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

Minnesota Unallotment: Housing

While there were no direct cuts to the state's housing programs, the Governor's unallotment plan touches housing in several ways. Most prominent is the one-year reduction of $51 million in the state's renters' credit program. The unallotment would reduce the average renter's credit by $100 in 2010. 274,000 renter households receive the credit.

Heading Home Minnesota reports that the largest impact of the Governor's unallotment on homeless people is to move up the termination of General Assistance Medical Care by one and one-half months—to March 1, 2010. This is one of the primary health programs available to supportive housing residents. Shelters and supportive housing groups will lose 5% ($1.8 million) in Group Residential Housing supplementary services.

Finally, the Governor declared that state agencies would experience a 2.25% reduction in their operating budget. Since Minnesota Housing does not receive operating funds from appropriations, Agency staff are awaiting the governor's instructions for how this plan affects the Agency.

New Facts about the Low Income Housing Tax Credit (LIHTC) in Minnesota

Altogether, between 1987 and 2006, 645 Minnesota rental projects were financed by the low income housing tax credit (LIHTC) program. According to new HUD data analyzed by MHP, these projects created an impressive sum total of over 29,000 units statewide. Of these, 25,000 are for low-income households. The data underscores the importance of this funding source in creating rental opportunities. With the market for tax credits having fallen apart, this new analysis highlights the urgent need to shore up the LIHTC program.

The tax credit projects have been spread widely throughout the state. Of Minnesota's 87 counties, 77 of them have at least one LIHTC project. About 44% of the projects (and 49% of the low-income units) exist, however, within the 7-County Twin Cities metro.

About three quarters of all of the projects from 1987-2006 involved new construction. The rest were acquisition/rehabilitation projects or a combination. Rehab projects tended to be far larger in scale—nearly 62.5 low income units per project—compared to 31 units per project built with new construction. This is likely because rental properties tended to be conversions of larger buildings in urban areas, while new construction is scattered throughout the state, including smaller developments in rural communities.

Non-profit developers were involved in about a quarter of the projects for which data was available. Projects involving non-profit sponsors tended to be smaller (36 low income units per project) than those without non-profit sponsorship (49 low income units).

The overall number of projects per year (45.6 projects on average) has remained fairly stable over time. Yet the number of units per project has increased markedly over the years. For Minnesota projects with credits allocated in 1991-1993, the mean number of total units was 32 (including 31 low-income). Ten years later, 2001-2003, the mean number of total units more than doubled to 66, with 47.5 being low-income units.

Call or email MHP with any questions about the LIHTC data (Leigh Rosenberg 651-925-5543). Click here to see a map of tax credit projects throughout the state.

May Minnesota Housing Board Meeting – Report

The Agency's financial challenges continue as its mortgage business remains uncompetitive. The staff updated the board on steps the Agency is taking to maximize its ability to acquire loans once the market improves. The board also heard results of the 2009 legislative session and took action on the use of federal resources.

Because no immediate turnaround is in sight for the Agency's ability to purchase loans at a competitive rate, staff focused on long term positioning of the Agency's mortgage business. Going forward, the Agency will increasingly sell bonds to purchase mortgage backed securities (MBS), instead of acquiring whole loans. Depending on the source of security, there should be minimal additional cost to the home purchaser. The least costly securities are issued by Ginnie Mae (Government National Mortgage Association); however, using this security source requires the agency to restrict its purchase to FHA and VA loans.

As the Agency transitions to purchasing securities insured by federal government, it expects to decrease its required reserves by tens of millions of dollars, and thus make more of its net assets available for programs. Staff did say that the Agency would continue to purchase and hold loans for mortgage types that did not lend themselves to securitization, including Emerging Market loans and loans for homes on community land trusts.

Financial advisors told the board that currently the Agency was able to provide loans at 5.8 percent while conventional loans were available at 5 percent interest. Staff said that this gap is slowly lessening as institutional investors return to the bond market. The agency can still make loans where the cost to the borrower is offset by the Agency's down payment assistance funding.

As for the recent legislative session, Assistant Commissioner Tonja Orr said the Agency experienced a 5 percent cut to its funding base, yet this is $1.3 million above that proposed by the governor. The Challenge fund saw the most significant reduction—a loss of all one-time money from the prior biennium plus a 33 percent reduction in the program's base budget.

