Amendments to the 2024-2025 Housing Tax Credit Qualified Allocation Plan and the 2026-2027 Qualified Allocation Plan

Public Comments collected in November 2025

Table 1: A list of the public comments Minnesota Housing received in response to the proposed QAP Amendments.

November 14, 2025

Tamara Wilson
Minnesota Housing Finance Agency
400 Wabasha Street North, #400 St.
Paul, MN 55102

Dear Ms. Wilson:

I am writing with comments on the proposed amendments to and extension of the current Qualified Allocation Plan (QAP) to the 2026 – 2027 year.

As you know, public policy has prioritized the development of permanent supportive housing – for good reason. When paired with supportive services, supportive housing is effective in ending homelessness. Aeon has developed and operated numerous properties with permanent supportive housing units. These properties face numerous challenges, including funding of services and increased acuity of residents. Prior to the onset of the COVID-19 pandemic, we experienced a trend of increased acuity of supportive service needs of residents of permanent supportive housing, due in part to the opioid crisis. Additionally, the economic conditions experienced during and immediately following the COVID-19 pandemic, including the historic rise in inflation, dramatic increases in interest rates, elevated insurance and other operating and security costs, and reductions in rent collection have financially challenged operating budgets to the breaking point – negatively affecting the ability of nonprofit housing providers to sustain and operate these properties and provide home for their residents.

Existing supportive housing properties will need financial support to sustain operations while older properties without supportive housing units will require a path to preservation refinancing. The current QAP priorities make that difficult. Aeon supports public comments submitted to the 2024 QAP by the Housing Stability Coalition that requested that the QAP scoring be revised to create two distinct tracks within the QAP: one for preservation of affordable housing projects irrespective of the number of PSH units and the other that continues to prioritize permanent supportive housing in its point structure.

A two-track scoring approach would allow us to protect the critical affordable housing assets currently serving our community, while continuing to provide permanent supportive housing that prevents and ends homelessness and provides individuals in PSH units with the services they need ***at the level they need*** to remain stably housed. The proposed amendments to the QAP that extend its term will delay consideration of this change and delay potential opportunities to refinance existing properties. We urge the state to consider this change sooner.

Sincerely,

Caroline Horton

Caroline Horton
Interim CEO/President

Beacon
INTERFAITH HOUSING COLLABORATIVE

Tamara Wilson
Minnesota Housing Finance Agency
400 Wabasha Street North, #400
St. Paul, MN 55102

November 13, 2025

Dear Ms. Wilson:

Beacon Interfaith Housing Collaborative is one of Minnesota's leading developers and operators of permanent supportive housing. We deeply value our partnership with Minnesota Housing and the shared goal of creating and preserving homes for Minnesotans with the lowest incomes.

We are writing regarding the proposed amendments and one-year extension of the Qualified Allocation Plan (QAP) for 2026–2027. While we support the necessary technical change to comply with federal law (reducing the bond test from 50% to 25% to trigger 4% LIHTCs), we are very concerned that the QAP is otherwise being extended without substantive changes in response to today's dramatically different operating environment.

Supportive housing providers like Beacon are facing unprecedented financial and operational strain. Service funding has not kept pace with residents' increasingly complex needs, shaped by the opioid crisis and behavioral health challenges. At the same time, inflation, interest rates, insurance, security, and other operating costs have all risen sharply while rent collections are under pressure. These conditions put supportive housing buildings and affordable housing portfolios at risk.

Yet the current QAP structure effectively requires almost every competitive project to add permanent supportive housing (PSH) units to score well, regardless of whether the owner has the experience or scale to deliver high-quality services. This "one-size-fits-all" approach dilutes limited-service dollars across many buildings, makes it difficult to staff appropriately, and pushes some owners into work they are not equipped to do. It also makes PSH projects more challenging to finance, at a time when many tax credit investors are signaling more caution about PSH and a preference for projects with experienced, proven PSH sponsors.

Beacon strongly urges Minnesota Housing to move away from this single-track approach and adopt a **two-track QAP scoring system** beginning in 2026:

1. **A Preservation & General Affordable Housing Track**
   - Prioritizes preservation and recapitalization of existing affordable housing.
   - Allows projects to be competitive **without** adding new PSH units when that is not appropriate for the owner, residents, or financial structure.
2. **A Dedicated Permanent Supportive Housing Track**
   - Continues to prioritize Housing First and PSH for people experiencing or exiting homelessness.
   - Focuses PSH resources and incentives on projects led by experienced PSH providers that can deliver the level and intensity of services residents truly need.

This two-track framework would:

- Protect and stabilize existing affordable housing assets for thousands of Minnesotans.
- Strengthen PSH outcomes by concentrating PSH in developments designed and staffed for that

purpose.
- Better align Minnesota's LIHTC projects with investor appetite, reducing the risk that good projects fail to attract equity or require higher levels of scarce public subsidy.

For these reasons, we respectfully ask Minnesota Housing to:
- **Reverse the decision to extend the current QAP for another year without substantive changes**, beyond the necessary federal compliance fix; and
- **Immediately begin developing a more significant amendment for 2026–2027** that creates a two-track scoring system and aligns with the realities facing both supportive housing and general affordable housing providers.

Beacon stands ready to work with you on these changes. The financial strain on our field—and the risk to the Minnesotans who rely on supportive and affordable housing—is too great to wait another year.

Sincerely,

Benjamin Helvick Anderson

Ben Helvick Anderson
VP of Policy and Organizing
Beacon Interfaith Housing Collaborative
612-760-3129
bhelvickanderson@beaconinterfaith.org

APPENDIX: Prior Affordable Housing Industry Public Comments about Minnesota's Qualified Allocation Plan (QAP) and Permanent Supportive Housing

This appendix includes public comments previously provided by the affordable housing industry to Minnesota Housing relating to requested amendments to the Qualified Allocation Plan and/or Permanent Supportive Housing.

Public Comment Letter on Initial Draft QAP – Submitted July 1, 2024

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.

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.

Public Comment Letter on QAP Final Version – Submitted September 19, 2024

- "While many of our concerns from our July 1 letter remain, we want to reiterate, in particular, our request to change the policy that awards higher points for inclusion of PSH units across all types of developments, thereby making it nearly impossible under current funding levels for any project that does not include PSH units to win a funding award. To the contrary, the Proposed Changes Resulting from Public Comments indicates an ***increased*** blanket prioritization for PSH units by creating an entirely new criterion for "Other Homeless" in order to "incentivize primarily supportive housing projects to increase the total number of homeless units." Practically speaking, "incentivize" really means "require" due to the amount of funding available.

- "Nonprofit housing providers are severely strained right now. Requiring (by virtue of funding limitations) PSH units to be included in all funded projects is a currently unfunded mandate that puts the entire housing development – and all its other residents, in particular – at risk.

- "We strongly urge Minnesota Housing to create two tracks: one for preservation of affordable housing projects irrespective of the number of PSH units and the other that continues to prioritize permanent supportive housing in its point structure. A two-track approach will allow us to protect the critical affordable housing assets currently serving our community, while continuing to take a "housing first" approach that prevents and ends homelessness and provides individuals in PSH units with the services they need and deserve to remain stably housed. Over the years, our shared commitment has resulted in thousands of Minnesotans securing and sustaining permanent housing. We look forward to continuing that partnership at the level that funds allow."

