



400 Wabasha Street North, Suite 400  
St. Paul, MN 55102  
P: 800.657.3769  
F: 651.296.7608 | TTY: 651.297.2361  
[www.mnhousing.gov](http://www.mnhousing.gov)

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Jennifer Leimaile Ho, Commissioner  
Minnesota Housing  
400 Wabasha Street North, Suite 400  
Saint Paul, MN 55102

Dear Chair Rosen and Members of the Finance Committee:

I want to thank Chair Draheim for carrying SF3994, the Senate Housing Omnibus Finance and Policy Bill, and thank you for hearing it today. I'd like to provide some of my thoughts on the bill as its considered, on both items we support and items we're concerned about.

First and foremost, the areas of overlap between this bill and the Governor's budget recommendations are very encouraging. While funding sources and duration may differ, it's clear we share the priorities of working toward closing racial disparities in homeownership by developing new opportunities and providing downpayment assistance to new homebuyers. Additionally, capital to help acquire manufactured home communities is a key strategy to preserve naturally occurring affordable housing throughout the state.

I'm also grateful for the numerous policy provisions from the agency's technical policy bill that were included in this bill. While some changes were merely grammatical, others will expand and clarify eligibility, make processes easier, and potentially save the state money on the debt Minnesota Housing issues for Housing Infrastructure Bonds. I'm encouraged to see the Senate's commitment to ensuring that our programs function as intended and are responsive to our partners' needs and input.

It took years to get to the point where we face deep housing challenges as a state, and it's going to take years and sustained investments from both the public and private sectors to address these challenges. The budget surplus provides a generational opportunity to invest in programs that meet a variety of Minnesota's housing challenges, both in the near-term and into the future. The Governor recognized this and recommended historic ongoing investments in everything from homelessness prevention to affordable homeownership development, in both existing programs and new initiatives. As we worked with our community partners to develop the supplemental budget, the message was clear: the pandemic laid bare and exacerbated Minnesota's housing challenges, particularly for those who earn the least. Now, more than ever, is the time to go big.

The following are some specific comments on provisions in the bill:

### **Section 3: New Activities in Pool 3**

During a time of historic surplus, it seems unnecessary to redirect agency resources away from current activities. Since agency earnings have remained relatively flat recently, adding new activities will force us to reduce or stop activities that we currently do, such as supplementing state appropriations for downpayment assistance,

Rehabilitation Loan Program, and Homeownership Capacity. Helping households get into homeownership, helping extremely low-income households stay in their homes, and helping households of color prepare for homeownership are all important initiatives to our partners, us, and the legislature. We have the resources as a state to continue and expand these efforts through additional investments in state appropriated programs.

#### **Section 4: Homeownership Investment Grants Program**

This is an area of the bill where we have common goals and should be expanding efforts. That said, I'd like to better understand the rationale for only allowing nonprofit CDFIs to be eligible for this funding and the timelines for a new program are difficult. There are many other entities, both in the public and private sectors, who successfully perform these activities and we want to ensure that not only is the entire state, served, but that communities are served by organizations that understand their needs. It also isn't clear why it is necessary to fund each of these activities separately from the existing programs the agency operates. Lastly, we share the concerns of our partner organizations of arbitrarily limiting acquisition/rehabilitation/resale activities and homeownership counseling.

#### **Article 2 - Housing Policy**

##### **Section 1: Limitation of Powers; Eviction Proceedings**

The Governor's Executive Order halting evictions saved lives and kept people in their homes during the pandemic. This provision was not heard this year and we're concerned that the limits in this section go too far and could have unintended consequences.

##### **Section 7: Housing Disparities**

We are glad to see the Senate's focused commitment to addressing the state's unacceptable racial disparities in homeownership, and we share it. However, we are concerned that the new language that was not heard prior to the omnibus bill being released and appears to require programs with multiple uses, such as Economic Development and Housing Challenge Program, to only be used for homeownership. Since racial disparities in housing existing throughout the housing continuum, from overrepresentation of people of color in the homeless population to one of the worst in the nation racial disparities in homeownership, the Governor thought it was important that we are intentional about directing appropriated resources to address housing disparities wherever they may exist. We hope we can find agreement with the legislature on this provision.

##### **Section 14: Requires points in all programs for how quickly a project can be constructed**

While we agree that we need to find ways to increase the speed of production, we are concerned this provision wouldn't be feasible to implement as the legislature intends, and that compliance would be difficult for developers. For example, Minnesota's weather is a key factor in construction timelines. Even if we award points for a proposal under these criteria and the developer has every intention of meeting their proposed timeline, the timing of closing on the financing and the seasons may not align. Additionally, current market factors such as shortages and/or delays of materials, as well as a tight labor market, will only add to the complexity of including this in scoring.

##### **Sections 22-27: Changes to Greater MN Workforce Housing Development Program**

An adequate supply of rental housing continues to be an important component for growing the industries unique to Greater Minnesota. This program was designed to be responsive to the unique challenges that can arise when developing multifamily housing outside of the metro area. For example, there are no rent or income limits, and we review feasibility and reasonableness of projects instead of cost per unit. Adding owner-occupied housing would increase pressure on a program in which interest has grown rapidly in recent years. However, funding has not grown in a way that meets the increased demand. In fact, we're likely going to have to say "no"

to more than 10 applications for the first time this year. Rather than forcing multifamily and owner-occupied housing to compete with one another, we need new investments into both.

**Section 28: Manufactured Housing Lending/DPA Program**

While we share the goal of adding lending products for manufactured homes, there are several marketplace factors that are beyond Minnesota Housing's and Fannie Mae's control. We attempted a USDA Rural Development pilot in the past with very limited success due to the current barriers. We are concerned about setting up a program and building expectations while lenders, or other housing industry-related professionals such as appraisers, decide not to participate.

**Sections 30-31**

This language impacts Minnesota Management and Budget's allocation of tax-exempt private activity bonds and has implementation challenges. The language in this section was addressed and agreed to by community stakeholders in 2019 and to my knowledge, neither they or either agency affected have been consulted on this proposed change.

**Section 34: Rent Control Report**

The required scope of the report would be a significant undertaking and, at a time when we need to do more faster throughout the entire state, prohibiting funds from being awarded in cities that have adopted a rent control ordinance would likely lead to funds being left uncommitted.

We have an opportunity before us to confront our state's housing challenges head on and in a comprehensive way. While we perhaps aren't dealing with irreparably broken housing markets like on the coasts, it isn't hard to see where we are now and how we're likely on a similar trajectory if we don't do something big and sustained to intervene while we have the resources to do so. I am hopeful given the numerous shared priorities between the Governor's recommendations and the Senate's bill, we can find agreement early on key issues and use that momentum to find compromise where differences remain. Our state's health, education, economy, and safety depend on it.

I look forward to working with all of you in the remaining weeks of session. Please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Jennifer Ho". The signature is fluid and cursive, with a large loop at the end of the last name.

Jennifer Leimaile Ho