Laying the foundation: building better housing policy

by Katherine "Kit" Hadley

Public attention to the affordable housing crisis in Minnesota has far outweighed the extent of good, substantive policy debate about how to solve the problem. Three important policy issues raised by the current crisis deserve more attention.

How do we produce housing for the lowest wage workers?

The lowest wage-earning households, those earning less than $18,000 annually, do not earn enough money to pay even the monthly operating costs of newly constructed or rehabilitated rental housing. Providing affordable housing to these households requires subsidizing 100 percent of the bricks and mortar costs of construction, as well as all or part of the monthly operating costs for things like sewer, water, trash collection and taxes.

The problem is no current program does this. The first two generations of federally subsidized programs to build low-income rental housing—Public Housing and Section 8 Developments—did, by both subsidizing the cost of building low-income units and by providing building owners with ongoing operating subsidies.

In the 1980s, the start of the third era of federal housing programs, Congress in effect separated federal subsidies for construction and rehabilitation from the operating subsidy program. The Low Income Housing Tax Credit Program (LIHTC) offers tax incentives to builders who agree to charge below-market rates. The Section 8 Voucher Program gives subsidies directly to residents, allowing them to shop for apartments in the private market and choose where they will live.

The change has made it more difficult for the lowest income families to find housing, especially in a tight rental market, where even below market rents are still out of reach.

The success of this two-pronged approach depends on an adequate supply of housing overall, housing available in the right locations, and on owners willing to participate. The evidence shows that since vacancy rates started declining in the mid-1990s, fewer owners have been willing to participate and the utilization of Section 8 Vouchers has fallen. Last year, there were some 3,000 Section 8 vouchers unused. If Section 8 Voucher-holders in the metro area can find housing at all, it's likely to be only in Minneapolis and St. Paul, adding to racial and poverty concentration.

Section 8 Vouchers, recently renamed Housing Choice Vouchers, appear to offer residents more choice about where to live. But would the lowest income families and the lowest wage workers have more choices in a system where operating subsidies were tied to specific developments built near jobs and transit? Wouldn't this approach better promote racial and economic integration throughout our communities?

There is a possibility that this policy debate will take place at the federal level. Congress began looking at a new federal rental production program last year. And the blue ribbon Millennial Housing Commission, appointed by Congress in 2000, is expected to make recommendations on the production of housing serving extremely low-income households and other issues by next February.

How do we produce affordable housing that is sustainable long-term?

There are two ways to lose affordable rental housing, other than demolition. One, the owner
Letters to the Editor:

April 17 edition contained a glaring inaccuracy in an item by Phil Jenni regarding Education Minnesota and its use of interest earnings from its crisis fund. Jenni incorrectly asserted that the debt was never paid off; the “debt” owed to the National Education Association (NEA). Contrary to Jenni’s assertions, the debt was paid off and NEA paid the interest. Jenni could not be more wrong.

Mr. Antonucci responds:
The Education Minnesota resolution authorized the governing board to “use interest earnings from the crisis fund to make up for any shortfall in state aid or defaults obligations.” Apparently Mr. Dean is excused that the word “debt” replaced “shortfall in state aid obligations.” He refers to this as a “glaring inaccuracy,” “unreasonable,” and “recklessly irresponsible reporting.” He claims Education Minnesota has not acknowledged such a shortfall. He is wrong.

When the Minnesota Education Association and the Minnesota Federation of Teachers merged in 1998, they took on a financial liability to NEA for each of the former MFT members — a total of $2.4 million, which NEA agreed would be paid over a period of 10 years. The union has spent more than two years preparing NEA to forgive this liability, to no avail.

Hello Citizens League Members and Friends:
I hope everyone is doing well as we begin the summer season. It’s been a little over a year since I left Minnesota on May 1, 2001, so I just wanted to give you an update on my activities here in North Carolina.

