



Affordable Housing

Production trends and opportunities



The numbers: Development and affordable production



Datasets developed with local governments

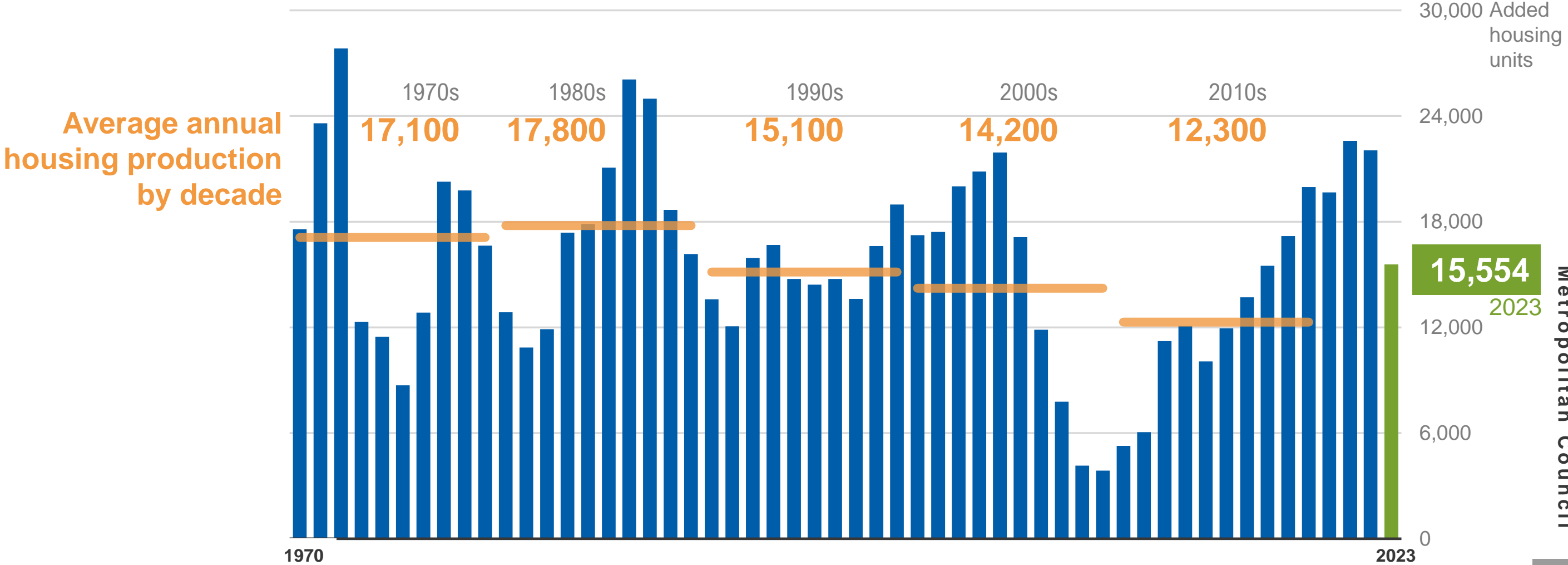


Surveys enhance accuracy & detail

- 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 data
 - Based on Building Permit Survey data
 - Records affordability for all units added
 - Also includes existing homes brought into community land trusts or Habitat for Humanity
- Both datasets widely used across the Met Council and region

Development trends: How much?

2023 housing production dropped considerably

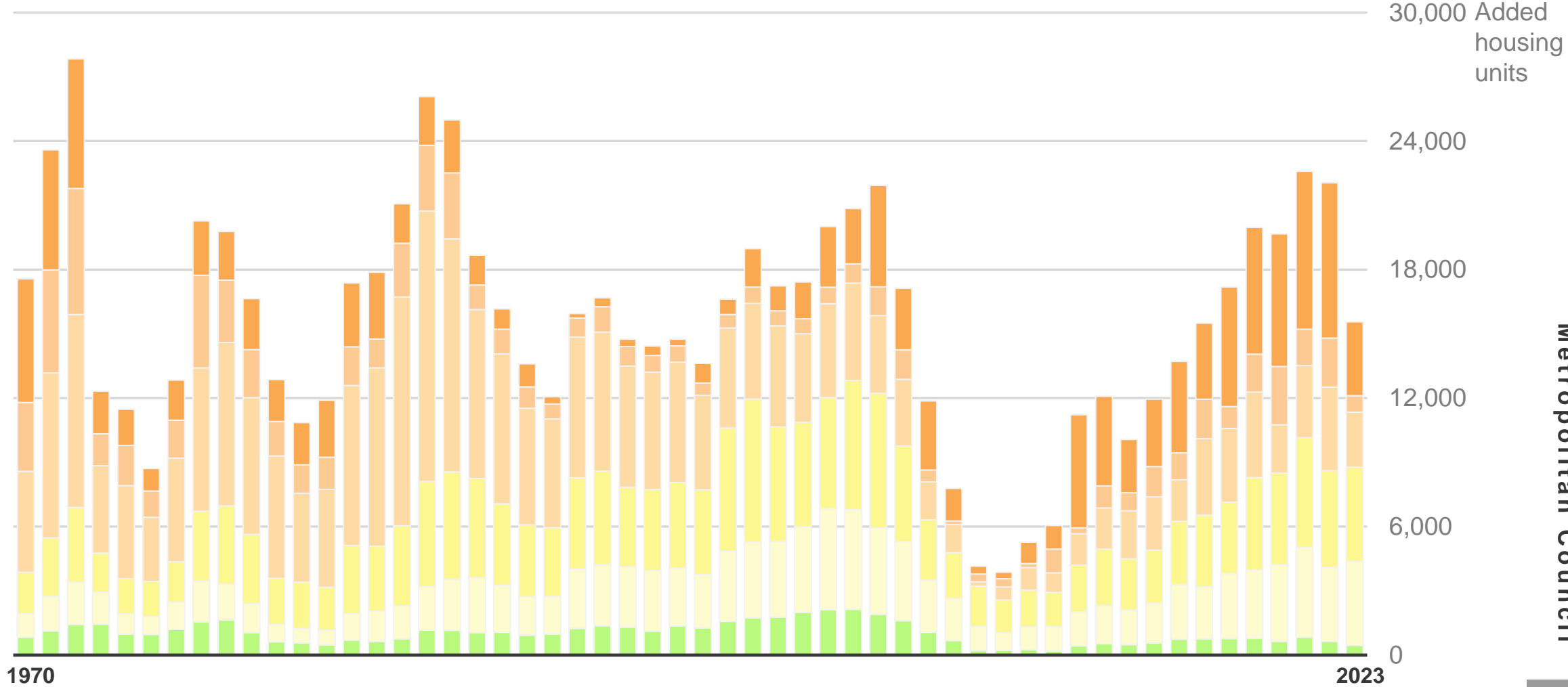
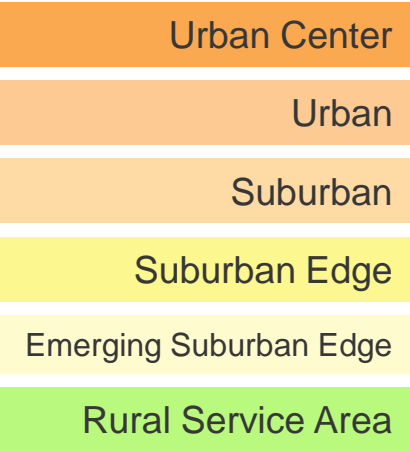
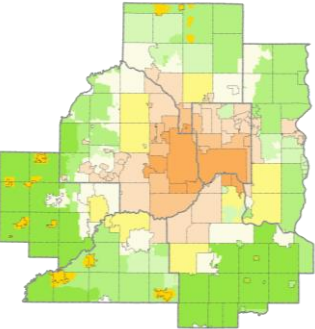


Source: Metropolitan Council's Annual Building Permit Survey.

Development trends: Where?

