

The MHP Bulletin

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In addition to **The Bulletin**, MHP also publishes **The Capitol Update**, a newsletter that follows the ins and outs of state and federal housing policy and legislation that affect Minnesota. Click [here](#) to sign up for the **Update**.

News

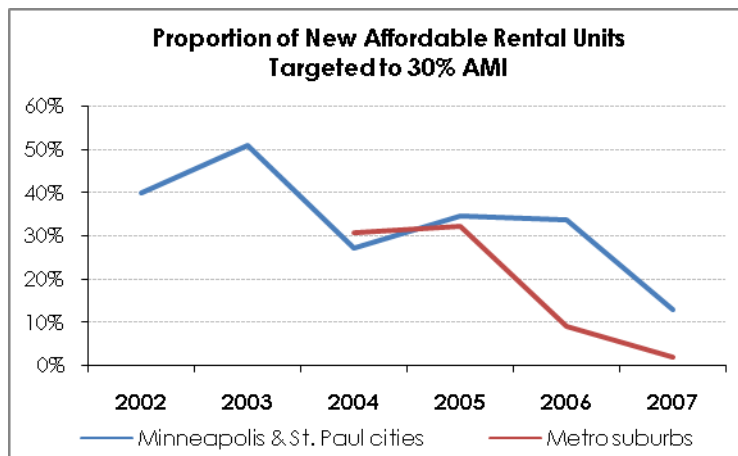
Production of Rental Units Targeted to Extremely Low Income Households Drops

MHP analysis of the [Housing Counts](#) data produced by HousingLink reveals that both the number and proportion of new affordable rental units produced that are targeted to extremely low-income households have fallen in recent years in the 7-county Twin Cities Metro. In 2007, only 89 new affordable units were targeted to extremely low-income (ELI) households in the Metro area. These households earn no more than 30 percent of HUD's area median income (AMI), which was \$23,550 for a family of four in 2007. Five years earlier, more than 400 units were produced for ELI households in Minneapolis and St. Paul alone.

The Housing Counts data also suggest that Minneapolis and St. Paul are far more likely to produce rental units for ELI households than the suburbs. While only 13 percent of the rental units produced by the two Twin Cities in 2007 were targeted to ELI households, this compares to only 2 percent of units produced by the suburbs. Meanwhile, new American Community Survey poverty data estimates that over 90,000 households were living in poverty in 2007 in the 7-county Metro. Of special note is the fact that federal poverty guidelines, which stood at \$20,650 for a family of four in 2007, are even lower than the ELI limits for the Metro area.

Total Rental Units Produced, Twin Cities Metro						
	2002*	2003*	2004	2005	2006	2007
All Rental Units	1038	817	1057	1181	581	946
Targeted to 30 percent AMI	413	416	297	403	129	89

**Note: 2002 and 2003 data include Minneapolis and St. Paul only, not Metro area suburbs.
Source: Housing Counts, 2002-2007, HousingLink*



National Housing Trust Fund Legislation Review

It's been over a month since President Bush signed the largest housing bill enacted in over three decades, and advocates are still working to interpret the various pieces of the new law. In a recent issue of [The Capitol Update](#) we reviewed the bill from 10,000 feet. Here is a closer look at one initiative within the legislation, the National Housing Trust Fund (NHTF).

The advancement of Trust Fund legislation has been a top priority for the National Low Income Housing Coalition and many other federal housing program advocates for years. This is due to the fact that for decades the federal government has failed to invest a sizable amount of resources in the *creation* of affordable rental homes. In fact, the [National Low Income Housing Coalition reports](#) that the NHTF is the first new federally-subsidized housing production program targeting extremely low income people since the introduction of the Section 8 program in 1974.

In addition to federal disinvestment in affordable rental creation, the number of existing rental homes available to very low and extremely low income families has dwindled over the past thirty years. This is for a variety of reasons, such as landlords opting out of housing subsidy programs, condo conversions, and the loss of aging buildings to demolition, among other issues. The Trust Fund was advanced as a way to address this lack of investment, property owner attrition, and resulting shortage of affordable rental homes.

