



Our Indiana Home

The Indiana Affordable Housing and Community Development Fund Advisory Committee Report Summary

National Context

There are over 400 housing trust funds in the United States – from cities, counties, states, and even regional areas. They dedicate in excess of \$750 million each and every year to help address critical housing needs throughout the country. The most common revenue sources for a state housing trust fund are the real estate transfer tax, interest from state held funds (unnamed unclaimed property funds and budget stabilization funds, among others), interest from real estate escrow or mortgage escrow accounts, and document recording fees.¹

Indiana History

The Indiana Affordable Housing and Community Development Fund (formerly the Low-Income Housing Trust Fund) was established in 1989. The resulting statute requires that the Development Fund exclusively benefit low-income Hoosier households. The Fund can only be used to support housing for those earning less than 80 percent of Area Median Income (AMI), and at least 50 percent of spending must serve Hoosiers living at or below 50 percent of AMI.

Housing Developed

- The Development Fund has executed \$19 million in loans and \$1.5 million in grants. This has enabled the development of over 1,400 units of affordable housing for Hoosiers, including:
 - 750 units of low-income rental housing;
 - 400 units of homeownership housing; and
 - 250 units of emergency transitional housing.²

Leveraging Capacity

- The School of Public and Environmental Affairs at IUPUI estimates that the nearly \$20 million invested by the Development Fund to date has leveraged over \$90 million in other funds, generated 1,600 new jobs resulting in \$52 million in new wages, and has created nearly \$83 million in income for other industries.³
- Since 1989, every \$1 in Development Fund monies has leveraged \$5 in other funds.

FOR EVERY \$10 MILLION INVESTED IN INDIANA'S HOUSING INDUSTRY, THE STATE'S ECONOMY WILL BENEFIT FROM:

INDIANA	NEW JOBS CREATED	NEW WAGES CREATED
Initial Impact	298	\$7,051,700
Leveraged Impact	2,686	\$63,465,300
Total Impact	2,984	\$70,517,000

(Center for Community Change, 2001)⁴

Beneficiary Demographics

- Of the Hoosier families living in the housing developed with Development Fund investments, 60 percent are white, 35 percent are African American, and the remainder are of other ethnicities.⁵
- At least 50 percent of the Fund's investments must benefit Hoosier at or below 50 percent of AMI. The Fund has significantly exceeded this requirement. Two-thirds of those who have been served earn less than 50 percent of AMI.

Who Qualifies for Development Fund Services?

- In Evansville: A teacher's aide earning \$20,000; an accounting clerk earning \$27,000; a taxi driver earning \$17,000.
- In Gary: A firefighter earning \$33,000; a head cook at a restaurant earning \$26,000; a preschool teacher earning \$21,000.
- In Nobel County: A cashier earning \$16,000; a construction worker earning \$32,000; a substance abuse counselor earning \$28,000.
- In Vermillion County: A licensed practical nurse earning \$32,000; a paralegal earning \$29,000; a janitor earning \$20,000.⁶

Homelessness and the Need for Appropriate Housing

- Over the course of a year, tens of thousands of Hoosiers experience homelessness.
- At least 17 emergency shelters across Indiana have closed in the last three years due to a lack of funding.
- Indiana needs 3,600 additional units of transitional and supportive housing to provide shelter to all who are homeless.⁷

Rising Rent Burdens

- The number of cost-burden low-income Hoosiers renting in Indiana- those that spends more than 30 percent of their income on rent-rose to nearly 240,000 in 2005.
- The Indianapolis Star reported that "the number of Hoosiers living in poverty grew 13 percent from 2004 to 2005, leaving more than 740,000 men, women and children struggling to make ends meet, new census data show. In all, more than 260,000 Hoosier children -- enough to fill the RCA Dome nearly five times -- live below the poverty level."
- Overall, Hoosier incomes have also decreased in recent years. The Census Bureau's American Community Survey finds that inflation-adjusted median household income in Indiana decreased by about \$2,300 (5 percent) between 2000 (\$44,509) and 2004 (\$42,195).⁸
- The Indiana Information and Referral Network (IRN) reported over 15,000 housing-related calls in 2005, an increase of 5,000 calls from just three years ago. Of the more than 4,000 requests for rental assistance, 95% were recorded as "unmet", meaning these households were at a high risk of homelessness.

The Prevalence of Foreclosure

- Data from the national Mortgage Bankers Association ranks Indiana's foreclosure rate at .98 percent for the fourth quarter of 2005, the highest in the nation and more than double the national rate.
- In the same period, over 7,000 Hoosier homeowners were facing foreclosure. 2.75 percent of all mortgages in Indiana were past due, second only to Ohio at 3.22 percent.

