

*Summary
of
Regional Analysis of Impediments to Fair Housing*

**Prepared for the Cities of
Bloomington, Minneapolis, Plymouth and St. Paul;
the Counties of Anoka, Dakota, Hennepin, Ramsey and Washington,
and the Minnesota Housing Finance Agency
for the Counties of Scott and Carver**

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May 2001



“Equal and free access to residential housing (housing choice) is fundamental to meeting essential needs and pursuing personal, educational, employment, and other goals. Because housing choice is so critical, fair housing is a goal that Government, public officials, and private citizens must achieve if equality of opportunity is to become a reality.”

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Analysis of Impediments to Fair Housing

Why undertake an analysis of impediments to fair housing?

Fair housing means the right to choose a place to live without regard to race, color, religion, sex, and national origin or because of a disability or children in the household. People who are protected from discrimination by fair housing laws are commonly referred to as “protected class members.”

Both the federal Fair Housing Act (FHA) and the Minnesota Human Rights Act prohibit discrimination in the sale or rental of housing. Under the FHA, state and local units of government that receive certain federal housing funds are not only required to refrain from discrimination; they must also take steps to advance the goals of fair housing and use their policies and programs to help promote open and inclusive patterns of housing. Specifically, all units of government that receive Community Development Block Grant (CDBG) and Home Investment Partnerships Program (HOME) funds are required by the U.S. Department of Housing and Urban Development (HUD) to undertake an Analysis of Impediments to Fair Housing.

This *Regional Analysis of Impediments to Fair Housing* was commissioned by the counties of Anoka, Dakota, Hennepin, Ramsey and Washington; the cities of Bloomington, Minneapolis, Plymouth and St. Paul, and the Minnesota Housing Finance Agency on behalf of Scott and Carver Counties (collectively referred to as “the Jurisdictions”). The project was coordinated by the Metropolitan Council (“the Council”), in consultation with the Jurisdictions.

The full report contains a detailed exploration of the topics referred to in this summary, identifies barriers to fair housing and suggests actions to reduce or eliminate these barriers, and includes maps, charts, and tables that provide additional information on barriers to fair housing that were identified.

What is an analysis of impediments to fair housing?

The analysis of impediments is an exploration of many housing and housing-related policies and practices in use throughout the Twin Cities region that inadvertently or deliberately prevent people from living where they choose. The analysis is not a fair housing plan for the Jurisdictions; rather, it is a tool to assist them in developing their Annual Action Plans for fair housing activities. The analysis is also intended as an educational tool for housing planners, policymakers, housing providers, and other stakeholders in the community.

Why undertake a regional approach?

HUD encourages each unit of government that is required to prepare an analysis of impediments to update that document every three to five years. Each of the Jurisdictions completed an initial analysis of impediments in 1995-6. Many of the impediments identified in those analyses were the same, including: exclusionary land use policies; discrimination in the rental and homeownership markets, and tenant screening practices that negatively impact protected class members.

Each of the Jurisdictions then engaged in a range of activities (e.g., conducting education and outreach, developing affordable housing, contracting with fair housing organizations) aimed at reducing or eliminating these barriers to housing choice. Realizing that fair housing issues cut across jurisdictional boundaries and impact the entire region, the Jurisdictions, in consultation with HUD, came together and requested that the Council convene the development of one plan with a regional focus.

While HUD encourages neighboring communities to undertake a regional approach, few other areas of the country have done so. Along with Rochester, N.Y., and the Greater Washington, D.C., area, it appears that the Twin Cities region is the only other major metropolitan area to undertake a regional analysis of impediments. Thus, the Jurisdictions should be commended for undertaking such a project. This analysis of impediments should be viewed as the first – but very significant – step in seeking a comprehensive approach to fair housing planning.

How was the analysis of impediments conducted?

To begin the process, the Jurisdictions (working with the Council and other stakeholders) developed a scope of work outlining the issues to be explored in the analysis of impediments. The Council then issued a Request for Proposals and, in consultation with the Jurisdictions, selected the Legal Services Advocacy Project (LSAP) to prepare an analysis of impediments for the seven-county metropolitan area over a six-month time period. LSAP is a statewide project of Mid-Minnesota Legal Assistance and represents the interests of low-income Minnesotans by engaging in legislative and administrative advocacy, conducting research and policy analysis, and providing community education and training.

LSAP collaborated with three local research organizations – the Institute on Race and Poverty, the Urban Coalition, and the Wilder Research Center – to assist with the analysis of impediments. The scope of work provided by the Jurisdictions guided the analysis and forms the basis of the full report.

Public participation is an important component of an analysis of impediments. Individual and small group meetings with housing and disability advocates, community organizations, representatives of the housing-related industries, and focus groups with renters from seven racial and ethnic communities were held as part of this project to ensure that the analysis of impediments reflects the experiences of persons most familiar with fair housing issues.

In addition, data collection and analysis along with a literature review, which included other studies by local organizations, were also undertaken as part of this analysis of impediments. For example, the analysis of impediments draws from *A Dream Deferred: The 50/30 Housing Research Initiative Final Report* (“the 50/30 Project”), a 1999 report co-authored by the Urban Coalition and the Roy Wilkins Center that explores the causes of the low rates of homeownership among communities of color in the Twin Cities region. That effort included focus groups with home buyers of color and representatives from the real estate and lending industries.

Reports from the Builders Association of the Twin Cities, the Mayors’ Regional Housing Task Force* who joined together to identify barriers to the development of affordable housing in their communities), the Federal Reserve Bank of Minneapolis, and many other studies were reviewed and their findings incorporated into the analysis of impediments. Finally, the Council, working with LSAP and the Jurisdictions, convened a meeting of interested stakeholders in November 2000 at which an overview of the analysis of impediments and barriers to fair housing were presented, and comments and suggestions on ways to eliminate those barriers were offered by many who attended the meeting.

