



# More Places to Call Home: Investing in Minnesota's Future

Report of The Governor's Task Force on Housing  
August 2018





# Governor's Task Force on Housing

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**Our Vision:** Every Minnesotan has a place to live in a thriving community and livability remains a hallmark and competitive advantage for our state. Through collaboration, creativity, and effective investments, we will build Minnesota's future together and share in its prosperity.

— *The Governor's Task Force on Housing*

# Letter from the Task Force Co-Chairs

It has been an honor to lead a Task Force of engaged community leaders committed to strengthening Minnesota's quality of life and thriving economy. This team came to the table ready to work on bolstering the well-being of all Minnesotans. We know that as Minnesotans, we have the tools and the talent to invest in the systems that make us strong and competitive—our workforce, our education, our natural resources, our communities, and our homes.

Over the last six months, we talked with people all over the state—employers, educators, builders, local officials, property owners, renters, and homeowners. Hundreds of neighbors shared their experiences and their solutions to help us understand what they regarded as the most pressing issues and promising solutions. We met with people who had experienced housing instability, and we heard how transformative it was for them and their children when they were able to find a decent and safe place to live. We talked with employers interested in expanding their workforce in Minnesota communities, but were limited by the lack of available or adequate housing. We heard stories of suffering—and we heard stories of hope.

We went around the state, to Austin, Little Falls, Sleepy Eye and Duluth, to Crookston, Minneapolis, Golden Valley and Saint Paul. Task Force members engaged in candid dialogue with concerned community members in forums designed for shared learning and exploration of solutions. We heard what people value about their communities and the significance of living in and contributing to the places they call home. We gained a better understanding of the uniqueness of each community and the commitment of community leaders to provide options and flexibility to meet their distinct needs.

The Task Force spent hours considering public input gathered through online idea submissions and surveys, public forums, as well as testimony from industry experts and concerned advocates. Much of the Task Force work was accomplished in three work groups which met monthly from January to May 2018. The work groups focused each meeting on specific topics related to their respective work group theme – Rental Housing, Homeownership, and Housing Stability and Opportunity. They heard from housing developers, operators, tenants, service providers, funders and counselors. They invited public input at each meeting, and they spent time discussing the issues and potential strategies. The work groups worked hard to mine a wealth of information to develop the recommendations in this report, and thoughtfully documented numerous and notable ideas reflected in the report's appendix.

At the conclusion of the work, members of the Task Force collectively agreed that accessible, affordable, and attainable housing must persevere as one of Minnesota's key competitive advantages. And so the work continues – Task Force members are committed to contributing to public, private, non-profit, and neighborhood efforts to ensure that homes and communities remain the cornerstone of a prosperous Minnesota.

The pages that follow reflect an extensive investment of time, talent, and treasure. A huge THANK YOU goes to all who shared concerns, insights and support—it was an honor to learn from and discover with each of you. It's been our privilege to work with the task force and staff teams, culminating in this report. We are proud to share this work with all Minnesotans and welcome your engagement to carry it forward.

***Jeanne Crain and Acooa Ellis***



# Executive Summary

## **Where we live matters; it is connected with every aspect of our lives.**

Success in life starts at home for all ages and all people. When we have safe, secure places to live, parents earn more, kids learn better, health and well-being improve, communities prosper, and we all thrive.

- We all thrive when families have a decent place to lay their heads at night—whether they are renters or homeowners. A stable home anchors the ladder for future success.
- We all thrive when we can live near our place of work, reducing the time and expense of commuting and leaving more time for community, health and family.
- We all thrive when our children have a secure home. Research indicates that kids are more likely to succeed in school and have better job prospects in the future when they don't suffer the stress of wondering where they will sleep.
- We all thrive when those of us who need health care resources can be supported where we live. People with secure homes can more consistently access the care they need.
- We all thrive when Minnesotans have strong pathways to building wealth through homeownership. Homeowners can build and pass on wealth, which can help break a cycle of poverty and generate resources to invest throughout the community.
- We all thrive when we ensure our seniors are integrated into our local communities and can choose a place to live that meets their physical, cognitive and social needs.

## **The smartest investment we can make in our state's future is securing a foundation of strong communities and stable homes for all Minnesotans.**

In Minnesota, we enjoy vibrant communities and a dynamic economy—built on livability and affordability—that give us a strong competitive advantage, nationally and internationally. Our local businesses attract dedicated employees, our colleges and universities recruit high-caliber talent, and our towns and neighborhoods boast strong and welcoming communities.

Our homes are the foundation of our flourishing communities; they fuel the engine of our economy. No one thrives if we price out young adults who have the talent and skills to strengthen our businesses. No one thrives if businesses leave the state because they can't attract and retain a workforce. No one thrives if families struggle to put a roof over their heads. The more Minnesotans who succeed, the more Minnesota will thrive—and we have proven that we have the will, the creativity, and the solutions to do so.

We need to act now. Times have changed, and we must adapt to sustain our momentum. The affordability of homes in Minnesota, relative to our ability to pay for them, has been declining for years as rising costs for homes, transportation, health care, education and other basic goods, outpace the increase in average incomes. We haven't built enough to keep up with demand over the last decade, which means we have more families trying to secure the same number of homes. This unmet demand drives up home prices for everyone, renters and buyers. We need to be intentional and proactive in how we respond to a changing economic landscape.

## PRINCIPLES OF A RESILIENT HOUSING SYSTEM



The task force began by identifying six overarching “Principles of a Resilient Housing System”, which it used in evaluating all input and potential recommendations.

- **Fair and equitable access to safe, quality, stable housing** for all families and individuals is critical for success in education, health and economic stability, and disparities resulting from differences in race, ethnicity, income and location must be addressed.
- **A full range of housing choices** is a fundamental characteristic of strong and healthy communities and an economically prosperous Minnesota.
- **Effective partnerships** between public, private and non-profit sectors are essential for healthy housing markets.
- **Focus limited public resources** on those segments of the housing market not well-served by the private market alone.
- **Housing stability** for some families and individuals may require supports, like access to job training, education, child care, transportation and health care, which are connected to housing that is affordable.
- **Solutions must have the flexibility** to meet the market realities of communities with varying needs.

## Housing Task Force goals and recommendations: A road map for Minnesota to succeed.

Ensuring a strong Minnesota for years to come requires action on a number of fronts. The Task Force recommends 30 ways to sustain and improve Minnesota's housing, organized under six goals. The goals identify where to go and the recommendations show how to get there. Some of the recommendations can be acted on quickly and others will take more time. Some require many partners to advance and others can be done with a few key stakeholders. They range from statewide efforts to local solutions based on need, and provide a suite of actions to address our varied housing needs that can be used to provide stable homes for all Minnesotans.

Here is an overview of the goals and recommendations, which the report describes in detail.



### **Goal #1: Commit to Homes as a Priority**

*Create a broader and stronger public commitment to the urgent need for more homes that are more affordable to more Minnesotans.*

Like roads and bridges, homes are building blocks—assets that will be around for decades. By investing in our homes, we improve outcomes in education, health, and economic opportunity. Homes are our starting place.

- 1.1 Launch a public-private partnership to forecast demand, set goals and measure progress.
- 1.2 Create dedicated, permanent funding sources for affordable homes in addition to current funding sources.
- 1.3 Invite all Minnesotans to recognize homes as a central and critical part of the economic and social well-being of all residents and communities in Minnesota.



### **Goal #2: Preserve the Homes We Have**

*Keep the homes we already have, especially those that are most affordable.*

Let's begin by securing our existing assets. The most cost-effective way to provide homes that are affordable for Minnesotans is to maintain and preserve the homes and apartments we already have.

- 2.1 Expand and streamline existing rental rehabilitation programs to preserve critical rental assets.
- 2.2 Incentivize private-market owners to keep rental units affordable to low-wage families by using targeted support from local and state government.
- 2.3 Support and expand existing home-rehabilitation tools and programs at the state and local levels to serve more homeowners who need to make improvements.
- 2.4 Substantially increase support for rehabilitation of public housing, much of which is experiencing notable deterioration.

**Goal #3: Build More Homes**

*Build 300,000 new homes by 2030, across all types, prices, and locations to stabilize prices and meet demand.*

Minnesota has built a reputation of livability and opportunity, with homes people can afford as a key ingredient. To ensure our neighborhoods and communities remain strong and healthy, we need to use all the tools and innovation at our disposal to enable the private sector to build to meet the demand.

- 3.1 Position Minnesota as a national leader in the advancement of housing innovation and technology.
- 3.2 Grow the pool of talent in Minnesota's building trades to enable the sector to meet current and future demand.
- 3.3 Increase the capacity of local leaders to implement tools and solutions to address the home-affordability needs of their communities.
- 3.4 Expand the range of housing types across Minnesota communities.
- 3.5 Create a statewide review panel to evaluate regulations related to building standards, land use, and environmental stewardship for their impact on housing affordability.

**Goal #4: Increase Home Stability**

*Assist twice as many people at risk of losing their homes because of rent increases, evictions, and heavy cost burdens.*

When you lose your home, you lose your community—and the consequences of this major life disruption can last for decades. By doubling our investment in rental assistance, promoting voucher acceptance, preventing displacement, and improving protections for renters, we can reverse this trend, so kids learn, parents earn, and communities grow stronger.

- 4.1 Enhance and expand state and local rental assistance programs to complement federal programs that are too small to meet the need.
- 4.2 Define and crack down on predatory rental practices, including excessive evictions and poor condition of rental units.
- 4.3 Strengthen protections for renters in the private market.
- 4.4 Increase the speed and flexibility of emergency resources to prevent people from losing their homes.
- 4.5 Expand and enhance programs that help people navigate the systems to find homes and vital housing resources.
- 4.6 Incentivize the acceptance of rental assistance vouchers by the private market.
- 4.7 Prioritize investments needed to achieve the goals in Heading Home Together: Minnesota's Action Plan to Prevent and End Homelessness.

**Goal #5: Link Homes and Services**

*Build stronger links between where we live and the services we may need to live stable lives.*

At some point in our lives, most of us will need a helping hand. Many of us will be seniors who require assistance to stay in the place we've long called home. Other Minnesotans have experienced trauma or need health services. We can achieve better outcomes in a more cost-effective way when we coordinate services to meet people where they live.

- 5.1 Provide a dependable stream of funding for social services that help households maintain stable homes.
- 5.2 Provide access to a full range of services for families and individuals transitioning into stable homes before, during, and after the transition.
- 5.3 Improve health outcomes and reduce costs for tenants by developing better partnerships between health care and housing providers.
- 5.4 Advance the Housing Supports program for residents with disabilities by identifying gaps and potential program enhancements to ensure statewide coverage.
- 5.5 Expand programs and providers who assist individuals in finding, securing, and retaining affordable rental homes.

**Goal #6: Support and Strengthen Homeownership**

*Create pathways to sustainable homeownership, with a focus on removing barriers for households of color.*

Our wealth and our retirement savings are concentrated in our homes. Most Minnesotans want to own a home, and everyone who can sustain homeownership should be offered the tools, coaching, and access to financing they need to make this investment in their own future and in our communities.

- 6.1 Focus on increasing access to homeownership resources for the large number of income-ready households of color who want to buy.
- 6.2 Promote alternative models of building wealth through homeownership, such as community land trusts, cooperatively owned housing and manufactured home parks.
- 6.3 Encourage employers and foundations to support home purchases.
- 6.4 Increase funding for financial education and counseling programs that expand the capacity of households to pursue homeownership.
- 6.5 Expand mortgage products and provide extra support to local community banks to expand financing options.
- 6.6 Expand available down-payment assistance programs.

The goals and recommendations of the Task Force are detailed in the following pages of this report. Each of the six chapters focuses on a goal and its associated recommendations, describing the context of the situation, what's working and what needs attention. Following the goal and recommendation chapters are a set of appendices that describe the Task Force and its processes. The appendices include an inventory of ideas gathered from the Call for Ideas hosted online in March, show the proposed recommendations that emerged from each work group prior to the Task Force settling on a refined list of 30 recommendations, and explain some of the housing goals highlighted in this report.



**Where we live matters in every way.**  
Our homes are our foundation and our future.  
Every challenge we face—as individuals, as families, as communities—will be easier to meet when we all have a secure place to lay our head at night. When we make that fundamental goal a reality for all Minnesotans, we will all thrive.



## Goal #1: Commit to Homes as a Priority

**Create a broader and stronger public commitment to the urgent need for more homes that are more affordable to more Minnesotans.**

Where you live matters because it forms the foundation for economic mobility, academic success, and healthy living. We all thrive when we come together with the conviction that success in life starts at home. We need a partnership among government, business, builders, lenders, nonprofits, philanthropy, and community leaders to make additional affordable homes a reality.

Minnesota's future depends on our ability to adapt to a changing economy, plan for the workforce we need, and make smart investments. There is no smarter or stronger investment we can make than in planning for Minnesotans to have good homes in thriving communities across this state. Stable homes correlate to positive outcomes in health and education. Affordable homes enable workers to relocate for jobs, invest in their individual futures, and put more income back into the state's retail and commercial businesses. Homes are essential infrastructure for economic prosperity, just like roads and schools, and we can't have vibrant communities and a thriving economy without them.

**Minnesota has a strong history of investing in affordable homes, but current conditions make this an important time to invest more.**

Minnesota has a well-earned reputation for collaborative and efficient investments in homes. In a typical year, around 20 percent of all new

rental units built in the state receive some sort of assistance to make them affordable. We also have a long track record of preserving existing homes and keeping them affordable.

We need to maintain these crucial investments, but they fall short of addressing the demand for homes in today's Minnesota. Other states have moved faster than we have in recent years. In March 2018, the Massachusetts Senate unanimously passed a \$1.8 billion Housing Bond Bill that expanded tax-credit opportunities and injected a much-needed infusion of capital into existing homes. The Massachusetts legislation will restore publicly owned units, preserve nearly 10,000 affordable private units, and increase the production of new homes across the state.<sup>1</sup> North Dakota passed a trailblazing new tax-credit program, the Housing Incentive Fund, which enables employers and citizens to contribute directly to developments of affordable homes in their state—to developments in their own communities—and receive a dollar-for-dollar credit in return.<sup>2</sup> Leveraging private investment in this way has been popular and effective for North Dakota, and it was quickly utilized. These are just two examples of how other states are rising to the challenges of the current market in bigger ways.

### Recommendations

This Task Force was convened with a charge

to investigate and understand the affordability of homes around the state and develop innovative solutions for our families, individuals, and communities. This report highlights recommendations connected to six overarching goals set out by the Task Force. Each set of recommendations provides substantive tools for forward progress. Here are three that set the stage for what Minnesota needs to do to get ahead—and stay ahead—of the demand for more homes.

### **1.1 Launch a public-private partnership to forecast demand, set goals, and measure progress.**

Currently, individual organizations—such as state agencies, cities, nonprofits, and developers—set plans and goals for housing production and preservation based on their individual resources and opportunities. We should look to flip the system and enable a comprehensive and future-oriented approach to setting goals based on demand and real need. Greater transparency and access to good forecasting data would equip those same organizations to make informed and efficient decisions and to more effectively target public resources.

Too often, we've taken a reactive approach to this critical engine of our state, and we've fallen short as a result. Right now, more than 25 percent of all Minnesotans and more than 45 percent of renters are burdened by housing costs. For these Minnesotans, paying more than 30 percent of their household income toward housing costs has been the reality for the past decade.<sup>3</sup> Furthermore, the state's lowest-income households and households of color are the renters most proportionally burdened by housing costs. We are investing, but we aren't tackling the full challenge. The Task Force recommends shifting our thinking: it's time to set goals based on need, rather than just on current resources.

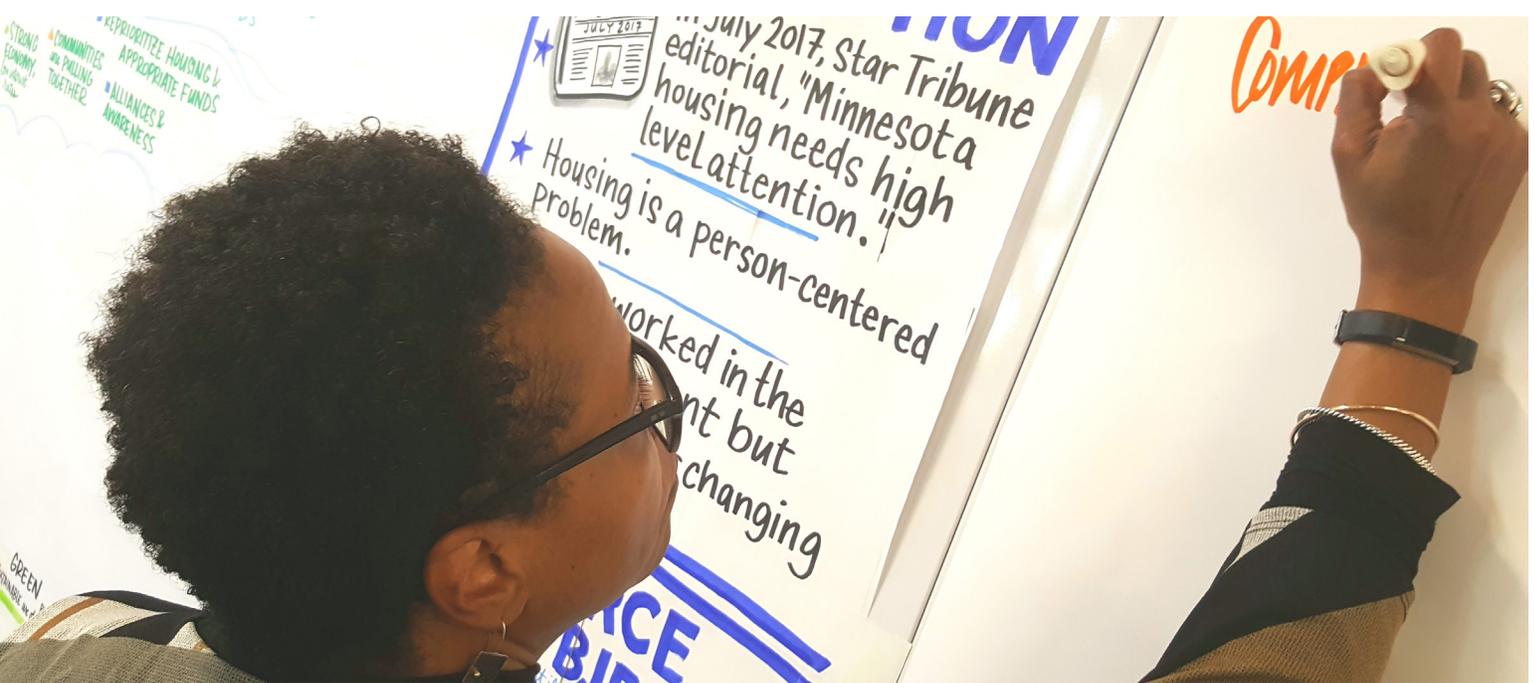
Going forward, using the best information at our disposal, we need to work proactively to set, track, and achieve clear goals that will enable success for our state. Minnesota will thrive with a strong foundation of homes that are affordable for households with a wide range of incomes.

Based on extensive community input, the Task Force recommends that a nonpartisan, cross-sector group take the lead in forecasting demand, setting goals, and measuring progress for the state by regularly establishing targets aligned with each of the six goals discussed in this report. This nonpartisan group should assess which measurements are appropriate for goal setting, reconcile measurements or methods that vary across agencies, and agree on a data-sharing strategy. To best position Minnesota for success, the metrics should assess data within and across regions and markets so we can target our investments where they will have the most impact.

