

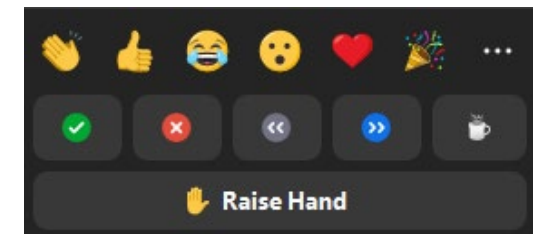
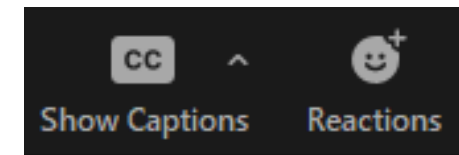
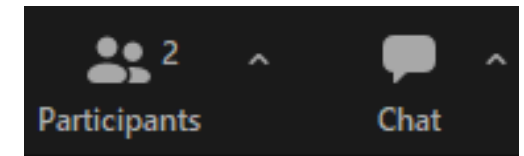
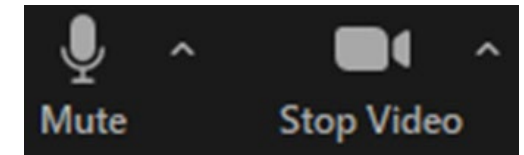
# Welcome to the Task Force on Long-Term Sustainability of Affordable Housing

Please use this time to get settled and test out Zoom features.

- **Mute/Unmute:** Turn your microphone on/off. Use the arrow to adjust settings.
- **Stop/Start Video:** Turn your camera on/off. Use the arrow to adjust settings.
- **Participants:** See who's currently in the meeting.
- **Chat:** Open the chat panel.
- **Show Captions:** Turn on live captions (it only turns on for you, not everyone).
- **Reactions:** Use the Raise Hand feature to show you'd like to talk.

Please ensure Zoom shows your preferred name, and (if you like) add your pronouns.

- Click the “Participants” button.
- Hover your mouse over your name, then click the three dots beside it.
- Click “Rename.” A pop-up box will appear – edit your name and your pronouns.
- Click “Change.”



1. Call to order and welcome
2. Task force business
3. Brief report outs from small groups
4. Walk through draft recommendations
5. Next steps for developing recommendations
6. Work time for small groups
7. Closing and adjourn

# Task force business: November 20, 2024

- Approve October 30 meeting notes
- Comments from co-chairs
- Meeting flow
- Operating agreements
- Reminder about resource materials on the LCC website
- Public testimony process

# Task force meeting flow

| Month                     | Task force meeting topics/milestones   |
|---------------------------|--|
| August                    | <p>Introductions, setting task force norms</p> <p>Building shared knowledge: Identifying key terminology; generating issues and challenges</p>   |
| September                 | <p>Building shared knowledge: task force elements; key terminology discussion</p> <p>Prioritizing issues and challenges</p>  |
| October<br>(two meetings) | <p>Building shared knowledge: Minnesota Housing presentations</p> <p>Begin developing options for solutions</p> <p>Building shared knowledge: Minnesota Department of Commerce presentation and affordable housing developers and providers panel</p> <p>Discuss prioritization levers and approaches</p> <p>Refine and prioritize options for solutions</p> |
| November                  | <p>Continue developing recommendations</p>   |
| December                  | <p>Refine draft recommendations</p>  |
| January<br>(two meetings) | <p>Discuss final report, including recommendations</p> <p>Vote on final report</p>   |

- Make space, take space
- All voices are valued
- One person speaking at a time
- Approach this work in the spirit of collaboration
- Turn judgement into curiosity

## Reminder: Resource Readings

- Thank you for reviewing resource documents submitted by task force members and compiled by LCC.
- Task force members are especially encouraged to review resources on topics beyond their current areas of expertise.
- Links will remain on the task force website to access throughout the task force process: [www.lcc.mn.gov/ltsah/meetings.html](http://www.lcc.mn.gov/ltsah/meetings.html)

# Brief status reports from small groups



# Brief status reports from small groups

One volunteer from each group to briefly share (2 minutes):