**The Mayors’ Regional Housing Task Force, a group of 17 mayors from throughout the Twin Cities region, was convened by the Metropolitan Council to review the current status of affordable housing in the region..*

Demographic Information Included in the Analysis of Impediments

What information is important to look at before identifying barriers to fair housing?

Because this is a regional analysis, it is important to look at overall population growth and current housing conditions throughout the seven-county metropolitan area. Examining issues relating to job growth and transportation services is also helpful to determine whether the availability of jobs and affordable housing coincide and/or are adequately served by public transportation. In addition, because the analysis of impediments is focused on barriers encountered by protected class members, the analysis of impediments provides information on the income and other relevant characteristics known about protected class members.

What do we know about recent changes in population for the Twin Cities region?

The Twin Cities region is becoming more and more diverse, as is the case with many other parts of the state and the country. Refugees and new Americans from many other countries moved to Minnesota in large numbers over the past several years, increasing the racial and ethnic diversity of many cities in the metropolitan area.*

A strong economy and a low rate of unemployment have also contributed to overall increases in the population. The Minnesota Office of Strategic and Long-Range Planning estimated that between 1990 and 1999, the population of the Twin Cities region grew by 12%. While the bulk of this population growth occurred within the white population, estimates show that both Hennepin and Ramsey Counties lost part of their white population. In addition, Hispanic, Asian/Pacific Islander and African American populations had the largest rates of increase. These findings and other findings in the analysis of impediments indicate that the cities of Minneapolis and St. Paul and some first-ring suburbs are becoming more racially and ethnically concentrated, even though some outlying cities did experience slight increases in their non-white populations, including immigrant households with limited English-speaking proficiency (LEP).

What do we know about the housing in the Twin Cities region?

The Twin Cities rental market has undergone significant changes in the last several years. Most notably, the cost of producing housing has increased dramatically while the vacancy rates have declined to an estimated 1.5%. In addition, the vacancy rates for the least expensive units, as well as large (3+ bedrooms) and handicap-accessible units – all of which are in short supply in the region (See Fig. 1) – is thought to be closer to 0%. (A series of maps in the full report details the location and supply of affordable rental housing.)

A greater amount of affordable housing, including most of the older housing, is found in the central cities than in the suburbs. The central cities and the inner-ring suburbs contain the largest numbers, and percentages, of multifamily units.

Concentrations of protected class members, specifically households of color and disabled households, were noted in the central cities and some first-ring suburbs. Larger families were found primarily in the central cities and certain southeastern suburbs; not surprisingly, these

*Recent 2000 Census data reveal major demographic changes in the Twin Cities region during the last decade; however, this information was not available in time for use in this analysis of impediments.. Therefore, the analysis relies upon 1990 Census data, updated when possible.

same communities had the largest supply of federally subsidized, large (3+ bedrooms) rental units.

Table 1
Very Low to Moderately Priced Rental Units in the Twin Cities region
by Number of Bedrooms, 1990

Size of Unit	Presence in the Twin Cities region in 1990
0 bedrooms	6.3% (17,757)
1 bedroom	43.2% (121,516)
2 bedrooms	39.2% (110,373)
3 or more bedrooms	11.1% (31,433)

Source: U.S. Census (1990).

Sale prices of new and existing homes have been rising steadily over the past several years, putting homeownership out of reach for many first-time buyers. Currently, the greatest numbers and percentages of houses valued at under \$100,000 are found in Minneapolis and St. Paul.

Protected class members tend to have lower rates of homeownership than the general population and tend to live in the central cities and inner-ring suburbs. In 1996, with the exception of some portions of the central cities, over 95% of all home mortgage originations in the Twin Cities region went to whites even though they make up only 87% of the population. A series of maps in the full report shows the location by race of all home mortgage loan originations in 1996. Unfortunately, there appear to be very little data available locally about the rate of homeownership for women and people with disabilities.

What do we know about the incomes of protected class members?

According to HUD, a family of four earning less than \$32,850 in 2000 would fall into the category of low income; a family of four earning less than \$19,700 would be considered very low income. A single person earning less than \$13,000 in 2000 would also be considered very low income.

Thus, the terms “low income” and “very low income” households generally refer to households that earn less than half of the area median gross income (AMGI) for the Twin Cities region – which HUD determined to be \$68,600 for 2000.

Table 2
Twin Cities region Income Levels for a Family of Four, 2000

Middle Income (80-120% of AMGI)	\$50,200 - \$78,800
Moderate Income (50-80% of AMGI)	\$32,850 - \$50,200
Low Income (30 to 50% of AMGI)	\$19,700 - \$32,850
Very Low Income (0 to 30% of AMGI)	\$19,700 or less

Data reviewed for the analysis of impediments indicate that people of color and immigrants tend to have lower incomes than whites, and a much higher percentage of people of color than whites fall within HUD's definition of very low income. Individuals with disabilities tend to have lower incomes than individuals without disabilities. According to a July 2000 study by the National Organization on Disability, "People with disabilities are almost three times as likely as people without a disability to live in households with total incomes of \$15,000 or less (29% compared to 10%)." Data also show that households headed by women earn less than households headed by men, and that these lower incomes tend to be insufficient to support a family. The JOBS NOW Coalition reported in 1998 that more than 72% of female workers in Minnesota earn less than that required as a single parent to support a family of three compared with 49.6% of male workers.

What other information about protected class members is relevant to the analysis?

