

How are policymakers improving housing affordability in large counties?

Seva Rodnyansky, Housing Policy Initiative
The Pew Charitable Trusts
2024 NCCAE – NACo Knowledge Forum

August 15, 2024

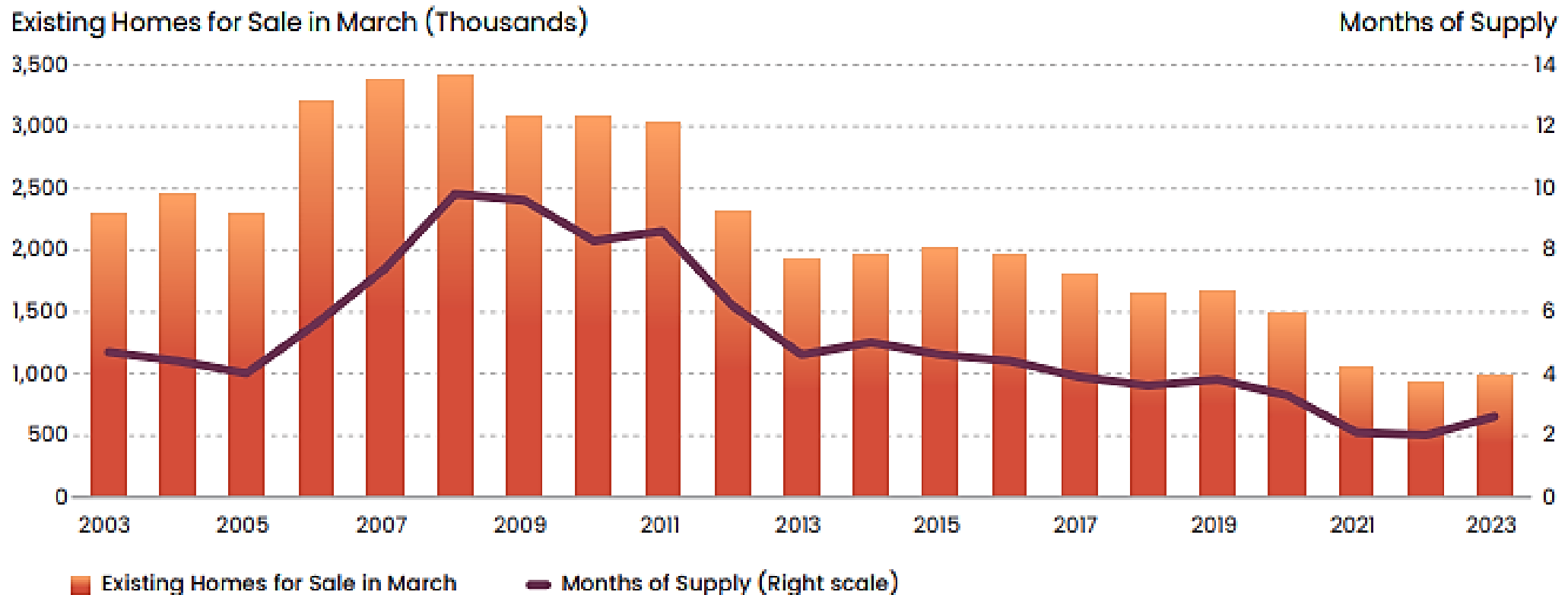
Pew

Rents Nationally Have Reached an All-Time High in the Past Year

- Half of renters are spending 30% or more of their income on rent
- One-quarter of renters are spending 50% or more of their income on rent
- Both figures have doubled since 1960
- Household size has reached an all-time low of 2.50
- 62.9% of U.S. households have 1 or 2 people

U.S. Supply of Homes Near an All-Time Low

Supply of Homes for Sale Remained Near Record Lows in Early 2023

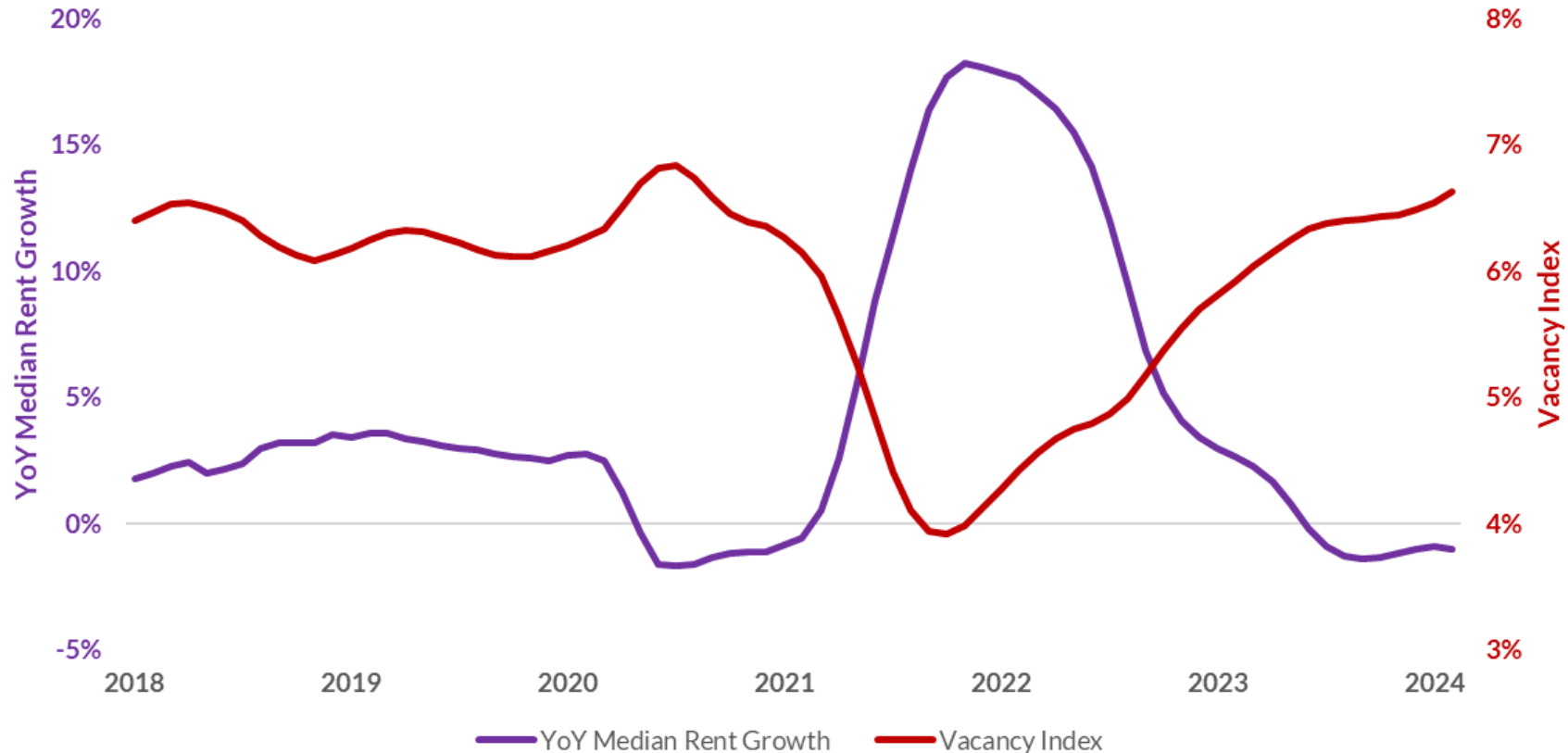


Notes: Months of supply measures how long it would take homes on the market to sell at the current rate. Six months is typically considered a balanced market.

Source: JCHS tabulations of NAR, Existing Home Sales

Rents Rise Quickly When Shortages Occur

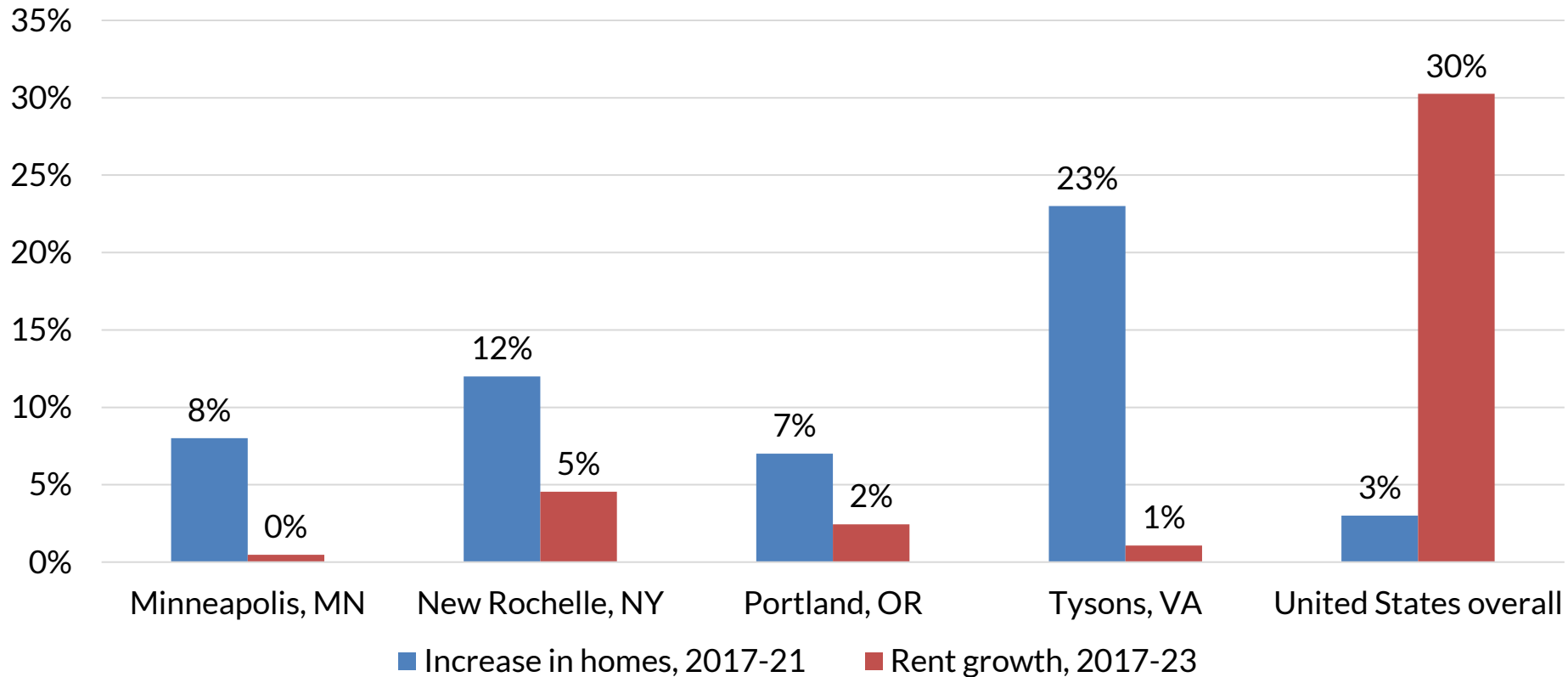
Rent Growth vs. Vacancy Rate in the United States



Source: Apartment List Rent Estimate Data

New Data Confirms More Supply = Lower Housing Costs

Rent Growth Is Low Where Housing Has Been Added



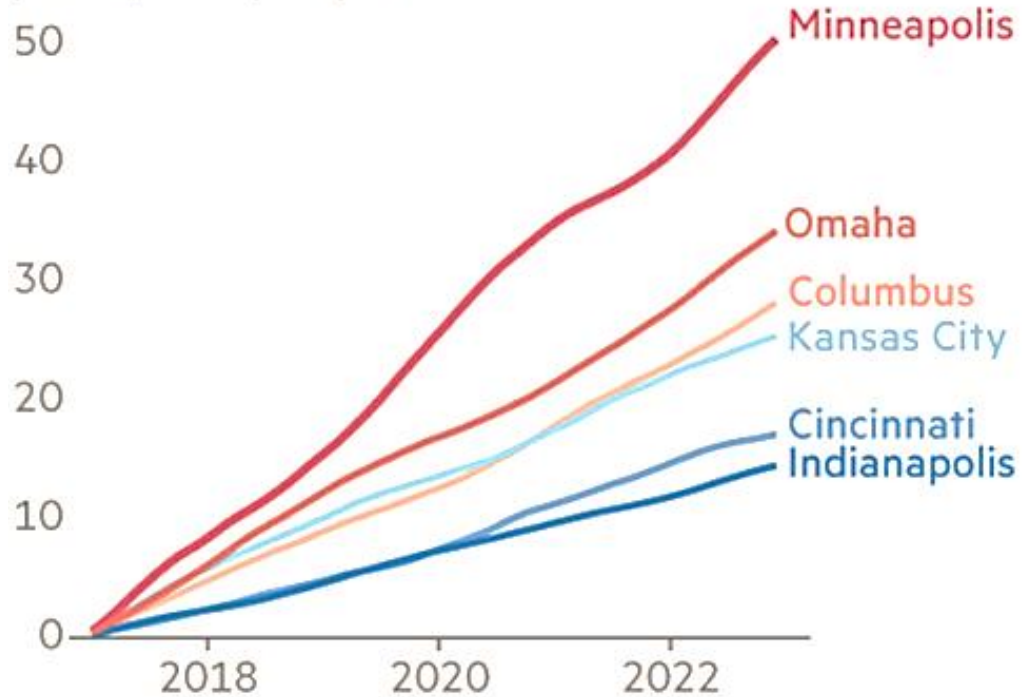
The four local jurisdictions shown added proportionally more households than the U.S. overall from 2017-21—indicating low demand was not the cause of their slow rent growth.

