Minnesota Families Affordable Rental Investment Fund

Annual Report to the Minnesota Legislature

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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 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). 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 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%

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.

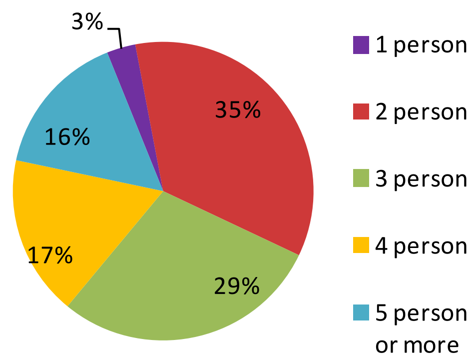
Basic Characteristics of Tenants

Most tenants are small single-parent families.

The most recent household demographic information reported to Minnesota Housing by property owners (for approximately 57 percent of all MARIF units) indicates that more than 92 percent of households were families with one or more minor children. Of the reported units, 71 percent were occupied by single-parent families (one adult living with one or more minor children), primarily female-headed.

The household size of current tenants reported in 2011 is shown in Figure 1, with the median size being three household members. Data show that household size has remained relatively stable; 42 percent of tenants moving into MARIF-assisted housing during 2011 were one or two person households; 40 percent of households in MARIF-assisted housing who had moved in prior to 2011 were one or two person households.

Figure 1
MARIF Tenants
by Household Size, 2011



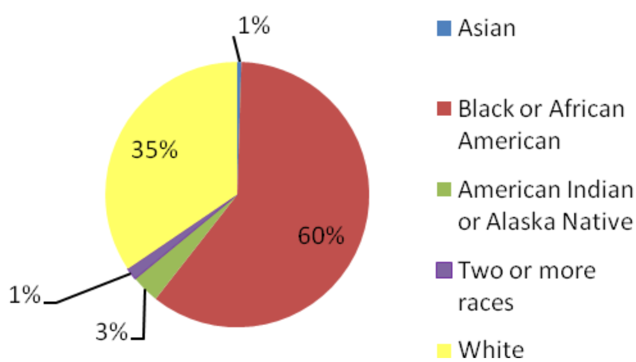
Of the households reporting in 2011, the median income of tenants moving into MARIF units in 2011 was lower than income of tenants who moved in during previous years.

The median income of all households reporting was $11,073; $8,400 for 2011 move-ins and $11,466 for move-ins prior to 2011. Based on available information, the greatest proportion of households (44 percent) reported salary/wages as the primary source of household income; 32 percent reported public assistance as the primary source.

More than 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 69 percent of all householders were of a race other than White or were of Hispanic ethnicity.

Figure 2
Tenants of MARIF Units by Race, 2010



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

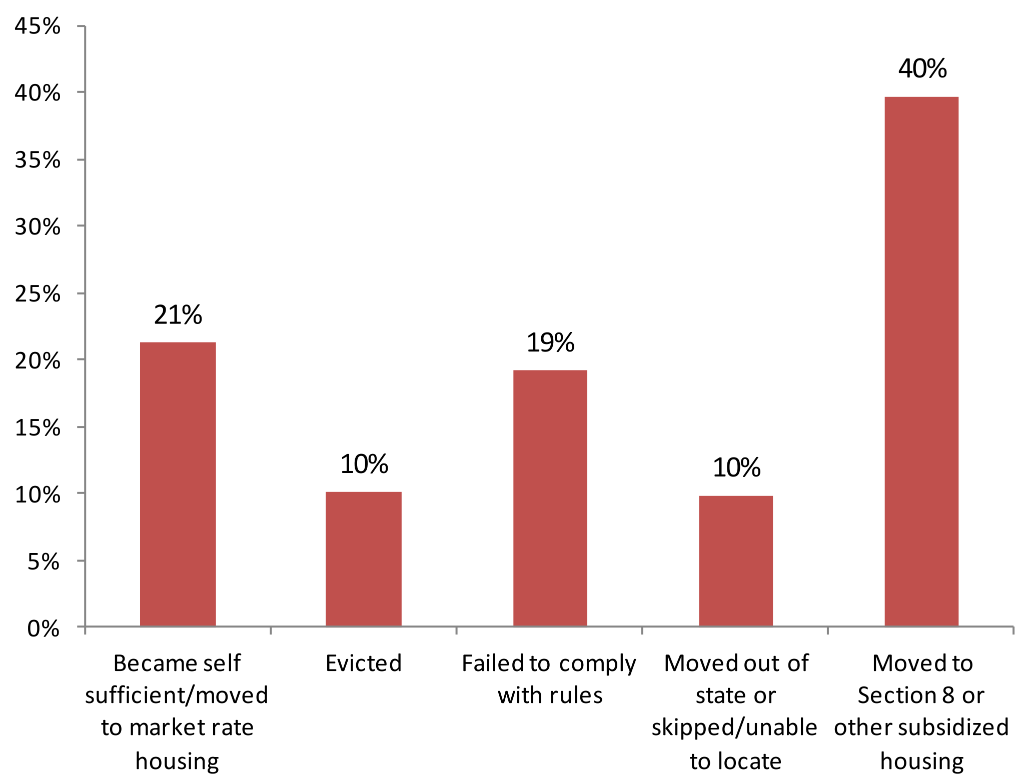
Data are available on the mobility patterns of nearly 400 MFIP recipients surveyed annually for the DHS *Minnesota Family Investment Program Longitudinal Study: Five Years from Baseline* (October 2008). Responses to annual surveys (1998-2003) show that 67 percent of MFIP recipients did not have multiple 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 2010 Cases and Eligible Adults*, only 26 percent of MFIP recipients were receiving a housing subsidy as of December 2010.

