



Trends and issues 2008

# Affordable housing for low-income families

*The impact of the recession and foreclosures in the Twin Cities*

December 2008

**Nearly 215,000—1 in 5—households in the Twin Cities 7-county region are both low-income and cost-burdened**

*The recession and foreclosure crisis are hitting our region hard, leaving low-income households especially vulnerable.*

## HOUSING COST BURDENS

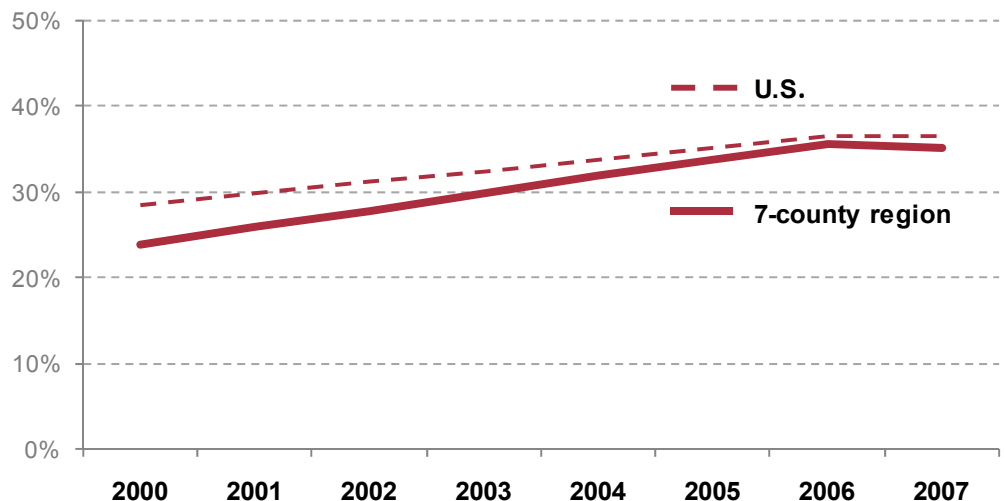
Families whose housing costs eat up too much of their income are at risk of foreclosure, eviction or even homelessness. Industry professionals consider housing costs that consume 30 percent or more of income a warning sign, identifying households in this situation as “cost-burdened.”

Cost burdens can result from the loss of a job or other income, an increase in rent, utilities, property taxes, or, more recently, from subprime (high interest) loans and adjustable rate mortgages that have reset to higher rates.

The proportion of cost-burdened households in the Twin Cities 7-county region has risen in recent years, catching up to the nation as a whole. Currently, over one-third of all households in the region pay more than 30 percent of their income on housing, up from about a quarter of all households in 2000.

People in low-income households are the most likely to be cost-burdened—75 percent compared to 33 percent of all people.

**SHARE OF HOUSEHOLDS PAYING 30 PERCENT OR MORE OF THEIR INCOME TOWARD HOUSING**



Source: Wilder Research (Twin Cities Compass) from U.S. Census Bureau, 2007 American Community Survey.



Low-income is just one factor affecting the likelihood that an individual will live in a cost-burdened household. People living in single parent families, people of color, those living in rental housing, and children are all more likely than the Twin Cities general population to live in cost-burdened households. Somewhat surprisingly, seniors are no more likely to be cost-burdened by housing than the general population.

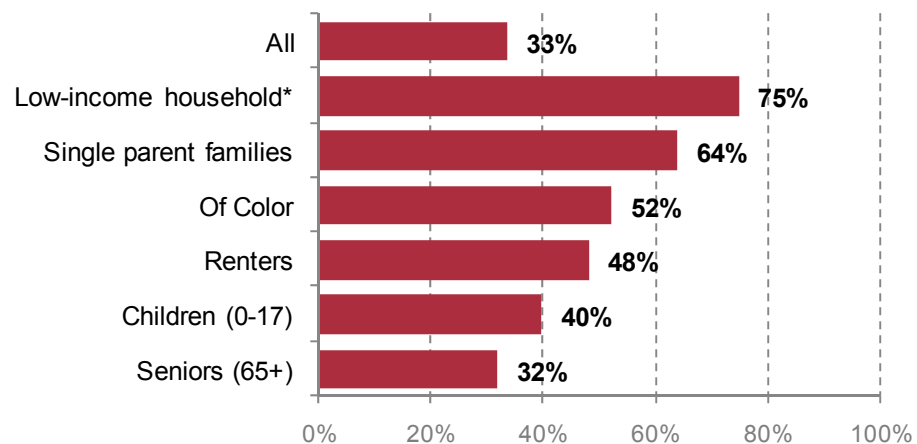
Housing cost burdens are not expected to go away anytime soon. Our recent report, *East Metro Housing Needs*, projects that in Anoka, Dakota, Ramsey, and Washington counties the number of households that are both low-income and cost-burdened will nearly double during the current decade, and will continue to increase—by approximately 20 percent—by 2020.

