MUNICIPAL HOUSING POLICY IN MINNESOTA
Municipal Housing Policy in Minnesota

a project supported by:

the School of Public Affairs, University of Minnesota
the Center for Urban and Regional Affairs, University of Minnesota
and the Office of Local and Urban Affairs of the
Minnesota State Planning Agency
The preparation of this publication was financially aided through a federal grant to the Minnesota State Planning Agency from the Department of Housing and Urban Development under the Urban Planning Assistance Program authorized by Section 701 of the Housing Act of 1954 as amended.

A publication of the Center for Urban and Regional Affairs, 311 Walter Library, 117 Pleasant St. S.E., University of Minnesota, Minneapolis, Minnesota 55455

The content of this report is the responsibility of the authors and is not necessarily endorsed by CURA.

Publication No. CURA 77-3
Contents

Contents in Full     v
Tables, Figures, and Maps   ix
Credits   xi
Introduction  1

Part I: An Inventory of Public Programs and Grants of Authority
Introduction  5
Subsidized Loan and Grant Programs  7
Taxing Provisions  49
Development Authority  57
Regulatory Authority  65

Part II: The Case Studies
Introduction  77
St. Louis Park  79
Robbinsdale  93
Bloomington  115
Goal 1: Eliminate Causes and Effects of Urban Blight

Preserving Good Neighborhoods 82
Rehabilitating Blighted Areas 86
 Redeveloping Blighted Areas 88

Goal 2: Promote a Diversity of Housing 89
 References and Interviews 92

Robbinsdale 93
 Housing Goals 96
 Housing Programs 98
 Goal 1: Rehabilitation/Maintenance 100
 Goal 2: Redevelopment 103
 Goal 3: Provision for Special Needs 108
 References and Interviews 114

Bloomington 115
 Housing Goals 118
 Housing Programs 119
 Goal 1: Provide Housing for All Income Levels 119
 Reszoning 119
 Local Homeownership Assistance Program 123
 Land Acquisition Program 124
 MHFA/BHFA Joint Bonding Program 125
 Section 8 - New Construction 125
 Section 8 - Existing Housing 127
 Low Rent Housing Assistance Program 128
 Housing Maintenance Code 128

Goal 2: Enable Residents to Rehabilitate and Repair Housing 128
 Home Improvement Loan and Grant Program 128
 Section 312 Rehabilitation Loan Program 130
 Senior Citizen Life Estate Program 130
 Point of Sale Rehabilitation Program 130

Goal 3: Ensure Continued Maintenance of Housing 131
 Building and Housing Codes 131
 Zoning Code 132

Conclusion 132
 References 134
 Interviews 136
Contents in Full

Tables, Figures, and Maps  ix
Credits  xi
Introduction  1

Part I: An Inventory of Public Programs and Grants of Authority
Introduction to the Inventory  5

Subsidized Loan and Grant Programs
Loan and Grant Programs for Use Directly by Local Governments  8
Section 8 - New Construction  9
Section 8 - Existing Housing  12
Rural Rental Housing - Section 515  14
Revised Section 235 - Homeownership  17
MHFA Home Improvement Grants  20
MHFA Home Improvement Loans  23
Section 312 - Rehabilitation Loans  25
Community Development Block Grants  27
Local Rehabilitation Loans and Grants (Minneapolis, St. Paul only)  30
Municipal Housing Finance Agencies (Minneapolis, St. Paul, Bloomington, South St. Paul, and Albert Lea only)  34
Other Subsidized Loan Programs (For Use By Builders and Occupants, But Not Local Governments)  36
Section 202 - Elderly and Handicapped  37
Homeownership Loans - Section 502  40
MHFA Homeownership Loans  43
Affordable Homes  45
Taxing Provisions 49

Major Taxing Provisions 50

- Income and Capital Gains Taxes 50
- Property Taxes 51
  - Classified Property Tax System 51
- Homestead Credit 52
- Circuit Breaker 52
- Property Tax Freeze 53

- Delayed Assessment for Improvement of Residential Properties 53

Flexible Taxing Provisions (That Municipalities Can Use For Housing Policy Purposes) 54

- Denial of Deductions Relating to Substandard Buildings 54
- Redevelopment Companies 55

Development Authority 57

- General Development Powers 58
  - Municipal Development Powers 58
  - HRA Development Powers 59

Specific Development Programs 60

- Public Housing 60
- Tax Increment Financing and Development Districts 60
- Urban Homesteading 62
- Hazardous Building Act 63

Regulatory Authority 65

- Land Use Controls 66
  - Zoning 66
    - Subdivision Regulations 67

- Housing Maintenance Codes 68
- Municipal Adoption of the Minnesota State Building Code 71
- Septic Tank and Water Well Ordinances 73
- Fair Housing Ordinances 73

Part II: The Case Studies

Introduction to the Cases 77

St. Louis Park 79

Housing Goals 81

Housing Programs 82
Tables, Figures, and Maps

Table 1: Comparison of Four 1975 Housing Codes  69
Map of Twin Cities Metropolitan Area  76
Map of City of St. Louis Park  80
Figure 1: St. Louis Park Housing Inventory Elements by Goals  83
Map of City of Robbinsdale  94
Figure 2: Robbinsdale Housing Inventory Elements by Goals  99
Map of City of Bloomington  116
Figure 3: Bloomington Housing Inventory Elements by Goals  120
Table 2: Average Lot and Floor Sizes of New Developments in Bloomington After Zoning Revision  122
Credits

This report is based on the work of students at the University of Minnesota, prepared under the direction of Michael E. Gleeson, Assistant Professor, School of Public Affairs. The student work was compiled and edited by Michael E. Gleeson with the assistance of Kevin Dougherty, Paul Weingarden, Judith Weir, Sheldon Mains, Gary Winter and Catherine Murphy. Funds for research assistance, report preparation and publication were supplied by the Office of Local and Urban Affairs of the Minnesota State Planning Agency, and by the Center for Urban and Regional Affairs at the University of Minnesota.

The following students prepared papers which are the basis for the inventory of programs and authority: Waheed Balogun, Joanne Barron, Kathryn Beebe, Ardyce Berkowitz, Barbara Berris, Mary Brendmoen, Barbara Broen, Tom Casper, James Cegia, William Christensen, Loann Crepeau, Carla Dickstein, Kevin Dougherty, Theresa Duty, Mary Engelking, Joanne Marie Erb, Joseph Fischer, Marlene Forsse, Margie Gendler, Dennis Goldman, Heidi Granite, Sid Groeneman, Ruth Gutowich, Kevin Jungeman, Susan Jacobson, Bruce Johnson, Mary Knudsen, Douglas Martin, Ora Dean Martin, Debbie McGowan, Janet McTavish, Marilyn Milburn, Doris Mitchell, M. Mohan, Wendy Nelson, Marian Quanbeck, Sue Rasmussen, Christopher Richardson, Christopher Saveréid, Carole Schaaf, Gregory Schatzlein, Chris Steigerwalt, Robert Stein, Beverly Stone, Margarita Sweeney, Parker Trostel, Steven Thal, Mary Tingerthal, John Vranicar.
The editor is grateful to the following individuals for reviewing drafts of the inventory: Gail Nordheim, Minnesota Housing Finance Agency; Lee Arvid, James Bartlett, Jack Gilbertson, Betty Jones, Doug Mayo and Shirley Sailors, Area Office of the United States Department of Housing and Urban Development; Ronald Bushlack, State Office of the Farmers Home Administration, United States Department of Agriculture; Duke Addicks, League of Minnesota Cities; Bruce Beneke, Legal Assistance of Ramsey County, Inc.; and Eileen Baumgartner, House Research, Minnesota Legislature. Special thanks go to Gail Nordheim and Alan Morris of the Minnesota Housing Finance Agency, who provided the form and much of the initial information on which this inventory is based. The authors and editor, however, retain all responsibility for errors.

The case study of St. Louis Park was prepared by Dennis Goldman and LoAnne Crepeau; Mark Johnson prepared the Robbinsdale case study; the Bloomington case study was prepared by Kevin Dougherty, John Vranicar, Kathryn Beebe, Kevin Iungerman and Carla Dickstein. Barbara Lukermann was the faculty advisor for the work done by Vranicar and Dickstein. The editor wishes to thank William Thibault, George DeLay, and Dennis Daniels for reviewing drafts of these case studies. The responsibility for any error rests with the authors and editor, however.

Finally, everyone involved in this project is deeply indebted to Jim Solem, Tom Anding, and Warner Shippee for their support and encouragement from start to finish.
Introduction

A report with this title would not have been written five years ago. It is only recently that municipalities have begun to make housing policy—that is, set their own goals and design their own means of pursuing those goals.

Since the 1930's, it has been the federal government which has dominated housing policy. To a large extent, it continues to do so today. But several factors have combined to reduce federal predominance: an increased flexibility in federal programs (Community Development Block Grants as opposed to categorical programs, for example); a reduction in federal housing program activity (the 1973 housing program moratorium, for example); and a dramatic increase in housing program activity at the state level.

While the State of Minnesota has entered the housing field with a number of programs and grants of authority to local government, it has not developed a complete and cohesive housing policy itself. Municipalities have been left, then, to experiment at the local level—setting their own housing goals and designing their own housing programs by combining federal and state programs together with state-granted local authority.

This report attempts to inventory these programs and grants of authority which are potential elements of local housing programs, and to describe how they have been used in combination in three Minnesota cities. Part I provides an introduction to the subsidized loan and grant programs, taxing provisions, development authority, and regulatory authority which Minnesota municipalities
can use to design their housing programs. Part II includes case studies which discuss the locally-set housing goals of St. Louis Park, Robbinsdale, and Bloomington, and describe how the elements inventoried in Part I have been used to design local housing programs in pursuit of those goals.

It is hoped that the report will generate further experimentation with the setting of local housing goals and will aid in the design of local housing programs. Beyond this, it is hoped that the report will generate discussion of problems encountered in the local use of the elements inventoried in Part I, yielding suggestions for legislative and administrative changes, as well as suggestions for entirely new elements. Finally, it is hoped that this report will generate discussion of the proper role of municipalities in the setting of housing goals and in the design of housing programs.

The report is based on student papers prepared at the University of Minnesota's School of Public Affairs. The information contained in those edited papers was reviewed by the respective agency/municipal officials where possible and was current as of January 1977 (unless otherwise noted). Changes made by the 1977 Minnesota State Legislature have been included wherever it was possible to do so.

Michael E. Gleeson
June 1977
Part I: An Inventory of Public Programs and Grants of Authority
Introduction

This is an inventory of programs and grants of authority which Minnesota municipalities may use with some flexibility in pursuing their locally-set housing goals. The inventory includes federal and state programs as well as state-granted municipal authority. It is divided into four sections: subsidized loan and grant programs, taxing provisions, development authority, and regulatory authority. Each section highlights those programs or grants of authority which municipalities may use directly; although some of the more important programs and authority which only developers or homeowners (but not municipalities) may use are also included.

Each inventory element is briefly described -- what it can be used for, how often it has been used, and the likelihood of it being used in the future. Statistics cited in connection with each element are for Minnesota only, unless otherwise specified. Legal citations, descriptive references, and agencies to contact for further information are also included. The descriptions have been sent for review to the respective agency officials where possible, and every attempt has been made to be accurate as of January, 1977. Changes made by the 1977 Minnesota State Legislature have been included in some places. Errors and omissions are possible, however, and many inventory elements may have been altered since January, 1977. The reader is therefore encouraged to use the inventory only as an introduction to the possibilities, and to consult the references or agency contacts before making use of any element.
Subsidized Loan and
Grant Programs
LOAN AND GRANT PROGRAMS FOR USE DIRECTLY BY LOCAL GOVERNMENTS

Note: Funding amounts, projected number of units, and program accomplishments are for Minnesota only unless otherwise specified.
SECTION 8 HOUSING ASSISTANCE PAYMENT PROGRAM - NEW CONSTRUCTION AND SUBSTANTIAL REHABILITATION

administering agency: United States Department of Housing and Urban Development (HUD)

legislative authorization: Housing and Community Development Act of 1974, Title II as amended [42 U.S.C. 1437]

type of assistance: Rental payment subsidies

brief description: Section 8 New Construction and Rehabilitation is a rental subsidy program under which lower-income families pay 15-25 percent of their income for either newly-constructed or substantially-rehabilitated units, with HUD funds paying the remaining rent up to a market level defined by HUD. Developers, upon HUD project approval, receive a commitment in terms of the percentage of total housing units that will be available for eligible program participants upon project completion.

funding source: Congressional appropriations

funding amount: $22,762,000 for FY 1976 available through the Minnesota Housing Finance Agency (MHFA); $5,442,000 for FY 1976 available through the HUD area office; $9,245,000 for FY 1977 — the total allocation for Section 8 New and Existing Housing Programs (figure includes a set-aside of $1,000,000 for Section 8 Construction to be available through the Farmers Home Administration 515 Program and $1,665,000 for the joint Section 8/202 Program)

allocation of funds: Refer to the Section 8 Distribution Plan. (See "for further information")

program initiation: 1974

program completion: Indefinite

projected number of units: 2,207 (FY 1977)

*This program can be used in combination with Rural Rental Housing - Section 515 (p 14 ) and Section 202 - Elderly and Handicapped (p 37 ).
**eligible uses:** The program provides funds for housing assistance payments to owners of new rental housing units or substantially-rehabilitated units so that eligible families can obtain standard units at rents that they can afford. The program pays the owner the difference between the rent for a unit and 15-25 percent of the family's income. Rents may not exceed the HUD-designated fair market rents (the rent needed to obtain a modest unit with suitable amenities).

**eligibility requirements:**

**Developer:** Any public or private entity, including a public housing and redevelopment authority (HRA), that has the legal right to lease or sublease new or rehabilitated rental units may participate in the program.

**Tenant:** Any family whose income does not exceed 80 percent of the median income for the area (either the Standard Metropolitan Statistical Area or the county), with adjustments for smaller or larger families, may participate in the program. However, HUD may establish higher or lower income limits based on high construction costs, unusually high or low local incomes, or other factors. Initially, 30 percent of the units must be rented to very low income families (incomes below 50 percent of the area median income). The term "family" includes elderly, handicapped, disabled, or displaced individuals.

**process description:** There are two project development processes available to interested developers: 1) development proposals may be submitted directly to the HUD area office when the developer is seeking private financing or financing under the HUD programs such as Section 202; or 2) development proposals may be submitted to the Minnesota Housing Finance Agency (MHFA) when the developer is seeking permanent financing from the agency without federal mortgage insurance. The MHFA submits Section 8 applications and proposals to the HUD area office on behalf of developers.

**HUD area office:** After receiving its allocation of contract authority under Section 8, the area office publishes invitations for preliminary proposals. Interested parties obtain a Developer’s Packet
from the HUD area office and submit a preliminary application. Proposals that indicate an intent to finance a project with FHA mortgage insurance must meet the market and site acceptability criteria of the applicable insurance program. The area office reviews the proposals and invites final proposals from developers with acceptable preliminary applications. Upon final approval, an Agreement to Enter into Housing Assistance Payments Contract is executed prior to start of construction.

**Minnesota Housing Finance Agency:** Under this process, MHFA receives a set-aside of Section 8 contract authority from HUD. Developers submit proposals for permanent financing and Section 8 assistance of new multi-family units directly to the MHFA. After the MHFA has determined the project to be feasible, MHFA submits an application for Section 8 assistance to the HUD area office for review. Upon approval of the application and after preparation of a more detailed proposal, MHFA submits the development proposal to HUD for review, with certification that the proposal meets Section 8 requirements. Upon final approval, an Agreement to Enter into Housing Assistance Payments Contract is executed between MHFA, the owner of the project, and the HUD area office.

**Program accomplishments:** FY 1976: 1,516 units processed by the Minnesota Housing Finance Agency; 1,152 units processed by HUD area office under Section 8 New Construction; 460 units processed under joint Section 8/202 funding.

**For further information:**


**contact:** HUD area office at (612) 725-4801; and the Minnesota Housing Finance Agency at (612) 296-7608
SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM - EXISTING HOUSING

administering agency: United States Department of Housing and Urban Development (HUD)

legislative authorization: Housing and Community Development Act of 1974, Title II. [42 U.S.C. 1437]

type of assistance: Rent assistance payments

brief description: Section 8-Existing is a rental subsidy program under which lower-income families pay 15-25 percent of their income for existing rental units, with HUD funds paying the remaining rent up to a market level defined by HUD.

funding source: Congressional appropriations

funding amount: $11,169,000 for FY 1976: $9,245,000 for FY 1977 — the total allocation for Section 8 - New and Existing Housing Programs.

allocation of funds: Refer to the Section 8 Distribution Plan. (See "for further information")

program initiation: January 1, 1975

program completion: Indefinite

projected number of units: 3,858 (FY 1977)

eligible uses: The program provides funds to allow public housing agencies to provide housing assistance payments to owners of existing rental housing units so that eligible families can obtain standard units at rents that they can afford. The program pays the owner the difference between the contract rent and 15-25 percent of the family's income. Rents may not exceed the HUD designated fair market rent (the rent needed to obtain a modest unit with suitable amenities).

eligibility requirements:

Public Housing Agency: Any state, county, municipal, or other governmental or public entity which is authorized to engage in or assist in the development or operation of housing for low-income families.
Tenant: Any family whose income does not exceed 80 percent of the median income for the area (either the Standard Metropolitan Statistical Area or the county) with adjustments for smaller or larger families. However, HUD may establish higher or lower income limits based on high construction costs, unusually high or low income distributions or other factors. The term "family" includes elderly, handicapped, disabled, or displaced individuals.

Process description: Public housing and redevelopment authorities (HRA) submit applications to HUD for participation in the program and enter into an Annual Contributions Contract which is a written agreement between HUD and the HRA to provide funds to cover housing assistance payments and other expenses of the HRA. The Public Housing Authority then accepts applications from interested families, determines eligibility for the program, and issues Certificates of Family Participation that both declare a family eligible and state terms and conditions. The family then is responsible for finding an existing housing unit suitable to the family's needs in any area within the HRA's jurisdiction, with assistance from the HRA if necessary. A holder of a certificate may select any unit, including the one presently occupied, as long as it qualifies under the program in terms of both quality and amount of rent. When a unit is located, a Housing Assistance Payments Contract is entered into by the HRA and the owner of the unit to provide housing assistance payments on behalf of an eligible family.

Program accomplishments: FY 1976: 3,661 units processed.

For further information:

Tenants contact: local, county, or Metropolitan Council HRA.

Public housing agency contact: HUD area office at (612) 725-6801.
RURAL RENTAL HOUSING - SECTION 515

administering agency: Farmers Home Administration (FmHA) in the United States Department of Agriculture


type of assistance: Loans for the construction, purchase or repair of rural rental housing. In practice, the program is almost exclusively a new construction program.

brief description: Eligible borrowers may receive loans for permanent financing of rural rental housing to be occupied by persons of low and moderate income and/or by persons age sixty-two and older. In most cases, borrowers receive interest credits to supplement the rent payments of low- and moderate-income tenants, who pay below market rents.

funding source: Each year the Department of Agriculture, including the FmHA, receives allocations of funds that can be used for loans through the appropriations act for the given fiscal year. As funds are needed for insured loans, Certificates of Beneficial Ownership are sold to the Federal Financing Bank.

funding amount: $19,500,000 for FY 1976; $13,750,000 for FY 1977

allocation of funds: No pre-set allocation at this time.

program initiation: 1949

program completion: Indefinite

projected number of units: 810 (FY 1977)

eligible uses: Major purposes for which loan funds may be used include: construction, purchase, or repair of rental housing; the purchase and improvement of the land on which qualifying rental housing units are to be built; and the payment of fees for technical and official services (legal, architectural, etc.).

eligibility requirements:

Borrowers: Sponsors may be non-profit, limited-dividend, or for-profit. They may include individuals, corporations, public bodies, consumer cooperatives, partnerships, and limited partnerships. For-
profit borrowers are not eligible for interest subsidies; limited-dividend sponsors are limited to an 8 percent per annum return on their original investment.

Tenants: Tenants must live either in towns with populations under 10,000 or in the following cities with populations between 10,000 and 20,000: Bemidji, Brainerd, Breckenridge, Cloquet, Fairmont, Faribault, Fergus Falls, Marshall, New Ulm, Northfield, Owatonna, Red Wing, Willmar and Worthington. Tenants must meet FmHA low- or moderate-income standards. Low-income is defined as adjusted gross income of less than $10,000. Moderate income is defined as adjusted gross income of less than $15,600. Tenant income is recertified biennially.

In general, FmHA does not finance developments in towns with less than 200 population, prefers developments of at least eight units, and requires that sewer and water be available on all sites.

Units are not specifically set aside for elderly or non-elderly households.

terms: The loan amount is based on the lesser of development cost or security value (appraisal). The loan can cover 100 percent of cost (or value) for non-profit sponsors, and 95 percent for other sponsors. All loans are made at market interest rates with terms of forty years for non-elderly housing and fifty years for elderly housing units.

Non-profit sponsors are eligible for either of two interest credit plans:

Plan 1: FmHA subsidizes the difference between market interest and 3 percent. Thus, interest on the loan is effectively 3 percent. To qualify for this plan, sponsors must limit occupancy to low-income non-senior citizens and low- and moderate-income senior citizens.

Plan 2: The sponsor determines how much rent he would have to charge if he received a loan at market interest rates (market rent) and how much rent he would have to charge if he received a
1 percent loan (basic rent). Tenants, who under this plan must be either low- or moderate-income non-senior citizens or senior citizens of any income, pay 25 percent of their adjusted family income for rent. However, in no case can a tenant pay less than basic rent or more than market rent. FmHA subsidy to the sponsor is equal to the difference between the market rent and the rent actually paid by the tenant. Thus, the effective interest rate can vary between 1 percent and market rate.

Limited dividend sponsors are eligible for Plan 2 only. For-profit sponsors are ineligible for interest credits. Interim financing for loans exceeding $50,000 must usually be obtained from other sources.

process description: The prospective borrower consults informally with the FmHA county supervisor, prior to submitting a pre-application. The county supervisor reviews the pre-application and submits it with recommendation to the state director, who either accepts or rejects the preliminary application.

If approved, the prospective borrower submits a final application to the county supervisor, which is also forwarded to the state director for approval or disapproval. (For loans over $1 million, national office approval must be obtained.)

program accomplishments: 172 developments as of December 1, 1975.

