Planning, Research & Evaluation

Statewide Analysis of Gaps in Affordable Rental Housing

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Minnesota Housing Finance Agency

Overview and Summary

To prepare for the development of its 2016-19 Strategic Plan, Minnesota Housing has prepared a statewide gap analysis for affordable rental housing – examining the difference between the need and what is currently available. Housing is generally considered affordable if households pay no more than 30% of their income for housing costs. This analysis focuses on low-income renter households – those with an income at or below 80 percent of the area median income (AMI). With a better understanding of the size and nature of the affordable housing gap, Minnesota Housing and its partners are in a better position to plan for the next four years and beyond.

The key findings are:

- There is significant shortage of affordable housing in Minnesota. About 236,000 renter households with an income at or below 80% AMI are cost burdened and need greater access to affordable housing.

- Households with income at or below 30% of AMI have the greatest need. Households at this income level account for over half of the 236,000 low-income renters who are cost burdened.

- Minnesota Housing and its affordable housing partners have played a significant role in creating and maintaining the supply of affordable housing that is available. Minnesota has about 101,000 rental units with public capital financing, which are affordable through income and rent limits. There are also about 35,000 tenant-based rent assistance vouchers.

- With respect to various types of households (e.g. families with children, seniors, households of color, etc.), the share of households living in these housing opportunities generally matches the share of these households in the overall community. While a lack of affordable housing is an issue for all types of lower-income households, each group is generally not over- or under-served relative to the others.

Nature and Extent of the Gap

Overall for Low-Income Households

Statewide, about 236,000 renter households with an income at or below 80% AMI are cost burdened by housing and need greater access to affordable housing.[1] Table 1 shows the estimated number of cost burden households statewide by income level. While only 5.4% of households with an income above 80% of AMI are cost burdened, 76.9% of households with an income at or below 30% of AMI are. Using income thresholds identified by the U.S. Department of Housing and Urban Development, incomes between 51% and 80% of AMI are classified as low, 31% and 50% AMI as very low, and less than or equal to 30% of AMI as extremely low.

The cost-burden percentages are driven by household incomes and the available supply of affordable housing. Table 2 shows the difference between the number of rental units affordable at each income level and the number of households with incomes at those levels.

[1] This data is a little dated because it takes HUD time to prepare the data Minnesota Housing uses in these more detailed analyses.

Table 1: Number of Cost Burdened Households by Income Level

Household Characteristics	<=30% of AMI	31%-50% of AMI	51%-80% of AMI	>80% of AMI	All
Number of Cost Burdened Households	123,655	77,930	34,415	8,745	244,745
Number of Households	160,830	112,575	115,345	163,145	551,595
Share of Households that are Cost Burdened	76.9%	69.2%	29.8%	5.4%	44.3%

Source: 2007-2011 HUD Comprehensive Housing Affordability Strategy (CHAS) data.

Table 2: Number of Units and Households by Affordability and Income Level

Income and Affordability	<=30% of AMI	31%-50% of AMI	51%-80% of AMI	>80% of AMI	All
Rental Units Affordable at Income Level	100,080	192,750	201,385	49,135	543,350
Renter Households at Income Level	160,830	112,575	115,345	163,145	551,595
Differential	-60,750	80,175	86,040	-114,010	-8,245*

Source: 2007-2011 HUD Comprehensive Housing Affordability Strategy (CHAS) data.

* The CHAS data does not provide rent information for 8,245 units that lack kitchens or plumbing and facilities.

Extremely Low-Income Households

As shown in Table 2, there is a substantial shortage of units affordable for households with incomes at or below 30% of AMI. Minnesota has about 160,830 households with an income at or below 30% of AMI, but only 100,080 units that are affordable for them. In addition, many of these units are occupied by higher-income households. As shown in the first set of columns in the first row of Table 3, only 56.4% of these 100,080 units are occupied by households with an income at or below 30% of AMI. The other 43.6% are occupied by higher-income households. The outright shortage of units affordable at this income level and the large number of units occupied by higher-income households results in 76.9% of the households at this income level being cost burdened. Having higher-income households in these units is not undesirable because they have access to affordable housing, but it magnifies the shortage of affordable housing for the lower-income households.

