

# **Legislative Commission on Affordable Housing**

**September 21, 2021**

A stylized graphic in the bottom left corner featuring a green tree, a red house, a purple house, and a teal house, all rendered in a simple, flat style.

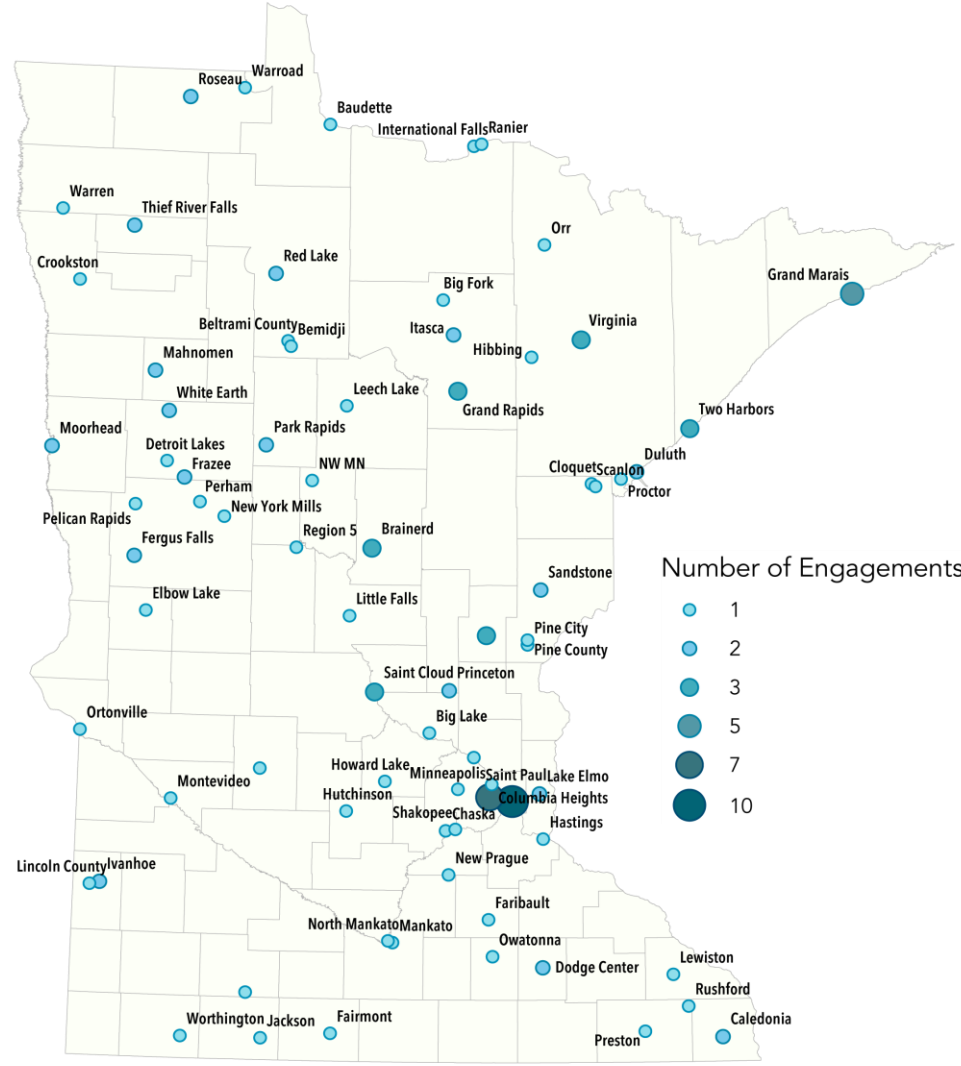
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# Rooted in Minnesota



## MHP Technical Assistance Locations in MN 2009-2019

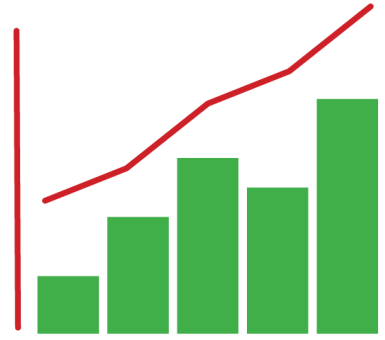


# Areas of Focus

Policy



Advancing POLICY solutions and funding for affordable housing



Producing RESEARCH that makes the case for investing in home & community

Research



WORKING DIRECTLY WITH COMMUNITIES to achieve local housing and development goals

Direct technical assistance



# Governor's Housing Task Force

## More Places to Call Home: Investing in Minnesota's Future Goals and Recommendations



### COMMIT TO HOMES AS A PRIORITY

Create a broader and stronger public commitment to the urgent need for more homes that are more affordable to more Minnesotans.

Like roads and bridges, homes are building blocks—assets that will be around for decades. By investing in our homes, we improve outcomes in education, health, and economic opportunity. Homes are our starting place.



### PRESERVE THE HOMES WE HAVE

Keep the homes we already have, especially those that are most affordable.

Let's begin by securing our existing assets. The most cost-effective way to provide homes that are affordable for Minnesotans is to maintain and preserve the homes and apartments we already have.



### BUILD MORE HOMES

Build 300,000 new homes by 2030, across all types, prices, and locations to stabilize prices and meet demand.

Minnesota has built a reputation of livability and opportunity, with homes people can afford as a key ingredient. To ensure our neighborhoods and communities remain strong and healthy, we need to use all the tools and innovation at our disposal to enable the private sector to build to meet the demand.



### INCREASE HOME STABILITY

Assist twice as many people at risk of losing their homes because of rent increases, evictions, and heavy cost burdens.

When you lose your home, you lose your community—and the consequences can last for decades. By doubling our investment in rental assistance, promoting voucher acceptance, preventing displacement, and improving protections for renters, we can reverse this trend, so kids learn, parents earn, and communities grow stronger.



