



# Jennifer Ho

## Fix Minnesota's broken housing market over next 10 years

A Minnesota Affordable Housing Policy Interview

*May 31, 2019*

Minnesota Housing Commissioner Jennifer Ho says the Legislature must invest in a 10-year push to make Minnesota's broken housing market healthy. She says in order to solve homelessness and other housing issues, we need to identify new sources of revenue, reprioritize existing resources, or both, and significantly increase investments to increase the supply of housing that is affordable.

### Present

John Adams, Janis Clay (executive director), Pat Davies, Paul Gilje, Jennifer Ho, Paul Ostrow (chair), Dana Schroeder (associate director), Clarence Shallbetter, T Williams. By phone: John Cairns (vice chair).

### Summary

Minnesota Housing Commissioner Jennifer Ho says Minnesota's housing market is "limping broken," while California's is "dead broken." She says a healthy housing market consists of a rental vacancy rate of five percent and a five-month supply of homes for sale. She notes that rental vacancy rates are now even lower and most communities only have a one-month supply of homes for sale.

She says Minnesota is 53,000 housing units-for all income levels-short of a healthy housing market. She calls on the Legislature to invest in a 10-year push to make the state's broken

housing market healthy. A healthy housing market is critical to the people of Minnesota and to the state's economic competitiveness, she says.

Ho says a woefully inadequate number of housing units are being added in the state per year for the lowest-income people, those families earning 30 percent or less of area median income (AMI), around \$25,000. She says that level of income is where the housing market is most broken.

She says in order to solve homelessness, we need to identify new sources of revenue, reprioritize existing resources, or both, and significantly increase investments to increase the supply of housing that is affordable. Providing housing to people experiencing homelessness is cost effective and would lower the costs of providing health care to them, she says.

Ho discusses some of the reasons for the high cost of housing: (1) the cost of land; (2) lack of productivity increases in the way we build housing; (3) zoning and building codes; (4) the labor shortage; and (5) the rising cost of materials.

She also discusses the possibilities and concerns facing manufactured-home communities throughout the state. They provide housing, she says, although it's often substandard.

## Biography

Jennifer Leimaile Ho is commissioner of Minnesota Housing. Raised in Fridley, Minn., Ho, 53, has been working to end homelessness since 1999.

Prior to serving in her current position, Ho served as senior policy advisor for Housing and Services at the U.S. Department of Housing and Urban Development in the Obama administration.

Prior to that, Ho served as deputy director at the United States Interagency Council on Homelessness, shepherding the creation of Opening Doors, the nation's first-ever comprehensive federal plan to prevent and end homelessness. Ho worked with First Lady Michelle Obama to launch the Mayors Challenge to End Veteran Homelessness, which resulted in reducing by nearly half the number of veterans experiencing homelessness on any given night.

Earlier, Ho was executive director of Hearth Connection, a Minnesota nonprofit, managing a nationally recognized demonstration project of supportive housing and long-term homelessness for single adults, youth and families in Ramsey and Blue Earth Counties. She oversaw its replication in 34 additional counties in partnership with the Fond du Lac, Bois Forte and Grand Portage Tribal Bands.

She has served on the boards of directors of West Side Community Health Services in Saint Paul and, nationally, of the Corporation for Supportive Housing and of the Melville Charitable Trust. Ho received a bachelor's degree in philosophy from Bryn Mawr College.

## Background

The Civic Caucus is undertaking a review of the issue of affordable housing in Minnesota. The Caucus interviewed Jennifer Ho, commissioner of Minnesota Housing, to learn about the agency's role in developing and retaining affordable housing.

To see the previous Civic Caucus interviews on affordable housing, go to the [Civic Caucus website](#).

## Discussion

### 1. The Minnesota Housing Agency

**If rated among commercial banks, Minnesota Housing is the sixth-largest bank in Minnesota, with assets of \$4 billion.** Minnesota Housing Commissioner Jennifer Ho said Minnesota Housing helps people buy and fix up their homes through home mortgages, down-payment assistance and home improvement loans, as well as supporting Habitat for Humanity and financing both the building and refurbishing of affordable rental housing.

**Minnesota Housing provides loans, grants and tax credits for the creation of housing for people with lower incomes.** Ho said the agency uses tax-exempt bonding and taxable bonds to provide loans for rental and homeownership activities. She said the federal low-income housing tax credits administered by the agency are the largest thing fueling the building of affordable housing. She said the federal tax code has long been used to fuel the housing market with tools like the mortgage-interest deduction.

