



2026-2027 Qualified Allocation Plan Public Comments Round 1

June 2024

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Minnesota Housing
ATTN: Tamara Wilson
400 Wabasha St. N
Suite 400
St. Paul, MN, 55102

July 2, 2024

Re: Public Comment – 2026 - 2027 Housing Tax Credit Qualified Allocation Plan

Dear Tamara Wilson,

Thank you for the opportunity to submit public comments on the proposed 2026-2027 QAP. As an issues-based non-profit organization committed to improving housing outcomes for the community we serve, ACER would like to use this opportunity to echo the concerns and feedback of the senior tenant community with whom we work, regarding the systemic issues they experience in Section 42 housing in Minnesota.

Firstly, ACER supports the proposed policy modification to protect tenants by requiring 120 days' notice when a tenant's rent will increase by more than 5%. This change would provide significant relief to several tenants we serve, allowing them time to make necessary arrangements and informed decisions regarding their housing situation. While this is a positive step, it still does not shield tenants from rent increases that are simply unaffordable.

The senior community we serve resides in Section 42 households and is currently facing sudden monthly rent increases of \$200-\$300, constituting a 22% rise from the original rent. This makes these units extremely unaffordable for elderly residents relying on social security income, which has not seen an increase in recent years to accommodate such rises. Although these increases fall below the city's rent increase limit, it is concerning that we lack policies safeguarding our senior population from housing instability within HTC properties. We note that during your stakeholder engagement process, feedback was received suggesting consideration of a policy to cap annual rent increases for HTC developments. ACER strongly supports this suggestion and urges its inclusion in the proposed QAP, as it would provide substantial relief to affected tenants.

Furthermore, ACER would like to echo tenants' concerns regarding the lack of accountability property managements have in HTC developments. While there are numerous stories, here are some highlights from tenant experiences: tenants were given only two weeks to sign their new lease, with the management staff

threatening eviction if they did not comply. The new lease also failed to disclose certain costs, such as underground garage parking, which caused financial hardship. Tenants also expressed dissatisfaction with the property's maintenance, citing concerns about compromised fire and public safety measures. ACER recommends implementing a frequent and rigorous renewal process for HTC property owners, where lease-holding tenants are required to periodically evaluate the performance of their property management. This would incentivize property owners to prioritize tenant well-being to maintain HTC compliance and empower tenant voices. It is high time that tenants' feedback and concerns become central to how property owners are evaluated for housing tax credit qualification

We hope that ACER's suggestions, along with the concerns voiced by the tenants we represent, will be taken into consideration.

Sincerely,

Aru Sasikumar

Program Manager

African Career Education and Resources, Inc (ACER)

asasikumar@acerinc.org | 612-380-2945

<https://www.acerinc.org/>

TO: Jennifer Ho, Commissioner of Housing Finance Agency

FROM: Aeon
CommonBond Communities
Project For Pride In Living

DATE: July 3, 2024

RE: 2026 Qualified Allocation Plan (QAP)Comments

Thank you for soliciting feedback on the proposed 2026-2027 Qualified Action Plan. We appreciate Minnesota Housing's continued commitment to be responsive to public input. Based on our collective experience as non-profit affordable housing and owners, we have the following comments to the 2026-2027 Qualified Allocation Plan.

Preservation: It's anticipated that projects in the Preservation category will continue to face extreme competition with an increased need to preserve existing affordable housing portfolios as the assets age. While we appreciate the changes of the Preservation thresholds to ensure more projects qualify under the 2026 QAP, we are concerned that the level of distress is not a scoring criteria.

There are many various levels of distress of Preservation projects and recommend the following be considered:

1. Placing a higher importance on projects that are in the most severe distress. In these cases, creative financing and untraditional underwriting is critical to establish appropriate levels of reserves, provide a more sustainable level of capital improvements and reset operating expenses to ensure the -term viability of these assets.
2. Allowing for critical preservation deals that do not have existing federal project-based rental assistance the merit and scoring criteria to better compete for funding.
3. Allowing for an open application pipeline for preservation projects so projects can better align with other time sensitive impacts such as negative cash flow, maturing debt, limited partner exists.

Additionally, the proposed scoring criteria make it difficult to practically operate a preservation property including:

- Supportive Housing: Incorporating supportive housing units in an already distressed property often creates negative outcomes for both supportive housing residents and non-supportive housing residents without sufficient social services.
- Persons With Disabilities: Senior developments cannot claim Persons With Disabilities (PWD) points.
- Large Family: It typically is cost prohibitive to add three or four bedrooms at an existing development.

- **Geographic Distribution:** The scoring for geographic areas doesn't take into account preservation needs only the creation of new units.

Though these are important priorities, there are hundreds of distressed units that will not be able to claim these points, and thus, realistically, we would not expect those projects to receive funding.

Supportive Housing: The scoring is structured so projects will likely need to include at least 20% of supportive housing units to receive sufficient points to receive funding. Though this is a priority population, these projects require additional operating funding, and initial reserves. It has become increasingly difficult to locate tax credit investors for these developments and insurance carriers are either denying coverage of these buildings or raising premiums to an unsustainable level. With this emphasis, Minnesota Housing must ensure that they have adequate capital funding and approve their funding to be used for reserves. The underwriting standards must be adjusted to align with investor requirements, such as higher vacancy requirement, higher debt to income ratios, higher security costs, and higher monthly reserves. Minnesota Housing must work with other state agencies to align the funding timelines and sources for rental assistance and service funding, as well as working to extend the initial commitment to at least 15 years. Without an immediate commitment to make the necessary structural changes when developing supportive housing, newly funded projects will continue to fall into distress too soon after opening.

Due to the difficulty in financing supportive housing within projects, MN Housing needs to align their underwriting criteria with that of current investor requirements. This includes matching other state funding timelines for rental assistance and service funding, considering higher initial vacancy requirements, higher debt to income ratios, higher security costs, and higher monthly reserves.

Innovative Construction Criteria: We recognize the need to contain costs. However, the inclusion of the criterion as a preference only category has been unsuccessful, not because there was not an option for points, but rather, because the techniques being considered were too narrow, the review is unclear, and the results were not widely shared. We recommend improvement to the concept by

1. Providing more specific requirements to meet these criteria. Focus on modifying the design criteria as a construction saving method rather than only "innovative" techniques which currently are very subjective.
2. Considering Total Development Costs rather than just Total Construction Costs. Many construction cost savings have an impact on the overall development soft costs rather than just the construction costs. A technique that lowers construction costs, but increases construction interest, for instance, does not accomplish the stated goal.

Thank you for your consideration.

July 3, 2024

Tamara Wilson
Minnesota Housing
400 Wabasha St N, Suite 400
St. Paul, MN 55102

Dear Ms. Wilson,

On behalf of the Association for Nonsmokers—Minnesota’s Live Smoke Free program, I am writing to express disappointment in the proposal to eliminate the Smoke-Free Buildings selection criterion from the Self Scoring Worksheet in the 2026-27 Qualified Allocation Plan. The proposal indicates that retaining the selection criteria is redundant and unnecessary. However, our experience demonstrates that the smoke-free policy point is one of many necessary tools for protecting residents from the harms of secondhand smoke.

Secondhand smoke in housing is still a problem in Minnesota, especially for our most vulnerable communities. According to the most recent Minnesota Adult Tobacco Survey, in a given week, someone smoked in the homes of around 66,000 nonsmoking adults who have one or more children in the home.¹ While there has been significant progress in the adoption of smoke-free housing policies throughout the State, there are many communities still suffering disproportionately from the harms of secondhand smoke exposure including children, People of Color, residents of multi-unit housing, and individuals with lower incomes and less education.²

I’d like to clarify two points referenced in the *Summary of Engagement of Proposed Changes*:

1. The Department of Housing and Urban Development’s Smoke-Free Housing Rule only applies to “all public housing other than dwelling units in mixed-finance buildings.”⁴ Mixed-finance properties still lack smoke-free housing protections under both State and Federal regulations.
2. While it is true that some insurance providers require or incentivize smoke-free policies, this is not a standard practice across the industry.

Maintaining the smoke-free policy point (with a Traditional Tobacco exemption³) or making smoke-free housing a threshold requirement (with a Traditional Tobacco exemption) will protect thousands

¹ <https://www.health.state.mn.us/data/mchs/surveys/mats/index.html>

² <https://www.cdc.gov/tobacco/secondhand-smoke/disparities.html>

³ <https://www.health.state.mn.us/communities/tobacco/traditional/index.html>

⁴ www.hud.gov/sites/documents/SMOKEFREEPHFINALRULE.PDF

of vulnerable Minnesotans from the harms of secondhand smoke and signify to the public that everyone deserves access to affordable and healthy housing. All Minnesotans, regardless of income, deserve to breathe clean air at home.

We urge you to include the smoke-free policy point, or create a smoke-free policy threshold requirement, in the 2026-2027 QAP. Doing so will help advance public health and reduce health inequities, especially among priority populations.

Sincerely,

Kara Skahen

Live Smoke Free
Association for Nonsmokers MN

June 28, 2024

Minnesota Housing Finance Agency
400 Wabasha St N, Suite 400
St Paul, MN 55102

Re: Comments Regarding the Proposed Minnesota Housing 2026-2027 Qualified Allocation Plan (QAP)

Dear Minnesota Housing,

We appreciate your work in creating the staff recommendations for the 2026-2026 Qualified Allocation Plan. These federal and state dollars are an essential resource for preserving and maintaining affordable housing that serves thousands of Minnesotans.

Beacon Interfaith Housing Collaborative is one of the leading developers and operators of supportive housing in the state and celebrates its partnership with Minnesota Housing to create these essential homes.

As we continue to move forward, we must recognize that we are at a seminal moment for affordable housing in our state. Rising costs, acuity, and instability have jeopardized Minnesota's robust and affordable housing industry and threaten the homes of thousands of low-income Minnesotans.

We must prioritize resources to save units and change practices to move us to longer-term sustainability. Beacon urges you to hold these priorities at this moment:

- Create a circle of protection around our most vulnerable residents and their homes and prioritize resources towards them
- Sustaining homes is as important as creating new homes to reach our shared goals of addressing Minnesota's housing crisis in this moment
- Fund new production with a focus on sustainability to utilize future public investments in the wisest manner

Applying these principles to the qualified allocation plan, below are our recommendations:

Big Picture Changes:

- Preservation is an urgently needed priority now but will continue to be one in the future. The mechanism of scoring preservation projects is inadequate in demonstrating their importance alongside new production and cannot be fixed through changes to point allocation alone. We recommend creating separate scoring tracks for preservation and new construction. With separate tracks, the agency can adequately prioritize both goals and create fair competition in each sphere.

- The values demonstrated in the current QAP could still apply to the preservation track, where a deeper level of affordability, supportive housing, and community engagement/representation are prioritized.
- Coordinate preservation dollars with local governments, many of whom are planning to prioritize preservation with their local area housing aid. Scoring in the preservation track could leverage these resources with a clear state plan and goals led by Minnesota Housing.

Detailed recommendations:

Section 1: Greatest Need Tenant Targeting

- Supportive Housing
 - Maintain the strong points awarded to supportive housing. We must continue prioritizing public resources to our lowest-income residents.

Section 2: Serves Lowest Income for Long Duration

- In Preservation
 - Modify Tier 1 to be “Existing Federal and State Assistance” where the following are included
 - state-funded Housing Support
 - state-funded rental assistance/project-based rental assistance
 - Modify throughout the Self-Scoring Worksheet (and references in the Underwriting Manual) to read “federal-/state-assisted.”

Thank you for your hard work and dedication to our shared vision that all people have a home. We look forward to continuing to discuss these changes with you.

Sincerely,

Ben Helvick Anderson
 Vice-President of Policy and Organizing
 Beacon Interfaith Housing Collaborative
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 612-760-3129

Wilson, Tamara (MHFA)

From: Connor Dillon <connor@buildingscienceinstitute.org>
Sent: Thursday, June 27, 2024 1:04 PM
To: #MHFA_HTC
Subject: Comment on the Redlined 2026/2027 QAP

Some people who received this message don't often get email from connor@buildingscienceinstitute.org. [Learn why this is important](#)

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To Whom It May Concern,

In reviewing the [Self-Scoring Worksheet](#), it appears an inconsistent edit was made under Section C: Enhanced Sustainability, Tier 3, Pathway 3.

It currently reads as:

To receive points for Pathway 3, the project must follow the Performance Pathway as described in the applicable year's Minnesota Overlay to EGCC – Criterion 5.1b by providing an Energy Rater Index (ERI) Pathway by achieving one of the following Home Energy Rating System (HERS) Index thresholds:

- An ERI score of 80 or less for properties built in or after 1980;
- ii. A ERI score of 100 or less for properties built before 1980; or
- iii. A post-rehab ERI score at least 15% less than the pre-rehab **HERS Index score**.

The bolded text should be modified to state "ERI score", in line with the other redlined edits made.

Please let me know if any clarifications are needed.

Thank you,
[Connor Dillon](#)
[Quality Manager](#), [Building Science Institute](#)
[Frequently Asked Questions about BSI](#)
Office: (830) 308-8505
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July 3, 2024

Minnesota Housing
Attn: Tamara Wilson
400 Wabasha Street North, Suite 400
St. Paul, MN, 55102

RE: 2026-27 Qualified Allocation Plan Comments

To Whom It May Concern:

HOME Line appreciates the opportunity to comment on Minnesota Housing's 2026-2027 Qualified Allocation Plan. We are a nonprofit Minnesota tenant advocacy organization that provides free and low-cost legal, organizing, education, and advocacy services so tenants throughout Minnesota can solve their own rental housing problems.

We submit our remarks based on conversations with Minnesota renters living in Twin Cities area Low Income Housing Tax Credit (LIHTC) buildings. The tenants we spoke with—primarily senior and immigrant communities—are currently in untenable situations and have concerns that future renters will be placed in similar circumstances.

The renters we talked with expressed frustration with the disconnect between affordability on a regional level based on percentages of the Area Median Income (AMI), which has no relation to an individual household's affordability calculation (i.e., 30% of their household income). Tenants complained primarily that the AMI frequently outpaces changes to their annual incomes. Renters may have qualified to live in their homes during their initial income check. However, increases in their rents based on changes to AMI have left them in unaffordable apartments, often over 50% of their incomes. They expressed confusion about being too poor to stay in "affordable housing" and that the increases broke the image of affordability these units gave them.

A subset of this issue for senior tenants is that the increases in yearly rents are more than the COLA increases for Social Security payments. Many senior renters we spoke with emphasized that they planned for retirement appropriately, but no one could have accounted for a stark increase in housing costs during these times. In a relatively saddening case, one renter explained that over 100% of her Social Security Income went towards rent. Her husband covered all other household costs. If her loved one

were to pass ahead of her, she would have no way to cover the cost of living on her own. She is one of many seniors who deal with this issue. This leads to a ticking time bomb for housing for those who live on a fixed income in their later years. These seniors planned on remaining in their units for the rest of their lives or at least until they needed to move into assisted living. However, they now feel that AMI changes will eventually price them out, leaving them with nowhere else to turn. Some expressed concerns about becoming homeless. In fact, one senior shared that she knew another who lived in her car for some time.

These issues do not just affect our senior population. Immigrant communities have seen an exodus of families returning to the countries they came from simply because they can no longer afford to live in the Twin Cities area. Some families leave their husbands behind to work and send their family money. Tearing apart the family like this has social and developmental consequences on children, which bear fruit later down the line. The immigrants who stay behind tend to fill low-paying, manual jobs that often do not provide sufficient benefits and retirement plan options. This results in immigrants not having adequate retirement resources and falling into the same trap of not being able to afford housing in their later years. One tenant expressed in frustration that she already works two jobs—she can't manage to work three.

The consequences of this are profound. Various renters have spoken about their inability to afford transportation, leading to an over-reliance on Metro Mobility. One senior household sold their car to keep up with rent payments. Other families rely on food shelves, sometimes located within their buildings, to provide staples that they cannot afford. Others turned to rationing their medications. Some seniors expressed discomfort and dismay over the fact that some had to return to work post-retirement to afford the cost of rent. Senior tenants did not expect to have to return to work and often planned well for their retirements. These are all side effects of spending higher and higher proportions of money on rent for what is meant to be affordable housing.

Another problem is that some developers let the buildings become run down and then sell them when the tax credit period is up. Maintenance is often neglected in these homes, leading to hazardous conditions for tenants. Tenants also worry about the future state of their housing once the building's tax credit expires, and can be converted to market rate. This simply adds to the laundry list of concerns tenants face. Significant attention must be paid to alleviate tenant concerns.

We appreciate your consideration.

Sincerely,

Michael Dahl, Public Policy Director
HOME Line

July 3, 2024

Tamara Wilson
Minnesota Housing
htc.mhfa@state.mn.us

COMMENTS ON PROPOSED 2026-2027 QAP

A key step in carrying out the MHFA's 2024-2025 Affordable Housing Plan is providing QAP support for utilization of the 2089 new project-based rental assistance subsidies available to the state through HUD's new Faircloth-to-RAD (FTR) program.¹

HUD data shows that there is existing authority for 2,089 units of project-based rental subsidy through HUD's FTR program, which provides long term rental assistance contracts serving households with extremely low incomes.² These contracts are available to many housing agencies throughout the state and may be transferred to affordable housing developers for use in projects financed with the resources available through the MHFA's annual RFP. Unfortunately, public agencies, with only a handful of minor exceptions, have ignored these critical resources.

As set out below, this is an invaluable resource and the MHFA could jump-start its use throughout the state. Three additions to the proposed QAP would be useful in doing so. First, the MHFA should use the QAP to call out the new availability of this resource, in light of the priority need described in the agency's 2024-2025 Affordable Housing Plan. This could be done by adding a paragraph to Section V.B. Strategic Priority. That second paragraph would note that the most pressing housing need in the state is for 258,000 households making less than \$50,000 and paying more than half their income for housing and that new deep rental subsidies to address that need, like those in the FTR program, are a priority for the agency.

Second, award 26 points specifically for the specific use of this resource in part 2.B. "rental Assistance" of the "Serves Lowest Income for Long Durations" section of the Self Scoring Worksheet..

Third, because the assistance available in this program is not quite as deep as is typical with project-based vouchers, many projects will need 100% capital subsidies. Any penalty for that should be specifically eliminated in the "Efficient Use of Resources" section. In return, the agency gets new, long term, annual project based assistance that can provide housing stability for the lowest income households.

This resource, if properly promoted by the MHFA, is the one available through the agency's annual RFP most likely to result in significant achievement of the agency's "going big equitably"

¹ See,
<https://www.hud.gov/sites/dfiles/PIH/documents/FairclothToRADGuideRev2023.11.03.pdf>;
<https://www.radresource.net/webinars/Wednesday%20Webinar-Faircloth-to-RAD%20-Final-rev%202023-09-27.pdf>;

² See: *Faircloth Limits as of 12-31-23 - HUD*

goal. The MHFA's 2024-2025 Affordable Housing Plan emphasizes "going big equitably" by "creating a more inclusive, equitable and just housing system the prioritizes the people and places most impacted by housing instability." The Plan further makes clear that those people most impacted are 258,000 households making less than \$50,000/year and paying more than 50% of income for housing. What the plan doesn't show is that 63% of the renter households paying more than 50% of income are BIPOC households³ and the lack of housing for these households is a serious fair housing issue.

The MHFA's 2022-2023 Affordable Housing Plan, Figure 2, showed that for the 2020 RFP 41% of the units produced were affordable at or below 30% of AMI, 88% of those did so only with rental assistance. Virtually all of that rental assistance is the result of merely switching already existing rental subsidies (mostly housing choice vouchers) to project based assistance. While there is often some benefit to such project-basing, it adds nothing to the supply of housing subsidy which can provide housing stability to the lowest income households most desperately in need. There has been for years, only a tiny annual addition to the supply of annual section 8 rental subsidy available in the state. If the MHFA takes the proper steps including amendment of the QAP, it will go a long way to reverse that trend using Faircloth-to-RAD.

Respectfully submitted,



Jack Cann
Housing Justice Center
651-645-7378
Jcann@hjcmn.org.

³ 2016-2020 HUD CHAS Data Table 9 shows that of the 223,035 renter households paying more than 50% of income for housing, only 81,985 (36.8%) are white and non-Hispanic.



Housing Justice Center
Dedicated to expanding
and preserving the supply
of affordable housing in
Minnesota and nationwide.

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July 3, 2024

VIA EMAIL

Minnesota Housing
Attn: Tamara Wilson
400 Wabasha Street North, Suite 400
St. Paul, MN, 55102

RE: Public Comments for 2026-27 Qualified Allocation Plan Comments

To Whom it May Concern:

The Housing Justice Center (HJC) submits the following comments on the Minnesota Housing's Draft Qualified Allocation Plan.

We commend Minnesota Housing for providing the opportunity to give feedback on the Qualified Application Plan. We are pleased to see the draft QAP for 2026-28 reflect the comments and challenges raised through these processes and the continuing evolution of the process to reflect the unique needs of families and communities across the state. Several opportunities to strengthen the plan or address gaps and challenges in the system would be beneficial for Minnesota Housing to incorporate into the 2026-27 QAP and self-scoring worksheet.

Low-income renters continue struggling with escalating rents and costs in LIHTC developments. The inclusion of a 120-day notice requirement for rent increases is a nice addition but does not address the displacement of low-income renters on fixed incomes who thought their housing would remain affordable. One possible amendment addressing at least some of this challenge is in the unacceptable practices section of the QAP regarding the displacement of Section 8 renters. The prohibition on increasing rents above the voucher payment standard should be extended to include increases not only in the context of the initial application for resources but also subsequent rent increases during the restricted period for properties that receive LIHTC. This would continue to give landlords flexibility but still ensure that public investment in our housing infrastructure also serves the needs of low-income renters as intended.



