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Minnesota Families Affordable Rental Investment Fund

Annual Report to the Minnesota Legislature

September 2013

Minnesota Department of Human Services

Minnesota Housing Finance Agency

Minnesota Families Affordable Rental Investment Fund

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Introduction

In 2000, the Minnesota Legislature authorized Minnesota Housing to develop a program that would provide rental housing that is 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 Minnesota Legislature. Over the life of the program, appropriations totaled $54 million.

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).

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 metropolitan 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 Developments	MARIF Loan Amount	Total Units	MARIF-Assisted Units	Percentage of Total MARIF Units
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%

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.

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 housing tax credits allocated by Minnesota Housing in addition to project financing.

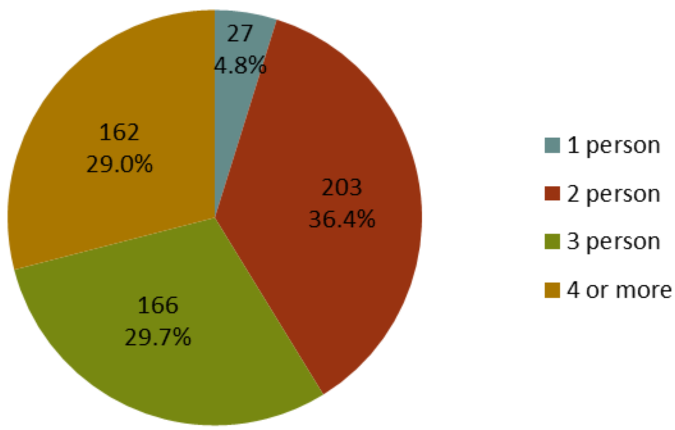
Basic Characteristics of Tenants

Most tenants are small single-parent families.

The most recent household demographic information (as of December 31, 2012) reported to Minnesota Housing by property owners in 2013 indicates that 86.1 percent of households were families with one or more minor children and 70 percent were single-parent families (one adult living with one or more minor children), nearly all female-headed.

The household size of assisted households is shown in Figure 1, with a median size of three people. Of these, 41.2 percent of were one or two person households, 29.7 percent were three person households and 29 percent were four persons or more. Data show that MARIF household size has remained relatively stable.

Figure 1
MARIF Households
by Household Size, 2012



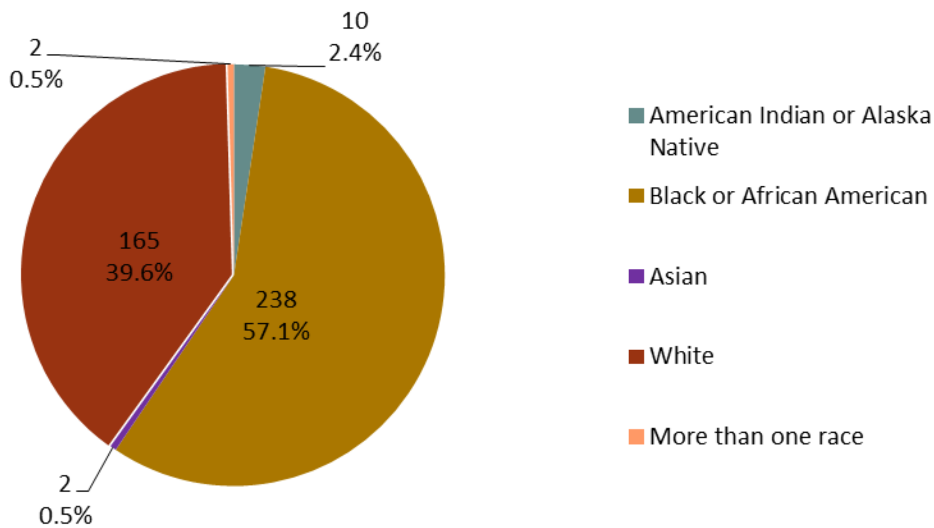
The median income of tenants moving into MARIF units in 2012 was lower than income of tenants who moved in during previous years.