**This year, the Legislature increased the funding for Minnesota Housing by 9.6 percent over the biennium, but cut the agency's bonding authority.** Ho said the agency's base funding has been \$105 million per biennium. Governor Tim Walz proposed raising that to \$131 million, she said, but the net result was an increase of \$10 million on an ongoing basis.

The Legislature provided \$60 million in Housing Infrastructure Bonds. She said Walz requested \$150 million in bonding for housing, which included bonds for public housing rehabilitation.

The whole housing market-both on the high end and the low end-needs a 50 percent increase in production over the next 10 years, Ho said.

**Minnesota Housing has a qualified allocation plan for how it allocates federal Low-income Housing Tax Credits.** Ho said the plan runs 300 pages. She named several factors that help determine which projects get the tax credits:

- Whether the project is shovel-ready for construction;
- Whom the project is targeting;
- What the local need is;
- Whether the project will fill in the housing market where the private market hasn't; and
- Whether the project will develop housing in communities that haven't created new housing.

The Legislature makes sure there is equity geographically across the state in the distribution of the funds, Ho said.

## **2. Housing and health care costs.**

**People who are homeless are high-cost users of health care.** Ho made that proposition during the first 10 years of her career, when she worked in the health care field at Blue Cross/Blue Shield and United Health Care on Medicaid and Medicare programs. "All of the tools for health care case management had nothing to do with the lives of people who were high-cost users of health care," she said. "Housing someone was more cost effective from a health economics point of view. Housing is a public good."

She said that health care spending in the U.S. is higher per capita and makes up a greater share of GDP than in any other developed country. Also, she said, we spend less on social housing than other countries. "If we spent more on social housing, we would lower the costs of health care," she said.

Ho said lack of housing is impacting large employers. She noted that Microsoft just invested \$400 million into housing.

## **3. Homelessness.**

**Homelessness is a solvable social problem.** It's cost effective to give people housing, Ho said. "It seems like a no-brainer." She said if we reallocated some tax expenditures or made new investments in housing that is affordable, we could provide housing to people experiencing homelessness.

**Are some people homeless by choice?** An interviewer suggested that might be the case for people who don't want rules and expectations. Ho responded, "If people end up

homeless, they might tell you it's their choice, in order to preserve their dignity. And there might be some people who always choose to live outside the margins." But she said that usually people aren't offered options that make sense to them. When you offer someone an apartment at a rent they can afford without a bunch of rules, people say "yes" to housing, she said.

**In Minnesota, a completely inadequate number of housing units per year are being added for people at 30 percent or less of AMI.** "We need more," Ho said. "If we don't figure this out, it's going to break the housing system. Market theory would say supply is supposed to be in balance with demand, but that's not happening."

**Could more modest-income people in single-family homes rent out their excess space to other people?** An interviewer asked that question and Ho responded that most people have an American sense of privacy and space. Most of us live in housing with more square feet per person than the housing in which we grew up, she said.

She said people are allowed to rent out space, but they must let the city know they're renting out space. "Most people don't want to do it," Ho said.

#### **4. The high cost of housing.**

**There is a narrowing of housing options today.** Ho noted that 54 years ago, her parents bought their home in Fridley for \$19,000 on the GI bill. She compared that to current housing prices in Carver County, which is the fastest-growing county in the state and has rapidly rising land costs. She said builders there can't produce a house for less than \$300,000.

**The private market builds the vast majority of housing.** "If you can sell a home for \$430,000, that's what you'll build," Ho said. "The market keeps building at the highest point." She said the same thing is true of rental housing. "If you can build housing units that will rent for \$1,800 a month, that's what you'll build," she said. "The cost creates the floor and the market creates the ceiling. The market is broken. The floor is rising and wages aren't."

**The cost of housing keeps going up and wages are stagnant.** Ho said we need a grand solution to the broken housing market. "It's breaking everything else," she said. "It breaks employers' ability to recruit and retain employees. It breaks the education system because of school mobility. It breaks the environment to have people live 45 miles away from their jobs. If we don't invest in housing, everything else breaks." She said the housing market is broken in places like Denver, Seattle and Portland.

She said where the market is most broken is for people at 30 percent or less of area median income (AMI), for people making the minimum wage, for seniors on fixed incomes, and for people with disabilities. "With a certain amount of subsidy, we can make housing affordable," she said.

