Admin MINNESOTA

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POPULATION NOTES

Rental housing becomes more affordable in the 1990s

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- Fewer renters paid more than 30 percent of household income for housing in 2000 than in 1990.
- More owners paid more than 30 percent of household income for housing in 2000.
- Median household income of homeowners outpaced renters' income.
- Housing became bigger, but crowding also increased.
- Minnesota housing values rose more rapidly than household income.
- Mobile homes continue to offer an affordable housing option.
- Non-white and Hispanic households pay more for rent and owner costs.

Affordability

During the last half of the 1990s, a strong economy and robust job growth drew more people to the state. The result was a strong demand for housing and a shortage of lower cost housing. As a result, housing affordability has become an important issue in Minnesota.

Affordability is determined by household income and housing costs. According to the U.S. Department of Housing and Urban Development,

The generally accepted definition of affordability is for a household to pay no more than 30 percent of its annual income on housing. Families who pay more than 30 percent of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care. (See http://www.hud.gov/offices/cpd/affordablehousing/index.cfm)

Clearly, households with high incomes can pay a greater proportion for housing without jeopardizing their ability to pay for other necessities. (See Ron Feldman, 2002, *The Affordable Housing Shortage: Considering the Problem, Causes and Solutions*, http://woodrow.mpls.frb.fed.us/pubs/bsdpapers/housing.pdf)

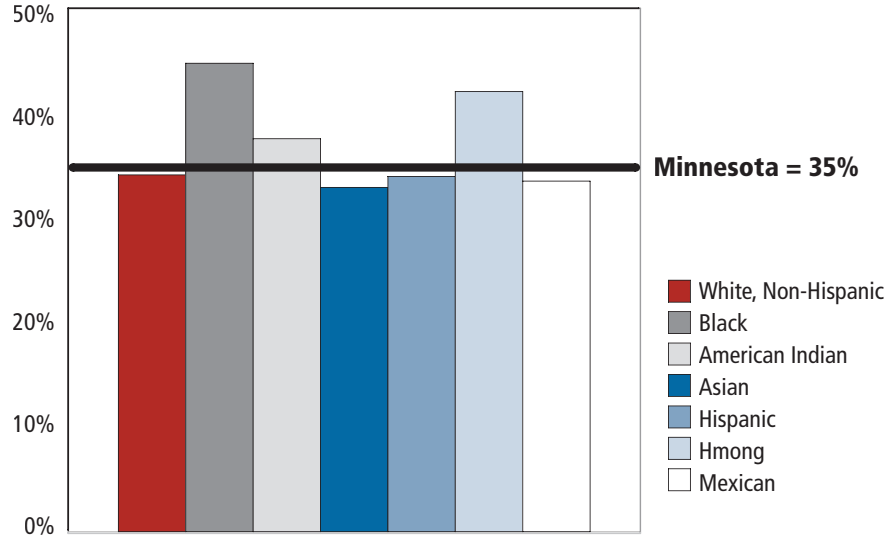
Homeownership increases over the decade

The proportion of Minnesotans living in their own home rose almost 3 percent between 1990 and 2000. Minnesota has the second highest homeownership rate nationwide, after West Virginia. In 2000, 74.6 percent of all households owned their home. Homeownership rates are higher in greater Minnesota counties and some suburban counties. The lowest rates of ownership are in Ramsey (63.5 percent) and Hennepin (66.2 percent) counties. Counties with colleges also have low rates of home ownership. In fact, only 12 counties have ownership rates below the state average. Ramsey County with the lowest rate in Minnesota has a higher rate than seven states and the District of Columbia.

Fewer renters in unaffordable housing

The proportion of renters paying more than 30 percent of income for rent declined by more than 7 percent between 1990 and 2000, from 42.2 percent to 35 percent. The number of renters in housing that was not affordable actually decreased from 188,319 to 165,107. According to the 2000 Census,

Households paying more than 30 percent of income for rent in 2000



Source: U.S. Census Bureau

1,600 renting households had household incomes higher than $50,000. Removing households with income greater than $50,000 from the calculation lowers the proportion in unaffordable housing less than half a percent.

Black renters were most likely to pay more than 30 percent of their income for rent (44.8 percent) followed by Hmong (42 percent). For all other race and ethnic groups, between 33 and 38 percent of renters paid more than 30 percent of income for rent.

Nationwide, the least affordable rental housing is found in California where 42 percent of renters pay more than 30 percent of income for rent. Florida, New York and Oregon also have more than 40 percent of renters in unaffordable housing. The most affordable rental housing is found in neighboring North Dakota (28.5 percent), South Dakota (29 percent), Iowa (31.4 percent) and Wisconsin (32.3 percent). Minnesota ranked 25th among states.

