



URBAN HOMEWORKS

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DIRECT APPROPRIATION BILL
SENATE FILE 3119



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ASALESOL YOUNG, URBAN HOMEWORKS

Urban Homeworks uses equitable, dignified housing as a platform to build community and create social change.

Our Mission:

The mission of Urban Homeworks is to perpetuate the hope of Jesus Christ through innovative community development.

Our Vision:

Neighbors raising their collective voices to address injustice and overcome the barriers that perpetuate inequity.



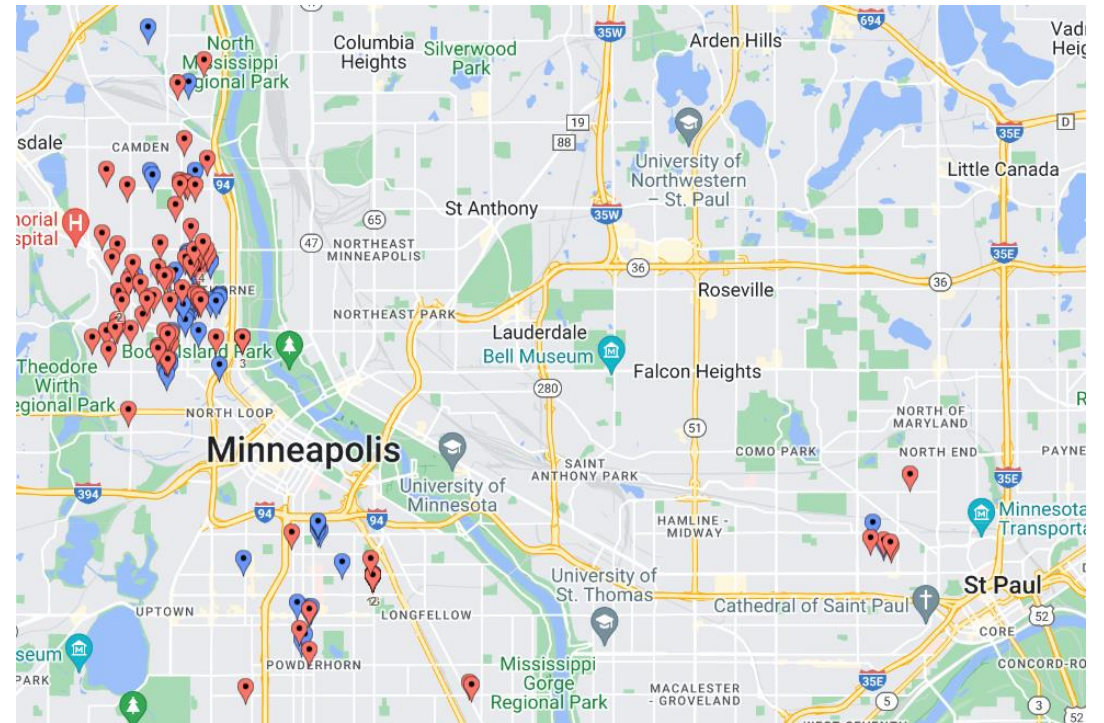
URBAN HOMEWORKS HOUSING & RENTALS

113 housing units sold

- Of reported buyers:
 - 74% are BIPOC (52% African American, 12% Hispanic/Latino, 9% Asian/Pacific Islander, 1% multi-race) and 26% are white
 - 63% are families with children
 - 58% have a female head of household

