METROSTATS
Exploring regional issues that matter

February 2019

At a Loss: Affordable Housing Production in 2017

Each year the research team at Metropolitan Council asks cities and townships across the Twin Cities region about their residential construction projects and whether these new housing units are affordable to low-income households. We use the term 'affordable' to describe housing units that low-income households can pay for with up to (but not more than) 30% of their monthly income. Metropolitan Council considers low-income households to be those with incomes at or below 60% Area Median Income (AMI), relative to household size. (Area Median Income is a measure calculated annually by the U.S. Department of Housing and Urban Development.[1] For example, a family of four with an income of $51,480 (60% AMI) would be considered a low-income household. A unit affordable to that household would include a three-bedroom apartment with a monthly rent of $1,410 or less.

By tracking the price point of residential housing production we can better understand the landscape of housing options for the region's current and future households and assess strategies against stated policy goals.

Key Findings

- **Region-wide housing cost burden fell for the sixth consecutive year in 2017. However, the region's low-income households, who currently reside in every city and township across the region, remained disproportionately cost-burdened in 2017.**
- **One in every eight new units added to the region's housing stock was affordable in 2017, a total of 1,731 units. Nearly 9,000 new affordable units have been added the region's housing stock since 2011, far below the 52,570 new affordable units needed between 2011 and 2020 to keep pace with household growth.**
- **The predominant housing type of new affordable housing continues to be multifamily rental units at 95% in 2017. Affordable single family homes and affordable townhome production hit a new low in 2017.**
- **Losses of affordable units are more difficult to track and measure than production. However, known or estimated losses in even narrow segments of the affordable housing market show that the region has likely lost more affordable units than it has produced since 2011.**

Pike Lake Marsh, Prior Lake
A 68-unit workforce housing development with one-, two-, and three-bedroom units affordable to households with incomes at 30% AMI and 60% AMI. The project was funded by the Scott County Community Development Agency and Minnesota Housing allocated a million dollars in Low Income Housing Tax Credits.

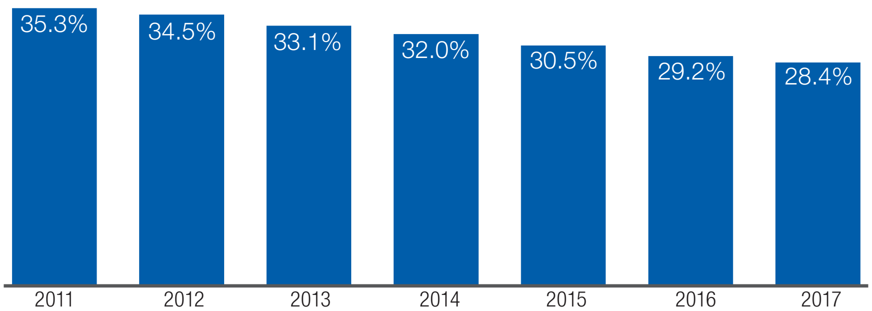
Downtown View, Minneapolis
In partnership with Project for Pride in Living (PPL), YouthLink has created a 46-unit development for young adults (ages 18-24) who are experiencing homelessness and have incomes below 30% AMI. Minneapolis' Affordable Housing Trust Fund, Metropolitan Council, Hennepin County, were among the funders.

Greenway Terrace, Ramsey
Aeon's 54-unit project in the city's 300-acre mixed-use downtown development (The COR). Two blocks from the Northstar commuter rail, this project has units affordable to households with incomes at 30% AMI and 50% AMI. Funders included the city, Metropolitan Council, Anoka County, and Minnesota Housing.

Housing cost-burden rates reveal a sustained demand for new affordable housing everywhere

Housing cost burden—households that pay more than 30% of their income on housing costs—fell for the sixth consecutive year in 2017 (Figure 1). This an encouraging trend: When people can't find housing they can afford, the effects are far-reaching and they're often forced to make trade-offs between paying their rent or mortgage and other daily essentials like food, medical care, and transportation. Although the cost-burden rate among the region's households is down overall, nearly 327,000 households (28.4%) experienced housing cost burden in 2017. Cost-burden rates have fallen across the region, but not everywhere: 19 cities and townships showed an increase or no change in their share of cost-burdened households between 2011 and 2017.[2]

