

M I N N E S O T A .

Statement of
Governor Wendell Anderson
on
Major Housing Rehabilitation
Program He Will Submit
to the 1974 Minnesota Legislature.

With background statistics about
Minnesota Housing and about
Twin Cities Metro Area Housing.

November 1973.

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STATE OF MINNESOTA

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WENDELL R. ANDERSON
GOVERNOR

STATE OF MINNESOTA

OFFICE OF THE GOVERNOR

ST. PAUL 55155

November 15, 1973

Dear Legislator:

On Wednesday, November 14, I announced details of a major housing rehabilitation program which will be submitted to the 1974 Minnesota Legislature.

Enclosed is a statement describing this major initiative in the housing area, as well as extensive background material.

It's my hope that this program will receive your favorable consideration during the legislative session next year.

Warmest personal regards.

Sincerely,

A handwritten signature in cursive script that reads "Wendell R. Anderson".

Wendell R. Anderson

WRA:ske

STATEMENT OF GOVERNOR WENDELL R. ANDERSON

HOUSING REHABILITATION PROGRAM

GOVERNOR'S RECEPTION ROOM

ST. PAUL, MINNESOTA

NOVEMBER 14, 1973

THREE MONTHS AGO I ASKED THE STAFFS OF THE STATE PLANNING AGENCY, THE MINNESOTA HOUSING FINANCE AGENCY, AND MY COUNCIL OF ECONOMIC ADVISORS TO PREPARE A HOUSING REHABILITATION PROGRAM FOR PRESENTATION TO THE 1974 LEGISLATURE.

TODAY, I AM PLEASED TO ANNOUNCE THIS PROGRAM.

I MADE THIS REQUEST FOR SEVERAL REASONS:

FIRST, HOME OWNERSHIP IS ONE OF THE FOUNDATION BLOCKS OF OUR SOCIETY. PEOPLE WHO OWN HOMES HAVE A STAKE IN THEIR NEIGHBORHOODS, IN THEIR SCHOOLS, AND IN SOLVING COMMUNITY PROBLEMS SO THAT THEY AND THEIR CHILDREN HAVE A GOOD PLACE TO LIVE.

THE ROLE OF GOVERNMENT SHOULD BE TO PUT PEOPLE INTO HOMES AND NOT KEEP THEM OUT, TO ENCOURAGE HOME IMPROVEMENT AND NOT PENALIZE IT. OUR PROPERTY TAX RELIEF EFFORTS, INCREASED HOMESTEAD EXEMPTIONS, AND SENIOR CITIZEN TAX FREEZE ARE ALL AIMED AT SUPPORTING HOME OWNERSHIP IN OUR STATE.

SECOND, IT IS ALMOST IMPOSSIBLE FOR THE AVERAGE FAMILY TO BUY A NEW HOME IN MINNESOTA TODAY. INTEREST RATES ARE MOVING OUT OF SIGHT. BUILDING A NEW HOME NOW REQUIRES A DOWN PAYMENT OF A THIRD TO A HALF OF THE COST OF THE HOME. THE AVERAGE PRICE OF A NEW HOME IN THE METROPOLITAN AREA IS NOW \$38,000. MODEST HOMES ARE BEYOND THE REACH OF MOST OF OUR CITIZENS, EVEN MODEST EXISTING HOMES. THEY CAN'T MAKE THE DOWN PAYMENT, CAN'T GET THE LOANS. THE HOUSING CONSTRUCTION MARKET HAS SLOWED ALARMINGLY.

THIRD, WE ARE PROUD THAT MINNESOTA IS AMONG THE HIGHEST STATES IN THE COUNTRY IN THE PERCENTAGE OF HOME OWNERSHIP -- 71.5 PERCENT OF OUR HOUSING UNITS ARE OCCUPIED BY THEIR OWNERS. BUT BECAUSE OF MARKET CONDITIONS, LAST YEAR IN THE METROPOLITAN AREA ONLY A THIRD OF THE HOUSING UNITS WERE CONSTRUCTED FOR SINGLE FAMILIES.

THE TREND IS IN THE WRONG DIRECTION. WE HAVE TO TRY TO CHANGE THAT.

FOURTH, BECAUSE NEW HOUSING IS NOT AVAILABLE, TO MOST OF OUR PEOPLE, WE MUST KEEP AS MANY OF OUR EXISTING HOUSING UNITS USABLE AS WE POSSIBLE CAN. HALF OF THE HOUSING UNITS IN OUR STATE WERE CONSTRUCTED BEFORE 1940, MORE THAN 30 YEARS AGO. NEARLY TWO THIRDS -- 63 PERCENT OF OUR HOUSING UNITS IN OUTSTATE MINNESOTA WERE BUILT BEFORE 1940.

THROUGHOUT THE STATE, MOST OF OUR HOUSING IS AT AN AGE WHERE REHABILITATION AND MAINTENANCE ARE REQUIRED IF IT IS TO CONTINUE TO BE DECENT AND ATTRACTIVE TO FAMILIES.

WE CANNOT DEPEND ON THE FEDERAL GOVERNMENT ALONE TO SOLVE OUR HOUSING NEEDS. THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT HAS AVERAGED ABOUT 300 GRANTS AND 200 LOANS FOR REHABILITATION PER YEAR IN MINNESOTA, WITH AVERAGE GRANTS OF \$3,000 AND AVERAGE LOANS OF \$5,000. SINCE THE METROPOLITAN COUNCIL ESTIMATES THAT THERE ARE 42,000 HOUSING UNITS IN NEED OF REHABILITATION IN THE METROPOLITAN AREA ALONE, THE FEDERAL EFFORT DOES NOT BEGIN TO MEET OUR NEEDS.

TODAY I AM RECOMMENDING A PROGRAM FOR THE 1974 SESSION OF THE LEGISLATURE TO FOCUS DIRECTLY ON OUR REHABILITATION NEEDS.

THE PROGRAM INCLUDES THE FOLLOWING:

1. A HOUSING REHABILITATION LOAN FUND OF \$100 MILLION IN REVENUE BONDS FOR THE MINNESOTA HOUSING FINANCE AGENCY. THIS LOAN FUND WOULD OPERATE IN COOPERATION WITH LOCAL HOUSING AND REDEVELOPMENT AUTHORITIES, NON-PROFIT GROUPS, CITY GOVERNMENTS AND THE PRIVATE FINANCIAL COMMUNITY.

