

Affordable Housing

Production trends and opportunities



October 6, 2025

metro council.org

The numbers: Development and affordable production



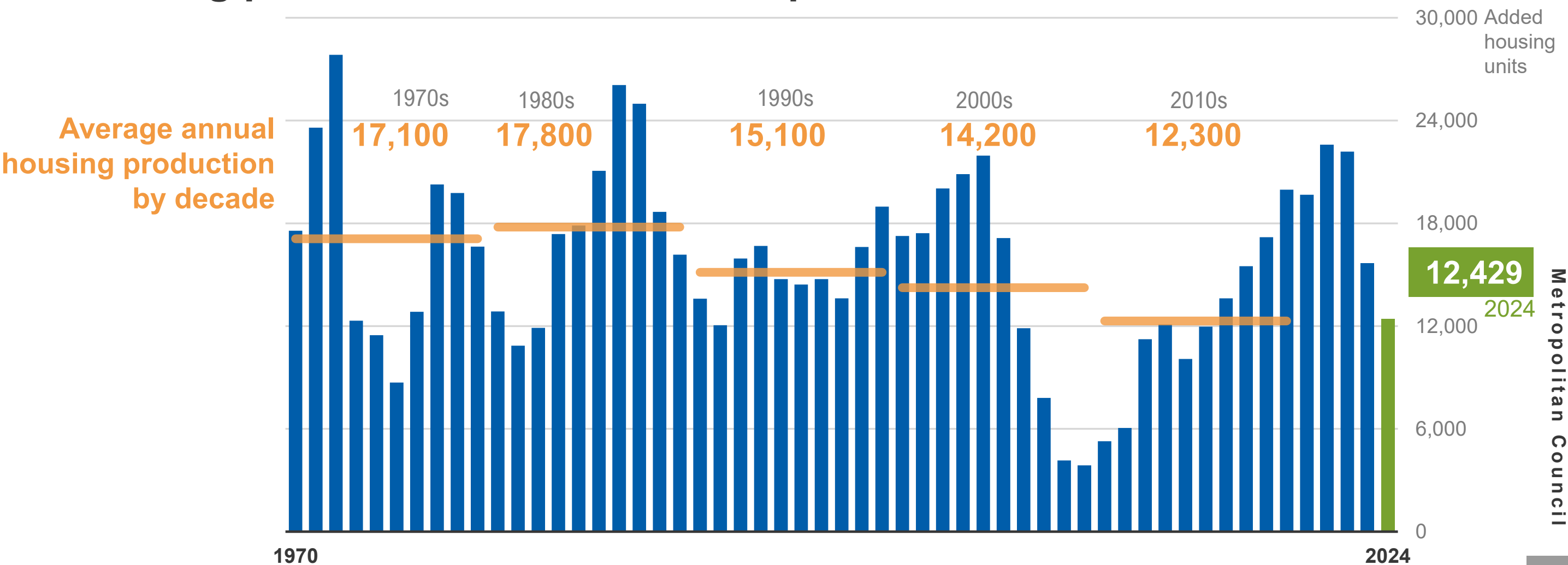
Datasets developed with local governments

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?

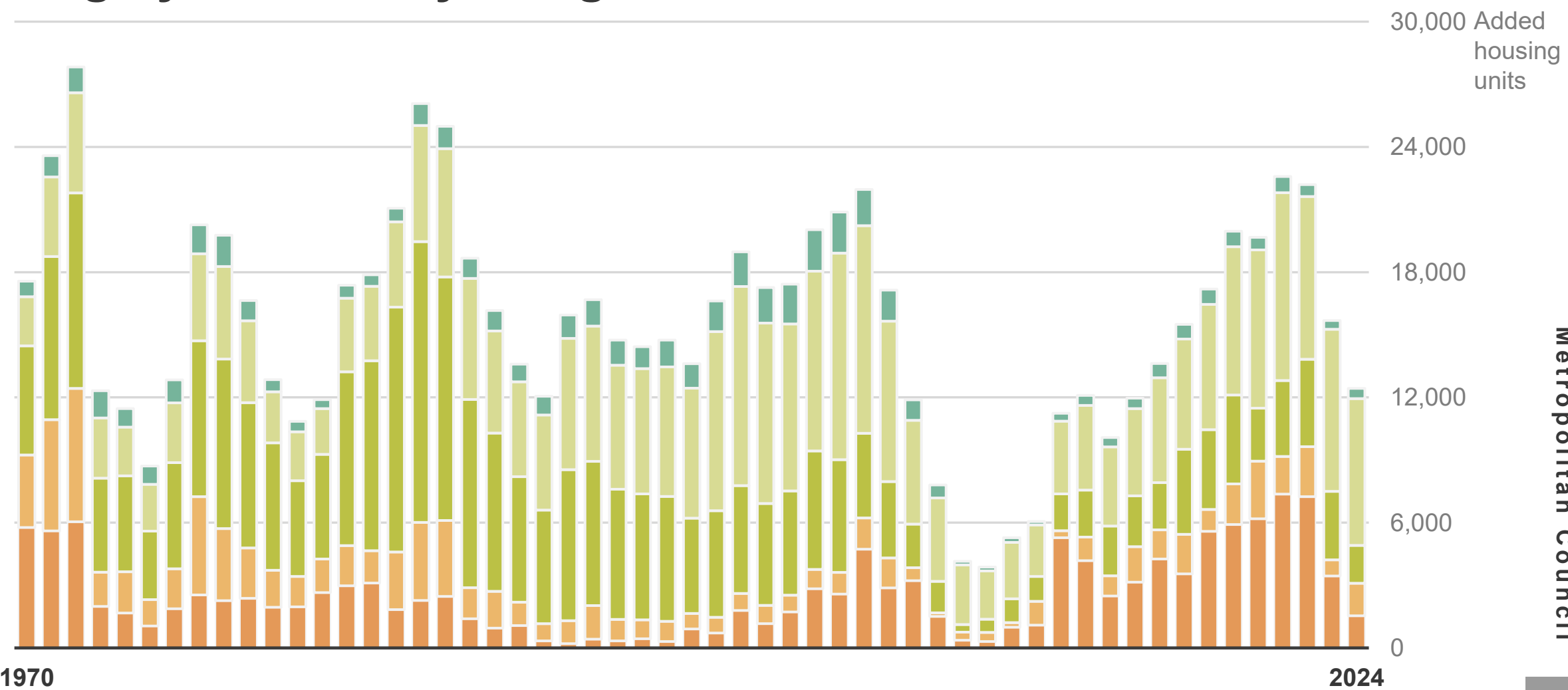
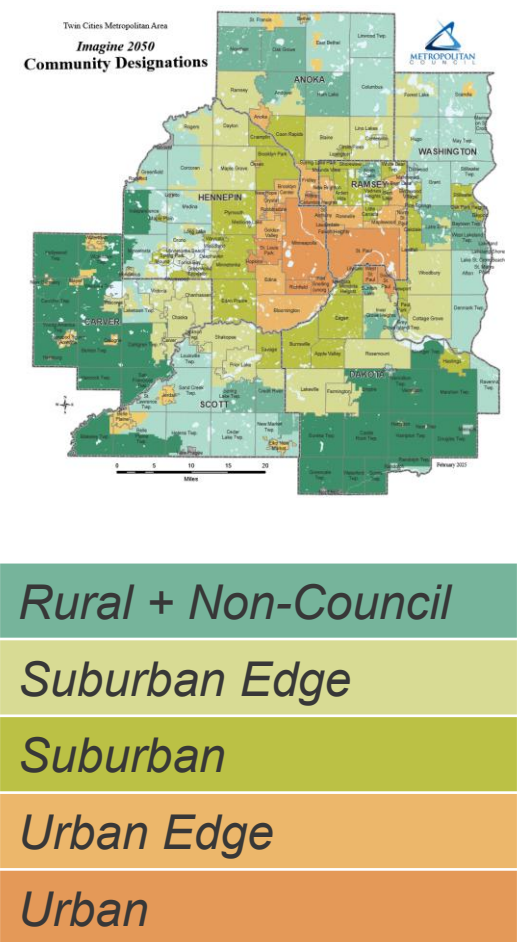
Housing production continues to drop



Source: Metropolitan Council's Annual Building Permit Survey. (Net gain of residential units by community designation)

Development trends: Where?