The volume of developments has increased markedly since 1970:
$1,026,240 (twelve loans) for FY 1971; $1,431,500 (eighteen loans) for FY 1972; $2,655,490 (twenty-eight loans) for FY 1973; $7,061,200 (forty-three loans) for FY 1974; $9,012,300 (forty-three loans) for FY 1975.

for further information:
see: Housing and Development Reporter, Section 40; 7 CFR 1822; FmHA Instruction 444.5; FmHA 515 Rural Rental Housing (Housing Assistance Council, Inc., May, 1975).

contact: County FmHA Office
REVISED SECTION 235 HOMEOWNERSHIP PROGRAM

administering agency: United States Department of Housing and Urban Development (HUD)


type of assistance: Mortgage interest subsidies

brief description: The revised 235 Homeownership Program subsidizes mortgage interest costs to permit moderate income families to purchase homes.

funding source: Congressional appropriations

funding amount: $2,800,000 (total appropriation to January, 1977)

allocation of funds: Funds are distributed to HUD area offices by the regional office.


program completion: Indefinite

projected number of units: 4,800 (assuming total use of funding to date).

eligible uses: Program provides assistance payments to eligible families who purchase new or substantially rehabilitated single-family or detached condominium housing units for their own occupancy. Assistance is in the form of monthly payments to the lender on the owner's behalf and cannot exceed the amount that would be necessary to reduce the mortgage interest costs to 5 percent. Homeowners must contribute at least 20 percent of their adjusted monthly income toward payments of principal, interest, taxes, insurance, and mortgage insurance premiums.

Regulations require that no more than 40 percent of a subdivision, condominium/cooperative project, or rehabilitation proposal having over twenty-five units shall be subsidized under the program.

Further restrictions include a maximum single-family housing lot size of one acre, unless precluded by local zoning and sanitation codes. The cost of rehabilitation must approximate 25 percent of the property's value after completion of improvements.
eligibility requirements:

Developer: Any builder or developer, including housing and redevelopment authorities, may participate in the program.

Buyer: Adjusted annual income at time of initial occupancy must not exceed 95 percent of the median income for the area (either the Standard Metropolitan Statistical Area or the county), with adjustments for larger or smaller families. Higher income limits may be established by HUD due to prevailing levels of construction costs, unusually low median family incomes, or other factors.

In addition to income limitations, recipients must establish that they can contribute 20 percent of their adjusted monthly income toward payments for principal, interest, insurance, and mortgage insurance premiums. Recertification of eligibility and adjustment of assistance payments is made annually or when changes in employment result in income changes.

terms: The term of mortgage cannot exceed the lesser of thirty years or three quarters of the estimated life of the property. Interest is set at the current allowable FHA interest rate (8½ percent).

The maximum mortgage amount varies from $25,000–$33,000 depending on both family size and geographic location (high cost areas have higher mortgage limitations), with the actual sales price limited to 120 percent of the mortgage amount. The buyer is required to invest a downpayment equal to either 3 percent of the first $25,000 and 10 percent of the remaining costs or the difference between the maximum mortgage amount and sale price, whichever is greater. "Sweat equity" can be applied toward the required downpayment provided a mutual agreement is made between the seller and buyer and, in addition, the buyer is technically qualified. HUD reserves the right to limit the type and dollar amount of such sweat equity.

process description: Builders or developers may apply to the local HUD field office for preliminary reservation of contract authority to insure that assistance is available at the time of sale. Preliminary reservations for proposals with thirteen housing units or more require clearance with the affected local government.
The HUD area office selects proposals on the basis of community social and economic needs, as well as pertinent environmental considerations. Prior to approval, a copy of the builder/developer's proposal is sent to the affected municipal government for comment, although HUD can veto local objections if they are determined to be "unreasonable." Preliminary reservations are valid for six months (a six month extension is allowed provided construction commenced during the initial commitment period).

Interested families contact participating builders and submit applications through local lenders. Application for mortgage insurance on the property is made by the lender under the Section 203(b) program; assistance payments for the buyer are made under Section 235. Upon approval of each application, commitments to insure are issued by HUD-FHA to the lender.


For further information:

see: Housing and Development Reporter, Section 10; 24 CFR 235; Homeownership for Lower Income Families, Section 235 (i) - Basic Instructions, 4210.1;

Contact: HUD area office at (612) 725-4791.
MHFA HOME IMPROVEMENT GRANT PROGRAM

**administering agency:** Minnesota Housing Finance Agency (MHFA)

**legislative authorization:** Minnesota Laws 1976, chapter 254 [M.S. 462A.01-462A.26]

**type of assistance:** Housing rehabilitation grants to low-income households.

**brief description:** Home improvement grants are made available to qualifying owner-occupants. Funds are administered through participating local government bodies or non-profit organizations.

**funding source:** Legislative appropriation

**funding amount:** $9,000,000 for FY 1976

**allocation of funds:** Allocations are made to each of the state's thirteen regions in accordance with the MHFA Home Improvement Grant Distribution Plan (see "for further information"). Each region has prepared plans to sub-allocate within its boundaries.

**program initiation:** 1976

**program completion:** 1977 (see "note," p 22)

**projected number of units:** 3,000

**eligible uses:** Grants are available to correct defects and deficiencies directly affecting the habitability, safety, and/or energy consumption of residential property. The condition of the housing unit must be such that, with rehabilitation, it can remain a viable part of the housing stock. Program funding is available only for necessary improvements and cannot be used for either refinancing or payment of existing indebtedness. All construction must be in compliance with local codes.

**eligibility requirements:**

- **Recipient:** Restricted to a gross annual income of $5,000 and total assets (excluding the housing unit) of $25,000. At least half of total grant funding to each administering entity must be distributed to elderly recipients (over age sixty-two).

- **Administering Agency:** Applications for grant funding will be prepared and submitted by non-profit organizations, or by municipal, county, or multi-county public bodies.
terms: The maximum grant amount per recipient is $5,000. If the property is sold or transferred within five years, 20 - 100 percent of the total grant must be repaid to the MHFA.

process description:

Administering Agency: MHFA will accept applications for funds from local public agencies or non-profit organizations who desire to administer this program. Applications for the first year will be accepted during a three-month period. The program will be operated over a two-year period with a separate application required before the start of the second year's funding. In order to be considered by MHFA, applications must have been approved by the appropriate city council or county board(s), and submitted to the local regional development commission (or Metropolitan Council) for review with respect to region-wide housing needs and plans. MHFA will make final decisions on all applications and, if accepted, enter into a grant funding agreement with the recipient.

MHFA and the regional development commissions may provide limited technical assistance in planning a local grant program. The administrative expense of implementing the program will be primarily the expense of the administering agency; however, up to a 5 percent portion of the total funding requested may be allocated to help cover such costs if other sources (including in-kind sources) are not adequate.

Recipient: Upon acceptance and approval of an individual application, the local administering agency forwards the completed grant file to MHFA for review, approval to begin work, and disbursement of funds. Upon completion of work, a Completion Certificate must be signed by the homeowner, contractor(s), and administering agency, where-upon the administering agency will disburse the funds required to the contractor(s).

program accomplishments: 1,869 grants totaling $5,178,000 were issued as of April 15, 1977.
for further information:


contact: Home Improvement and Mortgage Purchase Division of MHFA at (612) 296-7615.

-----------------------

note: The 1977 legislature extended the program to 1979 with additional funding of $21.5 million (H.F. 875).
MHFA HOME IMPROVEMENT LOAN PROGRAM

administering agency: Minnesota Housing Finance Agency (MHFA)

legislative authorization: Minnesota Laws 1971, chapter 702, as amended
[M.S. 462A.01-462A.26]

type of assistance: Home improvement loans to low- and moderate-income families at below-market interest rates.

brief description: FHA Title I Home Improvement Loans at below-market interest rates are made available to qualifying property owners. Interest rates are based on the recipient's income. Loans are generally administered through private lending institutions and some public agencies (see "eligibility requirements").

funding source: Proceeds of bond sales leveraged with legislative appropriation. Appropriation funds are used to adjust interest rate according to income level of loan recipient.

funding amount: $68,000,000 over three years ($12,000,000 appropriation; $56,000,000 bonds)

allocation of funds: Distribution targets are set in the Home Improvement Urban Distribution Plan (see "for further information")

program initiation: August, 1975 (Phase III of the MHFA Home Improvement Loan Program commences January 1, 1977)

program completion: July, 1978

projected number of units: 13,600 (at an average of $5,000 per loan)

eligible uses: Home improvement loans may be used for a multiplicity of housing improvements, including code compliance, increasing the unit's market value, improving the structure's energy efficiency, or simply making the unit more habitable. However, funds may not be used for "luxury" items such as materials, fixtures, or landscapes of a type or quality that exceeds that customarily used in the locality for properties of the same general type as the property to be improved. Housing units must be at least fifteen years old, and have features which are hazardous to health and safety. All construction must be in compliance with local codes.
eligibility requirements:

Recipients: Applicants must be Minnesota residents; have an annual adjusted gross income not to exceed $16,000; own, yet not necessarily occupy, the dwelling unit under consideration; and be a reasonable credit risk as determined by the local lending institution.

Administering Agencies: Local lending institutions must be qualified to originate home improvement loans under FHA requirements. The Minneapolis, St. Paul, and Austin housing and redevelopment authorities have met such requirements.

terms: Loans carry an interest rate equivalent to the applicant's adjusted gross annual income multiplied by .0005 and a maximum term of twelve years. The maximum loan amounts are $5,000 per unit for structures containing from two to six units ($25,000 maximum) and $10,000 for single family homes.

process description: Recipients apply for loans at participating lending institutions, lending institutions issue loans to applicants (if applicant meets income and credit requirements and the improvement is eligible); MHFA purchases loan from lending institution and pays lender origination/processing fee.

program accomplishments: In Phase I, 1,895 loans totaling $8,050,000 were issued. In Phase II, 3,720 loans totaling $16,165,000 were issued as of December, 1976.

for further information:


contact: Home Improvement and Mortgage Purchase Division of MHFA at (612) 296-7615.
SECTION 312 REHABILITATION LOAN PROGRAM

administering agency: United States Department of Housing and Urban Development (HUD)

legislative authorization: Section 312 of the Housing Act of 1964 [42 U.S.C. 1452 (b)]

type of assistance: Low-interest rehabilitation loans

brief description: Section 312 provides 3 percent interest loans for rehabilitation of residential, mixed-use, and non-residential properties. Funds are administered by local housing and rehabilitation authorities (HRA).

funding source: Congressional appropriations

funding amount: $6,000,000 for FY 1976; $2,500,000 for FY 1977

allocation of funds: Section 312 funds are allocated first to the HUD regional offices, and from there distributed to the various area offices.

program initiation: 1965

program completion: September 30, 1977

projected number of units: 300 (FY 1977)

eligible uses: Program funds provide low-interest loans for housing located either within on-going categorical projects (Urban Renewal Areas, Neighborhood Development Programs, or Concentrated Code Enforcement Areas) or in localities undertaking rehabilitation efforts in accordance with the Community Development Block Grant Program. Dwellings must be in need of rehabilitation to qualify for program assistance.

eligibility requirements: Applicants must be either the owner or purchaser-occupant of a qualifying housing unit and in addition must be a good credit risk. Although no income limitations are currently enforced, priority is given to low- and middle-income applicants.

terms: Loans are limited to from $12,000 to $19,500 per family unit (dependent upon the structure's geographic location) for residential properties. Terms are for either twenty years or three quarters of the structure's remaining economic life, which ever is less; and carry a 3 percent interest rate. Refinancing terms are available.
process description: the HRA writes up a preliminary scope of work with the applicant, and checks the applicant's eligibility. Cost estimates are made and the property is appraised. Final work write-up and cost estimates are prepared (refinancing money, if necessary, is included), the maximum loan amount determined, a construction contract drawn up, and bids are let. The completed loan application is submitted to the HUD area office for approval. HRA inspects work as it is done, pays the contractor for completed work from the escrow account, makes the final inspection, and obtains release of liens from the general contractor. A follow-up inspection is made within sixty days of the close out. If applicants choose to do some or all of the work themselves, the loan pays for materials costs only. The loan money, a United States Treasury check, is deposited in an escrow account and is paid out only by HRA.


Minneapolis: 1,900 loans totaling $11,199,580 as of October 30, 1975.

for further information:

see: Housing and Development Reporter, Section 60; Rehabilitation Financing RHA Program Handbook, HUD Handbook RHA 7375.0 Revised;
There are no administrative regulations for this program.

contact: HUD area office at (612) 725-4731
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

administering agency: United States Department of Housing and Urban Development (HUD)

legislative authorization: Title I of Housing and Community Development Act of 1974. [42 U.S.C. 5301]

type of assistance: Yearly block grants to eligible county and municipal governments

brief description: The Community Development Block Grant Program replaced eight former categorical grant and local programs under which funding was approved on a project-by-project basis. The new program provides a single yearly grant, giving participating governments increased flexibility in the use of funds.

funding source: Congressional appropriations

funding amount: $52,624,000 for FY 1975; $54,929,000 for FY 1976; $45,785,000 for FY 1977

allocation of funds: Total funds are divided with 80 percent for the metropolitan area and 20 percent for non-metropolitan areas after 2 percent is deducted for the Secretary's Discretionary Fund. Certain cities and urban counties are allocated a predetermined amount based on a formula. A balance then results for each metropolitan and non-metropolitan area of the state. These balances are available for discretionary grants, applied for and funded in accord with criteria set forth in the regulations.

program initiation: January 1, 1975

program completion: FY 1977

eligible uses: Program funding can be used for a wide variety of housing activities, including: acquisition of blighted, deteriorating, or inappropriately developed land; rehabilitation; historic restoration; code enforcement; disposition and relocation payments; completion of existing urban renewal projects; and provision of loans and grants to private individuals undertaking rehabilitation. In addition, the Secretary's Discretionary Fund provides funding for new communities
and "innovative" or area-wide projects. Other program activities which indirectly relate to housing needs, open space conservation, provision of recreational areas, construction of capital improvements, and development of a comprehensive plan. In addition, funding can be used for administrative costs resulting from the planning and/or operation of any of the above activities.

**Eligibility Requirements:** Eligibility differs in accordance with the funding formula used. Entitlement Funding is designed for metropolitan municipalities with populations in excess of 50,000, Standard Metropolitan Statistical Area central cities, urban counties with over 200,000 inhabitants, and non-urban communities which are "closely settled." Hold Harmless Funding eases the transition for communities receiving smaller allocations under the Block Grant Program than under the previous categorical grant and loan programs. Discretionary Funding is designated for use by county and municipal governments eligible under neither of the previous categories, provided there is sufficient substandard housing, poverty, and conditions which threaten public health and safety to warrant federal assistance. State, county and municipal agencies, empowered to act as developers, are eligible for funding under the Secretary's Discretionary Fund.

**Process Description:** The community notifies the HUD national office of their intent to apply for funding. HUD notifies the A-95 clearinghouse; the community submits a description of the proposal for A-95 clearinghouse review and comment. The clearinghouse notifies affected state and local agencies of municipal proposals. The Block Grant application is submitted to the HUD national office. The application includes: a community development plan summary (stating goal and strategies), a community development program (stating proposed activities, programs, and related costs), a housing assistance plan (description of local housing condition, needs, and strategies), and a community development budget (projected disposition and relocation costs). The municipal government adopts a resolution authorizing the filing of the application. Two public hearings are arranged to promote resident feedback. The completed application is submitted to the A-95 clearinghouse for comment and review and then goes, with clearinghouse comments, to the HUD national office.
If approved, the community is required to submit yearly performance reports outlining local progress toward stated goals.

**discretionary funds:** Before starting the process outlined above, the community submits a pre-application describing proposed activities for grant funding. The HUD regional office reviews the pre-application on the basis of benefit to low- and moderate-income families, consistency with local and area wide plans, and degree to which proposed activities address stated objectives. HUD notifies the community of the relative quality of the proposal as compared to all others submitted. If accepted, HUD invites the community to submit full application. State, county, and local governments interested in participating in the various programs funded under the Secretary's Discretionary Fund should contact the HUD area office for appropriate procedures.

**program accomplishments:** The percentage of block grant funding used for housing purposes by the three municipalities studied in this report are as follows: St. Louis Park - approximately 20 percent; Robbinsdale - virtually all; Bloomington - approximately 25 percent.

**for further information:**

see: Housing and Development Reporter, Section 09; Monitoring Manual (available from the area HUD field office).

**contact:** HUD area office at (612) 725-4731
LOCAL HOUSING REHABILITATION LOAN AND GRANT PROGRAM FOR MINNEAPOLIS
AND ST. PAUL*

administering agencies: Minneapolis Housing and Redevelopment Authority
and St. Paul Housing and Redevelopment Authority (HRA)

legislative authorization: Minnesota Laws 1974, chapter 285 (Minneapolis)
and chapter 351 (St. Paul)

type of assistance: Low interest loans and grants for housing rehabilita-
tion

brief description: This local rehabilitation program provides low
interest loans and, in some cases, grants to eligible low- and
moderate-income households to correct code violations and provide
general improvements for residential property.

funding source: Local government general obligation bonds. (Minneapolis
is restricted to $10,000,000 in bond indebtedness; St. Paul to
$3,000,000.) Community development funds, HRA funds, and private
funds have been added to the bond funds as well.

funding amount:

Minneapolis: $8,450,000 in general obligation bonds sold as of
Fall, 1976 (also $8,485,000 has been loaned by local lending insti-
tutions and $7,699,596 in community development block grant funds
has been allocated to the program)

St. Paul: $2,500,000 in general obligation bonds sold as of November,
1976 (also $3,250,000 in community development block grant funds
have been allocated to the program through October, 1976)

allocation of funds:

Minneapolis: A city-wide program dependent on the voluntary
application of owners

St. Paul: Funds split 60/40 between the six Concentrated Rehabili-
tation Projects and the remainder of the city.

In both cities, no more than 5 percent of bond funds may be used
for grants.

* for general legislation applicable to other communities see
"note" on page 33.
date of program initiation:
  Minneapolis: August, 1974
  St. Paul: September, 1975

date of program completion: Indefinite

eligible uses: Loans are available primarily for the correction of
housing code violations; however, up to 40 percent of the loan
amount may be used for general home improvements. Grant funding
is targeted at correcting code violations that present an immediate
threat to health and safety. Bringing a property into full compli-
ance with city codes is not required, but it is strongly encouraged.
All work performed must be in accordance with applicable codes.

eligibility requirements:

Individual: Program participation is restricted to households
that are unable to secure a rehabilitation loan through other
available sources (both public and private) without total monthly
housing expenses exceeding 25 percent of the applicant's adjusted
monthly income. The recipient must be an acceptable credit risk
and demonstrate the ability to repay the loan. Direct cash grants
are available only to low-income families.

Property: Program funding is available for owner-occupied resi-
dential housing which has eight units or less and conforms to
all local zoning codes. Properties are ineligible for loan assis-
tance if the total existing indebtedness plus the principal amount
for the rehabilitation loan exceeds the unit's assessed market value.
Maximum grant amount is $6,000 per unit (Minneapolis) and $5,000
(St. Paul).

terms: Loans are issued with annual interest rates of 4 percent, 6 percent,
or 8 percent, depending on the applicant's adjusted annual income,
and with maximum terms of twenty years.

process description: The applicant goes directly to the city HRA and,
if determined eligible, meets with a rehabilitation advisor to
discuss the program. A code inspector is sent to the property to
check for code violations. The owner may request at this time
that the inspector make a note of any general improvements that are
eligible for program funding. The applicant and advisor meet
to discuss the scope of the work determined necessary by the in-
spector's report. While the applicant is soliciting preliminary
bids from private contractors, the HRA obtains an independent
appraisal of the property. A loan package (consisting of final
bids, the scope of work, a loan application, and the HRA's property
appraisal) is sent to the local rehabilitation loan officer for
approval. If approved, the loan officer issues a work order to
the contractor, who is not paid until the finished work has been
inspected for compliance with codes.

program accomplishments:

Minneapolis: 1,950 loans (totaling $15.3 million) and 1,220 grants
(totaling $6.2 million) had been approved as of January 1977.

St. Paul: 403 loans (totaling $2.52 million), 394 grants (totaling
$1.67 million), and 75 combination loan/grants (totaling $.59
million) had been approved as of March, 1977.

for further information:

see: Minneapolis Housing and Redevelopment Authority: Programs,
Funding, Goals, Issues, Administration (Minneapolis League of Women
Voters, Fall, 1976); Profile of Minneapolis Resources, Programs, and
Services: State of the City 1976 - Volume Two (Minneapolis Planning
Department, July, 1976); Characteristics of Single-Family Housing
Rehabilitated by the Local Loan and Grant Program (Minneapolis
Planning and Development Department, September, 1976); Concept and
Guidelines: City of St. Paul Rehabilitation Loan and Grant Program,
Revised Draft (St. Paul Housing and Redevelopment Authority, 1976);
Housing Rehabilitation Loan Programs in Minnesota, James D. Fitzsimmons,
Julia A. Nutter, and Kathleen A. Gilder, (CURA Office of Planned
Residential Development and Housing Research, University of Minnesota,
May, 1975).

contact: The Minneapolis HRA at (612) 348-2511; or the St. Paul
HRA at (612) 289-5218.
Note: All HRA's in the state are authorized by legislation passed in 1973 to make rehabilitation loans and grants in the same manner and under the same conditions as provided in the federal government 312 loan and 115 grant programs (the 115 grant program has since been abandoned in favor of the Community Development Block Grant Program). HRA's can make these loans and grants anywhere within their jurisdiction. The loans and grants must be necessary to make the property conform to code, or to renewal plans. HRA's are authorized to finance these loans and grants through funds available from any source available under the HRA Act, including proceeds from municipal bond sales. [M.S. 462.445, (9); M.S. 462.581 (9)]
MUNICIPAL HOUSING FINANCE AGENCIES FOR MINNEAPOLIS, ST. PAUL, BLOOMINGTON, SOUTH ST. PAUL, AND ALBERT LEA

administering agencies: Designated by local governing bodies; all to date have been Housing and Redevelopment Authorities (HRA)


type of assistance: Low interest loans, interest subsidies, and direct cash grants

brief description: Municipal housing finance agencies are authorized to exercise the same powers as the Minnesota Housing Finance Agency in the making or purchase of home mortgage loans. The municipality is authorized to sell general obligation and/or revenue bonds to finance the program.

funding source: Either general obligation or revenue bonds

funding amount: General obligation bonded indebtedness is restricted as follows: Minneapolis, $20,000,000; St. Paul, $2,000,000; Bloomington and South St. Paul, $4,000,000 each; and Albert Lea, $500,000.

allocation of funds: No funds allocated as of April, 1977

program initiation: None of the cities has yet used the authorized powers

program completion: Indefinite

eligible uses: Mortgage financing for new and used housing and refinancing of mortgages to allow rehabilitation of existing units. All housing units within the municipal boundaries are eligible for program financing, subject to local regulations. Loans cannot be made when the city determines that financing is otherwise available from private lenders on terms and conditions which the applicant can afford. If general obligation bonding moneys are needed, loans must be used to finance housing for occupancy by low- and moderate-income persons; if revenue bonding moneys are needed, there is no set income requirement in the legislation.
Individual HRA's can determine their areas of concern. Minneapolis, St. Paul, and Bloomington plan to concentrate on the construction of new housing units; South St. Paul intends to finance rehabilitation activity.

