



Minnesota has a unique history of taking a systemic, long-term approach to stabilization/preservation needs and has a nationally recognized system. The long-standing tradition of commitment to preserving existing affordable housing as a cost-effective means of providing decent, safe affordable housing to all residents; to maintaining locational choice, especially for communities of color; and to renewing community economic vitality has achieved remarkable results. Local efforts rely on collaborative working groups that share information, coordinate funding and debt restructuring, and support and encourage innovative approaches to preservation.

With funding from the MacArthur Foundation through its State and Local Housing Preservation Leaders Program, the Minnesota Preservation Plus Initiative (MPPI) will expand, accelerate, and leverage the existing work being done in Minnesota to move meaningfully toward a stronger emphasis on *prevention* activities. Each of the initiative activities described below will provide an opportunity to expand the local and national knowledge base for best practices and policies related to affordable rental housing preservation.

MPPI Policy and Research Activities

1. Fill existing gaps through development of a policy framework to address preservation challenges around federal programs and existing portfolios.

Existing local preservation working groups will work with the Housing Preservation Project to collect data and identify specific local strategies and policies to proactively address gaps related to impending problems around project-based Section 8 opt-outs, Section 515 prepayments, expiring Low Income Housing Tax Credits, maturing Section 236 mortgages, expiring rental assistance contracts, properties with low HUD REAC scores, and portfolio acquisition opportunities when ownership change is necessary or desirable.

2. Significantly expand the application of Minnesota Housing's property risk predictive model.

Early detection of at-risk properties is the most cost-effective form of preservation and requires careful monitoring of financial, physical, and operational conditions. Minnesota Housing has developed a risk analysis tool for its amortizing portfolio that has proven effective in flagging properties showing early signs of trouble.

Measuring the performance of the deferred loan portfolio is critical in the strategic planning for the State's long term preservation needs. The Loan Portfolio Performance Tool, embedded in the PORT system, (Property Online Reporting Tool), will collect and analyze data for properties with Minnesota Housing deferred loan financing. This portion of the portfolio serves the most vulnerable segment of the affordable housing stock – units that cannot be supported by traditional loan instruments – as well as the most vulnerable low-income residents, including formerly homeless or at-risk singles and families.

3. Provide technical assistance to property owners by expanding access to pioneering asset management tools developed locally for supportive housing providers to providers of standard affordable housing.

An important determinant in preventing the loss of affordable housing is having trained and skilled owners and management. The Family Housing Fund, Hart-Shegos & Associates, and several supportive housing providers have developed a set of tools to build operational

capacity specifically within supportive housing. This unique tool, known as The Asset Manager,[™] is used to assess operations, asset management, and program development activities. Local preservation capacity will increase significantly with the ability to offer this tool to developers/managers of all types of affordable housing, and work is underway to support the modification, testing (through a pilot program), and production of this tool for use in standard affordable rental housing.

4. Fund a feasibility study to explore local threats to existing unsubsidized but affordable properties. Develop for future testing an acquisition/preservation strategy to maintain this housing stock.

In Minnesota, the existing preservation system addresses federally and locally subsidized properties, but there is a comparatively less systemic response to unsubsidized yet affordable properties. Selective and strategic acquisition of affordable unsubsidized properties could achieve preservation goals by avoiding gentrification, demolition, conversion, and increasing costs due to speculative transfers. It could also potentially increase affordability if such properties could be owned and managed by nonprofits over the long term in ways that would keep some or all of the rents increasingly more affordable than properties held by for-profit owners. Finally, there is the potential that access to affordable units can be increased for lower income households by dedicating units previously occupied by higher income households to lower income tenants upon unit turnover. The Initiative will include a feasibility study to explore threats to this stock, consider how the issue varies in both metropolitan and rural areas of the state, and make recommendations for specific policies and strategies to identify and preserve these units.

MPPI Lending Activities

5. Establish a flexible pool of philanthropic resources to create a revolving fund for a variety of short-term investment needs.

The Family Housing Fund and Greater Minnesota Housing Fund, both local housing intermediaries, provide flexible, quickly accessible resources locally, but their capacity is limited. The existing statewide preservation system will greatly benefit from a flexible, open-pipeline pool of lending resources to create a revolving fund for a variety of short-term investment needs. Flexibility and a very low interest rate are crucial to the success of this pool. Foreseeable uses for this pool include emergency repairs; predevelopment planning, site control, and/or bridge financing consistent with existing local priorities and new prevention policies as described above; and assessment and acquisition of unsubsidized affordable properties, pending outcomes from the proposed feasibility study.



Co-sponsors of the Minnesota Preservation Plus Initiative