Exploring Local Affordable Housing Aid & Statewide Affordable Housing Aid

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Kris Nelson Community-Based Research Program



What are these funds?

Local Affordable Housing Aid	Statewide Affordable Housing Aid
• Funded by a .25% dedicated Metro sales tax • Distributed by Minnesota Department of Revenue (DOR) • 7 counties & each city with a population of at least 10,000 in metro area	• Funded by state appropriations • Distributed by DOR • All counties and cities with a population of at least 10,000 • Tribal Nations do not receive aid automatically, option to opt-in

Greater MN cities with a population less tha 10,000 (Tier II cities) do not receive direct housing aid but are eligible to apply for the Greater MN Small Cities Housing Aid Grant Program.

How can these funds be used?

Emergency Rental Assistance (ERA)	Financial Support to Nonprofit Affordable Housing Providers
Market Rate Residential Rental Property Development (outside of metro, with conditions)	Affordable Housing Development & Financing
Emergency Shelter	Distressed Property Operations & Management
Supportive Services	Other Qualifying Projects

ERA must serve households earning less than 80% AMI; Homeownership projects with incomes less than 115% AMI; and Rental Housing projects with incomes less than 80% AMI.

Ineligible Expenses

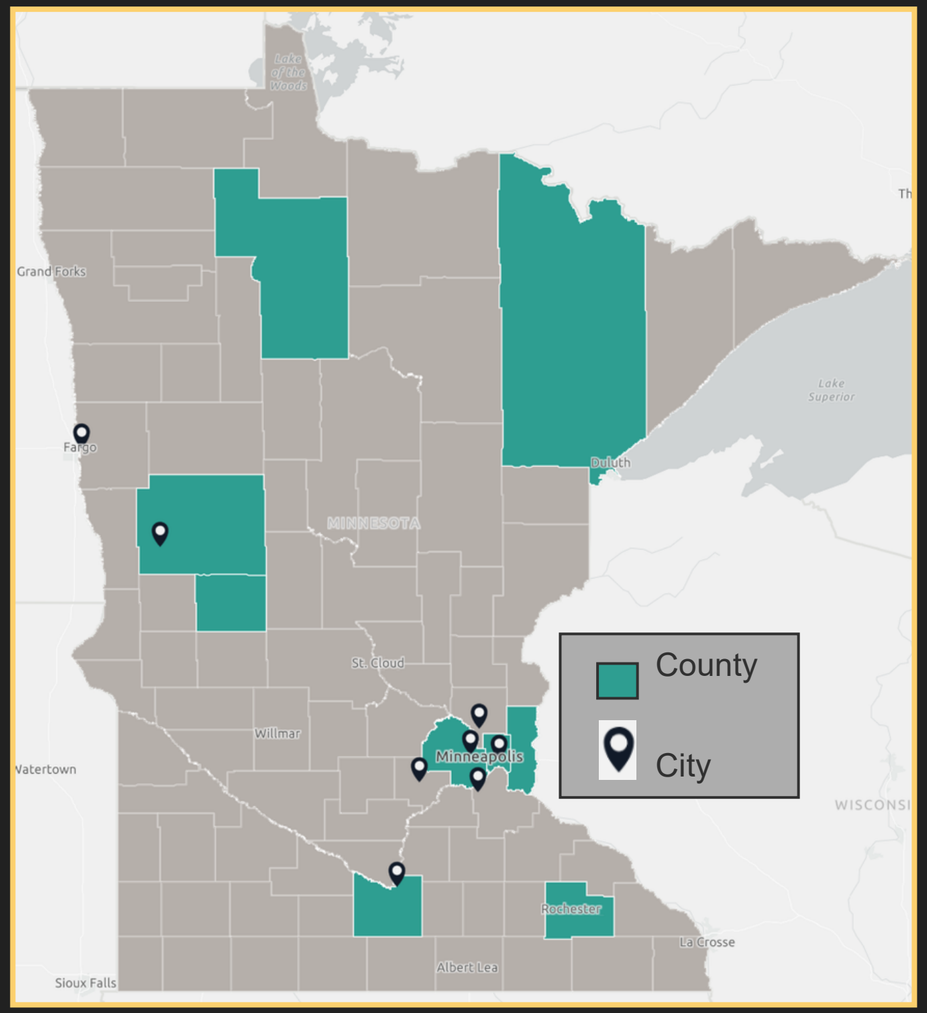
- Conducting a housing or zoning study
- Costs to create a Housing Improvement Area
- Staff and services related to general housing quality and licensure
- Staff and administrative costs for operation of an HRA or county or city housing department
- Commercial, industrial or public space development projects
- Projects located outside of Minnesota