Final Report of the Task Force on Long-Term Sustainability of Affordable Housing – February 2025

The QAP scoring process was the primary topic of the first two recommendations of the 19-member Task Force:

1. **Report Recommendation #1**: The Task Force recommends that the Minnesota legislature partner with Minnesota Housing, non-profit housing leaders, tenant rights organizations, and Minnesota renters to coordinate two evaluations. One to evaluate Permanent Supportive Housing and deeply affordable housing models, and potential flexibility in regulatory requirements of existing affordable housing, further defined in *Appendix B*. The other to research options and develop recommended changes to QAP scoring and other recommendations or options to provide increased financial and operational flexibility for housing providers. Chairs of the Senate Housing Committee should appoint an advisory team that includes representatives from the organizations above to conduct the evaluations. These evaluations can occur simultaneously and should be reported back to the Minnesota Legislature by January 1, 2026.
    a. **Appendix B**
    Recommendation 1 Further Details:
    The evaluation shall be of the effectiveness of the 100% Permanent Supportive Housing (PSH) model, "integrated" PSH model, and integrated deeply affordable units without designated services model. Evaluation should consider necessary service funding amounts and sources, resident experience and outcomes in the 100% PSH model, integrated PSH units, and deeply affordable, non-supportive housing units with integrated units in the building, financial performance of operations, financial impact on the owner/parent organization, whether and to what degree resident/tenant service needs are met, the effectiveness of the Coordinated Entry System (CES) in matching residents with available units and needed supportive services, and make recommendations for the long term sustainability of each model for both existing projects and future projects. Options need to take into consideration key implementation and tenant protection policies, processes, and procedures, including but not limited to the following:

- *Flexibility in income/rent restrictions that enable the affordable property to operate successfully on behalf of its residents beyond year 15. Adjustments may include loosening affordability requirements in a portion of units and/or relaxing ongoing monitoring and compliance requirements. Guardrails should be implemented to ensure responsible use of public resources and may include a focus on nonprofit/mission-based ownership, as well as incentives to maintain affordability beyond 30 years.*
- *The goal of allowing greater flexibility in income and rent restrictions is to preserve the maximum number of affordable units and level of affordability of each affordable unit after year 15. Options may include allowing flexibility on all or a portion of the units to serve mixed-income populations by allowing higher rents for some or all units in a property as allowed by federal law. Options may also include reduced compliance requirements on restricted units.*
- *Implementation of flexibility to reduce income and rent restrictions shall require the establishment of guardrails to guide the process to determine how/when there may be regulatory flexibility granted beyond year 15. These guidelines should include a focus on housing stability for existing tenants, including tenant protections that maintain existing rent requirements. For any units allowed to increase rents for new tenants, the owner may not discriminate based on source of income in determining tenant eligibility for these units and at least half of the units granted flexibility to increase rents must maintain rents at or below Housing Choice Voucher Payment Standards.*
- *Outline an efficient, time sensitive process that responds to market conditions, such as utilizing a more robust and transparent ISG process.*
- *Explore the potential of income averaging in the extended use years.*
- *Flexibility should be added to the original LURA for new projects amended LURA for existing projects. The LURA for the first 15 years and a commitment to a new LURA for the 2nd 15 years that is based on economics and performance at year 15.*

2. **Report Recommendation #2:** The Task Force recommends Minnesota Housing and local suballocator jurisdictions to amend current Qualified Allocation Plans (QAPs) for the allocation of Low Income Housing Tax Credits (LIHTCs) by June 1, 2026 to revise selection criteria structure and consider what additional changes are required once evaluations of 100% permanent supportive housing (PSH) and integrated permanent supportive housing (PSH) models are completed.
   a. **Appendix B**
      Recommendation 2 Further Details:
      Changes by June 1, 2026 shall include:
      - *Prioritize supportive housing in models with 100% or majority permanent supportive housing (PSH).*
      - *Recognizing that there are unique challenges of operations under the integrated PSH model, Minnesota Housing and local suballocators shall ensure that units funded under the integrated PSH model have adequate (as defined by Minnesota Housing and agreed to by the service provider) service funding that is secured or provided by Minnesota Housing in partnership with the Minnesota Department of Human Services, and*

committed in conjunction with capital funding awarded.

- *Direct the Interagency Council on Homelessness to facilitate the development of a funding plan using existing resources and programs administered by Minnesota Housing (including state funds appropriated in 2023 for Supportive Housing) and existing resources and programs administered by the Minnesota Department of Human Services.*
- *Minnesota Housing is further directed to provide technical assistance to local government recipients of LAHA/SAHA on structuring these resources to provide service funding for PSH units in local government jurisdictions. Local funding, through LAHA/SAHA may be included in the service funding package awarded to PSH projects at the time capital funds are awarded.*
- *Minnesota Housing to direct the CES statewide to develop a strategy to refer unhoused individuals to housing opportunities that provide the level of on-site services that match the acuity level of PSH residents' needs. This directive applies to all units required by Minnesota Housing and local funders to be leased through the CES (not requirements directly tied to only Department of Housing and Urban Development funding).*
- *Fund 100% PSH projects with only non-amortizing debt and review pre-2020 PSH projects for possible debt restructure to modify debt.*

Public Comment on the Affordable Housing Plan – Submitted September 12, 2025

7) Make Minnesota an attractive state for LIHTC investors.
In the discussion of the Low-Income Housing Tax Credit (LIHTC) (pages 6-7), the plan references the increased federal budget allocations but then goes on to state that "most projects will continue to need the same amount or more of deferred loan resources to fill funding gaps." We recommend that Minnesota Housing review its QAP with an eye toward ensuring that Minnesota is an attractive state for LIHTC investors. Given current distress in the industry, the significant uncertainty, and the real potential for substantial future cuts, we strongly advise the Agency to prioritize LIHTC funds for preservation of existing affordable housing assets. What else can the Agency do to maximize the impact of the increased LIHTC funds?

Comments from tax credit investors during facilitated discussion – September 2025
Overall, we heard from tax credit investors that they view Minnesota as an unappealing state for their investments due, in part, to the PSH practical requirement (since any development without PSH units will not be competitive) across all affordable housing types. Investors are much more comfortable investing in PSH units that are run by mission-oriented investors with deep expertise and a long track record in providing supportive services. Writ large, they are not investing in developments with integrated supportive housing or run by housing providers who are not experts in supportive housing. When federal funding is being cut across a variety of programs that are critical to our collective mission, it becomes ever more essential that we reexamine our statewide policies and points allocation criteria in a way that will increase the level of private investment in the state. A few additional relevant points they made include the following:

- Investors are particularly concerned about sponsors "chasing points" within Qualified Allocation Plans (QAPs) and taking on the responsibility PSH units within LIHTC projects, especially High-priority Homeless units. They expressed particular concern about small and emerging developers with no experience in managing PSH taking on responsibility for these commitments.

