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To: Minnesota House Housing Finance and Policy Committee

Date: Tuesday, April 5, 2022

Subject: Written Testimony in Support of HF 4376: Housing Finance & Policy Omnibus Bill

Chairperson Hausman, Vice Chairperson Howard, and members of the Minnesota House Housing Finance and Policy Committee, on behalf of Zillow, thank you for the opportunity to provide written comments in support of HF 4376, the Housing Finance and Policy Omnibus Bill.

Zillow is committed to reducing barriers to housing by expanding access throughout the state of Minnesota. As part of this commitment, our team of research economists examine housing market data and economic trends, and we share this research and data to help inform policymakers as they work to address the urgent housing issues facing our communities.

2021 was an unprecedented year for housing demand, coupled with historic inventory shortage.¹ According to the Zillow Home Value Index, home values in the Minneapolis-St. Paul metro area have appreciated by 43% in the last five years, and 12% in the last year alone.² This has made homeownership increasingly unattainable as potential homebuyers face a combination of price increases and a shrinking supply of homes, and we expect home values will continue to climb in 2022, increasing by 16.4% by the end of the year when compared to 2021.³

This housing affordability crisis also perpetuates extreme economic and racial inequities in Minnesota's largest communities. Specifically, in the Minneapolis-St. Paul region, the Black homeownership rate is currently just 26%, compared to the white homeownership rate of 76%. This is the lowest Black homeownership rate and the largest gap between Black and white homeownership rates in the entire nation out of all 59 metropolitan areas studied in Zillow's research.

Support for the "First Generation Homebuyers Down Payment Assistance Fund" - Article 2, Section 10

First, Zillow commends the committee for the inclusion of the \$50 million appropriation for the proposed "First Generation Homebuyers Down Payment Assistance Fund" pilot project in subdivision 12 of Article 1, Section 2, and the accompanying language in Article 2, Section 10 of the omnibus bill. We would also like to commend and thank Representative Agbaje for all her hard work on this important legislation (HF 4269).

Despite low interest rates, achieving home ownership for first generation home buyers has become increasingly difficult over the past two years. The rapid home price appreciation that has marked the past year in housing is coupled with the inventory of homes for sale in most markets reaching historically low-levels.

¹ <https://www.zillow.com/research/december-2021-market-report-30530/>

² <https://www.zillow.com/research/january-2022-market-report-30669/>

³ <https://www.zillow.com/research/december-2021-market-report-30530/>

According to Zillow research, one of the most significant obstacles preventing potential home buyers from accessing home ownership is saving for a down payment.⁴ Additionally, two-thirds of renters across 20 major metro areas surveyed by Zillow cited affording a down payment as the biggest hurdle to buying a home.⁵ This challenge is especially acute as rapidly rising home prices force potential home buyers to save more than ever for a down payment, delaying or outright precluding their entry into the housing market.

Saving for a down payment is a massive financial barrier for those looking to move into home ownership. More than a quarter of first-time home buyers report difficulties saving for a down payment, and 40% of all buyers rely on a gift or loan from family or friends for at least part of their down payment, according to Zillow research conducted in 2020.⁶

“The First Generation Homebuyers Down Payment Assistance Fund” would take a significant step towards helping first generation home buyers access homeownership by providing financial assistance of up to \$20,000 to qualified first-generation home buyers to assist them with costs in connection with acquiring their home, including the down payment, closing costs, and reducing the rates of interest on eligible mortgage loans. While this bill does not eliminate all the barriers to home ownership, the down payment assistance it would provide to first generation home buyers is an important step to making housing more accessible and affordable for Minnesota residents.

Support for the Source of Income Protections and Eviction Expungement Reforms - Article 4, Sections 1 through 5

Second, Zillow commends the committee for the inclusion of the source of income protections and eviction expungement reforms found in Article 4, Sections 1 through 5 of the bill. This important language would help ensure that all Minnesota households have equal opportunity to access safe and affordable rental housing opportunities by expanding judicial discretion in eviction expungement proceedings and protecting Minnesotans from discrimination based on their source of income.

Zillow is a leader in the rental and real estate marketplace and a trusted source for data, inspiration, and knowledge among both renters and landlords. We have pursued a range of fair housing initiatives to help promote a more equitable housing market, including product features, economic research, consumer and housing provider education and advocating for housing policies that help reduce housing barriers and increase housing opportunities.

Zillow believes that everyone deserves a safe, affordable home, free of discrimination. As a result, we firmly believe in reducing barriers to housing and are committed to supporting legislation, such as these provisions of HF 4376, that seeks to expand housing access.

As part of these efforts, Zillow supports source of income discrimination protections as an important tool to help reduce housing barriers, increase housing equity, and expand affordable housing opportunities. Currently, more than five million Americans who are people with disabilities, elderly, or are a member of a very low-income household rely on assistance from the Housing Choice Voucher program in order to obtain equal access to safe and affordable housing. Housing choice vouchers and other forms of rental assistance are crucial forms of assistance for these vulnerable households.

