



March 27, 2023

Re: Comments on HF 2335 – Housing Finance Omnibus Bill

Chair Howard and members of the House Housing Finance and Policy Committee:

The League of Minnesota Cities appreciates the opportunity to provide comments on the housing appropriations outlined in HF 2335 as amended by the DE 2 amendment. On behalf of our 837 member cities, we appreciate your attention this session on the vast scope of housing needs in cities across the state of Minnesota. While local governments are innovating with limited resources to address locally identified housing needs, the state-local partnership is critical if we are to adequately address housing needs across the state.

Articles 1 and 2: Appropriations and Housing Grant Programs

Economic Development & Challenge Fund Grant Program – The League is pleased with the one-time increase to the Economic Development & Challenge Fund Grant program in FY 2024 and FY 2025. Funding this important and flexible program with \$25 million each year of the biennium will result in more housing projects being completed and will positively impact local economic development that comes with adequate affordable housing options for the local workforce.

Workforce Housing Development Program – The League appreciates the inclusion of \$20 million in funding for FY 2024 and FY 2025 for the Workforce Housing Development program. The need for additional workforce housing in greater Minnesota cities is immense to support local economic expansion and ensure that cities can offer new workforce housing opportunities to accommodate job growth. Funding this program at a more meaningful level will ensure that more workforce housing is completed in the greater Minnesota cities that need it most.

Housing Infrastructure Bonds – The authorization of \$100 million in Housing Infrastructure Bonds for FY 2024 and FY 2025 is crucial and will help construct and preserve units across the housing spectrum. Housing Infrastructure Bonds continue to be an important and flexible capital investment resource for housing utilized in communities across the state and we appreciate the inclusion of a historic level of Housing Infrastructure Bond authorization.

Homeownership Investment Grants – The League supports the inclusion of \$40 million in one-time funding for FY 2024 and FY 2025 to support homeownership investment grants. This new program will assist non-profits and community development financial institutions to increase the supply of affordable owner-occupied homes, financing programs for affordable owner-occupied

homes and manufactured housing, and services to increase access to affordable owner-occupied homes in low-income communities and communities of color.

Local Housing Trust Fund State Matching Grants – The League strongly supports the inclusion of \$8.7 million in one-time funding to provide resources for Local Housing Trust Fund matching grants to bolster the development of more local housing trust funds across the state. Local Housing Trust Funds serve as an important and flexible tool for cities to address housing needs.

First-Generation Homebuyers Down Payment Assistance Fund – The League supports the inclusion of \$150 million in one-time funding for FY 2024 for a First-Generation Homebuyers Down Payment Assistance Fund. Modeled after successful programs developed at the local level, a statewide first-generation down payment assistance fund will help support existing local efforts to address racial disparities in homeownership and deploy additional resources to reduce barriers to homeownership.

Community Stabilization Program – The League supports the \$75 million in one-time funding for FY 2024 and FY 2025 for the creation of a Community Stabilization program to assist with preservation efforts. This program will help ensure existing naturally occurring affordable multi-family and owner-occupied housing units remain available to individuals and families with low-income or moderate incomes. Grants to eligible recipients including cities will be utilized effectively to acquire and rehabilitate naturally occurring affordable housing as well as reducing interest rates and providing gap financing to ensure preservation of single- and multi-family naturally occurring affordable housing stock.

High-Rise Sprinkler System Grant – The League appreciates the inclusion of \$10 million in one-time funding for FY 2024 for the provision of grants to qualifying large multi-family buildings that do not have sprinkler fire suppression systems. Retrofitting these buildings can be cost-prohibitive to property owners but are an important life-safety upgrade to keep residents safe.

Housing Infrastructure Grants – The League strongly supports the inclusion of \$5 million in funding to the Department of Employment and Economic Development to assist cities with the cost of infrastructure needed to support residential development. Infrastructure is often the most expensive component of residential development and state resources to assist cities with the cost of installing necessary infrastructure, especially in greater Minnesota, will help attract more development.

Article 4: Eligibility and Uses

Housing Infrastructure Bonds for Deeply Affordable Housing – The League supports the inclusion of language to add the financing, construction, acquisition, and rehabilitation of permanent housing for households with incomes at or below 50 percent AMI as an eligible use of Housing Infrastructure Bonds. Deeply affordable housing is often the most challenging housing stock to attract and almost always requires additional resources to ensure affordability.

Article 5: Metropolitan Sales Tax and Housing Aid

Metropolitan Sales Tax and Housing Aid – The League appreciates the inclusion of a variation of the Local Affordable Housing Aid program. Flexible funding sent directly to local units of government from the state is an important step in expanding the state-local partnership while allowing local units of government to assess uniquely identified housing needs without rigid parameters. However, we are disappointed that the program was reduced to scope to only be available to metropolitan local governments. Cost burden as well as construction and preservation needs in greater Minnesota are substantial and limiting this program to the metro area falls short of addressing greater Minnesota housing needs.

Thank you for your consideration

Sincerely,

A handwritten signature in black ink that reads "Daniel Lightfoot". The signature is written in a cursive style with a long horizontal stroke at the end.

Daniel Lightfoot
Intergovernmental Relations Representative
League of Minnesota Cities