With respect to federal stimulus funding, the legislature directed the Department of Commerce to use $7.9 million of weatherization and energy-related resources through the Agency's financing programs. Agency staff told the board that most of this will be used with the Fix Up Fund for home repairs.

In other business, the Plan to End Long Term Homelessness received board scrutiny in the context of the board's acceptance of staff recommendation to award Housing Trust Fund rental assistance contracts. Staff said that 1,079 of the 1,445 people who would be receiving rental assistance qualified as long-term homeless. Board members, led by Chair Mike Finch, questioned the high level of prior Trust Fund rental assistance awards that were still unexpended. This appeared to be about 12 percent of the total awarded over the prior two years. Staff answered that it was time consuming to find landlords who will accept tenants facing severe challenges such as mental illness. The board responded by asking whether this was the best way to use funds and serve the long term homeless population; the board recommended reviewing the long term homeless approach as it considers the next Affordable Housing Plan.

Responding to a tight deadline imposed by HUD, the board approved staff's recommended procedures for utilizing federal funds to support stalled low income housing tax credit projects. Staff told the board that the draft recommendations had received public comment, which led to several modifications to proposed procedures. For instance, the penalty for requesting and not using the federal resources was clarified to state that penalties would not be imposed where good faith efforts were made to draw the funds in a timely manner. The Agency, however, would not relax the liability for the general partners of a tax credit project until the federal government clarified the Agency's liability connected to using the new federal funding. Responding to concerns about not supporting rural projects, staff responded that 38 percent of funds will go to Greater Minnesota. Staff believed the priority system they developed for use of federal resources might not be as significant as it appears: it is likely federal funding could support every project awarded tax credits.

Other presentations to the board included introduction of the Agency's summer interns and their projects. This year, one intern will review land trust properties and their impact on wealth accumulation and long term affordability. The other project focuses on better understanding community housing markets.

Finally, in approving participants in the Community Activity Set Aside loan program, the board inquired about staff's proposal to finance new construction proposals in a market with a surplus of homes. Staff responded that, actually, the Agency was encouraging loans to be made to sell new homes already built and sitting idle, not building homes on raw land.

RESOURCES

ARRA Reference Chart for Affordable Housing Developers
The National Housing Trust has prepared a quick reference guide designed to help developers understand both the eligibility requirements and the application process of ARRA's (American Recovery and Reinvestment Act) main housing provisions. The guide includes information about the tax credit

Exchange and TCAP programs, the Neighborhood Stabilization Program, the Weatherization Assistance Program, and HUD's Green Retrofit Program.

HUD: Healthy Homes Plan, Sustainable Communities Partnership
Two releases from HUD point to new HUD Secretary Donovan's priorities. The first is HUD's Healthy Homes Strategic Plan. It lays out departmental goals, strategies, and outcomes to make the country's housing safer and healthier. The other announcement concerns the sustainable communities' goal of the departments of housing, transportation, and the EPA. The Sustainable Communities Partnership announcement includes six livability principles: these will be the foundation for interagency coordination on sustainability.

Brookings Report: "Tackling the Mortgage Crisis: 10 Action Steps for State Government"
This new Brookings report explains a list of steps that states (rather than the federal government) can take to address the mortgage crisis. Author Alan Mallach groups the ten action steps into four categories: a) mitigating the effect of foreclosure on borrowers at risk of foreclosure; b) mitigating the impact of foreclosure on neighborhoods and communities at risk; c) preventing a recurrence of the crisis; and d) establishing sound, long-term policies to create and preserve affordable housing. For each of the action steps, the report provides a number of specific ideas, with data and information as rationale.

MHP at WORK

MHP Releases 2009 County Profiles: Housing Need Severe in Most Counties
MHP recently released its 2009 county profiles, which pull together housing data specific to each of Minnesota's 87 counties. This year, the profiles paint a picture of housing need, especially for lower-paid workers. They include data about changes in home prices, rental costs, foreclosure, homelessness, and unemployment, as well as information about families paying more than they can afford for housing. The profiles also show how well workers in specific occupations—such as police officers, retail salespeople, and teachers—can afford the costs of renting or owning a home in their respective counties.

