

In 2009, 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 and develop strategies to purchase/rehab/resale bank owned, short sale, vacant or blighted properties.

Summary of 2009 Activities

Park Towers Apartments:

1. Improvements: Completed the \$400,000 Capital Fund renovation project begun in 2008. The project included renovation of eleven apartments, second floor laundry, second floor corridor, and first floor corridor and parlor carpet. The exhaust air vents were cleaned and the intake air ventilation system was rebalanced. The stucco was repaired on the east side of the building. New parlor furniture was purchased. Completed the process for the Park Towers Addition plat incorporating changes at the Park Towers site since the building was constructed in 1973. Completed design plans for parking lot improvements using ARRA funds and set for bid in January 2010.
2. Prepared residents to have Park Towers become a Smoke Free Building effective January 1, 2010. Installed a designated outdoor smoking patio.
3. Prepared the 2010 Annual and Five Year Plan and 2010 Capital Fund Plan for Park Towers.
4. Received a High Performer Designation by HUD on Park Towers HUD 2008 PHAS standards for operation and management.
5. Prepared and leased twenty two apartments in an average of 28 days and inspected all units, community areas and systems.
6. 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 77 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 prevent or delay nursing home placement.
 - Park Towers continued as a Senior Dining Program Site. 2898 meals were served at Park Towers in 2009 through the Senior Dining Program; the meal count generally ranges between 30 - 40 meals per day. 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. Between 10 to 20 Park Towers residents per day receive services through ConnectCare.

- The Park Tower’s budget included funding for Tenant Services to work with the Tenant Council to plan entertainment, and create a monthly activities calendar. An Experience Works Program person also helps with activities.



**City Center:
Rehabilitation**

1. Completed the \$335,200 Small Cities Development Program (SCDP) Rehab Program in the Expanded Franklin Grove Neighborhood. The final project budget including SCDP and leverage funds was \$568,191. Twenty-four homes were actually rehabbed, exceeding the grant unit goal of twenty homes. The average rehab project cost was \$21,466 with an average SCDP loan of \$12,175. The SCDP loan provided 60% of the project funding and is a 0% interest deferred loan forgiven after ten years. The homeowner provided 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 the Carver County HRA Lake Grace Apartment Complex and Evergreen Apartments in Hutchinson for the Home Rental Rehab Program. In addition Minnesota Housing Finance (MHFA) asked the HRA to administer a multi-family HOME Rental Rehab project in New Prague.
3. Minnesota Housing Finance (MHFA) Rehabilitation Program – Five owner occupied rehab loan projects were originated. The MHFA Rehabilitation Program is a 0% deferred loan forgiven after fifteen years that 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 Expanded Franklin-Grove neighborhood and to a new target of energy improvements. There were two CFUF Green Deferred Loans originated in 2009.



Total Project \$56,244.88 (EFG –SCDP Loan/Grant = \$16,427; Lead Grant = \$5,000; CFUF Green Deferred Loan = \$1,500; and \$33,317.88)

First Time Homebuyer Programs

1. Administered the Hutchinson Home Purchase Opportunity Program (HHPOP) providing below market interest mortgages (CASA), affordability gap and entry cost assistance to support the purchase of starter homes affordable for incomes typical for the wages in our community.
 - Twelve CASA homebuyers were assisted in 2009 - 8% were emerging markets, 33% were single headed households, 33% were foreclosed properties or at risk of foreclosure. One home funded by CASA was a vacant newly constructed home, the remainder were existing homes. There was one non CASA loan that was partnered with HRA entry cost assistance. First time homebuyer funding helps support successful homeownership, stabilizes neighborhoods, and supports the city tax base.
 - 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 2010. The CASA income limit for a family of one to four persons is \$58,400. 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 1863 Island View Circle SW in the Island View Heights Development that was sold in July 2009. The HRA purchased a vacant, short sale home at 1116 Lewis Avenue in December 2010 instead of building a newly constructed home as part of the HRA adopted foreclosure/short sale purchase/rehab/resale project. The HRA is partnering with the school construction program to help rehab the house. The rehab is planned for completion in June 2010.



Other

- Allocated leverage funds for the following housing programs: School Construction House, 2010 CASA Workforce Housing Initiative, Foreclosure Remediation Entry Cost Assistance, CFUF Green Deferred Loan Program, and owner matching funds for the NE Neighborhood SCDP application.
- As of December 31, 2009 the HRA had \$144,195 in Entry Cost Assistance Notes Receivable and \$4472 in Notes Receivable for the CFUF Green Initiative
- 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 Procurement Policy.
- Began a partnership with the City of Hutchinson Building Department to provide inspection services and technical assistance for HRA programs.