- Investors are seeing delays in initial lease up of PSH units in certain markets due to issues in the CES process. In the past, a 5% vacancy factor would be used for project-based subsidized PSH units, but now investors are underwriting to a 7% or 10% vacancy factor.
- Regarding the Minnesota market – historically it has been a highly sought-after market by investors, with most projects able to attract multiple bids with strong pricing. That is no longer the case in the current market.
- Panelists expressed a range of opinions about the future appetite by investors for projects with PSH – some investors are reluctant to do any projects with PSH, others will do projects with PSH only in certain geographic areas and with experienced, proven owner/service provider teams. Minnesota is still generally seen positively as a market where PSH is supported and there are strong owner/service provider teams.
- All investors, including those with an appetite for projects with PSH, are scrutinizing transactions with PSH much more closely and being more selective about the deals they choose. Some investors expressed increased concern about the financial and organizational strength of developers with PSH units and future of adequate service funding for those projects. Investors are concerned about whether the current Administration will continue to fund renewals of Continuum of Care (CoC) subsidies and how that may impact existing portfolios of developers who have used these funds on past developments with PSH.
- Need to be willing to “Fix the Mix” in some supportive housing projects – to allow some units in a project to move AMI restrictions to higher levels, or to introduce temporary or permanent relief provisions in rent and income restriction commitments. Such actions would allow projects to retain some units for chronically homeless residents while generating more revenue from other units in the project. Rent subsidies have not kept pace with escalating costs in supportive housing (e.g., more damage to units; higher security and case management costs than originally anticipated). Applaud the state and local staff for starting to look at temporary/permanent relief provisions as a tool to stabilize the cash flow for affordable projects.

Minnesota Housing Stability Coalition Members

Accessible Space,
Inc.
Aeon
Agate Housing and Services
Alliance Housing
American Indian Community Development Corporation (AICDC)
Avivo
Beacon Interfaith Outreach
Catholic Charities Twin Cities
Center City Housing
Clare Housing
Common Bond Communities
CSH
Family Housing Fund
Greater Twin Cities United Way
Greater Minnesota Housing
Fund Hope Community
Housing In Action
Interfaith Outreach
LISC Twin Cities
Minnesota Housing Partnership
Minnesota Consortium of Community Developers
Model Cities
Our Saviour's Community
Services Peris Housing
Project for Pride in Living
Redesign
Inc RS
Eden
Simpson Housing
Southwest Minnesota Housing Project
Trellis
Touchston
e
Twin Cities Housing Development Corporation
Volunteers of American MN

Minnesota Housing Finance Agency
400 Wabasha Street North, Suite 400
St. Paul, MN 55102

Re: Comments on the 2026–2027 Qualified Allocation Plan (QAP)

Dear Minnesota Housing Staff and Board,

Thank you for the opportunity to comment on the proposed 2026–2027 Qualified Allocation Plan. We appreciate Minnesota Housing's commitment to transparency and its efforts to solicit feedback from partners across the affordable housing sector.

That said, we are disappointed that many of the concerns and recommendations we shared in our previous 2024 letter appear to remain unaddressed while moving forward a one-year extension of the current QAP without substantive changes. As a long-standing nonprofit affordable housing developer, owner, and service provider, CommonBond continues to see a disconnect between the policy priorities outlined in the QAP and the practical realities of preserving and developing affordable housing in today's environment. In our earlier comments, we emphasized the following priorities:

- **Preservation:** We urged Minnesota Housing to better recognize varying levels of physical and financial distress among preservation projects, to allow for more flexible application timing, and to adjust scoring so that critical preservation efforts can realistically compete for funding. The current framework still makes it difficult for deeply distressed properties to qualify, leaving many vital affordable units at risk. Urgency and nimbleness is paramount in the interest of preserving housing assets, previous public investments and non-profit operator health.
- **Supportive Housing:** We raised ongoing concerns about the financial feasibility of supportive housing given higher operating costs, waning insurance and investor options, the need for sufficient reserves and the limits of philanthropic capacity to make services possible. The continued emphasis on higher thresholds for supportive housing without corresponding adjustments to underwriting standards, services and capital funding coordination, and reserve requirements threatens the long-term stability of these developments and ignores the realities that are present.
- **Innovative Construction:** While we support the goal of containing costs, we recommended a clearer and more outcome-based approach focused on total development costs rather than narrow construction techniques. The existing preference structure remains challenging to implement and measure effectively.

We respectfully ask Minnesota Housing to revisit these areas with renewed attention to the feedback provided by preservation and supportive housing practitioners. Greater alignment between the QAP's scoring framework and on-the-ground realities will be critical to preserving existing affordable housing and ensuring the financial and operational sustainability of new developments and their mission-driven owner/operators as well.

Thank you for your continued partnership. We appreciate your consideration of these comments and would like to understand how this feedback is being integrated into the Agency's go forward approach. We remain committed to working collaboratively with Minnesota Housing to advance our shared mission of providing safe, stable, and affordable homes for all Minnesotans.

HOME Line
8011 34th Ave S., Suite 126
Bloomington, MN 55425
Office Phone: 612.728.5770
Office Fax: 612.728.5761
www.homelinemn.org

November 14, 2025

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

RE: Second comment period on the 2026-2027 Qualified Allocation Plan

To Whom It May Concern:

HOME Line appreciates the opportunity to comment again 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.

As stated in our comments from July 3, 2024:

> *[O]ur remarks [are] 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.*

To address this issue, Minnesota Housing should implement a cap on future rent increases in LIHTC buildings. This is to ensure that current and future residents can feel secure in their homes and are not burdened by rent hikes that exceed what they can afford yearly and over the long term.

We appreciate your consideration.

Sincerely,
Michael Dahl, Public Policy Director
HOME Line

November 14, 2025

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) 2026-2028 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 thirty-two states.

The passage of the One Big Beautiful Bill Act and new 25% financed-by test for 4% LIHTC-Bond transactions creates a unique opportunity to expand affordable housing production across the state in 2026 and beyond. We appreciate that MHFA is proposing to amend its QAP to allow developers to take advantage of the change in law; however, the production potential of this legislative change is contingent on MHFA and local bond issuers limiting the amount of PABs per transactions to a reasonable level.

We support the proposed changes to the 2024-2025 QAP – given how far along these transactions are, it is not feasible to place any ceiling on aggregate basis; however, we strong recommend MHFA reconsider its proposed language in the 2026-2028 QAP. In addition to the "required minimum percentage" language we urge MHFA to set a hard ceiling that private activity bonds issued in connection with projects financed with tax-exempt bonds and 4% LIHTC shall not exceed 30 percent of the project's aggregate basis. If MHFA desires, it can also adopt waiver language that would allow developers at its full discretion to exceed this cap if it is deemed necessary to achieve permanent financing.

We observe that the vast majority of state housing finance agencies that are private activity bond constrained have adopted or are proposing to adopt a ceiling on PAB requests between 27.5% and 30% of aggregate basis.[1] We also observe that this aligns with the "25 Percent Test Implementation Recommended Practices" drafted by the Affordable Housing Tax Credit Coalition.[2]

[1] Some states agencies have adopted a standard of the greater of 30% of aggregate basis or the amount of PABs necessary for permanent financing.
[2] "To accomplish the balance needed to increase housing supply while also ensuring that bonds are used efficiently, we believe that a cap should be implemented on the percentage of volume cap that can be requested per project. The state can allow developers to meet the requirements of the 25 percent test and give a cushion to ensure that there are necessary funds available to ensure deals are financeable. We urge all state housing finance agencies (HFAs) and bond allocation agencies to adopt a cap on allocations of private activity bonds of no more than 27.5 percent to 30 percent2 of aggregate basis per project. Should HFAs wish, they can adopt additional language allowing them to waive this cap on a discretionary basis if a greater amount is necessary to secure permanent financing, or if in the future PABs are not oversubscribed." *See appendix for complete text of AHTCC recommendations*

LINCOLN AVENUE COMMUNITIES

Conclusion

Lincoln Avenue Communities appreciates the opportunity to work with MHFA on the drafting of its 2026-28 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 32 states, with a portfolio of 170 properties comprising 32,000+ units.

