Task Force on Long-Term Sustainability of Affordable Housing

Final Report to the Minnesota Legislature

February 2025

Executive Summary

The Task Force on the Long-Term Sustainability of Affordable Housing was established by the Minnesota Legislature to examine and address the financial challenges facing affordable housing providers and to develop strategies for preserving and expanding the availability of affordable, safe, and dignified housing. In its mandate, the Task Force assessed issues such as rising operating costs, declining revenues, and the impact of expiring rental assistance contracts, as well as the adequacy of current financing and administrative tools available to support affordable housing development and preservation.

After extensive hearings, expert testimonies, and consultations with stakeholders, the Task Force identified several critical challenges undermining the stability of affordable housing in the state. These included escalating insurance costs, labor shortages, and increasing vacancy rates. Additionally, the Task Force found that restrictive zoning laws and inadequate funding for supportive housing services further hinder the construction and preservation of affordable housing.

The Task Force has put forward a comprehensive set of recommendations to address these challenges. Among these recommendations is the need to enhance financing options for affordable housing, amend the Qualified Allocation Plans for Low Income Housing Tax Credits, and create a new policy framework to support the stabilization of regulated affordable housing assets. The Task Force also recommends incentivizing faster project closings, adjusting underwriting standards, and modifying asset management practices to reflect current economic conditions. Furthermore, strengthening collaboration between public agencies, housing providers, and the insurance industry is essential to address the risks associated with increasing insurance premiums and availability.

A key focus of the recommendations is ensuring that adequate funding is allocated to support services for Permanent Supportive Housing tenants, with an emphasis on aligning service eligibility and documentation requirements. Additionally, the Task Force advocates for better data collection and tracking of key performance indicators to monitor the health of the affordable housing sector over time.

By implementing these recommendations, the Task Force believes that Minnesota can maintain and expand affordable housing opportunities, ensuring that safe, affordable homes remain accessible to all residents, now and in the future. The Task Force's recommendations aim to stabilize the affordable housing market, promote effective preservation strategies, and enhance the long-term sustainability of affordable housing across the state.

Narrative Statement

Every Minnesotan deserves a safe and stable home, however, there is a shortage of affordable housing, especially deeply affordable homes, putting this necessity out of reach for far too many.

Our state is fortunate to have many non-profit and for-profit housing providers that develop and manage tens of thousands of affordable housing units in Minnesota. They are a critical driver in our housing market to provide this scarce and vital housing, however they are experiencing financial stress that is threatening their stability, and in turn, the stability of housing for thousands of Minnesotans.

Current pressures on the housing system have led to frayed services and funding models, which have implications for our communities and for all parties in the housing system. Non-profit housing providers are seeing their costs escalate for things like insurance, security and staffing to provide needed services to residents. They are also collecting less revenue (rent) due to the extreme economic pressures facing renters. Underlying these financial pressures are government systems, such as coordinated entry, creating inefficiencies that are not serving renters well while exacerbating financial challengers for housing providers. These challenges will only deepen without urgency action to address the current system challenges.

Change is necessary to our complex affordable housing system to make affordable housing a reality for everyone.

The Task Force recommendations are designed to ensure that people who live in affordable housing have access to dignified housing that is safe, affordable, well-maintained, and, where needed, offers support services to help ensure individuals and families can be stably housed in a sustainable way.

The set of recommendations found within this report take a comprehensive look at the challenges facing affordable housing providers and acknowledge the urgent needs and systems change work that is required to put our state on a path where our non-profit housing providers have the stability needed to provide safe, affordable housing for their residents and as a state. We have the capacity to continue to produce this desperately needed affordable housing for Minnesotans.

The Minnesota legislature charged the Task Force on Long-Term Sustainability of Affordable Housing with evaluating issues and providing recommendations relating to affordable housing sustainability, including displacement of tenants, preservation of housing previously developed with public financing, and long-term sustainability of new housing developments. A group of nineteen appointed Task Force members worked together to generate 18 recommendations. This group acknowledged there is not a quick fix. These are broad, systemic issues and ideas that require forward movement and continued engagement.

The Task Force acknowledged differences of opinion among members but valued all opinions and expertise to identify larger systemic issues. The Task Force balanced full group conversations with small group work in and outside of meetings to dig into key topics and questions with Task Force members who have complementary areas of expertise. The Task Force heard testimony during meetings from Minnesota Housing, Minnesota Department of Commerce, Family Housing Fund, and Greater Minnesota Housing Fund. The Task Force also accepted written testimony.

Concerns that continually informed the Task Force recommendations were the need to balance various aspects of preservation efforts with the provision of affordable housing and the lack of efficacy in the current supportive housing model. These considerations have significantly informed and shaped the recommendations. The Task Force also recognized the importance of balancing the needs of the renters and providers. Solutions need to take into consideration the needs of both groups to keep affordable housing for those who need it and support providers so they can offer affordable housing.

The recommendations are the beginning of what we anticipate will be continued attention and action to enact new policies and secure additional investments. State agencies and partners will have key roles in implementing recommendations, including the Department of Public Safety, Department of Human Services, Minnesota Housing, Minnesota Department of Commerce, cities and local governments, Metro Transit, and non-profit and for-profit housing providers themselves. The work that continues after this Task Force and grounded in the recommendations outlined in this report must continue to bring together people with diverse expertise and perspectives.

The recommendations do not include legislative language changes. The Task Force believes the recommendations are sufficient to move work forward, and the Task Force chose not to prioritize the recommendations. Complex systems and legislative changes will force us to re-examine the recommendations and their readiness for implementation. Funding from the legislature is at a crisis point, which may lead to the eventual prioritization of recommendations and next steps. Not all recommendations are to be implemented at once, but all recommendations serve an important function. The goal of the recommendations is to identify challenges, and understand the full picture, to help with long-term structure and guidance for future planning, and to determine needs. The magnitude of the issue will necessitate many individuals engaging in the solution and the use of all the tools and resources available.

In total, the changes recommended in this report are designed to help ensure that financial, operational, and residential service expectations for affordable housing providers are commensurate with available resources so that residents of affordable housing can live in a dignified environment that is well-suited to their needs and their ability to pay.

The Task Force knows there is much more work to come to actualize these recommendations. They are a strong next step in what needs to be a multiyear process engaging multiple partners to address the needs of supportive, affordable housing. Continued collaboration with local government, community leaders, Task Force members, and other partners will be critical to achieve the goals outlined in the Task Force's recommendations.

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Membership

Minnesota Laws 2024, Chapter 127, Article 15, Section 49

(a) The task force consists of the following members:

(1) three members appointed by the commissioner of housing;

(2) one member with expertise in insurance regulation appointed by the commissioner of commerce;

(3) one member from a county that participates in the Interagency Stabilization Group appointed by the Association of Minnesota Counties;

(4) one member from a greater Minnesota county appointed by the Association of Minnesota Counties;

(5) one member with experience developing affordable rental housing appointed by the Metropolitan Consortium of Community Developers;

(6) one member with experience n operating affordable rental housing appointed by the Metropolitan Consortium of Community Developers;

(7) one member of the Minnesota Housing Partnership who has experience developing affordable rental housing;

(8) one member of the Minnesota Housing Partnership who has experience operating affordable rental housing;

(9) one member of the Minnesota Housing Partnership who has experience developing and operating affordable rental housing in greater Minnesota;

(10) one member with experience developing or operating for-profit affordable housing appointed by the Minnesota Multi-Housing Association;

(11) one member appointed by the Family Housing Fund;

(12) one member appointed by the Greater Minnesota Housing Fund;

(13) one member with experience in multifamily affordable housing lending appointed by the Minnesota Bankers Association;

(14) one member appointed by the Insurance Federation of Minnesota;

(15) one member appointed by the Twin Cities United Way;

(16) one member appointed by the speaker of the house;

(17) one member appointed by the house minority leader;

(18) one member appointed by the senate majority leader; and

(19) one member appointed by the senate minority leader.

The following individuals served on the task force:

Elizabeth Flannery

President and CEO of Trellis

Appointed by: Commissioner of Housing

Mike Goze

President and CEO of the American Indian Community Development Corporation

Appointed by: Commissioner of Housing

James Lehnhoff

Assistant Commissioner for Multifamily at Minnesota Housing

Appointed by: Commissioner of Housing

Peter Brickwedde

Senior Director of Climate and Insurance Sustainability at the Minnesota Department of Commerce

Appointed by: Commissioner of Commerce

Mai Chong Xiong

Commissioner of Ramsey County, District 6

Appointed by: Association of Minnesota Counties

Mary Thompson

Executive Director for Heartland Lakes Development Commission

Appointed by: Association of Minnesota Counties

Jessie Hendel

Executive Director of Alliance Housing

Appointed by: Metropolitan Consortium of Community Developers

Kizzy Downie

CEO of Model Cities

Appointed by: Metropolitan Consortium of Community Developers

Scott Cordes

Chief Operating Officer at Project for Pride in Living

Appointed by: Minnesota Housing Partnership

Chris Sherman

President of Sherman Associates

Appointed by: Minnesota Housing Partnership

Nancy Cashman

Executive Director at Center City Housing Corp

Appointed by: Minnesota Housing Partnership

Joseph Abraham

Principal Owner of Pergola Property Management

Appointed by: Minnesota Multi-Housing Association

Ellen Sahli

President at Family Housing Fund

Appointed by: Family Housing Fund

Andrea Brennan

President and CEO of the Greater Minnesota Housing Fund

Appointed by: Greater Minnesota Housing Fund

Miranda Walker

Impact Capital Manager at U.S. Bank

Appointed by: Minnesota Bankers Association

Aaron Cocking

President and CEO at Insurance Federation of Minnesota

Appointed by: Insurance Federation of Minnesota

Shannon Smith Jones

Senior Vice President of Community Impact at the Greater Twin Cities United Way

Appointed by: Twin Cities United Way

Mike Howard

Minnesota Representative

Appointed by: Speaker of the House

Lindsey Port

Minnesota Senator

Appointed by: Senate Majority Leader

Overview of the Task Force

The Task Force on Long-Term Sustainability of Affordable Housing is charged by the Legislature to:

The task force must assess underlying financial challenges to develop, operate, and preserve safe, affordable, and dignified housing, including:

(1) factors that are leading to increasing operating costs for affordable housing providers, including insurance availability and rates, labor costs, and security costs;

(2) factors that are leading to declining revenues for affordable housing providers, such as loss of rent and vacancy issues; and

(3) the potential impact of the loss of housing units under current conditions, including preservation needs of federally rent-assisted properties and tax credit developments with expiring contracts.

