MINNESOTA HOUSING

2024-2025 QAP Public Comments
October 2022

MINNESOTA HOUSING

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October 4, 2022

Ms. Tamara Wilson
Minnesota Housing Finance Agency
400 Wabasha Street North, Suite 400
St. Paul, MN 55102

By Email to: htc.mhfa@state.mn.us

RE: Comments of 2024-2025 QAP

Dear Ms. Wilson,

Aeon is a Minnesota Non-Profit Housing Developer, owner and manager of nearly 6,000 units of affordable housing. Over 25% of our portfolio is affordable to those with the lowest incomes, earning at or below 30% of the Area Median Income (AMI). A majority of our portfolio serving residents earning between 30% – 60% AMI. It is with that background that Aeon has concern about changes contained in the draft 2024-2025 QAP.

Our comments focus on 1) a provision that funding commitments cannot be eliminated or reduced and 2) the proposed rent cap on projects. We have concerns regarding both.

It is Aeon's mission and priority to ensure housing is affordable in our community for the long-term. Aeon comes from the term "eon" meaning "forever." Unlike typical real estate owners, Aeon seeks to own and manage our portfolio in perpetuity, all while keeping rents affordable to residents we serve. But as a long-term owner we face challenging realities to ensure our portfolio remains quality, dignified housing.

Affordable housing production is challenging. We pay market pricing for development (land, construction materials, architectural services), and ongoing operations (utilities, insurance, labor, real estate, etc.). Moreover, we take on risks associated with the longer development timelines of affordable projects and face greater ongoing operating costs when factoring in required compliance and needed services to support resident stability. Yet, we reduce by formal agreement the amount of revenue we are able to charge. *In summary – we pay more and agree to earn less*.

The updated self-scoring worksheet (page 35) includes a provision that funding commitments cannot be eliminated or reduced, which could be problematic in many ways. Early in the development process, committing deferred developer fees are a tool for developers to close project gaps. We then work to mitigate these deferred costs to improve the health of our organization and, critically, position us to advance other projects that may still have funding gaps. Things like sales and energy rebates can also adjust over time, given updated energy requirements, changing cost of materials, and other reasons. The commitment policy, as it reads, is not responsive to dynamic realities of affordable housing development. And would limit the ability of organizations like Aeon to maximize our housing production.

A rent increase limitation could leave owners like Aeon in a difficult position when properties face circumstances that require a financial solution. Given the lack of funding sources available to address evolving capital and social needs at affordable properties, any extenuating circumstances would force Aeon to limit costs that remain within our control. Costs like reducing the level of maintenance, repair and staffing we can afford. These issues would not only impact stability of residents at Aeon's properties, but also would exacerbate our community's lack of dignified, quality housing for all.

Consequences would eventually spread outside of individual properties in Aeon's portfolio. It puts our organization at risk. And as such Aeon may be forced to develop less housing, consider developments with less affordability, or develop lower-cost-inferior-quality housing—all of which are the antithesis of Aeon's core mission.

We appreciate and understand the very strong advocacy for rent control throughout our community. This is a clear sign - with which we agree - that housing is unaffordable and our system is broken. However, rent control policies must not cause unintended consequences for organizations working at the forefront of and with the deepest commitment to addressing the affordability crisis. Should a rent increase policy be imposed by MHFA**, there must be reasonable flexibility or exceptions that allow mission-oriented developers to maintain the quality of their units and as such does not deter mission-oriented developers from creating significantly more affordable homes.** We strongly encourage the agency to include provisions or exceptions for developers like Aeon that have not and would not expose residents to unreasonable rent increases solely to increase organizational profits.

In addition to our comments on the above issues, Aeon would reiterate the importance of policies and programs from MHFA that increase production and allow stable operations of affordable housing –

1. Provide more low-cost and no-cost soft-source funding to encourage ample development of affordable housing. And ensure these funds can be deployed readily on a range of projects that improve the affordable housing supply, including traditional tax credit developments and preservation projects.

2. Provide sufficient, long-term funds for services that stabilize residents in need of mental health services and other supports. This would directly impact low-income residents' ability to remain stable in their homes. And would allow developers to create even more of this urgently needed housing.

3. Fully fund rental vouchers (vs. funding just 25% as is currently the case) so we can afford to provide housing for our lowest income earners at the *real cost* of doing so without cost -burdening these residents in the process.

We look forward to working with MHFA to find solutions that deliver the needed housing for our community.

Sincerely,

Eric A Johnson
President and CEO, Aeon

The Alliance
ADVANCING REGIONAL EQUITY

October 5, 2022

2024-2025 Qualified Allocation Plan Comments

The Alliance is a coalition of 33 organizations whose mission is to advance racial, economic and environmental justice in the way growth and development occurs in the Twin Cities region. As an organization, we have played an advocacy role in pushing for Minnesota Housing Finance Agency to use the Qualified Allocation Plan (QAP) with intentionality to better ensure that public resources are best spent in support of creating a more equitable housing system in our region and state.

Based on our values and vision, we believes the QAP can better direct investments more equitably in our communities by:

- Committing to the a 3% annual rent increase cap for affordable housing properties that receive resources from MHFA. The current proposal for 5% is certainly a positive step and is long overdue. Given what we have witnessed this year in proposed rent increases from developers and landlords who have receive MHFA money in the past, this is perhaps the most important piece for MHFA to commit to in this draft of the QAP.
- Ensuring that no developer receives money from MHFA to build housing unless they commit to permanent affordability in their properties.
- Increasing and prioritizing longer term and deeper levels of affordability in investments in housing. For many renters and many BIPOC communities, only housing at the deepest levels of affordability (30% AMI and sometime lower) will be affordable to existing residents of neighborhoods who are facing displacement pressures. This should be a priority for the allocation of MHFA's resources.
- Barring any developer who aims to make profits, while mistreating or displacing tenants, from receiving the limited government resources that support the productions and maintenance of affordable housing in our state. MHFA must tie fair housing

enforcement to its consideration of scoring and, ultimately, which projects and developers are funded. The agency is well aware of developers and property owners who continue to mistreat their tenants, who are often some of the most in need of equitable housing options, and must respond to community demands for accountability.

We appreciate the opportunity to comment on the draft Qualified Allocation Plan document and expect for continued dialogue and engagement with the agency about this and other decision making processes.

Sincerely,

Owen Duckworth
Director of Organizing and Policy
The Alliance for Metropolitan Stability

BD | **Bader**Development

October 5, 2022

Ms. Tamara Wilson
Minnesota Housing Finance Agency
400 Wabasha Street North, Suite 400
St. Paul, MN 55102
By Email to: htc.mhfa@state.mn.us

<u>Comments of 2024-2025 QAP Rent Increase Limits</u>

Dear Ms. Wilson,

Bader Development is deeply concerned about MHFA recently proposing that the Minnesota Housing Board of Directors adopt a 5% rent cap in a variety of scenarios for funding under the 2024-2025 QAP that would affect future MHFA funded projects.

This proposed policy addition is detrimental to new housing production as well as the preservation and improvement of Naturally Occurring Affordable Housing (NOAH). We believe that this type of cap will reduce the overall investment in multifamily housing where supply is already significantly short in the state of Minnesota.

Controlling rent levels has been proven to be a disincentive to building and preserving more housing. In addition, there is national evidence that rent control type regulations do not serve low income, cost burdened households in the long term. Rather, it stifles new development and reduces options and opportunities thereby pushing rent higher in the market overall. These shortages impact lower income renters more than the general population.

St. Paul's recent 3% limit on rent is already impacting housing production and adding additional constraints on income restricted housing by MHFA funded programs. This policy will be a disincentive to market rate housing providers who access LIHTC and housing choice voucher programs to increase affordable housing units across the state. A proposal such as this should be delayed to fully consider the long-term impacts associated with St Paul's rent control ordinance on housing supply.

This is a legislative question that needs substantial public debate. It is in effect "Rent Control" imposed by administrative fiat, which we do not believe the state agency has the legal authority to impart. The function of MHFA by statute is the financing of housing in the state and the administration of federal and state programs to facilitate that production.

In addition, the suggested policy change was added at the last minute as a supplement to the QAP and with an extremely short timeline to collect public data. The suggested policy change of this magnitude should require a much longer comment period than the one week provided.

Today the housing industry is faced with rising interest rates, high insurance rates, increasing tax obligations, and escalating construction costs. Further restrictions on rent over and above what is already regulated for MHFA programs is the wrong direction for Minnesota housing.

A meaningful solution to a housing crisis is to provide more funding for production and increase rent subsidies for those who are most impacted - not artificially suppress market forces.

The new rule should be immediately dismissed from consideration by the Commissioner and MHFA Board.

Bader Development urges the MN Housing Board of Directors to reject this policy change in the 2024-2025 QAP.

Sincerely,
Bader Development

Robb Bader
President

Wilson, Tamara (MHFA)

From: Carol Quam <quamcarol09@gmail.com>
Sent: Tuesday, October 04, 2022 3:43 PM
To: #MHFA_HTC
Subject: Qualified Allocation Plan

____

Kelly Winter
This is from David and Carol Quam
1066 County Highway 10 # 135
Spring Lake Park, MN 55432
651-855-8425
Our rent for a one bedroom apartment was increased by $139.00 on September 1, 2022‼ This is a 25% increase for us Our monthly income is $2,100.00 We would like to have a cap on rent increase of 3% The meaning of affordable housing should be according to the income of people like us on SS and Pensions instead of based on people who are still working. Our garbage disposal needed to be replaced and it took 3 weeks for it to be replaced ‼ Living in a Dominium property has been interesting Sometimes things get done in a timely manner and sometimes not The trash and recycle chutes in trash room on first floor are often plugged up Thanks

Sent from my iPhone

Colliers Mortgage
90 South Seventh Street
Suite 4300
Minneapolis, MN 55402

Main: +1 612 317 2100
Main: +1 866 922 0786
colliers.com

Colliers Mortgage

October 5, 2022

Ms. Tamara Wilson
Minnesota Housing Finance Agency
400 Wabasha Street North, Suite 400
St. Paul, MN 55102
By Email to: htc.mhfa@state.mn.us

RE: Proposed Rent Increase Policy for the 2024-2025 QAP

Dear Ms. Wilson:

Colliers Mortgage LLC is very concerned about MHFA's recent proposal that the Minnesota Housing Board of Directors adopt a 5% rent increase limit to properties seeking funding under the 2024-2025 QAP. While we acknowledge MHFA's desire to help solve the affordable housing crisis in MN, we believe that this type of rent limit cap will reduce the overall investment in multifamily housing by decreasing supportable loan amounts and thus increasing the need for already limited soft funds.

Low income housing tax credit properties have a built-in rent cap as rent can only increase in conjunction with increases to Area Median Income. The proposed additional rent increase cap does not take into account that expenses are a constant variable. Payroll, utilities, insurance and real estate taxes typically increase each year; in many instances these increases have exceeded 5%.

In years with high expense growth, a rent limit increase that is below the allowable Section 42 maximum can easily cause a property to fall below standard loan underwriting parameters and put unnecessary operational pressure on the property.

Consider an apartment project that has Effective Gross Income of $500,000 and operating expenses of $250,000. The project qualifies and receives a loan of $3,190,000 at a 5.5% interest rate. At initial loan closing the DSCR is 1.15x.

Example 1 (rent is increased at the allowable rates under Section 42):

Year	1	2	3	4	5
Rent Increase	0%	2%	8%	6%	2%
Expense Increase	0%	4%	10%	10%	2%
Income	$500,000	$510,000	$550,800	$583,848	$595,525
Expenses	($250,000)	($260,000)	($286,000)	($314,600)	($320,892)
NOI	$250,000	$250,000	$264,800	$269,248	$274,633

Debt Service	$217,350	$217,350	$217,350	$217,350	$217,350
DSCR	1.15	1.15	1.218	1.238	1.263

Example 2 (rent is increased at the lower of allowable Section 42 rates and 5%):

Year	1	2	3	4	5
Rent Increase	0%	2%	5%	5%	2%
Expense Increase	0%	4%	10%	10%	2%
Income	$500,000	$510,000	$535,500	$562,275	$573,521
Expenses	($250,000)	($260,000)	($286,000)	($314,600)	($320,892)
NOI	$250,000	$250,000	$249,500	$247,675	$252,629
Debt Service	$217,350	$217,350	$217,350	$217,350	$217,350
DSCR	1.15	1.15	1.147	1.139	1.16

In example one the property maintains a DSCR of at least 1.15; in example two the DSCR drops below the 1.15 threshold in years 3 and 4. To maintain a DSCR above 1.15x in the above example, loan proceeds would need to decrease by $40,000. That $40,000 can be better leveraged to add additional affordable units to the market rather than subsize a rent increase cap.

This example shows the danger in artificially limiting rent increases at affordable properties. It is not understandable why MHFA would add to the burden of affordable housing stakeholders, put undue stress on property operations and limit the amount of affordable units that can be supplied to the market.

Today the industry is faced with rising interest rates, high insurance rates, increasing tax obligations, and escalating construction costs. Further restrictions on rent over and above what is already regulated for MHFA programs is the wrong direction for Minnesota housing.

A meaningful solution to a housing crisis is to provide more funding for production and increase rent subsidies for those who are most impacted - not artificially suppress market forces.

Colliers Mortgage LLC urge's the MN Housing Board of Directors to reject this policy change in the 2024-2025 QAP.

Sincerely,

Karen M. Dubrosky
Senior Vice President, Affordable Production
Colliers Mortgage LLC

CommonBond COMMUNITIES
1080 Montreal Avenue
St. Paul, MN 55116
commonbond.org

October 5, 2022

SENT VIA EMAIL TO htc.mhfa@state.mn.us

Tamara Wilson
Minnesota Housing
400 Wabasha Street North, Suite 400
Saint Paul, MN 55102

RE: Comments on 2024-2025 QAP Rent Increase Limits

As a mission-based, non-profit affordable housing owner, developer, manager, and service provider, CommonBond Communities is deeply committed to providing a dignified and affordable home to all existing residents and also to expanding the number of new homes that we can deliver.

We know that there are households who are seeing increases in their rents that are outstripping the growth of their income. We know that many of these households (often seniors and BIPOC folks) are already cost-burdened and on fixed incomes, which makes it difficult for them to afford these increases. We work every day to help residents meet their basic needs in this unfavorable context. We are acutely aware of the limitations on our ability to solve this problem independently and seek your partnership in making changes that are positive to renters and tenable to operators.

We understand Minnesota Housing's interest in placing additional limits on rent increases in the interest of protecting individual tenants. However, we believe that the immediate relief that this would provide to individuals would result in long term negative consequences for renters, the housing stock, the communities in which they are located and organizations like ours who are the engine of production of much needed additional housing. Our experience tells us that this proposal could lead to a decline in the quality of the properties and the management that can be provided to current residents. It would do this by restricting rent growth below the increase in the costs of operating the property.

CommonBond and other operators are already struggling to cover spikes in virtually every operating cost category. These costs are largely beyond our control and we do not currently have access to outside resources to address their outsized growth.
Examples:

- Property taxes (burden has shifted to multifamily properties from other property types over the past decade and 4d reform has not been forthcoming)
- Special assessments (more frequent)
- Property insurance costs (up 20% to 30% year over year)
- Utilities (in spite of our considerable work on efficiency and green)
- Security (a primary concern of most residents, particularly in recent years)
- Labor costs (staff turnover and vacancies are already undermining our basic functions)
- Repair expenses (labor and materials costs are up significantly and slowing maintenance)
- Capital investments (reserves are not generally sufficient) etc.

CommonBond COMMUNITIES
1080 Montreal Avenue
St. Paul, MN 55116
commonbond.org

To illustrate, CommonBond has a senior housing community in Mound, Minnesota that has seen its property value increase by 50% in five years, its insurance costs increase 200% in three years, and the bid to replace the roof increase from $150,000 to $215,000 (43%) in just two months. Examples like this can be found all throughout our portfolio. Still CommonBond has been attempting to hold the line on rents for existing residents (including 0% for two years and averaging less that 2% over the last ten), making more aggressive increases on turn-over only. We have been feeding our portfolio from our corporate reserves (more than $3m in our portfolio). We cannot indefinitely sustain the rate of change in expenses without increasing rents or receiving some external relief.

Furthermore, the financial structures of many properties were not engineered to deliver income-geared affordability. Not allowing rent growth to keep pace with the increase in expenses (without offering alternative sources to address them) will require CommonBond and other operators to make difficult choices. Simply put, this proposal could well result in residents experiencing a degradation in their housing; a decline in the safety and quality of the housing we are able to provide today - and its ability to serve subsequent generations.

There are other, much more direct ways that the State of Minnesota and MN Housing could protect current renters without negatively impacting the quality and long-term viability of affordable housing. These include, but are not limited to, additional individual and project-based rent subsidies for those with stagnant incomes, emergency rent relief for those with interrupted income potential, operating subsidies to sustain properties with outsized cost growth, and funding of reserves and capital improvements to the legacy portfolio. These measures would either directly reduce the burden of rent or reduce the expense of operating affordable housing and would work to enhance the effectiveness of controls already in place in the LIHTC program. These are all initiatives that would recognize the difficult realities of serving those with lower and stagnant incomes in an inflationary environment.

Should the agency continue to pursue this approach, we would request an opportunity for further discussion. Our participation on both the St. Paul and Minneapolis work groups have expanded our view on the various issues at hand including potentially deleterious effects on the pace and volume of renovation and new production. Some of these were addressed in the recent highly-deliberated amendments in St. Paul. One such question is the treatment of post-rehab rents, which are often increased by more than 5% to sustain the debt necessary to support the rehab. This policy would result in a significant curtailment of acquisition rehab projects.

CommonBond Communities appreciates the opportunity to provide public comment to assist Minnesota Housing in the development of the 2024-2025 QAP. Please do not hesitate to contact me at deidre.schmidt@commonbond.org.

Sincerely,

Deidre Schmidt
President & CEO

Wilson, Tamara (MHFA)

From: connietoupin@comcast.net
Sent: Wednesday, September 28, 2022 2:59 PM
To: #MHFA_HTC
Subject: Rent increase controls...

To limit rent increases is wrong... As a landlord/owner for 50 years and a licensed full time Realtor for 51 years.. This is wrong... Passing basically RENT CONTROL sounds nice but has only destroyed the housing options for all renters. There is not a state in the United States where it has actually benefited the overall rental housing supplies... Currently in Illinois 60+% of citizen are very unhappy with the rent controls passed in their state.... It does cause owners not able to afford to keep up with taxes ... repairs is a major one.. deteriation of the affordable housing supplies.. IT DOES NOT WORK! My tax evaluation on one duplex in Hennepin county went from $ 325,000 to $ 450,000 ... this last year! Rents have to go up to offset this one example.. As a Believer in affordable housing ...controls on rent increases and or amounts of rents charged is wrong... and is being decided by elected officials that have no financial stake in the losses that will occur...
Each landlord should have the right to charge the rent they ask for.. if it is too high it will not be rented. There are times where I have not raised rents for 3-5 years for certain properties... Then there are times where a yearly increase is necessary. There are too many variables... too many properties... too many tenants to pass a blanket rent control policy. If you pass this ..then landlords will be forced to increase rents yearly in fear of future costs.. IT DOES NOT WORK!

Connie Toupin , Realtor, landlord
307 Maple Island Rd
Burnsville, MN 55306
952-261-9222

Comments regarding the 2024-2025 QAP and the Proposed Rent Increase Limit Policy

After review of the information provided regarding the rent increase limit policy, we have the following comments:

1. For Profit Owners in the LIHTC program (and other MHFA programs) are already limited on the amount of rent that can be charged for units when they agree to funding. These limits are in place to ensure that tenants are not charged more than 30% of the income limit set forth for the property. Another restriction on these owners would result in fewer owners willing to sign up for these programs, which would result in less affordable housing being constructed.
    a. Most of our units do not come close to reaching the maximum allowed rent for the program.
    b. We have heard of other owners increasing the rents to the maximum allowed and just because they are pushing the limits does not mean all property owners and management companies are doing the same.
2. Rent increases should not be limited to 5% as this will cause an undue burden at the properties resulting in less desirable places to live for lower income families. Our rents are based on the needs of the property and not how much "more" profit our owners can make.
    a. When rents are based on the expenses at the property, we may have to allow for higher rents to provide housing that is equitable and affordable.
    b. As the buildings age, more maintenance is required which increases the expenses at the property.
3. A 5% rent increase limit would negatively impact affordable housing as it would cause maintenance to remain undone due to decreased cash flow. Many owners would be unwilling to provide additional funds for day-to-day maintenance when the rents should have been able to be increased to cover these expenses.
4. If you feel there is a need to put a 5% rent increase limit in place, that should be the most restrictive that Minnesota Housing should have.
    a. You should allow for higher than 5% increases based on inflation and HUD income limit increases. However, going any lower than 5% would be detrimental to all properties.
    b. All properties with or without "Relief Provisions" should be allowed to submit a written request for an increase above the allowed percentage of increase per year.
    c. The budget-based increase should also allow for increases in property expenses along with increased management fees and allowable owner distributions.
5. We believe that we have been fair and equitable to our existing and potential tenants by providing minimal increases when the property does not have the need for a large increase.