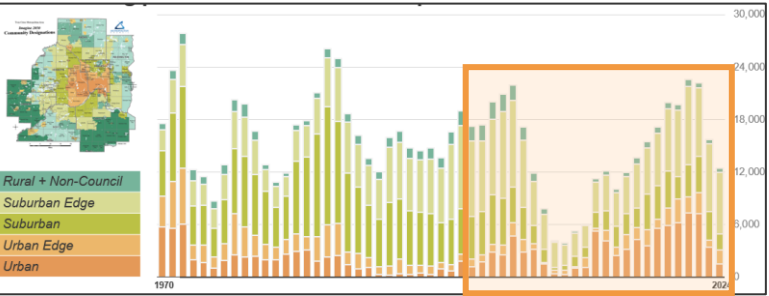
Disaggregating by community designation



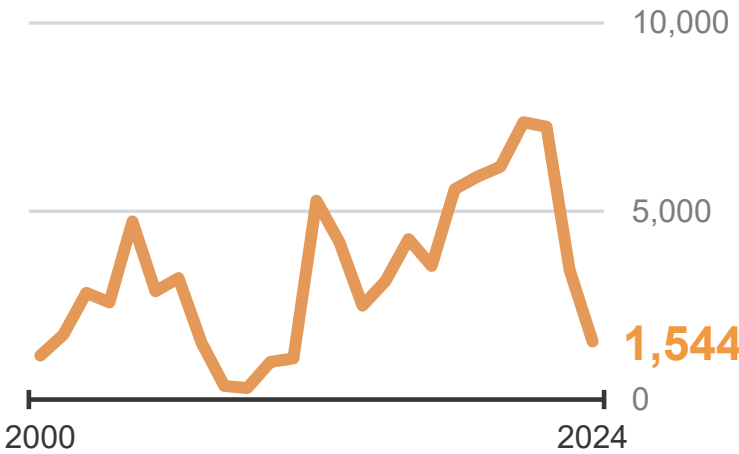
Source: Metropolitan Council's Annual Building Permit Survey. (Net gain of residential units by community designation)

Development trends: Where?

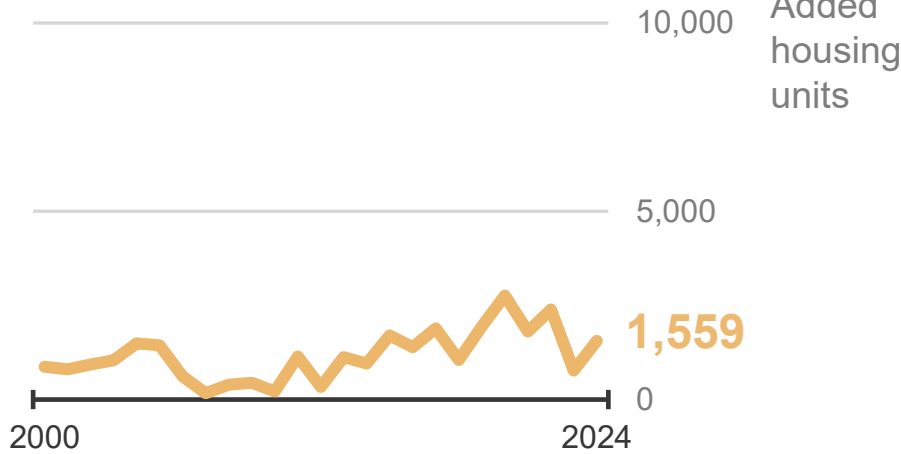
Disaggregating net change in housing units by community designation, 2000-2024



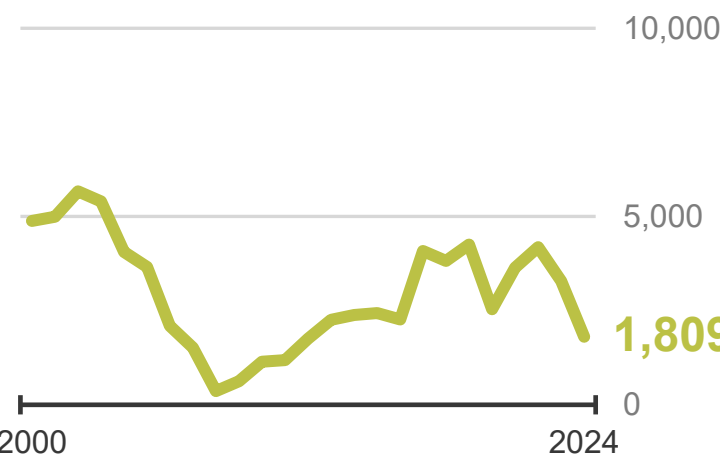
Urban



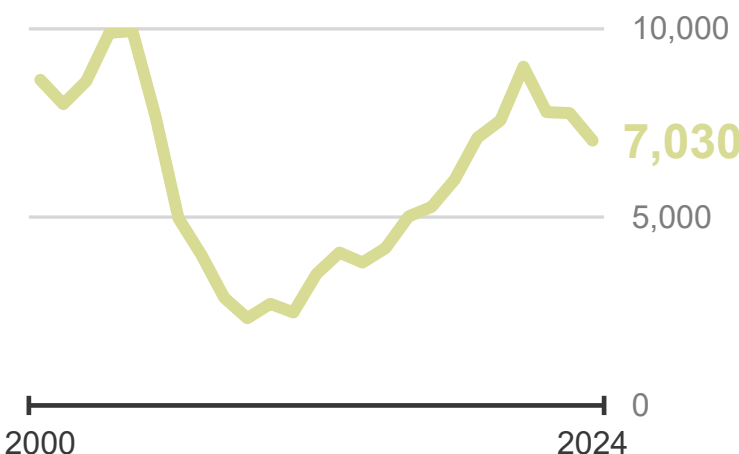
Urban Edge



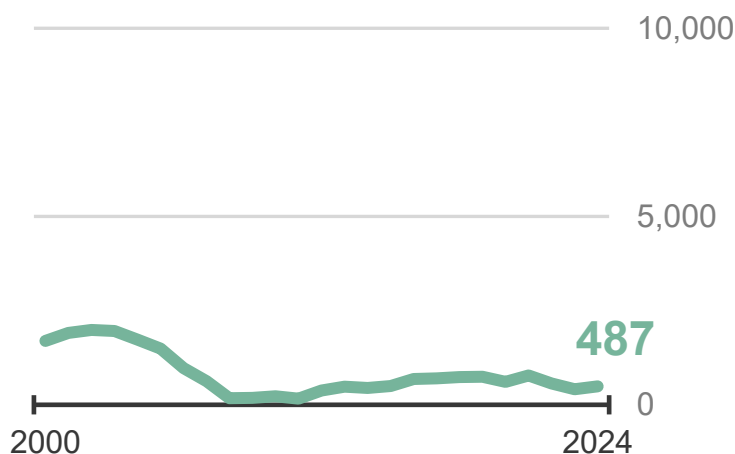
Suburban



Suburban Edge

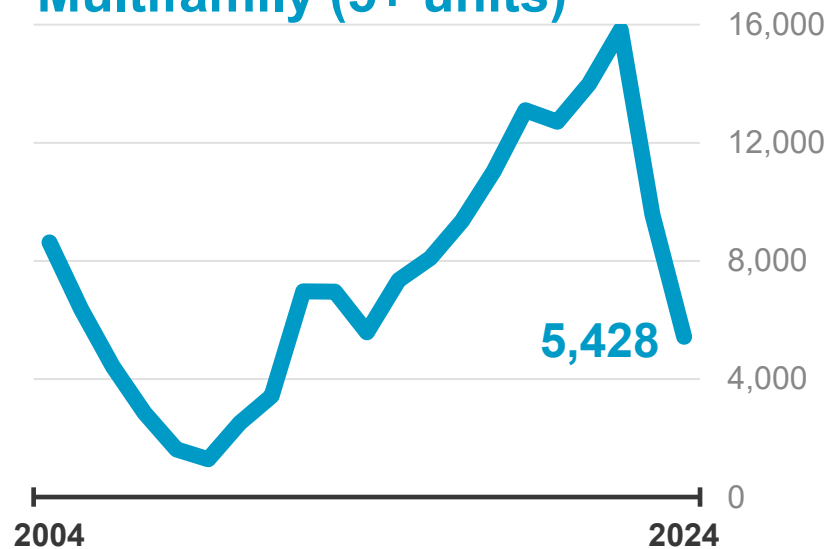


Rural + Non-Council



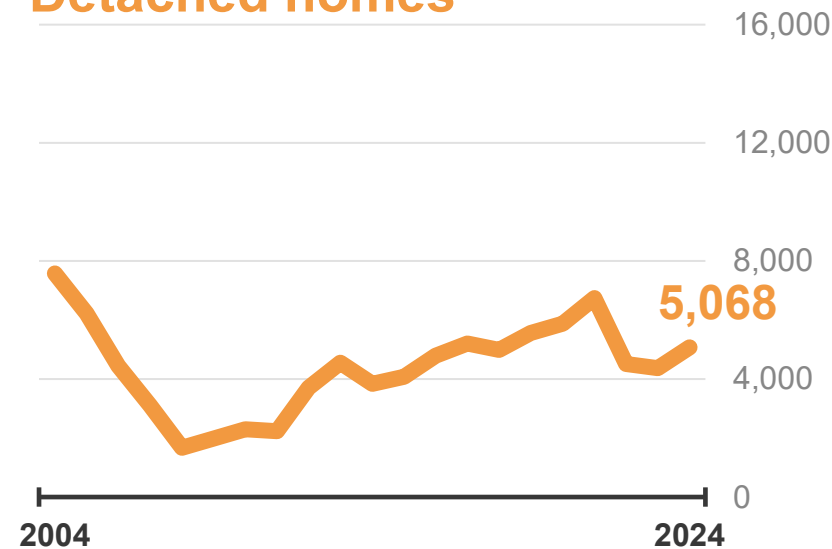
Development trends: Housing types

Multifamily (5+ units)