### LINK HOMES AND SERVICES

Build stronger links between where we live and the services we may need to live stable lives.

At some point in our lives, most of us will need a helping hand. Many of us will be seniors who require assistance to stay in the place we've long called home. Other Minnesotans have experienced trauma or need health services. We can achieve better outcomes in a more cost-effective way when we coordinate services to meet people where they live.



### SUPPORT & STRENGTHEN HOMEOWNERSHIP

Create pathways to sustainable homeownership, with a focus on removing barriers for households of color.

Our wealth and our retirement savings are concentrated in our homes. Most Minnesotans want to own a home, and everyone who can sustain homeownership should be offered the tools, coaching, and access to financing they need to make this investment in their own future and in our communities.




# COMMIT TO HOMES AS A PRIORITY

**Create a broader and stronger public commitment to the urgent need for more homes that are more affordable to more Minnesotans.**

In the face of the COVID-19 pandemic, a new level of commitment to safe, quality homes emerged. The pandemic laid bare the fact that housing is tied directly to individual and community well-being. Public, private, and nonprofit leaders must continue to prioritize housing as essential infrastructure to achieve Minnesota's Housing Task Force's long-term goals with equitable outcomes and prosperity for all.

## STATUS

### STEADY PROGRESS

-  Governor Walz and the Minnesota Legislature passed a record amount of housing infrastructure bonds funding in 2020.
-  Business-led organizations began to elevate housing in programs and economic recovery plans.
-  Public, private, and nonprofit housing stakeholders pivoted to address emergency housing needs.



GOAL TWO

# PRESERVE THE HOMES WE HAVE

STATUS

## LOSING GROUND



Rents and home prices continue to rise faster than wages.



Fewer affordable homes are available to rent or own compared to a decade ago.



Rent increases have slowed and vacancies have started rising.

### Keep the homes and apartments we already have, especially those that are most affordable.

Increases in rents and home prices have outpaced wage growth for more than two decades, increasing housing instability for low- and moderate-income households. During the pandemic, on-time rent payments declined, putting landlords at greater risk of failing to make mortgage payments on their properties. This puts thousands of people and properties on a path to financial distress and possible eviction or foreclosure. It also intensifies pressure to sell properties to outside investors, increasing the risk of a further loss of naturally occurring affordable housing (NOAH).



