

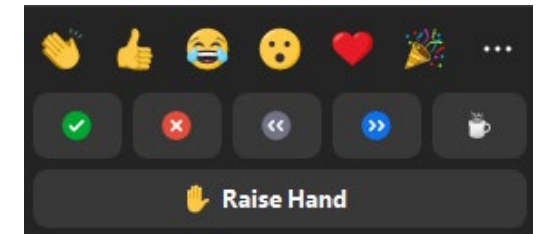
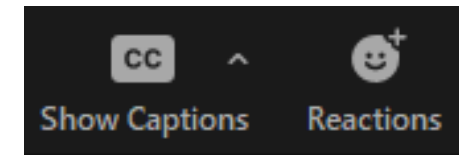
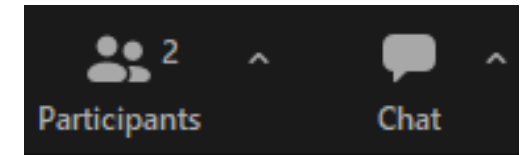
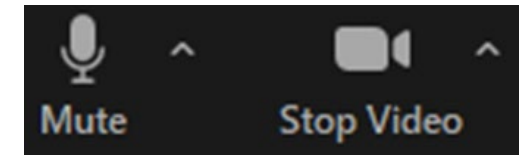
Welcome to the Task Force on Long-Term Sustainability of Affordable Housing

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. Updates from co-chairs
4. Administrative updates from LCC staff
5. Draft recommendations review and discussion
6. Closing and adjourn

Task force business: January 8, 2025

- Approve December 11, 2024 meeting notes
- Meeting flow
- Operating agreements

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 (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	Continue developing recommendations
December	Refine draft recommendations
January (two meetings)	<p>Discuss final report, including recommendations</p> <p>Discuss narrative statement and vote on final report and recommendations</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

Updates from co-chairs

Administrative updates

Final report production, reviews and timeline

- The full Task Force will have opportunity to discuss the draft final report and provide input (focusing on any incorrect content and essential missing information) at today's task force meeting.
- Task force members who have volunteered to support the narrative statement process will be invited to share input at a Teams meeting next week.
- LCC and the co-chairs will revise and share a final draft for review and approval by the task force at the January 22, 2025 meeting.
- LCC will coordinate final proofreading and edits and submittal to legislative leaders as outlined in statute.

Updates to names/titles

James Lehnhoff, Assistant Commissioner for Multifamily at Minnesota Housing

Mike Goze, President and CEO of the American Indian Community Development

Elizabeth Flannery President and CEO of Trellis

Peter Brickwedde, Senior Director of Climate and Insurance Sustainability

Mai Chong Xiong, Commissioner of District 6 of Ramsey County

Mary Thompson, Executive Director for Heartland Lakes Development Commission

Jessie Hendel, Executive Director of Alliance Housing

Kizzy Downie, CEO of Model

Scott Cordes, CFO and SVP of Operations at Project for Pride in Living

Chris Sherman, President of Sherman Associates

Nancy Cashman, Executive Director at Center City Housing Corp

Joseph Abraham, Principal Owner of Pergola Property Management

Ellen Sahli, President at Family Housing Fund

Andrea Brennan, President and CEO of the Greater Minnesota Housing Fund

Miranda Walker, Impact Capital Manager at U.S. Bank

Aaron Cocking, President and CEO at Insurance Federation of Minnesota

Shannon Smith Jones, Senior Vice President of Community Impact at the Greater Twin Cities United Way

