Planning, Research & Evaluation

A Review of Rental Housing with Tax Credits

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Minnesota Housing Finance Agency

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Summary

Minnesota Housing monitors more than 25,000 units of housing with tax credits (HTC). A review of available data on HTC housing and its occupants, reported to Minnesota Housing by property owners, shows that in 2014:

- The distribution of available HTC housing units is similar to the estimated renter need for assistance in most regions of the state (Figure 2).
- Most HTC units (without project-based Section 8 assistance) have rents at or below the U.S. Department of Housing and Urban Development's Fair Market Rents (Figures 5 and 6).
- The greatest percentage of HTC households is families with children under the age of 18 (Table 2).
- Most HTC households are low income (80% or less of the area median income). The greatest proportion had incomes 30% or less of the area median (Figures 9 and 10).
- Nearly one-half of HTC households receive additional tenant- or project-based housing assistance that makes their housing costs even more affordable (Figure 11).
- The proportion of HTC households of color or Hispanic ethnicity is greater than the proportion of households of color or Hispanic ethnicity among all lower-income renter households in Minnesota (Table 8).

Introduction and Background

Low-Income Housing Tax Credits are federal income tax credits for investors who provide private equity in the construction or acquisition with substantial rehabilitation of eligible rental housing. Housing tax credits (HTC) have played a significant role in the development of new and the preservation of existing affordable housing for nearly three decades. The U.S. Department of Housing and Urban Development's database of HTC housing includes 2.6 million units in more than 40,500 developments placed in service since 1987 (see https://www.huduser.gov/portal/datasets/lihtc.html).The allocation of tax credits from the federal government is based upon a per capita formula that increases each year with the cost of living.

The Minnesota Legislature has designated Minnesota Housing as the primary agency for allocating HTC within Minnesota. The Agency awards the tax credits through a competitive allocation process held each year concurrently with Minnesota Housing's Consolidated Request for Proposals (RFP), which awards first mortgages and gap funding for affordable housing projects.

The Legislature also authorizes the cities of Duluth, Minneapolis, Rochester, Saint Cloud, and Saint Paul and the counties of Dakota and Washington to administer HTCs in their respective jurisdictions. Duluth, Rochester, and Saint Cloud have Minnesota Housing allocate their credits for them under joint powers agreements. Minneapolis, Saint Paul, Washington County, and Dakota County allocate their own credits. Minnesota Housing typically allocates approximately 70% of the HTC available in Minnesota annually (including joint powers suballocators).

Minnesota Housing has financed affordable housing to lower-income households since 1974 using a variety of federal, state, and agency resources. HTC is only one of a number of important financing tools. Overall, in 2015, the Agency administered Housing Assistance Payments for more than 30,000 Section 8 units; assisted more than 11,000 households with rent assistance or homelessness prevention resources; and provided first mortgage and/or gap funding for 2,300 new or rehabilitated units of affordable housing, of which some received HTC, see 2015 Program Assessment). At the request of housing advocates, this report reviews HTC units only.

The Low Income Housing Tax Credit Program has enabled the construction or acquisition/ rehabilitation of thousands of units of affordable rental housing in Minnesota since 1987. As of early 2015, Minnesota Housing was monitoring 25,691 units in 611 developments throughout the state (see Figure 1).

Property owners reported occupancy data to Minnesota Housing on more than 24,000 HTC households for 2014; vacant units, units without demographics reported, and units not in service are not included in this analysis. Of the total, 6,139 occupied HTC units had Section 8 project-based assistance and 17,894 did not. For a better understanding of outcomes, we

reported income and rent data separately for tax credit tenants with and without project-based Section 8 assistance.

In developments with tax credits, HTC units generally comprise at least 90% of the total units; the remaining units have market rate rents.

The Qualified Allocation Plan

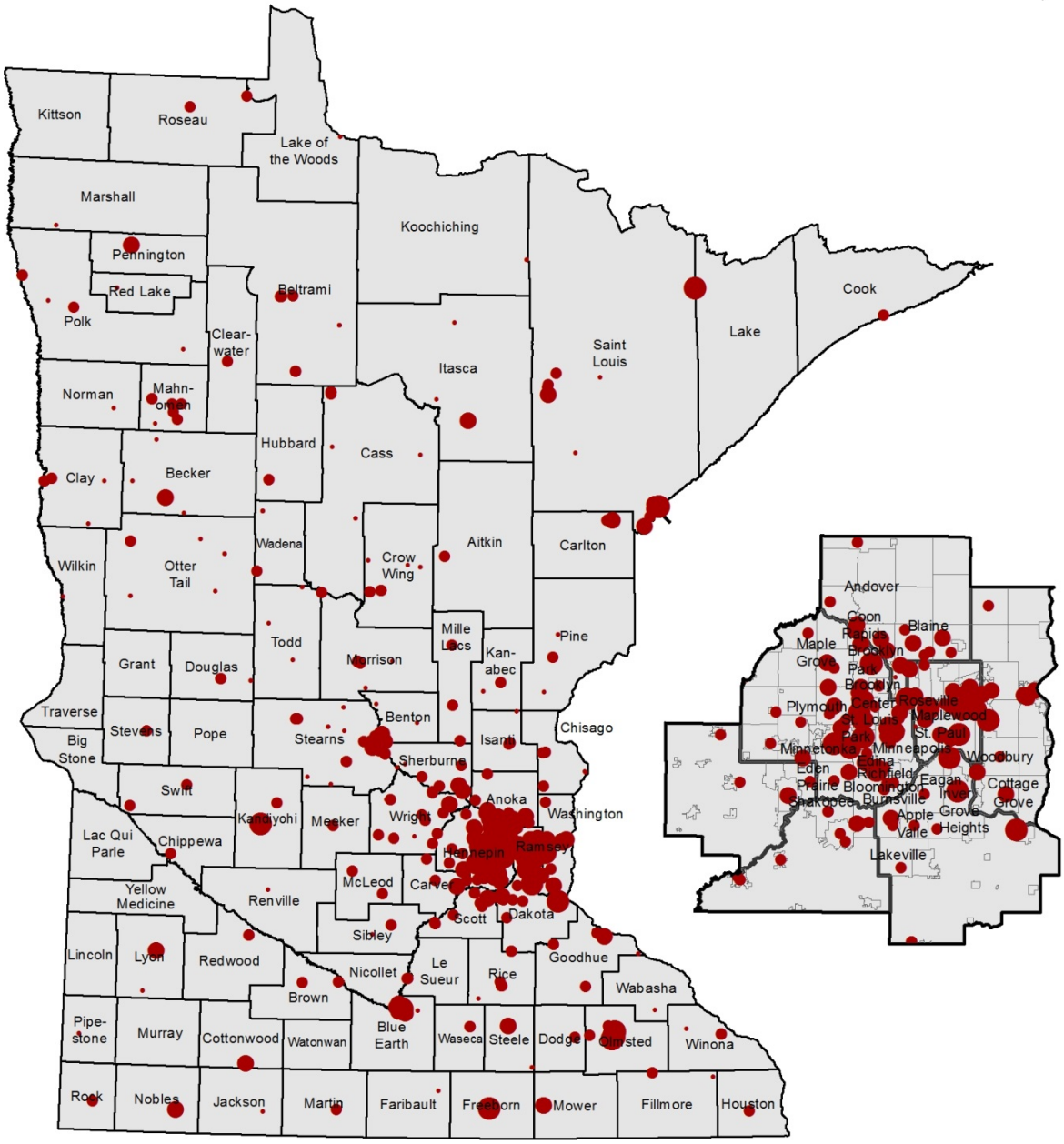
Section 42 of the Internal Revenue Code requires **each** agency receiving an allocation of federal housing tax credits to develop and implement an allocation plan for the distribution of the tax credits within the jurisdiction. Each Qualified Allocation Plan (QAP) reflects the policies and priorities of the jurisdiction that promulgates it.