Cc: James Lenhoff
Jennifer Leimaile Ho

Appendix

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25 Percent Test Implementation Recommended Practices

Drafted by the Affordable Housing Tax Credit Coalition

For State and Local Housing Finance Agencies and Housing Credit and Bond Allocating Agencies

September 2025

The Affordable Housing Tax Credit Coalition is a trade organization of housing professionals who advocate in support of the Low-Income Housing Tax Credit.

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SUMMARY OF RECOMMENDATIONS

- Setting a Private Activity Bond (PAB) Aggregate Basis Ceiling
- Establishing and/or Enhancing Bond Recycling Programs
- Maximizing PABs for Multifamily Development
- Providing Tools to Incentivize Developers to Return Excess Volume Cap
- Bifurcating 4% and 9% Policies to Maximization Bond Program Production

Preface

The One Big, Beautiful Bill Act, signed into law on July 4, 2025, lowered the bond financing threshold required to access 4 percent Housing Credits from 50 percent to 25 percent, unleashing tremendous potential to increase our nation's affordable housing supply.

The passage of the "25 percent test" presents a path to effectively double the current output of affordable housing financed by the 4 percent Low-Income Housing Tax Credit (Housing Credit) in states with over-subscribed PAB volume cap – estimated to finance over 1.14 million affordable homes over the next decade, according to Novogradac[1].

The best way to ensure that the necessary growth happens is a dual policy of carefully managing the state's PAB volume cap and adopting supporting policies that maximize debt and equity proceeds. This is a pivotal point in time, and one that requires proper guardrails to help facilitate the housing preservation and growth that country desperately needs.

Setting a PAB Aggregate Basis Ceiling: Part 1

To accomplish the balance needed to increase housing supply while also ensuring that bonds are used efficiently, we believe that a cap should be implemented on the percentage of volume cap that can be requested per project. The state can allow developers to meet the requirements of the 25 percent test and give a cushion to ensure that there are necessary funds available to ensure deals are financeable. We urge all state housing finance agencies (HFAs) and bond allocation agencies to adopt a cap on allocations of private activity bonds of no more than 27.5 percent to 30 percent[2] of aggregate basis per project.

[1] https://www.novoco.com/notes-from-novogradac/senate-finance-committee-releases-fy-2025-budget-reconciliation-bill-that-includes-permanent-lihtc-expansion-novogradac-estimates-122-million-additional-affordable-rental-homes-over-2026-2035

[2] It should be noted that a cap of 27.5% under the 25% test would be equivalent to a cap of 55% under the 50% test.

Should HFAs wish, they can adopt additional language allowing them to waive this cap on a discretionary basis if a greater amount is necessary to secure permanent financing, or if in the future PABs are not oversubscribed.

Setting a PAB Aggregate Basis Ceiling: Part 2

We recognize that not all Housing Credit allocating agencies control the issuance of some or all multifamily private activity bonds in their respective jurisdictions. In these scenarios we recommend the allocating agency proactively engage with their respective sister agencies and local issuers to align PAB allocation priorities. In scenarios where Housing Credit allocating agencies do not control PAB allocations, we urge them to adopt qualified allocation plan (QAP) policies indicating that they will not issue or approve 4 percent Housing Credits for bond financed properties that are issued after December 31, 2025, if their original issued PABs (i.e. non-recycled bonds) exceed 30 percent of aggregate basis.

Establish and/or Enhance Bond Recycling Programs

We encourage state and local housing finance agencies to take immediate steps to set up multifamily private activity bond recycling programs. This will allow HFAs to stretch existing allocations of PAB volume cap further and offset the negative financial impact of having a higher proportion of taxable debt in the capital stack. In typical yield-curve environments taxable debt carries a higher interest rate, reducing the amount of debt proceeds available to finance affordable housing.

Establishing a multifamily residential rental housing bond recycling program benefits multiple stakeholders including:

1. The borrower, who benefits with lower interest rates and increased proceeds.
2. The state HFA, which benefits from larger issuances and increased fee potential that is associated with large transactions.
3. And most importantly, low-income individuals and families will benefit from increased affordable housing production.

Establishing a bond recycling program today positions agencies for future. The 2008 Housing and Economic Recovery Act (HERA) authorizes the reuse or "recycling" of multifamily private activity bond volume cap to finance new affordable multifamily rental housing projects under certain conditions. Such "recycled" bond volume does not entitle the new project to which it is allocated to qualify for 4 percent Housing Credits; however, as stated above it produces a much lower borrowing rate and in many transactions, enhanced feasibility.

There are several due diligence steps an HFA must evaluate before enacting a recycling program – the most important being whether the issuer has issued a sufficient volume of tax-exempt bonds in previous years that there are sufficient projected pay downs or pay offs that volume that can be recycled and justify the costs of setting up a program. HFAs may consider the recycling programs in California, Colorado, New York, and Washington as potential templates. We note that there are several third-party firms that can assist HFAs in tracking and managing bond issuances should staffing bandwidth be a challenge in setting up a recycling program.

Maximize PABs for Multifamily Development

We urge HFAs and/or the state agencies and officials that manage and/or assign PABs to maximize allocations of PABs in 2026 to housing and to prioritize allocations specifically for multifamily housing over other uses. The legislative changes adopted in the One Big, Beautiful Bill Act will only achieve their intended outcomes if sufficient PABs are made available for 4 percent Housing Credit properties.

We recognize that PABs can be used to serve many important policy priorities and stakeholders, and that prioritizing PABs for multifamily housing implicitly may limit other potential uses. Given the housing supply crisis and the intent of Congress and the Administration to increased affordable housing production through the Housing Credit provisions in One Big, Beautiful Bill, we believe that this prioritization is warranted, at least in the short-term. Furthermore, every dollar of private-activity bonds leveraged in a multifamily Housing Credit transaction (up to the amount needed to meet the aggregate basis threshold test) can leverage more than one dollar of additional federal funds matching funds in the form of Housing Credit equity.[3] No other use of PABs generates these additional as-of-right matching funds.

To appropriately scale PAB allocations for 2026, we encourage HFAs and bond allocating agencies to survey stakeholders to better understand current and anticipated PAB demand dynamics.

Tools to Incentivize Developers to Return Excess Volume Cap

We recognize that many potential transactions that will be eligible to leverage the 25 percent test have previously received awards of PABs at higher amounts. To be good stewards of the scarce resource while not negatively impacting the financial viability of previously funded projects, we encourage state agencies to consider adopting incentives to encourage developers to voluntarily return excess PABs. These incentives could take several potential forms including:

- Supplemental developer fees (which can be deferred) can compensate the developer for the increased financial risk and potentially generate additional tax credit eligible basis. This is an approach recently adopted by the California Debt Limit Allocation Committee.
- For states that have a hard-dollar cap on Housing Credits (per unit and/or total ceiling), HFAs should consider lifting this cap.

[3] https://www.bondbuyer.com/news/advocates-want-californias-pab-allocation-directed-to-housing and https://www.novoco.com/notes-from-novogradac/reasons-prioritize-private-activity-bonds-rental-housing

- Create a competitive incentive for future competitive rounds to compensate developers for the lost permanent proceeds (e.g., a lottery priority or tiebreaker incentive).

