

## POLICY BRIEFING

# East Metro low-income housing needs

## Projections through 2020 for Anoka, Dakota, Ramsey, and Washington counties

### Low-income housing overview

With some 550,000 households, the East Metro area makes up about half of the households in the 7-county Twin Cities region. Nearly 200,000 of these households are considered low-income, earning \$48,500 or less. This number includes nearly 70,000 households considered very low-income, earning \$24,250 or less.

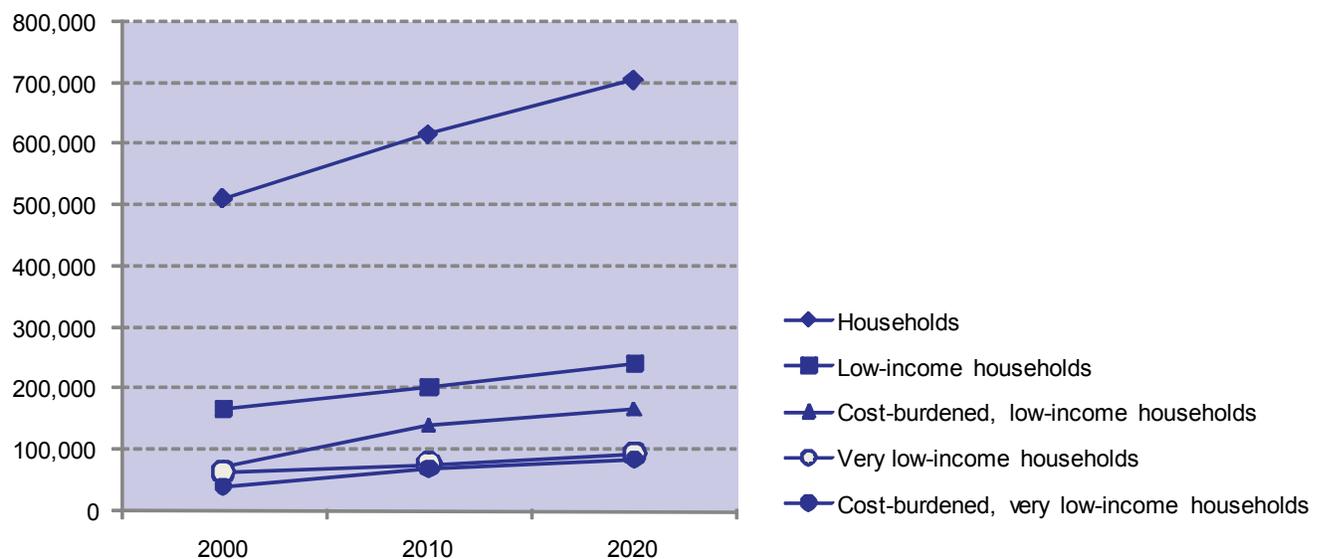
Two-thirds, or 127,000, of these low-income and very low-income households are considered cost-burdened—paying more than 30 percent of that income on housing—and are in need of more affordable options. These are split evenly between

homeowners and renters, but differ by type and location. For example, very low-income, cost-burdened households are much more likely to be in rental housing. Also, the majority of low-income, cost-burdened households in the suburbs are homeowners, while the reverse is true in St. Paul.

### Need expected to rise sharply by 2020

Based on data from the Census Bureau, the State Demographer, and the Metropolitan Council, Wilder Research projects that there will be nearly 140,000 low-income and cost-burdened households in the East Metro by 2010, and nearly 170,000 by 2020.

NUMBER OF EAST METRO HOUSEHOLDS BY INCOMES AND COST-BURDENS, 2000 TO 2020 (PROJECTED)



**Source:** Metropolitan Council (for households) and Wilder Research (for low- and very low-income projections), based on Metropolitan Council and U.S. Census Bureau data.

**Note:** Low-income = households earning the equivalent of \$48,500 or less in 2008 dollars; Very low-income = households earning the equivalent of \$24,250 or less in 2008 dollars (very low-income households are included in the counts of low-income households); Cost-burdened = spending 30% or more of income on housing.

**Definitions:**

MFI — Median family income

Low-income — annual household income at or below 60% of the East Metro area’s MFI

Very low-income — annual household income at or below 30% of the East Metro area’s MFI

Cost-burdened — households that spend more than 30% of their income on housing

These include significant numbers of cost-burdened, very low-income households. We project nearly 70,000 by 2010 and over 84,000 by 2020.

