Evaluating Affordable Housing Efforts

Minnesota Affordable Rental Investment Fund Report

2020

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Introduction

This report is submitted to the Minnesota Legislature by Minnesota Housing as provided by Laws 2000, chapter 488, article 8, section 2.

Background

Following the Minnesota Legislature's authorization of the program and with an initial appropriation of $30 million in 2000, Minnesota Housing created the Minnesota Families Affordable Rental Investment Fund (MARIF). Minnesota Housing began accepting funding proposals from housing sponsors in late 2000, and finalized the last MARIF loan 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 meeting eligibility criteria for Minnesota's Minnesota Family Investment Program (MFIP), the state's welfare reform program for low income families with children.

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 443 units reserved for tenants with MFIP eligible incomes across 54 developments.[1] The 54 developments have 2,093 units in total, with a share being MARIF assisted units (see Table 1).

Twenty-five percent of the MARIF-assisted units are located in Greater Minnesota communities, and 75% are located in the seven-county Twin Cities metropolitan area. Within the Twin Cities area, MARIF-assisted units are located primarily in the central cities (65% of the units in the metro area are located within the cities of Minneapolis and Saint Paul).

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[1] All MARIF units must be marketed to current and recent MFIP participants. If the owner is unable to find enough qualified current and recent MFIP participants to rent all the MARIF units, at least 60 percent of the MARIF units must be occupied by family households who at the time of application are current MFIP participants or recent MFIP participants. "Recent MFIP participants" means a family who left MFIP for reasons other than disqualification from MFIP due to fraud no more than 24 months prior to the family's application for tenancy in a MARIF unit, and whose income at the time of application is equal to or less than 160 percent of the federal poverty level for the family's size. The remaining MARIF units must be occupied by family households whose income at the time of initial occupancy does not exceed 30 percent of metro area median income (adjusted for families of five or more).

Table 1
Distribution of MARIF Assistance

Property location	Number of Develop-ments	Percentage of Total Develop-ments	MARIF Loan Amount	Total Units in the Develop-ments	MARIF-Assisted Units	Percentage of Total that are MARIF Units
Metro	34	63%	$43,833,996	1,541	332	75%
Core 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	54	100%	$55,516,201	2,093	443	100%

Eighty-two percent of the MARIF-funded units were new construction/adaptive reuse at the time of funding, and 18% were rehabilitation. A total of 33% of the units were supportive housing.

Nearly 60% 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% of the developments also received federal housing tax credits allocated by Minnesota Housing in addition to project financing.

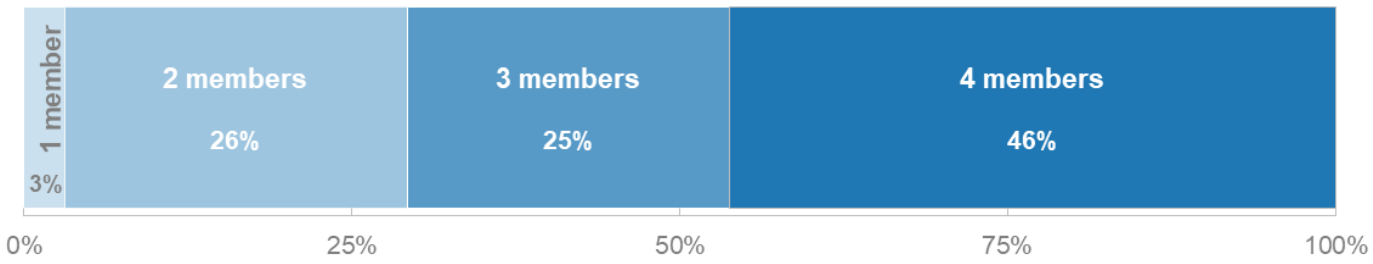
Basic Characteristics of Tenants in MARIF Units

Most tenants are single-parent families.

Historically, demographic information reported to Minnesota Housing by property owners shows that most tenants are families with minor children. In 2019, 92.0% of households assisted were families with one or more minor children; 66.4% of all MARIF households reporting were single-parent families (one adult living with one or more minor children).

A distribution of households by household size is shown in Figure 1, with a median of three people per household. Of those assisted in 2019, 29.2% were one- or two-person households, 24.6% were three-person households and 46.2% had four or more people.

