

Minnesota Families Affordable Rental Investment Fund

Annual Report to the
Minnesota Legislature, 2007

April 2008



Minnesota Department of **Human Services**



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Introduction

In 2000 the Minnesota Legislature authorized Minnesota Housing to develop a program that would provide rental housing affordable for families with incomes that qualify them for the Minnesota Family Investment Program (MFIP), the state's primary public assistance program. This report is submitted to the Minnesota Legislature by Minnesota Housing in cooperation with the Department of Human Services (DHS) as provided by Laws 2000, chapter 488, article 8, section 2, which states:

"The commissioner of the Minnesota housing finance agency and the commissioner of human services shall jointly prepare and submit a report to the governor and the legislature on the results of the funding provided under this section. The report shall include: (1) information on the number of units produced; (2) the household size and income of the occupants of the units at initial occupancy; and (3) to the extent the information is available, measures related to the occupants' attachment to the workforce and public assistance usage, and number of occupant moves."

Background

Following the Minnesota Legislature's authorization of the program and with an initial appropriation of \$30 million, Minnesota Housing created the Minnesota Families Affordable Rental Investment Fund (MARIF). Minnesota Housing began accepting funding proposals from housing sponsors in late 2000. Under MARIF, Minnesota Housing has made deferred loans to housing sponsors for the construction, acquisition, or rehabilitation of permanent rental or permanent supportive housing that includes units affordable to tenants with MFIP-level incomes.

In 2001 Minnesota Housing received additional appropriations to MARIF from the legislature for a cumulative total of \$54,000,000. These appropriations have enabled Minnesota Housing to fund 54 developments with 443 units (unadjusted count) of rental housing affordable for tenants with MFIP-level incomes. Of these affordable MARIF-funded units, 81.9 percent were new construction/adaptive reuse at the time of funding (18.1 percent were rehabilitation) and 32.7 percent were supportive housing (67.3 were not supportive housing).

Currently, 25.1 percent of MARIF-assisted developments are located in Greater Minnesota communities and 74.9 percent are located in the seven-county Twin Cities area. Within the Twin Cities area, developments with MARIF-assisted units are located primarily in the inner cities (70.6 percent of the developments in the area are located within the cities of Minneapolis or Saint Paul).

Using MARIF appropriations with other resources, the state added 2,093 new or substantially rehabilitated affordable rental units, of which 21.2 percent are affordable to tenants with MFIP-level incomes.

Demographic data for 2006 are summarized primarily from compliance monitoring reports submitted by property owners to Minnesota Housing in 2007 for 291 households. Note that tenant demographics vary from year to year, reflecting the number, size, and location of developments for which owners are required to report information. Data concerning MFIP participation and earnings provided to Minnesota Housing by DHS has been updated to

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include annual data through 2006 and the first nine months of calendar year 2007. MFIP and earnings data are available for 343 current and 160 recent tenants of MARIF-assisted housing, a total of 503 households.

Program funding and participants assisted

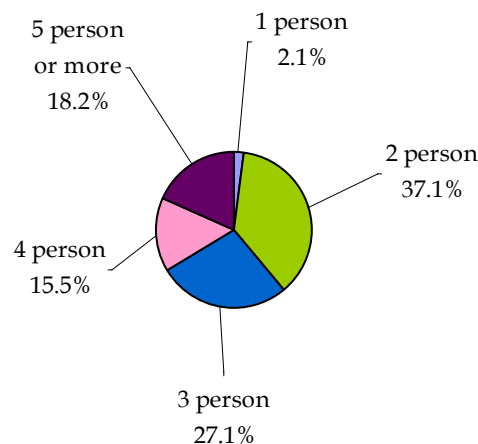
Nearly 60 percent of the developments for which MARIF loans have closed also received funds through another Minnesota Housing deferred loan or first mortgage program. The Economic Development and Housing Challenge Fund and the Low and Moderate Income Rental Program with flexible financing were the two programs most frequently used in conjunction with MARIF. Owners of 42.6 percent of the developments also received federal tax credits allocated by Minnesota Housing in addition to project financing.

Distribution of MARIF Assistance

Property location	Number of developments	MARIF loan amount	Total units	MARIF units affordable at MFIP incomes	New construction MARIF units	Supportive MARIF units
Metro	34	\$43,833,996	1,541	332	265	123
<i>Inner cities</i>	24	\$27,229,496	935	215	148	108
<i>Suburbs</i>	10	\$16,604,500	606	117	117	15
Greater MN	20	\$11,682,205	552	111	98	22
Total closed	54	\$55,516,201	2,093	443	363	145

Reports submitted in 2007 reveal a continuing trend of high occupancy by relatively large families with children. Nearly 95 percent of households occupying MARIF-assisted units were families with children; 80.1 percent were single parents with children; and 61 percent were households that included three or more people.

