

# RETHINKING HOUSING

A Continuing Conversation to Identify and Develop Innovation in Buildings, Places,  
and Systems throughout the Twin Cities Region



## NOVEMBER 10, 2009 WORKSHOP SUMMARY REPORT

### Rethinking Housing Finance Systems

Presented by the Family Housing Fund in partnership with the Metropolitan Council,  
Minnesota Housing, Twin Cities LISC, The McKnight Foundation,  
and the Urban Land Institute Minnesota/Regional Council of Mayors



## INTRODUCTION

ON NOVEMBER 10, 2009 a group of 40 local leaders gathered to **rethink housing finance systems** in our region in the face of new housing market realities. The purpose of the workshop, facilitated by Stacy Becker, was to develop a common understanding of how our changing environment is setting a new context and future direction for the affordable housing industry.

The workshop was a follow-up to a series of events held in February 2009, featuring architect, designer, and educator William R. Morrish, to launch the Rethinking Housing initiative. Morrish provided a framework for rethinking housing and this second event **continued the conversation on innovation in housing finance systems**.

Participants in both events included a cross-section of housing practitioners and leaders, including private and nonprofit developers, funders and lenders, local officials and staff, architects, urban designers, university, foundation, and community representatives. The participants proved to be **ready and willing** to put their minds together, roll up their sleeves, and work to **make change happen**.

---

### Setting the Stage

The workshop opened with presentations from **Jim Solem**, on changes in demographics and finance markets that are dramatically affecting housing demand and production today, and from **Cathy Bennett**, who highlighted information from Urban Land Institute Minnesota's work on the local housing environment with mayors and other leaders in selected Opportunity Cities. ([Click here](#) to view Jim Solem's presentation, *Regional and National Demographic and Economic Trends*. [Click here](#) to view Cathy Bennett's presentation, *ULI MN Opportunity Cities*.)

Solem summarized the **demographic realities** we face:

- Increase in older persons—456,000 more age 65+ from 2010 to 2025.
- Single person households are the *growth game*—large numbers of older people live alone.
- Households are smaller, fewer families with children.
- Household incomes and resources have declined.
- Homeownership rate is declining.
- Increasing diversity—individuals from emerging markets, including immigrants and minorities, will make up an increasing percentage of the total population, reaching 25 percent by 2035.

### Headlines from Jim Solem's Presentation...and Some Questions to Ponder:

**“We can’t wait for things to return to normal and then get back to doing what we know how to do. This is a fundamental change.”** *So...what do we need to learn how to do? How can we be successful in doing it?*

**“We have a housing supply suited for the last forty years. What about the next 20 years?”** *What sizes and types of housing, and in what locations, will be needed to suit the changed demographics of today and tomorrow?*

Bennett discussed ULI MN’s work, through its Regional Council of Mayors Housing Initiative, with the **Opportunity City Program**, a comprehensive learning community that provides support and resources to local municipal officials who seek to provide a full range of housing choices in their cities. Five diverse cities—Brooklyn Park, Minnetonka, Richfield, Rosemount and Shoreview—were selected to participate in the pilot program, completed in 2009. Bennett outlined the process followed for the five cities and shared some observations of the cities’ mayors on housing challenges in their communities. ([Click here](#) to view the *Housing Initiative Opportunity City Executive Summary Report*.)

### Headline from Cathy Bennett's Presentation:

**“In the last decade, developers could build anything, anywhere, and it would sell. This is not true anymore.”** *Cities will need to implement tools and comprehensive strategies that respond to the future market now so that they are prepared when the market recovers.*

## Getting Down to Specifics

Becker asked the participants to discuss in small groups the “Why, What, and How:”

**Why?** Three trends or facts—game-changers—that demonstrate why we need to rethink housing.

**What?** Housing challenges for the next five to ten years.

**How?** Tools and resources to meet the challenges.

The following lists summarize the top responses of all six discussion groups. The housing challenges and tools include actions that can be undertaken at the local, regional, or state level.

