

Legislative Summary Report

H.F. 1159: Eligible uses of increment from tax increment financing districts expanded to include transfers to local housing trust funds, and requirements on use of transferred increment imposed.



Background

In 2021, the Legislature approved special legislation that allowed the cities of Minnetonka, Richfield and St. Louis Park to transfer tax increment accumulated for housing development purposes to their own affordable housing trust funds.

This special legislation has allowed Minnetonka, Richfield and St. Louis Park to create almost 550 affordable units and transfer almost \$9 million collectively into the respective city's affordable housing trust funds. Making this special legislation permanent does not require the state to obligate new funds to affordable housing. Instead, it utilizes a current tool (TIF) in a different way. Unobligated pooled TIF creates a significant and unique revenue source that when deposited into a local housing trust fund enhances a city's ability to provide funding to facilitate the creation and preservation of affordable housing to meet the needs of the community more broadly.

Amount to Affordable Housing Trust Funds under special legislation

Richfield: \$750,000

- Richfield flats: \$200,000; 55 affordable units
- Aster Commons: \$500,000; 38 deeply affordable units
- Homes Within Reach: \$50,000; 1 unit

Minnetonka: \$4.1 million

- Rental assistance: \$350,000; 211 households
- Minnetonka Station: \$553,000; 28 affordable units
- Alcott: \$280,000; 53 affordable units
- Amira: \$400,000; 19 affordable units
- Emergency Homelessness Response Assistance Program: \$300,000
- Affordable Home Ownership: \$300,000
- Cedar Hills Townhomes Rehabilitation: \$1 million

St. Louis Park: \$3.9 million

- Rise on 7: \$1.8 million; 120 affordable units
- Arbor Court: \$850,000; 114 affordable units
- Union Park Flats: \$650,000; 60 affordable units
- Beltline Station Development: \$618,238; 82 affordable units



	30% AMI	50% AMI	60% AMI	80% AMI
Minnetonka	0	56	26	18
Richfield	38	37	18	1
St. Louis Park	45	53	256	0
TOTAL	83	146	300	19