Minnesota Housing's QAP identifies selection criteria and priorities for affordable rental housing developed through a process that includes input from the general public and stakeholders. Minnesota Housing's QAP has included selection criteria that award points for economic integration, workforce housing, location efficiency, preservation of existing federally assisted housing, supportive housing for people experiencing long-term homelessness, and accessible housing for people with disabilities. A copy of the Minnesota's current QAP is available at: Minnesota Qualified Allocation Plan for Tax Credits

Minnesota Housing reviews its allocation priorities annually and updates them based on an examination of housing needs and available resources.

Figure 1

Housing Tax Credit Developments Monitored by Minnesota Housing



Source: HTC monitored by Minnesota Housing (2015).

The Need for Affordable Housing

To what extent are HTCs meeting the need for affordable housing in Minnesota, and are credits equitably distributed around the state to meet regional need?

- **The need for affordable housing is great. With limited resources, HTCs fall short of meeting Minnesota's need for affordable housing; however, Minnesota Housing is distributing HTC resources in alignment with estimated regional need for affordable housing.**

State statute establishes the formula for allocating credits between the Twin Cities Metro region and Greater Minnesota. The allocation is based on the percentage of public assistance recipients reported by the Minnesota Department of Human Services and the Social Security Administration. Traditionally, it has provided 62% of the credits to the Twin Cities Metro region and 38% to Greater Minnesota.[1]

Within the Twin Cities/Greater Minnesota allocations, Minnesota Housing awards tax credits to projects through a competitive Request for Proposal (RFP) process. Tax credits also may be allocated to projects financed with tax-exempt bonds through a non-competitive process.

Based on Census Bureau estimates from the *2010-2014 American Community Survey,* there were nearly 500,000 lower-income, cost-burdened households in Minnesota as of 2014. In this assessment, lower-income cost-burdened households have incomes less than $50,000 and are paying more than 30% of income for rent.

As seen in Figure 2, the regional distribution of housing with tax credits and the estimated regional distribution of need for affordable housing are very similar. The Twin Cities Metro region appears to have a need for assistance exceeding the region's supply of available HTC housing; however, this is misleading. Minneapolis, Saint Paul, Dakota County, and Washington County each receive an allocation of tax credits that is not reflected here.

[1]Minnesota Statutes 2012, section 462A.222, subdivision 1a.

Figure 2
Regional Share of Rental Housing with Minnesota Housing HTC and Estimated Need for Affordable Housing, 2014

Source: Minnesota Housing Compliance Monitoring files; *2010-2014 American Community Survey*, U.S. Department of Commerce, Bureau of the Census.

Types of Units and Rents

Does the available stock of housing with HTC match renter need for units of various sizes and are rents affordable?

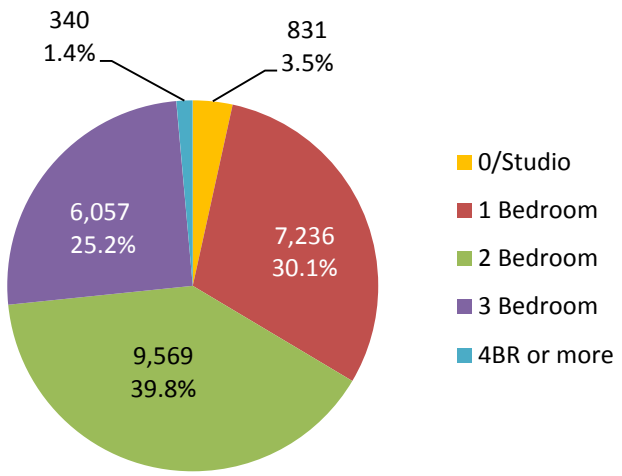
Unit Size

- **HTC units generally reflect household needs based on the Census Bureau's data on population and household size.**

The greatest proportion of reporting households lived in two-bedroom units (39.8%), followed by one-bedroom units (30.1%). The smallest proportion of units (1.4%) had four bedrooms or more (see Figure 3).

More than one quarter of HTC units (25.2%) had three bedrooms, reflecting Minnesota Housing's priority for serving larger households. Proposals that include units with three or more bedrooms may receive additional points in the competitive RFP selection/scoring process.

