

MINNESOTA AFFORDABLE HOUSING TAX CREDIT

HF 3253

An innovative new tool that encourages local businesses and neighbors to invest in their community by creating housing opportunities.

WHAT IT WILL DO?

Minnesota needs **new sources of predictable and sustainable funding** for the development of affordable housing. A Minnesota Affordable Housing Tax Credit leverages participation from the private market, grows the number of stakeholders invested and engaged in affordable housing, and builds support for specific local developments as well as broader state housing needs.

The tax credit will stimulate affordable home production, **especially for lowest income Minnesotans**, and target public dollars where the market is not working. The tax credit is flexible and can support homeownership, multifamily development, and deeper affordability. Many states have housing tax credits; **Minnesota is one of the few that does not.**

WHAT IS IT?

Since its inception in 2011, North Dakota's Housing Incentive Fund (HIF) has leveraged roughly **\$5 for every \$1 invested**, creating more than 2,500 homes across the state. Modeled after North Dakota's HIF, the Minnesota Affordable Housing Tax Credit is capitalized by contributions from taxpayers that have state income, corporate, or insurance premium tax liabilities.

In exchange for contributions to a specific development or the general loan pool, participating taxpayers receive a \$0.90 per dollar credit against their state tax liability.

WHY IS IT NEEDED?

The private market is not supplying housing that is affordable to Minnesotans. A public-private partnership is the best way to ensure an adequate supply of housing. The Minnesota Affordable Housing Tax Credit incentivizes private investment and promotes community and economic development. A housing tax credit motivates investment in the public policy goal of affordable homes by those who have not - to date - been able to be part of the solution: new partners, and untapped private capital, should be engaged in ensuring we have homes for all.

For every \$25 million in Affordable Housing Tax Credits...

We can rehab close to

1,700

homes/units



Or we can build between

325 and 700

new affordable homes/units
(depending on LIHTC availability)

Or we can deepen affordability for



1,000
homes/units

We can also...

Generate
700
new jobs



And increase local property taxes by

\$350,000

BENEFITS



Good for Business

- Helps Minnesota grow, supports local jobs, and stabilizes families
- Ensures affordable homes are available to Minnesota's workers and their families
- Creates policy infrastructure for business to invest in affordable homes



Leverage

- Targets public-private partnership where the market is not working
- Mobilizes private capital, by motivating participation from the private market



Simplicity

- Every dollar invested stays in Minnesota
- Contributions are one-time transactions; donors are not investors or owners
- Consistent and predictable funding helps ensure cost-effective projects that meet greatest housing needs



One Minnesota

- Demonstrated local support helps build political will
- Everyone can participate; motivates neighbors and business to be part of the solution for community housing needs
- Addresses housing disparities and market deficiencies, focusing public-private investments where needed most



Flexible

- Supports homeownership, multi-family homes, and deeper affordability of homes
- More versatile than rigid federal programs, and good for Greater Minnesota

Greg Handberg, Senior Vice President at Minneapolis-based developer Artspace, utilized the North Dakota Housing Incentive Fund to create 34 units of affordable housing in Minot.

"The Fund was a simple, effective tool; the contributor got to say that they helped make affordable housing happen in their community, and we were able to close financing gaps to advance the project and get the job done."



Skip Duchesneau, President of D.W. Jones, which develops affordable housing in Greater Minnesota, says:

"We need straightforward, effective tools - like the Minnesota Affordable Housing Tax Credit - that allow local businesses to partner with developers to meet pressing local needs for affordable, workforce, and senior housing. This Fund would be an efficient state investment that leverages private, state, and federal resources to positively impact communities across the state."

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