



PIONEER PRESS: JEAN PIERI

Michelle Fitzpatrick, a sales representative for homebuilder D.R. Horton Inc., shows features of an entry-level home last month at Fieldstone Homes in Lakeville. During a tour of the house, Fitzpatrick pointed out subtle signs of cost cutting: Formica countertops, not granite; oak cabinets; sash windows, not casements; and standard appliances.

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> Affordable housing

"We join with developers to encourage communities to have greater density," said Chip Halbach, director of the Minnesota Housing Partnership, a nonprofit group that promotes affordable housing.

UP TO 30 PERCENT OF COST?

Regulations often are well-intentioned. They protect the environment, add fire safety, boost property values and beautify neighborhoods.

But decades of regulations have smothered affordability. Cost estimates vary, but one study by Harvard's Rappaport Institute for Greater Boston put the cost of regulation in Massachusetts at 30 percent of a home's cost.

In the past, when buyers wanted a certain type of home, developers built it, said Ed Goetz, professor of Urban and Regional Planning for the Humphrey Institute of Public Affairs at the University of Minnesota.

But now, thanks to regulations, they can't.

"This is not a free market," Goetz said.

Suburbs don't respond to consumer demand because they fear density — the practice of putting more houses and rental units on less land. Officials and voters see it as a step toward crowded, high-crime, inner-city neighborhoods.

Instead, suburbs have building and zoning codes favoring large houses on large, expensive lots.

Suburbs commonly require 80-foot-wide lots for homes, while houses in the core cities fit into lots as narrow as 40 feet. Some suburbs require lots to be at least two, five or even 10 acres, ensuring only the rich can live there.

In West Lakeland Township, for example, the average home sells for about \$380,000, thanks in part to the requirement of multi-acre lots.

When this pattern is repeated across the region, a result is not only unaffordable housing, but sprawl. Large lots and excessive open space have made the Twin Cities one of the most sprawling areas in

WHAT IS AFFORDABLE HOUSING?

Housing is deemed affordable if it costs 30 percent or less of a household's income. In the Twin Cities, the Metropolitan Council considers a \$201,000 home and rent of about \$883 a month affordable.

• **Most affordable housing is market-rate housing: mostly older homes and mobile homes** that happen to be cheap. Suburbs can encourage developers to build market-rate housing, but usually the costs of land and materials are too high. Another problem is that new market-rate housing often inflates in value and becomes unaffordable.

• **Subsidized affordable housing** is more controversial. It includes:

> **New housing subsidized by a federal tax credit** to a private developer, who then rents the units at about a 30 percent discount. This is how most affordable units are built in the suburbs. For example,

Sienna Ridge in Woodbury charges occupants about \$750 a month for a unit that would normally rent for \$1,100.

> **Public housing** usually refers to federally subsidized units administered by local agencies such as St. Paul's Public Housing Agency. In St. Paul, about two-thirds of public housing is occupied by the elderly or people with permanent disabilities, according to agency director Jon Gutzmann.

> **Section 8 housing**, a federal program that pays up to two-thirds rent, is targeted for impoverished households and is rare in the suburbs. Section 8 vouchers can be used anywhere; some buildings cater to Section 8 recipients.

• **Habitat for Humanity** homes account for a small fraction of affordable homes, offering occupants reduced interest rates in exchange for help building the house.

PART 3 OF 3

Sunday: The shortage of affordable housing.

Monday: Pushing affordability in the suburbs.

Today: Regulations are considered a hurdle to affordability.

the country.

"We are sprawled to economic death," said Marc Putman, designer of several forward-looking projects, including Stonemill Farms in Woodbury and Spirit of Brandtjen Farm in Lakeville.

Goetz agrees. "Go ahead. Ask around in the suburbs how much land they set aside for higher-density housing," he said. "It will be in the single digits, if it's there at all."

PILING ON EXPENSE

Other regulations, ladled on over decades, also have laudable goals. Environmental rules, for example, now ensure new developments will not allow rain runoff to flow into streams.

The most common response is to build large retaining ponds to hold back water. That and other environmental regulations add as much as \$8,000 to the cost of a lot.

"They say you can't build

here because of wetlands," Goetz said. "You can't build here because of a rare species. I am an environmentalist, but pursuing that as a public objective makes it more difficult to achieve affordable housing. That is a fact."

Regulations also have successfully made fires less deadly in homes — at a cost.

And builders are groaning as officials debate a new requirement — fire sprinklers in homes, which would add about \$4,000 to the cost of every house.

"It makes absolutely no sense," said Cermak of the Builders' Association.

Suburbs in the south-metro area require tornado-safe rooms in town homes with no basements. These are steel-doored rooms lined with three-quarter-inch plywood and Kevlar, the fabric used in bulletproof police vests. The price tag? \$2,000.

Regulations also often require streets wide enough for four lanes of traffic.

One Stillwater official demanded a cul-de-sac be enlarged to allow an oversized fire truck to turn around in it, said Michael Noonan, president of the Minnesota branch of Rotlund Homes. But the city didn't even have a truck that big, Noonan said.

"I just looked at the guy and said, 'You have got to be kidding me,'" he said.