Source: Pew's analysis of Apartment List rent estimate data (Jan. 2017-Jan. 2023) and U.S. Census data on housing units (2017-2021)

Minneapolis Has Built More Housing Than Other Midwestern Cities...

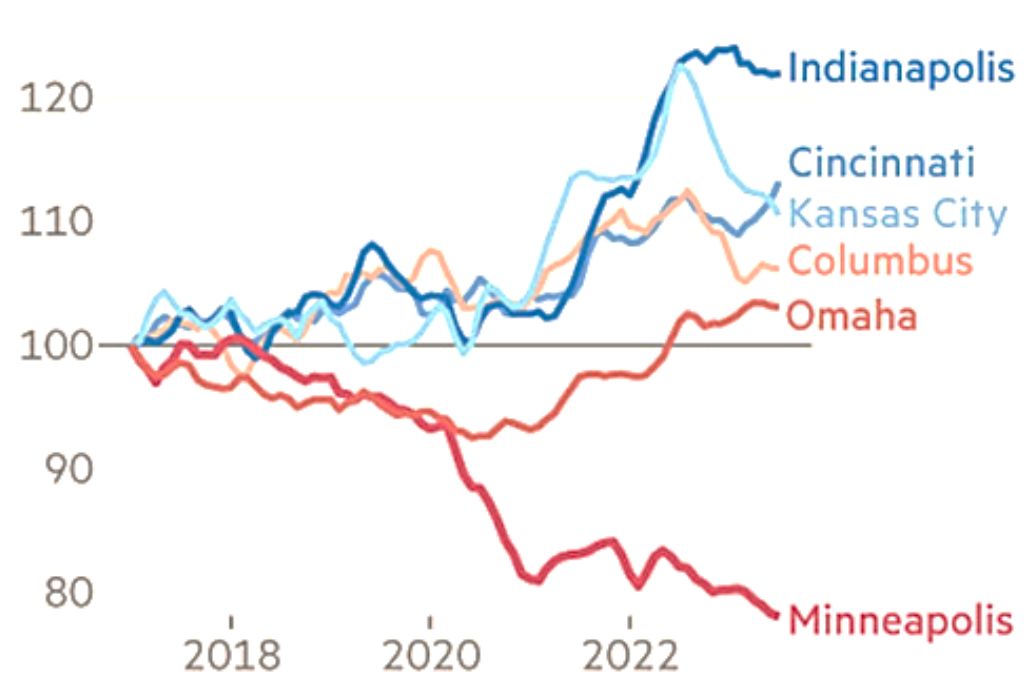
And the city is reaping the rewards as rents fall relative to inflation

Cumulative new dwelling approvals per 1,000 people



Sources: Financial Times analysis of data from State of the Cities Data Systems, Apartment List, BLS, Census Bureau

Real-terms change in median rent (Jan 2017 = 100)



*Rents deflated by average incomes

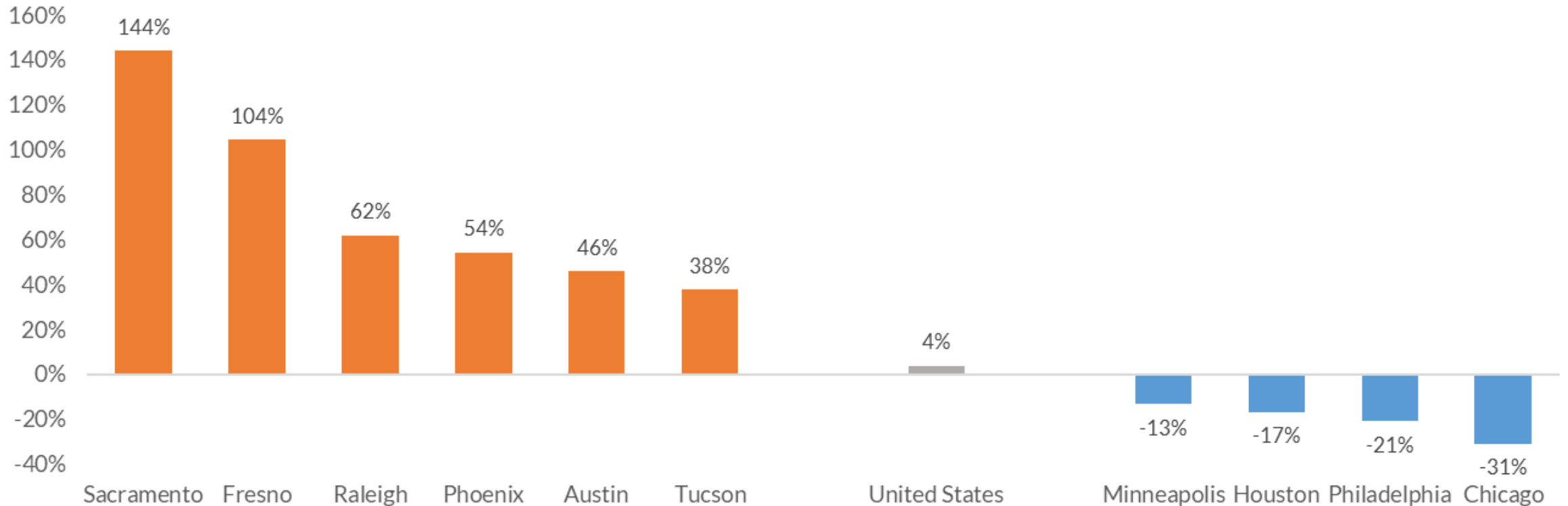
Minimum Lot Sizes Contribute to High Housing Costs

- Minimum lot sizes raise housing costs by forcing buyers to purchase more land than they want (U of Montana 2021 study, other studies)
- Houston reduced its minimum lot size from 5,000 sq. ft. to 1,400: 80,000 townhouses resulted
- 2,500 sq. ft. Houston townhouses affordable just above area family median income
- Rent growth slower than Dallas

How Housing Costs Drive Homelessness Levels

Homelessness Increased in Areas Where Rents Soared

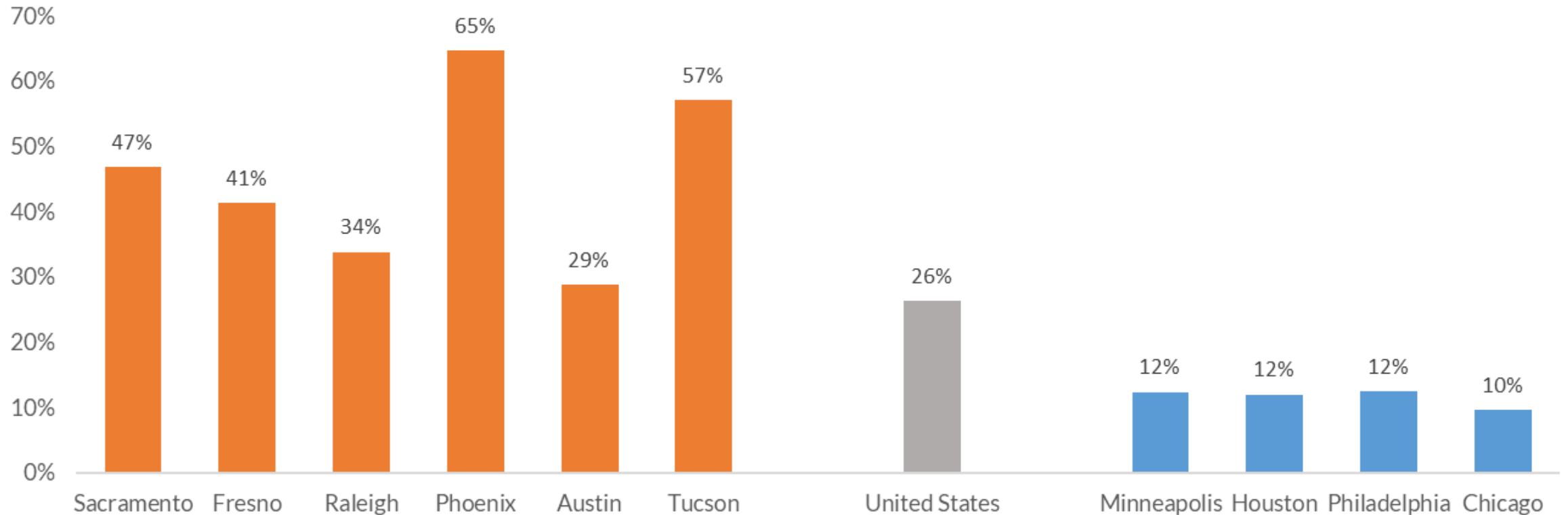
Percent change in homelessness per 10,000 residents, 2017-2022



Sources: Homelessness data come from the Department of Housing and Urban Development's Point-in-Time estimates in 2017 and 2022. Population data comes from the 2017 and 2021 American Community Survey (ACS) 1-year population estimates from the U.S. Census Bureau. Rent levels come from Apartment List's Rent Estimate data in January 2017 and January 2022, downloaded on June 15, 2023. The city names listed refer to the Continuum of Care (CoC) covering this city, which are most often the county, but sometimes cover multiple counties (Wake County for Raleigh, Maricopa County for Phoenix, Hennepin County for Minneapolis, etc.). When CoCs cover multiple counties, rent data for the largest county in the CoC was used.

Homelessness Increased in Areas Where Rents Soared

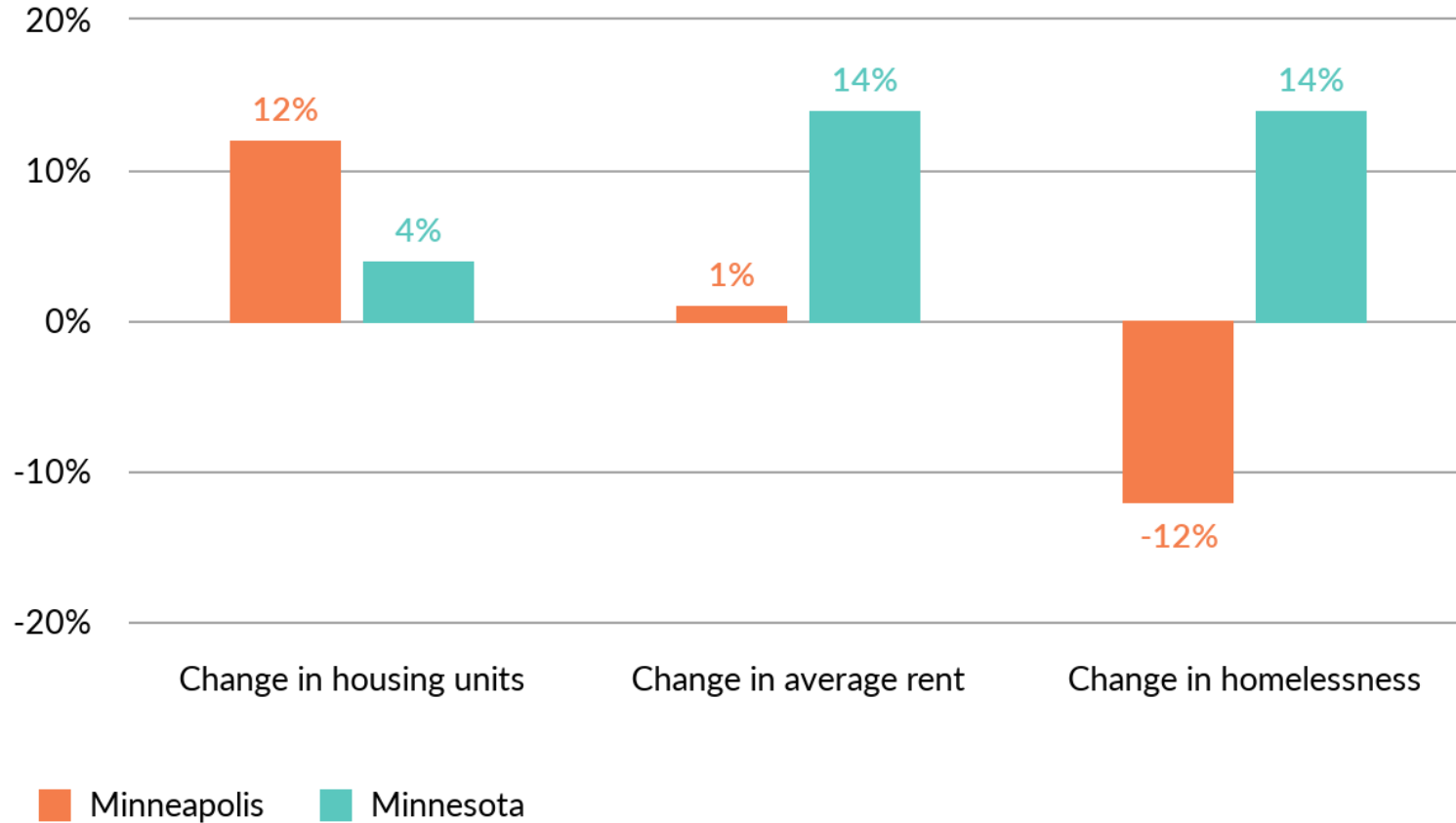
Percent change in rents, 2017-2022



Sources: Homelessness data come from the Department of Housing and Urban Development's Point-in-Time estimates in 2017 and 2022. Population data comes from the 2017 and 2021 American Community Survey (ACS) 1-year population estimates from the U.S. Census Bureau. Rent levels come from Apartment List's Rent Estimate data in January 2017 and January 2022, downloaded on June 15, 2023. The city names listed refer to the Continuum of Care (CoC) covering this city, which are most often the county, but sometimes cover multiple counties (Wake County for Raleigh, Maricopa County for Phoenix, Hennepin County for Minneapolis, etc.). When CoCs cover multiple counties, rent data for the largest county in the CoC was used.

