



Investing in Housing for Minnesota: Economic Benefits

Restore the full \$23.5 million proposed reduction to the Economic Development and Housing Challenge Program.¹

Housing construction, both new construction and rehabilitation, **creates jobs** and can **stimulate the economy**, according to recent analyses by Donjek, Inc. and the Minnesota Housing Finance Agency.¹ MHP applied these analyses to state investments from MHFA's Housing Challenge Fund, the primary investment tool for production of affordable housing.

Investing \$1 million in the Challenge Fund leverages \$5.6 million from non-state funds, and in total this generates:²

- 40 units of housing affordable to families
- 47 housing development jobs in the year of construction through direct spending
- Nearly \$8.8 million in total wages over five years
- \$721,000 in state tax revenues over five years
- Local units of government receive \$374,000 in tax revenues over five years

The state recoups 72% of its investment through revenues via sales, mortgage, deed, income taxes within five years.

The Governor's proposed budget reduces the Housing Challenge Fund by \$23.5 million compared to the 2008-09 budget, a 69% reduction. Based on recent Challenge funding patterns, this leverages \$132 million in non-state funds. The Challenge cuts and loss in leverage will result in:

- 940 fewer affordable homes built
- Loss of \$371 million in economic activity
- Loss of \$206 million in wages paid to Minnesotans

Why Now?

25,000 construction jobs and 23,200 manufacturing jobs were lost in Minnesota from December, 2004 to December, 2008. Skilled workers now left idling could be put to work building or renovating homes. Meanwhile, affordable housing is a growing need. By 2007, 1 in 8 Minnesota households was paying more than *half* their income for housing, indicating severe cost burden. In some areas of the state, due in part to foreclosures, homelessness has increased at a double digit rate in recent years.

For more information and to view the referenced reports, please visit www.mhponline.org.

¹\$23.5 million represents the proposed cut compared to the 2008-9 base budget plus one-time money.

² Sources: "Housing as a Lever for Economic Recovery", Donjek Inc., Feb. 2009; "The Economic Impact of Minnesota's Housing Investment", MHFA, Jan. 2009; "Housing Trends in Minnesota" Minnesota Housing Partnership, Jan. 2009.

³Assumes a Challenge Fund investment of \$1 million in 40 new units at \$25,000 per unit. This investment is assumed to leverage 5.6 times this amount (\$140,000/unit) to produce units worth \$165,000. This leveraging is based on recent funding patterns for Challenge. Analysis includes economic impact over five years.