



March 30, 2022

Madam Chair and committee members. My name is Kyle Berndt, I am the Director of Public Policy with the Minnesota Multi Housing Association (MHA). MHA is made up of 1,800 members representing 300,000 rental housing units in Minnesota. I write today to raise our concerns regarding HF 4508.

MHA is concerned that this proposal is one that is creating legislation to address the inability of the market to keep up with demand for homeownership opportunities. Just 10 years ago, after the housing market crashed, governments were pleading for investment in single-family homes from real estate investors. The recession created a large number of blighted properties which needed serious investment to stabilize. Due to this, the government incentivized investors to purchase these homes. Today, we are at record low housing inventory and low rental vacancy rate. We believe the state needs to remove barriers to the creation of new housing and unleash private development. The issues in the market today are best alleviated through the addition of new housing units. We are concerned this proposal goes too far and that this type of restrictive language could have significant unintended consequences in the future.

When we consider the policy as it is written it creates a new definition, "Family Limited Liability Company". This definition is not found in Chapter 322C, the Minnesota Revised Uniform Limited Liability Company statute. We are concerned that while this new LLC is recognized in Chapter 500, it remains unacknowledged in 322C. Without a clear process, family operators who are already strained for capacity will have to take additional steps to be identified as a Family LLC. Those steps are not provided in any statute. MHA is concerned that without any process and recognition in 322C, Family LLC operators may find themselves at risk of facing an enforcement action from an Attorney General, which could carry significant legal costs.

"Corporate entities", who already own and operate rental properties prior to the adoption of this statute, may be subject to enforcement action and divestment from the property. If housing providers are forced to sell their properties, renters who are currently renting them -- some who have been in the housing for years -- may be displaced as they may not be able to afford today's market price for the home. This statute does not provide any clarity for those properties purchased by "corporate entities" or "developers" prior to this legislation. Applying this statute retroactively to existing "corporate entities" who purchased rental property in a legal manner when done could be legally problematic for the state.

Some of the concerns we have heard from members of the committee include that there is no local contact person for “corporate entities” and that these owners neglect properties. Many cities have already addressed the first concern through the adoption of ordinances that mandate local management or contact persons. In the City of Minneapolis, the ordinance requires the agent/contact person to be within 60 miles driving distance from the property. The City of Richfield requires a local property manager, specifically one who lives in the seven-county metro area. Many cities have also adopted a residential rental code and hired inspectors to ensure properties are habitable. If cities are neglecting to enforce habitability codes and not regularly inspecting properties, the state should consider holding cities accountable for inaction.

This proposal includes the ability for MHFA to provide exemptions. It is unclear who these exemptions are intended for as any “corporate entity” renting out a single-family home regardless of its affordability would appear to be subject to these rules and enforcement actions. The inclusion of this section means there is an intention to provide exemptions, but further clarity would be helpful. Finally, we are concerned as to whether the agency has capacity or is the right entity to process, approve or disapprove, and on a yearly basis review exemptions provided in this proposal.

Thank you, Madam chair and members for the opportunity to provide testimony today. We ask that members do not move this proposal forward.

Regards,

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