LEAGUE of MINNESOTA CITIES

INFORMATION MEMO

Housing Issues for Minnesota Cities

Learn about ways to address housing issues facing cities. Understand the general concepts of affordable housing, fair housing, and naturally occurring affordable housing. Discover local tools and resources to preserve or produce affordable housing and address homelessness in your community. Identify government partners and programs to consider participating in to stimulate housing in your community.

RELEVANT LINKS:

I. Affordable housing

Affordable housing is one of the key issues facing Minnesota cities. It is challenging for cities to produce new and maintain existing affordable housing. The U.S. Department of Housing and Urban Development (HUD) defines housing as "affordable" if it does not exceed more than 30% of a family's income. A person's "area median income," or AMI, is typically used to determine their eligibility for affordable housing programs.

A lack of affordable housing makes it difficult for communities to attract and retain residents and businesses. Low-income families are also displaced when their community's affordable housing stock is deficient. Therefore, cities may want to consider a variety of approaches to help meet the demand for affordable housing in their community.

Minn. Stat. § 473.859, subd. 2(c).

As part of the comprehensive planning process, state law requires cities in the seven-county metropolitan area to include standards, plans, and programs for providing adequate housing opportunities to meet existing and projected local and regional housing needs. This includes the use of official controls and land use planning to promote the availability of land for the development of low- and moderate-income housing.

While not all cities are required to adopt a comprehensive plan or programs related to affordable housing, a plan is still a good practice. Once a plan is adopted, it guides local officials in making their day-to-day decisions and becomes a factor in their decision-making process.

To address housing needs, cities can use available federal, state, and local resources, and create partnerships with the nonprofit and private sectors.

II. Fair housing

HUD – Fair Housing and Related Laws.

The federal Fair Housing Act protects individuals from discrimination when renting or buying a home, getting a mortgage, seeking housing assistance, or engaging in other housing-related activities. The act prohibits discrimination in housing due to:

RELEVANT LINKS:

42 U.S.C. §§ 3601-3619 and 42 U.S.C. § 3631.

Bostock v. Clayton Cty., 590 U.S. 644 (2020).

HUD – Fair Housing and Related Laws.

Texas Dep't of Hous. & Cmty. Affairs v. Inclusive Communities Project, Inc., 576 U.S. 519 (2015).

Appendix E.

LMC Research Department, 651-281-1200 or 800-925-1122 or research@lmc.org.

- Race.
- Color.
- National origin.
- Religion.
- Sex (including gender identity and sexual orientation).
- Familial status.
- Disability.

Most forms of housing are covered under the act. In limited circumstances, the act exempts owner-occupied buildings with no more than four units, single-family houses sold or rented without the use of a broker, and housing operated by religious organizations or private clubs for member use only.

The act also applies to local governments. Cities must ensure their policies and practices do not have a "disparate impact" on protected classes. "Disparate impact" refers to practices that have a disproportionately adverse effect on minorities or other groups, even if the practices seem neutral. Cities can be held liable if their practices have a greater effect on protected classes and are unjustified by a legitimate rationale. Thus, cities are responsible for ensuring their policies and practices do not have a discriminatory effect on protected classes, even if the discrimination is not explicit in its terms.

In addition to ensuring their policies and practices do not violate the act, cities may also consider adopting policies that show the city is committed to upholding fair housing initiatives, combating housing inequality, and serving residents with fair housing concerns.

However, local governments receiving federal funding (typically through HUD programs like Community Development Block Grants or the HOME Investment Partnerships Program) for housing or urban development must certify that they will further fair housing. To certify this goal, local governments are typically required to develop fair housing policies. If your city is considering a fair housing policy, the League of Minnesota Cities (LMC) Research Department can provide sample policies. Cities may also consider reviewing their regulations, like zoning ordinances, to identify barriers to fair housing.

While the principles of fair housing are protected under the Fair Housing Act, the right to affordable housing is not — despite being intrinsically linked to fair housing issues. Cities can consider addressing local fair housing issues by advancing affordable housing in their community.

III. Tools to preserve or produce affordable housing

RELEVANT LINKS:

When addressing affordable housing issues, cities are often faced with preserving the affordable housing already present in their community and encouraging the production of more affordable housing for residents.

Section V-A, *Government partners and funding.*

In addition to the state and federal programs mentioned later in this memo, cities have many local tools available to them in addressing the preservation and production of affordable housing stock.

LMC Research Department, 651-281-1200 or 800-925-1122 or research@lmc.org.

For specific program examples from Minnesota cities, please contact the LMC Research Department.

A. Preservation and naturally occurring affordable housing

Appendices A-E.

Preserving existing affordable housing is critical to providing housing in communities. Housing preservation in many cases provides a cost-effective alternative to new construction, allows residents to remain in their homes, and is consistent with city zoning. A city may need federal and state funding to preserve its affordable housing stock. However, cities may also consider funding these programs with city-allocated funds.

Naturally occurring affordable housing (NOAH) refers to unsubsidized private-market residential rental properties that maintain affordable units without government subsidy. NOAH units may exist as both single-family and multi-family housing. Although NOAH units are typically the most common type of affordable housing, they are also at risk of being lost due to gentrification and upgrades, which can result in a landlord charging higher rents. If NOAH unit rents are raised, low-income families lose access to affordable housing.

Minnesota Housing: The Loss of Naturally Occurring Affordable Housing (NOAH) 2018.

Minnesota Housing completed a report on NOAH in 2018, finding Minnesota is losing 2,000 affordable rental units every year. To preserve NOAH rental units, cities may consider the use of financing tools and programs.

1. Home improvement loan programs

The affordable housing currently available in some communities may be older and in need of maintenance. To maintain or improve the condition and safety of its affordable housing stock, a city may consider providing resident home improvement loan programs. Cities may also consider making these types of funds available for manufactured homes.

LMC Handbook for MN Cities, Chapter 14, *Community Development and Redevelopment.*

Many Minnesota cities offer these programs, typically through their economic development authority (EDA) or housing redevelopment authority (HRA). Cities also often partner with nonprofit entities to administer the loan program.

RELEVANT LINKS:

2. Buyer assistance loan programs

Minnesota Housing, Homeownership.

Cities could consider home buyer assistance programs to help with the cost of purchasing a new home, including down payment assistance. With these programs, some cities have income qualifications or require participants to be first-time buyers. The Minnesota Housing Finance Agency maintains a list of Homeownership Programs in Minnesota.

Minn. Stat. § 469.012, subd. 13.

Under state law, HRAs are authorized to develop and administer down payment assistance loan and grant programs. Before enacting such a program, the HRA must find it is necessary to promote economic integration or to encourage owner occupancy of single-family residences. EDAs are also authorized to use the powers of an HRA, if granted by the city, and could also offer such programs.

3. Rental assistance

HUD – Rental Assistance.

In addition to HUD rental assistance, like Section 8 Housing Choice Vouchers (HCVs), cities can offer rental assistance programs. Many cities offer these programs through their HRAs or housing trust funds. Some offer specific programs, including programs available to households with school-age children. Some cities also offer security deposit loan programs for income-eligible applicants.

