



# The Workforce Housing Tax Credit Will Spur Housing Development in Rural MN

## A Lack of Workforce Housing Hinders Economic Growth in Greater Minnesota

- **Jobs are available, but there is nowhere for workers to live.** Many Greater Minnesota communities are home to businesses that provide good wages and are looking to hire now. However, employers often struggle to recruit workers due to the lack of middle-income housing.
- **The workforce housing shortage is driven by housing supply.** In Greater Minnesota, workforce housing cannot be built because of financing issues – not because housing is unaffordable for residents.
- **The state can jump-start local housing markets.** Stalled local markets face issues with comparable properties, financing gaps, and perceived risk. The state needs to jump-start these markets by incentivizing private investment so housing is built allowing businesses to grow.
- **Current program restrictions on income hold back growth.** In Roseau, the average family earns \$72,776 and nearly 30% of households make more than \$75,000.<sup>1</sup> However, current programs exclude workers making more than \$62,000. Roseau – and many other Greater Minnesota communities – cannot grow, but program income restrictions prevent workforce housing projects from getting done.

## How the Workforce Housing Tax Credit Program Works

- **Summary:** Investors receive a 40% state tax credit (up to \$1M) for contributions toward eligible workforce rental housing. A project cannot receive more than 40% of the total tax credits available. The project must also have at least 50% non-state matching funds.
- **Project areas:**
  - Greater Minnesota cities having more than 500 jobs,
  - Areas with an average rental vacancy rate lower than 4% for any two of the last five years, and
  - Preference for areas that have far more jobs within the city compared to the number of employed residents living there.
- **Cost requirements:** Must have an average construction cost per unit of no more than \$250,000. No unit can cost less than \$75,000.
- **The 2016 Senate Tax bill contained a similar workforce housing tax credit proposal funded at \$45M over 6 years (would create about 1,125 units).**

<sup>1</sup> 2010-14 Census data used.