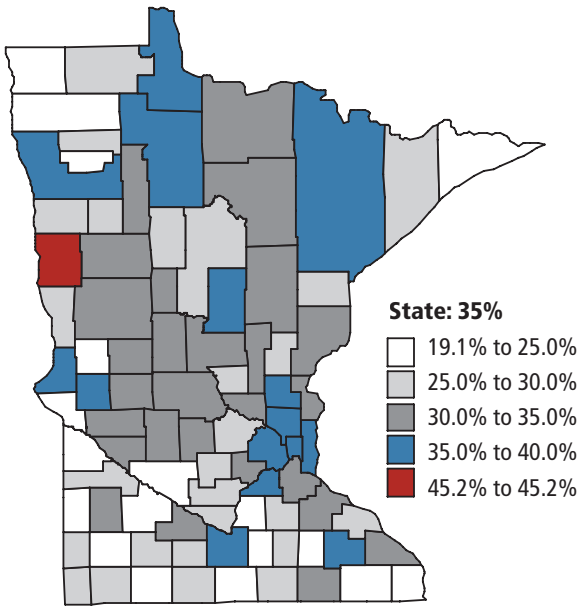
Median gross rent in Minnesota increased less than one percent after adjusting for inflation while median household income for renters rose 8.8 percent (inflation adjusted). Median rent as percentage of income in 2000 was 24.7 percent, a decline of two full percentage points from 1990. Median gross rent as a percentage of income declined between 1990 and 2000 in all but eight counties. In these counties, renter household incomes grew less than the state average while rents rose by more than the state average.

Counties with colleges had high proportions of renters paying more than 30 percent of their income for housing. The highest proportion in the state was 45 percent in Clay County. In the Twin Cities metropolitan area, all counties except Dakota and Chisago had higher than average proportions of renters paying more than 30 percent of income for rent. Kittson County had the most affordable rental housing — only 19.1 percent of renters pay more than 30 percent of income for rent. Seventeen Minnesota counties had less than 25 percent of households in unaffordable housing. However, these counties had very few renters — 13,353 in all 17 counties, or less than 3 percent of all renters.

Clay County also had the highest proportion of renters in housing that was not affordable in 1990 — 48.2 percent, three percent higher than in 2000. College counties had the highest rates of unaffordable housing in 1990 along with some of the Twin Cities metropolitan counties. In 1990, 10 counties had more than 40 percent of renters paying more than an affordable proportion of their income for rent. In 2000, only Clay County had rates over 40 percent.