Protected class members are more likely to live in larger households (either with children present or as part of extended families) and thus need more bedrooms. Finally, protected class members (specifically families with children, people of color, and people with mental illness) are disproportionately overrepresented among users of transitional housing and homeless shelters.

Why are affordable housing issues included in the analysis of impediments?

Fair housing and affordable housing are related, but not identical. Housing discrimination occurs at all income levels, and studies continue to document that even people with middle and upper incomes are treated differently simply because of their skin color, or their disability, or their gender.

However, as summarized above, the analysis of impediments documents that certain groups such as people of color, people with disabilities, women, large families, and new immigrants – the persons protected from discrimination by fair housing laws – tend to earn significantly less than the population as a whole and therefore can only afford less expensive rental units and homes. HUD defines housing as "affordable" if a household pays no more than 30% of its income for rent or mortgage and utilities.

Although many households throughout the Twin Cities region pay more than this amount for their housing and thus live in "unaffordable" housing, the analysis of impediments documents *that a much greater percentage of protected class members live in unaffordable housing than the general population.* For them, housing choice is clearly linked to the availability of lower-cost housing throughout the Twin Cities region – whether rental or owner-occupied.

How are jobs and transit services related to housing in the Twin Cities region?

Issues related to the location of housing and jobs, and the extent to which public transportation is available, are extremely important in determining whether protected class members have sufficient housing choice throughout the Twin Cities region. Due to lower incomes, many protected class members do not own their own car and must rely on other means of transportation to get to work or to stores.

The analysis of impediments demonstrates that there is a disconnect between the location of jobs (particularly low-wage entry-level jobs) and housing affordable at the wages they pay. Although the bulk of affordable housing is located in the central cities and some first-ring suburbs, there has been a significant outward dispersion of jobs in the Twin Cities region, especially in outer-ring suburbs. This disconnect between jobs and affordable housing is compounded the limited

availability of public transit services. Bus services are concentrated in the central cities and inner-ring suburbs, and high-frequency bus service is even more limited. (High-frequency bus routes are those with at least two runs per hour between 7:00 a.m. and 6:30 p.m. on weekdays and with regularly scheduled service weekdays after 6:30 p.m. and on weekends and holidays.)

Accessing adequate transit is particularly challenging for the disabled population. Currently, there are four main transit programs offering accessible service in the metropolitan area: Metro Mobility, which serves Minneapolis, St. Paul and some surrounding communities and three county providers operating in Anoka, Dakota and Washington Counties. Only Metro Mobility operates 24 hours a day. Although all four programs reported that only a small percentage of requests are denied, those denials take place at significant times of the day, generally during peak travel hours when demand is highest and individuals are most likely to need to get to jobs. Currently, most outer-ring suburbs – where most of the new job growth is occurring – are outside these service areas, further limiting access to employment opportunities for persons with disabilities.

Fair Housing Enforcement Activities

What do we know about the existence of discrimination in the Twin Cities region?

Three important ways to document the existence of discriminatory treatment are to review complaint-based enforcement activity by government agencies charged with enforcing fair housing laws; results of fair housing testing activities, and significant fair housing lawsuits alleging discriminatory housing practices that have been successfully litigated or settled. Data relating to complaints filed and processed for a three year period (approximately 1997-1999) by the federal, state and local offices charged with investigating fair housing complaints were reviewed for this analysis, along with education, testing and enforcement activities of nongovernmental agencies and a review of fair housing litigation addressing segregated living conditions in public housing in the central cities.

- *Complaint-Based Enforcement Activities*

Protected class members in all seven counties have filed complaints alleging housing discrimination based upon race, national origin, disability, sex, religion, familial status, and status as a recipient of public assistance (covered under the Minnesota Human Rights Act). A total of 121 complaints were filed with both HUD and the Minnesota Department of Human Rights (MDHR) over a three-year period (approximately 1997-1999). Discrimination based upon race, followed by disability, were the most frequent types of discrimination complained of in the Twin Cities region. Scott, Carver, Washington and Anoka Counties have had the fewest complaints filed with HUD and the MDHR, followed by Dakota County.

Hennepin and Ramsey Counties registered the most complaint activity. As mentioned above, these two counties also have the largest number of residents who are protected class members, the largest supply of affordable homes and rental units, and the greatest home buyer activity by members of protected classes. In addition, the Cities of Minneapolis and St. Paul have local ordinances that prohibit discrimination in housing, and have staff who investigate complaints and take enforcement action if warranted. Residents of St. Paul filed 93 complaints and residents of Minneapolis filed 35 complaints with their respective city agencies during a three-year period.

Complaint-based enforcement activity, however, has its limitations and may not be a true indicator of the extent of discrimination in the housing market. In fact, the number of complaints filed may only be the tip of the iceberg, since many people do not file complaints due to lack of

knowledge, fear, humiliation, and a perception that agencies are ineffective and unresponsive to the needs of persons who have experienced discrimination.

- Fair Housing Testing Activities

Given that discrimination is often subtle and rarely overt, paired-testing within the rental or homeownership markets is an effective way to document discriminatory practices. Paired-testing involves carefully matched “testers” who appear equal in all respects except race (or any other factor being tested, such as gender or disability). After each of the testers documents the details of an encounter with the lender (or realtor or owner), the two experiences are compared to determine whether the individuals were treated differently or offered different products or services. A series of such tests is referred to as an “audit.” Such paired-testing methods have supported discrimination enforcement actions and cast light on how different industries operate.