4. Local 4d affordable housing incentive programs

Minn. Stat. § 273.13, subd. 25.
Minn. Stat. § 273.128.

Minnesota Housing, Low-Income Rental Classification.

Appendix C.

Cities can address shortages in affordable housing by offering property tax breaks in exchange for keeping rental units affordable by implementing a program for certain qualifying low-income rental housing defined as Class 4d property. These programs can complement the state Low Income Rental Classification (LIRC) or 4d program administered by the Minnesota Housing Finance Agency (MHFA). Because one criterion for eligibility is that units must receive financial assistance provided by a government unit, cities can potentially expand eligible property owners by providing some type of financial assistance to private property owners. For example, some cities provide financial assistance by paying the $10-per-unit fee MHFA charges owners in the program application.

Minneapolis 4d Program.
St. Paul 4d Program.

In the cities of St. Paul and Minneapolis, property owners are required to apply to MHFA, but the city will submit on the property owner's behalf an additional application, the application fee, and a declaration on behalf of the property owner for the first year.

Steve O'Brien, Senior Housing Development Officer, 651.297.4065, Steve.OBrien@state.mn.us.

To continue 4d status, property owners must submit an annual application to MHFA and sometimes an annual report to the city. Cities should work closely with MHFA to ensure any program under consideration complements the existing 4d program.

RELEVANT LINKS:

5. Manufactured home parks

Minnesota Attorney General: Manufactured Home Parks Handbook.

Manufactured home parks present an affordable housing option for low-income residents in some communities. Cities may consider strategies in preserving existing manufactured home parks to prevent displacement of low-income families.

Because residents do not own the land where the home is placed (unless the park is a cooperative), they must relocate if the park closes or is sold. Many older manufactured homes are also not easily moved due to aging, leaving residents with no option but to transfer ownership to park owners.

To preserve affordable manufactured housing in their communities, cities may consider the following:

- Purchasing a park, improving the park's infrastructure, and either running the park or transferring ownership to residents by establishing a cooperative community.
- Purchasing a park and converting it to workforce housing.
- Developing new and specialized programs, such as an infrastructure fund, to assist with updating and maintaining park amenities.

Minn. Stat. § 327C.095.

Cities have responsibilities when manufactured home parks are closed. In the event of a manufactured home park closure, affected cities must convene a public hearing within 90 days after receiving notice of a closure statement.

Minn. Stat. § 327C.095, subd. 4.

During the public hearing, cities must:

Minnesota Management and Budget, Manufactured Home Relocation Fund.

- Determine a qualified neutral third party to act as paymaster and arbitrator to resolve any questions or disputes regarding payment to and from the Minnesota Manufactured Relocation Trust Fund.
- Determine whether any city ordinance was in effect on May 26, 2007, that provided compensation to be paid out to displaced residents from the Minnesota Manufactured Relocation Trust Fund and provide that information to the qualified neutral third party to determine the applicable amount of compensation.

Minn. Stat. § 327C.095, subd. 4.

6. Housing improvement areas

Minn. Stat. §§ 428A.11 - 428A.21.

"Housing Improvement Areas," House Research Information Brief, October 2024.

LMC Handbook for MN Cities, Chapter 24, Section VI-C, *Housing improvement areas.*

Cities may establish housing improvement areas (HIAs), defined areas in the city where improvements in condominium, townhome, or manufactured home parks are financed with the assistance of the city, the city's EDA, or its HRA. The costs of the improvements are paid in whole or in part from fees imposed in the HIA. An HIA can only be established upon petition by at least 50% of the owners of the housing units in the area. The city must then pass an ordinance with specific requirements.

RELEVANT LINKS:

7. Community land trusts

Minn. Stat. § 462A.31.

Minn. Stat. § 462A.30, subd. 4.

Community Land Trusts: A Guide for Local Governments, National League of Cities.

Cities can act as a community land trust under state law or provide funding for these trusts. Community land trusts are nonprofits that share ownership of land with homebuyers. Homebuyers pay for only the physical structure at a reduced price and enjoy the use of the land. The parties negotiate and enter into ground leases, which are leases that do not include buildings or other improvements, with an initial term of up to 99 years.

This creates more permanently affordable, owner-occupied housing in communities. Without having to pay for land, more low- or moderate-income families can afford homeownership. If homeowners decide to sell or they default on their mortgage, the trust retains the option to repurchase the homes and select another qualified household to purchase the home. If the home has appreciated in price at resale, the homeowner takes a share of price appreciation, leaving the rest, and reducing the cost to the next family or individual to buy the house.

B. Production

In addition to preserving affordable housing, cities could consider producing additional affordable housing stock in their communities.

1. Opportunity Zones

Public Law No. 115-97.

The Opportunity Zones program was established by Congress in the 2017 Tax Cut and Jobs Act. The program is a tax incentive intended as a tool to secure private investment in targeted areas with stagnant or declining economies. The program encourages long-term investor participation in the opportunity fund. If investors maintain their investment in an opportunity fund, their capital-gains tax liability is reduced over time. Additionally, investors do not pay any tax on the gains earned on the opportunity fund investment if they stay invested for at least 10 years.

An opportunity fund is established as an eligible corporation or partnership and must be certified by the U.S. Department of the Treasury. The corporation or partnership must hold at least 90% of its assets in a qualified Opportunity Zone property, which can include but is not limited to stocks of new companies, real estate, infrastructure, and housing.

For more information, see the U.S. Treasury's Opportunity Zones Resources.

Localities qualify as Opportunity Zones if they have been nominated by the state and certified by the Secretary of the U.S. Treasury. In Minnesota, there are currently 128 Qualified Opportunity Zones (QOZs) that meet program requirements. Opportunity Zones present a new tool that cities can leverage to spur investment and economic development in their communities. Cities can work with investors to shape and support projects that meet city goals in many areas, particularly affordable housing.

RELEVANT LINKS:

National Opportunity Zones Ranking Report.

DEED – Opportunity Zones.

Minn. Stat. § 462.358, subd. 11.

Cities considering attracting Opportunity Zone investment in their communities can review the study by the George Washington University Center for Real Estate and Urban Analysis, which provides specific recommendations.

Although the program is relatively new and its success uncertain, cities can consider developing strategies and leveraging partnerships to use this opportunity.

2. Inclusionary zoning/mixed income policies

Generally, an inclusionary zoning or mixed income policy is where a city requires developers include a minimum percentage of below-market-rate units in their housing developments or offers incentives for them to do so. Cities establish these programs to increase the number of affordable units in residential areas and mixed-income rental housing.

Mandatory inclusionary zoning housing programs require developers to include affordable units in their building plans as part of development approval processes. Some cities require inclusionary zoning for developments receiving city financial assistance or involving city-owned land.

