

# Workforce Housing Development Program

## **Minnesota Housing**

Rental Housing: Encouraging New Construction

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**OVERVIEW**

The Workforce Housing Development Program (Program) is a competitive funding program that targets small to mid-size cities in Greater Minnesota that have a need for market rate, rental workforce housing. Grants or forgivable deferred loans are available to finance the construction of new multifamily residential rental properties in communities with proven job growth and demand for workforce rental housing. Individual project awards cannot exceed 25% of the total development costs, and funds must be matched one dollar for every two dollars awarded. While the authorizing statute allows mixed-income developments, the Program has a statutory preference for projects with the highest percentage of market rate units.

In 2017, the Minnesota Legislature authorized Minnesota Housing to administer the Program, and since that time, \$8 million has been appropriated by the Legislature. Minnesota Housing has administered three request for proposals (RFPs) for the Program and invested approximately \$7.4 million of allocated funds in 12 projects throughout the state, funding a total of 380 units of housing in Greater Minnesota.

**Workforce Housing Projects Funded Since 2017** (also refer to attached map)

Applicant	Population	Funding Amount	Units	Total Development Cost
Albert Lea	17,800	\$150,000	12	\$1,181,206
Baudette	1,100	\$500,000	24	\$3,012,975
Duluth	86,000	\$180,000	96	\$18,928,863
Luverne	4,700	\$680,000	27	\$4,369,500
Pelican Rapids	2,500	\$767,000	32	\$4,945,389
Alexandria	13,700	\$1,000,000	32	\$5,656,595
Park Rapids	2,500	\$550,000	28	\$2,767,859
Blue Earth	3,200	\$400,000	14	\$2,981,975
Watkins	850	\$417,400	20	\$2,601,600
Park Rapids	2,500	\$650,000	28	\$3,316,491
Redwood Falls	5,100	\$770,000	30	\$3,651,450
Long Prairie	3,300	\$1,338,620	37	\$5,526,200
<b>Totals:</b>		<b>\$7,403,020</b>	<b>380</b>	

**INNOVATION**

The Program is committed to deploying resources in small to mid-size cities throughout Greater Minnesota that have a more difficult time accessing other multifamily housing programs. There are several ways in which we focus our efforts in order to maintain this accessibility.

- The RFP process for this Program is separate from Minnesota Housing’s annual Consolidated RFP, which is the agency’s comprehensive RFP that includes funding sources from various programs. Applicants throughout the state can apply for these funds. The Workforce Housing RFP is program specific and is only available to cities outside the seven-county metropolitan area. The Program gives priority to cities with a population below 30,000. This ensures Greater Minnesota cities don’t compete with larger metro area cities.
- The application process is streamlined, which means requirements are less stringent, including fewer application steps. The process is also less competitive. These factors help make applying for funds manageable for cities that may have limited staffing capacity and/or financial resources.
- Minnesota Housing has recently placed additional focus on engagement in Greater Minnesota, which has led to increased program visibility and encouraged networking and idea sharing. We have

found that many cities are limited in understanding where to begin their efforts to bring housing to their communities. Examples of questions at recent engagement events hosted by Minnesota Housing are:

- How do we attract developers to small cities?
  - How do we educate residents that are opposed to multifamily housing?
  - What are some creative ways to bring local funding into projects in cities that have limited resources?
- Staff provides year-round technical assistance and opportunities for education on the Program.

### **REPLICABILITY**

Creating new housing opportunities for rural areas has long been difficult for many states, in part because market rate rents may be similar to rents in buildings with rent and income limits. The commitment of the Minnesota Legislature to set aside funds specific for workforce housing in Greater Minnesota speaks to its collaboration with the representatives of these small to mid-size cities, Minnesota Housing, and other partners. The importance of providing and distributing housing resources throughout the state where other funding resources may not work as well is a priority in Minnesota.

