

## Meeting the Housing Needs of Workers

### What is “workforce housing”?

There is no widely accepted definition of “workforce housing.” Yet adequate rental and ownership housing close to job centers and affordable to workers earning a range of incomes is vital infrastructure that supports communities’ health. In Greater Minnesota, historically lower rents can make developing rental housing difficult due to limitations on traditional financing, even where jobs are plentiful.

### Homes for All supports workforce housing

Each Minnesota Housing Finance Agency program supported by *Homes for All* already serves working people. Many experiencing homelessness are employed, and even more working families access housing or repair homes they own with these programs. In particular, Minnesota Housing’s Economic Development and Housing Challenge Program helps communities meet economic development and housing needs. *Homes for All* seeks to:



- Increase funding for the Challenge Program by **\$4.75 million** to \$30.6 million for 2016–17
- This would help construct or rehab approximately 1,530 housing units.
- The \$4.75 million increase for the **Housing and Job Growth Initiative** builds approximately 236 units for workers in areas of job growth.

### The Challenge Program: for workforce housing in Greater Minnesota and Metro

The Challenge Program is Minnesota Housing’s most versatile funding source. It is used in Greater Minnesota and the metro area, and can create or rehabilitate ownership or rental housing, including mixed-income housing with some market-rate units. It can readily be paired to leverage other dollars.

### Who does the Challenge Program serve?

In most communities, the Challenge Program funds rental housing for households that earn up to 80% of statewide median, and homeownership options for households earning up to 115% of statewide median. In most of Minnesota, renter and owner households can earn up to \$62,000 or \$89,000, respectively. Some communities have higher income limits; for example, 2014 limits for Rochester were \$69,100 and \$99,200.

Sample households in <u>Northwestern Minnesota</u> <sup>1</sup> that could be served by Challenge			
Renters (up to \$62,000 household income)		Owners (up to \$89,000 household income)	
1 full-time earner: Average earner at Polaris makes \$19.49/hr. <b>Income: \$40,500/year</b>	✓	1 full-time earner: An industrial engineer. <b>Income: \$73,837/year</b>	✓
2 full-time earners: New employee at Polaris (\$14/hr average starting salary or \$29,120/yr) and physical therapist aide (\$28,335/yr). <b>Income: \$57,455/year</b>	✓	2 full-time earners: An occupational health and safety specialist (\$55,176/yr) and a bookkeeper (\$32,666/yr). <b>Income: \$87,842/year</b>	✓

<sup>1</sup>Salaries based on Polaris testimony, and Occupations in Demand for Northwestern MN (Econ Dev. Region 1), MN DEED.

## How are Challenge Program awards made?

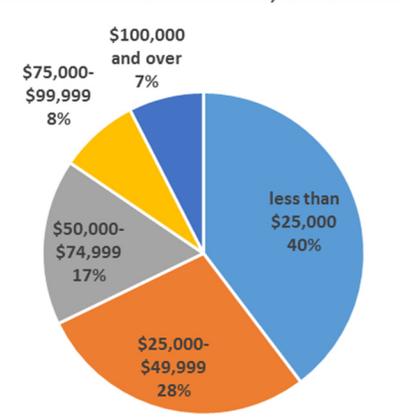
Awards are made annually on a competitive basis by Minnesota Housing, which strategically awards funds to meet pressing needs and leverage other state and federal funding.

## What are the limitations of the Challenge Program?

The key limitation of the Challenge Program is funding. One in eight Minnesota households pays over half of their income for housing. That is why *Homes for All* requests a \$4.75 million increase to the Challenge Fund for a total of \$30.6 million, along with increases to other important housing programs, to help meet the housing needs of the state's workers.

## The Challenge Program could create housing for most households, if funding were available.

Given their income levels, the majority of renters and homeowners working in Greater Minnesota could be served by housing financed by the Challenge Program, if resources were sufficient.

<p><b>Many jobs in growing fields are paid modestly</b></p> <p>The five fields with the most openings projected by 2020 in Minnesota all have median wages of \$18,000 to \$23,000 per year.</p> <p>The top fields include:</p> <ul style="list-style-type: none"> <li>• retail salespeople</li> <li>• food preparation and serving workers</li> <li>• personal care aides</li> <li>• cashiers</li> <li>• restaurant wait-staff</li> </ul> <p><small>Sources: Minnesota DEED Occupations in Demand data (above); MHP tabulations of American Community Survey 1-Year Estimates, 2013 (right)</small></p>	<p><b>Renter incomes</b> usually fall below the <b>\$62,000</b> income limit for Challenge for rental housing.</p> <ul style="list-style-type: none"> <li>• Statewide median renter household income: <b>\$32,300</b></li> <li>• Percent of renter households that earn under \$50,000: <b>68%</b></li> </ul> <div style="text-align: center;"> <p>Renter Household Income, Minnesota</p>  <table border="1"> <caption>Renter Household Income, Minnesota</caption> <thead> <tr> <th>Income Range</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>less than \$25,000</td> <td>40%</td> </tr> <tr> <td>\$25,000-\$49,999</td> <td>28%</td> </tr> <tr> <td>\$50,000-\$74,999</td> <td>17%</td> </tr> <tr> <td>\$75,000-\$99,999</td> <td>8%</td> </tr> <tr> <td>\$100,000 and over</td> <td>7%</td> </tr> </tbody> </table> </div>	Income Range	Percentage	less than \$25,000	40%	\$25,000-\$49,999	28%	\$50,000-\$74,999	17%	\$75,000-\$99,999	8%	\$100,000 and over	7%
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<p><b>Owner incomes</b> usually fall below the <b>\$89,000</b> income limit for Challenge for ownership housing.</p> <ul style="list-style-type: none"> <li>• Statewide median owner household income: <b>\$73,900</b></li> </ul>													

## Minnesota Housing: the right agency to oversee funds for housing for workers

Minnesota Housing is best suited to ensure taxpayer dollars are not wasted.

- **Experienced staff** provide oversight to taxpayer dollars.
- A streamlined, **nationally recognized competitive funding process** reduces administrative overhead and delays impacting housing developments.
- State resources are **leveraged** by federal, local, employer and philanthropic funding.