Voluntary programs involve developers earning incentives like tax breaks. Some cities with inclusionary zoning ordinances offer an option for a developer to pay in lieu of creating affordable units (with the proceeds often going to a local housing trust fund) or to include affordable units in an alternative development to help the city provide affordable housing options.

a. Affordable housing as part of development applications

If a city so proposes, in approving a development application that provides all or a portion of the units for people and families of low and moderate income, the applicant may request to establish:

- Sales prices or rents for housing that is affordable to low- and moderate-income households.
- Maximum income limits for initial and subsequent purchasers or renters of the affordable units.
- Means, including, but not limited to, equity sharing, or similar activities, to maintain the long-term affordability of the affordable units.
- A land trust agreement to maintain the long-term affordability of the affordable units.

The first three of these cannot apply for longer than 20 years from the date of initial occupancy of the unit except if public financing or subsidies require a longer term.

RELEVANT LINKS:

These designations are subject to agreement between the city and the applicant.

3. Density or upzoning

Some cities have considered higher density zoning with the goal to increase the number of affordable housing units within a community.

There are a number of approaches to higher density zoning. One approach allows multi-unit housing, such as duplexes, triplexes, sixplexes, and townhomes to be built on a lot previously zoned only for single family homes. Other approaches include eliminating minimum parking and garage requirements for new developments and decreasing the minimum lot size for single family lots.

Higher density zoning may help a city increase its overall housing stock, increasing affordability for everyone. Developers may also find higher density zoning appealing, as considerations such as parking minimums and garage requirements can add to a developer's costs.

4. Accessory dwelling units

Minnesota GreenStep Cities, Best Practice Action 7.2.

Another option for cities to consider are accessory dwelling units (ADUs), which are self-contained dwellings on the same property as a single-family home. ADUs typically include granny flats, guest houses, garage apartments, or casitas. Cities may consider recognizing these units as a housing option for renters as well as property owners.

ADUs may provide an affordable housing option for those living in the unit and may provide rental income for the property owner, increasing the affordability of housing for both.

5. Tiny homes

Cities can also consider allowing for the use of "tiny homes" within the city. Tiny homes can present another affordable option for residents, as building costs can be lower than those of typical single-family homes.

Cities can consider classifying tiny homes as ADUs, meaning they share a lot with a standard home, or eliminating minimum dwelling size requirements, thus allowing tiny houses to serve as a single-family dwelling on a lot.

Minnesota Department of Labor and Industry, Tiny Houses and the 2020 Minnesota Residential Code.

Tiny houses constructed as prefabricated buildings or modular housing must comply with Department of Labor and Industry regulations governing those types of construction. They must also be designed and constructed in accordance with the Minnesota Residential Code.

RELEVANT LINKS:

Minn. R. 1360.
Minn. R. 1361.

Minnesota Department of Labor and Industry, Minnesota State Building Codes.

Tiny houses built on site are regulated by the Minnesota State Building Code and must also comply with all requirements of the Minnesota Residential Code. Tiny houses constructed as a manufactured home must comply with U.S. Department of Housing and Urban Development (HUD Code) and must be built on a permanent chassis. All on-site work is subject to the local jurisdiction's rules and to inspections under the Minnesota Residential Code.

2021 International Tiny House Provisions: Code, Commentary, and Standards for Design, Construction, and Compliance.

Tiny houses on wheels present different regulatory challenges than those built on foundations. While the latter may be an option for permanent housing, tiny houses on wheels are not required to be constructed in accordance with any of Minnesota's relevant building code provisions. Rather, they are typically constructed in accordance with ANSI standard A119.5, which is the standard for park model recreational vehicles. Park model recreational vehicles are constructed to standards intended only as temporary living quarters for "recreational, camping, or seasonal use."

Because of this, cities may want to exercise caution in allowing tiny houses on wheels, rather than prefabricated buildings or modular housing, to function as permanent residences.

Cities should keep this in mind when drafting any ordinances related to tiny homes on wheels and should consider any relevant ordinances that disallow parking or living in recreational vehicles permanently.

6. Sacred communities and micro units

Minn. Stat. § 327.30.

Beginning in 2024, the state now permits religious institutions to provide permanent housing in sacred communities with micro unit dwellings for permanent housing for people who are chronically homeless, extremely low-income, or designated volunteers. To qualify for housing, a person must be:

- Chronically homeless, defined as:
  - Is unhoused and living or residing in a place not meant for human habitation, a safe haven, or an emergency shelter; or
  - Has been unhoused and living or residing in a place not meant for human habitation, a safe haven, or an emergency shelter;
  - Has an adult head of household, or minor if no adult is present, with a diagnosable substance use disorder, serious mental illness, developmental disability, post-traumatic stress disorder, cognitive impairments resulting from a brain injury, or chronic physical illness or disability.
- Extremely low-income, defined as an income equal to or less than 30% of the area's median income, adjusted for family size, as estimated by the Department of Housing and Urban Development.

RELEVANT LINKS:

- A designated volunteer, defined as persons who have not experienced homelessness and have been approved by the religious institution to live in a sacred community as their sole form of housing.

Minn. Stat. ch. 315.

Under the law, a “religious institution” is a church, synagogue, mosque, or other religious institution organized under Minnesota Statutes chapter 315.

Minn. Stat. § 327.30.

A “sacred community” is a residential settlement established on or contiguous to the grounds of a religious institution’s primary worship location, primarily for the purpose of providing permanent housing.

Sacred communities consist of micro sites, which are mobile residential dwellings providing permanent housing withing a sacred community. A micro site must be built to the requirements of ANSI standard A119.5, which is the standard for park model recreational vehicles and has standards for heating, electrical, fire, and life safety.

Micro units must be no more than 400 square feet and built on a permanent chassis. They must also meet additional technical requirements regarding exterior materials, insulation, toilets, electrical systems, wall framing, and must include smoke and monoxide detectors. Micro units, including their anchoring, must be inspected by a licensed Minnesota professional engineer or qualified third-party inspector for ANSI compliance.

Micro units that connect to utilities, including municipal utilities, must obtain any required permits and inspections. Micro units must also comply with any municipal setback requirements established by ordinance for manufactured homes. If the municipality does not have such an ordinance, micro units must be set back on all sides by at least ten feet.

7. Purchasing tax-forfeited land for affordable housing

Minn. Stat. § 282.01, subd. 1a (d).

Cities may consider purchasing tax-forfeited land from a county board for less than market value to develop affordable housing. Nonconservation tax-forfeited lands may be sold by the county board to a city for less than market value if:

1. The county board determines that a reduced price is necessary to incentivize a city to correct blight or create affordable housing; and
2. The city has a documented specific plan for correcting blight or creating affordable housing. The city must also identify any laws that empower it to acquire the property.

Neither Minnesota statutes nor the Department of Revenue have defined what constitutes a specific plan.

RELEVANT LINKS:

Minnesota Department of Revenue: Delinquent Tax and Tax Forfeiture Manual.

The Department of Revenue states that the county "therefore has discretion as to what is specific, reliable, or extensive enough to meet this requirement. At a minimum, the plan must be in writing and describe with some specificity the intentions for the land."

C. Preserve or produce

Cities have tools to preserve existing affordable housing and produce additional affordable housing units.

