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NEWS

MN Renters Hit Hard by Recession, Home Ownership Also Takes a Hit in 2009
Scan & Surveys: Background Meeting for MN Housing's Strategic Planning
September Minnesota Housing Board Meeting – Report
NSP 3 – MN Awards

RESOURCES

Seventeen Perspectives on Stabilizing Neighborhoods
Reentry Housing Options
Low-Income Renters Getting Squeezed

MHP @ WORK

New Grant Manager at MHP
MHP Invites NSP-related Questions & TA Requests

CALENDAR

NSP Post Obligation Clinic—Oct. 20
Homes for All 2010—Nov. 8 • Program & Registration

Upcoming MHP Deadlines

MHP Funds - 2010 Programs, Application Materials & Deadlines



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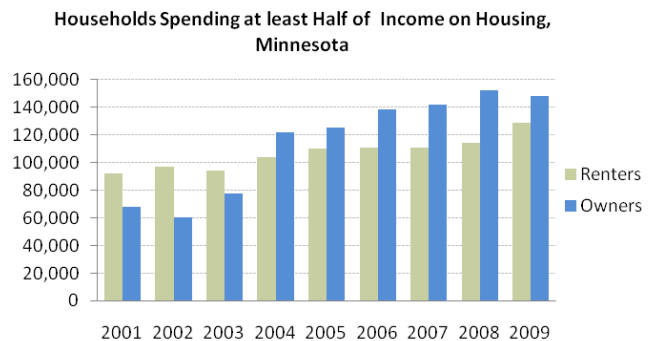
In addition to **The Bulletin**, MHP also publishes **The Capitol Update**, a newsletter that follows the ins and outs of state and federal housing policy and legislation that affect Minnesota. Click [here](#) to sign up for the **Update**.

NEWS

MN Renters Hit Hard by Recession, Home Ownership Also Takes a Hit in 2009

New [American Community Survey \(ACS\)](#) data released Sept. 28th shows that, in the midst of the housing meltdown last year, housing costs weighed heavily upon Minnesotans—especially renters, who saw falling incomes and rising rents. These 2009 census figures give the most complete picture of Minnesota housing available.

As widely reported, median incomes fell and poverty rose between 2008 and 2009. Renters and owners were both impacted. While home prices fell over the year, rental costs actually increased: median gross rents rose from \$731 to \$757 monthly (in 2009 dollars). With rents going up and renter incomes going down, the proportion of renters paying at least half their income for housing increased to over 23%. Devoting this level of income to housing is considered a severe cost-



Source: MHP tabulation of American Community Survey (ACS) Data, US Census Bureau.

burden, according to the Dept. of Housing and Urban Development (HUD).

Meanwhile, Minnesota home ownership fell from 75% to 74% from 2008 to 2009, a significant drop in a year's time. This drop was felt much more keenly by some Minnesotan communities of color. In this year, the home ownership rate estimates dropped from 29% to 24% for African-Americans, and from 51% to just over 45% for Latinos. (See table.) In addition, falling home ownership rates point to the increasing importance of rental housing in Minnesota.

In 2009, the ACS data showed that over 1 in 8 of all Minnesota households paid at least half their income for housing—the 7th consecutive year of increase for this figure, and the highest on record going back to 1980, according to available data. The trend toward a tighter housing squeeze was corroborated by the Wilder Research homelessness study released earlier this year, which reported 13,100 homeless people on a single night, up from 9,200 just three years earlier.

	2008	2009	Absolute change	Relative change
All*	74.7%	73.7%	-0.9%	-1.3%
White, Non-Hispanic*	78.0%	77.4%	-0.6%	-0.8%
African-American/ Black*	29.2%	24.2%	-5.1%	-17.3%
Latino/Hispanic	51.2%	45.5%	-5.7%	-11.1%
Asian	63.3%	62.0%	-1.3%	-2.1%

*Denotes statistically significant change from 2008 to 2009.
Source: MHP tabulation of ACS data, US Census Bureau.

While the matter of paying too much of a household's income is more serious among lower income Minnesotans, the issue is not confined to the poor. Forty-eight percent of Minnesota households earning under \$75,000 paid 30% of their income for housing—a cost burden, according to HUD. Yet among households earning at least \$75,000 annually, about 8% paid 30% of their income for housing.

