Closing gaps:
Residential Development and Deeply Affordable Housing

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Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Residential Development</td>
<td>2</td>
</tr>
<tr>
<td>Recent Affordable Housing Production</td>
<td>6</td>
</tr>
<tr>
<td>Deeply Affordable Housing</td>
<td>10</td>
</tr>
<tr>
<td>Future Housing Policy Work</td>
<td>17</td>
</tr>
</tbody>
</table>
Datasets co-created with local governments

Surveys enhance accuracy & detail

• Building Permit Survey
  • Sent out to cities and townships yearly
  • Collects address-level detail on permitted units from the previous year
  • Important input into population estimates, and other models

• Affordable Housing Production
  • Based on Building Permit Survey data
  • Records affordability for all units added

• Both datasets widely used across the Met Council and region
Development trends: How much?

Recent housing production is up but lags earlier decades

Average annual housing production by decade

- **1970s**: 17,100
- **1980s**: 17,800
- **1990s**: 15,100
- **2000s**: 14,200
- **2010s**: 12,200

Total added housing units: 22,327

Source: Metropolitan Council's Annual Building Permit Survey.
Development trends: Where?

Development is more geographically balanced since 2011

Thrive MSP 2040 Community Designations

- Urban Center
- Urban
- Suburban
- Suburban Edge
- Emerging Suburban Edge
- Rural Service Area

Source: Metropolitan Council's Annual Building Permit Survey.
Development trend: Housing types

**Multifamily (5+ units)**
- Accounts for about two-thirds (61%) of all residential development in 2021. A decade ago, the average share was just a third (34%).
- More multifamily outside of urban areas in past 5 years.

**Detached homes**
- Share of detached home development has stayed relatively static over the past 20 years (between 30 – 40%).

**Townhomes**
- Townhome development fell significantly during recession and has yet to fully bounce back, though numbers and shares are up as of 2019.
- 2021’s total (1,815 townhomes) was highest since 2007.

Source: Metropolitan Council’s Annual Building Permit Survey. (Net gain of residential units by type; 2021 labeled.)
Affordable Housing Production - Overall

About one in ten new housing units added in 2021 were affordable

Disaggregating added housing units by affordability*

Area Median Income (AMI) is a measure of household income defined and calculated by the U.S. Department of Housing and Urban Development for the 15-county metro area.

In 2021, AMI was $104,900 for a household of four; 60% of AMI was $62,940.

90% of added housing (20,200 units) was market rate in 2021

Source: Metropolitan Council’s Annual Building Permit Survey.

Market rate (above 60% AMI)

Affordable (at/below 60% AMI)
Affordable Housing Production - Depth

Recent, notable gain in new housing affordable at or below 50% AMI

Disaggregating added affordable units by depth of affordability

The Area Median Income (AMI) for the 15-county metro area was $104,900 for a household of four in 2021. Other 4-person AMI levels:

- 30% AMI at $31,450
- 50% AMI at $52,450
- 60% AMI at $62,940

Source: Metropolitan Council’s Annual Building Permit Survey.
Need for affordable housing unmet 2011-2020

The region met 37% of forecasted Need for new affordable housing (at/below 60% AMI)

Average annual production required to meet 2011-2020 regional Need (44,600 total)

Actual annual production (16,400 total)

Urban areas met a greater share of their Need for new affordable housing (at/below 60% AMI)

Urban areas met a greater share of their Need for new affordable housing (at/below 60% AMI)

Source: Metropolitan Council’s Annual Building Permit Survey & Allocation of Affordable Housing Need (2011-2020).
Affordable housing need in 2021-2030

2021: Not enough deeply affordable housing created to meet the coming decade’s Need.

Gap of 1,700 units

Average annual production to meet Need (2021-2030)

Deeply affordable units are particularly needed in suburban and edge cities.

Units needed, 2021-2030
At/below 30% AMI
31 - 50% AMI
51 - 80% AMI

Source: Metropolitan Council’s Annual Building Permit Survey & Allocation of Affordable Housing Need (2021-2030).
metro council.org
Deeply Affordable Housing (30% AMI)
Why is Deeply Affordable Housing (30% AMI) Important?