6. Below is a chart of if we would have followed the 5% or max allowable rent whichever was less. This is a typical 3-bedroom townhome that we would manage. As you can see our rents are much lower than the limits you are proposing. Had we known about these proposed limits when the properties were constructed, we would have always increased the rents by 5% or max allowable to ensure the property remains solvent.

3-bedroom Townhome - typical				
2015 Rent - $705		5%	Actual	Max Rent - less UA
	2016	$ 740.00	$ 720.00	$ 782.00
	2017	$ 777.00	$ 735.00	$ 752.00
	2018	$ 816.00	$ 750.00	$ 767.00
	2019	$ 857.00	$ 765.00	$ 801.00
	2020	$ 900.00	$ 780.00	$ 862.00
	2021	$ 945.00	$ 795.00	$ 1,047.00
	2022	$ 992.00	$ 835.00	$ 1,059.00

7.

Wilson, Tamara (MHFA)

From: Dawn Cordes <cordesdawn5@gmail.com>
Sent: Tuesday, October 04, 2022 2:54 PM
To: #MHFA_HTC
Subject: #1..............................Long Term Affordability for LIHTC Properties in Minnesota. #2......revise/simplify the MN Housing web site for easier access of information

____

Jennifer Ho, Summer, Kelly, Nicola and and the gentleman with tech issues.

Thank you for your time and attention today.
I want you to know how grateful we are to be heard on such important matters. Thank you very much.
Dawn Cordes

Additional comment from morning QAP Webinar.

#1.......
Came across an interesting report about the future of LIHTC affordable housing
We really need to look and plan for future.
>
> Abstract
> The purpose of this report is to compile and analyze the nature and effects of the end of affordability restrictions of 4% and 9% low-income housing tax credits (LIHTC) in Minnesota. Policy options for continued affordability in properties that had used low-income tax credits will be examined to determine their viability in the state of Minnesota. The report will cover both Year 15 LIHTC exits and the traditional Year 30 completion of program obligations and identify properties nearing these critical time points where affordability could be lost.

> These identified properties can be targeted for use of policy alternatives or to identify communities that will soon be experiencing the loss of affordable housing units.

> While there is the potential for a large exodus from the program for LIHTC properties in Minnesota, further research is needed to determine the exact amount given other extenuating circumstances that affect the financing of affordable housing .
>
>
>
> https://conservancy.umn.edu/bitstream/handle/11299/225044/LITHC-Exits-Report-CURA.pdf?sequence=1&isAllowed=y

7:02 PM Thu Sep 29

units, 7,762 currentl

1,552.4 units leavin

Figure 2

Ending Within (8/22/26)
Ending Within 1 (8/22/31)
Total Currently Act Units
-

>
>
>
>
> #2…..

> Please revise / update and simplify MN Housing web site. Very difficult to navigate. Really need to have a search area to locate items, especially for compliance.

I'm sure you and others understand how / why it is laid out, but difficult for a novice to move from accessible page, section or website to another.
>
> Sent from my iPad

Multifamily Housing eNews

September 28, 2022

2024-2025 Qualified Allocation Plan and Amended 2022-2023 Qualified Allocation Plan Release: Second Public Comment Period Now Open

Minnesota Housing is releasing proposed changes resulting from prior public comments on the 2024-2024 Housing Tax Credit Qualified Allocation Plan (QAP). We are also proposing an amendment to the 2022-2023 QAP.

We will accept comments on these proposed changes until 5 p.m. CT on Wednesday, October 5, 2022.

2024-2025 QAP: Second Public Comment Period

We announced in our June 6, 2022, eNews proposed changes to the 2024-2025 QAP. After the public comment period in June, we revised the documents, which are listed below for review and public comment:

- Proposed 2024-2025 QAP
    - Includes a new reallocation policy in Chapter 2.V. The purpose of the reallocation policy is to allow a return and reallocation of 9% HTC for projects that are unable to place in service by the required deadline. Projects will be required to meet certain criteria.
- Proposed 2024-2025 Self-Scoring Worksheet
- Proposed Rent Increase Limit Policy
    - The purpose of the new policy is to limit the size of annual rent increases to mitigate the impact to cost burdened households and to help prevent economic displacement. We seek public comments on the policy options listed in the document.

There are no additional changes to the Proposed Methodology Guide that was released in June 2022.

The initial documents proposed in June and the revised documents are available on our QAP page on our website.

Amended 2022-2023 QAP: Public Comment Period

We are proposing to amend the 2022-2023 QAP to add a new reallocation policy. There are no additional changes proposed to the 2022-2023 QAP.

- Proposed Reallocation Policy
  - The purpose of the reallocation policy is to allow a return and reallocation of 9% HTC for projects that are unable to place in service by the required deadline. Projects will be required to meet certain criteria. If adopted, the proposed amendment would apply to all projects that have received an allocation of 9% HTCs from Minnesota Housing with a reallocation under the 2022-2023 QAP.

How to Share Your Feedback

Public Hearing

We will hold a public hearing on Tuesday, October 4, from 10:00 – 11:00 a.m. CT via GoToWebinar to address both QAP proposals. We invite the public and our partners to join us to share comments.

To speak at the hearing, you must also email htc.mhfa@state.mn.us by 12:00 p.m. (noon) CT on Monday, October 3, 2022.

GoToWebinar Registration

Participants can use their telephone or computer microphone and speakers.

Toll-free Phone Number: 1.877.309.2074

Telephone Audio PIN: Shown after joining the webinar.

Telephone Audio Access Code: 497 378 508

In Writing

Written comments must be submitted by the public comment deadline of 5 p.m. CT on Wednesday, October 5, 2022.

- Email comments to htc.mhfa@state.mn.us

- Mail comments to: Minnesota Housing, ATTN: Tamara Wilson, 400 Wabasha Street North, Suite 400, St. Paul, MN, 55102

By Telephone

Phone comments must be submitted by the public comment deadline of 5 p.m. CT on Wednesday, October 5, 2022. If you would like to comment by phone, you may call Kelly Winter at 651.297.5142.

Next Steps

Presentation and final action on the 2024-2025 QAP, Self-Scoring Worksheet and Methodology Guide, as well as the Amended 2022-2023 QAP, are expected to occur at Minnesota Housing's board meeting November 17, 2022.

Thank you for your interest and partnership in the QAP process.

Questions

Email HTC staff at htc.mhfa@state.mn.us.

REMINDER: 2022 Housing Tax Credit Program Carryover Allocation Applications Due Tuesday, November 1 by 12:00 p.m. (noon) CT

Projects that received 2022 9% HTCs are required to apply for a Carryover Allocation by Tuesday, November 1, 2022, by 12:00 p.m. (noon) CT. Please review our September 1, 2022 eNews for details on how to submit your application.

Questions

For project specific questions, contact the assigned Minnesota Housing staff listed in the Portal.

For Portal questions, contact mhfa.app@state.mn.us.

For HTC questions, visit Minnesota Housing's HTC webpage or contact the HTC team at htc.mhfa@state.mn.us

Housing Tax Credit Projects: Submitting 8609 Checklists by Year-End

HTC projects that plan to submit an 8609 Checklist in the Multifamily Customer Portal must submit their application by Monday, Oct 17, 2022, in order for Minnesota Housing to issue the IRS Form 8609 by December 31, 2022. To optimize timely processing of requests for issuance of IRS Form 8609, we recommend the owner make every effort to submit the complete application for 8609 to Minnesota Housing no later than 30 days following completion of the project and at least 60 days in advance of any required filing deadline.

The last quarter of the year is a busy time for Minnesota Housing staff and our development partners. We see an influx of HTC projects working to meet milestones, such as executing Carryover Agreements, submitting 42M requests, and issuing IRS Form 8609. The Oct 17, 2022, date will help ensure we can meet your year-end deadline. Thanks for your partnership in this effort!

For project specific questions, contact the assigned Minnesota Housing staff listed in the Portal.

www.mnhousing.gov

Winter, Kelly (MHFA)

From: Slater, Deb <Deb.Slater@slhduluth.com>
Sent: Wednesday, September 28, 2022 2:13 PM
To: #MHFA_HTC
Subject: FW: 2024-2025 Qualified Allocation Plan and Amended 2022-2023 Qualified Allocation Plan Release: Second Public Comment Period Now Open

This is just **garbage** to help freeloaders…**NOT** the lower income **WORKING CLASS**!!! **Put MY tax dollars to use for those who EARN their way** and **NOT** those abusing every possible program aimed at the FREELOADERS!!!

From: Minnesota Housing [mailto:MNHousing@public.govdelivery.com]
Sent: Wednesday, September 28, 2022 2:03 PM
To: Slater, Deb
Subject: 2024-2025 Qualified Allocation Plan and Amended 2022-2023 Qualified Allocation Plan Release: Second Public Comment Period Now Open

Having trouble viewing this? View it as a webpage

Wilson, Tamara (MHFA)

From: Diane Flynn <dimurph55@hotmail.com>
Sent: Wednesday, October 05, 2022 9:47 AM
To: #MHFA_HTC
Subject: Tamara Wilson QAP

I am a senior living in the Legends of Woodbury. I worked forty plus years as a licensed Day Care Provider. Licensed Day Care is under DHS The purpose of the program is to ensure the safety and well-being of children and youth. I watched over the years of day how they became much more strict with the safety of children. They did drop visits checking water they could check anything in home . I never had problem because this kept children safe . What I feel seniors in affordable housing do not have the same safety net . I feel that there's no group that holds them accountable. They raised our rent 12.5 percent for me it meant I had to get a job . For me I can do this but I see the people can not do this. Social security does not give us those kind of raise .
Another issue is safety in our apartment buildings elevators have been down a total of 3 month. One of the times the elevator was out I had bilateral pulmonary embolisms .this meant for me to walk to other side of the building to take elevator. Last we went through another 10 days . There are many more issues then this that What I'm speaking about today is that we need more accountability for us seniors in affordable housing thank you for listening to me Diane from the legends of Woodbury

Wilson, Tamara (MHFA)

From: Public Affairs <Public.Affairs@Dominiuminc.com>
Sent: Wednesday, October 05, 2022 2:59 PM
To: Jefferson, Summer (MHFA); #MHFA_HTC
Cc: Prahl, Paula; Duckett, Khayree
Subject: Dominium Comments on the MHFA 2024-2025 Draft QAP

October 5, 2022

Summer Jefferson
Multifamily Programs Manager
Minnesota Housing
400 Wabasha Street North, Suite 400
Saint Paul, MN 55102

Dear Ms. Jefferson,

Thank you for the opportunity to provide feedback on the proposed 2024-2025 Qualified Allocation Plan (QAP). With 50 years of experience helping communities achieve successful affordable housing solutions, Dominium's overriding objective is to build and improve communities that people are proud to call home. On behalf of Dominium, I respectfully offer comments for staff consideration in the final drafting of the QAP concerning the proposed rent increase limit policy.

The housing credit was created to balance between creating housing that provides rent levels that are reduced from market-rate rents and providing rent levels that will sustain properties over a long period of time. Previous experiences with affordable housing demonstrated the perils of consistently low rent levels that did not move with the economy. Those housing developments became dilapidated, provided poor experiences for residents, and were rarely welcomed into communities, especially communities that otherwise provide strong opportunities for residents.

Alternatively, housing credit communities incentivize long-term investment from the private sector by simultaneously guaranteeing a certain level of rent to support the property and limiting the amount of rent charged to control rents, ensuring continued affordable housing that is welcomed in communities. Importantly, the housing credit linked rent levels to economic changes and inflation as reflected by the Area Median Incomes (AMI).

We have completed an analysis of a portfolio of 5200 units (roughly half are in Minnesota) that have been in operation for 10 or more years so that we can understand the effects of costs and inflation over a longer period. While the Consumer Price Index (CPI) has increased by an average of 1.89% for the years between 2011-2021, the increases for property taxes, repairs & maintenance, insurance, utilities, insurance loss, and payroll have been 6.11%, 5.31%, 2.71%, 29.27%, and 2.14% respectively.

As this information demonstrates, operating costs for housing credit communities have outpaced inflation over the last 10 years. While AMI levels in the Minneapolis-St. Paul region have increased slightly less than 3% on a compounded annual basis since 2002, the increases have not been uniform, with numerous years of zero or near-zero increases and multiple years of slightly above 5%.

Increased expenses are experienced at time 0 and rent increases are realized weeks and months afterward. A "No Relief Provisions" policy that does not consider or make changes to operating and replacement reserves requirements would significantly harm property operations by extending that timeline to months and years of operating shortfalls. This will inevitably increase deferred maintenance at housing credit communities, lead to lower resident satisfaction, and harm the attractiveness of affordable housing to investors and neighbors alike.

This is the scenario of greatest displacement and harm to cost-burdened households, a scenario playing out before our very eyes in Saint Paul. Cost-burdened households need additional housing supply more than anyone else and strict rent increase limits will undoubtedly hinder future housing supply. Accordingly, **Dominium implores Minnesota Housing to reject the "No Relief Provision" policy variations under consideration.**

In response to the unique inflationary environment, Dominium has been active in exploring the relationship between CPI, cost of living adjustments (COLAs) for Social Security beneficiaries, and AMIs. We have found them to be strongly correlated, with the notable exception of a timing lag between AMI and COLA increases. As you may know, Dominium raises rents once a year at lease renewal, with leases renewing in each month of a calendar year, meaning not quite a third of senior resident households could experience rent increases before COLA increases.

And while we reiterate our sincere desire to work with Minnesota Housing to analyze and explore solutions to this timing discrepancy, the novel "With Relief Provisions" policies released five days before a public comment deadline is not in keeping with the spirit of collaborative problem solving. Instead, these draft policy options present many more questions, questions, we imagine, shared by proponents and opponents alike. Why 5%? What is a budget-based rental increase? How will Minnesota Housing define "reasonable limits"? Who will provide staff capacity to consider these requests?

These and numerous other inquiries deserve thorough consideration from entire Minnesota housing community. Therefore, **Dominium urges Minnesota Housing to reject the "With Relief Provisions" policy variations and meaningfully engage stakeholders in future conversations on the topic.**

Ultimately, rental assistance is the most effective tool for bridging the gap between the cost of housing and the income of low-wage earners and people on limited fixed incomes. By providing an automatic affordability tool that is responsive to residents' personal financial circumstances, rental assistance is proven to sharply reduce housing cost-burdens, displacement, and other hardships. While not in the purview of QAP staff, **Dominium encourages Minnesota Housing and other policymakers to prioritize measures to extend rental assistance to the households that need rental assistance but do not receive it due to funding limitations.**

We greatly appreciate your consideration of our comments and look forward to working with you to create, preserve and finance housing that is affordable. Should you have any questions regarding our feedback, please contact Khayree Duckett at khayree.duckett@dominiuminc.com or 763-401-4359.

Sincerely,

Paula Prahl
Partner, Chief Policy and Corporate Affairs Officer & Executive Vice President
Dominium

Public Affairs

Development
DOMINIUM
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Phone 763-401-4359

|

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VIA EMAIL ONLY
htc.mhfa@state.mn.us

October 5th, 2022

Ms. Tamara Wilson
Minnesota Housing Finance Agency
400 Wabasha Street North, Suite 400
St. Paul, MN 55102

Re: Comments of 2024-2025 QAP Rent Increase Limits

Ms. Wilson,

Founded in 1862, Ecumen is one of the nation's top nonprofit providers of housing and services for older adults. Our mission is to continue serving more people in meaningful, innovative ways. We develop and operate affordable senior housing communities across the region and currently have over 600 units of affordable senior housing with more than 300 affordable housing units under active development. As a nonprofit, we are committed to affordable, innovative housing access for older adults in Minnesota.

MHFA recently proposed the Minnesota Housing Board of Directors adopt a 5% rent cap in a variety of scenarios for funding under the 2024-2025 QAP that would affect all projects thereafter funded under conditions of funding by MHFA. This suggested policy change caught Ecumen by surprise as there was very little notice provided. As the notice just went out last week, we have not had adequate time to quantify the impact on our organization or those we serve. We are disappointed there was not more time to testify or provide comment. Furthermore, we question the ability of MHFA to make these changes as rent control is prohibited under MN Statute 471.9996 except under direct vote by members of an electorate.

Ecumen is deeply concerned about the impact this policy would have on the expansion and operation of affordable housing. This policy needs further public debate and developer/operator input. Ecumen believes this policy will limit developer involvement in future housing development which will only harm those who need affordable housing. Looking most recently to St. Paul and the 3% limit on rent increases, there was an immediate slowdown in housing development and the policy has since been revised by the city council.

Quality operators of affordable housing may exit the industry if ongoing operating levels and support is not sustained through reasonable annual increases. The most recent LIHTC and HOME rent increases in the Metropolitan area for the 2023 tax year are well more than 10-12%

based on actual market forces. The only meaningful solution to a housing crisis is to provide more funding for production – not suppressing these market forces with rent control which will only exacerbate the housing shortage and rob individuals of an affordable home as many developers and operators will be forced to exit the market.

We urge the MN Housing Board of Directors to reject this policy change in the 2024-2025 QAP. Furthermore, we do not believe MHFA has the authority to ignore the prohibition of rent control in statute. Finally, before changes of this magnitude are implemented, we urge MHFA to provide more time and feedback from developer and operator partners who are deeply concerned and invested in providing affordable housing to all Minnesotans.

Sincerely,

Brett K. Anderson
SVP - Chief Ecosystems & Operations Officer

October 5, 2022

Tamara Wilson
Minnesota Housing
400 Wabasha Street North, Suite 400
Saint Paul, MN 55102

Re: Minnesota Housing's Draft 2024-25 Qualified Allocation Plan, Round 2 Comments

Dear Ms. Tamara Wilson,

On behalf of the Midwest Building Decarbonization Coalition (MWBDC), Community Stabilization Project, Elevate, Fresh Energy, National Housing Trust, Natural Resources Defense Council, Phius, Precipitate, RMI, Slipstream, and William Weber Consulting, we commend Minnesota Housing for its longstanding commitment to increasing the energy and water efficiency and sustainability of affordable housing, including its leadership in creating the Energy Rebate Analysis to help owners access utility-sponsored energy efficiency resources. In Minnesota Housing's 2024-25 draft Qualified Allocation Plan, we applaud the following changes:

- *The creation of a fourth tier within the "Enhanced Sustainability" section of the Self Scoring Worksheet with building certifications and deeper energy conservation measures including Passive House Institute (PHI) Classic, Passive House Institute United States (PHIUS), or one of the following 2020 EGCC 5.4 programs: PHIUS + Source Zero, PHI Plus, PHI Premium, International Living Future Institute's Zero Energy Petal, Zero Carbon Petal, or Living Building Challenge. Additionally, the amendment of Tier 3, Pathway 2 from EGCC Plus to DOE Zero Energy Ready Home (ZERH) program.*
- *We also applaud additional context that was provided throughout the document to improve readability and comprehension of the QAP process.*

While we sincerely appreciate these revisions, we request MN Housing to reconsider our fourth recommendation in our original comments. The following information provides context for that recommendation. According to the University of Minnesota, "Nearly one in three counties in Greater Minnesota has an average energy burden of 5 percent or higher, according to data from the U.S. Department of Energy National Renewable Energy Laboratory, compared to Minnesota statewide average of 2 percent. Some Minnesotan households spend as much as 30 percent of their income on energy."[1] Meanwhile, Minnesota is not on track to meet its own greenhouse gas reduction goals. State law aims for reductions to "all sectors producing those [greenhouse gas] emissions to a level at least 15 percent below 2005 levels by 2015, to a level at least 30 percent below 2005 levels by 2025, and to a level at least 80 percent below 2005 levels by 2050."[2] The Minnesota Climate Action Plan sets a goal of a "45% reduction in greenhouse gas emissions by 2030 to achieve a carbon-free future by 2050."[3]

The Minnesota 2021 biennial report[4] demonstrates that the state's emissions have declined just 8 percent since 2005- well short of the goal of 30 percent by 2025. Since buildings in Minnesota account for 41 percent of total energy consumed in the state,[5] reducing emissions from affordable housing is necessary to help meet the state's goals equitably. In other states with

[1] https://extension.umn.edu/rsdp-happenings/reducing-energy-burden-greater-minnesota#:~:text=Nearly%20one%20in%20three%20counties,statewide%20average%20of%202%20percent.
[2] https://www.revisor.mn.gov/statutes/cite/216H.02#:~:text=It%20is%20the%20goal%20of,below%202005%20levels%20by%202050
[3] https://www.house.leg.state.mn.us/dflpdf/990649f7-d9db-4ffd-a5b5-496baddbb282.pdf
[4] https://www.pca.state.mn.us/sites/default/files/lraq-1sy21.pdf
[5] http://www.dli.mn.gov/sites/default/files/pdf/BuildingsEnergyEfficiency2020.pdf

greenhouse gas-emission reduction goals, Housing Finance Agencies are supporting climate-friendly affordable housing. For example, the Colorado Housing Finance Authority recently adopted the following guiding principle in their QAP:

To contribute to Colorado meeting its 100 percent Renewable Energy goals by 2040 and Climate Action goals to reduce greenhouse gas emissions to 26 percent below 2005 levels by 2025, 50 percent by 2030, and 90 percent by 2050:

- *To support affordable housing that is constructed and certified to advanced energy performance standards, such as the Department of Energy's Zero Energy Ready Home (ZERH) program, Passive House Institute US (PHIUS), or Passive House Institute (PHI); and/or*
- *To support affordable housing that is constructed to be Electrification-Ready for future conversion to all-electric*

The recent enactment of the Energy Conservation and Optimization (ECO) Act should result in additional resources to support energy efficiency and electrification in affordable housing that would complement QAP incentives that encourage reductions in greenhouse gas emissions. ECO increased the minimum spending requirement for utilities to fund dedicated programming for low-income customers and incentivizes electrification by allowing utilities to claim energy savings from fuel-switching toward their goals.[6] Therefore, our recommendation is this:

- **Require all new construction projects to be electrification-ready at a minimum and consider awarding more points for electrification of heating/cooling, hot water, washer/dryers, and cooking**

  OR

- **If requiring electrification-ready is not feasible at this stage, provide optional points in the Enhanced Sustainability section for projects that do pursue this method.**

The following information provides context for why this recommendation is deserving of additional consideration, the most important reason being that the recent passing of the Inflation Reduction Act is a huge milestone in addressing climate change and encouraging large-scale electrification. Moving to all-electric homes powered by increasingly clean electricity will deliver enormous climate, health, and economic benefits to communities across Minnesota. Over the next five years, we expect market demand for high efficiency heat pumps and heat pump water heaters to dramatically increase, due to federal incentives such as those found within the recently passed Inflation Reduction Act's High Efficiency Electric Rebate Program and New Energy Efficient Home Tax Credit (45L), increasing public awareness of the health and safety benefits of all electric households, and the need to reduce CO2 emissions. As these are rolled out over the coming two years, Minnesota Housing can encourage developers to stack funding to compound financial benefits and ensure homes are healthy, electric, and affordable.

