State of Minnesota
Analysis of Impediments to Fair Housing
Federal Fiscal Year 2003

Minnesota Housing Finance Agency
Minnesota Department of Employment and Economic Development
Minnesota Department of Human Services-
Office of Economic Opportunity

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Statewide Analysis of Impediments (AI) to Fair Housing Choice, FY 2002-2003 Updates.

Note 1: Brief background information. Fair housing choice impediments were identified through focus group discussions in 2000. The information collected then remains unchanged and is listed as "anecdotal information reported at focus group meetings " in Appendix X. That anecdotal information formed the basis for identifying specific impediments and action steps to remedy to those fair housing obstacles in the 2001-2005 Minnesota Statewide Analysis of Impediments to Fair Housing Choice. Each year, an annual update provides information about progress made on the actions identified as responses to the impediments, as well as documents new initiatives or impediments.

Note 2: "Step by Step Updates" and "Summary and Analysis." This year, a Summary and Analysis document is the official reporting on fair housing progress, attached to and submitted with the CAPER (Consolidated Annual Performance Evaluation Report) to HUD. The Summary and Analysis document can be found at http://www.mhfa.state.mn.us/about/about_reports.htm. This document here is the step-by-step update, providing the details of the actions taken each year to address fair housing impediments.

Note 3: Organization of the document. Fair housing issues are being addressed by housing types.

Note 4: Statewide and Metrowide Analyses of Impediments (AI) to Fair Housing Choice. The Statewide AI covers Greater MN fair housing issues and actions. The Metrowide AI covers the 11 HUD-jurisdictions metropolitan region's fair housing impediments and actions. This document is the Statewide AI. The Metro AI can be found on the Metropolitan Council website, at **www.metrocouncil.org**. The Statewide AI is a joint document of three state agencies receiving HUD funds for the State: the Department of Human Services- Office of Economic Opportunity (Emergency Shelter Grants), the Department of Employment and Economic Development (Community Development Block Grants), and the Minnesota Housing Finance Agency (HOME Program). The Metro AI is a joint document of 10 metro jurisdictions (Hennepin County, City of Minneapolis, City of Plymouth, City of Bloomington, City of Saint Paul, Ramsey County, Dakota County, Washington County, and Anoka County), with the Minnesota Housing Finance Agency participating as a jurisdiction representing Scott and Carver counties.

FAIR HOUSING ISSUES IN GREATER MINNESOTA.

I. HOMEOWNERSHIP

Although there are still homeownership rate gaps between underserved and non-underserved populations in Minnesota, all regions identified (and some even proudly pointed to) examples of homeownership by newcomers of color as signs of stabilization and successful integration.

IMPEDIMENT A: CREDIT ISSUES.

Impediment A1: Communities of color and the disabled community feel they have limited access to banking institutions.

Action Step 1: MHFA staffs visit regularly with lenders and provide them with technical assistance regarding MHFA products and programs. Members from the MHFA Outreach Coordinating Team have committed to travel throughout the state with other Homes Division staffs to clearly articulate MHFA's strategic directive to serve traditionally underserved communities and provide technical assistance on marketing and outreach methods.

2001 Update: In 2001, MHFA program managers made over 100 visits to lender partners and other administrators, as part of regular monitoring and to update their understanding of MHFA loan programs. During these visits, program managers made sure they discussed access to MHFA programs with all members of the communities the lenders served. In all cases, the availability of translations services, translated brochures and the importance to MHFA of reaching these underserved populations were emphasized during the visits.

As an additional effort to create awareness and accessibility for underserved populations, MHFA now requires lenders to fill out a Marketing/Outreach Plan each year (at contract renewal) to demonstrate their awareness of the existing underserved populations in their service area and how they will attempt to serve them. (Outline below)

Additional examples of single-event and ongoing efforts by the Homes Division and the Outreach Coordination Team to further open access to all communities include:

- Inclusion of underserved population initiatives in the RFP process asking all applicants to describe how they will serve these communities.
- 30th Anniversary Homes Tour, which included underserved population information and a round table discussion of reaching underserved populations.

- Real Estate Partner Cultural Competency training, through which over 1000 Real Estate Partners were exposed to MHFA products and learned about how different populations can access these products.
- Regular lender, realtor and other partner contact through e-mail notices regarding funds availability, offers for technical assistance, and rate changes or program changes.
- When lenders asked for cooperative marketing opportunities with MHFA, their past marketing and outreach track records were reviewed to assure that the appropriate direction was taken with these partnerships, resulting in a greater emphasis of the message of service availability to underserved populations.
- The promotion and delivery of the Lender Outreach Awards was a major success among lenders who won the awards and served as a benchmark for lenders who fell short of the award criteria. This enabled additional discussion with lenders about the methods to reach these populations and sharing ideas to achieve this success.
- MHFA implemented a lender requirement to provide a yearly plan to reach underserved populations, which will be reviewed by the lead of the Outreach Coordination Team, who is responsible for providing further marketing suggestions and area population awareness to the lender.

2002 Updates:

The Homes Division continued its marketing and outreach efforts related to better serving underserved communities.

- The Real Estate Partners (REP) Team completed 15 presentations in the work year to over 1600 Real Estate Agents and lenders. Other than metro presentations, Moorhead, Fergus Falls, St. Cloud, Mankato, Duluth, Rochester, and Bemidji were location sites of full day classes. Speakers for the Cultural Competency classes included natives of Puerto Rico, Mexico, Afghanistan, Vietnam, China, Cambodia, Somalia, Thailand, Egypt, as well as many Americans who have different backgrounds than those of longtime residents in Greater Minnesota. Feedback forms for these sessions received over 95% approval ratings from all participants. Suggestions for improvements are being incorporated into the Spring 03 REP Sessions.
- Marketing and Outreach staffs participated in over a dozen lender technical assistance trainings in-house and on the road to over 500 lenders and their staffs.
- MHFA staffs delivered a MHFA program and outreach opportunities presentation to the Minneapolis Area Realtors Equal Opportunity/Cultural Diversity Task Force.

2003 Update:

The Homes Division continued its marketing and outreach efforts related to better serving underserved communities.

Marketing and Outreach activities were intensively pursued. Collaborations with community events, collaborations with lenders, radio spots (more than 13,000 spots all aver the state), TV spots (1,896 spots in NW and WC MN, 5,456 spots in SC and NE MN, and 5,539 spots in the metro area), advertising in local and community-specific newspapers and newsletters, technical assistance translating materials or producing fair housing materials from brochures to videos to web site information were aggressively pursued and implemented.

Six real estate sessions were held by the MHFA Real Estate Partners Team (referenced in 2002) using the real estate cultural competency training (referenced in 2001) so far in 2003 with over 500 real estate agents and at least 200 lenders in attendance.

MHFA was a featured sponsor for 'The Gathering', the women of color exposition in Minneapolis. Over 20,000 people attended over the weekend and MHFA staffed a booth for the entire run of the exposition (over 15 hours!)

Action Step 2: In July of 2002, the Homes Division implemented new lender network requirements, including the submission of a Marketing/Outreach Plan regarding the lenders' work with underserved populations in their service areas. In the near future, those Marketing/Outreach Plan issues will be more thoroughly addressed. These efforts continue to emphasize the Agency's commitment to promote home buying and home improvement opportunities for underserved populations, through the Agency's constant encouragement of lenders' work with underserved populations.

2003 Update: The Marketing/Outreach Plan continues to be a part of the application/renewal process for all MHFA first mortgage and home improvement lenders. Staff members use these plans when meeting with lenders regarding lending activity in their areas.

Action Step 3: Mortgage brokers have become prominent originators of mortgage loans in Minnesota and throughout the country. In particular, brokers have become known as being very adroit in serving low and moderate income markets—the market MHFA wishes to serve. As a result, MHFA is in the process of exploring whether it may expand its network of lender delivery partners by establishing policies and procedures that will result in mutually beneficial business relationships with interested mortgage brokers.

2003 Update:

MHFA is continually looking for ways to efficiently and effectively make its home mortgage loan products available to low and moderate income Minnesotans. One area of focus has always been to ensure it enlists good lender delivery partners to originate loans for sale to MHFA.

In the summer of 2003, MHFA convened a meeting with a number of mortgage brokers in cooperation with the Minnesota Association of Mortgage Brokers, to discuss possible scenarios by which brokers and MHFA could work together, and brainstorm on a number of issues pertaining to establishing a good business relationship. Further exploratory efforts are underway, taking into consideration the insights gained at the joint meeting, from mortgage brokers. Staffs met internally to review minutes and consider opportunities in light of the meeting, prepared a draft "participation criteria" sheet for their programs, and are about to prepare a discussion document for potential interested wholesale lenders.

Action Step 4: The MHFA will continue to expand service delivery options to better serve underserved communities, such as taking on a table funding demonstration project, which will be geographically targeted to serve an area with a high percentage of underserved populations and will reduce the loan delivery time to the same day.

2003 Update:

In 2003, the MHFA initiated a demonstration project related to table funding, as an effort to expand its delivery options.

Table funding means that MHFA will transfer home mortgage loan funds prior to loan closing from the Homeownership Endowment Fund to an account in the name of the partner nonprofit at Wells Fargo Bank. The nonprofit will then draw on those funds to complete loan closing(s).

$2.5 million were granted to the Northside Neighborhood Housing Services (NHS) and Community NHS. Both organizations have deep roots in the communities they serve. Both are committed to serving first time homebuyers in the low income and minority populations. MHFA staff believes this demonstration program will serve to increase the Agency's lending activities among targeted populations in Hennepin and Ramsey counties. Since most of the underserved populations in Minnesota are located in Hennepin and Ramsey counties (the non-white populations are respectively at 19.5% and 22.6% in those counties, compared to the state percentage of 10.6%), staff believes this partnership will also further MHFA's mission related to increasing homeownership in traditionally underserved communities.

In addition to increasing the MHFA's ability to lend to underserved populations, table funding will reduce the delivery time for some loans from up to six months from origination to effectively, a same day delivery, reducing the negative arbitrage on the outstanding bond proceeds. In fact, MHFA intends to use this demonstration to establish internal and external policies and procedures pertaining to table funding to determine whether MHFA wishes to establish this as a standard mortgage revenue bond program funding option. Should this be the case, staff will recommend this action to the Board at a later date.

Example of a suggestion that could be provided through technical assistance:

1) Lending institutions, real estate companies, nonprofits, and local units of government could pool their resources to send homeownership teams to visit with communities of color and the disabled communities in different parts of the state.

Impediment A2: Communities of color who have traditionally been disenfranchised from the economic and financial systems and communities of color who are recent immigrants and refugees have limited knowledge and familiarity with the lending process, lending products, and credit issues.

Action Step 1: MHFA staffs will work with the Home Ownership Center to ensure that comprehensive homeownership training efforts, including the Home Stretch program, which is being transitioned out of the state agency, can meet the needs of communities of color and new immigrant/refugee populations in terms of financial management and credit education.

2001 Update: With the one-time appropriation of $250,000 from the Legislature intended to expand homebuying counseling services to traditionally underserved communities, more resources were secured for Home Stretch, including issues related to financial management and credit education.

2002 Update: The Family Housing Fund and the Greater Minnesota Housing Fund respectively contributed another $125,000 and $45,000 for this targeted homebuying counseling services expansion, for a total of $420,000 in available funds. In February of 2002, $360,000 was allocated to 11 programs throughout the state, while $60,000 was set-aside for a concerted translation effort in 5 languages (Hmong, Laotian, Russian, Somali, and Spanish). It is projected that these efforts will result in an additional 50 workshops being held throughout the state, a network of bilingual/bicultural certified trainers being created, and overall, an increase in the number of communities reached. Currently, the Home Ownership Center has taken the lead in completing the translations. Time has been spent on hiring appropriate staff and finding appropriate community contacts, as well as completing a thorough process of assessing exactly what the translation needs were for specific communities.

2003 Update: More information will be forthcoming when the special HECAT fall report arrives in mid-Nov.

Different programs evaluated which translations would be helpful for their constituents. The Hmong community opted to translate overhead and presentation materials, with some handouts and various forms, as opposed to the whole Homestretch manual. The Hmong homebuying counselor at Community Neighborhood Housing Services, Inc. also worked on producing a 10-minute informational/marketing video mirroring the MHFA's "Discover Homeownership" video.

The special HECAT programs were extended to another year, to complete the pilot project efforts and expend all granted funds.

Action Step 2: MHFA staff will compile an inventory of existing resources, and will explore other resources and options to provide more financial management and credit education specifically targeting communities of color, and new immigrant/refugee populations.

2001 Update: Will be reviewed further in the future.

2002 Update: MHFA staffs started the process of exploring existing resources for financial management, literacy, and credit repair training, especially those targeting underserved communities. At this point, it was established that the Home Ownership Center will be compiling lists of local resources for several regions in Greater MN, as part of the delivery of services network system. A review of those resources will provide a better base to evaluate gaps in services and solutions. Meanwhile, a list of potential advisors for this inventory evaluation effort has been gathered.

2003 Update: In terms of financial management, literacy, and credit repair resources, the Home Ownership Center added a credit repair and financial management education page to its web site, by county. However, for several Greater MN counties, the referral resources listed are still located in the Twin Cities, and not locally.

Examples of suggestions of other options to explore:

1) Fannie Mae, USDA, MHFA, the Family Housing Fund, and other funders can explore how to generate more resources for that purpose.

2) Agencies serving communities of color, new immigrants, and refugees are often the first or the only resources that those underserved communities interact with. Those agencies serving communities of color can be linked with entities which provide financial management and credit education. Resources would be needed both to train them and to enable them to provide the services.

3) There could be more collaboration with agencies providing welfare-to-work and self-sufficiency resources, either at a state interagency level or at a community level.

Impediment A3: Communities of color, new immigrants, and refugees feel that they experience greater scrutiny with regard to their credit and other background histories, which may limit their access to lending products.

Action Step 1: As part of their technical assistance to lenders, to help them with marketing and outreach to underserved communities, MHFA staff will review

customer services issues and emphasize referrals to credit counseling and repair for unsuccessful applicants.

2001 Update: As the first contact point for many people seeking home loans, the real estate agent is a key gatekeeper of information about the home buying process, including the loan and credit portions. MHFA continues to train Real Estate Agents through the Real Estate Partners program with one of the classes providing 3 hours of cultural competency with guest speakers who detail their culture and how best to work with their communities in financial and real estate transactions.

Ongoing efforts will be made to impress upon lenders, real estate agents and underserved populations that the home buying process, especially the lending portion, is an intense process of scrutiny that everyone goes through. Disclosure and education of the process to underserved populations in Home Stretch classes or through readily available printed materials will assist them to become more familiar with and more knowledgeable about navigating the homebuying financing process.

In addition, Home Stretch will inform people unfamiliar with the American loan system that they have the right and the option to find another lender if they feel they are not being treated in a manner they are comfortable with. They will also be told of basic fair lending issues and resources.

MHFA staffs are continuing to educate themselves about marketing to and working with underserved communities, so that they will be better able to serve as a bridge between lenders and underserved communities. Furthermore, MHFA, as an agency, continues to highlight and encourage the importance for lenders to find successful ways to work with underserved communities, through its Annual Lender Awards.

Finally, this past year, MHFA staff assisted in securing $1 million for the Department of Commerce and the Minnesota Realtors Association, to promote and implement more fair housing education and awareness in the homeownership area.

2002 Update:

The MHFA continues to provide incentives for real estate partners to market and reach out to underserved communities, through the following means.

- Lender Awards were given to 7 lenders across the state to recognize their outstanding work in outreach and loan production to members of underserved populations.
- Home Stretch, now under the direction of the Home Ownership Center with funding from MHFA, continues to grow in its ability to achieve outreach. The Spanish translation of an entire training manual is near completion and will be distributed at the request of Spanish language providers.

- Due to budget forecast shortfalls and other economic recession factors, the Minnesota government found itself in a severe deficit situation, necessitating several budget cuts. The Department of Commerce included that $1 million set aside for fair housing activities, as part of the $3.2 million it selected to return to the state's general fund. However, recently, it would appear that the return of the $1 million was rejected by the legislature and those funds are still available for fair housing activities. At this time, $100,000 was committed to the Don't Borrow Trouble Campaign, for public education to prevent predatory lending.

2003 Update:

The MHFA continues to provide incentives for real estate partners to market and reach out to underserved communities, through the following means.

Lenders awards are still being planned to be given.

The Don't Borrow Trouble Campaign, a half-million educational effort proactively seeking to prevent predatory lending, was launched earlier in the year. Two tracks for print media and broadcast media are being followed. A broadcast scheduling is currently being revised to best reach out to the targeted audiences. A hotline center has been set up and can be accessed through the United Way services. Another initiative involves convening community leaders/social service providers, for discussion and training, to promote their roles in sharing the message.

The MN Department of Commerce and the MHFA collaborated to transfer the remainder of the $900,000 from the Realtors' Recovery and Education Fund to the MHFA. An RFP to use those funds for fair housing activities will be issued in the coming year.

Other examples of other available options to explore:

1) Lending discrimination, especially disparate impact lending discrimination, is not well understood. There needs to be more education both for members from the underserved communities and lenders about lending discrimination. Resources should be provided to the MN Fair Housing Center or a similar agency to develop a curriculum and provide training.

2) As part of developing better marketing practices, MHFA, through its participation in the 50/30 project can encourage lending institutions to train their staffs to provide the same quality of service to clients regardless of their race or disability status, in terms of professional and courteous behavior, information about products and programs, credit screening, working out credit problems, and approving a loan application.

3) Because bad credit or insufficient credit history is often raised as the economic reason why minority and new immigrant/refugees' loan applications are denied, there should be special attention paid to that part of the loan application process. A model can be developed as to how the applicant should be informed about existing resources to help repair or build their credit history, and how the applicant can be encouraged to apply again when the situation has been improved. An alternative would be to conduct a campaign about credit repair and credit building, to inform the general public about that option. MHFA can integrate that as an effective marketing practice, as it is working with the 50/30 project to develop better marketing and outreach efforts to underserved communities.

Impediment A4: Communities of color and new immigrant and refugees do not have the same experiences with financial institutions as the mainstream population, as they have cultural and religious barriers to conventional lending and homeownership systems.

Action Step 1: MHFA staff will continue to be part of discussions with other institutions regarding lending products that are respectful of cultures with religious prohibitions against interest.

2001 Update: MHFA is an active participant in the RIBA (approximate Arabic translation for "interest")-Free Workgroup, a group looking at home ownership and small businesses loan programs that would be acceptable to communities who have religious prohibitions against interest. The work group consists of a number of representatives from the Muslim communities in the Twin Cities, lending institutions, and government agencies (local, state and federal). Currently, the group is studying a number of local and national lending programs that have been used within these communities. The RIBA-Free Workgroup is currently focusing on identifying existing programs that can be used more effectively in Minnesota, as well as on possibly developing new loan programs.

2002 Update: After some basic work regarding interest-averse lending, the RIBA-Free workgroup has been looking at various programs already in existence, and ways the programs may be able to assist Minnesotans.

A few such programs for home mortgage lending were reviewed:

- Hennepin County: can sell tax-forfeited properties to interest-averse populations. However, there is a limited number of such properties, so this will not be a large-scale solution to the issue.
- Freddie Mac: has a product that is currently being used by American Finance House LARIBA, a California-based lender. Currently, this product is available to MN residents via the Internet. However, the transaction is modified with the use

of various addenda, so the standard documents -- with their references to interest – remain in place. As a result, there may be limited potential for the use of these loans without additional changes, because many interest-averse borrowers would be opposed to the base documents.

- HSBC: HSBC, a mortgage lender based in New York City, started a portfolio loan program in March. Currently, it is available only in limited parts of NYC. They may be expanding the program on a state-by-state basis, with a focus on the East Coast.
- - Fannie Mae: is working on a national demonstration program. The work group may contact the Chicago regional office about trying to start a local demonstration program as well.

The work group will continue working on bringing a viable lending program to Minnesota. In the short term, most of the work will focus on a local Fannie Mae demonstration program. The group will also need to look at any state laws that may preclude any of those loans from being made available in MN.

In addition, members of the group have also been working on small business lending issues.

2003 Update:

The MHFA continued its efforts to address religious barriers to credit, through its work with the RIBA-free workgroup, which reviewed 3 main programs this past year.

1) Freddie Mac has a national product, however, the rider still refers to paying interest, although the interest is not really interest. It was deemed to not be a viable product. One planning committee member used it, with unsatisfactory results. It is available through the Internet only, with only one lender located in CA, but the web option makes it accessible in many states.
2) The HBSC bank, based in NY, provides a RIBA-free option only in certain markets on the East Coast, where they have branches.
3) Fannie Mae has a national product, which has been approved by clerics in DC. MN is hoping to be one of the test areas. However, local clerics here have expressed some concerns, therefore, efforts are still in progress to resolve those issues. Next, efforts will shift to finding a lender and servicing agency. The Twin Cities, Rochester, and Marshall would be three likely geographic areas of interest for the program in Minnesota.

Action Step 2: There needs to be more education for lenders about other cultural practices and beliefs, as well as a focus on practical lending practices that serve the purpose of successful business relationships with underserved communities. The Homes Division at MHFA has an Outreach Coordination Team (OCT) that is currently sending its members with Homes Division program managers when they visit with

lenders throughout the state and take that opportunity to highlight marketing and outreach efforts to underserved communities in their areas.

2001 Update: (See A1 Section Step 1) In addition, this year, discussions have continued with the St. Paul Urban League, to explore how they can become an MHFA lender and help better serve the many communities that may be less likely to walk into conventional financial institutions.

2002 Update:

In cooperation with program managers, 6 sessions of the Real Estate Partners program were held with lenders in attendance, including breakout groups in the afternoon for the lenders as well. Marketing and Outreach topics were discussed.

An overview of current efforts to open up the lending system to underserved communities would be as follows:

1) Urban League
The Urban League has entered into a brokerage/referral relationship with the Midwest Minnesota Community Development Corp. (MMCDC), one of MHFA's major lenders. As a result, the Urban League has access to MHFA mortgage and related assistance programs (HAF), as well as the MHFA Fix Up Fund. However, due to internal staff turnover, their ability to originate MHFA loans has been limited thus far.

2) Other Non-Traditional Lenders
Homes Division staff members have been in discussions with a number of other non-traditional lenders regarding the possibilities of offering MHFA home ownership programs. At least one other non-traditional home ownership lender from the Metro area will be applying as a lender in the near future.

3) Marketing/Outreach Outlines
The marketing/outreach outlines are assisting Homes Division staffs as they work with lenders throughout the state.

4) Outreach Awards
This summer, seven lenders were recognized for their outreach to communities of color throughout the state:
http://www.mhfa.state.mn.us/about/press082002.htm

By rewarding these "best practices" among the MHFA home ownership and home improvement lender networks, the Homes Division hopes to increase loan production to communities of color from these and other lenders.

5) CASA and CFUF

Through the MHFA targeted lending programs (Community Activity Set-Aside [CASA] and Community Fix Up Fund [CFUF]), the Homes Division is working to support locally-identified home ownership and home improvement needs. By responding to these locally identified needs, their availability to underserved borrowers has expanded throughout the past year.

6) ECHO

The Entry Cost Homeownership Opportunity (ECHO) program has been redesigned, resulting in a targeted, community-based format similar to CASA and CFUF. As a result, ECHO will be better able to respond to locally-identified housing issues throughout the state, including the needs of underserved borrowers. The Homes Division is already seeing an increase in the number of ECHO applications being submitted by lenders and other community partners.

2003 Update:

The Homes Division Outreach Team was phased out in late 2002. The two marketing staff persons regularly meet with division program managers to discuss outreach and underserved community goals.

Efforts to open up the lending system to underserved communities are continuing.

In terms of non-traditional lenders promoting broader outreach, the Neighborhood Housing Services of Minneapolis and Community Neighborhood Housing Services in St. Paul have become new MHFA first mortgage lenders.

This year's changes to ECHO were designed to standardize program requirements with the Homeownership Assistance Fund (HAF), the entry cost assistance program used in conjunction with the Agency's first mortgage programs, which would better serve underserved communities' needs. The ECHO manual was updated as follows:

- Decrease the amount of downpayment and closing cost assistance from $5,000 to $3,000, which will increase the number of households that can be served by stretching out the agency funds to more households.
- Change the borrower investment requirements from the lesser of 1% of the sales price or $500 (not including prepaids) to the lesser of 1% of the sales price or $1,000 (including prepaids), which will increase the number of households that can be served by stretching out the agency funds to more households.
- Limit borrower cash reserves after closing to a maximum dollar amount of the lesser of six months principal, interest, taxes, and insurance (PITI) or $5,000. Reviewing the cap annually to insure three months PITI plus $500, for the largest permitted loan, continues to fit under the $5,000 cap. This helps homebuyers to make a smoother transition to homeownership and prevents foreclosures.

Action Step 3: MHFA, through its participation in the 50/30 workgroup, will work on hiring and training more staff people in the real estate and mortgage industries from underserved communities.

2001 Update: The 50/30 group postponed further action and decision on issues of hiring and training more members from communities of color in the real estate and mortgage industries, until the selection of a minority-run organization, that would more effectively and appropriately spear-head such efforts. As of December of 2001, the Urban Coalition has been selected as the lead organization. However, plans are underway to fundraise and establish a new staff position to focus on the 50/30 Initiative.

2002 Update: The Urban Coalition hired a new policy person, who will take the lead on the 50/30 implementation efforts. Issues of exactly which activities and how those activities would be supported have not been finalized yet. The MHFA has continued to be actively involved in keeping the 50/30 project on its agenda.

2003 Update: The MHFA remains committed to playing an active role in the 50/30 Initiative, by both recruiting partners to implement the initiative and targeting several of its resources to support the initiative. Furthermore, the 50/30 project falls within the one of the five priorities established for MHFA by the new administration, which aims to decrease the homeownership gap between whites and traditionally underserved communities. The MHFA expects to match or exceed the national average homeownership rates for communities of color, with this new strategic goal.
The Urban Coalition updated the 1998 statistics in the 50/30 Report. It convened several meetings of stakeholders and community members, to provide updates and re-engage partners. Four priority activities were identified: 1) educating young adults about homeownership, 2) reducing personal credit and financial barriers to homeownership, 3) building capacity within the industry to serve diverse homebuyers, and 4) creating affordable housing opportunities. The Urban Coalition hopes to recruit partners who will work on committees focusing on those issues.

Impediment A5: Communities of color, new immigrants/refugees, the disabled communities, and single female-headed households with minor children are generally disproportionately represented in the low- and very low-income categories, and are therefore disproportionately ineligible for mortgage assistance.

Action Step 1: There needs to be more homebuying resources for low- and very low-income households from underserved communities, as well as very large size households. MHFA staffs are currently working on re-designing the Home Steps program, a program aimed at enabling public housing and Section 8 residents to become homeowners. New and basic features of the program are as follows: mandatory home-buying counseling; $1,500 contribution from the family toward the down payment; rehab, entry costs, and equity loans wrapped into one loan, and

expansion to the 7 county metro area. Expansion to additional areas in Greater Minnesota is also planned. That program is expected to better serve that specific segment of the population. Furthermore, MHFA staff will continue to provide support for Habitat for Humanity.

2001 Update: Since the redesign and expansion occurred in the past 6 months, this program, in its current format will not show results for at least a year. Anecdotally, MHFA staffs are confident that the enhancements have made the program more realistic for people to use with the hopes of achieving homeownership by the time they have completed the activities through the counseling/homebuyer clubs.

2002 Update: Homesteps now provides families with a comprehensive financial literacy course along with a homebuyer club, access to an MHFA mortgage, and a second mortgage enhancement that includes down payment, closing costs, and rehabilitation assistance.

In 2002, four organizations were selected for program administration, to receive $30,000 in administrative support funds, broken down into $15,000 flat fee for administrative services, and up to $15,000 available for operating homebuyer clubs (with a minimum of 5 participants completing a six-class series), and $500/per real estate closing involving MHFA loans. All four organizations are local unit of governments and two of them are partnering with a social service program.

Homesteps participants who have successfully completed all requirements of the Homesteps Program will have access to a Homesteps loan pool and will be eligible for an approved first mortgage product.

2003 Update:

The Homesteps program assists households currently living in subsidized housing in transitioning into homeownership, resulting in a subsidized rental housing opportunity for a low-income family.

Homesteps continues to provide families who currently live in subsidized housing with a comprehensive financial literacy course in conjunction with membership in a homebuyer club, access to an MHFA mortgage, and a second mortgage enhancement that includes down payment, closing costs, and rehabilitation assistance. Homesteps participants who have successfully completed all requirements of the Homesteps Program will have access to a Homesteps loan pool.

There are currently discussions taking place between Agency staff and program partners regarding necessary structural changes designed to streamline the program administration and access. The expected result would be greater ease and cost-effectiveness for internal administration, as well as greater attractiveness of the program

for partners wishing to participate in subsidized housing to homeownership initiatives such as Homesteps.

In 2003, the same four organizations that participated in 2002 were selected for program administration under the HECAT RFP, eliminating the need for a separate RFP process for Homesteps, and simplifying both the application and fund disbursement process.

The four Homesteps program administrators received Homeownership Education, Counseling, and Training (HECAT) funds to continue housing-to-homeownership homebuyer clubs: Mankato Economic Development Authority, in Blue Earth County; Scott County HRA, 3 times a year; Southwest MN Housing Partnership, in its three-county service area of Goodhue, Wabasha, and Winona; and Austin HRA, quarterly in Freeborn and Mower Counties.

Action Step 2: ECHO, the Entry Costs Homeownership Opportunity Program providing entry cost assistance for homebuyers using first-time homebuyer mortgage products other than MHFA's, has increased its options for low income and disabled homebuyers.

2002 Update: ECHO changes are expected to add options for homebuyers, as illustrated below:

- the rate of return is no longer generated through a discount charged at the time of the loan purchase, instead an annual interest rate of 5% with payment deferred until sale of the building will be charged to the borrower;
- maximum assistance was increased to $5,000;
- up to $10,000 in assistance can be available where appraisal-required repairs effectively eliminate housing from the affordable housing market;
- ECHO can be used to refinance a sub-prime mortgage or contract-for-deed;
- Additional program enhancements will support lending products for disabled individuals;
- ECHO can be used with community land trusts (CLTs), in accordance with MHFA Board's policies pertaining to CLTs.

In 2002, thirty five percent of the households served by ECHO were from communities of color.

2003 Update:

See Action Step 2, 2003 updates for ECHO changes.

In 2003, twenty four percent of households served came from communities of color. It was noted that this year was particularly challenging as MHFA products experienced very stiff competition from the private market sector where interest rates reached all-time lows.

