

One Minnesota Budget

On May 15, Governor Walz signed the **\$1.065 billion housing omnibus bill**, the **largest single investment in housing in state history**. Other legislation will provide nearly \$250 million more to the agency for a total of \$1.313 billion. Overall, the Legislature delivered on the priorities laid out in the Governor’s \$1.152 billion January budget and bonding recommendations. The housing bill is an increase of \$950 million from base budget (\$115 million) with an estimated \$625 million to existing programs and \$440 million to over 15 new programs or activities. This budget responds to the range of housing needs felt by Minnesotans in all regions of the state, while focusing on closing disparities, assisting lowest-income Minnesotans and serving underserved geographies. The bill addresses critical housing needs facing the state:

- 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 Budget Bill Summary	
	FY 2024-2025
Preserve and Create New Homes	\$548.8 million <i>+\$495 million</i>
Increase Housing Stability	\$176 million <i>+\$120 million</i>
Support and Strengthen Homeownership	\$271.5 million <i>+\$267 million</i>
Other Housing Investments	\$69.3 million <i>+\$68 million</i>
Total FY 2024-25	\$1.065 billion

The Legislature previously passed \$50 million in Family Homelessness Prevention and Assistance program and several other bills provide additional resources to the agency, including:

- **State Infrastructure/Bonding Bills:** \$72 million for Public Housing Preservation (POHP) including \$30.1 million cash and \$41.9 from state general obligation bonds (\$87 million total for POHP), and \$3 million for the new Greater Minnesota Housing Infrastructure program.
- **Tax Bill:** \$40 million in funding for the Workforce and Affordable Homeownership Development and \$4.5 million for the grant program to small cities in Greater Minnesota as part of a new Statewide Local Housing Aid Program (\$40.5 million).
- **Metro-wide Sales Tax in Housing Bill:** The housing omnibus bill also included a new .25% metro area sales to fund rental assistance administered by the Agency (\$77 million), as well as new Local Affordable Housing Aid (\$231 million).

HOUSING BUDGET HIGHLIGHTS

This historic investment will build new housing, improve existing housing, reduce homeownership disparities and promote housing stability through expanding access to rental assistance and additional resources for homelessness prevention. The budget increases funding for many existing programs and creates over 15 additional programs or activities.

Significant resources for preservation and construction of homes:

- \$200 million in Housing Infrastructure appropriations
- \$121 million for the Challenge Program
 - \$6.4 million per year is set-aside for housing projects for American Indians
- \$90 million for the Community Stabilization program to address naturally occurring affordable housing
- \$87 million for Public Housing Rehabilitation
- \$60.5 million for the Workforce Homeownership Program
- \$40 million for a new Homeownership Investment Grant program
- \$39 million for Greater Minnesota Workforce Housing development

Investments to increase housing stability:

- \$120.5 million for Family Homeless Prevention (FHPAP) (including the \$50 million passed earlier in session)
 - \$10 million direct allocation to Tribal Nations
- A new statewide rental assistance program funded by appropriations (\$46 million) and a new metro area sales tax (estimated to collect \$77 million)
- \$25 million to strengthen supportive housing developments that support individuals or families who are at-risk of or are facing homelessness

Supporting and strengthening homeownership:

- \$101.8 million to support Agency downpayment assistance programs, including \$50 million for first-generation homebuyers
- \$100 million to Community Development Financial Institutions for first-generation homebuyer grants
- \$10 million for manufactured home lending grants in cooperatives
- \$3.7 million for homebuyer education, counseling, and training (HECAT)

Additional investments in housing:

- \$50 million for Stable Housing Organizational Relief Program for non-profit housing owners
- \$5.8 to fund Local Housing Trust Funds matching grants
- \$4 million for Lead Safe Homes
- \$3 million for Housing Mediation Grants

