FINANCE&COMMERCE

Housing aid may be part of deficit cuts

Posted: 5:36 pm Tue, December 11, 2012
By Mark Anderson
Tags: Aeon, Barb McCormick, Chip Halbach, historic tax credits, HUD, John Errigo, Legislature, Low Income Housing Tax Credits, Minnesota Housing Partnership, National Low Income Housing Coalition, Project for Pride in Living, U.S. Housing and Urban Development

Housing prospects are getting a little better for financially stressed Minnesota homeowners, but low-income renters are still on the griddle and the griddle's getting hotter, according to the Minnesota Housing Partnership's quarterly look at housing affordability.

A slowly improving economy has raised home values, helping to rescue some underwater mortgages, and that's the upside of the housing partnership's report. Home mortgage delinquencies have dropped from almost 10 percent of all home loans in 2010 to 4.6 percent in the third quarter.

But renters looking for affordable apartments are finding fewer units and seeing elevated prices that are going to go higher, according to Chip Halbach, executive director of the partnership.

"Minnesota hasn't kept up with demand for affordable housing," Halbach said. "We've been producing units thanks to the federal stimulus and additional bonding from the Legislature [in 2012], but we're holding just even on production while the need is growing."

Vacancies on units with rents under $1,000 fell a notch during the quarter from 2.5 percent to just 2.4 percent in Twin Cities. Meanwhile, average rents in the region climbed 3 percent in the last year to $951.

But while rents are rising, many Minnesotans' incomes aren't keeping up. One measure of that is that almost 150,000 Minnesotan are working part-time because they lost full-time jobs or their employers reduced their hours. That's up 80 percent from before the recession.

The number of homeless families in the Twin Cities has also risen 17 percent, to 3,318 in the last four years, although that number has fallen from a peak of 3,606 in 2011.

"We're adding poor people faster than we can build affordable housing," said Barb McCormick, director of finance for Minneapolis-based Project for Pride in Living, which builds and operates low-income housing.

Lawmakers in St. Paul moved to meet the growing need for low-cost housing during the 2012 session when they added $30 million in extra bonding authority for affordable housing finance programs.

But that expanded state spending came after the U.S. Housing and Urban Development agency pared its two key housing programs by $38 million.

As housing advocates look for more aid, lawmakers in Washington, D.C., and in St. Paul are faced with major deficits, and they'll look for spending programs to cut across the board.

Developers traditionally rely on state and federal subsidies to close the gap between the cost of producing affordable housing and the rents they can generate from low-income tenants.

But those subsidies may be dwindling. “We fully expect most of those programs will be reduced or eliminated,” in the deficit reduction efforts in both state and federal governments, McCormick said.

Developers like McCormick worry about the continued reduction in HUD’s subsidy programs, but they’re even more concerned about an effort to reduce tax “loopholes” — tax benefits given to activities that meet government policy goals.

Two of those tax-based programs are Low Income Housing Tax Credits and Historic Tax Credits, which have played the major financing role for housing in the last decade.

Halbach said those tax credits can deliver up to 70 percent of the cost of producing affordable workforce housing, and they’re the financial foundation for developing housing for very-low-income people.

The result of a significant rollback in those credits would be “catastrophic” for affordable housing production, said John Errigo, director of housing development at Minneapolis-based Aeon.

“The housing tax credit program is the primary means by which affordable housing is funded now. Cutting (that) would directly reduce production,” Errigo said in an email.

For housing developers and everybody else, the outcome of negotiations on a deal to avert a so-called fiscal cliff is unknown. “Nobody has a clue about what’s coming, but we know we’re vulnerable,” Halbach said. “The affordable housing industry doesn’t have the clout that some other stakeholders in federal tax reform have.”

In St. Paul, lawmakers will also be forced to make difficult spending reductions in the face of a $1.1 billion deficit for the biennium.

“We know the governor’s budget will be very, very tight, and we’re trying to protect housing as much we can,” Halbach said. ‘But it’s going to be an uphill fight.”

Housing squeeze is on in Minnesota

- Apartment vacancy rate, rents below $1,000: 2.4%
- Minnesotans forced into part-time work during recession: 145,500
- Increase in Twin Cities homeless children since 2008: 17%
- Work hours needed to rent apartment at fair market value* 86

*March 2012, working at minimum wage of $7.25

Sources: Minnesota Housing Partnership, National Low Income Housing Coalition

Read more: http://finance-commerce.com/2012/12/housing-aid-may-be-part-of-deficit-cuts/#ixzz2ErXQuYpQ