The communities that this Program serves cover a broad area of the state (refer to attached map for previous awards), and each has unique features and housing needs. By flexibly managing the Program, we easily adapt to the needs of all Greater Minnesota communities. Four key aspects of Program design help to ensure flexibility and allow for replicability:

1. Underwriting – a cash on cash average return on investment over 15 years.
2. Type of housing development – proposals have been selected for multifamily housing ranging from as few as 12 units and allows for a range of housing types, including new construction, adaptive reuse, and manufactured home park communities.
3. Design standards – projects must adhere to the local or state building codes, and are encouraged to incorporate energy efficiency and sustainable building practices.
4. Ongoing compliance monitoring – once the housing is completed, and within three years of contract execution, no additional restrictions are placed on the property as a result of Minnesota Housing financing.

### **RESPOND TO AN IMPORTANT STATE HOUSING NEED**

The Program effectively addresses the lack of workforce housing in Greater Minnesota by deploying funds to small to mid-size cities for housing development. These are cities in areas where other financing tools, such as low income housing tax credits, do not work as well, often resulting from a smaller project scale and a lack of investors.

### **DEMONSTRATE MEASURABLE BENEFITS TO TARGETED CUSTOMERS**

In the 2019 RFP, Minnesota Housing awarded approximately \$3.9 million for the development of workforce housing to five projects in cities throughout Greater Minnesota. One of those awards was to the City of Watkins. Below is a summary, which details how the community will benefit from this development.

- The City of Watkins was awarded \$417,400 from the Program as part of the 2019 RFP. The application was for a two-story, 20 unit apartment building containing six one-bedroom units and 14 two-bedroom units. The local match included discounted land and property tax abatement.
- Watkins is a small, rural community with a population of fewer than 1,000 and maintains a low rental vacancy rate. There are currently over 140 vacant jobs within a 10 miles radius of the city, as well as planned job expansion. Many local businesses supported the project. The development of these 20 apartment units will assist local employers that are struggling to expand their workforce by providing safe and decent housing to potential employees. The funds from the program will help support the City of Watkins in moving forward with developing a long vacant parcel of land, which potentially will aid the city in attracting new individuals and businesses.

### **PROVEN TRACK RECORD OF SUCCESS IN THE MARKETPLACE**

The Program has been successful for over three years, funding 380 units of housing in primarily rural communities throughout Greater Minnesota.

### **PROGRAM BENEFITS THAT OUTWEIGH COSTS**

The Program does more than just provide loans and grants to cities for housing; it is also structured to incentivize local investment in housing by requiring local matching funds. It provides invaluable housing resources to cities and developers and offers collaborative venues to discuss housing challenges in Greater Minnesota. The program provides communities with new housing units to meet workforce demand.

### **DEMONSTRATE EFFECTIVE USE OF RESOURCES**

The Program has been effective in directing investment in areas of the state where other housing resources do not reach. In the three years the Program has been administered by Minnesota Housing, seven of the 12 projects awarded Workforce Housing funds have not received, in the past 10 years, other multifamily funding from Minnesota Housing. We are currently working with many other cities in various stages of application preparation that also have not been awarded funding from Minnesota Housing for multifamily housing in the past.