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Minnesota Housing should require that rents in buildings funded using tax credits be set at or below voucher payment standards. Under 42 USC (6)(B)(iv) renters cannot be discriminated against because they have a housing choice voucher. However, we know many instances where rents of presumably affordable units are set above voucher payment standards. This is particularly challenging for very low-income households where the difference between the portion of the payment standard and the rent puts potential renters above 40% of the household's income paid toward housing costs and, therefore, prohibits them from using their vouchers. As a condition of receiving tax credits, rents should be within voucher payments standard unless the unit is designated as a 70%- or 80%-unit using income averaging, and the rent is utilized to cross-subsidize deeply affordable unit rents.

We are also concerned about the increase in other costs borne by low-income renters without equitable access to the types of energy assistance programs. In particular, the Minnesota Department of Commerce administers an Energy Assistance program that provides low-income residents with funds to help with their energy bills. The funds are applied for by the residents but generally paid directly to the energy companies, which then credit the participating residents' energy bills. However, according to the Department of Commerce, most companies that manage sub-metered billing on behalf of the owners of single-metered rental buildings refuse to enter into the vendor agreements necessary to implement such payment arrangements. These companies are agents of the building owner, and the owners are ultimately responsible for the agents' practices. The Unacceptable Practices Section of the QAP should be amended to include, as an unacceptable practice, the operation of a sub-metered energy billing system with a billing company that will not cooperate in administering the state's Energy Assistance program.

Financial readiness to proceed and additional contributions remain a concern. These criteria can have a profound impact on which projects can even be seriously considered by development entities because they can make or break the competitiveness of a project at the earliest planning stages. There are two scenarios where this can be a significant factor in the feasibility of development and geographic distribution of housing resources. First, some communities have no additional resources to support a project. This can include rural communities or communities where there has been historic disinvestment. A locality might be willing to support development however it can, but a lack of resources stymies its ability to provide additional resources. The second scenario is that some communities have strong local tax bases and could contribute to the success of development but choose not to. Consistent with fair housing principles, city consent is not required to apply for LIHTC. However, in practice, the pointing system makes it almost impossible for developments without city participation to succeed. We understand that Minnesota Housing is trying to do as much as it can to leverage federal resources by tapping into local resources. The current approach,



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and preserving the supply
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however, risks leaving low-wealth communities out while allowing high-wealth communities to continue exclusionary practices.

We strongly recommend further simplifying the QAP and consolidated RFP process to enhance transparency and reduce the time and cost of application creation and evaluation. While Minnesota Housing has made progress in this area, we believe that increased clarity, simplicity, and transparency will instill greater confidence in the decision-making process, enable applicants to shape their proposals more effectively and empower renters and other community stakeholders to play a more significant role in shaping the future of their communities.

Thank you for the opportunity to provide comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Margaret Kaplan", with a long, sweeping horizontal line extending to the right.

**Margaret Kaplan, President
Housing Justice Center**



Wilson, Tamara (MHFA)

From: Dorine Onyancha <dOnyancha@schuettcares.com>
Sent: Monday, July 1, 2024 2:32 PM
To: #MHFA_HTC
Subject: Public comment on Qualified Allocation Plan 2026-2027

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MN Housing staff,

My name is Dorine Onyancha, and I am submitting this public comment on the Qualified Allocation Plan 2026-2027 on behalf of Housing Link.

I recommend that proposed developments utilize HousingLink and Waitlist Central, a centralized waiting list website, for leasing their new units. Minnesota is fortunate to have unique resources like HousingLink, and we should encourage the widespread adoption of these tools to streamline access to affordable rental housing for renters in Minnesota.

Sincerely,



Dorine Onyancha

Director of Compliance

9000 Golden Valley Rd

Golden Valley, MN 55427

Office: 763.541.9199 Direct: 651-370-2884

schuettcares.com

"Compliance is a team sport" - Joanne C. Klein

July 3, 2024

Jennifer Leimaile Ho
Commissioner
Minnesota Housing Finance Agency (MHFA)
400 Wabasha St. N., Suite 400
St. Paul, MN 55102

Commissioner Jennifer Leimaile Ho:

99

The Insurance Institute for Business & Home Safety (IBHS) is pleased to offer the following comments for your consideration in response to the Minnesota Housing Finance Agency's (MHFA) [2026-2027 QAP Draft](#) for public comment.

We strongly encourage MHFA to require or incentivize through the scoring criteria a designation from IBHS's FORTIFIED™ program for all projects seeking LIHTC funding in Minnesota.

Based on decades of scientific research, IBHS's [FORTIFIED™ program](#) is a set of voluntary, beyond-code construction upgrades that improve a building's resistance to the effects of high winds, hurricanes and even tornadoes. The FORTIFIED program is available for single-family houses, multifamily properties, and commercial structures. The program features a technical standard and an independent verification process that ensures that buildings obtaining a FORTIFIED designation from IBHS have, in fact, reduced their risk. To date, more than 66,000 structures have been designated by the FORTIFIED program across the country.

To require FORTIFIED for all projects, we suggest the following edits be made to [Minnesota Housing's Multifamily Rental Housing Design/Construction Standards](#):

4.06.A. Building Standards – 9% HTC

To promote climate resilient housing, all MHFA-approved developments are required to commit to resilient construction standards. All projects must obtain certification from the Insurance Institute for Business & Home Safety for a [FORTIFIED Roof™](#) designation (Roof, Silver, or Gold).

4.06.B. Building Standards – 4% HTC

6. To promote climate resilient housing, all MHFA-approved developments are required to commit to resilient construction standards. All projects must obtain certification from the Insurance Institute for Business & Home Safety for a [FORTIFIED Roof™](#) designation (Roof, Silver, or Gold).

To incentivize resilient construction standards, we suggest the following edits be made to the draft 2026 – 2027 [Self-Scoring Worksheet](#):

I. Design Standards

Developments built with climate resilient construction standards and that receive a FORTIFIED Multifamily designation from the Insurance Institute for Business and Home Safety (IBHS) will be awarded up to 3 points as described below. Resilient construction standards are optional.

To reduce damage to residential, commercial and multifamily structures and help businesses re-open more quickly following severe weather, the Insurance Institute for Business & Home Safety (IBHS) developed [FORTIFIED™ Multifamily](#), a voluntary, resilient construction and re-roofing standard and designation/compliance program. FORTIFIED employs an incremental approach with three levels of designations available so design professionals can work with building owners to choose a desired level of protection that best suits their budgets and resilience goals.

- a. FORTIFIED Roof – 1 point
- b. FORTIFIED Silver – 2 points
- c. FORTIFIED Gold – 3 points

As set forth below, IBHS's FORTIFIED program provides a science-based, field-proven tool for MHFA to incorporate resilience standards into the 2026 - 2027 QAP. Investment in resilience will create safer homes that can withstand the increasingly severe weather Minnesota faces. In addition, it will make these properties lower risk (and therefore more attractive risks) for property insurers.

Background

IBHS is a 501(c)(3) organization enabled by the property insurance industry's investment to fund building safety research that leads to real-world solutions for home and business owners, helping to create more resilient communities. We conduct this work from our Research Center, located in Richburg, South Carolina.

Severe weather disrupts lives, displaces families, and drives financial loss. IBHS delivers top-tier science and translates it into action so we can prevent avoidable suffering, strengthen our homes and businesses, inform the insurance industry, and support thriving communities. The perils we study at IBHS are part of the natural world in which we live, but social and economic disasters occur when these perils meet human populations that live or work in harm's way. To break the cycle of destruction, it is essential to address all aspects of the building performance chain: where you build, how you design and construct, and how well you maintain and repair. As a building science institute, IBHS focuses on the ways that weather behaves, what makes homes and businesses vulnerable, and how our buildings can be more resilient. We exist to help ensure that the spaces where people live, learn, work, worship, and gather are safe, stable, and as strong as the best science can equip them to be.



Resilience is a Housing Issue

We encourage MHFA to treat resilience as a housing issue. MHFA’s mission reads: “Housing is foundational to a full life and a thriving state, so we equitably collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.” We assert that this mission cannot be met without investments in resilient construction. Homes are not “quality” unless they are sufficiently resilient to withstand knowable risk from severe weather. Investing in resilience for affordable housing helps ensure that people are not only housed, but that they *remain* housed following natural disasters. Quality housing that withstands severe weather allows working families to return home following natural disasters, which in turn supports local economies and economic revitalization by preventing businesses from closing from low demand and want of workers, protecting the local tax base.

Housing is not “affordable” unless it provides savings to the resident not just on the day of purchase (or lease signing), but on an ongoing basis as well. Investments in resilience provide ongoing savings to residents. Generally, risk reduction results in avoided damages from severe weather and reduced insurance premiums reflecting the reduction in risk.

For this reason, FORTIFIED is increasingly used by affordable housing funders and developers across the country. For example, in 2023, Enterprise Communities Partners amended its [Enterprise Green Communities Criteria](#) to include a reference to FORTIFIED in Section 1.6 of the Criteria.

As a significant source of funding for affordable housing in Minnesota, MHFA’s LIHTC program is a critical tool for strengthening the resilience in the state.

FORTIFIED Strengthens Resilience

FORTIFIED provides property owners with the ability to achieve three increasing levels of resilience:

FORTIFIED Roof is the foundation of FORTIFIED because an estimated 70 to 90 percent of catastrophic homeowners’ insurance claims include roof damage, and damaged roofs can lead to water intrusion that significantly amplifies damage. FORTIFIED Roof provides a system that strengthens the roof through (i) more and stronger nails, (ii) locked-down edges, and (iii) a sealed roof deck, which work in concert to keep the wind and rain out.

FORTIFIED Silver adds increased levels of resilience through requirements on windows, doors, and siding.

FORTIFIED Gold adds requirements related to a continuous load path from the roof to the foundation.

Studies following Hurricane Sally (in Alabama) and Hurricanes Matthew, Florence, Dorian, and Isaias (in North Carolina) concluded that FORTIFIED designated homes are less likely to have an



insurance claim and, for those homes with insurance claims, claims that are smaller on average.

The value of FORTIFIED has also been explored in a 2022 [study](#) from the University of Alabama's Culverhouse College of Business, which concluded that building or retrofitting to FORTIFIED has relatively minimal costs and a strong rate of return. Findings include:

By constructing a new multifamily building to FORTIFIED Gold, property owners could realize an 8.1 to 72 percent internal rate of return on a marginal cost increase of no more than 1.5 percent of total cost of construction. For investments in retrofitting an existing multifamily building to FORTIFIED Roof, a property owner could realize an 8.3 to 35 percent internal rate of return on the investment for the property owner.

Public Investment in FORTIFIED

FORTIFIED keeps roofs on, water out, blue tarps off, families in place, and communities intact. As a result, federal and state agencies are increasingly turning to FORTIFIED when investing in resilient housing.

Here in Minnesota, the Legislature passed legislation to create a [Strengthen Minnesota Homes](#) grant program within the Department of Commerce. This program, which will provide homeowners with grants to replace existing roofs with FORTIFIED roofs, is currently under development by the Department. Requiring or incentivizing FORTIFIED in MHFA's LIHTC's program will bring these two important resilient construction programs—one supporting existing house and the other supporting the development of new affordable housing—into harmony.

FORTIFIED is also a critical resilience tool for other federal and state programs.

The Louisiana Housing Corporation **requires** a FORTIFIED Roof as a minimum construction standard in its [2024 QAP](#) and provides additional scoring consideration for projects that build to FORTIFIED Silver and Gold.

The Louisiana Housing Corporation **requires** FORTIFIED Gold as a minimum construction standard for [projects funded by HUD CDBG-DR grants](#).

The Mississippi Home Corporation incentivizes FORTIFIED Multifamily in its [2024 QAP](#) scoring criteria.

Alabama, Louisiana, and South Carolina help pay for FORTIFIED retrofits through grant programs managed by the state insurance departments. These states will soon be joined by Oklahoma and Kentucky, which both created grant programs this year, as well as Minnesota and Mississippi. In addition, North Carolina provides homeowners with grants through the state wind pool, the North Carolina Insurance Underwriting Association.

The Federal Home Loan Bank of Dallas invests in FORTIFIED through two mechanisms: as part of the scoring criteria for its [Affordable Housing Program](#) and through a new [FORTIFIED Fund grant program](#).

The U.S. Department of Housing and Urban Development's new [Green and Resilient Retrofit Program \(GRRP\)](#) includes FORTIFIED as a covered expense for eligible property owners.

In addition to creating more resilient housing for Minnesota residents, resilience requirements in housing programs like the LIHTC program have an important effect on workforce and skills development. We have observed in Alabama and Louisiana that references to the FORTIFIED program in government programs creates opportunities to educate developers, builders, and contractors about FORTIFIED. Once these essential participants in the housing market build to FORTIFIED because of program or funding requirements, they develop a comfort level with the work and costs associated with FORTIFIED. This can result in voluntary take-up on other projects unconnected to government funding sources. In this way, QAP resilience requirements can have an even broader impact on the built environment than those projects funded by grantees.

Requiring or incentivizing FORTIFIED in MHFA's LIHTC program could significantly increase the number of Minnesotans who live and do business in resilient homes and buildings.

* * *

Weather events become natural disasters by devastating communities, damaging property, disrupting local economies, and dislocating families. This need not be the case. Solutions exist to strengthen the resilience of our homes—investments by MHFA can turn these solutions into a reality for Minnesota residents.

Thank you for the opportunity to contribute to this critical issue. If you have any questions, please do not hesitate to contact me at mnewman@ibhs.org.

Sincerely,



Michael Newman
General Counsel
Insurance Institute for Business & Home Safety

June 21, 2024

Minnesota Housing
ATTN: Tamara Wilson
400 Wabasha St. N, Suite 400
St. Paul, MN, 55102

Commissioner Ho,

Thank you for soliciting feedback on the proposed 2026-2027 Qualified Action Plan. We appreciate Minnesota Housing's sincere and robust engagement process. As Development Consultants (referred to as Processing Agents by Minnesota Housing) working with wide variety of developments and developers throughout the state, we have deep understanding of the funding process and a unique perspective. As an important part of the development team, we are in agreement on the following feedback: Development Consultants should qualify as a Development Team member under criterion 4.F.2.b. Black, Indigenous, People of Color Owned Business Enterprises or Women Owned Business Enterprises.

For many years, Minnesota Housing has a stated goal of prioritizing opportunities for BIPOC and Women to lead and participate in the development process. The strategic plan lists equity and inclusion as a goal and specifically states that a strategy shall be to give selection points to development teams that include BIPOC and Women led organizations. The proposed QAP lists the following development team members: developer, general contractor, architect, service provider, or management agent. We have heard different rationales for the exclusion of Development Consultants, but none that stand up against scrutiny.

Development Consultants are an essential member of the development team. Minnesota Housing requires Development Consultants to submit a qualification form, as they do for the other team members that do qualify for points, an application requirement that has been removed for team members who do not qualify in this scoring category. Our clients are regularly told by Minnesota Housing staff, other public entities, and housing investors that our involvement is critical when considering developer capacity.

As Development Consultants, we are often integrally involved in the financial structuring, financing negotiations, application and closing phases, construction draws, and lease up period. We spend significant time in all these phases, unlike the Architect, General Contractor, Property Manager, or Service Provider, whose time is concentrated in one or two phases.

There is room to improve diversity within this field. Per the most recently published list of qualified team members on Minnesota Housing's website, only 40% of the Development Consultants are WBE and none are BIPOC controlled. We note that this is a smaller percentage than just five years ago. Compare this to the Developers listed, in which 44% are BIPOC or WBE controlled, and Sponsors, in which 48% are BIPOC or WBE controlled. Though the Development Consultant companies may appear to be an exception, women Development Consultant owners face the same barriers as women owned development, construction, architect, and management companies. We have less access to capital and face the same bias and discrimination in our interactions.

Please recognize the value and the role of Development Consultants as part of the team and ensure equal and consistent implementation of your strategic plan by including Development Consultants that are involved in the application and financial closing in criterion 4.F.2.b.

Sincerely,

HM Collaborative, Joy Development Company LLC, Landon Group LLC, Rippley Richard Real Estate
Development Services LLC

July 3, 2024

Tamara Wilson
Minnesota Housing
400 Wabasha Street North, Suite 400
Saint Paul, MN 55102

Re: Minnesota Housing's Draft 2026-27 Qualified Allocation Plan

Dear Ms. Wilson,

We commend Minnesota Housing for its longstanding commitment to increasing the energy and water efficiency and sustainability of affordable housing, making sure all households in the state are able to make the transition to clean energy and healthy homes. In Minnesota Housing's 2026-27 draft Qualified Allocation Plan (QAP), we specifically applaud the following proposed changes:

- Recognizing the challenges that all Minnesota communities face from a changing climate by incorporating Climate Resilience into the design standards for projects receiving Low-Income Housing Tax Credits (LIHTC)
- Increasing the points associated with Tiers 1-4 of the Enhanced Sustainability selection criteria.

We believe these are extremely positive changes that will better encourage developers to deliver energy efficiency and clean energy benefits to Minnesota's affordable housing residents.

Below, we list six recommendations to help Minnesota Housing build on past success for the latest QAP, and the following information provides context for them:

According to the University of Minnesota, "Nearly one in three counties in Greater Minnesota has an average energy burden of 5 percent or higher, according to data from the U.S. Department of Energy National Renewable Energy Laboratory, compared to the national average of 3.5 percent and Minnesota statewide average of 2 percent. Some Minnesotan households spend as much as 30 percent of their income on energy."¹ Meanwhile, the state of Minnesota is not on track to meet its own greenhouse gas reduction goals. State law aims for reductions to "all sectors producing those [greenhouse gas] emissions to a level at least 15 percent below 2005 levels by 2015, to a level at least 30 percent below 2005 levels by 2025, and to a level at least 80 percent below 2005 levels by 2050."² The Minnesota Climate Action Plan sets a goal of a "45% reduction in greenhouse gas emissions by 2030 to achieve a carbon-free future by 2050."³ The Minnesota 2021 biennial report⁴ demonstrates that the state's emissions have declined just 8 percent since 2005- well short of the goal of 30 percent by 2025. Since buildings in Minnesota account for 41 percent of total energy consumed in the state,⁵ reducing emissions from affordable housing is necessary to help meet the state's goals equitably. In other states with greenhouse gas-emission reduction goals, Housing Finance Agencies are supporting climate-friendly affordable housing. For example, the Colorado Housing Finance Authority recently adopted the following guiding principle in their QAP:

To contribute to Colorado meeting its 100 percent Renewable Energy goals by 2040 and Climate Action goals to reduce greenhouse gas emissions to 26 percent below 2005 levels by

¹<https://extension.umn.edu/rsdp-happenings/reducing-energy-burden-greater-minnesota#:~:text=Nearly%20one%20in%20three%20counties, statewide%20average%20of%202%20percent>

²<https://www.revisor.mn.gov/statutes/cite/216H.02#:~:text=It%20is%20the%20goal%20of,below%202005%20levels%20by%202050>

³<https://www.house.leg.state.mn.us/dfl/pdf/990649f7-d9db-4ffd-a5b5-496baddbb282.pdf>

⁴<https://www.pca.state.mn.us/sites/default/files/raq-1sy21.pdf>

⁵<http://www.dli.mn.gov/sites/default/files/pdf/BuildingsEnergyEfficiency2020.pdf>

2025, 50 percent by 2030, and 90 percent by 2050:

- *To support affordable housing that is constructed and certified to advanced energy performance standards, such as the Department of Energy's Zero Energy Ready Home (ZERH) program, Passive House Institute US (PHIUS), or Passive House Institute (PHI); and/or*
- *To support affordable housing that is constructed to be Electrification-Ready for future conversion to all-electric*

The enactment of the Energy Conservation and Optimization (ECO) Act should result in additional resources to support energy efficiency and electrification in affordable housing that would complement QAP incentives that encourage reductions in greenhouse gas emissions. ECO increased the minimum spending requirement for utilities to fund dedicated programming for low-income customers and incentivizes electrification by allowing utilities to claim energy savings from fuel-switching toward their goals.⁶

These comments are submitted by the Midwest Building Decarbonization Coalition (Midwest BDC), Native Sun Community Power Development, Resilient Cities and Communities, RMI, NRDC, Phius Alliance - Minnesota Chapter, and Fresh Energy:

1. Require all new construction projects to be electrification-ready at a minimum and consider awarding more points for electrification of heating/cooling, hot water, and cooking.
2. Require an energy consultation or audit as a condition of eligibility for Housing Credits for rehabilitation projects, which can be included as part of a capital/physical needs assessment.
3. Offer points for providing internet/broadband service.
4. Adopt either the Category 6 (Materials) or just Criterion 6.1 *Ingredient Transparency for Material Health* as mandatory rather than optional.
5. Provide an additional credit in the Supporting Community and Economic Development section for prevailing wage, matching the definition within the Inflation Reduction Act.
6. Require Energy Star Single Family New Homes and Energy Star Multifamily New Construction Program requirements to be aligned with tax credits available under the Inflation Reduction Act.