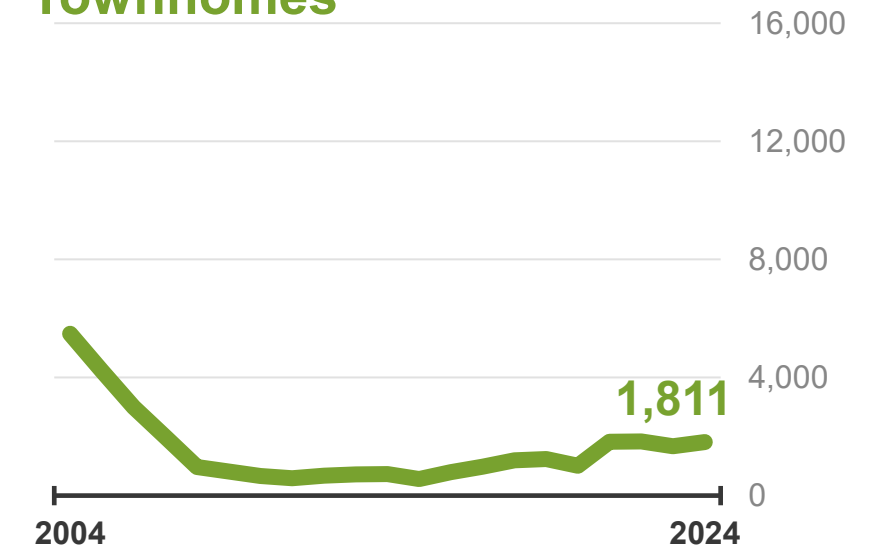
- Dropped by more than 10,000 units between 2022 and 2024, but still a plurality of all residential development in 2024
- Increased in Urban Edge communities

Detached homes



- Increased by 700 units, 2nd-largest increase in past ten years
- Share of detached home development has stayed relatively static over the past 20 years (between 30 – 40%).

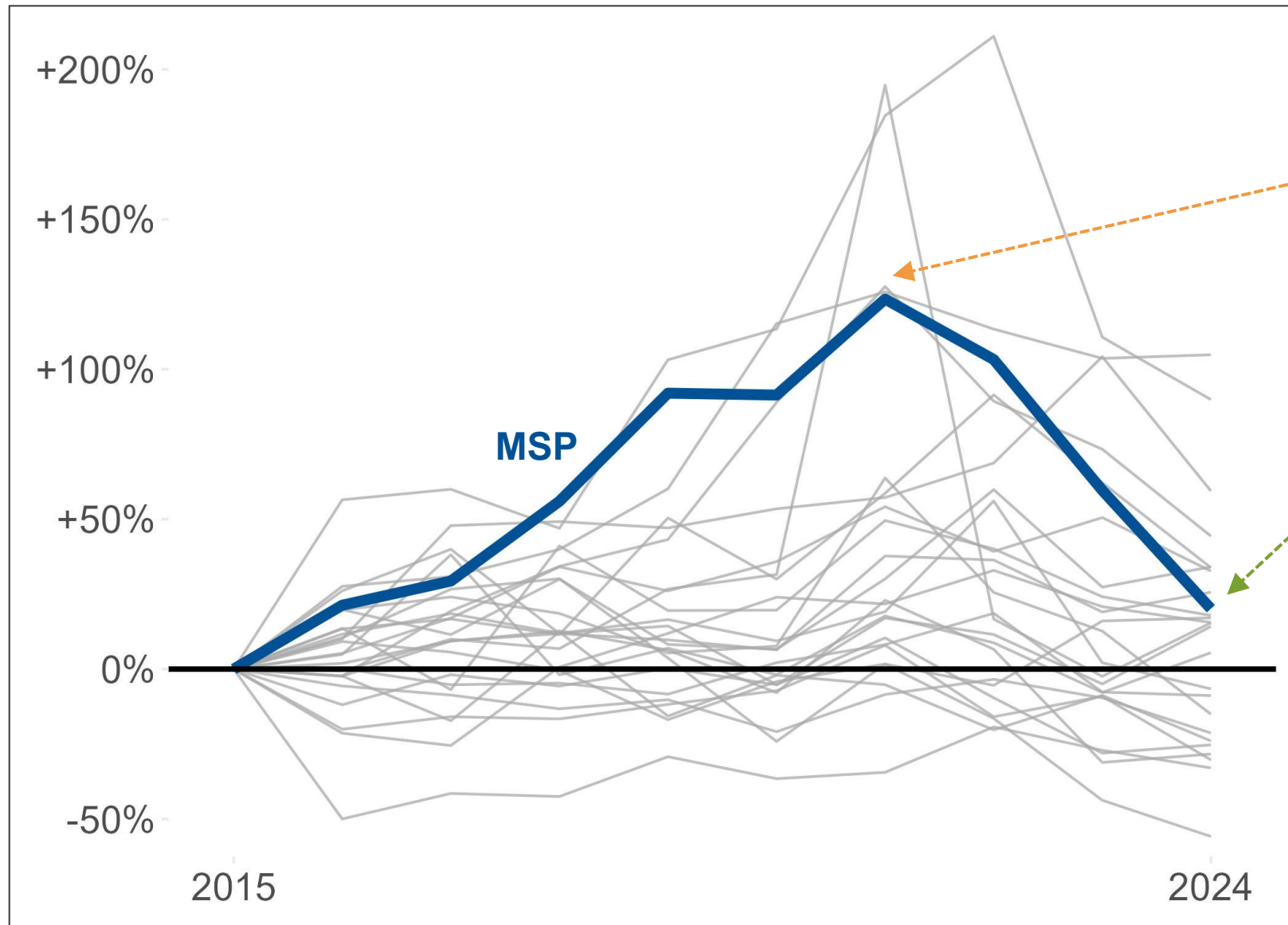
Townhomes



- Townhome development fell significantly during recession and has yet to fully bounce back
- Roughly stable since 2021 despite dropoff among other types

Our region in national context

Percent change in total housing units permitted relative to 2015



The 15-county MSP metro's permit numbers boomed more than most other metros ...

... and are still in the top ten even after their recent decline.

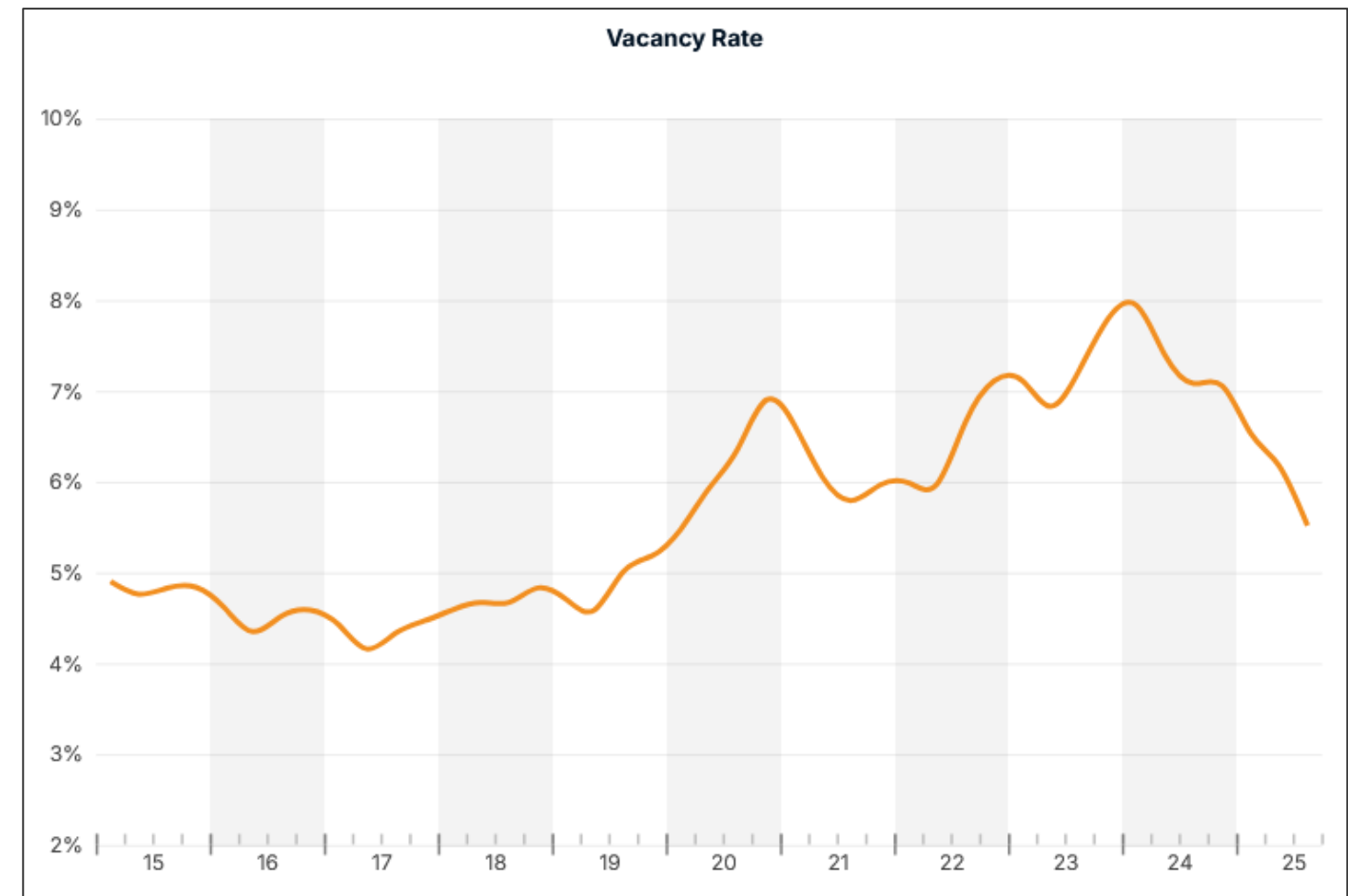
Source: U.S. Census Bureau, Building Permits Survey, 2015-2024.