Table 3: Share of Units at Each Rent Level Occupied by Households at Each Income Level

	Household Income Levels					
	<= 30% AMI	31%-50% AMI	51%-80% AMI	>80% AMI	Total	Total Number of Units at Rent Level
Rent <=30% AMI	56.4%	18.0%	11.6%	14.0%	100.0%	100,080
Rent 31%-50% AMI	28.5%	26.2%	24.3%	21.0%	100.0%	192,750
Rent 51%-80% AMI	18.9%	17.9%	23.6%	39.6%	100.0%	201,385
Rent >80% AMI	16.0%	12.4%	16.6%	55.0%	100.0%	49,135

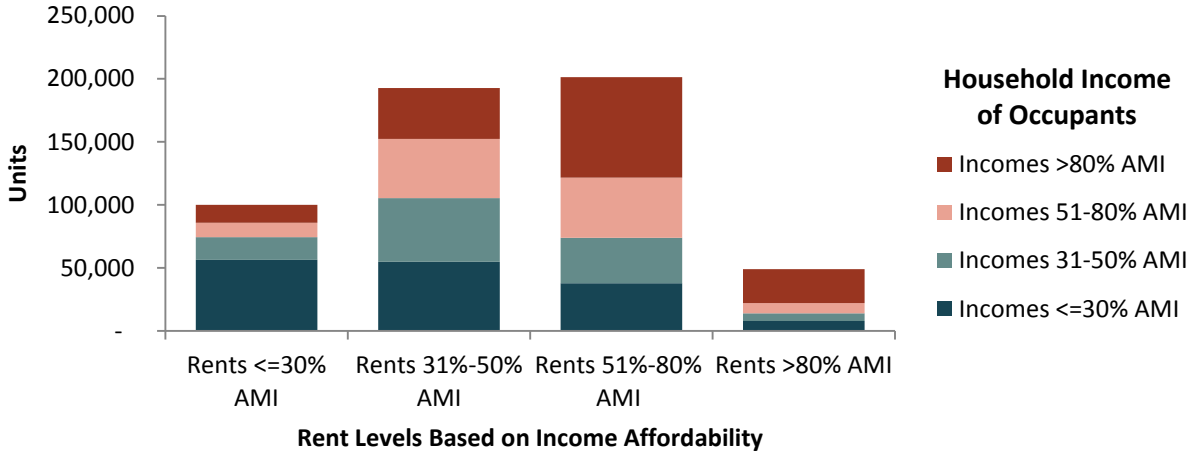
Source: 2007-2011 HUD Comprehensive Housing Affordability Strategy (CHAS) data. These numbers reflect total rental units reported in the CHAS data.

Very Low-Income Households

Providing affordable housing to households with incomes between 31% and 50% of AMI is also critical. However, while there is a sizable supply of housing affordable at this income level, these units are often occupied by higher income households. As shown in Table 2, there are 80,175 more rental units that are affordable at this income level than there are households at this income level. However, Table 3 shows that only 26.2% of these units are occupied by households in this income range, with 30%-of-AMI households occupying another 28.5% of them. Thus, households with incomes greater than 50% of AMI occupy the remaining 45.3%.

Figure 1 graphically illustrates the income levels of households occupying units with rents affordable at various income levels. The colored segments of each bar show the number of the units at that rent level occupied by households at each income level.

Figure 1: Number of Units at Each Rent Level Occupied by Household at Each Income Level



Households Served by Minnesota Housing and Partners Relative to Need

Minnesota Housing and its partners increase and maintain the supply of affordable housing by: (1) providing rental units with capital financing and setting income and rent limits, and (2) funding rental assistance vouchers through which tenants only pay 30% of the income on rent, with the program paying the remaining rent.

In Minnesota, there are about 101,000 rental units with income and rent limits and 35,000 rental vouchers. To assess how well Minnesota Housing and its partners are using these housing supports to serve the state, this section assesses the characteristics of the households being served relative to the overall statewide need.

Background

Table 4 provides an overview of these opportunities. Because units can receive assistance from more than one program, there is double counting across the programs, but the total in the table is an unduplicated count.

Table 4: Capital Units with Income and Rent Limits and Opportunities through Vouchers

Capital Units	Units or Vouchers
Section 8 Project-Based Units	30,493
Public Housing	23,198
USDA Rural Development	7,587
Minnesota Housing Financed (including Housing Tax Credits)	38,495
Other (including HUD 202, 811, 236, etc.)	13,271
Total Units (unduplicated)	**100,941**
Vouchers	
Section 8 Tenant-Based Vouchers	32,802
Minnesota Housing Vouchers (Bridges and Housing Trust Fund)	1,824
Total Vouchers	**34,626**

Table 5 shows the breakout for the units with income and rent limits. About 65.8% of the units are efficiencies or have just 1 bedroom, which limits the ability of these units to serve large families. However, as the next section will show, most renter households with incomes at or below 80% of AMI are one or two person households.