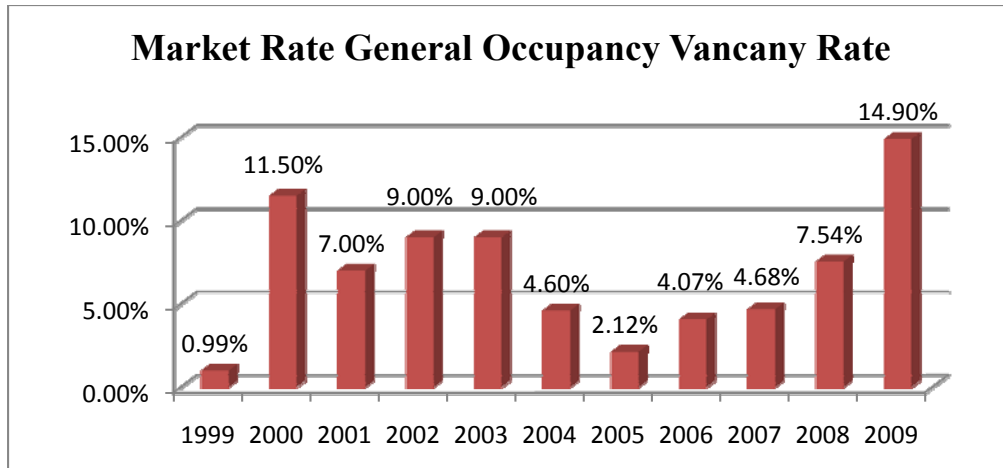
Trends:

1. Rental Housing

Market Rate General Occupancy Rental

The General Occupancy vacancy rate in 2009 was 14.90%. A 5.0% vacancy rate is considered a healthy vacancy rate to allow for turnover and consumer choice. Since 1999, the rental vacancy rate has fluctuated from 1.00% to the current highest vacancy rate in ten years of 14.9% because of area layoffs. 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 causing a high 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, no General Occupancy rental housing development will be needed during 2010.

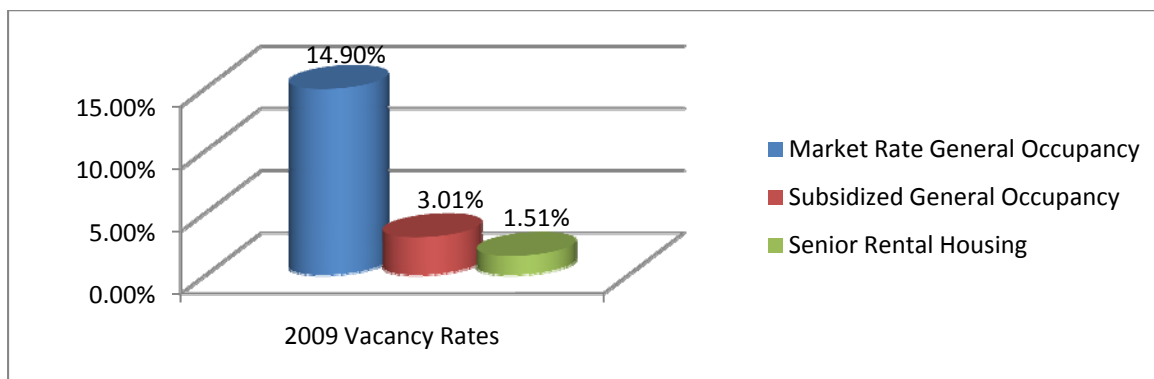


Subsidized General Occupancy Rental

The Vacancy Survey completed in 2009, showed the vacancy rate of subsidized general occupancy projects at a 3.01% 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 1.51%. 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 2009 with a 30 year conventional fixed mortgage at 5.25% in December 2009.

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%
2009 year end	5.25%	4.75%

According to information from McLeod County there were 216 sales (includes MLS and other sales) in Hutchinson with an average sales price of \$125,171 and a median sales price of \$117,750. Of those sales, 41 sales or 19% were identified as bank owned. The bank owned sales averaged \$80,636.56 with a median of \$79,000. According to data supplied by Maxfield Research based on MLS sales in Hutchinson, the 2009 average sales price for Hutchinson was \$140,900 based on 211 sales and a median sales price of \$124,950 with 152 average cumulative days on the market. According to MLS data, there were 68 lender mediated sales (bank owned and short sales) in Hutchinson. In comparison, the 2008 average sales price was \$149,000 and a median sales price of \$146,750 based on 225 sales and 158 average days on the market.

