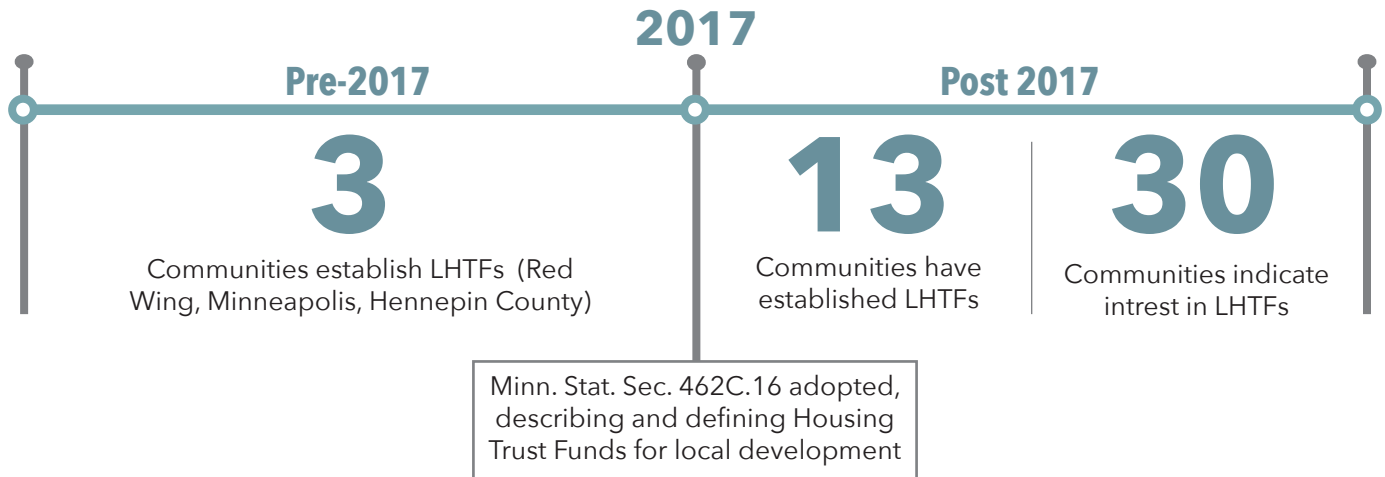


# LOCAL HOUSING TRUST FUNDS IN MINNESOTA: 2020 UPDATE

Minnesota cities and counties have adopted local housing trust funds at escalating rates after the adoption of a 2017 state law defining housing trust funds. Should Minnesota adopt a state match program, it will inspire new funds and enhance existing funds. Many more communities would be able to use local funds to achieve their housing needs and priorities.



**Flexible to Local Community Needs.** A survey of adopted Minnesota LHTFs revealed flexibility and variety for cities and counties in how they identify funds to resource their local housing trust funds, and how they select housing priorities for their trust fund.

## Sample Fund Sources:

- HRA levy
- TIF pooling
- Parking funds
- Contributions
- Repurposed funds (CDBG)
- Housing-related fees

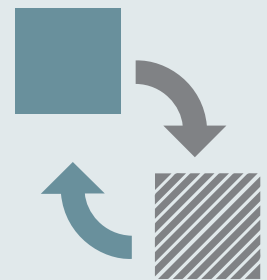
## Common Uses:

- Homebuyer assistance
- Rehabilitation (single family & rental)
- Gap financing for new/redevelopment
- Creating deeper affordability
- Housing stability and emergency housing assistance

## BENEFITS OF LHTFS



Leverage private dollars



Provide flexibility to meet local needs



Encourage local contributions



Establish dedicated sources of revenue

## LHTFs in Minnesota: Featured Stories

### City of Alexandria, pop. 13,750:

The City of Alexandria established a LHTF in 2019, with home ownership and owner-occupied rehab as top priorities. By end of 2020, the City had used \$68,000 to assist four families achieve homeownership and provided a homeowner rehabilitation loan to a fifth family.

One unique challenge was escalating home prices in the Alexandria market, making housing out of reach for many. For a Habitat home, appraised value increased on one property from \$175,000 in 2019 to \$240,000 in 2020. Fortunately, with the LHTF, Alexandria had the flexibility to adjust its guidelines to these market conditions. According to Executive Director Jeff Hess, "Without the LHTF, and the ability to make local decisions specific to market conditions, we would not have been able to make these adjustments and get this family into homeownership."



