

Minnesota Families Affordable Rental Investment Fund

Report to the
Minnesota Legislature for 2006

May 2007



Minnesota Department of **Human Services**



Minnesota Families Affordable Rental Investment, 2006

Introduction and purpose

In 2000, the Minnesota Legislature authorized Minnesota Housing to develop a program that would provide rental housing affordable for people 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 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 an initial appropriation of \$30 million, Minnesota Housing created the Minnesota Families Affordable Rental Investment Fund (MARIF) and began accepting funding proposals from housing sponsors late in 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 people with MFIP-level incomes. In 2006 the maximum MFIP household benefit (including food support) for one adult with two children was \$10,716.

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 the development of 435 units (unadjusted count) of rental housing affordable to tenants with MFIP-level incomes. Of these affordable MARIF-funded units, 81.6 percent are new construction, 33.3 percent are supportive housing, i.e., housing with services, and 23.7 percent are located in Greater Minnesota communities. Within the Minneapolis/Saint Paul metropolitan area, developments with MARIF-assisted units are located primarily in the inner cities (15 developments in Minneapolis and nine in Saint Paul).

Using MARIF appropriations with other resources, the state added a total of 2,049 new or substantially rehabilitated affordable rental units. Of these, 435 or 21.2 percent of the units were affordable to tenants with MFIP-level incomes.

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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 |
| Inner cities | 24 | \$27,229,496 | 935 | 215 | 148 | 108 |
| Suburbs | 10 | \$16,604,500 | 606 | 117 | 117 | 15 |
| Greater MN | 19 | \$10,802,205 | 508 | 103 | 90 | 22 |
| Total closed | 53 | \$54,636,201 | 2,049 | 435 | 355 | 145 |

Nearly two-thirds of the developments for which MARIF loans have closed also received funds through another Minnesota Housing deferred loan or first mortgage programs. 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 41.5 percent of the developments also received federal tax credits as part of their project financing.

Program participants

To minimize the number of times owners of MARIF-assisted units are required to submit occupancy reports, annually, Minnesota Housing has streamlined its data collection procedures. Complete updated demographic information on tenants of MARIF units as of 2007 may not be available until later in the year; however, some information can be summarized from compliance monitoring reports submitted by property owners to Minnesota Housing. Information provided by DHS has been updated to include annual data through 2005 and the first ten months of data available for calendar year 2006.

Nearly ninety-three percent of households reporting in 2006 were families with children; 76.4 percent were single parents with children. More than 60 percent of the households included three or more members.

Tenants of MARIF Units Reporting in 2006

| Number of members | Number of households | Percentage of total reporting |
|-------------------|----------------------|-------------------------------|
| 1 | 2 | 1.9% |
| 2 | 37 | 34.9% |
| 3 | 25 | 23.6% |
| 4 | 24 | 22.6% |
| 5 or more | 15 | 14.2% |
| blank | 3 | 2.8% |
| Total | 106 | 100% |

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Data that owners reported to Minnesota Housing on occupancy of MARIF units (only) for 2006 showed a median annual tenant household income of \$10,716.

The percentage of households of color occupying MARIF units historically has been at or above fifty percent; data reported in 2006 indicate that 53.8 percent of the householders in MARIF-assisted units were of color.

Note that tenant demographics are based on data reported to Minnesota Housing by owners of developments and may vary from year to year reflecting the number, size, location, and type of developments for which owners report information.

Analysis of workforce attachment and public assistance use

The Minnesota Department of Human Service's most recent analysis, *Characteristics of December 2005 Minnesota Family Investment Assistance Programs: Cases and Eligible Adults*, includes summary data on nearly 25,000 MFIP-assisted households 84.8 percent of which included only one eligible adult. The report shows that 40.9 percent of all households reported earned income in December of 2005 (37.1 percent in December of 2003). The median monthly earned income for all working households in December 2005 was \$854 (\$700 in December of 2003). According to data from DHS, 31.5 percent of all households assisted through MFIP in 2005 received a housing subsidy, up slightly from 29.3 percent as of the end of 2003.

