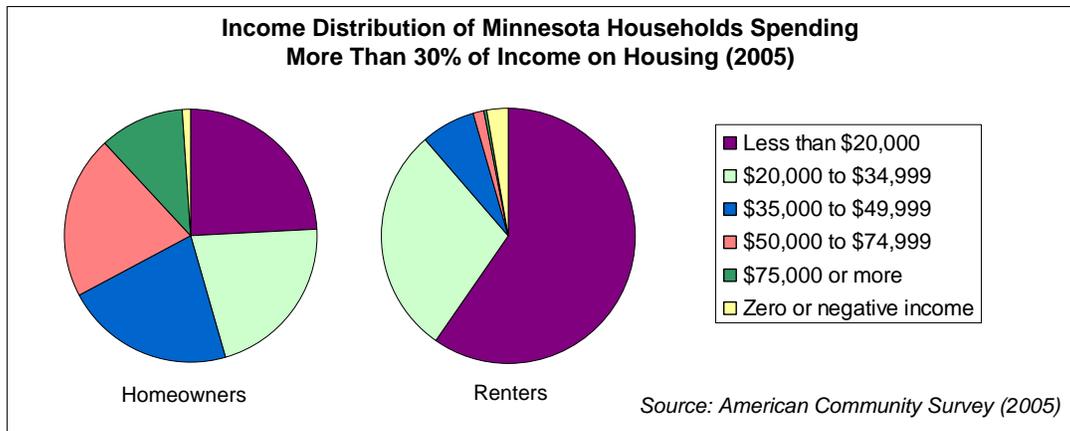




# Housing Affordability in Minnesota

## The Scope of the Problem

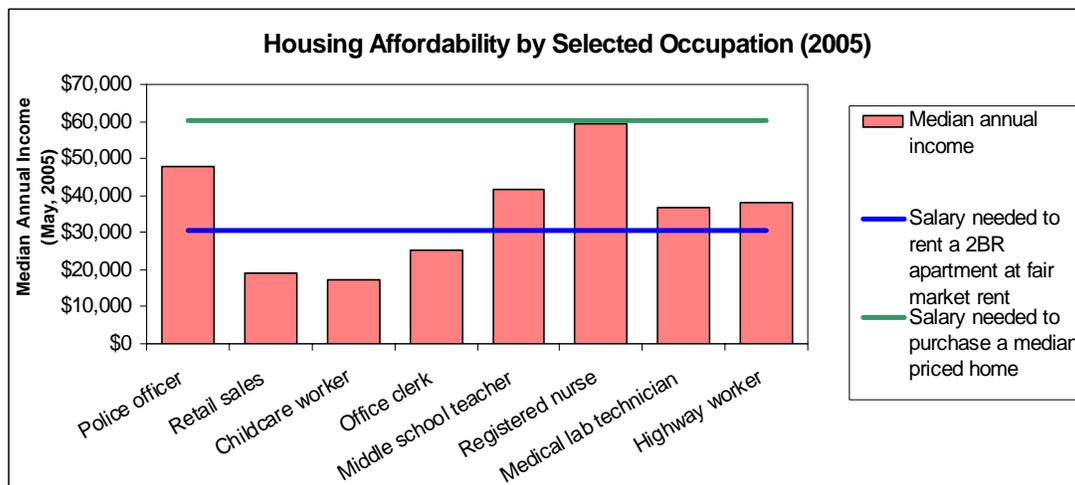
- In 2000, nearly 300,000 low-income households in Minnesota in 2000 spent more than 30 percent of their income on housing, leaving families with little left over for basic necessities.
- The percentage of households in the state spending more than half of their income on housing increased by over 80% (from 6.6% to 11.9% of MN households) from 2000 to 2005. This was the fastest growth of any state in the nation.
- By 2010, Minnesota will face a shortage of 32,800 units of affordable housing, even after accounting for current levels of production of new affordable units, and presuming no loss of existing affordable housing.