- 1. Require all new construction projects to be electrification-ready at a minimum and consider awarding more points for electrification of heating/cooling, hot water, and cooking.**

Moving to all-electric homes powered by increasingly clean electricity will deliver enormous climate, health, and economic benefits to communities across Minnesota and allow states to tackle a major source of indoor and outdoor air pollution. Moreover, high-efficiency electric solutions, like heat pumps for space heating and cooling, are efficient and cost-effective and lead to more comfortable indoor temperatures and better access to affordable heating and cooling.⁷ At least 39% of households in Minnesota— 1.1 million — could save \$421 million a year on energy bills if they used efficient, electric heat pump furnaces and water heaters instead of their current appliances. Of the households that would save by electrifying, 51% are low- and

⁶<https://www.mwalliance.org/blog/minnesota-passes-eco-act-modern-and-expansive-update-its-ee-framework>

⁷<https://www.nrdc.org/experts/alex-hillbrand/thinking-buying-air-conditioner-consider-heat-pump>

moderate-income.⁸ Also, outdoor air pollution from Minnesota's direct building emissions led to 852 premature deaths in 2017 costing the state over \$495 million annually.⁹

Another often overlooked component of electrification is the elimination of gas-burning stoves.¹⁰ Even before the COVID-19 pandemic, we spend about 90 percent of our time indoors, meaning indoor air quality heavily influences health. Elevated levels of nitrogen dioxide¹¹ and carbon monoxide¹² are associated with gas stoves but *not* electric stoves. Studies show that gas flames without any cooking activities emit twice as many small particles (PM_{2.5}) as electric stoves.¹³ These negative effects are also more harmful to more vulnerable residents- a comprehensive meta-analysis concluded that children living in homes with a gas stove are 42% more likely to experience asthma symptoms and 24% more likely to be diagnosed with asthma by a doctor compared to those living in homes with electric stoves.¹⁴ Additionally, lower-income communities and racial-ethnic minorities in the US are systemically exposed to disproportionately high levels of pollutants.¹⁵ For example,¹⁶ residential gas combustion is a large source of relative PM_{2.5} exposure disparities for Black, Hispanic, and Asian Americans.¹⁷ And although ventilation is always recommended as a partial solution, it cannot eliminate air pollutant exposure because some buildings do not have kitchen ventilation. Of those that do, many exhaust hoods don't reduce pollution to healthy levels, and instead just recirculate pollution without removing it, and are seldom used when needed.¹⁸

With these science-based insights including the knowledge that a third of Minnesotans bear a greater energy burden than the national average, we recommend requiring that all new construction projects be made electric-ready at a minimum, and all-electric ideally, rather than a ten-point award, and to award more points for electrified space heating, cooling, hot water, and cooking. We view these as necessary measures to begin the housing market's gradual transition toward cost-effective electrification.¹⁹ Incorporating all-electric heating, water heating, and cooking can be up to four times more cost-effective during new construction than making the switch from fossil fuel appliances as a retrofit or future end-of-life replacement. This is primarily due to costs (estimated to range from \$1,000 to \$5,000 in single-family homes) associated with upgrading panels and outlets that were not sized or located with electric heating and water heating appliances in mind.²⁰ However, for projects that still opt to design around natural gas as their initial primary heating fuel, implementing "electric-ready" measures such as:

- panels sized for future heat pumps
- 240V outlets for future heat pump water heaters
- solar-ready conduits

can typically be included during initial construction for minimal upfront cost increases (and at fractions of the cost of performing future electric system retrofits).²¹ Electric-ready units would have the added benefit of making participation in heat pump focused incentive programs, such as the forthcoming Home Electrification and Appliance Rebates created through the Inflation

⁸<https://map.rewiringamerica.org/states/minnesota-mn>

⁹<https://rmi.org/health-air-quality-impacts-of-buildings-emissions#MI>

¹⁰ <https://pubs.acs.org/doi/10.1021/acs.est.1c08298>

¹¹<https://cfpub.epa.gov/ncea/isa/recordisplay.cfm?deid=194645>

¹²<https://www.epa.gov/indoor-air-quality-iaq/carbon-monoxides-impact-indoor-air-quality>

¹³<https://www.osti.gov/biblio/1172959>

¹⁴<https://academic.oup.com/ije/article/42/6/1724/737113>

¹⁵<https://www.lung.org/clean-air/outdoors/who-is-at-risk/disparities>

¹⁶<https://rmi.org/insight/decarbonizing-homes/>

¹⁷<https://www.science.org/doi/10.1126/sciadv.abf4491>

¹⁸https://www.aceee.org/files/proceedings/1990/data/papers/SS90_Panel4_Paper20.pdf#page=1

¹⁹<https://www.nrel.gov/docs/fy17osti/68214.pdf>

²⁰ [PNNL-32183.pdf](#)

²¹ [BuildingDecarbCostStudy.pdf \(newbuildings.org\)](#)

Reduction Act ²² or new offerings from the state's utilities as a result of the ECO act much more accessible to the future tenants and property owners.

Because electrification should not come at the expense of higher tenant energy burdens, incentives should lead owners toward high-efficiency heat pumps (air-source and ground-source) and similar technologies, and Minnesota Housing should work cooperatively with energy assistance partners like LIHEAP for the same reasons. MN Housing should also work closely with local Housing Authorities to ensure that Utility Allowances reflect these high-efficiency electric appliances, especially in rehab projects. A higher point allocation than the two-point award reflected on page 30 of the Overlay would further incentivize the electrification of heating and cooling. Massachusetts and Connecticut each provide three additional points for electrification of heating, cooling, and hot water, and we suggest Minnesota can and should do at least the same. This incentive should include high-efficiency electric heat pumps and not electric resistance heat sources, as they are not an efficient technology and do not demonstrate the same level of cost-effectiveness through cold Minnesota winters as heat pumps do.

2. Require an energy consultation or audit as a condition of eligibility for Housing Credits for rehabilitation projects, which can be included as part of a capital/physical needs assessment.

A building assessment by a professional can reveal many repairs and improvements that are cost-effective, meaning they will reduce energy expenses in an amount greater than the cost of the work. The term "audit" generally refers to an assessment conforming to ASHRAE standards. In certain projects, a less thorough assessment and report by a certified professional can identify cost-effective measures. We encourage Minnesota Housing to require multifamily rehabilitation project teams to consult an energy efficiency professional or complete an energy audit to identify and consider all cost-effective energy savings opportunities to be included in the property's rehabilitation scope. Minnesota's Conservation Improvement Program (CIP), recently expanded through the ECO act²³, can help to accomplish this, as it is designed to "help households and businesses use electricity and natural gas more efficiently- conserving energy, reducing carbon emissions, and lessening the need for new utility infrastructure. The CIP includes energy audits and rebates for energy efficiency measures and is funded by ratepayers and administered by electric and natural gas utilities."²⁴ As of 2020, 14 states²⁵ took this approach, including Missouri, Kansas, Georgia, and Maryland. For example:

- *The Missouri Housing Development Commission requires multifamily rehabilitation projects over 12-units seek an energy audit to help owners identify and consider all cost-effective energy savings improvements that could be incorporated into the property's rehabilitation scope.*
- *The Georgia Department of Community Affairs requires rehabilitation projects to conduct energy audit to identify energy conservation measures that would result in an overall energy savings of 20% or greater over pre-retrofit levels or have a Savings to Investment Ratio (SIR) of 2.0 or greater.*

Encouraging developers to participate in a professional energy audit while applying for tax credits and other financing will allow owners to identify cost-effective energy efficiency and

²² [Home Electrification and Appliance Rebates | Department of Energy](#)

²³ <https://www.mncee.org/cip-eco>

²⁴ <https://mn.gov/commerce/industries/energy/utilities/cip/>

²⁵ https://www.nationalhousingtrust.org/sites/default/files/page_file_attachments/2020%20State%20Strategies%20to%20Improve%20Energy%20Efficiency%20in%20LIHTC%20properties%20%281%29.pdf

water efficiency upgrades that can be incorporated using newly expanded utility incentives and rebates.

3. Offer points for providing internet/broadband service

The COVID-19 pandemic illuminated a number of inequities that already existed in the affordable housing industry, not the least of which is the “digital divide” or the gap between demographics and regions that have access to modern information and communications technologies and those that do not.²⁶ Building and rehabilitating affordable housing buildings through the implementation of federal tax credits should incentivize quality, long term housing investments that not only give residents a place to live, but also a place to prosper. In a technological age where virtual full or part-time work and school is now commonplace and an increasing number of home devices access the internet, we believe the most equitable process for allocating these dollars involves providing at least the infrastructure for internet/broadband connectivity, and we thank Minnesota Housing for requiring that in your Building Design Standards.²⁷ There are examples of state QAPs allocating points for providing the actual service, as in Ohio:

Ohio QAP

4. Design Features. Development will include one or more of the following features for residents. Scoring: (can select multiple, up to a total of 5 points)

- a. Dishwasher and garbage disposal = 1 point*
- b. High-speed internet access = 4 points***
- c. Washer/dryer hookup = 2 points*
- d. Lease Addendum allowing for pet ownership = 2 points*
- e. Interior and exterior security cameras = 2 points*
- f. Private patio or balcony = 5 points*
- g. Additional storage space = 5 points*
- h. Secured parking = 5 points*

Features must be new to the development as part of this proposal, or if already existing at the property, being improved, replaced, or renovated as part of the proposal. Applicants must also submit estimated costs for the selected item(s) and a narrative describing the feature(s) and why they were selected for the development.

4. Adopt either the Category 6 (Materials) or just Criterion 6.1 *Ingredient Transparency for Material Health* as mandatory rather than optional.

The Materials category supports healthier indoor environments by using an integrated approach to the root cause and sources of harmful exposures. Low-wealth communities suffer disproportionately from indoor environmental exposures, which are linked to poor health outcomes, including asthma, especially in children. Additionally, low-wealth individuals are likely to live in communities with higher levels of toxic pollution and in proximity to facilities that are sources of hazardous emissions. Together these many environmental exposures contribute to the significant health disparities observed in low-wealth and communities of color. So, we recommend adopting Category 6 from the 2020 Enterprise Green Communities, or at least Criterion 6.1, into the Minnesota Overlay as mandatory rather than optional.

²⁶<https://cs.stanford.edu/people/eroberts/cs181/projects/digital-divide/start.html>

²⁷<https://www.mnhousing.gov/sites/multifamily/buildingstandards>

Criterion 6.1: Ingredient Transparency for Material Health has four compliance options so that those responsible for the design, construction, and operation of buildings can and should exercise their right to make informed decisions about what chemicals and what health hazards they want to avoid. The public disclosure of material contents provides the information necessary to make responsible decisions to avoid known and potential hazards to building occupants, workers, and fenceline communities.

5. Provide an additional credit in the Supporting Community and Economic Development section for prevailing wage, matching the definition within the Inflation Reduction Act

The Inflation Reduction Act (IRA) has introduced significant tax credits for projects that meet above-code energy standards, such as Zero Energy Ready Homes and Energy Star Multifamily New Homes National Program. These incentives aim to promote the construction of energy-efficient buildings. A notable feature of these tax credits is that they can increase substantially if the projects adhere to the IRA-defined 'prevailing wage' standards.²⁸

Here's a breakdown of the tax credits.²⁹

1. Energy Star Multifamily New Homes National Program:
 - Without prevailing wage: \$500 per dwelling unit.
 - With prevailing wage: \$2,500 per dwelling unit.
2. Zero Energy Ready Homes:
 - Without prevailing wage: \$1,000 per dwelling unit.
 - With prevailing wage: \$5,000 per dwelling unit.

The implementation of these enhanced tax credits encourages builders to not only meet high energy efficiency standards but also ensure fair labor practices by adhering to prevailing wage requirements. We recommend that you align these federal funding opportunities by adding an additional credit category to the Supporting Community and Economic Development section that credits projects that follow fair labor practices as defined by the IRA.

6. Require Energy Star Single Family New Homes and Energy Star Multifamily New Construction Program requirements to be aligned with tax credits available under the Inflation Reduction Act.

In addition to meeting the most recent version of the regional requirements for Energy Star Single Family New Homes and Energy Star Multifamily New Construction Program, projects should also be required to meet the National Requirements for these programs as well. As written, projects would not be eligible for IRA 45L tax credits because the Draft QAP does not require National program requirements. To further align with available federal funding, we suggest that the QAP require the following updates, as defined in the 45L tax credit statute.

1. Energy Star Multifamily New Homes National Program:
 - a. The dwelling unit meets the most recent Energy Star Multifamily New Construction National Program Requirements

²⁸ See Section 2.01 (2) of the IRS Prevailing Wage and Apprenticeship Initial Guidance Under Section 45(b)(6)(B)(ii) for more details, <https://www.govinfo.gov/content/pkg/FR-2022-11-30/pdf/2022-26108.pdf>

²⁹ [https://uscode.house.gov/view.xhtml?req=\(title:26%20section:45L%20edition:prelim\)](https://uscode.house.gov/view.xhtml?req=(title:26%20section:45L%20edition:prelim))

- b. The dwelling unit meets the most recent Energy Star Multifamily New Construction Regional Program Requirements applicable to the location of such dwelling unit
- 2. Energy Star Single Family New Homes National Program:
 - a. Before January 1, 2025, the Dwelling Unit meets the Energy Star Single-Family New Homes National Program Requirements 3.1
 - b. After December 31, 2024, the Dwelling Unit meets the Dwelling unit meets the Energy Star Single-Family New Homes National Program Requirements 3.2

On behalf of the Midwest Building Decarbonization Coalition (Midwest BDC), Native Sun Community Power Development, Resilient Cities and Communities, RMI, NRDC, Phius Alliance - Minnesota Chapter, Maple Grove Citizens for Sustainability, and Fresh Energy .

Thank you.

Sincerely,

Jacob Serfling
Director, Policy and Projects
 Midwest Building Decarbonization Coalition

Robert Blake
Native Sun Community Power Development
 Executive Director

Sean Gosiewski
Executive Director
 Resilient Cities and Communities

Peter Schmelzer
President
 Phius Alliance - Minnesota Chapter

Charlotte Matthews
Managing Director
 RMI

Eric Fowler
Senior Policy Associate - Buildings
 Fresh Energy

Laura Goldberg
Midwest Regional Impact Director
 NRDC (Natural Resources Defense Council)

Tammy Fleming
Founder
 Maple Grove Citizens for Sustainability (#MGC4S)

June 27, 2024

Minnesota Housing
ATTN: Tamara Wilson
400 Wabasha St. N, Suite 400
St. Paul, MN, 55102

Commissioner Ho,

Thank you for soliciting feedback on the proposed 2026-2027 Qualified Action Plan. We appreciate Minnesota Housing's continued commitment to be responsive to public input. As a development consultant, Landon Group works with dozens of developers throughout the state. For over a decade, we have submitted multiple applications to Minnesota Housing. Based on our experience, we have the following feedback.

First, we applaud the following changes:

- The creation of multiple tiers within the Senior Housing Criterion, which will allow proposed preservation projects with HUD PBV's for senior housing to better compete for funding.
- Reducing the minimum number of units to qualify for the different tiers within PWD Tier Two allowing smaller projects to opt to include Section 811.
- Changing the Preservation thresholds to ensure more projects qualify.
- Changing the geographic criterion to "Access for More Affordable Housing" while reducing the points and ensuring all communities qualify allowing developments in all communities to submit a competitive application.
- Increasing the points and tiers within the Rural/Tribal criterion for communities outside urbanized areas in Greater MN, which will allow those communities to submit more competitive applications.
- Expanding the contingency language to allow funders to add qualifiers that are typical of the funding awards.
- No longer requiring separate documentation for funding committed by the applicant which will simplify the application process.
- Reducing the maximum points for intermediary costs, which was disproportionately high.
- Providing more points within the Enhanced Sustainability criterion, which is appropriate given the high incremental cost of incorporating those elements.

We have concerns in the following scoring criterion:

- **Preservation:** Given the limited resources within the Preservation category, the bar to receive funding is particularly high. The industry has lost high profile units simply because funding was not provided in a timely manner.

The limited funding will likely result in funding Preservation projects that incorporate most of the following:

- A high percentage of supportive housing, which will further strain distressed properties and senior developments will be excluded, as they may not claim PWD points.

- Have 3- and 4-bedroom units, for which an existing building cannot be typically modified to incorporate.
- Located in a high scoring geographic area, which is an existing condition.
- Are owned by a BIPOC/WBE entity, which may not always be the case.

Though these are important priorities, there are hundreds of distressed units that will not be able to claim these points, and thus, realistically, we would not expect those projects to receive funding.

Further, the thresholds to meet the preservation criterion have been modified, allowing more projects to qualify, thus expanding the pool. Though we support this change, without additional funding, a project in better condition with higher reserves may be funded in lieu of a more distressed property.

We believe there should be a criterion that considers the level of distress, to ensure that the units in immediate risk of loss are provided funding. The scoring should be sufficient to ensure highly distressed properties are funded, regardless of the elements that cannot or should not be modified.

- **Other Contributions:** The minimum percentage to obtain Other Contribution points has not decreased from 1% of the TDC. Though some Cities waive regulatory fees, the fees are not high enough to be equal to 1% of the TDC, given the rising cost of construction. As a result, a land donation is the clearest path to obtain these points which cause a tax liability for the limited partnership. This reduces tax credit investments; thus, it is not practical in most tax credit structures to incorporate a land donation. The minimum threshold should be reduced so that cities that waive regulatory fees are rewarded.
- **Supportive Housing:** The scoring is still structured such that projects will likely need to include at least 20% of supportive housing units to receive sufficient points to receive funding. Though this is a priority population, these projects require additional operating funding and initial reserves. It has become increasingly difficult to locate tax credit investors for these developments and insurance carriers are either dropping these buildings or raising premiums to an unsustainable level. With this emphasis, Minnesota Housing must ensure that they have adequate capital funding and approve their funding to be used for reserves. The underwriting standards must be adjusted to align with investor requirements, such as higher vacancy requirement, higher debt to income ratios, higher security costs, and higher monthly reserves. Minnesota Housing must work with other state agencies to align the funding timelines and sources for rental assistance and service funding, as well as working to extend the initial commitment to at least 15 years. Without an immediate commitment to make the necessary structural changes when developing supportive housing, newly funded projects will continue to fall into distress too soon after opening.
- **BIPOC/WBE:** Development Consultants are not included as a development team member eligible for BIPOC or WBE Enterprise points. Development Consultants are the only development team member required to submit an annual qualification form that is not eligible for points. The approved Development Consultants are less diverse than either the approved Developers or the approved Sponsors category. Landon Group has submitted a separate joint letter addressing this issue.
- **Innovative Construction:** Innovative Construction Techniques need more rigor, less subjectivity, and more consideration before being included in the criterion for scoring. The total development cost ought to be considered when reviewing construction cost savings. A technique that lowers construction costs, but increases construction interest, for instance, does not accomplish the stated goal. Relying on a

contractor estimate, without a baseline construction cost does not ensure consistency when evaluating cost or time savings. We see a wide variety of construction costs and recognize the need to contain costs. However, the inclusion of the criterion as a preference only category has been unsuccessful, not because there was not an option for points, but rather, because the techniques being considered were too narrow (ie: nothing that modified the design standards, no technique that has been typically used, nothing site specific, or nothing that increases density), the review was unclear, and the results were not widely shared. We applaud the goal of reducing construction costs but there is no silver bullet in the wings that will result in meaningful construction costs savings. Obtaining savings will be incremental and require policy change and compromises by developers, contractors, and funders.

We have the following technical comments:

- It is not possible to claim committed rental assistance for Section 811 points. Thus, despite the increase in points for Tier Two PWD units, applicants will net between 5 and 8 more points by claiming Tier One PWD units with committed rental assistance. Given this, we would not anticipate most developers will incorporate Section 811 units into their development. This is contrary to Minnesota Housing's stated goal.
- The added language regarding allowed contingencies under financial feasibility is not clear. We understand and appreciate the intent to provide flexibility, but suggest more specificity, especially around allowed contingencies for future City Council approvals.

Sincerely,

Landon Group LLC

July 3, 2024

Tamara Wilson
Minnesota Housing
400 Wabasha Street North, Suite 400
St. Paul, MN, 55102

Dear Ms. Wilson:

Thank you for the opportunity to contribute this feedback, which we hope will inform the development of Minnesota Housing Finance Authority's (MHFA) 2026-2027 Draft Qualified Allocation Plan (QAP). We look forward to collaborating with the MHFA as you develop your affordable housing priorities. Lincoln Avenue Communities (LAC) is a mission-driven affordable housing developer currently active in twenty-seven states. In Minnesota, we are focused on developing ground-up new construction affordable housing and preservation of existing affordable housing using a combination of 9 percent LIHTCs and 4 percent LIHTCs with tax-exempt bonds (TEBs).

Rural Development/Small Project Set-Aside

Draft QAP Pg. 15

We appreciate that MHFA is proposing to increase the Rural Development/Small Project Set-Aside to \$500k in 2026 and \$525k in 2027. Given rising construction and operating costs this is appropriate.

Developer and Development Limits

Draft QAP Pg. 20

We appreciate that MHFA is proposing to increase the development project limit from \$1.7M to \$1.85M in 2025 and \$1.95M in 2027. Given rising construction and operating costs this is appropriate.

Developer Fee (Highest Priority Comment)

Multifamily Underwriting Standards Pg. 25-26

We believe that the developer fee for 4% LIHTC bond deals in Minnesota is too low and that this is creating barriers to development and preservation and as a result, the state is missing an opportunity to finance more affordable housing. Many of Minnesota's neighboring states have higher developer fees for bond deals. To help address the rising cost and interest rate environment, we recommend that MHFA adopt a separate flat developer fee structure for projects financed with TEBs, regardless of the unit count.

We urge the MHFA to consider implementing a flat developer fee of at least 15% for projects financed with 4% LIHTCs and TEBs. We further suggest that additional benefits and positive outcomes would be achieved if the fee were increased further and that MHFA may wish to allow for a supplemental developer fee for projects facing financial distress. MHFA could model this "hardship developer fee concept" on a similar policy from Arizona Department of Housings 2023 QAP.

Maximizing developer fees for bond transactions, within the constraints of the tax law, regulation, and reasonable underwriting, is a proven and successful method of generating additional LIHTC eligible basis, and in turn, equity proceeds which help fill project gaps and/or reduce the need to

obtain scarce state and local soft finance resources. It is a proven strategy that has been deployed of late by many of MHFA's peers HFAs peers including Arizona, Florida, Iowa, Kentucky, Oklahoma, Ohio, North Dakota, Tennessee, West Virginia and Wisconsin all of which have developer fees for bond transactions ranging between 18 and 25 percent. This strategy will allow MHFA to deploy its other gap funding resources on other mission priorities.