**eligibility requirements:** Applicants must conform to the locally determined requirements.

**terms:** To be set by the administering agency.

**process description:** The Minneapolis HRA is the only agency as yet to have determined a program procedure, which is as follows: the Minneapolis HRA advertises public owned land available for sale for the construction of new single family units. It accepts applications from both interested householders and developers, who are eligible for reserved mortgage funding. The HRA requests that the city sell the necessary bonds to finance mortgage commitments. (Plans call for $4 million of revenue bonds to be sold directly to Northwestern Bank in early summer 1977.) Acceptable householders apply to a private lending institution which has contracted with the HRA to originate and service the loans. Loans must be FHA-insured or VA-guaranteed. The maximum total development cost allowed will be $44,500 and the maximum adjusted gross income of an applicant will be $22,000. It is anticipated that the interest rate will be six and three quarters percent and that the program will begin in the summer of 1977.

**program accomplishments:** None as of April, 1977

**for further information:** Contact the individual municipalities or their HRA's.
OTHER SUBSIDIZED LOAN PROGRAMS

(FOR USE BY BUILDERS AND OCCUPANTS, BUT NOT LOCAL GOVERNMENTS)

Note: Funding amounts, projected number of units, and program accomplishments are for Minnesota only unless otherwise specified.
SECTION 202 HOUSING FOR ELDERLY AND HANDICAPPED PROGRAM

administrating agency: United States Department of Housing and Urban Development (HUD)


type of assistance: Direct loans for construction and permanent financing

brief description: Under Section 202 nonprofit corporations and nonprofit consumer cooperatives may seek direct loans to construct or substantially rehabilitate rental units for the elderly or handicapped. By HUD regulation, all proposed projects must also be approved for Section 8 leased housing assistance. Interest-free seed money loans, which can cover up to 80 percent of planning costs incurred in developing 202 applications, are authorized by Section 106 (b) of the Housing and Urban Development Act of 1968.

funding source: A revolving fund initiated in 1959 and supplemented by additional appropriations and proceeds from the sale of either treasury notes or other obligations authorized by Congress.

funding amount: $11,735,000 for FY 1976; $11,555,263 for FY 1977; and $1,665,000 for FY 1977 Section 8/202 funding.

allocation of funds: Section 202 funds are periodically allocated to the ten HUD regions on the basis of a formula which accounts for the percentage of elderly households either living in substandard dwellings or having incomes below the regionally-adjusted poverty level, or both. In addition, Section 8 allocations ear-marked for joint Section 8/202 use are periodically distributed to HUD area offices.

program initiation: 1959; suspended 1969; reinstated 1974

program completion: Indefinite

projected number of units: 483 for FY 1977
eligible uses: Under Section 202, nonprofit corporations and consumer cooperatives may seek direct loans for construction and permanent financing to construct or substantially rehabilitate structures designed to provide rental units for use by the elderly or handi-capped.

eligibility requirements: Applicant or borrower must be a private nonprofit corporation or nonprofit consumer cooperative. Provision is made for national or regional organizations to apply on behalf of local "borrowers." Public bodies and agencies are not eligible to apply.

terms: Mortgage amounts are based upon the lesser of the following: the original fund reservation granted by HUD's national office, the total development cost, or mortgage limitations established under the National Housing Act. Mortgages range from $13,975 to $42,106 per unit, depending upon the number of bedrooms provided and the project's geographic location. Mortgages carry a forty-year maximum term and an interest rate comparable to the current yield on outstanding marketable treasury obligations (7 percent for permanent financing, and 7 3/8 percent for construction loans as of January, 1977) plus an annual administration fee. In addition, HUD reserves the option to require a minimum capital investment as security to ensure the project's continued operation and maintenance, the unused portion being returned to the sponsor at the completion of the project's third operational year.

process description: HUD allocates joint Section 202/8 funds geographically (see "allocation of funds") and invites Section 202 fund reservations from nonprofit sponsors (the last such invitation appeared in the spring of 1976). 202 funds are conditionally reserved pending HUD area office approval for Section 8 funding. The nonprofit sponsor then applies to the HUD area office for both Section 8 funds and direct loan financing. The area office then grants approval of Section 8 funds and dispenses 202 funds. Although HUD's national office currently directs program activity concerning initial project approval for Section 202 funding, plans for FY 1977 will allocate this responsibility to regional offices.
program accomplishments: None since the incorporation of Section 202 and Section 8 funding. The lack of 1976 Section 8 joint funds resulted in a moratorium on Section 202 loan commitments until fiscal 1977.

for further information:

see: Housing and Development Reporter, Section 36; 24 CFR 885.

contact: HUD area office at (612) 725-4801
HOMEOWNERSHIP LOAN PROGRAM – SECTION 502

**administering agency:** Farmers Home Administration (FmHA), in the United States Department of Agriculture.

**legislative authorization:** Housing Act of 1949 as amended [42 U.S.C. 1471]

**type of assistance:** Mortgage loans for single family homes

**brief description:** The Homeownership Loan Program provides loans to eligible borrowers to purchase, build, improve, or rehabilitate rural homes and related facilities.

**funding source:** Each year the Department of Agriculture, including the FmHA, receives allocations through the appropriations act for the given fiscal year that can be used for loans. As funds are needed for insured loans, Certificates of Beneficial Ownership are sold to the Federal Financing Bank. For guaranteed loans, lenders making the loans will supply funds.

**funding amount:** $45,000,000 for FY 1976 and $65,000,000 for FY 1977

**allocation of funds:** No geographic allocation system at the current time

**program initiation:** 1949

**program completion:** Indefinite

**projected number of units:** Approximately 3,250 for FY 1977, assuming an average loan of $20,000 per unit

**eligible uses:** Loans may be used to buy, build, repair, or rehabilitate rural homes, provide adequate water and waste disposal systems, modernize homes (for example, add bathrooms, central heating, or modern kitchens), and, under certain conditions, refinance existing indebtedness. Approximately 50 percent of the loans are to build and purchase new units, 40 percent for the purchase of existing units, and 10 percent for the repair of existing units.
elgibility requirements: The borrower must either live in a rural area or town with population below 10,000 or the following cities with populations between 10,000 and 20,000: Bemidji, Brainerd, Breckenridge, Cloquet, Fairmont, Faribault, Fergus Falls, Marshall, New Ulm, Northfield, Owatonna, Red Wing, Willmar, and Worthington. The borrower must be unable to obtain a mortgage loan elsewhere, be without adequate housing, and have an adjusted family income of $15,600 or less. To be eligible for an interest credit, the applicant must have an adjusted income of $10,000 or less and net worth not exceeding $5,000.

terms: Insured loans may be made for up to 100 percent of the present market value, for a period of not more than thirty-three years. The present market interest rate for moderate-income families is 8 percent. Interest rates for qualifying low-income families will vary from 1 percent to the current market rate. Interest rates are changed periodically by the Secretary of Agriculture. Guaranteed loans will be made at the market interest rate, will not exceed thirty-three years, and will require at least a 3 percent down payment of a loan up to $25,000 and 5 percent down payment of a loan in excess of $25,000. The maximum loan that will be guaranteed is $33,000.

For insured and guaranteed loans on new dwellings less than one year old and not inspected by FmHA, HUD, or the lender during construction, a down payment of 10 percent on the loan will be required.

process description: Section 502 loans for new units are obtained in two ways: 1. Contractors receive conditional commitments from the FmHA county office to provide financing for eligible housing applicants. They then build the units and find buyers meeting Section 502 income requirements; or 2. The borrower locates a contractor and applies for a loan. When the loan is closed, construction on the units begins.
Whether loans are designated for new or existing housing units, recipients apply directly to the FmHA county office. In all cases, applicants must first seek mortgage financing through local lenders, providing proof of credit denial, upon request from the county supervisor. A personal interview is arranged prior to loan approval, during which verification of the applicant's employment, incomes and other factors are presented. After acceptance, the FmHA county office will give the recipient advice as to the size, design, quality, cost, and location of dwelling units, and sites suitable for program assistance.

Program accomplishments: $23,685,770 (1,615 units) for FY 1973; $18,072,000 (1,091 units) for FY 1974; $24,838,430 (1,338 units) for FY 1975; and $55,521,000 (2,413 units) for FY 1976.

For further information:

see: Housing and Development Reporter, Section 40; 7 CFR 1822.

Contact: FmHA county office
MHFA HOMEOWNERSHIP LOAN PROGRAM

administering agency: Minnesota Housing Finance Agency (MHFA)

legislative authorization: Minnesota Laws 1971, chapter 702, as amended [M.S. 462A.01-462A.26]

type of assistance: Mortgage loans

brief description: Eligible Minnesota residents may obtain mortgages from participating mortgage lending institutions at below-market interest rates.

funding source: Sale of revenue bonds

funding amount: $500 million of bonding authority is authorized for use in the Apartment Development Loan Program (see: Section 8 – New Construction, "brief description" on p 9) and MHFA Homeownership Loan Program. There have been three phases in the MHFA Homeownership Loan Program, the first committed $30 million, the second $50 million, and the third $72 million. (see note p. 44).

allocation of funds: The MHFA periodically invites eligible lending institutions in the state to participate in the program. In addition, the MHFA allocates funds so as to achieve a reasonable distribution of commitments throughout the state.


projected number of units: 2,000 – 2,500 for the third phase

eligible uses: Program funds may be used for mortgage loans on new or existing owner-occupied housing units. Units must meet FHA or VA requirements and have a sales price which does not exceed $37,500.

eligibility requirements: Applicant must have an adjusted gross income not to exceed $16,000.
terms: Loans carry either a 6 1/2 percent (new construction) or 7 1/2 percent (existing) interest rate, have a thirty year maximum term. For new construction they are either FHA-insured, VA-guaranteed, conventional with private mortgage insurance, or uninsured (with a minimum 25 percent downpayment). For existing housing, they are FHA or VA mortgages. Discount points and origination fees are not to exceed a total of 5 percent for FHA/VA mortgages and 2 percent for conventionally financed mortgages (new construction) and 4 percent for existing housing.

process description: The mortgage loan applicant contacts a participating lender in this area. Upon receiving a mortgage loan application, the lender checks for compliance with program requirements, then forwards the application to FHA or VA (conventional loans need not be forwarded). If FHA or VA makes a commitment to insure or guarantee the loan, the lender issues the mortgage. The lender then sells the mortgage to MHFA, which pays the lender a monthly fee for servicing the loan. If the lender chooses not to service the loan, the MHFA contracts with a servicing company.

program accomplishments: Under the first phase, 1,261 mortgages were issued. Under the second phase, 1,825 mortgages were issued.

for further information:


contact: Home Improvement and Mortgage Purchase Division of MHFA at (612) 296-7612.

Note: The 1977 legislature increased the bonding authority for the Apartment Development Loan Program and the MHFA Homeownership Loan Program to $725 million, and also appropriated $8 million to provide subsidies for interest and downpayments in connection with the MHFA Homeownership Loan Program. (H.F. 875).
AFFORDABLE HOMES PROGRAM

administering agency: Minnesota Housing Finance Agency (MHFA)

legislative authorization: Minnesota Laws 1976, chapter 254 [M.S. 462.01-462.26]

type of assistance: Mortgage loans

brief description: Eligible moderate-income residents of Minnesota may obtain financing for economically-designed homes at flexible, below-market interest rates.

funding source: Legislative appropriation and sale of revenue bonds

funding amount: $5 million appropriation

allocation of funds: The MHFA distribution plan (see "for further information") will serve as a guide for the allocation of funds.

program initiation: July, 1976

program completion: November, 1977

projected number of units: 175 units

eligible uses: Home mortgage loans are available for new one- two- or three-bedroom homes built in accordance with design standards and costs approved by MHFA. The maximum allowable MHFA construction and land costs differ for urban and rural parts of the state. The seven-county Twin City Area, Duluth, Moorhead, St. Cloud, and Rochester have a maximum construction cost ranging from $20,000 - $25,000, depending upon the number of bedrooms per unit, and a maximum land cost of $7,500. All other parts of the state are restricted to $18,500-$23,500 in construction costs, also dependent upon unit size, and $5,000 in land costs. Design plans and specifications are available from MHFA upon request.

eligibility requirements: Families with an adjusted gross income of $16,000 or less may apply for financing of an Affordable Home with priority given to applicants with an adjusted gross income of $12,000 and below.
terms: Eligible mortgages include conventional mortgages, with or without private mortgage insurance, and FHA-insured and VA-guaranteed home mortgage loans. Maximum term is thirty years with an interest rate of 1 percent to 8 percent; the mortgage note will bear an 8 percent interest rate with interest credit reducing the interest rate to reflect family income. Minimum down payment on conventional loans is 3 percent of the first $25,000 of MHFA valuation of total construction costs including land, and 10 percent of the remaining MHFA valuation. On FHA loans, minimum down payment is 3 percent of the first $25,000 of appraised value, 10 percent of the next $10,000 and 20 percent of any amount over $35,000. There is no down payment requirement of VA loans. Closing costs are to be paid by the buyer. The maximum mortgage may not exceed the maximum MHFA construction cost, plus land and development costs minus the required down payment. The holders of each eligible mortgage must occupy all of the mortgaged property as their principal residence.

process description: Private lending institutions act as agents for MHFA, securing commitments from MHFA on a loan-by-loan basis with no commitment fee.

Prospective buyers contact a participating lending institution or the Regional Development Commission serving their area to place their name on a prospective buyers list; MHFA funds will be reserved on a first-come, first-served basis (subject to area and income priorities). The lending institution makes a preliminary review of application for MHFA eligibility, then prepares the loan package and forwards it to MHFA for approval. If submission is approved, MHFA will issue a firm mortgage commitment and, by the date of initial loan closing, funds equal to the principal amount of the mortgage. These funds (up to 90 percent) can be drawn upon to pay the contractor during the course of construction. Final closing of the mortgage loan follows construction. MHFA pays the lending institution a fee for providing these services; in addition, servicing fees are paid to mortgage services.

program accomplishments: Sixty-nine commitments for construction (totaling $1,947,075) have been issued through December, 1976.
for further information:


contact: Home Improvement and Mortgage Purchase Division of MHFA at (612) 296-7612.
Taxing Provisions
Although a municipality has little flexibility in using taxing provisions to meet its housing objectives, taxation does have a profound impact upon the local housing situation. The federal income and capital gains taxes provide incentives encouraging homeownership and housing construction. State and state-determined local taxing policies have a similar effect. In addition, certain taxing programs act as incentives for development of low- and moderate-income housing and for the rehabilitation of this type of housing. Other taxing programs benefit particular homeowners, such as the elderly, for example.

This section begins with a review of some of the major taxing provisions which affect housing. In each case federal or state law governs how the tax is to be applied; municipalities cannot change or selectively apply these provisions to meet their housing objectives. However, knowledge of these provisions can help in selling the city's housing policies and can be used in combination with programs and authority over which the city does have some direct control.

In addition, there are two taxing provisions which are designed to be used by Minnesota cities at their discretion to meet housing objectives. This section concludes with a description of these provisions.

MAJOR TAXING PROVISIONS

**Income and Capital Gains Taxes**

Homeowners are given a variety of benefits under the federal income tax structure. They are allowed to deduct from their income the interest paid on their mortgage loan and any real property taxes. In addition, when the residence is sold, any gains realized in the sale can be treated as long-term capital gains rather than as income. Should the seller purchase another residence of equal or greater value within a specified time, the capital gain realized on the sale is not subject to taxation. Homeowners sixty-five or older may sell their residence, not purchase a new one, and still pay no tax on their capital gain (if the adjusted selling price is under $35,000) or pay only a partial tax (for more expensive homes).
Owners of rental housing are also given preferential treatment under
the federal tax system. Rental housing structures can be depreciated for
tax purposes at a rate which exceeds their actual depreciation, and at a
more accelerated rate than is allowed for commercial and industrial struc-
tures. However, if the structure is sold, some or all of this "excess
depreciation" is recaptured and taxed as income; the Tax Reform Act of
1976 tightens these recapture rules, but continues to grant special bene-
fits to owners of subsidized low- and moderate-income housing. Section 167
(k), added to the Federal Internal Revenue Code in 1969, allows owners of
low- and moderate-income rental housing to write-off the costs of rehabili-
tation on a straight-line basis over five years. To take advantage of this
provision, rehabilitation work must begin before January 1, 1978.

These taxing provisions generate a substantial subsidy to housing
owners. The estimated loss to the federal treasury in 1975 due to these
provisions was over $8.9 billion. The Minnesota state income and capital
gains taxing provisions generally mirror and reinforce these federal provi-
sions.

For further information, see: Eighth Annual Report on the National
Housing Goal, Appendix A; (Washington D.C.: U.S. Government Printing Office,
1976, House Document No. 94-368); Housing and Development Reporter, Section
80; Minnesota Tax Guide 1976 (St. Paul: Department of Economic Development
and Department of Revenue, 1976).

Property Taxes

Classified Property Tax System. Minnesota's Classified Property Tax
System gives incentives for homeownership and for construction of certain
kinds of rental housing. Under this system, the assessed value of a par-
ticular parcel is determined as follows: the local assessor establishes
the parcel's market value, classifies it according to use, and applies a
pre-determined rate to arrive at the property's assessed value. The assess-
ment rate for non-homestead residential housing units is 40 percent (compared
to other businesses which are assessed at 43 percent of market value).
However, homestead property is given a special advantage under the classified
taxing system in that the first $13,000 of market value (increased annually
with inflation of housing values) is assessed at only 25 percent, any excess
value being assessed at the non-homestead rate. The 1977 legislature in-
creased the advantage of homesteaded property further. For taxes payable in 1978, the 25 percent becomes 22 percent and thereafter it becomes 20 percent; the rate applied to the excess becomes 36 percent for taxes payable in 1978 and 33 1/3 percent thereafter [H.F. 1475].

Apartment construction is also given beneficial treatment due to two special provisions. The first pertains to apartment buildings constructed of Type I and Type II fire-resistant materials. The assessment rate for such structures over five stories is 25 percent and for those under that height is 33 1/3 percent. The second provision pertains to housing for the elderly or for low- to moderate-income families (as defined by Title II of the National Housing Act [12 U.S.C. 1701 et seq.] or the Minnesota Housing Finance Agency (MHFA) Law [M.S. 462A.01 et seq.] or regulations promulgated by MHFA. The assessment rate for such structures is 20 percent, provided that they are financed by direct federal loan or with a federally-insured loan or by the MHFA and are owned by a non-profit or a limited-dividend entity. This rate applies for fifteen years from the date of construction or substantial rehabilitation or for the original term of the loan. In cities under 10,000 population, structures financed by a direct or insured loan from the Farmers Home Administration are assessed at 5 percent of market value, provided that they are used for the elderly or low- to moderate-income families and are owned by a non-profit or a limited-dividend entity.

**Homestead Credit.** Property taxes on homesteads in Minnesota are reduced by 45 percent up to a maximum of $325, using the state-wide homestead credit. In addition, a special homestead credit of up to $365 further reduces property taxes in certain Iron Range areas. In both cases the credits are subtracted from the property tax bill by the county auditor; the taxpayer pays the reduced amount, and the state directly reimburses the municipality.

**Circuit Breaker.** The Income-Adjusted Homestead Credit (Circuit Breaker) provides tax relief to residents who either own or rent their homes. Renters are reimbursed the difference between 22 percent of their gross rent (minus utilities, appliances, and furnishings) and a percentage of their gross household income. The percentage used is dependent upon household income and the total credit is limited to $475 ($800 for elderly and disabled
renters). For homeowners, the credit is calculated by determining the difference between the property tax due and a graduated percentage of gross income, this figure being limited to $800; this figure is then reduced by the amount of the homestead credit. It should be noted that the 1977 legislature changed the circuit breaker to allow credits above the previous maximum of $475; the state allows credits for 35 percent of the additional amount for non-elderly homeowners and 50 percent for the elderly and disabled up to the new maximum of $800 [H.F. 1475].

Municipalities receive the full tax (minus the homestead credit). The taxpayer in turn applies to the state for a refund. Renters, the elderly, and the disabled can claim their refunds as a credit on their income tax; other homeowners must file for the refund separately.

Property Tax Freeze. Until this year, the property tax freeze gave additional support to the elderly and disabled by reimbursing the difference between a qualifying homeowner's total property tax bill (minus the circuit breaker credit) and the property taxes paid the first year of the recipient's program participation. The claimant payed the county treasurer the full tax bill due, with the tax freeze credit being applied toward the recipient's state income tax. This provision was repealed by the 1977 legislature [H.F. 1475] effective for taxes payable in 1978.

Delayed Assessment for Improvement of Residential Properties. A number of special bills have been passed by the state legislature since 1967 to deal with the financial problems of rehabilitation and home maintenance through delayed assessment. One such bill passed in 1967 for the city of St. Paul, and five more in 1969 for Ramsey, Hennepin, St. Louis, and Washington counties and for the city of Anoka. All the bills followed a similar form: improvements on a single or multiple dwelling structure up to a certain market value (the actual dollar amounts varied from $6,000 to $12,000) would be added onto the assessed value over a period of five to six years. Usually one-third of the value would be added after two years, one-third after four years and the total amount after five or six years. All the bills stipulated that the units must be fifteen to twenty-five years old or older.
Reactions to the delayed assessment programs varied. Only two of the programs—in the city of Anoka [Minn. Laws 1969, Ch. 833] and St. Louis County [Minn. Laws 1969, Ch. 1062 as amended by Minn. Laws 1971, Ch. 5]—are still in effect. The rest were allowed to expire after a few years. Low participation rates, particularly in the targeted neighborhoods, and administrative difficulties were cited as reasons.

For further information on property taxes, see: Minnesota Tax Guide 1976 (St. Paul: Department of Economic Development and Department of Revenue, 1976); and "General Summary of Residential Improvement Delayed Assessment and Maintenance Credit Proposals" presented to the Senate Tax Committee by Arthur C. Roemer, Commissioner of Taxation (now Revenue), March 23, 1973.

