

Minnesota Families Affordable Rental Investment Fund

Annual Report to the
Minnesota Legislature

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Minnesota Families Affordable Rental Investment, 2008

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Minnesota Families Affordable Rental Investment, 2008

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, 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 21.2 percent are affordable to tenants with MFIP-level incomes (see Table 1).

Of these affordable MARIF-funded units, 81.9 percent were new construction/adaptive reuse at the time of funding and 18.1 percent were rehabilitation. A total of 32.7 percent of the units were supportive housing.

Twenty-five 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 and Saint Paul).

Table 1
Distribution of MARIF Assistance

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

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 42.6 percent of the developments also received federal tax credits allocated by Minnesota Housing in addition to project financing.

Program Reporting

Most demographic data are summarized from reports submitted to Minnesota Housing by property owners during the process of monitoring developments for compliance with program rules. Demographic data are used to generate a profile of the tenants occupying MARIF-assisted units in a reporting year. Due to the timing of reports submitted by owners, tenant data for calendar year 2008 were reported in 2009 and are analyzed here. Tenant data for 2009 will not be available until later in 2010. Demographic data were available for nearly 500 households for 2008 (including current occupants and recent movers).

Data concerning MFIP participation and earnings through calendar year 2008 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. Historic employment, earnings, and MFIP information from DHS for current MARIF-assisted households provides a longitudinal review of the same group of households over a period of years. Basic longitudinal data are available for 433

households for this analysis; 335 occupants and 98 recent movers from MARIF-assisted housing.

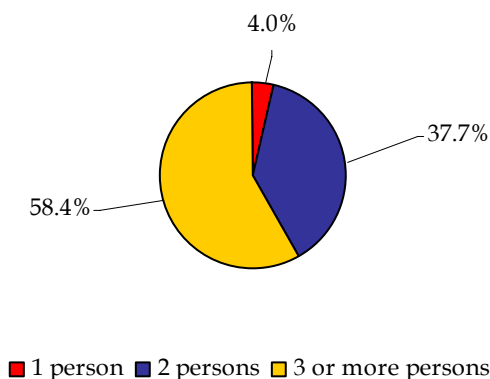
Basic Tenant Characteristics

Data for tenants in 2008 show a continuing trend of occupancy primarily by families with children.

In the last five years, more than 90 percent of tenant households have been families with children, at least 75 percent of all households have been single parents, and at least 60 percent of households have included three or more members.

In 2008, nearly 92 percent of all households occupying MARIF-assisted units were families with children and 83.5 percent of all households were single parents with children. More than 58 percent of households that occupied MARIF-assisted units included three or more people (see Figure 1).

Figure 1
Tenants of MARIF
Units by Household Size, 2008

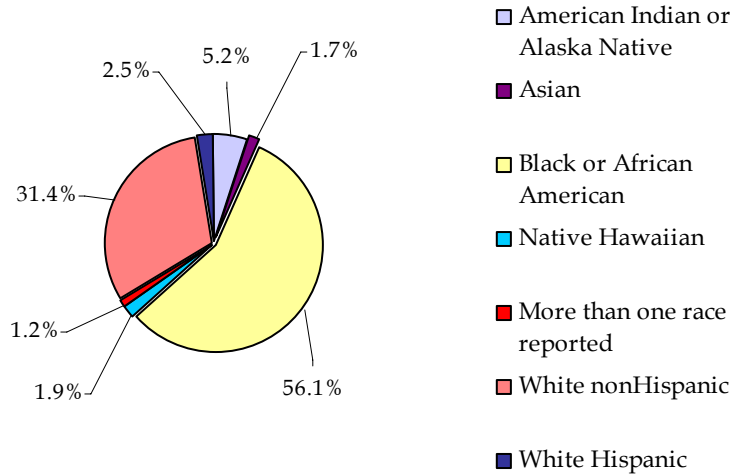


Data for tenants in 2008 show a relatively high percentage of households of color.

The percentage of households of color occupying MARIF units historically has been at or above 50 percent of tenants reporting under the program. Data show that 68.6 percent of all householders in MARIF-assisted units were of color in 2008 (see Figure 2).

Household of color determination is based on the race and ethnicity of the householder and is defined as being of a race other than white alone or being of Hispanic ethnicity (any race).

