



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

A BEST PRACTICES REVIEW

Preserving Housing



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Preface

This report is a review of best practices in preserving housing stock. It is the ninth in a series of best practices reviews published by the Office of the Legislative Auditor. The 1994 Legislature established best practices reviews as a means of highlighting effective and efficient practices in delivering local government services. The intent was to help local governments improve the cost-effectiveness of services by identifying useful practices found to be successful elsewhere in the state.

In April 2002, the Legislative Audit Commission directed our office to study best practices in how Minnesota's local governments maintain and rehabilitate housing in their communities. The Best Practices Advisory Council, a group of local officials charged in statute to recommend subjects for study, proposed the topic.

The Office of the Legislative Auditor acknowledges the help and expertise provided by numerous local government and nonprofit officials involved with housing initiatives of various kinds. We appreciate the assistance they provided during the compiling of this report. Representatives from the Minnesota Housing Finance Agency, the Department of Trade and Economic Development, and the Department of Administration's Building Codes and Standards Division also assisted.

The report was researched and written by Jody Hauer (project manager), Carrie Meyerhoff, and Lori Sakk. Both the report and supplementary materials are available via the Internet at <http://www.auditor.leg.state.mn.us/ped/2003/pe0305.htm>.

St. Paul, Minnesota
April 16, 2003

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SUMMARY

This study identified best practices for local governments that have decided to become involved in preserving housing. Housing provides shelter, but quality housing also contributes to neighborhood and economic vitality and sustains local tax bases.

Housing strategies will vary from city to city, and each strategy has its own best practices. Local governments should follow best practices in preserving housing, and when they work with others—housing and redevelopment authorities (HRAs), economic development agencies, community action agencies, nonprofit housing organizations, and regional development commissions—they should ensure that best practices are followed.

Recommended Best Practices:

- Cities that have not identified their housing needs should do so by analyzing information in the context of long-range planning and strategic thinking (pp. 31-36).
- Cities should set housing goals and objectives, evaluate possible responses, and select strategies aligned with their objectives (pp. 37-39).
- Jurisdictions that administer housing-related codes should facilitate voluntary compliance, apply and enforce codes consistently, use a variety of enforcement methods, and target enforcement resources (pp. 43-51).

- Jurisdictions that administer the State Building Code should publicize code requirements, offer technical assistance, make the permit process convenient, ensure consistent enforcement, and consider code compliance alternatives for existing residential buildings (pp. 52-60).
- Cities that offer financial assistance for preserving housing should find partnerships that give cities the capacity to take advantage of myriad complex programs. Program administrators need to manage project risks and identify clients (pp. 61-66).
- Cities that support access to housing information or expertise should seek collaborations, identify residents' information needs, and provide information in a variety of ways (pp. 67-72).
- Cities that offer access to repair and rehabilitation services, such as weatherization or acquisition and rehabilitation programs, need to manage those services' planning, implementation, and marketing (pp. 72-74).
- To determine how well housing strategies meet objectives, cities should periodically evaluate them (pp. 74-76).

This review recommends best practices for preserving housing and profiles local governments and organizations using the practices.

Report Summary:

Preserving housing means keeping residential units safe, livable, and attractive to occupants. Quality housing stock is important not only as shelter but also as a means to long-term neighborhood stability, communities' economic viability, and strong tax bases.

Public sector responses to the need to preserve housing include: property maintenance codes, inspections of rental units, programs requiring inspections before homes are sold, proper administration of the State Building Code, housing information campaigns, and financial subsidies. Not all cities will become involved with preserving housing, but those that do should follow best practices tied to the strategies they select. Although we refer specifically to "cities," counties or others working on local governments' behalf may be involved.

Thinking Strategically

Cities should start by determining their housing needs, if they have not already done so. This involves analyzing information on housing units and factors that affect housing, such as demographic trends. Another best practice is identifying and prioritizing housing needs. Many cities, especially smaller ones, may need to enlist outside expertise to follow these practices.

Cities should also study housing needs and how they relate to other issues in the community. Housing studies should be part of long-term comprehensive and strategic planning processes.

Example: *Roseville developed a housing improvement plan that is part of that city's comprehensive plan. The improvement plan, which the city reviews yearly to account for changing market conditions, contains benchmarks for housing activities and describes housing conditions in the city. Together the housing improvement plan and comprehensive plan have guided the*

city's housing strategies and led to collaborations with housing experts.

Once housing needs are identified, cities should determine appropriate responses to meet them. Involving elected officials in setting housing goals and objectives is a best practice to this end. Another is evaluating a broad range of options and designing strategies to meet housing objectives.

Example: *St. Louis Park has designed multiple strategies to meet its housing preservation needs. The city enforces a property maintenance code and requires property owners planning to sell their structures to have them inspected and to correct deficiencies. The city licenses and inspects rental buildings with three or more units. Further, St. Louis Park has partnerships for offering financial assistance and housing preservation information.*

As part of deciding on appropriate housing strategies, cities should determine whether they have sufficient internal capacity to implement the strategies or whether they should rely on outside professionals.

Example: *Several metropolitan-area cities lacking their own capacity to offer housing information and expertise use the Housing Resource Center, an arm of the nonprofit Greater Metropolitan Housing Corporation. The Center employs construction managers who answer home improvement questions and help residents evaluate contractors' bids. It also administers various financing programs on the cities' behalf.*

Garnering elected officials' support is important when determining appropriate housing responses, particularly if local leaders have not been involved previously. A final best practice is to plan for adequate investments in infrastructure such as streets and lighting.

Example: *In South St. Paul, the city and the HRA have been involved in activities that form a base of local leader support for housing initiatives. A housing committee, made up of members of the*

Cities should select housing strategies that are aligned with their housing objectives.

city council, HRA, planning commission, and staff, meets regularly to discuss housing conditions and needs. Plus, strategic planning efforts among city stakeholders led to establishing a common vision for the city's housing.

Implementing Regulatory Strategies

Among housing strategies that communities may choose are regulatory strategies, such as adopting local codes that set standards for property maintenance. Depending on communities' own capacity, implementing such strategies may require outside expertise.

One best practice for administering housing-related codes is to encourage voluntary compliance. When residents comply with the codes on their own, fewer public resources are needed for enforcement. Ways to achieve voluntary compliance include publicizing code requirements, using incentives to reward initial compliance, and offering technical or financial assistance to violators.

Example: Prior to its annual inspections of rental units, Mounds View mails to rental-property owners a list of common code violations as part of the notice that their properties are due for inspection. The list allows owners to fix problems, such as missing smoke detectors or improper clearance to electrical equipment, in advance of inspections, reducing the number of deficiencies and staff time for reinspections.

Jurisdictions should ensure consistent enforcement when administering housing-related codes. Consistency helps avoid charges of discrimination or arbitrariness.

Example: When Cottage Grove implemented a program to inspect rental units, the building official developed an inspection checklist containing 64 items including foundation drainage and venting of plumbing fixtures. Using the checklist ensures that the city holds each

building to the same inspection standards.

Administering housing codes also requires enforcement mechanisms with increasingly severe sanctions against noncompliance. A final best practice is to target the housing codes to particular houses or neighborhoods if resources do not allow inspecting all of them.

Example: In Bemidji, the city follows a series of steps when owners do not comply with orders to correct deficiencies identified during inspections of rental housing. The city charges a rental registration fee that covers the first and second inspections, but building owners must pay for each reinspection necessitated by their failure to correct problems. Additional enforcement steps include letters from the city attorney, police citations, and registration revocations. The most serious sanction is property condemnations.

Jurisdictions that administer the State Building Code should follow certain best practices to support housing preservation. Practices such as publicizing code requirements, offering technical assistance, and making the permit process convenient, encourage voluntary compliance. Other best practices are considering compliance alternatives and applying the code consistently.

Example: Each January, the Melrose building official holds a contractor seminar to discuss building code requirements. Because the seminar is accredited by the state, contractors receive professional education credits for attending. The well-attended seminars allow sharing of information among contractors from multiple cities and minimize the times that the building official has to answer the same questions.

Implementing Supportive Strategies

Supportive housing strategies encourage people to preserve their buildings. Providing access to financial assistance

Local governments should encourage voluntary compliance with housing-related codes.

is one supportive strategy. For implementation, cities should explore partnerships to attain the expertise and resources needed to deal with complex, multiple financing sources.

Example: *The Stevens County HRA applies for and administers housing grants and loans on behalf of cities within the county. In doing so, the HRA works with a city to identify housing needs and then tailors financing plans to meet them. The HRA has experience with federal and state housing programs, and its knowledge benefits the cities, which lack the resources to develop their own housing expertise.*

Another best practice tied to offering financial assistance is following management controls to minimize the risks posed by expensive, time-consuming projects. Matching project cost estimates with available financing and inspecting work before paying contractors are examples of these controls. It is also important to identify and communicate with prospective clients.

Example: *The Central Minnesota Housing Partnership, a nonprofit housing organization serving 16 counties, takes a “hands on” approach to administering the HOME Rental Rehab program. The Partnership identifies and inspects potentially eligible properties, develops the scope of the work, monitors the work, conducts final inspections, and disburses money to contractors. Its active management role helps it meet program requirements and ensure quality outcomes.*

Providing access to housing information and expertise is another strategy that supports housing preservation. Related best practices include: working collaboratively with other organizations, identifying unmet information needs, and tailoring information to meet those needs.

Example: *As part of implementing a program to license and improve rental units, the Morris Housing Authority became an information resource for landlords. Besides offering information*

about the rental program and available rehab financing, the Authority provided a sample damage-deposit form and a checklist to assess rental unit conditions. Offering useful information lessened resistance to the rental licensing program.

Cities or their agents should use a variety of means to communicate housing information. People learn in different ways and are looking for information at different times. Effective housing preservation recognizes and accommodates these differences.

Example: *Richfield and the Richfield HRA use many different ways to communicate housing-improvement information to residents. Written materials include a remodeling planbook, a contractor referral list, and numerous tip sheets on topics such as how to secure bids from contractors. The HRA offers the services of a Remodeling Advisor, who meets with homeowners to discuss renovation options. Richfield sponsors an annual remodeling fair, and it publicizes housing information using the city newsletter, Web site, and utility bill inserts.*

Some communities’ housing may need direct repair and rehabilitation services, such as weatherization or acquiring and rehabilitating rundown properties for resale. Best practices vary by the service but cover program planning, implementation, and marketing.

Example: *For decades, Semcac, a community action agency in southeast Minnesota, has offered weatherization services to qualifying households. Semcac’s rehabilitation specialists conduct energy audits. Its work crews insulate and weather-strip eligible homes and clean and tune a home’s furnace when necessary. Crews are familiar with the agency’s other housing preservation programs and refer eligible property owners to them.*

Finally, cities should periodically review their strategies to determine how well housing objectives are met. Effective evaluation reveals whether to modify or discontinue a strategy.

Access to housing information and expertise supports housing preservation.

Introduction

This report reviews what local governments can do to help preserve housing stock in their jurisdictions. Many local governments in Minnesota are involved in activities that preserve housing, but the city that oversees all housing preservation on its own is rare. This report presents practices to guide local governments in preserving housing, recognizing that many other organizations, such as housing and redevelopment authorities, community action agencies, regional development commissions, and nonprofit housing agencies, are typically involved. For local governments interested in becoming involved in preserving housing, this report suggests some important practices to follow. The practices are not restricted to communities of a given size or location. Nor are they intended only for communities that have adopted the State Building Code, although some practices are specific to local governments that have done so.

In April 2002, the Legislative Audit Commission directed our office to study best practices in preserving housing stock in Minnesota. The study addresses these research questions:

- **Why is it important to preserve housing? How are trends in demographics and housing conditions likely to affect this?**
- **What has been the public sector response to the needs for preserving housing? Do housing officials believe public dollars meet the demand to preserve housing?**
- **What are the main goals of programs to preserve housing?**
- **What are the best practices for preserving housing, and what is needed for other localities to duplicate them?**

To answer these questions we studied literature on housing, housing-related codes, and the State Building Code. We interviewed a number of the many agencies around Minnesota that deal with housing preservation issues. To learn more about local practices, we surveyed two groups: local housing organizations and a sample of cities, some that have adopted the State Building Code and others that have not. After identifying best practices for preserving housing, we visited a small number of communities to better understand the practices they follow. In addition, we convened a technical advisory panel of local and state officials involved with housing and housing-related codes. The panel met with us on an occasional basis and offered feedback on the research.

Although much public policy debate in recent years has focused on affordable housing, this report discusses practices that apply to all housing units and is not restricted to those occupied by residents of a certain income level. At the same time, because many public programs to assist the financing of housing

maintenance and rehabilitation are targeted to low- and moderate-income households, some of the practices affect affordable housing.

The report focuses on the quality of existing housing stock and is not intended to deal with the many other issues related to housing and public policy. For instance, it does not discuss homeownership rates, revitalizing deteriorating neighborhoods, or preventing subsidized rental units from converting to market rate units. Although these issues are important, they are complex and encompass concerns that go beyond the scope of this report. Nor does this report analyze the technical aspects of preserving housing, such as the benefits of one insulation product versus others.

The report has two chapters. Chapter 1 describes housing preservation, why local governments are involved in it, and how the services are provided around the state. Chapter 2 lists the best practices recommended for effectively preserving housing. It also features examples of local governments and other housing organizations that follow these practices.

Background

SUMMARY

Although most housing preservation occurs without government intervention, Minnesota's local governments have become involved because housing is important to neighborhood stability and robust tax bases. Preserving housing is important because the number of households in the state is growing at a pace faster than the increase in housing units, and new units do not meet all needs. Moreover, Minnesota's housing stock is aging, and older housing requires reinvestments to keep it usable and marketable. Local government housing activity comes in the form of local initiatives, such as property maintenance codes, housing inspections, and housing-information campaigns. Providing financial assistance, often for people who fall below certain income thresholds, is another way governments help preserve housing. To varying degrees around Minnesota, cities, counties, housing and redevelopment authorities, nonprofit housing organizations, community action agencies, and regional development commissions are involved in preserving housing.

Efforts to preserve housing aim to have dwellings that are safe, livable, and attractive to occupants. Housing preservation includes a variety of activities: (1) preventive maintenance, such as replacing furnace filters at appropriate intervals; (2) repairs, such as fixing leaky faucets or glazing windows; (3) remodeling, done to add space, update home components, or improve living conditions; and (4) rehabilitation, needed to restore parts of dwellings that have deteriorated or been neglected, such as reroofing following water damage. Although many of these activities are undertaken by building owners, the public sector may be involved, such as when a city issues a permit to a contractor to install a water heater and inspects the installation. Others are the direct result of public intervention, such as when public subsidies pay for the insulation and weatherproofing of low-income families' homes or when an owner selling her home is required to make repairs to bring the home into compliance with local housing codes.

This chapter provides background information on preserving housing. It covers the following research questions:

- **Why is it important to preserve housing? How are trends in demographics and housing conditions likely to affect this?**

Preserving housing is important because of the rise in numbers of households.

- **What has been the public sector response to the needs for preserving housing? What factors do local housing officials believe affect decisions to preserve housing? Do housing officials believe public dollars meet the demand to preserve housing?**

Answering these questions involved reviews of relevant literature, analyses of Census data and recent studies, and numerous interviews with local officials and representatives of housing-related programs. We also conducted two surveys. One was of directors of local housing organizations in both the public and nonprofit sectors. The second was of building officials or city administrators from a large sample of Minnesota cities—some that had adopted the State Building Code and some that had not. An appendix describes the survey methodology.

THE NEED FOR PRESERVING HOUSING

To have an adequate supply of housing, Minnesota needs to preserve its housing stock. The ongoing needs for preserving housing are reflected in several trends. First, Minnesota continues to experience growth in its number of households. Second, increases in the number of housing units lag behind increases in the number of households, and adding new units to the stock has not met all needs. Third, Minnesota's housing units are aging and require reinvestments.

Growth in Number of Households

Minnesota has more households, and they are smaller, than in the past.¹ The number of households statewide increased 15 percent between 1990 and 2000. In all but 1 of the state's 13 economic development regions, the number of households increased between 1990 and 2000, as shown in Figure 1.1.

Population growth was one factor contributing to an increasing number of households. Minnesota's population grew 12.4 percent between 1990 and 2000. Sixty-five percent of the state's population growth occurred in the seven-county metropolitan area with a population increase of 353,335. As Figure 1.2 shows, the greatest rates of population growth occurred in mid-Minnesota. Population decreased in the northwestern and southwestern corners of the state. Even in these regions where population declined, however, 9 of the 21 counties experienced increased numbers of households.

Diminishing household size was a second factor contributing to the increased number of households. Average household size decreased 2.3 percent between 1990 and 2000, from 2.58 persons to 2.52 persons. Average household size decreased in all regions of the state. Other demographic trends help illustrate

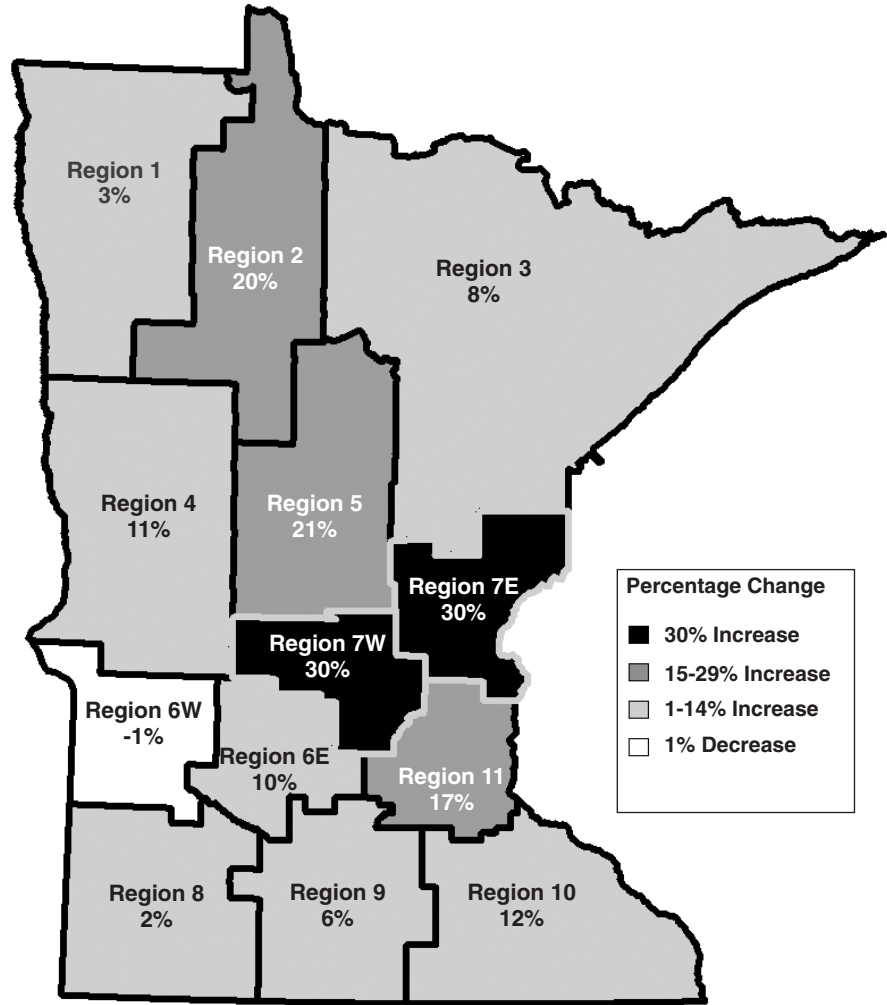
The number of households in Minnesota increased 15 percent between 1990 and 2000.

¹ Changes in the number of households and average household size may in part reflect responses to economic conditions. For example, during strong economic times, adult children living at home or roommates might decide to live on their own instead of continuing to live with others. This may be particularly true for renter households because it is easier to enter into and leave a rental arrangement than to buy and sell a house.

the reduced size of households. For instance, the number of one-person households in Minnesota jumped by nearly 96,000 between 1990 and 2000, an increase of 23 percent. Whether the number of one-person households continues to grow during years of a softening economy remains to be seen.

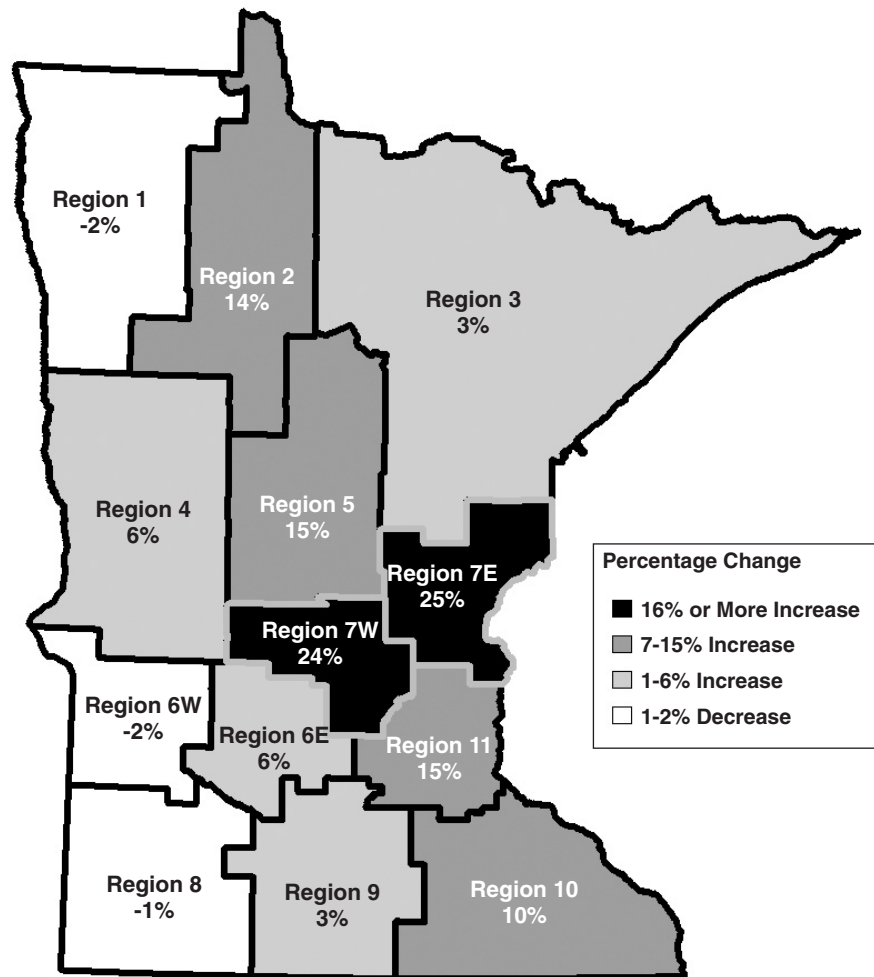
Figure 1.1: Change in Number of Households, 1990-2000

Growth in the number of households over the decade was highest in central Minnesota.



SOURCES: Office of the Legislative Auditor analyses of U.S. Census Bureau, *2000 Summary File 1*; http://factfinder.census.gov/servlet/DatasetMainPageServlet?_ds_name=DEC_2000_SF1_U&_program=DEC&_lang=en; accessed August 29, 2002; and U.S. Census Bureau, *1990 Summary Tape File 1*; http://factfinder.census.gov/servlet/DatasetMainPageServlet?_ds_name=DEC_1990_STF1_&_program=DEC&_lang=en; accessed August 29, 2002.

Figure 1.2: Change in Population, 1990-2000



SOURCES: Office of the Legislative Auditor analyses of U.S. Census Bureau, *2000 Summary File 1*; http://factfinder.census.gov/servlet/DatasetMainPageServlet?_ds_name=DEC_2000_SF1_U&_program=DEC&_lang=en; accessed August 29, 2002; and U.S. Census Bureau, *1990 Summary Tape File 1*; http://factfinder.census.gov/servlet/DatasetMainPageServlet?_ds_name=DEC_1990_STF1_&_program=DEC&_lang=en; accessed August 29, 2002.

Growth in Number of Housing Units

Because the number of housing units in Minnesota is growing more slowly than the number of households, existing housing should be preserved.² In Minnesota in 2000, the proportion of households was 92 to every 100 housing units, an increase over the 1990 level of 89 households to 100 units. Although it varied around the state, the proportion of households to housing units increased or stayed the same between 1990 and 2000 in all but one of the 13 development regions.

² The number of housing units will always equal or exceed the number of households because, by definition, each “household” lives in a “housing unit.”

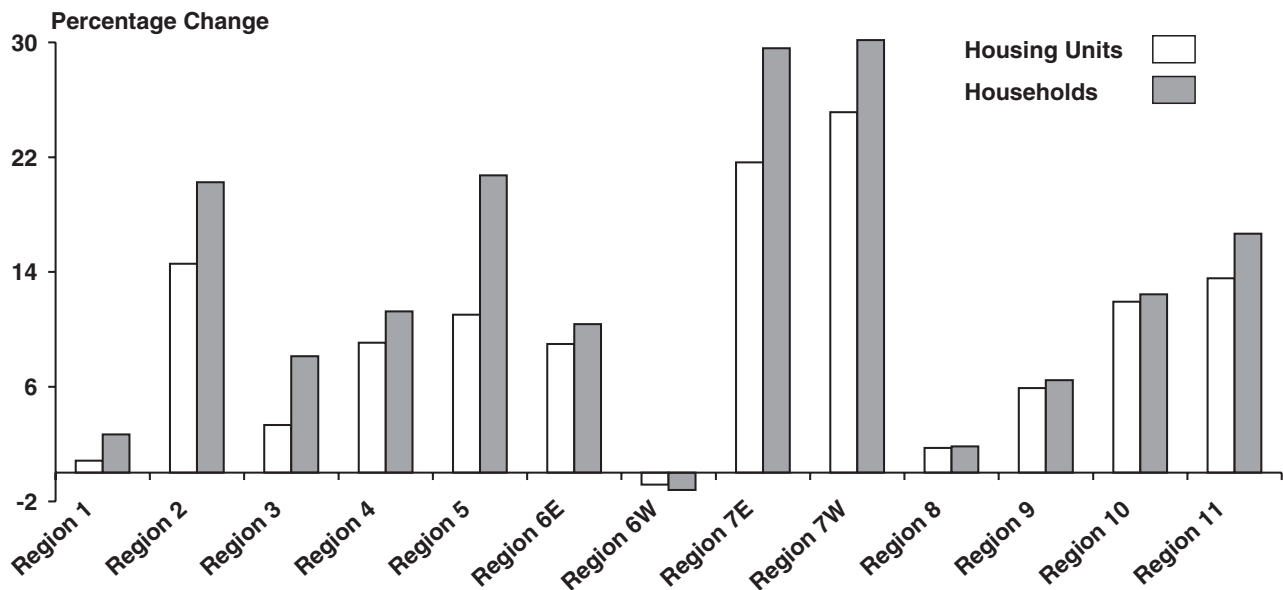
The growth rate in the number of households outpaced the rate of housing unit increases in most parts of the state.

Although the number of housing units increased statewide over the decade (nearly 12 percent), it rose at a somewhat slower rate than the number of households (15 percent). Around Minnesota, the number of housing units increased between 1990 and 2000 by 217,501 to 2.1 million units, while the number of households grew by 247,274 to 1.9 million households. As Figure 1.3 shows, in all but one region of the state, the rate of growth in the number of households equaled or outpaced the growth rate in the number of housing units. The exception was Region 6W in west central Minnesota where the number of households and housing units each declined by about 1 percent in the decade.

Reflecting the difference in growth rates for households and housing units, vacancy rates in many regions of the state decreased between 1990 and 2000, despite the construction of new housing units during the decade. Certain numbers of vacancies are desirable to provide choice and allow mobility in the housing market. For rental units, a 5 percent vacancy rate is considered to be a desirable “market equilibrium” rate.³ In 5 of the 13 economic development regions of the state, rental vacancy rates were below the market equilibrium in 2000. Ten of the 13 regions had lower rental vacancy rates in 2000 than in 1990.