IMPEDIMENT B: LACK OF INFORMATION.

Impediment B1: Home Stretch, the primary program to provide information, education, and resources to first-time homebuyers in the state, is not accessed as often as it should be, by communities of color.

Action Step 1: MHFA staff will work with the Home Ownership Center (HOC) to achieve the greatest level of success with regards to the Home Stretch program effectiveness in serving underserved communities.

2001 Update:

1. MHFA and HOC have been working with the Hispanic Housing partnership, which currently provides Home Stretch in Spanish, to find a way to effectively expand the program and workshops to the Minnesota Latino population. MHFA has committed to translating the new Minnesota Home Stretch manual into Spanish.

2. MHFA has been working with an American Indian organization, through the program manager here at MHFA, to determine a way to expand homebuyer education opportunities within their community, through the use of partnerships and existing networks.

2002 Update:

1. MHFA and HOC's work with the Hispanic community has continued through the special HECAT efforts. NeDA (Neighborhood Development Association) is opening an office branch in Minneapolis, in addition to its headquarters in St. Paul. UMOS (United Migrant Outreach Services) received a small grant to conduct three workshops in Southeast Minnesota. The Spanish translation is part of the larger consolidated translation effort undertaken by the HOC.

2. MHFA refers American Indian families and individuals seeking homebuyer counseling and homebuyer education to the network of approved Homebuyer Educator and Training Providers.

3. Special HECAT. See Impediment A2 in this section. Action Step 1, 2002 Update.

2003 Update:

Special Hombuyer Education Counseling And Training (HECAT) updates, see Impediment A2, Step 1 updates.

In 2003, HECAT funds were awarded to projects that are continuing to provide language access services to traditionally-underserved communities:

- Spanish community-focused efforts will be undertaken by the City of Moorhead/Village Family Service Center in Fargo/Moorhead and Grand Forks/East Grand Forks; by Heartland CAP in the Willmar Area, on a quarterly basis; by the Neighborhood Development Alliance, in St. Paul and Minneapolis; and by the Partners for Affordable Housing with Resource Connections, working with a local lender who is highly involved with the local Hispanic population in the area.
- Hmong classes will be provided by Community Neighborhood Housing Services, in the metropolitan area.
- American Indian community-focused efforts will be undertaken by the Headwaters Housing Development Corporation in Mahnomen County.
- Khmer-focused efforts will be continued by PRG.

Examples of suggestions that could be implemented:

1) Home Stretch programs could track demographic data related to who attended the trainings and follow-up data about who actually achieved homeownership.

2) Existing Home Stretch programs could establish partnerships with existing organizations primarily serving the underserved populations, so that both sides would maximize their resources, pool resources and overall, increase their capacity to serve underserved populations.

Impediment B2: Homebuying training is not useful to communities of color when it is provided directly prior to the closing of a transaction as opposed to earlier in the homebuying process.

Action Step 1: Real estate agents and community organizations serving underserved communities can play a critical role in marketing the Home Stretch program to members of underserved communities who are just starting in their homebuying process. The OCT is planning to hold 4 training sessions for real estate agents from January to April of 2001, where 5,000 real estate agents are expected.

2001 Update: Over 1000 real estate agents attended training sessions in 2001, which emphasized the importance and benefits of education to, not only the homebuyers, but also the agents themselves. The Homebuyer Support Team and program managers support Home Stretch in every visit with lenders, real estate agents and the public, to whom they emphasize the importance of beginning Home Stretch as early in the homebuying process as is possible.

The Homebuyer Support Team also designed and implemented an insert for the MHFA brochures, which encourages undertaking homebuyer training as a fist step, before or at the same time someone visits a lender for the first time.

2002 Update: See Impediment AI, Action Step 1, 2002 Update.

2003 Update: See Impediment AI, Action Step 1, 2003 updates.

Impediment B3: The lack of availability of Home Stretch in other languages in Greater Minnesota is a barrier to homeownership for communities of color living in Greater Minnesota.

Action Step 1: MHFA staff will work with the Home Ownership Center to assist in making the Home Stretch program more successful in reaching out to underserved communities.

2001 Update: MHFA staffs have worked extensively with the Homeownership Center to secure a one-time appropriation of $250,000 to expand homebuyer counseling services to traditionally underserved communities, especially those with language and culture barriers. Next, staffs from both agencies were involved in the development of a special request for proposals for those funds, that would both encourage existing homebuyer counseling services to increase their capacity to serve underserved communities, as well as enable organizations run by communities of color to gain expertise in providing homebuying counseling services to their constituents. That two-pronged approach should effectively increase access to homebuying counseling services in underserved communities, and is hoped to build and sustain real capacity within the housing industry and the traditionally underserved communities.

2002 Update: See update in Impediment A2, Action Step 1, in this section.

2003 Update:
The fall of 2003 annual report summary for the Homeownership Education Counseling and Training Fund- Historically Underserved Populations initiative, covering the period 10-1/2001 to 9/30/2003, showed different interim results. A first note would be that the 11 projects originally selected received different grant sums and expected different outcomes. Other miscellaneous notes:

- one project completed its program and expended all its funds, noting challenges in competing with subprime lending products and professionals;
- two other projects also did some parallel predatory lending education via a different pool of funds, the data between the two different programs may not be exactly separated; common concerns from those two projects were the low level of interest in post-purchase services and the inquiry into which incentives would be needed to raise homebuyers' participation levels; although post-purchase services are areas of great importance, no service provider has yet found the formula to make them attractive to new homeowners;
- most of the projects, except for the one that is fully completed, were waiting for documents to be translated, and have not been fully implemented yet, however, preliminary reports and efforts showed that it was a challenge to do outreach and finally identify what approach would be most effective;
- in terms of translation updates, the Hmong translation materials were completed and started to be used this past year; the Lao, Russian, and Spanish translated

materials were just completed and may have been tested, but fuller implementation is on the way; the East African (Somali) translations are on hold, but plans are underway to ensure that translation project will be completed.

Example of a suggestion for more effective outreach to underserved communities:

1) More bilingual/bicultural "cultural consultants" or staffs or Home Stretch trainers have to be trained and utilized in the Home Stretch programs, to ensure better outreach and accurate translation as well as concept translation.

Impediment B4: Communities of color may be less able to participate in Home Stretch programs because they have less resources for childcare, transportation, and cannot afford to take time without pay off from work.

Action Step 1: MHFA will continue to work on making comprehensive homeownership resources and training more accessible to all Minnesotans.

2001 Update: HOC has had discussions with providers on a statewide basis to attempt to coordinate the scheduling of workshops to provide for the greatest variety in workshop availability. For example, it has been working with a region to offer some Saturday classes, some daytime classes, some evening classes and more locations. The HOC has also been meeting with providers to find out and share options providers have for addressing childcare, transportation and other issues. Some ideas have included using volunteer senior organizations to provide on-site childcare. Also, rather than having scheduled workshops in one location, holding education sessions on an "as needed basis" where the location can travel to the recipient would be another option. Most of these activities are being talked about or are at the beginning of being tested.

2002 Update: During 2002, HOC reported experiencing a growing awareness by Home Stretch providers of the need to coordinate their workshops within a region so that sessions are offered on a variety of dates and times to create choice and meet the diverse time requirements of consumers. In addition, providers are trying to physically fill geographic gaps by moving workshops around in a region and/or increasing the number of offerings to reduce travel by participants.

Although some providers have attempted to offer childcare, it is difficult to do so, because of the unevenness of the demand.

In terms of language accessibility, at least 5 organizations in the state are now offering Home Stretch in Spanish. The regularity varies, but Spanish language workshops are definitely on the rise. The Home Stretch workshop manual is presently being translated into Spanish with funding and staff support from MHFA. Other groups that Home Stretch providers are currently reaching or taking steps to reach are the Hmong, Cambodian, Somali, and Laotian. Interpreters are frequently used for individual

homebuyers of other languages. In the past, this has included Vietnamese, Burmese, and others.

2003 Update: See Impediment A2, Step 1, 2003 updates, and Impediment B3, Step 1, 2003 Updates for the special HECAT focusing on language access services, and see Impediment B1, Action Step 1, 2003 Update, for more information on currently funded HECAT programs with a focus on traditionally underserved communities.

Example of a suggestion for more effective outreach to underserved communities:

1) Exploring the nonprofit trend to make programs financially self-sustaining, by maximizing support from those who benefit from these services, from both the lender and the consumer sectors.

Impediment B5: Communities of color overwhelmingly reported a lack of outreach efforts from lenders.

Action Step 1: In order to increase resources to underserved borrowers, MHFA will set and meet aggressive goals for single-family programs.

2001 Update:

Goals have yet to be set for this year due to workplans remaining unfinished.

MHFA has identified many lenders who are doing a great job with outreach, whether they are making an effort or not. MHFA will continue to support these lenders through cooperative advertising opportunities and other partnerships that are effective in attracting underserved communities.

MHFA marketing resources will continue to be used predominantly to promote awareness in underserved communities. Examples include targeted TV stations (BET, WB, Lifetime), targeted shows (NBA, NFL, Local News), targeted radio (MIX, B96, Radio Rey) and print media (La Prensa, Asian Pages).

(See Impediment A1, Step 1)

2002 Update:

The MHFA continues in its efforts to encourage lenders' marketing and outreach to underserved communities.

- Twenty (20) cooperative associations with regional lenders were established this year to make appearances in connection with the MHFA TV or radio spots. Leveraging the lender marketing dollars with MHFA's, this activity was able to generate about $52,000 in additional marketing with MHFA's name. Lenders were selected for this program based on successful service to underserved populations,

willingness to participate on a financial level and expertise in the ability to do MHFA loans.

- On behalf of the Agency, MHFA staff submitted a nomination in the Communications Innovative Media category of the Award for Program Excellence program sponsored by the National Council of State Housing Agencies. The award, based on a series of commercials produced by MHFA staff, included a Spanish speaking and Hmong speaking lender and counsel and further encouraged members of these populations to become involved in homeownership.

2003 Update:

The MHFA continues in its efforts to encourage lenders' marketing and outreach to underserved communities.

Marketing and Outreach Activities were intensively scheduled. Collaborations with community events, collaborations with lenders, radio spots (thousands all over the state), TV spots (thousands all over the state), advertising in local and community-specific newspapers and newsletters, technical assistance translating materials or producing fair housing materials from brochures to videos to web site information were aggressively pursued. Specifically, marketing events occurred at the Realtor Housing Symposium, the Minneapolis Board of Realtors, the Hispanic Marketing Conference, the Gathering: Women of Color Expo, the Multicultural Realtors Network, the NAHRO Conference, the American Indian Housing Conference, the Olmsted County HRA Home and Garden event, the Minneapolis Home & Garden show, the HUD Government on Display event at the Mall of America.

This year, the MHFA Homes Division is reporting the following projected goals and actual outreach outcomes for its major programs:

MHFA Program	Program goal for Minority Outreach	Actual Outcome for Minority Outreach
MRB (all Minnesota Revenue Bond Programs)	14%	12.62%
MMP	12%	9.35%
MCPP	12%	9.92%
CASA	20%	19.23%
HAF	18%	14.09%
ECHO	35%	23.55%
Homesteps	20%	14.44%
Rehab	15%	10.54%
Fix-Up Fund	7%	6.75%
CFCU	10%	9.1%

Note1: The minority outreach goals include the Black, Hispanic, Asian, American Indian, and Other population categories. No specific goals were set for each individual group.

Note 2: The minority outreach goals were established based primarily on past and anticipated financial performance. The goals usually were designed to be "stretch" goals, and were more difficult to set and meet during the past year due to the more competitive mortgage interest rate and lending environment. Throughout the year, there were a number of program modifications which are apparently having a positive impact based on increased activity during the last quarter of the year.

Note 3: Program full names and brief descriptions.

- MRB, the Minnesota Revenue Bond, consists of the main source of resources for the MHFA Homes programs.
- MMP, the Minnesota Mortgage Program is a first time homebuyer loan program that helps low to moderate income Minnesotans to buy a home. The interest rates are below market rates and available to Minnesotans based on their income.
- MCPP, the Minnesota City Participation Program allows cities and counties to apply to MHFA for funds for use in meeting locally identified housing needs. The program provides below market interest rate home mortgage loans for low and moderate income first time homebuyers.
- CASA, the Community Activity Set Aside program provides partnerships with access to pools of MHFA funds that enables these partnerships to meet specific local homeownership credit needs. The partnerships consist of lenders, local government and nonprofit housing providers. Homebuyers can obtain CASA loans through MHFA participating lenders.
- HAF, the Homeownership Assistance Fund assists low to moderate income first time homebuyers participating in an MHFA program to purchase a home by providing zero interest, deferred loans to help with down payment and closing costs.
- ECHO, the Entry Cost Homeownership Opportunity program assists low to moderate-income borrowers to purchase a home by providing loans to help with down payment and closing costs. ECHO is designed to support community-lending programs created by partnerships within communities throughout Minnesota.
- Homesteps, this program assists households currently living in subsidized housing in transitioning into homeownership, resulting in a subsidized rental housing opportunity for a low income family.
- Rehab, this program assists low to moderate income homeowners in financing home improvements that directly affect the safety, habitability, energy efficiency and accessibility of their homes.
- Fix-Up Fund, this program provides below market interest loans to make home improvements, improve energy efficiency, and provide accessibility.

- Community Fix-Up Fund, this program is available to help community's address their home improvement needs and objectives. In cooperation with a local partner, Minnesota lenders who participate in the Fix-Up Fund are eligible to apply for access to these program funds in a designated community. A subprime product is also available.

Action Step 2: The 50/30 workgroup is working on a marketing campaign, as a major outreach effort to underserved communities.

2001 Update: The 50/30 group postponed further action and decision on issues of marketing more aggressively to communities of color, until the selection of a minority-run organization, which would more effectively and appropriately spearhead such efforts. As of December of 2001, the Urban Coalition has been selected as the lead organization. However, plans are underway to fundraise and establish a new staff position to focus on the 50/30 Initiative.

2002 Update: See A4, Action Step 3.

2003 Update: See A4, Action Step 3, 2003 Update.

Action Step 3: In its selection process, the CASA (Community Activity Set-Aside) Program has been taking into consideration the CASA initiatives' goals and past track records of successfully serving the underserved populations. This should promote greater outreach and service to the underserved populations.

2002 Update: Eighteen percent of households served through CASA were from communities of color.

2003 Update: Nineteen percent of households served by CASA were from communities of color: a slight increase despite the private sector competition.

Impediment B6: Traditional disenfranchisement from the financial system resulting in a lack of familiarity with the financial system and a lack of financial knowledge in traditionally underserved communities increase their vulnerability to predatory lending.

Action Step 1: The MHFA with several other partners launched a Don't Borrow Trouble Campaign, providing educational materials (including advertising) and a hotline, to educate families and individuals about avoiding predatory lending scams and about available community resources.

2003 Update: The Don't Borrow Trouble Campaign was launched in early March at the State Capitol, with the following objectives:

- identify the impact of predatory lending in the Twin Cities metro area, including communities and households most affected;
- develop and launch a public education campaign targeted to neighborhoods and populations vulnerable to predatory lending practices. (e.g., elderly, new immigrants, communities of color, female single heads of households, and persons in a housing/financial crisis);
- identify, coordinate and expand community resources to counter and respond to predatory practices;
- build access for consumers to community resources;
- provide outreach and education to community organizations and community leaders to increase awareness and understanding of predatory lending practices; and
- assess the Campaign's effectiveness in reaching communities and populations vulnerable to predatory lending.

The hotline is hosted by the United Way First Call for Help system and is currently operational.

At this point, the Don't Borrow Trouble Campaign reported the following media/education activities since March 6, 2003:

Number of Calls: 505
Posters distributed: 400
Website hits: 1350
TV commercials aired: 303
Radio commercials aired: 391
Billboards placed: 102
Bus Interiors: 500 with take-one cards x 6 months (projected) = 3,000 bus interior ads
Newspaper: 52 1/2 page insertions spread over 5 publications
Brochures distributed: Approx. 3,000 English, 1,000 Spanish
Doorhangers: Approx. 5,000 distributed

The hotline activities' report shows the following, since March 6, 2003:

- in terms of source of information leading to calls, 12% of the calls came from radio ads, 15% from billboards, 23% from TV, 6% from buses, 11% from newspapers, and 33% from others;
- in terms of the nature of the requests, 21% of the calls related to general information, 34% to refinancing, 5% to foreclosure, 5% to pre-purchase, 6% to credit counseling, 12% to predatory evaluation, and 11% to other issues;
- in terms of action taken, 47% of the callers were referred to an agency, 22% were mailed information, and 28% had other actions pursued.

IMPEDIMENT C: LACK OF AFFORDABLE HOUSING.

Impediment C1: There is a lack of affordable homes that low and very-low income households from underserved communities can purchase.

Action Step 1: The 50/30 group is looking at how housing affordability can be addressed in an inflationary housing environment.

2001 Update: Due to staff departure, that activity was not completed.

Action Step 2: There needs to be more affordable home resources. MHFA has re-designed its Homeownership Assistance Fund (HAF) and Entry Costs Homeownership Opportunity (ECHO) programs to help address the gap between what lower income households (where a disproportionate number of households headed by single women with children and of households from underserved communities can be found) can afford and the purchase price of even entry-level homes.

2001 Update:
With housing prices rising at a faster pace than salaries, first time homebuyers were being priced out of starter homes. HAF was redesigned to feature a $10,000 equity contribution option as part of the HAF loan. This contribution added more options to decrease the gap between home prices and household income for many low-income buyers. The equity contribution piece of HAF is only used with the Community Activity Set-Aside (CASA) program, as these borrowers are the most targeted customers that we serve.

While the existing housing stock dwindles and prices rise, discussions have been taking place to direct more efforts to setting up Community Activity Set-Asides through the CASA program, along with partners who can help and possibly subsidize low-cost, new construction to continue to increase the housing stock, some of which will be targeted for low income households.

2002 Update: The HAF redesign and marketing undertaken at the beginning of the year was successful beyond expectations, increasing the use of those funds from $1 million to $8 million, in less than a year. As a result, in mid-year, due to funding capacity limitations, in order to allow appropriations to support the program through the remainder of this Affordable Housing Plan and the next, the following changes were instituted:

- decrease the amount of Entry Cost Assistance (ECA) from $3,500 to $2,500;
- place a cap on borrower liquid assets after close to 3 months PITI (principal, interest, taxes, and insurance) instead of a flat $5,000, bringing the program more in alignment with the standard requirements of the secondary market;

- require a minimum borrower investment of the lesser of 1% or $1,000, bringing the program more into alignment with the secondary market and resulting in a slight reduction in the average HAF loan amount;
- limit the HAF Equity Contribution Loans to a maximum of $5,000 when other affordability gap financing is available, to better share the cost of providing assistance to the borrower between MHFA and its partners;
- reduce the lender compensation on HAF loans from $400 to $300 per loan, keeping administration costs down;
- authorize the reduction of the total amount of assistance under Homesteps from $30,000 to $20,000.

In 2002, the HAF Program expended $9,564,596, serving 1,851 households, of which 19% were headed by single women with children and 14% were from communities of color.

2003 Update:

The MHFA adopted HAF and ECHO program changes, which should result in greater utilization rates by underserved communities. The MMP and MCPP borrower eligibility was limited to borrowers earning less than 60% of the median area income tiered by household size and to borrowers purchasing in low-income census tracts, which will further promote the targeting of underserved communities. The minimum housing ratio in the HAF calculation was increased to 29%, which will reduce the amount of HAF loan by reducing the amount of the HAF monthly payment or equity contribution assistance for some borrowers, but brought it in alignment with the ratio used for underwriting.for most government and conventional loans sold in the secondary market, therefore increasing the second market resale flexibility, which should benefit MHFA product users. With input from lenders indicating acceptance of the change, lender compensation for using HAF was reduced from $300 to $150, conserving HAF funding resources to serve more households. ECHO and HAF maximum assistance were aligned to $3,000, gaining administrative efficiency, which promote the overall offering and use of MHFA products, reaching out to more potential users. For the same purpose, the minimum borrower investment requirements under ECHO was changed to the lesser of 1% of the purchase price or $1,000 including prepaids, for a consistent program guideline under HAF and ECHO, simplifying the programs for participating lenders. Both programs also limit the borrower cash reserves after closing to a maximum dollar amount of the lesser of 6 months principal, interest, taxes, and insurance (PITI) or $5,000, which will improve the risk position of new homeowners by allowing increased assets to support successful homeownership. The ECHO income and purchase price eligibility requirements now equal the CASA program limits for all areas of the state, which will result in better targeting of ECHO funds to intended users, such as households from underserved communities. Finally, as of July 2003, pre-approval of HAF Funds prior to closing is no longer required.

In July of 2003, an ECHO grant selection provided $50,000 to Habitat for Humanity, to use with the Habitat's interest free mortgage loan product, with the stipulation that community partners contribute HOME and CDBG funds and home designs for families living with a disabled person.

2003 Update: In 2003, the HAF Program expended $5,149,416, serving 953 households, of which 22% were headed by single women with children and 16% were from communities of color. It should be noted that more single women-headed households with children and more households from communities of color were served despite decreases in the amount of assistance distributed and in the total number of households served.

Action Step 3: The Minnesota Urban and Rural Homesteading Program (MURL) is another MHFA program aiming at providing homeownership opportunities for lower income households needing more affordable homes. Increased resources are anticipated for the MURL program.

2001 Update: In its Consolidated Housing and Community Development Plan, FFY 2001-2005, MHFA allocated $3,200,000 in HOME funds to the MURL program.

2002 Update: A total of sixteen households were served by MURL, with a total of $1,085,154 in assistance. All households eligible for MURL must be below 80 % of the HUD area median income. Thirty-eight percent of those households consisted of single female-headed households with minor children and 19% came from communities of color. Thirteen percent of the households were in the extremely low-income bracket (under 30% of median family income-MFI), 63% were very low-income (between 31% and 50% of MFI), and 25% were low-income (between 51% and 80% of MFI).

2003 Update: A total of 17 households were served by MURL, with a total of $999,334 in assistance. All households eligible for MURL must be below 80 % of the HUD area median income. Twenty four percent of those households were in the extremely-low-income bracket at 30% or less of the median family income (MFI), 47% were very low income in the bracket between 31% and 50% of the MFI, and 29% were low income between 51% and 80% of the MFI.

Action Step 4: In recent years, there has been considerable growth in both the interest in and actual development of community land trusts (CLTs) throughout Minnesota. This growth has been fueled by the desire of many in the affordable housing community to provide long-term affordability to the benefit of low- and moderate-income households throughout the state.

The community land trust model is one potential solution to long-term affordable housing, allowing the original subsidy to be a long-term investment in maintaining the housing affordability. The cost of the land is factored out of the property sale price. Furthermore, CLT homebuyers agree to limit their share of the increased home equity

to a certain percentage of the actual total increased home equity, limiting the resale price of the house, and allowing others to benefit from the affordable housing.

With the rapid growth of interest in CLTs, there have also been a number of challenges and issues raised by development funders, lenders, mortgage insurers and within the CLT community itself pertaining to this tenure choice. Proponents of CLTs note that they are a means by which single family housing subsidies and long-term affordability on single-family properties may be retained. However others have reservations such as concerns about the limited wealth creation resulting from community land trust homeownership, especially with regards to underserved communities who would have the greatest need for wealth creation. Development subsidy funders and lenders in the primary and secondary market are being asked to support CLTs with increasing frequency. While these funders have been interested in supporting this concept, a number of questions have arisen.

In light of the above, in 2002, the Minnesota Housing Finance Agency (MHFA), the Family Housing Fund and the Greater Minnesota Housing Fund sponsored a full-day meeting to discuss the opportunities, issues and challenges pertaining to CLTs. A carefully structured, facilitated dialogue helped further mutual understanding about CLTs that will benefit everyone in the affordable housing community and, ultimately, homebuyers in CLTs.

2003 Update:

The MHFA continues to be involved in the growing housing sector of community land trust.

1. The interest in and growth of land trusts during the past several years has been considerable, and MHFA is working with a variety of partners to ensure their long term viability and sustainability. Pursuant to an MHFA co-sponsored "Community Land Trust Summit" in the fall of 2002, MHFA has formed a working group including the Greater Minnesota Housing Fund, the Family Housing Fund, the Metropolitan Council, Twin Cities LISC and Fannie Mae to consider investment policies for community land trusts in cooperation with the Minnesota Land Trust Coalition. During the winter 2003 funding round of the Community Revitalization Fund (CRV), funding was proposed for the Chaska Community Land Trust, the Two Rivers Community Land Trust and the West Hennepin Affordable Land Trust, and the Rondo Land Trust as part of the City of St. Paul's proposal.

   MHFA funded all of the land trusts mentioned, in the following respective dollar amounts: Chaska: $170,000 from MHFA and $150,000 from Met Council; Two Rivers CLT, $40,000 from MHFA and $42,000 from Met Council; West Hennepin CLT, $25,000 from MHFA and $150,000 from Met Council; and the City of St. Paul, $350,000 from MHFA, $150,000 from Met Council and $100,000 from Family Housing Fund.

2. A Community Land Trust is now an eligible targeted activity under the Community Fix-Up Fund (CFUF). CFUF requires the formation of a partnership between currently participating Fix-Up Fund lenders and community partners that address a community's home improvement needs. By using CFUF to address Community Land Trusts, the community land trust/lender partnership can help the homeowners understand the calculations necessary to determine how much equity the homeowners actually have and therefore, what their borrowing limitations are and how much value the improvements will add to the portion of the equity that will be retained by the homeowners at sale. Thus the borrowers will better understand the provisions of the land trust, and have access to affordable home improvement financing through CFUF.

   The partnership's responsibility would include reviewing the ground lease addressing the following items:

   A. Determine if the ground lease contains any provisions that would prevent effective use of the Community Fix-Up Fund in providing affordable home improvement financing for land trust properties.

   B. Determine the resale formula and method to capture current value for use in determining the equity calculation.

   C. Identify any restrictions on home improvements, repairs, or alterations.

Action Step 5: The MHFA will continue to explore ways to expand resources and capacity to provide more affordable homeownership opportunities.

2002 Update:

The MHFA completed a Study of Inclusionary Housing Initiatives, identifying standard features, looking at existing models, how they might be applicable to Minnesota, and coming up with a set of recommendations, including legislative recommendations. In terms of homeownership, the study noted that voluntary inclusionary programs are more favorable, as multifamily rental costs are too prohibitive.

The MHFA continues to support the efforts of the Metropolitan Council's Mayors' Regional Housing Task Force, which issued a 2002 "Affordable Housing: Making It a Reality" report, seeking to identify how the region can meet its affordable housing needs. Four objectives were highlighted: 1) leveraging of private resources, 2) careful and focused public investments, 3) engagement and education of policy makers and the public, and 4) building effective partnerships. Those are to be achieved through four avenues: 1) construction practices that can reduce the cost of housing, 2) affordability sustainability over a long period of time, 3) funding sources in tough fiscal environments, and 4) finding the role that cities can play. The Mayor's Regional Housing Task Force intends to use the report as an educational tool and a base for further action.

2003 Update:
Government regulations have received attention nationally and locally, as factors impacting the cost of housing.

The MHFA released a Model Zoning Technical Advisory Group (MZTAG) Report, the product of in-depth discussions by a multidisciplinary group of professionals whose purpose was to recommend ways that local government may simplify and reduce the cost of redevelopment in fully developed areas, and of mixed-use and compact new development.

The MZTAG started with identifying and analyzing elements of land use planning and zoning that impede compact, mixed-used development, and redevelopment. It then conducted research, reviewing national and local models. A consensus was reached on the nine following findings:

1) mixed-use, compact development and redevelopment and infill, are viable alternatives to current patterns in some cases and areas, and could produce housing that is currently needed and desired in this market;
2) the development of more compact, walk-able, mixed-use areas that incorporate a variety of housing types can reduce costs and still meet the goals of achieving quality design and construction, promoting the character of the community, and ensuring compatibility with surrounding areas;
3) redevelopment and infill in fully developed areas can be an efficient use and re-use of resources;
4) stakeholder, including public officials, community members, planning staffs, developers and others, could benefit from education and exposure to the principles of mixed-use, compact development to increase understanding and decrease fear of the unknown;
5) cities can promote or encourage mixed-use, compact development and redevelopment, through amendments to comprehensive plans and development regulations;
6) health, safety, and welfare concerns can still be met with narrower streets that use the minimum amount of land necessary, yet still facilitate emergency vehicle access, snow removal, parking, and pedestrian safety;
7) health, safety, and welfare concerns can still be satisfied though comprehensive plan requirements and land regulations that reduce setback and dimension requirements, and allow for higher density;
8) water quality and wetland buffering requirements, while serving other policy goals, disproportionately impact higher density mixed-use development and redevelopment by reducing the amount of usable land and increasing costs; strategies to address those barriers can be explored;
9) reviews and approvals by state, county, watershed, and municipal agencies pursuant to statutes, rules, and ordinances should be streamlined to allow projects to proceed more expeditiously, thereby reducing time and costs; strategies to address barriers can be further explored.

Impediment C2: There are limited resources to assist low and very-low income households from underserved communities to achieve homeownership. Furthermore, members and service providers from underserved communities report that they feel there is often a time lag between the time when funds become available and the time they learn about those opportunities.

Action Step 1 MHFA staff will assist the Home Ownership Center and other MHFA program administrators in establishing partnerships with agencies serving underserved communities, to ensure that these communities learn about opportunities.

2001 Update: MHFA has started to work on establishing such relationships between existing homebuying counseling services providers and the Hispanic and the Native American communities. However, this is only the beginning. There are expectations that the one-time appropriation for HECAT targeting traditionally underserved communities will further create or strengthen ties between the existing network of housing services providers and organizations run by communities of color who have access to and the trust of their constituents.

2002 Update: see A1, Step 1, in this Section I. The special HECAT appropriations have engaged in housing/homebuying more community-based organizations, such as the Association for the Advancement of Hmong Women in Minnesota, the South Sudan Development and Relief Agency, and the United Migrant Outreach Services.

2003 Update: See Impediment A2, Action Step 1 and Impediment B3, Step 1, 2003 Updates above.

The MHFA is moving towards being more proactive in seeking housing production opportunities in partnership with underserved communities and community-based organizations. MHFA staff visited with several community groups, such as the African American Men's Project, the Aurora-St. Anthony Neighborhood Corporation, and the Hawthorne Area Community Council. The former resulted in one concrete reservation of CASA funds for the Northside Residents Redevelopment Council (NRRC) Heritage Park project, which should increase homeownership opportunities for the African American community. Further exploration of a collaborative initiative with the Hawthorne Area Community Council is in progress. Connections were made with other groups, which have an interest in becoming more engaged in housing development and management, such as the Saint Paul Foundation Pan African Community Endowment (PACE) Housing Initiative and the Morning Star Missionary Baptist Church.

