INVESTMENT AT RISK:
Public Housing in Minnesota
Across Minnesota, public housing provides safe and affordable housing to 36,000 low-income people, most of whom are in households headed by seniors and people with disabilities. This includes 12,000 children who call public housing home. There is public housing stock in 210 Minnesota communities, where it is owned and operated by 124 housing authorities. Funding largely comes from the US Department of Housing and Urban Development (HUD).

Public housing now stands at risk. Public housing properties, estimated to be worth nearly $2 billion in Minnesota, are aging and require renewed attention and funding inputs. Substantial funding cuts and increased costs have left public housing facing loss of units, continuing financial crisis, deterioration of properties, and potential threats to the health and safety of residents. Ultimately, the state of Minnesota stands to lose, if this vital safety net housing people at risk for homelessness is compromised.

In order to gauge the impact of shortfalls in funding for public housing in the state, Minnesota Housing Partnership (MHP) undertook a comprehensive study through original survey research of housing authorities and analysis of HUD data and supplemental data.

![Fairmont Homes public housing in Duluth.](image)

The report finds that substantial funding cuts have led to an array of challenges for public housing:

- Funding shortfalls have been the rule for both capital and operating funding. Capital funding dropped 29% between 2002 and 2007.

![Public Housing Funding by HUD in Minnesota](chart)

- The public housing stock is aging, with many properties requiring serious capital improvement.
- Operating funding was granted at only 83.5% of need in 2007 and at 84.5% of need in 2008. It does not cover rising utilities costs and high maintenance requirements.
- 196 public housing units in Minnesota have already been lost, with hundreds more at risk.
- Meanwhile, public housing occupancy stands at 97% of units, which is considered full occupancy by industry standards.

**FUNDING CUTS AND SHORTAGES**

The vast majority of funding for public housing is allocated by HUD directly to each housing authority on an annual basis through a capital grant and an operating grant.

**Severe cuts in capital funding**

Capital funding is meant for property improvements, major repairs, and renovations of the public housing stock. From 2002 to 2007 there was an overall reduction in HUD capital and operating funding for public housing in Minnesota of 13.5%, or nearly $13.1 million (in 2007 dollars). *Capital fund-
ing was cut dramatically, with a 29% decrease totaling $14.5 million from 2002 to 2007. All but three of the 124 housing authorities with public housing experienced cuts in capital funding. As serious as these cuts are, they do not account for the accruing backlog of capital needs left untouched each year. For example, the Minneapolis PHA estimated its need for capital improvements in 2007 at $205 million. It received only $13.7 million in capital funding from HUD that year. President Bush’s 2009 budget proposal would further cut capital funding for public housing by nearly $7 million.

Operating funding far short of need
Operating grants cover day-to-day expenses, including property management, utilities, and ongoing maintenance and small repairs. Operating grants are determined first by HUD through a formula that estimates the amount that each housing authority should require for operating expenses. The actual operating subsidy amount awarded to the housing authority is then pro-rated based on federal appropriations for public housing. When federal appropriations are insufficient, the pro-ration is reduced, and housing authorities receive only a portion of their actual need. Since the mid-1990s, the pro-ration levels have fluctuated wildly, dropping precipitously in recent years. In 2007, operating grants were appropriated at only 83.4 cents for each dollar required, for an overall shortfall of $9.6 million statewide in that year alone. Operating funding for 2008 is estimated to be at only 84.5 cents for each dollar needed, and President Bush’s 2009 budget places reduces funding to 83 cents per dollar of need. Unfortunately for housing authorities, serious under-funding for operating expenses has occurred as energy costs have increased. Utility costs, which represent almost a quarter of operating expenses for public housing, rose 41% between 2002 and 2007.

Minnesota Public Housing Residents
Public housing is home to over 20,300 households in Minnesota, representing 36,000 individuals. Sixty-four percent of public housing households are headed by seniors, people with physical or mental disabilities or both. Disabilities also include severe and persistent mental illness.

- The average annual income of public housing households is extremely low, about $12,200 per year. This represents only 22.5% of the state’s household median income, and is less than the poverty rate for a household of two.
- Public housing residents, one third of whom are children, are frequently at-risk for homelessness. Many enter public housing after experiencing homelessness.
- While some people remain in public housing long-term, most do not. Nearly three in five households in Minnesota have been in their current public housing less than five years.
- Over 92% of housing authorities have a waiting list, which demonstrates high demand for this kind of housing by residents.
Localities with Public Housing

By County, Minnesota, 2008

Note: For cities with multiple public housing properties, only one data point appears on the map.
IMPACT OF FUNDING SHORTFALLS

Based on results from the MHP survey, the needs of housing authorities are both acute and ongoing. Capital funding is considered the highest priority need of housing authorities, with maintenance and management also posing formidable challenges. Common capital needs include major systems overhauls, such as heating and cooling systems, elevators, roofs, siding, new windows, and remodeling. Capital needs can also have direct impacts on resident health and safety; a sample of needs reported by housing authorities includes asbestos or mold abatement, improvements in wheelchair accessibility, emergency power generators, and carbon monoxide detectors. Improvements in energy efficiency are frequent capital needs, especially because they can reduce operating costs significantly.

