

MEMO

To: Conference Committee Members

From: Commissioner Jennifer Leimaile Ho



Date: May 3, 2021

Subject: HF 1077 Omnibus Housing Budget and Policy Bill Letter

It's been a privilege to be a part of the great conversations in the House and Senate Housing Committees throughout the 2021 session. The stand-alone housing committees in both the House and the Senate have done fantastic work. Thanks for your leadership to make that happen and for giving housing the attention it deserves.

We had great conversations this session about the short-term housing needs during the pandemic, as well the housing investments our State needs to make this year and in years to come. The committees discussed the full range of housing needs, from needs for people at risk of or experiencing homelessness to the need for additional housing production. You heard and we know that housing investment leads to better outcomes in our economy, in education and in health.

The Governor started this session with a budget request for an additional \$18.5 million in new housing resources to provide increased housing stability, build more housing, preserve the homes we have and support homeownership; as well as an additional \$100 million in Housing Infrastructure Bonds and policy proposals to address needs of families and communities.

My main priorities as we head into the final weeks of session are:

- a safe and effective ending to the evictions moratorium with time to access federal funds;
- \$100 million in Housing Infrastructure Bonds;
- Increased resources for housing programs that are not getting federal COVID funding; and
- renter stability policy provisions, including 14-day notice, clarifying source of income discrimination protections and strengthening evictions expungement.

The following are detailed comments and considerations about specific provisions in the both the House and Senate bills. Thank you again for the work so far this session. I look forward to continued conversations in this conference committee in the coming weeks. My staff and I will be available to you throughout the end of session to work through the issues and concerns identified below.

Let's go big so Minnesotans can go home.

Senate Omnibus Bill – SF 969

The Committee heard throughout this session from advocates, stakeholders and housing providers. They were clear: more resources for housing are needed. It is not enough to shift money from one program to another – we need more resources across the board. While the Senate’s bill provides increases to Workforce Affordable Homeownership and Manufactured Home Park Infrastructure program, those increases are funded through budget reductions or reallocations that I do not support. These include:

- A \$2 million reduction to the Challenge program. This is a critical program that provides homeownership development resources, down payment assistance and other rental housing uses.
- A reallocation of the \$500,000 direct appropriation to Build Wealth MN. If the agency were to continue funding BuildWealthMN at the current funding level, that would lead to a budget reduction to the Homeownership Education, Counseling and Training Program.
- A \$2 million reduction to the rental rehabilitation loan program that serves Greater Minnesota.

On the policy side, Chair Draheim authored the agency’s policy and technical bill and I am thankful that several of the agency’s policy and technical provisions are included in Article 2 of the bill. These provisions continue to make changes to improve access, provide clarity to existing programs, and expand program eligibility where we can.

There are several policy provisions in the Senate bill where the agency has considerations or concerns:

- Article 1, Section 2, Subdivision 2 - Challenge Set-Aside for Tribal Projects
 - The Senate adding the language for housing projects for Tribal projects back into the appropriation bill language for the Challenge Program was helpful; however, we believe the ‘up to’ language is problematic and sets an unnecessary limit on resources for competitive projects.
 - The Tribal Housing set-aside is a long-standing partnership and program between the agency and Tribal Nations across the State that develops new rental housing and homeownership opportunities on and off Tribal land.
- Article 1, Section 2, Subdivision 16 and 18 – Use of COVID-19 Federal Funds
 - We acknowledge the goal of spending federal resources before using state appropriations; however, we are concerned that the limited flexibility in the language could have unintended consequences that slow down getting housing resources for housing providers and individuals. We would be happy to provide more details about the federal COVID-19 funding because we do not believe there is significant overlap between the COVID federal funds Minnesota Housing will receive and the state appropriations.
- Article 1, Section 4 – Allocation of Agency Resources
 - While we appreciate language added by Senator Draheim to clarify that this section of law does not impair the agency’s obligation to bondholders, we still have concerns about this provision because it will likely divert resources from critical down payment and closing cost assistance.