The MHFA has started an Opening Doors meeting series, inviting traditionally underserved community members and community-based organizations to visit the MHFA, hear from its staffs, learn about its products, as well as about housing issues in general. Two meetings were held in early spring and summer, with increasing interest from all.

Finally, the MHFA started a housing listserv targeting the underserved communities and their community-based organizations, sending out housing news and opportunities, on a regular basis.

Action Step 2: Habitat for Humanity is a good resource to help communities of color achieve homeownership. MHFA will continue to support the work of Habitat, throughout the state.

2001 Update: During the past year, the Bruce F. Vento Year 2000 Affordable Housing Program was implemented on behalf of Habitat for Humanity Affiliates throughout Minnesota. Under this program, $20 million is available for Habitat for Humanity Minnesota in the form of an interest free revolving loan. Habitat for Humanity Affiliates may sell interest free loans to homebuyers incident to this loan and use the proceeds to construct more homes.

2002 Update: As of June of 2002, 141 units have been completed and sold, expending $8 million. Fifty-six percent (56%) of the buyers are non-white. Fifty-three percent (53%) of the buyers are female-headed households. The average buyer's income was $20,000. Ninety-three (93) houses are located in the metro area, while 48 are located in Greater MN. The average sale price is $74,000 in the metro area and $56,000 in Greater MN. The average home value is $113,000 in the metro area and $90,000 in Greater MN. It was helpful to have an already existing housing production system such as the Habitat for Humanity program, which only needed the influx of dollars to complete the houses. Special highlight: in 2002, MHFA approved a special request from the MN Assistance Council of Veterans to collaborate with Habitat for Humanity, to access funds from the Urban Indian Housing Program, for the purpose of building a house for a Native American Veteran and his family.

2003 Update: For FY 2003, Habitat for Humanity reported 62 units funded, for a total of mortgages at sale value of $5,023,848. Sixty-one percent (61%) of the buyers are non-white. Fifty-six percent (56%) of the buyers are female-headed households. The average buyer's income was $22,865. Thirty-eight houses are located in the metro area, while 24 are located in Greater MN. The average sale price is $91,871 in the metro area and $63,865 in Greater MN. The average home value is $129,212. The average number of children in the household was 3.9, with a total of 239 children and 86 adults served.

Action Step 3: In 2000, HUD established the Section 8 Homeownership Program, allowing local administering agencies to create homeownership using a portion of their Section 8 rental voucher subsidies. Section 8 subsidies can be used for up to 15 to 20 years to partially pay for a mortgage, excluding entry costs such as downpayment and closing costs.

Eligible households must be first-time homebuyers, meet a minimum income level, demonstrate a history of full time employment and sufficient income to afford both

their house payments and household expenses, and must have participated in a local program administrator's homeownership and housing counseling program.

2001 Update: The MN legislature approved a one-time appropriation of $250,000 to provide Section 8 administrative funds to operate the Section 8 Homeownership Program, as HUD did not set aside administrative funds

2002 Update: Four (4) organizations were selected to receive administrative funds, which will help them implement the Section 8 Homeownership program: Brainerd HRA is proposing to target working mothers with children; MPHA will use the funds for gap financing in a high-priced housing market and for some administrative expenses; Duluth HRA will use the funds for training, homeownership education and counseling; and the Southeast Minnesota HRA will make twenty $2,000 deferred loans to cover closing costs and establish a revolving loan fund to assist with emergency repairs.

2003 Update: Funds were awarded to 4 agencies for a two year period. Final reports will be submitted at the end of the two years.

Examples of suggestions of partnership activities:

1) Routine outreach and marketing efforts to make limited resources known to underserved communities, before funds run out.

2) Long-term homebuying training for people who may not be ready now to buy a home but may want to own in a few years, such as Somali refugees, need to be maintained.

3) The Family Assets for Independence in MN (FAIM) is a good program to help low-income families, many of whom are from communities of color, get into homeownership; however, it was capped at 460 + participating families statewide due to legislative funding limit.

Impediment C3: Employers' participation in housing development is critical to enable their employees of color to achieve homeownership.

Action Step 1: MHFA has proposed consolidating several of its programs to increase opportunities for leverage from employers, by creating an economic development challenge fund as a permanent base program.

2001 Update: MHFA consolidated most of its homeownership development programs into the Economic Development and Housing Challenge Program. This became part of the MHFA's base budget during the 2001 legislative session. Since that time, MHFA has been developing administrative rules to provide for full program implementation.

2002 Update: Information to be forthcoming.

2003 Update: See II Private Rental Housing, Impediment A2, Action Step 1, 2003 Updates, related to outside dollars leverage.

Action Step 2: Do more outreach to employers to educate them about the benefit of providing affordable housing to their workforce. MHFA staff will continue to promote the challenge fund in its present and soon-to-be adopted form, which involves encouraging partnerships with the private sector in housing development.

2001 Update: MHFA staffs have had a number of meetings with employers to educate them about the benefits of providing affordable housing to their workforce. MHFA has also been promoting the Economic Development and Housing Challenge Fund, as it is fundamentally employers' responsibility to put together proposals meeting program requirements. Much of the focus for the promotion has been with developers of, and advocates for, affordable housing.

2002 Update: None to report.

2003 Update: See II Private Rental Housing, Impediment A2, Action Steps 1 and 2, 2003 Updates, related to outside dollars leverage and workforce housing.

Action Step 3: MHFA will continue to engage the private sector in the development of affordable homeownership.

2001 Update: Ongoing. Specific activities to report for the past year have consisted of: re-structuring and drafting new rules for the Economic Development and Housing Challenge Fund, a major change which was the subject of a feature article in the Star Tribune over the Labor Day weekend; re-designing the program brochure to better engage the private sector; and meetings between the MHFA Commissioner and the Greater Minneapolis Chamber of Commerce.

2002 Update:

The Economic Development and Housing Challenge Fund rules were promulgated.

The MHFA selected the First Homes of Rochester as the winner of the Excellence in Affordable Housing Initiatives Award. First Homes is a colossal private-public sector partnership aiming to create 875 new units of affordable housing (both rental and ownership) over a five-year period. Millions of dollars were leveraged from the private and public sectors, with state foundations, local foundations, private foundations, banks, businesses, and units of governments. One of the strategies used to keep house prices at an affordable level is to build starter homes. MHFA is one of the project's partners.

2003 Update:

First Homes was selected for special recognition by MHFA, as a model of for-profit-nonprofit housing financing and development partnership excellence. That recognition promotes and encourages other employers to meet their employees' housing needs.

See II Private Rental Housing, Impediment A2, Action Step 1, 2003 Updates, related to outside dollars leverage.

IMPEDIMENT D: LACK OF HOMEOWNERSHIP-RELATED RESOURCES.

Impediment D1: Due to their economic circumstances, a substantial number of households from underserved communities buy older homes or deteriorated homes, however, there are no or limited resources to help with the repairs.

Action Step 1: MHFA will implement changes to the Community Fix-Up Fund to require better targeting of resources to underserved populations. In addition, borrowers with poor credit histories will be required to obtain budget counseling. The non-traditional lender network will be expanded.

2001 Update: A core issue in achieving better outreach to underserved communities relates to making the right connections with entities actually working with the targeted population. MHFA staff has diligently identified organizations that already provide services in underserved communities, such as energy assistance, and has enlisted them in its network of non-traditional lenders. Those new non-traditional lenders are nonprofits and government agencies using CDBG or their own funds or credits with banks (MHFA can buy their loans in a matter of days, so they would only need to use their line of credits to make advance loans for a really short time period) to make Community Fix-Up loans that MHFA buys on the secondary market. The non-traditional lenders consulted and trained with existing conventional lenders or in other ways, to develop capacity to provide this lending service. They then designed their own criteria for primarily subprime community fix-up loans that are needed by segments of the underserved communities who may not have access to conventional loans due to credit history issues and other barriers. Those subprime community fix-up loans charge 1% interest higher than the regular community fix-up loan interest rates of 5.5% for households with incomes under $35,000 and 7.5% for households with incomes over $35,000. In addition, nonprofits and government agencies taking on the responsibility to provide this service are granted a slightly higher processing fee, $650 instead of $550 per loan, as those applications may require more intensive work to address barriers. Currently, there are 41 non-traditional lenders, plus two in the process of becoming lenders, serving Minnesota. These lenders provide services in the eleven county metro area and 46 counties in Greater Minnesota.

2002 Update: The Community Fix-Up Fund is available to help community's address their home improvement needs and objectives. In cooperation with a local partner, Minnesota lenders who participate in the Fix-Up Fund are eligible to apply for access to these program funds in a designated community.

Applicants eligible for this program are low-to moderate-income homeowners who occupy the property to be improved in participating communities. Applicants must also meet any additional targeting criteria established by the community.

The Gross Annual Household Income Limit for the Community Fix-up Fund is $88,000 statewide.

Borrowers with less than perfect credit (sub-prime) may be eligible for a loan under this program. Potential borrowers can refer to the matrix on the MHFA website to determine if sub-prime loans are available in their community. Each lender establishes its own underwriting criteria.
Interest rates are based on the income of the household and the targeting criteria of the participating community. Current interest rates can be obtained on the MHFA website. The maximum loan amount is $35,000 with a maximum loan term of 20 years. Loans over $5,000 must be secured with a mortgage. Loans are not assumable and are due upon sale of the property. Properties must be owner-occupied, one-to-four units, and taxed as real property.

CFUF loans are now available in 60 of the states 87 counties. Potential borrowers can determine availability in their particular county or neighborhood by checking the matrix on the website.

In FY 2002, 10 % of the loans were made to households of color and 11% to households headed by single women with children. Seven percent of the CFUF loans were subprime loans, however, there is no breakdown as to percentages of households of color and households headed by single women with children in the subprime program data.

2003 Update:

In FY 2003, 8 % of the loans were made to households of color and 11% to households headed by single women with children. Eight percent of the CFUF loans were subprime loans, again with no further breakdown related to underserved communities served in the subprime program data.

The Community Fix-Up Fund Program was one of two MHFA programs honored with a 2003 National Council of State Housing Agencies (NCSHA) Annual Award for Program Excellence. The CFUF program was recognized for its flexible design features, to meet specific home improvement needs and objectives as identified by community partnerships. The program has served 3,009 households since April 1996, which have a

median income of about $45,000. The dollar amount of loans purchased to date totals over $38,200,000.

Community Land Trusts are now an eligible targeted activity under the CFUF. The CFUF Program requires the formation of a partnership between currently participating Fix-Up Fund lenders and community partners that address a community's home improvement needs. By using CFUF to address Community Land Trusts, the community land trust/lender partnership can help the homeowners understand the calculations necessary to determine how much equity the homeowners actually have and therefore, what their borrowing limitations are and how much value the improvements will add to the portion of the equity that will be retained by the homeowners at sale. Thus the borrowers will better understand the provisions of the land trust, and have access to affordable home improvement financing through CFUF.

The partnership's responsibility would include reviewing the ground lease addressing the following items:

A. Determine if the ground lease contains any provisions that would prevent effective use of the Community Fix-Up Fund in providing affordable home improvement financing for land trust properties.
B. Determine the resale formula and method to capture current value for use in determining the equity calculation.
C. Identify any restrictions on home improvements, repairs or alterations.

Examples of suggestions for outreach and marketing efforts:

1) Strengthen the home maintenance-related training portion of the Home Stretch program.

2) Compile and distribute lists of existing low-cost home repairs classes provided by home improvement stores.

Impediment D2: American Indian homebuyers do not have access to the same lending products as the rest of the population, as the tribal housing programs currently do not provide home equity loans and conventional banks currently do not provide those for homes on trust land.

Action Step 1: Tribal housing corporations/programs should be given the opportunity and the capacity to provide home equity loans. MHFA is working on developing those options.

2001 Update: MHFA staff will continue to work in collaboration with the tribal housing corporations to expand their capacity to provide home equity loans and refinancing of existing mortgages, which would include a review of statutory restrictions.

2002 Update: MHFA staff did not pursue the possible use of Tribal Indian Housing funds for home equity loans or refinancing of existing mortgages. Staff, however, worked with the Tribal Housing Corporations to expand their capacity to provide other resources to their tribal members.

2003 Update:

The MHFA held an American Indian Housing conference in the Fall of 2003. The targeted audience included American Indians interested in single home and multifamily rental housing development, tribal leaders, other developers, housing financing institutions, local government officials, etc. The conference was very successful with 205 registered participants, well above the projected 100 attendees. It also did very well financially and will have the resources to support future conferences for the next four years. Plans are underway to start planning for the 2005 American Indian conference, exploring how the American Indian housing conference could coordinate with the Affordable Homes Congress, the mainstream homeownership conference, and exploring how the American Indian Housing conference can further the MHFA Commissioner's goals to decrease the homeownership gap between whites and non-whites.

This year's conference was organized to provide three track options: 1) A blueprint for homeownership, headed by Colleen O'Fraley, from the local Fannie Mae's Minnesota Partnership Office; 2) Financing Housing Developments, headed by Rick Smith, the MHFA American Indian program staff, and 3) Supportive housing, headed by Tony LookingElk, a HUD Community Builder. Attendees had the options to either follow one track throughout the conference or mix-and-match. During the conference, issues of successful/sustainable housing, long-term planning for homeownership from personalized housing plans to financial literacy/credit counseling, and issues related to the NAHASDA (presented by HUD-Chicago) were planned to be addressed. More specifically, actual sessions to highlight would be a presentation by a family sharing their homebuying journey and a session on lending in the American Indian communities, especially on reservations. As to the latter, several lenders were present, participated in a Q & A session, and staff reported that partnerships may have incubated there. In the evening, resources fairs were held with twenty vendors represented. MHFA staffed a resource booth focusing on available programs, both multi- and single-family.

Two final points related to the timeliness and importance of this year's Indian American housing conference: 1) three Tribes, through increases in revenue attributed to their gaming enterprises, have been able to address sewage and water systems, as well as increase services to the elderly, enabling a better infrastructure and resources for housing development and management; and 2) the informal networking taking place during the conference was as important as the formal agenda, as ideas and partnerships emerge and come to fruition from casual social interaction and discussions.

In 2003, the Saint Paul American Indians United group was approved for $99,900 in Urban Indian Housing Program funds to provide funds for rehabilitation and value gap of three homes acquired for sale to Indian families meeting program requirements. Little Earth of United Tribes Housing Corporation was approved for $300,000 in UIHP funds for the physical improvements to the Little Earth property. These funds are a part of a total package of funding from other Agency resources, the City of Minneapolis, Hennepin County, the Family Housing Fund and HUD.

Action Step 2: MHFA will continue to encourage tribal housing corporations and conventional lenders to develop partnerships.

2001 Update: MHFA staff will conduct an assessment related to barriers and possible solutions for better partnerships and business relationships between tribal housing corporations and conventional lenders.

2002 Update: MHFA staff conducted initial meetings with conventional lenders who are in close proximity to the reservations to pursue partnerships and business relationships with Tribal Housing Corporations.

2003 Update:

During the past year and half, Agency staff has conducted Tribal Indian Housing Program Summits with the MHFA's Tribal Indian Housing Program partners to discuss improvements to the program and to enhance relationships developed over the years. The first Summit began with a legislative primer as it relates to the Tribal Indian Housing Program, discussing the statutory authority for the program and the Agency's responsibilities under the Statute. The remaining Summits focused on the rules, development of housing plans and the creation of a single program procedural manual, which will allow greater program flexibility and efficiency. Currently, each Tribal Indian Housing Program partner operates under its own procedural manual even though all manuals are virtually the same. With the single Tribal Indian Housing Program Procedural Manual, emphasis is placed on the program statute, rule and housing plan. Program partners can now take ownership of the program by developing housing plans based on the housing needs of their reservations.

Impediment D3: Households with a member with a disability remain one area of the most underserved segments of the community.

2003 Update: The Rehabilitation Loan Program was revised to offer an additional $5,000 for accessibility rehabilitation, if there is a disabled family member that meets MHFA's accessibility and program criteria for a total maximum loan amount of $20,000.

II. PRIVATE RENTAL HOUSING.

IMPEDIMENT A: LACK OF AFFORDABLE HOUSING EXACERBATES HOUSING DISCRIMINATION.

Impediment A1: In the existing housing crisis, landlords are able to be highly selective which may disguise some illegal discrimination.

Action Step 1: MHFA will continue to use its resources as effectively as possible to increase the production of affordable housing, to alleviate the vulnerable position of underserved households seeking rental housing in the private market.

2001 Update: The MHFA continues to work on creating more affordable housing opportunities. In the past few years, the MHFA financed new construction (rental housing) as follows:

1999 667 units
2000 549 units
2001 1,017 units
(this includes 228 units for which we did **not** provide financing, but did allocate tax credits. We have not been able to report on those tax credit units in the past because data were not available until this year.)

2002 Update: 1,305 rental units of new construction were financed by the MHFA.

2003 Update: 1,206 rental units of new construction were financed by the MHFA. It should be noted that multifamily production numbers fluctuate from year to year, as they depend on the number of feasible development proposals submitted for consideration.

Action Step 2: MHFA will provide housing opportunities to households of color at least in proportion to their share of the state's population that is eligible for Agency programs.

2001 Update: In the MHFA 2001 Annual Performance Report, rental housing statistics for households from communities of color show the following results, which basically demonstrate that all rental housing actual outcomes were above the 13.3% benchmark.

	Benchmark 1990 Census Data- eligible households from communities of color	Rental Assistance	New Construction	Rehabilitate/ Preserve Existing Housing
Rental Housing Programs	13.3%	21.8%	27.1%	24.1%

Note: the 1990 benchmark census data is an estimated percentage of the total households eligible for MHFA assistance, e.g., 13.3% of households eligible for rent assistance are of a race other than white/Caucasian.

2002 Update: No report.

2003 Update:

In the MHFA 2003 Annual Performance Report, the following rental housing benchmarks for households from communities of color were established, which will be starting points of reference for actual numbers met by the different MHFA programs.

	Benchmark* 2000 Census Data- eligible households from communities of color	Rental Assistance	New Construction	Rehabilitate/ Preserve Existing Housing
Rental Housing Programs	20%	41%	34%	43%

* The 2000 benchmark is a preliminary estimate. The benchmark here is a percentage of eligible households that are of color, e.g., in 2000 the MHFA estimates that 20% of all households eligible for rent assistance are of a race other than white/Caucasian.

Action Step 3: MHFA will implement the Minnesota Families Affordable Investment Fund program to provide affordable rental housing to MFIP recipients and families who have recently left MFIP**.**

2001 Update: MHFA selected 31 MARIF developments this year, 10 of which have project-based Section 8. This combination of MARIF and project-based Section 8 appears to maximize the availability of affordable rental housing for extremely low-income families, MARIF households included. It should be noted that while the MARIF program is a statewide program, only the Metro HRA, the St. Paul PHA, and the Minneapolis PHA experienced a short-term underutilization of Section 8 vouchers, which they opted to use for project-based Section 8 units in MARIF developments. At the present, those HRAs have resolved their underutilization problem and have closed their lists.

2002 Update: As a 2002 MARIF update, the MF Division would like to highlight Hidden Pond in Apple Valley, the first MARIF development that actually opened and started being occupied. It consists of an 84 unit-development, with 20% or 17 units as MARIF units. The MARIF household average income in that development is $10,000 and the median income is $10,200. The residential demographical statistics show that 33% are minorities and many are single-heads of households. The average age was 25 years old. The development was rented very quickly, thanks to online advertising. An interesting note would be that Hidden Pond was developed by a for-profit sponsor, and

the experience demonstrates that for-profit developers also have incredible existing connections and are able to develop good relationships with social services resources.

Many of the MARIF funds have gone to mixed income housing and permanent supportive housing with a range of services. The MARIF mortgages are 30-year loans, so those affordable housing resources will be available for a long time.

Another 2002 MARIF highlight would be the funding of a 12 unit single family rental development for American Indian families who are current or recent MFIP participants, making available 2 and 3 bedroom units with rents between $400 and $450/month, a project of the Red Lake Reservation Housing Authority.

At this point, all the MARIF funds have been committed, with $54 millions going to 53 developments creating 436 MARIF units.

General statistics for MARIF for FY 2002 would be as follows:
- 85 units (adjusted), for a disbursement in the amount of $17,301,413.

<u>2003 Update:</u>

In FY 2003, general statistics for MARIF are as follow:
- 108 units (adjusted), for a total disbursement of $16,531,075.

In January of 2003, the Upper Landing development project received $1,772,523 in MARIF, for 90 2-3 bedroom-units, including 15 project-based Section 8 units, with rents ranging from $877 to $1,157, at 60% of the Median Area Income and below.

In 2003, the MHFA was fortunate to receive some interest income earnings that allowed it to fund two additional developments. In the fall round of 2003, MARIF had available $1,516,201 to distribute. Two projects were selected by the MHFA board:

- Boone Ave Apartments in New Hope was awarded $812,625 for a new construction, permanent rental development with a total of 35 units. Eight of those units will serve current and recent MFIP participants.
- Krestrel Pines Townhomes in Bemidji was awarded $564,191 for a new construction, permanent rental development with a total of 30 units. Five units will serve current and recent MFIP participants.

At this point, all the MARIF funds have been committed, with $55 millions going to 55 developments creating 447 MARIF units.

MARIF was one two MHFA programs honored by the National Council of State Housing Agencies (NCSHA) with a 2003 Annual Award for Program Excellence in the Special Housing Needs category. MARIF was recognized for providing decent, safe and affordable housing with linkages to services to help residents achieve self-

sufficiency and provide rents affordable to current and recent recipients of MFIP - Minnesota's welfare program. The MARIF program began in June 2000, and will provide a total of nearly 2,100 housing units, including 499 MARIF units. Many of the families served also have special needs.

Action Step 4: MHFA will encourage the Minnesota Department of Human Rights (MDHR) and the United States Department of Housing and Urban Development (HUD) to conduct more testing and enforcement of housing discrimination in the private rental market.

2001 Update: Not started this year, to be addressed in the coming years.

2002 Update: MHFA met with MDHR and HUD to discuss current testing and enforcement issues. Current concerns revolve around lending issues from predatory lending to lending discrimination, as well as fair housing issues arising from the increasing diversity in Greater Minnesota. MDHR has indicated several times that the starting point is always getting a complaint filed. For example, in the lending discrimination area, although there are anecdotes and newspaper articles, there have not been actual complaints filed. Unfortunately, with the current state government deficit, MDHR has already eliminated outreach and has severely limited out-state trips. MDHR is anticipating more budget cuts in the coming year.

2003 Update:

In the summer of 2003, a quick survey snapshot of the current status of fair housing issues in Minnesota, especially as they relate to enforcement, was completed by MHFA staff, as the AI guidelines suggest doing such fair housing enforcement and services evaluations as part of the AI process.

Nine fair housing agencies participated, consisting of: 3 city human/civil rights agencies; 1 state human rights agency; 2 legal aid housing discrimination programs serving the two central cities, several metropolitan counties, and some non-metropolitan counties; 1 fair housing non-profit organization, initiated and funded by a city, from Greater MN; and 1 fair housing non-profit organization, with a testing and research focus, based in the metropolitan area, but serving the whole state.

A summary of current issues would be as follows: **(for a more detailed report, see Appendix- X3)**

- Race-based housing discrimination remains the primary charge filed with most of the participating fair housing enforcement agencies, followed closely by disability, national origin, public assistance, and familial status.
- Both legal aid offices reported much larger numbers of complaints, which may be due to their larger area of service, greater staff capacity with several local offices, and specialization.

- The City of St. Paul reported receiving about 20 housing cases per year, all based on race, and noted that there needs to be more education about fair housing laws and rights, highlighting the many different class protections, especially for New St. Paulites who are immigrants and refugees.
- Overall, several agencies mentioned the need for more fair housing education, resulting in more people knowing about the law and the several protected classes, and filing complaints under the several classes of protection.
- Rental housing remains the primary housing discrimination housing type. A few purchase and lending cases were filed with the Housing Discrimination Law Project (HDLP), which noted that no insurance cases arose. HUD also recollected 2 cases involving lot purchases, but on the other hand, 10-20 calls related to restrictions against children in townhouses.
- Funding cuts and limitations are a concern for several agencies, affecting their staffing capacity and services. However, no one appears to be turning down complainants, due to lack of organizational resources and despite having to cut down services, such as HDLP ending its west metro and St. Cloud projects. Program eligibility criteria (income level, service area/jurisdiction) remain the main causes for rejection.
- Different programs reported different trends or areas of focus: HDLP, on predatory lending, rebuilding some testing program, education through the media, and collaborations, and noted that disability, gender, and national origin are upcoming trends; MDHR, on education; City of St. Paul, noted the need for more education, especially for New St. Paulites, and the trend related to sexual harassment; Duluth programs, on education; HELP, on outreach to immigrants and refugees, developing a supportive service model for physically and mentally disabled populations, and enhancing the capacity of private counsel to respond to complaints of sexual harassment; the MN Fair Housing Center, expressed great concern about funding . The MN Fair Housing Center and HELP both commented that denial of housing bias and segregation continue to be challenges. The Housing Access Center in Duluth identified follow-through with landlords and lack of funds to do testing and investigation, as its local challenges.

Furthermore, the MHFA, both representing Scott and Carver Counties and itself with regards to metropolitan AI activities (as the statewide AI purposefully did not address metropolitan issues to avoid unnecessary duplication), is a member of the regional metro-wide Fair Housing Implementation Council, a regional fair housing group, which will initiate a fair housing enforcement and testing project in 2004.

Action Step 5: MHFA will develop a uniform process for responding to fair housing complaints received by the agency. The process will be included in the manual used by housing management officers.

2001 update: MHFA has established the following procedures, applicable to developments in which MHFA has a first mortgage (1st Mortgage) interest and to developments to which MHFA has provided a deferred loan (Deferred Loans):

1) in response to an individual fair housing complaint, the Housing Management Officer ((HMO), in the case of a 1st Mortgage development) or the HMO EVHI (Economic Vitality and Housing Investment) representative (in the case of a Deferred Loan development) responsible for tracking administrative issues related to the development in question will request a written complaint;
2) that staff person will review the complaint and consult with other MHFA staff regarding the past history with the management company/owner in question;
3) that staff person will take appropriate action, based upon the internal review;
4) the management company/owner in question will be given the opportunity to submit a written response within 21 days on how, when, and if the issues will be resolved;
5) the HMO will follow up with a written response within 14 days;
6) if the matter is not satisfactorily resolved, the HMO will refer the complainant to an appropriate fair housing enforcement agency;
7) fair housing complaint documentation will be kept at the MHFA office for the required length of time.

MHFA will refer fair housing complaints on non-MHFA properties to the appropriate fair housing enforcement agency.

MHFA staffs have revisited and clarified the HUD fair housing referral back to MHFA staff for internal efforts to quickly resolve fair housing non-compliance in MHFA-financed buildings. MHFA staffs are also in the process of ensuring that HUD conciliation notices are forwarded to the Agency for compliance monitoring.

2002 Update: No specific updates or complaints were reported, although one staff person indicated that HUD had inquired about a specific complex, which mortgage has been paid off but for which MHFA is still administering the Section 8 HAP contract. However, MHFA has been minimally involved in the HUD complaint review process and has no details about the nature of the complaint.

2003 Update: A clarification would be that the MHFA-MF complaint process guidelines only apply to Section 8 resident complaints referred back to MHFA by HUD for some internal attempt at resolution, if MHFA has a Section 8 first mortgage on the property or serves as the contract administrator. If the MHFA mediation efforts are unsuccessful, the complaint is referred back to HUD if the initial complaint originated from there. MHFA asset management staffs will only be involved in the informal complaint process, when no formal HUD complaint has been filed yet, but HUD staff upon a first review has determined that the issues appear to relate more to management issues than

discrimination and therefore, it would be appropriate for the MHFA to participate. If it is clearly a discrimination issue, HUD would have to file a formal complaint and would not involve the MHFA in the HUD process, other than keeping the MHFA informed of key findings.

This year, the MHFA entered into a memorandum of understanding with the Metropolitan Interfaith Coalition for Affordable Housing (MICAH)'s Fair Housing Partners Program replicating the fair housing complaint referral back to MHFA asset management staffs.

That MICAH program received a HUD fair housing grant to do more fair housing laws and complaint process education targeting minority communities, with the goal of increasing the number of fair housing complaints, as per the HUD fair housing requests for proposals' guidelines, which focus on fair housing and HUD complaint education, which does imply that fair housing concerns will be addressed. MICAH and its partners (Center for Asian Pacific Islanders, Hmong Mutual Assistance Agency, United Migrant Opportunities Services, and American Indian Policy Institute) will notify MHFA at the same time as they notify HUD of a fair housing complaint related to an MHFA-financed development, so that MHFA asset management staffs can attempt some internal mediation.

Furthermore, in 2003, the MHFA responded to two complaints from the Somali community. One came from tenants residing at an MHFA-financed building, who were assisted by a service provider and a legal aid office, and requested to formally meet and seek to resolve their issues with staffs from the MHFA Multifamily Division. The other came from a general complaint from the Somali Women's Association, working with several families in the suburbs, who had experienced problems with their management services, one leading to an eviction notice. Both complaints were responded to with meetings and follow up actions from MHFA staffs.

Impediment A2: The increasing costs of building affordable housing.

Action Step 1: MHFA will continue its role as the lead agency in Governor Ventura's Big Plan initiative on Partnerships for Affordable Housing.

2001 Update:
MHFA is the lead agency on Partners for Affordable Housing. The following performance indicators were identified as measures of success on this initiative:

Indicators:
- Leverage of non-state resources in affordable housing development projects.
- Investment in affordable housing development projects by businesses and employers both in amounts and in numbers.
- Cost reductions in affordable housing development projects due to local regulatory relief.

2002 Update: In 2002, Governor Ventura published the Results of his Big Plan. In the area of Partnerships for Affordable Housing, ratios of successful leveraging of non-state resources demonstrated great strides (despite the past year's economic downturn situation) in maximizing investment from the private sector and reducing unnecessary regulatory costs, to increase the availability of workforce housing.