The median 2012 income of all households reported was $11,556—$9,203 for 2012 move-ins and $11,790 for move-ins prior to 2012. Based on available information, the greatest proportion of households (33.9 percent) reported salary/wages as the primary source of household income; followed by 30 percent reporting public assistance and 23.4 percent reporting Social Security as the primary sources of income. Household income could include Social Security paid to an older or disabled household member.

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 61.6 percent of all householders were of a race other than White.

Figure 2
MARIF Households by Race, 2012



Note that data exclude records with obvious coding errors, which may lead to some undercounting, e.g., a development on reservation land.

MARIF-assisted tenants move less frequently than low-income renters in general.

Moves are not necessarily an indicator of household distress; however, studies show that low-income families move more frequently than does the general population and are more likely to make involuntary moves, e.g., caused by eviction or housing affordability problems. Involuntary or unplanned moves can adversely affect families, especially children. Research indicates that children in frequent mover families lag in academic performance compared with their peers, and evidence suggests a connection between frequent moves and behavior problems in the children of frequent movers.[1]

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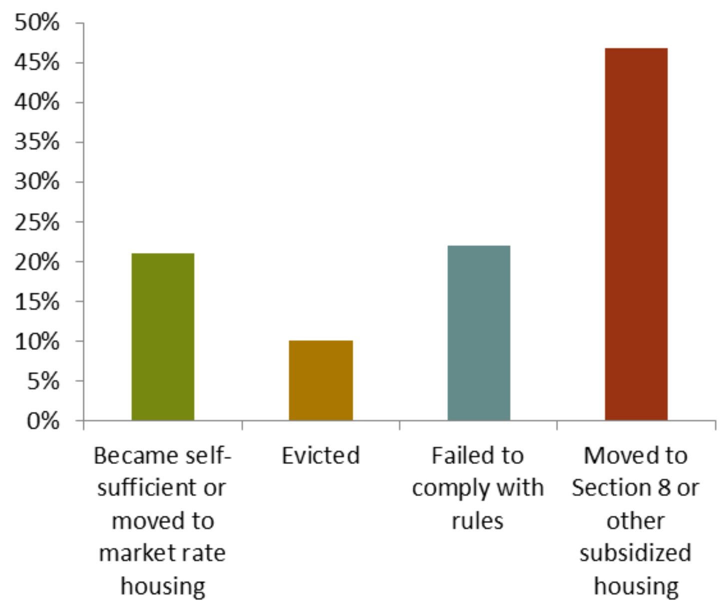
[1] Rebecca Cohen and Keith Wardrip, *Should I Stay or Should I Go?* (Center for Housing Policy, February 2011).

According to sample data reported in the Census Bureau, 30.8 percent of low-income renter households in the U. S. (households below poverty) had moved to their current housing within the last year. [2] Among current tenants of MARIF-assisted housing, 23.9 percent had occupied MARIF for one year or less. Nearly 33 percent had occupied their units for at least three years and 21.1 percent had occupied their units for five years or more.

Information on reasons for MARIF tenant move-outs is limited (only 41.8 percent of records identify a reason for tenant move). As shown in Figure 3, the most common reason for a household move is the household obtaining Section 8 or some other permanent subsidized housing—46.8 percent of all movers between 2003 and 2012 for which information is available. Slightly more than one-fifth 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



[2] U.S. Department of Commerce, Bureau of the Census, *American Housing Survey, 2011.*

Tenant Workforce Attachment

Recent earnings of MARIF households reflect generally difficult economic conditions.

The most recent data from DHS show that 38.2 percent of households on the Minnesota Family Investment Program (MFIP) in December of 2012 reported earnings.[3] Among current or recent MARIF households, 76.4 percent reported earnings in 2012. The following data show earnings in 2012 of households moving into a MARIF-assisted unit in 2012 and households that moved into a MARIF-assisted unit prior to 2012:

Table 2
Earnings of MARIF Households in 2012

MARIF Move-in	Number of Households	Median Earnings in 2012
2012	61	$6,024
Prior to 2012	169	$9,149

The percentage of wage earners remained relatively stable or increased for households moving into MARIF-assisted units between 2004 and 2007 (Table 3). From 2008 to 2011, the data reflect a faltering economy and higher unemployment. The unemployment rate for Minnesota averaged 4.5 percent annually from 2003-2007. The rate increased to 5.4 percent in 2008, 8.0 percent in 2009, 7.3 percent in 2010, and 6.5 in 2011. Signs of a recovery have appeared—the unemployment rate fell to 5.6 percent in 2012—however, the state's economy has not returned to its pre-2009 level of activity.

