

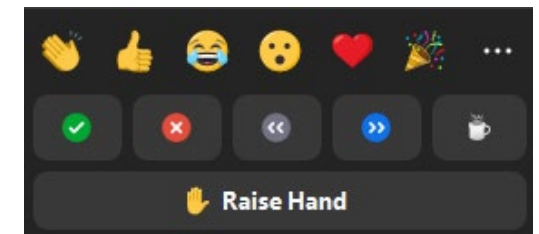
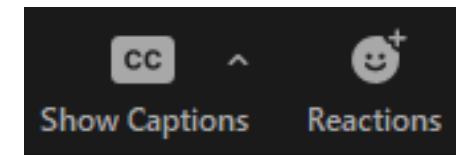
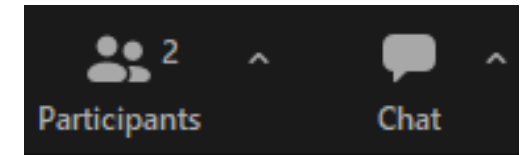
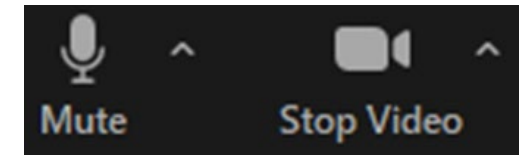
Welcome to the Task Force on Long-Term Sustainability of Affordable Housing

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.
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January 22 Meeting Agenda

1. Call to order and welcome
2. Task force business
3. Updates from co-chairs
4. Final report walkthrough by LCC staff
5. Narrative statement discussion
6. Review draft recommendations and conduct roll call votes
7. Additional roll call votes
8. Closing comments from members
9. Closing and adjourn

Task force business: January 22, 2025

- Approve January 8, 2025 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

Final report walkthrough

Final review and voting

- The full Task Force will have opportunity to review and discuss the draft final report and provide small edits (focusing on any incorrect content and essential missing information) at today's final task force meeting.
 - LCC staff will walk through the executive summary and Task Force process.
 - Narrative statement walk through and discussion
 - Review and vote on the recommendations.
 - The task force will vote on the final report, on process to finalize small edits, and on process to approve January 22 meeting minutes.
- LCC and co-chairs will coordinate final proofreading and edits and submittal to legislative leaders and agency leaders as outlined in statute.

Narrative statement discussion



Narrative statement:

Is any information incorrect?

Is any essential information missing?

Other significant comments or concerns?

Final recommendations review and roll call votes

Final recommendations review and roll call votes

- Eight recommendations received no requests for an individual roll call vote. Co-chairs will walk through each of these briefly, highlighting any edits since the January 8 meeting, and then call for one vote on all eight recommendations.
- Eleven recommendations will have individual roll call votes. Co-chairs will highlight any edits since the January 8 meeting, then call for votes on each recommendation.
- Of the nineteen total recommendations, five have edits since the January 8 meeting. These edits will be reflected in red text on slides.
- **Note:** Implementation considerations are not included on the slides. For reference, all implementation considerations have been consolidated in Appendix B of the final report. Please refer to the draft final report for this content: [Task Force on Long-Term Sustainability of Affordable Housing Final Report](#)

Draft Recommendation #3 – new language in red font

The Task Force recommends that Minnesota Housing develops a “policy framework” to support the sustainability of regulated affordable housing assets as a strategy distinct from new construction, traditional preservation strategies, and the preservation of naturally occurring affordable housing (NOAH). The policy framework shall be delivered to the Minnesota legislature by January 1, 2026. The policy framework should include:

- Strategies, tools, and funding for Targeted Stabilization so that projects do not have to compete against new construction and Comprehensive Long-Term Preservation projects.
- A balance of funding in Targeted Stabilization and Comprehensive Long-Term Preservation strategies
- No requirement or competitive scoring points for projects to add permanent supportive housing (PSH) units to qualify for Targeted Stabilization funds.
- Options and criteria for regulatory relief to release properties from restrictions if no resources are available for either Targeted Stabilization or Comprehensive, Long-Term Preservation (i.e. allow properties to become “NOAH”)
- Strategies for state-wide NOAH preservation

Local public funders should adopt a similar policy framework, strategies, and tools to support Targeted Stabilization in their respective jurisdictions.