Chart shows the 25 most populous metropolitan statistical areas in the United States according to the Census Bureau's population estimates for 2024. The blue line highlights the 15-county Minneapolis-St. Paul-Bloomington metro.

What about 2025?

Industry data suggests a leveling-off

- Industry data: total year-to-date permitted units are up 4.6% (~235 units) from 2024
- Single-family permits stable; multifamily permits up
- Multifamily units are just 25% of permitted units so far in 2025, but:
 - New apartments are still being rented → vacancy rates are dropping
 - Rents are increasing at one of the highest rates in the country

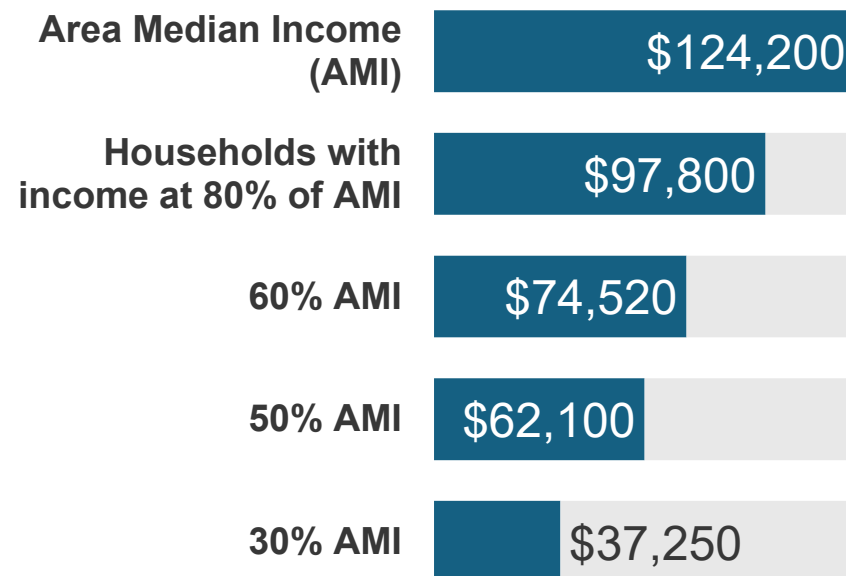


Quarterly vacancy rate for the seven-county Twin Cities region.
Source: CoStar Realty Information, Inc.

Affordable Housing: What is AMI?

Area Median Income for 2024

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

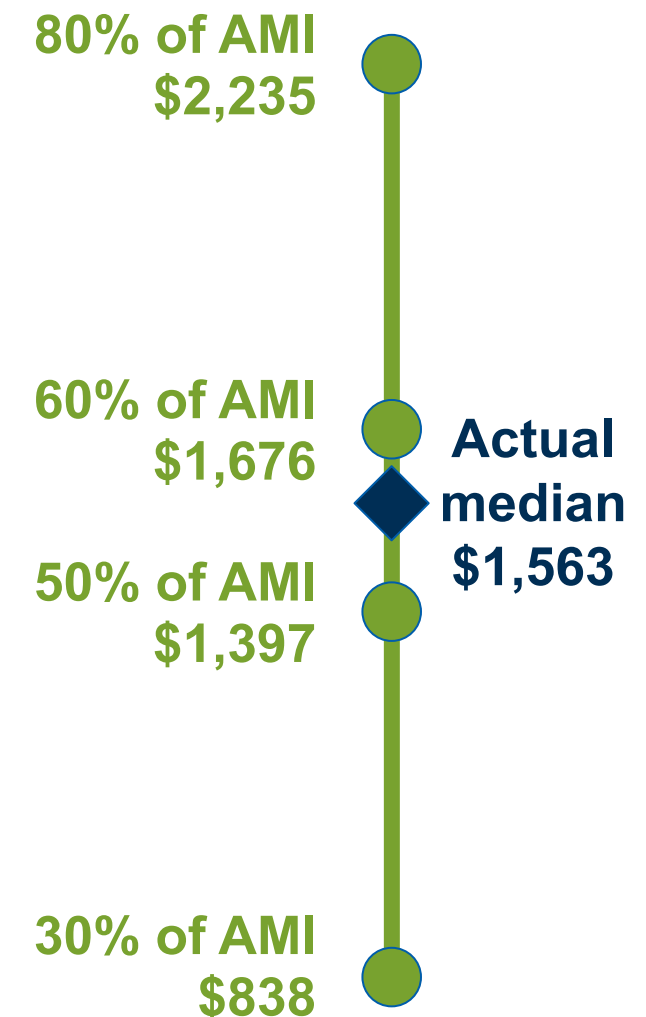


Affordable Rent Calculations

- Rents that are affordable to households at different levels of Area Median Income, based on income levels at left
- Set at 30% of monthly income for a household that could live in the unit
- Varies by number of bedrooms; numbers for a 2-bedroom unit are at right