FLEXIBLE TAXING PROVISIONS (THAT MUNICIPALITIES CAN USE FOR HOUSING POLICY PURPOSES)

(*Denial of Deductions Relating to Substandard Buildings [M.S. 290.101 et seq.; Minn. Laws 1975, Ch. 226]*)

Under this act, no person who receives rental income from a "substandard building" in Minnesota is allowed to claim state income tax deductions for interest or depreciation until necessary improvements are made.

To be considered "substandard," a structure must be determined "by a state, county or city agency charged by the governing body of the appropriate political subdivision with the responsibility for enforcing health, housing, building, fire prevention, or housing maintenance codes, to materially endanger the health and safety of the occupant or, if occupied, is a hazardous building [as defined by the Hazardous Building Act]." The only rental housing not covered by the provisions of the legislation is residences used for agricultural purposes and owner-occupied dwellings with four or less units.

For a municipality to use this act, it must first pass an ordinance stating exactly what constitutes a "substandard building"—"the nature and types of violations of codes." When a particular building has been deemed substandard by the enforcing agency, a written notice is sent to the owner stating the nature of the violations, where the owner may file an appeal, a general description of the tax consequences and the existence of any

* For a description of the Hazardous Act, See p. 63.
appropriate federal, state or local housing rehabilitation programs. The
owner has a grace period to begin correcting the violations. If the owner
has not started to correct them at the end of this time, a notice of non-
compliance is sent, stating the agency's intent to notify the state commissioner
of revenue of the taxpayer's noncompliance, where one may file an appeal,
and a general description of the tax consequences. No deductions relating
to the substandard building will be allowed from the date of the notice
of noncompliance until the date the property is brought into compliance.

The agency must notify the commissioner of revenue of all cases of
noncompliance (in a form prescribed by the commissioner) on or before March
15 of each year. The act is effective beginning with the taxable
year 1976; unless extended, it expires after the taxable year 1979. The
commissioner of revenue had not received notification of any cases of non-
compliance as of March 15, 1977. In the fall of 1976, a survey was conducted
of large municipalities in Minnesota in which not one city reported using
the provisions of the act, and only 5 percent of the administrators respond-
ing were aware of the act's existence.

Redevelopment Companies [M.S. 462.591 - 462.691]

Private limited-dividend corporations (or, in first class cities,
limited partnerships) may be given substantial tax exemptions by municipalities
in exchange for production of housing. Restrictions, particularly on mortgage
interest rates, however, may make this authority unusable for all but
cities of the first class.

Under this act, the redevelopment company first prepares a complete
set of project proposals to be submitted to both the local housing and
redevelopment authority (HRA) and to the municipality for approval. The
project must be located on a site which has been determined by the HRA
to be blighted. It may provide housing for all income levels and can include
some non-residential uses. Once the plans receive approval, the company
enters into a contract with the local HRA, tying company performance with all
tax exemptions granted.

The possible exemptions are extensive. The governing body of the
municipality may, by ordinance or resolution, exempt the project from part
or all of the local taxes resulting from the increased valuation of the
property due to its improvement. This exemption includes property taxes from all taxing jurisdictions and can be granted for up to twenty-five years. In addition, the company's income is exempt from state income taxes, as are the dividends paid on company stock. State tax exemptions are also given on income from company bonds, mortgages, and income debenture certificates.

The company is empowered to issue stocks and bonds and secure a mortgage of up to 90 percent of the project's estimated cost in cities of the first class (at mortgage interest rates established by the state) and 80 percent of cost in all other parts of the state (mortgage interest rates limited to 5 percent).

The restrictive characteristics of the legislation can be blamed for the program's lack of success. Since its enactment in 1947, not one redevelopment company has been founded in the state. However, recent amendments allowing limited partnerships and increasing mortgage limits and interest rates may make the program feasible in cities of the first class, if not in the remainder of the state.
Development Authority
This section deals with the statutory authority of municipalities and housing and redevelopment authorities (HRAs) to undertake housing development activities. Such activities include: acquisition and disposition of property, site preparation (including demolition of substandard buildings), and construction and management of housing developments.

The discussion covers 1) the general development powers of municipalities and HRAs; and 2) specific development programs -- public housing, tax increment financing and development districts, urban homesteading, and the treatment of hazardous buildings under the Hazardous Building Act.

**GENERAL DEVELOPMENT POWERS**

**Municipal Development Powers.**

Under state law, cities are authorized to acquire all real property deemed necessary for a public purpose, through negotiated purchase, lease, gift, or condemnation. Property can also be acquired through conveyance of tax-forfeited land to the municipality. Property acquired in any of these ways can be retained by the municipality or sold, transferred, or leased by the municipality to a public organization (including an HRA), provided that the property is used for a public purpose. The use of municipal revenue is also allowed if the expenditure is for a public purpose and is within the city's statutory authority. Housing acquisition, disposition, demolition, development, and operation have been declared to be public purposes in certain circumstances. For example, acquisition and demolition of hazardous buildings has been declared a public purpose by the Minnesota Legislature [M.S. 463.152 (1)], as has the transfer of residential property to HRAs for urban homesteading purposes [M.S. 462.415 (7)]. In development districts it has been declared a public purpose to acquire, construct, reconstruct, improve, alter, extend, operate, maintain, or promote development (which can be interpreted to include the development of housing) [M.S. 472A.01].

Municipalities are also empowered to conduct a number of activities relating indirectly to housing development. Cities can determine the location and extent of many capital improvements, including new streets, sidewalks, and utilities. And cities are usually responsible for the continued maintenance of these facilities. Other housing-related services are often provided by cities as well: trash removal, fire and police protection, to name a few. Many cities make provision of these housing-related improvements and services
a major element of their housing program. For an example of how one city has done this, see the section on St. Louis Park in the case studies (Part II of this report).

HRA Development Powers.

The existence of a local HRA adds substantial authority and flexibility to a municipality undertaking housing development activities. This is especially important because under recent state law the five-member authority may be composed entirely or in part of municipal officials [Minn. Laws 1974, Ch. 444]. Among the powers available to an HRA are the use of eminent domain in the acquisition of blighted property; the ability to purchase and prepare a site for redevelopment; the power to demolish, rehabilitate, or reconstruct any existing structures located on a purchased parcel; the ability to lease, sell, or transfer any authority-owned property; the right to issue revenue bonds or accept funding from municipal general obligation bonds to conduct redevelopment activities; and the ability to act as an agent of the federal, state, or local government in the completion of housing or redevelopment programs. In accordance with this final authorization, HRAs are allowed to accept funding from any federal, state or local public agency. In addition to these development powers, the HRA is allowed to levy both a general-purpose tax (one mill) and a relocation tax (one-tenth of a mill) on all taxable real property within its jurisdiction. The funds from the former can be used for any and all housing and redevelopment activities of the authority. Proceeds from the latter are intended to assist people forced to relocate as the result of an HRA project; this can prove important since relocation costs are borne by the acquiring agency, in most acquisitions, be they by eminent domain or by purchase [M.S. 117.50-117.56].

For further information, see: M.C. Addicks, Jr., Handbook for Statutory Cities, Ch. 9 & 13 (St. Paul: League of Minnesota Cities, 1976); "Purchase and Sale of Real Property by Cities" (League of Minnesota Cities Memo October, 1975); "Tax Forfeited Land - Conveyance to Municipalities for Public Use" (League of Minnesota Cities Memo, August, 1974); "Municipal Acquisition of Property by Eminent Domain" (League of Minnesota Cities Memo, October, 1975); M.S. 462.415 - 462.711.
SPECIFIC DEVELOPMENT PROGRAMS

Public Housing.

The Federal Government has appropriated $120 million for FY 1977 to build new public housing units. This follows a period of several years when new construction of public housing was discouraged. The Minnesota allocation of $5.79 million (loan authority) is expected to produce 500-600 units. These units will be owned and operated by local HRAs.

For further information, see: Housing and Development Reporter, Section 30; 24 CFR 841; and the HUD Public Housing Handbook 7417.1.

Tax Increment Financing and Development Districts.

Tax increment financing has three state-wide applications in Minnesota: HRA tax increment districts [M.S. 462.585 (2-4)], municipal development districts [M.S. 472A], and industrial development districts [M.S. 474.01-474.13]. Only the first two will be discussed here; the last does not normally involve residential development. The purpose of this form of financing is to allow a city to stimulate development by providing "front-end" money for land acquisition, site preparation, and construction. The bonds sold to raise this money are then paid off with the increment to the property tax caused by the new development.

Ninety-four tax increment districts are currently in operation or planned in forty-six Minnesota municipalities. Sixty-two are HRA tax increment districts, twenty-one are municipal development districts, and eleven are industrial development districts. Tax increment financing projects are currently developing over 5,000 housing units in twenty municipalities. All three communities presented in the case studies in this report (Part II) are using tax increment financing for housing development.

The exact procedure used to compute the tax increment differs little between the various types of development districts. There are, however, substantial differences between the types of districts when it comes to the actual redevelopment processes used.

HRA tax increment districts are totally initiated and operated by the local authority, require municipal approval prior to program initiation,
must be located on a site which is considered blighted, and can incorporate several sites scattered throughout a municipality. Municipal development districts, on the other hand, are initiated and operated by the city, require both a public hearing and city council approval prior to initiation, are not restricted by a "blighting" clause, but are restricted as to the number and size of districts per locality.

Although municipal general obligation bonds are issued in either case, city development district bonds must mature within thirty years while bonds issued for HRA districts have no time limitations. The payment of bonds also differs greatly between the two. In a municipal development district, all the increment must go to the financed project [M.S. 472A.08 (4)]; if the increment produced exceeds the amount necessary to retire outstanding bonds, as determined in the annual financial statement, the difference is redistributed among the other taxing agencies [M.S. 472A.08 (3)]. In contrast, HRA districts receive the full increment, irrespective of whether all of it is required for bond payments [M.S. 462.551]; therefore, that part of the increment not needed to retire project bonds can be used for other purposes.

Another important distinction between the two types of districts is that municipal projects in the seven-county Twin Cities metropolitan area are subject to the Metropolitan Revenue Distribution Act (Fiscal Disparities Act) while HRA districts are not [M.S. 472A.08 (2)]. As a result, HRAs receive 100 percent of the produced increment, whereas municipalities realize only 60 percent of the increment from commercial and industrial development, the remainder being put in the metropolitan revenue distribution fund. This applies only to commercial and industrial development and, therefore, has little effect on a project which is predominantly housing.

The last large area of difference between the two types of development districts concerns development control. HRAs have broad controls over a developer's performance which are lacking in municipal districts. Private developers must adhere to the renewal plan, cannot sell their land until all specified improvements have been made and must provide a performance bond as security to ensure plan compliance. Further, their projects can be taken over and corrected by the authority should they depart significantly from the original redevelopment plan [M.S. 462.525 (7)]. In a municipal development
district, restrictions are attached through land covenants. Although the HRA is not required to use all its powers over the developer, these controls act as a desirable form of insurance that development will be carried out as originally intended.


Urban Homesteading [Minn. Laws 1974, Ch. 228; M.S. 462.415 (7), 462.445 (1) (4), 462.466, 462.525 (1) (9) (10), 462.545 (1)]

Under the urban homesteading program, vacated, substandard residential properties are made eligible for sale to persons or families of low- and moderate-income who have the financial ability and/or technical competence to bring the residence into compliance with all applicable local building and housing codes. Properties used in the program can come from any of the following sources: the Department of Housing and Urban Development (usually federally-insured parcels that have defaulted), the state (usually tax-forfeited property), the local HRA (acquired through purchase or condemnation), or the municipality (acquired through the use of eminent domain under the Hazardous Building Act). Only those communities with a local HRA are enabled to undertake an urban homesteading program.

Minneapolis was the first city in Minnesota to operate a homestead program and, as a result, its program procedure is used as an example (St. Paul has also instituted a program). The dwelling units are made available to the public through the local HRA. Low- to moderate-income applicants who demonstrate their ability to improve the property are selected. If the number selected exceeds the number of properties available, a lottery system is used to determine who the owners shall be. The house is then "sold" for $1.00. The owner agrees to meet the following HRA requirements: all basic sanitary requirements must be completed within ninety days of the sale and
prior to occupancy; the property must be brought up to code either within six months (if work is being contracted) or eighteen months (if the occupant performs all necessary improvements). Financing for home improvements can originate from a number of sources, including HRA loans and grants, Minnesota Housing Finance Agency Home Improvement loans and grants, rehabilitation loans from local banks, or Federal 312 rehabilitation loans. In a special homesteading grant from the federal government, Minneapolis has received a combination of $112,000 worth of property and $60,000 in Section 312 loan funding.

For further information, see: M.C. Addicks, Jr., Handbook for Statutory Cities, Chapter 9 (St. Paul: League of Minnesota Cities, 1976); "Tax Forfeited Land - Conveyance to Municipalities for Public Use" (League of Minnesota Cities Memo, August, 1974); Progress Report on MHRA Activities, April 1976 (Minneapolis Housing and Redevelopment Authority). Contact: Minneapolis or St. Paul HRAs.

Hazardous Building Act [M.S. 463.15-26].

Under this Act, municipalities are empowered to deal with the problem of hazardous buildings. A "hazardous building" is defined as any structure which, because of inadequate maintenance, dilapidation, physical damage, unsanitary condition, or abandonment, constitutes either a fire hazard or a threat to public health or safety. Under the program procedure, if a building is determined to be hazardous (the statute does not specify who will make this determination) the owner is notified in writing of the hazardous condition and ordered by the municipality to remove the structure or to correct the violation(s). The owner is given twenty days to appeal the ruling. If there is no appeal, the municipality may move the district court for enforcement of the order. Should the owner decide to appeal the order of the municipality, the case is tried before the district court. If the owner does not comply with the court's judgement within the specified period, the municipality may take one of the following three courses of action. The city may acquire the building through the power of eminent domain (and then donate it to the HRA for urban homesteading purposes, if it chooses), repair the hazardous conditions, or remove the structure. If the structure
is acquired by the municipality, relocation benefits must be paid to any occupants residing in the structure at the time of acquisition. If the building is either repaired or removed by the city, all costs incurred by the municipality may be charged to the owner through special assessments.

In a survey of 102 large municipalities in the fall of 1976, code enforcement officials generally stated that they found the Act's procedures very detailed and difficult to use. Of the three cities described in Part II of this report, St. Louis Park has used the Hazardous Building Act to demolish twelve buildings (most were voluntarily removed by the owner), Robbinsdale has not used the act, and Bloomington has used the act (together with a local ordinance) to order repairs or demolition for seven buildings (in six cases the owner complied voluntarily, in the seventh, the building was demolished by the city with the costs charged to the owner through a special assessment).
Regulatory Authority
This section deals with municipal regulatory authority which directly affects housing: land use controls, housing maintenance codes, municipal adoption of the State Building Code, septic tank and water well ordinances, and open housing ordinances.

LAND USE CONTROLS

The Municipal Planning Act of 1965 [M.S. 462.35 et seq.] enables municipalities to carry on planning activities for housing development, and to implement the plans through the adoption and enforcement of "official controls." These official controls include (but are not limited to) zoning and subdivision controls which municipalities are permitted but not required to adopt.*

Zoning

Zoning ordinances seek to regulate the use of land and buildings, size of a lot, density of development, and the height and bulk of buildings. They may also include a number of specific development standards, such as requiring garages, for example.

Zoning ordinances are in widespread use in Minnesota. In the seven-county Twin Cities Area, 96 percent of local communities in 1975 either had a local ordinance or fell under the jurisdiction of a county zoning ordinance (Ref. 1). There is no comparable municipal survey for the rest of the state, but in a survey of counties in 1975, 79 percent reported having a zoning ordinance (Ref. 2).

Zoning requirements vary considerably. In the Twin Cities Area, minimum lot sizes for single-family homes (in sewered areas) range from 4,000 to 22,000 square feet, with a median of 9,500. Half of the communities surveyed have minimum floor area requirements, with the median being 1,000 square feet; 17 percent of the surveyed cities require garages, most require two-car garages (Ref. 3, pp. 44ff).

Zoning is an important and flexible control which cities can use as part of their overall housing policy. However, the effects of zoning restrictions on housing production and housing costs have been widely debated.

*Except in the seven-county Twin Cities Area, where zoning and subdivision as well as private sewer system controls are required under the Metropolitan Land Planning Act [Minn. Laws 1976, Ch. 127].
Studies done elsewhere have been largely inconclusive (Ref. 4). Arguments against restrictive zoning have been voiced frequently in the Minnesota Legislature and elsewhere, (Ref. 3, pp. 46 ff.). Bloomington is one example of a city that has reduced its zoning requirements in an effort to provide lower cost housing. In the two years since the zoning change went into effect, some 33 percent of newly-built single-family housing units and some 50 percent of newly-platted lots took advantage of the lowered requirements. See the section on Bloomington in the case studies (Part II of this report) for more information.

Detailed discussion regarding the adoption and administration of zoning ordinances is contained in Ref. 5. That document also describes the several state-mandated local zoning controls dealing with floodplains [M.S. 104.01-104.07], shorelands [M.S. 105.485], critical areas [M.S. 116G.01-116G.14], and "wild and scenic rivers" [M.S. 104.31-104.40]. See also References 6 and 7.

Subdivision Regulations.

Subdivision ordinances typically control platting, street width and location, the grading and surfacing of streets, utility installation standards, park, playground, and open space locations, and sewer, water, and storm drainage construction. In the Twin Cities area 81 percent of the communities had adopted subdivision ordinances as of 1975; most of those without ordinances were older, fully developed communities or predominantly agricultural townships (Ref. 1). In a survey of counties in 1975, 79 percent of the responding counties reported that they had adopted subdivision regulations (Ref. 2).

Design specifications and the type and extent of exactions required of the developer - for public facilities, land, or money in lieu of land - vary considerably from community to community (Ref. 3, p. 48). Few studies have been done to detail the effect of subdivision regulations on housing production and housing costs (Ref. 4). The Modest-Cost Private Housing Advisory Committee of the Metropolitan Council has issued a report, however, citing street construction and storm sewer requirements, in particular, as being excessive and resulting in increased cost for land improvement.
(Reference 3 p. 48 ff.). See Isberg (Ref. 5), Freilich and Levi (Ref. 8), and Meshenberg (Ref. 7) for detailed discussion of planning, administrative, and legal issues involved in the use of subdivision regulations.

References:
1) Local Planning in the Twin Cities Metropolitan Area: A 1975 Inventory and Analysis (St. Paul: Metropolitan Council, 1976);
2) Opinions on Land Use Planning: A Survey of County Zoning Administrators (St. Paul: State Planning Agency, 1975);
3) Modest Cost Housing in the Twin Cities Metropolitan Area: Report with Recommendations to the 1977 Minnesota State Legislature with the Modest-Cost Private Housing Advisory Committee (St. Paul: Metropolitan Council, 1976);
4) Edward M. Bergman, Internal Validity of Policy Related Research on Development Controls and Housing Costs (Chapel Hill: Center for Urban and Regional Studies, University of North Carolina, 1974);
5) Gunnar C. Isberg, Local and Regional Planning in Minnesota (St. Paul: League of Minnesota Cities and Metropolitan Council, 1975);
6) Programs, Policies and Legal Authorities Affecting the Use of Land in Minnesota (St. Paul: State Planning Agency, 1975);
7) Michael J. Meshenberg, The Administration of Flexible Zoning Techniques (Chicago: American Society of Planning Officials, 1976);

HOUSING MAINTENANCE CODES

Municipalities have the authority to enact a local housing maintenance code, setting minimal community standards in such areas as supplied facilities; structural and sanitary maintenance; occupancy levels; and fire, health, and safety standards. There is no state requirement that municipalities adopt housing maintenance codes; in fact, there is no specific state legislation enabling municipalities to do so. A large number of cities, however, have adopted housing maintenance codes using their general police powers. Code specifications vary widely from community to community and
many have no code at all. Consider, for example, the four codes compared in Table 1, and their specifications for selected requirements.

**TABLE 1: COMPARISON OF FOUR 1975 HOUSING CODES**

**SPECIFICATIONS**

<table>
<thead>
<tr>
<th></th>
<th>Ceiling Height</th>
<th>Heat Maintenance</th>
<th>Electric Outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duluth</td>
<td>6' 9&quot; for half of floor area</td>
<td>65(^\circ) at 3' from floor when -20(^\circ) outside</td>
<td>2 per room; 1 can be overhead light</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>7' 6&quot; for half of floor area</td>
<td>70(^\circ) at 3' from floor and 3' from wall</td>
<td>2 per room of 120 sq. ft. &amp; 1 for each additional 80 sq. ft.; 1 can be overhead light</td>
</tr>
<tr>
<td>St. Paul</td>
<td>7' for half of floor area</td>
<td>70(^\circ) at 5' from floor when -20(^\circ) outside</td>
<td>2 per room; 1 can be overhead light, 3 in kitchen; 1 can be overhead light</td>
</tr>
<tr>
<td>ICBO* Uniform Housing Code</td>
<td>7' 6&quot; for attics &amp; toilets</td>
<td>70(^\circ) at 3' from floor</td>
<td>2 per room; 1 can be overhead light</td>
</tr>
</tbody>
</table>

*International Conference of Building Officials

Enforcement varies from community to community even more widely than code specification. In the fall of 1976 a survey was made for this report of all Minnesota Cities with populations over 10,000 and all cities which had a HUD-approved Workable Program (requiring an adopted housing code) as of November, 1973. The response rate was 90 percent. Of the 102 cities responding, 77 had an adopted housing maintenance code. The great majority used one of the uniform housing codes produced by private organizations. Of the 77 cities with an adopted code, the types of enforcement included: a regular schedule, 32; complaint-only, 25; combination of regular schedule
and complaint-only, 10; spot schedule, 7; miscellaneous, 3. The number of inspections per year also vary, even among cities of the same size population. Approximately 56 percent of the municipalities with a population of 20,000 and over had an actively enforced housing code. Of all the cities surveyed, 38 percent had an actively enforced housing code. Inspection of multi-family units was done by 75 percent of those cities with a housing code; 30 percent of the cities with a code not only inspected multi-family units but also licensed them.

The typical code enforcement process begins with a private complaint, usually from a tenant living in substandard housing. A housing code inspector responds to the complaint and ascertains the existence or non-existence of a code violation. The owner then is sent a notice informing him or her of the complaint and is given a reasonable time to correct the defect. If not corrected, the owner may be subjected to penalties as described in the municipality's code, ranging from small fines to condemnation of the building.