134 rental units

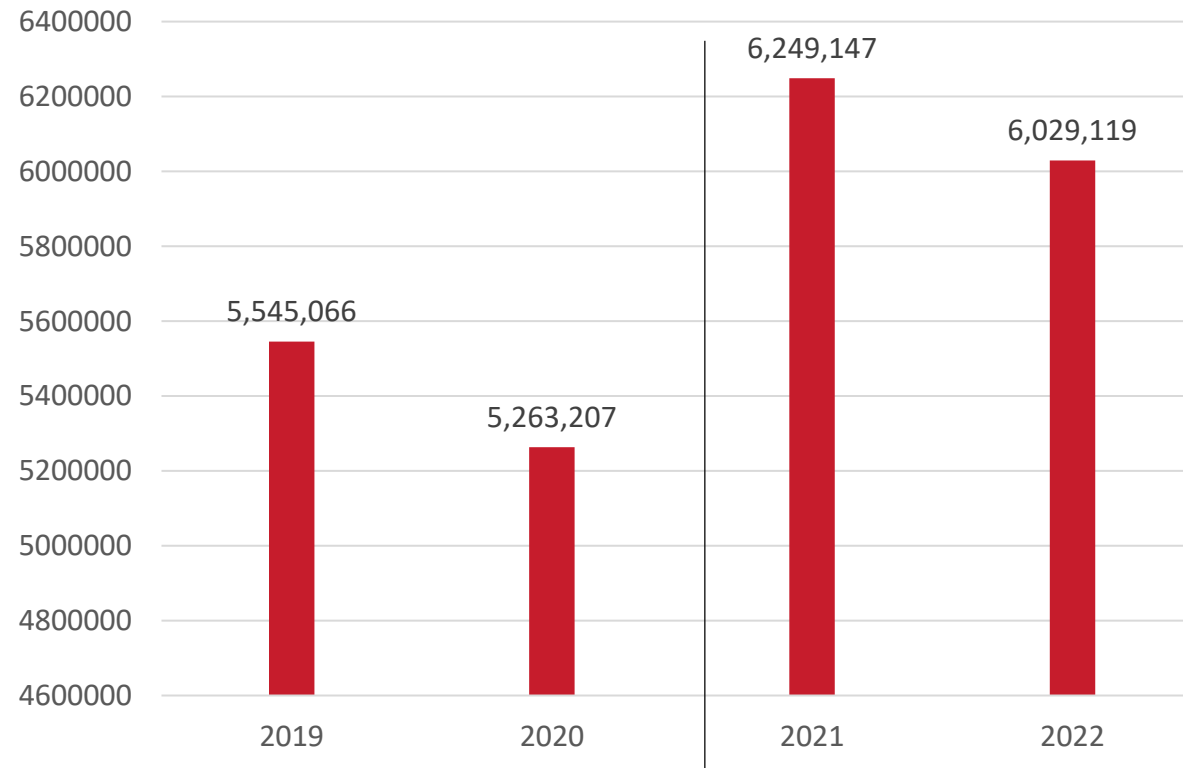
- Of reported renters:
 - 59% are BIPOC and 6% are white
 - 67% are families with children
 - 63% have a BIPOC head of household
 - 59% have a female head of household
 - 28% were homeless prior to move-in



URBAN HOMEWORK'S FINANCIALS

Our organization has taken intentional steps to improve our financial standing since AsaleSol was appointed Executive Director.