### Lake County, pop. 10,660:

Lake County plans to present a LHTF to the County Board of Commissioners for consideration in 2021.

"Assistance from the State in regard to establishing a Local Housing Trust Fund for the Lake County HRA will be instrumental in implementing future projects and succeeding with projects already underway," according to Silver Bay Councilor Richard DeRosier, also a Board Member of the Lake County HRA. "A Local Housing Trust Fund is a fiscally responsible way to utilize the limited resources of a small HRA by leveraging with a State match. It's the smart thing to do and would be greatly beneficial for the creation of affordable housing that Lake County so desperately needs."

Lake County's projects that would benefit from a state match to a LHTF include a proposal for affordable housing in the Penn Avenue corridor of the City of Silver Bay, where the Lake County HRA has already acquired more than 50 lots.

### Swift County, pop. 9,345:

After participation in MHP's Housing Institute, the Swift County RDA, HRA, and the County Administration identified a Local Housing Trust Fund as a way to support Swift County's goal to purchase and preserve Gra-Mar Court, a 16-unit USDA Rural Development 515 building in Kerkhoven. With the support of County Commissioners, they proposed and received approval for a Swift County Local Housing Trust Fund in 2020 and will use the annual funds to support the Gra-Mar Court purchase with remaining funds dedicated to additional preservation and rehab goals.



*Photo of Gar-Mar Court in Kerkhoven MN*

Revenue for the LHTF in 2021 will be \$50,000 from an annual HRA levy, supplemented by income produced by Chippewa Valley Ethanol Company shares, which is owned by a private, nonprofit partner; the funds have traditionally been split between the two development agencies within Swift County the HRA and RDA.

## LHTFs in Minnesota: Featured Stories

### **City of St Louis Park, pop. 45,250:**

The St. Louis Park Affordable Housing Trust Fund (AHTF) was approved by the Council in 2019. The LHTF will allow St Louis Park to identify and fund its locally identified priorities, with two initiatives approved for 2021. First, St Louis Park will create an affordable homeownership program designed to address historic inequities and disparities in homeownership rates for Black, Indigenous, people of color, and underrepresented low-income households; a no interest loan, forgivable after 30 years, will bridge the gap between the city's median home price and an affordable home price. As well, the city has acquired four single-family homes for potential redevelopment with affordable, ownership housing, and is exploring feasibility of a land trust model at the site.

### **Rochester, pop. 116,961:**

Rochester partners, including the city and the county, have contributed to a Housing Fund created by the Rochester Area Foundation. The fund operates like a Local Housing Trust Fund, although not fitting the technical definition in state law. Rochester has used the fund to deepen affordability for rental housing and homeownership.

In 2020, the Housing Fund awarded a \$354,000 rehabilitation grant to rehabilitate existing apartments on an old private college campus, followed by an additional low-interest and deferred loans. Many of the units will be priced at 50% or less of AMI, a price made possible by the LHTF grant and loans.

### **City of Red Wing, pop. 16,459:**

With an Affordable Housing Trust Fund (AHTF) approved in 2015, Red Wing is an early adopter of a housing trust fund in Minnesota, and the first city to do so outside of the Twin Cities metropolitan area. Now retired, former Red Wing HRA Executive Director Randall Hemmerlin has advised dozens of cities and counties in Greater Minnesota on the benefits of a LHTF and implementation insights. Red Wing has used its trust fund to enhance the benefits of existing programs, like DEED's Small Cities program, and leverage the contributions of multiple city partners.

One current example is Red Wing's Downtown Conversion project, which will convert existing unused space above a local retailer to four 1-bedroom units. The AHTF provided \$100,000 for the project, which will ensure that at least two of the four units are restricted at no more than 60% AMI for 15 years. The City has contributed to the project with water and sewer upgrades, and the HRA utilized Small Cities Program income funds for additional construction costs.