Scan & Surveys: Background Meeting for Minnesota Housing's Strategic Planning



To set the stage for [Minnesota Housing's](#) next two-year strategic plan, the board and staff held a special meeting the evening of September 22. The meeting's purpose was to provide the board background on issues facing the Agency. Staff structural and programmatic recommendations will be brought to the board in draft in October, with the final plan to be adopted in November.

First, Megan Ryan, the Agency's communications director, provided an inside view of the Agency based on a staff survey. Chief operating officer Pat Hanson provided the results of a stakeholder survey; research director John Patterson walked the board through an environmental scan.

Hanson said the Agency sent surveys to 87 stakeholders—individuals who do business with the Agency or sit on various advisory boards, representing a mix of nonprofit and for profit development agencies and private lenders. Forty responded. Stakeholders' biggest concern was the diminishing resource available to the Agency.

Hanson said that, among the Agency's current strategic priorities, respondents ranked as having highest importance the needs to preserve existing affordable housing and to tackle foreclosures. There was less interest in homelessness and emerging market strategies. With respect to the plan to end long-term homelessness, respondents voiced concern about how much the Agency can afford to do.

When asked what the Agency should be doing but isn't, stakeholders said that the Agency should address the growing need for senior housing. Stakeholders were asked what the Agency is good at and also what it could be doing better. Hanson noted as strong points the Agency's skilled and cooperative staff, its ability to forge partnerships, and the employment of its resources in service of its mission. Regarding needed improvements, respondents wanted more communication from the Agency and a streamlining of funding processes.

Introducing the environmental scan, John Patterson emphasized the period of uncertainty facing the state, and that the financial impact of the slow recovery would limit what the Agency could do. The scan's overall theme was limited resources available to address great demand. Patterson noted the declining resources available to the Agency due to problems in the bond and mortgage market, the drop in tax credit prices requiring more gap funding for rental projects, and the potential of a 15 percent drop in Agency appropriations.

Looking ahead, Patterson saw the potential for less demand for homeownership resources and increased demand for rental housing. The summary report on the environmental scan concludes: "We do not have the luxury of financing housing that is not strategic and targeted."

Board chair Mike Finch expressed appreciation for the scan and reiterated one of the scan's key points, that Minnesota is not monolithic. It was important for the Agency to segment the market, that is, develop a sense of housing issues facing different geographic areas of the state. Board member and State Auditor Rebecca Otto said that for the Agency the world has changed; it was necessary to focus more on rental housing and preservation. Member Marina Lyon shared that sentiment but added homeownership financing is what generates resources for the Agency.

Member Gloria Bostrom asked why community development didn't appear as a priority for the Agency. Commissioner Dan Bartholomay responded that the importance of housing in supporting community growth and quality of life is an underlying principle guiding the Agency's work.

In concluding the planning session Otto asked about the timing of the planning, coming at the end of a political cycle. Other members responded that having a plan in place will be useful for a new governor (though they briefly discussed the prospect of having a governor who was not interested in the Agency). Furthermore, said Lyon, the plan would serve as glue to hold together the Agency as it goes through a period of leadership transition.

September Minnesota Housing Board Meeting – Report

The board had a light agenda after its planning retreat and before it faces a more intensive meeting in October, when the annual housing funding awards and draft strategic plan come up. This month, the board received research updates plus some financial news, and took a split vote on supporting a troubled townhouse development in north Minneapolis.

New finance and program staff were introduced to start the meeting. Marcia Kolb, the recently appointed head of multi-housing, notified the board of both structural changes and new leaders in her department. Among Agency departments and due to several key staff retirements, multi-family set a priority for hiring qualified managers.

Of interest, and reflective of the structural change, these new managers will have geographic areas of responsibility, each will be assigned metro counties and Greater Minnesota regions. Three of four managers, titled Business Unit and Customer Manager, were internal promotions: Diana Lund, Julie Ann Monson, and Shannon Schaefer. The new recruit is Joel Salzer, coming to the Agency from Lutheran Social Services.