UHW Net Assets Through the Years



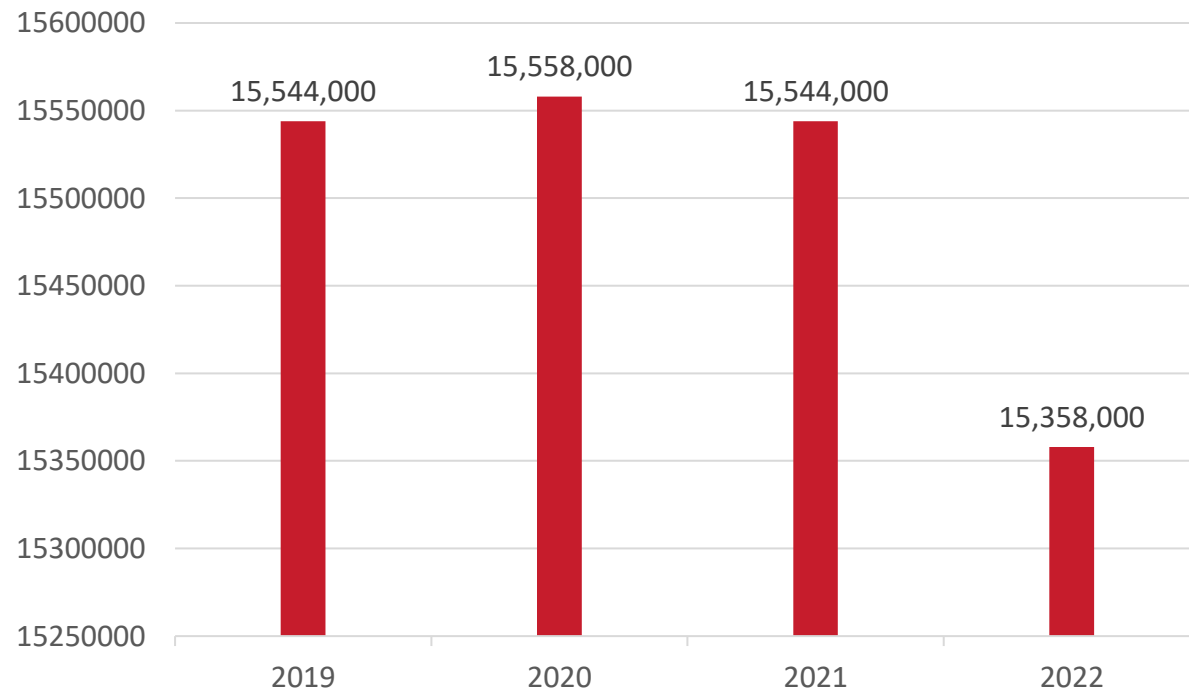
AsaleSol took over as Executive Director in late 2020



URBAN HOMEWORK'S FINANCIALS

Our financial history not only shows how we've grown through the years but also displays our ability to manage a multimillion-dollar portfolio.

Total Residential Rental Assets Under Management



HOW WE GOT HERE

HISTORICAL SCAN OF HOUSING PRACTICES



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THE WEALTH GAP

- White households, on average, have over 7x the wealth of the average Black household
 - The median white household held \$188,200 in wealth compared to the median Black household of \$24,100
- This gap can largely be credited to the housing injustice system
 - Middle-class, white families gain wealth from home equity
 - African American families were prohibited from buying homes well into the 1960s in suburban areas
 - Homes were affordable with FHA and VA loans and mortgages
 - African American families could then afford to purchase these homes but were not permitted to
 - As the equity of the homes rose over time, white families leveraged that equity to send children to college, care for elderly parents, and pass on wealth to children
 - Black families were left out of this significant wealth-building opportunity from the 1930s to the 1960s

1968 "FAIR HOUSING" ACT

Permitted Black homebuying

BUT

Homes had reached market-rate values of 6-8x the national median income

- Homes are no longer affordable. Remember the income and wealth gap that now exists.
 - The impacts extend to health, wellness, capacity to function well in school, etc

NEW NAME, SAME DISCRIMINATION

Pre-1968 Fair Housing Act

- Racial Covenants
- Restrictive Deeds
- Redlining
- Threats, Extreme Violence, Murder

Post-1968 Fair Housing Act

- Exclusionary Zoning
- Predatory Lenders and Discriminatory Loan Rejections
- Federal and state-led disinvestment, exclusion, & displacement
 - The implementation of I94 and 35W destroyed many black communities
- Gentrification
- Threats, Extreme Violence, Murder



THE HOMEOWNERSHIP GAP

Minnesota = 4th in the US for racial ownership disparity

“While MN has the 3rd highest homeownership rate in the country, it also has the 4th largest disparity between: White/non-Latinx households and Black, Indigenous and households of color.” – MN Housing, Housing Disparities Report 2020

