

HOUSING BOND REPORT

A MONTHLY PUBLICATION ON THE LOW-INCOME HOUSING TAX-EXEMPT BOND INDUSTRY

December 2006, Volume IX, Issue XII, Published By Novogradac & Company LLP

Voters Approve Billions for Housing in State, Local Housing Bond Measures

By Alex Ruiz, Managing Editor, Novogradac & Company LLP

Voters in several states approved ballot measures authorizing billions of dollars in bond issuance for uses including housing. *Bloomberg.com* reports that in total, U.S. voters approved 96 percent of the total proposed \$58.2 billion in major bond measures, which translates to approval for \$56 billion for state and local government. Reuters reports that there were 15 statewide bond measures in California, Arkansas, New Mexico and Rhode Island, and all but one, a \$4 million proposal for a state park in Rhode Island, passed. The following are just a few of the larger housing bond measures put before voters last month.

California

By far the largest of the initiatives is the \$2.85 billion dollar Proposition 1C approved by Californians. Under this measure, which was part of a \$48 billion dollar set of bond propositions, funds may be used for the purpose of providing shelters for battered women and their children, clean and safe housing for low-income senior citizens; homeownership assistance for the disabled, military veterans and working families; and repairs and accessibility improvements to apartments for families and disabled citizens. The measure requires reporting and publication of annual independent audited reports showing use of funds, and limits administration and overhead costs.

In 2002, voters approved Proposition 46, which provided a total of \$2.1 billion of general obligation bonds to fund state housing programs. Current estimates expect that about \$350 million of Proposition 46 funds were unspent as of November 1, 2006.

The major allocations of the bond proceeds are:

- ◆ Development programs (\$1.35 billion). The measure will fund three new programs aimed at increasing development. Most of the funds will be targeted for development projects in existing urban areas and near public transportation. The programs will provide loans and grants for a wide variety of projects, such as parks, water, sewage, transportation and housing.
- ◆ Homeownership programs (\$625 million). A number of the programs funded by this measure will encourage homeownership for low- and moderate-income homebuyers. The funds will be used to provide down-payment assistance to homebuyers through low-interest loans or grants. Typically, eligibility for this assistance would be based on the household's income, the cost of the home being purchased, and whether it is the household's first home purchase.
- ◆ Multifamily Housing programs (\$590 million). The measure also will fund programs aimed at the construction or renovation of rental housing projects, such as apartment buildings. These programs generally provide local governments, not-for-profit organizations and private developers with low-interest (3 percent) loans to fund part of the construction cost. In exchange, a project must reserve a portion of its units for low-income households for a period of 55 years. This measure gives funding priority to projects in already developed areas and near existing public services (such as public transportation).
- ◆ Other housing programs (\$285 million). These funds will be used to provide loans and grants to the developers of homeless shelters and housing for farmworkers. In addition, funds will be allocated to pilot projects

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aimed at reducing the costs of affordable housing. The funds will be allocated over a number of years. The measure provides the Legislature broad authority to make future changes to these programs to ensure their effectiveness.

In Los Angeles, however, another large bond measure for housing failed. Voter approval of Measure H would have authorized \$1 billion in bonds that supporters said would build 10,000 units of low-income and homeless housing and create a loan program for first-time homebuyers. The *Los Angeles Times* reported Measure H was believed to be the largest of its type for a municipality.

Texas

Local bond measures in Texas also won approval, including a \$1.35 billion bond package passed by Dallas' voters. Propositions 7 and 8 were lauded by supporters as complementary measures aimed at improving Dallas' southern sector. Under Prop. 7, \$1.5 million in bonds will be issued for the city to purchase land and develop low- and moderate-income housing. Under Prop. 8, \$41.495 million in bonds would be used to finance infrastructure for new developments and improve neighborhoods in the city's southern half. The money will be used for mixed-use developments that will feature residential units, as well as commercial and retail space.

Voters in Houston, Texas approved Proposition F as part of a larger \$635 million bond package. Prop. F authorizes the issuance of \$18 million in affordable housing bonds for the city of Houston.

Rhode Island

Question 9 asked voters to approve total spending of \$12.5 million per year over the course of four years to provide state matching funds for deferred payment loans according to a two-part allocation. They did. Of the total \$50 million included in the bond measure, \$40 million will be used to create affordable apartments and \$10 million will be used to create affordable housing homeownership opportunities. The state expects that the matching funds will generate approximately \$450 million in funding from other sources. ❖

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