

Minnesota Housing

Entry Title: Facing Reality: Minnesota's Targeted Stabilization Framework for Affordable Housing

Category: Rental Housing

Subcategory: Encouraging New Construction and Promoting Preservation



Facing the Preservation Reality

Minnesota Housing developed “Minnesota’s Preservation Framework for the Targeted Stabilization of Regulated Affordable Housing” (the Framework) in response to increasing stress across the state’s regulated affordable housing portfolio. Rising operating costs, insurance pressures and aging building systems are affecting property performance in ways that are both immediate and cumulative. Properties that were once stable are now experiencing early signs of distress, while others face more acute challenges that require coordinated intervention.

At the same time, demand for preservation resources continues to outpace available funding. While Minnesota has made significant public investments in preservation, those resources are not sufficient to address the full scale of need. This gap is not unique to Minnesota, but it requires a more deliberate approach to how decisions are made and how resources are deployed, particularly when a property either does not have access to or does not need full recapitalization to stabilize.

In 2025, the Legislature directed Minnesota Housing to focus on targeted stabilization — timely, right-sized interventions that address emerging distress without defaulting to full recapitalization. Minnesota Housing took the opportunity to engage the many partners involved and led a full exploration of the tools, processes and funding streams at the agency available for preservation. This led to a level of transparency that hadn’t been possible before, given that every partner had been viewing the Agency’s capabilities through their own lens. By establishing a shared understanding of how to approach preservation, it allows the industry to move forward constructively, with full information.

The Framework reflects both the urgency of current conditions and the practical limits of available tools. It recognizes that additional funding is necessary to fully meet preservation needs, but also that clearer processes, stronger coordination and better prioritization are essential to making meaningful progress now.

A Practical Approach to Stabilization

The Framework’s contribution is not a new funding source or program. It is a structured way of working that brings clarity and consistency to situations that are often fragmented, reactive and time sensitive.

When a property begins to experience stress, multiple challenges tend to surface at once. Declining operating margins may coincide with deferred maintenance, compliance issues or changes in resident needs. These conditions rarely fall within the responsibility of a single stakeholder. Owners, lenders, public funders, service providers and local governments may all be engaged, often with different perspectives and constraints.

The Diagnostic Workflow provides a shared structure for navigating this complexity. It creates a common starting point for understanding the property's condition, identifying root causes and aligning stakeholders before solutions are pursued. This approach helps avoid situations where resources are committed too quickly, or where interventions address symptoms rather than underlying issues.

Equally important, the Framework introduces clearer decision points. In an environment of limited resources, not every property can be stabilized through significant new public investment. The Framework supports transparent evaluation of when to proceed, when to defer and when alternative outcomes may be necessary. This clarity improves the effectiveness of preservation efforts.

Rather than adding new layers of process, the Framework builds on existing tools, relationships and regulatory structures. It is designed for use not only by Minnesota Housing but by the full range of partners involved in preservation. By establishing a shared approach, it supports more consistent and coordinated responses across jurisdictions and funding sources.

Built on Proven Coordination and Partnerships

Minnesota Housing's preservation work is grounded in long-standing partnerships. For more than three decades, the Interagency Stabilization Group (ISG) has provided a forum for state and local funders to coordinate responses to distressed properties. This collaboration has enabled partners to share information, align strategies and respond collectively when challenges exceed the capacity of a single entity.

The Framework builds on this foundation by formalizing practices that have proven effective over time. It translates experience into a more consistent model that can be applied across a broader set of properties and stakeholders. The recent expansion of the Interagency Stabilization Group includes leadership-level coordination to further strengthen alignment between policy direction and project-level decision-making.

Engagement in developing the Framework extended beyond public funders. Property owners, managers, lenders, service providers and resident advocates contributed to shaping the

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diagnostic approach and identifying where existing systems fall short. As a result, the Framework reflects both operational realities and the perspectives of those directly affected by preservation decisions.

Delivering Value with Limited Resources

The Framework is designed to improve outcomes without relying on significant new funding, while still recognizing that additional resources are needed to fully address preservation challenges. Its primary value lies in building a shared understanding of how all the partners in the system could approach preservation collaboratively.

By supporting earlier identification of issues and more targeted interventions, the Framework helps avoid more costly outcomes, including full recapitalization, emergency relocation of residents or permanent loss of affordable housing. It also reduces duplication and misalignment among funders, allowing available resources to be deployed more effectively and with greater impact.

At the same time, the Framework emphasizes that preservation decisions are not only financial. They directly affect residents and communities. By incorporating resident stability into each stage of the process, it supports decisions that prioritize safe, stable housing and minimize disruption whenever possible.

A Replicable Model for Other States

While tailored to Minnesota, the Framework could be used by other states facing similar challenges. It does not rely on unique funding sources or statutory authority. Instead, it offers a practical model for strengthening coordination, clarifying decision-making, and aligning existing tools with current preservation needs.

States across the country are confronting similar pressures: aging portfolios, rising operating costs and limited resources for recapitalization. The Framework provides a way to respond to these conditions with greater discipline and consistency, without waiting for new funding or program structures.

In an environment where needs continue to grow faster than available resources, the Framework offers a realistic path forward — one that acknowledges constraints, strengthens collaboration and improves outcomes for residents and property owners alike.

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Appendix

Appendix A: Preservation Framework



Preservation Framework for the Targeted Stabilization of Regulated Affordable Housing

February 13, 2026

Executive Summary

In the 2025 legislative session, the Minnesota Legislature directed Minnesota Housing to develop a Preservation Framework for the Targeted Stabilization of Regulated Affordable Housing. This direction followed the work of the Task Force on Long-Term Sustainability of Affordable Housing and reflects growing concern about the financial, physical and operational stress facing Minnesota's existing affordable rental housing portfolio.

Minnesota has a long history of affordable housing preservation supported by coordinated public investment and cross-funder collaboration. While new construction remains critical to increasing housing supply, preserving existing affordable housing is equally essential. The loss of affordable housing due to disrepair, expiring affordability restrictions or market pressures contributes to the overall housing need.

The federal Low-Income Housing Tax Credit (LIHTC) program, the largest resource to construct and preserve affordable rental housing, is now 40 years old. Housing portfolios have aged, and the needs of residents have changed over time. The COVID-19 pandemic and subsequent social unrest created system-wide disruptions that compounded existing pressures within the affordable housing ecosystem.

In recent years, properties have experienced significant increases in operating costs, greater demands on property management and supportive services staff, workforce constraints and heightened security needs. At the same time, higher interest rates, decreases in LIHTC pricing and higher construction costs have affected recapitalization strategies and long-term financial planning. These conditions are affecting properties across geographies and ownership models. Preservation work is not new to Minnesota, but stabilization and preservation needs have grown and become more complex.

For purposes of this Preservation Framework:

- **Targeted Stabilization** refers to timely, right-sized interventions intended to address emerging distress and emergency situations. These interventions are generally narrower in scope than full recapitalization and may include operational support, targeted capital investment, loan modifications or regulatory modifications.
- **Regulated Affordable Rental Housing** refers to rental housing owned by nonprofit, for-profit and publicly owned providers that is subject to regulatory requirements to maintain affordability for a defined period.

The Preservation Framework provides a structured approach for understanding stabilization needs and aligning informed, consistent responses across properties and communities, while identifying opportunities for system improvement. It compiles existing tools and practices; proposes enhancements to address gaps at the property and system level; and supports coordination among funders, owners and partners when properties experience distress. The Framework is intended to

evolve over time through implementation experience, stakeholder input and changing market and property conditions. The experience of residents is centered in preservation decision-making.

Affordable housing preservation is a shared responsibility. Property owners, property managers, funders, residents and local partners all play essential roles in sustaining long-term affordability and ensuring properties remain safe, stable and financially viable.

Key Preservation Framework Recommendations

The Preservation Framework highlights the following recommendations based on stakeholder engagement, research and recurring system-level themes. These recommendations are not exhaustive and reflect opportunities to strengthen coordination, improve effectiveness and support timely stabilization across Minnesota's affordable housing portfolio.

- **Secure Ongoing Asset Management and Funding for Critical Needs**
Establish reliable funding for asset management loans and critical stabilization needs that do not require full recapitalization. Early, flexible intervention can address issues before they escalate and respond to unpredictable emergency conditions. Consistent access to these tools improves outcomes for residents and protects public investment.
- **Strengthen Trust, Transparency and Entry Points for Property Owners**
Improve clarity and predictability in how property owners seek and receive stabilization support. Clearer entry points and shared expectations encourage earlier engagement and more effective diagnosis. Trust-based processes support better coordination and reduce crisis-driven intervention.
- **Strengthen the Role of the Interagency Stabilization Group (ISG)**
Reinforce ISG as a coordination forum that supports information sharing, role clarity and sequencing of actions across funders. ISG does not control funding or replace decision-making authority but helps align responses when multiple funders are involved. Continued use of this structure supports effective cross-funder coordination.
- **Support Predictable Investment in Long-Term Preservation Tools**
Maintain consistent funding for Housing Infrastructure Bonds, the Publicly Owned Housing Preservation Program and other preservation programs. These tools remain essential to preserving deeply affordable housing and protecting long-term public investment. Predictability supports planning and long-term stability.
- **Establish a Shared Structure for Evaluating Regulatory Modification Requests**
Create a consistent approach for reviewing regulatory modification requests across funders. Clear options and parameters support transparency, protect tenants and maintain public trust while adhering to legal requirements.
- **Normalize Discussion of Deferred Debt, Disposition and Orderly Wind-Down**
Encourage transparent, cross-funder conversations about deferred debt forgiveness, ownership transition and orderly wind-down when continued operation is not viable. Treating these

outcomes as part of responsible stewardship supports clearer decision-making and partnership with property owners. Early clarity reduces prolonged uncertainty and risk to residents.

- **Advance Permanent Supportive Housing Stability through System Alignment**
Support implementation of the Working Group for Simplifying Supportive Housing Resources recommendations. Long-term stability of permanent supportive housing depends on increased funding and coordination across housing, operating, funding and service systems.
- **Use a Diagnostic Workflow to Guide Property Preservation**
Establish a structured Diagnostic Workflow that provides funders and property owners a starting point to assess conditions, align on the nature of distress and determine whether Targeted Stabilization, comprehensive preservation, alternative strategies or no intervention is appropriate. By clarifying steps and expectations, the workflow helps increase predictability and efficiency for all parties.
- **Improve Data to Support Earlier Intervention**
Create a user-friendly system to collect consistent, high-quality property data and develop shared indicators of distress. Standardized data will support earlier identification of stabilization needs, improve coordination among funders and owners and inform long-term preservation planning.

Implementation and Next Steps

The Framework is intended to function as a shared resource for jurisdictions and partners across the state. While Minnesota Housing will lead certain recommendations that are within its statutory authority and available resources, other recommendations fall within the authority of different agencies, local governments and other funding partners.

The Preservation Framework represents an initial phase focused on documenting tools, clarifying roles and identifying system-level improvements. A subsequent phase will require collaboration among stakeholders to establish priorities, timelines and resource strategies that reflect statewide and local needs. Implementation is anticipated to occur over time and at varying scales, depending on legislative action, funding availability and partner capacity.

Preservation Work at Minnesota Housing

Preserving affordable rental housing has been and continues to be a central component of Minnesota Housing's Strategic Plan. Minnesota Housing, along with other funding partners, has long supported preservation through policy development, financing tools, asset management practices and coordination across the state. In recent years, the legislature has created new, one-time programs to accelerate this work. The following examples highlight existing preservation-related work at Minnesota Housing, along with newer initiatives.

Policy

- Updated Multifamily Underwriting Standards to allow an asset management fee to support owner asset management capacity.
- Launched a simplified, voluntary Land Use Restrictive Agreement extension option for properties with expiring Low-Income Housing Tax Credits to preserve affordability and maintain eligibility for Low-Income Rental Classification.
- Implemented the federal 25% bond financing threshold to expand access to the 4% Housing Tax Credit beginning in 2026.

Capital Funding

- Continuing to deploy preservation capital through the Consolidated Request for Proposals, including state Housing Infrastructure Bonds and the Preservation Affordable Rental Investment Fund.
- Completed funding selections for newly established state preservation programs, including the \$41.75 million Naturally Occurring Affordable Housing preservation program and is allocating \$50 million for the Community Stabilization: Distressed Multifamily Rental Building Program.
- Allocated over \$92 million in 2024 and 2025 to preserve public housing through the Publicly Owned Housing Preservation Program.
- Formalized deferred debt forgiveness considerations to better position properties for preservation and recognize varying property conditions and challenges.

Process

- Developing training and guidance on the Request for Action process, anticipated to launch in spring/summer 2026, to provide clearer entry points and more consistent handling of loan servicing and stabilization requests.
- Implemented a process allowing permanent supportive housing owners to request temporary or permanent regulatory relief when service funding or rental assistance is lost through no fault of the owner.

The Preservation Framework builds on Minnesota Housing's ongoing preservation work by strengthening coordination, collaboration and process improvements. Doing so will better align efforts across funders in service of residents and property owners.

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Chapter 1: Introduction

Minnesota has been a national leader on multifamily rental affordable housing preservation for several decades. From the launch of the Interagency Stabilization Group (ISG) in the early 1990s to ongoing investments in Housing Infrastructure Bonds beginning in the 2010s, the state has advanced preservation initiatives across a wide range of public funders and stakeholders.

The need for housing—particularly affordable housing—is great throughout Minnesota. New construction and adding units remain important, but it is also critical to strategically preserve affordable housing we already have. Affordable housing loss due to disrepair, the expiration of affordability restrictions or other market factors increases the overall housing need. Preservation continues to be a core component of housing policy in Minnesota.

While there has been considerable progress and success in past preservation efforts, the preservation discussion and needs continue to evolve. The federal Low-Income Housing Tax Credit (LIHTC) program is nearly 40 years old, housing portfolios have grown and aged and the needs of residents have changed over time.

The COVID-19 pandemic and subsequent social unrest created system-wide disruptions that compounded existing pressures within the affordable housing ecosystem. Recovery from the pandemic has been uneven. In recent years, properties have experienced significant increases in property insurance premiums and reductions in coverage, rising utility costs, greater demands on property management and supportive services staff, workforce constraints and heightened security needs. At the same time, higher interest rates, decreases in LIHTC pricing and higher construction costs have affected recapitalization strategies and long-term financial planning. These conditions are affecting properties across geographies and ownership models. As a result, stabilization and preservation needs have grown and become more complex.

The Task Force on Long-Term Sustainability of Affordable Housing that concluded in February 2025 identified the need for additional work around preservation and recommended the formation of a preservation framework. The 2025 legislative session subsequently included direction for Minnesota Housing to develop the Preservation Framework for the Targeted Stabilization of Regulated Affordable Housing (Preservation Framework, Appendix A). The goal of this Preservation Framework is to support the preservation and sustainability of affordable housing development organizations, the affordable rental buildings they own and the housing for the people who live in the buildings today and in the future. To the extent practicable, this Preservation Framework aims to identify:

1. Strategies, tools and funding mechanisms to support targeted stabilization of affordable rental housing and recapitalization of distressed properties;
2. Options for temporary or permanent modifications to financing and regulatory terms and conditions, which may include changes to compliance requirements such as rent and income limits;

3. Potential improvements to processes and programs that are critical to the operations of permanent supportive housing including but not limited to coordinated entry, front desk and service funding and relief options if there is a lack of identified service dollars or service providers;
4. Strategies for asset management to support long-term stabilization of regulated affordable housing;
5. State statutory changes needed to support or enable identified strategies;
6. Options for tenant protections that may be needed during stabilization efforts; and
7. Considerations for protecting public resources and abiding by legal requirements.

The content in this Preservation Framework is built on:

- Decades of statewide preservation investment and experience;
- New engagement with stakeholders, including affordable housing developers, property owners and managers, public housing and housing and redevelopment authorities, supportive service providers, lenders, advocates and other partners (Appendix B);
- Past preservation initiatives in Minnesota (Appendix C); and
- Research from preservation-related initiatives from around the country (Appendix C).

We are not starting from scratch, but there is more work to do.

A. What is the Preservation Framework?

While several jurisdictions across the country have developed preservation frameworks or similar documents, there is no single, standard definition of what such a framework typically includes. This Preservation Framework provides a structured approach to organizing and strengthening existing preservation-related resources, with a focus on state resources and statutes. It also identifies existing tools and opportunities to improve the overall system.

The Preservation Framework is:

- An approach for understanding stabilization needs and structuring consistent, informed responses across properties and places;
- A compilation of existing tools, strategies and initiatives;
- A collection of proposed improvements and new approaches to address identified gaps and system-wide needs on funding, process and collaboration;
- A coordination mechanism that helps funders, owners and partners identify distressed properties and respond in a timely, strategic and appropriate manner; and
- A work in progress document that can and should evolve through collaboration, stakeholder input and changes in market conditions, property needs and program requirements.

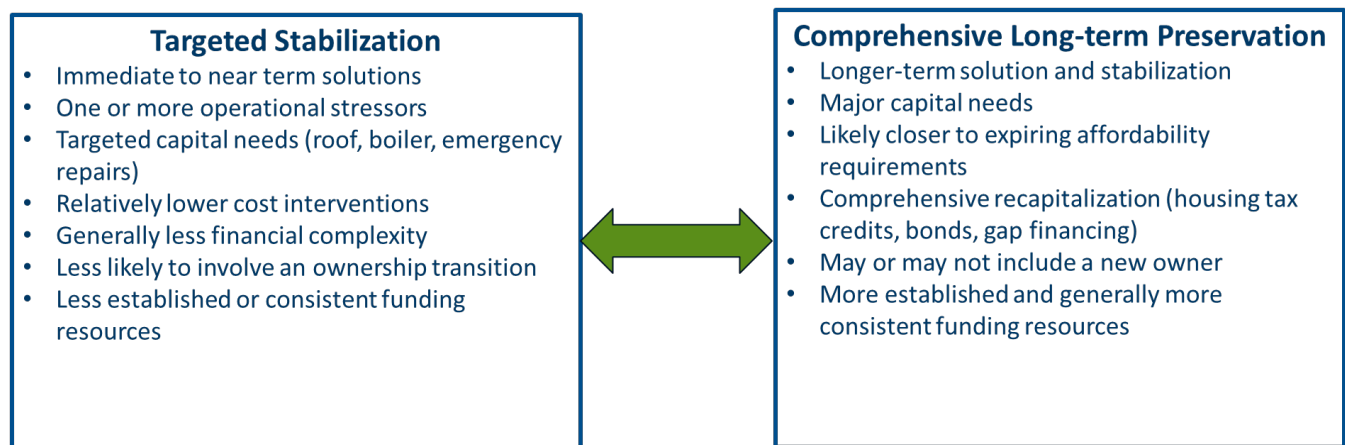
The Preservation Framework is not:

- A single, prescriptive solution that can be uniformly applied to every property or situation;
- A guarantee of funding, regulatory relief or intervention for each distressed property, particularly when resources are limited or unavailable; or
- A substitute for locally defined priorities, ownership decisions or community-level planning processes.

Affordable housing preservation is a shared responsibility. Property owners, property managers, funders, residents and local partners each play a critical role in sustaining long-term affordability and helping to ensure properties remain safe, stable and financially viable over time.

B. Types of Preservation

For the purposes of this Preservation Framework, there are two general categories of rental housing preservation: Targeted Stabilization and Comprehensive Long-Term Preservation. These categories are generally characterized by the scope, scale and timing of a given property's needs. In practice, they represent a spectrum of conditions and a property may transition between or move through both categories over time as circumstances evolve. Each approach plays a critical and legitimate role in the lifecycle of an affordable housing property, and the appropriate response depends on aligning tools to conditions rather than pursuing the largest or most complex intervention available.



Targeted Stabilization

Targeted Stabilization generally refers to rental housing projects that require immediate funding, financial restructuring or regulatory intervention to address pressing challenges and prevent further deterioration or loss of affordability. Targeted Stabilization is not a lesser or temporary form of preservation; it is an effective and responsible approach to sustaining affordability given the urgency, scale of need and available resources at a particular point in a property's lifecycle. While each project is

unique, certain characteristics commonly appear in Targeted Stabilization projects, including but not limited to:

- **Operational stressors:** Projects often experience pressures such as higher-than-expected expenses, lower-than-projected revenues, increased insurance premiums, higher resident service needs, deferred maintenance, depleted reserves, inflation or rising interest rates.
- **Targeted capital needs:** Urgent repairs or upgrades to critical systems such as roofing, plumbing and heating when reserves are insufficient.
- **Lower-cost or time-sensitive interventions:** Strategies typically involve refinancing, loan modifications, deferred loans, grants or other targeted measures designed to stabilize operations and improve living conditions without undertaking a full recapitalization.
- **Limited financing complexity:** These projects are generally not structured as large, multi-layered recapitalization transactions and typically do not involve new federal Low-Income Housing Tax Credit allocations, reflecting the need for timely intervention and streamlined financing.
- **Ownership stability:** Most often, the property remains under the current owner, though a sale or transfer is possible depending on circumstances.

