



# Closing gaps:

Residential Development and Deeply Affordable Housing



October 2022 [metro council.org](https://metro council.org)





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# Datasets co-created with local governments

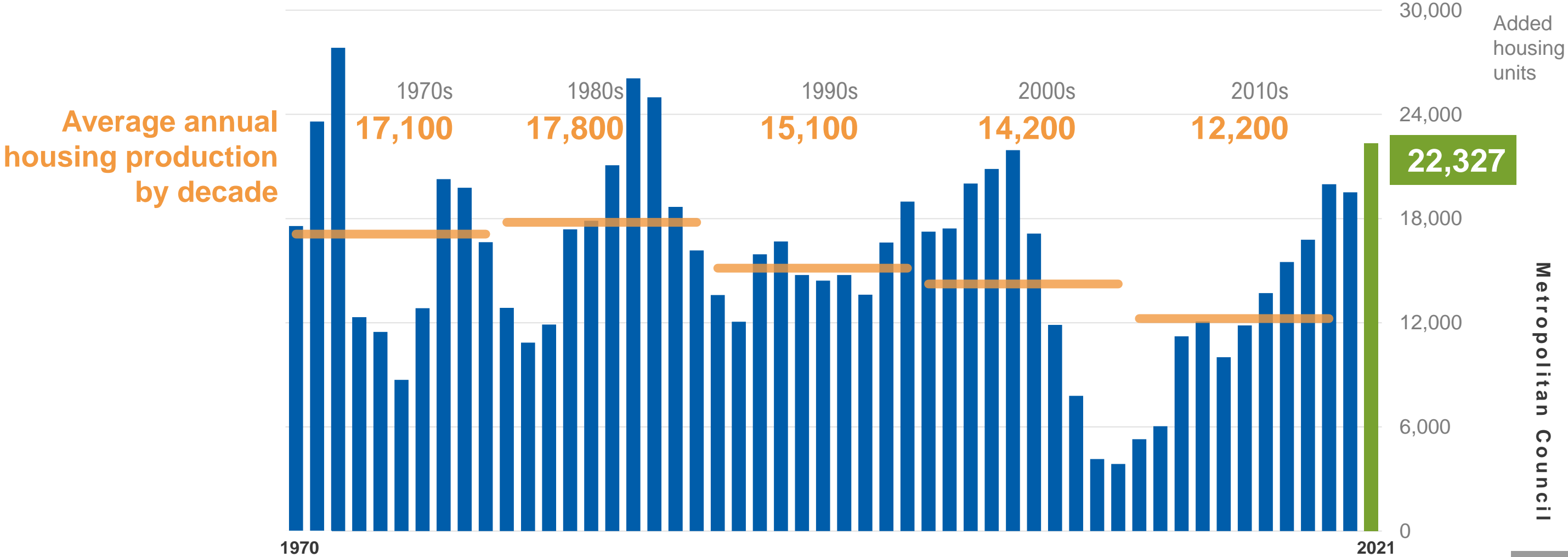


## Surveys enhance accuracy & detail

- 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