2. A \$1 MILLION CASH RESERVE FUND TO PERMIT THE AGENCY TO SELL BONDS AT FAVORABLE INTEREST RATES AND PASS THOSE SAVINGS ON TO PROPERTY OWNERS WHO BORROW THE MONEY.

3. A REHABILITATION GRANT PROGRAM TO BE IN OPERATION BY 1975 TO HELP LOWER-INCOME HOMEOWNERS QUALIFY FOR BANK LOANS FOR THEIR REHABILITATION EFFORTS.

4. LEGAL SAFEGUARDS AND COUNSELING PROGRAMS TO INSURE PROTECTION OF HOMEOWNERS AGAINST UNSCRUPULOUS HOME REPAIR FIRMS AND PROVIDE SPECIAL ASSISTANCE FOR THEIR REHABILITATION EFFORTS.

I AM ALSO ASKING THE MINNESOTA HOUSING FINANCE AGENCY TO MAKE CERTAIN THAT ALL REHABILITATION FINANCED UNDER THIS PROGRAM MEETS REQUIREMENTS FOR ENERGY CONSERVATION, AND TO GIVE SPECIAL EMPHASIS TO PROBLEMS OF ADEQUATE INSULATION AND OTHER ENERGY CONSERVATION MEASURES FOR OLDER HOMES.

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STATE OF MINNESOTA

I INDICATED THREE WEEKS AGO THAT THE MINNESOTA HOUSING FINANCE AGENCY SHOULD ALSO REVIEW THE NEED FOR ADDITIONAL BONDING AUTHORIZATION FOR NEW HOUSING, SO THAT THE LEGISLATURE CAN PROVIDE ADDITIONAL AUTHORITY IF APPROPRIATE. THAT REVIEW IS UNDER WAY.

IF WE ESTABLISH THE PROGRAM I OUTLINED, WE WILL MAKE IT POSSIBLE FOR THE STATE OF MINNESOTA TO MAKE AS MANY AS 40,000 HOUSING REHABILITATION LOANS AT AN AVERAGE OF \$2,500; AND TO PROVIDE UP TO 10,000 SMALL GRANTS AT AN AVERAGE OF \$1,500 TO PAY PART OF THE COSTS FOR LOW-INCOME HOMEOWNERS. AS LOANS ARE REPAYED, ADDITIONAL LOANS WILL BE POSSIBLE.

A PROGRAM OF THAT SIZE WILL HAVE A MAJOR EFFECT ON THE REHABILITATION NEEDS OF MINNESOTA HOMEOWNERS.

IT WILL ALSO PRODUCE A STABLE HOME REPAIR INDUSTRY, SO THAT THE MINNESOTA CONSTRUCTION INDUSTRY CAN DEPEND ON A CONTINUING HOME REHABILITATION MARKET AND BRING ITS SKILLS TO BEAR ON THIS PROBLEM.

IT ALSO MEANS THAT NEIGHBORHOOD ORGANIZATIONS AND NON-PROFIT GROUPS AND LOCAL GOVERNMENTS CAN BE CERTAIN OF A CONTINUING CAPABILITY WITHIN STATE GOVERNMENT TO CUT RED TAPE AND PROVIDE ASSISTANCE THAT WILL IMPROVE OUR COMMUNITY NEIGHBORHOODS.

THERE IS NO BETTER TIME TO ACT THAN NOW.

REVENUE BONDS FOR HOME CONSTRUCTION AND REHABILITATION PURPOSES ARE NOT A PART OF THE DEBT OF THE STATE OF MINNESOTA, BUT ARE PAID BACK OUT OF EARNINGS FROM THE LOANS.

MINNESOTA'S CREDIT RATING IS HIGH - IT HAS JUST BEEN INCREASED FROM "AA" TO "AAA" BY A NATIONAL BONDING SERVICE AND THE HOUSING FINANCE AGENCY HAS THE SAME "AAA" RATING.

IN RAISING THE STATE'S RATING, THE BONDING SERVICE PUT MINNESOTA IN A CLASSIFICATION SHARED BY ONLY 16 STATES IN THE NATION.

HERE IS WHAT THEY SAID ABOUT MINNESOTA:

"BORROWING POWER HAS BEEN LIBERALIZED. PROVISIONS FOR PAYMENT HAVE BEEN SIMPLIFIED, AND TAX REFORM HAS BEEN EFFECTIVE. GOVERNMENTAL REORGANIZATION HAS BEEN UNDER WAY.

THE DEBT BURDEN HAS REMAINED MODERATE, AND THE RATE OF RETIREMENT OF BONDS HAS BEEN RAPID.

TAKING INTO CONSIDERATION THE FAVORABLE DEBT SITUATION, INCLUDING DEBT BURDEN AND DEBT STRUCTURE, THE IMPROVEMENTS IN STATE GOVERNMENT AND FINANCE, AND THE STATE'S ECONOMIC RESOURCES, WE ARE REVISING OUR RATING FROM "AA" TO "AAA."

SO THERE IS NO QUESTION THAT STATE REVENUE BONDS FOR HOUSING REHABILITATION PURPOSES WILL RECEIVE GOOD TREATMENT IN THE MARKET.

AND THERE IS NO QUESTION OF THE NEED FOR THIS PROGRAM.

AS AN EXAMPLE OF THE NEED THAT INDIVIDUALS HAVE FOR THIS KIND OF ASSISTANCE, LET ME DESCRIBE JUST ONE, REAL EXAMPLE, WITHOUT USING THE NAME.

A 72 YEAR OLD WOMAN OWNS A DUPLEX WITH NO OUTSTANDING MORTGAGE. HER SOURCE OF INCOME IS THE RENT FROM THE DUPLEX UNIT AND MINIMUM SOCIAL SECURITY. SHE HAS \$42.00 IN A SAVINGS ACCOUNT. SEVERAL WEEKS AGO, A HIGH WIND BROKE THE EXTERIOR ELECTRICAL SERVICE LEADING TO HER HOUSE, AND SHE HAS BEEN WITHOUT ELECTRICAL POWER FOR OVER A WEEK. FINALLY, NSP HAS RUN SOME TEMPORARY WIRES INTO THE UNIT. SHE HAS TRIED TO OBTAIN A REHABILITATION LOAN THROUGH LENDING INSTITUTIONS, THE MINNEAPOLIS HOUSING AND REDEVELOPMENT AUTHORITY, AND THE MODEL CITY HOUSING BUREAU. THE ESTIMATE IS THAT THE WORK WOULD COST APPROXIMATELY \$1,100 TO BRING THE ENTIRE ELECTRICAL SERVICE UP TO DATE. SHE HAS NOT BEEN ABLE TO GET A LOAN.

