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The Need For Affordable Housing In The Twin Cities



THE TWIN CITIES AREA FACES A SEVERE AFFORDABLE HOUSING SHORTAGE

Few human needs are more fundamental than the need for a home. We speak of shelter, along with food and clothing, as one of the elements for human survival. The significance of a home runs deeper than the immediate need for four walls and a roof; homeownership is often referred to as the fulfillment of the American Dream.

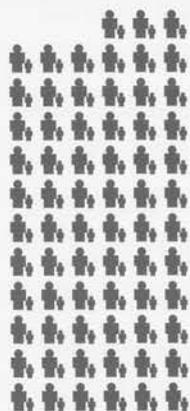
Unfortunately, the dream of finding any type of decent, affordable housing, whether rented or owned, has become increasingly elusive for many people in the Twin Cities. Much of the problem stems from a shortage of lower-priced housing combined with the failure of incomes to keep pace with rising housing costs:

- ▶ Between 1974 and 1993, rents climbed 13% in real dollars, but renters' real incomes actually declined by eight percent.

- ▶ There are 68,900 renter households with annual incomes below \$10,000 in the metropolitan area, but only 31,200 housing units with rents affordable at this income level.
- ▶ Only 36% of families living in poverty in the Twin Cities area receive housing assistance from government. Cutbacks in federal housing programs threaten to make this situation even more severe.
- ▶ Since 1990, vacancy rates for apartments in the Twin Cities have fallen from over six percent to just two percent, further reducing the supply of affordable housing.

Housing is usually considered to be affordable if it costs no more than 30% of income. In the Twin Cities area, however, 185,000 households with annual incomes below \$30,000 pay more than this amount for their housing.

SHORTAGE OF AFFORDABLE HOUSING UNITS

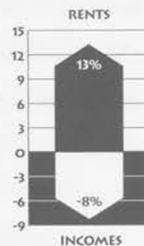


68,900 HOUSEHOLDS IN NEED

There are 68,900 renter households with annual incomes below \$10,000 in the metropolitan area, but only 31,200 housing units with rents affordable at this income level.



31,200 RENTAL HOUSING UNITS AVAILABLE



WHO IS AFFECTED BY THE LACK OF AFFORDABLE HOUSING?

Median wages for these jobs are too low to allow workers to afford a typical two-bedroom apartment.

- *Preschool Teacher*
- *Teacher Aide*
- *Medical Records Technician*
- *Retail Salesperson*
- *Cashier*
- *Teller*
- *Receptionist*
- *File Clerk*
- *Host/Hostess*
- *Cafeteria Attendant*
- *Restaurant Cook*
- *Medical Assistant*
- *Nursing Aide*
- *Home Health Aide*
- *Maid*
- *Janitor*
- *Child Care Worker*
- *School Bus Driver*

HIGH HOUSING COSTS CAN LEAD TO FINANCIAL STRAIN, SUBSTANDARD HOUSING, HOMELESSNESS

As housing costs consume a growing portion of household income, families have less money left over to pay for other needs. Because families risk losing their homes if they do not meet their rent or mortgage costs each month, they often must skimp on other necessities such as food, child care, or health care. Also, with so few affordable units available, many families are forced to accept any housing they can find, even if it is in unsafe or substandard condition.

In the worst cases, individuals and families who cannot afford housing face eviction from apartments or foreclosure on their homes and may become homeless. In one night, the Minnesota Department of Economic Security found over 3,900 people who were living in emergency temporary housing in the metropolitan area. Others without homes of their own double up with family and friends or are forced to live on the streets.

ENTRY-LEVEL WORKERS AND FAMILIES IN POVERTY HURT BY AFFORDABLE HOUSING SHORTAGE

People working in entry-level or lower-wage jobs are hard hit by the affordable housing shortage. A typical two-bedroom apartment in the Twin Cities metropolitan area costs \$621 per month, although rents are much higher in some communities. In order to afford \$621 in rent, a family must earn \$24,840 per year — well above the wage level of many service sector jobs (see list at left).