The task force must evaluate current financing and administrative tools to develop, operate, and preserve safe and affordable housing, including:

(1) public and private financing programs, and the availability of funding as it relates to overall needs; and

(2) administrative tools including underwriting standards used by public and private housing funders and investors.

The task force must evaluate financial or asset management practices of affordable housing providers and support for asset management functions by funder organizations.

The task force must recommend potential solutions to develop and preserve safe and affordable housing, including:

(1) additional funding for existing programs and administrative tools;

(2) any new financial tools necessary to meet current financial challenges that cannot be met by existing state and local government or private program and administrative tools, including new uses, modified implementation, or other improvements to existing programs; and

(3) best practices for changes to financial or asset management practices of affordable housing providers and funders.

(4) The task force may address other topics as identified by task force members during the course of its work.

(5) The task force shall consult with other organizations that have expertise in affordable rental housing, including entities engaging in additional external stakeholder input from those with lived experience and administrators of emergency assistance, including Minnesota's Tribal nations.

After six months of hearing testimony from state organizations and nonprofits, and discussions between key stakeholders, the Task Force has developed recommendations in line with its mandate.

Overview of Testimonies

In the third Task Force meeting, members heard testimony from James Lehnhoff, the Assistant Commissioner for Multifamily for Minnesota Housing. This testimony included an overview of Minnesota Housing, including a vision statement, "all Minnesotans live and thrive in a safe, stable home they can afford in a community of their choice," and mission statement, "housing is foundational to a full life and a thriving state, so we equitably collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable." He discussed the difference between Market Rate and Affordable Rental Housing. He presented on the role of the Federal Low Income Housing Tax Credit and how it can be used in conjunction with loans. The presentation also delved into rent and income limits to meet affordability requirements. He explained underwriting standards and walked Task Force members through the multifamily consolidated RFP process including state and federal resources that are available. Finally, he spoke about Minnesota Housing's preservation and stabilization work and challenges to the affordable housing landscape in Minnesota.[1]

The Task Force also heard testimony in the third meeting from Corey Strong, the Tribal Liaison at Minnesota Housing. He explained that many of the issues that Tribal members experience are similar to individuals in the rest of the state. In particular, he identified that affordable housing locations are not serving the Tribal populations effectively as they are often far from where the residents work. Additionally, he explained that subsidized rent prices are still too high for many people, and that often younger people and older people have the highest need and least supports.

In the fourth meeting, Task Force members heard testimony from Peter Brickwedde, the Assistant Commissioner of External Affairs for the Minnesota Department of Commerce, on commercial insurance. He explained the role and mission statement of the Department of Commerce. He explained how and why commercial insurance is less regulated than other insurances, as well as what factors are affecting affordability and availability.[2]

In the sixth meeting, members of the Task Force heard testimony from Ellen Sahli and Andrea Brennan, from the Family Housing Fund and Greater Minnesota Housing Fund respectively, on tenant perspectives. They provided a brief overview of the data they have been collecting in their Distressed Property Data Project and also discussed the qualitative feedback received from residents and those working on site.[3]

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[1] The Minnesota Housing presentation given to the Task Force can be found at https://www.lcc.mn.gov/ltsah/meetings.html

[2] The Minnesota Commerce presentation given to the Task Force can be found at https://www.lcc.mn.gov/ltsah/meetings.html

[3] These presentations given to the Task Force can be found at https://www.lcc.mn.gov/ltsah/meetings.html

Overview of Meetings

First Meeting- August 28, 2024

Chair Howard called the first meeting of the Task Force on Long-Term Sustainability of Affordable Housing to order. Task Force members introduced themselves. Chair Howard nominated himself and Chair Port to serve as co-chairs and a majority of members voted in favor. Evelyn Weiner, LCC Research Analyst, provided an overview of the enabling legislation and an overview of the Data Practices Act and the Open Meeting Law. Members used Mural to name and define key terminology and concepts, as well as explore issues and challenges members anticipate for the group.

Second Meeting- September 18, 2024

Chair Port called the meeting of the Task Force on Long-Term Sustainability of Affordable Housing to order. Katie Hatt, MAD Consultant, presented an overview of the roadmap of the Task Force. Evelyn Weiner, LCC Research Analyst, provided an overview of the approach for external consultation and a living document of definitions. Members reviewed and discussed key terminology and concepts brought up in the Mural activity in the previous meeting. Members worked in Mural to further elaborate on affordable housing and preservation. Members reviewed and discussed issues and challenges brought up in the Mural activity in the previous meeting. Members indicated priorities.

Third Meeting- October 9, 2024

Chair Howard called the meeting of the Task Force on Long-Term Sustainability of Affordable Housing to order. Chair Howard presented an overview of the agenda for the day and the meeting flow for the Task Force going forward. James Lehnhoff, Assistant Commissioner for the Multifamily Division at Minnesota Housing, presented on where Minnesota Housing's work intersects with the interests of the Task Force members and Task Force scope. Corey Strong, Tribal Liaison at Minnesota Housing, testified on affordable housing concerns for Tribal Nations. Members worked in breakout rooms to begin developing options for solutions based on previous input on terminology and challenges/issues.

Fourth Meeting- October 30, 2024

Chair Port called the meeting of the Task Force on Long-Term Sustainability of Affordable Housing to order. Chair Port presented an overview of the agenda for the day and the meeting flow for the Task Force going forward. Peter Brickwedde, Assistant Commissioner of External Affairs for the Minnesota Department of Commerce, presented on commercial insurance. Elizabeth Flannery of Trellis, Chris Sherman of Sherman Associates, and Deidre Schmidt of CommonBond Communities participated in a panel where they answered questions about their work. Members worked in breakout rooms to develop options for solutions and priorities.

Fifth Meeting- November 20, 2024

Chair Howard called the meeting of the Task Force on Long-Term Sustainability of Affordable Housing to order. Chair Howard presented an overview of the agenda for the day and the meeting flow for the Task Force going forward. One member of each small group shared feedback on the group work. Chair Howard led a high-level walkthrough of the recommendations submitted by small groups and facilitated pulse-checks on members interest and feedback on each recommendation. Members worked in their existing small groups to edit the recommendations based on feedback heard in the meeting.

Sixth Meeting- December 11, 2024

Chair Port called the meeting of the Task Force on Long-Term Sustainability of Affordable Housing to order. Chair Port presented an overview of the agenda for the day and the roadmap for the Task Force going forward. Ellen Sahli and Andrea Brennan, presidents of the Family Housing Fund and Greater Minnesota Housing Fund respectively, provided testimony on their study of tenant perspectives. Evelyn Weiner, LCC Research Analyst, provided an overview of the table of contents for the final report and updated members on public testimony. Chair Howard led a walkthrough of the recommendations submitted by small groups and facilitated discussion around each recommendation. Members met with their existing small groups to discuss refining recommendations further.

Seventh Meeting- January 8, 2025

Chair Howard called the meeting of the Task Force on Long-Term Sustainability of Affordable Housing to order. Chair Howard presented an overview of the agenda for the day. Chair Port provided some context for how the recommendations will be used after the conclusion of the Task Force. Evelyn Weiner, Research Analyst from the LCC, took feedback on the two finalized sections of the final report. Chair Howard led a walkthrough of the three recommendations that had changed most in concept and facilitated discussion around each recommendation. Chair Port led a walkthrough of the other recommendations and facilitated discussion around each recommendation.

Eighth Meeting- January 22, 2025

Chair Port called the meeting of the Task Force on Long-Term Sustainability of Affordable Housing to order. Chair Port presented an overview of the agenda for the day. Members reviewed the narrative statement and provided feedback for staff to integrate. Chair Howard and Chair Port led a walkthrough of all the recommendations and made motions to pass each recommendation; a majority of members voted to approve all recommendations with the exception of one recommendation which was stricken. Chair Port made a motion to approve the final report as edited during the meeting and to authorize staff to prepare the report and include any technical changes that are necessary and authorized the co-chairs to approve and submit the final report to the Legislature. A majority of members voted to approve the report. Chair Port made a motion to authorize staff to prepare the meeting minutes and for them to be passed by the chairs. A majority of members voted to allow the chairs to approve the meeting minutes.

Task Force Process

Organization, roles, and duties

Task Force: The Task Force of nineteen members met at approximately three-week intervals between late August 2024 and late January 2025. Task Force members actively participated in meetings and completed work between meetings.

Task Force Co-Chairs: Representative Michael Howard and Senator Lindsey Port were elected by Task Force members to serve as co-chairs at the first Task Force meeting in August 2024. Co-chairs provided essential guidance to develop the overall Task Force process, co-facilitated Task Force meetings, and communicated with Task Force members between meetings.