**The problem of the high cost of housing is the result of many small things as opposed to one big thing.** Ho said the cost of housing is affected by things like the following:

1. The cost of land, which is affected by lot-size zoning and parking-space requirements for apartment buildings. She noted that land speculators are buying property along the route of the Southwest Corridor light-rail line.
2. We produce housing in the same way we did 40 years ago. In every other manufacturing field, we have increased productivity, but not in housing.
3. Zoning codes for safety and environmental protection. These include state building codes and what local communities can do. Trying to drive down costs through zoning and building codes can produce a tradeoff with safety or energy efficiency. Minneapolis is prioritizing safety rather lower costs. Parts of California require solar panels on homes, which can add \$10,000 to the cost of a home.
4. The labor shortage, which is influenced by immigration policy. What we're paying workers is going up.
5. The costs of materials, which are going up. People are feeling the tariffs on lumber.

**Might there be a savings in the long term, if building codes, for example, required energy efficiency?** An interviewer asked that question and said doing that might make housing more expensive now, but the costs could be recouped over 15 years. "We must look at the long-term picture and not save everything now," the interviewer said. "Stabilizing housing for children will pay off in the long term. We must start thinking in those terms."

### **5. The need for a healthy housing market.**

**The housing market in Minnesota is limping broken; in California, it's dead broken.** Ho said the fact that we live longer means people are staying in their homes longer, which contributes to a broken housing market. She said Minnesota is 53,000 housing units short of a healthy housing market, which, she said, requires a five-month supply of homes for sale and a five percent rental vacancy rate. The 53,000-unit figure includes housing for everyone, not just people who are homeless, she explained.

"Almost no communities in Minnesota have five percent vacancy rates," she said. "And most communities have only a one-month supply of homes for sale."

**The reason we want to aim at having a healthy housing market is to get the market to behave in a way that it isn't going through the roof.** Ho said the Legislature should invest in a 10-year push to make the housing market healthy. "Before the housing crash, we didn't have a supply problem," she said. "But following the crash, carpenters and others left the trades and got other jobs."

There is an argument about the right role of government, Ho said. "We need a push," she said.

**Housing in America has always been a public/private proposition.** Ho said homeownership is publicly incented and subsidized through the mortgage-interest tax deduction and the state property-tax refund. "It's intentionally designed to benefit some people more than others," she said.

She said the largest drivers of the state's budget are health care and education. "If a high percentage of the kids in Minneapolis schools are in unstable housing, what are we doing?" she asked.

Ho said historically, the construction of I-94 between Minneapolis and Saint Paul took away homeownership through eminent domain. "That created the fear that you could own your home and someone could take it away from you," she said.

## **6. Manufactured homes.**

**The Minnesota State Senate is interested in the state awarding funds to organizations for acquisition of manufactured-home communities.** The 2019 Legislature allocated \$2 million to Minnesota Housing's Manufactured Home Communities Redevelopment program, which provides grants for improvements in manufactured-home parks and infrastructure. In 2019, the acquisition of manufactured-home parks was added as an eligible use of the program.

"In every town, there's a manufactured-home community," Ho said, noting that some of those communities are cooperatives, where the residents control the land and the rent levels. "Having a cooperative is a good idea," she said. "Land trusts and coops are pathways for manufactured-home communities to exist in a less predatory environment."

She noted that a lot of homes in manufactured-home communities are substandard. An interviewer commented that manufactured homes devalue, rather than grow in value like other homes. The interviewer said owning a home offers the greatest opportunity available to many people for accumulation of wealth, but that doesn't apply to people living in manufactured housing who don't own the land under their homes.

Ho recently visited a manufactured-home community in southwest Minnesota that was under two inches of water. She said the roads were in such terrible shape that no school buses or garbage trucks could drive into the community. She said the property's owner was not investing in the roads because he was waiting for the land values to increase, so he could sell the property.

Ho said Minnesota Housing was recently involved in a project in Worthington where the residents of a mobile-home community were going to buy the land from the long-time owner. She said Minnesota Housing backed a loan to the residents to invest in infrastructure in the community. She said cities can do more than they do to assist residents of manufactured-housing communities.

She pointed out that most manufactured homes are on slabs or foundations and are hooked up to sewer and water. She said most people who live in manufactured homes in Minnesota own the land under their home. She noted that manufactured-home communities are very vulnerable to storms and said Minnesota Housing recently invested in a storm shelter in Fridley for residents of a manufactured-home community.

She said she wants to find common ground with the State Senate to create a way to protect the tenants of mobile-home communities. Many are new immigrants, she said, including many Latinos, as well as Karen and Somali populations.

## **7. Conclusion.**

Ho said the big take-away from today's discussion is that we need more housing.