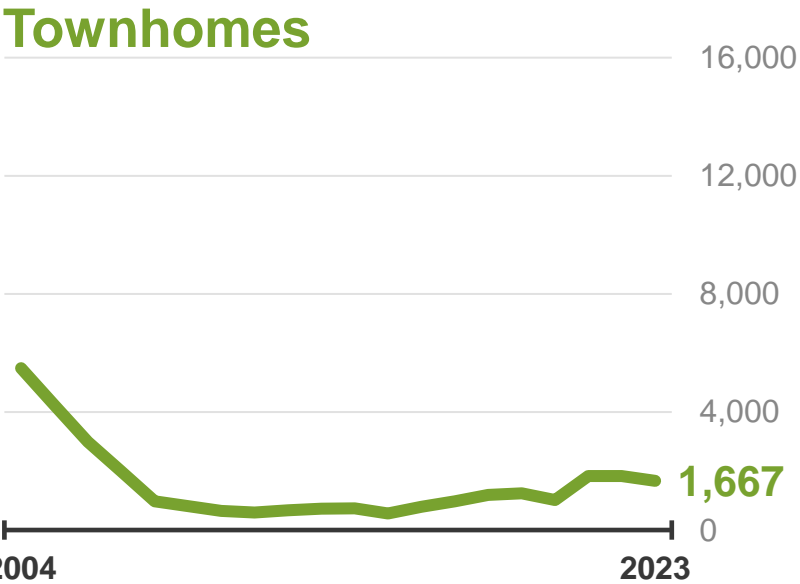
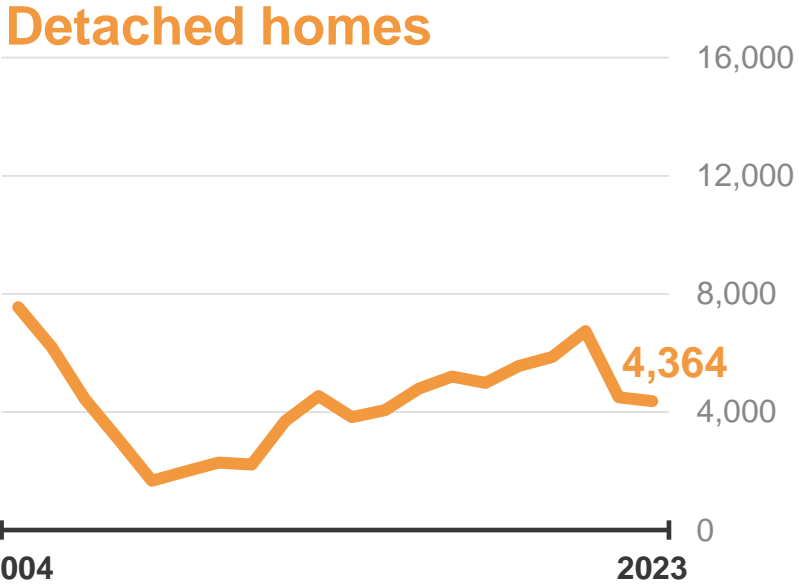
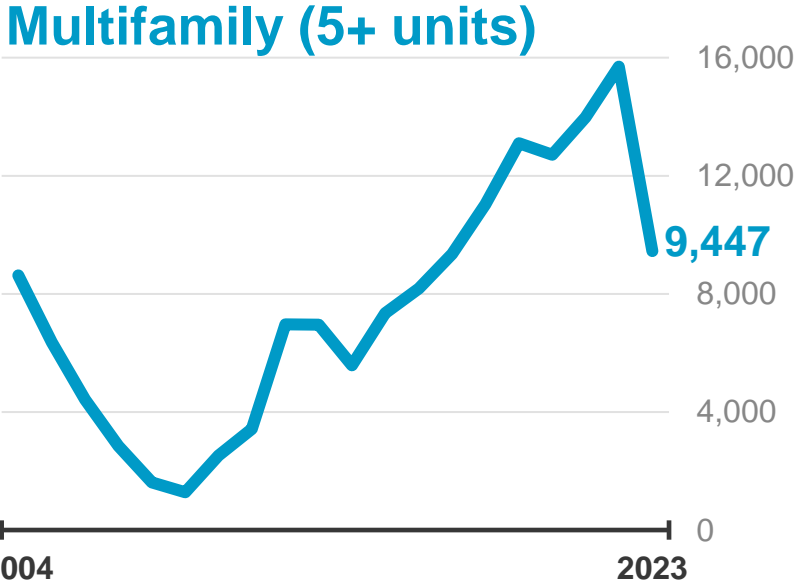
Dropoff concentrated in Urban Center, Urban, Suburban cities

Thrive MSP 2040
Community
Designations



Source: Metropolitan Council's Annual Building Permit Survey.

Development trends: Housing types



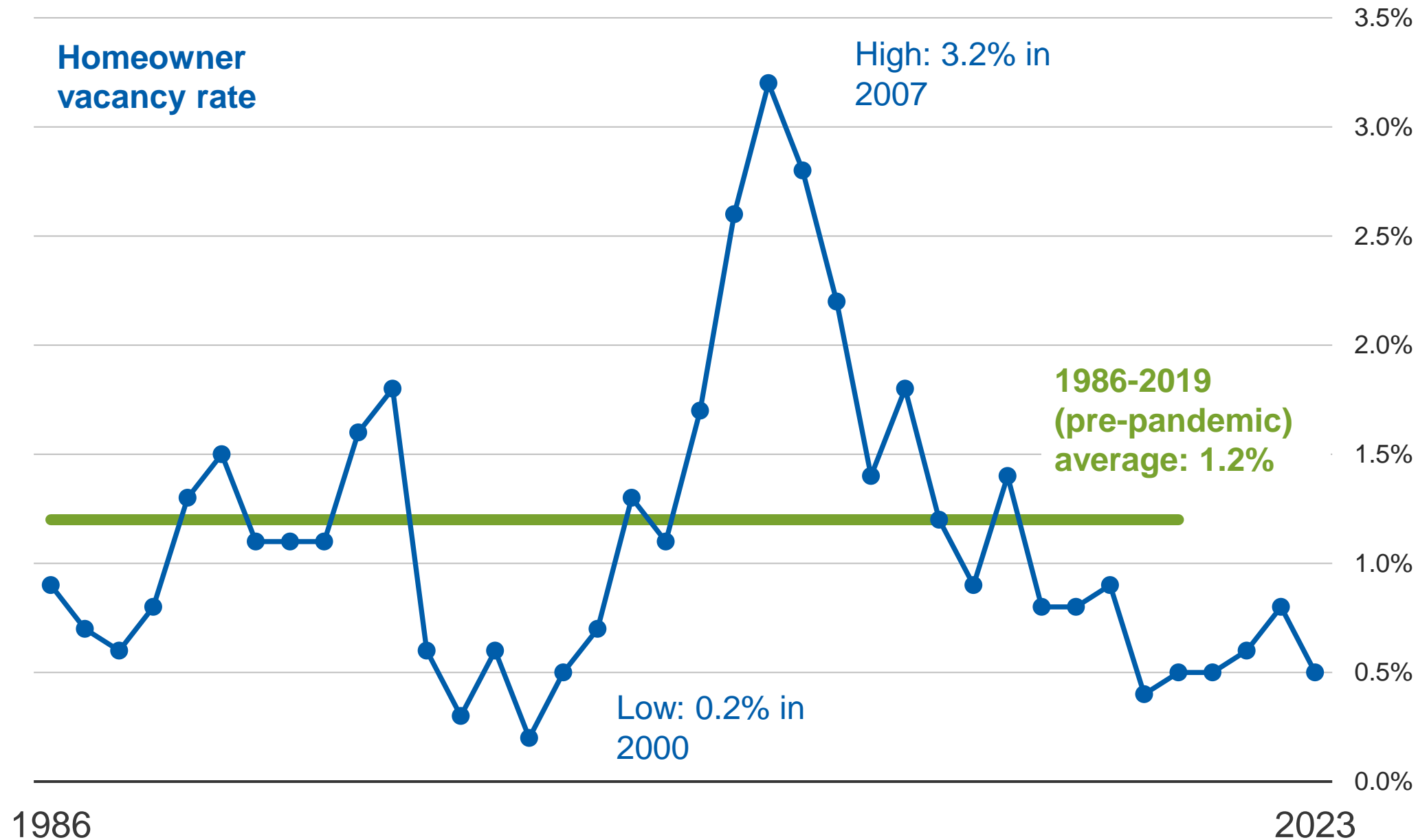
- Dropped by more than 6,000 units between 2022 and 2023, but still accounted for about 60% of all residential development in 2023 (up from 37% before 2010).
- More multifamily outside of urban areas in past 5 years.

