 to 2023



We work with local governments, nonprofits, and Native Nations across the country

Presentation Outline

- What is a Local Housing Trust Fund?
- Establishing a LHTF
- Local Housing Trust Fund: State Match
- Examples
- Q & A

About this Project



Created in 2019

mhponline.org

MHP's LHTF Manual: What's inside?

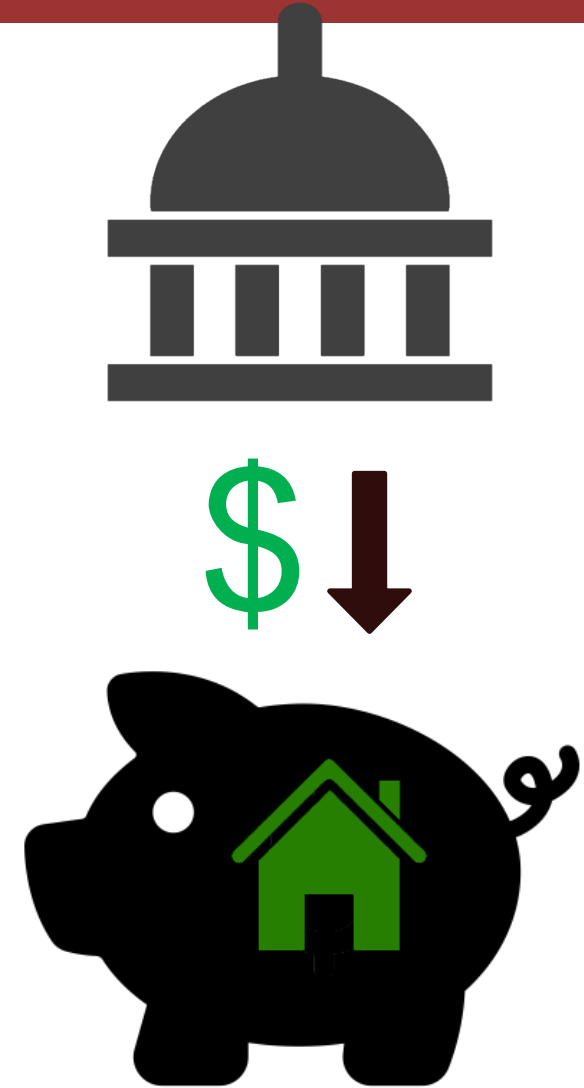
- Identify Funding sources
- Select an Administrator
- Operating a LHTF
- Demographic/Geographic Targeting
- Samples, examples, citations to Minnesota resources



What is a Local Housing Trust Fund?

Housing Trust Funds (HTFs) are **established by elected government bodies** at the city, county, or state level. HUD also had a national HTF which provides funding to every state and territory

They **dedicate public revenues** to a **distinct fund** that is used to **address housing needs**



Minn Stat Section 462C.16

 Minnesota Legislature 🔍 Search

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Office of the Revisor of Statutes

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[2018 Minnesota Statutes](#) > [LOCAL GOVERNMENT POLICE POWERS](#) > [Chapter 462C](#) > Section 462C.16

◀ [462C.15](#)

2018 Minnesota Statutes

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462C.16 HOUSING TRUST FUNDS FOR LOCAL HOUSING DEVELOPMENT.

Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given to them.

(b) "Commissioner" means the commissioner of the Minnesota Housing Finance Agency.

(c) "Fund" means a local housing trust fund or a regional housing trust fund.

(d) "Local government" means any statutory or home rule charter city or a county.

(e) "Local housing trust fund" means a fund established by a local government with one or more dedicated sources of public revenue for housing.

Resources

[Search Minnesota Statutes](#)

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[2018 Statutes New, Amended or Repealed](#)

[2018 Table of Chapters](#)

Benefits

“Local control for a local issue”

- Randal Hemmerlin, former Executive Director
Red Wing Housing & Redevelopment Authority



Why a Local Housing Trust Fund?