Although the largest percentage point decrease in vacancy rates between 1990 and 2000 occurred in the metropolitan area, certain data available only for the Twin Cities region show a loosening of the rental market there in 2002. For metropolitan-area rental units, the median vacancy rate for the four quarters of

Figure 1.3: Percentage Change in Housing Units and Households, by Region, 1990-2000



SOURCES: U.S. Census Bureau, *2000 Summary File 1* and *1990 Summary Tape File 1*; <http://factfinder.census.gov/servlet/BasicFactsServlet>; accessed August 29, 2002.

³ Office of the Legislative Auditor, *Affordable Housing* (St. Paul, 2001), 15.

2002 was 5.2 percent, an increase over the median 2.4 percent rate in 2001.⁴ Although data are not available for post-2000 vacancy rates in other parts of the state, the extent to which the number of vacant units is increasing may affect initiatives to preserve housing.

Vacancy rates for units intended to be owner-occupied are typically much lower than for rental units. The U.S. Department of Housing and Urban Development suggests a minimum 1.5 percent vacancy rate to allow adequate consumer choice for homeowner units.⁵ In 8 of Minnesota's 13 regions, the vacancy rate in 2000 for homeowner units was lower than this guideline, as shown in Figure 1.4. Similar to the changes in rental vacancy rates, 10 of the state's 13 regions saw lower vacancy rates for homeowner units in 2000 than 1990.

In addition, in the central cities and first-ring suburbs, preserving housing is particularly important because building new housing is largely confined to occasional vacant lots or areas where existing structures have been moved or demolished. Much of the land in these cities is already fully developed, and the amount available for developing new housing is limited. For example, in 2000

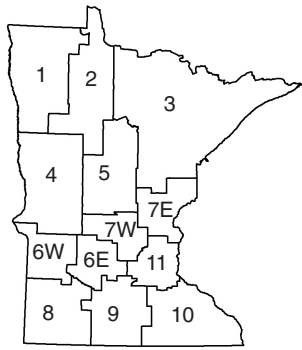
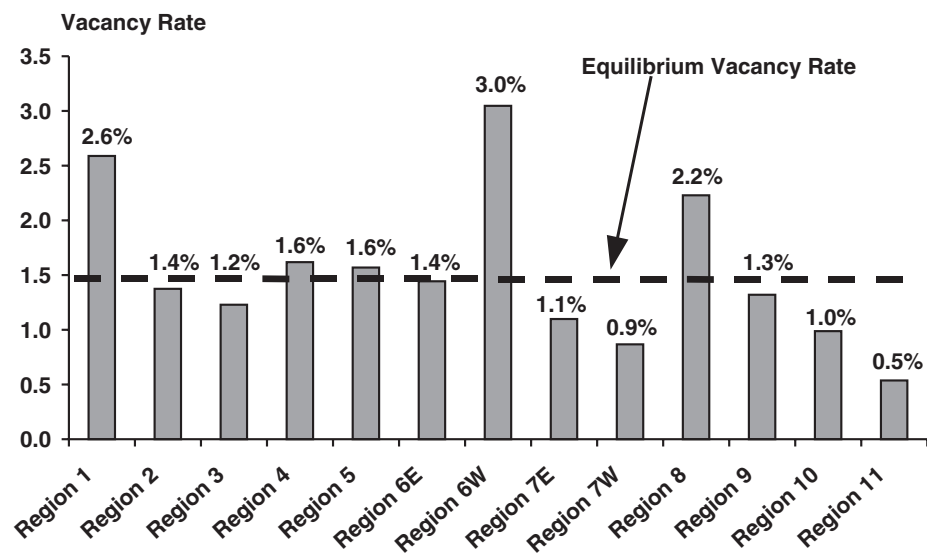


Figure 1.4: Vacancy Rates for Homeowner Units, by Region, 2000



SOURCE: U.S. Census Bureau, *2000 Summary File 1* ; <http://factfinder.census.gov/servlet/BasicFactsServlet>; accessed August 29, 2002.

⁴ GVA Marquette Advisors, *Apartment Trends, Fourth Quarter 2002* (Minneapolis: GVA Marquette Advisors, 2002). Data were unavailable to calculate average vacancy rates for rental units in the region.

⁵ Iowa State University, Department of Human Development and Family Studies, *Developing Community Housing Needs Assessments and Strategies* (Ames, IA: American Association of Housing Educators, 1992); www.extension.iastate.edu/Pages/housing/aahe/guidebook/step-4.html; accessed February 12, 2003.

the amount of undeveloped land in Minneapolis and St. Paul amounted to 2 and 6 percent, respectively, of each city's total acreage, according to the Metropolitan Council.⁶

Older Homes Require Reinvestments

Minnesota's housing stock is aging. As housing units age, they require more attention to keep them both safe and up-to-date with current housing preferences. With the passage of time, owners need to invest in their buildings to keep them in, or restore them to, good condition and to keep them marketable.

Age of Minnesota's Housing

As of the 2000 census, just over half of Minnesota's housing units were at least 30 years old, an age by which many major building systems need to have been replaced. Even homes built throughout the 1970s have reached this point. For instance, roofs and furnaces typically need replacement at about 20 years of age.

County-by-county differences in housing age are great. As of 2000, the 30-year old or older owner-occupied housing units as a proportion of all owner-occupied units ranged from 80 percent in Faribault and Mower counties to 19 percent in Sherburne County. Figure 1.5 displays how the proportion of these older units varies across the state. Similar extremes are evident for the proportions of older rental housing units. The Census data do not, however, reveal how many older properties have deficiencies.

Condition of Minnesota's Housing

Little information on housing conditions is available from Census data. Data for the Minneapolis-St. Paul Metropolitan Area show evidence of housing condition deficiencies.⁷ Table 1.1 shows that about 3 percent of owner-occupied units and 11 percent of renter-occupied units reported moderate or severe physical problems in 1998.⁸ Comparing specific deficiencies shows that larger proportions of residential units had problems in 1998 than in 1989. For most of the deficiencies listed, larger shares of rental units than owner-occupied units reported the deficiency. Further, other data show that rental units tended to have fewer problems when owners or managers lived on the properties. In 1998, nearly

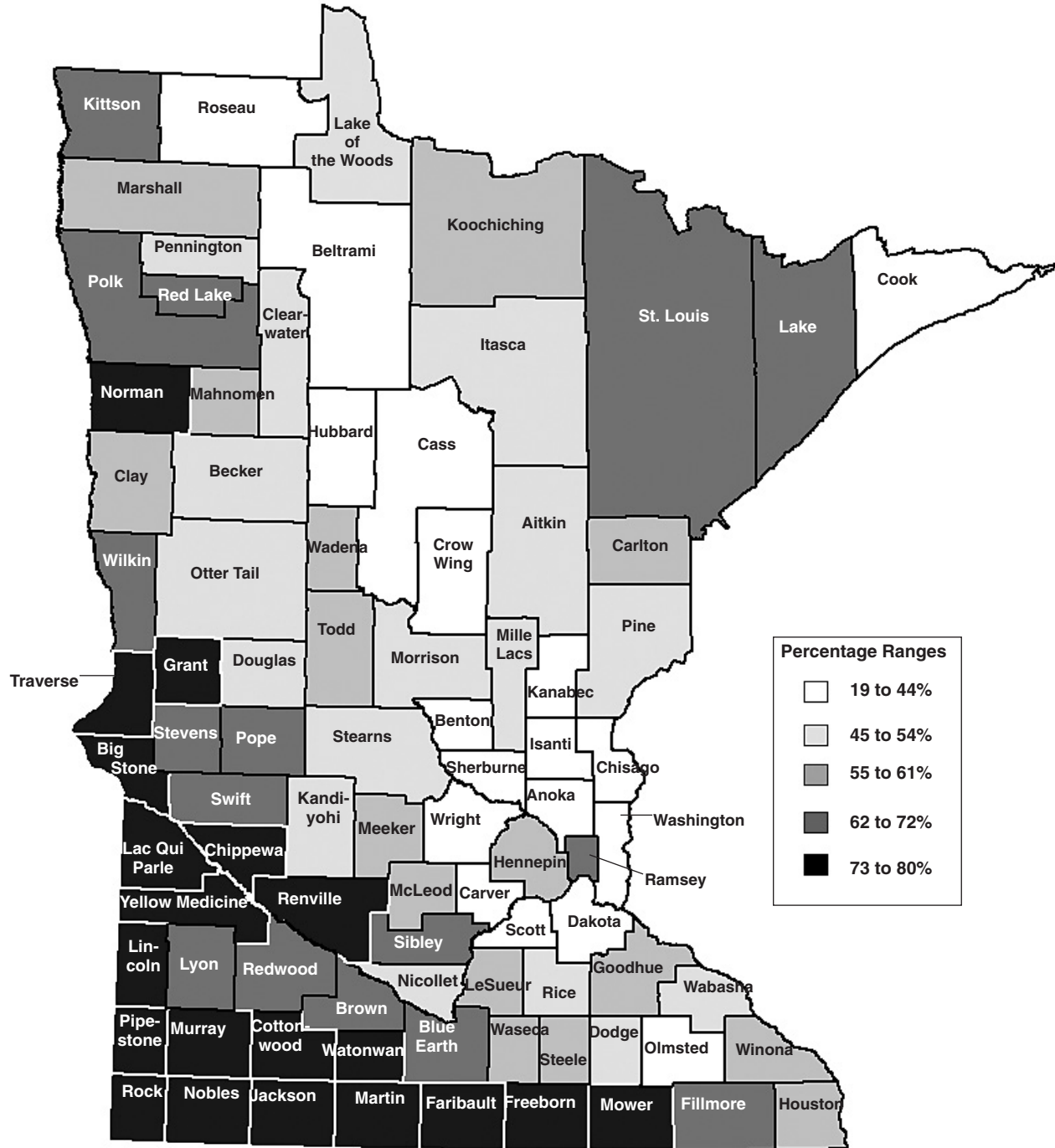
More than half of Minnesota's housing units were 30 years old or older as of 2000.

⁶ Metropolitan Council, *Land Use in the Twin Cities Region*; <http://gis.metc.state.mn.us/landuse2k/tables.asp?c=1&y=y90>; accessed January 24, 2003.

⁷ Data come from the 1989 and 1998 (the most recent available) American Housing Surveys, which included only the Minneapolis-St. Paul Metropolitan Area. In 1998, this area covered eleven counties (Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright) in and near the metropolitan region of Minnesota and two counties (Pierce and St. Croix) in western Wisconsin. The earlier 1989 study covered two fewer counties, Sherburne in Minnesota and Pierce in Wisconsin (in 2000 these two accounted for 3 percent of the housing units in the 13-county area). Similar data on housing conditions are not available for other regions of Minnesota.

⁸ The Census Bureau uses specific conditions to define "severe" and "moderate" housing problems. An example of a "severe" problem is: either (1) having no electricity or (2) having exposed wiring, a room with no working outlet, and three blown fuses or tripped circuit breakers in the last 90 days. An example of a "moderate" problem is: lacking a kitchen sink, refrigerator, or cooking equipment inside the structure.

Figure 1.5: Percentage of Owner-Occupied Housing at Least 30 Years Old, 2000



SOURCE: Office of the Legislative Auditor, analysis of U.S. Census Bureau, 2000 Summary File 3; http://factfinder.census.gov/servlet/DatasetMainPageServlet?_ds_name=DEC_2000_SF3_U_&_program=DEC&_lang=en; accessed December 19, 2002.

Table 1.1: Housing Units With Physical Condition Problems, Metropolitan Area, 1989 and 1998

| | Owner | | Renter | |
|--|-------|------|--------|------|
| | 1989 | 1998 | 1989 | 1998 |
| Moderate physical problem ^a | —% | 2.2% | —% | 8.3% |
| Severe physical problem ^a | — | 0.5 | — | 2.6 |
| Sagging roof ^b | 0.1 | 3.4 | 0.5 | 3.0 |
| Missing roofing material | 0.4 | 6.7 | 0.5 | 5.6 |
| Missing outside wall material | 0.9 | 4.6 | 2.1 | 5.7 |
| Sloping outside walls | 0.3 | 1.7 | 0.3 | 3.1 |
| Boarded up windows | 0.1 | 0.6 | 0.4 | 1.8 |
| Foundation crumbling or has open crack or hole | 1.2 | 4.6 | 2.5 | 7.4 |

NOTES: Condition data are only available for 13 counties in and near the Minneapolis-St. Paul metropolitan area, including 2 in Wisconsin.

^aAn example of a “moderate” problem is lacking a kitchen sink, refrigerator, or cooking equipment inside the structure. An example of a “severe” problem is having no electricity. Data are not comparable between 1989 and 1998 due to changes in question wording and data collection methods. The *N* for owner-occupied units was 812,400; the *N* for renter-occupied units was 299,500.

^bFor this and the following deficiencies, the *N* for owner-occupied units was 641,700 in 1989 and 808,300 in 1998; the *N* for renter-occupied units was 275,800 in 1989 and 298,700 in 1998.

SOURCES: U.S. Census Bureau, *Current Housing Reports, Series H170/89-9, American Housing Survey for the Minneapolis-St. Paul Metropolitan Area: 1989* (Washington, D.C.: U.S. Census Bureau, January 1992), Table 1-2; and U.S. Census Bureau, *Current Housing Reports, Series H170/98-9, American Housing Survey for the Minneapolis-St. Paul Metropolitan Area: 1998* (Washington, D.C.: U.S. Census Bureau, November 2000), Tables 1-2 and 2-1.

9 percent of rental units where an owner or manager lived on the property had moderate or severe problems, compared with 12 percent of rental units in which no owner or manager lived on the property.

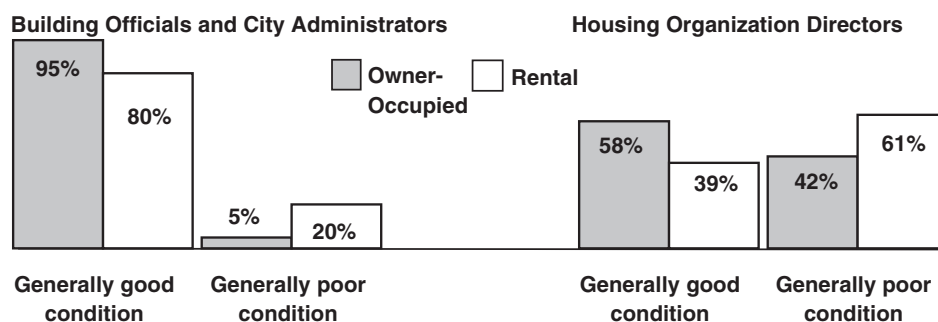
We asked local government officials and others for their observations about the condition of housing units in their communities. We surveyed two groups: one comprised building officials or city administrators from a large sample of cities and the second comprised directors of local housing organizations. The responses we received varied somewhat by group, but the patterns of their responses were similar.⁹ As Figure 1.6 shows, the majority of both groups believed that their community’s owner-occupied housing was in generally good condition, although a greater share of building officials or city administrators than directors of local housing organizations tended to be positive about property conditions. Higher proportions of both groups tended to believe that rental housing units were in worse condition than owner-occupied units.

We also asked the local housing organizations for their assessment of how general housing conditions changed over the last five years. For the most part, they were more positive about the improving conditions of owner-occupied housing than of

Local officials we surveyed tended to think that rental units were in worse condition than owner-occupied units.

⁹ In 28 out of 316 cases, building officials and local housing agency directors from the same city reported their opinions on housing conditions. We included both persons’ opinions here, even though they may have differed.

Figure 1.6: Officials' Opinions On Housing Conditions, by Owner-Occupied and Rental Housing, 2002



NOTES: "Generally good" includes officials characterizing housing conditions as generally good or as having some maintenance needs. "Generally poor" includes officials characterizing housing conditions as generally poor or as having many maintenance needs. The question read: "Based on your observations, how would you describe the general condition of existing housing units in the community(ies) within your jurisdiction?" We sent questionnaires to all cities with populations over 2,500, 32 percent of smaller cities, and all local housing organizations. The figure excludes those responding "don't know" or "not applicable." (N=237 building officials and city administrators for owner-occupied units and 225 for rental units. N=79 local housing organization directors for owner-occupied units and 76 for rental units.)

SOURCES: Office of the Legislative Auditor, Surveys of Building Officials, City Administrators, and Local Housing Organizations, October 2002.

rental units. About 56 percent of housing organization directors with an opinion on changes in conditions reported that owner-occupied units had improved "somewhat" or "greatly" over the past five years, while only 39 percent reported that for rental units. At the same time, the percentage of those who thought that the general condition of housing units in their jurisdiction had worsened somewhat did not differ by type of dwelling—16 percent thought the conditions for both owner-occupied and rental units had worsened "somewhat" over the past five years. Another 1 percent thought the conditions of rental units had worsened "greatly" over the time period.

Housing Diversity

Preservation activities can help maintain a diverse housing stock to suit people's varying preferences. Remodeling and renovations accommodate differences in housing tastes and prices as well as changes in housing needs that occur as families evolve.

Older homes may contain special characteristics—such as built-in buffets—that are attractive to some home buyers. Because of differing housing tastes, some homeowners prefer the details and qualities found more commonly in older homes than newer ones. The hardwood floors, coved ceilings, and arched doorways of older homes attract certain segments of the housing market.

At the same time, overall housing preferences have changed, with people generally preferring homes that are more spacious, have more rooms, and have more bathrooms than in the past. In the Midwest, the median square footage of

Preserving housing can help accommodate a variety of housing preferences.

new single-family homes was 36 percent greater in 2001 than in 1973.¹⁰ Similarly, the percentage of new houses built in the Midwest with 2-and-1/2 baths or more increased from 18 percent in 1973 to 56 percent in 2001, while new houses with at most 1-and-1/2 baths declined from 56 percent to 12 percent.¹¹

Preserving older homes can help maintain diverse housing to fit different budgets. The cost of building new housing can be prohibitive for some families. An existing house can be purchased at less expense than constructing a new one, although an existing home may require additional expenses sooner. Census data indicate that in 2001 the median sales price for existing single-family homes in the Midwest was \$130,200 compared to \$172,600 for new homes.¹²

Moreover, the changes that households experience (employment, marriage, children, retirement, major illnesses) bring changes in housing preferences. For many, housing changes involve starting in smaller, less expensive homes and eventually moving to larger, more valuable homes.¹³ Especially in metropolitan areas, unless communities have a diverse housing stock, households may move farther out to find their house of choice.

GOVERNMENT RESPONSES TO PRESERVE HOUSING

Much housing preservation occurs without public sector involvement. Before examining government activities to preserve housing, it is important to view them in the context of home improvements in general. Building owners overall invest significant amounts in their homes. In 1999, homeowners across the country spent more than \$135 billion on home improvements and routine maintenance and repairs.¹⁴ Further, an estimate of national home remodeling activity indicates that homeowners have continued to invest heavily in their homes each economic quarter since 2000, despite the sluggish economy of the recent past.¹⁵ Low interest rates for borrowing home-improvement dollars have helped fuel this activity. Data are not available on the amount that Minnesota homeowners spent on preserving housing.

¹⁰ U.S. Census Bureau, *The Survey of Construction*; <http://www.census.gov/const/C25Ann/sfttotalmedavgsqft.pdf>; accessed January 24, 2003.

¹¹ U.S. Census Bureau, *The Survey of Construction*; <http://www.census.gov/const/C25Ann/sfttotalbaths.pdf>; accessed January 24, 2003.

¹² U.S. Census Bureau, "Construction and Housing," *Statistical Abstract of the United States: 2002*; <http://www.census.gov/prod/www/statistical-abstract-02.html>; accessed March 10, 2003.

¹³ Thomas Bier, *Moving Up, Filtering Down: Metropolitan Housing Dynamics and Public Policy* (Washington, D.C.: The Brookings Institution, September 2001), 3.

¹⁴ Harvard University, Joint Center for Housing Studies, *Remodeling Homes for Changing Households* (Cambridge, MA: Harvard University, 2001), 13. The data are from surveys of residents or property owners; they do not include expenditures financed by investors who do not occupy properties.

¹⁵ Harvard University, Joint Center for Housing Studies, *2002 4th Quarter Remodeling Activity Indicator* (Cambridge, MA: Harvard University, 2003); www.jchs.harvard.edu/media/rai/rai_02_4.htm; accessed January 20, 2003.

Involvement in housing is optional for Minnesota cities.

Quality housing enhances neighborhood stability, economic vitality, and local tax bases.

Reasons for Local Government Involvement in Housing

Minnesota cities have a choice over whether to become involved in preserving housing, unlike many other municipal services. Minnesota statutes give cities authority for zoning and land use planning as well as for administering home rehabilitation loans and creating housing and redevelopment authorities.¹⁶ Public sector involvement in preserving housing has occurred for multiple reasons, including the following.

First, housing is an important component of a community. Quality housing is viewed as a means to neighborhood stability and cities' economic viability. Preserving housing is a matter of protecting many individual homeowner investments, but at the same time, preserving housing serves the public good. According to the authors of the Report of the Bipartisan Millennial Housing Commission, appointed by the U.S. Congress, housing is "inextricably linked to access to jobs and healthy communities. . . ."¹⁷ Around Minnesota, housing officials told us of areas where a home that underwent significant remodeling sparked other nearby home improvements.

Second, beyond their interest in preserving neighborhoods' vitality, local governments want to sustain their tax base. Housing typically accounts for a substantial share of that tax base. Statewide, the estimated market value of residential properties, including homesteads, apartments, and nonhomestead housing, represented more than 64 percent of taxable property values in 2000.¹⁸ The share that housing represents of a community's total tax base varies around the state, but for most cities it is significant.

Third, government involvement in preserving housing stock may be an important means of helping local governments achieve public policy goals for affordable housing units. Newer homes can be more expensive than older homes of a comparable size and location. For example, the median price of three older homes in Oakdale that were sold in 2002 was \$143,900, while the median price of four newer homes with similar characteristics was \$189,450.¹⁹ Because lower-income households often cannot afford new homes or apartments without mortgage or rent subsidies, they rely on older housing units.²⁰

¹⁶ *Minn. Stat.* (2002) §§462.351-462.364 provide the powers for municipal planning and lay out procedures for conducting it. *Minn. Stat.* (2002) §462C.01 authorizes cities to administer rehabilitation loans. *Minn. Stat.* (2002) §469.003 permits cities to establish housing and redevelopment authorities. Under *Minn. Stat.* (2002) §469.004, counties may create HRAs.

¹⁷ Millennial Housing Commission, *Meeting Our Nation's Housing Challenges* (Washington, D.C.: U.S. Government Printing Office, May 2002), 5.

¹⁸ Minnesota House of Representatives Research Department, *Property Taxes by Property Type and Levies by Type of Government* (St. Paul, 2001); www.house.leg.state.mn.us/hrd/issinfo/ptxtype.htm; accessed February 17, 2003.

¹⁹ We defined "older" as built in the 1960s or 1970s and "newer" as built after 1998. The homes had 1,600 to 1,800 square feet, three bedrooms, two baths, and two-car garages. Older homes were not always less expensive than newer homes in the cities for which we had data. Characteristics other than age, such as the exterior finish, lot size, and neighborhood, will affect the sale price of homes. Data on median sales prices were provided by REALTOR® Public Policy Partnership.

²⁰ Office of the Legislative Auditor, *Affordable Housing*, 20-21.

Directors of most housing organizations we surveyed believe that costs limit housing preservation.

Finally, local governments have stepped in to counteract factors, such as the expense of housing improvements, that may prevent building owners from preserving housing.²¹ We asked directors of local housing organizations for their opinions on how much certain factors limit the preservation of housing in their communities.²² Most of the factors that “somewhat” or “very much” limit the preservation of housing deal with expenses, according to large proportions of these directors. Table 1.2 lists the factors and indicates housing directors’ beliefs about how much each factor limits the preservation of housing stock.

More than 90 percent of housing organizations indicated that the costs of preserving housing at least “somewhat” limit preservation; a similar percentage said the same about building owners’ willingness to finance the work (or assume debt for it). About 87 percent said that regulations for abating lead-based paint hazards at least “somewhat” limit preservation.²³ About 85 percent of local housing organization directors said the availability of public subsidies to rehabilitate housing at least “somewhat” limits preservation.

In addition, 77 percent of housing organization directors said that owners’ lack of information on how to maintain or preserve housing at least “somewhat” limits housing preservation. Regarding multi-family units, about 72 percent of local housing organization directors said the sufficiency of budgets for ongoing maintenance and upgrades at least “somewhat” limits housing preservation. By contrast, substantial proportions of local housing organization directors thought some factors, such as regulations pertaining to historic preservation, did “not at all” limit housing preservation.

Government Responses

Government responses to the need for preserving housing come in two general forms. One comprises local initiatives, such as enforcing property maintenance codes, which are intended to sustain or improve the physical integrity of the housing stock. The second is direct public subsidies and tax incentives.

Local Initiatives to Preserve Housing

Local initiatives to preserve housing include property maintenance codes, rental inspection programs, time-of-sale programs, and information and education campaigns. Unlike many housing subsidies, which are aimed at people below a

²¹ For more information on preservation barriers see: David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing, Volume I: Findings and Analysis* (Washington, D. C.: U.S. Department of Housing and Urban Development, May 2001), 8-12; and William W. Duncan, “Rehabilitation: An Affordable Housing Strategy,” *The Journal of Urban Technology* 3, no. 3 (1996): 1-12.

²² The survey was limited to directors of local housing organizations. Homeowners, contractors, or lending institutions may have felt differently about what limits preservation, but we did not survey these groups.

²³ For federally-funded rehabilitation of pre-1978 properties, the U.S. Department of Housing and Urban Development requires lead-safe work practices, including lead inspections in certain situations. The costs and time of the specialized equipment and training required for lead-paint technicians and inspectors serve as a disincentive. Housing officials in some parts of the state said that the supply of workers certified in lead-paint safety is limited.

certain income level, local initiatives tend to apply to all homes in a community, or some subset of homes, and apply regardless of the occupants' incomes.

We surveyed building officials or city administrators in cities throughout Minnesota about local initiatives their cities have undertaken to help preserve their housing stock.²⁴ Of the 321 cities responding to the questionnaire with

Table 1.2: Opinions of Housing Organization Directors on Factors Limiting the Preservation of Housing, 2002

| | Factor Limits Housing Preservation: | | | |
|---|-------------------------------------|----------|-----------|------------------------------|
| | Not at All | Somewhat | Very Much | Not Applicable or Don't Know |
| Costs of preserving housing (N=80) | 3% | 48% | 45% | 5% |
| For multi-family units, sufficiency of budgets for ongoing maintenance and building-system upgrades (N=79) | 4 | 42 | 30 | 24 |
| Willingness of owners to finance the work or assume debt for it (N=81) | 5 | 54 | 36 | 5 |
| Regulations for abating lead-based paint (N=79) | 5 | 47 | 41 | 8 |
| Owners' lack of information on preserving housing (N=79) | 11 | 70 | 8 | 11 |
| Availability of public subsidies to rehab housing (N=80) | 11 | 44 | 41 | 4 |
| For multi-family units, availability of property-management expertise to maintain reserves and make capital improvements (N=79) | 15 | 39 | 18 | 28 |
| Environmental regulations associated with asbestos, radon, energy, or air quality (N=80) | 18 | 55 | 14 | 14 |
| For multi-family units, Davis-Bacon Act requirements (protecting construction worker wages) (N=79) | 19 | 23 | 20 | 38 |
| Costs associated with applying State Building Code to existing buildings (N=80) | 25 | 41 | 9 | 25 |
| Availability of contractors with rehab specializations (N=79) | 30 | 48 | 16 | 5 |
| Variation in enforcing the State Building Code (N=80) | 31 | 38 | 3 | 29 |
| Apprehension of tax consequences from increased property values due to building improvements (N=81) | 35 | 40 | 9 | 17 |
| Availability of experts knowledgeable about rehab financing (N=78) | 44 | 40 | 5 | 12 |
| Regulations associated with historic preservation (N=80) | 46 | 33 | 8 | 14 |

NOTES: The question read: "How much, if at all, does each of the following factors limit the preservation of existing housing in your community(ies)?" Rows may not total 100 due to rounding.