Total affordable units created: 548 *

Total amount transferred to the city's AHTF: \$8,750,000 *

* as of February 2024

LOCAL HOUSING TRUST FUNDS IN MINNESOTA

February 2023

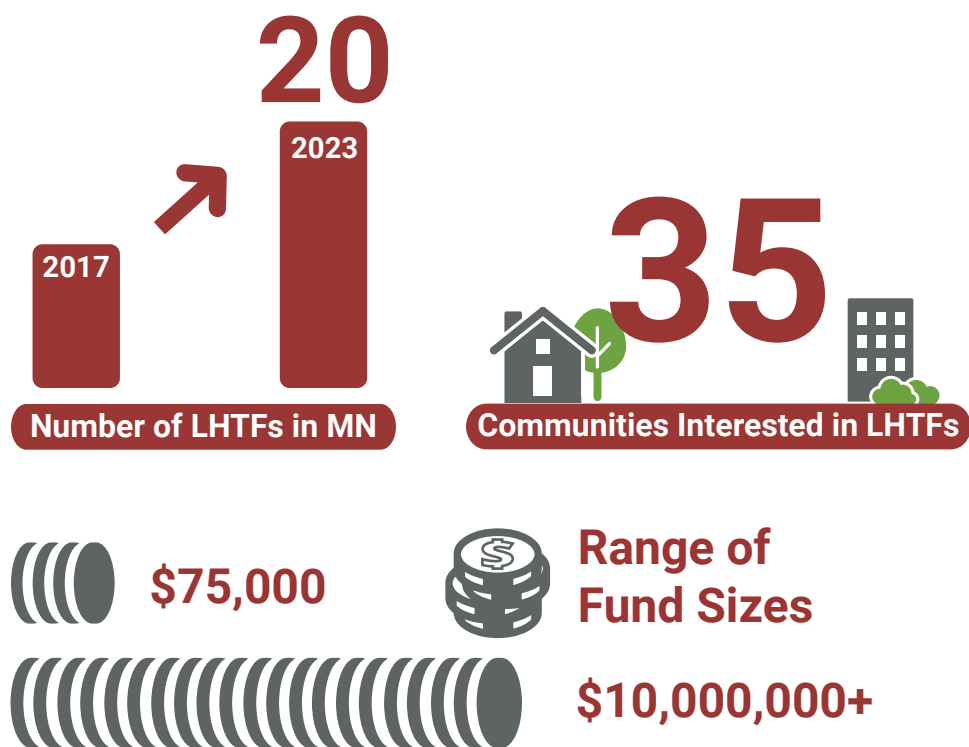


Local Housing Trust Funds (LHTF) are funds established by a local government by dedicating local public revenue for housing. They are a consistent, flexible resource for housing within a local jurisdiction. Trust funds help communities leverage public and private resources and jumpstart projects that draw investment and jobs. LHTFs enable prioritizing developments that maximize benefit to the community.

In 2017, the Minnesota Legislature defined a LHTF in law, providing clarity to assist local jurisdiction with housing investments. In 2021, to incentivize LHTFs, they authorized a state match fund of \$1 million, providing a one-to-one match on the first \$150,000 of new revenue invested in housing trust funds by cities and counties, and a one-to-two match on the next \$150,000 of available funds.

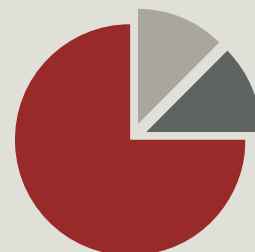
Since 2017, Minnesota has seen a steady increase in LHTFs, as 20 cities and counties across the state have adopted them, with more on the way. This report includes information from MHP's third annual survey of cities and counties regarding LHTF.

Local Housing Trust Funds by the numbers:

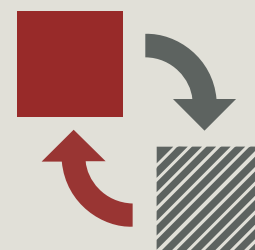


From big to small, rural to metro, LHTFs can serve the housing needs of communities of all types and sizes.