After Zoning Reform, Minneapolis Rent Growth Slowed, Homelessness Dropped

Percent change, 2017-2022



Sources: ACS Census Bureau for housing supply; Apartment List Rent Estimate data for rents; HUD Point-in-Time count data for the CoC covering the listed jurisdiction for homelessness

How State Policymakers Have Engaged On Housing

States Ensuring Localities Allow More Housing Types

- Enabling accessory dwelling units (ADUs)
- Legalizing small multifamily in many places
- Legalizing multifamily in commercial areas
- Streamlining permit approval processes
- Building code reforms, some allow manufactured homes
- Limiting parking mandates

Building Code Reforms Enacted by States in 2023 & 2024

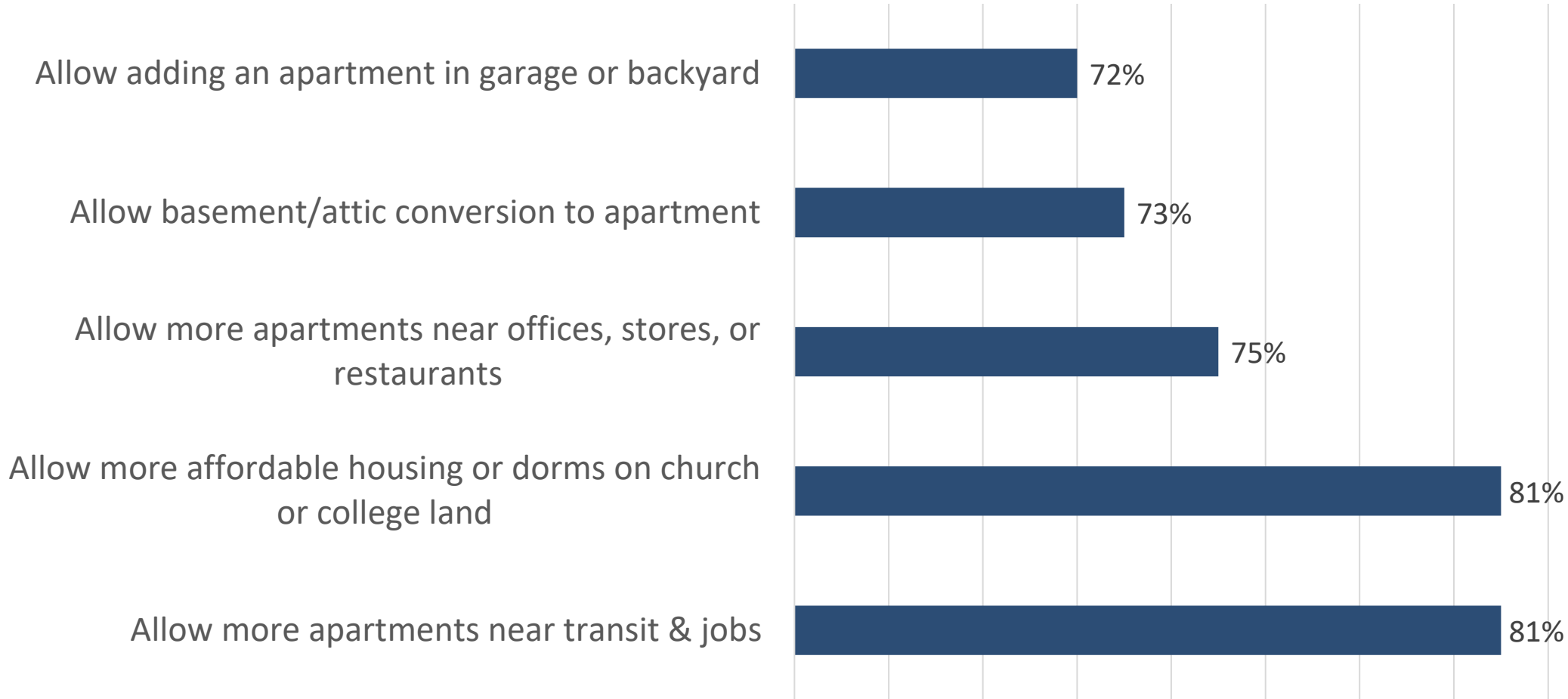
- **Single-stair:** Studying feasibility of allowing one staircase for 4-6 story buildings instead of mandating two staircases to enable these buildings on small lots (VA, CA, OR, WA).
- **Micro-units:** Legalizing micro-units/co-housing wherever multi-family housing is allowed (OR, WA).
- Moving 3-4 unit buildings or 3-6 unit buildings under less-costly residential code with 1 & 2-unit homes (NC's 2023 HB488 and a study version, 2024's HB2071 in WA).

Office-to-Residential Conversions

- Office-to-apartment/condo conversions proving costly (often \$500k-\$800k/unit, with \$400/sq. ft. conversion cost common)
- Preliminary evidence: office-to-dorm/co-living conversions much less expensive, could add low-cost housing
- But often blocked by local zoning or building codes
- Pew study forthcoming

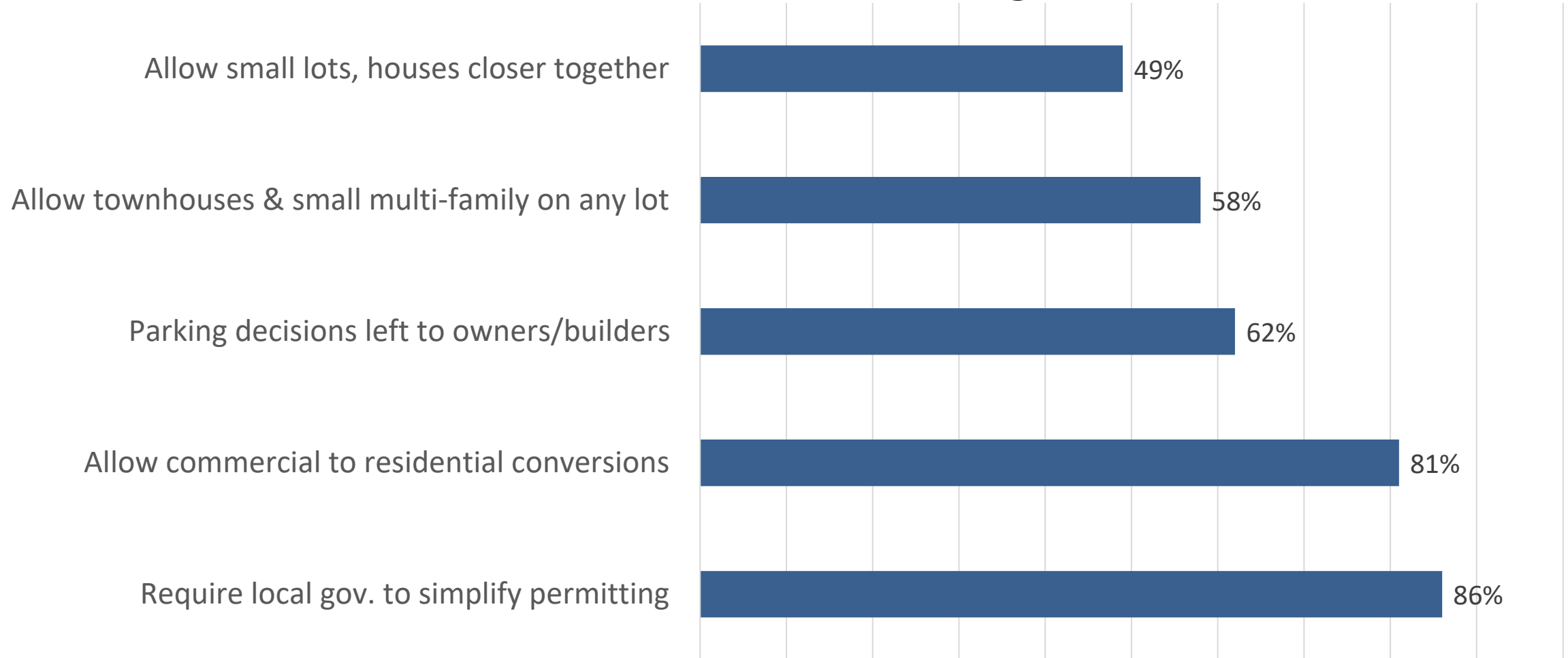
Sources: [From Workspace to Homebase](#), the San Francisco Bay Area Planning and Urban Research Association; [Flexible Co-Living](#), The 5BORO Institute

2023 Pew Survey: Share of Americans Favoring Each Policy



Source: <https://www.pewtrusts.org/en/research-and-analysis/articles/2023/11/30/survey-finds-large-majorities-favor-policies-to-enable-more-housing>

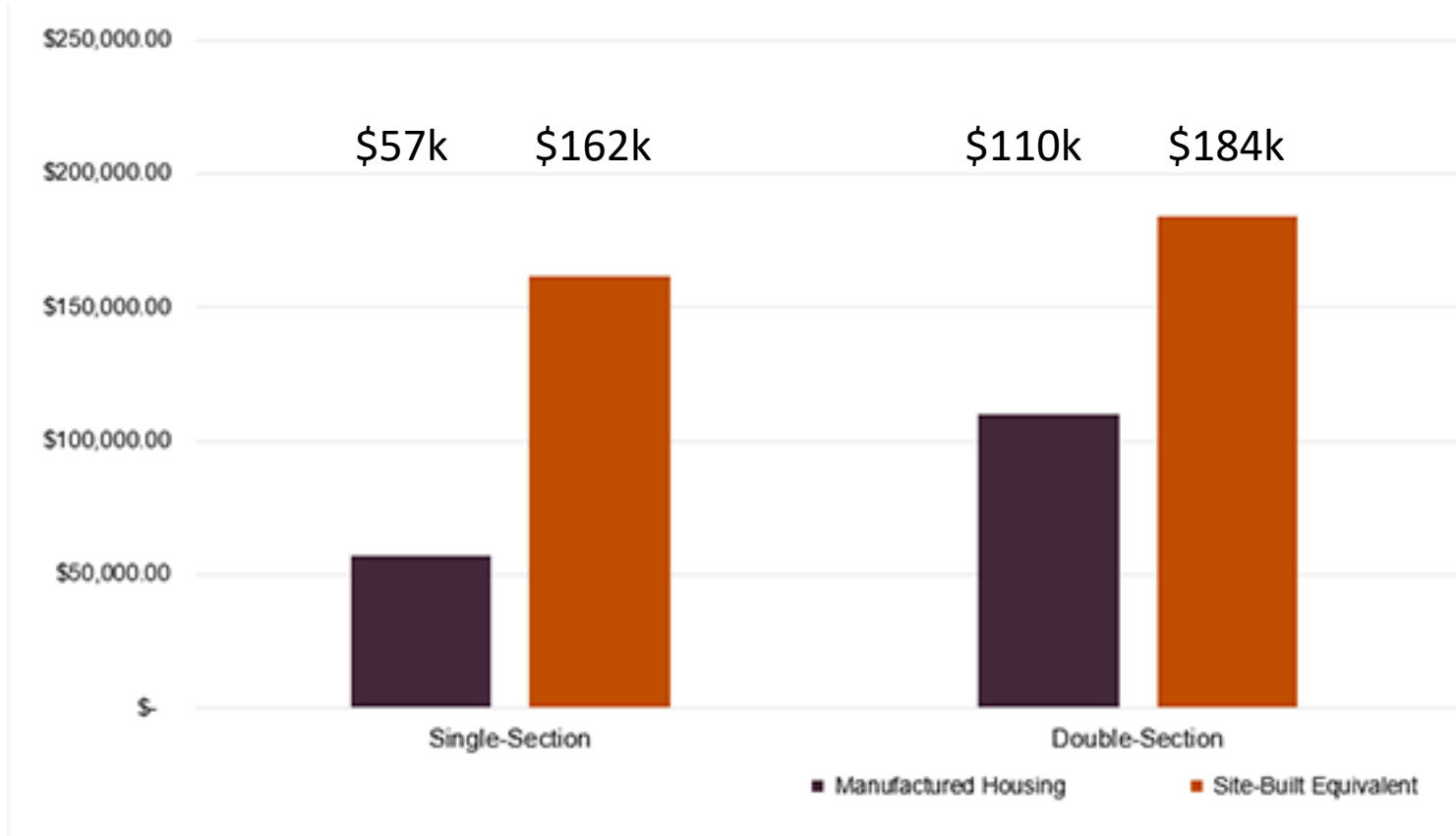
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Manufactured Housing

Cost figures from 2020, for home excluding land



New manufactured housing is considered similar quality to site-built.