### **1.2 Create dedicated, permanent funding sources for affordable homes in addition to current funding sources.**

As we set goals, we need to equip ourselves to meet them. Homes are essential infrastructure. Public investment will always be critical to enabling all Minnesotans to have safe, affordable homes from which they can pursue opportunities and succeed. Ensuring that Minnesota's residents—including its workforce and school kids—have stable homes is directly linked to the state's economic vitality and competitiveness.

The importance of housing parallels the importance of our state's other infrastructure. Just as everyone needs our roads and bridges, which we understand as central to our economy, so it is with our homes. In the first half of 2018, the Task Force heard strongly from private, nonprofit, and public stakeholders that we need



to maintain the level of funding we currently have for investing in homes AND add new, stable funding sources. The Task Force believes it's time to create dedicated and permanent streams of funding for affordable homes, just as we do for other critical infrastructure, and they should exceed current levels of funding.

The Task Force did not review all the options for a new, dedicated source of permanent funding; however, examples exist. At a state level, we could pursue a tax-credit program or other incentives for companies and individuals who make investments in homes their communities need. North Dakota provides one such model—and a similar bill was under consideration in Minnesota's 2018 legislative session. Massachusetts offers another example, as do successful existing models in our state and elsewhere that drive funding to transportation, education, and other critical functions. We need the same kind of predictable and sustainable investment source for investing in homes.

The state government should also authorize local governments to do more. Specifically, local

governments should be empowered to expand the use of tax increment financing (TIF) dollars to invest in specific affordable homes, mixed-income developments, or other infrastructure needed to support these developments. They should be able to pool funding as needed to more efficiently and effectively target these resources. This may also require modifying the low-income requirements to establish TIF districts for homes, and enabling local governments to reduce taxes in exchange for reduced rents. Our local governments should have the latitude to implement the agile, creative approaches they need, and their successes can serve as examples across the state.

These approaches outline a strong start. We need to understand the demand we face and get to a more appropriate level of investment in our housing infrastructure. Through greater efficiency, true innovation, and public-private partnerships, we can better leverage the resources we have—but we need to be honest about the resources required. If we falter when it comes to making the strategic, up-front investments required, then the cost to all

Minnesotans could be a floundering economy, rising home prices across the board, and lost opportunity.

### **1.3 Invite all Minnesotans to recognize homes as a central and critical part of the economic and social well-being of all residents and communities in Minnesota.**

Where we live is not an ancillary issue, and it shouldn't wait for the creation of a task force to bring it to the forefront. Homes are a current, critical, and constant community issue. We should engage in regular community conversations and education to equip people across the state to act in our shared interest.

Elected leaders, nonprofits, business leaders, and individuals should have the opportunity to offer ideas and solutions around the necessity of homes. Community forums to explore solutions, such as the ones hosted by the Task Force, should be a regular feature in our cities, towns, and neighborhoods.

As a Task Force, we commit to standing at the forefront of this movement. You can expect members of the Task Force to form the core of public, private, nonprofit, and individual efforts to build on the idea of homes as a key resource for a prosperous Minnesota. Accessible, affordable, attainable homes are our competitive advantage as a state. Homes are the bedrock of our communities; they're at the root of our success. We invite all Minnesotans to join us.



## Goal #2: Preserve the Homes We Have

### Keep the homes we already have, especially those that are most affordable.

The most cost-effective way to provide homes that are affordable to most Minnesotans is to preserve our existing stock of homes. This is particularly true as the growing demand outpaces new supply and the tight market drives home prices higher. To keep and improve the homes we have, we can provide financial resources for current owners to make repairs and improve the quality of living for themselves or their tenants while maintaining affordability.

#### **Older homes are more affordable to own and maintain than the cost of equivalent new homes.**

Minnesota has a strong supply of homes that families and individuals can afford in our existing owned and rented homes. Three quarters of the owner-occupied homes in the state are valued at under \$250,000—a level generally considered affordable in today's market—and 38 percent are valued at \$150,000 or less. Generally, as houses age their value decreases, making older homes a good value in many communities. While these houses and apartments vary in condition and quality, investing in them provides a way to preserve homes at a range of prices.

Maintaining older homes often requires rehabilitation or modernization, but these updates are almost always less expensive than building new and are frequently less than half the cost.<sup>4</sup> Home rehabilitation helps homeowners remain in

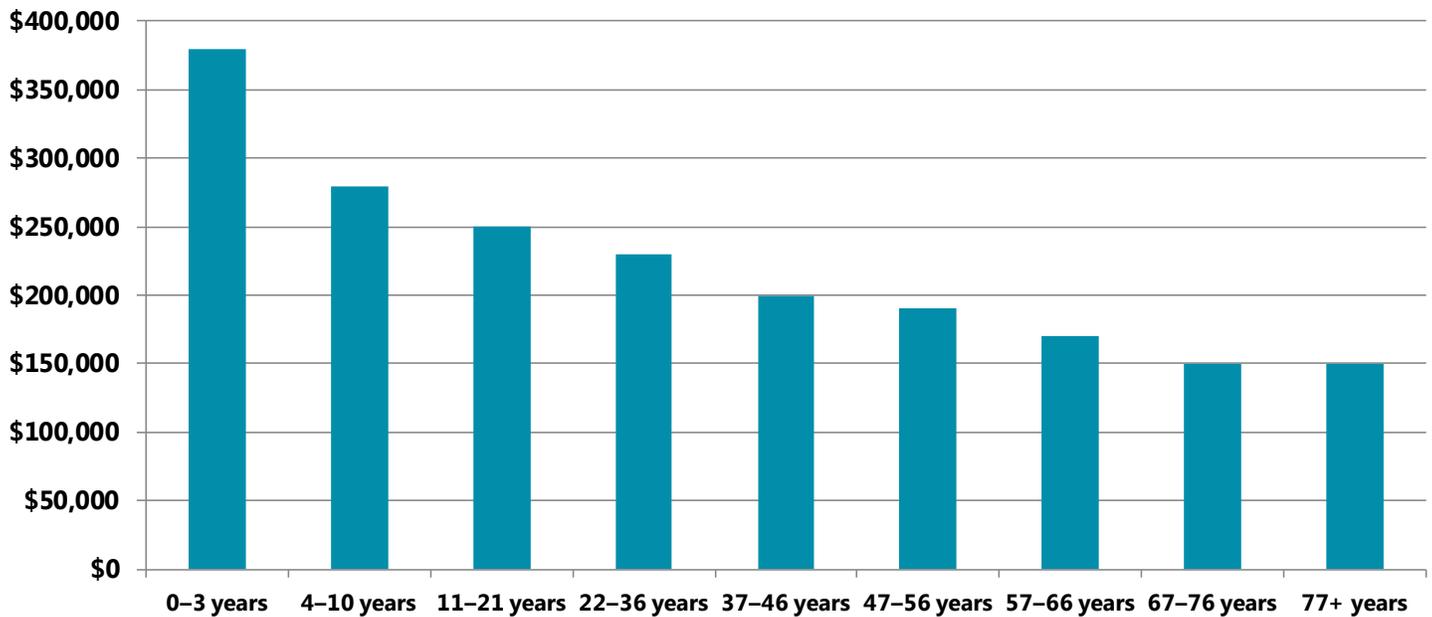
their homes for less cost than buying and moving to a comparable property.

This is particularly true for senior homeowners. A recent study by Wilder Research found that 16,400 extremely low-income senior households (households at or below 30 percent of their area's median income) have home-rehabilitation needs, including both habitability repairs and accessibility improvements.<sup>5</sup> For an estimated cost of just \$16,000 per home, these seniors would be able to stay in their own rehabilitated homes and their communities for another five years. Compared to the cost of assisted-living alternatives, this cost is minimal, and studies show that most seniors prefer to age in place.

#### **AGING IN PLACE WITH REHAB LOANS**

Casper is an elderly gentleman that lives out in the country by himself. He ended up in the hospital from carbon monoxide poisoning so his furnace was replaced but his levels still stayed high. The county investigated and found his septic system was bad and they ended up condemning his home until his system was replaced. Casper was able to get his system replaced with a loan through Minnesota Housing and Rural Development. Casper was very happy to be able to go back home because his home is where he was born and lived his whole life. If this program wasn't available, Casper would not have been able to return home.

## MEDIAN HOME VALUE BY AGE OF PROPERTY



Source: Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2016 one-year sample, microdata, IPUMS.org)

In a 2010 survey, Minnesota Baby Boomers were asked what type of home they might choose the next time they move, and only seven percent expressed an interest in moving to a seniors-only apartment complex.<sup>6</sup> Even when the costs of home health services are included, it is cheaper to keep someone in their home than in a nursing facility—when staying in their home is desired and possible for them.

The Wilder study estimated that assisting the 16,400 senior Minnesota households with their home-rehabilitation needs could be achieved with a total budget of \$250 million, or \$50 million annually over five years. Unfortunately, the need among senior households alone greatly exceeds the existing available rehabilitation resources. For example, annual funding for Minnesota Housing's Rehabilitation Loan program is only \$9.5 million, with seniors accounting for a third of the clients.<sup>7</sup>

### Keeping homes in good repair requires ongoing investment.

Rehabilitation can address properties' basic living conditions to improve the health and safety of

residents. Rehab projects can include modifications to reduce utility costs, reconfigure the space for growing or shrinking families, or improve accessibility for aging seniors or people with special needs.

We can lose both owned and rented homes if they deteriorate too far. Many older rental properties haven't had significant capital investment since their construction and require major reinvestment in the years ahead. Conditions may have deteriorated to the extent that the health and safety of residents is compromised.

In addition to improvement expenses, property owners often face increased operating costs that reduce affordability—escalating property taxes, utilities, and insurance. For rental properties, these costs are passed on to tenants and may mean the difference between maintaining stable homes and having to move. Stabilizing or reducing operating costs will help maintain affordability for property owners and renters.

Since its founding in the early 1970s, Minnesota Housing has provided a range of financing programs

that can help both homeowners and rental property owners improve their properties. Communities around the state often use these resources in combination with local support to encourage whole neighborhoods to fix up their older properties. The results are good for both the property owners and the entire community because neighborhoods look better and property values increase.

### When improving older rental properties, it's important to keep rents affordable.

Preserving existing affordable homes must focus on both quality and affordability. Minnesota has around 366,000 apartments priced at a level that families who earn half the local median income can afford to rent.<sup>8</sup> (As an example, for a family of three in the Mankato area, that would mean a household income of \$33,750 per year.) Two primary types of existing affordable rental homes are available in Minnesota, and preserving each is essential and cost effective. The two types are:

- *Naturally occurring:* Rental homes on the private market that are relatively low in price because of condition, location, lack of amenities, or other market factors
- *Government-assisted:* Homes with rents capped at an affordable level for a certain amount of time in exchange for public funding

Naturally occurring affordable rental units account for over 200,000 of the 366,000 total affordable rental units in Minnesota. Unfortunately, we estimate that Minnesota is losing roughly 2,000 naturally occurring affordable rental units per year as low-priced properties are sold and improved, which leads to rent increases.<sup>9</sup>

Some property owners in the state are willing to buy naturally occurring affordable properties, make improvements, and then continue to maintain and manage them at affordable rent levels. These buyers often require a modest level of financial support from

local governments and community-based lenders to make bids on the properties that are competitive with those of other potential buyers who can make more money on properties by increasing rents. We can limit the level of costlier new construction for affordable units by finding ways to keep the rents for these existing units affordable.

The loss of these naturally occurring affordable apartments has accelerated recently as investors, in some cases investors from out of state, are targeting low-value properties in prime markets across Minnesota. They're buying them, making modest improvements, and raising rents significantly. This phenomenon emerged as housing prices plummeted following the housing crisis in 2008 and has escalated the scale and pace of rent increases experienced in many communities. These rising rents are felt even more acutely in areas with a low supply of available homes.

Government-assisted rental homes come with affordability limits tied to public resource investments from a variety of programs. As of 2018, there were 114,000 of these homes statewide, funded through a few key programs.<sup>10</sup> Although these rental units account for about five percent of the homes in Minnesota, they play a vital role in serving the lowest-income households. Of the households living in project-based Section 8 housing in Minnesota, the median annual income is \$12,177; 45 percent are elderly, and 31 percent are disabled.<sup>11</sup>

### RENTAL UNITS WITH A PUBLIC INVESTMENT<sup>12</sup>

	Number of Units
Project-Based Section 8	30,350
Public Housing	20,750
USDA Rural Development	975
Other Rent Limits (primarily Low-Income Housing Tax Credit)	52,925
<b>Total</b>	<b>114,000</b>

These affordable properties provide a secure place to live for many low-wage workers in Minnesota

## POTENTIAL LOSS OF AFFORDABLE HOUSING



Of Minnesota's roughly 30,000 project-based Section 8 units, over 15,000 are in projects with a contract that will expire in the next 10 years.



Of Minnesota's roughly 10,000 USDA RD units, about 1,900 are in properties with a mortgage that will mature in the next 10 years and lose its rent assistance.

and are essential to attracting and maintaining a stable workforce. However, most limits on rents expire after a set time period, at which point the apartments are at risk of significant rent increases. Minnesota Housing has a long history of working with owners of these properties to invest the dollars needed to make critical repairs in exchange for the owners' agreement to maintain the affordability requirements, often for an additional 30 years.

Our strategy to preserve the homes we have must include the preservation of manufactured home parks, especially their critical infrastructure including water, sewer and roads. These communities provide affordable housing options and several large parks have closed for redevelopment in recent years, displacing families and leaving communities with fewer affordable homes.

### **We have several successful programs that can be expanded to preserve homes.**

The good news is that Minnesota has a wide array of programs for maintenance and rehabilitation that, if expanded, could provide needed resources to more owners of moderate- to low-cost homes statewide. Through a network of community lenders, Minnesota Housing provides financing to help preserve 3,000 to

5,000 owned and rented homes annually through a mix of public and private resources.<sup>13</sup>

Many local governments also have programs that use federal, state, and local funding to offer grants or loans to rehabilitate housing (e.g., federal Community Development Block Grants). While these programs are effective, they can't extend to all the houses in need of rehabilitation and preservation. For example, the Small Cities Community Development Block Grant program is available annually on a competitive basis, so a community may have funding one year but not the next.

Some local, state, and utility-company programs support property owners in making urgent and/or energy-efficient repairs, but they don't cover more general repairs. Additionally, several nonprofit organizations provide home repairs for Minnesotans. For example, Rebuilding Together uses volunteers to make livability and accessibility repairs for low-income homeowners. Similarly, Twin Cities Habitat for Humanity's A Brush with Kindness program uses volunteers and contractors to make mechanical, carpentry, safety, and accessibility repairs for low-income homeowners.

## **Recommendations**

Maintaining existing homes and apartments is a critical strategy for providing homes in Minnesota. The Task Force makes the following recommendations for how we can build on already successful strategies to preserve even more affordable homes and apartments in the future.

### **2.1 Expand and streamline existing rental rehabilitation programs to preserve critical rental assets.**

The State of Minnesota and other partners have built a network of programs to provide some of the needed funding that property owners can use to rehabilitate existing rental properties in exchange for not increasing rents, but only a few

owners of small rental properties are using them. The Task Force recommends that successful rental rehabilitation programs from around the state (e.g., Saint Paul, Mankato and Northfield) be examined to determine how current programs can be improved and expanded to serve more property owners.

### **2.2 Incentivize private-market owners to keep rental units affordable to low-wage families by using targeted support from local and state government.**

The Task Force recommends that Minnesota Housing work with local governments to develop a set of financing and regulatory incentives designed to encourage ownership of naturally occurring affordable rental properties by owners who are interested in keeping rents affordable over the long term. This effort should include exploration of potential changes and expansion of the 4(d) property tax classification.

### **2.3 Support and expand existing home-rehabilitation tools and programs at the state and local levels to serve more homeowners who need to make improvements.**

Homeowners of lower-cost homes, like rental

property owners, are often challenged to pay for home improvements. Yet remaining in an existing home, even with the cost of rehabilitation, is usually less expensive than buying an equivalent home elsewhere—due to moving costs, financing, and the increasing price of for-sale housing. The Task Force recommends expanding existing programs to serve more people and communities throughout the state, while fine-tuning programs to serve special markets, such as manufactured-home parks. Program guidelines should be reviewed to determine if they provide enough flexibility to meet local circumstances and needs.

### **2.4 Substantially increase support for rehabilitation of public housing, much of which is experiencing notable deterioration.**

The Task Force recommends continuing and increasing funding for the rehabilitation of public housing. Public housing accounts for 5 percent of the 366,000 affordable units and many of these units suffer from significant deterioration. One estimate suggests that an additional \$20 million could preserve 2,891 public housing units, improving the living situations of thousands of families.<sup>14</sup>

## **HOME REHABILITATION PROGRAMS FOR VERY LOW-INCOME HOUSEHOLDS**

Minnesota Housing offers the **Rehabilitation Loan Program (RLP) and Emergency Loan Program (ELP)** for very low-income households. RLP and ELP provide 0 percent deferred loans to homeowners earning 30 percent or less of area median income (AMI) to make emergency repairs, increase accessibility, or address basic upgrades. Minnesota Housing also offers the Fix Up Loan Program, which provides interest-bearing loans for rehabilitation to low- to moderate-income homeowners.

The United States Department of Agriculture Office of Rural Development offers the **Section 504 Home Repair program**, which provides rehabilitation loans and grants to very low-income homeowners. It offers loans to households to repair, improve, or modernize their homes, and grants to the elderly to remove health and safety hazards.

The Minnesota Department of Commerce offers the federal **Weatherization Assistance Program**, which provides free home-energy upgrades to income-eligible homeowners and renters. Examples of eligible upgrades include attic insulation, air-leakage reduction, and furnace replacement.



## Goal #3: Build More Homes

**Build 300,000 new homes by 2030, across all types, prices, and locations to stabilize prices and meet demand.**

Minnesota has built a reputation of livability and opportunity, and homes people can afford are a key ingredient. The wealth of natural, human, and economic resources across our state has attracted new businesses and workers and built a thriving economic base. In today's market, rising home prices and the shortage of homes make it difficult for employers to keep the workforce they need and endanger the stability of many communities across the state. We need to take action to retain Minnesota's competitive advantage in livability.

We can use the ingenuity and know-how in our state to create the homes our residents require. We need to accelerate our current pace of building and explore incentives to enable the private market to build 300,000 homes and apartments by 2030. Across the state, roughly 20,000 new homes were built last year. Addressing the full need and the current backlog in a timely way requires a short-term ramp up to build an additional 50,000 homes—or at least 10,000 per year above current production for the next five years.

By building well-designed homes and pursuing strategies to lower the cost of construction, we can actively plan for future needs and simultaneously invest in our skilled trades. This is a win-win for everybody—enabling Minnesotans to live in the communities where they work and offering a range of housing types and prices to meet today's needs.

### **Our unusually low supply of homes has consequences for everyone.**

The affordability of homes has been a competitive advantage for Minnesota and our employers, but a growing shortage of homes is pushing prices beyond the reach of many individuals and families. New housing construction has not kept pace with household growth since the Great Recession, as evidenced in the short supply of homes for rent or sale.

