



VIA EMAIL

DATE: March 26, 2024

To: Senate Housing and Homelessness Prevention Committee

RE: SF 2742

Dear Senators:

The Housing Justice Center (HJC) has a long-standing interest in the preservation and production of affordable housing and the protection of the rights of people to have safe, stable, and affordable places for people to call home free from discriminatory barriers.

The enormous gap between the housing opportunities that are affordable for very low-income households and the number of people who need these opportunities to thrive is acute and persistent. It is critical that affordable housing developments can operate in the long term, and we appreciate the efforts that have been taken to continue to refine a set of protections for current tenants in affordable housing developments. We look forward to having the opportunity to review the provisions in the amendment and continuing to be engaged in the conversation as this proposal moves through the process.

We also believe that the provisions of the bill that provide resources for stabilization and recapitalization of affordable housing is essential to the long-term survival of nonprofit affordable housing development entities.

While we support key provisions of this bill, we have serious concerns about what is now Section 4 in the bill as amended addressing the commitment term for properties that receive Low Income Housing Tax Credits.

Even as housing finance agencies around the country have increased the length of required affordability terms in LIHTC developments well beyond 30 years, the language of the bill as currently drafted would limit required affordability terms to 15 years. The definition of “compliance period” under section 42 of the Internal Revenue Code of 1986 is:

The term “compliance period” means, with respect to any building, the period of 15 taxable years beginning with the 1st taxable year of the credit period with respect thereto.
26 USC § 42(i)(1)

Not only does this limit the long-term benefits of the use of public resources, but it also forces Minnesota Housing to act in a manner that is inconsistent with other provisions of section 42 of the Internal Revenue Code of 1986 requiring an extended use period for 15 years beyond the compliance period. 26 USC § 42(h)(6)

If the intention is to retain a 30-year affordability period consistent with the federal requirement for an extended use period, we would advise changing the terminology to be consistent with the federal requirements.

Additionally, as written this section applies very broadly to all tax credit development in all circumstances regardless of who owns the property, whether it is needed in the community, or the financial position of the building when it reaches the end of the 15-year compliance period. It applies regardless of whether there are resources to continue to operate the property as affordable housing. Flexibility is important for mission oriented nonprofit development entities when a property needs to be repositioned, but not all participants in the development of properties using LIHTC are equally committed to the long-term affordability and sustainability. We believe that a more tailored approach is merited.

Truly,

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