The National Low Income Housing Coalition has created some approximations on distribution amounts to various states. You can check them out [here](#), but please note that these numbers are guesstimates. According to NLIHC's estimates, Minnesota would receive about \$4.1 million annually.

Any organization, public or private, nonprofit or for-profit, may utilize National Housing Trust Fund dollars as long as it can demonstrate experience in developing affordable housing, the financial and internal capacity to develop such housing, and familiarity with federal affordable housing programs and regulation. Trust Fund dollars may not be used by developers for administrative purposes (only grant-administering agencies may use Trust Fund dollars for administration) or political activities, and awarded dollars must be spent within two years of allocation.

MHP is working with local and national partners to make sure that Minnesota has the information it needs to utilize this new resource. Stay tuned for more information on trainings and opportunities for comment. In the meantime, don't miss out on the National Low Income Housing Coalition's conference call in September, on the intricacies of the Trust Fund. Here is the call information if you would like to participate:

Date: Monday, September 15
Time: 2:00 (CDT)
Call-in Number: 1.877.486.3171
Code: 967187

If you are unable to participate in September's conference call, you may listen to a recording of a previous call on NLIHC's Web site (www.nlihc.org); it is currently the third item down.

August Minnesota Housing Board Report

Much of the Minnesota Housing board meeting in August was committed to reporting on the impact and formulating a response to Minnesota's share of the nation's credit/housing crisis. Staff delayed its semiannual report on program goals until the September meeting though it did update the board on progress made on the agency's financial goals.

The agency fell short of its 5.5 percent return goal on investment of its net assets, receiving a return of 5.22 percent. This is due to increased losses from foreclosures. The agency's solid credit rating remained unchanged, however. In the audit report reviewed by the board, Commissioner Marx wrote "I am pleased to report that during the period when the commercial mortgage industry offered riskier products, Minnesota Housing consistently offered fixed-rate mortgage products and other assistance designed to provide borrowers sustainable homeownership while minimizing loan losses for Minnesota Housing."

The number of foreclosed homes held by the agency jumped from 27 in mid-2007 to 76 in 2008. Despite this increase, the foreclosure *rate* (the percentage of all loans compared to those that have gone into foreclosure) barely changed over the last year and remains well under one percent of outstanding loans. Of interest, the staff reported how delinquencies varied by FICO score. For borrowers with FICO scores above 680 the delinquency rate was 1.23 percent while for those with scores below 620 the rate of delinquencies soared to 11.45 percent.

To help put some of the 6,000 foreclosed and vacant Twin Cities properties back on the market, the staff sought and obtained board concept approval for a new mortgage product. The Homeownership Opportunity Program (HOP) will provide bridge financing to enable purchasers to buy homes that, because of disrepair due to vacancy, would not be financeable. Ninety day loans made by HOP lenders would enable homebuyers to acquire and fix up the property then refinance through a conventional loan. The agency plans to use \$10 million of its reserves for this loan program, which should fund approximately 60 concurrent HOP loans.

Another financing program approved at the August meeting will provide home purchase financing to groups whose faith does not permit payment of interest. This program, New Markets Mortgage Pilot Program, will primarily be targeted to Minnesota's fast growing Somali population, which has already doubled in size this decade and now numbers about 35,000.

Under the proposed program the lender actually purchases a home then resells it to a buyer at an amount that covers the lender's profit that would otherwise be received through interest payments. The agency plans to contract with Devon Bank, a Chicago based community bank, experienced with this type of financing. Minnesota's African Development Corporation will serve as a loan broker, originating and selling loans to the Chicago lender who in turn will sell the loans to Minnesota Housing. Borrowers must meet requirements of the agency's first time homebuyer program. The board allocated \$15 million out of agency reserves for the program, which is expected to fund about 90 loans.