*Photo of Red Wing's downtown housing conversion from Red Wing HRA*

Jurisdiction	Year Adopted	Primary Funding Source(s)	Primary Use(s)
Alexandria	2019	<ul style="list-style-type: none"> <li>• TIF pooling</li> <li>• HRA levy</li> <li>• Revolving loan fund proceeds</li> </ul>	<ul style="list-style-type: none"> <li>• Homebuyer assistance</li> <li>• Single Family Rehab</li> <li>• Small rental rehab.</li> </ul>
Bloomington	2019	<ul style="list-style-type: none"> <li>• Payment of fees in lieu of opportunity housing units, per the city's inclusionary zoning ordinance</li> <li>• Individual donations</li> <li>• TIF pooling</li> </ul>	<ul style="list-style-type: none"> <li>• New construction</li> <li>• Preservation of Naturally occurring affordable housing (NOAH)</li> <li>• Revolving Loan Fund</li> <li>• Housing Stabilization fund</li> </ul>
Edina	2019	<ul style="list-style-type: none"> <li>• Payment in lieu of providing affordable units in Market Rate developments (inclusionary zoning policy)</li> <li>• TIF pooling</li> </ul>	<ul style="list-style-type: none"> <li>• Pilot programs (i.e. 4d program, land trust homes, rehab programs)</li> </ul>
Minneapolis	2003	<ul style="list-style-type: none"> <li>• CDBG and HOME program dollars</li> <li>• TIF pooling</li> <li>• Annual appropriations (one time)</li> </ul>	<ul style="list-style-type: none"> <li>• Gap financing for multifamily affordable and mixed-income rental housing production and preservation (rehabilitation)</li> </ul>
Red Wing	2016	<ul style="list-style-type: none"> <li>• HRA levy</li> <li>• 25yr TIF</li> </ul>	<ul style="list-style-type: none"> <li>• Single family home downpayment assistance</li> <li>• Financing for multi-family projects</li> <li>• Low to moderate income owner occupied rehab</li> </ul>
Richfield	2020	<ul style="list-style-type: none"> <li>• CDBG</li> <li>• EDA levy</li> </ul>	<ul style="list-style-type: none"> <li>• Down-payment assistance</li> <li>• Rental assistance</li> </ul>
Rochester	2018	<ul style="list-style-type: none"> <li>• Private donations</li> <li>• City and county contributions</li> </ul>	<ul style="list-style-type: none"> <li>• Create deeper affordability (i.e. 50% AMI) in LIHTC projects.</li> </ul>
St Louis Park	2018	<ul style="list-style-type: none"> <li>• HRA levy</li> <li>• TIF pooling</li> </ul>	<ul style="list-style-type: none"> <li>• Preserve naturally occurring affordable housing (NOAH)</li> <li>• Create new affordable units and/or deepen affordability</li> </ul>
St Paul	2019	<ul style="list-style-type: none"> <li>• Parking revenues</li> <li>• Appropriations (one time)</li> </ul>	<ul style="list-style-type: none"> <li>• 4d program costs</li> <li>• Community land trust financing</li> <li>• Down-payment assistance</li> <li>• Rental assistance for families of St Paul public school students ("Families First" program)</li> </ul>
Crow Wing County	2020	<ul style="list-style-type: none"> <li>• HRA levy</li> </ul>	<ul style="list-style-type: none"> <li>• Workforce Housing (gap financing, homebuyer assistance)</li> <li>• Employer match for homeownership, rehab (rental &amp; owner-occupied)</li> </ul>
Goodhue County	2018	<ul style="list-style-type: none"> <li>• HRA levy</li> </ul>	<ul style="list-style-type: none"> <li>• Down-payment assistance</li> <li>• Multi-Family housing projects</li> <li>• Emergency Housing</li> <li>• Flexible fund (for as needed issues)</li> </ul>
Hennepin County	2000	<ul style="list-style-type: none"> <li>• HRA levy</li> </ul>	<ul style="list-style-type: none"> <li>• Loans for affordable housing development serving very low income residents (multi-family, single family; new, rehab, and preservation)</li> </ul>
Swift County	2020	<ul style="list-style-type: none"> <li>• HRA levy</li> <li>• Chippewa Valley Ethanol Company shares (distribution from this unique source)</li> </ul>	<ul style="list-style-type: none"> <li>• Housing preservation &amp; redevelopment (including support of a recent purchase of a USDA Rural Development 515 property).</li> </ul>