Home sales in Hutchinson are expected to remain slow in 2010 until unemployment rates decline. Interest rates currently remain low, but interest rates are predicted to trend upward in 2010.

In 2009, there were 50 foreclosure sales that took place in Hutchinson, compared to 42 foreclosure sales in 2008. However, an additional 27 sheriff's sales were scheduled in 2009, but were subsequently cancelled. In 2010, there are already 31 foreclosure sales scheduled through the end of April. At that rate, we may see up to 90 foreclosure sales for the year; however, it is difficult to predict how many of these will be cancelled. Foreclosures will be addressed in a supplementary report to this year end report and will be available after the state foreclosure numbers are released.

The 2009 median family income for McLeod County was \$70,800. 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 \$117,750, the 2009 median sales price of a house.

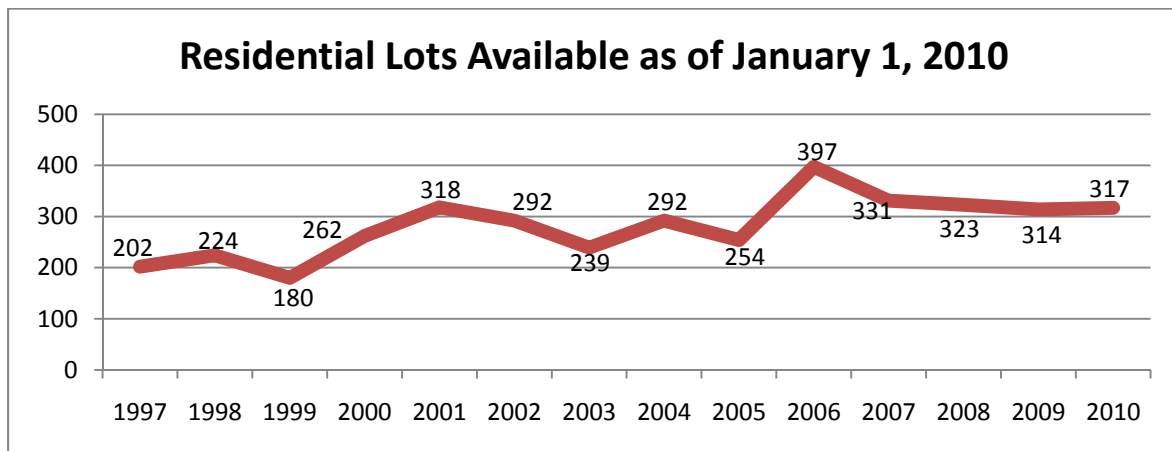
HOME RESALES																						
CITY OF HUTCHINSON																						
1999 through 2009																						
Year	2009		2008		2007		2006		2005		2004		2003		2002		2001		2000		1999	
Price Range	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under \$50,000	9	4.2	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
\$50,000 to \$74,999	27	12.5	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
\$75,000 to \$99,999	36	16.7	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
\$100,000 to \$124,999	47	21.8	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
\$125,000 to \$149,999	46	21.3	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
\$150,000 to \$174,999	20	9.3	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
\$175,000 to \$199,999	12	5.6	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
\$200,000 +	19	8.8	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
Total	216	100.0	226	100.0	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
Median	\$117,750		\$146,750		\$157,900		\$158,000		\$152,000		\$138,000		\$135,000		\$124,600		\$119,900		\$107,000		\$104,000	

