

The MHP Bulletin

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News

Formerly Homeless Youth Propose Policy Change to Congressman Ellison
Home Builders Host Event on Housing Market and Economy
Administrative Complaint Filed
December Minnesota Housing Board Meeting

Resources

From the Homefront

Housing 2009 Campaign
MHP Welcomes Two New Board Members
MHP Wishes Best-of-Luck to Barb Jacobs

Calendar

Upcoming MHP Deadlines

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** as we enter into Minnesota's 2009 Legislative Session.

NEWS

Formerly Homeless Youth Propose Policy Change to Congressman Ellison

On December 18, formerly homeless youth asked Congressman Keith Ellison to help them change a federal rule that restricts them from being full-time students. The youth took the Minnesota lawmaker on a tour of a building which many of them now call home and then presented him with their proposal. The young students hope that Ellison, who agreed to look into the problem after hearing their testimony last in November, will sponsor a bill which will allow them to keep their apartments while they finish their high school and college degrees.

The event was hosted by Aeon, the property owner, YouthLink, which provides supportive services to the youth, and Minnesota Housing Partnership, which advocates for better federal housing policy. Both St. Barnabas and Archdale Apartments where the youth live were built by the non-profit affordable housing developer Aeon. Click the links below to see media stories about the event.

- [Press release](#), MHP, YouthLink, Aeon.
- [Students forced to choose between housing and education](#), by Boyd Huppert, KARE 11.
- [A painful choice for homeless youth: a place to live or an education](#), by Marissa Helms, MinnPost.

Home Builders Host Event on Housing Market and Economy

The Twin Cities and state builders associations hosted an overview of Minnesota's changing housing market on December 19. This event integrated updates on the state's economy presented by government officials and economists and legal tips on navigating the finer points of bankruptcy or foreclosure.

DEED Commissioner Dan McElroy's sobering statistics revealed that building permits across the state are down 75 percent from their 2005 level and that the residential construction industry has lost 16,000 jobs over the last three years. In addition, housing supply firms lost an additional 5,000 jobs and the mortgage

business employment is down 4,000. Home building represents about four percent of the state's economy, said McElroy.

To put the gloomy employment scenario in perspective, McElroy added that the situation could be worse, with the state's current 6.5 percent unemployment rate less dire than the 9 percent rate experienced in 1983 and at only a fraction of the 25 percent unemployment witnessed in the Great Depression.

Dr. Elliot Eisenberg, the national economist for the homebuilders, expects to see further declines in Minnesota home prices. During the height of the building-buying frenzy the ratio of home prices to median income increased to 4, up from its historic level of around 2. It has since declined to 3, but further price declines are likely to continue until the historic price-income ratio is restored. Meanwhile, Commerce Commissioner Glenn Wilson predicted a return of homebuyer confidence in mid-2009.

The event closed with Michael Noonan of Rottlund Homes encouraging those attending to back the "Fix Housing First" campaign. The initiative is being headed by the National Association of Home Builders® to stop the decline in prices and to reenergize the economy by temporarily subsidizing a 2.99 percent interest rate for home purchase and providing a tax credit to home buyers of 10 percent of purchase price of the home.

Administrative Complaint Filed against Minnesota Housing

Unhappy with the proposed allocation of federal Neighborhood Stabilization Plan (NSP) funds to address foreclosure by Minnesota Housing, the nonprofit legal advocacy group, Housing Preservation Project, on behalf of itself and several North Minneapolis community groups, filed an administrative complaint with HUD. The complaint asks HUD to disapprove Minnesota Housing's NSP plan and require the agency to create a new plan that directs more resources to Minneapolis and St. Paul. The complaint alleges that Minnesota Housing is not directing NSP dollars to areas of greatest need, as required by federal law, and is also violating the Fair Housing Act.

Minnesota Housing's NSP plan allots resources to zip code areas with at least 125 percent of the state's average rates for foreclosures, subprime loans, and defaults. The plan then subtracts the amount of NSP dollars allocated directly to local jurisdictions by HUD. With that, the five jurisdictions receiving direct allocations from HUD (Minneapolis, St. Paul, Hennepin County, Dakota County, and Anoka County) would receive a state award equal to that determined through the state's funding formula minus the amount they received directly from HUD.