The Minnesota Fair Housing Center (MFHC) has conducted audits for discrimination in the rental and homeownership markets and discrimination throughout the Twin Cities region. Most of the audits have tested for discrimination based upon race. *All of these audits found that people of color are treated differently more than 50% of the time solely because of their skin color or national origin.* This record of discriminatory treatment is consistent with that found in audits throughout the United States.

In April 2000, MFHC completed its first audit of a major lender in the metropolitan area that tested for race discrimination in the home mortgage pre-approval process. Thirty-two (32) tests were conducted in more than five branch offices. In each instance, the African American tester was given higher earnings and lower debt balances than the white tester. In 87.5% of the tests (28 out of 32), the African American testers received less favorable treatment than the white testers.

- Litigation

There have been two major lawsuits filed by protected class members alleging fair housing violations. In the mid-1990s both the St. Paul Public Housing Agency and the Minneapolis Public Housing Authority were sued in separate lawsuits by families of color who believed that the policies of the respective agencies had led to segregated living conditions in public housing.

Settlement agreements reached in both cases have resulted in policy changes at both housing authorities and have led to more inclusive housing opportunities for protected class members living in these developments. One of the cases, referred to as the Hollman lawsuit, resulted in an agreement to demolish and rebuild more than 700 units of public housing in low-poverty, nonconcentrated areas of Minneapolis and in suburban communities.

In addition, local fair housing projects (the Housing Discrimination Law Project in Minneapolis and the Housing Equality Law Project in St. Paul) provide advice and/or representation to hundreds of protected class members each year who believe they are the victims of discrimination in the housing market.

The information reviewed for the analysis of impediments makes clear that, while the efforts of governmental enforcement agencies are important, the added resources and community-based approaches that nonprofit organizations contribute to fair housing enforcement activities are very effective in (1) addressing fair housing violations and (2) educating policymakers, and the wider community, about the existence of discriminatory conduct within the Twin Cities region.

Barriers to Fair Housing Found by the Analysis of Impediments

What barriers to fair housing did the analysis of impediments find in the public (government) sector?

Within the public sector, there are several important areas in which state and local units of government can take steps to advance the goals of fair housing and help to create patterns of open and inclusive housing, including land use policies, redevelopment activities, tax policies designed to expand the supply of affordable housing and the implementation of federally subsidized housing programs.

- ***Land Use Policies***

Land use is one of the most significant policy areas for fair housing. Affordable housing is kept out of some communities through the use of certain land use policies, including zoning ordinances and fees that discourage or make impracticable the development of affordable housing. Because of the overlap between the incomes of protected class members and the need for affordable housing, discussed above, excluding affordable housing disproportionately impacts protected classes. While many communities in the Twin Cities region recognize the need for more affordable housing, local policies and approval processes can impede the development of such housing. Zoning variances are almost always needed to build low-cost housing and housing that serves populations with special needs; granting a variance generally requires the approval of area residents and businesses, a process fraught with delays.

The Livable Communities Act (LCA) provides access to funding for communities in the Twin Cities region that agree to negotiate affordable rental and homeownership goals. More than 100 communities have chosen to participate in the LCA and have established housing goals that would increase affordable housing opportunities by the year 2010; however, communities are falling short of meeting these goals due to a variety of reasons (lack of financial resources; land use policies that increase the cost of development; land availability, and increased housing costs).

Finally, although the LCA requires communities to establish goals for the production of rental units affordable to households earning less than 50% of the AMGI (\$32,850 for a family of four in 2000), few cities or counties have established goals for the production of housing for Very Low Income households (those earning less \$19,700 for a family of four, 30% of the AMGI in 2000). In 1998, only 156 rental units affordable to households earning less 30% of the AMGI were built in the Twin Cities region; these units were located in Hennepin and Dakota Counties only. The analysis of impediments concludes that the failure to build affordable housing throughout the Twin Cities region for people at all income levels effectively restricts housing choice for many protected class members.

- ***Demolition and Redevelopment Policies***

According to housing advocates interviewed for this analysis, some local redevelopment and neighborhood revitalization projects that have involved the demolition (or proposed demolition) of affordable rental housing have had fair housing implications in that the tenants being displaced have often been members of protected classes. In addition, according to the Metropolitan Council, single-family homes that were demolished in the suburbs between 1996 and 1998 were frequently replaced by larger, more expensive homes, reducing the supply of affordable homes in suburban communities.

- Compliance Problems with Tax-Related Affordable Housing Programs

The analysis of impediments analyzed two important programs that provide tax benefits to owners (or investors) of affordable rental housing – the federal Low-Income Housing Tax Credit (LIHTC) program and the state “4d” program – to determine whether there are barriers to fair housing in these programs.

Because the LIHTC program is one of the most important sources of federal funding available for the construction and rehabilitation of affordable rental housing, compliance with fair housing laws by owners of these developments is essential to achieve fair housing objectives. However, there is a lack of demographic data available about these developments.

Tenants and housing advocates interviewed for this analysis state that some owners of developments financed through the LIHTC program have policies, practices, procedures and/or screening criteria that have the effect of excluding applicants because they have a Section 8 Voucher and/or are protected class members. In addition, newly constructed LIHTC rental units have generally been multistory townhouses, which are exempt from the federal Fair Housing Act’s accessibility standards. This raises the issue of whether a sufficient number of rental units that can accommodate people with physical disabilities are being built under this program.

The analysis of impediments concludes that there is need for state and local units of government that distribute tax credits to evaluate occupancy patterns and affirmative marketing plans used by owners, as well as design standards, to determine the extent to which protected class members are accessing units that benefit from this program.

The state “4d” program creates additional affordable rental units by significantly reducing property taxes on rental units that agree to certain rent and income restrictions for five years. Owners of rental units that are enrolled in the 4d program are required to make at least 20% of the units available to Section 8 Voucher holders.

