MetroStats

METROPOLITAN COUNCIL

Falling Further Behind: 2014 Affordable Housing Production in the Twin Cities Region December 2015

Key findings

- Only a small percentage of added housing units were affordable to households with low and moderate incomes. In 2014, the Twin Cities region added only 759 affordable housing units, which was 7% of all new housing.
- Most new affordable housing is renter-occupied apartments and townhomes. Few affordable single family homes were recently added.
- The high share of low-income households that are cost burdened suggests existing affordable housing is not meeting current demand.

About us

The Regional Policy and Research team at Metropolitan Council wrote this issue of *MetroStats*. We serve the Twin Cities region—and your community—by providing technical assistance, by offering data and reports about demographic trends and development patterns, and by exploring regional issues that matter. For more information, please contact us at research@metc.state.mn.us.

Download the data used in this report at http://metrocouncil.org/data. Select “Affordable housing construction,” then your geographic areas of interest.

Please note that our data collection on development is ongoing—the numbers published in this report may not reflect the most current data available.

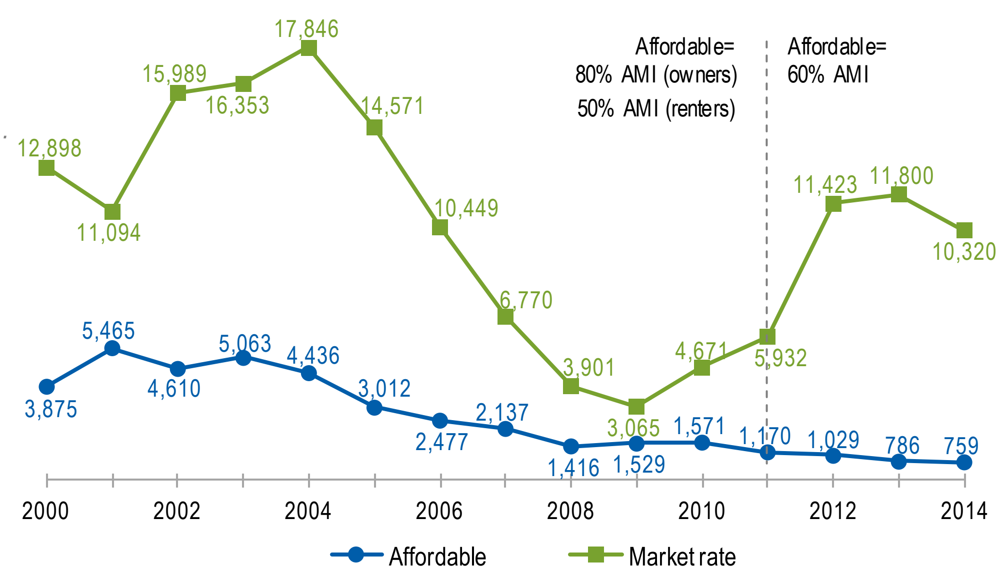
Housing—along with food, clothing, transportation and medical care—is a necessity. For many households, the rent or mortgage payment is their largest monthly expense. When people cannot find housing they can afford, the effects are far-reaching: households making trade-offs between housing and other daily essentials, undermining their overall well-being. Understanding the landscape of housing options for households at all income levels is crucial to our region’s short- and long-term success.

New affordable housing production hits record low in 2014

The Twin Cities region added only 759 affordable housing units in 2014 (Figure 1). This is a 3% decrease from the number of affordable units added in 2013, and the lowest total in our annual data to-date.[1]

Affordable housing production reached its highest level in 2001, when over 5,400 units were added across the region. The number of affordable units fell in most years thereafter and never again reached the 2001 peak. While market-rate construction plummeted during the housing market crisis—bottoming out in 2009—the decline in affordable housing was slow and steady between 2003 and 2010. Affordable housing production continued to drop between 2011 and 2014 even as market-rate development activity rebounded, especially after 2012. Of all housing units added in 2011, 16% were affordable. By 2014, only 7% of new housing was affordable.