Bifurcate 4 Percent and 9 Percent Policies to Maximization Bond Program Production

A growing trend among state housing finance agencies around the country is to develop bifurcated and differentiated 9 percent and 4 percent policies in key policy areas. This allows HFAs to carefully calibrate their policies and procedures for each program without triggering unintended consequences for the other program. This can be achieved through defined 4 percent and 9 percent sections within a single QAP and/or appendices, or by adopting separate QAPs for each program, as has been implemented in Ohio, Iowa, Tennessee[4] and New Mexico[5]. There are several areas that could be differentiated to offset the negative financial impacts of a lower aggregate basis cap, including developer fees, limitations on acquisition basis, minimum design and construction requirements, income targeting requirements or incentives, minimum scores, geographic-based scoring, caps or limitations and/or outside leverage requirements.

Bifurcation strategies can produce more efficient and scaled 4 percent Housing Credit transactions that are less reliant on the need for soft-funds and/or "twinning" structures. The net result should be more unsubsidized bond deals which can empower HFAs to fund additional harder-to-finance but deeply impactful 9 percent projects serving rural areas, special needs populations and/or deeply income targeted populations. Bifurcated programs may also allow HFAs better meet the backlog of preservation projects, especially in communities where local soft-financing is not available for new construction.

[4] Tennessee Housing Development Agency administers its 4% bond program in its Bond Program Description.
[5] New Mexico Mortgage Finance Agency has indicated that it will adopt separate QAPs for the 4% & 9% programs in its 2026 program year.

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

MCCD
Minnesota Consortium of Community Developers

Dear Tamara Wilson, November 14, 2025

On behalf of the Minnesota Consortium for Community Development (MCCD), thank you for Minnesota Housing's ongoing partnership in advancing affordable housing opportunities across our state. MCCD is an association of nonprofit community development organizations and Community Development Financial Institutions (CDFIs) committed to expanding the wealth and resources of communities through housing and economic development initiatives. MCCD's mission is to work collectively to expand economic prosperity by investing in and stewarding community development resources.

We share Minnesota Housing's belief that all Minnesotans deserve access to safe, stable, and affordable homes. We also know that to fully achieve this vision, policies and investments must intentionally address the harms and inequities that have long impacted BIPOC and other marginalized communities.

In recognition of our shared mission, MCCD appreciates the opportunity to provide the following comments on the proposed extension of the 2026-2027 Qualified Allocation Plan.

Discussions with our members and other key stakeholders have led us to recommend creating two tracks within the QAP: one for preservation, and one for permanent supportive housing units. When applying, projects could either select "Preservation" or "Permanent Supportive Housing" to help ensure that projects that do not have PSH units would still be competitive for funding. This change would be transformational in ensuring that we preserve all types of affordable multifamily housing units. This proposed change was also reflected in previous letters MCCD sent regarding the 2026-2027 QAP with greater detail.

We appreciate that the extension of the current QAP to 2028 allows for more predictability and consistency for applicants since the selection criteria would remain the same for another round. However, we recommend that given the significant changes and instability to the housing landscape that Minnesota Housing work with providers to design a comprehensive plan of how to utilize the increased amount of Low-Income Housing Tax Credits (LIHTC) that will be now available in the market. This would allow providers to ensure that they are able to secure LIHTC investments, and that this federal resource can be fully utilized in Minnesota. MCCD is happy to convene our members for a meeting with Minnesota Housing to discuss the opportunities created with the increased availability of LIHTC. One possibility we are particularly interested in is the ability to utilize LIHTC for fortified building materials to increase resiliency to natural disasters.

Thank you again for your continued partnership and the opportunity to provide comments on the proposed changes to the QAP. We welcome the opportunity to meet with your team to discuss these recommendations further. Please contact Kelly Law, Senior Policy and Field Building Advisor at MCCD, at 612-865-3170 or klaw@mccdmn.org, should you need any further information now or in the future.

Sincerely,

Elena Gaarder

Elena Gaarder
Chief Executive Officer, MCCD

November 14, 2025

Tamara Wilson
Minnesota Housing
400 Wabasha St N #400
St Paul, MN 55102
Via Email: htc.mhfa@state.mn.us

RE: Proposed Changes to 2024-2025 Housing Tax Credit Qualified Allocation Plan and the 2026-2027 Qualified Allocation Plan

Dear Ms. Wilson,

Thank you for considering the following feedback on the proposed 2024-2025 and 2026-2027 Qualified Action Plan (QAP). **Minnesota Housing Partnership (MHP)** convenes, guides and mobilizes diverse partners working to improve the conditions of home and community, from private developers and tribal leaders to government and non-profit partners. We provide capacity building and technical assistance in rural areas and Native Nations, produce original research, and work with housing partners across our state to advocate for policies that advance affordable housing and strengthen communities.

We repeat concerns expressed in our 2024 comments, in particular our **recommendation to establish a set aside or two-track process for permanent supportive housing and preservation projects without supportive units.** This would allow both housing types to be competitive for funding, important for helping to preserve a range of housing options that are important within our affordable housing ecosystem. Forcing projects to add supportive housing units to be competitive in the QAP is not a wise, long-term strategy for financial stability of these or other important projects.

In addition, given the significant changes and instability to the housing landscape, we request that Minnesota Housing work with providers to design a comprehensive plan of how to utilize the increased amount of Low-Income Housing Tax Credits (LIHTC) that will be now available in the market. MHP regularly convenes partners to provide feedback to Minnesota Housing on topics such as this and would be pleased to help solicit feedback on LIHTC opportunities.

While we understand the desire to provide consistency through extending the 2026-2027 QAP for one year, through 2028, MHP notes that federal funding uncertainty, market changes, and other environmental factors are creating an untenable situation for many providers – a situation particularly acute for permanent supportive housing properties and residents who reside therein. More changes will be needed to balance risk of loss, capital needs, and long-term sustainability.

We also note the addition of the section on “Local Actions to Support Housing” and support the two points being awarded to communities that proactively support policies that facilitate the production of housing and help increase Minnesota’s housing supply.

Thank you for the opportunity to submit feedback.

Sincerely,

Elizabeth Glidden
Deputy Executive Director
Minnesota Housing Partnership

MINNESOTA
HOUSING STABILITY
COALITION

Tamara Wilson
Minnesota Housing Finance Agency
400 Wabasha Street North, #400
St. Paul, MN 55102

November 14, 2025

Dear Ms. Wilson:

On behalf of the Minnesota Housing Stability Coalition, we write to underscore the concerns of our members related to the proposed amendments to and extension of the current Qualified Allocation Plan (QAP) to the 2026 – 2027 year.

The Minnesota Housing Stability Coalition (the "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 multiple social, economic, and public policy trends that are exacerbated in supportive housing units.

As you know, public policy has prioritized the development of permanent supportive housing – for good reason. When paired with supportive services, supportive housing is effective in ending homelessness. Affordable housing providers across the state committed to this public policy objective by developing and operating permanent supportive housing units; however, supportive services for these supportive housing units have not been adequately funded at the level needed to support residents. Compounding the inadequate funding problem is the increased acuity of residents. Prior to the onset of the COVID-19 pandemic, affordable housing providers experienced a trend of increased acuity of supportive service needs of residents of permanent supportive housing, due in part to the opioid crisis. Additionally, the economic conditions experienced during and immediately following the COVID-19 pandemic, including the historic rise in inflation, dramatic increases in interest rates, elevated insurance and other operating and security costs, and reductions in rent collection have financially challenged operating budgets to the breaking point – negatively affecting the quality of life of residents and the ability of nonprofit housing providers to sustain operations and maintenance needs. Newly proposed changes to funding rates and processes for Continuums of Care will exacerbate these challenges even further.

