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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

The State of the Nation's Housing 2009: Low Income Households Stung

Low income renters and homeowners alike are struggling to stay afloat more than in recent decades. The 2009 release of the [State of the Nation's Housing](#) report, by the Joint Center for Housing Studies of Harvard University, finds the current housing downturn is the worst since World War II. Low income and minority households, especially, are feeling repercussions from unemployment or lower earnings, high housing costs, debt, and foreclosures as home prices plummet.

In 2007, an alarming 17.9 million households—almost one in six—faced severe burdens through paying more than half their income on housing. Another 21.6 million households bore moderate burdens (spending 30%–50% of their income on housing). Nearly three-quarters of the severely cost-burdened households had low incomes.

According to the report, housing cost burden can result in far less money spent on necessities like food and health care. Consider those in the lowest 25 percent for total household expenditures (who are also most likely to be low-income). For these households, those paying half or more of their income for housing spent over \$200 less each month on food and healthcare, compared to those living in housing affordable to them.

Owners in particular experienced a sea change in affordability and cost burden. Home equity fell nearly \$5.9 trillion—or 43 percent—from 2005 to 2008. By March 2009, more than 14 million households were estimated to owe more on their mortgages than their homes were worth. More owners had debt and deeper levels of debt, while bankruptcy filings were trending upward. Nearly a third of homeowners who filed for bankruptcy reported their main reason for so doing was trying to save their homes.

The report also conveyed the disproportionate impact of housing costs, debt, foreclosure, and unemployment for non-white groups. Almost a quarter of minority households were severely cost burdened for housing, compared to 13% for whites in 2007. From January 2007 through June 2008, the median foreclosure rate in low income minority communities was 8.4%, compared to 6.3% in low income white communities. (Each was significantly higher than the 2.3% rate in high-income white communities.) Loss of equity in homes, even homes that did not foreclose, also fell disproportionately on communities of color.

The State of the Nation's Housing: 2009 includes chapters on housing markets, demographics, homeownership, rental housing, and housing challenges, and an appendix of data tables. See <http://www.jchs.harvard.edu/publications/markets/son2009/index.htm> for the full report.

Weatherization: Beyond One-Home-at-a-Time

A [new guide](#) to setting up retrofit and weatherization programs finds most current programs are structured inefficiently. In light of this, the guide shares strategies for re-formulating weatherization programs resourcefully to meet the needs of cities or regions.

According to the authors, most existing weatherization programs have shortcomings. They are available either to income-eligible individuals only, such as through the Weatherization Assistance Program (WAP), or to individuals with sufficient up-front capital to pay for the work. They handle only residential or commercial buildings, but not both. And they don't aggregate individual building projects to take advantage of economies of scale. The guide suggests financing, policy, targeting, marketing, and employment strategies so that weatherization programs achieve better results for both energy outcomes and job creation.

Model programs capture the financial savings that result from energy efficiency retrofits and use them to make improvements accessible to all—not just those who can get state or federal subsidies, or who have money in the bank. In general, the guide recommends funding weatherization work with a combination of loans, grants, and utility sources.

The guide suggests that loans for this work be attached to the property, rather than to a person. Participants then pay back the loan for the improvements over a relatively long timeline, while they are paying for other ongoing utilities or municipal benefits. When residents move out, the monthly charges continue to be repaid by the new owner or resident. Among three possible repayment mechanisms discussed, the most interesting is the utility bills mechanism—because renters can benefit. In this system, electric and gas utilities provide capital for retrofits as loans to residents. The loan is then repaid as part of the monthly utility charge. If designed well, this program results in immediate savings to residents with loan payments lower than the expected monthly energy savings. The model allows renters (with landlord permission) to participate if they pay for utilities. The other suggested financing structures involve repayment in conjunction with municipal services or through assessments on property tax bills.

Finally, the guide recommends working closely with local Weatherization Assistance Program (WAP) providers to ensure that low-income households are also targeted and included. Low-income households spend 14% of their income for energy—compared with 3.5% for other American households—and often live in the least efficient housing stock.

“A Short Guide to Setting Up a City-Scale Retrofit Program,” by Green For All and the Center on Wisconsin Strategy (COWS), can be found at: <http://www.greenforall.org/resources/a-short-guide-to-setting-up-a-city-scale-retrofit>. (See the text box below for a related Minnesota pilot program.)

Minnesota City Programs to Pilot Innovative Residential Energy-Efficiency Strategies:

Here in Minnesota, [The Center for Energy and Environment](#) (CEE) begins this summer to design and help implement innovative residential energy-efficiency programs in partnership with eight cities throughout Minnesota. Participating cities include Minneapolis, St. Paul, Apple Valley, Duluth, Owatonna, Rochester, Austin and Park Rapids. Each city program is to provide a “one-stop shop” approach, offering a comprehensive, integrated service-package to save energy. Programs include workshops, in-home visits, home energy reports comparing household energy use with other similar homes and suggestions for improvement, plus financing for major upgrades such as insulation. According to CEE project administrator Carl Nelson, “With these initial cities, once we learn the best ways to simplify things for homeowners, we hope to expand the model statewide.” Local utilities, cities, and other partners will help implement the program in each city, with additional funding from the Environment and Natural Resources Trust Fund. To find out more, contact [CEE](#).

