

## TOPICS AND PRESENTERS

### AFFORDABLE HOUSING OWNERSHIP OPTIONS

**Jump to:** Commissioner Mary Tingerthal, *Minnesota Housing*

**Jump to:** Susan Haigh, *Twin Cities Habitat for Humanity*

**Jump to:** Jeff Washburne, *City of Lakes Community Land Trust*

**Jump to:** Mayor Gene Winstead, *City of Bloomington*

### NEW MAYORS, OUTGOING MAYORS AND NEW RCM CO-CHAIR

**Jump to:** Mayor Molly Cummings, *City of Hopkins*, is the RCM new co-chair

**Jump to:** Welcome newly elected mayors and thank you to outgoing mayors

## AFFORDABLE HOUSING OWNERSHIP OPTIONS

### SINGLE-FAMILY HOME AFFORDABLE FINANCE TOOLS

**Commissioner Mary Tingerthal, *Minnesota Housing***

#### **Supporting Affordable Homeownership**

- MN Housing has supported ownership options since its inception. For a long time this was accomplished by using tax exempt bonds to finance below-market rate mortgages. Where previously there was a ~200 basis point spread for these mortgages compared to the market, prolonged low interest rates have eroded this competitive advantage.
- Because of this change, MN Housing has pivoted to focus on two other areas of homeowner need:
  - Down payment assistance
  - Homeowner education
- Over the last 5 years, MN Housing has focused on increasing homeownership among people of color, those of Hispanic ethnicity, and new American communities. In November, 39% of mortgages were for households of color, up from 20% a few years ago.
- Many people in these groups have no family history of homeownership and often start from a belief that ownership is not an option. Homeownership education is especially valuable for these borrowers.
- More than 2,000 households engaged with the homebuyer counseling program, and about 60% of participants go on to become homeowners.
- Bankrate.com rates MN 3rd best place in the US to be a first-time homebuyer. This is due to having a relatively good supply of homes at affordable prices, above average incomes, and the programs offered by MN Housing.
- Competitive funding for jumpstarting single-family home purchasing has been heavily used by Minneapolis and Saint Paul, and MN Housing wants to encourage suburban communities to make more use of it as well.

### THE HABITAT MODEL AND NEW MORTGAGE PROGRAM

**Susan Haigh, President & CEO, *Twin Cities Habitat for Humanity***

#### **Impact 2020**

#### **Buy With Habitat**

#### **Where We Build**

- People think of Habitat as a homebuilder, but they are also a lender. This is how they keep mortgages affordable for very low-income families, those between 30-80% of AMI.
- About 90% of Habitat homeowner applicants are families of color.
- **Impact 2020:** Plan to double the number of families who can be home buyers in next four years using new options:
  - Habitat buying structures or land for rehabbing or development.
  - Individuals or groups can bring a home in their community to Habitat for funding/underwriting.
- Wilder research study looked at what was different for Habitat homeowners in their homes for 5+ years
  - Kids have better school outcomes
  - Parents go back for more education
  - Less reliance on public assistance
- Habitat's focus is on long-term success. Less than 1% foreclosure rate.

## COMMUNITY LAND TRUSTS

Jeff Washburne, Executive Director, *City of Lakes Community Land Trust*

### Community Land Trusts

- Land trusts bridge the gap between the mortgage a buyer can afford and the total purchase price. (**SEE PICTURE**)
- City of Lakes Community Land Trust (CLCLT) serves the City of Minneapolis with a mission to create community ownership that preserves affordability and inclusivity.
- CLCLT has 250 homes + 50 resales across a variety of housing types. 98% are first-time homeowners.
  - Each home averages ~\$50K investment in affordability.
  - On average, households are at 51% AMI.
  - 54% are single female heads of household and 53% come from communities of color.
- **When a property sells:** homeowners receive all their equity plus 25% of the increase in value. The land trust continues to hold the title/deed and recovers its investment and the rest of the value growth. This gets rolled forward into preserving the affordability of the property being sold as well as being used to support additional transactions.
- A limited, one-time investment works across many years and multiple sales without need additional public money.
- In this way, land trusts make it possible to get ahead of rapidly increasing costs by locking in affordability now and making the upfront investment work over time. We can do 7 units in Minneapolis for what it costs Seattle to do 1.
- The land trust model can also help people facing foreclosure stay in their homes in exchange for the title, which converts the property into a permanently affordable home.
- Future programs aim to serve cost-burdened seniors in a similar way, including help with deferred maintenance. CLCLT also aims to expand their model to include commercial property as well.
- **Keys to success for Land Trusts**
  - Policies that support Inclusionary Housing and value capture like TIF and/or linkage fees that tie funding for affordable housing to the process for market or high-end development.
  - Use of state bonding for cost of land and site improvements.
  - Local leverage: investment and funds from the immediate community makes the process easier.
  - Buy-in and involvement from city leadership and staying flexible and nimble.