The following tables include all households reporting $0 or more in earnings annually since 2004. Households that received one or more months of MFIP assistance and did **not** report any earnings were assumed to have $0 in earnings in the reporting year and are also included in these data tables. Records that were blank for earnings data **and** blank MFIP participation are excluded from this table because we cannot assume earnings to be $0; they may simply have been unreported.

[3] Minnesota Department of Human Services, *Minnesota Family Investment Program and Diversionary Work Program: Characteristics of December 2012 Cases and Eligible Adults*, May 2013.

Table 3
Percentage of MARIF-Assisted Households
Reporting Wages Earned, 2004—2012

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	Three Years After Move-in	Four Years After Move-in	Five Years After Move-in	Six Years After Move-in	Seven Years After Move-in	Eight Years After Move-in
2004	68%	69%	79%	75%	81%	82%	82%	82%	83%	89%
2005	71%	70%	74%	78%	79%	76%	74%	77%	79%	
2006	71%	73%	73%	75%	66%	66%	68%	69%		
2007	74%	72%	72%	61%	70%	68%	71%			
2008	76%	64%	62%	68%	67%	83%				
2009	73%	58%	61%	61%	71%					
2010	76%	66%	65%	79%						
2011	54%	56%	67%							
2012	75%	75%								

Cells highlighted in yellow show 2008-2011, a period of high unemployment.

Measuring Outcomes

Earnings generally increased after households moved into MARIF units.

Table 4 shows the median earnings of all households with known earnings, before and after their moves into MARIF-assisted housing. Data include between 800 and 1,100 households annually.

For households moving into MARIF-assisted housing from 2004-2007, median annual earnings generally increased in the years after they moved into MARIF-assisted housing. Move-in year earnings began to decline in 2008 and, as noted previously, unemployment began to increase due to general economic conditions. Conditions from 2008 to 2011 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 4
Median Annual Earnings of MARIF-Assisted Households from the Year Prior to Move-In Through 2012 (2012 dollars)

Move-in Year	One Year Prior to Move-in	Move-in Year	One Year After Move-in	Two Years After Move-in	Three Years After Move-in	Four Years After Move-in	Five Years After Move-in	Six Years After Move-in	Seven Years After Move-in	Eight Years After Move-in
	All Households Reporting Earnings >=$0									
2004	$1,743	$1,981	$5,189	$5,355	$8,345	$8,016	$10,578	$10,001	$11,836	$13,236
2005	$2,460	$2,211	$3,278	$5,246	$7,911	$7,280	$5,828	$7,207	$6,852	NA
2006	$2,001	$2,160	$4,880	$4,600	$3,192	$4,080	$2,910	$6,240	NA	NA
2007	$1,806	$2,786	$2,323	$2,089	$2,944	$3,760	$6,873	NA	NA	NA
2008	$2,609	$1,473	$1,576	$2,751	$3,603	$4,037	NA	NA	NA	NA
2009	$2,679	$627	$1,459	$2,822	$3,490	NA	NA	NA	NA	NA
2010	$2,735	$1,008	$2,584	$4,262	NA	NA	NA	NA	NA	NA
2011*	$66	$607	$1,704	NA	NA	NA	NA	NA	NA	NA
2012	$2,668	$3,191	NA	NA	NA	NA	NA	NA	NA	NA

Cells highlighted in yellow show 2008-2011, a period of high unemployment.
NA = Not applicable
*Data indicate a higher percentage of households with $0 earnings than in previous years; these findings are an anomaly. Additional review of data suggests a problem with what was reported in 2011 or how the information was stored and retrieved for analysis.