THE MINNESOTA HOUSING FINANCE AGENCY WAS
CREATED IN 1971 IN RESPONSE TO MY SPECIAL MESSAGE ON HOUSING.
IT HAS ALREADY DEMONSTRATED ITS ABILITY TO HELP MINNESOTANS
FINANCE NEW HOUSING.

I STRONGLY RECOMMEND THAT THE MINNESOTA
LEGISLATURE ACT IN THE 1974 SESSION TO ESTABLISH A SOUND
HOUSING REHABILITATION PROGRAM THAT WILL MAKE IT POSSIBLE
FOR THE AGENCY TO HELP PRESERVE AND IMPROVE MINNESOTA'S
EXISTING HOUSING.

GOVERNOR ANDERSON'S 1974 HOUSING REHABILITATION LEGISLATIVE PROGRAM

LOAN PROGRAM

1. PROVIDE MINNESOTA HOUSING FINANCE AGENCY WITH LEGISLATIVE DIRECTION AND BONDING AUTHORITY TO ESTABLISH A HOUSING REHABILITATION LOAN FUND. BOARD OF MINNESOTA HOUSING FINANCE AGENCY TO EXAMINE IMPACT OF \$100,000,000 BOND AUTHORIZATION ON THE AGENCY.

LOAN FUND TO BE OPERATED IN COOPERATION WITH LOCAL HOUSING AND REDEVELOPMENT AUTHORITIES, NON-PROFIT GROUPS, CITY GOVERNMENTS AND THE PRIVATE FINANCIAL COMMUNITY.

2. ESTABLISH A CASH RESERVE FUND OF ONE MILLION DOLLARS FOR HOUSING FINANCE AGENCY AND THE REHABILITATION LOAN FUND. THERE MUST BE A CASH RESERVE FUND WITH APPROPRIATED DOLLARS IN ORDER TO HAVE AN EFFECTIVE LOAN PROGRAM.
3. CONDITIONS, TERMS, AND OPERATING PROCEDURES FOR THE LOAN PROGRAM WOULD BE ESTABLISHED BY THE MINNESOTA HOUSING FINANCE AGENCY IN ITS RULES AND REGULATIONS. RENTAL PROPERTY WILL BE ELIGIBLE FOR ASSISTANCE FROM THE LOAN PROGRAM. THE LOAN FUND WILL BE OPERATED IN COOPERATION WITH LOCAL HOUSING AND REDEVELOPMENT AUTHORITIES, NON-PROFIT GROUPS, AND LOCAL GOVERNMENTS.

GRANT PROGRAM

1. ENACT AUTHORIZATION FOR A GRANT PROGRAM TO BE ADMINISTERED BY MINNESOTA HOUSING FINANCE AGENCY. THE AGENCY WILL PREPARE A REQUEST FOR AN APPROPRIATION TO BE APPROVED BY THE GOVERNOR AND LEGISLATURE FOR 1975 ACTION.
2. 1975 APPROPRIATION REQUEST OF \$15 MILLION FOR THE BIENNIUM WOULD PROVIDE ADEQUATE DOLLAR AMOUNT FOR GRANTS AND PROVIDE A MANAGEABLE SIZE PROGRAM FOR THE MINNESOTA HOUSING FINANCE AGENCY.
3. GRANT PROGRAM WOULD USE HOUSING AND REDEVELOPMENT AUTHORITIES, OTHER LOCAL GOVERNMENT AGENCIES, NON-PROFIT GROUPS, AND THE PRIVATE SECTOR IN THE ADMINISTRATION OF THE PROGRAM IN ORDER TO REDUCE THE MANAGEMENT BURDEN OF THE MINNESOTA HOUSING FINANCE AGENCY.

RELATED HOME-OWNER PROTECTION ACTIONS

1. ENABLING LEGISLATION FOR SPECIAL HOUSING COURTS IN CITIES OF THE FIRST CLASS SHOULD BE PREPARED AND MADE A PART OF THE TOTAL PROGRAM. HOUSING COURTS WOULD MEET IN THE EVENING AND SATURDAYS AND WOULD OPERATE SOMEWHAT LIKE A CONCILIATION COURT, IN THAT PERSONS COULD BRING ACTION IN THE COURT WITHOUT A LAWYER. CIVIL REMEDIES FOR HOUSING VIOLATIONS WOULD BE POSSIBLE.
2. THE PROBLEM OF ENFORCING CODES ON ABSENTEE LANDLORDS SHOULD BE RECOGNIZED BY THE LEGISLATURE, WITH RECOMMENDATIONS FOR SPEEDING UP THE ACTION PROCESS ALONG WITH CHANGES IN THE LAW DEALING WITH ABANDONED PROPERTY SO AS TO PERMIT QUICKER ACTION BY LOCAL GOVERNMENTS. THE ATTORNEY GENERAL WILL BE ASKED TO PREPARE LEGISLATION IN THIS AREA WHICH PROVIDES SAFEGUARDS TO PROPERTY OWNERS.
3. A HOUSING CODE AS A BASIC STANDARD SHOULD BE A REQUIREMENT FOR LOCAL GOVERNMENT ELIGIBILITY FOR LOANS AND GRANTS FROM ANY STATE PROGRAM.
4. MINNESOTA HOUSING FINANCE AGENCY SHOULD ESTABLISH SAFEGUARDS IN ITS LOAN AND GRANT PROGRAMS SO THAT HOMEOWNERS ARE NOT PAYING FOR UNNECESSARY REPAIRS.