Many suburbs even regulate what a house looks like. They

require costly architectural extras, such as stonework or full-width porches.

Some call for "360-degree architecture," which makes four sides of a house attractive. "It makes a neighborhood more appealing," said Paul, who is vice president of sales and marketing for D.R. Horton in Minnesota.

But homebuyers will never have the choice of doing without it to save money, he said.

"They write these things into their zoning ordinances, and it invariably drives up the cost per unit," Goetz said. "Sometimes, it's done intentionally to make less affordable housing."

NO POINT IN ARGUING

On a sunny June morning, D.R. Horton's Paul and saleswoman Michelle Fitzpatrick inspected one of their least expensive homes, a model called the Isle.

It didn't look inexpensive. They march up an airy split staircase and checked out the three bedrooms. The home, with a great room, has 1,776 square feet of space.

Fitzpatrick pointed out subtle signs of cost cutting: Formica countertops, not granite; oak cabinets; sash windows, not casements; and standard General Electric appliances.

"I tell buyers, 'You can put fancy stuff inside, but what you are buying is the space itself,'" said Fitzpatrick, raising her voice over the banging of nail guns. "There is no wasted space here."

But as hard as they work to control costs of construction, they have given up any thought of controlling costs by arguing about obeying regulations.

"You just do it," Paul said.

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> Charter school review

It recommends:

• The state Department of Education approve charter-school sponsors, and then sponsors — with additional training — approve schools. Both are now required to OK new schools.

• Charter-school board members be required to attend financial management training, conflict-of-interest laws for boards be beefed up and the state's unique requirement that teachers make up a majority of a charter's board be scrapped.

"We found a mixed picture," Legislative Auditor James Nobles told members of the Legislative Audit Commission on Monday. "The bottom line is: Improvement is needed."

One bright spot appeared to be charters' financial performance.

A 2003 auditor's report found about a quarter of the state's charter schools were in financial trouble. But the latest report finds charters roughly comparable to district schools in terms of financial health, with about 5 percent of each in statutory operating debt and about 9 percent of each with a negative fund balance in 2007.

As for test scores, the report found half the charter schools made adequate yearly

progress in 2007 under federal accountability guidelines, compared with two-thirds of district schools. In Minneapolis and St. Paul, however, a higher percentage of charter schools made adequate progress than district schools.

Officials cautioned against putting too much weight on test scores from one year and drawing conclusions about specific schools from aggregate data. In addition, the report points out that charters in Minnesota enroll far higher percentages of minority, low-income and limited-English speaking students than do district schools.

About 28,000 students attend charter schools in the state, compared with nearly 800,000 in district schools.

Charter-school advocates at Monday's hearing were generally supportive of the report's recommendations.

Many of the suggestions have been raised before, but "I think this report is going to be very helpful in saying, 'Folks, you better get this together,'" said Joe Nathan, director of the Center for School Change at the University of Minnesota.

Education Commissioner Alice Seagren has endorsed the recommendations and state Sen. Chuck Wiger, chairman of the Senate Education Committee, said he plans to sponsor legislation next session incorporating some of them.

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PIONEER PRESS: SCOTT TAKUSHI

The gold coin has the Beijing 2008 Games logo on one side and an image of a Chinese temple towering above Olympic athletes on the other.

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> Olympic coin

At present, Mudd said, "The coin market is very hot. We're seeing record prices at practically every auction."

Gold is selling for about \$928 an ounce, which would make the jumbo coin that Burnsville-based GovMint.com is selling worth roughly \$245,000 melted down. (Precious metals are measured in troy pounds, which contain 12 troy ounces.)

Plus, the coin — with the Beijing 2008 Games logo on one side and an image of a Chinese temple towering above Olympic athletes on the other — is one of only 29 issued, and the only one released for sale in the United States. Seven inches in diameter, it comes in an ornate carved box of African Blackwood with a 35-pound carved stone dragon perched on top.

"There is certainly a history of people paying more than \$1 million for certain rare coins," said Jay Beeton, the numismatic association's marketing director.

So how did this particular coin end up in a nondescript office complex in Burnsville?

The parent company of GovMint.com, Asset Marketing Services, has marketed coins, jewelry and watches directly to consumers since 1984, growing to about \$100

million in sales and 200 employees. The company's founder, Nicholas Bruyer, previously had worked on product marketing for the Olympics.

GovMint.com sold some coins connected to the 2000 Olympics in Sydney. But what probably got the China Mint's attention was the company's biggest score to date: \$1.5 million for a pair of rare gold prototype coins that were never released by the United States Mint.

The Beijing Olympics coin arrived at company offices a couple of weeks ago, but GovMint.com isn't planning any big public displays. The company is promoting the coin online (along with more affordable items) and has contacted collectors all over the country.

Bruyer expects his \$1 million Beijing Olympic coin to sell before the Games begin in August. It will be shipped to its new owner in an armored car.

Olympic coins date back almost as far as the Olympics Games, said the ANA's Mudd. In the early fifth century B.C., the Greeks decided to issue coins that visitors to the city could use during the event. In the modern era, coins were first issued in connection with the 1952 Helsinki Games.

The Beijing Olympics coin has no value as currency. But then, you probably wouldn't want to lug it around, anyway.

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