



March 3, 2023

Chair Dave Lislegard  
451 State Office Building  
Saint Paul, Minnesota 55155

RE: H.F. 1808

Dear Chair Lislegard and members of the Property Tax Division Committee,

Creating a reduced, single tax rate for affordable housing is a low-cost, effective solution to address the acute shortage of affordable homes in Minnesota and ensure providers of affordable rental homes can provide safe, dignified, and affordable homes. Combining tax relief with financial investments that will be made this legislative session will help reduce the gap between homes that are available and affordable to low-income Minnesotans. H.F. 1808 also provides needed tax relief to properties that have maintained affordable rents despite escalating operating costs.

Providers of affordable rental homes have limited resources available to them to pay for the rising costs of maintaining these properties. Throughout the pandemic, maintenance costs rose at unprecedented rates. This compounded with rising property valuations has created significant financial stress in the system. While providers of market-rate housing have raised rents on their tenants, providers of affordable rental homes cannot raise rents to cover the increased cost of operating safe, decent homes. Reducing property taxes on affordable rental homes is the most cost-effective action the legislature can take this session.

Creating a simplified, uniform tax rate will also help create new units of affordable rental homes. According to Minnesota Housing Partnership's (MHP) 2021 State of the State of Housing report, there is critical need for housing for extremely low-income renters, or renter households that earn at or under 30% of area median income (AMI). In this income group alone, Minnesota has a deficit of 105,347 units that are affordable to these households. In all areas of housing need, Minnesota has most underfunded the needed of Black, indigenous, and people of color households. For instance, a staggering 58 percent of Black renters — 82,364 renter households — pay more than they can afford on housing.

Minnesota Housing Partnership (MHP), a 30+ year non-profit, works to strengthen development capacity and promotes systems change in Minnesota and the United States. We provide capacity building for rural and Native communities, produce original research, and advocate for policies that advance affordable housing and strengthen communities.

Sincerely,

Libby Murphy  
Director of Policy