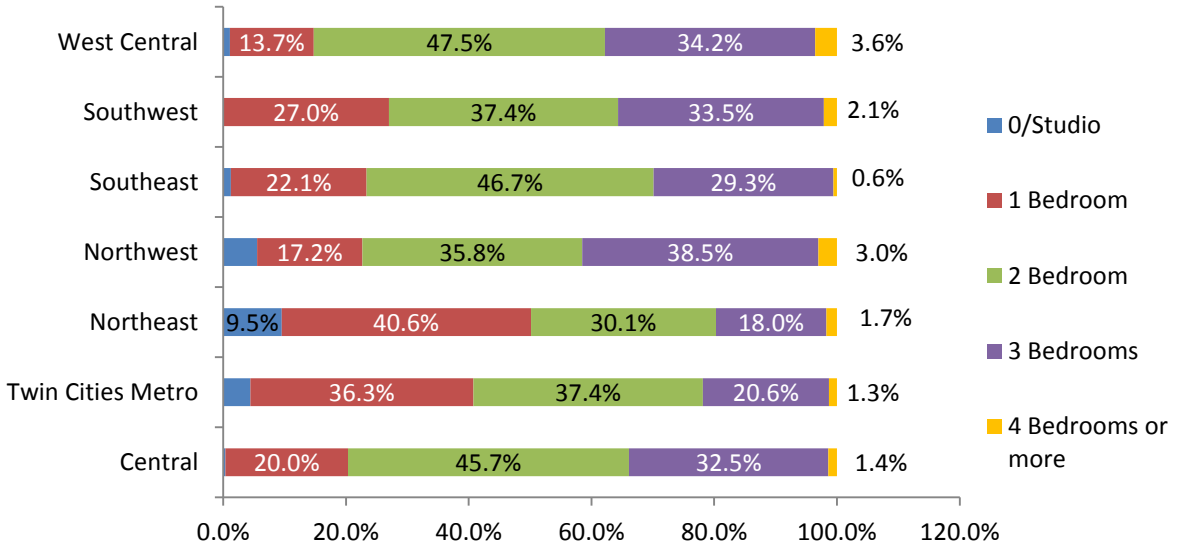
Figure 3
Distribution of Occupied HTC Units by Number of Bedrooms, 2014



Source: Minnesota Housing Compliance Monitoring files.

As shown in Figure 4, the distribution of occupied HTC units by number of bedrooms varies somewhat by region, reflecting different housing needs throughout the state.

Figure 4
Distribution of Occupied HTC Units by Number of Bedrooms by Region, 2014



Source: Minnesota Housing Compliance Monitoring files.

A closer examination of HTC units and estimated need by household size suggests a need for more units with 0-1 bedrooms and units with four bedrooms for more for lower-income renters (see Table 1). Units with 0-1 bedrooms account for 51.7% of the need and 33.6% of the HTC units. Units with four or more bedrooms account for 3.8% of the need and 1.4% of the HTC units. It is important to note that this analysis does not include Minnesota's 21,000 units of Public Housing or approximately 24,000 Section 8 units **without** HTC. HUD's most current *Picture of Subsidized Housing (2015)* shows that 74% of Public Housing units and 67% of Section 8 units in Minnesota have 0-1 bedrooms.

Table 1
Minnesota Housing-Monitored HTC Units and
Census Estimates of Lower-Income Renter Households, 2014

Number of Bedrooms per Unit	HTC Units, 2014		Estimated Need Among Lower-Income Renters, 2014[2]	
	Number	Percentage	Number	Percentage
0-1BR	8,067	33.6%	186,920	51.7%
2BR	9,569	39.8%	119,414	33.0%
3BR	6,057	25.2%	41,825	11.6%
4BR or more	340	1.4%	13,737	3.8%
Total	24,033	100.0%	361,896	100.0%

Source: Minnesota Housing Compliance Monitoring files and *2014 American Community Survey,* U.S. Department of Commerce, Bureau of the Census.

Rent

- **Most HTC rents are below HUD's Fair Market Rents (FMRs), making them relatively affordable.**

HUD's Fair Market Rents (FMRs), which are the maximum rents allowed for various assistance programs, provide a benchmark against which to measure HTC rents.

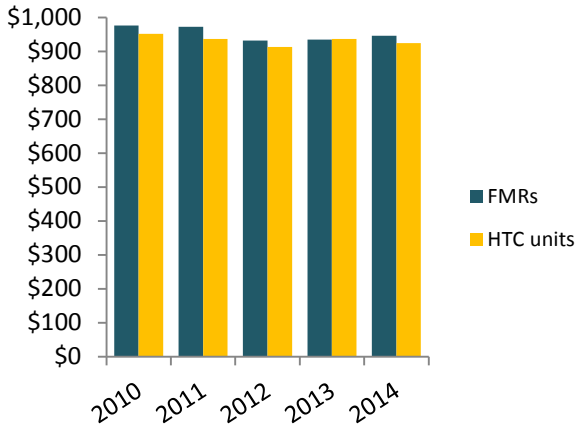
The FMR reflects the 40th percentile of rents charged in an area. In other words, 40% of standard-quality rental housing units in an area have rents below this level and 60% have rents above it. HUD establishes FMRs for the eleven-county Twin Cities Metropolitan Statistical Area (MSA) as well as smaller metropolitan areas and non-metropolitan counties.[3]

[2] This calculation is based on the number of persons in renter households with incomes less than $50,000 and HUD's suggested standard of no more than two persons per bedroom.
[3] U.S. Department of Housing & Urban Development, Fair Market Rents

This analysis of rents **excludes** HTC units in Section 8 developments and their tenants due to program restrictions, i.e., HUD FMR and income eligibility rules. Data were available for more than 7,800 non-Section 8 two-bedroom HTC units including 4,207 in the Twin Cities MSA and 3,622 in the balance of the state.[4]

Over the last five years, the average rent for a two-bedroom HTC unit in the Twin Cities MSA has generally been lower than the FMR for two-bedroom units (see Figure 5).

Figure 5
Fair Market Rents and HTC Rents
in the Twin Cities in the Last Five Years
(2014 dollars)



Source: Minnesota Housing analysis of current HTC rents and 2014 FMRs.

