

Date: 12/20/24
To: Task Force on Long-Term Sustainability of Affordable Housing
From: Minnesota Housing
Subject: Draft Task Force Recommendations Feedback

Thank you for the time and effort invested by the staff and members of the Task Force in addressing the sustainability of affordable rental housing. Preserving affordable housing has been central to Minnesota Housing's mission for decades, and as housing needs continue to grow and new challenges emerge, we remain committed to exploring new and expanded paths to achieve this goal.

We acknowledge the difficult financial circumstances faced by many affordable housing owners and managers who are grappling with complex economic and social conditions. The COVID-19 pandemic, inflationary pressures, and staffing challenges have affected property owners across the state, making an already challenging task even more difficult.

At Minnesota Housing, our preservation efforts continue to evolve, and we are excited to implement new programs focused on preservation. Recent examples of our work in this area include:

- Forging debt on specific developments, particularly for permanent supportive housing, as allowed under relevant laws and requirements;
- Allocating additional capital resources in the 2023 and 2024 Consolidated Request for Proposals (RFPs) to fund more preservation projects;
- Modifying the scoring criteria in the upcoming Consolidated RFP to further incentivize preservation projects;
- Developing new, state-appropriated programs for Naturally Occurring Affordable Housing (NOAH) and Recapitalization of Distressed Properties, set to launch in 2025;
- Implementing the Stable Housing Organization Relief Program (SHORP) to disburse \$50 million of funding to nonprofit owners that are experiencing economic challenges.

We value the collective expertise and perspectives of the Task Force members, which have produced a range of recommendations for further consideration. As the Task Force continues to process these ideas, Minnesota Housing has provided comments, including notes on implementation and potential resource implications, in the attached spreadsheet. These comments are intended to inform the next steps as we work together to refine and get more into the details of the recommendations. We will take some time over the coming weeks and ahead of the next Task Force meeting to put together specific language suggestions to some of the recommendations.

Our goals as the state's housing finance agency are to best position the recommendations for success while managing potential unintended consequences, adhering to legal and statutory requirements, and ensuring that we provide deep, long-term affordability to those in greatest need. We appreciate that there will be additional context, narrative and dialogue about many of the recommendations as the Task Force moves forward.

In organizing our comments, we have divided the draft recommendations into four categories:

1. General Support
2. Administrative and Feasibility Considerations
3. Policy Objections
4. Recommendations Outside Our Direct Jurisdiction

Given the scope and scale of the draft recommendations, we anticipate that the ideas will continue to evolve overtime. During the Task Force discussions, several of these items have been raised and discussed. We hope to ensure that the recommendations have broad support, not only among Task Force members but also from those outside the Task Force who have valuable perspectives.

Due to the timeline for responding to the draft recommendations, we have focused our feedback on providing clear input on our position as the recommendations are currently written. We have not yet provided potential modifications to the wording of the draft recommendations but will take time to do so and would welcome further discussions on language and specifics.

We look forward to engaging as the Task Force refines its recommendations.

Category 1: General Support

Minnesota Housing generally supports the concepts outlined in the following draft recommendations, though we believe that further refinement, clarification and discussion of the resource implications are needed:

- **1.3:** Continue funding 100% permanent supportive housing (PSH) projects with only non-amortizing debt
- **1.4:** Evaluation of the effectiveness of 100% PSH
- **2.1:** Housing preservation policy framework and funding
- **2.5:** Identify need and strategies for NOAH preservation
- **2.6:** Coordinating with local public funders
- **3:** Pipeline resources for preservation
- **6:** Track Key Performance Indicators (with implementation by an intermediary organization)
- **9.1:** Allowing asset management fees to housing providers
- **9.2:** Funding pool to support asset management work

- **12.1:** Adequate ongoing service funding (excluding changes to the Qualified Allocation Plan)
- **12.2:** Evaluating Coordinated Entry
- **16:** Insurance evaluation
- **17:** Insurance mitigation

As these draft recommendations progress, further work will be needed to clarify expectations, as well as identify programs that may require expanded or new funding and staffing resources.

Minnesota Housing is in strong support of continued conversations to strengthen the supportive housing model. The final report from the Workgroup to Expedite Rental Assistance (WERA) and Agency funds for Strengthening the Supportive Housing Model are a good start. We look forward to continued collaboration and conversation on permanent supportive housing.

Category 2: Administrative and Feasibility Questions

The draft recommendations related to administrative processes need additional contextualization and, for some, alignment with Minnesota Housing's current practices. Over the years, we have adapted our processes through partnerships with stakeholders, including the households we serve in affordable housing. We are concerned that some of these recommendations limit flexibility to respond to changing economic conditions and the unique needs of individual properties. Additionally, certain recommendations, if implemented, would be infeasible as written due to legal, regulatory, or financial constraints. As such, Minnesota Housing requests the Task Force modify or remove the following draft recommendations:

- **1:** Amend the Qualified Allocation Plan
- **2.2:** Balance resources for preservation projects with new construction
- **2.3:** Permanent supportive housing units in preservation developments
- **7:** Minnesota Housing's negotiations with Housing and Urban Development on loan documents
- **8:** Setting timelines for deal closings
- **10:** Underwriting changes
- **14:** Interagency Stabilization Group changes

Category 3: Policy Objections

Minnesota Housing has concerns about several draft recommendations that have the potential to reverse decades of progress in affordable and supportive housing. Specifically, we believe that some recommendations may conflict with widely accepted strategies and best practices for providing affordable and supportive housing. Our robust strategic planning, which involved consultants with lived experience and broad engagement, highlighted the importance and support for using scarce resources to serve people experiencing homelessness and those with the greatest needs.

Minnesota Housing requests that the Task Force do not include the following recommendations in the final report:

- **1.1:** Pause selection of integrated permanent supportive housing
- **1.2:** Limit deeply affordable units for households below 30% of area median income
- **2.4** (same as 13): Release of affordability restrictions
- **12.1, bullet 5:** Adjust QAP scoring to de-incentivize supportive housing
- **13** (same as 2.4): Releasing or reducing affordability requirements on existing regulated developments

Category 4: Recommendations Outside Our Jurisdiction

As an executive branch agency, Minnesota Housing does not typically provide advice on policy matters outside our scope unless part of the Governor's broader policy-making process. As such, we abstain from commenting on the following recommendations:

- **4:** Land use and regulatory laws
- **5:** Safety and security
- **11:** Local government leveraging
- **15:** Changes to local government housing aid programs

We appreciate the opportunity to provide detailed feedback and look forward to continuing to work together on refining the draft recommendations. We will be working over the holidays on specific language suggestions to some of the recommendations. Thank you for all the work and for your consideration of our feedback.