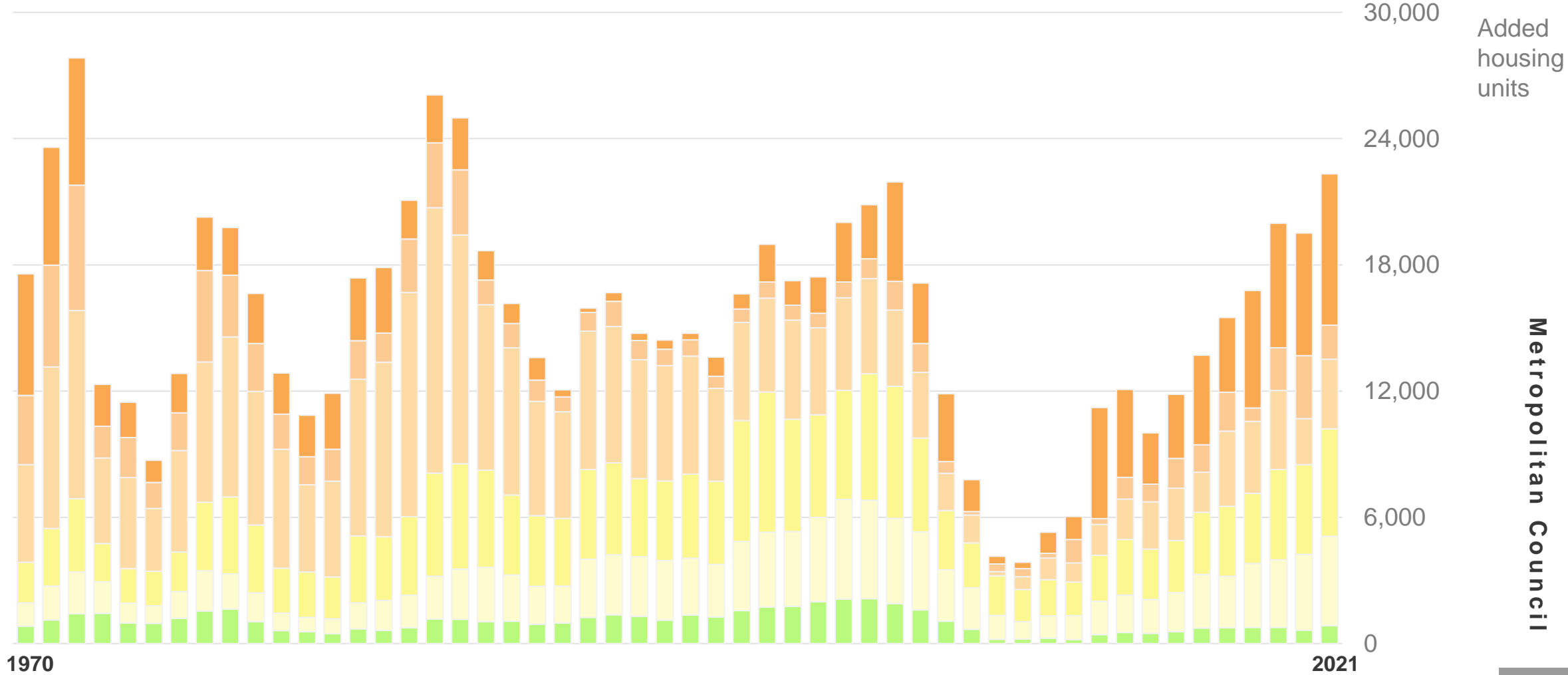
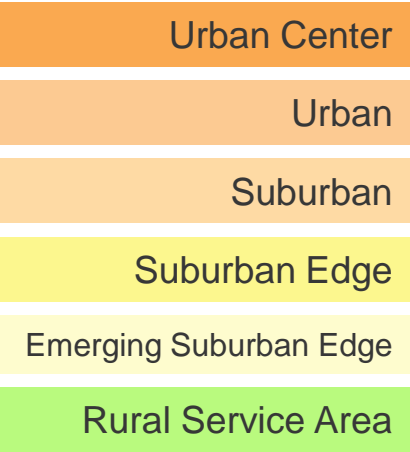
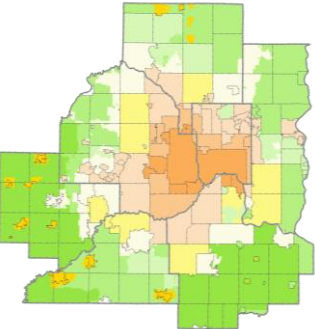


Source: Metropolitan Council's Annual Building Permit Survey.

# Development trends: Where?

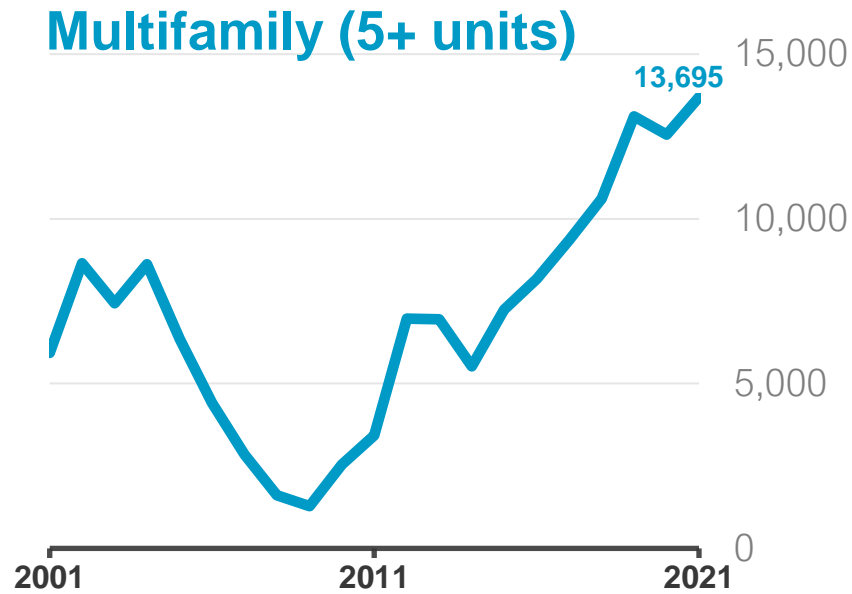
## Development is more geographically balanced since 2011