Figure 2
Tenants of MARIF Units by Race, 2008



Tenant Stability

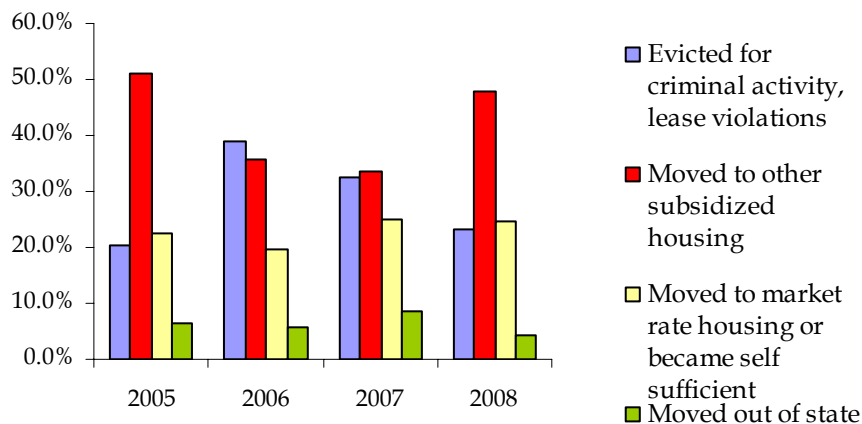
The mobility of MARIF-assisted tenants appears to be similar to that of MFIP recipients.

Data available on the mobility patterns of MFIP recipients surveyed for the Department of Human Service *Minnesota Family Investment Program Longitudinal Study: Five Years from Baseline* (October 2008), show that 67 percent had not moved in the previous year; the balance had moved at least twice during the year. Among current tenants of MARIF-assisted housing, nearly 72 percent had not moved in the previous year. As of 2008, more than 33 percent of MARIF-assisted tenants had occupied their units for more than three years. (Note: according to the DHS report *Minnesota Family Investment Program and the Diversionary Work Program: Characteristics of December 2008 Cases and Eligible Adults* only 30 percent of MFIP recipients were receiving a housing subsidy as of December 2008.)

Available information shown (2005 and later) in Figure 3 illustrates that one of the most common reasons households have moved out of MARIF units is that they obtained Section 8 or some other permanent subsidized housing (47.8 percent of all move-outs for which data were available).

Another common reason for leaving was that the tenant moved to market rate housing or became self-sufficient (24.6 percent).

Figure 3
Reasons for Tenant Moves from MARIF-Assisted Housing



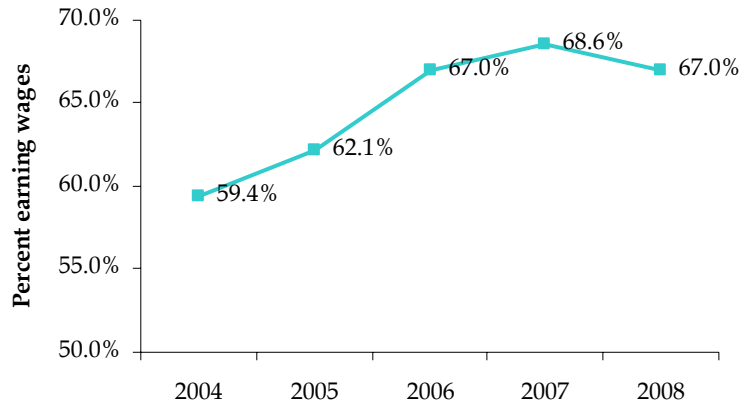
As noted earlier, information from DHS matched with information from Minnesota enables a review of a subset of current tenants who have been occupying MARIF-assisted units for up to five years. The following information provides a longitudinal approach to measuring program outcomes.

Tenant Workforce Attachment and Public Assistance Use, 2004-2008

Two-thirds of current households had earnings in 2008. The percentage of these tenants with earned income has increased since 2004 but decreased slightly in 2008.

Annual data from DHS show that 67 percent of tenants in 2008 earned income. The percentage of MARIF tenants earning wages in 2008 has increased since 2005 but decreased slightly in 2008, possibly reflecting a worsening economy (see Figure 4).

Figure 4
Percentage of MARIF-Assisted Households
Reporting Wages Earned, 2004-2008



Sixty-one percent of MARIF households received one or more months of MFIP in 2008.