SOURCE: Office of the Legislative Auditor, Survey of Local Housing Organizations, October 2002.

Various factors related to expenses limit housing preservation, according to directors of housing organizations.

²⁴ We sent questionnaires to all 210 cities with populations over 2,500 and to 205 (about one-third) of smaller cities. Of the 335 cities responding to the questionnaire, 100 had not adopted the State Building Code. Local code and housing inspection programs were far less prevalent in cities that had not adopted the State Building Code than elsewhere.

Local property maintenance codes and housing inspection programs are more prevalent in larger cities than elsewhere.

sufficient information, 29 percent indicated that they have a local program of some kind, such as a property maintenance code, a rental registration or licensing program, or a time-of-sale program.²⁵ Half of the cities in the seven-county metropolitan area had a local program of some kind in 2001, while 21 percent of cities in outstate Minnesota had local programs. Cities with populations over 2,500 were more likely to have a local program of some kind than were smaller cities (49 and 9 percent respectively). Ninety-six percent of cities with populations over 25,000 had some kind of local program. Below, we discuss three types of local programs in more detail.

Property Maintenance Codes

Property maintenance codes set minimum standards for maintaining buildings and structures.²⁶ They also include administration and enforcement provisions. According to the codes we reviewed, a common reason to adopt property maintenance codes is to protect the health and safety of building occupants. For example, the *International Property Maintenance Code*, one of the model codes that cities can adopt, says its intent is “to ensure public health, safety and welfare insofar as they are affected by the continued occupancy and maintenance of structures and premises.”²⁷ Other purposes outlined in some locally developed codes include preventing blight and maintaining the value of land and structures.²⁸

Property maintenance codes can set standards for a wide range of property-related items, from weed control to occupancy to the condition of exterior surfaces. We asked cities with property maintenance codes whether their codes covered ten items related to the maintenance of housing units, as opposed to solely addressing nuisance violations, such as tall grass. Table 1.3 shows the percentage of surveyed cities with property maintenance codes that indicated their codes cover the ten items we asked about. Over half of the cities’ codes covered all ten items.

Most (87 percent) of the cities with property maintenance codes indicated that they inspected less than 10 percent of their housing stock in 2001.²⁹ This figure, coupled with the comments of some of the inspectors we interviewed, suggests that property maintenance codes are typically enforced in response to complaints only. Three cities, however, indicated that they inspected 100 percent of their housing in 2001. These inspections typically consisted of “windshield surveys” and did not include interior inspections.³⁰

25 Fourteen cities that responded to our questionnaire either did not know if they had local programs or did not provide sufficient information.

26 We define “property maintenance codes” to include (1) housing maintenance codes, which apply solely to housing, and (2) property maintenance codes, which apply to all structures, including housing. We excluded from the analysis the eight cities that applied their property maintenance codes *only* to rental housing. The results may, however, include cities that in fact apply their codes exclusively to rental units without having indicated so on the questionnaire.

27 International Code Council, *2000 International Property Maintenance Code* (Falls Church, VA: International Code Council, November 1999), sec. 101.3.

28 See for example, City of Melrose, Ordinance 2000-B, sec. 405.03 and Cottage Grove City Code, sec. 9-7-2; <http://66.113.195.234/MN/Cottage%20Grove/1100700000002000.htm>; accessed December 4, 2002.

29 Eleven of the 65 cities did not answer this question and were excluded from analysis.

30 “Windshield surveys” involve an inspector driving by the city’s housing and noting local code violations such as peeling paint, missing roof tiles, and deteriorating front stairways.

Table 1.3: Items Covered in Cities' Property Maintenance Codes, 2001

Most cities with property maintenance codes set standards for exterior property conditions.

| | Percentage of Codes |
|---|---------------------|
| Roofs | 88% |
| Exterior surfaces (e.g., wood, paint, masonry) | 86 |
| Maintenance and capacity of structural members | 86 |
| Heating or ventilation systems | 83 |
| Water-tightness of structure | 82 |
| Foundation walls | 82 |
| Electrical system | 78 |
| Plumbing | 78 |
| Interior surfaces (e.g., peeling paint, loose plaster, holes) | 75 |
| Adequacy of drainage | 60 |

NOTES: The question read: "Which of the following issues are covered by the codes...? (Please check all that apply.)" We sent questionnaires to all cities with populations over 2,500 and 32 percent of smaller cities. Table excludes those that had no maintenance code, responded "don't know," or applied property maintenance codes only to rental units. (N=65)

SOURCE: Office of the Legislative Auditor, Survey of Building Officials or City Administrators, October 2002.

Rental Inspection Programs

Rental inspection programs require owners of rental properties to register or license their properties with the city and usually require periodic inspections of the properties in order for the owners to continue renting them.³¹ Rental inspection programs vary among cities by the type of rental housing covered and whether and how frequently inspections are required. As Table 1.4 shows, over three-quarters of the 59 surveyed cities with rental inspection programs applied their programs to all rental housing, while 22 percent focused their programs on multi-family rental housing.³² Cities in outstate Minnesota were more likely to cover all rental housing with their rental inspection programs than were metropolitan-area cities.³³

Cities that require registration or licensing of rental properties tend to require mandatory, periodic inspections.

Most cities with rental inspection programs required mandatory inspections of the rental properties. For example, Morris, in Stevens County, inspects each of its rental units once every four years, and Bemidji, in Beltrami County, inspects once every three years. Some cities made exceptions to inspection requirements for certain types of rentals. As an example, owners of one- and two-unit rental dwellings in St. Paul must register them, but the city inspects them only in response to complaints.

³¹ The analysis includes only those cities indicating they required registration (or licensing) and conducted inspections of rental properties.

³² Cities define "multi-family" differently. For instance, in Blaine and Mounds View, multi-family housing has two or more units, while in St. Louis Park it has three or more units.

³³ Some cities with rental inspection programs applying only to multi-family rental housing indicated that they inspect other rental units in response to complaints.

Table 1.4: Rental Housing Covered by Local Rental Inspection Programs, 2001

| | Percentage of Programs That Cover: | |
|---|------------------------------------|-------------------------------------|
| | All Rental Properties | Multi-Family Rental Properties Only |
| Seven-county metropolitan area cities (N=32) | 66% | 34% |
| Outstate cities (N=27) | 93 | 7 |
| All surveyed cities with rental programs (N=59) | 78 | 22 |

NOTES: We sent questionnaires to all cities with populations over 2,500 and 32 percent of smaller cities. Table includes only those indicating they required registration (or licensing) and conducted inspections of rental properties.

SOURCE: Office of the Legislative Auditor, Survey of Building Officials or City Administrators, October 2002.

Time-of-Sale Programs

Time-of-sale programs require inspections of properties prior to listing them for sale or transferring ownership. We focused on programs that required correction of at least some of the deficiencies identified during inspections.³⁴ All nine of the surveyed cities indicating they had time-of-sale programs had populations over 2,500. Faribault was the only surveyed city in outstate Minnesota with a time-of-sale program; it required inspections of mobile homes only and corrections of violations before selling the home.

Cities requiring correction of only certain violations focused on hazardous items such as absent or inoperable smoke detectors and improperly grounded electrical systems. Typically, the seller is responsible for making the required repairs. However, in some cities the buyer can elect to accept the home “as is” and agree to make the repairs. In the latter case, the city may require that the buyer obtain written permission from the city and agree to a date by which corrections will be made. Some cities require owners to correct violations even if they take their home off the market.

Prevalence of Local Codes and Inspection Programs

Table 1.5 shows the prevalence of local codes and inspection programs by type of program. Property maintenance codes and rental inspection programs were equally common in the cities we surveyed; about 20 percent of the cities had adopted each of these programs. Far fewer cities had time-of-sale programs. Each of the three programs was more common in cities with populations over 2,500 and cities in the seven-county metropolitan area than it was in smaller cities and cities in outstate Minnesota. Darwin, a city in Meeker County with a property maintenance code, was the smallest city (population 276) to have one of these three types of local programs. Minneapolis, which had all three programs, was the largest, with a population of over 382,000.

³⁴ One city’s program did not meet our definition of a time-of-sale program because it was a “disclosure program” requiring only that the results of the inspections be available to potential buyers. Another city was excluded from the analysis because it did not indicate whether it required correcting identified problems.

In several cities, homeowners may not sell their properties without first having them inspected and correcting deficiencies.

Table 1.5: Prevalence of Local Codes and Inspection Programs to Preserve Housing, 2001

| | Percentage of Cities: | | |
|---------------------------------------|----------------------------|----------------------------|-----------------------|
| | Property Maintenance Codes | Rental Inspection Programs | Time-of-Sale Programs |
| Surveyed cities | 20% (N=325) | 19% (N=317) | 3% (N=324) |
| Seven-county metropolitan area cities | 40% (N=93) | 37% (N=86) | 9% (N=92) |
| Outstate cities | 12% (N=232) | 12% (N=231) | <1% (N=232) |
| Cities over 2,500 | 36% (N=162) | 34% (N=157) | 6% (N=162) |
| Cities under 2,500 | 4% (N=163) | 4% (N=160) | 0% (N=162) |

NOTES: We sent questionnaires to all cities with populations over 2,500 and 32 percent of smaller cities. Table excludes cities that did not answer or answered "don't know" or "not applicable."

SOURCE: Office of the Legislative Auditor, Survey of Building Officials or City Administrators, October 2002.

As a measure of need for local programs, we asked cities that had rental inspection programs and time-of-sale programs what percentage of inspections resulted in correction orders or identified problems.³⁵ Sixty-five percent of the cities that had rental inspection programs and answered the question indicated that inspectors issued correction orders for half or more of the units they inspected in 2001. The eight cities that provided information about their time-of-sale programs indicated that inspectors identified problems or code violations in 45 to 96 percent of the units they inspected.

Housing Information

A final local initiative to preserve housing is information and education campaigns. As Table 1.2 showed earlier in this chapter, more than 75 percent of directors of housing organizations said that owners' lack of information on how to maintain or preserve housing "somewhat" or "very much" limited housing preservation. Homeowners' inexperience with their homes' mechanical, electrical, and plumbing systems, and unfamiliarity with contractors and the home improvement process, may contribute to neglect. In addition, homeowners may be reluctant to accept without question the advice of contractors or sales people and, lacking impartial advice, defer preservation work.

Homeowners may defer preserving their properties due to lack of information.

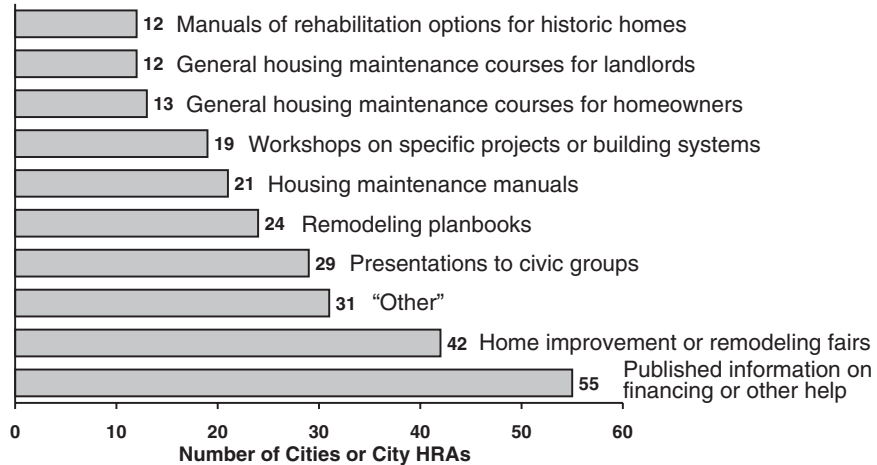
³⁵ We focused on these two programs because they typically include inspections that are triggered by circumstances other than complaints, giving a better indication of a city's overall need for a program than would data on property maintenance code inspections.

We asked building officials or city administrators and directors of housing organizations whether their jurisdictions offered or financially supported various means of providing housing preservation information to building owners. Looking first only at respondents representing cities or HRAs affiliated with cities, we found that 87 of those responding to the question (27 percent) indicated offering or supporting at least one type of housing maintenance information.³⁶

Figure 1.7 shows the types of housing information offered or supported by cities or city HRAs. Of the 322 cities and city HRAs responding, 55 (17 percent) provided published information on sources of financing or other home improvement assistance, and 42 (13 percent) offered or sponsored home improvement or remodeling fairs. Examples of “other” information sources supported or offered by cities included home remodeling advisors and city building officials, either of whom may be able to answer building owners’ remodeling or maintenance questions.

Home remodeling fairs are one of the common ways to support housing preservation.

Figure 1.7: Housing Information Offered or Supported by Cities or City HRAs, 2001



NOTES: The question read: "Please indicate whether [you] offered or financially supported housing maintenance and preservation information through any of the following means in 2001." We sent questionnaires to all cities with populations over 2,500, 32 percent of smaller cities, and all local housing organizations. Of 322 respondents, the figure includes the 87 that responded affirmatively to the question.

SOURCES: Office of the Legislative Auditor, Surveys of Building Officials, City Administrators, and Local Housing Organizations, October, 2002.

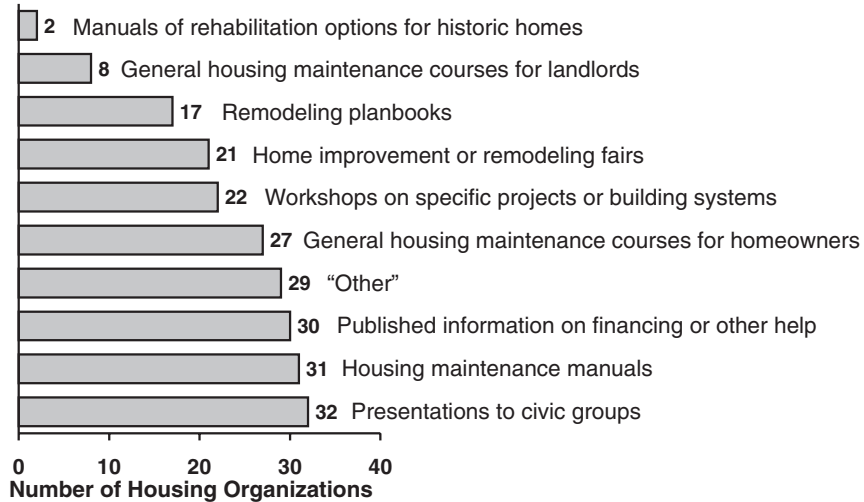
City residents may have access to housing information through sources other than cities or city HRAs. In addition to city offices, county housing and redevelopment authorities, nonprofit housing organizations, and community action agencies may offer or support housing preservation or maintenance information. For example, Sencac, a community action agency in southeast Minnesota, organizes “Home Stretch” classes in six counties in its region.³⁷

Figure 1.8 shows the types of housing preservation information provided or

³⁶ Respondents include those indicating “none of the above” or “don’t know.”

³⁷ Home Stretch courses focus on home purchase financing and processes, but they include a short section on home maintenance.

Figure 1.8: Housing Information Offered or Supported by Noncity Housing Organizations, 2001



NOTE: The question read: "Please indicate whether [you] offered or financially supported housing maintenance and preservation information through any of the following means in 2001." Of 40 respondents, the figure includes the 38 that responded affirmatively to the question.

SOURCE: Office of the Legislative Auditor, Survey of Local Housing Organizations, October 2002.

supported by these various organizations. Presentations to civic groups and housing maintenance manuals were most common.

Housing organization directors gave different opinions on which of their information efforts they thought most effective. For example, several of the cities and city HRAs regarded their home improvement or remodeling fairs as their most effective effort. Several county agencies, community action agencies, and nonprofit organizations thought the classes they offered or sponsored, including the Home Stretch class for first-time homebuyers, were most effective.

Direct Public Subsidies and Tax Incentives

Besides local governments, various entities are involved in preserving housing.

In addition to the local initiatives, a second government response to the need for preserving housing has been in the form of financial assistance. A variety of public and nonprofit agencies around Minnesota administers loans, grants, and other public subsidies to support home improvements and rehabilitation. In parts of the state, city or county governments are involved, some through housing and redevelopment authorities (HRAs) or economic development authorities and others through city staff in departments of planning, zoning, or community development. Elsewhere, city and county governments play less of a dominant role while nonprofit housing groups, regional development commissions, community action agencies, and private consultants oversee housing preservation programs.³⁸ In addition, private financial institutions may be involved in administering certain loan programs funded by the state or federal governments.

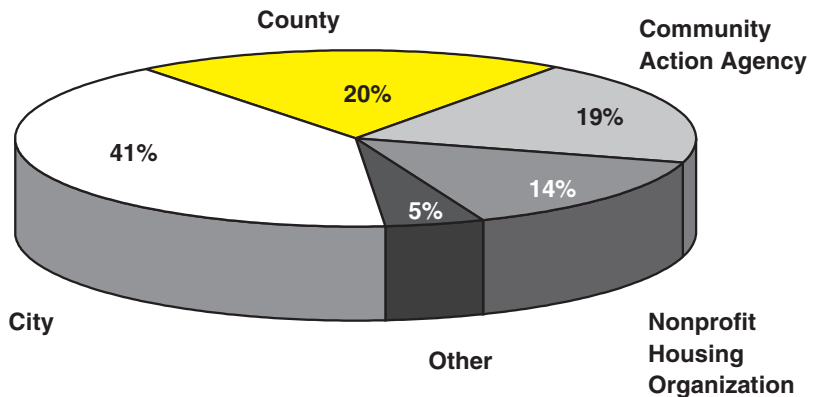
³⁸ Minnesota's community action agencies are public or nonprofit agencies established to plan and administer antipoverty programs (*Minn. Stat.* (2002) §119A.375).

Less than half of the housing organizations we surveyed work on preserving housing.

We identified about 210 Minnesota entities—public, nonprofit, and a handful of private consultants—active in housing, but not all are involved in *preserving* housing. Of the 176 that responded to our survey, 47 percent indicated they offer financial help, housing information, or other assistance for improving existing housing. Many of the others are instead involved with activities such as managing public housing or developing new housing units.

Most of the 83 entities involved with preserving housing are associated with cities or counties, as Figure 1.9 shows; these include HRAs and planning or community development departments. About 19 percent of agencies that preserve housing are community action agencies, another 14 percent are nonprofit housing agencies, and 5 percent are other housing corporations. Typically, the nonprofit housing agencies have jurisdictions covering multiple counties. County housing agencies, community action agencies, and housing nonprofits are more prevalent in outstate Minnesota than in the seven-county metropolitan area, although all are found throughout the state.

Figure 1.9: Types of Local Housing Agencies That Preserve Housing, 2001



NOTE: "City" and "county" include HRAs, economic development authorities, and departments of planning, zoning, and community development. (N=83)

SOURCE: Office of Legislative Auditor, Survey of Local Housing Organizations, October 2002.

It is not uncommon for multiple agencies to offer assistance of different kinds to preserve housing in a given community. A community action agency, for instance, may provide weatherization assistance, a county office or local bank may administer rehabilitation loans, and a nonprofit housing organization may offer housing information—all for residents within a single city.

Common forms of financial assistance include (1) financial grants and (2) either installment loans or deferred loans (which do not need to be repaid if the recipient meets certain conditions). Financial assistance is frequently used as an incentive for property owners to make additional investments in their housing units. Some

cities offer rebates to encourage remodeling. When investors buy low-income housing tax credits, of which states receive annual allocations, they provide capital to fund improvements to multi-family units occupied by low-income households; in exchange they receive tax advantages.³⁹ The federal historic rehabilitation tax credit gives owners of income-producing properties (including rental buildings) with historic characteristics a reduction in income taxes owed when they meet certain criteria and standards while rehabilitating eligible buildings. Until January 2003 when the “This Old House” statute expired, Minnesota had offered homeowners the chance to exclude from taxation certain property improvements made to older homes.⁴⁰

State and Federal Sources of Financial Assistance

Much of the financial assistance to preserve housing comes from the federal and state governments. The money is funneled to local housing organizations, which become responsible for administering it. Unlike the local code, inspection, and information initiatives described earlier, these financing programs tend to be targeted to low- and moderate-income families or organizations serving these families. Some financial programs, though, focus on other specific needs, such as those of growing families or flood victims. Table 1.6 lists a number of the federal and state programs that local housing organizations in Minnesota frequently rely on to preserve housing.

Financial assistance often leverages additional investments in residential properties.

According to our survey of local housing organizations, on average, state and federal dollars represented 73 percent of revenues the organizations used to preserve housing in 2001; this was nearly identical to the proportion reported for 2000. Despite this average, many housing organizations relied entirely on federal and state dollars to preserve housing. While local agencies administer these dollars, they must do so within the federal and state requirements and constraints attached to the dollars. For instance, the Community Fix-up Fund loans made available through the Minnesota Housing Finance Agency (MHFA) may be used only by households earning less than 115 percent of the Minneapolis-St. Paul median area family income (\$88,000), where the business use of the home is less than 50 percent, and for projects where the maximum loan-to-value ratio is 110 percent of the finished value. Further, many programs limit the types of work on which the money may be spent, such as items to correct life or safety hazards. During the course of this study, some local housing organizations told us that requirements like these limit their ability to use the programs in ways that address local priorities.

Local Sources of Financial Assistance

Just over 40 percent of local housing organizations used locally raised revenues to either supplement state and federal housing programs or pay for their own programs in 2001. For instance, some cities have used local revenues to lower interest rates on home-improvement loans. Some have provided incentive money

³⁹ Low-income housing tax credits are also available for constructing new rental housing; research suggests that about two-thirds of the projects using tax credits involve new construction and one-third rehabilitation of existing units. See: Listokin and Listokin, *Barriers to the Rehabilitation of Affordable Housing*, 170.

⁴⁰ In 2003, legislators had introduced bills to extend the “This Old House” valuation exclusion, but the Legislature had not taken action on the bills as of early April.

Table 1.6: Federal and State Assistance for Local Housing Preservation

| Agency | Program | Type of Assistance | Expenditures ^a |
|--|---|---|--|
| U.S. Department of Housing and Urban Development | Community Development Block Grants (CDBG) | Funds to “entitlement” cities and counties | \$45.8 million allocated in FFY2002 ^b |
| | HOME Block Grant | Funds to “entitlement” cities and counties | \$12.6 million allocated in FFY2002 ^c |
| U.S. Department of Agriculture | Housing Preservation Grants | Grants and loans for necessary repairs and rehabilitation of multi-family units | \$55,209 in FFY2002 ^d |
| U.S. Department of Interior | Historic Rehabilitation Tax Credit | 20 percent tax credit for certified historic, income-producing structures | \$650,000 in 2001 ^e |
| Department of Trade and Economic Development | Small Cities Development Program | Grants to small cities and counties for rehabilitating housing | \$12.2 million in FY2002 ^f |
| Minnesota Housing Finance Agency | Rehabilitation Loan Program | 0-percent interest loans to improve livability, accessibility, or energy efficiency of homes | \$3.5 million in FFY2002 |
| | Community Fix-Up Fund | Loans targeted to a community’s designated home fix-up needs | \$12.0 million in FFY2002 |
| | Fix-Up Fund | Below-market rate loans to repair or remodel homes | \$22.3 million in FFY2002 |
| | Rental Rehabilitation | 6-percent interest loans to improve basic livability and energy efficiency of smaller rental properties | \$1.5 million in FFY2002 |
| | HOME Rental Rehabilitation | 0-percent interest, forgivable loans for rehabilitating rental properties; borrowers must match at least 25 percent of the loan | \$2.4 million in FFY2002 |
| | Minnesota Urban & Rural Homesteading | Grants to eligible organizations to acquire, rehabilitate, and sell housing units | \$1.1 million in FFY2002 |
| | Community Revitalization | Below-market interest rate loans or grants to eligible organizations for maintaining the supply of single-family housing | \$8.4 million in FFY2002 ^c |
| | Low-Income Housing Tax Credit | Tax credits for investing in rehabilitating low-income multi-family rental housing | \$7.6 million in FY2002 ^c |
| Department of Commerce | Conservation Improvement Program | Grants for homeowner weatherization and similar energy conservation measures funded through utility company set-asides | \$3.2 million in 2000 |
| | Weatherization Assistance | Energy conservation techniques to correct health and safety hazards and potentially life-threatening conditions | \$6.7 million in FY2001 |
| | Energy Related Repairs | Grants to eligible organizations for emergency repairs to single-family home heating systems | \$5.0 million in FFY2002 |

NOTES: Each program has its own eligibility requirements, such as income restrictions for the homeowners or tenants.

^aUnlike grants, loans have to be paid back (unless the loans are forgiven after certain conditions have been met). Thus, the size of the subsidy provided through loans is often smaller than through grants. FFY refers to “federal fiscal year.”

^bMay be used for economic development and other programs in addition to housing construction and rehabilitation.

^cMay be used for housing construction or rehabilitation.

^dUSDA Rural Housing directly administered \$974,540 in FFY 2002 through other programs.

^eThe amount of credits and number of projects vary considerably each year. Additional credits went to structures without residential units.

^fThe program awarded additional grants for other projects not involving housing; it is funded with the state’s CDBG allocation.

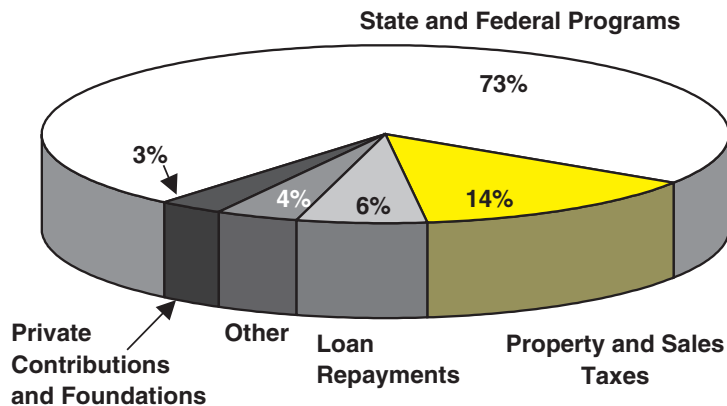
SOURCE: Office of Legislative Auditor analysis of information from the U.S. Department of Agriculture and Department of Housing and Urban Development, the Minnesota Department of Commerce and Department of Trade and Economic Development, the Minnesota Housing Finance Agency, and the Minnesota Historical Society.

to leverage home improvements by people who do not qualify for assistance targeted to low- or moderate-income families. In a few cases, cities have designated “housing improvement areas” to assist in preserving condominiums.⁴¹ Condominium owners in the improvement areas pay fees that repay city loans made to the condominium association for maintaining and preserving the housing units’ capital systems and common areas.

The sources of the local revenues include: property taxes levied by HRAs, revolving funds established with repayments of earlier loans, local sales tax revenues dedicated to housing services, or tax-increment financing (TIF) for housing projects in designated housing districts. Local property and sales taxes and TIF revenues made up an average 14 percent of total revenues for preserving housing in 2001, as shown in Figure 1.10. Loan repayments accounted for an average 6 percent. Foundations and private contributions averaged 3 percent of total revenues in 2001, while miscellaneous sources (charges for services, investment income, etc.) accounted for an average 4 percent. Slightly more than one-quarter of the 69 housing agencies that reported revenue sources, however, relied entirely on federal and state funds for preserving housing; they reported having no funds from foundations, local sources, loan repayments, or other sources.