Mike Howard, Minnesota Representative

Lindsey Port, Minnesota Senator

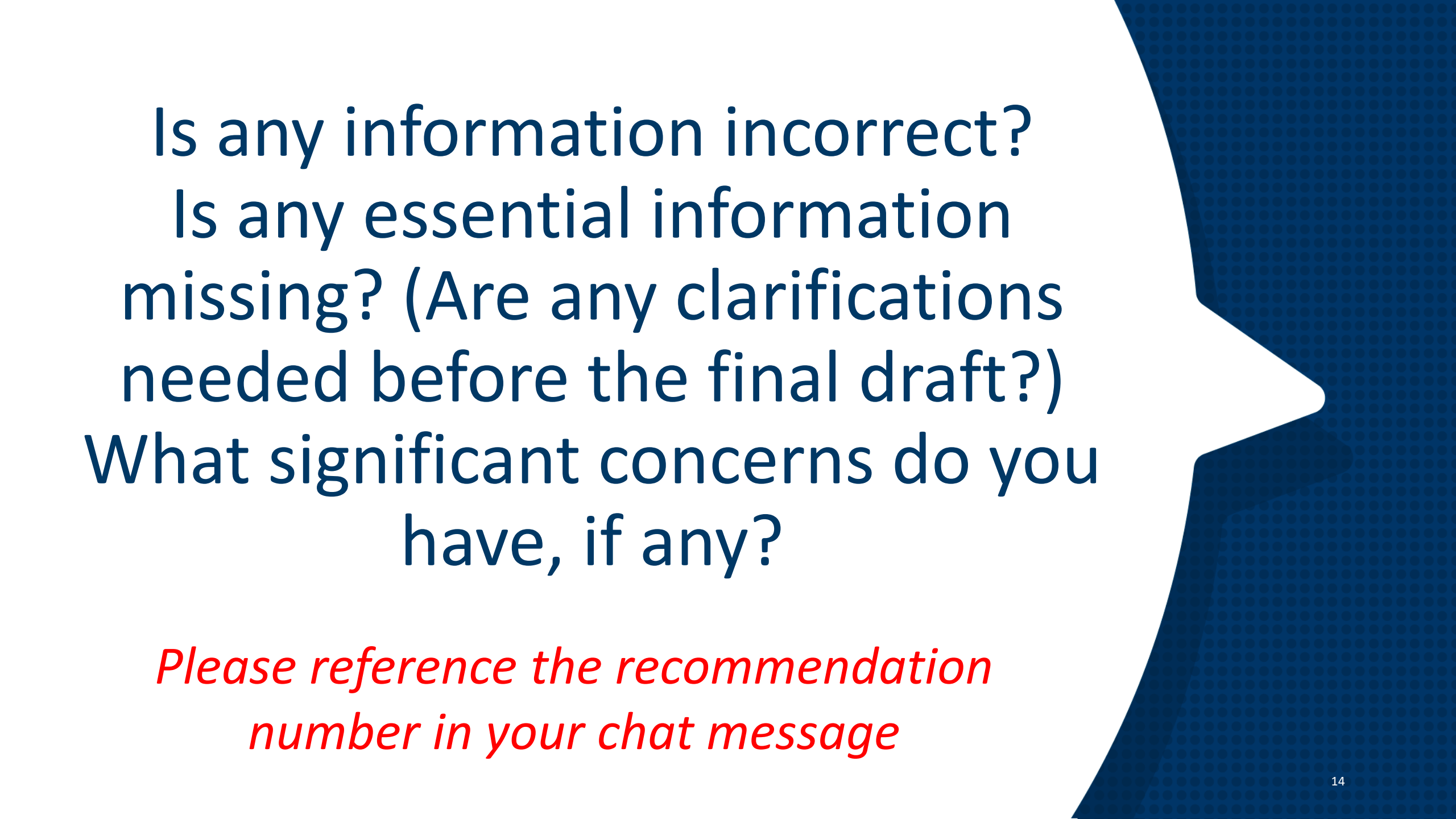
Updated recommendations review

Work between December 11 meeting and today: brief recap

- Co-chairs directed staff to bring clarity and consistency, in some cases pared down wording while retaining concept/idea.
- First draft of report was shared by LCC on December 21 via email.
- Content in this first draft reflected changes from the last meeting on December 11 and small group meetings. This draft is posted on the LCC website.

Purpose of final review

- Review proposed changes to the concept/content of **three** recommendations with time for discussion.
- Review **sixteen** recommendations which have the same concept as discussed at the December 11 task force meeting (and as presented in draft final report), with an opportunity for task force members to flag concerns.
- Approach: we will start with the handful of draft recommendations with substantive changes, and then time permitting, move to a brief review of those without substantive changes to concept.
- **Note:** Implementation considerations are not included on the slides. Refer to the first draft of the recommendations for this content: [Task Force on Long-Term Sustainability of Affordable Housing Final Report](#)



Is any information incorrect?
Is any essential information
missing? (Are any clarifications
needed before the final draft?)
What significant concerns do you
have, if any?

*Please reference the recommendation
number in your chat message*

Minnesota Housing and local suballocator jurisdictions amend current Qualified Allocation Plans (QAPs) for the allocation of Low Income Housing Tax Credits (LIHTCs) by June 1, 2025 to revise selection criteria structure. Until evaluations of each program is completed:

- Prioritize supportive housing in models with 100% or majority permanent supportive housing (PSH). ~~Pause selection points for “integrated” PSH model.~~
- In primarily 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.
- Fund 100% PSH projects with only non-amortizing debt and review pre-2020 PSH projects for possible debt restructure to modify debt.

MHFA to be responsible for evaluating the effectiveness of 100% PSH developments, “integrated” PSH units, and 30% AMI units without designated services. Evaluation should consider service funding amounts and sources, financial performance of operations, and whether and to what degree tenant service needs are met. The evaluations should be reported back to Minnesota Legislature by January 1, 2026.

Adequate service funding is to be paired with capital funding for PSH units to help ensure full funding for services. The following options should be considered:

- 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.
- New legislation 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.

~~If adequate funding isn't available:~~

- ~~• Adjust QAP scoring to de-incentivize supportive housing for new projects.~~
- ~~• Provide waivers around rent limits and provision of services, including allowing renting to households that don't require supportive services, until adequate funding is provided.~~

~~Capital funding should be evaluated independent from the formal underwriting of a project to ensure that projects that contain PSH may continue to operate effectively if adequate service funding is lost.~~

Identify options to reduce regulation on affordable housing during the extended use period to ensure affordable properties can be properly maintained and to extend their long-term viability. Options may include:

- ~~• 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 and/or relaxing ongoing monitoring and compliance requirements. Guardrails should be implemented to ensure responsible use of public resources may include a focus on nonprofit/mission-based ownership, as well as incentives to maintain affordability beyond 30 years.~~
- 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.
- 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.