While often associated with more limited interventions, Targeted Stabilization projects may also have substantial rehabilitation needs or require significant financial restructuring. In some cases, a Comprehensive Long-Term Preservation funding path may not be available or viable due to the immediacy of needs, the scale of required resources or broader funding constraints. In these situations, stabilization efforts are not a fallback, but a deliberate and appropriate strategy to maintain habitability, affordability and operational stability over time.

Comprehensive Long-Term Preservation

Comprehensive Long-Term Preservation generally refers to rental housing projects that require substantial rehabilitation, refinancing and, where applicable, restructuring of existing debt to support long-term physical and financial viability and to extend affordability for future decades. This approach reflects a different point in the property lifecycle and a different alignment of needs and resources, but it does not necessarily require a higher level of commitment or result in a higher level of success. While each project is unique, certain characteristics commonly appear in Comprehensive Long-Term Preservation projects, including but not limited to:

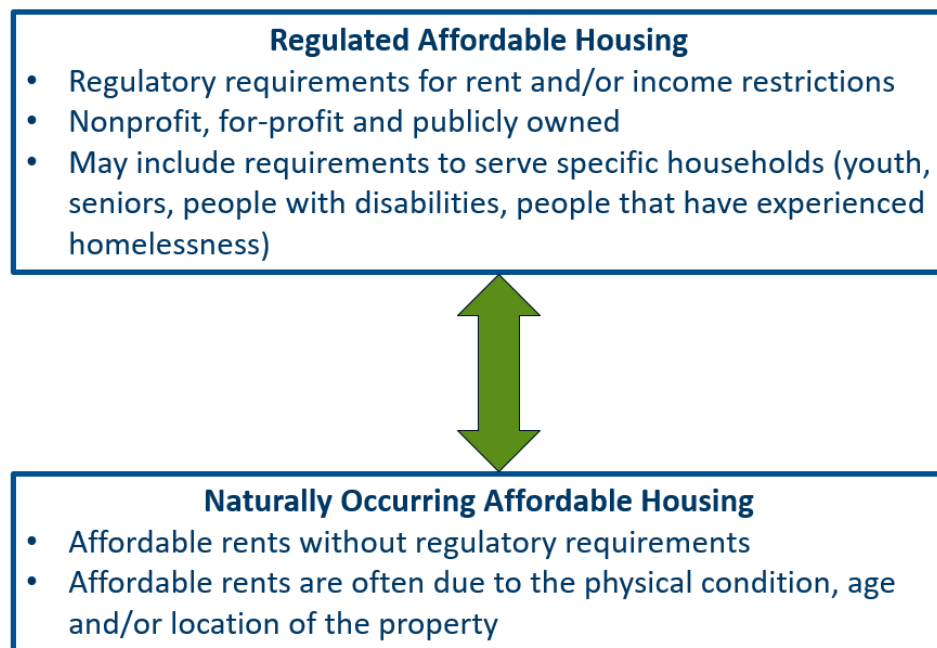
- **Major capital needs:** Projects often require structural repairs, modernization or extensive replacement of multiple building systems, such as plumbing, electrical or building envelope components.
- **Affordability preservation:** Projects may have expiring affordability covenants or rental assistance contracts that can be renewed or extended in conjunction with new investment.

- **Comprehensive recapitalization:** Typically involves complex, layered financing structures, often including federal Low-Income Housing Tax Credits, Housing Infrastructure Bonds and other public or private gap funding.
- **Ownership considerations:** Projects may remain with the current owner or may involve a sale or transfer to a new owner or operator depending on capacity, long-term stewardship considerations and financing requirements.

In some cases, projects may pursue this pathway even when immediate needs are relatively modest because it is the available mechanism to secure long-term affordability and financial stability. A core function of this Preservation Framework is to support informed decision-making across this spectrum by clarifying available tools and resources, recognizing that both Targeted Stabilization and Comprehensive Long-Term Preservation are essential, complementary approaches to sustaining affordable housing over time.

C. Regulated Affordable Housing

Within both Targeted Stabilization and Comprehensive Long-Term Preservation categories, a rental property may be either Regulated Affordable Housing or Naturally Occurring Affordable Housing (NOAH).



Regulated Affordable Housing includes specific limits on rents and/or household income that are documented in a recorded instrument, such as a declaration, covenant or Land Use Restrictive Agreement (LURA). These documents may also include other occupancy requirements like serving households experiencing homelessness or individuals with disabilities. Regulatory requirements

typically have a defined term and expiration date. It is relatively common for Regulated Affordable Housing projects to involve multiple funding sources, each carrying its own set of regulatory requirements that create layered compliance obligations.

Naturally Occurring Affordable Housing (NOAH) may consist of properties that were once regulated but whose regulatory requirements have expired, or properties originally built as market-rate apartments whose current rents remain affordable relative to the local market due to such factors as location, building conditions or amenities.

The affordable housing system is complex and dynamic, and properties may follow different preservation paths at different points in their lifecycle based on need and available resources. For example, a property initially requiring Targeted Stabilization may later need Comprehensive Long-Term Preservation interventions or may reach the end of its regulatory period and transition into the NOAH category. Similarly, a NOAH property may pursue recapitalization resources that incorporate rent and income requirements, thereby converting it to a regulated structure.

Targeted Stabilization and Comprehensive Long-Term Preservation are complementary approaches that together support long-term affordability, resident stability and organizational health. While the legislation directing the Preservation Framework focuses on the Targeted Stabilization of Regulated Affordable Housing, this Preservation Framework includes components related to Comprehensive Long-Term Preservation needs and, to a lesser extent, NOAH properties. Collectively, these components are important to sustaining the broader affordable housing system.

D. Principles

Through the engagement process, the Preservation Framework identified guiding principles that reflect shared values and priorities. These principles are the lens through which this Preservation Framework is written and represent themes throughout the document.

- A. **Tenant Protections and Stability:** Preserving affordable housing must prioritize the safety, stability and rights of residents. Interventions should focus on maintaining affordable rents and working to ensure that households—especially those with vulnerabilities such as people with low-incomes, seniors or persons with disabilities—can remain in place during and after stabilization or preservation activities.
- B. **Property Owner and Manager Financial Health:** Maintaining financially and operationally healthy ownership and management entities is critical to sustaining affordable housing over the long term. Support should strengthen owners' and managers' capacity to operate effectively, address challenges and maintain quality living conditions and affordability.
- C. **Protecting Public Investment:** Preservation activities should safeguard public resources by ensuring that investments in affordable housing achieve lasting value. This includes careful oversight of funding, compliance with regulatory requirements, and leveraging public dollars strategically to sustain long-term affordability.

- D. **Utilizing and Building on Existing Resources:** The framework prioritizes using existing tools, programs and strategies wherever possible, rather than creating new interventions unnecessarily. This approach builds on proven practices, maximizes efficiency and ensures that available resources are deployed effectively to address project needs.
- E. **Clarity and Support:** Owners, managers and stakeholders should have a clear understanding of the tools, funding and processes available to them. While system improvements are needed, interventions must often be tailored on a project-by-project basis due to differences in property characteristics, regulatory requirements and financing structures. This principle emphasizes guidance, education and support while respecting the diversity of projects across the portfolio.
- F. **Adaptability and Continuous Learning:** The Preservation Framework is intended to be an evolving process, not a fixed endpoint. Housing needs, market conditions and available resources change over time, and the framework should adapt through experience, feedback and changing conditions to remain relevant and effective. While existing tools, programs and strategies provide the foundation, they should evolve as conditions change and lessons are learned.

E. Role of Minnesota Housing

Minnesota Housing is responsible for leading the development of the Preservation Framework and is serving as a convener, researcher and policy integrator. The Framework is intended to serve as a shared resource for jurisdictions and partners across Minnesota, rather than as an implementation plan solely for Minnesota Housing. While Minnesota Housing may lead or support implementation of certain recommendations within its statutory authority and available resources, other recommendations fall within the authority of different agencies, local governments or partner entities. Implementation is anticipated to occur over time and at varying scales, depending on many factors including but not limited to legislative action, funding availability and partner capacity.

F. Interagency Stabilization Group

The Interagency Stabilization Group (ISG) was established in 1993 as a collaborative forum for state, local, federal and philanthropic partners to coordinate responses to financial or physical distress in existing subsidized affordable rental housing. ISG does not control funding or make final investment decisions; instead, it provides a structured process for discussion, information exchange and collaborative problem-solving across agencies and funders. A central strength of ISG has been its ability to adapt over time as housing conditions, financing structures and preservation challenges evolve, while continuing to provide a consistent venue for coordination.

While membership has shifted over time, current active participants include Minnesota Housing, the City of Minneapolis; the City of Saint Paul; the Dakota County Community Development Agency; Washington County Community Development Agency; the Family Housing Fund; the Greater Minnesota Housing Fund; Hennepin County; Ramsey County; the Metropolitan Council; the Minnesota

Chapter of the National Association of Housing and Redevelopment Officials (NAHRO); the Federal Home Loan Bank, Des Moines; and the United States Department of Housing and Urban Development.

Because many properties rely on multiple funding sources, ISG serves as a forum where participants can recommend properties for review and discussion. ISG primarily facilitates property-level and portfolio-level conversations, including joint review of property conditions, alignment of resources, clarification of roles and coordination of responses across funding systems. Over time, this approach has supported the stabilization and preservation of thousands of affordable rental homes by reducing fragmentation and enabling practical solutions within existing programs and authorities.

Super ISG, a leadership-level forum formed in 2024, builds on this foundation by focusing on policy, priorities and system-wide improvement. Super ISG considers aggregate trends and outcomes, identifies cross-system barriers that warrant alignment or escalation, and helps guide preservation strategy over time. Together, ISG and Super ISG create a flexible, two-tier structure that supports both effective case coordination and continuous learning, while maintaining funder-specific authority and decision-making. Both are anticipated to play coordinating roles in implementing this Preservation Framework.

Chapter 2: Housing Data

Available data provides a useful, though incomplete, picture of the scale and characteristics of Minnesota's regulated affordable rental housing stock. Based on HousingLink STEAMS data, Minnesota has approximately 150,000 regulated affordable rental units across nearly 4,000 properties statewide—and each unit is a home. While this data does not capture property-level physical condition or financial stress, it illustrates the breadth of housing that depends on ongoing stewardship and periodic reinvestment to remain affordable over time.

Regulated affordable housing is a statewide asset. Although the Twin Cities metro area contains the largest share of units, a substantial portion of the portfolio—tens of thousands of units—is located throughout Greater Minnesota. Affordable housing supports households in communities of all sizes, from large metropolitan areas to small cities and rural towns. This geographic diversity reinforces the need for preservation and stabilization tools that can be applied flexibly across different market conditions and community contexts.

Depth of Affordability

Minnesota's regulated affordable housing stock serves households across a wide range of income levels, with a strong concentration at deeper affordability thresholds:

- Approximately 43,600 units (about 29%) are affordable at or below 30% of Area Median Income (AMI).
- Approximately 35,500 units (about 24%) are affordable at 30% to 50% AMI.
- Approximately 63,000 units (about 42%) are affordable at 50% to 60% AMI.
- Fewer than 8,000 units (about 5%) are affordable at 60% to 80% AMI.

In total, roughly 95% of regulated affordable units serve households at or below 60% AMI, and more than half serve households at or below 50% AMI. This distribution underscores the importance of preservation strategies that protect deep affordability, where market alternatives are limited and replacement is often infeasible, particularly for properties with rents affordable below 50% AMI.

Unit Size and Household Types

The regulated affordable housing portfolio includes a broad mix of unit sizes:

- Approximately 70,000 to 75,000 units are studio or one-bedroom units, commonly serving seniors, single adults and people with disabilities.
- Approximately 65,000 units are two-bedroom units.
- Approximately 7,400 units are three-bedroom units.
- Just over 1,000 units are four-bedroom units.

While smaller units make up a significant share of the portfolio, the presence of thousands of family-sized units is notable. Larger units are often more difficult and expensive to replace. Loss of these units can have disproportionate impacts on families and on communities with few alternative housing options, reinforcing the importance of preservation and stabilization strategies that maintain existing family-sized housing.

Role of Federal Rental Assistance

Federal housing programs play a significant role in Minnesota's regulated affordable housing portfolio:

- Approximately 14,500 units are public housing.
- Approximately 35,800 units are supported by project-based Section 8 rental assistance.
- Approximately 9,100 units are supported through USDA Rural Development Section 515 and related programs, with roughly 6,600 of the units having rental assistance.
- The remaining approximately 87,000 units are supported through other regulated affordability mechanisms, including Housing Tax Credits and state or local programs.

Properties with federal rental assistance provide true affordability by linking rents directly to household income, ensuring that residents pay amounts they can afford regardless of market conditions or income volatility. Rental assistance meets households where they are financially and provides long-term stability for residents with the lowest incomes.

Because these programs also represent a substantial and ongoing federal investment, properties with rental assistance have long been prioritized within many state-funded programs for Comprehensive Long-Term Preservation. Preserving these properties protects deeply affordable housing while leveraging federal operating support and capital investment, maximizing the impact of limited state resources. These properties are located throughout Minnesota, reinforcing that deeply affordable housing and the benefits of preservation extend statewide.

Implications for Preservation Strategy

The data demonstrate a large, diverse and deeply affordable housing portfolio that depends on continued stewardship. At the same time, resources for Comprehensive Long-Term Preservation—which typically involve major rehabilitation and layered financing—are limited and can support only a portion of identified needs in any given year.

Although a single statewide dataset does not capture the age of all affordable rental properties, available Low-Income Housing Tax Credit (LIHTC) program data provide meaningful indicators of potential future preservation demand. Over the next ten years, approximately 230 LIHTC properties representing nearly 17,000 affordable rental units will complete their initial 15-year compliance period and enter their extended use period, which requires at least 15 additional years of affordability.

Properties entering their extended use period can vary significantly in physical condition, financial capacity and operational stability. Some may continue to perform well with routine asset management oversight and refinancing existing debt. Others may require Targeted Stabilization interventions or Comprehensive Long-Term Preservation resources to maintain long-term viability and affordability.

As a result, preservation must be approached as a portfolio-wide strategy, balancing long-term recapitalization with Targeted Stabilization tools that address more immediate or discrete challenges, such as operating stress, deferred maintenance or short-term financial gaps. Targeted Stabilization plays an important role in preventing further deterioration, protecting residents and preserving affordability until comprehensive reinvestment becomes feasible—or where such reinvestment may not be appropriate.

Together, Comprehensive Long-Term Preservation and Targeted Stabilization provide complementary approaches that allow public partners to align resources with conditions across thousands of properties at different stages of their lifecycle. This portfolio-based approach reinforces the importance of shared diagnostics and coordinated decision-making, as described in Chapter 3.

Recommendations for Data Collection Improvements

Existing data provide strong information on unit counts, affordability levels, program participation and geographic distribution. However, they do not consistently capture property-level information related to physical condition, capital needs, operating stress, reserve adequacy or the timing of potential preservation needs. As a result, available data are better suited to describing the portfolio as a whole than to identifying when or how individual properties may require intervention.

In addition, risk of loss is difficult to track systematically across the regulated affordable housing portfolio. Properties are commonly financed with multiple federal, state, local and private funding sources over time, each with different affordability requirements, compliance periods, reporting systems and oversight responsibilities. There is no single, centralized source that consolidates this information across funding providers, which limits the ability to assess portfolio-wide risk using data alone. As a result, indicators of potential risk—such as expiring affordability terms, deferred maintenance or emerging operating stress—are more often identified through project-level engagement and coordination.

Chapter 6 includes recommendations to strengthen data systems and support earlier, more consistent identification and tracking of preservation and stabilization needs over time.

Chapter 3: Diagnostic Workflow Overview

In many disciplines where decisions have lasting consequences—such as medicine, engineering and emergency management—effective action begins with a structured diagnostic process. Clinicians assess symptoms, test hypotheses and identify underlying conditions before selecting treatment. Engineers investigate failures through root-cause analysis before designing corrective solutions. These approaches do not slow progress; they improve outcomes by helping to ensure that interventions address the underlying problem rather than surface symptoms.

Affordable housing preservation and stabilization present similar challenges. When a rental property begins to experience stress, property owners do not always know where to start or which partners to engage. Issues related to operating performance, capital needs, compliance, resident services and market conditions often emerge simultaneously. At the same time, public funders, regulators, service providers and others may approach the situation from different directions, shaped by distinct roles, tools and constraints. Without a shared structure, these efforts can become fragmented, with stakeholders moving quickly toward solutions before developing a common understanding of what is driving the problem.

During the engagement process, stakeholders frequently emphasized the need for funding or regulatory relief. While those tools are often essential, experience shows that pursuing a specific solution or intervening before establishing a shared diagnosis can lead to misaligned expectations, delayed decision-making, not solving the core issue or outcomes that are difficult to sustain over the long term.

The Diagnostic Workflow is intended to provide a shared structure for how stabilization and preservation work is approached, particularly in complex or urgent situations. Much of this work already occurs informally across property owners, Minnesota Housing, the Interagency Stabilization Group (ISG) and other public and private partners. The workflow does not replace professional judgment or existing processes. Instead, it makes expectations more explicit, supports coordination and helps participants sequence decisions in a more deliberate and consistent way.

The Diagnostic Workflow is not a new program, a checklist or a prerequisite for funding. It does not guarantee public intervention or prescribe a particular outcome. Rather, it is a recommended first step, an iterative framework designed to help stakeholders determine whether and how public tools should be applied, whether through Targeted Stabilization, Comprehensive Long-Term Preservation, alternative strategies or, in some cases, no public intervention at that time.

How to Use the Diagnostic Workflow

The Diagnostic Workflow is intended to be used collaboratively. It can be initiated by a property owner, Minnesota Housing, ISG participants or other public partners when concerns arise about a property's

stability or long-term viability. Initiation does not imply that public funding or intervention is warranted.

The process is not strictly linear; participants may revisit earlier stages as new information becomes available or conditions change. Not every situation will require the same level of depth at each stage.

The six stages described below outline a common approach for understanding conditions, aligning stakeholders and determining appropriate next steps before committing to a particular course of action. A more detailed version of the Diagnostic Workflow Template is included in Appendix D.

Summary of The Six Stages of the Diagnostic Workflow

1. Identify and Define the Problem

This stage focuses on clarifying the concern that prompted review and establishing a shared understanding of what is being observed. Initial indicators may include operating deficits, capital needs, compliance challenges, ownership or management instability, market pressures or resident impacts.

The goal at this stage is not to identify solutions, but to define the problem clearly enough to guide further analysis, determine urgency and establish which stakeholders should be involved. Early identification of resident health, safety or housing stability concerns is critical and may require immediate action regardless of longer-term strategy.

2. Investigate

In this stage, stakeholders examine the factors contributing to the identified problem to develop an evidence-based understanding of root causes, not just symptoms. This may include financial, physical, operational, regulatory, ownership, market and resident-related factors.

The depth of investigation will vary depending on urgency, complexity and potential risk to residents or public investment. This stage often establishes shared due diligence expectations, identifies information gaps and clarifies what additional analysis is needed to support informed discussion and future decision-making across stakeholders.

3. Collaborate, Align and Frame Options

This stage emphasizes shared analysis, coordination and planning before decisions are made. Stakeholders align around investigation findings, clarify roles and decision-making authority, and identify a bounded set of viable intervention pathways that respond to identified root causes.

The purpose of this stage is not to select a solution, but to ensure that all parties share a common understanding of the available options, their assumptions, resource requirements and potential

implications for residents, affordability and long-term viability. Early collaboration at this stage helps prevent misaligned expectations about funding availability, regulatory flexibility, timelines or next steps and supports thoughtful planning for resident communication and engagement where impacts are possible or anticipated.

4. Decide and Commit

This stage serves as a clear decision point, transitioning from analysis and planning to commitment and accountability. Stakeholders determine whether and how to proceed, including whether public intervention is appropriate and feasible and how property owners will move forward.

Options at this stage may include owner-led action, participation in Targeted Stabilization, Comprehensive or Long-Term Preservation strategies, ownership transition, private refinancing or alternative approaches. Not all situations will result in public intervention; decisions may include a determination that public participation is not warranted or feasible, with property owners proceeding through other strategies.

Decisions at this stage are intended to provide clarity on roles, expectations and the path forward, informed by shared analysis of risks, constraints, resident impacts, affordability outcomes and stewardship responsibilities.

5. Implement

Once a path is selected, this stage focuses on execution. Stakeholders confirm roles and responsibilities, coordinate approvals and resources and implement the agreed-upon strategy. This may include operational changes, capital investments, management or service adjustments, financing or regulatory actions, or ownership transitions.

Clear communication, sequencing of actions and coordination across funding, regulatory and operational processes are critical to avoid delay or misalignment. Resident communication and protections remain central throughout implementation.

6. Evaluate and Adjust

Stabilization and preservation are dynamic processes. Conditions may improve, worsen or change unexpectedly. This stage emphasizes ongoing monitoring and reassessment to determine whether the selected strategy is achieving intended outcomes for the property and its residents.

Adjustments may be required to sustain progress, address emerging risks, protect residents and public investment over time or prepare for a future preservation phase. Lessons learned through this process can inform future stabilization and preservation efforts.

