Out of Reach Minnesota 2019

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Minnesota Housing Partnership (MHP)

Founded in 1989, MHP convenes, guides, and supports a diversity of partners working to improve conditions of home and community.
Areas of Focus
Research | Policy | Community Development

Advancing POLICY solutions and funding for affordable housing

Producing RESEARCH that makes the case for investing in home & community

WORKING DIRECTLY WITH COMMUNITIES to achieve local housing and development goals
Out of Reach Minnesota is released jointly by the Minnesota Housing Partnership and the National Low Income Housing Coalition (NLIHC), a Washington, D.C.-based organization. Out of Reach documents the significant gap between renters’ wages and the cost of rental housing.
Key Terms

• **Fair Market Rent:** 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. In this report, we use the term “modest” one- or two-bedroom apartments to denote fair market rent.

• **Housing Wage:** The hourly wage workers need to earn to afford rent without spending more than 30 percent of their income.

• **Affordability:** Any household that spends more than 30 percent of their income on housing will likely have to sacrifice on daily necessities, like food and medicine.
Key Findings

From 2018 to 2019, the "housing wage" increased by 3 percent (adjusted for inflation) — a more significant rate of change compared to the 1 percent increase from 2017 to 2018.

Minnesota has maintained status as the 22nd most expensive state in the nation for the 4th consecutive year since 2015, surpassing states like Pennsylvania and Arizona.

The number of renter households continues to grow; from 2000 to 2017, the state gained more than 128,800 renter households, and the percentage of Minnesotans that are renters rose by 12%.
Key Findings cont’d

• A full-time minimum wage earner can’t afford even a one-bedroom apartment in any of Minnesota’s 87 counties.

• To afford a two-bedroom apartment, the median-income renter in Minnesota would need an 8 percent raise.
Communities of color are disproportionately impacted

- The growing gap between wages and rent has a disproportionate impact on communities of color.
- Wages for Black, Native, and Hispanic households have worsened since 2000, declining by 20%, 11%, and 9%.
Many top in-demand occupations cannot afford a 1-bedroom
From 2018 to 2019, the state housing wage increased by 3 percent (adjusted for inflation) — a more significant rate of change compared to the 1 percent increase from 2017 to 2018.

Compared to the state average of $19.74, the housing wage in non-metro areas is more than $5 less per hour at $14.36 for a two-bedroom apartment.

The highest housing wage in the state is located in the counties within the greater Minneapolis / St. Paul metro area, at $22.13 per hour — or $46,040 annually — to afford a modest two-bedroom apartment.
The housing wage has increased over the past decade. In 2009, the housing wage for a modest two-bedroom apartment in Minnesota was $15.12. Ten years later, the wage has risen 30 percent to $19.74. Even adjusted for inflation, that’s an increase of 9.3 percent.

Of Minnesota’s major metro areas, Grand Forks continues to see the steepest increase in the housing wage for a two bedroom apartment, rising by 19% after adjusting for inflation since 2009. The Duluth metro area trails just after Grand Forks, with an 18% increase over the past ten years.

Non-metro areas in Minnesota have seen a much smaller increase of just 1% (adjusted for inflation) for the housing wage over the past 10 years.

At the county level, Nicollet County has experienced the steepest increase in two-bedroom housing wage, jumping 20 percent since 2009. In this county, the hourly wage needed has risen from $12.48 to $17.77.
• We work on affordable housing policy at the regional, state and federal levels.

• By mobilizing and engaging our stakeholders we promote innovative and lasting solutions for equitable, efficient and sustainable housing.

• We work in partnership with a diversity of state and national advocacy organizations, and in Minnesota through the Homes for All alliance.

• A minimum wage earner in Minnesota must work more than one full-time job in every county in the state to be able to afford rent for a one-bedroom apartment.

• Minimum wage workers in the Twin Cities metropolitan area must work **71 hours per week** to afford a one-bedroom apartment and **90 hours per week** for a two-bedroom — the highest number of hours for major metropolitan areas in the state. This represents an increase in an additional 2-3 hours per week needed from just last year.
In 49 percent of Minnesota counties, the median-income renter can’t afford rent for a two-bedroom apartment.

Currently, an affordable rent for the median income renter in Minnesota is $952 per month.

A median-income renter household in nonmetro Minnesota can afford far less — just $743 per month.

Chisago and Ramsey Counties currently have the largest gap in the state between renter median income and rent for a two-bedroom apartment, adding up annually to a shortage of $2,916 to $3,552.

Median-income renters in Washington County can afford the highest rent in the state at $1,296 per month.

Median-income renters in Koochiching County can only afford $495 per month, the lowest level in the state.
In many metro areas, the gap between wages and rent is particularly pronounced.

Since just last year, the housing wage in **Rochester** has increased by 12%, marking the highest rate of change of all the metro areas. **Fargo** has the starkest gap between what the average renter earns and income needed to afford a one-bedroom, at a $10,865 annual deficiency. **Minneapolis-Saint Paul** contains the highest housing wage in the state, with a full-time worker needing to earn at least $17.60/hour for a modest one-bedroom, and $22.13/hour for a two-bedroom.

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<th>METRO AREA</th>
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<th>2 bedroom rent</th>
<th>Min wage can afford</th>
<th>Average renter can afford</th>
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