Next review: draft recommendations with same concept as discussed at the December 11 task force meeting (16 total)

If you have a significant objection to a draft recommendation, please type "no" in the chat.

Please reference the recommendation number in your chat message

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 to preserve affordable housing developments with federal/HUD operating subsidy contract renewal options. Local public funders should adopt similar policy framework, strategies, and tools to support the stabilization of regulated affordable housing. The policy framework should be reported back to the Minnesota Legislature by January 1, 2026 and include:

- Identify strategies, tools, and funding for the stabilization of regulated affordable housing so that projects do not have to compete with new construction and the existing strategy of preserving federally-assisted affordable housing.
- Ensure a balance of funding in new construction, the existing strategy of preserving federally-assisted affordable housing, and the stabilization of regulated affordable housing.
- Do not require projects stabilizing regulated affordable housing to “add” PSH units to be competitive for funding.
 - Consider options to release properties from restrictions if no resources are available for preservation.
- Use NOAH data to create statewide strategies for NOAH preservation.

Minnesota Housing to develop, revive, and/or implement new state strategies, tools, funding resources, and processes to address the stabilization of regulated affordable housing. Local public funders should use local resources, including, but not limited to SAHA and LAHA, to develop and implement similar programs. Programs, tools, and resources must be administered in a way that is responsive to the specific stressors and the marketplace, including:

- Fast, flexible, pipeline basis.
- In collaboration with other public, non-profit, and private funders, to ensure a comprehensive approach involving all funding partners.
- Flexible use of funds to support a range of needs, including debt relief/restructure, operating and service needs, asset management needs, repayment of advances from owner/sponsor, and funding depleted reserves.
- Consider public, Minnesota Housing and others, debt restructuring to include partial prepayment with new deferred loans, and re-amortizing the loan at the same interest rate, if lower than current rates.
- 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. Develop new programs, tools, and resources, if existing programs cannot be implemented to meet the stabilization needs.

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. Recommend state and local support for existing and new rent subsidy programs and resources to ensure that low-income Minnesota residents can afford a home.

Department of Public Safety (DPS) to convene public safety leaders in Minneapolis, St. Paul, Hennepin County, Ramsey County, and select Greater Minnesota city(ies)/county(ies) to develop and implement a demonstration project that would:

- 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.
- Develop safety plan that involves mutual aid agreements among city police, county sheriff's offices, 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.

Minnesota Housing to track Key Performance Indicators related to the health of the affordable housing industry.

- County by county, the percent of rent collected on time.
- The percent 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.

Minnesota Housing and other public lenders approve HUD/FHA-insured first mortgage products as senior debt in publicly funded multi-family affordable housing projects.

Close deals faster. Review models and identify opportunities for industry-wide processes, staffing, approval, and funding structures to get projects closed faster. Establish target time goal for closings and report publicly on success of meeting the goal.

Allow affordable housing projects to include asset management fees in the underwriting costs.

Retool underwriting standards to reflect expected future economic conditions and modify underwriting policies to move from 1.0 debt coverage ratio (DCR) in year 15 to a minimum of 1.10 or 1.15. 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, such as vacancy loss and replacement reserves. Recognize and fund the operating deficits that new underwriting policies create. Work across funding partners to create transparency in underwriting standards. 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.

Minnesota 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. Additionally, state agencies and compliance organizations will provide training on low-barrier practices to get people housed. Minnesota Housing to make self-certification clear as an acceptable practice for formerly homeless people.

- Ensure that the housing that is being referred to has services and capacity that match the need of the person awaiting a referral.
- Coordinated Entry System (CES) should match applicant acuity level with the services level/expertise of the supportive housing development.

Grant authority to and strengthen the operating capacity of the Interagency Stabilization Group (ISG) to collaborate among funders to support both preservation and stabilization of affordable properties.

- Clearly communicate 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 due to scale, not having a deep operating subsidy to preserve or to underwrite new debt, geographic location, or 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.

Encourage and/or incentivize LAHA recipients to pool programs to maximize impact on the highest priority needs within the affordable housing system and alleviate fragmentation of resources and multiple funding applications across so many jurisdictions.

Draft Recommendation #18

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.

Draft Recommendation #19

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 finalizing report

Next steps for finalizing report

- Staff will revise the draft report based on today's conversation and discussion with the co-chairs
- Staff will reach out to narrative statement volunteers about an opportunity to share input.
- Revised draft of final report will be shared ahead of final task force meeting by Friday, January 17.

- Review the final report prior to the January 22 meeting.
- Come prepared to vote on the recommendations.
- Final meeting is Wed. January 22 from 10am-12pm
- Reach out to co-chairs with other questions.

Thank you!

TFAH website:

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