

State of Minnesota's Housing

Despite being recognized as a national leader in affordable housing development and preservation, Minnesota still faces many challenges in providing quality homes for all. In Greater Minnesota, major housing issues include wage stagnation, renter cost burden, and a need for more senior and workforce housing. In the Twin Cities, large percentages of renters and seniors pay more than they can afford for housing — and racial disparities in homeownership are among the highest in the nation. Statewide, renter cost burden and homelessness remain highest among and disproportionately impact people of color.

OVERALL COST BURDEN

One of the key metrics to assess housing affordability is housing cost burden. A household is considered cost burdened when it spends more than 30 percent of its annual income on housing. At 27 percent of all households, the rate of housing cost burden in

Minnesota is relatively low compared to the national average of 33 percent. Still, Minnesota has yet to fully recover from a significant increase from 2000 to 2007, when housing cost burden increased by 47 percent, impacting 1 in 3 households by 2007. In 2012, cost burden began to fall across state. Today, 1 in 4 — or approximately 546,000 — households in Minnesota experience housing cost burden.

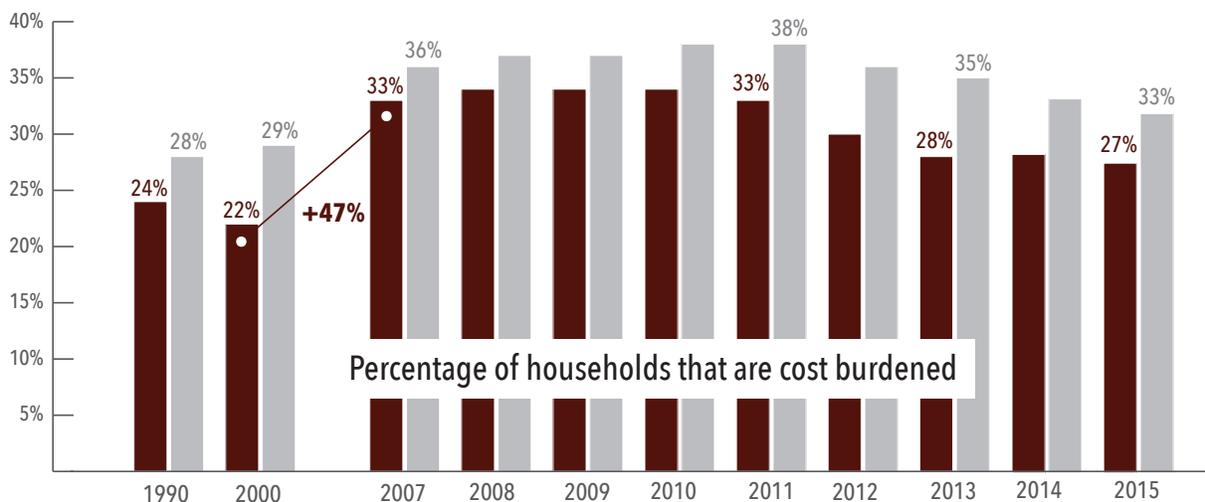
RENTERS

Minnesota has one of the largest renter populations in the Upper Midwest¹ with approximately 590,000 renter households. Of these households, almost half experience housing cost burden and nearly a quarter experience severe housing cost burden — meaning they pay more than 50 percent of their income on rent. Renter housing cost burden is highest among households of color at 53 percent, compared to only 43 percent of White renter households. Compared to other states in the Upper Midwest, renter housing cost burden is 15 percent higher. While many housing trends vary by region, renter housing cost burden is an issue in almost every county in Minnesota.



COST BURDEN
A household is cost burdened when it spends **more than 30% of its income on housing**. Families spending more than 30% often have inadequate resources to pay for other necessities like food and medicine.

¹ We use "Upper Midwest" to refer to Minnesota, North Dakota, South Dakota, Iowa, and Wisconsin.