1. Housing and redevelopment authorities

LMC Handbook for MN Cities, Chapter 14, Section II-B, *Housing and redevelopment authorities*.

An HRA is a public corporation with the power to undertake certain housing and redevelopment or renewal activities. State statute authorizes cities to create HRAs. However, city councils must formally establish an HRA before it can do business and use its powers. Once a council establishes an HRA, it may undertake some planning and community development activities on its own without council approval.

Minn. Stat. § 469.012.

An HRA is primarily responsible for the planning and implementation of redevelopment and affordable housing assistance programs within its area of operation. An HRA's powers relating to housing include, but are not limited to:

- Providing for the construction, reconstruction, improvement, extension, alteration, or repair of any project or part of a project.
- Selling, buying, owning, and leasing property, including through the power of eminent domain.
- Accepting financial assistance from state and federal programs.
- Making recommendations to the city regarding code enforcement relating to residential structures being rehabilitated by low- or moderate-income persons.
- Issuing bonds.
- Implementing renewal or redevelopment programs using tax increment financing.
- Designating substandard, slum, or deteriorating areas needing redevelopment.
- Developing and administering an interest reduction program to assist the financing of the construction, rehabilitation, or purchase of low- or moderate-income housing.

Minn. Stat. § 469.033, subd. 6.

Cities can use HRA funds to establish various affordable housing initiatives, such as home improvement and first-time homebuyer loan programs. Cities can also impose additional property tax levies to support affordable housing measures through the city's HRA. If the city council consents by resolution, an HRA may levy a tax upon all taxable property within the city, which may further the city's housing goals.

RELEVANT LINKS:

2. Local housing trust funds

Minn. Stat. § 462C.16.

Cities have authority to establish a local housing trust fund (LHTF) by ordinance or to participate in a joint powers agreement to establish a regional housing trust fund. Funds may only be used to:

Minnesota Housing Partnership: Local Housing Trust Fund Manual for Minnesota.

- Make grants, loans, and loan guarantees for the development, rehabilitation, or financing of housing.
- Match other funds from federal, state, or private resources for housing projects.
- Provide down payment assistance, rental assistance, and homebuyer counseling services.

LMC Handbook for MN Cities, Chapter 14, Section III-G, *Housing trust funds.*

LHTFs offer cities a flexible tool to respond to local housing needs. A city may finance its LHTF with any money available to local government unless expressly prohibited by state law. This includes donations, bond proceeds, grants and loans, city appropriations, investment earnings by the fund, and HRA levies.

3. Tax increment financing

Minn. Stat. §§ 469.174 - .179.
LMC Handbook for MN Cities, Chapter 14, Section III-E, *Tax increment financing (TIF).*

Tax increment financing (TIF) is a financing tool available to (1) cities with HRAs, EDAs, port authorities, or redevelopment agencies; (2) cities administering development districts or development projects; and (3) cities exercising port authority powers under a general or special law.

TIF segregates certain tax dollars from a defined area in the city, or from a workforce housing project, for use in developing and improving the area.

Minn. Stat. § 469.176, subd. 4d.

Minnesota House Research Department: Housing TIF Districts.

Minn. Stat. § 469.1761, subd. 1(a)(2).

Specific rules apply to TIF districts designed to provide low- and moderate-income housing. Up to 20% of the total square footage of improvements may be used for purposes like commercial developments, such as office or retail space or occupancy by individuals who do not meet the definition of low- and moderate-income housing. Cities may collect increments for 25 years after the date of receipt of the first increment.

Cities considering TIF should consult applicable financial and legal professionals well-versed on the subject, as TIF requires extensive planning, implementation, and reporting.

4. Tax abatement

Minn. Stat. §§ 469.1812 - .1815.

LMC Handbook for MN Cities, Chapter 24, Section III-E, *Tax abatement.*

Cities can authorize the issuance of bonds to be paid back with the funds collected by tax abatements in exchange for designating affordable units or to encourage new development of single-family homes. A city may use this to segregate some or all the taxes (or the increase in taxes) it imposes on a parcel of property if the city expects the benefits of the proposed abatement agreement to equal at least the costs of the proposed development.

The term "abatement" is misleading, as the tax is not forgiven or abated. The tax is paid normally, but the amount of property tax levied by the city is used to pay for the bonds.

Tax abatement reduces the amount of taxes owed for a specific period, which may translate to lower-cost units and may increase the city's affordable housing stock.

5. Comprehensive plans

Cities may want to consider adding specific affordable housing preservation and production strategies and goals to their comprehensive plans.

LMC Handbook for MN Cities, Chapter 13, Section I-A, *Comprehensive planning and planning commissions.*

A comprehensive plan is an expression of the community's vision for the future and a strategic map to reach that vision. Although comprehensive planning is not mandatory in cities outside the seven-county metropolitan area, many cities recognize that comprehensive plans are an important tool to guide the future development of land.

Metropolitan Council: Housing Plan Elements.

To develop the city's housing plan, cities should assess the existing housing stock and determine housing needs. Cities may also forecast household growth to determine future housing needs. These steps will give the city the information it needs to plan effective implementation strategies. Cities in the seven-county metropolitan area are required to include these specific affordable housing elements in their comprehensive plan.

IV. Landlord-tenant issues

Minnesota Attorney General: Landlords and Tenants Handbook.

Issues may arise between renters and landlords that require city involvement. Although cities typically do not play a role in disputes between landlords and tenants, there are some ways cities can get involved to maintain affordable rental housing options for their residents.

A. Rental housing habitability

LMC information memo, *Dangerous Properties,* Section VII, Tenant remedies action.

Cities are required to enforce health, housing, and building maintenance codes. If landlords do not maintain rental property in a safe or sanitary manner, it may be difficult to maintain the community's habitable affordable housing, which will adversely affect tenants. Cities can adopt ordinances addressing rental property habitability and bring actions against a landlord.

Minn. Stat. § 504B.395, subds. 1, 2.

If a landlord is in violation of health, safety, housing, building, fire prevention, or housing maintenance codes, the city has specific statutory authority to bring an action in district court and request a remedy on the tenant's behalf.

B. Tenant protection ordinances

RELEVANT LINKS:

Some Minnesota cities have enacted ordinances relating to the sale of affordable rental housing, establishing notice of sale to tenants, and providing relocation assistance for displaced tenants. These ordinances aim to provide stability for residents renting affordable units by requiring landlords to notify tenants and the city before a building with affordable units is sold. The ordinance may also require landlords to provide relocation assistance to tenants forced to move out of their apartments due to rent increases by new owners. Cities may apply these requirements based on unit price and area median income.

V. Partners and programs

Cities can spur affordable housing growth by using programs, loans, and development opportunities available through the state and federal governments. Cities could also consider partnering with developers and nonprofits to leverage their expertise in the areas of affordable housing issues and homelessness.

A. Government partners and funding

Several state and federal governmental entities manage a variety of programs designed to promote affordable housing. Cities are eligible to participate in and facilitate many of these programs.

Appendices A-E.

