

# 2008 YEAR END REPORT HUTCHINSON HRA

In 2008, the HRA worked on the following 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.
5. Monitor foreclosures.

## *Summary of 2008 Activities*

### **Park Towers Apartments:**

1. Improvements: Completed the \$75,000 exterior caulking project. The \$400,000 Capital Fund renovation project begun in 2008 was 75% completed at year end. The project includes renovation of eleven apartments, second floor laundry, second floor corridor, and first floor corridor and parlor carpet. Initial testing was performed on the ventilation system.
2. Prepared the 2009 Annual Plan and 2009 Capital Fund Plan for Park Towers.
3. Received a High Performer Designation by HUD on Park Towers HUD 2007 PHAS standards for operation and management.
4. Prepared and leased twenty four apartments in an average of 4.19 days and inspected all units, community areas and systems.
5. 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 79 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 and preventing or delaying nursing home placement.
  - Park Towers continued as a Senior Dining Program Site. 7405 meals were served at Park Towers in 2008 through the Senior Dining Program. The suggested donation for a senior dining meal is \$3.50.
  - 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 per week 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 21 residents are receiving services at Park Towers through ConnectCare.
  - The Park Towers budget included funding for Tenant Services salaries to plan entertainment, outings and compose a monthly newsletter. During 2008, 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 were also planned throughout the year. The Park Towers Tenant Council funded transportation for resident outings, and entertainment in 2008. The Park Towers operating budget provides funding for Tenant Services salaries and expenses in 2009.

- After more than 30 years of service at Park Towers, LoAnn Hanson retired and was replaced by Public Housing Specialist, Lorri Olson.

## **City Center:**

### **Rehabilitation**

1. Administered the \$335,200 Small Cities Development Program (SCDP) Rehab Program in the Franklin Grove Extension Neighborhood. The grant unit goal is to rehab twenty homes and the contract completion date is December 31, 2009. Through December, 2008 eleven homes have completed rehab. At year end, an additional eight homes were in the process of construction. The average SCDP loan is \$13,051 and the average total project cost is \$22,451. The SCDP loan provides 60% of the project funding and is a 0% interest deferred loan forgiven after ten years. The homeowner must provide a 40% owner match; however nine different funding sources were offered by the HRA with below market interest rates or even 0% interest rates (depending on homeowner income) to provide homeowners help in affording their project.
2. The HRA monitored Carver County HRA Lake Grace Apartment Complex and Evergreen Apartments in Hutchinson for the Home Rental Rehab Program.
3. Minnesota Housing Finance (MHFA) Rehabilitation Program – Four owner occupied rehab projects were completed and one project has construction in process at year end. The MHFA Rehabilitation Program stresses safety, livability, and accessibility for families with very low incomes who own their homes.
4. Minnesota Housing Finance (MHFA) Fix Up Fund and Community Fix Up Fund Home Improvement Programs - Administered the Fix Up Fund in Hutchinson and the Community Fix-Up Fund targeted to the Franklin-Grove neighborhood and to a new target of energy improvements. There were two Fix Up Fund loans originated in 2008. There was one new CFUF Green Deferred Loan originated in 2008; the CFUF Green Deferred Loan Program began in September 2008.

### **First Time Homebuyer Programs**

1. Administered the Hutchinson Home Purchase Opportunity Program (HHPOP) 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. Seventeen homebuyers were assisted with HHPOP funds in 2008.
  - New construction affordable single family home construction continued in the Rolling Meadows East BBN development. Construction in this development originally began in the fall of 2004 with the first home selling in January 2005. Thirty four total homebuyers have been assisted at Rolling Meadows East compared to the goal of thirty homes. Four homebuyers were assisted by HHPOP funds at Rolling Meadows East in 2008. Five different funding sources comprise HHPOP for the Rolling Meadows East neighborhood. These are: CASA/HAF/HOME HELP (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 2008, the

allowed purchase price for a two bedroom home was \$167,000. As of January 1, 2009, there were no vacant lots available at Rolling Meadows East.

- The HRA has received a \$2.0 million allocation in CASA Workforce Housing Initiative funding for the City of Hutchinson for new construction and first time homebuyers of existing houses for January 2009. The CASA income limit for a family of one to four persons is \$56,200. Along with CASA funding, HAF and HOME HELP and HRA Entry Cost Assistance is available for first time homebuyers to purchase a home in Hutchinson.
2. The School Construction Program constructed a single family home at 1170 Prairie View Drive SW in the Island View Heights Development that was sold in October 2008. Another home currently under construction at 1863 Island View Circle again in the Island View Heights development, is scheduled for completion in June 2009.