- Two-thirds of the agency's Pool 3 resources finance down payment and closing cost assistance because it is necessary to closing the homeownership disparity gap. The Legislature currently only provides \$885,000 per year for down payment and closing cost assistance.
- With additional housing resources, we could add to homeownership resources, not reallocate existing resources.
- Article 2, Section 10 – Rehabilitation Loan Increase
 - The agency supports increasing the maximum loan size from \$27,000 to \$35,000. We have concerns about the Senate's proposal to increase to \$40,000 because of the budget impact. The Senate does not increase appropriations for the Rehabilitation Loan Program and allocates agency resources away from this program through the changes in Article 1, Section 4.
- Article 2, Section 13 – Awarding Points to Quicker Developments
 - We'd like to explore other options that may align with the goals of this provision, such as incentivizing different construction models and techniques.
 - We are concerned about adding specific points which could lead to unintended consequences and applicants misrepresenting the underlying facts of their developments.
- Article 2, Section 18-20 – Adding Owner-occupied Housing to Workforce Housing Development
 - We are concerned about adding new uses to a program that is over-subscribed when the Senate bill does not appropriate new resources.
 - We'd also like to better understand the intent of the new language and understand the expectations the Senate has for the type of development that would be eligible.
- Article 2 Section 22 – Down Payment and Closing Cost Assistance for Manufactured Homes in Cooperative Communities
 - This language requires the agency to develop and implement a program that offers mortgage financing and down payment assistance for purchasers of eligible manufactured homes by next year. While we generally support moving in this direction, there are several barriers including the lack of an existing lender network that makes this language and timeline challenging.

House Omnibus Bill – HF 1077

I applaud the House's significant investment in more housing with a \$30 million increase to agency programs. With only a few exceptions, the House bill funds the Governor's and Lieutenant Governor's budget recommendations for Minnesota Housing. In most cases, the House's funding level matches or exceeds the Governor's budget recommendations.

Besides the significant investments, this bill includes significant housing policy reforms around evictions expungement and 14-day pre-eviction filing requirements for landlords that were Governor proposals.

I am thankful that Chair Hausman was the author of the agency's policy and technical bill this year and that all of those provisions are in the bill.

Below are the provisions where the agency has considerations or concerns:

- Article 1, Section 1, Subdivision 18 – Local Housing Trust Funds
 - If this new funding program remains in consideration for the final bill, we would like the Legislature to consider changes as it relates to implementation, particularly the small grant sizes, and clarification around whether state appropriations can only go to grantees that are generating new public revenues for housing.

- Article 2, Section 3 – 30 Year Covenants
 - The agency generally supports longer-term affordability, but we have some minor concerns about the current language. We think this language does not fit well under Minnesota Statute 462A.05 and believe it should not apply to all agency resources.

- Article 2, Section 4 – Lead Safe Homes
 - This would be a new program and we are not sure that Minnesota Housing is the correct implementing agency. If this new program remains in consideration for the final bill, we would like to ensure the language does not have any implementation issues and potentially to change the structure of the program so that agency acts as more of a fiscal agent for the program.

- Article 2, Section 9 – Naturally Occurring Affordable Housing Program
 - Preserving naturally occurring affordable housing is a critical statewide issue. If this new program remains in consideration for the final bill, we would like to ensure the language does not have any implementation issues. For example, we have some minor suggestions as it relates to the definition of 'naturally occurring affordable housing.'

- Article 2, Section 10 – Task Force on Shelter
 - We appreciate that funding was provided for the significant work involved with the Shelter Task Force report but we are concerned about the timeline and scope of the work. We'd like to explore how some of this critical shelter work could be done as the Interagency Council updates its Heading Home action plan throughout the next year.

Evictions Moratorium

I applaud the progress that both the House and Senate have made to address the winding down of the evictions moratorium in a way that keeps people in their homes. I know we share the goal of avoiding a significant increase in eviction actions as the pandemic winds down and the peacetime emergency ends. I look forward to working with the Senate and the House to provide a safe and orderly transition from the evictions moratorium.

I appreciate the movement by Senator Draheim and members to make changes that provide more time and opportunity to access emergency rental assistance as the public health emergency winds down. I am, however, still concerned about the timelines in Article 3, Section 3 and I have some implementation and definitional concerns, for example the lack of definition of material breach of lease. I also believe that any off-ramp must provide for notice to tenants, should involve the courts and the legislation must protect future Governors' ability to put in an evictions moratorium in place.

I am thankful the House under the leadership of Chair Hausman and Rep. Howard prioritized this issue at the very beginning of session in HF 1. The House bill contains the major provisions of a safe and effective end to the evictions moratorium and I appreciate your openness and willingness to working with the agency on this critical language during the past few months.

RentHelpMN.org, Minnesota's emergency rental assistance program, is now taking applications and we are excited to have quickly implemented that largest assistance program the agency has ever administered. Because of the scale of this program and the information needed from residents and property owners, as well as the due diligence time to review applications, we need to allow time for it to work and am excited the role this program can play in catching renters up on their rent and paying property owners' bills.