AGENCY POLICY HIGHLIGHTS

- Authority for Agency to create special purpose credit programs to reach communities most impacted by disparities in homeownership
- Expands eligibility for Housing Infrastructure funding to include new construction at or below 50% Area Median Income (AMI) and allows grants for homeownership development
- Clarifies that Tribes and Tribal entities may be eligible for all Minnesota Housing programs
- Prioritizes use of appropriations to serve households most impacted by housing disparities
- Modifies the Agency's \$5 billion outstanding bonds and notes statute to exclude limited obligations, which includes Housing Infrastructure Bond debt
- Allows adding or rehabilitating detached accessory dwelling units as an eligible use for the Agency's Fix Up Fund program

HOUSING POLICY PROVISIONS IN OTHER BILLS

Judiciary and Public Safety Bill: Renter Protections

The Governor's policy recommendations included a number of protections targeted at creating stability for renter households. Provisions adopted include:

- 14-day notice required prior to filing eviction
- Limit eviction reporting until a judgment is rendered and expand expungement requirements
- Ability to terminate a lease due to tenant infirmity
- Disclosure of non-optional fees and whether utilities are included in rent
- Right to counsel for residents of public housing in breach of lease proceedings
- Minimum temperature of 68 degrees required October 1 through April 30
- Clarification of emergency/required repairs

Tax Bill: Property Tax Changes

- Lowers the 4(d), Low Income Rental Classification, property tax rate to .25 for qualifying units and creates a new local approval process for new units
- Creates a lower property tax rate (.75) for homes in community land trusts

Energy and Environment Bill: "Green Bank" Established

- Minnesota Housing is included on the Board of Directors for the Minnesota Climate Innovation Finance Authority ("Green Bank") which will oversee an initial \$45 million for projects related to clean energy, greenhouse gas emission reduction, and other projects

Labor Policy: Prevailing Wage Provisions

- Establishes that state prevailing wages do not apply to single-family detached home developments of 10 or fewer homes
- Establishes that Minnesota Housing is a contracting authority under state prevailing wage law

FY 2024-25 Housing Budget

Program	Description	FY 2024-2025
PRESERVE AND CREATE NEW HOMES – EXISTING PROGRAMS		
Economic Development and Housing Challenge (Challenge)	Funds both multifamily rental and single-family homeownership new construction and redevelopment. Leverages federal, private and local government funds.	\$120.9 million <i>+\$95 million</i>
Workforce Homeownership Program	Provides development resources to increase the supply of homeownership opportunities.	\$60.5 million* <i>+\$60 million</i>
Greater Minnesota Workforce Housing Program	Provides competitive financial assistance to build market-rate and mixed-income residential rental properties in Greater Minnesota.	\$39 million <i>+\$35 million</i>
Housing Infrastructure	Provides loans and grants for rental housing development, manufactured housing community infrastructure and homeownership development.	\$200 million <i>+\$200 million</i>
Public Housing Rehab	Provides resources to improve public housing with a priority on health and safety improvements, including fire suppression systems.	\$87 million** <i>+\$87 million</i>
Manufactured Home Park Infrastructure Grants	Provides grants for manufactured home park acquisition, improvements and infrastructure.	\$17 million <i>+\$15 million</i>
Rental Rehabilitation Loans	Rehabs naturally occurring affordable and federally subsidized rental housing in Greater Minnesota.	\$7.5 million
Preservation (PARIF)	Assists with repair, rehabilitation and stabilization of federally assisted rental housing that is at risk of aging out of federal assistance programs.	\$8.4 million
Rehab Loans (Single Family)	Helps low-income homeowners make basic health and safety improvements to their homes.	\$5.5 million
PRESERVE AND CREATE NEW HOMES – NEW PROGRAMS		
Community Stabilization	Provides resources to preserve and improve existing housing commonly referred to as Naturally Occurring Affordable Housing.	\$90 million
Homeownership Investment Grants	Development, financing, and rehab/resale of homes for affordable owner-occupancy, via CDFIs.	\$40 million
Manufactured Home Park Acquisition	Available to Northcountry Cooperative Foundation for conversion of parks to cooperative ownership.	\$10 million
High-Rise Sprinkler Grants	Install sprinkler systems in existing properties currently unprotected; survey to identify other buildings in need.	\$10 million
Greater Minnesota Housing Infrastructure	Grants to provide up to 50% of the cost of public infrastructure for housing development.	\$8 million**
*includes appropriation from tax bill		
**includes any cash or state general obligation bond proceeds from capital improvement bills		