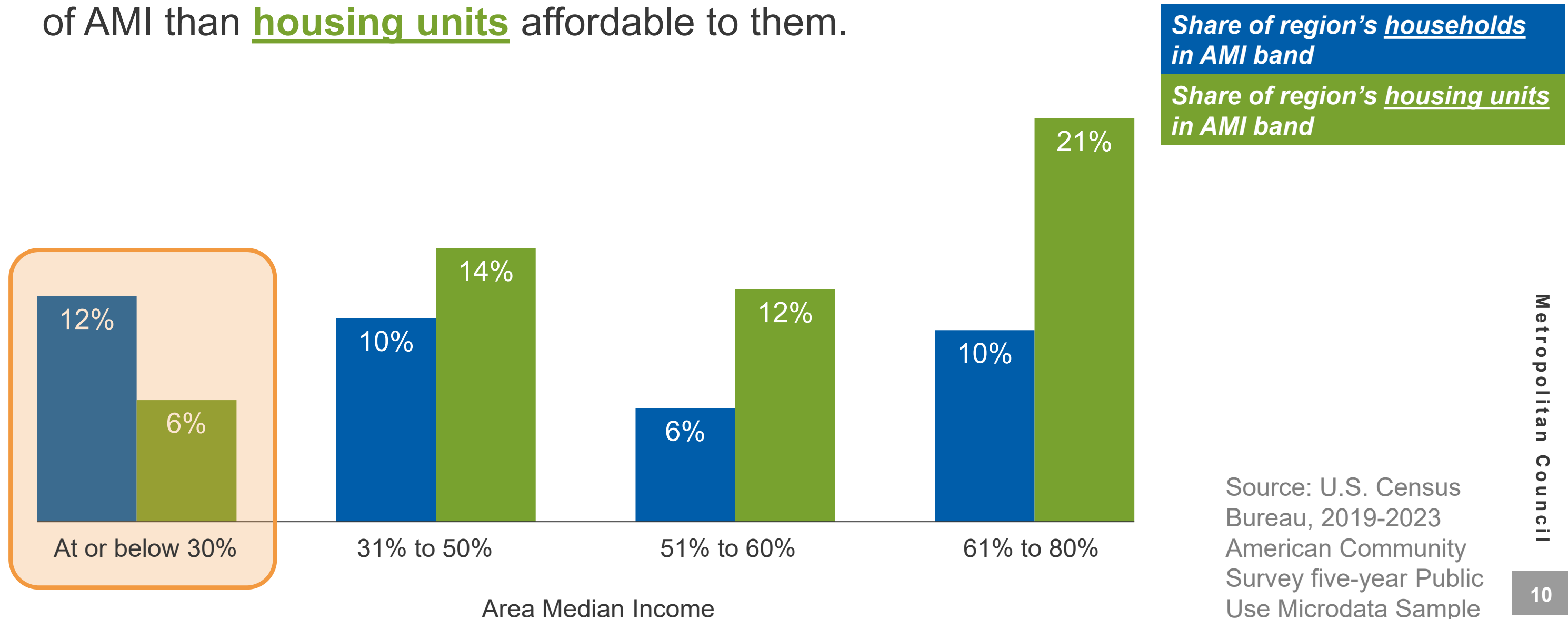
87%

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



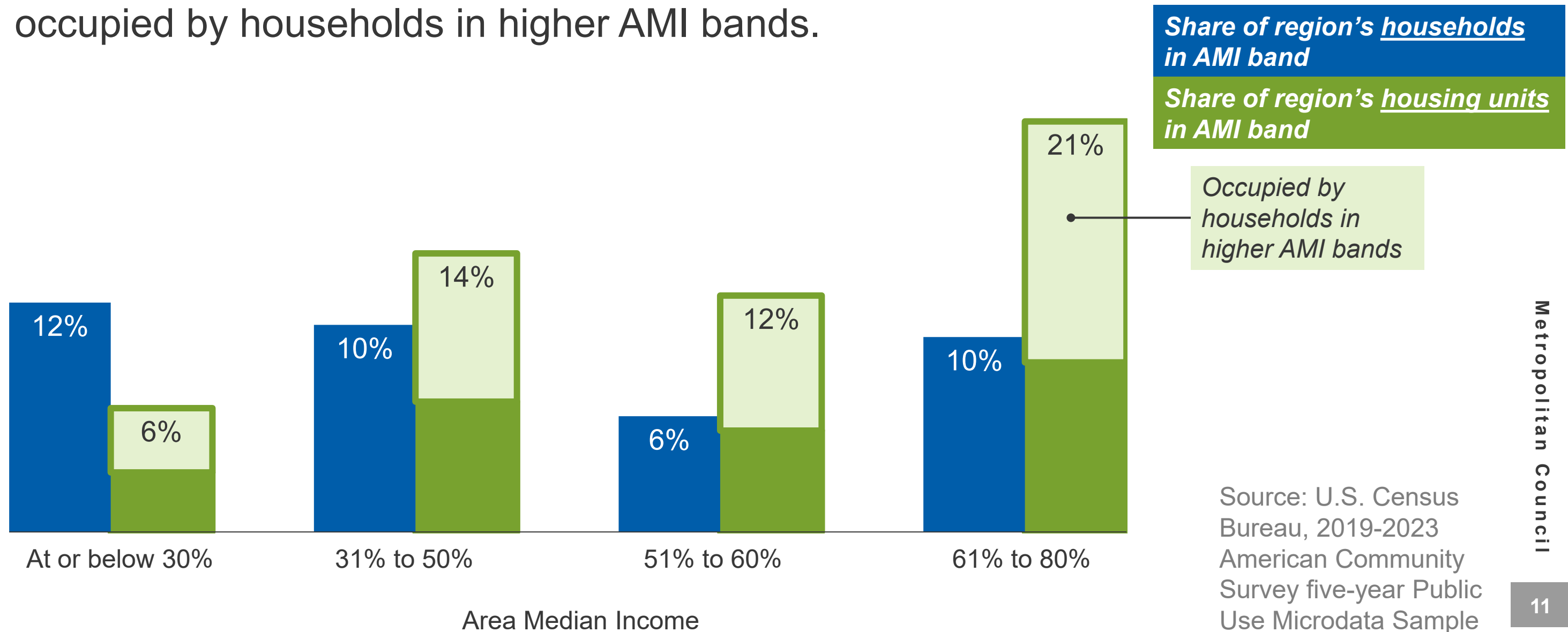
Current deficit of deeply affordable housing

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



Current deficit of deeply affordable housing

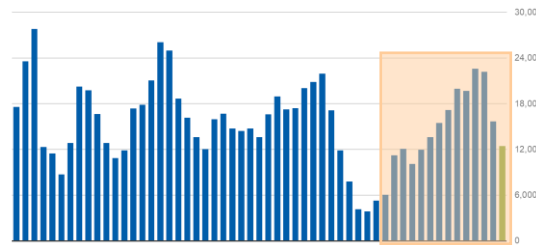
And many of those deeply affordable units are occupied by households in higher AMI bands.



Affordable Housing Production - Overall

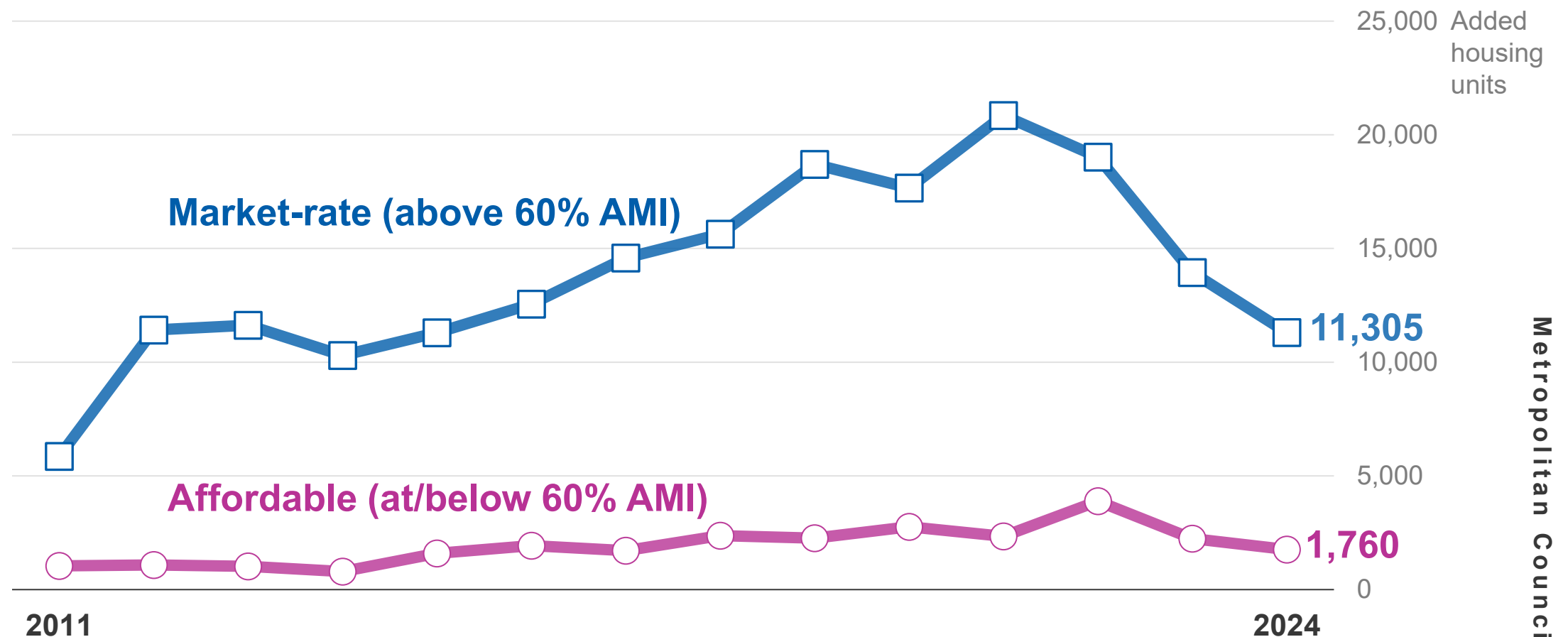
About one in seven new housing units permitted in 2024 was affordable

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.

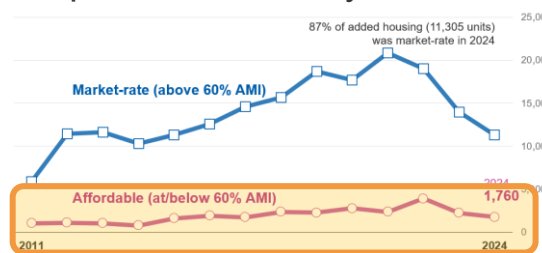
In 2024, AMI was \$124,200 for a household of four; 60% of AMI was \$74,520.