Small groups: In addition to Task Force meetings, Task Force members worked on category-based topics between September and November 2024. These topics informed small group meetings in breakout rooms during Task Force meetings and between meetings as needed to assess subject matter challenges and solutions and prepare draft recommendations. Below is a listing of the broad topic areas:

- Administrative policies and programs
- Finance, financial policies, and programs
- Insurance
- Systems change

During December and January, the co-chairs met with Task Force members who volunteered to provide input on revising recommendations as well as on content for the narrative statement on page 3 of this report so that suggested revisions could be brought to the Task Force for review and discussion.

Legislative Coordinating Commission (LCC): is the convening organization of the Task Force by directive of the legislation which established the Task Force. LCC oversaw all administrative and organizational matters and managed a public website of Task Force information including meeting schedules, documents, meeting livestreams and video recordings of each meeting. LCC also ensured compliance with open meeting law requirements, coordinated e-mail communications with the Task Force, documented Task Force meetings, and led development of the final report.

Management Analysis and Development (MAD): MAD is the state of Minnesota's management consulting practice. MAD consultants led design of Task Force process and meeting agendas in close collaboration with LCC and the Task Force co-chairs. MAD also supported meeting facilitation, synthesized and documented results from Task Force discussions and in-meeting activities, and provided research support.

Recommendation development
From August 2024 to January 2025, the full Task Force met eight times to hear informational presentations to develop shared knowledge, examine issues, brainstorm options for solutions, and determine which options to develop as draft recommendations.

From sixty-eight options for solutions generated by Task Force members in October, twenty-five initial draft recommendations were developed by members working in small groups. These were discussed by the full Task Force in November alongside informal pulse-check polls to gauge levels of support and consensus among members. A subset of Task Force members representing each of the small groups volunteered to work with the co-chairs between the November and December Task Force meetings to identify overlapping or duplicative content and opportunities to combine and/or group draft recommendations. This work resulted in refined draft recommendations presented to the full Task Force in December.

Following discussion and input at the December Task Force meeting, co-chairs asked LCC to refine draft recommendations for clarity and consistency. These refined recommendations were reviewed by co-chairs and included in a first draft of the Task Force report which was circulated in mid-December. Task Force members were encouraged to share reactions and input to the co-chairs between the first draft report and the January 8 Task Force meeting.

After a next round of review and discussion at the January 8 Task Force meeting, including a proposed new recommendation, the co-chairs coordinated with a subset of Task Force members who volunteered to participate in a final round of revisions to selected draft recommendations, consistent with input from the January 8 meeting. These members also provided input on content for the narrative statement. Co-chairs subsequently directed staff to complete a final round of refinements for clarity and consistency, and reviewed these ahead of a final draft of the Task Force report was circulated before the last Task Force meeting.

On January 22, the full Task Force held its final meeting to review and approve the final draft report, including recommendations. Members walked through each recommendation and determined they could not come to consensus on one recommendation so it was stricken. All other recommendations were voted upon and a majority of members voted to approve them as well as the report.

Recommendations

Please see Appendix B: Further Details and Implementation Considerations for more context on the recommendations.

1. **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 B. 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, 2026.

2. **The Task Force recommends Minnesota Housing and local suballocator 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.**

3. **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 framework should define two distinct preservation strategies for the stabilization of regulated affordable housing and the existing strategy of preserving federally-assisted affordable housing.** 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.

4. **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.

5. **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.

6. **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 the Department of Human Services (DHS) and county human services in the public safety plan to ensure that service providers are involved in certain responses, as appropriate.

7. **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.

8. **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.

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

10. **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.

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

12. **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.

13. **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.

14. **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.

15. **The Task Force recommends increasing funding for Statewide Affordable Housing Aid to enable counties flexible funding to stabilize affordable housing based on local needs and priorities.**
16. **The Task Force recommends encouraging and/or incentivizing Local Affordable Housing Aid 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.**
17. **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.
18. **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.**

Appendix A: Statutory Authority

Minnesota Laws 2024, Chapter 127, Article 15, Section 49

Subdivision 1.

Establishment.

A task force is established to evaluate issues and provide recommendations relating to affordable housing sustainability, including displacement of tenants, preservation of housing previously developed with public financing, and long-term sustainability of new housing developments.

Subd. 2.

Membership.

(a) The task force consists of the following members:

(1) three members appointed by the commissioner of housing;

(2) one member with expertise in insurance regulation appointed by the commissioner of commerce;

(3) one member from a county that participates in the Interagency Stabilization Group appointed by the Association of Minnesota Counties;

(4) one member from a greater Minnesota county appointed by the Association of Minnesota Counties;

(5) one member with experience developing affordable rental housing appointed by the Metropolitan Consortium of Community Developers;

(6) one member with experience in operating affordable rental housing appointed by the Metropolitan Consortium of Community Developers;

(7) one member of the Minnesota Housing Partnership who has experience developing affordable rental housing;

(8) one member of the Minnesota Housing Partnership who has experience operating affordable rental housing;

(9) one member of the Minnesota Housing Partnership who has experience developing and operating affordable rental housing in greater Minnesota;

(10) one member with experience developing or operating for-profit affordable housing appointed by the Minnesota Multi-Housing Association;

(11) one member appointed by the Family Housing Fund;

(12) one member appointed by the Greater Minnesota Housing Fund;

(13) one member with experience in multifamily affordable housing lending appointed by the Minnesota Bankers Association;

(14) one member appointed by the Insurance Federation of Minnesota;

(15) one member appointed by the Twin Cities United Way;

(16) one member appointed by the speaker of the house;

(17) one member appointed by the house minority leader;

(18) one member appointed by the senate majority leader; and

(19) one member appointed by the senate minority leader.

(b) The appointing authorities must make the appointments by June 15, 2024.

Subd. 3.

Duties.

(a) The task force must assess underlying financial challenges to develop, operate, and preserve safe, affordable, and dignified housing, including:

(1) factors that are leading to increasing operating costs for affordable housing providers, including insurance availability and rates, labor costs, and security costs;

(2) factors that are leading to declining revenues for affordable housing providers, such as loss of rent and vacancy issues; and

(3) the potential impact of the loss of housing units under current conditions, including preservation needs of federally rent-assisted properties and tax credit developments with expiring contracts.

(b) The task force must evaluate current financing and administrative tools to develop, operate, and preserve safe and affordable housing, including:

(1) public and private financing programs, and the availability of funding as it relates to overall needs; and

(2) administrative tools including underwriting standards used by public and private housing funders and investors.

(c) The task force must evaluate financial or asset management practices of affordable housing providers and support for asset management functions by funder organizations.

(d) The task force must recommend potential solutions to develop and preserve safe and affordable housing, including:

(1) additional funding for existing programs and administrative tools;

(2) any new financial tools necessary to meet current financial challenges that cannot be met by existing state and local government or private program and administrative tools, including new uses, modified implementation, or other improvements to existing programs; and

(3) best practices for changes to financial or asset management practices of affordable housing providers and funders.

(e) The task force may address other topics as identified by task force members during the course of its work.

(f) The task force shall consult with other organizations that have expertise in affordable rental housing, including entities engaging in additional external stakeholder input from those with lived experience and administrators of emergency assistance, including Minnesota's Tribal nations.

Subd. 4.

Meetings.

(a) The Legislative Coordinating Commission must ensure the first meeting of the task force convenes no later than July 1, 2024, and must provide accessible physical or virtual meeting space as necessary for the task force to conduct its work.

(b) At its first meeting, the task force must elect a chair or cochairs by a majority vote of those members present and may elect a vice-chair as necessary.

(c) The task force must establish a schedule for meetings and meet as necessary to accomplish the duties under subdivision 3.

(d) The task force is subject to the Minnesota Open Meeting Law under Minnesota Statutes, chapter 13D.

Subd. 5.

Report required.

By February 1, 2025, the task force must submit a report to the commissioner of the Minnesota Housing Finance Agency, the Interagency Stabilization Group, and the chairs and ranking minority members of the legislative committees having jurisdiction over housing finance and policy. At a minimum, the report must:

(1) summarize the activities of the task force;

(2) provide findings and recommendations adopted by the task force; and

(3) include any draft legislation to implement the recommendations.

Subd. 6.

Expiration.

The task force expires upon submission of the final recommendations required under subdivision 5.

Appendix B: Further Details & Implementation Considerations

Recommendation 1 Further Details:

The evaluation shall be of the effectiveness of the 100% Permanent Supportive Housing (PSH) model, "integrated" PSH model, and integrated deeply affordable units without designated services model. Evaluation should consider necessary service funding amounts and sources, resident experience and outcomes in the 100% PSH model, integrated PSH units, and deeply affordable, non-supportive housing units with integrated units in the building, financial performance of operations, financial impact on the owner/parent organization, whether and to what degree resident/tenant service needs are met, the effectiveness of the Coordinated Entry System (CES) in matching residents with available units and needed supportive services, and make recommendations for the long term sustainability of each model for both existing projects and future projects.

Options need to take into consideration key implementation and tenant protection policies, processes, and procedures, including but not limited to the following:

- 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 and may include a focus on non-profit/mission-based ownership, as well as incentives to maintain affordability beyond 30 years.
- The goal of allowing greater flexibility in income and rent restrictions is to preserve the maximum number of affordable units and level of affordability of each affordable unit after year 15. Options may include allowing flexibility on all or a portion of the units to serve mixed-income populations by allowing higher rents for some or all units in a property as allowed by federal law. Options may also include reduced compliance requirements on restricted units.
- Implementation of flexibility to reduce income and rent restrictions shall require the establishment of guardrails to guide the process to determine how/when there may be regulatory flexibility granted beyond year 15. These guidelines should include a focus on housing stability for existing tenants, including tenant protections that maintain existing rent requirements. For any units allowed to increase rents for new tenants, the owner may not discriminate based on source of income in determining tenant eligibility for these units and at least half of the units granted flexibility to increase rents must maintain rents at or below Housing Choice Voucher Payment Standards.
- 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.

