

2007 YEAR END REPORT HUTCHINSON HRA

In 2007, the HRA worked on the following four housing objectives:

1. Continue to maintain strong emphasis on property management, modernization and support services at Park Towers.
2. Support rehabilitation of aging housing stock to preserve housing stock and prevent decline of neighborhoods.
3. Provide opportunities for first time homebuyers to purchase homes in Hutchinson.
4. Remain on target with the HRA's vision – Promote a broad spectrum of housing affordable to various income levels for young and old, family and singles, needed by a progressive, growing community.

Summary of 2007 Activities

Park Towers Apartments:

1. Improvements: Replaced apartment pull cords with sixty Guardian Alert 911 emergency response systems. Obtained a Facility Assessment on Park Towers from the Center for Energy & Environment and updated the boiler controls in the fall of 2007. Installed elevator lunar key holes for emergency access to elevators. Purchased a replacement lock and desk programming front desk unit. Worked with the Center for Energy & Environment and Hutchinson Utilities to prepare to change out all apartment incandescent light bulbs to CFL light bulbs the first week in January.
2. Prepared the 2008 Annual Plan and 2008 Capital Fund Plan for Park Towers.
3. Prepared an application to Minnesota Housing grant funds to caulk the exterior and update the ventilation system of Park Towers.
4. Cell antennae installation on Park Towers roof was completed by AT&T. Began receiving lease payments in the fall.
5. Received a High Performer Designation by HUD on Park Towers HUD 2006 PHAS standards for operation and management.
6. Prepared and leased up twenty three vacated apartments in an average of less than ten days per apartment and inspected all units, community areas and systems.
7. Continued focus on providing decent, affordable housing as well as facilitating services needed by the frail, senior population at Park Towers. The average age of a Park Tower's elderly resident is 78 years old. A management goal at Park Towers has been to support programs and create partnerships that address the needs of elderly residents, enhancing their ability to age in place; thus preventing or delaying nursing home placement.
 - During 2007, 9,418 meals were served at Park Towers through the Senior Dining Program. The suggested donation for a senior dining meal is \$3.25.
 - Park Towers is registered through the Minnesota Department of Health and Human Services as Housing with Services establishment. Connect Care became the contracted provider during the summer of 2001 at Park Towers offering twelve hours a day seven days a on-site staffing Health Care Ala Carte. McLeod County also provides services at Park Towers for residents requiring less than seven days a week

assistance, such as weekly housekeeping services. Currently 19 residents are receiving services at Park Towers through ConnectCare.

- The Park Towers budget included funding for Tenant Services salaries to manage the Park Towers Senior Dining Program and supervise an Experience Works person to help plan entertainment, outings, and compose a monthly newsletter.
- During 2007, the residents have taken several day trips, including visiting Carlson's Apple Orchard, various restaurants, several activities at the Events Center, and a tour of Christmas lights. Craft activities, bake sales, national night out ice cream social, December Christmas dinner and party, an intergenerational program with West Elementary School and movies were also arranged. The Tenant Council funded transportation for resident outings, and entertainment in 2007. The Park Towers operating budget provides limited funding for Tenant Services salaries and recreational programs in 2008.

City Center:

Rehabilitation

1. Administered the SCDP Rehab Program Franklin Grove Extension Neighborhood - Notification of funding occurred in the spring of 2007; in July 2007 the actual rehab of homes started. Two homes were completed at year end; another six are in process. Three of these projects used the City of Hutchinson Revolving Housing Rehab Loan Program as part of the rehab funding package.
2. The HRA monitored Carver County HRA Lake Grace Apartment Complex for the Home Rental Rehab Program. The fifth and final year of monitoring and recertification was done in May of 2007 for Clinton House Apartments.
3. MHFA Rehabilitation Program – One owner occupied rehab project was in process at year end. The MHFA Rehabilitation Program stresses safety, livability, and accessibility for families with very low incomes.
4. MHFA Fix Up Fund and Community Fix Up Fund Home Improvement Programs - Administered the Fix Up Fund in Hutchinson and target the Community Fix-Up Fund to the Franklin-Grove neighborhood. There were two Community Fix Up Fund loans originated in 2007.

