

Capital Needs of Public Housing: Investment at Risk



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Solution: Support \$4 million for public housing bonds in the Omnibus Bonding Bill, H.F. 0855 (Hausman)

Problem

Public housing properties in Minnesota require significant capital investment due to aging housing stock, deferred maintenance and federal funding cuts over many years. At issue is the state's means to preserve its own vital public asset. With a range of capital improvement projects that can be implemented immediately, **investment in public housing preserves approximately \$2 billion in housing infrastructure, results in job creation and improves the ability of communities across the state to meet housing needs for very low-income people.**

Rationale

Across Minnesota, 124 local housing authorities operate over 21,000 units of public housing that serve more than 20,000 low income households, most of whom are headed by **seniors** and **people with disabilities**.ⁱ The average annual income of those living in public housing is \$12,200. One-third of public housing residents are children.

The federal stimulus bill passed in February 2009 provides about \$56 million in one-time aid to Minnesota public housing authorities. This is a welcome shot in the arm, but:

- The three largest public housing agencies in the state (Minneapolis, St. Paul, and Duluth) have **a combined backlog of \$317 million in unfunded repairs**. This does not include the needs of the other 121 housing authorities.
- This community asset is in further jeopardy because of **reductions in federal capital funding of 29% (\$14.5 million)** between 2002 and 2007.
- The **public housing stock is aging**, with many properties requiring serious capital improvement. Only 5% of public housing is likely to be less than 20 years old, with the majority of stock over 35 years old.
- **About 200 public housing units in Minnesota have already been sold** out of financial necessity, with hundreds more at risk.
- Meanwhile, public housing occupancy stands at 97%, which is considered **full occupancy** by industry standards. Tight rental markets ensure continued high demand for public housing.

State Aid Falls Short

The sole state commitment of funds to public housing to date came in FY 2008 by a one-time commitment by Minnesota Housing of \$5 million in preservation funds. 34 housing authorities applied for \$9.6 million in awards, but only 24 housing authorities were awarded funding. This represents only 8% of the state's public housing units.

ⁱ See "Public Housing: Investment at Risk", Minnesota Housing Partnership, 2008, for additional information about public housing in Minnesota. <http://www.mhponline.org/?q=node/105>.