In contrast, among current tenants of MARIF-assisted housing, 72 percent had moved into MARIF housing prior to 2011 and 37 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—40 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

Recent earnings of MARIF households reflect generally difficult economic conditions.

The most recent data from DHS show that 33 percent of households on the Minnesota Family Investment Program (MFIP) in December of 2010 had earned income. Among MARIF tenants, 56 percent of move-ins and 65 percent of all current MARIF tenants reported earnings in 2011. Of current tenants, 53 percent reported MFIP assistance received for one or more months in 2011.

The percentage of wage earners remained relatively stable or increased for households moving into MARIF-assisted units between 2004 and 2007 (Table 2). From 2008 through 2011, the data 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). Unemployment was 8.1 percent in 2009, 7.3 percent in 2010, and 6.4 in 2011.

The following tables include all households reporting $0 or more in earned incomes annually since 2004 year. 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.

Table 2
Percentage of MARIF-Assisted Households
Reporting Wages Earned

	Percentage of Households Reporting Earned Income			
Move-in Year	**One Year Prior to Move-in**	**Move-in Year**	**One Year After Move-in**	**Two Years After Move-in**
2004	68%	69%	79%	75%
2005	69%	70%	74%	78%
2006	72%	73%	73%	75%
2007	73%	71%	71%	60%
2008	76%	65%	62%	69%
2009	73%	57%	61%	61%
2010	78%	67%	66%	NA
2011	55%	56%	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 2010 Cases and Eligible Adults* (DHS), between 26 percent and 32 percent of MFIP participating households received housing subsidy from 2005 through 2010.

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 from 2004-2007, median annual earnings generally increased in the two years after they moved into MARIF-assisted housing. Move-in year earnings began to decline in 2008 and unemployment began to increase due to general economic conditions. Conditions from 2009 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 3
Median Annual Earnings of MARIF-Assisted Households
(2011 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**
2004	$1,708	$1,942	$5,084	$5,246
2005	$2,447	$2,166	$3,211	$5,140
2006	$1,960	$2,117	$5,250	$5,004
2007	$1,767	$2,482	$2,137	$1,206
2008	$2,710	$1,647	$1,569	$2,754
2009	$2,476	$570	$1,430	$2,765
2010	$3,053	$1,353	$2,697	NA
2011	$131*	$595*	NA	NA

NA = Not available
*Data indicate a higher percentage of households with $0 earnings than in previous years; however these findings are an anomaly. Additional review of data next year may clarify what has been reported in 2011.

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. Most tenant data analyzed here were reported in 2012 for calendar year 2011. Selected characteristics, e.g., race, minor children, are based on data submitted in late 2010.

DHS matched MFIP and earnings data on households that currently occupy or have occupied MARIF-housing between 2002 and 2011. The dataset included 1,461 records as of the end of 2011. Some of these household records (163 as of this report) had no DHS matching data, i.e., were MARIF-assisted households not participating in MFIP, but reported some information to Minnesota Housing.

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 can work more effectively to improve their financial condition. A recession and struggling economy clearly can limit the benefits of this assistance.

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.

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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