See this memo's appendices for specific state and federal programs and services that provide funding for housing initiatives.

Appendices A-C.

Minnesota Housing Finance Agency, 400 Wabasha Street North, Suite 400 Saint Paul, MN 55102; (651) 296-7608.

"State-Funded Minnesota Housing Finance Agency Programs," House Research Information Brief, May 2022.

1. Minnesota Housing Finance Agency (MHFA)

The MHFA administers programs designed to promote affordable housing statewide, including:

- Loans and grants to create and maintain affordable housing.
- Short-term rental subsidies for at-risk populations.
- Education and training about homeownership.
- Statewide coordinated services, particularly to address homelessness.
- Distribution of federal tax credits for housing.

Cities, HRAs, and public housing authorities (PHAs) can apply directly for MHFA funding and facilitate MHFA-funded projects.

Appendix D.

2. Minnesota Department of Employment and Economic Development (DEED)

The Minnesota Department of Employment and Economic Development (DEED) is the primary economic development agency for Minnesota.

RELEVANT LINKS:

Minnesota Department of Employment and Economic Development, 180 E 5th St., Suite 1200, Saint Paul, MN 55101; (651) 259-7114.

DEED is responsible for a wide range of grant and loan programs and providing technical assistance to businesses and communities.

3. Governor's Task Force on Housing

"More Places to Call Home: Investing in Minnesota's Future," Report of The Governor's Task Force on Housing (August 2018).

In December 2017, former Gov. Mark Dayton convened a nonpartisan group of housing advocates and experts from across Minnesota to develop solutions to help alleviate Minnesota's housing challenges and connect more families with places to live.

In August 2018, the task force released its report with 30 recommended action steps for public, private, nonprofit, and neighborhood efforts aimed at improving the state's housing challenges. The report includes six overarching goals:

- Commit to homes as a priority.
- Preserve the homes we have.
- Build more homes.
- Increase home stability.
- Link homes and services.
- Support and strengthen homeownership.

Several recommendations specifically affect cities. Therefore, cities should consider reviewing the report's recommendations as part of their efforts to address affordable housing and issues of homelessness.

Appendix E.

4. U.S. Department of Housing and Urban Development (HUD)

U.S. Department Housing and Urban Development – Minneapolis Field Office 212 Third Avenue South, Suite 150, Minneapolis, MN 55401; (612) 370-3000.

HUD administers programs that provide housing and community development assistance. The department also works to ensure fair and equal housing opportunity for everyone.

Appendix E.

5. U.S. Department of Agriculture (USDA)

Minnesota Rural Development State Office – 375 Jackson Street, Suite 410 St. Paul, MN 55101; (651) 602-7800.

USDA provides developers with loans and grants to construct and renovate rural multifamily housing complexes.

Eligible organizations include local and state governments, nonprofit groups, associations, nonprofit private corporations and cooperatives, and Native American groups.

RELEVANT LINKS:

B. Nonprofit partners

Cities with housing shortages may want to consider leveraging the experience and resources of housing nonprofits.

Several Minnesota nonprofits and foundations have funds available for affordable housing and NOAH preservation. Some nonprofits partner with cities to put together financing to preserve and create affordable housing. Cities also partner with nonprofits to run their housing programs, such as home buyer loan assistance or home improvement loan programs.

LMC Research Department, 651-281-1200 or 800-925-1122 or research@lmc.org.

If your city is looking to partner with a nonprofit for housing-related issues or would like examples of nonprofit financial assistance, please contact the LMC Research Department.

VI. Homelessness and unsheltered individuals

Cities can develop strategies, create partnerships, and leverage resources with private and public entities to address homelessness. Across the state, shortages in affordable housing, inadequate shelter facilities, and rising rents have exacerbated the prevalence of homelessness. Homelessness presents a statewide issue, demonstrating the need for cities in both rural and urban communities to find solutions for their communities.

Minnesota Housing: Preventing and Ending Homelessness.

Minnesota Interagency Council on Homelessness: Heading Home Together: Minnesota's Plan to Prevent and End Homelessness.

In 2014, a state plan was created to prevent and end homelessness. An action plan approved by the Minnesota Interagency Council on Homelessness for 2016-2017 set a goal of producing 5,000 units of affordable and supportive housing by 2020. MHFA is the lead state agency responsible for implementing this goal, in collaboration with its funding partners.

National Alliance to End Homeless*ness*, Housing First.

National trends indicate cities with a strong governing body managing its response to homelessness typically are more successful in reducing it.

National Coalition for the Homeless, Homelessness in America.

Additionally, cities nationally have made more progress in reducing homelessness using a "Housing First" approach. According to the National Alliance to End Homelessness, the Housing First model prioritizes providing permanent housing to people experiencing homelessness. The idea is that ending an individual's homelessness and providing secure housing allows them to then work to improve their quality of life, like getting a job, budgeting properly, or attending to substance use issues. According to the National Coalition for the Homeless, the leading causes of homelessness include:

- Lack of affordable housing.
- Poverty (influenced by the lack of employment opportunities and the decline in available public assistance).
- Lack of affordable health care.

RELEVANT LINKS:

- Domestic violence.
- Mental illness.
- Addiction.

Because it is one of the leading causes of homelessness, cities should consider ensuring there is sufficient affordable housing stock to meet the demand of low-income households in their community.

City of Grants Pass, Oregon v. Johnson, 144 S. Ct. 2202 (2024).

In 2024, the United States Supreme Court ruled that a Grants Pass, Oregon ordinance banning camping in public places was not unconstitutional, even when it imposed criminal penalties on unhoused individuals for sleeping out of doors when no indoor shelter was available. The ruling means that a city may pass ordinances, or enforce existing ones, that criminalize sleeping or camping outdoors in public spaces even if the city lacks adequate shelter space. However, such ordinances must apply equally to everyone and cannot be targeted at unhoused individuals specifically.

A. Stakeholder involvement

Cities may also want to consider partnering with various external stakeholders to address the needs of people experiencing homelessness in their community. Other community agencies, service providers, nonprofits, shelters, faith groups, and navigation centers can provide valuable expertise to cities in policymaking.

1. Continuums of care

Appendix E.

HUD originated the Continuum of Care (CoC) program. CoCs are the regional or local planning body that coordinates housing and services funding for unsheltered families and individuals. CoCs collect and report data about homelessness that is used in planning services and securing resources. HUD publishes funding awards, recent reports, jurisdiction maps, and websites for each of Minnesota's CoCs.

HUD Exchange - Find a Grantee.

2. Community action agencies

Minnesota Community Action Partnership, Local Agencies.

In Minnesota, there are 24 Community Action Agencies and 11 Tribal Nations serving all counties in the state. These groups offer services for people facing poverty, including homelessness prevention and housing assistance. Their explicit goal is to help people move toward economic independence, growth, well-being, and opportunity.

3. Counties

County commissioners and staff play a critical role in regional and local responses to homelessness.

RELEVANT LINKS:

Specifically, county public health and human services departments work to address the social and environmental factors that impact health and offer programs and services that help residents be healthy.

