

# The MHP Bulletin

September 12, 2007

Volume 6, Issue 9

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## News

### State

#### **Spanning the Foreclosure Discussion in Minnesota**

As the foreclosure crisis in our communities deepens, experts anticipate significant changes in the affordable rental market. As Chip Halbach wrote recently in an article for Minnesota 2020, [an article for Minnesota 2020](#), “[o]wner-occupied homes are not the only ones being foreclosed. Approximately 40 percent of foreclosed properties in urban counties are rental. In the metro area, with median rents approaching \$900 per month, this may mean continued housing-hardship as a person is forced to move into unaffordable accommodations.”

Although a comprehensive understanding of the effect of foreclosures on the affordable rental market is likely years away, recent data shows rental vacancies dropping. A recent report from GVA Marquette shows the Twin Cities’ vacancy rate at 3.9% in the second quarter of 2007. This is down from 4.4% the previous quarter and 4.8% a year ago. The report also says the area’s average rent increased to \$883, a 2.7% increase over second quarter of 2006. GVA continues that, despite added units to the rental stock, we should expect “a sustained trend of rent growth and declining vacancy for the Twin Cities region during [2007 and 2008].”

Approaches to dealing with the foreclosure phenomenon remain varied. While Minneapolis has focused \$11 million in state appropriations to foreclosure relief on the North side, folks across the river are taking a different approach. In August, Mayor Chris Coleman and St. Paul City Council approved the sale of \$25 million in bonds to fund revitalization and foreclosure assistance in four of the city’s “most economically challenged neighborhoods,” wrote the [Star Tribune in a recent editorial](#). The bonds, which will be sold in coming weeks, will be repaid through 2030 with revenues from a special half-cent sales tax known as STAR, the article said. The initiative, called Invest St. Paul, will seek to acquire and raze some of the city’s 1,200 vacant homes, assist some homeowners struggling with mortgage payments, and beautify sections of four designated neighborhoods. The city hopes the program will spur private investment.

Meanwhile, Southeastern Minnesota received a small amount of respite from its flooding woes when [HUD announced a 90-day moratorium](#) on foreclosures and foreclosure forbearances for Federal Housing Administration (FHA)-insured mortgages in that area. A recent [report by HousingLink and Greater Minnesota Housing Fund projects that the six](#)

[counties HUD lists as eligible for this aid will experience 872 foreclosures in 2007.](#) projects that the six counties HUD lists as eligible for this aid will experience 872 foreclosures in 2007.

### **August Minnesota Housing Board**

Minnesota Housing's August board meeting focused on allocation of 2008-09 funding, although the official funding plan will not be adopted until the September Board meeting. Commissioner Tim Marx introduced the \$1.6 billion plan, calling it the largest in agency history. He estimated that 90,000 Minnesotan households will benefit from the resource commitment.

August's big news is the proposed distribution of Minnesota Housing's available net earnings, now called the agency "foundation." Agency staff said previously that \$50 million could be committed to the foundation over the next biennium. With further budget massaging, the staff now propose committing \$59 million.

Minnesota's plan to end long term homelessness is the primary recipient of the foundation's 2008-09 support, receiving an \$18 million commitment. The second largest commitment of \$8.8 million will write down interest costs on agency loans for rental housing.

Staff also proposed using \$6 million in foundation resources to resurrect MURL (Minnesota Urban and Rural Homesteading Program), a low-income homeownership initiative. MURL, which had been funded by federal HOME dollars, pays the cost of rehabbing a home and selling it in contract for deed to a low-income homebuyer. When HUD later disallowed the use of federal funds for contract sales, the program was suspended.

In all, 11 programs will receive foundation resources. Go to MHP's website for an [itemized list of proposed uses of the Minnesota Housing foundation resources](#) for 2008-09.

