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MINNESOTA HOUSING FINANCE AGENCY

Celebrate MINNESOTA 1990

DATE: January 15, 1991

TO: Minnesota Legislators

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SUBJECT: Assisting Renters in Minnesota

The Minnesota Legislature requested in 1990 that the Minnesota Housing Finance Agency (MHFA) and the Metropolitan Council provide a report concerning renters in Minnesota. Specifically, the report would include estimates of the cost of assisting all renters with housing costs that exceed 50% of household income. Also, the legislature requested identification of the nature and scope of existing housing assistance programs. All this information is included in the attached material, as required by Minnesota Statutes 1990, section 462A.222, subdivision 4, paragraph (c).

Please note that in the absence of detailed data from the 1990 Census of Housing, we have had to use 1980 data to establish the number of renter households, their location, income, and housing costs. Using the U.S. Department of Labor's Consumer Price Index, we have expressed housing assistance cost estimates in 1989 dollars; however, due to the use of some 1980 numbers, these estimates are low (i.e., more renter households exist now than in 1980). In addition to this unavoidable undercount, one must realize that the increase in the cost of renting has exceeded the increase in incomes over the past decade; the current per household cost of assisting renters (paying more than 50% of their incomes for rent) no doubt exceeds the earlier cost. In short, the total cost estimates that we have computed should be considered least cost estimates.

Keeping in mind the data constraints discussed above, we hope that this information will be of use to you. If you have any questions, please feel free to contact the MHFA's Director of Intergovernmental Relations, Kit Hadley, at 296-9820.

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Equal Opportunity Housing and Equal Opportunity Employment

COST OF ASSISTING RENTERS IN MINNESOTA

LOCATION[1]	ALL RENTER HOUSEHOLDS PAYING > 50%[2]	COST TO ASSIST[3]	LOWER INCOME RENTERS PAYING > 50%[4]	COST TO ASSIST[3]	ALL RENTER HOUSEHOLDS
Twin Cities Area	35,440	$74,173,862	34,620	$72,911,701	249,764
Greater MN	21,920	$38,628,845	21,740	$38,421,679	159,769
Total, MN	57,360	$112,802,707	56,360	$111,333,380	409,533

1 Twin Cities Area = Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, Washington, and Wright counties. Greater MN = all other counties.

2 These are 1980 households that paid 50% or more of household income for rent. All of these households had incomes below $16,000 in 1980 dollars ($27,328 in 1989 dollars).

3 Total cost in 1989 dollars to assist 1980 renter households so that none pays more then 50% of income for rent.

4 These are 1980 households that paid more than 50% of income for rent. These households had incomes of $10,000 or less in 1980 dollars ($17,080 in 1989 dollars).

Note: Most renters have relatively low incomes, therefore the difference between assisting all renters paying > 50% of income for rent and lower income renters paying > 50% of income for rent is small.

These numbers do not include any households already receiving some form of housing assistance.

FEDERAL HOUSING ASSISTANCE PROGRAMS

PROGRAM	UNITS AVAILABLE*	FUNDING SOURCE	DESCRIPTION OF HOUSING ASSISTANCE
Low Income Housing Tax Credits	2,847/1913**	Federal income tax credit	This is a program that reduces the federal income tax liability of qualifying rental property owners for up to ten year. Units must be available for low and moderate income tenants. Financing may be obtained through MHFA, i.e., state-assisted, programs.
Low Rent Public Housing (LRPH)	11,027/12,125	Local housing authorities; HUD (Congressional appropriations)	The U.S. Department of Housing and Urban Development (HUD) pays development costs and annual operating subsidies for rental projects owned and managed by local housing authorities. Low income tenants pay no more than 30% of income for rent; HUD sets rent at affordable level and pays the difference between tenant contribution and actual rent of unit. Most current LRPH new development occurs through housing authorities managed by American Indians. Average tenant income = $5,000 - $6,000 annually.
Rental Rehab Grants	1,156/220		These HUD grants may be used to rehabilitate privately owned residential rental property. The property must be located in a neighborhood where the median income of the neighborhood does not exceed 80 percent of the income for the area and rents are generally affordable to lower income families.