### **Other**

- Allocated leverage funds for the following housing programs: School Construction House, 2009 CASA Workforce Housing Initiative, and CFUF Green Deferred Loan Program.
- Developed a new HRA Logo and purchased yard signs for recognition of HRA programs. Worked with the City IT Department to improve the HRA website.
- Updated the HRA Personnel Policy, Park Towers Admissions and Continued Occupancy Policy (ACOP), Park Towers Resident Handbook, Park Towers lease and Violence Against Women Act Policy (VASW).

### ***Trends:***

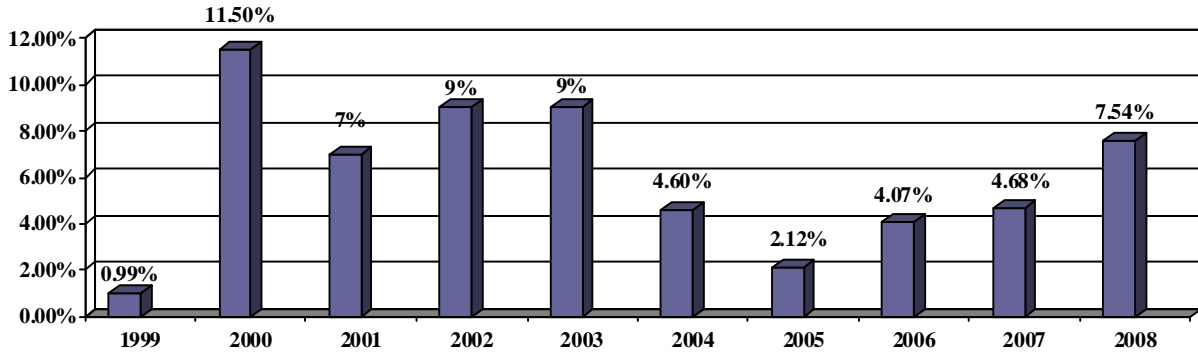
#### **1. Rental Housing**

##### **Market Rate General Occupancy Rental**

The General Occupancy vacancy rate in 2008 was 7.54%. A 5.0% vacancy rate is considered a healthy vacancy rate to allow for turnover and consumer choice. Since 2001, the rental vacancy rate has fluctuated from 2.12% to 9%. Previously, 1999 had a very low vacancy rate of 1.0%. However, during the fall of 1999 there were move-outs of pipeline workers, along with the opening of 40 market rate apartments at Century Court Apartments and a decline in employment at HTI resulting in a rental vacancy rate of 11.5% at the beginning of 2000.

The Maxfield Housing Study recommends 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). Because of the current vacancy rate and market conditions and projected layoffs at HTI in January 2009, no General Occupancy rental housing development will be needed during 2009.

## Market Rate General Occupancy Vacancy Rate

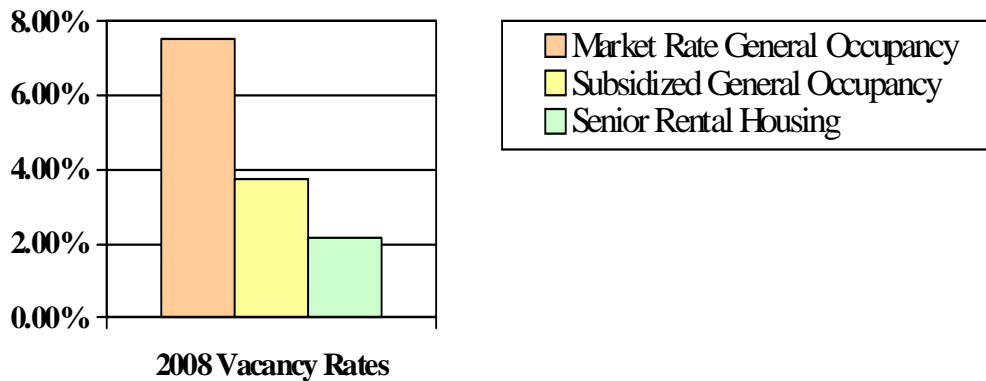


### Subsidized General Occupancy Rental

The Vacancy Survey completed in 2008, 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. 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 2008 vacancy rate for senior housing was 2.19%. 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. 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 and most likely will be filled by the Hutchinson Area Health Care proposed senior campus.