Most local housing organizations rely heavily on state and federal dollars to provide financial assistance for preservation.

Figure 1.10: Average Revenue Sources of Local Housing Organizations That Preserve Housing, 2001



NOTE: The question read: "Using your revenues from 2000 and 2001, please estimate the amounts your agency received for programs, personnel, and administration to improve or rehabilitate housing, by source of revenue." Figure includes local housing organizations that preserve housing and reported sources of revenue. (N=69)

SOURCE: Office of Legislative Auditor, Survey of Local Housing Organizations, October 2002.

⁴¹ The 1996 Legislature gave authority to cities to designate housing improvement areas. See: *Minn. Stat.* (2002) §§428A.11-428A.15. Cities that designate housing improvement areas may do so only with at least 25 percent of the housing owners’ approval. In our survey, only three metropolitan communities—Hopkins, New Hope, and St. Louis Park—reported having designated housing improvement areas.

Levels of Assistance

Local housing organizations around Minnesota administer financial assistance for thousands of housing units annually. Our survey of local housing organizations involved with preserving housing indicated that more than 6,000 housing units received financial assistance in 2001.⁴² Most of the units (84 percent) were single-family homes occupied by their owners. About 12 percent of the housing units receiving assistance in 2001 were rental units, and 4 percent were owner-occupied, multi-family dwellings. Regardless of the type of unit, 92 percent of them received assistance in amounts less than \$25,000 per unit.

Most financial assistance comes in the form of loans, grants, or tax credits. The local housing organizations we surveyed indicated that in 2001 they approved and funded more than 3,500 applications for loans and 2,100 applications for grants, in addition to funding 3 applications for tax credits. Many more applications were approved but not funded, as described below.

Demand for Financial Assistance

Despite the public assistance provided to preserve housing, local housing officials have indicated that the demand for assistance to improve housing is greater than the resources available.⁴³ Although current data were unavailable to quantify the size of the gap between preservation needs and resources, we asked representatives of local housing organizations about eligible applicants who did not receive assistance in 2001 due to the lack of funding. They reported that funding was unavailable for about 2,700 eligible applications, which is nearly half again as many as the total number of grant and loan applications funded in 2001. Organizations in outstate Minnesota were more likely than those in the metropolitan area to report having eligible applications that went unfunded.

It is important to acknowledge that the estimate of unfunded applications may be conservative. In speaking with many local housing organizations in both metropolitan and rural areas, we learned that they do not extensively market their programs because they do not want to raise people's expectations for subsidies when dollars are limited. One HRA in outstate Minnesota told us that it has for each of the last ten years maintained a list of about 200 eligible applicants waiting for assistance from MHFA's Deferred Loan program; some applicants have waited six or seven years for funds to become available.

We asked directors of local housing organizations for their opinions on how certain factors might affect future demand for services to preserve housing. The majority of respondents indicated that they expect housing age, housing physical condition, and number of households to raise demand for their preservation

Local housing officials indicated that demand for financial assistance exceeded resources.

⁴² The estimate does not represent all housing units that received financial assistance because not all local housing organizations involved with preserving housing reported.

⁴³ A 1996 study by the North Metro Mayors Association concluded that 24 percent of the housing units in the metropolitan area, mostly located in the central cities, needed major rehabilitation or demolition, requiring \$774 million from public and philanthropic sources and \$1.9 billion from property owners. Based on average rehabilitation expenditures at the time, the report estimated a need for an additional \$35 million in public rehabilitation spending annually.

services. On the other hand, fewer expected new housing starts to increase demand. Table 1.7 displays the housing organizations' responses for each factor.

Table 1.7: Opinions of Housing Organization Directors on Factors Affecting Future Demand for Housing Preservation Services, 2002

| | Factor May Cause Future Demand to: | | | |
|-----------------------------------|------------------------------------|---------------|----------|------------|
| | Increase | Stay the Same | Decrease | Don't Know |
| Housing age (N=77) | 91% | 6% | 0% | 3% |
| Housing physical condition (N=76) | 78 | 12 | 8 | 3 |
| Number of households (N=76) | 57 | 38 | 3 | 3 |
| Household incomes (N=75) | 48 | 40 | 4 | 8 |
| Size of households (N=77) | 32 | 49 | 6 | 12 |
| Vibrance of housing market (N=76) | 33 | 43 | 4 | 20 |
| New housing starts (N=76) | 28 | 47 | 9 | 16 |

NOTES: The question read: "Based on your experience, how do you expect the following factors to affect future demand for the services your agency provides for preserving existing housing?" Rows may not total 100 due to rounding.

SOURCE: Office of the Legislative Auditor, Survey of Local Housing Organizations, October 2002.

Best Practices in Preserving Housing

SUMMARY

Cities that have not already identified their housing needs but have housing concerns should think strategically and long term about housing and community factors that affect it. Once they identify needs, cities should set housing goals and objectives and carefully weigh their options to select housing strategies that address their priorities. Some strategies, such as administering local housing-related codes, are regulatory in nature. Both local housing codes and the State Building Code should be administered in ways that encourage voluntary compliance and consistent enforcement. Other strategies support or encourage housing preservation activities. Financial assistance for home improvements is one, and acquiring, rehabilitating, and selling substandard properties is another. These supportive strategies require sufficient capacity to administer complex programs and require controls to manage project risks. Another supportive strategy is providing access to information on housing preservation, which requires working collaboratively with other housing organizations and communicating the information in a variety of ways. With all housing strategies, cities need to evaluate them over time to determine how well the strategies are meeting the cities' housing objectives.

Preserving housing is a discretionary activity for local governments; local officials must decide to become involved.

This chapter describes best practices for local governments involved in preserving housing. It begins by listing goals for housing preservation, followed by a description of strategies and best practices to help reach those goals. In addition, the chapter offers examples of local agencies that demonstrate the best practices.

Information in the chapter applies to cities and counties where housing concerns have arisen or are likely to in the future. For local governments working to preserve housing, the information in this chapter provides guidance for their involvement. It is not pertinent for jurisdictions that have decided against becoming active in housing issues. Local governments have many legitimate reasons for preserving homes (as described in Chapter 1), but this report does not assume that all cities in the state must be involved in these activities. This is a local decision for elected officials to make.

The chapter answers the following research questions:

- What are the main goals of programs to preserve housing?

- **What strategies are needed to meet the goals?**
- **What are the best practices to implement the strategies, and what is needed for other localities to duplicate them?**

The goals, strategies, and best practices are based on a literature review and interviews with numerous local housing organizations and local government agencies. We validated them with a technical advisory panel of 18 people from around Minnesota who are involved with housing programs or local codes and housing inspections.

Many communities in Minnesota are following best practices for preserving housing.

Examples of the best practices are evident in many communities, large and small, around the state. This chapter presents examples from just a small number of communities although many other Minnesota communities are taking steps to preserve housing and could have been included. Information describing the examples come from face-to-face and telephone interviews with representatives of the organizations involved.

Statistics reported in this chapter are based on two surveys we conducted in the fall of 2002. One involved sending questionnaires to directors of local housing organizations in both the public and nonprofit sectors and the other queried building officials or city administrators from a large sample of Minnesota cities, some of which had adopted the State Building Code and others which had not. The appendix describes the methodology of the surveys and other research.

GOALS

Although communities will want to consider their own housing goals, we identified four main goals of programs to preserve housing:

1. Maintain the physical condition of housing at levels that assure structural stability and support health and safety, allowing people to stay in their homes without facing undue building-safety concerns.
2. Enhance neighborhoods by improving housing units' appearance and marketability and occupants' quality of life. The focus of this goal is on individual housing units and the contributions they make to neighborhood livability and image. It does not include the broader goals encompassed by "neighborhood revitalization," which may require coordinating the efforts of multiple agencies such as community development, public safety, and social services.
3. Sustain the long-term availability of housing stock. This includes housing of different types and prices to meet an array of housing needs and preferences.
4. Maximize the value of housing units as economic assets of the community. This goal recognizes that, besides providing shelter, housing units can make valuable contributions to property values.

STRATEGIES AND BEST PRACTICES FOR PRESERVING HOUSING

We identified certain best practices that are needed for communities to think strategically about housing. Additional best practices come into play once cities select housing strategies. The first section below discusses the best practices that cities should follow for thinking strategically about housing issues; the degree of city involvement at this stage will vary depending on local circumstances. In the subsequent sections, we describe best practices related to regulatory housing strategies, followed by practices for supportive strategies that encourage housing preservation. The final section describes the best practice of evaluating housing strategies. Figure 2.1 summarizes the strategies and best practices. To the extent that cities rely on others for developing or implementing housing strategies, they should ensure the best practices are followed.

Think Strategically About Housing

To position themselves for effective housing involvement, local governments need a framework to guide their activities before undertaking specific housing projects. The framework depends on an informed understanding of local housing needs and strategic planning.

Not every community may need in-depth planning to begin taking action. Some may already have a full understanding of their housing needs and can proceed to identifying remedies. For others, though, the upfront strategic work will help determine a jurisdiction's focus—whether that is on developing new housing or preserving housing or some mix of activities. Further, communities interested in federal and state housing programs will find that careful planning will help them meet federal and state requirements. For example, communities that emphasize planning for and meeting identified needs when they apply to the Department of Trade and Economic Development for a Small Cities Development Program grant receive higher scores than others on their applications.

Thinking strategically about housing involves two main activities. The first is determining housing needs. The second is selecting appropriate responses. Details of these activities and best practices related to them are below.

Determine Housing Needs

A city's first activity is analyzing its local housing needs.¹ This is especially important for cities expecting to rely on state or federal assistance to correct housing deficiencies and cities just beginning to discuss housing concerns.²

¹ Amy Bogdon, Joshua Silver, and Margery Austin Turner, *National Analysis of Housing Affordability, Adequacy, and Availability: A Framework for Local Housing Strategies* (Washington, D.C.: Urban Institute, 1993), 73-76.

² For example, Minnesota's Community Fix-Up Fund requires applicants to describe specific home improvement needs and provide data, such as income and housing conditions, to demonstrate needs and explain how loan funds will meet them. See: Minnesota Housing Finance Agency, *Community Fix-Up Fund Program Concept* (St. Paul, 2002), 2.

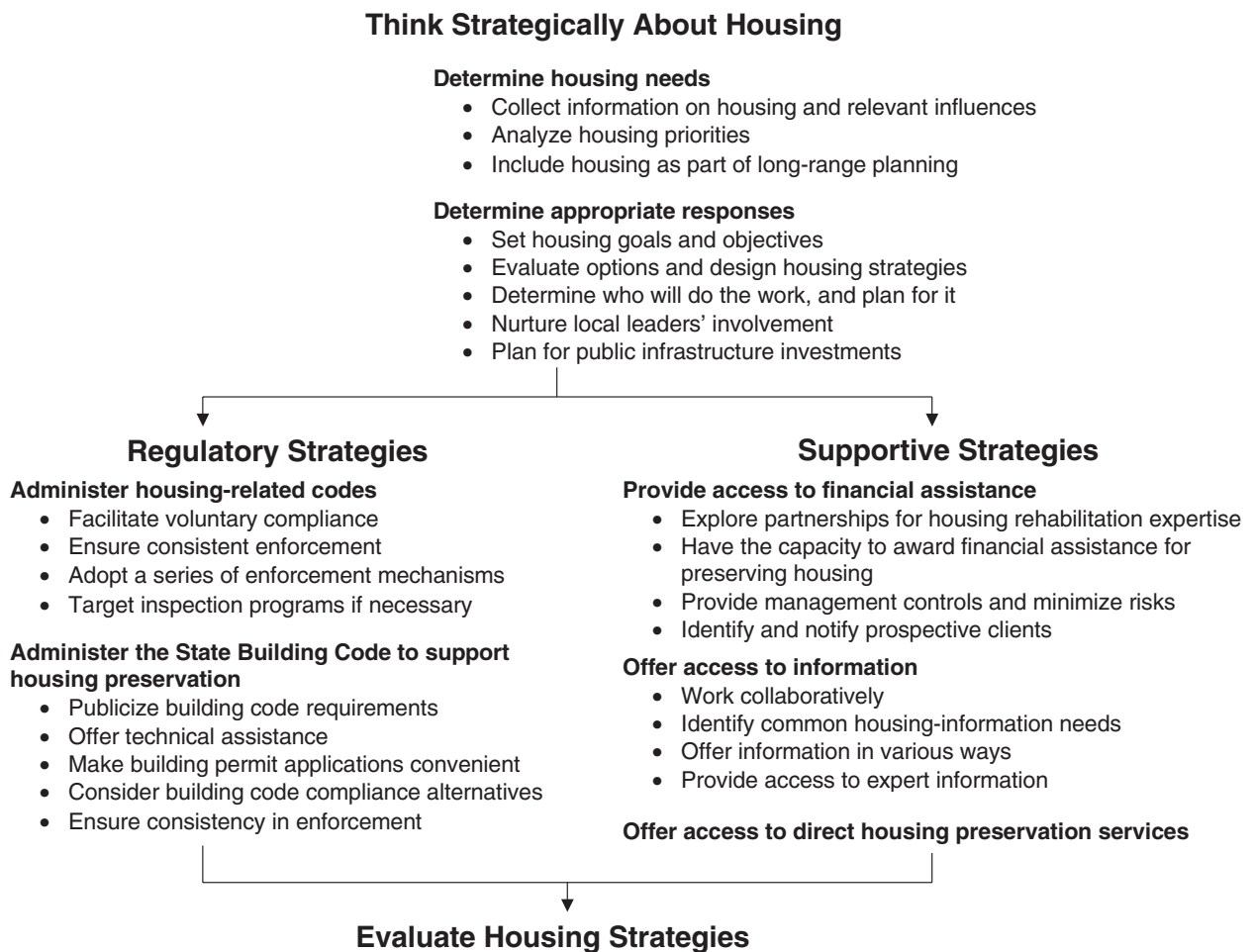
Thinking strategically about housing needs is especially important for cities interested in federal and state housing programs.

RECOMMENDATION

Cities should identify housing needs by collecting information and analyzing it in the context of their long-range planning and strategic thinking.

This activity may not be necessary for all communities, however. For cities that have already identified their housing needs, these preliminary practices are unnecessary. Other communities may decide they need to take immediate action to stem a specific problem. For these cities, the first practice is determining appropriate responses to their needs, which is discussed beginning on page 37.

Figure 2.1: Strategies and Best Practices for Preserving Housing



Collect Information on Housing and Relevant Influences

Collecting information is the first best practice related to determining housing needs. Cities should undertake or contract for housing studies to understand the types and conditions of their housing units as well as factors that influence housing.³ Conducting housing studies requires resources, and some areas have relied on collaborations to finance them; Fillmore County in southeastern Minnesota, for example, used resources from local governments, businesses, utilities, and nonprofit housing organizations to finance a housing study there. Housing studies involve both quantitative data, such as Census data on age of the housing, as well as qualitative information, such as housing concerns expressed at public meetings.⁴

From our survey we found:

- **Of the 76 local housing organizations providing information, 42 percent indicated they had analyzed housing stock conditions in their community within the past five years.**

Another 14 percent had studied housing conditions during that time period, but they believed the information had since become outdated.⁵

Effective housing studies analyze population trends, household growth, household incomes, vacancy rates, employment indicators, and the number and age of housing units. Beyond these secondary types of data, first-hand evidence, such as that gathered via personal interviews or drive-by “windshield” surveys of homes, provides a compelling demonstration of housing conditions.⁶ In addition, comprehensive housing studies establish an inventory of both owner-occupied and renter-occupied units. Housing studies should not only assess physical deficiencies, evidence of blight, and the impact of environmental factors, but also address desirable housing characteristics such as the quality of workmanship and historical significance. Indicators of property values and real estate market conditions may also be useful.

Collecting the data may require cities to enlist help from outside experts. The recommended studies and planning require time and expertise that some cities may not have available. Certain cities have planning commissions or planning departments, but they may still need assistance from housing planners or other professionals. As an example, the Arrowhead Economic Opportunity Agency

Local governments should use housing studies to inventory the types and conditions of housing units.

³ U.S. General Accounting Office, *Partnership Projects: A Framework for Evaluating Public-Private Housing and Development Efforts* (Washington, D.C.: U.S. General Accounting Office, 1990), 33; and Lindley R. Higgins, *Gathering and Presenting Information About Your Neighborhood* (New York: Local Initiatives Support Corporation, September 2001), 2, 7-8.

⁴ Mary Lynn Reilly, “Investing in Inner-City Neighborhoods,” *Journal of Housing and Community Development* (January/February 2002): 35-37.

⁵ Some of the organizations have service areas that cover multiple cities or counties; we asked them to respond based on one city that they felt was most representative of communities in their jurisdiction. Two organizations answered “don’t know” and were excluded from the analysis.

⁶ Neighborhood Reinvestment Corporation, *Revitalization Through Home Ownership: Lessons from the Field* (Washington, D.C.: Neighborhood Reinvestment Corporation, 2001), 9.



Cities should document housing conditions.

located in Virginia has provided housing technical assistance to Iron Range cities that lacked their own staff resources to assess or plan for housing needs. Larger cities may be more likely than smaller ones to have employees working on housing or community development, but even they may need to rely on others for at least part of their data collection and planning.

Cities should identify housing needs and prioritize them.

Analyze Housing Priorities

Analyzing and setting housing priorities is another best practice related to determining housing needs. After the information has been collected, local staff or the city's consultants should analyze it to identify housing needs, the nature of those needs, and their prevalence. Especially in larger communities, it may be helpful to analyze housing stock at a neighborhood level. Part of the analysis should be understanding what factors encourage or discourage private investment in housing.

Some needs may be isolated to housing of a certain age, such as lead-based paint in houses built before 1978. Other needs may be concentrated in certain neighborhoods or limited to certain types of housing, such as renter-occupied units. Some cities may find that developing new housing units is an unmet need. Once needs are defined, elected officials should set priorities among them.

Include Housing as Part of Long-Range Planning

Including housing in long-range planning is also important in determining housing needs. Because of the interaction between housing and other community assets, housing studies should be part of a community's longer term comprehensive and strategic planning processes.⁷ Ultimately, these processes guide local officials toward the most appropriate solutions for their community's specific needs. Within a community, connections exist between and among housing and business development, social conditions, employment opportunities, environmental quality, and transportation flows. Strategic planning processes examine these connections; they help communities answer questions about what people envision for their city and how to attain that vision. They provide justification for a community's land use decisions and help make the most of its public investments.⁸

Even for cities that do not conduct comprehensive planning, it is important to view housing in the context of the community's overall economic development. Like job retention and a thriving commercial sector, housing is a key component of a community's economy. In analyzing housing needs, city officials should assess the likely impact that factors such as transportation patterns and business development may have on residential units, as well as the impacts that housing may have on these factors.

We asked the 83 local housing organizations involved with housing preservation about strategic planning in their community (or in a community representative of their service area). According to the 66 providing information,

- **About 62 percent of local housing organizations involved with preserving housing reported that their communities had adopted comprehensive strategic plans containing housing components; another 11 percent said such plans were under development.**

A far greater percentage of housing organizations in the metropolitan area than outstate reported that their communities had adopted such plans.¹⁰

Moreover, we asked housing organizations with comprehensive plans for their opinions on how well the plans did certain things regarding the housing stock. Table 2.1 shows that 72 percent believed the plans identified specific roles for housing preservation activities either "somewhat" or "very" well. Similarly,

Housing should be part of a community's comprehensive plan.

⁷ Iowa State University, Department of Human Development and Family Studies, *Developing Community Housing Needs Assessments and Strategies* (Ames, IA: American Association of Housing Educators, 1992); www.extension.iastate.edu/Pages/housing/aahe/guidebook/step-4.html; accessed Feb. 12, 2003.

⁸ Minnesota Planning, *Under Construction: Tools and Techniques for Local Planning* (St. Paul, 2002), 6-8.

⁹ Eleven of the 83 cities answered "don't know" and were excluded from the analysis.

¹⁰ The Metropolitan Land Planning Act (*Minn. Stat.* (2002) §473.858, sub. 1) requires metropolitan-area cities to prepare comprehensive plans. Further, metropolitan cities that elect to participate in the housing incentives program established under the Livable Communities Act (*Minn. Stat.* (2002) §473.25) must set goals for affordable and life-cycle housing.

Table 2.1: Local Housing Organization Opinions on Their Community’s Comprehensive Plans, 2002

| | Very Well | Somewhat Well | Not Well | Don't Know |
|--|-----------|---------------|----------|------------|
| Identifies a specific role for housing-preservation activities | 44% | 28% | 15% | 13% |
| Identifies the impact of various factors on housing preservation | 31 | 38 | 18 | 13 |

NOTES: The question read: “. . . how well does the comprehensive plan do the following, in your opinion?” Housing organizations with service areas covering multiple cities were asked to respond based on one city that was most representative of communities in their jurisdiction. Table includes only those organizations indicating that a comprehensive plan had been adopted. (N=39)

SOURCE: Office of the Legislative Auditor, Survey of Local Housing Organizations, October 2002.

69 percent believed the plans identified the impact of various factors on housing preservation at least “somewhat” well.

Roseville in Ramsey County is an example of a city that has included housing in its long-range planning. Roseville, a city with 15,000 housing units, developed a Housing Improvement Plan that is part of its comprehensive plan describing land uses and residents’ current and future needs, and how city activities support them.¹¹ The Housing Improvement Plan contains benchmarks for housing activities, describes housing conditions in the city, and explains how the city is working to achieve certain outcomes. Strategies in the Housing Improvement Plan are tied directly to meeting the housing goals in the city’s comprehensive plan, which include: 1) providing a variety of housing types that balances affordability and quality; 2) improving the quality of the housing units in below-average physical condition; and 3) providing housing for all stages of the life cycle, such as entry-level housing and more affordable senior housing. Together the Housing Improvement Plan and comprehensive plan guided the city to use outside experts when starting new programs and to collaborate with other housing providers to avoid duplication and large, staff-driven programs.¹² Roseville updates its Housing Improvement Plan yearly to keep city officials in touch with changing market conditions and family demographics. Ongoing reviews of the Housing Improvement Plan are also helpful to city council members, especially those who are unfamiliar with housing issues. For more information, contact Dennis Welsch, Roseville Community Development Director, 651-490-2232.

¹¹ See: City of Roseville, “Section 6: Housing and Neighborhood Plans,” *Roseville Comprehensive Plan, 2002 Update*; www.cityofroseville.com/development/maps_publications/compplan/pdf/s/housingneighborhood.pdf.

¹² Consistent with these plans, Roseville collaborates with the Greater Minnesota Housing Corporation, the Ramsey County HRA, and the I-35W Corridor Coalition to implement its housing strategies.

Cities should evaluate alternate responses to their housing needs.

A city's housing goals should be aligned with its priority housing needs.

Determine Appropriate Responses

After a city defines housing needs and prioritizes them, its next activity is evaluating and planning appropriate responses—whether those responses are providing housing information, enforcing property maintenance codes, or offering access to financing subsidies.

Even cities that do not follow the practices outlined previously for identifying their housing needs should take the time to evaluate options for meeting their needs. Housing needs may arise unexpectedly, in ways that do not afford a community the luxury of collecting and digesting detailed housing information. A particular situation, such as landlords letting their properties fall into complete disrepair, or a vocal constituency (e.g., student renters) could spur a community to take action. For cities facing these situations, as well as cities that prioritized needs through a deliberative planning process, it is important to identify appropriate solutions.

RECOMMENDATION

Cities should determine responses to meet their identified housing needs by setting housing objectives, evaluating the feasibility of strategies, and selecting options best suited to their needs. They must also nurture local leaders' support and plan for public infrastructure investments to complement their housing objectives.

Set Housing Goals and Objectives

Setting goals and objectives is the first best practice associated with determining appropriate housing responses.¹³ Based on a city's priority housing needs, elected officials should determine housing goals and then set objectives to meet them. Goals could encompass both the existing housing stock as well as the development of new housing. Cities should consider the ways in which older housing units fit within their jurisdiction's overall housing goals. Communities may rely on outside expertise to collect and analyze housing data, but only locally elected leaders can establish housing goals and adopt objectives for their communities. Small cities in a rural county may rely on that county's housing and redevelopment authority (HRA) to conduct housing studies, for example, but their elected officials must make that decision.

Evaluate Options and Design Housing Strategies

Evaluating options is another important part of determining appropriate responses. Using their housing goals as a foundation, a jurisdiction's staff (perhaps with outside expertise) should evaluate various strategies for meeting housing needs.¹⁴ If a city's objective is to preserve housing, staff should consider a full range of responses, from property maintenance codes to home-maintenance education to revolving funds for financing repairs and renovations. Cities should not limit

¹³ U.S. General Accounting Office, *Partnership Projects*, 31, 33, and 45.

¹⁴ *Ibid.*, 17.

their options only to programs linked to federal or state dollars because these programs may not fit local needs and annual funding amounts are not guaranteed.

For example, after considering its options, **Richfield**, a city with 15,000 housing units in Hennepin County, embraced a multi-faceted approach to preserving housing stock in partnership with the Richfield Housing and Redevelopment Authority (HRA). The city adopted a housing maintenance code requiring owners to maintain their properties to certain standards. Richfield also requires owners of rental properties to license them, have them inspected, and correct building deficiencies. In addition, before selling their homes, homeowners must have their homes inspected and correct any problems.

Other strategies in Richfield are intended to promote investments for homes along the full spectrum of market values. To help lower-income households, the Richfield HRA has partnerships with the county and the Center for Energy and Environment to administer various financial assistance programs for preserving housing. With these partnerships, the HRA is able to encourage homeowners to invest in their housing without having to hire staff experienced in originating loans and the other steps needed to implement the programs.

Richfield HRA provides small amounts of money to leverage private remodeling investments.

Beyond the traditional financing mechanisms aimed at lower-income households, the Richfield HRA instituted a “Transformation Homes” program, which city staff believe helps community stability and diversifies the housing stock.¹⁵ In this program, the HRA provides a small incentive to leverage private resources so homeowners will invest thousands of additional dollars in their homes and remain in the city. The incentive is in the form of a forgivable loan that pays for about 15 percent of improvement projects costing at least \$50,000. Recipients repay the loan only if they sell the home; the loan is forgiven after 30 years. Money to initiate the loans came from the Richfield HRA, which had funds generated by the sale of lots that had contained substandard housing. Making a program of this nature successful requires start-up money to fund the forgivable loans, as well as local lenders who are willing to finance projects with high loan-to-value ratios. Richfield HRA also provides housing preservation information in a variety of ways (as described later in this chapter). Implementing a broad range of housing strategies will require involving multiple city departments, commitment from the city council and HRA, and program modifications over time to accommodate changing needs. For more information, contact Bruce Nordquist, Richfield Housing and Redevelopment Manager, 612-861-9777.

Cities evaluating housing preservation strategies need to analyze and react to the potential effects of the strategies, including their political feasibility. Some strategies may need to be modified to become politically acceptable. For example, in the city of **Morris** in Stevens County, several steps were necessary to make more acceptable to the community a controversial ordinance on improving rental property conditions. Rental properties accounted for about 44 percent of Morris’s occupied housing units. Landlords were generally opposed to the rental licensing ordinance, but student tenants and their families initiated and supported it. Overcoming opposition to the rental ordinance involved a planned campaign to help landlords and the city council understand the nature of the problem. Having

¹⁵ See Richfield’s financing programs at: www.ci.richfield.mn.us/homebusiness/remodeling/financing.htm.

a neutral party leading the campaign was important in demonstrating a balanced approach that respected people on both sides of the issue. In Morris, the neutral mediator was the Housing Authority director who took a variety of steps, including numerous public meetings, newspaper articles, and radio interviews, to educate elected officials and the general public. Additional activities, such as writing a landlord newsletter, holding semi-annual landlord meetings, and extensively using a Web site to make the licensing process as easy as possible, helped make the licensing program more politically feasible.¹⁶ Further, as a way of defusing political tensions, the city council required the correction of only severe health and safety concerns following the first round of inspections. For more information, contact Melanie Fohl, Morris Housing Authority Director, 320-589-3142.