Several cities have adopted codes which are enforced in a more affirmative manner. For example, in St. Louis Park, all multi-family dwelling units must be inspected before a two-year license is issued. Also, at the time of sale of a single family home, there must be an inspection and a certificate of compliance issued before the new occupant moves in. For more details see the section on St. Louis Park in the case studies (Part II of this report).

Cities (and tenants) can use housing maintenance codes to force landlords to improve conditions even if normal code enforcement procedures are not directly effective. Minnesota Statute 566.18-33 allows cities and tenants to take remedial action, as ordered by the court, when code inspection determines that a violation constitutes a danger to the health and safety of the occupant. Possible remedial action includes a court order for the landlord to make repairs; for the tenant to make repairs and deduct the cost from his rent; for rent reduction; or for the appointment of an administrator to collect rents, make repairs, and provide services to tenants. For tenants with repair problems which are not serious enough to be classified as a health and safety violation, Minnesota Statute 504.18 places an unwaivable implied covenant in every rental agreement to the effect that the landlord must keep the unit and common areas fit for their intended
use, and keep the unit in a state of reasonable repair and in compliance with applicable health and safety laws. A violation of any of these covenants allows the tenant to sue the landlord in conciliation court for damages (arguing that he has not received the full value of rent paid) or to withhold rent and to assert the disrepair as a defense against eviction in court; so said the Minnesota Supreme Court in Fritz v. Warthen [298 Minn. 54, 213 N.W. 2nd 339 (1973)].

Housing code inspection can have other ramifications as well. As discussed earlier (pp 54-5) Minnesota Laws 1975, chapter 226 can cause landlords to lose their right to deduct depreciation and interest payments from their income tax if the rental structure they own is in serious violation of the housing code and the defects are not corrected within a specified period of time. Housing code inspection can also lead to enforcement of the Hazardous Building Act [M.S. 463.15-26] which could result in demolition or repair (with costs charged to the owner) or in acquisition by the city; see pp 63-4 for further discussion.

Inspectors and tenants unable to locate absentee landlords whose buildings are in violation of the code should be aware of Minnesota Statute 504.23, which requires that in every rental building a notice be posted in a common area in a conspicuous place containing the owners name and address or the address of an agent who can be notified in lieu of the owner.

MUNICIPAL ADOPTION OF THE MINNESOTA STATE BUILDING CODE

The State Building Code covers all work relating to the construction of buildings in these categories: building, electrical, plumbing, mechanical, heating, and ventilating. Effective in 1972, the state code became mandatory for all local units of government [Minn. Laws, 1971, Ch. 561]; municipalities were not required to adopt a building code, but if they did (or if they had one in effect as of 1972) they were required to adopt the state code. Under legislation passed in 1977 [H.F. 522], the code will apply state-wide by July 1, 1978; each municipality currently enforcing the code must continue to do so and all municipalities not currently enforcing the code must either do so or have the state commissioner of administration provide for enforcement using a paid building official.
The state code constitutes maximum requirements beyond which a local government may not make requirements. Chapter 561 also requires that all local building officials appointed after May 28, 1971 must be certified by the state, and that a surcharge on all building permits is to be collected at the local level to support code administration at the state level. A nine-member committee (appointed by the governor) advises the state building inspector and the commissioner of administration on the existing code standards and on any proposed amendments to the code.

Any interested party may propose amendments. The commissioner of administration, acting through the state building inspector, will notify all units of local government of the proposed amendments, and follow the Minnesota Administrative Procedures Act [M.S. 15.01 et seq.] in adopting any amendments to the Code. Some 500 of Minnesota's 855 municipalities have adopted this code as of April 1977 and the state has certified 450 building officials (including those who were "grandfathered" in).

The Building Code Division of the Department of Administration was charged in the 1971 Act with adopting and enforcing standards for the construction of mobile homes. However, under Title VI of the Housing and Community Development Act of 1974 [P.L. 93-383] the United States Department of Housing and Urban Development (HUD) was charged with the regulation of the construction and safety of mobile homes; HUD's standards went into effect in 1976 and preempt all state and local authority in these matters. The Minnesota Building Code Division continues to have authority over modular and closed panel housing however, [Sections 301-336 of the State Code]. The division is responsible for approval of plans, inspection, certification of code compliance, and issuance of state seals; local governments have authority to inspect the installation of manufactured housing, provided that the inspection does not require the removal of permanent components from the structure.

SEPTIC TANK AND WATER WELL ORDINANCES

Septic tank ordinances are not required of municipalities except in the seven-county Twin Cities area under the Metropolitan Land Planning Act of 1976 [Minn. Laws 1976, Ch. 127]. Ordinances regulating the construction and maintenance of septic tanks are encouraged, however, and state agencies (the Department of Health and the Pollution Control Agency) have proposed design criteria and standards. In 1975, 84 percent of the cities and townships in the seven-county Twin Cities area had either central sewer service or ordinances controlling septic tanks (Ref. 1); no comparable figures are available for the state as a whole.

In addition, several communities have adopted water well ordinances which regulate the construction and maintenance of wells in order to minimize pollution of the water supply (Ref. 2). The State Department of Health also administers state-wide regulations relating to the licensing of the water well contractors and water well construction [Minn. Reg. MHD 210].

Septic tank and water well regulations can have important effects on the demand and supply of housing, particularly when combined with land use controls.

References: 1) Local Planning in the Twin Cities Metropolitan Area: A 1975 Inventory and Analysis (St. Paul: Metropolitan Council, 1976); 2) Gunnar C. Isberg, Local and Regional Planning in Minnesota (St. Paul: League of Minnesota Cities and Metropolitan Council, 1975), pp. 104-5. For further information, contact the Minnesota Department of Health and the Minnesota Pollution Control Agency.

FAIR HOUSING ORDINANCES

Some municipalities have enacted ordinances which prohibit discrimination in housing. In Minneapolis, for example, discrimination in the sale, renting, or leasing of housing, or in lending practices, because of race, color, creed, religion, ancestry, national origin, sex, affectional preference, disability, marital status or status with regard to public assistance is prohibited [Chapter 945, Minneapolis Code of Ordinances]. The Minnesota Human Rights Act [M.S. 363.03] and Title VIII of the Federal Civil Rights Act of 1968, [P.L. 90-284], as amended, include many of the same provisions.
It is difficult to judge the effectiveness of such laws. The enforcement of the federal statute is perhaps the least used; HUD received only twenty-two housing complaints in Minnesota from mid-1972 to mid-1975. Only one case was successfully conciliated, most of the rest were not pursued by HUD either because they could not be confirmed after investigation or because they were referred to state agencies. The State Department of Human Rights received ninety-seven housing complaints in 1975, twenty-seven from Minneapolis and twenty-nine from St. Paul. (Ref. 1).

For enforcing the provisions of those laws which deal with lending practices, cities may find recent federal legislation useful. Municipalities within Standard Metropolitan Statistical Areas now have access to certain information about the activities of lending institutions operating within the Standard Metropolitan Statistical Area boundaries. The Home Mortgage Disclosure Act of 1975 [P.L. 94-200; 12 CFR 203] provides that all lending institutions making federally-related mortgage loans, and having assets of over $10 million, must make available, for inspection and copying, information on the number and total dollar amount of mortgage loans and home improvement loans made by that institution and the number and total dollar amount of savings accounts. Each of these items shall be itemized according to census tract when possible, otherwise by United States Postal Service zip codes. The Federal Reserve Board is charged with enforcement of the act.

References: 1) Minneapolis Star, April 19, 1976; 2) Housing and Development Reporter, Section 90.
Part II: The Case Studies
Introduction

The three municipalities -- St. Louis Park, Robbinsdale, and Bloomington -- were chosen as case studies because of their record for innovation in setting and carrying out local housing policies. Each has been cited by the Metropolitan Council for leadership in housing policy among suburban municipalities in the Twin Cities area. Twin Cities suburban municipalities were chosen because of the time and resource constraints of the researchers.

The three municipalities are quite different from each other in size, development history, housing problems, and in housing policy goals and implementation programs. Together they represent a provocative description of the uses of federal, state, and local programs and authorities for the implementation of locally-set housing policy.

Each case follows a common format: 1) a description of the municipality, including its development history and current housing problems; 2) the locally-set housing policy goals, as determined from public records and discussion with public officials; 3) a description of the programs and authorities used by the municipality to carry out each of its housing policy goals; and 4) references.

The case descriptions have been reviewed for accuracy and completeness by the respective municipal officials as of January, 1977; however, any errors or omissions remain the responsibility of the researchers and the editor.
St. Louis Park
St. Louis Park, a municipality of approximately 50,000 people, is located immediately west of Minneapolis. The city is 85 percent developed and is surrounded by a solid ring of urban development. St. Louis Park has a sound economic base. Its own industry and commerce make it more than a residential suburb yet its population, businesses and industries are interwoven with the economy of the entire metropolitan area.

St. Louis Park's population is more diverse than that of surrounding suburbs. It has a higher proportion of Indians, Orientals, Blacks, and Spanish-speaking residents. Average family size is also smaller than in the surrounding communities, due to the city's higher proportion of elderly residents and its many small multi-family units. During the last five years there has been little in-migration from other suburban communities or from sections outside the metropolitan area. Income profiles for St. Louis Park residents are nearly comparable to those of Hennepin County residents. The main difference is a slightly higher proportion of incomes in the $10,000-$25,000 bracket. A low percentage of residents receive old-age assistance.

St. Louis Park is known for its diverse supply of housing including approximately 12,000 single-family units and 5,300 apartment units. Housing can be purchased for as low as $20,000 for a single-family home or rented for as low as $140 per month. In contrast, many home units sell for more than $100,000 and rent can run over $400 per month. Median value for a single-family dwelling in 1975 was $31,000; median rent was estimated at approximately $200 per month.

Since 1962, new construction has been primarily apartment units. In recent years, construction of new single-family units has averaged less than twelve per year. In 1972, 10 percent of the city's housing was more than forty years old, and 25 percent was more than twenty-five years old. St. Louis Park is more densely developed than most of the communities in the county but has a lower percentage of substandard and crowded housing.

HOUSING GOALS

During the 1940's, St. Louis Park grew at a more rapid rate than any other municipality in the state. The city's population growth leveled off in the late 1960's with only modest gains expected in the 1970's. An aging
population, smaller family-size, and a depletion of raw land available for new residential construction are important factors affecting the city's future population growth. These elements, in combination with the existing diversity of population and housing stock, form the backdrop for housing policy in St. Louis Park.

A review of existing documents and a series of extended personal interviews identified the following housing goals:

1. Eliminate the causes and effects of urban blight by carrying out activities which promote and preserve good neighborhoods, and by rehabilitating and/or redeveloping blighted areas (Ref. 6, 8, 9).

2. Develop and promote housing diversity to meet the needs of all income groups and avoid undue concentrations (Ref. 6, 9).

Underlying both goals is a desire to maintain stable property values and a strong economic base (Ref. 6, 9), to retain residential property consisting primarily of owner-occupied single-family units, and to undertake public ownership of housing only as a last resort (Ref. 8).

HOUSING PROGRAMS

An overview of the housing program elements used by St. Louis Park in conjunction with the goals each supports is displayed in Figure 1. The following discussion provides a description of how these elements have been used within the city of St. Louis Park to pursue locally-set housing goals.

GOAL 1: ELIMINATE CAUSES AND EFFECTS OF URBAN BLIGHT

Preserving Good Neighborhoods

A relatively new community in comparison to the cities of Minneapolis or St. Paul, St. Louis Park is a city whose housing stock has not yet reached the age where massive deterioration is a problem. In order to minimize large-scale deterioration, the city is making an effort to prevent and/or correct problems before they become too serious.

City officials have expressed the belief that an absence of well-maintained community property and services can contribute significantly to urban blight. For this reason, all the city's capital improvements and main-
FIGURE 1: ST. LOUIS PARK HOUSING INVENTORY ELEMENTS BY GOALS

Goals

1. Eliminate causes and effects of urban blight ...
   ... by preserving good neighborhoods
   \begin{itemize}
   \item Capital Improvements Program
   \item Housing Maintenance Code
   \end{itemize}
   ... by rehabilitating blighted areas
   \begin{itemize}
   \item Acquisition with Rehabilitation (a Public Housing Program)
   \item Local Rehabilitation Loan Program (using Community Development Block Grant funds)
   \item MHFA Home Improvement Grant Program
   \item MHFA Home Improvement Loan Program
   \end{itemize}
   ... by redeveloping blighted areas
   \begin{itemize}
   \item Demolition under the Minnesota Hazardous Building Act
   \item Redevelopment Project (using Urban Renewal - Neighborhood Development Program, * tax increment financing, and Community Development Block Grant funds)
   \end{itemize}

2. Promote a diversity of housing
   \begin{itemize}
   \item Leasing of existing scattered-site apartments for low-income persons (Section 23 - Public Housing)*
   \item Newly constructed low-rise facility for low-income elderly (Section 23)*
   \item Newly constructed single-family units for low-income families (Section 23* and General Municipal Development Powers)
   \item Section 8 - Existing Housing
   \item Urban Renewal - Neighborhood Development Program*
   \item Section 8 - New Construction
   \item MHFA Home Ownership Loan Program
   \end{itemize}

Existing Program

- - Proposed Program

* Program has been phased out on the national level and is not available except to communities with already established programs.
tenance activities are viewed as weapons against neighborhood blight. In fact, the 1970-72 Workable Program states "...City activities and projects, such as improvement of the park system, installation of storm sewers, permanent streets, landscaping and beautification of public areas and creating better traffic circulation systems are...felt to have a definite impact on maintaining stability of the community and preventing and abating blight" (Ref. 14). Although there is no supportive documentation, it is also thought that when such improvements are made there is a corresponding effort made by homeowners to improve their properties.

In 1972, the condition of the housing stock in St. Louis Park was considered to be 95 percent sound with approximately 650 units in need of some modification to meet the city's standards. Since that time the city has initiated a rigorous housing enforcement program to ensure continued maintenance of the existing stock. Using its regulatory authority, the city had by the end of 1975 inspected some 3,300 single-family units under an October 1972 ordinance that requires that such units be inspected at the time of a change of occupancy or ownership and brought into compliance with the "minimal provisions of the housing code." An ordinance adopted in April 1973 (amended in 1974) also requires the biennial inspection and licensing of all multi-family structures.

Under St. Louis Park Ordinance 1192 (adopted July 17, 1972; effective October 1, 1972) any building in the city (other than a licensed multiple dwelling structure) must be inspected for "compliance with the minimal requirements of the housing code" at the time of change of occupancy or ownership. The city must inspect the unit and issue a certificate of health and safety compliance before the new buyer or renter can take occupancy of the unit. The ordinance does not require that the units meet current codes for new construction or even all housing code requirements. The requirements that are enforced are only those building code requirements that were generally in effect at the time of the construction of the building and the immediate health and safety hazards as specifically enumerated in the housing code. Either the buyer or seller may be responsible for performing any code work necessary after the dwelling has been inspected by the city. In cases where major violations (health or safety hazards) are found, a certificate
of health and safety compliance is issued only upon receipt of the owner's letter of intention to correct the cited violations; for minor violations, the certificate is issued with the stipulation that cited violations be corrected within a specified time limit.

Of the 3,300 units inspected since early 1973, 2,900 now meet the minimal compliance standards. The remaining units are still in the process of being brought up to code. According to Donald Sewall, St. Louis Park Housing Inspector, about 80 percent of the units inspected need some type of repair. He describes the housing inspection as a learning experience for the owner because he accompanies the inspector and receives a detailed explanation of both the code work required and the reasons for requiring the work. Sewall estimates that approximately 99 percent of all homes sold in the city are currently inspected by the city.

Initially, St. Louis Park inspected housing units only upon receipt of a complaint or in a disaster situation. The inspection program was later expanded to include door-to-door inspections in blocks on the periphery of identified blighted areas. Residents opposed the "door-to-door" policy because they felt it was an intrusion into the privacy of their homes. In view of this opposition, the city dropped the "door-to-door" portion of its housing inspection policy and replaced it with the 1972 Ordinance 1192 program. According to Sewall, people have become much more open to inspections since 1972. If the city were to return to a "door-to-door" inspections policy today, he believes that there would be sufficient citizen support to continue its operation.

In addition to the 1972 ordinance pertaining to single-family units, the city of St. Louis Park has adopted an ordinance regulating inspection of multi-family dwellings. Under Ordinance 1215 (adopted April 2, 1973 and amended by Ordinance 1264 effective May 21, 1974), multiple-family structures must be inspected before a biennial license can be issued. Therefore, St. Louis Park's 5,500 multiple-family units are now inspected every two years by two fire and health inspectors from the St. Louis Park Fire Department who have been trained by the Housing Inspection Department. Inspectors contact apartment landlords who are in turn responsible for notifying their tenants. Owners of multiple-family structures are charged fees for both the license and the inspection. Violations of the ordinance are considered misdemeanors.
Mr. Sewall anticipates that inspection guidelines will become more stringent as the Inspection Department develops higher standards and increases its expertise. Any changes in the inspection policies or codes are reviewed by a Citizen Advisory Committee with recommendations from the Housing Inspection Department.

Rehabilitating Blighted Areas

Since 1972, the rehabilitation needs of the city have been revised upward to 2,002 units, and despite progressive housing code enforcement efforts, it remains clear that rehabilitation will continue to receive attention from the city. Several programs to support and expand home improvement activity are either in operation or in the final planning stages.

The Acquisition with Rehabilitation Program, an offshoot of the Public Housing Turnkey Program, is St. Louis Park's oldest operating rehabilitation program. In 1972 the St. Louis Park Housing and Redevelopment Authority (HRA) received $600,011 to acquire and rehabilitate twenty single-family homes. The rehabilitated houses were intended to form the base for an ownership program for low-income families.

To date, five homes have been acquired and rehabilitated and the St. Louis Park HRA leases them to families who qualify for public housing. Maintenance for the units is covered by the tenant's contribution (rent). A major impediment to the project has been the fact that few suitable properties exist in St. Louis Park and the city does not want to compete with private individuals for the purchase of homes available in the lower price range ($14,000-$19,000). Even with these difficulties, fifteen additional units are scheduled for improvement under the program during 1977. No firm strategy for transferring the rehabilitated houses to private ownership has been developed.

A second rehabilitation program was initiated in March 1976. St. Louis Park is using $200,000 of its 1975/1976 Community Development Block Grant funds to write down the effective interest rate on private home improvement loans to 3 percent. Participation in the program is limited to owner-occupants of single-family homes having an annual adjusted income of under $16,000. The maximum amount of the loan is $10,000 and the repayment period may not exceed twelve years. Loan funds can be used for basic housing code work, for 'necessary items which make the
home more habitable and extend the economic life of the structure," for energy conservation measures, and for "permanent-type improvements which enhance the value of the property." (Ref.2)

Local banks originate and service loans. Applicants must be approved by both the lending institution and the city. The Community Development Block Grant funds are used to write down the effective interest through a lump-sum front-end payment directly to the homeowner. This process allows participants either to pay off a portion of the loan immediately or to increase the amount of rehabilitation work.

Both the strengths and weaknesses of the local loan program have been discussed in St. Louis Park (Interviews 1, 10). One argument is that the city should make full use of the expertise and capital of area banks and restrict its involvement to the issuance of one-time subsidy payments, as the program has done. Others contend that the program may prove ineffective in reaching lower-income homeowners.

Because the eligibility of loan applicants is determined by the lending institution on the basis of a market rate loan before the interest subsidy is granted by the city, loan eligibility can be independent of the subsidy. This means that the subsidy may not improve an applicant's ability to secure a loan; instead, it might be considered a post-loan-award bonus. The program has no provision for recapture of the lump-sum payment in the event of sale.

Since March 1976, seventy-one applications for the home improvement loan program have been taken. Over forty payments were made as of mid-December 1976.

A third rehabilitation program operated by the city is the Minnesota Housing Finance Agency (MHFA) Home Improvement Grant Program initiated in August 1976. The city has been allocated $53,000 for the program and has begun taking applications. Through mid-December 1976, fifteen applications had been received and no grants have been given.

In addition, the MHFA Home Improvement Loan Program operates through local lending institutions. There is no coordination or information exchange between the lending institutions and the city, however. Researchers were unable to determine how many units in St. Louis Park have received MHFA Home Improvement Loans.
Redeveloping Blighted Areas

As part of its efforts to prevent blight, the city is currently spending more time and money on redevelopment than on rehabilitation. This effort includes two kinds of programs.

One program has involved the demolition of approximately twelve units between 1970 and 1974 under the State Hazardous Building Act. In most cases the owners voluntarily removed the structure. However, the city awarded demolition contracts in those cases where the owners failed to comply with an order to remove a structure within sixty days after notification.

A second program, The Oak Park Redevelopment Project, was initiated as a federally-financed Urban Renewal-Neighborhood Development Program. The project will redevelop the eighty-acre Republic Creosote site, located north of Highway 7. It seeks to convert a former industrial site to largely residential uses.

In 1972 St. Louis Park negotiated with the Department of Housing and Urban Development (HUD) to receive a Neighborhood Development Program (NDP) grant to redevelop the Republic Creosote site. The area was largely vacant except for the creosote plant. The plan formulated by the St. Louis Park HRA included purchase of the land, clearance, and capital improvements in preparation for marketing the site for residential and commercial development. The gross project cost was to be approximately $2,849,857. Proceeds from the eventual sale of the land were expected to be approximately $1,107,000, leaving a net project cost of about $1,929,857, including interest costs. Under NDP guidelines, the municipality was required to contribute 25 percent ($482,464) of the net project cost. The municipal share could be in the form of non-cash items such as roads, water, and sewer installation. The remaining 75 percent ($1,447,393) was to be contributed by HUD in the form of a grant after the project was completed.

HUD provided loans to the city to finance the acquisition and clearance of the site. Because HUD terminated the NDP program in 1974, no new NDP funds were available to St. Louis Park in the following years. On March 3, 1976, the city sold $2.5 million in general obligation bonds to be used for the repayment of the HUD loan and to finance further capital
improvements. These bonds are scheduled to be repaid by the sale of
the land, tax increment, and some interest earnings. An additional
source of financing for the capital improvements is the Community De-
velopment Block Grant funds: $100,000 in 1975 and $200,000 in 1976.

Unforeseen events have delayed development progress. Construction
of the storm sewer was stopped until extensive water-quality tests were
made at the Minnehaha Creek outlet. As a result of these tests, the Minne-
sota Pollution Control Agency required the construction of a water treat-
ment facility. These improvements have now been made, and it is expected
that all utilities will be completed in 1977.