How the Development Fund Can Help: Costs and Solutions for Key Populations

- Ultimately, we estimate that \$41 million in new public funds are needed each year to meet Indiana's affordable housing needs. To meet Indiana's affordable housing needs all at once would require \$2.25 billion in new public and private funds. However, it is unrealistic to assume that this could be achieved in a short period of time. For this reason, we propose a 30-year timetable, which would result in an annual cost of \$69 million, of which the public share is approximately \$41 million per year.
- The Development Fund may provide grants or loans to support a broad range of affordable housing programs, including but not limited to emergency shelters; transitional housing; permanent supportive housing; home repair, renovation, and rehabilitation; preservation of affordable housing; and new construction.

HOOSIERS ARE STRUGGLING TO BUY HOMES:

MEDIAN VALUE OF INDIANA HOMES	MONTHLY MORTGAGE PAYMENT	ESTIMATED % OF HOOSIER HOUSEHOLDS UNABLE TO AFFORD A HOME
\$102,000	\$808	52%

Affordable Rental Housing: Keeping families Stable

- Providing affordable rental housing may take the form of direct rental assistance or development subsidy. It may also include supportive services to help families stabilize and move toward self-sufficiency.
- Safe, quality housing helps keep children from being removed from their families and placed in foster care. Providing permanent housing and supportive services for the 650 Hoosier children removed from their homes due to inadequate housing would cost \$8.7 million-\$22 million less than it would cost to keep them in the foster care system.
- Stable, affordable housing reduces transient student populations and dropout rates. Based on the most current longitudinal study of dropout rates, conducted by the U.S. Department of Education, Indiana children who change schools more than three times before eighth grade are nearly 2.5 times more likely to dropout than those who are less transient. In Missouri, each dropout costs the state \$4,000 a year for the rest of their lives in increased incarceration and social services costs.

23.9% of Indiana families living in poverty have children under the age of 18.
74% of female householder families (no husband present) living in poverty in Indiana have children under 18.
7.7% of individuals living in poverty in Indiana are 65 or older.⁹

Aging in Place: Better Value and Quality of Life for Seniors

- Owner-occupied rehabilitation, home modifications such as wheelchair ramps, and affordable senior rental housing are all viable solutions to help keep seniors in their homes rather than moving to a nursing home. Aging in place helps seniors remain self-sufficient and promotes higher quality of life. It also saves money because it avoids high nursing-care fees and care that may exceed a senior's actual needs, as defined by their personal desire and ability to live independently.
- Approximately 47,000 Hoosier seniors live in nursing homes. Of these about 26,000, use Medicaid. One study estimates that 20 percent (5,200) are likely receiving excess services that they do not need based on their level of independence.

Retaining the Benefits of homeownership: Foreclosure Prevention Strategies

- A Freddie Mac study found that pre-purchase homeownership counseling reduced 90-day delinquency by 19 percent. Pre- and post-purchase counseling cut default rates by 50 percent in an Ohio State University study.
- Multiple studies have found that post-purchase counseling, emergency assistance, and/or loss mitigation avert up to 60 percent of foreclosures and save a minimum of \$15,000 per mortgage in foreclosure costs for homeowners and the lending industry.
- At Indiana's current rate of foreclosure, similar prevention strategies would cost \$5 million, would save at least \$22.5 million per year, and would preserve the housing assets of 1500 low-income households.

Endnotes

¹ Brooks, M. (2002). *Housing trust fund progress report 2002: Local response to America's housing needs*. Frazier Park, CA: Center for Community Change. Retrieved November 20, 2006, from

<http://www.communitychange.org/issues/housingtrustfunds/whatarehousingtf/#1> .

² Advisory Committee of the Indiana Affordable Housing and Community Development Fund. (2006). *The Indiana Affordable Housing and Community Development Fund: A report from the Advisory Committee*. Retrieved November 20, 2006, from

<http://www.ourindianahome.org/recentresearch.html> .

³ *Ibid.*

⁴ Center for Community Change. (2001). *Home sweet home: Why America needs a national trust fund*. Frazier Park, CA: Center for Community Change. Retrieved November 20, 2006, from

<http://www.communitychange.org/issues/housingtrustfunds/whatarehousingtf/#1> .

⁵ Advisory Committee, *Development Fund Report*.

⁶ *Ibid.*

⁷ *Ibid.*

⁸ *Ibid.*

⁹ U.S. Census Bureau. (2000). *Profile of selected economic characteristics: 2000*. Retrieved November 20, 2006, from

http://factfinder.census.gov/servlet/QTTable?_bm=n&_lang=en&_qr_name=DEC_2000_SF3_U_DP3&ds_name=DEC_2000_SF3_U&geo_id=04000US18