- 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
- But townhomes accounted for more than 10% of development in 2023 for the first time since 2010.

Source: Metropolitan Council’s Annual Building Permit Survey. (Net gain of residential units by type; 2023 labeled.)

Also: Shortage of available ownership opportunities



Source: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey, Annual Homeowner Vacancy Rates, 1986-2023.

The homeowner vacancy rate is the number of vacant units for sale as a share of owner-occupied units, vacant units for sale, and units that have recently been sold but are not yet occupied. Seasonal/recreational properties are not included.

What about 2024?

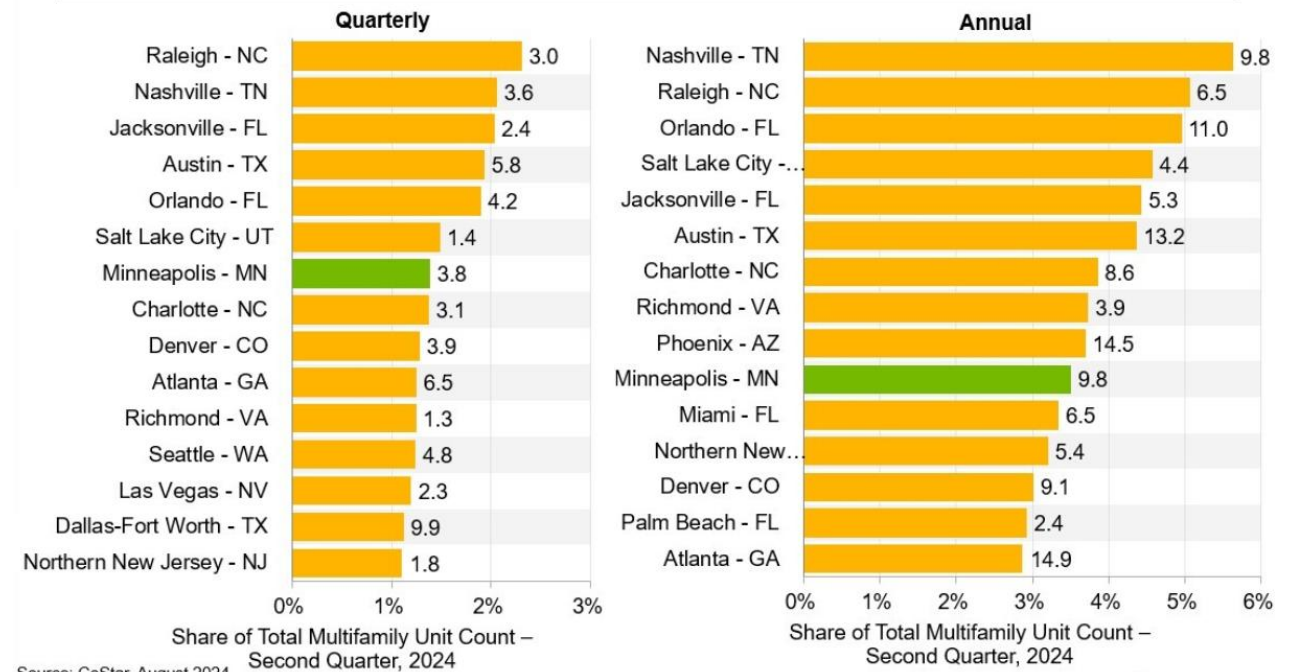
Industry data suggests these trends will continue

- Total year-to-date permitted units are down 28% from 2023 (industry data)
- Increase in single-family permits, but more than offset by decline in multifamily units
- Multifamily units less than 25% of permitted units so far in 2024 -- BUT:
 - Thousands of units still under construction
 - Demand remains among the highest in the country (though more so in suburbs)



Minneapolis Leads All Major Midwest Markets for Multifamily Demand

Strongest Multifamily Absorption Rates Among Major US Markets



Source: CoStar, August 2024

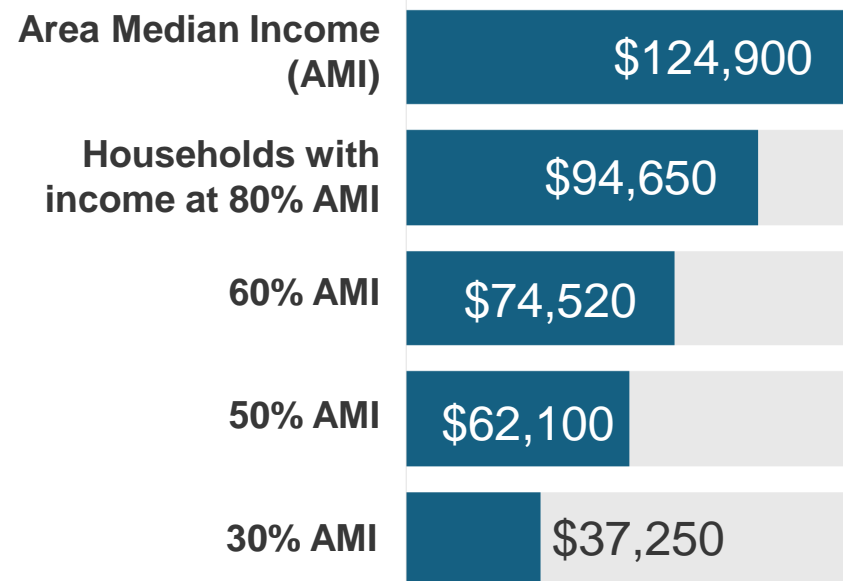
Note: The chart shows the top 15 markets for quarterly and annual absorption as a share of total multifamily unit count among the 52 apartment markets nationally with at least 75,000 units of inventory, as of the end of the second quarter. Labels show net absorption in thousand units.



Affordable Housing: What is AMI?

Area Median Income

- Income levels used to determine program eligibility and housing affordability
- Determined by HUD based on incomes for 15-county MSP metro
- Numbers for a family of four:



2024 Affordability Limits

Rent for 2-bedroom unit affordable at 60% AMI:

\$1,676

Rent for 1-bedroom unit affordable at 30% AMI:

\$699

Purchase price of single-family home affordable at 80% AMI

\$304,700

Regional Context

\$1,687

Median rent for 2-bedroom unit

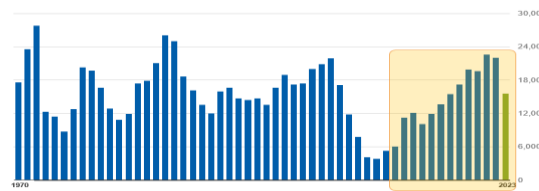
80%

of households at or below 30% AMI experience housing cost burden (housing costs are at least 30% of income)