Table 5: Distribution of Income/Rent Restricted Units by Number of Bedrooms

Bedroom Size	Units	Share of Units
Efficiency/0BR/SRO	4,821	4.9%
1 Bedroom	60,393	60.9%
2 Bedrooms	21,036	21.2%
3 Bedrooms	12,452	12.5%
4 Bedrooms or more	520	0.5%
Total (with data)	**99,222**	100%

Characteristics of Assisted Households

Table 6 provides a breakout of households assisted through these housing opportunities relative to all low-income households in Minnesota. The purpose of the table is to assess whether the programs serve different types of low-income households in relative proportion to their need.

Because the program data comes from two different sources, we cannot combine them. For Section 8 project-based units, USDA/Rural Development, and Minnesota Housing programs, we have data on individual households or properties. However, for Section 8 vouchers, Public Housing, and other HUD programs, we only have summary data on tenant characteristics. Because of double counting across programs, we cannot just add the two sets of summary data together.

With respect to various household types, the share of households living in these housing opportunities generally matches the share of these types of lower-income households in the overall community. For example, 5% of the households served through these programs have a member who is age 85 or older, and 6% of all lower-income households in Minnesota have someone that age. While a lack of affordable housing is an issue for all these groups, each group is generally not over- or under-served relative to the others.

Table 6: Demographic Characteristics of Assisted Renter Households

Demographic Characteristics	Section 8 Project-Based, USDA/RD, and MN Housing Financed		Section 8 Vouchers, Public Housing, and Other HUD		All MN Households with Incomes <80% AMI	Share of MN Households with Incomes <80% AMI
	Total Households Assisted	Share of Households Assisted	Total Households Assisted	Share of Households Assisted		
Households with:						
A householder age 65+	17,555	26%	19,573	32%	77,424	20%
A householder age 85+	3,653	5%	3,058	5%	25,340	6%
Children	22,771	34%	15,292	25%	121,451	31%
A disabled household member	9,876	a.	14,068	b.	120,007	30%
A householder of color or Hispanic ethnicity	23,854	36%	About 30,000	About 50%	117,001	30%
Household size						
- 1	39,462	58%	n/a	n/a	197,486	50%
- 2	12,144	18%	n/a	n/a	86,297	22%
- 3	7,701	11%	n/a	n/a	46,398	12%
- 4	4,955	7%	n/a	n/a	34,379	9%
- 5	2,184	3%	n/a	n/a	19,125	5%
- 6+	1,502	2%	n/a	n/a	13,355	3%
Total Households	**67,948**	**100%**	**61,167**	**100%**	**397,040**	**100%**

Notes:

a. The share is 15%, but it is an undercount because it only applies to mobility impairments and does not include other types of disabilities.

b. The share is 23%, but it is also an undercount. Even though it applies to any disability, it only applies to the heads-of-household and does not apply to other household members

Source: Minnesota Housing analysis of data from Agency systems, HousingLink Streams, HUD Picture of Subsidized Households, and ACS 2008-2012 data (AMI data adjust for household size. AMI analysis for MSAs is based on PUMA geographies for Duluth, St. Cloud, Rochester, and the Twin Cities Metro. Balance of state uses non-Metro AMI figures).

Table 7 shows the share of households assisted through these housing opportunities by their income level. These programs primarily serve households with incomes at or below 30% of AMI, which is the income level with the greatest need.

Table 7: Income Characteristics of Assisted Renter Households

Income Group	Section 8 Project-Based, USDA/RD, and MN Housing Financed		Section 8 Vouchers, Public Housing, and Other HUD	
	Total Households Assisted	Share of Households Assisted	Total Households Assisted	Share of Households Assisted
With an income at or below 30% AMI	44,319	65.2%	48,934	80%
With an income between 31% and 50% AMI	17,591	25.9%	10,398	17%
With an income between 51% and 80% AMI	5,712	8.4%	1,835	3%
Total Households (with AMI data)	67,938	100%	61,167	100%

Conclusion and Next Steps

There is a very large gap between the availability and the demand for affordable housing. About 236,000 lower-income households in Minnesota are cost burdened by their housing payments. In addressing the need, the housing opportunities provided by Minnesota Housing and its partners have not over served one segment of the low-income population at the expense of other segments. The

programs generally serve each segment in proportion to its relative need. However, going forward, a few issues and trends need to be managed as the Agency and its partners address the overall gap:

- The population with the fewest resources (extremely low income households) has the fewest options and is the most likely to be cost burdened.

- The size of the senior population will increase dramatically over the next decade or two.

- Minnesota is becoming more racially and ethnically diverse.

- Stable and affordable housing plays a critical role in childhood outcomes.

- If Minnesota is to prevent and end homeless and effectively implement its Olmstead Plan (serving people with disabilities in the most integrated setting possible), affordable housing with service connections will play a key role.