LHTFs can help address community needs such as:

- Housing shortages
- Cost-burdened households
- Substandard housing units



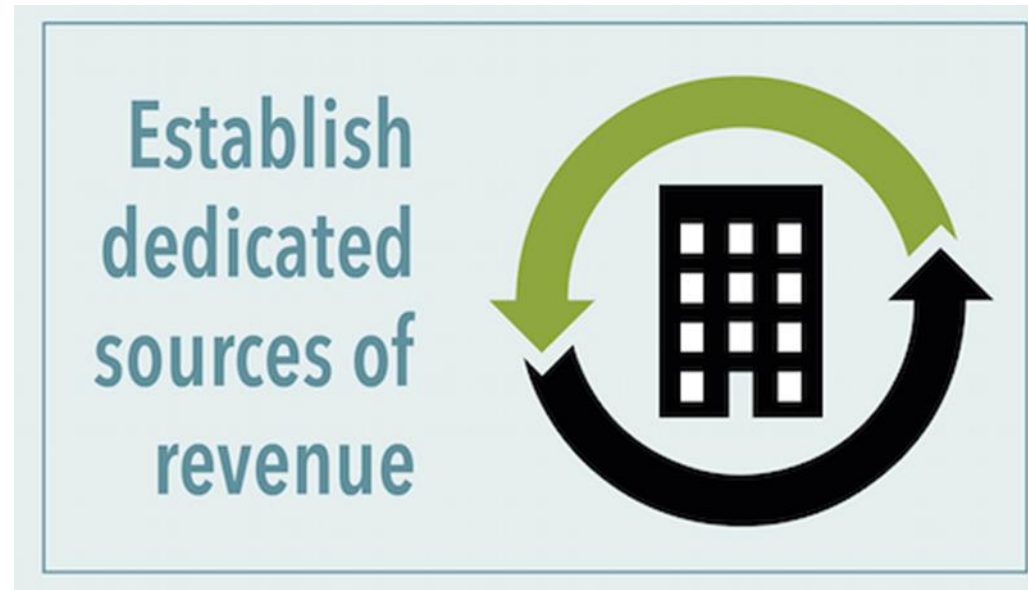
Benefits

1. Dedicated
2. Predictable
3. Leverages
4. Flexible
5. Elevates
6. Independence

**And, local governments don't have to administer the fund, instead it's common to partner with nonprofits and HRAs or EDAs for program administration.*

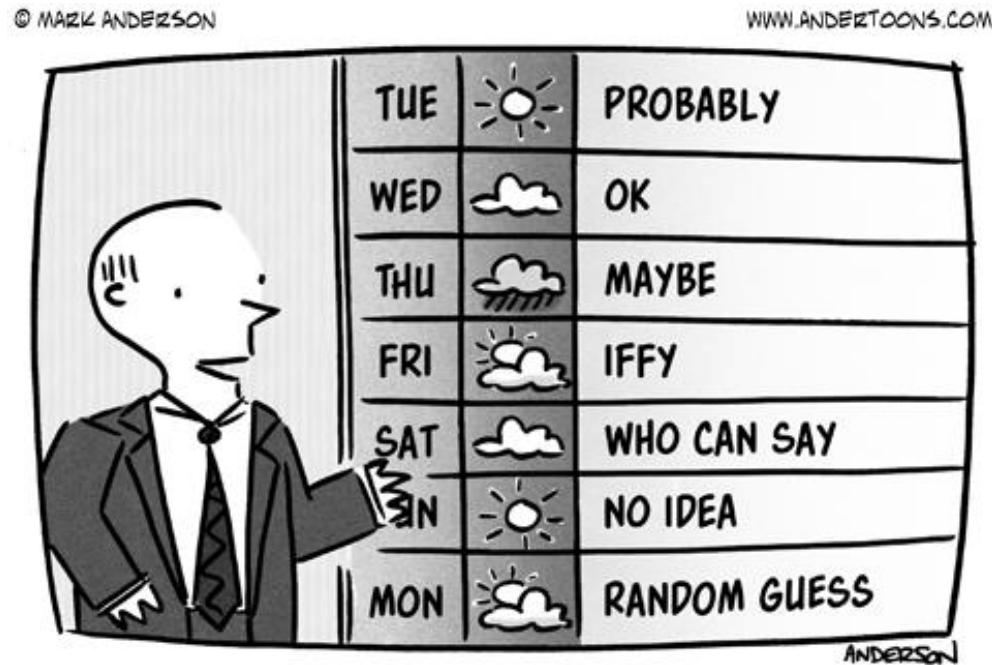
Benefits - Dedicated

Best practice recommendation: Recurring funding sources, not subject to annual appropriation or budgeting process



