



DISTRESSED PROPERTY DATA PROJECT

OVERVIEW FOR THE TASK FORCE ON LONG-TERM SUSTAINABILITY OF AFFORDABLE HOUSING

Project Sponsors:

Family Housing Fund

Greater Minnesota Housing Fund

Project Consultant:

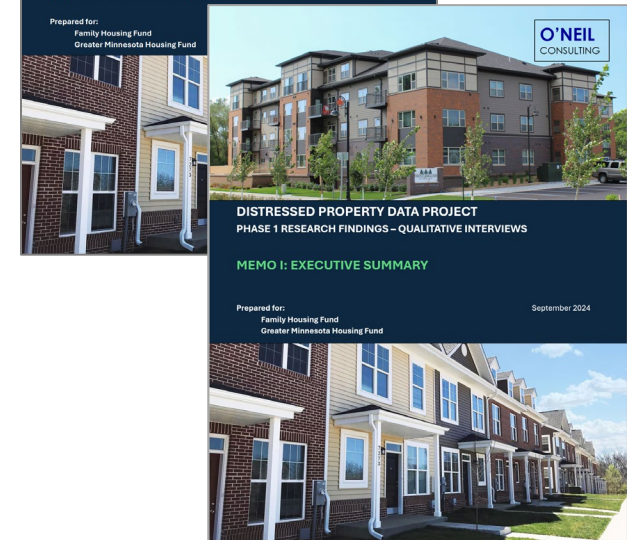
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About the Distressed Property Data Project

- **FHF and GMHF initiated the data project in May 2024 to support efforts of the Minnesota Housing Stability Coalition**
 - Fully understand the current state of distressed regulated housing in MN
- **Completed in two main phases**
 - **Qualitative interviews** (May-August; **done**)
 - **Quantitative analysis** of operational data for projects, portfolios, and providers (September-January 2025)



Expectations for the Distressed Property Data Project

- **Create a common understanding for regulated housing stakeholders in Minnesota**
 - the full scope of the housing distress problem as it pertains to property operations, portfolios, and provider organizations
 - important nuances that need to be accounted for in developing tools and solutions
- **Use data and analytical insights to help design recapitalization tools approved by the legislature to target areas of distress**
 - across projects and providers
 - within industry systems (project funding, services provision, tenant placement, etc.)

Important Initial Findings From the Research

Broad Level

- **In the current environment, public policy goals for service provision in housing are proving very difficult to achieve for most non-profit providers.**
 - Objectives may focus on outcomes that cannot be delivered cost effectively.
- **Non-profit operators report higher levels of distress than for-profits.**
 - Missions allow repeated opportunities to succeed with no threat to housing.
 - Providing services and housing creates costlier, more complex operations.
 - Focus on low/very low-income tenants; disproportionately harmed by COVID.
 - Higher reliance on variable funding sources: donations, grants, & services.

Important Initial Findings From the Research

Property Operations

- **Multiple challenges to revenue collection**
 - Lower payments from tenants, increased vacancy, higher bad debt write-off.
 - “Hard” unit turns leaving units offline for longer periods.
 - Increase in evictions and extended timeframes with court processing.
 - Challenges with tenant placement in the Coordinated Entry System.
- **Cost increases far higher than inflation in nearly all operating categories**
 - Rapid wage increases for staff of all types; exacerbated by higher turnover.
 - Supplies of all types; driven by supply chain delays, broad labor shortages.
 - Insurance: Higher policy premiums and deductibles, hail and wind cost increases, and elimination of specific coverages.
 - Security costs, especially in the central cities.
 - Reserve draw downs to cover extraordinary cost increases.

Important Initial Findings From the Research

Systems, Market Forces, and Funding

- **Coordinated Entry System (CES)**
 - Process complications create delays in leasing units.
- **Supportive Services Funding:**
 - Stagnant or declining funding, but significant increases in need.
- **Difficult Environment for Restructuring and Recapitalization**
 - Projects forced to sell due to persistent operating losses, maturing debt, and/or unfunded repairs. Challenge of high interest rates.
- **Public Funding Sources and Processes**
 - Tension when underwriting by funders does not match operations.
 - QAP scoring incentivizes set-asides for supportive housing.

Next Steps

- **Complete the quantitative analysis phase by end of January.**
- **Webinar in late January or early February to present project findings.**
- **Project contact:**

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