HPP argues that a higher standard than 125 percent should be used to allocate resources to areas that truly represent greatest need, and that there should be no deduction for communities that directly receive NSP funds. HPP calculates that using a standard of 200 percent of the statewide average drops the number of zip codes receiving NSP funds from 120 to 40, and the two central cities gain an additional \$9 million. In this scenario, Minneapolis and St. Paul would receive \$19 million, or one-half the state's allocation.

Regarding the Fair Housing component of the complaint, HPP states that the Minnesota Housing plan directed resources away from high-minority and high-poverty areas without considering the racial ramifications of this decision as required by federal law. Under Minnesota Housing's plan, the central city zip codes have three times the minority population rates of 21 relatively low need zip codes which would receive allocations under Minnesota Housing's plan.

HUD has requested that Minnesota Housing submit a response to the HPP complaint by January 8.

December Minnesota Housing Board Meeting

In December, Commissioner Dan Bartholomay's attended his second Minnesota Housing board meeting. Bartholomay told the board that learning the agency's finances was the hardest part of on-the-job training.

However, Bartholomay learned at a recent meeting of his peers that every finance agency director was attempting to grasp the status of their agency's finances while immersed in the current economic fog. Bartholomay added that, in early January, he needs to provide the governor with recommendations for a ten percent cut for the 2010-11 budget.

Much of the December meeting focused on reviewing the results of the agency's 2008 planning goals and setting goals for 2009. Staff said that these new goals will be integrated into the Affordable Housing Plan to be completed this coming summer.

The planning reports began with Assistant Commissioner Bob Odman discussing progress on the goal to end long term homelessness. He said that the agency is faced with meeting its long term homelessness annual targets while other types of homelessness are rapidly increasing. Another challenge to the plan is the shortage of supportive service funding. However, Twin Cities rental vacancy rates are creeping up again (from 3.7 percent to 4.1 percent), which makes the less expensive rent assistance strategy more viable than building new units. Odman added that the agency's number one priority is keeping people in housing.

To date, the agency has made remarkable progress on the long-term homelessness plan and by year end expects to exceed its 2008 target of 2,400 housing opportunities. However, the agency may well need to extend the plan's timeframe for achieving the total 4,000 housing opportunity plan goal, said Odman.

Staff projected that the successful financial closing of 589 new rental units in 2008 will be surpassed by closings on 800 units in 2009. On the other hand the number of rental units preserved is expected to drop significantly, from 4,293 units in 2008 to 2,200 units in 2009.

In response to Odman's presentation, board members demanded that the agency do everything it can to address the current economic crisis and keep people housed. The agency should not wait for the next Affordable Housing Plan to make changes they said. Director Otto surmised that legislators will want to know that the agency is being flexible in responding to this crisis. Chairman Finch said that the agency's planning goals should be scaled back in light of the crisis. "People want to see the agency be straight forward and realistic," Finch added.

The next planning presentation covered the agency's home ownership programs. Assistant Commissioner Mike Haley said that the agency performed well overall last year, but 2008 really was a tale of two half-years with strong lending performance during the first half dropping precipitously starting in February. Currently, because of loss of investor confidence in other types of loan guarantees, the agency has substantially increased purchases of FHA loans. So while the overall volume of loan purchases remains very low, Minnesota Housing's portion of loan purchases that were federally insured increased from 28 percent to 42 percent in just a few months. Haley said that because of deteriorating market conditions, the 2009 goal for loan purchases submitted to the board was too high and would need to be scaled back.

Next, the board discussed the financial condition of the agency. Deputy Commissioner Patricia Hippe said that the agency's finances have taken a hit because it has had to shift resources into its reserves to withstand loan losses. It suffered another blow when Standard and Poor's, one of the organizations that rates the Minnesota Housing's financial health, devalued loans in the agency's portfolio. Hippe added that she did not expect that the agency would lose money because of this, but it will not be able to add to its pool three foundation next year.