Twin Cities = 1st in the US for racial ownership disparity

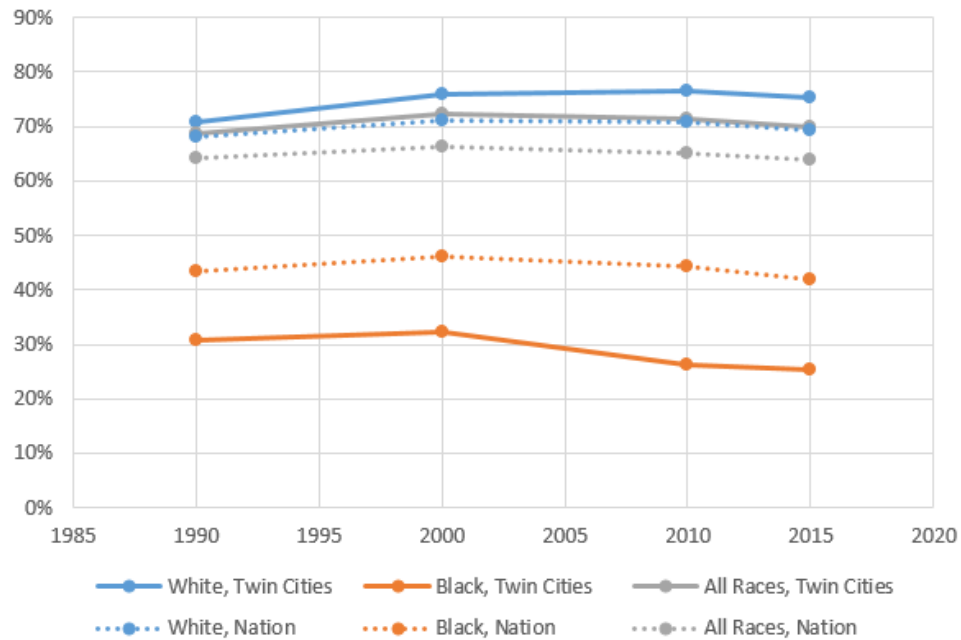
“The Twin Cities have the largest Black-white homeownership gap of any metropolitan region in the nation” – Urban Institute, Who Owns the Twin Cities Report 2021