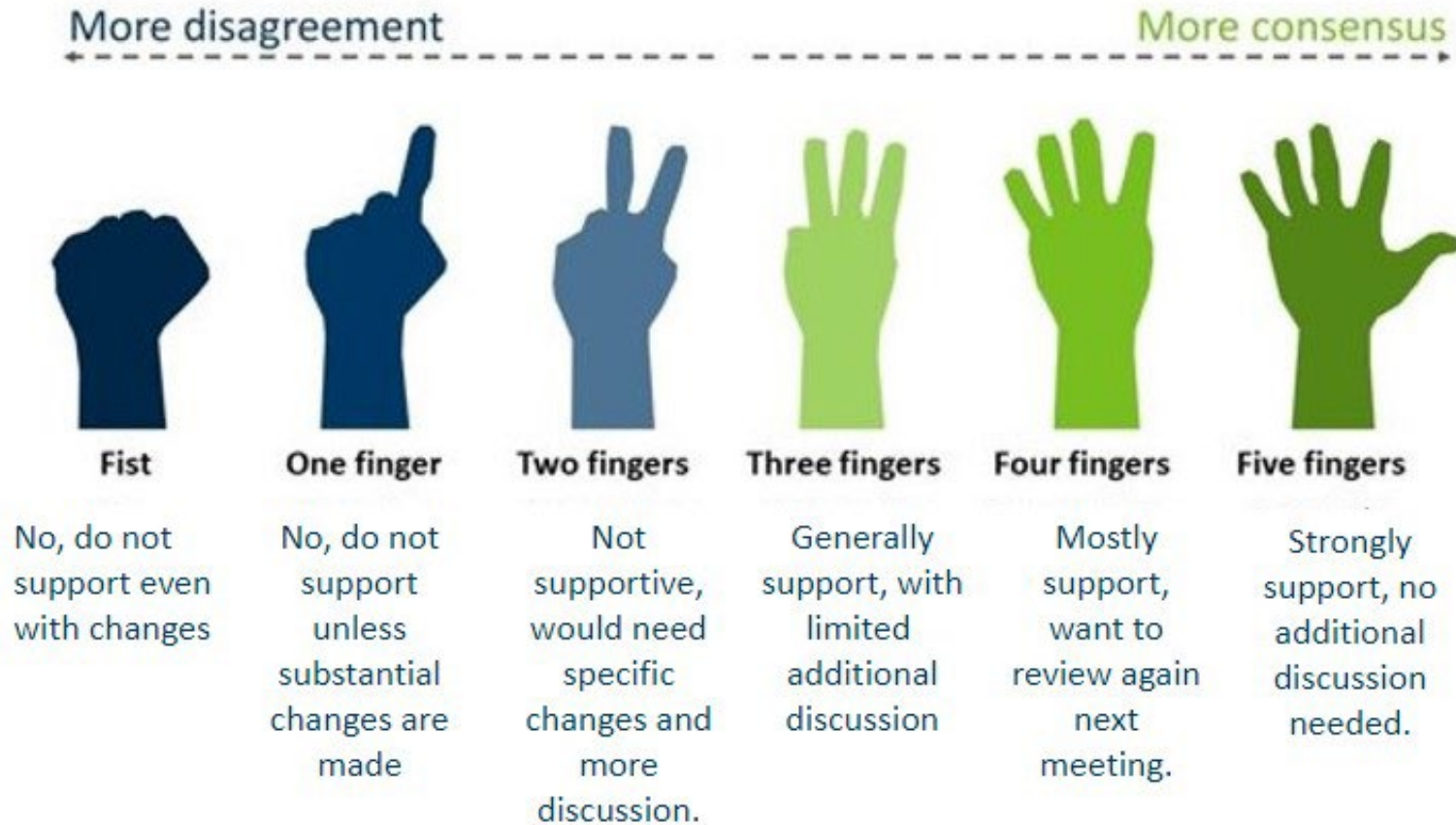
- Name of your group and names of group members
- What's working well
- What's challenging
- Number of recommendations completed or underway

# Walk through draft recommendations and pulse check polls

# Walk through draft recommendations and pulse check polls

- Co-chairs will lead a brisk high-level walk through of recommendations
- Pulse-check polls in Zoom using fist-to-five scale; share out results
- If multiple low votes, brief space for members to elaborate (aim for one sentence)
- Next, enter any brief questions and comments in chat:
  - Essential questions you have
  - Any critical information that is missing
  - Similarities with other recommendations
- **Please reference the recommendation number in your chat messages** to ensure staff can compile accurate notes to share out after the meeting.

# Pulse check on recommendations:



Adequate service funding is paired with capital funding for Permanent Supportive Housing (PSH) units, both new and existing PSH units

- Coordinate across multiple sources
- Funding sufficient to match needs of tenants – rent, operating, and support services
- New legislation/new program and appropriation sufficient to fund services/operating needs for all PSH projects
- Seek section 1115 Health-Related Social Needs (HSRN) Demonstration Authority

## Draft Recommendation #2 (Financing, financing tools, and programs)

The Commissioner of Human Services shall identify a strategy to address the health and long-term sustainability of supportive housing projects in Minnesota through new expanded, and/or accessible sources of funding related to Medicaid. This could include services reimbursed under section 1115 of the Social Security Act (an 1115 Health-Related Social Needs Demonstration Project), or other federal authorities such as expanded 1915(i) State Plan Amendment services.

