

Minnesota Families Affordable Rental Investment Fund

Annual Report to the
Minnesota Legislature

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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. 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 legislature for a cumulative total of \$54,000,000.

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 21.2 percent are affordable to tenants with MFIP-level incomes.

Of these affordable MARIF-funded units, 81.9 percent were new construction/adaptive reuse at the time of funding (18.1 percent were rehabilitation) and 32.7 percent were supportive housing (67.3 were not).

Currently, 25.1 percent of MARIF-assisted developments are located in Greater Minnesota communities and 74.9 percent are located in the seven-county Twin Cities area. Within the Twin Cities area, developments with MARIF-assisted units are located primarily in the inner cities (70.6 percent of the developments in the area are located within the cities of Minneapolis and Saint Paul).

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Distribution of MARIF Assistance

Property location	Number of developments	MARIF loan amount	Total units	MARIF units affordable at MFIP incomes	New construction MARIF units	Supportive MARIF units
Metro	34	\$43,833,996	1,541	332	265	123
<i>Inner cities</i>	24	\$27,229,496	935	215	148	108
<i>Suburbs</i>	10	\$16,604,500	606	117	117	15
Greater MN	20	\$11,682,205	552	111	98	22
Total closed	54	\$55,516,201	2,093	443	363	145

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 42.6 percent of the developments also received federal tax credits allocated by Minnesota Housing in addition to project financing.

The last MARIF loan closed in June 2007.

Program reporting

Basic data are available for a total of 488 households reported in 2008; 371 occupants and 117 recent movers from MARIF housing. More detailed data, e.g., race/ethnicity, are available on nearly 300 of those households.

Most demographic data are summarized from reports submitted to Minnesota Housing by property owners during the compliance monitoring process. Due to the timing of reports submitted by owners, tenant data for 2007 were reported in 2008 and are analyzed here. Tenant data for 2008 will not be available until later in 2009.

Data concerning MFIP participation and earnings were provided to Minnesota Housing by the Minnesota Department of Human Services under a data sharing agreement that provides for the secure transfer of data between agencies.

Tenant demographics, MFIP participation, and employment vary each year reflecting the number, size, and location of developments for which owners report information, as well as turnover in occupancy.

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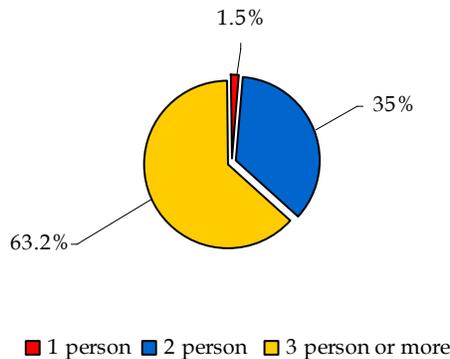
Basic tenant household characteristics

Reports submitted in 2008 in the compliance monitoring process reveal a continuing trend of very high occupancy by families with children and households of color in MARIF-assisted units.

Nearly 96 percent of all households occupying MARIF-assisted units were families with children and 81.6 percent were single parents with children.

More than 63 percent of households that occupied MARIF-assisted units included three or more people.

**Tenants of MARIF
Units Reporting in 2008 by Household Size**



The percentage of households of color occupying MARIF units historically has been at or above 50 percent of tenants reporting under the program. Data reported last year for compliance monitoring indicated that 59.0 percent of all householders in MARIF-assisted units were of color and data reported in 2008 indicate 74.5 percent. Household of color determination is based on the race and ethnicity of the householder and is defined as being of a race other than white alone or being of Hispanic ethnicity.