Cities may want to consider involving their county's health department in their housing efforts.

4. Housing authorities

HUD Exchange – Housing Authorities.

Housing authorities provide rental housing for eligible low-income families, the elderly, and persons with disabilities. They administer the Housing Choice voucher program (Section 8), own and manage apartments and homes, and help veterans experiencing homelessness to secure housing and services.

5. Shelter and service providers

Cities may also partner with community nonprofits, population specific organizations, culturally specific organizations, shelters, faith groups, and navigation centers to address homelessness in their community. Connecting with trusted and credible organizations serving specific groups can assist with meeting the needs of all people in your community.

B. Encampments

City of Grants Pass, Oregon v. Johnson, 144 S. Ct. 2202 (2024).

In 2024, the United States Supreme Court ruled that a Grants Pass, Oregon ordinance banning camping in public places was not unconstitutional, even when it imposed criminal penalties on unhoused individuals for sleeping out of doors when no indoor shelter was available. The ruling means that a city may pass ordinances, or enforce existing ones, that criminalize sleeping or camping outdoors in public spaces even if the city lacks adequate shelter space. However, such ordinances must apply equally to everyone and cannot be targeted at unhoused individuals specifically.

VII. Further assistance

LMC Research Department, 651-281-1200 or 800-925-1122 or research@lmc.org.

Due to the complexity of housing issues and the variety of approaches in addressing these issues, cities should work with their city attorneys to draft and review any policies or ordinances. The LMC Research Department can also provide legal research, sample ordinances and policies, and practical examples of strategies from other Minnesota cities.

Appendices Introduction

These appendices summarize state and federal programs and services that provide funding for housing initiatives. The information in these appendices, particularly information regarding new programs, is subject to change depending on agency priorities, funding, and program management. Consult with each state agency to verify program regulations.

Programs marked with two asterisks (**) are new programs passed during the 2024 legislative session and received funding. These programs will need to be established by state agencies and may not have application materials or additional information available at this time.

The following are acronyms and terms used in these appendices:

AMI	Area Median Income, as determined by HUD
CLT	Community land trust
Consolidated	Refers to MHFA's consolidated RFP process (multifamily or single family)
DEED	Minnesota Department of Employment and Economic Development
HRA	Housing and Redevelopment Authority
HUD	U.S. Department of Housing and Urban Development
JPB	Joint powers board
MHFA	Minnesota Housing Finance Agency
PHA	Public housing agency
RFP	Request for Proposals, a formal application process administered by MHFA
Separate	Refers to an RFP process administered by MHFA, but separate from its consolidated RFP processes
Revenue	Minnesota Department of Revenue
USDA	U.S. Department of Agriculture

Appendix A: MHFA grant and loan programs

Program	Description	Eligible City Entities	RFP Process	Statute(s)
Housing infrastructure bonds (HIBs) and appropriations (HIAs)	Construction, acquisition, and rehabilitation of qualified permanent supportive housing, multi-family housing for households with incomes at or below 50% AMI, senior housing (55+), federally assisted housing, and affordable single-family homeownership.	City, HRA, PHA	Consolidated	Minn. Stat. § 462A.37.
Housing Infrastructure funding	$100,000,000 appropriated in fiscal year 2024 and $100,000,000 in fiscal year 2025 to be used for the same purposes allowable as housing infrastructure bonds under Minn. Stat. § 462A.37 including the construction, acquisition, and rehabilitation of qualified supportive housing, multi-family housing, senior housing, federally assisted housing, and affordable single-family housing. This is a onetime appropriation.	City, HRA, PHA	Consolidated	2023 Minn. Laws ch. 37, art. 1, § 2, subd. 17.
Publicly Owned Housing Program (POHP)	Also called Public Housing Rehabilitation. Deferred loans with or without interest to eligible local units of government to construct, acquire, or rehabilitate low-income rental housing financed by the federal government and publicly owned. Funded via state general obligation (GO) bonds, the program only pays for nonrecurring capital costs that add value or life to the buildings.	HRA, PHA	Separate	Minn. Stat. § 462A.202.
Public Housing Rehabilitation*	Onetime funding in fiscal year 2024 for rehabilitation to preserve public housing under Minn. Stat. § 462A.202, subd. 3a, which includes housing for low-income persons financed by the federal government and publicly owned or housing that has been repositioned under the federal Rental Assistance Demonstration or similar program.	PHA	Separate	2023 Minn. Laws ch. 37, art. 1, § 2, subd. 34.
Economic Developmental and Housing Challenge (EDHC)	Funds the construction, purchase, financing, and redevelopment of single-family homes and multifamily rental properties with deferred loans. Primary source of workforce housing and has a specific goal of enhancing economic development. Assistance given through an RFP process, with preference for projects with nonstate resources invested, and no maximum loan amount. Owner/tenant income limit is 115% AMI for homes, and 80% AMI for rentals; these are some of the most generous limits for a MHFA program.	City, JPB, PHA	Consolidated	Minn. Stat. § 462A.33.
Supportive Housing, including the Housing Trust Fund (HTF)	Grants to cover the costs of operating supportive housing. The construction, acquisition, and rehabilitation of supportive housing is funded through HIBs and HIAs.	HRA, PHA	Consolidated	Minn. Stat. § 462A.201. Minn. Stat. § 462A.37.

Workforce and Affordable Homeownership Development Program	Provides one-time grants to selected community partners and nonprofit organizations for the development of workforce and affordable homeownership projects across Minnesota. The funds will serve households up to 115% of area median income and will be used for new construction and acquisition, rehabilitation and resale of single-family homes.	City, HRA, PHA, JPB	Consolidated and Separate	Minn. Stat. § 462A.38.
Greater Minnesota Workforce Housing Development Program	Provides grants and deferred loans for market rate workforce housing in greater Minnesota, with a 50% local match requirement. Preference for communities with populations under 30,000. No tenant income limits. Must be working with developer. Must have a viable proposal for the development of a market rate residential property, can include mixed income.	City - Small and medium-sized in Greater Minnesota, JPB	Separate	Minn. Stat. § 462A.395.
Low-Income Housing Tax Credit (HTC)	Awards and allocates federal tax credits to owners of qualified affordable rental housing projects. These HTCs, which offer a 10-year reduction in federal tax liability, are sold to investors in exchange for capital to build eligible affordable rental housing units in new construction, rehabilitation, or acquisition with rehabilitation. MHFA offers two types of HTCs: 9% and 4% with Tax-Exempt Volume-Limited Bonds. Upon receipt of an application, MHFA will notify jurisdiction where the proposed project is planned.		Consolidated	Minn. Stat. § 462A.222.
Minnesota City Participation Program (MCPP)	The Minnesota City Participation Program (MCPP) uses the Tax Exempt Bond Housing Pool Allocation authorized by the Office of Minnesota Management and Budget (MMB) to enable communities throughout the state to efficiently provide first-time homebuyer loans in their community without the administrative burden of running their own bond program. In addition to the administrative support Minnesota Housing provides it also provides marketing and reporting support to all participating communities. First-time homebuyers access the program through their local lenders and, in addition to a first mortgage, have access to downpayment and closing cost assistance if needed. This down payment assistance is in the form of an interest free deferred payment loan of up to $18,000. The application period for communities to participate is open each year from Jan. 2 to Jan. 15.	City	Separate	Minn. Stat. § 474A.061.

