



Workforce Housing Development Program

Annual Report to the Legislature
as required by Minnesota Statute 116J.549, Subdivision 6

January 2017

Author: Meredith Udoibok, Director, Community Finance
Minnesota Department of Employment and Economic Development

Total cost of salaries, printing, and supplies in
developing/preparing this report is \$175 [estimated cost]
(reported as required by Minn. Stat. 3.197)

Total costs of salaries, printing and supplies in developing/preparing this report is \$150 (estimated cost)
(reported as required by Minn. Stat. 3.197)

Minnesota Department of Employment and Economic Development

Workforce Housing Development Program

Report to the Legislature

January 2017

Minnesota Statute 116J.549, Subd. 6, requires the Department of Employment and Economic Development (DEED) to report to the chairs and ranking minority members of the senate and house of representatives committees having jurisdiction over taxes and workforce development specifying the projects that received grants under the statute and the specific purposes for which the grant funds were used.

Grants Awarded under Minnesota Statute 116J.549, subd. 6

All funds for the program have been awarded. In the first year of the program, six applications requesting \$3.1 million were received. In February of 2016, DEED made the following awards:

Perham - \$620,000 to assist with construction a 24 unit apartment building. Total project cost is \$2.6 million. The Workforce Housing Development Program (WHDP) funding is 24% of the project. Perham has a large workforce housing shortage and a rental housing vacancy rate of less than 1 percent. Barrel of Fun, KLN Brands, Arvig Enterprises, and Industrial Finishing have 1,400 employees.

Duluth - \$1,000,000 to assist with construction a 72 unit apartment building. Total project cost is \$13,096,727. The WHDP request is 8% of the project. Duluth has a large workforce housing shortage and a rental vacancy rate of 3.1%. The project will provide housing for Cirrus, United Healthcare, Maurices, Essentia Health, St. Lukes, and Mills Fleet Farm. These businesses will be hiring more than 1,030 employees in 2016.

In the second year of the program, interest has expanded. Eight applications requesting \$5.9 million were received. In December of 2016, DEED awarded remaining funding to the following projects:

Worthington - \$868,000 to assist with the construction of a 72 unit apartment building. Total project cost is \$6.5 million. WHDP is funding 13% of the project. Worthington has a shortage of workforce housing for years. Worthington has a large workforce housing shortage and a rental vacancy rate of 2.4%. The employment base includes JBS (2,300 FTE), Worthington Schools (525 FTE) and Sanford Health (350 FTE).

Warroad - \$249,041 to assist with construction of a 29 unit apartment building. Total project cost is \$3.7 million. Together with \$685,959 of Workforce Housing Pilot Program funds, total

DEED funding is 25% of the project. Workforce housing is very limited in the community and there is a rental vacancy rate of 2.1%. Marvin Windows employs more than 2,000 in Warroad with average wages of about \$40,000. William S. Marvin Fund is contributing \$200,000 towards the project.

Glenwood - \$737,600 to assist with construction of a 32 unit apartment building. Total project cost is \$4.8 million. WHDP is funding 15% of the project. Glenwood has a lack of workforce housing for a growing employment base that includes Fast Global Solutions (390 FTE), Glacial Ridge Health Systems (282 FTE) and Clyde Machines (103 FTE).

Lutsen - \$325,000 to assist with the construction of a 16 unit apartment building. Total project cost is \$5.9 million. WHDP is funding 12% of the project. Many businesses in the area have stated their ability to grow is limited by a lack of workforce housing. In addition to seasonal employees, full-time year around employment includes Lutsen Resort (90 FTE), Lutsen Ski Area (40 FTE), Bluefin Bay (100 FTE), Caribou Highlands Lodge (37 FTE), Cook County (97 FTE).

There continues to be high interest in the program with more than 40 communities expressing interest in 2016. Communities indicate that there is very little rental housing for families with double incomes or professionals who do not meet income limits of affordable housing. Many times developers explore creating this housing only to find comparable buildings will not support the rents necessary to carry current development costs. Based on the current demand for market rate housing in Minnesota, and these cash flow issues associated with housing construction projects, we expect there will be a continued demand for this program.