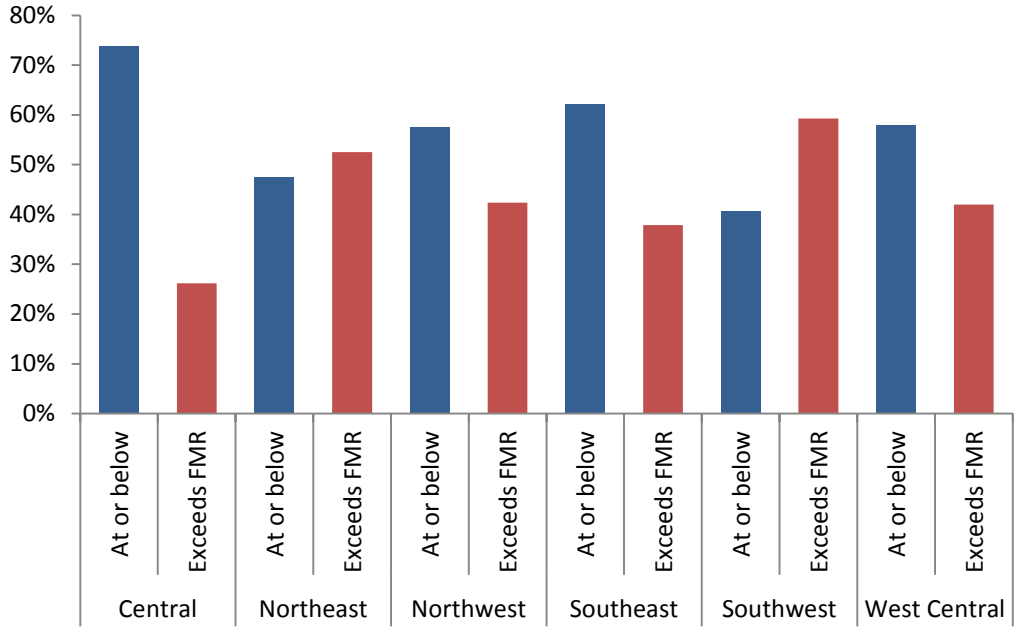
Developments with HTCs typically are underwritten and funded so that a percentage of the units are affordable to households with incomes at 50% or 60% of HUD's estimated area median income (AMI), with some as low as 30% AMI. Differences in HTC rents and FMRs largely depend on the income level to which HTC units are underwritten.

Marquette Advisors' *Apartment Trends*, which is based on a survey of privately-owned developments in the seven-county Twin Cities Metro region, provides another measure of affordability. According to *Apartment Trends*, the average monthly market rent of a two-bedroom unit in the region was $1,098 at the end of the fourth quarter 2014.[5] Two-bedroom HTC units had an average monthly rent in 2014 of $935 for the Twin Cities Metro region, ranging from a low of $890 in Washington County to a high of $990 in Carver County. HTC rents include a utility allowance for tenant paid utilities.

[4] The analysis of the Twin Cities metropolitan area applies to the 11-county Metropolitan Statistical Area. Elsewhere in this report, the Twin Cities Metro region includes the Minneapolis/Saint Paul seven-county area.
[5] Marquette Advisors, *Apartment Trends*, 4th Quarter, 2014.

Less information is available on prevailing rents for properties outside the Twin Cities. *Apartment Trends* is not published for Greater Minnesota; however, a comparison of rents for two-bedroom HTC units and HUD FMRs by county is meaningful. As shown in Figure 6, occupied two-bedroom HTC units generally rented for less than the area's FMR. The Northeast and the Southwest were the only regions in which a greater percentage of HTC rents were above FMRs.

Figure 6
Share of HTC Rents Above or Below Area FMRs for Two-Bedroom Units in Greater Minnesota, 2014



Source: Minnesota Housing Compliance Monitoring files.

Serving Targeted Populations

How well does housing with HTC serve targeted populations?

Household Type

- **Families with children account for nearly one-half the households occupying HTC units.**

Families with children are the most common type of HTC household, followed by single adults with no children (see Table 2). HTC units house a greater percentage of families with children (45.2%) and a lower percentage of adults without children (54.8%) than the Census Bureau's estimate for all lower-income renters in Minnesota in 2014. In Minnesota, 26.4% of all lower-income renter households were families with children and 73.6% were one or more adults with no children.

Table 2
HTC and Lower-Income Renter Households by Type, 2014

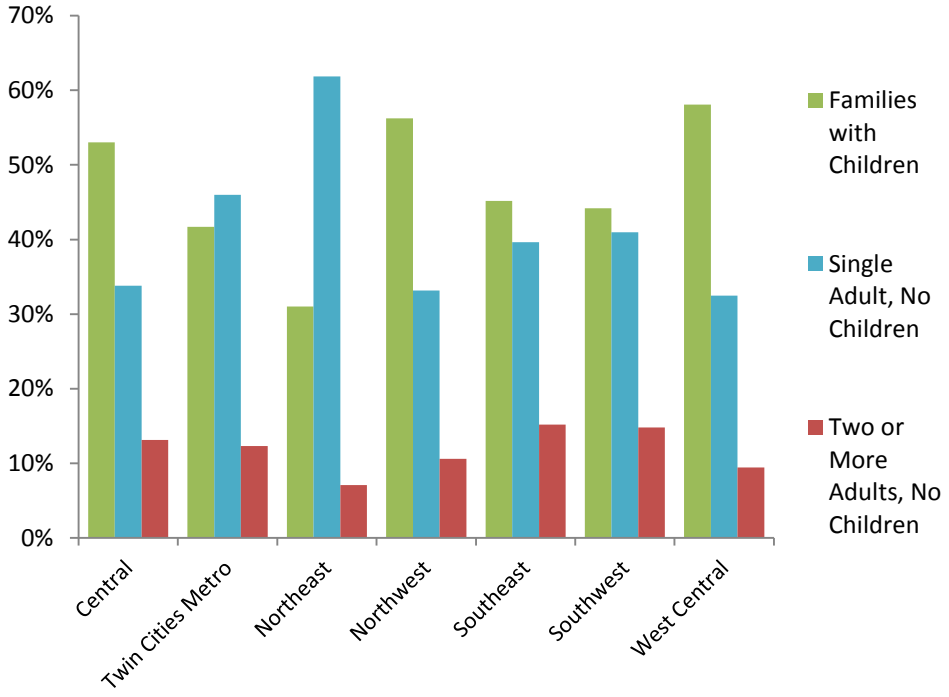
Household Type	HTC Households, 2014		Estimated Share All Lower Income Renter Households, ACS
Family with children	10,834	45.2%	26.4%
Single adult, no children	10,112	42.2%	
Two or more adults, no children	3,003	12.6%	73.6%
Total	23,949	100.0%	100%

Source: Minnesota Housing Compliance Monitoring files and *2014 American Community Survey (ACS),* U.S. Department of Commerce, Bureau of the Census.