FIGURE 1. SHARE OF HOUSEHOLDS EXPERIENCING HOUSING COST BURDEN



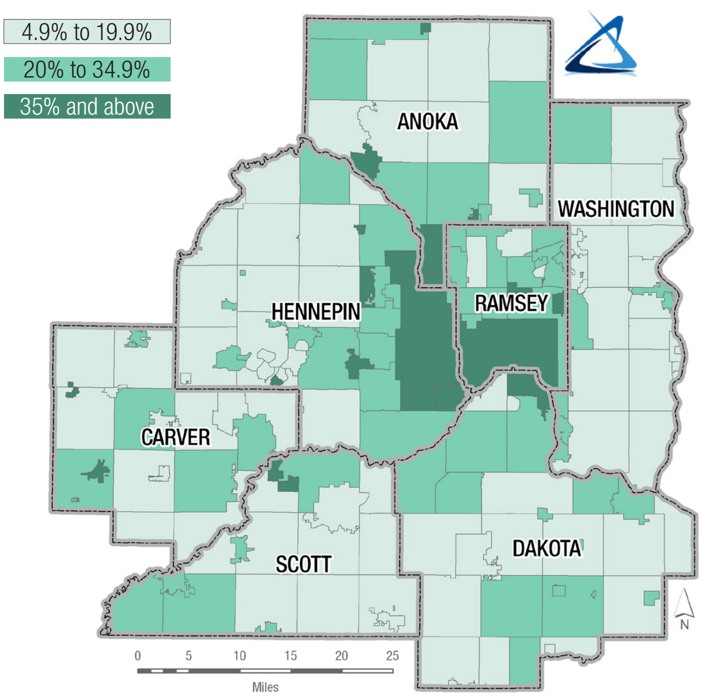
Source(s): U.S. Census Bureau, American Community Survey Five-Year Estimates,.

High-level trends (like Figure 1) tend to cloud realities on the ground, however. The region's low-income households are disproportionately housing cost burdened. For example, the rate of cost burden among households with incomes below 50% of Area Median Income (AMI) was 77.9% in 2017—nearly triple the overall rate of 28.4%. In fact, the lowest observed rate of cost burden among low-income households in any of the region's cities or townships was 33% (Figure 2, right).

These aren't new or particularly surprising findings but we've presented them here to underscore a broader point: low-income households live in every city and township in the region (Figure 2, left) and the vast majority experience housing cost burden (Figure 2, right). All cities and townships have cause to engage in the affordable housing discussion and have a role to play in expanding housing choice for the region's residents.

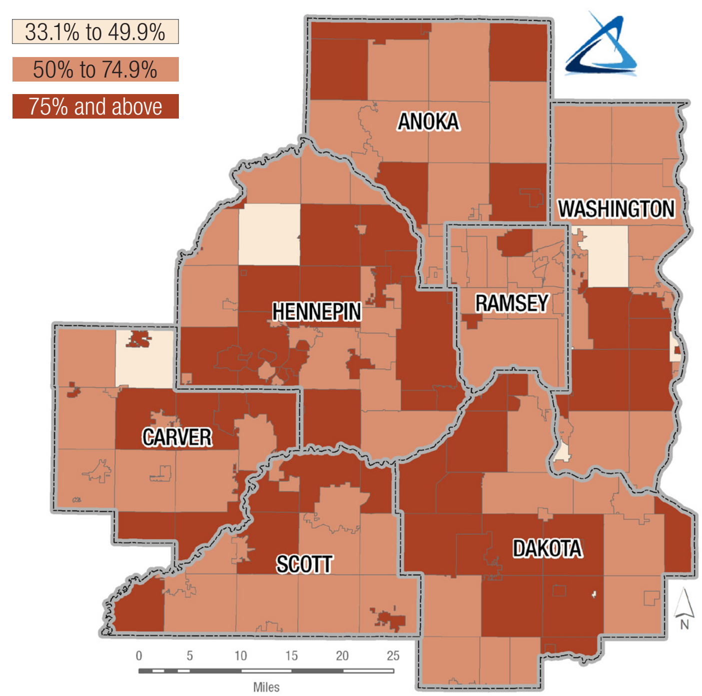
FIGURE 2. LOW-INCOME HOUSEHOLDS IN 2017

SHARE OF HOUSEHOLDS WITH LOW INCOMES (<60% AMI)



Source: Metropolitan Council's Housing Affordability Estimates, 2017.