In evaluating housing preservation strategies, cities also need to determine whether preserving homes is the most effective option. For units of a certain condition, investing more money may be less cost-effective than demolition. The **Stevens County HRA** in west central Minnesota provides an example of an organization that has developed a process to focus rehabilitation dollars on homes according to their condition. Based on its years of experience, the HRA decided to rehabilitate homes that met certain conditions; it would not rehabilitate homes in relatively good condition or in very poor condition. To help determine whether any given house is worth rehabilitating, evaluators inspect it and assign points to each component (siding, for example) depending on its condition; higher points equate to a poorer condition. Typically, the HRA decides against investing rehabilitation dollars in homes with the highest and lowest scores. Making the process work depends on identifying housing conditions that were important in making past projects successful and creating a scoring form that reflects that experience. Allowing individual circumstances to influence final decisions is also important because not all cases are alike. For more information, contact Nora Jost, Stevens County HRA Executive Director, 320-589-7416.

Government involvement in preserving housing can spur private market activities.

In evaluating their options for appropriate housing strategies, cities should determine the extent to which the public sector needs to intervene. This involves understanding activities of private markets and other housing organizations.¹⁷ In times of tight housing markets, private sector activities, such as acquiring substandard homes to rehabilitate and sell to new owners, may lessen the need for public sector involvement. To lay out an appropriate role for themselves, city staff should assess direct public interventions as well as indirect incentives intended to spur private market activities.¹⁸

In the end, elected officials should adopt housing strategies only after acknowledging the ongoing costs for supporting or enforcing them and assessing the jurisdiction's wherewithal to afford them. For instance, a city intending to adopt a time-of-sale housing inspection program should first determine the costs of conducting such inspections and how it will pay for them.

¹⁶ See the rental-registration components of the Web site at: www.morrismn.org/hra/index.html.

¹⁷ U.S. General Accounting Office, *Partnership Projects*, 33.

¹⁸ Bogdon, Silver, and Austin Turner, *National Analysis of Housing Affordability, Adequacy, and Availability*, 70.

Determine Who Will Do the Work, and Plan for It

Creating plans to implement the strategies that are adopted is a third best practice associated with determining appropriate housing responses. For whatever strategies a city endorses, the city's staff need to assess whether there is sufficient capacity within the jurisdiction itself or whether outside expertise is needed. This involves assessing the city's organizational structure as well as its capacity for maintaining successful external relationships. Further, cities need implementation plans for each strategy they adopt.¹⁹ Such planning requires certain expertise and cities have to assess whether it would be prudent to reserve the implementation planning for professionals outside the city.

Some cities rely on outside expertise to implement their housing preservation strategies.

In planning their housing strategies, many Minnesota cities have decided to rely on external resources. As one example, to administer loans for home improvements, the city of **Roseville** opted to use the Housing Resource Center, an arm of the nonprofit Greater Metropolitan Housing Corporation.²⁰ Although the city did not have the staff or expertise to service the loans, this activity is one of the Housing Resource Center's core functions. Because home improvements are its main business,

the Center is experienced with all housing finance programs and is able to tap into additional resources that benefit Roseville residents. The Center employs construction managers who will help homeowners evaluate contractors' bids or answer home improvement questions. In addition, city staff believe that because



The Housing Resource Center staff advises a homeowner.

the Center is a nonprofit agency working exclusively on housing, residents would feel less uncertainty about approaching it for assistance than they would coming to the city. The Center administered \$450,000 in improvement loans in Roseville over two years. As a member of the I-35W Corridor Coalition (a group of seven contiguous cities that collaborate on common issues), Roseville pays between \$35,000 and \$38,000 per year for Housing Resource Center services. The city estimates that duplicating the Center's services would require 2.5 city staff and cost \$150,000 to \$200,000. For more information, contact Dennis Welsch, Roseville Community Development Director, 651-490-2232.

¹⁹ U.S. General Accounting Office, *Partnership Projects*, 33.

²⁰ See information on the Housing Resource Centers at: www.housingresourcecenter.org.

Nurture Local Leaders' Involvement

Cities should involve local leadership as part of determining appropriate housing responses. The degree to which elected officials are actively involved in housing planning will vary. In many cities, particularly smaller ones, the mayor or city council may have been involved from the start. In any case, local leadership support is essential to successful housing strategies. Without sufficient political will, communities may find it difficult to overcome housing preservation barriers.²¹ Unless decision makers fully understand housing information and issues, the upfront work may not lead to tangible results. In cities where the council members have not been integrally involved in initial planning, staff need to effectively communicate housing information to the council. Focusing elected officials' attention on preserving housing might require illustrating what impact preservation can make or documenting recent trends in housing stock condition and residential location decisions.

We asked local housing organizations for their opinions on leadership support for existing housing in their communities (or in a community representative of the cities in their service area). We found that,

- **Among housing organizations involved in preserving housing and expressing an opinion, 56 percent believed that local leadership's support for existing housing as an important piece of community and economic development was sufficient.**

Another 38 percent of the 72 agencies responding with an opinion believed this was done "partially."²² Opinions on leadership support varied by location. While 74 percent of housing organizations in the metropolitan area considered leadership support sufficient, only 47 percent of organizations in outstate Minnesota did.

Local community leaders should be involved in determining responses to housing needs.

In **South St. Paul** in Dakota County, the city and the HRA have been involved in activities that form a base of local leader support for housing activities. Since the mid-1990s, South St. Paul has had a housing committee to define housing needs for the city's 20,000 residents and 8,300 housing units. Committee members include city staff, council members, the HRA, and members of the planning commission. Because the committee meets regularly to discuss housing conditions and needs and involves many stakeholders, it enables good communication between the city and the HRA. This has been important to the process wherein city leaders set housing policy and direction while the HRA works on implementation. In addition, a few years ago the mayor and city administrator held strategic planning exercises to generate visions for the future of South St. Paul in various public policy areas including housing. Besides the mayor, many others were involved—council members, the planning commission, staff from the city and HRA, and some residents. With the help of an outside facilitator, the process allowed participants to learn about housing issues and come up with a joint vision in a nonthreatening way. The effort helped build

²¹ William H. Duncan, "Rehabilitation: An Affordable Housing Strategy," *The Journal of Urban Technology* 3, no. 3 (1996): 11; and Neighborhood Reinvestment Corporation, *Revitalization Through Home Ownership*, 9.

²² Four of the housing organization directors answered "don't know" and were excluded from analysis.

support and consensus for priority issues. It also helped inform newly elected city council members. For more information, contact Branna Lindell, South St. Paul HRA Executive Director, 651-451-1838.

Plan for Public Infrastructure Investments

Developing housing responses in tandem with plans for public infrastructure investments is another important practice. Cities should acknowledge the role of public infrastructure in supporting housing. Every year cities make decisions about infrastructure investments such as for streets, sewer, lighting, sidewalks, and other public utilities or amenities. Strategic housing decisions should mesh with a city's infrastructure decisions.²³ The city council, for instance, must be able to make informed decisions about capital improvements recognizing that the lack of ongoing support for public infrastructure, or ill-placed infrastructure, is costly in the long run and may contribute to housing disinvestment. Part of a jurisdiction's analysis of any housing strategy should compare the costs and benefits of maintaining existing infrastructure that serves the residences on hand against adding new infrastructure to serve housing yet to be developed.

According to our survey,

- **Most local housing organizations involved in preserving housing considered public infrastructure investments to be sufficient in their communities.**

Of the 72 housing organizations involved in preserving housing and providing an opinion, 60 percent said that ongoing public investments in infrastructure were "sufficient"; 38 percent said they were "partially" sufficient.²⁴ Opinions tended to differ between the metropolitan area and outstate Minnesota. Of housing organizations in the metropolitan area, 83 percent reported that public infrastructure investments were sufficient, while only 49 percent of those in outstate Minnesota said such investments were sufficient.

The city of **Roseville** studied whether the city's pavement improvement program provided an incentive to homeowners to make improvements to their properties. The improvement program occurred over a 10-year span, with a \$2.5 million infrastructure investment every two years. From the study the city concluded that while the program was not increasing housing values, it was stabilizing them. In tracking where building permit activity occurred, the city found that a lot of activity occurred in areas after park, street, and sidewalk projects were completed, even though much of the permit work was catching up with deferred maintenance instead of building expansions. Plus, when streets are repaved or reconstructed, the city sees an increased number of owners making driveway improvements. For more information, contact Dennis Welsch, Roseville Community Development Director, 651-490-2232.

²³ Iowa State University, Department of Human Development and Family Studies, *Developing Community Housing Needs Assessments and Strategies*.

²⁴ Organizations with service areas covering multiple communities were asked to select a single community representative of their service area. Five organizations responded "don't know" and were excluded from analysis.

Housing responses should be integrated with a city's infrastructure investment planning.

Regulatory Strategies

After identifying its housing needs and determining appropriate responses through the activities outlined above, a jurisdiction has to implement the strategies it has chosen. Strategies for housing preservation may be regulatory, such as administering housing-related codes, or supportive, such as providing information on housing preservation. This section discusses two regulatory strategies and best practices to implement them. The following section covers supportive strategies and related best practices.

Administration of local housing-related codes is the first regulatory strategy for preserving housing. The second strategy, relevant only for jurisdictions that have adopted the State Building Code, is ensuring proper administration of the code to encourage rehabilitation and



Most cities' property maintenance codes address the condition of exterior surfaces.

preservation of buildings. Cities that have decided to implement regulatory strategies should follow the best practices described below. Depending on their resources, some cities may need to rely on private contractors to implement these strategies. If a city relies on a contractor to implement a strategy, it should make sure he is following the best practices outlined for that strategy. Even though we refer to “cities” in the discussion that follows, in some parts of Minnesota, counties are involved in housing-related codes and inspections as well as administering the State Building Code.

Some local governments regulate how property owners must maintain their housing.

Administer Housing-Related Codes

Administration of local housing-related codes is the first regulatory strategy for preserving housing. In discussing these codes, we group together local property maintenance codes, rental inspection programs, and time-of-sale programs. A city's strategic planning activities, outlined at the beginning of this chapter, may

result in a city choosing to pursue this strategy.²⁵ While the decision to adopt local housing-related codes is the prerogative of each city, cities that adopt them should use the following best practices.

RECOMMENDATION

Cities that administer local housing-related codes should facilitate voluntary compliance with code requirements, ensure consistent application and enforcement, have a variety of enforcement options available, and consider targeting enforcement resources.

During our interviews with building officials and city administrators, we learned that cities are able to at least partly cover the cost of program administration by charging fees for inspection programs. For example, a city might charge registration and reinspection fees for its rental registration program. Some city officials felt that, because the programs benefited all residents, partial financing from the city's general fund was acceptable.

Facilitate Voluntary Compliance

Encouraging voluntary compliance with code requirements is the first best practice for administering local housing codes.²⁶ Voluntary compliance is less costly and time consuming to city staff than more aggressive enforcement and does not generate the ill will that more punitive actions can. According to our survey,

- **Building officials and administrators from cities with local codes and property inspection programs reported relatively high levels of voluntary compliance, particularly for the rental programs.**

Among the 48 cities providing information about compliance with local property maintenance codes, the median percentage of violators who voluntarily resolved correction orders was 90 percent.²⁷ Similarly, of the 50 cities providing information about compliance with their rental inspection programs, only 4 had

Encouraging voluntary compliance with local housing codes reduces the costs and time for enforcement.

25 A city need not have adopted the State Building Code in order to adopt local codes related to housing maintenance and preservation. However, only 5 of the 100 cities without the State Building Code that responded to our survey indicated that they had local property maintenance codes or a rental inspection program. The State Building Code—a collection of requirements applying to new construction and, more importantly for this report, existing buildings that are being repaired, remodeled, or rehabilitated—is discussed in the next section.

26 Ian Ayres and John Braithwaite, *Responsive Regulation: Transcending the Deregulation Debate* (Oxford, England: Oxford University Press, 1992), 19; and Raymond Burby, Peter May, and Robert Paterson, "Improving Compliance with Regulations: Choices and Outcomes for Local Government," *Journal of the American Planning Association* 64, no. 3 (Summer 1998): 325, 331. We defined "voluntary compliance" as compliance that occurred after the responsible party was made aware of a violation but before more aggressive enforcement action was taken.

27 We sent questionnaires to all 210 cities with populations over 2,500 and to 205 (about one-third) of smaller cities. This chapter's analyses include only the 235 respondents from cities that have adopted the State Building Code; cities without the code received shorter questionnaires with fewer questions.

Most property owners voluntarily comply with requirements of property maintenance codes.

less than a 90-percent voluntary compliance rate, and 30 percent of the cities reported a 100-percent voluntary compliance rate.

The above numbers do not capture the significant number of property owners who maintain their properties in compliance



Some cities have inspection programs for rental properties.

with city codes as a matter of course. We asked building officials and city administrators in cities with property maintenance codes to estimate the percentage of their cities' housing that was in full compliance with local property maintenance codes. The median responses were that 81 percent of owner-occupied properties and 75 percent of rental properties were in full compliance with local codes.²⁸

Below we discuss three ways that cities can facilitate voluntary compliance. They include publicizing code requirements, rewarding compliance, and providing or referring violators to sources of technical or financial assistance.

One way to help cities achieve voluntary compliance with local codes is to publicize the codes' requirements.²⁹ For people to maintain their properties in compliance with code requirements, they need to know what the requirements are. Published material should specify: (1) the standards that properties are expected to meet, (2) inspection requirements, and (3) common code violations. Making property owners aware of the more common code violations allows them to correct those violations before a city inspector inspects the property and might reduce the number of correction orders and follow-up inspections.

²⁸ Sixty officials responded to the question on code compliance for owner-occupied housing. The range of responses for homes in full compliance with local codes was 9 percent to 99 percent. Fifty-nine responded to the question about rental housing code compliance. The range of responses for rental units in full compliance was 5 percent to 100 percent.

²⁹ Howard Schretter, *Ideas for Better Housing Code Enforcement* (Athens: University of Georgia, 1970), 7-8; and Sunnyvale City Council Meeting, *Subject: A New Program: A Proactive Strategy to Neighborhood Preservation; Including A Review of Code Enforcement for Chronic Violators and Complaint-Based Enforcement*, attachment on "Program History," June 20, 2000; www.ci.sunnyvale.ca.us/200006/rtcs/00-232b.asp; accessed July 18, 2002.

We asked cities with local property maintenance codes about methods they use to publicize code requirements. According to our survey:

- **Over three-quarters of the 62 cities with local property maintenance codes publicized code requirements in some way.**

The most common method of publicizing code requirements, used by 61 percent of the cities, was written pamphlets, brochures, or newsletters. Other methods included presentations to civic groups (24 percent of cities) or to landlords and apartment managers (45 percent of cities). Forty-two percent said they post code requirements on the Internet. Four city officials mentioned using cable television.

One example of publicizing code requirements is provided by **Mounds View**, a city in suburban Ramsey County. Approximately 30 percent of the city's 5,000 occupied housing units are rental units. Mounds View's rental inspection program covers rental properties with two or more units. After joining the city in 1999, the Housing and Code Enforcement Inspector noticed that owners of smaller rental properties were using the city's annual rental inspections to identify maintenance deficiencies instead of performing ongoing preventive maintenance. To encourage owners to proactively maintain their properties and reduce the number of negative inspection reports, the city began including a list of common violations of the city's housing maintenance code and state fire code when it sent out reminders to rental owners that their properties were due for inspection.³⁰

Examples of items on the list include missing, inoperable, or disabled smoke detectors; broken or missing windows and screens; and improper clearance to electrical equipment. Mounds View's inspector believes the list of common violations has reduced the number of failed inspection reports and the amount of staff time required to administer the rental inspection program. He said property owners' comments on the practice have all been positive. Because Mounds View was already mailing inspection reminders to landlords, the additional cost of including the list of common violations was small. For another city to adopt this practice, it would need to identify common violations to its local code. If a city does not already mail inspection reminders to landlords, it should take into consideration the staff time, materials, and postage required to begin doing so. For more information, contact Jeremiah Anderson, Mounds View Housing/Code Enforcement Inspector, 763-717-4023.

Another way cities can encourage voluntary compliance with their codes is to reward compliance with incentives such as reduced licensing fees for rental housing that passes its first inspection.³¹ A final way is providing or referring violators to sources of technical or financial assistance.³² Responding to our survey,

Information about common code violations can help owners comply with requirements.

³⁰ Pre-inspection information is available on-line at: www.auditor.leg.state.mn.us/ped/2003/pe0305.htm.

³¹ Burby, May, and Paterson, "Improving Compliance with Regulations," 325.

³² Schretter, *Ideas for Better Housing Code Enforcement*, 11; Ron Meier, "Code Enforcement and Housing Quality Revisited: The Turnover Case," *Urban Affairs Quarterly* 19, no. 2 (December 1983): 259-260.

- **Ninety-one percent of the cities that have local maintenance codes and provided information on their practices said they at least sometimes referred violators to financial resources or provided them with technical assistance.**

Only 7 of the 59 city officials providing information on their practices answered that they “rarely” or “never” provided either referrals or technical assistance.

When the city of **Morris** implemented its rental inspection program in 1997, it worked with the **Stevens County HRA** to offer financial assistance to owners of properties that did not pass inspection. The county HRA helped the city obtain a Small Cities Development Grant and administered the grant to make rehabilitation funds available to rental property owners. The county HRA director characterized Morris’ approach as a carrot-and-stick approach; the city conducted the inspections while the HRA provided a tool for landlords to finance rehabilitation. The loans were structured so that the landlords paid interest—all of which was tax deductible—but no principal on the loans for 5 years, after which the loans were forgiven. Financing was available up to \$18,000 per unit, and its use was not restricted to correcting code violations. When they were told that financial resources were available to help finance improvements, landlords were more receptive to the inspection program and responded more positively to correction orders. City staff said that some landlords made substantial improvements to their properties, and both the city staff and county HRA staff believe the rental inspection program combined with the financial incentives have helped to improve the rental housing in Morris. For more information, contact Nora Jost, Stevens County HRA Executive Director, 320-589-7416, or Melanie Fohl, Morris Housing Authority Director, 320-589-3142.

Ensure Consistent Enforcement

Consistent code enforcement is a second best practice for administering local codes. Consistency is important for cities to avoid charges of discrimination or arbitrariness. Cities can ensure consistent code enforcement by developing written policies and procedures and using inspection checklists.

Inspection checklists help inspectors enforce codes consistently.

One way for cities to encourage staff to be consistent in applying and enforcing code standards is to adopt policies and procedures for enforcing the code.³³ For example, policies and procedures should include the standards to which building components should be inspected, strategies to achieve enforcement, and when to escalate enforcement action. Following written policies and procedures shields a city from charges of favoritism.

Many cities have developed policies and procedures to guide consistent code enforcement. Table 2.2 shows the percentages of cities with property maintenance codes that have developed policies and procedures covering several different activities. For example, about three-quarters of cities with local property maintenance codes have written standards that properties must meet, while fewer than a third have written policies and procedures on when to escalate enforcement action.

³³ City of Palo Alto, Office of the City Auditor, *Audit of Code Enforcement* (Palo Alto, CA: Palo Alto City Auditor, January 13, 1997), 16.

Table 2.2: Policies and Procedures Developed by Cities With Property Maintenance Codes, 2001

| | Percentage of Cities | | |
|--|---------------------------------|-----------------------------------|--------------------------------------|
| | Written Policies and Procedures | Unwritten Policies and Procedures | Policies or Procedures Not Developed |
| The standard which the inspected property must meet (N=59) | 76% | 15% | 8% |
| What should be inspected when an inspection is conducted (N=58) | 64 | 28 | 9 |
| What type of enforcement action should be initiated for various levels of noncompliance (N=59) | 51 | 41 | 8 |
| How much time to allow for resolution of violations (N=58) | 45 | 48 | 7 |
| When the jurisdiction should resolve the violations that owners have not resolved (N=59) | 31 | 47 | 22 |
| Circumstances under which to grant extensions for resolution of violations (N=58) | 29 | 53 | 17 |
| When to escalate enforcement action (N=59) | 29 | 53 | 19 |

NOTES: The question read: "Has your department developed policies and procedures for administering local property or housing maintenance codes in the areas indicated below?" Rows may not total 100 percent due to rounding. We sent questionnaires to all cities with populations over 2,500 and 32 percent of smaller cities. Table includes only those cities with a property maintenance code.

SOURCE: Office of the Legislative Auditor, Survey of Building Officials or City Administrators, October 2002.

Deviations from inspection procedures are sometimes necessary but should be justified and documented.

While it is important to have written policies and procedures, it is equally important that enforcement officers be allowed some discretion because no two situations will be alike.³⁴ For example, a time extension for completing work might be warranted in cases of a property owner's family emergency or contractor delays beyond the control of the property owner. For consistency purposes, cities should outline in writing the circumstances under which inspectors may deviate from written procedures.

In 2002, the director of **St. Paul's** Neighborhood Housing and Property Improvement Unit developed a *Rules and Procedures* document to guide the work of the unit's several inspectors and improve their consistency.³⁵ The city has roughly 116,000 housing units, about half of which were built before 1945. The document includes guidelines for inspectors on how much time to allow for correction of various offenses depending on considerations such as the seriousness of the situation, whether a contractor will need to be hired to do the work, and the season. In addition, it includes procedures to make clear when inspectors should issue a misdemeanor criminal tag and when they should give extensions. All deviations from rules have to be noted by inspectors, along with the reason for the

³⁴ Schretter, *Ideas for Better Housing Code Enforcement*, 9.

³⁵ Portions of the document are available on-line at: www.auditor.leg.state.mn.us/ped/2003/pe0305.htm.

deviations, and reported to their supervisors.³⁶ For more information, contact Andy Dawkins, St. Paul Neighborhood Housing and Property Improvement Unit Director, 651-266-1927.

Using standardized inspection checklists, particularly for new inspectors or those in training, is another way to ensure consistent code enforcement.³⁷ For example, if rental-housing inspectors are supposed to see proof of annual elevator inspections when they inspect buildings with elevators, then all inspectors should ask to see proof of inspections, and a checklist helps ensure this is done consistently.

For example, when **Cottage Grove's** building official implemented that city's rental inspection program, one of the documents he created was an inspection checklist.³⁸ The 64-item checklist, which includes items such as foundation drainage and venting of plumbing fixtures, was a useful reference tool, especially in the early years of the program. The checklist helped produce consistent inspections and continues to be an effective tool used by new inspectors. For more information, contact Bob LaBrosse, Cottage Grove Chief Building Official, 651-458-2828.

Adopt a Series of Enforcement Mechanisms

Adopting a series of increasingly severe enforcement mechanisms for owners who do not comply with local codes within a reasonable, predetermined time, is the third best practice in local code administration.³⁹ If a rental inspector's only enforcement power after issuing a correction order is suspending a landlord's rental license, he may be reluctant to use that power, especially for less serious violations, and the threat of a penalty for noncompliance becomes an empty one. Although voluntary compliance is preferable, a series of enforcement mechanisms gives code officers some intermediate sanctions to use when warranted and provides property owners with an incentive to conform early to requirements.

Most cities with property maintenance codes have a series of enforcement sanctions.

More than 80 percent of the cities we surveyed that had property maintenance codes had four or more enforcement strategies for their local codes. Table 2.3 shows different enforcement strategies they used. For example, 98 percent of cities indicated that they issue correction orders, while just half indicated that they assess administrative fines. Besides those strategies listed in the table, other enforcement strategies that cities listed included charging reinspection fees, issuing administrative citations, recognizing significant rehab with an award, referring violators to sources of assistance, sending letters of intent to condemn property, and removing (or abating) violations and assessing the cost to the owner.

³⁶ Inspectors must note time extensions and their reasons but do not have to report them to their supervisors.

³⁷ City of San Jose, City Auditor's Office, *Audit of Multiple Housing Inspection Program* (San Jose, CA: City Auditor, 1999): 15; www.ci.san-jose.ca.us/auditor/AuditReports/9903/9903report.pdf; accessed July 23, 2002.

³⁸ The checklist is available on-line at: www.auditor.leg.state.mn.us/ped/2003/pe0305.htm.

³⁹ Ayres and Braithwaite, *Responsive Regulation*, 36.

Table 2.3: Cities' Use of Local Property Maintenance Code Enforcement Strategies, 2001

| | Percentage of Cities | |
|---|----------------------|----|
| | Yes | No |
| Issue notice of violation and orders for correction indicating deadlines for completion of work (<i>N</i> =61) | 98% | 2% |
| Grant time extensions to complete work (<i>N</i> =61) | 98 | 2 |
| Prosecute violators in court (<i>N</i> =59) | 93 | 7 |
| Issue legal citations (<i>N</i> =59) | 86 | 14 |
| Assess administrative fines (<i>N</i> =60) | 50 | 50 |

NOTES: The question read: "Please indicate whether your jurisdiction uses the following enforcement strategies to encourage compliance with local housing or property maintenance codes." We sent questionnaires to all cities with populations over 2,500 and 32 percent of smaller cities. Table includes only those cities with a property maintenance code and excludes those answering "don't know."

SOURCE: Office of the Legislative Auditor, Survey of Building Officials or City Administrators, October 2002.

We also asked cities with rental inspection programs about their enforcement strategies.⁴⁰ Seventy-nine percent of 47 cities responded that they suspend the rental license or registration of chronic violators. Only 17 percent of 46 cities indicated that they charge increased licensing fees to chronic violators. Other enforcement strategies that cities listed included initiating tenant remedy actions; posting buildings as unlawful to occupy; assessing fines for noncompliance; reducing fees for licenses issued on or before the first reinspection; charging fees for reinspections and late renewals; issuing administrative citations or pursuing other legal action; and holding meetings with the property owner, fire chief, and city attorney.

Bemidji, in north central Minnesota, offers an example of a city using a series of enforcement mechanisms to enforce its rental inspection program. About 46 percent of Bemidji's 4,700 occupied housing units are rental units. The city adopted a property maintenance code and rental inspection program in 1996. Code enforcement staff said the city has tried to minimize resistance to the rental program by keeping fees low; the city does not charge a registration fee but charges landlords a fee every three years—ranging from \$50 for a one-unit building to \$200 for buildings with 21 or more units—that covers the first inspection and one follow-up inspection. The city has established other fees, however, to encourage compliance. For example, property owners are charged \$50 for each reinspection necessitated by failure to correct problems. The city imposes a \$100 late registration fee, and a \$200 reinstatement fee if a landlord's registration has been suspended.⁴¹ The city uses other enforcement strategies,

Bemidji keeps fees low for rental property owners who comply with the maintenance code.

⁴⁰ In the following analysis, we exclude eight cities that responded "don't know" or "not applicable."

⁴¹ Because fees for the first two inspections were relatively low, landlords were using the rental inspection program to remove problem tenants instead of going to court to evict them. The landlords would not comply with correction orders and when their registrations were suspended, the tenants living in the building would have to move out. Then the landlord would fix up the property, re-register it (paying for inspections only), and rent the units to new tenants. The \$200 reinstatement fee, which is in addition to the inspection fee, has discouraged this practice.

too. If a landlord does not respond to the inspector's correction orders, the city attorney will write a letter to the landlord. With continuing noncompliance, police will issue a citation. The building official can suspend the landlord's rental registration after continued noncompliance. Condemnation orders are a last resort; according to city staff, they avoid condemnations because they take a lot of time and money and, more importantly, do not achieve the ultimate objective of an improved property. For more information, contact Bill Barthelemy, Bemidji Building Official, 218-759-3573.

