



March 19, 2024

The Honorable Ann H. Rest  
Chair, Senate Committee on Taxes  
75 Rev. Dr. Martin Luther King Jr. Blvd.  
Capitol, Room 328  
St. Paul, MN 55155

Dear Senator Rest:

Minnesota Housing Partnership (MHP) writes to express support for Senate File 4724, your bill to clarify that developers and operators of Class 4d low-income rental properties can utilize income-averaging in conformity with HUD rules.

Presently, affordable units below 50% of area median income (AMI) are expensive to develop, relying on deep subsidies. There are not adequate subsidies to meet the needs of these households. As a result, 75% of very low income (VLI) households (31-50% of AMI) are housing cost burdens, and more than a quarter pay more than half of their income on housing. For extremely low-income households (0-30% of AMI), the situation is worse.

This bill will help make it easier for developers to include deeply affordable units in mixed income developments. S.F. 4724 will ensure that the 4d tax classification applies to properties that use income averaging. Income averaging allows Low Income Housing Tax Credit (LIHTC) owners to elect to serve households with incomes of up to 80% AMI so long as the average income/rent limit in the project remains at 60% or less of AMI. Applying the 4d tax rate to these properties will help more owners elect the income averaging option, resulting in more deeply affordable units.

We applaud your bill as a simple but desperately needed tool to help close the gap in Minnesota's housing needs.

Sincerely,

Libby Murphy  
Director of Policy