SHARE OF COST BURDENED LOW-INCOME HOUSEHOLDS (<50% AMI)



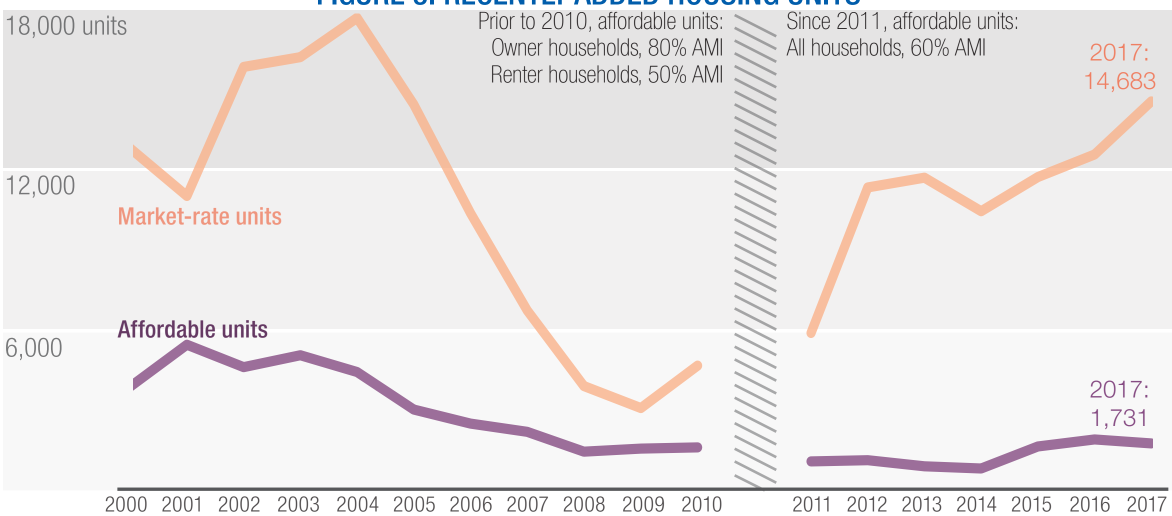
Source: Metropolitan Council's Housing Affordability Estimates, 2017; U.S. Census Bureau, American Community Survey One-Year Estimates, 2017.

After "A Step Forward," affordable housing production stalls out in 2017

The Twin Cities region added 1,731 affordable units in 2017, 7% fewer than the 1,881 units (produced in 2016 (Figure 3).[3] At the same time, new market-rate development hit a new high point with 14,683 units added in 2017 (the highest annual total since 2005). Overall, one in every ten added housing units was affordable in 2017.

Nearly 9,000 new affordable units have been added the region's housing stock since 2011, over half (58%) between 2015 and 2017. Recent production is a marked improvement from the low-point during the Great Recession, it remains far below the levels needed to achieve the 52,570 new affordable units needed between 2011 and 2020 to keep pace with demand from new household growth.[4]

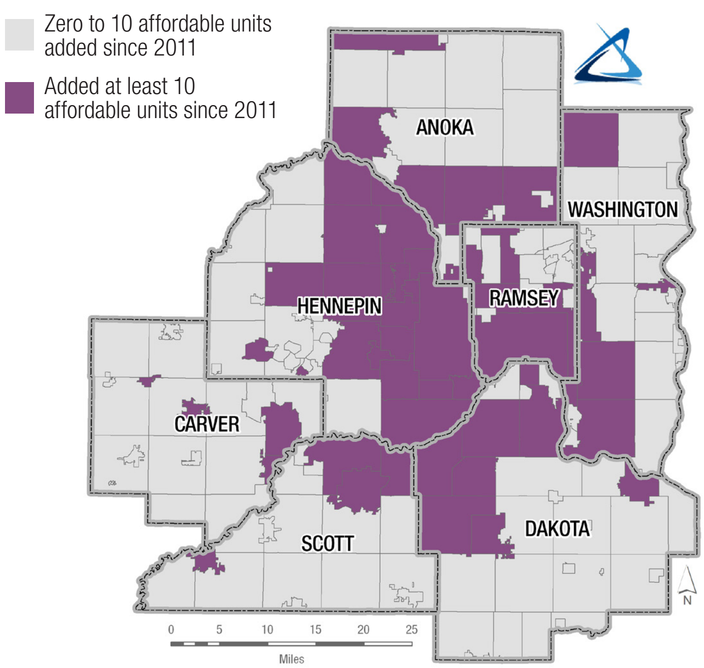
FIGURE 3. RECENTLY ADDED HOUSING UNITS



Source: Metropolitan Council's Affordable Housing Production Survey, 2011-2017.
Affordable housing data are occasionally updated, and additional levels of affordability are available for 2014-2017. View and download at metrocouncil.org/data.