When do these funds need to be spent?

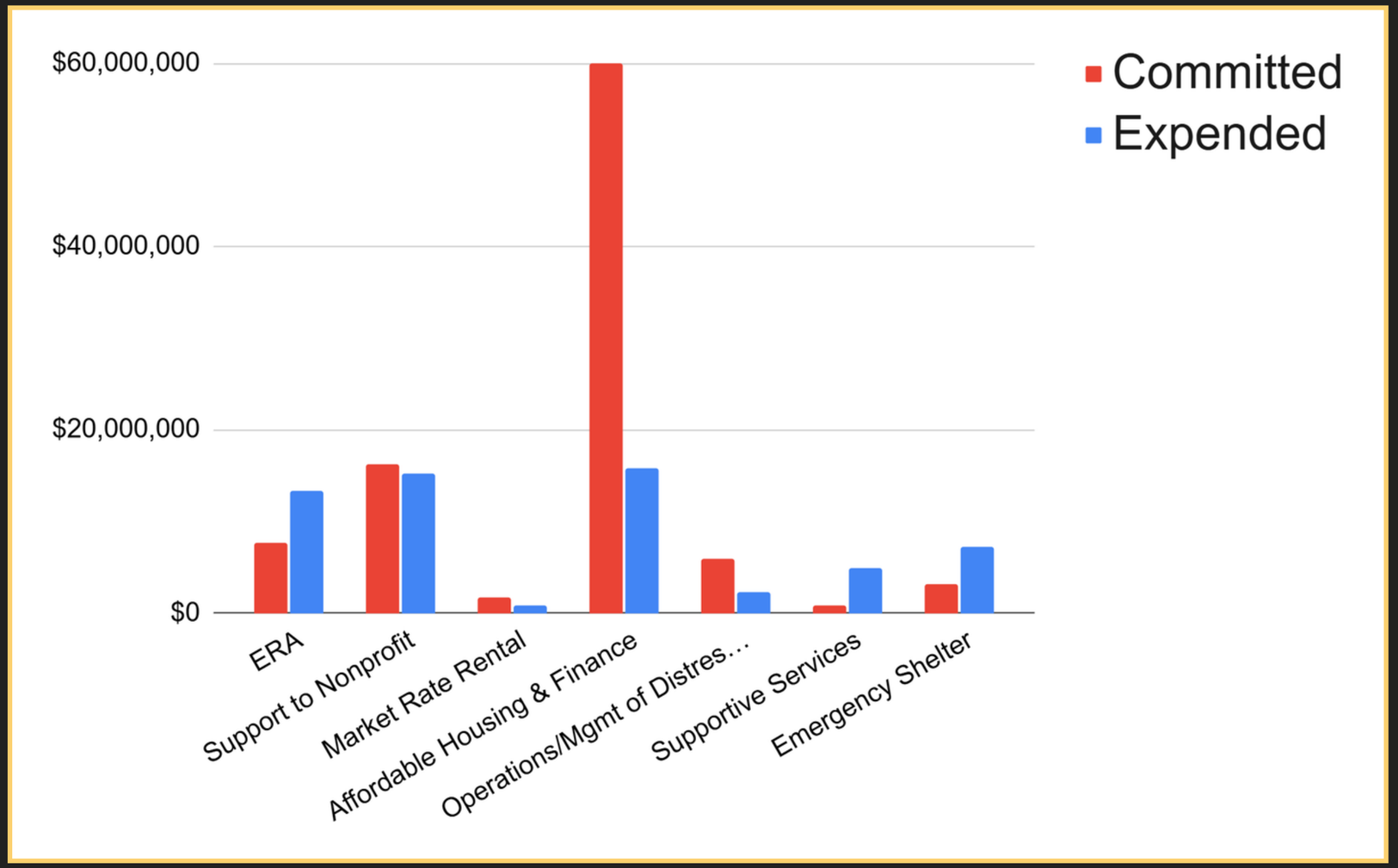
Aid Year	Commitment Deadline	Expenditure Deadline
All	December 31, four years after receipt of the Aid Funds	December 31, five years after receipt of the Aid Funds
2023	December 31, 2027	December 31, 2028
2024	December 31, 2028	December 31, 2029
2025	December 31, 2029	December 31, 2030
2026	December 31, 2030	December 31, 2031
2027	December 31, 2031	December 31, 2032

