

## A push for state bonding for affordable housing

by Mark Anderson

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As it becomes harder for low-income residents to find affordable housing in Minnesota, the federal financial tools that once helped bring low-cost housing to the market have been shrinking.

But an effort to offset the losses is under debate this month at the state Capitol.

Affordable housing advocates, Gov. Mark Dayton and legislators have all proposed using bonding authority to preserve and create new affordable units, but their spending plans ranged widely — from \$40 million to \$15 million.

Some of the affordability trends were highlighted in the quarterly "2X4 Report" released Tuesday by the St. Paul-based Minnesota Housing Partnership. The report underscored the growing number of households that cannot find permanent shelter, pointing specifically to data from Minneapolis, St. Paul and Duluth that showed the number of homeless children in those cities jumped 16 percent, to 5,950, at the end of 2011.

Delivering new housing units to reduce that shortfall is running into funding roadblocks, however. Federal allocations to support affordable housing development in Minnesota declined \$38 million in 2011-12 from the \$85 million the state received in 2010 under Community Development Block Grants and the HOME Investment Partnership programs. The U.S. Department of Housing and Urban Development oversees those programs.

Some of those losses were offset by a partial recovery in the low-income housing tax credit market, which had collapsed along with the financial markets in 2008. Even so, those gains fell far short of erasing the HUD losses, said Chip Halbach, executive director of the Minnesota Housing Partnership.

"This is a ballpark estimate from talking with tax credit syndicators, but we've probably gained \$10 million (from tax credits) over the last two years," well short of the \$38 million loss from HUD, Halbach said.

The result will be fewer affordable developments, said Barbara McCormick, director of housing and community impact for PPL in Minneapolis, which owns or manages 2,000 affordable units in the Twin Cities.

The lost federal funding means developers have less money to cover gaps on affordable housing projects that cannot generate enough revenue from rent to pay development costs. The HUD grants have been a major source for filling those gaps.

"What you'll see is fewer affordable units being produced," McCormick said. "We might have had the resources to do four projects in the past, but if we're lucky now, we'll probably do one in St. Paul and one or two in Minneapolis."

Declines in production follow a long period of net declines in total affordable units in Minnesota. Data compiled by Minneapolis-based Marquette Advisors showed that the number of apartments with rents of \$650 or below declined by almost half from 20,100 to 10,600 between 2006 and 2011, Halbach said. At the same time, only 500 to 600 new affordable units were being built in Minnesota.

"So you have a very, very slow increase in publicly subsidized affordable units, while there's a steady decline in the private market of affordable housing," Halbach said. "We're seeing those increases in homelessness because people just can't find apartments they can afford. They aren't there."

Housing advocates are lobbying in St. Paul for \$40 million in state bonding authority, which would be used to maintain and update public and other subsidized housing and to add new units targeted to neighborhoods weakened by foreclosures.

Dayton proposed a slimmed-down \$32 million version targeting the same goals in his bonding proposal.

State Rep. Larry Howes, R-Walker, chairman of the House Capital Investment Committee, and Sen. John Pederson, R-St. Cloud, vice chairman of the Senate Capital Investment Committee, have co-authored a bill allocating \$30 million to the Minnesota Housing Finance Agency for creation and preservation of affordable units.

But the House committee had cut that figure in half in a version of the bonding bill it was discussing Tuesday.

The 2X4 Report and bonding bill are available [here](#) and [here](#).

The study noted several improvements in the local housing market, including increased employment in the homebuilding industry and a reduction in the home sale inventory.

### **Funding varies for affordable housing proposal**

Housing advocates want: \$40M

Gov. Mark Dayton: \$32M

House and Senate capital committees: \$15M

*Sources: House Capital Investment Committee, Minnesota Housing Partnership*

Complete URL: <http://finance-commerce.com/2012/03/a-push-for-state-bonding-for-affordable-housing/>