Benefits of LHTFs



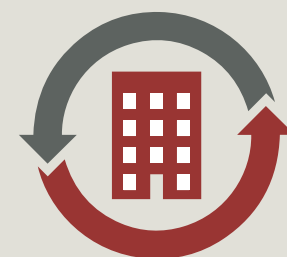
Leverage private dollars



Provide flexibility to meet local needs



Encourage local contributions

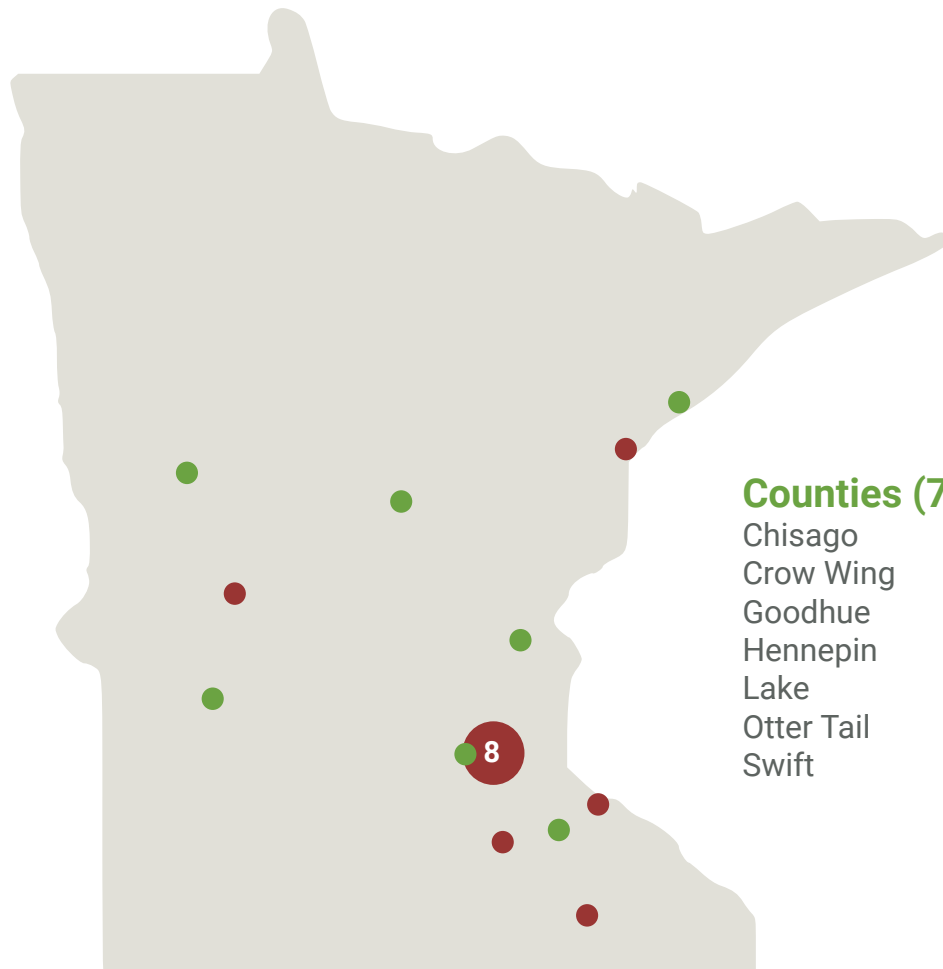


Establish dedicated sources of revenue

Local Housing Trust Funds Across Minnesota

Cities (13):

Alexandria
Bloomington
Duluth
Eden Prairie
Edina
Minneapolis
Minnetonka
Northfield
Red Wing
Richfield
Rochester
St Louis Park
St Paul



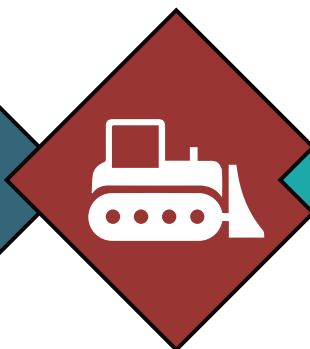
Counties (7):

Chisago
Crow Wing
Goodhue
Hennepin
Lake
Otter Tail
Swift

Common Uses For LHTFs



Homebuyer
Assistance



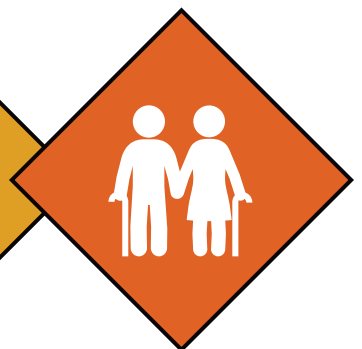
Preservation



Gap Financing



Creating Deeper
Affordability



Housing
Stability

Featured Stories:

Duluth

Population: 86,372

After years of careful planning, Duluth's Housing Trust Fund, a partnership between the City of Duluth and LISC Duluth, was launched in 2022. The partnership came together after Mayor Larson and city staff, along with LISC Duluth, attended a National League of Cities' training on housing and health equity. Upon his return, Mayor Larson established the Mayor's Housing Task Force, which issued a 2020 report including recommendation for a housing trust fund.