Research Overview

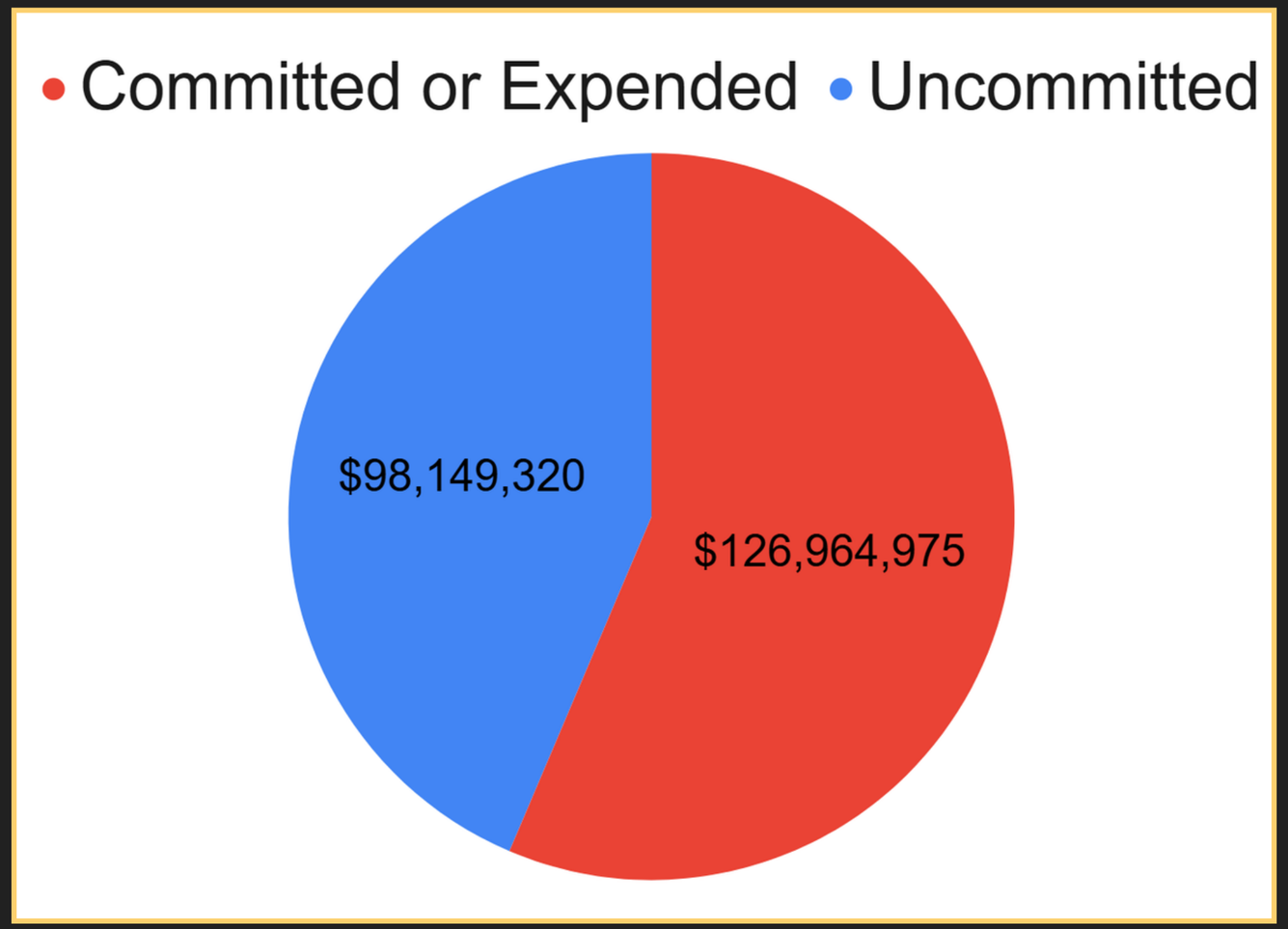
- 15 Communities Interviewed
  - Population Range: 3,200 to 1.2 million
  - Aid Range: $40,000 to $32 million
- Interview Themes
  - Allocation of Funds
  - Decision-Making
  - Program Flexibility
  - Lessons Learned/Recommendations
- MHFA Data Request
- MHFA Staff Feedback