As you may recall, I was asked to come to North Carolina to develop affordable home ownership units to replace public housing lost as a result of Hurricane Floyd in 1999. Our first project was to build 50 new homes in Greenville, NC. One of the major challenges for this project was the fact that publicly only 50% of the $2.4 million in flood relief funds allocated by the state of North Carolina had not been spent by 2001. Coupled with this was the fact that the state began this year with an estimated $600 budget deficit. As the state legislature wrestled with this problem, this put the flood relief funds in jeopardy.

On May 21, 2001, we received notification that our Greenville project, although meeting the need for housing, could not be funded because of a lack of available resources from the state. At the last minute, the state received more applications for the funds that was available from the original $800 million allocation.

However, the good news is that a statewide, nonprofit organization called the Carolina Housing Help, Inc., headquartered in Durham, NC,(new position and asked me to join them as their new Director of Community Development on June 1, 2001. Self-Help’s mission, which began in 1980, is to foster the goals of the civil rights movement through economic empowerment and wealth creation. Working primarily as a small business technical assistance provider and lending institution, the organization has trained time homebuyers, Self-Help has recently begun to acquire commercial properties in distressed downtown areas and neighborhoods throughout the state of North Carolina.

Already the largest nonprofit secondary market lender in the country, Self-Help would now like to be able to act as a down provider in these targeted markets to bring mixed use development to the commercial districts and to build or redevelop affordable home ownership units in the neighborhoods. This is where I come in.

My first presents a significant 30 houses for home ownership in the Walltown neighborhood of Durham. The Walltown neighborhood is very similar to north Minneapolis with a few of its challenges, as high crime, drugs, several vacant and distressed properties, and abandoned lots. It is a significant asset that is right next to Duke University. Working on parallel tracks, I have begun organizing the residents while simultaneously developing a relationship with Duke to help support the redevelopment efforts in the neighborhood. Thus far, both efforts have been successful.

I always say “You can’t help people unless you all as the work progresses. Have a great summer. I look forward to seeing many of you in the future.

By Lyle Wyly

I had the opportunity in March to attend the United Nations global forum in Naples, Italy which showcased a number of major developments in putting the power of information and communication technologies to work to improve public services. “E-government” as it is being called, uses technology to improve the access and quality of government services for citizens and businesses, and to give public servants better tools in the field and in the office.

There is now enough experience, as described by participants at the UN forum, to realize three evolutionary stages in the use of advanced information, computing and telecommunications technology in public services. Those three stages are: information, services and transformation.

The first stage, information, involves using the Internet to provide limited information. About 80 percent of government websites in the U.S. are at this stage, providing information to citizens in a kind of “electronic pamphlet rack.” But there are examples of promising developments that will make it easier to access all government services without having to navigate a myriad of department websites. We are moving beyond the current maze of single department or city web pages to a much more “citizen friendly” face on the Internet. A list of major life events such as moving, dealing with crime, getting a passport or having a baby (www.docline.gov/html/online/dhhsindex.html). The site does the work of weaving together the various government departments behind the scenes so that the citizen doesn’t have to navigate many aspects of public service, from social work to building inspections, involving fieldwork, paperwork and record handling, are ripe for a dramatic makeover using these technologies. In the future, restaurant inspectors could use a laptop to demonstrate proper food handling techniques with videos, or draw instantly on a database of violation histories.

The application of these technologies has implications for Minnesota. First by enabling the use of a smaller and more skilled public service corps at a time when coincides with a dramatic exodus of the baby boomers from the workforce over the next 15 years. E-government should be a key part of dealing with a looming labor shortage. Second, related to the first point, the government will have to pony up major investments in e-government to keep pace with the private sector. Third is the need to ensure that access to e-government for seniors and low-income people is as convenient as the telephone. Lastly, we need to press the Governor and the state legislature for an aggressive plan to provide better public services, and to begin preparing for a long-term shift in the role of public workers. If we are going to “point and click” our way to more effective and efficient government in Minnesota, we have a lot of work to do.

M.J.
decides to convert the property to market rate. Two, the property falls into disrepair, the ownership entity falls apart, or both. Two key issues for long-term sustainability are the nature and quality of the ownership entity and the availability of money for routine upkeep and major improvements over time.

