

Task Force on the Long-Term Sustainability of Affordable Housing

Options for Solutions – October 2024

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ID #	Initial category	New category	Option description	Specific focus area(s)	Agency comments (10/25/2024)
A1	Financing, financial tools and programs	Administrative policies and tools incl underwriting	Decouple our main affordable housing funding categories to create specific tranches based on uses. Each of these categories projects are different with unique challenges and have different metrics in application scoring. The current Consolidated RFP does score different types of projects differently but they all compete for the same pot of money. Preservation should have its own allocation of funding. (Group 2)	preservation and asset management	Creating a separate competitive process would add a whole new system and complexity without producing/preserving more units, especially if this is within the existing funding options. The current system allows flexibility between new construction and preservation and adapts based on the applications that are submitted in a given year versus artificially constraining resources within a single space. The actual limiting agent is insufficient resources. Other states are trying to move in the direction of a combined resource allocation because it is more efficient than the alternative set of multiple RFP processes, forms, etc.

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A2	Financing, financial tools and programs	Administrative policies and tools incl underwriting	Simplify funding sources through a dedicated preservation RFP for recapitalization projects that apply with multiple existing funding sources that add complications to operations. Allow repayment of debt through this RFP which will eliminate some of the complicated sources which, in turn, will translate into simpler deal structure at recap (Group 2)	preservation and asset management	Unless there is a change to the underlying resource and related legislation, a separate preservation RFP would repeat all the existing requirements but now applicants would have to apply in two different systems.
A3	Financing, financial tools and programs	Administrative policies and tools incl underwriting	Evaluate extended use period guidelines to determine how to release pressure on affordable housing properties after year 15, including determining and clarifying what restrictions are in place due to federal law, state or local law, or administrative rules. (Group 1)	preservation and asset management	
A4	Financing, financial tools and programs	Administrative policies and tools incl underwriting	Where possible identify opportunities to reduce affordability requirements for properties in their extended use period that can't cash flow and aren't a strong candidate for recapitalization resources. (Group 1)	preservation and asset management	For tax credit developments, federal law requires that the affordability required be incorporated into the Land Use Restrictive Agreement (LURA) that is recorded against the property and is third party enforceable. Because LURA language has evolved over time, Owners are encouraged to work with their tax credit allocator to determine what options might be available.
A5	preservation & asset mgmt	Administrative policies and tools incl underwriting	Allow affordable housing projects to include asset management fees in the underwriting costs (Group 4)	preservation and asset management	
A6	affordable housing providers	Administrative policies and tools incl underwriting	Provide more flexibility on the amount of supportive housing that is required in a development (Group 4)	supportive housing and services	

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A7	Admin tools incl underwriting	Administrative policies and tools incl underwriting	Retool underwriting standards to ensure they account for the current economic environment, including "fixing" recently/previously underwritten projects where revenue and expenditure assumptions are no longer valid. (Group 1)		At least for Minnesota Housing, the underwriting for a project does change from the time of application to closing on the funding. It also adapts based on project type, location and owner. However, since the underwriting process only applies before a project closes on funding, changing the underwriting standards would not affect how an operating property functions.
A8	Admin tools incl underwriting	Administrative policies and tools incl underwriting	Reconsider the desirability of incentivizing "leverage" of other public resources in the competitive funding of capital housing investments. This sort of leverage increases complexity by having to negotiate with multiple government funders, each of whom bring their own policy-driven requirements to a project. All of this adds considerable time and expense to projects, without an obvious benefit to the broader housing system. (Group 1)		May require a statutory change for state appropriated programs (I.e. Challenge requires considering local contributions in 462a.33)
A9	Admin tools incl underwriting	Administrative policies and tools incl underwriting	Examine operating expense and consider historical operating expenses across the total portfolio of publicly financed projects to set or affirm the underwriting policies for new projects. Rich data already exists that is not being utilized efficiently/strategically (Group 2)		This reflects the current practice at Minnesota Housing.
A10	Admin tools incl underwriting	Administrative policies and tools incl underwriting	Change underwriting rules to reflect current environment (Group 4)		Assuming underwriting rules here mean financial underwriting, not insurance underwriting. Worth clarifying, because if it was meant in an insurance context this could move to the insurance category. This row didn't read as definitively as row 9 did.
A11	Financing, financial tools and programs	Administrative policies and tools incl underwriting	Adjust prevailing wage to meet the realities of Greater MN (Gr 3)		State prevailing wage is a statutory requirement for most projects with state funds. The Department of Labor and Industry calculates the wage rates.