Trends of particular significance for our projections include the growing suburban population, the increasing number of “single” households, and the aging of the population. Each of these is addressed in this briefing.

***Low-income housing need much greater than previously projected***

Though the definitions vary somewhat from study to study, our current study projects a far higher growth in “new need” during the current decade than did the *Next Decade of Housing in Minnesota* report, conducted by BBC Research & Consulting that was jointly commissioned by Minnesota Housing, the Family Housing Fund, and the Greater Minnesota Housing Fund in 2003. Our projections also show a somewhat larger increase than those of the Metropolitan Council.

We project an increase of over 68,000 cost-burdened, low-income East Metro households by 2010, while *Next Decade’s* comparable projection of “new needs” is just 16,000. And, while we project an increase of 27,000 cost-burdened, low-income East Metro households between 2010 and 2020, the Metropolitan’s comparable projection of new units needed, is just 22,000.

These differences are due largely to our reliance on mid-decade data not available to the earlier studies. These data show a rapid growth in cost-burdening among low-income households. In fact, according to data from the Census Bureau’s American Community Survey, cost-burdens have increased faster than the number of low-income households during the first half of the current decade.

***Current needs***

**Among renters**

The East Metro is currently home to 120,000 households that rent. In 2006 the overall median family income for renters in the East Metro was about \$30,000, which equates to a maximum affordable rent of no more than \$750 per month.

Seventy percent, or about 90,000 households, of renters in the East Metro are low-income. Close to 50,000 meet the definition of very low-income. About half of all renters face cost-burdens.

In raw numbers, the current unmet need for more affordable housing among renters equates to the 60,000 low-income renter households that are spending 30 percent or more of their income on housing, including about 41,000 cost-burdened, very low-income renter households.

**Among homeowners**

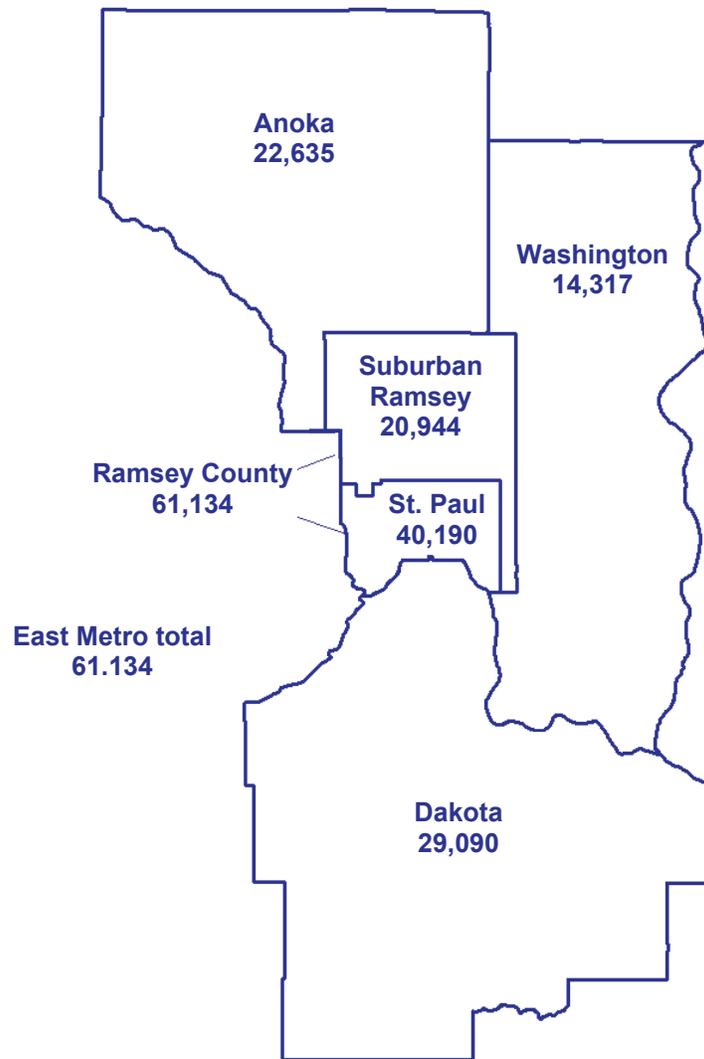
More than three-quarters of all households in the East Metro—well over 400,000—own their home. The median household income for homeowners in the East Metro area was \$75,000 in 2006, which equates to a maximum affordable home price of about \$238,000.