Eleven cities and townships added at least 10 affordable housing units in 2017, the lowest number of communities observed since 2011. The top producers of new affordable units in 2017 include Saint Paul (575 units), Minneapolis (241), Spring Lake Park (194), Apple Valley (190), Brooklyn Center (158), and Columbia Heights (148). The top producers between 2011 and 2017 are listed below (Figure 4). Affordable housing has accounted for the majority of new housing added in Spring Lake Park, Columbia Heights, and Champlin but in other places, new affordable units were a share of broader housing market activity.

FIGURE 4. AFFORDABLE HOUSING PRODUCTION BY CITY AND TOWNSHIP



Place	Added affordable units 2011-2017	% of all added units that were affordable
Minneapolis	2,837	16%
St. Paul	1,881	32%
Columbia Heights	355	88%
Prior Lake	240	18%
Cottage Grove	213	25%
Maplewood	197	25%
Ramsey	195	17%
Spring Lake Park	194	97%
Apple Valley	190	10%
Champlin	188	55%

These totals are accurate as of this writing; the most current data are available at metrocouncil.org/data.

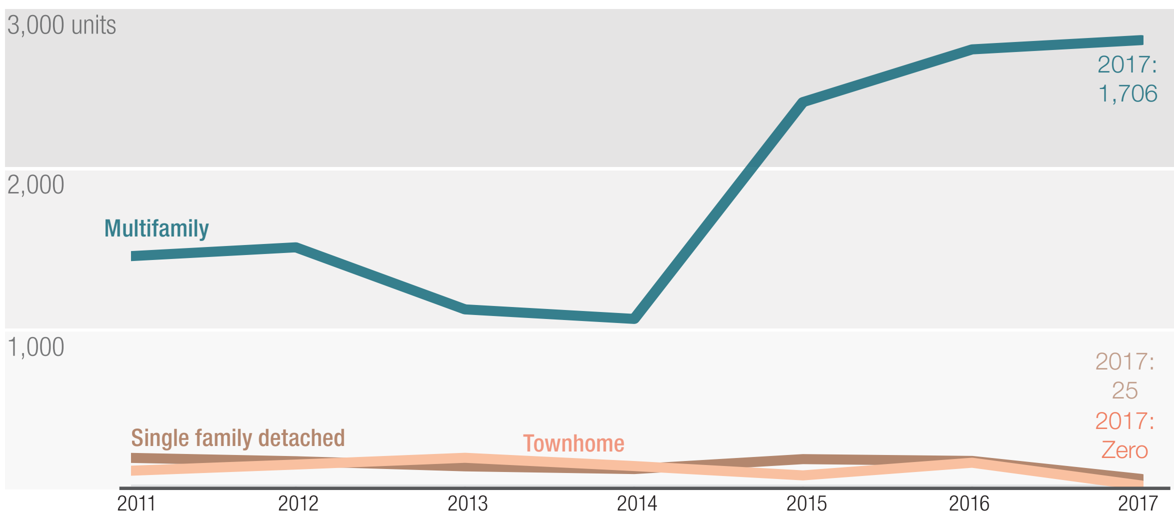
Source: Metropolitan Council's Affordable Housing Production Survey, 2011-2017.

Multifamily reigns in new affordable housing while new affordable homes and townhomes stall

Multifamily—buildings with five or more rental units—is and has been the predominant housing type for new affordable units in the region. Just over 1,700 new affordable rental units were added in 2017, accounting for 98% of all new affordable units (Figure 5). Multifamily is also the predominant housing type in the region's market-rate development as well, a trend that began in 2014 during the recovery.[5] The region added 9,555 market-rate rental units in 2017. Taken together, this averages out to one new affordable unit to every five new market-rate rental units. Close to 8,000 new affordable rental units have been added region-wide since 2011.

Over the same period (2011 to 2017), new affordable single family home production in the region has been scarce. After peaking in 2011 at 106 new affordable homes (perhaps a reflection of still-lagging real estate prices from the recession), only 52 new affordable homes were added in 2017, almost exclusively built by nonprofit developers like Habitat for Humanity or acquired by land trusts. Only 555 affordable homes have been added region-wide since 2011. Similarly, new affordable townhome production has dwindled. Since 2011, 442 affordable townhomes were added but none were produced in 2017.