Draft Recommendation #3 – language for vote

The Task Force recommends that Minnesota Housing develops a “policy framework” to support the sustainability of regulated affordable housing assets as a strategy distinct from new construction, traditional preservation strategies, and the preservation of naturally occurring affordable housing (NOAH). The policy framework shall be delivered to the Minnesota legislature by January 1, 2026. The policy framework should include:

- Strategies, tools, and funding for Targeted Stabilization so that projects do not have to compete against new construction and Comprehensive Long-Term Preservation projects.
- A balance of funding in Targeted Stabilization and Comprehensive Long-Term Preservation strategies
- No requirement or competitive scoring points for projects to add permanent supportive housing (PSH) units to qualify for Targeted Stabilization funds.
- Options and criteria for regulatory relief to release properties from restrictions if no resources are available for either Targeted Stabilization or Comprehensive, Long-Term Preservation (i.e. allow properties to become “NOAH”)
- Strategies for state-wide NOAH preservation

Local public funders should adopt a similar policy framework, strategies, and tools to support Targeted Stabilization in their respective jurisdictions

Draft Recommendation #4 (no changes) - language for vote

The Task Force recommends that Minnesota Housing develops, revives, and/or implements 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.

Draft Recommendation #9 (no changes) - language for vote

The Task Force recommends that deals are closed 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.

Draft Recommendation #10 (no changes) - language for vote

The Task Force recommends that affordable housing projects can include asset management fees in the underwriting costs.

Draft Recommendation #11 (no changes) - language for vote

The Task Force recommends the retooling of 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.

Draft Recommendation #12 (no changes) - language for vote

The Task Force recommends reconsidering incentivizing "leverage" of other public resources in the competitive funding of capital housing investments.

Draft Recommendation #18 (no changes) - language for vote

The Task Force recommends directing 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 insurance and financial 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 Department of Commerce 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 (no changes) - language for vote

The Task Force recommends directing 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.

Roll call vote to approve recommendations 3, 4, 9, 10, 11, 12,18 and 19

Remaining recommendations - individual roll-call votes

Review and voting process

- Co-chair(s) will walk through each draft recommendation, noting any edits since the January 8 task force meeting.
- Co-chairs will ask members if any clarifying questions, corrections, or essential missing information.
- For each recommendation, a roll call vote will be conducted to approve recommendation (number) as presented. Members may vote to yes, no or abstain. If you are abstaining, please verbally acknowledge that when your name is called.
- Recommendations must receive a majority of votes based on the number of members present at today's meeting.

Draft Recommendation #1 – previous language

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.

Draft Recommendation #1: new language

The Task Force recommends that the Minnesota legislature partner with Minnesota Housing, non-profit housing leaders, tenant rights organizations, and Minnesota renters to coordinate two evaluations. One to evaluate Permanent Supportive Housing and deeply affordable housing models, and potential flexibility in regulatory requirements of existing affordable housing, further defined in appendix 2. The other to research options and develop recommended changes to QAP scoring and other recommendations or options to provide increased financial and operational flexibility for housing providers. Chairs of the Senate Housing Committee should appoint an advisory team that includes representatives from the organizations above to conduct the evaluations. These evaluations can occur simultaneously and should be reported back to the Minnesota Legislature by January 1, 2027.

Draft Recommendation #1 – language for vote (same as previous slide)

The Task Force recommends that the Minnesota legislature partner with Minnesota Housing, non-profit housing leaders, tenant rights organizations, and Minnesota renters to coordinate two evaluations. One to evaluate Permanent Supportive Housing and deeply affordable housing models, and potential flexibility in regulatory requirements of existing affordable housing, further defined in appendix 2. The other to research options and develop recommended changes to QAP scoring and other recommendations or options to provide increased financial and operational flexibility for housing providers. Chairs of the Senate Housing Committee should appoint an advisory team that includes representatives from the organizations above to conduct the evaluations. These evaluations can occur simultaneously and should be reported back to the Minnesota Legislature by January 1, 2027.

Draft Recommendation #2 (no changes) - language for vote

The Task Force recommends Minnesota Housing and local sublocator jurisdictions to amend current Qualified Allocation Plans (QAPs) for the allocation of Low Income Housing Tax Credits (LIHTCs) by June 1, 2026, to revise selection criteria structure and consider what additional changes are required once evaluations of 100% permanent supportive housing (PSH) and integrated permanent supportive housing (PSH) models are completed.

Draft Recommendation #5 (no changes) - language for vote

The Task Force recommends that the Minnesota Legislature and local municipalities 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.