It is important to acknowledge the role developer fees play in affordable housing transactions as well when you consider the appropriate fee setting mechanism. The IRS permits the inclusion of developer fees in eligible basis because these fees serve as the primary form of compensation for LIHTC developers. They pay for overhead of essential functions, including accounting, human resources, information technology, asset management, insurance and legal fees and many others. Developer fees also serve as the primary form of reimbursement for pre-development costs and resident services. It should also be noted that developers defer a substantial portion of this fee to fill project gaps and with uncertainty in the cost environment the additional fee effectively will serve as additional construction contingency, much drawn on today as construction costs skyrocket.

Tenant Notice of Rent Increase

QAP Pg. 25

We are keenly aware that today's record inflation is harming the most vulnerable members of our community. We recognize and are deeply empathetic to the financial challenges low-income renters face with the rising costs of food, fuel, and shelter. As MHFA considers the needs of *all* stakeholders in the affordable housing eco-system, we want to highlight that owners and developers also face parallel and unprecedented challenges that should be considered in the context of developing a balanced public policy solution that benefits all stakeholders. As affordable housing operators, we have experienced record increases in our operating expenses including insurance premiums, property payroll, owner-paid utilities, property taxes and turnover related expenses. Due to census projections, we also anticipate much more limited AMI growth (in many markets well below HUD's new AMI cap of 10%) over the next several years.

Furthermore, over the past three years we have also experienced higher levels of economic vacancy across our portfolio. Initially, this was due to non-payment of rent by economically impacted residents during the beginning of the pandemic and then increasingly from voluntary initiatives we have undertaken to work with vulnerable residents through the implementation of partial rent payment plans, rent-forgiveness and cash-for-keys programs.

While owners of conventional rental housing can simply pass their operating expense increases through to residents, affordable housing owners are limited not just by market conditions but also AMI growth (or lack of growth). If rental revenue growth does not keep pace with increases in operating expenses, then project reserves will dwindle and the condition of critical affordable housing assets will be put at risk from deferred maintenance, inadequate staffing and/or reduced resident services.

While we are extremely sensitive to the disruption that rent increases have on residents and their financial well-being, it is critical for the sustainability of the operating portfolio that they be permitted and in a timely fashion after AMI's are announced (typically in April). The proposed 120 tenant notice period for rent increases above 5% is burdensome and not aligned with other rent increase notice requirements by peer state, federal and local agencies. We suggest shortening the

notice period in the draft QAP from a 120-day window to a 60-day window, giving residents adequate notice while allowing owners more flexibility in addressing inflationary pressures.

Conclusion

Lincoln Avenue Communities appreciates the opportunity to work with MHFA on the drafting of its 2026-27 QAP. We welcome the opportunity to discuss them with you further at your leisure and/or answer any questions you may have regarding our feedback. I can be reached at 646-585-5526 or tamdur@lincolnavenue.com.

Regards,



Thom Amdur

Senior Vice President, Policy & Impact

About Lincoln Avenue Communities

Lincoln Avenue Communities is one of the nation's fastest-growing developers, investors, and operators of affordable and workforce housing, providing high-quality, sustainable homes for lower- and moderate-income individuals, seniors, and families nationwide. LAC is a mission-driven organization that serves residents across 27 states, with a portfolio of 150 properties comprising 26,000+ units.

Wilson, Tamara (MHFA)

From: Catherine Malmberg Dannenbring <cmd@malmbergprojects.com>
Sent: Wednesday, July 3, 2024 4:08 PM
To: #MHFA_HTC
Subject: Comments on the proposed QAP

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Hello,

Thank you for the opportunity to provide comments on the proposed QAP for 2026-2027. A little bit on my background to give you some context for my feedback: while I am trained in architecture, I have worked in urban mixed-use real estate development (with a triple-bottom line focus, primarily ground-up new construction, but also some adaptive re-use) for the past 19 years since completing graduate school.

I started my own solo development advisory practice in Minneapolis over 5 years ago where I focus on advancing innovation in the built environment on behalf of various clients (both public and private sector).

My comments center on **Selection Category 6: Building Characteristics - Innovative Construction Techniques (ICT)**.

The summary you provide is to

"Add as a selection criterion to prioritize projects that:

- o Reduce total construction cost by at least 10%; and/or
- o Reduce the time a project is under for construction by at least 20%."

The first bullet point concerns me, as in my past experience there is already extreme focus within the industry on the first costs of construction. In my experience, this first-cost focus is typically to the *detriment* of design quality, life-cycle cost thinking, health and sustainability objectives, and true innovation, which is often (not always) *more* expensive the first time you try something. That first project to try something new is critical is building experience that might yield future cost savings (or carbon reductions, better occupant health outcomes, etc.) that can be realized on later projects.

Reducing the delivery timeline is more aligned with encouraging innovative construction delivery approaches (componentized construction, volumetric modular, etc.), though I also think this is potentially difficult to track and quantify, as unforeseeable forces (outside of project control) could derail a schedule.

In summary, it is my aspirational hope that publicly-supported projects lead the way in thinking generationally about our built environment and the impacts that each new building places on human health and planetary health. From my perspective as a practitioner, providing points for further reducing first costs of construction would run contrary to the goal of creating high performing, long-lasting, and hopefully well-loved and cared-for buildings in our MN communities.

Thank you for your consideration of my comments. This is the first time I have participated in a process like this, so I hope that this is aligned with what you were looking for in terms of feedback. I welcome any further dialogue if that is helpful to your efforts, thank you for all your work on this important issue.

Best,
Catherine

Catherine Malmberg Dannenbring
Principal
malmbergprojects.com
Minneapolis | New York
c: 917.565.1543

Summer Jefferson
Multifamily Programs Manager
Minnesota Housing Finance Agency
400 Wabasha Street North, #400
St. Paul, MN 55102



June 27, 2024

Re: Comments Regarding the Proposed Minnesota Housing 2026-2027 Qualified Allocation Plan (QAP)

Dear Ms. Jefferson,

The Metropolitan Consortium of Community Developers (MCCD) is an association of 50 nonprofit organizations committed to expanding the wealth and resources of communities through affordable housing opportunities and economic development initiatives. MCCD's mission to collectively advance racial and economic justice by leveraging and stewarding resources can only be achieved by addressing the inequities that have shaped housing and economic development policies at every level of government. These policies and practices have prevented Black, Indigenous and People of Color (BIPOC) and other communities from achieving housing stability, accessing capital, and wealth building opportunities.

As you consider changes to the proposed 2026-2027 QAP, MCCD and our members appreciate the opportunity to provide Minnesota Housing with feedback. We want to thank you and your colleagues for the informational presentation on June 20, 2024, co-hosted by MCCD and Minnesota Housing Partnership (MHP). Since that meeting, MCCD has received comments and had conversations with members to help inform our response.

Recommended Changes or Additions:

- **Preservation** – Discussions with our members and other key stakeholders have led us to recommend potentially creating two tracks so that preservation projects without permanent supportive housing units can be competitive for resources as well. Projects could either select "Preservation" or "Permanent Supportive Housing".
- **Underwriting Standards** – As a consortium, we consistently hear from our members that the current underwriting standards are not adaptive enough to meet the growing pressures non-profit affordable housing developers are facing. We encourage Minnesota Housing to allow for some flexibility in underwriting as the market is constantly fluctuating due to external pressures.
- **Efficient Use of Scarce Resources** – MCCD has been supportive of this measure for many years, however, the goal should never be to have a "race to the bottom" mindset, which just sets projects up for financial failure or using cheaper materials that do not last, adding to maintenance costs. We recommend that the goal of this category be adjusted to incorporate a more realistic view of what "efficient" means.
- **BIPOC/Women Owned Businesses** - We strongly encourage you to expand eligible development team members to include consultants. Many BIPOC and Women owned consulting businesses are in their field of work because it is an opportunity to have more flexibility in the work they do and increased wealth building opportunities.
- **Innovative Construction Techniques** – MCCD has been supportive of the addition of points for this category in the past, but as laid out in the proposed 2026-2027 QAP, the category is too vague and subjective as to what qualifies other than modular housing. While we are supportive of modular housing the goal of this category was to spur innovation and cultivate new ideas, not limit innovation to just one idea.

Supportive Changes:

- **Senior Housing** – MCCD and our members support adding a tiered point system so that projects with age restricted units will still receive points. This change will allow projects that primarily serve seniors to also serve other populations and still receive points.

- **People with Disabilities** – MCCD supports reducing the minimum number of units required for points for PWD Tier 2. This change will allow smaller projects to include HUD Section 811 units.
- **Preservation** –
 - MCCD supports reducing the threshold for addressing a property’s physical needs from \$5,000 per unit above available reserves to \$0. This will allow more projects at risk of loss to qualify for funding.
 - We also support expanding eligibility to include tax credit projects that were previously restricted to 60% AMI.
- **Access to More Affordable Housing Options** –
 - MCCD supports reducing the maximum points from 10 to 6 as it will allow projects to better compete for funding regardless of their Census tract level.
 - We also support adding a third tier to ensure that all cities, regardless of size, will receive some points.
- **Financial Readiness** –
 - MCCD supports expanding contingency language to account for typical conditions that funders require for selected projects. Previous language was overly restrictive, making it difficult for cities to comply.
 - We also support decreasing the points for the highest pointing tier to align better with other points in the criteria. This will allow project development teams to make more realistic commitments.
- **Enhanced Sustainability** – Finally, MCCD supports increasing the points for Tiers 1-4 in the Enhanced Sustainability Selection Criterion to emphasize the importance of long-term environmental sustainability.

Thank you again for providing this opportunity to share insights and ideas on behalf of our members. Non-profit affordable housing developers are mission-based organizations that have been supporting Minnesota’s affordable housing market for decades, and plan to be around for decades to come building and preserving thousands of affordable housing units. We hope that Minnesota Housing will take this opportunity to make changes to strengthen the QAP. We look forward to our continued partnership with the agency throughout the coming year and if you have any questions regarding our recommendations, please reach out.

Thank you,

Kari Johnson

Kari Johnson
 Director of State Policy & Field Building
 Metropolitan Consortium of Community Developers

Cc: Senator Lindsey Port, Chair, Senate Housing Committee
 Representative Michale Howard, Chair, House Housing Committee

Wilson, Tamara (MHFA)

From: Katherine Banbury <katherineb@homelinemn.org>
Sent: Wednesday, July 3, 2024 2:58 PM
To: #MHFA_HTC
Subject: QAP comments

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July 1, 2024

VIA EMAIL

Minnesota Housing
Attn: Tamara Wilson,
400 Wabasha Street North, Suite 400,
St. Paul, MN, 55102.

RE: 2026-27 Qualified Allocation Plan Comments

To Whom It May Concern:

The Minnesota Tenants Unite Coalition (MNTUC) submits the following comments on the Minnesota Housing's Draft Qualified Allocation Plan.

You need a low-enough income to get into a LIHTC building, but we are too poor to stay.

-
-
- Area Median Income (AMI) is driving up rents.
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-
-
- Many of us are seniors and the increasing cost of rent has caused us to return to work despite us having already been retired and in our late 70s to 80s.
-
-
-
- Our immigrant families are splitting up returning to Africa leaving the husband in America to make the income due to not being able to afford the rent. The barriers that the vulnerable populations experience including immigrant families set them up for income failure. The existing structure of using 60% of the AMI for affordable housing causes low
- income and immigrant families to pay upwards of 70% of their income on rent.
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-

-
- Housing inflation is outpacing regular inflation. For those of us on fixed incomes, rent is outpacing cost of living adjustments from social security.
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-
-
- AMI has driven rents so high that residents increasingly find themselves unable to meet minimum income requirements, forcing them out of their homes but with no viable place to go.
-

The high cost of rent causes housing to compete with other necessities.

-
-
- Many tenants do not know what they would do without the food shelves in the buildings and yet the foods do not always work for multicultural populations, i.e., halal
-
-
-
- Tenants are forced to ration their medications and in some cases are stopping their medications altogether.
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-
- Our neighbors have given up their cars, phones, internet, education and health and wellness classes to be able to afford the rent.
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-
-
- Housing insecurity takes a physical and emotional toll on tenants and also places stress on community and State offered programs
-

These are the problems highlighting why housing formulated at 60% of the AMI does not work. We raise these issues out of concern for the future of low-income Minnesota renters and those in our communities who are experiencing homelessness due to the astronomical cost of so-called affordable housing. We respectfully demand the method of calculating maximum rent for tax-subsidized apartment homes is changed in favor of low-income renters.

Failure to do so will result in higher rates of tenant's stress on all levels, homelessness and burdens on state assistance programs.

We appreciate your consideration in making affordable housing actually affordable so folks can stay in their homes and our neighbors can feel aligned with Minnesota values.

Signed,
 MN Tenants Unite Coalition
 (Made up of 25 LIHTC Properties' tenant associations)

Katherine Banbury
Tenant Organizer
Pronouns: she/her/hers



8011 34th Ave S, Ste. 126
Bloomington, MN 55415
HOME Line is located on Dakota land.
Phone 612-200-2645

Summer Jefferson
Multifamily Programs Manager
Minnesota Housing Finance Agency
400 Wabasha Street North, #400
St. Paul, MN 55102

July 1, 2024

Dear Ms. Jefferson:

On behalf of the Minnesota Housing Stability Coalition, we are writing to underscore the concerns that members of our coalition have with the proposed 2026 – 2027 QAP, published for public comment.

The Minnesota Housing Stability Coalition came together in the fall of 2023 to address the significant threats to the stability of low-income residents, individual rent-restricted properties, and entire affordable housing portfolios that resulted from the historic rise in inflation, dramatic increases in interest rates, elevated operating and security costs, and reductions in rent collection since the COVID-19 pandemic. We held two large in-person convenings in the fall followed by twelve smaller work group meetings over the course of three months that culminated in a set of recommendations for the 2024 legislative session; more than 70 people from 36 organizations statewide contributed to these recommendations. We met weekly during session and are now using the summer months to reflect on these past months and plan for next session.

Many of our coalition members attended the June 20th QAP Overview and Conversation Meeting hosted by MHP and MCCD, and attended by Minnesota Housing staff who helpfully shared the Agency's plans for the next QAP. We appreciate your staff's willingness to meet with community stakeholders and the frank discussion. Since that meeting, our coalition members submitted comments to MCCD. We write to underscore – on behalf of the Coalition – the comments that many of our members have submitted individually:

1. The dire financial challenges facing nonprofit affordable rental owners has been part of the public policy discussion since the 2023 legislative session when the SHORP program was enacted. We have continued to highlight the challenges with the agency and legislative leaders. As a result of those discussions, we hoped that the proposed 2026 – 2027 QAP would incorporate some new approaches to address the challenges before us as an industry and as public funders invested in the industry's health. One specific example of a change that Minnesota Housing should adopt is more adaptive underwriting standards that respond to the volatile environment that we all are facing.
2. We agree that Minnesota Housing should efficiently use scarce public resources. However, the focus on "efficient use of scarce resources" is language that seems to signal an expectation that underwriting will be only thinner and not any more realistic. If this is, in fact, the direction, then these dollars are not ultimately more efficient. In our view, setting projects up to be financially unstable from the beginning is highly inefficient, wasteful, and will result in fewer, lower quality housing units for the most vulnerable households.

3. We share your commitment to expanding access to permanent supportive housing to support a “housing first” approach that prevents and ends homelessness and to ensure that everyone has the services they need to remain stably housed. Over the years, our shared commitment has resulted in thousands of Minnesotans securing and sustaining permanent housing. Yet there remains a critical disconnect between housing and services funding, leaving housing providers with resources that are inadequate to deliver quality services over time. The proposed 2026 – 2027 QAP scoring criteria continues to award high points for supportive housing without recognition of this disconnect. The result is that it is nearly impossible for applicants to compete without adding some supportive housing units to every project. We know that scattered site supportive housing is more expensive to operate; yet, without robust supportive services, it is a struggle to help these households succeed in maintaining housing stability, particularly in the post-pandemic environment. Tenant instability and high service needs add costs to operating budgets at a time when budget constraints are exacerbated by costs outside of owners’ control (such as escalating property insurance and security costs). The 2026 – 2027 QAP should recognize that supportive housing funding streams are vastly insufficient to the actual cost of providing services and allow for other points to be commensurately earned in other categories so that developers can compete. This can be a temporary policy change until such time as our industry (including public partners) have aligned service funding to meet the needs of supportive housing residents.

Again, we appreciate your staff’s willingness to share your plans with us. We hope you will make changes based on the comments from our coalition members, all of whom are highly experienced in developing and operating affordable housing.

Sincerely,

Andrea Brennan
Elena Gardner
Peter McLaughlin
Ellen Sahli

Co-Convenors
Minnesota Housing Stability Coalition

Winter, Kelly (MHFA)

From: Malika Billingslea <malika@neopartners.com>
Sent: Thursday, June 6, 2024 2:13 PM
To: #MHFA_HTC
Cc: NEOO-real estate
Subject: Minnesota Housing QAP Comments

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Hello There,

Based on the people that NEOO supports we would like to strongly encourage you to continue to support owners, sponsors and partners that are Black, Indigenous, and People of Color by reviewing the Black- Indigenous-People of Color-and Women-owned Business Enterprises category. You might even want to create a set aside for BIPOC people like there is for Tribal communities.

We would also like to support you continuing to explore ways to simplify the criterion and streamline requirements to reduce barriers to the application process.

Thank you for listening.

Best Always,
Malika

--

Malika Billingslea | Senior Development Advisor

malika@neopartners.com

370 Wabasha St N 12th Floor, St Paul, MN 55102

Let's connect: <https://calendly.com/malika-ngq> or mobile (m) 651-338-3393



3 July 2024

TO: Minnesota Housing
ATTN: Tamara Wilson
400 Wabasha St. N, Ste. 400
St. Paul, MN 55102

FROM: Phius Alliance Minnesota

RE: Minnesota 2026-27 Qualified Allocation Plan Comments

Ms. Wilson and Minnesota Housing Staff,

We are writing to thank Minnesota Housing for its dedication to improving energy efficiency and other sustainability measures within the projects it funds. **We applaud the proposed increase to point totals for Tiers 1-4 within the Enhanced Sustainability criteria of the QAP** – we believe this is a critical step for improving overall affordability by decreasing the burden of energy costs on tenants, while also working toward meeting the state's greenhouse gas reduction goals. Given the number of Minnesota households burdened by energy costs, as well as the fact that residential emissions are still increasing compared to 2005 levels¹, prioritizing the overall weighting of sustainability strategies within the QAP is of vital importance.

That said, to build on this improvement to the scoring criteria, we also recommend the following revisions:

1. **Modification to Tier Combination / “Stacking” Criteria**
2. **Addition of Passive-Certified Rehabilitation Standards to Tier 4**

We believe this revision will provide further balance by rewarding qualified projects with a number of points proportionate to both the level of required investment and the commensurate benefits such developments provide. Please see below for suggested language and justification regarding both proposed revisions.

SUGGESTED AMENDMENTS TO THE SELF-SCORING WORKSHEET:

1. Modification to Tier Combination / “Stacking” Criteria:

*Applicants can select just Tier 1, Tier 2, Tier 3, or Tier 4; or a combination of Tiers 1 and 3, Tiers 2 and 3, Tiers 1 and 4, ~~or~~ Tiers 2 and 4, **Tiers 1+3+4, or Tiers 2+3+4**; for a maximum of ~~12~~ **18** points*

JUSTIFICATION FOR AMENDMENT

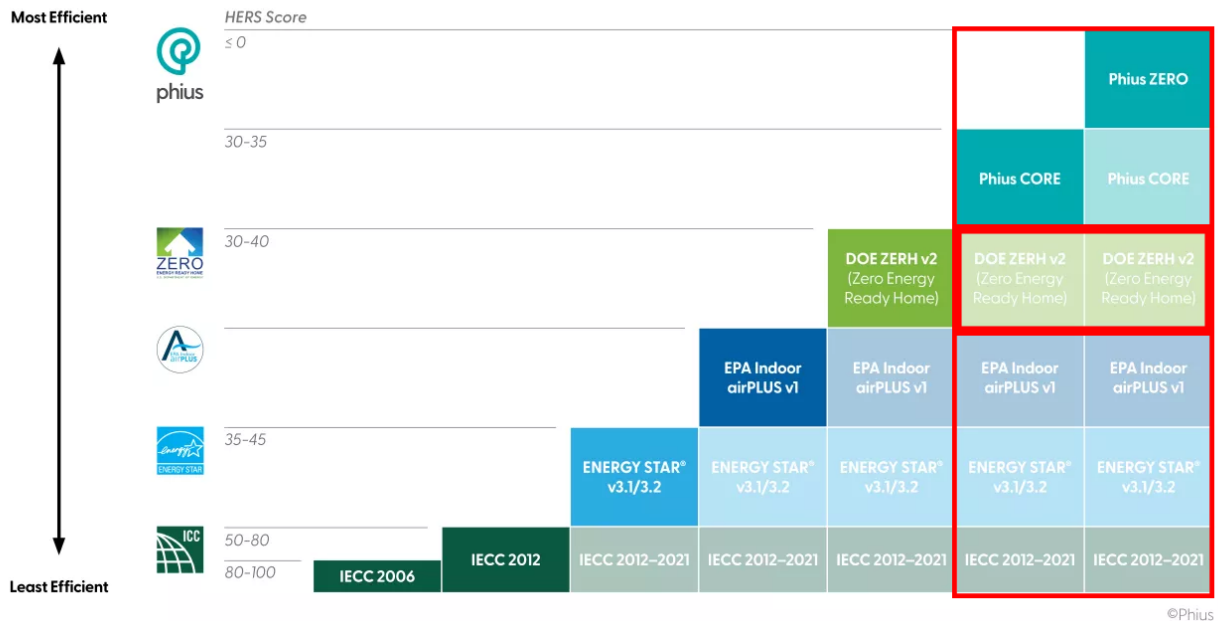
Phius standards include DOE ZERH (Tier 3) within their certification criteria

As shown in the diagram below, **both Phius CORE and Phius ZERO standards include the Department of Energy's Zero Energy Ready Homes program (DOE ZERH) within their criteria for certification.** As the most stringent certification

¹ See Appendix A

pathway within Tier 3², this ensures that the performance benefits of the ZERH program are not only included, but also significantly expanded upon within Tier 4. And while the analogous PHI certifications (PHI Plus / Premium) and other Tier 4 programs do not necessarily require formal ZERH certification, a similar or greater level of performance can be expected.³

U.S. DOE High Performance Staircase



Phius and other Tier 4 standards provide significant benefits beyond Tier 3 programs that are proportionate to the proposed point increase

Point increase relative to energy performance

Passive-certified projects have a substantial energy performance advantage over other buildings receiving other green building and energy certifications. As seen in the chart below, **Phius CORE building assemblies outperform DOE ZERH assemblies by 64-100%, with air sealing standards approximately 6 times more stringent.**

Thus, Phius CORE certification – and other Tier 4 programs with similar levels of energy performance – represent a significant improvement in overall performance compared to Tier 3 programs. We suggest that this performance increase, in combination with the following benefits, are

² See commentary under “Passive-certified buildings are evaluated directly on energy performance” regarding Renewable Energy Credits (RECs). SB 2030 includes a provision allowing energy improvements to be omitted if they do not pay themselves back within a 12-year window, with the difference being accounted for solely through the purchase of RECs – leaving DOE ZERH as the most stringent Tier 3 program in terms of on-site energy improvements.