## HOMEOWNERS

The high overall homeownership rate (74%) in the Twin Cities 13-county area is at risk from the impact of the recession and foreclosures, and the gap between the homeownership rate for white households and households of color remains one of the highest in the nation.

Cost burdens for homeowners have grown rapidly this decade, with the proportion of homeowners facing *severe* cost burdens—paying 50 percent or more of their income on housing—increasing from 5 percent in 2000 to 10 percent in 2007. For homeowners, high cost burdens can lead to foreclosure.

**PERCENTAGE OF INDIVIDUALS LIVING IN COST-BURDENED HOUSEHOLDS BY SELECTED CHARACTERISTICS, 7-COUNTY REGION, 2007**



Source: Wilder Research (*Twin Cities Compass*) from U.S. Census Bureau, 2007 American Community Survey.

\* Individuals living in households with incomes below 60 percent of median family income (indexed for household size).

Indeed, foreclosures have increased even faster than cost burdens in the Twin Cities. Between 2005 and 2007 the number of foreclosures tripled from fewer than 4,000 to nearly 13,000. In April, HousingLink projected that foreclosures would continue to rise in the 7-county region and reach nearly 20,000 by the end of 2008. This seems realistic, as RealtyTrac, an online foreclosure resource, recently reported a 75 percent increase in foreclosure-related filings in the Twin Cities between 3<sup>rd</sup> quarter of 2007 and 3<sup>rd</sup> quarter of 2008.

Although foreclosures can be found in nearly every corner of the Twin Cities, lower-income households and households of color have been hit the hardest. Households of color, for example, have been much more likely to receive subprime mortgages. This has resulted in clusters of foreclosures that threaten neighborhood deterioration in places like North Minneapolis, South Minneapolis, and the north central and northeast quadrants of St. Paul. Fortunately government, philanthropy, and nonprofits are beginning to mitigate this by purchasing foreclosed properties at very low cost and converting many of them to affordable housing.

## RENTERS

Renters are also vulnerable to growing cost burdens. About half of the 280,000 renters in the 7-county region now are cost-burdened, compared with fewer than 40 percent in 2000. This increase is likely due in part to the foreclosure crisis.

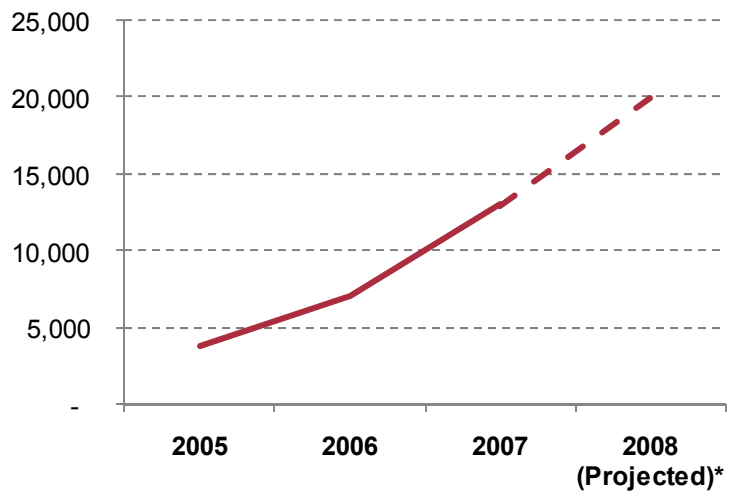
Foreclosure can impact the rental market in a number of ways. The wave of foreclosures may have contributed to the tightening of the rental market and

