



2012 Bonding Requests

SF2073(Pederson, Hayden, Tomassoni, Brown, Miller)

HF2485(Howes, Hausman, McFarlane, Hansen, Clark, Ward)

Improve and Augment Statewide Affordable Housing Infrastructure

- \$30 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 impacted by the foreclosure crisis 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.
 - \$10 million in General Obligation (GO) bonds for public housing preservation.
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- Proceeds from the housing infrastructure bonds will be used to rehabilitate, stabilize or construct privately owned affordable housing.
 - Proceeds from the GO bonds will be used to address health and safety issues, to replace and repair major systems and for energy conservation measures to reduce operating costs of public housing units owned by one of the 124 local housing authorities across the state.
 - 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.
 - Housing must be affordable to and occupied by low- and moderate-income households.
 - Affordability must be maintained for at least the term of the bonds (20 years).
 - Annual debt service on \$30 million is budgeted at \$2.2 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. Debt service costs for the GO bonds portion of the request is calculated by Minnesota Management and Budget.
 - Approximately 1,250 housing units will be constructed or rehabilitated with the total funding.

Need and Impact

Preservation

- Federally assisted, privately owned rental housing provides affordable housing to 31,000 low- and moderate-income Minnesota households.
- 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.
- In the next 5 years, owners of nearly 10,000 units of the federally assisted housing could choose to convert the housing to market rate housing.
- Due to the age of the federally assisted and public housing properties, many are in need of substantial rehabilitation and updating. The income from these properties is insufficient to make needed improvements.
- Bond proceeds will preserve these important community resources. Gap financing will be provided to owners of federally assisted housing for the rehabilitation costs so that owners can afford to continue to participate in the federal program and to provide very affordable, quality housing. Public housing authorities will be able to address major systems repairs and improvements so that required property standards are met and operating costs are reduced.
- \$1 in state funding for gap financing can leverage \$2 in private funding: \$1 from amortizing debt paid by the owner and \$1 in private equity from housing tax credit investors. In addition, for every \$1 in state funding for the preservation of federally assisted housing, \$5.50 in federal funding is secured.

Foreclosure

- The annual number of Minnesota foreclosures has increased nearly 300% since 2005. Although the annual number of foreclosures is beginning to decrease, this crisis has left tens of thousands of vacant homes. Vacant homes destabilize communities, lowering surrounding property values and making it hard to attract new residents and businesses.
- Due to their damaged credit, former homeowners are now renters. The demand for affordable rental properties far 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.
- Bond proceeds would be used by affordable housing developers to acquire and rehabilitate foreclosed property or replace substandard, foreclosed properties and provide affordable housing opportunities for individuals and families for at least 20 years.
- Bond proceeds would also assist community land trusts in acquiring foreclosed properties and leasing the land for the long term to low- and moderate-income homeowners. By placing the land in a community land trust, the cost to the homebuyer is lowered and the affordability of the housing is maintained for the long-term.

Supportive Housing

- An estimated 46,400 persons were homeless at least once during 2009, the last year for which the Wilder Research Center made estimates based on their statewide survey. 13,100 persons were homeless on any given night.
- Children comprise one-third (1/3) of the homeless population. The number of young adults (18-21) who were homeless increased by 57% between 2006 and 2009.
- Persons experiencing homelessness face serious barriers to stable housing, including serious mental illness, chronic health conditions, and domestic abuse.
- Bond proceeds would assist with the construction and acquisition/rehabilitation of supportive housing. Supportive housing combines affordable housing with needed support services.
- Supportive housing is proving to be a successful strategy to end long-term homelessness. Persons housed are maintaining housing stability. The costs are offset by the reductions in emergency expenditures due to reduced usage of jails, emergency rooms, and detox facilities.
- 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.