Welcoming some new resources, the board was informed that its popular energy improvement program will receive an additional \$2 million from the Department of Commerce, Office of Energy Security. In other financing news, Assistant Commissioner Mike Haley announced that the Agency's mortgage rate had dropped to 3.75%, its lowest rate ever, which should help increase demand for Agency financing. On the rental side, the Agency reported selling its first multi-family bond since Spring of 2007.

Regarding foreclosures, staff reported that the Agency had met all federal deadlines for commitment of its Neighborhood Stabilization Program (NSP) funds. The Agency will receive \$5 million in recently announced third round of NSP funds with additional funds being allocated directly to certain local jurisdictions. It will decide how to use those funds, including how it will work with local jurisdictions, once HUD rules for use of those funds come out.

The board received reports from Agency graduate-student summer interns, who researched [senior housing](#), did a review of [existing affordable housing research](#), and looked at [neighborhood-level indicators of housing need](#). (In providing links to these reports, the Agency wants readers to understand the reports do not reflect Minnesota Housing policy, but are intended to provide information and initiate policy discussion.)

The need to address senior housing will eventually be a priority for every region of the state, John Patterson pointed out; the need is already high in some areas, especially Western Minnesota. By 2030 the senior population is expected to account for nearly 40% of the entire population in Aikin, Cook and Kittson counties. The report by Jennifer Schuller suggests that Minnesota Housing discourage designs like split-level and promote universal design (e.g., a zero-step entrance) in order to facilitate people remaining in their homes as they age.

The review of existing research covered 70 studies. In his analysis, intern Spencer Agnew focused on several areas: impact of affordable housing on property values; crime; and health, educational, and economic outcomes. One finding of interest related to crime -- for smaller affordable properties, under 50 units, there was no correlation with criminal activity, but this was not the case for larger properties. Regarding property values, those affordable housing projects with nonprofit management were most likely to have positive impact on property values due to the sustained, quality management of the property.

For its neighborhood indicators the Agency hopes to develop a more refined approach to understanding housing need, and prioritize among requests for its investments, than now exists using the existing community indicators. The intern's report highlights the mismatch between low-wage jobs and low-wage workers, one of the factors the Agency will consider for use in its decision making. Other factors the Agency will consider include economic integration and low-wage job growth. The report provides examples regarding how these factors play out: for instance, if the Agency puts a priority on funding current need it would favor an affordable housing project proposed for Edina where there are many low-wage jobs but a decreasing supply of affordable homes. This work on neighborhood indicators will pick up in pace with the coming of new census data which by year's end will provide block-level information and will be updated annually.

A depressed home ownership market, particularly in some lower income areas, set the backdrop for the board review of restructuring financing of a struggling townhouse property in north Minneapolis. The nonprofit developer, PRG, constructed the 12-unit property in 2007, but three years later three units remained unsold. Units that cost \$270,000 to develop were now being marketed for \$140,000, with public subsidies and developer losses making up the difference. The Minnesota Housing board was asked to provide \$325,000 in interim financing to carry the project through to the sale of the remaining three units. There was concern about the developer's ability to find buyers, since PRG could not sell the units during the period even when the federal homeownership tax credit was available. Ultimately, most board members agreed with staff that the Agency's financing was needed to aid the nonprofit and the neighborhood in a very difficult economy, and the loan was approved with only the board chair opposing.

HUD - NSP 3 – MN Awards

(just released—see the lead news piece from last month's [Bulletin](#) for the background):

Anoka County	\$1,226,827
Hennepin County	\$1,469,133
Minneapolis	\$2,671,275
State of Minnesota	\$5,000,000
St Paul	\$2,059,877
<i>Minnesota Total</i>	<i>\$12,427,113</i>

RESOURCES

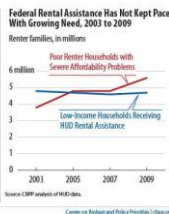
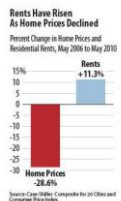


Seventeen Perspectives on Stabilizing Neighborhoods

The Federal Reserve published [a new collection of 17 research articles and commentaries](#) on stabilizing foreclosure-ravaged neighborhoods. *REO and Vacant Property Strategies for Neighborhood Stabilization* describes the scope, nature, and effects of the foreclosure crisis and explores strategies for helping affected neighborhoods recover. Contributors include nonprofit and municipal community development practitioners, policy researchers, and private sector partners.