Benefits - Predictable

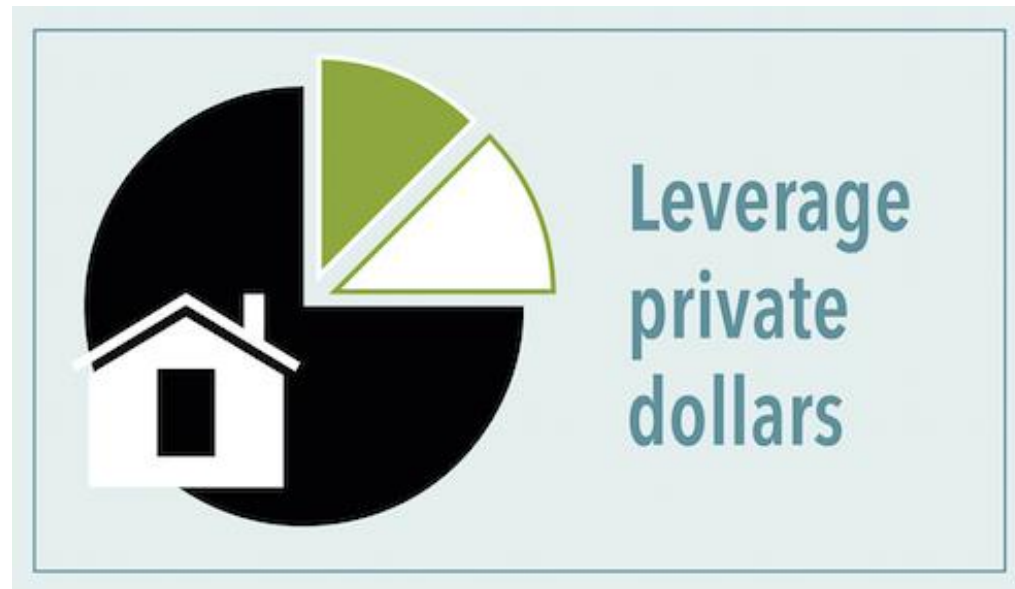
- Allows for long-term planning for municipalities and developers



"And now the 7-day forecast..."

Benefits - Leverage

Increasing your competitive edge in fundraising: Having local funds that can be used as leverage for other public and philanthropic funds can make you more competitive in funding applications



On average, **every \$1** a city trust fund invests in housing **leverages \$6** in additional public and private funds.

Benefits - Flexible

- Can encourage a variety of activities
- Can address changing needs over time- no community is static
- Can fill gaps not served by other programs



Benefits – Elevates Housing

- Elevates housing as a local priority

Talking about LHTFs with your community elevates housing as an important issue. Community members begin seeing housing as an important part of their infrastructure and they see the connection with economic development. Schools, healthcare clinics, manufacturers and more, all need a healthy workforce... and workers need quality places to live



Benefits - Independence

Being able to set your own agenda and prioritize the needs of your own community. You get to make your own decisions to fund the projects and programs you need, rather than trying to fit into other's program criteria and rules.

For example, one community is advocating for the missing middle: mid-sized development in strategic locations within single family neighborhoods