As a result of these conditions, the Coalition members have invested heavily in improving their property portfolio operations and asset management. Concurrently, the Coalition has advocated for public policy changes, including new tools and approaches to recognize the changed affordable housing landscape in Minnesota. The Housing Stability Coalition has compiled compelling data that illustrates the financial realities facing housing providers. We've convened and interviewed hundreds of people – including affordable housing residents - from scores of organizations statewide to better understand the problem and identify systems solutions to support the tens of thousands of Minnesota residents who depend on affordable rental housing. Together, we are charting a path forward to stabilize residents and the affordable housing rental industry. Learn more and read our research at mnhousingstability.org.

The Coalition is disappointed that Minnesota Housing has proposed a one-year extension of the existing QAP without substantive changes. We recognize and support the importance of the proposed technical change to comply with the new federal law change reducing the percentage of basis financed with tax exempt private activity bonds from 50 percent to 25 percent to trigger eligibility for 4% Low Income Housing Tax Credits. Yet, given all that we have learned through our portfolio financial analyses and deep engagement with housing providers, we cannot support Minnesota Housing's position that fails to make changes to the QAP to address the drastically changed market conditions we face today and expect to face for the indefinite future.

Our coalition members twice submitted public comments to the 2024 QAP and also to the 2025 Affordable Housing Plan. In each case, we requested that the QAP scoring be revised to create two distinct tracks within the QAP: one for preservation of affordable housing projects irrespective of the number of PSH units and the other that continues to prioritize permanent supportive housing in its point structure. Further, the Final Report of Recommendations from the legislatively authorized Task Force on the Long-Term Sustainability of Affordable Housing includes these same recommendations to change QAP scoring. They were underscored yet again during a recent facilitated conversation with tax credit investors and Minnesota Housing. Despite extensive engagement, none of these recommended amendments are reflected in the proposed amendments to the QAP.

Now, the agency proposes extending the status quo for yet another year without addressing the changes the industry has consistently called for. The results of this proposed policy decision will be felt by all stakeholders of the housing system – would-be residents, developers, public funders - and likely puts Minnesota affordable housing projects at a competitive disadvantage to attract increasingly scarce LIHTC investment equity. As you know, the federal law changes will increase the amount of LIHTCs available in the market, yet it does not produce an equal increase in the appetite for this investment among LIHTC investors. If Minnesota does not set its LIHTC projects up for competitive LIHTC pricing, we will instead create the need for increased public subsidy. Worse, some projects may fail to attract investment interest at any price.

A two-track scoring approach would allow us to protect the critical affordable housing assets currently serving our community, while continuing to take a *Housing First* approach that prevents and ends homelessness and provides individuals in PSH units with the services they need ***at the level they need*** to remain stably housed. The most recent changes to the QAP did not incorporate this request, but instead actually ***increased*** the blanket prioritization for PSH units by creating an entirely new criterion for "Other Homeless" in order to "incentivize primarily supportive housing projects to increase the total number of homeless units." Practically speaking, "incentivize" really means "require" due to the limited amount of funding available.

Supportive housing services are essential to some populations and these individuals deserve to live in homes managed by housing providers who are expert in their needs and with a level of services that is commensurate with the challenges residents face in maintaining stable housing. Minnesota Housing's current approach of incentivizing every affordable rental project seeking funding under the QAP to include PSH units or be declined due to lack of competitiveness is not serving the system. Instead, this approach results in a dilution of the supportive service funding across many buildings that do not benefit from economies of scale or deep expertise. It also results in a dilution of the service level because buildings with a scattering of PSH units cannot support dedicated full-time building staff. The financial model is also proving untenable to many housing providers who are primarily experts in providing high-quality affordable housing but are not expert in the service needs of individuals exiting homelessness or those in the grips of serious substance abuse disorder.

This point was underscored during a candid conversation with tax credit investors that the Coalition convened early this fall that included all LIHTC allocating agencies, including Minnesota Housing. We heard loud and clear from tax credit investors that their view of PSH has changed. Some investors are reluctant to do any projects with PSH, some are limiting their investment in PSH to a small percentage of their overall investment portfolio, while others are willing to invest in PSH projects only in certain geographic areas and with experienced, proven owner/service provider teams. This indicates support for our proposal to create two distinct tracks within the QAP – one that focuses new and recapitalized PSH units under the management of long-established, proven PSH providers who can provide high-quality services at the level needed by residents and the other that supports the development and recapitalization of affordable housing projects without requiring that projects add additional units of PSH into the pro formas.

The same group of investors also emphasized the need to "Fix the Mix" in some existing supportive housing developments by allowing some units in a project to move area median income (AMI) restrictions to higher levels, or to introduce temporary or permanent relief provisions in rent and income restriction commitments. Such actions would allow projects to retain some units for chronically homeless residents while generating more revenue from other units in the project, since rent subsidies have not kept pace with escalating costs in supportive housing (e.g., more damage to units and higher security/case management costs than originally anticipated).

For your reference, we have compiled previous public comments that the affordable housing industry has submitted on this topic. It is included as an appendix to this letter.

Again, we are compelled to underscore the urgency of our request to Minnesota Housing to change its approach. Our industry is in dire financial straits and we cannot afford to wait another year … or more. We urge you to amend the public policies that perpetuate one size approach that puts limited public resources at risk. **We ask you to reverse your decision to extend the existing QAP for another year and, instead, immediately begin development of a more significant amendment that will go into effect in 2026 and incorporate our suggestions above.**

Sincerely,

Colleen E. G. Ebinger

Colleen Ebinger
Project Manager
Minnesota Housing Stability Coalition

APPENDIX: Prior Affordable Housing Industry Public Comments about Minnesota's Qualified Allocation Plan (QAP) and Permanent Supportive Housing

This appendix includes public comments previously provided by the affordable housing industry to Minnesota Housing relating to requested amendments to the Qualified Allocation Plan and/or Permanent Supportive Housing.

Public Comment Letter on Initial Draft QAP – Submitted July 1, 2024

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.

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.

Public Comment Letter on QAP Final Version – Submitted September 19, 2024

- "While many of our concerns from our July 1 letter remain, we want to reiterate, in particular, our request to change the policy that awards higher points for inclusion of PSH units across all types of developments, thereby making it nearly impossible under current funding levels for any project that does not include PSH units to win a funding award. To the contrary, the Proposed Changes Resulting from Public Comments indicates an ***increased*** blanket prioritization for PSH units by creating an entirely new criterion for "Other Homeless" in order to "incentivize primarily supportive housing projects to increase the total number of homeless units." Practically speaking, "incentivize" really means "require" due to the amount of funding available.

- "Nonprofit housing providers are severely strained right now. Requiring (by virtue of funding limitations) PSH units to be included in all funded projects is a currently unfunded mandate that puts the entire housing development – and all its other residents, in particular – at risk.

- "We strongly urge Minnesota Housing to create two tracks: one for preservation of affordable housing projects irrespective of the number of PSH units and the other that continues to prioritize permanent supportive housing in its point structure. A two-track approach will allow us to protect the critical affordable housing assets currently serving our community, while continuing to take a "housing first" approach that prevents and ends homelessness and provides individuals in PSH units with the services they need and deserve to remain stably housed. Over the years, our shared commitment has resulted in thousands of Minnesotans securing and sustaining permanent housing. We look forward to continuing that partnership at the level that funds allow."