In the first half of 2003, a total of $177,131,000 in overall outside housing funds was leveraged to enhance $23,258,000 in available state funds. For every state dollar, $4.04 in outside dollars were invested. Twenty contributing local businesses and employers provided $4,034,000 in private funding, double the target established for that time period. In terms of regulatory relief, in the homeownership area, local governments reduced or eliminated restrictive regulations (density requirements, lot sizes, fees, zoning limits) by $811,000. In the rental housing area, a saving of $1,628,000 in regulatory costs was achieved, resulting in resources being available for housing production.

The agency leverage can further be broken into outside dollars that supported multifamily rental housing and homeownership opportunities. In the second half of 2002, those breakdowns were as follow:

	Agency	Outside Funds
MF	$31,075,912	$111,800,834
Homes	$5,349,063	$6,379,729
Total	$36,424,975	$118,180,563

Table 1- Leverage of non-state resources in affordable housing development projects.

Time Period	MHFA Funding	Overall Outside Funds	Total	Leverage Ratio
Baseline 6 mos.	$19,661,000	$84,589,000	$104,250,000	$4.30
1st half 2000	$27,540,000	$127,994,000	$155,534,000	$4.65
2nd half 2000	$29,005,000	$162,906,000	$191,911,000	$5.62
1st half 2001	$34,564,739	$105,542,196	$140,106,935	$3.05
2nd half 2001	$33,469,237	$180,209,158	$213,678,395	$5.38
1st half 2002 (target)	$26,074,810	$122,000,000	$148,000,000	$4.68
1st half 2002 (actual)	$23,258,000	$117,131,000	$140,389,00	$4.04
2 half 2002	$36,424,975	$118,180,563	$154,605,538	$3.24

The MHFA has reported on its performance on these measures at six-month intervals starting January 2000 through June 30, 2001.

2003 Update:

The change in administration brought certain changes.

A. Outside Dollars Leveraged

The change in administration has phased out the Big Plan. However, the Agency tracked the following, which provides some information related to outside dollars leveraged:

Note 1: Private sector means lenders, owners, employers, and tax credit syndicators for the Multifamily Division; and private investments, lenders, owners, and local businesses for the Single Family/Homes Division.

Multifamily Division, fall of 2003

	Amounts contributed
lender	$7,097,450
owner	$7,517,303
employer	$80,000
syndication (tax credits)	$19,062, 936
total private sector contributions to the developments	$33,757,689
percentage of private contributions, in relation to the total contributions	36.56%

Single Family/Homes Division, Spring of 2003, Community Revitalization Program only

	Amounts contributed
lender	$100,000
owner	$142,500
local businesses	$336,765
private investments	$71,000
total private sector contributions to the developments	$649,665
percentage of private contributions, in relation to the total contributions	3.15%

B. New Administration's Directions

In the summer of 2003, the MHFA presented an agency strategic direction plan to Governor Pawlenty, which establishes the five priorities for the Agency:

1. End long-term/chronic homelessness - the most vulnerable citizens must not be left to the streets;
2. Increase homeownership rates for underserved populations – obstacles to achieving the "American dream" for these groups are reflected in a homeownership gap for communities of color;
3. Preserve as much existing affordable housing stock as is economically feasible - much of the housing stock is at risk or deteriorating, and would be cost prohibitive to replace;

4. Provide housing that supports the state's economic vitality by providing more housing choices for low- and moderate-income workers; and,
5. Reinforce the MHFA's role as a housing resource of choice thereby making a great Agency even better.

Action Step 2: MHFA will continue to collaborate with the Minnesota Housing Partnership in its "Housing Minnesota" campaign to improve attitudes about affordable housing and the people who need and live in affordable housing.

2001 Update: MHFA is actively working with the Housing Minnesota campaign on its outreach to employers and businesses, related to the workforce housing issue. Along with the National Housing Conference (NHC), the MHFA reshaped the agenda of a NHC regional roundtable on September 6th to focus on the issues of workforce housing and business involvement in housing development. The MHFA participated in the Housing Minnesota's housing convention in November.

2002 Update: The MHFA is continuing to support the Housing Minnesota campaign in an advisory capacity, as well as in terms of resources when appropriate.

In 2002, after having crafted and displayed award-winning public communications vehicles during the previous years, the Housing Minnesota campaign has moved into a "constructive engagement" phase focused on involvement of working volunteers from various sectors of the state's economy, such as employers, faith, education, labor, government, seniors, "people affected". The latter engaged members from traditionally underserved populations often falling under the protected classes of the Fair Housing Act. Efforts in those communities recruited key volunteers who helped organize forums and collected surveys at the grassroots level, with the ultimate purpose to include all voices and ensure participation by all.

In terms of business outreach, a Committee on Workforce Housing contacted over 6,000 businesses and formed a nucleus of several hundred business leaders committed to securing housing affordable to the many entry level and service workers entering the workforce. Efforts have included "listening sessions" with elected officials, development of policy options and presentations at various public meetings. A Board consisting of dozens of well-known Minnesotans has been recruited. A widely supported November 15, 2002 "Homes for All" convention will help frame a long-term policy approach. The Governor-elect of Minnesota will keynote.

2003 Update:
The HousingMN campaign actively advocated on affordable housing issues and tracked legislative issues over the past year, providing valuable information via the Internet. It also sends out a weekly online newsletter to various constituents. It sponsored candidate forums focusing on affordable housing issues during election time.

On November 24, 2003, Governor Pawlenty addressed 150-200 business leaders at the Workforce Housing Conference, a summit on employer participation in providing housing affordable to the workforce. The event ended with a delegation flying to Marshall, MN, leading a celebration of the Parkway II housing development, which involved $1,5 million committed by The Schwan Food Company, $1.12 million committed by the City of Marshall, about $1 million dedicated by the Greater Minnesota Housing Fund, and $162,000 committed by the MHFA (which may also contribute additional future funds up to $2 million), resulting in 131 newly constructed and rehabilitated housing units affordable to the local workforce. The summit was a collaborative effort organized by nonprofit and housing industry sponsors, bringing together employers committed to learning about programs and techniques to help provide affordable housing choices to their employees. Other speakers at the summit included Conrad Egan, President/CEO of the National Housing Conference, Commissioner Tim Marx from the MHFA, and a panel of employers. Sponsors and organizers of the event consisted of the Greater Twin Cities United Way, the HousingMinnesota Committee on Workforce Housing, Fannie Mae, the Minneapolis Foundation, and the Neighborworks Network.

Action Step 3: MHFA will consult with the Family Housing Fund and others about how to best use the findings of the recent Maxfield Research, Inc. studies on the effects of affordable housing on property values of surrounding single-family homes and on workforce housing.

2001 Update: The Maxfield Research/GVA Marquette Advisor's study on workforce housing in the metro area was released. The report received coverage from the St. Paul Pioneer Press, the Minneapolis Star Tribune, City Business, and Minnesota Public Radio.

2002 Update:
The Family Housing Fund produced two sets of Maxfield reports:
1) one on the relationship between affordable family rental housing and home values in the Twin Cities and;
2) one on the need for workforce housing.

Those reports are intended for public education targeting grassroots groups and public officials, to be used as informational tools in support of the need for affordable/ workforce housing. No specific actions were prescribed in the reports; however, the Maxfield reports have been widely referenced to in affordable/workforce efforts.

2003 Update: On November 20, 2003, the MHFA, the Family Housing Fund, and the Greater Minnesota Housing Fund, along with the Metropolitan Council as a participating organization, released "The Next Decade of Housing in Minnesota Study", completed by BBC Research & Consulting. That project quantifies the need for affordable housing in the state from 2000 to 2010 and will inform decisions about

housing investments throughout the state over the decade. It enables the use of consistent data for policy discussions regarding future housing needs.

Summary of the findings are as follow:

- nearly 300,000 low-income Minnesota households are cost-burdened, paying more than 30% of household income on housing costs, as per HUD's definition;
- in the Twin Cities metropolitan area, 171,000 low-income households or 46% are cost-burdened;
- in Greater Minnesota, 126,000 or 30% of low-income households are cost-burdened;
- an additional 33,000 affordable housing units for low-income households in Minnesota will be needed by 2010, further broken down into 22,300 units in the seven-county metropolitan area, and approximately 10,600 units in Greater Minnesota;
- the need for continued participation from many partners and sectors of society including business, philanthropic and nonprofit organizations, local governments, builders, developers, and others is highlighted;
- there is a growing need for housing affordable at 60% of the HUD median family income in the seven Twin Cities metropolitan area counties and at less than 80% of the HUD median family income in Greater Minnesota;
- these data underscore the need for cost reduction strategies in housing construction, and continued efforts at rehabilitation and preservation of the existing housing stock affordable to low-income Minnesotans.

Action Step 4: The MHFA will continue to work on and support legislative initiatives seeking to decrease/control the costs of affordable housing.

2002 Updates:

- The 2001 Minnesota Legislature enacted legislation providing an exemption from sales tax on construction materials for low-income housing which is owned by a housing authority, an entity exercising the powers of a housing authority, a limited partnership of which the housing authority is a general partner, or a non-profit corporation. For-profit corporations who are owners or partners in a public housing project are eligible, but only as it applies to the portion of the materials that will be used for the low-income housing units instead of materials for the entire development, in support of the Hollman replacement units in Minneapolis.
- The Legislature authorized cities and developers to negotiate, in the course of approval of a subdivision, PUD, or site, for the development to include housing that: a) meets established sales or rent prices; b) meets established income limits; c) includes equity sharing provisions; and d) is part of a land trust. Neither the city nor the developer is required under this legislation to agree to any of these provisions. The city also has the option to prepare a

fiscal note before it adopts or amends official controls related to housing which may impact the cost of producing housing.

2003 Update:

The 2003 MHFA Policy Bill:

- authorized the refinancing of the debt on federally assisted housing in order to preserve the housing as federally assisted housing (MSA 462A.05);
- authorized the demolition and new construction under MURL, if it is less expensive than rehabilitation (MSA 462A.057, subd. 1);
- the current conditions under which newly constructed housing in the metro area can be financed with mortgage revenue bonds have been simplified to one test: whether the newly constructed house is serviced by a sewer system, either the regional system or a system operated and maintained by a local unit of government (MSA 462.073, subd. 2);
- authorized the Agency's to delegate the administration of the non-profit capacity building loan to nonprofit corporations that are not incorporated in the state, but have an office in the state (MSA 462A.21, subd. 2a);
- increased the debt ceiling from $2.4 billion to $3 billion (MSA 462A.22, subd. 1);
- allowed the Agency to make periodic transfers from any debt service reserve fund to other funds (MSA 462A, subd. 7);

Other relevant legislative updates:

- the 4d tax classification was completely eliminated for taxes payable in 2004, the tax rate for 4d properties went up from 1% for taxes payable in 2003 to 1.25% for taxes payable in 2004 and beyond; the constraints on the assessment of 4d low-income rental properties will be repealed for taxes payable in 2005, which will allow income or rent-restricted properties to appeal the assessment to lower their tax burden (MSA 273.126);
- a work group on supportive housing for long-term homelessness was formed to develop and implement strategies to foster the development of supportive housing to 1) reduce the number of Minnesota individuals and families that experience long-term homelessness, 2) reduce the inappropriate use of emergency health care, shelter, chemical dependency, corrections, and similar services, 3) increase the employability, self-sufficiency, and other social outcomes for individuals and families experiencing long-term homelessness, with a report and recommendations due to the legislature on Feb. 15, 2004 (SF905, Chapter 128, Article 15, Sect. 9);
- the legislature funded another $1 million for the supportive housing and managed care pilot project (SF905, Chapter 128, Article 10);
- the $100 housing penalty was reduced to a $50 penalty ($50 counted as unearned income against their welfare cash grant) (HF6, Chapter 14, Art. 1, Section 45);

- city and county attorneys can now be assigned eviction actions and the security deposit interest rate decreased from 3% to 1% (HF438/SF645);
- HRAs can incorporate nonprofits to access housing resources (low-income housing tax credits) (HF1143/Sf891, Chapt. 50);
- the Minnesota Economic Opportunity Grants (MEOG), which provided essential affordable housing and homelessness work, as part of anti-poverty and self-sufficiency programs, were cut by $9.028 million, a 53% cut (HF6, Chapter 14, Art. 13c., Section 10, Subd. 5).

Action Step 5: The MHFA will continue to explore ways to expand resources and capacity to provide more affordable homeownership opportunities.

2002 Update: The MHFA completed a Study of Inclusionary Housing Initiatives, identifying standard features, looking at existing models, how they might be applicable to MN, and coming up with a set of recommendations, including legislative recommendations. In terms of homeownership, the study noted that voluntary inclusionary programs are more favorable, as multifamily rental costs are too prohibitive.

The MHFA continues to support the efforts of the Metropolitan Council's Mayors' Regional Housing Task Force, which issued a 2002 "Affordable Housing: Making It a Reality", seeking to identify how the region can meet its affordable housing needs. Four objectives were highlighted: 1) leveraging of private resources, 2) careful and focused public investments, 3) engagement and education of policy makers and the public, and 4) building effective partnerships. Those are to be achieved through four avenues: 1) construction practices that can reduce the cost of housing, 2) affordability/ sustainability over a long period of time, 3) funding sources in tough fiscal environments, and 4) finding the role that cities can play. The Mayor's Regional Housing Task Force intends to use the report as an educational tool and a base for further action.

2003 Update:

In 2003, the MHFA released the Model Zoning Technical Advisory Group report, related to government regulations' impact on the costs of housing.

See I Homeownership, Impediment C1, Action Step 5, 2003 Updates.

Additionally, as mentioned in II Private Rental Housing, Impediment A2, 2003 Update, one of Governor Pawlenty's and the MHFA's goals is to close the homeownership gap between whites and non-whites.

IMPEDIMENT B: ENTRY BARRIERS.

Impediment B1: Unlimited entry costs (application fees, security deposits, utility deposits) are barriers for communities of color with limited income and limited access to local resources, to secure a rental unit.

Action Step 1: MHFA will participate in discussions about possible mechanisms to limit excessive application fees.

2001 Update: In 2001, in response to a session fraught with application fee system reform proposals and counter-proposals, the Legislature directed the MHFA to convene a study group on application fees. MHFA staffs have worked on compiling data related to the issues surrounding application fees and tenant screening processes. A committee consisting of representatives from all stakeholders has met to further review and discuss the issues, and come up with recommendations.

2002 Update: (S.F. 3118, H.F. 3520). The House and Senate introduced completely different approaches addressing the problem of prospective tenants having to pay multiple rental application fees. Both approaches were discussed in the report the MHFA was directed by the 2001 Legislature to prepare. The House version of the legislation did not get a hearing in committee and no legislation addressing this issue was enacted.

2003 Update: MHFA, as a member of the Fair Housing Implementation Council (FHIC), the metropolitan region's fair housing collective consisting of 10 HUD jurisdictions and fair housing stakeholders, will commission a small study related to tenant screening barriers in the year 2003-2004.

Action Step 2: The Family Housing Fund has convened a group to look at the issue of tenant training and certification. The Rental Housing Alliance of Minnesota (RHAM) has also studied the possibility of using tenant training and certification as a mechanism for overcoming bad tenant credit histories.

2001 Update: The 2001 legislature appropriated $357,000.00 for the Rental Housing Pilot Program, which purpose is to develop and evaluate a tenant applicant training and certification initiative, which would include specific curriculum and limited landlord financial protection for renting to an at-risk tenant. The Family Housing Fund (FHF) has made an additional contribution of $143,000.00 for utilization in the seven-county metropolitan area. An RFP was issued, with applications due on December 28, 2001. If deemed to be effective, the program could be expanded statewide in the future, utilizing multiple providers. This would require legislative action and funding from the legislature.

2002 Update: The two pilot projects officially started on July 1, the Duluth program has started to train tenants, whereas the metro program has just trained the trainers. Funds

will be disbursed every 6 months. There will be an interim report in July of 2003. Tenant selection criteria are statutorily mandated, although the metro program has asked for referrals to recruit more tenants from Ramsey and Dakota counties. For developments with first mortgages with MHFA, attempts are being made to add a one-line notice at the bottom of the application rejection letter for properties in the pilot areas of service (Ramsey, Dakota, Hennepin, Duluth area), referring rejected applicants to the tenant education pilot project. Furthermore, discussions may take place to see if some first-mortgage developments could rent to some of the tenant education project's graduates.

2003 Update:

A. The first of the pilot projects reporting from the metro area covered the period of July 2002 to June 2003, and provided the following information.

The metro area pilot project involves the University of Minnesota Extension Services and the Families That Work Program in the College of Human Ecology as lead agencies, with HousingLink, Lutheran Social Services, and St. Stephen's Human Services as community partners. It identified three primary strategies: 1) providing direct education and housing counseling to tenants by a trained peer educator, 2) strengthening the network between tenants, landlords, and providers of support services, and 3) providing risk mitigation for landlords through use of financial and mediation incentives.

Over the past year, the pilot project conducted thirteen 9-hr trainings at 11 different locations. An estimated 151 individuals attended the sessions, with 111 (79%) completing the total course. Seventeen families needed childcare. Twenty-four families completed participation surveys. Fifty-six families received $10 dollar gift cards as an incentive to participate. It was noted that no families utilized the available application fee assistance, as all participating families had secured housing (and paid application fees) prior to enrolling into the tenant education classes. Four families accessed the mitigation fund for a total of $979, which averaged $245 per family. The pilot project anticipated adding new community referral partners in the coming year. The pilot project expressed concerns about the chance of success in having other housing providers use the proposed tenant education curriculum (as having one widely accepted and used curriculum would be a hoped-for goal) and will explore further that issue.

B. The interim report for the Duluth Ready To Rent pilot project provided the following information.

All their outcome objectives were exceeded. As of August 2003, 85 (target number was 75) high-risk clients completed tenant education/certification. Seventy-two percent (72%) (43 actual number, targeted percentage was 70%) high-risk clients who completed the tenant certification program are being case managed by the tenant education

program service provider and housed by landlords participating in the program. Of the 43 (72%, above the targeted 70%) households in permanent housing with the program, 22 have been in the same housing for 6 months or longer in the same unit. This number will increase for the remaining 43 as they hit the 6 months objective. The only outcome not exceeding goals related to being successful in 80% of mediations to prevent evictions. The program experienced 8 evictions and successfully prevented 4, or 50%.

In terms of demographic data: 42 Black/African Americans, 58 Caucasians, 32 Native Americans, and 6 multiracial individuals were served. They consisted of 49 men and 88 women. The total number of individuals attempting certification was 137. Including household members, the total number of people served was 271. Five individuals were employed full-time. Three individuals were employed part-time. One hundred thirty-two (132) individuals reported low-incomes, below $17,800 (with five not reporting income). Forty-six (4)6 individuals had felony convictions. Twenty-two (22) individuals received Section 8 or other subsidized housing. Forty-four (44) individuals had court evictions (UD's).

Additional program information:

- the program received 43 referrals from outside agencies, 13 referrals from walk-ins off the street, 27 referrals from within the agency, 12 referrals from brochures or other written materials, and 35 referrals from "word-of-mouth."
- 15 landlords are participating the program. All landlords have signed contracts related to keeping units up to code and licensed. All landlords have provided notification to the program before sending an eviction notice (it was noted it may be related to the increased cost of filing an eviction notice, from $145 to $245).
- Tenant participants take a "pre-test" and a "post-test" during the training to assess what they have learned. They must show improvement.
- Criminal histories (even those 5 to 7 years old, and not including violent crimes and substantial damage to property) affected almost 50% of the participants.
- The original Rent Smart curriculum included income scenarios that had to be tweaked to fit the situation of MFIP participants.
- Participants were required to successfully complete the Money Management training program.
- A minimum of six-months of case management is provided to all participants, longer if necessary.
- Staff does pre-moving "check-in" with each client, recording pictures of the entire unit on digital camera, with time and date.
- Drug abuse was the most serious eviction cause, which could not be mediated.
- Participants receive a savings bond worth $100 upon completion of the program, which once they understand what it is, families have put in a

child's name, showing encouraging signs for families, in terms of thinking about a better future and changing lifestyles.

- The program has developed a creative and innovative network of partners, allowing them to 1) recruit families (county social services, HRA, Salvation Army, shelters for battered women, Center for American Indian Resources, churches, youth shelters, etc.), 2) enhance the program itself such as collaborating with Women Build which provides women with construction experience and provides the Ready To Rent program with an opportunity to offer to make repairs on damaged units at a lesser cost, and 3) refer to services it cannot provide, such as mental illness assistance through the Human Development Center.

Impediment C1: Underserved communities, especially new refugees and immigrants, lack knowledge of what constitutes substandard housing and that they have a right to decent and safe housing.

Action Step 1: MHFA will continue to market and distribute its videotape that addresses tenant rights and responsibilities. The videotape is available in 5 languages.

2001-2002 Update: Ongoing.

2003 Update: The Agency advertised the availability of the language tapes to a newly created underserved community housing listserv, and distributed over 42 copies to 13 agencies serving immigrant and refugee populations all around the state.

The Agency also re-advertised the availability of its Organizations for Fair Housing 30 second "yes/no" fair housing TV spots, and distributed them to 18 local commercial and public access TV channels.

Action Step 2: The state Attorney's General office publishes a handbook entitled "Landlord and Tenants: Rights and Responsibilities".

2001-2002 Update: Ongoing.

2003 Update: The Attorney General's Office continues to expand resources related to consumer housing concerns. The Attorney General's Office added an on-line bulletin on Abusive and Predatory Lending on its web page, and added several publications: The Citizen's Guide to Home Building and Remodeling, the Home Buyer's Handbook, and the Home Seller's Handbook.

IMPEDIMENT C: SUBSTANDARD HOUSING.

Impediment C2: Members from communities of color live in substandard housing owned by landlords who may not want to participate in fix-up/rehab. programs, as they would then be bound by regulations.

Action Step 1: MHFA will continue to encourage its HOME Rental Rehab. Program grantees to widely market the program, which is intended to assist landlords of smaller buildings to maintain and improve their rental housing units.

2001 Update: This past year, MHFA provided some training for HOME administrators including distribution of a web resource list and underserved communities' business directories, as well as a presentation on affirmative fair housing marketing. In the coming year, the HOME team is planning to revise the monitoring checklist, which determines which data will be collected from administrators and which issues will be raised with administrators. The revisions can incorporate more focus on affirmative fair housing marketing. In terms of marketing to potential HOME landlords, that issue will be revisited in the coming year, such as reviewing the current outreach and identifying what would effectively encourage landlords to participate in the HOME program.

2002 Update: The HOME Team has worked extensively on revising the monitoring checklist as it related to affirmative fair housing marketing and contract compliance.

In terms of affirmative fair housing monitoring, staffs have been reviewing the site visit process and have come to several conclusions. The HOME Team will model after the Management Team monitoring tools and process, using census data for city and county to assess housing developments' resident mixes. Additionally, the HOME Team, as well as other Multifamily programs, are currently engaged in preliminary discussion regarding actual implementation of review of past successes in renting to underserved populations in the Multifamily application selection process.

In terms of contract compliance, staffs have been reviewing the site visit process, getting input from local administrators and will further discuss which actions to pursue. The HOME program, with other MF programs, has started to address the need for greater networking between owners/developers/local administrators and M/WBEs by initiating and organizing a workshop at the 2003 Working Together Conference, to be followed by a mini-trade fair reception. MHFA staffs are working with DTED, another state agency doing extensive community development (including housing development) in Greater MN, and the Metropolitan Economic Development Association, a nonprofit dedicated to build the capacity of M/WBEs and providing them with partnership opportunities with larger/mainstream businesses.

2003 Update: The HOME Program revised and reformatted its administrative manual and monitoring checklist, incorporating changes developed over the past year, several of which promote greater benefits for underserved populations

HOME Program staffs assisted in the planning and facilitation of a Working Together session focusing on M/WBEs. Twenty three attendants heard from a panel of M/WBEs resources specialists. As a result of information gathered from those experts, the Agency updated its list of M/WBEs resources and eventually established a new procedure to make available selected developers' contact information on its web site, with special instructions for M/WBEs seeking opportunities to work on MHFA-financed projects to regularly check that site for potential contracting and subcontracting.

Action Step 2: MHFA will continue its efforts, both on its own and in conjunction with the MHA, to increase participation in the 4(d) rental property tax classification, as a means of improving landlords' ability to properly maintain their property.

2001 Update: The 2001 legislature took action to eliminate the 4(d) classification, effective by 2004. The last new application period for properties not yet classed 4(d) ended February 28, 2001, and no additional applications will be accepted. Reapplication and reporting of 4(d) compliance, and compliance monitoring for existing 4(d) properties will continue.

2002 Update: No change resulted from the 2002 Legislative session, the 2004 phase-out of the 4(d) program and the resulting increase in the tax rate from 1% to 1.25% are proceeding. MHFA staff will explore with the Department of Revenue whether some other viable option to preserve 4(d) can be formulated.

2003 Update: The 4(d) tax classification was completely eliminated for taxes payable in 2004, the tax rate for 4(d) properties went up from 1% for taxes payable in 2003 to 1.25% for taxes payable in 2004 and beyond. The constraints on the assessment of 4(d) low-income rental properties will be repealed for taxes payable in 2005, which will allow income or rent-restricted properties to appeal the assessment to lower their tax burden.

IMPEDIMENT D: TERMS OF THE LEASE.

Impediment D1: Length of the lease: Migrant workers are only offered one-year leases.

Action Step 1: The Organizations for Fair Housing will consider recommending that the Minnesota Department of Human Rights examine the extent to which lease terms are applied in a discriminatory manner.

2001-2002 Update: To be worked on in the coming years.

2003 Update: This proposal is deleted, due to other activities.

Action Step 2: Migrant housing options, which would meet that population's needs, and could be used during the off-season as transitional housing should be explored.

2001 Update: To be considered as part of the Hispanic housing issues.

2002 Update: In 2002, the UMOS Hispanic Housing meetings were discontinued. UMOS itself appears to have been relatively active in the housing arena, having received a small grant from the Special HECAT appropriation to provide 3 home buying trainings in SE MN, as well as having received $47,355 in Multifamily Endowment funds and being approved for up to $175,000 in Housing Trust Fund dollars to renovate the Claremont Center, 18 units of rental housing for migrant farm workers and their families, which is primarily financed by Rural Development. Another group meeting regularly on migrant housing issues would be the Southeastern Minnesota Migrant & Affordable Housing Coalition, in Owatonna.

2003 Update: See V Emergency and Transitional Housing, Impediment C1, 2003 Updates.

Impediment D2: Occupancy standards. Families from underserved communities tend to be larger either because of the number of children or extended family members. Occupancy standards frequently preclude more than two persons per bedroom resulting in a denial to rent to the large family. If the family does not disclose the number of persons who will be occupying the unit, they may subsequently be evicted for violating the occupancy standard.

Action Step 1: MHFA will continue to give a priority to housing for larger families in the allocation of federal low income housing tax credits.

2001 Update: Large family housing proposals score an additional 10 points in the tax credit developments' selection process, when at least 75% of the total tax credit units must contain two or more bedrooms and at least one-third of the 75% must contain three or more bedrooms. In addition, the project must meet the minimum design features for family projects, as evidenced by a certification of compliance executed by the owner or architect.

2002 Update: The 2003 tax credit QAP (Qualified Allocation Plan) retains a maximum of 10 selection points for large family housing, with at least 75% of the units being 2 bedrooms or larger as well as the requirement that one-third of tax credit units be 3 bedroom or more in the metro area. The issue of large family priority will be reviewed and evaluated in the upcoming tax credit survey, scheduled to be completed in December of 2002.

2003 Update: Family housing remains one of three tax credit threshold requirements for housing developments proposed in the metropolitan area, in the first round (primary round) of tax credit funding. The current language in the scoring sheet related

to large family housing specifies that a) there is no restriction on persons under age 55, b) 75% of the tax credit units must have 2 or 3 bedrooms, c) the tenant selection plan must give preference to families with minor children, and d) the project must meet minimum Housing Tax Credit design for family projects.

Action Step 2: MHFA will develop a plan for regularly collecting information about the utilization of large family units in tax credit buildings.

2001 Update: Data collection on large family units will be part of the comprehensive tax credit development survey every three years, which MHFA is in the process of developing. Although there are no details yet, there are many expectations that the survey will capture the many layers of information related to fair housing issues.

2002 Update: The above-mentioned survey still in the process of being completed will be available to the public within a few months. It is noted that the survey is asking for data on households of color, single female-headed households with minor children, households with a member with a disability, family size, as well as vacancy rates, which would provide information related to fair housing issues. The survey is scheduled to be completed in December of 2002.

2003 Update: The survey's main points revealed marked improvements in space utilization (less smaller households in larger units), but the utilization of accessible units by households with a need for such housing remains low. Before leaving her position, the former Commissioner of MHFA initiated efforts to improve the marketing of accessible units to populations who need them. MHFA staffs have worked with constituent-based organizations and Housing Link to address the marketing-outreach issues, both from an informational perspective and a structural perspective (inquiring into whether accessible housing units built several years ago are still competitive in the current housing market, and meeting the needs of households needing accessible features).

Furthermore, the MHFA, as a member of the FHIC (metrowide Fair Housing Implementation Council) will support efforts to address marketing of accessible units.

Action Step 3: MHFA Housing Management Officers will work with owners to minimize the underutilization of large family units.

2001 update: MHFA experience is that the Section 8 program does not see much underutilization of units due to Section 8 regulations that require minimum numbers of tenants based on the number of bedrooms. More underutilization has been seen in the agency's tax credit portfolio. Since the 2000 tax credit development survey, greater attention has been paid to underutilization issues in those developments, as reflected in changes made in the tax credit handbook regarding the number of persons in large family units, as found on page 5-2 of the tax credit owner compliance manual. There, MHFA highlights its recommendation for maximum occupancy: a minimum of 1

person per bedroom and a maximum standard of no fewer than 2 persons per bedroom. Furthermore, in situations with multiple applicants, MHFA recommends, "preference be given the household that is most suitable to the unit size."

2002 Update: More information and direction will become available regarding large family housing needs and utilization issues through the upcoming tax credit survey, which should be completed in December of 2002.

2003 Update: See previous action step, 2003 updates, above.

Impediment D3: Cultural differences are a cause of tension and conflict between tenants from communities of color and landlords, or tenants from different racial or ethnic backgrounds, which often are labeled as lease violations and can result in evictions of the minority households.

Action Step 1: MHFA and the Multi-Housing Association will explore the possibilities for cultural sensitivity and awareness training as a regular part of the spring training conference.

2001 Update: MHFA and MHA co-sponsor Working Together conferences that typically feature a few fair housing sessions, including sessions dealing with increased diversity awareness and capacity to work with different populations. At the last Working-Together-conference, two fair housing trainings were offered for management staff and maintenance staff. Additionally, a session on the Analysis of Impediments to Fair Housing Choice was also scheduled. The last MHA breakfast meeting of the year focused specifically on working with diverse residents.