In addition to the funding decisions, agency staff presented the board with a list of program research priorities for the next two years. The twelve priorities may result in program changes or amendments to the Affordable Housing Plan. The list spans a wide range of topics including agency strategies for very low-income homeownership, green development criteria, and taking advantage of the softened real estate market to finance land acquisition for future development. [See the entire listing of program development topics on MHP website.](#)

Commissioner Marx also addressed the agency's participation in Southeast Minnesota's flood recovery. The agency will fill in federal resource gaps after USDA Rural Development, FEMA, and the Small Business Administration make funding commitments. Marx said that it was too early to determine where and how Minnesota Housing will be involved, but the agency will provide additional help to communities impacted by the flooding.

In other business, financial consultants updated the board on the impact of the foreclosure crisis on the agency. The consultant said that while the agency itself makes good loans and faces few foreclosures, there will be some impact on the sale of agency bonds which fund its purchase of mortgages. There are now fewer buyers for real estate-backed bonds, so interest rates may rise some. However, demand for agency-funded loans should remain strong. Joining with other state housing agencies, Minnesota Housing is seeking federal authority to increase its lending through the sale of tax-exempt bonds. —*Chip Halbach*

## **National**

### **Downsizing Development Costs**

Even with the current housing market slump, affordable housing development is still plagued by large gaps between acquisition and construction costs and available financing. Despite these seemingly insurmountable barriers, business and nonprofits alike are finding creative ways to build affordable homes in the toughest of circumstances.

Nowadays, you're more likely to find Sasquatch in California than a reasonably priced living space. The [Sacramento Bee reports](#) that a group of myth-busting architects in California have devised a way to create \$150,000 homes in one of

America's most expensive real estate markets. The secret? No attached garages. BSB Design's innovative plan tackles high land prices through strategic design and increased density. The proposal places fourteen two-story homes—ranging from 1000 to 1,400 square feet—on about three quarters of an acre. Car owners can store their autos in shared spaces under one of the four “carriage units” that provide parking stalls underneath the living space.

The small house movement is also combating price gaps and appealing to those looking to downsize energy and land usage. [The Seattle Post Intelligencer writes](#) that Jay Shafer, founder of Tumbleweed Tiny Home Company, has created small, energy efficient, green homes for \$20,000 to \$45,000, excluding land. If you are a DIYer, you can build one for as little as \$5,000 plus labor. [Shafer's Web site](#) explains that his homes can provide a comfortable lifestyle through smart design—and he should know. He lives in his first creation which is only 100 square feet.

For those looking for something on the larger side of small, there is the so-called “Katrina Cottage”. These small, sturdy homes originated from the need to affordably house scores of people displaced by Hurricane Katrina. The 300 square foot cottage is built to withstand hurricanes and costs less than the infamous FEMA trailer. What's more, these cottages can become permanent homes, with the capacity to expand into a “full-sized” dwellings if desired. Since the introduction of the original, prototype cottages have sprung up in Florida, Maryland, and Mississippi. In addition, Lowe's home improvement stores are selling [cottages to order](#) for under \$50,000 at 29 sites in Mississippi and Louisiana. [Lowe's Web site](#) advertises blueprints for \$700.

One of the reasons these small but mighty homes are affordable is that many have prefabricated, manufactured, or modular aspects to them, which reduces labor and materials costs. Neighborworks® takes note of this in their [spring issue of Bright Ideas](#), explaining that “[i]t takes 400 to 500 man-hours to build a modular home...compared to 3,000 to 3,500 man-hours for on-site construction. Aside from the greater productivity, the savings in labor alone subtracts about \$30,000 from the cost and helps keep housing affordable.” Furthermore, for the same price, the quality can be much higher in factory-built homes than on-site built homes. “It's full half-inch wallboard, real wood, real nails. These homes actually have more material in them than traditionally built homes,” notes a Habitat for Humanity representative in the article.

### **US Treasury Promotes Employer Assisted Housing**

The Office of the Comptroller of the Currency (OCC), a bureau of the US Treasury, [released a report at the end of August highlighting key features of various employer assisted housing](#). Targeted at national banks, the report explains that “[b]anks have found that employer assisted programs can stimulate new mortgage business and attract new bank customers,” according to an [OCC press statement](#).