QAP and other public RFP funding structure and selection criteria revisions based on performance data and preservation goals

- Selection criteria prioritize supportive housing in models with demonstrated success: 100% or majority, PSH (not integrated model)
- Pause points for “integrated” PSH model – requiring all projects to include 4 PSH units to achieve competitive scores
- Continue funding 100% PSH projects with only non-amortizing debt (eliminate amortizing, 1<sup>st</sup> mortgage debt on PSH projects) and review pre-2020 PSH projects for possible debt restructure to modify debt

# Draft Recommendation #4

## (Financing, financing tools, and programs)

Develop “policy framework” for small “p” preservation of affordable housing. Policy framework should include:

- Framing the small “p” preservation issue and summarizing available data re: challenges of stabilizing and preserving affordable housing
- Recognize different “tracks” new construction, big “P” preservation of federally subsidized housing, and small “p” preservation and stabilization of all publicly-funded affordable housing
- Identify strategies, tools, and predictable ongoing funding for small “p” preservation track so that projects do not have to compete in new construction and big “P” preservation tracks.
- Ensure a balance of funding in new, big “P” Preservation, and small “p” preservation
- Do not require small “p” preservation projects to “add” PSH units to be competitive for funding under small “p” track.
- Consider options for regulatory relief – to release properties from restrictions if no resources are available for preservation (i.e. allow properties to become “NOAH”)
- Identify need and strategies for NOAH preservation



# Draft Recommendation #5

(Financing, financing tools, and programs)

Identify strategy, tools, and funding resources to address the small “p” preservation and/or stabilization/asset management needs of existing affordable housing.

- Programs, tools, resources must be administered:
- Fast, flexible, pipeline basis
- In collaboration with other public, non-profit, and private funders, to ensure comprehensive approach involving all funding partners (through Super ISG)
- Flexible to support debt relief/restructure, operating and service needs, repayment to owner/sponsor, funding depleted reserves
- Include grants where possible and patient deferred debt where not possible

Regulatory Relief: As part of new policy framework” for small “p” preservation of affordable housing.

If resources are not sufficient to preserve or stabilize existing affordable housing, identify options for relief from regulatory requirements, reducing the number or percent of units subject to ongoing rent and/or income restrictions, relax ongoing monitoring and compliance requirements, and/or other potential regulatory relief.

## Statewide Pre-Emption on Rent Control with no Local/Municipality Override

Proclamation on importance of partnership between state, county, and local Public Safety Departments/resources to drive public safety

Track Key Performance Indicators (KPI) related to the health of the affordable housing industry.

- County by County the % of rent collected on time
- The % of Private and Federal Resources being leveraged to the benefit of the state, counties and cities

Close deals faster. Review models and identify opportunities for industry-wide processes and funding structures to get projects closed faster.

Create a dedicated preservation funding pool equal to new construction in the Consolidated RFP:

Each category of affordable rental projects is different with unique challenges and have different metrics in the Consolidated RFP application scoring. While the current Consolidated RFP scores project types differently, all projects compete for the same pot of money without regard to how the awards are balanced between new construction and preservation. Establishing dedicated preservation funding within the Consolidated RFP that includes broader definitions / prioritization of preservation would convey that preservation is equal in public priority.

Re-establish Asset Management Loans: There needs to be an appropriately sized emergency funding pool that is flexible and time sensitive in order to address significant and dire capital needs when project reserves are insufficient. Priority should be placed on capital needs that impact livability and habitability.



Use recapitalization process to simplify project financing in order to streamline building operations and support long-term stability of the project: This could include allowing forgiveness or repayment of debt to remove complicated project requirements.

Evaluate extended use period guidelines to release pressures after year 15:  
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. Where possible, proactively 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. As part of this evaluation, outline an efficient, time sensitive process that responds to market conditions.

Allow owners to fund and collect revenue for asset management: Allow affordable housing projects to include asset management fees in the underwriting costs. Provide a funding pool that existing developments can access to financially support asset management functions, if such fees were not underwritten.

Provide more flexibility on incentivizing supportive housing: In future QAP's, Supportive Housing Units should be incentivized, only when there is adequate service funding to support residents. For current projects, allow owners to pause supportive housing requirements until adequate service funding is in place.

Retool underwriting standards to reflect current economic conditions: Examine current operating expenses and consider historical operating expenses across the total portfolio of publicly financed projects to set the underwriting policies for new projects. Recognize and fund the operating deficits that new underwriting policies create. Policies need to be dynamic to ensure they account for the current economic environment and need to include a mechanism to “fix” recently/previously underwritten projects where revenue and expenditure assumptions are no longer valid.

