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For more information contact:
Greg Walz-Chojnacki, HousingMinnesota
(651) 649-1710 ext. 106, (651) 767-2672

Kevin Ristau, JOBS NOW Coalition
(651) 290-0240

Increased Minimum Wage Does Not Cover Basic Housing Needs, Study Finds

Washington DC (Dec. 13) – According to a report released today, Minnesota households must have at least 1.7 wage earners working full time at minimum wage – or one full-time minimum wage earner working 95 hours per week – in order to afford a modest two-bedroom apartment.

"Even after the increase in Minnesota's minimum wage, the gap between what many Minnesotans can afford to pay for housing and what they actually pay forces them to choose between housing and other basic needs," said Chip Halbach, Minnesota Housing Partnership executive director.

A person earning minimum wage can afford to pay $320 per month in rent, while a modest two-bedroom apartment in Minnesota costs $761. A person needs to earn at least $14.64 per hour to afford this rent. The average renter in Minnesota earns $10.96.

The report, *Out of Reach 2005*, was released by the National Low Income Housing Coalition, a Washington, DC-based housing advocacy group. The study calculates the hourly wage a family must earn—working 40 hours per week, 52 weeks per year—to afford rent and utilities in the private housing market.

Out of Reach 2005 also finds that:

- Statewide, a family needs to make $14.64 per hour to afford a two bedroom apartment. More than 46 percent of jobs pay less.
- In all but one county (Faribault), the average renter's wage is not enough to afford a modest two-bedroom apartment.
- There is no county in Minnesota where a worker could afford even an efficiency or studio apartment working 40 hours per week at minimum wage.

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Families paying unaffordable rent also face daunting cost increases in work-related expenses, such as child care and transportation, according to the JOBS NOW Coalition.

"We need to look at *Out of Reach* in the context of rising costs of health care, transportation and child care all of which exacerbate the problem of unaffordable housing," said Kevin Ristau, JOBS NOW analyst. "Between 1997 and 2004, health care costs increased 45 percent, transportation costs increased 43 percent and child care costs increased 84 percent, all of which exacerbate the problem of unaffordable housing."

Like housing costs, increases in these expenditures have outpaced growth in wages, especially in the non-metro area. To meet these and other growing costs, each worker in a two-parent family of three would need to put in almost 60 hours per week at the minimum wage.

"The minimum wage is no longer a meaningful floor under wages because it has failed to keep pace with the real cost of living," said Ristau. "At $6.15 per hour, the minimum wage in Minnesota has lost nearly 30 percent of its value since the late 1960s."

Background
The "Housing Wage", or wage needed to afford a two-bedroom apartment, is based on the Fair Market Rent, the Department of Housing and Urban Development's best estimate of what a household seeking a modest rental unit can expect to pay in the local private market for rent and utilities. The report uses the federal affordability standard of spending no more than 30% of income on housing costs.

According to the most recent American Community Survey, over 12 million households earn less than $10,712 a year, the equivalent of what an individual would earn working at the federal minimum wage 40 hours a week, 52 weeks a year.

The data in *Out of Reach 2005* does *not* take into account the effects Hurricane Katrina and Rita have had on the national rental housing market.

HousingMinnesota is a public education and public policy advocacy campaign bringing together diverse constituencies to promote and achieve decent, affordable homes for all Minnesotans. Housing Minnesota is an initiative of the Minnesota Housing Partnership.

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