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## **From the MHP Boardroom**

### **MHP Partner Profile: The City of Ortonville and Ortonville EDA**

Located in West Central Minnesota on the South Dakota border, Ortonville is a small town on the verge of significant economic development. One mile from Ortonville on the other side of the border, an upcoming power plant will create 1,200 temporary construction jobs and 30 new permanent jobs over the next five years.

With Ortonville being the only town within 25 miles of the proposed project, the city is already preparing for the new workforce. In an effort to address the opportunities and challenges presented by this growth, the city and Ortonville EDA is pairing up with MHP. The partnership will build upon the city's 2002 Comprehensive Plan by developing and implementing action plans in three critical areas: housing, commercial development, and city promotion.

At a meeting in late August, project partners identified key areas of growth and concern, including rental housing to accommodate construction workers, expansion of the Ortonville medical facility, attracting and retaining business, historic preservation, and public space revitalization.

### **Northeastern Minnesota Leaders Come Together to Plan for Incoming Workforce**

Faced with the possible creation of over 1,700 permanent and as many as 6,500 construction jobs on the Iron Range, Northeastern Minnesota communities and organizations, Minnesota Housing Partnership (MHP), and the Greater Minnesota Housing Fund (GMHF) came together on August 28<sup>th</sup> to strategize about housing the new workforce. Fifty-four representatives from a wide array of Range communities, service agencies, and private business participated in the meeting and showed support for creating new approaches to meeting housing need in the area.

“Our primary goal,” said Chip Halbach, MHP’s executive director, “was to create the opportunity for local solutions and expertise to emerge with clear action steps that illustrate how to move forward. We’re pleased to report that at this meeting several initial actions were identified.” [More information can be found on MHP’s Web site.](#)

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## Resources

### Cutting-Edge Residential Construction

New ideas, processes, and materials are breathing new life into the world of affordable housing development. Last winter, in its Research Works newsletter, [HUD published a list of “how-to” resources](#) aimed at “encourag[ing] creative use of advanced technologies in residential construction.” HUD hopes that by reducing construction costs and increasing efficiency, the supply of affordable homes in the United States will grow. Resources listed include

- Building Innovation for Homeownership
- Innovations at the Cutting Edge—New Ideas in Manufactured Housing
- Housing Innovation and the Appraisal Process
- Overcoming Barriers to Innovation in the Home Building Industry
- International Conference on Factory Built Housing: Innovation in Home Manufacturing
- The Diffusion of Innovation in the Residential Building Industry
- Characteristics of Innovative Production Home Builders

### Magazine Spotlights Rural Preservation

Although many people tend to think of affordable housing in urban terms, the need for affordable rural homes is just as pressing. [Housing Assistance Council’s Rural Voices magazine](#) investigates rural preservation in its summer issue. Articles range from policy discussion by Housing Preservation Project’s Tim Thompson, to tax credits, to financing options.

### National Alliance to End Homelessness Publishes Policy Guide

The National Alliance to End Homelessness (NAEH) has published a *Policy Guide* to help policymakers and advocates understand federal programs and policies regarding housing and homelessness. The 63-page guide includes information about relevant federal programs and proposals, including homelessness funding, proposals to reauthorize HUD’s McKinney-Vento homeless assistance programs, and information about funding levels of mainstream housing and services programs. More information and the full report can be found on the [Alliance’s Web site.](#)

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## Calendar

### September 15

**HOME Line Tenant Landlord Training**, 9:00 a.m. to 3:30 p.m., William Mitchell College of Law, Room 231, 875 Summit Avenue, St. Paul, MN 55105. This one day training has been attended by over 75 different social service agency workers, landlords, and police officers in the last two years in addition to scores of law student volunteers. In our training seminar, HOME Line attorneys teach basic Minnesota landlord-tenant law. Specific topics include applications, leases, repairs,

evictions, lock-outs, and security deposits. HOME Line conducts trainings three times per year to prepare volunteers to work on our tenant hotline. We also invite anyone interested in learning landlord-tenant law to attend. To learn more and to register, please visit [HOME Line's Web site](#).