### HOMEOWNERSHIP GAP

	White-Of Color homeownership gap	Homeownership rate for householders Of Color
1. San Bernardino, CA	10.9%	62.0%
5. Seattle, WA	18.4%	50.0%
10. Houston, TX	21.5%	53.1%
15. Atlanta, GA	24.8%	55.0%
23. <b>MINNEAPOLIS-ST. PAUL, MN-WI (13 county)</b>	<b>34.8%</b>	<b>44.3%</b>

Source: Wilder Research (Twin Cities Compass) from U.S. Census Bureau, 2007 American Community Survey.

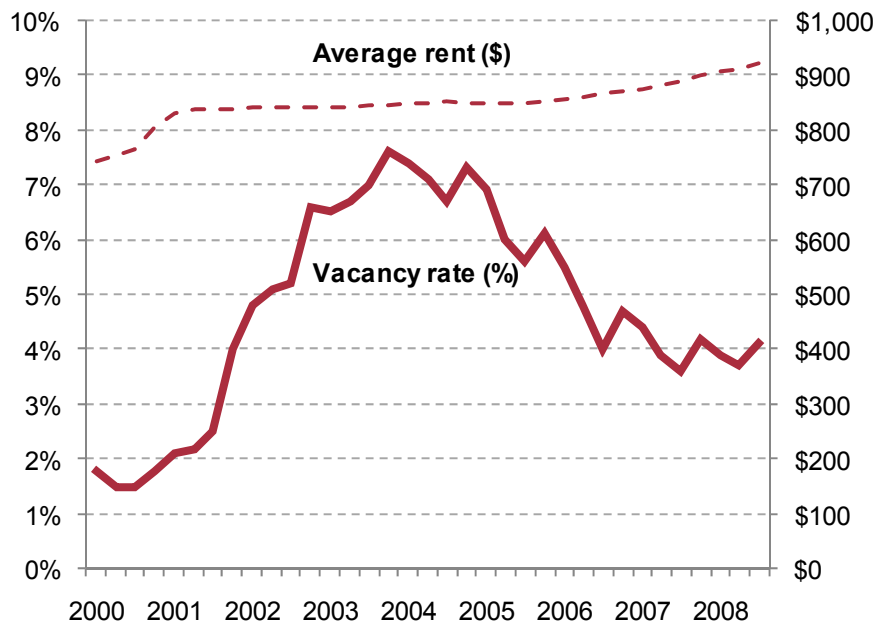
### FORECLOSURES IN THE 7-COUNTY REGION



Source: HousingLink, Minnesota Foreclosure Report 2008.