EXPLANATION OF RECOMMENDATIONS

LOAN PROGRAM

THE MINNESOTA HOUSING FINANCE AGENCY CAN MAKE A SIGNIFICANT CONTRIBUTION TO ASSISTING HOMEOWNERS WITH REHABILITATION AND MAINTENANCE COSTS WITH A SPECIAL REHABILITATION LOAN FUND TO BE OPERATED IN COOPERATION WITH EXISTING AGENCIES IN ORDER TO USE THEIR EXPERTISE AND STAFF. IT IS IMPORTANT, IN ANY REHABILITATION LOAN PROGRAM, THAT ADEQUATE STAFF BE AVAILABLE FOR THE MANAGEMENT OF THE PROGRAM. BY UTILIZING THE EXISTING STAFFS OF HOUSING AND REDEVELOPMENT AUTHORITIES, NON-PROFIT GROUPS, CITY GOVERNMENTS, AND THE PRIVATE SECTOR, THE MINNESOTA HOUSING FINANCE AGENCY CAN OPERATE A LOAN PROGRAM WITH REASONABLE COSTS AND STAFF REQUIREMENTS WITHIN THE STATE AGENCY. RENTAL PROPERTY WOULD BE ELIGIBLE FOR ASSISTANCE UNDER THIS LOAN PROGRAM. IT IS ABSOLUTELY NECESSARY THAT THERE BE AN APPROPRIATED CASH RESERVE FUND IN ORDER TO OPERATE A REHABILITATION LOAN PROGRAM. THERE WILL BE LOSSES WITH A REHABILITATION PROGRAM. IN ORDER TO KEEP LOAN COSTS DOWN TO A REASONABLE LEVEL, A CASH RESERVE FUND WITH APPROPRIATED DOLLARS NEEDS TO BE SET UP, RATHER THAN PAYING THE COST OF THE RESERVE FUND OUT OF EARNINGS. AN APPROPRIATION TO A CASH RESERVE FUND IS A BASIC ELEMENT OF THE STATE'S CONTRIBUTION TO THIS EFFORT. CONDITIONS OF LOANS WOULD NEED TO BE ESTABLISHED BY THE STATE HOUSING FINANCE AGENCY AS A RESULT OF CONDITIONS AFFECTING THE SALE OF BONDS AND INTEREST RATES AT WHICH LOANS CAN BE MADE.

GRANT PROGRAM

A GRANT PROGRAM FOR LOW INCOME PROPERTY OWNERS IS AN ABSOLUTELY ESSENTIAL ELEMENT OF ANY COMPREHENSIVE PROGRAM. GRANTS SHOULD BE RELATED TO INCOME, WITH AN UPPER LIMIT OF PERHAPS EIGHT TO TEN THOUSAND DOLLARS OF FAMILY INCOME FOR ELIGIBILITY UNDER THE GRANT PROGRAM. BY PROVIDING AUTHORIZATION IN THE 1974 SESSION, THE MINNESOTA HOUSING FINANCE AGENCY WILL BE ABLE TO DEVELOP PROCEDURES FOR ADMINISTRATION SO THAT THE PROGRAM CAN BE IMPLEMENTED IMMEDIATELY UPON FUNDING IN 1975. THIS ALSO PROVIDES TIME FOR THE MINNESOTA HOUSING FINANCE AGENCY TO DEVELOP ITS STAFF AND SKILLS AND TO PREPARE LOCAL GOVERNMENT, NON-PROFIT, AND RELATED COMMUNITY ORGANIZATIONS FOR AN EFFECTIVE ROLE IN THE SUPPORT OF A GRANT PROGRAM.

RELATED HOME-OWNER PROTECTION ISSUES

EXPERIENCE IN OTHER REHABILITATION PROGRAMS HAS SHOWN THAT IT IS POSSIBLE FOR HOMEOWNERS TO BE VICTIMIZED BY UNSCRUPULOUS HOME REPAIR FIRMS. IT IS ABSOLUTELY ESSENTIAL THAT A HOUSING CODE BE AVAILABLE AT A BASIC STANDARD AGAINST WHICH HOMEOWNER ACTION IS EVALUATED. THE HOUSING FINANCE AGENCY MUST ESTABLISH SAFEGUARDS IN ITS LOAN PROGRAM SO THAT HOMEOWNERS ARE NOT PAYING FOR UNNECESSARY REPAIR AND CONSTRUCTION. THE HOUSING FINANCE AGENCY SHOULD ALSO ESTABLISH A HOMEOWNER COUNSELING PROGRAM AND ATTEMPT TO ESTABLISH PROGRAMS WHICH PROVIDE TECHNICAL ASSISTANCE TO HOMEOWNERS TO INSURE CONTINUED ABILITY TO MAINTAIN A HOME AND TO ASSUME FINANCIAL COSTS. NON-PROFIT AND COMMUNITY ORGANIZATIONS ARE THE LOGICAL SOURCE FOR THIS TYPE OF HELP AND SHOULD BE USED TO PROVIDE IT.

SPECIAL HOUSING COURTS HAVE BEEN VERY EFFECTIVE IN SPEEDING UP THE PROCESS OF ENFORCING VIOLATIONS OF HOUSING AND BUILDING CODES AND PROVIDING A MECHANISM FOR THE USE OF NON-CRIMINAL REMEDIES IN THE ENFORCEMENT OF STANDARDS. WHERE HOUSING COURTS HAVE BEEN ESTABLISHED, IT IS GENERALLY AGREED THAT THE QUALITY OF CODE ENFORCEMENT HAS INCREASED, THE ELEMENT OF CRIMINAL PROSECUTION IS TAKEN OUT OF THE CODE ENFORCEMENT PROCESS, CIVIL REMEDIES ARE ABLE TO BE UTILIZED, AND THE HOUSING COURT PROVIDES A PLACE FOR TENANTS AND LANDLORDS TO COME TOGETHER AND WORK OUT PROBLEMS IN MAINTAINING THE QUALITY OF RENTAL PROPERTY. ENABLING LEGISLATION FOR SPECIAL HOUSING COURTS WOULD PERMIT CITIES OF THE FIRST CLASS TO TAKE ADVANTAGE OF THIS ADDITIONAL TOOL IN THE TOTAL PROGRAM OF MAINTAINING THE QUALITY OF EXISTING HOUSING.

