



Economic Development and Housing Challenge (EDHC) Program

Update to 2019 Evaluation Report

February 2020

Problems Identified

- **Flexible Program with Broad Purpose.** The EDHC program is intended to support economic development “by meeting locally identified housing needs.” It is also intended to “address the housing needs of the local workforce.” Statutes do not define key terms such as “locally identified” or “workforce,” and the Minnesota Housing Finance Agency (MHFA) has broad statutory authority to interpret the program’s purpose.
- **Well-Managed but Complex Application Processes.** MHFA has awarded EDHC funds to owner-occupied and rental housing projects through two well-managed consolidated application processes. The agency has provided guidance on those processes that most applicants we surveyed characterized as helpful. At the same time, the processes were complex; the rental application was especially so.
- **Award Process Not Strictly Compliant with Certain Rules.** MHFA generally followed key legal requirements when awarding EDHC funds, but it did not strictly comply with certain rules. For example, rules state that housing projects eligible for EDHC must be able to be completed within 20 months of signing a contract for funds. We found that MHFA extended 70 percent of its contracts for owner-occupied housing funding beyond 20 months for projects selected from 2013 through 2015.

Changes Implemented

- **Clarified Intent.** The 2019 Legislature passed a law clarifying that, despite statutes that allow the chapter governing MHFA’s activities to be “liberally construed to effect its purpose,” EDHC statutes “shall be construed based on the specific language within this section and within an appropriation pursuant to this section.” The Legislature did not further define terms used in EDHC statutes.
- **Obtained Stakeholder Input.** MHFA surveyed applicants for the consolidated rental housing application process to ask for input on streamlining the process. MHFA plans to complete the survey annually and use the responses to improve the process.

Action Needed

- **Review Program Rules.** In its most recent strategic plan, MHFA developed a goal to systematically review its programs to streamline and simplify them. MHFA reports that it will review EDHC program rules after determining how to simplify the program.