2002 Update: In 2003, the Working Together planning committee is proposing to offer the following fair housing/diversity workshops: Minority and Women Contractors, Section 504, Section 3, and Diversity/Immigrants, and the Impact of the Olmsted Ruling.

2003 Update:

The 2003 Working Together conference offered a session on Section 504 presented by HUD and a M/WBE session sponsored by MHFA, DTED, and MEDA (Metropolitan Economic Development Association). Information gathered from that M/WBE session resulted in enhanced online marketing/outreach.

Additionally, on behalf of the Organizations for Fair Housing, MHFA staff organized a Fair Housing Month "Building Fair Housing Communities" half-day conference in Rochester, in collaboration with several local organizations. Eighty-four persons attended the training. A "Building Fair Housing Communities" conference planning

and organizing model was drafted, which could be used for fair housing conference planning and organizing in Greater Minnesota.

Furthermore, the Agency contributed to the free distribution of 55 Somali tapes on tenant-landlord housing issues to management companies housing many Somali families and 12 community-based organizations serving the Somali community throughout the state.

IMPEDIMENT E: LACK OF ADEQUATE OUTREACH TO COMMUNITIES OF COLOR.

Impediment E1: There are no AFHMPs state statutes or regulations, and there is no standardized enforcement of AFHMPs.

Action Step 1: MHFA is in the process of establishing training for its staff, and reviewing how the MHFA Section 8 project-based housing developments are successfully and properly using AFHMPs to reach out to underserved communities.

2001 Update: Policies were put in place for the AFHMPs for MHFA-financed amortizing developments to be reviewed annually by staff with the owner/agent at the annual management review, to ensure that the AFHMP is followed by the owner/agent. The MHFA reviews samples of advertisements and letters of outreach to ensure that the owner/agent is appropriately advertising the development and making a reasonable effort to reach persons eligible to apply for housing in their development. Every three years, the MHFA ask the owner/agent to provide MHFA with an updated and/or revised AFHMP that is reviewed by MHFA staff to ensure the development's fair housing goals coincide with current city and county demographics.

2002 Update: Both the HOME and Management Teams have implemented more extensive AFHMP monitoring processes and reporting procedures. Some MHFA staffs are discussing training for conducting AFHMP reviews.

2003 Update: No specific updates.

III. SUBSIDIZED RENTAL HOUSING.

Subsidized rental housing is a primary housing option for underserved and protected-class populations, who experience a higher level of economic impoverishment. However, there is no sufficient subsidized housing in general and community-based subsidized housing units are not available in some areas.

IMPEDIMENT A: SECTION 8 HOUSING ISSUES.

Impediment A1: There are thousands of Section 8 vouchers going unused because landlords will not accept them. Members from underserved communities are severely impacted as they are disproportionately represented in the Section 8 program.

Action Step 1: MHFA will continue to closely monitor compliance with the 4(d) rental property tax classification requirement for participation in the Section 8 program.

2001 Update: The 4(d) compliance monitors review the owners' 4(d) records to determine if qualifying units have been made available to Section 8 voucher holders. Furthermore, 4(d) staff has included specific information about Section 8 issues in each mailing of 4(d) Reapplication and Compliance Report (RCR) forms for compliance years 2000, 2001 and 2002, as well as with 2001 application and Reapplication acceptance letters. The acceptance letters themselves have included revised, specific Section 8 requirement information, starting with the mailing in May 2000. Section 8 requirements have been explained in detail in each of the nearly 100 Compliance Training sessions offered to 4(d) owners around the state in the last three years.

Additionally, HUD increased Section 8 Fair Market Rents (FMR) from the 40th percentile of all rents to the 50th percentile. This increase in FMRs along with some PHAs using month-to-month leases, has significantly increased Section 8 utilization.

2002 Update: See 2002 update for Impediment C2 above for additional information about the future of 4(d), and the 2001 update for Impediment A1 above for current strategy prior to the demise of 4(d).

Because of changes implemented in 2001, virtually all vouchers available in the Minneapolis-St. Paul Metro area are being utilized and are under lease.

2003 Update:

The 4(d) tax classification was completely eliminated for taxes payable in 2004, the tax rate for 4d properties went up from 1% for taxes payable in 2003 to 1.25% for taxes payable in 2004 and beyond. The constraints on the assessment of 4(d) low-income rental properties will be repealed for taxes payable in 2005, which will allow income or rent-restricted properties to appeal the assessment to lower their tax burden.

At this point in time, higher vacancy rates in the rental housing market have resulted in a 100% section 8 voucher utilization rate in most jurisdictions.

Action Step 2: MHFA will continue to encourage the use of project-based rental assistance by awarding priority points in the federal low-income housing tax credit

allocation process for projects in which the owner has entered into negotiations with the local housing authority for Project-Based Assistance (PBA).

2001 Update: As of May 2001, in the tax credit selection process, owners who have entered into negotiations to receive project-based rental assistance are eligible for up to 14 preference points: 10 points for setting aside at 20% of the units for project-based rental assistance, 6 points for setting aside between 10% and 20%, and 4 points if other rental assistance, such as Section 8, Shelter Plus Care, etc., are planned for.

For 2002 Minnesota received $**8.6** millions in Total Tax Credit Authority or about $60.2 millions in syndication proceeds.

$6.4 millions authority for MHFA (including $876,000 in Joint Powers Agreements (JPA))
$**2.2** millions authority for Suballocators

52 applications were submitted to MHFA requesting a total of $**15** million in tax credits.

23 developments submitted applications including at least 20% PBA units.
13 provided letters of intent to coordinate with the local PHA to support other rental assistance within the development.

26 developments were recommended for selection.

18 developments included at least 20% of PBA units
8 provided letters of intent to coordinate with the local PHA to support other rental assistance within the development

2002 Update:

$8.7 millions Statewide Authority or about $60 millions in syndication proceeds generated.
$**6.4** millions authority for MHFA
$**2.3** millions authority for Suballocator Authorities

51 application were submitted to MHFA
$**15.9** millions was requested

18 developments were recommended for selection

$1.5 millions were allocated to non-profit developers
16.78% of the tax credits went to non-profits

Greater Minnesota Area

9 projects were selected for $2.73 millions
7 projects will feature special marketing efforts or design features to attract underserved populations
5 projects will support new PBA units
7 projects will involve economically integrated rent within the development

8 projects consist of family developments
1 project serves homeless families, and
2 projects provide supportive services
All HTC units are affordable to households at 50% AMI or below
6 projects contain development units affordable to households at 30% AMI or below

Metro Area

9 projects were selected for $2.7 millions
7 projects will feature special marketing efforts or design features to attract underserved populations
9 projects are new construction
5 projects support new PBA units
2 projects serve homeless families.
1 project serves homeless youth
3 projects provide permanent rental housing with supportive services
All HTC units are affordable to households at 50% AMI or below
2 projects further reduce rents to serve households at 30% AMI

2003 Update:

In 2003, the MHFA had authority to disburse $8.9 millions (further broken down into $6.3 millions for MHFA and $2.6 millions for Suballocators) in Statewide authority , which translated in about $62 millions in syndication proceeds.

68 applications were submitted to MHFA, for a total of $19.9 million being requested. 25 developments were recommended for selection: $2.1 millions were allocated to non-profit developers, and 23.6% of the tax credits went to non-profit developers.

Greater Minnesota Area
10 projects were selected for $3.11 millions in funds being distributed. Those selections included
7 projects with economically integrated-rents within the developments and 9 family developments;

3 joint power projects- in Duluth, Rochester, St. Cloud;3 projects by non-profit developers;7 projects supporting new PBA units;8 projects involving general occupancy;

1 project serving homeless families; and 2 projects providing supportive services.

All HTC units are affordable to households at 50% AMI or below.6 HTC developments contain units affordable to households at 30% AMI or below.

Metropolitan and Suburban Area (excluding Mpls, St. Paul and Dakota County)

15 projects were selected for $3.8 millions in funds being distributed. Those selections involved:
14 new construction --family developments;
6 new construction projects with PBA units and 1 preservation development with 0 PBA units;
2 projects serving homeless families;
1 project serving homeless youth;
3 projects providing permanent rental housing with supportive services;
5 projects by non-profit developers; 9 projects supporting new PBA units;
2 projects consisting of rehabilitation or acquisition and rehabilitation developments; and
1 Hollman development (from the Hollman settlement, de-concentrating racial segregation in public housing in North Minneapolis to the rest of the City and other metro areas).

All units are affordable to households at 50% AMI or below.
5 further reduce rents to serve households at 30% AMI.

Impediment A2: Fair Market Rents (FMRs) are not keeping up with actual market rents, so that units are not eligible for Section 8, which means that low-income households relying on Section 8 Housing Choice Vouchers to find housing cannot be eligible for those units.

Action Step 1: MHFA will continue its policy of requiring that in the Twin Cities metro area a portion of the units in a building financed through the ARIF program have rents that do not exceed the lesser of the FMR or 30% of 50% of the metro area median income. This policy adds to the supply of units in which a Section 8 voucher may be used.

2001 Update: The ARIF program was consolidated into the new Housing Trust Fund, where rent limits no longer refer to the FMRs but are limited to 80% of the area median income. However, priority to underserved populations is still a selection criteria factor. With regard to the Metropolitan Housing Implementation Group (MHIG), in December of 2001, MHFA adopted the MHIG changes to the Metropolitan Housing Investment Policy, including the deletion of income thresholds. Now the application guide for MHIG refer to "Individual Funder's Criteria", as both the Metropolitan Council and the Family Housing Fund have different and lower income maximums. HUD increased FMRs from the 40th to the 50th percentile of all rents in the area resulting in FMRs catching-up with market rents for existing housing.

2002 Update: In 2002, the Housing Trust Fund program now gives priority to units at or below 30% of the metro Area Median Income and up to 25% of all Housing Trust Fund resources can be allocated to developments proposing to rent units to households at and below 60% of the metro Area Median Income. Other funding partners are also prioritizing housing set at 60% of the Area Median Income (AMI) (Family Housing

Trust and Metropolitan Council Local Housing Incentive Account (LHIC)) and 80% of the AMI (Greater Minnesota Housing Fund (GMHF)). The Metropolitan Council Inclusionary Housing Account prioritizes proposals with at least 15% of units at 60% of the AMI and 10% of the units at 30% of the AMI.

2003 Update: This year's housing funders' priorities are as follows:

- MHFA's Housing Trust Fund: 60% of the AMI, with priority for 75% of the funds going to housing at 30% of the AMI and below;
- Family Housing Fund: 60% of the AMI and below;
- Met Council's LHIC: 50% of the funds targeted to 30% of the AMI and below, and the remaining 50% of the funds to 50% of the AMI and below, with the option to transfer funds set aside for the 30% range to the 50% and below pool, if the 30% of below funds were not used;
- GMHF: 80% of the statewide AMI, adjusted for family size, but 60% of the AMI for supportive housing, and 50% of the AMI for preservation/rehabilitation housing;
- the Greater United Way of the Twin Cities' Housing Connections, a new funding partner: 30% of the AMI.

Action Step 2: MHFA will advocate for the continuation of HUD's recent decision to raise the FMR standard in the Minneapolis-St. Paul Metropolitan area to the 50th percentile of all rents.

2002-2003 Update: The FMRs continue to be at the 50th percentile.

Impediment A3: There was a concern about criminal background checks for Section 8, which exclude people, especially people of color.

Action Step 1: MHFA will continue to discuss with the managers of buildings it has financed the need to consistently and uniformly apply screening standards.

2001 Update: Ongoing, will need more details/evaluation in the coming years.

2002 Update: MHFA complies with applicable HUD rules related to state-financed and HUD-financed Section 8 project-based developments it is administering. Those uniform rules imply a certain degree of consistency across all developments, including in tenant screening policies and processes; however, because Section 8 project-based developments are privately owned by individual non-profit or for-profit private parties, each development with its own owner or management company has established its own policies and procedures incorporating regulatory mandates.

On the specific topic of criminal background checks, the MHFA is bound by HUD rules. However, to this date, questions and concerns regarding the May 24, 2001 Screening

and Eviction Rule have not been entirely resolved. Contract administrators, primarily state HFAs, have determined that the proposed rule cannot effectively be implemented unless a new model lease and a functioning background check system are created, especially as they would help address due process and fair housing issues. A new model lease was just received in the early fall of 2002. Implementation is still under discussion.

Beyond those regulatory issues, the MHFA is committed to promoting fair housing by discussing with and reminding owners/managers that whichever screening standards they individually choose to establish and implement within the regulatory mandates, those standards must be applied consistently and uniformly to all applicants. To this date, the MHFA has not encountered difficulties with non-compliance in the specific area of tenant screening, although owners have expressed concerns about expenses and time involved in completing thorough criminal history background checks.

2003 Update: MHFA is a member of the metropolitan regional Fair Housing Implementation Council which has selected two action steps related to tenant screening and Section 8, to be implemented in 2003-2004: a tenant screening issues survey to evaluate current services and identify best practices, and a complaint-based housing discrimination testing program which will include Section 8 discrimination issues.

Impediment A4: Minimum income restrictions or rent-income ratio requirements impact Section 8 renters as many rental properties have rent-income ratio rules that screen out lower income applicants, many of whom belong to underserved communities.

Action Step 1: In 1999 Governor Ventura proposed funding for, and the MHFA is now implementing, a program to provide rental housing for families who are current or recent recipients of MFIP, by the name of the Minnesota Affordable Family Rental Investment Fund (MARIF). The housing that will be developed with the new funding will be accessible to section 8 Housing Choice Voucher holders.

2001 Update: MHFA selected 31 MARIF developments this year, 10 of which have project-based Section 8. In FY 2001, MHFA closed on or disbursed loans for a total of $2,979,887 in MARIF assistance for **26 units of MARIF housing** affordable to people with incomes at MFIP levels. It should be noted that while the MARIF program is a statewide program, only the Metro HRA, the St. Paul PHA, and the Minneapolis PHA experienced a short-term underutilization of Section 8 vouchers, which they opted to use for project-based Section 8 units in MARIF developments. At the present, those HRAs have resolved their underutilization problem and have closed their lists.

2002 Update: See 2002 update in the section, II Private Rental Housing, Impediment A1, Action Step 3.

2003 Update: See 2003 update in the section, II Private Rental Housing, Impediment A1, Action Step 3.

Action Step 2: With regards to Section 8 issues in 4(d) and tax credit developments, staff is currently informing and will continue to inform owners that they need to base income tests on the tenant's portion of the rent and not the total rent.

2001-2002 Update: For as long as 4(d) remains, the Section 8 information noted above includes guidance to base any income test on the tenant portion of the rent rather than total rent. The tax credit program continues the practice.

2003 Update: No change, but as the 4(d) program is phasing out and its compliance period has ended; compliance guidance, including income test information, is no longer applicable. The tax credit program continues the practice.

Impediment A5: Section 8 project-based housing developments have time-limited low-income housing requirements and then can revert to market rate.

Action Step 1: MHFA and other partners are continuing to work on preserving those low-income housing resources, through negotiations and refinancing.

2001 Update: Since 1998, a total of 4,334 federally assisted units have been preserved with MHFA resources. In FFY 2001 (10-1-00 to 9-30-01), MHFA preserved 830 units at a cost of $7,653,987 in MHFA deferred loan resources.

2002 Update: In FFY 2002 (10-01-01 to 9-30-02), the MHFA preserved 799 units at a cost of $15, 137,121 in MHFA deferred loan resources.

2003 Update: In 2003 (10-1-2002 to 9-30-2003) the MHFA preserved 544 units at a cost of $8,192,651. Since 1998, the MHFA has averaged a five to one return of federal dollars to state dollars invested, based on an average 20 year loan term.

Action Step 2: Housing advocates are continuing to work on educating and organizing residents of those kinds of housing developments, to prevent market rate conversions.

2002 Update: Housing advocates regularly request information about building owners who have sent MHFA a notice of their intent to terminate federal housing subsidies or use restrictions. Upon receipt of a copy of an opt-out notice, the advocates work to organize the residents to try to convince the owner to remain in the federally assisted housing program. In cases where proper notice has not been provided, the Housing Preservation Project has successfully brought lawsuits, which have delayed an owner's action to opt-out.

2003 Update: Preservation and tenants' rights remain a widely debated issue. This year, several federal court circuits confirmed that state laws preempted federal laws

related to opting out: the 8th circuit declined to hear en banc the appeal to the decision affirming the preemption of MN's state law requiring 1 year notice for opt-outs, and the 9th circuit affirmed that municipal rent control ordinances that safeguard tenants from excessive rent increases pre-empt federal laws that do not expressly seek to pre-empt them.

A meeting with the SE MN migrant housing task force indicated that early buy-outs of subsidized housing developments have decreased the supply of affordable housing in Greater MN. The issue of advocacy and organizing in Greater MN will be further explored.

As mentioned in Impediment A2, Action Step 1, 2003 Update B, one of the five priorities for the MHFA under Governor Pawlenty's administration is to preserve as much of the existing affordable housing stock as is economically feasible, as much of the housing stock is at risk or deteriorating, and it would be highly cost-prohibitive to replace it.

Tax credit buildings have been a primary source of low-income housing in the state and are specifically subject to fair housing requirements. Several participants commented that tax credit buildings are becoming less integrated, both racially and economically. Some tax credit buildings are the only affordable housing in the community and therefore have long waiting lists. Further examples and comments made on this issue at the various meetings can be found in Appendix X.

IMPEDIMENT B: TAX CREDIT BUILDING ISSUES.

Impediment B1: Tax credit units for low-income and large families may be the only housing that households from communities of color can find, as they encounter racial discrimination or cannot find housing they can afford.

Action Step 1: MHFA's Housing Management Officers will be provided with data on occupancy of rental developments it has financed in order to better monitor the effectiveness of outreach efforts and assist in improving outreach marketing.

2001 Update: For properties reporting in the first year of their credit period, MHFA Tax Credit Compliance staff collects a report entitled "Characteristics of Tenant Households". This report collects demographic information, including but not limited to household composition, income, rent, racial composition, homelessness and disability status, on first occupants of newly-placed-in-service tax credit properties. These reports are given to MHFA's Market Analyst and Research Department for dissemination. The tax credit survey, still in the process of being developed, will incorporate many monitoring factors including outreach evaluation.

2002 Update: see Section II, Impediment D2, Action step D2, 2002 update, in this Private Rental section.

2003 Update: The Tax Credit survey was completed. It showed better utilization of units, in terms of a better fit between the family size and the unit size. It also showed an increased percentage of households from underserved communities in suburban developments. Accessible units are still not being adequately utilized by households needing accessible housing. MHFA staffs are working on better marketing and outreach of tax credit accessible units. The MHFA tax credit e-newsletter featured the state human rights law on accessible unit priority to households with accessible housing needs.

Action Step 2: MHFA new selection criteria for tax credit housing incorporate the directive to serve more underserved communities, as there is greater emphasis on the requirement for affirmative fair housing marketing plans, on units that could accommodate larger size families, projects serving populations with special needs, and maximizing occupancy capacity. There can be an evaluation about whether those new guidelines effectively result in greater numbers of underserved households living in tax credit units.

2001 Update: All of the above directives were emphasized or added to the 2002 procedure manual as a requirement of allocation.

2002 Update: Since the changes started to be implemented this past year, no definite results or statistics are available yet. There are great expectations that the tax credit survey currently being undertaken will shed light on many questions left open. It is anticipated that the first round of AFHMP reviews should be taking place in the spring of 2003.

2003 Update: The Tax Credit survey was completed. It showed better utilization of units, in terms of a better fit between the family size and the unit size. It also showed an increased percentage of households from underserved communities in suburban developments. Accessible units are still not adequately being utilized by households needing accessible housing. MHFA staffs are working on better marketing and outreach of tax credit accessible units. The MHFA tax credit e-newsletter featured the state human rights law on accessible unit priority to households with accessible housing needs.

As part of the 2003 monitoring review process, compliance staff collected the resident selection plan, occupancy policy, house rules and/or Affirmative Fair Housing Marketing Plan. All properties subject to inspection submitted one or more of the requested documents. No significant problems were noted.

Action Step 3: When making funding decisions, MHFA staff will be provided with more demographic information about the area in which the proposed housing will be located, including information about targeted populations.

2001 Update: Prior to each funding meeting, the MHFA Research Division supplies the selection committee with demographic information about the specific cities and

communities requesting assistance. In addition, MHFA now gives priority to applications located in cities and communities in counties with significant job and population growth.

2002 Update: This past year, MHFA Multifamily marketing staff compiled data to be reviewed for selection considerations. The data came from the census, some from MHFA records of activity, some from the Minnesota Department of Economic Security (DES), and included the following five indicators (job gain/loss, household gain/loss, renter household gain/loss, ratio of births to deaths, and elderly dependency ratio) that summarize critical demographic and economic trends for each county. Previous tax credit activity is updated yearly, employment information can be updated yearly, and when the census begins annual reporting based on sample data, that information can be used. The data is sorted by city.

In terms of fair housing information/consideration, for both the Housing Tax Credit and the Super RFP deferred loan scoring, applicants receive extra points, when they identify one of the Agency's three underserved population groups as the intended tenants of the housing proposed for funding. The more groups they propose to serve, the more points they get (up to the full maximum of 10 points for serving more than one underserved population). Past success in renting to underserved populations is considered in the applicant's self-scoring report. For the MARIF funds, Agency staffs meet with DES and DHS to rank proposals for MARIF money, based on areas that have a high concentration of MFIP recipients. The market qualification form for both Housing Tax Credits and RFP funds requires the applicants to list the number of persons in the proposed development's city that are members of various racial and ethnic groups according to the 2000 Census.

2003 Update: No changes on the forms and process.

Action Step 4: The priority points awarded to tax credit proposals that project-base Section 8 assistance should provide more affordable housing opportunities for households from communities of color with lower income, larger families, and a higher rate of participation in the Section 8 voucher program.

2001 Update: In the last funding cycle, 26 developments were recommended for selection

- 18 developments included at least 20% PBA units
- 8 developments provided letters of intent to coordinate with the local PHA to support other rental assistance within the development.

2002 Update: Because of increased voucher utilization, there are fewer project-based units available. Fall 2002 RFP selections showed 16 developments with 485 project-based Section 8 units.

2003 Update: 16 developments with project-based Section 8 units were awarded tax credits.

Action Step 5: The Tax Credit Program continues to inform owners that they need to base income tests on the section 8 voucher holder-tenant's portion of the rent and not the total rent, so that Section 8 voucher holder applicants can be accurately screened with regards to whether they meet the developments' income requirements.

2003 Update: The Tax Credit Program has included the income test information in its program compliance manual for the past few years.

Impediment B2: Members from communities of color lack basic and correct information about tax credit housing.

Action Step 1*:* MHFA will monitor the effectiveness of affirmative fair housing marketing plans in reaching out to underserved communities, in existing and proposed MHFA tax credit housing developments.

2001 Update:

- In 2001, MHFA changed its Qualified Allocation Plan to require submission of an Affirmative Fair Housing Marketing Plan. MHFA staff reviews the AFHMP to ensure properties are marketed to underserved populations.

- MHFA will be conducting a survey in 2002, similar to the survey done in 1999, to monitor the effectiveness of such plans.

2002 Update: The survey is expected to be completed in December of 2002.

2003 Update: See Impediment B1, Action Step 2, 2003 Updates, in this III Subsidized Housing Section.

Action Step 2: When the opportunity arises, MHFA will support initiatives from underserved communities to provide housing opportunities for their constituencies.

2002 Update: MHFA supported the construction of Many Rivers, a project of the American Indian Housing and Community Development Corporation, creating a total of 76 new units of housing, including 57 tax credit units. A grant of $500,000 from the Urban Indian Housing Program was also allocated.

2003 Update: The American Indian Community Housing Organization (AICHO) received $256,018 in Urban Indian Housing Program funds as a deferred loan for the purpose of providing rehabilitation of Dabinoo'Igan American Indian Battered Women's Shelter and the Oshki Odaadiziwini Waaka'Igan Transitional Housing units. AICHO provides the only American Indian transitional housing program in the state and one of very few American Indian battered women's shelters in the state. Both programs serve low-income homeless American Indian women and their children who come from Duluth, other urban areas and the eleven reservations.

AICHO had agreed to collaborate with Women in Construction Company (WCC) LLC, who, in this effort, would act as the developer and fiscal agent.

Impediment B3: There needs to be a balance between the need for low-income families from underserved communities to find affordable housing and the benefit of mixed-income environments.

Action Step 1: MHFA will continue its policy of promoting economic integration by giving funding priority to developments that increase the range of incomes of households residing in a community or developments that are affordable to a range of incomes.

2001 Update: MHFA increased the preference awarded to developments blending affordable and market rate units. In the last funding cycle, 15 of the 26 selected tax credit developments included a mix of market rate and affordable rental units.

2002 Update: In the first funding cycle, 15 of the 25 selected tax credit developments included a mix of market rate and affordable rental units.

2003 Update: In the 2003 funding cycle, 16 of the 25 selected tax credit developments included a mix of market rate and affordable rental units.

Impediment B4: Tax credit units are some of the few low-income units that directly prohibit exclusion of Section 8 voucher holders, however, because the rents may be higher than the FMRs, those units are in practicality ineligible for Section 8 housing.

Action Step 1: MHFA will continue its practice of combining federal and state resources in order to produce housing with rents at the FMR level when resources permit. Producing units at FMR rent levels increase the supply of housing units available to Section 8 voucher holders.

2001 Update: In its 2001 Annual Performance Report, MHFA reported producing the following rental housing units below and above the HUD FMR.

Fair Market Rents	Below HUD FMR	Above HUD FMR
New Construction	83.6%	16.4%
Rehabilitate/Preserve Existing Housing	97.3%	2.7%

Furthermore, in the most recent funding cycle, 25 of the 26 selected tax credit proposals included funding from either local, federal, private, employer, or philanthropic contributors.

2002 Update: No report.

2003 Update: In its 2003 Annual Performance Report, MHFA recorded the production of the follow rental units below and above the HUD-FMR. It should be noted that whether units produced are above or below the FMRs depends on many factors, such as whether they are new construction or rehabilitation, where they are located, what the mix of their financial package is, etc. Therefore, production numbers will vary in different years.

Fair Market Rents	Below HUD FMR	Above HUD FMR
New Construction	81.2%	18.8%
Rehabilitate/Preserve Existing Housing	90.1%	9.9%

Note: MHFA has no jurisdiction over this type of housing; therefore there are no concrete action steps and only recommendations.

IMPEDIMENT C: PUBLIC HOUSING ISSUES.

Impediment C1: There is not enough public housing, a primary housing resource for low income communities of color.

Recommendation: Other low-income housing options must be generated.

Note: MHFA has no jurisdiction over this type of housing; therefore there are no concrete actions steps and only recommendations.

IMPEDIMENT D: RURAL DEVELOPMENT HOUSING ISSUES.

Impediment D1: There are vacancies, but those are 1 bedroom units, which are not suitable for families from protected classes.

Recommendation: A study was completed as to why those units were left vacant. There should be some follow-up as to how those units could become usable for large families.

Impediment D2: There are regulations limiting migrant housing to agricultural workers, which exclude Hispanic workers who found a job in manufacturing and other industries.

Recommendation: There needs to be a recognition that housing for the Hispanic community in Greater Minnesota may have changed and that housing options other than migrant housing should be available.

Impediment D3: MHFA will be attentive to issues of appropriate coordination, consistency, and autonomy when sharing AFHMP monitoring responsibilities with RD, in projects financed by both agencies.

Action Step 1: In 2002, in the course of revisiting the MHFA HOME Rental Rehabilitation Program monitoring processes and procedures, MHFA staff met with RD staff to exchange information about their respective agencies' operations, as several developments in Greater MN are currently supported by both agencies.

MHFA administers the Minnesota 4(d) Property Tax Classification, which provides property tax reductions to rental property, whose owners voluntarily apply for the benefit. In return, these owners commit to restrict rents and tenant income for a five-year compliance period. Additional requirements include a physical inspection of the property once every three years, making units available to Section 8 voucher households and audits of owner records to verify 4(d) compliance. As a low-income housing resource, it has the potential to be a housing resource for low-income communities of color. Housing advocates have reported concerns about 4(d) issues.

IMPEDIMENT E: 4(D) HOUSING ISSUES.

Impediment E1: Landlords may be unwilling to participate in the 4(d) classification, due to program requirements.

Action Step 1: MHFA will continue its efforts both on its own and in conjunction with the MHA to increase participation in the 4(d) rental property tax classification.

2001 Update: The 2001 legislature took action to eliminate the 4(d) classification, effective by 2004. The last new application period for properties not yet classed 4(d) ended February 28, 2001, and no additional applications will be accepted. Reapplication , reporting of 4(d) compliance, and compliance monitoring for existing 4(d) properties will continue.

2002 Update: See in this section II, Impediment C2, Action 2, 2002 update.

2003 Update: The 4(d) tax classification was completely eliminated for taxes payable in 2004, the tax rate for 4(d) properties went up from 1% for taxes payable in 2003 to 1.25% for taxes payable in 2004 and beyond. The constraints on the assessment of 4(d) low-income rental properties will be repealed for taxes payable in 2005, which will allow income or rent-restricted properties to appeal the assessment to lower their tax burden.

Impediment E2: Housing advocates have reported concerns that 4(d) buildings may not be meeting their Section 8 make-available requirement.

Action Step 1: MHFA staff will continue to be diligent about responding to concerns and making it a priority to investigate reports of non-compliance.

2001-2002 Update: 4(d) staff has, and will continue to include accurate information about 4(d)-related Section 8 Housing Choice Vouchers, including information related to the rent calculation based on the tenant's portion of the rent and not the total rent, and to make available compliance requirements, in remaining training sessions and mailings (see above).

2003 Update: The 4(d) program is being phased out, resulting in the compliance period, including guidance and monitoring, ending as well.

Action Step 2: Another way to expand the program would be to add Bridges and Shelter Plus Care to the types of housing assistance that would meet the Section 8 make-available requirement.

2001-2002-2003 Update: No updates on this action step, since the legislature discontinued the 4(d) program.

IV. MANUFACTURED HOMES.

Note: Manufactured homes, many of them in trailer parks, must be included in this analysis of impediments to fair housing choice, as a substantial number of households from underserved communities live in those housing options. However, MHFA has limited experience with that type of housing. Therefore, instead of action steps that MHFA staffs are already working on or could work on, there are only recommendations.