First Time Homebuyers Programs

1. Administered the HHPOP program providing below market interest mortgages, affordability gap and entry cost assistance to support the development of starter homes affordable for incomes typical for the wages in our community. Eleven homebuyers were assisted with HHPOP funds in 2007.
 - New Construction affordable single family home construction continued in the Rolling Meadows East BBN development. House construction began in the Rolling Meadows East project in September of 2004. The development has 60 lots; thirty planned to be starter homes. \$250,000 from MHFA and \$150,000 from the Greater Minnesota Housing Fund was awarded in 2003; an additional \$80,000 from MHFA was awarded in 2005. (In addition, \$384,000 for 2% construction financing along with \$182,500 for land acquisition financing at 2% was awarded for the development.) In 2007, four newly constructed starter homes were purchased with HHPOP funds at Rolling Meadows East. In December 2007, \$40,000 in CRV and \$45,000 in GMHF affordability gap was awarded to the Rolling Meadows East Development. Five different funding sources comprise HHPOP for the Rolling Meadows East neighborhood. These are: CASA/HAF (below market first

- mortgage/affordability gap), MHFA/CRV (affordability gap), GMHF (affordability gap), City of Hutchinson New Construction Revolving Loan Fund (affordability gap) and HRA Entry Cost Assistance Program. In 2007, the purchase price for a two bedroom home was \$161,000 while the average gap needed ranged from \$36,500 - \$39,500. Our goal of thirty homes sold at Rolling Meadows East using HHPOP funding has been reached, but there is affordability gap for an additional two homebuyers in 2008.
- The HRA applied for and obtained \$1.5 million in CASA funding for the City of Hutchinson for new construction targeted neighborhoods and first time homebuyers of existing houses. The CASA income limit for a family of one to four persons is \$55,000.
2. The School Construction Program constructed a single family home at 1150 Prairie View Drive SW in the Island View Heights Development that was sold in June 2007. Another home currently under construction at 1170 Prairie View Drive SW, again in the Island View Heights development, is scheduled for completion in May 2008.

Other

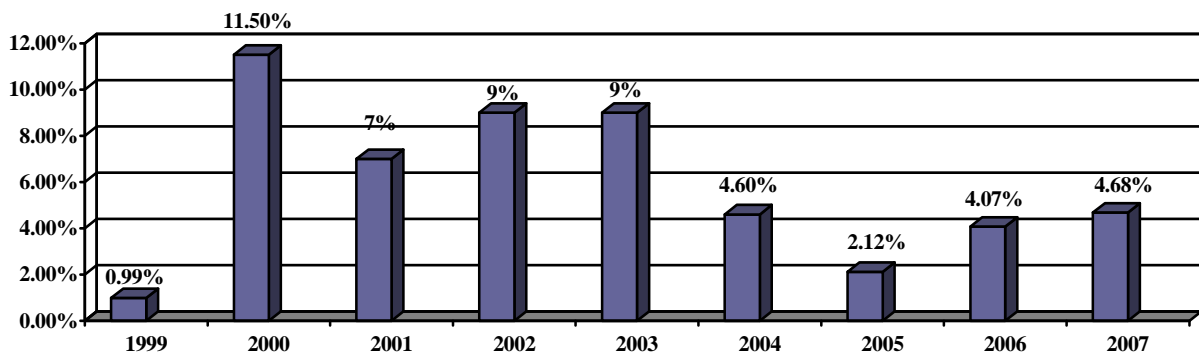
- Allocated leverage funds for the following housing programs: Rolling Meadows East HHPOP, School Construction House HHPOP and 2007 CASA Workforce Housing Initiative.

Trends:

1. Rental Housing

Market Rate General Occupancy Rental

In June of 1999, there was less than a 1.0% general occupancy rental vacancy rate in Hutchinson. 2000 was a year where rental-housing demand was impacted by a decline in employment at HTI. In addition, move-outs of pipeline workers the fall of 1999, along with the phased in opening of 40 market rate apartments at Century Court Apartments from November 1999 through March, 2000 all impacted the rental vacancy rate resulting in an 11.50% vacancy rate the beginning of 2000. Since then the vacancy rate has fluctuated from 2.12% to 9%. (In 2005, the market rate general occupancy rate was 2.12%; however, eight projects did not respond to the vacancy survey.) A 5.0% vacancy rate is considered a healthy vacancy rate to allow for turnover and consumer choice. The Maxfield Housing Study recommended that no additional market rate general occupancy units be built until the demand has increased to a level sufficient enough to support the development without adversely affecting the existing rental market (vacancy rate generally in the 2.0% range or less).

