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2446 University Ave W, Suite 140
Saint Paul, MN 55114-1740

p: 651-649-1710
800-728-8916
f: 651-649-1725

June 24, 2020

Jennifer Ho, Commissioner
Minnesota Housing
400 Wabasha Ave N, Ste 400
St Paul, MN 55102
Via email

Re: COVID-19 and Housing Stability Recommendations

Dear Commissioner Ho:

Thank you for your commitment to engagement on housing needs for Minnesotans. Enclosed is feedback from MHP, developed with the advice of MHP's Public Policy Advisory Group (PPAG), regarding: 1) support for BIPOC (Black, indigenous, people of color) homeowners and aspiring homeowners; 2) support for BIPOC and small developers; 3) new partnerships and areas for focus. These comments highlight issues of concern for housing stability generally and in response to COVID19, including feedback from an April 16 meeting with Alyssa Wetzel Moore.

Minnesota Housing Partnership (MHP) is a housing non-profit that strengthens development capacity and promotes public policy change to expand opportunity, especially for those with the greatest need. MHP provides public policy advocacy, capacity building for rural and Native communities throughout the United States and produces original research.

MHP's Public Policy Advisory Group advises MHP on public policy issues in housing, with a focus on race equity analysis. Members of the PPAG represent a diversity of experience, thought, and expertise throughout the affordable housing continuum.

Affordable Homeownership Support, with Focus on Homeowners of Color.

With COVID-19, we urge Minnesota Housing to maintain and increase support for existing and aspiring BIPOC homeowners, as data continues to show that COVID-19 is widening housing disparities by race and income. Minnesota Housing's goal must be to ensure no greater harm is done to BIPOC families, and disparities by race are reduced and eliminated. We recommend:

- Share regularly updated data disaggregated by race on applicants for homeownership products, foreclosure, and additional homeownership measures.
- Ensure homeownership loan products prioritize BIPIC homebuyers, including those whose credit, income, or savings have recently been negatively impacted by COVID-19. Options can include providing underwriting flexibility and modifying repayable deferred loans to forgivable loans in some circumstances.
- Monitor resource allocations to ensure existing homeowners, especially BIPOC homeowners, have sufficient support through culturally and geographically accessible homeowner and foreclosure counseling.
- Identify and address practices and policies that disproportionately impact first time BIPOC home buyers, such as discouraging sale to buyers with FHA or down payment incentives; broaden partnerships with industry groups to design and provide incentives and enforcement tools to eliminate practices with adverse impact on BIPOC homebuyers.

MHP is an equal opportunity provider and employer.

Prioritize Opportunity for BIPOC Developers and Contractors

The number of BIPOC developers that have received awards from Minnesota Housing is extremely small. As significant resources are required to apply for Minnesota Housing funding, developers without high balance sheets, often the case for BIPOC developers, are at a significant disadvantage. Past QAPs have also, through points, discouraged development in majority of color communities, which excludes BIPOC developers looking to work in their own communities or culturally supportive communities. It is critically important that Minnesota Housing work to dismantle systems and practices that perpetuate exclusion from financial capital and exacerbate social capital disparities by prioritizing Black entrepreneur development. We recommend:

- Identify and implement programs from other states that have helped grow the number of BIPOC developers in the housing industry. Recommendations includes set-aside programs for small developers, special tax incentives, requiring joint venture or fee-based partnerships with developers of color based on scope of work and effort, and granting preference points for development teams that include BIPOC firms.
- Invest in capacity building, in partnership with organizations already working to support increasing the number of and areas of expertise of BIPOC developers; capacity building programs should be offered in combination with defined pathways to ensure BIPOC developers can be competitive for development resources.
- Identify resources to support BIPOC developer applications for Minnesota Housing application, such as the Super RFP. One example is a revolving fund for pre-development grants to assist those without pre-development capital.
- Create exceptions to the “last in” funding source theory of the Super RFP, which often places BIPOC developers at a disadvantage. Developers with existing project resources are more competitive for Minnesota Housing funding awards, a practice that favors developers that are large, have existing resources and set relationships with lenders. For instance, in response to COVID-19, lenders are prioritizing existing relationships with larger businesses and organizations, further putting small developers and developers of color at disadvantage.
- Increase incentives, through points and other mechanisms, to encourage hiring of BIPOC owned and/or operated subcontractors, architects, law firms, and others that contribute to the development and financing of affordable housing.
- Encourage hiring practices to foster local employment opportunities and neighborhood economic development.