Figure 1. Units added to the Twin Cities region’s housing stock by price point, 2000-2014



Source: Metropolitan Council’s Affordable Housing Production Survey, 2000-2014.

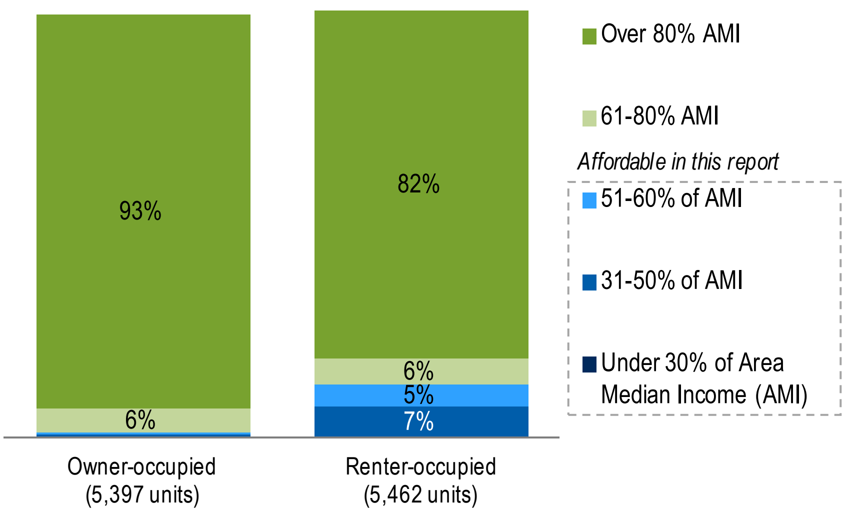
[1] Our definition of affordable changed in 2011 and a direct comparison across all years of data is not possible. Since 2011, we began to capture housing units that were affordable to renters with slightly higher incomes and to owners with slightly lower incomes. Even so, the annual totals both before and after 2011 show decline.

A closer look at affordability in 2014 data: few units for very-low-income households

Each year, we track residential units added to the region's housing stock and their affordability, relative to household incomes. We use the term 'affordable' to describe housing units that low- or moderate-income households earning up to 60% of the Area Median Income (AMI) can afford without spending more than 30% of their income on housing alone.

In 2014, we revised our annual Affordable Housing Production Survey to gather specific information about the monthly costs of new residential units based on the Minneapolis-Saint Paul-Bloomington, MN-WI Area Median Income published by the U.S. Department of Housing and Urban Development. Most units added to the region's housing stock in 2014 are affordable to households with income at 80% of AMI or higher (Figure 2). Another 6% of both renter- and owner-occupied units had costs that fell slightly above our threshold for affordability (60% of AMI). Only 20 housing units (owner- and renter-occupied combined) were produced for those with the lowest income levels (under 30% of AMI).

Figure 2. Housing units added to the region's housing stock in 2014 by tenure and price point



HUD 2014 Area Median Income		
	Individuals	Family of four
80% of AMI	$44,750	$63,900
60% of AMI	$32,000	$49,740
50% of AMI	$29,050	$41,450
30% of AMI	$17,400	$24,850

Source: U.S. Department of Housing and Urban Development, [FY 2014 Income Limits.]

Source: Metropolitan Council's Affordable Housing Production Survey, 2014.

These are among the largest affordable housing developments of 2014; their units range in affordability.

The Cavanagh, Crystal

A new, independent living development for adults age 55 and older built by Dominium. The 130 units are income-restricted to older adults with incomes between 50-60% of Area Median Income.

Five15 on the Park, Minneapolis

This 249-unit multifamily development in Minneapolis' Cedar-Riverside neighborhood is a mix of market rate and affordable units. Fifty-two units are affordable to those with incomes 31-50% of AMI and 78 units at 51-60% of AMI.