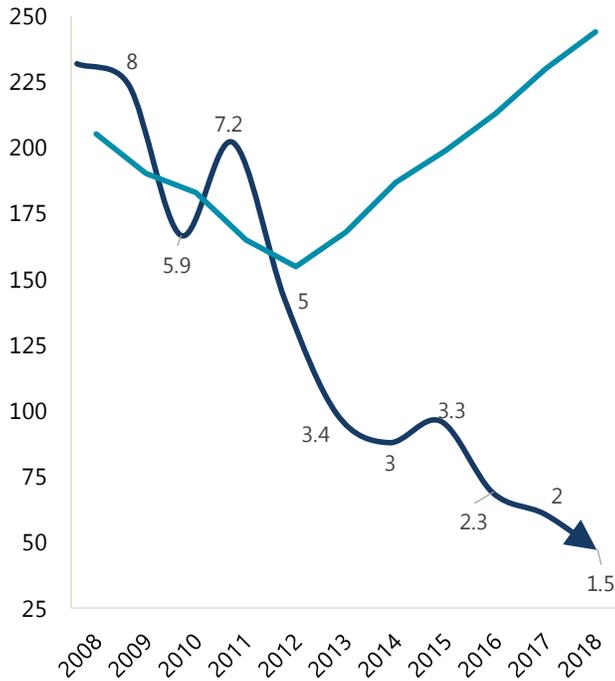
A healthy housing market has a four- to six-month supply of homes for sale. In the Twin Cities metro area today, there is just over a two-month supply.<sup>15</sup> In the rental market, a healthy vacancy rate is 5 percent. In Minnesota today, the statewide rental vacancy rate is about 4 percent and as low as 2.2 percent in the metro area.<sup>16</sup> Healthy vacancy rates give families options in the marketplace and the ability to move to a different location or size of home as their needs change. When vacancy rates are too tight or the supply of homes is too low, prices rise across the board and families may be stuck in homes that don't work well for them. The consequences of a limited supply are illustrated by recent trends in the Twin Cities area.

This market dynamic affects everyone. Renters are rushed to apply for the first available place, even if they can't afford it, reducing their disposable income for other critical needs,

## TIGHT HOUSING MARKET CONDITIONS LEAD TO INCREASES IN HOME PRICES AND MONTHLY RENTS, AS SEEN IN THE MINNEAPOLIS MARKET

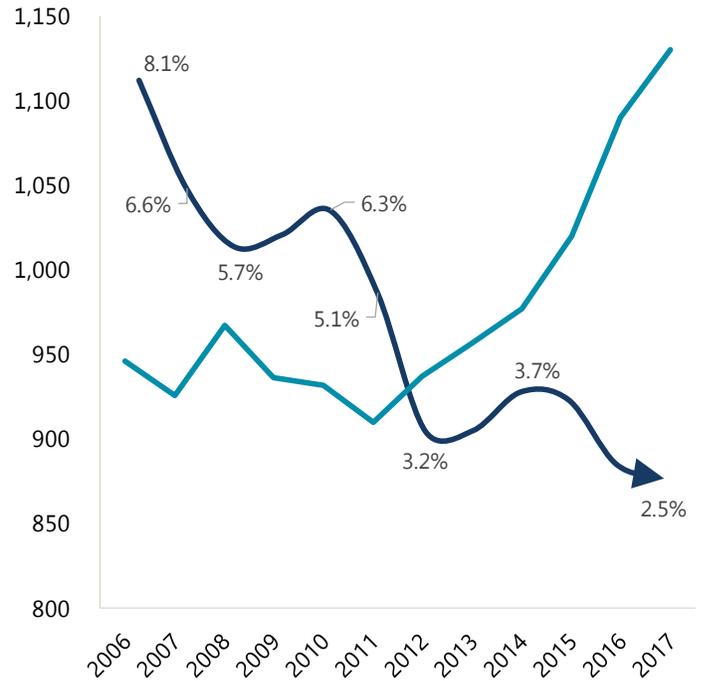
### Median home prices and available inventory

Purchase price (\$000s) and inventory (months of stock)



### Average rent and rental vacancy rates

Monthly rent (\$) and unoccupied rental units



SOURCE: Minneapolis Area Association of Realtors Monthly Indicators (Jan 2018); Northstar MLS; US Census Bureau; Zillow

such as food, transportation, and education. Young families face difficulties finding and buying a first home because starter homes remain occupied by families who can't afford to move up into second and third homes. Senior citizens may also lack the option to downsize or move to a home more appropriate to their current needs. Millennials and Baby Boomers are competing for homes in the moderate price range, particularly in walkable, transit-connected communities where home prices are rising fast.

These price increases are notable. Across Minnesota, home prices have increased 8.9 percent in the last year alone.<sup>17</sup> Homes in Minnesota are now 26 percent more expensive on average than in neighboring states.<sup>18</sup> Meanwhile, rents have increased 4.1 percent.<sup>19</sup> As home prices rise, more and more families lack regular and secure access

to a home and are at risk of homelessness. In some cases, new Minnesotans coming here for work are moving into temporary accommodations, hotels, or crowded and unsafe housing because decent places to live are fully occupied. These challenges can impact families, individuals, and newcomers across the state and in communities of all sizes.

### We get \$3.2 billion in new investments and 30,000 jobs for every 10,000 new homes we build.

Over the next twelve years, Minnesota will need to enable the private sector to build 300,000 new homes to stabilize prices in the market and keep up with demand. This starts with addressing the current shortage of homes. Although the pace has increased in recent years, we have yet to make up for precipitous decline in home construction during

the Great Recession. Current building rates are unable to close the gap, and without a significant increase in production, Minnesota will remain behind the curve. We need around 50,000 new homes just to address the current backlog.

If we want to close the gap in available homes, as the Task Force recommends, we must increase current construction levels for the next five years to build at least 30,000 homes annually, which is 10,000 more homes than current production levels. The shortage of homes comes with a short-term cost, but we have an opportunity to create long-term benefits for the state. Increased construction brings good jobs, produces additional revenue, and can stabilize home prices on the open market so we can further target public resources to areas where the private market doesn't work effectively. As a state, we will realize an estimated \$3.2 billion in investments and support more than 30,000 jobs for each 10,000 additional homes we build.<sup>20</sup>

After addressing the backlog, we need to continue to build at a steady pace of nearly 20,000 homes annually going forward. While we built at this clip at 2017, that level was a ten-year high. Such a significant increase will be difficult to achieve without policy changes that allow and encourage increased production, such as regulatory reform, widespread implementation of best practices, and economic incentives.

### **Left to its own devices, the market will not effectively solve the shortage of homes.**

The increased cost of building intensifies our shortage of homes, making it harder for developers and builders to construct a new apartment or house at a cost that most Minnesotans can afford. Constructing a basic rental home—a two-bedroom apartment—now costs roughly \$200,000, which requires rents that are too expensive for the average Minnesota renter.<sup>21</sup> The story is the same for homeownership.

With the costs of land and construction high, the market naturally trends toward building more-expensive homes. As we increase production levels, we need to create a healthy supply of homes at all income levels and in all communities. That's how we can better meet today's needs.

### **More skilled workers, regulatory relief, and new building technologies can help reduce construction costs.**

Increased construction costs are driven by a shortage of skilled labor, more regulations, higher fees, and a fragmented construction industry, which hasn't seen the productivity gains and technological advancements of other fields. These challenges are solvable. We can do more in our state's building and construction industries to bring down new-home prices. Even small savings can open up homeownership for many people. For every \$1,000 we can shave off the price of a new home, 2,800 additional families become able to afford to live there.<sup>22</sup>

When building stalled during the recession, construction employment in Minnesota fell by more than half.<sup>23</sup> Many construction workers found new careers, and fewer young people entered construction trades. The result is a significant skilled labor shortage; the Task Force heard this echoed loudly in every regional forum around the state.

Fortunately, we can reinvigorate the construction trades by ramping up successful programs that already exist. Project Build Minnesota is a partnership of development and construction-industry professionals that encourages individuals to enter building trades. It provides outreach and resources to educate people about learning opportunities, from hands-on trade experience to programs that award Associate and Bachelor degrees. There are also apprenticeship and training programs—such as YouthBuild, a program that provides hands-on training in the construction and

building trades to at-risk sixteen- to twenty-four-year-olds, and the Institution Community Work Crews Affordable Homes Program, a vocational training program for minimum-security inmates that focuses on building affordable homes.

On the regulatory front, building-code requirements and development fees often drive up the final selling price or monthly rent of a property. A 2014 paper on housing costs in the Twin Cities estimated that regulatory reform at the local level has the potential to reduce development costs by 5–25 percent. It cited two sources to examine for potential regulatory reform—the Metropolitan Council’s “Tools and Incentives to Promote Affordable Housing in the Twin Cities” (March 2013) and “A Vision for the Next Decade, Planning for Affordable Housing in the Twin Cities Metro” (Spring 2009).<sup>24</sup>

Some local governments are already making progress toward reducing costs. For example, Richfield has reduced building permit fees for affordable projects, and Minneapolis waives park dedication fees for affordable housing and offers density bonuses and financial incentives for the inclusion of affordable housing units. Reduced parking requirements and higher-density zoning are two other ways to reduce the cost of housing. Alternative approaches to building codes, such as performance-based standards, offer further flexibility without lowering safety expectations. These and other local governments are being thoughtful about their policies, examining the costs and benefits these policies and standards have on the upfront cost of the development.

At an industry level, new construction technologies offer opportunities to significantly increase productivity, reduce construction costs, and spur economic growth.<sup>25</sup> In Minnesota, some builders and developers are pushing the envelope of innovation by exploring modular and panelized construction. Alternatives to traditionally built homes offer opportunities to lower costs, but logistical,

## INNOVATION THROUGH MODULAR HOMES

Modular and panelized housing are innovative alternatives to creating lower costs and more affordable homes. Project for Pride in Living is using modular construction for the development of 11 single family homes in the City of Minneapolis and has seen a 10% reduction in project costs. Carponentry, LLC is seeking to develop micro-factories across the state to build energy-efficient, affordable homes using panelizing technology. It is planning to operate a micro-factory in the City of Duluth as an example of how to implement this strategy and demonstrate the types of homes that can be developed through this process.

technological, and regulatory barriers currently stand in the way of full adoption. We can learn from other places that are embracing new technology and apply Minnesotan ingenuity to produce and market these innovative techniques here.

## Recommendations

The Task Force identified five recommendations to expand our home production. These recommendations, implemented to their full potential, can make Minnesota a model of opportunity and innovation.

### **3.1 Position Minnesota as a national leader in the advancement of housing innovation and technology.**

The housing industry is poised for a breakthrough, and Minnesota should be at its forefront. The Task Force recommends that business, labor, education, and government partners come together to form a Center for Residential Construction Innovation. Promising models emerging in the United States and abroad could quickly reshape Minnesota’s home-building landscape to better meet our needs.

For example, our Scandinavian peers have set a global precedent—84 percent of Swedish homes incorporate factory-built elements, saving time and money.<sup>26</sup>

The state government should consider creating financial incentives to help secure early private investment dollars for research and development in home-building technology and to build state-of-the-art manufacturing capacity for modular, panelized housing components. We can attract and partner with leaders in education, design, construction, and distribution to develop an integrated pipeline to advance construction innovation and position Minnesota to become a leader and exporter in this emerging market.

We should encourage developers to use innovation and technology to bring down the cost of homes using new materials and breakthrough designs and techniques to transform the market. Building trades and construction-industry professionals should be engaged as partners to transform our regulations and building code to encourage innovation without sacrificing safety and quality standards.

### **3.2 Grow the pool of talent in Minnesota's building trades to enable the sector to meet current and future demand.**

Several programs are underway to grow our skilled construction workforce, and we can do more. The Task Force recommends that the Minnesota Department of Employment and Economic Development and the Minnesota Department of Labor and Industry partner with and expand on industry initiatives, such as Project Build Minnesota, to encourage more people to enter the construction trade.

We should focus on training and mentorship programs to attract young people—the next generation of our workforce. We should update and expand programs and curricula for

construction training, including programs on rehabilitation and remodeling. The programs should be marketed to a broad audience so parents, teachers, and school counselors can be informed about opportunities in the field. Construction is an essential trade for our future, and we should make a concerted effort to renew the vibrancy and attractiveness of this sector for young workers—and build agility and innovation into the industry.

### **3.3 Increase the capacity of local leaders to implement tools and solutions to address the home-affordability needs of their communities.**

We learned from developers and builders that local regulations and land-use policies are often a barrier to building more homes in many communities. We also learned that local

#### **ST. LOUIS PARK: FULL SPECTRUM HOUSING**

Achieving a full spectrum of housing takes dedication over decades. St. Louis Park has long supported strong plans for station areas in anticipation of the Southwest Light Rail Transit project (METRO Green Line Extension), ensuring that mixed-use, high density multifamily developments are built to support walkable, transit-oriented neighborhoods in support of the huge transit infrastructure investment.

While protecting and maintaining its traditional single-family neighborhoods, St. Louis Park has also been an innovator, creating life-cycle housing and a successful urban/suburban blend of density in communities such as Excelsior on Grand and the West End. More recently, St. Louis Park has become a leader in policies that support affordable housing, and is one of the first cities in the region to adopt a comprehensive mixed-income housing policy as well as a tenants' rights policy that supports residents of Naturally Occurring Affordable Housing (NOAH).

communities often don't have all the tools they need to effectively evaluate and update local plans, zoning, and land-use policies to expand housing options in their communities.

The Task Force recommends that Minnesota Housing, the Metropolitan Council, and other state and regional agencies join with the League of Minnesota Cities, Metro Cities, and the Regional Council of Mayors to compile and promote implementation of best practices for local governments on strategies to encourage the development of homes and increase diversity in the types of homes available. This includes providing information to local governments on options to incentivize affordable homes through tax abatements, density bonuses, inclusionary zoning, housing trust funds, alternative or modular housing, and other policies.

Many of these tools come at no or little cost to local governments. Communities' comprehensive and long-range plans should identify areas that may require rezoning to support new multifamily and infill housing development. No one-size-fits-all solution will solve the complex challenges

of Minnesota's shortfall of homes, and local governments should be given the resources, coaching, and support to implement the best tools for their particular context.

### 3.4 Expand the range of housing types across Minnesota communities.

Flexible design and zoning policies can facilitate decisions to build innovative housing types better suited to the diverse and varied needs of Minnesotans today. As a Task Force, we recommend local governments encourage and enable modern building strategies, and we invite local developers and builders to explore the full range of possibilities. Minnesota has more single-person households than ever before, but we're still home to large, multigenerational families. We should build to accommodate both, and for other models—cooperatively owned homes, co-housing projects, accessory dwelling units, and community land trust homes.

By taking advantage of new building options, including modular and manufactured homes, we can find new ways to reduce construction costs. By making more efficient use of land, we



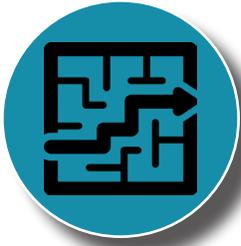
can make the most of transit-connected areas and reduce the per-unit cost of property. These goals require exploring new building types and returning to models that served us well in the past—triplexes, twin homes, row homes, and condos. When rules and policies block communities and developers from building options that respond to changing demands, those rules and policies should be reevaluated. We recommend strong partnerships between the public and private sectors to proactively encourage a wider range of housing types and remove barriers to sensible and market-responsive development.

### **3.5 Create a statewide review panel to evaluate regulations related to building standards, land use, and environmental stewardship for their impact on housing affordability.**

Builders and developers told the Task Force that the combined impact of several state regulations has had a negative impact on the affordability of homes. In some cases, the benefits of these policies outweigh the additional increase in construction costs. In other instances, these policies increase upfront construction costs, but decrease on-going operating costs or help address other policy goals. The Task Force also heard that some elected officials and policymakers are reconsidering existing or proposed policies to determine their effect on affordable housing costs.

As a Task Force, we recommend the establishment of a nonpartisan panel to review and identify alternatives to regulations and policies that impact housing development costs—paying particular attention to how the state regulations and policies are administered at the local level. The proposed panel should include experts in building science, home builders, associated tradespeople, local policymakers, and representatives from relevant

agencies. In reviewing the policies, the panel should also consider the potential benefits of these policies.



## Goal #4: Increase Home Stability

**Assist twice as many people at risk of losing their homes because of rent increases, evictions, and heavy cost burdens.**

Stable homes are essential for families to thrive, be healthy, and fully participate in the community. When you lose your home, you lose your community—and the consequences of this major life disruption can last for decades. In Minnesota today, well over half of the lowest-income families in the state spend more than 50 percent of their income on their home costs.<sup>27</sup> Doubling our investment in state rental assistance vouchers, promoting voucher acceptance, preventing displacement, and drafting strong protections for renters can reverse this trend so that kids learn, parents earn, and communities grow stronger.

### **Increase help to families at risk of losing their homes.**

As the cost of a home increases across our state, we lose an estimated 2,000 affordably priced rental homes in the private market every year when they become more expensive through sales, rehabilitation, and rent increases. As discussed in the Goal #2, when an apartment building sells, new owners may increase rents or change the criteria by which they evaluate incoming and even existing residents. Tenants may be abruptly notified that their lease isn't being renewed and they're facing possible eviction, leaving them little time to find a new home. Renters with month-to-month leases are particularly vulnerable.

This situation is happening more often under our current shortage of homes, with families frequently moving from apartment to apartment, frantically looking for a home within their budget, filing new applications and paying new fees for each apartment. Modest rent increases, particularly to cover building improvements, are understandable and easier for tenants to absorb. Dramatic rent increases indicate a market response to tightened supply. In the past few years in Minnesota, rents in some apartments have risen hundreds of dollars a month—even doubled—putting almost all residents on the search for a new home. The Crossroads at Penn apartment complex in Richfield is a prime example: more than 1,000 residents were displaced from 700 apartments in 2015 following the sale and upgrade of the property.<sup>28</sup>

This can be a natural cycle for rental properties, but it removes much-needed affordable units from the market and puts displaced households in a precarious situation. Until and unless they can find similarly priced places to live, these households may be forced to double up with family or friends, seek temporary shelters, live in cars, or be on the streets. As a result, jobs are interrupted, schooling is disturbed, and health can be compromised. Senior citizens may need to leave neighborhoods they've called home for decades.

Displacement doesn't hit every community equally. Neighborhoods with low-priced homes



are being targeted for investment, improvement, and resale or rental at higher prices. The predominantly low-income residents living there are disproportionately households of color who can't afford to stay. Between 2010 and 2014, 90 percent of the demographic growth of renters in the Twin Cities was households with incomes greater than \$50,000. Sales of multifamily and rental units in the Twin Cities have also risen 147 percent between 2010 and 2015, with the average unit price rising 54 percent in the same period. These two factors—a high rate of exchange in the rental market and renters with higher incomes—contribute to rising rents and additional vulnerability for displacement in lower-income households and households of color.<sup>29</sup>

We can't stop rents from rising in a fluid and undersupplied market, but we can provide better options for renters. A straightforward solution is extending required notification periods, giving tenants more time to find new homes. Actions can also be taken to reduce the financial burden on displaced households. In a 2018 ordinance passed by the City of St. Louis Park, landlords are required to pay moving expenses of low-income tenants if, within the first three months of owning a rental property, they raise rents above a certain amount, do not renew leases, or rescreen tenants. This policy resulted from thoughtful collaboration between local renters, advocates, the city, and property

owners to address the impacts of rising rents. This sort of ordinance and other tenant protections passed around the state offer concrete models for us to follow and build on.