A local survey of apartment complexes by HOME Line, a tenant advocacy organization in suburban Hennepin County, raises questions about whether some owners are complying with this program requirement: Fifty-five (55) apartment complexes located in Hennepin County and enrolled in the 4d program were included in the survey; of these, seven responded that they did not accept Section 8 Voucher applicants; four reported rents in excess of the 4d limit (\$886 for a two bedroom), and twenty-three had minimum income restrictions that excluded Section 8 Voucher applicants. The analysis of impediments concludes that more monitoring and enforcement of program requirements and fair housing laws is needed for the 4d program.

- Limited English Proficiency

The language barriers encountered by non-English speaking people can significantly impact the experience of obtaining housing – whether rental or homeownership. HUD recently prepared a draft policy guidance reminding state and local units of government that receive HUD funds of their responsibility to review existing procedures for ensuring access to federally-funded housing programs for all persons, including those with Limited English Proficiency (LEP).

Participants in focus groups for this analysis and representatives from community agencies working with LEP populations consistently mentioned the lack of interpreter services at city offices and area housing authorities, as well as a lack of printed information about housing programs in languages other than English, as barriers to fair housing. Specific housing and housing-related services and programs that were mentioned include: public housing admissions

and grievance procedures; home repair/loan programs administered and/or funded by cities; relocation assistance or notices of public meetings pertaining to redevelopment plans, and statements and notices pertaining to property taxes, assessments, and water shut-offs.

- *Loss of Federally Subsidized Housing*

Currently, the Twin Cities region is experiencing a loss of federally assisted housing through prepayment of certain mortgages or termination of Section 8 rental assistance contracts and conversion of these subsidized units to market rate units, which negatively impacts protected class members. Given the lack of production of rental units in the past several years, it is unlikely that all of these units can be replaced through new construction.

This permanent loss of affordable housing not only affects current residents (who are predominately protected class members) but also reduces the housing choices for protected class members throughout the Twin Cities region.

- *Policies and Practices of Some Public Housing Agencies*

Public housing agencies (PHAs) play an important role in furthering fair housing by developing, implementing, and evaluating policies and procedures that promote greater housing choice. The analysis of impediments identified several issues relating to policies and practices of some area PHAs that have fair housing implications, including:

- ❑ the use of preferences for applicants who live or work in the area in which the PHA operates, which may contribute to maintaining the current demographics of the Twin Cities region;
- ❑ the use of preferences for employed households or households participating in training or educational programs without providing an exception for persons unable to work due to a disability; and
- ❑ the number of households on the waiting lists and those participating in the programs are predominately white and African American, raising the question of whether PHAs are engaging in effective outreach to other racial and ethnic populations, including LEP populations.

What barriers to fair housing did the analysis of impediments find in the homeownership market?

The analysis of impediments reviewed recent studies and looked at the experiences of protected class members, specifically people of color, immigrants, and people with disabilities. The analysis of impediments concludes that significant barriers to fair housing still exist for all protected class members in the home-buying process.

Government policies and practices that monitor or regulate various segments of the home-buying process can play an important role in reducing or eliminating barriers to fair housing.

- *Home-Buying Process for People of Color*

In the Twin Cities region, people of color continue to relate in focus groups and in interviews that they experience discrimination and other barriers in the home-buying process. Other studies and research also support these claims, including the results of the audit conducted by the Minnesota Fair Housing Center of a major mortgage lender in the Twin Cities region (summarized above). The 50/30 Project also identified numerous barriers including: lack of

information about the home-buying process, poor credit histories, and small numbers of bilingual and/or bicultural staff to adequately serve immigrants seeking to become homeowners. Studies also show that people of color are disproportionately affected by abusive lending and real estate practices (e.g., predatory lending and illegal mortgage flipping).

Studies that reveal racial and economic disparities in lending activity are generally viewed as *indicators* of potentially discriminatory treatment that warrant further examination. Several studies (by the Federal Reserve Bank of Minneapolis, ACORN, etc.) have examined lending patterns of financial institutions in the aggregate and have found such racial and economic disparities in the Twin Cities region, with higher denial rates overall for people of color seeking a home mortgage loan.

Studies also indicate that people of color are overrepresented in the subprime market, raising questions about whether they are being discriminated against in the prime market when assessing creditworthiness as compared to whites with similarly poor credit histories.

Another potential barrier to homeownership is access to homeowner's insurance, which is generally required for every purchase and refinancing of a home. A study prepared by LSAP indicates that communities with higher percentages of people of color may be underserved by homeowner's insurance companies compared with communities with higher percentages of whites. Such disparities, while not proof of discriminatory treatment, indicate that further analysis of policy activity by insurance companies is warranted.

- *Home-Buying Process for Immigrant Communities*

The language and cultural barriers experienced by non-English speaking home buyers significantly impact their experience of buying a home. The dramatic increase in immigrant populations, many of whom are seeking to become homeowners, has created both opportunities and challenges for all segments of the homeownership market, and there is a continued need for more bilingual/bicultural realtors, lenders, and credit counselors.

Other factors can impact an immigrant applicant's access to a loan when traditional, Western practices are the industry standard. For example, lenders have come to learn that some cultures (e.g., most Southeast Asian cultures) do not use banks, checking accounts, or credit cards, and consequently members of these groups may lack a credit history or a record of saving money in a financial institution.

In addition, many new immigrants from African and Middle Eastern countries are strict adherents of Islam, and abide by that religion's prohibition against paying interest, effectively eliminating their access to traditional home mortgage loans. Thus, there is a need for alternative financing arrangements for Muslims and others whose religious beliefs prohibit the payment of interest.