Overall, about 31 percent of the East Metro’s homeowners were cost-burdened in 2006. The rate was twice as high—62 percent—among the 108,000 low-income owners. Fewer than 10 percent of owners in the area meet the definition of very low-income, but fully three-quarters of those 35,000 households are cost-burdened. Numerically, about 67,000 low-income homeowners are spending 30 percent or more of their income on housing, including about 27,000 cost-burdened, very low-income households.

**Homelessness**

Although we do not make specific projections about homelessness, a sizable number of people experience this most extreme form of housing need each year. For the past few years,

**EAST METRO LOW-INCOME AND COST-BURDENED HOUSEHOLDS BY COUNTY, 2006**



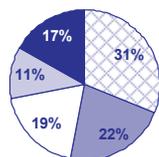
about 2,000 people experienced homelessness on any given night in the East Metro.

There are about 2,000 emergency shelter and transitional housing beds in the East Metro, about

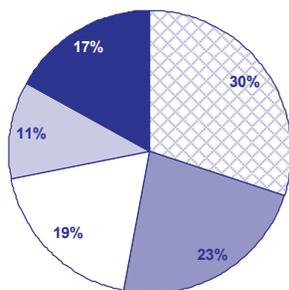
equal to the number of sheltered and unsheltered homeless people. In addition, the East Metro has about 1,450 “permanent supportive housing” beds designated for formerly homeless families and individuals.

**EAST METRO LOW-INCOME AND COST-BURDENED HOUSEHOLD PROJECTIONS BY COUNTY**

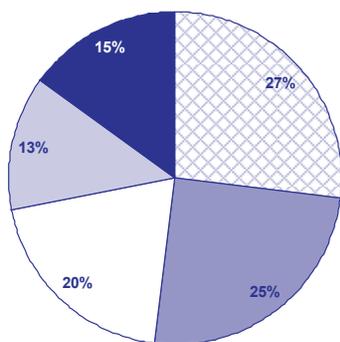
**2000**  
**71,262 households**



**2010**  
**139,361 households**



**2020**  
**166,915 households**



- ▣ St. Paul
- Dakota
- Anoka
- ▣ Washington
- Suburban Ramsey

***Current needs and projections by county***

Ramsey County is the most populous of the four counties and about one in five East Metro households live in the city of St. Paul, home to the region’s highest poverty rates, highest concentration of low-income households, and the most subsidized housing—both in raw numbers and as a proportion of all housing—of any of the jurisdictions.

On the other end of the spectrum, Washington County currently has the lowest proportion of low-income households and highest median income. It also has the lowest proportion of households that are both cost-burdened and low-income, accounting for just 11 percent of the East Metro area’s current low-income housing need, and only 9 percent of the area’s very low-income need (compared with 15 percent of area households).

It is notable, however, the proportion of low-income households that are cost-burdened exceeds 60 percent in all counties within the East Metro.

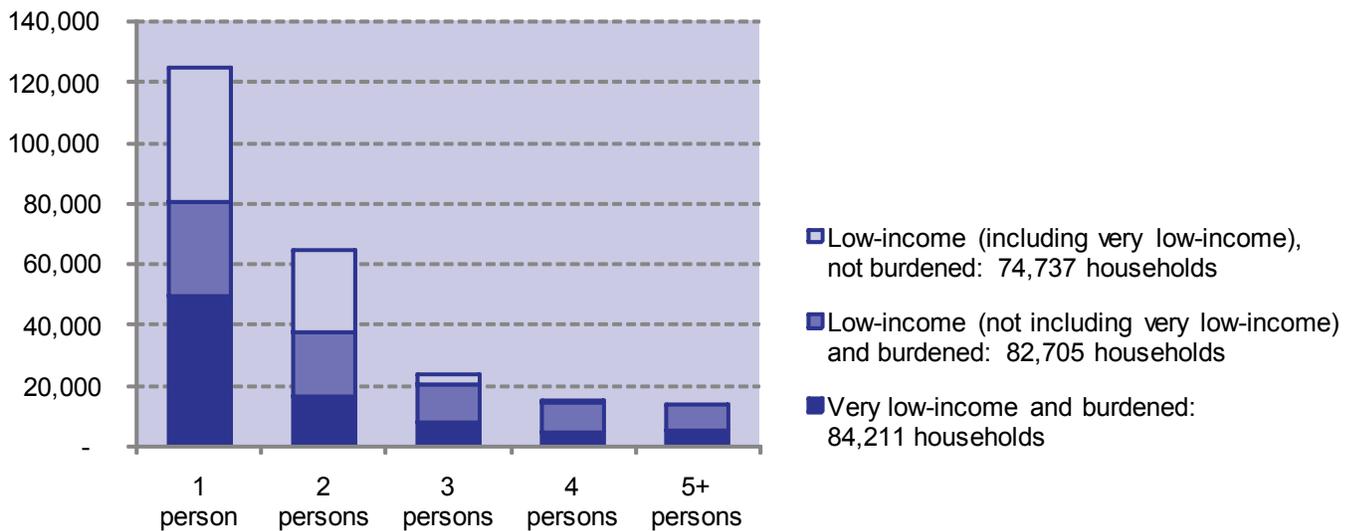
**Largest growth projected outside of Ramsey county**

