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Thank you for your concern for elders of our state and for your desire to support their comfort and stability, which is the motivation behind HF 3350 and SF3625. We share your goals of sustaining quality affordable housing for seniors with rents that are affordable to their incomes.

We are writing today to share our practical perspective as non-profit developers, owners and operators of housing financed with the assistance of the Low-Income Housing Tax Credit (LIHTC or tax credit). We believe this bill will not achieve our common goals and in fact could work against them. We would like to work with Rep. Stephson to address our concerns and work towards our mutual goal of quality affordable housing for seniors.

Here is our viewpoint of the issue:

- **Low-income housing tax credits are a federal resource to fund only the creation of new homes, not operating costs.** LIHTC creates new homes through capital funding. These public dollars usually only cover part of the full capital dollars it takes to create homes. The public dollars do not continue to subsidize the building via operating costs and operations are born fully by the owner/operator.
- **We are committed to quality housing.** Every affordable housing developer must balance rents with operating expenses. The reality is that operating costs are accelerating at a high rate. Our analysis of one portfolio of 36 properties serving 1,904 senior renter households showed that operating expenses have risen by 36% in the last four years. By linking rents to the Cost of Living Index minus one to rents, rents become divorced from reflecting legitimate operating expenses and jeopardize the quality of life for residents.
- **Insufficient revenue negatively impacts both current and future residents.** If rents do not grow to keep the pace of operating expenses, owners must make unfortunate choices, including deferring maintenance, cutting staffing, etc. These decisions can degrade the resident experience and can compromise the quality of the physical asset over time. We are concerned about the negative impact this could have on our ability to provide quality housing in the future.
- **We are committed and required to set affordable rents.** It is essential that we make housing affordable for everyone in our state, and we are committed to working with legislators on that goal. One way this already happens is that the federal Low Income Tax Credit program places rent restrictions on these units.
- **Many seniors already have rent subsidy.** A portion of the senior population in LIHTC properties benefits from federal rent subsidy, which protects seniors from rent burden by adjusting the tenant portion of rent to never exceed 30% of the household actual income. Where rent subsidies are present, the legislation's COLA cap would unnecessarily limit rents on units where households are already protected from rent burden by their rent subsidy.

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- **Rent subsidies are the best way to ensure that households are not rent-burdened without harming the property and service levels.** We wish that all qualifying seniors and families could receive this most powerful stabilizing subsidy (Section 8). However, only about 1/5 of qualifying households get this resource due to limited federal funding for the program. We are grateful the legislature created a new state rent subsidy program last year to fund additional vouchers and we are committed to working with Chair Howard on the Bring it Home Minnesota legislation, HF11, to achieve full funding for this program.

Thank you for hearing our additions to the discussion. We would be happy to discuss this matter further.

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