In Minnesota, we've made great strides in preventing families and individuals from losing their homes—and, if they do lose their homes, our goal has been to quickly reconnect people to stable homes. A statewide plan, launched in 2014, to prevent and end homelessness has shown remarkable results, including a 20 percent reduction in families experiencing homelessness and the near elimination of veteran homelessness. Building on this success, the recently updated Heading Home Together plan is Minnesota's multisector action plan focused on preventing homelessness whenever possible and ensuring rapid access to homes and services so all Minnesotans have the stable foundation of a home.

Heading Home Together includes strategies to most effectively use existing programs—such as the state-funded Family Homeless Prevention and Assistance Program, which is designed to help families get through short-term housing crises. Last year more than 6,900 households across the state received one-time housing assistance from a variety of sources; unfortunately, funds weren't available for all who needed help.<sup>30</sup> In addition to leveraging existing programs, Heading Home Together calls for the

creation of new housing opportunities to support access to homes for the more than 7,500 people experiencing homelessness in the state on any given night.

### **Confront the cycle of exploitation by predatory landlords that traps families in substandard homes.**

Most landlords are similar to their tenants—they're hardworking people trying to do their job fairly and make a decent income. They're a critical and valuable part of the ecosystem and infrastructure of housing in Minnesota. Conscientious landlords may benefit from additional tools to manage and maintain properties effectively and stay informed of their rights and responsibilities.

Unfortunately, a small minority of landlords doesn't have the interests of their tenants in mind, and they exploit the system for personal gain. Some predatory landlords engage in practices such as filing eviction actions to retaliate against tenants who seek to secure or enforce their legal rights, utilizing leasing practices they know to be illegal, or refusing to make required building repairs for tenants whose backgrounds make it difficult to secure rental homes elsewhere. In the most egregious cases, the Task Force heard from tenants who reported landlords requesting sexual favors in exchange for repairs or rents not being increased. This type of behavior hurts tenants, and it harms the reputations of our state's reputable landlords. Responsible landlords, tenants, and Task Force members agree that action needs to be taken to end exploitation of tenants by such predatory landlords. Landlord rating systems, such as the one in place in Minneapolis, offer a mechanism for identifying and defining positive or problematic rental practices and enable municipalities to provide incentives to good landlords. These systems need further refinement to be fully effective, but they're a solid start.

Existing laws intended to protect tenants are an

excellent start, but we can do more. Renters can be better informed of their rights and avenues for recourse, and additional resources should be available to help those who are trapped in a bad situation. Organizations such as Mid-Minnesota Legal Aid and HOME Line provide hope and support. HOME Line offers the first and only statewide housing hotline in the country, and they average over 1,000 calls every month. HOME Line estimates that since 1992 they've helped prevent more than 13,400 evictions. We should support and expand on this work.

The consequences of losing homes, particularly through eviction, may last for decades. In 2016, an average of nine Minnesota families per day were formally evicted from their homes.<sup>31</sup> These evictions are strikingly concentrated. In just two Minneapolis zip codes, nearly half of renters experienced an eviction filing in the past three years.<sup>32</sup> In addition to formal evictions are "informal evictions"—lease terminations or nonrenewal of leases—which may occur about twice as often as formal evictions.<sup>33</sup> Evictions disproportionately affect households of color, and families in low-income areas are more likely to be evicted when their neighborhood becomes more desirable and commands higher rents than they can pay. The two zip codes in Minneapolis with remarkably high eviction rates are areas of poverty in which people of color comprise more than half the population.

We can learn from best practices here. CommonBond Communities, which serves more than 9,725 renters across the state, has implemented an effective eviction-prevention program. From a business standpoint, they've found that eviction prevention costs much less than evictions, factoring in lost rent, vacancy and turnover costs, and legal fees. For every \$1 invested in CommonBond's eviction-prevention services, the community realizes a return of \$4.<sup>34</sup> These savings include decreased use of homeless shelters, improved educational outcomes, and lower healthcare costs.

## Tenant-screening criteria can have an unintentionally discriminatory impact.

Almost all landlords use tenant-screening criteria to help determine if a prospective tenant will be able to afford the proposed rent. Under state and federal fair housing laws, landlords can't adopt screening criteria that are openly discriminatory. However, even responsible, community-oriented landlords can sometimes adopt screening criteria that unfairly, or even unintentionally, eliminate certain prospective tenants. For example, the Task Force heard testimony about screening criteria that eliminate anyone who has ever been convicted or pled guilty to any crime or misdemeanor. Since this would technically include anyone who pled guilty to a speeding ticket, it would eliminate much of the population. Minnesota Housing has provided detailed information to landlords who manage government-assisted housing to identify actions that may result in unintended screening out of tenants.<sup>35</sup>

## We can build on proven solutions.

Federal housing vouchers are an effective and powerful tool for enabling families to find homes. The vouchers help cover the difference between the fair price of a modest home or apartment and a reasonable share of a family's income, typically around 30 percent. Minnesota simply doesn't have enough vouchers to cover the families who qualify for them. Only one in four qualified families actually receive this federal assistance, and waiting lists for the program are very long, sometimes as much as ten years.<sup>36</sup>

Right now, less than two percent of all Minnesota households receive rental assistance, but the number of qualified families is far greater. We have taken initial steps to address the limits of federal resources, by offering some targeted rental assistance through the Bridges program (for people with persistent mental illness) and state Housing Trust Fund program (for people and families who

have experienced or are at risk of homelessness) offered by Minnesota Housing and local service providers. These excellent programs are worth expanding, and we'll need them and other programs that offer rental assistance to meet the full need for real, sustainable options for families.

We know rental assistance works. The Family Options Study, conducted by the U.S. Department of Housing and Urban Development (HUD), found that access to long-term rental assistance reduces the likelihood of losing your home by half, and results in increases in child and adult well-being and food security. In Minnesota, the Rental Assistance Pilot for Homeless and Highly Mobile Families with School-Age Children (now known as Homework Starts with Home) demonstrated several educational benefits for children whose families received rental assistance and other support services. These benefits included stable attendance for school-age children. A remarkable 90 percent of the families who received this support still had a stable home two years later, and they also experienced increased incomes.<sup>37</sup> Results like these demonstrate that rental assistance should be an investment priority for our state.

## Recommendations

Losing a home can be a crucial blow, and many families never fully recover. These recommendations build on strategies that are already working in some communities to make the loss of a home less likely.

### 4.1 Enhance and expand state and local rental assistance programs to complement federal programs that are too small to meet the need.

We need to be able to harness the rental market on behalf of low-income families. Our most powerful tool to accomplish that is rental assistance, which helps low-income families compete in the private housing market. We should expand assistance options at the state and local levels to meet the full need of qualified families. Opportunities to enhance the efficiency of these

programs should be identified, explored, and prioritized. Wherever possible, we should reduce the administrative barriers and costs of running these programs so the full value of the investment can go to rental assistance for families.

#### 4.2 Define and crack down on predatory rental practices, including excessive evictions and poor condition of rental units.

Our regulatory and inspection systems should be improved and fully staffed to protect individuals and families. The Task Force recommends studying existing landlord rating systems that are used by some communities to track predatory landlords and developing best practices that can be adopted by more communities. Best practices should include transparency to allow renters to readily access information they need to know about a landlord's track record regarding citations and eviction frequency.

#### 4.3 Strengthen protections for renters in the private market.

At state and local levels, Minnesota has good examples for providing improved protections for individuals and families who rent their homes. The Task Force particularly encourages further exploration of these specific approaches:

- **Examine current tenant-screening standards to analyze impact and effectiveness.** Tenant-screening practices are a critical component for landlords, who need validated means to understand and mitigate the risk they assume with an applicant. Screening practices are also an essential concern for renters, whose ability to find a home can be determined by a single application question. We need to identify and promote a set of screening tools that are validated by data and avoid unintentionally discriminatory questions or arbitrary standards. We recommend conducting a

thorough assessment of screening criteria with the goal of identifying an improved, data-driven approach that will meet the needs of both renters and landlords. Input from local landlords and property owners should be part of the assessment process.

- **Limit eviction reporting until a court judgment is rendered.** Explore the viability of maintaining the confidentiality of Housing Court eviction filings until cases are determined on their merits. Alternatively, pass legislation that requires tenant-screening companies to report the final resolution of eviction filings, rather than just the filing information alone.
- **Improve required communication between property owners and tenants regarding ownership and tenancy changes prior to sale.** The Task Force supports the creation of tenant-protection ordinances similar to the one adopted by St. Louis Park in April 2018. That measure requires landlords to pay the moving expenses of low-income tenants if, within the first three months of owning the rental property, they decide to raise rents, not renew leases, or rescreen tenants.

#### CROSSROADS AT PENN

Linda Soderstrom lost her home at Crossroads at Penn in Richfield when new owners upgraded the apartments and, in turn, the rents. She was one of hundreds of low-income and minority tenants who could no longer afford to live in the 698-unit complex.

A recent lawsuit claimed that these changes violated the federal Fair Housing Act because they disproportionately affected minorities, the disabled or those with children. Soderstrom and her fellow residents won the suit, and those displaced residents protected by federal law will share in the award.

#### **4.4 Increase the speed and flexibility of emergency resources to prevent people from losing their homes.**

The emergency resources discussed above, which are largely administered by counties, are powerful options to protect families. Increasing the pace and flexibility of emergency resources could cut off evictions before they occur. In cases where an emergency temporarily keeps a family from paying rent on time, short-term assistance could be very effective in preventing evictions. The Task Force recommends evaluating current programs to determine if changes are needed to increase the speed and flexibility with which these resources can be used.

We can also do more once someone is in the court system. In both Hennepin and Ramsey Counties, efforts are underway to take a problem-solving approach to evictions in the same way that drug courts, veterans courts, and homeless courts have recognized that connecting people to resources will do much more to address these problems than fines or jail time. These efforts are worth expanding and replicating. At a county level, supported by sharing best practices, we can begin to ensure the ongoing presence of county, nonprofit, and social-service providers during eviction court proceedings to facilitate access to necessary wraparound services (e.g., emergency assistance and mental health resources).

#### **4.5 Expand and enhance programs that help people navigate the systems to find homes and vital housing resources.**

The Task Force heard about several successful programs that help people to find homes they can afford. This is especially important for those with higher barriers to finding a home, including people with disabilities and people using rental assistance vouchers. The Task Force recommends the evaluation of programs that currently

provide funding for housing navigators—implementing advisable changes to improve effectiveness and increasing the current levels of available funding for navigators.

#### **4.6 Incentivize the acceptance of rental assistance vouchers by the private market.**

While rental assistance vouchers that provide rental assistance are a powerful tool, they can't be fully utilized under current market conditions. Accepting vouchers is an opt-in program that comes with administrative requirements, such as annual inspections and rent restrictions. At a state and local level, we should reduce the administrative burdens, mitigate the perception of risk, and actively pursue incentive opportunities to increase the number of landlords who accept rental assistance vouchers.

#### **4.7 Prioritize investments needed to achieve the goals in Heading Home Together: Minnesota's Action Plan to Prevent and End Homelessness.**

Homelessness is a solvable issue. Ending homelessness means that we prevent homelessness whenever possible, and when that's not possible, the experience of homelessness is rare, brief, and nonrecurring. At its core, the solution to homelessness is access to homes that are affordable and, when necessary, linked to the services people want or need to remain stably housed. Heading Home Together is a blueprint for collective, multi-sector action to address the housing instability of families and individuals throughout the state. Understanding that the success of this effort hinges on the availability of and access to homes that are affordable, the Task Force strongly recommends prioritizing our investments in homes to meet the needs identified in the Heading Home Together plan.



## Goal #5: Link Homes and Services

**Build stronger links between where we live and the services we may need to live stable lives.**

Most Minnesotans will need services in their homes at some point during their lives. An estimated 70 percent of people age 65 or older will need long-term care related to daily living at some point.<sup>38</sup> People with disabilities and individuals who have experienced trauma also benefit when healthcare and support services are available to them in their homes, and research shows that people do better when needed services and stable homes are coordinated. The broader community benefits too, through reductions in expensive public systems, such as emergency room visits or police time. We can achieve better outcomes and save money for communities by building on our record of success in coordinating healthcare and services with safe and affordable homes.

### **People live more stable lives when they have stable homes linked to services.**

Some individuals and families need extra support to maintain and live safely in their homes. The types and level of service vary widely, depending on the situation.

Minnesota seniors facing cognitive or physical limitations may need services to remain in their homes or within their community. Of the 16,400 senior homeowner households in the state with annual incomes at or below \$22,700 who need home rehabilitation to stay in their homes another five years, 12,100 (74

percent) report they also need in-home services, including assistance with bathing, dressing, using the toilet, shopping, managing money or medications, and doing laundry.<sup>39</sup>

These services, if available at all, are even harder to access for seniors on fixed incomes and in rural communities. Nevertheless, providing these services, which allow people to age in place, is one of the most cost-effective ways to meet the needs of seniors who need housing with services. People with disabilities, including many seniors, may need accessible design modifications or home-care services to secure and maintain homes in their community and for their lifestyle.

Some families and individuals who have experienced homelessness may need services to successfully transition into a home and achieve

### **STABLE HOUSING AND RECIDIVISM RATES**

According to recent study from Ohio on criminal recidivism and stable housing:

- Each housing move in the year after a release from a correctional facility increases the probability of being re-arrested by 3.28 times.
- In the year after release, ex-offenders who:
  - Experience homelessness are 4.48 times more likely to be re-arrested
  - Live in a residential program are 21 percent less likely to be re-arrested<sup>40</sup>

## BENEFITS OF HOUSING STABILITY: HENNEPIN HEALTH CASE STUDY

Hennepin Health, an accountable care organization serving Medicaid enrollees, created a program that directs medically complex or frequently hospitalized members who are experiencing homelessness or housing instability to social-service navigators (including housing). With housing stability, the program participants experienced dramatic reductions in healthcare costs. Because these enrollees have challenging medical conditions or are frequently hospitalized, the benefits of housing are more pronounced than a typical person experiencing housing stability would receive. Nevertheless, these Hennepin Health statistics highlight the cost benefits of housing stability.<sup>41</sup>

	Pre-Housing	Post-Housing	% Improvement
Emergency Department Visits— Average Monthly Costs per Person	\$89	\$43	52%
Inpatient Admissions— Average Monthly Costs per Person	\$1,768	\$496	72%

stability. These services may include intensive case management, medical care, and support services related to employment, childcare, and education.

Another group whose housing stability is greatly enhanced with services is people exiting incarceration. Research shows that a stable, secure home is a major contributor to successful rehabilitation and reduced likelihood of reoffense—especially coupled with workforce and education programs and access to transportation. This combination of a home and services improves outcomes for individuals and for the communities in which they live.

Supportive services for stable living may be temporary or ongoing. Temporary services most commonly focus on transitioning people out of other systems, such as military service, foster care, incarceration, supportive housing, or homelessness. Each type of transition has a unique set of services for successful adjustment. Ongoing services provide long-term support to people with mental or physical limitations who need some level of assistance for living. As Minnesota's population of seniors grows, the demand for ongoing services with housing will rise. Up to a certain level of care, services delivered

to people at home will be more affordable than moving them to supportive-living residences.

### Minnesota's existing network of services tied to homes has proven successful and can be expanded.

Minnesota has made significant investments in connecting homes and services for people with disabilities. Approximately 25,000 households are currently served through various supportive housing programs that provide on-going rental assistance, including Housing Supports (formerly Group Residential Housing), permanent supportive housing, Bridges rental assistance and services for those living with mental illness, and Section 811 for people with disabilities. Previously, many of these same people would have lived in large, segregated facilities located far from their families and communities or remained on waiting lists.

Several proven models combine homes and services, and we should learn from them and build on their demonstrated success across Minnesota. One example is Center City Housing Corp., which has developed several supportive housing developments in Duluth and recently expanded into

Rochester and Bemidji. One of their developments, San Marco Apartments in Duluth, offers two levels of housing for people with chronic alcohol or substance abuse issues and provides services on site to assist tenants with their addictions. Solace Apartments in Saint Peter assists women exiting incarceration and their families, offering services for transportation, workforce training, and other case management to help them achieve stability.

The goal of Minnesota's Olmstead Plan is to ensure that Minnesotans with disabilities are living, learning, and enjoying life in the most integrated setting possible. A major feature of the Olmstead Plan asks counties to work one-on-one with people with disabilities to develop a person-centered plan that maps out how they and their families hope to live their lives while accessing the services they need. This leads to better outcomes for the people with disabilities and provides counties with the opportunity to increase efficiencies in the way they coordinate resources for both housing and services. According to the revision of the plan adopted in March 2018:

*"Under Minnesota's Olmstead Plan, by June 30, 2019, there is projected to be an increase of 5,547 people with disabilities moved from segregated settings to integrated housing of their choice. These individuals will have a signed lease and receive public financial support to pay the cost of the housing. This projected increase will represent a 92 percent increase over the baseline."*

Achieving the goals of the Olmstead Plan will require access to affordable homes and services.

Many programs work well, like those described above, but serve a small number people and exist in limited locations. Funding for such programs is disparate and can be undependable. Some providers have had to terminate services when funding ran out, leaving residents without promised care.

## Recommendations

The current system of linking services with homes is working well for many individuals in Minnesota who are eligible for funding under certain state and federal programs, but it doesn't work for everyone. These recommendations can begin to address some of the challenges.

### **5.1 Provide a dependable stream of funding for social services that help households maintain stable homes.**

The Task Force heard from numerous service providers that know how to help people access stable living situations and stay there. Each set of clients—seniors, people coming out of prison, or people who experience homelessness—have specific needs, and professionals have worked for years to understand what works and how to help them achieve success. The Task Force recommends sticking with what works for service delivery and providing a consistent and stable source of funding and resources to serve those in need. Any interruption in services due to inconsistent funding can put people on the streets or into crisis, driving up costs in other sectors to manage the associated problems.

### **5.2 Provide access to a full range of services for families and individuals transitioning into stable homes before, during, and after the transition.**

The effort and expense of finding and securing a place to live makes moving one of the biggest stressors for anyone. This stress compounds existing difficulties and instability for people with underlying challenges. When programs and services are put to work to help these at-risk individuals move into a stable home, it's important to make sure it's a lasting solution. The Task Force recognizes that some people may need ongoing support to maintain stability

even after the move. This can be true for seniors, people with disabilities, or individuals adjusting to independent living. The Task Force recommends this approach because the cost of services needed to keep someone living securely are usually small relative to the alternatives of displacement, unmanaged issues, and health risks.

### **5.3 Improve health outcomes and reduce costs for tenants by developing better partnerships between health care and housing providers.**

Providing housing services and providing healthcare are significantly different tasks that engage different professionals. However, many individuals experience their health and their daily living situation as closely intertwined. Problems with one lead to problems with the other. The Task Force recognizes that communication between housing and healthcare providers about individuals will improve outcomes on both sides by anticipating problems and responding rapidly where it's most effective. The Task Force recommends building the capacity of supportive housing providers to make effective partnerships with healthcare systems a working reality.

### **5.4 Advance the Housing Supports program for residents with disabilities by identifying gaps and potential program enhancements to ensure statewide coverage.**

The state-funded Housing Support program—formerly known as Group Residential Housing and administered by the Department of Human Services—has proven to be one of the most effective tools for providing people with disabilities the homes and service supports they need. The state legislature approved certain requested changes to the program in 2017 that has enhanced the effectiveness of the program. The Task Force recommends that

the program be evaluated to identify gaps and potential enhancements and to ensure statewide availability.