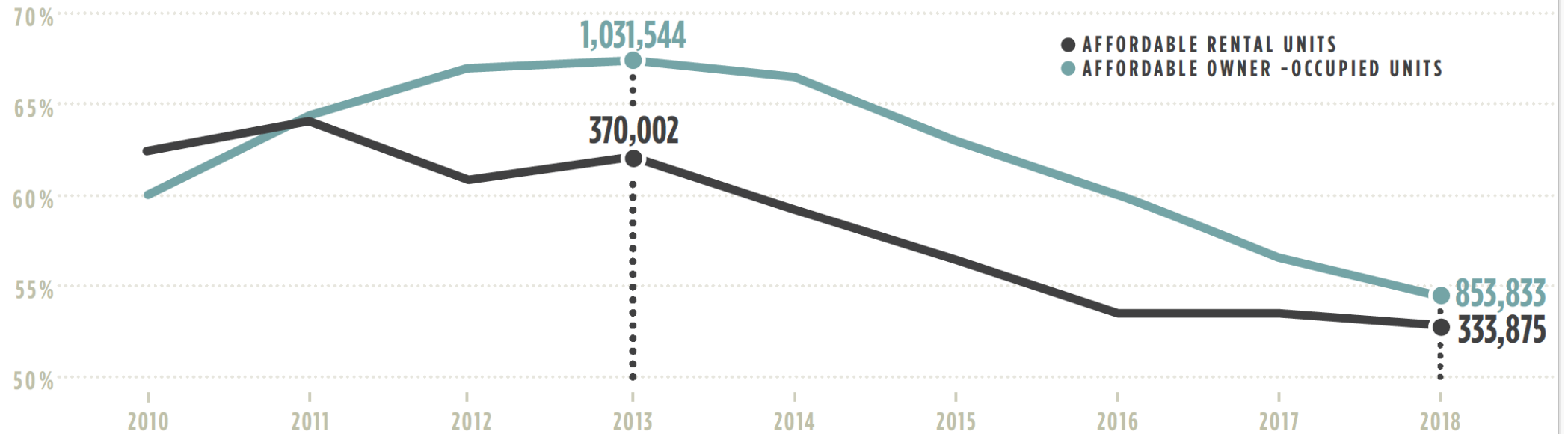
## GOAL TWO

# 214K

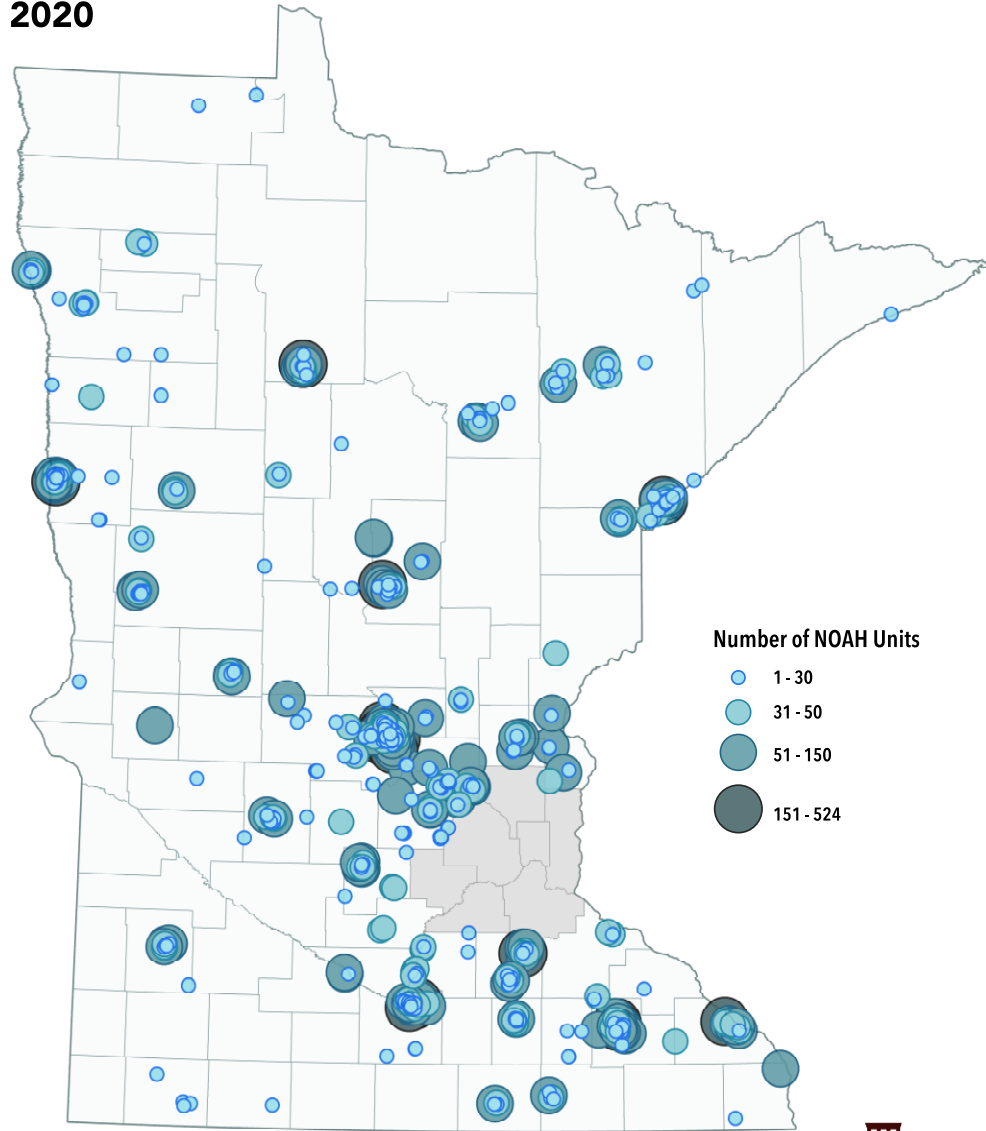
AFFORDABLY  
PRICED HOMES  
LOST SINCE 2013

## Fewer affordably priced homes, though rent increases have slowed<sup>1</sup>

Percent of household units with rents <\$1,000  
or values <\$250,000, 2019 dollars



# Snapshot of Existing Market Rate Units with Rents Affordable at or under 60% AMI in Greater Minnesota, 2020



Minnesota Housing Partnership analysis of CoStar Database, in properties with 4+ units





# Extremely Low Income NOAH Households

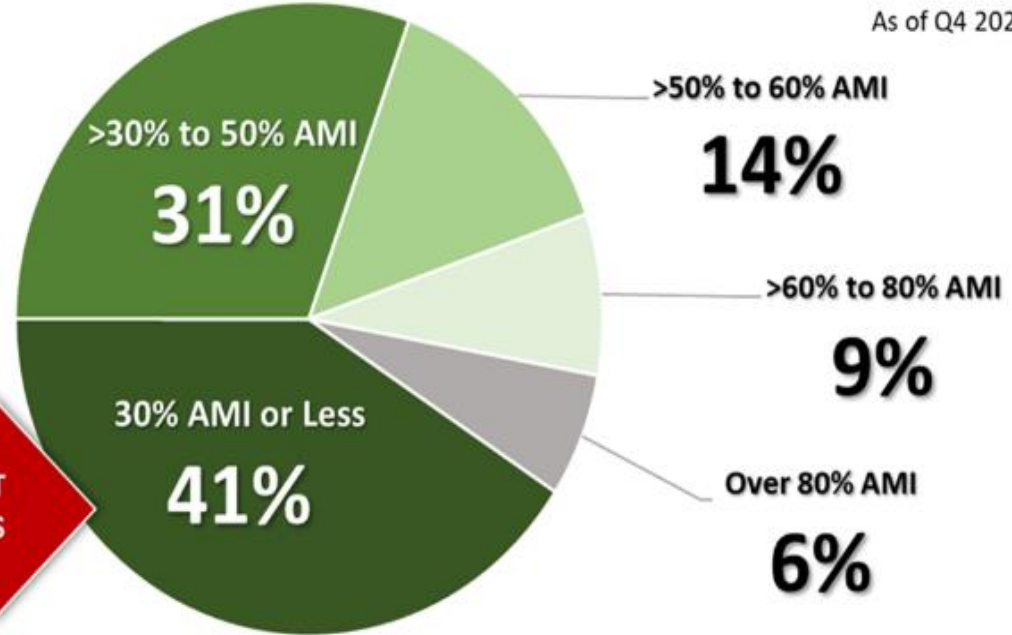
As of Q4 2020

NOAH Pool I LLC

**85% of Households Below 60% AMI**

- 30% AMI or Less
- >30% to 50% AMI
- >50% to 60% AMI
- >60% to 80% AMI
- Over 80% AMI

