

AN INVENTORY OF THE TWIN CITIES' AFFORDABLE HOUSING RESEARCH NEEDS

by

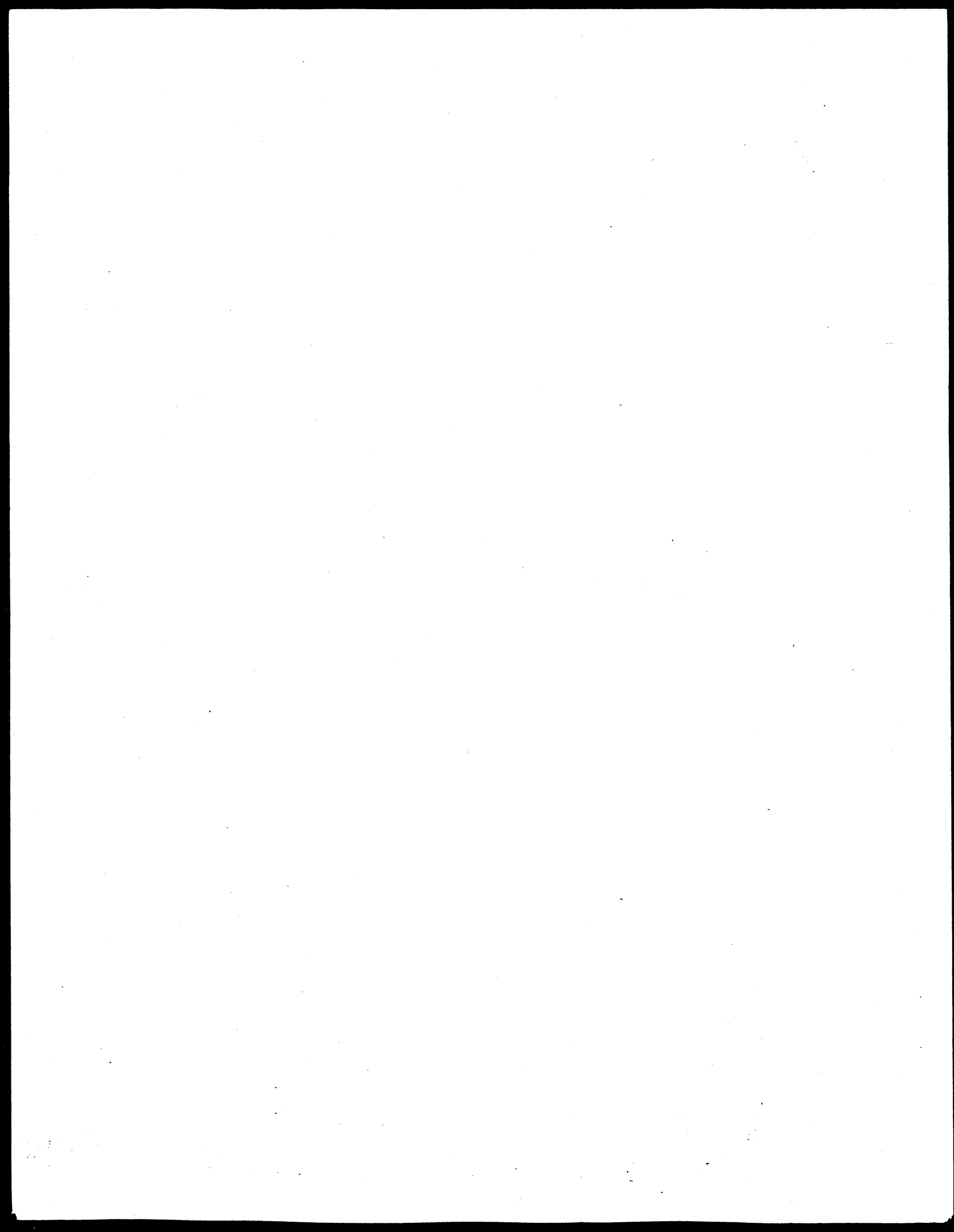
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March 1990

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I. EXECUTIVE SUMMARY

This inventory summarizes baseline data on affordable housing research. The purpose for the inventory was to gain a sense of the breadth of affordable housing research needs addressed by (or needed to be addressed by) government agencies, community groups, and housing developers within the metropolitan Twin Cities area. The inventory includes: a circumscribed literature review; a brief description of the purpose and research goals of many of the major housing organizations; and a list of housing interests of faculty at institutions of higher education.

