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MINNESOTA

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ISSUES

FINAL REPORT

HOUSING ISSUES STUDY

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Executive Branch Policy Development Program
1984-1985

FINAL REPORT
HOUSING ISSUES STUDY

Prepared by:

MINNESOTA HOUSING FINANCE AGENCY
Research and Information Division
September, 1984

I. EXECUTIVE SUMMARY

Housing Issues Study

Team Leader: Riva Lee Nolley, Minnesota Housing Finance Agency
Subcabinet on Jobs and Economic Development

THIS REPORT SUMMARIZES THE FINDINGS OF THE HOUSING ISSUES STUDY. IT DOES NOT CONTAIN ANY RECOMMENDATIONS. ALL HOUSING RELATED LEGISLATIVE RECOMMENDATIONS WILL BE INCLUDED IN THE DEPARTMENT OF FINANCE'S REPORT ON THE STRATEGY ON AGING, BASED ON THE ANALYSES AND RESULTS OF THE HOUSING ISSUES STUDY WHICH HAVE BEEN SHARED IN FULL WITH THE STRATEGY ON AGING TEAM.

The Housing Issues Study consisted of the preparation of three reports. The first was an analysis of the Public Use Microdata Sample (PUMS) of the 1980 Census for Minnesota homeowners and renters age 40 and above. The second stage was the preparation of two separate reports analyzing the results of the first study. One report was entitled "Incomes and Housing Costs of Minnesota's Elderly Homeowners and Renters." The second was entitled "An Analysis of Underused Housing Among Elderly and Empty Nester Homeowners in Minnesota."

The major finding of the study on the "Incomes and Housing Costs of Minnesota's Elderly Homeowners and Renters" was the great diversity among Minnesota's elderly. The life circumstances and the needs of the elderly vary greatly depending on their age, gender, marital status, income and housing type. The elderly with the greatest need for housing assistance are those age 75 and over who live alone in non-subsidized rental housing. No single housing assistance program can meet the needs of all of Minnesota's senior citizens. Rather, specific programs must be tailored to serve the different needs of individual elderly people depending on such factors as health, income, housing costs, type of housing and geographic location.

The "Analysis of Underused Housing Among Elderly and Empty Nester Homeowners in Minnesota" also revealed significant diversity in the characteristics of "underused" homes and their owner-occupants. Approximately 70 percent of the homes had only one "spare bedroom." While almost all of the homes appear to be of at least "fair" quality, their condition varied considerably and the geographic distribution was uneven. In general, the homeowners with the most spare bedrooms tended to be older, have lower incomes and spend more of their income for housing than those who had fewer spare bedrooms. They are the ones whose need for housing assistance appears to be the greatest. However, their amenability to various alternative forms of assistance can only be determined through market studies and demonstration programs. The data indicate that housing assistance programs for owner-occupants of underused housing should be modest in scope and carefully targeted.

As mentioned earlier, no specific recommendations for legislative action are contained in this report. Key policy and program initiatives for the elderly are being incorporated into the Department of Finance's report on the Strategy on Aging. Other policy and program proposals will emerge during the next year as the MHFA reviews and evaluates its programs. Regarding the latter, any modifications are likely to be modest in scope, representing improved targeting of existing resources and fine-tuning of program guidelines. Major new initiatives are not anticipated.

II. BACKGROUND

Housing Issues Team Charge

Analysis of the 1980 Census data on Minnesota homeowners and renters age 40 and above, analysis of the policy and program implications of the data for housing programs designed to assist empty nesters and elderly households.

Issue Background

Demographic changes, rapid increases in housing costs, reductions in housing production and drastic cutbacks in federal housing assistance programs have focused attention on the need to reassess existing housing assistance programs and improve the targeting and use of limited housing assistance resources. The release of 1980 PUMS Census data on Minnesota households provided an opportunity to obtain and analyze very detailed information on housing questions which had not previously been available from any other source. A decision was made to focus on two segments of the population, the elderly and "empty nesters." The elderly were selected because of their rapidly growing numbers, the demise of the primary federal housing program designed to assist them, and the urgency of finding alternatives to costly and premature institutionalization. Empty nesters were selected because of their fairly recent emergence as a subgroup with special needs, the importance of verifying currently held assumptions about their housing and household characteristics, and the possibility that they could be served through relatively simple and cost-effective programs.