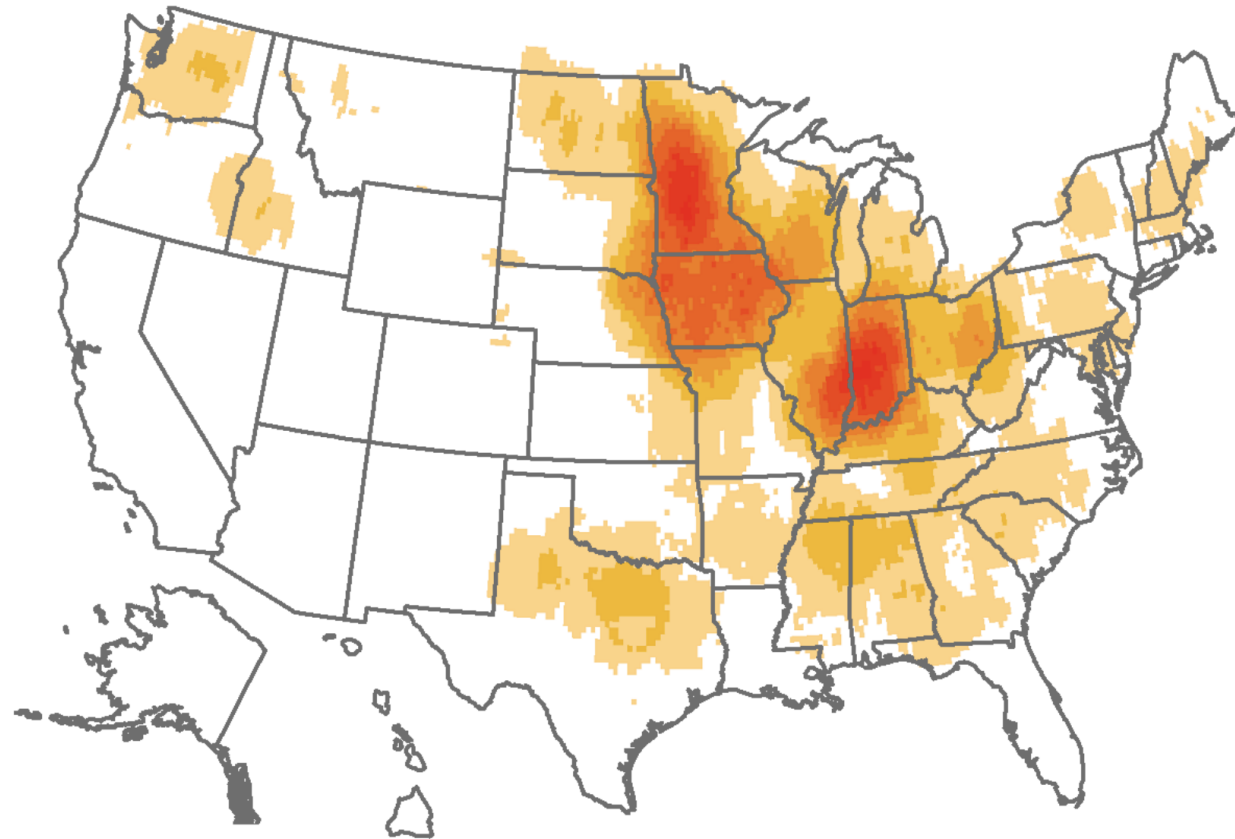
**LOWEST INCOME HH MOST AT RISK OF HOMELESSNESS**



*Over 80% AMI is limited to no more than 25% of all Households*

# Housing in Rural Minnesota

Housing is at risk in rural Minnesota. USDA's Section 515 has helped produce thousands of units of housing, which now need to be preserved.



# Goal 2: Preserve Homes

## Solutions Immediate

- ARP \$50M **now** for NOAH acquisition and rehab.
- Acquisition and rehab for single family. Investors purchasing affordable homes.

## Solutions 2022 Session:

- ARP \$300M– includes acquisition and rehab for single and multifamily
- Housing Infrastructure Bonds investments
- GO Bonds – public housing
- Creative ownership tools: e.g., opportunity to purchase
- Policies: long term affordability and community land trusts





GOAL THREE

# BUILD MORE HOMES

**Build 300,000 new homes by 2030, across all types, prices, and locations to stabilize prices and meet demand.**

Construction of new homes remained steady in 2020, despite the COVID-19 pandemic. If the current momentum is maintained, Minnesota is on pace to reach the goal of building 300,000 new homes by 2030. But, new home prices remain largely skewed to the higher end of the market and apartment construction has declined, shutting more people out of homeownership and affordable rental homes. Current housing production is not meeting today's demand, driving up prices most notably in entry-level and affordable homes.

STATUS

## SLOW PROGRESS



Minnesota is on track to build over 300K new homes by 2030.



