



GroundBreak
Coalition

RENTAL HOUSING

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WORKING GROUP CO-CHAIRS: Commissioner Jennifer Ho, Minnesota Housing Finance Agency; Kate Kelly, PNC Bank

WORKING GROUP MEMBERS: See appendix

What are the
problems
that these
prototypes
are trying to
solve?

Black renters, especially those living with incomes at or below 60% AMI, face the greatest rental housing instability in the region. The current housing system does not:

- » produce or preserve affordable rental homes sufficient to meet this need;
- » limit extreme rent volatility;
- » prohibit long-standing exclusionary tenant practices;
- » enable choices in racially concentrated areas of affluence; or
- » serve as the foundation for a household to thrive.

BACKGROUND & METHODS

These written reports served as the foundation for the work and the initial defining of the problem:

- » **Report of The Governor's Task Force on Housing**, *August 2018*;
- » **Itasca Housing Affordability Task Force Report**, *September 2020*;
- » **Met Council, Housing in the MSP Region: Understanding needs for tomorrow and today**, *Libby Starling, 2017*;
- » **Met Council, Thrive MSP, Housing Policy Plan**, *July 2015*

These reports enabled us to dimension the overall affordable housing need but not to articulate how our efforts should be targeted to center BIPOC, and specifically, Black households because the analyses did not disaggregate by race. We addressed that deficiency by employing detailed data provided by Minnesota Housing and others. Additional data considered included, but was not limited to, a comprehensive assessment of the current conditions, barriers to achieving desired outcomes, existing solutions, and interviews with current actors across sectors.

We embarked on five months of intensive Working Group meetings (June-October) with associated research and support by subject matter experts. The Working Group was comprised of 30+ participants reflecting financial institutions, government, philanthropy, corporations, nonprofits and community members long working in this field. The Working Group was able to develop a Problem Statement, Journey Map and refined set of outcomes (problem statement) that reflected our initial focus on Black households and the building of Black wealth. Useful summaries of these discussions can be found in [Working Group meeting summaries](#).

In short, more than 24,000 Black households earning 60% of AMI and less face housing instability (with 17,000 households at less than 40% AMI). This painful reality further highlighted the need to determine what solutions, if any, that would unlock private capital for households earning less than 40% of AMI.

We took time to look at the issue not strictly through the developer or investor lens, but from what should be the central perspective for GroundBreak's purpose – that of the Black renter household. An October Design Sprint was designed to center specific “people” and force all of us to ideate on solutions that would directly benefit Black renter households at various income levels below 60% AMI. This type of thinking got us out of the “typical” conversations around what would make housing easier to build for developers, and into the mindset of how any solution proposed should and would have a direct benefit for our specific household.

From that lens of the Black renter household, two key “what-ifs” emerged:

1. What if all households with incomes below 60% AMI could afford market rate rents (per Housing Link data, market rate rent in both Minneapolis and St. Paul is affordable to someone at 60% AMI) and
2. What if those households could build equity/savings/wealth while they are renters (and not just by moving to homeownership)?

We incorporated those ideas along with the more development-centric ones to inform our recommendations.

In November, the subject matter experts synthesized all of the data collected by and discussed in the Working Group meetings as well as recommendations from the October design sprint. They aimed to identify a limited number of high impact capital prototypes that would enable us to unlock private capital, at scale, to meet our ambitious results for Black households. As part of this work, we also got reactions to the challenge; our early conclusions; and more from Dr. Eric Anthony Johnson (Aeon), Warren Hanson (Greater Minnesota Housing Fund), Margaret Kaplan (Housing Justice Center), Libby Murphy (Minnesota Housing Partnership), Andy McMahon (United Health Care) and more than a half dozen private sector developers through a meeting hosted by the Twin Cities Housing Alliance. We solicited written feedback and received ideas from Todd Crow (PNC Bank) and Deidre Schmidt and Paul Williams (CommonBond Communities and Project for Pride in Living), as well as Mary Tingerthal (former Minnesota Housing Finance Agency Commissioner).

CONCLUSIONS

Ultimately, we were unable to identify any capital prototype that would provide or unlock private capital, at any material level, to address housing instability for households at 40% and less of AMI at scale, save for private capital being used directly as subsidy. These developments require debt-free sources of funds for affordability and/or households need additional rental subsidy to be able to afford to live there. So long as private capital is deployed with the expectation of making a return, it cannot change the underlying math problem with providing deep affordability within rental housing. Investors absolutely could make a difference in the sphere of affordable rental housing if they are willing to provide subsidy rather than investment, but absent subsidy, no amount of private investment capital can make rental housing deeply affordable.

AREAS FOR FURTHER EXPLORATION

However, we did identify three areas that had broad Working Group support and the potential for transformational impact to the existing system:

- » Streamlining the financing process;
- » maximizing existing funding sources with reduced cost, patient capital; and
- » innovating in ways that focus on residents being able to build wealth directly during their rental housing experience.

We look forward to further engaging the coalition in these areas.