Who is served?

- People working full-time jobs
  - 30% AMI = $35,200
  - Minimum wage = $21,500 ($10.33/hour)
- Single-parent households
- Former foster youth
- People with disabilities
- People experiencing housing instability

Why are they served?

- Minimum and low wages have not kept pace with inflation
- Childcare is expensive
- Foster care system does not repair childhood trauma
- Federal policy keeps people with disabilities who are unable to work in poverty
Deeply Affordable Housing Production

What we will cover today

• What makes producing a deeply affordable unit possible?
• What are issues we can’t control but we can adapt to?
• What are our opportunities to support production of deeply affordable units?

We value YOUR feedback!

• Which Council strategies would you like to prioritize?
• Do ideas for future work match the Council’s vision?
What Makes a Deeply Affordable Unit

How have developers created Deeply Affordable units recently?

Capital Sources:
• Housing Infrastructure Bonds
• 9% Tax Credits
• Mix of AMIs helps offset lower rents
• 0% Debt and grants

Rental Assistance:
• Not tied to unit:
  • Housing Support (Minnesota DHS)
  • Housing Choice Vouchers
  • American Rescue Plan Act
• Tied to Unit
  • Project Based Vouchers
  • County/Service Provider Set Asides (HOME/CDBG)
Realities we can’t solve, but we can adapt to

- 30% AMI unit rents do not cover capital or operations costs
- Housing Tax Credit Rules for Income Averaging
- External Market Forces
  - Supply Chain
  - Interest Rates
- Inflation
  - Earned wages
  - Rent Limits
  - Construction costs
  - Energy costs
  - Mortgage Rates
- Other agency funding priorities
How to Support Deeply Affordable Housing

How The Council can help:

- Grants
  - Continue to prioritize deeply affordable units
  - Incorporate housing choice voucher payment standards into scoring to ensure voucher holders can access units
  - Make it easier for projects to accept rental assistance
- Continue to track rate of deeply affordable units in income averaging projects
- Increased focus on preservation and stabilization
- Promote Inclusionary Development at the local level
- Explore role of Regional Development Guide in highlighting importance of living wages
- Quantify the risk of inaction
- Explore defining affordable housing limits differently
Future Work: Risk of Inaction and Measures of Affordability
Further Deeply Affordable Research

Quantifying the Risk of Inaction

What is the downstream social and fiscal impact of cost-burdened 30% Area Median Income households?

What are the possible benefits of maximizing our development of 30% AMI in the affordable portion of the housing market?
Area Median Income

**Useful**
- Broad understanding
- Though very few understand the methodology, they've come to accept it
- Federal standard, must respond to regulations

**Problematic**
- Broadly assumes a standard family size and number of income earners, which does not reflect household diversity in our region
- Longtime resident confusion
- Inflation in the broader regional economy does not directly correspond to changes in low-income residents’ earnings
Measures of Affordability

Worth Pursuing?

We can set a standard of affordability that translates to Area Median Income, but does not solely rely on it

<table>
<thead>
<tr>
<th>Household Size</th>
<th>Annual Income Limit</th>
<th>Household Size (MIT Living Wage Definition)</th>
<th>Living Wage</th>
<th>Living Wage Without Housing Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$22,050</td>
<td>1 (Adult)</td>
<td>$37,480</td>
<td>$25,820</td>
</tr>
<tr>
<td>2</td>
<td>$25,200</td>
<td>2 (Adult &amp; Child)</td>
<td>$74,000</td>
<td>$57,017</td>
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<tr>
<td>3</td>
<td>$28,350</td>
<td>3 (2 Adults 1 Child)</td>
<td>$69,140</td>
<td>$52,157</td>
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<tr>
<td>4</td>
<td>$31,450</td>
<td>4 (2 Adults 2 Child)</td>
<td>$80,800</td>
<td>$63,817</td>
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<tr>
<td>5</td>
<td>$34,000</td>
<td>5 (2 Adults 3 Child)</td>
<td>$92,020</td>
<td>$68,155</td>
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Source: 2021 HUD Income Limits, 2021 MIT Living Wage Calculator
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