

Workforce Housing Development Program

Minnesota Housing

Rental Housing: Encouraging New Construction

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OVERVIEW

The Workforce Housing Development Program is a competitive funding program that targets small to mid-size communities 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 communities must match one dollar for every two dollars awarded. While the authorizing state 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, Minnesota Housing has offered four request for proposals (RFPs) and invested approximately \$8.5 million of allocated funds in 14 projects throughout the state, funding a total of 410 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
Long Prairie	3,300	\$1,338,620	37	\$5,526,200
Granite Falls	2,600	\$99,500	3	\$558,500
Roseau	2,679	\$1,441,000	37	\$6,210,621
Eden Valley	968	\$329,000	20	\$2,615,600
	Totals:	\$8,502,520	410	

ARE INNOVATIVE

The program is committed to deploying resources in small to mid-size communities throughout Greater Minnesota that have a more difficult time accessing other multifamily housing programs. There are several ways in which Minnesota Housing focuses its efforts to maintain this accessibility.

The RFP process for this program is separate from Minnesota Housing’s annual Multifamily Consolidated RFP, which is the agency’s comprehensive RFP that includes traditional funding sources from various programs with rent and income restrictions (i.e. low-income housing tax credits, housing infrastructure bonds, deferred loan). Applicants throughout the state can apply for funding in the annual Consolidated RFP. The Workforce Housing RFP is only available to communities outside the seven-county metropolitan area (Greater Minnesota) and gives priority to communities with populations below 30,000. This helps ensure that Greater Minnesota communities do not compete with larger communities in the Twin Cities metropolitan area.

The application process is streamlined, which means requirements are more accessible to smaller communities and include fewer application steps. The process is also less competitive. These factors help make applying for funds manageable for communities that may have limited staffing capacity and/or financial resources.

Staff provides a broad range of year-round technical assistance for this program on topics such as how to structure financially feasible projects, developing creative ways to bring local funding into projects in communities that have limited resources, and networking/idea sharing.

ARE REPLICABLE

Creating new housing opportunities for rural areas has long been difficult for many states, in part because market rate rents are similar to rents in buildings that have 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 communities, 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.

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

1. **Underwriting:** A cash-on-cash average return on investment over 15 years based on market conditions.
2. **Type of development:** Proposals have been selected for multifamily housing ranging from as few as three units to as many as 96 units. We also allow a range of housing types, including new construction, adaptive reuse, and manufactured home park communities.
3. **Design standards:** Projects must adhere to 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 or compliance requirements 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 communities for housing development. These communities are in areas where other financing tools, such as low-income housing tax credits, do not work as well, which often is due to a smaller project scale and a lack of investors and developers.

While this is a market-rate oriented program, the rents are often equivalent to traditional affordable housing projects. This broadens interest in supporting workforce housing for committees that have less experience with affordable housing projects, while still providing housing to the same population of renters without added restrictions typically required of affordable housing projects.

DEMONSTRATE MEASURABLE BENEFITS TO HFA TARGETED CUSTOMERS

In the 2020 Workforce Housing RFP, Minnesota Housing awarded approximately \$1.8 million total for the development of workforce housing to three projects. One of those awards was to the City of Granite Falls. Below is a summary, which details how the community will benefit from this development.

The City of Granite Falls was awarded \$99,500 from the program as part of the 2020 RFP. The application was for a two-building project; one duplex and one stand-alone single-family unit. This is

phase one of a three phase rental housing project located in an Opportunity Zone. The project will be owned by the Granite Falls Economic Development Authority (EDA), and the local match included donated land, land related expenses, and cash.

Granite Falls is a small, rural community situated on the banks of the Minnesota River with a population of 2,600. The Granite Falls EDA has maintained a waiting list of approximately 20 families seeking housing for over two years, and there have not been any new market rate rental units built in Yellow Medicine County since 1996. The Granite Falls EDA facilitates discussions with many local employers on a consistent basis, some of which are experiencing job growth. The EDA has used that feedback to assist in planning the recently funded project. Many local businesses supported the project. The development of these three units, and the additional phases of the project, 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 Granite Falls in moving forward with developing a currently vacant parcel of land in the heart of Granite Falls, which potentially will aid the city in attracting new individuals and businesses.

HAVE A PROVEN TRACK RECORD OF SUCCESS IN THE MARKETPLACE

The program has been successful for over four years, funding 410 units of housing exclusively in Greater Minnesota.

PROGRAM BENEFITS THAT OUTWEIGH COSTS

The program does more than provide housing loans and grants to communities; it is also structured to incentivize local investment in housing by requiring local matching funds. It provides invaluable housing resources to communities 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 and project types where other housing resources, including the low-income housing tax credit, are not as effective to deploy. In the four years the program has been administered by Minnesota Housing, six of the 14 projects awarded Workforce Housing funds have not, in the past 10 years, received other multifamily funding from Minnesota Housing. We are currently working with many other communities in various stages of application preparation that also have not been previously awarded funding from Minnesota Housing for multifamily developments.

EFFECTIVELY EMPLOY PARTNERSHIPS

The program allows an award of up to 25% of the total project costs and requires that funds be matched by a local unit of government, a business, or a nonprofit organization \$1 for every \$2 requested. 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. By attracting new developers and showcasing projects, this program has also created a new network for communities and developers to share ideas about the ways more housing could be brought to Greater Minnesota.

ACHIEVE STRATEGIC OBJECTIVES

Our 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." To achieve this end, Minnesota Housing outlines five [Strategic Objectives](#). The Workforce Housing program meets two of those objectives: Preserve and Create Housing Opportunities; Strengthen Communities.

Workforce Housing Development Program Awards 2017 - 2020