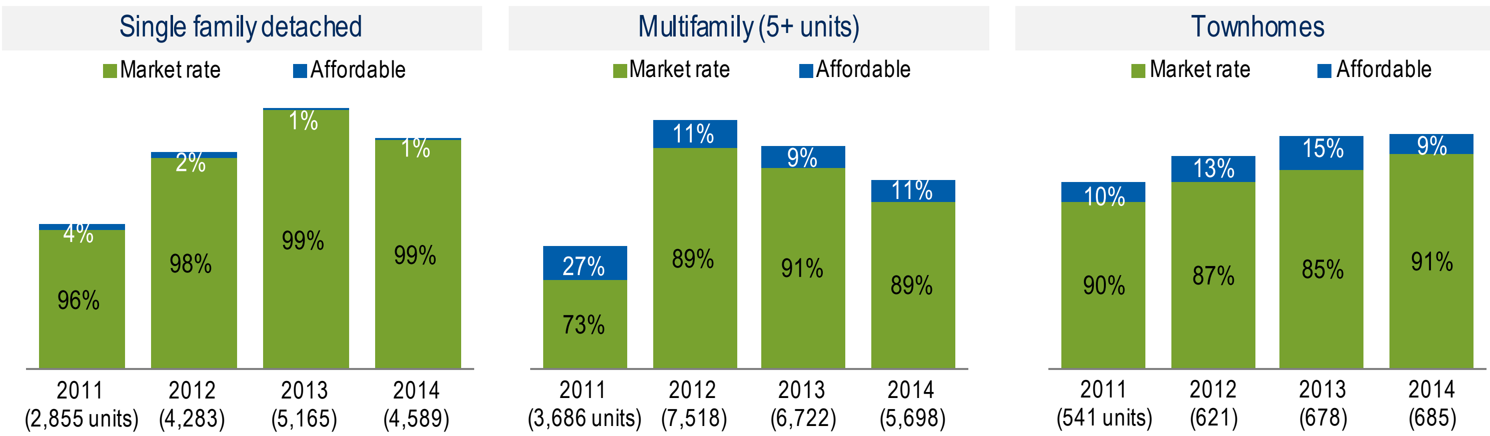
Lakeshore Townhomes, Eagan

This 50-townhome development is part of a Workforce Housing Program by Dakota County. Residents are renter households with incomes between 30-50% of AMI with minor children, preferably with ties to Dakota County.

Increasingly smaller share of apartments and townhomes are affordable, few single family homes

Of the 759 affordable units added in 2014, 92% were a form of attached housing—mostly multifamily (635 units) with some townhomes (62 units). Even though multifamily construction led the housing market out of the recession, it was mostly market-rate production: the share of affordable multifamily units fell after 2011 (Figure 3). Townhome construction is up since 2011, with a slightly larger share of affordable units compared with multifamily development but a significantly lower overall number of units.

Figure 3. Recently added housing units by type, 2011-2014



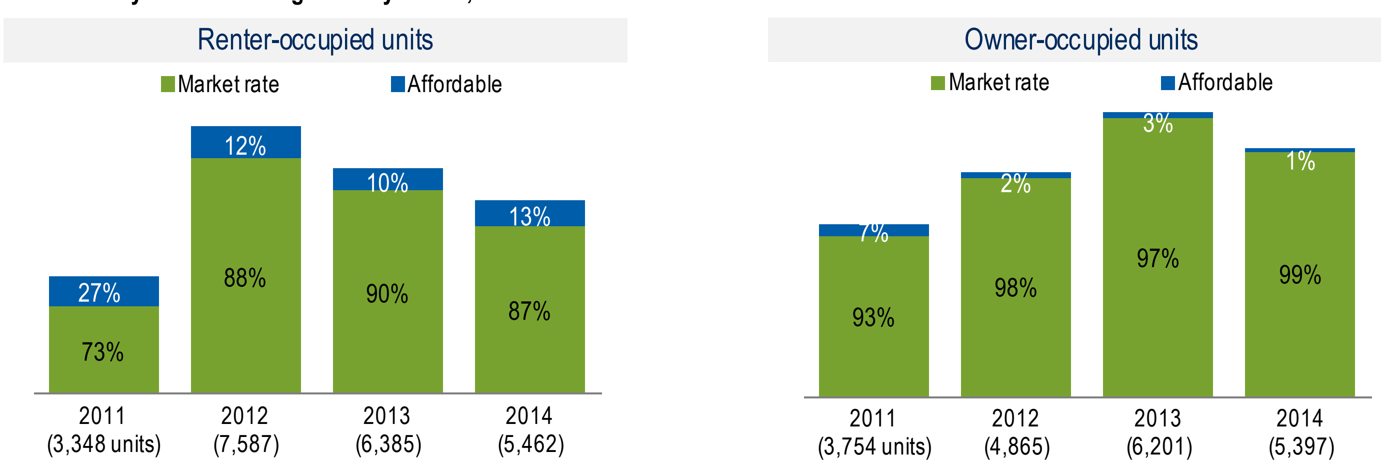
Source: Metropolitan Council's Affordable Housing Production Survey, 2011-2014. In this timeframe, affordable describes a housing unit that households with incomes at or below 60% of Area Median Income (AMI) can pay for without experiencing housing cost-burden.