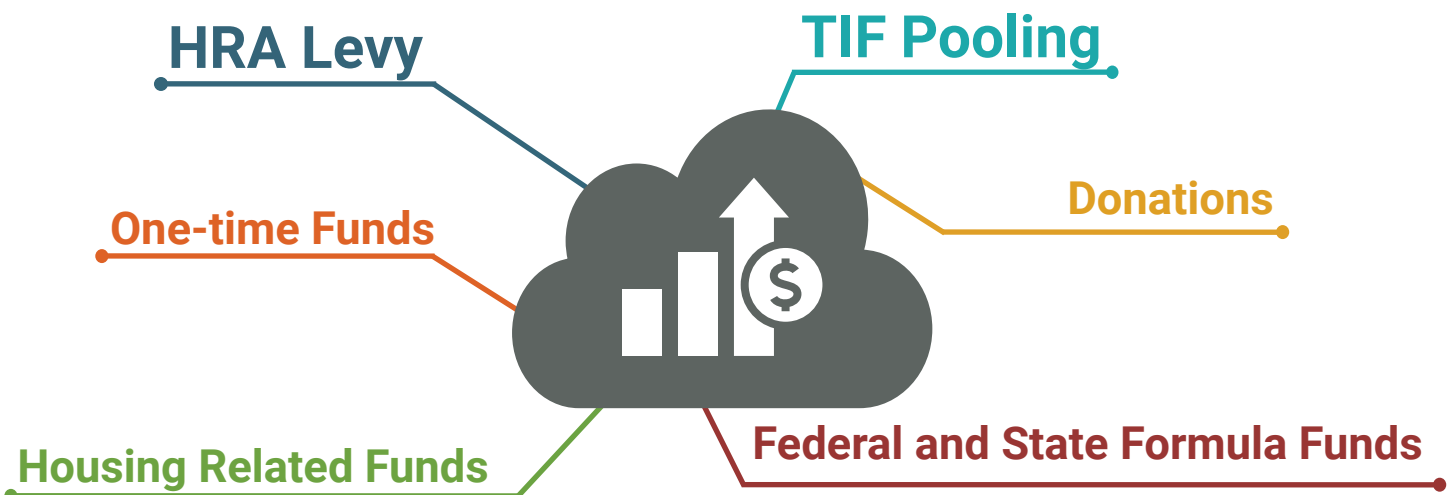
Photo: Skyline of Duluth, MN

The partnership has resulted in a HTF established by the city, LISC Duluth, and other partners, with initial funds of \$16 million: approximately \$4 million to be administered by the city and \$12 million administered by LISC Duluth. A committee appointed by Mayor Emily Larson and confirmed by the Duluth city council provides oversight and recommendations on HTF applications, both those administered by the City and those by LISC Duluth.

Funds have already been allocated to several projects. The unique partnership between the City of Duluth and LISC Duluth has provided resources for a broader range of housing goals. The City and LISC Duluth have different purposes for their funds. City of Duluth funds primarily help projects get started, including options for revolving funds to provide construction financing to projects experiencing short-term funding gaps. LISC Duluth intends to focus funds it administers in big multifamily developments and other large projects.

"Having unique objectives for the funds administered by the City and LISC is helpful, as there are so many important but competing priorities in housing. This approach allows funds to better support our significant housing needs in Duluth through multiple strategies focused on a range of housing types," says Adam Fulton, Deputy Director, Planning and Economic Development Department, City of Duluth.

Common Funding Sources For LHETFs



Minnetonka

Population: 53,266

In 2020, the City of Minnetonka established its Affordable Housing Trust Fund (AHTF). While the fund was initially created to provide rental assistance to households impacted by COVID-19, in 2021 the city received special legislation to transfer the existing balance of “pooled” tax increment, approximately \$5 million, to its HTF for expanded affordable housing opportunity. The special legislation allowed the city to diversify the level of affordability beyond the requirements under TIF law.

Currently, Minnetonka’s AHTF has approximately \$7 million. Accomplishments to date include assisting 187 households with up to \$1,500 in rental assistance, ensuring deeper affordability for more units in three large mixed-income rental properties, and providing emergency assistance to households at risk of homelessness. Plans for 2023 include expanding a down-payment assistance program.



