

Corpus Christi Housing Presentation

By Craig Klausing

11/11/18 and 11/18/18

Introduction:

I will be covering six things concerning housing in Minnesota, and affordable housing in particular.

1. What is affordable housing?
2. Why housing is important?
3. What is the condition and causes of the current housing market in Minnesota? (spoiler alert, it is not good)
4. What are the ramifications of the current housing situation?
5. What is currently being done to address this situation?
6. What *you* can do to become part of the solution?

So what is affordable housing?

What constitutes affordable housing can be subject to different definitions in different contexts. Generally, housing is affordable if it consumes 30% or less of household income. If a household is paying more than 30% of its income on housing, it is considered “cost burdened.”

- To put that in perspective, in 2018, the area median income (AMI) for a household of four in the Twin Cities Metropolitan Area is \$94,300.
- If you were making the median income, affordable for you would be \$2,357 per month.
- Of course, half of households are making less than the AMI. If you were a teacher and the sole earner in your family, making \$65,000 a year, (about 70% of AMI) affordable would be \$1,600.
- If you are making a wage of \$15 an hour, that is \$31,200 a year (about 34% of AMI). So, for you, affordable rent would be \$780 a month.

For some programs, “affordable” is defined as a percentage of AMI.

- Metropolitan Council has multiple definitions of affordability for rental housing:

2018 Rental Housin, 1 Bedroom \$531 \$885 \$1,062 \$1,416

- To qualify for a Section 8 voucher, low-income families are defined as families whose incomes do not exceed 80% of AMI.
- Very low-income families are defined as families whose incomes do not exceed 50% of AMI.
- The City of Roseville just completed a Housing Needs Assessment and they defined “affordable as housing that is income-restricted between 30% and 80% of the Area Median Income.” They also have a subsidized housing category which is less than 30%.

Housing projects

When people think of affordable housing, they often think of what could be called housing projects. You might think of the Cabrini-Green housing project on the south side of Chicago, or the housing project that used to be on the north side of Minneapolis. Let me say a couple of things about that. **First**, those sorts of “projects” are not being done anymore (not that I’m aware of). **Second**, those projects were less about housing and more about segregating poor people and people of color. If those projects weren’t designed to fail, they certainly weren’t designed to succeed.

People often ask about the association between “affordable housing” and crime. I suspect that part of this perception comes from these types of housing projects. Those large housing projects were constructed in areas of the highest poverty. Those were already areas with higher rates of criminal activity. The crime was not caused by providing affordable housing, but rather affordable housing was placed in areas of high crime.

I did a little independent research:

- I looked at reports of criminal activity as reported in the City of Roseville. There is no increase in criminal activity amidst units identified as affordable. The highest rates of criminal activity are near commercial areas (think Rosedale) and areas where cars are parked outside unattended.

I can also offer some anecdotal evidence on the point that quality affordable housing actually reduces crime. Cases in point: The Sienna Green project in Roseville, and Park Place on the Red Lake Reservation.

The many faces of affordable housing

On a very basic level, affordable housing simply means housing that consumes less than 30% of a household income. Much of affordable housing are just typical homes in the market place.

- According to the Joint Center for Housing Studies of Harvard University, the privately unsubsidized housing stock supplies three times as many low-cost affordable units than assisted projects nationwide.
- Three quarters of owner-occupied homes in the state are valued at under \$250,000 – a level generally considered affordable in today’s market.
- 38% of homes on Minnesota are valued at \$150,000 or less.
- The median priced owner-occupied home in Roseville had an estimated value of \$224,000 in 2016. About 30% (29%) of owner-occupied housing stock in Roseville is estimated to be valued between \$200,000 and \$249,999.
- Minnesota has about 366,000 apartments priced at a level that families who earn half the local median income can afford to rent.
- Naturally occurring affordable housing (NOAH), rental units on the private market that are relatively low in price because of condition, location, lack of amenities, or other market factors) account for 200,000 of those units.
- According to the Joint Center for Housing Studies of Harvard University, private unsubsidized housing stock supplies three times as many low-cost affordable units than assisted projects nationwide.
- In Roseville, one example would be the manufactured home park at Lexington and County Road C.

Further, even units intentionally built to be less than market rate apartments (usually subsidized) are largely built by the private sector, including non-profits and for-profit companies. Sienna Green, phases one and two, are built by Aeon Homes. Sand Companies has proposed to develop market rate and affordable rental housing at the intersection of Old Highway 8 and County Road D. Phase 1 is to have 59 units of affordable (tax credit) housing in one building. Subsequent phases are anticipated to include market rate and affordable rental housing units.

Why is housing important?

Obviously, housing is important for the very basic reason that it provides us with shelter from the elements. Particularly in a place with a harsh climate like Minnesota, being properly sheltered can literally mean the difference between life and death.

Beyond that, stable and affordable housing provides benefits that may be less apparent.

- If we can live near our place of work, it reduces the time and expense of commuting; leaving more time for community, health and family.
- Research indicates that kids are more likely to succeed in school and have better future job prospects when they don't suffer the stress of wondering where they will sleep.
- People with secure homes can more consistently access the care they need.
- Homeowners can build and pass on wealth, which can help break a cycle of poverty and generate resources to invest throughout the community.
- Seniors do better when they are integrated into their local communities and can choose a place to live that meets their physical, cognitive, and social needs.

So beyond merely sheltering us from the elements (which of course is vitally important) housing is the bedrock to a strong and healthy community and resilient and healthy individuals.

Minnesota has built a reputation of livability and opportunity, and homes that people can afford have been a key ingredient of that. However, that reputation and that reality are under threat due to a growing shortage of homes in Minnesota.

What is the current status of housing in Minnesota?

