



Housing Justice Center
Dedicated to expanding
and preserving the supply
of affordable housing in
Minnesota and nationwide.

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Submitted via Email

City of Saint Paul Housing and Redevelopment Authority

Comments Regarding SR 25-227: Resolution Endorsing Amendments to the Minneapolis/Saint Paul Housing Finance Board's 2026-2027 Qualified Allocation Plan; Citywide

The Housing Justice Center submits these comments to the St. Paul Housing and Redevelopment Authority (HRA) as it considers the forthcoming staff presentation on proposed amendments to the 2026-2027 Qualified Allocation Plan (QAP) for Low-Income Housing Tax Credits (LIHTC).

The proposed amendment to the QAP would give priority to properties in an area of downtown Saint Paul and allow those properties to utilize the Qualified Contract process. The Housing Justice Center urges the HRA not to allow use of the Qualified Contract process in those properties. The Qualified Contract process allows LIHTC owners to effectively seek to opt out of the affordability requirements after 15 years, rather than provide the full 30 years of affordability. For the reasons set out below, the Housing Justice Center opposes this proposal and encourages the HRA to maintain the existing QAP requirement that all LIHTC properties waive their ability to use the Qualified Contract Process to ensure that properties remain affordable for at least 30 years.

The Qualified Contract Process Leads to Reduced Affordability

The Qualified Contract process allows LIHTC owners to seek to be relieved from the LIHTC affordability restrictions after the 15-year initial compliance period, rather than maintain affordability for a full 30 years. See 26 U.S.C.A. § 42(h)(6)(E)(i)(II).

The Qualified Contract process has become widely disfavored across the country as it has resulted in a significant loss of affordable housing units. Studies estimate that the Qualified Contract process “results in the loss of affordability of between six thousand to ten thousand low-income units annually” and approximately “115,000 units have been lost from the affordable housing stock through the use of qualified contracts over time.”¹

The current St. Paul and Minneapolis QAP requires all LIHTC owners to waive the Qualified Contract process, which is consistent with a majority of the states and localities in the United States. As shown in the National Housing Trust (NHT) map below, a 2023 analysis found that 39 Housing Finance Agencies require an owner receiving LIHTC to waive the Qualified Contract process and nine (9) more allocating agencies incentivize a waiver.

¹ U.S. Department of the Treasury, Housing Crisis in Focus: LIHTC Best Practices to Discourage Qualified Contracts and Keep Housing Affordable for Longer (Dec. 12, 2024), available at <https://home.treasury.gov/news/featured-stories/housing-crisis-in-focus-lihtc-best-practices-to-discourage-qualified-contracts-and-keep-housing-affordable-for-longer>.



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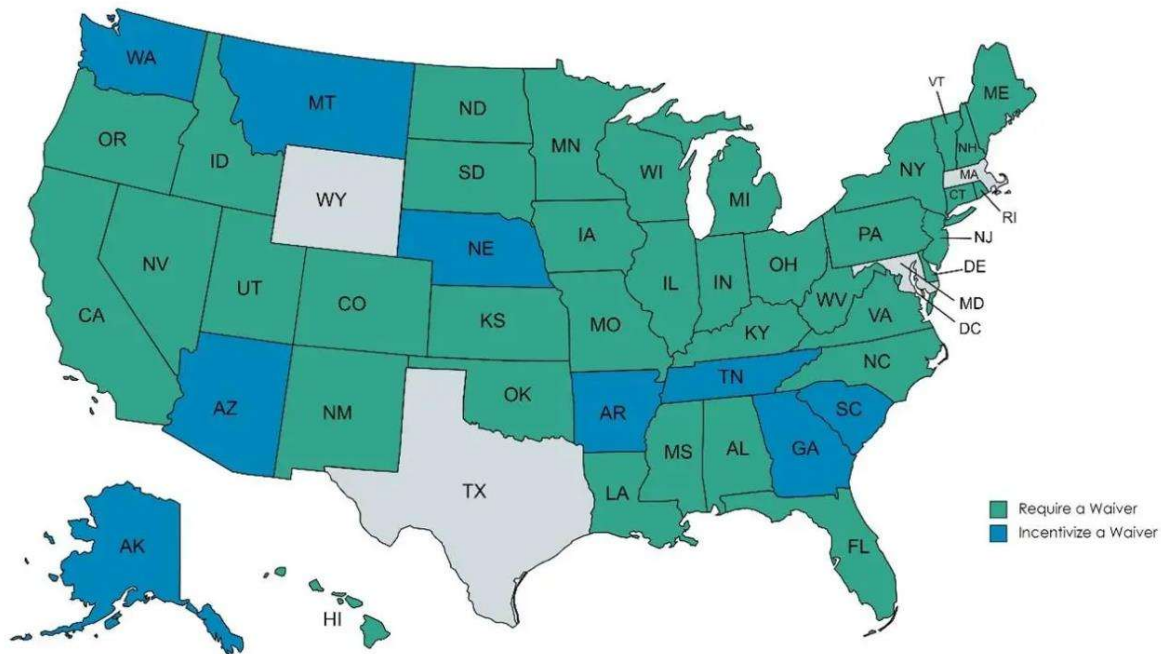


