

Tenant Selection Plan Guidelines

Minnesota Housing

Special Needs Housing: Housing for Persons with Special Needs

HFA Staff Contact

Josh Nguyen

josh.nguyen@state.mn.us

OVERVIEW

Minnesota Housing (Agency) requires all properties that have financing through the Agency to have a tenant selection plan (TSP). Staff reviews the TSP as part of the due diligence process for closing on financing to verify adherence to Agency TSP guidance. The TSP is also reviewed during regular monitoring and compliance reviews after the property is occupied.

Prior to 2016, the Agency did not provide specific guidance or requirements for a TSP and primarily reviewed the plans to identify areas of concern related to industry practices, fair housing, and the ability to serve the intended population. Minnesota Housing was increasingly hearing concerns from the community that developments funded by Minnesota Housing were screening out populations they were intended to serve. This was particularly concerning for supportive housing units that are funded specifically to serve people experiencing homelessness and people with disabilities who may have barriers to housing such as poor rental, credit, and/or criminal history.

To evaluate the issue, the Agency formed a TSP policy work group comprised of multifamily staff, policy staff, legal staff, and Agency leadership. The work group gathered information and explored options for providing more direction and incentives to developers to adopt more inclusive screening criteria to serve households that experience barriers to housing.

In April 2016, the U.S. Department of Housing and Urban Development (HUD) issued the [“Application of Fair Housing Act Standards to the Use of Criminal Records”](#). The HUD guidance analyzes the use of criminal records in application screening under the Fair Housing Act considering the disparate effect of arrests and convictions on communities of color. The guidance also offers considerations for housing providers related to the use of criminal history in tenant screening.

Minnesota Housing proceeded to publish its first TSP guidance in July 2016 to provide basic guidance for owners on the essential components of a TSP. This guidance included considerations for low barrier screening criteria for supportive housing applicants, highlighted HUD guidance for criminal screening criteria, and encouraged housing providers to follow these same principles for rental and credit history.

Staff review of subsequent TSPs found that housing providers were interpreting and implementing changes to their TSPs in a variety of ways, and some TSPs still had very stringent criminal history screening criteria that did not take into consideration the potentially discriminatory effect. Often, housing providers misunderstood how to apply fair housing to this issue, and some providers stated they believed an applicant with a criminal background presented too great a risk or was unlikely to be successful if offered housing. Many providers requested more data to justify changing their TSP criteria.

To test these assumptions and develop a data driven approach, four nonprofit housing providers commissioned Wilder Research to conduct a housing study to examine the impact of criminal history on housing stability and tenant success in housing. Wilder Research used extensive tenant data from more than 10,000 households spanning a period of seven years.

The Amherst H. Wilder Foundation (Wilder) issued a report [“Success in Housing: How Much Does Criminal Background Matter?”](#) that was published in 2019 and found 11 of 15 criminal offenses had no material impact on housing stability. The other four criminal offenses had a slight impact that diminished over time with no material impact after two years for a misdemeanor and five years for a felony. The impact of criminal offenses on housing stability is also reduced by several other factors such as household size, income, and rental subsidies.

Minnesota Housing revised its TSP guidance in 2019 to incorporate what was learned from the study to encourage housing providers to use the information to inform their tenant screening criteria. Staff also developed a TSP review checklist to align with the guidance to provide a tool for housing providers to prepare their TSP and for staff to use to review adherence to the guidance.

In 2020, as staff began engaging the public in Minnesota Housing's Housing Tax Credit Qualified Allocation Plan (QAP) revision process for the 2022-23 QAP, tenant screening practices again emerged as a key issue needing to be addressed. At the same time, the impact of tenant screening practices compelled the two major metro cities of Minneapolis and St. Paul to pass ordinances with specific tenant screening criteria.

Improving the housing system, including access to housing, is a key strategic objective in Minnesota Housing's current [Strategic Plan](#) as well as the state's [Heading Home Together: Minnesota's Plan to Prevent and End Homelessness](#). Addressing equity and housing disparities is central to improving the housing system to serve those most impacted by housing disparities.