The city has executed tentative agreements with two developers to
begin construction in May, 1977. The tentative plan is to construct
a 100-unit multi-family building under the Section 8 - New Construction
Program and about fifty single-family conventionally-financed units
ranging in price from $45,000 to $60,000. (Discussion of the develop-
ment plan is continued in the following section.)

GOAL 2: PROMOTE A DIVERSITY OF HOUSING

The housing supply in St. Louis Park is already fairly diverse.
Although much of the stock is single-family, detached homes, there are
also about 5,500 apartment units. Forecasters generally anticipate that
the majority of new construction will be multiple-family units. By 1980
approximately 35 percent of the total available units is expected to be
in multiple-family structures.

Since St. Louis Park is an older first-ring suburb, it has a number
of well established neighborhoods. The city has large, expensive single-
family homes and luxury rental units to satisfy the housing needs of
middle - and upper-income families. Most of the housing stock, however,
is of medium size and moderate value, which suits the requirements of
the majority of its population, particularly young families.

Approximately 600 St. Louis Park families have incomes below $3,000
a year. Many of these families are also minority families. Since 1970
St. Louis Park has provided a variety of responses to the needs of low-
income residents. Much of this effort has been directed toward the
elderly, with lower-income families involved to a lesser degree.
St. Louis Park leases scattered-site apartments for low-income persons under the federal Section 23 Program (leased Public Housing). This program was not noted in the Inventory, Part I of this report, because it is no longer available to communities unless they are continuing an already established program. In St. Louis Park, 105 apartments are currently being leased at twenty-six scattered sites. Eighty of these apartments are leased for elderly persons and twenty-five are leased for non-elderly but low-income occupants.

In addition, St. Louis Park has used Section 23 authority to promote construction of a new low-rise 110-unit senior-citizen facility, completed in February 1976. Rent assistance is provided for all units according to the HUD guidelines for maximum income levels and rent responsibilities.

Ten new single-family rent assistance units have been built at various locations throughout the city, again using Section 23 contract authority. The renting of these units is regulated by HUD guidelines. A number of the lots used in this project were originally county property. They were bought by the city and sold to a developer in an effort to reduce land costs.

The Dominion Company was the developer for the ten single-family units (valued at an average of $39,000 each) as well as the senior citizen building ($2,500,000). The buildings were constructed by the Dominion Company itself, which is a profit-making organization; however, the company created a non-profit development corporation to conduct the contracting for construction services. This procedure permitted the issuance of tax exempt bonds (with an interest rate under 6 percent) to finance the project. These bonds are backed by Section 23 money ($248,000) which St. Louis Park receives each year during their twenty-year HUD contracts.

The St. Louis Park HRA has also applied for and recently received an allocation of fifty units under the Section 8 - Existing Housing Program. The program will allow qualifying families to receive rent assistance beginning in early 1977.

The Oak Park Redevelopment Project, an Urban Renewal-Neighborhood Development Program, is expected to make a variety of housing opportunities available. This planned development will have low, medium, and
high density units serving singles, young families, and seniors. Planned commercial and service facilities will also be available.

The tentative plan, mentioned earlier, is to construct a 100-unit multi-family building and about fifty single-family units. The multi-family building has been approved for Section 8 - New Construction financing through the MHFA. This tentative plan fits into the planned residential ratio of 20-30-50 (low to moderate to market-rate housing) for Oak Park.

Through the use of scattered sites for the new construction of single-family units and scattered units for rent assistance, the city is adhering to its stated goal of avoiding concentrations of low-income groups. The exception to this policy is the senior citizen building. It constitutes a planned concentration of the elderly in a neighborhood which is close to many of the services that they may require and close to the homes of many children and families. The concentration of seniors permits special programs and efficient health care to be developed on location.

Application for rent assistance programs in St. Louis Park is open to all qualifying families and individuals whether they are residents of the city or not. There is a long waiting list for the senior building and the scattered rental units, but the demand from large families has been relatively light, according to Mr. Thibault (Interview 1). He feels that the general public has adequate information about these opportunities but that interest in them is low.

Another program being used to provide moderate-income housing in St. Louis Park is administered by the MHFA through private lending institutions. Between August 1973 and August 1974, thirty-two homes in St. Louis Park were purchased under the first phase of the MHFA Home Ownership Loan Program.

Another thirty to sixty homes have been purchased since August 1974 under the second phase of the same program. St. Louis Park has no control over the MHFA Homeownership Loan Program and often no knowledge about the program's progress or its impact on the city.
REFERENCES

2. City of St. Louis Park Housing Rehabilitation Program, undated pamphlet.
12. Land Utilization and Marketability Study - Oak Park Village, Planned Redevelopment Concept Corporation.

INTERVIEWS

1. William Thibault, City Planner and Director of the St. Louis Park HRA.
2. Sue Hess, Assistant to Mr. Thibault.
3. Sherrie Pugh, MHFA.
7. Patricia Mack, St. Paul HUD Office.
8. Chris Cherches, St. Louis Park City Manager.
9. Susan Workman, St. Louis Park City Manager's Office.
10. Mark Sather, St. Louis Park City Manager's Office.
12. Donald Sewall, St. Louis Park City Housing Inspector.
13. Gloria Pollack, St. Louis Park Fire Department.
Robbinsdale
Robbinsdale is a relatively small first-ring suburb on the north-west side of Minneapolis. Its land is almost fully developed and sustains a population of about 17,000. Since its incorporation early in this century, Robbinsdale has functioned as a "bedroom community" oriented toward more central employment areas.

The two major influences on the development of Robbinsdale's housing policy have been: 1) its basic residential character; and 2) its age, both relative and absolute. Because the city is primarily a residential community, its housing stock has been recognized as a prime resource and there has been political interest in protecting its quality.

Robbinsdale's absolute age is reflected in both the age of its housing stock, on an average between twenty-five and thirty years old, and the age structure of its population; Robbinsdale has the largest percentage of elderly of any of the metropolitan suburbs (11 percent). The housing policy implications of the age factor include:

- a generally increasing need for housing maintenance,
- visible deterioration of some housing structures,
- financial and physical limitation on the capacity of some elderly to maintain their homes,
- underutilization of some single-family homes currently occupied by the elderly, and
- increased demand for local elderly housing facilities.

Robbinsdale's relative age has also influenced its housing policy. It spurred Robbinsdale's relatively early, and locally-initiated, approaches to housing problems and is partially responsible for the current lack of developable land within the city.

Robbinsdale faced problems of scattered site deterioration of the housing stock, a decaying city center, and an increasingly elderly population about the same time as Minneapolis and St. Paul. Robbinsdale did not at that time, however, have the same inclination or capacity to qualify for or use the federal programs then available.

While locally initiated and administered programs coming out of this period have met with varying degrees of success, they have persisted and continue to play a major role in Robbinsdale's overall approach to housing. Foremost among these are the only recently successful efforts to develop elderly housing in Robbinsdale and the continuing operations of the 1968-vintage Robbinsdale Housing and Redevelopment Authority (HRA),
which remains unique in its particular "scattered site" approach to housing redevelopment.

A second condition stemming from the community's relative age is the nearly complete development of available land. Almost all of the 5 percent of remaining open land is classified as marginal or sub-marginal, requiring major investment for site preparation and construction of special foundation systems. For that reason, the city has found it very difficult to encourage the development of significant new additions to the housing stock.

HOUSING GOALS

Although Robbinsdale does not have a specific written comprehensive housing policy, the Robbinsdale Comprehensive Plan and the Housing Assistance Plan prepared in conjunction with the Community Development Block Grant Program delimit Robbinsdale's current housing policy. The Comprehensive Plan lists generalized housing goals, policies, and guidelines in a form adopted by the city as official policy. It, therefore, functions as the basic reference document for housing policy decisions. The Housing Assistance Plan identifies current priorities among the generalized goals outlined in the Comprehensive Plan and links them to housing programs.

The following goals statement is taken from the Comprehensive Plan and organized according to the Housing Assistance Plan priorities:

1. Rehabilitation/Maintenance
   . Preventative measures, such as systematic building inspection and code enforcement should be continually used to prevent potential deterioration among all types of development.
   . Wherever possible, existing housing is to be rehabilitated and upgraded through private means, though public assistance may be used when feasible.
   . Areas where deterioration is more concentrated should have priority for rehabilitation.

2. Redevelopment
   . Substandard housing incapable of being corrected is to be removed, through the Robbinsdale HRA Scattered Site Program, so as to prevent spreading deterioration and blight.
. Low and moderate income housing should be provided through the Robbinsdale HRA Scattered Site Program in order to prevent undue concentration in one area of the community.

. Redevelopment of deteriorating or substandard structures should give priority to those areas where deterioration is most concentrated.

3. Provision for Special Needs

. As a subunit of the Twin Cities Metropolitan Area, the primary function that Robbinsdale has served and will continue to serve is providing housing. Given this function, the city should coordinate and relate its activities, needs, and requirements to those of the metropolitan area as a whole.

. It is essential that the community ensure equal rights, opportunity, and protection to each citizen with regard to housing. Furthermore, the availability of choice is vital in order to accommodate the various and particular needs of the residents of the community.

. The city should attract young persons to the community by providing housing styles that reflect new lifestyles and that economize on construction costs.

. The city shall respond to the housing needs of the elderly, the disabled, and individuals of low- and moderate-income.

. Low- and moderate-income housing is not to be concentrated in one area.

. Housing for the elderly is to be located in areas of high activity that will provide close proximity and ease of access to the services and facilities that the elderly require.

4. Housing Styles

. A variety of housing types and styles is to be created and maintained.

. Housing styles and development techniques that conserve land and increase efficiency are to be encouraged.

. New housing construction is to reflect modern and emerging construction techniques and styles such as patio homes, townhouses, and apartment condominiums.

. The development of three-bedroom rental units, primarily in the form of duplexes and townhouses, is to be promoted.
5. Occupancy

- Owner-occupancy shall be encouraged.
- Adequate living space and fully used housing are to be encouraged and promoted through the provision of a range of choice among housing types and styles.

Robbinsdale's approach to meeting its housing needs operates within the context of the following factors: staffing and funding limitations; changing levels of program feasibility resulting from political, market, and demographic situations that alter with time; and relatively rapid changes in the mandates and supportive programs originating at federal, state, and regional levels. In this context, the defined role for local policy makers may be characterized as a cultivated readiness to capitalize on opportunities, as they become available, that will help in achieving any of the community's several housing goals.

**HOUSING PROGRAMS**

An overview of the housing program elements used by Robbinsdale in conjunction with the goals each supports is displayed in Figure 2. The following discussion provides a description of how these elements have been used within the city of Robbinsdale to pursue their locally-set housing goals.

The goals and related programs examined here will include the three highest priority items: rehabilitation, redevelopment, and provision for special needs. This study will not, however, examine the Section 8 - Existing Housing Programs, administered by the Metropolitan HRA in the city of Robbinsdale.

Also excluded from the following discussion are the lower priority goals: an increased range of choice in housing types and styles, and improved occupancy patterns. The efforts to widen the range of housing styles available in Robbinsdale have moved slowly during the recent years of low housing production and are for that reason omitted here. The goal of improved occupancy patterns is closely related to the housing production programs, specifically to housing for the elderly and to the Scattered Site Program, and it will be discussed only in connection with those programs.
Goals

1. Rehabilitation/maintenance
   - MHFA Home Improvement Loan Program (through First Robbinsdale State Bank)
   - Local Community Development Rehabilitation Program (using Community Development Block Grant funds)
   - MHFA Home Improvement Grant Program (city administered)
   - Housing Maintenance Code (proposed)

2. Redevelopment
   - Scattered Site Program (local HRA taxing, bonding, and tax increment financing development authority)
   - Revised Section 235 - Homeownership (very unlikely)

3. Provision for special needs ...
   - Section 8 - Existing Housing (administered by the Metropolitan HRA)
     - Block T - Elderly Project (zoning-density amendment and joint parking; Section 8 - New Construction; Community Development Block Grant - land purchase 1975; local HRA tax increment financing authority - land cost write-down; municipal development powers - land assembly and conveyance; tax abatement for subsidized housing - under the classified property tax system)

   - ... low- and moderate-income housing (elderly)
   - ... low- and moderate-income housing (family)

4. Increased range of choice as to housing types and style
   - Zoning (Townhouse Amendment)
   - Subdivision Regulations (Planned Unit Development)
   - Revised Section 235 - Homeownership (very unlikely)

5. Improved occupancy patterns (adequate living space and fully used housing)
   - Housing Maintenance Code (proposed)
   - Relocation Requirement (elderly - Scattered Site coordination)

Existing Program

---

Proposed Program
GOAL 1: REHABILITATION/MAINTENANCE

While rehabilitation was recognized and adopted as a city goal in the 1974 Comprehensive Plan, performance in this area has until now been limited to cooperation with the First Robbinsdale State Bank in their administration of the 1975 Minnesota Housing Finance Agency (MHFA) Home Improvement Loan Program. Only in late 1976 did the city initiate direct involvement in the area of rehabilitation by creating the Robbinsdale Community Development Rehabilitation Program and by initiating the MHFA Home Improvement Grant Program.

Under the Community Development Rehabilitation Program, the Robbinsdale HRA will purchase a vacant, structurally-sound house and have it rehabilitated with funds recovered from the sale of other properties. After the house is modernized and brought up to current code standards, the property will be sold to a private party. Any money not recovered in the sale will be made up by Community Development Block Grant funds (up to a total of $35,000 for 1977). The funds recovered from the sale and the Community Development write-down will then be used to purchase another property.

This program will begin early in 1977 with two properties. One house will be rehabilitated by the local Area Vocational-Technical Institute in cooperation with the Robbinsdale HRA. The other house will be rehabilitated by a private contractor hired by the Robbinsdale HRA. The house restored by the Area Vocational-Technical Institute will have all new plumbing, heating, and electrical systems installed. A second story will be added and the house will be completely modernized. This home will not require a Community Development write-down. The exact requirements for the second house were not determined at the time of this writing, but it will be modernized and brought up to current code requirements. The second house will require a Community Development write-down (probably less than $10,000). The procedure for selling the houses after completion has yet to be determined.
Two other programs to subsidize rehabilitation will operate locally. One is administered directly by the city and the other by the local bank; both are governed by MHFA guidelines.

Under the 1976 MHFA Home Improvement Grant Program, the city of Robbinsdale has slightly more than $30,000 in grants to disburse to Robbinsdale residents. The MHFA guidelines provide maximum income limits for grant recipients and require the recipients to be owner-occupants. On December 5, 1976 Robbinsdale approved the first grant under this program. It is expected that about ten grants averaging $3,000 will be disbursed.

Finally, the MHFA Home Improvement Loan Program, in which the First Robbinsdale State Bank is participating, provides subsidized rehabilitation loans to Robbinsdale residents. During the first year of this program (1975), $45,255 (24 percent) of the program's $185,000 total went to Robbinsdale residents. Robbinsdale residents received $39,785 (38 percent) of the second year program's $105,450 total. The loans made to Robbinsdale residents were generally smaller and were for shorter terms than the average MHFA loan made by First Robbinsdale State Bank. For 1977, First Robbinsdale has an MHFA commitment of $100,000 and it is expected that Robbinsdale residents will again receive 35 to 40 percent of these loan funds.

First Robbinsdale State Bank had expressed a degree of unwillingness to continue in the second (1976) phase of the MHFA Home Improvement Loan Program, finally agreeing to participate only just before the deadline and for a considerably smaller total commitment than in the first year. The bank officials had observed that a large number of loans were granted under MHFA guidelines to persons who only barely qualified at the upper end of the income limitations. Many of these individuals, with quite substantial non-adjusted incomes, were considered capable of contracting a conventional loan. Bank officials had concluded that they were reducing their own conventional loan market through the MHFA Loan Program. They also questioned whether the community good, which they had sought to aid, was really being served by the program.
The city plans to encourage a general shift in the income groups that will benefit from the MHFA Loan Program and to concentrate benefits within the city insofar as it may legally do so. This will be done through a city-financed program of promotion targeted in priority areas. The program will emphasize the attractiveness of the "sliding scale" approach for lower-income applicants.

Given the blank spots, varying administrative arrangements, and uncertain and uncoordinated timing of these three rehabilitation programs, effective coordination by the city is not seen as an easy task. Robbinsdale has, however, developed a schematic outline for a coordinated operation.

Through its quarterly newsletter, the local newspaper, and special mailings, if necessary, the city would establish itself as the "first contact" for Robbinsdale residents seeking rehabilitation assistance. The city staff would perform an intake referral, and counseling function. Alternative financing approaches for which the city would provide referral and counseling would include the local Community Development Rehabilitation Program, the MHFA Loan Program, the MHFA Grant Program, and, potentially, the conventional loan market. In conducting this referral and counseling function, the city's priorities would include:

- maximizing eligible applicant's chances of receiving appropriate and sufficient aid,
- facilitating full use of available assistance funds where they are needed, and
- effective matching of levels of assistance to levels of need over a complete and reasonable range.

A final area in which possibilities for coordination are being investigated is that of existing and proposed programs that relate to rehabilitation under the city departments of planning, redevelopment, construction, and public works. While the bulk of this potential coordination would amount to more informal intercommunication among staff, certain more specific and formalized measures have already been taken. A case in point is the adjustment of provisions for enforcement of the Robbinsdale Housing Maintenance and Occupancy Ordinance which is currently being reviewed for adoption. This adjustment provides for a stay of all proceedings when, in the determination of the Board of
Review, the individual may qualify for some type of assistance that would enable him or her to execute necessary repairs or maintenance. Any of the above programs for rehabilitation assistance would be suitable under this clause. Further, as provided in the proposed ordinance, the stay of proceedings is conditioned on the referral of the individual to the administering agency for whatever program would be suitable.

GOAL 2: REDEVELOPMENT

Robbinsdale's pursuit of housing redevelopment goals has for some time been embodied in a local program of Scattered Site redevelopment for moderate income (market-rate) family housing administered by the Robbinsdale HRA. The program combines general HRA development authority and tax increment financing authority. This Scattered Site Program has been in operation since 1969 and is unlike any other in the state. It has resulted in the redevelopment of fifty-three residential properties during its first six years of operation, and the redevelopment of thirty additional properties has been planned for the next three years. This section discusses the unique operating procedures for the program along with the inventory elements that support them.

In early 1967, Robbinsdale's policy makers found themselves in a difficult position. Portions of the residential community were deteriorating, they were old and well below surrounding homes in quality and value. The scattered locations of these housing problems made them ineligible for the urban renewal programs then available. The city chose not to sue the homeowners. Rather, it sought a means of coping with the problem that would also meet certain criteria. The city wanted a program that would:

- operate at no cost to the taxpayer,
- return equity in property to the owner,
- be controlled at the local level,
- operate without requiring federal funds, and
- be self-liquidating.
The program that promised to fulfill these criteria was the HRA-administered redevelopment of residential properties under Minnesota Statutes 462.585 (2-4). This was the program chosen, and it is essentially the same program that continues to operate in Robbinsdale today.

While the Scattered Site Program operates under the same authorizing legislation as any HRA program in Minnesota, it differs from the norm in several important ways. The Robbinsdale program functions on a scattered site basis rather than the more conventional operation within contiguous districts. The project uses a method of pooled accounting. The "special benefit tax fund," is handled on a property-by-property basis. Condemnation has been avoided in favor of free negotiation. And, finally, the program has been funded through tax increment bonds sold exclusively, to date, to the city itself.

When the Scattered Site Program was conceived, developing a mode of operation oriented to the scattered location of deteriorating property was an important problem. Could the HRA general development authority be applied to scattered sites instead of block sites? The Attorney General's opinion was sought. His opinion was that this new mode of operation would in fact be appropriate under Minnesota Statutes (Ref. 5).

The Scattered Site Program is based on a list of properties found to be "substandard or blighted," as required under Minnesota Statutes. This document, known as the "Robbinsdale HRA Scattered Site List," originally tabulated 130 properties deemed appropriate for redevelopment.

The current version of this list shows 104 properties "to be redeveloped;" also listed are properties that have been redeveloped through the Robbinsdale HRA, properties redeveloped without Robbinsdale HRA aid, and properties that for one reason or another have been removed from the list. In addition, the list notes "open sites" or properties on which no development has occurred and that cannot be redeveloped, generally because of poor soils, without government assistance. Properties may be added to the list through a City Council and HRA resolution, and can be removed from the list through an HRA resolution alone.
Thus, the Scattered Site list functions as a pool of properties identified as suitable for local HRA redevelopment. Consistent with the original aims of the program, properties on this list may be purchased by the Robbinsdale HRA, or anyone else, through free negotiations, thereby avoiding condemnation and its attached stigma and loss of equity.

In order to administer the program in this way, however, the customary method of handling the special benefit tax fund had to be adapted. Unlike the "contiguous district" approach, in which an entire area of properties designated for redevelopment is placed in this special tax status, the free-negotiation scattered site approach, with no assurance that the entire pool of properties would ever be acquired, required a parcel-by-parcel designation of status for computation of tax increments. The procedural method agreed upon by the city of Robbinsdale and the Hennepin County Auditor simply arranges for the placement of a purchased property on the county's tax increment list subsequent to its purchase by the Robbinsdale HRA (Ref. 4).

A final procedural consideration established at the program's outset was a pooled accounting system for all redeveloped properties. Under this system, properties are not accounted for individually, but rather as a complete group. This allows the city to avoid the complications of accounting for each property individually and enables the Robbinsdale HRA to support necessary redevelopment for properties that could not otherwise justify tax increment financing. Under the pooled accounting system, excess tax increment revenues accruing from large-return properties may be used to retire bonds financing small-return properties.

The Robbinsdale approach to tax increment financing has been for the local HRA to sell tax increment bonds to the city itself. This strategy dates back to early 1969 when the recently formed Robbinsdale HRA found that with no assets, experience, or credit rating, its first bond was unsaleable on the conventional market. Could the city buy this first bond? The Attorney General was again consulted. After examining Robbinsdale's City Charter and its provisions governing investment of the city's sinking fund surpluses, he concluded that bond purchases by the city would be legal (Ref. 6).
Since 1969 the city of Robbinsdale has used sinking fund surpluses to purchase ten bonds from the Robbinsdale HRA. In April 1976 the first nine bond issues were consolidated into a single bond in the amount of $445,645.86 with an interest rate of 6 percent over a thirty year period. The tenth bond, actually bond number eleven, is in the amount of $50,000 and under the same terms. This last bond, however, unlike the others was purchased with funds from the city's permanent improvements revolving fund. Bond eleven will be the last Robbinsdale HRA bond that the city will buy. Although the City Charter would permit the municipality to double its investment in HRA bonds, the City Administration felt "a saturation point had been reached," and further purchase should cease (Interview 2).

