



Homeownership Minnesota

Presenters:

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Homeownership Minnesota

- **Homeownership Minnesota** elevates the role of affordable homeownership as a critical component of solving the statewide affordable housing shortage and as a necessary step toward closing wealth disparities and addressing racial inequities.
- We are practitioners – we build ownership opportunities, we prepare homebuyers, we conduct home repairs, foreclosure prevention counseling, and other preservation efforts.
- Policy and advocacy focus: increasing public resources and attention to the preparation of homeowners and the production and preservation of affordable ownership housing.

HOM Membership



- Statewide Representation with nearly every county in MN
- Diverse affordable ownership production models: Land Trust, Co-ops, Manufactured Housing, single family ownership
- Experts in homebuyer education, home production, mortgage lending, and foreclosure prevention programming
- HOM membership: (*Denotes CDFIs)
 - **Twin Cities:** City of Lakes Community Land Trust, Community Land Trusts (another 5 CLTs), Dayton's Bluff Neighborhood Housing Services, Greater Metropolitan Housing Corporation, Home CO (Aurora-St Anthony Neighborhood Development Corporation, Build Wealth MN*, Model Cities), Neighborhood Development Alliance*, NeighborWorks Home Partners*, PRG, Inc., Project for Pride in Living, Inc. (PPL), Twin Cities Habitat for Humanity*, Urban Homeworks, Inc.
 - **Greater MN:** Habitat for Humanity of Minnesota* (24 affiliates), MN CAP (24 CAP agencies & 11 Tribal Nations), Minnesota Community Land Trust Coalition (4 Land Trusts), Minnesota Homeownership Center, Northcountry Cooperative Foundation, One Roof Community Housing*

Barriers to Affordable Homeownership



- Homebuyer Education and Homeowner Post-Purchase Support
 - Knowledgeable homebuyers/owners are more successful in attaining and retaining affordable homeownership
 - Foreclosure prevention counseling, home repair support
- First Mortgage Products
 - Historic and current discriminatory practices in lending and zoning
 - See: [Segregated by Design](#) and [The Mapping Prejudice Project](#)
 - Known barriers: credit history, interest-rate conditions, limited down payment
- Down Payment Assistance
- Affordability
 - Increasing gap needed
 - Depending on the market \$100k-\$200k in affordability gap needed to bridge the difference between cost of home and mortgage obtained.
- Supply
 - Our state is facing a housing supply shortage across the full continuum

Housing Supply Shortage



- MN has the 3rd worst housing deficit in the country, preceded only by Oregon & California. – Freddie Mac, February 2022, [“The Housing Supply Shortage: State of the States Report”](#)
 - Minnesota has a 95,000+ housing supply deficit (rental and ownership) ([Up for Growth \(Housing Underproduction™ in the U.S., 2022\)](#)).
- Median Home Price in Minnesota is \$307,644
- 11% of homes listed (nationally) in 2019 were considered entry-level by Freddie Mac; this is down from 37% in 1980
 - As of Jan. 14, 2023, there are 98 homes priced at \$250K or less in the 7-county metro (3 bed-2 bath)
- Increased investor activity, increases homebuyer competition causing rising prices and fewer units available for sale
- Assuming reasonable lot acquisition costs, it is costing most developers \$350k-\$500k to build a new SF home. Depending on the location, those homes once completed appraise for \$200k-\$400k.
- Given current construction costs, to make homes affordable to households earning less than 80% AMI we need to infuse \$150k-\$275k per home and closer to \$175k-\$325k to make affordable to households below 60% AMI.

MN Racial Disparities in Homeownership



- Racial gap in homeownership: Currently 5th worst in nation.
 - 79% of white households own; 30% of Black households
 - Getting worse since the 1950s
- A net gain of 5,000 homeowners of color would get us to 11th worst (or 40th best position).
- A net gain of 20,000 Homeowners of Color gets us to 30th best position
- A net gain of 50,000 homeowners of color gets us to 18th best position

“The greatest obstacle to closing the homeownership gap at this moment is the shortage of housing for purchase in this country. We can’t get more people into the homes of their dreams if there are no homes for them to buy.”

- Bryan Greene Vice President Policy Advocacy National Association of REALTORS® (NAR), Up for Growth, [2022 Housing Underproduction in the US Report](#)

HOMEOWNERSHIP IS AFFORDABLE HOUSING



Homeownership is not the capstone of economic wellbeing... it is the cornerstone!

For renters who make less than 50k a year...

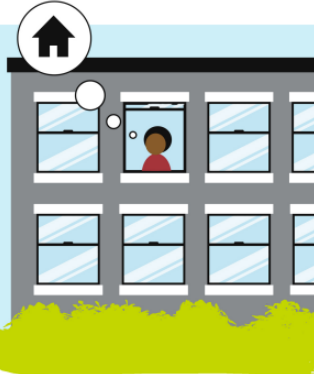
75% are cost burdened meaning they spend at least



42% are severely cost burdened meaning they spend at least

30% of their income on housing

50% of their income on housing



In **2/3** of U.S. counties it is cheaper to own than rent a home



Rentals are also vulnerable to large market increases making them less affordable over time. Between 2010 and 2020 rents increased an average of

3.19%

The typical homeowner spends about

\$167 per month

on maintenance and improvements. Homeowners still pay less than renters per month



For owners who make less than 50k a year...

On average they spend **10%** less on housing than the average renter



Buying a home is a real estate investment. As a home appreciates in value the owner is building wealth

Average wage rates increase nearly twice as fast as inflation making mortgage payments more affordable

Even if a home didn't appreciate in value, a home acts as a savings account

This is why owners have **40x** the wealth of renters

Owning a home is more affordable than renting and allows a family to build long-term wealth



Data published by:



Graphic created by:



Homeownership Impacts



Education & Finance Stability

- 90% of Habitat homeowners said they feel better about their children's future.
- 64% feel their children's study habitat improved.
- In 92% of Habitat homes, at least one adult started, completed, or plans to start higher education or training programs after moving in.
- 65% of CLCLT homeowners report having confidence in handling financial crisis if one occurred

Community & Family

- 84% of homeowners reported that they feel "very connected" "somewhat connected" to their community.
- 2/3 said they get along better with their family.
- 70% said they spend more time with their families.
- 87% of current CLCLT homeowners report they have a better quality of life since becoming CLCLT homeowners

Our Solution: Invest in Homeownership



- To address the lack of entry level homes, close the racial wealth gap, and create equitable economic recovery statewide, our state needs to:
 - Increase from a production average of 100 units annually to 500 units annually
 - Create new and different financing tools that reach BIPOC and LMI households
 - Expand access to down payment assistance
 - Invest in the network's capacity and infrastructure
- How:
 - Build up and effectively design the Workforce & Affordable Homeownership Fund
 - Invest in affordable housing Community Development Financial Institutions
 - Invest in Down Payment Assistance & Homebuyer Preparation programs

Wrapping Up



- For many, homeownership is out of reach:
 - MN Housing research identified **27,000** households occupying the most affordable rental units that are income qualified for home ownership.
 - **61,000** households of color are income qualified for homeownership but continue to rent at all affordability levels.
 - Greater Minnesota presents challenges in developing affordable rental units that single-family development solves.
- We must deepen the state's investment in the affordable ownership – the preparation of homebuyers, the production of new units, and the preservation and stabilization of current homeowners.

Questions



Contact Information



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