- A literature review. The literature review consists of citations, annotations, or summaries of recent and ongoing major reports, studies, and research related to affordable housing in the Twin Cities metropolitan area. Appraisal of past performance is made and gaps are identified.
- Descriptions of the purpose and goals of major housing organizations. There were three types of agencies or organizations interviewed for this survey: governmental agencies, nonprofit groups, and for-profit developers. Contacts ranged from simple screening for significant affordable housing-related activities, to in-depth interviews with representatives deeply involved in affordable housing.
 1. Nonprofit groups: This category includes responses from representatives of thirty-one neighborhood groups, housing intermediaries, nonprofit developers, and private foundations.
 2. For-profit developers: Representatives of four such groups were interviewed.
 3. Governmental agencies: This includes responses from twenty-one representatives of local, county, regional, state or federal governmental agencies. Many dealt exclusively with housing, while others represented minority interests to the government--such as the elderly, Asian-Pacific Minnesotans, women, migrants, Native Americans.
- Faculty housing interests. University and college faculty at the University of Minnesota--Twin Cities, metropolitan Twin Cities colleges, and other selected colleges in the eastern corridor of the state were surveyed for their interests related to housing. A resource chart was developed and reflects the diversity of the seventy-six scholars listed. The interests fall into four major areas: 1) architectural (much of which relates to affordable housing via energy conservation and thus cost considerations); 2) geographic (e.g. land use, urban growth); 3) marketing (supply and demand, affordability, location); and 4) social needs (homelessness, service needs, special population needs). (This faculty listing is available upon request.)

FINDINGS

To some degree, the literature on housing parallels the interests and needs expressed by the representatives of agencies. There are many good reports that outline the affordable housing problem by presenting statistics on housing stock availability, costs, and barriers to construction and occupancy. The studies produced by governmental agencies are particularly noteworthy. However, as discussed below, the aggregated figures are not necessarily perceived as useful to housing activists nor address neighborhood concerns in the form they appear. Many groups express confusion as to how to interpret and use the findings.

Concerning faculty research and interests, a breadth of activity is apparent. However, 1) these reports and publications generally do not reach the community, and 2) a research link needs to be established between the health science field and the social, architectural, and policy fields. In particular, matching faculty research on human service needs to affordable housing needs can be a productive endeavor that would also serve the needs of the community.

While the agency contacts reflect a diversity of backgrounds, interests, and organizational goals, there is considerable clustering around four major areas for research: 1) development of financial tools and policy strategies to support and encourage affordable housing efforts; 2) collection of accurate neighborhood level data to help identify how and why neighborhoods change and to evaluate mechanisms that retard/reverse adverse change; 3) data to accurately establish the regional extent of the homeless problem and from which policy planning can be developed; and 4) definition and description of the linkage issues involved in matching the service to affordable housing.

Development of Financial Tools and Policy Strategies to Support and Encourage Affordable Housing Efforts

Finance was the most frequently identified need by respondents in all three organizational categories (governmental, nonprofit, for-profit). There has been a decline in federal funding and a shift away from the management of housing projects; the new focus for the federal government is on ownership and participatory management, rather than new housing projects. These federal changes have been accompanied by the 1986 tax reforms which have removed incentives in the private sector for investment in housing development and rehabilitation (i.e., opportunities for tax shelters have dwindled).