### **5.5 Expand programs and providers who assist individuals in finding, securing, and retaining affordable rental homes.**

People who need either short-term or long-term services to live stable lives have been shown to do better when they also have stable homes. To improve the effectiveness of services, the task force recommends a multipronged approach for using existing resources more effectively to help people also find and keep stable housing:

- Pursue policy changes to allow use of Medicaid funds for housing-related services.
- Implement alternative case-management strategies to take a right-sized, person-centered approach.
- Fund housing navigators to assist Minnesotans facing barriers who need additional support in securing homes.
- Develop and/or use existing resources to expand funding for rapid rehousing (short-term rental support) or similar programs.



## Goal #6: Support and Strengthen Homeownership

**Create pathways to sustainable homeownership, with a focus on removing barriers for households of color.**

We know homeownership builds equity and is the primary driver for building wealth.<sup>42</sup> Each year of successful homeownership adds nearly \$10,000 in household wealth. It also creates stability for families and stronger connections within our communities.

We can encourage and support broader homeownership by expanding our successful strategies of financial coaching and home-buyer education and counseling and by providing a range of home-mortgage products.

**More than 64,000 Minnesotan renter households of color have the income to potentially become successful homeowners.**

Currently, over 64,000 renter households of color in Minnesota have the income they need to potentially buy a home and are within the prime home-buying age range. This represents a significant opportunity to build economic stability and wealth through homeownership. Many first-generation home buyers are motivated to buy, but they're unfamiliar with the pathway to homeownership and often face barriers in the marketplace. With coaching to learn about the home-buying process and access to products and services that meet their needs, many of these households could begin a successful path to homeownership.

Households with good credit, sufficient income, and resources for a down payment can usually obtain financing to purchase a home. However, many Minnesotans who can afford to buy and own a home are unable to access conventional and government-insured mortgage products due to credit history issues and lack money for a down payment. We can help more potential home buyers by providing additional down-payment resources and financial and home-buyer education and counseling programs.

The generally high rate of homeownership in Minnesota isn't experienced equally across all groups. Minnesota has one of the highest homeownership disparity rates in the country. As an example, 76 percent of white households own a home, while less than 23 percent of African American households do.

**A low inventory of affordable homes is one of greatest barriers to homeownership.**

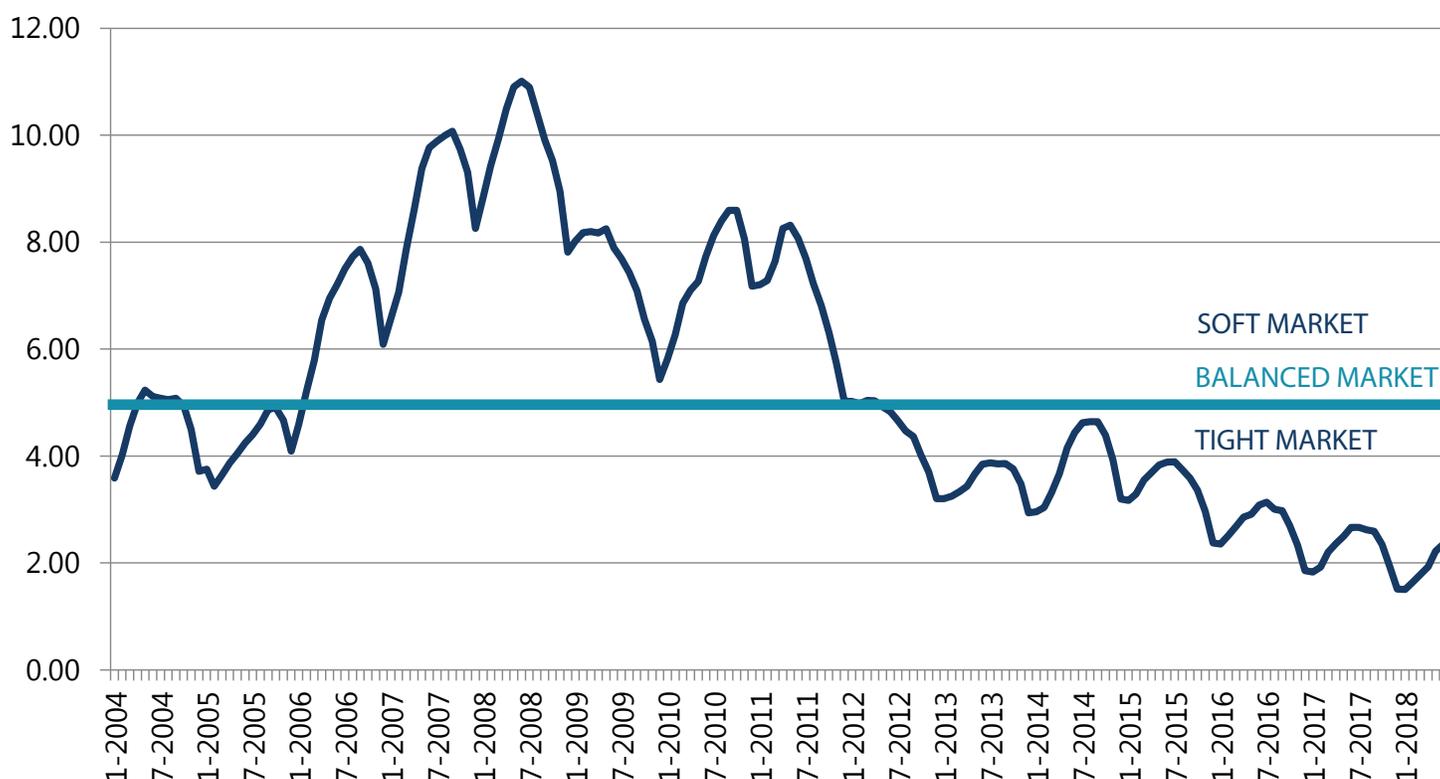
Access to homeownership requires available homes that fit income and household needs. While Minnesota is still an affordable market relative to the East and West Coasts, and interest rates remain near historic lows (though they're starting to rise), growing demand, limited inventory, and high personal debt (including student loan debt) are reducing home affordability.

The shortage is occurring in part because current homeowners are staying in their homes longer. This is happening for various reasons, including a shortage of housing at the next level that current homeowners might move into (homes within the \$250,000 to \$400,000 range). Some current homeowners may still have negative- or low-equity positions in their homes or may simply be more cautious as a result of the 2008 mortgage crisis, while others may have decided to age in place in their current homes. In addition, cash buyers and investors are still purchasing single-family homes to use as rental properties and pricing out individual buyers. Simultaneously, new construction is increasingly unaffordable with material costs and labor shortage, as well as regulations and land-use issues, as discussed in the Goal #3.

**Financial coaching and home-buyer education programs are successfully moving people into homeownership and reducing disparities.**

Minnesota has existing financial coaching and home-buyer education programs that work well and have shown results in moving more individuals and families into homeownership. These programs must be expanded to serve more households and reach communities where programs are limited or nonexistent. Nonprofit counseling agencies provide in-person classroom and one-on-one counseling across the state. Online home-buyer education is also available as an alternative to in-person counseling and education. These programs would benefit from increased visibility, since some communities and professionals don’t know they’re available.

**MONTHS SUPPLY OF HOMES FOR SALE, TWIN CITIES METRO**



Programs that reach out to the large market of income-ready households of color have the potential to reduce the homeownership disparity. Minnesota Housing's Enhanced Financial Homeownership Capacity (Homeownership Capacity) program provides funding to organizations primarily serving households of color to enable them to offer long-term financial coaching and home-buyer education. The organizations prepare people by helping them achieve financial stability and teaching them skills for sustainable homeownership. Similar programs serve other parts of the state, and we have the opportunity to expand their reach to many more communities.

Industry collaborations, such as the Homeownership Opportunity Alliance (HOA), are working to increase homeownership rates for households of color. The HOA is a coalition of industry leaders in banking, real estate, nonprofits, and government who are dedicated to fostering equitable access to homeownership by developing cross-sector programming and outreach, and addressing systemic barriers to homeownership. HOA recently kicked off its "Get Ready. Be Ready!" campaign with the goals of building awareness that homeownership is possible and connecting households of color to home-buyer education services and mortgage programs. In a tight market, preparing people for homeownership will allow them to respond quickly when they find that perfect home they can afford.

### **A wider array of mortgage and lending products can expand homeownership by addressing the individual needs of prospective buyers.**

A number of home mortgage, down-payment assistance, savings, and credit-builder programs are available through both the private and public sectors. For example, Sunrise Banks has an

Individual Taxpayer Identification Number program for people who don't have a social security number. Twin Cities Habitat for Humanity offers alternative underwriting that allows less rigid consideration of work history and broader parameters for interpreting credit scores. Many of these programs work well and can reach more people across the state with additional resources.

### **Businesses and philanthropic leaders are investing in housing to boost their local economies.**

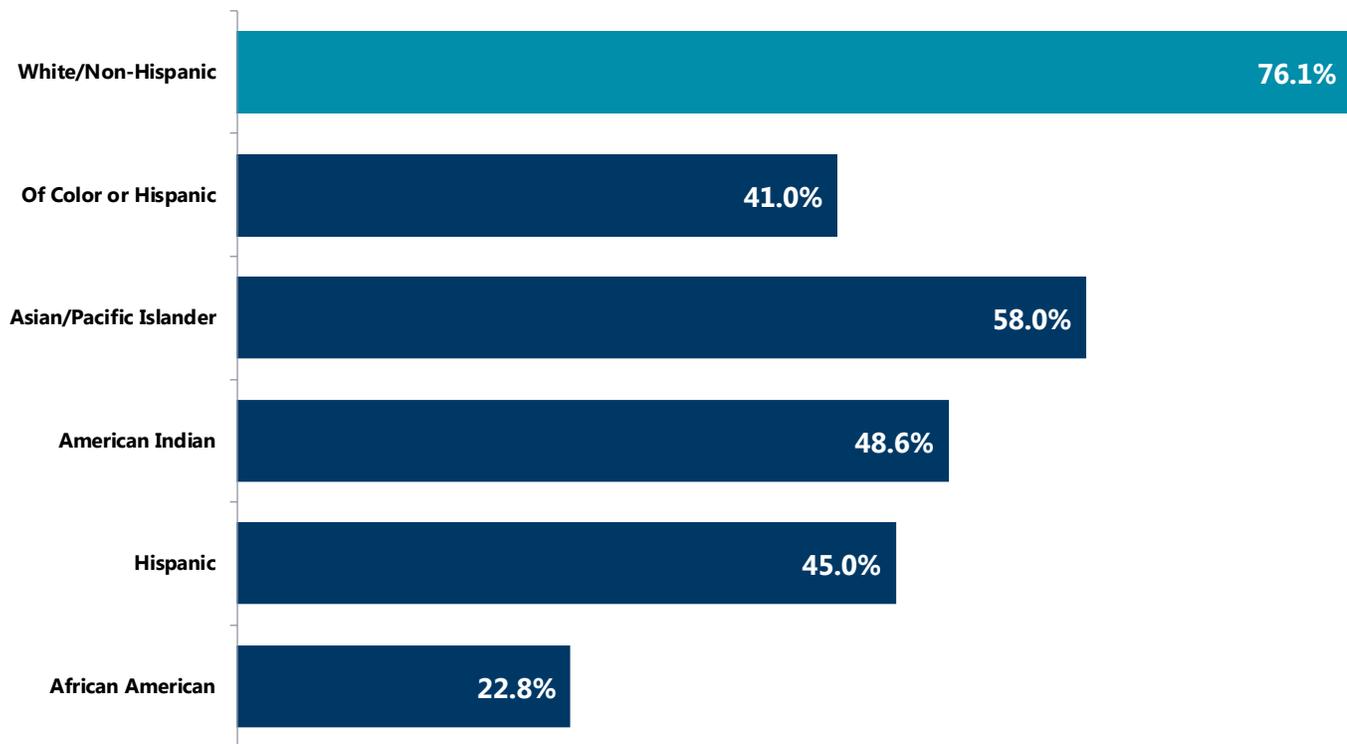
Encouraging and expanding homeownership opportunities in urban, suburban, and Greater Minnesota communities requires strong partnerships and leveraging additional local resources. In addition to local units of government, investments by business and philanthropic leaders enable communities to expand their homeownership programs and to provide rental homes that people can afford.

Throughout Minnesota, philanthropic resources can also provide critical leverage for affordable housing developments and initiatives. Over the years, philanthropic resources have often come from organizations with a specific local focus, such as the Rochester Area Foundation. Other initiatives have had a regional or statewide scope, including efforts supported by the McKnight Foundation and the Blandin Foundation.

### **Providing a wider variety of homes and ownership models gives more people an opportunity to own.**

There are encouraging opportunities to expand homeownership and wealth creation beyond traditional single-family homes. Other models can reach more buyers and provide solutions that are a better fit for some families. While many people prefer purchasing detached single-family homes, there is a growing need for other options like

## MINNESOTA HOMEOWNERSHIP RATES BY RACE



Source: Census Bureau, 2016 American Community Survey

townhomes, condos, manufactured and modular homes, community land trusts, and cooperative housing. Many of these alternative forms of homeownership provide more affordable options for lower-income households. These models can put ownership within reach of thousands of people across Minnesota.

**Community land trusts**, such as City of Lakes Community Land Trust and One Roof's Community Land Trust programs, ensure long-term affordability by purchasing land and entering into a long-term land lease with the homeowner. This keeps homes affordable in areas of high land cost by removing the land cost from the purchase price. When the homeowner sells, they earn a portion of the increased property value. The remainder is kept by the trust, preserving the affordability for future low-to moderate-income families.

**Manufactured homes** are less expensive to build than traditional construction and are home to more than 56,000 Minnesota households. Most of manufactured homes in our state are owner occupied, and they have a median value of \$30,000.<sup>43</sup> New manufactured homes generally sell for between \$45,000 and \$90,000, depending on size.<sup>44</sup>

## Recommendations

Minnesota has the opportunity to build on proven models to help renters become home buyers. We must increase capacity and expand programs that work to meet varying needs and in all parts of the state. These recommendations will help increase the availability of safe and affordable homes for Minnesotans who are ready to become homeowners.

### **6.1 Focus on increasing access to homeownership resources for the large number of income-ready households of color who want to buy.**

We can expand homeownership and grow personal assets for thousands of Minnesotans by building pathways to homeownership for households of color. This means ensuring programs, products, and services are available to learn about and prepare for successful homeownership. The Task Force recognizes that this historically overlooked market segment needs focused attention and services to help them move from renting to ownership. We also heard clearly that housing developers, lenders and Realtors are eager to serve this market. Providing the education and services to support a successful transition comes at a small price with a big payoff for the individuals and families served, home sellers, lenders, and communities.

### **6.2 Promote alternative models of building wealth through homeownership, such as community land trusts, cooperatively owned housing and manufactured home parks.**

What people seek in an ideal home is changing and expanding. Many Minnesotans are looking beyond the traditional single-family homes or apartments to alternative and more affordable forms of housing that match their lifestyle and financial means. Providing more options at prices people can afford requires us to expand our approaches to what we build and how we buy it. Minnesota already has good examples of community land trusts, housing cooperatives, and resident-owned manufactured home parks. These can and should be replicated and expanded.

### **6.3 Encourage employers and foundations to support home purchases.**

The need for more resources to encourage

## **LEVERAGING LOCAL EMPLOYERS**

In Austin and Perham, local employers have provided critical financial leverage and helped build community support for new, affordable homeownership activities. In Austin, support from the business community has come primarily from Hormel. In Perham, a cross-section of local employers has been involved. Though the business-support models were somewhat different, both resulted in new, affordable home-ownership opportunities for both existing homes and new construction.

homeownership is acutely felt in places struggling to attract and maintain a stable workforce. Quality housing that workers can afford and secure has been and can remain a competitive advantage in recruitment and job growth in Minnesota. Unfortunately, traditional banks and public resources can't meet and keep pace with the growing need for homeownership assistance, particularly as housing costs rise.

The Task Force strongly believes employers and foundations have a vital role to play in supporting homeownership in their communities. In the regional forums held around the state, the Task Force heard again and again from business and community leaders who are struggling to house their workforce and are deeply concerned about the negative impact on their local and regional economies. A handful of businesses in Minnesota, including Digi-Key Electronics and Hormel, are investing in creative programs to find and expand housing options for their employees—and they're seeing their investments pay dividends on their bottom line. These leaders can be an example for others, showing how and why private and philanthropic support for housing is essential to a healthy state economy.

#### **6.4 Increase funding for financial education and counseling programs that expand the capacity of households to pursue homeownership.**

Homeownership is a major life decision—and home-buyer education, counseling, and coaching can help set up individuals and families for successful, sustainable homeownership. Trusted advisors from nonprofit housing counseling organizations across the state provide home buyers with information about buying and maintaining a home, personalized credit and financial planning, and foreclosure avoidance. This model works well in Minnesota, but the established programs don't come close to meeting demand.

#### **6.5 Expand mortgage products and provide extra support to local community banks to expand financing options.**

Since the Great Recession, access to credit has been difficult. Building homeownership in Minnesota means moving new people into homeownership—people who can afford it but haven't yet built their financial resume to meet conservative lending standards or don't realize homeownership is possible for them. The Task Force recognizes the importance of reaching

these prospective homeowners with a wider array of lending, mortgage, and down-payment products; more flexible underwriting; interest-free lending; and loans for property on tribal lands. It is also critical to expand these options to more places around the state, particularly local community banks that may need access, information, and support to utilize them.

#### **6.6 Expand available down-payment assistance programs.**

Down-payment and closing-costs assistance programs have been instrumental in helping people who are ready to buy but lack the savings for a down payment and closing costs. Existing down-payment assistance programs from public, private, and nonprofit partners are effectively getting people into homeownership today, but available resources fall far short of the current need. Minnesota has 188,000 renter households between the ages of twenty-five and forty-four who earn enough money to afford a mortgage but remain in the rental market.<sup>45</sup> Current programs to assist with down payments, a common hurdle for potential buyers can serve only 5,000 households annually.<sup>46</sup> Increasing the size and reach of these programs is an effective way to increase homeownership across Minnesota.

## **EDUCATION AND COUNSELING PROGRAMS**

The **Homebuyer Education, Counseling and Training Fund (HECAT)** and the **Homeownership Capacity program** are two examples of initiatives that work well and should be considered for additional funding to expand their reach and impact.

The City of Worthington has seen a large population increase of Karen and Burmese refugees. With the help of education, down payment assistance, and counseling guidance, these refugees have hope that they can make a permanent home in Worthington. Stability is what they are looking for and more than two dozen Karen/Burmese households have taken Homestretch courses. Five of those families have been able to purchase a home. Along with the education they receive, the classes also bring a sense of belonging to the students and staff from the Southwest Minnesota Housing Partnership have been thanked numerous times for making our financial system a less daunting maze.

# Conclusion

This Task Force came together to understand the dynamics around housing in Minnesota—more specifically, to identify our strengths and to then look for creative solutions and areas of opportunity. This exploration went far beyond the individuals on the Task Force; community members and leaders across Minnesota stepped up to offer resources, ideas, and strategies.

This report centered on six goals to serve as the road map for securing a prosperous future for Minnesota.

- Create a broader and stronger public commitment to the urgent need for more homes that are more affordable to more Minnesotans.
- Keep the homes we already have, especially those that are most affordable.
- Build 300,000 new homes by 2030, across all types, prices, and locations.
- Assist twice as many families at risk of losing their homes because of rent increases, evictions, and heavy cost burdens.
- Build stronger links between where we live and the services we may need to live stable lives.
- Create stronger pathways to sustainable homeownership, with a focus on removing barriers for households of color.