Affordable Housing Production - Depth

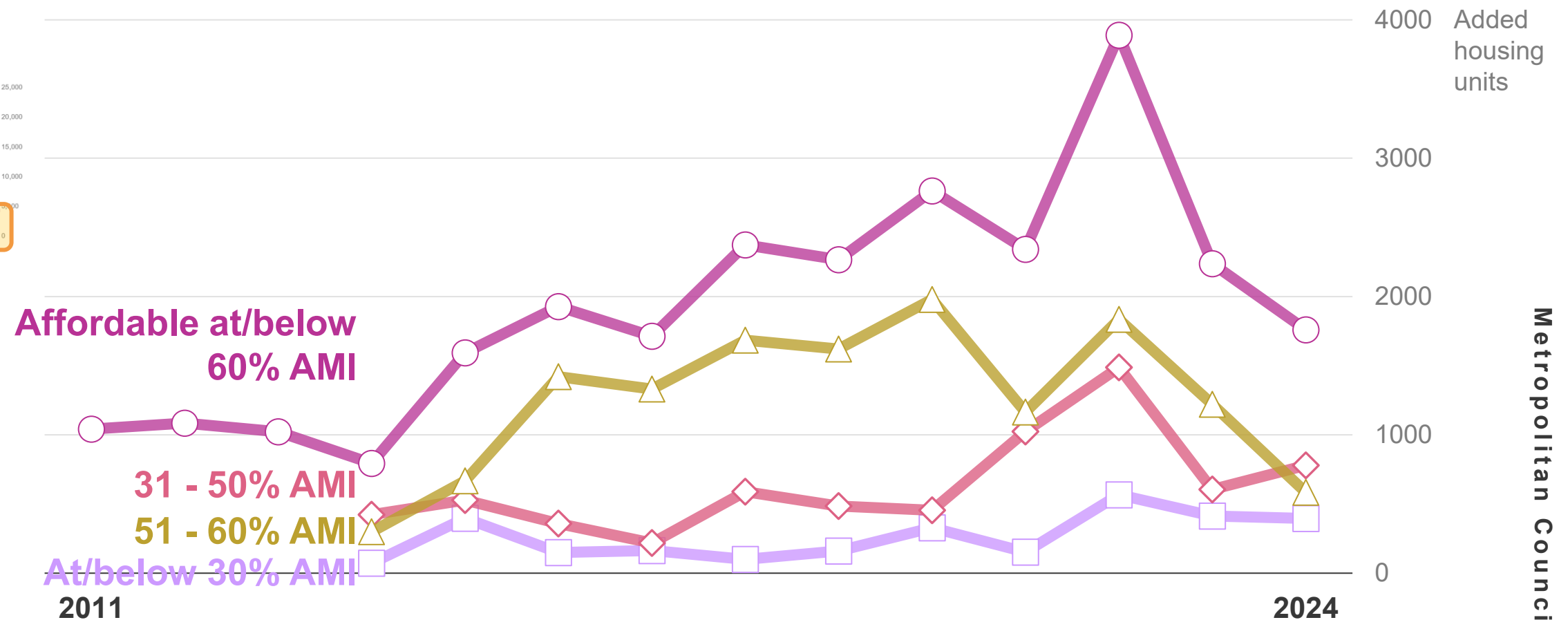
Decline in affordable production, mainly for units above 50% of AMI

Disaggregating added affordable units by depth of affordability



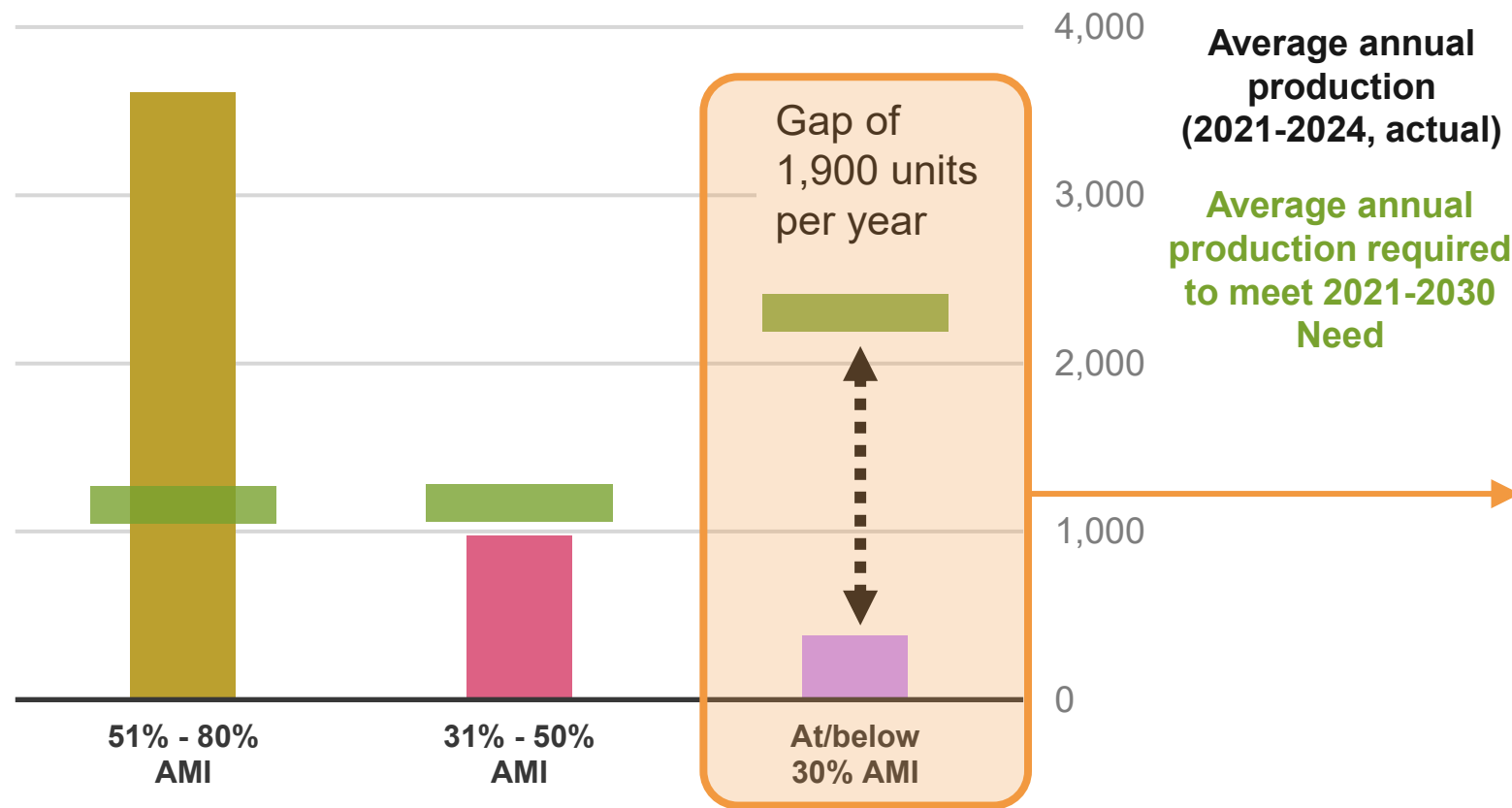
The Area Median Income (AMI) for the 15-county metro area was \$124,200 for a household of four in 2024. Other four-person AMI levels:

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

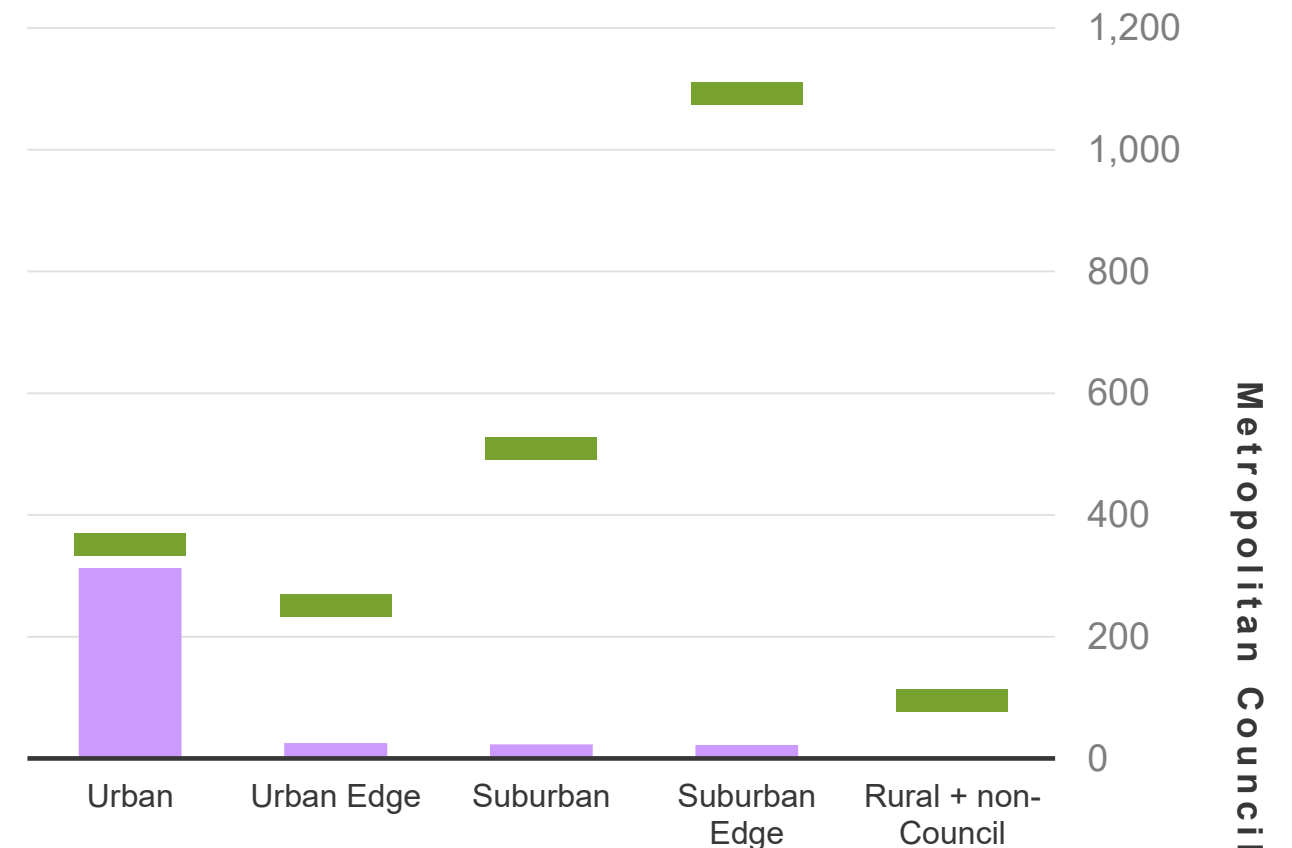


Affordable Housing Need this decade: Deficit of deeply affordable production

2021-2024: Deeply affordable production is far lower than required to meet 2021-2030 Need