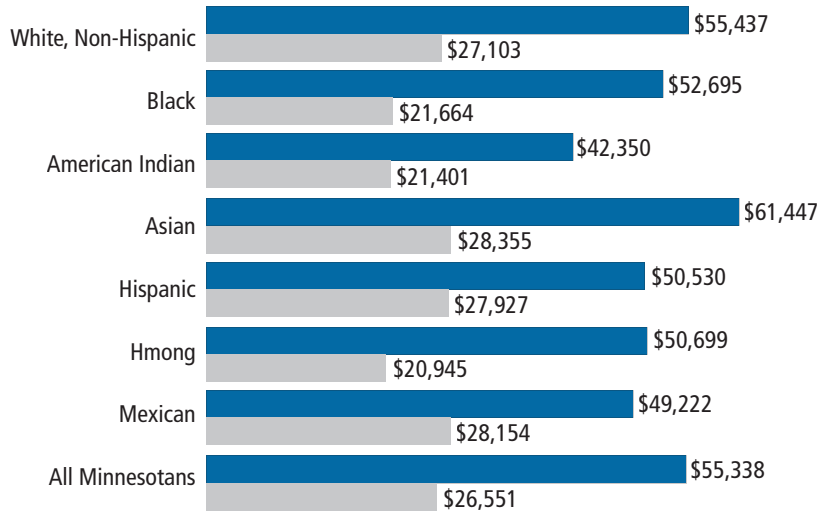
Renter costs exceeding 30% of income

2000



Source: U.S. Census Bureau

Median household income



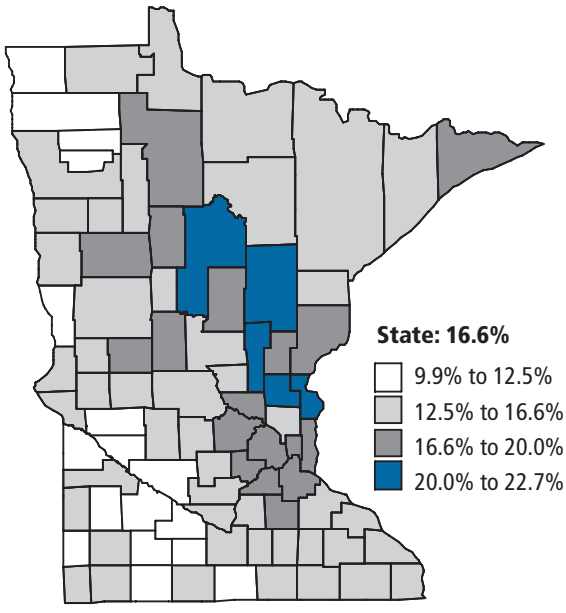
Source: U.S. Census Bureau

More than half of Minnesota's counties saw an increase in the percentage of renters paying more than 30 percent of their income for housing between 1990 and 2000.

Of those 46 counties, all but five had fewer renter households in 2000 than in 1990. Minnesota had a slight increase in occupied rental units between 1990 and 2000, but many counties had large decreases in rental units. Counties that saw increases in the rate of renters paying unaffordable amounts for housing averaged 179 fewer rental units. With sizeable losses in rental housing and increases in the proportion of renters in unaffordable housing, households that continue to rent appear to be those with the largest housing cost burden.

Owner costs exceeding 30% of income

2000



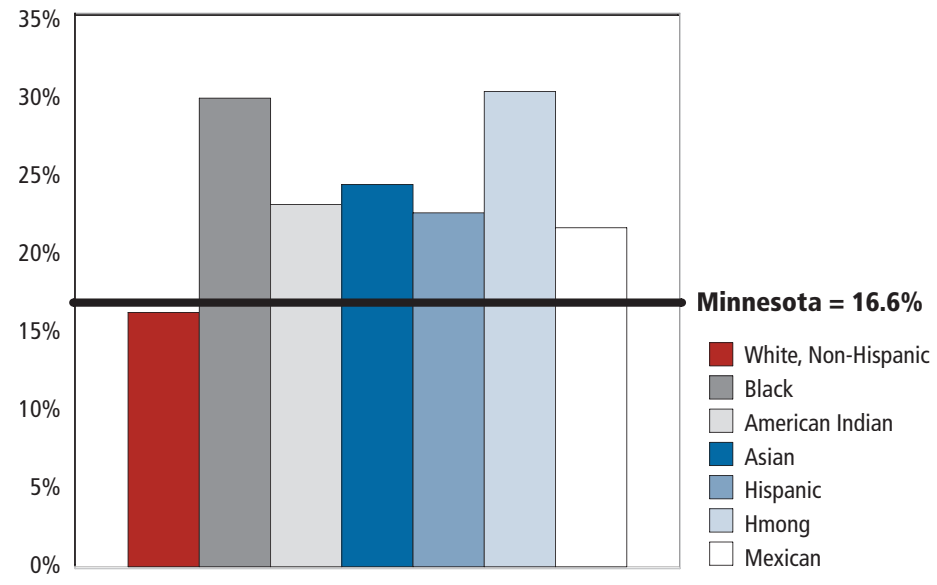
Source: U.S. Census Bureau

Renters' income lags owners'

Renters are much more likely to pay more than 30 percent of their income for housing, in large part because their incomes are lower. Median income for renters is much lower than for households who own their home. In 1999, renters' median income was $26,551 or not quite half of owners' median income ($55,338). As a result, to obtain affordable housing, the ceiling for renters is significantly lower. Even in Dakota County where renters' median income is the highest in Minnesota, it is barely half of owners' median income. Both owners' and renters' median income increased during the 1990s, but owners' income grew 13.5 percent and renters' 8.8 percent. Comparing owners' median income to renters' shows that in 58 of 87 counties, renters' median income declined as a proportion of owners' median income. It is not surprising that renters had less income than owners. But the result is that owners found housing more affordable than renters.

Data on median household income by race and ethnicity show marked differences among the minority groups in Minnesota. American Indians living in housing they own have much lower household income than any other home owners. Asian homeowners have the highest median household income of all groups including white, not Hispanic. Renting households are more homogeneous: black, American Indian and Hmong households all have median household income about $21,000. Hispanic, Asian and Mexican renters all have median household income about $28,000 — slightly higher than white, not Hispanic renters ($27,103). For the most part, these differences follow the same trend in counties in the Twin Cities metropolitan area and in greater Minnesota.