Further, failure to prioritize electrifying the homes of low-income households could create significant long-term financial risk for these households. Over the long term, utility customers who continue using natural gas are likely to experience rate increases from declining throughput, when other customers electrify and exit the gas system. There is a significant risk that low-income customers remaining in the natural gas system could bear the brunt of gas rate increases, leading to higher monthly bills. In Maryland, a study found that gas delivery rates could increase more than 20 times for consumers left on the gas system in a "high electrification" scenario. Moreover, high-efficiency electric solutions, like heat pumps for space

[6] https://www.mwalliance.org/blog/minnesota-passes-eco-act-modern-and-expansive-update-its-ee-framework

heating and cooling, are efficient and cost-effective. Heat pumps can lead to more comfortable indoor temperatures and better access to affordable heating and cooling.[7] At least 39% of households in Minnesota— 1.1 million — could save $421 million a year on energy bills if they used efficient, electric heat pump furnaces and water heaters instead of their current appliances. Of the households that would save by electrifying, 51% are low- and moderate-income.[8]

In addition to cost impacts, electric appliances are crucial for the health and well-being of low-income Minnesotans. Fossil fuel appliances emit harmful indoor and outdoor air pollution which studies have found contribute to higher risk of heart and lung disease and premature mortality. Replacing fossil fuel appliances with efficient, electric alternatives, such as heat pumps and induction stoves, can reduce negative health outcomes for residents. Installing electric appliances can improve indoor and outdoor air quality, reduce the risk of gas incidents, and still maintain a comfortable environment indoors. Installing electric systems is especially important for LIHTC residents because low-income communities experience disproportionate health burdens from air pollution. Even when vented properly to the outdoors, gas appliances like water heaters, furnaces, fireplaces, and clothing dryers emit combustion pollutants and contribute to outdoor air pollution. Outdoor air pollution from Minnesota's direct building emissions led to 852 premature deaths in 2017 costing the state over $495 million annually.[9]

Alongside outdoor air pollution benefits, another often overlooked component of electrification is the elimination of gas-burning stoves and their impacts on indoor air pollution.[10] Even before the COVID-19 pandemic, we spend about 90 percent of our time indoors, meaning indoor air quality heavily influences health. Elevated levels of nitrogen dioxide[11] and carbon monoxide[12] are associated with gas stoves but *not* electric stoves. Studies show that gas flames without any cooking activities emit twice as many small particles (PM2.5) as electric stoves.[13] These negative effects are also more harmful to more vulnerable residents- a comprehensive meta-analysis concluded that children living in homes with a gas stove are 42% more likely to experience asthma symptoms and 24% more likely to be diagnosed with asthma by a doctor compared to those living in homes with electric stoves.[14] Additionally, lower-income communities and racial-ethnic minorities in the US are systemically exposed to disproportionately high levels of pollutants.[15] For example,[16] residential gas combustion is a large source of relative $PM_{2.5}$ exposure disparities for Black, Hispanic, and Asian Americans.[17] And although ventilation is always recommended as a partial solution, it cannot eliminate air pollutant exposure because some buildings do not have kitchen ventilation. Of those that do, many exhaust hoods do not reduce pollution to healthy levels, and instead just recirculate pollution without removing it, and are seldom used when needed.[18]

With these science-based insights including the knowledge that a third of Minnesotans bear a greater energy burden than the national average, we recommend requiring that all new construction projects be made electric-ready at a minimum, and all-electric ideally, rather than a ten-point award, and to award more points for electrified space heating, cooling, hot water, and

[7] https://www.nrdc.org/experts/alex-hillbrand/thinking-buying-air-conditioner-consider-heat-pump
[8] https://map.rewiringamerica.org/states/minnesota-mn
[9] https://rmi.org/health-air-quality-impacts-of-buildings-emissions#MI
[10] https://pubs.acs.org/doi/10.1021/acs.est.1c08298
[11] https://cfpub.epa.gov/ncea/isa/recordisplay.cfm?deid=194645
[12] https://www.epa.gov/indoor-air-quality-iaq/carbon-monoxides-impact-indoor-air-quality
[13] https://www.osti.gov/biblio/1172959
[14] https://academic.oup.com/ije/article/42/6/1724/737113
[15] https://www.lung.org/clean-air/outdoors/who-is-at-risk/disparities
[16] https://rmi.org/insight/decarbonizing-homes/
[17] https://www.science.org/doi/10.1126/sciadv.abf4491
[18] https://www.aceee.org/files/proceedings/1990/data/papers/SS90_Panel4_Paper20.pdf#page=1

cooking. We view these as necessary measures to begin the housing market's gradual transition toward cost-effective electrification.[19] Because electrification should not come at the expense of higher tenant energy burdens, incentives should lead owners toward high-efficiency heat pumps (air-source and ground-source) and similar technologies, and Minnesota Housing should work cooperatively with energy assistance partners like LIHEAP for the same reasons. MN Housing should also work closely with local Housing Authorities to ensure that Utility Allowances reflect these high-efficiency electric appliances, especially in rehab projects. A higher point allocation than the two-point award reflected on page 30 of the Overlay would further incentivize the electrification of heating and cooling. Massachusetts and Connecticut each provide three additional points for electrification of heating, cooling, and hot water, and we suggest Minnesota can and should do at least the same. This incentive should include high-efficiency electric heat pumps and not electric resistance heat sources, as they are not an efficient technology and do not demonstrate the same level of cost-effectiveness through cold Minnesota winters as heat pumps do.

On behalf of the Midwest Building Decarbonization Coalition (MWBDC), Community Stabilization Project, Elevate, Fresh Energy, National Housing Trust, Natural Resources Defense Council, Phius, Precipitate, RMI, Slipstream, and William Weber Consulting, we truly appreciate the opportunity to comment on the 2024-2025 draft Qualified Allocation Plan, and your time and attention to fielding and incorporating our and others' public comments. Thank you.

Sincerely,

Quinn Biever
Policy Analyst
Elevate

Leslie Zarker
Director of Sustainability Policy
National Housing Trust

Lauren Reeg
Associate- Carbon Free Buildings
RMI

Mari Ojeda
Senior Policy Associate
Fresh Energy

Isaac Elnecave
Policy Specialist
Phius

Connor Jansen
Technical Services Director
Slipstream

Metric Giles
Executive Director
Community Stabilization Project

Laura Goldberg
Midwest Director of Energy Equity & Affordability
Natural Resources Defense Council

William Weber
Principal
William Weber Consulting, LLC

Jacob Serfling
Co-Director
Midwest Building Decarbonization Coalition

Elizabeth Turner
Architect (MN+NE), Passive Building Consultant (CPHC®)
Precipitate

[19] https://www.nrel.gov/docs/fy17osti/68214.pdf

Wilson, Tamara (MHFA)

From: Lisa Marvin <lisa.marvin@essenceproperties.com>
Sent: Tuesday, October 04, 2022 10:49 AM
To: #MHFA_HTC
Subject: second public hearing regarding 5% cap on increases.

Dear MHFA

I am deeply concerned about this attempt to further control rents on LIHTC properties. You have a rent cap for properties based on median income for that county, all you will accomplish by putting this 5% into effect: ALL sites will start out at the highest rents possible. Instead of things like we have done for decades – be several hundred dollars lower than the maximum rents.

St. Paul is considering a 15% property tax increase- how can you add additional burdens for affordable housing when we have increases in EVERY single area of our industry?
Natural gas prices have increased $3.61 per MMBtu January 1, 2022 to $6.71 MMBtu as listed today 10-4-2022. That is 85% increase! Someone needs to demonstrate how this is going to work financially for both profit and nonprofit owners long term.

Our job: take care of the asset and continue to improve the asset – this will negatively impact that goal. Assist residents with all work orders -we are already dealing with inability to get HVAC equipment with some proposals returned to us for ability 13-25 months out -limiting our buying resources by additional controls on our funding is a terrible answer.

I am greatly concerned about this approach. Rents should be allowed to be at the max rent – period.

Lisa L. Marvin, CEO

Certified Fair Housing Specialist, COM and COS

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October 5, 2022

Ms. Tamara Wilson
Minnesota Housing Finance Agency
400 Wabasha Street North, Suite 400
St. Paul, MN 55102
By Email to: htc.mhfa@state.mn.us

RE: Comment in opposition to proposed 2024-2025 QAP Rent Control

Dear Ms. Wilson:

We oppose the rent control policies proposed for the 2024-2025 QAP and question their legality in the State of Minnesota where unless passed through petitioned ordinance, rent control is illegal.

We further question the logic of consideration on the heels of the nationally recognized embarrassment of Saint Paul's recent ordinance. The data is clear that it proved only to be the latest example of decades of negative, unintended consequences brought on by various state and local rent control policies:

- Housing projects stopped, including affordable projects, and new permit issues dropped by 80% while increasing nationally 17%.
- Rents for many, particularly in affordable projects, increased well above the 3% cap because of property owner's retaining their right to a reasonable rate of return per the Fifth Amendment of the Constitution.
- The flow of capital, the lifeblood of creating and maintaining housing for all levels of affordability, left the market.

Rent control has only proven to disincentivize investment in much needed new housing and preservation of NOAH stock. It runs directly counter to MHFA's core mission to "create, preserve and finance housing that is affordable."

We urge the board to not to consider these proposals and instead focus on expanding incentives for new housing and subsidies for those who need them most.

Yours truly,
EXETER MANGEMENT LLC

Thomas Nelson
Robert Stolpestad
Herbert Tousley, IV

Home Innovation RESEARCH LABS™

October 4, 2022

Minnesota Housing
Attn: Tamara Wilson
400 Wabasha Street North, Suite 400
St. Paul, MN 55102

Submitted electronically: HTC.mhfa@state.mn.us

Dear Ms. Wilson:

On behalf of Home Innovation Research Labs, I respectfully request that NGBS Green certification based on the **ICC-700 National Green Building Standard** (NGBS) be recognized as a named alternative pathway to the Minnesota Overlay to Enterprise Green Communities in the proposed 2024-2025 Qualified Allocation Plan.

By recognizing an established green building program, Minnesota Housing can offset time and resources dedicated to crafting the current custom green rating system, responding to technical assistance requests, and reviewing projects for compliance. Minnesota Housing can leverage Home Innovation's deep residential expertise and experience as a third-party certification body.

There are many compelling reasons why Minnesota Housing should recognize NGBS Green as on-par with Enterprise Green Communities. First, the NGBS and Home Innovation's Green certification are as rigorous, if not more rigorous, than the Enterprise Green Communities criteria and certification. Enterprise Green Communities staff compared the two programs in 2016 and essentially confirmed the programs' equivalency.[1] Second, the NGBS was specifically designed for residential projects including affordable housing, and is cost-effective to implement, making it ideally suited for low-income housing programs to meet their goal of increasing the construction or renovation of green housing in a cost-conscious manner. Third, the NGBS's credibility as a green building rating system is unassailable given it carries ANSI approval as an American National Standard, as well as approval as an ICC standard. No other green building rating system or certification program in the country can match the NGBS's credibility in that regard, and, thus, Minnesota Housing can be assured that the NGBS is a true consensus-based standard, developed by a balance of stakeholders, rigorous in its compliance

[1] Enterprise Green Communities, ***A Comparison of 2015 Enterprise Green Communities Criteria and ICC 700-2012 National Green Building Standard***. It should be noted that the comparison analyzed the 2012 NGBS and not the more recent 2015 and 2020 NGBS versions.

requirements, that has undergone the scrutiny of extensive public review and comment. Last, the NGBS is recognized in nearly 30 State Qualified Allocation Plans for low-income housing tax credits and innumerable federal, state, and local affordable housing programs, making NGBS Green particularly appropriate for affordable housing. Affordable housing developers that work across multiple markets would surely benefit from greater consistency, with the opportunity to comply with a single rating system across all their markets, including Minnesota.

National Green Building Standard Overview

The NGBS is the first and only residential green building rating system to undergo the full consensus process and receive approval from the American National Standards Institute (ANSI). Since 2008, each version of the NGBS has been approved by the American National Standards Institute (ANSI). The 2008, 2012, and 2020 versions were developed with support from the National Association of Home Builders (NAHB) and the International Code Council (ICC). For the third edition of the standard, the 2015 version, the American Society of Heating, Refrigerating, and Air Conditioning Engineers (ASHRAE) participated as a third co-sponsor. This partnership further cements the NGBS as the preeminent green standard for residential construction.

The NGBS is also the first solely residential green building standard to be one of the ICC suite of I-codes that form a complete set of comprehensive and coordinated building codes. As the industry standard for green residential development, it is embedded within the International Green Construction Code (IgCC) as an alternative compliance path for multifamily residential buildings and the residential portion of mixed-use buildings. Finally, the NGBS is also approved as an ASHRAE standard.

As one of the I-Codes, the NGBS is written in code language to make it easy for industry professionals and contractors to understand. I believe this is one reason the NGBS has been successful even in areas where it is not part of the building code and is used as an above-code program. For a residential building to be in compliance, the building must contain all mandatory practices in the NGBS. The building must also contain enough practices from each of the six categories of green building practices to meet the required threshold points.[2]

The six categories of green practices are:

- Lot & Site Development
- Resource Efficiency
- Energy Efficiency
- Water Efficiency
- Indoor Environmental Quality
- Homeowner Education

---

[2] See page 14 in 2020 NGBS.

Under the NGBS, homes and multifamily buildings can attain one of four potential certification levels: Bronze, Silver, Gold, or Emerald. The NGBS was specifically designed so that no one category of green practices is weighted as more important than another. Peerless among other green rating systems, the NGBS requires that all projects must achieve a minimum point threshold in every category of green building practice to be certified. A project certified to the NGBS can't merely obtain all or most of its points in a few categories, as other rating systems allow. This requirement makes the NGBS the most rigorous green building rating systems available.

The NGBS's mandatory provisions must be met for certification at any level. There are no exemptions. However, unlike other green building rating systems, the NGBS contains an expansive array of green building practices aimed at all phases of the development process: design, construction, verification, and operation. This provides the flexibility builders and developers need to ensure their projects reflect their geographic location, climatic region, cost constraints, and the type of project they are constructing.

Certification Program

Home Innovation serves as Adopting Entity and provides certification services to the NGBS. Home Innovation is a 58-year old, internationally-recognized, accredited product testing and certification laboratory located in Upper Marlboro, Maryland. Our work is solely focused on the residential construction industry and our mission is to improve the affordability, performance, and durability of housing by helping overcome barriers to innovation. Our core competency is as an independent, third-party product testing and certification lab, making us uniquely suited to administer a green certification program for residential buildings. Our staff is made up of mechanical, structural, and electrical engineers; planners; economists; architects; former builders, remodelers, and contractors; lab and technicians. Combined, they possess an unparalleled depth of knowledge and experience in all facets of market analysis and building science research and testing. Why is that important? Because behind every building seeking NGBS compliance stands a team of experts on a mission to help them succeed. Participation in NGBS Green brings our building science expertise to each project team at no additional cost.

Independent, Third-Party Verification

The NGBS requires that a qualified, independent third-party inspect the project and verify that all green design or construction practices claimed by the builder toward green certification are incorporated correctly into the project. Most projects require at least two inspections. The verifier must perform a rough inspection before the drywall is installed to observe the wall cavities, and a final inspection once the project is complete. The required verification offers imbues an elevated level of rigor and quality assurance to the projects that are certified. An affordable housing organization can be assured that construction practices for higher building performance and healthier residences are successfully achieved.

Verifiers record the results of their rough and final inspections on a Verification Report which is submitted to Home Innovation Research Labs. Home Innovation reviews every rough and final inspection to ensure national consistency and accuracy in the verification reports. After the Verification Reports are reviewed and approved, our team issues green certification to the project.
Home Innovation Research Labs qualifies, trains, tests, and accredits the NGBS Green Verifiers and maintains a current list at www.HomeInnovation.com/FindNGBSVerifier. Verifiers must possess experience in residential construction and green building. Many verifiers are Home Energy Rating System (HERS) raters. Potential verifiers are trained on how to verify every NGBS practice. After completing the training, verifiers must pass a three-part exam and carry sufficient insurance to 3 earn accreditation. Verifiers renew their accreditation annually and retrain and retest with every NGBS version.

Home Innovation maintains strict rules to ensure verifiers remain independent and free of conflict-of-interest on the projects for which they provide verification services. Verifiers serve as our field agents to confirm buildings are NGBS compliant. Further, we regularly audit our verifiers and their verifications as part of our internal quality assurance program.

Legislative and Regulatory Parity

The NGBS was developed after Enterprise Green Communities rating system; therefore, at first Green Communities was more commonly recognized in legislative and regulatory initiatives. However, since 2009 when ANSI first approved the NGBS, without exception NGBS has been considered as on par or more stringent than LEED and Green Communities as a green building rating system for residential projects.

- On the federal level, HUD recognizes the NGBS by name specifically and as on par with Green Communities.[3] For example, in their 2013 funding notice for jurisdictions affected by Hurricane Sandy, the agency cited the NGBS as an acceptable green standard for reconstruction efforts. HUD's April 2016 Mortgage Insurance Premium reduction program recognizes NGBS Green as one of the accepted green certification programs.
- The U.S. Department of Army recognizes NGBS as a LEED equivalent for military housing nationwide.
- Nearly 30 states recognize, mandate, or incentivize NGBS certification through their Qualified Allocation Plan for the federal Low Income Housing Tax Credit Program.[4]

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[3] U.S. Department of Housing and Urban Development memo from Kathryn Saylor, Assistant Inspector General for Evaluation to Clifford Taffet, General Deputy Assistant Secretary, dated November 20, 2015 citing National Green Building Standard specifically as one of the HUD adopted energy building rating systems.

[4] http://www.homeinnovation.com/services/certification/green_homes/resources/ngbs_incentives_summary/qap_recognition.

For a more complete listing of where NGBS has been recognized, visit our summary of incentives[5].

QAP Recognition of the NGBS

The National Green Standard is currently recognized in nearly 30 state Qualified Allocation Plans (QAPs), and an increasing number of State Housing Finance Agencies have been adding NGBS green certification to their QAPs to help promote green affordable housing. In these plans, NGBS is recognized as on-par with comparable programs, such as LEED and Enterprise Green Communities, and other regional programs such as Earth Advantage. Multifamily builders who utilize NGBS for low-income housing tax credits typically receive the same number of points for NGBS as they would for an alternative program.

The straight-forward and low-cost nature of the NGBS certification program make it ideally suited for affordable housing development, and this is evident by the number of Habitat for Humanity organizations and other LIHTC providers who select NGBS as their program of choice.