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F1	Admin tools incl underwriting	Finance, financial tools and programs	Debt relief to newer buildings is a fairly cost-effective way to provide overall relief to property portfolios relative to full rehabilitations of older buildings. (Group 1)		
F2	Admin tools incl underwriting	Financing, financial tools and programs	Use recapitalization resources (including new Community Stabilization program) for a broad set of strategic preservation uses, including debt relief, structural rehabilitation, and recapitalization of reserves. (Group 1)	preservation and asset management	This is underway with funding provided in the 2024 legislative session.
F3	Financing, financial tools and programs	Financing, financial tools and programs	Develop two tracks for funding-one for new projects and one for recapitalization and a philosophy that for every new unit we fund we have to preserve 2. In the recapitalization/preservation track, ensure scoring matrix does not require adding supportive housing to be competitive. This changes the project. (Group 4)	preservation and asset management	
F4	affordable housing	Financing, financial tools and programs	Value the cost effectiveness of preservation higher in the competitive processes for funding. It is more cost effective to preserve existing affordable housing developments than replacing lost units if we don't preserve them. (Group 2)	preservation and asset management	This is a critical policy discussion on the balance between new construction to meet the housing needs and preservation needs of existing housing.
F5	preservation & asset mgmt	Financing, financial tools and programs	Establish an asset management loan fund (0% or 1% int) to help with deferred maintenance (Group 1)	preservation and asset management	Would need new legislatively appropriated funding.
F6	preservation & asset mgmt	Financing, financial tools and programs	Increase priority of NOAH properties as it is a good fiscal investment for the industry (Group 3)	preservation and asset management	Minnesota Housing has funded two rounds of the GMHF NOAH Impact Fund. From appropriations, we have a new program in development.
F7	affordable housing providers	Financing, financial tools and programs	Create structures to ensure funding that comes from different state or local agencies is coordinated and sufficient for each project or household who qualifies for services. (Group 1)	supportive housing and services	

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F8	Other	Financing, financial tools and programs	QAP needs to have a more nuanced approach to supportive housing. Adjust QAP scoring or pause supportive housing scoring while re-evaluating how to ensure service funding availability to meet residents needs. (Group 4)	supportive housing and services	For operating properties that elected to include supportive housing units, the requirements are generally part of the Land Use Restrictive Agreement (LURA). Minnesota Housing generally does not have the authority to retroactively change QAP requirements.
F9	affordable housing providers	Financing, financial tools and programs	Provide supportive service funding commitments to owners at real estate closing at the level that matches the proposed / expected needs of the tenants. Providers are bearing the brunt of the risk in these transactions without state support for the public policy objective. (Group 2)	supportive housing and services	We acknowledge the challenge of funding the ongoing supportive services costs for new developments. We work closely with developers to develop strategies for these costs including Housing Support (DHS), state and federal case management, Medicaid improvements and reserves. We are working through our Strengthening the Supportive model program - in development.
F10	affordable housing providers	Financing, financial tools and programs	Streamline/simplify funding process to reduce complexity, increase predictability, and ensure funding is designed and established to meet the needs in a given building (Group 1)		
F11	Financing, financial tools and programs	Financing, financial tools and programs	Provide service funding as part of initial and ongoing costs to develop affordable housing (Group 4)		
F12	affordable housing	financing, financial tools and programs	The legislature creates and funds a new program to provide operating/service support for new and existing supportive housing units. For new projects, the funds will be paired with capital dollars during funding selections.	supportive housing	
F13	preservation & asset mgmt	financing, financial tools and programs	Provide dedicated, consistent and ongoing appropriations to support preservation, including both substantial rehabilitation and targeted improvements.	preservation and asset management	
F14	Financing, financial tools and programs	Financing, financial tools and programs	Eliminate performing 1st mortgage debt for PSH going forward on new projects (Group 2)		This is already generally the case on projects in recent years. May be less true farther back.