A Minnesota Housing review of assistance has shown that more than 45% of tenants in Section 8 housing are seniors. HUDs *Resident Characteristics Report* shows that at the end of the first quarter of 2016, one-third of Public Housing tenants were seniors. Since Section 8 and Public Housing serve a large share of senior households, HTC has focused on families. Of the families with children occupying HTC units, 76.8% included three or more people and 44.9% included four or more, a reflection of the QAP priority for large family units.

HTC household types vary by region with the greatest proportion of families served in the West Central, Northwest, and Central regions, and the greatest proportion of one-person households served in the Northeast and Twin Cities Metro regions (see Figure 7).

Figure 7
Percentage of HTC Households by Type, 2014



Source: Minnesota Housing Compliance Monitoring files.

Homelessness

- **HTC has provided more than 1,300 units of supportive housing for people who have experienced long-term homelessness.**

Approximately 5% of existing HTC units are supportive housing for people who have experienced long-term homelessness prior to occupancy. Minnesota defines as long-term homelessness as "lacking a permanent place to live continuously for a year or more or at least four times in the past three years."

One of Minnesota Housing's current QAP priorities is to allocate tax credits to developments that include supportive housing.

Mobility Impaired Tenants

- **Minnesota Housing architectural standards require that at least 3% of units in developments the Agency funds be designed for tenants with disabilities, which is higher than state Building Code standards; however, many accessible units are occupied by households that are not mobility impaired**.

In order for individuals with disabilities to have access to the range of housing options that all Minnesotans have, Minnesota Housing has included Universal Design as a scoring category, beginning with its 2016 Qualified Allocation Plan. Encouraging Universal Design in all tax credit projects, rather than just those projects that will specifically set aside a large portion of units for individuals with disabilities, will encourage more integrated settings and a broader range of choice in housing options for individuals with disabilities.

Data in previous reports enabled us to identify households that included a member with permanent mobility impairment – for example, using a wheelchair. In 2014, Minnesota Housing implemented the Property Online Reporting Tool (PORT), which enabled property owners to report on all tenants in housing monitored for compliance by the Agency (tax credits or deferred funds). PORT will eventually provide us with information not previously available; however, the first year of reporting from PORT presented some initial transition difficulties. Currently, we are aware of shortcomings with accessibility and disability information and are working to correct the issues. At this time, we cannot report quality information. Findings from the previous analysis (2011 data) are shown here.

Of the 21,795 HTC units for which owners reported household characteristics in 2011, nearly 3% were accessible to residents with a mobility impaired. (Some developments may not be required to meet accessibility standards – for example, those predating the current accessibility standards or rehabilitation projects for which accessibility improvements were not feasible.) Table 3 shows the distribution of accessible units and occupants with mobility impairment.

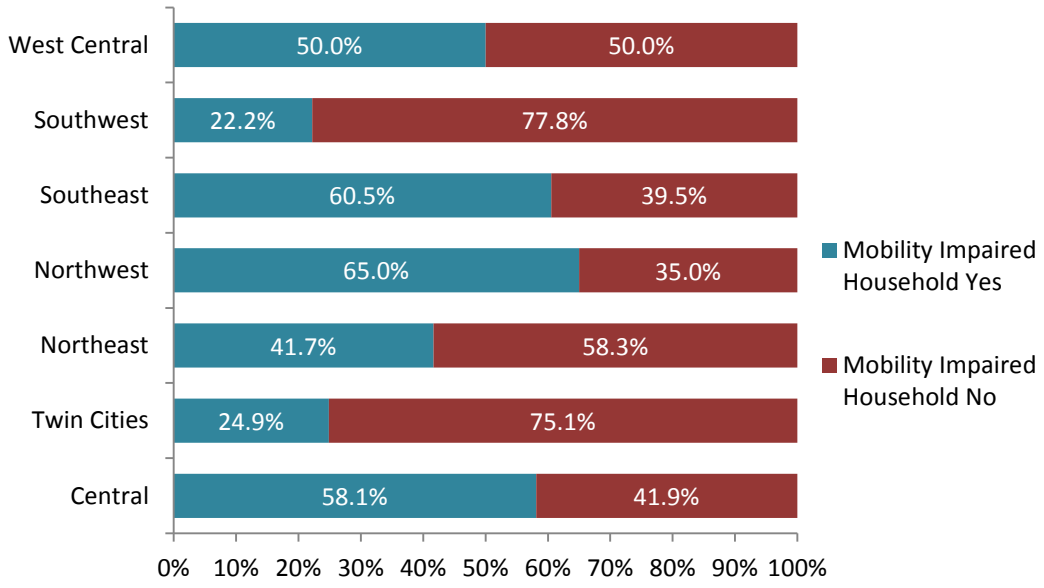
Table 3
Occupancy of Accessible HTC Units Reporting, 2011

Units	Number of HTC Units	Households by Mobility		
		Not Impaired	Impaired	All
Not accessible	21,190	93.3%	6.7%	100%
Accessible	605	65.0%	35.0%	100%

Source: Minnesota Housing Compliance Monitoring files.

Figure 8 shows that the percentage of accessible units occupied by mobility impaired tenants varied widely by region, with the Northwest and Southeast regions having the highest rates at 65.0% and 60.5%, respectively.

Figure 8
Share of Accessible HTC Units Occupied by Mobility Impaired Households by Region, 2011



Source: Minnesota Housing Compliance Monitoring files.

