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Expert HOME & CDBG Training—Jan. 19 & 20
Working with Undocumented People Experiencing Homelessness—Jan 25
*Housing Policy Showcase • Save the Date—Jan. 28*

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

New Census Data: Housing Affordability for Small Communities; Seniors at Risk

New 5-year estimates from the American Community Survey (ACS) for 2005-2009 show that across Minnesota, many renters do not have affordable rental housing, and some of the most difficult places for residents to rent are in Greater Minnesota. The new data, available not only by county but by city, school district, legislative district, census tract, and block group, give the most complete demographic picture of small communities since the 2000 Census. Key findings for the 2005-2009 period include:

• In 84 of Minnesota’s 87 counties, at least a quarter of renters paid 30% or more of their income for housing—a cost burden, according to the Department of Housing and Urban Development (HUD).
• In 39 counties, a majority of renter households headed by seniors 65 years old or older faced a housing cost burden. No area of the state was immune from a shortage of affordable rental for seniors.
In 12 counties at least a quarter of renters paid over half of their income for housing. Of these, only one (Ramsey) was in the 7-county metro. The other counties were Clay, Winona, Chisago, Sherburne, Mower, Faribault, Grant, St. Louis, Stearns, Blue Earth, and Douglas Counties.

See the full press release for additional analysis and contact Minnesota Housing Partnership for more information about housing data for small areas.

Packed December Minnesota Housing Board Meeting: Controversial Audit and More

While December Minnesota Housing board meetings are typically memorable for the quality of holiday cookies and punch, this one appeared to be all meat. The board heard an auditor’s report on organizational risk facing the Agency due to staff discontent. Board members also weighed in with substantial comments on the Agency’s budget and the Consolidated Plan. There were important staff reports on the Affordable Housing Plan, the Agency’s pilot block grant program and the demonstration temporary rental assistance program.

Controversial Agency Audit

Minnesota Housing’s financial auditor made a report on staff turnover, morale and related issues to determine if such issues threaten the work or finances of the Agency. As a follow up to the Agency’s strategic planning process, the board had requested that LarsonAllen, financial auditors, produce the report. The auditors found that the Agency was not at risk, though there could be problems if additional key employees departed. The auditors did express concerns about the process by which recent changes in staff structure were carried out, and about the role of the board in the organization. A number of recommendations were made concerning board and staff practices.

Board members discussed at length the issues raised in the auditor’s report and their own role in leading the Agency. Newest member Barbara Sanderson said that this was the most confusing board situation she has experienced. Chair Mike Finch gave a historical perspective, and answered questions such as why the Agency structure, by statute, includes an independent board, but a Commissioner who is a gubernatorial appointee. Member Marina Lyon suggested that the board consider whether to recommend that the Agency be restructured outside of state government. Board members concluded this discussion by asking Commissioner Bartholomay to respond to the auditor’s report and agreeing to discuss issues raised in the report prior to its January meeting.

Agency Budget in Lean Times

A normally routine look at the Agency’s administrative budget turned into a lengthy discussion about the position of Minnesota Housing in a climate of public agency downsizing. The budget brought forward by staff showed both an increase in personnel and a 2% increases in salaries in a budget with overall annual operating costs of about $26 million. In a budget period of sharply declining net revenues (due to contributions to loan loss reserves), Board members strongly cautioned the Agency against adopting a budget with increased staff and operating costs, acknowledging that these costs are paid from the net earnings of the agency, rather than state appropriations. Board members warned that the budget, as proposed, would not be well-received by legislators.

Where Will NSP 3 Funds Go?

The board adopted a plan for distributing the Agency’s allocation of $5 million in NSP 3 (Neighborhood Stabilization Fund, third round) funds it is receiving from HUD. Instead of holding an open competition as it had done in the first round, several factors have led the Agency to make direct allocations only. First, the $5 million received from HUD for round three is far smaller than the $38 million in round one. Also, HUD is encouraging NSP recipients to treat a minimum of 20 percent of foreclosed properties in selected target areas for maximal impact. This requires the Agency to identify areas for investment of NSP3 funds which are both very compact and in which homes are likely to resell quickly.

Negotiations for NSP 3 funding will now proceed with seven local governments (six in the metro and one in Greater Minnesota), all of which are past NSP recipients. Funding amounts will be based on strength of
proposed local strategies, leverage of other funds, and applicants’ readiness to implement proposed strategies. After a public comment period, the board will approve final amounts in February.

**Board Directs Greater Commitment Funds to Aid Greater MN**

In a show of support for rural nonprofits, board members overturned a staff recommendation by directing the Agency to commit five percent of its expected federal HOME funds to CHDOs (Community Housing Development Organizations). In the Consolidated Plan 2011 Action Plan, which is a spending proposal by the Agency to HUD, the Agency planned to exclude CHDOs as recipients when it allocates the approximately $10 million in HOME funds it expects to receive to a variety of housing programs.