Reconsider 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. This adds considerable time and expense to projects, without an obvious benefit to the broader housing system.

- If possible use a percentage of the metro area sales and use tax for housing to fund supportive housing services – (Would this fit under the use “support nonprofit affordable housing owners and developers?)
- Could we use THP as a funding source for supportive services long term
- Coordinated entry would only apply to housing organizations that are HUD funded. This would limit the need for some of the supportive housing services that resulted from coordinated entry. –and/ or- Coordinated entry would be required to have services that matched the needs of the potential tenants.

### Regulatory Changes to Extended Use Period (beyond year 15 LIHTC/HIB/etc)

- Reduce the regulation on affordable housing during the Extended Use period to ensure affordable properties can be properly maintained and to extend their long-term viability. Some possible actions include:
- Allow flexibility in income/rent restrictions that enable the affordable property to operate successfully on behalf of its residents beyond year 15. Adjustments may include loosening affordability requirements in a portion of units (consistent with IRS guidelines), with a commitment by the provider to preserve general affordability on the remaining regulated units through the initial 30 year period. Guardrails to ensure responsible use of public resources may include a focus on non-profit/mission-based ownership, as well as incentives to maintain affordability beyond 30 years.
- Evaluation of regulatory flexibility beyond year 15 may be handled in conjunction with a more robust and transparent ISG process.
- Explore the potential of income averaging in the extended use years
- Add the above flexibility in the original LURA for new projects. A LURA for the first 15 years and a commitment to a new LURA for the 2nd 15 years that is based on current economics and performance.



Ensure both the Metro and Greater MN ISG groups adopt a more formal and transparent process.

- Publish a regular schedule of meetings.
- Clarify goals around project stabilization and preservation
- Clarify how the ISG determines what projects they review
- Create a process for owners to request a project review and support

Criteria for project review should be inclusive of all types of preservation needs, specifically projects that currently have no funding path through the existing preservation funding RFPs for a variety of reasons including (but not limited to):

- Scale (too small)
- No deep operating subsidy to preserve or to underwrite new debt
- Geographic location
- Don't score well or meet defined priorities

Increase funding for SAHA to enable counties flexible funding to stabilize affordable housing based on local needs and priorities. Current resources are so limited they have only marginal impact on addressing affordable housing needs.

Revise the existing allocation of LAHA resources to only counties and cities of the first class thereby alleviating fragmentation of the resource across so many jurisdictions

Direct the Department of Commerce and the Minnesota Housing Finance Agency to partner with affordable housing providers and the insurance industry to collect data on the state of the insurance market for affordable housing providers. The agencies should gather information about health of the market, insurance rates, variations of underwriting and other practices of insurers, and assess unique aspects of the insurance market and practices that impact affordable housing providers and assess responses to this issue in other states and at a national level. The agency is directed to compile a report and submit to the House and Senate Housing Finance and Policy Committees and the House and Senate Commerce Committees with learnings and recommendations for potential changes in law or regulatory practices that promote equity, consistency, transparency in the insurance market for affordable housing providers.

Create an insurance risk mitigation fund to provide affordable housing providers an avenue to invest in insurance risk mitigation improvements to facilities when resources at the property level make it difficult to make upgrades to improve the health and safety of these properties.

Direct the Department of Commerce to partner with the Minnesota Housing Finance Agency, affordable housing providers, and the insurance industry to assess the benefits, costs, and feasibility of state-based financial support to mitigate excessive insurance premium increases, as well as to protect affordable housing providers that may be at risk of losing insurance coverage.

# Next steps for developing recommendations

# Next steps for developing recommendations

- Today: small groups will reconvene
  - What stood out to you among feedback and questions from fellow task force members?
  - Plan for writing and revising remaining draft recommendations
- After today's meeting: continue working in pairs and small groups to revise and refine recommendations, add information to worksheets
- December 4: updated recommendations worksheets due to LCC by Noon
- December 6: recommendations chart to be shared with full task force for review and reflection before next task force meeting
- December 11: next task force meeting

## In small groups: suggested discussion prompts

- What feedback and comments stood out to you?
- Are there any recommendations the group want to set aside at this stage?
- If any of your group's recommendations were mentioned for possible grouping or combining, what are your thoughts about this?
- What collaboration and communication over the next two weeks will help the group successfully complete draft recommendations?



# Members move to breakout rooms for group work

- Small groups will continue revising and refining recommendations.
- Staff will compile comments and the pulse check poll results to share out as soon as possible to serve as a resource in this work.
- **Next iterations of worksheets are due to LCC by Wednesday, December 4 at Noon.**
- Reach out to Evelyn with any questions.

# Thank you!

**TFAH website:**

<https://www.lcc.mn.gov/ltsah/meetings.html>