Relationship to the Preservation Framework

The Diagnostic Workflow supports the full preservation spectrum described in this framework. It helps determine when Targeted Stabilization is appropriate, when Comprehensive Long-Term Preservation may be viable, and when alternative approaches should be considered. By emphasizing diagnosis before intervention, the workflow promotes more strategic use of public resources and clearer expectations among stakeholders.

Appendix D provides a more detailed Diagnostic Workflow Template, including guiding questions, information needs and role-specific considerations. The template is not in final form because it requires additional collaboration amongst funders and property owners. The template is the starting point, and this tool can and should be adapted over time, based upon experience and continued implementation of the Preservation Framework.

Chapter 4: Setting Priorities: Considerations for Targeted Stabilization Resources

For purposes of this chapter, setting priorities refers broadly to how public funders—including Minnesota Housing—assess needs and determine when and how to deploy Targeted Stabilization resources in response to urgent conditions. Setting priorities is inherently challenging because identifying a priority necessarily means that other needs, even when legitimate, may not be addressed. What makes sense as a priority today may also need to be revisited as conditions change and new needs emerge.

Priorities nevertheless remain essential. They help property owners understand where to seek assistance, guide public funders in making timely decisions and support the strategic use of scarce resources. No single priority framework can serve the entire state; what works in one jurisdiction or for one funding source may not be appropriate for another.

Targeted Stabilization often involves urgent property issues, operational stressors or essential repairs that require coordinated public responses. Needs can emerge quickly, and property conditions may shift rapidly, requiring priorities to remain flexible. Even when jurisdictions share similar preservation goals, local conditions, available tools and funding realities will shape how priorities are defined and applied.

Collaboration and communication are therefore critical. Cities, counties, housing authorities, Minnesota Housing and other partners each play a role in supporting regulated affordable housing. The Interagency Stabilization Group (ISG) provides one model for this coordination, helping partners share information, align resources and reduce duplication. Establishing priorities in advance—even when difficult—helps direct limited resources to situations most likely to benefit residents, owners and communities.

The following considerations provide a menu of factors to help jurisdictions weigh competing needs when resources are scarce and requests are urgent. They are not requirements, nor is the list exhaustive, but are intended to support decision-making across different jurisdictions and funding contexts. Each jurisdiction should determine how best to apply these considerations within its own housing portfolio.

Prioritization considerations may include:

Resident Impact and Protection

Evaluate how an intervention will improve or sustain core aspects of resident well-being, including affordability, safety, habitability, housing stability and continuity of tenancy. Consider the extent to which the action prevents displacement, reduces harm or disruption, maintains reasonable rent burdens and responds to immediate risks to health or welfare. This consideration should also account

for impacts on populations with heightened vulnerability, including seniors, people with disabilities, households with children and households exiting homelessness, and how resident outcomes may differ under alternative scenarios.

Depth and Durability of Affordability

Examine the extent to which the property provides or preserves units that are deeply affordable to households with the lowest incomes, including those at or below 30% AMI. Depending on the local market, the threshold may be different than 30% AMI but still focus on rents that are more affordable in the local market. Consider units supported by rental assistance, permanent supportive housing or other affordability structures that are difficult or costly to replicate in the market. This factor also includes the length and enforceability of affordability commitments and the degree to which an intervention would prevent the permanent loss of income-targeted units.

Urgency, Physical Condition and Risk of Loss

Assess the immediacy and severity of risks facing the property, including failing building systems, life-safety or habitability concerns, operational disruptions, ownership instability or regulatory noncompliance. Consider how delays may increase harm to residents or heighten the likelihood of permanent loss of affordability or functionality. Risk of loss may not be imminent but can represent a likely outcome over time without intervention. In applying this consideration, jurisdictions should remain mindful that prioritization frameworks can unintentionally create negative incentives if worsening conditions are perceived as a prerequisite for assistance. Risk should therefore be evaluated alongside early indicators of stress and opportunities for timely intervention, rather than rewarding avoidable deterioration.

Protecting Existing Public Investment

Evaluate whether public funds, financing structures or affordability restrictions are already embedded in the property and the extent to which an intervention would safeguard those commitments. Consider the potential to avoid higher future public costs associated with emergency responses, resident relocation, enforcement actions or redevelopment. This factor supports stewardship of public resources by assessing how timely action may preserve or strengthen existing public value.

Feasibility and Cost Effectiveness of the Intervention

Examine whether the scale, structure and cost of the proposed intervention aligns with the property's needs and long-term operational viability of both the property and of the owner. Consider budget reasonableness, projected sustainability following assistance and the cost-effectiveness of stabilization relative to more intensive interventions such as redevelopment or replacement. If applicable, evaluate how the intervention may materially support the owner's capacity for the subject property and their

broader portfolio. These considerations do not focus solely on minimizing cost, but on whether a targeted investment or regulatory action can meaningfully alter the property's and the owner's long-term trajectory and prevent further escalation.

Expected Stabilization Outcomes

Evaluate the extent to which the proposed tool or intervention is likely to stabilize the property in the near term, mitigate further deterioration or preserve the asset until a longer-term solution is achievable. Consider whether the intervention bridges temporary funding gaps, reinforces operations, supports resident stability or positions the property for future recapitalization. This factor helps set realistic expectations for the practical and measurable outcomes of the action.

Ownership, Management and Execution Capacity

Assess the capacity of ownership and management to implement and sustain the proposed intervention, maintain affordability commitments and avoid foreclosure. Consider financial health, organizational responsiveness, compliance history, management performance and demonstrated ability to execute corrective actions or capital improvements. This factor helps determine whether the property is positioned to benefit from public support and whether additional technical assistance, oversight or conditions may be necessary.

Equity, Location and Community Context

Consider whether the property's location provides meaningful advantages to residents or offers housing options that are rare or otherwise unavailable within the community. This may include:

- Proximity to employment, transit, schools, health care, childcare, grocery stores or other essential services;
- The provision of housing types or affordability levels underrepresented locally (such as larger family units, deeply affordable units, supportive housing or senior housing);
- Alignment with local plans, community-identified needs or anti-displacement strategies; and
- Contribution to geographic equity by expanding affordable housing choices in areas with few existing options. This consideration also situates individual properties within broader regional or statewide equity objectives.

Availability and Alignment of Tools and Resources

Examine whether appropriate financial, regulatory or programmatic tools are available within the required timeframe and whether eligibility criteria of the funding, scale of needs and constraints of the specific property align with the property's needs. Consider the practicality, legality and administrative feasibility of potential regulatory actions, as well as opportunities to leverage resources from other

public, private or philanthropic partners. This factor helps clarify which interventions can realistically be deployed and how coordinated action may increase impact or reduce reliance on limited public funds.

Even with clear priorities, there will be times when a funder cannot provide support due to financial, legal, timing or competing constraints. Open, transparent and timely communication with owners—explaining both when a request is prioritized and when it cannot be—supports responsible planning, helps owners pursue alternatives and maintains trust between public funders and the properties they serve. The ISG can also be used as a practical coordination tool in these instances, facilitating shared analysis and problem-solving across jurisdictions even when direct resources are limited.

Chapter 5: Targeted Stabilization: Existing Tools and Programs

Because of the scale of investment and visibility of funding sources, Comprehensive Long-Term Preservation projects often receive greater attention within the affordable housing system. Minnesota Housing's Multifamily Consolidated RFP and similar RFPs from other public funders generally offer larger and more predictable funding amounts. Between requests for new construction and preservation, only 20% to 30% of applications to the Consolidated RFP can be selected in any given year due to limited resources. In addition, not all properties seeking assistance through these RFPs require this level investment but may still apply due to the absence of alternative stabilization pathways.

In practice, a substantial share of preservation work occurs through Targeted Stabilization efforts. The project-by-project problem-solving undertaken by property owners, Minnesota Housing and other public funding partners is often less visible than large recapitalization transactions, but it is equally central to sustaining affordability and preventing loss across the existing housing portfolio. The Interagency Stabilization Group coordinates discussion on dozens of properties each year, and Minnesota Housing processes well over one hundred loan servicing requests annually related to refinancing, deferred loan forgiveness, loan subordinations, loan assumptions and other stabilization actions.

Targeted Stabilization work can be as complex—or more complex—than Comprehensive Long-Term Preservation because it often occurs within existing financing and regulatory structures, involves multiple stakeholders with differing authorities and must respond to urgent conditions that are evolving in real time. Funding sources are frequently less predictable, timelines are compressed and decisions must be made without the benefit of a single, comprehensive recapitalization event. In addition, property owners are not always certain where to initiate Targeted Stabilization discussions, particularly when needs do not align or do not seem to align neatly with existing funding programs.

However, Targeted Stabilization work occurs every day through the efforts of property owners, managers and public funders. While additional funding and system improvements are needed, existing tools and programs form the foundation of current stabilization practice. Appendix E provides an inventory of existing tools, including administering entities, brief descriptions, potential stabilization uses and key considerations. This inventory is intended as a starting point and could evolve into a shared, online toolbox as programs change, new tools are developed and additional jurisdictions contribute resources. Many of the recommendations in the following chapter build directly on this existing body of work.

As previously noted, there is no single solution for all Targeted Stabilization needs. The availability and appropriateness of tools depend on a property's financial and regulatory structure, resource availability and locally determined priorities. The Diagnostic Workflow template described in Chapter 3 and detailed in Appendix D is intended to help property owners and public partners step back from individual tools and instead assess conditions holistically.

Chapter 6: Targeted Stabilization Recommendations

These recommendations reflect extensive engagement, research and practical experience across Minnesota's affordable housing system. They build on longstanding programs, established processes and the ongoing work of owners, managers, funders, service providers, advocates and residents. The Preservation Framework focuses on connecting, clarifying and strengthening existing practices, while proposing targeted modifications where gaps, constraints or misalignment have been identified.

A consistent theme across engagement was the importance of collaboration and communication. Stabilization is rarely achieved through a single program, funder or regulatory action. Solutions depend on early information sharing, collaboration across funders, coordinated decision-making and realistic expectations about what tools can and cannot do. When more than one funder is involved, close communication helps avoid options that may conflict. These recommendations are intended to support that collaborative work by clarifying roles, strengthening shared structures and improving how existing tools are used together, while recognizing that both funding constraints and process complexity shape outcomes.

The Preservation Framework is intended to be iterative and responsive to implementation experience. Super ISG—the leadership of the Interagency Stabilization Group (ISG), formed in 2024—can support this adaptive approach by providing strategic stewardship, including reviewing aggregate stabilization trends, tracking progress against shared objectives and identifying opportunities to refine tools, processes and guidance over time. This role complements, but does not replace, the responsibilities of Minnesota Housing, other public funders, owners and system partners in implementing specific actions and decisions.

Minnesota Housing is positioned to convene, coordinate and lead many aspects of this work, particularly where it has financing or regulatory authority, but it is not the sole implementer. Effective use of the Preservation Framework depends on partnerships across the affordable housing system, including public and private funders, Housing Tax Credit investors, service providers, philanthropy, advocates and residents. Many recommendations therefore emphasize alignment across organizations and systems rather than unilateral action by any one entity.

The recommendations that follow are not a checklist or a sequence that must be implemented all at once. They are intended to be used flexibly, informed by shared diagnostics, property-specific conditions and changing operating environments. Many recommendations will require further refinement and coordination to assess implementation costs, staffing capacity, and potential funding sources and the timing and scale of implementation will necessarily vary.

The Preservation Framework recommendations are organized into the following sections, each addressing a distinct but interrelated aspect of targeted stabilization and preservation.

- A. Collaboration and Engagement
- B. Establish Clear Entry Points and Strengthen Coordination
- C. Fund and Coordinate Financial Tools
- D. Align Regulatory, Financing and Underwriting Tools
- E. Support the Operations of Permanent Supportive Housing (PSH)
- F. Strengthen Asset and Property Management Capacity
- G. Tenant Protections and Resident Well-Being

A. Recommendations for Collaboration and Engagement

The Preservation Framework establishes a set of foundational actions needed to enable earlier and more effective stabilization of regulated affordable rental housing. Stabilization efforts are more successful when concerns are identified and addressed before properties reach crisis conditions. Creating the conditions for early engagement requires intentional collaboration across owners, public funders, private lenders and investors, and philanthropic partners—it requires building trust.

The recommendations in this section identify actions that require additional coordination, policy direction and resourcing to implement. These actions are intended to normalize early problem-solving, clarify expectations and improve outcomes for residents, property owners and the public investment.

A.1 Establish Trust-Based Engagement and Expectations for Information

Recommendation: Strengthen trust-based engagement across the affordable housing system to encourage early disclosure of emerging concerns, collaborative problem-solving and transparent decision-making.

Implementation actions may include:

- Establishing shared commitments by public and private funders to approach early engagement as an opportunity for diagnosis and stabilization, rather than default enforcement, where permissible.
- Reinforcing owner responsibilities to raise concerns early and provide complete, timely information when issues emerge.
- Clearly articulating what information is needed to assess stabilization concerns, how it will be used and how confidentiality will be respected.
- Standardizing communication about processes, timelines and decision pathways to reduce uncertainty that can delay engagement.

These actions require consistent messaging, alignment across organizations and reinforcement through training and practice.

A.2 Develop and Operationalize a Diagnostic Workflow

Recommendation: Advance the development and use of a shared diagnostic workflow to support consistent understanding of the financial, physical, operational and regulatory drivers of instability and to identify and implement solutions together.

Implementation actions may include:

- Refining and formalizing a shared diagnostic framework that can be used by owners, Minnesota Housing, ISG and other public funders.

- Aligning internal review and coordination processes across funders to reduce duplicative information requests and improve efficiency.
- Providing guidance and training to owners and managers to support meaningful participation in diagnostic discussions.
- Using the diagnostic workflow to inform sequencing of actions and coordination across parties, without predetermining outcomes or triggering automatic intervention.

Chapter 3 and Appendix D provide a starting point for this workflow. Additional work is required to operationalize and maintain it. The Diagnostic Workflow should also evolve over time to reflect implementation experience, changing conditions and the needs of different project types.

A.3 Strengthen Data Collection to Evaluate Property-level and Portfolio-level Performance Data to Help Support Early Identification of Distress

Recommendation: Evaluate options for consistently collecting portfolio-level performance data to support early identification of emerging risks across regulated affordable housing.

Implementation actions may include:

- Assessing whether a redesigned performance data approach could be developed with clearer purpose, stronger technical assistance, improved data standards, the collective establishment of performance benchmarks or indicators to flag properties potentially in distress, and appropriate governance.
- Considering administration of any future performance data system by a non-governmental entity to support trust, data stewardship and consistent owner support.
- Engaging philanthropy to support design, piloting or technical assistance during early implementation.

Any portfolio performance data system must be clearly positioned as a tool for trend analysis and early conversation—not compliance or enforcement.

The Minnesota Preservation Plus Initiative (MPPI) from the early 2010s identified the need for broader and more consistent financial performance data to monitor trends across regulated affordable housing regardless of who funded the project and jurisdiction. The Loan Portfolio Performance Tool (LPPT) was created for properties in Minnesota Housing’s loan portfolio. While LPPT highlighted the value of portfolio-level data, its effectiveness was constrained by inconsistent data quality, limited technical support for owners and governance challenges. LPPT is not currently active but provides a foundation to restart this initiative.

A.4 Use Shared Early Indicators of Distress

Recommendation: Use the indicators of distress (particularly early or leading indicators) to prompt timely engagement and assessment.

Implementation actions may include:

- Implementing the use of collectively defined and shared indicators such as sustained operating deficits, reserve depletion, staffing instability, service disruptions, missed reporting or recurring deferred maintenance.
- Creating and supporting a user-friendly system for consistent data collection.
- Establishing a shared understanding across owners and funders regarding how indicators are used to initiate conversation rather than escalate enforcement.
- Integrating early indicators into owner monitoring practices, funder engagement and coordination forums such as ISG, where appropriate.

Early indicators are intended to support earlier discussion and alignment, not automatic intervention.

A.5 Convene an Annual Lender and Housing Tax Credit Investor Forum

Recommendation: Create a regular, structured forum for engagement among public funders, lenders, Housing Tax Credit investors, owners and philanthropic partners.

Implementation actions may include:

- Convening an annual forum to discuss market trends, underwriting practices, portfolio risks and preservation and stabilization strategies.
- Using the forum to identify emerging systemic risks affecting multiple properties, share effective mitigation strategies and explore coordinated responses.
- Reinforcing shared responsibility for long-term stability and stewardship of affordable housing.
- Identifying how public funders and property owners can collectively respond to changes in the environment.

B. Recommendations to Establish Clear Entry Points and Strengthen Coordination

Effective Targeted Stabilization requires clear, predictable entry points for engagement and coordination. Owners experiencing emerging distress need to understand where to go, what information will be required and how stabilization discussions will proceed once initiated. When entry points are unclear or inconsistent, engagement may be delayed, information can become fragmented and coordination across funders becomes more difficult.

The recommendations in this section focus on strengthening and clarifying existing entry points and coordination forums that already do significant stabilization work, while also encouraging greater alignment across public funders. The Preservation Framework does not propose starting from scratch; rather, it builds on established processes and identifies opportunities to enhance their effectiveness, transparency and interconnection.

B.1 Strengthen and Clarify the Request for Action (RFA) Process as an Entry Point for Minnesota Housing Portfolio Properties

Recommendation: Strengthen the Request for Action (RFA) process as the primary entry point for stabilization, loan servicing and regulatory review for properties within Minnesota Housing’s loan or Housing Tax Credit portfolio.

The RFA process is a longstanding and well-established tool used by Minnesota Housing to address loan servicing requests, regulatory questions and changes to financing or ownership. It already supports a wide range of stabilization-related activities, including loan modifications, consent requests, assumptions, subordinations and early discussions of emerging financial or operational challenges. Because the RFA process is tied to Minnesota Housing’s contractual and regulatory authority, it applies only to properties where Minnesota Housing has an existing financial or regulatory relationship.

The Preservation Framework builds on this foundation by identifying ways to enhance the RFA’s role in early engagement and stabilization, rather than creating a new or parallel process.

Implementation actions may include:

- Providing regular training for owners and managers on when and how to use the RFA process, including common stabilization scenarios and documentation expectations.
- Offering training to help owners better understand the regulatory and financing requirements tied to Minnesota Housing-assisted properties.
- Evaluating opportunities to modernize and streamline the RFA process, particularly for loan subordinations, assumptions, recapitalization and repositioning transactions that are often central to stabilization.
- Offering optional RFA “office hours” to lower barriers to early engagement and provide informal guidance before issues become acute.

- Supporting voluntary information sharing, with owner consent, among public funders with investments in the same property to improve coordination while respecting confidentiality and independent decision-making.

B.2 Establish Clear Entry Points for Other Funders and Align Them with Existing Processes

Recommendation: Encourage other funders, including private funders and service providers, beyond Minnesota Housing to establish and clearly communicate entry points for stabilization-related engagement and to align those entry points, where appropriate, with existing processes such as the RFA and ISG.

Not all public funders currently have defined or visible processes for owners to raise concerns or request stabilization assistance. This can create confusion, delay engagement and complicate coordination when multiple public resources are involved in a single property.

Implementation actions for each funder may include:

- Identifying and publishing clear points of contact for stabilization-related inquiries and requests.
- Clarifying the information required to initiate review and assessment, including expectations for financial, physical and operational documentation.
- Describing how stabilization requests are evaluated, including any thresholds, timelines and decision pathways.
- Coordinating with Minnesota Housing and other public funders to identify shared information needs and opportunities for alignment with the RFA process, particularly where Minnesota Housing has an existing financial or regulatory role.
- Using ISG as a coordination forum when stabilization efforts require cross-funder alignment, even when the initial entry point occurs outside of Minnesota Housing.
- Exploring opportunities for shared or interoperable information platforms, where appropriate, to reduce duplicative requests and improve coordination while respecting independent authority and decision-making.

Over time, clearer and more aligned entry points across public funders can reduce duplication, improve coordination and support earlier, more effective stabilization responses.

B.3 Strengthen the Role of the Interagency Stabilization Group for Cross-Funder Coordination

Recommendation: Strengthen and clarify the role of the Interagency Stabilization Group (ISG) as a coordination forum for properties where stabilization requires alignment across multiple public funders, regulatory authorities or service systems.

ISG is a longstanding coordination forum that already plays a critical role in addressing complex stabilization and preservation challenges. It provides a structured space for public funders to share information, align strategies and clarify roles when issues extend beyond the authority or capacity of a single agency. ISG regularly supports meaningful work, including identifying lead entities, sequencing actions and clarifying when targeted stabilization may or may not be feasible.

ISG primarily functions as a tactical coordination forum, supporting property-specific stabilization discussions that require cross-funder alignment. Super ISG—the leadership of ISG members—provides a strategic stewardship function, helping to guide preservation priorities, review aggregate trends and outcomes and identify cross-system barriers that require alignment or escalation. This two-tier structure supports both effective case coordination and continuous improvement of stabilization practices over time, without altering funder-specific authority or decision-making.

The Preservation Framework builds on ISG’s existing role by encouraging earlier, more transparent and more consistent use of ISG, particularly when shared diagnostics and early indicators suggest that cross-funder coordination will be necessary.