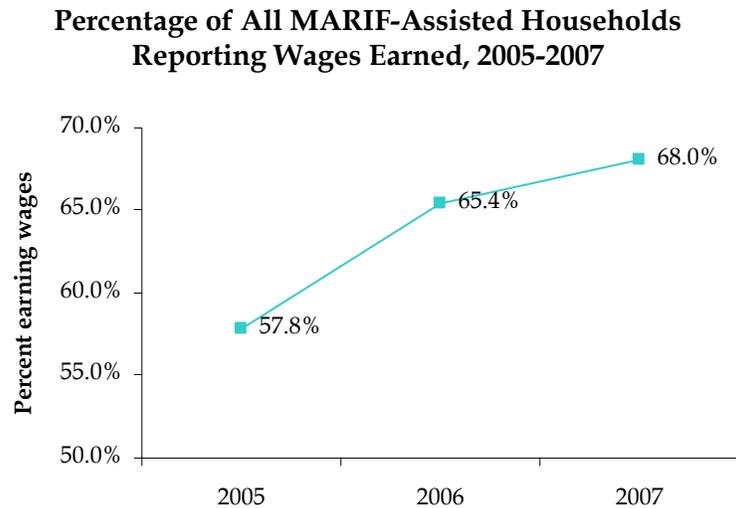
Tenant workforce attachment and public assistance use

The majority of MARIF-assisted households have earnings and that percentage is increasing.

Annual earnings data on both current MARIF tenants and recent movers show that 68.0 percent reported earned income in 2007.

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The percentage of MARIF tenants earning wages in 2007 increased from 2005 and 2006.



The percentage of MARIF tenants receiving one or more months of MFIP has remained relatively constant at between 66 and 67 percent of the total MARIF-assisted households reporting annually over the last three years for which data are available.

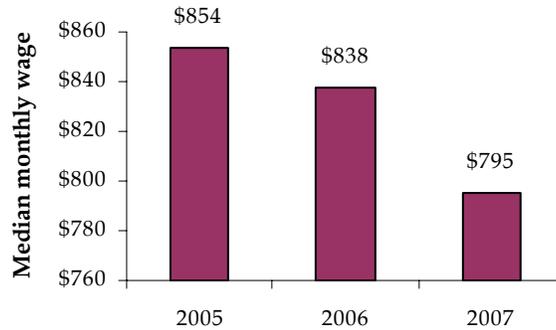
Tenant earned incomes

Households occupying MARIF-assisted units appear to have greater gains in earned income than the general MFIP population.

According to information in *Characteristics of December 2007 Minnesota Family Investment Assistance Programs: Cases and Eligible Adults*, earnings reported for MFIP clients in December of each of the past three years indicate a seven percent decrease in the median December wage, 2005-2007 (not adjusted for inflation).

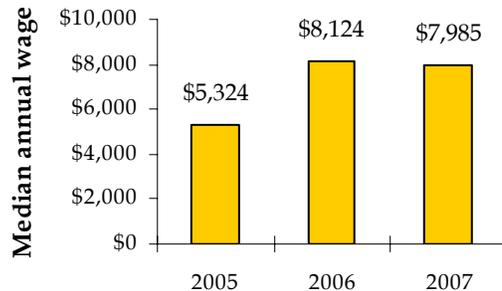
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Median Monthly Wages Reported by MFIP-Assisted Households in December, 2005-2007



MARIF-assisted households appear to have either worked a greater number of hours or achieved greater wage gains than households in the MFIP-assisted population. The median annual wage among MARIF-assisted households increased by 50 percent between 2005 and 2007 (not adjusted for inflation).