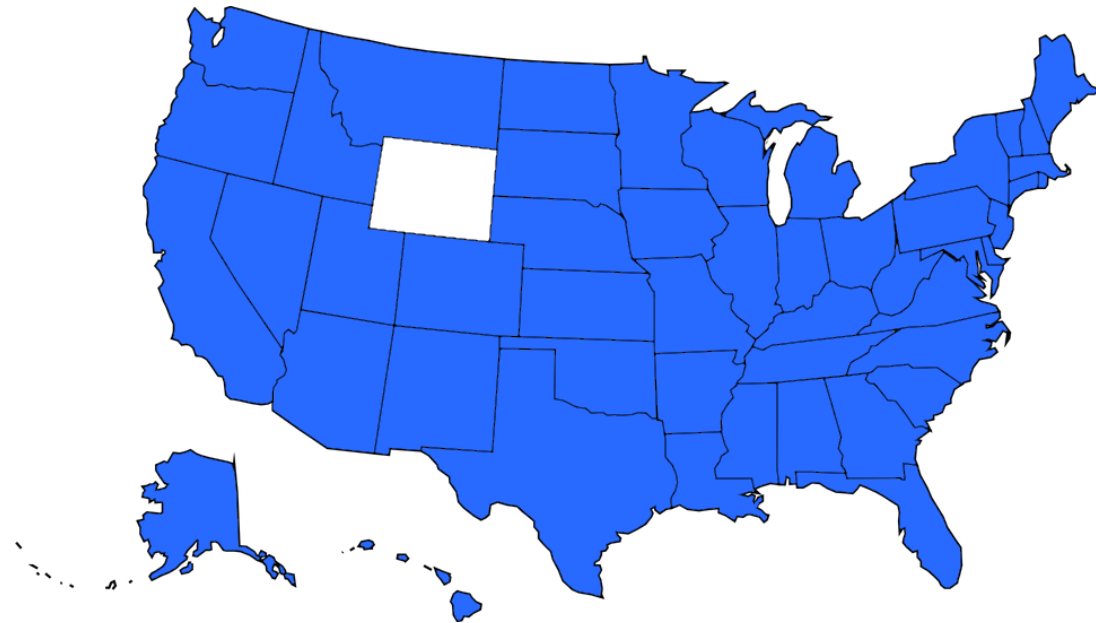


Proven Nationwide

49 states

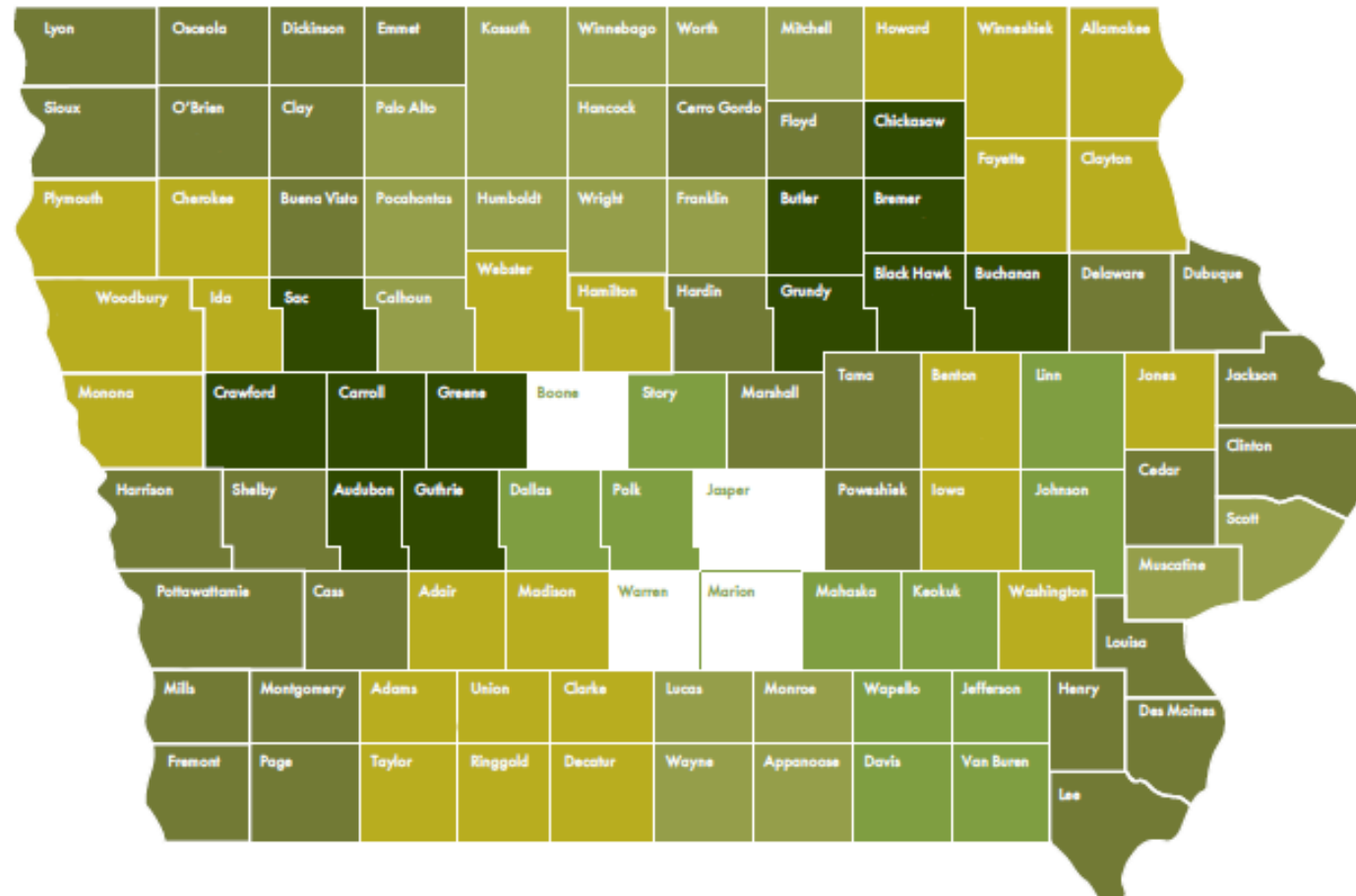
800 HTFs in cities,
counties and states

\$2.5 billion a
year generated



Proven in Rural Communities

LOCAL HOUSING TRUST FUND MAP



By the numbers

Active discussions:

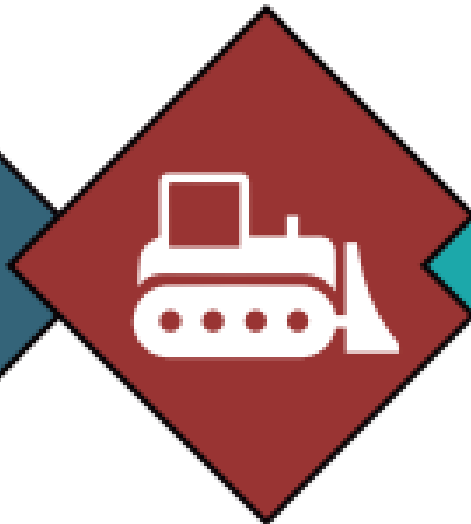
- Northfield
- Stearns County
- Ramsey County
- Prairie County Alliance (Dodge, Steele, & Waseca)