Source: ACS 5-year estimates, 2015

■ Minnesota ■ United States

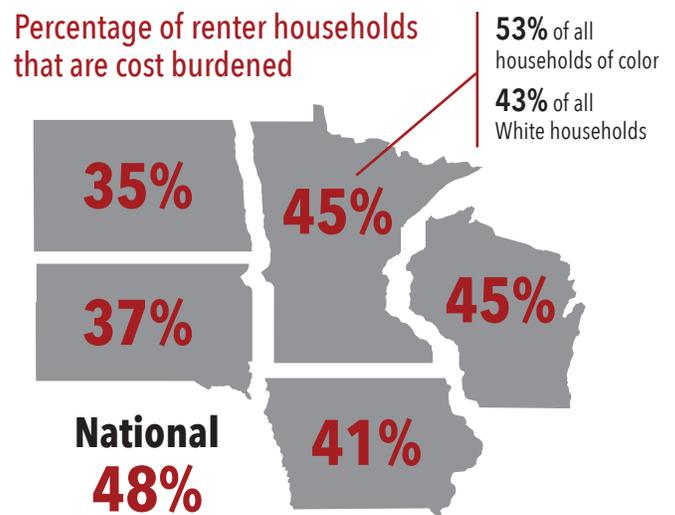
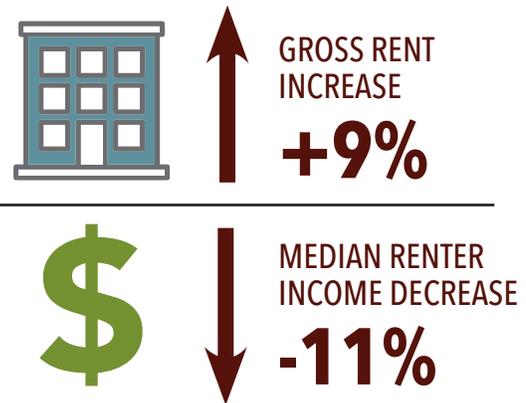
WAGES VS RENT²

In part, many renters experience housing cost burden because, for more than a decade, their wages have decreased relative to housing costs. Between 2000 and 2015, the median renter wage in Minnesota decreased by 11 percent, yet the median gross rent for the state increased by 9 percent. These trends are largely in line with national trends, which show an 11 percent decrease in the median renter income and a 12 percent increase in the median gross rent. The only Upper Midwest state that saw a similar divergence was Wisconsin, where median renter income has dropped by 19 percent since 2000 and housing costs have increased by 4 percent.

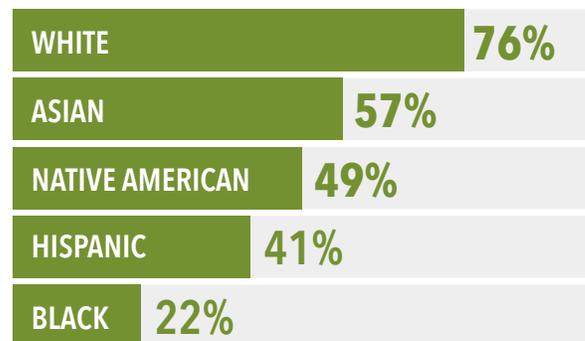
OWNERS

In 2015, there were 1.5 million owner households in Minnesota and nearly 1 in 5 of these households experienced housing cost burden. While housing costs are higher in Minnesota, this rate of owner cost burden is 20 percent higher than the average rate of housing cost burden in all other states in the Upper Midwest. Minnesota also had the second highest rate of severe owner cost burden in the Upper Midwest with nearly 10 percent of all owner households paying more than 50 percent of their income on housing.

Racial disparities in homeownership rates — widely referred to as the homeownership gap — remain a major issue in Minnesota. While 76 percent of all White households own their home, only 57 percent of Asian, 49 percent of Native American, 41 percent of Hispanic and 22 percent of Black households own their homes. In total, only 2 in 5 households of color own their home in Minnesota. Nationally, the homeownership gap is 25 percent; in Minnesota it is far wider at 37 percent.