Thrive MSP 2040  
Community  
Designations

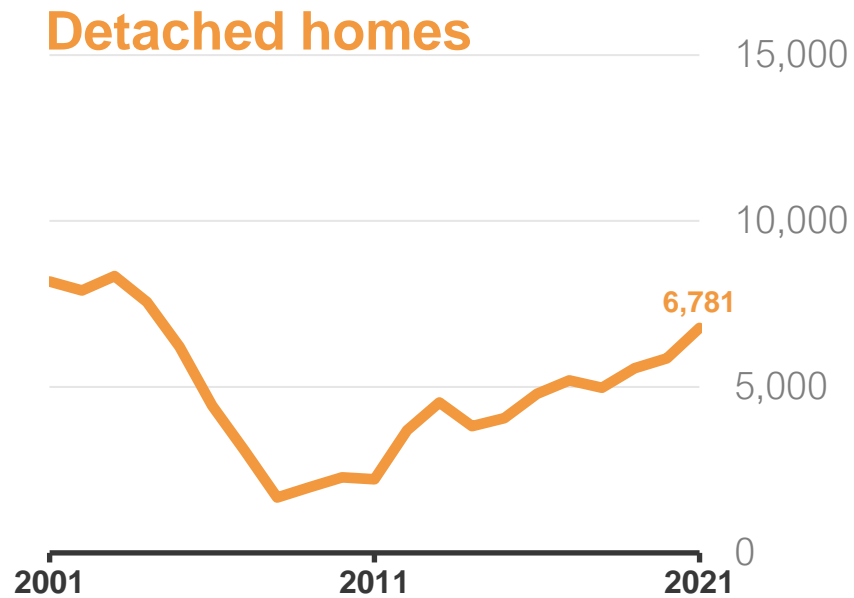


Source: Metropolitan Council's Annual Building Permit Survey.

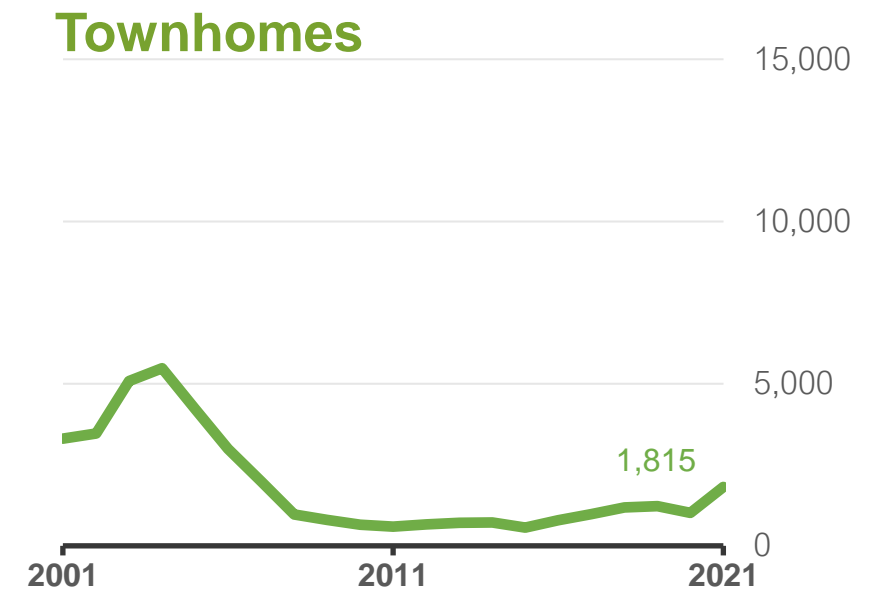
# Development trend: Housing types



- 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.



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



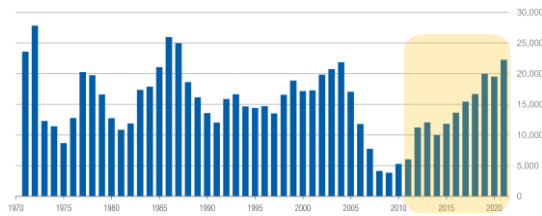
- Townhome development fell significantly during recession and has yet to fully bounce back, though numbers and shares are up as of 2019.
- 2021's total (1,815 townhomes) was highest since 2007.

Source: Metropolitan Council's Annual Building Permit Survey. (Net gain of residential units by type; 2021 labeled.)