Figure 1 MARIF
Households by Household Size, 2019
(n=452)

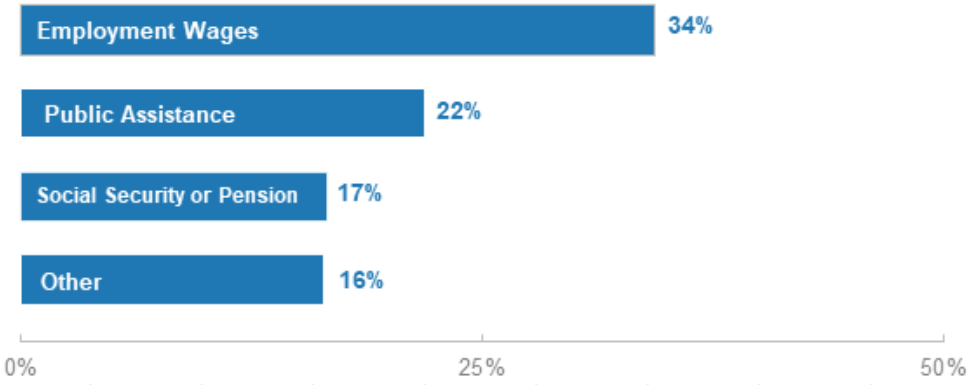


The median income of tenants in MARIF units is extremely low.

The median income of households assisted in 2019 was $13,252 ($11,904 for 2019 move-ins and $14,198 for move-ins prior to 2019). The median income for 2019 move-ins was higher than the median for 2018 move-ins ($9,600).

Among MARIF households assisted during 2019, the greatest proportion (34.3%) reported salary/wages as the **primary** source of household income, which is a decrease from 37.7% of households in 2018. In 2019, 16.6% of households reported Social Security or pension as the primary sources of income, an decrease from 2018 (18.5%). Note that Social Security payments may be made either to an older or a disabled household member.

Figure 2
MARIF Household Income Sources, 2019
(n=452)



Data from the Minnesota Department of Human Services (DHS) indicate that 53.1% of MARIF households assisted during 2019 were in their system as being enrolled for one or more months of public assistance through MFIP[1]. However, only 21.9% of all MARIF households reported public assistance as the **primary** source of income, up slightly from 20.7% in 2018. While developments are required to give priority to households enrolled in MFIP, if not enough MFIP households apply to fill all of a development's MARIF units, then the development may open the units to other low income households.

DHS data indicate that of the MARIF households enrolled in MFIP reporting in 2019, 19.2% worked for six months or more during the year, down from 24.4% in 2018.

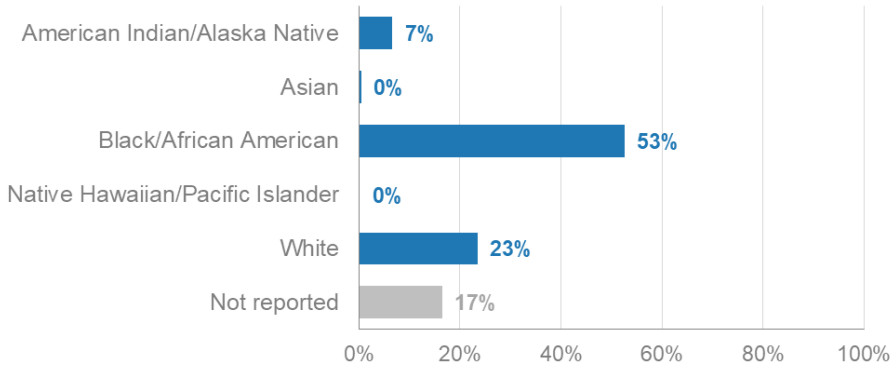
[1] The data provided by DHS includes MFIP recipients and Diversionary Work Program (DWP) enrollments.

Three-fourths of MARIF tenants reporting race/ethnicity are households of color.

Historically, households of color have occupied at least 50% of the MARIF units available. Of householders assisted in 2019 and reporting race and ethnicity, 71.4% were households of color.

Data reported by property owners also show that 4.5% of MARIF households assisted in 2019 were of Hispanic or Latino ethnicity.