Implementation actions may include:

- Using shared diagnostics and early indicators of distress to inform when ISG engagement would add value, rather than reserving ISG solely for crisis situations.
- Creating streamlined referral and, where possible, data sharing from the RFA process to relevant funders to support consistent analysis and reduce duplicate information requests to owners.
- Clarifying and formalizing the relationship between ISG’s tactical coordination function and Super ISG’s strategic stewardship role, including expectations for when and how issues are elevated.
- Using Super ISG to grapple with system-wide challenges, review aggregate stabilization trends and outcomes, identify recurring barriers (such as timing, due diligence complexity, funding gaps or regulatory constraints), and recommend targeted process or policy improvements to participating agencies.
- Establishing a regular cadence for Super ISG review of Preservation Framework implementation priorities and progress, aligned with available staffing and capacity.
- Developing clear, public-facing information that explains:
 - The purpose and role of ISG in stabilization and preservation efforts;
 - How property owners can bring an issue or property to a public funder’s attention, and how the funders advance an issue to ISG;
 - What information supports productive ISG discussion;
 - How ISG interacts with funder-specific processes;
 - What ISG can do, including coordination, sequencing actions and identifying lead entities; and

- What ISG cannot do, including guaranteeing funding, overriding statutory or program limits, or replacing local decision-making authority.
- Reinforcing ISG’s role in supporting coordinated, realistic outcomes that prioritize resident protection, stewardship of public investment and transparent decision-making—including clarity when preservation is not viable or the best option.

C. Recommendations to Fund and Coordinate Financial Tools

Financial tools are a critical component of targeted stabilization, but they are not a universal solution. The Preservation Framework emphasizes the targeted, right-sized use of operational and asset management strategies and funding options as the primary means of supporting stabilization. In some cases, flexible operating or capital resources can address early-stage challenges such as depleted reserves, insurance shocks or critical repairs. In other cases, deeper recapitalization is required, and in some situations no viable financial tools exist, requiring a shift toward alternative outcomes.

Financial tools may be paired with regulatory modifications where appropriate and feasible, recognizing that regulatory flexibility is not always available and depends on statutory authority, program requirements and property-specific conditions. As a result, operational and asset management strategies supported by adequate funding remain the first line of response in most stabilization efforts.

Appendix E and F include existing stabilization related tools. The more persistent constraint is the lack of consistent and adequate funding to deploy existing tools at the scale needed. For this reason, the Preservation Framework prioritizes strengthening, coordinating and funding existing programs wherever possible, as this is faster and more efficient than developing new programs. The recommendations that follow focus on improving the effectiveness and coordination of existing Minnesota Housing programs that support properties statewide and could be adapted by other jurisdictions where authority and funding allow.

C.1 Clarify the Role, Options and Limits of Stabilization Tools

Recommendation: Establish clear expectations about when financial tools can support stabilization—and when they cannot—to support informed decision-making and responsible stewardship of limited resources.

Implementation actions may include:

- Clearly communicating the purpose, eligibility and limitations of each stabilization-related funding program.
- Using shared diagnostics and coordination forums, such as ISG, to assess whether financial tools are appropriate and sufficient in a given situation.
- Connecting funding decisions explicitly to underlying drivers of distress identified through the diagnostic workflow.
- Supporting owners in understanding when financial assistance is unlikely to resolve underlying issues and when alternative paths—such as ownership or property management transition, restructuring or orderly wind-down—should be explored.
- Ensuring that, when financial tools are not viable, decisions continue to prioritize resident protection and stewardship of public investment.

This overarching clarity is intended to improve alignment across funders, reduce unrealistic expectations and support more effective use of scarce resources across all programs described below.

C.2 Secure Ongoing Asset Management and Critical Need Funding

Recommendation: Provide a consistent and readily available source of funds for critical need financing to address emerging, emergency and time-sensitive stabilization needs.

Implementation actions may include:

- Building on Minnesota Housing’s existing asset management loan processes to create a year-round application process to request funds for urgent or emergency property needs.
- Using this tool to address critical repairs, reserve replenishment, major insurance deductibles and, in limited circumstances, short-term operating stabilization while longer-term solutions are developed.
- Designing the process to be streamlined for speed and flexibility, recognizing that delays can exacerbate habitability concerns and financial distress.
- Coordinating deployment of this tool with shared diagnostics and other stabilization strategies to ensure appropriate and effective use.

This type of financing is intended to address property needs that do not fit well within traditional capital programs but, if unaddressed, could escalate into more severe distress.

C.3 Expand and Adapt the Rental Rehabilitation Deferred Loan Program

Recommendation: Expand and adapt the state appropriated Rental Rehabilitation Deferred Loan (RRDL) program to support preservation and stabilization of aging affordable housing with significant capital needs.

Implementation actions may include:

- Increasing funding for RRDL to address rehabilitation needs that are not met through other Minnesota Housing funding pathways, such as the annual Multifamily Consolidated RFP.
- Using RRDL to extend useful life of critical building components, address deferred maintenance and stabilize operations in properties facing physical deterioration.
- Coordinating RRDL deployment with other non-Minnesota Housing funding sources and regulatory tools to support long-term sustainability.

Since 2019, RRDL has been targeted to USDA Rural Development assisted properties in Greater Minnesota. With additional funding, the program could be expanded beyond Rural Development properties to include similarly sized properties throughout the state. RRDL represents an established preservation approach that can be scaled more efficiently than creating a new rehabilitation program.

C.4 Provide Ongoing Support for Publicly Owned Housing Preservation

Recommendation: Provide consistent and predictable funding to support stabilization and long-term stewardship of publicly owned affordable housing.

Publicly owned housing represents a critical segment of Minnesota’s deeply affordable housing stock and serves residents with the fewest alternative housing options. These properties often face aging infrastructure, significant deferred maintenance and limited access to conventional preservation resources due to ownership structure. The Publicly Owned Housing Program (POHP) has long served as a primary tool for addressing these challenges and supporting long-term public stewardship. Ensuring the continued viability of this housing is essential, as it is unlikely to be replaced if lost.

Implementation actions may include:

- Increasing and stabilizing funding for POHP, using a mix of bond proceeds and appropriations to better align with the needs and financing structures of different properties.
- Recognizing that public ownership can limit access to other preservation resources and requires tailored financial tools.

POHP remains a longstanding and highly successful program for preserving deeply affordable housing and protecting a public asset that serves households with the greatest need.

C.5 Build on Lessons from the Distressed Multifamily Rental Building Program and the Stable Housing Organization Relief Program

Recommendation: Evaluate and build on the Distressed Multifamily Rental Building Program and the Stable Housing Organization Relief Program (SHORP) to inform future Targeted Stabilization funding strategies that address both acute property-level distress and underlying organizational instability in regulated affordable rental housing. Together, these programs represent two distinct but complementary stabilization approaches.

SHORP launched in fall 2023 with a one-time appropriation of \$50 million. The program was intentionally simple and formulaic, allowing funds to be deployed quickly and flexibly to address a wide range of organizational and property-related needs. SHORP experienced strong demand and broad participation, reflecting both the scale of organizational strain in the affordable housing system and the value of a streamlined support model.

The Distressed Buildings Program was established in the 2024 legislative session with \$50 million in one-time funding, of which at least \$15 million was targeted to supportive housing. The program is intended to support near-term stabilization of distressed properties owned by nonprofit, for-profit and public organizations, particularly where conditions pose risks to residents or long-term viability. As of the drafting of this Preservation Framework, the Distressed Buildings Request for Proposals process was underway.

Implementation actions may include:

- Evaluating outcomes from both programs, including impacts on property viability, resident conditions and organizational stability.
- Comparing effectiveness, administrative complexity and speed of deployment between property-level and organizational stabilization models.
- Identifying circumstances where organizational support is warranted, which may include such support as funding and technical assistance.
- Assessing whether additional or ongoing authority for one or both models would improve the state's ability to respond to evolving stabilization needs.
- Using lessons from underwriting, implementation and coordination experience to inform future Targeted Stabilization program design, including eligibility, scoring and funding structure.

This combined evaluation recognizes that organizational health and property performance are tightly linked. A strategy for future Targeted Stabilization funding could leverage the strengths of both models—deploying flexible organizational support to prevent distress where possible, while reserving more intensive property-level tools for situations where risks to residents and public investment are most severe.

D. Recommendations to Align Regulatory, Financing and Underwriting Tools

Providing long-term, stable affordability for residents is the core purpose of regulated affordable rental housing. Properties were originally selected for public funding based on commitments that reflect this mission, including affordability levels, tenant protections and long-term stewardship. Regulatory requirements include such components as income and rent restrictions, affordability periods and commitments to providing certain types of housing, such as permanent supportive housing. These commitments matter deeply to the people who live in these homes, to the integrity of public programs and to the projects that were not selected for funding. At the same time, operating conditions, service models and markets change over time, creating real tension between stability and flexibility.

The recommendations in this section focus on aligning regulatory, financing and underwriting tools to support targeted stabilization while maintaining public trust. Regulatory modifications are not always feasible and are constrained by statute, program requirements and enforceable agreements. When considered, they should be evaluated deliberately and transparently, informed by shared diagnostics and coordination across funders, and paired with strong resident protections, including non-displacement protections.

D.1 Establish a Shared Structure for Evaluating Regulatory Modification Requests

Recommendation: Establish a shared, cross-funder structure for evaluating requests for regulatory modifications as part of Targeted Stabilization efforts. Such modifications may be appropriate in limited circumstances where they are legally permissible, feasible and supportive of long-term affordability and resident stability.

Regulatory modification requests arise when operating realities diverge from original assumptions. These requests are often complex because many regulatory commitments—particularly those associated with Housing Tax Credits—are embedded in enforceable agreements such as Land Use Restrictive Agreements (LURAs). Under Internal Revenue Code Section 42, prospective and current residents have the right to enforce LURA provisions, which appropriately limits flexibility and places affordability, non-displacement and tenant protections at the center of any evaluation.

Rather than defaulting to approval or denial, the Preservation Framework emphasizes the need for a consistent, structured approach to evaluation that allows regulatory flexibility to be used where it makes sense and is feasible, while protecting residents and public trust.

Implementation actions may include:

- Using the Diagnostic Workflow to clearly identify the underlying drivers of distress before regulatory modifications are considered.
- Establishing common evaluation criteria across public funders for requests related to rent limits, income limits, occupancy requirements or other regulatory terms.

- Engaging the Interagency Stabilization Group (ISG) when regulatory modification requests implicate multiple funders, compliance regimes or service systems.
- Evaluating whether proposed modifications meaningfully contribute to stabilization outcomes when paired with operational, asset management or financial strategies.
- Requiring clear non-displacement protections, resident communication plans and documentation of legal constraints for any approved modifications.
- Clearly documenting decisions, conditions and limitations to support transparency, consistency and accountability.

A shared evaluation structure allows regulatory modifications to be used thoughtfully, appropriately and sparingly—supporting stabilization where appropriate without undermining resident rights or the integrity of affordability commitments.

D.2 Align Deferred Debt Forgiveness Considerations Across Funders

Recommendation: Align decisions related to deferred debt forgiveness with long-term property viability, resident protection and stewardship of resources.

Minnesota Housing has established considerations for deferred debt forgiveness within its own portfolio (see Appendix G). Deferred debt forgiveness requires a thoughtful and strategic review because repaid funds are recycled into other new construction and preservation projects at Minnesota Housing. These considerations provide a useful foundation that could inform ISG discussions and cross-funder alignment when multiple funders are involved in a single property.

Implementation actions may include:

- Using shared diagnostics to assess whether deferred debt forgiveness materially improves long-term sustainability.
- Coordinating debt forgiveness decisions across funders to avoid fragmented or conflicting outcomes.
- Evaluating alternatives to full forgiveness—such as restructuring, extended terms or partial repayment—where financially feasible.
- Pairing debt forgiveness with meaningful operational, financial, ownership or governance changes that address root causes of distress.
- Documenting the rationale for forgiveness decisions to support consistency and legislative oversight.

Deferred debt forgiveness represents a permanent concession and should be reserved for situations where it meaningfully advances stabilization and protects long-term public investment.

D.3 Develop Considerations for Disposition, Transition and Orderly Wind-down of Properties

Recommendation: Develop shared guidance for evaluating when sale, transfer of ownership or orderly wind-down represents the most responsible outcome for residents, organizations and public investment.

Considering disposition or wind-down is often painful and difficult. The process can be deeply personal for residents, property owners, service providers and communities. At the same time, there are situations where a building has reached the end of its useful life, may transition to naturally occurring affordable housing when regulatory requirements naturally expire, or its service model is no longer viable. The ongoing strain of one or more properties property may also threaten the health of an entire organization and the balance of its portfolio.

Implementation actions may include:

- Using shared diagnostics to assess when stabilization or recapitalization is no longer viable despite reasonable efforts.
- Engaging ISG to support coordinated, transparent evaluation of alternatives across funders.
- Establishing expectations for resident communication, relocation assistance and right-to-return protections where disposition is pursued.
- Supporting owners through complex decision-making processes when continued operation is not feasible.
- Avoiding prolonged uncertainty that can exacerbate deterioration and harm residents and staff.

Disposition and wind-down are rarely the starting point, but the option should be normalized as one possible outcome in a responsible stabilization planning process.

D.4 Continue Adapting Underwriting Standards

Recommendation: Continue adapting underwriting standards to reflect changing market conditions, while recognizing that underwriting is one of several analytical tools and primarily affects recapitalization and new financing decisions.

Underwriting standards function as a stress test used to size mortgages, reserves and assess feasibility at a point in time. They are not operational guarantees, and they do not alter the financial realities of existing properties once financing is in place. Market conditions, operating costs and service environments will continue to change over time, which means underwriting assumptions must evolve, even as the requirement of long-term affordability commitments remain fixed.

Each public and private funder—and Housing Tax Credit investors—maintains its own underwriting standards. In recent years, Minnesota Housing has adapted its underwriting practices in response to market conditions, including allowing higher vacancy assumptions, more flexible debt coverage ratios, increased capitalized reserves and applicant-proposed inflationary factors where appropriate. These

adjustments demonstrate responsiveness to current conditions, while recognizing that underwriting alignment across all capital partners is not always possible.

Implementation actions may include:

- Continuing to update underwriting assumptions to reflect observed operating conditions, insurance volatility, labor costs and interest rate environments. Because of how market conditions change, it is critical to retain the ability to update underwriting standards as needed.
- Coordinating underwriting updates with other public funders where feasible to reduce conflicting assumptions in recapitalization transactions.
- Clearly communicating the purpose and limits of underwriting standards to owners and stakeholders, particularly that underwriting changes primarily affect new financing and recapitalization and do not resolve operating distress in existing properties.

Underwriting standards support informed investment decisions but must be understood within the broader stabilization context that prioritizes operational capacity, asset management and adequate funding.

E. Recommendations to Support the Operations of Permanent Supportive Housing

Permanent supportive housing (PSH) plays a critical role in Minnesota's affordable housing portfolio, key to the homelessness response systems and serving people with disabilities. It provides stable and deeply affordable housing paired with services for people with the greatest housing and service needs. The long-term success of PSH depends not only on capital investment, but on the alignment of operating resources, services and day-to-day property operations that support resident stability.

Permanent supportive housing properties also face distinct operational and financial risks that differ in material ways from other forms of regulated affordable rental housing. These risks reflect structural features of PSH delivery systems, including reliance on external service funding, higher resident service needs and friction between referral systems, service providers, housing authorities and/or property management. Experience in Minnesota and nationally indicates that PSH destabilization most often occurs through loss or interruption of service funding, referral system friction that prolongs vacancies or increases turnover, staffing instability, elevated insurance costs, security, and turnover costs, or misalignment among owners, property managers, service providers and referral agencies. These dynamics often emerge before traditional indicators of financial distress and may not be fully captured through standard underwriting or capital needs assessments, reinforcing the need for early diagnosis, cross-system coordination and stabilization approaches that address operational realities alongside capital and regulatory considerations.

As part of the Preservation Framework, Minnesota Housing is drawing upon the work of the Working Group for Simplifying Supportive Housing Resources that convened throughout 2025 and into 2026. The Working Group was established to examine how supportive housing resources function across state systems and to identify opportunities for simplification, alignment and long-term sustainability. Its work reflects extensive engagement and includes participation from state agencies, housing developers and owners, service providers, counties, Tribal governments, Continuums of Care, legal services organizations, advocates and people with lived experience of homelessness and supportive housing.

The Preservation Framework seeks to align with the recommendations from the Working Group where they intersect with stabilization, preservation and the long-term operational viability of regulated affordable housing. This approach promotes consistency across systems, reduces duplication and builds on a well-vetted body of work to help ensure that housing, service and operational resources reinforce one another in support of resident stability.

E.1 Explore Options to Align Capital, Operating and Supportive Services Resources

Recommendation: Treat capital, operating and supportive service resources as interconnected components of permanent supportive housing.

Long-term PSH stability depends on adequate operating resources, staffing and service coordination alongside capital investment. Misalignment across these elements can place strain on properties, organizations and residents.

Implementation actions may include:

- Aligning capital, operating, rental assistance and service funding to reflect the ongoing realities of PSH operations, in partnership with other public funders and government agencies.
- Recognizing front desk staffing, service coordination and administrative capacity as essential operating needs that require consistent and committed funding. Insurance, security costs and turnover costs may also be higher and require additional support.
- Supporting the creation and use of capitalized operating and service reserves for PSH.
- Coordinating stabilization responses when operating or service resources change over time.

E.2 Use and Strengthen Relief and Modification Options When Services or Rental Assistance Are Lost

Recommendation: Use and strengthen existing relief and modification options to maintain housing stability when rental assistance or service support is reduced or lost through no fault of the owner.

For projects with funding and permanent supportive housing requirements from Minnesota Housing, the regulatory agreements found in LURAs and other legal documents typically already include relief provisions that can be accessed through the Request for Action (RFA) process, including relief related to service provider changes, service model disruptions or options when there is a loss of operating or rental assistance.

In limited circumstances, preserving housing stability and protecting residents may require structured, time-limited adjustments to operating assumptions, service delivery models or regulatory requirements, when such adjustments are legally permissible and paired with strong tenant protections. Any consideration of relief should be informed by shared diagnostics, demonstrate good-faith efforts to retain or replace services, and prioritize preservation of the housing and non-displacement of residents.

Implementation actions may include:

- Providing training on the RFA process for properties with funding from Minnesota Housing.
- Evaluating requests using shared diagnostics to understand operational, service and resident impacts.
- Using the Interagency Stabilization Group (ISG) when relief or modifications require alignment across multiple funders.
- Encouraging other public funders to build on similar relief frameworks to support coordinated responses.

E.3 Expand PSH-Specific Technical Assistance and Capacity Building

Recommendation: Expand supportive housing-specific technical assistance and capacity-building resources available on a pipeline basis.

Targeted technical assistance can help identify risk early, strengthen operations and prevent escalation into deeper distress.

Implementation actions may include:

- Supporting access to established PSH technical assistance tools, such as:
 - Supportive housing project assessment tools (for example, Corporation for Supportive Housing's Project Assessment Tool and Operations Clinic)
 - Trauma-informed property management training and certification
 - De-escalation training
 - Supportive housing operations and management certifications
- Strengthening the coordination and relationship between supportive service providers and property managers.
- Providing training and technical assistance at no cost where feasible, recognizing the complexity of PSH operations and a given project's regulatory requirements.
- Using technical assistance proactively, not only in crisis situations, to strengthen long-term stability.
- Coordinating technical assistance through Minnesota Housing and external partners to ensure consistency and accessibility.

E.4 Strengthen Coordinated Entry Stewardship and Improve Alignment with PSH Operations

Recommendation: Strengthen statewide stewardship of Coordinated Entry (CE) and improve alignment between CE processes and PSH operations.

Coordinated Entry is the primary interface between homelessness response systems and PSH, but misalignment can result in prolonged vacancies and operational strain.

Implementation actions may include:

- Establishing or strengthening a state-level CE stewardship and policy body with representation from:
 - Owner-operators and property managers
 - Service providers
 - People with lived experience
 - Continuums of Care
 - Funders of coordinated entry

- Supporting CE policies that promote timely referrals and flexibility when appropriate, including allowing providers to fill PSH vacancies outside CE when no appropriate referral is available within a defined timeframe.
- Encouraging CoCs to adopt policies that reduce persistent PSH vacancies while maintaining fair and equitable access.
- Recognizing CE performance as an operational factor in housing stability and identifying metrics to evaluate performance.

E.5 Reduce Administrative Complexity and Improve Alignment Across Programs

Recommendation: Reduce administrative complexity and improve alignment across PSH programs while maintaining accountability.

Supportive housing providers often navigate overlapping eligibility, reporting and monitoring requirements across multiple funding sources.

Implementation actions may include:

- Reducing duplicative eligibility determinations, documentation and reporting.
- Supporting joint or coordinated monitoring across Minnesota Department of Human Services and Minnesota Housing programs where possible.
- Reviewing eligibility and reporting requirements across supportive housing-related programs to identify redundancies and contradictions in partnership with other funders.
- Improving clarity, predictability and consistency across programs.