# Affordable Housing Production - Overall

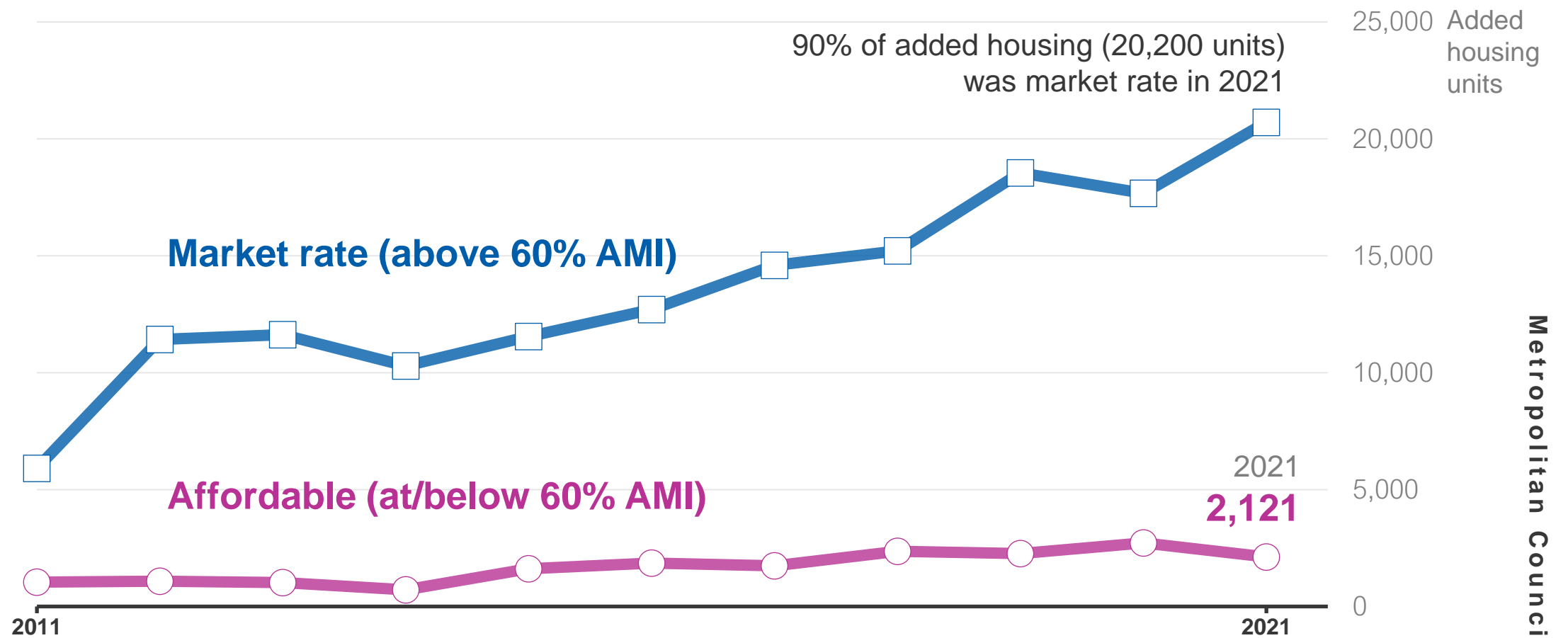
## About one in ten new housing units added in 2021 were affordable

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.

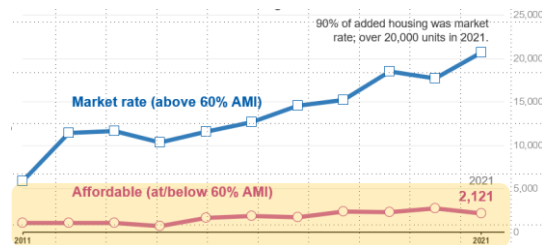




# Affordable Housing Production - Depth

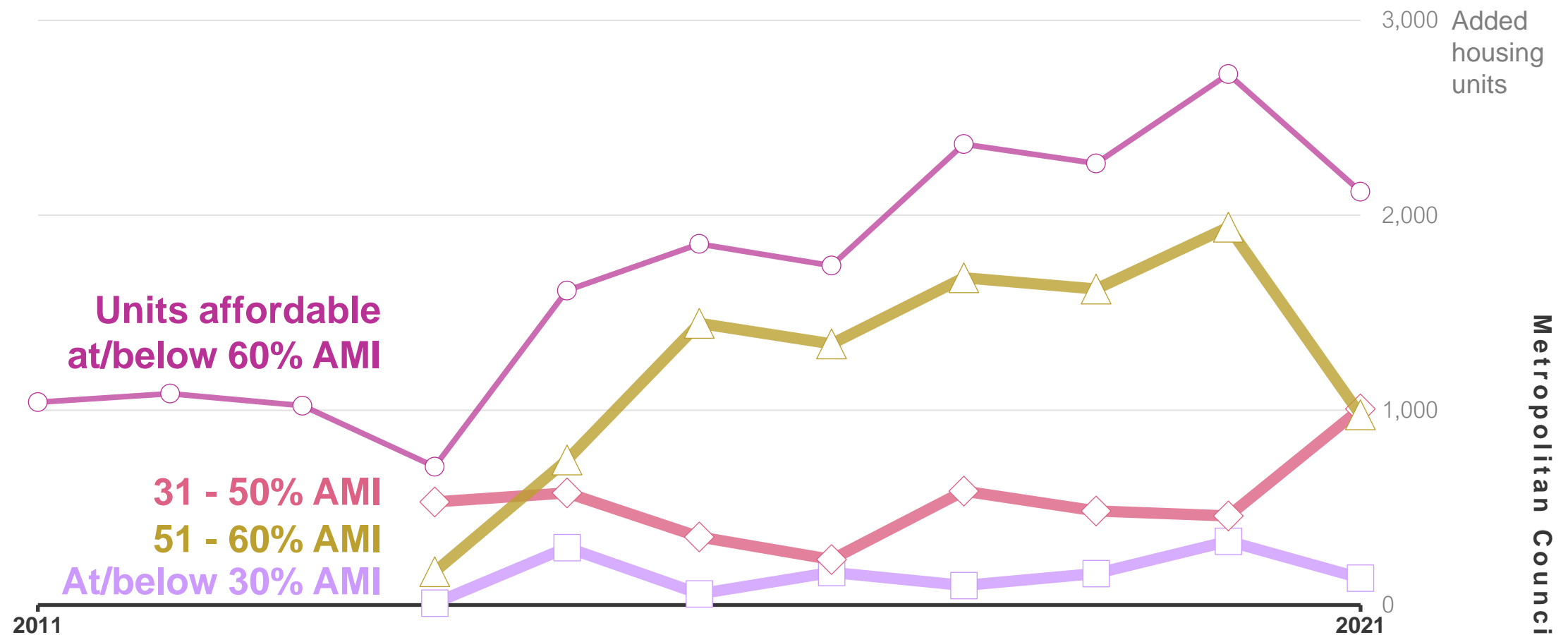
## Recent, notable gain in new housing affordable at or below 50% AMI