COVID-19 Housing Stability: Issues for Review

In addition to the two priority areas above, PPAG members have identified a variety of recommendations for consideration by Minnesota Housing.

- **Build and maintain a more robust practice of disaggregating data below the level of major racial groups; use information to modify policies and programs.** Aggregating data by major ethnic or racial group helps to preserve ethnic and race-based inequities. Minnesota Housing should consider involving community members directly affected by issues in interpreting disaggregated data. Disaggregated data should then be used to guide changes to programs and policies.
- **Preserve public land for public housing and affordable homes.** As resources become even more scarce in response to COVID19’s economic impacts, ensuring public land is held in trust for future housing, or is prioritized for housing, is ever more critical.
- **Support naturally occurring affordable housing (NOAH) through specific programs and focus:** One of the greatest concerns arising is potential impact of COVID-19 on naturally occurring affordable housing, including investor interest in purchase and reduced funds

for maintenance and capital repairs. Minnesota Housing leadership in developing NOAH-specific products for financing, acquisition, and preservation is critical and necessary.

- **Support protections for workers and public funds, through enhancement of unacceptable practices accountability.** The State of Minnesota, and Attorney General Keith Ellison, have focused on potential abuses and bad actors, who may take advantage of system changes due to COVID-19. As an example, wage theft and labor trafficking are concerns that may exacerbated by COVID-19 conditions, as well as lack of adequate protection for renters.
- **Workforce development may be a new opportunity for housers.** Operating in crisis presents important opportunities for new work by Minnesota Housing. As one example, workforce development including pathways to construction and hiring in under resourced communities may be a creative and important area for investment by Minnesota Housing, in partnership with research entities and other agencies.

MHP's PPAG first met to develop criteria for evaluating policies focusing on race equity analysis in January 2020. COVID-19 exacerbated many of the existing inequities initially identified by the PPAG. Since the PPAG's last convening in May, and the local and national uprising regarding George Floyd's murder, enhanced attention to anti-Blackness and structural racism have dominated and accelerated public policy focus on race equity. The recommendations herein have heightened urgency as state, local and federal government reimagines how they serve, engage, and allocate resources.

Sincerely,



Elizabeth Glidden
Director of Strategic Initiatives and Policy



Libby Murphy
Deputy Director, Policy

Cc:

The Honorable Tim Walz, Governor
The Honorable Peggy Flanagan, Lieutenant Governor
Senator Jeff Hayden, Minnesota Senate
James Lehnhoff, Minnesota Housing
Kasey Kier, Minnesota Housing

Attachments:

Membership, MHP Public Policy Advisory Group
Charter description, MHP Public Policy Advisory Group
Recommended criteria for policy evaluation, MHP Public Policy Advisory Group



2020 Membership

Ro Adebisi

Senior Counsel
Thrivent Financial
www.thrivent.com

Shawn Alexander

Attorney
Winthrop & Weinstein
www.winthrop.com

James Archer

Real Estate Agent
JCA Realty

Sarah Berke

Program Officer
Family Housing Fund
www.fhfund.org

Trent Bowman

Vice President, Community Development
Old National Bank
www.oldnational.com

Barb Dacy

Executive Director
Otter Tail County CDA

Tim Flathers

Executive Director
Headwaters Regional Development Commission
www.hrdc.org

Lucas Franco

Research Manager
LiUNA
liunaminnesota.org

Alisha Gehlert

Director of Economic Development & Planning
Red Lake Nation
www.redlakenation.org

Shoua Lee

Vice President, Community Development
Wells Fargo
wellsfargo.com

Trevor Martinez

Project Manager
Schafer Richardson
sr-re.com

Sean Mock

Project Funding Manager
Twin Cities Habitat for Humanity
www.tchabitat.org

D'ngelos Svenkenson

Chairman and CEO
NEOO Partners Inc.
www.neoopartners.com

J. Kou Vang

President
JB Vang
jbvang.com

TheoMee Xiong

Director of Intergovernmental Relations
City of St. Paul
www.stpaul.gov



Public Policy Advisory Group

MHP Mission: Minnesota Housing Partnership (MHP) strengthens development capacity and promotes public policy change to expand opportunity, especially for those with the greatest need. We support, lead, and collaborate with a diversity of partners to stimulate innovation and drive positive impact in affordable housing and community development in Minnesota and beyond.