**AVERAGE RENT AND VACANCY RATES, 7-COUNTY REGION**

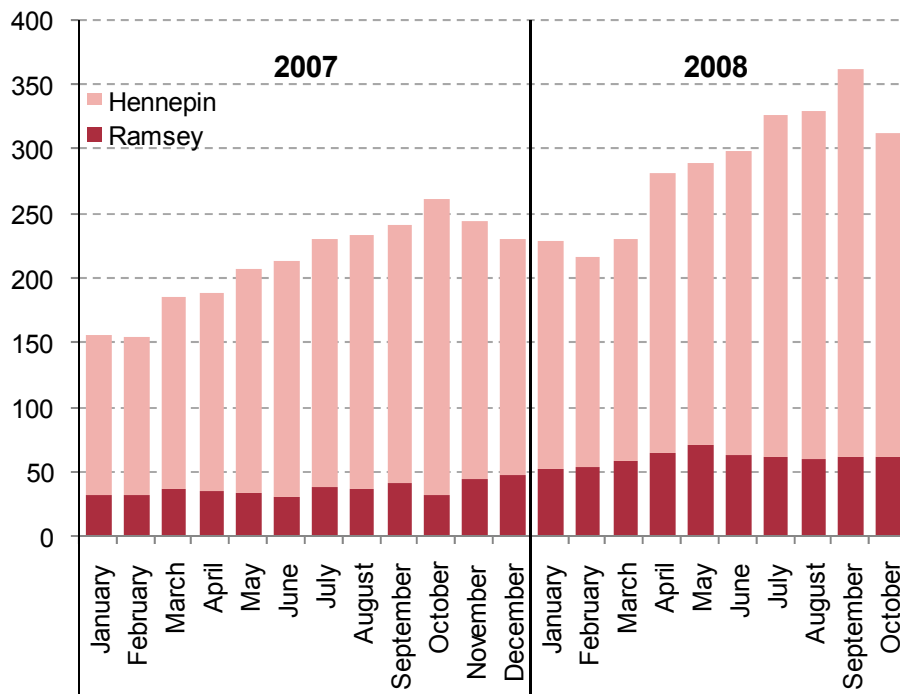


Source: GVA Marquette Advisors.

increased rents as former homeowners become apartment dwellers. Additionally, foreclosures on rental properties are on the rise, which dislocates more renters and takes units out of circulation. Indeed, GVA Marquette’s quarterly survey of rental properties in the region suggests that rents are increasing while vacancy rates are going down.

Not surprisingly, rental market difficulties are particularly notable for very low income households. For example, HOME Line’s Section 8 report, an annual survey of suburban landlords, suggests that fewer units are now available in Twin Cities suburbs for families using Section 8 Housing Choice Vouchers—the federal government’s current major rent subsidy program—even while demand for the program remains strong among low-income households. HOME Line reports that the waiting list to receive a Section 8 Voucher is 2 to 4 years at several suburban public housing agencies, not including the wait time to actually get on a list (waiting lists only open periodically, ranging from 2 to 6 years).

**NUMBER OF FAMILIES SERVED PER MONTH IN COUNTY-FUNDED EMERGENCY SHELTER\***



Source: Hennepin and Ramsey counties, and Wilder Research (Minnesota’s HMIS).

\*On any given night, Ramsey and Hennepin counties have the capacity to shelter nearly 150 families in fixed shelter locations (not including emergency motel vouchers). This is about 40 percent of all shelter capacity in the two counties, including domestic violence shelters.

**HOMELESSNESS**

The number of people who are homeless in the Twin Cities has been stable so far this decade, according to our most recent homelessness study conducted in October 2006. The survey found nearly 5,400 people were experiencing homelessness in the Twin Cities 7-county region. This was very similar to findings of the previous two surveys, but up substantially from surveys conducted in the 1990s.

But has the foreclosure crisis and recession led to a more recent increase in homelessness in our region?

So far we only have anecdotal information about the impact of the current economy on homelessness. But all of the anecdotes point in the same direction—homelessness appears to be on the rise. For example, the average number of families served per month in county-funded emergency shelters is up markedly in 2008 compared to just a year earlier. In Hennepin County this has meant that the facilities with which the county contracts for emergency shelter (People Serving People and St. Anne’s), have been filled to capacity for the last several months, and the county is now routinely paying for families to stay in low-cost hotels. In Ramsey County this has meant that the approximate 40-bed “overflow” shelter provided by churches has been operating at- or near- full capacity since spring of 2008.

## THE LINK BETWEEN HOUSING AND EDUCATION

Housing stability—or lack of—links to everything from a person’s job prospects to their physical and mental health.

One particularly compelling example of the impact of housing on other areas of peoples’ lives is the close tie between housing stability and children’s educational outcomes. A group of researchers, led by Ann Masten, from the University of Minnesota and Minneapolis Public Schools recently analyzed achievement test scores of homeless and highly mobile students (defined as those who live in shelters, on the streets, or doubled up). In an article published in the 2008 summer issue of CURA Reporter, the researchers note that despite Federal law and successful local efforts to keep homeless children

connected with school, housing instability strongly links to school performance:

*“[Homeless and highly mobile] students as a group have the highest risk for low achievement. Achievement gaps are clear among the youngest students... and these gaps remain or worsen over time.”*

They also note that the achievement gap between homeless and highly mobile students and their peers (including other low-income students who were analyzed separately) did not go away when controlling for gender, language differences, or attendance rates. While the researchers note several “protective factors” that partially mitigate against the impacts of housing instability, they also note the importance of efforts to increase stable housing in the overall equation of improving educational outcomes. This is daunting in light of recent trends in homelessness. Minneapolis Public Schools estimates that about 2,800 of its approximate 44,000 students—nearly 1 in every 15—were homeless or highly mobile in the 2007-08 school year.