Reentry Housing Options

[Reentry Housing Options: The Policymaker's Guide](#) provides practical steps to increase public safety through better access to affordable housing for previously incarcerated individuals. It offers an overview of commonly accessed housing options. It also examines three approaches to increasing housing availability: improving access, increasing housing stock, and revitalizing neighborhoods. (Published by the Council of State Governments.)



Low-Income Renters Getting Squeezed

The Center on Budget and Policy Priorities has posted an [informative blog entry](#) that explains why housing has become increasingly unaffordable for low-income renters. As with the ACS findings (see News, above), the blog cites data showing falling home prices, but rents either leveling off or increasing. Due to funding constraints, federal rental assistance programs have failed to keep pace with the rapidly growing need.

MHP @ WORK

New Grant Manager at MHP

MHP is pleased to announce our new grant manager, Amanda Baesler. As a member of Minnesota Housing Partnership's Program Team, Amanda helps MHP meet tracking and reporting requirements of our technical assistance activities to federal agencies, private organizations, donors, etc. Most recently, Amanda served as a grant manager and marketing specialist at the Minnesota Department of Agriculture and recently graduated with her Masters Degree in Public and Nonprofit Administration from Metropolitan State University. Welcome Amanda!

MHP Invites NSP-related Questions & TA Requests (see Oct. 20th Clinic, below)

NSP (Neighborhood Stabilization Program) obligations are looming. For any and all NSP-related questions, let us help. With funding provided by [The St. Paul Foundation](#) and the [F. R. Bigelow Foundation](#), MHP is offering direct technical assistance for Minnesota NSP Recipients. Call 651-925-5559 and promptly receive an answer to program questions. This phone assistance is part of [new TA services](#)—that include:

- Direct TA to CDCs (Community Development Corporations)
- "On-Line" Phone TA
- Short informal meetings to assist with NSP-related questions or concerns

CALENDAR

October 20

NSP Post Obligation Clinic

8 A.M.–4 P.M., Radisson Hotel, Roseville (2540 Cleveland Avenue North, Roseville, MN 55113) - This clinic is for NSP Grantees, their sub-recipients, CHDOs, non-profit and for-profit development partners or those interested in applying for NSP 3 funds. Participants will receive updated information on the changing mortgage and real estate market, to help those NSP organizations marketing NSP properties. Topics include current mortgage-lending underwriting criteria—and the subsidy layering processes/procedures—as well as structuring NSP resale and recapture requirements, working with Realtors and community representatives, marketing tips, documenting program income, and NSP updates. Download a two-page brochure [here](#). To register, [click here](#).

November 8

“Homes for All 2010” • Program & Registration

Register now for [Homes for All 2010](#)—“Believe Connect Create”—Minnesota’s largest gathering of affordable housing supporters and experts at St. Paul’s RiverCentre. Early-bird registration lasts only a few more days (save money!). The program schedule, including keynotes, 18 breakout sessions, and more is all at: www.Homes-for-All.org (Co-hosted by MHP and Twin Cities Habitat for Humanity.)



Upcoming MHP Deadlines

MHP Funds - 2010 Programs, Application Materials & Deadlines

To help build organizational competence and support the development or rehabilitation of permanent affordable housing, MHP offers funds and loans to nonprofit organizations, government agencies, and other affordable housing developers outside the 7-county Twin Cities metro area. For 2010 guidelines, application materials, and schedule, go to the [“MHP Funds” section](#) of MHP’s web site. For more, contact Sarah Bellefui, MHP Housing Programs Officer: Sarah.Bellefui@mhponline.org or 651-925-5558.

Next application deadline is:

- November 16

[The MHP Bulletin](#) is published and distributed monthly by the Minnesota Housing Partnership (MHP - 2446 University Ave. W. - Ste. 140 | St. Paul MN 55114). It 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 for future issues, or if you want to unsubscribe, call Rick Bernardo at (651) 925-5549 or email him at Rick.Bernardo@mhponline.org.

MHP also publishes the [MHP Capitol Update](#). Distributed weekly during the Minnesota legislative session, and occasionally 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. MHP is an equal opportunity provider and employer.