Underpinning these goals are a wealth of ideas, case studies, and opportunities, but without statewide partnership and investment, and the hard, ongoing work of implementation, they will remain as words on a page. The work of the Governor’s Task Force on Housing is a starting point. We challenge you to take the ideas in this report and push Minnesota toward more safe, decent, and affordable homes—to ensure economic stability and prosperity. Tailor these solutions to meet the particular context of your community, and together we’ll build a stronger Minnesota.

Where we live matters in every way. Our homes are our foundation and our future. Every challenge we face—as individuals, as families, as communities—will be easier to meet when we all have a secure place to lay our head at night. When we make that fundamental goal a reality for all Minnesotans, we will all thrive.

We’re in a moment of opportunity to expand an alliance of partners across all sectors and from around the state to accomplish these goals. Now is the time take action to build Minnesota’s future.

# Acknowledgments

In addition to the excellent work of the Task Force members identified at the beginning of the report, we thank:

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Ryan Baumtrog, Minnesota Housing  
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Consulting on behalf of the  
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Cathy ten Broeke, Minnesota Housing  
Kody Thurnau, Minnesota Housing  
Mary Tingerthal, Commissioner,  
Minnesota Housing

## KEY SUPPORTERS

*Staff support was provided by:*

Family Housing Fund  
Greater Minnesota Housing Fund  
Itasca Project  
McKnight Foundation  
Metropolitan Council  
Minnesota Housing

*Grants were provided by:*

Blandin Foundation  
Bush Foundation  
McKnight Foundation  
Minnesota Housing  
Saint Paul Foundation

# Appendix A: Task Force Meetings and Public Engagement

## Timeline

- December 20, 2017 – Governor Dayton signs Executive Order
- December 21, 2017 - Task Force Launched by Governor Mark Dayton

## Task Force Meetings

- January 12, 2018
- February 21, 2018
- April 20, 2018
- May 29, 2018
- June 25, 2018
- July 26, 2018

## Housing Stability and Opportunity Work Group Meetings

- January 23, 2018
- February 12, 2018
- March 12, 2018 (Joint meeting with Rental Housing Work Group)
- April 12, 2018
- May 7, 2018
- June 4, 2018

## Homeownership Work Group Meetings

- February 14, 2018
- March 15, 2018
- April 9, 2018
- May 9, 2018
- June 11, 2018

## Rental Housing Work Group Meetings

- January 25, 2018
- February 20, 2018
- March 12, 2018 (Joint meeting with Housing Stability Work Group)
- April 9, 2018
- May 7, 2018
- June 4, 2018

## Regional Forums

The Task Force hosted a series of Regional Housing Forums to hear from people around the State about housing strategies for their region based on local housing needs. These forums engaged hundreds of community members and local leaders in identifying housing needs and potential solutions for their areas.

- Austin – March 14, 2018
- Little Falls – April 5, 2018
- Duluth – April 24, 2018
- Golden Valley – April 26, 2018
- Crookston – May 3, 2018
- Saint Paul – May 10, 2018
- Sleepy Eye – May 15, 2018

The Task Force traveled throughout Minnesota to listen and learn about what was happening in communities large and small. From cities like Saint Paul and Duluth to small towns like Sleepy Eye and Little Falls, over 500 people from all walks of life came to share their ideas about how the state of Minnesota can do a better job of

ensuring that people have a place to call home that they can afford in a thriving community. We found that every region and every community is unique and communities grapple with market dynamics, demographic changes, and distinct local economies.

For example, in Saint Paul and Golden Valley, we heard about the loss of unsubsidized affordable housing due to ownership changes and rent increase, and the overall increase in rents and purchase prices blocking low income families from accessing both rental and homeownership opportunities. While there is rapid development across the Twin Cities, people were concerned that it was not affordable or accessible for people who needed a place to call home.

In Greater Minnesota communities, the loss of unsubsidized housing to market pressures was less of a concern than an overall lack of any available housing. In Sleepy Eye participants were focused on a lack of overall supply for anyone who needs a place to call home – newer arrivals to the community were unable to find any houses on the market that were livable and builders are still hesitant to build in small towns where land costs are reasonable but the perceived risk is high. There are also demographic changes occurring in communities around the state that create differences in the type of opportunities that we need to create.

In Austin, we heard about the need for large family rental homes as people from around the world come to fill jobs at large employers like Hormel. Similarly we heard about the lack of workers to fill jobs in Central Minnesota employers like CentraCare. We also heard firsthand about the anxiety that longtime residents of central Minnesota are feeling as communities change – what does it mean for people who grew up in small towns across the state as people from around the country and around the world become part of the local workforce? We also heard about the unique problems that rural communities face as an aging population

leads to different housing needs that are not currently being met by the market – single story living for people who are not ready for assisted living but want to downsize and create new opportunities for younger families to own homes.

Every region and every community has things in common and everywhere we went we heard about the acute shortage of places for people to rental and homeownership opportunities. In every community we also heard about the high cost of new construction and rehab. From Crookston to Duluth we also heard about a shortage of builders, contractors, and skilled trades people. This has increased costs, slowed down construction and rehab projects, and increased barriers for smaller scale projects. Every community conversation also included discussions about the role regulation was placing in the cost of building new homes and the way that regulation can prevent the type of development that is needed to ensure both supply and affordability.

While communities are changing in different ways at different speeds, every community was trying to figure out how to adapt to changing community needs. This includes building more large family housing opportunities, more housing opportunities for seniors who are downsizing, and connecting housing development to amenities like daycare and transportation. Great things are happening on a local level and communities strive to create solutions. Communities are not taking a passive approach to solving housing challenges. Some communities like Red Wing have created dedicated resources to build and preserve affordable housing. Other places, like Thief River Falls, have taken a hard look at their local land use regulations, and made it easier for developers to create homes on smaller lots. They have also developed a creative approach to assessment for infrastructure so that the cost can be spread out over time, keeping home sale prices affordable to the local workforce. Communities and organizations have also taken different approaches

to coordinating resources to make sure that families can access the programs that they need. A great example of this is Headwaters Regional Deployment Commission which helps homeowners access a wide range of home improvement programs with a one-stop-shop approach. Other communities like Saint Louis Park have started to adopt policy changes to protect tenants who are displaced when ownership changes lead to rent increases and changes in tenant screening criteria. They have been working with both advocates and landlords to understand the needs and potential consequences of local policy changes. Communities across the state have also worked to build partnership across sectors. In communities like Austin and Thief River Falls employer engagement has been an important strategy for encouraging housing.

## Other Events and Activities

### April 19, 2018 | Create the Future of Housing community event, Minneapolis

On the evening of April 19, the Task Force hosted a community conversation about housing needs and ideas for change. The Task Force wanted to learn from the housing experiences of individuals and hear their thoughts on the following:

- Experiences trying to find housing that fit their personal needs and well-being;
- Whether they have found it hard to get housing that is safe and affordable in an area where they want to live; and
- Ideas to improve housing choices and affordability.

The meeting was a success and generated many great ideas to address a wide range of housing issues identified by the participants. The Task Force members attending the event were grateful for the opportunity to hear from people and shared many of the ideas with the rest of the Task Force the next day. A number of the key ideas were incorporated into the priorities of the Task Force

work and are included in the recommendations.

The event, held at the Center for Changing Lives in Minneapolis, was free and open to the public and included a free taco bar dinner and child care.

A Summary of Key Solution Ideas and the full list of issues and ideas identified during the evening can be found at [www.mnhousingtaskforce.com](http://www.mnhousingtaskforce.com).

### Call for Ideas

The Task Force asked people across the Minnesota to share their best ideas about how we can better provide affordable rental options, how we can improve stability for individuals and families in transition, and how we can help more people achieve homeownership.

Nearly 70 ideas were submitted, reviewed and cataloged on the following pages for a quick review of idea topics, categorized by rental, homeownership, or stability.

Members of the Task Force reviewed ideas and incorporated into work group meetings in April, laying the foundation for later work on final goals and recommendations.

## Summary – Call for Ideas

#	GENERAL TOPIC	IDEA DESCRIPTION - WHAT AND HOW
1	Price-level-adjusted-mortgages	<b>Financing</b> Establish a state sponsored enterprise like Fannie Mae or Freddie Mac to create a market for real mortgages. Real mortgages would be issued in real (constant) dollars, while mortgage payments would be adjusted for inflation. (Real mortgage appear to have a reduced initial monthly payment (principal and interest) that increases with inflation, rather than a fixed payment over the life of the loan.)
2	Co-location of housing & services	<b>Service Infrastructure</b> Co-locate housing and supportive services in the same building or site. Integrating service with housing helps ensure stability, particularly for people experiencing homelessness.
3	Mixed-income neighborhoods	<b>Financing and Code/Zoning</b> Communities plan for subdivisions and other development that could accommodate housing for a range of income levels. HRAs and state resources would loan funding for the development.
4	Economic and racial disparities	<b>Social</b> Increase the minimum wage, cut investments to prisons, and end mass incarceration. These social changes will help reduce discrimination and ensure marginalized communities can obtain, afford, and stay in their homes.
5	Cost of construction and financing	<b>Cost and Code/Regulatory</b> The submission lists four ideas, which focus on (1) reviewing building codes that make Minnesota housing more expensive, especially in comparison to other states, and (2) considering impacts of code on ability to redevelop housing stock in rural areas. These ideas, along with subsidizing the financing and construction of housing, can help reduce the cost of housing for tenants/owners.
6	Transitional housing for homeless households	<b>Service Infrastructure and Social and Regulatory</b> In partnership with service providers, allow private homeowners/landlords to house transitioning homeless households. Allow the private homeowners to declare any incurred expenses as a charitable gift would help incentivize participation.
7	Co-op housing	<b>Cost and Ownership Structure</b> Initially funded by the government, cooperative rental and ownership housing could replace other forms of subsidized housing. With a rent-to-own program, where rents are set at no more than 15% of income, the government would not have to subsidize the house indefinitely.
8	Protect public housing	<b>Policy and Funding</b> Prohibit the sale, lease, or use of public housing land to private investors or developers. Use and increase existing public funding streams to maintain, preserve, and build existing public housing. Public funding should go towards permanent public housing rather than subsidizing temporary affordable rental by private developers.
9	Require 25% affordable in all developments	<b>Regulatory</b> Mandate that 25 percent of all units in new multifamily buildings be set aside as truly affordable based on working Minnesota's minimum wage.
10	Community land trusts for ownership	<b>Policy/ Financing</b> Promoting the Community Land Trust way of homeownership. This mechanism facilitates the initial investment made in the home by public and private subsidy sources remaining with the home to make it affordable to subsequent, income-qualified buyers. There are already over 1,250 Community Land Trust homes across Minnesota. The state has also seen close to 500 resales.

#	GENERAL TOPIC	IDEA DESCRIPTION - WHAT AND HOW
11	Community land trusts - regeneration	<b>Financing</b> This proposal would use the CLT model to retain ownership for those struggling to stay in their mortgages. City of Lakes Community Land Trust (CLCLT) has made investments that assist in restructuring or satisfying the existing liens and then rehabilitating homes with the understanding that the homes would then become permanently affordable through CLCLT.
12	Increase supply of affordable rental units	<b>Cost</b> Build more affordable housing and public housing to support low income tenants. The proposal suggests spending \$500 million over the next three years. He would like to see 10,000 more low income units in the next six to eight years.
13	Aging in place pilot for low-income homeowners	<b>Cost and Service Infrastructure</b> The goal is to allow those over age of 65 to live safely and healthily within their home (seniors wish to age in place, the #1 Reason a person leaves their home is due to a fall). It requires a partnership between a healthcare agency and a construction/ remodel/ development agency: An occupational therapist (OT) does a home safety assessment for an older, low-income, homeowner who has received medical care and is being discharged & a handyman then makes the safety modifications recommended for the home. There is an estimated \$3,000-\$4,000 in costs per homeowner (this includes: handyman expenses, materials, subcontractors, and data collection). This is based on the CAPABLE model, which has been successful in Baltimore.
14	Affordable units for 30% AMI	<b>Financing</b> State and local housing agencies would be required to provide operating or rental subsidies at an on-going basis for new affordable housing for people below 30% of the AMI. Non-profits or other agencies would be given the right of first refusal to purchase naturally occurring affordable housing that is for sale to avoid loss to less affordable development.
15	Funding for affordable units and tenant protections	<b>Regulatory and Policy/Financing</b> (1) Require density near transit stations. (2) Allow a percentage of TIF to be used outside of the district and for affordable housing. (3) Create a 90-day tenant protection requirement upon the sale of multifamily rental properties
16	Establish 3-yr Housing First pilot project	<b>Policy/Financing</b> There is a bill at the MN Legislature to establish a 3-year Housing First pilot project in the ""Greater St. Cloud"" area. Housing First is effective in reducing chronic homelessness, in increasing positive outcomes of services, has been implemented in many places (cities and states). Costs are estimated at \$2 million per year for three years.
17	Workforce ownership housing	<b>Financing</b> Increase funding for workforce ownership by capturing the growth in mortgage registry and deed transfer taxes. Funds could be used for single-family development and renovation, manufactured housing infrastructure, and launching new ownership models.
18	"Good Neighbor" homelessness campaign	<b>Social</b> In partnership with mission driven organizations and the government, provide homeless safe houses within residential neighborhoods. Residents of these blocks must be willing to be "Good Neighbors" and will provide a supportive community for homeless individuals and families.
19	Reduce energy use	<b>Cost</b> Use Passive House performance standards when building new multifamily units to increase the energy efficiency of the building and lower utility costs. A reduced utility allowance would allow for higher rents, increasing operating income and improves the financing arrangements to support the development of more housing units.
20	Preservation of public housing	<i>Repeat of Idea 8 - Defend Glendale</i>

#	GENERAL TOPIC	IDEA DESCRIPTION - WHAT AND HOW
21		<i>Missing number in table</i>
22	Housing for chemically dependent mothers	<b>Service Infrastructure</b> Create a pilot program between the Department of Human Services and Minnesota Housing to develop and support housing for mothers with chemical dependency issues and their babies that would keep them together. The proposal suggests specifics for what the housing and programs should include.
23	Broad approach to increase the supply of deeply affordable units	<b>Financing</b> Strategies to increase the supply of deeply affordable units: 1) Create regional market innovation grants to housing providers for planning, tenant supports , and capital investment. (\$530 million over 5 years) 2) Create comprehensive housing legislation that funds the preservation and production of affordable housing (e.g. Massachusetts Affordable Housing Bill, which authorizes a \$1.7 billion investment) 3) Change bond strategy to reflect options reflected in item #2. 4) Shallow rent voucher for households at 40-80% of AMI 5) Municipalities zone for ""starter housing districts"", which can be incentivized by the state.
24	Addressing evictions and stability	<b>Infrastructure and Regulatory</b> Address evictions and stability by: 1) removing blanket criminal screening guidelines, 2) create landlord risk mitigation funds, 3) require eviction notices prior to taking action, 4) increase funding for emergency assistance, 5) provide temporary location assistance, 6) fund innovation grants, 7) promote existing tenant rights resources, and 8) require mandatory lease language related to rent, tenant and landlord obligations, and termination.
25	Solutions to High Cost of Housing	<b>Regulatory and Infrastructure</b> The submission outlines two ideas to address regulatory costs. (1) Require State agencies to report the cost of their housing-related rules and regulations to the Minnesota Legislature. (2) Developer should partner with local and regional governments to finds ways to reduce the cost of local and regional housing regulations for affordable housing projects. <b>Policy</b> Address MN's labor shortage and support Project Build Minnesota's Workforce efforts to promote construction as a life- long career.
26-28	Preservation of public housing	<i>Repeat of Idea 8 - Defend Glendale</i>
29	Section 108	<b>Financing</b> This proposal recommends the use of an often underutilized funding stream through the HUD CDBG program, called Section 108. This is a loan guarantee which provides States and local governments access to low cost, private financing for economic development, housing rehabilitation, public facilities/improvements, and large-scale real property development projects. The proposal points that the state of Minnesota and entitlement communities combined have \$231,589,435 in available borrowing capacity.
30	515 Preservation	<b>Financing/Tax</b> To preserve Section 515 Rural Housing Loans Program, MN should set aside a portion of LIHTC, prioritize projects that leverage local housing trust funds or other local resources, and increase funding for state programs such as the Rental Rehab program to help preserve 515 properties. MN should also provide assistance to help communities identify 515 properties with maturing mortgages, and provide tax incentives to property owners who agree to maintain the housing as affordable.

#	GENERAL TOPIC	IDEA DESCRIPTION - WHAT AND HOW
31	Dedicated Revenue	<b>Financing</b> The state of MN should identify and secure a dedicated revenue source for funding affordable housing that is significant in scale, dedicated to investing in housing, and targeted to helping extremely low-income housing. Similar examples: Local Housing Trust Funds.
32	Rental Subsidies	<b>Financing</b> Create a sustainable state funding source that is dedicated to providing rental assistance, or rental subsidies, prioritizing extremely-low-income renter households who are severely cost burdened. Submission references \$700 million annually to support 90,000 households
33	State Funding to Match and Leverage Local Housing Trust Funds	<b>Financing</b> The state should support Local Housing Trust Funds (LHTF) by creating a sustainable state funding source that matches and leverage local funding dedicated to affordable housing, and provide technical assistance to help local communities set up their trust funds.
34	State Housing Tax Credit Program	<b>Financing/Tax</b> Create a state housing tax credit program that is capitalized by contributions from tax payers with Minnesota tax liabilities (similar but slightly different than the federal program). Investments may be made for specific development or a general pool, the full tax credit is taken in the year of the investment (with excess credits carrying forward to the next year), and there is no syndication.
35	State and Local Grant Program	<b>Financing</b> Create state grant program that requires matching funds from the local unit of government to support affordable housing development and preservation. The match from local funds could come in the form of fee waivers, pooled tax increment, approval of 4d Low Income Rental Classification, property tax levy, general fund, or other local investments.
36	Water and energy efficiency	<b>Policy, Financing, Tax, and Regulator</b> A compilation of seven ideas that promote water and energy efficiency. (1) Expand successful conservation improvement programs (e.g. Home Energy Squad) and ensure they are accessible across the state. (2) Grant the 4d Low Income Rental Classification tax status to multifamily properties that implement energy efficiency and commit to keeping rents affordable for a set time period. (3) Make energy efficiency improvements and eligible use of state bonding funds. (4) Incorporate energy efficiency improvements into Opportunity Zones investments. (5) Create a large scale program to replace boilers in aging rental properties. (6) Incentivize cities to open zoning to promote more density and encourage energy efficiency. (7) Create an interest rate buydown program for commercial Property Assessed Clean Energy (PACE) financing.
37	Right-size project reserves	<b>Financing</b> This is a proposal to aggregate risk to allow for cost savings without increasing the risk to individual projects. In lieu of having large project reserves, the proposal suggests providing the limited partner with a guarantee for some portion of the reserve amounts. The guaranteed proportion would be sized based on the calculated risk of each project. The risk of this would need to be borne by the guarantor.
38	Opportunity Zones	<b>Tax and Financing</b> Use the new Opportunity Zone program from the federal Tax Cuts and Jobs Act to raise patient, private capital for affordable housing and economic development initiatives. LISC plans to utilize their tax credit investment platforms to develop and manage national, regional, and local Opportunity Funds.

