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Date: April 15, 2024

To: Senator Port, Chair, Housing and Homelessness Prevention
Senator Bolden, Vice Chair, Housing and Homelessness Prevention
Senator Lucero, Ranking Minority Lead, Housing and Homelessness Prevention

From: Jennifer Leimaile Ho, Commissioner, Minnesota Housing

A handwritten signature in blue ink, appearing to read 'Jennifer Ho'.

Subject: S.F. 4158-A3 – Senate Supplemental Budget Bill

Dear Chair Port and Members of the Committee:

Thank for you the opportunity to comment on your supplemental budget bill and for all the thoughtful conversations this session. The bill includes many Governor's recommendations and includes many provisions that will help address housing challenges in the state. However, we are concerned about the \$40 million reduction to Housing Infrastructure resources from last session. This change will lead to fewer developments selected for funding this year and put federally rent-assisted developments further at risk of not having access to resources they need.

Governor's Capital Investment Recommendation

We appreciate the inclusion of the Governor's recommendation for \$50 million in new Housing Infrastructure Bonds and the inclusion of all the agency's policy and technical changes. The agency just opened the 2024 Consolidated Request for Proposal process last week and we anticipate the \$50 million in Housing Infrastructure Bonds will be committed to projects later this year. During the 2023 Consolidated RFP, the agency selected 28 rental developments from 96 applications, awarded an historic number of single-family activities, and funded manufactured home community infrastructure projects, yet we still need more Housing Infrastructure resources to meet housing development needs across the state. The proposed \$40 million reduction to the FY 2025 appropriation in this bill will result in only \$10 million in Housing Infrastructure resources for this year's selection process.

Governor's Policy and Technical Recommendations

The Governor's policy recommendations included in the bill will help advance the work our programs do in the community to meet the on-going challenges faced by people and property owners across the state. Specifically, these changes will help position the agency's programs to deploy federal resources to climate resiliency and energy efficiency programs in rental housing and single-family homes, simplify eligibility for agency programs, continue to meet the downpayment and first-mortgage needs for first-time and first generation homebuyers, increase access to workforce housing in smaller communities in Greater Minnesota, and provide eligibility clarity in the State Housing Tax Credit program.

The agency looks forward to clarifying the requirements for the Report on Rental Housing Programs to ensure the agency understands the intent, and to make sure the agency has access to the data needed to complete the report.

Family Homeless Prevention and Assistance and Workgroup Recommendations

With a \$10 million one-time target, we appreciate that most of the increase is being put into the Family Homeless Prevention program (FHPAP) with bill language that will help expedite getting those resources into communities to help renters and property owners pay their bills. With the Fast Track resources from last session, FHPAP administrators spent more in four months than what is typically awarded for the entire biennium, helping over 6,400 households compared to 4,300 households in all of 2022. The agency is ready to work on the provisions included from the Workgroup on Emergency Rental Assistance that focus on expediting rental assistance and we appreciate the additional resources to undertake those new activities.

Preservation Needs and Housing Infrastructure Reduction

We appreciate the goal of putting more resources into preserving the state's existing housing. The agency is spending significant time and resources working with property owners and housing funders to better understand and address the financial challenges they currently face. While some of these preservation needs existed before the pandemic, the challenges have been exacerbated by lingering economic impacts of the pandemic, as well as significant market headwinds including high interest rates and rapidly escalating insurance costs. We're committed to continue to lead and work alongside property owners and other housing funders.

For context, last year over 40% of the units selected through the Consolidated RFP were for preservation. The agency selected 11 preservation developments out of 31 preservation applications and to fund all 31 applications, it would have required an estimated \$200 million. Additionally, since 2012, over 40% of all Housing Infrastructure units selected for funding have been for preservation activities.

While additional preservation resources are needed, reducing the Housing Infrastructure appropriations by \$40 million will have reduce the number of housing developments that we're able to select for funding this year, including preservation developments. Additionally, as noted above, since Housing Infrastructure cash and bonds are a major source of preserving rental housing, reducing funding in this program will put critical federally rent assisted properties at risk of loss. This includes both Housing and Urban Development Section 8 and United States Department of Agriculture Rural Development properties.

We look forward to the conversations in the next several weeks about ways to meet the broad range of preservation activities included in the new Housing Affordability Preservation Investment program without redirecting resources that would otherwise be deployed for preservation developments, as well as new construction permanent supportive housing and senior housing developments in the 2024 Consolidated RFP.

My staff and I are ready to work with you and your staff as this bill progresses and we head to conference committee.

Thanks for your continued commitment to going big, so more Minnesotans can go home.