Many 2024 models are net zero ready (adding solar panels can cover all energy usage).

Trend toward states allowing manufactured housing anywhere site-built is allowed (including 2024 Maine law).

Source: Joint Center for Housing Studies at Harvard, Comparison of the Cost of Manufactured and Site-Built Housing, 2023

What Do Today's Manufactured Homes Look Like



Manufactured Homes Can Be a Lower-Cost Housing Option

- **Federal housing standard:** Must be built to a national building code set by the U.S. Department of Housing and Urban Development (HUD) and updated periodically since 1976.
- **Opportunities to fill housing supply shortage:** Lack of new, smaller, and more affordable starter homes – manufactured housing can be EnergyStar certified.
- **Lower cost due to factory efficiency:** According to new research from the Harvard Joint Center for Housing Studies a single-section manufactured home can save over \$100,000 compared to a site-built home.



Photo credit: [Clayton Homes](#)

Contact

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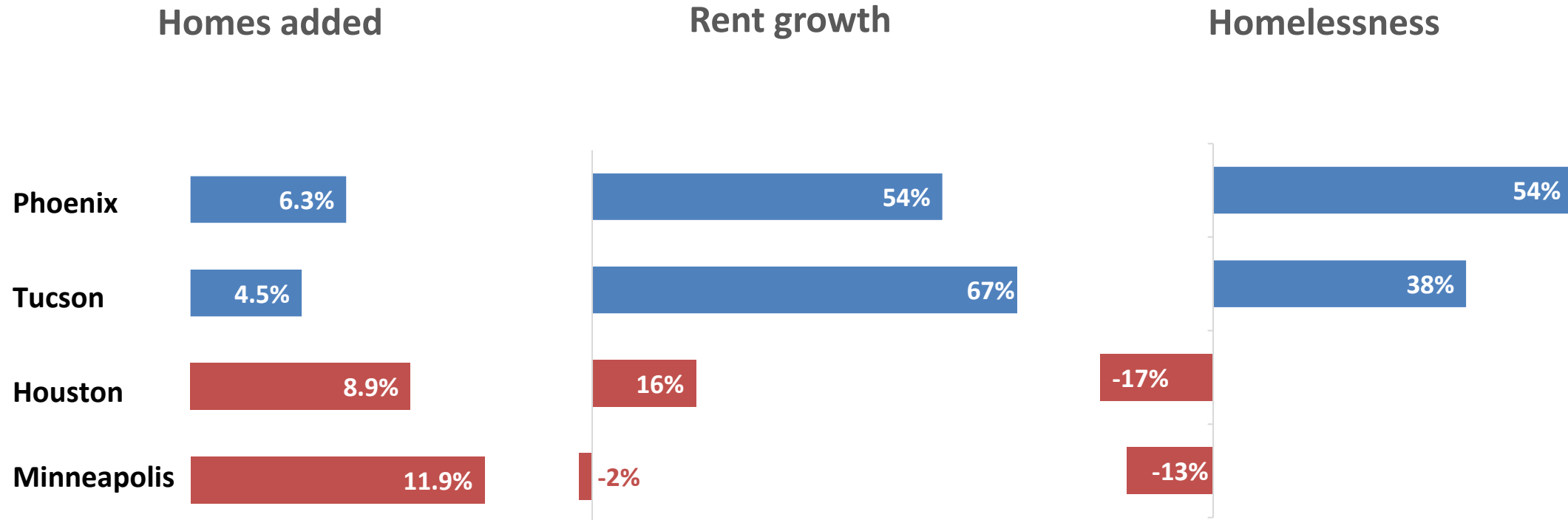
Low Housing Supply Hurts Affordability



Source: Federal Reserve Economic Data; National Association of Realtors Monthly Supply Data

Housing Shortages Have Pushed Up Rents, Homelessness

Percent change, 2017-2022 (2017-2023 for rents)



Sources: ACS Census Bureau for housing supply; Apartment List Rent Estimate data for rents; HUD Point-in-Time count data for the CoC covering the listed city for homelessness

ADUs Are Naturally Affordable and Have Required Comprehensive, Permissive Laws to Reach Scale

Location on already developed lots, smaller sizes, and fewer amenities mean accessory dwelling units (ADUs) often rent for less than other newly built homes.



Without subsidies, about 1 in 3 ADUs ...

- Are affordable to those making $\leq 80\%$ area median income (AMI) in 5 high-cost California counties.
- House residents making $\leq 70\%$ AMI in Vancouver, British Columbia.

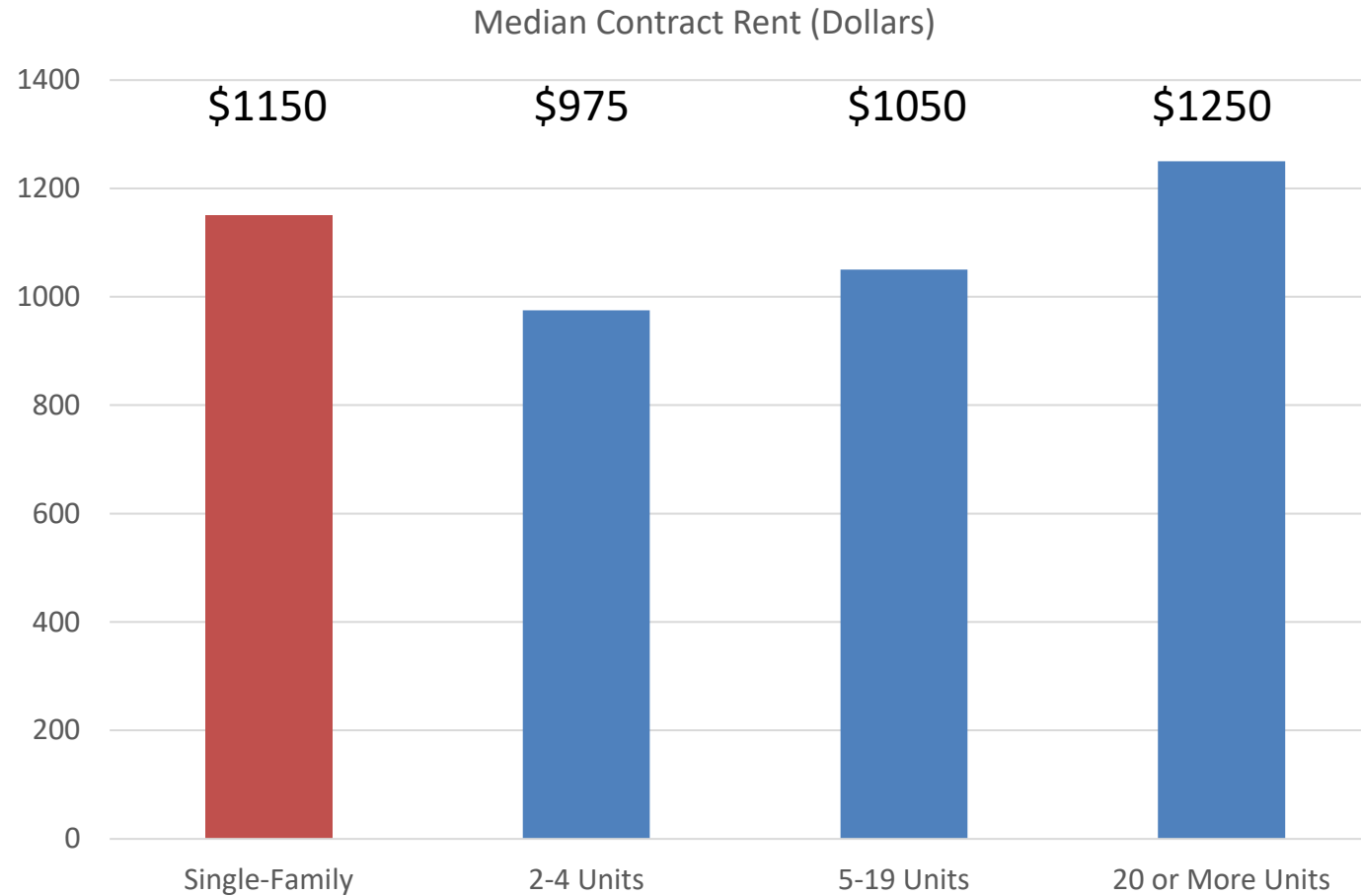
With preapproved designs and vendors, ADU permitting takes ...

- 1 day in Los Angeles.
- 1 hour in San Jose.

9 states have legalized ADUs on all or nearly all single-family lots

Sources: UC Berkeley Center for Community Innovation, 2021; AARP, 2021

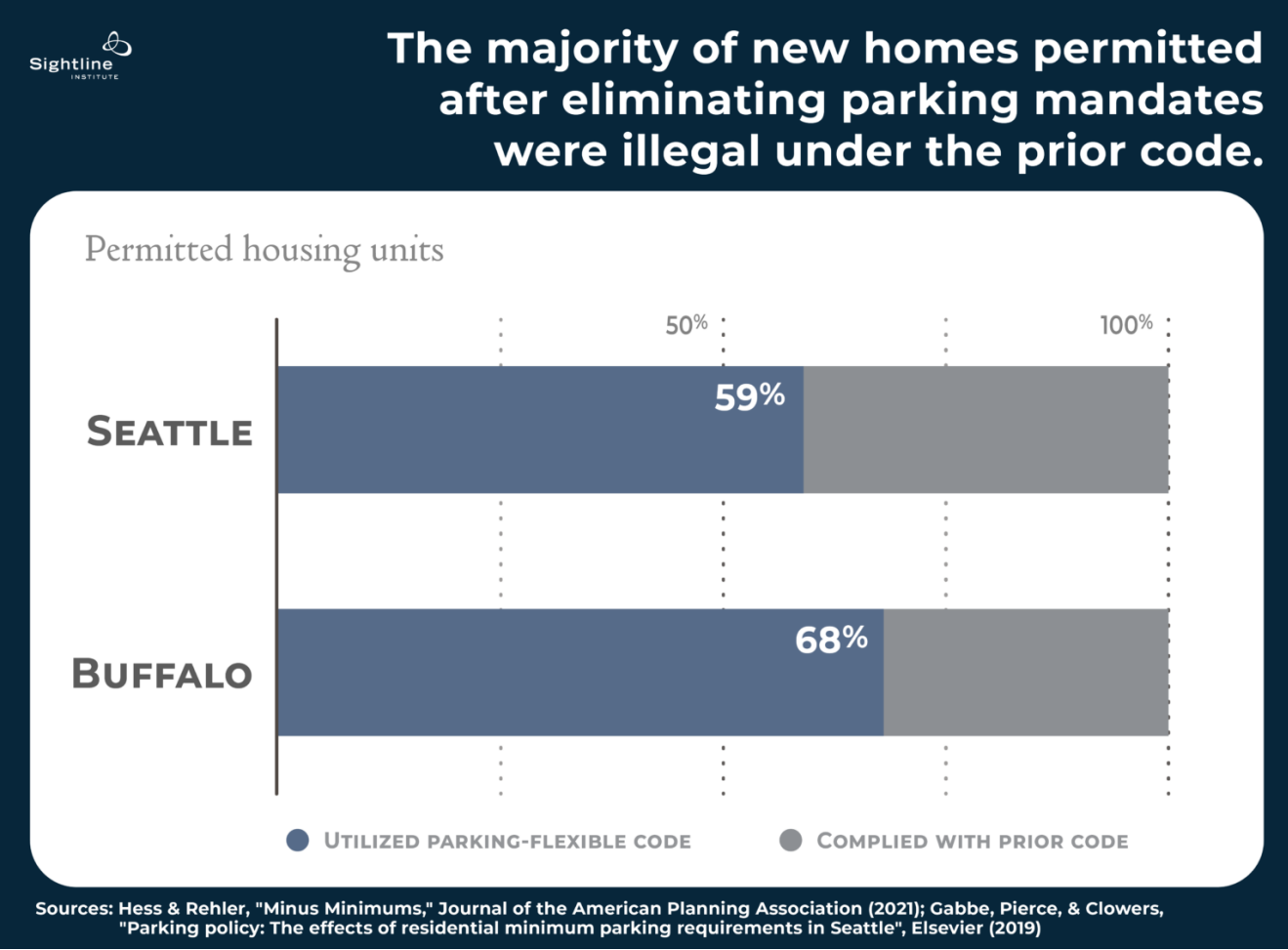
— Small multi-family has lowest rents, but often prohibited by local zoning