Target Inspection Programs if Necessary

The final best practice for cities administering local codes is to target local codes and enforcement efforts to particular neighborhoods or to particular types of housing if resources do not permit addressing all housing. For example, as noted in Chapter 1, cities have taken different approaches to designing their rental inspection programs. Some cities inspect all rental properties while others restrict inspections to multi-family rental properties. Another example of targeting a program is to focus inspections in neighborhoods with housing in certain condition, such as housing that is structurally sound but shows signs of minor to moderate deterioration.⁴²

Faribault's time-of-sale inspection program applies only to mobile homes.

Faribault provides an example of a city that has targeted a local program to a particular type of housing. When the city adopted its time-of-sale program in 1998, it focused its program on mobile homes due to limited staff resources and concerns about the quality of mobile homes in the city. The city had four mobile home parks with many old and dilapidated homes and one half-time inspector who would be responsible for time-of-sale inspections in addition to rental inspections. City council members were concerned that people who had come to the city looking for jobs were unknowingly buying mobile homes in bad condition. The city involved mobile home park managers in the discussions leading up to the adoption of the program. A private inspector hired and paid for by the mobile homeowner conducts the initial time-of-sale inspection; the city inspector does the follow-up inspection. Faribault's director of Fire and Code Services believes that the city's mobile homes are in much better condition now than they used to be; he said the program is especially important because mobile homes burn so quickly. To duplicate Faribault's approach, a city needs to gain the cooperation of mobile home park managers who can distribute information about the program and help the city with its enforcement efforts. For more information, contact Mike Monge, Faribault Director of Fire and Code Services, 507-333-0396.

⁴² Schretter, *Ideas for Better Housing Code Enforcement*, 4; Meier, "Code Enforcement and Housing Quality Revisited," 266.

Proper administration of the State Building Code supports housing preservation.

Administer the State Building Code to Support Housing Preservation

Reducing barriers, either real or perceived, that the State Building Code erects for work on existing housing is the second regulatory strategy to preserve housing.⁴³ Because building codes focus on new construction, they can create problems, such as inconsistent application and added cost, when they are applied to work on existing structures.⁴⁴ For example, changing the exits in an existing building to meet the standards for new construction might “require the removal or alteration of otherwise sound structural elements, such as walls, floors, hallway partitions, and doors.”⁴⁵ Such changes would undoubtedly add costs to a rehabilitation project and might be a disincentive to undertaking work on the building. In addition, uncertainty over whether an individual building official will accept compliance alternatives to the standards for new construction might prevent a developer from undertaking the rehabilitation project. Building officials should follow the best practices described below in administering the building code.

RECOMMENDATION

Cities that administer the State Building Code should publicize code requirements, offer technical assistance, streamline the permit process, consider building code compliance alternatives, and ensure consistent application of the code.

Building officials told us that local governments can cover the costs of building code administration through the permit and plan review fees that they are allowed to charge, per the code. Cities that do not have enough building activity to support their own building official often contract for building code administration.

Publicize Building Code Requirements

Publicizing the State Building Code’s requirements is the first best practice in administering the code.⁴⁶ For example, building officials can make available handouts outlining which documents and information the contractor or owner is required to submit before a permit can be issued. Handouts can also clarify how

⁴³ The Minnesota State Building Code includes the *International Building Code*, the *National Electrical Code*, the *Uniform Mechanical Code*, and the state’s plumbing and energy codes, among others. In Minnesota, the State Building Code is required in the seven-county metropolitan area. While its adoption is optional in counties and cities in outstate Minnesota, communities that want to adopt a building code must adopt the State Building Code. Certain of the individual codes, such as the *National Electrical Code*, are mandatory statewide.

⁴⁴ The national literature identified two problems: (1) Application of code requirements to existing buildings relies on the discretion of local code officials. Alternatives to the code that were accepted by one jurisdiction—or even one individual in a jurisdiction—might not be accepted by another, resulting in unpredictability. (2) Some jurisdictions required that entire structures be brought up to standards for new construction when the value of the work to be done exceeded a proportion of the value of the building. This resulted in building code requirements accounting for a disproportionate share of total project costs.

⁴⁵ International Conference of Building Officials (ICBO), *Guidelines for the Rehabilitation of Existing Buildings* (Whittier, CA: ICBO, 2000), 40.

⁴⁶ National Institute of Building Sciences, *Rehabilitation Guidelines 1986, Volume 2: Guideline for Approval of Building Rehabilitation* (Washington, D.C.: U.S. Department of Housing and Urban Development, 1986), 2.

many inspections are required and when in a project's process they will be conducted. Building officials can also hold seminars to update contractors on changes to the State Building Code or to provide information on specific code requirements.

We asked city administrators and building officials whether they had handouts to help contractors and homeowners (such as pamphlets addressing common code mistakes or typical code provisions for remodeling).⁴⁷ According to our survey:

- **Ninety percent of 228 cities that have adopted the State Building Code had handouts available to help homeowners or contractors with the code's requirements. Small cities we surveyed were less likely than large cities to have handouts (75 and 97 percent, respectively).**

Awareness of State Building Code requirements is important.

During our interviews, building officials said that handouts are particularly useful to “do-it-yourselfers” who are unfamiliar with the building code. Some handouts include city-specific information, such as related zoning requirements. One downside with handouts is the time needed to occasionally update them to reflect changes in the building code. Nonetheless, all the building officials we interviewed recommended using handouts.

One city that uses several handouts to publicize code requirements is **Faribault**.⁴⁸ One handout explains what building permits are and gives a brief overview of the permit process. Other information sheets are project-specific, such as for window-well dimensions or stairway guardrails. The city has also created packets of information for projects. For example, the packet for “Garages/Sheds/Other Accessory Buildings” includes a permit application, a question-and-answer brochure covering the city's zoning requirements, a list of information required to receive a building permit, and a list of required



Faribault uses handouts to publicize State Building Code requirements for work on existing homes.

Many cities provide information to help “do-it-yourselfers” understand code requirements.

⁴⁷ This chapter's analyses of cities with the State Building Code exclude those answering “don't know” to the questions.

⁴⁸ Some examples are available on-line at: www.auditor.leg.state.mn.us/ped/2003/pe0305.htm.

inspections. Some handouts are made internally, but city staff freely admit to “borrowing” and personalizing other cities’ handouts or using ones developed by the Minnesota Department of Administration Building Codes and Standards Division. Support staff copy the handouts in small numbers and replenish them weekly or as needed. The cost is minimal, and inspectors said the handouts save time because they receive fewer questions. Homeowners seem relieved to be able to take a handout with them that contains a lot of the information they need; especially for those unfamiliar with the building code, it can be overwhelming. Building inspectors said handouts also help homeowners visualize some of the building requirements and give them something to reference if they have follow-up questions. For more information, contact Al Ernste, Faribault Building Official, 507-333-0347.

Melrose provides an example of publicizing code requirements through contractor seminars. For the past four years in January, the **Melrose** building official has offered a contractor education class. Eighty to 100 contractors typically attend. The building official designs a new class each year and gets it accredited through the Department of Commerce, enabling contractors to earn seven hours of professional education credits by attending the \$70 class. Often, the building official asks staff from the Department of Administration’s Building Codes and Standards Division to teach part of the class. Last year the building official had an expert teach a session on interior mold problems. In 2003, the session covered the new building code that the state adopted later in the year. The building official considers the contractor sessions an extremely valuable way to share the same information across cities and reduce the number of recurring questions. The sessions also expose contractors to the knowledge and expertise of the state’s Building Codes and Standards staff. To duplicate this practice, a city would need a building department with the time and determination to identify topics to cover, design the classes, get the classes accredited, and arrange for good speakers and any necessary accommodations. For more information, contact Rose Ann Inderrieden, Melrose City Administrator, 320-256-4278.

Offer Technical Assistance

Offering technical assistance on remodeling or rehabilitation projects prior to issuing a permit is a second best practice in administering the State Building Code.⁴⁹ Offering assistance at the front end of a project can avoid compliance issues arising later in the project.

One form of technical assistance is called preplan reviews. In their most formal sense, preplan reviews occur early in a project, before final plans have been developed. The reviews allow a building owner or his agent (such as the architect) to meet with the building official and any other city staff that might be relevant to the project. For example, in addition to the building official, staff from the fire, planning, and zoning departments might attend. These meetings allow the building owner (or agent) to get all of his questions answered at one time and allow staff to identify any issues or complications that they foresee before the final plans have been drawn. The meeting also allows all relevant departments to

Technical assistance at the start of a project can avoid code compliance issues later.

⁴⁹ Burby, May, and Paterson, “Improving Compliance with Regulations,” 325.

discuss issues, bringing city staff into agreement. Preplan reviews sometimes include a trip to the job site for visual inspection.⁵⁰

We asked building officials and city administrators if their jurisdictions offered preplan reviews, and according to our survey:

- **The vast majority of building officials offered preplan reviews.**

Of the 229 officials responding, only 9 percent said their cities did not provide preplan reviews.



Additions are one type of work covered by the State Building Code.

“Preplan” reviews identify code issues while projects are still in the planning stage.

During our interviews, building officials told us that formal preplan reviews are more common for complicated—often commercial or multi-family housing—jobs than for one- or two-family residential projects. Many building officials, however, provide informal reviews for smaller projects. Homeowners or do-it-yourselfers can meet with building code staff and get advice on how to deal with different situations that they may be facing in their projects. Although providing technical assistance requires more time on the front end of a project, which may be particularly difficult to find during construction season, several building officials noted that plan reviews save time in the long run and prevent problems from occurring.

⁵⁰ National Institute of Building Sciences, *Rehabilitation Guidelines 1986, Volume 2*, 5-7; and University of Illinois at Urbana-Champaign, School of Architecture, *National Survey of Rehabilitation Enforcement Practices* (Washington, D.C.: U.S. Department of Housing and Urban Development, June 1998); www.huduser.org/publications/destech/rehabsur.html; accessed August 13, 2002.

Cottage Grove provides one example of a city offering informal preplan reviews and preconstruction consulting for work on existing homes. According to the building official, these consultations are usually helpful to homeowners who are unfamiliar with the building code and are less necessary for contractors whose projects are already carefully thought through. For example, a homeowner may be considering finishing his basement and will bring his plans to the building office for review. The building official reviews the plan, considering whether sufficient information is provided in the plan and whether the owner seems capable of doing the work. If the building official sees structural issues of which the homeowner seems unaware, he may direct the owner to consult with a designer or contractor. If the plan addresses all relevant issues, however, the building official will issue the owner a permit following the informal review. Clerical staff responsible for intake of permit applications can answer many of the preliminary and general questions that permit applicants have, allowing the building official to spend his time answering the more technical questions. For more information, contact Bob LaBrosse, Cottage Grove Building Official, 651-458-2828.

The building official for **Kasson**, a city of 4,400 in southern Minnesota, offers preplan reviews for some work on existing housing, such as additions, remodeling, and house moving. According to the building official, an advantage of the reviews is that they eliminate problems while they are still on paper, which is a benefit to all involved. A person who would like a review contacts the building official, brings in a drawing, and explains the project's conditions. As part of the consultation, the building official may visit the project site. If someone is hoping to purchase and move a home, the building official prefers to visit the home before it is even purchased so he can help the potential homeowner identify all of the associated costs that could arise. For more information, contact Dan King, Kasson Planner and Economic Development Coordinator, 507-634-6328, or Jay Kruger, Kasson Building Official, 507-282-8206.

Make Building Permit Applications Convenient

Making application for a building permit as convenient and expedient as possible is a third best practice for cities administering the State Building Code.⁵¹ Most building officials and city administrators told us they are able to issue a permit within the day if a plan review is not required. Several cities have attempted to make the permit process as easy as possible.

Cities use various ways to ease the process of obtaining a building permit.

St. Paul has implemented "Contractor Express," a Web-based system allowing contractors to apply and pay for permits on-line for multiple repairs such as reroofing, residing, or roof repair.⁵² Contractors must preregister before they can use the system and city staff provide training on the system's use at the contractors' business. Permits are sent on-line to the applicant, to be printed and posted at the job site. Contractor Express saves contractors from spending the time to come into the building department for permits. This can be especially helpful when they need to apply for multiple permits. Mail or fax permits are also

⁵¹ David Ammons, *Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards* (Thousand Oaks, CA: SAGE Publications, 1996), 50.

⁵² Contractors may use Contractor Express only for projects that do not 1) require plan reviews, 2) include structural work, or 3) involve properties with historic designation.

available. Finally, applicants can check the status of their permits on-line.⁵³ For a city to implement a similar system, it would need to have the Web capabilities and expertise to support the system. For more information, contact Carrie Grengs, Procedures Coordinator, St. Paul Office of License, Inspections and Environmental Protection, 651-266-9056.

St. Louis Park employs permit technicians who can issue permits for projects that do not require plan reviews in addition to providing all counter services and scheduling of inspections. These employees have received training on the building code and are always in the office—unlike other building code staff who may be out conducting inspections—to issue permits to walk-in applicants. Cities considering whether to employ a permit technician should determine whether the volume of permit activity in their city could support the salary, benefits, and training the position would require. For more information, contact Brian Hoffman, St. Louis Park Director of Inspections, 952-924-2588.

Melrose's zoning coordinator and building official together created a booklet for contractors that includes information about the permit application process, describes how to figure permit fees, and offers samples of completed forms. According to the building official, the booklet speeds up the building permit process because contractors are better prepared when they apply for a permit. It also allows contractors to complete applications at their convenience instead of during the business hours of the Melrose Administration Office. For more information, contact Rose Ann Inderrieden, Melrose City Administrator, 320-256-4278.

Consider Building Code Compliance Alternatives

Consideration of building code compliance alternatives is another practice that building officials should follow to encourage work on existing housing.⁵⁴ Especially for work on existing buildings, building officials should consider modifications to code requirements when there are practical difficulties in carrying out the code and the modification complies with the code's intent.⁵⁵ In addition, building officials can exercise discretion in achieving compliance by considering alternate materials, designs, and methods.⁵⁶

Building officials we interviewed made it clear that granting modifications and approving alternatives do not allow people to get around code requirements. Instead, they believe these practices achieve compliance with the intent and purpose of the code, if not the prescribed requirements for new construction.

The State Building Code allows alternate materials and designs that meet the intent of the code.

⁵³ On-line permit information is available at: www.ci.stpaul.mn.us/depts/liep/helpweb/min_requirements2.html.

⁵⁴ University of Illinois at Urbana-Champaign, *National Survey of Rehabilitation Practices*.

⁵⁵ The State Building Code says building officials may grant modifications for individual cases if they find that the strict letter of the codes is impractical, the modification is in compliance with the intent and purpose of the code, and the modification does not lessen health, life, and fire safety or structural requirements. *Minn. Rules* (2003), ch. 1300.0110, subp. 12.

⁵⁶ The State Building Code says that building officials shall approve alternate materials, designs, and methods of construction if the alternatives comply with the intent of the code and are at least the equivalent of what is prescribed in the code in several areas (e.g., strength). *Minn. Rules* (2003), ch. 1300.0110, subp. 13.

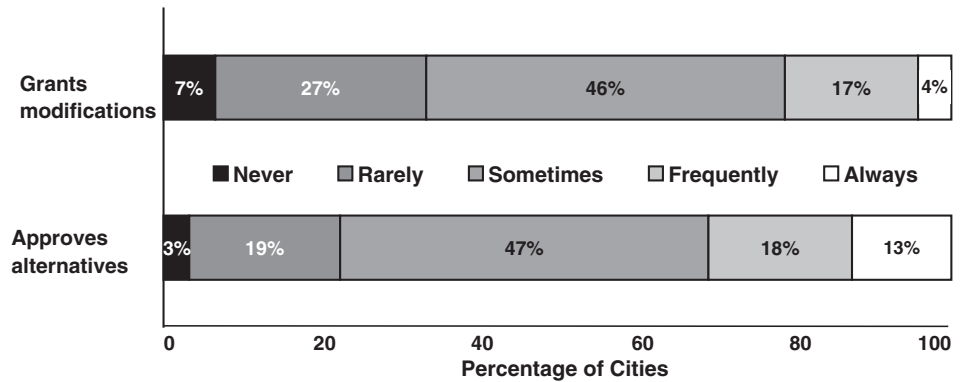
We asked building officials and city administrators whether their cities grant modifications or approve alternate methods, designs, or materials. As Figure 2.2 shows:

- **About two-thirds of the cities reporting how consistently they grant modifications to State Building Code requirements indicated that they at least sometimes do so. Over three-quarters of the cities providing information on their practices said they at least sometimes approve alternative materials, designs, or methods of construction.**

Code compliance alternatives are especially important for work on existing buildings.

Although questions about alternate materials are more of an issue with new construction, when a contractor or homeowner proposes using a new material to renovate an existing residence, building officials told us they consult their peers, the Building Codes and Standards Division at the Department of Administration, test results, engineering reports, and other resources to determine whether the new material meets the standards in the code. Building officials said that when they consider modifications, they assess items such as whether the modification concerns a life-safety issue.⁵⁷

Figure 2.2: Frequency of Cities Granting Modifications or Approving Compliance Alternatives to the State Building Code, 2001



NOTES: The question read: "Please indicate how consistently your jurisdiction does the following." We sent questionnaires to all cities with populations over 2,500 and 32 percent of smaller cities. Figure excludes those responding "don't know" or "not applicable." (Ns=213 for granting modifications and 214 for approving alternatives.) City administrators were more likely than building officials to report that their jurisdictions "never" grant modifications and "rarely" or "never" approve alternatives.

SOURCE: Office of the Legislative Auditor, Survey of Building Officials or City Administrators, October 2002.

⁵⁷ The *Guidelines for the Rehabilitation of Existing Buildings*, which is the basis of *Minnesota Rules* Chapter 1311, is supposed to help local officials make the determination of whether proposed modifications or alternate approaches meet the conditions required by the code by providing examples of acceptable alternatives. For example, if the stairway in an existing building is steeper than allowed by current codes, resources cited by the *Guidelines* suggest the building official accept the steeper stairs, considering other factors such as the uniformity of the steps and the people who will need to use the stairs in case of an emergency. They also suggest that handrails should be provided on both sides of the stairs and lighting should be improved if necessary. International Conference of Building Officials, *Guidelines for the Rehabilitation of Existing Buildings*, 58.

About half of **Roseville**'s 9,800 owner-occupied housing units are more than 40 years old. Roseville's permits coordinator said the age of the housing stock requires that his office allow modifications when practical difficulties arise and that it approve alternatives as allowed in the State Building Code. For example, if the stairway from the basement to the first floor of a home does not have the headroom required under current codes, a homeowner finishing the basement will not have to raise the ceiling to meet current standards as long as the home is compliant with the code under which it was built. Risks of not considering modifications and alternatives are that homeowners will decide against the work or do work on their homes without applying for a permit. Modifications and alternatives can cause disagreement in interpretations among building code staff, for which a city needs a resolution process. For more information, contact Don Munson, Roseville Permits Coordinator, 651-415-2120.

Ensure Consistency in Enforcement

Consistent enforcement is a final practice for administering the State Building Code.⁵⁸ Because multiple building code staff may be granting modifications and approving alternatives, it is important—especially within a jurisdiction—that they do so consistently. That is, if one inspector allows a basement stairway that is slightly narrower than what is required by the code for new construction, so should other inspectors confronted with similar circumstances. Consistency is important because it increases predictability, allows owners to make informed decisions about their preservation projects, and, in turn, aids compliance with the code.

Building officials we interviewed stressed the importance of presenting a consistent message to the public. A consistent message avoids charges of favoritism. Consistency throughout a project avoids frustration and an appearance of arbitrariness. For example, problems may arise when a plan reviewer approves a particular feature of a plan, but the inspector challenges it later.

Building officials can enhance consistency by using written policies and procedures, checklists for plan reviews and inspections, and reviews of staff work.⁵⁹ According to our survey:

- **A majority of cities we surveyed that have adopted the State Building Code said they took steps to encourage consistent application of the code.**

Consistent enforcement increases predictability and aids code compliance.

⁵⁸ Building Technology Inc., *Smart Codes in Your Community: A Guide to Building Rehabilitation Codes* (Washington, D.C.: U.S. Department of Housing and Urban Development, August 2001); and NAHB Research Center, Inc., Building Technology Inc., Koffel Associates, Inc., and Melvyn Green & Associates, Inc., *Nationally Applicable Recommended Rehabilitation Provisions (NARRP)* (Washington, D.C.: U.S. Department of Housing and Urban Development, May 1997); www.huduser.org/publications/destech/narrp/intro_narrp.html; accessed April 10, 2002.

⁵⁹ King County Auditor's Office, *DDES [Department of Development and Environmental Services] 1990 Code Enforcement Audit Follow-Up* (Seattle: King County Auditor, 1996); www.metrokc.gov/auditor/1996/ceupdate.htm; accessed July 24, 2002; Insurance Services Office, Inc., "Building Code Effectiveness Grading Schedule," 2000; www.isomitigation.com/BCEGS7.doc; accessed August 16, 2002; and National Institute of Building Sciences, *Rehabilitation Guidelines 1986, Volume 4: Guideline for Managing Official Liability Associated with Building Rehabilitation* (Washington, D.C.: U.S. Department of Housing and Urban Development, 1986), 8.

More than two-thirds of the city officials responding to the questions said they have written policies and procedures for plan reviews and permitting. About 60 percent of the cities responded that they have standardized plan review forms.⁶⁰

The **Morris** building official developed his own plan review guide, which is very extensive and covers items that he needs to check for all types of projects. Examples of items he checks include safety glazing and fire ratings of doors. As he goes through the plan review guide, he notes directly on the plan any questions or issues that need to be resolved. The building official revises the guide as he encounters ways to improve it. The Morris building official is the only building code staff, and the plan review guides help with consistency among projects. For more information, contact Sid Fossan, Morris Building Official, 320-589-3141.

About 72 percent of cities providing information on their practices responded that they have inspection checklists.⁶¹ For example, **Richfield** uses inspection checklists that the city has developed over many years with the input of numerous inspectors. According to Richfield's building official, the city has developed a fairly standard list that will cover most situations by getting the perspectives of many different inspectors. The building official feels the checklists have helped with consistency, but he uses other practices as well, such as occasionally pairing inspectors on inspections. To avoid having inspectors become too dependent on the checklist and miss things that are not on it, constant communication among inspectors and updating the checklist is necessary. For more information, contact Richard Regnier, Richfield Chief Building Official, 612-861-9862.

Finally, we asked building officials and city administrators how consistently they conducted periodic inspections of staff work to determine consistent application of the State Building Code. Seventy-one percent of jurisdictions responded that they at least sometimes check staff work.

Building officials mentioned several ways that they check on staff work and staff check on the building official's work. Some building officials occasionally accompany inspectors to job sites or conduct follow-up inspections. Others commented that the communication and consultation among the building official and staff to achieve consistency is also a way of reviewing each other's work.

Some local governments provide incentives for owners to preserve their housing.

Supportive Strategies

As discussed above, regulatory housing strategies encompass one set of best practices; supportive strategies that encourage or offer incentives to preserve housing involve another. We identified three main supportive strategies: providing access to financial assistance, providing access to information, and offering other direct housing preservation services. These are explained below.

⁶⁰ A greater percentage of building officials than city administrators said their jurisdictions had standardized plan review forms.

⁶¹ City administrators were more likely than building officials to say that their cities had standardized inspection checklists.

The particular strategies a city adopts should flow from its strategic planning.

Most supportive strategies provide public assistance that leverages additional investments from the property owners. Sometimes the additional investments come from property owners making improvements beyond the level of the public assistance. Other times nearby property owners may make improvements after seeing additions or improvements made by their neighbors.

How to pay for supportive strategies varies by local government. A small number of larger local governments receive federal funds such as community development block grants and HOME funds for housing purposes, including preservation. Some cities and counties have established HRAs, which have authority to issue bonds and levy property taxes. Some have used general fund sources, tax-increment financing, or established revolving funds using revenues from loan repayments or development fees. Others have relied on administrative fees allowed as part of state loan and grant programs or have formed partnerships with nonprofit housing organizations to gain access to funds or activities for preserving housing.

The supportive strategies that communities actually adopt should depend on the results of their strategic planning. Cities' housing needs and objectives will help determine whether offering subsidies or other direct services is appropriate.

Provide Access to Financial Assistance

Providing building owners with access to financial assistance is the first of the supportive strategies to encourage housing preservation. This is the most common supportive strategy used around the state, and it is the one around which nearly all state and federal housing assistance is structured. Other studies have demonstrated that economic constraints are a barrier to repair and rehabilitation, particularly for certain types of housing, such as rental units and the oldest housing.⁶²

RECOMMENDATION

In offering access to financial assistance, communities should consider partnerships that provide sufficient capacity to do the job well. Further, whether cities or their agents administer financing programs, they need to manage rehabilitation risks and identify prospective clients.

Explore Partnerships for Housing Rehabilitation Expertise

Exploring partnerships for rehabilitation expertise is one best practice related to offering financial assistance.⁶³ Funding the rehabilitation of housing can be complex. As explained in Chapter 1, the federal and state governments offer

⁶² David Listokin and Barbara Listokin, *Barriers to the Rehabilitation of Affordable Housing, Volume I: Findings and Analysis* (Washington, D.C.: U.S. Department of Housing and Urban Development, 2001), 4-5, 10-12.

⁶³ Harvard University, Joint Center for Housing Studies, *Listening to Leaders: A Report on the Fannie Mae Foundation Regional Issues Forums* (Cambridge, MA: Harvard University, May 2001), 17; and Rosana Hemakom, "Many Hands Make Light Work," *Journal of Housing and Community Development* (May/June 2001): 39-42.

Partnerships are important because not all jurisdictions have housing expertise.

myriad programs, each with its own requirements and eligibility standards. Further, successful rehabilitation funding often requires high levels of technical expertise to adequately plan rehabilitation, assess building conditions, prepare work write-ups and cost estimates, review bids from and monitor contractors, and oversee the process through to its conclusion.⁶⁴

Many cities may not have the expertise in house to administer financial assistance for housing rehabilitation. When their strategic planning suggests that offering financial assistance is appropriate, cities should explore partnerships or contracts with established housing organizations. Successful rehabilitation programs are most often found among experienced agencies that have been involved in a high volume of projects.⁶⁵ Cities may need to rely on counties, nonprofit housing agencies, or other outside experts. Housing collaborations may offer economies of scale as well as increased political power generated by joining forces.⁶⁶ Further, partnerships may be necessary to deal with particular issues, such as with health departments to handle environmental issues posed by lead-based paint, mold, and other hazardous conditions.

Many local housing organizations in Minnesota have formed partnerships. According to our survey,

- **About 89 percent of local housing organizations that are involved with preserving housing and have formed partnerships have done so for financing housing preservation.**

Table 2.4 shows the percentages of partnerships formed for financing and various other housing preservation activities.

Table 2.4: Local Housing Organization Partnerships, by Activity, 2002

| | <u>Percentage of Housing Organizations With Partnerships</u> |
|--|--|
| Financing home preservation projects | 89% |
| Offering expertise or information to building owners | 68 |
| Purchasing units for rehab and sale | 42 |
| Lending tools or supplies | 16 |
| Offering on-site home fix-up and repair | 12 |

NOTE: The question read: "For what types of services has your agency formed partnerships?" (N=73)

SOURCE: Office of the Legislative Auditor, Survey of Local Housing Organizations, October 2002.

⁶⁴ David Listokin, "Housing Rehabilitation and American Cities," in *Housing Policy in the New Millennium Conference Proceedings* (Washington, D.C.: U.S. Department of Housing and Urban Development, 2001), 369-371.