Common Uses



**Homeownership
Counseling &
Education**



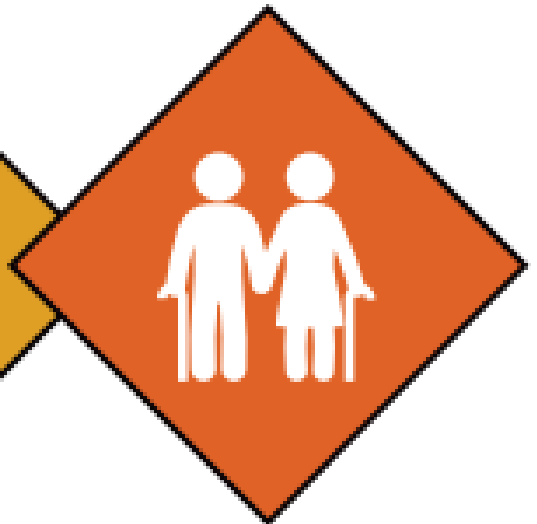
**Rehab &
Preservation
Programs**



**SF & MF
Development Gap
Funding**

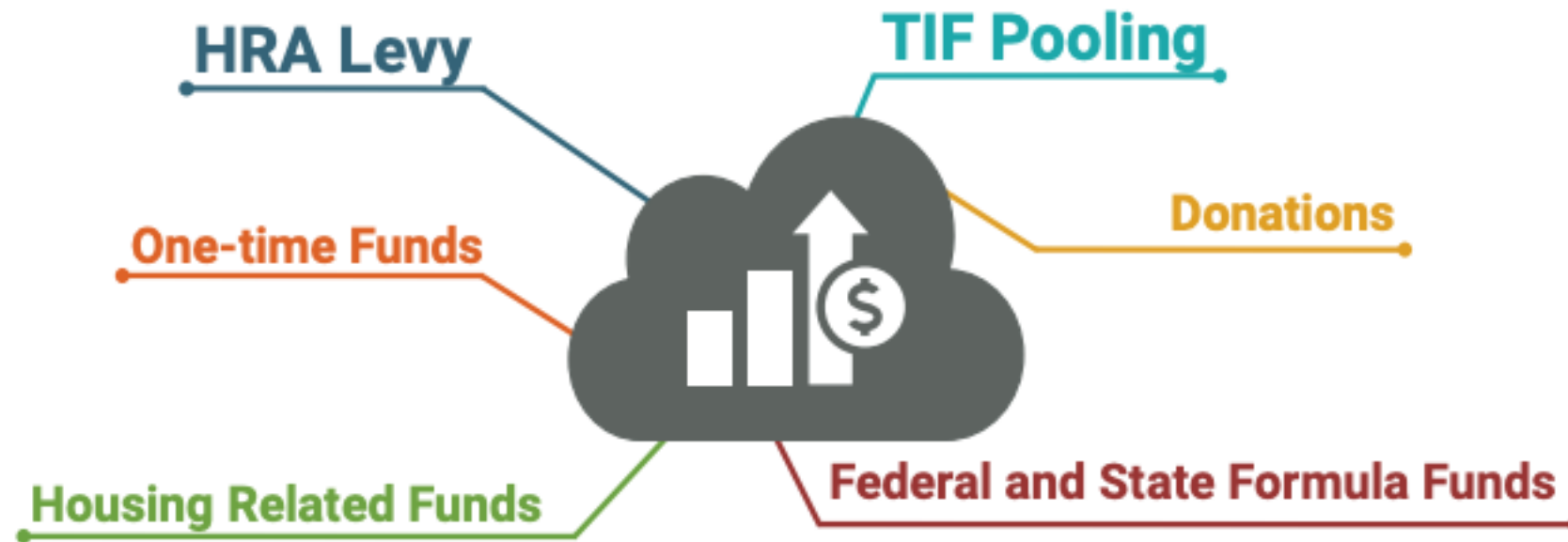


**Down Payment
Assistance
(DPA) Programs**



**Housing Stability
for both renters
& homeowners**

Common Fund Sources



Local Housing Trust Fund State Match

Funds available: \$1 million (approved 2022) + \$4.8 million (approved 2023)

- 1:1 match for public revenue from any source other than state or federal government up to \$150,000
- 50% of “new public revenue” over \$150,000, between \$150k and \$300k, as funds remain available. This will likely not happen
- Funds must be used for households at or below 115% state median income
- Minnesota Housing still to announce application procedure, expected soon.

Local Affordable Housing Aid

- \$22.5 million in 2023 and 2024; \$10 million in 2025 and thereafter
- Formula distribution, including cost burden as a factor
- Funds considered spent when distributed to a local housing trust fund, if funds can't be used on a project within 3 years
- Maximum Income restricted: 80% AMI for rental; 115% AMI for homeownership
- Projects may be prioritized that serve 80% AMI households for homeownership and 50% AMI for rental housing; priority may be given to projects that reduce homeownership disparities, improve habitability, reduce housing instability, etc.