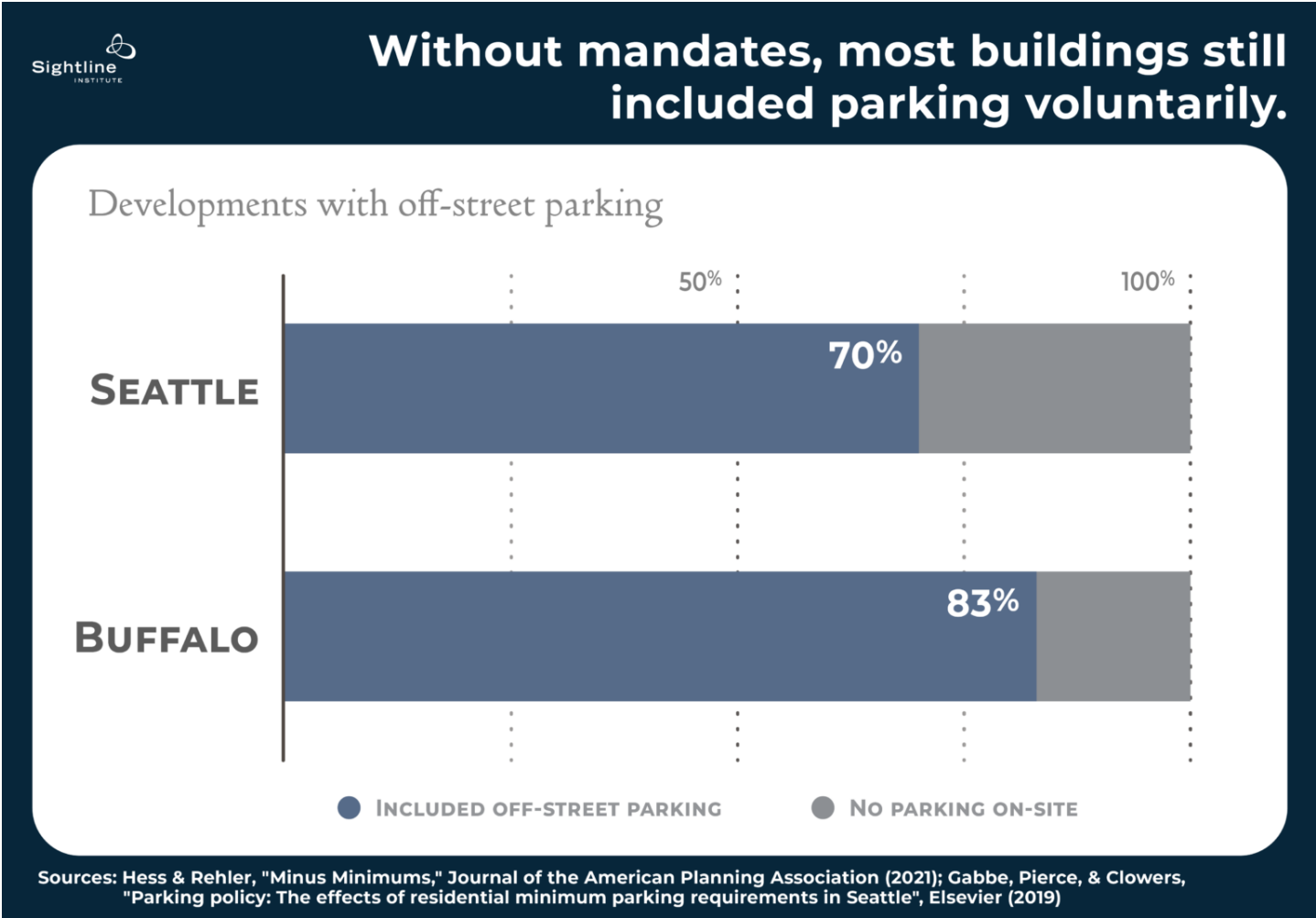
Notes: Rental Units may be occupied, vacant for rent, or rented but unoccupied. Contract rent excludes utilities paid separately

Source: 2022 American Community Survey 1-Year Estimates

Increased Parking Flexibility Has Improved Housing Supply, Affordability



Most Housing Includes Some Off-Street Parking, Even When Optional





Dakota County
Community Development
Agency

Managing Growth: Housing Challenges

NCCAE-NACO KNOWLEDGE MANAGEMENT FORUM

AUGUST 15, 2024

2021 County Profile

Dakota

161,488 Households | TWIN CITIES REGION

Access to safe, affordable homes builds a strong foundation for families and communities. But too many Minnesotans lack good housing options.



Mirroring the state trend, the price of rent continues to rise and incomes are not keeping up, making it increasingly challenging for renters to make ends meet.

The income for families is not rising at the same pace as home values, making it more difficult for families to purchase and own a home.



RENTER HOUSEHOLDS



41,967 | 26% of all households

Median rent, 2000:	\$1,069		rent up	10%
Median rent, 2019:	\$1,174			
Renter income, 2000:	\$52,837		income down	-10%
Renter income, 2019:	\$47,649			



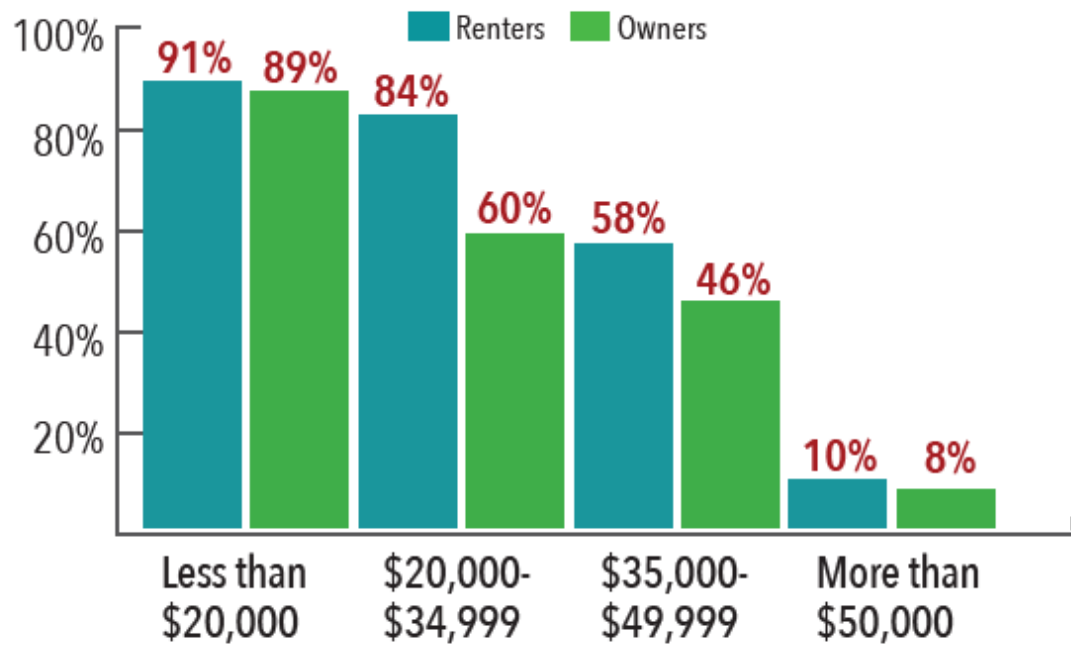
OWNER HOUSEHOLDS

119,521 | 74% of all households

Home value, 2000:	\$219,780		value up	21%
Home value, 2019:	\$266,000			
Owner income, 2000:	\$103,715		down arrow	-1%
Owner income, 2019:	\$102,585			

38,343 households in Dakota County pay more than 30 percent of their income toward housing costs, putting them at risk of being unable to afford basic needs like food and medicine. 14,716 are severely cost-burdened and pay more than 50 percent of their income on housing.

COST BURDEN Percentage of households paying more than 30% of their income toward housing.



Number of households paying more than 30% of their income toward housing

	RENTERS	OWNERS
Under \$20,000	5,890	3,677
\$20,000-34,999	5,937	4,497
\$35,000-49,999	4,361	4,311
Over \$50,000	1,982	7,688
Seniors	5,165	6,754
All cost-burdened households	18,170	20,173

SEVERE COST BURDEN Number and percent of households paying more than 50% of their income toward housing.

Severe Renter Cost Burden **8,118** households or **20%** of all renter households

Severe Owner Cost Burden **6,598** households or **6%** of all owner households

Future Need

- Market rate = above 80% AMI
- Affordable = 40-80% AMI
- Subsidized = below 40% AMI

TABLE DMD-1 SUMMARY OF ADDITIONAL GENERAL OCCUPANCY RENTAL DEMAND BY COMMUNITY DAKOTA COUNTY 2020 to 2040						
City	2020 - 2030			2030 - 2040		
	General Occupancy Rental			General Occupancy Rental		
	Market Rate	Affordable	Subsidized	Market Rate	Affordable	Subsidized
Apple Valley	700 - 740	375 - 395	320 - 340	825 - 845	285 - 315	210 - 230
Burnsville	505 - 605	410 - 430	330 - 350	1,265 - 1,285	370 - 410	295 - 315
Eagan	1,180 - 1,280	165 - 215	245 - 265	1,895 - 1,915	390 - 430	315 - 335
Inver Grove Heights	870 - 890	450 - 470	290 - 310	845 - 865	375 - 415	225 - 245
Lilydale	30 - 50	10 - 15	10 - 15	40 - 60	10 - 10	0 - 20
Mendota	5 - 5	5 - 5	5 - 5	0 - 10	0 - 0	0 - 0
Mendota Heights	45 - 65	20 - 40	25 - 45	35 - 55	20 - 25	15 - 35
South St. Paul	185 - 205	160 - 180	115 - 135	185 - 205	145 - 160	85 - 105
Sunfish Lake	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
West St. Paul	35 - 95	180 - 200	140 - 160	170 - 190	150 - 165	105 - 125
Developed Subtotal	3,555 - 3,935	1,775 - 1,950	1,480 - 1,625	5,260 - 5,430	1,745 - 1,930	1,250 - 1,410
Farmington	200 - 220	125 - 145	110 - 130	210 - 235	125 - 140	105 - 125
Hastings	100 - 140	120 - 150	180 - 210	235 - 255	160 - 175	140 - 160
Lakeville	145 - 245	205 - 225	155 - 175	605 - 670	195 - 215	140 - 160
Rosemount	45 - 75	65 - 95	110 - 140	295 - 330	130 - 145	120 - 140
Suburban Edge Subtotal	490 - 680	515 - 615	555 - 655	1,345 - 1,490	610 - 675	505 - 585
Rural Subtotal	110 - 140	40 - 70	15 - 45	75 - 105	25 - 55	5 - 35
Dakota County Total	4,155 - 4,755	2,330 - 2,635	2,050 - 2,325	6,680 - 7,025	2,380 - 2,660	1,760 - 2,030

Note: Demand figures already account for proposed, approved, and under construction projects as of August, 2019.
Source: Maxfield Research and Consulting, LLC.