In a word, housing in Minnesota is stressed. Let me give you some statistics to help illustrate:

- A healthy housing market has a four to six-month supply of homes for sale ("months of supply" is the measure of how many months it would take for the current inventory of homes on the market to sell, given the current pace of home sales). In the Twin Cities metro area today, there is just over a two-month supply.
- In a rental market, a healthy vacancy rate is 5%. In Minnesota today, the vacancy rate is about 4% and in the metro area 2.2%.
- In Roseville, vacancy rates for market rate rental buildings were 1.3%. For affordable (which again Roseville defines as income-restricted between 30% and 80% of the Area Median Income) is 0.0% for affordable; and 0.0% for subsidized (below 30% of AMI)..
- In the last year home prices across Minnesota have increased 8.9%.

- Homes in Minnesota are now 26% more expensive on average than in neighboring states.
- Rents have increased 4.1% over the past year.
- Roughly 25% of households in Minnesota (550,000) are cost burdened, paying more than 30% of their income on housing costs. Twenty-eight percent of Twin Cities' households are cost burdened. More than 45% of renters are cost burdened.
- In Roseville, 21% of owner households and 40% of renters are cost burdened.

Why this shortage?

- Part of this relates to the Great Recession of beginning in 2007 and 2008. At that time there was a dramatic decline in home construction, resulting in a housing shortage.
- We are losing naturally occurring affordable housing (NOAH). Minnesota has about 366,000 apartments priced as a level that families who earn half the local medium income can afford to rent (half the medium income in the Twin Cities being \$47,150). Of those 366,000 affordable units, over 200,000 are NOAH units. However, Minnesota is losing about 2,000 of the units per year as low-priced properties are sold and improved, leading to rent increases.
- Currently, individual organizations – state agencies, cities, nonprofits, and developers – set plans and goals for housing production and preservation based on their individual resources and opportunities. There is not a systemic approach to solving the problem.

Also, specifically for the purpose of building more affordable housing, there are factors working against achieving that goal.

- There has been an increased cost of construction. When home construction declined, employment in that industry fell by half and many of those workers found new careers. Also, fewer young people entered the construction trades.
- Constructing a basic rental home, now costs roughly \$200,000, which requires rents that are too expensive for the average Minnesota renter.
- With the increased cost of construction and land acquisition, the market tends to deliver more expensive homes.

What is the consequence of this housing shortage?

There is an economic impact to the area.

- Underproducing at all price points, especially for low-income families, could mean the region could lose out on 88,000 jobs and the regional economy could face economic losses of more than \$10.7 billion over the next 20 years.

- When vacancy rates are too tight, or the supply of homes is too low, prices rise, and families may be stuck in homes that don't work for them.
- Renters to apply for the first available space, even if they can't afford it, reducing their disposable income for other crucial needs.
- Senior citizens may not be able to downsize or move to housing more appropriate to their needs
- Millennials and Baby Boomers are competing for homes in the moderate price range, particularly in walkable, transit connected communities.
- And of course, people at the margins cannot find housing that is "affordable" for them and may be pushed into homelessness.
- The state's lowest-income household and households of color are the renters most burdened by housing costs.

What is being done to address this housing shortage and particularly the shortage of affordable housing?

During the past year the Governor created a housing task force to look at the issue of housing in Minnesota and has come up with a series of recommendations.

Those recommendations are:

- Commit to homes as a priority. Currently, individual organizations – such as state agencies, cities, nonprofits, and developers – set plans and goals for housing production and preservation based on their individual resources. The report recommends flipping that system for a comprehensive approach that sets goals based on demand and need. That might also involve creating a dedicated, permanent funding source.
- Preserve the homes we have. The most cost-effective way to provide affordable housing is the preserve our existing housing stock. Maintaining older homes often requires rehabilitation or modernization, but these updates are almost always less expensive than building new and are frequently half the cost of new construction.
- Build more homes. Over the next 12 years, Minnesota will need to build 300,000 new homes to stabilize prices in the market and keep up with demand.
- Increase home stability (provide assistance for people to remain in their homes, particularly renters).
- Link homes and services.
- Support and strengthen homeownership. Create pathways to sustainable homeownership with a focus on removing barriers for households of color.

The Minnesota Housing Finance Agency has a number of programs to assist people with housing issues. For example, they make funds available for new construction and rehabilitation of rental property. There are programs to provide assistance to first time home buyers.

There are also private developers who, with the use of affordable tax credits, build below market rate apartments.

There are non-profit organizations that construct and manage affordable housing, both rental and owned. Aeon Homes is one. There is also CommonBond, which develops, owns or manages more than 6,000 affordable rental apartments and townhouses in 56 cities in Minnesota, Wisconsin, and Iowa. Habitat for Humanity is well known. Interfaith Action helps find permanent housing for homeless families through its Project Home program. Catholic Charities has a multitude of programs.

What can you do to be part of the solution?

- Educate yourself on housing issues. The governor's task force prepared a report, which is available on line, is entitled [More Places to Call Home: Investing in Minnesota's Future](#). If you want a good resource for familiarizing yourself with housing issues in Minnesota, I would highly recommend looking at this.
- Also, I would recommend the book "Evicted" by Mathew Desmond. The author follows 8 families in the Milwaukee area as they try and keep a roof over their heads. It's a great discussion about the interplay between poverty, live choices, market conditions, etc.
- "Show Me a Hero" Yonkers Mayor Nick Wasicsko takes office in 1987 and has to deal with the serious subject of the building of public housing in the white, middle class side of the town.
- Donate or volunteer for a non-profit that is doing work in creating affordable housing. I'm a big fan of Aeon Homes. I've been impressed with the work they've done. There are others though InterFaith Action, CommonGround Communities, Habitat for Humanity, Catholic Charities.
- Let your elected officials know that you support efforts to create and maintain affordable housing.