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F15	Financing, financial tools and programs	Financing, financial tools and programs	Close deals faster: MHFA shall review internal processes so that development of new projects can close faster. The current time lag results in added costs and complications to see new development move forward and close.		
11	Insurance	Insurance	Develop a risk/subsidy pool for property insurance at the federal or state level (Group 1)		
12		Insurance	While states regulate insurance rates, the property insurance crisis is a national issue that will continue to be exacerbated by climate change. While we should be rooting out redlining practices at the state level when affordable housing is treated differently in certain neighborhoods simply because of the nature of being affordable, the substantial disaster-driven losses are driving carriers out of markets and reducing the quality and availability of coverage. States should use their collective leverage to push for a federal federal solution to help stabilize the industry. (Group 1)		
13		Insurance	Develop a state (public entity) collective to provide property insurance (Group 2)		
14	Insurance	Insurance	Create a state-funded pool for affordable housing providers to utilize (up to a certain amount) in order to pay for small claims differently and as an alternative to making a claim against their own property insurance (Group 2)		
15	Insurance	Insurance	Encourage Minnesota Housing and the Department of Commerce to study best practices in other states to address insurance cost challenges for affordable housing providers (Group 4)		
16	Insurance	Insurance	Transparency on what premiums are actually based on (Group 3)		
17	Insurance	Insurance	Limits on how much they can charge to limit price gouging (Group 3)		

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18	Insurance	Insurance	Look at examples for underwriting criteria and whether certain affordable housing are treated differently than market rate (Group 4)		
19	Insurance	Insurance	Address workforce challenges within insurance industry that can cause barriers (Group 4)		
SC1	preservation & asset mgmt	Systems change	<p>Invest in asset management at the project level to get to a granular level of understanding of the issues facing owners. This has to include a mechanism for that data to "roll up" into system level data to allow funders & the housing system to be more strategic about what is needed and when. We need to think of this as critical infrastructure and be better attuned to know what is short-, mid- and long- term landscape looks like. (Group 2)</p> <p>Explore how AI can help address this knowledge gap (Group 2)</p>	preservation and asset management	
SC2	Other	systems change	<p>Develop a unifying framework or policy for preservation that creates a shared understanding of preservation amongst the housing stakeholders, how to fund it and its value to the housing system. This should include the different types of preservation or recapitalization needs from one-time targeted investments (like replenishing reserves) to an increase in operating support dollars (for issues that need a sustained intervention, to major recapitalization of entire building systems. The framework should acknowledge that different needs need different tools and should outline pathways to establish resources in the appropriate categories of such need. (Group 2)</p> <p>Create a comprehensive public policy framework to guide housing preservation, including regulated affordable housing and NOAH (IE: How do we address affordable housing that doesn't score high enough for preservation funding?) (Group 4)</p>	preservation and asset management	

