



# *Resident Perspectives on Distressed Multifamily Properties*

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## Introduction

In Minnesota and across the nation, policymakers have pivoted toward a Housing First model that prioritizes individuals who are most in need and experiencing the most barriers for publicly-funded affordable housing units. Evidence from the National Alliance to End Homelessness<sup>1</sup> indicates that low-barrier housing combined with supportive services that residents can access on a voluntary basis results in a more permanent and cost-efficient exit from housing instability and homelessness.

Minnesota has more than forty nonprofit organizations that own and operate affordable housing consistent with the Housing First model. In recent years, nonprofit affordable housing providers have been impacted by a range of financial challenges that have impeded their ability to provide the standard of resident service and building maintenance that providers expect of themselves. These challenges include both rapid increases in operating costs and reductions in revenue. Inflation raised most operating costs far more than revenue increases. While now seemingly stabilized, it will take years (if ever) for increases in revenues to come close to matching these higher costs. Insurance costs increased at a much higher rate than inflation, public safety concerns - particularly in the metro- have added significant private security costs, and higher interest rates restrict access to capital.

On the revenue side, all providers experienced reductions in rent paid during the COVID-19 pandemic and ensuing eviction moratorium. Additionally, the rise of the opioid epidemic has resulted in a far greater level of need and acuity for those who enter affordable housing homes via Coordinated Entry, the system that manages the placement of individuals accessing a home through the Housing First model. The higher level of service that is being demanded of our housing system has not been matched with additional supportive service funding to cover the significantly higher expense incurred, thereby adding financial stress to already challenged operators.

The Minnesota Housing Stability Coalition came together in 2023 to address the significant threats to the stability of low-income residents and the affordable (rent-restricted) housing system. More than 70 people from 35 nonprofit housing organizations and philanthropies statewide have engaged in the Coalition to support the tens of thousands of Minnesota residents who depend on affordable rental housing. In September and October 2024, the Coalition engaged Able Endeavors to convene focus groups with residents living in homes managed by Coalition members, with a focus on financially and/or physically distressed buildings. Residents' participation was voluntary, and they were compensated for their time and contribution of lived expertise. They were not asked to identify whether their home was considered standard affordable housing or designated as permanent supportive housing. A summary of resident focus groups was shared with affordable housing operators for discussion, which informed additional conversations in which operators reflected on residents' experiences. Taken as a whole, the conversations underscored the aligned interest of both residents and housing providers in cultivating safe, welcoming, high-quality homes.

The key takeaway from the resident engagement is that the demands placed upon nonprofit housing providers have increased extensively as the needs of residents have grown more acute. Funding levels, however, have not increased to cover the additional costs incurred – more staff, more highly trained staff, more security, more insurance, more maintenance, etc. The result is that organizations are being handed “a recipe for failure” in which they cannot possibly deliver well. It has become clear that residents are paying the price.

<sup>1</sup> <https://endhomelessness.org/resource/housing-first/>

# Resident Impact: Summary of Focus Group Discussions

More than half of residents (60%) experienced homelessness as part of their journey to their current home, with common contributing events including prior history with drug and alcohol abuse, partner separation, former incarceration, physical disability, and/or a mental health condition. The overwhelming majority of focus group participants found their housing through Coordinated Entry, a centralized process designed to assess individual housing and service needs and match them with an available affordable housing unit.

***Coordinated Entry<sup>2</sup> is an approach required by the U.S. Housing and Urban Development Department (HUD) (and many other public funders) for Continuums of Care, a HUD program that aims to promote community-wide efforts to end homelessness. Coordinated Entry prioritizes support for individuals and families experiencing or at risk of experiencing homelessness by level of demonstrated vulnerability.***

*Central to the Coordinated Entry approach is a commitment to not screen people out of eligibility for housing assistance because of perceived barriers, including, but not limited to, lack of employment or income, drug or alcohol use, or having a criminal record. Coordinated Entry is Housing First oriented, meaning people are housed quickly, without preconditions or program participation requirements. A housing development that leverages a Housing First approach may offer a variety of voluntary services to promote housing stability and wellbeing, following placement in a home.*

Across multiple discussions with residents of distressed properties, four key themes emerged:

1. Residents feel increasingly unsafe in and around their buildings, citing drug use and addiction as a primary factor in crime and threatening behavior.
2. Inflation, paired with stagnant wages and public benefits, make it harder for residents to pay rent, which in turn negatively impacts affordable housing providers and the quality of homes.
3. Disruptive behavior from other residents, many of whom appear to need but not be receiving supportive services, fosters a belief that there is no or minimal accountability.
4. Staff burnout and turnover has frayed the relationship between residents and property management, which undermines trust and makes it harder for residents to navigate social support systems.