Data available for 2006 show that adults in 55.4 percent of MARIF-assisted tenant households reported earned income during the first ten months of the year; however, detailed monthly data are not currently available to make a direct comparison between the percentage of wage earners among occupants of MARIF-assisted units and the MFIP-assisted population as a whole.

Information for those households that reporting earned income, annually, for the last four years shows median earned income increased from \$6,999 in 2002 to a high of \$10,167 in 2005 (\$9,003 for the first ten months of 2006). Among MARIF tenants reporting earned income since 2002, median income remained substantially the same from 2002-2003, increased 17 percent from 2003-2004 and increased 25 percent from 2004-2005.

This employment and earnings information shown does not include self-employment or work that is not required to be reported to the state.

Among tenant households occupying MARIF units in 2005, 66.8 percent received MFIP assistance during the year for a median of 12 months of assistance. In 2006, 48.1 percent received between one and 10 months of MFIP assistance for a median of eight months of assistance.

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Number of occupant moves

The MARIF tenant population appears to be relatively stable, with about 135 households moving out of MARIF-assisted units since the first units were rented in January of 2002 (a total of 483 households reporting as of 2005).

**Duration of Occupancy, All MARIF
Units as of the End of 2005**

| Months in MARIF unit | Households reporting | Percentage of total reporting |
|----------------------|----------------------|-------------------------------|
| 0-9.9 | 171 | 35.4% |
| 10-19.9 | 164 | 34.0% |
| 20-29.9 | 115 | 23.8% |
| 30-39.9 | 27 | 5.6% |
| 40-49.9 | 6 | 1.2% |
| Total | 483 | 100.0% |

The median duration of occupancy for all tenants of MARIF units reporting in 2005 in was 13.1 months, i.e., 50 percent of tenants reporting had lived in MARIF-assisted housing for more than 13.1 months. *Minnesota Family Investment Program Longitudinal Study: Four Years After Baseline* (August, 2005) is a DHS analysis of participant outcomes under MFIP. Information in this report indicates that of the approximately 500 MFIP recipients in the study, 34 percent of the households reported having moved in the previous 12 months. More comparable data on mobility trends among MFIP-assisted households and MARIF tenants are not available for meaningful analysis.

Available information shows that the predominant reason households moved out of MARIF units was that the tenant obtained Section 8 or some other permanent housing subsidy (51.1 percent). Of those tenants vacating MARIF units, 22.3 percent violated their lease or otherwise failed to comply with program or project rules and were terminated, 20.2 percent moved to market rate housing or became self sufficient, 4.3 percent moved out of state, and 2.1 percent purchased a home. (Note that the possible reasons for moving are not mutually exclusive and therefore the sum of this distribution does not total 100 percent.) No updated information is available on occupancy and tenant moves at this time.

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Conclusion

Housing assisted through the Minnesota Families Affordable Rental Investment Fund (MARIF) program provides low-income tenants with an environment that seems to be conducive to achieving greater tenant self-sufficiency and stability.

Data indicate that more than 55 percent of the tenants of MARIF-assisted housing reported earned income for the first ten months of 2006. Among MARIF tenants reporting earned income over the past four years there was a substantial increase in median earnings between 2002 and 2005.

Information from property owners or managers indicates that more than half of the tenants leaving MARIF-assisted housing have moved to Section 8 or other permanent subsidized housing and 20 percent reportedly moved to market rate housing.

Cooperation between Minnesota Housing and DHS staff will enable the ongoing analysis of information to measure some of the outcomes of this affordable housing. Analysis of these data will enable the state to more fully understand the relationship between affordable housing and employment, earnings, and mobility among households with MFIP-level incomes.

Comments or questions concerning this report should be directed to:

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