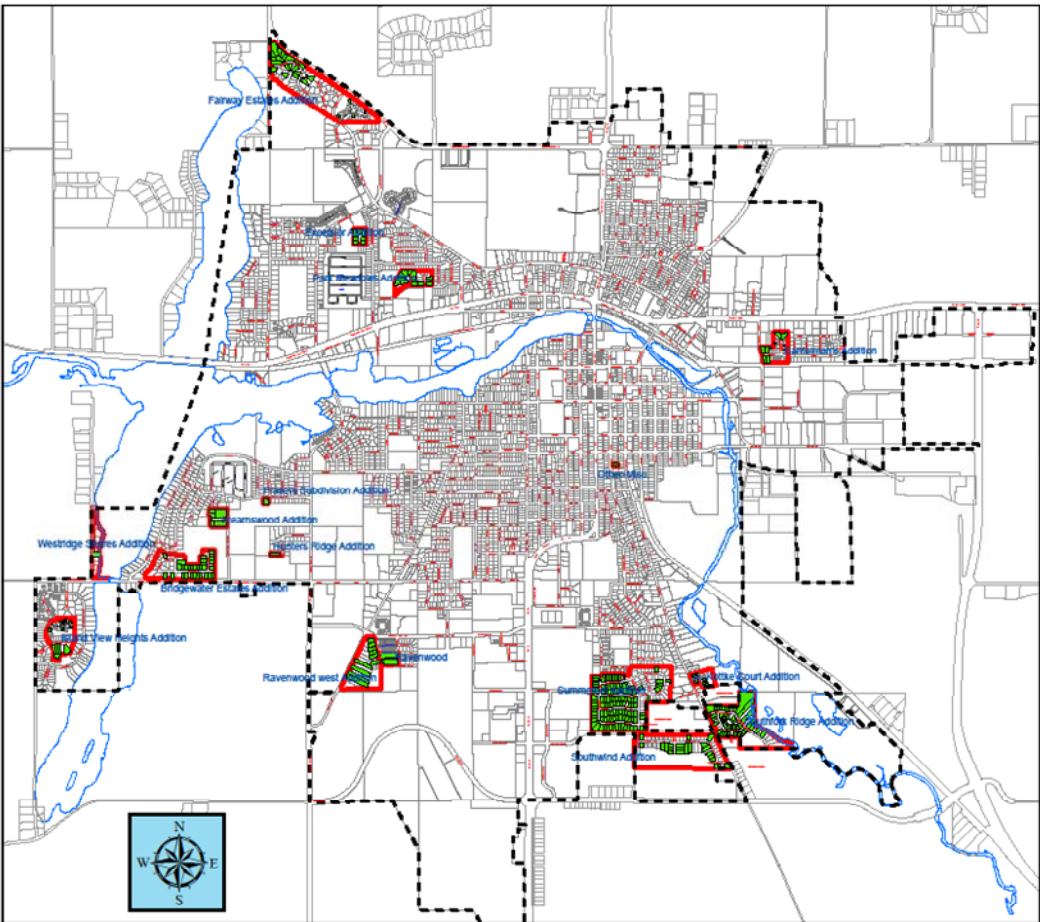
* 2004 resale breakdown numbers includes some sales not included in median calc.

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

3. Housing Construction in Hutchinson

According to the City of Hutchinson, Planning/Zoning/Building Department, there were 4 single family detached housing starts in 2009. In 2009, the average single-family home permit value was \$193,250 compared to \$148,800 in 2008. 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 317 lots as of January 1, 2010 compared with 314 vacant lots as of January 1, 2009. At the current building rate, there is more than a five year supply of lots.





Vacant Lots - January, 2010			
Addition	Zoning	Year	Availability
Fairway Estates Addition	R-1-PC	1999	22 Lots
Park Meadows Addition	R-1	2005	12 Lots
Brookside Estates Addition	R-1	2000	30 Lots
Island View Heights Addition	R-2-PC	2004	17 Lots
Ravenwood West Addition	R-2	2005	10 Lots
Summerland Addition	R-2-R	2005	118 Lots
Southwind Addition, 1st and 2nd	R-2	2003	22 Lots
Southern Addition	R-2-PC	2004	49 Lots
Other Court next to Rosecrans Villa	R-2-PC	2009	10 Lots
Westridge Shores Addition	R-1	1995	1 Lot
Barlows Addition	R-3-PC	1993	61 Lots
Rosewood Addition	R-1	2004	1 Lot
Ravenwood	R-3	1999	11 Lot
Number's Ridge Addition	R-2	2004	11 Lot
Summerland Addition	R-2	2005	1 Lot
Successor Addition	R-2	2007	7 Lots
Other-Misc	R-2	Unknown	11 Lot
			Total 317 Lots