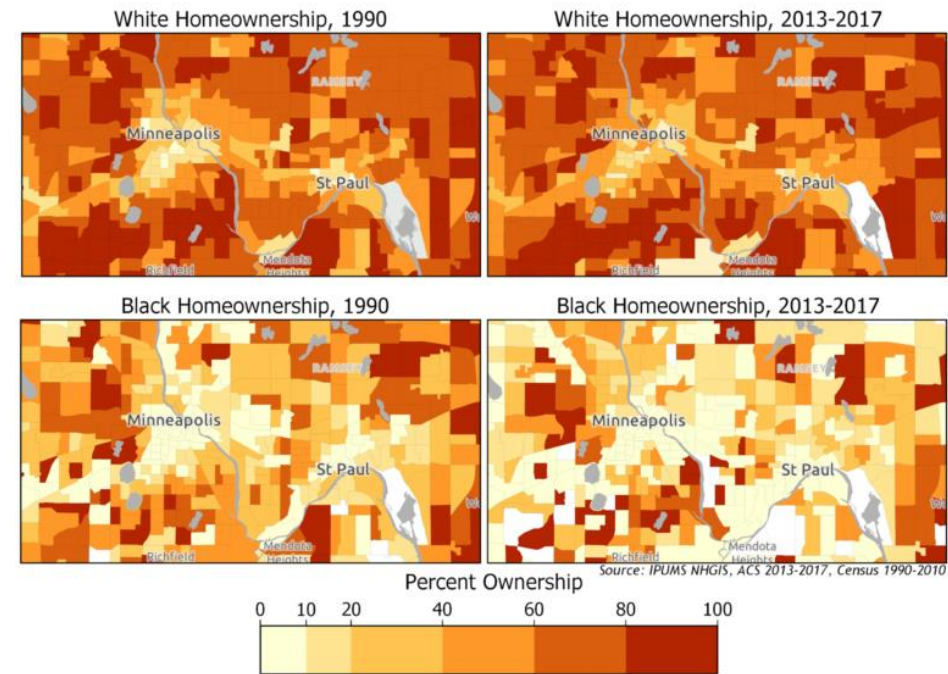
THE HOMEOWNERSHIP GAP

Rate of Homeownership by Race

Source: IPUMS NHGIS



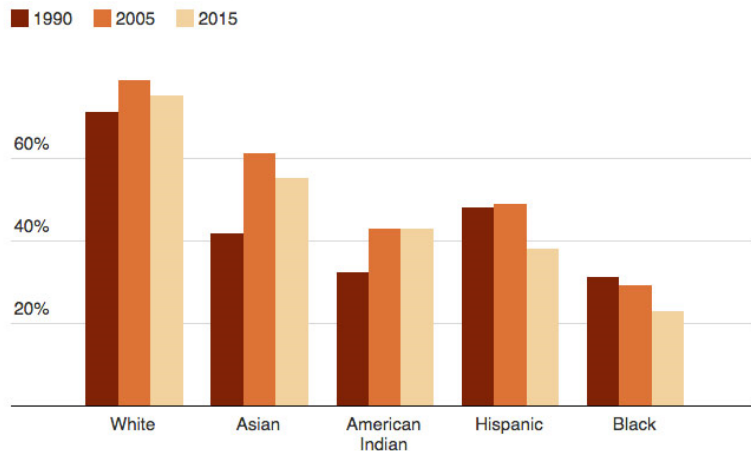
Rate of Homeownership by Race



THE HOMEOWNERSHIP GAP

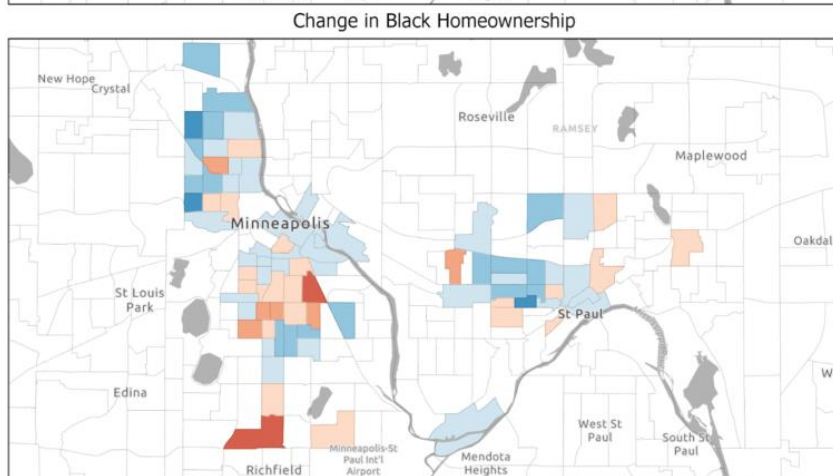
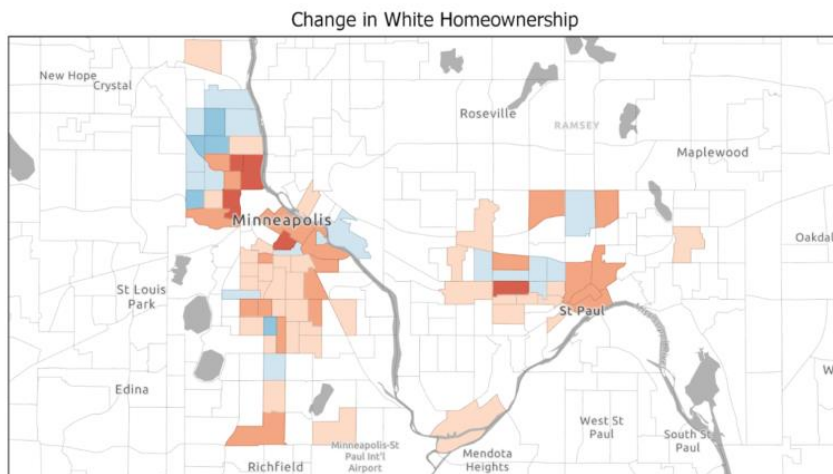
Homeownership rates in Twin Cities by race

The homeownership gap has been getting steeper in the Twin Cities. The rate at which Twin Cities blacks own homes is among the lowest in the nation.