³ See Appendix B for PHI Performance

worth of the relative increase in QAP points due to the additional stacking of tiers.

BUILDING SPECS	DOE ZERH (Multifamily V2)	Phius CORE (Prescriptive) ¹	Performance Increase
Exterior Wall Assembly (R-Value)	R20+5ci (Effective R-Value = 22.43)	R20+24ci (Effective R-Value = 40)	78%
Roof/Ceiling Assembly (R-Value)	R42	R69	64%
Slab/Foundation Insulation (R-Value)	R10	R20	100%
Windows (U-Value)	0.25	0.15	67%
Air Sealing / Infiltration Rate (CFM50/sf)	0.25	0.04	525%

¹ Phius CORE values for multifamily projects are determined based on project-specific calculations. Analogous values as shown are taken from Phius CORE Prescriptive for single-family homes.

Passive-certified buildings are evaluated directly on energy performance

Projects pursuing other certification programs within the QAP – such as SB 2030 – may achieve certification by building what is essentially a code-standard project, making up the performance difference through the purchase of Renewable Energy Credits (RECs). Research suggests that the benefits offered by RECs provide “no clear benefit for the climate” due to the indirect nature of buying and offsetting electricity.⁴ It has also been shown that even renewable energy providers are unlikely to change their decision-making process based on the sale of RECs.⁵

Passive certification guarantees that the benefits of energy efficiency are localized to the building, directly benefitting owners and residents through decreased utility bills, and ensuring that emissions are tangibly decreased as a result of certification.

Direct benefits to residents in thermal comfort, noise reduction, and indoor air quality

⁴ Osaka, Shannon, and Hailey Haymond. “Buying Renewable Energy Doesn’t Mean What You Think - The Washington Post.” The Washington Post, 21 June 2023, www.washingtonpost.com/climate-environment/2023/06/21/renewable-energy-credits-certificates-greenwashing/.

⁵ Michael Gillenwater, “Probabilistic decision model of wind power investment and influence of green power market.” Energy Policy Volume 63, 2013. Pages 1111-1125. ISSN 0301-4215. <https://doi.org/10.1016/j.enpol.2013.09.049>.
(<https://www.sciencedirect.com/science/article/pii/S0301421513009737>)

Passive House building standards set real, certifiable benchmarks for energy conservation, but the benefits reach beyond performance. Buildings that meet these rigorous certification standards provide higher quality of life to residents through the following:

- **Thermal Comfort:** A super-insulated, nearly air-tight building envelope, in combination with high-efficiency mechanical systems allow Passive House buildings to maintain comfortable interior temperatures and humidity year-round, with no drafts or cold spots within units.
- **Cleaner indoor air:** Thorough air sealing reduces infiltration by external pollutants, which is critical in projects near areas with high car traffic. Additionally, energy recovery ventilation systems are constantly cycling in fresh, filtered air to replace stale air within the building, removing odors and controlling humidity to prevent mold growth.
- **Noise Reduction:** Super-insulated exterior walls and triple-paned windows significantly improve the soundproofing of exterior walls, resulting in a living environment that is twice as quiet as a typical building.

Stringent Quality Assurance Process

While Tier 3 certification programs tend to be solely prescriptive in nature, Tier 4 programs are more likely to be system-wide, performance-based standards. For example, Phius CORE requires project-specific energy modeling, detail verification, and hygrothermal analysis during design; and a rigorous commissioning process during construction. All of this is verified by a Phius-trained Certified Passive House Consultant (CPHC), who ensures all building systems work together as intended.

Therefore, **Tier 4 programs not only tend to establish higher prescriptive requirements, but they are also more likely to add up to more than the sum of their parts.**

2. Addition of Passive-Certified Rehabilitation Standards to Tier 4

Tier 4: The project will be certified by one of the following alternative building performance pathways as claimed in the Multifamily Intended Methods Worksheet (8 points):

- Passive House Institute (PHI) Classic;*
- Passive House Institute United States (PHIUS)*
- PHI EnerPHit (applicable to rehabilitation (rehab) projects only)***
- Phius CORE/ZERO REVIVE (applicable to rehabilitation (rehab) projects only); or***
- e. One of the following 2020 Enterprise Green Communities Criteria, Criterion 5.4 Achieving Zero Energy, Option 2 programs:***
 - PHIUS + Source Zero;***

- ii. PHI Plus;
- iii. PHI Premium;
- iv. International Living Future Institute's Zero Energy Petal;
- v. Zero Carbon Petal; or
- vi. Living Building Challenge

JUSTIFICATION FOR AMENDMENT

Climate Benefits of High-Performance Retrofits

There are numerous self-evident benefits to deep energy retrofits relative to newly constructed housing, including preservation of Naturally-Occurring Affordable Housing (NOAH), cost savings relative to a new building, and long-term reductions in energy expenses.

Given that existing housing makes up the vast majority of residential buildings, **further incentivizing high-performance rehabilitation projects is critical to the overall reduction of emissions** from the residential sector.

Performance Relative to Tier 3, Pathway 3 Retrofits

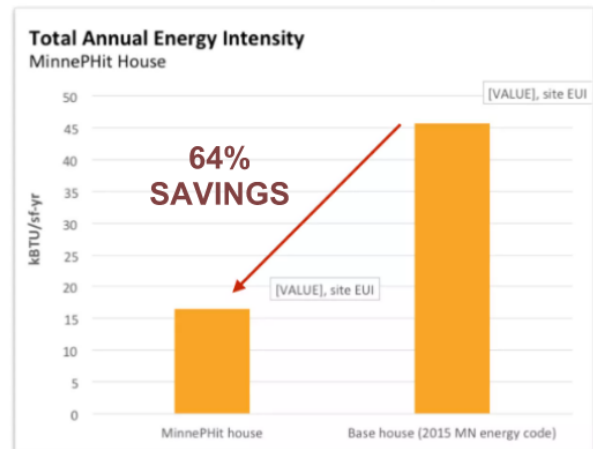
Retrofits receiving passive-level certification offer significantly better energy performance relative to the existing rehabilitation option within the Self-Scoring Worksheet. Currently, Tier 3, Pathway 3 offers 6 points to renovation projects achieving a HERS/ERI rating of 100 (pre-1980 original construction), and a HERS rating of 80 (post-1980).

By comparison, 13 Kirkland, a 4-unit multifamily retrofit recently achieving Phius CORE REVIVE certification, **reported a HERS rating of 43 – nearly doubling the performance required by a post-1980 Pathway 3 retrofit.**



<https://www.phius.org/certified-project-database/13-kirkland>

Achieving a similar level of performance, a Minneapolis single-family home known as **MinnePHit** received **EnerPHit Certification in 2013, reporting a 64% decrease in annual Energy Use Intensity (EUI)** compared to a similarly-sized house built to code-standard levels.⁶



<https://www.slideshare.net/slideshow/minnephit-house-case-study/75553036#167>

⁶ Eian, Tim. 30 April 2017. "The MinnePHit House: Case Study about the first cold-climate EnerPHit project in the world." <https://www.slideshare.net/slideshow/minnephit-house-case-study/75553036#167>

CONCLUSION

We commend Minnesota Housing for the revision already proposed to the QAP Enhanced Sustainable criteria, and hope you will duly consider our suggested amendment – with the state’s 2030 climate objectives on the horizon, there will be no better time to adopt stronger incentives favoring climate-conscious housing.

We look forward to future engagement opportunities during this QAP cycle. In the meantime, please feel free to reach out if you have any questions or wish to discuss further with our team. Thank you again for your consideration.

Signed,



Phius Alliance Minnesota

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A NOTE FROM PASSIVE HOUSE MINNESOTA

We at Passive House Minnesota agree with the proposed MHFA point structure, and we strongly advocate for allowing stackability for Tiers 3 and 4. Giving more points to the highest performing buildings, as produced by certifying under the Passive House building standards (PHI and Phius) has proven to be a game changing incentive to developing better buildings able to withstand a changing climate and create healthier environments for the building's occupants.

"In Pennsylvania, Passive House advocates achieved a breakthrough in 2015. The Pennsylvania Housing Finance Agency agreed to add a bonus in the scoring rubric that determines which projects receive LIHTC funding, which awarded 10 points for projects seeking Passive House certification. The experiment became a success story. In the first two years, 58 out of 179 proposals for tax credits were for multi-family Passive House, and 26 were awarded credits resulting in about 900 units of affordable Passive House being built." - from the report "Safe at Home: How all-electric, multi-family Passive House builds deliver comfortable, cost-effective climate resilience" July 2023.⁷

Signed,



Marcy Conrad Nutt



**Passive House
Minnesota**

The Passive House Network

Marcy Conrad Nutt

Internal Coordinator for Passive House
Minnesota.

<https://passivehouseminnesota.org/>

⁷ See Appendix B

APPENDICES

Appendix A:

GHG emissions by sector 2005-2020

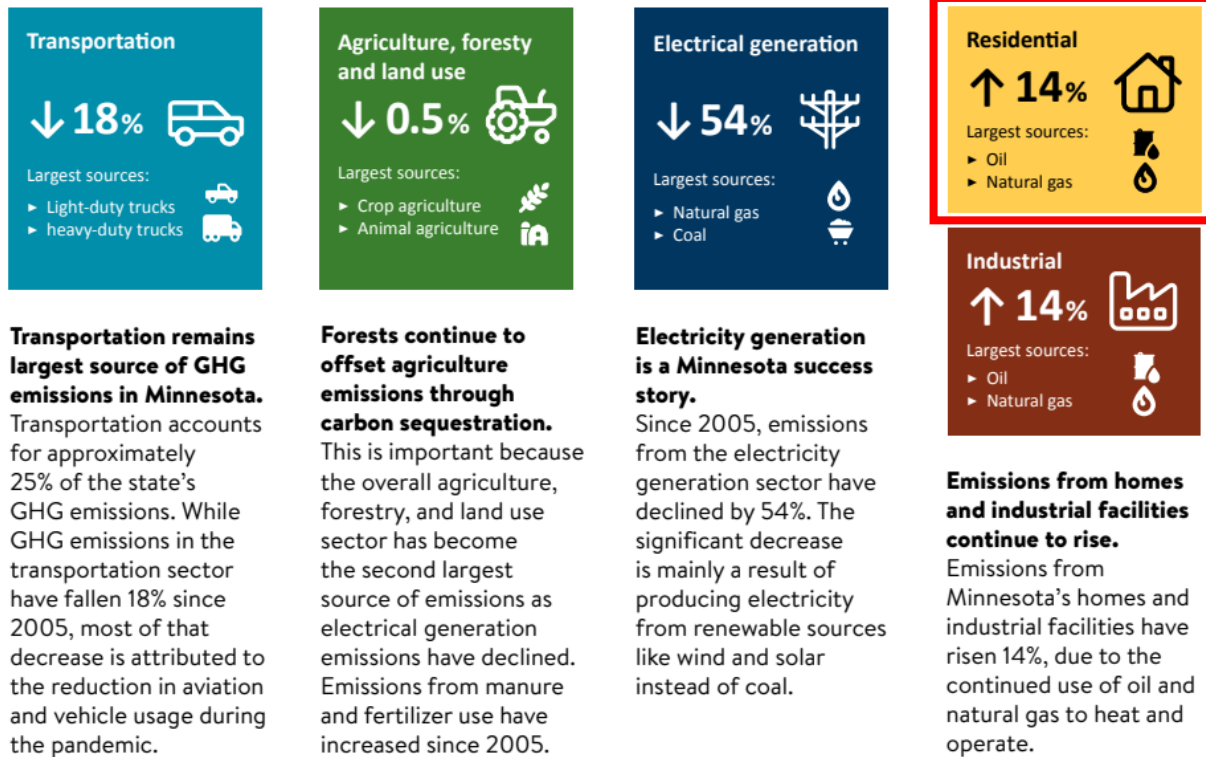


Figure: Excerpt from the 2023 Biennial Greenhouse Gas Emissions Reduction Report (MPCA). While emissions from other prevalent sectors have all decreased, residential energy use is one of the few sectors to increase its emissions since 2005. <https://www.pca.state.mn.us/sites/default/files/Iraq-2sy23.pdf>

APPENDIX B



Image credit: Northland Investment Corp.

Safe at Home:

How all-electric, multi-family Passive House buildings deliver comfortable, cost-effective climate resilience

July 2023



The
Passive House
Network

Executive Summary

As the 21st century advances, each passing year reinforces the fact that America has two kinds of housing—in buildings that are prepared for climate change, and in buildings that are not. One of the most pressing community resilience issues facing the nation is that we're building too much of the wrong kind of housing, which needlessly delays pollution cuts and makes us ill-prepared to withstand the extreme weather and climate disasters that are becoming hallmarks of the climate crisis.

And yet, one solution is gaining steam. The U.S. is experiencing an unprecedented construction boom for buildings that use Passive House design. Passive House is a green building energy standard that ensures buildings consume minimal amounts of energy – a feature that significantly reduces household energy bills as a result.

As utilization of Passive House picks up, data is revealing that these buildings have hit a crucial milestone. In many regions of the U.S., all-electric multi-family Passive House projects are being constructed at the same cost or close to the same cost as conventionally designed buildings. Combining an experienced design and construction team with incentive programs surpasses another milestone—all-electric multi-family Passive House buildings can be cheaper to build than standard.

With no economic barrier to building smarter buildings, there is simply no excuse to continue business as usual, particularly because the benefits of Passive House are immense.

This study finds that if the U.S. moves to investing only in Passive House buildings and retrofitting buildings to be all-electric Passive House, greenhouse gas emissions from the building sector will fall dramatically. Residents of Passive House buildings benefit from lower energy bills, and healthy, pollution-free living spaces that are resilient to extreme heat and cold, intense storms, power blackouts, and more.

The well-insulated and airtight envelope of Passive House creates unmatched efficient space heating and cooling, which lowers the burden on the energy grid during periods of extreme heat and extreme cold. This design is complemented by HVAC systems that draw in continuous supplies of clean, fresh and filtered air while removing stale air from living spaces – a critical design feature that will protect residents from the wildfire smoke and other hazardous air pollutants such as ozone that have become common across the nation.

But despite the recent boom in Passive House construction, the vast majority of buildings in the U.S. do not employ these measures. This report relies on research and interviews conducted with experts from regulatory, policymaking, and affordable housing sectors, as well as the building industry more broadly. Almost without exception, these experts identified a primary roadblock to mass-scale adoption of all-electric multi-family Passive House buildings in the U.S. — systemic inertia.

The building industry, regulators and policymakers, utility companies, affordable housing agencies, and many other stakeholders who decide how housing is constructed in the U.S. tend to favor incremental change. By its nature, Passive House represents a bold shift away from conventional building practices. Policy action is needed to deliver these healthy, resilient, affordable, and comfortable homes for all.

There has never been a better moment to push all-electric multi-family Passive House to mass-scale adoption. The landmark [Inflation Reduction Act](#) contains \$4.5 billion in rebates that will reduce the cost of building affordable all-electric, multi-family Passive House buildings, as well as tax credits that can be worth as much as [\\$5,000 per unit](#). The IRA also includes \$1 billion that state and local governments can use to adopt energy codes that spur Passive House. Leveraging this funding to support all-electric multi-family Passive House needs coordinated efforts at multiple levels of government, and adoption in the market more broadly. As states work to achieve ambitious building decarbonization goals, all-electric multi-family Passive House buildings are an under-utilized, cost-effective strategy that deliver immense and immediate results.

Topline Findings

Passive House has reached cost parity with traditional buildings; generates ongoing savings

- New sources of cost data show that all-electric multi-family Passive House projects can be built at the same cost or close to the same cost as conventionally designed buildings.
 - A survey of 45 multi-family Passive House buildings in New York and Massachusetts found the average cost to build is just 3.5% more than standard. Delving further into these numbers shows that [experienced design and building teams](#) is a crucial way to lower costs for Passive House projects.
 - Thanks to incentives from utilities and affordable housing finance programs, multi-family Passive House buildings can be cheaper to build than standard projects. IRA incentives that are beginning to roll out in 2023 will decrease the cost of all-electric projects even more.
 - Approximately 150 multi-family Passive House projects — or about half the total — in the U.S. are affordable housing, including many that have been developed through the federal Low-Income Housing Tax Credit program. Affordable multi-family Passive House is barely scratching the surface of its potential. From 2012-2021, the federal tax credit program funded more than 5,300 new multi-family projects nationwide.
- Passive House keeps household heating and cooling bills between 30-50% lower than average — and in some cases eliminates them entirely. This is a key strategy to combat energy price volatility.

Passive House is critical for climate resilience

- The worsening impacts of climate change are forcing an alarming number of U.S. residents to endure more extreme weather conditions and storms each year without adequate protection for their health, safety, and comfort.
 - One recent poll found that [71% of U.S. adults](#) have been personally affected by some form of extreme weather in the last five years.

- Passive House design is an essential climate resiliency and justice solution. Its robust, smoke-tight exterior envelope and high-performance HVAC systems provide filtered fresh air while keeping residents comfortable during extreme heat and cold.
- In June and July 2023, smoke from Canadian wildfires made air quality in many parts of the U.S. the worst in the world. For many residents of older, draftier homes, including low-income households, staying at home offered little respite because their buildings couldn’t stop smoke infiltration.
 - In 2020, 25 million people had at least one day of unhealthy air due to wildfires.
 - Studies have found that combining Passive House design with ventilation units outfitted with the right air filters effectively prevented wildfire smoke infiltration in homes.
- Because Passive House buildings lower energy usage by up to 80% compared to a standard building, they can effectively flatten wintertime heating loads — the peak demand for residential gas use in the U.S. This makes them an essential component to building electrification strategies, particularly in cold-climate states. Eleven cold-climate states account for 53% of residential gas consumption.
 - In Massachusetts, multi-family Passive House is a fulcrum for heavy lifts in the state’s plans to transition buildings off gas to meet legally required climate goals. Thanks to expected efficiency gains in buildings, the future peak demand on the power grid is forecasted to increase by a modest 5%.

Passive House is booming, but inertia hinders mass-scale adoption

- A decade ago, only a handful of multi-family Passive House buildings existed in the U.S. In 2023, a Passive House building boom is rippling outward from early adopter states like New York, Massachusetts, and Pennsylvania.
- Almost 16,000 units of Passive House multifamily housing (apartments or townhomes) were built or are in the process of construction nationwide. This includes approximately 275 projects encompassing about 15 million square feet of housing, most of which have been constructed or designed since 2018. Because some projects do not certify or are not listed in certification databases, this is a snapshot of a larger building trend.
 - This is less than 1% of multi-family housing construction. In the past 10 years, the U.S. has built approximately 4 million units of multi-family housing.¹
- To accelerate the pace of all-electric multi-family building that use Passive House design, including affordable housing, local, state, and federal policymakers should look to four key areas: Financing incentive programs, professional training, increasing Passive House provisions in states’ affordable housing programs, and including alternative compliance pathways and opt-in requirements.

¹ An earlier version of this report relied on an inaccurate federal data source, and thus incorrectly stated the total number of units of multi-family housing construction in the U.S. The correct figure has been updated.

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About the Passive House Network: The Passive House Network (PHN), formerly known as NAPHN, is a high-performance building literacy program. We provide comprehensive, high-quality Passive House education to stakeholders across the building industry – from architects and engineers, to builders and developers, to regulators and policymakers. We demystify the impact of design and construction choices, form knowledge-sharing networks, raise expectations, and transform how professionals fundamentally think and work.

Passive House is widely recognized as the most powerful tool we have today to produce buildings that rise to meet our challenges, forming the cornerstone of climate mitigation and adaptation, public health, and equity impacts.

Part 1: Introduction

What will keep a hot liquid warmer, a plastic cup or a YETI thermos? When there's a blizzard outside, would you step out wearing a light sweater? These analogies demonstrate the importance of a little-noticed part of every building — the envelope. This is what connects a building's exterior to its indoor spaces and is a key factor in determining whether the building will be well-insulated or drafty. Thanks to superior insulation, high-performance building materials, a tight envelope, and HVAC systems, Passive House buildings are well-sealed yet comfortable to be in. Many homes, particularly older ones predating modern building codes and standards, have the equivalent of a light sweater protecting the residents inside.

These older homes were built for a climate that no longer exists. The worsening impacts of climate change are forcing an alarming number of U.S. residents to endure more extreme weather conditions and storms each year without adequate protection for their health, safety, and comfort. Because of historically racist development practices and housing policies combined with other environmental injustices, low-income residents and communities of color live in areas with higher air pollution burdens, such as being near a major highway or road, industrial facility, or power plant. This housing is often older, draftier, and thus more prone to air pollutant infiltration as well as poor indoor temperature regulation.

