

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

Housing's Contribution to Economy

Last week, state officials said <http://www.startribune.com/politics/state/16073292.html?page=1&c=y> that our economy is in recession and Minnesota is facing a budget deficit of \$935 million. Tom Stinson, the state's economist, explained that the housing market is the major cause of the economic slowdown. He noted that last year Minnesota's construction industry lost 8,000 jobs and is expected to lose another 13,000 in 2008. Stinson continued that the forest products industry, another large component of Minnesota's economy, and tied closely to the construction industry, will lose an additional 2,200 jobs this year—this is after losing 2,500 in 2007. Most people can see the connection between the slowing economy and the housing slump, but few people are aware that investing in affordable housing can be part of our strategy for economic recovery.

Although demand for single family homes is diminished as evidenced by record number of homes on the market, not all demand for housing is in a slump. In fact, the one real estate niche with an abundance of potential consumers is the affordable rental market. This was made clear last month when over 3,000 people vied for 300 spots on the Section 8 waiting list at Plymouth City Hall. (You can find the full story at www.startribune.com/local/west/15824827.html) The overwhelming turnout in Plymouth seems to verify a report sponsored by Minnesota Housing Finance Agency, Family Housing Fund, Greater Minnesota Housing Fund, and the Metropolitan Council concludes that Minnesota will have a 330,000 unit shortage of affordable housing by 2010. http://www.gmhf.com/Home/reports/next_decade_of_housing_mn.htm

In addition to meeting a demonstrated need, building and renovating affordable housing provides short- and long-term economic benefits. The National Association of Home Builders (NAHB) http://www.nahb.org/fileUpload_details.aspx?contentTypeID=3&contentID=35601&subContentID=119693 estimates that building one hundred multifamily Low Income Housing Tax Credit project affordable units creates 151 local jobs over the course of one year and 38 permanent local jobs in subsequent years.

Rehabilitation projects, too, have the potential to create jobs. In fact, some suggest that dollar for dollar, rehab projects generate more employment than new construction due to a higher proportion of project costs going to labor rather than to construction materials. The National Trust for Historic Preservation notes that the construction of 1,000 single-family homes generates 2,448 jobs, whereas the same amount of resources spent on housing rehabilitation generates 2,838 jobs, not to mention two to three times more habitable housing units. <http://www.placeeconomics.com/pub/PlaceEconomicsPUB2003b.pdf> Renovation projects also have a faster start-up time than new construction, resulting in a quicker impact on the economy.

Jobs, of course, create wages, which leads to consumer spending. In a 2001 study, Maxfield Research and GVA Marquette Advisors reported that creating 31,700 new affordable units in the Twin Cities would create just under \$2.7 billion in wages, local government revenues (income, property, and sales taxes,

development fees, and assessments), and business income gains.

http://www.fhfund.org/dnld/reports/Workforce%20Housing_Full%20Report.pdf Approximately \$1.6 billion would be generated during construction and \$1.1 billion would reoccur on an annual basis.

Sales of goods and services, such as building materials and furnishings, also increase with housing construction. The National Low Income Housing Coalition says that the Department of Commerce estimates that approximately 30 percent of housing production is dedicated to purchasing building materials alone. This point is significant for Minnesota as many of our industries are related to the creation, sale, or distribution of building materials, as noted by Mr. Stinson.

http://www.nlihc.org/detail/article.cfm?article_id=2775&id=46

Lastly, investment in affordable housing also can leverage other resources, such as foundations, developers, and a variety of government sources. The state of Minnesota's primary vehicle for creating and preserving affordable housing, the Challenge Program, for example, leverages ten dollars of new non-state funding for every dollar invested in the program.

With the discouraging economic forecast recently released, many lawmakers are looking for ways to boost the economy. Minnesota's would be served well if its leaders noted that affordable housing can and should be part of our economic solution.