FIGURE 5. ADDED AFFORDABLE HOUSING UNITS BY TYPE



Source: Metropolitan Council's Affordable Housing Production Survey, 2011-2017.
Affordable housing data are occasionally updated, and additional levels of affordability are available for 2014-2017. View and download at metrocouncil.org/data.

Annual affordable housing production does not mean net gain; in fact, we're losing

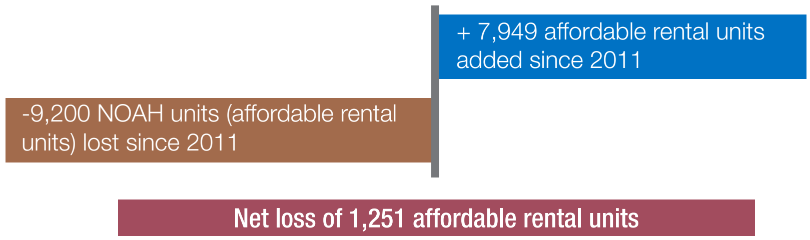
Arriving at a complete picture of new affordable housing production for the seven-county region is complex. New development generates data, such as construction permits and public financing, which can be readily tracked. Refined with crucial input from local governments about housing development in their communities, the Council provides a comprehensive annual count of new and added units and their price points.

Tracking the ongoing affordability of existing housing proves much more challenging, however. Several commercial data providers, such as CoStar, Zillow, and Marquette Advisors, sell real estate databases with characteristics on multifamily housing, including asking rent, bedroom size, number of units, property sales, and property classes. These datasets can be uneven in their geographic coverage and lack data points over time, making it difficult to track rent price fluctuations in ways that are useful outside the housing industry. For privately-owned single family homes and other owner-occupied units, we rely on public sources like Certificate of Real Estate Value (CREV) data from the Minnesota Department of Revenue and county assessor's data, which is also limited and rarely provides the kind of longitudinal information we need for thorough analysis.

However, well-reasoned research about specific pieces of the housing market can shed light on how new affordable housing production measures up to known or estimated losses of affordable housing. For example, Minnesota Housing published a report about the loss of naturally occuring affordable housing (NOAH), units in the private market that are affordable to low-income households without public subsidy. NOAH is a considerable source of the region's affordable housing that is deemed "at-risk" because affordability can easily be lost through redevelopment, property sale, or simply a private landlord's decision to increase rents as the market allows. Worth noting, NOAH is part of affordable housing supply but because these units lack income restrictions, they may not necessarily house the low-income households that most need affordable units.

Minnesota Housing's report identified the loss of NOAH units through the sale and improvement of Class C and Class B multifamily properties, and estimated that the seven-county region has lost roughly 1,300 NOAH units annually since 2010. When we compare that loss to affordable rental unit production over the same time period, its a clear net loss. But this example that does not take into account other potential losses of affordable rental housing since 2011, like loss of affordability for NOAH units that weren't sold or rent growth in the region's single family home rental market.

FIGURE 6. AFFORDABLE RENTAL PRODUCTION COMPARED WITH ESTIMATED NOAH LOSSES, 2011-2017



Source: Metropolitan Council's Affordable Housing Production Survey, 2011-2017; and Minnesota Housing (May 2018), " The Loss of Naturally Occurring Affordable Housing (NOAH)" available here.

Between the elevated rates of housing cost burden among the region's low-income households, low levels of affordable housing production, and losses within different segments of the affordable housing market coming into clearer focus, the Twin Cities region is decidedly "at a loss" on affordable housing at this time. We will likely fail to produce this decade's forecasted demand of 52,570 new affordable units, as we've only built 17% of those new units to-date with three years to go. Further, the Council's *2040 Housing Policy Plan* identified 37,900 new affordable units are needed between 2021-2030. This deficit of affordable housing is staggering but certainly not unique to the Twin Cities region, as metro areas across the U.S. find themselves facing similar challenges.[9] However, the implications for our region's economy and quality of life cannot be overstated.

Endnotes

[1] For more information about Area Median Income and housing affordability limits, see the Council's website.

[2] Communities include Lilydale, Mendota, Fort Snelling, New Trier, Lakeland Shores, Northfield, North Oaks, Falcon Heights, Sand Creek Township, New Brighton, Medicine Lake, Sciota Township, Jordan, and West Saint Paul.

[3] At the time we published our 2017 report, the number of affordable units added in 2016 was 1,724 units. The most current data available is available at metrocouncil.org/data.

[4] See, "Summary Report: Determining Affordable Housing Need in the Twin Cities 2011- 2020" available here.

[5] See this MetroStats for a full discussion.

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