- Flexibility should be added to the original LURA for new projects amended LURA for existing projects. The LURA for the first 15 years and a commitment to a new LURA for the 2nd 15 years that is based on economics and performance at year 15.

Recommendation 1 Implementation Considerations:

- Changes to federal laws or policies
- Changes to state statute and rulemaking
- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- Changes to provider and/or developer practices/approaches
- Staff time and/or increased staff
- Funding- one time

Recommendation 2 Further Details: Changes by June 1, 2026 shall include:

- Prioritize supportive housing in models with 100% or majority permanent supportive housing (PSH).
- Recognizing that there are unique challenges of operations under the integrated PSH model, Minnesota Housing and local suballocators shall ensure that units funded under the integrated PSH model have adequate (as defined by Minnesota Housing and agreed to by the service provider) service funding that is secured or provided by Minnesota Housing in partnership with the Minnesota Department of Human Services, and committed in conjunction with capital funding awarded.
- Direct the Interagency Council on Homelessness to facilitate the development of a funding plan using existing resources and programs administered by Minnesota Housing (including state funds appropriated in 2023 for Supportive Housing) and existing resources and programs administered by the Minnesota Department of Human Services.
- Minnesota Housing is further directed to provide technical assistance to local government recipients of LAHA/SAHA on structuring these resources to provide service funding for PSH units in local government jurisdictions. Local funding, through LAHA/SAHA may be included in the service funding package awarded to PSH projects at the time capital funds are awarded.
- Minnesota Housing to direct the CES statewide to develop a strategy to refer unhoused individuals to housing opportunities that provide the level of on-site services that match the acuity level of PSH residents' needs. This directive applies to all units required by Minnesota Housing and local funders to be leased through the CES (not requirements directly tied to only Department of Housing and Urban Development funding).

- Fund 100% PSH projects with only non-amortizing debt and review pre-2020 PSH projects for possible debt restructure to modify debt.

Recommendation 2 Implementation Considerations:

- Changes to state statute and rulemaking
- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- Changes to provider and/or developer practices/approaches
- Staff time and/or increased staff

Recommendation 3 Further Details:

For purposes of this recommendation:

- Targeted Stabilization refers to the stabilization of regulated affordable housing.
- Comprehensive, Long-Term Preservation refers to the historical strategy of preserving primarily federally assisted affordable housing through substantial rehabilitation and the extension of federal project-based assistance contracts.
- NOAH Preservation refers to the preservation of naturally occurring affordable housing.

Preservation: Minnesota Housing's Strategic Plan identifies preservation of "the condition and affordability of existing housing stock" as one of seven core activities. The Strategic Plan calls for "new or expanded funding from federal and state sources that meet the full continuum of preservation needs, building off the funds made available for preservation by the 2023 Minnesota Legislature". Preservation strategies aim to prevent the loss of affordable housing due to risk factors of: (1) expiring federal assistance contracts and use agreements and potential conversion to market rate rental, (2) deferred maintenance and rehabilitation needs, (3) owner/operator capacity, (4) operating revenue shortfalls and other operational stressors, (5) diminished owner capacity or commitment.

Comprehensive, long-term preservation applies to regulated affordable housing projects with substantial rehabilitation needs and generally includes significant refinancing and, if applicable, restructuring existing debt. These projects often involve complex financing arrangements, including a new allocation of Low-Income Housing Tax Credits and/or Housing Infrastructure Bonds (HIBs), along with substantial public or private investments to ensure long-term viability. Projects with federal project-based rental assistance contracts are prioritized for funding. It is important to note that the need for these Comprehensive, Long-Term Preservation resources is far greater than just those projects with federal project-based rental assistance; other regulated affordable housing projects also need comprehensive investment.

Recommendation 3 Implementation Considerations:

- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- Staff time and/or increased staff

Recommendation 4 Implementation Considerations:

- Changes to state statue or rulemaking
- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- Changes to provider and/or developer practices/approaches
- More funding - ongoing
- Staff time and/or increased staff

Recommendation 5 Implementation Considerations:

- Changes to state statue or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)

Recommendation 7 Implementation Considerations:

- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- More funding – ongoing
- Staff time and/or increased staff

Recommendation 8 Implementation Considerations:

- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- Changes to provider and/or developer practices/approaches

Recommendation 9 Implementation Considerations:

- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- Changes to provider and/or developer practices/approaches
- More funding – one time and ongoing
- Staff time and/or increased staff

Recommendation 10 Implementation Considerations:

- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- Changes to provider and/or developer practices/approaches
- More funding - ongoing
- Staff time and/or increased staff

Recommendation 11 Implementation Considerations:

- Changes to state statute or rulemaking
- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- Staff time and/or increased staff

Recommendation 12 Implementation Considerations:

- Changes to state statute or rulemaking
- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to provider and/or developer practices/approaches
- Staff time and/or increased staff
- Coordination across state agencies and city and county governments

Recommendation 13 Implementation Considerations:

- Changes to state statute or rulemaking
- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to provider and/or developer practices/approaches
- Ongoing funding - possibly more funding or coordination of existing funding and mobilizing Medicaid waivers as a new source
- Staff time and/or increased staff

- Coordination across state agencies and county governments

Recommendation 14 Implementation Considerations:

- Changes to state agency administrative policies and procedures – not requiring statutory changes or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- Changes to provider and/or developer practices/approaches
- Staff time and/or increased staff

Recommendation 15 Implementation Considerations:

- Changes to state statue or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- More funding - ongoing

Recommendation 16 Implementation Considerations:

- Changes to state statue or rulemaking
- Changes to local government policies and procedures (not dependent on state or federal rules/statutory changes)
- More funding - ongoing

Appendix C: LCC Task Force on the Long-Term Sustainability of Affordable Housing: Terminology Resource

Below are terms and acronyms mentioned by task force members at the first task force meeting on August 28, including verbal comments and contributions to the meeting's "Mural" digital workspace. Brief informal definitions have been added by task force staff to create this resource for members.

AHIC: Affordable Housing Investors Council, equity investors in the Low-Income Housing Tax Credit (LIHTC) program come together to network, learn, share, and develop best practices for creating affordable housing.

AMI: Area Medium Income is the midpoint of a region's income distribution, half of families in a region earn more than the median and half earn less than the median. For affordable housing purposes, HUD calculates the rent and income limits based on AMI on an annual basis.

Block Grants: fixed amounts of money that the federal government gives to state and local governments to support programs that improve public housing and living environments. HUD administers the block grants to support community development and homeownership.

HAP: Housing Assistance Payment, a written agreement between a public housing agency and property owner that defines the number of units that are eligible for Section 8 rental subsidies. The contract is used to assist Section 8 tenants under the Housing Choice Voucher program of HUD.

HCV: Housing Choice Voucher Program, the federal government's major program for housing assistance to American families, designed to allow families to move without the loss of housing assistance.

HIB: Housing Infrastructure Bond, program was established in MN Statute 462A.37 in 2012. HIBs are special, limited obligation Tax-Exempt Bonds issued by MN Housing, the principal and interest on which are paid solely from appropriations from the General Fund of the state.

HRAs: Housing and Redevelopment Authority, a legal authority that manages public housing programs and properties, and helps with redevelopment projects. HRAs also help to promote affordable, safe, and decent housing, and to prevent or eliminate blight.

HUD: U.S. Department for Housing and Urban Development, a federal agency responsible for national policy and programs that address America's housing needs, improve, and develop the Nation's communities, and enforce fair housing laws.

ISG: Interagency Stabilization Group is a coalition of local, state, and federal funding entities, along with the Greater Minnesota Housing Fund and Family Housing Fund, that meets regularly to discuss troubled or potentially troubled properties, determine who can help lead the solution, and who is positioned to be involved in identifying a solution.

LIHTC: Low-Income Housing Tax Credit, program awards and allocates federal tax credits to owners of qualified affordable rental housing projects. The credits can be used to reduce federal income tax liability on a dollar-for dollar basis. The value of the credits allows qualified families to lease housing at below-market rates.

MURL: Minnesota Urban and Rural Homesteading provides homeownership opportunities to homebuyers who will assist in stabilizing declining neighborhoods. Administrators of the program are provided grant funding to acquire and rehabilitate such housing.

NOAH: Naturally Occurring Affordable Housing, residential rental properties that are affordable, but are unsubsidized by any level of government. Their rents are relatively low compared to the regional housing market, often due to property age, physical condition, and/or amenities.

PHA: Public Housing Agency, a local office that manages public housing properties and administers federal funded housing assistance programs. PHAs provide affordable rental housing to people with low incomes, seniors, and people with disabilities. They also help families join the Housing Choice Voucher program, also known as Section 8 housing benefits, by providing monthly rental assistance. Each PHA engages in different activities and not all PHAs own properties or operate Section 8 housing.

PSH: Permanent Supportive Housing, a program that provides long-term housing and support services for people who are experiencing homelessness or are at risk of becoming homeless. PSH is a multidisciplinary approach that combines housing assistance with voluntary services to help people live independently.

TIF: Tax Increment Financing, a public financing method that uses future property tax increases to fund improvements in a designated area. The goal of TIF is to encourage economic development, job creation, and private investment in regions that may not be seeing appropriate growth. TIF districts are areas within a local government's jurisdiction that are designated by law.

QAP: Qualified Allocation Plan outlines the application requirements and selection criteria for receiving affordable housing development funding. The QAP helps direct federal affordable housing funds to where they are most needed. The QAP is a federal requirement for all LIHTC administering entities, and the QAP provides the procedures and process for allocating the LIHTC. The QAP is not related to any other type of funding. In Minnesota, some refer to the QAP as the document that also allocates other kinds of funds, but that is inaccurate.