Final Report of the Task Force on Long-Term Sustainability of Affordable Housing – February 2025
The QAP scoring process was the primary topic of the first two recommendations of the 19-member Task Force:

1. **Report Recommendation #1**: The Task Force recommends that the Minnesota legislature partner with Minnesota Housing, non-profit housing leaders, tenant rights organizations, and Minnesota renters to coordinate two evaluations. One to evaluate Permanent Supportive Housing and deeply affordable housing models, and potential flexibility in regulatory requirements of existing affordable housing, further defined in *Appendix B*. The other to research options and develop recommended changes to QAP scoring and other recommendations or options to provide increased financial and operational flexibility for housing providers. Chairs of the Senate Housing Committee should appoint an advisory team that includes representatives from the organizations above to conduct the evaluations. These evaluations can occur simultaneously and should be reported back to the Minnesota Legislature by January 1, 2026.
    a. **Appendix B**
    Recommendation 1 Further Details:
    The evaluation shall be of the effectiveness of the 100% Permanent Supportive Housing (PSH) model, "integrated" PSH model, and integrated deeply affordable units without designated services model. Evaluation should consider necessary service funding amounts and sources, resident experience and outcomes in the 100% PSH model, integrated PSH units, and deeply affordable, non-supportive housing units with integrated units in the building, financial performance of operations, financial impact on the owner/parent organization, whether and to what degree resident/tenant service needs are met, the effectiveness of the Coordinated Entry System (CES) in matching residents with available units and needed supportive services, and make recommendations for the long term sustainability of each model for both existing projects and future projects. Options need to take into consideration key implementation and tenant protection policies, processes, and procedures, including but not limited to the following:

- *Flexibility in income/rent restrictions that enable the affordable property to operate successfully on behalf of its residents beyond year 15. Adjustments may include loosening affordability requirements in a portion of units and/or relaxing ongoing monitoring and compliance requirements. Guardrails should be implemented to ensure responsible use of public resources and may include a focus on nonprofit/mission-based ownership, as well as incentives to maintain affordability beyond 30 years.*
- *The goal of allowing greater flexibility in income and rent restrictions is to preserve the maximum number of affordable units and level of affordability of each affordable unit after year 15. Options may include allowing flexibility on all or a portion of the units to serve mixed-income populations by allowing higher rents for some or all units in a property as allowed by federal law. Options may also include reduced compliance requirements on restricted units.*
- *Implementation of flexibility to reduce income and rent restrictions shall require the establishment of guardrails to guide the process to determine how/when there may be regulatory flexibility granted beyond year 15. These guidelines should include a focus on housing stability for existing tenants, including tenant protections that maintain existing rent requirements. For any units allowed to increase rents for new tenants, the owner may not discriminate based on source of income in determining tenant eligibility for these units and at least half of the units granted flexibility to increase rents must maintain rents at or below Housing Choice Voucher Payment Standards.*
- *Outline an efficient, time sensitive process that responds to market conditions, such as utilizing a more robust and transparent ISG process.*
- *Explore the potential of income averaging in the extended use years.*
- *Flexibility should be added to the original LURA for new projects amended LURA for existing projects. The LURA for the first 15 years and a commitment to a new LURA for the 2nd 15 years that is based on economics and performance at year 15.*

2. **Report Recommendation #2:** The Task Force recommends Minnesota Housing and local suballocator jurisdictions to amend current Qualified Allocation Plans (QAPs) for the allocation of Low Income Housing Tax Credits (LIHTCs) by June 1, 2026 to revise selection criteria structure and consider what additional changes are required once evaluations of 100% permanent supportive housing (PSH) and integrated permanent supportive housing (PSH) models are completed.
    a. **Appendix B**
    Recommendation 2 Further Details:
    Changes by June 1, 2026 shall include:
        - *Prioritize supportive housing in models with 100% or majority permanent supportive housing (PSH).*
        - *Recognizing that there are unique challenges of operations under the integrated PSH model, Minnesota Housing and local suballocators shall ensure that units funded under the integrated PSH model have adequate (as defined by Minnesota Housing and agreed to by the service provider) service funding that is secured or provided by Minnesota Housing in partnership with the Minnesota Department of Human Services, and committed in conjunction with capital funding awarded.*

- *Direct the Interagency Council on Homelessness to facilitate the development of a funding plan using existing resources and programs administered by Minnesota Housing (including state funds appropriated in 2023 for Supportive Housing) and existing resources and programs administered by the Minnesota Department of Human Services.*
- *Minnesota Housing is further directed to provide technical assistance to local government recipients of LAHA/SAHA on structuring these resources to provide service funding for PSH units in local government jurisdictions. Local funding, through LAHA/SAHA may be included in the service funding package awarded to PSH projects at the time capital funds are awarded.*
- *Minnesota Housing to direct the CES statewide to develop a strategy to refer unhoused individuals to housing opportunities that provide the level of on-site services that match the acuity level of PSH residents' needs. This directive applies to all units required by Minnesota Housing and local funders to be leased through the CES (not requirements directly tied to only Department of Housing and Urban Development funding).*
- *Fund 100% PSH projects with only non-amortizing debt and review pre-2020 PSH projects for possible debt restructure to modify debt.*

Public Comment on the Affordable Housing Plan – Submitted September 12, 2025

7) Make Minnesota an attractive state for LIHTC investors.
In the discussion of the Low-Income Housing Tax Credit (LIHTC) (pages 6-7), the plan references the increased federal budget allocations but then goes on to state that "most projects will continue to need the same amount or more of deferred loan resources to fill funding gaps." We recommend that Minnesota Housing review its QAP with an eye toward ensuring that Minnesota is an attractive state for LIHTC investors. Given current distress in the industry, the significant uncertainty, and the real potential for substantial future cuts, we strongly advise the Agency to prioritize LIHTC funds for preservation of existing affordable housing assets. What else can the Agency do to maximize the impact of the increased LIHTC funds?

Comments from tax credit investors during facilitated discussion – September 2025
Overall, we heard from tax credit investors that they view Minnesota as an unappealing state for their investments due, in part, to the PSH practical requirement (since any development without PSH units will not be competitive) across all affordable housing types. Investors are much more comfortable investing in PSH units that are run by mission-oriented investors with deep expertise and a long track record in providing supportive services. Writ large, they are not investing in developments with integrated supportive housing or run by housing providers who are not experts in supportive housing. When federal funding is being cut across a variety of programs that are critical to our collective mission, it becomes ever more essential that we reexamine our statewide policies and points allocation criteria in a way that will increase the level of private investment in the state. A few additional relevant points they made include the following:

- Investors are particularly concerned about sponsors "chasing points" within Qualified Allocation Plans (QAPs) and taking on the responsibility PSH units within LIHTC projects, especially High-priority Homeless units. They expressed particular concern about small and emerging developers with no experience in managing PSH taking on responsibility for these commitments.