These changes have occurred in the presence of an aging housing stock and a diminishing demand for housing units because the baby boomers have already acquired their homes. Moreover, there is evidence that for-profit developers are reducing their new housing activity in the metropolitan area and the state of Minnesota, and refocusing their energies in other states. The investment in other states is attributed to, a) cost of construction in Minnesota in the presence of, b) lack of tax and financial incentives to remain in the state and, once constructed, c) the very high property tax rates in Minnesota for absentee-owned rental property. Developers feel affordable housing in the state is a less than profitable business. This comes at a time when nonprofit

developers are neither geared up to "take up the slack" nor adequately equipped with the "know-how."

Such financial gaps will leave the metro area in serious difficulty in the next few years, especially as regards affordable housing units. Further, the housing market is in disarray. Housing units are currently available, but there is a climbing vacancy rate and an increasing number of abandoned dwellings. Anomalously, the rising vacancy rate occurs in the presence of an increasing homelessness rate because there remains a mis-match between the ability to pay of those still needing homes, and the cost of available units.

There is considerable need to conduct research on financial instruments that will facilitate the development of affordable housing in the Twin Cities. Research must be conducted to determine what strategies have been successful in other areas of the country and why, and which are transferable to this area. (An example might be institution of a local tax credit for corporations donating money for housing needs in their own state--Minnesota.) Models need to be developed, then tested for feasibility for application here. Research using computer simulated techniques may be helpful in this regard.

Study should not be restricted to the construction of affordable housing. Thus, additional concerns need to be addressed: 1) making current housing affordable and accessible (for purchase and rental), and 2) exploring the causes and problems of abandoned houses. Among the specific research possibilities mentioned by interviewees are those on lend-lease agreements, development of new mortgage formulas for minority clan (Hmong) units, the fate of conversion contracts, neighborhood held and managed rental units, and the viability of a depreciation package for housing.

Collection of Accurate Neighborhood Level Data
that Identify How and Why Neighborhoods Change
and Mechanisms to Retard Adverse Change

Federal census and state demographic data are readily available for overall state planning; however, little of this information is useful in addressing individual neighborhood needs and problems. The information is not needed on a ten-year basis--as in the census data--or even bi-annually. The information is needed on a month-to-month basis and includes: who's moving in, who's moving out, and why? Is moving out due to a lack of local stores? Quality schools? Safety? Why aren't houses resold after a vacancy? Such data are needed to intervene in order to stabilize a neighborhood, to deal with aging or vacant housing stock, and to maintain the physical and psychological health of neighborhoods. No one is collecting this data. There is no coordinated, well-integrated research on how to intervene to save a neighborhood. At least not in this metropolitan area. Both representatives of state agencies and, in particular, nonprofit groups, identified this as a serious need.

Research projects are needed to monitor trends at the neighborhood level. This would be immensely helpful in identifying how neighborhoods and housing needs change, and in determining whether public or neighborhood intervention truly is effective. Little cost-benefit assessment can be done by neighbor-

hood groups, housing planning authorities, or even agencies involved in neighborhood crime prevention (i.e., police) without these data.

There is no way to know where to begin, how to adjust efforts toward effective intervention, or even how to measure effectiveness, without knowing what is happening on a month-to-month basis.

A research project is suggested that: 1) selects more than one neighborhood (based on specific research criteria for inclusion); 2) monitors and collects neighborhood level data in each neighborhood; and 3) brings findings to a coordinating group to compare and contrast the findings in each neighborhood, to identify trends, to determine successful strategies, and then to document and disseminate findings to the interested parties. This proposed research blends three needs: 1) it would provide valuable assistance to neighborhoods in determining what is going on; 2) it would inform policy-makers of the nature of the problems and how to target resources; and 3) it would help to build models of successful strategies that can be passed on to other neighborhoods.

Exploration of Data-Gathering Strategies Which Accurately Define the Regional Extent of the Homeless Problem and Which Produce Reliable Statistics from Which Coordinated Policy Planning Can Be Developed

This is a problem of coordination, as well as difficulty in finding the homeless. There is minimal to no effective metropolitan-wide effort to determine the extent of the homeless problem. There are few who still doubt the serious nature of this problem; there is no doubt that the Twin Cities and their respective counties are trying to deal with the problem. However, metropolitan-wide efforts are needed, since the homeless and transients do not restrict themselves to city or county limits.