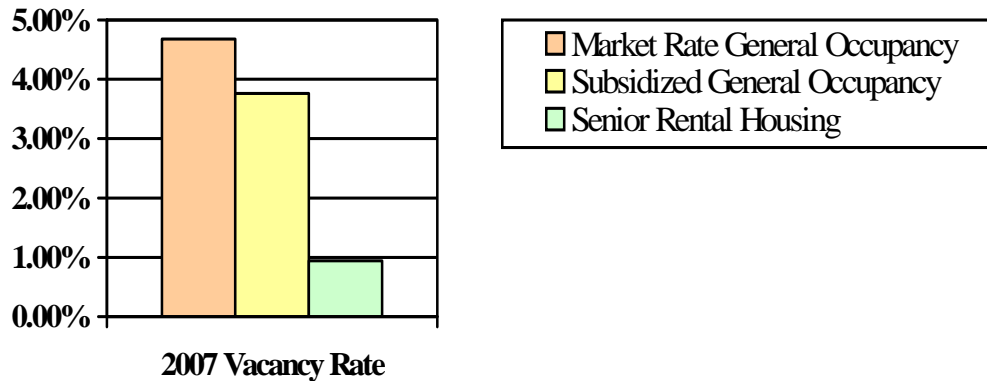


Subsidized General Occupancy Rental

The Vacancy Survey completed in 2007, showed the vacancy rate of subsidized general occupancy projects at a 3.76% vacancy rate. The Maxfield Study does not recommend the development of additional affordable/ subsidized rental housing in Hutchinson in the short term. If development of student housing occurs and if Rolling Meadows East affordable starter home project continues, enough rental units would be freed up in Hutchinson to satisfy the demand for affordable housing in this decade. Vacancies in subsidized developments should typically fall around 2.0% - 3.0%. Vacancy rates substantially above 5.0% usually indicate that demand is soft or that there is a mismatch between the supply and demand.

Senior Housing

The vacancy rate for senior housing was 0.94% in the fall of 2007. Maxfield Research Group updated the 2004 Maxfield Study in June of 2007 and found that due to the current low vacancy rates among senior developments in Hutchinson, there is some pent-up demand for senior housing. However, with the Pines recently filled and the Community of Lakeridge continuing to be marketed, Maxfield Research Group feels there is not enough senior housing demand to warrant the development of new senior housing at this time. Due to the economies of scale, new senior housing requires the demand of a minimum of 40 to 50 units to make a project feasible. As the numbers of seniors grow in the coming years, there will be a future need.



2. Homeownership

Even though the housing market slowed, there were good opportunities for buyers, especially first time homebuyers who had good credit and were mortgage ready. Interest rates remained low in 2007.

Year	Conventional Rate	CASA Rate
2000	7.0% -8.0%	
2001	6.75% - 7.25%	
2002	5.85%	5.625%
2003	5.81%	5.25%
2004	5.75%	5.25%
2005	6.125%	5.5%
2006 year end	6.125%	5.75%
2007 year end	5.75 – 5.875%	5.5%

According to data supplied by McLeod County Assessor's office, the 2007 median sales price was \$157,900 and the average sales price was \$163,217 based on 279 sales. (This data includes all sales in the city limits of Hutchinson, (including new construction and sales to family members.) The total sales median for Hutchinson in 2006 was \$158,000 with an average sales price of \$166,160 based on 379 sales. According to sales data supplied by the McLeod County Assessor's office the number of sales in Hutchinson decreased by 26% in 2007, while the median sales price remained steady. This data is very similar to the MLS data provided by Maxfield Research for Hutchinson. Based on 274 sales, the median sales price was \$161,000 and the average sales price was \$174,986 with 120 average days on the market and homes selling at 96.8% of asking price. In comparison with MLS data for the 13 County Metro area, sales decreased from 47,906 to 40,305 or by 16%. The average sales price in the 13 County Metro area fell from \$278,462 to \$272,805 or approximately a 2% decrease. The median sales price in the 13 County Metro area decreased from \$241,300 to \$236,883 or approximately a 2.0 % decrease. The average market time in the 13 County Metro area was 137 days. Home sales are expected to remain slow in 2008, because of limited buyers and tighter credit requirements.