#	GENERAL TOPIC	IDEA DESCRIPTION - WHAT AND HOW
39	Modern manufactured homes	<b>Cost</b> Construct modern, manufactured homes to create a single-family homes at cheaper construction costs. New manufactured homes would be high quality, energy efficient, and would be funded with debt financing and equity from LIHTC. The project would operate as rental housing for the mandatory 15- year LIHTC and then convert to a homeownership community.
40	Preserving mobile home parks	<b>Policy</b> Currently, residents of manufactured homes typically own their homes but not the land beneath them. MN non-profits and other organizations should promote resident ownership as a means of community development. Key priorities would be: (1) provide funding to repair/replace their privately owned infrastructure, (2) give park residents the option of buying the park before it is offered to a third party.
41	Reduce harm of court evictions	<b>Regulatory</b> A pilot project in Ramsey County is proposed in which eviction records will be sealed from public access unless and until a judgement is entered against the defendant (the tenant loses the case). Currently, evictions notices are public records, even before the case is decided. This pilot would run two years. The goal is to reduce potential for discriminatory tenant screening practices.
42	Reduce discrimination to vouchers	<b>Regulatory</b> A state law prohibiting the discrimination of tenants holding Section 8 housing choice vouchers is proposed.
43	Rental options for people with criminal records	<b>Tax</b> Create a tax credit program for landlords who rent to people with criminal histories. The proposal suggests modeling this after the Work Opportunity Tax Credit (WOTC) which has been successful at reducing the stigma of employing people with criminal backgrounds.
44	Convert vacant housing to affordable	<b>Tax</b> The idea proposes a tax incentive for property owners who acquire vacant properties. Property owners would enter into a 30-year restrictive covenant on the land that will commit them to providing affordable housing on the properties for 30 years in exchange for property tax credits and other favorable treatment from local and state authorities.
45	Enacting Just-Cause Eviction	<b>Regulatory</b> Enact just-cause eviction to prevent landlords from terminating leases for the sole purpose of raising rents. This provides tenants protection to stay in their unit as long as they pay their rent and are good tenants. The proposal explains specific components of the policy including strong enforcement mechanisms and recourse opportunities for tenants.
46	Job readiness training for high schoolers	<b>Political and Social</b> Create curriculum for high school students to obtain job skills (with a focus on entrepreneurship and the gig/freelance economy) that will help ensure living wage incomes and reduced demand for affordable housing.
47	Sales tax for affordable housing	<b>Tax</b> Increase the statewide tax increase of .25%. This increase would support new rental housing subsidies in Greater MN-- where LIHTC is not as efficient as it is in MN metro areas.
48	Shared housing	<b>Social and Service Infrastructure</b> A shared housing matching service could pair homeowners with renters, allowing seniors to age in place and providing housing options for disadvantaged renters. A housing counselor would pair owners and renters and provide support to the owner-renter relationship.

#	GENERAL TOPIC	IDEA DESCRIPTION - WHAT AND HOW
49	Increased funding for 30% AMI housing units	<p><b>Financing</b></p> <p>This proposal makes several recommendations to address housing affordability for households at or below 30% of AMI (the largest affordable housing need) by providing rent and operating subsidies on a substantial scale. Funding operating or rent subsidies is as critical as funding capital subsidies. Specific approaches include: 1) devoting a portion of annual appropriations for affordable housing production to operating subsidies, 2) amending the tax increment statute to permit new market rate developments to be designated as a housing TIF district - generating TIF for deeply affordable housing for up to 25 years, 3) adopting a state wide sales tax increase to generate housing funds for extremely low income households, and 4) getting funding from other sources including health, education, etc.</p>
50	Tenant rights and support	<p><b>Infrastructure</b></p> <p>Many ideas that fall into three buckets:</p> <ol style="list-style-type: none"> <li>1) Church and other faith-based and funded efforts</li> <li>2) Tenant, renter, owner, and advocacy oriented strategies</li> <li>3) People and businesses in the building trades</li> </ol>
51	Tenant rights and support	<p><b>Regulatory</b></p> <p>Change Minnesota laws to address the impact of evictions and criminal records, habitability, high rents, and other issues. Suggested changes include record expungement, landlord liability and responsibility, eviction notice requirement, restrictions on crime-free provisions, minimum wage, rent control, and prohibition on rent subsidy discrimination.</p>
52	Preserving rent subsidies in Greater MN	<p><b>Financing and Service Infrastructure</b></p> <p>The USDA Rural Development Section 515 program includes rental assistance in many affordable properties in rural Minnesota. The mortgages on these properties are reaching maturity, which leaves the long term affordability of these units in question. The proposal suggests that Minnesota Housing contacts all of the RD owners to persuade them to pursue preservation options rather than letting the mortgage mature. Offer some financial incentives and or technical assistance be provided to these property owners.</p>
53	Common application for rental housing	<p><b>Regulatory</b></p> <p>A common rental application and a single fee would reduce the burden on low-income renters and populations who are searching for housing. The state would administer the common application and incentivize landlords to utilize it.</p>
54	Residents as decision makers	<p><b>Political and Social</b></p> <p>People who are impacted by the housing crisis need to be at the decision making table to provide their experiences and insight on recommendations. In additionally create a training program for people impacted by the housing crisis, who can work as peer mentors, homemakers, PCAs and ILS workers to be paid through Medicaid to increase employment opportunities.</p>
55	Manufactured homes	<p><b>Financing and Regulatory</b></p> <p>This proposal contains a number of program and policy changes to support manufactured homes across the state. These include: (1) using bonding, CDBG, MN Housing Trust Fund to pay for infrastructure improvements; (2) supporting cooperative ownership model through creation of land trusts; (3) replacing older units with newer energy efficient units; and (4) strengthening current law when a park becomes available sale from: (a) providing residents the right of first refusal to (b) allowing them a year to develop their own ownership.</p>
56	Homeownership	<p><b>Policy</b></p> <p>Private reverse mortgage (elderly homeowners matched with a family who would provide live-in services and make payments to own the home) and "Share-A-Home" Program (match elderly homeowners with people at risk of/experiencing homelessness). A growing number of elderly wish to stay in their home, have vacant rooms, have limited income, and need assistance.</p>

#	GENERAL TOPIC	IDEA DESCRIPTION - WHAT AND HOW
57	Tax Credit to Incentivize Landlords to Rent to Low Income Households	<b>Tax</b> This proposal would create a tax credit of \$1,000/month/unit (adjusted based on family size) that would be offered to landlords that rent to qualified low income households and meet local licensing and inspection requirements. A bonus credit up to \$3,000 per unit per year would be offered to landlords who accept tenants with poor rental/credit/criminal issues.
58	Long Term Preservation of NOAH units	<b>Cost and Service Infrastructure</b> If owners are selling their property to an entity that is willing to maintain its affordability and keep the current residents, then they would pay no capital gains tax on the sale. The new owners would be required to maintain current residents, and rents could increase no more than 3%/per year for 30 years. The owners would be able to get a dollar for dollar tax credit for improvements on units up to \$15,000. They would also be classified as a 4d property.
59	Preserve NOAH and Reduce Barriers	<i>List of policies and strategies to preserve and expand affordable housing.</i>
60	Intergenerational Village	<b>Service Infrastructure and Social</b> Intergenerational villages provide diverse housing options (multi-bedroom single family homes, one-bedroom cottages for seniors) to create community building opportunities for foster and adoptive families, youth in foster care, and seniors, who act as 'honorary grandparents'. The diverse generations work together to meet each other's needs.
61	Increase density to allow more housing	<b>Regulatory</b> Focus on increasing density using: (1) underutilized, small, infill land or opportunities for mixed use development; and (2) allowing development of mother-in-law buildings, granny flats, or accessory dwellings. Incentivize requirements that promotes environmental sustainability in affordable housing projects (similar to those in MN's B3 guidelines) to reduce operating costs.
62	Housing subsidy pool for people living with HIV	<b>Funding</b> Create a fund to leverage public and private resources for an HIV Housing Subsidy Pool to provide rent subsidies for extremely-low-income individuals living with HIV.
63	Ordinances for no net loss	<b>Regulatory</b> Develop a template for an ordinance that would require any development (commercial, industrial, or residential) of a certain size to not result in the net loss of affordable rental units in order to receive the necessary building permit and zoning approvals. The template should be developed by the state, and cities are encouraged to pass the "no net loss" ordinance.
64	Common application / one fee	<b>Service Infrastructure</b> Create a single common application system that allows prospective tenants to complete one application and pay one fee to be used for multiple properties. The proposal suggests a pilot that can then be expanded statewide.
65	Rental relocation assistance	<b>Regulatory</b> Declare a state of public economic emergency that would allow local units of government to enact rental relocation benefits, which would be paid by the landlord. The benefit would be triggered if rents increased by more than 8% in one year and would cover first and last month's rent and a security deposit.

#	GENERAL TOPIC	IDEA DESCRIPTION - WHAT AND HOW
66	Systems approach to market-based affordable	<p><b>Regulatory/Policy</b> Multifaceted approach: 1) government should identify land parcels for affordable rental projects, 2) local governments should accelerate the approval process for these projects (including density bonuses), 3) exemptions/waivers should be provided on local charges, fees and Deed taxes, and 4) new projects should follow modern energy code to reduce operating costs (with affordable units qualifying for 4(d)/LIRC).</p> <p><b>Policy</b> Provide investment incentives for creating modular multi- housing capacity in Minnesota.</p>
67	Alternative financing options for people who cannot pay interest for religious/cultural reasons	<p><b>Financing, Infrastructure, and Social</b> The proposal identifies a three pronged strategy: 1) public education campaign to share information on pathways to homeownership for those requiring alternative financing, 2) increased capacity of homeownership trainings by Home Stretch, and 3) collaborative relationships with qualified alternative finance providers to ensure access to non-interest products.</p>
68	Supporting Emerging Minority and Women Developers	<p><b>Financing and Social</b> Support emerging minority and women developers by: (1) providing technical assistance and social/ financial capital, including grants and favorable financing for predevelopment costs and mezzanine financing, and (2) pairing these emerging developers with more experienced developers.</p>
69	Local City Practices	<p><b>Regulatory</b> This proposal recommends looking at ordinances and practices in cities that are leading on this issue and bring them together to talk about what is working and what might useful for cities.</p>
70	Increase production goals and funding	<p><b>Financing and Cost</b> This proposal seeks to set a production goal of 10,000 units per year: 4,000 units of preservation and 6,000 units of new production and to increase funding to meet this goal. Funding levels included in the proposal include \$275,000,000/year from the state, \$200,000,000 from local governments, and \$100,000,000 in rental assistance from the state. The proposal also recommends that 95% of state capital aid be targeted to greater Minnesota.</p>
71	Central rental housing registry	<p><b>Service Infrastructure</b> This proposal suggests creating a centralized online registry/database for all the rental housing units across the state. The database would capture all rental housing units in Minnesota and could be developed by HousingLink. It could be used for searching and to streamline communications and allow for easier communication of new programs and reminders to property managers and owners.</p>
72	Transitions for victims of abuse	<p><b>Service Infrastructure</b> This proposal seeks to expand the Aftercare Program that Women's Advocates currently operates. Advocates with the Aftercare Program establish long term relationships with the household and continues to provide skills, advocacy, and supports as they move from shelter into the community.</p>
73	Expand the Homestead Market Value Exclusion	<p><b>Tax</b> This proposal calls for expanding the Homestead Market Value Exclusion to provide residential property tax relief by reducing the taxable market value of a home. The goal is to adjust for the federal tax law changes and to incentivize homeownership.</p>
74	MN First-Time Homebuyer Savings Account	<p><b>Tax</b> This proposals call for changing the MN First-Time Homebuyer Savings Account legislation passed in 2017 from a deduction of the interest eared to a credit for down payment savings. First time homebuyers would be able to save money for a downpayment in an account exclusively set up for home buying expenses and a set amount of that could be taken as a tax credit when they file income taxes.</p>

#	GENERAL TOPIC	IDEA DESCRIPTION - WHAT AND HOW
75	Homestead Credit Refund Program/Circuit Breaker Program	<p><b>Tax</b></p> <p>The proposal calls for increasing the income eligibility of the current Homestead Credit Refund program, through which households qualify for a property tax refund if the taxes exceed a percentage of their household income. Currently households making above \$105,500 cannot qualify for the refund. The goal is to adjust for the federal tax law changes and to incentivize homeownership.</p>
76	Moving Tax Credit and/or Closing Cost Credit	<p><b>Tax</b></p> <p>This proposal suggests creating a tax credit for moving and/or closing costs that a buyer or seller could file on their income tax returns. The goal of this proposal would be to motivate people to buy and sell and increase the inventory of homes for sale.</p>
77	Interest Rate Buy-Downs for Home Purchases for First-Time Homebuyers	<p><b>Financing</b></p> <p>This proposal suggests offering interest rate buy-downs for home mortgages for first-time homebuyers and increasing income limits for the program to all for the purchase of a median value home. Suggest that this could be offered through Minnesota Housing similar to the current fix-up interest rate buy-down program.</p>
78	Affordable Single Family Mortgages	<p><b>Financing</b></p> <p>Proposes offering lower cost loans statewide to lower income homebuyers through Minnesota Housing in a program similar to loans offered through Twin Cities Habitat for Humanity with sliding scale interest rates based on income. This proposal also suggests incentivizing private lenders to provide affordable interest rates and more accessible down payment assistance.</p>
79	Modular home ownership	<p><b>Cost and Code/Regulatory</b></p> <p>This proposal suggests repurposing shipping containers into single family homes. The proposal highlights the lower building costs, flexibility, and constructability to this type of modular housing.</p>
80	Partnership between Public Housing Authorities and Counseling Services to create pathways to homeownership	<p><b>Service Infrastructure</b></p> <p>Proposal to work with current public housing residents that have sufficient income (&gt;60% AMI) to afford homeownership. HECAT awardees and PHA's provide financial capability and homeownership advising services to the targeted households. This creates pathways to homeownership and frees up units for the neediest households at a lower cost than building new units.</p>

# Appendix B:

## Recommendations from Work Groups

The information below details the proposed recommendations each work group put forward to consider for the final report. While they were not all able to be incorporated into the 30 recommendations contained in the report, the following pages reflect much work and thoughtful discussion by task force members and community and industry leaders. We are grateful to all who participated in the work groups by sharing personal experiences and ideas to help shape this important work.

### Recommendations from Homeownership Work Group

#### CHANGE SYSTEMS

- H1. Engage local community members to support new housing opportunities.\*
  - A. Address community responses to recognize the housing needs of more diverse communities (e.g., seniors, race and ethnicity, household composition, millennials) and create a broader range of housing opportunities.\*
  - B) Assess current and future housing needs and incorporate them into local planning and economic development strategies.\*
- H2. Encourage broad participation in homeownership housing opportunities by engaging a cross-sector of stakeholders in education, economic development, jobs, and housing.
  - A. Encourage open dialogue about the relationship between housing, jobs, education, and economic development.
  - B. Encourage private sector volunteerism and financial contributions to create and preserve affordable housing.

#### EXPAND PRODUCTION

- H3. Encourage local governments to evaluate

and update local plans, zoning and land use policies to facilitate expansion of homeownership options in communities to keep pace with population changes and shifts in market need and demand.\*

- A. Create a grant program that requires matching funds from the local unit of government to support affordable housing. The matching funds can be in the form of fee waivers, pooled tax increment financing, tax levies, general funds, or other local investments.\*
- B. Encourage partnerships between local governments and developers to create new housing.
- C. Encourage more local governments to incentivize affordable housing through things such as providing tax abatements, density bonuses, using resources such as the Housing Trust Fund or allowing alternative construction forms such as modular housing.
- D. Develop a best practices guide related to how local governments can support great housing diversity and encourage affordable housing development.
- E. Streamline local processes to reduce the timeline for receiving approvals on various aspects of projects to in turn, reduce development costs.

H4. Identify and encourage ways in which to reduce development and construction costs.\*

- A. Conduct targeted outreach and market the construction trade to encourage more people to enter construction.\*
- B. Encourage new and young people to enter the development and construction trade through training and mentorship programs.
- C. Encourage developers to use innovation and technology to assist in cost containment including, materials, design, and methodology, including 3D development, panelization, and plastic homes.
- D. Evaluate the procedure and participation in the development of the ICC and the State Building Code to ensure requirements are evaluated for costs and benefits.
- E. Prepare programs and curriculum to ensure that they are readily available when demand for construction trade training increases, including programs related to rehabilitation and remodeling.
- F. Remove sales tax on construction and materials for new housing development priced under \$250,000.

H5. Expand the housing inventory by developing more homes and encouraging alternative forms of homeownership housing options that meet the local community need.

- A. Encourage development of a wide range of homeownership housing options that meet the needs of the local communities including but not limited to manufactured and modular homes, 2-4 unit properties (duplex-quad), condos, townhomes, twin homes, row homes, cooperatively-owned homes, homes with accessory dwelling units, large family homes and community land trust housing.
- B. Implement a statewide developer challenge to build 500 new homes under \$250,000 across the state (idea from Little Falls forum).
- C. Expand acquisition, rehabilitation, resale programs through increasing funding and

encouraging more developers to complete acquisition, rehabilitation, resale projects.

H6. Expand and simplify construction financing products and underwriting for homeownership housing developers.

- A. Explore alternative products such as simplified revolving loan funds for construction financing.
- B. Identify strategies to reduce lender risk for small developers, projects, and new products.
- C. Engage business and philanthropic partners to support lenders and developers in providing funding.
- D. Encourage innovative methods to fund construction such as crowdsourcing.

H7. Provide technical assistance and capacity building for smaller and newer developers for new construction and rehabilitation of affordable homes.

- A. Develop a peer to peer homeownership housing development technical assistance program.

#### **INCREASE MOBILITY**

H8. Support and expand the reach of existing homebuyer and financial education and counseling programs.

- A. Increase funding for existing pre-purchase, post-purchase, and financial education and counseling programs such as the Homebuyer Education Counseling and Training program (HECAT) and the Homeownership Capacity program.
- B. Utilize existing resources, networks and best practices to help expand homebuyer and financial education and counseling programs in communities and online through homebuyer education services such as Framework.
- C. Educate Realtors, lenders, developers, and builders about homeownership and financial counseling and education programs.
- D. Provide more education, formally and informally about the importance of inspections, appraisals, and home maintenance.

- E. Require more financial wellness and homeownership education in schools and in adult basic education.
  - F. Provide incentives for individuals to receive education such as requiring homebuyer pre-purchase education prior to receiving downpayment assistance or providing a savings match for those who participate in financial education and counseling.
- H9. Address the homeownership disparity between households of color and white, non- Hispanic households.
- A. Raise awareness and education around equitable access to homeownership, including the unique needs of immigrant and refugee households.
  - B. Ensure programs and services are available for households of color or Hispanic ethnicity to learn about, prepare for and access programs that support homeownership.
  - C. Require education for Realtors, lenders, developers, and builders about the homeownership disparity.
  - D. Create high school curriculum about racial disparities in income and homeownership and encourage dialogue around addressing racial disparities, asset building, and homeownership opportunities.

### **INCREASE ACCESS**

- H10. Increase access to capital for homebuyers through expanding mortgage products, encouraging innovative methods for savings, and growing down payment assistance resources.\*
- A. Expand mortgage products, including manual underwriting, Individual Tax Identification Number programs, interest free lending products, and Section 184 loans. Provide extra support to small, local community banks to expand financing products.\*
  - B. Encourage innovative methods of increasing capital for homebuyers such as crowdsourcing, individual development

- accounts, and lending circles.
- C. Encourage employers and foundations to support homebuying through matched homebuyer savings programs, downpayment resources or partnerships with local homeownership advisors.
- D. Increase the number of lenders offering purchase rehabilitation loans and encourage partnerships with nonprofit developers to provide rehabilitation oversight to reduce the process burden on lenders.
- E. Expand available downpayment assistance.
- F. Pool downpayment assistance sources so buyers will not have to apply to multiple programs.