## 2. Homeownership

Even though the housing market slowed and foreclosures impacted re-sales, there were good opportunities for buyers, especially first time homebuyers who had good credit and were mortgage ready. Interest rates remained low in 2008 with a 30 year conventional fixed mortgage dipping below 5% in late December 2008.

### Mortgage Interest Rates

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%
2008 year end	4.75 – 5.25%	5.5%

According to information from McLeod County there were 226 sales in Hutchinson with an average sales price of \$149,455 and a median sales price of \$146,750. Of those sales, 41 sales or about 20% were identified as bank owned. The bank owned sales averaged \$104,011.83 with a median of \$96,900. According to data supplied by Maxfield Research based on MLS sales in Hutchinson, the 2008 average sales price for Hutchinson was \$149,000 based on 225 sales with an average cumulative days on the market of around 158 days. In comparison, the 2007 average sales price was \$163,217 and a median sales price of \$157,900 based on 279 sales. Compared to 2007, the number of sales in 2008 decreased by 19% and the median sales price decreased by 7.1%. Home sales are expected to remain slow in 2009, because of limited buyers and tight credit requirements, although interest rates remain low. In addition, recent layoffs are expected to lead to an increase in foreclosures in 2009. Foreclosures will be addressed in a supplementary report to this year end report.

As of March 4, 2009 there were 155 active listings in Hutchinson with an average list price of \$179,655 and an average of 217 cumulative days on the market. In addition there were 15 sales pending with an average list price of \$106,173 and an average of 132 cumulative days on the market.

The 2008 median family income for McLeod County was \$67,300. 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 \$58,700 to afford a home priced at \$146,750, the 2008 median sales price of a house.

### 3. Housing Construction in Hutchinson

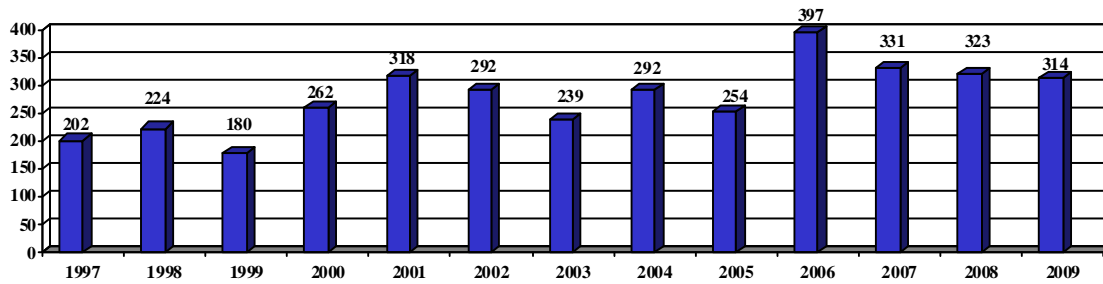
HOME RESALES CITY OF HUTCHINSON 1998 through 2007																						
Year	2008		2007		2006		2005		2004		2003		2002		2001		2000		1999		1998	
Price Range	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under \$50,000	6	2.7	5	1.8	6	1.6	2	0.5	1	0.3	2	0.7	0	0.0	8	2.2	8	2.4	9	3.8	11	3.4
\$50,000 to \$74,999	11	4.9	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	23	10.2	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	43	19.0	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	34	15.0	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	51	22.6	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	22	9.7	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 +	36	15.9	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
<b>Total</b>	<b>226</b>	<b>100.0</b>	<b>279</b>	<b>100.0</b>	<b>379</b>	<b>100.0</b>	<b>381</b>	<b>100.0</b>	<b>300</b>	<b>100.0</b>	<b>280</b>	<b>100.0</b>	<b>317</b>	<b>100.0</b>	<b>362</b>	<b>100.0</b>	<b>329</b>	<b>100.0</b>	<b>239</b>	<b>100.0</b>	<b>327</b>	<b>100.0</b>
<b>Median</b>	<b>\$146,750</b>		<b>\$157,900</b>		<b>\$158,000</b>		<b>\$152,000</b>		<b>\$138,000</b>		<b>\$135,000</b>		<b>\$124,600</b>		<b>\$119,900</b>		<b>\$107,000</b>		<b>\$104,000</b>		<b>\$97,300</b>	

