Making room for more affordable housing

Advocates call for $100 million in state spending

BY MARK ANDERSON
Staff Writer

When Minneapolis-based Project for Pride in Living opened its new 44-unit affordable apartment building at 2242 W. Seventh St. in St. Paul in December, the nonprofit group didn’t need to spend much on marketing.

“It leased in less than a week,” said executive director Steve Cramer. “We could easily have leased twice as many apartments in a very short time.”

A housing coalition is asking the Legislature to boost spending for more developments like Project for Pride in Living’s new affordable apartments at 2242 W. Seventh St. in St. Paul.

While that’s good news for the property manager, it’s an indication of the shortage of affordable housing in the state. Such stories make a coalition of affordable housing proponents think they can persuade Minnesota legislators to add up to $100 million for affordable housing production and programs to reduce homelessness.

But they’ll have to make that case during a session when the governor and legislative leaders have promised fiscal restraint and a balanced budget in the face of a projected $1 billion budget shortfall.

“We know that the governor and the Legislature will be very cautious about any new spending,” said Cramer, whose organization is one of the 40 members of the Homes for All coalition that’s carrying the package. “And we know they’re going to be facing the same kind of budget ‘asks’ from education, from workforce development, from all sectors.”

Homes for All proponents argue that even though Minnesota’s economy is slowly gain-
Housing ‘Low-priced capital’ needed to ‘bring buildings back into shape’

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ing momentum since the Great Reces-
sion, the need for affordable housing is ac-
tually becoming more acute.

“The dominant reason that we’re see-
ing more people unable to find affordable
housing is economic,” said Alan Arthur,
executive director of Aeon, a Minneapo-
is-based nonprofit that develops and
manages affordable housing.

Unemployment and underemployment
have left families unable to afford to
own or rent homes, especially in a rental
market with a low vacancy rate. The por-
tion of Minnesota renters paying 30 per-
cent or more of their income on housing
climbed from nearly 45 percent to more
than 50 percent in the last decade, and
the portion paying 50 percent or more
rose from 34 percent to 53 percent, ac-
cording to U.S. Census Bureau surveys.

Those trends have pushed more peo-
ples into homelessness, too. St. Paul-based
Wilder Foundation, which tallies home-
lessness every three years across the
state, found homelessness in the state in-
creased 25 percent in 2009. A similar in-
crease is expected in the 2012 report due
this spring, said Chip Halbach, executive
director of the Minnesota Housing Part-
tnership, a coalition member.

Advocates say weakness on the supply
side contributes to the shortage and the
problem may get worse in the next three
years.

Much of the state’s affordable housing
inventory was built during the 1970s and
1980s, when federal programs and tax in-
centives promoted the development of
low-priced housing. Owners signed con-
tracts committing to keep rents afford-
able in exchange for those subsidies.

But thousands of those units are near-
ing the end of affordability contracts, and
most of their owners will need to refur-
bish the properties after 30 to 40 years of
wear and tear. Many owners may be
tempted to move the properties into the
market-rate world because historically
low interest rates would allow them to refinance
and improve the prop-
erties and possibly draw
higher rents.

“To keep those units as
affordable housing we
need a source of low-
priced capital to bring
the buildings back into shape
but to do it in a way that
we can keep rents afford-
able,” Arthur said.

The alliance’s proposal
would try to provide that.
It would increase the Min-
nesota Housing Finance
Agency’s budget by $25
million to pay for the de-
velopment and repair of
affordable housing. A spokes-
woman said the agency wouldn’t comment on the
coalition’s proposal until it completes its
own budget proposal for the Legislature.

Another $25 million is proposed for the
state Department of Human Services and
to pay for programs aimed at continuing
the state’s efforts to reduce long-term
homelessness.

Those initiatives may face long odds
during this budget-focused session, but
there may be a better opportunity for the
850 million the coalition is asking in new
bonding capacity.

That package includes $15 million to
spend on public housing in the state,
which won’t make much of a dent in a
Minnesota Housing Partnership survey
showing $300 million to
$400 million backlog in de-
ferred maintenance.

The rest of the bonding
would go toward financing
programs for the main-
tenance and development of
new affordable units.

Last year, the Legis-
lature authorized $37.5
million in bonding authority to
support development and
retention of affordable
housing, an allocation in-
tended partly to offset the
loss of $38 million in fed-
eral housing subsidies.

Minnesota Housing dis-
tributed that money in 38
grants in October.

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The Homes for All package has an im-
portant ally in House Capital Investment
Committee Chairwoman Alice Hausman,
DFL-St. Paul. She sees the measure as a
way to not only increase affordable hous-
ing but also to put people to work and
build needed infrastructure while interest
rates are low.

“Homes for All:
$100 million proposal
for affordable housing

$25M
Minnesota Housing
Finance Agency for
affordable housing
and support for low-
income households

$25M
Department of
Human Services,
supportive services
to end homelessness

$50M
Bonding authority:
$15M for public hous-
ing repairs, $35M for
new/retained afford-
able units

Source: Homes for All coalition

“All the economists I’ve read say that
what we’ve learned from this recession is
that austerity didn’t work and stimulus
did,” she said.

But she acknowledges a roadblock.
Passage of a bonding bill requires a super
majority, and that means getting support
from at least eight Republicans. Haus-
man said the Republicans may refuse to
commit their bonding bill votes until the
end-of-session bargaining begins, making
the final components of the bill harder to
predict.