One of the biggest threats to the low-income housing market currently comes from owners of federally-assisted housing seeking to convert their units to market rate. Preserving those units for low-income residents poses a major challenge, and if we are not successful, will further exacerbate the housing crisis.

Although some argue that the lesson of the preservation crisis is non-profit ownership, there is no magic bullet on this issue. There have been spectacular successes and colossal failures with all kinds of ownership: public, non-profit, and for-profit.

The appeal of non-profit or public ownership is mission: the organization will fulfill, well-run non-profit housing developments have been spectacular successes and colossal failures. There have been universal agreement that work on one of the most important pieces of legislation—property tax reform—could lead to a dramatic and positive change for the state. If lawmakers delinquent in on the property tax reform and reach solutions on other key issues then there will, indeed, be reason to say it was worth the wait.

The Pioneer Press (5/18) says real tax reform is worth the wait. “It would be regrettable if the two houses of the Legislature and the governor need a special session to resolve their differences over proposals to overhaul the state's property tax and school finance systems...” The Ventura and House tax plans would build greater accountability into the tax system. Both plans also would require homeowners to pay a greater burden for future tax increases. This would give them a greater incentive to monitor local government spending decisions.

The Press notes that 30 years ago the Legislature launched a 50-year effort to revamp the state's property tax system. “Another fiscal miracle,” says the paper. “If the Legislature wants to do it right this time, the governor needs to work closely with lawmakers and the public.”

How do we achieve more unsubsidized private development? The continuum of people who cannot buy a home or rent an apartment with 30 percent of their income has changed over the past 10 years. It is larger, more dispersed, and needs more support. It is imperative to subsidize development early in the game, or the affordable housing crisis will continue to worsen.

Katherine “Kit” Hadley is the Commissioner of the Minnesota Housing Finance Agency. She is also a member of the Citizens League Board of Directors.

Affordable, integrated, and choice.

In a program based on private for-profit ownership or investment: Section 8 Vouchers, the LIHTC Program, and Housing Bonds. Many LIHTC developers around the state report that their for-profit ventures, the local community is that a private tax paying company is part of the ownership entity. The City of Chanhassen recently approved a 400-plus for sale housing development that includes 150 homes that will sell for $120,000 to $120,000, without public subsidy. Applicants to the Minnesota Housing Finance Agency commonly request public funding to bring sales prices down to this level—well above the median household income. We need thousands more homes sell for these prices and less.

Cities are arguably the most important policy makers in increasing unsubsidized private development. The most critical affordable housing policy issue may be the issue of how we will grow, how we will develop and redevelop. Will we allow housing to be developed without public subsidy? Will we allow our communities to be racially and economically integrated? We will permit more choices, more variety, and more competition to play in answering these questions. MJ

The gloomy weather seems to be affecting editorial writers around the state. Almost without exception, editorial writers across the state, while lamenting the necessity for a special legislative session, were encouraged by what Gov. Ventura has done... But for the governor to do so ignores the fact that he turned at a budget calling for major change in how revenues are generated and doled out in the state and then stepped back for months. He didn’t get down and into the legislative fray.

The Markavo Free Press (5/18) was short and to the point. "Capital stalemats is unaccept-able... Minnesota desires a tax rebate, tax reform and adequate funding for educ-a-tion, housing and the state’s many other essential programs. All can be accom-plished, but lawmakers need to put partisan politics aside."

“Lawmakers adjourned the 2001 regular ses-sion, with little to show for five months of work,” lamented the Red Wing Republican (5/22). "The empty-handed adjournment is unfortunate, but the alternative—to close the books without setting the opportunity for meaningful tax reform—is worse. It’s worth calling lawmakers back to St. Paul. Gov. Ventura and legislative leaders can forge a package that will build greater accountability into government spending and put money in the pockets of Minnesotans.”

Energy sources, or the lack thereof, are now one of the major challenges facing the media consciousness across the state.