February Minnesota Housing Board Meeting

The board covered a variety of topics at the February meeting, including the impact of the nation's financial crisis on Minnesota Housing's loan buying. While the agency stands in better shape than most other mortgage lenders, including many other state housing agencies, it cannot avoid some impact from the tumbling financial situation affecting the country's financial sector. This was the theme of the agency's financial consultant presentation to the board on the impact of rising foreclosures.

Highlighting the magnitude of the financial stew of bad news, the consultant said that major investment firms have already lost a combined \$133 billion in "real money." The resulting shrinkage in credit and loss of confidence in bond insurance companies is impacting the tax exempt bond market, including the types of bonds sold by the agency. To illustrate the magnitude of the impact, the consultants said they know of a New York museum that saw the cost of its debt service increase from two percent interest to 20 percent within 30 days.

In Minnesota, data through November 2007 shows that 28 percent of the state's 27,700 subprime loans were running 60 or more days delinquent. Loans originated in 2005, the peak of subprime lending, are already showing problems—33 percent are 60 or more days delinquent and 9.5 percent have been foreclosed.

Two impacts of the failing economy on the agency were discussed. First, Standard & Poor's is considering assessing higher capital charges against loans that are conventionally insured. If implemented, the agency's net worth will be more restricted. This would impact its capacity for taking risk in connection with certain types of agency bonds (e.g., the agency will make fewer 40 year mortgages out of its 30 year bond sales). The agency's ability to annually transfer a portion of its annual earnings to its foundation should not be affected. Second, the cost of debt has increased, so the agency expects to use more of its own resources, and fewer bond sales, to purchase mortgage loans for at least the next few months.

In other business:

- The urban and rural homesteading program was restructured to enable grants to be awarded on a pipeline basis, with 60 percent of the agency's \$6 million in program funds directed to Greater Minnesota. The agency's goal is to have the newly revised program up and running in April.

- Agency staff announced two new resources to address foreclosures. First, Marquette Financial contributed \$500,000 for financial assistance (through the HECAT program) to homeowners facing foreclosure. Second, the agency was awarded \$4.3 million for mortgage foreclosure prevention counseling from the national NeighborWorks program.
- The board enthusiastically adopted green building standards for the agency's homeownership programs. Rental green standards were adopted in 2007. Staff reported to the board that green criteria could increase per unit costs by \$4,000, a cost likely to decrease as green practices become more commonplace. In related news, the agency will use its technical assistance resources to fund the U of M's support to developers in the creation of 50 green homes. The agency will also monitor the long term costs and savings of the new standards.
- Agency staff was given authority by the board to write off deferred loans in amounts up to \$250,000 without needing further board approval. Assistant Commissioner Bob Odman assured the board that in reviewing requests from developers to forgive debt the staff would continue its pattern of response starting with "no," then "hell no," and concluding with "we'll talk about it."—*Chip Halbach*

Resources

Reports

New Monograph Catalogs Useful Neighborhood Indicators

The Urban Institute's *Catalog of Administrative Data Sources for Neighborhood Indicators*, a comprehensive update of an earlier monograph in the National Neighborhood Indicators Partnership series, describes 42 data sources that are timelier and can be applied to smaller areas than government surveys, making the data particularly useful for community indicators. The new monograph includes a catalog describing data sources and giving examples of the types of indicators that can be constructed from the data. The catalog is available on the Urban Institute's [Web site](#).

New Book on Rental Housing

In a new book co-published by the Joint Center for Housing Studies of Harvard University and the Brookings Metropolitan Policy Program, researchers build on decades of experience and evaluation to help readers understand the potential solutions to the nation's rental housing challenges. To order copies of the book [click here](#).

Study: Housing Vouchers Reduce Family Homelessness

A research brief from the National Alliance to End Homelessness reports that a recent random controlled study found that housing vouchers led to a 74 percent reduction in homelessness. The brief also addresses how shortages of affordable housing lead to increases in homelessness for entire communities; how housing vouchers overcome affordable housing shortages that lead to homelessness; how families avoid homelessness by using housing vouchers; and how families who are already homeless use vouchers to end their homelessness. For a copy of the brief, [click here](#).