Owners paying more than 30% of income for housing



Source: U.S. Census Bureau

More owners pay more for housing

The proportion of owners paying more than 30 percent of their income for housing was 16.6 percent or 185,211 households in 2000. As a percentage, these numbers represent a slight increase over 1990 (15.4 percent). Nearly 39,000 of these owners had incomes over $50,000. For owners with incomes less than $50,000, 13.1 percent paid more than they could afford for housing.

Chisago and Isanti counties had the highest proportion of owners paying more than 30 percent of income for housing. In Cottonwood County only 9.9 percent of owners paid more than 30 percent for housing, and in another 12 counties in southern and western Minnesota fewer than 12 percent of owners lived in unaffordable housing.

As with rental housing, California has the highest proportion of owners paying more than 30 percent of income for housing (31.2 percent). California was the only state with more than 30 percent in unaffordable owner-occupied housing. Minnesota ranked 43rd among states, but neighboring North Dakota had the most affordable owner-occupied housing (13.8 percent) followed by Iowa (14.1 percent) and South Dakota (15.1 percent). Wisconsin (17.8 percent) ranked 38th.

Hmong and black homeowners were most likely to pay more than 30 percent of their income for housing; all non-white and Hispanic homeowners spent significantly more of their income for housing costs than white, non-Hispanic homeowners.

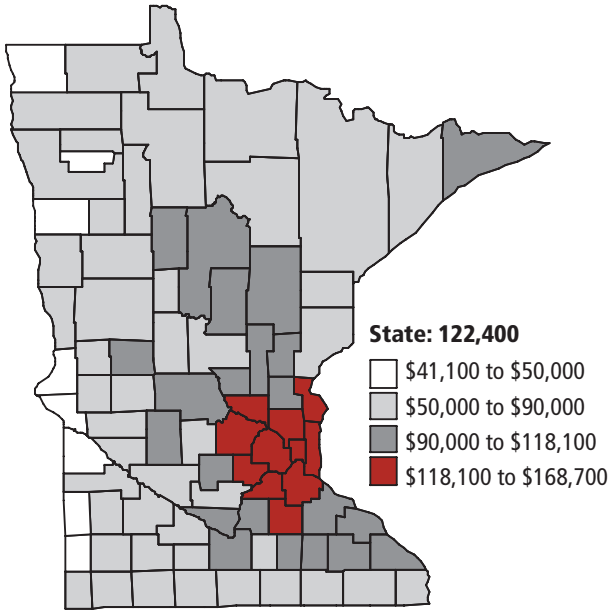
With the exception of American Indian homeowners, minority homeowners were much more likely to have a mortgage than white, not Hispanic homeowners. Housing costs for owners with a mortgage are much higher than for owners without a mortgage. For Minnesota, owners with a mortgage averaged $1,044 compared to $271 for owners without a mortgage. Carver County had the highest median monthly costs for mortgage holders ($1,382) and owners without a mortgage ($344). Mahnomen County had the lowest median monthly costs for mortgage holders ($549), and Lac Qui Parle had the lowest costs for non-mortgaged housing ($200).

Housing values rise over the decade

The median value of owner-occupied housing in Minnesota was $122,400 in 2000 and 65 percent of all housing units were valued at more than $100,000 according to the Census. Median values ranged from $170,200 in Carver County to $34,100 in Traverse County.