Statewide Trends: Committed Vs Expended

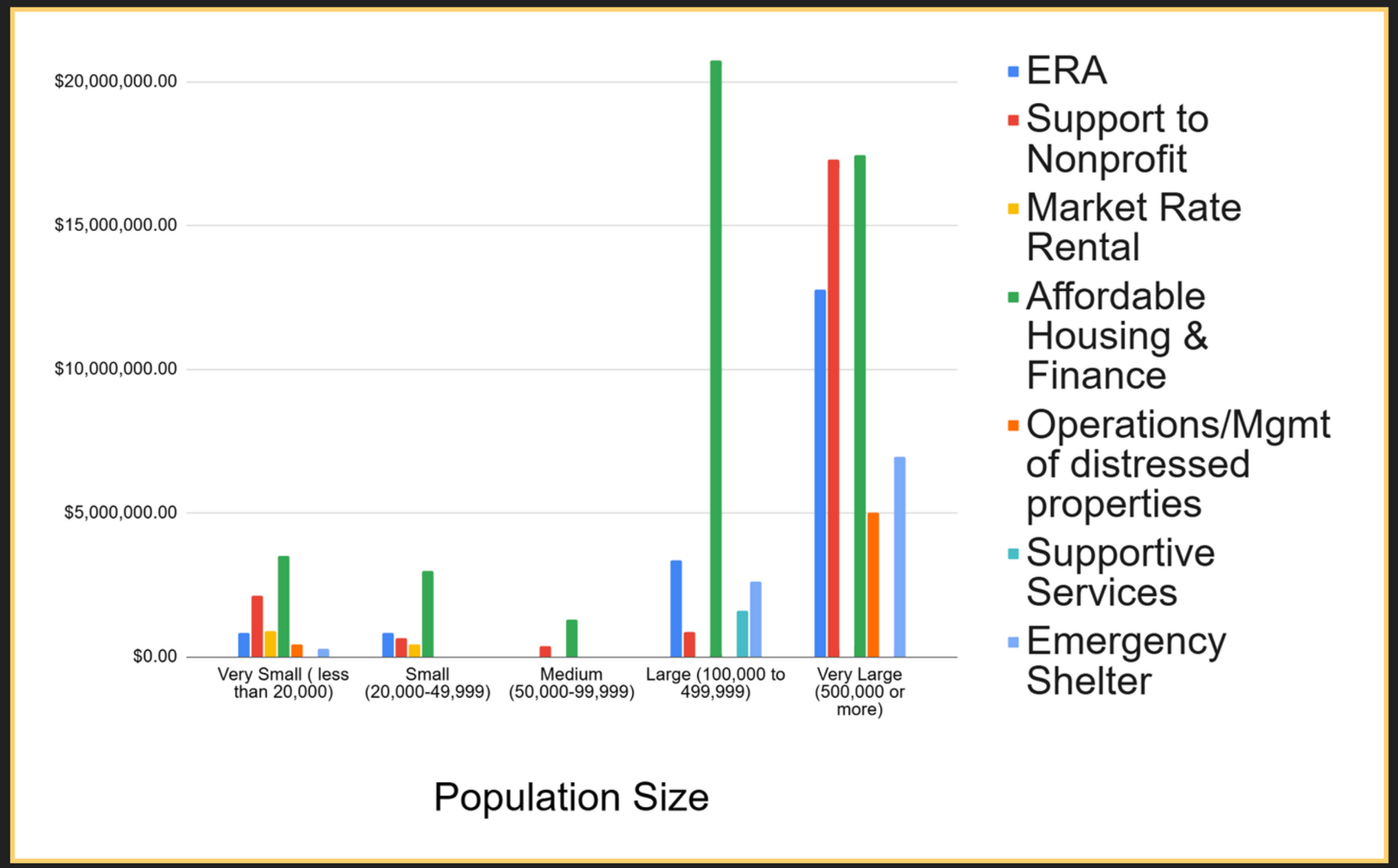


Statewide Trends: Uncommitted Vs Expended or Committed

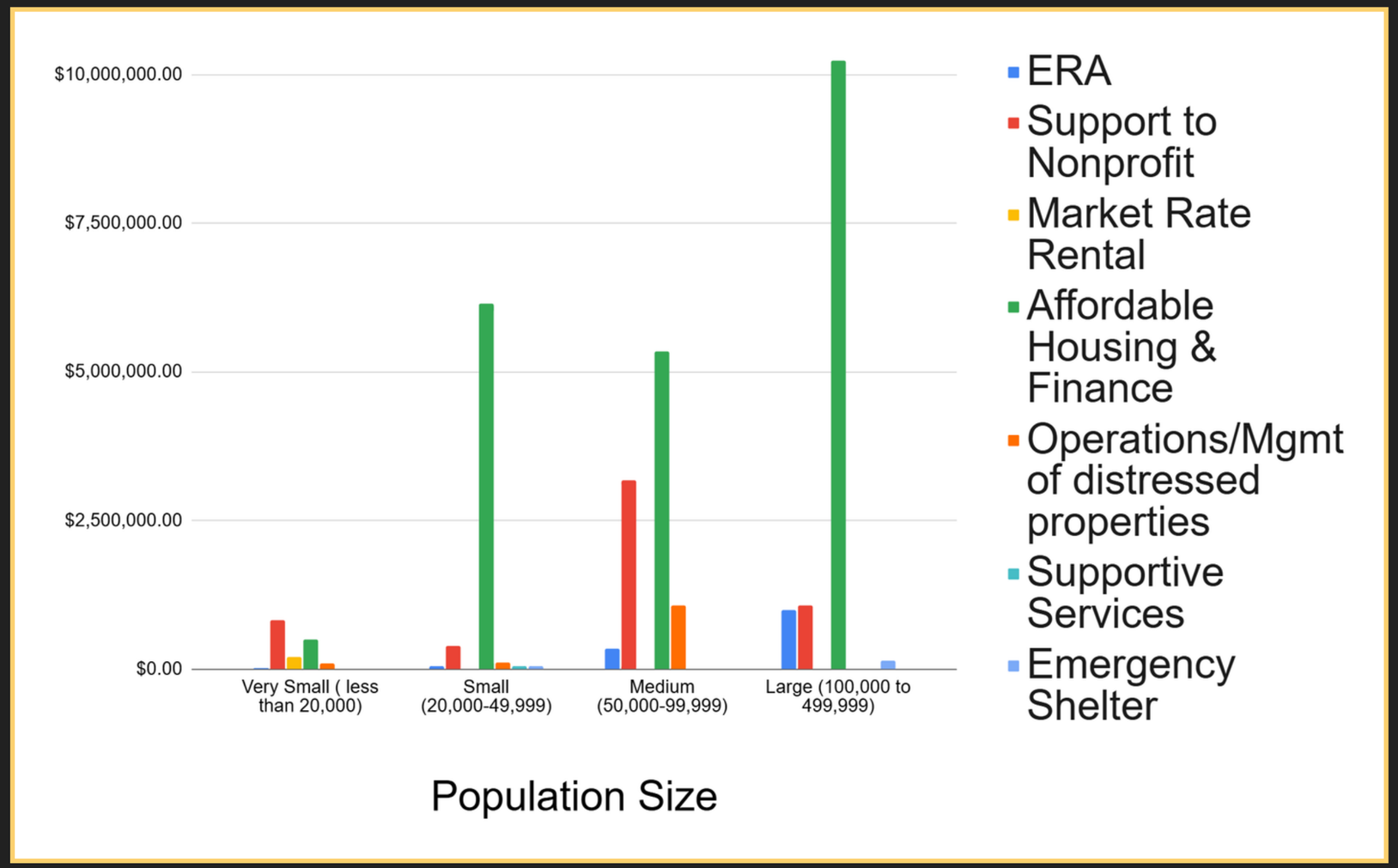


Reminder: 4 years to commit, 5 years to spend

Statewide Trends in Counties & Tribal Nations by Population Size



Statewide Trends in Cities by Population Size



Interview Trends: Frequency Count

Category	Freq. Count
Affordable Housing Development and Financing	15
Emergency Rental Assistance	6
Emergency Shelter	6
Financial Support to Nonprofit Affordable Housing Providers	6
Distressed Property Operations and Management	1
Supportive Services	1
Market Rate Residential Rental Property Development	1

Most Common



Least Common

Interview Trends: Why Not Emergency Rental Assistance?

- Proactive over reactive, reduce the need for ERA
- Reliance on other funds (FHPIP, CoC, Bring It Home)
- Allocations were too small to support both ERA and larger housing investments
- Local needs vary
- Decision-making, representation, and engagement vary

Interview Trends: How Were Decisions Made?

EVIDENCE GATHERED