Passive House design is an essential climate resiliency and justice solution. Its airtight seal and high-performance HVAC systems provide filtered fresh air while keeping residents comfortable during extreme heat and cold, and keeping household heating and cooling bills shockingly low — or even eliminating them altogether. The well-sealed design also shuts out noise — a huge benefit to quality of life in major cities. Trains and trucks rumble by and tenants don't hear it.

What makes a Passive House?

- Continuous insulation used in an airtight building envelope that prevents infiltration of outside air and loss of conditioned air,
- High-performance windows and doors to manage heat,
- A ventilation system that combines a high level of heat recovery while providing continuous filtered fresh air in a well-distributed and balanced manner
- A space heating and cooling system that will be much smaller than conventional buildings.



In the “Ice Box Challenge,” two rooms compete on which can keep 2,000 pounds of ice coldest the longest, one built to Passive House standards, and a conventionally designed room. The Passive House room wins by showcasing its superior ability to retain space cooling and keep out heat from outside. Image credit: The Passive House Network

Staying comfortable in extreme heat & cold

Climate change is making the simple act of staying home more dangerous. It's a primary cause of the growing number and increasing severity of heat waves in summer months. It's also a factor in [weakening the earth's polar vortex](#), which has caused a series of bitterly cold winter storms to hit states in recent winters. Extreme heat and cold can be fatal. A recent U.S. study found that an increase in days where it felt at least 90 degrees Fahrenheit outside was [linked to an extra 1,373 deaths](#), on average, each year. In the next 30 years, almost two-thirds of the U.S. will experience [at least three consecutive days exceeding 100 degrees](#) each year, an increase from 48% currently. Researchers found hotter temperatures can put extra pressure on the heart, and that older adults, men, and Black adults were more likely to be affected. Extreme cold also has deadly consequences, such as the [storm that hit Texas](#) in February 2021 and knocked out power for millions of people for multiple days while causing hundreds of deaths.

When the power goes out during a cold snap, it takes 6 days and 8 hours for indoor temperatures to fall below 40 degrees in a Passive House, according to a [2020 study](#). Keeping indoor temperatures above 40 degrees is a critical safety threshold; a new code-compliant building will fall under that threshold in one day and 21 hours, while 1980s- and 1950s-era homes will do so in just 23 hours and 8 hours, respectively.

The need for space cooling is growing more urgent as more severe and longer heat waves occur every summer. In a three-day period in June 2021, one of the most extreme heat waves ever recorded in the Pacific Northwest hit Seattle. Heat pumps performed best at [keeping indoor temperatures a comfortable 75 degree F](#) while temperatures outside reached 108. In homes without air conditioning, indoor temperatures reached 96-100 degrees, while a standard AC could only keep temperatures between 82-87 degrees. In addition to being several hundred dollars cheaper to install and operate, heat pumps are much more energy efficient than a combination of a gas furnace and a traditional air conditioner. Exchanging an old, inefficient air conditioner with a high-efficiency heat pump can reduce energy use [by up to 50%](#).

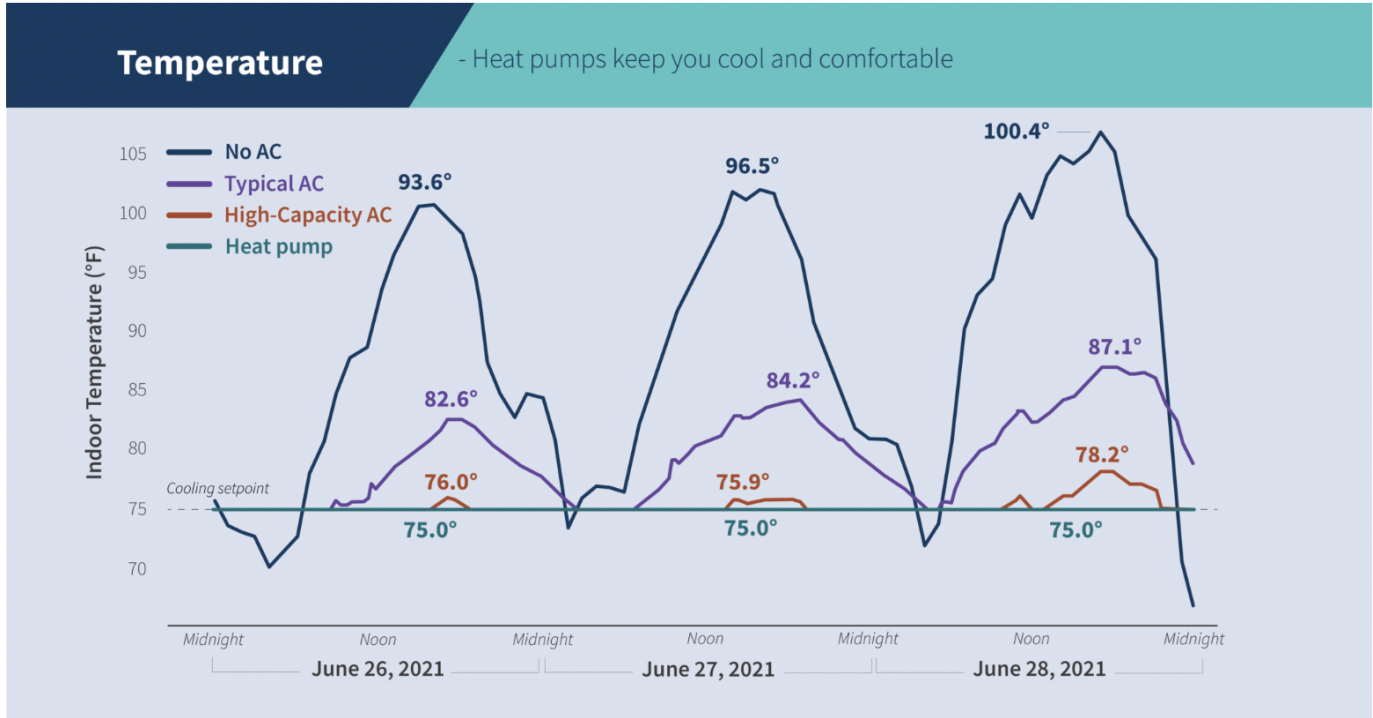


Image credit: RMI

Protecting the air we breathe at home

Wildfire smoke is becoming one of the largest sources of air pollution in the U.S. In June, smoke from Canadian wildfires placed New York City's air quality among the worst in the world. Nationally, these were the worst days for air quality in recent U.S. history. For many residents of older, leakier homes, including low-income households, staying at home offered little respite because their leaky buildings couldn't stop smoke infiltration. People spend almost 90% of their time indoors.

Wildfire smoke affects millions of Americans annually, and has become so bad it's threatening to undo decades of progress in cleaning up outdoor air quality. There is no safe level of wildfire smoke; particulate matter can lodge deep in lungs and even infiltrate bloodstreams. Breathing it has been linked to a variety of short-term respiratory problems as well as chronic heart and lung conditions. In 2020, 25 million people experienced at least one day of unhealthy air due to wildfire smoke. 1.5 million people are routinely exposed to levels that carry immediate risks, according to [research](#) by Stanford University.

Passive House buildings are the most effective at stopping infiltration of outdoor air pollutants like smoke. According to a [2020 study from Australia](#), combining Passive House design with ventilation units outfitted with the right air filters effectively prevented wildfire smoke infiltration in homes. This kept indoor air quality at healthy levels, even as pollutant levels spiked to extremely unhealthy levels outdoors. In leaky homes, the indoor air quality was almost as bad as being outside.

This works for many other kinds of outdoor air pollutants. The [California Air Resources Board](#) studied indoor air quality in existing multi-family housing. The study found that incorporating Passive House features, such as improved building envelopes and balanced energy recovery ventilation could reduce air pollutant infiltration by 3 to 11 times, while lowering HVAC energy use by 16-23%. This also highlights the need to build with pollution-free, all-electric heating and cooking appliances. The CARB study warned that the airtight envelope without balanced ventilation could also trap air pollutants from indoor sources, like cooking on gas stoves.

A growing body of research finds that gas stoves expose residents to dangerous concentrations of pollutants, including benzene, a carcinogen. A [Stanford University study](#) found that cooking with gas is akin to living with an indoor smoker or near a power plant. Just 45 minutes of cooking time on a single burner or the oven resulted in benzene levels in kitchens similar to secondhand smoke, and range hoods and exhaust fans did not mitigate the hazard. Kids that live in a home with a gas stove are [42% more likely to develop asthma symptoms](#), and a recent [study](#) attributes 12.7% of childhood asthma cases to gas stove pollution.



In 2020, 25 million people in the U.S. experienced at least one day of unhealthy air due to wildfire smoke. All-electric Passive House effectively blocks infiltration of smoke pollutants.

Bye-bye heating & cooling bills

The poor energy efficiency of drafty homes delivers another blow — they must consume more energy just to stay comfortable. This drives up bills and has caused deep financial harm to low-income households in the past 18 months, because energy [prices have skyrocketed](#).

In a [2020 survey](#), low-income households attributed dilapidated housing conditions such as holes in the wall or floor, mold, or poor insulation as among the leading reasons for being unable to pay a bill, receiving a disconnection notice, or having their service shut off. These households are also more likely to use fossil fuels in their homes, further exposing them to the price volatility that's occurred since the start of 2022. Nationally, 54% of [low-income households rely on fossil fuels](#) for heating. In New York, Massachusetts, and California, it's 84%, 75%, and 63%, respectively.

Nationally, [gas and electric service disconnections](#) have grown in recent years, even as utility companies' [reap billions of dollars in profits](#). From 2018-2022, 14.5 million customers lost service, a 24% increase from the five years prior. This increase occurred despite some utilities suspending disconnections during the Covid-19 pandemic.

This issue is also driving new interest in affordable all-electric, multi-family Passive House projects, because tenants in these buildings will pay dramatically lower energy bills. In Newton, a suburb of Boston, developers are constructing an [800-unit all-electric Passive House project](#), with 140 units of affordable housing. Developer Kent Gonzales of Northland Investment Corp., said the units will be so energy efficient that tenants will not have heating and cooling bills at all. Those utilities are projected to cost around \$35-\$55 a month — 70% lower than average — and can be factored into rents. Tenants will pay bills for lights and plugs and that's it, Gonzales says.

In Chicago, developer AJ Patton is constructing two multi-family Passive House developments — one 60-unit mixed income project, and a 58-unit affordable housing project. They're estimated to deliver between [33% and 50% savings](#) on utilities for residents. Patton named his company, [548 Enterprise](#), after the apartment in the public housing complex he grew up in. He said his family's apartment had its gas service shut off because his mother was unable to pay a \$400 bill on a \$10/hour wage. "For a year, I had to boil water to take a bath," Patton says. "The issue of utility bills is very important to me. I'm doing two Passive House projects. Lowering the bills, health, and wellness is a big part of why I'm doing this."

Studies have also shown that Passive House buildings result in steep reduction in utility costs. In New York City, a [2021 study](#) found that a large multi-family Passive House building saved \$155,000 annually on energy costs compared with a standard large multi-family building. Rooftop solar netted an additional \$31,000 in savings. In Boston and Philadelphia, multi-family Passive House buildings are [achieving 60% reductions in energy use](#), compared to standard.



In Newton, MA, a new affordable Passive House apartment building will be so energy efficient that tenants won't have heating and cooling bills.

Part 2: Building trends & multi-family cost parity

A decade ago, only a handful of multi-family Passive House buildings existed in the U.S. That’s no longer the case. In 2023, almost 16,000 units of Passive House multifamily housing (apartments or townhomes) were built or are in the process of construction nationwide, according to certification databases maintained by the [Passive House Institute](#) and [Phius](#). This includes approximately 275 projects encompassing about 15 million square feet of housing, most of which have been constructed or designed since 2018. Because some projects do not certify or are not listed in databases, this data represents a snapshot of a larger building trend.

These numbers are set to soar. In hotbed states like Massachusetts, Pennsylvania, and New York, incentive programs and building codes are spurring construction of tens of thousands of units of multi-family Passive House buildings. Many of these projects are market-rate, so cost data are not disclosed by their developers. However, a growing number of projects in Pennsylvania, New York, and Massachusetts are enrolling in incentive programs and tax credit programs that disclose cost data, providing crucial windows into the costs of building multi-family Passive House projects. It’s important to note that the cost data featured in this survey does not include incentives from the Inflation Reduction Act, which will further decrease costs for all-electric appliances and certain building materials.

In New York, 33 multi-family Passive House projects were built or are under construction as part of the state’s [Buildings of Excellence competition](#). These projects encompass 3,234 units, 3.5 million square feet, and cost to build is 4% higher than conventional projects, on average. In Massachusetts, cost data has been tracked for eight affordable multi-family projects as part of an [incentive program](#). Encompassing 541 units and 634,000 square feet, the projects’ average incremental cost is 2.21% compared to conventional design. In Boston, a disclosure ordinance has allowed tracking of four more multi-family projects totalling 121 units; the average incremental cost is just 1.15%.

In Pennsylvania, several years of construction costs were tracked for multi-family Passive House buildings that were awarded [federal low-income housing tax credits](#). The results showed that costs dropped from an initial average of 5.8% higher than similar code-compliant projects, to 1.6% within a year. Cost data also showed that seven of these projects were cheaper than conventionally designed buildings. Encompassing 366 units and 403,874 square feet, the projects’ average cost to build was \$168 per square foot. Nineteen conventionally designed buildings won credits in the same program, and their average cost was \$175 per square foot. Studies have found that Passive House costs lower as development teams gain more experience designing and building the projects.



Analysis: What does it cost to build with Passive House?

Building multi-family projects with Passive House design does require higher materials costs to pay for better insulation and windows, among other expenses, but many developers are discovering that it’s not as much as they originally thought. The extra costs can be as little as 1-4%, and that can be before incentive programs are factored in.

Because Passive House delivers enormous clean energy and energy efficiency benefits, clean energy programs and utility companies have begun investing in incentives. In Massachusetts, the Massachusetts Clean Energy Center and Mass Save, a utility-funded energy efficiency program, offer multi-family Passive House buildings incentives of \$4,000 per unit and \$3,000 per unit, respectively. Those can make Passive House cheaper to build than standard projects.

For an example, take this [cost comparison](#) for the affordable 98-unit Finch Cambridge Passive House project in Cambridge. The difference in cost amounts to \$495,000, or 1.4% of the \$36.7 million total — before incentives.

	Base case estimate	Passive House design	Difference
Hard costs	\$29,421,331	\$29,774,023	
Insulation/thermal cost	\$520,060	\$599,623	\$74,563
Windows	\$524,325	\$584,622	\$60,297
Ventilation	\$0	\$141,941	\$141,941
Air sealing	\$614,412	\$641,536	\$27,124
Heating and cooling*	\$1,778,273	\$1,778,273	\$0
Water/hot water	\$1,841,535	\$1,841,535	\$0
Sunshades	\$116,130	\$129,344	\$13,214
Doors + hardware	\$583,267	\$618,820	\$35,553
		SUBTOTAL	\$352,692
Soft costs	\$6,300,687	\$6,443,115	
Home energy rater	\$40,300	\$85,740	\$45,440
Energy modeling	\$5,000	\$16,600	\$11,600
Environmental consulting	\$86,300	\$156,029	\$69,729
Phius certification	\$0	\$15,659	\$15,659
		SUBTOTAL	\$142,248
PROJECT TOTAL:	\$36,217,139	\$36,712,259	\$495,120

**The heating and cooling systems for Finch Cambridge may have been less expensive than this estimate because they're smaller*

The MassCEC and Mass Save incentives for this project totaled \$619,000, dropping the cost to \$36,093,092 — **\$124,047 less than standard. This is also prior to the rollout of Inflation Reduction Act rebates for electric appliances and tax credits worth up to \$5,000 per unit.**

Part 3: A centerpiece for states' building decarbonization strategies

Like many cold-climate states, New York and Massachusetts have two primary energy grids serving seasonal heating and cooling demands — gas in the winter, and electricity in the summer. In the U.S., 53% of [residential gas consumption](#) comes from just 11 cold-climate states, including New York and Massachusetts. Because Passive House buildings effectively flatten wintertime heating loads, the design is a fulcrum to the heavy lifts in these states' electrification plans that will decommission the gas grids without causing a resulting overload on the power grid.

Large chunks of the voluminous building and energy codes that exist in the U.S. today are hand-me-downs from an era of abundant, cheap fossil fuels. As a result, these codes require outsized, expensive heating and cooling systems that consume large quantities of energy, needed to disperse heat and cooling to rooms through the perimeter of buildings. The perimeter systems inevitably lose heat and cooling to the outside, compounding the inefficiency. These codes do not support good building envelopes.

In 2022, Massachusetts adopted a [new stretch energy code](#) that aims to reverse these long-standing practices. For a wide swath of building types, it prioritizes energy efficiency, better building envelopes, resizing HVAC systems, and reimagining how they distribute heating and cooling throughout buildings. While the code heavily incentivizes building all-electric, state law has arbitrarily restricted the number of communities that can require all-electric construction to 10 cities and towns. In 2023 climate advocates are urging lawmakers to expand the state's electrification requirements so all new buildings are built all-electric.

Multi-family Passive House was a critically important part of this new code. Passive House uses a small, properly sized heating system, which is paired with a well-insulated, airtight building envelope. Cities can adopt an opt-in specialized stretch building code that requires every new multi-family building over 12,000 square feet to be Passive House. Communities representing 20% of the state's population, including Boston, have adopted this new specialized stretch code. Combined with incentive programs, this has helped put an estimated 10,000 to 20,000 units of multi-family Passive House projects into the construction pipeline. The state analyzed the long-term impacts that this model of building electrification will have on the power grid, and found that it will result in a modest 5% increase in peak demand.

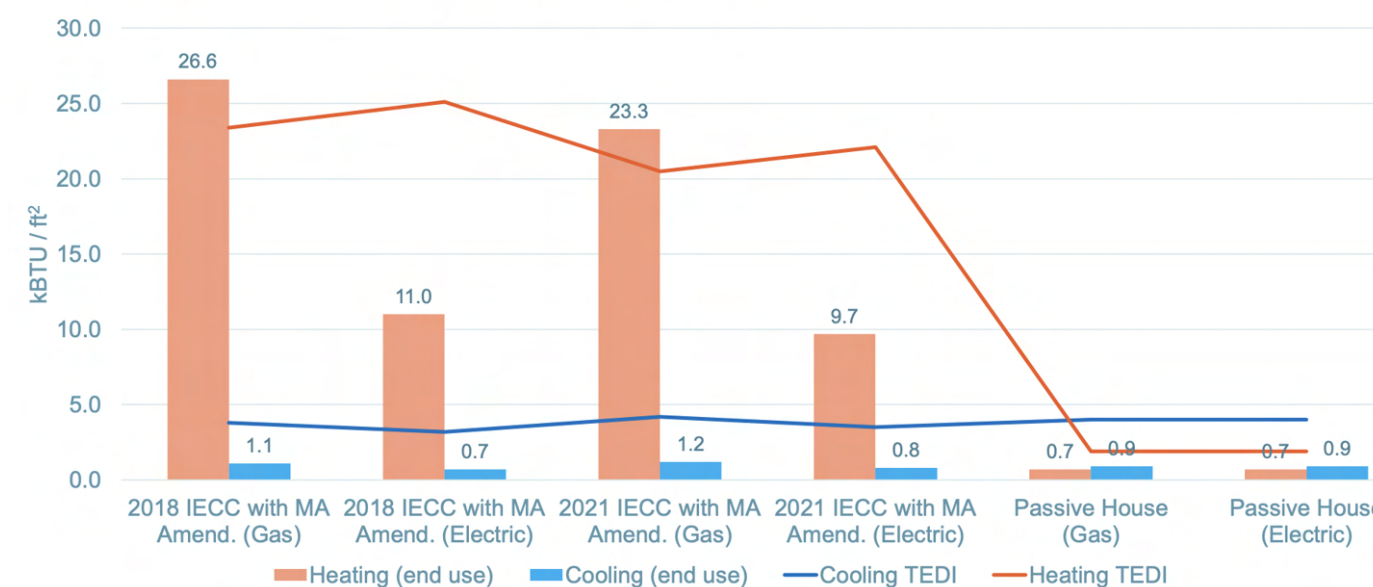


53% of residential gas consumption occurs in 11 cold-climate states, including New York and Massachusetts. Multi-family Passive House is a key part of these states' electrification plans."

The vast majority of buildings in Massachusetts today or under construction in the next few years will still be standing in 2050. It's will be prohibitively expensive to retrofit to get fossil fuels out, which is why the state can't afford to build anything that isn't 2050 compliant.

Massachusetts law requires at least net zero statewide greenhouse gas emissions by 2050, and the building sector accounts for about half of the overall emissions. The first prong of the state's decarbonization strategy is to add renewable energy into the power grid to supplant the fossil fuels used to generate electricity. However, that only solves the electricity use in buildings and getting to a 100%-renewables grid wouldn't achieve net zero by 2050. It gets between half to two-thirds of the way there. The gas grid is a separate, vexing challenge. Passive House is a crucial solution, because it doesn't just lower energy use overall. It specifically crushes the wintertime heating loads. Relatively up-to-date energy codes, including versions from 2018 and 2021, can't do this.

Multi-Family (Mid Rise) Heating / Cooling End Uses and TEDIs



This chart compares the ability of mid-rise multi-family Passive House buildings to flatten heating demand with four relatively up-to-date building codes. Source: Massachusetts Department of Energy Resources.