The geographic patterns of growth are worth noting. In the coming decade we expect most household growth to take place in the suburban areas of the East Metro area, due to the near complete development of land in St. Paul. We also project that by 2020 a higher percentage of low-income housing needs will exist in the suburbs.

By 2020, we expect about one-quarter of low-income housing needs will exist in St. Paul, another quarter will be in Dakota County, 20 percent will be in Anoka County, with the remainder split about evenly between Washington and suburban Ramsey counties.

In Anoka, Dakota, and Washington Counties, the numbers of cost-burdened, very low-income households are projected to rise by around 250 percent between 2000 and 2020.

**PROJECTED EAST METRO HOUSING COST-BURDENS BY HOUSEHOLD SIZE AND INCOME LEVEL, 2020**



**Note:** Low-income = households earning the equivalent of \$48,500 or less in 2008 dollars; Very low-income = households earning the equivalent of \$24,250 or less in 2008 dollars (very low-income households are included in the counts of low-income households); Cost-burdened = spending 30% or more of income on housing.

***Projected needs by household size and senior status***

To help address questions concerning the type and size of units (or subsidies) that are needed, we estimated the need for low-income housing by household size and also specifically projected needs among households headed by someone age 65 or older.

In terms of the size of the low-income households in need of more affordable housing, we are projecting that in both 2010 and 2020 about half of the low-income housing needs will exist among single person households, another quarter will be among two-person households, an eighth in three-person households, and the remainder split evenly between households with four persons and those with five or more persons. Note, however, that our “by household size” projections lean toward

smaller households due to our definition of “low-income,” which is not indexed for household size.

The aging of the baby boom generation means that the demographic profile of the East Metro will change rapidly in coming years. The number of senior households is on track to increase by 20 percent in this decade, and by over 40 percent in the next decade to nearly 135,000 households by 2020. We are projecting that by 2010 there will be over 25,000 very low-income senior households in need of more affordable housing, and that by 2020 that number will grow to more than 35,000. This increased need for senior housing is particularly apparent in Ramsey County, where our results suggest that nearly all of the household growth over the coming decade will occur among senior households.

### ***Research limitations***

Our study is subject to multiple limitations. Chief among these is that our definition for “low-income” does not index for household size, as the available data to do so is somewhat questionable. The *Next Decade* and Metropolitan projections we cite in our study are subject to this same limitation. Also, our reliance on a single cut-off level for defining “low-income” regardless of household size places limitations on our results, as does the fact that our projections are highly reliant on the Census Bureau’s current estimates of cost-burdens by income, which may change over time. Finally, we have not attempted to model housing supply in our study. Many middle and upper income households bargain hunt and end up in units that would be affordable to lower-income households, so further analysis would be required to estimate a combination of subsidized units and private market units that would be necessary to meet the needs projected here.

### ***Our projection method***

We estimate demands for low-income housing in a manner similar to that established in *Next Decade* report and by the Metropolitan Council, but rely on our own set of methods and assumptions. The steps we used for these projections include the following:

- Step 1: Project the number of low-income households
- Step 2: Project the number of cost-burdens among low-income households
- Step 3: Estimate needs by household size

All of our projections were made at the county level and relied on county-level data, except for the city of St. Paul, which was treated separately.

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#### **For more information**

This policy brief presents highlights of the East Metro low-income housing needs report. To download the full report, or to learn more about affordable housing and homeless issues, go to [www.wilderresearch.org](http://www.wilderresearch.org)

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