Tenants of MARIF Units Reporting in 2007 by Household Size



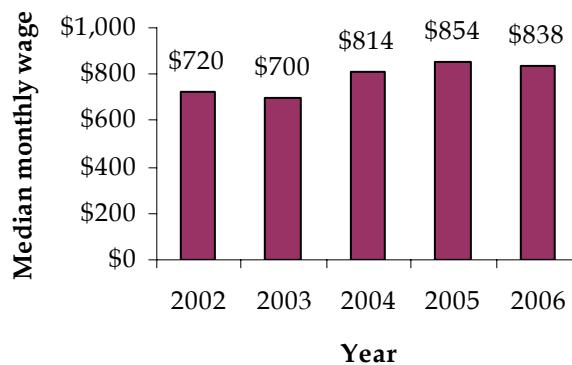
The percentage of households of color occupying MARIF units historically has been at or above 50 percent; data reported in 2007 for compliance monitoring indicate that 59.0 percent of householders in MARIF-assisted units were of color.

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Analysis of workforce attachment and public assistance use

The Minnesota Department of Human Services publishes an annual report summarizing the characteristics of households receiving MFIP. The most recent analysis, *Characteristics of December 2006 Minnesota Family Investment Assistance Programs: Cases and Eligible Adults*, includes summary data on more than 22,000 MFIP-assisted households, 85.8 percent of which included only one eligible adult. An analysis of data in this report shows that 38.4 percent of MFIP-assisted households reported earned income in December 2006; earnings in December of each of the past five years indicate a 16.4 percent increase in the median December wage from 2002 to 2006 (not adjusted for inflation).

Median Monthly Wages Reported by MFIP-Assisted Households in December, 2002-2006

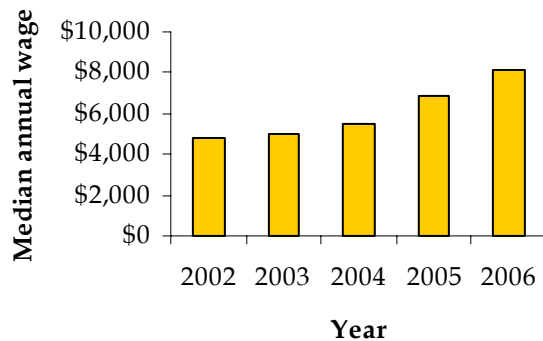


Monthly data are not available to make a direct comparison between the percentage of wage earners among households who occupied MARIF-assisted units and the MFIP-assisted population as a whole; however, median annual earnings show a significant increase among MARIF tenants between 2002 and 2006.

Annual data suggest that MARIF-assisted households either worked an increasing number of hours (data on hours worked are not sufficiently reliable to use in this analysis), or achieved greater wage gains than households in the MFIP-assisted population (the median annual wage among MARIF-assisted households increased by nearly 70 percent between 2002 and 2006).

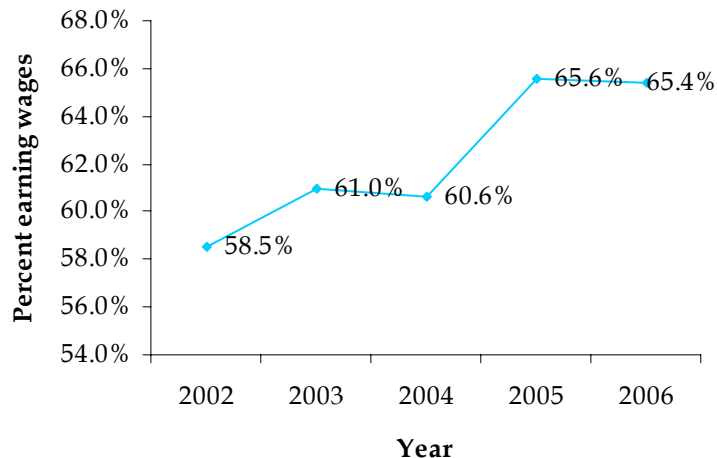
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Median Annual Wage, MARIF-Assisted Households, 2002-2006



Available annual earnings data suggest that a greater percentage of tenants of MARIF-assisted units had earned income than in the MFIP-assisted population (38.4 percent reported earning wages in December 2006).

