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Minnesota Families Affordable Rental Investment Fund

Annual Report to the Minnesota Legislature

June 2011

Minnesota Department of Human Services

Minnesota Housing Finance Agency

Minnesota Families Affordable Rental Investment, 2010

Contents

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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, and the last MARIF loan closed in June 2007. Under MARIF, Minnesota Housing 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 for MARIF from the legislature for a cumulative total of $54,000,000.

Affordable Housing Development

Using MARIF appropriations and other resources, Minnesota Housing has funded 54 developments with a total of 2,093 new or substantially rehabilitated affordable rental units. Of these, 443 units or 21 percent are affordable to tenants with MFIP-level incomes (see Table 1). Eighty-two percent of the MARIF-funded units were new construction/adaptive reuse at the time of funding and 18 percent were rehabilitation. A total of 33 percent of the units were supportive housing.

Twenty-five percent of the MARIF-assisted units are located in Greater Minnesota communities and 75 percent are located in the seven-county Twin Cities metro area. Within the Twin Cities area, MARIF-assisted units are located primarily in the inner cities (65 percent of the units in the metro area are located within the cities of Minneapolis and Saint Paul).

Table 1
Distribution of MARIF Assistance

Property location	Number of Develop-ments	Percentage of Total	MARIF Loan Amount	Total Units	MARIF-Assisted Units	Percentage of Total
Metro	34	63%	$43,833,996	1,541	332	75%
Inner cities	*24*		*$27,229,496*	*935*	*215*	
Suburbs	*10*		*$16,604,500*	*606*	*117*	
Greater MN	20	37%	$11,682,205	552	111	25%
Total closed	54	100%	$55,516,201	2,093	443	100%

Nearly 60 percent of the developments with MARIF loans 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 43 percent of the developments also received federal tax credits allocated by Minnesota Housing in addition to project financing.

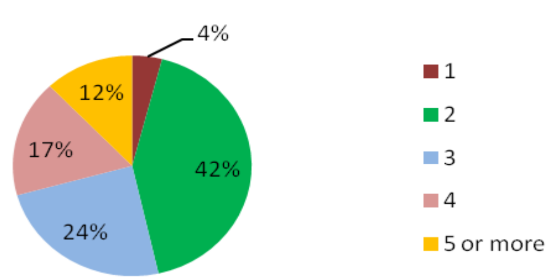
Basic Characteristics of Tenants

Most tenants are small single parent families.

Information reported to Minnesota Housing by property owners in 2009 (approximately 50 percent of all MARIF units reported) indicated that households generally were families with one or more minor children. Of the reported units, 84 percent were occupied by single-parent families (one adult living with one or more minor children). Ninety-six percent of single parent families were female-headed.

More small households moved into MARIF-assisted units in 2010 than prior to 2010. Data show that 46 percent of tenants moving into MARIF-assisted housing during 2010 were one or two person households; 42 percent of households in MARIF-assisted housing who had moved in prior to 2010 were one or two person households.

Figure 1
MARIF Move-Ins
by Household Size, 2010



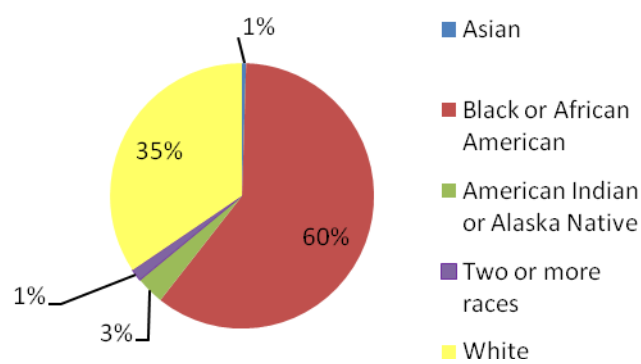
The median income of tenants moving into MARIF units in 2010 was lower than in tenants who moved in during previous years.

The estimated median income of all households reporting for 2010 was $11,088; $9,036 for 2010 move-ins and $11,688 for move-ins prior to 2010. Based on available information, the greatest proportion of households (43 percent) reported salary/wages as the primary source of household income; 31 percent reported public assistance as the primary source.

Nearly two-thirds of MARIF tenants are households of color.

Historically, households of color have occupied at least 50 percent of the MARIF units. The most recent information available shows that 68 percent of all householders (reported for 2009) were of color. Households of color are non-White or Hispanic households.

Figure 2
Tenants of MARIF Units by Race, 2009

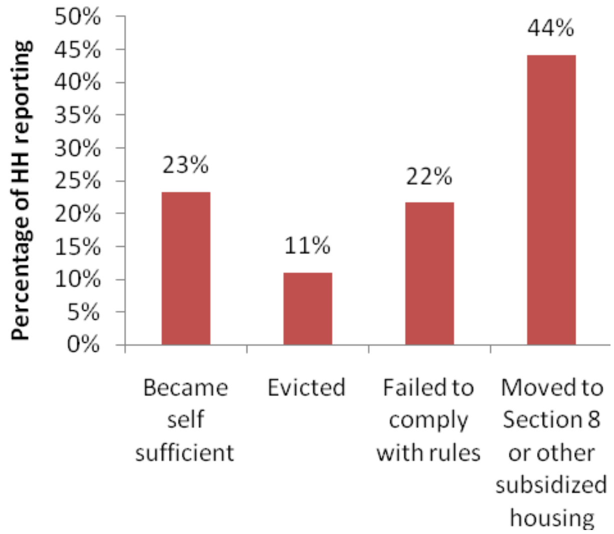


MARIF-assisted tenants appear to move less frequently than MFIP recipients.