Committee Overview: The Public Policy Advisory Group (PPAG) provides MHP with expertise and insight to promote innovating and lasting solutions for sustainable and affordable housing, advancing equitable outcomes and efficient use of resources. The PPAG advises MHP on policy development and evaluation, including review of potential structural inequities and impact on communities of color.

The PPAG members will develop expertise in affordable housing public policy, influence the public policy development process, engage in a cohort learning environment, and expand network and professional development experiences. PPAG members are volunteers.

MHP's Legislative Policy Process: MHP utilizes a variety of inputs to identify, research, develop and finalize its policy agenda. In addition to the PPAG, MHP regularly convenes stakeholder groups with subject matter experts to incubate and workshop specific policy proposals in project-based work groups. Stakeholder groups, including the PPAG, are advisory to MHP, but do not provide final decisions or approval. MHP's Executive Director gives final approval to MHP's policy agenda and policy proposals; MHP's Board of Directors provides final approval of MHP's annual Legislative Agenda.

Primary task of PPAG: The PPAG advances MHP's mission by analyzing and informing affordable housing public policy development, with focus on review and evaluation of policy proposals being considered by MHP. Evaluation may include how policy:

- Responds to housing needs traditionally overlooked;
- Imposes unintended consequences on impacted communities
- Addresses structural inequities in the housing ecosystem
- Improves outcomes for communities of color
- Enhances existing market products and tools and maximizes private, local and federal resources

- Promotes cost effective use and allocation of resources

The PPAG may analyze policy proposals incubated and workshopped in project-based stakeholder workgroups. PPAG members may also serve on project-based stakeholder workgroups.

PPAG time commitment: The PPAG will meet approximately five times annually, beginning prior to the Legislative Session, in sessions of approximately 2 hours.

Responsibilities: Members are expected to be active participants in each meeting and engage their networks as needed to provide accurate and timely feedback. Members are expected to come prepared to meetings, including having reviewed any relevant assigned materials.

Staff: Libby Murphy, Deputy Policy Director, Minnesota Housing Partnership, Libby.murphy@mhponline.org

Desired Cohort: Comprised of fifteen culturally and gender diverse members with expertise in affordable housing, equity, and community development practices, including for-profit and non-profit development, construction, finance, legal, regulatory, city administration, local policy makers, program development and implementation, program evaluation, social work, community organizing, and more. Members are considered go-to authorities in their field. The cohort will be comprised of members recruited by MHP staff.



**PPAG RECOMMENDED CRITERIA:
EVALUATION OF HOUSING FINANCE POLICY**

Beginning in January of 2020, PPAG members worked to identify criteria with which to guide policy - evaluation, focused on housing finance. PPAG members finalized recommended criteria for evaluating housing finance policy in May 2020, with the caveats that 1) criteria can further refined, to ensure greatest clarity, with sub criteria (or questions) added; 2) criteria may be modified after application experience.

RECOMMENDED CRITERIA	
<p>Race equity (with potential layered sub-criteria):</p> <ul style="list-style-type: none"> • Increases access to safe, affordable housing for BIPOC residents • Increases economic opportunity for BIPOC developers, contractors and sub-contractors 	<ul style="list-style-type: none"> • Identified as the most important, or first, criteria for evaluation by PPAG members • While other equity concepts were discussed, such as geography, members agreed that isolating race criteria was most important. • PPAG member identified race equity as a criterion with many layers, which need further definition. As an example, race equity can include the question, “Does this program increase access to safe, affordable housing for BIPOC residents?” as well as, “Does this program increase economic opportunity for BIPOC developers, contractors and subs?”
<p>Greatest impact from limited public dollars</p>	<ul style="list-style-type: none"> • PPAG members identified tradeoffs posed by this criterion, including maximizing output versus maximizing period of affordability and other public goods, which need further discussion. • PPAG members identified the need to systematically evaluate return on investment.
<p>Predictable and dependable funding</p>	<ul style="list-style-type: none"> • PPAG members identified certainty and dependability of a funding source as key to a range of outcomes, including helping BIPOC entrepreneurs prepare for and scale to meet opportunities for project funding. • Other qualities of this criterion might include ability to work in various market conditions and stand the test of time.

Enhance wealth and ownership options	<ul style="list-style-type: none">• While identified as important to include, questions remain for PPAG as to how this criterion can apply to multiple types of housing opportunities, including multi-family.• PPAG members agreed that not every criterion would apply or be rated highly in every circumstance applied.
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