Figure 1: States that Require or Incentivize a Qualified Contract Waiver (as of May 2023)

Source: National Housing Trust, *Protecting Long-Term Affordability by Closing the Qualified Contract Loophole* (July 2023), available at <https://nationalhousingtrust.org/news/protecting-long-term-affordability-closing-qualified-contract-loophole>.

Saint Paul Needs More – Not Less – Affordable Housing Units for Residents

The City of Saint Paul and the Twin Cities Metropolitan region need more affordable housing to meet the needs of Minnesotans. According to the Minnesota Housing Partnership, there are 332,554 cost-burdened renters in the Twin Cities Metro region, of whom 86% are low-income and 65% are seniors.² Minnesota is also facing significant uncertainty regarding the availability of various sources of federal funds to preserve and develop affordable housing. In light of the need and the risks to other federal resources, it is important that the HRA preserve available affordable housing resources and not voluntarily relinquish 15 years of affordability in LIHTC properties in downtown Saint Paul.

² Minnesota Housing Partnership, *State of the State's Housing 2024*, at 28, available at https://mhponline.org/wp-content/uploads/FINAL_SOTS_2024.pdf.



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Prioritizing LIHTC Properties with Less Affordability may Violate Federal Law

In addition, it is questionable whether Saint Paul can legally enact a change to the LIHTC QAP that prioritizes properties with lessened affordability. Federal law requires that LIHTC QAPs give preference to “projects obligated to serve qualified tenants for the longest periods.” 26 U.S.C. 42(m)(1)(B)(ii)(II).

Saint Paul’s proposed approach is to prioritize properties in the downtown Saint Paul area, while also lessening affordability requirements for those properties. Given the preference requirements in federal law, it is questionable whether Saint Paul’s proposal is legally allowable. If the Saint Paul HRA proceeds down this path, the Housing Justice Center will evaluate whether further legal action may be appropriate.

Housing Justice Center Rejects the Proposal

With this context in mind, Housing Justice Center strongly rejects the proposal to allow developers to be released from affordability requirements after 15 years, rather than 30 years. Maintaining the affordability of housing for extended periods of time is crucial to creating generational housing stability. 15 years does not even cover the length of time a child usually stays in the home, and abruptly cutting off the affordability of a unit a family has been residing in for years can cause severe disruption to a child’s education and sense of community. These protections are particularly important in desirable areas such as downtown St. Paul, which has access to several modes of public transit and a variety of employment opportunities.

Housing Justice Center is further concerned that while the proposed changes would be limited to downtown St. Paul, this could spell the end of 30-year affordability requirements across the metro area. At a time when families are more cost burdened than ever, and homeownership remains out of reach for even most middle-class families, the availability of affordable rental units is of paramount importance. Accordingly, we urge the HRA to reject the slippery slope that this proposed amendment creates.

If you have questions regarding this submission, we can be reached at scarthenwatson@hjcmn.org and asmetak@hjcmn.org.

Sincerely,
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