E.6 Align Broader Housing and Homelessness Resources with PSH Stabilization

Recommendation: Explore how existing housing and homelessness resources can be better aligned to support PSH stabilization and preservation.

Implementation actions may include:

- Developing guidance or templates for how Local Affordable Housing Aid (LAHA), Statewide Affordable Housing Aid (SAHA) and Local Homeless Prevention Aid can be used to support PSH preservation and stabilization needs.
- Exploring how Bring It Home vouchers can be paired or matched with PSH developments.
- Supporting underwriting and reserve practices that promote long-term PSH sustainability, including capitalized operating reserves where appropriate.
- Providing training on how RFA and stabilization tools interact with supportive housing operations.

E.7 Evaluate PSH Options for the Next Update to Minnesota Housing's and Suballocator Jurisdictions' Qualified Allocation Plans

Recommendation: Continue working to align the Qualified Allocation Plan (QAP) with the operational realities of permanent supportive housing.

The QAP shapes supportive housing development and long-term operations. Selection criteria and operating assumptions should reinforce sustainability rather than introduce avoidable strain.

Implementation actions may include:

- Evaluating how QAP scoring, thresholds and operating assumptions affect PSH sustainability.
- Consider QAP policy changes that acknowledge the ongoing operating and service resources necessary to sustainably operate supportive housing.
- Using feedback from owners, service providers, funders and residents to inform future QAP refinements.

F. Recommendations to Strengthen Asset and Property Management Capacity

Asset management and property management are the foundation of successful affordable rental housing. When these functions are strong, properties remain stable, residents remain housed and issues are addressed before they escalate. When capacity is strained, however, challenges can compound quickly and lead to financial, physical or operational distress.

Many organizations face challenges on staffing, training and support. This section focuses on supporting property owners by strengthening asset and property management capacity across the affordable housing system. Effective asset and property management enables earlier identification of risk, clearer diagnosis of root causes and more informed decision-making. These functions are central to the Preservation Framework's emphasis on early engagement and routine use of the Diagnostic Workflow.

F.1 Integrate a Diagnostic Workflow into Asset and Property Management Practices when Working with Funders

Recommendation: Integrate the Diagnostic Workflow into routine asset and property management practices to support earlier identification of issues and more effective problem-solving.

Asset and property management are the primary sources of information about how a property is functioning day to day. Using the Diagnostic Workflow as part of regular practice helps normalize structured assessment and reduce reliance on crisis-driven interventions.

Implementation actions may include:

- Using the Diagnostic Workflow as a framework for regular asset management reviews and owner-manager conversations.
- Applying the Diagnostic Workflow when early warning signs emerge, such as operating deficits, staffing instability, insurance shocks or service disruptions.
- Using diagnostic findings to clarify whether issues are operational, financial, regulatory or service-related and to guide next steps.
- Aligning asset and property management reporting with the Diagnostic Workflow to reduce duplicative requests during stabilization efforts.

F.2 Strengthen Coordination Between Asset Management and Property Management

Recommendation: Support stronger coordination between asset management and property management functions to improve performance and reduce risk.

Asset management and property management serve distinct but complementary roles. Clear coordination between these functions supports earlier issue identification and more effective response.

Implementation actions may include:

- Encouraging owners to formalize communication and reporting expectations between asset managers and property managers.
- Incorporating on-the-ground operational insight from property management into asset management decision-making.
- Reinforcing the role of property management in identifying resident-facing issues that may signal broader stabilization concerns.
- Recognizing property management as a critical partner in stabilization efforts, particularly in deeply affordable and supportive housing.

F.3 Build Asset Management Capacity and Support Sustainable Funding

Recommendation: Build asset management capacity across ownership organizations and support sustainable funding for asset management functions.

Strong asset management requires dedicated expertise and resources. Capacity gaps—particularly among smaller organizations or those operating deeply affordable or supportive housing—can undermine stabilization efforts.

Implementation actions may include:

- Creating or expanding capacity-building programs focused on asset management knowledge, tools and best practices.
- Encouraging owners to incorporate an asset management fee, consistent with Minnesota Housing’s underwriting standards, to support ongoing asset management costs.
- Providing guidance on how asset management fees can be structured and used to support stabilization and long-term viability.
- Supporting peer learning and mentorship focused on asset management challenges and practices.
- Targeting capacity-building resources to owners managing higher-risk portfolios or serving residents with greater needs.

F.4 Expand Technical Assistance and Learning Cohorts

Recommendation: Expand access to technical assistance and peer learning opportunities focused on asset and property management.

Technical assistance and shared learning help owners and managers adapt to changing conditions and strengthen management practices.

Implementation actions may include:

- Supporting learning cohorts that allow owners and managers to share lessons, strategies and tools.
- Coordinating technical assistance offered by Minnesota Housing with other providers, such as the Consortium for Housing and Asset Management (CHAM).
- Using technical assistance to help owners interpret financial trends, assess operational risks and plan for stabilization or recapitalization.
- Leveraging aggregated insights from technical assistance and learning cohorts to inform broader system improvements.

G. Tenant Protections and Resident Well-Being

Residents are the mission of regulated affordable rental housing. The purpose of stabilization, preservation and recapitalization efforts is to ensure that people have access to safe, stable and affordable homes. Tenant protections, resident well-being and meaningful resident engagement are therefore not standalone considerations, but core principles woven throughout every recommendation in this Preservation Framework.

Providing quality housing also requires attention to environmental conditions, operational needs and the long-term health of properties and portfolios. Stabilization efforts must balance these realities while remaining grounded in resident experience. This balance is difficult, but resident stability, safety and voice remain the guiding priority.

G.1 Center Resident Experience in Stabilization Decision-Making by Involving Them in the Process

Recommendation: Ensure that resident experience, safety and housing stability inform all stabilization, recapitalization and disposition decisions by including residents in the process.

Implementation actions may include:

- Incorporating resident impact considerations into the Diagnostic Workflow alongside financial, physical and operational factors.
- Recognizing that residents often experience the effects of distress before it is visible in financial or physical indicators.
- Actively engage residents through surveys, focus groups or other feedback mechanisms and use their insights along with other resident-facing information, such as complaints, turnover and service disruptions, to inform early diagnostics and stabilization planning.

G.2 Engage Residents Through Clear, Timely and Respectful Communication

Recommendation: Engage residents early and throughout stabilization efforts through clear, timely and respectful communication and opportunities for input and feedback.

Implementation actions may include:

- Establishing communication protocols for property owners to provide residents with timely information about planned stabilization activities, anticipated impacts and expected timelines.
- Creating appropriate opportunities for residents to ask questions, raise concerns, provide their insights about issues and possible solutions and share information relevant to stabilization planning.
- Using plain language and culturally appropriate engagement methods.
- Offering information in multiple languages where appropriate.

- Coordinating engagement and communication among owners, property managers and service providers to reduce confusion.
- Following up with residents on planning actions and the results of their input.

Resident engagement supports trust, improves decision-making and can help identify issues that may not be visible through financial or physical indicators alone.

G.3 Prioritize Non-Displacement and Housing Stability

Recommendation: Prioritize non-displacement and housing stability whenever feasible during stabilization and preservation efforts.

Implementation actions may include:

- Evaluating strategies with the explicit goal of minimizing displacement.
- Providing relocation assistance and right-to-return protections when temporary relocation is unavoidable.
- Planning stabilization activities to reduce construction-related disruption where possible.
- Recognizing the lasting impacts displacement can have on residents' health, employment and community connections.

G.4 Coordinate with Service Providers and Supportive Housing Partners

Recommendation: Ensure stabilization efforts are coordinated with service providers, particularly in permanent supportive and deeply affordable housing.

Implementation actions may include:

- Establishing expectations for clear communication and collaboration between property owners and service providers during stabilization planning, including to understand potential impacts on services, staffing, residents and the surrounding community.
- Recognizing that service disruptions can destabilize residents even when housing remains physically sound.
- Coordinating stabilization timelines with service funding and staffing realities.

G.5 Balance Resident Protections with Long-Term Housing Quality and Viability

Recommendation: Balance immediate resident protections with actions necessary to maintain safe, healthy and viable housing over the long term.

Implementation actions may include:

- Addressing deferred maintenance, safety concerns and environmental conditions that directly affect resident well-being.
- Supporting stabilization actions that improve long-term housing quality, even when short-term disruption is unavoidable.
- Being transparent with residents about why stabilization actions are necessary and how they support long-term stability.

H. Potential Statutory, Session law and Rule Updates to Support Targeted Stabilization

State and federal statutes form the foundation of affordable housing programs. They establish core purposes, eligibility requirements, affordability commitments and oversight mechanisms. Because these laws shape long-term obligations and public trust, even targeted changes require careful consideration.

The actions identified in this section highlight limited areas where existing statutes, session laws or administrative rules could warrant further examination. The goal is to better support stabilization, preservation and long-term stewardship of regulated affordable rental housing. This chapter does not suggest that statutory change is the primary response to stabilization challenges. Instead, it identifies opportunities where additional flexibility, clarification or alignment could modestly improve existing tools or reduce unnecessary administrative burden.

Any statutory or rule changes would need to consider legislative intent, resident protections, fiscal impacts and system-wide effects. Statutory changes also do not retroactively modify existing loan documents or regulatory agreements. Those agreements remain binding unless amended by the parties. As a result, the actions described below are prospective and intended to inform future policy discussions. Continued evaluation of statutes, law and rules along with engagement with elected officials remains an important part of this work.

H.1 State Housing Tax Credit

(Minnesota Statute 462A.40)

Actions to consider include:

- Removing or extending the current sunset of December 31, 2028.
- Increasing the annual credit authority available.
- Allowing any unused credits to rollover into the following year.
- Explicitly authorizing preservation and stabilization uses, including replenishment of operating and replacement reserves.

Clarifying and expanding eligible uses could strengthen the State Housing Tax Credit as a flexible tool for preservation and stabilization, particularly for properties that are not competitive for other capital resources or that require targeted interventions rather than full recapitalization.

H.2 Rental Housing Rehabilitation Deferred Loan Program

(Minnesota Statute 462A.05, subd. 14 and session laws)

Actions to consider include:

- Updating statutory language to explicitly allow replenishment of operating or replacement reserves as an eligible use.
- Clarifying eligibility for transitional housing, which currently lacks a dedicated funding source.

These updates would improve the program's ability to respond to stabilization needs while maintaining its existing purpose and structure.

H.3 Low Income Rental Classification (LIRC) Renewal Requirements

(Minnesota Statute 273.128)

Action to consider: Evaluate statutory options to allow multi-year renewal of LIRC eligibility for properties subject to long-term regulatory affordability requirements. This could reduce annual administrative burden for property owners and administering entities while maintaining program integrity and appropriate oversight. Many properties qualifying for LIRC already operate under extended affordability restrictions that exceed the need for annual certification.

H.4 Align Affordability Restrictions with the Term of the Loan

In several Minnesota Housing programs funded through state appropriations, rent and income restrictions remain in place for a fixed term even if the associated loan is repaid or forgiven early. This structure can limit flexibility in stabilization or recapitalization efforts without necessarily advancing additional public benefit. Aligning affordability restrictions more closely with the duration of public financial participation could provide additional flexibility for targeted stabilization and recapitalization efforts, while continuing to protect public investment.

Actions to consider include evaluating whether affordability requirements should terminate upon repayment or forgiveness of the applicable loan in the following programs:

- **Economic Development Housing Challenge Program** - Minnesota Rule 4900.3646 requires affordability restrictions to remain in place for 15 years.
- **Minnesota Families Affordable Rental Investment Fund** - Session laws require affordability restrictions to remain in place for 30 years, even if the loan is repaid or forgiven.
- **Housing Trust Fund** - Minnesota Rule 4900.3727 requires affordability restrictions to remain in place for at least 15 years, regardless of early loan repayment or forgiveness.

Chapter 7: Comprehensive Long-Term Preservation

Comprehensive Long-Term Preservation relies on a well-established set of financing tools, allocation processes and intergovernmental partnerships that have been in place in Minnesota for decades. While this framework is centered on Targeted Stabilization, Comprehensive Long-Term Preservation remains a critical component of the overall preservation spectrum. In Minnesota, the two primary processes for allocating resources for Comprehensive Long-Term Preservation are Minnesota Housing's annual Multifamily Consolidated Request for Proposals (RFP) and Minnesota Management and Budget's (MMB) biannual process to allocate tax-exempt private activity bond volume cap, which enables access to the federal 4% Housing Tax Credit. Together, these processes form the backbone of Minnesota's approach to financing long-term preservation and aligning state and federal resources.

Federal programs are involved in the majority of long-term preservation projects funded by Minnesota Housing, most commonly through federal Housing Tax Credits, the HOME Investment Partnerships Program and the National Housing Trust Fund. These federal resources are foundational to Minnesota's preservation outcomes and are typically layered with state and local funding. In conjunction with these federal resources, Minnesota has developed a longstanding preservation funding infrastructure—beginning with the Preservation Affordable Rental Investment Fund (PARIF) in the 1990s and expanded through Housing Infrastructure Bonds and other state investments in the 2010s. Together, state and federal programs have proven effective in addressing a wide range of long-term preservation needs, particularly for properties with federal assistance.

Despite the maturity and effectiveness of this infrastructure, available capital resources consistently fall short of identified preservation needs. In a typical year, only about 20% to 30% of preservation applications seeking comprehensive recapitalization through the Multifamily Consolidated RFP can be selected for funding due to limited resources. While applicants often focus on competitiveness within scoring frameworks, adjustments to scoring criteria primarily affect which projects are selected—not how many can be funded. The primary constraint is not program design nor allocation processes, but the limited and often unpredictable scale of available capital and supportive service funding relative to growing preservation demand.

Comprehensive Long-Term Preservation is therefore best understood primarily as a scaling challenge, rather than exclusively a program design challenge. Existing federal and state programs generally cover the types of preservation needs encountered across the portfolio; however, additional and more predictable investment is needed to allow more properties to access these tools before conditions deteriorate. At the same time, experience shows that continued improvements in implementation—such as allocation policies, coordination among funding partners and further refinement of project closing processes—can meaningfully improve outcomes within existing resource constraints.

Finally, analytical tools developed through this Preservation Framework, including the diagnostic workflow in Chapter 3 and Appendix D, can support this work by helping to assess preservation needs earlier and clarify when Comprehensive Long-Term Preservation is the appropriate intervention.

The recommendations that follow reflect this dual focus, recognizing that Comprehensive Long-Term Preservation is one essential component of a broader preservation spectrum that also includes Targeted Stabilization.

Federal Programs and Alignment for Comprehensive Long-Term Preservation

Support Federal Financing Tools that Enable Preservation at Scale

- **Efficient use of tax-exempt bonds and Housing Tax Credits:** Support implementation of H.R. 1 (Section 70422), enacted in July 2025, which lowered the bond financing threshold from 50% to 25% to qualify for the 4% Housing Tax Credit. This change allows limited bond volume cap to support more preservation and new construction projects. Minnesota Housing and Minnesota Management and Budget are implementing this change beginning in January 2026.
- **Deferred debt modification:** Support exploration of changes to the federal tax treatment of existing deferred debt in preservation transactions, where appropriate, to simplify the use of Housing Tax Credits and reduce negative impacts on Housing Credit equity.
- **Flexible gap-filling federal capital:** Support continued investment in the HOME Investment Partnerships Program and the National Housing Trust Fund, including federal legislative proposals to reauthorize, modernize and strengthen these programs to improve flexibility, reduce administrative barriers and better align federal capital with preservation transactions.

Support Federal Rental Assistance

- **Federal rental assistance:** Support all forms of federal rental assistance—particularly the Section 8 project-based program—as a core mechanism for achieving true affordability, meeting households where they are based on income and leveraging federal resources in long-term preservation transactions.

Maintain and Strengthen Coordination with USDA Rural Development

- **Rural preservation:** Maintain and strengthen coordination with USDA Rural Development on preservation projects in Greater Minnesota.
- **Timely federal actions:** Support more timely federal approvals, transfers and restructurings to reduce delays that jeopardize preservation outcomes for aging or at-risk rural properties.

Support Federal Legislative Efforts that Strengthen Preservation Capacity

- **Targeted bipartisan reforms:** Support the Affordable Housing Credit Improvement Act, the ROAD to Housing Act/21st Century Act, HOME reauthorization and reform proposals.
- **Ongoing federal engagement:** Continue engagement with federal partners and Minnesota's congressional delegation.

Maintain Strong Federal–State Coordination and Field Office Engagement

- **Implementation-level coordination:** Support ongoing coordination with federal agencies, particularly the Minneapolis HUD Field Office.
- **Cross-program problem solving:** Continue information sharing, joint problem solving and participation in the Interagency Stabilization Group to support complex, multi-source preservation transactions.

State Programs and Alignment for Comprehensive Long-Term Preservation

Scale State Capital Investment Tools

- **Housing Infrastructure Bonds and appropriations:** Continue use of Housing Infrastructure Bonds and related appropriations as foundational tools for comprehensive preservation. More consistent and predictable investment—through bonding, appropriations or both—would improve long-term planning for Minnesota Housing and property owners and expand the number of projects able to proceed each year.
- **Preservation Affordable Rental Investment Fund (PARIF):** Increase funding for PARIF. The base biennial appropriation has remained at \$9,436,000 for more than a decade despite rising costs and growing preservation demand; additional investment would expand the number of federally assisted properties preserved.
- **Rental Housing Rehabilitation program:** Increase funding for the Rental Housing Rehabilitation program, which has remained at \$7,486,000 per biennium for more than a decade. This resource funds the Rental Rehabilitation Deferred Loan (RRDL) program. Expanded resources would support a broader share of USDA Rural Development-assisted properties and other preservation needs.
- **Publicly Owned Housing Preservation Program (POHP):** Continue strong bonding support. POHP addresses significant capital needs in housing that often provides the deepest affordability statewide, and recent project outcomes demonstrate ongoing demand.

Align State Policy, Funding Partners and Processes

- **Qualified Allocation Plan (QAP) engagement:** Continue stakeholder engagement and evaluation of options within Minnesota Housing’s Qualified Allocation Plan to further support preservation and stabilization.
- **MMB bond allocation priorities:** Evaluate a secondary preservation priority within MMB’s biannual bond allocation process for properties without federal rental assistance, while maintaining focus on depth of affordability. Minnesota Statute 474A currently requires prioritization of preservation projects with federal rental assistance but includes no comparable preservation priority for non-assisted properties.

- **Coordination among funding partners:** Continue and strengthen coordination among state, local, federal and other funding partners to simplify layered financing structures in preservation transactions, reduce duplicative requirements, clarify roles and sequencing and improve alignment across funding sources.
- **Early alignment on legislative priorities:** Encourage early and ongoing engagement among Minnesota Housing, public funders, housing advocates and housing providers to discuss potential legislative priorities, implementation considerations and feasibility constraints, supporting clearer alignment ahead of legislative sessions.
- **Alignment on deferred debt treatment:** Support continued work among funders to better align approaches to deferred debt modification or forgiveness in preservation projects, recognizing the role deferred debt plays in long-term affordability and transaction feasibility.
- **Streamlining closing processes:** Continue efforts to streamline and better coordinate closing timelines and requirements across public funding sources to reduce delays, lower transaction costs and improve predictability for preservation projects.

Chapter 8: Naturally Occurring Affordable Housing

Naturally Occurring Affordable Housing (NOAH) is a significant component of Minnesota's rental housing system. Minnesota has roughly 250,000 rental units affordable to households at or below 60% of Area Median Income that are not supported by long-term government subsidies or rent and income restrictions. Because these units operate outside formal affordability programs, their stability is closely tied to market conditions, property operations and reinvestment capacity. These units are typically affordable because they are older, have fewer amenities and often require reinvestment to address deferred maintenance and capital needs.

NOAH preservation involves a different set of tools and expectations than preservation of regulated affordable housing. Because NOAH properties do not have existing affordability requirements, preservation efforts generally focus on stabilization, habitability and displacement prevention. At the same time, the scale of the NOAH inventory and its role in housing lower-income households make it an important part of broader housing stability and preservation efforts.

Minnesota has begun to advance this work through the Community Stabilization: NOAH program administered by Minnesota Housing, which received one-time funding in the 2023 legislative session that was subsequently modified in the 2024 legislative session. A request for proposals to allocate the funding was underway at the time of this writing. This initiative is intended to support targeted stabilization and preservation of NOAH properties. As projects are selected and implemented, the program creates an opportunity to evaluate outcomes, identify effective strategies and assess whether additional or ongoing tools are warranted.

NOAH preservation should be understood as part of a broader preservation spectrum and property lifecycle. Properties may transition between regulated affordable housing, NOAH, Targeted Stabilization and Comprehensive Long-Term Preservation based on market conditions, capital needs, ownership decisions and the status of affordability restrictions. Transitions across this spectrum are common and reflect normal property evolution rather than failure. Transitions from regulated affordable housing to NOAH are not inherently negative and may create new opportunities for reinvestment or future preservation strategies. Similarly, some NOAH properties may, at certain points, become candidates for Targeted Stabilization or Comprehensive Long-Term Preservation where public investment can meaningfully improve conditions or secure affordability for a defined period.