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:

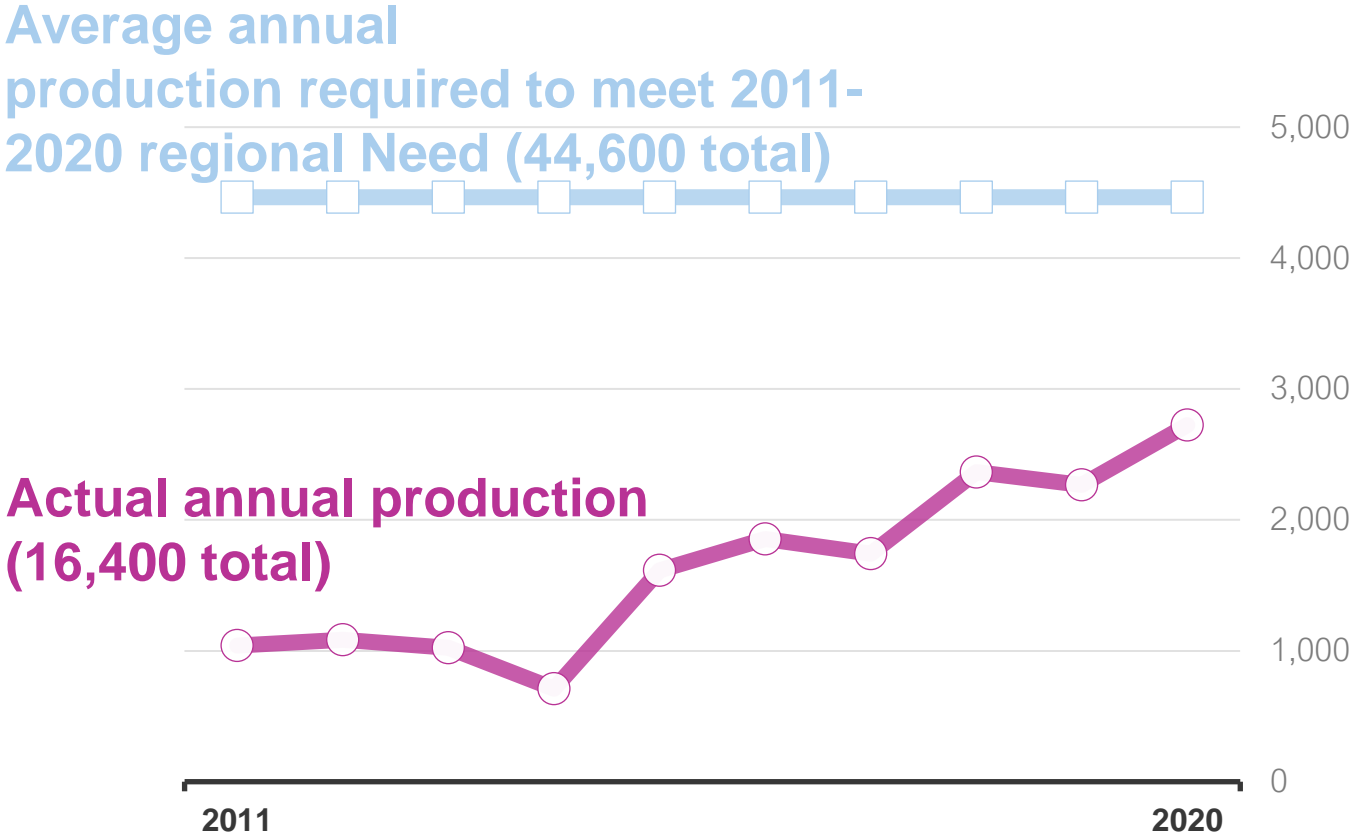
- 30% AMI at \$31,450
- 50% AMI at \$52,450
- 60% AMI at \$62,940