Median value of owner occupied housing units

2000

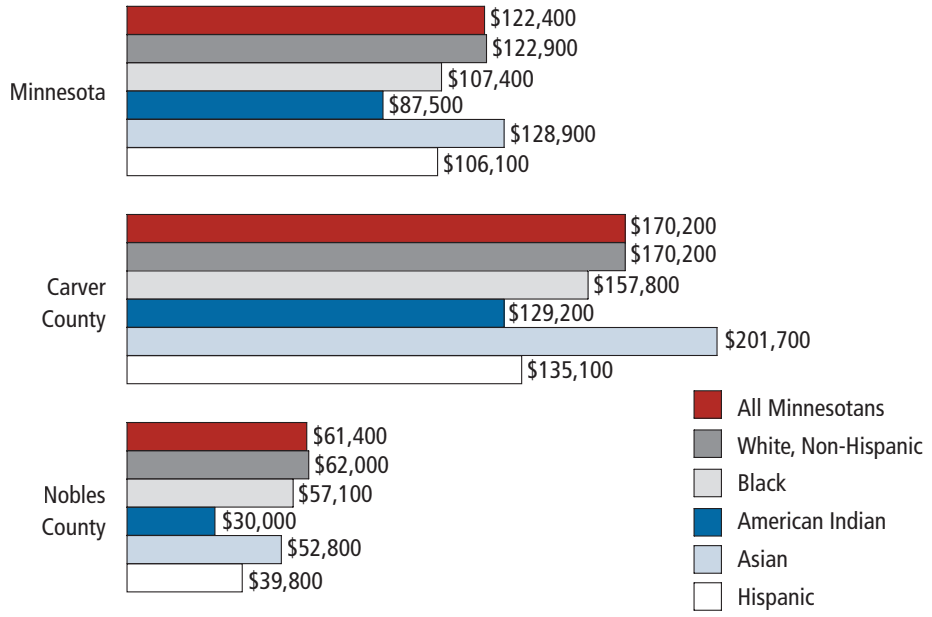


Source: U.S. Census Bureau

In three counties - Scott, Carver and Dakota - more than 90 percent of housing was valued higher than $100,000. In eight counties in far western Minnesota, less than 10 percent of all housing was valued at more than $100,000. Eleven counties, all in the Minneapolis-St. Paul Metropolitan Area except Rice County, had 70 percent or more of housing valued above $100,000. Lowest valued housing is found in western Minnesota where more than half of all housing in eight counties was valued below $50,000.

In general, housing in greater Minnesota has lower value than in the Twin Cities metropolitan area, and for most counties in greater Minnesota the range in value between the lower quartile and the upper quartile is narrower than for metropolitan counties.

Median value by race of owner



Carver County has the highest median value in Minnesota.
Nobles County has a low median value and includes all racial and ethnic groups.
Source: U.S. Census Bureau

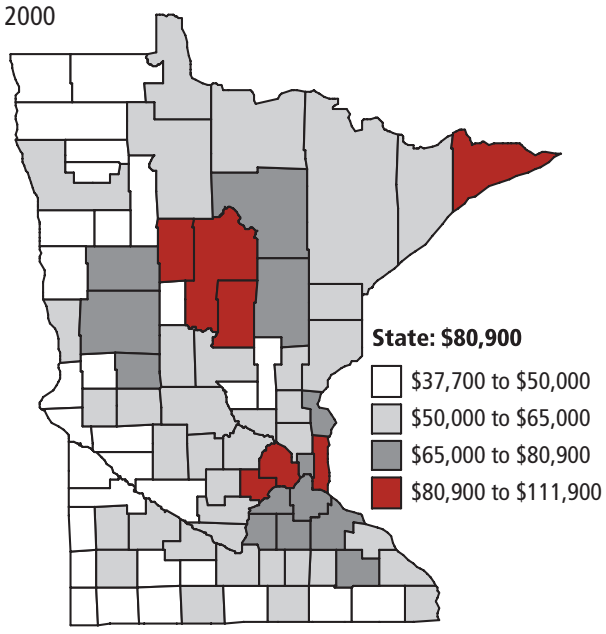
However, notable exceptions occur in lakes or amenities counties. In Cass County the range in value from the lower quartile to the upper quartile is over $110,000, or slightly lower than for Carver County. While the median value for these amenities counties is lower than in the metropolitan counties, the wide range is probably a result of new, more valuable housing built along lake shores.

The highest median value ($577,700) in Minnesota was in the city of Minnetonka Beach. Sunfish Lake and Woodland also had median values greater than $500,000. Six cities had median values less than $10,000.

Asian homeowners have the highest median value at $128,900 while American Indians have the lowest median value ($87,500). Black- and Hispanic-owned housing have very similar median values. The differences among racial and ethnic groups may be explained by location and by how long they have owned the housing unit. Asians tend to live primarily in the Twin Cities Metropolitan Area while American Indians are spread between greater Minnesota and the Twin Cities. Nonetheless, the differences that exist at the state level appear to exist in counties as well. The proportion of Asians who are homeowners increased markedly between 1990 and 2000. With the increases in housing values, these new homeowners probably have higher valued homes than those who have owned their housing for a longer time.

In seven counties housing value increased more than 50 percent. All of these counties were in greater Minnesota; nonetheless, in these counties the median housing value was

Difference between upper quartile and lower quartile of housing value



Source: U.S. Census Bureau

less than $85,000 or about 72 percent of median value for the state. Swift County had the largest increase — 70.3 percent. Counties in northwestern Minnesota saw the smallest increases in value, whether as percent change or in absolute value. Increased values were proportionally smaller in the metropolitan Twin Cities, but the dollar increases (adjusted for inflation) were large, ranging from $41,000 in Carver County to $11,700 in Ramsey County.