The 2007 median family income for McLeod County was \$65,100. Based on a household being able to afford a home priced at 2.5 times their income, not factoring in savings or debt that they may have, a household would need an income of \$63,160 to afford a home priced at \$157,900, the 2007 median sales price of a house.

3. Housing Construction in Hutchinson

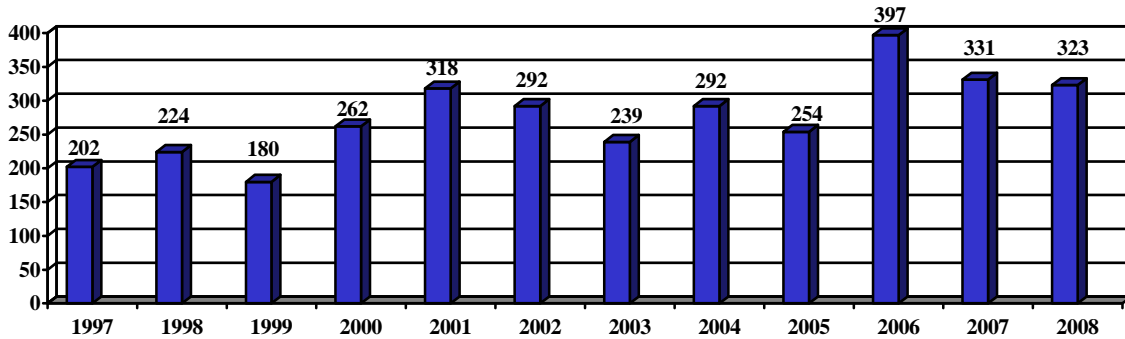
HOME RESALES CITY OF HUTCHINSON 1998 through 2007																				
Year	2007		2006		2005		2004		2003		2002		2001		2000		1999		1998	
Price Range	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under \$50,000	5	1.8	6	1.6	2	0.5	1	0.3	2	0.7	0	0.0	8	2.2	8	2.4	9	3.8	11	3.4
\$50,000 to \$74,999	6	2.2	10	2.6	8	2.1	9	3.0	9	3.2	20	6.3	24	6.6	24	7.3	26	10.9	50	15.3
\$75,000 to \$99,999	17	6.1	22	5.8	28	7.3	25	8.3	33	11.8	58	18.3	80	22.1	108	32.8	76	31.8	115	35.2
\$100,000 to \$124,999	39	14.0	56	14.8	56	14.7	50	16.7	62	22.1	82	25.9	102	28.2	89	27.1	52	21.8	59	18.0
\$125,000 to \$149,999	63	22.6	67	17.7	86	22.6	88	29.3	83	29.6	76	24.0	73	20.2	51	15.5	41	17.2	43	13.1
\$150,000 to \$174,999	59	21.1	88	23.2	83	21.8	50	16.7	39	13.9	36	11.4	38	10.5	24	7.3	17	7.1	23	7.0
\$175,000 to \$199,999	36	12.9	45	11.9	46	12.1	28	9.3	24	8.6	21	6.6	16	4.4	15	4.6	7	2.9	11	3.4
\$200,000 +	54	19.4	85	22.4	72	18.9	49	16.3	28	10.0	24	7.6	21	5.8	10	3.0	11	4.6	15	4.6
Total	279	100.0	379	100.0	381	100.0	300	100.0	280	100.0	317	100.0	362	100.0	329	100.0	239	100.0	327	100.0
Median	\$157,900		\$158,000		\$152,000		\$138,000		\$135,000		\$124,600		\$119,900		\$107,000		\$104,000		\$97,300	

* 2004 resale breakdown numbers includes some sales not included in median calc.