Table 4
Accessibility of Occupied HTC Units that Are Monitored by Minnesota Housing, 2011

	Accessible Units			Units Not Accessible		
	Number of HTC Units	Mobility Impaired Household		Number of HTC Units	Mobility Impaired Household	
Region		**No**	**Yes**		**No**	**Yes**
Central	74	41.9%	58.1%	2,402	93.4%	6.6%
Twin Cities Metro	370	75.1%	24.9%	13,716	93.8%	6.2%
Northeast	40	58.3%	41.7%	1,384	90.0%	10.0%
Northwest	23	35.0%	65.0%	452	96.6%	3.4%
Southeast	38	39.5%	60.5%	2,049	90.3%	9.7%
Southwest	27	77.8%	22.2%	709	94.2%	5.8%
West Central	33	50.0%	50.0%	478	96.3%	3.7%
Total	605	65.0%	35.0%	21,190	93.3%	6.7%

Source: Minnesota Housing Compliance Monitoring files.

Lower-Income Households

- **Most households occupying HTC units have extremely low incomes.**

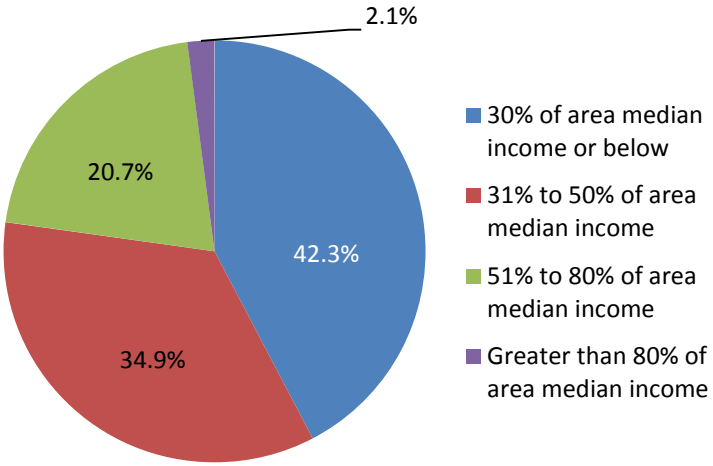
The Internal Revenue Service (IRS), which oversees the HTC program, does not require incomes of all HTC households to be recertified annually. The income analysis shown in this report includes the current incomes of 10,256 non-Section 8 HTC households and 4,097 Section 8 HTC households that are **not** exempt from reporting their income following certification. The median income of all HTC tenants reported for 2014 was $18,582. The median was $21,862 for non-Section 8 tenants and $12,305 for Section 8 tenants.

According to the *2014 American Community Survey,* the Census Bureau estimates that Minnesota's median income was $61,481 for all households, $75,681 for owner households, and $33,206 for renter households.

Another measure of income is HUD's median family income, which provides the basis for income guidelines for a variety of housing programs. HUD estimates medians, adjusted by family size, for six metropolitan areas in Minnesota and 64 non-metropolitan counties. HUD defines incomes that are 51% to 80% of the median as low, 31% to 50% of the median as very low, and at or below 30% of median as extremely low. HUD defines incomes from 81% to 115% of median as moderate.

A comparison of annual incomes of HTC households and the HUD categories shows that nearly all HTC households are low income and 42.3% are extremely-low income (see Figure 9). This lowest income group predominates in non-Section 8 units, as well as in Section 8 units. All HTC households must have incomes at initial occupancy that are at or below 60% of area median; after that, incomes may be higher, e.g., at recertification.

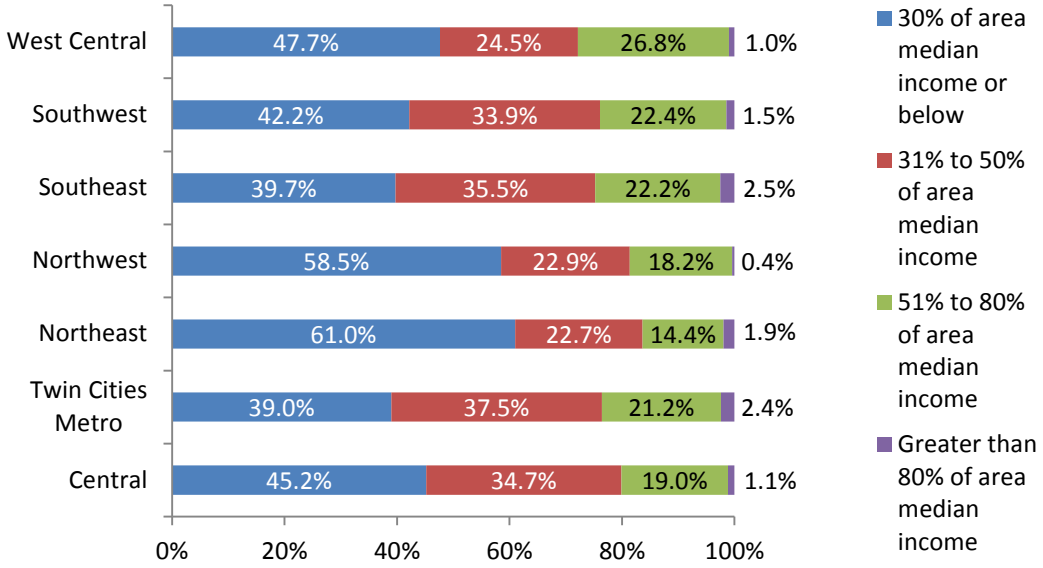
Figure 9
Non-Section 8 Housing Tax Credit Households by Income Group, 2014



Source: Minnesota Housing Compliance Monitoring files.

The distribution of resident incomes was similar across Minnesota's regions, with the highest proportion of very low income HTC households in the Northeast (see Figure 10).

Figure 10
Non-Section 8 HTC Household Income Groups by Region, 2014



Source: Minnesota Housing Compliance Monitoring files.

Cost-Burdened Households

- **Many HTC households without rent assistance are cost-burdened, but the percentage of HTC burdened renters is lower than the percentage of all lower-income burdened renters in Minnesota.**

HUD defines a household as cost-burdened if it spends more than 30% of income on housing and severely cost-burdened if it spends more than 50%. Households with federal rent assistance generally are not cost-burdened due to program regulations that allow tenants to pay no more than 30% of their incomes for rent. This analysis focuses on the cost burdens of the 6,878 HTC households reporting to Minnesota Housing who were **without** rent assistance. Data on rent and income are current and apply to HTC units **not** exempt from reporting income.

