Housing Affordability in Dakota County

May 2009

Housing is considered affordable if it consumes less than 30% of a household’s gross income. At higher levels, families must choose between housing and other basic needs and will struggle to weather financial setbacks. For 2009, housing costs continue to consume a large portion of families’ income, with substantial unemployment threatening Minnesotans.

<table>
<thead>
<tr>
<th>Household Income</th>
<th>Renters</th>
<th></th>
<th>Home Owners</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Households Paying 30% or More in Rent</td>
<td>Percent of Households Paying 30% or More in Rent</td>
<td>Number of Households Paying 30% or More in Ownership Costs</td>
<td>Percent of Households Paying 30% or More in Ownership Costs</td>
</tr>
<tr>
<td>Less than $20,000</td>
<td>6,000</td>
<td>94.1%</td>
<td>4,366</td>
<td>81.6%</td>
</tr>
<tr>
<td>$20,000 - $34,999</td>
<td>4,464</td>
<td>71.3%</td>
<td>4,872</td>
<td>63.8%</td>
</tr>
<tr>
<td>$35,000 - $49,999</td>
<td>1,627</td>
<td>24.1%</td>
<td>7,167</td>
<td>54.9%</td>
</tr>
<tr>
<td>$50,000 and over</td>
<td>609</td>
<td>6.7%</td>
<td>16,668</td>
<td>18.3%</td>
</tr>
<tr>
<td>All Income Levels</td>
<td>12,700</td>
<td>43.0%</td>
<td>33,073</td>
<td>28.2%</td>
</tr>
</tbody>
</table>

The table above shows the number and percent of households in different income brackets that pay 30% or more of household income for rental or ownership costs. It illustrates that the burden of housing costs weighs more heavily on lower-income families.

Even before the current economic downturn, housing needs were severe. In 2007, 1 in 8 households spent at least half of their income on housing, up from 1 in 15 in 2000. Minnesota experienced the fastest increase of extremely cost burdened households of any state in the nation during this time period.

In 2007, about 79.8% of Dakota County residents owned their home and 20.2% were renters. Of these, approximately 28.2% of homeowners and 43.0% of renters in Dakota County spent 30% or more of their household income on housing.
Lower-income households face extreme affordability challenges.

The chart below compares median earnings across different occupations to the income required to afford housing.4

**HOUSING COSTS.** In Dakota County, a median-priced home cost $230,000 in 2008, and the fair market rent for a two-bedroom apartment was $873 per month in 2009. Since 2001, home prices have increased by 35.4%, and the fair market rent has increased by 17.7%.3

**INCOME.** In Dakota County, a family of four with two full-time wage earners needs to earn a combined annual salary of $59,796 to afford the basic cost of living.6 The median household income for Dakota County was $74,442 in 2007.7

**JOBS.** 39% of jobs in Dakota County and counties nearby pay less than the regional wage required to afford basic needs.8 The average unemployment rate in Dakota County was 7.9% in March, 2009, up from 3.9% in March 2006.9

**Foreclosures in Minnesota**
- In Dakota County in 2008, there were about 2,063 foreclosures, a 28.1% increase from 2007.10
- Left unaddressed, abandoned foreclosed properties destabilize neighborhoods, erode the local tax base and drive up the costs of municipal services.
- Of homeowners seeking foreclosure counseling in 2008, three-quarters were considered to be low- and moderate-income. Half experienced a reduction of income before seeking counseling. 60% had prime mortgages.11

**Homelessness in Minnesota**
- On a single day in 2006, 4,715 people were sheltered in the Twin Cities Region, including 1,860 children.12
- Roughly 9,200 Minnesotans are homeless and 7,700 are precariously housed in temporary or unstable housing. 38% are children and youth.13
- 39% of Minnesota’s homeless population cite the inability to afford housing as a primary reason for leaving previous housing.14

**Extreme Cost Burden**
- Approximately 20.1% of renter households pay at least half of their income on housing in Dakota County.15
- For homeowner households in Dakota County, 9.3% pay at least half of their income on housing.16