## ***1. Residents feel increasingly unsafe in and around their buildings, citing drug use and addiction as a primary factor in crime and threatening behavior.***

Residents articulated a marked shift in the profile of their neighbors in recent years, which has corresponded to a reported decline in their overall housing experiences. Multiple individuals in each focus group described a strong connection between increased drug usage around their homes and declines in the quality of their living environment.

<sup>2</sup> <https://www.mnhousing.gov/rental-housing/coordinated-entry.html>

**“** *The change started around 2018, when the state’s focus kind of switched from sobriety and getting help, to Housing First – just getting people off the streets in the aftermath of COVID. Once the policies changed, it kind of trickled down...* **”**  
– Resident focus group participant

Opioid use skyrocketed across the country during the pandemic, and has grown more complex in recent years, as the availability and use of fentanyl by itself or laced with other drugs (cocaine or methamphetamine) has risen sharply in Minnesota communities.<sup>3</sup> The effects have had far-reaching impacts on housing providers and residents alike.

**“** *When I moved in, [mine] was a pretty quiet building—respectful people and whatnot. Now we get a lot more, and I know that everyone deserves a home, but we’ve got a lot of drug addicts who bring their homeless friends in, sleeping in the hallways, defecating in the stairwells, trash[ing] our building. And that’s going on in the neighborhood, as well...* **”**  
– Resident focus group participant

The prevalence of opioids and other addictive substances are driving security costs to protect residents from neighborhood and community conditions and represent a vast budgetary increase that organizations did not need to account for just a few years ago when the problem was less prevalent and local police were available to address security problems when they arose. Annual costs associated with security and property support are mostly covered through private fundraising and have averaged \$250,000 to \$400,000 per building per year. This is entirely unsustainable and funnels money away from other priorities that could otherwise be supported.

<sup>3</sup> <https://www.sph.umn.edu/news/u-s-opioid-crisis-worsened-during-covid-19-pandemic/>

**“** *I’ve had city councilors asking me what I’m going to do about security [and crime]. And, it’s like, that is not my job; I do not have a badge...I just get so nervous that that’s just going to become a permanent expectation; that it’s new for the past two years, but it’s eventually going to be ‘what’s your security budget? We require five people.’* **”**  
– Housing provider reflecting on resident experiences

**“** *Cities like Minneapolis have privatized security to the point that if you don’t have a [security] specialist on staff, you receive less on-duty assistance from the police. Police response used to be a public service, and it should be a public cost, [and remain] a public service.* **”**  
– Housing provider reflecting on resident experiences

## **2. Inflation, paired with stagnant wages and public benefits, make it harder for residents to pay rent, which in turn impacts affordable housing providers and the quality of homes.**

The reliable collection of rent is critical to long-term sustainability for housing providers. Residents reported increased financial hardship since the COVID-19 pandemic as the challenge of living paycheck to paycheck was exacerbated by inflation, particularly the rising cost of food. In addition, a few respondents noted that a personal injury or disability resulted in the inability to work. These factors compromised the ability of many residents to make timely rent payments, which in turn cratered housing providers’ revenue streams.

**“ Rent is still too high. Groceries are still too expensive; can't afford to eat healthy. Food shelves are off the bus line, so they are not available. ”**  
– Resident focus group participant

**“ [It's] very hard to run [my] household on such [a] small amount of money. Everything is so expensive. After rent and phone, I have \$100 [a month] for necessities. ”**  
– Resident focus group participant

While affordable housing properties have historically operated on narrow margins, this extreme loss of revenue is unprecedented. The unanticipated costs to secure buildings, repair destroyed property, and keep up with inflation, combined with large drops in revenue, have significantly reduced housing providers' ability to fund the kind of supports that foster housing stability. Nonprofit housing organizations are forced to make impossible tradeoffs to keep their buildings open.

### **3. Disruptive behavior from other residents, many of whom appear to need but not be receiving supportive services, fosters a belief that there is no or minimal accountability.**

Across all conversations, residents expressed a need for greater accountability in community norms. Specifically, focus group participants wanted all building residents to be held accountable to higher standards. Drug and alcohol use in and around their buildings was frequently referenced as being antithetical to cultivating a sense of safety within their community: for many, peace, quiet and a sense of community were key ingredients of safety.

**“ [There are] a lot of people that are struggling with their addiction because of new people that moved in; they found it easier to crawl back into their old ways because now we have people in our building that are not only using, but selling. When it's accessible, people tend to say 'you know everybody else is doing it.' ”**  
– Resident focus group participant

**“ There are people there with mental health problems that are coming with no workers. If you know I have a mental problem, it should be hand-in-hand. ”**  
– Resident focus group participant

Moreover, many hoped that property managers would play a more direct role in helping to create and sustain an environment conducive to community wellbeing. Nonprofit providers also expressed their desire to foster community among residents and a safe living experience for residents and property management staff alike. In many cases, they mentioned budget and staffing shortages as constraints on their ability to deliver on this goal.

