

The MHP Bulletin

August 2008
Volume 7, Issue 8

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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

Massive Housing Bill Signed Into Law

On July 30, 2008, President Bush signed into law the *Housing and Economic Recovery Act of 2008* (HR 3221). The act, one of the most important pieces of housing legislation to emerge since the 1970s, is massive, bridging multiple facets of federal housing policy. The act deals with, among other things, foreclosure mitigation, tax credit reform, housing security for members of the armed forces and, perhaps most significantly, the creation of the National Housing Trust Fund. Below are a few of the act's highlights. MHP encourages you to read about many other important provisions of the act [here](#).

Oversight and Reform of Government Sponsored Entities (GSEs)

The new housing act creates an entity called the Federal Housing Finance Agency to monitor Freddie Mac, Fannie Mae, and the Federal Home Loan Banks. The act also realigns the official goals of the two government mortgage giants to better serve lower income families and neighborhoods. In addition, the act increases Freddie and Fannie's line of credit from the federal government, and allows the government to invest more heavily in the companies. These provisions, recommended by US Treasury Secretary Henry Paulson, were designed to boost confidence in the GSEs following big losses and stock price declines.

National Housing Trust Fund

The National Housing Trust Fund (NHTF), a significant but less noticed part of the larger housing act, represents the first new federal rental housing program targeting low income households since 1974. Ninety percent of the NHTF funds must be used for rental housing. At least 75 percent of the funds for rental housing must benefit extremely low income households and all funds must benefit very low income households. The goal of the program is to create 1.5 million affordable rental units over 10 years. However, initial funding for the NHTF specified in the act as coming from a portion of the Fannie Mae and Freddie Mac business volume will not come close to the amount needed to achieve the goal. The National Low Income Housing Coalition, primary backer of NHTF, pledges to pursue additional funding sources for the new trust fund.

Mortgage Revenue Bond (MRB) Authority Increase

The act increases the total tax-exempt bonding authority of local housing and municipal government agencies to \$11 billion. The bond authority carries through until 2010, and unused money can transfer from year to year (as long as it is used for housing purposes). The act also exempts all housing bonds issued after 7-30-08 from the Alternative Minimum Tax.

Low Income Housing Tax Credit Changes

The act increases the Housing Credit cap per capita by 20 percent for 2008-2009. It also changes the definition of federally subsidized properties so now all properties participating in federal housing assistance programs, except below-market rate federal loans, will qualify for the 9 percent tax credit. In addition, the act allows properties receiving tax credits to restrict tenancy to specific groups (such as artists).

Funding for Vacant Foreclosed Homes & Neighborhood Revitalization

The act dedicates \$3.92 billion as grant money for state and local governments for the redevelopment of abandoned and foreclosed homes. This program will be implemented like community development block grants, which will likely mean that there will be a 70 percent to 30 percent ratio between funding to localities and funding to states.

Funding for Housing Counseling

The act sets aside \$180 million for activities designed to decrease foreclosures. At least \$30 million of this must be used as grant money for local entities to provide legal advice to individuals facing foreclosure or sale in lieu of foreclosure.

July Minnesota Housing Board Report

The typical calm of agency summer board meetings was absent this July. Staff presented to the board bad news on a recent HUD audit of the Minnesota Housing's administration of the federal HOME program.

As background, staff explained that the agency administers about \$10 million in HUD's HOME program funds per year. Funding is primarily used to help with home purchase programs and to renovate rental housing. The agency contracts with a number of community agencies to distribute HOME dollars to home purchasers and building owners.

As a HOME Participating Jurisdiction, the agency is responsible for the noncompliance of any participant in the program. When properties do not meet compliance requirements for the affordability period, the agency runs the risk that HUD might require the agency to repay funds to the U.S. Treasury.

In its program audit delivered to the agency in July, HUD declared that several of Minnesota Housing's administrators and owners failed to document program compliance. The agency, in its own examination of program files, came to the conclusion that it might have a lack of compliance documentation for \$12 million in loans. Staff told the board that there had been a number of "control weaknesses" in its administration of the HOME program and the agency had been considering establishing an internal auditing or compliance function to provide better oversight of programs.

Staff recommended, and the board agreed, to set aside \$6.8 million within its Pool 3 (or internal foundation) resources for possible repayment to the federal government. Staff said that this reserve amount is liberal in that it represented the full portion of the \$12 million in loans believed to carry medium to high risk of ultimately not demonstrating compliance. Jim Cegla, Director of Federal Programs for the agency, guessed that the agency's ultimate loss would be less than \$1 million.

Staff also requested, and the board agreed, to a repayment to HUD of \$154,000 that had been invested through the rental rehab program in an 11 unit property in Spring Valley. There the HOME affordability requirements had been maintained for the required five year period but the compliance start date did not conform to program requirements.

The board took no further action on this issue but asked staff to be kept informed as negotiations with HUD progress.

In other business, Minnesota Housing's outside financial advisors gave an update on the impact of the financial markets on the agency's programs. In essence, the board was told that for the credit markets "housing was not a good thing to be selling." While they expected the major housing legislation before Congress to pass, they foresee a continued exodus of mortgage lenders in the private sector. This will result in increased reliance on state mortgage programs and the beleaguered Fannie Mae and Freddie Mac. Homebuyers should expect higher interest rates and larger required down payments, they concluded.