Preservation Affordable Rental Investment Fund (PARIF)	Also called Affordable Rental Investment; Preservation. Deferred loans for the repair, rehabilitation, acquisition, debt restructuring, and stabilization of federally-assisted rental housing at risk of aging out of a federal program. In exchange for the loan, the owner agrees to extend the existing federal affordability protections for the maximum term permitted and to give local entities the right of first refusal to buy the property. There is no maximum loan amount.	City, JPB, PHA	Consolidated	Minn. Stat. § 462A.05, subds. 3b and 39. Minn. Stat. § 462A.21, subd. 8b.
Manufactured Home Community Redevelopment Program	Grants fund infrastructure improvements or the acquisition of manufactured home parks. It addresses the needs of aging manufactured home communities around the state and prioritizes projects based on health, safety and critical need improvements. The program also prioritizes projects that leverage support from local municipalities or projects converting a community to a cooperative ownership model.	City and HRA home park owners	Separate	Minn. Stat. § 462A.2035.
Rental Rehabilitation Deferred Loan (RRDL)	Deferred no-interest loans to make health and safety improvements to existing affordable rental housing in greater Minnesota. Loan term is typically 20 years, with partial forgiveness possible at maturity, maximum loan is $50,000 per unit or $700,000 per project. Tenant income limit is 80% of AMI.	City, JPB, PHA	Separate	Minn. Stat. § 462A.05, subd. 14. Minn. Stat. § 462A.33.
Owner-occupied Housing Rehabilitation Program	Loans to persons and families of low and moderate income to rehabilitate or to assist in rehabilitating existing residential housing owned and occupied by those persons or families.	HRA	Through Lenders	Minn. Stat. § 462A.05, subd. 14a.
Supportive housing	Funds shall be used to cover costs needed for supportive housing to operate effectively. Funds may be provided to support existing permanent supportive housing units or to cover costs associated with new permanent supportive housing units. Funds may be used to create partnerships with the health care sector and other sectors to demonstrate sustainable ways to provide services for supportive housing residents, improve access to health care, and reduce the use of expensive emergency and institutional care. This may be done in partnership with other state agencies.	Cities	Separate	Minn. Stat. § 462A.42.
First-Generation Homebuyers Down Payment Assistance	Provides loans to homebuyers to purchase a one- to four-unit home, including manufactured homes. The assistance is limited to the greater of ten percent of the purchase price of a home or $32,000 per eligible first-generation homebuyer household.		Through Lenders	Minn. Stat. § 462A.41.

Local Housing Trust Fund grants**	Matching grants allowing cities and counties to receive a grant amount equal to 100% of public revenue committed to a local housing trust fund up to $150,000 and an amount equal to 50% of public revenue committed to a local housing trust fund between $150,000 and $300,000. Must utilize funding within 8 years of receipt or return funds to MHFA. Funds must benefit households with incomes at or below 115% of the state median income. This is a onetime appropriation.	Cities with local housing trust funds established under Minn. Stat. § 462C.16	Separate	2023 Minn. Laws ch. 37, art. 1, § 2, subd. 21.
Greater Minnesota Housing Infrastructure Grant Program**	Provides up to 50% of eligible project costs to support cities outside the seven-county metro area by defraying the cost of infrastructure necessary to support residential development.	Cities	Separate	Minn. Stat. § 462A.395.
Community Stabilization Program**	Provides grants or loans for the purpose of acquisition, rehabilitation, interest rate reduction, or gap financing of housing to support the preservation of naturally occurring affordable housing. Priority in funding shall be given to proposals that serve lower-income households and maintain longer periods of affordability.	Cities, CLT	Separate	2023 Minn. Laws ch. 37, art. 2, § 6.
State Housing Tax Credit Program and Contribution Fund	Eligible Minnesota taxpayers can contribute to the fund and receive a state tax credit. The tax credit equals 85% of the amount the taxpayer contributed to the fund during the taxable year. The minimum single contribution amount is $1,000 and the maximum is $2 million. The maximum aggregate amount of tax credits allowed to all eligible contributors is $9,900,000 annually. This program includes no state appropriation and relies on private contributions. Eligible uses of funds include gap financing for new construction, acquisition, rehabilitation, demolition or removal of existing structures, construction financing, permanent financing, interest rate reduction, and refinancing.	Cites, HRA	Separate, Consolidated	Minn. Stat. § 462A.40. Minn. Stat. § 290.0683.
Lead Safe Homes Grant Program**	One-time funding in fiscal year 2024 for the lead safe homes grant program to provide grant funding to support making homes safer through lead testing and hazard reduction.	City	Separate	2023 Minn. Laws ch. 37, art. 2, § 5.

Appendix B: MHFA rental assistance programs

Program	Description	Eligible City Entities	RFP Process	Statute(s)
Bridges	Also called Rental Assistance for Mentally Ill. Rental assistance grants for people with serious mental illnesses and their families, allowing them to live in an integrated community setting until permanent housing becomes available. Program is administered by local housing organizations. Recipients pay 30 percent of their income for rent while on the waiting list for a permanent housing subsidy. Tenant income limit is 50% of AMI. Application must also include a partnership with a Local Mental Health Entity (LMH Entity) that will collaborate with the Housing Agency to implement the program.	HRA	Separate	Minn. Stat. § 462A.2097.
Family Homeless Prevention and Assistance Program (FHPAP)	Short-term assistance to families and individuals at risk of homelessness in the form of rent or mortgage assistance (usually three months or less), case management, and support services. Goal is to keep people in their current housing, and data indicates the program is very effective at keeping people out of shelters, with only 6 percent returning within a year. Funds are distributed through an RFP process to counties and tribal nations, as well as nonprofits in greater Minnesota, with no more than 10 percent for administration, and approximately half of the rest to cash assistance, half to support services.	Metro Counties	Separate	Minn. Stat. § 462A.204.
Housing Trust Fund (HTF)	Rental assistance to households with a gross annual income up to 60% AMI, with priority for those at 30% AMI.	City, JPB, PHA	Separate	Minn. Stat. § 462A.201.
Statewide Rental Assistance Program	Grants to program administrators to provide rental assistance for eligible households. For both tenant-based and project-based assistance, program administrators shall pay assistance directly to housing providers. Rental assistance may be provided in the form of tenant-based assistance or project-based assistance.	HRA	Separate	Minn. Stat. § 462A.2095.