In addition to the link between mobility and test scores, other housing patterns may carry implications for education. The Institute on Race and Poverty at the University of Minnesota argues that residential segregation links strongly to school segregation, which in turn links to educational outcomes. The Institute’s research also points to growing racial and economic segregation in schools throughout the region, and raises important questions about what those trends might mean for the future of education in our region.

Both of these research projects point to a strong link between housing and education that warrants close attention given how the foreclosure crisis is impacting families.

**The average number of families served per month in Hennepin and Ramsey county-funded shelters:**

**2007**  
**211 families (including about 400 children)**

**2008 (through October)**  
**286 families (including about 540 children)**





## TAKING ACTION

Several initiatives underway are addressing these issues in our region:

### Foreclosures

- ... **Minnesota Foreclosure Partners Council**—Contact Melissa Manderschied, [mmanderschied@kennedy-graven.com](mailto:mmanderschied@kennedy-graven.com)
- ... **Minnesota Home Ownership Center**—<http://www.hocmn.org>
- ... **Minnesota Housing** —<http://mnhousing.gov/resources/apply>
- ... **Don't Borrow Trouble Minnesota**—<http://www.dontborrowtroublemn.org>
- ... **City of Minneapolis**—<http://www.ci.minneapolis.mn.us/foreclosure>
- ... **City of Saint Paul**—<http://Mn-stpaul.civicplus.com/index.asp?nid=1567>

### Racial gaps in homeownership

- ... **Emerging Markets Homeownership Initiative**—<http://www.emhimn.org>
- ... **Changing the Face of Housing in Minnesota**—<http://www.changingthefaceofhousing.org>

### Homelessness

- ... **Heading Home Minnesota, Heading Home Hennepin, Heading Home Ramsey**—<http://www.headinghomeminnesota.org>
- ... **Project Homeless Connect**—<http://www.homelessconnectminneapolis.org> or <http://www.projecthomelessconnectmn.com>



## RESOURCES

The following resources were used in developing this brief and provide additional information on this issue:

CURA (Center for Urban and Regional Affairs)—<http://www.cura.umn.edu/Reporter.php>

*School Success in Motion: Protective Factors for Academic Achievement in Homelessness and Highly Mobile Children In Minneapolis* (summer 2008)

*Subprime Lending and Foreclosure in Hennepin and Ramsey Counties* (summer 2007)

Family Housing Fund—<http://www.fhfund.org>

HOME Line—<http://www.homelinemn.org>

HousingLink—<http://www.housinglink.org/Foreclosure.htm>

Institute on Race and Poverty—<http://www.irpumn.org>

Minneapolis Area Association of Realtors—<http://www.mplsrealtor.com/market.aspx>

Minnesota Housing Partnership—<http://www.mhponline.org>

Twin Cities Compass—<http://www.tccompass.org/housing/index.php>

Twin Cities LISC (Local Initiatives Support Corporation)—<http://www.lisc.org/twincities>

Wilder Research—<http://www.wilder.org/homelessness.0.html>

## Wilder Research

[www.wilderresearch.org](http://www.wilderresearch.org)

451 Lexington Parkway North

Saint Paul, Minnesota 55104

651-280-2700; FAX 651-280-3700



**Author:** Craig Helmstetter, Wilder Research consulting scientist

**Acknowledgements:** Thanks to Susan Brower, Wilder Research for analyzing cost burdens; Brent Wittenberg of GVA Marquette Advisors; Jeff Allen of Minneapolis Area Association of Realtors; Leigh Rosenberg of Minnesota Housing Partnership; Matthew Ayres and Peg Douglass of Hennepin County; and Jim Anderson of Ramsey County for assistance with data.

**Learn more about Wilder Research:** Take our Beyond Facts and Figures tour. Visit [www.wilder.org/tours](http://www.wilder.org/tours) for dates and times or call 651-280-2685.