Homeownership by race



Source for above graphics: ACS 5-year estimates, 2015

² Wages and rent adjusted for inflation

HOUSING DEVELOPMENT

Projected population increases coupled with the tight and competitive housing market indicate the need for new housing development. Housing built before 1960 comprises one-third of owner-occupied homes and 30 percent of rental units across the state, with nearly 500,000 aging owner-occupied homes and nearly 175,000 aging rental units. After dipping to historic lows during the Great Recession, multi-family development has continued to rise across the state. From 2011 to 2015, multi-family development more than tripled, rising to 8,547 new multi-family units developed in 2015. In contrast, single family development only increased by 54 percent – well under the 340 percent increase in multi-family development.

SENIOR HOUSING

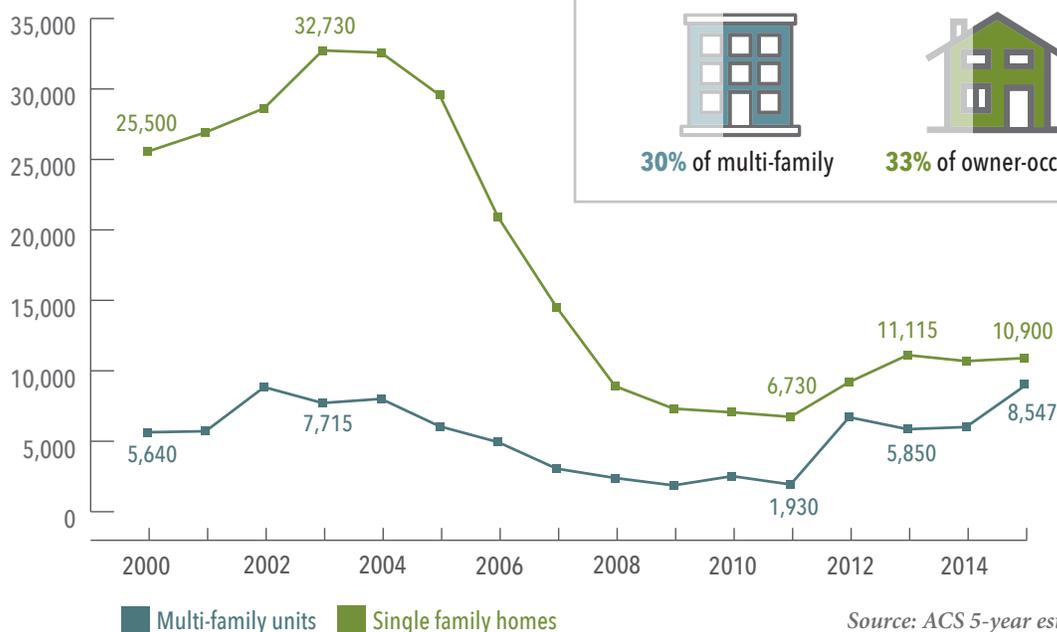
Senior housing need is also a growing issue in Minnesota. By 2035, nearly 1 in 4 Minnesotans will be 65 or older, representing a 93 percent increase in the current senior population. Across the state, more than half of all senior renters and one-

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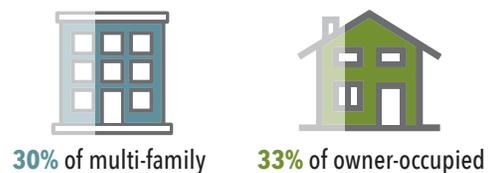


quarter of all senior homeowners experience housing cost burden. While this is a critical issue across the state, senior renter cost burden is most pronounced in the Twin Cities region, where it impacts more than 3 in 5 senior renters. This issue is likely to grow only more urgent as the region's senior population is expected to grow by 123 percent over the next 20 years — the largest projected increase for any region in the state. With the senior population on the rise and already high rates of senior cost burden, the state will need to ramp up affordable housing options for seniors in the coming years.