Within the Preservation Framework, NOAH preservation is recognized as an important and evolving area of work that complements efforts focused on regulated affordable housing. While this framework prioritizes Targeted Stabilization of regulated properties, NOAH strategies play a critical supporting role in maintaining housing options and reducing pressure on the regulated affordable housing system. Across all approaches, the shared objective is to preserve affordability in its different forms by applying appropriate tools at the right point in a property's lifecycle.

Appendix A: Legislation for the Preservation Framework for Targeted Stabilization of Regulated Affordable Housing

Minnesota Laws 2025, chapter 32, article 3, section 14

(a) The commissioner of the Minnesota Housing Finance Agency must work with members of the affordable housing industry, representing diverse racial and geographic perspectives including the Interagency Stabilization Group, affordable housing providers, supportive service providers, legal services, and housing stakeholders, to develop a preservation framework for the targeted stabilization of regulated affordable rental housing. The goal of this framework is to preserve and sustain affordable housing development organizations, the affordable rental buildings they own, and the housing for the people who live in the buildings today and in the future. To the extent practicable, the framework must identify:

- (1) strategies, tools, and funding mechanisms to support targeted stabilization of affordable rental housing and recapitalization of distressed properties;
- (2) options for temporary or permanent modifications to financing and regulatory terms and conditions, which may include changes to compliance requirements such as rent and income limits;
- (3) potential improvements to processes and programs that are critical to the operations of permanent supportive housing including but not limited to coordinated entry, front desk and service funding, and relief options if there is a lack of identified service dollars or service providers;
- (4) strategies for asset management to support long-term stabilization of regulated affordable housing; and
- (5) state statutory changes needed to support or enable identified strategies.

(b) The framework shall identify options for tenant protections that may be needed during stabilization efforts. The agency must also consider such factors as protecting public resources and legal requirements.

(c) By February 15, 2026, the commissioner of the Minnesota Housing Finance Agency must submit the preservation framework to the chairs and ranking minority members of the legislative committees having jurisdiction over housing finance and policy on the preservation framework, including any improvements implemented as well as any potential changes to existing state statute that may be needed to support targeted stabilization of regulated affordable housing and recapitalization of distressed properties.

Appendix B: Preservation Framework Engagement Overview

Engagement Overview

Engagement activities occurred from August 2025 to February 2026 and included structured roundtables, standing interagency coordination groups, targeted listening sessions and a statewide survey. Engagement involved nonprofit and for-profit housing providers, publicly owned housing entities, governmental partners, housing tax credit investors, tenant advocates, legal services organizations and statewide housing coalitions.

Stakeholder Engagement Activities

“Super” Interagency Stabilization Group

Dates: August 4, 2025; November 3, 2025

Standing Members: City of Minneapolis; City of Saint Paul; Dakota County Community Development Agency; Family Housing Fund; Greater Minnesota Housing Fund; Hennepin County; Metropolitan Council; Minnesota Chapter of the National Association of Housing and Redevelopment Officials (NAHRO); Minnesota Department of Employment and Economic Development; Minnesota Housing; Ramsey County; Twin Cities Local Initiative Support Corporation (LISC); United States Department of Housing and Urban Development; Washington County Community Development Agency

Housing Tax Credit Investor Forum

Date: September 2, 2025

Invitees: Aeon; Alliance Housing; Beacon Interfaith Housing Collaborative; Center City Housing; Cinnaire; City of Minneapolis; CommonBond Communities; Dakota County Community Development Agency; Enterprise Community Partners; Family Housing Fund; Greater Minnesota Housing Fund; Housing Stability Coalition; McKnight Foundation; Minnesota Housing; Minnesota Housing Partnership; National Equity Fund; Project for Pride in Living; Southwest Minnesota Housing Partnership; Twin Cities Local Initiative Support Corporation; U.S. Bank; Washington County Community Development Agency

Interagency Stabilization Group (ISG)

Dates: September 5, 2025; November 7, 2025; January 9, 2026

Standing Members: City of Minneapolis; City of Saint Paul; Dakota County Community Development Agency; Family Housing Fund; Greater Minnesota Housing Fund; Hennepin County; Metropolitan Council; Minnesota Chapter of the National Association of Housing and Redevelopment Officials

(NAHRO); Minnesota Housing; Ramsey County; United States Department of Housing and Urban Development; Washington County Community Development Agency

Nonprofit and For-Profit Housing Providers Roundtable

Date: October 1, 2025

Invitees: Aeon; Center City Housing; Central Minnesota Housing Partnership; CommonBond Communities; D.W. Jones Inc.; Model Cities; Project for Pride in Living; Sand Companies; Sherman Associates; Southwest Minnesota Housing Partnership; Three Rivers Community Assistance Program; Trellis; Twin Cities Housing Development Corporation

Publicly Owned Housing Providers Roundtable

Date: October 14, 2025

Invitees: Carver County Community Development Agency; Dakota County Community Development Agency; Housing and Redevelopment Authority of Duluth; Kandiyohi County Housing and Redevelopment Authority; Minneapolis Public Housing Authority; St. Paul Public Housing Authority; Washington County Community Development Agency

Additional Targeted Listening Sessions

Tenant Protection Listening Session

Date: November 10, 2025

Participants: Housing Justice Center; HOME Line; Mid-Minnesota Legal Aid; Southern Minnesota Regional Legal Services

Minnesota Housing Partnership Listening Session

Date: December 3, 2025

Housing Stability Coalition Listening Session

Date: December 15, 2025

Statewide Preservation Framework Survey

- Responses from **40 organizations** representing approximately **27,300 rental apartments**
- Respondents included nonprofit and for-profit housing providers and local government/public housing entities

Public Comment Period

A public comment period was held from Tuesday, January 20, 2026, to Friday, February 6, 2026. A compilation of the public comments submitted to Minnesota Housing is available on the [Preservation Framework page of Minnesota Housing's website](#).

Appendix C: Past Minnesota and Other Preservation Initiatives

This appendix summarizes selected preservation initiatives in Minnesota and other jurisdictions that informed development of the Preservation Framework. In Minnesota, preservation and stabilization of existing affordable housing have been the subject of sustained attention over time, including early interagency coordination efforts, portfolio-level initiatives and work focused on supportive housing and asset management. The Preservation Framework builds on this prior work rather than starting from scratch, incorporating lessons learned and adapting them to current operating conditions.

Minnesota's long-standing use of interagency coordination through the Interagency Stabilization Group (ISG) reflects an early recognition that preservation challenges often require alignment across multiple funders, regulatory authorities and systems. Other initiatives summarized here—including the Minnesota Preservation Plus Initiative and subsequent portfolio and supportive housing work—demonstrate continued efforts to strengthen early identification of risk, improve coordination and support long-term stewardship of affordable housing.

The examples from other states and jurisdictions included below reflect similar preservation challenges and approaches being examined elsewhere. These initiatives are illustrative rather than comprehensive and are included to provide broader context and inform development of the Preservation Framework, not to catalog all preservation activity nationwide.

Minnesota Preservation and Stabilization Initiatives

Interagency Stabilization Group (ISG)

Geography: Minnesota (statewide)

Timeframe: Early 1990s-present

ISG was established in the early 1990s as a cross-agency forum to coordinate responses to preservation challenges in existing subsidized housing. Early ISG materials document efforts to align public agencies, lenders and other partners around expiring federal subsidies, physical distress and neighborhood impacts, with an emphasis on shared information and coordinated decision-making.

Over time, ISG evolved into a standing coordination structure used to address a broader range of stabilization and preservation issues. Its work has included case-based discussions, identification of lead entities and alignment of actions across agencies when challenges extend beyond the authority or capacity of a single funder. ISG's longevity reflects the recurring need for cross-funder coordination in complex preservation situations.

Minnesota Preservation Plus Initiative (MPPI)

Geography: Minnesota (statewide)

Timeframe: Approximately 2010-2014

MPPI was a statewide effort to strengthen preservation planning and portfolio oversight for regulated affordable housing, with a focus on improving understanding of financial and physical conditions across portfolios, identifying properties at risk of distress and coordinating responses among public funders and other stakeholders.

MPPI explored the use of performance data, early indicators and structured review processes to inform preservation decisions. While the initiative encountered challenges related to data quality, governance and sustained resourcing, it contributed to ongoing discussion about proactive preservation, portfolio-level analysis and early engagement that continues to influence preservation practice in Minnesota.

MHFA Preservation Project Plan

Geography: Minnesota

Timeframe: 2011

This project plan outlined internal efforts to strengthen preservation practices within Minnesota Housing's multifamily portfolio, including improved coordination among asset management, underwriting and preservation functions and clearer approaches to identifying and responding to risk.

Building Common Ground in Multifamily Lending

Geography: Minnesota

Timeframe: 2014

This initiative convened Minnesota Housing leadership and multifamily lending partners to discuss portfolio management, preservation risk and long-term stewardship, emphasizing shared understanding of preservation challenges and alignment between lending, asset management and policy objectives.

Preservation: Identifying Needs, Exploring Strategies (PINES) – Business Implementation Plan

Geography: Minnesota

Timeframe: 2013-2014

The Preservation: Identifying Needs, Exploring Strategies (PINES) initiative focused on strengthening Minnesota Housing's internal systems, tools and processes to support proactive preservation and portfolio oversight, emphasizing earlier identification of risk, improved coordination across multifamily functions and clearer workflows to support preservation, stabilization and asset management decision-making.

Working Group on Simplifying Supportive Housing Resources

Geography: Minnesota (statewide)

Timeframe: 2025-2026 (in progress)

Established in statute in 2025, this working group examines how state-funded supportive housing resources are accessed, administered and coordinated across housing and human services systems. The group includes representation from Minnesota Housing, the Department of Human Services, counties, Tribal governments, service providers, advocates and people with lived experience, and shares a focus on reducing administrative complexity and improving long-term stability.

Other Jurisdictions and National Context

Oregon Preservation Strategy Framework

Geography: Oregon

Timeframe: 2023

Oregon's Preservation Strategy Framework outlines a statewide approach to preserving regulated affordable housing, including portfolio risk assessment, early intervention strategies and coordinated use of financial and regulatory tools.

Colorado Affordable Housing Preservation (CAHP) Program

Geography: Colorado

Timeframe: Ongoing

The CAHP program provides targeted resources to preserve existing affordable housing, particularly properties at risk of conversion or physical deterioration, and supports coordinated preservation strategies statewide.

Montgomery County Preservation Study

Geography: Montgomery County, Maryland

Timeframe: 2020

This county-led study assessed risks to affordable housing and identified strategies to preserve existing units, including early identification of at-risk properties and coordinated public intervention.

Florida Housing Finance Corporation Portfolio Preservation Action Plan

Geography: Florida

Timeframe: 2018

Florida Housing's action plan describes approaches to monitoring portfolio risk, intervening in distressed properties and supporting long-term affordability through asset management and preservation tools.

Fairfax County Affordable Housing Preservation Task Force Recommendations

Geography: Fairfax County, Virginia

Timeframe: 2020-2021

Convened by the Fairfax County Board of Supervisors and led by the Department of Housing and Community Development, this task force developed recommendations addressing preservation alongside new production, with an emphasis on proactive identification of at-risk properties, coordinated financing and policy tools and long-term affordability commitments.

Picture of Preservation

Geography: National

Timeframe: 2021

Authored by the National Housing Trust, Picture of Preservation provides a national overview of affordable housing preservation challenges, documenting trends related to aging housing stock, expiring affordability restrictions, operating cost pressures and increasing complexity.

Consortium for Housing and Asset Management (CHAM)

Geography: National

Timeframe: Ongoing (founded 1991)

The Consortium for Housing and Asset Management (CHAM) is a national nonprofit organization focused on strengthening asset management, portfolio oversight and long-term stewardship of affordable housing. CHAM supports housing finance agencies, local governments and owners through training, peer learning, research and technical assistance, with an emphasis on proactive asset management practices, early identification of risk and shared standards that support preservation of existing affordable housing portfolios.

Preservation NEXT

Geography: National

Timeframe: Ongoing (launched early 2020s)

Preservation NEXT, an initiative of Enterprise Community Partners, focuses on advancing strategies, tools and partnerships to preserve affordable housing at scale. The initiative provides research, policy analysis and peer learning to support proactive preservation approaches, including early identification

of at-risk properties, alignment of capital and operating resources, and coordinated action across housing, finance and policy systems.

Emerging Work

Washington State Housing Finance Commission Preservation Strategy (In Development)

Geography: Washington

Timeframe: 2025 (in development)

The Washington State Housing Finance Commission is developing a preservation strategy to guide long-term stewardship of its affordable housing portfolio, reflecting broader interest among housing finance agencies in formalizing preservation approaches.

Appendix D: Diagnostic Workflow Template

The stability of affordable multifamily housing relies on the coordinated efforts of property owners, property managers, funders, investors, service providers and residents. Properties rarely experience a single, isolated challenge; rather, stressors most often emerge from the interaction of physical conditions, financial performance, regulatory requirements, market pressures, management/operational issues and resident needs. Effectively responding to these conditions requires not only appropriate tools, but a shared understanding of how to diagnose problems and coordinate action across multiple stakeholders.

This Diagnostic Workflow Template provides a practical tool to support the approach described in Chapter 3 of the Preservation Framework. It is intended to help property owners, Minnesota Housing, the Interagency Stabilization Group (ISG), and other public funding partners work through complex stabilization and preservation situations together in a more structured, transparent and coordinated way. The template is designed to serve as a common reference point for analysis and decision-making among stakeholders who may otherwise approach the same situation from different perspectives, with different information, authorities, and constraints.

Property-level distress rarely fits neatly into a single category. Financial, physical, operational, regulatory and resident-related issues frequently overlap and reinforce one another. Without a shared diagnostic framework, analysis can become fragmented, assumptions may go untested and participants may move prematurely toward funding or regulatory solutions before developing a common understanding of underlying causes and available options.

This template is intended to support a more deliberate and collaborative diagnostic process by:

- Creating a shared analytical foundation before decisions are made;
- Clarifying what information is needed, by whom and at what stage of the process;
- Supporting collaboration and communication among property owners, public funders and other partners;
- Helping property owners better understand public processes, expectations and potential pathways; and
- Improving alignment between identified property needs and available stabilization or preservation tools.

Much of this work already occurs in practice. The value of this template is not in introducing a new concept, but in making the diagnostic process more explicit, consistent and predictable for all parties involved. By establishing a common structure, the workflow helps stakeholders align earlier, reduce duplicative or misdirected effort and improve the effectiveness of stabilization and preservation strategies over time.

The template is intentionally flexible. Not every property will require the same depth of analysis at each stage, and the process may move forward, pause or revisit earlier steps as new information emerges or conditions change. Use of this template does not replace professional judgment. Rather, it is intended to support clearer understanding, better coordination and more informed decision-making across a wide range of preservation and stabilization contexts.

As the Preservation Framework is implemented, this diagnostic workflow may be further developed into more detailed and practical tools, including stage-specific checklists, guidance on information and due diligence needs, clearer entry points for property owners to initiate discussions or requests, and improved alignment with existing public processes. These refinements are intended to support consistent application of the framework without creating new procedural requirements or barriers to engagement, while retaining flexibility to respond to the unique conditions of individual properties.

Common Roles in the Diagnostic Process

Stabilization and preservation efforts are most effective when roles are understood early and revisited as conditions evolve. Not all roles will be present in every situation, and additional stakeholders may be engaged as appropriate. The descriptions below are intended to clarify typical responsibilities, not assign rigid authority.

Property Owners/Sponsors

Includes owners and sponsors along with their supporting teams (such as asset managers, finance staff and compliance staff). Owners are responsible for long-term stewardship of the property, capital investment decisions, management oversight and compliance with affordability commitments. Owners are often the first to observe emerging stressors and play a central role throughout the diagnostic and decision-making process. Owners are also responsible for determining when to seek external assistance and for engaging transparently with partners during stabilization discussions and sharing relevant information needed for joint analysis.

Property Management Teams

Includes onsite and regional managers responsible for day-to-day operations, resident relations, maintenance and performance monitoring. Property management teams often identify early warning signs such as rising vacancies, deferred maintenance, staff turnover, safety concerns or resident instability. Management may be affiliated with ownership or contracted as a third party. Their operational insight is critical to understanding how stressors manifest on the ground and how proposed interventions may affect residents.

Public Funders

Includes Minnesota Housing, cities, counties, housing authorities, federal agencies, tribal governments and other jurisdictions. Public funders bring program requirements, underwriting considerations, regulatory authority, mission alignment and access to financing tools or regulatory flexibility. Public funders also have responsibility for protecting public investment, ensuring compliance and safeguarding resident outcomes. Their involvement often shapes which options are feasible and under what conditions and when coordination among multiple funders is required.

Other Funders

Includes housing tax credit investors, private lenders, CDFIs, philanthropic funders and other financial partners. These entities may have approval rights, financial exposure or long-term interests that affect timing, feasibility and structure of potential interventions. Early awareness and engagement can reduce delays and conflicting assumptions during later decision-making stages.

Supportive Service Providers

Applicable when a property includes permanent supportive housing or service-enriched units. Service providers are responsible for service delivery, resident engagement and coordination with owners and managers. Service capacity, funding stability and alignment with housing operations can be central factors in stabilization outcomes.

Residents

Residents' experience, safety and housing stability are central to the diagnostic process. While residents may not participate in every analytical step, decisions should account for resident impacts and insights, communication needs and displacement risk. Resident insights and considerations should be integrated throughout the workflow, not addressed only at implementation or as an afterthought.

Six-Stage Diagnostic Workflow



1. Identify and Define the Problem

Purpose

Establish a clear, shared understanding of the concern that prompted review. This stage defines the problem to be examined and sets expectations for the scope and urgency of further analysis and early coordination.

Key Activities

- Identify observed stressors, such as operating deficits, deferred maintenance, rising vacancies, safety concerns, compliance challenges, staffing instability, service gaps or resident concerns or complaints.
- Determine the scope and scale of the issue (single unit, building system, entire property or portfolio).
- Distinguish between acute issues requiring immediate action and longer-term trends that may worsen if unaddressed.
- Document known facts, assumptions and unknowns to support shared understanding.

Questions to Consider

- What specific symptoms indicate that something is wrong?
- How long has the issue existed, and is it worsening or episodic?
- Are the issues isolated to a specific property or systemic across an entire portfolio or even the entire market?
- Does the stressor appear primarily internal (operations, capital, management) or external (market, insurance, regulations)?

Lead Actors

Property Owners and Property Management

Resident Considerations

- Identify whether residents are experiencing unsafe conditions, property management-related challenges, service disruptions, or housing instability.
- Determine whether immediate resident communication or protective actions are required.
- Ensure urgent health and safety issues are addressed regardless of longer-term strategy.

2. Investigate

Purpose

Develop a shared, evidence-based understanding of root causes and identify due diligence needs to support informed decision-making. This stage often requires the most analytical effort and collaboration among stakeholders.

Key Activities

Property-Level Review

- Assess physical conditions, building design, deferred maintenance and critical building systems.
- Review maintenance practices, staffing levels, response times, program or service model and vendor capacity.
- Review the tenant selection plan, along with related practices and policies

Financial and Ownership Review

- Analyze proposed/actual operating budgets, historical and projected cash flow, reserve balances, debt structure, insurance costs and rent-setting assumptions.
- Assess ownership capacity, asset management practices, reinvestment plans and long-term ownership intent.

Resident Experience

- Identify if the problems are currently affecting the resident experience and how. When applicable, collect the residents' insights into what they see as the underlying cause of those problems.

External and Market Factors

- Identify external pressures such as inflation, labor shortages, insurance volatility, neighborhood change or shifts in service demand.

Regulatory and Funder Commitments

- Confirm all affordability restrictions, regulatory agreements and compliance obligations.
- Review if the property complies with regulatory requirements and, if applicable, plans to return to compliance.

- Identify which funders or oversight entities must be engaged based on funding layers.

Early Tool Identification

- Consider what types of interventions may be required (operational changes, capital investment, financial restructuring, technical assistance, ownership transition).

Questions to Consider

- What combination of factors is driving the stressor?
- Which issues are within the owner's control and which are not?
- What are the risks of inaction in the short and long term?
- What information is missing to fully understand the situation?

Lead Actors

Property Owners; Property Management; Service Providers (if applicable)

Supporting Roles

Public Funders; Other Funders; Technical Advisors; Residents

Resident Considerations

- Identify any resident populations disproportionately impacted by current conditions.
- Consider whether management or service capacity or funding is part of the root cause.

3. Collaborate, Align and Frame Options

Purpose

Align stakeholders around shared findings, roles and a bounded set of viable options before decisions are made. This stage emphasizes collaboration, transparency and coordinated planning, while deliberately stopping short of committing to a specific intervention. Where applicable, stakeholders may draw upon prioritization considerations in Chapter 4 and tools in Chapter 5.

The goal of this stage is not to select a solution, but to ensure that all parties share a common understanding of the problem, the available pathways and the implications of each option for residents, affordability and long-term viability.

Key Activities

- Share investigation findings and supporting documentation among relevant stakeholders.
- Confirm roles, decision-making authority and communication expectations across parties.