In March, 1976 the annual Robbinsdale HRA financial report showed that a turning point had been reached. For the first time since the initiation of the program, tax increment and interest revenue exceeded total interest expense. The Robbinsdale HRA now had, for the first time, sufficient funds to pay a portion of the principal on its bonds. In the past, interest payments had been made by using some of the principal raised through the sale of additional bonds.

The consolidation of bonds and a new phase of redevelopment financing was begun in April, following rapidly on this turn in the financial situation for the Scattered Site Program. Besides consolidating the first nine issues, the new phase has introduced the first definite schedule for repayments of the entire series. As individually issued, the first nine bonds were all for indefinite terms.

An important factor in this changed financial picture was the assurance of tax increment revenue that will accrue from the Block T Elderly Housing Project. As noted later (see the discussion of Goal 3), the tax increment revenues expected from that project will significantly exceed the amount necessary to retire bond number nine, which was sold to finance a portion of the project's write-down. With the new unified bond package, the excess tax increment accruing from bond nine will effectively assist in the retirement of earlier Robbinsdale HRA redevelopment bonds. The Robbinsdale HRA is now committed to the annual payment of $36,008.14 over the next thirty years on the two effective bonds.
remaining with the option of accelerating the payments. Since the projected annual tax increment to be received over this period is something in excess of $50,000, including $22,000 from the Block T Elderly Housing Project, the accelerated option may well be used.

Except for the new housing development for the elderly and a tentative plan for another such development combining Section 8 and tax increment financing, the program of residential redevelopment in Robbinsdale is expected to continue much as it has in the past. Eight of the ten units identified in the Housing Assistance Plan's first year goal for this program will be coordinated with the occupancy of the Block T Project. Their purchase and handling for redevelopment will follow procedures essentially unchanged from previous years.

When Robbinsdale HRA purchases a property for redevelopment, the site is normally first cleared at the agency's own expense. When the site is ready, the Robbinsdale HRA advertises for bids in the local newspaper and circulates specifications and proposal forms to regular bidders. Returned bids are judged on the basis of four criteria:

- amount offered for purchase of the land,
- estimated value of the proposed structure,
- type and style of the proposed structure, and
- projected completion date.

On the basis of this information, the Robbinsdale HRA selects a proposal that will provide a reasonable tax increment as well as one that will result in a suitable new housing unit.

Fifty-three residential properties have been redeveloped through the Scattered Site Program. Of these, forty were redeveloped as single-family dwellings and thirteen as two-family dwellings. Sixty-six dwelling units have thus been created. The average price paid for properties was approximately $4,000. The average valuation of housing after redevelopment is in the low thirties, with a slightly higher valuation for the more recent projects. The properties redeveloped through the Scattered Site Program have consistently been properties where assessed land values exceeded assessed structure values, often by large amounts. A typical case would be that of a building assessed at $3,000 on a lot assessed at $4,500.
The Scattered Site Program has maintained a fairly steady rate of ten redeveloped units per year. A predictable number of redevelopment properties now become available each year and the Robbinsdale HRA has achieved a fairly stable administrative capacity for handling the redevelopment process. The future operation of the program, now independent of the bonding to the city which supported it through its early years, is expected to run smoothly. The general low tax increment returns from one- and two-family structures have been enough to allow some progress in bond redemption. With the added margin provided by the Block T Elderly Housing Project's tax increment monies and the potential for an additional, similar project in the future, the necessary operating funds for short term purchase of property and perhaps for internal financing of tax increment write-downs may well be adequately supplied out of regular income. If necessary, conventional bank financing may be used in the future.

The continued operation of the Robbinsdale HRA redevelopment program will benefit the city by producing redevelopment at many locations and by giving the city a strong, locally-controlled element in its housing policy which can help in achieving many of the locally-set housing goals.

GOAL 3: PROVISION FOR SPECIAL NEEDS

The sustained pursuit of special housing facilities for the elderly in Robbinsdale was rewarded in January of 1976 with the securing of the first Section 8 - New Construction development in the nation, known as the Block T Elderly Housing Project. This 110 unit facility was constructed at the edge of Robbinsdale's downtown. Work on the building was completed in December 1976, bringing a successful ending to a history of concerted efforts to create more housing for the elderly in Robbinsdale.

The complexity and magnitude of the effort which produced this first housing project for the elderly is reflected in the wide range of housing policy elements used. These elements include:

- Section 8 - New Construction through MHFA,
- Community Development Block Grant funds used for land purchase,
- local HRA tax increment financing authority to provide a write-down on land costs,
tax abatements for a limited-profit development corporation providing federal and state subsidized housing,
general HRA development powers for land assembly and conveyance,
general municipal development powers for land assembly, and
zoning accommodation through creation of a special "Elderly, Handicapped, and Displaced Housing" classification.

The sequence of events which produced the Block T Elderly Housing Project provides a context for examining the interrelationships between the various elements used.

From 1968-1972, the city made applications for financing a housing project for the elderly under both Section 235 and Section 202. In the process of developing these proposals, the community's support for local housing for the elderly was strengthened and the magnitude of the existing need was documented. The fact that these proposals did not proceed may be largely attributed to site selection difficulties. In one case, the proposed location was poorly suited to the needs of elderly occupants; in the other, there was citizen pressure to retain the use of the city-owned site as a ball field.

In 1973, Robbinsdale initiated its "Project 4" tax increment redevelopment plan for the downtown business district. The plan included housing for the elderly as a goal. In conjunction with the designation of this goal, the Robbinsdale HRA, in cooperation with the Metropolitan Council, conducted a "Housing Analysis and Marketing Study" which redocumented the need and market for housing for the elderly within the downtown business district. In an effort to aid the development, the city council amended the Zoning Ordinance to create a special "Elderly, Handicapped, and Displaced Housing" zoning classification. The classification substantially reduced the off-street parking requirements and lot-area-per-unit density requirements for this type of development. The amendment also included a mandatory deed restriction to be placed on any property developed according to its provisions that confined the occupancy of constructed dwellings to 90 percent elderly in perpetuity.
In 1974, the Robbinsdale HRA submitted a Section 23 application to the MHFA for a tax increment, Project 4, elderly development. Since HUD failed to release the state's Section 23 funds, MHFA was unable to proceed with the application. The Robbinsdale HRA, however, continued to conduct site evaluation studies and determined Block T to be the most appropriate and feasible site for a housing development for the elderly. When the Section 8 Program was established in August 1974, the Robbinsdale HRA conducted a public hearing and designated the Boisclair Corporation and Wayne Cox of Community Development Services as the redevelopers for an elderly housing project on the Block T site. In anticipation of approval, the city secured options on the parcels needed for the development.

In February 1975, Robbinsdale made application for Community Development Block Grant funds and its entire $36,000 allocation was designated for partial payment of the acquisition costs for the elderly housing site. In conjunction with this application, the city listed in the 1975 Housing Assistance Plan, 110 units on the Block T site as its first year elderly-handicapped new construction goal. This goal was subsequently approved by Hennepin County and the Metropolitan Council. In May, prior to the developers' preliminary application to the MHFA for Apartment Development Program financing, the city issued a conditional use zoning permit for the project.

The MHFA's preliminary feasibility evaluation determined that a $78,000 write-down in land costs must be provided to the developer by the Robbinsdale HRA, this write-down to be reflected in a lowering of proposed rent levels to the fair market rental rates required by HUD for the Section 8 Housing Assistance Payments Program. The write-down was provided through the combination of Community Development Block Grant funds and the sale of a Robbinsdale HRA tax increment bond in the amount of $42,645.86.

An evaluation of the long-term financing feasibility of the project by the Federal Housing Administration (FHA) found the Robbinsdale Zoning Ordinance's "Deed Restriction" clause to be unacceptable in that it would increase the overall risk of investment in the project. This deed restriction, noted earlier, was considered necessary by the city.
as an assurance that elderly housing would continue to be provided as
needed and to insure that the reasonable reduction in zoning require-
ments for an elderly project would not be abused through a change to a
higher-activity use. After an intensive investigation into the
defensibility of the deed restriction clause and an examination of the
possibility of arranging alternative means of financing, however, the
city determined that regardless of its legality and potential benefit
in protecting the city's interests, the deed restriction clause would
preclude the arrangement of any financing for the project if it were
retained. The Zoning Ordinance was accordingly reamended and the deed
restriction deleted.

Even with the reduced zoning density requirements for lot-area
per unit, extensive land assembly activity on the part of the city was
necessary. In assembling sufficient land for the 110 unit goal, the
city not only purchased land parcels with its 1975 Community Development
funds, but also vacated a street, negotiated for a slope easement with
the Minnesota Highway Department, and arranged for the conveyance of a
tax-delinquent write-off for the previous owner.

The fulfillment of off-street parking requirements for the 110
units, even with the reductions afforded under the special zoning
classification, presented problems. They were resolved through a joint
parking agreement conceived and arranged by the City Planning staff.
This agreement, between the developers and the neighboring Elim Lutheran
Church, involves a redesigning of the church parking lot so that elderly
parking facilities can be incorporated with church facilities into a
single scheme. This type of solution is provided for in the Zoning
Ordinance.

Finally, an Environmental Assessment Statement for the project was
required under Minnesota Regulations MEQC 25, as well as under HUD
regulations for Community Development Project allocations of this size.
The Environmental Assessment was taken on by the Robbinsdale Planning
staff and used as a component of the planning process during its
preparation between May and August 1975.
With financing arranged and compliance with state and local regulations assured, the project approval proceeded quite smoothly. Preliminary approval from the MHFA came in November 1975, with the closing and final approval accomplished in early January of 1976. The groundbreaking ceremony took place on January 30, 1976, and the project was completed in December, 1976. All apartments in the building had been reserved for specific tenants by November 1976. Of the prospective tenants, 43 percent will be from Robbinsdale and about 40 percent from Minneapolis.

Two more elements used in the construction of the Block T Project relate to Robbinsdale's use of tax increment financing. These elements retain a certain significance for the future use of this basic combination of Section 8 – New Construction and tax increment financing.

The first element is the use of the relocation requirement as a means of coordinating tenant selection for the Block T Project with the operation of the local HRA Scattered Site Program. In setting up the program, Robbinsdale HRA staff members surveyed the persons owning homes on the Scattered Site list to determine which owners were eligible for tenancy in the soon to be completed Block T Project and if they were interested in moving into the project. The recently approved tenant selection standards* were sufficiently open at this point to accommodate any of the individuals surveyed. Twelve elderly persons, representing eight Scattered Site homes, were found to be interested in selling their homes to the Robbinsdale HRA for a negotiated fair market price and moving into the new structure on its completion. These individuals will be considered "displaced by government action" and will thus be assured of high priority in the tenant selection process for the new building.

* In May, 1976, the MHFA approved the following tenant selection criteria percentages for occupancy in the new structure: 5 percent minority, 30 percent very low-income, 25 percent non-Robbinsdale residents, and 75 percent Robbinsdale residents. The income limits for Section 8 Rental Assistance Payments are to be $7,800 for single persons and $10,000 for couples. There are no asset limitations. While higher-income persons may live in the building, their rent will not be subsidized. The disabled and those "displaced by government action" are designated as priority groups for tenant selection.
A $50,000 bond for the provision of write-downs toward the redevelopment of these properties received final approval from the Robbinsdale HRA on May 19, 1976, and these properties have been sold.

The second element involves retiring bonds with the tax increment received from a new structure that is operating under substantial tax abatements. The mechanics of the bond retirement were noted earlier in the discussion of the Scattered Site Program. The effect of the tax abatements, however, will be noted here.

In the case of the Block T Elderly Housing Project (which is federal- and state-assisted with a limited dividend restriction), assessed value is calculated on the basis of 20 percent of the estimated market value (rather than on the basis of the standard 40 percent for rental residential properties). This results in a 50 percent property tax reduction. The projected value of the constructed building is $2,500,000 and the land was valued at approximately $200,000 in 1976. (Actual building cost may well exceed this projected figure and land values may be expected to appreciate.) On the basis of these figures, the Robbinsdale HRA has calculated an annual tax increment of approximately $22,000, the difference between taxes accruing from a property prior to and after redevelopment. Since the write-down provided to the developer totalled only $78,000 including the $36,000 in Community Development funds, tax increments accruing to the Robbinsdale HRA from this property will be more than adequate to retire the bond which financed the initial write-down.

Fifty additional units of housing for the elderly were included in Robbinsdale's Housing Assistance Plan, 1976. It is projected that they will be built through the same combination of Section 8 - New Construction and tax increment financing that was so successful for the Block T Elderly Housing Project.
REFERENCES

1. City of Robbinsdale Charter, Section 7.13, Subdivisions 2 and 3 (as amended on June 10, 1975).
4. Letter from George B. Hickey, Hennepin County Auditor, Minneapolis, Minnesota, to George E. DeLaay, Manager, City of Robbinsdale, May 7, 1969.
7. Robbinsdale Comprehensive Plan (December 23, 1974).

INTERVIEWS

1. George E. DeLay, Director, Robbinsdale Housing and Redevelopment Authority, interviews by Mark D. Johnson; November and December 1975.
2. George E. DeLay, Director, Robbinsdale Housing and Redevelopment Authority, interviews by Sheldon Mains; November and December 1976.
Bloomington
Ebenezer Society/B.D.C. joint venture:
1. elderly
2. apartments
3. town houses
The city of Bloomington is located on the southern edge of Hennepin County. With a population of some 90,000 spread over 40 square miles, it is the fourth largest city in the state, though it is suburban in appearance and function. Bloomington has a housing stock of approximately 28,000 units, three-fourths of which are single-family dwellings, and three-fourths of which are owner-occupied. Median family income is $18,500. Minorities comprise less than 1 percent of the city's population. The average rent and average value of new single-family homes, excluding land, are both 40 percent above Hennepin County averages.

Bloomington's development has followed the pattern of its land, which contains three distinct areas. Eastern Bloomington, about one-fourth of the city's land, contains one-third of its population and the oldest housing units in the city. Most single-family homes were built prior to 1958. Construction since 1964 has been multi-family units, now 30 percent of the area's housing. The Metropolitan Sports Center, the proximity of Fort Snelling and the Minneapolis-St. Paul International Airport, a sizeable industrial area, and the strip of commerce-recreation-convention facilities, taken all together along I-494 represent a substantial and concentrated employment center for the area. Central Bloomington, more than one-third of the city's land area, includes one-half of its population living primarily in single-family homes. At least 90 percent of the homes are less than twenty years old. Less than 15 percent of land zoned for residential use remains vacant. Western Bloomington, another third of the city's land area, contains only 15 percent of its population. This area has developed slowly because of the hilly terrain and absence of sewer and water facilities. Most houses have been built since 1970 and approximately half of the area remains undeveloped.

Bloomington was caught up in the rapid development of relatively low-priced housing in the period immediately after World War II. Community services lagged behind residential construction, severely overburdening the limited infrastructure. The inadequacies, noticeable in streets, parks, and schools, were especially acute in water and sewage systems. Given the relatively small initial population, individual household assessments skyrocketed.
Thus, by 1955, Bloomington felt forced to adopt a set of policies to brake run-away development, in the hope of buying time and a tax base substantial enough to raise community services to adequate levels. Bloomington made a policy of encouraging the kind of development that would provide more in taxes than the corresponding cost in services. By fixing lot size, floor size, and the availability of utilities, the minimum values of residences could be dictated. Further, new commercial and industrial development was aggressively courted.

The late fifties and sixties saw a maturing of community services and the success of restrictive development policies. Indeed, Bloomington may be regarded as a "textbook case" in the use of fiscal zoning. With this success, however, came new sets of problems.

By the mid-1970's, home builders in Bloomington were estimating new home costs in the $40,000 to $90,000 range, requiring persons to have incomes of $20,000 to $45,000 to purchase a new home (Ref. 11). Bloomington's rental market has very low vacancy rates, and is largely unavailable to low-income people, the elderly, the handicapped, and large families. The elderly are remaining in their homes, singles are competing for homes, mature families are forestalling new home purchases, and new and expanding families do not have the income for the new home market. Bloomington's population is expected to increase by 4 percent between 1974 and 1980, but new households will increase by 8 percent. The elderly will comprise 7.4 percent of the city's population as compared with their present 3 percent. Net in-migration will account for 60 percent of the growth (Ref. 8).

Residents are concerned that the city remain a nice place to live, yet as a mature community, Bloomington recognizes it can and should establish new policies and procedures to allow residential development to respond to changing needs and social objectives.

HOUSING GOALS

Although earlier attempts had been made to address problems related to housing (there was an Eastern and a Western Area Plan), the United States Housing and Community Development Act of 1974 provided the stimulus for Bloomington to analyze housing needs on a city-wide basis. Community hearings identified citizen concerns and in the process of applying for Community Development
Block Grant Funds, the Bloomington Housing and Redevelopment Authority (HRA) produced the 1975 Housing Assistance Plan, followed by the 1976 Housing Assistance Plan.

The goals of Bloomington's housing policy as they exist in the Housing Assistance Plans, the Area Plans, the Park Plan, and the Community Development Plan and Application can be taken together and stated as follows:

1. Provide housing for all income levels, ensuring that lower-income households can either move to or remain in the city of Bloomington.
2. Enable residents to rehabilitate and repair existing housing units.
3. Ensure continued proper maintenance of the city's housing stock.

Basic to the Housing Assistance Plans is the assumption that private enterprise, without some form of assistance, would not be able to provide the new construction necessary to meet the needs of low-income households in an expanding housing market. The plans call for more direct involvement on the part of the city to "stimulate the pace and volume of new housing to overcome the shortage conditions" and to "provide assistance to lower income families in their rehabilitation efforts" (Ref. 18).

HOUSING PROGRAMS

An overview of the housing program elements used by Bloomington in conjunction with the goals each supports is displayed in Figure 3. The following discussion provides a description of how these elements have been used within the city of Bloomington to pursue their locally-set housing goals.

GOAL 1: PROVIDE HOUSING FOR ALL INCOME LEVELS

Rezoning

In October, 1974 Bloomington compressed its three residential zones into one R-1 classification, thereby reducing the old R-1 and R-2 lot minimums of 16,000 and 13,500 square feet and floor minimums of 1,400 and 1,200 square feet to the old R-3 minimums of 11,000 square feet for lots
FIGURE 3: BLOOMINGTON HOUSING INVENTORY ELEMENTS BY GOALS

Goals

1. Provide housing for all income levels...
   - Rezoning
     - Local Homeownership Assistance Program (city donated land, local HRA Project Funds, MHFA Homeownership loans, tax increment financing, Revised Section 235 Homeownership Program)
     - Land Acquisition Program (Community Development Block Grant funds)
     - MHFA/BHFA Joint Bonding Program
     - Section 8 - New Construction
   - Section 8 - Existing Housing (piggyback Bloomington HRA subsidies)
   - Local Low Rent Assistance Program for the Elderly
   - Housing Maintenance Code (Multi-Unit Licensing & Inspection Ordinance)
   - Home Improvement Loan and Grant Program (with Community Development Block Grant funds and MHFA Home Improvement loans)
   - Section 312 Rehabilitation Loan Program
     - Local Senior Citizen Life Estate Program (with Community Development Block Grant funds)
     - Local Point of Sale Rehabilitation Program (with Community Development Block Grant funds)
   - Building and Housing Codes (Building Permits, Multi-Unit Licensing and Inspection Proposed Time of Sale Inspections, and Hazardous Structure Ordinance)
   - Zoning Codes (Nuisance Controls, Development Zoning)

2. Enable residents to rehabilitate and repair housing
   - Existing Program
   - Proposed Program

3. Ensure continued maintenance of housing
and 1,040 square feet for floor space. Required frontage was reduced from 100 to 80 feet, frontyard setbacks from 35 to 30 feet, and sideyard setbacks from 15 to 10 feet. This action was the result of studies, government review, and hearings commencing in 1970 to consider the question of whether some of Bloomington's housing procedures were unduly restrictive and contributed to rising construction costs (Ref. 9). A recent amendment has reduced the minimum floor space requirements still further by allowing 50 percent of a sublevel area (provided it has a 7 foot 6 inch ceiling and window openings equivalent to 10 percent of its floor area) to be included in the 1,040 square feet floor area requirement. In addition, the space need not be finished at the time of sale, just capable of improvement at a later date. These reductions in zoning requirements represent an attempt by the city to open up its single-family housing market to moderate income households through the traditional avenue of publicly regulated private development, in contrast to the publicly funded and directed programs described here later.

Proponents of the zoning change had projected that buyer cost savings would amount to between $2,500 and $3,000 on a purchase ($6,400 to $7,700 over the life of a mortgage) and a 20 percent savings in assessments. Opponents, on the other hand, felt rising land, construction, and finance costs would offset any short-term savings. A study (Ref. 1) of the two year period following the zoning change shows that between October of 1974 and October of 1976, forty-three permits in the old R-1 and forty-eight in the old R-2 zones took advantage of the new zoning lot requirements. They represent 33 percent of all new construction in those zones. In addition, 47 percent of newly platted lots in the old R-1 and 53 percent in the old R-2 zones resulted from the reduced zoning restrictions. Average reductions in old R-1 zone permits were 58 percent of the total allowable reductions in lot size and 52 percent in floor size; in the old R-2 they were 55 percent of allowable lot reductions and 41 percent of allowable floor reductions. As Table 2 indicates, average lot size in Bloomington has been reduced, but remains well above the Twin Cities median of 10,000 square feet.
Two earlier studies of Bloomington housing (Refs. 11 and 30) concluded that unless outside developers can be attracted into the city, the significance of rezoning is dependent on the willingness of local developers to shift their markets. And local developers are not likely to take the risks of expanding into lower-priced housing while their present markets remain profitable. The one Bloomington developer who feels that such a lower-price market exists at a good profit potential, has offered ramblers without garages with 1,040 square feet of floor space for $36,500.