- *Home-Buying Process for People with Disabilities*

Unfortunately, there is very little data available regarding the rate of homeownership for people with disabilities; however, people with physical disabilities interviewed for this analysis of impediments report a genuine lack of knowledge among realtors and builders as to their need for barrier-free housing rather than overt discrimination. Privately developed and financed single-family dwellings are exempt from the accessible design standards required by the Fair Housing Act for most newly constructed multifamily housing, nor are they covered under the State Building Codes accessibility standards.

However, the cost to modify a home after purchase is generally much greater than if the design features were included at the time of construction. People with disabilities also point out that the lack of barrier-free housing being constructed limits not only their housing choices, but also their social and employment opportunities and can lead to isolation.

What barriers to fair housing did the analysis of impediments find in the rental market?

Within the private rental market – a difficult area for state and local units of government to address because their role is limited – there are many barriers to greater housing choice. Protected class members continue to encounter discrimination when looking for rental housing.

In addition, advertising and tenant selection practices used by owners of rental housing often have the effect of excluding protected class members and Section 8 Voucher holders from living in certain neighborhoods or communities. While some of these practices may appear to be consequences of larger market forces and the business choices of owners seeking to reduce risk and increase profits, many advocates and tenants believe that the use of certain rental practices is merely a pretext for discrimination.

In addition, tenants with disabilities and owners of rental housing often are unaware of fair housing laws relating to reasonable accommodations, which can also limit housing choice for households with a disabled member.

- ***Advertising and Marketing of Rental Housing***

With such a low vacancy rate (1.5%) in the Twin Cities region, many owners no longer spend money to advertise available units in newspapers; often, a simple sign on the property generates many calls. The result is that individuals seeking housing are unaware of many existing housing opportunities in neighboring communities.

Even when rental ads do appear in the newspapers, the content of some ads also has the effect of limiting housing choice. For example, people with disabilities stated that few rental ads clearly indicate whether the unit is accessible for persons with mobility limitations. People who need these units either assume the unit is not accessible or pursue all ads and experience delays and frustrations in finding appropriate housing.

- ***Tenant Selection Practices***

Restrictive occupancy standards used by some owners, combined with an inadequate supply of large rental units, limits housing choices for families with children and extended families. Representatives of new immigrant communities in Minnesota consistently mentioned the difficulties large families encounter when trying to locate safe, decent, and affordable rental housing free from restrictive occupancy limits.

Housing advocates report that owners sometimes rely on nonexistent city occupancy policies (such as “one person per bedroom”) as the reason for refusing to rent to a household with children.

Many owners refuse to rent to tenants with government funded rental subsidies.

Government-funded rental subsidy programs include the federal Section 8 Housing Choice Voucher program and the state funded Bridges program (which provides rental subsidies for people with serious and persistent mental illness until a Section 8 Voucher becomes available). Housing advocates and mental health advocates interviewed for this analysis consistently named two barriers to housing choice – the growing number of owners who do not accept rental

subsidies, and the lack of enforcement activity around this issue by the appropriate state and local offices.

Many owners use **minimum income or other requirements** to screen out tenants. Many owners require a prospective tenant to have a household income of three times the monthly rent, including persons with a rental subsidy. However, wage increases have not kept pace with rising housing costs. A recent report by the Office of the Legislative Auditor on barriers to affordable housing found that between 1990 and 2000, rents increased 34% while renters' incomes increased only 9%. Since protected class members tend to have lower incomes than the general population, it can be difficult for protected class members to meet such income requirements.

The same is true for people with a rental subsidy: Even when owners have units with rents low enough to qualify for the rental subsidy programs, many require the applicant to have a minimum income of three times the full contract rent and not simply the portion that the tenant is obligated to pay. In addition, some owners require current employment, which may disproportionately impact persons with disabilities who are unable to work. Some require applicants to verify a two year work or rental history, which may negatively impact new immigrants who have not even been in the United States for two years but who are otherwise qualified for the unit.

The **heavy reliance by owners on tenant screening reports** – which many tenants have found to be inaccurate, incomplete, and misleading – has the effect of limiting housing choice for many protected class members. In this tight rental market, owners often reject tenants who have had any previous eviction cases filed against them – even if the tenant won the case.

In addition, tenant screening companies routinely report “possibles.” Thus, a tenant screening report may include information regarding the history of other people with the same or similar name.

This heavy reliance on tenant screening reports by owners has also had a chilling effect on protected class members. In order to avoid an eviction being filed against them, tenants often move when they receive an improper or retaliatory letter from the owner saying their lease is terminated. In addition, advocates working with disabled clients find that their clients are more hesitant to request reasonable accommodations for fear of eviction. More recently, advocates are finding that women are unwilling to report sexual harassment by owners because they are afraid the owner will evict them, and there is no guarantee they will find other housing for themselves and their children.

Finally, because owners generally charge an application fee, **prospective tenants are often forced to pay for the same information each time they fill out an application**. This practice has had the effect of limiting housing options for protected class members, as some households have spent a total of \$200, \$300, even \$400 in application fees for different units without being selected.

- *Reasonable Accommodations for Tenants with Disabilities*

Tenants with disabilities and owners of rental housing are often unaware of fair housing laws providing for reasonable accommodations for physically and/or mentally disabled persons when seeking or renting an apartment. In addition, some tenants with disabilities lack the financial resources to pay for a modification to the unit. The inability to pay for a modification limits housing choice for people with disabilities.