IMPEDIMENT A: LACK OF INFORMATION.

Impediment A1: Immigrants and refugees lack information about the advantages and disadvantages of living in mobile homes and renting space in trailer courts. Language barriers present additional challenges.

Action Step 1: Educational materials will help provide more information about mobile homes and parks.

2002 Update: In May of 2001, the Attorney General's Office published a consumer guide on manufactured housing and parks, The Manufactured Home Parks Handbook, explaining applicable state laws to renters and owners.

Recommendation 1: There needs to be more education about rights and responsibilities of mobile home owners and trailer court owners targeting immigrants and refugees.

Recommendation 2: There needs to be translation services available, especially in the areas of understanding rules and in manufactured home buying and selling negotiations.

Impediment A2: People with disabilities lack knowledge about their rights as mobile home owners and trailer park owners.

Recommendation 1: There needs to be more education about rights and responsibilities of mobile home owners and trailer park owners targeting issues of people with disabilities.

IMPEDIMENT B: REPAIRS AND REHABILITATION.

Impediment B1: Except for weatherization, there are no resources for repairs and rehabilitation for mobile homes.

Recommendation 1: There should be rehabilitation resources available to mobile home owners, as mobile homes are the homes of many families, especially households from underserved communities.

2001 Update: Currently, manufactured homes sited on fee simple real estate are eligible for home improvement loans from the Minnesota Housing Finance Agency, but manufactured homes sited on leasehold land (i.e. in mobile home parks) are not. However, the Minnesota Housing Finance Agency has funded a proposal from Faribault, MN under its Community Revitalization Fund that provides for the rehabilitation or replacement of substandard manufactured homes sited on leasehold properties.

IMPEDIMENT C: SEGREGATION.

By city ordinance, mobile homes are confined to certain districts, unless they become bolted down and become permanent housing. (Worthington)

Impediment C1: Mobile home ordinances result in concentration of poverty, segregation, and trailer park abuses.

Action Step 1: For the first time, in 2002, the Community Revitalization Program funded the new construction of manufactured housing, in the City of Onamia, 7 new units of affordable housing on an old abandoned school site, in close proximity to community amenities. This project appears to be integrating affordable, manufactured housing into the community.

Recommendation 1: There should be alternatives to trailer park homes, maybe more opportunities to make them become permanent housing.

IMPEDIMENT D: TAX ISSUES.

Impediment D1: Communities disfavor trailers/mobile homes because they do not add to the tax-base, as they are not classified as real estate. Those laws may have changed.

Recommendation 1: Mobile homes that are permanent housing could be re-classified as real estate, so that they will have tax-base value and homestead tax status.

Recommendation 2: Mobile homes could be constructed to be more sturdy, which may raise their prices but would still be more affordable than building a home, so that they have more value as a personal asset or may be more desirable to be classified as real property, and could appreciate over time.

IMPEDIMENT E: ACCESSIBILITY ISSUES.

Impediment E1: As more affordable housing options, mobile homes/manufactured homes in trailer parks are likely housing units for members from the disabled community, however, they are not covered by the ADA.

Recommendation 1: There could be legislation to offer protection similar to the ADA to people with disabilities who end up with a mobile/manufactured home as the housing they can afford.

Recommendation 2: There could be accessibility loans to build/rehabilitate mobile/manufactured homes, so that they would be suitable to owners with disabilities.

V. EMERGENCY AND TRANSITIONAL HOUSING.

IMPEDIMENT A: LACK OF HOMELESS SERVICES RESOURCES FOR UNDERSERVED COMMUNITIES.

Impediment A1: Locations of resources and types of resources do not match locations and needs of the homeless from underserved communities.

Action Step 1: Underserved communities should be included in Continuum of Care planning and implementation, so that their needs and resources for their needs be taken into consideration and more appropriately matched. The Interagency Task Force (ITF) will assist the Continuum of Care networks in establishing partnerships with local underserved communities.

The Minnesota Housing Finance Agency convenes monthly meetings with 10 other state agencies (Interagency Task Force on Homelessness- ITF) to consider and recommend policies and actions to best utilize available resources, and to access new funding sources for ending homelessness.

The ITF currently consists of the following state agencies, in addition to HUD: MN Department of Health; MN Department of Veterans Affairs; MN Department of Corrections; MN Department of Human Services- Mental Health and Office of Economic Security; MN Department of Employment and Economic Development; Veterans Homes Board; MN Department of Public Safety/MN Department of Crime Victims Services; Metropolitan Council.

2001 Update: Not undertaken this year, will be addressed in the coming years. It should be noted that several staffing restructurings may bring more opportunities for greater attention to underserved communities needs, as MHFA now has a full-time staff person for the Family Homeless Prevention Assistance Program and the ITF will be assisted by a circuit rider housed at the Minnesota Housing Partnership.

2002 Update: This past year, the ITF spent considerable time in planning new directions, which included several conversations related to race factors in the homelessness equation. A most immediate and concrete change appears in the ITF mission statement's value section, highlighting the promotion of "culturally competent service delivery through funding recommendations." The ITF also committed to require that Continuum of Care networks include members from the underserved communities, through specific language in the RFP and contract agreements. The planning process articulated the ITF's commitment to address racial disparities issue. Such concerns will remain ever-present in the group's work and its interaction with the homelessness delivery system network. All those efforts should result in a better match between needs and resources of homeless persons and households from underserved populations.

2003 Update: The proposed language highlighting the ITF's commitment to inclusion of members from underserved communities and to culturally specific service delivery is contained in the CoC Coordinator contractual agreements in Greater Minnesota, as well as required by HUD. Furthermore, regular communications and orientation manuals also address those issues. However, although diversity efforts are promoted, CoC networks may experience different levels of success, with some programs being able to connect to community-based organizations such as UMOS and MET in SE MN or the White Earth Indian Tribe in West Central MN, and some not being able to diversify that all. It was noted that there may be more diversity on the boards of CoC partners, than on the actual CoC networks' boards themselves, in Greater MN, and that metro CoC networks are actually much more diverse.

One strategy to increase underserved communities' participation in CoC networks involves making it a requirement, if they are funded, to provide homeless prevention and intervention services. The Office of Economic Opportunity at DHS has implemented that approach, which has resulted in the intended outcome. However, such funding strategies do not work when groups are not grantees or cannot be grantees, such as American Indian tribes who may not have incentives to attend if they are not eligible for homelessness grants. The local HUD ruled that the White Earth American Indian Reservation was not eligible for a HUD SHP grant, as it has access to American Indian housing funds. It was noted that White Earth receives some FHP funds. It was noted that it may be necessary to clarify American Indian eligibility for homelessness funds.

Action Step 2: MHFA staff will work with agencies focusing on Hispanic housing needs and will further evaluate how to best serve homeless Hispanic people who fall in between definitions for services, but do need services and resources.

2001 Update: Not undertaken this year, will be addressed in coming years.

2002 Update: The ITF reported that some programs in Southwestern Minnesota provide migrant services. The ITF also clarified that the term "migrant" does not apply to any specific or racial groups. (For many years, Hispanic migrants have traveled to Minnesota to perform agriculture-related work in the sugar beet fields, canning manufacturers, and other industries, and the term was associated with them (Hispanics); today, agencies seem to use the words loosely and associate it with all Hispanics in Greater MN.) It was noted that, for example, a DHS staff person from the Hmong community works with Hmong seasonal agricultural workers. However, later, it was clarified by a migrant worker's specialist that the definition "migrant farmworker" in relation to agricultural workers is based on the usage by federal funding sources and each particular federal agency may have its own definition. The word "migrant" can be defined as someone who travels across county lines to perform agricultural labor and does not return back to his/her permanent domicile, but has to make new living arrangements. Otherwise, they are identified as "seasonal farmworkers", because they work in the same area where they live permanently.

Finally, the ITF will review the Family Homelessness Prevention Assistance Program (FHPAP- a program intended to provide resources to families before they actually become homeless and must use a shelter), so that it will address migrant workers' needs.

2003 Update:

Definition confusion appears to be a stumbling block in properly identifying migrant workers' housing and services needs. However more clarity appears to be progressively achieved.

The Minnesota Chicano Latino Affairs Council has compiled a list of all migrant-related definitions used in the state, and noted that the MHFA has one statute related to migrant farmworker housing, however, there appears to be no specific definition as to what it means and who it targets. The Minnesota Chicano Latino Affairs Council would be glad to work with the MHFA on a definition.

With regards to FHPAP, upon further internal discussion, it would appear that FHPAP with a focus on prevention and long-term housing stability may not be the appropriate program to address migrant workers' seasonal homelessness issues. Staff reported that HUD supportive housing funds are currently being used by homelessness service and migrant service providers to assist with migrant workers' housing placement, such as housing search assistance, as well as help with security deposits.

Action Step 3: The Department of Children, Families, and Learning will consider targeting of operating funds for temporary housing to programs that serve communities of color.

2001 Update: CFL is amending this action step to the following two new actions steps.

Action Step 4: CFL will continue to provide training to its shelter and transitional housing grantees regarding fair housing issues. Training will include information to increase the capacity of shelter and transitional housing grantees to help program residents know how to file fair housing complaints, should they feel they are facing discrimination in their attempts to acquire permanent housing. Grantees will also be informed about practices their own agencies should follow when acting in the role of landlord.

2002 Update: CFL has incorporated Fair Housing as an item of review when monitoring grantees. Grantees are asked about the incidence of fair housing discrimination amongst its service population and informed on how to file a fair housing complaint when appropriate.

2003 Update: Information to be provided by CFL, now the Office of Economic Opportunity at DHS.

Action Step 5: CFL will add links on its web page for parties seeking fair housing information.

2002 Update: CFL is in the process of updating its website to add links to fair housing information.

2003 Update: CFL, now the Office of Economic Opportunity at DHS , will provide some updates.

Action Step 6: Culturally-specific programs will be supported to provide culturally-appropriate services.

2002 Update: In 2002, the St. Paul American Indians in Unity group was granted $200,000 in emergency housing assistance for rent, security deposits, utilities, emergency housing, application fees, and legal fees directly related to housing.

Action Step 7: Culturally and linguistically appropriate services will be supported.

2002 Update: The ITF will discuss with Wilder Foundation the need for interpreter services for the night when the homeless survey takes place.

2003 Update: Survey documents were translated in Spanish. For other languages, interpreters may be available on the survey night. DHS has connected the Wilder Foundation with its interpreters.

Examples of suggestions for partnership activities between CoC networks and underserved communities:

- Include and plan for resources for homeless persons from underserved communities who have language and cultural barriers.

- Capacity building efforts to service providers aiming to serve homeless people and families in the underserved communities.

Impediment A2: There is a discrepancy between the number of people/households from underserved communities in emergency shelters and their number in transitional housing.

Action Step 1: In its transitional housing selection process, MHFA will prioritize RFP applicants with a demonstrated track record of serving the underserved communities or RFP applicants with a demonstrated commitment to serve the underserved communities.

2001- 2002 Update: Priorities for underserved communities in transitional housing selection processes are incorporated in the new rules governing the Housing Trust Fund, which were drafted this past year.

2003 Update: The underserved communities' over-representation in the shelter system not translating into similar numbers in the transitional housing system has raised questions about whether there were fair housing issues at play. The problem has been highlighted for several years. It was decided that a review of recent data collected would be completed to determine whether the problem still exists, and if so, the ITF would further discuss whether this would be the activity it would like to pursue this year.

The following data was extracted and reviewed:

Percentage of Non-white Residents by Shelter/Transitional Housing*

	Metro	
	Male	**Female**
Shelter	79.6%	78.8%
Transitional Housing	63.1%	71.5%

	Greater Minnesota	
	Male	**Female**
Shelter	35.2%	45.4%
Transitional Housing	38.1%	34.3%

* Source - Wilder Shelter Survey of October 2000.

The findings do show for three of the gender/location groupings, that a higher percentage of shelter residents than transitional housing residents are persons of colors.

It was concluded by the ITF that while the discrepancies are not as large as anticipated and that there may be other non-fair housing reasons for the differences, that the State would continue its policy of encouraging transitional housing programs to recruit participants for its programs from the emergency shelter population. The Minnesota Department of Human Services, through the Office of Economic Opportunity, has incorporated into its review process, a point system that rewards transitional housing funding applicants for recruiting the hardest to serve populations, including persons in shelters.

When the October 2003 Wilder Shelter Survey results are released a further fair housing review of the existing data will be conducted, including a review of the past 3 years of numbers of persons of color in shelter and transitional housing.

Action Step 2: CFL has funded the MN Fair Housing Center (MHFC) to conduct fair housing related activities in Minneapolis, St. Paul, Mankato, St. Cloud, Rochester, Duluth, and Moorhead. The MFHC project will consist of four components:

a) in-depth interviews to identify perceived disparate treatment, rejections, and the identities of housing providers engaged in unlawful discrimination;
b) fair housing testing based on the factors identified in the interviews;
c) training workshops will be held at various shelters and transitional housing programs on housing discrimination;
d) handouts for home seekers will be distributed to various shelters and transitional housing programs.

2002 Update: The project has been completed and the report is available from the Minnesota Fair Housing Center.

IMPEDIMENT B: ADMINISTRATIVE BARRIERS.

Impediment B1: Homeless families' immediate needs for assistance are not met due to the time it takes to complete paperwork.

Action Step 1: MHFA continues to strive to promote flexibility and innovation in its Family Homelessness Prevention Assistance Program, to provide effective and timely assistance to homeless households and individuals. CFL has directed all recipients of CFL administered shelter funding to provide assistance as soon as eligibility for homeless assistance has been determined. CFL shelter grantees have also been instructed to develop immediate appeal processes for those persons determined to be ineligible for CFL homeless program assistance.

2001 Update: No report this year.

2002 Update: HMIS could possibly address this issue by expediting the application process and allowing homeless families that already have eligibility determined by another agency to have immediate access – but if a family is new to HMIS there would be the same problem. On the other hand, once a family or individual provides data that is entered into HMIS, they may have more efficient access to additional resources to meet their needs.

2003 Update: The MN Homelessness Management Information System (HMIS) is an internet-based system that will provide standardized and timely information to improve access to housing and services, and strengthen efforts to end homelessness.

At the present, service providers need to buy a $400 license as a user fee, to purchase the software, which will enable them to enter data on the standardized system. That

cost will decrease as the system becomes more established and a lesser fee can be charged.

HMIS is still in the development phase, and key issues still need to be decided, such as the extent to which participation by clients is voluntary and how that impacts service providers who must comply with reporting requirements, client privacy issues, and long-term financial sustainability of the system. Wilder is taking the lead in developing this system, reporting by service providers is to Wilder and not a public government agency subject to information disclosure obligations. Wilder will then report the aggregate data to different state agencies.

Efforts are being made to determine the wide range of agencies that could use this standardized system, which would decrease the operating costs to be shared among many users and would streamline data.

Pilot testing will be implemented in Ramsey County and in the West Central Continuum of Care Network, late fall of 2003.

It is hoped that all HUD-mandated agencies in the state will be online by the end of this calendar year, September of 2004.

Action Step 2: CFL will continue to work on streamlining application processes for persons seeking emergency shelter from CFL funded agencies.

2001 Update: CFL will not pursue this action step.

2002 Update: CFL has been participating in the development of a statewide Homeless Management Information System, which will streamline the intake process for persons seeking homeless assistance. The system is scheduled to be implemented by October of 2003.

2003 Update: See previous action step.

Action Step 3: MHFA will support initiatives aimed at better coordination of homeless services and resources, such as coordinating funding related to emergency assistance, diversionary resources, etc.

2002 Update: A 2-year grant of $80,000 was awarded to a collaborative effort between the Metrowide Engagement on Shelter and Housing (MESH), the Corporation for Supportive Housing (CSH), and the Wilder Research Center for metropolitan homelessness planning.

The ITF also promoted coordination between CoC regions through statewide best practices training among CoC regions. The ITF is also involved in funding and

advising the Greater Minnesota CoC Circuit Rider who assists CoC regions in best practices.

2003 Update:

MESH completed a regional assessment and set of recommendations, resulting in a region-wide plan. It is now in the process of presenting to all metropolitan county jurisdictions, a resolution approving the formation of an inter-county group.

The CoC Circuit Rider assists the CoC networks with best practices technical assistance and implementation. That staff person is now coordinating 3 of the 6 regional CoC networks, and will help all CoC networks with the HUD Exhibit 1 preparation and submission.

FHPAP programs have been encouraged to streamline planning efforts with those of the CoC networks.

Staff noted that FHPAP has been experiencing program "regression" as opposed to "progression," as current financial crises have forced counties to make hard decisions, such as increasing the residency requirements and using FHPAP funds intended for prevention efforts (primary use) for emergency services (permissible use), as emergency funds from the state were severely cut.

Action Step 4: The ITF will review the FHPAP program to ensure it can address barriers reported by clients and service providers.

2002 Update: The ITF has committed to ensure that there be flexibility in residency requirements in the FHPAP program, such as eliminating 30-day residency requirements to access FHPAP resources.

2003 Update: See 2003 update in action step above.

Examples of areas to inquire into:

1) Evaluate what is causing delays and see what can be done to improve processes.

2) Evaluate whether processes can be streamlined, so that there would be a limited set of paperwork to complete and only one staff person doing intake.

3) Evaluate whether some basic needs can be met without waiting for the verification of homelessness status, such as food and baby diapers, etc.

IMPEDIMENT C: MIGRANT HOUSING.

Impediment C1: There is a lack of attention and clarity surrounding migrant and Hispanic housing needs in Greater Minnesota, while the need for housing for those populations is growing as that community is growing.

Action Step 1: MHFA staff will continue to learn more about migrant and Hispanic housing needs, through participation in migrant and Hispanic housing needs task forces and collaborations with UMOS (United Migrant Outreach Services), a migrant service provider, holding monthly migrant and Hispanic housing issues meetings.

2001 Update: MHFA staff persons are keeping track of UMOS' activities and attending UMOS meetings, to build better working relationships and get a better sense of what the Hispanic and migrant communities' housing needs are. This year, MHFA staff persons have been particularly engaged in discussions and technical assistance activities with UMOS, regarding the special HECAT (homebuying counseling services) funds specifically targeting expansion to traditionally underserved communities.

2002 Update: In 2002, the UMOS Hispanic Housing meetings were discontinued for the time being, however; UMOS plans to reconvene those meetings in the future. UMOS focused its effort on implementing new housing-related activities, as they were the recipients of a small grant from the Special HECAT appropriation to provide 3 homebuyer training sessions in Central MN, as well as of $47,355 in HOME Rehabilitation funds (approved for up to $100,000) to renovate the Claremont Center: 18 units of rental housing for migrant farm workers and their families, in conjunction with the United States Department of Agriculture: Rural Development, the Otto Bremer Foundation, the Federal Home Loan Bank of Des Monies and Chiquita, LLC.

It was noted that several Hispanic organizations operate in Greater Minnesota. Another such group would be MET (Motivation, Education, and Training), Inc.

Efforts to contact those groups and find out what their current housing initiatives might be, if any, will be made.

2003 Update:

UMOS consolidated its operations by closing one of its two offices in Mankato, and by closing its Marshall office, where not many members of its service-eligible population resided. They still have offices in Mankato, Willmar, Moorhead, Crookston and St. Cloud. They are still managing the Claremont Center, which is providing farm workers' housing and which also houses another one of their offices.

Centro Campesino, a migrant services and advocacy group based in Owatonna, is in the process of becoming a CHDO. They have a development in the pipeline, targeting half

farm labor workers' housing and half permanent cooperative housing for low-income families. They have received an initial grant and are actively seeking a site, which has proven to be a challenge. They are working with Three Rivers Community Action as a partner. Centro Campesino, in partnership with HACER (Hispanic Advocacy & Community Empowerment through Research) released a migrant worker housing survey focusing on South Central MN, in early 2003.

The Migrant Consortium is a network of agencies (including several state agencies) that provide services for migrant and seasonal farmworkers, provide funding to agencies that serve migrant farmworkers or enforce laws that are related to migrant and seasonal farmworkers. The Consortium meets five (5) times per year, all during the agricultural off season (late September thru early May). The meetings are for information sharing purposes. All attendees provide agency updates. As a group, it discusses emerging trends and other issues. Sometimes guest speakers are invited.

The Southeastern Minnesota Migrant & Affordable Housing Coalition, a Southeastern Minnesota group, reported that current migrant housing concerns would be:

- the requirement to have a one-year lease;
- the higher charges for less-than-a-year leases;
- the requirements for last-plus-first-months-plus-security-deposit which are too high of an entry cost;
- substandard housing as migrant/Hispanic families are too scared to complain;
- bad credit barriers to homeownership;
- early buy-outs of USDA-financed low-income housing developments;
- an alarming increase in anti-immigrant sentiment from letters to the editors to anti-immigrant coalitions to hate mail and posters.

They noted that the Somali population is also experiencing those issues, maybe even worse. On a more positive note, the Southern Minnesota Migrant & Affordable Housing Coalition members are continuing to hold their meetings, exchanging information and making linkages. For example, the University of Minnesota Extension program hired a bilingual staff person to conduct Dollars Work trainings in Spanish and will be getting referrals as well as train staffs from Semsac, the local Homestretch provider, filling the gap between homestretch training and the need to repair credit. This could be a systemic linkage between all Extension Service programs and Homestretch providers around the state.

IMPEDIMENT D: COST OF HOMELESSNESS.

Impediment D1: There needs to be more visibility, discussion, and action to end homelessness as an unacceptable housing situation.

Action Step 1: MHFA will continue to promote homelessness prevention and rapid exit out of the shelter system in its Family Homelessness Prevention Assistance Program.

2001-2002 Update: The Minnesota Housing Finance Agency convenes monthly meetings with 10 other state agencies (Interagency Task Force on Homelessness- ITF) to consider and recommend policies and actions to best utilize available resources, and to access new funding sources for ending homelessness.

The ITF currently consists of the following state agencies, in addition to HUD: MN Department of Health; MN Department of Children, Families, and Learning;MN Department of Veterans Affairs; MN Department of Corrections; MN Department of Human Services; MN Department of Trade and Economic Development; Veterans Homes Board; MN Department of Public Safety/MN Department of Crime Victims Services; Metropolitan Council; MN Department of Economic Security.

The MHFA administers funding for the Family Homeless Prevention and Assistance Program and promotes sharing of best practices among the grantees. Those grantees with homeless shelters in their areas are encouraged to assess prospective applicants' needs and resources and make every effort to either avoid placement in the shelter or provide assistance that will allow the household to shorten the stay in shelter. This year, the FHPAP service providers' network was expanded with two new FHPAP grantees. Furthermore, MHFA successfully lobbied for more funds to be allocated to establish more coordination within the 7 county-metro area Continuum of Care network, which will achieve greater efficiency.

2002 Update:

The ITF has discussed coming up with a plan to end homelessness, which has never been done in Minnesota before.

The CoC regions will begin the process of developing real strategies to end homelessness, in conjunction with the ITF plan, as opposed to feeling pressured to come up with quick proposed actions when completing the CoC Exhibit One needed to access HUD funding.

In FY 2002, the FHPAP assisted 7,933 households with a total of $1,699,664 in assistance.

2003 Update:

At the request of the Pawlenty Administration, the 2003 legislature directed the MHFA along with the Department of Human Services (DHS), Department of Corrections (DOC), and the Department of Trade and Economic Development (DTED--now named DEED--) to establish a working group on long-term homelessness and supportive housing. The goal of the Working Group is to develop a plan to: 1) reduce long-term homelessness; 2) reduce the inappropriate use of crisis services; and 3) improve the outcomes for the families and individuals. The plan will help efforts to increase the availability of supportive housing by addressing barriers to the provision of

coordinated services in supportive housing and by facilitating the coordination between funders and providers of services and housing developers. The focus will be on better utilizing already available funding streams for services.

This Working Group on Supportive Housing and Long-Term Homelessness is meeting intensively to prepare for a February reporting to the legislature. This would be the current main effort for a plan to end homelessness.

The CoC networks are involved in the plan towards ending chronic homelessness and also in working on a 10-year plan, for which they will receive training in October.

Action Step 2: Actions and initiatives will increase the resources/housing available to alleviate/prevent homelessness.

2002 Update: In 2002, $16.2 million in GO bond proceeds was appropriated to the Publicly Owned Transitional Housing (POTH) program for two projects to serve homeless veterans and other single homeless adults or persons at risk of becoming homeless. The projects will be located on land owned by the U.S. Department of Veterans Affairs and will provide coordination of health and social services for the residents. This is the largest appropriation ever made to MHFA in a capital bonding bill and will produce approximately 260 units of permanent and transitional housing.

2003 Update:

Ending homelessness is one of the current administration's top priorities. In line with that directive, the legislature increased the FHPAP funding by 4%, adding $300,000 in one-time funding and $50,000 in base funding increase. The legislature also commissioned a Working Group on Supportive Housing for Long-Term Homelessness, charged with the tasks of: 1) reducing the number of MN individuals and families that experience long-term homelessness, 2) reducing the inappropriate use of emergency health care, shelter, chemical dependency, corrections and similar services, and 3) increasing the employability, self-sufficiency, and other social outcomes for individuals and families experiencing long-term homelessness. A report to the legislature is due February 15, 2004.

Examples of areas to review:

1) More pro-active resources to prevent homelessness.

2) More permanent, affordable housing options.

VI. FAIR HOUSING AND ECONOMICS.

The following is a summary of comments regarding fair housing and economic issues gathered from visiting with all the communities referred to in the process section of this document. Actions steps that MHFA is already or will be taking in the near future and suggested recommendations (which MHFA has no direct control) related to those comments are enclosed.

In Greater Minnesota, many members of the underserved communities, especially refugees, immigrants, and migrants, stated that the connection between jobs and housing is critical. They were all enthusiastic the many job opportunities, however, no housing was available to enable them to settle down in those areas of economic growth. Many times, people had to leave because no housing was available. Most of the time, members from the underserved communities manage as best they can to find some housing options. They may live two or three towns, 15 to 40 miles away, from the job location. They may pile-up in overcrowded conditions. They may stay in motels and spend huge amounts of money in lodging and take-out food, while desperately looking for housing. The lucky ones can find jobs and enroll their kids in school while technically homeless. Some less fortunate ones cannot even get a job, because they do not have an address. In some areas, longtime residents, housing advocates and officials are working hard to find solutions to their housing and their labor shortage, understanding that the economic vitality and the long-term prosperity of their regions may depend on those newcomers from traditionally underserved communities. In other areas, there appears to be less interest in addressing the housing shortage situation. One housing advocate bluntly stated the problem: restricting the availability of affordable housing is a way to control who gets in and gets out of town.

Action Step 1: Given the fact that economic growth is intricately connected to new workers coming in and given the fact that a substantial number of those newcomers are from underserved communities, housing development proposals linked to economic growth cannot ignore the need to consider and ensure equal opportunity housing. MHFA will be closely looking at fair housing issues in Challenge Program fund proposals. Those fair housing considerations would include looking at the workforce demographics, unit sizes that would match the workforce demographics, location of sites in proximity to economic growth and sustainable family lifestyle issues, as well as transportation options, level of wages offered to the workforce.

2001 Update: No update/assessment this year.

2002 Update: The Economic Development and Challenge Fund application materials include a Market Qualification Information Form, which is completed and submitted by all applicants. It provides information on income affordability based on the proposed rents and the hourly wage level that would be required for the unit to be affordable to 1 earner and 2 earner households. This form also collects employment information such

as major employers in the city or area, type of business, typical job types, and starting or average hourly or annual wages, as well as similar information for any recent or proposed expansions in area employment. Applicants also provide a summary about the need for the housing in the market area based on population, job growth, and rental housing vacancy rates. The proposal addresses the needs of the local work forces and demonstrates links between jobs and housing, how employees will access jobs and services, and that the housing is affordable based on the wage level of jobs being created or retained.

In addition to the Market Qualification Form, MHFA requests a site location map in which the applicant identifies the proposed housing site, and its proximity to various items including public transit routes and stops, regional and interregional transportation corridors and transit-ways.

2003 Update: One of the Agency's five new priorities, as per Governor Pawlenty's directives, is to provide housing that supports the state's economic vitality by offering more housing choices for low and moderate income workers.

Action Step 2: MHFA will continue to encourage and prioritize applications that engage employers in becoming involved in the issues of housing and economic development in their localities and regions.

2001 Update: MHFA consolidated several programs into one major Economic Development and Housing Challenge Program. This became part of the MHFA's base budget during the 2001 legislative session. Since that time, MHFA has been developing administrative rules to provide for full program implementation. 50% of the program dollars must be used on projects with employer contributions. In addition, the rules provide that priority be given to projects with employer contributions.

2002 Update: Information forthcoming.

2003 Update: See II. Private Rental Housing, Impediment A2, Step 1, 2003 Updates. As mentioned there, one of the Agency's five new priorities, as per Governor Pawlenty's directives, is to provide housing that supports the state's economic vitality by providing more housing choices for low and moderate income workers.

Action Step: MHFA will continue to prioritize housing development proposals that support economic growth.

2001-2002-2003 Update: See above.

Recommendations:

1) Fair housing should be an integral part of CDBG small cities grant selection processes and economic development activities by DTED.

2) Homeless services appear to be critical in stabilizing the new workforce, which once again may disproportionately consist of members from underserved communities. Therefore, there should be consistency between populations served by homeless services and the statistics about who is homeless.

The next nexus between fair housing and economics relates to the issues of the kinds of jobs and the kinds of wages that members from underserved communities are able to find and keep. Members from the underserved communities pointed out to the standard practice in some manufacturing industries: the plant has 700 employees, 500 of whom have English as a Second Language. When people start, they make $7.30/hr, maybe up to $7.50. However, there is a no-fault point system. When people are late, are sick, or cannot be at work for any reason, they accumulate points. After so many points, they can no longer work there and get fired. However, they can go to the temp agency and get rehired, at $5.15/hr with no benefits. With wages at the bare minimum wage level and no benefits, those refugee, immigrant, and migrant workers remain at below the poverty level, which affects whether they can aspire to better housing options.

Recommendations:

1) Either wages have to increase so that people can afford housing or housing has to be at the affordability level of the prevailing wages.
2) There should be more monitoring of fair labor rights in employment companies with non-English or limited English speaking workforces.
3) Unions should do more outreach to non-English or limited English speaking workforces in Greater Minnesota.

Many members both from the underserved and the mainstream communities commented that without better English or better job skills, it is impossible for refugees, immigrants, and migrants to get better jobs and better wages. One advocate observed that refugees and immigrants who came from Eastern Europe appeared to be getting better jobs in construction for roads and carpentry, because they could speak better English.