The Rochester Post Bulletin (5/8) applaud-ed the McKnight Foundation’s support of a “climate change” proposal called “Wind on the Wires” to spur the expansion of wind power in Minnesota. “The project is aimed at building a market for wind power in the Upper Midwest. It could also lead to building fac-tories, which make the wind machines in Minnesota. If the state develops a broader wind power program, it could export the power generating machinery and technologies.”

"There is good public support for the use of wind power, but it is difficult to overcome the utility industry’s commitment to the use of fossil fuels or nuclear plants to generate electricity.”

The Worthington Daily Globe (5/7) notes: “America needs to develop its renewable ener-gy sources. That won’t happen until states pass bills on both the state and national level put sup-port behind biodiesel, ethanol, wind and other sources of renewable energy... As (traditional) energy rates increase, so do bills paid by churches, governments, school districts and homeowners. Money that normally could be spent on other projects or saved for the future.”

“The electric crisis in California is but a tip of the iceberg when considering future power problems all states will face,” warns the Bemidji Pioneer (5/17). “It means planning now for the future... We must continue to push alternative energy sources, such as wind and solar, but experts agree that alternative sources and conservation alone will not solve our energy needs in the future. We must develop “clean” industries, even though we will have to spend hundreds of millions of dollars in the short term to get energy generation. It may mean coal-fired or nuclear-powered plants. They must be sized and operated in an environmentally sound manner, but they will be needed...An energy policy is needed now... We want to be pre- pared, and not sit in the dark as many Californians are doing.”

The West Central Tribune (5/11) noted that “Farmers would have a much better chance of increasing their income and gaining econom-ic power by bargaining collectively rather than competing individually... Farmers and not the government should make the market take on more responsibility for improving their income. They’ll need to think in new ways... success will be measured in renewed support for the future.”

The Minneapolis Tribune (5/11) notes: "If the governor and legislative leaders can forge a package that will build greater accountability into government spending and put money in the pockets of Minnesotans.”

Energy sources, or the lack thereof, are now one of the major challenges facing the media consciousness across the state.
Building a new metropolitan identity

by J. Trout Lowen

Minnesotans have an infrequency complex, according to Professor William Morrish. They think of themselves as just Midwesterners, neither as edgy as New Yorkers nor as trendy as Californians. That attitude has led to accepting and expecting the best of everyone else, and to the belief that since we are stuck in the middle between East and West Coasts, we are middling and mediocre, and that's OK.

That kind of thinking is not OK anymore, argues Morrish, who for more than a decade has been defining the cutting-edge of urban design, both here and across the country, as the head of the University of Minnesota's Design Center for the American Urban Landscape. Minnesota is changing. The population is becoming more diverse, the metropolitan area is reaching maturity, and our subhurbs are drifting into middle age.

To respond to those changes, Morrish says, state and local officials need to dispel some of the long-held myths about Minnesota and change the way they think about urban planning. They need to create a statewide policy and an urban design framework aimed at building livable communities. They also need to recognize that old alliances and boundaries are breaking down and new ones are forming.

Largely, they will have to do that work on his own. Morrish has left his post at the design center this month to take a job at the University of Virginia. In a farewell speech at the University of Minnesota's Hill library in St. Paul, Morrish offered some parting advice on how to make Minnesota more competitive in the new environment.

"I think if you think public work, it is the true representation of our cultural values, because it is the one thing that we put all of our penitence into together to build and it should represent who we are," Morrish points to the Minneapolis Chain of Lakes as an example of that social covenant, and he urges planners to build on natural feature like wetlands, not just as an amenity to the community, but as a part of the infrastructure. "It has to be part of our basic civic equation. It cannot be you as an addendum," he adds.

One unique and surprising thing about Minnesota, Morrish says, is that the metropolitan fabric is a continuous fabric from the central city "as far out as you want to take it into the edge." That is not of a normal American city. What's interesting also is that we believe we can go anywhere in the state and people are alike, like a free flow. This is very important.