At the request of staff the board approved a one-year extension of the Performance Award Pilot Project awarded to Dakota County CDA. Spring of 2006 the agency and NAHRO negotiated an agreement to provide high-performing housing agencies more flexible and predictable funding. In addition to testing whether these arrangements leverage outside funding, Minnesota Housing wanted to boost the creation of long term homeless units. Three pilot awards were made by Minnesota Housing to local housing agencies. The local agencies said that the negotiated funds would better enable them to carry out community housing plans than the normal RFP process.

Minnesota Housing expects that another year must pass before it can fully evaluate the pilots. However, program participants, in a preliminary evaluation, reported that the unique pilot funding was essential for meeting community goals. Funding for the pilot comes out of the agency's Challenge program. To better carry out community housing plans NAHRO advocates for this type of negotiation for more state funding as opposed to the rounds of competitive funding currently used by Minnesota Housing to distribute most of its funding.—*Chip Halbach*

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Resources

New Estimates of Affordable Housing Need, Senior Need in the East Metro

A [new report released by Wilder Research](#) projects that there will be nearly 140,000 low-income and cost-burdened households in Anoka, Dakota, Ramsey, and Washington counties by 2010, and nearly 170,000 by 2020. Currently, about 127,000 low-income households in the East Metro are considered cost-burdened, spending 30 percent or more of their income on housing. The estimates of new need in this study are far higher than the 2010 projection of the 2003 study ["The Next Decade of Housing in Minnesota"](#) produced by BBC consulting, and somewhat higher than the [Metropolitan Council's projection](#) for 2020 This is because the study relies on newer mid-decade data that reflects recent increases in cost burden. Another key finding is that of the 14,500 households projected to need new very low-income housing during the decade of 2010 to 2020, nearly 70 percent, or 10,000 households, will be headed by seniors. In this study, "low income" households earn \$48,500 or less in 2008 dollars (60 percent of median family income) and "very low income" households earn \$24,250 or less (30 percent of MFI).

HUD Report Finds Widespread Increases in National Housing Costs

[A new HUD report](#), *Trends in Housing Costs: 1985-2005 and the 30-Percent-of-Income Standard*, finds shelter costs have increased at a faster pace than other consumer goods between 1985 and 2005, based on American Housing Survey and Bureau of Labor Statistics data. Overall, the percent of median family income spent on housing increased from 19 percent to 22 percent in this period.

After adjusting for inflation, the study found that owner costs increased 25 percent, and rental costs increased 8 percent during the study period. The largest portion of the run-up for owners was for principal and interest payments and payments on lump sum home equity mortgages for those with mortgages. For those without mortgages, increases were due to higher property taxes and insurance costs.

The report also assessed the 30 percent standard as a measure of housing affordability. Of families with children, on average, only those above 60 percent of area median income were found to be able to afford the cost of non-housing goods and services and still pay 30 percent or less on housing. Minimum non-housing needs are estimated at \$27,013 using an adjusted family budget from the Bureau of Labor Statistics. Extremely low income families paid 93 percent of their income on housing, leaving only \$667 for all remaining needs for the year. (This analysis excludes households without children due to BLS data limitations.)

Expenditures for Housing and Non-Housing Costs in 2005 for Households with Children

Income Category	2005 Income	Actual 2005 Housing Costs	2005 Housing costs as a percent of income	Remaining income
Extremely low income (<=30 percent AMI)	\$9,905	\$9,238	93%	\$667
Very low income (30-50 percent AMI)	\$24,668	\$10,355	42%	\$14,313
Low income (50-60 percent AMI)	\$33,412	\$11,006	33%	\$22,406
Moderate income (60-80 percent AMI)	\$42,067	\$12,180	29%	\$29,887
High income (80-100 percent AMI)	\$55,744	\$13,633	24%	\$42,111
Very high income (100-120 percent AMI)	\$64,097	\$14,944	23%	\$49,153
Extremely high income (>120 percent AMI)	\$127,730	\$20,326	16%	\$107,404
<i>All households</i>	<i>\$72,039</i>	<i>\$15,084</i>	<i>21%</i>	<i>\$56,954</i>