Figure 3
MARIF Households
by Race, 2019
(n=452)



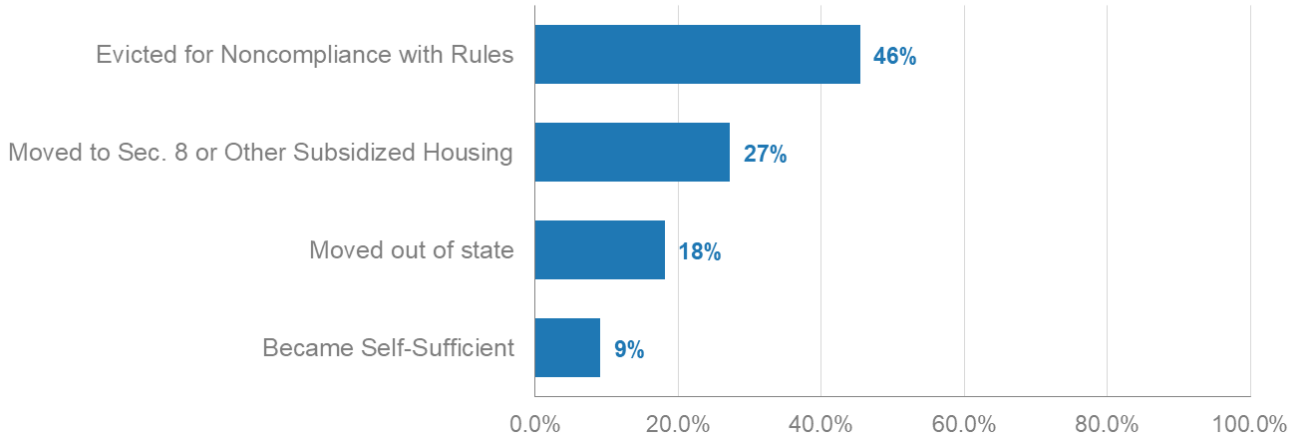
MARIF-assisted tenants move less frequently than low-income renters in general.

Moves are not necessarily an indicator of household distress; however, studies show that low-income families move more frequently than does the general population and are more likely to make involuntary moves, e.g., caused by eviction or housing affordability problems. Involuntary or unplanned moves can adversely affect families, especially children. Research indicates that children in frequent mover families lag in academic performance compared with their peers, and evidence also suggests a connection between frequent moves and behavior problems in the children of frequent movers.[2] According to the most recent estimates reported by the Census Bureau, 45% of low-income renter households in the U. S. (households below poverty) had moved to their current housing within the last 2 years and an estimated 27% had lived in the same unit for more than two years.[3] Among current tenants of MARIF-assisted housing, 21.2% had occupied a MARIF unit for one year or less and 35.4% had occupied a MARIF unit for two years or less. Twenty-nine percent of tenants had occupied a MARIF unit for more than five years.

[2] Rebecca Cohen and Keith Wardrip, *Should I Stay or Should I Go?* (Center for Housing Policy, February 2011).
[3] U.S. Department of Commerce, Bureau of the Census, *American Housing Survey, 2017.*

Information on MARIF tenant who moved out is limited. There were only 22 move-outs in 2019 and 50% did not provide a reason for their move. As shown in Figure 4, in 2019, the most common reasons given for household moves were: (1) the household was evicted for noncompliance with rules, (2) the household moved into Section 8 or other subsidized housing, or (3) they moved out of state. Of households moving out in 2019, 9% became self-sufficient. Note that the data only include eleven households with reasons for moving out, therefore, the percentages should be considered with caution.

Figure 4
Reasons for Tenant Moves from MARIF-Assisted Housing, 2019
(n=11)



Conclusion

MARIF-assisted units provide affordable housing to renters with incomes that qualify them for MFIP assistance. Current information shows that in MARIF-assisted housing:

- Ninety-two percent of households are families with minor children and more than two-thirds of MARIF households are single-parent families.
- Forty-six percent of households include four members or more.
- Household incomes are extremely low.
- Three-fourths of households are households of color.
- Few households moved out of MARIF-assisted housing in 2019, and their reasons for doing so were largely unstated.

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A copy of the report will be available at: click here to link to Minnesota Housing's website

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Appendix A: Description of Data

Demographic and income data are summarized from reports submitted to Minnesota Housing by property owners during the process of monitoring units for compliance with program rules. Selected characteristics are based on MARIF households reported as of December 31, 2019, that occupied a MARIF unit for one or more months during the year.

The Minnesota Department of Human Services (DHS) provided data on Minnesota Family Investment Program (MFIP) participation; additional data on employment and earnings from the Minnesota Department of Employment and Economic Development are no longer available for this study.

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