MHP 2025 Session Summary

The Minnesota Legislature and Governor passed the constitutionally mandated budget for Fiscal Years 2026-27 during the regular session, which adjourned May 19 and a one-day special session, which was called June 9 and finished by early morning of June 10. This session was notable for its return to shared power between political parties. The Senate DFL party had a one seat majority, while the House had a 67-67 tie between Democrats and Republicans. With a slim revenue surplus, and a projected budget deficit in future years, budget expectations were constrained. While some agencies experienced budget cuts, housing saw a modest increase in funding, reflecting the increased need for stable homes across the state.

Shortly after the end of session, Speaker Emerita Melissa Hortman and her husband, Mark, were assassinated by a gunman, who also attempted the assassination of State Senator John Hoffman and his wife, Yvette. MHP joins Minnesotans in grief for these horrific acts, and honor Speaker Emerita Hortman by carrying forward her determination and humanity into our own efforts to make a meaningful difference in improving Minnesotans' lives.

The Housing Budget (Chapter 32)

The Legislature increased housing by $18.35 million in one time funding, and authorized $50 million in Housing Infrastructure Bonds. The one-time funds included a $15 million budget target as well as shifting some existing but unused funds to new areas, including a reduction to the Single Family Community Stabilization program.

Programs receiving a one-time increase in FY26-27 included.

- $8.35 million for the Family Homeless Prevention and Assistance Program (FHPAP), plus an ongoing increase of $900,000 for FY2028-29.
- $2 million for Economic Development & Housing Challenge Program (EDHC).
- $2 million for Greater Minnesota Housing Infrastructure grants.
- $2 million for first generation down payment assistance.
- $2 million for first-time homeowner down payment assistance.

Key Policy Provisions included in the Housing Bill (Chapter 32)

- Subjects sub-allocators of the Low Income Housing Tax Credit (LIHTC) to wage theft prevention laws and the use of responsible contractors.
- Requires Minnesota Housing (MHFA) to submit an annual report on the financial stability of the affordable housing industry.
- Requires MHFA to convene cities and counties with high housing cost burden annually.
- Requires MHFA to develop a policy framework for targeted stabilization of regulated affordable housing.
- Codifies the Community-Based First-Generation Homebuyer Assistance Program.
- Allows Housing and Redevelopment Authorities (HRAs) to establish local housing trust funds.
- Allows income generated from local or state affordable housing aid projects to be used on eligible expenditures.
- Requires MHFA to award points, not to exceed 5% of total available points, in its competitive development programs, for jurisdictions that have adopted one of eight zoning and land use provisions including:
    - allows multifamily housing in at least 50% of the area within the jurisdictions zoned as a commercial district;
    - allows for duplexes, ADUs, or townhomes within 50% of the area zoned for single-family housing;
    - does not have parking mandates greater than 1 stall per unit of single family housing;
    - does not have parking mandates greater than 1 stall per unit of housing for multifamily developments;
    - does not mandate lot sizes larger than 1/8th of an acre for new single-family homes;
    - does not place aesthetic mandates on new single-family construction;
    - offers a density bonus for affordable housing that provides an increase in floor area and lot coverage of housing if the housing is affordable;

- has an inclusionary zoning policy.

Capital Investment (Chapter 14 and Chapter 15)

In addition to $50 million for Housing Infrastructure Bonds, the legislature approved general obligation bonds that will support housing.

- $26 million for the publicly-owned housing program.
- $3 million for up to 50% of the public infrastructure cost for new, cooperatively owned manufactured home communities.
- $2.4 million for a new program supporting development or rehab of housing owned by local governments.

Commerce (Chapter 4)

Established a task force on homeowners and commercial property insurance, relating to insurance affordability of single-family, coops and multifamily rental housing. The task force will be supported by the Legislative Coordinating Commission with technical support from Minnesota Housing and DEED.

Taxes (Chapter 13)

Some of the more notable items may be what did not end up in the final tax bill, which was passed during the one-day special session. In particular, proposed cuts to local homeless prevention aid and the state affordable housing aid were not included in the final bill. As well, changes MHP supported to the State Housing Tax Credit, to allow use of the Credit with the Greater Minnesota Workforce Housing Program, did not make it into the final bill.

What housing-related items did make it in the tax bill?

- Passed 4d Income Averaging, entitling buildings with mixed rents 4d tax status. Minnesota's 4d program provides a reduced property tax rate for qualifying rental property.

This summary references "session laws" that are archived by the Revisor's office and sorted by chapters. You can look up language for each law at: https://www.revisor.mn.gov/laws/current/