The financial discussion continued with a review of the agency's loan portfolio. Loan delinquencies are rising rapidly, but foreclosures are holding steady, Haley explained. The lower rate of foreclosures is largely due to the agency's loss mitigation strategies and the good work of U.S. Bank, Minnesota Housing's primary loan servicer. Haley did say that the agency's most aggressive loan program, CASA or Community Activity Set Aside, had much higher delinquencies than its overall portfolio (7.2 percent CASA delinquencies vs. 4.4 percent for all loans). Due to increased delinquencies, the agency quit making 40-

year term loans through CASA. Haley continued that FICO credit scores remains a major predictor of delinquencies: borrowers with scores under 620 have an average delinquency rate of 16.5 percent.

In other business, staff reported on the effort to bring its HOME rental rehab program into compliance with federal regulations. Earlier in the year, agency staff discovered a number of rental rehab loans with inadequate documentation of renter incomes. They resolved documentation problems, but still need to fix compliance problems with 56 loans, totaling \$7 million. The agency expects to work aggressively with local program administrators to bring the remaining loans into compliance with HOME rules and may hire a consultant to help with this process.

Picking up on earlier board discussion on increasing homelessness, the board approved a staff proposal to temporarily transfer \$1.5 million from its foundation account to the Family Homeless Prevention and Assistance Program. Staff proposed that this money be repaid to the agency by seeking legislative authority to transfer funds from a natural disaster set-aside. Director Otto opposed the plan, stating that the agency already had authority to reprogram funds and should just take that step. She said that the staff plan subjected the agency and its foundation to unneeded scrutiny by a cash-starved Legislature. —*Chip Halbach*

RESOURCES

Rooflines Blogger Reviews HUD's Transition Team

Connect with change.gov, to give feedback on the federal government's transition process to an Obama administration (and hopefully beyond), though blogger Justin Massa's www.rooflines.org entry on the housing policy approach we might expect under the new administration. You can also link to comments from leading housing scholars and policy makers through [Massa's blog](#).

Minnesota Budget Project Report: Declining State Resources for Minnesotans At-Risk

According to [The Lost Decade: Taking a Closer Look at Minnesota's Public Investments in the 2000s](#), a new report by the Minnesota Budget Project, state funding in four areas: affordable housing and homelessness prevention, E-12 education, higher education, and child care assistance will all be at lower levels at the end of this decade than in Fiscal Year 2003. Over the past ten years, declining resources have meant many Minnesotans have fewer opportunities to succeed in school, stay in their jobs or provide for their families.

New Wilder Research Report Highlights Housing Need in the Twin Cities Metro

A [new report by Wilder Research](#) highlights current trends and issues in affordable housing for low-income families in the Twin Cities metro. The report synthesizes a series of findings that point to rising levels of housing need. Cost burden (households paying more than 30 percent of income for housing) is rising at a faster rate than the national average. Foreclosures continue to mount in the Metro, and the rental market is tightening. An increase in homelessness is a likely result, which has serious consequences for students and their educational outcomes.

FROM THE HOMEFRONT

Housing 2009 Campaign

For the first time in our 20 years of existence, Minnesota Housing Partnership is asking everyone on our full contact list of groups and individuals to contribute to our 2009 housing advocacy efforts at the Minnesota legislature.

Why? Because it's that bad.

With the state's \$5.2 billion budget hole and legislators on both sides of the aisle talking about zero-based budgeting (slashing all program budgets to zero and rebuilding them at reduced levels), advocacy is needed to raise the profile of housing at the Capitol like never before. MHP's work is critical for helping legislators understand the importance of housing both as a job creator and safety net. This year, MHP's work will:

- Create local jobs in an ailing economy through funding for housing. Housing produces more jobs per dollar than most other state investments.
- Prevent thousands of Minnesotans from experiencing avoidable tragedy, including homelessness and foreclosure.
- Reestablish stability in communities devastated by foreclosure.
- Ensure funding for programs proven to assist families in securing housing options that fit their budgets.
- With more Minnesotans facing foreclosure and unaffordable rents than ever before, this call to action is more urgent than ever.