<b>Community Land Trusts in 60 seconds</b>	<ul style="list-style-type: none"><li>▪ Bridge the difference between buyer's mortgage and cost of property</li><li>▪ Affordability Investment - typically tied to title of land via Ground Lease (Deed Restriction if Condo)</li><li>▪ If property sells, owner agrees to income + resale restrictions</li><li>▪ Initial Sale:<ul style="list-style-type: none"><li>• \$200k property=\$140k buyer + \$60k CLT</li></ul></li><li>▪ Resale:<ul style="list-style-type: none"><li>• \$200k &gt; \$240k</li><li>• New Buyer: \$240k=\$150k buyer + \$90k CLT</li><li>• Past Owner: Equity + \$10k (25% change in value)</li><li>• Community: \$60k + 30k (75% change in value)</li></ul></li><li>▪ 50 CLCLT Resales: 50x\$50k=\$2.5 million</li></ul>
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## AFFORDABLE HOUSING CHALLENGES AND BLOOMINGTON'S LAND TRUST EXPERIENCE

Mayor Gene Winstead, *City of Bloomington*

### Affordable Housing Challenges and Bloomington's Land Trust Experience

- Bloomington has pursued three strategies to keep housing as affordable as possible
  - Preserve existing "naturally-occurring affordable housing" (NOAH)
  - New construction of affordable housing
  - **Affordable ownership options.**
- Affordable rental housing is challenging to build. Sites are expensive and difficult to acquire in built-out communities. Funding is highly competitive with only a 25% chance of success applying with MN Housing. A recent affordable project in Bloomington required ~\$181K per unit subsidy.
- Affordable ownership is a priority because Bloomington mostly consists of detached single-family homes and sales prices are at record highs.
- The land trust offers an opportunity to reduce costs.
  - A median-priced home in Bloomington is about ~\$250K. Purchaser gets a mortgage for \$140K and the land trust fills the gap, sometimes including rehab/maintenance support.
  - All told, the subsidy is similar at \$171K, but the residents get the benefits of homeownership and the city's housing stock is better preserved.
- The primary downside is that renters do not have maintenance obligations but homeowners do. Pride of homeownership tends to take care of this concern, however.
- Fostering affordable ownership helps balance a community and helps demonstrate the value of these homeowners to the community. It is gratifying to see them benefitting from the land trust and contributing back to the community, too.

# NEW MAYORS, OUTGOING MAYORS AND NEW RCM CO-CHAIR

## MAYOR MOLLY CUMMINGS IS THE NEW RCM CO-CHAIR

- Mayor Molly Cummings of Hopkins was named the new co-chair of the Regional Council of Mayors to serve alongside Mayor Jim Hovland of Edina. Mayor Cummings expressed enthusiasm for stepping into this leadership position and discussed the value she has received from RCM meetings since her election in 2015. She placed particular importance on the RCM's commitment to building civic trust, including its effort to foster relationships with mayors in Greater MN through *Minnesota Mayors Together*.
- Mayor Cummings replaces Mayor Mary Giuliani Stephens of Woodbury who stepped down from the role upon declaring her candidacy for governor in next year's election. ULI Minnesota/the RCM thank Mayor Giuliani Stephens for her service and wish her the best in her race for higher office.

## THANK YOU TO OUTGOING MAYORS, WELCOME NEW MAYORS

- ULI Minnesota/the RCM thanks outgoing mayors Chris Coleman, City of St. Paul and Terry Schneider, City of Minnetonka for their years of service and contributions to both the RCM and the region.
- Mayors-elect Melvin Carter, City of Saint Paul; Jacob Frey, City of Minneapolis; and Brad Wiersum, City of Minnetonka; were welcomed to their first RCM meeting and congratulated on their elections.

## NEXT MEETING

Monday, January 8<sup>th</sup>, 2018

11:30 a.m. to 1:30 p.m.

Seattle Room at Dorsey & Whitney, 50 South 6th Street, Minneapolis, MN.

## MEETING DETAILS

### DECEMBER 11TH ATTENDEES

#### MAYORS

James Hovland	City of Edina (co-chair)
Molly Cummings	City of Hopkins (co-chair)
Mike Maguire	City of Eagan
Jim Adams	City of Crystal
Melvin Carter	City of Saint Paul
Chris Coleman	City of Saint Paul
Bill Droste	City of Rosemount
Jerry Faust	City of St. Anthony
Jacob Frey	City of Minneapolis
Shep Harris	City of Golden Valley
Kathi Hemken	City of New Hope
Marvin Johnson	City of Independence
Peter Lindstrom	City of Falcon Heights
Dan Lund	City of Newport
Julie Maas-Kusske	City of Maple Plain
Tim McNeil	City of Dayton
Rhonda Pownell	City of Northfield
Mike Webb	City of Carver
Brad Wiersum	City of Minnetonka
Ken Willcox	City of Wayzata
Janet Williams	City of Savage
Gene Winstead	City of Bloomington

#### GUESTS

Jean Kane, Colliers MSP; Jeff Washburne, City of Lakes Community Land Trust; Pam Johnson, Twin Cities Habitat for Humanity; Marcus Singleton, Mayor-elect Frey's Office; Beth Reetz, Met Council; Jennifer O'Rourke, Met Council; Sue Haigh, Twin Cities Habitat for Humanity; Sandra Krebsbach, National Technical Education Association; Bob Butterbrodt, Wells Fargo; Ani Backa, Stoel Rives; Ellen Sahli, Family Housing Fund; Rick Carter, LHB; Jay Lindgren, Dorsey; Mark Casey, City of St. Anthony; Kevin Frazell, League of MN Cities; Emily Nachtigal, Faegre Baker Daniels; Karen Barton, City of St. Louis Park; Jamie Verbrugge, City of Bloomington; Patricia Nauman, Metro Cities; Mary Tingerthal, Minnesota Housing; Paul Mellblom, MSR Design; Emily Goellner, City of Golden Valley; Julia Spencer, GMHC; Matt Croaston, Rep. Keith Ellison's Office; Margaret Kaplan, Minnesota Housing; Kasey Kier, Minnesota Housing

#### ULI MINNESOTA

Aubrey Albrecht, Cathy Bennett, Caren Dewar, David Baur