Data are available on the mobility patterns of nearly 400 MFIP recipients surveyed annually for the DHS *Minnesota Family Investment Program Longitudinal Study: Five Years from Baseline* (October 2008). Responses to annual surveys (1998-2003) show that 67 percent of MFIP recipients did **not** have multiple moves; 33 percent moved at least twice in each of the survey years. Between 14 percent and 29 percent of study participants reported receiving housing subsidy during that five-year period. According to the most recent report, *Minnesota Family Investment Program and the Diversionary Work Program: Characteristics of December 2009 Cases and Eligible Adults*, only 28 percent of MFIP recipients were receiving a housing subsidy as of December 2009.

In contrast, among current tenants of MARIF-assisted housing, 74 percent had **not** moved in the previous year and 41 percent had occupied their units for more than three years. Information on reasons for MARIF tenant move-outs is limited (only 38 percent of records identify reasons for a move). Figure 3 illustrates that the most common reason households moved is that the household obtained Section 8 or some other permanent subsidized housing—44 percent of all movers between 2003 and 2010 for which information is available. Nearly one-fourth of tenants moving from MARIF housing moved to market rate housing or became self sufficient.

Figure 3
Reasons for Tenant Moves from MARIF-Assisted Housing



Tenant Workforce Attachment

More than half of MARIF households had earnings in 2010.

The most recent data from DHS show that 33 percent of tenants on the Minnesota Family Investment Program (MFIP) in December of 2009 had earned income. Among 2010 MARIF tenants, 54 percent reported earnings and 55 percent reported MFIP participation for one or more months in 2010.

The percentage of wage earners remained stable or increased for households moving into MARIF-assisted units between 2003 and 2007 (Table 2). From 2008 through 2010, the decreasing percentages most likely reflect a faltering economy and higher unemployment. The unemployment rate for Minnesota's population as a whole, which averaged 4.5 percent annually from 2003-2007, began increasing in 2008 (5.4 percent) and has risen to levels higher than any year since 1982 (8.1 percent in 2009 and 7.3 percent in 2010).

Table 2
Percentage of MARIF-Assisted Households
Reporting Wages Earned

Move-in Year	Percentage of Households Reporting Earned Income: One Year Prior to Move-in	Move-in Year	One Year After Move-in	Two Years After Move-in
2003	65%	64%	64%	67%
2004	65%	66%	69%	69%
2005	64%	65%	66%	67%
2006	67%	69%	66%	59%
2007	73%	70%	68%	55%
2008	71%	64%	56%	58%
2009	67%	55%	58%	NA
2010	68%	64%	NA	NA

NA = Not available

Measuring Outcomes

Earnings generally increased after households moved into MARIF units.

Households that DHS studied in *Minnesota Family Investment Program Longitudinal Study: Five Years from Baseline* (October 2008) had a substantial earnings increases in the first year following entry onto MFIP and slower gains subsequently with an overall increase of 61 percent in the amount of earned income (adjusted for inflation) over the five years, due to a combination of increased wages and increased hours worked. According to *Minnesota Family Investment Program and the Diversionary Work Program: Characteristics of December 2009 Cases and Eligible Adults* (DHS), between 28 percent and 32 percent of MFIP participating households received housing subsidy from 2005 through 2009.

Table 3 shows the median incomes of all households reporting (including those reporting $0 earnings) before and after their moves into MARIF-assisted housing. For households moving into MARIF-assisted housing between 2003 and 2006, median annual earnings generally increased the year after they moved into MARIF-assisted housing with one exception; 2006 movers reported lower incomes in the second year after move in (2008). Earnings began to decline in 2008 and unemployment began to increase due to general economic conditions. Conditions from 2008 through 2010 were difficult for MARIF-assisted households as well as households across the state.

Earnings data only cover jobs that are subject to unemployment insurance and may exclude a significant portion of households from this analysis, e.g., households with earnings from self employment or earnings paid in cash.

Table 3
Median Annual Earnings or MARIF-Assisted Households
(2010 dollars)

	Median Income, All Households Reporting			
Move-in Year	One Year Prior to Move-in	Move-in Year	One Year After Move-in	Two Years After Move-in
2003	$1,437	$1,274	$2,426	$3,216
2004	$1,329	$1,568	$2,451	$3,148
2005	$1,210	$1,313	$2,027	$2,463
2006	$1,640	$1,831	$2,694	$2,385
2007	$1,833	$2,402	$1,807	$538
2008	$1,755	$1,328	$925	$537
2009	$1,102	$180	$998	NA
2010	$2,035	$915	NA	NA

NA = Not available

Reporting

Some demographic data, e.g., race and minor children, are summarized from reports submitted to Minnesota Housing by property owners during the process of monitoring units for compliance with program rules. These demographic data are used to generate a profile of the tenants occupying MARIF-assisted units in a reporting year. Tenant data for calendar year 2010 were reported in 2011 and are analyzed here, together with data on previous occupants who have moved.

DHS matched MFIP and earnings data on 1,156 households that currently occupy or have occupied MARIF-housing between 2002 and 2010; an additional 151 household records with no DHS matching data (MARIF-assisted households not participating in MFIP) reported information to Minnesota Housing. Available information on these 1,307 households is included in this analysis.

Data concerning MFIP participation and earnings are provided to Minnesota Housing annually by the Minnesota Department of Human Services under a data sharing agreement that provides for the secure transfer of data between agencies.

Conclusion

A variety of factors may affect family stability and economic success, and the data available for analysis is limited; however, it appears that MARIF-assisted housing may provide its tenants with a safe, affordable environment in which they may work more effectively to improve their financial condition.

Information from property owners or managers indicates that 44 percent of tenants leaving MARIF-assisted housing moved to Section 8 or other permanent subsidized housing and 23 percent moved into 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 should 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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