Draft Recommendation #6 (no changes) - language for vote

The Task Force recommends that the Department of Public Safety (DPS) convenes public safety leaders in Minneapolis, St. Paul, Hennepin County, Ramsey County, Metropolitan Transit, select Greater Minnesota city(ies)/county(ies), and individuals with lived experience 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.

Draft Recommendation #7 (no changes) - language for vote

The Task Force recommends that Minnesota Housing, or a designated entity, tracks 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.

Draft Recommendation #8 – new language in red

Previous language:

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

New language (replacing text above):

The Task Force recommends that Minnesota Housing and other public lenders collaborate with HUD to establish a subordination agreement for HUD/FHA-insured first mortgage products with the goal of maximizing access to affordable rental housing financing tools while recognizing the state's investment in affordable rental housing as bona fide debt, mitigating risks to public funding, and ensuring long-term affordability.

Draft Recommendation #8 – language for vote

The Task Force recommends that Minnesota Housing and other public lenders collaborate with HUD to establish a subordination agreement for HUD/FHA-insured first mortgage products with the goal of maximizing access to affordable rental housing financing tools while recognizing the state's investment in affordable rental housing as bona fide debt, mitigating risks to public funding, and ensuring long-term affordability.

Draft Recommendation #13 – new language in red

The Task Force recommends adequate government service funding to be paired with capital funding for PSH units to help ensure full funding for services **at a level that matches the need of the proposed tenants and aligns with the public priority populations.** The following options should be considered:

- **Replicate** model being used by Hennepin County to create capitalized reserves to fund supportive services for new or existing underfunded supportive housing projects **statewide.**
- Coordinate across multiple sources.
- New legislation and appropriation sufficient to fund services/operating needs for all PSH projects **and funding commitments that align with the timeline of housing development.**
- **Build on the highly successful model of Minnesota Housing's Consolidated RFP that allows for streamlined competition for multiple funding sources outside of Minnesota Housing, integrate DHS service funding into the Consolidated RFP to align all necessary funding efficiently and effectively.**
- Identify ways for Medicaid to work better as a funding source for supportive housing.

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.

Draft Recommendation #13 – language for vote

The Task Force recommends adequate government service funding to be paired with capital funding for PSH units to help ensure full funding for services at a level that matches the need of the proposed tenants and aligns with the public priority populations. The following options should be considered:

- Replicate model being used by Hennepin County to create capitalized reserves to fund supportive services for new or existing underfunded supportive housing projects statewide.
- Coordinate across multiple sources.
- New legislation and appropriation sufficient to fund services/operating needs for all PSH projects and funding commitments that align with the timeline of housing development.
- Build on the highly successful model of Minnesota Housing’s Consolidated RFP that allows for streamlined competition for multiple funding sources outside of Minnesota Housing, integrate DHS service funding into the Consolidated RFP to align all necessary funding efficiently and effectively.
- Identify ways for Medicaid to work better as a funding source for supportive housing.

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.

Draft Recommendation #14 – new language in red

The Task Force recommends Minnesota Housing and DHS to partner and 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. State agencies 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.
- **Develop a technological solution to address the variety of documentation needed for different services.**
- Coordinated Entry System (CES) should match applicant need level with the services level/expertise of the supportive housing development.

Draft Recommendation #14 – language for vote

The Task Force recommends Minnesota Housing and DHS to partner and 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. State agencies 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.
- Develop a technological solution to address the variety of documentation needed for different services.
- Coordinated Entry System (CES) should match applicant need level with the services level/expertise of the supportive housing development.

Draft Recommendation #15 (no changes) - language for vote

The Task Force recommends granting authority to and strengthening 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.

Draft Recommendation #16 (no changes) - language for vote

The Task Force recommends increasing funding for SAHA to enable counties flexible funding to stabilize affordable housing based on local needs and priorities.

Draft Recommendation #17 (no changes) - language for vote

The Task Force recommends encouraging and/or incentivizing 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.

Final roll call votes

- To approve the draft report as edited during today's meeting. Staff are authorized to prepare the report and include any technical changes that are necessary. The chair and vice chair are authorized to approve and work with staff to submit the final report.
- To authorize staff to prepare and the chair to approve the meeting minutes from today's meeting

Opportunity for individual comments

Next steps

- The task force report will be finalized and submitted to legislative leaders and agency leaders by February 1, 2025.
- LCC will share out the final report link with task force members.
- Brief evaluation survey: link to be provided in meeting chat. Please provide your honest feedback.
- Thank you!

Thank you!

TFAH website:

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