Buying is easier in Minnesota

Bankers generally expect a ratio of household income to housing costs ranging from 28 to 36 percent in order to qualify for a home mortgage. This ratio is sometimes expressed as ratio of value to income from two to three. Minnesota housing is relatively affordable compared to other states and metropolitan areas nationally. For Minnesota and for the Twin Cities, the ratio of median housing value to median household income is 2.6 or thirtieth among states and 30th among metropolitan areas. Minnesota, compared to other states and metropolitan areas, has the happy concurrence of moderate increases in housing values, healthy growth in income and moderate housing prices. In eight metropolitan areas (six of them are in California), housing values were more than four times median household income. In another 47, median housing value was more than three times median household income.

At the same time that housing values were increasing, median household income also grew. Between 1989 and 1999, median household income increased 15.5 percent in Minnesota. Housing values increased 25.8 percent over the decade. Consequently, the median valued house became less affordable for the median income household. In all but one Minnesota county, the median valued house is less than 3 times the median household income. The sole exception is Cass County, where the median value of housing increased 57.3 percent while median household income increased 39 percent.

While housing is less affordable for new buyers, current owners have seen their household wealth increase. Long-term home owners realized the benefits of increased housing value in the form of greater home equity.

Census 2000 asked the asking price of housing units for sale. This question was not included in the 1990 Census. Median asking price correlates closely with median value. For Minnesota, the median asking price was $92,800 for 11,436 units. The highest median asking price was in Cook County — $187,500; however, this figure is based on only 16 units. In 14 counties the median asking price was greater than $100,000. Most of these counties are in the Twin Cities Metropolitan Area or in the counties just outside the metropolitan area. In 38 counties the median asking price was less than $50,000. These counties are located in greater Minnesota along the southern and western borders, and in all but five, there were fewer than 100 units for sale.

Large houses more numerous in 2000

Owner-occupied housing was, not surprisingly, much larger than renter-occupied housing. The median number of rooms for owner-occupied housing was 6.6, while for rental housing the median number of rooms was 3.7. Rental housing tends to be fairly uniform in size throughout Minnesota. The largest rental units are in Jackson County with a median of 5.1 rooms, while the smallest units are in Hennepin County - 3.4 rooms. Owner-occupied housing has a wider range from 7.5 rooms in Carver County to 5.2 rooms in Cook County.

The average number of rooms in owner-occupied housing increased slightly from 6.54 in 1990 to 6.76 in 2000. Rental housing stayed about the same size — 4.01 in 1990 and 3.86 in 2000. In 1990, number of rooms was asked of every household (short form data item). In 2000, the number of rooms was a long form data item, which means that the data reflects a sample of approximately one-sixth of all households. Consequently, comparisons between the two censuses for this data should be used with caution.

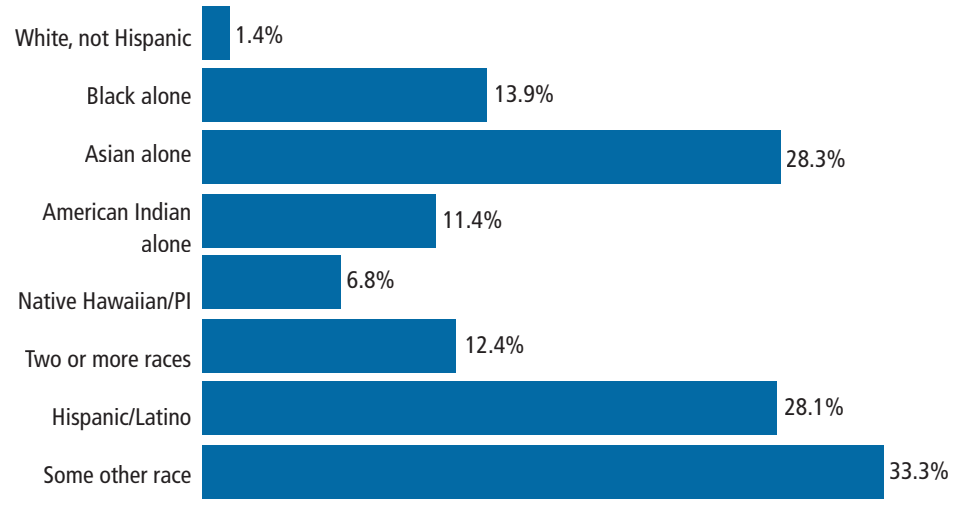
The number of bedrooms follows the size of housing. Very few owner-occupied housing units have no bedroom - only Cook County has more than 1 percent without a bedroom. However, housing units with five or more bedrooms increased by 17,136 over the decade, or an increase of 30 percent. Owner-occupied units with three or more bedrooms increased by 156,000, while rental units with three or more bedrooms declined by 2,200.