## Top Eight Game-Changers

*Many of these track closely with themes from the February 2009 discussion. ([Click here](#) to view the *Rethinking Housing, February 10, 2009 Workshop Summary Report*.)*

1. **Demise and collapse of the housing finance system** as we knew it.
2. **Lowered housing values and rates of appreciation**—a trend that will continue, some say, for a decade or more.
3. **Diminished income, personal wealth, and resources** for many individuals and families, and a cultural shift toward living within one’s means.
4. **Energy and climate change issues** are coming to the forefront.

5. **Demographic changes** within the population—aging, increase in one-person households, increasing diversity.
6. **Changing housing needs**, such as for multi-generational households, to accommodate cultural groups and immigrants.
7. **Changing lifestyles and an increasing preference** by many, including younger Millennials and aging Baby Boomers, to live within walking distance or easy access by public transportation to jobs, services, recreation.
8. **Shrinking public and philanthropic resources**, requiring us to be smarter with our resources to provide needed housing in the right locations.

### Top Eight Challenges to Tackle in the Next Five to Ten Years

1. **Redesign the housing delivery system—dismantle antiquated, burdensome policies and procedures; redesign or create new development tools; develop new financial products that manage risk; focus on outcomes. Align, integrate, and leverage resources** to use them more efficiently, prioritize, and do more with less.
2. Recognize the **opportunities in comprehensively addressing energy use, the environment, the economy, and demographics**—connect the dots.
3. **Build new collaborations** among public, private, and nonprofit groups, including schools and transportation groups, and strategically engage the private sector. **Interdisciplinary thinking requires interdisciplinary action.** The new federal EPA-DOT-HUD collaboration through HUD's Office of Sustainable Housing and Communities may offer new broadly-based local opportunities for collaboration.
4. **Adapt the current housing stock** to better suit increasing numbers of singles, seniors, immigrant populations, non-Western cultural groups.
5. Explore and implement better **models for quality high-density housing.**
6. **Support rental housing as a choice** by making it more acceptable and desirable. Explore ways to incentivize it, find new rental models.
7. **Rethink housing as a holistic investment in people and communities** that supports affordable living and sustains peoples' lives—creating jobs, connecting to transit and to the natural world.
8. As we plan short-term, **keep in mind longer-term strategies** for adaptive housing and resilient communities—we have an immediate need for some long-term thinking.

### Finance Tools and Resources

#### New Financial Tools

- Financial tools that factor in reduced energy consumption, making individuals' incomes go further.
- A value capture tool that is not a loan or a grant, to support local redevelopment.
- A state housing tax credit to enable more types of affordable housing.
- A state historic tax credit.

### Reformed Financial Products and Programs

- Revised Fannie Mae and Freddie Mae securitization models.
- Expanded Community Reinvestment Act partners—go beyond banks to include other financial institutions, such as insurance companies.
- Broader use of HRA levy authority.

### Shared Risk and Appreciation

- Public-private partnerships to share risk and appreciation.
- New investors in partnerships who might share potential appreciation.

### Supporting Innovation

- Access to patient risk-tolerant capital, invest in R&D, develop other funding strategies to support innovation.
- Move from securitization to underlying value so that new development is built relative to its value as a location, not bond value alone.

## Other Tools and Resources

### Partnerships and Collaborations

- Partner with usual and unusual suspects, such as watershed districts and parks organizations.
- Use partnerships to leverage resources, align housing policy with transportation, and emphasize interagency action and understanding.

### Local Land Use Tools

- Employ zoning and new local redevelopment tools to allow for different development densities and uses.

### Leadership

- Create a leadership model drawing on tested models in this region or other metro regions.
- Use a regional group as a bully pulpit to advance identified core regional-scale goals to achieve long-term sustainability.

### Education

- Encourage, develop and support an organized political constituency, including emerging young leaders.
- Use the media to tell stories about the imperative for change.
- Organize public tours of successful projects.
- Help state legislators expand their mindset around regionalism.

## Stay Connected

Visit [www.rethinkinghousingmn.org](http://www.rethinkinghousingmn.org) to access additional reports and resources and to join in online discussions about rethinking housing in our region.