In response to its draft plan for HOME allocations, the Agency received several comments asking that funds be made available to help cover the costs that rural and suburban CHDOs have in helping communities develop housing plans across large, multi-county areas. In response to these comments, Agency staff proposed studying this situation over the coming year. Board members did not accept this delay, and supported a motion by Barb Sanderson and Lee Himle, two rural board members, to allocate 5% of the HOME funds for CHDOs for the 2011 year. Sanderson said that the recently adopted strategic plan called for greater Agency sensitivity to regional differences, and that this investment was an important way to support work in rural areas. Member Gloria Bostrom added that this action reflects how much the Agency appreciates the work of its nonprofit partners.

**Program and Progress Reports**

Agency research director John Patterson presented the midway report on the Agency’s 2010-11 Affordable Housing Plan. Of interest in the report: 1) based on use of Agency funds, the number of rental units preserved (4,293) greatly exceeds the number of new rental units constructed (645); 2) So far this period, 31% of Agency mortgages are reaching emerging market households, far exceeding the Agency’s goal of 17.5%; 3) After the last round of RFP and tax credit selections in October of 2010, Minnesota Housing has committed or disbursed 84% of the rental production funding made available under its two-year Affordable Housing Plan which ends September 30, 2011. As expected, most of the RFP and tax credit funding decisions have been made, with roughly $800,000 of tax credits still available for a second round of allocations in 2011.

Board members also heard the interim review on the “performance pilot program”, designed as a compromise between the Agency and a number of local housing agencies which sought more flexibility in using Agency funds to meet local housing needs. Under the leadership of Tim Marx, the Agency’s pilot program selected three local governments for a demonstration of the value of this “partnership” approach. The three selected, Brooklyn Center, Dakota County, and Willmar/Kandiyohi County, received a total of $5.7 million in Agency funding. In a report to the board, Patterson said that this new approach neither leveraged any significant additional funding, nor produced housing more quickly than the standard RFP-based fund distribution. Chair Mike Finch concluded that this “block grant approach” did not provide any added value.

The board was updated on the Temporary Rental Assistance for Families program, created in 2008 at the height of the recession to respond to a spike in the number of homeless families. The $3.9 million rental assistance program built from Agency and Pohlad Family Foundation funds was meant keep people out of shelters and increase housing stability, incomes, and educational achievement. This program has served 264 households, including 516 children. In the continued tough economy incomes have not increased as expected, but 86% of those assisted were able to retain their housing. Of those who exited the program, a third successfully moved to other subsidized or unsubsidized housing. 95% of families believe that the assistance positively contributed to their children’s school attendance. In addition, the Agency identified several best practices, such as the value of close coordination between program case managers and schools.
THE NUMBERS: Who Benefits from the Mortgage Interest Deduction?

The National Low Income Housing Coalition examined data from the Joint Committee on Taxation Estimates of Federal Tax Expenditures 2009-2013 to derive the following estimates of who benefits from the nation’s mortgage interest deduction. Here’s what the NLIHC found:

- 54% of homeowners claim the mortgage interest deduction.
- 24% all taxpayers claim the mortgage interest deduction.
- 74% of the benefit of the mortgage interest deduction goes to taxpayers with income of $100,000 or more.
- 32% of the benefit of the mortgage interest deduction goes to taxpayers with income of $200,000 or more.

(Source: National Low Income Housing Coalition Memo to Members)

RESOURCES

Local Study of Innovative Affordable Housing Design
In early 2010 Minnesota agencies held a series of forums to understand how Minnesota can improve the design of affordable housing. Based on this series, Innovation Beyond the Facade: Local and National Case Studies of Good Design in Affordable Housing examines seven Minnesota affordable housing projects and compares them to outstanding projects nationally. The report includes key findings and 14 recommendations for enhancing affordable housing design in Minnesota. The report was sponsored by McKnight Foundation, UM College of Design and several other agencies.

HOME Line Saves Tenants Millions
Minnesota’s tenant advocacy organization HOME Line has saved tenants an estimated $15.4 million and prevented 8,700 evictions over the past 18 years, finds a new study. Based on a survey of past clients by HOME Line’s Samuel Spaid and statistical analysis by U of M PhD candidate Craig Rolling, the organization is estimated to have saved renters living in foreclosed properties an estimated $4.2 between 2006 and 2010. For additional information and to see more results visit the HOME Line blog.

Real Estate Investments that Serve Neighborhoods
As fallout from the mortgage crisis, property investors now play a larger role in the real estate market through purchase of “real-estate owned” (REO) and other distressed properties. Responsible investors and landlords can serve neighborhoods and renters well, but irresponsible ones can produce long-lasting destabilizing effects. In a new report titled The Challenge of Distressed Property Investors in America’s Neighborhoods, Alan Mallach describes four types of property investors and how their strategies may serve or harm communities under different housing market conditions. The report devotes two chapters to the importance of strong local regulations and support to promote positive investor behavior and to strengthen affordable housing.