* units in Greater Minnesota/units in the Twin Cities Area (seven-county area)

** units allocated by the MHFA, only, not suballocators

FEDERAL HOUSING ASSISTANCE PROGRAMS (continued)

PROGRAM	UNITS AVAILABLE*	FUNDING SOURCE	DESCRIPTION OF HOUSING ASSISTANCE
Section 8 Existing, Housing Vouchers	6,745/11,910	HUD (Congressional appropriations)	Low income tenants pay no more than 30% of income for rent; HUD pays the difference between tenant contribution and fair market rent (FMR) of unit. Units are existing, privately owned, market rate housing that must meet HUD standards of quality and affordability. Under the voucher program, tenant may obtain housing that exceeds FMR, however tenant must pay additional cost. Conversely, tenant may obtain housing below FMR under this program, and keep the savings. Tenant income may not exceed 50% of area median, annually.
Section 8 New	8,300/8,487	HUD (Congressional appropriations); state hfa's (tax-exempt bond sales)	This program provided new rental units, built and owned primarily by private owners. An owner secured a commitment from HUD for Section 8 assistance prior to development. This program no longer adds to the stock of housing for low income people. Units built prior to 1982 are affordable at least for the length of Section 8 contracts with HUD (five to 40 years). Low income tenants pay no more than 30% of income for rent; HUD pays the difference between tenant contribution and FMR of unit. The Minnesota Housing Finance Agency (MHFA) provided below-market interest rate financing for 82 percent of these privately owned and managed developments in Minnesota.
Section 202	2,631/2,667	HUD (Congressional appropriations)	HUD provides direct loans for the development of rental housing for elderly and handicapped tenants. Most of these units, privately owned and managed, receive Section 8 assistance. Mortgages on all developments are subsidized, reducing capital costs to owners. HUD sets rents at FMR levels.

* units in Greater Minnesota/units in the Twin Cities Area (seven-county area)

FEDERAL HOUSING ASSISTANCE PROGRAMS (continued)

PROGRAM	UNITS AVAILABLE*	FUNDING SOURCE	DESCRIPTION OF HOUSING ASSISTANCE
Section 236	5,016/5,684	HUD (Congressional appropriations)	This program preceded Section 8 and no longer adds to the stock of housing for low income people. Units still under contract with HUD remain affordable. HUD provided below-market interest rate financing and rental assistance to developers on behalf of tenants. HUD sets basic rents.
Section 515	11,350/421	FmHA (Congressional) appropriations)	The U.S. Department of Agriculture's Farmers Home Administration (FmHA) provides below-market interest rate direct loans for the development of affordable housing in rural areas. Many of the low income tenants in these developments receive Section 8 assistance. FmHA tenant incomes are generally similar to those of tenants in HUD-assisted units, i.e., no more than 50% of area median income, for eligibility.
Total Units	49,072/43,427		

* units in Greater Minnesota/units in the Twin Cities Area (seven-county area)

STATE HOUSING ASSISTANCE PROGRAMS

PROGRAM	UNITS AVAILABLE*	FUNDING SOURCE	DESCRIPTION OF HOUSING ASSISTANCE
Apartment Renovation Mortgages (ARM)	421/2400	Taxable revenue bonds	Mortgage funds are available for the purchase or refinancing and renovation of existing rental apartment buildings housing low and moderate income Minnesotans.
Housing Trust Fund	172/377	Interest earnings from trust accounts of real estate brokers	The Housing Trust Fund provides deferred loans without interest for the development, construction, acquisition, preservation, and rehabilitation of low income rental housing, limited equity cooperative housing, and homes for ownership.
Low Income Individuals & Small Family Rental Housing	**	State appropriation	Property owners may receive funds to rehabilitate existing housing units suitable for rental to small families with incomes of up to 60 percent of the area median income and individuals with incomes of up to 30 percent of the area median income.
Low Income Large Family Rental Housing	***	State appropriation	Financing is for the construction of large (predominantly three-bedroom) units to be rented to families with income of up to 60 percent of area median income. Housing is privately owned and managed.

* units in Greater Minnesota/units in the Twin Cities Area (seven-county area)
** used in conjunction with the ARM program
*** used in conjunction with tax credits

STATE HOUSING ASSISTANCE PROGRAMS (continued)

PROGRAM	UNITS AVAILABLE*	FUNDING SOURCE	DESCRIPTION OF HOUSING ASSISTANCE
New Construction Tax Credit Mortgage/ Bridge Loans	39/2248	Taxable revenue bonds	Financing under this program provides for the construction or substantial rehabilitation of units to be rented to families or individuals with incomes of up to 60 percent of the area median income.
Special Needs Housing	173/250	Federal and state appropriations	Special Needs Housing funds may be used to assist in the acquisition, construction, and rehabilitation of affordable housing for homeless persons and low income persons at risk of becoming homeless.
	248/182		Temporary housing, transitional units.
Total Units	1,053/5,457		

* units in Greater Minnesota/units in the Twin Cities Area (seven-county area)