The studies on the elderly were initiated before the Department of Finance decided to undertake a comprehensive Strategy on Aging study. Findings and conclusions from the MHFA studies are being provided regularly to the participants in the Strategy on Aging. Rather than develop two separate sets of recommendations, MHFA and the Department of Finance have agreed to incorporate all recommendations into the final Strategy on Aging report.

For close to a decade, MHFA has been providing housing assistance to low and moderate income senior citizens in Minnesota. Examples of MHFA programs, past and present, include the financing of federally subsidized Section 8 rental housing, the Rehabilitation Loan Program and the Accessibility Grant Program. The mix of programs and specific program guidelines have evolved over time. One primary purpose of the housing issues study has been to assist in the evaluation of existing MHFA housing assistance programs and the development of new programs.

The housing needs of empty nesters, and the indirect opportunities for improving utilization of the state's existing housing stock by helping empty nesters find more suitable housing alternatives, have led the MHFA to administer two demonstration programs in the last two years. One is

the Accessory Apartment Program, currently in operation. The other is the Rollover Housing Demonstration Program, undertaken in 1983. As in the case of the elderly studies, the analysis of the data on empty nesters will enable the MHFA to better evaluate the suitability of existing or previous programs and the need for new ones.

Team Members

All of the staff work was performed by MHFA's Research and Information Division. Representatives of other state agencies who were invited to review and comment upon the studies were as follows: Mike Rajacich and Fay Seeman, Department of Finance; Greg Hubinger, Department of Energy and Economic Development; Alan Chapman and Peggy Lexau, Department of Economic Security; Susan Lasoff, State Council for the Handicapped; Charles Ballentine, Metropolitan Council; and Pat Gaylord, Department of Human Services.

III. FINDINGS AND CONCLUSIONS

A. Incomes and Housing Costs of Minnesota's Elderly Homeowners and Renters

- Median household income declined with age for both homeowners and renters.
- The incomes of elderly homeowners and renters in Region 11 were significantly higher than those of their counterparts in Regions 1-10.
- In all areas of the state, the median income of elderly homeowners was almost twice the median income of elderly renters.
- Approximately one-third of all elderly households reported some earned income.
- Half of all elderly households consisted of one person living alone and 40 percent were married couples.
- Regardless of tenure (homeowner or renter) the statewide median household income of elderly married couples was 130 percent greater than the median household income of elderly women living alone.
- Over 15 percent of all elderly households fell below the federal poverty level. Poverty levels were much higher among renters than among homeowners, among one person households compared to two person households, and among residents of Regions 1-10 compared to residents of Region 11.
- Eighty-eight percent of all elderly homeowners had no mortgage.
- Statewide, renters paid the highest percentage of their income for housing, homeowners with a mortgage were next, and homeowners without a mortgage paid the lowest percentage of income for housing.

B. An Analysis of Underused Housing Among Elderly and Empty Nester Homeowners in Minnesota

- Based on a conservative definition of "spare bedrooms," there are approximately 218,000 homes with spare bedrooms in Minnesota. Over 40 percent of the homes owned by households with at least one family member over the age of 40 contained at least one spare bedroom.

- Homes with only one spare bedroom accounted for 70 percent of all "underused" homes; only 5 percent of the homes had three or more spare bedrooms.
- Underused homes were somewhat more prevalent in Regions 1-10 than in Region 11 and on the average contained more spare bedrooms. The distribution of these units among counties and communities varied considerably.
- The value of homes with spare bedrooms in Region 11 tended to be higher than in Regions 1-10, both in absolute dollars and in comparison to regional home values as a whole.
- Based on the definitions of housing quality used in this analysis, over 98 percent of the Minnesota homes with spare bedrooms were of average or higher quality. The incidence of homes of "good" or "excellent" quality was higher in Region 11 than in Regions 1-10.
- Among elderly homeowners with spare bedrooms, household incomes declined as the number of spare bedrooms increased. For those homeowners with no mortgage (88 percent of all elderly homeowners), the percent of income spent for housing increased with the number of spare bedrooms.
- Similarly among empty nesters, household incomes declined as the number of spare bedrooms increased, and the percent of income spent for housing increased with the number of spare bedrooms (with one minor exception) regardless of the presence or absence of a mortgage.
- The homeowners with the most spare bedrooms were generally older, had lower household incomes and spent more of their income for housing than those who had fewer spare bedrooms.

IV. OPTIONS AND RECOMMENDATIONS

No specific legislative or administrative options or recommendations are contained in this report. Recommendations for new program initiatives for the elderly will be contained in the final report of the Strategy on Aging.