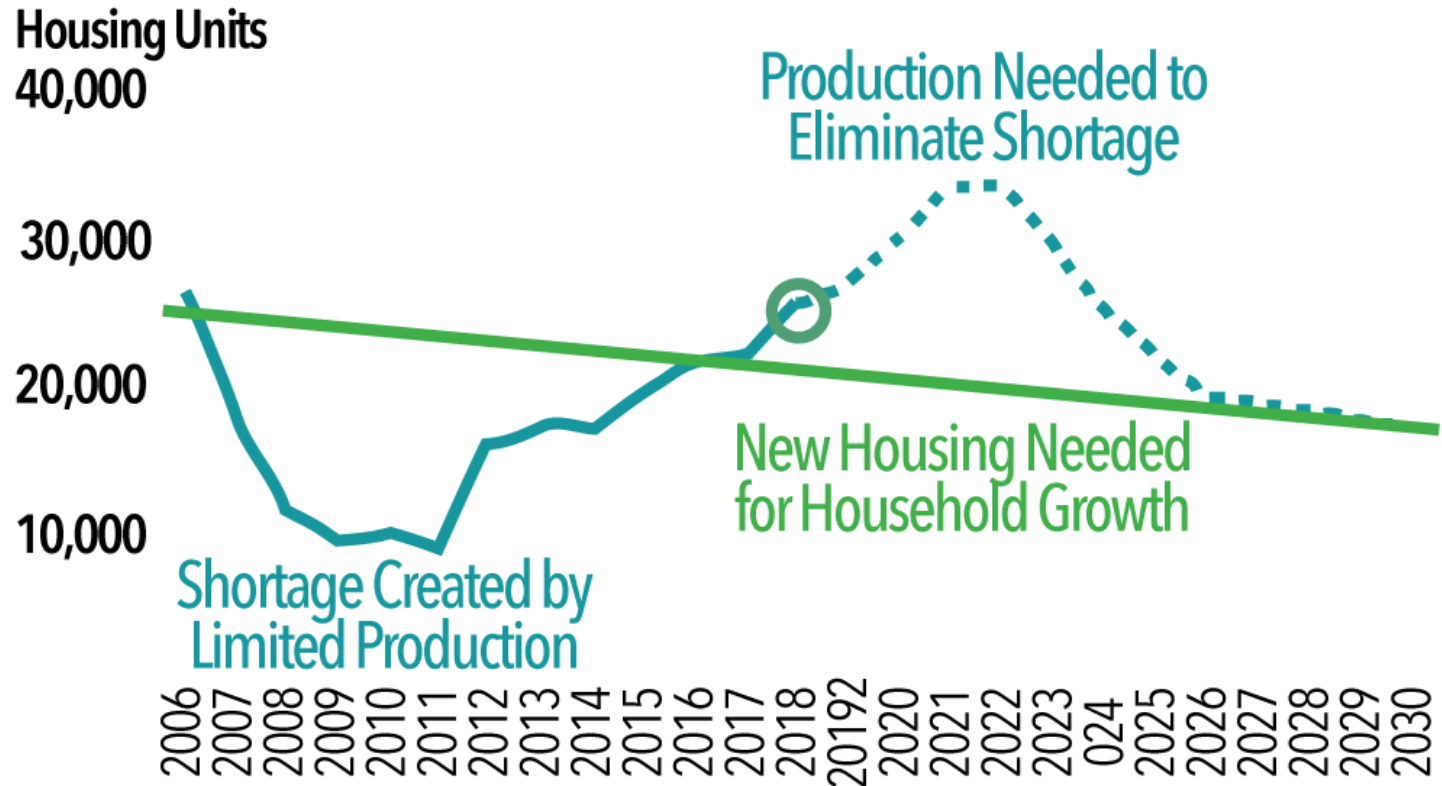
Most newly built homes continue to be unaffordable for low- and moderate-income families.



For-sale home inventory shrank sharply, causing steep price increases.

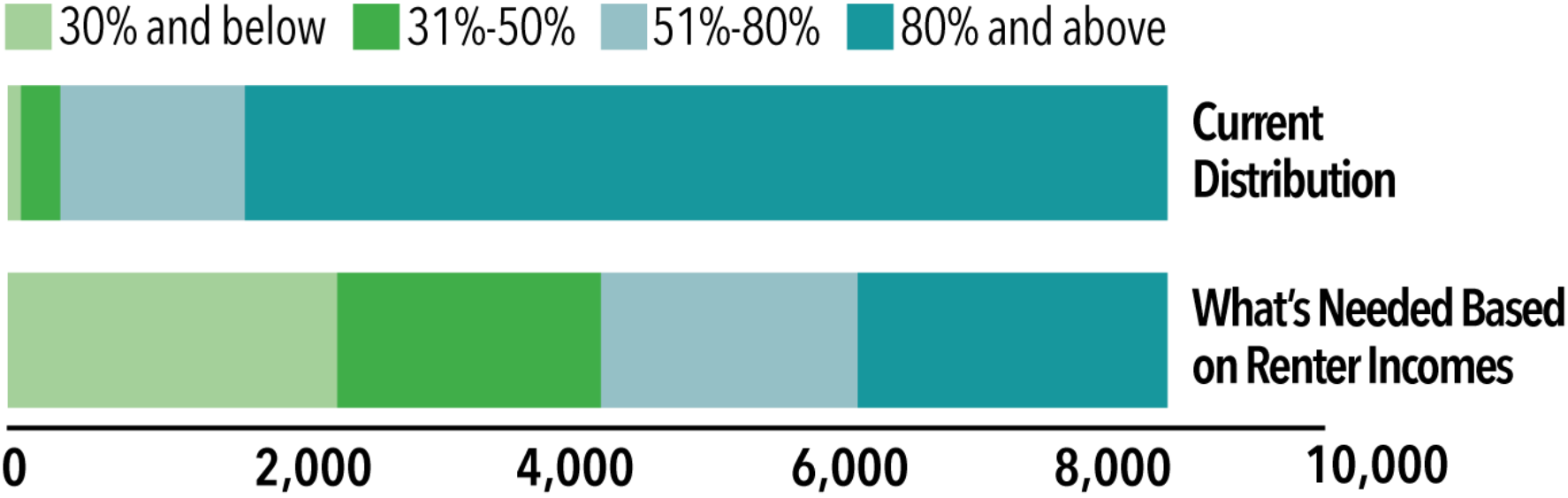
# Future Supply Needs

Minnesota is falling behind...



# Housing Production in Minnesota

There is a severe mismatch between market supply and market demand. Production of new units is skewed toward higher incomes.



Total housing units produced annually in Minnesota. Source MN Housing 2019



# More affordable housing is needed

Biggest need is for extremely low income families

# of extremely low income households that cannot find homes they can afford.

105,347

# of units are affordable and available to extremely low income households.

64,238



Total # of extremely low income households in Minnesota.