- Identify and clearly define a limited set of viable intervention pathways that address identified root causes. These may include, but are not limited to, operational changes, capital investment, financial restructuring, regulatory flexibility, ownership transition or combinations of these approaches.
- For each potential option, clarify:
 - The specific problems it is intended to address;
 - Key assumptions and information gaps;
 - Resource requirements and likely timelines; and
 - Anticipated impacts on residents, including housing stability, services and quality of life.
- Identify approvals, coordination or additional due diligence required to support informed decision-making in the next stage.
- Establish a shared understanding of decision criteria that will guide subsequent commitments by property owners and public partners.

Questions to Consider

- Which options meaningfully address root causes rather than symptoms?
- What tradeoffs does each option present, particularly for residents and long-term affordability?
- What information or analysis is still needed before decisions can be made?
- Who has authority to make decisions in the next stage, and under what conditions?
- How will alignment be maintained as the process moves toward decision-making?

Lead Actors

Property Owners; Property Management; Public Funders; Other Funders; Service Providers (if applicable)

Resident Considerations

- Identify how each potential option may affect residents, including displacement risk, service continuity, rent impacts and overall housing stability.
- Plan for appropriate resident communication and engagement to ensure residents are informed about possible paths forward and their potential implications.
- Where feasible and appropriate, incorporate resident feedback or lived experience to inform option framing and risk assessment.

4. Decide and Commit

Purpose

Make explicit, informed decisions about the path forward, including whether and how public partners will participate and how property owners will proceed. This stage serves as a clear decision point, transitioning from analysis and planning to commitment and accountability.

Not all situations will result in public intervention. This stage may result in a decision not to pursue public participation, with property owners proceeding through owner-led or alternative strategies. Decisions at this stage are intended to be deliberate, transparent and grounded in a shared understanding of risks, constraints, resident impacts and stewardship responsibilities.

Key Activities

- Public partners assess whether participation is appropriate and feasible, considering mission alignment, resident outcomes, affordability preservation, public investment risk, regulatory constraints and available resources.
- Public partners clarify:
 - Whether they will participate and timelines;
 - Which tools or flexibilities may be available; and
 - Any conditions or non-negotiables associated with participation.
- Property owners determine how to proceed based on available options and decisions by public partners, which may include:
 - Moving forward with a selected intervention;
 - Modifying the proposed approach;
 - Pursuing owner-led solutions with or without public participation; or
 - Considering ownership transition, disposition or other alternatives where appropriate.
- Document decisions, roles, responsibilities and next steps, including contingencies if conditions change or anticipated resources do not materialize.

Questions to Consider

- Has a clear path forward been identified and agreed upon?
- Is public intervention appropriate, and if so, under what conditions?
- What are the risks of proceeding, delaying, or taking no action?
- How will resident protections and housing stability be ensured under the selected approach?
- What accountability mechanisms are in place if assumptions prove incorrect?

Lead Actors

Property Owners; Public Funders; Other Funders

Resident Considerations

- Evaluate displacement risk and identify mitigation strategies under the selected path.
- Confirm how resident communication, protections and engagement will be maintained.
- Ensure decisions prioritize resident safety, stability and quality of life alongside financial and regulatory considerations.

5. Implement

Purpose

Execute the selected strategy with clarity, coordination and accountability across all parties involved. This stage assumes that key decisions have been made and focuses on implementation rather than further evaluation or option selection.

Key Activities

- Finalize agreements, approvals and documentation reflecting defined roles and responsibilities.
- Submit applications, secure funding and complete regulatory actions as required.
- Implement operational improvements, capital repairs, management changes, service adjustments or ownership transitions.
- Communicate timelines, expectations and anticipated impacts to residents and stakeholders in a clear and consistent manner.
- Monitor early indicators of progress and address implementation challenges as they arise.

Lead Actors

All stakeholders, with clearly defined roles

Resident Considerations

- Ensure residents receive timely, accurate and accessible communication throughout implementation.
- Minimize disruption to housing stability, services and daily living.
- Maintain essential services and resident protections during all phases of implementation.

6. Evaluate and Adjust

Purpose

Confirm whether interventions are effective and adapt strategies as conditions evolve or as properties transition to a different stage in the preservation spectrum.

Key Activities

- Compare outcomes to the originally defined problem.
- Review financial, operational, physical and resident outcomes.
- Confirm ongoing compliance with regulatory and funding requirements.
- Adjust strategies or escalate interventions if stabilization is not achieved.
- Capture lessons learned for future preservation efforts.

Questions to Consider

- Are conditions stabilizing as expected?
- What adjustments are needed to sustain progress?
- What insights could inform future projects?

Lead Actors

All Stakeholders

Resident Considerations

- Evaluate whether resident outcomes have improved.
- Identify any new risks or needs affecting residents.
- Ensure ongoing adjustments continue to prioritize housing stability and quality of life.

Appendix E: Targeted Stabilization: Existing Tools

This appendix provides an overview of funding, operational and regulatory tools that may be relevant to the stabilization of multifamily affordable rental properties experiencing financial, physical or operational distress. The tools described reflect current and recent practices and are intended to support Targeted Stabilization.

The inventory presented here is descriptive rather than comprehensive. It does not capture every potential funding source, regulatory option or locally administered tool that may be available across jurisdictions. Tool availability varies based on statutory authority, funding cycles, property-specific conditions and the involvement of different public partners. Over time, this appendix may expand or evolve—potentially into an online toolbox—to incorporate additional tools, clarify points of contact across jurisdictions, provide more contextual information where helpful and reflect lessons learned through ongoing stabilization efforts.

Consistent with the Preservation Framework, this appendix emphasizes a measured and adaptive approach to stabilization. In many cases, stabilization needs can be addressed by applying existing authorities in more coordinated, timely or flexible ways once the underlying issues are clearly understood. New tools may be warranted where clear gaps exist, but only where existing mechanisms cannot reasonably be adapted to respond to emerging needs.

Entry Points, Diagnostic Workflow and Use of Tools

Stabilization efforts are most effective when they begin with a structured diagnostic workflow (see Chapter 3 and Appendix D), rather than with the pre-selection of a particular funding source or regulatory action. Properties experiencing distress often face interrelated challenges that span financial performance, physical condition, operations and regulatory requirements. Moving directly to a specific tool can obscure root causes, lead to misaligned interventions or delay more appropriate responses.

The diagnostic workflow outlined in the Preservation Framework is intended to help owners and public partners:

- Understand the nature and drivers of distress;
- Clarify applicable regulatory and contractual requirements;
- Identify which issues may be addressed through operational, capital or regulatory pathways; and
- Determine whether existing tools are sufficient or whether additional coordination, sequencing or analysis is required.

This appendix is designed to function as a reference during and after diagnosis, supporting informed consideration of available options once the underlying issues and constraints are better understood.

Minnesota Housing's Request for Action (RFA) Process

For properties with financing, Housing Tax Credits, regulatory agreements or rental assistance administered by Minnesota Housing, owners should use the Request for Action (RFA) process as the primary entry point for initiating stabilization discussions. The RFA process is not a funding application. Rather, it provides a structured mechanism to:

- Understand the nature of the owner's request and the conditions at the property;
- Identify applicable regulatory requirements and constraints;
- Explore potential options under existing loan documents, regulatory agreements and statutes; and
- Support coordination with other public or private funders that have an interest in the property.

Where properties have multiple funding or regulatory partners, the RFA process supports information-sharing and alignment across entities, helping ensure that potential stabilization strategies are feasible within the full set of applicable authorities.

For properties without Minnesota Housing involvement, owners must engage directly with the relevant funder(s) or administrator—such as HUD, a local jurisdiction or another lender—using that entity's established processes.

Organization of Tools

The tools that follow are organized by who administers them, reflecting differences in authority, process and coordination requirements. For clarity, tools are grouped into three categories: (1) tools administered by entities other than Minnesota Housing; (2) tools administered jointly by Minnesota Housing and other entities; and (3) tools administered exclusively by Minnesota Housing. This structure is intended to help owners and partners understand where decision-making authority resides and how coordination may be required as part of a stabilization effort.

This list can be amended as tools change, are added or discontinued.

Types of Assistance

The tools in this appendix include the type of assistance to help readers understand the primary function each tool serves within a stabilization context. Many tools operate across categories or are most effective when used in combination.

- **Operational** - Tools that affect a property's ongoing cash flow or revenue stability, such as rental assistance, contract rent adjustments, tax classification or reserve requirements. These tools are typically used to address short-term operating deficits or revenue volatility and do not directly fund capital improvements.

- **Capital** - Tools that provide financing or other resources for physical improvements and repairs. Capital tools may address deferred maintenance, building system failures and other urgent needs.
- **Regulatory** - Tools that involve the interpretation, modification, or application of regulatory requirements, including affordability restrictions, occupancy standards or compliance terms. Regulatory tools are generally limited in scope, highly constrained by statute or contract and require coordination among all applicable funders.

Where multiple types are listed, the tool may influence more than one aspect of a property's stability, depending on how it is applied and the conditions identified through the diagnostic workflow.

Table 1: Types of Assistance

#	Tool	Administered By	Type of Assistance	Typical Stabilization Roles
1	Bring It Home Rental Assistance	Local PHAs/HRAs, Tribes, nonprofits	Operational	Stabilizes operating revenue for properties serving extremely low-income households
2	HUD Section 8(bb) Transfers	HUD	Operational	Preserves or increases project-based rental assistance through transferred subsidy
3	Local Housing Trust Funds	Local jurisdictions	Capital/Operational	Provides flexible, locally controlled capital for rehabilitation or preservation
4	Local & Statewide Affordable Housing Aid (LAHA/SAHA)	Local jurisdictions	Capital/Operational	Addresses locally identified stabilization or preservation needs

#	Tool	Administered By	Type of Assistance	Typical Stabilization Roles
5	First Mortgage Refinancing or Restructuring	Minnesota Housing and other lenders	Capital/Operational	Reduces debt burden, improves cash flow or funds capital repairs
6	Section 8 Contract Rent Adjustments and Revenue Options	HUD, Minnesota Housing	Operational	Aligns contract rents with costs, market conditions or short-term disruptions
7	Modifications to Rent, Income or Occupancy Requirements	Minnesota Housing and other funders	Regulatory	Addresses regulatory constraints contributing to vacancies or instability
8	Modification of Debt	Minnesota Housing and other funders	Regulatory	Addresses loan maturity, interest rate and other terms to support stabilization or refinancing
9	Deferred Loan Assumption	Minnesota Housing and other funders	Regulatory	Allows a deferred loan to be assumed by a new borrower to support a property transfer
10	Deferred Loan Debt/Accrued Interest Forgiveness	Minnesota Housing and other jurisdictions	Capital/Regulatory	Simplifies capital stack and/or reduces the outstanding balance to support stabilization or refinancing

#	Tool	Administered By	Type of Assistance	Typical Stabilization Roles
11	Adjustment to Replacement Reserve Requirements	Minnesota Housing and other funders	Operational	Improves near-term cash flow during periods of financial stress
12	Asset Management Loans	Minnesota Housing	Capital	Addresses urgent health, safety or code compliance needs
13	Low-Income Rental Classification (LIRC)	Minnesota Housing	Operational	Reduces property taxes to support operating stability
14	Voluntary LURA Extension (for LIRC eligibility)	Minnesota Housing	Operational/Regulatory	Maintains tax classification as properties exit affordability periods
15	Permanent Supportive Housing (PSH) Regulatory Modifications	Minnesota Housing	Regulatory	Addresses loss of funding for PSH-specific requirements contributing to instability
16	State Housing Tax Credit	Minnesota Housing	Capital	Provides gap financing to support preservation or recapitalization
17	Coordinated Portfolio Reviews	Minnesota Housing with other funders	Operational/Regulatory	Supports holistic, portfolio-level assessment and shared problem-solving

Tools Administered by Entities Other Than Minnesota Housing

1. Bring It Home Rental Assistance

Administrator(s): Local Housing Choice Voucher administrators (PHAs/HRAs), Tribal governments or Tribal Designated Housing Entities and in some cases designated nonprofit administrators

Type of Assistance: Operational (Rental Assistance)

Description and Context: Bring It Home is a state-funded rental assistance program that is administered locally. Program design, eligibility priorities and use of funds vary by administrator and may include tenant-based assistance and, in some cases, project-based assistance tied to specific units. The program prioritizes households with extremely low incomes, particularly families with children.

In a stabilization context, Bring It Home may be relevant where properties serve households with very low incomes and rental revenue is insufficient to support ongoing operations. Where project-based assistance is available, it can improve revenue predictability and reduce vacancy-related volatility, particularly for properties serving households with incomes at or below 30% of Area Median Income.

Scope and Limitations: Availability, structure and duration vary by administrator. Not all administrators offer project-based assistance, and commitments may be subject to annual appropriations. Owners must coordinate directly with the local administrator. This tool addresses operating revenue and resident stability but does not directly support capital needs.

2. HUD Section 8(bb) Transfers

Administrator(s): U.S. Department of Housing and Urban Development (HUD)

Type of Assistance: Operational

Description and Context: Section 8(bb) of the U.S. Housing Act allows HUD to transfer relinquished project-based Section 8 budget authority from one property to another. This mechanism preserves federal rental assistance that would otherwise leave Minnesota when a Housing Assistance Payments (HAP) contract is voluntarily terminated or not renewed.

For receiving properties, an 8(bb) transfer can materially improve operating revenue and may support stabilization or longer-term preservation when paired with refinancing or capital investment. This tool is most relevant when a property can absorb additional assisted units and meet physical and compliance requirements.

Scope and Limitations: Transfers are opportunity-based and unpredictable, depending on another owner relinquishing assistance. Budget neutrality applies, limiting rent levels. HUD approval is required, and properties must meet physical condition and compliance standards. This tool improves operating performance but does not address capital needs on its own.

3. Local Housing Trust Funds

Administrator(s): Local jurisdictions

Type of Assistance: Capital

Description and Context: Local Housing Trust Funds are established and administered by cities, counties or other local governments using locally controlled revenue sources, sometimes supplemented by state matching funds or dedicated fees. Eligible uses are determined locally and may include rehabilitation, preservation, acquisition or gap financing for affordable housing.

In stabilization efforts, local housing trust funds can provide flexible, targeted capital to address deferred maintenance, support smaller-scale rehabilitation or complement larger financing packages. They may also be better positioned to respond quickly to localized issues that fall outside statewide program cycles.

Scope and Limitations: Funding levels, eligible uses and priorities vary widely by jurisdiction, and awards are often modest relative to total capital needs. Preservation is not universally prioritized. Owners must engage directly with the local administrator.

4. Local and Statewide Affordable Housing Aid (LAHA/SAHA)

Administrator(s): Local jurisdictions

Type of Assistance: Capital/Operational

Description and Context: Local Affordable Housing Aid (LAHA) and Statewide Affordable Housing Aid (SAHA) provide ongoing aid to cities and counties to support locally determined affordable housing priorities. Funds may be used for a wide range of activities, including rehabilitation, preservation, emergency repairs, acquisition, operating support or other housing-related purposes as determined by the local governing body.

In a stabilization context, LAHA and SAHA may be used to respond to urgent local needs, fill smaller funding gaps or support properties that are not well aligned with state or federal program structures. Minnesota Housing's role is limited to statutory oversight and reporting. Funding decisions and project selection are made entirely at the local level.

Scope and Limitations: Use of funds varies significantly by jurisdiction and local policy priorities. Preservation or stabilization is not required and may compete with other housing needs. Owners must work directly with the administering city or county.

Tools Administered Jointly by Minnesota Housing and Other Entities

5. First Mortgage Refinancing or Restructuring

Administrator(s): Minnesota Housing and private or federal lenders

Type of Assistance: Capital/Operational

Description and Context: Refinancing or restructuring an existing first mortgage can reduce debt service, improve cash flow, fund capital improvements or simplify a property's capital structure. Financing sources may include Minnesota Housing first mortgages, FHA-insured loans or private capital.

This tool often becomes central to stabilization strategies when distress is driven by unsustainable debt, aging building systems or the need to recapitalize reserves as part of a broader preservation effort.

Scope and Limitations: Feasibility depends on underwriting standards, property performance, market conditions and existing loan terms. Prepayment penalties, yield maintenance fees or regulatory constraints may limit options. Refinancing alone may not resolve operational or regulatory challenges. Lenders may also require concessions from owners as part of the refinance or restructure.

6. Section 8 Contract Rent Adjustments and Revenue Stabilization Options

Administrator(s): HUD, Minnesota Housing

Type of Assistance: Operational

Description and Context: HUD-assisted properties may have access to several contract-based mechanisms to increase operating revenue or reduce revenue volatility. These options are often considered once diagnostic analysis indicates that operating deficits or revenue constraints are a primary driver of distress.

Available avenues may include:

- **Operating Cost Adjustment Factor (OCAF)** increases, which allow eligible properties to apply annual rent adjustments;
- **Rent Comparability Studies (RCS)** to assess alignment between contract rents and local market rents;
- **Market-based contract options**, such as Mark-Up-to-Market, which may allow higher rents and extended contract terms where supported by an RCS;
- **Budget-Based Rent Adjustments (BBRA)** to reflect documented increases in operating expenses; and

- **Vacancy claims**, which provide partial rental revenue for units that are vacant but ready for occupancy.

Together, these mechanisms can help align contract rents more closely with operating costs, market conditions or temporary disruptions.

Scope and Limitations: Eligibility and documentation requirements vary by contract type. Some owners may choose not to pursue available adjustments due to local market considerations. These tools improve operating performance but do not address deferred maintenance or capital needs and typically require coordination with the Housing Assistance Payments (HAP) administrator.

7. Modifications to Rent, Income or Occupancy Requirements

Administrator(s): Minnesota Housing and other funders

Type of Assistance: Regulatory

Description and Context: Affordable housing developments are generally subject to long-term rent, income and occupancy requirements established through statutes, regulatory agreements, loan documents and competitive funding commitments. In limited circumstances, owners may ask whether specific requirements can be modified when those requirements are contributing to sustained vacancies or financial strain.

These discussions typically occur only after diagnostic review and coordination among all funders involved in a property.

Scope and Limitations: Authority to modify requirements is highly constrained and depends on governing statutes and contractual documents. Properties often have multiple funders, and the most restrictive requirement generally governs. Modifications must not result in tenant displacement or undermine long-term affordability commitments.

8. Deferred Loan Debt Forgiveness

Administrator(s): Minnesota Housing and other jurisdictions and intermediaries

Type of Assistance: Capital/Regulatory

Description and Context: Deferred loans are commonly used to fill financing gaps in affordable housing developments. In certain circumstances, partial or full forgiveness may be considered to facilitate refinancing, simplify capital structures or support broader stabilization or preservation strategies. In cases where interest rates were added to deferred loans as part of an HTC transaction, forgiveness of accrued interest may also be considered to align the debt with the property's value.

Scope and Limitations: Forgiveness decisions are highly case-specific and consider property value, ability to repay, affordability impacts and public benefit. Forgiveness is not automatic and is typically considered only in conjunction with a broader stabilization or preservation strategy.

9. Debt Modification

Administrator(s): Minnesota Housing and other jurisdictions and intermediaries

Type of Assistance: Regulatory

Description and Context: Deferred loans are commonly used to fill financing gaps in affordable housing developments. In certain circumstances, modification of loan terms such as maturity date or interest rate may be considered to facilitate refinancing or support broader stabilization or preservation strategies.

Scope and Limitations: Debt modification decisions are highly case-specific and consider property value, ability to repay, affordability impacts and public benefit. Modification is not automatic and is typically considered only in conjunction with a broader stabilization or preservation strategy.

10. Debt Assumption

Administrator(s): Minnesota Housing and other jurisdictions and intermediaries

Type of Assistance: Regulatory

Description and Context: Deferred loans may be assumed by a new borrower when a property is sold. Assumptions facilitate a sale by reducing the financing that must be raised to purchase a property. Assumptions allow for existing rent and income restrictions to remain on the property, preserving affordability.

Scope and Limitations: Debt assumption decisions are highly case-specific and consider ability to repay, affordability impacts and public benefit. Assumption is not automatic and is typically considered only in conjunction with a broader stabilization or preservation strategy.

11. Adjustment to Replacement Reserve Requirements

Administrator(s): Minnesota Housing and other funders

Type of Assistance: Operational

Description and Context: Replacement reserves are intended to support long-term physical viability. In some situations, temporary or permanent adjustments may be explored to improve near-term cash flow during periods of financial stress, particularly where capital needs are being addressed through other means.

Scope and Limitations: Adjustments require funder approval and must not compromise long-term capital planning. This tool is generally supplemental and not a substitute for capital investment.

Tools Administered Exclusively by Minnesota Housing

10. Minnesota Housing Asset Management Loans

Administrator: Minnesota Housing

Type of Assistance: Capital

Description and Context: When funding is available, Asset Management Loans provide short-term capital to address urgent health, safety and code compliance issues, such as roof failures or mechanical system breakdowns. These loans are typically considered where immediate intervention is needed to prevent further deterioration or loss of habitability.