THE PROBLEM OF ENFORCING HOUSING CODES ON ABSENTEE LANDLORDS IS AN IMPORTANT ONE BECAUSE OF THE NEED TO SPEED UP THE PROCESS. ALSO, THE PROBLEMS OF DEALING WITH ABANDONED PROPERTY ARE RAPIDLY INCREASING IN MINNESOTA. IN ORDER THAT LEGISLATION BE AVAILABLE WHICH PROVIDES THE BASIC SAFEGUARDS FOR PROPERTY OWNERS, THE ATTORNEY GENERAL IS BEING ASKED TO DO THE NECESSARY BACKGROUND LEGAL RESEARCH AND PREPARATION OF LEGISLATION. THE STAFF OF THE STATE PLANNING AGENCY WILL ASSIST IN THIS EFFORT AND CITY ATTORNEYS FROM THE FIRST CLASS CITIES WILL ALSO BE ASKED TO PROVIDE ASSISTANCE IN DRAFTING LEGISLATION WHICH BOTH SOLVES THE PROBLEM AND PROVIDES ADEQUATE SAFEGUARDS TO PROPERTY OWNERS.

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STATE OF MINNESOTA

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11/12/73

HOW MANY FAMILIES WILL BE HELPED?

Bond Program

\$100,000,000 Bond Authorization

\$2,500 loan = 40,000 loans

\$5,000 loan = 20,000 loans

\$7,500 loan = 13,466 loans

Grant Program

\$15,000,000 Appropriation

\$1,000 grant = 15,000 grants

\$1,500 grant = 10,000 grants

\$2,500 grant = 6,000 grants

\$3,000 grant = 5,000 grants

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HOUSING AUTHORITIES IN MINNESOTA

Adams	Brainerd	Deer River	Granite Falls
Aitkin	Breckenridge	Deerwood	Grant Co.
Albert Lea	Brooten	Delano	Greenbush
Alexandria	Buhl	Detroit Lakes	Hallock
Anoka	Cambridge	Douglas Co.	Hanska
Appleton	Canby	Duluth	Hastings
Argyle	Cannon Falls	East Grand Forks	Henderson
Austin	Carlton	Edgerton	Henning
Bagley	Carlton County	Elbow Lake	Heron Lake
Barnesville	Cass Lake	Ely	Hibbing
Baudette	Chaska	Eveleth	Hinckley
Bejou	Chisago City	Excelsior	Hopkins
Belgrade	Chisago County	Fairfax	Hutchinson
Beile Plaine	Chishalm	Fairmont	Int. Falls
Beltrami Co.	Clarkfield	Faribault	Itasca Co.
Bemidji	Cloquet	Faribault Co.	Jackson
Benson	Cold Spring	Fergus Falls	Jackson Co.
Bertha	Columbia Heights	Fillmore Co.	Koochoching Co.
Bird Island	Comfrey	Forest Lake	Lake Benton
Biwabik	Cook	Fridley	Lake Bronson
Blackduck	Cottonwood	Gaylord	Lake Crystal
Bloomington	Crookston	Gilbert	Lamberton
Blue Earth	Crosby	Glencoe	Lancaster
Blue Earth Co.	Cyrus	Glenwood	Lanesboro
Bovey	Dakota County	Grand Marais	LeCenter
Braham	Dassel	Grand Rapids	Le Sueur
			Le Sueur Co.

HOUSING AUTHORITIES IN MINNESOTA

Lindstrom	Morrison Co.	Pope County	Taylors Falls
Litchfield	Mound	Princeton	Thief River Falls
Little Falls	Mountain Iron	Red Lake Falls	Todd County
Littlefork	Mountain Lake	Red Wing	Tower
Long Prairie	Mower Co.	Redwood Falls	Tracy
Luverne	Murray Co.	Renville Co.	Trimont
McIntosh	New Prague	Robbinsdale	Truman
Madelia	New Richland	Rochester	Two Harbors
Madison	New Ulm	Roseau	Virginia
Mahnomen	New York Mills	Rush City	Wabasha
Mankato	Nobles Co.	St. Cloud	Waconia
Maple Plain	Norman Co.	St. James	Wadena
Marshall	North Branch	St. Louis Park	Wadena County
Meeker Co.	North Mankato	St. Paul	Walker
Melrose	North St. Paul	St. Peter	Warren
Menahga	Northome	Sauk Centre	Warroad
Middle River	N.W. Minn. Co.	Sauk Rapids	Waseca
Milaca	Ortonville	Shakopee	Watertown
Minneapolis	Osakis	Sibley County	Watkins
Minnetonka	Otter Tail Co.	Sleepy Eye	Waubun
Montevideo	Park Rapids	South St. Paul	Wayzata
Montgomery	Pelican Rapids	Springfield	Wells
Monticello	Pequot Lakes	Staples	Wheaton
Moorhead	Perham	Stearns County	Willmar
Moose Lake	Pine City	Stephen	Windom
Mora	Pine County	Stillwater	Winnebago
Morris	Pine River	Swift County	Winona
	Pipestone		Worthington
			Zumbrota

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Baudette	Chaska	Eveleth	Hinckley
Bejou	Chisago City	Excelsior	Hopkins
Belgrade	Chisago County	Fairfax	Hutchinson
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Luverne	Murray Co.	Renville Co.	Trimont
McIntosh	New Prague	Robbinsdale	Truman
Madelia	New Richland	Rochester	Two Harbors
Madison	New Ulm	Roseau	Virginia
Mahnomen	New York Mills	Rush City	Wabasha
Mankato	Nobles Co.	St. Cloud	Waconia
Maple Plain	Norman Co.	St. James	Wadena
Marshall	North Branch	St. Louis Park	Wadena County
Meeker Co.	North Mankato	St. Paul	Walker
Melrose	North St. Paul	St. Peter	Warren
Menahga	Northome	Sauk Centre	Warroad
Middle River	N.W. Minn. Co.	Sauk Rapids	Waseca
Nilaca	Ortonville	Shakopee	Watertown
Minneapolis	Osakis	Sibley County	Watkins
Minnetonka	Otter Tail Co.	Sleepy Eye	Waubun
Montevideo	Park Rapids	South St. Paul	Wayzata
Montgomery	Pelican Rapids	Springfield	Wells
Monticello	Pequot Lakes	Staples	Wheaton
Moorhead	Perham	Stearns County	Willmar
Moose Lake	Pine City	Stephen	Windom
Mora	Pine County	Stillwater	Winnebago
Morris	Pine River	Swift County	Winona
	Pipestone		Worthington
			Zumbrota

The following tables are summary housing data for the State of Minnesota or the Twin Cities-metropolitan area. Wherever metropolitan information is provided, it refers to the seven county Twin Cities-metropolitan area.