Source: NHGIS.org, U.S. Census Bureau • Created with Datawrapper

Change in Homeownership Rate
Areas with Substantial Black Population*: 1990 to 2013-2017



* Only tracts with > 5% black households in 1990 and 2013-2017 shown in color Source: IPUMS NHGIS, ACS 2013-2017, Census 1990-2010

Percentage Point Change: -50 -25 -10 0 +10 +25 +50



THE IMPACT OF INVESTOR OWNERSHIP IN OUR COMMUNITIES

Investor ownership is hurting our communities

The purchase of single-family home by investors and corporate landlords plagues the communities Urban Homeworks is committed to serving. This trend drives up the price, making homeownership unattainable for members of the community.

Through Senate File 3119 we will not only be creating supply in these areas, but giving Minnesotan families and individuals a fighting chance to build wealth and create stability in areas that are deemed unaffordable.

Top 20 census tracts by investor-ownership rate

Rank	Census tract	Location	County	Share of properties owned by investors (%)	2019 poverty rate (%)
1	27053104000	Minneapolis—Northeast	Hennepin	30.7	41.7
2	27003051203	Fridley	Anoka	27.1	10.3
3	27053023400	Hopkins	Hennepin	24.8	13.7
4	27053100800	Minneapolis—North	Hennepin	22.5	14.2
5	27053100900	Minneapolis—North	Hennepin	22.3	31.0
6	27053125700	Minneapolis—North	Hennepin	21.2	28.7
7	27123031400	St. Paul—North End	Ramsey	19.1	26.1
8	27053102800	Minneapolis—North	Hennepin	17.6	42.5
9	27123031000	St. Paul—Payne-Phalen	Ramsey	16.6	27.7
10	27123032600	St. Paul—Frogtown	Ramsey	16.1	25.1
11	27123031600	St. Paul—Payne-Phalen	Ramsey	16.1	33.3
12	27123033500	St. Paul—Summit University	Ramsey	15.8	38.0
13	27123032500	St. Paul—Frogtown	Ramsey	15.5	27.5
14	27053100400	Minneapolis—North	Hennepin	15.1	41.9
15	27123030900	St. Paul—Payne-Phalen	Ramsey	14.8	28.7
16	27053102000	Minneapolis—North	Hennepin	14.4	10.9
17	27163070703	Oak Park Heights-Stillwater	Washington	14.4	7.2
18	27053002700	Minneapolis—North	Hennepin	14.2	34.8
19	27053108000	Minneapolis—South	Hennepin	13.6	3.8
20	27053000102	Minneapolis—North	Hennepin	13.4	28.7

Source: Authors' calculations of tracts with 500 or more properties, based on data from the MetroGIS Regional Parcel Dataset and the Minnesota Department of Health analysis of American Community Survey 5-year estimates.

THE CURRENT NEED (CURRENT LANDSCAPE OF MN HOMEOWNERSHIP)



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AFFORDABLE HOMEOWNERSHIP

Public funding opportunities are centered around high-capacity, high capital owners and developers and not specific enough to address the needs of local communities. Most funding addresses affordability at the 80 % AMI with little targeting the 50-60% AMI level.

Met Council provided research on affordable homeownership by AMI level:

227,100

50% AMI

276,100

60% AMI

355,600

80% AMI

Important to note: These numbers are derived with an assumption of a 3% interest rate. At current interest rates, to achieve affordable homeownership, the house price must be significantly lower.