MHP has developed a supplemental \$50,000 advocacy plan for 2009 to help ensure that housing gets the money it needs at the state legislature. This amount will provide funds for advocacy, grassroots organizing, media campaigns and more. [Click here](#) to see how your contribution will be used in 2009.

We appeal to you to contribute \$20.09 or more for 2009 to demonstrate your support for MHP's advocacy work. [Click here to make a contribution](#). Individual contributions, however small, will make a difference during this time of crisis for housing.

MHP Welcomes Two New Board Members

At its December meeting, the Minnesota Housing Partnership Board of Directors appointed two new board members. The appointments demonstrate MHP's dedication to providing a multi-sector forum to seek solutions to Minnesota's affordable housing challenges. The new members are Doug Clark and Jeffrey Koerselman.

Doug is a supervising attorney for St. Cloud Area Legal Services. During the 20 years he has worked for SCALS, Doug specialized in housing law. He has also worked with a variety of social service agencies, government entities, and nonprofit organizations related to housing.

Jeffrey is an attorney and partner with Winthrop and Weinstine, P.A., where he specializes in taxation, and real estate, including the representation of developers, housing authorities, and other nonprofit organizations. Some of the local nonprofits that Jeff has worked with include CommonBond Communities, The Bridge for Runaway Youth and Christian Restorative Services.

MHP Wishes Best-of-Luck to Barb Jacobs

Minnesota Housing Partnership wishes the best-of-luck to now-former staff member Barb Jacobs as she starts her new job as Minnesota State Senator John Marty's legislative assistant. Barb worked as MHP's communications & media specialist for almost three years. Although she will miss her friends at MHP, Jacobs looks forward to working with the Partnership in new capacities, as Marty chairs the Senate Health, Housing and Family Security Committee.

CALENDAR

January 6

First day of Minnesota's 2009 Legislative Session! [Sign up for the MHP Capitol Update and MHP's Action Alert Network](#) to keep up-to-date on developments of important housing policy.

January 12

2009 Housing Policy Showcase, 8:00 a.m. to 11:30 a.m., Wilder Center, St. Paul. Join MHP for the 2009 Policy Showcase for Housing Supporters and Advocates. Highlights include perspectives on what to expect in 2009 from state legislators; policy agendas and priorities from housing leaders; report on Minnesota housing trends; and coffee bar. For more information and to register, [click here](#).

January 13

Changing the Face of Housing, 1:00 p.m. to 4:00 p.m., the O'Shaughnessy at the College of St. Catherine, 2004 Randolph Avenue, St. Paul. This event features Community Development and Arts Education Leader Bill Strickland. [Click here](#) to register.

January 21

If not we, then who? Kickoff for the Legislative Commission to End Poverty, 3-4 p.m., Landmark Center, 75 West 5th Street, St. Paul

February 6

First Homes Housing Academy Series Part II on NSP Funding, Owatonna Arts Center, 435 Garden View Lane, Owatonna. HUD has announced the Neighborhood Stabilization Program (NSP) that will provide targeted emergency assistance to states and local governments to acquire and redevelop foreclosed properties that are abandoned and blight. The series will cover

- Foreclosure Data by county and zip code in Minnesota
- Action currently being taken at the state level to address this issue
- New funding available! Who is eligible and how to apply

Refreshments provided by the Housing Academy. Questions: Please call Shirley at First Homes 507-287-7117 ext. 107.

UPCOMING MHP DEADLINES

MHP's 2009 Loan and Grant Committee Meeting Schedule

- February 3 (*app. deadline January 13*)
- April 7 (*app. deadline March 17*)
- June 2 (*app. deadline May 12*)
- August 4 (*app. deadline July 14*)
- October 6 (*app. deadline September 15*)
- December 1 (*app. deadline November 10*)

[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 Minnesota Housing Partnership at info@mhponline.org

MHP also publishes the [MHP Capitol Update](#). Distributed weekly during the Minnesota legislative session and monthly outside of session, the MHP Capitol Update provides information about state and national housing policy and politics that affect Minnesota. Please contact Minnesota Housing Partnership at info@mhponline.org, or [click here to subscribe to the Update](#).

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.