Metro Area Sales and Use Tax for Housing

- Anoka, Carver, Dakota, Hennepin, Ramsey, Scott & Washington Counties impacted
- 0.25% on retail sales in metropolitan counties
 - 25% of proceeds for a state rental assistance program
 - 25% of proceeds to metropolitan city housing aid account
 - 50% of proceeds to metropolitan county housing aid account
- Formula distribution, including cost burden as a factor
- Funds considered spent when distributed to a local housing trust fund
- Income restricted: 80% AMI for rental; 115% AMI for homeownership

- *This LHTF was the first in MN, created in 2015!*



- The City of Red Wing is partnering with its HRA, for administration.
- It has an LHTF memorandum in which the HRA identified a broad list of funding sources to be secured for the LHTF in the future. In addition to an HRA levy, they ID'd new sources such as from employers, a portion of City fees collected from dedicated uses related to housing, such as re-inspection fees, or surplus TIF revenues
- Their uses include a down payment assistance program for families earning up to 115 % of AMI
- They have a 15-year affordability period for rental projects funded by their LHTF and have created a policy to incentivize smaller developments by saying they may assist 100% of units in a building of 9 or fewer units, or up to 50% of units in a building of 10-15 units, and up to 25% of units in a building of 16 or more units
- Their LHTF requires at least 25% of annual disbursement must be used to benefit low-income households



- Swift County HRA administers the County's LHTF for the County
- They have a unique funding source- they own shares in a local ethanol plant and a portion of the revenue is dedicated to the LHTF
- They are currently using the funds to fill the rehab gap of a USDA Section 515 apartment building located in Kerkhovan. The property, GraMar Estates has 16 units for low-income families. Their LHTF funds are leveraging over \$1 Million in funds from MHFA, Small Cities DP, and the FHLB.

An aerial photograph showing a large, calm lake surrounded by lush green trees and fields. The sky is clear and blue.

Swift County

Swift County strives to develop and maintain services which connect people with opportunities to enhance quality of life.

State Requirements Compared to Best Practices

- Establish a LHTF Committee, made up of local housing champions who will meet regularly to ensure a fund is approved, well managed, and the funds get deployed into the community.
- Educate Elected Officials at the city, county, or regional level to ensure they are ready to support a LHTF.
- Draft an Ordinance establishing the fund, which must be adopted at a city, county, or regional level. If done at the regional level, a Joint Powers Agreement must be approved by all participants.
- Engage the community about LHTFs and discuss housing priorities based on the needs of your community. Use a recent housing study to guide community conversations. If you don't have a recent study, you may want to get one.
- Make decisions on eligible uses for the first funding rounds. In *Subdivision 3* of the state statute, eligible uses are listed: 1) no more than 10% for admin, 2) make grants, loans, or loan guarantee for housing development and rehabilitation, 3) funds can be used as match for other funding sources, and 4) other eligible uses include down payment assistance programs, rental assistance, and homebuyer counseling services.

- Create a plan for funding your LHTF that potentially includes recurring revenues and multiple sources of funding. State statute lists possible funding sources but does not require a plan. Sources included in *Subdivision 4* are donations, bond proceeds, grants and loans from state, federal or private source, appropriations by a local government, investment earnings, and levies from HRAs & EDAs. *Sources of funds can change as long as there are enough funds to cover the obligations of the Fund.*
- Create a plan for program administration- a person(s) or entity who will create program guidelines, application forms, marketing materials, approval processes, and determine who will oversee projects and be responsible for financial accounting. *Carefully consider the cost of administering the fund, as you are limited to just 10% of the funds raised for administration.*
- Create an implementation plan with details about how the fund will function.
- Create templates for progress and annual reports. State statute requires annual reports be made public by the entity who created the LHTF. Afterall, why wouldn't you want to share your success stories with your community?

MHP is offering FREE assistance to rural communities to establish Local Housing Trust Funds (LHTF)



Application



SCAN ME

Community Engagement & Partnerships

- Plan for Community Engagement
- Identify Strategic Partners
- Establish a LHTF Committee

Educating Electeds, Passing Ordinances & Raising Money

- Educate Elected Officials
- Pass an Ordinance
- Plan for funding the LHTF

Program Management, Accounting & Reporting

- Plan for Program Admin & Management
- Progress & Annual Report Templates



Questions? jill.henricksen@mhponline.org :: mhponline.org/lhtf

mhponline.org

Resources

- **MN Statute 462C.16** – Housing Trust Funds for Local Housing Development
<https://www.revisor.mn.gov/statutes/cite/462C.16>
- **Community Change** – Housing Trust Fund Project
housingtrustfundproject.org
- **MHP** – Local Housing Trust Fund Manual + resources
- www.mhponline.org



Connect with MHP!

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