Program	Description	FY 2024-2025
INCREASE HOUSING STABILITY – EXISTING PROGRAMS		
Family Homeless Prevention	Provides short-term assistance to families at risk of homelessness. Types of assistance may include one-time rental payments, assistance with first or last month’s rent, or one-time mortgage payments.	\$120.5 million <i>+\$100 million</i>
Housing Trust Fund	Provides rental assistance for individuals and families, many of whom have previously experienced homelessness.	\$23.3 million
Homework Starts with Home	Provides rent and other housing assistance to families with children that lack housing stability.	\$5.5 million <i>+\$2 million</i>
Bridges	Provides rental assistance for families in which at least one adult member has a serious mental illness.	\$10.7 million <i>+\$2 million</i>
INCREASE HOUSING STABILITY – NEW PROGRAMS		
Strengthen Supportive Housing	Provides resources to strengthen supportive housing for individuals or families who are at-risk of or are experiencing homelessness.	\$25 million
Rent Assistance	“Bring It Home” statewide rental assistance, funded via ongoing appropriation and in the metro area via a 25% metro-wide sales tax.	\$124 million** <i>\$46 m - budget</i> <i>\$77 m - sales tax</i>
**funded with new dedicated sales tax revenue		

SUPPORT AND STRENGTHEN HOMEOWNERSHIP – EXISTING PROGRAMS		
Homeownership Assistance Fund/Downpayment Assistance	Provides funding for the Agency’s downpayment and closing cost assistance program. Serves low- to moderate-income first-time homebuyers across the state, including First Generation Homebuyers.	\$51.8 million <i>+\$50 million</i>
Homeownership Education, Counseling and Training (HECAT)	Provides both pre-purchase homebuyer counseling and foreclosure prevention counseling services.	\$3.7 million <i>+\$2 million</i>
Build Wealth MN	Direct appropriation to support capacity and provide resources to Build Wealth MN’s 9000 Equities Fund.	\$6 million <i>+\$5 million</i>

Program	Description	FY 2024-2025
SUPPORT AND STRENGTHEN HOMEOWNERSHIP – NEW PROGRAMS		
Agency First Generation Downpayment Assistance	Resources to provide enhanced downpayment assistance to buyers whose parents did not own a home or who lost a home to foreclosure. Funds can be paired with agency mortgage products, and will also be available to buyers who are not served by agency options.	\$50.0 million
CDFI First Generation Downpayment Assistance	Resources for downpayment assistance to first-generation homebuyers, as administered via CDFI organizations.	\$100 million
Fee-based HomePurchasing	Downpayment capital to incentivize development of homepurchasing products for interest-averse buyers, administered by NeighborWorks Home Partners.	\$10 million
Manufactured Home Lending Grant	Resources to nonprofits to provide manufactured home financing, downpayment assistance, or repair, removal, or site preparation.	\$10 million

OTHER HOUSING INVESTMENTS – EXISTING PROGRAMS		
Capacity Building	Provides grants to organizations for regional coordination, housing planning and to build capacity.	\$6.3 million <i>+\$5 million</i>
OTHER HOUSING INVESTMENTS – NEW PROGRAMS		
Lead Safe Homes	Identify and/or remediate lead health hazards in properties serving residents at or below 60% AMI.	\$4 million
Housing Mediation Grant Program	Statewide housing mediation program to provide support to renters and residential rental property owners.	\$3 million
Local Housing Trust Funds (LHTF)	Matching grants to incentivize local housing trust funds including \$1 million to Northland Initiative Foundation.	\$5.8 million
Stable Housing Organizational Relief Program	Financial assistance to nonprofits rental properties that are experiencing significant detrimental financial impacts due to recent economic and social conditions.	\$50 million