Minnesota Housing determined that it would be beneficial to impacted households to add more specific screening criteria to its TSP guidance for housing providers. The Agency published revised TSP guidance and held two subsequent public review and comment periods in July and October 2020. Minnesota Housing received extensive public comments from a diverse group of stakeholders, many with divergent points of view. The comments were carefully considered to determine the final TSP Guidelines.

The final [Tenant Selection Plan Guidelines](#) were approved by Minnesota Housing's board in December 2020. The new guidelines will apply to all projects selected for financing starting in 2021 and thereafter. For existing properties, the general considerations of the guidelines apply, and the tenant screening criteria are suggested as best practices.

The new tenant screening criteria:

- Requires review of supplemental evidence from an applicant prior to a determination of denial or acceptance
- Adds tenant screening criteria related to rental and credit history and outlines income to rent ratio limitations for all affordable housing units
- Adds tenant screening criteria related to rental and credit history, income to rent ratio limitations, and criminal history for all supportive housing units

ARE INNOVATIVE

Minnesota Housing did an extensive inquiry and search of other states and housing agencies that have implemented tenant screening criteria to address the issue of tenant barriers to housing and found that many are grappling with the issue, but very few states or agencies have created concrete screening guidelines or were able to address concerns to the extent Minnesota Housing thought necessary. To the best of our knowledge, no other housing finance agency has implemented specific tenant screening criteria for their affordable and supportive housing units.

ARE REPLICABLE

The tenant screening guidelines could be easily replicated and adjusted as needed by other housing finance agencies to apply to the affordable and supportive housing properties that request financing and housing tax credits.

RESPOND TO AN IMPORTANT STATE HOUSING NEED

As described in the overview, tenant screening barriers have been cited as a critical issue in every public engagement related to housing. Addressing barriers helps tenants access housing, addresses racial disparities, and helps end homelessness.

DEMONSTRATE MEASURABLE BENEFITS TO HFA TARGETED CUSTOMERS

The new screening process and criteria will benefit people experiencing homelessness, people with disabilities, Black, Indigenous, People of Color (BIPOC), and other populations who have experienced disproportionate housing disparities. Minnesota Housing tracks denials through Coordinated Entry data for supportive housing units, and the Agency encourages housing providers to retain records on applicant denials and appeals to help ensure that tenancy determinations and appeals processes are conducted in a nondiscriminatory manner.

HAVE A PROVEN TRACK RECORD OF SUCCESS IN THE MARKETPLACE

Current supportive housing providers who have similar screening criteria to Minnesota Housing's new guidelines have proven track records of screening people into housing and retaining tenancy. And as demonstrated by the Wilder study of over 10,000 households, the impact of criminal history on success in housing is limited and declines over time.

PROVIDE BENEFITS THAT OUTWEIGH COSTS

The social and direct benefits to households far outweigh the additional time and costs to housing providers who may need to spend extra time reviewing supplemental evidence for consideration of a housing applicant's ability to be a good tenant. These costs may slightly increase management fees.

DEMONSTRATE EFFECTIVE USE OF RESOURCES

The new guidelines are meant to increase access for people who may have barriers to housing. Providing stable housing and moving people out of more costly homeless and institutional systems allows the Agency to more effectively use its financing resources to target the highest need households in Minnesota.

EFFECTIVELY EMPLOY PARTNERSHIPS

Minnesota Housing has engaged with housing providers for many years to address tenant screening concerns. One outcome of these partnerships was the four housing providers that commissioned Wilder Research to conduct the housing study. The work of the cities of Minneapolis and St. Paul for their tenant screening ordinances not only demonstrated the need for change but also informed Minnesota Housing's plans to address this issue. The public engagement to revise the Agency's TSP guidelines provided direction, information, and support from many community partners and stakeholders.

ACHIEVE STRATEGIC OBJECTIVES

The TSP Guidelines will help Minnesota Housing achieve its strategic objectives to improve the housing system, end homelessness, address racial disparities, and provide equitable access to housing. These objectives also align with Minnesota's plan to prevent and end homelessness.