Basic reference publications are:

Detailed Housing Characteristics: Minnesota
U. S. Bureau of Census
Census of Housing
Final Report H C (1)-B-25 Minnesota

Minnesota Housing Characteristics
4th Count Summary Tape 1970 Census
Published by Minnesota Analysis and Planning System and the
Minnesota State Planning Agency

General Housing Characteristics
United States Summary
U. S. Bureau of the Census
Census of Housing 1970
Final Report H C (1)-A 1 U. S. Summary

Tables Prepared by SPA/OLUA
November 12, 1973

PER CENT OF OWNER
OCCUPIED UNITS BY
STATE TOTAL

U.S. AVERAGE	62.5%
MINNESOTA	71.5%
IOWA	71.7%
WISCONSIN	69.1%
NORTH DAKOTA	68.4%
SOUTH DAKOTA	69.6%
ILLINOIS	59.4%
NEW YORK	47.3%

MINNESOTA RANKS 4TH OUT OF THE 50 STATES IN % OF TOTAL HOUSING UNITS THAT ARE OWNER OCCUPIED. MICHIGAN IS 1ST WITH 74.4%.

SOURCE: TABLE 1 GENERAL HOUSING CHARACTERISTICS U.S.
SUMMARY 1970 CENSUS

1972 NEW HOUSING
PERMITS-METROPOLITAN
AREA

	<u>NO.</u>	<u>%</u>
SINGLE FAMILY	9,561	33.1%
MULTI-FAMILY	13,901	48.2%
TOWN HOUSE	4,371	15.1%
MOBILE HOME	<u>1,030</u>	3.6%
TOTAL	28,863	

SOURCE: DATA-LOG 16 METROPOLITAN COUNCIL
SEPTEMBER 5TH, 1973

MINNESOTA HOUSING
DATA

TOTAL YEAR-ROUND UNITS
1,219,591

OCCUPIED UNITS
1,153,946

VACANT UNITS
65,645 (6%)

OWNER OCCUPIED 824,634 (71%)
RENTER OCCUPIED 329,312 (29%)

SOURCE '70' CENSUS

MINNESOTA NEW HOUSING
 UNITS AUTHORIZED IN
 PERMIT-ISSUING PLACES
 1970 - 1971 - 1972

	NUMBER		
	<u>1970</u>	<u>1971</u>	<u>1972</u>
1 UNIT	10,212	14,506	20,698
2 UNITS	558	424	448
3 <u>OR</u> 4 UNITS	220	227	562
5 <u>OR</u> MORE UNITS	<u>12,289</u>	<u>15,554</u>	<u>15,295</u>
<u>SUB-TOTAL</u>	23,279	30,761	37,003
PUBLICLY OWNED	2,188*	57	335
TOTAL	24,465	30,818	37,338

* CONTRACT AWARDS

AGE OF HOUSING

49% OF TOTAL HOUSING UNITS WERE BUILT BEFORE 1940.

63% OF TOTAL UNITS IN RURAL AREAS WERE BUILT BEFORE 1940.

IN 71 OF MINNESOTA'S 87 COUNTIES OVER ONE-HALF OF YEAR-ROUND UNITS WERE BUILT BEFORE 1940.

'70' CENSUS

HUSBAND & WIFE FAMILY
UNITS 65 + YEARS OLD

63% LIVE IN HOUSING BUILT BEFORE 1940

10% LIVE IN UNITS BUILT IN LAST 10 YEARS

4TH COUNT DATA ITEM 108

'70' CENSUS

OWNER OCCUPIED
UNITS

WITHOUT COMPLETE PLUMBING 43,023
WITHOUT ADEQUATE HEATING 12,194
(169,000 PEOPLE)

UNITS WITH HEATING OR PLUMBING
DEFICIENCIES 55,212

OVER CROWED UNITS 64,342
(HOUSING 458,030 PERSONS)

"70" CENSUS

OCCUPIED UNITS
LACKING PLUMBING

50% ARE OCCUPIED BY FAMILIES WITH LESS THAN \$3,000 PER
YEAR INCOME.

80% ARE OCCUPIED BY FAMILIES WITH LESS THAN \$7,000 PER YEAR
INCOME.

'70' CENSUS 4TH COUNT
DATA ITEM 142

PERCENT OF YEAR-ROUND
HOUSING UNITS LACKING
SOME OR ALL PLUMBING FACILITIES

U.S. AVERAGE	6.9%
MINNESOTA	8.2%
IOWA	7.5%
WISCONSIN	7.2%
NORTH DAKOTA	13.8%
SOUTH DAKOTA	13.6%
ILLINOIS	4.8%
NEW YORK	3.2%
MICHIGAN	4.4%

URBAN AREAS ONLY

U.S. AVERAGE 3.4%	MINNESOTA 4.1%
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RURAL AREAS ONLY

U.S. AVERAGE 16.9%	MINNESOTA 16.3%
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SOURCE: TABLE 1 GENERAL HOUSING CHARACTERISTICS
SUMMARY 1970 CENSUS

SPECIAL STUDY HOUSING
QUALITY DATA
MINNEAPOLIS/ST. PAUL

RESULTS OF SPECIAL METROPOLITAN
COUNCIL SURVEY

NUMBER OF UNITS THAT ARE SUBSTANDARD BUT CAN BE REHABED

MINNEAPOLIS 27,283

ST. PAUL 10,601

NUMBER OF UNITS THAT SHOULD BE CLEARED

MINNEAPOLIS 7,409

ST. PAUL 3,381

TOTAL FOR METROPOLITAN AREA

CAN BE REHABED 41,692

SHOULD BE CLEARED 11,562

SOURCE: METROPOLITAN COUNCIL STUDY SEPT. 1972

SPECIAL STUDY HOUSING
QUALITY DATA

METROPOLITAN AREA

ESTIMATED PERCENT OF TOTAL HOUSING UNITS SUBSTANDARD
OR DEFICIENT

ANOKA COUNTY	2.58%
CARVER COUNTY	2.32%
DAKOTA COUNTY	1.76%
HENNEPIN COUNTY	11.23%
RAMSEY COUNTY	9.48%
SCOTT COUNTY	1.91%
WASHINGTON COUNTY	<u>3.13%</u>
TOTAL FOR METROPOLITAN AREA	8.90%

SOURCE: SPECIAL METROPOLITAN COUNCIL STUDY SEPTEMBER 1972.