Appendix C: MHFA other programs

Program	Description	Eligible City Entities	RFP Process	Statute(s)
Low-Income Rental Classification (LIRC)/State 4d(1) Program	Owners of low-income rental property (commonly known as 4d(1)) may receive property tax reductions from the state if they agree to keep 20% or more of their rental units affordable. The rental units must be Project Based Section 8; Low-Income Housing Tax Credits; rental assistance units financed through Rural Housing Service of USDA; or rent and income restrictions at or below 60% AMI under the terms of financial assistance provided to the rental housing property by state, federal, or local unit of government, as evidenced by a document recorded against the property. Units must be occupied by residents whose household income at the time of initial occupancy does not exceed 60% of the greater of area or state median income, adjusted for family size, as determined by HUD. The rents for assisted units also must not exceed 30% of 60% of the greater of area or state median income. Units are eligible if they receive financial assistance provided by a city. To expand the types of eligible properties for MHFA's 4d(1) program, some cities offer financial assistance to allow rental property owners to apply for the program. Owners must spend the savings due to receiving 4(d)1 on the eligible uses defined in the statute. For cities where the net tax capacity of all properties with the 4d(1) tax classification exceeds 2% of the city's total net tax capacity in the prior assessment year, the owner must receive a resolution from the city approving their LIRC application before the application is submitting to MHFA.	Cities can cover the $10-per-unit fee MHFA charges owners in the program application. This allows properties that do not receive most types of subsidies, such as private owners, the ability to preserve a city's available affordable housing units in exchange for property tax reductions on affordable rental units.	N/A	Minn. Stat. § 273.13, subd. 25. Minn. Stat. § 273.128.
Homeownership Education, Counseling, and Training (HECAT)	Provides training, counseling, and education to new homebuyers, those considering refinancing, and those at risk of foreclosure. Funds distributed through an RFP process to organizations providing these services.	City, HRA	Separate	Minn. Stat. § 462A.209.

Family Homeless Prevention and Assistance Program (FHPAP)	Short-term assistance to families and individuals at risk of homelessness in the form of rent or mortgage assistance (usually three months or less), case management, and support services. Goal is to keep people in their current housing, and data indicates the program is very effective at keeping people out of shelters, with only 6 percent returning within a year. Funds are distributed through an RFP process to counties and tribal nations, as well as nonprofits in greater Minnesota, with no more than 15% for administration, and approximately half of the rest to cash assistance, half to support services.	Counties	Separate	Minn. Stat. § 462A.204.

Appendix D: Other state agency programs

Program	Agency	Description	Eligible City Entities	Statute(s)
Local Affordable Housing Aid	MHFA/Revenue	Helps metropolitan local governments develop and preserve affordable housing within their jurisdictions to keep families from losing housing and to help those experiencing homelessness find housing. MHFA handles program reporting and Revenue distributes payments.	Metro Cities with a population over 10,000.	Minn. Stat. § 477A.35.
Statewide Affordable Housing Aid	MHFA/Revenue	Provides aid to counties, tribal nations and greater Minnesota local governments to develop and rehabilitate affordable housing. Includes a grant program for small cities not qualifying for aid. Provides that cities outside the seven-county metro with populations over 10,000 will receive a proportionate share of the amount of money available to cities based on each city's number of cost-burdened households. Includes a grant program with the Minnesota Housing Finance Agency for cities with populations under 10,000. MHFA handles program reporting and discretionary grants, and Revenue distributes payments.	Greater MN Cities.	Minn. Stat. § 477A.36.
Small Cities Development Program	DEED	Helps cities and counties with funding for housing, public infrastructure and commercial rehabilitation projects.	Cities with a population under 50,000. Joint community applications are eligible.	Minn. R. 4300.

Appendix E: Federal agency programs

Program	Agency	Description	Statute(s)
Community Development Block Grant (CDBG) Programs	HUD	Provides annual grants on a formula basis to local government units and states. Four CDBG program areas may provide resources for Minnesota city housing needs: (1) CDBG Entitlement Program - provides annual grants on a formula basis to entitled cities and counties. The grants develop viable urban communities by providing decent housing, a suitable living environment, and expand economic opportunities for low- and moderate-income persons. (2) Section 108 Loan Guarantee Program - is the loan guarantee provision of the CDBG Program. It provides communities a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. (3) State CDBG Program - allows states to award grants to smaller units of general local government. The grants develop and preserve decent affordable housing by providing services to the most vulnerable in our communities and creating and retaining jobs. (See Appendix D). (4) Pathways to Removing Obstacles to Housing (PRO) - Grantees may use awards to further develop, evaluate, and implement housing policy plans, improve housing strategies, and facilitate affordable housing production and preservation. Eligible applicants are local and state governments, metropolitan planning organizations (MPOs), and multijurisdictional entities.	42 U.S.C. § 5301 et seq. 42 U.S.C. § 5308. 24 C.F.R. § 570.702. 24 C.F.R. § 570.703. Minn. R. 4300.
HOME Investment Partnerships Program (HOME)	HUD	Allows states and local governments to fund grants, direct loans, loan guarantees or other forms of credit enhancements, or rental assistance or security deposits. With this program, local governments often partner with local nonprofit groups to fund activities like building, buying, and/or rehabilitating affordable housing for rent or homeownership, or providing direct rental assistance to low-income families.	42 U.S.C. § 12741 – 12756.
Emergency Solutions Grants (ESG) Program	HUD	Focuses on assisting people to quickly regain stability in permanent housing after experiencing a housing crisis and/or homelessness. Generally, metropolitan cities are eligible to receive funds, but other cities may also receive funds from the state or urban counties as subrecipients. Cities may subgrant ESG funds to private nonprofit organizations, public housing agencies, and local redevelopment authorities. Metropolitan city recipients must match grant funds with an equal amount of contributions, which may include cash, donated buildings or materials, and volunteer services.	24 C.F.R. § 576.2. 24 C.F.R. § 576.101. 42 U.S.C. § 5302(a).
Multifamily Housing Direct Loans	USDA	Provides competitive financing for affordable multi-family rental housing for low-income, elderly, or disabled individuals and families in eligible rural areas. Most state and local governmental entities are eligible. Funds may be used for construction, improvement, and purchase of multi-family rental housing for low-income families, the elderly and disabled individuals is the primary objective for this program.	7 C.F.R. § 3560.
Housing Preservation Grants	USDA	Provides grants to sponsoring organizations for the repair or rehabilitation of housing owned or occupied by low- and very-low-income rural citizens. Most State and local governmental entities with 20,000 or fewer people are eligible.	7 C.F.R. § 1944 Subpart N.

Rural Community Development Initiative Grants	USDA	RCDI grants are awarded to help non-profit housing and community development organizations, low-income rural communities and federally recognized tribes support housing, community facilities and community and economic development projects in rural areas. Funds may be used to improve housing, community facilities, and community and economic development projects in rural areas. Grants may be used for, but are not limited to: Training sub-grantees to conduct: 1. Home-ownership education. 2. Minority business entrepreneur education. Providing technical assistance to sub-grantees on: 1. Strategic plan development. 2. Accessing alternative funding sources. 3. Board training. 4. Developing successful childcare facilities. 5. Creating training tools, such as videos, workbooks, and reference guides. 6. Effective fundraising techniques.	2 C.F.R. § 200.