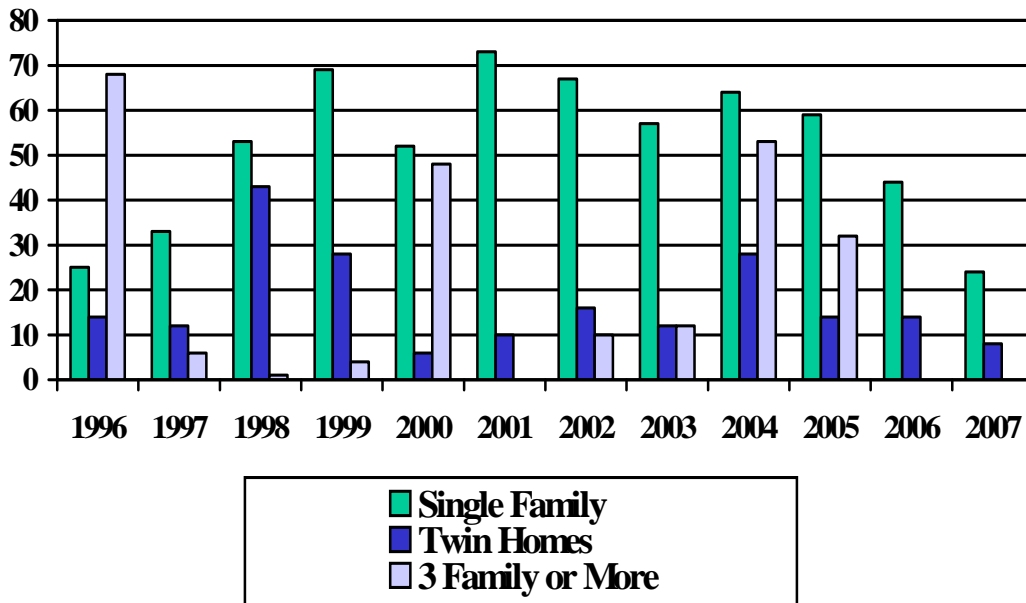
Sources: Peterson-Paulsen Associates Inc. Realty
Maxfield Research Inc.
McLeod County Assessor's Office

According to the City of Hutchinson, Planning/Zoning/Building Department, there were 32 housing starts in 2007, including 24 single family dwellings and 8 twin home units. In 2007, the average single-family home permit value was \$153,833 compared to \$145,172 in 2006. The construction cost/permit value does not include the lot and is not the purchase price. There is an adequate supply of residential lots available with 331 vacant lots as of January 1, 2006 compared to 397 vacant, platted lots available as of January 1, 2005. At the current building rate, there is more than a five year supply of lots.

Residential Lots Available as of January 1, 2008



New Residential Construction



Above two charts are from the Department of Planning, Zoning and Building 2007 Year End Report.

Conclusion

The HRA will continue to pursue all available funding possible to meet community needs. The 2008 HUD budget proposes cuts for the Public Housing Operating Fund and Capital Fund programs and for the CDBG program (SCDP is part of CDBG), that could have impact on HRA projects. The State of Minnesota is also projecting budget deficits that could impact funding for housing.

Hutchinson HRA Priorities for 2007:

Home Ownership

- Administer the 2008 Workforce Housing CASA program with availability of \$1,500,000 in first time homebuyer mortgage funding for existing homes and new construction in Rolling Meadows East, Park Meadows, Summerset, and the School Construction Program.
- Administer MHFA CRV affordability gap for three homebuyers purchasing newly constructed houses in the Rolling Meadows East development.
- Apply for Minnesota Housing 2% Construction financing for the 2008 – 2009 School Construction House.
- Continue to administer the expanded Franklin Grove neighborhood rehab project and target a new rehab area for pre- application to the SCDP program in the fall of 2008.
- Research feasibility of purchasing additional lots for future school construction/affordable housing initiatives.
- Administer the Minnesota Housing Fix Up Fund and Community Fix Up Fund targeted to the expanded Franklin Grove neighborhood. Explore the feasibility of promoting energy improvements as a target for the Community Fix Up Fund in Hutchinson.

Rental

- With a vacancy rate near 5%, which is considered optimum to allow for unit turnover and consumer choice, no rental projects are recommended for 2008.
- Renovate eleven apartments, second floor laundry, second floor corridor, and first floor corridor at Park Towers apartments.