Program Statistics to Date

Home Innovation has certified 9,901 multifamily buildings representing 357,247 dwelling units and 22,894 single-family homes. Currently, there are 7,308 multifamily buildings in progress, representing an additional 355,871 dwelling units, and 7,483 single-family homes. I believe that this indicates we have been successful in designing a green certification program that is affordable and flexible, while remaining rigorous.

Summary

I respectfully request that NGBS Green be recognized alongside Minnesota Housing's custom Enterprise Green Communities application as an acceptable green building certification equivalent in Minnesota's Qualified Allocation Plan.

The goal of the NGBS and the Home Innovation NGBS Green Certification Program is to recognize projects that reach exceptional levels of sustainable design. We have worked hard to develop a program that removes as many barriers as possible to high-performance green buildings without eliminating any of the rigor or verification necessary to ensure compliance. To this end, we have kept our certification fees low, minimized the time needed for interpretations and project review, and significantly reduced the costs required to incorporate green practices.

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[5] www.homeinnovation.com/ngbsgreenincentives

My staff would be happy to work closely with your staff to develop a crosswalk analysis of the NGBS that would align with the Green Communities Criteria and amendments in the Minnesota Overlay to ensure consistency across all funded projects.

We look forward to discussing it further with you or staff if you require a more detailed overview of the NGBS or the green certification program. We will also gladly send you any supplemental information that you might require for further support. Please don't hesitate to contact Michelle Foster (mfoster@homeinnovation.com, 301.430.6205), our Vice President, Sustainability, directly if she can be of further assistance.

We look forward to working with Minnesota Housing to promote green certified housing built to the ***National Green Building Standard***.

Sincerely,

Michael Luzier
President and CEO

VIA EMAIL

October 5, 2022

Minnesota Housing
attn: Tamara Wilson,
400 Wabasha Street North, Suite 400,
St. Paul, MN, 55102.

RE: 2024-25 Qualified Allocation Plan Comments and Rent Increase Policy

To Whom It May Concern:

The Housing Justice Center submits the following comments on the Minnesota Housing's Draft Qualified Allocation Plan including the rent increase policy options.

Rent Increase Policy Options

We greatly appreciate that the agency developed several policy proposals related to large rent increases in LIHTC and other Minnesota Housing funded properties. Of the proposals that were presented we think that option 1 and option 4 are preferable because they include a broader range of types of public resources and seem to most directly address the challenges that low-income renters are facing. We also appreciate the willingness of Minnesota Housing to act on this issue now because waiting till the next two-year QAP would push this important decision out till the 2026-27 QAP for budlings that will not even be occupied till 2027 at the very earliest.

We are somewhat concerned that there was insufficient detail to understand the full extent of the policies. For example, it is unclear what types of rental assistance make a property exempt from the increases, and whether the policy could mean that rents could be increase over and above the amount that is covered by a form of rental assistance – for example, if the voucher payment standard is less than what would be an allowable LIHTC rent increase and, due to the policy there is no limit on the rent increase because the policy does not apply to units with rental assistance. We would encourage the agency to provide additional information about the proposals to have a fuller discussion about the benefits and implications of the various policies.

Additionally, we want to reiterate that addressing the issue of rent increases in future developments does not obviate the need to address rent increases in existing developments.

QAP in the context of the new CHAS data

The new 2015-2019 HUD CHAS data show that of the approximately 126,150 Minnesota renter households currently paying more than half their income for housing. 96% of severely house cost burdened households have incomes at or below 50% of AMI and 80% have income no more than 30% of AMI. If the objective is to meet the most serious housing needs in Minnesota, tax credit projects serving households at 60% of AMI are a therefore largely a waste of extremely scarce resources.

Most of the housing that MHFA credits as serving households at 30% of AMI do so with project-based or tenant-based vouchers. Neither add anything to the state's supply of affordable housing.
And, as table 1 below shows, at least in the Twin Cities, rents set at 60% of AMI are unaffordable to voucher holders, with 60% AMI rents exceeding payment standards by nearly $200, or more.

Minnesota Housing's failure to target LIHTC and associated resources to households below 50% of AMI, and especially below 30% of AMI has a disparate impact. As shown by table 2 below, BIPOC households in Minnesota are more than three times as likely as white, non-Hispanic households to be renter households paying more than 50% of income for rent and utilities. With the QAP, the agency has an opportunity to address deep disparities in the housing system by focusing of families with the greatest need. As written, it does not.

Truly,

Margaret Kaplan
President, Housing Justice Center

International Union of Operating Engineers

LOCAL NO. 49, 49A, 49B, 49C, 49D, 49E, 49L
MINNESOTA • NORTH DAKOTA • SOUTH DAKOTA

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10/05/2022

Minnesota Housing
ATTN: Tamara Wilson
400 Wabasha Street N; Suite 400
St. Paul, MN, 55102

Re: Proposed 2024-2025 QAP

Dear Ms. Wilson,

The International Union of Operating Engineers Local 49, headquartered in Minneapolis, represents over 14,500 working men and women. Our local union represents heavy equipment operators, mechanics, and surveyors in the construction industry, as well as stationary engineers who work in operations and maintenance in building and industrial complexes. Many of Local 49's members earn their living building and maintaining multifamily housing, including the projects included in the Proposed 2024-2025 QAP.

Local 49 does not support the addition of the proposed rent increase limit policy to be incorporated into the 2024-2025 QAP and/or other agency requirements for consideration by the Minnesota Housing Board of Directors in November 2022. While we understand the sentiment of those who brought forward the request to limit the size of annual rent increases, we disagree with the efficacy of rent control policies to maintain an adequate supply of affordable housing. Minnesota needs more affordable housing, and enacting policies that put up roadblocks for new construction that will address this need are against Minnesota's best interest.

We have observed rent control programs, such as the one being considered, often have a dampening effect on affordable housing construction due to the increased financial risk faced by developers. This tends to increase the deficit of available affordable multifamily housing for Minnesotans who need it.

The fallout from St. Paul's recent experiment with rent control is a prime example. Since the city adopted rent control measures, commercial housing permits are down 30%. Projects that were in the works have halted, and prospective developers are looking to build elsewhere. Some tenants also saw preemptive rent increases in anticipation of the new policy.

Minnesota will achieve the goal of creating and sustaining an affordable housing supply by streamlining permitting and construction processes and fostering the growth of affordable housing construction projects, not by stifling them with restrictive measures like the proposed rent increase limits.

We hope the Minnesota Housing Board of Directors agrees and does not adopt a rent increase limit policy into the 2024-2025 QAP and/or other agency requirements.

Thank you for allowing us to comment.

Respectfully,

Jason George
Business Manager
IUOE Local 49

QAP PUBLIC HEARING COMMENTS 10/4/2022

My name is James Howard

I thank you for allowing me the opportunity to make comments on behalf of some of the residents of the senior citizen residents of the Legends of Woodbury. The property is one of the Affordable Senior Living facility built and operated by Dominium. I will be discussing some of the concerns of the residents.

Since Dominium has received tax incentives to build the facility and is receiving tax incentives to operate and manage these Affordable Senior Housing units they need to be held accountable for the repairs and maintenance to be completed on a routine and timely basis. This will insure the properties are kept in reasonable living condition and be operationally functional for the residents (especially the more elderly and/or handicapped).

Residents pay their monthly rents expecting the facility in general to be in working order to meet their daily needs and that repairs, maintenance and improvements are done on a timely basis. At Woodbury this is not always the case (based on conversation with other legend properties this also hold true for them). Here are just a few examples from our facility:

1. It took three years to get Dominium to clean the Garage areas.
2. It took over 2 years to get an additional two handicap doors installed to have a safer access to parts of the building.
3. It took two to three years to get additional handicap parking area that should have in place when the facility was built.
4. Various elevator problems with three main elevators. Sometimes an elevator down time would be up to a week, in other occurrence for a month and in another for 11 weeks.
5. Hallways carpets and outside windows have not been professionally cleaned since the facility was built.

There are numerous apartment repair issues that take much longer to get fixed than necessary. It is my understanding that apartment repair issues exist in other Dominion properties based on discussions with residents of some of the properties.

There appears to be a pattern of operational dis-function and Dominium may not be worried about being in compliance.

We at the Legends of Woodbury believe the State of Minnesota and the Board might not have envisioned these type of operational problems (or the magnitude and scope) when the tax incentives were introduced to entice Companies to build and operate these type of Affordable Senior Living complex's in Minnesota. Since Dominium is receiving significant tax incentives yearly from the state of Minnesota, our residents would like the Board's Compliance Department to do an in-depth examine and review of these types of issues raised by Woodbury and other Legends. The Board needs to evaluate these compliance issues when apportioning this years and future tax year's incentive allocations. If

PAGE 2

necessary, limit current and future allocations until Dominium is held accountable for their actions or lack thereof.

This year when HUD determined the maximum annual rent increase based on the AMI calculation it was 12.5 percent. The problem is the AMI calculation has no real direct relationship to senior citizens that are for the most part on fixed incomes that don't grow year to year as the AMI. This year the maximum yearly income for a single resident to get into the Legends is around $50,000. However most individual make between the teens and mid-$20,000s. This is because most seniors in these facilities rely on Social Security income. Social Security s for 2020 increased by around 6.8%. Based on these two sets of number one can't equate affordable Senior rent increases to the AMI calculation for seniors, it is a losing battle.

Dominium did not have to increase to the maximum of 12.5% but did just because they could, knowing that would force a number of existing senior residents out of their supposedly Affordable Housing Apartments. We agree that going forward these type of facilities should be capped for annual increase to insure the facilities remain Affordable. We believe this number should be no more than 3 percent.

The above concerns are forcing seniors to re-think their decisions about being able to continue living in these type of facilities. If companies like Dominium don't hold up their end of the rental contracts with tenants and the guidelines set forth by the State of Minnesota, then the goal of Reasonable Affordable Senior housing in Minnesota is just a dream. The end RESULT maybe more seniors becoming homeless. However, we hope the Board can assist us with our concerns so none of us are forced to leave or to give up our homes.

THANK YOU

Wilson, Tamara (MHFA)

From: Jan Bragelwoman <bragelwomanj@gmail.com>
Sent: Tuesday, October 04, 2022 3:18 PM
To: #MHFA_HTC
Subject: Qualified Action Plan

I live at River North and am a representative of the tenants in this building. I submitted a package of "evidence about Dominium" and their deceptive, predatory practices and excessive fees, difficulty dealing with, lack of maintenance to MHFA. so you have these signatures on file.. Commissioner Ho came to River north to speak to us about the 12.5 % rent increase. One of her comments was "the government moves very slow." making this an acceptable practice." Why????We used to go across the states in a covered wagon and we got smarter. Today in the webinar, multiple people spoke about the same issues, how difficult this is, the mental health impact alone
I am asking that you have a provision for seniors.in your tax credits who are extremely low-income tenants, and don't qualify for rent assistance , are protected better and rent doesn't go above 3% per year. We are asking that All developers who get tax credit commit to long term commitment, minimum of 15 years. We are asking for a landlord who doesn't treat residents poorly, with excessive late fees and fines. we are extremely poor. We are asking for landlords who maintain
buildings especially in regards to safety issues, handicapped doors/access, security doors/elevators that seniors really need. We want a lease that's not 30-50 pages long, and need a lawyer to review each year. We want what you want safety, affordable income level per actual income level, and not be labeled like section 8, and not to be "treated badly" We want if you have a developer that's reported over and over for bad behavior to stop rewarding them and stop giving them more money.

Wilson, Tamara (MHFA)

From: Jessica Szuminski <jessicaszuminski@gmail.com>
Sent: Wednesday, October 05, 2022 3:42 PM
To: #MHFA_HTC
Subject: Public Comment: Proposed Rent Increase Limit Policy

Good afternoon,

I am writing in support of the Proposed Rent Increase Limit Policy for the 2024-2025 QAP. The low-income residents in need of the housing provided from these tax credits are those most in need of rent increase stabilization measures, so not having an increase limit feels contrary to the purpose of the tax credits' overarching purpose.

Of the options listed in the proposal, the best proposal is #1, providing for "No Relief Provisions; HTC + Deferred Loans; All Populations." There are several reasons why this policy is the best of those suggested.

First, being in poverty and being low-income affects renters no matter what age they are; while seniors are often in need of additional protections, this does not mean that younger low-income renters should be forgotten. Further, a senior-housing only policy would not benefit everyone who is of senior age, as many individuals choose not to live in senior housing and would thus be ineligible for the stabilization benefits.

Second, the rent increase limitation should apply regardless of the type of benefit received by developers; it does not make sense in this scenario to apply separate rules to affordable units receiving HTCs and those with deferred loans.

Third, there should be no relief provisions provided to the developers. The developers have already received their benefit through either the HTC or deferred loan and need not rely on a relief provision to further supplement their bank accounts. The purpose of this stabilization is to protect the low-income residents of affordable housing. Allowing an owner to seek a higher rent increase contradicts the purpose of the rent increase limitations. Further, there are opportunities for owners to misuse the system of seeking exceptions, and the low-income residents would be the ones to suffer as a result.

Thus, I support policy proposal #1 as the best option for the rent increase limitation policy. Admittedly, I don't think this proposal goes as far as it should; I believe the rent increase limit should be even lower than 5% (such as 3%), but I understand that this is not one of the proposals on the table.

Thank you for considering my comments.

Sincerely,
Jessica Szuminski
Resident of St. Paul

Wilson, Tamara (MHFA)

From: Judith Kroening <jakdsgn@gmail.com>
Sent: Wednesday, October 05, 2022 4:59 PM
To: #MHFA_HTC
Cc: Judith; Jan Bragelwoman; Linda 336; Rebecca Reinhold
Subject: Comments to include from yesterdays hearing

Tax credits need to be used for the properties maintenance and preservation, not to be used for other properties, or to develop or build new properties.

Yearly rent increases not to exceed 5% for all residents/units, with no additional fees to “boost” owner revenue and increase hidden rent cost to residents/units.

LITC program to assume 1 bedroom size versus the current 1.5 bedroom size to calculate maximum rent amounts. It is unreasonable to use 1.5 bedroom size in senior housing since 95% of seniors are single households.

Sec 42 utility allowance needs to be set yearly by an independent party such as the yearly Sec 8 utility allowance. Currently, owners set the allowances themselves, and can manipulate it to collect higher rent for themselves, not allowing residents to be able to save on the utility bills. All additional fees charged to residents/units need to be prior approved by the regulating agency.

At properties yearly random unit inspection, there needs to be a random, confidential resident survey to get authentic resident input and feedback regarding the operation of property.

All new build Sec 42 senior housing needs to include an in-unit washer/dryer in every unit. This is the 21st century, and a washer/dryer is NOT a luxury amenity. Dishwashers are not necessary to wash dishes, so eliminate them in the units.

Senior master metered building residents need to be able to be eligible to receive Xcel’s monthly credit on their electric bills. Currently, they can not do so because of second party billing. Also, second party billing (contracted by owners) late fee needs to be limited to $5 monthly.

Thank you
Judith Kroening

LMC LEAGUE of MINNESOTA CITIES

October 5, 2022

Minnesota Housing Finance Agency
400 Wabasha St. North, Suite 400
Saint Paul, Minnesota 554102

Dear Minnesota Housing Finance Agency Board of Directors,

On behalf of our 837 member cities, the League of Minnesota Cities appreciates the opportunity to provide comments on the rent increase limit policy as proposed in the draft 2024-2025 Qualified Allocation Plan (QAP). The League of Minnesota Cities shares Minnesota Housing's goal of mitigating impacts to cost-burdened households and supports policies that address barriers to housing and reduce economic displacement. At the same time, we are concerned that the rent increase limit policy proposals may result in unintended consequences that could negatively impact affordable housing development in cities across the state. We encourage Minnesota Housing to convene a working group including all stakeholders on proposed policies that seek to limit the size of annual rent increases and provide more opportunities and time for stakeholders to vet and discuss all the implications that such a policy would have on affordable housing development before adopting these changes for the 2024-2025 QAP.

Cities have identified an urgent need for more affordable housing, and we are concerned these proposed changes may ultimately reduce the number of affordable housing developments in our communities and could create additional challenges for cities. The League has general concerns that require additional vetting. Chief among our concerns is that instituting policies that incorporate a rent increase limit on 4% and 9% tax credits may make affordable housing projects more difficult to finance in communities with rising operating costs and may add complexity to financing affordable housing development. Affordable housing developments in cities across the state are needing to be more creative in financing such developments due to current complexity. We are concerned that imposing these proposed policy changes will have a chilling effect on investor engagement in affordable housing projects and may result in more stress on state and local resources for affordable housing as property owners are forced to seek operating subsidies to cash flow operations.

We are encouraged that Minnesota Housing continues to address cost burden for and economic displacement of renters, but we also encourage the agency to consider unintended consequences before adopting such changes to the QAP. Thank you again for the opportunity to provide comments and for your consideration.

Sincerely,

Daniel Lightfoot

Daniel Lightfoot
Intergovernmental Relations Representative
League of Minnesota Cities

LINCOLN AVENUE CAPITAL

October 5, 2022

Tamara Wilson
Minnesota Housing
400 Wabasha Street North, Suite 400
St. Paul, MN, 55102

Dear Ms. Wilson:

Thank you for the opportunity to respond to Minnesota Housing's Proposed Rent Increase Limit Policy. We appreciate the intention and the public policy goal behind Minnesota Housing's proposed limitation on rent increases for units that do not have rental assistance. We are keenly aware that today's record inflation is harming the most vulnerable members of our community. We recognize and are deeply empathetic to the financial challenges low-income renters face with the rising costs of food, fuel and shelter. As Minnesota Housing considers the needs of *all* stakeholders in the affordable housing eco-system, we want to highlight that owners and developers also face parallel and unprecedented challenges that should be considered in the context of developing a balanced public policy solution that benefits all stakeholders.

Development/Owner Context

Lincoln Avenue Capital exclusively develops affordable housing rental housing in Minnesota and twenty additional states around the country. On the ground we are experiencing rapidly increases in the costs of land acquisitions, building acquisitions, construction materials and labor. These increases have created a significant barrier to financing, delivering and operating quality affordable housing developments. Over the past 12 months we have experienced:

- 42.7% increase in property casualty insurance premiums
- 31.8% increase in property management payroll
- 61.2% increase in contract services costs
- 54.2% increase in general & administrative (G&A) expenses
- 59.9% increase in turnover related expenses
- 63.7% increase in owner-paid utilities
- ~50%+ YOY increase in projected development costs for projects around the country

Furthermore, over the past two years we have also experienced higher levels of economic vacancy across our portfolio. Initially, this was due to non-payment of rent by economically impacted residents during the beginning of the pandemic and then increasingly from voluntary initiatives we have undertaken to work with vulnerable residents through the implementation of partial rent payment plans, rent-forgiveness and cash-for-keys programs.

While owners of conventional rental housing can simply pass their operating expense increases through to residents, affordable housing owners are limited not just by market conditions but also AMI growth (or lack of growth). If rental revenue growth does not keep pace with increases in operating expenses, then project reserves will dwindle and the condition of critical affordable housing assets will be put at risk from deferred maintenance, inadequate staffing and/or reduced resident services.

Minnesota Housing's proposed policy will have a significant implication on the ability to finance and operate future preservation and new construction affordable housing. Rising interest rates have already dramatically reduced the amount of debt proceeds we are able to leverage to offset rising construction costs.[1] 4 percent LIHTC transactions are particularly hard hit because they are financed primarily with tax-exempt debt that comprises approximately 70 percent of the capital stack. The impact of even small rates increases is magnified significantly in bond transactions. One way that we can partially mitigate rising rates is to underwrite prospective rents and rent growth based on Area Median Income ('AMI') trends over time. If rent caps are lower than AMI growth, then we are effectively locking in lower than achievable affordable. This in turn reduces the amount of underwritable debt we can leverage and will result in more financially infeasible transactions or projects that require additional scarce soft funds from state or local governments. Given the dramatic affordable housing supply shortage in Minnesota we advocate for policies that will maximize the production of new affordable housing.

We also want to point out that due to the lack of 2020 ACS Data[2], which HUD uses to set the income limits that determine eligibility and rents for assisted housing programs and the LIHTC, AMIs in the coming years will not be likely to increase as much as they have over the past few years. Without the release of the one-year 2020 ACS data by the Census Bureau, HUD is expected to utilize five-year ACS data to calculate its FY-2023 Income Limits. Notably, while the five-year ACS data does provide a larger sample size than the one-year ACS, it does so by incorporating older economic data that is not reflective of the unique financial and economic conditions we are currently experiencing today. The use of five-year ACS data in calculating FY-2023 Income Limits will incorporate lagging data that reflects pre-Covid economic conditions and skews AMIs significantly lower than what we are observing in today's economy, despite rapid wage growth, inflation and historically low levels of unemployment.