Housing studies and needs assessments

→

COMMUNITY INPUT
Nonprofits, housing providers, shelters, and community partners

→

LEADERSHIP PRIORITIES

→

STAFF RECOMMENDATIONS

→

FORMAL APPROVAL

LEADERSHIP PRIORITIES

→

EVIDENCE GATHERED
Housing studies and needs assessments

→

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→

STAFF RECOMMENDATIONS

→

FORMAL APPROVAL

Interview Trends: Representation & Engagement

- Most Common
  - Staff and nonprofit relationships: "boots on the ground"

- Least Common
  - Lived Experience Advisory Group, Youth Advisory Board, Community Open House, Community Cabinet

Interview Trends: What Worked Well?

- Multi-year **flexibility**: 4 yrs to commit funds, 5 yrs to expend
- Expanded capacity
- Filled gaps left by other programs (e.g., LAHA/SAHA funded ERA sustaining eviction prevention after FHPAP reductions)
- Simple reporting
- Responsive to needs: Metro Surge, shelter closures, etc
- Housing Trust Funds and Community Land Trusts

Interview Trends: Challenges

- Staff/admin costs: expected to expand capacity without additional staff
- Federal/state funding uncertainty
- Lack of resources such as housing study
- Rural MN communities struggle to compete with metro developers and public funding
- Tier II communities not knowing they can receive similar funds by applying

Feedback from MHFA Staff

- Local control
- Recipients utilized all qualifying project categories
- Planning takes time. Some recipients must save funds across years to deploy them effectively
- Statute language for reporting needs clarification (December 1 vs December 31)
- MHFA plays a limited role but often asked to provide clarification & technical assistance beyond its authority

Recommendations

- Allow admin/staff costs as eligible expenses *needs parameters*
- Allow housing study costs as eligible expenses *needs parameters*
- Strengthen technical assistance
- Improve deadline language
- Clarify Tier I and Tier II eligibility
- Collaborate + step out of silos
- Strategies for optimizing funds while maintaining simplicity
- Communicate impact
- Preserve local flexibility
- Continue and expand community engagement

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