## Three Important Factors in Housing Affordability and Availability

### Wage Stagnation and Growing Housing Costs

- The median home sales price in Minnesota grew by nearly 32 percent between 2000 and September 2005 (adjusted for inflation). At the same time, there was a slight fall in the median family income.
- The average cost of rent increased 6% while renters' income fell by 15% from 2000 to 2005
- To purchase a median priced home in the state in 2005, a worker had to earn at least \$60,077. An income of \$30,458 was required for a worker to affordably rent a two-bedroom apartment at fair market rent.



### Threats to Preservation of Existing Affordable Housing

- There were nearly 60,000 fewer units available affordable to households with an annual income of less than \$20,000 in 2005 as there were in 2000. Yet the number of households at this income level actually increased in that period.
- Minnesota lost more than 2,000 housing units receiving Section 8 project-based assistance or mortgage subsidies between 1995 and 2005.
- 12 mobile home parks have closed since 2000, displacing 200 families. All Parks Alliance for Change estimates that as many as 1,500 families are at risk of displacement due to park closures.

### *Inadequate Federal Funding for Affordable Housing*

- Federal expenditures for affordable housing have remained relatively flat since 2001, despite an aging public housing stock, rising market rents and growth in affordable housing need. In Minnesota, the need for affordable housing has nearly doubled.
- Minnesota households now remain on a waitlist for an average of 12 months before receiving a Section 8 voucher. In the Twin Cities metropolitan area, the wait is between 3 and 5 years.
- Due to funding cuts there is an estimated \$20 billion backlog for needed repairs of public housing nationwide. In Minnesota, the St. Paul Public Housing Agency lost \$2.6 million in its funding level for repairs and improvements between 2001 and 2006, a cut to 73% of its 2001 level. For 2007 public housing agencies are currently scheduled to receive from the federal government only 76% of what it costs to operate their properties.

### **Addressing Housing Inequities**

#### *Homelessness*

- The number of Minnesotans who were homeless, doubled up with friends or relatives, or in other temporary or unstable housing increased by 250% between 1991 and 2003. In 1991, this total was about 7,980 people, but by 2003 the number had leapt to 20,347.
- 13% of homeless people were working full time in 2003, up from 7.5% in 1991.
- There was a 37% increase in the number of Minnesotan children in shelters between 1995 and 2005.
- Three out of ten unemployed homeless adults identified the lack of housing as the greatest barrier to working, second only to a lack of transportation. A primary cause of homelessness is the shortage of available affordable rental housing.

#### *Racial Gap in Homeownership*

- For non-Hispanic Whites, the homeownership rate was over 79% in 2005, while the rate for all communities of color was only 44%. African Americans had a homeownership rate of just 29%. Overall, Minnesota homeownership rate was 75.8%, the highest in the country.
- People of color are more likely to be victims of predatory lending. In the Twin Cities, areas with higher rates of home foreclosures: a) have more sub-prime lending and b) are concentrated primarily in African American and Latino communities.
- Minnesota ranks 45<sup>th</sup> out of 50 states and the District of Columbia for African-American homeownership rates.

### **Affordable Housing: Fiscally Responsible, Environmentally Sound, and Promoting Economic Prosperity**

- Minnesota communities have identified lack of housing as a detriment to economic growth and jobs. Crookston, Thief River Falls, St. Cloud, and Isanti are examples of Greater Minnesota locales experiencing employment growth, but a shortage of housing.
- Situating affordable housing near the workplace makes economic and environmental sense. In Greater Minnesota, it allows people to live in the communities where they work. In the Twin Cities, it also eases the transportation system and makes using public transportation more viable. Everywhere, it leads to less absenteeism and higher employer/employee satisfaction.
- Addressing poorly weatherized housing for low-income residents saves energy and the environment, and offers cost savings for families.
- The cost to the state of homelessness prevention has been as low as \$472 per family, whereas the cost of one episode of family homelessness is nearly \$5,000.
- Some investments in affordable housing actually earn revenue for the state. A \$10,000 contribution from the state to produce a new \$165,000 single family home yields \$12,000 in combined deed, mortgage, income and sales tax revenues, reports Greater Minnesota Housing Fund. Furthermore, when the house is sold, the \$10,000 is returned to the state.