

2025 State Legislative Summary

Session Context

At the State Capitol, the odd-numbered year of the biennium typically focuses on establishing the two-year biennial budget, policy initiatives and a smaller capital investment bill. The session dynamics this year included a \$456 million budget surplus for the FY 2026-27 budget, but a projected shortfall of \$6 billion in FY 2028-29. The DFL and GOP split control of the House, 67-67, for only the second time in the state's history, and the Senate DFL held a one-seat majority in the Senate, 34-33. Both bodies had finance committees exclusively focused on housing finance, policy and homelessness prevention issues. The legislative session started on January 14 but officially got underway in early March after a special election in the House.

Proposals and Outcomes

Governor Walz and Lt. Gov. Flanagan released their biennial budget in January that included \$165.6 million in base funding for the agency's programs. The Governor did not have a recommendation on Housing Infrastructure Bonds. In May, the Legislature agreed to joint budget targets for housing that included a \$15 million one-time increase and \$50 million of Housing Infrastructure Bonds.

On May 18, the Legislature passed the two-year housing bill with the votes of 108-26 in the House and 36-31 in the Senate. The bill appropriated \$183.9 million across all the agency's state-appropriated programs and included \$50 million in new Housing Infrastructure Bond authority. In a session where agreement was hard to come by, housing found strong bipartisan support and was the first major bill to be passed in both bodies.

The Legislature convened a one-day special session on June 9 to pass a tax bill, capital investment bills and several budget bills that did not get resolved during the regular session. The capital investment bills included \$26 million in public housing rehabilitation, \$3 million for cooperative manufactured housing public infrastructure, and \$2.4 million for a new program to develop local public housing.

Budget Increases

The Legislature provided an additional \$18.4 million in increased appropriations to existing agency programs for FY 2026-27, with \$8.4 million to the Family Homeless Prevention and Assistance Program (FHPAP) and \$2 million for the following programs: Challenge, Workforce Homeownership, First-Time Homebuyer Downpayment Assistance, First-Generation Downpayment Assistance (administered

through Community Development Financial Institutions) and Greater Minnesota Housing Infrastructure. All the increased appropriations are one-time except for FHPAP, which received a nearly \$1 million increase for FY 2028-29. Two million dollars of the resources in FY 2026-27 came from a reduction to the Single Family Community Stabilization program.

Summary Policy Changes

The bill also included numerous policy provisions to advance the work of the agency's programs in the community to improve program operations and help meet the ongoing challenges faced by people, program administrators and property owners across the state.

Agencywide Policy Changes

- A requirement that the agency award an additional point or points, not to exceed 5% of the total points in a given competitive development program, to proposals that meet specific criteria that reduce barriers to affordable housing development. The agency has discretion as to which competitive development programs this new requirement applies.

Policy Changes Impacting Multifamily

- Modifications to the High-Rise Sprinkler Grant program
- Clarification that adaptive reuse is an eligible use of Housing Infrastructure.
- Requirements to promote materials on the rights and obligations of property owners and renters.

Policy Changes Impacting Single Family

- Modifications to Midwest Minnesota Community Development Corporation's (MMCDC) First-Generation Homebuyers Down Payment Assistance Program.

Policy Changes Impacting Local Government Housing Programs

- Authority to use a formula to award resources for the Bring It Home rental assistance program, as well as authority to redistribute unused or underutilized funds to program administrators.
- New requirements for the information provided to manufactured park owners if the agency is required to send out assessments for the Manufactured Home Relocation Trust Fund.
- Clarification on the program income generated for Statewide and Local Affordable Housing Aid.

Reports/Framework

- Two reports from the Task Force on Long-term Sustainability of Affordable Housing:
 - Framework for Targeted Stabilization of Regulated Affordable Housing
 - Report for two years on the agency's asset management portfolio properties

- Report on the state’s Olmstead Plan activities related to accessible housing

FY 2026-27 Budget by Program		
Program	Description	FY 2026-2027
PRESERVE AND CREATE NEW HOMES		
Economic Development and Housing Challenge (Challenge)	Funds both multifamily rental and single-family homeownership new construction and redevelopment. Leverages federal, private and local government funds.	\$27.9 million <i>+\$2 million</i>
Workforce Homeownership Program	Provides development resources to increase the supply of homeownership opportunities.	\$2.5 million <i>+\$2 million</i>
Greater Minnesota Workforce Housing Program	Provides competitive financial assistance to build market-rate residential rental properties in Greater Minnesota.	\$4 million
Manufactured Home Community Infrastructure Grants	Provides grants for manufactured home community acquisition, improvements and infrastructure.	\$2 million
Rental Rehabilitation Loans	Rehabs federally subsidized rental housing in Greater Minnesota.	\$7.5 million
Preservation (PARIF)	Assists with repair, rehabilitation and stabilization of federally assisted rental housing that is at risk of aging out of federal assistance programs.	\$8.4 million
Rehab Loans (Single Family)	Helps low-income homeowners make basic health and safety improvements to their homes.	\$5.5 million
Greater Minnesota Housing Infrastructure	Grants to provide up to 50% of the cost of public infrastructure for housing development.	No base <i>+\$2 million</i>
INCREASE HOUSING STABILITY		
Bring It Home Rental Assistance	Provides statewide rental assistance to cost-burdened renters with a priority to families with children. Rental assistance in the metro area is also funded via a .25% metro-area sales tax.	\$46 million

Family Homeless Prevention and Assistance	Provides short-term assistance to families at risk of homelessness. Types of assistance may include one-time rental payments, assistance with first or last month's rent, or one-time mortgage payments.	\$28.9 million <i>+\$8.4 million</i>
Housing Trust Fund	Provides rental assistance for individuals and families, many of whom have previously experienced homelessness.	\$23.3 million
Homework Starts with Home	Provides rent and other housing assistance to families with children that lack housing stability.	\$5.5 million
Bridges	Provides rental assistance for families in which at least one adult household member has a serious mental illness.	\$10.7 million
SUPPORT AND STRENGTHEN HOMEOWNERSHIP		
Downpayment Assistance (DPA)	Provides funding for the Agency's downpayment and closing cost assistance loan program. Serves low- to moderate-income, first-time homebuyers across the state.	\$3.8 million <i>+\$2 million</i>
Homeownership Education, Counseling & Training (HECAT)	Provides both pre-purchase homebuyer counseling and foreclosure prevention counseling services.	\$1.7 million
Build Wealth	Direct appropriation to support capacity.	\$1 million
CDFI First Generation	Resources for downpayment assistance to first-generation homebuyers, as administered by CDFI organizations.	No base <i>+\$2 million</i>
BUILD AND SUPPORT ORGANIZATIONAL CAPACITY		
Capacity Building	Provides grants to organizations for regional coordination, housing planning and to build capacity.	\$1.3 million
TOTAL		\$183.9M

FY 2026 Capital Improvement Budgets

Publicly Owned Housing Program (POHP)	Funding to repair and update publicly-owned housing units, with focus on health and safety.	Bonding <i>+\$26 million</i>
Cooperative Manufactured Housing Public Infrastructure	NEW: Grants to provide up to 50% of the cost of public infrastructure for development of new, cooperatively owned manufactured home communities.	Bonding <i>+\$3 million</i>
Local Public Housing Program	NEW: Provides capital for the development or rehab of housing owned by local governments.	Capital Appropriation <i>+\$2.4 million</i>