⁶⁵ Bennett L. Hecht, *Developing Affordable Housing: A Practical Guide for Nonprofit Organizations* (New York: John Wiley & Sons, Inc., 1999), 564.

⁶⁶ Thomas Bier, *Moving Up, Filtering Down: Metropolitan Housing Dynamics and Public Policy* (Washington, D.C.: The Brookings Institution, September 2001), 18.

The **Stevens County HRA** uses its housing experience in partnership with cities in the county. For example, over the years the HRA has overseen a number of grants from the state's Small Cities Development Program. In each case, the HRA worked with the city to identify its housing needs and then tailor financing to meet those needs. The HRA typically conducts a housing analysis within a city, perhaps with a windshield survey of building conditions, and then confirms its findings with city officials. Cities adopt a resolution of sponsorship and the HRA applies for the funds on their behalf. The arrangement works well because the HRA is knowledgeable about available financing programs and has the expertise to develop the applications; the cities are small and do not have those resources. The HRA's impact is especially visible in smaller communities where perhaps 10 percent of the 150 homes may have been rehabilitated with programs administered by the county HRA. In some situations, the Stevens County HRA partners with other regional agencies to tap their expertise. As an example, the HRA worked with the West Central Minnesota Housing Partnership and the Minnesota Housing Partnership on a project involving low-income tax credits. According to the HRA, making such partnerships work requires a willingness to engage in a great deal of advance work and the ability of partners to trust each other. For more information, contact Nora Jost, Stevens County HRA Executive Director, 320-589-7416.

Have the Capacity to Award Financial Assistance for Preserving Housing

Having the capacity to apply for and award financial assistance is a second best practice. Tied to the need for partnerships, when cities' strategic planning suggests that offering financial assistance is appropriate, cities need to determine whether they have the capacity to administer it. Special expertise is necessary to apply for and administer financial assistance. The provider needs to fully understand available loan, grant, and tax credit programs as well as traditional financing mechanisms.⁶⁷ As mentioned earlier, numerous financing arrangements exist for rehabilitation, each with its own requirements, standards, and eligibility guidelines. Those offering financial assistance must be familiar with all available financing arrangements to identify the one(s) best suited to local needs. Further, some properties may need multiple sources of financial assistance to pay for all of their identified building deficiencies. A home in need of weatherization, for instance, may also need a new roof. In these cases it is especially important for the provider to have a clear understanding of all possible funding sources.

Awarding financial assistance to preserve housing requires a full understanding of multiple, complex programs.

The **Bi-CAP** community action program serving Beltrami and Cass counties is an example of an agency with the capacity to administer multiple housing preservation programs. To apply for certain housing grants on behalf of cities, Bi-CAP works jointly with the Headwaters Regional Development Commission. The commission writes the grant proposals, based in part on property inspections Bi-CAP performs to determine the extent of needed rehabilitation work. Bi-CAP also screens grant applicants for eligibility and verifies their incomes, writes work orders for projects, solicits bids from contractors, and inspects the work. Bi-CAP has been able to help homeowners by using a variety of programs including the Small Cities Development Program and the Minnesota Housing Finance Agency's

⁶⁷ Multiple sources of financing are commonly used in rehabilitating housing. See: Mark Duda, *Federally Sponsored Rehabilitation Activity* (Cambridge, MA: Joint Center for Housing Studies of Harvard University, 2001), 5, 25.

(MHFA's) rehab program, or by referring clients to Community Fix-Up Fund loans or to programs such as those funded by the U.S. Department of Agriculture Rural Development. Bi-CAP also oversees programs for weatherization and energy related repairs. Bi-CAP has used the Minnesota Urban and Rural Homesteading Loan Program to buy, rehabilitate, and sell about 20 homes to at-risk families in its service area. Bi-CAP also administers the Home Stretch courses required of first-time home buyers receiving federal or state subsidies. According to Bi-CAP, having the capacity to administer multiple housing programs comes from years of experience with the programs and a willingness to work with other agencies that have special expertise. For more information, contact Terry Haugen, Bi-CAP MHFA/Small Cities Grant Coordinator, or Bill Dixon, Bi-CAP Weatherization Coordinator, 218-751-4631.

Provide Management Controls and Minimize Risks

Minimizing the risks of rehabilitation projects is a third best practice related to offering financial assistance. Home rehabilitation projects can be costly and time consuming. Limited resources coupled with great demand for rehabilitation funding underscore the need to control the projects and manage their risks. Even for limited selective rehabilitation, management controls may be necessary, such as for projects requiring multiple specialized contractors or repairs in many rooms.⁶⁸ Without a formal approach to these projects, the risk of expensive mistakes escalates.

Whether cities or agents working on their behalf administer financial assistance for rehabilitation, they need to actively manage the rehabilitation projects. This involves steps ranging from verifying clients' eligibility to estimating costs to closing projects upon their completion.⁶⁹ It may require housing rehab specialists to conduct inspections and perform other work. Financial assistance administrators can reduce financial, legal, and workmanship risks by, for example, matching project cost estimates with available financing and inspecting work before submitting final payments. Not all projects require the same level of control. Higher risk projects demand greater controls. Less control may be necessary, for instance, in situations where the building owner has the capacity to select and manage contractors effectively.

With rehabilitation projects, steps are needed to keep costs down and avoid mistakes.

Minnesota's local housing organizations involved with preserving housing actively managed thousands of rehabilitation projects in 2001, according to our survey. Depending on the type of project, the housing organizations reported using the following types of management controls: initial inspections of units to identify needed work, oversight of work plans for compliance with funding requirements to ensure that only eligible activities are funded, development of specifications for needed work, and on-site reviews of contractors' completed work.

⁶⁸ Hecht, *Developing Affordable Housing*, 556.

⁶⁹ Robert M. Santucci, managing editor, *Single Family Selective Rehabilitation* (New York: The Enterprise Foundation, 1991), 71-137; and Listokin, "Housing Rehabilitation and American Cities," 369, 378.

The **Central Minnesota Housing Partnership**, a nonprofit housing organization serving a 16-county area in central Minnesota, offers an example of strong management controls. It takes a “hands on” approach in its administration of the HOME Rental Rehab program.⁷⁰ This means that Partnership staff are involved with: initially identifying properties that may be eligible for HOME Rental Rehab funding; conducting inspections based on the housing quality standards set by the U.S. Department of Housing and Urban Development; developing the scope of work needed to rehabilitate the buildings; monitoring the work to determine that it is being done on schedule and as promised; and disbursing funds to contractors once the project is complete and has passed inspections. In addition, the Partnership may bring in additional expertise, such as hiring an engineer to add to the scope of work when the building needs structural changes.



Writing bid specifications and inspecting work that is underway help control risks.

When the Partnership first administered the HOME Rental Rehab program, its involvement was limited to approving the eligible projects and inspecting them when the work concluded. Since it adopted a more active management role, the Partnership is able to close out the rehab projects according to schedule while ensuring that program requirements are met and shortcuts that could lessen the quality of the final product are avoided. According to the Partnership, an active management role takes additional time and requires expertise in building preservation. The Partnership’s experience with HOME projects has allowed it to streamline its project management costs and cover them with the HOME program’s administrative fees. For more information, contact Sheri Harris, Central Minnesota Housing Partnership Housing Executive Director, 320-259-0393.

When St. Louis Park loaned money to improve a condominium’s common areas, the city took steps to minimize its risks.

An example of management controls of a different sort comes from **St. Louis Park**. In 2002 St. Louis Park designated a housing improvement area at the request of a condominium association known as Cedar Trails. The association sought the designation because its condominiums had been constructed in the early 1970s, and the association had no way to finance much-needed capital improvements to its building systems and common areas. Under the terms of the agreement, the city loaned \$1.36 million from its development fund to the Cedar Trails association to pay for the improvements. In planning the housing improvement area, St. Louis Park took steps to minimize its risks. The city required the association to get more than 50 percent of its 370 owners to sign

⁷⁰ See program information at: www.cmhp.net/HomeRentalRehabilitationProgram.htm.

a petition requesting a public hearing over the designation. Condominium owners will repay the loan over 10 years at a 6.3 percent interest rate. The fee that owners pay, that is, their loan payment, is included on their property tax bills. This provides a secure lien position for the city in the event of foreclosure, as the fee must be paid before the mortgage. As part of the designation, the city required the Cedar Trails association to develop a capital improvement plan and a financing plan. These were important to avoid having the association return to the city seeking more assistance for rehabilitation in future years.

The cost to the city of designating a housing improvement area and lending money included the cost of the loan, staff time, legal fees, and financial advisor expenses. Staff worked with the association over a two-year period on planning and implementing the arrangements. The city built most of its costs into the loan amount and will recoup them as the loan is paid back. Based on their experience, city staff believe a successful housing improvement area depends on significant commitments from both sides—political will on the part of the city council and a serious engagement by the condominium association. For more information, contact Kathy Larsen, St. Louis Park Housing Programs Coordinator, 952-924-2196.

Identify and Notify Prospective Clients

Identifying prospective clients is a fourth best practice related to offering financial assistance. Program administrators have to make sure that people most in need receive the appropriate help. Because most financial assistance is targeted to specific income levels and groups, administrators should have the means to identify eligible populations and communicate with them.⁷¹ In some cases this may mean receiving referrals from other departments in contact with prospective clients. In others, it may require developing communication strategies that reach eligible clients in their homes or likely venues (e.g., community centers, hardware stores, senior citizen centers).

In administering several housing weatherization and rehabilitation programs in southeastern Minnesota, as well as nutrition, transportation, and other services, **Semcac**, a community action agency in southeast Minnesota, markets its programs in a variety of low-cost ways. Because clients using one of Semcac's services are often eligible for others, Semcac can target its housing information to people most likely to be eligible for the help. Semcac inserts fliers describing the housing rehabilitation programs in mailings of applications for energy assistance (to pay home fuel bills); approved applicants receive additional mailings about other Semcac services. Semcac distributes its organization's fliers at social service agencies and food shelves, and its brochures are available at its satellite offices and senior dining locations around an 11-county area. In addition, Semcac publicizes the rehabilitation loans and other housing programs on its Web site and through public service announcements in newspapers, television, and over the radio. Program administrators also market the housing rehabilitation programs when they appear at public speaking engagements. The intensity of the marketing effort is cyclic, and Semcac devotes less time to it when the programs have few funds left to offer to clients. Semcac's experience shows that marketing can be

Those administering housing financial assistance programs should actively seek to identify eligible property owners.

⁷¹ Bobbie Christensen, "PR Strategies: A Sound Investment," *Journal of Housing and Community Development* (September/October 1999): 6-7.

cost-effective if done strategically in combination with other activities and at times it is most needed. For more information, contact Cindy Vitse, Semcac Community Development Coordinator, 507-864-7741.

Offer Access to Information

Offering access to information that improves housing is a second housing strategy that supports housing preservation.⁷²

Repair and remodeling information helps property owners preserve their housing.

RECOMMENDATION

Cities offering information on housing preservation should (1) seek opportunities to work collaboratively with other organizations holding similar aims, (2) identify the information needs of their residents, and (3) provide information through various media. In addition, they should provide owners with access to housing-preservation expertise.

As suggested earlier, many cities, and particularly smaller jurisdictions, will need to rely on others with housing expertise to actually provide services. The expertise required may extend beyond a city's in-house resources. To the extent cities rely on other housing organizations to provide information, they should ensure the organizations follow these best practices.

Work Collaboratively

Cities that choose to provide information on housing preservation should work collaboratively. Cities or their agents can gain efficiencies through partnerships with local housing organizations and other public agencies.⁷³ Collaborative efforts expand the number of people that have access to information and prevent individual organizations from duplicating services or "reinventing the wheel." Private sector firms can provide useful opportunities for collaboration, too. For example, they may participate in housing fairs or share their expertise by teaching seminars at the fairs. According to our survey:

- **Over two-thirds of housing organizations active in housing preservation indicated that they had partnerships with nonprofits, local businesses, or other local governments to offer expertise or information to building owners.**

St. Louis Park provides a good example of a city working collaboratively to provide housing information. This first-ring suburb in Hennepin County holds an annual Home Remodeling Fair with the cities of Hopkins, Minnetonka, and

Several Hennepin County suburbs work jointly to sponsor an annual home remodeling fair.

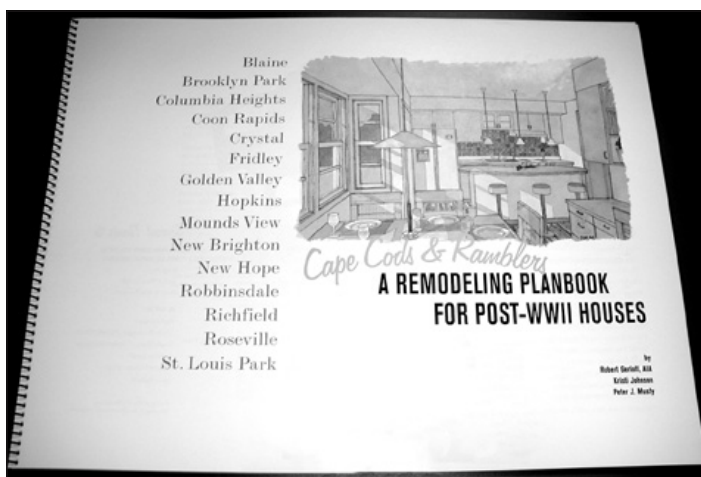
⁷² William M. Rohe, Roberto G. Quercia, and Shannon Van Zandt, *Supporting the American Dream of Homeownership: An Assessment of Neighborhood Reinvestment's Home Ownership Pilot Program* (Chapel Hill, NC: Center for Urban and Regional Studies, University of North Carolina at Chapel Hill, 2002), 45.

⁷³ For example, the Home Ownership Center provides training and technical support to local organizations in Minnesota that offer Home Stretch courses for first-time home buyers, part of which covers home maintenance and repairs. Since early 2001, the Center has coordinated the Home Stretch curriculum and training around the state.

Golden Valley and their respective community education departments. The fair includes a range of comprehensive seminars related to home maintenance and repair. Seminars at the 2003 fair included finishing lower levels, refinishing wood floors, and remodeling kitchens and baths. In addition to seminars, the fair includes vendors who pay registration fees to exhibit their products and services; it has city booths staffed by planning, housing, and inspections staff where, for example, the Inspections Department answers homeowners' building-code-related questions. City staff indicated that the fair is very popular with city residents; people will wait in line an hour to get their question answered at an "Ask the Expert" booth staffed by an architect or landscape designer giving free advice. Fees paid by vendor registrations support the cost of the fair, exclusive of the costs of staff time. For more information, contact Kathy Larsen, St. Louis Park Housing Programs Coordinator, 952-924-2196.

Identify Common Housing-Information Needs

The second best practice related to providing information is to determine what information homeowners and owners or managers of rental units need.⁷⁴ Cities or their agents should identify specific information needs and understand how needs vary for different populations. For example, first-time homebuyers might need preventive maintenance information, growing households might need advice on remodeling, "mom and pop" landlords might need guidance on how to budget for system upgrades, and low-income homeowners might need information about financing home repairs or improvements.⁷⁵



Several metropolitan-area cities collaborated on a remodeling planbook.

Homeowners need different housing information than landlords.

For example, when **Morris** started its rental inspection program in 1998, the city became aware that some landlords needed basic information about managing their rental properties. Because about 46 percent of the almost 2,000 occupied housing units in the city is rental housing, it was important to the city that those units be

⁷⁴ There is broad consensus that education for homeowners after they have purchased homes should include maintenance and inspection schedules, do-it-yourself repairs, dealing with contractors and trades people, and energy conservation. See: Alan Mallach, *Home Ownership Education and Counseling: Issues in Research and Definition* (Philadelphia: Federal Reserve Bank of Philadelphia), 22-24; www.phil.frb.org/ccacapubs/homeowner.pdf; accessed March 10, 2003.

⁷⁵ A list of published materials available from various sources for homeowners and landlords is available in: Neighborhood Reinvestment Corporation, *Annotated Reference Guide for the Campaign* (Washington, D.C.: Neighborhood Reinvestment Corporation, August 2001), 10-15.

managed well. The Morris Housing Authority, which administers the rental inspection program, became an information resource for landlords. The Housing Authority had experience as the “landlord” for the city’s housing for the elderly and could provide landlords with information that they were unable to find elsewhere. For example, the Morris Housing Authority advises landlords of the importance of having written lease agreements and putting security deposits in a separate account so funds are available when the deposits have to be returned. It has also drawn up sample damage deposit forms and rental-unit-condition checklists and authors a newsletter that it e-mails to all landlords in the city. The Housing Authority also refers landlords and tenants to the State Attorney General’s publication *Landlord and Tenants: Rights and Responsibilities*, an informational booklet on the landlord and tenant laws of the state of Minnesota.⁷⁶ For more information, contact Melanie Fohl, Morris Housing Authority Director, 320-589-3142.

Information providers should recognize that the timing of building repair and improvement information is important: homeowners want weatherization information at the time of the home heating season and plumbing repair information when they have leaky pipes. As an example, to help first-time home buyers who have been in their homes awhile and begin to see problems, the Rochester/Olmsted Community Housing Partnership distributes a *Home Maintenance Manual* with information on maintaining homes’ building systems, such as plumbing and electrical systems; it also publishes a quarterly newsletter with home maintenance information and seasonal tips.⁷⁷ Cities also should determine whether meeting their residents’ needs requires providing information in languages other than English.⁷⁸

Melrose offers an example of a city that has provided timely building permit information to its residents and has also considered the information needs of its non-English-speaking rental residents. This city of about 3,100 in central Minnesota publishes a notice each year in its city newsletter, the *Melrose Messenger*, reminding residents of the need to obtain building permits for commercial and residential building improvements. Staff usually include the reminder in the spring newsletter, when people are most likely thinking about home improvements. Melrose also used its newsletter to remind residents about the city’s rental inspection program, providing information in both English and Spanish. For more information, contact Rose Ann Inderrieden, Melrose City Administrator, 320-256-4278.

Some housing information may need to be communicated in multiple languages.

⁷⁶ See the booklet at: www.ag.state.mn.us/consumer/PDF/Landlord_Tenants_2003.pdf.

⁷⁷ The manual was prepared as a volunteer project by retired 3M employees through “3M Cares Community Action Retired Employees Services.” The Rochester/Olmsted Community Housing Partnership received permission to reprint and distribute it.

⁷⁸ The American Homeowner Education and Counseling Institute recommends that curricula for homeownership training be available in multiple languages. See: George W. McCarthy and Roberto G. Quercia, *Bridging the Gap Between Supply and Demand: The Evolution of the Homeownership, Education and Counseling Industry* (Washington, D.C.: The Research Institute for Housing America, 2000), 23.

Offer Information in Various Ways

Communicating housing information in various ways is a third best practice for offering information on housing preservation. Cities or their agents should support a variety of information modes because people learn in different ways; some need detailed written instructions, while others require hands-on demonstrations.⁷⁹ Chapter 1 described different types of housing preservation information that were offered or supported by cities and housing organizations such as written maintenance manuals and remodeling planbooks, workshops and presentations to civic groups, and housing improvement or remodeling fairs.

- **Of the 125 cities and housing organizations providing or supporting information on housing maintenance and preservation, more than 40 percent (52 organizations) had four or more different means of providing the information. Twenty-three organizations had at least eight.**

Cities offer housing information in workshops, maintenance manuals, remodeling planbooks, public presentations, and home improvement fairs.

Richfield and the Richfield HRA offer housing maintenance information to the city's 34,500 residents in numerous ways. Among other things, the HRA offers tip sheets on topics such as "finding and investigating a contractor" and "securing bids from contractors." It offers a contractor referral list as well as a remodeling planbook that was the result of a 15-city collaboration.⁸⁰



Homeowners attend Richfield's remodeling fair.

The Richfield HRA has a Remodeling

Advisor who meets with homeowners in their homes to discuss their remodeling options and gives the homeowners a remodeling manual and information on financing programs. Richfield has held the Richfield Remodeling Fair for

⁷⁹ A study of homeowner counseling provided prior to purchasing homes concluded that counseling's effectiveness is greatly influenced by how it is delivered, with face-to-face and classroom counseling being far more effective than telephone counseling or home study. See: Abdighani Hiram and Peter Zorn, *A Little Knowledge is a Good Thing: Empirical Evidence of the Effectiveness of Pre-Purchase Homeownership Counseling* (Cambridge, MA: Joint Center for Housing Studies of Harvard University, August, 2001), 2, 13-14. Similar studies were not available on post-purchase education.

⁸⁰ See the tip sheets at: www.ci.richfield.mn.us/homebusiness/remodeling/tipsheets/tipslinks.htm. See the contractor referral list at: www.ci.richfield.mn.us/homebusiness/remodeling/neighhelpneigh.htm.

12 years, with 2,000 or more people attending the fair each year. About 2,000 people also attend an annual Parade of Homes project, which city staff believe is a good marketing opportunity for the Richfield HRA programs because new homes often provide remodeling ideas to owners of older homes. To publicize housing programs and events, staff use the city newsletter and Web site and inserts in utility bills. For more information, contact Pam Bookhout, Richfield Rehabilitation Specialist, 612-861-9778.

Provide Access to Expert Information

Providing access to expertise on rehabilitating housing that is outdated or in disrepair is a fourth best practice. Lack of information and know-how may be a deterrent to rehabilitating properties or preventing deterioration in the first place.⁸¹ In communities where strategic planning identifies a need for access to information on planning and carrying out home rehabilitation and renovation projects, cities should consider providing access to housing expertise or working with agents to provide it on the cities' behalf.

As one example of offering housing expertise, **St. Louis Park** used an intermediary to offer house-improvement information to homeowners in 2001-02 following the city's visual inspection of all single-family home exteriors. The city's inspections department had conducted the inspections to determine the scope of properties in violation of the city's property maintenance code. When city inspectors contacted homeowners about the violations, they informed owners of services available to assist with improvements. Part of the assistance was technical advice, for which the city contracted with the Center for Energy and Environment (CEE), a nonprofit organization with rehabilitation and finance expertise. Homeowners who wanted assistance received visits from a CEE rehab specialist who discussed home improvement options and provided technical expertise and advice. The rehab specialist would inform homeowners about what was needed to remedy the exterior property violations and, at the owners' request, would conduct an interior analysis of the homes. Using grant funds from the Minnesota Housing Finance Agency, CEE was also able to offer financial assistance to homeowners in the form of deferred loans for the lowest income homeowners and discounted fix-up loans for other owners. The city provided matching funds for the deferred and discounted loans using its Housing Rehabilitation Fund.⁸² Making a similar arrangement work elsewhere would require the availability of an organization with housing-improvement and finance expertise and willingness of the city and state to work on an effective partnership. In St. Louis Park, the project also required an ongoing city commitment to its strategy for property maintenance. For more information, contact Kathy Larsen, St. Louis Park Housing Programs Coordinator, 952-924-2196.

Rehabilitation specialists helped homeowners who wanted assistance to correct violations of the property maintenance code.

⁸¹ Listokin and Listokin, *Barriers to the Rehabilitation of Affordable Housing*, 6, 9. This can be a particular problem for lower-income homeowners; see: Josephine Louie, Eric Belsky, and Nancy McArdle, *The Housing Needs of Lower-Income Homeowners* (Cambridge, MA: Joint Center for Housing Studies of Harvard University, 1998), 38.

⁸² The fund receives revenues from certain fees charged to private developers.

As mentioned earlier, the **Richfield HRA** offers the services of a Remodeling Advisor to city residents who have questions about renovating their homes.⁸³

The person who contracts with the HRA as the Remodeling Advisor has a background in the building industry (in cost estimating and



Richfield's Remodeling Advisor talks to a homeowner during the remodeling fair.

system analysis) but is not employed as a contractor. Upon request, the Remodeling Advisor schedules visits in people's homes and answers questions they have concerning renovations, ideas for remodeling, and general cost estimates. He will help owners prepare a remodeling action plan, and, if asked, he will assist them in reviewing contractors' bids to make sure they are equivalent. The service is offered at no charge to the homeowner. Richfield pays the Remodeling Advisor an hourly rate typical for an outside consultant, and has budgeted \$6,000 for the services in 2003. Since 1993 the Advisor has made more than 800 home visits and more than 800 other homeowner contacts. A dedicated voice-message line ensures that homeowners can get in direct contact with the Advisor. The Richfield HRA has also used the Remodeling Advisor's services in implementing a grant for upgrading apartment buildings.

Richfield provides residents a "Remodeling Advisor" for advice on renovating their homes.

Homeowner feedback has been positive and supportive. Richfield has found that the Remodeling Advisor helps owners overcome some of the intimidation and uncertainty they may feel at the beginning of a remodeling project; there is no "hard sell" with the information provided. According to staff, the success of the Remodeling Advisor depends greatly on the person providing the advice; it is important to retain a person who is knowledgeable, personable, and can give homeowners advice without telling them what to do. Besides contracting with the advisor, the HRA's role is publicizing the service and periodically evaluating it. For more information, contact Bruce Nordquist, Richfield Housing and Redevelopment Manager, 612-861-9777.

Offer Access to Direct Housing Preservation Services

Offering access to direct services that improve housing is a third strategy to support housing preservation.

⁸³ The South St. Paul HRA has offered the Remodeling Advisor service to homeowners in that city since 1997.

RECOMMENDATION

Cities that offer access to repair and rehabilitation services need to manage the planning, implementation, and marketing of the services.

Governments' repair and rehabilitation services typically assist low-income property owners.

Offering direct housing preservation includes services such as weatherization; minor repairs; and acquiring, rehabilitating, and selling housing units. These services are typically aimed at building owners who cannot provide their own maintenance or afford its cost.⁸⁴ As an example, many community action agencies around Minnesota offer weatherization services to low-income homeowners and renters.

Effectively providing these services involves numerous steps and often requires professionals who have experience in overseeing the stages of 1) program planning, 2) production of the service, and 3) marketing. For projects involving home acquisition and rehabilitation, for instance, important practices include: setting guidelines on what types of properties will be considered, thoroughly analyzing the selected properties, constructing complete budgets that include direct costs and overhead expenses, managing the projects to control the risks of the rehabilitation, marketing the product to potential users, and supporting the new occupants in their maintenance of the properties. Resources are available that specify what is needed for these efforts.⁸⁵

Acquiring and rehabilitating homes for resale is not as common around the state as offering financial assistance for rehabilitation, but it occurs both in the metropolitan region and outstate Minnesota. From our survey we learned that:

- **Of the 83 local housing organizations that are involved in preserving housing, 40 percent indicated they acquired and rehabilitated single-family housing in 2001 for resale; 11 percent purchased and rehabilitated multi-family housing.**

The **Central Minnesota Housing Partnership** provides an example of offering direct preservation services. In the late 1990s, the Partnership began overseeing properties that had been purchased by communities intending to rehabilitate and resell them to eligible, at-risk families. The Partnership became involved to ensure that the loan payments were placed into a revolving fund to be used for purchasing and rehabilitating additional homes. It also wanted to ensure that the homes received adequate maintenance to avoid deterioration to the point of once again needing substantial rehabilitation.

To identify potential properties for the purchase and rehabilitation program, the Partnership depends on contacts in local communities. During the production

⁸⁴ Louie, Belsky, and McArdle, *The Housing Needs of Lower-Income Homeowners*, 5-7, 38.