Redlining: the practice of denying a creditworthy applicant a loan for housing in a certain neighborhood even though the applicant may otherwise be eligible for the loan. Typically seen as a discriminatory practice. The term comes from the practice of lenders drawing red lines on maps to indicate neighborhoods where they wouldn't lend money.

4d(1) Tax Rate: the tax class rate in MN is .25% for qualifying low-income rental properties. This rate applies to the portion of the property that meets all eligibility criteria. Property owners can use the tax savings from the 4d(1) program to help pay for property maintenance, security, and improvements, or to increase rent or add to the property's replacement reserve account.

Appendix D: Task Force on Long-Term Sustainability of Affordable Housing: 8-28-2024 Mural Summary

Topic 1: Input on current understanding of key terminology and concepts in the enabling statute.

Section 1: Affordable housing

Suggested themes: income restrictions for homes/units; rent cost thresholds for residents; subsidy/assistance tied to homes/units.

- Housing with dedicated rental assistance
- Housing costs that adjusts with one's income needs
- Housing that is affordable for households earning at or below 60 percent Area Median Income (AMI)
- Housing that is affordable to the people living there (differentiating between the technical definitions and lived experience).
- Housing for individuals and families that make below 60 percent AMI.
- Income restricted housing
- Housing where households pay no more than 30 percent of their income.
- Housing affordable to household earning below area median incomes.
- Housing that is income restricted 60 percent or below AMI.
- Housing that is affordable enough to meet every day needs.
- Housing that is affordable to households earning at or below 60 percent AMI
- An ecosystem of housing options for which all community members have a place to call home.
- Technically 60 percent [AMI] or lower

Section 2: Affordable housing providers

Suggested themes: owners, managers, developers, and service providers. One entity may hold multiple roles/responsibilities. Entities may be nonprofit, for-profit, or public/governmental. Varying sizes.

- Can be formal or informal housing providers/owners
- Owner/operators of housing primarily for individuals earning less than 60 [percent] AMI
- HRA's [Housing and Redevelopment Authority]
- Owners/property managers that provide units that are income and rent restricted
- Developers and owners of affordable housing
- Owners that provide housing that is income restricted
- Providers that have it as part of their mission/goal to provide affordable housing.

- Developers, operators, and/or service providers of affordable housing
- Owners, Operators and Developers of housing serving at or below 60 percent AMI Households. For Profit, Non-Profit, Public Housing Authorities
- Non-for-profit, market-rate, and public housing providers.
- Small to large operators and developers

Section 3: Preservation

Suggested themes: reinvestment in existing affordable units/homes; preventing displacement; risk identification; specific attention/approaches for publicly-funded/financed affordable housing

- Reinvestment and extending the viability of current affordable housing, creating more affordable housing, and preventing displacement of residents
- Refurbishment, reinvestment, and rehabilitation of current affordable housing
- Preservation of federally subsidized and other state or publicly-funded affordable housing
- Preventing displacement of residents
- Keeping affordable housing as a long-term community resource
- Using tools including rehabilitation and reinvestment to ensure aging affordable buildings can remain viable.
- Resourcing a property that is in disrepair to not lose it as an affordable unit/building.
- Preventing displacement of residents
- The process of refurbishment of older units to keep them affordable as they age
- Affordable housing that is at risk of being lost if is not preserved
- There is not uniform agreement/understanding of what types of affordable housing are included in the definition of "preservation"
- We need BOTH AND - more supply AND preserve what we have. Preservation is more cost effective than new construction. We cannot lose affordable units in our system and spend 2x as much or more on creating new units to replace them. We must protect yesterday's investments while we make new investments in supply.
- Important to distinguish between "classic" preservation of federally-subsidized housing and the need to also preserve other state/LIHTC/other publicly funded regulated affordable housing, perhaps in ways that are more streamlined, "right-sized", and "pipeline" based.
- Supporting projects that were funded years ago that now longer cash flow and yet have many restrictions
- Keeping affordable housing as a long-term community resource
- Original financing used to secure affordable units are either expiring or changes in the financing sources that no longer require the units to be affordable. Preservation of affordable units may attempt to seek refinancing to secure future affordability.

- Reinvesting in affordable housing to keep the existing housing stock
- Reinvesting in housing that currently is affordable (both restrictive and [naturally occurring affordable] (NOA) and extending the commitment (whether formally or informally) to maintain the affordability

Section 4: Financing/financial tools and financial management practices

Suggested themes: varied financing and tools by kind of use/need (property development; construction/capital; operating; supportive services); varied funders, including local, state, and federal government, financial institutions, and intermediaries; leveraging resources.

- All of the different funding streams have different requirements, can be costly and unintended consequence create instability
- What entities financial management practice
- Financing includes capital, operating and supportive services funds that are woven together to support a project. These can include competing regulations
- The funding pieces that are necessary to make a project work, that can come from several sources that don't always have the same requirements or goals
- We need financing tools that work for preservation - including funding and replenishing reserves
- All of the different resources that support affordable housing
- I have no clarity on what these tools are and how state policy interacts with them
- Inclusive of financing tools and mechanisms that Minnesota Housing or financial institutions utilize to finance the production, rehab, or refinancing of affordable housing.
- Financial resources, i.e. LIHTC, Block grants financing etc., policy and compliance
- Optimizing/leveraging private investment alongside local, county, state and federal resources and tools (HUD insured financing, LIHTC, Historic, 4d tax rate, HAP Contracts, etc.) to minimize the long-term cost to the taxpayer while delivering high-quality long-term housing for households at or below 60 percent AMI
- The funding tools that are available to support the development, operations, and services in affordable housing, including LIHTC, HIB, TIF, trust funds, service funding, housing vouchers, etc.

Section 5: Financing programs (public and private), and the availability of funding

Suggested themes: need exceeds availability/levels of funding; different and sometimes incompatible requirements by financing/funding types (e.g., construction; services).

- Supportive services funding - that is critical to helping some tenants maintain housing stability is not committed at the same time that housing development finance $ is committed, creating challenges for owners who are obligated to provide supportive services, per housing development funding commitments. In short, the timing does not align.

- How much public funding is currently allocated and how much funding would be needed to fully fund
- These include and are different for capital, operating and supportive services
- It is great to have access to a variety of different funding sources, but each source often comes with its own set of eligible uses, compliance requirements and regulations. Each source adds time, cost and complexity and many projects require multiple sources.
- City, county, state, federal capital sources
- The constraints of public funding presents challenges in prioritization
- Most of the public resources are cost prohibitive and in short supply
- The collection of federal, state, and local programs to fund the construction and preservation of affordable rental homes including, the federal low-income housing tax credit; various resources structured as deferred loans to fill gaps; payable first mortgages; and rent/operating support. The layering/leveraging of resources to complete a single project adds complexity and cost.
- Need a new approach to "preservation" or "conversation" of regulated affordable housing that does not require full recapitalization, but rather a targeted approach to maintain quality, affordability, and feasibility in operations.
- Current funding programs cover only a small subset of the need
- Just not enough to address the need
- Complex, making it too expensive to produce, maintain, and get deep affordability

Section 6: Administrative tools-including underwriting standards

Suggested themes: evaluating risk; request for flexibility/consideration of evolving changes/assumptions

- Assumptions and guidelines used by funders to underwrite a project under development
- The application (underwriting) process is expensive and uncertain
- Need a mechanism, possibly through Interagency Stabilization Group (ISG) to intervene early when projects do not meet underwriting assumptions to support project success
- It seems like there are opportunities to have a shared understanding/agreement about the underwriting and asset management practices to position a development for long-term success.
- There are administrative rules that funding entities set, based on assumptions(old), these rules could be changed to reflect the current environment
- The process of evaluating risk

- Underwriting changes need to adjust to ensure projects are set up for success
- AHIC guidelines (investor guide)
- Qualified allocation plan
- Need to develop policies that allow/require processes and underwriting standards to evolve as conditions change (i.e. assumptions don't always pan out)

Section 7: Insurance

Suggested themes: greater uncertainty; increasing costs and market volatility adversely affect budgets of new development and existing properties.

- The price someone pays relative to their risk. The higher their risk, the higher their premium.
- Carrier underwriting, pricing, and loss control
- Market Conditions - Healthy, competitive market in this space needed
- Finding insurance for new development was challenging
- Volatile market for which housing providers lack much control over the cost.
- Cost prohibitive - Not considered as a new inflated cost when financing
- Property insurance for properties that are both under development and currently operating
- The spread of risk from a single entity to a large group.
- The type of affordable housing product we preserve, convert or build has become more and more impacted by insurance coverage. Concrete vs. Stick Frame.

Section 8: Asset management practices

Suggested themes: stable operations; financial health; considering both physical and service needs.

- Managing the physical, financial, and service needs of an operating building to best position the building for long-term stable operations and to provide quality housing.
- The rules, practices that are needed to maintain, dignified housing. Compliance, maintenance
- Tending to the long-term financial health of the property

Section 9: Other

Suggested themes: supportive housing and supportive services; new costs in relation to current tools; considering varied kinds of housing; new potential tools.

- Supportive housing-a critical model for moving individuals from homelessness to housing, that hasn't been properly resourced from an integrated housing and services lens
- Housing that is technically defined as affordable and meets the regulatory requirements may not actually be affordable to the household living there or looking

for housing. The "affordable rents" can still be hard for a household to reach without extremely scarce rental assistance but charging lower rents leaves a project with an operating gaps to keep the building operational.