Photo: Multifamily housing building in Minnetonka, MN

Chisago County

Population: 57,469

Chisago County adopted its HTF in 2021, with a focus on workforce housing for moderate, low and very low-income residents and households. The County designated the Chisago County HRA/EDA as the fund administrator, a good fit as the HRA/EDA brings extensive experience in developing, managing, and owning affordable properties. The HRA/EDA funded the HTF from its existing budget, with an initial fund of \$150,000. It has now grown to \$556,000, with funds added in 2022 and 2023 from HRA/EDA-owned housing that generates revenue. The HRA/EDA is also soliciting gifts, grants, and donations by corporations or individuals and may add proceeds from future sale of HRA/EDA parcels.

“Having the Housing Trust Fund in our toolbox has been getting the attention of developers and we are optimistic to have projects underway in the near future.” — Nancy Hoffman, Chisago County HRA-EDA



According to Nancy Hoffman, Executive Director of the Chisago County HRA-EDA, *“In our area (Chisago County) it can be difficult to attract affordable housing developers because we are just far enough out of the metro area that they cannot get the rents to make the project cash flow as they can just a few miles away.”*

Note: Sources and uses for LHTFs, and other details, are identified in this report to the best of our ability. Please contact MHP with any corrections.

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Local Housing Trust Funds Established in Minnesota

	Date Adopted	Funding Source(s)	Use(s)
Alexandria	2019	<ul style="list-style-type: none">• TIF Pooling• HRA Levy• Housing Related Funds	<ul style="list-style-type: none">• Homebuyer Assistance• Preservation
Bloomington	2019	<ul style="list-style-type: none">• TIF Pooling• One-time Funds• Donations• Housing Related Funds	<ul style="list-style-type: none">• Housing Stability• Preservation• Gap Financing• Revolving Loan Fund
Duluth	2022	<ul style="list-style-type: none">• HRA Levy• Housing Related funds	<ul style="list-style-type: none">• Preservation• Gap Financing
Eden Prairie	2022	<ul style="list-style-type: none">• Still Determining	<ul style="list-style-type: none">• Still Determining
Edina	2019	<ul style="list-style-type: none">• TIF Pooling• Housing Related Funds	<ul style="list-style-type: none">• 4d Program Costs• Preservation• Gap Financing
Minneapolis	2003	<ul style="list-style-type: none">• TIF Pooling• One-time Funds• Federal and State Formula Funds	<ul style="list-style-type: none">• Gap Financing• Preservation
Minnetonka	2022	<ul style="list-style-type: none">• TIF Pooling	<ul style="list-style-type: none">• Housing Stability• Gap Financing
Northfield	2022	<ul style="list-style-type: none">• Housing Related Funds	<ul style="list-style-type: none">• Homebuyer Assistance
Red Wing	2015	<ul style="list-style-type: none">• HRA Levy• TIF Pooling	<ul style="list-style-type: none">• Homebuyer Assistance• Gap Financing• Preservation
Richfield	2020	<ul style="list-style-type: none">• Federal and State Formula Funds• EDA Levy• Housing Related Funds	<ul style="list-style-type: none">• Homebuyer Assistance• Housing Stability
Rochester	2018	<ul style="list-style-type: none">• One-time Funds• Donations	<ul style="list-style-type: none">• Deepen Affordability
St. Louis Park	2018	<ul style="list-style-type: none">• TIF Pooling• HRA Levy	<ul style="list-style-type: none">• Homebuyer Assistance• Preservation• Gap Financing• Deepen Affordability
St. Paul	2019	<ul style="list-style-type: none">• One-time Funds• Parking revenues	<ul style="list-style-type: none">• Homebuyer Assistance• Housing Stability• Gap Financing• 4d Program Costs
Chisago County	2021	<ul style="list-style-type: none">• Housing Related Funds	<ul style="list-style-type: none">• Affordable Housing
Crow Wing County	2019	<ul style="list-style-type: none">• HRA Levy	<ul style="list-style-type: none">• Gap Financing• Hombuyer Assistance• Preservation
Goodhue County	2018	<ul style="list-style-type: none">• HRA Levy	<ul style="list-style-type: none">• Homebuyer Assistance• Housing Stability• Gap Financing
Hennepin County	2000	<ul style="list-style-type: none">• HRA Levy	<ul style="list-style-type: none">• Gap Financing• Preservation
Lake County	2022	<ul style="list-style-type: none">• HRA Levy• Housing Related Funds	<ul style="list-style-type: none">• Still Determining
Otter Tail County	2021	<ul style="list-style-type: none">• HRA Levy	<ul style="list-style-type: none">• Still Determining
Swift County	2020	<ul style="list-style-type: none">• HRA Levy• Chippewa Valley Ethanol Company Shares	<ul style="list-style-type: none">• Preservation• Gap Financing