LEGISLATIVE REFERENCE LIBRARY
STATE OF MINNESOTA

PER CENT OF YEAR-ROUND
UNITS IN SINGLE FAMILY STRUCTURES

	<u>TOTAL</u>	<u>URBAN</u>	<u>RURAL</u>
U.S. AVERAGE	69.4%	62.9%	87.8%
MINNESOTA	73.5%	64.8%	90.8%
WISCONSIN	70.7%	61.3%	88.8%
IOWA	82.0%	74.1%	92.7%
NORTH DAKOTA	74.5%	55.1%	88.4%

SOURCE: TABLE 2 GENERAL HOUSING CHARACTERISTICS
U.S. SUMMARY 1970 CENSUS

PER CENT YEAR-ROUND
UNITS IN SINGLE FAMILY STRUCTURE

U. S. AVERAGE		MINNESOTA %'s
69.4%	ALL UNITS	73.5%
62.9%	URBAN	64.8%
87.8%	RURAL	90.8%
63.2%	INSIDE SMSA'S	64.6%
50.8%	IN CENTRAL CITIES	51.1%
75.1%	NOT IN CENTRAL CITIES	77.4%
82.6%	OUTSIDE SMSA'S	85.0%

SOURCE: TABLE 2 GENERAL HOUSING CHARACTERISTICS
U.S. SUMMARY 1970 CENSUS

ESTIMATED COMPOSITION
OF METROPOLITAN AREAS
HOUSING STOCK SEPT. 1972

	<u>NO.</u>	<u>%</u>
SINGLE FAMILY	419,771	63%
MULTI FAMILY	229,475	34%
MOBILE HOMES	11,225	2%
TOWN HOUSES	<u>6,450</u>	1%

ESTIMATED TOTAL 666,951

SOURCE: DATA LOG 16 METROPOLITAN COUNCIL SEPT. 5, 1973



STATE OF MINNESOTA
MINNESOTA HOUSING FINANCE AGENCY
ST. PAUL 55101

MINNESOTA HOUSING FINANCE AGENCY
SUMMARY OF ACTIVITIES

The Minnesota Housing Finance Agency was established in 1971 with authority to sell up to \$150 million in revenue bonds to provide financing for low and moderate income housing. The Agency was given the following general powers:

1. To provide construction and permanent financing for sponsors of housing intended for occupancy by persons of low and moderate income, or directly to persons of such income. Loan terms vary, with interest rates about 1/2% above the Agency's borrowing cost. Maximum incomes are set by Agency regulation at the median income in the area of development. Currently these incomes are \$12,000 per year in SMSA's in the State; \$11,000 per year elsewhere. Eligible sponsors include non-profit or limited dividend entities and housing cooperatives. Municipal Housing and Redevelopment Authorities are included as eligible sponsors. Applications are submitted to the Agency by an approved mortgagee on behalf of an eligible sponsor. The mortgagee will handle all origination and servicing requirements. To the extent possible, the Agency prefers activities eligible for federal insurance and utilizes federal subsidies when available. Application information can be obtained from the Agency.
2. To conduct research into housing needs and means of reducing housing costs. The Agency is continuously reviewing needs and demand on local and statewide levels. The Agency has received a \$55,000 planning grant to develop a delivery system for a low cost home affordable and acceptable to low income rural families. Work is currently being done on this project, with Region Two established as the target area. If successful in the planning stage, a grant of \$750,000 will be received for the construction and marketing of 100 such units.
3. To make development cost loans to non-profit sponsors. These loans will be made to eligible sponsors to cover pre-development costs incurred in order to get to the point of development. Loans can cover costs which are eligible for inclusion in a permanent mortgage. Application information can be obtained from the Agency.
4. To make grants to communities to cover planning costs for efforts intended to increase the availability of low or moderate cost housing in the area. The Agency is currently not providing these grants until

such time as adequate capital is available in the Agency's Housing Development Fund. Eligible grantees would include Municipal Housing and Redevelopment Authorities.

Since commencing activity in August of 1973 upon receipt of the Supreme Court ruling, to November 1, 1973, the Agency has provided \$30 million worth of permanent financing for about 1200 single family loans. These loans have been made available through the following institutions:

First National Bank of Minneapolis
First National Bank of St. Paul
H. and Val J. Rothschild
Iowa Securities Company
Knutson Mortgage and Financial Corp.
Mortgage Associates, Inc.
The Spring Company

Loans are being made throughout the State, with about \$13 million provided outside the seven county Twin City area. Information on these loans can be obtained from the above listed institutions.

Over \$28 million has been made available for construction financing for some 21 236 projects located in the following areas:

Bethel Manor, Alexandria
Park Rapids Apartments, Park Rapids
Douglas Manor, Lamberton
Clearwood Park, St. Cloud
Rochester Villa, Rochester
Briarhill, Eden Prairie
Eastview, Eveleth
Franklin Lane Apartments, Anoka
R. C. Square, Marshall
Lakeside Manor, Chisholm
Broadway Apartments, Crookston
Mountain View Estates, Detroit Lakes
Hampden Square, St. Paul
LeSueur Apartments, LeSueur
Forest Green Maplewood
Windom Apartments, Windom
Covington, Minnetonka
Willow Run, Willmar
Country Village, Redwood Falls
Plymouth Avenue, Minneapolis
Brutger-Knutson, International Falls

Current Agency policy targets for the location of one-half of the units financed to be outside the seven county metropolitan area. In addition, approximately two-thirds of the financing is targeted toward homeownership and \$15 million has been reserved for rehabilitation. Of the metropolitan area share of homeownership financing, two-thirds has been allocated for the Cities of Minneapolis and St. Paul.

The Agency projects that by July 1, 1974, commitments to finance between 8,000 and 9,000 units will have been made. These commitments will represent about \$110 million in new construction activity and \$40 million for the financing of rehabilitation or the acquisition of existing homes by families of low and moderate income.



STATE OF MINNESOTA
MINNESOTA HOUSING FINANCE AGENCY
ST. PAUL 55101

BACKGROUND INFORMATION - GNMA SECURITY PROGRAM

One of the tools provided the Minnesota Housing Finance Agency in its enabling legislation was the power to purchase securities backed by mortgages. These securities are purchased from private lending institutions who assemble a pool of qualifying mortgages before delivering the security for purchase by the Agency. In this way the Agency makes maximum use of the origination and servicing capacities of the private institutions.