Affordable Housing Production - Overall

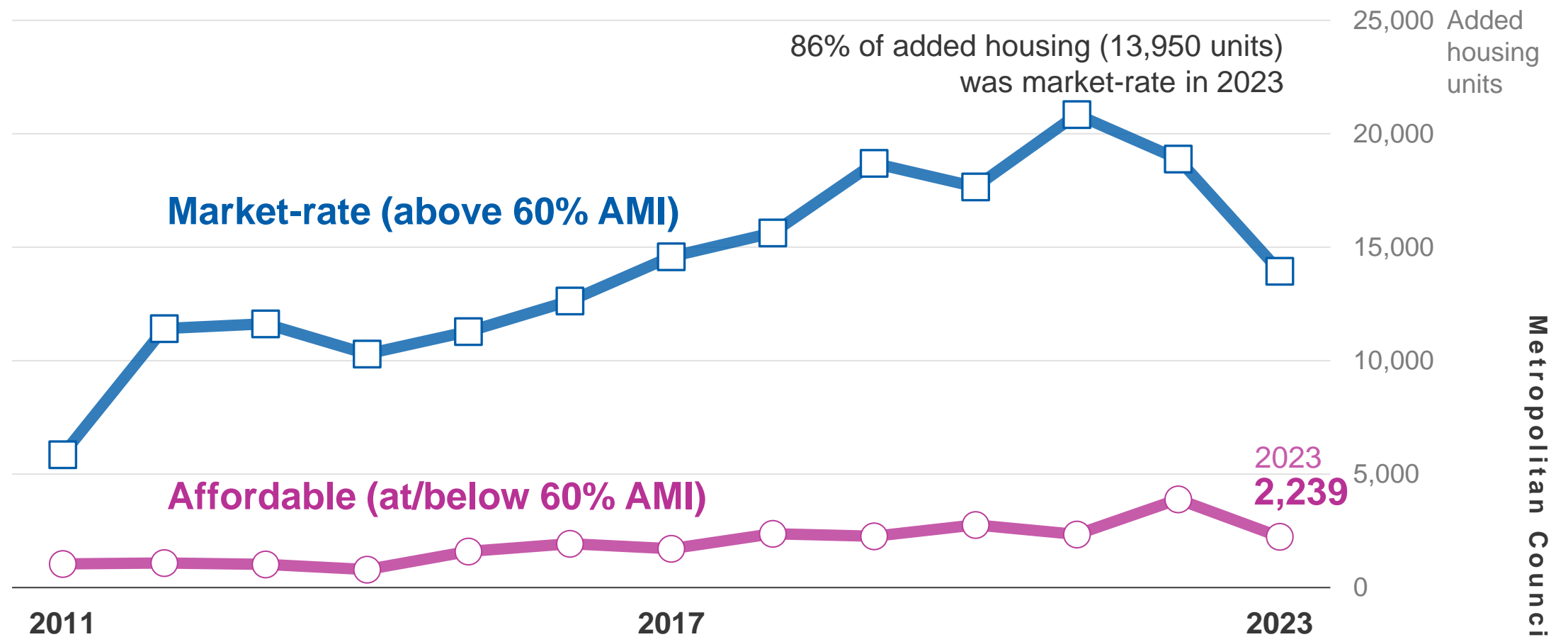
About one in seven new housing units added in 2023 were affordable

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.

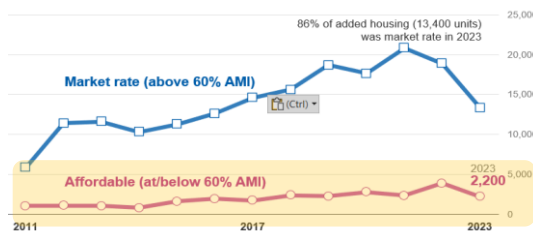
In 2024, AMI was \$124,900 for a household of four; 60% of AMI was \$74,520.



Affordable Housing Production - Depth

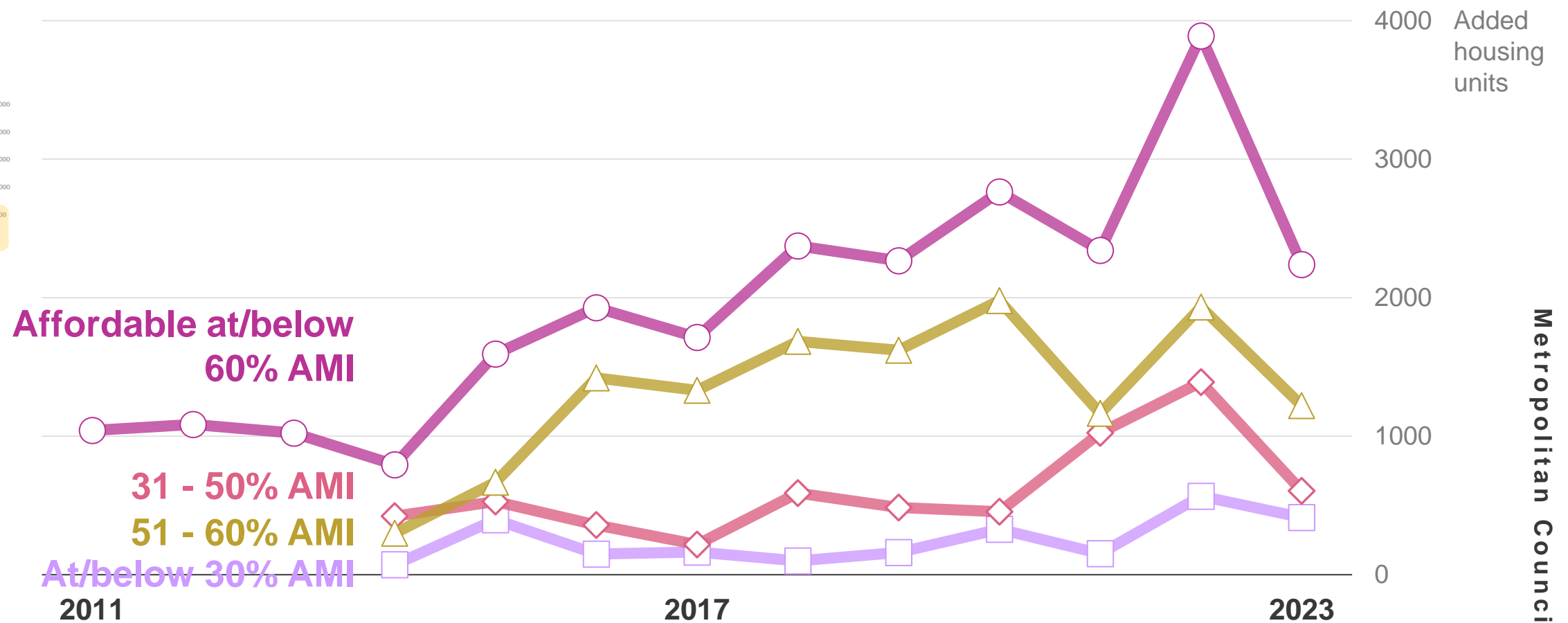
Decline in affordable production, but less so for deeply affordable units

Disaggregating added affordable units by depth of affordability



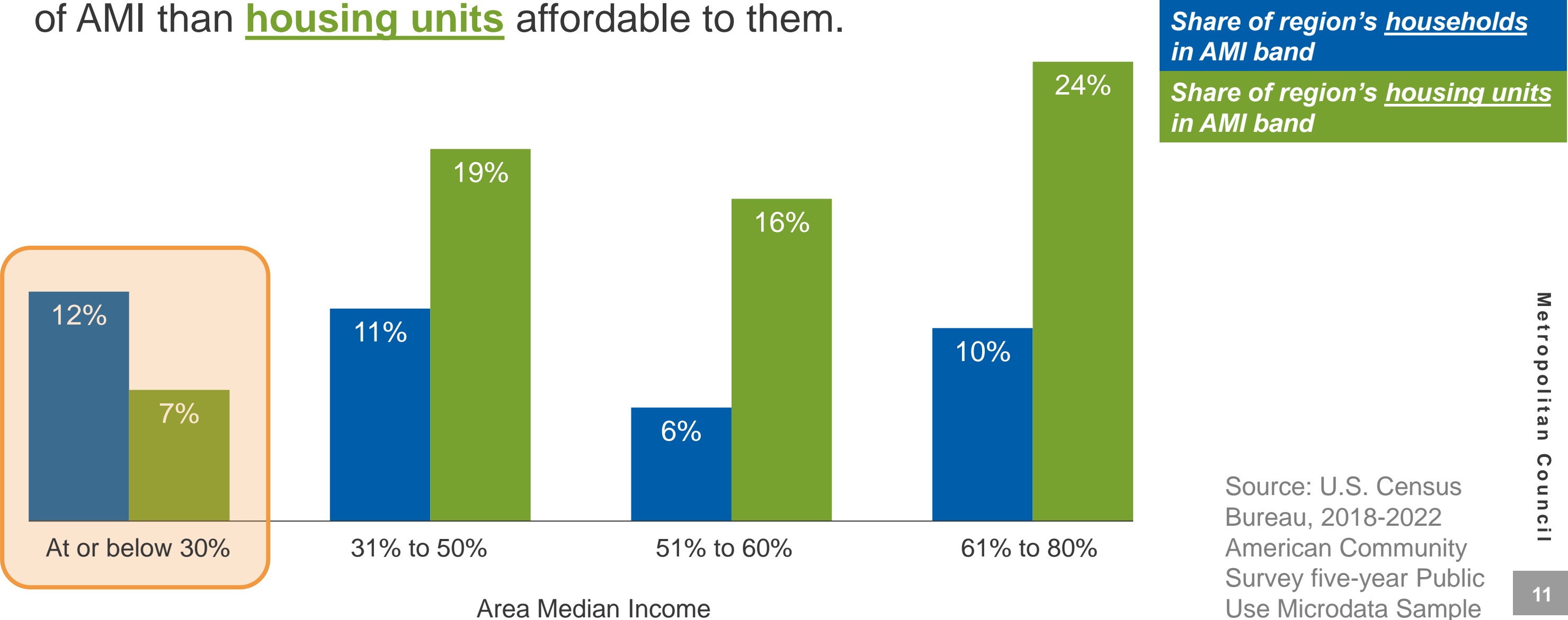
The Area Median Income (AMI) for the 15-county metro area was \$124,900 for a household of four in 2023. Other four-person AMI levels:

- 30% AMI at \$37,250
- 50% AMI at \$62,100
- 60% AMI at \$74,520



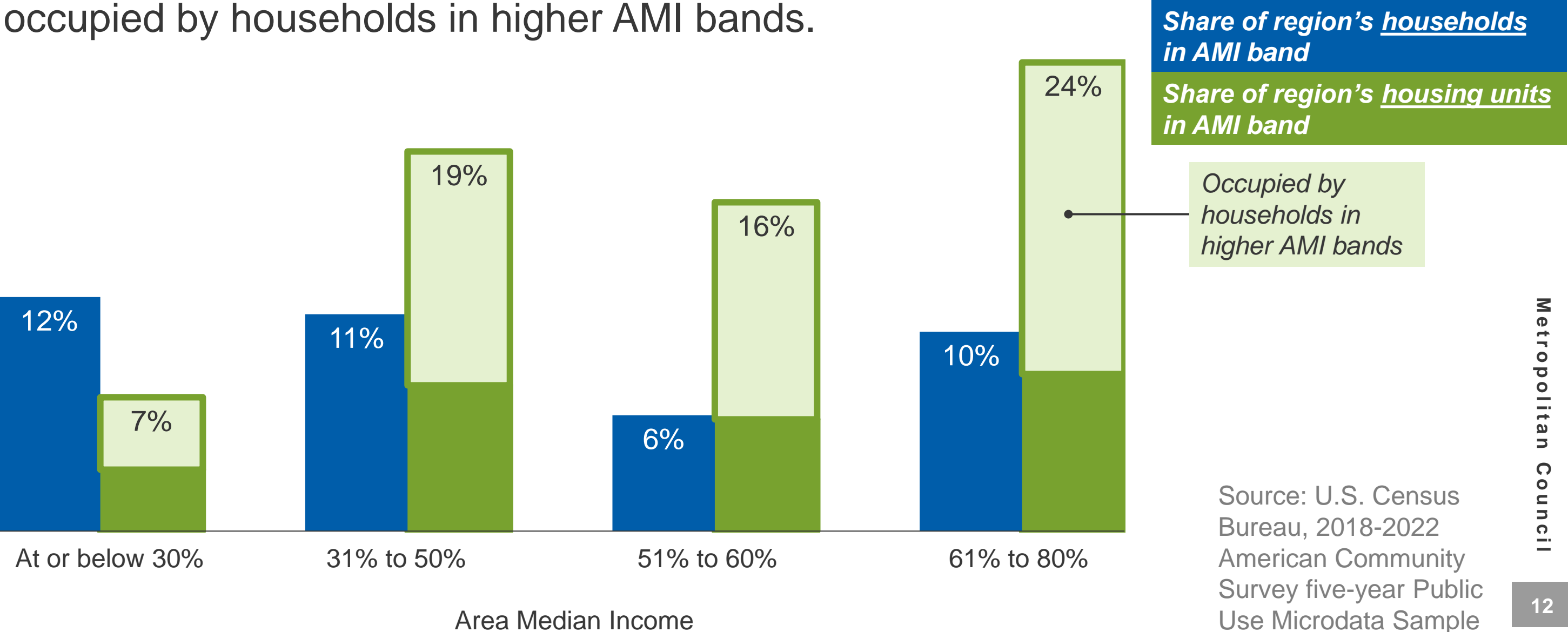
Current deficit of deeply affordable housing

The region has more **households** at or below 30% of AMI than **housing units** affordable to them.



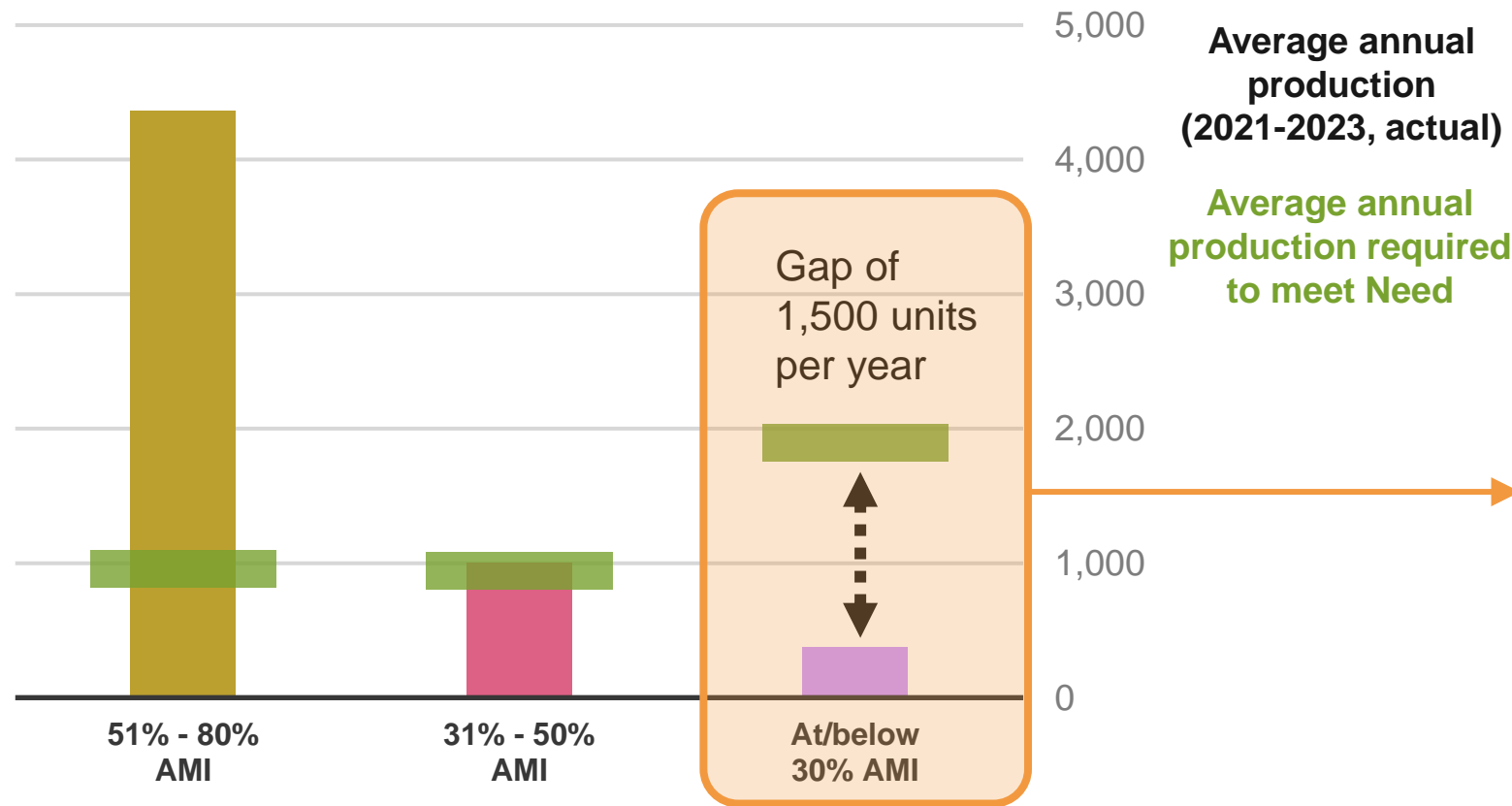
Current deficit of deeply affordable housing

And many of those deeply affordable units are occupied by households in higher AMI bands.