Percentage of MARIF-Assisted Households Reporting Wages Earned, 2002-2006



An analysis of median earnings by year of move-in for households occupying MARIF-assisted housing is preliminary, since nearly two-thirds of current occupants moved into the housing in 2005 or later. Annual wage data are available through 2006 only. For households moving between 2003 and 2005, median annual wages increased between five percent and 21 percent after moves into MARIF-assisted housing. After one year of occupancy, median wages of MARIF-assisted tenants increased between 20 percent and 33 percent for 2003 and 2004 move-ins; the median annual wage of 2005 move-ins actually decreased (by less than one percent) in 2006.

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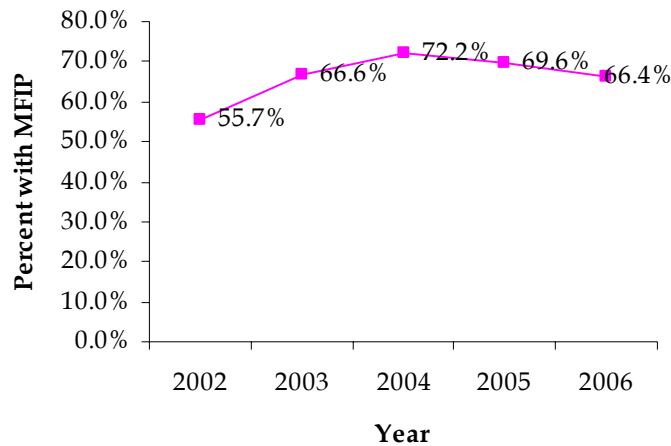
Current MARIF-Assisted Households and Median Annual Wages by Calendar Year of Moved into MARIF-Assisted Housing, 2002-2006

Move-in year		Total earnings in 2002	Total earnings in 2003	Total earnings in 2004	Total earnings in 2005	Total earnings in 2006	Earnings through September 2007
2002	N	3	3	2	3	3	3
	Median	3030.60	7838.97	15465.35	15450.06	17090.98	5254.92
2003	N	24	23	24	26	27	25
	Median	5320.85	6058.24	7282.66	10699.00	10679.50	5430.84
2004	N	46	50	47	56	52	45
	Median	5383.58	6213.58	6513.66	8631.79	12380.34	7136.90
2005	N	51	53	55	53	53	52
	Median	5813.75	5214.52	5994.87	7221.00	6643.79	5471.68
2006	N	74	83	79	84	89	85
	Median	2721.47	4580.72	6185.87	5420.06	6255.61	4021.75
Total	N	199	213	208	223	225	210
	Median	4969.41	5425.31	6255.62	7457.91	8124.49	5206.68

N=Number of households reporting earnings
 Median= median annual earnings reported

Among households that occupied MARIF-assisted units, the percentage receiving public assistance has varied somewhat, declining since 2004. This no doubt reflects overall declines in the number of MFIP and Diversionary Work Program cases (and amounts paid) in Minnesota as shown in *Family Self-Sufficiency and Health Care Program Statistics* (December 2007), from the Reports and Forecasts Divisions of DHS. Average monthly cases decreased from 43,271 in 2002 to 37,373 in 2006.

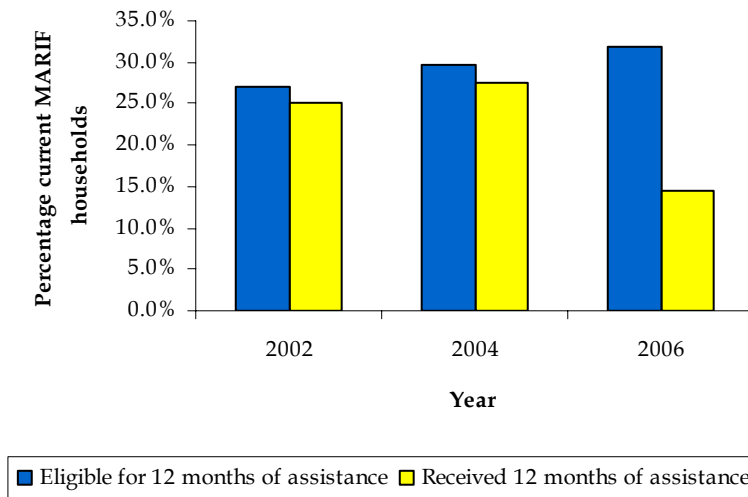
Percentage of MARIF-Assisted Households Receiving MFIP, 2002-2006



Data from DHS indicate that the percentage of current MARIF-assisted households receiving MFIP benefits increased from 2002-2004. Among MARIF-assisted households, the percentage of households and the total number of months of assistance received began declining after 2004, and appears to be at an all-time low among current MARIF-assisted households.