Not so gloomy was the agency's report on progress being made with respect to the plan to end long term homelessness. Commissioner Marx told the board that with its funding approval of several projects that day, the state had exceeded the half-way mark toward the goal of creating 4000 new housing opportunities for homeless people.

Finally, Chairman Finch reminded his fellow board members that with the annual Super-RFP awards approaching, they might become very popular with developers wanting to make a pitch on their proposed projects. The Chairman encouraged board members to meet developers and learn about the projects, but that they should be buying their own lunch. —*Chip Halbach*

Resources

2007 Housing Counts Report Now Available

HousingLink and the Family Housing Fund released a new resource in affordable housing: the *2007 Housing Counts* report. Housing Counts measures affordable housing production and preservation in the Twin Cities seven-county metro area. The report is issued annually so stakeholders in the affordable housing community can track yearly production and preservation progress using common data. To view or download the *2007 Housing Counts* report, go to HousingLink's website at <http://www.housinglink.org/Counts.htm> where you can also find updates to the 2004, 2005 and 2006 *Housing Counts* reports.

HousingLink Launches New Affordable Housing Search Tool

HousingLink recently released its new affordable housing search tool, [hList](#). This valuable new resource is available through [HousingLink's website](#), and provides the state's most comprehensive list of affordable housing.

Place Matters: Challenges and Opportunities in Four Rural Americas

The Carsey Institute at the University of New Hampshire has released a report that identifies four distinct and often disparate rural Americas, based on a comprehensive survey of almost 8,000 people living in 19 rural counties. *Place Matters: Challenges and Opportunities in Four Rural Americas* offers comprehensive data that paints a complex picture of the demographics, politics, and values of rural residents. To read the report, [click here](#). To watch a video of Carsey Institute Director Mil Duncan discussing the four rural Americas, [click here](#). [from KnowledgePlex]

Green Grants Application Process Opens on August 5

On Tuesday, Aug. 5, developers working on rehabilitation and construction of green affordable housing can start applying for grant funding through Enterprise Green Communities. A live online event to review the grant application and answer questions will be held on August 5, at 2 p.m. ET, with registration for the event opening 20 minutes before start time. Grants from Green Communities support the design, planning, and construction of green affordable housing across the U.S. Developers can apply for grants up to \$50,000 per project. The application deadline is Thursday, Sept. 18, and awards will be announced in the beginning of November. For a description of this online event, including information on how to participate, [click here](#). [from KnowledgePlex]

From the Home Front

Minnesota Manufactured Housing Report Released

Last month, MHP released its latest research report, which surveys manufactured housing policy and demographics in Minnesota. The report includes a special focus on the financing, sales, and taxation of manufactured housing. The report finds that owners of manufactured housing have poorer legal protections, tax treatment, and financing as compared to owners of site-built homes. The study also finds that there are few functional distinctions between the two types of homes. Over 68,000 households in Minnesota live in manufactured housing, which is a form of unsubsidized housing stock often very affordable to lower income residents. The median home value of a manufactured home in Minnesota is about \$29,000. To access the report through the MHP website, [click here](#).

Northeast Minnesota Project Update

MHP is a member of the Housing Work Team (HWT), a subgroup of the Iron Range Resources Readiness initiative. On June 24, an event sponsored by the HWT brought together builders, bankers, developers, local companies, and elected officials to discuss the need for new housing in Northeast Minnesota based on a recently completed housing study. The need for new housing is being driven by new and expanded operations of energy and ore mining companies along the

Highway 169 corridor. The housing study concludes that the Range will require between 722 and 2,712 (based on alternative job growth scenarios) additional housing units to meet demand over the next 5 years. The 200 plus people attending the June 24 event left with a greater sense of the housing challenge in front of them.

The next step is to assist Iron Range communities in creating Housing Action Plans based on the needs expressed in the housing study. Information about the next steps and housing study can be found at the Range Readiness website (www.rangereadiness.com).

Over the next few weeks, MHP staff will be working with our Northeast partners to re-energize the area's Regional Housing Advisory Group (RHAG). This group will act as an informational support and an external conscience for the HWT, while providing assistance that ensures affordable housing (rental and owner occupied) organizations are a significant part of the upcoming housing development. The RHAG will also look at how affordable housing organizations can increase their own capacity.

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Calendar

August 6

Minnesota Housing HOME HELP Trainings, Minnesota Housing Finance Agency, 400 Sibley Street, Saint Paul, MN. HOME HELP training is mandatory to originate the HOME HELP downpayment assistance program. Check with your manager to see if your company is able to offer the new federally funded downpayment assistance program from Minnesota Housing. The agency encourages loan officers, processors and underwriters from approved HOME HELP lenders to attend this training. On August 6th, two trainings will be held:

- 10:00 a.m. to noon, Lender Training. To register for this training, [click here](#).
- 1:00 p.m. to 3:00 p.m., Realtor Partner/Homebuyer Educator Information. To register for this training, [click here](#).

August 17-19

The National Rural Transportation Peer Learning Conference, Duluth, MN. Conference issues will include transportation policy, economic development, climate change, safety, technology, and land use. The conference also emphasizes developing relationships with state departments of transportation. Attendants will come from a variety of disciplines, including economic development professionals, local officials, and representatives of state agencies. Conference participants will have an opportunity to attend the National Excellence in Regional Transportation Awards Showcase and Reception. For more information, [click here](#). *[from KnowledgePlex]*

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 \(PDF\)](#).

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]*

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

Upcoming Deadlines

September 16

MHP Grants Deadline for October 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](#).

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.

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.