- Articulating a shared vision or preservation plan for the affordable housing developments that have been financed with public (state) resources is important to have a clear picture of our (the housing community -- including govt funders) priorities -- which in turn, drives funding
- Owner - occupied single family affordability also needs attention
- Articulation of the new costs to housing, and does it match the current tools.
- Supportive services are highly needed and not often fully covered.
- The impacts and opportunities of increasing demand for racial diversity with the affordable housing development community
- Understanding of the units being lost private and nonprofit of affordable units and the cost/impact on community
- Need policy framework to guide preservation funding, strategies, prioritization, and set up mechanisms to implement - This policy does not exist, preservation tools are limited and need to be expanded, and mechanisms need to be used (like ISG - already in existence) or created.

Topic 2: What are the issues and challenges that you see for the work of the Task Force on the Long-Term Sustainability of Affordable Housing?

Section 1: Affordable housing

- Not enough deeply affordable or permanent supportive housing available, and the service funding is not commensurate with the acuity of needs.
- Not enough affordable housing.
- Finding efficiency in development production to avoid the added costs of time.
- Not enough rental assistance.
- Costs are outpacing income.
- The State and public partners have articulated strong commitments to ending homelessness and providing housing solutions yet there continues to be a disconnect between service and operating support that matches the needs of these tenant populations.
- Staffing is difficult to find and retain.
- Quality of aging affordable housing is in jeopardy due to lack of resources.
- There are a large group of households that are above the income guidelines for most "affordable" tools that still can't access housing affordable to them.
- Pro-formas that are based on 2 percent income and 3 percent costs no longer works.

- Significant increase in operating costs.
- Unit turns are taking longer.
- 60 percent AMI is generally still not affordable to many of our community members.
- Create and agree upon a new narrative for what "affordable housing" will look like. Who will it truly serve and what will affordability really look like for residents and owners.
- We are losing affordable units now that are 30 percent or lower, it is more challenging to get those units. Is there a will and tools that will address the deep affordability and supportive services needed.
- An overall financial model that is not sustainable for housing providers.

Section 2: Affordable housing providers

- Restrictions in funding, are restricting the providers ability to fund the most needed things.
- These providers really need more equitable supports to ensure viability of projects. We can't just focus on building housing without focusing on the ongoing sustainability of operating the developments and servicing those who live there.
- Non-profit providers are facing a critical moment, and I am concerned some may collapse or have to sell properties to maintain, creating a larger regional challenge.
- Not enough mechanisms in place to address unprecedented challenges that outstrip the capacity of affordable operators to respond to.
- Providers that are serving the individuals in our communities with the highest needs, are taking on tons of risk, and without swift interventions won’t be resources in our communities any longer.
- The system is asking more of affordable housing providers than is realistic given current funding/capacity.
- Historically MN has enjoyed a high percentage of local owner/operators - we must capitalize on this resource in solving these issues.
- There is a challenge in addressing the spectrum of developers who are attempting to address the spectrum of affordability and housing needs. A provider of 60 percent to 80 percent [AMI level] units has different needs from providers of deeply affordable and/or supportive units.
- Housing providers face unprecedented headwinds: dramatic operating costs; rising debt costs; & unintended consequences of policy.
- Affordable housing providers are struggling. It is even more difficult the more 30% or lower units they have.
- Imposing prevailing wage requirements on rent-restricted building make development and rehab difficult.
- Lack of production of housing in St Paul following rent control is an example.

- Is there equal support for stabilizing organizations / providers AND preserving properties?

Section 3: Preservation

- Preservation is a concern for owner-occupied units (MURL) properties, the incomes for RFP are too low if we don't maintain our existing housing, including single family [homes], we will never be able to build ourselves out of the shortage.
- Further expansion of the tools available to support long term preservation.
- New construction of affordable is very important, however preservation and reinvestment of existing affordable can be justifiably more important and cost effective to deliver long term sustainability.
- The approval of the 4d tax rate reduction WILL have a big positive impact on preservation.
- Balancing resource allocation between new production and preservation.
- Preservation can be substantial and comprehensive rehabilitation projects or smaller and more targeted. There should be funding and a path for both to be more efficient based on the actual needs.
- Recapitalization is needed for many providers.
- The definition needs to be broader and find funding to respond to properties that need to be recapitalized.
- Current definition and prioritization of preservation is too limited. We are losing properties unnecessarily because we lack the tools, policy framework, and financial resources, and public will to support stabilization of existing regulated affordable housing.
- Generally, funding sources for preservation are the same resources for new construction, which creates prioritization challenges.
- If housing providers do not have sustainable finances, they will be forced to sell properties.
- Distinguish between preservation of affordable units vs. deferred maintenance.
- We need a funding source for existing projects that do not meet the QAP definition. These projects need re-capitalization and re-financing but are difficult to re-syndicate and do not point for other deferred loan sources.
- As more and more government funded affordable properties age, we need to expand our thinking around what preservation means and what is possible/realistic to accomplish within the constraints of public resources/government regulation.

Section 4: Financing/financial tools and financial management practices

- General affordable housing underwriting standards are not working for supportive housing.
- Current underwriting standards are not flexible enough to address major economic disruptions (pandemic/high inflation environment).

- Should be able to be a tool for local developers/owners/providers to create and maintain housing based on local unique needs and not be so prescriptive that they can't be used or create a project that won't really fill the need- especially in greater Minnesota.
- There is a need to align underwriting/financial assumptions of [housing tax credit] HTC allocators, public funders, investors, and lenders
- Funders need to consider themselves as partners to create affordable housing and not dictators in crafting one size fits all solutions.
- Funding for affordable housing is not braided with public safety and fentanyl enforcement(?). The impact of fentanyl in our communities is having a significant impact on affordable housing and we aren't talking about it
- Need clarity on what financial management practices organizations are using and what oversight exists. Then, need to understand how the state can interact with those practices
- Expectations of operators during extended use period (after 15 years) aren't generally sustainable for most properties without reinvestment or recapitalization
- Exploring leverage AND simplifying financial stacks. The two don't always go hand and hand. Leverage of private and federal resources is very important to the state, counties, and cities. A few suggestions: 1) HUD insured financing is very competitive from a pricing and leverage standpoint right now; 2) We are in a unique point in time where adaptive reuses of existing buildings have great potential to deliver affordable housing, tax base stabilization/growth, and investment in labor while sustaining material; 3) Expanding section 8 availability for deeply affordable to maximize private financing

Section 5: Financing programs (public and private), and the availability of funding

- PSH projects need full services funding.
- Is there a way of reducing the number of funders needed to produce affordable housing? This could create some cost savings.
- There's a need for a process to create clarity around what the total funding needs are and what we are providing each year.
- Program guidelines exceed state building code and make project more expensive.
- Because the amount of state resources can change dramatically from year to year, more predictability/reliability in funding streams would be extremely helpful.
- Rural communities are at a greater disadvantage when competing for funds.
- Various financing programs with different rules make it hard and cumbersome for private developers to pursue and meet the demands for affordable housing units.
- Where feasible, focus on existing programs. Each new program adds new requirements (and, by extension, cost).
- The cost and uncertainty of pursuing state funding programs is prohibitive for small/new developers.

- Prevailing wage requirements are prohibitive for affordable housing development.
- Funding programs set up as "all or nothing" there are no "right sized" funding programs to help stabilize properties in real time.
- Available public funds are extremely limited to meet the demands of growing communities.

Section 6: Administrative tools-including underwriting standards

- Is there a legislative role in oversight of underwriting standards, and if so, how would that work?
- Underwriting assumptions do not tie to current trends. projects are underfunded and set up for failure.
- "Static" underwriting standards and practices that don't consider when assumptions are not met (like in the case of a pandemic).
- Vacancy for supportive housing needs to reflect what's really happening. i.e., the systems that slow unit turns down and finding tenants.
- Funding applications for preservation projects need to have a path to being funded without adding supportive housing units.
- Increase reserves and funding
- Currently there are a lack of administrative tools, processes, procedures, policy framework, to address challenges in properties as they come up.
- Underwriting standards need to allow for flexibility to withstand long term financial shifts (insurance, public safety, general inflation now, property taxes previous decade).
- Realistic vacancy underwriting
- Preservation projects compete against new projects in funding processes.

Section 7: Insurance

- Minnesota is seeing more severe storms than ever before as a result of climate change. What role does the state have in fortifying these buildings to prevent further losses which drive up premiums.
- Really complicated topic, but we need our best thinking/expertise to address a crisis in insurance with no easy answers.
- Climate change, community safety, increases in mental/chemical health acuity are all factors that where we have limited control as operators.
- There are also some signs of "redlining" cropping up around affordable housing that should be investigated/evaluated.
- The affordable housing property insurance system is at a breaking point, and we need quick solutions to help preserve the affordable housing industry.
- How do we draw more insurers to the state to improve competition and ultimately help drive premiums down?

- Dramatic increase in costs with little control for containment.
- How do we keep insurers from leaving the market? Insurers paid out $1.92 for every dollar collected in premium in 2022. Trying to artificially drive premiums down only forces companies to leave.
- Finding insurance for new properties is challenging.
- Lack of adequate public safety response in Minneapolis and St. Paul and some other areas is creating huge challenges for affordable housing residents and providers. Insurers look at crime stats in the neighborhood and burden of lack of public response puts onus on providers to fund private security.
- What role can the state play in helping to curb increases in the new reality of more severe weather creating huge insurance increases.
- What role, if any, does the state have in this area?

Section 8: Asset management practices

- With an increasing number of aging buildings and insufficient resources for all preservation needs, there is an increasing awareness and focus on the importance of asset management.
- With older properties with no cash flow, it is not clear how asset management can help as there are few resources.
- There is little room after the benefit period to maintain units when the rents and incomes are fixed.
- Unclear how finance partners value (i.e. financially support) proactive asset management practices.
- There are few funds available to support asset management.
- Providers are not fully resourced to do this as well as they should. Faced with the decision of being a "bad landlord" by not having dignified housing and having to lose affordable units.

