

Task Force on Long-Term Sustainability of Affordable Housing

Recommendation Matrix

Financing, financing tools, and programs recommendations

Group	Current Number	Previous Number	Recommendation
Financing, financing tools, and programs	1	3, 16	<p>Amend current QAPs and other public funding RFPs by date to revise selection criteria structure</p> <ul style="list-style-type: none"> • Prioritize supportive housing in models with demonstrated success (efficiency/robust service model): 100% or majority PSH (not integrated model). Until an evaluation is done on the effectiveness of the “integrated” PSH model, pause selection points for “integrated” PSH model (i.e. requiring all projects to include 4 PSH units to achieve competitive scores). • In workforce LIHTC housing: limit the required ratio of units restricted to households with incomes at or below 30% AMI to no more than 10% of all units. • Continue funding 100% PSH projects with only non-amortizing debt (eliminate amortizing, 1st mortgage debt on PSH projects) and review pre-2020 PSH projects for possible debt restructure to modify debt • MHFA responsible for an evaluation the effectiveness of 100% permanent supportive housing (PSH) developments, “integrated” PSH units, and 30% AMI units without designated services. Evaluation should consider service funding amounts and sources, financial performance of operations, whether and to what degree tenant service needs are met, etc. Report back to legislature in January 2026.

Financing, financing tools, and programs	2	4	<p>Minnesota Housing to develop a “policy framework” to support the sustainability of regulated affordable housing assets as a strategy distinct from new construction and the traditional approach to full recapitalization (for the next 15-30 years) to preserve affordable housing developments with federal/HUD operating subsidy contract renewal options. The framework should define these two distinct preservation strategies. For purposes of this recommendation, small “p” preservation refers to the stabilization of regulated affordable housing, and big “P” preservation refers to the existing strategy of preserving federally-assisted affordable housing. The policy framework for small “p” preservation shall be delivered to the Minnesota legislature by January 1, 2026. The policy framework should include:</p> <ul style="list-style-type: none"> • Identify strategies, tools, and 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 construction, 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
Financing, financing tools, and programs	3	5, 11, 12, 13	<p>Develop, revive, and/or implement new and existing State strategies, tools, funding resources, and processes to address the small “p” preservation (i.e. stabilization/asset management needs of existing affordable housing).</p> <p>Programs, tools, resources must be administered in a way that is responsive to the specific stressors and the marketplace:</p> <ul style="list-style-type: none"> • 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 use of funds to support a range of needs, including debt relief/restructure, operating and service needs, repayment of advances from owner/sponsor, funding depleted reserves, etc.

			<ul style="list-style-type: none"> • Use recapitalization process to simplify project financing to streamline building operations and support long-term stability • Provided as grants where possible and patient deferred debt where not possible <p>Use existing programs, tools, and resources, including, but not limited to:</p> <ul style="list-style-type: none"> • Asset Management Loan Fund (repairs, capital needs) • PARIF (preservation) • Housing Trust Fund (operating and service needs) • Community Stabilization Program (new stabilization/recapitalization authority) with ongoing funding as dedicated small “p” preservation program • SHORP (support sponsors/providers) <p>Develop new programs, tools, and resources, if existing programs cannot be implemented to meet the stabilization needs.</p>
Financing, financing tools, and programs	4	7	Encourage the Minnesota Legislature and local municipalities to enact policy changes that make it easier to build and preserve affordable homes, including land use and zoning reforms, process improvements to improve speed of development, and reducing or eliminating barriers such as rent control policies that have been detrimental to the development, sustainability, and preservation of affordable housing.
Financing, financing tools, and programs	5	8	<p>Take action to improve safety and security for residents of affordable housing developments.</p> <p>State Proclamation on importance of partnership between state, county, and local Public Safety Departments/resources to drive public safety</p> <p>Department of Public Safety (DPS) convenes public safety leaders in Minneapolis, St. Paul, Hennepin County, Ramsely County, and select Greater Minnesota city(ies)/county(ies) to develop and implement a demonstration project that would:</p> <ul style="list-style-type: none"> • Identify affordable housing developments in respective jurisdictions with safety/security concerns, including but not limited to proximity to encampments and other known public safety concerns.