From the Home Front

MHP Helps Preserve Project-Based Section 8 in New Prague

In February, MHP awarded Southwest Minnesota Housing Partnership a \$50,000 predevelopment loan to assist with the acquisition of Westgate Townhomes in New Prague. The project is one of only two subsidized family properties in New Prague, both of which have vacancy rates of zero percent. New Prague is located on the edge of the Southwest Twin Cities Metro area and, according to DataPlace, will have the fifth highest percentage of expiring contracts in Minnesota for multifamily assisted units between 2009-2013.

Calendar

January 16 to March 4

Building Dreams.

Learn how Aeon (formerly Central Community Housing Trust, or CCHT) is responding to the affordable housing shortage in the Twin Cities. Join them for a 1-hour Building Dreams presentation. Space is limited, please register online at: <http://www.aeonhomes.org/bd> or call Jenny Johnson at 612-341-3148 x237.

St. Paul:

- February 21, 2008 at 4:30 pm
- March 4, 2008 at 7:30 am

Minneapolis

- February 5, 2008 at 7:30 am

March 7

What Do We Mean By "Green?" 10:00 a.m. to 12:00 p.m., Owatonna Arts Center/West Hills Complex, Owatonna, MN. Community leaders, elected officials, government staff, housing professionals, builders, lenders, real estate agents and interested citizens are invited to an interactive panel discussion on the latest trends in green building in southern Minnesota. Please visit the Southern Minnesota Housing Academy's [Web site](#) for more details.

March 12 & March 18

Foreclosure Prevention Training: Help homeowners facing foreclosure.

The Minnesota Home Ownership Center is offering free training workshops for public, private, and non-profit staff who do not normally work with mortgage foreclosure but come into contact with distressed homeowners. The trainings will provide a foreclosure process overview, and referring and preparing homeowners to talk with housing counselors or loan servicers. The Center is also offering a listserv for sharing timely information on foreclosure. To sign up for the listserv or to learn more about the trainings, contact Ed Nelson at ed@hocmn.org or 651-659-9336.

St. Paul:

- March 12 from 9:00 a.m. to 10:30 a.m., Neighborhood House, 179 East Robie Street. To RSVP, click [here](#).

Brooklyn Park

- March 18 from 1:00 p.m. to 2:30 p.m., Brooklyn Park Library, 8600 Zane Avenue N. To RSVP, click [here](#).

March 18

MHP, MN NAHRO, League of MN Cities, Metro Cities, and Edam Day at the Capitol, 8:00 a.m. to 12:00 p.m., Best Western Kelley Inn, 161 St. Anthony Avenue, St. Paul, MN 55103. Join the Minnesota Chapter of the National Association of Housing and Redevelopment Officials, The League of Minnesota Cities, Metro Cities, Edam, and Minnesota Housing Partnership to get involved in the state legislative

process. Influence the legislative impact to your community, services, and funding. Breakfast will be served at 8:30 a.m. and followed by a legislative briefing by Minnesota's House and Senate leadership. Learn more at [MHP's Web site](#), or call MN NAHRO at 651-675-4490.

March 28

Margins to the Mainstream; Philanthropic Interests in Affordable Housing, 12:00 p.m. to 1:30 p.m., Room 2-213, Carlson School of Management, University of Minnesota. Join the Center for Urban and Regional Affairs monthly bag lunch discussion to listen to two new presidents of large Twin Cities Foundations and their future commitments to the provision of affordable housing. Sandra Vargas, President of the Minneapolis Foundation, and Kate Wolfard, President of the McKnight Foundation, will be presenting. RSVP is required no later than March 26 to curahf@umn.edu or 612-625-2086. For more information, contact Adrienne Hannert at 612-625-2086.

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

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Upcoming Deadlines

March 11

MHP Grants Deadline for April 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. Loan programs focus on planning, housing development, and organizational development investment. For more information, [visit MHP's Web site](#), or contact Liz Juelich at ejuelich@mhponline.org, or 651-649-1710 ext. 113.

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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.