Recommendations:

1) There should be English learning opportunities for adults in Greater Minnesota, either through social services agencies, school systems, university extension services, or employer-sponsored classes.
2) Employers in Greater Minnesota should be encouraged to provide job development and advancement opportunities to members from underserved communities.
3) DTED could assist in the previous recommendation.

Furthermore, government officials and nonprofit advocates from rural areas bluntly stated that it may be harder for members from communities of color to get into and remain in higher-paying industries in the rural areas, such as mining or government, because longtime residents help each out but that network is not available to newcomers from underserved communities.

Recommendations:

1) Employers and employee associations could do more outreach to their workers and co-workers from underserved communities.
2) There could be more employment discrimination education, monitoring, and enforcement, such as from the Minnesota Department of Human Rights or the Minnesota Department of Labor.

As indicated by statistics at the beginning of this document, people of color are disproportionately represented in the MFIP recipient population. In Greater Minnesota, MFIP recipients from underserved communities face challenges to becoming self-sufficient and getting out of poverty. For example, families from underserved communities with many children cannot find appropriate childcare, as they cannot find providers who can take all the children at the same time and find it a hardship to find several childcare providers. Another barrier would the lack of appropriate MFIP and job trainings for non-English speaking recipients. The issue of finding culturally appropriate jobs and job trainings impacts MFIP recipients' ability to successfully exit the program and overcome poverty. For households that are transitioning, they encounter the problems of the working poor. For example, it was noted that because of the shortage of workers, the salary base went up by 70 cents to $1. As a result working families are above eligibility for assistance but still cannot afford market rate housing.

Action Step: MHFA will closely look at fair housing issues when reviewing MARIF (special appropriation from the Legislature to provide housing for households on MFIP or transitioning from welfare to work) proposals.

2001 Update: Nothing this year, especially as those were relatively new funds, with no resident statistics yet. But this action step will be visited in the coming years.

2002-2003 Update: See previous MARIF 2002-2003 updates, earlier steps in the document.

Recommendations:

1) DHS and CFL can ensure that culturally and linguistically appropriate services and resources are available for MFIP recipients from underserved communities in Greater Minnesota.

Finally, two separate issues were identified as critical to the ability of underserved communities in Greater Minnesota to improve their economic conditions: 1) transportation, as the lack of housing may lead people to live in communities far away from where the jobs are; and 2) the gap in services and resources when refugee resettlement funds end, but the resettled refugee communities are not yet self-sufficient in communities in Greater Minnesota.

Action Step: Housing development, economic development, transportation planning should incorporate fair housing considerations. MHFA has started to implement smart growth considerations in its proposal selection process, to coordinate development in all those areas.

2001-2002-2003 Update: Priorities for projects meeting the needs of underserved populations have been incorporated in the new rules governing the Economic Development and Challenge Fund and the Housing Trust Fund.

Recommendations:

1) DHS and local communities should address the gap in services and resources for refugees.

VII. FAIR HOUSING AND PLANNING.

The following narrative summarizes concerns from Greater Minnesota regarding fair housing problems and the lack of fair housing considerations in economic and housing development planning. Suggestions of action steps are enclosed.

Small cities and rural areas do not have the administrative capacity and the housing development expertise to apply for housing development funds and carry out projects, let alone work on fair housing issues. Local officials in Greater Minnesota either drive the Not In My Back Yard (NIMBY) attitudes or are constrained by constituents' NIMBYism. Finally, local officials and housing advocates appeared to be unsure about what the needs of underserved communities might be in their communities.

Recommendations:

1) There needs to be more capacity building in Greater Minnesota on housing development and planning that would integrate fair housing considerations.

2) There needs to be more integration of underserved communities in Greater Minnesota, so that they become an integral part of local officials and service providers' work.

3) All housing development funds should be tied to fair housing requirements, including all public funds from local and state governments, as well as funds from foundations.

VIII. FAIR HOUSING RESOURCES.

The following is a list of fair housing resources identified through the data gathering process.

It was noted that the only fair housing resource might be the legal aid office in Moorhead. Pelican Rapids is served by the Alexandria Legal Aid office, which also covers the Moorhead area.

St. Cloud has been part of the CFL's race and family statewide testing. Twenty (20) to thirty (30) tests were conducted there. That testing demonstrated that more testing needed to be done. As a result, the city has allocated more funds to increase the enforcement capacity of the human rights commission, $30,000, which will go toward more testing and enforcement.

It was noted that education is important, especially for the smaller scale landlords and their tenants, as well as larger scale landlords. (Central)

In terms of fair housing resources, the SW Housing Partnership had been told to do fair housing work. However, there is no support and there are no resources for education. Legal aid would be the only place and their resources are already scarce. There is a human rights coalition which travels and hears complaints, but not on a regular basis. It was concluded that the first priority should be do some testing, because as long as there are no numbers, everything is only anecdotal and is not taken seriously. (SW)

In terms of fair housing resources, the staff person from St. Louis County brought a list of resources. There is a committee in St. Louis County, which meets monthly. There is a new fair housing center, the Fair Housing Access Center, which is primarily working on education and outreach for landlords and tenants. The state legislature has given permission to the City of Duluth Human Rights Department to become a fair housing enforcement agency certified by HUD. This is the only one in the state. This was pursued because of the 12 to 16 months it usually took to hear back from the HUD office in Chicago or the MN Dept. of Human Rights. People stated that kind of delay did not encourage people to be willing to file complaints and therefore, there were not many fair housing complaints. There is a Center for Independent Living, which is Duluth-based. (NE)

Overall, people did not see major issues with housing for people with disabilities. There was more concern about assisted housing, housing with services for people with specific needs such as homeless people, dual diagnosed people, and people with chemical dependency. It was noted at the end of the meeting from a participant that people might think that the housing needs of people with disabilities are being met, but that is not necessarily accurate. (NE)

In terms of resources, there is a fair housing program in Rochester. There is Legal Aid. There is a cultural diversity network in the region. Each community has its own nonprofit, grassroots diversity group, to promote dialogue. The Migrant Housing Partnership provides advocacy. (NW)

The City of Northfield has a cultural diversity liaison. The City of Faribault is advertising for a similar position. (SE)

Available resources that address housing issues, human rights office or advocacy groups include Family Services in each region, Otter Tail County Advocacy, Morris Human Rights Commission, Aging and Fair Housing and Legal Services. A "Right to Know" brochure is also available that addresses housing issues. (WC)

Diversity training and life skills training are part of the curriculum in several K-12 schools throughout the region. The region also has two universities, one junior college, and several technical colleges that offer cultural diversity classes. (WC)

Local service clubs, the ministerial associations, local citizen support and leadership provide the backdrop to combat NYMBY and NYMTO attitudes in the region. (WC)

All Parks Alliance for Change is a resource for manufactured home renters and owners.

Need for testing

There were concerns about the fact that there has been no testing done in rural areas, and therefore, although there is anecdotal evidence of housing discrimination, there are no hard figures to back up those allegations.

APPENDIX X

Comments from data gathering process conducted in 2000, from which impediments, action steps, and examples are derived.

I. HOMEOWNERSHIP

IMPEDIMENT A: CREDIT ISSUES.

Anecdotal information reported at focus group meetings:

- Access to credit is a barrier to homeownership in underserved communities.

- Underserved communities cannot achieve homeownership when lending institutions and programs are not accessible to them. In some communities, whether in a rural community, on a reservation, or in a diverse neighborhood, there is either no or a limited number of lending institutions. As a result, communities of color in those areas have no or limited access to credit. The MN Fair Housing Center conducted a study which demonstrated that there is up to an 80% level of discrimination in lending, including steering borrowers of color to certain kinds of loans generally offered to those communities and not telling them about conventional loan opportunities. In terms of cultural differences, the HR directors from employers' companies trying to help Muslim employees finance homeownership were not sure how to address religious prohibitions about interest.

- Members from communities of color are more likely to have no prior credit history and experience difficulties establishing a credit history. Members from underserved communities with low wages and a very tight cash flow cannot comply with some of the banking institutions' rules. People of color have reported that they cannot meet the bank's requirement to have a savings account with a minimum of $5 deduction per paycheck and therefore, cannot cash their paychecks at the bank. That is affecting their credit history.

- Underserved communities feel that lenders are less likely to work out credit problems with them, whereas they would provide more assistance to mainstream applicants. Both members from communities of color and non-members from communities of color have reported that credit issues are barriers for people of color seeking to achieve homeownership. Community members felt that African Americans seem to be specifically targeted for credit history, criminal records, and arrest reports. It was suggested that

non-approval of the applications was based more upon the kind of people who usually apply than upon regulations.

- People of color are disproportionately represented in the low-income to extremely low-income classes, with little education, low paying-jobs, heavy debt loads, no history of having money and knowledge of how to manage money.

- Many members of underserved communities are interested in homeownership, but feel that they cannot find a job and they have no credit history. They have very little education and make $4-5 per hour in temporary jobs with no benefits. They cannot save for a home when they hardly have enough money to eat.

IMPEDIMENT B: LACK OF INFORMATION.

Anecdotal information reported at focus group meetings:

- Homebuyer training is a critical tool to provide education and information. The Wadena program reported that through outreach done through press releases and by contacting professionals, they were able to serve 5 Hmong families. Most other programs reported that they had no special advertising to underserved communities and felt that there appeared to be no interest in homeownership in those communities. At the present, the Home Stretch program does not track which program trainees successfully achieved homeownership and their racial/ethnic background.

- American Indian community members noted that they had never seen bankers or real estate agents coming to the reservation to do outreach. Many members from communities of color reported not feeling comfortable walking into a bank and did not trust the banking system both to respect their privacy and to not discriminate.

- Some homebuying professionals expressed that they felt the homebuying training was not as useful to communities of color when it was provided directly prior to the closing of a transaction, as opposed to earlier in the homebuying process.

- Another barrier for members from communities of color was the lack of comprehensive homeowner training programs in other languages.

- The only homebuying program in Spanish is in the larger cities, several miles away.

- It was noted that children from families of color with English as a second language end up having to translate legal documents for their parents and therefore, there was concern about how much the parents really understood.

- The cost of translation services is often borne by service providers who cannot stretch out scarce resources further and by community volunteers who are not compensated for time taken off from work. Members from the American Indian communities reported that they take applications for homebuyer information and trainings, but many times it is difficult for American Indian families to bring their children with them (as they have no daycare) or to take time off from work, as they cannot afford to not be working. They suggested that Home Stretch should come with resources for childcare, transportation, and compensation for lost wages.

IMPEDIMENT C: LACK OF AFFORDABLE HOUSING.

Anecdotal information gathered at focus group meetings:

- Communities of color reported that it is harder for members from underserved communities to achieve homeownership because of the lack of owner-occupied start-up houses that they, as first-time buyers with lesser resources, can afford. A number of factors were identified as contributing to increased house prices:

    1. lake area home prices are driving the prices for area homes and making homeownership unattainable for people with low income,
    2. too much frontage drive up the price and is an exclusionary policy, and
    3. lot sizes, utility costs, infrastructure, and land costs are impediments to building affordable homes.

- Some employers have taken leadership to offer down payment assistance and other tools.
- It was noted that leadership should come from the top down and that the MN Chamber of Commerce should become involved in homebuying training and homeownership programs, to help provide housing for the Minnesota Workforce. It was noted that large employers who pay $7-9/hr are not looking at the issues. But a few have programs that offer $5,000 in down payment, as long as the buyers agree to stay a minimum of 5 years.

IMPEDIMENT D: LACK OF HOMEOWNERSHIP-RELATED RESOURCES.

Anecdotal information reported at focus group meetings:

- Residents of American Indian reservations remarked that they have a range of programs from public housing to homeownership programs, however there are still gaps in services, such as not having financing for repairs be eligible as a service.

The Minnesota Chippewa Tribal Housing Corporation pointed out that it provides home mortgages, but no home equity or reverse equity loans, and expressed that they felt that conventional banks might be more reluctant to provide those on trust land. As a result, American Indian homeowners do not have the same access to products as the rest of the population. Asian community members have also expressed concerns that old houses in disrepair are not the preferred choice of housing and have a depressive effect on households, who take no pride in their home.

II. PRIVATE RENTAL HOUSING.

IMPEDIMENT A: LACK OF AFFORDABLE HOUSING EXACERBATES HOUSING DISCRIMINATION.

The shortage of affordable housing exacerbated housing challenges for protected classes. Because landlords have a long list of applicants from which to choose from, households of color can be passed over without the appearance of discriminatory intent. As demonstrated by tables 1 and 2, households of color tend to have lower incomes than white households. Lack of financial resources is not the only barrier faced by people of color in obtaining affordable housing. MHFA recognizes that increasing the supply of affordable housing is only part of the solution.

IMPEDIMENT B: ENTRY BARRIERS.

Anecdotal information reported at focus group meetings:

- Everywhere in MN, rental housing seekers are reporting huge amounts of entry expenses that are disproportionate to their incomes and that become real barriers to securing housing. Protected classes are particularly impacted as they are more often than not either newcomers, not-yet established, or low- and moderate-income individuals/households. For example, a newly arrived migrant family that wants to permanently settle in MN has to come up with $250 for a security deposit, $250 for the first month rent, and a $100 utility deposit fee. Since they cannot secure a job

before they have an address and they are spending all their existing resources on temporary housing at a motel, those entry costs may bar them from obtaining housing, which would bar them from being able to settle in town.

- Application fees are of concern for families from communities of color. Due to the tight rental market, households of color must apply for a number of apartments in order to secure housing and pay multiple application fees. Application fees are also burdensome for households with several adult family members needing to pay for individual screening reports or adult workers from communities of color (migrant, immigrant, and refugees) sharing an apartment.

- The application fees impact immigrants, such as migrant workers, as for example, if 4 workers want to rent one apartment, each applicant will be charged $50 and the landlord will collect $200 in nonrefundable application fees from them. Application fees are in an area where abuses occur, as many times, the landlord is taking the applications from members from underserved communities, but s/he already knows that s/he will not accept them. Several people have asked whether it is illegal for landlords to accept 15 to 20 applications when they know that they will not seriously consider the applicant and the application fees are nonrefundable.

- Participants in the meetings and discussions identified several remedies to these entry barriers, including:

    1. a tenant screening clearinghouse where tenants could pay one fee for a tenant report that could be used by several landlords over a period of time;
    2. a requirement that landlords provide a receipt from the screening company when they reject an applicant and will not refund the application fee, to demonstrate that the application fee was properly used to evaluate the prospective tenant's application;
    3. promotion of best practices regarding reasonable and consistent entry fee costs.

IMPEDIMENT C: SUBSTANDARD HOUSING.

Anecdotal information reported at focus group meetings:

- Minority people are disproportionately low-income and as a result disproportionately live in substandard housing. Several participants noted that people of color are often the newest residents in the area and the lowest

income, and therefore, they end up in the worst housing until they can find better housing.

- Housing is eventually lost when the housing stock is not maintained.
- Housing shortages increase a landlords' ability to discriminate and increases homelessness risks for underserved populations.
- Participants in various meetings commented on the need for better enforcement of local housing codes and for a statewide housing code to serve the many areas of the state that currently lack any housing code.
- It was noted that people of color usually live in the worst housing.
- It was noted that legislators might not be supportive of statewide standards, as several legislators are landlords. Statewide standards would also raise the costs of being a landlord.
- There is also a concern that cities and towns want landlords to stay involved in housing, due to the lack of housing. There are political issues, as city officials may not want to upset the people who constitute the tax-base.
- It was noted that even Hispanic landlords are taking advantage of Hispanic tenants.
- It was noted that there are no housing inspections and the public health inspector will not condemn because of fear of setting precedents. When people of color are more likely to be living in substandard housing, they are also more likely to end up homeless when there is a condemnation. It was noted that instead of housing inspections, if conditions are really bad, there are health inspections, after which families must move from unsafe housing, and find themselves homeless.
- Rental housing tends to be in poor conditions because landlords may not want to participate in fix-up/rehab programs, as they would then be restricted by a schedule to change rents. HQS required by HUD are the reasons why some decide not to pursue HUD grants.
- It was noted that landlords are taking advantage of minorities who may be in housing that is better than what they had in their country of origin, but is substandard housing in the US. Since inspections are complaint-based, unless tenants know how to file a complaint, there won't be an inspection. Newcomers, refugees, immigrants, and migrants may not know how to file a complaint.
- It was noted that substandard housing happens in student housing and that college housing is an area of concern. This could be an issue of age discrimination, as landlords are taking advantage of young renters.

IMPEDIMENT D: TERMS OF THE LEASE.

Anecdotal information reported at focus group meetings:

- Length of lease, occupancy standards, and limitations on activities in housing developments are sometimes applied in a manner that discriminates against persons of color.
- In many parts of the state, Hispanic migrant workers who come for seasonal work cannot find housing, as landlords require a one-year lease.
- The lack of larger rental units results in large families from communities of color either being split up, having to spend more than they can afford on housing, or risking eviction, when they have to rent 2 to 3 apartments or violate the occupancy standards of the lease.
- Cultural differences such as decorations of the rental unit, child rearing practices, or food preparation have caused lease terminations and reluctance to rent to households of color.
- With the rental properties, landlords are concerned that American American families tend to have too many people coming in to live there later, which leads to overcrowding. Landlords understand that there are cultural differences issues, but it is a breach of the lease and creates more wear and tear on the property. Overcrowding is a concern. It was noted that sometimes Somali families have to rent 2 to 3 apartments to accommodate their large families. There is a lack of larger size units.
- Cultural differences create tenant-landlord conflicts. Hmong people have had tenant-landlords' disputes over cultural differences issues, such as extended families being too numerous or slaughtering livestock in their homes. Somali families have been accused of lease violations because they were putting colorful "dahs", curtains with some religious significance, on their windows. It was noted that tensions were rising. It was noted that landlords and owners need to be trained on how to work on race relations because racial tensions are increasing as minority populations are increasing. When there used to be a white majority, there was no tension, because it was a white supremacy. It was noted that white families are moving out when black families move in. It is difficult for white people who did not grow up with minority people to know how to live with them. Race relations are huge concerns precisely because there are few minorities and people have to make the transition to learning how to live with minorities. On the other hand, people also acknowledge that they have been living with the Native American community for a long time and there are still racial tensions. It was noted that it is one thing to teach people how to interact with each other in the workplace and at school, but no one is teaching people how to live side by side. There are tensions about cultural differences, such as food smell and childrearing practices. The lack of knowledge and understanding of cultural differences results in prejudice and results in housing discrimination, as landlords become unwilling to rent to people from different cultures. It was noted that there is prejudice on the parts of the landlords who may not want to rent to Southeast Asians because of the smell of the spices they use in their cooking. Landlords are concerned about their properties. There needs to be more landlords'

education. Underserved communities can be different in each community. The "We don't want those people here" attitude may be present, but the community will not act upon it. It was noted that a lot of places are looking for a quick fix to discrimination issues, as opposed to addressing the belief system that is at the heart of the problem. Hmong people in were worried about being discriminated against. On the other hand, they felt safer about the fact that there was less diversity in their locality and therefore less racial tensions and fighting among different ethnicities/races. They had good and bad experiences with Caucasian people. They sometimes get mistaken for Vietnamese and are despised for that.

IMPEDIMENT E: LACK OF ADEQUATE OUTREACH TO COMMUNITIES OF COLOR.

Anecdotal information gathered at focus group meetings:

- Some landlords lack information about their responsibilities related to fair housing and /or the knowledge of how to effectively conduct outreach efforts.
- The Affirmative Fair Housing Marketing Plans (AFHMPs) are still the main tool to ensure that inclusive outreach and marketing be targeted to underserved communities and provide them with housing opportunities. Unfortunately, there are no state regulations to ensure consistency and enforcement of the AFHMPs. The lack of readily available resources to ensure enforcement of the AFHMPs is a barrier to the promulgation of the AFHMPs state regulations.

III. SUBSIDIZED RENTAL HOUSING.

IMPEDIMENT A: SECTION 8 HOUSING ISSUES.

Anecdotal information reported at focus group meetings and from a Section 8 study:

- Section 8 is another primary housing option for protected classes, many of whom are low-income. In some areas of the state, Section 8 certificates go unused. The number of units available to Section 8 voucher holders is severely limited in some areas of the state because rents exceed the HUD established Fair Market Rent (FMR).
- Only 25% of the apartments surveyed by Homeline, a housing advocacy nonprofit, met the rent requirements of the Section 8 program (Vouchers to Nowhere Diminished Choices 6: The Ever Shrinking Market for Section 8 in Suburban Hennepin County, MN, October '00). Despite federal law changes intended to improve landlord acceptance of the Section 8 program,

landlord participation continues to decline. Twenty-eight percent (28%) of the rent-eligible units in suburban Hennepin County accept Section 8 vouchers; this represents only 7.1% of all of the units surveyed (Vouchers to Nowhere Diminished Choices 6: The Ever Shrinking Market for Section 8 in Suburban Hennepin County, MN, October '00). All avenues to increase participation in the Section 8 program should be explored.

- Landlords' unwillingness to accept Section 8 may be caused by the perception of restrictive regulations, but landlords may also not want to accept Section 8 Housing Choice Vouchers, because of the kinds of people that usually use Section 8.
- People have reported that people of color, especially new immigrants and refugees, are interested in becoming landlords but are deterred by unfamiliarity with rules and regulations. People have also reported that landlords from communities of color may actually like to rent to section 8 tenants, as they feel more secure about the rental subsidies coming from the government.
- On the other hand, other people expressed that they have less concerns about landlords not accepting Section 8 Housing Choice Vouchers. It was noted that the issue is more about being able to get and keep the Section 8 Housing Choice Vouchers.
- When more landlords wanted to meet the requirements for 4(d) tax status, it also made them meet the requirements for the Section 8 program, which resulted in more landlords being able to participate in the Section 8 program.
- However, it was also noted that people were losing their Section 8 certificates because rents were above the Section 8 guidelines (NE). Seventy-five percent (75%) of 43,000 rental units surveyed by Homeline, a housing advocacy nonprofit, had rents higher than the qualifying Fair Market Rent (FMR) set up by HUD (Diminished Choices: The Ever Shrinking Market for Section 8 in Suburban Hennepin County, MN, October '99). Minimum income restrictions impact Section 8 renters, as 58% of the less than 10% qualifying and accepting Section 8 units belong to properties with income restrictions resulting in the exclusion of almost all Section 8 renters (Homeline).
- There is a tax credit development in town, but there is a 3-month waiting list and the units are always full.

IMPEDIMENT B: TAX CREDIT BUILDING ISSUES.

- Tax credit buildings have been a primary source of low-income housing in the state and are specifically subject to fair housing requirements. Several participants commented that tax credit buildings are becoming less integrated, both racially and economically.

- Some tax credit buildings are the only affordable housing in the community and therefore have long waiting lists.
- Twenty-four (24) unit tax credit buildings used to have 24% minority occupants 2 years ago, now 70% of the residents are minorities, mostly African Americans and Hispanics.
- There is a tax credit development in town, but there is a 3-month waiting list and the units are always full.
- There is no mixed income in the tax credit development in some localities.
- The tax credit units were the only housing that households could find because of their limited income or their race.

IMPEDIMENT C: PUBLIC HOUSING ISSUES.

Note: MHFA has no jurisdiction over this type of housing; therefore there are no concrete action steps and only recommendations.

Anecdotal information reported at focus group meetings:

- There are 800 names on the waiting list at some American Indian reservation.
- There are public housing units, but there is a waiting list.

Scott County remarked that it was half urban and half rural, and its efforts to place Hollman units in its area are more successful in attracting families of color but less successful in retaining them. Some of the barriers came from neighborhood resistance. Others involved the lack of community resources and the challenges of transitioning from apartment to single house living, for the families from communities of color.

IMPEDIMENT D: RURAL DEVELOPMENT HOUSING ISSUES.

Note: MHFA has no jurisdiction over this type of housing; therefore there are no concrete actions steps and only recommendations.

RD has 40 multifamily units in the region. They have AFHMPs and make special efforts to educate landlords and managers about AFHMPs, such as telling them it is not necessary to market to a population that is not present in the area. Landlords and managers are required to do a self-evaluation of accessibility.

IMPEDIMENT E: 4(D) HOUSING ISSUES.

MHFA administers the Minnesota 4(d) Property Tax Classification, which provides property tax reductions to rental property, whose owners voluntarily apply for the

benefit. In return, these owners commit to restrict rents and tenant income for a five-year compliance period. Additional requirements include a physical inspection of the property once every three years, making units available to Section 8 voucher households and audits of owner records to verify 4(d) compliance. As a low-income housing resource, it has the potential to be a housing resource for low-income communities of color. Housing advocates have reported concerns about 4(d) issues.

IV. MANUFACTURED HOMES.

Note: Manufactured homes, many of them in trailer parks, must be included in this analysis of impediments to fair housing choice, as a substantial number of households from underserved communities live in those housing options. However, MHFA has limited experience with that type of housing. Therefore, instead of action steps that MHFA staffs are already working on or could work on, there are only recommendations.

Anecdotal information reported at focus group meetings:

- An African American woman reported that she was going to buy a manufactured home and move into a trailer park, but her aunt told her it was not a good housing option.
- On the other hand, Cambodian, Hmong, and Somali refugees and immigrants have taken that option, as manufactured homes were affordable housing resources, but they later found out about the drawbacks of trailer parks.
- Many Asians and Hispanics are living in trailer court parks, because they have extended families and because they concentrate for increased affordability.
- Members from communities with disabilities are not clear about their rights in trailer parks.
- The ADA does not apply to mobile/manufactured homes, as those are single housing units. Trailer park owners do not have to maintain sidewalks inside the lot, because those are not required accessible routes.
- There are 3 to 4 trailer parks in St. Cloud. They are full. Employers have started to open some of the companies' lands to manufactured homes. Employers bus their employees from trailer courts.
- As only the manufactured homes are owned, but the land on which they sit must be leased, manufactured home owners are restricted by the trailer park owners' rules who can dictate color and type of materials of the homes, how many people can live there, or who can buy the homes.
- Except for weatherization, there are no resources to rehabilitate old manufactured homes; therefore, substandard housing issues plague trailer parks.
- If a current manufactured home owner wants to move out and cannot find a buyer that the trailer park owner will approve, the current owner will have to pay $700 to destroy the home.
- Another major issue with manufactured homes would be that in all practicality, they may not be that mobile, as moving them costs $3,000 to $5,000.
- Finally, there are issues of faster deterioration rates and lack of appreciation in value.

V. EMERGENCY AND TRANSITIONAL HOUSING.

Anecdotal facts reported at focus group meetings:

- There are a disproportionate number of members of the protected classes in emergency shelters.
- It was also noted that there is a discrepancy between the number of members from protected classes in emergency shelters and the number of members from protected classes in transitional housing.
- A recent survey of homeless youth indicated that a majority of homeless youths are people of color. It was noted that some college students were recruited for the football season, but dropped out after the season. Many of them are people of color. It was noted that in general the people of color in the area consisted of the college students coming from out-of-state to study. The dropout rate for students of color has been high, despite the fact that the college has some support services, such as a brochure on how to survive as a student of color. Without college student housing and college resources, the young people cannot afford to go back home and survive on their own, so they end up in the youth homeless shelter.

IMPEDIMENT A: LACK OF HOMELESS SERVICES RESOURCES FOR UNDERSERVED COMMUNITIES.

Anecdotal facts reported at focus group meetings:

- Migrant workers had no resources for emergency services locally, but noted that there were resources 40 miles away.
- Food stamps, gas, interpreters, and school buses to pick up migrant workers' children are available in some places, but there does not appear to be a large Hispanic community in those places.
- The closest emergency shelter is a city away, as is a battered women's shelter.
- The community has been supporting a privately operated emergency shelter, open to all but primarily serving people of color, however community support is thinning down. Now they need more information about state and federal resources.
- American Indian communities noted that they are not included in Continuum of Care planning.
- Hispanic communities noted that sometimes they fall in between the cracks as migrant services agencies are set up to help migrant workers and homeless services agencies are set up to help people who intend to permanently stay in the area, and each type of agency thinks Hispanic families should be served by the other.

- The Minnesota Interagency Task Force on Homelessness noted that there was a lack of interpreters during the survey night for the Wilder survey, and therefore, it was harder to include the non-English-speaking homeless. Furthermore, there too, providers raised the question about who met the definition of "homeless."
- There were several concerns raised regarding the disproportionate number of members from underserved communities among the homeless population. More specifically a concern was raised that there is a discrepancy between the number of people/households from underserved communities and their number in transitional housing.

IMPEDIMENT B: ADMINISTRATIVE BARRIERS.

Anecdotal information reported at focus group meetings:

- Homeless services have too many hoops to jump through before assistance is provided.
- A Hispanic service provider expressed concern over the fact that all the service providers require tax return forms and a letter from the landlord saying that s/he is willing to rent.
- The application process for assistance takes 3 days, as applicants must meet several service providers.
- There is a 30-day residency requirement, during which newcomer families have no resources, such as assistance with the security deposit.

IMPEDIMENT C: MIGRANT HOUSING.

Anecdotal information reported during focus group meetings:

- With no emergency or transitional housing resources, migrant families must stay in motels, a housing option they can only afford for a short period of time. With often limited access to homeless services, families are unable to secure housing or a job, and therefore are effectively precluded from settling down. (Migrants have traditionally traveled to Minnesota with their whole family, making locating housing that will fit a particular family more challenging.)
- In Brooten, Minnesota, about 50 to 60 families come to live in the Brooten farm labor camp, a 40 units housing complex funded by USDA, in the summer. They travel great distances to work in Renville County and other sites, on sugar beets, asparagus, potatoes and mushrooms farms, during the summer. About 2 to 3 families may stay year-round.
- With no local housing, companies from the metro area bus Hispanic workers from a 50-mile radius, which reaches into the Central region.

- Federally funded (USDA) migrant housing will not accept workers who have found jobs in manufacturing, migrants must have earned most of their last year income from agriculture-related employment. Manufacturing and processing companies are not considered agriculture-related, since the raw product has been altered.
- In some areas and industries, employers tend to provide housing for single male workers, whereas those workers may come with their families. There is no housing for their families.
- A major food processing company in Rochester has a building for men and a building for women; as a result, families are separated and must pay twice as much for rent.

IMPEDIMENT D: COST OF HOMELESSNESS.

Anecdotal information reported at focus group meetings:

- Homeless families in motels spend more money they cannot afford to spend on motel rooms and eating out.
- After house fires displaced three renter families, the county had to spend a lot of resources placing them in hotels/motels. Instead of wasting resources on hotel expenses, it was suggested that such funds would have been sufficient for a down payment for a home. It was suggested that if the families were able to pay rent for years, they would certainly be able to make mortgage payments.

