

Housing Infrastructure Bonds

Minnesota Housing

Legislative Advocacy: State Advocacy

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Overview

Based on the premise that housing is as much a part of Minnesota's critical infrastructure as roads and bridges, Minnesota Housing created a proposal to leverage state bonding authority to create more affordable housing. Working with the Minnesota Legislature, beginning in 2012, the agency first provided language for a standing authorization for the issuance of [Housing Infrastructure Bonds](#) (HIBs) to address multiple critical housing needs across the state. HIBs are special, limited obligation tax-exempt bonds issued by Minnesota Housing. The proceeds HIBs may be used to create permanent supportive housing, preserve affordable rental housing, invest in foreclosed rental properties and support community land trusts. Since this initial authorization, more than \$252 million in HIB proceeds have financed the creation of more than 1,600 permanent supportive housing units and preserved more than 1,000 federally assisted units. Additionally since 2012, more than \$5 million in HIB proceeds have been provided to community land trusts to create 229 units of perpetually affordable homeownership opportunities.

Minnesota Housing's demonstrated success in utilizing HIBs to provide housing for low-income renters and homeowners led the Minnesota Legislature to add three new eligible uses of HIB proceeds. As a result to changes made in the 2017 Bonding Bill, HIB's are also eligible for financing affordable senior housing, creation of permanent supportive housing specifically for populations with behavioral health needs, and addressing infrastructure improvements for manufactured home parks.

HIBs are one of the most flexible resources Minnesota Housing has, and with continued support for the program from the legislature, Minnesota Housing is better equipped to work toward the vision of all Minnesotans living in a safe, stable home they can afford in a community of their choice.

Advancing the Overall Mission of the Agency

When homes are safe, stable, and affordable, Minnesotans have positive outcomes in employment, school, health and other areas of life. However according to the U.S. Census Bureau's American Community Survey, about 550,000 Minnesota households, roughly 1 in 4, are cost burdened, paying more than 30% of their income on housing. We have a lot of work to do in creating a prosperous Minnesota, where people succeed and communities thrive.

Innovative

[HIBs are Minnesota's primary tool for providing supportive housing](#) for households who are experiencing homelessness, including youth, veterans, those experiencing long-term homelessness and for persons with disabilities or who struggle with mental illness. There are two primary keys to the effectiveness of HIBs.

First, the bonds issued by Minnesota Housing via legislative authorization can either count against the state's volume cap for private activity bonds, allowing a project to access 4% tax credits, or be issued as governmental/501(c)3 bonds. This provides supportive housing developments the option of receiving a bond financed deferred loan and utilizing 4% credits to help complete the capital structure.

In projects where equity is limited or other factors contribute to a lack of investor interest, a HIB deferred loan can fill the capital gap and move the project forward.

Second, the debt service on the bonds are fully paid by state appropriations since the costs are unable to be supported by the project. HIBs are an innovative resource to provide housing to very low-income households and allow Minnesota Housing to stretch other funding sources such as HOME and NHTF.

Replicable

Housing Finance Agencies (HFAs) and state legislators have collaborated over many years to solve the problem of making 4% tax-exempt bond projects work, particularly for deeply subsidized models of housing. HIB are unique in that the bond proceeds can either be issued to count against the volume cap of the state or as governmental bonds. With many states dealing with constraints in the availability of volume cap, the flexibility to provide deferred, zero percent interest financing for projects wholly dedicated to permanent supportive housing can lead to great strides in tackling the issue of homelessness.

Minnesota Housing's strong partnerships with developers, syndicators and investors, and communities play a vital role in the sustained success of the HIB program. These partnerships combined with measurable results in addressing critical housing needs have led to broad legislative support. HFAs can further cultivate these partnerships to encourage legislative participation.

Demonstrates Coalition Building

When coupled with the consensus from advocates that state needs more homes, the broad (and broadening) list of eligible uses provides an opportunity for unlikely allies to come together around a common goal for more HIBs during each legislative session. Now that we're several years in to using HIBs as a key development resource, advocates have seen how much preservation and production can fluctuate from year to year, which is largely driven by whether or not the agency has HIBs to award. The housing advocacy coalition continues to broaden every year, which can bring with it new challenges. Despite some growing pains that can sometimes lead to tepid agreement, HIBs are the foundation for their agenda. The only question that needs to be addressed prior to each legislative session is: how large should the request be?

Forges Effective Relationships with State Legislators

Since the inception of HIBs, legislators have come to realize that just like roads and bridges, an adequate supply of safe, decent, and affordable homes available throughout the state are critical infrastructure. The resources the agency gets through the bonding bill are the most significant development resources we get from the legislature. The State of Minnesota does an excellent job managing its debt capacity, and as a result, is able to take advantage of a favorable borrowing environment. When compared to appropriated programs, HIBs provide legislators an opportunity to tell their constituents that they made a [*significant investment*](#), typically approaching \$100 million, in housing statewide.

Anticipates, Identifies, and Prioritizes Legislative Issues

The profile of housing at the legislature has been raised in recent years, to the point where legislators are hearing concerns from housing advocates, business and community leaders across the state. Housing affordability has been one the state's competitive advantages, and while we're not the coasts, there are parts of the state that are starting to feel the effects of the market with rent increases significantly outpacing wage increases. There's growing recognition from other interest groups that the private market can't solve our state's housing challenges alone, especially when it comes to building and

preserving more homes for very low-income households. Whether it's chambers of commerce, the health care industry, education advocates, or public safety and corrections stakeholders, these groups are more frequently including the need to address housing as part of their messaging. As a result, legislators are beginning to understand that the investments they make in these areas won't be maximized unless the people impacted by these areas have their housing needs met.

Reaches Target Audiences

For the year 2019, Minnesota Housing expects to provide, at minimum, \$60 million for supportive housing, preservation and senior developments. We anticipate to supportive housing households with a median income of \$9,688, preservation households with a median income of \$15,211, and senior households with annual incomes no greater than \$47,000. We know that where we make investments, we see results. HIBs have preserved hundreds of affordable and rent assisted units in rural and metro areas, have contributed to effectively ending veteran's homelessness in multiple areas of the state by [funding three projects specifically for veterans](#), and are anticipated to be a critical tool to help create housing for low-income seniors that are not being met through the market.

Provide Benefits that Outweigh Costs

HIBs are made through state appropriations that provide a direct investment back into communities to address critical housing needs. The bonds are not general obligations of Minnesota Housing and do not count against the Agency's balance sheet. Thus, we have greater flexibility to address critical housing needs. HIBs are effective gap filler for developments that are important for local communities but would not otherwise be financially feasible.

Employs Analytical Skills to Anticipate and Identify the Potential Ramifications of Issues

The Legislature provided \$80 million of HIB funding in their 2018 bonding bill, the largest appropriation since 2014. HIB are awarded statewide through a competitive application process. Proposed projects are vetted through an annual RFP process. Agency staff collective commit hundreds of hours of review time to determine the extent to which a project is meeting a critical housing need, underwrite and project the long-term financial feasibility of the development, and evaluate the overall readiness of the project to proceed to closing and construction commencement.