REIMAGINING

Affordable Rental Housing

A multi-year research demonstration project

HOPE Community

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An all too common story...

If the rents we're collecting aren't enough to operate sustainably but also are too high for some of our residents, then isn't our current model the worst of both worlds?

Several years ago, a decade-long Hope resident and her son, both valuable and active community members living in one of Hope Community's affordable rental buildings, told us they were moving away. The modest annual rent increase of 2%, or about $25 per month, was not feasible despite living in a regulated affordable housing apartment. For Hope, this family represents a population our housing is meant to assist: renters who are cost-burdened, paying more than 30% of their income towards rent.

In addition, the costs of operating buildings like this one have been rising faster than the rent people can afford to pay. Hope regularly needs to subsidize these operation costs—maintenance, utilities, staff—to maintain existing rents and provide safe, dignified and affordable homes.

MN Housing Partnership reported in 2024 that half of Minnesota's renter households were cost burdened, and the current availability of Section 8 rental support inadequately addresses the issue: only a quarter of those who qualify actually receive Section 8 funding, and pending Federal cuts will further limit the program.

Additionally, a recent report from the Minnesota Housing Stability Coalition showed that across the state, there is widespread distress among regulated affordable housing properties which threatens the viability of our existing affordable housing stock, driven in no small part by the current model of how affordability is subsidized. **We need compelling alternatives to motivate systemic change away from current inefficient and insufficient funding** mechanisms such as the Low Income Housing Tax Credit.

The solution...

To build an innovative, paradigm-shifting model that can be tested, refined, and, ultimately, scaled, Hope has partnered with the Center for Urban and Regional Affairs (CURA) at the University of Minnesota. The following demonstration project could drastically alter the affordable housing status quo. **Hope and CURA are uniquely positioned to carry out research** to discover not just if the approach works, but precisely how it impacts residents, buildings, and organizations. Findings are designed to inform public resource alignment toward ongoing rental assistance where it delivers greater value per dollar.

We can reorient the current system of affordable housing funding to improve stability for low-income tenants, communities, and building owners. Central to the demonstration project is a rental subsidy fund administered through Hope to half its residents. Hope's portfolio will be divided equally, with 50% of properties receiving the project subsidy and 50% operating as they do today.

	Existing Affordable Housing Model	Hope Demonstration Project Funding
RENTER	• Resident rent levels are set to standard limits unrelated to actual income levels of each household • Only 55% of households at Hope had some form of direct rental subsidy as of 2024, meaning up to 45% of households had some level of cost burden • Existing rental subsidy programs often come with steep financial cliffs once household incomes reach levels far below where they can afford market rate rent	• Pays 30% of income, • 0% of renters in demonstration project will be cost-burdened, • Subsidy level is dynamic, with no steep cliff, and stays with household until they can pay full market rate rent affordably
BUILDING	• Receives rent set at fixed affordable levels well below market rate – for Hope properties, generally either at 30% Area Median Income or 50% Area Median Income • Rents received are not sufficient to match or exceed operating costs (especially in current inflationary environment), requiring Hope to subsidize operations from organizational fundraising	• Receives market level rent for each unit, allowing property to fully cover costs of operations • Administering subsidies at the building level simplifies compliance and assures affordability for resident households

Why Hope?

Hope Community is uniquely positioned, both in the community and with its portfolio of properties, to undertake this innovative research project. With CURA's research acumen and Hope's more than 25 years of expertise, a new structure for renter support and building operations will emerge that **ensures renters are not cost burdened** and **existing housing is maintained.**

The right philanthropic partners can set the stage—this is an opportunity to fundamentally reimagine how to operate affordable housing that serves both low-income renters and nonprofit property owners.

Resident-centered by design. The model answers the question that matters most but is rarely measured in current affordable housing conversations: Can you afford your rent?

Operational pragmatism. The program will leverage proven tools that minimize administrative burden on residents and ensure efficient implementation.

Field leadership and research readiness. Hope and CURA's multi-year demonstration is capable of producing actionable data that cities, states, and national funders can use. The scale of Hope's property portfolio offers a usable, meaningful research pool.

Past success. Bush Innovation Prize 2015; Franklin-Portland Gateway redevelopment (4-corner intersection); Hope's Community Ownership Program, offering innovative homeownership training and support; the redevelopment of 628 E. Franklin Avenue, the longest vacant residential building in the City of Minneapolis.

What it takes...

The Cost

Rental Subsidy Fund: $3,000,000

Hope Direct Expenses: $500,000
(Five years of existing staff costs and capacity to track data and outcomes)

Research and Evaluation: $500,000
(Minimum five-year collaboration with CURA)

Total: $4,000,000

Together with philanthropic support, Hope and CURA could catalyze a shift toward more efficient use of both private and public resources. Philanthropic leadership now will open doors to public sector partnerships in the future.

The Payoff

For residents: Immediate rent affordability (≤30% of income), stability through income fluctuations, and reduced displacement.

For buildings and building owners: Predictable operating revenue at sustainable levels, enabling timely maintenance, competitive staffing, and long-term viability.

For neighborhoods: Stably housed residents who can afford to stay in one place contribute to community continuity, establish vital relational ties, and improve safety. Buildings with stabilized renters are funded well for operational success and improved curb appeal.

For systems: Clear evidence to realign public dollars from development subsidies toward ongoing rent support where it improves outcomes and cost-effectiveness, shifting our priorities to support residents directly rather than developers and investors.