Fewer affordable housing options for renters since 2011

Renters occupied most affordable units (91%) added in 2014, which is typical across years. Despite being the majority of consumers in the affordable housing market, fewer affordable rental units were built in the post-recession years. From 2011 to 2014, the number of new market-rate rental units increased 94% while the number of new affordable rental units decreased 23%. In 2014, one in every nine new rental units was affordable (Figure 4).

Of the 69 affordable owner-occupied units added in 2014, over half (54%) received a public or nonprofit subsidy to make them affordable (for example, Habitat for Humanity built 24 of these units, and Community Land Trusts were involved in the production of and additional 13 units). The remaining units were single family homes or townhomes that recently sold for $161,500 or below (a price affordable to households with income at or below 60% of AMI).

Figure 4. Recently added housing units by tenure, 2011-2014



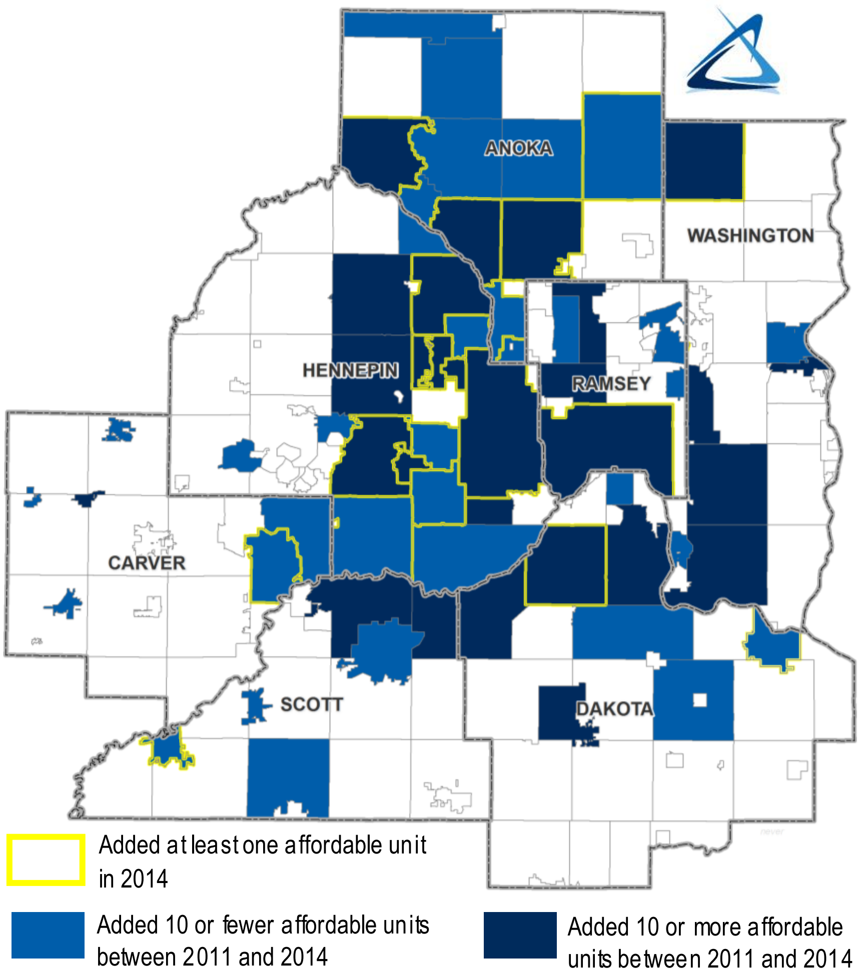
Source: Metropolitan Council's Affordable Housing Production Survey, 2011-2014. In this timeframe, affordable describes a housing unit that households with incomes at or below 60% of Area Median Income (AMI) can pay for without experiencing housing cost-burden.

