



## Minnesota Housing Challenge Fund: Creating Jobs, Revenues, and Housing

The Challenge Program is the primary vehicle for creating new housing affordable to lower income households throughout Minnesota. This flexible program provides deferred loans which can be used to acquire and rehabilitate, newly construct, or refinance rental or ownership housing.

### **The Housing Challenge Fund builds and repairs housing for families AND Minnesota's economy.<sup>1</sup>**

An investment of \$1 million in Minnesota Housing's Challenge Fund leverages \$5.6 million; together this investment generates<sup>2</sup>:

- 40 units of housing affordable to families
- 47 jobs through direct spending in the first year
- \$16 million in spending and \$8.8 million in wages over 5 years
- \$1.1 million in tax revenues, including \$720,000 in state revenues

Much of the economic activity occurs in the first year.

### **The Housing Challenge Fund is flexible and can be used to meet the changing needs for housing in an environment in flux.**

- The Challenge Fund is well-suited to address foreclosure in local communities. While federal foreclosure dollars are restricted to areas of highest foreclosure need, Challenge dollars can be used to meet specific and diverse community needs statewide.
- Challenge dollars can be used for rental, ownership, new construction, and rehab of existing units. With a housing market in flux, this flexibility is essential to meeting needs as they evolve.
- The Challenge Fund is equipped to meet rising rental demand.

### **FUND HOUSING TO FIX THE ECONOMY**

The Governor's proposed budget reduces the Housing Challenge Fund by \$23.5 million in comparison to the 2008-09 budget, a 69% reduction. If this funding were restored and recent leverage patterns continue, in five years the state would realize<sup>2</sup>:

- 940 additional affordable homes,
- \$371 million pumped into the economy, and
- \$206 million in wages paid to Minnesotans.

Within five years, 72% of the state's investment would be repaid in state tax revenues.

## **The Housing Challenge Fund creates the incentive for private partnerships and other economic leveraging.**

- Each dollar invested through the Challenge Program in new construction leverages 5 to 6 dollars in non-state funds.<sup>3</sup>
- The Challenge Fund optimizes contributions from non-state resources and serves as the primary source of funding for deferred loans utilized in federal tax credits projects. Deferred loan financing is essential to using all of the federal tax credits allocated to the state.

## **The Housing Challenge Fund is used across the state in both the Twin Cities metro and in communities all throughout Greater Minnesota.**

- In 2008 the Housing Challenge Program helped finance construction or rehab of over 1,300 units of affordable housing.
- Greater Minnesota communities such as Moorhead, St. Cloud, Pipestone, and Faribault benefited from the use of Challenge funds.
- Metro area projects that rely on the Challenge Fund include the Humboldt Greenway, Old Third Townhomes, and Longfellow Station Flats in Minneapolis, the City Living project in Saint Paul, and developments in Oakdale and Roseville, among many others.

<sup>1</sup>“Housing as a Lever for Economic Recovery”, Donjek Inc., Feb. 2009; “The Economic Impact of Minnesota’s Housing Investment”, MHFA, Jan. 2009; “Housing Trends in Minnesota” Minnesota Housing Partnership, Jan. 2009. Available online at [www.mhponline.org](http://www.mhponline.org).

<sup>2</sup> Application of Donjek and MHFA reports to a Challenge Fund investment of \$1 million in 40 new units at \$25,000 per unit. This investment is assumed to leverage 5.6 times this amount (\$140,000/unit) to produce units worth \$165,000. This leveraging is based on recent funding patterns for Challenge. Analysis includes economic impact over five years.

<sup>3</sup>MHP analysis of recent funding patterns from Minnesota Housing board reports.



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