For instance, since 2001, rents have risen much faster in Greater Minnesota than in the Twin Cities. While already-high rents in Twin Cities counties increased 18%, other areas showed substantially higher increases. Kanabec, Pine, and Mille Lacs Counties had the highest rent increases—up by 56%—followed by Le Sueur and Crow Wing, with increases of 54% and 51%, respectively. Rochester, Duluth, and St. Cloud area counties also posted significant rent increases, especially Dodge County, now counted as part of the Rochester metropolitan area.

The housing profiles examine five occupations: an elementary school teacher, a registered nurse, a police officer, a food preparation worker, and retail salesperson. In comparing typical earnings for these jobs to local housing costs, owning a median-priced home is affordable to all of these workers in only four counties: Grant, Kittson, Lincoln, and Pipestone. These counties have homes that are among the least expensive in the state. In not one county is renting a typical 2-bedroom apartment affordable to all five occupations.

Between 2007 and 2008, the number of foreclosures increased in more than three-quarters of Minnesota counties. The most significant increases were in Stevens, Mahnomen, and Clearwater counties; the largest decreases were in Wilkin and Lyon counties. Overall, foreclosures statewide were up by 29%.

MHP's County Profiles can be found at: www.mhponline.org/research/county-profiles

MHP's Anniversary Gala Celebration: "20 Years and Building"
This month, MHP's many partners celebrated 20 years of the housing community's hard-won accomplishments, while building momentum an inspiration for the work ahead.

About 200 people were treated to specifics from that 20-year history—including MHP's 20-Year Timeline, heartfelt testimonials from the crowd, and a presentation of pictures and milestones from that journey (MHP Multi-media Presentation: 20 Years & Building...)—as well as a Circus Manduhai performance and keynote speaker, Fred Karnas, Jr., Senior Advisor to HUD Secretary Donovan. Click here for some photos from the event.

MHP thanks these major sponsors of the celebration: Travelers, Greater Minnesota Housing Fund, Family Housing Fund, National Equity Fund, The Minneapolis Foundation, Associated Bank, Dominium, Wells Fargo, Twin Cities Habitat for Humanity, Community Partners Research, and the Center for Energy and the Environment.

MN Congressional Delegation Call: "What teachers see when children lack affordable housing…"
In early June, MHP, HOME Line, and other partners of Minnesota Federal Housing Action Coalition (MnFHAC) joined through a conference call with school leaders in several parts of the state. The purpose was to inform Minnesota's Congressional offices about how the lack of housing stability hurts children's learning. School officials said that they have seen children who have been in as many as 30 schools by the time they reach high school. MnFHAC is supporting Congressional action to increase the number of Section 8 rental vouchers to help stabilize families.

CALENDAR

June 28–30
Solutions for Working Families: 2009 Learning Conference on State and Local Housing Policy, in Chicago. Organized by the Center for Housing Policy and the National Housing Conference, the conference is a forum for state and local leaders to share information on proven housing policies—foreclosure prevention, rental housing preservation, green building, workforce housing, and more.

June 29
East Metro Project Homeless Connect is Monday, June 29, 9:00 A.M.–4:00 P.M., Saint Paul RiverCentre. Project Homeless Connect is a one-stop shop model for delivering services to people experiencing homelessness. Twice each year, Hennepin County and the City of Minneapolis partner with service providers, businesses, citizens, and faith communities to bring multiple resources to one location where people can come to find the services they need. Visit the Project Homeless Connect website for more information: www.ProjectHomelessConnectMN.com

July 31–August 8
This year's Fringe Festival to include the play, "Habitat." This is a documentary theater project about the meaning of home. It is based on stories, compiled by writer Rachel Johnson, from street conversations in Duluth. Actors include HOME Line's Michael Dahl. The play runs at UM's Rarig Center from July 31 through August 8. For details about the festival, go to www.fringefestival.org.

Upcoming MHP Deadlines

MHP's 2009 Loan & Grant Committee Meeting Schedule and Application Deadlines

- August 4 *(app. deadline July 14)*
- October 6 *(app. deadline September 15)*
- December 1 *(app. deadline November 10)*

The MHP Bulletin is published and distributed monthly by the Minnesota Housing Partnership (2446 University Ave. W. Ste. 140, St. Paul MN 55114), 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, 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 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.