You feel safe. You feel you can move. "We have to remember that our civic identity is that and I don't care where you live, it's based on a wide range of rich public connectors," Morrish continues, adding, "without it, you're is cold Omaha." "This is the true metropolitan structure, rather than the centre in the rings," Morrish adds. "So I say grab onto what the coalitions is talking about, because this is the invention of new metropolitan thinking. Just as these communities created the Metropolitan Council years ago, they are the way for restructuring.

Planning to stay

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Planning to stay

Planning to stay

Planning to stay

Planning continued on page 6

Planning continued on page 7

titled "Planning to Stay." The guide was based on the concern the people were leaving the community and moving out to suburbs. But that has changed, he says.

"If you're going to do ecology, or roads, sidewalks or street lights, then you have to think of it as a part of the whole..." he says.

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Getting rid of our hang ups about housing

Morrish also suggested that local officials need to address the affordable housing crisis by eliminating the separate planning and building codes. "We've got some real hang-ups about housing," he says. "The first one we have to get over is, renting is not a sin. There's no tax, it's if it is a sin. The second one is, raising families in rental units is a hang-up. We've got some third one, it's if it is a sin. The second one is, raising families in rental units is a hang-up. We've got some third one, it's if it is a sin. The second one is, raising families in rental units is a hang-up.

Reorganizing the Metropolitan Council around sub-regional coalitions

Morrish also advocates reorganizing the Metropolitan Council's representation and planning around sub-regional solutions. The old model of the census city and suburban town is no longer serving the population, he says. The boundaries between the cities and suburbs are disappearing, he adds. Many residents living in North Minneapolis are now concerned with the future of Brooklyn Park than they are with downtown Minneapolis, just as residents in St. Paul's Como neighborhood have more ties to Hayd Mill Mall.

As those traditional boundaries are blurring and disappearing, new boundaries are forming, Morrish says. Regional communities are cutting across issues like roads, economic development, environmental issues, and schools. Recognizing these coalitions is important for establishing a new metropolitan agenda.

"I don't think electing people out of the county jurisdictional system, or even the city jurisdictional system is correct," Morrish says, "because it doesn't reflect the issues that the Metropolitan Council and others are trying to deal with in regards to livability, which are the issues that cross boundaries.

"There is the true metropolitan structure, rather than the center in the rings," Morrish adds. "So I say grab onto what the coalition is talking about, because this is the invention of new metropolitan thinking. Just as these communities created the Metropolitan Council years ago, they are the way for restructuring.

How Minnesota's education spending compares nationally:

Category
per capita spending 2001

Total per capita spending $13,893 9

Total as % personal income 7.1 24

Higher ed per capita $431 23

Higher ed as % personal income 1.7 34

K-12 per capita $1,328 5

K-12 % personal income 5.1 14

K-12 enrollment as % of pop 18.1 11

Higher ed enrollment as % of pop 4.4 22

Pupil-teacher ratio 15.8 22

Per pupil spending $6,945 13

Average teacher salary $39,458 19

Source: Governing Magazine, December 2001

yet one or two family types in the United States. Morrish argues there are new demographics with different housing needs and plans need to adapt to meet those needs.

Any discussion of affordable housing should begin with a plan to upgrade exist- ing stock, Morrish says, and municipal government need to legislate targets for the creation of affordable housing units.

"Legislators line up for five affordable units," he says. "You've got to get housing production up, and every city that started to do it on a city-by-city basis has failed. They've only been able to get, say, 30 or 40 units per year, McKenna and Portland by putting in a fac- tor of one in five."

"Fill all the gaps at a minimum of seven units per acre," Morrish suggested. "If you're going to revitalize all the old Apache malls, don't put in a big box the- re, and don't put in elderly housing. That isn't the way we're going to answer the density question."

J. Trout Lowen is the managing editor of the Minnesota Journal.
Here come the scanners. The projected 20-year labor shortage will likely be met with a lot of labor-saving automation. Productivity Solutions of Jacksonville, Fla. rolled out a new self-service supermarket checkout station last July. It relies on product code scanning and precision weighing technology. At a cost of $25,000 per station, it might begin to look attractive to retailers soon.—Lyle Wray.