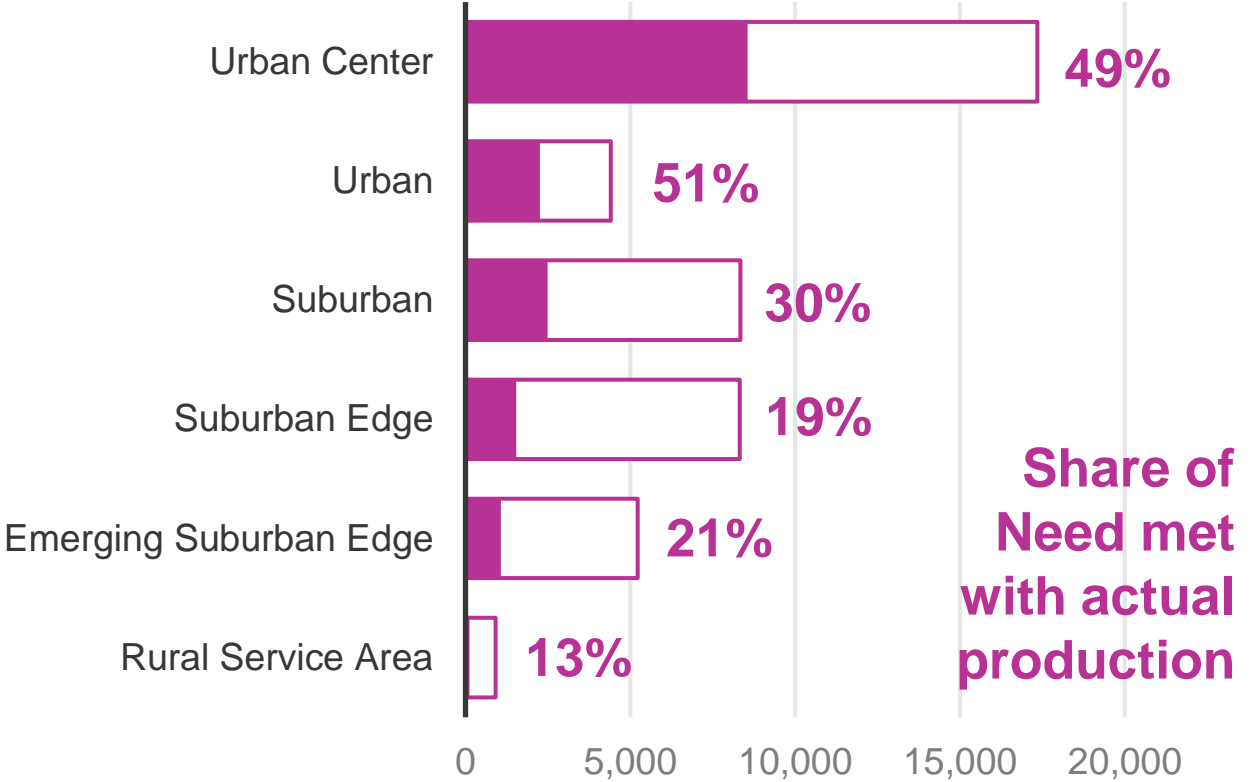


# Need for affordable housing unmet 2011-2020

The region met 37% of forecasted 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)