Conclusion

This analysis of impediments confirms that housing policies and practices that restrict or limit housing choice are present in both the public and private sectors throughout the Twin Cities region and that some of these impediments to fair housing choice are complicated and cross jurisdictional boundaries. Fair housing planning must become an integral part of local and state government planning and policy-making, and the barriers identified in this analysis must be addressed if the Twin Cities region is to achieve fair housing objectives.

Each unit of government and government agency has an important role to play in fair housing. State and local units of government must evaluate ways in which to strengthen their role in situations where private sector practices appear to discriminate or otherwise contribute to restricting housing choice. In particular, the Jurisdictions are uniquely situated to continue to exercise leadership over interjurisdictional fair housing planning while remaining catalysts for such planning within their own Jurisdictions.

Individually, or as part of a regional effort, the Jurisdictions should:

- Formalize and convene an interjurisdictional working group to address the impediments identified and recommendations offered in the analysis of impediments..
- Establish/solidify ongoing relationships with community groups working with and representing the interests of protected class members; fair housing advocates; area public housing agencies; representatives of the lending and real estate communities; federal, state and local fair housing enforcement agencies, and other interested persons.
- Develop strategies for incorporating fair housing planning into local and metropolitan smart growth initiatives, particularly when transportation and economic development issues are considered so that the link between fair housing, employment and transportation funding are acknowledged.
- Establish a metro-wide fair housing testing program that will provide both complaint-based testing and on-going, random testing of the rental and homeownership markets to determine the nature and extent of discriminatory practices within each Jurisdiction.
- Establish working relationships with state and local agencies that monitor and enforce fair housing and fair lending laws to discuss education and enforcement activities – including additional studies – to better understand the nature and extent of illegal discriminatory practices and policies that restrict housing choice for protected class members throughout the Twin Cities region.

Recommended Actions to Reduce or Eliminate the Barriers

The recommendations set forth in the analysis of impediments – which are summarized below – are not mandates but rather suggested activities for the Jurisdictions to consider as they continue their work of eliminating barriers to fair housing. They are not the only actions that Jurisdictions can take to address an identified impediment, and some of the recommendations may not be applicable to all Jurisdictions. Barriers to fair housing have many layers, and actions to address these barriers likewise involve many entities: the Jurisdictions, other state and local government agencies, representatives from the lending, real estate, rental and insurance industries; nonprofit organizations and – most importantly – protected class members themselves. The Jurisdictions are encouraged to consider (1) actions that they can take directly to reduce or eliminate barriers, (2) actions that they can encourage other governmental agencies to undertake, (3) actions that they can encourage private sector representatives to undertake, and (4) actions that they can fund that will be carried out by nonprofit organizations that will reduce or eliminate previously identified fair housing barriers. *The goal should be to reduce or eliminate barriers to fair housing through effective educational and enforcement activities.*

What actions by the Jurisdictions or other entities could be taken to reduce or eliminate barriers in the public (Government) sector?

State and local units of government, including the Metropolitan Council, are uniquely situated to develop, implement, and evaluate housing policies and funding processes to promote fair housing goals and create housing opportunities for protected class members in each community throughout the Twin Cities region. In addition, programs which are designed to produce affordable rental housing, and/or which confer state or federal tax benefits on owners (or investors) of such housing, should be evaluated to determine the extent to which protected class members are accessing these programs, and whether additional fair housing education and/or enforcement activities are needed.

- The Metropolitan Council and the State should explore all avenues of linking the allocation of funding for transportation, sewer and other infrastructure costs to actual production of affordable rental and homeownership units for low- and very low-income households (those earning less than \$32,000 and \$19,700 for a family of four), as well as housing with design features to accommodate people with physical disabilities.
- The Jurisdictions should encourage local units of government to (1) adopt policies that are designed to ensure production of units affordable to low- and very low-income households and (2) participate in regional affordable housing development activities (such as the siting of public housing units as part of the Hollman Consent Decree).
- Units of government* that administer the Low Income Housing Tax Credit (LIHTC) and the “4d” programs should work with state and local enforcement agencies and other stakeholders to determine what barriers protected class members encounter in accessing the units benefiting from these programs and what additional fair housing educational and/or enforcement activities should be undertaken. Periodic analysis of occupancy patterns and evaluation of affirmative

* The Minnesota Housing Finance Agency (MHFA) monitors the “4d” Program. MHFA, the Cities of Minneapolis and St. Paul, and the Counties of Dakota and Washington administer the Low Income Housing Tax Credit Program in the Twin Cities region.

marketing plans used by owners of LIHTC properties may reveal additional barriers to housing choice.

- The Jurisdictions and state and local units of government are strongly encouraged to assess the impact of current and prospective policies as they relate to fair housing. It is a process that makes important fair housing objectives explicit in policy- and decision-making and can provide local officials with valuable information upon which to base decisions. It also helps engage key stakeholders and community members in these important decisions. Drawing from methods of impact assessment in other areas, a “Fair Housing Impact Assessment” could include some version of the following components:

- ❑ A brief statement of the purpose and goals of the proposed action or policy.
- ❑ A brief description of the area affected by the proposed action or policy with a particular focus on housing and housing-related issues within it.
- ❑ An assessment of the consequences of the recommended action and of various alternatives upon the fair housing concerns of the various protected classes and upon overall objectives. This should include a discussion of ways to avoid or mitigate any effects that impede fair housing.
- ❑ A public review period, including a public hearing, during which community members and key stakeholders can comment on the proposed action and the impact statement itself.
- ❑ A final impact statement is issued which, where appropriate, responds to criticisms and incorporates comments made during the review period.

- Cities and counties should develop guidelines that will ensure limited English-proficient populations equal access to all housing and housing-related services and programs (e.g., home repair loan programs; first-time home-buyer assistance programs; water and sewer billings; tax assessments.)