Further, reliance on shelter counts is less than adequate, since: a) transients do not always use shelters, and b) many homeless families are not counted because they move from one relative's or friend's home to another. (One can get a feel for this by reviewing the turnover rates in some of the schools or visiting well-known transient areas during the daytime.) Additionally, "cycling through" the system (i.e., using a service till the allotted time runs out, then going to the next available service) because of administrative rules and limits on stays is barely being addressed.

This cycling problem must be addressed by, first, finding creative data collection strategies--perhaps through the schools--and a coordinated metropolitan effort to accurately assess the magnitude of the problem. Then, research must follow to explore: a) the long-term effects of homelessness on the children involved, and b) benefits and success of a two-year long support program combining housing with social services, since many of the root causes are not simply resolved in six weeks or six months.

This area for research was identified by those nonprofit organizations serving the homeless population, particularly by those serving single-parent families headed by women. Some nonprofit developers also saw homeless counts a problem, as did the public agency responsible for the shelter counts.

Definition, and Description of the Linkage Issues
Involved in Matching the Service to Affordable Housing

Repeatedly the lack of effective coordination between housing and service needs was raised by the nonprofit organizational representatives and the state agency representatives. This problem is multifaceted and is as much a problem of disjointedness among city, county, and state government efforts, as it is between sectors (transportation and housing, health care and housing, social service and housing). Many of the problems in housing (and especially emergency housing) are related to or caused by other problems: a lost job, a sudden health care expense, distance to work, spousal abuse, etc. Yet, as a community, a metropolitan area, or a state, only initial efforts have been made to coordinate service needs with affordable housing needs. Can't people be helped to be less dependent on public housing sources through effective use of social services?

Research is needed to determine to what extent access to available affordable housing in more or less isolated areas is hampered by transportation problems (to work, to grocery stores, to child care). Research is also needed to determine to what extent the government housing policies are limited because the poorest of the poor or the really complex cases (e.g. housing problems coupled with drug problems) cannot be addressed by housing policies alone. Can the best linkage mechanisms be determined? How are the complex cases dispersed? If concentrated in certain areas, are supports better given through the neighborhood system in which people currently reside? Or must particularly problematic cases be "dispersed" so that particular neighborhoods are not emotionally drained helping the complex cases concentrated in their neighborhood. Alternatively, could supportive assistance be given to the neighborhood itself?

This summary provides a baseline overview of affordable housing research needs in the metropolitan area. It will, it is hoped, serve as a resource and focus for discussion on how to approach the increasing problem of housing affordability and homelessness in the Twin Cities metropolitan area.

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March 1990

II. BIBLIOGRAPHY OF CURRENT LITERATURE ON TWIN CITIES
METROPOLITAN AREA AFFORDABLE HOUSING

LOCAL INFORMATION

GOVERNMENT REPORTS

April 1989 population and household estimates for cities and counties in the Twin Cities metropolitan area. (1989). St. Paul, MN: Metropolitan Council of the Twin Cities Area.

Listing of population, households and persons per household in each of the counties of the metropolitan area. Includes 1980 and 1989 estimate data.

Barron, J., & Dougherty, A. (1989). Housing markets in 2000. Prototypes of the region's communities. St. Paul, MN: Metropolitan Council of the Twin Cities Area.

Examines ways housing markets in particular geographic areas might be affected by demographic changes. The report is designed to be useful to local governments in anticipating how housing markets in their cities may change by the year 2000. Main issues include: maintaining an aging housing stock; making housing competitive in a weakening real estate market; and meeting the needs of residents. Classifies areas by geographic or developmental rings for the analysis.

Blueprint for Local Action: Housing and Service Needs of Elderly and Disabled People in the Community. (1988). St. Paul, MN: Metropolitan Council of the Twin Cities Metropolitan Area.