Common Funding Sources

- HRA levy
- TIF pooling
- Housing related funds (includes land sale proceeds, in lieu of fees, etc)
- Federal and State Formula Funds (CDBG, HOME, ARPA, etc)
- One-time Funds (intial funding, annual aporations, etc)
- Donations (individual and organizational)

Common Uses

- Homebuyer Assistance
- Preservation (single family rehab, multi-family rehab, NOAH preservation)
- Gap financing (new construction, redevelopment)
- Creating deeper affordability
- Housing Stability (emergency housing assistance)





March 31, 2025

Re: Support for HF 1159 Tax Increment transferred to a housing trust fund.

Chairs Davids, Gomez and Members of the House Tax Committee:

On behalf of our 841 member cities across the state, the League of Minnesota Cities appreciates the opportunity to express our strong support for HF 1159, which provides general authorization for cities to transfer unobligated pooled tax increment financing (TIF) funds from a housing or redevelopment district to support local housing trust funds.

Cities across the state are working hard with their developer partners to construct, acquire, and rehabilitate to affordable housing in their communities and as the greatest barriers to delivering them, the rising cost of labor, materials and borrowing, many cities are seeking new ways to fund locally-identified housing needs, help reduce costs to developers, renters, and homebuyers, and fill fund gaps to deliver as many units as possible. Local Housing Trust Funds are an important and flexible tool that cities can utilize to leverage resources to support locally identified housing needs.

As other types of developments have slowed, this timely legislation provides a great opportunity for more cities to create and fund local housing trust funds, releasing unused TIF dollars to provide grants, loans, financing, matching funds and other direct city assistance. As the three cities with special legislation to transfer unobligated increment to their local housing trust funds have shown, the ability for all cities with local housing trust funds to use unobligated increment to help support their local efforts will result in the construction and preservation of more affordable units.

We are grateful to Rep. Youakim for chief authoring this bill and to all the House members who have signed on to help bring this needed legislation forward.

Thank you for your consideration.

Sincerely,

Pierre Willette
Senior Intergovernmental Relations Representative
League of Minnesota Cities



March 31, 2025

Chairs and Members of the House Taxes Committee,

Metro Cities, representing the shared interests of cities across the metropolitan area, appreciates the opportunity to support HF 1159 - Youakim. This bill would allow for a city to transfer unobligated pooled increment from a tax increment financing district to a local housing trust fund, with income requirement parameters for housing that uses these funds.

Metro Cities policies support expanding the authority for all cities to transfer unobligated pooled increment from a housing or redevelopment TIF district to support a local housing trust fund. This change will provide cities with an additional tool to support affordable housing in their community while also incentivizing the use of a local housing trust fund to support affordable housing initiatives.

Cities are working to address the need for affordable housing locally, therefore additional state resources and the expansion of various tools to assist cities in facilitating affordable housing production and preservation is critical.

Thank you for your consideration of this letter.

Sincerely,

A handwritten signature in black ink that reads 'Ania McDonnell'. The signature is written in a cursive, flowing style.

Ania McDonnell
Government Relations Specialist