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Because there may be a variety of factors affecting the outcomes of families receiving MFIP and MARIF-assisted affordable housing, it is difficult to establish a direct cause-and-effect link between them; it also is difficult to measure outcomes when improvements may be in the quality of life rather than in more quantifiable changes. Examining months of eligibility for MFIP assistance and months of MFIP assistance actually received among tenants of MARIF-assisted housing seems to suggest that affordable housing may be important in enabling low-income families to become more self-sufficient as they work to improve the quality of their lives.



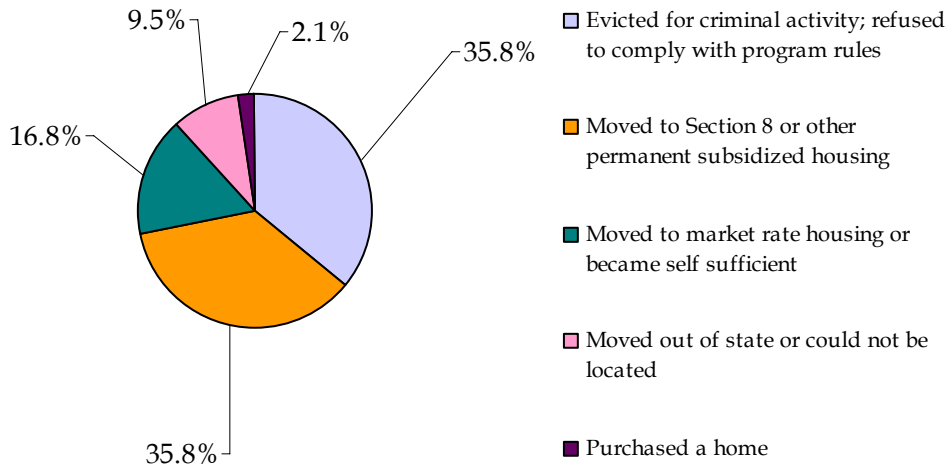
Number of occupant moves

Comparable data on mobility trends among MFIP-assisted households and MARIF tenants are not available for analysis; however, according to data from the *Minnesota Family Investment Program Longitudinal Study: Four Years After Baseline* (August 2005), Minnesota Department of Human Services, of the approximately 500 MFIP households surveyed, 34 percent reported having moved in the previous 12 months.

Among current tenants of MARIF-assisted housing, the minimum number of months of occupancy was reported to be 11.5, and the maximum, 70.6. Fifty percent of the households had occupied MARIF housing for at least 29.2 months (median).

Available information shows that one of the predominant reasons households had recently moved out of MARIF units was that they obtained Section 8 or some other permanent housing subsidy (nearly 36 percent of those reporting). An equally common reason for moving was eviction based on criminal activity or failure to comply with rules. Nearly 17 percent of recent MARIF-assisted tenants moved into market rate housing or became self-sufficient.

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Conclusion

There may be a variety of factors affecting the outcomes of families receiving income or housing assistance, making it difficult to establish a direct cause-and-effect link between assistance and family outcomes. It also is difficult to measure outcomes when improvements may be related to quality of life rather than in more quantifiable changes.

Based on a review of data, it appears that housing assisted through the Minnesota Families Affordable Rental Investment Fund provides low-income families with an environment conducive to achieving greater stability and self-sufficiency.

Data show that over the past five years (2002-2006), an increasing percentage of households occupying MARIF-assisted housing have earned income, with more than 65.4 percent of households reporting earned income for 2006. The median annual earned income during that time shows a substantial increase.

Information from property owners or managers indicates that more than one third of tenants leaving MARIF-assisted housing moved to Section 8 or other permanent subsidized housing, and 20 percent moved to market rate housing or became self sufficient.

Cooperation between Minnesota Housing and Minnesota Department of Human Services staff enables ongoing analysis of information to measure the effect of MARIF-assisted housing on family outcomes. Analysis of data will enable stakeholders to more fully understand the relationship between affordable housing and employment, earnings, and mobility among households with MFIP-level incomes.

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