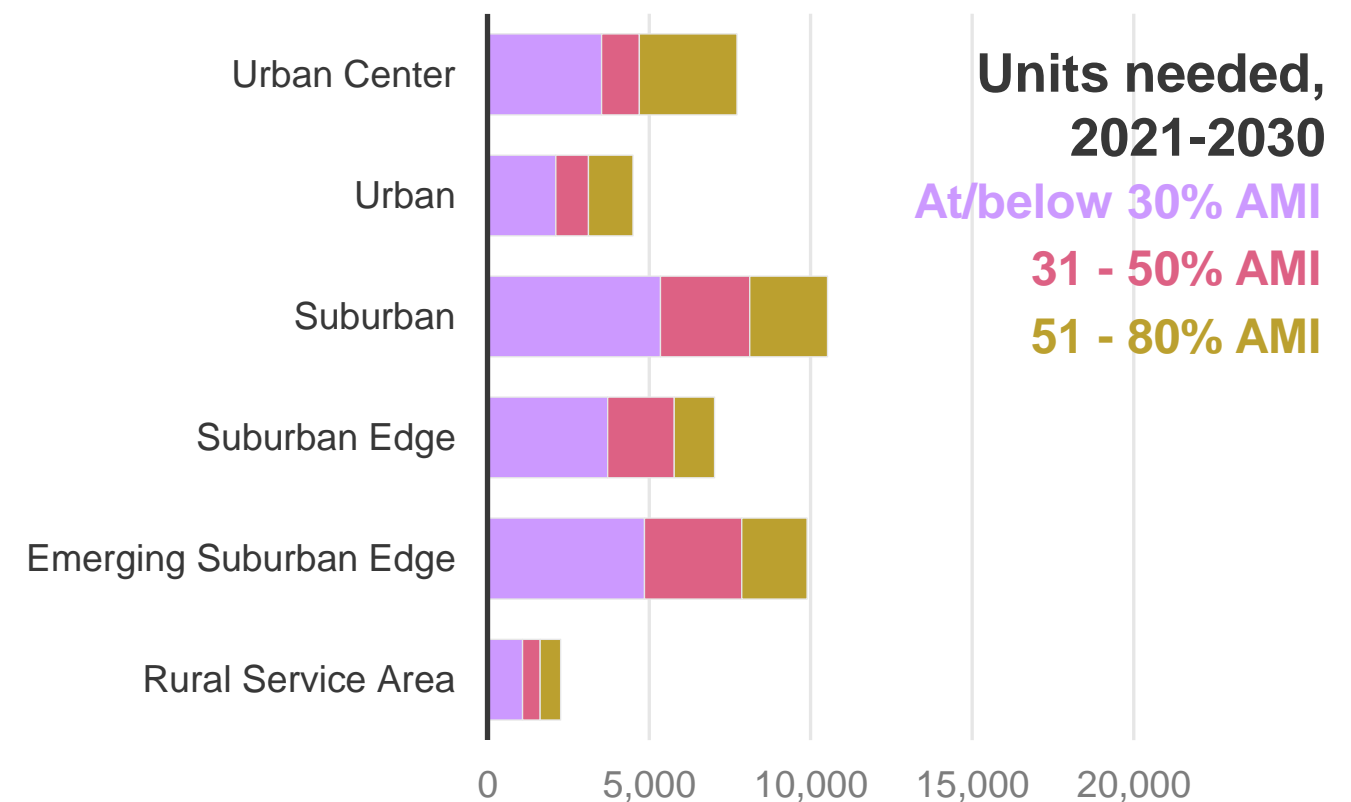
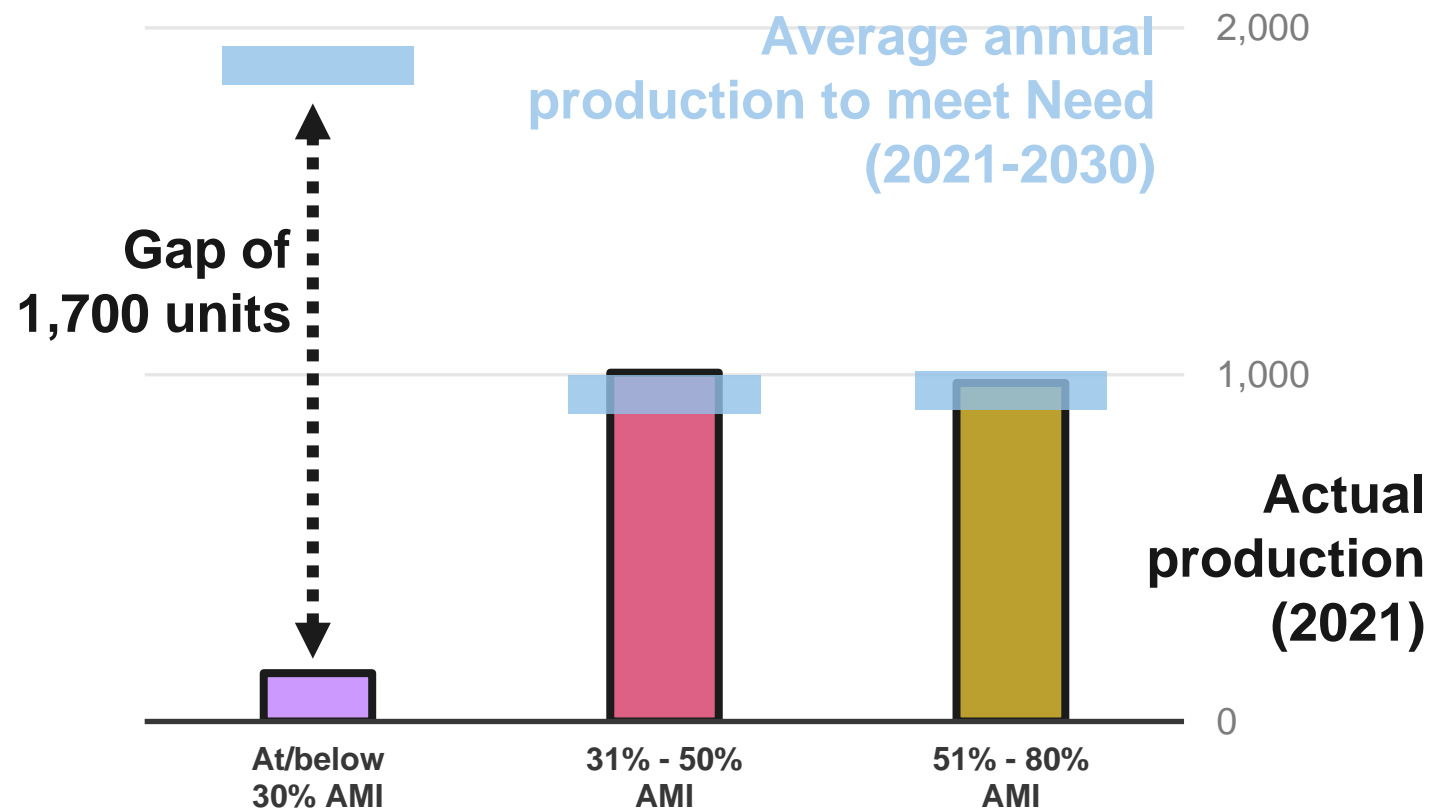


Source: Metropolitan Council's Annual Building Permit Survey & Allocation of Affordable Housing Need (2011-2020).

# Affordable housing need in 2021-2030

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

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



Source: Metropolitan Council's Annual Building Permit Survey & Allocation of Affordable Housing Need (2021-2030).