Fewer cities added new affordable units in 2014, top producers balanced with market-rate units

In 2014, 148 cities and townships across the Twin Cities region added at least one market-rate housing unit but only 22 added an affordable unit (and only 7 cities added over 10 affordable units in 2014). Eleven multi-unit projects across these seven cities account for nearly all (90%) of the affordable units added across the region in 2014.

The ten cities that produced the highest number of affordable units since 2011 are listed in Figure 5. Though Minneapolis added over 1,800 affordable units during this period, this represents only 17% of its new housing overall. Similarly, Saint Paul, Eagan, Farmington, Minnetonka, Forest Lake and Ramsey balanced their affordable housing production with other market-rate development. In contrast, Crystal and New Hope added relatively few market-rate units; thus, the share of new housing that was affordable is much higher in those cities.

Figure 5. Cities and townships that recently added affordable housing units



Top 10 producers of affordable units between 2011 and 2014		
	Added affordable units since 2011	Share of added housing that was affordable
Minneapolis	1,871	17%
Saint Paul	488	19%
Crystal	137	81%
Eagan	125	12%
Farmington	87	21%
Minnetonka	78	21%
Forest Lake	75	18%
New Hope	70	65%
Savage	70	8%
Ramsey	69	13%

Source: Metropolitan Council's Affordable Housing Production Survey, 2011-2014.

The unmet need for affordable housing in the region

Pairing several federal datasets, we estimate that the Twin Cities region had just over 360,000 housing units affordable to households with incomes at or below 50% of Area Median Income in 2013.[2] It is possible that higher-income residents live in many of these affordable units, increasing the mismatch between household incomes and