June Minnesota Housing Board Meeting – Report

Prior to the start of the official board meeting, board members were briefed and provided an opportunity for input on the Agency’s bi-annual Affordable Housing Plan. This strategy identifies how the Agency will distribute funds from state appropriations, federal grants, land, sales, and the Agency’s own net earnings.

In kicking off the planning session, staff informed the board that the current economy has been brutal to people who need housing as well as the Agency’s financing situation. The board was informed that the Plan to End Long Term Homelessness, originally scheduled for completion in 2010, might need a 3-4 year extension. The volume of loans purchased by the agency dropped from \$30 million per month to \$8 million, and the Agency would see record low earnings for the year.

For the two-year Affordable Housing Plan starting October 1, the agency plans to focus on preservation. Any new units built with Agency resources would need to be compelling—more likely rental projects or those that support jobs and transportation.

Moreover, in the coming planning-period the Agency will pay more attention to the capacity needs of its local housing partners and be more explicit about its response to the foreclosure crisis. Commissioner Bartholomay said that the new financing plan will likely include an Agency budget commitment for interim lending to restore foreclosed homes. The two-year funding plan will come before the board in September.

After the planning session, the board meeting itself included discussions about awarding foreclosure funds, conduit banking, and a homeless programs update. The board approved a second \$10 million commitment to the Family Housing Fund for foreclosure mediation. The award would demonstrate a firm commitment of non-federal matching funds to support three local applications being made for the second round of the federal Neighborhood Stabilization Program. (The three applicants are: 1) Minneapolis/Brooklyn Park/Hennepin; 2) Saint Paul; and 3) Dakota/Anoka/Washington/Ramsey/Chisago/Scott Counties.) The first commitment to the Fund by Minnesota Housing has been totally deployed to treat 165 Twin Cities properties. The new loan, committed from the Agency’s Pool 2 reserves, will be at 5 percent interest and be repaid in 2015.

Deputy Commissioner Patricia Hippe led a board-staff discussion about the Agency’s willingness to be a “conduit lender”—a form of lending where the Agency issues bonds on behalf of a developer but takes no risk in the repayment of the bonds. The developer can access tax exempt financing, while the Agency helps preserve rental housing affordability. Hippe said that the Agency earns far more revenue when it can sell its regular bonds at competitive rates, but in the current financial environment this approach is not as objectionable. The board asked staff to develop principles guiding the agency in this new lending approach.

At May's prior board meeting, concerns had been voiced over the staff's recommended award of rental funds to agencies that had been slow in the use of prior awarded Housing Trust Fund resources. The fund provides rental assistance as a key strategy under the Plan to End Long-Term Homelessness. After reviewing the agencies that had been unable to spend down prior awards, staff determined that in most cases the slow spending rate related to participating nonprofits needing time for significant program expansion. Efforts to link various homeless programs and the situations of homeless people are complicated, said staff. Staff informed the board that additional training would be provided to the agencies providing the rental assistance.

In a related action, the board approved nearly \$15 million in Family Homeless Prevention and Assistance Program funds to help families avoid or minimize periods of homelessness. With the new funding, 20 agencies will now provide this assistance, which should help about 17,500 households. With an expansion of service areas to include Otter Tail and Wadena counties, families in all but seven Minnesota counties will have access to the funds. A small portion will go to Wilder Research for the HMIS (Homeless Management Information System) and to Lutheran Social Services for financial literacy training of high-risk tenants. Staff added that \$25 million in new federal stimulus funds, distributed by some counties and the Department of Human Services, will provide similar assistance to Minnesotans.

RESOURCES

Homeownership: American Dream or Delusion?

A [new study](#) of the lives of over 800 women in Columbus, Ohio finds that, despite the idea of homeownership as the American Dream, homeowners are no happier than renters. Once income, housing quality, and health differences between owners and renters are taken into account, the author finds renters to be no different than owners with respect to life satisfaction, mood, overall feeling, and moment-to-moment emotions. However, owners derive more pain from their house than renters. Read "*The American Dream or the American Delusion? The Private and External Benefits of Homeownership*," by Wharton School professor Grace W. Buccianeri at: real.wharton.upenn.edu/~wongg/research/The%20American%20Dream.pdf.