169,585

Source: State of the State's Housing 2021



# Goal 3: Build More Homes

## **Solutions Immediate**

- Gap financing desperately needed for pipeline projects.
- Local Housing Trust Fund investments to leverage local investments

## **Solutions 2022 Session:**

- Challenge fund – always over subscribed
- Upzoning – and with targeted solutions for affordable housing
- Rural Housing: more investments targeted to smaller project sizes and to support mixed income.





# INCREASE HOME STABILITY




## EVICTION NOTICE

**Assist twice as many families at risk of losing their homes because of rent increases, evictions, and heavy cost burdens.**

COVID-19 became the dominant cause of housing instability in 2020 as people faced unemployment and income reduction, jeopardizing their ability to make rent and mortgage payments. Eviction Lab ranks Minnesota as the best in the nation for enacting a strong eviction moratorium and housing protection measures through the end of the public health emergency. Due to these policies, eviction filings fell dramatically in 2020. However, a looming eviction and foreclosure crisis awaits unless long-term solutions addressing the pandemic's economic impact are enacted.

STATUS

## STEADY PROGRESS

-  Eviction filing and judgments rates continue to decline. More local governments enact renter protections.
-  The Walz Administration deployed \$100M in CARES Act funding to assist households impacted by COVID-19.
-  Nearly 40K renter households are estimated to be at risk of increased housing instability as unpaid rents continue to rise from pre-pandemic levels.

# Goal 4: Increase Housing Stability

## Solutions Immediate

- Rental Assistance for families through RentHelpMN before eviction
- Community partners can help get Rent Assistance to eligible families

## Solutions 2022 Session:

- Source of Income protections
- ARP funds for weatherization – improve housing quality
- Reduce energy burdens through rehab and quality production standards



# LINK HOMES AND SERVICES

**Build stronger links between where we live and the services we may need to live stable lives.**

Prior to COVID-19, the number of people experiencing unsheltered homelessness rose rapidly. The pandemic posed new dangers to living without shelter, but also highlighted the community's will to organize and help. COVID-19 set off alarms on the importance and vulnerability of nursing homes and other congregate care settings, as senior citizens represent the overwhelming percentage of deaths.

STATUS

## LOSING GROUND



The number of people living unsheltered grew rapidly in recent years, even before COVID-19.



Homelessness continues to disproportionately impact BIPOC communities.



Cross-sector partnerships sprang into action to meet emergency housing needs during the pandemic.



GOAL FIVE

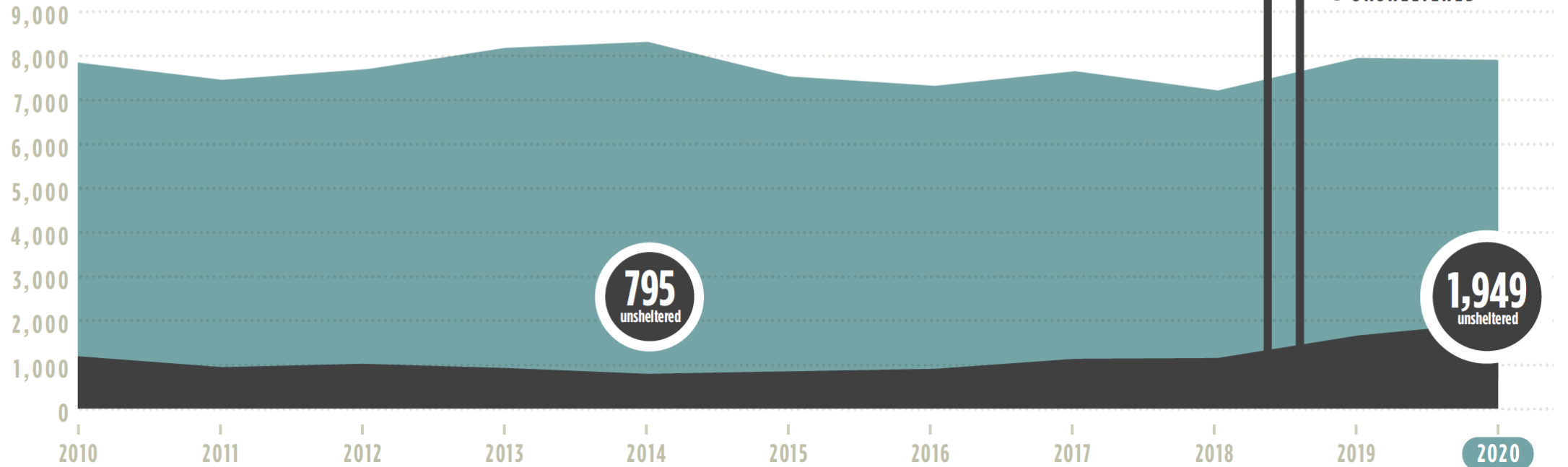
# Pre-COVID-19: Number of people experiencing unsheltered homelessness has steadily risen<sup>1</sup>

Number of people experiencing homelessness, point-in-time (newest data January 2020)

145%

INCREASE IN PEOPLE LIVING UNSHELTERED SINCE 2014

● SHELTERED  
● UNSHELTERED



# Goal 5: Link Homes and Services

Solutions 2022 Session:

- Shelter capital
- ARP \$55M– supportive services and shelter support
  - Emergency Services Program
  - Housing Support Supplemental Services Rate Reduction Delay





GOAL SIX

# SUPPORT AND STRENGTHEN HOMEOWNERSHIP

STATUS

## SLOW PROGRESS



In 2019, 34% of Minnesota Housing's mortgages for first-time homebuyers went to BIPOC households, more than doubling the total market number in 2018.



Pre-foreclosure notice filings increased by 18% between 2017-2019.