We also reviewed data for a subset of households that reported earnings ($0 or more) to the state annually for each year from 2003 through 2012, i.e., a longitudinal analysis based on the same 435 households reporting each year. While Table 4 shows earnings reported by any MARIF household, Table 5 shows MARIF households that reported earnings each year from the year prior to move-in through 2012. Data in Tables 4 and 5 show similar results.

Tables 4 and 5 show that median earnings tended to decline between 2008 and 2011, especially for later move-ins. In general, households with the longest duration of occupancy in MARIF-assisted housing, e.g., 2004 through 2012, reported the highest median earnings.

Table 5
Median Annual Earnings of MARIF-Assisted Households Reporting Every Year from the Year Prior to Move-In Through 2012
(2012 dollars)

Move-in Year	Selected Households Reporting Earnings >=$0									
	One Year Prior to Move-in	Move-in Year	One Year After Move-in	Two Years After Move-in	Three Years After Move-in	Four Years After Move-in	Five Years After Move-in	Six Years After Move-in	Seven Years After Move-in	Eight Years After Move-in
2004	$4,104	$5,201	$10,231	$13,915	$13,794	$12,790	$12,825	$13,499	$14,460	$15,125
2005	$4,186	$3,765	$5,312	$9,531	$12,369	$10,320	$9,877	$9,685	$7,597	NA
2006	$3,686	$3,945	$7,013	$4,817	$3,716	$6,298	$3,575	$5,679	NA	NA
2007	$2,194	$7,115	$6,426	$5,870	$9,155	$7,950	$9,505	NA	NA	NA
2008	$4,598	$2,294	$3,399	$4,707	$4,919	$11,760	NA	NA	NA	NA
2009	$6,167	$2,745	$5,036	$3,753	$4,037	NA	NA	NA	NA	NA
2010	$4,263	$4,265	$5,929	$6,142	NA	NA	NA	NA	NA	NA
2011*	$2,111	$5,114	$6,179	NA	NA	NA	NA	NA	NA	NA
2012	$1,943	$2,359	NA	NA	NA	NA	NA	NA	NA	NA

Cells highlighted in yellow show 2008-2011, a period of high unemployment.

Data Description

Some demographic data are summarized from reports submitted to Minnesota Housing by property owners during the process of monitoring units for compliance with program rules. Selected characteristics such as race and presence of minor children are based on data submitted as of December 31, 2011. Most data used to generate a profile of the tenants, including earnings, were reported to the state in 2013 for tenants as of December 31, 2012.

The Minnesota Department of Human Services (DHS) matched records of households that currently occupy or have occupied MARIF-housing between 2004 and 2012 with other data. Data from DHS includes Minnesota Family Investment Program (MFIP) participation and earnings data reported to the Minnesota Department of Employment and Economic Development for unemployment insurance purposes. The dataset reviewed for this analysis included 1,592 records, some of which (fewer than 200) had no matching data from DHS. These “unmatched” households were eligible to live in MARIF-assisted housing, and reported general demographic characteristics to Minnesota Housing, but were not participating in MFIP and/or did not earn income required to be reported to the state.

Data concerning MFIP participation and earnings are provided to Minnesota Housing annually by DHS under a data sharing agreement that provides for the secure transfer of data between agencies for summary, analysis, and reporting to the Minnesota Legislature.

Conclusion

Tenants of MARIF-assisted housing primarily are small low-income families with minor children. Nearly three-quarters are single-parent families and most of these are headed by a single adult female. Nearly 62 percent are of a race other than White. More than three-quarters of households reported earnings in 2012.

Information from property owners or managers indicates that 40 percent of tenants leaving MARIF-assisted housing moved to Section 8 or other permanent subsidized housing and 21 percent moved into market rate housing or became self-sufficient.

A variety of factors affect family stability and economic success, and the data available for analysis is limited; however, it appears that MARIF-assisted housing provides tenants with a stable, affordable environment in which to work toward improving their financial condition. A recession and struggling economy that is only beginning to recover clearly has limited the financial success of MARIF-assisted households.

Minnesota Housing and Minnesota Department of Human Services staff cooperate 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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