CURRENT REALITY

Average Income measurements continue to de-center low income, BIPOC families:

- 2022 Twin Cities 13-County Metro Region data set 80% AMI (for a family of 4) at \$89,400
- Data from 2020 shows that in the Twin Cities, and Hennepin County over 40% of the population makes over 100K, whereas
- In Minneapolis just over 32% make 100K or more, and 27% of the population is making less than 35K.
- In the Phillips Neighborhood, where nearly 40% of residents identify as Black/African-American, less than 15% of the community makes over 100K, and nearly 50% makes less than 35K.
 - In the Phillips Community 15% of homeowners are cost burdened.

And finally, in North Minneapolis, with a Black/African-American population of over 50%, less than 19% of families are making over 100K, and over 41% are making less than 35K.

- Over 27% of Northside homeowners are cost burdened.



CURRENT REALITY

Homeownership is becoming harder to attain for BIPOC families, who continue to receive income significantly lower than white families. On average in the United States white families make 40% more than the average Black family. And largely due to gains made historically from homeownership, white families hold 85% more wealth than Black households. Locally, this has left Minnesota with the 4th largest disparity between white and BIPOC homeowners, and the Twin Cities with the largest Black-white homeownership gap in the nation.

As well, current funding restrictions increase the likelihood that low-income buyers will struggle with adequate down payment, struggle to maintain mortgage payments and build savings.

350,000-450,000

Fair market development costs

175,000-225,000

A family of 4 making 60% AMI can reasonably afford

175,000-275,000

Gap funding needed



CURRENT REALITY

Due to the funds being spread thin, very few homeownership developers are building for deep affordability under 60% AMI due to the high gap needs per unit and limited availability; many developers “safely” stick to 80 or 115% AMI restrictions to ensure they are competitive and have a higher likelihood of their full ask being awarded; this does allow for higher volume of construction, it is not hitting the target demographic and median income of the

- Current gap funding on 1 single-family home at 60% AMI affordable price of \$195,000 is approximately \$360,000;
- This includes 2 sources from MN Housing Impact Fund, 3 sources from Minneapolis Homes financing, and the newest source, a pilot program from Met Council LHIA

MOVING FORWARD TOGETHER

THE IMPACT OF A DIRECT APPROPRIATION



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WHAT WE CAN DO

Senate File 3119 will provide a \$10 million direct appropriation used over two-years, giving Urban Homeworks opportunity to increase the number of affordable housing units for sale through rehabilitation and new construction. This appropriation will enable us to produce and sell homes at 60% AMI or to families making roughly 60K a year. These funds will be leveraged to cover financing gaps and allow, Urban Homeworks, a non-profit developer, to increase affordable housing production without financial losses.

WHAT WE CAN DO

Over the course of a two-year grant period, Urban Homeworks will utilize these grant funds for the following:

- **Gap Funding:** Urban Homeworks will use the funds to cover both Affordability and Value Gaps created in affordable housing development.
 - **Affordability Gap:** the financing gaps created between the fair market value of a home and the affordability price required for 50%-60% area median income levels.
 - **Value Gap:** the financing gaps between the fair market value of a home, and the total project costs



THE IMPACT OF A DIRECT APPROPRIATION

Senate File 3119 is intended to grow the number of homes for affordable sale in communities that have experienced systemic and systematic disinvestment and extraction. Target communities are communities that have been historically marginalized and excluded from historic homeownership opportunities, programs intended to advance multigenerational wealth, and have been previously impacted by predatory lending. This program supports Minnesota Housing strategic objectives of “Creating an Equitable and Inclusive Housing System” by:

- “Strengthening disinvested communities” through:
 - Deeper economic investment that more closely matches the depth of the inequity
 - Creating greater access to homeownership and wealth building in Black and Indigenous communities
 - Meeting the demands of workforce housing
 - Increasing the capacity of a BIPOC-led housing developer to better meet the housing needs of low-income, BIPOC communities.



URBAN HOMEWORKS

THANK YOU!

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