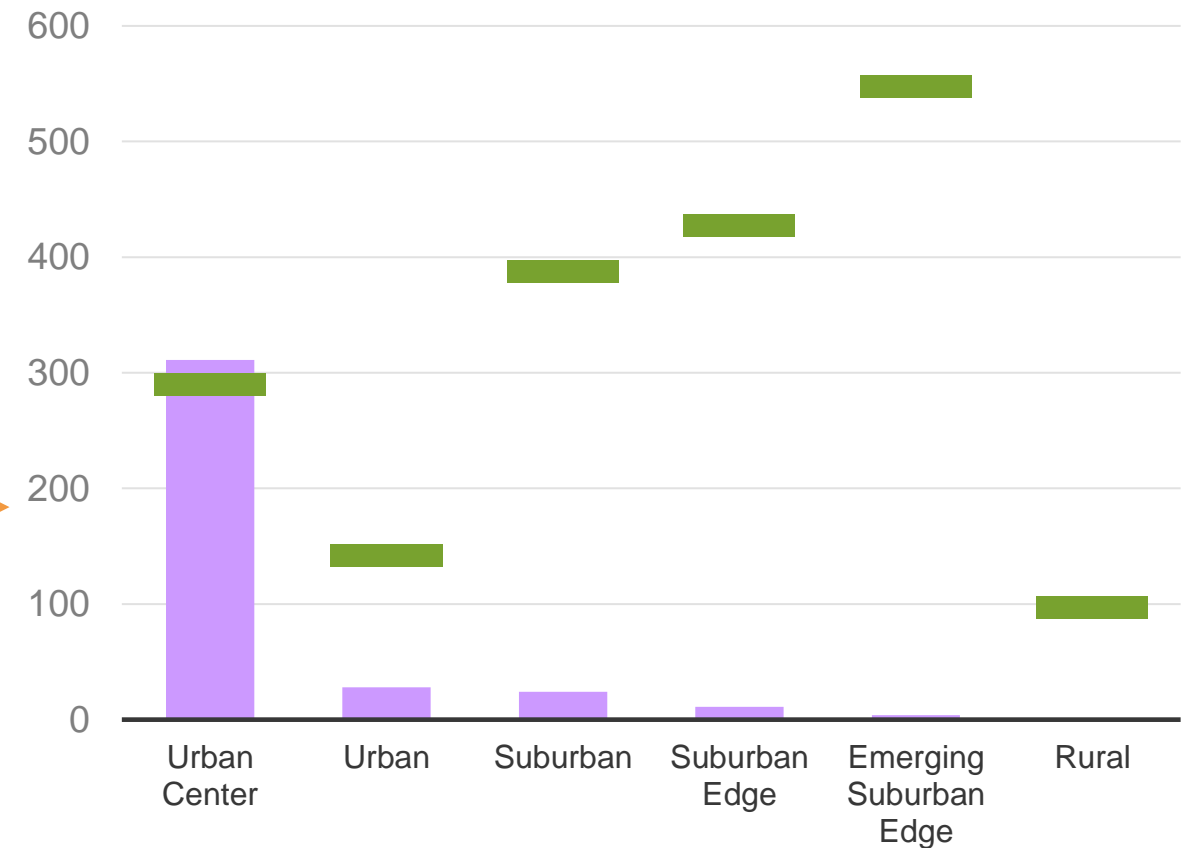


Affordable Housing Need in 2021-2030: Deficit of deeply affordable production

2021-2023: On track to meet Need, except for deeply affordable units



The gap in deeply affordable production is quite large in suburban and edge cities



Key Policy Takeaways

More affordable housing units

- Production of 51-80% AMI units has met the total Need for 2021-2030
- On track for meeting the 31-50% AMI Need for 2021-2030
- Production of deeply affordable housing units remained higher than previous years

Large deficits in 30% AMI and ownership

- Large deficits in current deeply affordable housing stock and production to meet 2021-2030 Need for 30% AMI units, especially in Suburban and Edge cities/townships
- Ownership options are not meeting demand

Production Gap: Deeply affordable housing



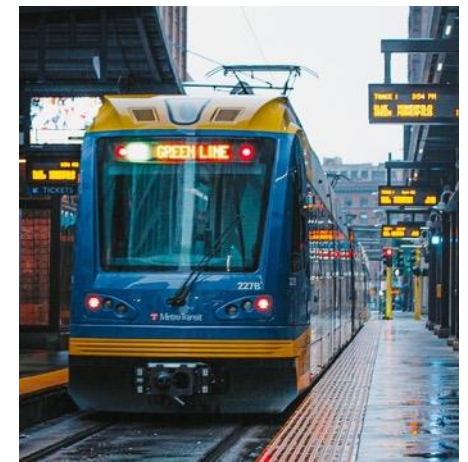
Why is Deeply Affordable Housing (30% AMI) Important?

Who is served?

- People working full-time jobs
 - 30% AMI = \$37,250
 - Minimum wage = \$22,027 (\$10.59/hour)
 - Minimum wage = \$31,200 (\$15.00/hour)
- Single-parent households (32.4% of single parent households are 30% AMI or less)
- People with disabilities
- Seniors
- People experiencing housing instability

Challenges they face

- Minimum and low wages have not kept pace with inflation
- Greatest housing cost burden
- Childcare is expensive
- Federal policy keeps people with disabilities who are unable to work in poverty
- Limited availability to work; seniors, enrolled in school, single-adult caregivers to children and people with disabilities



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:

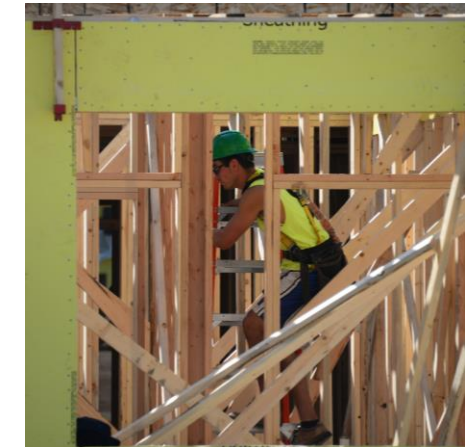
- Not tied to unit:
 - Housing Support (Minnesota DHS)
 - Housing Choice Vouchers
 - American Rescue Plan Act
- Tied to Unit
 - Project Based Vouchers
 - County/Service Provider Set Asides (HOME/CDBG)



Affordable Housing Landscape

Realities we can't solve, but we can adapt to

- 30% AMI unit rents do not cover capital or operations costs
- External Market Forces
 - Supply Chain
 - Interest Rates
- Inflation
 - Earned wages
 - Construction costs
 - Energy costs
 - Mortgage Rates
 - Insurance rates



How to Support Deeply Affordable Housing

What cities are saying:

“Anything the Council can do to incentivize or reduce costs for deeply affordable housing would be helpful.”