### **PRESERVATION**

- H11. Provide technical assistance and capacity building for smaller and newer developers for new construction and rehabilitation of affordable homes.
- A. Develop a rehabilitation mentorship or trade program to develop more skills capacity and encourage more developers to pursue rehabilitation projects.
- H12. Expand rehabilitation financing products and programs to enable existing homeowners to maintain their homes.\*
- A. Support and expand existing home rehabilitation products and programs both at the state and local levels.\*
  - B. Expand financing products for manufactured home rehabilitation.

## Recommendations from Rental Housing Work Group

### CHANGE SYSTEMS

- R1. Quantify the state's housing needs, set goals based on need, and increase public understanding that housing is critical to the economic and social health of the state.\*
- A. Biannually, designate a body (an apolitical, public-private partnership such as the Itasca Project) to publish a statewide rental housing, homeownership, and housing stability forecast that includes:
    - current need
    - future growth, and
    - preservation of federally subsidized housing within and across regions and micro-markets to guide critical infrastructure investments in housing.\*
  - B. Create a sustained public information campaign that:
    - builds understanding of how housing is central to the economic and social health of all residents and communities in Minnesota, and
    - connects the forecast with efforts to meet the housing need.\*
- R2. Create a statewide dedicated and permanent affordable housing funding source(s), sized to make a significant impact in addressing the production, preservation, and rental assistance needs.\*
- A. Authorize through the legislature, permanent, dedicated funding source(s) for affordable housing that is sized to meet the need and not dependent on appropriations or partisan politics.\*
- R3. Encourage municipalities and counties to create of dedicated and permanent affordable housing funding source(s) to meet their local needs and to leverage other investment.\*
- A. Provide legislative authorization to local jurisdictions that enables them to
    - adopt an increase in sales tax
    - increase the maximum levy for the purpose of supporting affordable housing development, preservation, and rental assistance.\*
  - B. Provide one-time technical assistance to local jurisdictions to set up Affordable Housing Trust Funds.\*
- R4. Expand ongoing private and philanthropic investment in affordable housing production, preservation of government assisted and privately financed/Naturally Occurring Affordable Housing, and rental assistance as an important tool in the housing finance tool box.\*
- A. Create an Innovation Fund that provides flexible financial and technical support for housing innovation and market testing that can be responsive to local needs and conditions, but which may not be competitive in existing funding programs.\*
  - B. Establish incentives, similar to the MN Angel Tax Credit Program, for creating privately funded sources of lower-cost equity to leverage private capital in new affordable housing developments, specifically oriented to private market developments with little or no subsidies, in exchange for rent and income limits for at least the term of the investment.\*

### EXPAND PRODUCTION

- R5. Establish Minnesota as the entrepreneurial center for the advancement of housing innovation and technology.\*
- A. Attract and partner with leaders in education, design, construction, and distribution to develop the talent pipeline, materials, methods, and full value chain for modular, manufactured, and 3D construction.\*
  - B. Engage building trades and construction industry professionals to change regulations to support new construction techniques, while maintaining safety and quality standards.\*
  - C. Invest directly in and create state financial

incentives to help secure venture capital for research and development in housing technology and to build manufacturing capacity for modular, manufactured, and 3D printed housing.\*

- R6. Expand affordability and supportive services by unlocking financing options, speeding up delivery of housing developments, and creating cost efficiencies that improve access to housing for all Minnesotans.
- A. When using the Low Income Housing Tax Credit, ensure that the new Income Averaging (IA) provision is used to create more units for households earning less than 30% AMI.
  - B. Expand supply of and access to workforce rental units (affordable to 60% - 120% AMI) located near job centers in partnership with major employers by
    - helping employers understand the housing needs of their current and future employees
    - providing employers with a tool kit of possible actions and best practices they can take to support their workforce.
  - C. Create service enhanced mortgages (Fannie Mae model) which provide a dependable source of funding for social services which help households maintain stable housing, reach their aspirational goals and move beyond requiring assistance.
  - D. Work with municipalities to create a mechanism(s) of accountability during the local approval process for affordable housing that emphasizes meeting affordable housing goals.
  - E. Create a statewide review panel to evaluate regulations related to building standards, land use, and environmental stewardship for their impact on housing affordability.
- R7. Remove barriers (including lack of information and limits on local authority) that hinder public and private investment in housing.
- A. Inventory and publish online state-controlled surplus/underutilized lands and request legislation that prioritizes its use for affordable

housing, including reflection of this priority in reduced sales price. Encourage cities/counties to do the same.

- B. Authorize local governments to expand the use of Tax Increment Financing (TIF) to
  - subsidize specific affordable housing or mixed income developments or the infrastructure required for these developments
  - pool funding to subsidize affordable housing for the lowest-income and most vulnerable renters in other areas of the city
  - reduce taxes in exchange for reduced rents, including by modifying low-income requirements needed to establish TIF Housing Districts.
- C. Reduce tax burden on properties in exchange for affordability by
  - expanding the uses of tax rate reclassification (Low Income Rental Classification [LIRC]; tax class 4d)
  - authorizing tax abatement for affordable housing in which the local taxing jurisdictions can establish and adopt tax abatement term limits that support public goals.

### **INCREASE ACCESS**

- R8. Create new rental assistance programs and maximize existing federal resources to meet the needs of Minnesota's lowest income and most vulnerable renters.
- A. Create new or expand existing rental assistance program(s) to complement the federal programs that are insufficient to meet need.
  - B. Conduct statewide research on Housing Choice Voucher "porting", its net impact, and potential related funding loss to inform advocacy to maximize the existing federal resource.
  - C. Partner with local public housing authorities and HRAs to
    - apply project-based rental assistance to new development in areas of opportunity
    - encourage the use of project-based vouchers

with inclusionary housing policies to create stable housing choices for families and achieve deeper affordability.

## **PRESERVATION**

- R9. Incentivize private market owners to maintain, expand, or make rental units available affordably to those most in need by offering light incentives with minimal administrative burden.
- A. Modify and expand existing rental rehab programs statewide to simply and efficiently address aging conditions of existing rental properties.
  - B. Implement changes to the property tax regime that would reduce upward pressure on rents and free up capital for owners to make critical repairs and stay current with maintenance needs.
  - C. Reduce utility costs for tenants and property owners
    - shielding properties that deliver affordability from growing utility costs and/or incentivizing energy efficiency upgrades.
  - D. Create new insurance mechanisms or products to reduce costs for property owners that house the lowest-income households or special populations.

## Recommendations from Housing Stability and Opportunity Work Group

### CHANGE SYSTEMS

- S1. Incentivize private sector participation in affordable housing.\*
- A. Create a housing tax credit program, or other incentives, for employers who create affordable housing options for employees. (State, Department of Revenue)\*

### ENHANCE STABILITY

- S2. Institute tenant protections to ensure transparency and dignity in renting homes\*
- A. Support the creation of tenant protection ordinances such as adopted by St. Louis Park in April 2018, which requires landlords to pay moving expenses of low-income tenants if they decide to raise rents, not renew leases, or re-screen tenants within the first three months of owning property. (Local communities)\*
  - B. Develop state legislation that requires communication between property owners and tenants regarding ownership/tenancy changes at a minimum of 60 days prior to sale. (State)\*
  - C. Develop right of first refusal options for tenants residing in naturally occurring affordable housing, manufactured home parks, or other nonprofit developers (State, local communities)\*
  - D. Develop short term assistance resources for tenants displaced by a building sale/renovation. (State)\*
- S3. Prevent and mitigate impacts of evictions on tenants\*
- A. Draft and present legislation that limits evictions to only appear on a tenant's record following court judgment. Pattern this on the pilot project in Ramsey County in which eviction records will be sealed from public access unless and until a judgment is entered against the defendant (the tenant loses the case). (State, Counties)\*

- B. Implement tenant protection strategies such as just-cause eviction to prevent landlords from terminating leases for the sole purpose of raising rents. (State)\*
  - C. Define and crack down on predatory rental practices, including excessive evictions and poor quality. Improve or publicize landlord tiering systems to track predatory landlords. (State, local communities)\*
  - D. Increase the speed and flexibility of emergency resources administered by counties as majority of evictions happen due to nonpayment of rent, short term assistance could mitigate evictions. (State and county partners)
  - E. Create problem solving approaches to Housing Court calendars, offering wrap around services.
- S4. Diversify housing options in communities to meet wide-ranging needs
- A. Incentivize universal design to meet future needs of Minnesotans, given changing demographics, including seniors aging in community.
- S5. Develop inclusive housing models and practices
- A. Create a clear and simple process for the expungement of old or resolved criminal records. (State).

### EXPAND PRODUCTION

- S6. Increase investment in housing options for Minnesota's lowest income and most vulnerable renters\*
- A. Establish Regional Market Innovation Grants to provide technical assistance, housing subsidies for operations, and housing grants for capital investment. (State)\*
  - B. Support local communities to address their unique needs by creating adaptable toolkits to develop local housing trust funds and coordinate existing housing funding. (State and local communities)\*
  - C. Consider statutory amendments to Tax Increment Financing statute to promote use of

affordable housing districts. (State)

S7. Adapt local land use policies\*

- A. Leverage use of Low Income Rental Classification by municipalities, as done with Minneapolis. (State and local communities)\*
- B. Support localities to create inclusionary policies for multifamily development, including funding the Inclusionary Housing Account at the Metropolitan Council, which has been unfunded since 2000. (State and local communities)

S8. Diversify housing options in communities to meet wide-ranging needs

- A. Address regulatory and financial barriers to developing affordable housing, with a focus on adding non-traditional housing types, such as accessory dwellings, single room occupancy units, and more communal living opportunities. (State)
- B. Use Comprehensive Plans and long-range planning to identify areas in communities for new multifamily housing development and rezone the areas as needed to support the redevelopment. (local communities)

**INCREASE ACCESS**

S9. Ensure inclusive housing models and practices\*

- A. Promote action items in most recent state and local fair housing plans, including items such as issuing further guidance to landlords on criminal background screening. (State, Fair Housing Implementation Council)\*
- B. Make permanent and expand resources for the Landlord Risk Mitigation Fund and create other incentive options for landlords such as lease-signing incentives and payment of holding fees for target populations. (State, Minnesota Housing)\*
- C. Develop financial incentives for property owners to expand the availability of master leasing options for human service organizations supporting housing. (State)\*
- D. Develop and disseminate best practices for

tenant screening procedures. (State, private sector)\*

- E. Incentivize acceptance of housing choice vouchers in the private market, including mitigating administrative burdens of the program.
- F. Draft legislation prohibiting the discrimination of tenants holding Section 8 housing choice vouchers. (State)

S10. Increase investment in housing options for Minnesota's lowest income and most vulnerable renters\*

- A. Expand housing voucher programs. Advocate to Congress to increase funding for the Housing Choice Voucher Program and utilize state and local resources to expand existing program or create a new program to support families on Section 8 waiting lists. (State and local partners)\*
- B. Identify sustainable sources of revenue that can be dedicated to providing rental assistance, prioritizing extremely low-income households who are severely cost burdened. Example programs include the state housing trust fund and Bridges. (State)\*
- C. Support income averaging provisions for Low Income Housing Tax Credit (LIHTC) developments. (State, local allocating agencies)\*

S11. Increase supports to access housing for those with the greatest barriers\*

- A. Prioritize housing investments to achieve the goals in Heading Home Together: Minnesota's Action Plan to Prevent and End Homelessness for families, youth, veterans, and people experiencing chronic homelessness. Rapidly link people experiencing or at-risk of homelessness with housing and services tailored to their needs.\*
- B. Increase the number of affordable housing opportunities for people with disabilities exiting segregated settings by supplementing and/or re-allocating existing funding. (State, Olmstead Plan)\*

- C. Implement alternative case management strategies (such as critical time intervention) to take a right sized, person centered approach to local case management. (Counties)\*
- D. Develop a single common application system that allows prospective tenants to complete one application and pay one fee to be used for multiple properties. Pilot system with Minnesota Housing's portfolio. (State)\*
- E. Provide a dependable stream of funding for proven social services that help households maintain stable housing. (State)
- F. Consider funding housing navigators for Minnesotans facing barriers who need additional support in housing. (State, DHS)
- G. Develop and/or use existing resources to expand funding of rapid re-housing (short-term rental support) or similar programs. (State)
- H. Create a deeper connection with work force services, like workforce investment boards and workforce centers. Consider other innovative ways to access, such as employers writing letters for their employees (State and counties).

### **INTEGRATE SERVICES**

- S12. Facilitate opportunities for integrating housing with health care\*
  - A. Advance the Housing Supports program (formerly known as Group Residential Housing) by identifying gaps and potential program enhancements to ensure state-wide coverage. (State, Olmstead Plan)\*
  - B. Develop formal partnerships between housing and healthcare providers, based on evidence and research showing how healthcare supports can increase housing stability, to systematically connect tenants of affordable housing with services when necessary. Build capacity within supportive housing providers to make those partnerships. (State)\*
  - C. Increase housing stability by supporting the development of a robust mental health crisis response system and providing information

to property management about options to respond to a mental health crisis. This could include creating a point of contact at county government for landlords to connect with. (State, Counties)

- D. Promote strategies to access Medicaid coverage for housing related activities and services for people with disabilities. (State, Olmstead Plan)
  - E. Create a multipayer funding pool to have the ability to conduct very tailored interventions (fill gaps in services) outside of the current health care marketplace. (State, private sector partners).
- S13. Increase supports to access housing for those with the greatest barriers\*
- A. Develop a consolidated request for proposals (RFP) for supportive services funding similar to Minnesota Housing's RFP for capital housing resources. (State, Counties)\*
  - B. Provide families and individuals in transition access to a continuum-of-care in supporting housing needs and difficulties. This includes aftercare models, where support is provided even after housing is secured. (Counties)

### **PRESERVE ASSETS**

- S14. Increase investment in housing options for Minnesota's lowest income and most vulnerable renters.\*
  - A. Consider a state source to assist PHAs in administering Housing Voucher Programs to increase the number of available vouchers. (State)\*
  - B. Substantially increase support for rehabilitation of publicly owned housing (such as through the Publicly Owned Housing Program administered by Minnesota Housing). (State)

*\*High priority*

## Appendix C: Overview of Affordability and Income

Median Family Income is the income based on the median four-person household in Minnesota. The U.S. Department of Housing and Urban Development (HUD) releases calculations yearly based on the most recent Census data available. HUD develops program income limits for assisted housing programs based on Median Family Income estimates and adjusts them based on household size and location within the state. The income levels in the table below are based on the statewide median income for a family of four (\$80,400), rather than local area median incomes.

Imagine every four-person household in the state is lined up in order of their income, from lowest to highest. The household in the middle – the median household – represents 100% Median Family Income. For the entire state of Minnesota in 2017, that income was \$80,400 for a four-person household. Median Family Income is adjusted based on family size and location. Take a look at the percentage of Minnesota households that are at 30% Median Family Income or lower – it totals 16.2%. However, 45.2% of cost-burdened Minnesotans are at 30% Median Family Income or lower.

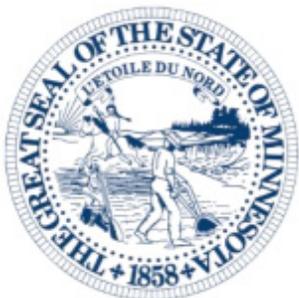
	Household Income as % of state Median Family Income <sup>1</sup>	Household Income <sup>2</sup>	Affordable Monthly Rent <sup>3</sup>	% of Minnesota Households <sup>4,5</sup>	% of Minnesota's Cost-Burdened Households <sup>5</sup>
Extremely Low Income	10%	\$8,040	\$201	3.2%	8.8%
	20%	\$16,080	\$402	6.3%	18.9%
	30%	\$24,120	\$603	6.7%	17.5%
Very Low Income	40%	\$32,160	\$804	6.8%	15.3%
	50%	\$40,200	\$1,005	6.8%	10.6%
Low Income	60%	\$48,240	\$1,206	7.0%	8.6%
	70%	\$56,280	\$1,407	6.5%	5.9%
	80%	\$64,320	\$1,608	5.7%	3.7%
Moderate Income	90%	\$72,360	\$1,809	5.3%	3.2%
	100%	\$80,400	\$2,010	5.3%	2.2%
	110%	\$88,440	\$2,211	5.0%	1.4%
	120%	\$96,480	\$2,412	4.1%	0.9%
Middle Income	130%	\$104,520	\$2,613	4.2%	1.0%
	140%	\$112,560	\$2,814	3.4%	0.4%
	150%	\$120,600	\$3,015	3.0%	0.3%
	160%	\$128,640	\$3,216	2.4%	0.2%

<sup>1</sup>Based on a four-person household. <sup>2</sup>Incomes are calculated based on the 2017 U.S. Department of Housing and Urban Development (HUD) median family income for Minnesota of \$80,400 for a four-person household. <sup>3</sup>Affordable monthly rents are calculated as 30% of the corresponding monthly income. <sup>4</sup>Percent households by income level is based on American Community Survey 2015 data prorated to 2017 income levels using the percent increase in statewide median income from 2015 to 2017 (3.88%). <sup>5</sup>Percent of all Minnesota households and cost-burdened households data is not dependent on household size, unlike the income data in this table, which is based on a four-person household. This is important to note. For example, the 6.8% of households at 50% of the state median income includes households of all sizes, and the income at 50% of the state median income (\$40,200) has different implications depending on the size of the household. It would be livable for a one-person household but a significant challenge for a six-person household.

# Notes

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- 2 North Dakota Housing Finance Agency, "North Dakota Housing Incentive Fund," May, 2015, <https://www.ndhfa.org/Development/HIF/WhatContributorsNeedToKnow0515.pdf>.
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- 4 This cost differential has been observed based on properties developed and rehabilitated by Minnesota Housing.
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- 7 Minnesota Housing, 2017 Program Assessment
- 8 Minnesota Housing analysis of data from the U.S. Department of Housing and Urban Development's 2010-2014 CHAS (Comprehensive Housing Affordability Strategy), the Census Bureau's American Community Survey, and the Minnesota Demographer's Office.
- 9 Minnesota Housing Finance Agency, "The Loss of Naturally Occurring Affordable Housing (NOAH)," May 2, 2018, [http://www.mnhousing.gov/get/MHFA\\_1043456](http://www.mnhousing.gov/get/MHFA_1043456).
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- 16 Minnesota Housing Analysis of data from Costar and Marquette Advisors, Apartment Trends (1st Quarter 2018).
- 17 Minnesota Realtors, "Local Market Update for May 2018," <https://my.mnrealtor.com/HigherLogic/System/DownloadDocumentFile.ashx?DocumentFileKey=d94f35de-219a-9ae9-7abf-0c8494709f22&forceDialog=0>.
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- 19 Marquette Advisors, "Apartment Trends," 1st Quarter, 2018.
- 20 This estimate by Minnesota Housing is based on jobs ratios from the Implan Input/Output Model. The jobs would include construction jobs (direct), jobs at Minnesota companies that make components such as windows (indirect), and jobs in the general economy as employees in the other new jobs spent their income.
- 21 Minnesota Housing, Predictive Cost Model. The model uses data from the multifamily developments that Minnesota Housing has financed since 2003 to predict development costs in 2018 dollars.
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