Due to funding limitations, only one out of every four households who are eligible currently receive assistance under the program. According to Zillow’s research, there are as many as four times as many severely cost-burdened renter households (spending more than 50% of household income on housing) in the Minneapolis-St. Paul region alone as there are available housing vouchers.⁷

⁴ <https://www.zillow.com/research/down-payment-hurdle-zhar-14790/>

⁵ <https://www.zillow.com/research/15k-down-payment-assistance-2021-29134/>

⁶ <https://www.zillow.com/research/low-rates-mortgage-affordability-28264/>

⁷ <https://www.zillow.com/research/housing-choice-vouchers-28719/>

For eligible households, being awarded a housing voucher is unfortunately just the beginning. Finding a suitable rental unit is particularly challenging for the traditionally disadvantaged households who receive housing vouchers. Studies estimate that roughly 30% of the households that receive housing vouchers are ultimately not successful in locating a rental unit that will accept the housing voucher.⁸

Since voucher recipients are not protected under the federal Fair Housing Act, federal law does not prevent landlords from unilaterally rejecting all rental applications from housing voucher recipients. Currently, just 49.3% of rental listings in the United States are located in jurisdictions that protect tenants against source of income discrimination. Studies have found that the share of landlords who refused to accept housing vouchers for available rental units that were eligible for vouchers ranged from 15% to 78% in large cities across the country.⁹

The original goal of the Housing Choice Voucher program was to help give eligible households the opportunity to access safe and affordable housing in neighborhoods with lower concentrations of poverty and higher levels of opportunity. Studies show that jurisdictions with source of income discrimination protections are found to have significantly lower rates of landlord voucher refusals.¹⁰

In addition, Zillow research shows that since 2015 housing voucher values have largely kept pace (if not exceeded) the growth of market rate rents in many Minnesota counties.¹¹ For example, in Hennepin County, voucher values have grown by 21.9% since 2015 while market rate rents have grown by 19.4% over the same time period. The same can also be said for Anoka (21.9% voucher value growth compared to 20.2% market rate rent growth), Carver (21.9% compared to 20.4%), Dakota (21.9% compared to 19.4%), Ramsey (21.9% compared to 21.4%), Scott (21.9% compared to 19.8%) and Washington counties (21.9% compared to 20.8%).

Unfortunately, barriers to housing are not limited just to source of income discrimination. Research indicates that having an eviction record increases the likelihood of chronic housing instability and job loss, often “blacklisting” tenants from finding future housing even after their financial situation has stabilized.¹² Renter housing instability has been exacerbated by the pandemic and Zillow’s research indicates that about three million households remain at risk of eviction nationwide.¹³

This crisis is amplified among people of color, who are disproportionately more likely to be renters and have fallen behind on rent payments during the pandemic. In partnership with the National Fair Housing Alliance, Zillow surveyed 10,000 adults in 20 major metropolitan areas nationwide, and found that Black and Latino households were more likely to report job and/or income loss due to the pandemic and were subsequently more likely to report difficulty keeping up with rent payments.¹⁴

The language found in Sections 1 through 5 of Article 4 provides important protections for Minnesotans using public assistance and helps expand housing access by expunging eviction records that are no longer relevant predictors of future tenancies. Specifically, it would achieve these objectives by:

- Prohibiting housing discrimination against a public assistance recipient.
- Providing new guidelines for when a court may consider discretionary expungement.
- Creating additional situations where a court must grant a mandatory expungement.
- Adding a notice requirement when evicting a tenant for nonpayment of rent that includes providing the amount due and information about how to access rental assistance.

⁸ https://www.huduser.gov/portal/publications/pdf/sec8success_1.pdf

⁹ <https://www.urban.org/research/publication/pilot-study-landlord-acceptance-housing-choice-vouchers>

¹⁰ https://www.huduser.gov/publications/pdf/freeman_impactlaws_assistedhousingrcr06.pdf

¹¹ <https://www.zillow.com/research/housing-choice-vouchers-28719/>

¹²

<https://www.pewtrusts.org/en/research-and-analysis/articles/2021/08/26/state-policy-makers-are-working-to-change-how-courts-handle-eviction-cases>

¹³ <https://www.zillow.com/research/supreme-court-evictions-sept-2021-30023/>

¹⁴ <https://www.zillow.com/research/nfha-pandemic-impacts-2021-29905/>

As we advocate for these increased protections, we are also proactively doing our part to use our rentals products to empower and educate renters about local and state source of income discrimination protections. On nearly all rental listings across all jurisdictions, Zillow has proactively built and included a Local Legal Protections feature to help educate renters about tenant protections in their local communities. We have also provided resources through our platforms to help tenants and landlords access rental assistance programs.

Conclusion

In closing, we would respectfully request that the members of the Minnesota House Housing Finance and Policy Committee support HF 4376, and specifically the portions of the bill that appropriate funding and enact policy relating to the “First Generation Homebuyers Down Payment Assistance Fund” and enact the source of income protections and eviction expungement reforms that will help ensure that all Minnesota households have equal opportunity to access safe and affordable rental housing opportunities.

Thank you for the opportunity to provide written comments on this important legislation and please feel free to reach out to us with any questions.