**“ Rewrite the lease and rules and stick to them; not '55 times of you can break the rules and then we'll do something.' ”**  
– Resident focus group participant

**“ Tenants have spoken loud and clear. They have a strong desire for community and the manifestation of some of the challenges of managing a distressed building undermines that. ”**  
– Housing provider reflecting on resident experiences

Residents also cited the challenge of navigating social support programs without professional assistance, particularly when a delay in one system causes cascading impacts in other systems. Such delays can upend months, or even years, of progress toward stability. Residents at a wide range of reported income levels recommended tighter coordination between housing providers and service providers, and more assistance in the navigation of multiple support systems.

**“ There’s a number of folks that are struggling with their addiction, and [sobriety] is exactly what they want for themselves, but they need a plan to get there. [Public funders and government agencies] haven’t created a system that supports people coming out of a really dark place of [homelessness and addiction]...”**

**– Housing provider reflecting on resident experiences**

Residents and providers agree that many households with incomes as high as 60% of the area median income (AMI) need some type of support or service to maintain housing stability, yet services at that income level are not widely available. For example, residents frequently reported having neighbors with serious mental illness move into their buildings with no apparent services. In other cases, residents noted that the presence of staff to facilitate tenant councils, or regular gatherings would help residents and staff to cultivate connections with each other. Residents also named drug recovery counseling, reliable access to healthy food, and physical health resources as valuable supports that would build community in their building while helping individual residents advance their self-improvement journey.

#### **4. Staff burnout and turnover has frayed the relationship between residents and property management, which undermines trust and makes it harder for residents to navigate social support systems.**

The “Housing First” model focuses on reducing barriers to housing and providing supportive services to ensure residents are successful. Individuals with higher needs are typically more intensive to serve and require more attention from property management and social service providers alike. But with more work to do and less revenue, property management staff can quickly burn out and decide to move on to other positions or organizations. Many focus group participants identified the additional strain of dealing with a more challenging population of residents as a contributor to staff burnout.

**“ I’ve noticed there’s been a lot of turnover in the workplace because a lot of people have decided to get jobs where they don’t have to deal with the stress that has been coming in since the state policies have changed.”**

**– Resident focus group participant**

When asked, nearly all housing providers indicated that public funding influenced their resident selection and placement processes, especially since participation in Coordinated Entry is required for most publicly-funded affordable housing projects. Housing providers further described instances where prior restrictions, such as a substance use prohibition in supportive housing properties, resulted in extended vacancies because substance use is so prevalent in the populations they serve. However, the complex web of eligibility requirements dictated by varied public sources of funding has made it difficult to place residents in units while also pairing them with the support services that are needed to foster stability across affordable housing sites.

Affordable housing providers affirmed the presence of supportive services as a key ingredient for long-term housing success. However, current levels of services funding are insufficient to cover the true cost of meeting the needs of people exiting homelessness and housing instability. While property management staff often try to help residents navigate public systems and assistance, they are not trained social workers and are already stretched thin on other urgent building matters. There is little time for these “extras” that attentive property managers might have been able to provide in years past. Additionally, the higher rates of staff burnout and turnover that result from under-resourced property management and safety systems leave little time for staff to build relationships with residents.

The result of this cycle of staff churn is that less experienced property managers are dealing with increasingly vulnerable higher-needs individuals, thereby eroding the trust and stability of residents. Providers viewed resident feedback as reflective of a stressed and disorganized system that is not adequately supporting residents navigate the transition through Coordinated Entry to a more structured environment.

**“ This is the lived experience of the systems being inadequate to what they’ve been asked to do and support. ”**  
– Housing provider reflecting on resident experiences

## Where Do We Go From Here?

**“ ...[affordable housing providers] are just trying to figure out how to make systems work better, to support people’s success. That’s our charge. That’s what we’re here to do, and that’s what [affordable housing providers and government agencies] should all be working on together. ”**  
– Housing provider reflecting on resident experiences

Housing policy in Minnesota appropriately prioritizes scarce public dollars to support individuals who have the highest barriers to achieving long-term housing stability. Research indicates that this is the most cost-effective use of public dollars, but only when implemented with integrity and robust services that help individuals address these challenges and move forward. Without sufficient funding, we set the entire system up to fail. Relying on outdated models under today’s different set of realities will lead to devastating impacts for residents who are already struggling. Policymakers must clarify collective priorities and the desired outcomes, and then ensure that solutions are resourced at the level necessary to succeed. Residents of affordable housing are unlikely to succeed in sustaining housing stability without these systems improvements.