It is also important to highlight that local economies and rental markets are cyclical. Sometimes AMIs are flat or even decline. HUD also sets programmatic caps to the amount AMIs can increase in areas where AMIs are rising. Depending on a properties condition and positioning in the marketplace it may not command a rent increase even if other assets in the market area are able to achieve higher rents. Regardless of AMI trending, it is our experience that as an asset ages operating costs always increase. The long-term sustainability of affordable housing assets benefit from having the flexibility to respond to

[1] Our industry had benefited from historically low interest rates; however, as monetary policy has shifted, we believe there is an added sense of urgency to take additional action. Since the beginning of the year the yield on the 10-year Treasury has tripled, increasing from 1.5% to as high as 3.96% on September 26, 2022. Furthermore, given the signaling from the Federal Reserve, we anticipate rates to continue to rise in the coming year.

[2] The American Community Survey (ACS) is the premier source for detailed population and housing information about our nation. It is used by policy makers, community leaders and businesses to understand demographic changes with their communities. Typically, the Census Bureau releases new one-year and five-year ACS data every year. As a result of the unique data collection and sampling challenges presented by the COVID-19 Pandemic, in 2021 the US Census Bureau was unable to release one-year 2020 ACS data.

market conditions, raising rents when they can (within the programmatic limits) since it is not a given that rents will always increase nor that operating expenses will only increase at 3 percent per year over the lifecycle of a property.

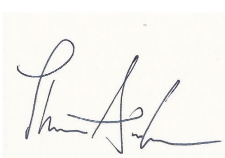
While we empathize with impacted renters, we do not think it is in the best interests of the affordable housing ecosystem to incorporate the proposed rent control provisions in the QAP. The vast majority of LIHTC properties do not have budget based operating subsidy so they need to have a sustainable and market-based operating model with flexibility to respond to market conditions, while complying with programmatic rent and income targeting. This is particularly so as we enter a period of sustained increases in interest rates, construction costs and operating costs.

While we do not endorse this policy proposal, if Minnesota Housing decides that it will adopt is adopt a rent increase limit policy, we strongly recommend it adopt robust relief and waiver provisions. Where local rent control policies already exist in the market (e.g., in St. Paul), we suggest that that QAP Minnesota defer to them. We recognize that low-income seniors on fixed-incomes without rental assistance are likely to experience the most financial distress by rent increases and would advocate that a proposed policy narrowly target age-restricted properties with new allocations of LIHTCs. We further suggest Minnesota Housing reconsider the amount of the proposed rent increase cap. We suggest that a cap at 10% percent would be more appropriate – this is in line with the caps that HUD puts in place on AMI increases on an annual basis in 2022.

Conclusion

LAC appreciates the opportunity to provide Minnesota Housing with this feedback ahead of the adoption of the 2024-25 QAP. We would welcome the opportunity to discuss them with you further at your leisure and/or answer any questions you may have regarding our feedback. I can be reached directly at 860-287-1635 or tamdur@lincolnavecap.com.

Regards,



Thom Amdur
Senior Vice President, Policy & Impact

Cc: Nicola Viana
Summer Jefferson
James Lehnhoff

About Lincoln Avenue Capital

Lincoln Avenue Capital is one of the nation's fastest-growing developers, investors, and operators of affordable and workforce housing, providing high-quality, sustainable homes for lower- and moderate-income individuals, seniors, and families nationwide. LAC is a mission-driven organization that serves residents across 22 states, with a portfolio of 116 properties comprising 21,000+ units.

Wilson, Tamara (MHFA)

Subject: FW: Comments about QAP public hearing

Importance: High

From: Lugene Flores <floreslugene@gmail.com>
Sent: Tuesday, October 4, 2022 9:36 AM
To: #MHFA_MF Webinar <MHFA.MF.Webinar@state.mn.us>
Subject: Comments about QAP public hearing

I was hoping to be able to speak.
My statement is as follows:

We, seniors in Legends of Spring Lake Park, a Dominium property. are having financial difficulties. We are one rent increase away from being homeless. This reality is having negative impacts on our health and peace of mind.
Once we pay our rent, many of us must choose between buying food or medications. There are seniors who are taking medication every other day otherwise they cannot afford to eat.
We are asking that rents be reduced based on the incomes in the building, not the AMI. Any for profit developer must make a commitment to permanent affordability.

Lupe Development Partners

October 4, 2022

Ms. Tamara Wilson
Minnesota Housing Finance Agency
400 Wabasha Street North, Suite 400
St. Paul, MN 55102
By Email to: htc.mhfa@state.mn.us

Comments of 2024-2025 QAP Rent Increase Limits

Ms. Wilson,

Lupe Development Partners is a family operated housing developer operating in the metropolitan area. We have developed approximately 1500 affordable units of housing in the last fifteen years, including MHFA direct debt or deferred debt and grant assistance in a variety of projects.

MHFA recently proposed the Minnesota Housing Board of Directors adopt a 5% rent cap in a variety of scenarios for funding under the 2024-2025 QAP that would affect all projects thereafter funded under conditions of funding by MHFA.

This is a legislative question that needs substantial public debate. It is in effect "Rent Control" imposed by administrative fiat, which we do not believe the state agency has the legal authority to impart.

There is little to support this policy other than the offered suggestion that such a limit would mitigate cost impacts to burdened households and preventing economic displacement. It ignores the impacts such income restraint would have on operator operating levels and discourages the production of housing by dramatically limiting investor and operator proformas which are already constrained by LIHTC, Section 8 and or local controls. We have only to look at the impact that the St. Paul 3% limit had on housing production to know the effect of such policy is housing producers will decline to participate in housing production with rent control.

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This suggested policy change was snuck into a little publicized supplement to the QAP, with an extremely short timeline to collect public data. By example, the notice went out last week, and I was unable to testify at the hastily called "public hearing" by Webinar that was scheduled for 10:00am today. I needed to register for that webinar by yesterday. Insufficient time to prepare any meaningful response.

The most recent LIHTC and HOME rent increases in the Metropolitan area for the 2023 tax year are well more than 10-12% based on actual market forces. While that presents further burdens and challenges for all the housing community – the burden of cost cannot be shifted to housing operators and developers. Rent control will simply suppress production, exacerbating the shortage of housing. The only meaningful solution to a housing crisis is to provide more funding for production – not artificially suppress market forces.

The function of MHFA by statute is the financing of housing in the state and the administration of federal and state programs to facilitate that production. Rent control is not a power the Commissioner of Housing has the authority to implement under statute. In fact, there is a statutory prohibition on rent control – MSS 471.9996 that prohibits subdivisions of the state to implement rent control with a limited plebiscite exception. We do not believe MHFA has the authority to ignore this prohibition, and we urge the MN Housing Board of Directors to reject this policy change in the 2024-2025 QAP.

Respectfully,

Steven M. Minn
Vice President/CFO

Wilson, Tamara (MHFA)

From: Marilynn <marilynn1943@gmail.com>
Sent: Sunday, October 02, 2022 5:49 PM
To: #MHFA_HTC
Subject: Dominium QAP

This message may be from an external email source.
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____

This is what I would like to see in how my building is run and maintained:

1. Affordability in rent so we can continue to live long term in our apartments and not have to move out in one to two years. Stop yearly rent increases.
2. Not have to pay extra for building utilities, which are increasing our rents after signing a lease. Utilities should be included in our new rent leases, not separately, and should not be charged separate fees based on apartment size.
3. Have maintenance complete repairs in a timely manner. Not have to wait months for repairs to be completed while living in the apartment.
4. Not have to pay extra fees ($400) to move into a smaller apartment when needed.
5. Not have to pay 2X the rent to break the lease if you have to move out into assisted living due to medical conditions.
6. Windows and hallway carpeting should be cleaned yearly at no extra expense to tenants.
7. Accountability for Dominium to show where all the extra fees they collect are going. Where are all the Tax Credits spent?
8. Accountability for why Dominium is allowed to charge tenants electricity, through JIT Energy Services, which they own. How much do they get back in kick backs.

Thank you for listening,

Marilynn Bargelski
The Legends of Champlin
11635 Theatre Dr N, Apt 228
Champlin, MN 55316
Email: Marilynn1943@gmail.com

Wilson, Tamara (MHFA)

From: sue watlov phillips <suewatlovp@aol.com>
Sent: Wednesday, October 05, 2022 4:55 PM
To: #MHFA_HTC
Subject: QAP Comments from Sue Watlov Phillips, Executive Director, MICAH

QAP Comments from Sue Watlov Phillips, Executive Director, MICAH

Thank you for the opportunity to testify yesterday.

The following are MICAH's comments on the QAP plans.

1. QAP Plan Pages 16-17. Organizations should not just lose points but be disqualified from applying if they are in violation Fair Housing law or tenant selection in a currently funded unit.

2. Rent Increase; We support option 1 with 3% rent cap. Rents for units should be the same subsidized or unsubsidized. We do not believe that Fair Housing Law allows landlords to set a higher rent for subsidized units than they do for unsubsidized units

3.Reallocation Plan: We support the plan. We re-check this sentence, it is unclear: "Minnesota Housing reserves the right, at its sole discretion, to provide a new allocation of 9% HTCs to a project that received a carryover allocation in a prior calendar year. An owner that requests a return and reallocation will not be required to submit a new applicant **or be scored again other applicants under the QAP applicable to the future credit year."**

4. Scoring Criteria

a. We support if you claim points you are accountable to fulfill that claim and you lose funding if you do not fulfill your claim.

b. Supportive Housing; We support alternative ways to coordinated for referrals and filling vacant units designated for Long term homeless.

c. we support the Clarification of points for preservation and points for rental assistance.

d. Transit lines; We thinks this still needs to be modified that many people with limited income do drive cars too and are not reliant on public transportation. Also not all public/private pay systems systems operate Monday-Friday for 8 hours/day- we thinks is this requirement needs to be reduced to 2-3 days/week and 4-6 hours/day.

e. Equitable Development- this section is clearer. We believe this should be increased to at least 10 points to show value of listening and incorporating the diversity of wants and needs of potential tenants and community members. We also think developments that include diverse investors and contractors from the community that that it being built in should receive additional points.

f. Businesses: Black Indigenous, People of Color and Women. Where do Latino and Hispanic ethnicity fit in. Please identify Latino and Hispanic ethnicity in this category too.

g. Thank you for including energy efficiency in requirements. we know that 40-60% green house gases emissions comes from inefficiently built housing in MN

5. I also agree with comment made yesterday at public hearing on workforce housing. (I am an owner of a small country store, gas station post office and landlord in rural MN.) The 500 units of housing should include multiple small communities and increase of100 jobs in the area should be from more than 1 business. This will allow smaller growing community areas to access this valuable resource.

Thank you again for the opportunity to comment
Sue Watlov Phillips, Executive Director, MICAH
President & CEO, Integrated Community Solutions, Inc.
Owner, Our Spring Lake Store, LLC

Ms. Tamara Wilson
Minnesota Housing Finance Agency
400 Wabasha Street North, Suite 400
St. Paul, MN 55102
By Email to: htc.mhfa@state.mn.us

Comments of 2024-2025 QAP Rent Increase Limits

Dear Ms. Wilson

On behalf of the Minneapolis Regional Chamber, I want to express our concern about MHFA recently proposing that the Minnesota Housing Board of Directors adopt a 5% rent cap in a variety of scenarios for funding under the 2024-2025 QAP that would affect future MHFA funded projects.

This proposed policy addition is detrimental to new housing production as well as the preservation and improvement of Naturally Occurring Affordable Housing (NOAH). We believe that this type of cap will reduce the overall investment in multifamily housing where supply is already significantly short in the state of Minnesota.

Controlling rent levels have been proven to be a disincentive to building and preserving more housing. In addition, there is national evidence that rent control type regulations do not serve low income, cost burdened households in the long term. Rather, it stifles new development and reduces options and opportunities thereby pushing rent higher in the market overall. These shortages impact lower income renters more than the general population.

St. Paul's recent 3% limit on rent is already impacting housing production and adding additional constraints on income restricted housing by MHFA funded programs. This policy will be a disincentive to market rate developers who access LIHTC and housing choice voucher programs to increase affordable housing units across the state. A proposal such as this should be delayed to fully consider the long-term impacts associated with ~~the~~ St Paul's rent control ordinance on housing supply.

This is a legislative question that needs substantial public debate. The suggested policy change was added last minute as a supplement to the QAP and with an extremely short timeline to collect public data. The suggested policy change of this magnitude should require a much longer comment period than the one week provided.

Today the industry is faced with rising interest rates, high insurance rates, increasing tax obligations, and escalating construction costs. Further restrictions on rent over and above what is already regulated for MHFA programs is the wrong direction for Minnesota housing.

A meaningful solution to a housing crisis is to provide more funding for production and increase rent subsidies for those who are most impacted - not artificially suppress market forces.

The new rule should be immediately dismissed from consideration by the Commissioner and MHFA Board.

The Minneapolis Regional Chamber urge's the MN Housing Board of Directors to reject this policy change in the 2024-2025 QAP.

Sincerely,

Jonathan Weinhagen
President & CEO
Minneapolis Regional Chamber

Minnesota Housing Partnership
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2446 University Ave W, Suite 140
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f: 651–649–1725

October 5, 2022

Summer Jefferson
Multifamily Programs Manager
Minnesota Housing
400 Wabasha St N #400
St Paul, MN 55102

Re: Comments on Minnesota Housing 2024-25 Qualified Action Plan (QAP)

Dear Ms. Jefferson:

On behalf of the Minnesota Housing Partnership (MHP), thank you for the opportunity to provide comments on the Minnesota Housing 2024-25 Qualified Action Plan (QAP).

We write to add additional feedback to our comment in our letter of June 23, 2022, expressing support for these changes:

> "An increase to the Rural Development/Small Project Set-aside. We hope that this pool will continue to increase over time to serve USDA RD acquisition/rehab needs and new construction. This change and increasing the maximum number of units to 24 will, hopefully, support more preservation activities."

While we continue to appreciate the increase to the set-aside and providing a means to prioritize projects serving smaller, rural communities in Greater Minnesota, we are concerned that the set-aside in the proposed QAP will now unintentionally exclude Rural Development financed properties. We have received feedback from developers working in Greater Minnesota communities that the set aside, as now written, will be most attractive to non-RD tax credit projects. As supporting RD projects continues to be a need for Minnesota, we recommend a separate set aside for both of these types of projects: Rural Development and projects in small rural communities.

Many of the developers that today work to serve the needs of small rural communities with multifamily projects also work to preserve USDA Rural Development 515 properties. A report produced by the Housing Assistance Council on March 2, 2022, "An Update on Maturing Mortgages in USDA's Rural Rental Housing Program," showed that the number of properties exiting USDA's 515 program and its affordability provisions was more than twice the expected rate. The report stated that Minnesota was the state with the greatest number of properties exiting the USDA 515 program, meaning many fewer homes for our lowest income and most vulnerable rural residents. With the unique concern for Minnesota's 515 properties in mind, we have, in recent years, recommended to national advocates and advocates in other states that Minnesota's set-aside for RD financed projects is a model others should follow. We hope this model can remain in support of RD financed projects, in addition to the additional needs for housing of small rural communities.

Thank you for your consideration over the past many months. We look forward to working with you.

Sincerely,

Elizabeth Glidden
Deputy Executive Director

Resources:
HAC March 2, 2022 Report, https://ruralhome.org/wp-content/uploads/2022/03/rural_research_brief_usda_rural_rental_housing.pdf

October 5, 2022

Summer Jefferson
Multifamily Programs Manager
Minnesota Housing
400 Wabasha Street North, Suite 400
Saint Paul, MN 55102

Dear Ms. Jefferson,

On behalf of the Minnesota Housing Partnership (MHP), thank you for the opportunity to provide comments on the Minnesota Housing 2024-25 Qualified Action Plan (QAP).

MHP's comments are informed by feedback from dozens of partners via email, in one-on-one calls, and a group zoom call. We heard from low-income tenants, tenant advocates, affordable housing providers, developers, lenders, direct investors, city and county housing and community development staff, and tax credit syndicators. Our comments are informed by partners working in the Twin Cities and Greater Minnesota. And, we heard from lenders, developers, and housing providers of all sizes, including emerging entrepreneurs.

MHP believes the limited notice and short turnaround to produce comments is problematic. We believe MHFA is obligated to give stakeholders more time to review any significant proposed change to the QAP. The rent limit increase proposal is a significant regulatory change that we had limited time to analyze yet could have consequential and long-term operational impacts on affordable housing. Many organizations were unaware of MHFA's announcement until the day before the comment deadline. We heard from numerous partners that there simply wasn't enough time to carefully vet all the proposed rent increase limit options. We believe this rush to solicit feedback harms the agency's reputation. Many organizations we heard from are skeptical of the agency's intent and feel frustrated that the agency doesn't seem interested in working with partners to develop an enduring solution to a very important and complex issue.

MHP is extremely concerned by the increase in households experiencing cost burden. It is deeply troubling when households living in income restricted units still pay more than 30 percent of their income on housing. In our opinion, MHFA is obligated to consider policies that reduce cost burden and mitigate displacement as a result of economic hardship. While MHP supports the intention of the proposed rent increase limit, we do not believe the unintended consequences of the proposed change have been fully considered. It is imperative that MHFA provide relief to tenants from onerous rent increases without disincentivizing potential owners from investing in affordable housing. For this reason, we urge MHFA to delay implementing any rent increase limit policy until it has worked with a broad array of partners to develop a sustainable solution.

We urge MHFA to work with us and others to develop policies and advocate for the investments required to accomplish the outcomes envisioned through this proposed rent increase limit policy. MHFA should publicly endorse the Bring it Home Campaign and should lobby for funding for operating reserves. As we look for ways to protect very low-income households, we need more rental subsidies and properties with deeply affordable rents.

As many partners shared with us, they will not have time to submit formal comments. MHP is thankful for the opportunity to pass along the feedback we heard.

In response to being asked if partners preferred one of the proposed rent limit increase options, there was no consensus. Some partners expressed a very modest preference to a particular option. **Most feedback shared with MHP expressed concern that all the options place additional limits on the ability for affordable housing developments to adequately cash flow and exacerbate operators' ability to provide dignified and stable housing that their residents deserve.** One partner shared that they support a rent increase limit and that none of MHFA's proposed options will adequately protect tenants.

In response to being asked if there are other strategies MHFA could implement to reduce cost burden and mitigate displacement of extremely low and very low-income renters, **all partners agreed that MHFA needs to secure and provide more financial support to tenants and housing providers. Many expressed strong support for increased rental assistance funding.** One partner suggested MHFA support and fund an tenant and community opportunity to purchase policy. Most felt that the proposed changes are an unfunded mandate and suggested that there is no free/unfunded policy solution to address the web of complex issues facing tenants and housing providers.

In response to concerns about anticipated unintended consequences from the proposed changes, **we heard serious concerns both about the potential impact the policy might have on the production of new units and the impacts on housing providers' financial viability and ability to operate quality housing**. The comments below are additional comments concerning unintended consequences:

Several partners are concerned that the policy is responding to a practice that is the exception, not the rule:

- MHFA is proposing to apply a sweeping policy to address a limited problem. Most affordable housing providers have not raised rents by more than 1-3 percent. Most affordable housing operators work hard to protect residents from bearing the full burden of cost increases during volatile times. While most strive to minimize rent increases, they recognize there are situations and instances when they must raise rents by more than their historic averages of 1-2 percent.
- Some providers feel like the proposal undermines their efforts to provide affordable housing. Some providers offer rents significantly below the 60 percent AMI limits. Occasionally, when they encounter big expenses, they need to raise rents to cover those expenses. Costs sometimes escalate more than 5 percent, especially for very small housing organizations.
- Many feel that the Low-Income Housing Tax Credit (LIHTC) program already has built in rent increase limits. Regulations currently imposed by HUD and the IRS are designed to ensure rents remain affordable for renters who qualify.

Partners are concerned about how the policy will impact their ability to maintain properties:

- Affordable housing already has very limited excess cashflow after debt service, and by implementing rent increase limits MHFA will ensure more projects have cashflow issues.
- Multiple expenses are being passed onto property owners. Operating reserves are already being dipped into to pay increased property taxes, higher insurance costs, new security requirements, and increased maintenance costs. Due to insufficient property income, many affordable operators are currently subsidizing their properties with other sources, such as philanthropic contributions or capital maintenance reserves. Many fear that implementing a rent increase limit will lock in this dynamic, which is not sustainable.
- If providers cannot raise rents, operating reserves must be used to cover added costs. This jeopardizes housing providers' ability to provide quality and dignified housing. At some point, housing providers will not be able to adequately maintain their units. Tenants ultimately suffer when housing providers cannot maintain units.