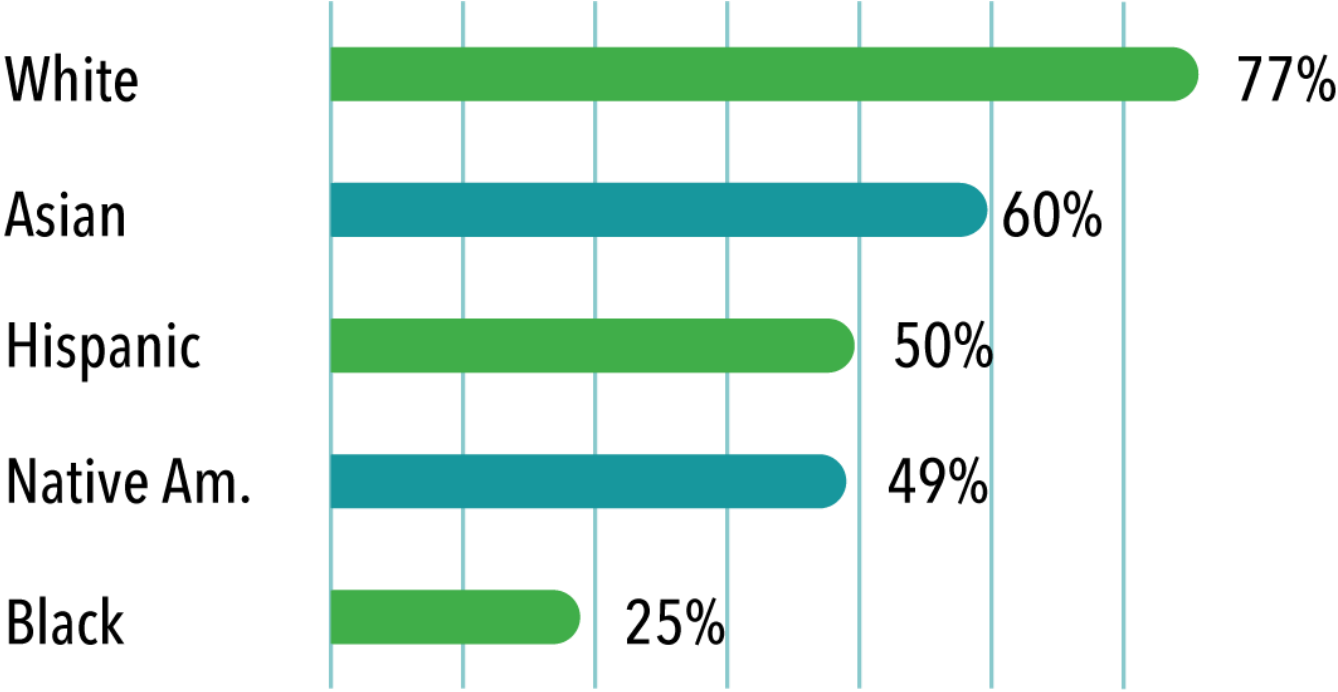
The number of foreclosed homes has steadily declined over the last decade.

### Create stronger pathways to sustainable homeownership with a focus on removing barriers for households of color.

While Minnesota boasts one of the highest homeownership rates in the nation at just over 70%, it holds one of the largest racial gaps in homeownership rates. The gap between BIPOC and white homeownership rates declined modestly in 2019. However, disparities remain high and Black households experience the lowest homeownership rate, with a massive 52 percentage point gap compared to white households. COVID-19 has only exacerbated the racial disparities.

# Homeownership disparities persist

Minnesota remains among worst in nation in homeownership racial disparities



# Goal 6: Homeownership

## Solutions Immediate:

- HomeHelpMN assistance to prevent foreclosures

## Solutions 2022 Session:

- Creative ownership strategies
- Zoning and regulatory reforms
- Downpayment assistance and counseling