- Investors are seeing delays in initial lease up of PSH units in certain markets due to issues in the CES process. In the past, a 5% vacancy factor would be used for project-based subsidized PSH units, but now investors are underwriting to a 7% or 10% vacancy factor.
- Regarding the Minnesota market – historically it has been a highly sought-after market by investors, with most projects able to attract multiple bids with strong pricing. That is no longer the case in the current market.
- Panelists expressed a range of opinions about the future appetite by investors for projects with PSH – some investors are reluctant to do any projects with PSH, others will do projects with PSH only in certain geographic areas and with experienced, proven owner/service provider teams. Minnesota is still generally seen positively as a market where PSH is supported and there are strong owner/service provider teams.
- All investors, including those with an appetite for projects with PSH, are scrutinizing transactions with PSH much more closely and being more selective about the deals they choose. Some investors expressed increased concern about the financial and organizational strength of developers with PSH units and future of adequate service funding for those projects. Investors are concerned about whether the current Administration will continue to fund renewals of Continuum of Care (CoC) subsidies and how that may impact existing portfolios of developers who have used these funds on past developments with PSH.
- Need to be willing to “Fix the Mix” in some supportive housing projects – to allow some units in a project to move AMI restrictions to higher levels, or to introduce temporary or permanent relief provisions in rent and income restriction commitments. Such actions would allow projects to retain some units for chronically homeless residents while generating more revenue from other units in the project. Rent subsidies have not kept pace with escalating costs in supportive housing (e.g., more damage to units; higher security and case management costs than originally anticipated). Applaud the state and local staff for starting to look at temporary/permanent relief provisions as a tool to stabilize the cash flow for affordable projects.

Minnesota Housing Stability Coalition Members

Accessible Space, Inc.
Aeon
Agate Housing and Services
Alliance Housing
American Indian Community Development Corporation (AICDC)
Avivo
Beacon Interfaith Outreach
Catholic Charities Twin Cities
Center City Housing
Clare Housing
Common Bond Communities
CSH
Family Housing Fund
Greater Twin Cities United Way
Greater Minnesota Housing Fund
Hope Community
Housing In Action
Interfaith Outreach
LISC Twin Cities
Minnesota Housing Partnership
Minnesota Consortium of Community Developers
Model Cities
Our Saviour's Community Services
Peris Housing
Project for Pride in Living
Redesign Inc
RS Eden
Simpson Housing
Southwest Minnesota Housing Project
Trellis
Touchstone
Twin Cities Housing Development Corporation
Volunteers of American MN

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

November 14, 2025

Dear Ms. Wilson:

Thank you for the opportunity to comment on the proposed amendments to and extension of the current Qualified Allocation Plan (QAP) to the 2026 – 2027 years.

The Twin Cities Housing Alliance (TCHA) is a collaborative network dedicated to addressing the housing challenges and strengthening community vitality in the Twin Cities region. Our network of over 100 experienced housing professionals advocate for policies to create a more affordable, equitable, economically vital, and environmentally sustainable future for the Twin Cities community.

We are deeply involved in finding practical solutions to address the alarmingly short supply of housing and work to advocate for policies and programs that support more housing supply, ensure that there is quality well maintained existing housing and that there are protections for those most vulnerable to housing instability. This requires partnership across the entire housing ecosystem and with the public sector.

State financing resources for the development and renovation of workforce and deeply affordable housing, including supportive housing, is critical to support our mission and to reduce the significant gap in housing supply and service needs in the Twin Cities region and State.

There were TCHA members and experienced housing professional that volunteered many hours on the State Task Force on Long-Term Sustainability of Affordable Housing. This process identified several suggested changes to financing tools and programs to increase the flow of funds and streamline administrative procedures that can be addressed through the QAP. This work focused on housing for low-income residents as well as ensuring the sustainability of the housing ecosystem to encourage more housing supply and maintain the viability of existing housing.

We are disappointed that the proposed modification and amendment to the QAP for funding resources does not include key recommendations outlined in the task force's report that months of work with professionals across the housing continuum discussed with key legislative leaders in housing. These are the individuals and companies that have years of experience financing, developing, managing and operating housing in the state. Not acknowledging and addressing the key recommendations outlined in the work is a disservice to the residents of Minnesota as well as those legislators that felt compelled to evaluate the conditions of housing financing in our state and address the long-term stability of the industry with state resources.

Specifically,

1. **No modification to the scoring criteria regarding inclusion of 30% AMI/coordinated entry units within LIHTC projects and no increase in the scoring approach that would provide more focus and funding for services and operational needs in supportive housing.**

Currently to be competitive for LIHTC funding, the scoring criteria puts a high value on including a larger percentage of 30% AMI units mixed within standard workforce projects that serve 50-60% AMI households. This criterion is a permanent impairment for the rest of the workforce project financially and operationally and is a disservice to the safety of the majority of residents living there that do not have higher needs.

Generally, those below 30% AMI and coming out of coordinated entry are having difficulty living with the general housing population without receiving social service and supportive housing assistance. When there is a larger percentage of 30% AMI units in a project where 24/7 social assistance is not provided, problems have been encountered that make living in LHITC projects an attractive nuisance and a barrier to leasing to workforce households at the 50-60% AMI level. A high percentage of those coming out of homelessness are experiencing drug addiction and mental health issues that make it difficult to serve when they are not provided with the needed care of a supportive housing environment.

Continuing to require the market (both nonprofit and for-profit housing providers) to include more than 10% of their total units set aside for 30% AMI households to be competitive to receive LIHTC funding is failing the system of increasing affordable housing supply.

In an extremely volatile capital markets climate, we understand that tax credit investors are more resistant to investing in developments with more than 10% and in some cases any 30% supportive housing units within LIHTC deals. They are evaluating their investment portfolios to reduce their risk in funding supportive housing without adequate financial resources to support increasing service requirements by experienced provider teams and evaluate their investment on the basis if there is on 24-hour support provided by a team with a proven track record of supportive service success. Losing the ability to attract tax credit investors is real and would reduce the number of projects that would be financially viable resulting in less affordable housing development. This is not serving the residents of the state.

Suggested QAP Modifications:

Create two distinctive tracks of funding:

1. Reduce the scoring criteria for general affordable workforce housing putting less weight on the requirements of including more than 10% of the units at 30% AMI. In addition, remove the requirement that these units come from coordinated entry. We have heard that there are many families with incomes below 30% AMI that are not part of the coordinate entry system, but they are unable to find adequate housing.
2. Provide a focus on new and recapitalized supportive housing with experienced providers who are able to serve residents with the level of service that is required. Increase the resources to supportive housing projects with 24/7 staffing and services where it is more effective to serve those at 30% AMI/coordinated entry clients that require the services.

2. In addition, not fully capitalizing on the new federal law change reducing the percentage of basis financed with tax exempt private activity bonds from 50 percent to 25 percent to trigger eligibility for 4% Low Income Housing Tax Credits.

While the amended QAP makes technical edits to address this change it does not make changes to address the drastically changed current market conditions and headwinds the industry is facing due to drastically different economic conditions, unstable interest rates, higher construction and operating costs that make LIHTC investment riskier and more competitive. We are at a time when additional financial capacity needs to be capitalized on to the fullest to ensure developments are financially feasible.

The State needs to fully embrace the for-profit and non-profit partners and fully capitalize on the financing mechanisms allowed with an ultimate goal of increasing housing supply while also fully funding supportive housing needs.

Minnesota must set its LIHTC projects up for competitive LIHTC pricing to enable worthy projects to be successful. Not addressing this opportunity will set the State up for failure and reduce the number of residents that will be served with new housing and services.

We urge you to consider these critical modifications to the QAP based upon the suggestions above. These market shifts cannot be ignored through 2027 but should be incorporated now so projects in 2026 and 2027 can be set up for success.

Sincerely,

Cathy Capone Bennett
Executive Director
Twin Cities Housing Alliance