Many partners shared concern that fewer units will be developed as a result of the proposal:

- Investors and lenders will not take the long-term risk of limited cashflow and potential tax credit recapture. The proposal will further constrain operator operating levels and limit investors and operating proformas. Without a corresponding policy that would limit expense increases, most private capital will not take on the added risk MHFA is creating through the proposed policy change.
- Lenders and investors willing to finance projects will need to mitigate their risk by requiring more upfront subsidies. There is concern that Minnesota's political environment does not guarantee that there will be money available to fund operating reserves to meet these lender and investor requirements.
- A statewide rent limit increase could result in investment capital leaving Minnesota for other states that do not have this added layer of complexity.
- MHFA will need to reverse an existing policy/practice to use its current and already oversubscribed resources to fund operating reserves instead of financing the development of more units.
- Due to the increased risk that investors will take on as a result of the policy, tax credit pricing could decrease. There is no guarantee MHFA, philanthropy and local government can fill the gap.

Many partners expressed skepticism that the proposed change would work to reduce cost burden and mitigate displacement:

- Some fear that if there is an annual cap on rent increases, many operators will raise rents by 5 percent every year, even in years when costs are not going up by 5 percent. Operators would be incentivized to do this to create cushion for years when costs go up more than 5%. This could result in more overall rent increases.
- There is deep skepticism that MHFA has the internal staffing capacity to monitor the proposed changes.

Many don't believe there is a one-size fits all approach and that the consequences of the proposed changes will not be felt equally:

- Most expressed concern that there would be no guarantee that the systems implemented to provide relief would work. Many expressed concerns about MHFA's capacity to process widespread requests in years with higher costs. Many are concerned about what would happen if MHFA denied relief.
- Developers and providers in Greater Minnesota expressed concern that the proposed changes would exacerbate rural challenges to development and property management. Some felt that the impact would be harder on rural developments than metro developments.
- All developers and housing providers raised concern that the proposed change is an additional layer of reporting that makes MHFA resources harder to use. Many expressed frustration that MHFA is implementing policies that complicate rather than simplify the use of state allocated resources. Some felt the added complexity would contribute to some Greater Minnesota developers avoiding MHFA resources.
- The expectation that large nonprofit developers can subsidize increased costs is out of touch and unsustainable.
- While some developers have access to donors and philanthropy, some do not. Drawing upon philanthropy to cover higher costs is not an option available to many housing providers.
- MHFA risks creating more barriers for smaller and emerging developers and housing providers.

Renters are struggling. The rising cost of living, including rent, is forcing some renters to choose between paying rent, buying food, paying for medications, and other needs. Many renters, especially the most vulnerable, need more housing assistance. MHP implores MHFA to work with cost burdened renters and housing providers providing dignified and affordable homes to advance a solution that protects tenants, maintains quality housing, and produces more housing, especially more deeply affordable housing.

Thank you for the opportunity provide comment. Please email me at libby.murphy@mhponline.org with any questions.

Sincerely,

Libby Murphy
Director of Policy

Minnesota Multi Housing association

October 5, 2022

Minnesota Housing
C/O Tamara Wilson
400 Wabasha Street North
Suite 400
Saint Paul, MN 55102

Dear Commissioner Ho:

I write today on behalf of the Minnesota Multi Housing Association (MHA) and its 1,700 members comprising over 300,000 rental housing units in Minnesota.

MHA is deeply concerned about the addition of a rent cap to agency programs. More commonly referred to as rent control, this policy is detrimental to new production, hurts Naturally Occurring Affordable Housing (NOAH) preservation efforts, and reduces overall investment in multifamily housing.

I find it ironic that I am writing to a housing agency in St. Paul, Minnesota about the negative impacts of rent control. I am compelled to remind you that the issues associated with rent control have been actualized in St. Paul. The adopted ordinance has stalled most new multifamily housing developments. The new rule should be immediately dismissed from consideration by the Commissioner and MHFA Board.

Moving in a direction where the agency would further limit rent increases that are already subject to federal affordability requirements is mistaken. Adoption of such a rule will ensure that development of affordable units is more expensive, and less housing will be produced and preserved. Today the industry is faced with rising interest rates, high insurance rates, increasing tax obligations, and escalating construction costs. A rent control policy is the wrong direction for Minnesota housing.

MHA unequivocally opposes all forms of rent control.

Sincerely,

Cecil Smith
President & CEO
Minnesota Multi Housing Association

Wilson, Tamara (MHFA)

From: Paul Eger <peger@mnrealtor.com>
Sent: Wednesday, October 05, 2022 2:20 PM
To: #MHFA_HTC
Cc: Matthew Spellman
Subject: Minnesota Realtors Association Comments Regarding Minnesota Housing's "Proposed Rent Increase Limit Policy"

Minnesota Housing:

Thank you for the opportunity to provide comments on behalf of the Minnesota Realtors® Association regarding Minnesota Housing's "Proposed Rent Increase Limit Policy."

Minnesota Realtors® is a statewide business trade association with a membership of over 21,000 real estate professionals working with buyers and sellers of all types of property throughout the state.

Minnesota Realtors® opposes rent control policies and would like to share our concerns with the proposed "rent increase limit policy" put forward by Minnesota Housing. Rent control policies create disincentives to invest in the construction of new rental properties and rehabilitate existing properties. It is our understanding that the projects that would be subjected to this "rent increase limit policy" already must abide by limits on the amount of rent that may be charged and the income of eligible tenants. Adding yet another barrier to the development of housing projects will simply result in fewer projects being proposed and fewer units being created.

Instead of moving forward with the proposed "rent increase limit policy," Minnesota Housing should take note of the problems rent control has created wherever it has been implemented and in all its forms, and then consider how best to support the economic conditions that will result in the construction of more housing of all types, particularly housing that is broadly affordable to more Minnesotans.

Sincerely,

PAUL EGER

Senior Vice President, Governmental Affairs
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Minnesota Realtors®

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October 4th, 2022

Minnesota Housing
400 Wabasha Street North,
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Saint Paul, MN 55102

RE: 2024-2025 QAP: Second Public Comment Period

To Whom It May Concern:

This letter is in response to the proposed Rent Increase Limit Policy proposed for the 2024-2025 Qualified Allocation plan. MWF Properties has participated in the development of over 30 LIHTC developments in Minnesota. MWF Properties understands the need to mitigate the impact of cost burdened households and help prevent economic displacement. This is one of the reasons MWF limited 2022 rent increases in its portfolio to no greater than 5% on occupied affordable units.

However, MWF Properties is not supportive of the proposed rent cap for the following reasons:

1. The proposed language does not factor in periods where AMI/rent growth is stagnant or negative. While the last few years have seen positive AMI and rent grown in many Minnesota MSA's, there have been years where AMI has remained flat or even declined including a **seven year period** from 2009 to 2014. Properties should be allowed a catch-up period consistent with the LIHTC rent limitations already in place. See the attached Twin Cities 60% rent growth spreadsheet for further details.

2. The proposed language does not consider high inflationary periods. Today's annual inflation rate in the US is 8.3% and we have seen year over year operating expenses increase 20-40% depending on the property. Given this, a 5% increase in 2022 would be less rent, factoring inflation, than the year prior.

3. The LIHTC Program already has rent limitations built in and adding another layer of rent limits would be overly burdensome. Based on the AMI data included on the Minnesota Housing website (attached), from 2008 to 2022 the average rent increase allowed by the program in the Twin Cities Metro Area was 2.3%. Additionally, only 3 years had over a 5% increase (2017, 2019, 2022) and only 1 year greater than 6% (2022). This does not include other limitations such as HOME, FMR or other rent restrictions imposed on the property by the funding and/or municipality.

4. The brief QAP public comment period has not provided enough time for evaluation of the proposed rule changes and its unintended consequences. For instance, MWF has not had an opportunity to review this with lenders and investors to understand the underwriting impacts of such restrictions.

5. Creating a cap on rent growth will create future budgetary issues. We do not have the ability to cap taxes and utilities to the proposed rent increase limitation. The controllable operating expenses are site staff wages and property maintenance, both which we do not believe should be limited by the by an arbitrary percentage rate. Imposing limitations on rent will push property owners to disinvest in their employees and properties. While we appreciate the relief provisions proposed in some of the options, it is unclear what exactly that looks like and a challenge to plan for. As a result, it is not something we can count on when we close on a property.

Due to the factors above, and the 30-to-50-year period where the proposed rent cap would be in place, the proposed rent limit policy will impact affordable housing production and/or create future budgetary issues for new properties. We are sympathetic to cost burdened households as a result of recent inflation trends but due to the factors above we believe the proposed rent limitation will create a long-term problem to a short-term issue.

We appreciate the opportunity to comment on this matter.

Sincerely,
MWF Properties, Inc.

Christopher Stokka
Vice President

Minnesota - Twin Cities Metro Rent 60% Rent Limits

Year	1BR 60% Rent	$ increase	% increase
2008	$945		
2009	$943	-$2	-0.21%
2010	$945	$2	0.21%
2011	$930	-$15	-1.61%
2012	$927	-$3	-0.32%
2013	$933	$6	0.64%
2014	$933	$0	0.00%
2015	$975	$42	4.31%
2016	$966	-$9	-0.93%
2017	$1,017	$51	5.01%
2018	$1,062	$45	4.24%
2019	$1,125	$63	5.60%
2020	$1,164	$39	3.35%
2021	$1,181	$17	1.44%
2022	$1,320	$139	10.53%
Average		$27	2.30%

TO: Tamara Wilson
Minnesota Housing
400 Wabasha Street North, Suite 400
Saint Paul, MN 55102

FROM: Phius Alliance Minnesota and Passive House Minnesota,
a chapter of the Passive House Network

RE: Minnesota 2024-2025 QAP: Second Public Comment Period

5 October 2022

Dear Ms. Wilson and the Minnesota Housing QAP team:

Thank you for incorporating our previous comments regarding the 2024-2025 QAP and Self-Scoring Worksheet. With the creation of the new Tier 4 within the Enhanced Sustainability criteria, the points received up-front for pursuing Passive House certification will more accurately reflect the commensurate benefits enjoyed by building residents as well as the environment as a whole.

Additionally, the provisions of the recently passed Inflation Reduction Act strongly support these measures. We anticipate that the new federal funding will contribute to decreasing the up-front cost of high-performance building systems, further improving the feasibility of Passive House projects:

- $9 billion earmarked for home energy performance-based rebates and the High-Efficiency Electric Home Rebate Program
  - Includes rebates for low to moderate-income households on energy-efficient technologies (heat pumps, electric appliances, and improved weatherization)
- Scope expanded for two existing tax provisions:
  - The Energy Efficient Commercial Buildings Deduction, which applies to buildings that meet or exceed 25% of the applicable ASHRAE standards. The baseline deduction is $.50/ft^2, increasing by $.02 for each percentage point above the 25% threshold, but not exceeding $1/ft^2.
  - The New Energy Efficient Home Credit now applies to all buildings that meet Energy Star Multifamily New Construction Program requirements through 2032.
    - $500 per multifamily dwelling unit base credit for eligible units acquired after 2022
    - $1,000 per multifamily dwelling unit for buildings certified under the DOE Zero Energy Ready Home Program.
- $837.5 million for HUD to provide grants or loans to affordable housing projects that include energy-efficient or sustainable building features, including zero-emission electricity generation, low-emission building processes, energy storage, and building electrification.

Many Passive House projects would benefit directly from the programs listed above, with some certification systems such as Phius ZERO already including Energy Star and DOE Zero Energy Ready as a baseline for qualification.

Again, thank you for your consideration. We look forward to any potential opportunities to work with your team in the future.

Signed,

Phius Alliance Minnesota
Peter Schmelzer AIA CPHC, President
peters@kaaswilson.com

Nick Conniff CPHC CDT, Secretary
nickc@kaaswilson.com

phius alliance MINNESOTA

https://www.linkedin.com/company/phius-alliance-minnesota/

Passive House Minnesota
a chapter of the Passive House Network

Marcy Conrad-Nutt, AIA, CPHC
Internal Coordinator
marcy@alchemyarch.com

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External Coordinator
tim@testudio.com

Passive House Network Minnesota

https://passivehouseminnesota.org
https://naphnetwork.org

Wilson, Tamara (MHFA)

From: Brian Young <Brian.Young@ppl-inc.org>
Sent: Tuesday, October 04, 2022 1:35 PM
To: #MHFA_HTC
Subject: 2024-25 QAP Public Comment

This message may be from an external email source.
Do not select links or open attachments unless verified. Report all suspicious emails to Minnesota IT Services Security Operations Center.

Hello there!

I would like to offer some feedback on the 2024-25 QAP, specifically on the Rent Increase Limit Policy. I am so glad to see a policy like this being thought about and included in a state-level plan.

I would urge Minnesota Housing to opt for the first option, which offers no relief provisions and applies to all households receiving HTC and Deferred Loan funding. I advocate for this because it seems to provide relief to the most households in Minnesota by targeting a broader range of properties and tenants. At this point in time, when rental rates become increasingly high and costs across the board are rising, Minnesotans are increasingly cost-burdened, meaning that a rent increase of any amount generally presents a challenge. Particularly for residents in affordable properties, many of whom are BIPOC-identified and all of whom are lower-income, rising rents present a significant risk in terms of these folks staying housed. This is thus a question and issue of equity.

Therefore, I ask that Minnesota Housing opt for this first option, which would offer the greatest amount of relief to the greatest number of tenants. While I understand that landlords may want to make upgrades and may themselves be struggling to keep up with costs, the risk of having more unhoused people in our state is too great.

Thank you for taking the time to consider my feedback, and I look forward to hearing more about the outcome of this policy.

Brian Young
Housing Specialist II
Pronouns: they/them
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Minneapolis, MN 55411
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October 5, 2022

Ms. Tamara Wilson
Minnesota Housing Finance Agency
400 Wabasha Street North, Suite 400
St. Paul, MN 55102
By Email to: htc.mhfa@state.mn.us

Comments of 2024-2025 QAP Rent Increase Limits

Ms. Wilson,

Project for Pride in Living (PPL) is a nonprofit developer of affordable housing that has been developing and managing affordable housing in the Twin Cities metropolitan area for the past 50 years. We have developed, owned and manage approximately 1600 units of affordable housing throughout the metropolitan area. Minnesota Housing has been a longstanding and important partner on most of our projects.

MHFA recently proposed the Minnesota Housing Board of Directors adopt a 5% rent cap in a variety of scenarios for funding under the 2024-2025 QAP that would affect all projects thereafter funded under conditions of funding by MHFA.

While we appreciate and share Minnesota Housing's concern about impact of rent increases on cost burdened households, **we believe this is a complicated, substantive policy issue that deserves more consideration, discussion and analysis.**

As a developer and manager of affordable housing, **we have serious concerns both about the potential impacts such policy might have on production and the impacts such policy might have on our ability to operate quality, financially viable properties.**

Our country (and region) has a significant housing supply problem. To adequately address housing affordability and housing security for the long term, we need both reasonable tenant protections that prevent unfair practices by landlords AND we need to significantly increase the production of all types of housing affordable to those across the income spectrum.

Existing regulations already limit the amount of rent affordable housing can generate and dictate the amount of cash flow available to pay for property operations. The many and significant regulations currently in place for affordable housing are fundamentally designed to ensure rents remain affordable for renters who qualify and limit the amount of cash flow a property can generate. HUD and the IRS strictly dictate income and rent limits based on median family income census data.

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Affordable developments are regulated from the very beginning of the development process including regulating the amount of cash flow designated for operations based on our funders' determination of the amount of debt that each development can support and the amount of subsidy they are willing to provide. In short operating budgets are tight by design and operators of affordable properties work extremely hard every day to operate and maintain buildings in a way that centers the dignity of our residents and are doing so with limited resources.

Additionally, affordable housing has strict, and extensive, compliance regulations and reporting requirements. The staff cost related to compliance is significant, and is a cost not borne by market rate providers.

Most affordable housing operators work hard to protect residents from bearing the full burden of cost increases during volatile times, especially for existing residents. As an example, given the volatile and challenging environment most renters were experiencing during the height of the pandemic (2020-2022) PPL increased rents by an average of 1%.

Affordable housing operating costs have dramatically increased in recent years. Affordable housing providers across the spectrum are already struggling with operating costs, including property tax burden that has shifted to multifamily properties from other property types over the past decade, special assessments, utilities, security and property insurance increases in excess of 30% annually in recent years. Like everyone else, they've experienced challenges in hiring, having to increase wages to hire site managers, front desk staff, and maintenance positions. All of these costs must be paid by already restricted levels of rental income, which today is generally not sufficient.

As a result, affordable operators across the country are having to subsidize their properties with other sources, such as philanthropic contributions or capital maintenance reserves, due to insufficient property income, which is not sustainable for our industry and limits our ability to both maintain existing units and commit to building new units. Locking us into this dynamic is not sustainable over the long term.

I am happy to talk with you in greater depth about our concerns.

Mike LaFave

Mike LaFave
Senior Vice President of Housing Stability
Project for Pride in Living

REAL ESTATE EQUITIES

Minnesota Housing Finance Agency
400 Wabasha Street North, Suite 400
St. Paul, MN 55102

RE: 2024-2025 Qualified Allocation Plan/Proposed Rent Increase Limit Policy
Public Comment

To whom it may concern,

Real Estate Equities is making this comment in opposition to the 6 options stated in the Proposed Rent Increase Limit Policy, all of which would set an annual rent increase limit of 5% subject to certain exceptions.

We oppose a rent increase limit for the following reasons:

1) Section 42 rental rates are already regulated by HUD, via a formula that is applied uniformly throughout the country and which considers changes to incomes annually.
    a. One of the two primary factors in HUD's determination of AMI increases is inflation (in addition to median incomes), so often when above average AMI growth occurs it is a result of above average inflation, which implies that property owners are being impacted by increased operating expenses. HUD considers inflation in the AMI formula to allow owners to keep up with increased expenses, a consideration that is outright ignored by MHFA's policy.

    b. HUD's annual rent changes are subject to decreases, which has occurred 5 times in the past 20 years in the Twin Cities MSA (2003, 2007, 2011, 2013, 2016). The proposed policy does not consider the impact of these rent decreases. For example, if rents decreased 6% one year and were subject to a 5% limit increase the following year, the two-year rent growth would be negative.

2) We have not seen MHFA's justification for limiting rent increases to 5%. This number is surprising given the most recent inflation data from the Bureau of Labor Statistics of an 8.3% increase to CPI for August 2022. Inflation at one point this year (June 2022) exceeded 9%. If this policy were in effect in 2022, it would be expected that property owners would experience reductions in income of around 4%.

3) Concerns with investment in new affordable housing properties
    a. The City of St. Paul quickly backtracked on its rent stabilization ordinance that passed in November 2021. One key data point was shared at their September 7, 2022 City Council meeting, stating that while permits for new housing units in the Twin Cities Metropolitan area were up 38.5% in 2022, permits for new housing were <u>down</u> 31% in St. Paul over the same time period. We see potential for this Proposed Rent Increase Limit Policy to have a similar effect on affordable housing at a statewide level as a result of the following:
        i. Affordable housing developers deciding to invest in different states
        ii. Developers choosing to proceed with market rate developments instead of affordable developments, due to the ability to capture larger rent increases over time, as well as concerns with increased overhead and compliance relating to the Policy.

    b. According to the MetCouncil 2021-2030 Allocation of Affordable Housing Need, the Twin

Cities MSA needs to create an additional 35,385 affordable housing units by 2030. We believe the best way to improve the housing economy is to reduce barriers to entry and support the development of more homes, not to discourage new investment.

4) Concerns with long term operations of properties
    a. Reduced capital improvement spending in properties, particularly in older properties that need them most
    b. Potential for owners to find ways to offset lost income, such as reducing staffing
    c. Increased incentive for owners to increase rents to maximum levels every year, regardless if that is what is best for existing tenants or retention
    d. Decrease likelihood of owners seeking to resyndicate and preserve affordability, therefore resulting in a lesser stock of affordable housing in the future.

5) Contradicts recent changes to help affordable housing production
    a. At a state legislative level, changes were made to the 4d Low Income Rate Classification (LIRC) to lower the property tax burden for affordable housing properties to make developments feasible. At a federal level, congress passed the 4% floor to allow for more equity to be generated in tax credit developments to help feasibility. Both of these changes are becoming increasingly important as interest rates have risen along with construction costs. Our elected officials have realized the need to incentivize affordable housing production to address our nation's shortage, and now MHFA is taking an action that produces a strong disincentive. Right when we begin taking steps forward to increase production, we are potentially taking a big step back.

6) Feedback timeframe and lack of discussion
    a. The Policy was published in September 2022, with the public hearing on October 4 and comments due on October 5. We feel that given the implications of this policy, there was not adequate time to provide feedback, and it is inappropriate to make a decision on this policy so quickly. In contrast to MHFA's approach to this matter, after the City of St. Paul's rent stabilization law passed via referendum the City organized a task force to review the policy and make any recommendations prior to the City Council taking any action. This allowed for various stakeholders to comment on the policy and give the Council more time to review and make a decision regarding any changes. Ultimately, feedback from stakeholders influenced decisions to St. Paul's rent stabilization ordinance. Our concern is that MHFA, through its accelerated timeline, is limiting potential feedback on the Policy.