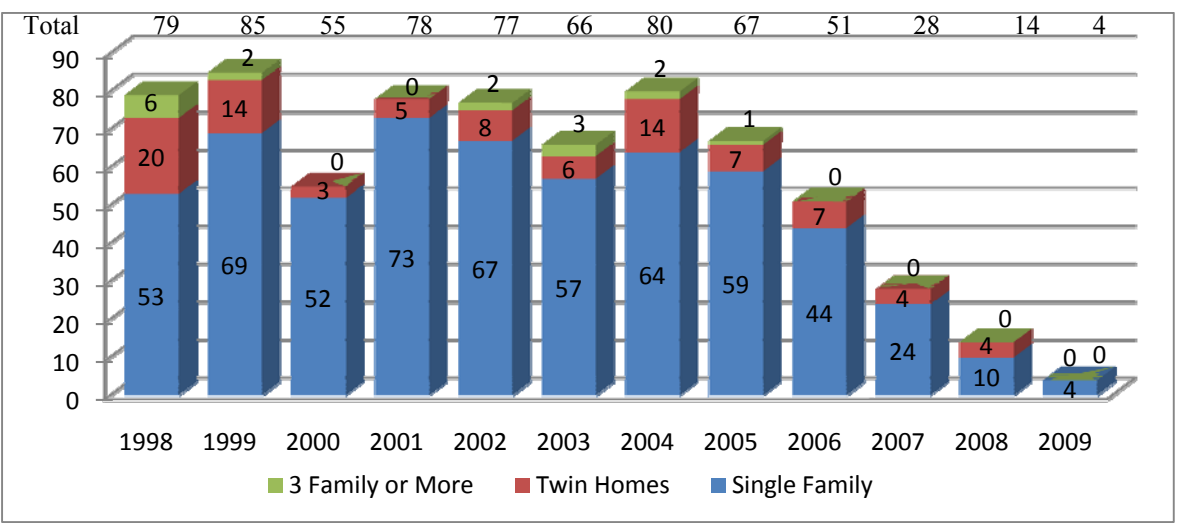
City of Hutchinson Vacant Lots

- citylimits
- Vac-lots-January-2010
- New Additions

Disclaimer

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Number of New Residential Construction



The above charts & maps are from the Department of Planning, Zoning and Building 2009 Year Report

Before Pictures of the Park Towers Parking Lot Project



Hutchinson HRA Priorities for 2010:

Home Ownership

- Administer the 2010 Workforce Housing CASA program with availability of \$2.0 million in first time homebuyer mortgage funding for existing homes and new construction in Hutchinson. 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 \$21,000 in funding for entry cost assistance for the CASA Workforce Initiative.
- Administer a new SCDP project for the NE neighborhood, if funded in March 2010.
- Administer the Minnesota Housing Fix Up Fund and Community Fix Up Fund discount loan program (4% interest rate) targeted to the NE neighborhood or to loans involving at least one home energy improvement in Hutchinson. The HRA is also a FUF or CFUF energy rebate lender where homeowners can receive a rebate of 35% of eligible energy improvements with a maximum rebate up to \$10,000. This rebate can be combined with the Federal tax credits and Hutchinson Utility rebate.
- Because of the housing market decline, a school construction house will not be built in 2009/2010. Instead the HRA will focus on foreclosure recovery efforts to purchase/rehab/resale eligible foreclosed or at risk of foreclosure properties. The HRA has purchased a vacant short sale property and is partnering with the school on a project at 1116 Lewis Avenue estimated to be completed June 2010. The HRA has received foreclosure recovery funding from MHFA and the Greater Minnesota Housing Fund for the purchase/rehab/resale of vacant, short sale or bank owed homes in Hutchinson.
- As of 12/31/2009 there is \$70,505 in City of Hutchinson SCDP New Construction Revolving loan funds for affordability gap; however \$35,000 is reserved for the 2010 School



Construction House. The City of Hutchinson has \$473,298 SCDP housing affordability gap loans receivable, this funding has assisted over fifty homebuyers in Hutchinson.

- As of 12/31/2009 there is \$49,348.91 in SCDP Rehab Revolving loan funds available. \$20,000 is recommended to be reserved as leverage for the NE neighborhood 2010 SCDP rehab application.

Rental

- With a general occupancy vacancy rate of 14.9%, no general occupancy rental projects are recommended for 2010.
- Upon request by MHFA, the HRA will administer the HOME Rental Rehab program for projects in Pipestone and Litchfield.
- In 2010 the HRA will work with Heartland CAA to determine if Park Towers is eligible for weatherization stimulus money for an energy audit and energy improvements.
- \$149,263 in stimulus funding from the American Recovery and Reinvestment Act (ARRA) has been awarded for improvements to Park Towers Parking Lot Project to be completed spring/summer of 2010.