- “Funding and resources to produce very low income units (30%).” (*Suburban*)
- “Although LAHA will be helpful, the distribution amounts are not enough for the city to finance new construction or preservation projects without bonding allocations from MMB” (*Suburban Edge*)
- “New funding sources for units affordable at 30% AMI and below is essential.” (*Urban*)
- “Being more efficient with our staff's time and with our resources... sharing "best practices" from cities throughout Minnesota would be very helpful and beneficial to other cities.” (*Suburban*)
- “Additional funding is always key for advancing these projects. This can come in the forms of grants or loans.” (*Emerging Suburban Edge*)
- “A greater amount of funding for studies, predevelopment needs, and market analysis.” (*Suburban*)
- “Reaching renter households below 60% AMI is a significant challenge without additional tools and subsidy.” (*Suburban Edge*)

How to Support Deeply Affordable Housing



How The Council can help:

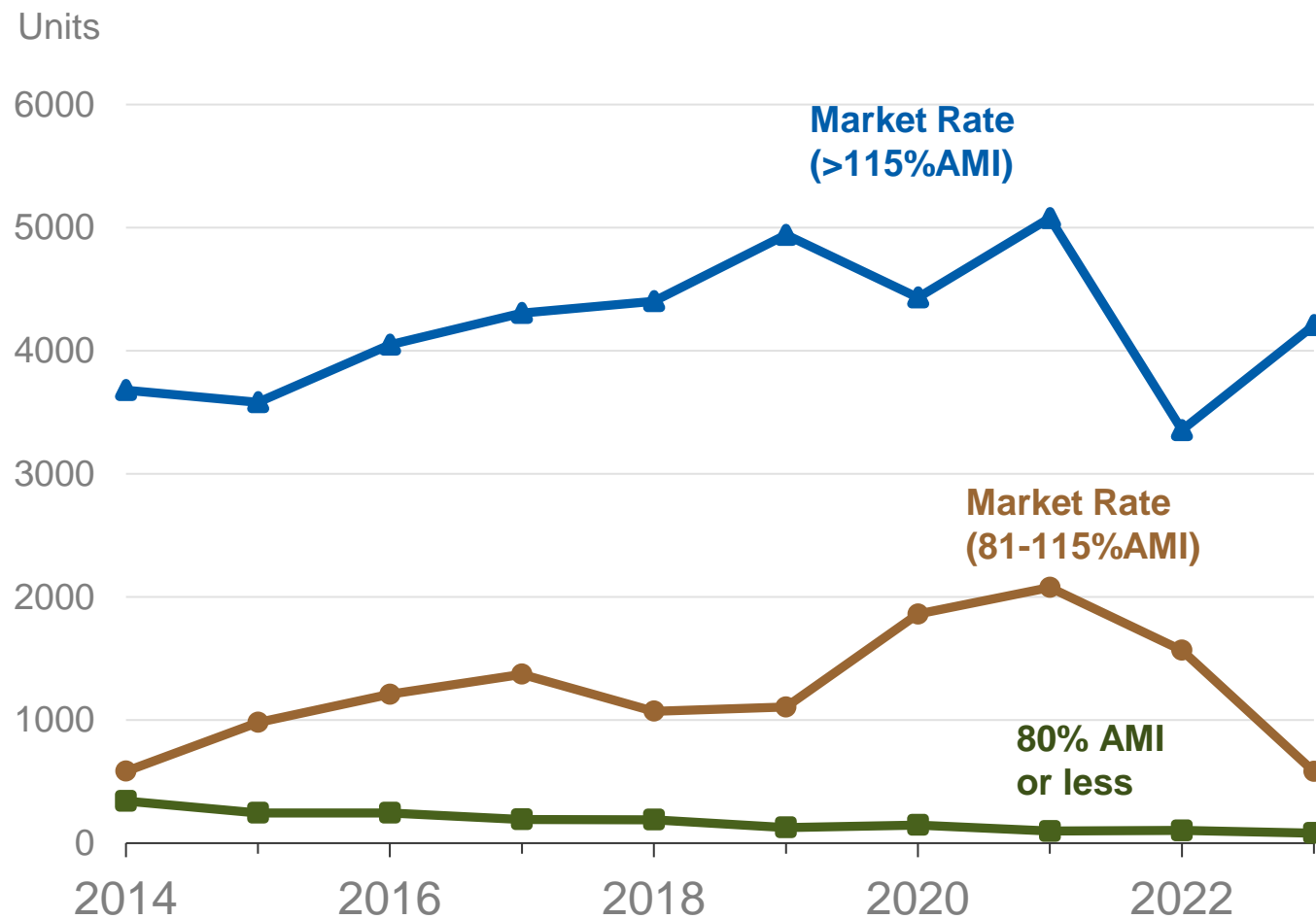
- Grants/Funding Opportunities
 - Continue to prioritize deeply affordable units in grant programs
 - Incorporate housing choice voucher payment standards into scoring to ensure voucher holders can access units
 - Find other funding opportunities to support development
- Continue to track rate of deeply affordable units
- Increased focus on preservation and stabilization
- Promote Inclusionary Development at the local level
- Technical assistance for policies and programs

Production Gap: Affordable homeownership

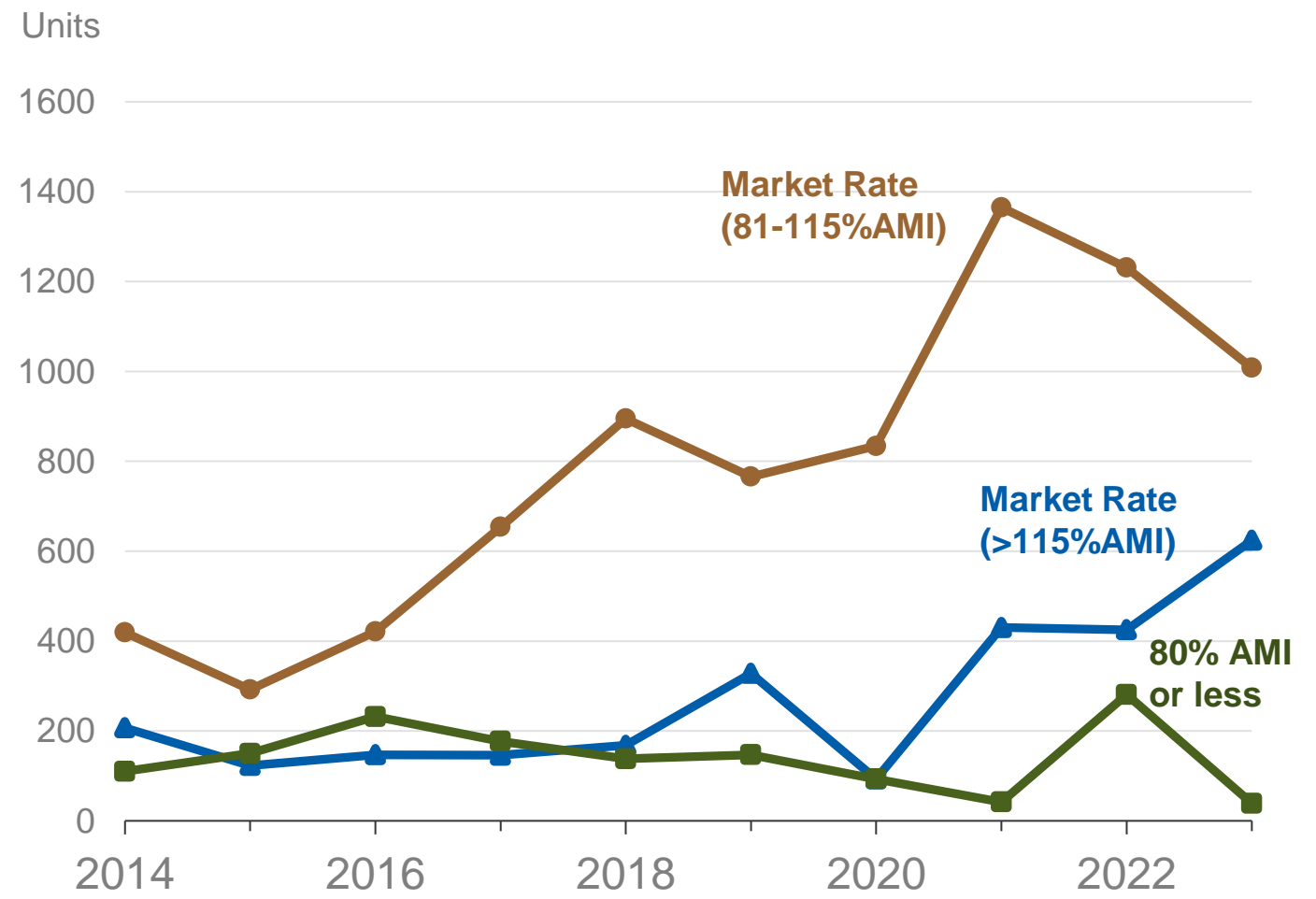


Affordable ownership production has decreased

Single Family Homes (detached)



