

C Community Development Committee
 Meeting date: November 5, 2012

ADVISORY INFORMATION	
Date:	October 30, 2012
Subject:	Affordable Housing
District(s), Member(s):	All
Policy/Legal Reference:	Minnesota Statute 473.254
Staff Prepared/Presented:	Libby Starling, 651-602-1135
Division/Department:	Community Development / Regional Policy and Research

Proposed Action

None. Information only.

Overview

Under [Minnesota Statute 473.254](#), the Metropolitan Council is responsible for preparing a “comprehensive report card on affordable and life-cycle housing in each municipality in the metropolitan area.” The Council fulfills this responsibility by conducting an annual survey of local governments regarding new affordable housing. The Council supplements the information submitted by local governments with data collected by HousingLink on affordable rental housing and housing sales prices in county parcel data.

For units constructed in 2011, the Council is using a consistent income limit of what a family of four with an income at or below 60 percent of area median income (AMI) can afford to pay in monthly housing costs for either rent or mortgage costs (including principal, interest, property taxes and home insurance). Previously, from 1996 to 2010, the Council considered a rental housing unit affordable if the rent was 30 percent or less of 50 percent of the area median income; owner-occupied units were considered affordable if monthly housing costs were 30 percent or less of 80 percent of the median income.

In 2011, 1,154 new affordable units were added to the Twin Cities region; 17 percent of all new housing units added were affordable to households earning 60 percent of the area median income. 44 percent of those units were in the City of Minneapolis alone, and with St. Paul, the two core cities added 63 percent of the new affordable housing.

Three-quarters of the new affordable housing added, or 876 units, was built to be rental housing. 27 percent of all rental units added were affordable, while only seven percent of new owner-occupied housing met the Council’s affordability limits. Minneapolis alone added 63 percent of the region’s 278 new affordable owner-occupied units.

According to the Council’s 2011-2020 Allocation of Affordable Housing Need, the region’s jurisdictions are expected to need over 52,000 additional affordable housing units to accommodate the

2011 additions of affordable housing:	
Minneapolis	510
St. Paul	212
Farmington	87
Plymouth	67
Burnsville	60
Forest Lake	44
Oakdale	41
Roseville	21
Richfield	21
Hopkins	15

region's expected increase in low-income households over 2011 to 2020. Five communities added 10 percent or more of their ten-year allocation of affordable housing in this first year – Oakdale, Farmington, Minneapolis, Hopkins and Roseville. 76 communities with an allocation of affordable housing need added no affordable units in 2011; 25 additional communities with an allocation of affordable housing need added less than 10 affordable units in 2011.

The 2011 data on affordable housing units added to the region suggest the following questions about Council policy:

- The Council's Allocation of Affordable Housing Need for 2011-2010 suggested that Minneapolis and St. Paul should add 13 percent of the region's new affordable housing; in 2011, the two central cities added 63 percent of new affordable units in 2011. The development of the Green Line (Central Corridor) in Minneapolis and St. Paul is attracting both new residential development at all price levels and affordable housing in particular. Funders of affordable housing have prioritized projects along transit, making it more difficult for projects with no or limited transit access to obtain financing. To what degree has the growing importance of transit access to affordable housing created a mismatch between the market, available financing, and the Council's Allocation of Affordable Housing Need – particularly in suburban locations?
- Reducing the affordability threshold from 80 percent of area median income to 60 percent of area median income for owner-occupied units led to the share of affordable owner-occupied units dropping from 24 percent over 1996-2010 to seven percent in 2011. An affordability threshold for ownership housing at 80 percent would increase both the supply of affordable ownership housing and the demand of households interested in those housing opportunities. What level of affordability is appropriate for the affordable homeownership opportunities that the Council wants to encourage? Should the Council return to considering owner-occupied housing affordable to households earning 80 percent of area median income in addition to 60 percent of area median income?
- In 2011, 76 percent of the new affordable housing was rental. What should be the appropriate mix of rental and owner-occupied affordable units added to the region?
- What would help the 76 communities who added no affordable housing in 2011 add affordable units to meet their allocation of affordable housing need? Among these communities were communities that added large numbers of market-rate units like Bloomington (645 permitted units), Lakeville (223 units), and Waconia (125 units).