Section 42 has been a successful program for close to 40 years, and during that time has been the primary mechanism to create affordable housing in the United States. Since its creation in 1986 the Section 42 program has created millions of housing units across the nation, all of which have rents regulated by the federal government. We hope the Section 42 program continues to be a tool for developers to create and preserve affordable housing, and that governing bodies don't take actions that may limit its application.

(651) 389-3800
579 Selby Ave Saint Paul, MN 55102
REEapartments.com

My name is Richard Johnson. I`m 77 and live at River North Senior Apartments, with my wife Toni. We sold our house because the maintenance and upkeep was getting harder and the steps were hard on Toni.

River North is a beautiful building with many amenities. Our apartment has a walk-in closet , a laundry room and a balcony. The building has a Great Room, a TV room, a physical fitness room and a hair salon.

We qualified to get an apartment because we were classified as low income. The rent was just affordable for us and the assistant manager here assured us that yearly increases would probably be $20 to $30 dollars a month. That was a figure we felt we could handle.

We have been here one year now and our rent went up $171 per month. This means we have to watch every dollar we spend. If we would get another increase of that size, we would have to move to a less desirable location. Finding a good apartment is very difficult in today`s market.

Dominium built River North Senior Apartments as an affordable housing apartment and was given Federal, State and City cash and tax breaks. Sadly, an increase of 12 1/2 % has made it unaffordable to many seniors living here. Some tenants have already been forced out as they couldn`t absorb the increase.

We like living here. Our apartment is fine and management here is fine as well as the maintenance people. However, Dominium has policies and fines that we have found to be extreme. If I would need to move to a smaller and cheaper apartment , I would have to pay $400 to process paperwork. I would also have to pay $200 to have my carpets cleaned. If I would miss picking up a piece of my dog`s poop, I would have to pay $300. If I was a smoker and lit up a cigarette in the wrong place outside, I would have to pay $300.

We have a security door at the entrance to our elevator that is propped open with a sign saying the IT department is working on it. The sign has been up for weeks. It can take up to 2 months to get an air conditioner fixed. We are told the parts have to shipped from overseas. What is wrong with getting parts in the United States?

In summary I believe Fixed income seniors need a safe and secure building that is affordable and has stable price increases in the 3 to 5% range. This would eliminate most of the stress and fear that we are now experiencing.

Wilson, Tamara (MHFA)

From: Robert Bringedahl <rbbringe@gmail.com>
Sent: Thursday, September 29, 2022 3:17 PM
To: #MHFA_HTC
Subject: Any Information Available? / Re: 2024-2025 Qualified Allocation Plan and Amended 2022-2023 Qualified Allocation Plan Release: Second Public Comment Period Now Open

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Good Afternoon:

I am a landowner and a local citizen of International Falls (Tier 1) who has taken an interest in the local housing crisis up here.

I realize that if I want to get a local housing tax credit for construction on my land, I (or a developer) would have to complete the application process and also the new 2024-2025 self scoring worksheet
(located at https://www.mnhousing.gov/get/MHFA_283612)

I am just trying to learn more about the process by reading the available information, and also the 2024-2025 Qualified Allocation Plan Methodology Guide.

Couple of questions:

1) is any previous information available such as:
  a) the previous self scoring worksheet (anywhere from 2020-2022 or before)
  b) the previous 2024-2025 Qualified Allocation Plan Methodology Guide (same years)

We have a local project in International Falls called Alexander Baker School which is past the early phases, but is currently stalled.

I have to several people who should be "in the know" and requested some hard data (documentation on paper) and really have not been provided with it.

So I guess my question is - since it appears you have already had one round of funding.

1) Was the housing tax credit (HTC) given to any other projects already (and if you have any data, please provide)

2) I was told the AB School project is currently in limbo due to the Legislature's non passage of the HTC. Is that the case?
(I believe they also may be / are looking for an investor / developer to buy the building.)

3) On page 3 of the methodology guide there is a paragraph that says this:

*Minnesota Housing will publish the geographic priorities for the 20231 RFP/20242 HTC in June 2020of June 2022 and updated them in the spring of 20231 with **the most current available data** as part of the early release of the Consolidated RFP application materials1*
*. **Communities (areas) that were considered priority areas when***

***the data was released in June 2020** June 2022 will not be removed as part of the update in the spring of 20231. Communities (areas) can only be added as part of the spring 20231 data update. **Minnesota Housing will highlight those communities that met the threshold with the initial release in June 2020**, but not in the updated data release in the spring of 2021. This may indicate whether a community is going to be eligible for those priority points in the 2022 RFP/2023 HTC.*

BOLDED ABOVE a) do you have any data (current or previous) A link would be fine for current data, and an attachment for old data would be great.

BOLDED b) Was International Falls considered a priority area in the June 2020 data release (If not, WHY ?)

BOLDED c) Was International Falls highlighted in the June 2020 initial release ?? (again, If not Why ??)

The project is in a building owned or previously owned by backusab.org (Citizens for Backus)

The current project is being run by two non-profits (Kootasca and TrellisMN.org)
-anything you can tell me about what mnhousing.gov funding or grants would also be helpful. Apparently they need another 1.9 Million dollars.

Again, I could go ask them, but I am just a citizen in this town, and have not been actively involved with backusab.org for a number of years. And again, they don't really want to provide me with any hard data. (LINKS are OK too)

ANY TIMELINE on when the next funding will be released to those that qualify, or any deadlines is always helpful too.

Robert Bringedahl
218-286-3318
rbbringe@gmail.com

Or if you would care to mail me anything

Robert Bringedahl
313 13th Street, Apt #3
International Falls, MN
56649

Sincerely

On Wed, Sep 28, 2022 at 2:02 PM Minnesota Housing <MNHousing@public.govdelivery.com> wrote:

Having trouble viewing this? View it as a webpage

ROERS
COMPANIES

110 Cheshire Lane | Suite 120
Minnetonka, MN 55305

roerscompanies.com

Ms. Tamara Wilson
Minnesota Housing Finance Agency
400 Wabasha Street North, Suite 400
St. Paul, MN 55102
By Email to: htc.mhfa@state.mn.us

RE: Proposed Rent Increase Limit Policy within the 2024-2025 Qualified Allocation Plan

Dear Ms. Wilson,

First and foremost, we acknowledge the incredible need for, and importance of, the development and preservation of affordable housing in the State of Minnesota. The inflationary market has placed burdens on the whole of Minnesota, specifically regarding increasing rent costs. However, we believe that while the intentions of this proposal are understandable, the resulting long-term implications will only aggravate the issues at hand. It will not only limit the supply of new affordable housing within Minnesota, but also lead to poorly managed and maintained properties.

In the event of any of the proposed options becoming written requirements of the QAP, we foresee a decreasing supply of new affordable housing. Evidence is widespread that rent control type regulations do not serve low-income households in the long term. The most recent example of this in St. Paul is already impacting housing production and adding additional constraints on income restricted housing by MHFA funded programs. Any reduction of housing supply being added to the market would push rents higher in the market overall. These shortages have historically had a negative impact on lower income renters, the very population you are hoping to aid with these policies, more than the general population.

Our goal as a company is to provide high-quality market rate and affordable housing and management services. As we are faced with rising interest and insurance rates, increasing tax obligations, escalating construction costs, and inflation – correlating rent increases allow projects to maintain financial viability. Without the coinciding increase in income, property owners/managers will be faced with the inability to fund needed maintenance projects, staffing reductions, inability to fulfill debt service obligations, and decrease in desire to preserve a property's affordability. Rental rates of affordable housing are already regulated by HUD – which maintains affordability while also factoring in inflation. While options 3, 4 and 5 allow for relief provisions, with 5% being lower than the current inflation rate, we would expect these requests to be many. Having MHFA be the sole deciding body on a case-by-case basis leaves too much subjectivity and uncertainty within underwriting.

110 Cheshire Lane | Suite 120
Minnetonka, MN 55305

roerscompanies.com

While we understand this provides a solution in the short term, and hear the concerns associated with increasing rents, the long-term implications should be duly considered. In our opinion further restrictions on rent over and above what is already regulated for MHFA programs is the wrong direction for Minnesota housing. As adequate timing for discussion on these implications has not been provided for the stakeholders, Roers Companies urges the MN Housing Board of Directors to reject this policy change in the 2024-2025 QAP.

Wilson, Tamara (MHFA)

From: SALLY LUBRANT <lubrantsal@msn.com>
Sent: Tuesday, October 04, 2022 7:47 PM
To: #MHFA_HTC
Subject: Dominium

We live at The Cavanagh in Crystal which is owned by Dominium. We had a small get together and voiced our opinions about the way Dominium operates our building because we are a Section 42 building.

Here are some bullet points of our concern:

- We live in a Senior 55+ building with the majority of the residents on fixed incomes.
- We would like Dominium to maintain a safe and secure building.
- We are asking for you to help us get a cap of 3% on our rent increases for people on fixed incomes.
- We would like you to stop Dominium from building new apartments until they start improving maintenance issues and improvements to their existing buildings.
- This 12.5% increase which was given to us this year has added a lot of stress to the residents where some are forgoing purchasing medications, dental work and taking care of other additional health problems.
- We all feel that we want to be treated like natural human beings.
- We would like documentation of is being done in our building but always are told that it is not in the budget.

We want to thank you for taking the time to read our concerns and would appreciate it if you could help us in any way you can.

Sally Lubrant on behalf of
The Residents of The Cavanagh

Schafer Richardson

October 5, 2022

Ms. Tamara Wilson
Minnesota Housing Finance Agency
400 Wabasha Street North, Suite 400
St. Paul, MN 55102
By Email to: htc.mhfa@state.mn.us

RE: Comments to the Supplemental Policy for 2024-2025 QAP Rent Increase Limits

Ms. Wilson,

I am writing on behalf of Schafer Richardson, a local real estate developer located in Minneapolis, MN that works in the market rate and affordable housing development spaces, and utilizes 4% Low Income Housing Tax Credits (LIHTC) and tax-exempt bonds. We have developed over 3,000 units of housing and currently own 517 LIHTC units; have 341 LIHTC units under construction; and are working on several other predevelopment projects in throughout the Twin Cities.

We were recently alerted to a MHFA proposal to adopt a 5% rent cap for funding under the 2024-2025 QAP that would affect all projects receiving funding from or through MHFA. After the well-publicized public comment period for the QAP in the spring, we were surprised that this supplemental policy change was announced with little notice.

Although it is not standard for us underwrite LIHTC projects with annual rent increases higher than 5%, this substantive change to the policy warrants substantial public debate and a full weighing of the costs and benefits of such a policy before administratively putting in place what is effectively a Rent Control policy.

The reality of current market forces is that inflation is significantly impacting the cost of operating buildings and the impact runs the gamut from real estate taxes to payroll, and insurance to utility costs. Housing owners, operators, and developers are stretched to continue operating properties within their budgets and cover financial obligations. Further restricting income has the potential to be detrimental to the long-term viability and quality of these properties. The most meaningful solution to a housing crisis is to provide more funding to increase production.

We request that MHFA rescind the proposed policy and take it through the appropriate channels to allow for public feedback and a full weighing of the costs and benefits.

Thank you for your consideration.

Regards,

Katie Anthony
Vice President of Development
Schafer Richardson

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612.371.3000 | sr-re.com

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401 N Robert Street, Suite 150
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stpaulchamber.com

Commissioner Jennifer Ho
MN Housing
400 Wabasha Street, Suite 400
St. Paul, MN 55102

October 5, 2022

Dear Commissioner Ho:

The St. Paul Area Chamber would urge MN Housing to hit pause on the proposal to amend the Qualified Allocation Plan (QAP) to include a 5% limitation on rent increases. We find it troubling that MN Housing is considering such an amendment, given the difficulties the rent stabilization ordinance has caused in the City of St. Paul.

It is a clear fact that housing permit applications have declined in St. Paul in 2022, after the ballot-initiated ordinance took effect. The City of St. Paul Planning and Economic Development Department stated that from January to July 2022, there has been a 31.4% decrease in housing permit applications over the four-year average.

St. Paul's rent stabilization ordinance has moved a city with a 11,000-housing unit deficiency in exactly the wrong direction. As we've said before, capital investors operate in a national and international ecosystem of assessed risk, and St. Paul is an island of risk.

Further, we are perplexed that MN Housing is proposing to go even further than the City of St. Paul. When amending its rent stabilization ordinance, the St. Paul City Council removed rent control requirements from the very same type of affordable housing projects that MN Housing is proposing to limit. Even the City of St. Paul recognized that HUD projects were subject to federal guidelines and that a rent increase limitation would cause confusion and disrupt investment in affordable housing.

MN Housing should take heed of the Capitol City's experience. A statewide rent increase limitation, even amongst the subset of affordable Housing Tax Credit projects included in the Qualified Allocation Plan, would put the entire state of Minnesota into the risk pool. On a statewide and regional basis, we need to promote the creation of new housing units, not adopt policies that stifle these developments.

Again, we urge the MNHFA Board to vote no on the proposed rent increase limitation.

Sincerely,

Brenda L. Kyle

B Kyle
President/CEO

TAPESTRY

October 5, 2022

Ms. Nicola Viana
Minnesota Housing Finance Agency
400 Wabasha Street North, Suite 400
St. Paul, MN 55102
By Email to: htc.mhfa@state.mn.us

Comments of 2024-2025 QAP Rent Increase Limits

Dear Ms. Viana:

The Tapestry Companies of Minneapolis are deeply concerned about MHFA recently proposing that the Minnesota Housing Board of Directors adopt a 5% rent cap in a variety of scenarios for funding under the 2024-2025 QAP that would affect future MHFA funded projects.

This proposed policy addition is detrimental to new housing production as well as ~~in~~ the preservation and improvement of Naturally Occurring Affordable Housing (NOAH). We believe that this type of cap will reduce the overall investment in multifamily housing where supply is already significantly short in the state of Minnesota.
There are two major reasons for this concern:

1. Before proceeding with this rule, we highly suggest the MHFA investigate with the tax credit investment community the potential effect on the price tax credit investor will pay. A limit on increases in rents that is not tied to inflation will be viewed as an added uncertainty and risk. In today's inflationary environment, expenses have risen to unexpected levels. To artificially put a cap on rent increases will bring an added unknown to tax credit investors of whether the rent cap will allow project income to keep up with expenses, and their response will be to lower the percentage they are willing to pay for the credits, despite the part of the proposed rule that for budget-based increases over the 5%. This rule carries with it the uncertainty of how future MHFA staff will interpret the rule.
2. Controlling rent levels have been proven to be a disincentive to building and preserving more housing. In addition, there is national evidence that ~~a~~ rent control type regulations do not serve low income, cost burdened households in the long term. Rather, it stifles new development and reduces options and opportunities thereby pushing rents higher in the market overall. These shortages impact lower income renters more than the general population.

This is a legislative question that needs substantial public debate. It is in effect "Rent Control" imposed by administrative fiat, which we do not believe the state agency has the legal authority to impart. The function of MHFA by statute is the financing of housing in the state and the administration of federal and state programs to facilitate that production. Today the industry is faced with rising interest rates, high insurance rates, increasing tax obligations, and escalating construction costs. Further restrictions on rent over and above what is already regulated for MHFA programs is the wrong direction for Minnesota housing.

Tapestry urge's the MN Housing Board of Directors to reject this policy change in the 2024-2025 QAP.
Sincerely,

The Tapestry Companies

Richard C. Bienapfl
Director of Development

To: Minnesota Housing Finance Agency
Attn: Nicola Viana

From: Richard C. Bienapfl
Tapestry Companies
Developers and Managers of Affordable Housing

RE: Comment on Proposed Scoring Worksheet, 2024-2025 QAP and Limitations on Rent Increases

Scoring Worksheet:

1. The worksheet provides points for project based rental assistance contracts, essentially limiting it to Section 8 HAP contracts. We suggest the language be changed to provide the same terms and conditions for any occupancy based rental or service assistance payments from governmental programs. An owner that does not rent to a properly qualified resident under the Section 8 program will NOT receive payments for the months any such person or family is in occupancy. There are programs through state government that are not project based, such as Housing Assistance Payments and the DHS program for the provision of assistance with for supportive services seniors, veterans, and the physically or mentally impaired. These programs provide income and asset qualified individuals and families (average income is about 20% of AMI) with monthly payments to assist in affording housing and supportive services. These programs result in a "contract" with the individual/family. As with Section 8, if a family does not properly qualify it does not receive funding to pay for housing and support services. The only difference being who the contract is with. If a supportive housing project is structured to accept these individuals, the scoring should be the same as for a project based Section 8 contract.
2. The Rural/Tribal and Black, Indigenous, People of Color and Women Owned Business Enterprises sections of the Scoring Worksheet fail to recognize the unique circumstance of Urban Native Americans. This is an issue specific to the State of Minnesota and a single property, the Little Earth of United Tribes project in Minneapolis. The definitions fail to recognize a property that has a federal court order to provide a "preference for the Housing of Native Americans". The definitions specifically discriminate against Little Earth since it is not a "tribally-designated housing entity, tribal corporate entity or other entity which is at least 51% owned by and individual(s)…that are Indigenous…". Little Earth is a 501c3 not profit corporation, providing court ordered preference for housing 212 urban based Native Americans of 17 different tribes, the largest such targeted housing property in the United States. But it does not under the current scoring definitions qualify to receive any points for providing more Tribal member and Indigenous person(s) housing opportunity for persons of extremely low incomes than any other project in Minnesota.

Desperate Supportive Housing Needs Not Recognized by the QAP

The QAP and Underwriting regulations fail to recognize the need for extremely low-income seniors, veterans, and disabled adults in need of Supportive Services otherwise known as assisted living. The current rules, regulations, and practices of the MHFA do not address the needs of this community of very low-income adults – 30% or less of AMI and assets limited to $3,000 for an individual and $6,000 for a couple.

A market study completed for the Duluth market area, for an application submitted for LIHTC allocation and given an early no determination, "estimates the excess demand for affordable assisted living housing at the subject site at 511 units in 2022" (these are persons who cannot manage the process of obtaining in home care services and/or are no longer capable of living independently) and further estimates the 112 unit proposed property would be "fully leased with 12 months of opening and that a substantial portion of the building will be pre-leased prior to occupancy". This study was for an age restricted property for seniors 62+ and does not account for other possible market constituents. The Duluth market area is estimated to have a population of approximately 291,600 people. If the Duluth demand for this type of 62+ housing is prorated to the population of the State, this would mean a demand for nearly 10,000 units within Minnesota's boundaries.

Beyond the need for this housing there are tremendous opportunities for savings within the Minnesota health care budget. The State of Illinois recognized this a number of years back and has since created approximately 140 such housing projects. Published information indicates it saves the State approximately $900,000,000 in medical waiver payments. Many of these projects have been financed using the Illinois Housing Development Authority housing tax credit program.

In recognition of this need the Minnesota Department of Human Services has instituted a category of assisted living that provides a daily flat rate for reimbursement for care and the Housing Support program that provides monthly funding for room and board. For those persons qualifying under the Medical Waiver program these support and the service reimbursements make it possible for persons whose income is less than 30% of AMI to afford care, services and a residential apartment for nominal cost. To date the only alternative for these persons is to qualify for Waiver payments and to move into a nursing home that is a stifling environment for someone not in need of that level of care. This new program allows the State to assist individuals for about 50% of the cost of placing them in a nursing home at $250 to $300 per day.

Unfortunately, the Housing Support payments and daily reimbursement rate do not make it possible to create the needed housing conventionally. Without the infusion of equity from the sale of low-income housing tax credits, the interest rate advantage of tax exempt financing, and possible soft money infusions from the local government or through such programs as the HIB program previously provided by the MHFA, such projects are not financially feasible.

We suggest the MHFA consider modifying the QAP, scoring worksheet definitions, and underwriting regulations, to provide a program to allow the financing of this badly needed housing to be developed and operated by qualified for profit and non-profit firms.

THE HUMANE SOCIETY
OF THE UNITED STATES

October 3, 2022
Minnesota Housing
Tamara Wilson
400 Wabasha Street North
Suite 400
Saint Paul, MN 55102

Re: Proposed 2024-2025 Housing Tax Credit Qualified Allocation Plan

Dear Ms. Wilson,

The Humane Society of the United States (HSUS) is a national animal welfare non-profit organization that, for over 70 years, has worked to protect animals large and small from cruelty and to prevent neglect. A significant part of the HSUS' work is protecting companion animals—and the humans who love them—from discriminatory laws and practices that can separate families and pets. The forced separation of families from their pets is immensely traumatic for both humans and animals, particularly when families are forced to surrender their pets in order to secure other needs, like housing.

Moreover, we recognize that the same poverty and structural inequity that creates inequitable access to healthy food, education, jobs, health care and housing also creates obstacles to affordable veterinary and pet wellness services. With tens of millions of pets living with loving families in poverty, there is an inextricable link between an individual or family's access to resources, including a safe, affordable and accessible home and the welfare of the companion animals who are part of that family.