# Deeply Affordable Housing (30% AMI)





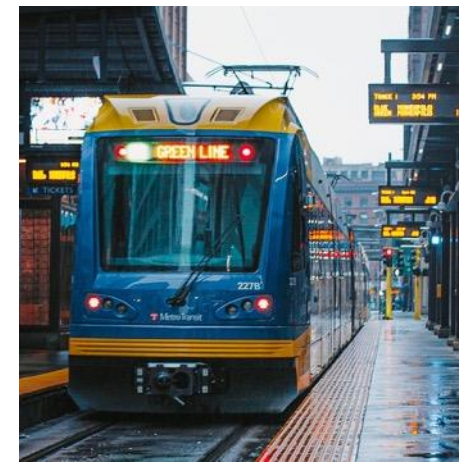
# Why is Deeply Affordable Housing (30% AMI) Important?

## 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)

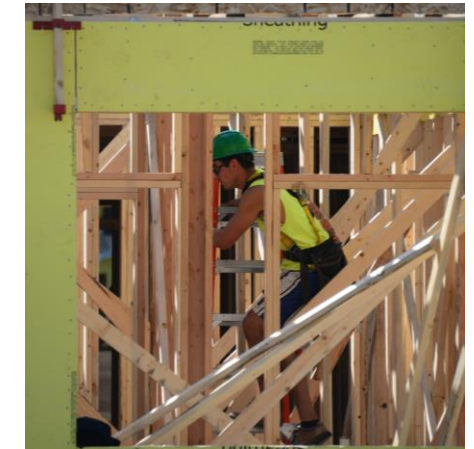




# Affordable Housing Landscape

## 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





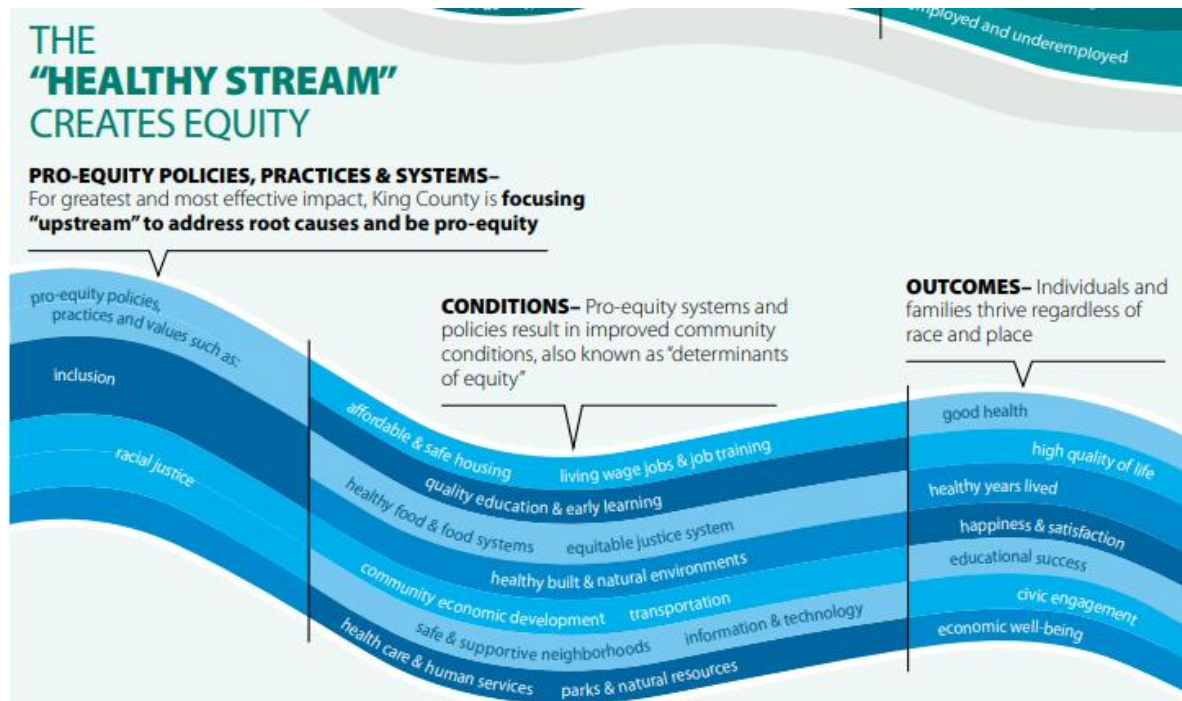
# Further Deeply Affordable Research



## 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

We set the standard regionally



## 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

Household Size	Annual Income Limit	Household Size (MIT Living Wage Definition)	Living Wage	Living Wage Without Housing Costs
1	\$22,050	1 (Adult)	\$37,480	\$25,820
2	\$25,200	2 (Adult & Child)	\$74,000	\$57,017
3	\$28,350	3 (2 Adults 1 Child)	\$69,140	\$52,157
4	\$31,450	4 (2 Adults 2 Child)	\$80,800	\$63,817
5	\$34,000	5 (2 Adults 3 Child)	\$92,020	\$68,155

Source: 2021 HUD Income Limits, 2021 MIT Living Wage Calculator





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