The 1999 poverty level for a family of four was $17,029 per year. In that year 21 percent of men and 34 percent of women earned less than the $8.19 per hour rate needed to exceed the federal poverty standard. This is not only an issue for the newly employed as 23 percent of those between age 24 and 44 and 19 percent of those between age 45 and 64. There are a number of efforts nationally to mandate a living wage for subcontractors of government vendors. The Citizens League study on workforce skill development found that many of the “working poor” could be lifted to a family living wage with less than a four-month training program.—L.W.

The Twin Cities is tied for 18th place with Los Angeles on the list of the top 20 most-wired urban areas. Not surprisingly seven of the top 14 cities are in California, including three of the top five—San Jose, San Francisco and Orange County. Of the other states only Texas, with Austin at number three and Dallas at 17, has more than one city on the list. The list from Yahoo! Internet Magazine was published in Governing Magazine. Criteria used to evaluate cities included the percentage of households online, the proportion with high speed connections, the amount of online spending, the amount of local business presence on the web, and the number of sites for local government services.—Phil Jenni.

“Virtual school” is starting to show up around the Twin Cities area. This is online course work: the student perhaps (but perhaps not) actually in the school building; the teacher for sure somewhere else.

Districts like South Washington County and Hopkins are experimenting with this form of learning for remedial or advanced or specialized work. One company offering courses now has a kiosk at the Mall of America. And clearly this computer-based learning has significant implications for “home school”: No longer do the parents have to be the only teachers.

It’s at the college level, too. Michael Offerman, now head of the Learning Research Center at the University of Wisconsin/Madison, moves to Minneapolis July 1 to become president of Capella University, an on-line post-secondary institution.—Ted Koledrie.

Despite the spate of negative publicity about a few charter schools, Minnesota’s charter law has again earned high marks from the Washington-based Center for Education Reform (CER). For the last five years the Center has evaluated the strength of charter school laws based on 10 major components. Of the 38 states with charter school laws Minnesota ranks 4th in this year’s report. According to CER President Jeanne Allen the first decade of study on the emerging charter school movement has illustrated that some laws work better than others “and a strong charter law is the single most important factor in creating strong charter schools.”—P.J.

Becky Montgomery, the chair of the Saint Paul Board of Education, was denied endorsement for re-election June 2 by the city DFL convention.

The teachers union had earlier complained that the board had not done enough to help the 11 schools on academic probation. With scores on the eighth-grade basic skills tests in reading and math remaining flat this spring, as the Pioneer Press reported April 18, this looked to become a major issue.

June 6, four days after the convention, the board removed seven of the 11 schools from “probationary” status. Scores had in fact improved enough, the board decided.—T.K.

Two years ago the Chicago Transit Authority (CTA) initiated a program that allowed full-time college students to buy unlimited ride transit passes by the semester. Called the U-PASS program, the cost of the pass is included in each student’s “activity fee.” This spring, at the urging of the Center for Neighborhood Technology in Chicago, the program received a big boost when the University of Illinois Board of Trustees unanimously approved the U-PASS program for full-time undergraduate students at the University of Illinois at Chicago. Students will have unlimited riding privileges on CTA buses and trains beginning next fall, paid for with a mandatory $75 fee increase in their student activity fee. The addition of the UIC program expands U-PASS participation to 23 colleges and universities. The combined total of 54,000 students probably makes it the largest program of its kind in the country.—P.J.

Cheaper than soybean mixture.

Researchers at Iowa’s Biomass Energy Conversion facility (BECON) already know that a soybean oil/alcohol mixture makes dandy diesel fuel. Now they’ve gone a step further by making clean-burning fuel from animal fat. While there’s a lot of research being done around the country into biomass products, BECON is taking the technology to the next level by trying to produce marketable substances and working to bridge the gap between laboratory research and real world applications.—P.J. MJ

“Take Note” contributors include Minnesota Journal and Citizens League staff members.

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