Scope and Limitations: Funding is episodic and historically limited to properties with Minnesota Housing financing or contract administration. These loans address immediate risks but do not replace the need for long-term capital planning. See Appendix F for additional information.

13. Low-Income Rental Classification (LIRC)

Administrator: Minnesota Housing

Type of Assistance: Operational

Description and Context: LIRC reduces property taxes for qualifying affordable rental properties, lowering operating costs and improving financial stability. The classification can be especially important for properties with thin operating margins or rising operating expenses. For naturally occurring affordable housing properties (NOAH), some communities have developed local funding programs to qualify NOAH properties for LIRC to retain affordability and encourage investment into the property.

Scope and Limitations: Annual application and ongoing compliance are required by statute. Loss of affordability or noncompliance can result in loss of the classification and a significant increase in operating costs.

14. Voluntary LURA Extension

Administrator: Minnesota Housing

Type of Assistance: Operational/Regulatory

Description and Context: For LIHTC properties nearing the end of their affordability period, a voluntary Land Use Restrictive Agreement (LURA) extension may allow continued eligibility for LIRC. This can

prevent sharp increases in property taxes and provide additional time to assess long-term preservation or transition options.

Scope and Limitations: Eligibility is limited to properties originally receiving tax credits from Minnesota Housing and must agree to a five-year extension with no other changes to the provisions in the LURA.

15. Permanent Supportive Housing (PSH) Regulatory Modifications (properties with Minnesota Housing financing only)

Administrator: Minnesota Housing

Type of Assistance: Regulatory

Description and Context: Some developments include PSH-related requirements tied to service coordination, tenant selection or occupancy. In limited cases, narrowly tailored adjustments may be considered where there is a loss of rental assistance or servicing funding at no fault of the property owner or manager that makes meeting the original commitments infeasible.

Scope and Limitations: Authority is limited by statutory and regulatory documents. Most regulatory documents from the last 10 years include versions of temporary and/or permanent relief if rental support and/or service supports are lost at no fault of the property owner.

If the property has PSH-related requirements from another agency, the property owner must work through the applicable agency.

16. State Housing Tax Credit

Administrator: Minnesota Housing

Type of Assistance: Capital

Description and Context: The State Housing Tax Credit provides gap financing through taxpayer contributions that support loans to eligible developments. Funds may be designated to specific projects or awarded competitively, depending on contributor preferences. Property owners, primarily with nonprofit sponsors, have secured designated contributions to support their specific projects.

Scope and Limitations: Annual allocations are capped, and contributions depend on taxpayer participation. The program is scheduled to sunset in 2028 unless extended by the state government.

17. Coordinated Portfolio Reviews

Administrator(s): Minnesota Housing, in coordination with other public and private funders

Type of Assistance: Operational/Regulatory (coordination and planning)

Description and Context: Coordinated Portfolio Reviews provide a structured, collaborative forum for property owners with multiple affordable rental properties to engage with Minnesota Housing and other funders in a holistic review of portfolio-wide conditions, risks and opportunities. Rather than focusing on a single property or transaction, this approach recognizes that distress or instability often emerges across portfolios due to shared financing structures, management capacity constraints, market pressures or aging physical assets.

In a Targeted Stabilization context, coordinated portfolio reviews can help identify patterns that may not be visible at the individual property level, prioritize where intervention is most urgent and explore how existing tools might be sequenced or aligned across multiple properties. This tool supports shared problem-solving among owners and funders and can inform both near-term stabilization actions and longer-term preservation strategies.

Scope and Limitations: Coordinated portfolio reviews are not a funding program and do not create new authorities or commitments. Participation is voluntary and typically initiated through existing entry points, such as the Request for Action (RFA) process, when Minnesota Housing has an interest in one or more properties. Outcomes depend on existing statutory and contractual authorities and require coordination among all participating funders. The process is intended to support clarity and alignment, not to guarantee specific resources or outcomes.

Appendix F: Minnesota Housing's Preservation Related Funding Programs

Minnesota Housing administers a range of multifamily capital programs that support the preservation, rehabilitation and recapitalization of regulated affordable rental housing. Historically, most ongoing and base-funded resources have been structured to support Comprehensive Long-Term Preservation and have typically been allocated through competitive request-for-proposal processes. Targeted Stabilization, by contrast, has relied more heavily on episodic or one-time funding rather than standing programs with dedicated resources.

This appendix is provided for descriptive and reference purposes only. It summarizes existing and recently active funding programs administered by Minnesota Housing that may support preservation, rehabilitation, recapitalization or stabilization activities. Inclusion in this appendix does not imply that funding is currently available, that a program is appropriate for a particular property or that resources are guaranteed. Program availability, eligible uses and terms are governed by applicable state and federal statutes, session laws, appropriations and program guidelines, all of which are subject to change.

Consistent with the Preservation Framework, this appendix is intended to support understanding of the tools that exist today and how they have been used, rather than to prescribe specific solutions. The Preservation Framework emphasizes using or building on existing tools where feasible, while recognizing that their effectiveness depends not only on statutory authority but also on the timing, scale and continuity of available funding.

Table 2: Preservation Related Funding Programs

	Program Name	Targeted Stabilization	Comprehensive Long-Term Preservation	Typical Structure	Funding Source	Funding Status (as of 1/9/2026)
1	Asset Management Loans	Exclusively	-	Deferred or Amortizing Loan	Agency	Limited Availability
2	Low and Moderate Income First Mortgage Program	Shared	Shared	Amortizing Loan	Agency	Available
3	Limited Partner Buy Out Loans	Exclusively	-	Amortizing Loan	Agency	Available

	Program Name	Targeted Stabilization	Comprehensive Long-Term Preservation	Typical Structure	Funding Source	Funding Status (as of 1/9/2026)
4	Community Stabilization: Distress Multifamily Rental Building Program	Exclusively	-	Deferred Loan or Grant	State	One-time funding. In Process.
5	Community Stabilization: Naturally Occurring Affordable Housing (NOAH) Program	Shared	Shared	Deferred Loan	State	One-time funding. In Process.
6	Stable Housing Organization Relief Program (SHORP)	Exclusively	-	Grant	State	One-time funding. Closed.
7	High Rise Sprinkler System Program	Exclusively	-	Grant or Loans	State	One-time funding. RFP to be released in 2026.
8	Preservation Affordable Rental Investment Fund (PARIF)	-	Primarily	Deferred Loan	State	Ongoing Subject to annual appropriations
9	Economic Development and Housing Challenge Program (Challenge)	-	Primarily	Deferred Loan	State	Ongoing Subject to annual appropriations

	Program Name	Targeted Stabilization	Comprehensive Long-Term Preservation	Typical Structure	Funding Source	Funding Status (as of 1/9/2026)
10	Housing Infrastructure (HI)	-	Exclusively	Deferred Loan	State	Subject to state authorization
11	Publicly Owned Housing Preservation (POHP) Program	Shared	Shared	Deferred Loan	State	Subject to state authorization
12	Rental Rehabilitation Deferred Loan (RRDL) Program	-	Primarily	Deferred Loan	State	Ongoing. Subject to annual appropriations.
13	State Housing Tax Credit	Shared	Shared	Deferred Loan	State	Underway. Sunsets in 2028.
14	HOME Investment Partnerships (HOME)	-	Exclusively	Deferred Loan	Federal	Ongoing. Subject to annual federal appropriations.
15	National Housing Trust Fund (NHTF)	-	Exclusively	Deferred Loan	Federal	Ongoing. Subject to annual federal allocation.
16	Federal Low-Income Housing Tax Credit (LIHTC)	-	Exclusively	Equity	Federal	Ongoing. Subject to annual federal allocation.
17	Tax-Exempt Volume Cap Limited Bonds		Exclusively	Debt	Federal	Ongoing. Subject to annual federal and state allocation.

State Funded - Summary Program Descriptions

1. Asset Management Loans

Program Description: When funding is available, Asset Management Loans support properties experiencing immediate health, safety or critical building system needs. Resources are typically deployed on a pipeline basis and are limited to properties with existing Minnesota Housing financing or rental assistance contracts administered by the Agency. These loans are generally used to address urgent issues that, if left unaddressed, could accelerate financial or physical distress, and are most used to support Targeted Stabilization activities.

Funding: There are no state or federal appropriations associated with this program. Funding has been provided through Agency-generated resources and Financing Adjustment Factor/Financing Adjustment (FAF/FA) resources. Agency-generated resources are not currently available. FAF/FA resources were one-time funds limited to properties with a Minnesota Housing-administered project-based Section 8 contract. FAF/FA is nearly depleted and has no renewal source.

2. Low and Moderate Income Rental (LMIR) First Mortgage Program

Program Description: The Low and Moderate Income Rental First Mortgage Program provides long-term, first-mortgage financing for the construction, acquisition or rehabilitation of rental housing serving low- and moderate-income households. LMIR financing may be used as stand-alone debt or in combination with other Minnesota Housing programs and is commonly incorporated into Comprehensive Long-Term Preservation or refinancing transactions, though it may also be used in select Targeted Stabilization transactions as part of a broader financing structure.

Funding: LMIR loans are amortizing loans funded with resources that must be repaid. There are no state or federal appropriations associated with the LMIR program. Loan terms generally range from 30 to 40 years, with interest rates set based on market conditions.

3. Limited Partner Buy Out Loans

Program Description: The Limited Partner Buy Out Loan is a short-term, transactional financing tool designed to facilitate the exit of an investor limited partner from an existing affordable rental housing project. The loan enables a sponsor to acquire the investor's interest without disrupting project operations or affordability restrictions. Loans are typically structured as balloon loans with interest-only payments and a maximum term of 24 months, though longer terms may be available in limited circumstances. This tool is most used in Targeted Stabilization contexts, particularly where an ownership transition is necessary to enable subsequent Comprehensive Long-Term Preservation.

Funding: There are no state or federal appropriations associated with this program. Funding is provided through Agency-generated resources, which vary over time.

4. Community Stabilization: Distressed Multifamily Rental Building Program

Program Description: This program was established to provide targeted funding to stabilize distressed multifamily rental buildings. Eligible uses include addressing deferred maintenance, recapitalizing operating and replacement reserves, supporting near-term operating stability and restructuring existing debt. The program is focused on Targeted Stabilization and is intended to prevent further deterioration or loss of affordable housing while longer-term solutions are evaluated.

Funding: The program was funded with a one-time \$50 million state appropriation. All funds are anticipated to be awarded in 2026.

5. Community Stabilization: Naturally Occurring Affordable Housing (NOAH) Program

Program Description: This program was created to preserve naturally occurring affordable housing—rental housing that is affordable without existing regulatory restrictions. Authorizing legislation prioritized serving lower-income households and proposals that maintain longer affordability periods. Depending on project scope and financing structure, this program may support either Targeted Stabilization or Comprehensive Long-Term Preservation. Properties selected for funding become subject to new affordability requirements as required by the authorizing legislation.

Funding: The program was funded with a one-time \$41.75 million state appropriation. All funds are anticipated to be awarded in 2026.

6. Stable Housing Organization Relief Program (SHORP)

Program Description: SHORP was a one-time, flexible grant program designed to support eligible rental housing owners that experienced significant financial impacts resulting from economic and social conditions associated with the COVID-19 pandemic. Funds were distributed based on a statutory formula and were used for Targeted Stabilization purposes.

Funding: The program was funded with a one-time \$50 million state appropriation. All funds have been awarded, and the program is closed.

7. High Rise Sprinkler Program (HRSS)

Program Description: HRSS is a one-time program that can provide grants or loans to install sprinkler systems in high rise buildings serving low-income households.

Funding: The program is funded with a one-time \$6 million state appropriation. The funds will be allocated through an RFP to be issued in 2026.

8. Preservation Affordable Rental Investment Fund (PARIF)

Program Description: The Preservation Affordable Rental Investment Fund supports the preservation of federally assisted and supportive housing. PARIF may be used for acquisition, rehabilitation, refinancing or debt restructuring. The program primarily supports Comprehensive Long-Term Preservation and is intended to protect existing public investment and minimize displacement of low-income residents as federal subsidies expire.

Funding: PARIF has received ongoing state appropriations since 1999. Since 2013, the biennial appropriation has been \$8.436 million. Funds have historically been awarded through the annual Minnesota Housing Multifamily Consolidated RFP.

9. Economic Development and Housing Challenge Program (Challenge)

Program Description: The Challenge program provides funding for housing activities that support local or regional economic development goals. Eligible uses include acquisition, rehabilitation, refinancing, demolition, gap financing and interest rate reduction for rental and ownership housing. When used for preservation purposes, Challenge focuses on Comprehensive Long-Term Preservation. Challenge funds may not be used for projects that are primarily permanent supportive housing.

Funding: Appropriations have varied since the program's creation in 1999. Current base funding is \$25.85 million per biennium, allocated between rental and homeownership activities. Funds are typically awarded through the annual Minnesota Housing Multifamily Consolidated RFP.

10. Housing Infrastructure (HI)

Program Description: The Housing Infrastructure program provides funding to develop and preserve affordable housing in Minnesota, including multifamily rental housing, single-family homeownership and manufactured housing. For multifamily rental housing, statutory eligible uses include preservation of federally assisted rental housing as well as new construction of senior housing, permanent supportive housing and general occupancy housing serving households at or below 50% of Multifamily Tax Subsidy Program (MTSP) income limits. When used for preservation, this program supports Comprehensive Long-Term Preservation.

Funding: Historically, the state authorizes Minnesota Housing to issue bonds and the debt service on those bonds are paid with state appropriations. The Legislature provided cash appropriations in 2023. There is no base funding. Funds are typically awarded through the annual Minnesota Housing Multifamily Consolidated RFP.

11. Publicly Owned Housing Preservation (POHP) Program

Program Description: The Publicly Owned Housing Preservation Program provides zero-interest, deferred and in some cases forgivable loans to rehabilitate and preserve publicly owned housing.

Eligible borrowers include public housing authorities and local governments. The program primarily supports Targeted Stabilization by extending the useful life of publicly owned affordable housing and maintaining long-term affordability. POHP may also support Comprehensive Long-Term Preservation.

Funding: There is no base funding. POHP has historically been funded through state general obligation bonds. Public ownership is generally required when using bond proceeds, though appropriations in 2023 provided additional flexibility for properties converted through the federal Rental Assistance Demonstration (RAD) program. RFPs are issued when funding is available.

12. Rental Rehabilitation Deferred Loan (RRDL) Program

Program Description: RRDL supports preservation of small- and mid-sized multifamily rental properties. Over time, the program has evolved and was more recently focused on preserving properties financed with USDA Rural Development Section 515 mortgages and associated rental assistance. The program primarily supports Comprehensive Long-Term Preservation.

Funding: The program has a base appropriation of \$7.486 million per biennium. Funding is typically awarded through an RFP issued every two years.

13. State Housing Tax Credit

Program Description: The State Housing Tax Credit provides a Minnesota-based mechanism for individuals and organizations to receive a state income tax credit for contributions made to the Minnesota Housing Tax Credit Contribution Account. These contributions are used to support the development and preservation of affordable housing statewide, including rental housing and homeownership housing. Contributors can designate specific projects or provide undesignated funds that are issued via a competitive request for proposals.

Funding: There are no state appropriations for this program. Minnesota Housing may allocate up to \$9.9 million in tax credits annually, subject to taxpayer participation. The program is scheduled to sunset after December 31, 2028.

Federally Funded - Summary Program Descriptions

14. HOME Investment Partnerships Program (HOME)

Program Description: HOME is a federally funded program supporting new construction and preservation of housing for low-income households, including multifamily rental and homeownership housing. Minnesota Housing and participating local jurisdictions administer HOME funds in accordance with federal requirements. When used for preservation purposes, this program primarily supports Comprehensive Long-Term Preservation activities.

Funding: Funding levels depend on annual federal appropriations. In recent years, Minnesota Housing has received approximately \$8-10 million annually.

15. National Housing Trust Fund (NHTF)

Program Description: The National Housing Trust Fund supports the development and preservation of rental housing serving extremely low-income and very low-income households, including households experiencing homelessness. When used for preservation purposes, this program primarily supports Comprehensive Long-Term Preservation activities.

Funding: NHTF is funded through revenues generated by Fannie Mae and Freddie Mac rather than direct congressional appropriations. Minnesota Housing has received approximately \$2-4 million annually in recent years.

16. Federal Low-Income Housing Tax Credit

Program Description: The federal Low-Income Housing Tax Credit (LIHTC) is the primary financing tool for affordable rental housing development and preservation in the United States. Minnesota Housing administers the program through its Qualified Allocation Plan. Both 9% and 4% LIHTCs are used for preservation and new construction and are typically combined with other local, state and federal resources. The program supports Comprehensive Long-Term Preservation.

Funding: Annual 9% LIHTC allocations are based on population and are highly competitive. Minnesota Housing generally receives enough 9% LIHTCs to support 8-10 projects per year, including new construction and preservation. Access to 4% LIHTCs requires tax-exempt volume cap bond financing. Beginning January 1, 2026, the bond financing threshold decreases from 50% to 25% of aggregate basis, which is expected to increase the number of projects that can qualify for the 4% LIHTC.

17. Tax-exempt Volume Cap Limited Bonds

Program Description: Tax Exempt Volume Cap Limited Bonds are used for preservation and new construction and are typically combined with other state, local and federal resources. The program supports Comprehensive Long-Term Preservation by providing access to 4% LIHTC generated equity.

Funding: Tax-exempt Volume Cap Limited Bonds are allocated to every state based on population. Minnesota Management and Budget administers this resource and, in accordance with statute, allocates a portion to Minnesota Housing, the city of Minneapolis, the city of Saint Paul and Dakota County.

At Minnesota Housing, this resource is provided through the annual Multifamily Consolidated RFP so that projects may access the 4% LIHTC program. The other issuers have their own processes for allocating this resource.

Appendix G: Minnesota Housing's Deferred Loan Forgiveness Considerations

This appendix presents an example tool that Minnesota Housing is sharing for informational and reference purposes. It is intended to support affordable housing funders—including state, local and regional entities and intermediaries—who may encounter situations where forgiveness of deferred debt warrants consideration as part of a stabilization, preservation, refinancing or transition strategy.

Minnesota Housing did not develop this approach all at once. Rather, it has evolved over time as preservation and refinancing needs have increased, properties have aged and public funding structures have become more layered and complex. Through repeated project-level reviews, Minnesota Housing has identified a set of consistent considerations that help distinguish when carrying deferred debt continues to serve a public purpose, when full or partial repayment may be appropriate and when a repayment expectation may instead impede stabilization efforts.

The considerations below are not intended to function as a checklist or formula. Each property presents unique financial, physical and programmatic conditions that require individual analysis. This tool is intended to provide a structured way of thinking about deferred loan forgiveness—supporting consistency, transparency and stewardship of public resources while allowing flexibility to respond to local conditions.

This example applies only to deferred loans, which do not require scheduled repayment. Amortizing debt carries an expectation and obligation of repayment and is not addressed by this tool.

Other funders are encouraged to adapt these considerations to reflect their own statutory authority, policy objectives, risk tolerance and local housing markets.

Core Considerations for Deferred Loan Forgiveness

Total Debt Relative to Property Value

Evaluation focuses on whether total outstanding debt exceeds the property's realistic market value, taking into account physical condition, required repairs, operating restrictions and restricted-use valuations. Assessed values alone may be insufficient when they do not reflect rehabilitation needs or affordability constraints. When debt materially exceeds value, prospects for recovery through repayment or enforcement are limited.

No Reasonable Expectation of Repayment (Full or Partial)

Deferred loan forgiveness may be considered when there is no realistic pathway to repayment from future cash flow, refinancing proceeds or sale proceeds. This includes, but is not limited to, situations where operating models, deep affordability requirements or service-intensive uses inherently limit surplus revenue.

Forgiveness as Part of a Larger Stabilization or Preservation Effort

Forgiveness is evaluated within the context of a broader strategy, such as recapitalization, preservation, disposition, redevelopment or organizational stabilization. In some cases, forgiveness may be necessary to allow a transaction to proceed, enable new investment or return a property to productive use.

Negative Impact of Extending or Modifying Existing Deferred Debt

Extending deferred debt is not always neutral. Carrying legacy debt forward may undermine underwriting, complicate federal Low-Income Housing Tax Credit transactions, or create new financing gaps. Forgiveness may be appropriate where a debt modification or extension would weaken overall project feasibility.

No Additional Affordability Gained by Extending Existing Restrictions

Consideration is given to whether extending deferred debt would result in meaningful additional affordability or tenant protections. When new financing already imposes long-term affordability requirements, rental assistance commitments or deep income targeting, extending legacy debt may provide little incremental public benefit.

Administrative Efficiency and Transaction Simplicity

Forgiveness may reduce ongoing administrative burden by eliminating duplicative compliance, monitoring, and reporting obligations that no longer advance core public objectives. Simplifying transactions can reduce costs, shorten timelines and accelerate benefits to properties and residents without diminishing affordability outcomes.

Alignment with Mission and Strategic Priorities

Forgiveness decisions are assessed for consistency with agency mission and strategic priorities, including preservation of regulated affordable housing, stabilization of mission-driven organizations and support for deeply affordable and supportive housing.