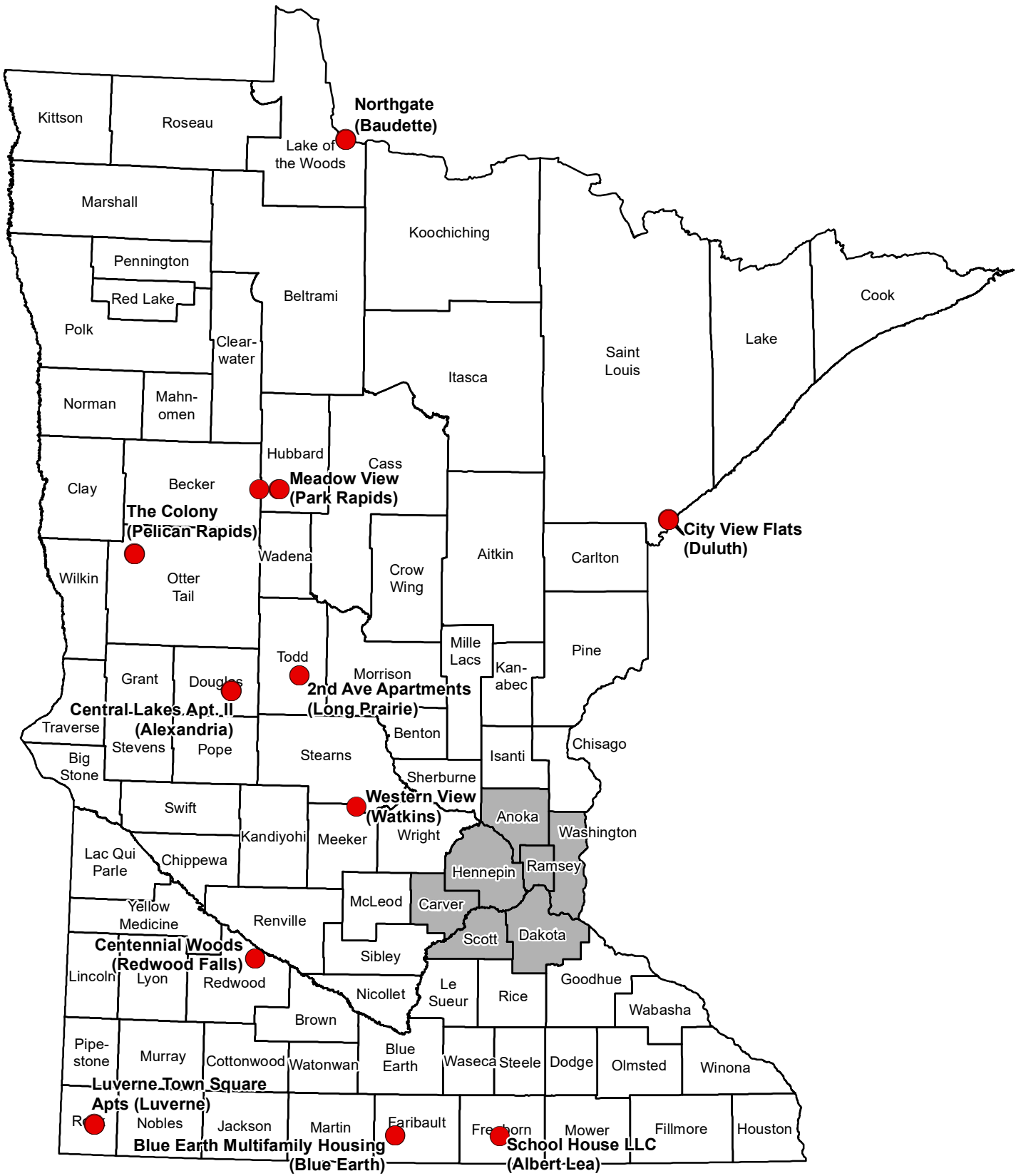
### **EFFECTIVELY EMPLOY PARTNERSHIPS**

The Program allows an award of up to 25% of the total project costs and requires that funds be matched \$1 for every \$2 requested by a local unit of government, a business, or a nonprofit organization. This required match incentivizes local communities and developers to partner with other entities, and these partnerships assist in the development of well supported projects that consider the needs of the entire community. Support from local businesses is required through a formal letter, and Minnesota Housing incentivizes this via competitive scoring for leveraged funds.

### **ACHIEVE STRATEGIC OBJECTIVES**

Minnesota Housing's mission statement is "Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable." In order to achieve this mission, Minnesota Housing outlines five Strategic Objectives. This Program meets two of those objectives: Preserve and Create Housing Opportunities; Strengthen Communities.

# Workforce Housing Development Program Awards 2017, 2018 and 2019



Source: Minnesota Housing. Date: 2/11/2020