New housing construction



Minnesota housing built before 1960



Source: ACS 5-year estimates, 2015

WORKFORCE HOUSING NEED

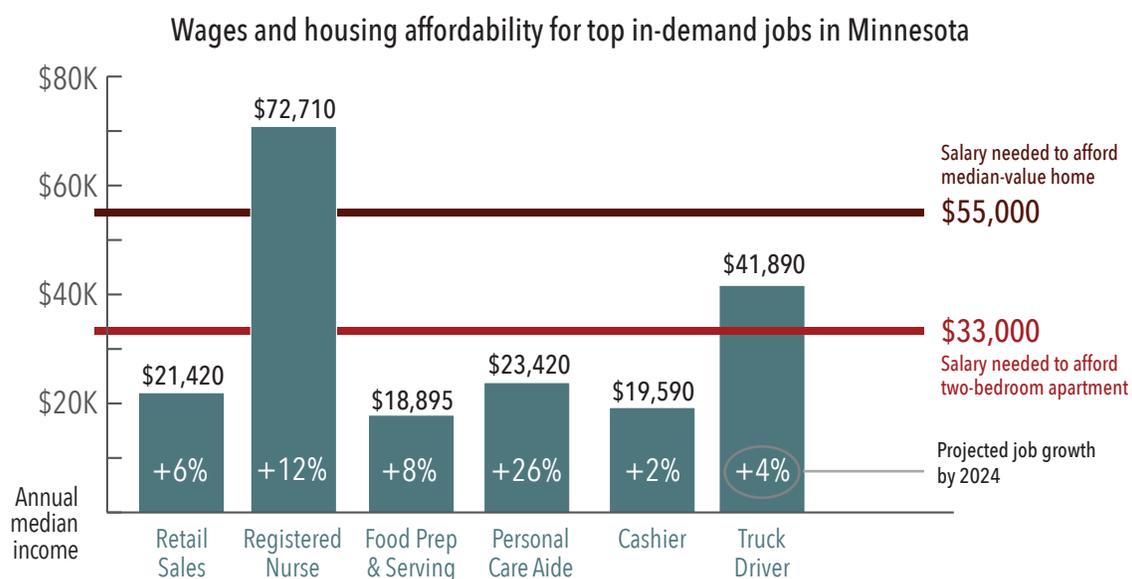
The term “workforce housing” refers to housing that is affordable to workers and in reasonable proximity to the workplace. In both Greater Minnesota and the Twin Cities region, the growth of relatively low-wage jobs is driving the need for workforce housing. The current top six in-demand occupations for the state include retail salespersons, registered nurses, food preparation and serving workers, personal care aides, cashiers, and truck drivers. By 2024, demand for these occupations is expected to grow by an average rate of 9 percent and create nearly 118,000 new job openings, accounting for 15 percent of all projected job openings among in-demand occupations.

However, many of these industries only pay a fraction of what is needed to afford prevailing rents and the cost of a median-value home. For the majority of the top six in-demand occupations the median pay ranges from \$19,000 to \$23,500 annually. At this income level, workers can afford to spend \$475 to \$588 on housing per month — well below the average two-bedroom Fair Market Rent³ for the state (\$924) and the median gross

rent (\$848). Registered nurses and truck drivers are the only top six in-demand occupations with a median income adequate to afford these rent amounts. However, truck drivers still fall well short of the \$55,000 annual income needed to afford the median-value home. In addition, lack of new construction in Greater Minnesota has created a shortage of housing even for those in relatively high-wage jobs.

HOMELESSNESS

Although these trends all indicate the need for continued investments in affordable housing, a statewide decrease in homelessness points to the positive impact that affordable housing can bring to communities. In line with the 10 percent decrease in homelessness nationwide from 2012 to 2014, the number of people experiencing homelessness in Minnesota decreased by 9 percent from 2012 to 2015. Still, homelessness remains highest among children and people of color. In 2015, children under the age of 17 accounted for 38 percent of all people experiencing homelessness and people of color accounted for 60 percent of the homeless population over the age of 18.



³ Fair Market Rent is the federal government standard for a “fairly” priced apartment. It is calculated as the 40th percentile of gross rents for typical, non-substandard rental units in a local housing market.