LOCAL HOUSING TRUST FUNDS IN MINNESOTA

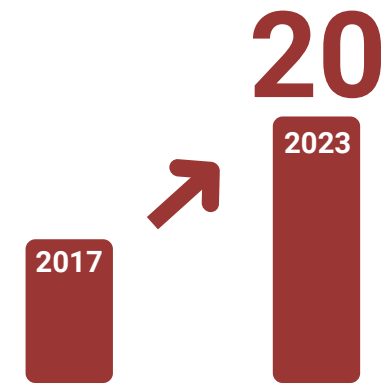
February 2023

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.

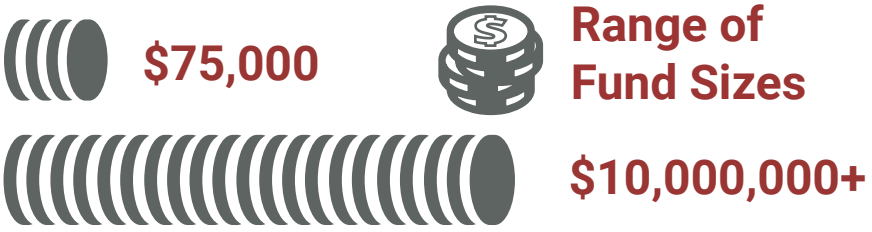
Local Housing Trust Funds by the numbers:



Number of LHTFs in MN



Communities Interested in LHTFs



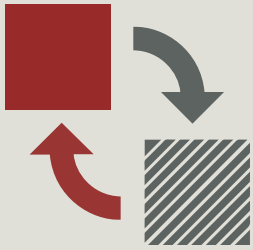
Range of Fund Sizes

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

Benefits of LHTFs



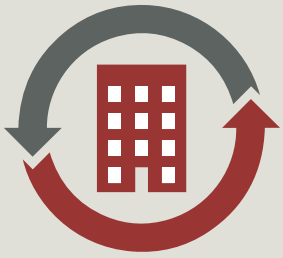
Leverage private dollars



Provide flexibility to meet local needs



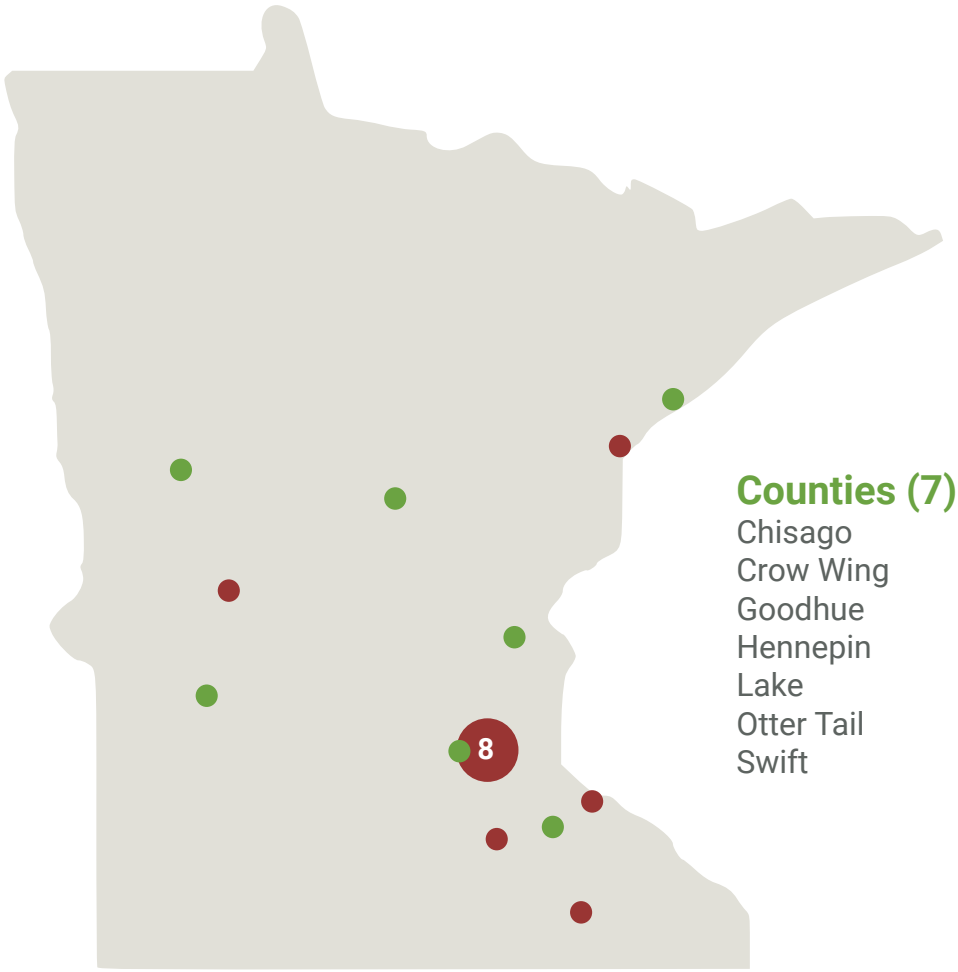
Encourage local contributions



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



Photo: Skyline of Duluth, MN

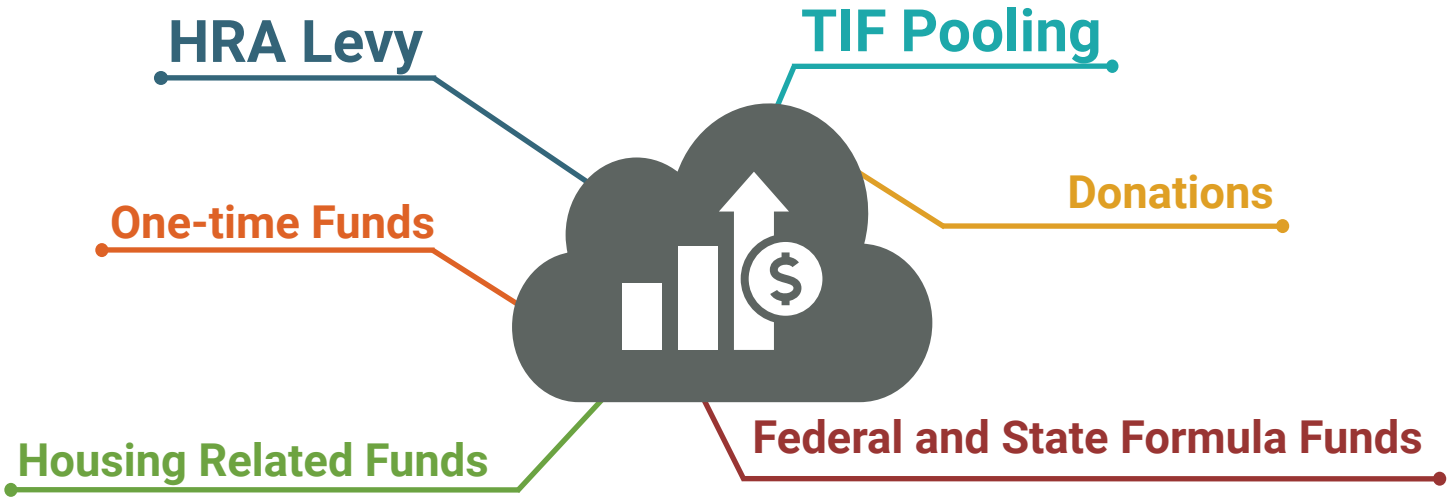
After years of careful planning, Duluth's Housing Trust Fund, a partnership between the City of Duluth and LISC Duluth, was launched in 2022. The partnership came together after Mayor Larson and city staff, along with LISC Duluth, attended a National League of Cities' training on housing and health equity.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

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 LHTFs



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.



Photo: Multifamily housing building in Minnetonka, MN

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.

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	• TIF Pooling • HRA Levy • Housing Related Funds	• Homebuyer Assistance • Preservation
Bloomington	2019	• TIF Pooling • One-time Funds • Donations • Housing Related Funds	• Housing Stability • Preservation • Gap Financing • Revolving Loan Fund
Duluth	2022	• HRA Levy • Housing Related funds	• Preservation • Gap Financing
Eden Prairie	2022	• Still Determining	• Still Determining
Edina	2019	• TIF Pooling • Housing Related Funds	• 4d Program Costs • Preservation • Gap Financing
Minneapolis	2003	• TIF Pooling • One-time Funds • Federal and State Formula Funds	• Gap Financing • Preservation
Minnetonka	2022	• TIF Pooling	• Housing Stability • Gap Financing
Northfield	2022	• Housing Related Funds	• Homebuyer Assistance
Red Wing	2015	• HRA Levy • TIF Pooling	• Homebuyer Assistance • Gap Financing • Preservation
Richfield	2020	• Federal and State Formula Funds • EDA Levy • Housing Related Funds	• Homebuyer Assistance • Housing Stability
Rochester	2018	• One-time Funds • Donations	• Deepen Affordability
St. Louis Park	2018	• TIF Pooling • HRA Levy	• Homebuyer Assistance • Preservation • Gap Financing • Deepen Affordability
St. Paul	2019	• One-time Funds • Parking revenues	• Homebuyer Assistance • Housing Stability • Gap Financing • 4d Program Costs
Chisago County	2021	• Housing Related Funds	• Affordable Housing
Crow Wing County	2019	• HRA Levy	• Gap Financing • Hombuyer Assistance • Preservation
Goodhue County	2018	• HRA Levy	• Homebuyer Assistance • Housing Stability • Gap Financing
Hennepin County	2000	• HRA Levy	• Gap Financing • Preservation
Lake County	2022	• HRA Levy • Housing Related Funds	• Still Determining
Otter Tail County	2021	• HRA Levy	• Still Determining
Swift County	2020	• HRA Levy • Chippewa Valley Ethanol Company Shares	• 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 aprorations, 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)

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