- The Jurisdictions should convene meetings with area PHAs to discuss the impediments identified in this analysis of impediments.. PHAs should be encouraged to evaluate their existing policies and procedures for fair housing implications and share the results with the Jurisdictions.

- The Jurisdictions and area PHAs should meet periodically with state and local human rights enforcement agencies, HUD and fair housing advocates to discuss educational and enforcement activities that will effectively address discrimination against Section 8 Voucher holders and/or protected class members. PHAs should consider analyzing demographics of households unable to locate housing with a Section 8 Voucher or other tenant-based rental subsidy to determine the extent to which low rates of utilization affect protected class members.

What actions by the Jurisdictions or other entities could be taken to reduce or eliminate barriers in the homeownership market?

Broad-based analysis of private sector activities is an effective way to identify patterns of lending or underwriting discrimination that contribute to the historically low rates of homeownership among protected class populations. Other state governments, alone or in collaboration with other entities from the public or nonprofit sector, have undertaken systemic analysis of lending and insurance activity to better understand the causes for geographic, racial,

economic, and/or gender disparities that were documented or suspected. The results of such studies provide valuable information to the community, highlight areas where private sector practices can be improved upon, and – in some instances – have formed the basis for enforcement action by the appropriate public agency.

- Many of the barriers to homeownership that were identified in the analysis of impediments were also included in the 50/30 Project (discussed above). In August 2000, the “50/30 Implementation Group” (consisting of representatives from the housing, lending and real estate industries; legislators; nonprofits; federal and state governmental agencies; and others) began meeting to set forth action plans for implementing the various recommendations. The work of that group will be invaluable in addressing the impediments identified in the AI, and the Jurisdictions should explore ways to support these efforts.
- Previously published studies have reviewed mortgage lending activity in the Twin Cities region in the aggregate and have consistently identified racial disparities; however, further study is needed to determine the cause(s) for these racial disparities. The Jurisdictions should work with federal, state and local enforcement agencies and nonprofit organizations to undertake studies: (1) to determine whether racial disparities exist among individual lenders and if so, the extent to which race or national origin was a factor in the mortgage decision; (2) to analyze geographic patterns of mortgage lending and determine the extent to which red-lining is occurring and/or other practices that might cause certain neighborhoods to be underserved, and (3) to identify insurance practices that cause certain neighborhoods to be underserved.
- Representatives of the real estate and lending industries should (1) continue to develop policies and procedures to address language and cultural barriers encountered by limited-English proficient populations in the home-buying process (e.g., hiring and retention of bilingual/bicultural staff; providing interpreting and translating services; forming partnerships with community organizations); (2) consider implementing a voluntary self-testing program (modeled after a similar program operating in the Greater Washington, D.C., area) to identify and correct actual or perceived discriminatory practices or policies that may negatively impact people of color in the home-buying process, and (3) continue to support home buyer education activities (pre- and post-purchase counseling programs), especially those programs affiliated with community agencies staffed with bilingual/bicultural housing counselors.
- The Jurisdictions, in partnership with HUD, MHFA, and state and local agencies that regulate various aspects of the home-buying process, should evaluate current educational activities that inform home buyers of their rights under fair housing laws and identify additional areas for outreach, education, and enforcement activities within each Jurisdiction. Particular attention should be given to assessing the current status of educational materials and activities designed for limited English-proficient populations.
- The Jurisdictions should work with disability advocates to sponsor work shops and other educational opportunities for housing planning staff, developers, builders, realtors, and other housing professionals to increase knowledge of various accessibility and visitability design features and cost-effective ways of incorporating such features into newly constructed homes.

What actions by the Jurisdictions or other entities could be taken to reduce or eliminate barriers in the rental market?

The analysis of impediments demonstrates that the impact of the current affordable housing crisis is borne disproportionately by protected class members, who make up the majority of persons using homeless shelters and who also tend to be renters paying far more of their income for housing than the general population. The Jurisdictions, and other units of government, must explore what nontraditional – if not innovative – actions they can undertake to assist tenants who are disadvantaged in the current rental market.

- Jurisdictions should continue to educate owners of private rental properties in their respective Jurisdictions about fair housing issues generally, and encourage owners to advertise units as widely as possible to assist in creating open and inclusive communities.
- The Jurisdictions should consider, either individually or as part of a regional effort, meeting with representatives of area newspapers and other stakeholders to discuss issues identified in the analysis of impediments relating to rental advertisements and any policy changes that newspapers could adopt to help in addressing these identified impediments.
- State and local human rights agencies should aggressively enforce federal, state and local laws that prohibit discrimination against protected class members, including discrimination based upon a person’s status as a recipient of public assistance. In addition, these agencies should consider developing additional strategies to specifically address the fair housing implications of the growing number of owners who refuse to rent to tenants with government funded rental subsidies.
- The Jurisdictions, working with state and local human rights agencies and other stakeholders, should conduct studies to analyze geographic patterns of both occupancy standards and minimum income and employment requirements used by owners to determine whether such requirements are applied uniformly or operate to exclude protected class members.
- The Jurisdictions, either individually or as part of a regional effort, should work with public officials and other stakeholders to explore strategies to reduce the payment of multiple application fees by tenants and to counter the heavy reliance by owners on tenant screening reports.
- The Jurisdictions, either individually or as part of a regional effort, should develop strategies for implementing or increasing (as appropriate) education and outreach activities to people with disabilities and owners regarding reasonable accommodations for tenants with physical, mental and developmental disabilities. The Jurisdictions should also evaluate existing programs that provide financial assistance to tenants for modifications to their rental units to determine if such programs are sufficient.