In part, these changes arose from changes in tenure. There were 229,127 more owner-occupied housing units in 2000 and 18,147 more rental units. In 36 counties the number of rental units declined, and in 15 the decline was greater than 10 percent. In seven of the counties where the number of rental units decreased, the number of owner-occupied units also declined. Home ownership has been a goal of many programs in Minnesota, and the result has been that many housing units formerly rented now are owned by their occupants. Homeownership increased over the decade by 3 percent, resulting in a nearly 20 percent increase in owner-occupied units but less than 4 percent increase in rental units. The large decrease in rental units with three or more bedrooms suggests that larger rental units may have been purchased for owner-occupancy.

Crowding increases in rental housing

Fewer large rental units has accompanied an increase in crowding. Crowding is defined as more than one person per room. In Minnesota very few housing units are crowded. For owner-occupied housing, 1.7 percent of all housing was considered crowded. In 22 counties less than 1 percent of owner-occupied housing is crowded. But in Watonwan, Beltrami, Pine and Mahnomen counties, the rate is greater than 3 percent. For rental housing, the proportion is much higher with 6.6 percent of Minnesota units considered

Crowding more prevalent among minority households



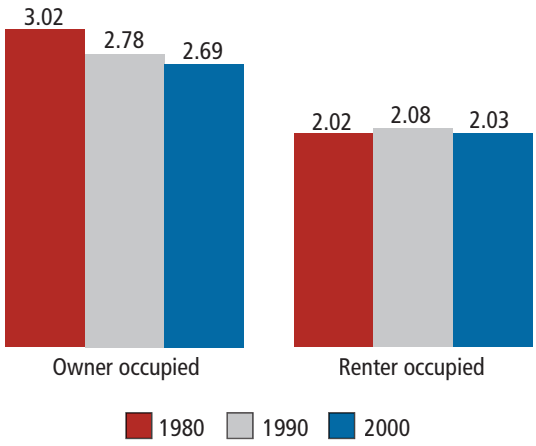
Crowding is defined as more than one person per room.
Source: U.S. Census Bureau

crowded. Rental housing ranges from 13.5 percent crowded in Nobles County to less than 1 percent in Lake and Lac Qui Parle counties.

Crowding is much more prevalent in housing where the householder is not white. Crowding in white, non-Hispanic households is only 1.4 percent, but 28 percent of Hispanic/Latino households and Asian households lived in crowded housing. Only Native Hawaiian and Pacific Islander households (among minority households) have less than 10 percent of their housing considered crowded.

Persons per housing unit changes little

1980-2000



Source: U.S. Census Bureau

Crowding in both owner-occupied and renter-occupied housing has increased since 1990 when 1.3 percent of owner-occupied housing and 4 percent of rental housing was considered crowded. While crowding has increased in both rental and owner-occupied housing, the average number of persons per housing unit has continued to decline, although the rate of decline has slowed since the 1980s. In 2000, there were 2.69 persons per owner-occupied housing unit, a decline of less than 0.1 since 1990. Rental housing averaged 2.03 persons per unit, a decline of 0.05 since 1990.

The demographic trends that shaped Minnesota in the 1990s have also affected housing and crowding. Older households are smaller and the result is fewer persons per housing unit. More minority households and the trend for those households to be larger than white, non-Hispanic households has led to increased numbers of minority-headed households living in crowded housing units. This is especially evident in the data on crowding in Minnesota's cities. Worthington experienced a large in-migration in the 1990s and 17 percent of its rental units are crowded, second after Falcon Heights for cities with more than 240 rental units. Fourteen cities had crowding greater than 10 percent, and three — Worthington, Montgomery and Pelican Rapids — are in areas of greater Minnesota that experienced large numbers of migrants both from other states and other countries. In all, 47 cities with more than 240 rental units have crowding that exceeds the state average; 10 of those cities are in greater Minnesota, three are in the greater Minneapolis-St. Paul Metropolitan Area, and the remaining 30 are in the seven-county Twin Cities area.