HousingLink Reports Detail Twin Cities Production and Availability
Two new reports released by HousingLink shed new light on affordable housing opportunities in the Twin Cities metropolitan area.

- The hSum report reveals that subsidized rental housing opportunities exist for only 1/3 of Twin Cities households earning less than 30% of area median income. Learn more about this "Opportunity Gap" by visiting the website.
• The Housing Counts report provides annual production and preservation information about affordable housing projects that closed in the previous year in the Twin Cities seven-county metro area. The 2009 report found that 354 new rental units and 65 new ownership units were produced for families earning under 60 percent of area median income, and that 1,450 rental units were preserved or stabilized. MHP analysis of HousingLink’s Housing Counts data since 2002 shows that new rental unit production was down in recent years (see chart).

MHP @ WORK

MHP’s Third Quarter 2x4 Report: Continued Volatility in the Housing Market

Job scarcity, tightening of the rental market and rising foreclosures suggest that the holiday season may be brighter for some families with improved earnings, while others face continued hardship and persistent unemployment.

During the third quarter of 2010, the 2x4 Report finds, Minnesota’s high unemployment rate continued to hover at 7 percent while those with jobs saw a slight improvement in weekly earnings. For renters, the market tightened with vacancy rates in the Twin Cities falling to 4.2%, the lowest in two years. For homeowners, the third quarter of 2010 was decidedly mixed with pre-foreclosure notices and foreclosures up and mortgage delinquencies on the decline. For third quarter 2010, the data show a mix of trends:

- As unemployment remained high, vacancies in the Twin Cities rental market fell sharply to a two-year low of 4.2%, down from 5% last quarter.
- Over 7,200 Minnesota homes foreclosed during the third quarter, the second highest number for any quarter.
- For the third quarter of 2010, family homelessness declined by 3% compared to the third quarter of 2009, but this reflects a 62% increase over 2006.
- 30% of homes for sale were foreclosures or short sales, while the average number of jobs in residential housing construction continued its low ebb at 9,500 jobs per month, the lowest since 1993 for the quarter.

See the full “2x 4” Quarterly Housing Indicators Report including graphs, data sources, and analysis.

MHP Welcomes New Board Member Mark Ulfers

Mark will bring to MHP’s board firsthand experience in developing thousands of affordable housing units and serving over 7000 households through numerous housing programs. Since 1986, Mark Ulfers has served as the Executive Director of the Dakota County Community Development Agency (CDA). He has a Bachelor of Science degree in Urban Studies and Political Science from the University of Minnesota and a Master’s of Public Administration degree from Hamline University. Welcome Mark!

Improved Formats for the MHP Publications You Depend On

In the next few months, the MHP Bulletin and MHP Capitol Update will be transforming—the same great content, in a new, more user-friendly, web-based form. The Bulletin, soon to be launched as MHP Connect, will allow readers to receive news, resources, analyses, updates, and event-notices throughout the month in a brief, easy-to-click headline format. The MHP Capitol Update will also be updated to provide subscribers timely information about state and national housing policy and politics that affect Minnesota. Soon you’ll be able to choose RSS feeds or email subscriptions for these MHP publications.

www.MHPonline.org
CALENDAR

January 11 & 26
Intro to SOAR SSI Training & SOAR Full Day Training
Do you work with people experiencing homelessness? Do your clients have disabilities that could make them eligible for SSI benefits? Do you want to help your homeless clients be more successful in accessing the benefits they are entitled to? Then come to the SOAR SSI training. The Intro to SOAR is held from 9:00 - 12:00 January 11 and the SOAR Full Day Training is held from 8:30 am - 4:20 pm January 26. Both will be held at the Brookdale Library. To register email your name, organization, and contact info to alison.niemi@state.mn.us. For more information call 651-431-3848.

January 19 & 20 - 2011
Expert HOME & CDBG Training: Working Together to Create Affordable Housing
Eagan Community Center (1501 Central Pkwy, Eagan 55121 | 651-675-5550) An advanced, HUD-sponsored training,* this course focuses on strategies for using the HOME and CDBG (Community Development Block Grant) programs together to create affordable housing. It is a case-based seminar that highlights effective projects and programs using the two funding sources—walking participants through specific projects and general program design considerations. To register or for the brochure, click here. *(At least 5 years’ experience with either HOME or CDBG required.)*

January 25th
Working With Undocumented People Experiencing Homelessness
Hosted by MESH, Robert Hoffman of Simpson Housing Services will present. For cost, location, and registration information, visit this link.

January 28 - 2011 (afternoon)
Housing Policy Showcase • Save the Date
Advocates and policy makers will learn about legislative proposals and issues that will impact housing during the 2011 Minnesota Legislative Session at MHP’s annual housing policy showcase. Register today to attend by clicking on one of the following locations: Twin Cities (main event); Duluth; Bemidji; or West Central Minnesota.