The dream of homeownership for these working families is even farther out of reach. A modest three-bedroom house costs an average of \$93,000 in the metro area. A family would need to earn \$33,000 per year to order to afford such a home.

Even in a household where two family members work full-time earning wages at or near the minimum, annual earnings are too low to afford the rent or mortgage costs for a three-bedroom home. For single-parent families or other families without two full-time wage earners, finding an affordable home becomes extremely difficult.

The shortage of affordable housing is even more severe for individuals and families receiving public assistance. At current benefit levels, a single adult receiving General Assistance cannot afford a typical studio apartment and a parent and two children receiving public assistance cannot afford a typical two-bedroom apartment without subsidies — even if they spend their entire grants on rent. Changes in benefits because of the federal welfare reform law will make it even more difficult for some public aid recipients to maintain stable housing.

HOUSING AFFORDABILITY IS NOT JUST A CITY PROBLEM

The affordable housing shortage affects communities throughout the region, not just the center cities. According to the Metropolitan Council, 50,000 suburban households earning less than \$20,000 per year pay more than 30% of their income for housing. The problem of housing affordability is compounded by the mismatch between the location of affordable housing and the location of new jobs in the metropolitan area. While much of the new job growth in the metropolitan area is taking place in

outlying suburban communities, most affordable housing is concentrated in Minneapolis and Saint Paul and in nearby suburbs. As a result, people living in the center cities and first-ring suburbs become isolated from job opportunities, and people working in lower-wage jobs in the suburbs face either long commutes or excessive housing costs.

Without affordable rental and homeownership opportunities located throughout the region, young adults and families may find it difficult to stay in the communities where they grew up, and senior citizens may have a hard time staying in their communities after retirement.

NEW AND DIVERSE HOUSING CAN ADDRESS AFFORDABLE HOUSING NEEDS

In response to the need for affordable housing in the Twin Cities, communities have worked with the public and private sectors to create innovative solutions to the affordable housing problem. These initiatives operate in two basic ways: through planning for a diverse housing stock and through providing additional affordable

COMPARE INCOME AND THE COST OF HOUSING



rental housing and homeownership opportunities using government assistance and private funds.

First, cities and towns can plan for the private development of a variety of housing types, such as apartments, townhomes, and starter homes, that will provide affordable housing opportunities for young families and the elderly. Local governments can examine planning, zoning, and building requirements to find ways to diversify the housing stock while meeting community standards for high-quality, well-managed housing.

Second, communities can work with private and non-profit housing providers to build new affordable apartments and homes, to preserve and renovate older buildings occupied by low-income households, and to provide counseling and financial assistance to promote homeownership among low and moderate-income families. These

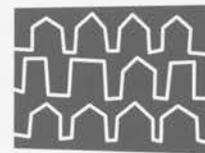
initiatives can be funded through a combination of public subsidies and private grants and loans.

The philanthropic and business communities also can be part of the affordable housing solution. Foundations can contribute funds to non-profit groups that provide affordable housing. Corporations can provide funding and volunteer leadership for affordable housing initiatives, assist employees with housing costs, and invest in the development of new affordable housing.

With the growing need for affordable housing, these strategies will need to be pursued with increased commitment in order to close the affordable housing gap. Working together, government agencies, non-profit organizations, foundations, and businesses can ensure that the dream of decent, safe, affordable housing for all members of the community becomes a reality.

This publication is part of a Public Education Initiative on affordable housing sponsored by the Family Housing Fund. The Family Housing Fund is a private, nonprofit corporation created in 1980 to help bridge the gap between the housing that people need and the housing they can afford. The Public Education Initiative is designed to provide informational materials on a variety of issues related to affordable housing in the Twin Cities metropolitan area.

For more information about the Public Education Initiative and other publications available in this series, please contact:



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TWO WAYS TO CLOSE THE AFFORDABILITY GAP

PLAN FOR DIVERSE HOUSING STOCK

ADD HOUSING WITH GOVERNMENT + PRIVATE FUNDS