Tenant Earned Incomes, 2004-2008

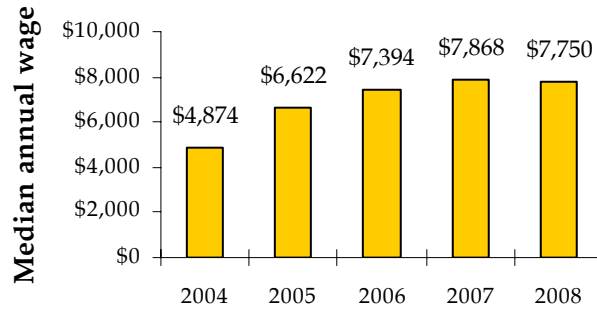
Current households occupying MARIF-assisted units appear to have had similar gains in earned income compared to a subset of the MFIP population.

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. These households may or may not have had housing subsidy, but all received assistance under MFIP and reported earnings.

As shown in Figure 5, median annual earnings of MARIF tenants that reported earned income increased, annually, between 2004 and 2008. Adjusting for inflation, the median annual earnings of current MARIF-assisted households increased by 59 percent between 2004 and 2008.

It is important to note that during the years for which MARIF tenant data were reported (2004-2008) unemployment rates were higher, between 4.1 to 5.4 percent, than during the years for which MFIP data were reported (1999-2003), between 2.8 and 4.9 percent.

Figure 5
Median Annual Earnings, MARIF-Assisted
Households, 2004-2008
(in 2008 dollars)



Measuring Outcomes

For MFIP-eligible families, the housing subsidy provided through MARIF and the increased stability that affordable housing may help achieve greater earnings.

Clearly, a variety of factors may affect family stability and the ability to achieve greater earnings. For households moving into MARIF-assisted housing between 2004 and 2008, median annual earnings increased the year after they moved into MARIF-assisted housing, adjusting for inflation (see Table 2). Earnings increases were greatest for households moving in 2004.

Note that all current MARIF households are reported in Table 2 including those with and without earnings unlike Figure 5 data, which only includes households with earned income. (Two of the 433 households longitudinal records had incomplete move-in data and could not be included.)

Earnings decreased in 2008 for some households (a year of relatively high unemployment); however, wage data for the first nine months of 2009 indicate that earnings for that year may be restored or increase from 2008 levels.

Table 2
Current Households and Median Annual Earnings
By Year of Move into MARIF-Assisted Housing, 2004-2008
(in 2008 dollars)

Move-in year	Total households	Median annual income reported, all households					
		2003	2004	2005	2006	2007	2008
2004	52	\$1,801	\$941	\$3,101	\$4,244	\$6,745	\$5,387
2005	58	\$2,561	\$3,529	\$4,022	\$3,671	\$3,398	\$3,846
2006	69	\$1,786	\$2,803	\$1,694	\$3,656	\$6,718	\$5,359
2007	120	NA	\$488	\$1,301	\$1,459	\$2,967	\$1,985
2008	91	NA	NA	\$540	\$2,975	\$1,314	\$1,381
Total	431	\$471	\$779	\$1,388	\$2,956	\$3,084	\$2,527

- Median annual earned income reported, year of move into MARIF unit.
- Median annual earned income reported, years following move into MARIF unit.
- NA = data not available; households either had no earnings or did not report earnings.
- Data were suppressed for 2002 and 2003 due to the small number of households reporting.

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 create some positive outcomes for its occupants by providing a safe, affordable environment in which tenants may work more effectively toward self-sufficiency.

Data show that of the households occupying MARIF-assisted housing in 2008, 67 percent reported some earned income in 2008 up from 59 percent in 2004.

Tenant earnings typically increased the year after a family moved into MARIF-assisted housing for households studied from 2004 through 2008.

Information from property owners or managers indicates that 47.8 percent of tenants leaving MARIF-assisted housing moved to Section 8 or other permanent subsidized housing and 24.6 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 will enable stakeholders 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:

Minnesota Housing
400 Sibley Street, Suite 300
Saint Paul, MN 55101
(651) 296-6708
(800) 657-3769
TTY (651) 297-2361
E-mail: mn.housing@state.mn.us

A copy of the report is available at: www.mnhousing.gov/