Budget Message (pp. 1-3)

- **Special Benefits Tax Levy Support**

Levy Use	FYE 2024	FYE 2025	Change
- Common Bond Housing	\$5,600,000	\$5,600,000	\$0
- HOPE Program	1,500,000	1,500,000	0
- Economic development (HD&R)	312,736	326,515	\$13,779
- RIG Program (HD&R)	37,439	715,289	677,850
- Lincoln Place rental assistance	52,304	57,308	5,004
- Land banking / new construction	1,766,977	2,587,373	20,396
Total Uses	\$9,269,456	\$10,786,485	\$1,517,029

Dakota County CDA Funding Resources for Affordable Housing

Main Sources

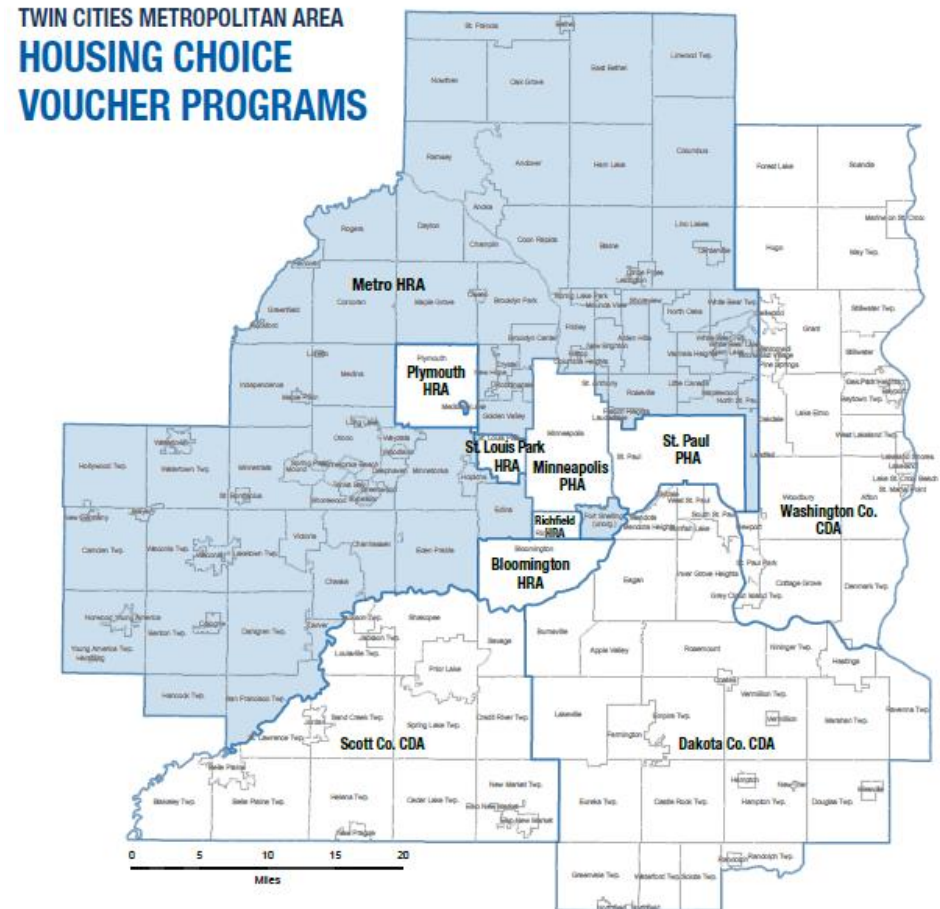
- **Tax-Exempt Multifamily Housing Revenue Bonds**
 - Private/Non-profit developers
 - 2023 bonding authority = \$30.8 million
 - Comes with “automatic” 4% Tax Credits
 - Enough for a approx. 170-200 unit project
- **9% Tax Credits**
 - CDA workforce housing
 - Private/Non-profit multifamily developers (Ron Clark, MWF, TCHDC)
 - 2024 allocation = \$1,083,326
 - Enough for one 40-45 unit project
- **GO Bonds (CDA senior housing, Gateway Place)**
 - Dakota County Levy supported

Gap Financing

- **HOME**
- **HOPE**
- **TIF**

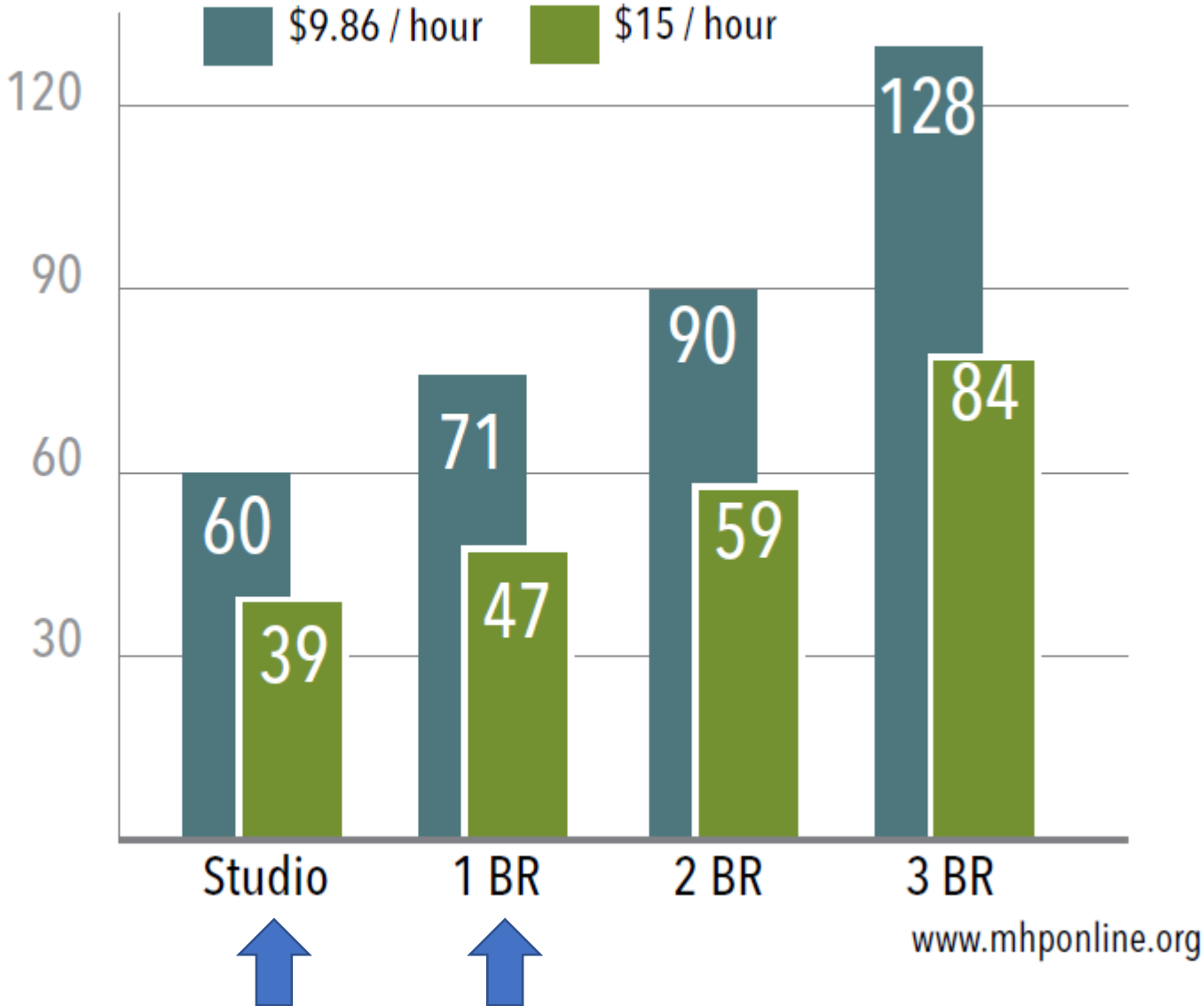
Housing Choice Voucher Providers

- PHAs and HRAs
 - Met Council – 6,818
 - Minneapolis – 6,323
 - St. Paul PHA – 4,768
 - Dakota County CDA – 2,796
 - Bloomington – 565
 - Scott County CDA – 432
 - St. Louis Park – 363
 - Richfield – 236
 - Plymouth – 225
 - Washington County CDA – 210





Hours of work at minimum wage to afford rent in the Twin Cities



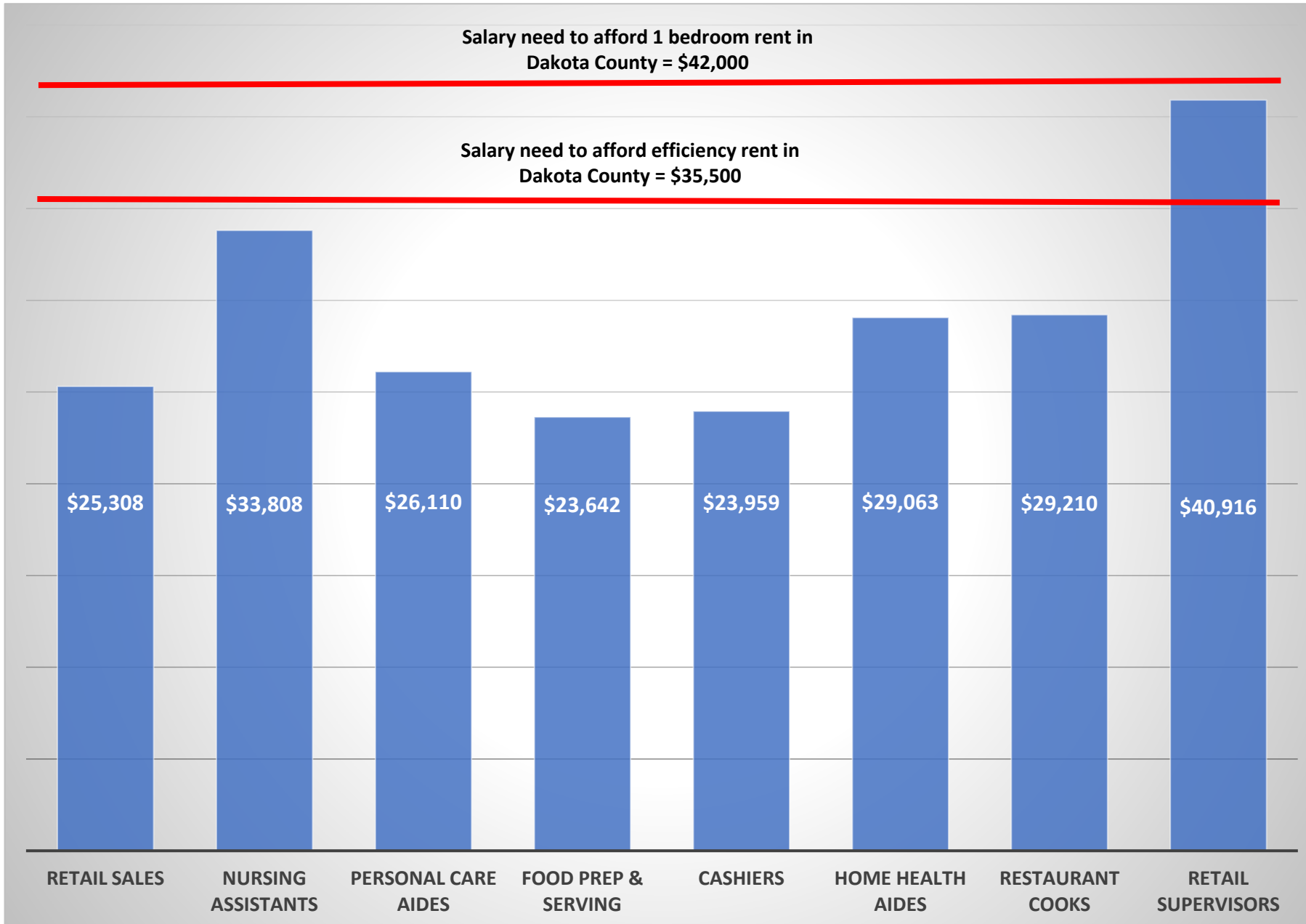
Salary need to afford 1 bedroom rent in
Dakota County = \$42,000

Salary need to afford efficiency rent in
Dakota County = \$35,500

Dakota County Average Rents

- Efficiency = \$891
- 1 Bedroom = \$1,058

Source: CoStar



Gateway Place, West St. Paul

- Corner of South Robert Street & Annapolis.
- CDA worked closely with the City of West St. Paul to realize redevelopment of this area and voluntarily acquired buildings along South Robert Street.
- Site is large enough to accommodate two developments.
-



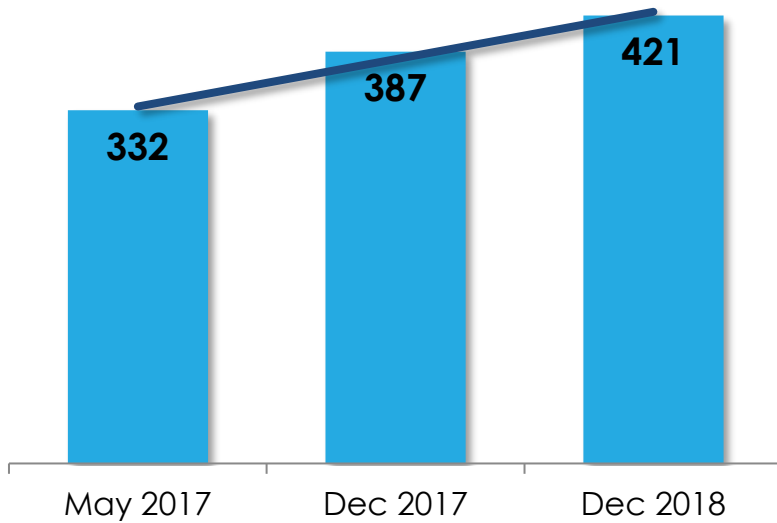
Gateway Place, West St. Paul

- **54 units of general occupancy affordable housing serving households at or below 60% of Area Median Income**
- **Opening fall 2021**
- **Income Limits**
 - 1 person household = \$43,440
 - 2 person household = \$49,860
- **Rents**
 - Efficiency = \$750/month
 - 1 bedroom = \$850/month
-

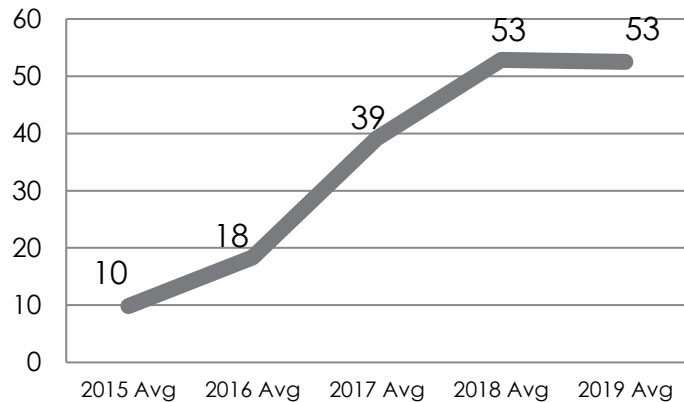
A multi-story apartment building with a sign that reads "CASHING PLACE APARTMENTS 6029". The building has a modern design with a mix of dark and light-colored panels and numerous windows. The text "Collaborating To Solve Housing Needs For Homeless Families" is overlaid in the center of the image.