Section 9: Other

- Affordable housing owners/operators carry disproportionate risk within the broader housing system, which has become more evident in the current environment. Examples: Cash flow is tightly underwritten at the front end, land use restrictions for 30+ years, without a financial model that is robust enough to ensure buildings have the resources to operate well without recapitalization, partnership agreements are often tilted in favor of tax credit investors, etc.
- Housing should be a continuum with options for movement, too much focus on one area means there are less options overall and those with the lowest incomes suffer the most. But only building for the lowest won't solve the problem.
- Supportive services need to match the target population.
- Expectations of policymakers and advocates on supportive housing is a challenge. It's relatively easy to build the asset, but the long-term services resources to ensure

those residents can be stability housed is woefully fragmented and underfunded. Deeply affordable units are desperately needed, but those buildings are not currently set up for long term success due to ongoing funding needs.

- Policymakers and elected officials often lack a full understanding of the impact of actions on creating and preserving housing.

Appendix E: TFAH Sept 18 Mural Transfer with Votes

The content in this document is from the task force meeting on September 18, 2024.

Terminology review:

Members reviewed key terminology and concepts in the enabling statute at the initial task force meeting on August 28. At the September 18 task force meeting, members reviewed the notes from the discussion. They determined that they wanted to drill down to more specifics on the terms of preservation and affordable housing. The notes below capture the additional input from members on these two terms.

Preservation:

- The need to address issues of older properties that do not cash flow and have significant deferred maintenance and (no additional wording on comment)
- Mutual understanding and continued financial investment between the rental property owner and the financing partners that the original terms / conditions of the initial investment should continue or "be preserved."
- For our purposes, I think we want a broad definition of preservation, but the primary type of buildings we are talking about are older buildings in need of repair and also causing financial stress on the operators.
- Affordable properties are not set up for financial success after year 15, and there aren't enough resources/programs currently available to create a viable path for preservation.
- Very limited funding streams to support preservation
- The current set up of Preservation isn't addressing the current needs.
- primary issue to focus on is how to preserve projects that are 15, 16, 17, 18 years old, that aren't competitive for funding. The current funding priorities don't align to the building typology that needs preserved without drastically changing to structure of the building.
- we need to look at some subsidy sources attached to older distressed properties that do not have enough subsidy. IE McKinney Vento and project-based vouchers.
- It is much more cost effective and sustainable (reusing material) to preserve existing tax credit affordable or naturally occurring affordable then produce newly constructed affordable housing. Preservation is a focus on extending the long-term affordability and useful life through physical improvements of both Naturally Occurring Affordable Housing and Tax Credit Affordable Housing

Types of Affordable Housing

- Service enriched

- Market-Rate N.O.A.H. [Naturally Occurring Affordable Housing]
- Permanent supportive housing
- Mission-Driven, Non-Profit Housing Providers
- Housing with requirements for affordability that is set by the financing
- Where households don't spend more than 30% of their income on rent/mortgage
- Where people pay 30% or less of their income
- I second the definition of people pay 30% or less
- Multi-family structures subsidized
- Emphasis on long-term affordable. Extend use restrictions.
- The type of affordable housing we should focus on is that with income/affordability requirements established by funder with a particular focus on that serving the lowest income, highest need populations
- Housing with a rental subsidy
- Regulated affordable housing and unregulated affordable housing where households are paying 30% or less of their income
- For the purposes of narrowing the scope, there are broadly two categories:
    - Regulated affordable housing that includes agreements with one or more local, state and/or federal program with specific rent and income limits. This would include any form of publicly funded rental assistance.
    - Unregulated affordable housing that is affordable by nature of the building or market. This is often referred to as Naturally Occurring Affordable Housing (NOAH).

Prioritizing exercise: What are the issues and challenges that you see for the work of the Task Force on the Long-Term Sustainability of Affordable Housing?

At the initial task force meeting on August 28, members provided responses to: What are the issues and challenges that you see for the work of the Task Force on Long-Term Sustainability of Affordable Housing? Members identified at least three issues/challenges. At the task force meeting on September 18 members indicated the most important or significant challenges or issues to them. They received ten “votes” per member to indicate their preferences and which items are priorities. Members were able to give an item more than one “vote” if that item was particular important to them. Members could also assign a vote or votes to an overall topic rather than a specific challenge or issue. The results of members’ work to indicate their preferences on the challenges/issues is listed in the tables below by topic.

Topic 1: Affordable housing

Challenge/Issue	Votes
Not enough deeply affordable or permanent supportive housing available, and the service funding is not commensurate with the acuity of needs.	6

Not enough rental assistance.	4
Quality of aging affordable housing is in jeopardy due to lack of resources.	4
Significant increase in operating costs.	4
Costs are outpacing income.	3
There are a large group of households that are above the income guidelines for most "affordable" tools that still can't access housing affordable to them.	3
An overall financial model that is not sustainable for housing providers.	3
Not enough affordable housing.	1
Staffing is difficult to find and retain.	1
Pro-formas that are based on 2 percent income and 3 percent costs no longer works.	1
60 percent AMI is generally still not affordable to many of our community members.	1
We are losing affordable units now that are 30 percent or lower, it is more challenging to get those units. Is there a will and tools that will address the deep affordability and supportive services needed.	1
The State and public partners have articulated strong commitments to ending homelessness and providing housing solutions yet there continues to be a disconnect between service and operating support that matches the needs of these tenant populations.	0
Unit turns are taking longer.	0

Topic 2: Affordable Housing Providers

Challenge/Issue	**Votes**
These providers really need more equitable supports to ensure viability of projects. We can't just focus on building housing without focusing on the ongoing sustainability of operating the developments and servicing those who live there.	7
Housing providers face unprecedented headwinds: dramatic operating costs; rising debt costs; & unintended consequences of policy.	7
Imposing prevailing wage requirements on rent-restricted buildings make development and rehab difficult.	7
The system is asking more of affordable housing providers than is realistic given current funding/capacity.	5
Providers that are serving the individuals in our communities with the highest needs, are taking on tons of risk, and without swift interventions won't be resources in our communities any longer.	3
Affordable housing providers are struggling. It is even more difficult the more 30% or lower units they have.	3
Restrictions in funding are restricting the providers ability to fund the most needed things.	2

Not enough mechanisms in place to address unprecedented challenges that outstrip the capacity of affordable operators to respond to.	2
Lack of production of housing in St Paul following rent control is an example.	2
Non-profit providers are facing a critical moment, and I am concerned some may collapse or have to sell properties to maintain, creating a larger regional challenge.	1
Historically MN has enjoyed a high percentage of local owner/operators - we must capitalize on this resource in solving these issues.	1
There is a challenge in addressing the spectrum of developers who are attempting to address the spectrum of affordability and housing needs. A provider of 60 percent to 80 percent [AMI-level] units has different needs from providers of deeply affordable and/or supportive units.	0
Is there equal support for stabilizing organizations / providers AND preserving properties?	0

Topic 3: Preservation and asset management (3 votes)

Challenge/Issue	**Votes**
Current definition and prioritization of preservation is too limited. We are losing properties unnecessarily because we lack the tools, policy framework, and financial resources, and public will to support stabilization of existing regulated affordable housing.	8
New construction of affordable is very important, however preservation and reinvestment of existing affordable can be justifiably more important and cost effective to deliver long term sustainability.	6
Generally, funding sources for preservation are the same resources for new construction, which creates prioritization challenges.	4
As more and more government funded affordable properties age, we need to expand our thinking around what preservation means and what is possible/realistic to accomplish within the constraints of public resources/government regulation	4
If housing providers do not have sustainable finances, they will be forced to sell properties.	3
With an increasing number of aging buildings and insufficient resources for all preservation needs, there is an increasing awareness and focus on the importance of asset management.	3
Preservation can be substantial and comprehensive rehabilitation projects or smaller and more targeted. There should be funding and a path for both to be more efficient based on the actual needs.	2
The definition needs to be broader and find funding to respond to properties that need to be recapitalized.	1
With older properties with no cash flow, it is not clear how asset management can help as there are few resources.	1

There is little room after the benefit period to maintain units when the rents and incomes are fixed.	1
Unclear how finance partners value (i.e. financially support) proactive asset management practices.	1
There are few funds available to support asset management.	1
Providers are not fully resourced to do this as well as they should. Faced with the decision of being a "bad landlord" by not having dignified housing and having to lose affordable units.	1
Preservation is a concern for owner-occupied units (MURL) properties, the incomes for RFP are too low if we don't maintain our existing housing, including single family [homes], we will never be able to build ourselves out of the shortage.	0

Topic 4: Financing/financial tools; financial management practices; financing programs (public and private); availability of funding

Challenge/Issue	Votes
Expectations of operators during extended use period (after 15 years) aren't generally sustainable for most properties without reinvestment or recapitalization	6
General affordable housing underwriting standards are not working for supportive housing.	5
Current underwriting standards are not flexible enough to address major economic disruptions (pandemic/high inflation environment).	5
Leverage of private and federal resources is very important to the state, counties, and cities. A few suggestions: 1) HUD insured financing is very competitive from a pricing and leverage standpoint right now; 2) We are in a unique point in time where adaptive reuses of existing buildings have great potential to deliver affordable housing, tax base stabilization/growth, and investment in labor while sustaining material; 3) Expanding section 8 availability for deeply affordable to maximize private financing	4
Rural communities are at a greater disadvantage when competing for funds.	2
Various financing programs with different rules make it hard and cumbersome for private developers to pursue and meet the demands for affordable housing units.	2
Prevailing wage requirements are prohibitive for affordable housing development.	2
Available public funds are extremely limited to meet the demands of growing communities.	2
Funding for affordable housing is not braided with public safety and fentanyl enforcement(?). The impact of fentanyl in our communities is having a significant impact on affordable housing and we aren't talking about it	1
Because the amount of state resources can change dramatically from year to year, more predictability/reliability in funding streams would be extremely helpful.	1
The cost and uncertainty of pursuing state funding programs is prohibitive for small/new developers.	1
Funding programs set up as "all or nothing" there are no "right sized" funding programs to help stabilize properties in real time.	1
Program guidelines exceed state building code and make project more expensive.	0