Townhomes (attached)

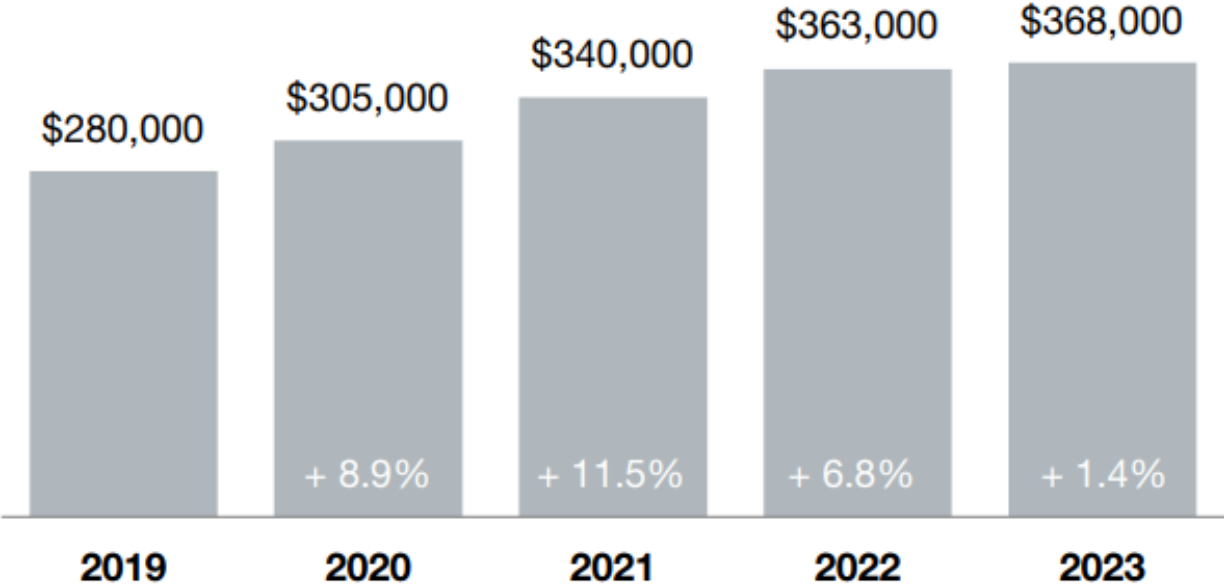


Metropolitan Council

Source: Metropolitan Council's Annual Building Permit Survey. Note the different axis scales.

Median sale prices for 2023

Median Sales Price



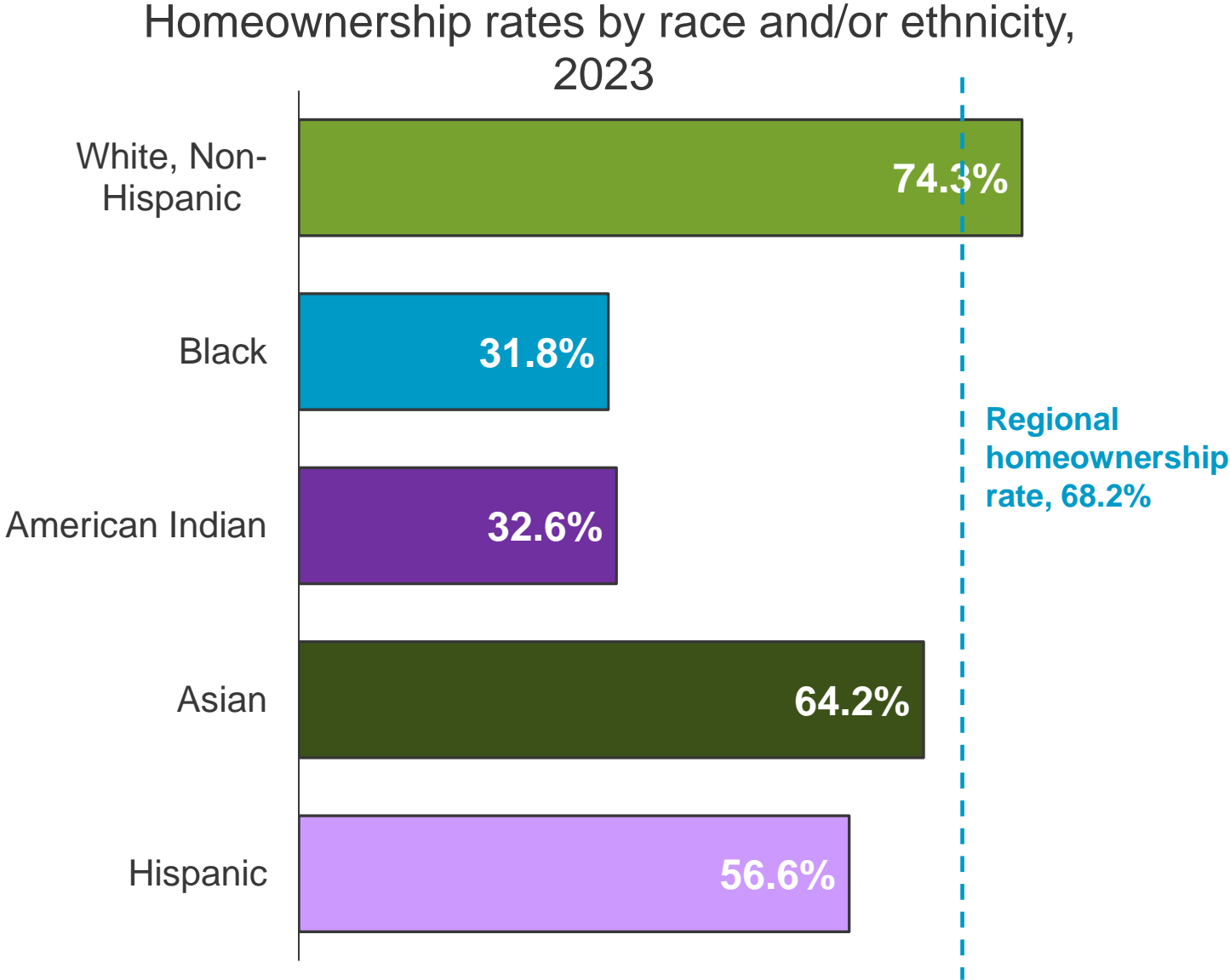
Purchase price of single-family home affordable at 80% AMI (\$94,650)

\$304,700

Property Type	Median Sales Price	Previously Owned	New Construction
Single-Family Detached	\$408,000	\$390,000	\$528,975
Townhomes	\$310,000	\$290,000	\$380,000

Source: NorthStarMLS, Minneapolis Area Realtors Annual Housing Market Report – Twin Cities Metro

Homeownership racial disparities



Lack of supply can deepen disparities in access to affordable ownership options

Source: U.S. Census Bureau, 2023 American Community Survey 1-Year Estimates

How to Support Affordable Homeownership



How The Council can help:

- Grants/Funding
 - Affordable Homeownership
 - Continue to explore with the HRA on ways to create homeownership opportunities for voucher holders
 - Ensure education and support
- Encourage diverse ownership opportunities – townhomes, manufactured housing, co-ops, shared equity
- Continue to provide technical assistance to local governments to support affordable homeownership



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