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 more than met the total Need for 2021-2030
- A bit behind what's needed 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

- Large deficits in current deeply affordable housing stock and production to meet 2021-2030 Need for 30% AMI units
- Especially true in Suburban and Suburban Edge cities

Production Gap: Deeply affordable housing



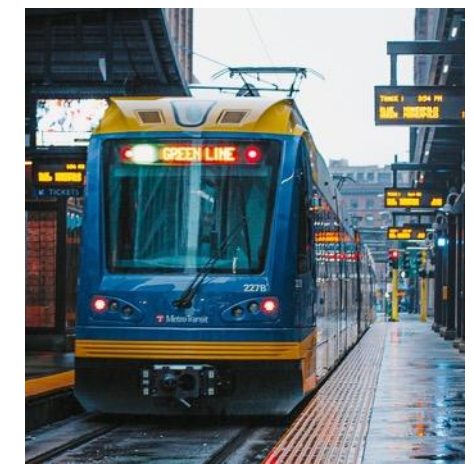
Why is Deeply Affordable Housing (30% AMI) Important?

Who is served?

- People working full-time jobs
 - 30% AMI = \$37,250
 - Minimum wage = \$22,568 (\$10.85/hour)
 - Minimum wage = \$32,385 (\$15.57/hour)
- Single-parent households
- Older households
- People with disabilities
- People experiencing housing instability
- Households in every city

Challenges they face

- Minimum and low wages have not kept pace with inflation
- Greatest housing cost burden
- Childcare is expensive
- Transportation costs (70% own vehicle)
- 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:

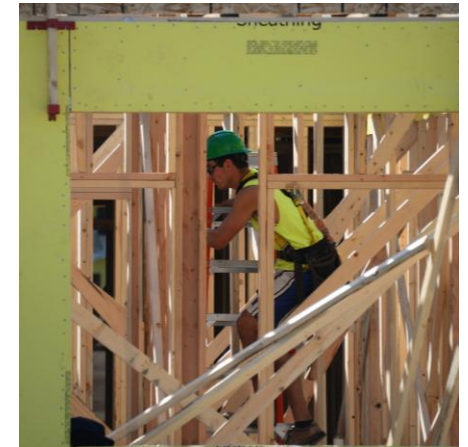
- Not tied to unit:
 - Housing Support (Minnesota DHS)
 - Housing Choice Vouchers
 - American Rescue Plan Act
- Tied to Unit
 - Project Based Vouchers
 - County/Service Provider Set Asides (HOME/CDBG)



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 barriers are:

“More funding for 30% AMI units.”

- Funding for deeply affordable housing units
- Rising construction costs
- Community education around affordable housing
- Resources to preserve existing affordable housing

How to Support Deeply Affordable Housing



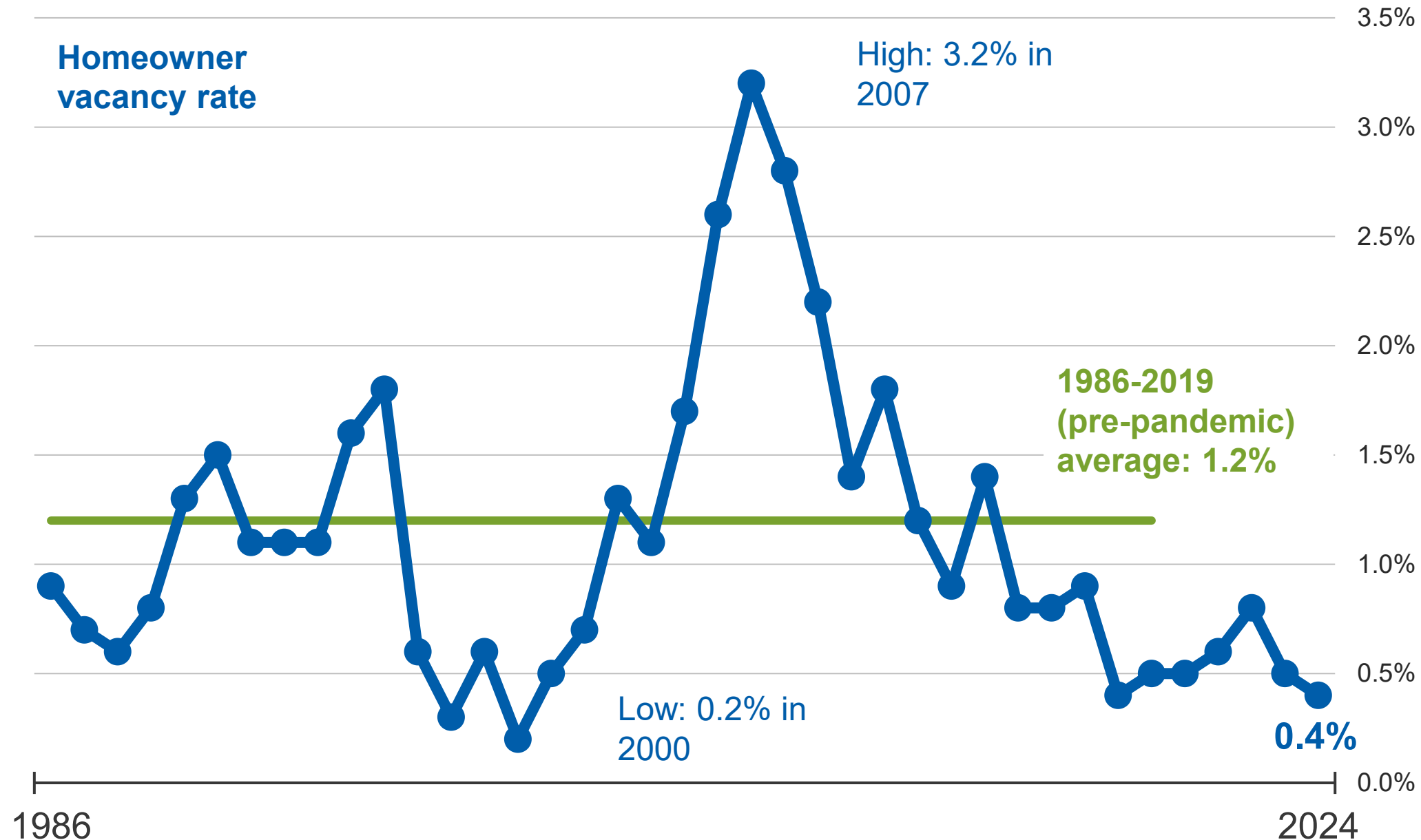
How The Council can help:

- Grants/Funding Opportunities
 - Continue to prioritize deeply affordable units in grant programs
 - 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



Also: Shortage of available ownership opportunities



Source: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey, Annual Homeowner Vacancy Rates, 1986-2024.