Topic 5: Administrative tools including underwriting standards

Challenge/Issue	Votes

Underwriting assumptions do not tie to current trends. projects are underfunded and set up for failure.	7
Currently there are a lack of administrative tools, processes, procedures, policy framework, to address challenges in properties as they come up.	4
"Static" underwriting standards and practices that don't consider when assumptions are not met (like in the case of a pandemic).	2
Is there a legislative role in oversight of underwriting standards, and if so, how would that work?	1
Preservation projects compete against new projects in funding processes.	1
Underwriting standards need to allow for flexibility to withstand long term financial shifts (insurance, public safety, general inflation now, property taxes previous decade.)	1
Realistic vacancy underwriting	0

Topic 6: Insurance (4 votes)

Challenge/Issue	**Votes**
The affordable housing property insurance system is at a breaking point, and we need quick solutions to help preserve the affordable housing industry.	3
Minnesota is seeing more severe storms than ever before as a result of climate change. What role does the state have in fortifying these buildings to prevent further losses which drive up premiums.	2
Dramatic increase in costs with little control for containment.	2
Really complicated topic, but we need our best thinking/expertise to address a crisis in insurance with no easy answers.	1
Climate change, community safety, increases in mental/chemical health acuity are all factors that where we have limited control as operators.	1
There are also some signs of "redlining" cropping up around affordable housing that should be investigated/evaluated.	1
How do we draw more insurers to the state to improve competition and ultimately help drive premiums down?	1
What role, if any, does the state have in this area?	1
How do we keep insurers from leaving the market? Insurers paid out $1.92 for every dollar collected in premium in 2022. Trying to artificially drive premiums down only forces companies to leave.	0
Finding insurance for new properties is challenging.	0
Lack of adequate public safety response in Minneapolis and St. Paul and some other areas is creating huge challenges for affordable housing residents and providers. Insurers look at crime stats in the neighborhood and burden of lack of public response puts onus on providers to fund private security.	0

What role can the state play in helping to curb increases in the new reality of more severe weather creating huge insurance increases.	0

Topic 7: Other

Challenge/Issue	**Votes**
Expectations of policymakers and advocates on supportive housing is a challenge. It's relatively easy to build the asset, but the long-term services resources to ensure those residents can be stability housed is woefully fragmented and underfunded. Deeply affordable units are desperately needed, but those buildings are not currently set up for long term success due to ongoing funding needs.	5
Affordable housing owners/operators carry disproportionate risk within the broader housing system, which has become more evident in the current environment. Examples: Cash flow is tightly underwritten at the front end, land use restrictions for 30+ years, without a financial model that is robust enough to ensure buildings have the resources to operate well without recapitalization, partnership agreements are often tilted in favor of tax credit investors, etc.	3
Housing should be a continuum with options for movement, too much focus on one area means there are less options overall and those with the lowest incomes suffer the most. But only building for the lowest won't solve the problem.	2
Policymakers and elected officials often lack a full understanding of the impact of actions on creating and preserving housing.	

Appendix F: External Resources

- ‘The Whole Industry Could Collapse’: D.C.’s Housing Providers Face An Existential Crisis
- ‘We Have Upended The Whole System’: Mayor Bowser Calls For Rollback Of Pandemic-Era Eviction Policy
- Accessing and Maintaining Long-Term Solutions to Homelessness
- How the Cost of Housing Became So Crushing
- What Kalamazoo (Yes, Kalamazoo) Reveals About the Nation’s Housing Crisis
- Affordable Rental Housing Preservation
- A Note from Priya: Prioritizing Preservation
- Talking “Toilets, Taxes, and Tenants”: Challenges Mount for Apartment Owners in Twin Cities Area
- The High Cost of Maintaining Affordable Housing
- Affordable Housing Preservation Strategy Framework
- Race Place Policy Podcast: Place, Neighborhood, and Opportunity
- 2023 Affordable Housing Credit Study and Credit Tool

Appendix G: Anecdotal Evidence

General Feedback:

1. Collectively there is a willingness for providers public/private/nonprofit organizations to provide livable dignified housing. They are unable to provide that in the current structure therefore they are labeled slumlords or get attacked by residents because they desire the same things. Public safety and the lack thereof are creating new costs to housing. The amount of money being spent on replacing doors and security is astronomical. The drug problem is insidious.
2. Heading Home Minnesota Funders Collaborative (HHMFC) provides funding to support three “regional kitchen tables” (“RKTs”) to center the voices of persons with lived homelessness experience in policymaking related to housing. The RKTs are in Winona, Duluth, and the Twin Cities Metropolitan Area. Emerging developers of color are not as well capitalized as more established for-profit developers and may not have the same access to resources as more established non-profit operators. Many emerging developers of color operators of affordable housing are experiencing distress in their properties. Minnesota Housing Partnership (MHP) convenes a group of rural Minnesota developers. The challenges of owning and operating affordable housing in rural Minnesota are as great if not greater than the challenges in the metropolitan area. Greater Minnesota communities have experienced the same headwinds facing all rental housing operators, including inflation, increases in operating costs in excess of increases in rents, labor and materials cost increases, higher interest rates, etc. Values and rents are lower in most Greater Minnesota communities, relative to the Twin Cities market, which makes affordable housing development and preservation more challenging.
3. Most tenants [in permanent supportive housing] have been homeless multiple times and often as children with their parents. They have addictions and behavioral health issues that have made housing stability impossible. Permanent supportive housing has proven to be very effective in housing very high barrier homeless households. All work [of affordable housing providers] involves properly managing funds, rules and regulations, supportive services criteria, often which collide with each other. Unfortunately, BIPOC households have been over represented in the homeless and low income population forever. For example, a Native American mom with 2 twins moved into our housing 8 months pregnant. She was drug addicted and had recently gone through treatment. The babies were born drug affected not addicted. This meant they had some issues. One of which was they resisted sleeping. She was exhausted. We approved her cousin moving in to support her with the sleepless nights. This was a huge improvement. Also, the boys would rock back and forth. They would get up in the night and rock in chairs that sometimes hit the wall. Neighbors were disturbed by the noise and complaining. We decided to get 2

rocking chairs and secure them to the floor away from the walls so the boys could rock as needed and the neighbors could sleep. This family would have been evicted from a traditional housing situation. In 2007 a native American woman moved in. She had been homeless for most of her adult life. She was an alcoholic, trafficked, had her throat cut open and lost all of her children to the system. Since moving into our housing she has been permanently housed with us and HRA senior housing.

4. Supportive and affordable housing to folks with substance abuse disorders, in some cases, is the most stable housing that folks have ever had.
5. Our residents are concerned with rent staying affordable based on their income, buildings being well-maintained, and feeling safe in their homes and community. These expectations are very reasonable yet as owner/operators can be very challenging to deliver on. The rents households (and rental subsidy) can pay don't support the expense levels required to operate the buildings. Skyrocketing costs of insurance and security are making this financial model unsustainable. Of particular concern as an owner/operator in the City of Minneapolis, are the costs for security that are being passed on to private affordable housing owners. These costs were never contemplated when buildings were initially underwritten and funded, and are putting substantial stress on the nonprofit sponsors.
6. A few households [have said] that they will not increase their earnings even though they could because there is nowhere that they can move to if they are no longer income eligible for their existing housing. We just opened a workforce housing project and had a very difficult time finding an insurance company that would write our policy, in fact only one would agree and we had several hoops to jump through in order to bind coverage. There is a community in greater Minnesota that has noted they have several households that are considered homeless by the standard definitions that have incomes in excess of 120% AMI. In this community it is difficult for building owners of affordable units to provide for ongoing maintenance, the result is that these buildings end up with significant costly repairs, in addition to age related wear and tear.
7. Affordable housing development and ownership is a long-term hold business, for the most part. Asset Management specific to the affordable housing financing regulations is critical to the success of any organization providing affordable housing. Disposition of housing assets is an asset management strategy that is sometimes a good strategic move. In our affordable housing industry we are not focusing on asset management strategies and benchmarks like we did at the beginning of the Low Income Housing Tax Credit (LIHTC) period - the 90's and early 20's. In the 90's then was emphasis on property and asset management, as the LIHTC was a new program and compliance/reporting was evolving. We used to have an asset management brownbag lunch group to talk about management/ownership issues monthly that was hugely valuable. Now that the program is mature, we feel like experts and seem to have lost the focus on property management as the

primary essential function. It is clear since the pandemic, we need to get back to that as an industry.

Tribal Engagement Feedback:

1. I assisted Leech Lake Reservation on a project to create a 20 - year housing plan that reviewed all of the housing needs for the reservation based on current research and barriers to housing. The greatest challenge we found through this project was the availability of land with municipal services that could be used for development.
2. There is a great need to preserve existing affordable housing in [the Leech Lake] community, including preserving LIHTC, Rural Development, and federally assisted housing. Disinvestment in market rate but affordable housing is also problematic. There is a severe shortage of resources and capacity, and programs that are designed to serve rural and tribal communities, to address preservation needs.
3. We [have heard] a lot of input on the need and lack of deeply affordable housing for seniors in particular.