

# **2013: Bond for Housing**

## ***\$50 Million in Statewide Investments to Prevent Homelessness & Create Workforce Housing***

H.F. 1070 (Hausman) / S.F. 960 (Sparks)

**\$35 million** in housing infrastructure bonds to address affordable housing infrastructure needs in **communities throughout the state**. The housing infrastructure bonds are appropriations bonds. Funds will be used to:

- preserve existing federally subsidized rental housing,
- stabilize communities by creating new affordable housing opportunities through rental units and community land trusts, and
- construct or acquire and rehabilitate supportive housing, particularly for persons experiencing or at risk of experiencing long-term homelessness.

**\$15 million** in General Obligation (GO) bonds to preserve public housing owned by 124 local **housing authorities across the state**. Proceeds will be used to:

- Address health and safety issues of properties, build for energy conservation, replace and repair major systems, and reduce operating costs .

### **Bond for Housing Overview**

- Now is a fiscally responsible time to bond: it creates jobs, interest rates are at a historic low and the state has the capacity to take on this debt.
- Housing that is eligible are affordable to and occupied by low- and moderate-income households.
- Funding will be provided to the extent that the property, due to the occupants' low incomes, cannot support debt and no other resources are available.
- Annual debt service on \$35 million is budgeted at \$2.59 million; a standing appropriation for the term of the bonds must be made. Costs to state of appropriation bonds are not materially different from costs of GO bonds.
- Affordability must be maintained for at least the term of the bonds (20 years).

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# Need and Impact: Bonding for Housing

## Preservation

- Public housing provides quality affordable housing for 21,000 very low-income Minnesota households; over 65% of the residents have household incomes under \$15,000.
- Federally assisted, privately owned rental housing provides affordable housing to 31,000 low- and moderate-income Minnesota households.
- In the next 5 years, nearly 10,000 units of federally assisted housing could be converted to market rate housing.
- Older federally assisted and public housing properties need substantial rehabilitation and updating. The income from these properties is insufficient to make needed improvements.

**Bottom line:** Bond proceeds would preserve existing assisted housing with rehabilitation and maintenance needs.

## Foreclosure

- Minnesota foreclosures increased nearly 300% since 2005. The foreclosure crisis has left tens of thousands of vacant homes. Vacant homes destabilize communities, lower property values and making it hard to attract new residents and businesses.
- Due to damaged credit, former homeowners are now renters. The demand for affordable rental properties exceeds supply in nearly every Minnesota community. Large families and those with disabilities face even greater affordable housing challenges.
- Post-foreclosure, vacant homes typically require substantial rehabilitation due to deferred maintenance and neglect. The tightening of credit has made it difficult to finance both the purchase of a foreclosed home and the needed rehabilitation.

**Bottom line:** Bond proceeds would be used by affordable housing developers to acquire and rehabilitate or replace substandard properties and provide affordable housing opportunities for individuals and families for at least 20 years.

## Supportive Housing

- On October 25, 2012, Wilder's statewide study counted 10,214 homeless adults, youth, and children – a 6 percent increase over the 2009 study.
- Individuals and families experiencing long-term homelessness face high barriers to stable housing, including serious mental illness, chronic health conditions, and domestic abuse.
- In 2010, supportive housing returned \$1.44 for every public dollar invested. Supportive housing is a cost-effective alternative to costly public emergency services like treatment, emergency room care, and jail.
- Fewer than 500 additional permanent supportive housing opportunities are needed to meet the goal of 4,000 housing opportunities established in Minnesota's Business Plan to End Long-term Homelessness.

**Bottom line:** Bond proceeds would assist with the construction and rehabilitation of housing with supportive services.