Collaborating To Solve Housing Needs For Homeless Families

Number of Households on Coordinated Entry List

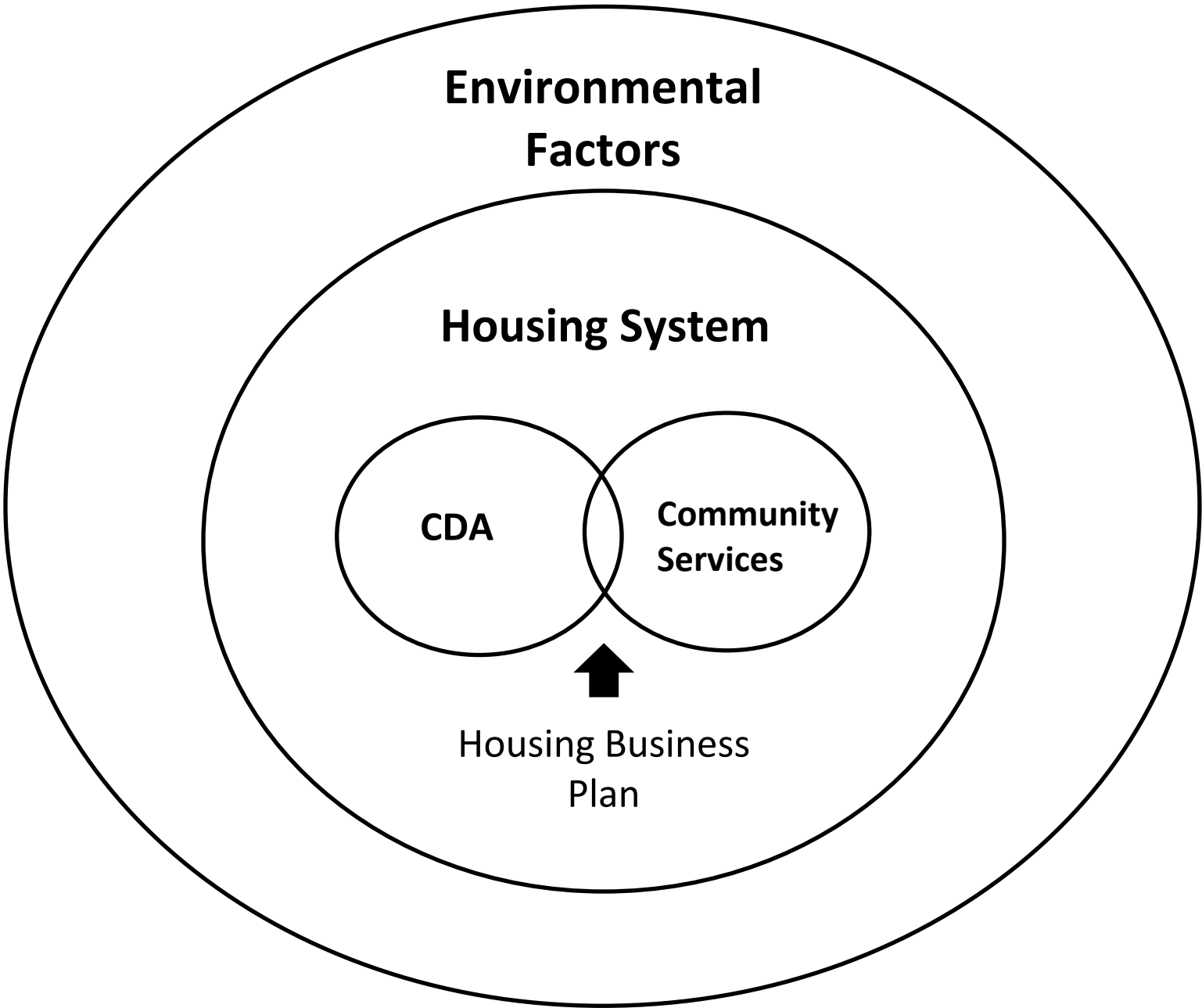


Number of Families on Dakota Woodlands Waitlist



Issue Identification

- In 2017, the Dakota County Board adopted a Housing Business Plan. The goal was to create adequate housing and service resources to address the need on the Coordinated Entry Priority List.
- Coordinated Entry List continued to grow
- Waiting list for families on the shelter waiting list was increasing
- Flow from family homeless shelters into permanent affordable housing was slow due to a number of factors (ie. rental assistance, availability of affordable housing)
- Cost of “emergency room” housing resources is high



**Environmental
Factors**

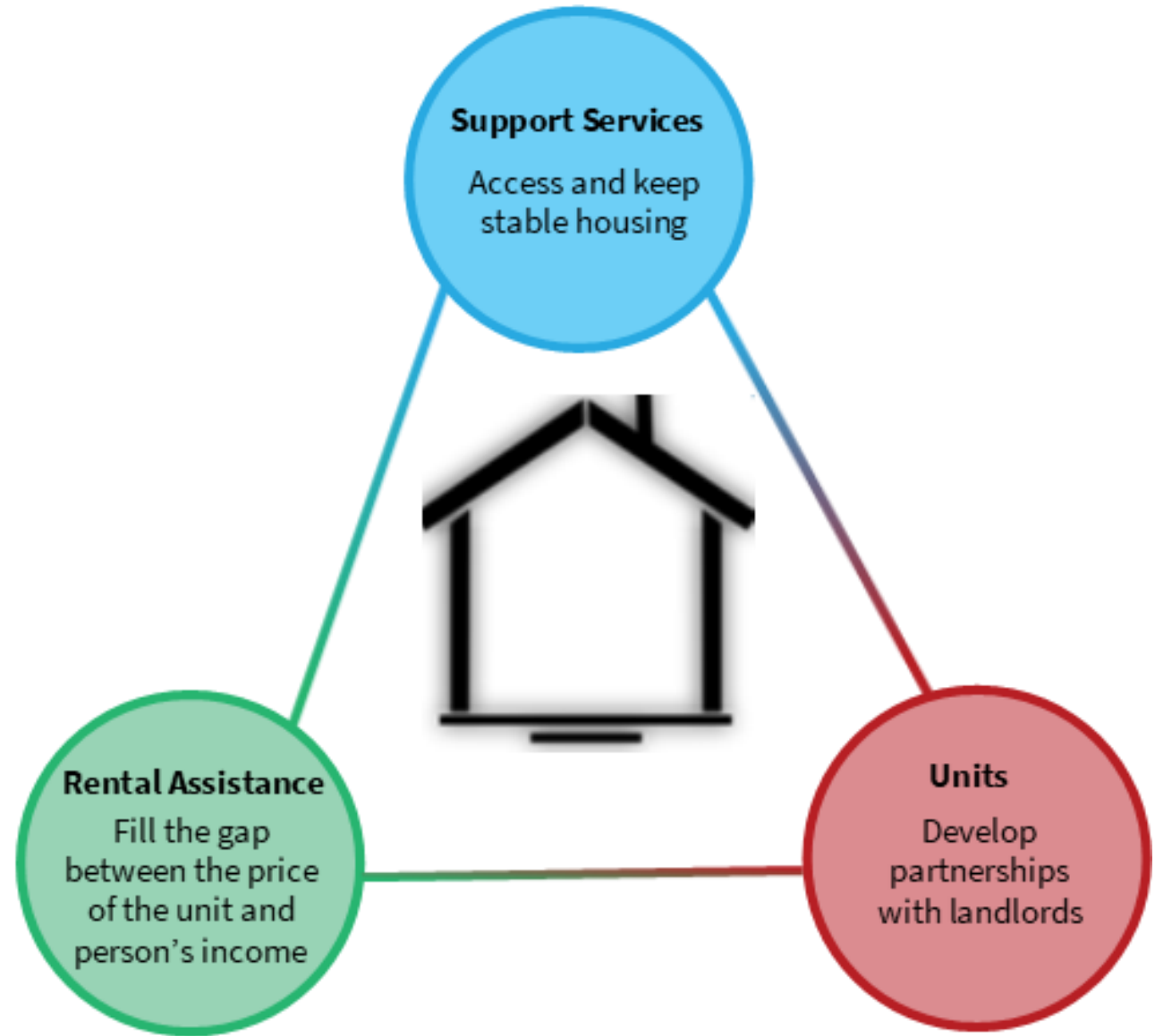
Housing System

CDA

**Community
Services**

Housing Business
Plan

Elements of the Housing Business Plan

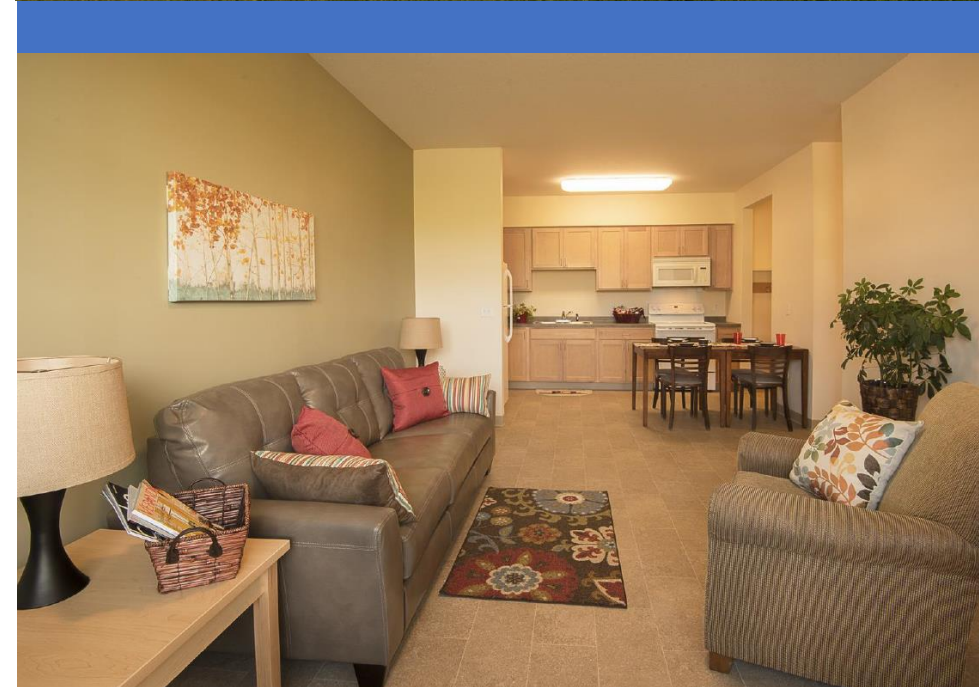


Cahill Place

- Developer – Center City Housing Corporation
- Land purchased from River Heights Vineyard Church
- 40 units – two and three bedrooms
- Underground and off-street parking
- Secure building
- Early childhood programming space
- Offices for supportive services staff
- Building opened in fall 2020; fully leased