Passive House also avoids the costs of developing enormous amounts of renewable energy, allowing states to strategically deploy new clean energy capacity to decarbonize other sectors like transportation and industry. Consider this analogy highlighting the illogic of states' current practice of maintaining and expanding both the gas and electricity grids to handle winter heating and summer cooling demands. It's the same as a business building two warehouses, and only using one for part of the year while the other sits vacant. Transitioning off gas will save ratepayers billions of dollars in unnecessary infrastructure expenditures.

As Massachusetts is demonstrating, we don't need to break our grids to electrify. States need better codes, because they can help eliminate the need for a gas grid entirely — and quickly. Passive House is a proven solution that results in better buildings.

How New York became a Passive House leader

In 2012, Ryan Cassidy and his colleagues at development firm RiseBoro Community Partnership had just finished construction on one of New York City's first multi-family Passive House buildings. It was February and the temperatures outside were hovering around 20 degrees F. Cassidy said they knew they were on to something big when they went into one of the units. Not only was it warm inside, the heating system never needed to click on.

They were right. In the decade since then, RiseBoro became one of New York's largest developers of Passive House and the city emerged as the national leader in multi-family Passive House development. The city now has two of the largest Passive House affordable housing projects in North America, the 34-story [Sendero Verde](#) and 26-story [425 Grand Concourse](#).

New York City embraced Passive House early as part of a broader emphasis on healthy, pollution-free buildings. From 2014-16, New York encouraged early adopters with subsidies for professional training and education. New York State now has three times more certified [Passive House design building professionals](#) than any other state. Professionals with experience in Passive House design are a key way to lower overall project costs, according to [research](#).

NYSERDA, the state government's energy research and development agency, created a three-year, \$40 million ["Buildings of Excellence" design competition](#). The program offers applicants as much as \$1 million dollars in assistance, and has been a significant boost to multi-family Passive House. The first two of three rounds have been completed, and 33 of these projects including 3,330 units have received funding. In May 2023, the city Department of Housing Preservation and Development announced it was teaming up with NYSERDA for a [\\$15 million incentive program](#) that will give all-electric multi-family Passive House projects up to \$10,000 per dwelling unit and up to \$1.5 million per project.

In 2023, NYSERDA is in the process of evaluating a draft stretch code that incorporates Passive House, but codes and laws already in effect are aggressive in decarbonizing buildings. That means existing policies tend to favor Passive House projects, says Adam Watson, AIA CPHD, Director of Preconstruction Design with L+M Development Partners, which is building Sendero Verde alongside other Passive House projects in New York. "The stretch code is on a crazy fast trajectory and you have to grab on," Watson said. "Say you're doing Passive House and you zip past."

Watson notes the policy landscape includes Local Law 97, which sets greenhouse gas emissions reductions targets of 80% by 2050 for the majority of buildings over 25,000 square feet. "When we put it up against other policies like Local Law 97, we're meeting the 2050 mark with these Passive House buildings," Watson said. "That controls a lot of risk."

New regions embrace Passive House

From a building science perspective, Passive House works in every climate in every corner of the U.S. Yet, adoption in other states has not matched the pace of New York, Massachusetts, and Pennsylvania. That may be changing soon. In California, developers are beginning to incorporate more Passive House standards into their projects. That includes National CORE, which has developed 10,000 units of affordable housing in California and is the largest builder of affordable housing in the U.S., says Tim Kohut, an architect who works for the nonprofit. Kohut says the organization has been primarily focused on electrifying new construction and retrofitting projects to be all-electric, in addition to installing on-site solar panels to achieve net zero. However, many projects are "on the road" to Passive House, even if they don't obtain certification at the end. Kohut said he expects the organization will soon test building a certified multi-family Passive House project.

In Chicago, developer AJ Patton is spearheading two multi-family affordable Passive House projects simultaneously. In 2022, the state government adopted an energy code that incorporates Passive House as a compliance option. Policy conversation at the city and state level are increasingly focusing on high-performance buildings and electrification, he said. "That's what you're seeing across the country," Patton says. "People are going to follow where the market is pushing."

In Colorado, the cities of Denver and Boulder have incorporated multi-family Passive House into their new energy codes. To help communities rebuild from devastation caused by the Marshall Fire in December 2021, Xcel, the major utility in Colorado, created an [incentive program](#) that encourages residents to build new homes using Passive House design.

In the Pacific Northwest, two dozen multi-family Passive House projects have been built or are in the construction process, including nine in Seattle. Advocates in Washington state are developing and refining strategies for accelerating this development trend. In Minnesota, market rate new multi-family Passive House projects with at least 20% affordable units can claim up to a \$100,000 incentive. In Maine, starting in 2024 the [state's housing agency](#) will be financing Passive House affordable housing. The U.S. Department of Housing and Urban Development recently announced a [new \\$4.8 billion financing program](#) that includes funding for Passive House retrofits.



In Newton, Mass., a suburb of Boston, an 800-unit, all-electric Passive House project is under construction. The project will feature 140 units of affordable housing and will be located near the heart of the city's downtown. Image credit: Northland Investment Corp.

Part 4: Accelerating mass-scale adoption of multi-family Passive House

The building industry, regulators and policymakers, utility companies, affordable housing agencies, and many other stakeholders who decide how housing is constructed in the U.S. tend to favor inertia, or incremental change if prodded to act. Passive House represents a bold shift away from conventional building practices.

It's also rare for one idea to offer such immense cross-sector benefits. To protect health and safety as the threats of climate change increase, Passive House offers unrivaled, cost-effective climate resilience for Americans in every walk of life. For low-income residents and communities of color who have suffered for too long from energy inequity — unaffordable bills, underinvestment in clean energy infrastructure, and lack of access to energy-efficient housing — along with high air pollution burdens, Passive House is a crucial solution. For utility companies, regulators, and policymakers attempting to solve the building decarbonization puzzle on aggressive timelines, Passive House is an indispensable tool. It enables a quicker leap away from polluting, volatile, and expensive gas infrastructure and a softer landing onto a decarbonized, clean-energy power grid.

In 2023, unfortunately, progress in solving each of these problems has been hard-fought, and not on the scale or the pace needed to address climate change. The threats — and costs — of inaction and inertia grow each year. Yet, the policy tools we have to accelerate all-electric, multi-family Passive House development are effective and proven based on years of experience.

Passive House Network policy recommendations

To accelerate the pace of all-electric multi-family building that use Passive House design, including affordable housing, local, state, and federal policymakers should look to four key areas: Financing incentive programs, professional training, increasing Passive House provisions in states' affordable housing programs, and including alternative compliance pathways and opt-in requirements.

Financial incentive programs

Programs like [NYSERDA's Buildings of Excellence](#) and [Mass Save's Passive House Multifamily Program](#) that operate outside baseline code are effective in accelerating Passive House growth. Half of the states in the U.S. require utilities to reach [energy savings targets](#) through energy efficiency programs. Thirteen of these states specifically require investment to support low-income customers or communities of color. These are a perfect fit for supporting all-electric, multi-family Passive House projects, including helping incentivize affordable housing projects.

The [Inflation Reduction Act](#) could be used to accelerate all-electric multi-family Passive House. The landmark federal climate law allocates \$330 million in funding for states and municipal governments to adopt energy codes that meet or exceed the latest version of the International Energy Conservation Code as well as energy codes from ASHRAE. The law also earmarks \$670 million for states and local governments to adopt zero-energy stretch codes, which could be a major driver of multi-family Passive House projects.

The law will deliver \$4.5 billion to state energy offices to establish rebate programs, which can be used for installing heat pumps and induction cooktops along with other electric appliances. This funding will help lower the overall cost of [all-electric multi-family Passive House buildings](#). The law also extends a [tax credit program](#) until 2032 that can be claimed by developers of multi-family Passive House and can be worth up to \$5,000 per unit.

However, successfully leveraging this funding to support all-electric multi-family Passive House will take coordinated effort from policymakers and regulators at multiple levels of government, and adoption by the market more broadly.

Professional education

Professional training support is a key means of increasing the rate of Passive House adoption. Experience has shown that this is a vital ingredient in the early stages of accelerating multi-family Passive House development, although alone it is insufficient to drive widespread adoption.

New York supported and encouraged early adopters via subsidies for Passive House professional training. From 2014-2016, NYSERDA provided \$500 per person to directly offset tuition costs payable towards a Certified Passive House Designer or Consultant (CPHD/C) training or Passive House-specialty course. After the funding for the program had been depleted, a critical mass of Passive House-qualified professionals had been established. This helped induce more building professionals to take the training on their own.

Similarly, the province of British Columbia in Canada provided training subsidies via two programs, WorkBC and BCIT. The BC training subsidies are still in operation and have been increased and replicated in other provinces across Canada.

In Connecticut, [EnergizeCT](#) recently launched a Passive House training subsidy program. Following the path of other states, this is expected to be followed by a project incentive subsidy program aimed at multifamily buildings, similar to the one operated by Mass Save. In California, utility PG&E and 3CREN, a regional energy network in the Central Coast, have been supporting Passive House professional trainings. Professional training subsidies are foundational to the successful rollout of project incentive programs.

Affordable housing

Despite an early breakthrough, affordable, multi-family Passive House has barely scratched the surface of its potential. From 2012-2021, the federal government's primary method of building affordable housing, the [Low-Income Housing Tax Credit program](#), allocated credits worth \$46.2 billion to construct 5,375 multi-family projects including approximately 400,000 units. Only approximately 150 of these projects were Passive House.

In Pennsylvania, Passive House advocates achieved a breakthrough in 2015. The Pennsylvania Housing Finance Agency agreed to add a bonus in the scoring rubric that determines which projects receive LIHTC funding, which awarded 10 points for projects seeking Passive House certification. The experiment became a success story. In the first two years, 58 out of 179 proposals for tax credits were for multi-family Passive House, and 26 were awarded credits resulting in about 900 units of affordable Passive House being built.

Passive House developer Tim McDonald, one of the original advocates of this policy shift in Pennsylvania, sought to replicate it in more states. In response, 18 more states added Passive House to their tax credit programs, but few experienced the same level of success as Pennsylvania.

Researchers investigated why the vast majority of the other states were not able to replicate Pennsylvania's success and found [three key factors](#):

- The tax credit process must be competitive
- In the scoring rubrics used to determine who is awarded tax credit financing, Passive House points must be significant. Pennsylvania awarded 10, for example, and Virginia is now also awarding 10 points.
- Passive House must be allocated separately from simpler, less focused green certifications.

Massachusetts and New York have successfully incorporated multi-family Passive House into their affordable housing programs. In Massachusetts, 86 multifamily buildings were pursuing Passive House certification in 2022. The majority of those projects are affordable thanks to incentives added to the state's tax credit program. In New York, 25 out of the 32 multi-family Passive House projects in NYSERDA's Buildings of Excellence incentive program are affordable housing.

Alternate Compliance Pathways and opt-in requirements

Alternate compliance pathways and opt-in requirements that include Passive House are more effective at generating rapid transformation.

In places where this option has been most successful, state and municipal governments paved the way by approving Passive House energy models as alternate compliance options to baseline energy code models. This small code amendment has lowered the barrier of entry significantly. It eliminates the need for project teams to produce two energy models for all projects which reduces project development costs.

Policy experts have noted that in regions such as Washington state, alternate compliance pathways exist but have not been paired with Passive-House specific incentive programs, and Passive House adoption has not scaled as rapidly. This indicates that alternate modeling compliance pathways and incentive programs work symbiotically. They should be implemented together for best outcomes.

Massachusetts and British Columbia are two jurisdictions that have effectively implemented opt-in requirements to build multi-family Passive House through their building and energy codes. In British Columbia, the provincial government adopted a [building performance-based step code](#) in 2017, and gave local jurisdictions the decision to opt-in to enacting it. As of 2021, [79 jurisdictions had done so](#), while the city of Vancouver has adopted its own [zero-emissions buildings policy](#). The step code requires builders to meet Passive House standards.

This is similar to the approach taken by [Massachusetts](#) and under consideration in New York. This policy approach should serve as a model for other states. In Massachusetts, local jurisdictions can now opt-in and adopt Passive House as a code requirement for large multifamily buildings. Regulatory requirements, like those in Massachusetts, that leapfrog code minimums will get to the end game of Passive House performance faster.

Credits

Thank you to the following people who shared their time and expertise in the research phase of this report:

- Adam Watson, L+M Development Partners
- AJ Patton, 548 Enterprises
- Beverly Craig, Massachusetts Clean Energy Center
- Bronwyn Barry, Passive House Network
- Ken Levenson, Passive House Network
- Kent Gonzales, Northland Investment Corp.
- Paul Ormond, Massachusetts Department of Energy Resources
- Ryan Cassidy, RiseBoro Community Partnership
- Sara Bayer, Magnusson Architecture and Planning
- Tim Kohut, National CORE
- Tim McDonald, Onion Flats
- Zack Semke, Passive House Accelerator



Located on the West Side of Chicago, Humboldt Park is an all-electric, 60-mixed-income unit project that also features commercial and community spaces.

Image credit: 548 Enterprise



Primary Author: The Passive House Network
Image credit: Northland Investment Corp.

APPENDIX C

FOR IMMEDIATE RELEASE

Contact:

Peter Jensen, Sunstone Strategies, peter@sunstonestrategies.org, 360.820.3704

Passive House buildings are vital to withstanding the climate crisis and they just hit cost-parity in the U.S. So why are they only 1% of construction?

New report finds well-sealed, highly efficient green buildings can be constructed at similar cost to normal buildings and save on energy costs, but policy changes needed to accelerate nationwide adoption

NEW YORK CITY — With extreme heat, wildfire smoke, and intense storms battering the U.S. this summer, a new report finds that constructing new buildings to all-electric Passive House standards can help protect residents from the devastating impacts of climate change at little to no cost-premium, but policy changes are required to overcome inertia in the building sector and ensure these benefits reach more Americans.

Safe at home: How all-electric, multi-family Passive House buildings deliver comfortable, cost-effective climate resilience, released today by the Passive House Network, provides new cost analysis showing all-electric multi-family Passive House projects can be built at the same cost or close to the same cost as conventionally designed buildings.

“It’s never been more clear that America has two kinds of housing—in buildings that are prepared for climate change, and in buildings that are not,” noted **Ken Levenson, Executive Director of the Passive House Network**. “And now the data shows that we can build multi-family, all-electric housing that can help residents face the challenges of the 21st Century at the same cost or less than traditional buildings. This is how we build smart, and it should be standard building practice throughout America.”

The report finds that Passive House buildings lower energy usage by [up to 80% compared](#) to a standard building at a similar price point. The report includes a survey of 45 multi-family Passive House buildings in New York and Massachusetts in recent years, and finds the average cost to construct a Passive House building to be just 3.7% more than standard, and in some cases cheaper when factoring in incentive programs. By combining incentives from utilities, affordable housing finance programs, and federal tax credits and rebates in the Inflation Reduction Act, many multi-family Passive House buildings can be cheaper to build than standard projects, and IRA incentives that are beginning to roll out in 2023 will decrease costs even more.

Passive House has climate, health, resilience and affordability benefits. Residents of these buildings enjoy heating and cooling bills that are between 30-50% lower than average—and in some cases, these bills are eliminated entirely. In addition to lower energy bills, these

pollution-free living spaces are resilient to extreme heat and cold, intense storms, and power blackouts.

But while construction of Passive House buildings has surged since 2018 thanks to growing recognition of and demand for their widespread benefits, Passive House still accounts for less than 1% of all multi-family construction that's occurred in the U.S. in the past decade. Tellingly, affordable housing has been a significant driver of multi-family Passive House. About half of all Passive House projects being built in the U.S. are affordable housing projects, illustrating the cost-effectiveness of green building design.

"We have the blueprint for coast-to-coast adoption of all-electric, multi-family Passive House buildings," said **Bronwyn Barry, Founding Board Member for the Passive House Network**. "Our nation is facing an affordable housing crisis and energy cost crisis, while also confronting severe challenges posed by extreme heat and storms from climate change. Passive House creates more housing, lowers energy costs, and builds resilience against the impacts of climate, while also providing healthier air indoor and out. Everyone should get to experience the comfort - and we have the policy tools and professional know-how to ensure every new multi-family housing project in America is built this way."

The report finds that construction of all-electric, multi-family Passive House buildings, including market-rate and affordable housing, is primed to soar in early mover states like Pennsylvania, New York, and Massachusetts. This is due to a combination of bold policy requirements in new energy codes as well as utility-funded incentive programs, energy efficiency programs, and the Inflation Reduction Act. More states like Colorado and Maine are following these examples. Half of the states in the U.S. have utility-funded energy efficiency programs, and 13 specifically require programs to invest to support low-income customers or communities of color. These are a fit for supporting all-electric, multi-family Passive House projects.

Another critical benefit of all-electric, multi-family Passive House buildings is how they flatten wintertime energy demand for space heating – which makes them integral to state decarbonization plans. 53% of residential gas consumption in the U.S. occurs in just 11 cold-climate states. In Massachusetts, communities representing 20% of the state's population, including Boston, have adopted a new specialized energy code that requires large multi-family construction to be Passive House, which has added 10,000 to 20,000 units of Passive House into the construction pipeline. This is a key strategy for speeding up the decommissioning of its aging gas grid, while smoothing the transition to all-electric buildings. Thanks to the expected efficiency gains in buildings, the future peak demand on the power grid is forecasted to increase by a modest 5%. This shows that states that include all-electric, multi-family Passive House in their codes will get better, healthier, pollution-free buildings —and won't break their grids to electrify.



July 1, 2024

Minnesota Housing
ATTN: Tamara Wilson
400 Wabasha St. N, Suite 400
St. Paul, MN 551002
Via Email – htc.mhfa@state.mn.us

Ms. Wilson,

Thank you for giving us the opportunity to provide a response to Minnesota Housing's request for public comments related to the 2026-2027 Qualified Allocation plan Public Hearing held on June 27, 2024. On behalf of Rainbow Housing Assistance Corporation, we would like to submit the following recommendation:

In addition to Minnesota Housing's Selection Criterion for People with Disabilities, we ask for consideration to implement a scoring criterion for enhanced resident services in an effort to serve a broader audience. We request for Minnesota Housing to utilize affordable housing as a foundation to link low-income families and individuals with services, ensuring housing stability and facilitating access to services throughout their community, thereby empowering residents to lift themselves out of poverty. Resident Service Providers cultivate programs and services which focus on the individual, helping residents achieve a realistic path to self-sufficiency. By teaching life skills, promoting financial literacy, health and wellness initiatives, and assisting residents to achieve educational goals, those influenced through service coordination live financially stable, healthy, productive lives.

Minnesota Housing may contemplate offering a points category to applicants who commit to provide enhanced resident services through service providers with a Certified Organization for Resident Engagement and Services (CORES) Certification through Stewards of Affordable Housing for the Future and commitment to maintaining the certification throughout the compliance period. The CORES certification signifies that an organization has the highest level of commitment to industry best practices and serves as an external validation of the quality and systems-approach to resident services.

Thank you for your consideration and for providing an open forum to provide feedback for the 2025-2026 QAP. We look forward to working with you to optimize outcomes for the residents of Minnesota.

Sincerely,

Patti Adams

Multifamily Impact Manager
Rainbow Housing Assistance Corporation
18001 N 79th Ave Ste 72E
Glendale, AZ 85308

Wilson, Tamara (MHFA)

From: Erin Hanafin Berg <Erin@rethos.org>
Sent: Wednesday, July 3, 2024 3:03 PM
To: #MHFA_HTC
Cc: Heidi Swank; Josh Hauf
Subject: Feedback and comments on proposed 2026-2027 QAP

Some people who received this message don't often get email from erin@rethos.org. [Learn why this is important](#)

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Dear Commissioner Ho and members of the Minnesota Housing Board,

I am writing on behalf of the board and staff of Rethos, and well as our thousands of member supporters, to request changes to the 2026-2027 QAP that will help prioritize historic building reuse in Minnesota's overall housing development strategy.

While the QAP addresses the need for sustainability and energy efficiency and recognizes that MN and Federal Historic Tax Credits can be a source of committed funding support for housing projects, it does not appear that the creation of new housing units in existing and historic buildings is in any way promoted or rewarded in Minnesota Housing's allocation decision-making process.

As has been reported frequently over the past couple of years, we are experiencing a glut of vacant and underutilized buildings in cities large and small throughout Minnesota. While this is acutely felt in the downtown business districts of our largest cities due to changes in working patterns, small cities have experienced a growing rate of building vacancy for decades. Whether because of upper stories in older commercial buildings that were zoned out of use, or school buildings vacated due to district consolidation, communities in Greater Minnesota have been steadily losing vitality – and viable building stock – in part due to insufficient programs to facilitate and incentivize reuse of existing structures. Many of the vacant buildings in these communities would qualify for historic designation. Adaptively reusing these buildings can be a strategy to provide housing while boosting local pride and economic vitality – and helping to meet our state's ambitious climate goals. A win-win-win-win.

According to [studies undertaken by the National Trust for Historic Preservation](#), building reuse is an essential tool in reducing carbon emissions and mitigating the impacts of climate change. Reuse avoids the upfront embodied carbon emissions that occur when materials are mined, harvested, manufactured, transported, and assembled to create a new structure. It lowers the burden on local municipalities to extend and maintain new infrastructure such as sewers and roads. Reused historic buildings tend to lessen transportation-generated carbon emissions because they are typically located in denser areas of communities, where essential services are close by, often within walking distance. And in terms of energy usage, historic buildings can be made as energy efficient as new builds, with electrified and highly efficient HVAC and lighting systems and clean energy additions such as heat pumps and solar panels.

Even vacant historic buildings that have seen years of disinvestment are typically structurally sound and can be candidates for reuse. Older buildings that remain today were constructed using more durable and longer-lasting traditional materials such as old-growth lumber, plaster, stone, and brick – quality materials that are expensive to incorporate into newly built affordable housing units today. [As stated by the American Planning Association](#), "We

cannot simply build our way out of an affordable housing crisis through new construction. Since 40% of [the U.S.] building stock is over 50 years old, [historic] preservation should be considered a solution.”