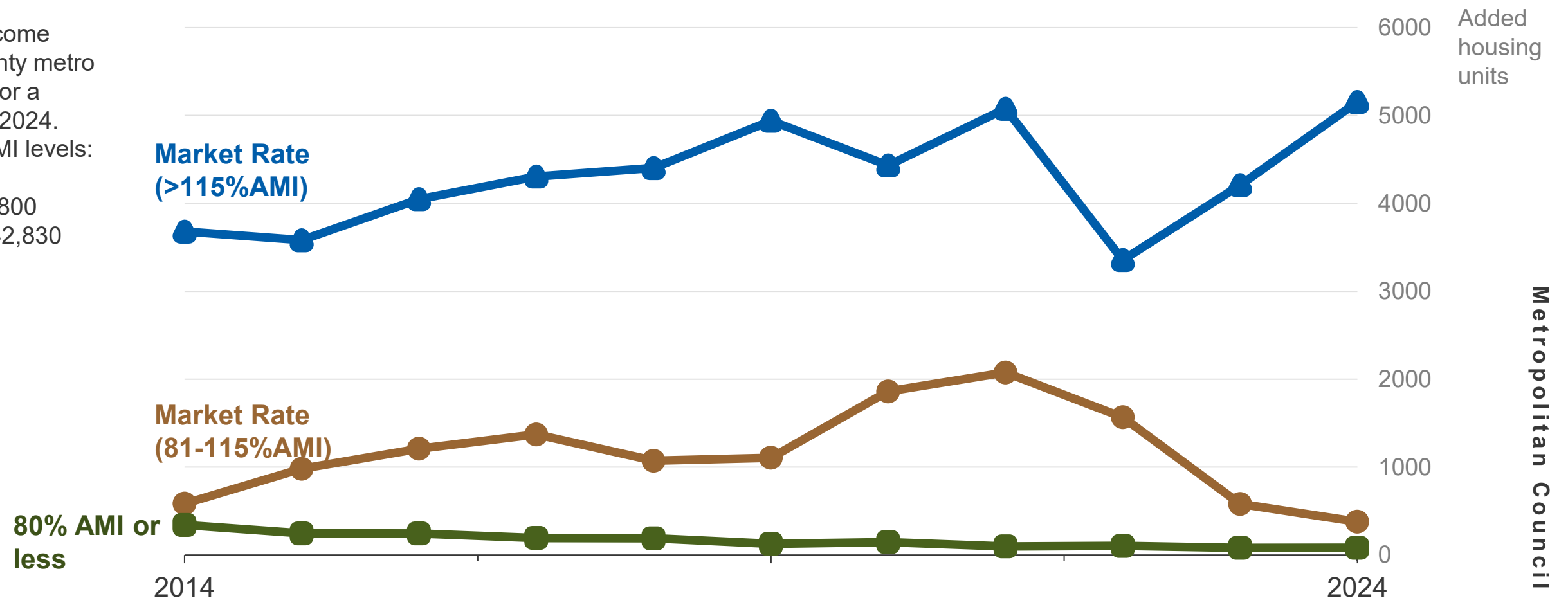
The homeowner vacancy rate is the number of vacant units for sale as a share of owner-occupied units, vacant units for sale, and units that have recently been sold but are not yet occupied. Seasonal/recreational properties are not included.

Affordable ownership options

Decline in single-family options affordable to low- and moderate-income households

The Area Median Income (AMI) for the 15-county metro area was \$124,200 for a household of four in 2024. Other four-person AMI levels:

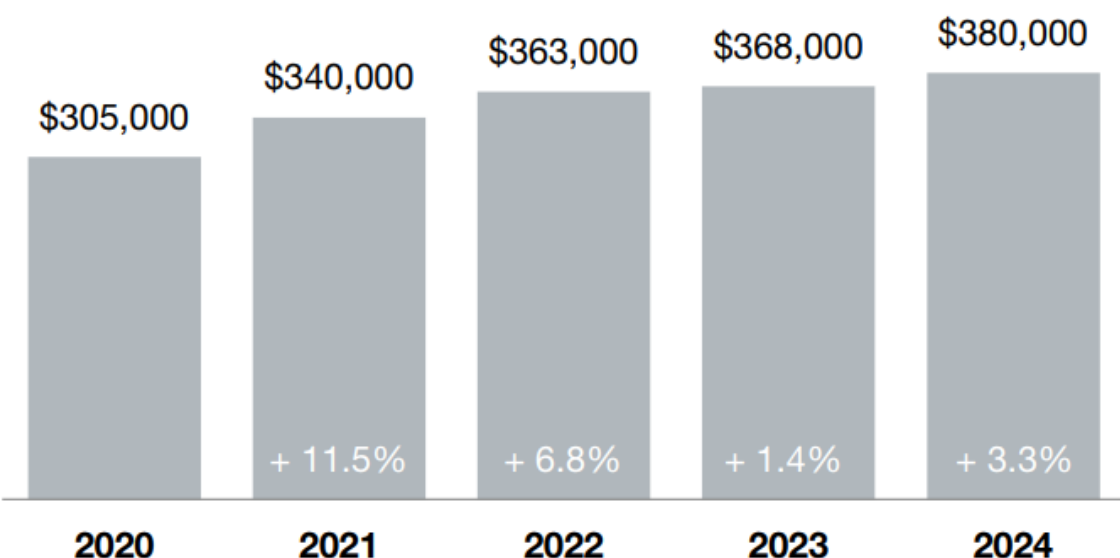
- 80% AMI at \$97,800
- 115% AMI at \$142,830



Source: Metropolitan Council's Annual Building Permit Survey. (Additions to housing stock only; 2024 labeled.)

Median sale prices for 2024

Median Sales Price



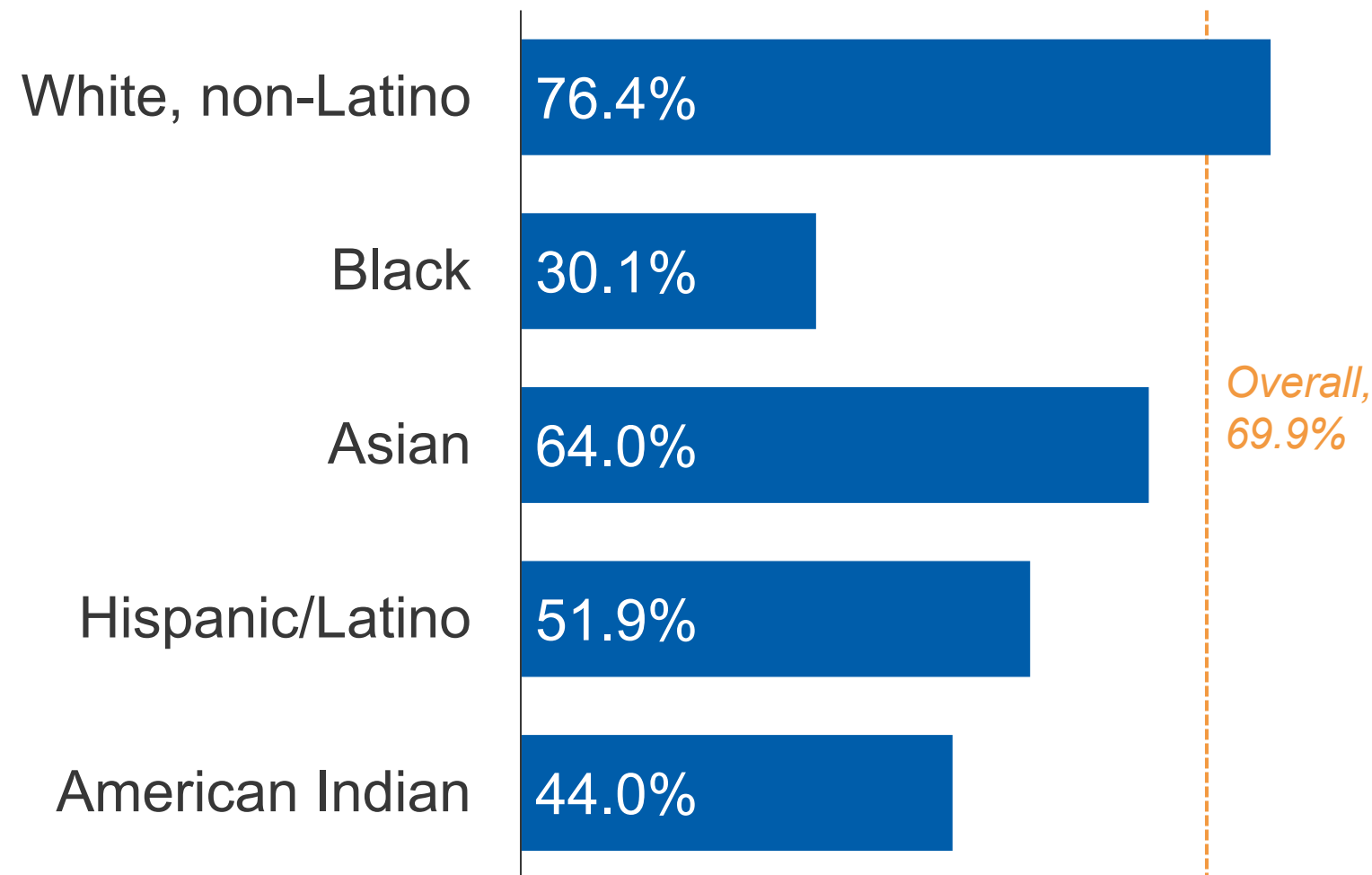
Purchase price of single-family home affordable at 80% AMI (\$97,800) in 2024:

\$304,700

Property Type	Median Sales Price	Previously Owned	New Construction
Single-Family Detached	\$424,900	\$406,000	\$544,250
Townhomes	\$305,000	\$293,000	\$389,900

Homeownership racial disparities

Wide disparities in homeownership rates



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

Source: U.S. Census Bureau, 2024 American Community Survey 1-Year Estimates (15-county MSP metro area)

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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