

STRENGTHENING THE STATE HOUSING TAX CREDIT

for Supportive Housing



The State Housing Tax Credit

A Proven Success

Minnesota's State Housing Tax Credit is a powerful and effective tool that incentivizes private investment in building and preserving affordable housing across Minnesota. By allowing contributors to receive tax credits for their contributions, the state leverages private taxpayer investments to expand the impact of public funding for affordable housing.

Supportive housing is a proven model for ending chronic homelessness and assisting people as they build strong foundations to move forward.

Expand eligible uses of the State Housing Tax Credit so the community can invest directly in supportive services and housing stability for their neighbors.



What We Know

- Constituents care about housing and homelessness.
- Minnesotans have proven their support for affordable housing through the State Housing Tax Credit program.
- Supportive housing is a proven solution to homelessness.

Opportunity and Challenge

- The State Housing Tax Credit to sunset after 2028.
- Demand for the credit exceeds program's capacity.
- The program funds capital but not services. To create and maintain supportive housing, we need greater investment in service funding.

Path Forward

- Allow services to be funded so that the State Housing Tax Credit can be more effective for ALL types of affordable housing.
- Support other bills to expand and remove the sunset on the tax credit.



Case Study: Gladstone Crossing

In 2025 and 2026, Minnesota taxpayers invested in Beacon's Gladstone Crossing through the State Housing Tax Credit.

- New affordable, supportive housing in Maplewood to be built in 2026
- 40 high-quality apartment homes focused on serving young families
- Services provided by Solid Ground, a nonprofit experienced in working with young families experiencing housing instability
- Services reserves funding through the tax credit would strengthen long-term viability and close critical gaps to support resident outcomes

How the Tax Credit Will Fund Services

This proposal would strengthen the existing tax credit by adding supportive services as an eligible use. This change would transform how we sustain supportive housing in two key ways:

- **Service Reserves for New Homes:** For new developments, it would allow developers to encourage investment in service reserves. These dedicated reserves could be drawn upon annually to fill the gap between government contracts and the actual cost of high-quality resident services.

- **Preservation of Existing Homes:** Contributions that are dedicated to services in existing supportive housing provide a new preservation tool to keep current residents stable and housed.

By incentivizing contributions to services through the State Housing Tax Credit, we create an immediate, tangible way to fill funding gaps while continuing to work toward long-term, sustainable public sources of funding.

Legislative Action & Proposed Language Bill Information

- **House Author:** Rep. Rehrauer (HF2901)
- **Senate Author:** Sen. Port (SF2976)

Proposed Language Change The bill amends Minnesota Statutes 2024, section 462A.40, subdivision 2, to expand the allowable use of funds in the housing tax credit contribution account:

(a) The agency may award grants and loans to be used for multifamily and single family developments... Allowable use of the funds include: gap financing... new construction; acquisition; rehabilitation; demolition or removal of existing structures; construction financing; permanent financing; interest rate reduction; **services enumerated in section 462A.37, subdivision 1, paragraph (k), in existing supportive housing as defined in that paragraph;** and refinancing.