Center city vs. suburban elderly: The characteristics of their households and housing units. (1985). St. Paul, MN: Metropolitan Council of the Twin Cities Metropolitan Area.

City Coordinator. (1989). State of the city. 1988. A statistical portrait of Minneapolis. Minneapolis, MN: City Planning Department.

This report provides statistics on the city of Minneapolis in general. Specifically related to housing, this includes data on: housing inventory (i.e., type and number of units by community), changes in housing conditions, construction and demolitions, housing vacancy, home prices, rental costs, and publicly assisted rental housing.

City Coordinator. (1987). November 1987. Minneapolis elderly homeowners. Minneapolis, MN: City Planning Department.

Community profiles. Housing, population and households. (1984). St. Paul, MN: Metropolitan Council of the Twin Cities Area.

Provides housing and population information for each of the 195 local governments in the Twin Cities metropolitan area. Lists household data

such as household composition and income. Data are based on 1980 Census information. The report is a reference document; it does not analyze the data or spell out its implications.

Consumer's guide to housing options for older people, Twin Cities metropolitan area. (1988). St. Paul, MN: Metropolitan Council of the Twin Cities Metropolitan Area.

Dougherty, A., Cuthbert, N., & Moreno, A. (1988). Looking ahead at housing...The effect of changing demographics on the Twin Cities area housing market. St. Paul, MN: Metropolitan Council of the Twin Cities Area.

Report deals with how demographic shifts affect regional housing market, public policy, and economic forces, and how people's responses to those forces influence the market. The following trends are anticipated: lower demand for rental housing; aging of housing stock and increased need for rehabilitation; decreased demand for new housing; greater opportunity for providing low income housing; loss of equity for homeowners; loss of tax base for communities; growth of nontraditional households; loss of subsidized housing; and a general slowing of the region's growth rate.

Female-headed family households in Minnesota: An analysis of housing and household characteristics. (1985). St. Paul, MN: Minnesota Housing Finance Agency.

Forecasts of population, households and employment. 1990 and 2000. For cities, townships, and counties in the Twin Cities metropolitan area. (1986). St. Paul, MN: Metropolitan Council of the Twin Cities Area.

Data on population, households, and employment by community in the seven-county metropolitan area. Includes 1980 data and projected 1990 and 2000. Contains comments on the forecasting method.

Gillaspy, C. (1989). Housing affordability trends: Defining the state's role. In 1989 Economic Report to the Governor (pp. 88-118). St. Paul, MN: Minnesota Housing Finance Agency.

Covers: factors affecting affordability in housing (housing costs and household income); withdrawal of federal government commitment to housing; and purchasing power. Most vulnerable are young renter families, female-headed renter households, and elderly renters. Discusses implications in terms of affordability trends for households (e.g. age of housing stock, cost of new construction, volatility of mortgage rates, etc.), potential impact on housing industry, and needed role for state and local governments.

Household energy costs in Minnesota. (1987). St. Paul, MN: Minnesota Housing Finance Agency.

Housing condition survey report. 1988 Saint Paul. (1989). St. Paul, MN: Department of Planning and Economic Development, City of St. Paul.

Information is based on a survey of exterior housing conditions conducted in the summer of 1988. The report: 1) provides a measure of city-wide housing conditions, assessed from exterior observation; 2) shows the change in the city's housing condition since 1981; and 3) shows the location and magnitude of rehabilitation need within the city. Generally, the overall condition of the city's housing stock has improved since 1981; however one of five buildings still requires some degree of repair work.

Housing impact report. (1989). State of Minnesota, Chapter No. 328, S.F. No. 522, Article 8.

This legislation mandates an annual report when displacement of ten or more units of low-income housing occurs. Outlines requirements of the report, including development of a replacement plan and providing opportunity for inclusion of public comments.

Housing policy for the 1990's. (1989). Issue Papers. St. Paul, MN: Department of Planning and Economic Development, City of St. Paul.

