

Minnesota Families Affordable Rental Investment Fund

Report to the
Minnesota Legislature for 2005

May 2006



Minnesota Department of **Human Services**



Minnesota Families Affordable Rental Investment, 2005

Introduction and purpose

In 2000, the Minnesota Legislature authorized the Minnesota Housing Finance Agency 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 as provided by Laws 2000, chapter 488, article 8, section 2.

Background

Following the Minnesota Legislature's authorization and an initial appropriation of \$30 million, the Minnesota Housing Finance Agency (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 affordable to people with MFIP-level incomes.

In 2001, the Minnesota Housing received additional appropriations to MARIF from the legislature for a cumulative total of \$54,000,000. These appropriations have enabled the completion of 432 units* of rental housing affordable to tenants with MFIP-level incomes as of the end of 2005; many of these funded developments also received assistance through one of Minnesota Housing's other first mortgage or deferred loan programs. As of the end of 2005, Minnesota Housing had committed the remaining MARIF funds to two additional developments in the amount of \$1.3 million for the new construction of 11 MARIF-assisted units.

Program participants

During 2005, Minnesota Housing provided \$4,945,403 in MARIF assistance to sponsors of seven developments, including one rehabilitation and six new construction projects that include a total of 39 units* affordable to tenants with MFIP-level incomes.

Data that owners reported to Minnesota Housing on initial occupancy of MARIF units during 2005 showed a median annual tenant household income of \$9,580; all but one of these were families with children. Two-thirds of the households included three or more members.

**Tenants of MARIF
Units Initially Occupied in 2005**

| Number of members | Number of households | Percentage of total reporting |
|-------------------|----------------------|-------------------------------|
| 1 | 1 | 1.7% |
| 2 | 19 | 31.7% |
| 3 | 16 | 26.7% |
| 4 | 14 | 23.3% |
| 5 or more | 10 | 16.7% |
| Total | 60 | 100.0% |

*unadjusted count.

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Additional data from owner reports show that MARIF-assisted households primarily are single mothers with children (77.8% of the total reporting).

Analysis of workforce attachment and public assistance use

An analysis of characteristics of all tenant households occupying MARIF units during 2005 shows that 75.4% received MFIP assistance during the year for a median of 9.0 months of assistance. Adults in 55.6% of these MARIF-assisted tenant households (primarily single-parent families) were employed for between one and ten months during the year, working an average of 101 hours per month for average monthly earnings of \$1,111.

A Minnesota Department of Human Services analysis, *Characteristics of December 2003 MFIP Cases and Eligible Adults* (most recent detailed report), includes summary data on more than 34,000 MFIP-assisted households. The report shows that 37.1% of all households (33.5% of households with one eligible adult) were employed as of the end of 2003. Of these working MFIP-assisted households, the average hours worked in December of 2003 was 98 hours for all households and 91 hours for households with only one adult. Average monthly household wage and salary earnings were \$816. According to verified data, 29.3% of all MFIP households in 2003 received some form of housing subsidy.

Data seem to indicate a higher percentage of workforce attachment and a greater average number of hours worked per month among households occupying MARIF-assisted units than in the MFIP-assisted population as a whole. Data also indicate higher average earnings among working occupants of MARIF units; however, this is affected by the large percentage of MARIF units located in the Minneapolis/Saint Paul seven-county metropolitan area, where we would expect employment earnings to be higher than in other parts of the state.

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 490 households reporting in 2005 include "turnovers").

Available information on tenants of vacating MARIF-assisted units shows that the predominant reason households moved out of MARIF units (52.1%) was that the tenant obtained Section 8 or some other permanent housing subsidy. Of those tenants vacating MARIF units, 20.2% moved to market rate housing or became self sufficient, 21.3% violated their lease or otherwise failed to comply with program or project rules and were terminated, 4.3% moved out of state, and 2.1% purchased a home.

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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 | 173 | 35.3% |
| 10-19.9 | 168 | 34.3% |
| 20-29.9 | 116 | 23.7% |
| 30-39.9 | 27 | 5.5% |
| 40-49.9 | 6 | 1.2% |
| Total | 490 | 100.0% |

In *Minnesota Family Investment Program Longitudinal Study: Four Years After Baseline* (August, 2005), DHS indicates that of the approximately 500 MFIP recipients in the study, 34% of the households reported having moved in the previous 12 months; data on mobility trends among MFIP-assisted households are not available for meaningful comparison with MARIF tenants' mobility.

Conclusion

It appears that MARIF-assisted rental housing, affordable to people with very low (MFIP-level) incomes, might provide tenants with some of the stability and security conducive to working toward self-sufficiency; however, in the absence of adequate data we cannot measure or fully understand that relationship. Minnesota Housing and DHS staff will continue to cooperate in an effort to better analyze some of the information available on the outcomes of the tenant of the affordable housing provided under the Minnesota Families Affordable Rental Investment Fund (MARIF).

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