MHP Housing Institute
Strategies and tools

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Background.

- 40 years of experience in Housing and Community Development Industry.
- Executive Director Dakota County Community Development Agency 1986-2015
- Past President of Minnesota NAHRO
- Past President National Association of Local Housing Finance Agencies.
- Received thirty plus National, State and local Awards.

Growing Challenge

- The high cost of affordable housing development is a major barrier to economic competitiveness in communities. Not just a social justice issue.
- This is especially true in Greater Minnesota where incomes and rent levels are lower.
- Employment growth focused in low and modest paying jobs e.g. Service, Retail, Manufacturing.
- Wages do not support the full cost of housing.

Challenges and opportunities.

- Leadership and cooperation at the local and regional level is key to success.
- Local agencies have powerful and often underutilized housing development tools.
- Affordable housing directly benefits communities by generating more disposable income for spending at local business and helping to retain residents e.g. Seniors.

Talking points with local officials

- Todays affordable housing is greatly improved over the developments of the past.
- Architectural design is attractive.
- Program design (e.g. admission requirements) can be more flexible. Income levels, rents, assets limits etc.
- Local companies need workforce housing to keep and attract good employees.

Partnership equals success!

- Multi jurisdictional partnership is good for all partners.
- County-City collaboration can make the difference in getting a deal done.
- Combining resources can make it happen and improve the product e.g. combining levy resources, joint credit pledge, expanded political support.

State and Federal tools

- Most of attention(for good reason) goes to Federal Tax Credit.
- Minnesota Housing Super RFP's for Multifamily and Single Family Housing.
- Federal Home Loan Bank Programs.
- Small Cities CDBG funding.
- Project Based Section 8 Vouchers.
- But don't forget local tools.

Tax Increment Financing for housing

- Housing District a powerful tool
- 25 years in length
- Rental:
  - 20% occupied at 50% of median income.
  - 40% at 60%.
- Owner:
  - one and two person HH- 95% must be purchased at 100% median.
  - Three or more persons income is 115% of median.
- No maximum rent or maximum purchase price
- Can include non-assisted market rate housing in district to generate more income

TIF Examples

- Purchased Land
- First and second mortgages
- Paid loan interest via Interest rate reduction
- Rehabilitation of rental and owner occupied properties
- Redevelopment costs
  - acquisition
  - demolition
  - relocation
- Public Improvements e.g.
  - Street
  - Sewer
  - water
- Commercial space in mixed use building-
  - up to 20% of increment
  - Must be same building as project.
- Include market rate properties in District-generate more TIF



TIF Examples

Meadowlark – Lakeville (40 units)



TIF Examples

Twin Ponds – Farmington (51 units)



TIF Examples

Hidden Ponds – Apple Valley



Tax Forfeiture

- Minnesota Statutes 282.01-282.40.
- Purchased over 100 separate parcels for housing
- Requires HRA/EDA Board and County Board approval
- Possible to receive property at no cost if it addresses a public purpose.
- Used for both rental and owner occupied Workforce development





Tax Forfeiture Examples

Spruce Pointe – Inver Grove Heights (24 units)



Tax Forfeiture Examples

Single family home in Inver Grove Heights



Tax Forfeiture Examples

Potential TOD property in Apple Valley



Tax Forfeiture Examples

Lakeside Pointe – Eagan (60 units)



Tax Forfeiture Examples

O'Leary Manor – Eagan (65 units)



Essential Function Bonds

- Bonds issued by an HRA or EDA for housing owned by the jurisdiction
- Can be used for:
  - Workforce
  - Senior housing
  - Special needs
- Bonds are outside of limits in 474A and do not require Private Activity Bond allocation
- Can be backed by General Obligation of City and/or County (MS 469.034, subd.2)
- Bond maturities can go up to 35 years for seniors and 40 years for other projects

Essential Function Bonds

- Projects make payment in lieu of taxes
  - 5% of gross shelter rents.
- Can combine CDBG, HOME and other gap financing programs with financing
- Has been used to provide construction loan financing for owner occupied housing
- Income limits depend on whether GO backed and rents have flexibility
- No income limit for Senior deals
- Great for smaller projects. Don’t need State approvals.

Essential Function Bond Examples

Orchard Square – Apple Valley(65 units)



Essential Function Bond Examples

Crossroads Commons – Lakeville (87 units)



Essential Function Bond Examples

Mississippi Terrace – Hastings (40 units)



HRA & EDA Tax Levy

- Most flexible tools available can be used for any corporate purposes
- HRA levy rate is .0185% of estimated market value
- Can be pledged to EFB issue
- Can be used for Gap financing
- Law permits flexibility with income levels.
- Is silent on maximum purchase price or rent
- EDA levy rate is .01813% of estimated market value
- Can have both an EDA levy and HRA levy in same jurisdiction
- EDA statute includes HRA powers

Collaboration = Success

- In business building networks and relationships is a major key to success.
- None of us have all or even most of the answers.
- Working with others is not only effective it's enjoyable!
- Plenty of credit to go around.
- Celebrate success with groundbreakings and open houses.
- Celebrate success with groundbreakings and open houses. Include Legislators and Congressional Rep.
- Arrange tours of occupied units for local officials to meet their constituents.
- Some folks relate to visuals, others finances and many to people.
- Talk about the kinds of jobs and companies of residents.

Thank You MHP

Contact information

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