Nearly three-quarters of renters are pet owners and although some effort has been made to create more housing that accepts pets, the majority of properties have inconsistent policies and set strict limits on what pets are allowed. These restrictions disproportionately affect our most vulnerable communities because families living in subsidized housing typically have the least flexibility in choosing where they live. A recent survey found that 72% of Americans reported that pet-friendly housing is challenging to find, with 59% saying that even where it may be available, it's unaffordable. Yet 76% of owner/operators consider themselves to be pet-friendly. Recognizing this disconnect is critical so we can better address the insufficiencies of affordable pet-inclusive housing and minimize the number of pets entering animal shelters each year due to housing or moving issues.

There is an opportunity to address these inequities and ensure that income does not define the parameters of a family or whether you're able to enjoy the unconditional love that a pet brings.

Furthermore, there are no requirements for a centralized database regarding pet policies so we rely on anecdotal evidence through direct care and service programs and animal shelters who cite affordable housing as pet relinquishment and so we know the relationship is there.

To that end, please accept the following comments in response to the 2024 Proposed Qualified Allocation Plan (QAP).

1. Revise the self-scoring worksheet to maximize the compassionate and efficient use of public subsidy and benefit created through the private activity bond and low-income housing tax credit programs by incentivizing pet-inclusive policies that allows the resident of the housing development to keep one or more common household pets. All HTC project pet policies must be reviewed for compliance by Minnesota Housing staff, annually, and kept on file with the Minnesota Housing as part of the development's Land Use Restriction Agreement (LURA).

   To earn the incentive point(s), the developer must commit to setting reasonable requirements on pet keeping in units constructed or rehabilitated using 4% and 9% tax credits awarded through either the state or federal HTC program. The scoring system shall not penalize a project's policy that imposes reasonable conditions, including but not limited to,

THE HUMANE SOCIETY
OF THE UNITED STATES

a) limitations on the number of animals in a unit based on unit size; and

b) prohibitions on types of animals that are classified as dangerous or potentially dangerous, in accordance with M.S.A. § 347.50; however

c) a reasonable requirement may not include a prohibition on breeds of common household pets or limitations on the weight or size of animals.

d) In addition to the reasonable conditions, the scoring system shall provide a higher point value to a project that does not impose a monthly fee associated with the keeping of one or more common household pets in a unit.

At the HSUS's Pets For Life program, we recognize that a deep connection with pets transcends socio-economic, racial, and geographic boundaries and that no one should be denied the opportunity to experience the benefits and joy that come from the human-animal bond—particularly not when that denial is due to a lack of financial means that has been perpetuated by generations of systemically racist and inequitable housing, food, and education policies. In recent years, the broader animal welfare community has also come to recognize the inextricable relationship between keeping people housed and keeping pets out of animal shelters. Ensuring that extremely-low and low-income pet owners have access to decent, affordable housing in neighborhoods where there is ready access to necessary resources is an absolutely vital component of protecting the human-animal bond. There is an opportunity to address these inequities and ensure that income does not define the parameters of a family or whether someone is able to enjoy the unconditional love that a pet brings.

Thank you so much for taking the time to consider these comments and if you have any questions, please don't hesitate to reach out to Zack Eichten at zeichten@humanesociety.org or Jessica Simpson at jsimpson@humanesociety.org.

Sincerely,

Zack Eichten
Minnesota State Director
Humane Society of the United States

Wilson, Tamara (MHFA)

From: Jenny Larson <JLarson@threeriverscap.org>
Sent: Wednesday, October 05, 2022 11:01 AM
To: #MHFA_HTC
Subject: comments on QAP, specifically on the rent increase cap

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Please accept the following comments on the proposed rent increase cap in the QAP. These are submitted by Jenny Larson, Executive Director of Three Rivers Community Action in Zumbrota, Minnesota.

As a nonprofit developer, we are in the business of developing, preserving and maintaining quality rental housing that is affordable to households with the lowest incomes in our communities. We are not in the practice of increasing rents more than we need to, but there are definitely instances when we must. In thinking about an annual rent increase cap, we are most concerned about what happens in really wonky years (like the one we are in currently, with significant cost increases in energy, services, supplies, personnel, maintenance, insurance, taxes, etc) where costs for everything are going up and we have no control over them. We are also concerned about the capacity of MHFA to be able to process widespread requests, and what happens if they deny them? How much work will need to go into the application, the review, and the decision? How long will it take? Additionally, if there is an annual cap on rent increases, many developers will likely institute a 5% rent increase EVERY year, even in years when costs are not going up by 5%, in order to create cushion for years when costs go up more than 5%. This might result in more overall rent increases, and might be adverse to the goal of keeping rents affordable.

While we don't think increasing rents 5% per year should be our habit, we also don't think as a nonprofit developer we should be at MHFA's mercy to cover our costs if costs were to go up over 5%. Leaving ourselves open to having to use agency funds to house that many tenants – or to fund housing operations if our project fees can't be paid because costs are up more than rents – is reckless.

Here's a scenario:
Over the last 12 months, inflation has been 9.1%, that's based on the government's CPI. On a $800 unit with a 5% increase, that's $393.60 of cost increase that *isn't* covered by rent in a year. Multiplied by 1000 units in our portfolio is $393,000 for one year. This is about 75-80% of our total asset management fees collected annually right now. Covering that gap would quickly cripple the department.

We have some concerns that the decision to raise rents is solely in the hands of MHFA approving the excess increase in our budget. Think of the inundation of applications MHFA would get, and the # of staff they have to manage that. Even if they intended to approve all of the applications, could they do it in a timely manner? What would we do in the meantime? What happens to these properties if they deny them? The quality of the units could decline if we have limited funds to maintain the properties. What will syndicators require in order to protect against these risks – more reserves, more guarantees? Up front costs will continue to increase if this is the case.

As an alternative to a 5% cap, perhaps you cap it based on CPI or some other inflation metric, that would be a lot easier to support. Not perfect, but then any cost fluctuation would really be property specific rather than every single project funded by MHFA having increases and needing to get through an additional approval process.

Please let me know if you have any questions. Thank you for you consideration.

Jenny Larson
Executive Director
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ThreeRivers COMMUNITY ACTION "Community Action: Helping People. Changing Lives"

TRAVOIS™

310 W. 19th Terrace
Kansas City, MO 64108

October 5, 2022

Commissioner Jennifer Ho
Minnesota Housing Finance Agency
400 Wabasha Street North
St. Paul, MN 55101-1998

Commissioner Ho:

We appreciate the opportunity to comment on MHFA's draft 2024-2025 Qualified Allocation Plan and associated application documents. Over the past 27 years, Travois has had the privilege of working with five Minnesota Tribes and Tribally Designed Housing Entities on 31 Low Income Housing Tax Credit Projects. On behalf of Travois, please accept the following comments on the proposed 2024-2025 changes.

Rental Assistance, Furthering Rental Assistance, Serves Lowest Income Tenants/Rent Reduction

We would love to see Minnesota Housing simplify these categories. We suggest Minnesota Housing have one tiered category for Rental Assistance and one tiered category for Income commitments. The Rental Assistance category could simply be a percentage of units covered by Rental Assistance (X percentage for X points, etc.). The Income commitments could simply be a project average income (X points for 55% average, X points for 50% average, etc.). We recommend removing any Rent Restriction points and require developments to match the Rent Commitments to the Income Commitments (i.e. any 50% MTSP income unit = 50% MTSP rent unit). With the removal of the Rent Restriction-specific points, Minnesota Housing could also remove the restriction that units cannot have both Rental Assistance and a 50% Rent Restriction.

Increasing Geographic Choice, Need for More Affordable Housing Options

We ask Minnesota Housing to adjust the Tier 1 language to include both Tribal Reservations and Tribal Communities. Tribal members in Minnesota live both on and off Tribal Reservations, and many live outside of the reservation boundaries for employment and familial connections. Tribal leaders have a responsibility to serve their members both on and off the reservation, and many outline those responsibilities for certain off-reservation, Tribal Communities as part of an Indian Housing Plan or Tribal Economy Plans. It is our recommendation that MHFA accept a self-certification from the Tribe that the project is on the Tribal Reservation or in a Tribal Community. If the leader of a sovereign, tribal nation certifies that a proposed project meets this definition, MHFA should accept this as sufficient evidence.

Equitable Development

Section 4B Equitable Development of the proposed 2024-2025 Self-Scoring Worksheet states that *"A Qualified Stakeholder Group must be an independent body separate and apart from the proposed project owner, sponsor, developer, development team, service provider and management agent of record for the project."*

This category does not make sense for tribal housing entities developing LIHTC projects on tribal land. For most tribal LIHTC projects in Minnesota, they are filling the units off an extensive waiting list. The projects are not speculative; the tribal housing entity knows exactly who is going to live in the units. The housing entity staff examines the waiting list to see the types of households, the desired location, the size of the requested units, and necessary services. Further, the tribal housing entity (primarily staffed by Indigenous people) is governed by a Housing Board (all Indigenous people) appointed by elected Tribal Council members (all Indigenous people). The Housing Entity staff determine design, location, and supportive services based on the directives of the Tribal Council and the Housing Board.

Travois recommends that this requirement automatically be met by Tribally sponsored projects.

<u>Rural/Tribal</u>

Travois supports the idea of a tiered system for the Rural/Tribal points by population. However, we do not believe the 2-point differential will be enough to make up for the disadvantages truly rural projects face in the other data-centered categories. The Workforce Housing points (3 - 6 points) are only available to communities that have 2,000+ jobs or a net increase of 100+ permanent employees from one employer over 5 years. The Rural Access to Transit points (4 – 7 points) are unlikely to be achieved by a community of less than 5,000 people. Walkscore points (1-2 points) are a perennial challenge for any truly rural project. These three data-centered categories total 8 to 15 points which leaves tribal projects with a significant scoring deficit compared to non-rural/tribal projects that have greater opportunities to score higher.

We recommend a new top tier for this category for projects in Rural/Tribal communities of less than 3,000 people for 15 points.

<u>Qualified Census Tracts/Community Revitalization, Tribal Equivalent Areas, and Opportunity Zones</u>

We do not support the removal of the Leech Lake Reservation from the Tribal Equivalent Areas. Leech Lake Housing maintains an extensive waiting list of low-income tribal members. This category, along with other scoring categories like Workforce Housing rely almost entirely on Census data. We understand the value of focusing on Census data to help determine the areas of greatest need in the state. However, Minnesota Housing's reliance on Census data does not tell a complete picture of many Indigenous communities. Indigenous people are the most undercounted population on the U.S. Census and this trend will likely be worse from the 2020 Census[1]. Due to traumas caused by the Federal Government, many Indigenous people distrust the Federal Government and Census data collectors[2]. Geographic isolation can further contribute to Indigenous people being undercounted.

Further, other Geographic-focused points like Workforce Housing, Access to Transit, and Walkscore encourage developers to create projects in communities that score high in these categories. Unlike non-tribal developers, though, tribal LIHTC developers are not going pick and

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[1]https://www.census.gov/newsroom/press-releases/2022/2020-census-estimates-of-undercount-and-overcount.html

[2] https://www.mprnews.org/story/2019/12/16/native-american-leaders-work-to-overcome-community-mistrust-of-census

choose where to develop in the state to seek more points in the competitive process. Tribes are always going to develop housing within their Tribal Reservations or Tribal Communities (on or off reservation communities where their tribal members live and work) – no matter the points.

<u>BIPOCBE/WBE</u>
We support the edits to the Ownership/Sponsorship and Development Team category as long as it clear that it is acceptable for the property owner and management agent to have an identity of interest and achieve full points. Tribally sponsored projects are unique in that the tribally designated housing entities or tribal corporate entities are the sponsor, developer, management agent, often the service provider, lender, lessor, and guarantor. Tribal entities often strive to maintain as much control of their projects on their land as possible. It is intrinsic to a tribe's sovereignty.

For these same reasons, the Partnership points don't make sense for tribal projects. Tribal developers are Indigenous people owning, operating, and managing these projects *entirely*. It is not an exaggeration that practically every decision is made by an Indigenous person. Tribal developers have built their own capacity from the ground up and continue to find ways to support their communities through job training programs, contributions to the Tribal Employment Rights Office (TERO) of each Tribe, and professional partnerships between tribal departments and tribal organizations. It is our opinion that this category only makes sense for LIHTC projects controlled by non-BIPOCBE/WBE people.

<u>Workforce Housing Communities</u>
We propose that Minnesota Housing create a new, top tier category within the Workforce Housing Communities category for LIHTC projects sponsored and funded by a large, local employer (over 500 employees). For most tribal LIHTC projects, the Tribe, TDHE, or tribal corporate entity is a major employer in the area investing in creation of affordable housing for their workforce. They are funding the soft, deferred loan to the project, funding all project infrastructure via an equity contribution (Other Contributions), funding ongoing Rental Assistance, and guaranteeing operations via Housing Assistance Payment Agreement. We believe this wraparound support by a major employer is a premier example of workforce housing in Minnesota.

The Long Commute Communities points are still only intended for projects located in communities with 2,000 jobs or more in 2018. This cut off is arbitrary and unnecessary. If a community has a large proportion of people commuting long distances into the town for work, there is a strong demand for workforce housing. We recommend that MHFA award these points for any community where more than 15% of the workforce travels 30+ miles into the community for work (as evidenced by LED on the Map).

<u>Rent Increase Limit Policy</u>
We support the Rent Increase Limit Policy and its mitigation of the impact to cost burdened households. However, Travois proposes the policy should not be applicable to projects with rent structures based on individual tenant incomes. Most tribal LIHTC projects already keep rent extremely affordable and do not charge more than 30% AGI and often have a low rent cap. This new policy would disproportionally affect tribal LIHTC projects. For example, if a household was paying $10 a month for rent based on their income at move-in and then gained employment, the developer could only increase the household's rent by 5% which would make the household's rent total only $10.50. This regulation limits the developer's ability to collect rents that

appropriately reflect households' changes in income. We believe this policy will unintentionally harm tribal LIHTC projects rather than fulfill its intended purpose to help.

Thank you for the opportunity to provide comments on the 2024-2025 draft QAP documents. If you have any questions regarding the suggestions above, please do not hesitate to contact me directly.

Sincerely,

Alexandria Murnan
Director of Affordable Housing

TWIN CITIES HOUSING DEVELOPMENT CORPORATION
1360 Energy Park Drive• SUITE 210
SAINT PAUL, MINNESOTA 55108
(651) 292-0211

October 5, 2022

RE 2024-2025 QAP Proposed Rent Increase Limit Policy

Dear MN Housing Staff:

The purpose of this letter is to provide comments on the above referenced proposed policy.

We believe proposal #5 "With Relief Provisions: HTC Only; All Populations is workable. It is important to have relief provisions because things change that are out of the control of an owner. Other critical components are that the limitation only impacts "occupied units" and households that do not have rental assistance.

Regarding Occupied Units, it is critical that owners be able to adjust rents when a unit turns. If we are keeping annual increases low, have long term tenants, and increases in some costs that exceed the increase in rents, we need to be able to catch up when a unit becomes vacant. This is an important way that a property can remain viable for a longer period of time thus freeing up affordable housing resources for other projects. I know that there is concern that this reduces the affordability of that particular unit that gets the significant increase upon turnover. The increase is still within the overall limitation imposed upon the property, i.e., 50% or 60% or 30% of AMI. The owner originally developed the property with that overall income and rent level as part of the plan.

Regarding households with no rental assistance, we have to be able to increase the rent of households with rent assistance in accordance with the HAP contract. These households still pay 30% of their income for rent so they are not impacted by the higher rent unless their income increases to the level that requires they pay market rent. The ability to adjust HAP rents to market periodically again helps to offset what are often lower increases in the intervening years. And, regardless of the change the residents' obligation remains at 30% of their income.

Regarding relief provisions, it is important to be able to submit a higher budget-based rent increase if circumstances change. This budget-based increase should also provide for an asset management fee to be paid to the owner for the work associated with operating the property.

We think that these new provisions should apply to all populations but only to HTC deals. Properties with deferred loans don't typically have these requirements now so that would be an additional cost and burden to the property. HTC deals have to work for the initial 15-year period and owners have to be able to adjust to significant new costly changes.

As we look for ways to protect very low-income households what we need are more rental subsidies and properties with deeply skewed rents. We should not try to solve those challenges through restrictions on existing properties that were underwritten with certain rent and income restrictions in mind. Rental subsidies are ideal as they provide for a rent obligation that is a percentage of household income.

Sincerely,

Twin Cities Housing Development Corporation

By: Barbara M. McQuillan

Barbara M. McQuillan
Executive Director

v2

Wilson, Tamara (MHFA)

From: Wayne Lockrem <dopplergreen@aol.com>
Sent: Tuesday, October 04, 2022 3:34 PM
To: #MHFA_HTC
Subject: Feedback

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Living at a Dominium property for the last six years has been just fine with us. You could say "best deal in town" when it comes to comparing the subsidized rent versus full retail. Our three bedroom apartment is about one half of what it would be on the open market so no complaints. Our latest place is the legends of Spring Lake Park and it's very well maintained in a nice area. What most of the seniors forget is during the covid rent freeze, landlords took a big hit on their bottom line. Only logical this last increase seemed like a lot. In our case it was 169 dollars per month so split with my partner not bad considering! As for turnover, of course people come and go and grumble about cost of living and rent until they go shopping for something better then the sticker shock hits home. A healthy rental business should have about a ten percent turnover to keep up with rent levels. Landlords don't have money trees in their back yards and the beat goes on with inflation on just about everything from taxes to maintenance etc etc! If you don't have people moving out and your always filled, something is wrong and it should be just on the verge of being overpriced but not quite. We seniors grumble about being on "Fixed incomes" but most Americans are on fixed incomes even when they are still working so that term just doesn't cut it. Like the rent control in St.Paul, why should the landlords have to take a hit with rent caps, it just isn't good business. I'm 75 and my partner is 84 and we both managed money while employed and almost had a harder time then with those fixed incomes, Now living on Social Security income a person just has to use a little common sense when it comes to spending. Maybe a few less trips to eat out or cut back on household items etc and make it work. America is a nation of Dollar Dribblers! Most of us can't remember where our last twenty dollar bill went and our parasitic economy manages to gobble up those twenty dollar bills very efficiently without disturbing us! Humans tend to get upset being pushed out of their comfort zones and if they would consider what it's like in other countries we got it darn nice over here. Try getting sixteen dollars a day or less for hard labor or less in an inflated economy and survive.

No complaints here, I think you people at the State of Minnesota do a wonderful job with our changing economies etc. People in Minnesota tend to be a bit spoiled and if they don't have something to complain about, they complain about that lol! Thanks for reading this and your accomplishments.

Sincerely: Wayne A. Lockrem

Wilson, Tamara (MHFA)

From:	Zee, Parker <pzee@wodagroup.com>
Sent:	Wednesday, October 05, 2022 9:03 AM
To:	#MHFA_HTC
Subject:	Comments - 2024-2025 2nd Draft QAP

Good morning,

On behalf of Woda Cooper Development, Inc., we are pleased to submit the following comment regarding the Proposed 2nd draft of the 2024-2025 Housing Tax Credit QAP Self-Scoring Worksheet.

- *Black-, Indigenous-, People of Color-, and Women-owned Business Enterprises*

  While we applaud Minnesota Housing's efforts to promote equity and inclusion, we believe there are some important changes that must be made to this category. As it stands now, developers and owners that will benefit the most from this category are established, successful, for-profit BIPOC enterprises, who will receive 15 points without any effort. The purpose of BIPOC and WBE scoring categories should be to assist in expanding capacity for disadvantaged businesses or to help disadvantaged businesses get the necessary experience to become an established owner, developer, management agent, etc. of affordable housing. The purpose should not be to give a distinct advantage to established businesses that have already overcome the disadvantage,. This significantly impacts the competitive nature of the Section 42 tax credit system.

  We suggest reducing the score for sections (a)(i) and (a)(ii) - project sponsor is tribal designated housing entity, for-profit BIPOC, or for-profit WBE - to 4 points. The first reason for this change is that we believe non-profit entities should be eligible to score the same number of points as for-profit entities. As a for-profit owner, developer, general contractor, and manager of affordable housing, we believe both for-profit and non-profit entities are vital to the success of affordable housing and neither should have an advantage over the other. The second reason for this change is that it is important for partnership in section (c) to be able to score the maximum number of points in this category. As mentioned previously, the existence of BIPOC/WBE scoring category is the intent to promote equity and inclusion by expanding capacity for disadvantaged businesses or to assist unexperienced disadvantaged businesses. The best way to do so is through partnership with established, successful developers where these disadvantaged businesses can gain valuable experience with limited risk.

Please contact me at (614) 396-0024 if you have any questions. We greatly value this opportunity to provide feedback as we find it important to creating good public policy to better serve all Minnesotans.

Thank you,

Parker Zee
Vice President of Development
and Data Manager
Woda Cooper Companies, Inc.

WODA COOPER COMPANIES

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