APPENDIX X-1 - DTED FAIR HOUSING POLICIES, ACTIVITIES, AND STATISTICAL INFORMATION.

MN DTED administers the HUD Small Cities Development Program for non-entitlement areas of Minnesota. As part of the administration of this program, DTED requires the following.

- All grantees must develop and submit a Fair Housing Plan of Action. The actions proposed must be over and above those already in place, and the grantee must conduct at least one fair housing activity for each year that the grant is open.
- SCDP funds are not released until the Fair Housing Plan is submitted and receives approval.
- All grantees are required to submit a Fair Housing Equal Opportunity Summary Sheet which describes the community in terms of demographics, subsidized housing, organizational entities for fair housing and equal opportunity. Questions relating to a local analysis of impediments and fair housing and equal opportunity complaints are also included in this document.
- Applicants to the DTED Small Cities Development Program are requested to incorporate into their applications issues of fair housing and their efforts at identifying resolutions to problems or concerns that exist in the community.

Action Steps: Each year DTED conducts an activity to assist grantees in developing and carrying out their fair housing activities. Recent activities included the following:

- 2000 Update: DTED requested and received HUD Technical Assistance funds to contract with the Minnesota Fair Housing Center to develop three "Sample Small City Fair Housing Plans" as models for grantees with populations sizes of (a) less than 500 people, (b) between 500-2500 people, and (c) more than 2500 people. The cities chosen by the Fair Housing Center and DTED to gather data were the City of Woodstock (pop. 132), City of Glenwood (pop. 2,594) and the City of Albert Lea (pop. 18,356). The report was completed and distributed to DTED grantees in April 2001.

  - 2002 Update:

    1. DTED proposed to work with the League of Minnesota Cities and its "Pilot Program for Diversity Training." This four-hour training mixes classroom style with group participation to discuss demographics that drive increasing diversity in the community and workplace.

    2. DTED, in coordination with other state and federal agencies, housing associations, is part of the planning committee for a large, statewide conference of housing related officials. As part of the conference, DTED is

organizing a session on Section 504 of the Rehabilitation Act of 1974 as well as other fair housing and equal opportunity related sessions.

- 2003 Update: DTED completed its merger with the MN Department of Economic Security, and assumed a new name and acronym, the MN Department of Economic and Employment Development (DEED). DEED's longtime CDBG program administrator, also responsible for fair housing issues, transitioned to new duties related to lead issues. Due to that change, no fair housing update will be available this year.

BENEFICIARIES BY RACE/ETHNIC CATEGORY

Following is summary of Small Cities Program beneficiaries by race/ethnic category. It must be noted that Small Cities Program funds are eligible only to non-entitlement areas of the state, and by definition these are cities below 50,000 and counties below 200,000 in population. Historically, minority groups have tended to locate in larger communities and it is to be expected, therefore, that the total number of minority persons living in the areas eligible for and awarded Small Cities Program funds will be less than statewide or by entitlement area.

DTED, 2001 Performance Evaluation Report (from IDB) dated 1/17/02; Updated for FY 2002 No FY 2003 Updates							
	White	Black	Hispanic	Asian/Pac	Ind/Alask	Total	FFH
1992	16,960	34	270	109	363	17,736	1,504
1993	17,099	9	102	22	91	17,323	1,197
1994	18,219	24	81	60	103	18,487	1,003
1995	39,216	58	281	100	184	39,839	1,744
1996	12,468	13	156	28	40	12,705	673
1997	16,329	23	151	56	58	16,617	2,321
1998	9,297	58	104	62	110	9,631	615
1999	11,065	65	168	21	215	11,534	662
2000	1,597	12	28	7	10	1,654	231
2001	369		2		6	377	43
2002	Data not yet entered						
Total		292	1,317	465	1,151	144,340	9,909
	97.75%	0.20%	0.92%	0.32%	0.81%		6.85%

EDUCATION/AWARENESS

DTED conducts an annual implementation workshop for new grantees at which information about fair housing laws and assistance on complying with those laws is presented. A Fair Housing/Equal Opportunity Handbook is distributed to grantees (with resource materials, including web sites, seminars, workshops, etc.) and it is also available to all interested individual, groups and organizations.

APPENDIX X-2 - PUBLIC COMMENTS AND RESPONSES TO THE FY 2000-2001 ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING CHOICE UPDATES/PROGRESS REPORT.

The 2001 Analysis of Impediments to Fair Housing Choice updates were made available for public comments from January 15 to January 31, 2002. Two sets of public comments were received from Elim Transitional Housing, Inc., and the Metrowide Engagement on Shelter and Housing.

Following are copies of the comments and responses from MHFA, CFL, and DTED.

Public Comments from Elim Transitional Housing, Inc., and Responses.

Comment 1:

Suggested outcomes:

1. 30% of all homeownership assistance will be provided to people of color.
2. 50% of all rental units created, rehabbed, converted will be provided to people of color.
3. 50% of all transitional and supportive housing will be provided to people of color.
4. Any community receiving any investment of government financing into housing or jobs must pay a livable wage indexed to housing, provide affordable housing to those on fixed incomes and working in their community, and an appropriate transportation system is available to assist people to get to work.

Response: The first comment would be that MHFA, CFL, and DTED's funds have never been set aside for specific populations, unless by legislative mandate. MHFA either sets internal goals that it tries to meet (which are only desired, and not guaranteed as actual) and/or makes sure that anyone who wants to access the programs has an opportunity, people of color included through special outreach and all the fair housing marketing efforts.

The MHFA is committed to meeting housing needs in Minnesota and to assisting underserved households—people with disabilities and female-headed families, as well as households of color. Assistance is documented in the MHFA's Annual Assessment, which shows that in 2001, under some programs, the percentage of assisted households who are in underserved groups was high, e.g., 55% of all the households assisted under the Housing Trust Fund, Transitional, in Minnesota were households of color. Participation rates of households of color are even higher in the cities of Minneapolis and St. Paul, e.g. 91% of households purchasing property in Minneapolis under the Bruce Vento Affordable Housing Program, were households of color. In virtually all of our programs in FY 2001, the percentage of MHFA-assisted households who are of color

exceeds the estimated percentage of households of color who may be eligible for assistance based on income and housing tenure, as discussed above. Incidentally, the MHFA establishes targets for assistance based—among other things—on estimates of the eligible populations. On what does Elim base its suggested outcomes? How could we achieve these outcomes when only 7.5% of Minnesota's households, according Census 2000, are households of color?

MHFA assistance to households of color exceeds benchmarks, e.g., in FY 2001 25% of MHFA-assisted households purchasing a newly constructed home were households of color, 27% of renters occupying MHFA-assisted units of newly constructed rental housing were households of color, and 22% of renters receiving voucher assistance were households of color. Based on data from the 1990 Census, the MHFA has estimated that 8.9% of households eligible for a mortgage loan were households of color and 13.3% of renters eligible for rental assistance were households of color. (The MHFA will update estimates when detailed data from Census 2000 become available later this year.)

#4. That is a great broad statement, the problem appears to be that, at this point of time, no single entity and certainly not MHFA/no system has been set up to achieve all those goals at the same time. At best, MHFA follows the smart growth principle factoring in transportation issues in the selection process, and promotes economic growth by requiring that proposed rents should match the area income levels

Comment 2: The other major concern we have is the description of people who have faced these impediments to Fair Housing. We believe we need to describe ourselves as a community with diverse populations and income levels and that everyone needs an affordable place to live and a livable income indexed to housing, affordable health care, and their civil rights protected.

Comment 3: The document in its present format appears to blame the people experiencing discrimination because of their limited income, credit issues, lack of education and /or knowledge of systems and resources, race, and the amount of time they have lived in this state and /or our country.

Response: I am responding to these two comments together. These two comments are being understood as relating to style, as opposed to substance. Of course, the MHFA will not promote negative perceptions of the people who experience fair housing impediments. There are some sections where the language may appear unsympathetic. The document will be reviewed and stylistic changes will be made where necessary.

Comment 4: To address many of these impediments it will require a significant increase in the accountability of our financial institutions, employers, landlords, service providers and State agencies to our obligation to provide for the needs of all the people in our community.
Response: This appears to be more a general comment than a request for specific action. MHFA has been working on improving its tracking systems over the years and

regularly produces a few performance and activity reports that are available to the public. The agency is open to concrete feedback related to its performance and concrete recommendations related to its programs regarding how to better meet the needs of all the people in our community. As an agency, MHFA continues to be committed to meeting the needs of all Minnesotans.

Comment 5: We strongly encourage that the agency accepts comments by mail and fax too. The inability to access email to provide comments on this plan may be an impediment for some people to provide comments.

Response: Upon review of the public notice that was sent out, it appears that there could have been some confusion if the public literally followed the directions provided, i.e., call a certain number or send a request to a certain address for hard copies of the document itself, whereas only email addresses were provided as forwarding addresses for public comments. Future notices will be much more explicit about the options to call in, fax, mail, or email public comments. On the other hand, the state also clearly said it would consider all written comments made during the comment period. The notice specifically states that "Written public comments on the APR can be submitted to: Heidi, Whitney, MHFA, 400 Sibley, etc." We also provided a toll-free and a local telephone number from which people could obtain hard copies of the report--and could have called if they were confused about how to comment on the report.

Public Comments and Proposed Responses, from the Metrowide Engagement on Shelter and Housing (MESH).

Comment 1: Monitor the racial and incomes of homebuyers who are able to access MHFA products at each of the lenders.

Response: As a general policy, MHFA does not engage in monitoring of lenders. However, MHFA lenders are required to provide some demographic data on loan recipients as part of their regular reporting. Those statistics are available in several MHFA reports, such as the annual assessment report.

Comment 2: MHFA should be reviewing Home Mortgage Disclosure Act data directly or working with a group like ACORN to ensure that MHFA is using lenders who have a positive record of lending and marketing to communities of color and low income communities.

Response: MHFA does compile the HMDA data primarily to track what lending records and the volume of the lending industry in the area are. That information is used to compare how the agency is doing with the rest of the lending industry. Other than that, MHFA is keeping track of its lenders with positive records of lending and marketing to communities of color, culminating with annual lender awards to the lenders with the best outreach performance.

Comment 3: MHFA should be encouraging lenders it works with to initiate self-testing programs. This enables lenders to self-test its branches and internally correct any potential discriminatory practices by individual loan officers or underwriters.

Response: As a general policy, MHFA has declined to become involved in issues of self-testing by lenders, as monitoring lenders is being considered beyond the scope and authority of the agency. However, in its program selection processes and in its general agency directives, MHFA promotes and rewards fair lending practices.

Comment 4: MHFA should be working closely with either the US Department of Housing and Urban Development, the Minnesota Department of Human Rights and non-profit enforcement agencies to ensure that lenders using MHFA products are complying with state and federal Fair Housing Laws.

Response: At this point, most of the above-mentioned agencies have reported that there has been a scarcity of complaints in the lending discrimination area. However, MHFA staff emphasizes fair lending and outreach to underserved communities during its technical assistance visits. The Homes Division does not currently have an official lending discrimination referral procedure, but staff recently put together a list of fair lending resources that callers could be directed to. Up to this point, MHFA has hardly ever received fair lending complaints, and if it did, referrals would have been made to the Attorney General's office.

Comment 5: MHFA should mandate that any affordable housing project using MHFA funds, Housing Trust Funds, Bond Revenue funds or any other funding must comply with the state and federal fair housing laws, and risk losing funding or tax incentives for the project if violations are found.

Response: All MHFA programs require that fair housing and EEO laws be complied with, although different programs may have different levels of compliance requirements. As a general policy, MHFA is committed to meet the required fair housing and EEO obligations. Defunding is the last resort that MHFA usually tries to avoid by addressing issues before defunding becomes the only option left and would have to involve some really severe fair housing violations.

Comment 6: MHFA should be working with other state agencies and non-profits to monitor affordable housing projects to ensure that violations of fair housing laws are not occurring.

Response: MHFA regular monitoring of its developments includes a review of fair housing issues. Letters noting the non-compliance areas and asking for remedial actions are sent to developments where violations are found. MHFA staff persons are assigned the task to try to resolve the issues. When internal intervention is unsuccessful, the matter is referred to appropriate enforcement agencies.

Comment 7: MHFA, in conjunction with other state agencies and local jurisdictions, should conduct studies to analyze patterns of occupancy standards and minimum income requirements, and employment requirements used by owners of properties to determine whether the policies are uniformly applied or operate to exclude protected class members.

Response: MHFA currently reviews tenant selection criteria for all first mortgage developments, to ensure that the tenant selection process is fair and equitable; however this does not constitute an actual tracking and analysis of occupancy standards, minimum income requirements, and employment requirements. At this point in time, there does not appear to be immediate plans for the systemic and collaborative analysis suggested**.**

Comment 8: MHFA should encourage local units of government to adopt policies that are designed to ensure the production of units affordable to low- and very low-income households.

Response: As part of its program guidelines and selection criteria, MHFA does promote policies prioritizing housing for low- and very-low income households, so that any local unit of government applying for MHFA funds would have incentives to increase the affordable housing supply. It should be noted that 92% of the units of new rental housing that the MHFA financed in 2001 were affordable to people with incomes at 50% of area median income, i.e., very low-income as defined by HUD. One hundred percent of the units of existing housing for which the MHFA contributed rehabilitation or preservation funding in 2001 were affordable to people with incomes at 50% of area median income. The state's ability to fund housing for low- and very low-income rental housing is affected by the availability of feasible development proposals. It also is affected by the ability of partners—nonprofit agencies and others—to participate in the funding of development proposals, i.e., to enable rents that are at levels affordable to people with very low-incomes.

Comment 9: MHFA should, in partnership with jurisdictions and HUD, evaluate current educational activities that inform homebuyers of their rights under the fair housing laws and identify additional areas for outreach, education, and enforcement activities within each jurisdiction.

Response: MHFA recently completed a study of the Homestretch homebuyer counseling program, the primary homebuyer's education training which includes a section on fair housing. However, there has been no comprehensive, interjurisdictional and interagency evaluation of all homebuyer educational activities. As a participating jurisdiction in the metrowide analysis of impediments to fair housing choice process and implementation, MHFA will be interested in being involved in regional activities, such as this specific one, if the metro jurisdictions decide to pursue that collective action.

APPENDIX- X3 - 2003 AI Annual Updates, Fair Housing Enforcement Snapshot, 8-8-03.

I. Introduction.

This is an attempt to compile a snapshot of the current status of fair housing issues in Minnesota, especially as they relate to enforcement, conducted by MHFA staff, as the AI guidelines suggest doing such fair housing enforcement and services evaluations as part of the AI process.

Nine fair housing agencies participated in this quick survey. They consist of:

- 3 city human/civil rights agencies;
- 1 state human agency;
- 2 legal aid housing discrimination programs, serving the two central cities, several metropolitan counties, and some non-metropolitan counties;
- 1 fair housing non-profit organization, with close ties to the city, from Greater MN;
- 1 fair housing non-profit organization, with a testing and research focus, based in the metropolitan area, but serving the whole state.

II. Summary.

Race-based housing discrimination remains the primary charge filed with most of the participating fair housing enforcement agencies, followed closely by disability, national origin, public assistance, and familial status.

Both legal aid offices reported much larger numbers of complaints, which may be due to their larger area of service, greater staff capacity with several local offices, and specialization.

The City of St. Paul reported receiving about 20 housing cases per year, all based on race, and noted that there needs to be more education about fair housing laws and rights, highlighting the many different class protections, especially for New St. Paulites who are immigrants and refugees.

Overall, several agencies mentioned the need for more fair housing education, resulting in more people knowing about the law and the several protected classes, and filing complaints under the several classes of protection.

Rental housing remains the primary housing discrimination housing type. A few purchase and lending cases were filed with HDLP, which noted that no insurance cases arose. HUD also recollected 2 cases involving lot purchases, but on the other hand, 10-20 calls related to restrictions against children in townhouses.

Funding cuts and limitations are a concern for several agencies, affecting their staffing capacity and services. However, no one appears to be turning down complainants, due to lack of organizational resources, and all are doing more with less. Program eligibility criteria (income level, service area/jurisdiction) remain the main causes for rejection.

Different programs reported different trends or areas of focus: HDLP, on predatory lending, rebuilding some testing program, education through the media, and collaborations, and noted that disability, gender, and national origin are upcoming trends; MDHR, on education; City of St. Paul, noted the need for more education, especially for New St. Paulites, and the trend related to sexual harassment; Duluth programs, on education; HELP, on outreach to immigrants and refugees, developing a supportive service model for physically and mentally disabled populations, and enhancing the capacity of private counsel to respond to complaints of sexual harassment; the MN Fair Housing Center, expressed great concern about funding . The MN Fair Housing Center and HELP both commented that denial of housing bias and segregation continue to be challenges. The Housing Access Center in Duluth identified follow-through with landlords and lack of funds to do testing and investigation.

III. Fair Housing Enforcement Current Status Report.

Housing Access Center, City of Duluth. Terri Roeber, Executive Director, troeber@housingaccesscenter.org

The Housing Access Center in Duluth is not an enforcement agency and more of an educational agency.

However, from April 2003 to March 2003, they had 26 clients file housing discrimination complaints with them. Of those 26 cases, 13 were related to race, 7 to a disability, 2 to familial status, 2 were sexual harassment cases, 2 were unknown. Four were referred to HUD, 6 were referred to City Human Rights Officer and 4 were referred
to Legal Aid.

In April, the Housing Access Center and several other agencies held a Fair Housing Fun Fair to do some education on Fair Housing. Over 100 participants attended. They also offered another Tenant Fair Housing Forum on July 22, 2003. Two representatives from HUD Fair Housing and other housing agencies were on a panel to answer questions and concerns about public and private housing issues in Duluth.

Their challenges have involved follow-through with specific landlords and the lack of funds to do testing and investigation.

City of Duluth Human Rights Office. Meg Bye, Executive Director, mbye@ci.duluth.mn.us

During this year, the Human Rights Office, provided for in the Ordinance, Chapter 29C, of the Duluth City Code, was opened, staffed, and began to receive inquiries, complaints of discrimination and other contacts.

The Human Rights Office has received 15 housing complaints from April, when the Human Rights Officer came on board, through December. Four were found not to be within the scope of the City's Ordinance. Eight issues were referred to other agencies and offices including primarily, HUD and Housing Access. One issue is pending, two are in some stage of investigation, two have been withdrawn and two have reached some resolution.

The Office has provided staff support for the Human Rights Commission.

In addition, the Human Rights Office has served as staff for the Disabilities Commission. The primary focus of this Commission has been to re-focus the energy of the commission by engaging in an extended planning and goal-setting process, while working with the appointments personnel to fill the numerous vacancies in its membership.

- **Establishing Office of Human Rights**
  - Active in the hiring process for Human Rights Officer
  - Updated City Council on activities - August 19
  - Reviewed first activity report of Human Rights Office in October

- **Commission Governance**
  - Amended Commission Bylaws
  - Elected new slate of officers in June
  - Committees were appointed in August: Findings, Marketing,
  - Education/Community Schools, Outreach, Policy, and Web Site design
  - Established a Team to respond to Bias-Motivated Incidents and to work on prevention of hate crimes

- **Training and Preparation for Dispute Process**
  - Received information and training on "Probable Cause" and other standards for establishing a cause of action from the Minnesota Department of Human Rights
  - Five Human Rights Commission members and three other community members attended mediation training in September. This will allow these members to be volunteer mediators and provide a pool of mediators to use in resolving complaints brought under the Human Rights Ordinance.
  - Several members have attended the 'Undoing Racism' work shops given by the "People's Institute for Survival and Beyond.
  - Reviewed and established a policy on Confidentiality.

- **Promotion and Public Awareness**
  - Promoted advertisement and press coverage of the Human Rights Office opening
  - Met at various sites throughout the City to encourage citizen input
  - Worked with Central High School group addressing racial issues
  - Recognized various individuals and organizations for promoting human rights within the community
  - Recognized 30 students at Central High school for working on Diversity week
  - Working on updating the current Human Rights Commission brochure
  - Working on a public T.V. series dealing with diversity, Human Rights, etc. (in conjunction with WDSE)

- **Work with Other Organizations**
  - Members attended Minnesota Human Rights Day 2002 in St. Paul in December
  - Some members attended League of Minnesota Human Rights Commission annual meeting in Minneapolis in September
  - Some members attended League of Minnesota Human Rights Commission conference in Hibbing in June
  - Several Members participated in panel discussions at the Minnesota Department of Corrections conference held in Duluth in October
  - Supported the Clayton / Jackson/ McGhie memorial Committee
  - Supported Week of Remembrance activities in June
  - Supported GLBTQA Festival and Parade - Labor Day weekend
  - Worked to create link with local American Indian Commission

Housing Discrimination Law Project (HDLP). Jay Wilkinson, jwilkins@midmnlegal.org.

Fair Housing Enforcement Status; Housing Discrimination Law Project and Mid-Minnesota Legal Assistance.

A. Changes and Initiatives:

1. They are winding down HUD funded Fair Housing Initiatives program in the West-Metro and St. Cloud areas as their application for a current year HUD grant was declined. Mari Zellner transferred to do immigration law work in January and Doug Clark's part-time assignment at HDLP ended in April.

2. Nicole Forkenbrock Lindemyer is finishing her two year EJW fellowship at HDLP that has focused on combating sexual harassment in rental housing.

3. Kerstin Larson is at the mid-point of her 1-year MN Housing Partnership-HDLP Americorps intership and focuses on discrimination against subsidized tenants and other fair housing tasks.

4. HDLP's law clerk and test coordinator, Rachel Bedor is rebuilding the HDLP's fair housing testing capacity - they have modest capacity for contracting for others' testing needs in the Twin Cities area and should have more capacity (maybe) here and in other areas by early fall.
5. HDLP has supplemented LASM funding with grants from the Family Housing Fund, the Hennepin County CDBG consortium, the Hennepin County and Federal Bar Associations, thus supporting reduced but continued fair housing enforcement services in the metro area for the next year or so. As of September, staff will consist of James Wilkinson, Kristen Siegesmund (p.t.), Kerstin Larson, Mescal Urich (p.t.), and Rachel Bedor (p.t.). Other MMLA housing staff in Minneapolis and throughout the service area will represent a limited number of other clients using fair housing claims and defenses.

6. The MN Legal Services Coalition and HDLP will do a training on "Non-Specialists: Using Fair Housing in Your Practice", at the Statewide Legal Services conference in October.

7. Future initiatives and hopes:
   A. Combination of LASM's developing predatory lending practice with a civil rights advocacy initiative;
   B. Mounting media campaign on fair housing using spots developed by National Fair Housing Alliance, Leadership Council on Civil Rights, HUD and Ad Council (partners solicited....);
   C. Continued discussion of closer collaboration of Minneapolis and St. Paul-based legal aid fair housing programs.
   D. On-going support for Metropolitan Interfaith Council on Affordable Housing, Urban League, ACORN and other fair housing outreach efforts.

Fair Housing Complaints:

HDLP receives about 200 - 300 complaints per year of housing discrimination, nearly all from low-income renters in the West-Metro area. Many low and middle-income complainants are ineligible for their services and never make it into the system. Over the years, the basis of claims has averaged out as follows: race and national origin, 47%; disability, 25%; familial status, 14%; public assistance status, 15%; gender, 12%. The total exceeds 100% as complaints may entail multiple issues. The recent trend is up for disability, gender and national origin complaints.

Almost all (99%) of our complaints are rentals. Maybe ten have come in on purchase and lending issues, none on insurance. This is because of the very low-income population of LASM clients and the substantive focus of its work. With higher income guidelines and a broader focus and some outreach, it is suspected that the number of those cases would rise.

HDLP does in-depth investigation and advocacy for a small portion of its complaints, because of limited resources. Other complainants are given information and referrals for alternative services and self-help. While HDLP concentrates on the most meritorious-appearing cases, with more staff they would likely uncover and address hundreds more cases of discrimination. (HUD recently published results of a fair housing audit of rental practices affecting Asian Americans in the Twin Cities - its very conservative measurements showed unfavorable treatment in more than 20% of housing searches.) Because of prior funding requirements, they have referred many investigated cases to HUD for further enforcement work, but they also have brought cases in state and federal courts for clients.

Since HDLP's beginning in 1995 the total value of awards and settlements obtained by HDLP and cooperating attorneys against respondents is approximately $2.2 million.

The Housing Equality Law Project (HELP) of Southern Minnesota Regional Legal Services. Colleen Walbran, colleen.walbran@smrls.org

The Housing Equality Law Project (HELP) of Southern Minnesota Regional Legal Services provides education and outreach on housing discrimination and seeks enforcement of fair housing laws on behalf of low-income individuals living in the 33 counties of Southern Minnesota. The range of enforcement services provided by HELP includes complaint intake, screening, investigation, advice, settlement negotiation, referral to HUD, local enforcement agencies and private counsel, and private litigation. Areas of focus for the project this year include increased outreach to immigrant and refugee populations, developing a model for providing supportive services to physically and mentally disabled complainants to facilitate reasonable accommodation and modification plans, and enhancing the capacity of private counsel to respond to complaints of sexual harassment in housing.

Individuals may be deemed ineligible for services for a number of reasons, including not living in the geographical service area, being income ineligible, or having a legal issue that the program is not permitted to address due to Legal Services Corporation restrictions, among other bases.

Regarding the number of individuals who are served by the project, 698 complaints were taken in this year or received some kind of enforcement activity. Of these, 284 (40.68%) complaints were based on race discrimination, 101 (14.47%) on the basis of national origin discrimination, 289 (41.4%) on the basis of disability discrimination, 59

(8.45%) on the basis of familial status discrimination, 71 (10.18%) on the basis of sex or gender discrimination, and 75 (10.7%) on the basis of discrimination because of status with respect to public assistance. The majority relates to rental housing.

Within their service area, segregation remains a significant challenge to their work. The lack of safe, affordable, and adequately sized housing units both in the metropolitan region and rural Minnesota profoundly limits efforts to ensure fair access to housing for protected class populations.

Minnesota Department of Human Rights (MDHR). Jeff Holman, jeff.holman@state.mn.us

In 2002, 1,620 charges were filed with the Minnesota Department of Human Rights. Of those, 93 or 5.74% were housing-related.

Count	Year					
Basis	1999	2000	2001	2002	2003*	Grand Total
Color			1		1	2
Disability	15	13	12	49	13	102
Familial Status	6	9	5	3	2	25
Marital Status	2	4	6	3	4	19
National Origin	10	5	6	14	5	40
Public Assistance Status	8	8	7	7	2	32
Race	25	37	23	22	5	112
Religion					1	1
Reprisal	3	2	1	5		11
Sex	2	3	6	11	2	24
Sexual Orientation	1	8	1	1		11
Grand Total	72	89	68	115	35	379
Total of Charges Filed	**54**	**66**	**49**	**93**	**25**	**287**

Note: There can be more than one Basis per charge filed
* 1/1/03 thru 6/30/03

MN Fair Housing Center. Larry Winans, Executive Director, fairhousing@minneapolis.usa.com

FHC does not describe itself as an enforcement agency, however it serves several functions, which have an impact on enforcement:

- provide testing to support complaints;
- assist potential complainants prepare HUD complaints;
- refer client seeking attorneys;
- file claims/suits in its own name.

In the last 7 years, it conducted about 20 tests in support of complaints, but none in the last year. It has assisted a dozen or so clients prepare HUD complaints, but since this was not a funded activity, it has not maintained statistics. It has occasionally referred out to attorneys, but has not kept stats. It filed two complaints in its own name and has settled both, both subject to confidentiality agreements. In 7 years, it has conducted 700+ system tests or tests within community audits.

As to current trends:

The fair housing movement is facing its greatest challenge since forming in the years immediately following the passage of the Fair Housing Act.

The reduction in funding available from federal, state and local resources has resulted in a number of Fair Housing Organizations closing around the country. In Minnesota, it is fortunate there is still the Housing Discrimination Law Project in Minneapolis.

The Fair Housing Center is engaged in two projects right now, but there are great doubts regarding future funding whatsoever.

It is also quite interesting to note the responses to suggestions that housing discrimination continues to exist in the Twin Cities area. When vacancy rates were low, one would hear that discrimination is NOT really the problem but rather the absence of housing choices. Now that vacancy rates have risen, one hears that there can't really be a problem since if one was denied at one housing opportunity then one could easily find another.

So no matter what there is never an acknowledgement that housing is subject to bias.

City of Minneapolis Department of Civil Rights. Linda White, linda.white@ci.minneapolis.mn.us

The Department received approximately 600 complaints in the combined years of 2001 and 2002. Over the past 2 years and a half, complaints filed alleging housing discrimination made up 6 to 8% of the total charges filed. Thirty two complaints were filed during that time period. Thirty eight complaints were decided during that time period, resulting in 35 no probable cause, 1 probable cause, 1 settlement, and 1 civil action.

Race-based discrimination constituted 53% of the housing discrimination complaints, the largest number of charges.

No one is turned down.

Their Guide to Understanding Our Laws and Your Civil Rights booklet contains an extensive section on real estate and fair housing. About 1,000 are distributed annually.

Two of their investigators attended two fair housing trainings in 2003.

They may develop a Best Practices Fair Housing Manual, a joint project from the city/county/community partners.

The Civil Rights Department has been sponsoring underserved community summits, through which housing and fair housing issues are raised.

The Deputy Director serves on a City of Minneapolis Predatory Lending Work Team.

City of Saint Paul Department of Human Rights. Tyrone Terrill, tyrone.terrill@ci.stpaul.mn.us

The Department provides services to the protected class community in the area of real property/fair housing. There currently are no grants or expected changes to services being provided in the area of real property and fair housing. The Department plans to increase its outreach in the area of real property/fair housing to increase awareness about that issue. To date, the Department has done outreach using bus stops, billboards and educational sessions on the topic of discrimination in real property/fair housing. The Department also started a Fair Housing Program that has included testers and tester training.

The Department has served hundreds in the area of real property/fair housing through its outreach efforts as well as through filing official complaints of discrimination. The Department does not turn anyone down who request its services.

The Department takes in approximately 20 housing cases a year based on race. All related to rental housing.

Sexual harassment is a new trend as many landlords still prey on the poor or those who do not know the law, such as New St. Paulites, Somalis, Hmongs, etc.

The greatest challenge in the City of Saint Paul is still getting individuals to file housing charges in the same manner that they file employment charges. Other challenges relate to religion, national origin and sex, as many Somalis, Hmongs and other New Saint Paulites do not understand the law or that the coverage does extend past African Americans.