Issue Papers:

- #1: "Developing a Market-Based Approach to St. Paul Housing." May 1989.
- #2: "Three Factors Affecting the Marketability of Saint Paul Neighborhoods: Home Ownership, Schools, Property Taxes." July 1989.
- #3: "Solving Serious Neighborhood Problems of Disruptive, Illegal Behavior." July 1989.
- #4: "Market Rate Housing Development Opportunity." August 1989.
- #5: "The Management of Rental Property." August 1989.
- #6: "Preserving Existing Affordable Rental Housing." August 1989.
- #7: "Affordable Housing: A Regional Approach is Needed." December 1989.
- #8: Unavailable at this time.
- #9: "Neighborhood Quality." December 1989.

Each paper describes the nature of the problem, presents the background of the problem, and identifies complicating conditions. Strategies are then presented to deal with the problem.

Housing under tax reform: Tough times ahead. (1987). St. Paul, MN: Metropolitan Council of the Twin Cities Metropolitan Area.

Housing vacancies and turnovers in the Twin Cities metropolitan area. Third quarter, July-September 1989. (1989). Data-Log. St. Paul, MN: Metropolitan Council of the Twin Cities Area.

Data indicate a downturn in vacancy rates in quarters 2 and 3. (This is the first downturn since 1985.) Report breaks down vacancy rates by housing type, cities, and duration.

Kayser, T. (1989). Residential building permits issued during first quarter 1989 in the Twin Cities metropolitan area. St. Paul, MN: Metropolitan Council of the Twin Cities Area.

Contains data on housing permits for residential units January-March 1989. Data are from the U.S. Department of Commerce, Bureau of the Census. Summary comments indicate a softer construction market, with a decrease (from 1988) in single-family residential permits. Comparisons are made within the region and to the nation.

Larsen, J. (1989). Tax exempt bond financing: Monitoring compliance with low- and moderate-income set-asides. St. Paul, MN: Metropolitan Council of the Twin Cities Area.

This study evaluates the extent to which projects financed with tax-exempt bond financing are monitored to assure that they are in compliance with those low- and moderate-income "set-aside" requirements. The ease with which monitored projects meet or exceed the set-aside restrictions suggests it is improbable that the unmonitored projects are out of compliance.

Larsen, J., & Vail, J. (1989). The effects of the 1986 tax-reform act on affordable multi-family housing in the Twin Cities area. St. Paul, MN: Metropolitan Council of the Twin Cities Area.

This study examines trends in tax-exempt bond usage, use of tax-exempt bond financing since the 1986 tax reform, the use of the new low income rental housing tax credit in 1987, and the implications of these trends for the production of affordable multi-family housing in the metropolitan area. Several factors have contributed to ensuring greater affordability for low- and moderate-income households. These include: stricter income guidelines; higher percentages of units set aside; annual reviews of household income qualification status; and the tax credit's requirement that households spend no more than 30 percent of income on rent. While earlier programs produced more units of housing, the tighter targeting requirements of the current programs may be reaching tenants more in need of assistance.

Leinbach, R. M. A study of two congregate housing programs in the Twin Cities. (1988). Washington D.C.: Administration on Aging, U.S. Department of Health and Human Services. (Publ. No. 460-88-096)

Assessment of two congregate housing programs to determine their feasibility as models for housing and service arrangements in order to allow the elderly to "age in place." Evaluations ranged from that of physical facilities, to staff and budgets, to clients' physical capabilities. Conclusions are that the programs "work" and provide an effective array of services, tied together by extensive case management.

Long, E., & Rafter, D. (1989). Minnesota Housing Finance Agency: March 1989. St. Paul, MN: Program Evaluation Division, Office of the Legislative Auditor.

Reviews housing issues and trends and examines MHFA's major programs designed to assist low- and moderate-income owners and renters. Covers: single-family mortgage loan programs; home improvement loan programs; multi-family housing development; and housing for special needs popula-