From the Home Front

Minnesota Legislature Creates New Housing Caucus

This summer, Minnesota Housing Partnership and other advocates have been working with our legislators to find new ways to bring greater attention to housing issues. Although the group is relatively new, progress has already been made. One outcome of the group is the creation of a new bipartisan, bicameral Housing Caucus at the Legislature. The Housing Caucus [“will engage with leaders involved in all facets of housing to find workable solutions to the problems and challenges that our communities face,”](#) wrote Representatives Karen Clark and Bob Gunther in recent letters inviting other legislators to join the group. Senators Larry Pogemiller, Mee Moua, David Senjem, Ellen Anderson, Linda Berglin, Dick Cohen, Scott Dibble, Mike Jungbauer, John Marty, and David Tomassoni distributed a [similar letter](#) earlier this week. We will continue to keep you updated on the work of this group and ways that you can be involved. For questions, please contact Julie Johnson at 651-925-5548, or jjohnson@mhponline.org.

Calendar

September 8

Housing Policy Training Program. LISC and the Public Policy Project are offering a training program focused on housing policy, especially as it impacts low-wealth people and people of color. The program prepares participants to make their voice heard through direct participation in advocacy organizations, legislative or rule-making institutions, and with various housing-related public policy issues. The program consists of eight evening training sessions on Monday nights beginning September 8, 2008, plus a two-month-long applied practice field work experience and participation in a final follow-up session. [Download the application \(PDF\).](#)

September 10-12

Minnesota NAHRO Annual Conference, DECC, Duluth. Highlights of this year’s convention include Public Housing Training: Project-Based Management Essentials by Nan McKay and Associates; Greening Multifamily Affordable Housing Training by National LISC; and Tax Credit Training: Section 42 Projects from Developments to Disposition by Affordable Homes Connection. Click [here](#) for more information.

September 17 & 18, 2008

HOME Income Determination. This Income Determination training session is full. If you would like to be placed on a waiting list, please register online. Indicate you will be paying by check. If space becomes available, you will be notified via email by September 10, 2008.

October 6 & 7, 2008

Financial Management for Homeless Program Managers, Roseville, MN. This training is designed for SHP grantee program administrators, financial staff, and staff members who need basic accounting and financial management training to properly administer their SHP grant. It also benefits people who oversee S+C and SRO Mod Rehab programs. Click [here](#) to register online or click [here](#) to download the brochure.

October 7

Structural Racism to Sustainable Communities Conference, 9 am - 3:30 pm, William Mitchell College of Law, Saint Paul. Participants will explore strategies to build an inclusive society with shared prosperity, examine impediments to and best practices for the development of sustainable communities committed to racial equity and social and economic justice, network, and focus on solutions! The conference is co-sponsored by LISC. For more information, [click here](#). *[from Metrostability]*

October 20 - 21

Minnesota Coalition for the Homeless Annual Statewide Conference, Arrowwood Resort, Alexandria, Minnesota. Go to <http://www.mnhomelesscoalition.org/downloads/registrationmaterials.pdf> to register!

October 21-22

Affordable Homes Congress, Marriott Hotel, 101 1st Ave. SW, Rochester, MN. Come share practical solutions for understanding the current market and the changes that exist within. Hear about tools to navigate foreclosures and understand current mortgage industry product changes, rehabilitation information and down payment assistance opportunities. More information will be forthcoming.

If you have any events you would like featured, please contact Barb Jacobs at bjacobs@mhponline.org.

Upcoming Deadlines

September 9

Registration deadline for HOME Program Income Determination Training. [Click here for more information.](#) Funding for this training is provided by the U.S. Department of Housing and Urban Development (HUD) through the HOME Technical Assistance Program.

November 11

MHP Grants Deadline for December Awards. Minnesota Housing Partnership offers a variety of loans and grants to nonprofit organizations, government agencies, and other affordable housing developers located outside the seven-county Twin Cities metro area. MHP's Loan and Grant programs seek to build organizational competence and support the development or rehabilitation efforts of permanent affordable housing. Programs fund planning, housing development, and organizational development. For more information, [visit MHP's Web site.](#)

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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.

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.