#### **September 19-21 & October 1-5, 2007**

##### **Minnesota Mortgage Foreclosure Prevention Association's Solving the Foreclosure Puzzle**

This seminar is designed for professionals working in the area of foreclosure prevention. The seminar series is designed to be taken in sequence, with the entire 8-day course enrollment fee of \$325. The class size is limited to 45 students, so enroll now! More information can be found [here](#).

#### **October 4**

**Federal Reserve Forum on Foreclosures**, Federal Reserve Bank of Minneapolis, 90 Hennepin Avenue, Minneapolis. Join foreclosure prevention specialists, researchers, and policymakers as we examine the current state of lending and foreclosures in Minnesota and across the nation. General sessions will explore the foreclosure process in Minnesota, the roles and resources available to the players involved, the current state of foreclosure laws, and proposals to address foreclosures and abandoned properties. For more information, please visit the [Federal Reserve's Web site](#).

#### **October 9-12**

**National Community Land Trust Network Annual Meeting and National CLT Academy**, Sheraton Midtown Hotel, Minneapolis. This year, members and supporters of the National CLT Network will gather for the purpose of showcasing new courses developed by the National CLT Academy, strategizing common solutions to organizational challenges of issues of homeowner services and sustainability, and strengthening connections among the CLTs that make up the membership of the National CLT. Click [here](#) for more information.

#### **October 11**

**MCCD Annual Meeting**, 5:00 p.m. to 7:00 p.m.

More information to follow.

#### **October 15-16**

**Minnesota Coalition for the Homeless Annual Conference**, Arrowwood Resort, Alexandria, MN. This year's conference focuses on the twentieth anniversary of what is now known as the McKinney-Vento Act. At the time of its adoption in 1987, the act was viewed as only the first step in a national response to homelessness. This bi-partisan legislation was to be followed by measures to prevent and end homelessness by more systemic solutions to the problem. [For more information, please visit MCH's Web site.](#)

#### **October 16, 2007**

##### **Home Ownership Center Predatory Lending Training**

The Minnesota Home Ownership Center (Center) will host an all-day training on the new predatory lending legislation with a focus on how the new law impacts you as a counselor. You will learn the ins and outs of the new laws, related legal resources available for counselors and consumers and have an opportunity to discuss with the Center other needs you have related to this issue. The Center will also provide information on the new Refinance Counseling that is required as part of the new legislation. Contact [Ed Nelson](#) for details.

#### **October 23 – 26, 2007**

##### **Pre-Purchase Homebuyer Counselor Training**

The Minnesota Home Ownership Center has announced the dates for its upcoming Pre-Purchase Homebuyer Counselor Training. This course is designed for new housing counselors with some pre-purchase counseling experience. Learn how to provide one-on-one counseling sessions that address savings, credit, and debt barriers to home ownership. Practice mortgage-readiness assessment, prequalification, credit report reviews and other key counseling activities. Pre-

Purchase counseling certification is offered by completing the course and passing the in-class exam. Contact [Ed Nelson](#) for details.

*If you have any events you would like featured, please contact Barb Jacobs at [bjacobs@mhponline.org](mailto:bjacobs@mhponline.org).*

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*The MHP Bulletin* is published by the Minnesota Housing Partnership, distributed monthly and includes affordable housing news, announcements, legislative updates, publications and upcoming events. For more information on affordable housing, back issues of *The MHP Bulletin*, to submit news or events to include in future issues, or if you would like to unsubscribe, please contact Barb Jacobs at (651) 649-1710 ext. 117, email [bjacobs@mhponline.org](mailto:bjacobs@mhponline.org).

Minnesota Housing Partnership's mission is to promote homes for all Minnesotans and to assist Minnesota communities in the creation and preservation of housing affordable to low- and moderate-income people.