According to the Census Bureau's 2*014 American Community Survey,* 67.3% of lower-income renter households in Minnesota were cost-burdened (up from 66.4% in 2011). Among HTC households without rent assistance in 2014, 61.6% were cost-burdened (see Table 5), which is almost identical to the percentage reported in 2011.

An even smaller proportion of households in HTC units were severely cost-burdened (paying more than 50% of income for rent) than the overall population of renters. Estimates are not available by income, but according to the *2014 American Community Survey*, 24.6% of all renters in Minnesota were severely cost-burdened (down from 25.7% in 2011). Among HTC households, an estimated 16.5% was severely cost-burdened in 2014 (down from 18.3% in 2011).

Households can be cost-burdened in HTC units because the units are often underwritten to rents affordable to households at or below 50% or 60% of area median income, but the units may be occupied by people with incomes that are even lower. Although not always affordable, HTC units can provide a more affordable and higher quality option than the private market.

As shown in Table 5, the Twin Cities Metro region includes the greatest proportion of cost-burdened lower-income HTC households, followed by the Central region.

Table 5
Cost-Burdened HTC Households without Rent Assistance by Region, 2014

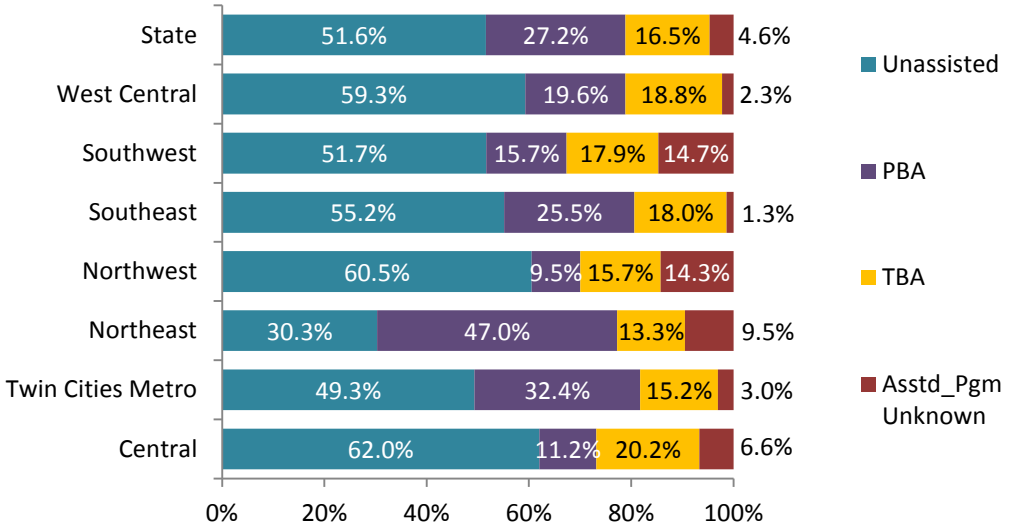
Region	Cost Burdened	Burden > 30%	Percentage in Region	Burden > 50%	Percentage in Region
Central	No	373	39.1%	841	88.2%
	Yes	581	60.9%	1,13	11.8%
	Total	954	100.0%	954	100.0%
Twin Cities Metro	No	1,351	35.8%	3,126	82.8%
	Yes	2,423	64.2%	648	17.2%
	Total	3,774	100.0%	3,774	100.0%
Northeast	No	112	42.4%	215	81.4%
	Yes	152	57.6%	49	18.6%
	Total	264	100.0%	264	100.0%
Northwest	No	55	44.4%	99	79.8%
	Yes	69	55.6%	25	20.2%
	Total	124	100.0%	124	100.0%
Southeast	No	498	40.7%	1,005	82.2%
	Yes	725	59.3%	218	17.8%
	Total	1,223	100.0%	1,223	100.0%
Southwest	No	143	47.4%	274	90.7%
	Yes	159	52.6%	28	9.3%
	Total	302	100.0%	302	100.0%
West Central	No	107	45.1%	183	77.2%
	Yes	130	54.9%	54	22.8%
	Total	237	100.0%	237	100.0%
Total	No	2,639	38.4%	5,743	83.5%
	Yes	4,239	61.6%	1,135	16.5%
	Total	6,878	100.0%	6,878	100.0%

Source: Minnesota Housing Compliance Monitoring files.

Information reported to Minnesota Housing by property owners for 2014 indicates that slightly more than one-half of HTC occupied housing units did not have rent assistance (51.6%) while the remainder of the occupied units (48.4%) were more affordable through either project-based assistance (PBA) or tenant-based assistance (TBA), up from 43.6% in 2011.

The percentage of HTC households with **no** rent assistance reported was highest in the Central region and lowest in the Northeast region (see Figure 11).

Figure 11
Rent Assistance for Occupied Units with Housing Tax Credits in Minnesota, 2014



Source: Minnesota Housing Compliance Monitoring files.

Overcrowding

- **Overcrowding in both HTC and other rental units is relatively low in Minnesota.**

For its Quality Control surveys of public and assisted housing, HUD's suggest that overcrowding is more than two persons per bedroom in a housing unit. Based on that definition and *2014 American Community Survey* data, 3.7% of lower-income renter households in Minnesota live in overcrowded housing.

Households with rent assistance appear less likely to be overcrowded, due to HUD's suggested standard. This portion of the analysis focuses on those HTC households that do **not** receive additional tenant or project-based rental assistance.