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

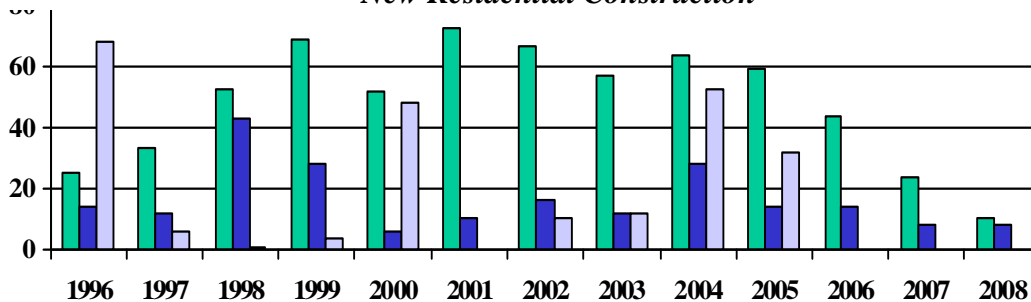
Sources: Peterson-Paulsen Associates Inc. Realty  
Maxfield Research Inc.  
McLeod County Assessor's Office

According to the City of Hutchinson, Planning/Zoning/Building Department, there were 18 housing starts in 2008, including 10 single family dwellings and 4 twin home units. In 2008, the average single-family home permit value was \$148,800 compared to \$153,833 in 2007. 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 314 lots as of January 1, 2009 compared with 323 vacant lots as of January 1, 2008. At the current building rate, there is more than a five year supply of lots.

*Residential Lots Available as of January 1, 2009*



*New Residential Construction*



The above 2 charts are from the Department of Planning, Zoning and Building 2008 Year Report

## *Conclusion*

The HRA will continue to pursue all available funding to meet community needs. There has been an increase in Federal funding for housing, but the State of Minnesota has cancelled the February 2009 RFP for the CRV program because of budget deficits.

There is a continued need for owner occupied rehab and home improvement program funding to address health and safety issues along with energy improvements. The HRA is considering submission of another rehab application to DEED for the SCDP program, if there is sufficient interest by homeowners. The new proposed neighborhood is north of Highway 7 to North High Drive and east of Highway 15 to the homes bordering the Rockite site. The CFUF Green Deferred Loan Program is also available for homes in Hutchinson, but requires a monthly payment.

There will be an additional allocation of \$149,263 in stimulus funding from the American Recovery and Reinvestment Act (ARRA) for the Capital Fund Program in 2009 that will result in additional improvements to Park Towers.

The HRA will continue to support first time homebuyer efforts to purchase both new and existing homes in Hutchinson. This funding is especially needed to stimulate sales of foreclosures. The HRA has committed \$30,000 in funding for entry cost assistance for the CASA Workforce Initiative. The HRA will continue to seek funding to rehabilitate vacant homes.

### ***Hutchinson HRA Priorities for 2009:***

#### Home Ownership

- Administer the 2009 Workforce Housing CASA program with availability of \$2.0 million in first time homebuyer mortgage funding for existing homes and new construction in Rolling Meadows East, Park Meadows, Summerset, and the School Construction Program.
- 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 2009.
- Administer the Minnesota Housing Fix Up Fund and Community Fix Up Fund targeted to the expanded Franklin Grove neighborhood and to the CFUF Green Deferred loan program to promote energy improvements.
- Because of the housing market decline, a school construction house will not be built in 2009/2010. The school construction house currently under construction is scheduled for completion June 2009.
- As of 12/31/2008 there is \$55,505 in SCDP New Construction Revolving loan funds for affordability gap; however \$35,000 is reserved for the 2009 School Construction House.
- As of 12/31/2008 there is \$62,274.37 in SCDP Rehab Revolving loan funds available. \$20,000 is recommended to be reserved as leverage for the potential 2009 SCDP rehab application.

### Rental

- With a vacancy rate of 7.54%, no general occupancy rental projects are recommended for 2009.
- Improve parking lots, replace sidewalks and repair stucco at Park Towers. Replace 27 ventilation exhaust fan units.