<table>
<thead>
<tr>
<th>Former Zone</th>
<th>Average Lot</th>
<th>Former Minimum Lot</th>
<th>Average Floor</th>
<th>Former Minimum Floor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974-5</td>
<td>R-1</td>
<td>21,891</td>
<td>16,000</td>
<td>1,698</td>
</tr>
<tr>
<td>1975-6</td>
<td>R-1</td>
<td>19,816</td>
<td>16,000</td>
<td>1,627</td>
</tr>
<tr>
<td>1974-5</td>
<td>R-2</td>
<td>16,474</td>
<td>13,500</td>
<td>1,528</td>
</tr>
<tr>
<td>1975-6</td>
<td>R-2</td>
<td>15,058</td>
<td>13,500</td>
<td>1,527</td>
</tr>
<tr>
<td>1974-5</td>
<td>R-3</td>
<td>12,854</td>
<td>11,000</td>
<td>1,276</td>
</tr>
<tr>
<td>1975-6</td>
<td>R-3</td>
<td>13,387</td>
<td>11,000</td>
<td>1,293</td>
</tr>
</tbody>
</table>

Average Sizes of Newly Platted Lots After Zoning Change

<table>
<thead>
<tr>
<th>Former Zone</th>
<th>Average Lot</th>
<th>Former Minimum Lot</th>
<th>Average Floor</th>
<th>Former Minimum Floor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974-5</td>
<td>R-1</td>
<td>18,021</td>
<td>16,000</td>
<td>Not applicable</td>
</tr>
<tr>
<td>1975-6</td>
<td>R-1</td>
<td>14,242</td>
<td>16,000</td>
<td>Not applicable</td>
</tr>
<tr>
<td>1974-5</td>
<td>R-2</td>
<td>14,213</td>
<td>13,500</td>
<td>Not applicable</td>
</tr>
<tr>
<td>1975-6</td>
<td>R-2</td>
<td>13,054</td>
<td>13,500</td>
<td>Not applicable</td>
</tr>
<tr>
<td>1974-5</td>
<td>R-3</td>
<td>14,868</td>
<td>11,000</td>
<td>Not applicable</td>
</tr>
<tr>
<td>1975-6</td>
<td>R-3</td>
<td>12,284</td>
<td>11,000</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

Local Homeownership Assistance Program

The Bloomington Homeownership Assistance Program, conceived in 1973, is designed to produce owner-occupied housing for low-income families. The primary contributors in the program are the Bloomington Development Corporation (BDC), the Bloomington HRA, the Minnesota Housing Finance Agency (MHFA), the City of Bloomington, and the Marvin Anderson Construction Company.

Under the program the BDC, a quasi-public development corporation owned and operated by the Bloomington HRA, uses city-owned property to build new housing units. Acting in the BDC's name, the Bloomington HRA performs the tasks of project administrator, realtor, and financier. The Bloomington HRA project fund, consisting of proceeds from their tax levy, provided a $50,000, 8 percent construction loan to the BDC to finance the first two homes completed. After these were sold, the program became self-perpetuating. Proceeds from the sale of one home provide the required funding for the next home.

The city of Bloomington offered sixteen lots to the Bloomington HRA as potential sites for the program. Eight have been used. Four others are considered usable and the remainder have been determined to be unsuitable for residential use. The city donated the initial eight parcels to the BDC, valued at approximately $6,000 per lot. In turn, the BDC has reimbursed the city for all special assessments levied against the property, averaging $2,000 per parcel. Though purchase prices for the dwellings have ranged from $29,000 to $33,000, valuations by the Federal Housing Administration have ranged from $37,500 to $42,000. The difference reflects savings made possible in large part by reduced land costs. Savings have also resulted from cost-conscious planning by the building contractor, from the Bloomington HRA acting as realtor, from self-perpetuating financing, and from the lack of profit motivation by the developer. Purchasers have saved by using MHFA Homeownership Loans and below market rate Tandem Plan Loans through a local lending institution. The $28,500 MHFA mortgage limit, however, has resulted in some excessively large down payments.

Although the program has been financially successful and accomplished its objective of providing homeownership to low-income families, rising
construction and mortgage costs have threatened its economic feasibility for the future. In an attempt to deal with these problems, a second phase of the program has been initiated. The city has conveyed nine additional lots to the Bloomington HRA and issued $76,000 in general obligation bonds to write-down construction costs. Tax increment financing will be used to retire the bonds and, since the land donated has an "original taxable value" of zero (having previously been city-owned and, therefore, tax exempt), the redevelopment project will produce its first increment as soon as the first home is occupied (scheduled for 1978). The BDC has begun construction on several of the new dwellings. Development costs are estimated at $30,700 to $39,200 per unit. Proceeds from the bond sale have been used to reduce selling prices below development costs. The cut of $3,900 to $8,570 in price brings the houses within the current Revised Section 235 Homeownership Program limitations; mortgage commitments having already been secured. As a result, buyers will be able to use Section 235 mortgage loans for housing which, in reality, far exceeds federal purchase price restrictions. Through an imaginative combination of city donated land, tax increment financing, and federal mortgage assistance, Bloomington has been able to rejuvenate its Homeownership Assistance Program.

Land Acquisition Program

The Bloomington HRA has found that local developers exhibit far greater interest in housing projects for the elderly than in projects for families. The common belief is that senior citizens are less demanding and less destructive than families with young children. In an attempt to promote lower-income and very low-income family housing, the 1975 Bloomington Community Development Block Grant Plan allocated $51,000 for the Land Acquisition Grant Program. To use the program, a developer enters into an agreement with the Bloomington HRA to construct lower-income and very low-income family dwelling units in return for city grants to help underwrite land costs. The authority expects little response from the private sector, but the program is designed so it can be employed by non-profit development corporations such as the BDC, thereby providing a way of siphoning federal funds to help defray the land costs of Bloomington HRA supported projects.

*Bloomington's definitions of income level in 1976 (for a family of four) were: $14,600 for "low-income," $12,500 for "lower-income," and $7,800 for "very low-income."
One hundred thousand dollars in additional funds has been set aside for similar purposes in the city's Community Development Block Grant Plan for 1976.

**MHFA/BHFA Joint Bonding Program**

The Bloomington Housing Finance Agency (BHFA), created under state enabling legislation in 1974 with all the powers of the MHFA, was established as a lender of last resort and has yet to be used (Ref. 17). However, there has been some consideration given to a joint bonding program between the BHFA and MHFA, under which the MHFA would sell state revenue bonds while the BHFA issues city general obligation bonds at a ratio of four state dollars for each city dollar. Since general obligation bonds are backed by the full faith and credit of the municipality, they can be sold at a lower rate of return than state revenue bonds, which are only backed by the MHFA. This reduced rate of return would be reflected in lower interest rate loans originating from the combined city/state bond sale. Loans from the bond sale could be used for both short-term construction and long-term mortgage financing for Bloomington's low-income housing on a project or individual household basis and for rehabilitation loans (Interview 15).

In addition, state legislation is pending that would empower the Bloomington HRA to originate short- and long-term loans from its project fund. The legislation would increase the HRA's funding resources for below-market-rate financing of programs (Ref. 16).

**Section 8 - New Construction**

In 1975 two proposals for the development of housing for lower-income and very low-income residents receiving federal rental assistance payments under the Section 8 - New Construction Housing Program were submitted to the federal Department of Housing and Urban Development (HUD) for review. Neither received approval. One was immediately abandoned, but the other is still being pursued. It was submitted by the Ebenezer Society/BDC Joint Venture for 210 units for the elderly; 49 townhouses, 47 apartment units for families, and 6 single-family detached units. The proposal recently received HUD feasibility approval. The development is to be located on three separate parcels: the housing for the elderly on city-owned property adjacent to the city's water reservoir and the family units on two separate sites in southwestern Bloomington. The Ebenezer Society is a church-affiliated non-profit senior citizen service organization which provides a host of programs for the metropolitan area's elderly. The City of
Bloomington, the Bloomington HRA, and the Greater Minneapolis Housing Corporation (a non-profit organization funded with private donations) are also program participants.

As of February, 1976, financial commitments by the various contributors totaled $29,000: $3,000 from each of the joint sponsors, $23,000 in interest-free loans from the Greater Minneapolis Housing Corporation, and an indeterminate amount in administrative expenses from the Bloomington HRA. Conditioned upon HUD's final project approval, further commitments include an additional $25,000 loan from the Greater Minneapolis Housing Corporation, a $100,000 construction loan from the Bloomington HRA, and subsequent funding as required from the Ebenezer Society and the BDC.

For its part, the city will sell the 4.3 acre water reservoir site to the Bloomington HRA for $105,000, substantially less than the parcel's estimated market value of $360,000. The Bloomington HRA will in turn sell the land to the joint venture for $210,000. All expenses between the co-sponsors are to be divided equally, but in reality, the Ebenezer Society will finance the full purchase of the elderly site, as the BDC's $105,000 payment represents a paper transfer of funds to the Bloomington HRA. The purchase price of $93,500 for the 11 acre site for family townhouses will be divided between the co-sponsors, funding for the BDC's share originating from the Bloomington HRA project fund; the 4 acre site for a family apartment unit will cost $120,000: $69,000 from the developer and $51,000 from the Land Acquisition Grant Program via the BDC. Although no zoning variance was required for the townhouse site, both the housing for the elderly and the family apartment proposals required reclassification of the parcels from R-1 (single-family residential) to R-4 PD (multi-family Planned Unit Development). In addition, the housing for the elderly proposal required an increase in density limitations from twenty-five to fifty dwelling units per acre.

Mortgage financing will be secured from the proposed MHFA/BHFA Joint Bonding Program, if adopted, or else from the MHFA Apartment Development Loan Program. The lower rate of return on an MHFA/BHFA mortgage loan would produce a project cost saving that could be translated into a reduction in the project's determined fair market rent schedule. Further rent reductions will be available to tenants under the Section 8 - New Construction Program.
The development is currently in the design stage with groundbreaking scheduled for early July, 1977. Once completed, the joint venture will disband, the BDC assuming control of the family site and the Ebenezer Society managing the elderly project (Interview 4).

Section 8 - Existing Housing

In 1974 the Bloomington HRA received approval from HUD for forty rental subsidy housing units under the then existent Section 23 Housing Assistance Payment Program. Since that time, these units have been converted to the Section 8 - Existing Program. Under this plan a lower-income or very low-income household applies to the Bloomington HRA, locates either an apartment or single-family dwelling, receives Bloomington HRA approval of the dwelling and lease, and the agency then pays all rental costs in excess of 25 percent of the household's annual income. Since the average rent in Bloomington is substantially higher than the metropolitan area average, the Bloomington HRA has provided a piggyback subsidy designed to increase HUD rent limitations, supplementing $85,000 in program monies with $20,000 from its project fund. All forty of the units approved for 1975 have been filled: twenty-five going to elderly households and the remainder to families.

Although the piggyback subsidy, which applies primarily to three-bedroom housing units, has proved successful, HUD recently ordered the Bloomington HRA to discontinue the procedure, stating that the current federal fair market rent structure "must be interpreted as establishing the maximum monthly rent which the owner is entitled to receive for the dwelling unit, regardless of the source of payments." In accordance with this ruling, the authority has suspended all piggyback subsidies, pending appeals to HUD. As a result, the 100 new units allocated to the Bloomington HRA for 1977 will be used entirely for one and two-bedroom units, since these require no piggyback subsidy assistance. In addition, all three-bedroom units currently receiving the Bloomington HRA rent supplement will be transferred to the authority's Low Rent Housing Assistance Program as their leases expire, forcing the city to accept the full financial burden of subsidizing large lower-income families.
Low Rent Housing Assistance Program

In the fall of 1973 the Bloomington HRA initiated a rental subsidy program for low-income elderly households independent of federal funding. Although the Low Rent Housing Assistance Program resembles Section 8 in reducing rent payments to 25% of household income, the program's operating procedure resembles the terminated Section 23 rent subsidy program. An elderly person applies, the Bloomington HRA locates a rental unit, enters into a contract with the owner, and subleases it to the individual. In 1975 subsidies totaling $21,000 were given to thirteen elderly person(s). With the advent of Section 8, the program is being slowly phased out, though the Bloomington HRA plans to retain it for use in unusual circumstances such as providing short-term housing prior to an elderly person's admittance to a nursing home (Interview 8). Five of the thirteen households have been converted to Section 8. Current rents of the remainder exceed the Section 8 program rent limitations.

Housing Maintenance Code

A multi-unit licensing and inspection ordinance, used in connection with Bloomington's rental assistance programs, ensures that program participants are neither discriminated against while seeking a rental unit nor unable to have legitimate complaints corrected after securing a dwelling. For further discussion of the ordinance see p. 131.

GOAL 2: ENABLE RESIDENTS TO REHABILITATE AND REPAIR HOUSING

Home Improvement Loan and Grant Program

In August, 1975 the city council authorized a Home Improvement Grant Program to be administered by the Bloomington HRA and designed to assist lower-income and very low-income households with the expenses of housing rehabilitation. To be eligible an applicant must be an owner-occupant, fall within prescribed asset limitations, be a reasonable credit risk, and reside in a structure which is either fifteen years old or exhibits problems which are a danger to the occupants' health and safety. The owner must first secure an MIFA Home Improvement Loan. Grant payments are made after the loan funds have been exhausted and 50 percent of the grant amount has been committed to repairs. Lower-income households receive grants
equal to 50 percent of improvement costs, the total grant not to exceed $500. Very low-income households are allotted 75 percent of rehabilitation expenses, the total grant not to exceed $1,000.

The primary responsibility of the Bloomington HRA is to act as a coordinator, ensuring that MHFA loans are paired with city grants. It also solicits local lenders to participate in the MHFA loan program and conducts low-key advertising campaigns to alert the public to the program and its benefits. Bloomington HRA funding originates from the 1975 and 1976 Community Development Block Grants, totaling $90,000, 10 percent of which is allocated to administrative costs. The MHFA has committed an estimated $500,000 for rehabilitation loans, not to exceed $10,000 per application. Loans mature in twelve months at 7 3/4 percent interest. From September, 1975 through February, 1976 the Bloomington HRA had awarded nineteen grants, twelve to very low-income and seven to lower-income households, totaling $14,332. MHFA loans amounted to $32,324.

The Bloomington HRA was hesitant to mount adequate program advertising pending passage of the 1976 legislation creating an MHFA Home Improvement Grant Program. Such legislation will cause the city to alter its current grant program substantially (Ref. 18). Under the state program, grants of up to $5,000 are available to very low-income households to assist in home improvement, and interest rates on all MHFA rehabilitation loans are changed to a graduated rate depending on the applicant's income level. To complement this loan-grant program, the city is considering amendments to its program to include larger rehabilitation grants to lower-income households and piggy-back grants in addition to the MHFA very low-income grants. Financing would include $80,000 from the MHFA for approximately thirty grants, $45,000 from the 1976 Community Development Block Grant, $10,000 from the 1975 Community Development appropriation, and Bloomington HRA administration costs of $75 per MHFA grant.

The present local program has suffered from a shortage of available loan financing. Participating lending institutions have proved to be conservative in their loan commitment purchases from the MHFA. The Bloomington HRA has applied to the FHA for a Title I lender designation,
which would enable it to originate the MHFA loans and thus internalize the improvement program. However, the Bloomington HRA prefers the present arrangement for its low administrative costs and intends to use the designation as leverage to secure greater commitments from private lenders (Interview 4).

Section 312 Rehabilitation Loan Program

During 1976, the Bloomington HRA began administering HUD Section 312 rehabilitation loans on a city-wide basis. During the year, twenty-one area homeowners received $140,000 in loan monies under the 312 program. For 1977, an additional $75,000 has been designated by HUD for use by the Bloomington HRA. The only procedural alteration proposed for 1977 is that loans be restricted to those census tracks identified by the 1976 and 1977 Housing Assistance Plans as being in greatest need of rehabilitation activity.

Senior Citizen Life Estate Program

The city has proposed the Senior Citizen Life Estate Program as an extension to its Home Improvement Grant Program. Funding from the Community Development Block Grant allocation would be used to provide home improvements for senior citizens without the need for an MHFA rehabilitation loan. Recipients would also be granted a property tax abatement. At the time of sale, the city would receive a predetermined percentage of the selling price as payment for the rehabilitation grant and tax abatement awarded to the owner.

Point of Sale Rehabilitation Program

The Bloomington HRA has proposed a Point of Sale Program to further both housing rehabilitation and homeownership for lower-income and very low-income families through incentives to developers who enter this market. The program provides financing for temporary construction loans from the Bloomington HRA project fund and rehabilitation grants from Community Development Block Grant funds to private developers interested in first improving and then selling single-family homes to lower-income and very low-income households. City grants would cover 50 percent of improvements costs and be limited to a maximum of $2,500 per dwelling unit. The final selling price of the unit would be the sum of the purchase price plus the
cost of improvements minus the grant amount. The developer would realize little or no profit under this sales procedure and as a result, the program is designed to be employed by non-profit development corporations.

GOAL 3: ENSURE CONTINUED MAINTENANCE OF HOUSING

As in the past, Bloomington continues to rely heavily on its battery of building, housing, and zoning codes to regulate and encourage housing maintenance on three different levels: the individual unit, the neighborhood, and the surrounding areas.

**Building and Housing Codes**

Building and housing codes deal with the maintenance of the individual housing unit and help ensure that improvements made are done correctly, that tenants have decent living conditions, and that dilapidated and unsafe housing is removed from the market.

In 1975, 719 single-family homes and eleven apartment buildings were issued building permits for additions to unit living areas. During the same year, numerous additional permits were issued for electrical, mechanical, and plumbing alterations to existing units. In each instance the appropriate inspector reviewed the work to assure compliance with all related codes.

Bloomington's Multi-Unit Licensing and Inspection Ordinance requires periodic inspection of all rental units having both a kitchen and a bath. An annual licensing fee paid by owners of rental housing finances the inspections, which are designed to ensure that each rental unit meets minimum housing code requirements and is operated in accordance with all fire prevention ordinances. If the inspector locates a violation, the owner is notified of the problem and given a follow-up inspection date at which time the owner must have complied. In 1975, 400 apartment buildings were inspected as part of the routine inspection schedule. Follow-up inspections were required for 324. In addition the city responded to eighty multi-unit tenant complaints, sixty of which required follow-up. Owners have been responsive to the inspection procedure, and court action to force compliance is rarely required.
Single-family detached rental units are not routinely inspected, though the Bloomington HRA is conducting a study of extending the licensing ordinance to include these structures. However, the housing inspector will respond to the complaints of these tenants. Sixty-seven single-family homes were inspected in 1975, fifty of which required a follow-up inspection. The housing code does not extend to owner-occupied units, although again the city is considering a proposed Time of Sale Inspection Ordinance (similar to the housing code program used in St. Louis Park) to bring these units up to code.

Bloomington's Hazardous Structure Ordinance provides for the condemnation of any housing unit having repairs in excess of 50 percent of the structure's estimated market value. Twenty-two housing units were inspected during 1975, seven of which were condemned. The owner could choose between boarding up or tearing down the building.

Zoning Codes

Enforcement of Bloomington's zoning ordinance helps to guarantee that neighborhood deterioration, independent of the structures themselves, is prevented. In 1975 citizen complaints under Nuisance Ordinances included yard maintenance and weed control, 545 complaints; abandoned autos, 551; maintenance of garbage receptacles, 554; and maintenance of private sewage systems, 38.

At the area level, zoning provides control over new development which abuts residential neighborhoods, serving to minimize the blighting influences of adjacent non-conforming uses. Planned Development Ordinances and Conditional Use Permits are vigorously implemented, along with renewable temporary use permits for potential nuisances.

CONCLUSION

The most innovative aspect of Bloomington's housing policy is in its ability to combine public programs and authorities (local, state, and federal) with private and quasi-public organizations.

The Bloomington HRA has displayed a remarkable ability for combining existing state and federal programs to produce local endeavors that require little local financial support. The Home Ownership Assistance Program, the Home Improvement Grant Program, and the proposed Ebenezer Society/BDC Joint Venture project are examples of this approach. Grants, reduced-interest
loans, below-market mortgages, and rental assistance have been combined with city contributions of coordination, administration, land donations, inspections, and tax abatements.

The Bloomington Development Corporation, an innovative tool of the Bloomington HRA, merits special attention (Ref. 5). It enables the local HRA to do the following: syndicate housing projects to individuals seeking tax shelters; purchase land without public hearings or City Council approval; bargain for land as a developer rather than as a public agency; use the advantages of a development corporation, such as the power to issue bonds and to take advantage of potential tax benefits; and obtain low interest loans from either the proposed MHFA/BHFA joint venture or the various MHFA loan programs. The BDC can also obtain Bloomington HRA short-term loans and provide a direct link between Community Development-funded city programs and the Bloomington HRA. As a conduit for transferring money from city programs to a city agency, the BDC enables the Bloomington HRA to construct housing as a development corporation, thus both administering and controlling the vast majority of all proposed and existing government-assisted housing in Bloomington. The importance that the city places upon Bloomington HRA's control over the city's housing policy is reflected in the fact that the same person serves as director of the Bloomington HRA, the BDC and the BHFA. The three-person board of the BDC meets only twice a year for the sole purpose of approving Bloomington HRA activity.
REFERENCES


2. "Bloomington Home Improvement Grant Program," Housing and Redevelopment Authority, Undated.


27. "Rent Assistance Program," Bloomington Housing and Redevelopment Authority, Undated.


31. "Western Area Plan," Division of City Planning, Department of Community Development, City of Bloomington, 1975.

32. "Zoning Codes," City of Bloomington.
INTERVIEWS

1. William Belanger, Republican Councilperson, City Council Representative on the Housing and Redevelopment Authority, City of Bloomington.

2. Jerry Beygien, Housing Inspector, Environmental Services Division, City of Bloomington.

3. John Buenger, Multi-Family Representative, Department of Housing and Urban Development.

4. Dennis Daniels, Director of Bloomington Housing and Redevelopment Authority, Director of Bloomington Development Corporation, and Director of Bloomington Housing Finance Agency, City of Bloomington.

5. Robert Darr, Republican Councilperson, City of Bloomington.

6. Duane Fisher, Assistant Executive Director, Greater Minneapolis Metropolitan Housing Corporation.

7. Phil Garbe, Environmental Health Specialist Aid, Environmental Services Division, City of Bloomington.

8. Sheri Heide, Housing Specialist, Housing and Redevelopment Authority, City of Bloomington.

9. Hal Hirsch, Senior Administrative Aid, Building Inspections Division, City of Bloomington.

10. Merlin Hoveden, Director of Ebenezer Society, Minneapolis, Minnesota.

11. Larry Klemente, Loan Officer, American State Bank of Bloomington.

12. Kent Michaelson, Community Development Programs Manager, Planning Department, City of Bloomington.

13. Robert Mood, Manager, Building Inspections Division, City of Bloomington.

14. Lyle Olson, Director, Staff Services, City of Bloomington.

15. Sherrie Pugh, Administrative Assistant, Minnesota Housing Finance Agency.

16. Jim Selerud, Housing and Redevelopment Authority, City of Bloomington.

17. William Walton, Director, Planning Division, Department of Community Development, City of Bloomington.