



2017 City Policies / League of Minnesota Cities

LE-31. Workforce Housing

Issue: Job creation is one of the fundamental goals of economic development. When employers create new jobs through expansion or relocation there must be sufficient housing in the host community for the new workers and their families to live. In rural communities, a lack of housing stock for new workers can prevent a planned expansion or relocation, hampering job growth and economic development. The economics of building a housing development in greater Minnesota communities makes private development difficult, and workers with higher paying jobs do not qualify for traditional affordable housing. This housing gap can bring development and job growth in a community to a halt.

In 2014, at the urging of cities through Minnesota, the Legislature created a workforce housing pilot program for three cities in Roseau and Pennington Counties. In 2015 the Legislature passed League-sponsored legislation that created the workforce housing development program (Minn. Stat. § 116J.549), and appropriated \$4 million to the Department of Employment and Economic Development (DEED) to administer the program. The House and Senate omnibus tax bills both contained a provision creating a workforce housing TIF district, and the Senate omnibus tax bill contained a workforce housing tax credit provision. Neither provision became law because the Legislature did not pass an omnibus tax bill.

Response: The League of Minnesota Cities supports additional tools for local communities to develop workforce housing:

- a) **The Legislature should create a Workforce Housing TIF District that is not constrained by traditional income limits to be used by cities that have low vacancy rates, anticipated or current job growth, recognizes insufficient private development, or a significant portion of area employees who are forced to commute a significant distance to work;**
- b) **DEED should solicit input from local communities to ensure that the goals of the Workforce Housing Grant program are met, and DEED should award funds to eligible projects as quickly and efficiently as possible;**
- c) **The Legislature should continue to fund the Housing and Job Growth Initiative to aid housing in support of job growth, and amend Minn. Stat. § 462A.33 to eliminate or increase the maximum income levels for participation in the program; and**

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- d) The Minnesota Housing Finance Agency should make administrative changes to the Housing Challenge Grant program to streamline the application process, reduce the per-unit cost of constructing affordable housing, and increase the construction of affordable rental units at 80% of median income and owner-occupied units at 115% of median income, as currently allowed by state and federal law; and**
 - e) The Legislature should pass legislation creating a workforce housing tax credit to spur development of workforce housing.**
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Questions? Contact Heather Corcoran at hcorcoran@lmc.org or (651) 281-1256.