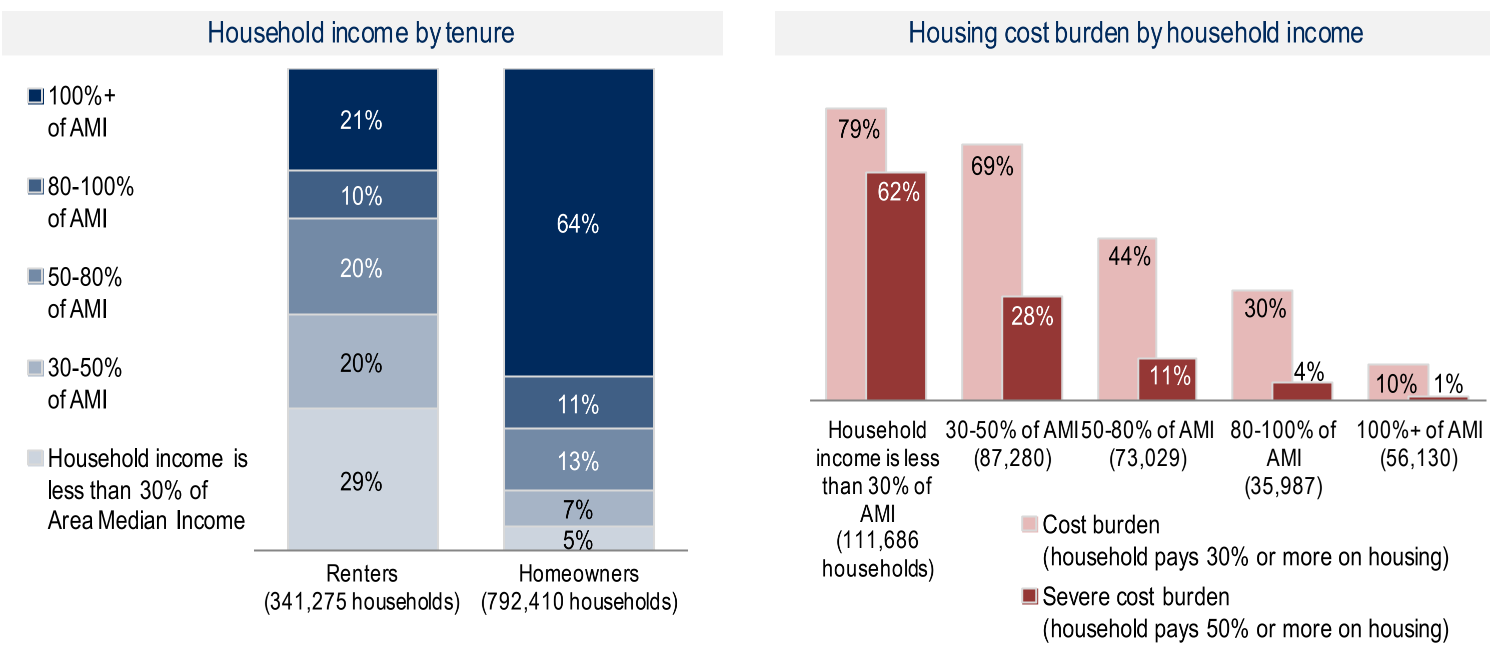
[2] The full methodology for calculating existing affordable housing is in an adopted amendment to the 2040 Housing Policy Plan.

housing costs. This report shows that the Twin Cities region is adding new affordable housing but at a pace too slow to meet both the current demand and our future need.

To assess the region's need for more affordable housing, we first look at the household incomes of homeowners and renters in the region. Nearly half (49%) of renters have a household income at or below 50% of Area Median Income (Figure 6). However, as we discussed earlier in this report, post-recession multifamily housing construction was mostly focused on market-rate development, with rents that are typically out of reach for low- and moderate-income households. Current homeowners tend to have higher income levels than renters (only 12% of homeowners have incomes at or below 50% Area Median Income). With few new housing units that low- and moderate-income households can afford, homeownership in the region remains largely unattainable for households with incomes below the region's Area Median Income.

Second, the level of housing cost burden in the region suggests a misalignment of household incomes and housing costs. Recent data published by the U.S. Department of Housing and Urban Development show one in every three households in the Twin Cities region experienced housing cost burden—that is, they are spending at least 30% of their income on monthly housing costs—in the 2008-2012 period. Further, one in every eight households experienced severe housing cost burden (spending at least half of their income on housing costs). Figure 6, which shows levels of housing cost burden by household incomes, confirms that households with low- and moderate-incomes are much more likely to experience housing cost burden than households with income levels closer to the region's Area Median Income. Increasing the affordable housing options for low- and moderate-income households would help to reduce housing cost burden in the region.

Figure 6. Household income by tenure and housing cost burden by income level, 2008-2012



Source: U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy (CHAS), 2008-2012.

About our Affordable Housing Production Survey

We conduct our Affordable Housing Production Survey as part of the 1995 Livable Communities Act (LCA).[3] The goal of the Livable Communities Act is to stimulate housing and economic development in the seven-county Twin

[3] Minnesota Statutes (section 473.254, subdivision 10), states that the Metropolitan Council is responsible for producing an annual report that includes information on government, non-profit and marketplace efforts in producing affordable and life-cycle housing.

Cities Region. Cities and townships participate in the Livable Communities Act program voluntarily. The responses to the survey help us determine local Housing Performance Scores through the *Guidelines for Priority Funding for Housing Performance* that, in turn, help us determine how to award LCA grants.

Each year we send the Affordable Housing Production Survey to every city and township in the Twin Cities region in our jurisdiction. Cities and townships submit their responses by email. In 2014, the response rate was 71%.