

Date: February 25, 2025
To: Chair Port and Members of the Senate Housing and Homelessness Committee
From: Minnesota Housing
Subject: Task Force on Long-Term Sustainability of Affordable Housing

We appreciate the time and effort invested by the staff and members of the Task Force in addressing the sustainability of affordable rental housing. Preserving affordable housing has been central to Minnesota Housing's mission for decades. As housing needs continue to grow and new challenges emerge, we remain committed to exploring new and expanded paths to achieve this goal. We recognize the difficult financial circumstances faced by the affordable housing owners and managers who are grappling with complex economic and social conditions. The pandemic, inflationary pressures and staffing challenges have affected property owners across the state, making an already challenging task even more difficult.

At Minnesota Housing, our preservation efforts and practices continue to evolve, and we are excited to implement new programs focused on preservation. Recent examples of our work in this area include:

- **Debt Forgiveness:** Forgiving debt on a case-by-case basis, particularly for permanent supportive housing developments, as allowed under relevant laws and requirements
- **Capital Resources for Preservation:** Allocating additional capital resources in the 2023 and 2024 Consolidated Request for Proposals (RFPs) to fund more preservation projects
- **Revising Scoring:** Modifying the scoring criteria in the upcoming Consolidated RFP to further incentivize preservation projects
- **New Programs:** Developing new, state-appropriated one-time programs for Naturally Occurring Affordable Housing (NOAH) and Recapitalization of Distressed Properties, set to become available within months
- **Stable Housing Organization Relief Program (SHORP)** Disbursing \$50 million of funding to nonprofit affordable housing owners that are experiencing economic challenges

We value the collective expertise and perspectives of the Task Force members, which have produced a range of recommendations for further consideration. Through our participation in the Task Force our goal as the state's housing finance agency was to best position the recommendations for success while managing potential unintended consequences, adhering to legal and statutory requirements and ensuring that we provide deep, long-term affordability to those in greatest need.

As the report identifies, each recommendation has implementation considerations including: changes to state statute, changes to state agency administrative policies and procedures – not requiring statutory changes, changes to local government policies and procedures (not

dependent on state or federal rules/statutory changes), changes to provider and/or developer practices/approaches and more funding and staff time and/or increased staff. Minnesota Housing is committed to this critical work and finding paths forward with our partners.

For Minnesota Housing, the recommendations fall into three general categories:

1. General Support
2. Additional Considerations
3. Recommendations Outside Our Jurisdiction

Category 1: General Support

Minnesota Housing generally supports the following recommendations, acknowledging the need for further prioritization and financial assessment. Some recommendations require significant new funding and/or staffing resources for implementation while others support work already underway.

- **3:** Develop preservation policy framework and strategies
- **4:** Create new tools and funding sources to stabilize regulated affordable housing
- **8:** Close on project financing faster
- **9:** Permit asset management fees for property owners in the underwriting
- **10:** Update underwriting standards
- **11:** Reconsider incentivizing 'leverage' in competitive funding processes
- **17:** Collect data on the state of the insurance market for affordable housing providers
- **18:** Assess state-based financial support to mitigate excessive insurance premium increases

Category 2: Additional Considerations

While we support elements of the recommendations in this category, additional considerations are needed to better understand the potential impacts on housing providers and residents. There are also timing and resource constraints to implementation. For example, many of the recommendations would require action, deliberation, and funding by other state and federal partners.

- **1:** Conduct permanent supportive housing evaluations by January 2026
- **2:** Revise the selection criteria in the current Qualified Allocation Plan for permanent supportive housing
- **7:** Establish new key performance measures
- **12:** Pair supportive service funding with capital funding for permanent supportive housing
- **13:** Align eligibility and documentation requirements for formerly homeless households
- **14:** Granting authority to the Interagency Stabilization Group (ISG)

Category 3: Recommendations Outside Our Jurisdiction

As an executive branch agency, Minnesota Housing does not typically provide advice on policy matters outside our scope unless part of the Governor's broader policy-making process. The recommendations in that category include:

- **5:** Reform zoning, land use and regulatory laws
- **6:** Convene public safety leaders

- **15:** Increase funding for local housing aid
- **16:** Pool housing aid across local jurisdictions

Addressing the long-term sustainability of affordable housing requires continued collaboration and engagement from all stakeholders. Minnesota Housing remains committed to working with our partners to ensure that affordable housing remains accessible, financially viable and responsive to the needs of communities across the state.