Table 6
Overcrowding of HTC Households
without Rent Assistance, 2014

Region	Over-crowded	Number of Households	Percentage of Region
Central	No	2,149	98.4%
	Yes	35	1.6%
	Total	2,184	100.0%
Twin Cities Metro	No	5,858	96.3%
	Yes	222	3.7%
	Total	6,080	100.0%
Northeast	No	508	97.3%
	Yes	14	2.7%
	Total	522	100.0%
Northwest	No	542	96.8%
	Yes	18	3.2%
	Total	560	100.0%
Southeast	No	1,940	97.3%
	Yes	53	2.7%
	Total	1,993	100.0%
Southwest	No	486	94.7%
	Yes	27	5.3%
	Total	513	100.0%
West Central	No	541	98.4%
	Yes	10	1.6%
	Total	551	100.0%
Total	No	12,024	96.9%
	Yes	379	3.1%
	Total	12,403	100.0%

Source: Minnesota Housing Compliance Monitoring files.

HTC units with no or one bedroom had the highest rates of overcrowding (see Table 7).

Table 7
Overcrowding of HTC Households
without Rent Assistance by Unit Size, 2014

Number of Bedrooms	Over-crowded	Number of House-holds	Percentage of Total
0-1	No	2,589	
	Yes	145	5.3%
	Total	2,734	
2	No	5,683	
	Yes	163	2.8%
	Total	5,846	
3	No	3,564	
	Yes	71	2.0%
	Total	3,635	
4 or more	No	188	
	Yes	0	0.0%
	Total	188	
Total	No	12,024	
	Yes	379	3.1%
	Total	12,403	

Households of Color or Hispanic Ethnicity

- **HTC units include a greater percentage of households of color or Hispanic ethnicity than the overall lower-income renter population in Minnesota.**

According to the *2014 American Community Survey*, among all lower-income renter households in Minnesota, 28.8% of households are of color or Hispanic ethnicity and among all lower-income renter households in the Twin Cities Metro region, 59.3% are of color or Hispanic ethnicity.

Among all HTC households in Minnesota, 41.4% were of color or Hispanic ethnicity. In the Twin Cities Metro region, 50.4% were of color or Hispanic ethnicity (see Table 8).

Household race and ethnicity are based on characteristics of the house head. Data on race and ethnicity were available for the heads of 15,385 households occupying HTC units in 2014. Percentages are based on the number of valid responses, not total households.

Table 8
HTC Households of Color or Hispanic Ethnicity, 2014

Region	Of Color or Hispanic Ethnicity	Number of HTC Households	Regional Percent of HTC Households	Census Bureau Estimate, Percent of Lower-Income Renter Households of Color or Hispanic Ethnicity
Central	No	2,027	81.9%	
	Yes	449	18.1%	11.0%
	Total	2,476	100.0%	
Twin Cities Metro	No	4,082	49.6%	
	Yes	4,152	50.4%	59.3%
	Total	8,234	100.0%	
Northeast	No	867	78.4%	
	Yes	239	21.6%	10.0%
	Total	1,106	100.0%	
Northwest	No	215	36.8%	
	Yes	370	63.2%	21.9%
	Total	585	100.0%	
Southeast	No	1,215	58.9%	
	Yes	849	41.1%	16.0%
	Total	2,064	100.0%	
Southwest	No	294	67.6%	
	Yes	141	32.4%	16.0%
	Total	435	100.0%	
West Central	No	308	63.5%	
	Yes	177	36.5%	4.5%
	Total	485	100.0%	
Total	No	9,008	58.6%	
	Yes	6,377	41.4%	28.8%
	Total	15,385	100.0%	

Source: Minnesota Housing Compliance Monitoring files and Census Bureau, *2014 American Community Survey Public Use Microdata Sample (PUMS).*

Conclusion

The federal Low Income Housing Tax Credit program has been an important source of affordable rental housing for lower income renters since 1987. As of early 2015, Minnesota Housing was monitoring more than 25,000 HTC units with income and rent restrictions in place.

Monitored HTC units are distributed throughout the state in a pattern similar to the distribution of estimated need for affordable rental housing. The largest proportion of units is occupied by extremely low-income tenants (30% or less of HUD's estimated area median income).

The rents of tax credit units generally are affordable, most often at or below area Fair Market Rents established by HUD. Slightly less than one-half of HTC households receive additional rent assistance payments, making their housing even more affordable.

The profile of HTC tenants generally reflects the wider lower-income renter population in Minnesota; however, housing cost burdens of HTC tenants are slightly lower than the cost burdens of other low income renters in the state. A noticeably smaller percentage of HTC households are severely cost-burdened than other renters.

Appendix: Data Issues and Clarity

"HTC units" as used in this report are income- and rent-restricted for occupancy by lower-income tenants. Tenant data in this review apply only to units with tax credits allocated and monitored by Minnesota Housing.

Minnesota Housing collects tenant data through the annual process of monitoring HTC housing for compliance with applicable federal and state rules. Minnesota Housing requests information on tenants through the Property Online Reporting Tool (PORT), which is the data source for report. Data are for all tenants occupying HTC units during Calendar Year 2014 (including turnover).

Table 9 shows the distribution of HTC units currently monitored compared to the HTC households for which data were available to Minnesota Housing (24,033). Some information is not consistently available for all households because tenants and owners voluntarily provide the data; however, the coverage of monitored units is very good—tenant characteristics data were available to Minnesota Housing on nearly 93% of the HTC units monitored by Minnesota Housing. Also, some units listed for monitoring may not immediately be in service.

Table 9
Tax Credit Units Monitored By and
Reported To Minnesota Housing, 2014

Property Location	HTC units Monitored	Share of HTC Units Monitored	Share of HTC Households Reported
Twin Cities Metro	13,533	52.3%	51.3%
Southeast	3,732	14.4%	15.0%
Central	3,668	14.2%	14.7%
Northeast	1,810	7.0%	7.2%
Southwest	1,044	4.0%	4.1%
West Central	925	3.6%	3.9%
Northwest	1,143	4.4%	3.8%
Total	25,855	100%	100%

Household incomes of HTC tenants are recertified as required by program regulations. Income and rent burden data are analyzed only for households who are **not** exempt from income reporting.

Unless otherwise noted, the Twin Cities Metro region includes the seven counties of: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington. Some federal agencies also include Chisago, Isanti, Sherburne, and Wright counties as part of the Twin Cities.

Discussion of HTC rents and HUD FMRs are based on the federally defined 11-county area, which is referred to as the Twin Cities Metropolitan Statistical Area (MSA).