⁸⁵ For example, the Enterprise Foundation, a nonprofit organization focusing on affordable housing, provides detailed information on the considerations and requirements for acquisition and rehab programs. See for example: The Enterprise Foundation, *Acquisition and Rehab for Resale*; <http://www.enterprisefoundation.org/resources/dss/singlefam/default.asp>; accessed June 13, 2002; and The Enterprise Foundation, *2 to 4 Acquisition/Rehab*; www.enterprisefoundation.org/resources/dss/2to4/default.asp; accessed June 13, 2002.

stage of a project, the Partnership maintains close controls to make sure the rehabilitation is done adequately and on schedule. It inspects the properties, develops the work specifications, monitors the progress of the work, and oversees contractor payments. To identify potential homebuyers, the Partnership relies on local service agencies, such as Lutheran Social Services or neighborhood groups. These local groups understand their clients' needs and can direct to the housing program those applicants who have the ability to take on homeownership. After the properties have new owners, the Partnership makes semi-annual visits to work with the owners on properly managing the house as well as to address other social service needs that may arise. To fund the projects, the Partnership relies on Minnesota Urban and Rural Homesteading grants from the state combined with support from the Initiative Foundation. According to the Partnership, making the program work requires time, property management expertise, and an understanding of options for dealing with social service needs of the homes' occupants. For more information, contact Sheri Harris, Central Minnesota Housing Partnership Housing Executive Director, 320-259-0393.

Service providers need experience in planning, producing, and marketing housing repair and rehabilitation services.

Another example of direct preservation services comes from **Semcac**, a community action agency serving southeast Minnesota. In addition to a variety of housing rehabilitation and information programs, Semcac has administered weatherization programs for more than 20 years. Semcac staff who are trained as rehabilitation specialists conduct energy audits for eligible homeowners throughout an eight-county area where no other provider is offering the service. Besides the inspectors, the agency has three three-man crews who provide the weatherization services. As part of the weatherization program, Semcac staff will clean and tune the home's furnace if the work is needed and no larger repair is required. (For major furnace repairs, the inspector will refer the owner to the energy-related repairs program, which Semcac also administers through the Energy Assistance Program.) Energy inspectors also provide heating system evaluations, attic and sidewall insulation, weather-stripping, and window and door repairs to low-income owners and renters. Program funding comes from the Department of Energy and the state's conservation improvement program (known as CIP). To be successful, the weatherization program is staffed with trained professionals who are not only knowledgeable about weatherization but are also familiar with other housing-improvement programs to assist clients. For more information, contact Susan Thompson, Semcac Weatherization Coordinator, 507-864-7741.

Evaluate Housing Strategies

Following implementation of housing strategies, evaluation is recommended.⁸⁶ Whether a city's strategies include housing-information services, property maintenance codes, financial assistance, or direct rehabilitation services, it should periodically review the strategies.

⁸⁶ Government Accounting and Standards Board, "Service Efforts and Accomplishments; Introduction to Performance Measurement"; <http://www.seagov.org/perfmeasures/index.html>; accessed July 22, 2002.

RECOMMENDATION

Cities that have implemented strategies to preserve housing should periodically evaluate them to determine how well they meet housing objectives.

In evaluating, city staff (or the city's agent) should analyze the strategies' costs and effectiveness. They should determine whether the initiatives fulfill the housing objectives that were defined at the time the city planned and set its housing responses.⁸⁷ When a strategy does not meet housing objectives, an evaluation should reveal whether to modify the strategy or discontinue it.

Evaluations can uncover mismatches between programs and objectives produced by ongoing changes in housing programs, public resources, demographics, and the housing market. Evaluating on a periodic basis allows a city to make changes to its involvement as appropriate. For instance, in some parts of Minnesota, low interest rates and accelerating home values in recent years have sparked private investors' interest in buying, repairing, and reselling dilapidated homes. This activity may influence a housing organization's ability or need to purchase and rehabilitate the homes.

Periodic evaluations can help a city modify or discontinue a housing strategy.

St. Louis Park provides an example of a city that changed its housing inspection practices following a review of its activities. A residential survey in the late 1990s indicating that nearly one-quarter of St. Louis Park's residents believed blighted buildings were a problem in the city provided the stimulus for the city to reassess its property maintenance and code enforcement activities. The city previously had adopted only a few chapters of the 1988 Uniform Housing Code that applied exclusively to housing and, without adoption of the complete code, lacked sufficient substance to be used effectively.

The city council decided to adopt an amended version of the International Property Maintenance Code (IPMC) that would apply to all types of buildings, not just houses, and provide clearer administrative authority to correct maintenance problems. In evaluating how to make the code work well for St. Louis Park, the council studied both what the IPMC was missing as well as what provisions of the code the city did not need. For instance, the model code limited the number of persons per housing unit based on the number of bedrooms in the unit. The city council decided that provision was unimportant as long as other concerns, such as the availability of proper egress windows and smoke detectors, were met and the owner maintained the property in good condition.

The city council's work also led to changes in property inspections within St. Louis Park. It passed a standard operating procedure governing the city's actions in inspecting properties—including time-of-sale inspections, rental unit licensing inspections, inspections in response to complaints, and general observation of deteriorated property conditions—and made sure that all buildings were inspected to the same code. The city began using only city inspectors to conduct time-of-sale inspections of homes and businesses for improved

⁸⁷ U.S. General Accounting Office, *Partnership Projects*, 45.

uniformity and to address all requirements of the Property Maintenance Code. (Previously, a property seller was required to select and hire an independent housing inspector.) Fees for service fully support the additional staffing costs. According to city staff, making a similar effort work elsewhere requires a city council that strongly supports the initiative. For more information, contact Brian Hoffman, St. Louis Park Director of Inspections, 952-924-2588.

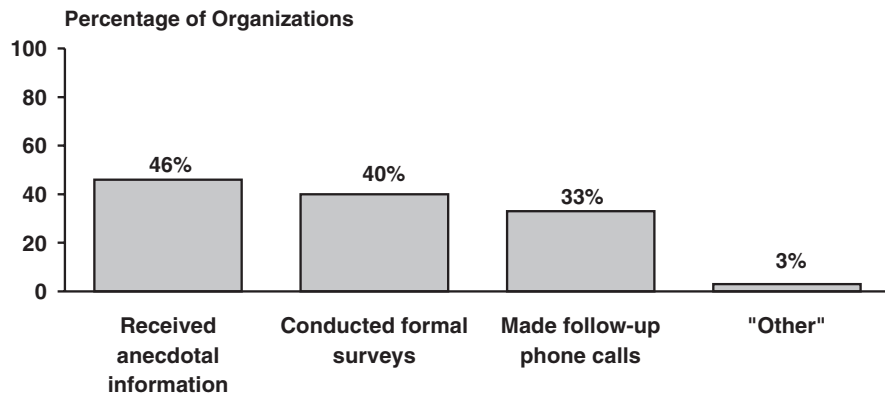
How cities measure success depends on the goals and objectives they set for themselves. One measure of success for a housing information initiative, for example, is the number of building owners who translate the information they receive into results (that is, by undertaking repair projects or adopting long-term maintenance plans). We asked local officials from cities and housing organizations whether they measured the effectiveness of the housing information programs they supported. We learned that:

- **Sixty-one percent of cities and housing organizations that offered or financially supported information programs measured effectiveness in some way.**

Cities use various methods to evaluate housing strategies.

The methods for evaluating success varied. As Figure 2.3 shows, about 40 percent of respondents indicated that they conducted formal surveys of people receiving information. During our interviews cities mentioned surveying attendees of their home-improvement fairs. Housing organizations that offer Home Stretch classes to prepare first-time homebuyers for purchasing a home also survey attendees. According to the Home Ownership Center, a nonprofit agency that oversees Home Stretch classes in Minnesota, evaluations from class participants have consistently indicated that the sessions on home maintenance are among the most useful.

Figure 2.3: Methods Used to Measure Effectiveness of Information Programs, 2001



NOTES: The question read: "In what ways, if any, did [you] attempt to determine the effectiveness of housing information or educational opportunities [you] offered or supported financially?" We sent questionnaires to all cities with populations over 2,500, 32 percent of smaller cities, and all local housing organizations. Table includes only those indicating they offered or financially supported housing-preservation information. (N=123)

SOURCES: Office of the Legislative Auditor, Surveys of Building Officials, City Administrators, and Local Housing Organizations, October 2002.

Study Methodology

APPENDIX

This appendix outlines the methodology we followed to carry out the best practices review of preserving housing in Minnesota. It explains the steps we took and a general timeline of the study. As described below, we relied on input from a technical advisory panel of housing officials. We conducted background research, interviewed local and state officials, identified measures of performance, conducted two surveys, and, finally, visited a limited number of local housing organizations and building officials for in-depth interviews on their best practices.

TECHNICAL ADVISORY PANEL

At the beginning of the project we formed a technical advisory panel to offer expertise, review draft materials, and provide feedback during the study. The technical advisory panel provided a vital link between staff doing the research and representatives of the local organizations most closely affected by the study. The 18-member panel contained people from regions both inside and outside the Twin Cities metropolitan area, as well as communities of different sizes. Table A.1 lists the members. Some members were affiliated with housing and redevelopment authorities, others with planning departments, some with nonprofit agencies, and still others with code enforcement departments. Members from state agencies included representatives of the Minnesota Housing Finance Agency and the Department of Trade and Economic Development. Representatives of the Building Codes and Standards Division in the Department of Administration also participated in most meetings.

Technical panel members volunteered their time during five meetings over the course of the study. They also responded to questions and requests for information on an individual basis. Members helped define and rank a list of the most serious barriers they encountered in preserving housing. They reviewed and commented on several draft documents, including the draft report, and provided input on disseminating the final report. We are indebted to panel members for their advice and help throughout the study. Panel members may or may not agree with the recommendations of our study, and the Legislative Auditor's Office remains responsible for the report's contents.

BACKGROUND RESEARCH

Starting the research involved identifying numerous agencies and organizations connected to housing issues in Minnesota. We invited representatives from many of these agencies, as well as interested legislators and legislative staff, to a roundtable discussion intended to help define the scope of the study. Twenty-two

Table A.1: Technical Advisory Panel Members, 2002-03

Janine Atchison, District Supervisor, Housing Inspection Services, City of Minneapolis

Carol Carey, Executive Director, Historic Saint Paul

Mike Fisher, Community Development Director, Tri-County Action Program (Tri-CAP)

Rick Goodemann, Director, Southwest Minnesota Housing Partnership

Gary Grabko, Construction Administrator, St. Paul Planning and Economic Development

Gordon Grabow, Director, Detroit Lakes Housing Authority

Patricia Gustafson, Executive Director, Minnesota Chapter, National Association of Housing and Redevelopment Officials

Chip Halbach, Executive Director, Minnesota Housing Partnership

Les Henson, Community Development Manager, St. Cloud Housing and Redevelopment Authority (HRA)

Leona Humphrey, Community Development Representative, Department of Trade and Economic Development

Kathy Larsen, Housing Programs Coordinator, Community Development Department, City of St. Louis Park

Jim Mlodozyniec, Lead Housing Inspector, City of Duluth

Bruce Nordquist, Housing and Redevelopment Manager, City of Richfield/HRA

Al Olson, Manager of Construction Inspections Services, City of Minneapolis

Cherré Palenius, Project Coordinator, Minneapolis Community Development Agency

Kathy Patterson, Lending and Development Manager, Arrowhead Economic Opportunity Agency

Susan Ude, Housing Development Officer, Minnesota Housing Finance Agency

Joe Wheeler, Executive Director, Southeastern Minnesota Multi-County HRA

NOTE: Thomas C. Anderson, Assistant Director of the Building Codes and Standards Division in Minnesota's Department of Administration, and other members of that division also provided assistance.

people with local, state, or federal affiliations participated in the roundtable on May 13, 2002. Participants described the housing issues that they felt would be important to consider during the study.

To gain a deeper understanding of housing programs and the factors that influence the preservation of housing, we used a variety of sources. We started with an extensive review of literature and Web sites pertaining to housing preservation. We also researched state statutes and federal laws on legal requirements regarding housing programs and entities as well as activities affecting housing, such as tax policies and property condemnation proceedings. To learn about purely local initiatives that contribute to the preservation of housing, we collected information

on Minnesota cities that have property maintenance codes or conduct inspections of rental properties, among other activities.

To identify trends affecting local efforts to preserve housing, we collected and analyzed Census data, primarily from 1990 and 2000. Some of the variables we used included population, housing units, households, median year housing unit was built, and median income levels. Data from the 1989 and 1998 American Housing Survey provided information on housing conditions, albeit for only a limited portion of the state.

Interviews

A large part of the background research consisted of personal interviews with a variety of local housing organizations in different parts of the state. From the interviews we learned more about the housing agencies that exist, their roles in preserving housing, the programs they administered, and differences in activities from region to region. Table A.2 lists the interviewed agencies, which were affiliated with cities, central-city neighborhoods, counties, housing and redevelopment authorities, nonprofit housing organizations, community action agencies, and regional development commissions. In addition, we spoke with representatives involved with housing rehab programs from the Minnesota Housing Finance Agency and the Department of Trade and Economic Development.

We also interviewed several people at state and local government levels to learn more about particular issues that could affect preserving housing. We discussed: the preservation of historically significant buildings; the State Building Code and the *Guidelines for the Rehabilitation of Existing Buildings*; agencies and

Table A.2: Agencies Providing Background Interviews, 2002

| Agency | Location |
|--|--------------|
| Arrowhead Economic Opportunity Agency | Virginia |
| Arrowhead Regional Development Commission | Duluth |
| Carver County HRA | Chaska |
| Center for Energy and Environment | Minneapolis |
| City of New Hope | New Hope |
| Dayton's Bluff Neighborhood Housing Service | St. Paul |
| Family Housing Fund | Minneapolis |
| Fergus Falls/Otter Tail County HRA | Fergus Falls |
| Greater Metropolitan Housing Corporation/Housing Resource Center | Shoreview |
| Minneapolis Community Development Agency | Minneapolis |
| Minneapolis Planning/Heritage Preservation Commission | Minneapolis |
| Northside Residents Redevelopment Council | Minneapolis |
| Rochester/Olmsted Community Housing Partnership | Rochester |
| Southeastern Minnesota Multi-County HRA | Wabasha |
| Southwest Minnesota Housing Partnership | Slayton |
| Three Rivers Community Action, Inc. | Zumbrota |
| Twin Cities Local Initiatives Support Corporation (LISC) | St. Paul |

foundations that support HRAs and other housing organizations; and Minnesota's tax policies affecting home improvements, primarily the "This Old House" legislation, which, until its expiration in January 2003, excluded from taxation certain property improvements made to older homes.

MEASURES OF PERFORMANCE

To help identify effective methods of preserving housing, we researched guidelines and standards recommended by national, state, and local housing experts. From this research, we developed measures of performance to help assess the outcomes and effectiveness of housing initiatives. The Technical Advisory Panel reviewed the measures in August 2002, and we later modified them based on its input. The measures are available on-line at <http://www.auditor.leg.state.mn.us/ped/2003/pe0305.htm> for readers interested in possible ways to measure performance in preserving housing and for communities interested in evaluating their own initiatives.

The performance measures became the source of information for developing questions for two surveys, which are discussed below. We used the measures as the foundation for a model of best practices. The best practices for preserving housing described in Chapter 2 evolved from the measures; the Technical Advisory Panel reviewed a draft list of the practices in November 2002. Using the performance measures, we could compare local jurisdictions' involvement with housing preservation and identify those using best practices.

SURVEY METHODOLOGY

For more information on housing initiatives, we surveyed cities and local housing organizations around the state. We surveyed these groups for information on their level of involvement in housing and to identify jurisdictions using best practices. To do this, we developed two separate surveys. One was of HRAs and other local housing organizations. The second focused on building officials or city administrators in a large sample of Minnesota cities. Copies of the survey instruments and aggregate survey results are available over the Internet at <http://www.auditor.leg.state.mn.us/ped/2003/pe0305.htm>. Tables listing the organizations receiving the survey, as well as those who responded, are also available at the Web site.

Local Housing Organizations

To survey local housing organizations we developed a list of agencies likely to be involved in preserving housing. On this list were members of the Minnesota Chapter of the National Association of Housing and Redevelopment Officials as well as the Minnesota Association of Local Housing Finance Agencies. We also included community action agencies around the state and regional development commissions whose Web sites indicated they served housing functions. Anyone

who had recently applied for a Small Cities Development Program grant from the Department of Trade and Economic Development was also included.

In the survey's eight-page questionnaire were questions on: whether agencies were involved in preserving housing, the number of housing units they assisted, the types of assistance they offered, partnerships they had formed, and information on their staffing and revenues. Respondents had a choice of either completing the questionnaire on-line using the Internet or filling out a paper version and returning it by mail. Both formats contained identical questions. Before mailing the questionnaires, we tested them with a small number of local officials to identify wording and format problems. Outside reviewers also tested the on-line version of the questionnaire for technical feasibility. On September 24, 2002 we mailed the surveys, along with a cover letter explaining the study and requesting recipients' help, to a total of 207 organizations. Recipients who had not responded by October 17, 2002 received a follow-up letter and were offered a second copy of the questionnaire upon request.

Of the 207 local housing organizations that received the questionnaire, 176 responded, for a response rate of 85 percent. About 22 percent of these surveys were returned on-line.¹

Building Officials and City Administrators

To learn about local codes and other initiatives related to preserving housing, we conducted a second survey with two versions of a questionnaire — one for cities that had adopted the State Building Code and a second for cities that had not. The first version covered questions related to the administration of the State Building Code, including questions on the number and timing of building permits issued, the availability of standardized operating procedures, the prevalence of granting modifications to the code, and the number and type of employees working on code activities. It also contained questions about the availability and use of property maintenance codes, programs to register or license rental dwellings, programs to inspect housing at the time-of-sale, and methods of communicating housing information. The second version of the questionnaire contained a subset of the latter questions and excluded all questions regarding State Building Code administration. Before mailing the questionnaires, we tested them with a small number of building officials and city administrators.²

To select cities for the survey, we divided Minnesota cities into two groups by population. We included in the survey all 210 cities with populations greater than 2,500. For cities of this size that had adopted the State Building Code, we mailed the questionnaire to the city's building official, unless the building official served more than one city. In this latter situation, we mailed the questionnaire to the city administrator under the assumption that the building official was not a city employee but worked on a contract arrangement for the city. Five of the cities with more than 2,500 residents had not adopted the State Building Code. In these cases, city administrators received the questionnaires.

¹ Two additional respondents returned their surveys after the analysis was underway.

² The questionnaires mailed to building officials and city administrators were not available on-line via the Internet (as were those mailed to local housing organizations).

For smaller cities—those with less than 2,500 population—we selected a stratified random sample based on geographic location. We divided the state into four regions (north, south, central, and metropolitan) and selected two random samples—one of cities with the State Building Code and the other of cities without it—from each region. From among the smaller cities, we mailed questionnaires to 91 cities that had adopted the State Building Code and 114 that had not. As with the larger cities, the questionnaire went to the building official in cities that had adopted the State Building Code and to city administrators elsewhere. In cities where a single building official served multiple cities, city administrators received the questionnaire.

We mailed the questionnaires to the selected city officials on September 24, 2002. Of the 415 questionnaires, 297 went to cities with the State Building Code and 118 went to cities without the code. Recipients who had not responded by October 17, 2002 received reminder letters and follow-up questionnaires.

Of the 415 building officials or city administrators in the sample, 335 returned questionnaires for a response rate of 81 percent.³ In some cases, other city employees, such as planning department directors, responded on behalf of city administrators. Among cities with populations over 2,500, 170 of the 210 recipients returned questionnaires, for an 81 percent response rate. The 205 cities with populations under 2,500 had a response rate of 80 percent.

SITE VISITS OF SELECT LOCAL AGENCIES

Based on the data collected from our surveys, we identified jurisdictions that met various measures of performance for preserving housing in their communities. Although many cities and local housing organizations met the performance criteria, we selected just 17 to visit or telephone for in-depth interviews. In several locations we conducted two interviews: one with building officials and a second with representatives of housing organizations or city planning departments. Table A.3 shows the cities and organizations with their locations. The examples of best practices in Chapter 2 are based on information gathered during these interviews.

Visits took place in December 2002 and January 2003. During the interviews, we asked about best practices that were in place, their advantages and disadvantages, the costs and benefits related to them, and under what conditions another jurisdiction could duplicate them. Those interviewed often offered advice for others considering similar practices. To ensure that we collected information systematically, we used a questionnaire with open-ended questions tailored to each location.

³ Eight additional surveys were returned too late to be used in the analysis.

Table A.3: Locations of Site Visits and Telephone Interviews, 2002-03

| <u>Organization</u> | <u>Location</u> |
|---------------------------------------|-----------------|
| Bi-County CAP, Inc. | Bemidji |
| Central Minnesota Housing Partnership | St. Cloud |
| City of Bemidji | Bemidji |
| City of Cottage Grove | Cottage Grove |
| City of Faribault | Faribault |
| City of Kasson | Kasson |
| City of Melrose | Melrose |
| City of Morris | Morris |
| City of Mounds View | Mounds View |
| City of Richfield | Richfield |
| City of Roseville | Roseville |
| City of St. Louis Park | St. Louis Park |
| City of St. Paul | St. Paul |
| Richfield HRA | Richfield |
| South St. Paul HRA | South St. Paul |
| Semcac | Rushford |
| Stevens County HRA | Morris |

LOCAL GOVERNMENT ADVISORY COUNCIL

In April 2002, the Local Government Advisory Council recommended the topic of preserving housing stock. The Legislative Audit Commission approved the Council's recommendation the following May. Besides selecting the topic, Advisory Council members also reviewed and provided feedback on a draft version of the report. Table A.4 lists the individuals serving on the Advisory Council in 2002-03.

Table A.4: Local Government Advisory Council Members, 2002-03

Charles Meyer (chair), St. Louis Park City Manager
Tim Houle, Morrison County Administrator
Kay Kuhlmann, Red Wing City Council Administrator
Scott Neal, Eden Prairie City Manager
Jack Paul, Hubbard County Coordinator
Doug Reeder, Brooklyn Park City Manager
Terry Schneider, Minnetonka City Councilman
Dave Unmacht, Scott County Administrator
Greg Vandal, Sauk Rapids School District Superintendent
Lothar Wolter, Jr., Young America Township Clerk

Further Reading

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Recent Program Evaluations

| | | | |
|--|---------|--|-------|
| <i>Residential Facilities for Juvenile Offenders,</i> February 1995 | 95-01 | <i>Counties' Use of Administrative Penalties for Violations of Solid and Hazardous Waste Ordinances,</i> February 1999 | 99-06 |
| <i>Health Care Administrative Costs,</i> February 1995 | 95-02 | <i>Fire Services: A Best Practices Review,</i> April 1999 | 99-07 |
| <i>Guardians Ad Litem,</i> February 1995 | 95-03 | <i>State Mandates on Local Governments,</i> January 2000 | 00-01 |
| <i>Early Retirement Incentives,</i> March 1995 | 95-04 | <i>State Park Management,</i> January 2000 | 00-02 |
| <i>State Employee Training: A Best Practices Review,</i> April 1995 | 95-05 | <i>Welfare Reform,</i> January 2000 | 00-03 |
| <i>Snow and Ice Control: A Best Practices Review,</i> May 1995 | 95-06 | <i>School District Finances,</i> February 2000 | 00-04 |
| <i>Pollution Control Agency's Use of Administrative Penalty Orders,</i> Update July 1995 | 95-07 | <i>State Employee Compensation,</i> February 2000 | 00-05 |
| <i>Development and Use of the 1994 Agency Performance Reports,</i> July 1995 | PR95-22 | <i>Preventive Maintenance for Local Government Buildings: A Best Practices Review,</i> April 2000 | 00-06 |
| <i>State Agency Use of Customer Satisfaction Surveys,</i> October 1995 | PR95-23 | <i>The MnSCU Merger,</i> August 2000 | 00-07 |
| <i>Funding for Probation Services,</i> January 1996 | 96-01 | <i>Early Childhood Education Programs,</i> January 2001 | 01-01 |
| <i>Department of Human Rights,</i> January 1996 | 96-02 | <i>District Courts,</i> January 2001 | 01-02 |
| <i>Trends in State and Local Government Spending,</i> February 1996 | 96-03 | <i>Affordable Housing,</i> January 2001 | 01-03 |
| <i>State Grant and Loan Programs for Businesses</i> February 1996 | 96-04 | <i>Insurance for Behavioral Health Care,</i> February 2001 | 01-04 |
| <i>Post-Secondary Enrollment Options Program,</i> March 1996 | 96-05 | <i>Chronic Offenders,</i> February 2001 | 01-05 |
| <i>Tax Increment Financing,</i> March 1996 | 96-06 | <i>State Archaeologist,</i> April 2001 | 01-06 |
| <i>Property Assessments: Structure and Appeals, A Best Practices Review,</i> May 1996 | 96-07 | <i>Recycling and Waste Reduction,</i> January 2002 | 02-01 |
| <i>Recidivism of Adult Felons,</i> January 1997 | 97-01 | <i>Minnesota Pollution Control Agency Funding,</i> January 2002 | 02-02 |
| <i>Nursing Home Rates in the Upper Midwest,</i> January 1997 | 97-02 | <i>Water Quality: Permitting and Compliance Monitoring,</i> January 2002 | 02-03 |
| <i>Special Education,</i> January 1997 | 97-03 | <i>Financing Unemployment Insurance,</i> January 2002 | 02-04 |
| <i>Ethanol Programs,</i> February 1997 | 97-04 | <i>Economic Status of Welfare Recipients,</i> January 2002 | 02-05 |
| <i>Statewide Systems Project,</i> February 1997 | 97-05 | <i>State Employee Health Insurance,</i> February 2002 | 02-06 |
| <i>Highway Spending,</i> March 1997 | 97-06 | <i>Teacher Recruitment and Retention: Summary of Major Studies,</i> March 2002 | 02-07 |
| <i>Non-Felony Prosecution, A Best Practices Review,</i> April 1997 | 97-07 | <i>Local E-Government: A Best Practices Review,</i> April 2002 | 02-08 |
| <i>Social Service Mandates Reform,</i> July 1997 | 97-08 | <i>Managing Local Government Computer Systems: A Best Practices Review,</i> April 2002 | 02-09 |
| <i>Child Protective Services,</i> January 1998 | 98-01 | <i>State-Funded Trails for Motorized Recreation,</i> January 2003 | 03-01 |
| <i>Remedial Education,</i> January 1998 | 98-02 | <i>Professional/Technical Contracting,</i> January 2003 | 03-02 |
| <i>Transit Services,</i> February 1998 | 98-03 | <i>MinnesotaCare,</i> January 2003 | 03-03 |
| <i>State Building Maintenance,</i> February 1998 | 98-04 | <i>Metropolitan Airports Commission,</i> January 2003 | 03-04 |
| <i>School Trust Land,</i> March 1998 | 98-05 | <i>Preserving Housing: A Best Practices Review,</i> April 2003 | 03-05 |
| <i>9-1-1 Dispatching: A Best Practices Review,</i> March 1998 | 98-06 | <i>Medicaid Fraud and Abuse,</i> forthcoming | |
| <i>Minnesota State High School League,</i> June 1998 | 98-07 | <i>Charter School Financial Accountability,</i> forthcoming | |
| <i>State Building Code,</i> January 1999 | 99-01 | <i>Higher Education Tuition Reciprocity,</i> forthcoming | |
| <i>Juvenile Out-of-Home Placement,</i> January 1999 | 99-02 | | |
| <i>Metropolitan Mosquito Control District,</i> January 1999 | 99-03 | | |
| <i>Animal Feedlot Regulation,</i> January 1999 | 99-04 | | |
| <i>Occupational Regulation,</i> February 1999 | 99-05 | | |
| <i>Directory of Regulated Occupations in Minnesota,</i> February 1999 | 99-05b | | |

Evaluation reports can be obtained free of charge from the Legislative Auditor's Office, Program Evaluation Division, Room 140, 658 Cedar Street, Saint Paul, Minnesota 55155, 651/296-4708. Full text versions of recent reports are also available at the OLA web site: <http://www.auditor.leg.state.mn.us>