Crowding in owner-occupied housing was less pervasive with only 23 cities (including only cities with more than 500 owner-occupied housing units) having rates in excess of 3.2 percent. Of these cities, 12 were in greater Minnesota, six in the seven-county Twin Cities area and only five in the greater Minneapolis-St. Paul Metropolitan Area. Pelican Rapids had the most crowded owner-occupied housing with 6.2 percent, followed by Lexington, Madelia, St. Paul, St. James, and Crosby. Cities in greater Minnesota with higher rates of crowded owner-occupied housing include many cities which experienced high rates of immigration in the 1990s.

An Affordability Option

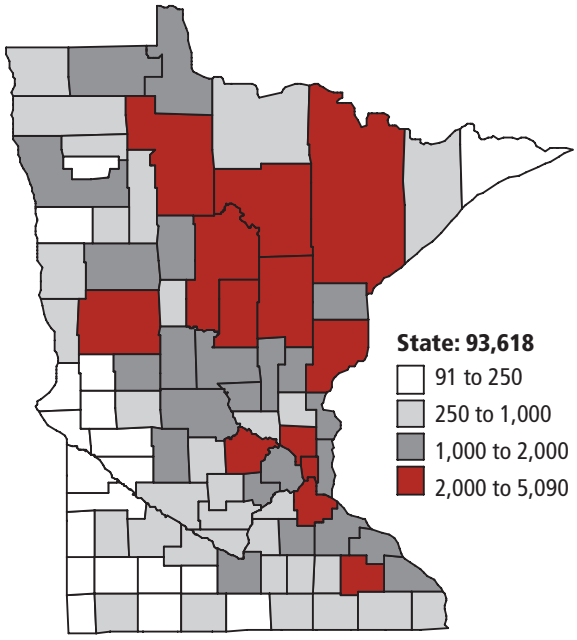
Mobile homes are valued much lower than other housing making them an affordable housing option. The median value for mobile homes in 2000 was $22,500, or one-fifth the value of all owner-occupied housing. Mobile homes range in value from $42,900 in Lake County to $9,999 in Nobles and Faribault counties. The ratio of owner-occupied housing values to mobile home values ranges from 1.6 in Pipestone County to 13.8 in Washington County.

There were 93,618 mobile homes in Minnesota in 2000, 3,072 more than in 1990. Counties with the most mobile homes were in north central Minnesota and in some metropolitan counties. St. Louis County had the highest number with 5,090. In Lake of the Woods County, mobile homes make up about one-third of all housing. In Roseau and Kanabec counties more than one fifth of all housing units are mobile homes. The number of mobile homes increased in 48 Minnesota counties and declined in 39. The biggest decreases — more than 200 — were in Crow Wing, Stearns and Lyon counties. The largest increases — more than 500 — were in Beltrami, Otter Tail and Hubbard counties.

Mobile homes in north central counties have fairly high rates of vacancies, probably reflecting mobile homes sited on vacation property. In 2000, 19,486 mobile homes were vacant and about one-fourth of those were for seasonal use. Crow Wing, St. Louis, Itasca, Hubbard, Todd and Beltrami counties had the highest number of seasonally vacant mobile homes.

Mobile homes

2000



Source: U.S. Census Bureau

Nearly 184,000 people lived in mobile homes in 2000 - most owned the unit. Only 23,528 rented the mobile home. Proportionally, mobile home households were more likely to have only one person than other owner-occupied housing. Nearly 30 percent of mobile home households were single persons. Owner-occupied mobile homes tended to have smaller households than other owner-occupied housing. The opposite is true for rented mobile homes where fewer households were one- or two-persons, and proportionally more were three-, four- or five- persons.

Blacks and Asians are least likely to live in a mobile home (0.8 percent for blacks and 1.7 percent for Asians). Rates for American Indians are the highest (9 percent) followed by Hispanics (8.4 percent). About four percent of white non-Hispanics lived in mobile homes.

Households renting mobile homes tended to fall in two categories: nearly 46 percent paid less than 20 percent of their income for rent and another 33 percent paid more than 30 percent for rent. Unfortunately, data for rent as a percent of income was not reported for nearly 1,700 households. About 27 percent of households who owned their mobile homes paid more than 30 percent of their income for housing. Mobile home owners had median income of $33,559 much lower than for all owner-occupied housing ($55,338). Mobile home renters' median income was $23,978 slightly lower than all renter-occupied housing ($26,551). Lower median incomes among residents in mobile homes means that despite lower costs, these households are more likely to pay more of their income for housing.

Notes

Data in this report is taken from SF1, SF2, SF3 and SF4 of the 2000 Census and STF1 and STF3 of the 1990 Census. Race data reflects values for race alone and in combination.