The Federal Advisory Council on Historic Preservation recently issued a [policy statement](#) to encourage both rehabilitation of historic housing (including historic public housing) and adaptation of historic buildings not originally built for housing. Other states are already on board with these policies, giving priority to adaptive reuse of historic buildings as housing either through a boost to their historic tax credit programs or by allowing extra points for historic rehabilitation projects. I provide the following examples of QAP language that could be incorporated into Minnesota’s plan:

- [Georgia’s QAP](#) (pgs. 112-113).
- Michigan’s [scoring criteria worksheet](#) (pgs. 14 & 37)
- [Indiana’s QAP](#) (pgs. 64-66)
- [Maine’s LIHTC QAP](#) (p. 14)

I respectfully request that the draft QAP be amended in **Section 6. Building Characteristics** to add points for sustainable design through historic building reuse. Please contact me if I can provide additional examples or contextual information to facilitate this revision.

Thank you for your consideration.

Sincerely,

Erin Hanafin Berg [she/her\(s\)](#)

Deputy Director/Policy Director | [Rethos](#)

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Wilson, Tamara (MHFA)

From: Edens, Taryn <TEdens@rochestermn.gov>
Sent: Monday, July 1, 2024 11:43 AM
To: #MHFA_HTC
Subject: 2026-2027 QAP Public Comment

This message may be from an external email source.

Do not select links or open attachments unless verified. Report all suspicious emails to Minnesota IT Services Security Operations Center.

In reviewing the proposed QAP, we have the following comments:

1. Our Proposal: Do not penalize geographic scoring location if the site is located in a Transit Oriented Development zone (or something similar). To consider this, include language in the QAP and self-scoring worksheet to additionally prioritize projects located in a Transit Oriented Development zone (or something similar):

Need for More Affordable Housing Options (8 to 10 points)

1. Projects located in communities with a need for more affordable housing options because either there is a low share of affordable rental housing compared to all housing options in a community, community investments are made or planned to support multi-modal transportation such as a transit oriented district, or a large share of renters are cost burdened by their rent.
Select one:
 - a. Tier 1 Tracts or Cities, and Tribal Reservations: Those in the 80th percentile or higher in the highest share of cost burdened renters, in locations designated to support multi-modal transportation such as a transit oriented district, or in the lowest share of affordable rental housing relative to the community type. Tribal reservations are also considered Tier 1 for having a need for more affordable housing options (10 points)
 - b. Tier 2 Tracts or Cities: Those in the 50th to 79th percentile in the highest share of cost burdened renters, in locations designated to support multi-modal transportation such as a transit oriented district, or in the lowest share of affordable housing relative to the community type (8 points)

An area that could also be considered Transit Oriented without being zoned as such include areas determined to have:

- Allowance of mixed housing, recreation, and retail opportunities.
- Provide safe and convenient multi-modal transportation options entering downtown
- Pedestrian-focused to increase neighborhood quality of life
- Public investment which prioritizes sidewalk improvements, lighting, trees and greenery, and other basic amenities to set the stage for additional public, private, and nonprofit investment.

- Street design changes to make the street more welcoming and safer for pedestrians and bicyclists, such as narrower traffic lanes that slow traffic, space for bike lanes and on-street parking, and improved street crossings.
2. Need for more affordable housing options - change for Greater Minnesota large urban communities (Duluth, Rochester, St. Cloud, Moorhead) evaluated among all Greater MN Communities, whereas 7-County Metro remains Census tract based. Would advocate for all communities over a certain population continue to remain Census tract based to truly consider places with the highest populations and housing needs, regardless of proximity to our metro area.

Sincerely,



Taryn Edens

Pronouns: she/her/hers

Manager of Housing & Neighborhood Services

City of Rochester, Minnesota



July 3, 2024

Minnesota Housing
ATTN: Tamara Wilson
400 Wabasha St. N
Suite 400
St. Paul, MN 55102

RE: Public Comments on 2026-2027 QAP

Dear Tamara and MHFA Leadership:

Sherman Associates owns and operates a portfolio of more than 5,000 units of multi-family apartments in the State of Minnesota, with 70% being income qualified affordable across all levels ranging from 30%-60%AMI, and including units restricted to seniors, adults with disabilities, and those who have faced long term homelessness.

Our firm is grateful to see the State of Minnesota increase its recent and continued investment in affordable housing, and we applaud the efforts of MHFA leadership and professional staff in seeking to provide resources that increase the amount of more deeply affordable homes, address racial inequities and a measure of balance between urban centers and out state geographic communities.

We also have some serious concerns:

1. It is important that there be resources to preserve existing affordable housing and if there isn't a balance of new income qualified housing coming to the market, the compression on overall supply will fall even more behind than it is right now.
2. That there be enough emphasis spread MHFA resources across all levels of income qualification. Individuals and families at 50-60% are housing cost burdened and need more options as well as those facing homelessness and at 30%AMI.
3. In broader State policies and recent MHFA finances awards it is clear that there is a growing split in consideration between non-profit and for-profit developers of affordable housing. Both non-profit and for profit developers, owners and operators are needed to meet the affordable housing goals for the State of Minnesota.
4. There have been proposals for increasingly onerous regulatory requirements ranging from various considerations of rent control to added compliance complexity for property owners and operators. It is essential to always be monitoring the balance of rights and responsibilities between tenants and owners, with everyone needing to work together.

Sincerely,

Dan Collison
Senior Director of Business Development & Public Affairs
Sherman Associates, Inc.



Minnesota Housing
ATTN: Tamara Wilson
400 Wabasha St. N
Suite 400
St. Paul, MN, 55102

3rd July, 2024

Re: Public Comment - 2026 - 2027 Housing Tax Credit Qualified Allocation Plan

Dear Tamara Wilson,

My name is Miss Sharon Harris, the president of the resident council of the Sondeproitn apartments in Brooklyn Center, Minnesota. I am writing this letter on behalf of the resident council of our apartment complex. The resident council was formed after moving into this 50+ apartment complex.

I and many of my neighbors have experienced countless unheard experiences that I can never imagine after retiring. Our expectations were high after seeing the new apartment for seniors being built here in Brooklyn Centre. Being introduced for the first time section 42 and what we had to go through to qualify. I had to quit my part-time job at a Home Furniture store to meet the guidelines. What happened to section 42? Rent is up by \$300 making my total rent \$1646. This increase has caused many of my friends to move out. They cannot afford it anymore. But the apartment has already introduced new move-in specials for new tenants, where they advertise lower rent and 3 months of free rent offers. These offers are only going to set the new tenants to failure in the future as they are being trapped by market rate rent. On behalf of my neighbors, I urge you to introduce a policy to limit the annual rent increases in HTC developments, keeping in mind the community that is being served by the HTC developments.

We are also extremely unhappy with the way our property owners manage our property. We were forced to sign our new lease (with an increase in rent) and we were threatened to be evicted if we did not sign it. We were charged extra for underground parking even though our lease does not explicitly state that amount. This has pushed our financial limit. We have no working cameras in the building putting our safety at risk. We stay close to a metro station. We have a lot of homeless people entering our building as a result. Our security doors are always broken. The pipes in the underground garage are always leaking liquid on our cars. Our needs are constantly ignored by the management.

We have experienced 8 managers in a span of 3 years and yet no one is accountable. We, the residents at Sonderpoint, are paying for countless errors. Majority of the time, the office is closed due to the absence of managers on site. We are not able to speak to anyone by phone. They never return our calls or voicemails. Residents at Sonderpoint apartments urge Minnesota

Housing to have a protocol on how you renew HTC properties. If these properties get tax credits, they have to make sure they are providing a dignified living space for us. I urge you to conduct a renewal process for current HTC property owners where we, the tenants, are required to assess the performance of our property management. This way the property owners will feel the need to take care of their tenants, instead of blatantly ignoring our needs.

I worked 22 years for Delta Airlines and 6 years for Best Buy Corp and a few years at TCF bank. My husband drove over 30 years over the road as a semi truck driver. My husband is also a Vietnam veteran in which he has served our great country. My neighbors and I are hard working citizens.

I want to ask Minnesota Housing this question - Was this the vision of the "affordable housing" plan you built for us hard working senior citizens who pay our taxes to the state of Minnesota? Are you trying to keep the senior citizens in poverty? Is your plan to make more people homeless by allowing such properties to increase rent without any checks and balances? Is your plan to allow such properties to allow senior citizens to live in diminishing and unsafe living conditions?

I sincerely urge you to hear our voice and make the above changes in the new QAP being developed for 2026-2027.

Regards,

Miss Sharon Harris
Resident Council
Sonderpoint Apartments
Brooklyn Centre, MN



July 3, 2023

Commissioner Jennifer Ho
Minnesota Housing Finance Agency
400 Wabasha Street North
St. Paul, MN 55101-1998

Commissioner Ho:

We appreciate the opportunity to comment on MHFA's draft 2026-2027 Qualified Allocation Plan and associated application documents. Over the past 27 years, Travois has had the privilege of working with five Minnesota Tribes and Tribally Designed Housing Entities on 32 Low-Income Housing Tax Credit Projects. On behalf of Travois, please accept the following comments on the proposed 2026-2027 changes.

Large Family Housing

We would love to see Minnesota Housing simplify this category. The wording in the 2024-2025 HTC and Deferred Funding Selection Criteria is confusing. We suggest either:

Option A (similar point structure): *Projects will receive 12 points if (1) no more than 25% of total assisted units are SRO or one-bedroom units and (2) at least 33% of the total assisted units contain at least three bedrooms. Projects will receive an additional three points if at least 10% of the total assisted units have four or more bedrooms.*

Option B (even simpler with the same intent): *Projects will receive 12 points if 33% or more of the total assisted units are three bedrooms or larger. Projects will receive an additional three points if at least 10% of the total assisted units have four or more bedrooms.*

Rental Assistance, Furthering Rental Assistance, Serves Lowest Income Tenants/Rent Reduction

We would also love to see Minnesota Housing simplify these categories. The combination of these categories, particularly how they are very interconnected with each other and HPH/PWD commitments, creates a maze for applicants to navigate. We ask MHFA to put on their "developer hat" and consider balancing all of these requirements:

- HPH and PWD must have 30% AMI / 30% incomes and have rental assistance.
- Projects can't get rental assistance points and 50% AMI rent restriction points on the same units.
- To maximize points, applicants must split their units in a specific way between rental assistance and 50% AMI rents.
- MHFA has added even more layers with the "Furthering Rental Assistance" category and the "Serves Lowest Incomes Rent Reduction" (30% rents) category that need to be contemplated to be competitive.

All these factors together create a complex system where one change can have a domino effect on a project's commitments. We propose the following:

Rental Assistance:

B.1 – Maintain a simple tiered Rental Assistance scoring category awarding more points to projects where the greatest portion of their units receive rental assistance (i.e. subsidy or equivalent policies that ensure that tenants never pay more than 30% of their adjusted gross income on rent).

B.2 – Eliminate the Furthering Restricting Rental Assistance.

Serves Lowest Income/Rent Reductions:

C.1 & 2 – Eliminate Rent Restrictions points. Create a simple tiered Income Restriction scoring category awarding points to projects with average incomes at certain levels (50% AMI average = X points, 55% average = X points, etc.). All units should match income and rent restrictions. We work in many states and rent restrictions separate from income restrictions are extremely rare.

If MHFA chooses to keep the Serves Lowest Income/Rent Reduction category the same as is, we highly recommend eliminating the prohibition of the Serves Lowest Income points on units with Rental Assistance.

Additionally, the latest MHFA Summary of Proposed 2026-2027 QAP Changes includes a proposed change to remove privately funded project-based rental assistance as an option. It states that it is a rarely used option and only requires a four-year commitment, and its removal would protect residents from facing a cliff when short-term rental assistance expires. Travois opposes this change. While many Tribal developers use NAHASDA as rental assistance, other Tribal entities provide a commitment of rental assistance subsidy to their projects. This subsidy doesn't meet the other defined rental assistance types (federal rental assistance contracts, Housing Support, etc.) and it is technically categorized as privately funded rental assistance. If MHFA is concerned about the longevity of the commitment, we encourage you to add a requirement for the length of time of the commitment.

Increasing Geographic Choice, Need for More Affordable Housing Options

We ask Minnesota Housing to adjust the Tier 1 language to include both Tribal Reservations and Tribal Communities. Tribal members in Minnesota live both on and off Tribal Reservations, and many live outside of the reservation boundaries for employment and familial connections. Tribal leaders have a responsibility to serve their members both on and off the reservation, and many outline those responsibilities for certain off-reservation, Tribal Communities as part of an Indian Housing Plan or Tribal Economy Plans. We recommend that MHFA accept a self-certification from the Tribe that the project is on the Tribal Reservation or in a Tribal Community. If the leader of a sovereign, tribal nation certifies that a proposed project meets this definition, MHFA should accept this as sufficient evidence.

Equitable Development

Travois fully supports the proposed edit that this requirement automatically be met by Tribally sponsored projects.

Rural/Tribal

Travois fully supports the new four-tiered pointing structure with the highest points available for smaller rural communities.

Workforce Housing Communities

We propose that Minnesota Housing create a new, top-tier category within the Workforce Housing Communities category for LIHTC projects sponsored and funded by a large, local employer (over 500 employees). For most tribal LIHTC projects, the Tribe, TDHE, or tribal corporate entity is a major employer in the area investing in the creation of affordable housing for their workforce. They are funding the soft, deferred loan to the project, funding all project infrastructure via an equity contribution (Other Contributions), funding ongoing Rental Assistance, and guaranteeing operations via the Housing Assistance Payment Agreement. We believe this wraparound support by a major employer is a premier example of workforce housing in Minnesota.

Energy Rebate Analysis

It appears that this is only required if a project is using these funds as part of the Financial Leveraging category. Can MHFA confirm?

Market Study

Travois supports the recent change to delay the market study requirement until post-award.

Intended Methods Workbook

Each year, we hear feedback from project architects about the complexity of the Intended Methods Workbook with the Minnesota Overlay. The Intended Methods Workbook, Enterprise Green Communities website, and the MN overlay are hundreds of pages of content. Can MHFA explore ways to simplify all the green commitments? If the Intended Methods Workbook remains, could all of the mandatory requirements be incorporated into the Design Standards document to reduce the length of the Intended Methods Workbook?

Additionally, we would like to see the MN overlay remove any density requirements for rural/Tribal communities. Most Tribal developers develop single-family homes in extremely rural areas with the intent of converting to homeownership at the end of the compliance period. The typical lot size is one to two acres in these areas.

Preliminary Architectural Requirements

We heard feedback from project architects that they would recommend removing Building Sections from the required documents in the preliminary designs for application. It is highly unusual to require them at the application stage compared to other states we work in.

Thank you for the opportunity to provide comments on the 2026-2027 draft QAP documents. If you have any questions regarding the suggestions above, please do not hesitate to contact me directly.

Sincerely,

A handwritten signature in cursive script that reads "Abigail Day".

Abby Day
Project Manager, Travois

July 3, 2024

Ms. Tamara Wilson
Minnesota Housing Finance Agency
400 Wabasha St N, Suite 400
St. Paul, MN 55102

RE: 2026-2027 Draft QAP Comments

Dear Ms. Wilson:

On behalf of Woda Cooper Companies, Inc., thank you for allowing us the opportunity to provide constructive feedback regarding the 2026-2027 Draft QAP.

1. Self-Scoring Worksheet – Project-Based Rental Assistance

While the HUD Section 811 PRA determination letter is only a notice of eligibility and is not a commitment letter, we recommend allowing projects with such eligibility letters to claim the points available under Project-Based Rental Assistance. Due to the scoring criteria for HPH, PWD, Rental Assistance, and Rent Reduction in the QAP, along with the Section 811 requirement that any development involving Section 811 cannot have more than 25% of units to HPH and PWD combined, developments pursuing Section 811 are at an extreme disadvantage in the RFP process. Section 811 vouchers can be a valuable resource for affordable housing, but this limits the ability for MN Housing to use the vouchers that are available. As it stands with the scoring, even if a Section 811 eligibility letter allowed applicants to claim points for Rental Assistance, our analysis of the scoring finds that the 25% limitation on HPH and PWD units still puts applicants pursuing Section 811 at a slight disadvantage, but not nearly as extreme a disadvantage as currently written in the Self-Scoring Worksheet.

2. Self-Scoring Worksheet – Rural/Tribal

We recommend removing the Tier 1 scoring in the Rural/Tribal category that gives 8 points to applications in communities with a population of 2,000 or less. Such communities often have lower demand for affordable housing as well as for HPH and PWD units. We also recommend the thresholds for Tiers 2 and 3 be adjusted to 7,500 and 15,000 respectively and that developments in communities under 5,000 in population be required to complete market studies to submit with the application. These suggested population limits are still well below the federal definition of rural (20,000). Alternatively, you may want to consider a maximum capture rate of 20%. While we understand the Agency's priority to limit up-front costs developers must spend for applications, when making decisions about allocating scarce and valuable resources for affordable housing, it is prudent to know that the market will support and needs such a

development. As a company, we are completing our 34th year as affordable housing developers, and approximately half of the 400+ developments we have completed have been in rural areas. We note that in many cases, the need in rural areas is for senior housing. Without tax credits, there is no way to create senior oriented housing in rural areas because the cost of construction and resulting rents are too high for the market. Building senior housing in rural areas allows seniors to leave single family homes, remain in their communities (age in place), and has the added advantage of freeing single-family homes for younger individuals and families thereby promoting population stability in the community.

3. Self-Scoring Worksheet – Black-, Indigenous-, People of Color-, and Women-owned Business Enterprises

While we applaud Minnesota Housing's efforts to promote equity and inclusion, we believe there are some important changes that must be made to this scoring category. As it stands now, developers and owners that benefit the most from this category are established, successful, for-profit BIPOC enterprises. The purpose of BIPOC and WBE scoring categories should be to assist in expanding capacity for disadvantaged businesses or to help disadvantaged businesses get the necessary experience to become a successful and capable participant (developer, owner, management agent, etc.) in affordable housing. The purpose should not be to give a distinct advantage to established businesses that have already overcome the disadvantage solely because of race or gender. This significantly impacts the competitive nature of the Section 42 tax credit system.

We suggest limiting the total number of points that can be claimed in this category to 8 points total. Doing so would ensure that BIPOC and WBE organizations will continue to have a significant role in the majority of affordable developments in Minnesota, while allowing developers to pursue various options to BIPOC/WBE participation on the development teams. This would not remove pressure, but would simply reduce the pressure to fill out the development team with BIPOC enterprises. Possible routes to achieve 8 points in this category could be as follows: (1) the owner/sponsor is a for-profit BIPOC organization, (2) the developer works with a BIPOC architect, BIPOC service provider, and joint-ventures with a WBE developer, and (3) the developer works with a WBE architect, BIPOC general contractor, and joint-ventures on the ownership with a WBE organization who will own 50.1% stake in the development. Each of these 3 routes would yield exactly 8 points and would successfully achieve MN Housing's goal of equity and inclusion. We have met with several non-BIPOC architects, including some WBE architects. Unfortunately, under the requirements of the QAP Self-Scoring Worksheet, we are unable to entertain working with such architects because the only way for us to compete is by working with BIPOC architects. Ultimately, impelling developers to work specifically with BIPOC organizations does not benefit residents, may be unconstitutional under recent Supreme Court decisions, and could negatively impact WBE organizations

and other non-BIPOC organizations that are committed to affordable housing in Minnesota.

4. Self-Scoring Worksheet – Innovative Construction Techniques

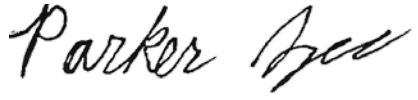
We suggest removing this scoring category in its entirety. This scoring category is far too subjective and creates more questions than answers. How is it to be judged that a project successfully reduced total construction cost by 10% or successfully reduced the time a project is under construction by 20%? Who is to say that the specific construction technique actually reduced costs or time, or if the cost and time it is being judged against was artificially inflated for purposes of claiming 3 points for such a scoring category? What happens if a developer commits to reducing construction timing by 20% and then switchgear delivery or some other delay causes the construction time to only have been reduced by 10%? There are too many variables in play for this scoring category to be effectively managed. It can only be evaluated 2 years or more after an application is initially submitted, and can only be administered by imposing penalties after a project is completed. Even without such a scoring category, every developer aims to reduce construction costs and construction timing as reducing either or both of these provides valuable financial incentive, such as lower construction loan interest, lower overhead and general requirements costs, and upward credit adjusters.

5. New Construction Scoring Criteria – Enhanced Sustainability

While we understand the importance of enhanced sustainability in developments in Minnesota and across the country, we believe the scoring for this category needs to be reduced. Even before the proposed changes in the 2026-2027 draft QAP, Minnesota has extremely high costs and tax credit awards per unit. Comparing construction costs of funding selections through the RFP with construction costs for 4% developments funded through Office of Management and Budget, the costs are significantly different, and a lot of the difference can be attributed to the enhanced sustainability. This leads to an inefficient use of resources on new construction developments, especially when comparing Minnesota costs to neighboring states such as Iowa and Wisconsin which consistently have tax credit awards with lower credits/unit. We believe that Minnesota has an excellent track record of producing high quality affordable housing and applaud the design standards in the Minnesota Rental Housing Design/construction Standards that have led to this. However, enhanced sustainability must be weighed against unit production, and we believe that other QAP provisions are adequate to allow for continued high quality projects in Minnesota. Another consideration is adding points to the Transit and Walkability category. Reducing or eliminating reliance on automobile use is a proven method of reducing carbon emissions.

Thank you again for this opportunity to provide feedback, and we look forward to working with the Agency to bring high quality affordable housing to the great people of Minnesota.

Sincerely,

A handwritten signature in black ink that reads "Parker Zee". The script is fluid and cursive, with the first name "Parker" being more legible than the last name "Zee".

Parker Zee, Vice President of Development
Woda Cooper Development, Inc.