MHP at WORK

MHP Rolls-Out "2 x 4" Report—Quarterly Housing Indicators

On Wed. July 1, news media and stakeholders heard Minnesota voices speak about the housing market and current economy—and implications from MHP's new "[2 x 4" Quarterly Housing Indicators](#). The "2 x 4" report covers 2 indicators for each of 4 key housing areas: *the home ownership market*, *the rental market*, *homelessness*, and *the housing industry*. It all frames a not-so-pretty picture—for the housing industry and for significant numbers of Minnesotans. Even as rents stabilize and foreclosure rates decline, both renters and homeowners are falling further behind on their housing payments. As a whole, this year's first quarter data point to continued hardship and challenges for families and the housing industry.

Participating in the report roll-out were: [MHP](#) executive director, Chip Halbach; affordable housing provider [Aeon](#) president, Alan Arthur; resident at Paige Hall, Melissa Skinway; MN State Senator John Marty, Chair/Housing Committee and author of a bill for housing and job creation ([District 54](#)); [Home Ownership Center](#) executive director, Julie Gugin; [St. Stephen's Human Services](#) housing services director, Richard Amos; and [Minneapolis Public Schools'](#) planning and policy services director, Elizabeth Hinz.

Coverage included the *Minneapolis/St. Paul Business Journal* ([Report: Recession Hurting MN Housing Situation](#)), the Minnesota Home Ownership Center's blog ([New Report from MHP](#)), and Minnesota Public Radio ([Homelessness in Hennepin County on the Rise](#)). Click [here](#) for the press release.

MHP 20th [Anniversary Keynote](#): Excerpts from Fred Karnas, Jr., Senior Advisor to HUD Secretary

Last month, MHP's many partners celebrated 20 years of the housing community's hard-won accomplishments, while building momentum and inspiration for the work ahead. The 200 or so at the Traveler's Center enjoyed a dinner program featuring MHP milestones, Circus Manduhai, and keynote speaker, Fred Karnas, Jr., Senior Advisor to HUD Secretary Donovan (click [here](#) for some event photos). Some highlights from Karnas's speech:

Congratulations... I hope you know how much [Minnesota's] work is watched—and plagiarized—around the country.

As we talked today, I heard you:

- Emphasize the important role of the Neighborhood Stabilization Program and Tax Credit Assistance Program
- Underscore the importance of tenant involvement in housing decisions
- Argue for more focus on the housing needs of extremely poor households
- Encourage HUD not to forget rural needs

One of [Housing Secretary Shaun Donovan's] first goals for HUD is **systemic reform**—re-inventing the way HUD delivers traditional programs like public and assisted housing, vouchers, and responsibly managing FHA's new relevance in the housing market.

And the Secretary [Donovan] wants to harness **private sector capital and talent**, as he did in New York, to insure innovations become widely adopted in market practice and public resources leverage private sector investment.

And finally, the Secretary is committed to the goal of greater **transparency and accountability** — using metrics to gauge performance; research to evaluate programs; demonstrations to foster innovation; and technical assistance to identify and diffuse innovation; and technology to track spending, inform decisions and curb fraud, waste and abuse.

The future of HUD will also be tied in many ways to the issue of sustainability. One of the most exciting new initiatives proposed for the coming year is the creation of the new HUD Office of Sustainability which will be overseen by Ron Sims, our new Deputy Secretary. The new office will oversee a partnership with the Department of Transportation to better tie housing and transportation planning; and it will provide oversight to the Energy Innovation Fund.

So take some time to celebrate MHP's good work this past twenty years and then take to heart these words from my old friend, author, Jonathan Kozol (paraphrased):

*“There are many things we cannot do... problems we cannot solve... without more research or new ideas. Housing is not one of them. We know what we have to do. What we can do... **if we have the will to do it...** is to use our technology and our wealth to ensure that every American, especially every child, has a safe decent place to live.”*

CALENDAR

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.

August 6

HOME Rental Projects: Training for Managers & Owners (Grand Rapids, MN)

This training focuses on rental projects funded by the HOME Program. Attendees learn how to successfully collect data from applicants, calculate annual income, and properly assemble tenant files with supporting source documentation. Participants are informed of the required HUD and HOME Program policies, procedures, manuals and forms to maintain program compliance. For more information and registration, click [here](#)—or call Julie Nester at 651-925-5540. (The July 22 session in Eagan is full: waiting list only.)

September 9–10

HOME and NSP Training

“Save the date.” September 9-10, for this training appropriate for HOME Participating Jurisdictions (PJs) who receive NSP funds directly from the U.S. Department of Housing and Urban Development (HUD), or are currently receiving NSP funds from another NSP recipient (e.g., the State). The HOME and NSP training focuses on key program topics such as NSP eligible activities; ways that HOME can be invested in NSP homebuyer and rental projects; meeting low income targeting rules for both HOME and NSP; and key program implementation issues such as administrative costs, program income, and affordability periods. Location to be determined. To be notified as soon as details are available, go to [MHP’s sign-up page](#), fill in your information and check the “HUD Trainings and TA Mailing List” box at the bottom—or email Julie Nester at julie.nester@mhponline.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.