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SC3	affordable housing providers	Systems change	Provide more equitable supports to ensure affordable housing owner's organizational health and recognize the important role that providers play in our housing eco-system. (Group 2)		
SC4	Admin tools incl underwriting	systems change	Make an Interagency Stabilization Group (ISG) structure more accessible for housing providers, especially smaller providers (Group 4)		ISG is a meeting of funders to review our watch lists. There are no barriers to entry in terms of which housing providers or developments are discussed. Prior ISG meetings have included the largest and the smallest housing providers and developers.
SC5	Other	systems change	Revise any state requirement that requires use of coordinated entry to get referrals for homeless designated units to provide multiple pathways for individuals to become housed. (Group 4)		
SC6	Financing, financial tools and programs	systems change	Use ALICE guidelines that are more realistic for real life (Group 3)		?
SC7	affordable housing providers	systems change	Create a universal subsidy that can be used for unique needs of each building (upkeep, security, etc) (Group 3)	preservation and asset management	
SC8	affordable housing providers	systems change	Support providers with the resources necessary to serve residents who need more services, trauma based care, incarceration, etc. (Group 3)	supportive housing and services	
SC9	Admin tools incl underwriting	systems change	Greater utilization of a strengthened and more accessible Interagency Stabilization Group (ISG) structure to find solutions and deploy resources to support distressed properties (Group 4)		
SC10	affordable housing providers	systems change	Simplify code and regulations to be similar across communities (Group 3)		

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SC11	Financing, financial tools and programs	systems change	Create a system or process to coordinate local sales tax (LAHA) resources to direct them to most urgent needs within the industry and minimize fragmentation of current resources due to the way they are spread across many jurisdictions. These are the most robust and flexible ongoing resources available, and it is critical that they are directed as strategically as possible. (Group 1)		
SC12	preservation & asset mgmt	systems change	Identify and evaluate administrative policies and regulations options to support sustainability of affordable housing when resources are not available (Group 4)		
SC13	affordable housing	systems change	Require all housing owners to hire and train asset management professionals (Group 1)		
SC14	affordable housing	systems change	Rebuild partnerships with local law enforcement to increase public safety: Property owners could form a coalition, supported by legislators, to rebuild trust with local law enforcement to help keep properties safe. In the absence of this, properties will continue to have exorbitant security and public safety costs that hinder properties from operating successfully.		
SC15	affordable housing	systems change	Strengthen ISG (Interagency Stabilization Group): Provide more formal structure and support for ISG to help properties when they begin to struggle.		
SC16	affordable housing	systems change	Address shortage of quality, well-trained staff: Convene stakeholders and providers to assess best practices and solutions to hiring, training, and retaining quality property management staff. Intermediators such as LISC, CSH, FHF, GMHF, MHP, MCCD could support or convene. Also, look at strategies and resources to allow for increased wages to recruit and retain quality staff. (Group 5)		

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SC17	affordable housing	systems change	Improve Property Management: Convene stakeholders and providers to provide training and share best practices in property and asset management. Intermediators such as LISC, CSH, FHF, GMHF, MHP, MCCD could support or convene. (Group 5)		
V1	affordable housing	value/principle	Dedicate funds at the meaningful scale specifically for preservation. (Group 2)	preservation and asset management	
V2	Admin tools incl underwriting	value/principle	transparency in standards (Group 3)		Provide more details on what is needed.
V3	affordable housing	value/principle	Create a universal subsidy to meet people at their income level (Group 3)		
V4	affordable housing	value/principle	Emergency assistance and subsidy programs must move significantly faster (Group 3)		
V5	affordable housing	value/principle	Create an easy way to access all assistance programs (Group 3) Easy one stop shop for assisting residents in accessing service, support, subsidies, etc. (Group 3)		
V6	affordable housing	value/principle	Make housing affordable in a way that is a reality for people's lives (Group 3)		
V7	Financing, financial tools and programs	value/principle	New tools to serve the "missing middle" often through workforce housing in greater MN. Numbers don't work to do subsidized programs. (Group 3)		
V8	Financing, financial tools and programs	value/principle	Increase resources to build more affordable housing (Group 4)		
V9	affordable housing	value/principle	More rental assistance resources. (Group 1)		

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V10	Financing, financial tools and programs	value/principle	Provide new state resources targeted at helping housing providers preserve their housing (Example: More recapitalization dollars) (Group 4)	preservation and asset management	
V11	affordable housing providers	value/principle	We're getting further away from deeply affordable even being at all doable (Group 3)		