Median Annual Wages, MARIF-Assisted Households, 2002-2007



Tenant stability

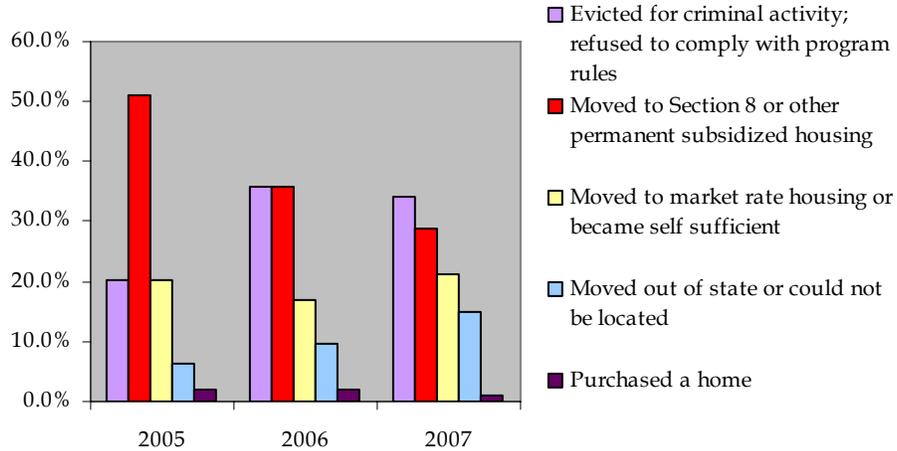
The mobility of MARIF-assisted tenants appears to be similar to that of MFIP recipients.

Among MFIP recipients surveyed for *Minnesota Family Investment Program Longitudinal Study: Five Years from Baseline* (October 2008), 67 percent had not moved in the previous year; the balance had moved at least twice during the year. Among tenants of MARIF-assisted housing, nearly 68 percent had not moved in the previous year. As of 2007, nearly 27 percent of MARIF-assisted tenants had occupied their units for three years or more.

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Available information (since 2005 only) shows that one of the most common reasons households have moved out of MARIF units is that they obtained Section 8 or some other permanent subsidized housing. Another common reason for leaving was eviction based on criminal activity or failure to comply with program rules.

Reasons for Tenant Moves from MARIF-Assisted Housing, 2005-2007



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Measuring outcomes

For MFIP-eligible families, participation in MARIF appears to help them achieve greater earnings.

One of the most revealing measures of the effect of MARIF-assisted housing is the median earnings of current tenants over time. For households moving into MARIF-assisted housing between 2003 and 2006, the number of wage earners and their median annual earnings generally appear to have increased the year after they moved into MARIF-assisted housing, which continued in subsequent years.

Data for families entering MARIF in 2002 were excluded due to the minimal number of households reporting that year.

All Households Occupying MARIF Units in 2007 and Median Annual Wages by Year of Move into MARIF-Assisted Housing

Move-in year		Total earnings in 2002	Total earnings in 2003	Total earnings in 2004	Total earnings in 2005	Total earnings in 2006	Total earnings in 2007
2003	N = 53 Median	25 \$7,338	28 \$6,243	27 \$7,525	28 \$9,757	30 \$10,348	33 \$8,820
2004	N = 74 Median	47 \$4,969	48 \$5,678	45 \$4,675	54 \$8,632	51 \$11,161	52 \$12,543
2005	N = 92 Median	54 \$6,568	59 \$5,215	61 \$5,444	61 \$5,155	59 \$5,730	61 \$8,862
2006	N = 136 Median	73 \$3,518	83 \$4,581	82 \$4,864	86 \$5,643	93 \$5,674	94 \$7,730
2007	N = 127 Median	57 \$3,929	58 \$3,980	71 \$2,775	79 \$3,209	82 \$4,238	88 \$5,822
Total	N = 482 Median	259 \$4,885	279 \$4,693	289 \$4,642	311 \$5,869	318 \$6,256	332 \$7,985

N=Number of move-ins; number reporting earned income annually

Median annual earned income reported, year of move into MARIF unit

Median annual earned income reported, years following move into MARIF unit

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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 has positive outcomes for its occupants by providing an environment conducive to achieving greater stability and self-sufficiency.

Data show that an increasing percentage of households occupying MARIF-assisted housing have earned income, with more than 68 percent of tenant households reporting some earned income in 2007.

Earnings generally increase the year after a family moves into a MARIF-assisted housing unit.

Information from property owners or managers indicates that 28.7 percent of tenants leaving MARIF-assisted housing moved to Section 8 or other permanent subsidized housing, 21.3 percent moved into market rate housing or became self-sufficient, and 1.1 percent purchased a home.

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 will 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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