

May 14, 2020

The Honorable Paul Gazelka  
Senate Majority Leader  
95 University Avenue West  
St. Paul, Minnesota 55155

The Honorable Melissa Hortman  
Speaker of the House  
461 State Office Building  
St. Paul, Minnesota 55155



[www.mhponline.org](http://www.mhponline.org)

2446 University Ave W, Suite 140  
Saint Paul, MN 55114-1740

p: 651-649-1710  
800-728-8916  
f: 651-649-1725

RE: A Strong Minnesota Needs Housing Infrastructure Bonds

Dear Majority Leader Gazelka, and Speaker Hortman,

Since 2012, Housing Infrastructure Bonds have helped create and preserve nearly 10,700 affordable homes. But for investments in bonds, these homes could not have been created. The Legislature's ingenuity in creating Housing Infrastructure Bonds (HIB) in 2012 cannot be understated. HIB is Minnesota's most effective tool to spur housing development targeted to the greatest need and greatest gap

**HIB in Action: Beacon Hill, Itasca County.** A 22% increase in homelessness, documented evidence of substandard housing stock, and high rates of cost burden had Itasca County looking for solutions. Minnesota Housing Partnership (MHP) worked with local partners to identify local housing needs and formulate a response. The result was Beacon Hill, 48 units of affordable housing in Grand Rapids. More than half of the units are townhomes for families while the other half provide supportive services to households who have experienced long-term homelessness. Without HIB, the 120 residents who call Beacon Hill home would likely still be experiencing housing insecurity and homelessness.

**Minnesota's Gap in Affordable Housing.** The COVID-19 pandemic is a harsh reminder that too many Minnesotans are struggling to pay monthly housing costs. Before the pandemic, more than 500,000 households in Minnesota paid more for housing than they could afford or had high cost burden. The 2019 Minnesota Housing Task Force estimated that we need more than 100,000 new homes for our lowest income neighbors. Homes created and preserved through HIB investments will give much needed relief to thousands of Minnesotans facing displacement, homelessness, substandard living conditions, housing insecurity, and help create new homes that Minnesota families desperately need.

**Why we need HIB now:**

- **Demand for housing development remains strong: Development resources are oversubscribed.** For the first time, Minnesota's federal tax-exempt bond (TEB) volume cap was oversubscribed by more than \$250 million in the first round in January 2020. As of May 8, Minnesota Housing has received 62 applications through its 2020 Multifamily Consolidated RFP Portal. Those **62 projects**, which would develop and preserve **3,470 units** of safe, stable and affordable homes, requested more than **\$874 million** in total development costs. With more applications expected, as they are not due until July 16, **Minnesota Housing already has far more requests than available resources.**
- **Projects are shovel ready but for funding.** Communities across the state generally work at least two to three years and spend thousands of dollars to get their projects ready to for application. Without significant HIB investments, some communities may indefinitely give up pursuing these resources that are necessary to build much-needed homes.

MHP is an equal opportunity provider and employer.

- **Predictable funding supports a healthy housing market.** Because affordable housing deals can take years to piece together, investors are attracted to states with predictable funding. If the legislature does not pass HIB investments, it signals unpredictability and risk **for housing investors, making Minnesota a less attractive market in which to invest and develop housing.**
- **HIB investments leverage additional Federal housing investments.** HIBs paired with federal tax credits (LIHTC) typically leverage \$3 in private equity for every \$1 in bonds. At a time when Minnesota has reached its volume cap on Tax Exempt bonds (TEDs), it is especially important to ensure we have a robust investment in HIB so that Minnesota maximizes private equity investments and **does not leave available federal resources - like LIHTC - on the table.**
- Funding HIBs provides a much-needed economic stimulus to the economy. **For every \$200 million, we can put roughly 4,000 Minnesotans to work.** Affordable housing projects will ensure that, despite disruptions in other areas, contractors and laborers can secure work.

**Why we need GO bonds to help maintain public housing:**

- Total critical needs for public housing exceed **\$185 million.** Many of these homes are more than thirty years old. Because rents are maintained at levels that extremely low-income families can afford, these properties' incomes barely support day-to-day operations. **Public Housing Authorities across the State need the State's partnership to ensure this housing remains safe and healthy.** Exposure to preventable conditions is especially high in aging housing stock like public housing. Low-income households of color are particularly vulnerable. Investing in housing rehabilitation and maintenance will improve health outcomes and save Minnesota money in other sectors.

MHP supports the Homes for All coalition's proposal to allow the **use of HIB to develop housing for households at or below 50 percent area median income (AMI) without supportive services.** This will increase housing opportunities particularly for families in Greater Minnesota, including would provide smaller housing providers more flexibility and less risk. **By continuing to target HIB and GO bonds to households at or below 50 percent AMI, Minnesota focuses this resource where there is the greatest gap in units available and affordable.**

Now is the time to make an historic investment in housing. **Under current low interest rate conditions and strong tax credit pricing, now is the time to have a robust investment in bonds for housing.** I appreciate your hard work on behalf of Minnesotans and ask for your commitment to this much needed housing bonds funding.

Sincerely,



Anne Mavity  
Executive Director, Minnesota Housing Partnership

cc: The Honorable Kurt Daudt, House Minority Leader  
The Honorable Susan Kent, Senate Minority Leader  
Commissioner Jennifer Ho, Minnesota Housing  
The Honorable Tim Walz, Governor  
The Honorable Peggy Flanagan, Lieutenant Governor