This financing device is unique to the Minnesota Housing Finance Agency. Few, if any, other state agencies are so empowered, and no other state agency has made use of the means. In following this path, the Agency is relying on the history and experience of the Government National Mortgage Association (GNMA), which began providing federal guarantees for these securities in 1969 as a means for private lending institutions to attract new sources of capital for home mortgages. The federal guarantee provides a source of security for potential investors who might otherwise be reluctant to invest directly in mortgages.

An additional affect of the guarantee is that it provides strong security to those buying revenue bonds from the Housing Finance Agency. These bonds can, therefore, be sold at a substantially lower cost to the Agency than would be the case if the bonds were secured solely by mortgages. This feature enabled the Agency to obtain an AAA rating on its bonds, and allowed the bonds to be sold for about 3/4% less than would have been paid in the absence of this guarantee. This in turn, of course, resulted in substantially lower mortgage rates than would otherwise have been possible.

The investment of the proceeds of a tax exempt bond sale in taxable securities is an accepted practice when carrying out a public purpose, in this case the provision of low cost mortgages to persons of low and moderate income. The Office of Management and Budget and the U. S. Treasury Department have in the past expressed opposition to the provision of federal guarantees and insurance on securities purchased with tax exempt bonds. Previous efforts to disallow this practice, most recently in September of 1972, have not been enacted into law or policy.

The Treasury Department has recently indicated opposition to the Housing Finance Agency program of purchasing mortgage-backed securities guaranteed by GNMA. At the present time the Treasury Department has advised GNMA to withhold further guarantees of securities purchased by the Agency. The Agency has met with the Treasury Department and GNMA to attempt to resolve the difficulty in hopes of being able to retain this means of helping low and moderate income persons.

Basically, the policy discourages the states' efforts to assume broader responsibilities in the housing area. The assumption of these responsibilities is consistent with the New Federalism supported by all the Administration except, apparently, the Treasury Department. The erection of roadblocks in the path of highly successful state initiated programs hardly creates the incentive for continued state level initiative.

The policy is also inconsistent with efforts to relieve the credit squeeze on families seeking to buy a home. Homeownership has become more difficult in recent years. The tightening money supply further aggravates this difficulty. The Administration has indicated that the shortage of home mortgage funds is an undesirable but necessary by-product of efforts to slow the rate of expansion of the economy. To take action aimed at thwarting state level efforts to relieve this situation is certainly illogical at best.

The action would also not decrease the amount of tax exempt bonds being sold, since the needs determine to exist when formulating state housing agencies continue to exist. The impact will only be to drastically increase our borrowing costs, resulting in higher mortgage rates and increased losses of revenue for the Treasury Department.

On the basis of these and other substantial objections to the Treasury Department policy, the Minnesota Housing Finance Agency strongly objects to the policy.

News from the office of the Governor Wendell R. Anderson

For Immediate Release
Wednesday, November 14, 1973

From: Ted Smebakken
130 State Capitol
St. Paul, Minn. 55155
(612) 296-3391

Gov. Wendell Anderson announced today that he will submit a comprehensive housing rehabilitation program to the 1974 Minnesota Legislature.

"The role of government should be to put people into homes and not keep them out, to encourage home improvement and not penalize it," Anderson said.

The governor said the state has made progress in encouraging home ownership by stabilizing property taxes, freezing property taxes for senior citizens and providing assistance in the financing of low and moderate-income housing units.

Regardless, he said, market conditions and other factors have made it extremely difficult for most families to purchase new or existing homes.

"....because new housing is not available to most of our people, we must preserve and improve as many of our existing housing units as we possibly can," Anderson said.

In spite of this, far too many of our people simply cannot afford needed home improvement loans, Anderson said.

"Half of the housing units in our state were constructed before 1940, more than 30 years ago," the governor said. "Throughout the state, most of our housing is at an age where rehabilitation and maintenance are required if it is to continue to be decent and attractive to families."

The governor said his housing rehabilitation program will include the following:

A HOUSING rehabilitation loan fund of up to \$100 million for the Minnesota Housing Finance Agency. This fund would operate in cooperation with local housing and redevelopment authorities, nonprofit groups, city governments and the private financial community.

A \$1 MILLION cash reserve fund to permit the agency to sell bonds at favorable interest rates and pass those savings on to property owners who borrow the money.

A \$15 MILLION rehabilitation grant program by 1975, under which low-income property owners can qualify for bank loans for rehabilitation efforts.

LEGAL SAFEGUARDS and counseling programs to protect homeowners against unscrupulous home repair firms and provide special assistance for rehabilitation efforts

The housing rehabilitation program was developed by the State Planning Agency, the State Housing Finance Agency and the Governor's Council of Economic Advisors in answer to a request by the governor last August.

More

Anderson said if the program he is recommending is approved, the Minnesota Housing Finance Agency will be able to make as many as 40,000 housing rehabilitation loans and provide up to 15,000 small grants to assist low-income homeowners in paying off rehabilitation costs.

"A program of this size will have a major effect on the rehabilitation needs of Minnesota homeowners," Anderson said. "It will also produce a stable home repair industry, so that the Minnesota construction industry can depend on a continuing home rehabilitation market and bring its skills to bear on this problem."

The governor said the program will also give neighborhood organizations, nonprofit groups and local governments the capability within state government of cutting red tape and providing assistance in improving neighborhood housing.

Other recommendations:

USE OF LOCAL housing and redevelopment authorities, other government agencies, nonprofit groups and the private sector in the administration of the grant program in order to reduce the management burden on the Minnesota Housing Finance Agency.

INCORPORATION of special "housing courts," similar to conciliation courts, as part of the overall program. The housing courts would meet in the evening and on Saturdays and would allow aggrieved parties to bring action without an attorney. Civil remedies for housing violations would be possible.

ENFORCEMENT of housing codes on absentee landlords would be encouraged by the legislation, with provision for speeding up actions dealing with abandoned properties. The attorney general will be asked to prepare legislation in this area to provide safeguards to property owners.

ESTABLISHMENT of a housing code as the basic standard for local governments in determining eligibility for loans and grants from any state program.

Anderson said he is asking the State Housing Finance Agency to insure that all rehabilitation projects financed under the program meet energy conservation requirements. Special emphasis should be given to guaranteeing that adequate insulation is installed in older homes, he said.