# Housing costs are increasing



GROSS RENT  
INCREASE

**+14%**



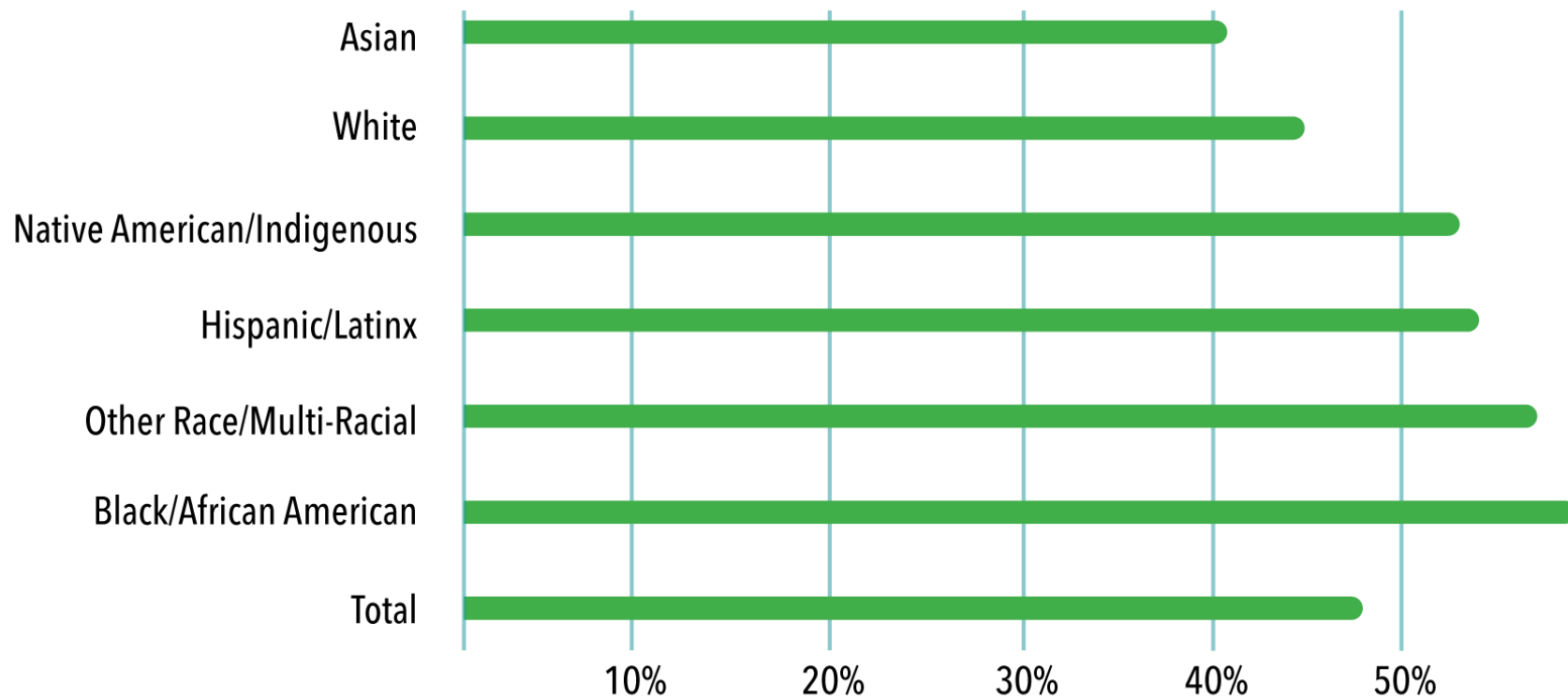
MEDIAN RENTER  
INCOME DECREASE

**1%**

Source: State of the State's Housing 2021



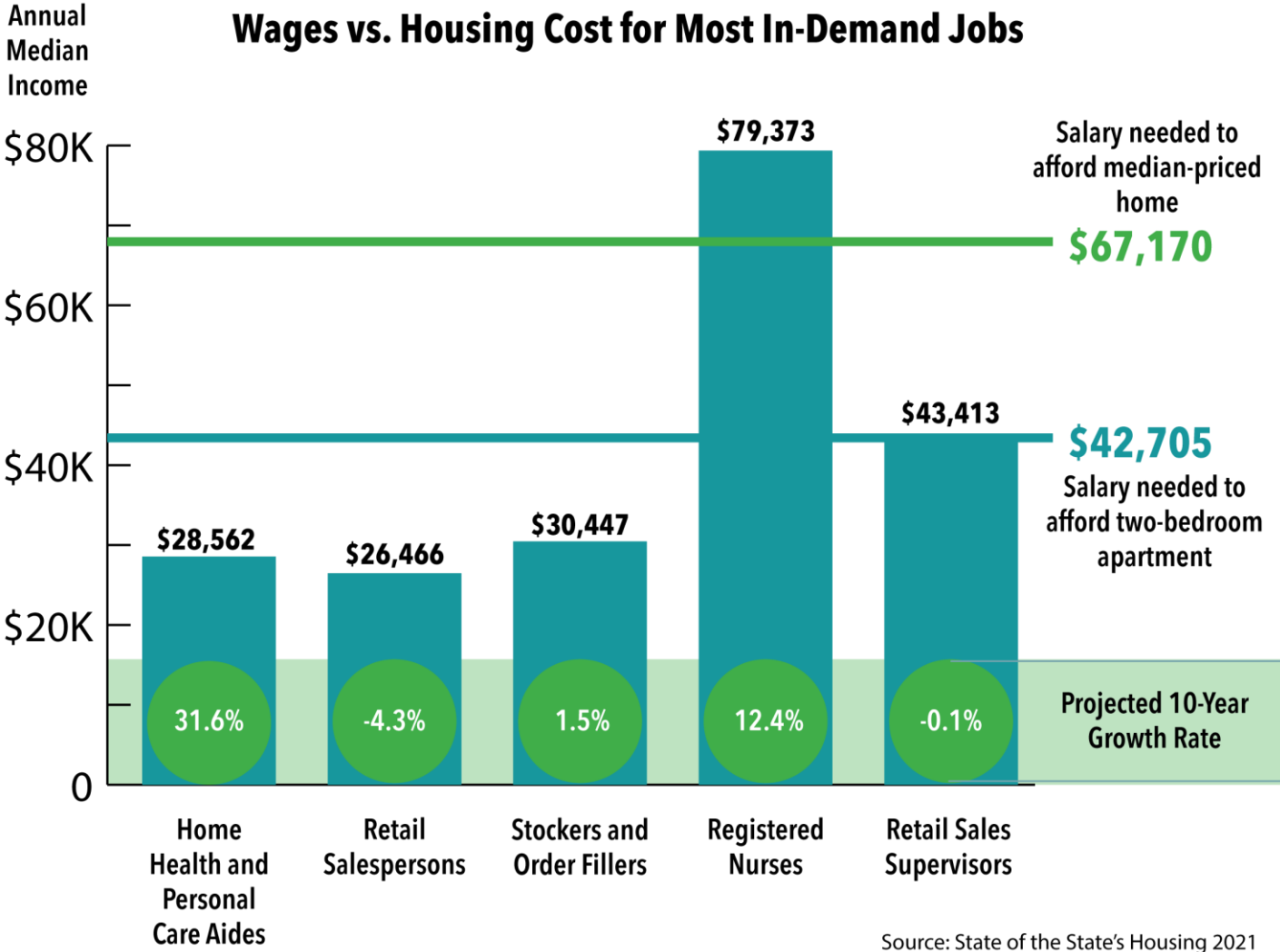
# Cost-Burden Disparities Magnified



Source: State of the State's Housing 2021



# Wages Aren't Keeping Pace with Housing Costs



Source: State of the State's Housing 2021