Housing authorities report that their ability to manage and provide maintenance for properties has diminished in the last five years. Approximately 40% of housing authorities lack sufficient operating reserves, according to HUD standards. If there is an unexpected increase in utility costs, maintenance needs, or delayed grant awards, these housing authorities will face difficult financial decisions. Required maintenance is frequently deferred to conserve funds.

Housing authorities, out of financial necessity, are faced with adopting policies with potential negative ramifications.

### Listing of “Most Serious Needs” in MHP Survey

<table>
<thead>
<tr>
<th>&quot;Most Serious Need&quot;</th>
<th>Number of Times Listed</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Improvements</td>
<td>49</td>
<td>57.0%</td>
</tr>
<tr>
<td>Maintenance</td>
<td>21</td>
<td>24.4%</td>
</tr>
<tr>
<td>Security</td>
<td>5</td>
<td>5.8%</td>
</tr>
<tr>
<td>Housing Managers</td>
<td>5</td>
<td>5.8%</td>
</tr>
<tr>
<td>Operating Subsidies</td>
<td>4</td>
<td>4.7%</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>2.3%</td>
</tr>
<tr>
<td>Total Serious Needs</td>
<td>86</td>
<td>100.0%</td>
</tr>
<tr>
<td>Missing</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

Based on 83 completed surveys; some listed more than one “most serious need”

### Distribution of Public Housing Units by Property Age in 2003, United States

<table>
<thead>
<tr>
<th>Property Age</th>
<th>Number of Units</th>
<th>Percent of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;15 years</td>
<td>63,901</td>
<td>5%</td>
</tr>
<tr>
<td>15 – 30 years</td>
<td>482,972</td>
<td>38%</td>
</tr>
<tr>
<td>30 + years</td>
<td>739,258</td>
<td>57%</td>
</tr>
<tr>
<td>Total</td>
<td>1,286,131</td>
<td>100%</td>
</tr>
</tbody>
</table>

for very low income residents. Such policies include raising utility costs for residents, increasing minimum rents, and instituting preferences for higher income residents. In light of the very low income level of public housing residents and the affordable housing shortage statewide, these outcomes can be very serious for residents.

Some housing authorities are being forced to sell off properties due to increased costs and decreased funding. Of the 84 housing authorities participating in the survey, in the last five years, 17.5% have either sold or are considering sale of public housing properties. Overall, **196 units have been lost since 2002, with an additional 329 at risk**. Considering that public housing is insured at an average of $92,097 per unit, and that new construction of affordable housing is estimated at $132,000–$203,000 per unit in Minnesota, the sale of each unit represents a significant loss to the public’s investment in housing.

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**Report from the Sleepy Eye HRA**

Public housing managed by the Sleepy Eye HRA in Brown County enables low income elderly and disabled tenants to age in place, rather than move to a nursing home or group home. This provides a cost savings to both Brown County and the State of Minnesota. However, the HRA is being forced to use much of its capital funding for operating expenses, despite extensive capital need.

The Sleepy Eye HRA is currently using the bulk of 2007 capital funding to meet operating budget shortfalls and for a project to convert apartments from unpopular very small units to larger 1- and 2-bedroom units. The roof is in need of repair or replacement, vacated apartments need floor covering upgrades, interior community space flooring is in need of replacement, outside parking and drive-up areas need to be seal-coated, shrubbery is overgrown, and major replumbing projects are needed in the first floor units. The 2008 capital funding will be entirely consumed by the roof project. All other capital needs will be pushed back or put on hold for an additional 2–5 years.
Public housing structures in Minnesota have pressing capital needs including mold problems, decaying infrastructure, and damaged foundations.

Report from the New Ulm EDA

Broadway Haus Apartments of the New Ulm EDA is a 40-unit public housing project for seniors and people with disabilities which requires mold remediation. The EDA has a 99% occupancy rate.

A potentially serious mold issue affects every unit and could even compromise the viability of the structure. Mold can especially affect the health of elderly persons and those with respiratory conditions. This is troublesome for a property that provides housing for seniors and disabled persons. HUD capital funding alone cannot cover the scope, and mold removal is just one of many capital funding needs.

Report from the North Mankato HRA

Many hidden costs are showing up such as water pipes cracking and leaking within the walls, causing damage on multiple floors. Our front soffit started to drop due to age of construction. We had to remove and abate it promptly for safety reasons.

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About Minnesota Housing Partnership

Minnesota Housing Partnership provides a comprehensive array of resources that help local organizations, businesses, communities, and elected officials in Minnesota create affordable homes.

Mission

The mission of Minnesota Housing Partnership (MHP) is to promote homes for all Minnesotans and assist Minnesota communities in the creation and preservation of housing affordable to low- and moderate-income people.

We believe local organizations should be active in the creation and maintenance of affordable housing and our primary goal is to support local groups in their attempts to build the capacity to create and sustain affordable housing while ensuring equal access to this housing.

For more information, please visit www.mhponline.org.

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