			<ul style="list-style-type: none"> • Develop safety plan that involves mutual aid agreements among city (police), county (sheriff), and state (patrol) to address capacity limitations in individual jurisdictions • Involve DHS and County human services in the public safety plan to ensure that service providers are involved in certain responses, as appropriate.
Financing, financing tools, and programs	6	9	<p>Track Key Performance Indicators (KPI) related to the health of the affordable housing industry.</p> <ul style="list-style-type: none"> • 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 • Security expense to revenue ratio in affordable housing projects
Financing, financing tools, and programs	7	N/A	Minnesota Housing and other public lenders approve HUD/FHA-insured first mortgage products as senior debt in publicly funded multi-family affordable housing projects.

Administrative policies and tools recommendations

Group	Current Number	Previous Number	Recommendation
Administrative policies and tools	8	10	Close deals faster. Review models and identify opportunities for industry-wide processes and funding structures to get projects closed faster.
Administrative policies and tools	9	15	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.
Administrative policies and tools	10	17	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.
Administrative policies and tools	11	18	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.

Systems change recommendations

Group	Current Number	Previous Number	Recommendation
Systems change	12	1, 16, 19	<p>Supportive Housing Changes</p> <p>Adequate service funding is paired with capital funding for Permanent Supportive Housing (PSH) units, both new and existing PSH units</p> <ul style="list-style-type: none"> • Leverage model being used by Hennepin County to create capitalized reserves to fund supportive services for new or existing underfunded supportive housing projects. • 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 • Identify ways for Medicaid to work better as a funding source for supportive housing (such as seeking section 1115 Health-Related Social Needs (HSRN) Demonstration Authority) <p>If adequate funding isn’t available:</p> <ul style="list-style-type: none"> • Adjust QAP scoring to de-incentivize supportive housing for new projects • Provide waivers around rent limits and provision of services until adequate funding is provided. <p>Coordinated Entry</p>

			<ul style="list-style-type: none"> • MN Housing and DHS partner to align eligibility and documentation requirements for formerly homeless households, and where possible and give clarification on low barrier strategies to meeting eligibility requirements (example tax credit income verifications, photo IDs and social security card). Additionally state agencies and compliance organizations (AHC is what I am referring to) will provide training on low-barrier practices to get people housed. MN Housing to make self-certification clear as an acceptable practice for formerly homeless. • Ensure that the housing that is being referred to has services and capacity that match the need of the person awaiting a referral. • CES system should match applicant acuity level with the services level/expertise of the supportive housing development. <p>Supportive services in supportive housing programs often do not have the service provision to matching the target populations they are servicing. Not all service provision are designed to take all individuals with the highest needs. Being matched with partners not equipped to handle this target populations particularly older programs has been a growing issue. Housing providers need a vehicle to score the type of housing they must match CE acuity levels. Develop a program or system that has the level of care that is beyond the traditional housing program (this is a gap in the system, may require an assistant living model).</p>
Systems change	13	6, 14, 20	<p>Regulatory Changes to Extended Use Period (beyond year 15 LIHTC/HIB/etc)</p> <p>If resources are not sufficient to preserve or stabilize existing affordable housing, identify options to 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:</p> <ul style="list-style-type: none"> • 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) and/or relaxing ongoing monitoring and compliance requirements. Guardrails to ensure responsible use of public

			<p>resources may include a focus on non-profit/mission-based ownership, as well as incentives to maintain affordability beyond 30 years.</p> <ul style="list-style-type: none"> • Outline an efficient, time sensitive process that responds to market conditions, such as utilizing a more robust and transparent ISG process. • Explore the potential of income averaging in the extended use years <p>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.</p>
Systems change	14	21	<p>Invest in the capacity of and grant authority to the Interagency Stabilization Group (ISG) to collaborate among funders to support both big P and small p preservation (ie stabilization/asset management) needs.</p> <p>Create necessary infrastructure/capacity/authority for ISG to move quickly, access resources, and implement stabilization strategies</p> <p>Ensure both the Metro and Greater MN ISG groups adopt a more formal, robust, and transparent process.</p> <ul style="list-style-type: none"> • 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 <p>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):</p> <ul style="list-style-type: none"> • Scale (too small) • No deep operating subsidy to preserve or to underwrite new debt • Geographic location <p>Don't score well or meet defined priorities</p>
Systems change	15	22	<p>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.</p>

			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.
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Insurance recommendations

Group	Current Number	Previous Number	Recommendation
Insurance	16	23	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.
Insurance	17	25	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.