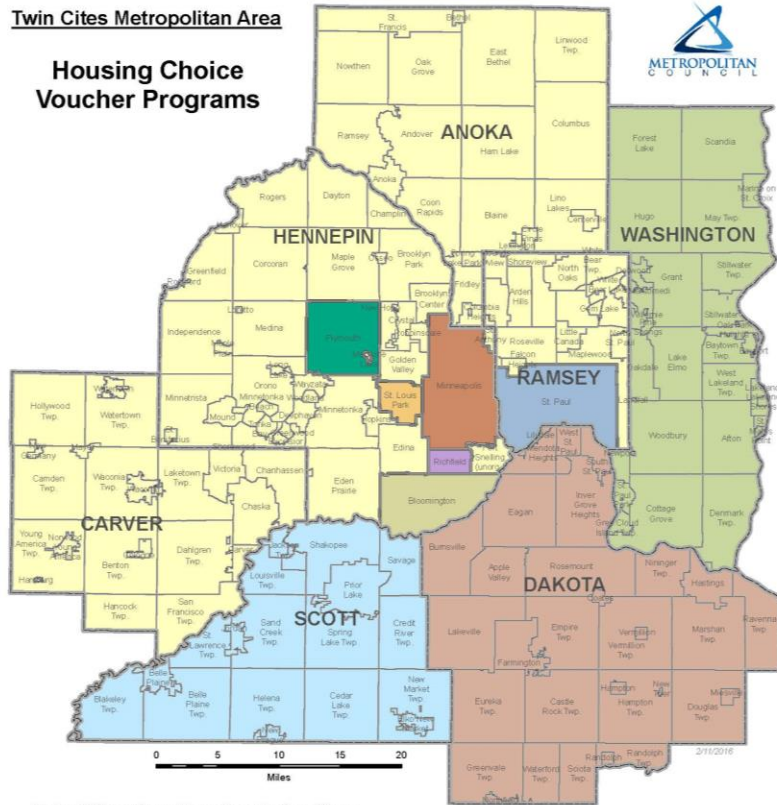


Source	Amount
Housing Infrastructure Bonds	\$5,496,007
Tax Credit Syndication Proceeds	\$3,190,203
Minnesota Housing First Mortgage	\$1,031,000
HOPE – Dakota County CDA	\$750,000
HOME – Dakota County CDA	\$718,415
LHIA – Met Council	\$565,000
TIF – Dakota County CDA	\$525,000
Philanthropy	\$300,000
Sales Tax Rebate	\$256,648
Deferred Developer Fee	\$80,541
Energy Rebates	\$13,300



Twin Cities Metropolitan Area

Housing Choice Voucher Programs



Twin Cities Area Housing Authorities:

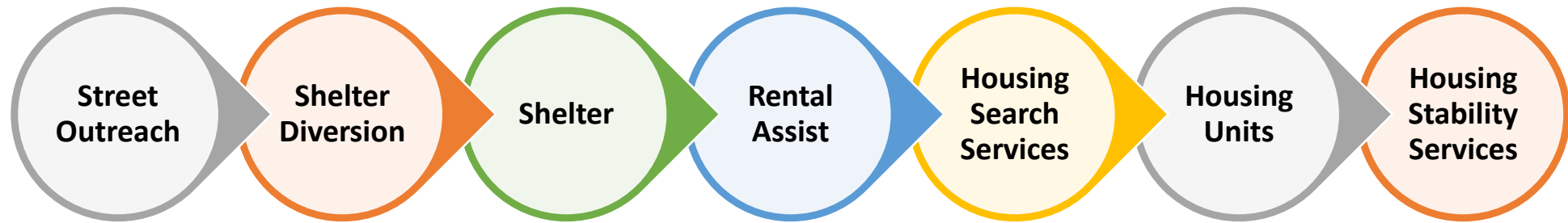
Metro HRA (651) 602-1428	Plymouth HRA (763) 509-5410	Dakota County CDA (651) 675-4400
Minneapolis PHA (612) 342-1480	Richfield HRA (612) 861-9770	Scott County CDA (952) 402-9022
St Paul PHA (651) 298-5158	St Louis Park HRA (952) 924-2579	Washington Co HRA (651) 458-0936
Bloomington HRA (952) 563-8937		

Cahill Place County Financial Resources

- **Dakota County** – levy support for on-going service funding (\$600,000 annually)
- **Dakota County CDA** – Project Based Vouchers, gap financing (HOPE, HOME, TIF)
 - Project construction was bond and tax credit financed (CDA is an issuer of housing bonds and sub-allocator of Low Income Housing Tax Credits).
 - Staff provided architectural and site development expertise and guidance.
 - HAP (rent assistance) is currently \$1,100 per month per family. (\$528,000 total per year)

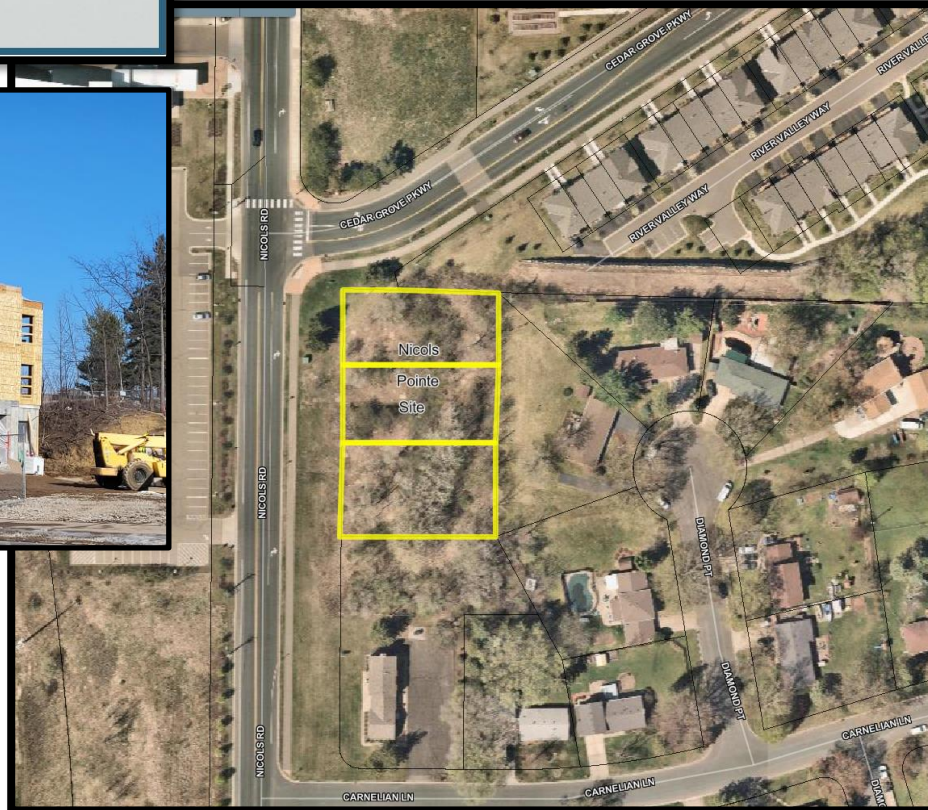
System Flow

The homelessness response system works best **for people and our investments** when there is flow from one step to the next.



Currently, the steps requiring the most planning and resources is **shelter diversion** and **shelter** as well as **housing units** and **housing stability services**.

Nicols Pointe, Eagan



1.12-acre site on Nicols Road across from Cedar Grove Transit Station

Senior housing (55+) with Veterans Preference

24 one-bedroom units

Income restricted below 60% area median income

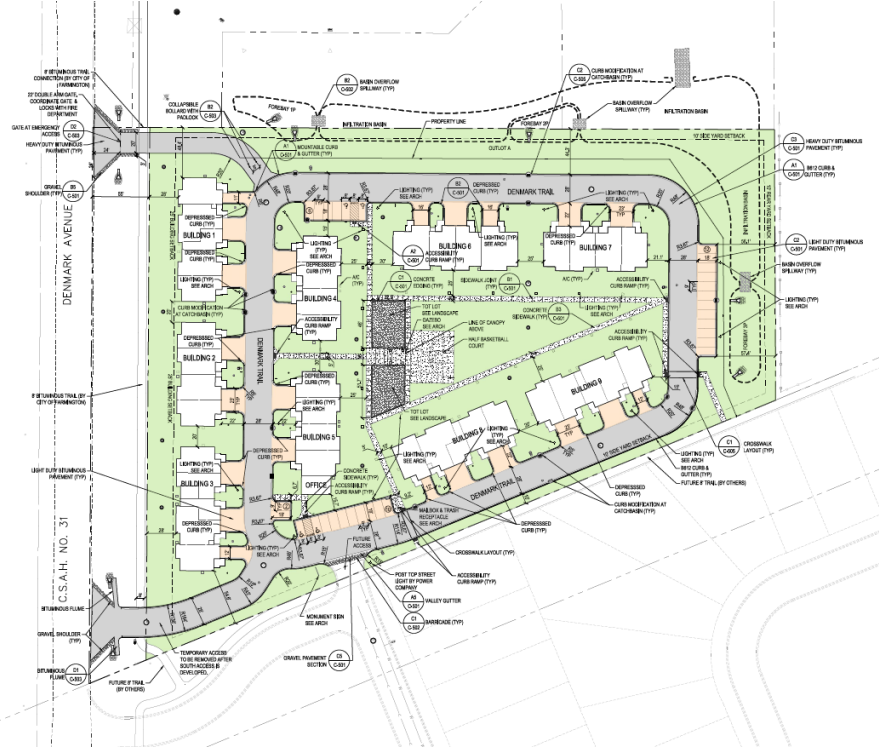
Rent = \$700 per month

Opening September 2024

Funded by the County's ARP allocation

Applications being accepted:
www.myhousing.dakotacda.org

Denmark Trail Townhomes, Farmington



Located on Denmark Trail and south of 220th Street West

Workforce Family Townhomes

- 40 units**
- 8 one-bedrooms
- 9 two-bedrooms
- 19 three-bedrooms
- 4 four-bedrooms

Income Restricted to households below 50% - 60% AMI (area median income)

Breaking ground in spring 2024; opening in 2025

Construction bids due March 7

Hillcrest site, Inver Grove Heights



Site is approximately 5.37 acres

Southern half has a 66-unit CDA senior housing development

Site can accommodate another senior housing development

Working with the City about next steps for the site

The Pillsbury (Burnsville)



Construction start: Fall 2025

Developer: MWF Properties

Units: 48 affordable units (50% AMI)

Unit mix: 1, 2 and 3 bedrooms

Homeless set-aside: 5 units

Affordability Term: 50 years

Funding Sources:

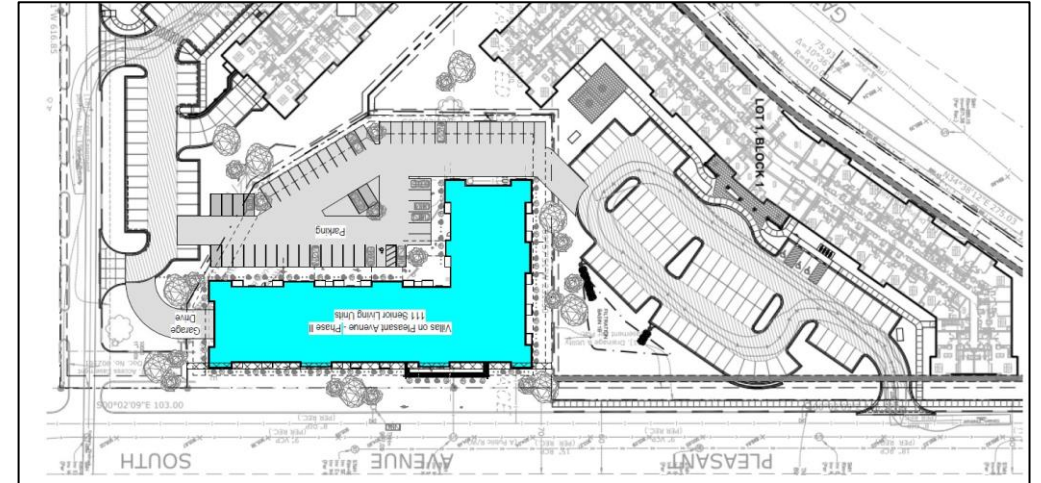
9% Tax Credits (\$941,512 awarded, need \$460,780)

HOPE Loan

Deferred Developer Fee

Total Development Cost = \$16.8 million

Villas at Pleasant Avenue II (Burnsville)



Under construction: est. open Fall 2024

Developer: MWF Properties

Units: 110 affordable units (50-60-70% AMI)

Unit mix: 1 and 2 bedrooms

Homeless set-aside: no units

Affordability Term: 30 years

Funding Sources:

Bonds with 4% Tax Credits

HOPE Loan, TIF Loan, Deferred Developer Fee

Total Development Cost = \$33 million

Croft at Rosecott (Rosemount)



Under construction: est. open Summer/Fall 2025

Developer: Schafer Richardson

Units: 164 affordable units (50-60% AMI)

Unit mix: 1, 2 and 3 bedrooms

Affordability Term: 30 years

Funding Sources:

Bonds with 4% Tax Credits

TIF Loan, HOPE Loan

GMHF Subordinate Loan,

Deferred Developer Fee

Total Development Cost = \$48.5 million

The Landing at Amber Fields (Rosemount)



Under construction: est. open early Fall 2024

Developer: Real Estate Equities

Units: 160 affordable units (50-60-70% AMI)

Unit mix: 1, 2 and 3 bedrooms

Homeless set-aside: no units

Affordability Term: 30 years

Funding Sources:

Bonds with 4% Tax Credits

TIF from CDA, HOPE Loan

Deferred Developer Fee

Total Development Cost = \$49 million



Dakota County
Community Development
Agency

www.dakotacda.org