

PRESERVATION AND REHABILITATION OF EXISTING AFFORDABLE HOUSING

The preservation of existing affordable housing is a cost-effective approach to meet existing and future housing needs. Key benefits of the preservation of existing affordable housing include:

- Rehabilitating affordable housing is typically less expensive than building new
- Securing both physical quality and long-term affordability through ongoing rent and income restrictions
- Providing a place-based opportunity to preserve affordable housing properties in a variety of communities in the region

While affordable housing preservation often involves extending federal project-based rental assistance, rehabilitation also includes strategies to maintain owner-occupied housing and private unsubsidized affordable housing.

PRESERVATION AND REHABILITATION OF RENTAL HOUSING

There are several tools that cities can use to preserve affordability and rehabilitate existing rental housing.



Project-Based Rental Assistance

Low-cost public financing available through [Minnesota Housing](#) (often combined with Low Income Housing Tax Credits) is available to substantially rehabilitate affordable rental properties that were originally financed by now defunct federal programs popular in the 1960s and '70s. Owners of such properties can be incentivized to renew rental assistance contracts that ensure affordability in exchange for low- or deferred-interest financing to improve both the owners' value and residents' quality of life.

Low Income Housing Tax Credit (LIHTC) Properties

Developments built using the Low Income Housing Tax Credits are generally high-quality and relatively new, but the initial rent and income restrictions (15 years plus in most cases a 15 year "extended use" period) are now hitting their initial expiration dates. These properties are aging and needing their first rehabilitation and/or replacement of major systems. While owners may consider converting the units to "market rate," expiring restrictions combined with building maintenance needs provide an opportunity to refinance, recapitalize, or reposition the property. Low-cost financing can encourage owners continue to accept project-based rental assistance for renting to households earning low- and moderate-incomes.

Private Unsubsidized or "Naturally Occurring" Affordable Housing

Thousands of rental units in the region have rents that are "naturally" affordable to low- and moderate-income households without public subsidy. As land prices change, incomes rise, or preferences change, redevelopment in hot markets, or high vacancy and physical deterioration in soft markets, threaten the viability of these units. Strategies to protect the ongoing livability and affordability of this housing stock include consistent code enforcement, effective handling of tenant complaints, utilization of a rental licensing system, and using rehabilitation dollars to entice owners to continue to serve low income families.



REHABILITATING OWNER-OCCUPIED HOUSING

There are several tools and programs that communities can use to support or rehabilitate existing affordable owner-occupied housing.

Community Land Trusts

A Community Land Trust (CLT) lowers the cost of housing by retaining ownership of the land while homebuyers pay for only the physical structure (the CLT enters into a ground lease with the buyer). This reduces monthly mortgage payments, allowing low- or moderate-income households to afford homeownership. If homeowners decide to sell or they default on their mortgage, the CLT retains the option to repurchase the homes and select another qualified household to purchase the home. If the home has appreciated in price, the CLT and the homeowner share the profits. Cities can also act as a community land trust under [Minn. Stat. 462A.31](#).

Low or No Cost Rehabilitation Loan Programs

Providing low- or no-cost loans to help homeowners repair heating, plumbing, or electrical systems helps preserve existing housing. For example, Minnesota Housing's [Rehabilitation Loan and Emergency Loan programs](#) make zero percent, deferred loans that are forgivable if the borrower lives in the home for 30 years. Minnesota Housing's [Community Fix Up Program](#) offers lower-cost home improvement loans, often with discounted interest rates, remodeling advising, or home energy services, through a trained lender network. A local example is Richfield's [Transformation Home Loan Program](#), which provides for up to 15% of project costs or \$25,000 with no income limits, payments, or interest.

Housing Improvement Areas (HIAs)

Under state law, a Housing Improvement Area is a defined area in which a city finances housing improvements from fees imposed on the properties within that same area. Common users of HIAs are townhome or condominium associations that lack reserves to finance maintenance and petition their city council for a HIA. In these cases, the homeowners' association invests money borrowed from the city in permanent improvements to common areas (e.g., roofing, siding, landscaping), and the units' owners repay the city's loan through fees. Cities create HIAs to maintain the condition of local housing stock. Cities that have used HIAs include Burnsville, Coon Rapids, Little Canada, and St. Louis Park.

Manufactured Home Parks

Manufactured home parks are a unique affordable housing resource distributed throughout the region and can offer access to good schools, jobs and transportation corridors. Manufactured housing also stands out for allowing many low-income households to attain homeownership. However, manufactured home parks can face closure when located in areas with escalating land values or when privately-owned infrastructure or private septic systems deteriorate. These and other risks to Manufactured home parks were highlighted in a [June 2016 MetroStats](#). Cities can help preserve manufactured home parks by maintaining written codes and ordinances that support their operation or by referring owners of manufactured housing to rehabilitation loan programs. Should a park owner choose to close a park, the city can also help by offering relocation assistance and services.



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