HAVEN BILL PROS AND CONS

3-2-2017

PROS	CONS
STIMULATES MORE RENTAL PRODUCTION – PRIMARILY IN THE METRO *An estimated 433 new rental units would be potentially be produced by the HAVEN bill modifications to tax exempt financing priorities. Metro area rents can be maxed out at top of 60% AMI to make projects economically viable without subsidy. Economics works well in the metro where higher rents are possible to support the cost of construction, and the larger scale of development will help to control costs*	**RENTAL HOUSING GAINS MAY NOT OCCUR FOR GREATER MN** *Lower incomes and rent levels in Greater MN do not support new rental housing production in Greater MN without subsidy. Examples: $1,100/mo rents are possible in metro at 60% AMI (60% AMI is $41K/ person HH in metro). Compare to many Greater MN areas where 60% rents can be no more than $713/mo for a 2person 60% AMI is $35K per yr)*
LEVERAGES MORE FEDERAL RESOURCES FOR MN AFFORDABLE HOUSING IN HIGHER AMI COUNTIES VIA 4% LIHTC DEALS *LIHTC funded rental housing provides greater leverage of federal low income housing tax credit equity at 15:1 leverage compared to single family tax exempt bond home mortgages.*	**PENDING TAX REFORM HAS DIMINISHED VALUES FOR LIHTCs, MAKING 4% DEALS LESS VIABLE** *Tax reform has created new gaps in all LIHTC deals and created doubt that 4% deals will work without <u>more</u> subsidy. Pending federal policy changes have hurt many LIHTC deals. Note: This would make single family use of or T.E. Bonds continue even under HAVEN's bill.*
GAP SUBSIDY IS NOT NEEDED FOR TOP OF INCOME QUALIFIED 60% AMI HOUSEHOLDS <u>*IN METRO*</u>, PRESERVING SUBSIDY FOR OTHER AFFORDABLE HOUSING PRODUCTION. *Produces rental housing for the metro but not greater MN, and has the <u>potential</u> to make senior rental housing in the metro a de-facto priority by eliminating the single family set aside when metro rentals are in high demand.*	**NO & LOW SUBSIDY 4% LIHTC RENTAL DEALS WILL NOT BE AFFORDABLE TO LOWER INCOME HH (FAMILIES OR SENIORS) IN GREATER MN.** *This would require local communities to come up with more gap to make these types of deals work. Note that these projects must accept Section-8 rental vouchers making some units accessible to lower income HH. Haven bill would be improved if priority given to lower income HH targeting.*
HAVEN BILL WOULD NOT ELIMINATE THE AVAILABILITY OF AGENCY SUPPORTED AFFORDABLE HOME MORTGAGE FINANCING. *Minnesota Housing provides both tax-exempt and taxable bond financed home mortgages already. Tax exempt bonds provides a nominal ~35 basis point advantage for borrower.*	**NO SET ASIDE FOR SINGLE FAMILY REDUCES TAX EXEMPT BOND AVAILABILITY FOR HOME MORTGAGES.** *Use of Taxable Bonds for home mortgages would need to be expanded, raising hombuyer interest rates by a nominal amount.*
A TAXABLE BOND FIRST MORTGAGE PRODUCT WILL BE NEARLY AS COST EFFECTIVE FOR HOMEBUYERS WITH MINNESOTA HOUSING'S CONTINUED DOWNPAYMENT ASSISTANCE. *Downpayment assistance dollars have the biggest impact on mortgage affordability due to reducing first mortgage size.*	**DOWNPAYMENT DOLLARS MUST BE USED TO SUPPLEMENT THE DIFFERENCE BETWEEN TAX EXEMPT BOND AND TAXABLE BOND FUNDED MORTGAGES.** *Admittedly not a large increase in use of downpayment dollars to compensate for higher interest taxable mortgages.*
HAVEN BILL PROPOSES IMPROVED EFFECIENCIES FOR ALLOCATION OF TAX EXEMPT BONDS GOING FORWARD: *Limit of 55% of basis will enable bonds to be allocated to projects more efficiently, addressing the scarcity issue.*	**IMPROVED EFFECIENCY FOR USE OF THE TAX EXEMPT BONDS IS A POSITIVE POLICY ADVANCE**. *There is no opposition to limiting the allowable basis calculation to increase efficient use of the bonds.*
MINNESOTA HOUSING IS ABLE TO ISSUE TAXABLE BONDS FOR HOME MORTGAGES & POSSIBLY PROVIDE ITS DOWNPAYMENT ASSISTANCE FOR OTHER AFFORDABLE 3RD PARTY MORTGAGES.	**THIS CHANGE MAY HURT MINNESOTA HOUSING FINANCIALLY WITHOUT COMPENSATING PLANS TO KEEP THE AGENCY FINANCIALLY STRONG.** *Minnesota Housing must pay agency operational costs and generate funds for the "Housing Affordability Fund" aka "Pool-3" via earned revenue activities like administering tax exempt-funded first mortgages.*

A UNIFIED APPROACH BY THE AFFORDABLE HOUSING FIELD IS MOST EFFECTIVE AT THE LEGISLATURE!

GREATER MINNESOTA HOUSING FUND