



TWIN CITIES
HOUSING
ALLIANCE



ST. PETERSBURG
DOWNTOWN
PARTNERSHIP



**2024 Downtown
Development Summit**

About Us

The Twin Cities Housing Alliance (TCHA) advocates for local and regional housing policy that creates a more **affordable**, **equitable**, **economically vital**, and **environmentally sustainable** future for the Twin Cities community.



More Homes, Thriving Communities

All people deserve safe, stable, and attainable homes.

Housing is a key determinant in helping people thrive.

The region's housing ecosystem also impacts our ability to attract and retain talent and investment.

What We Do

We advocate for local and regional housing policy to:



PRESERVE and enhance **existing** Naturally Occurring Affordable Housing (NOAH).



PROTECT and prioritize residents who are most vulnerable, **experiencing the worse income disparities**, and at greatest risk of displacement.



PRODUCE more units across the entire housing continuum, from deeply affordable, income-restricted units to new market-rate units.

How We Do It

We focus on facilitating dialogue, developing solutions, and catalyzing action at the local and regional level.

POLICY & TECHNICAL ASSISTANCE

- Data and analysis
- Workshops and expert presentations for policymakers, staff, and other stakeholders
- Policy, strategy, and project development assistance
- Best practice advice

COMMUNICATIONS & ENGAGEMENT ASSISTANCE

- Guidance and support for engaging community members and external stakeholders
- Guidance on effective communication of complex/technical housing issues
- Amplification of local government actions and achievements

TCHA Resources



LAST UPDATED: APRIL 12, 2023

TWIN CITIES REGION RENTAL HOUSING AFFORDABILITY GAP PRIMER: DRIVERS, IMPACTS & STRATEGIES

MARCH 2023 VERSION WITH RENT CONTROL ANALYSIS

This is a version of the Primer developed specifically to facilitate dialogue around the efficacy and impact of rent control as a strategy for addressing rental housing affordability.

Introduction

A large and growing number of families in the Twin Cities region are struggling to find or maintain housing that meets their needs and fits their incomes. A lack of availability of homes that are affordable to current and future residents is a pressing problem or, often, a crisis for diverse communities across the Twin Cities region. More and more, it impacts cities of all sizes, neighborhoods of all types, and households across all income levels.

Housing affordability challenges are a function of local market needs, conditions, and resources. A healthy housing market provides a sufficient amount and diversity of housing options to meet the needs of households at different income levels. A mismatch between local housing needs and local housing availability across income levels—called a housing affordability gap—threatens the economic well-being of hundreds of thousands of families in our region and the residents' health, well-being, and quality of life.

Local governments are increasingly compelled to take action to address housing problems as a top priority. They have at their disposal a wide range of policy tools that can reduce the costs and increase the supply of housing at different levels of affordability. However, well-intentioned local government policies can also be ineffective, counterproductive, or have unintended consequences if they are not developed with and targeted at local needs and conditions in mind. Without adequate support and resources to identify strategies matched to the drivers of housing supply and affordability problems in their communities and, often, as importantly, effectively communicate and engage with their constituents about those strategies, local policymakers are at risk of inadvertently supporting proposed solutions that are politically compelling rather than substantively sound.

This Twin Cities Region Rental Housing Affordability Gap

There is a growing gap between the needs of households and the supply of housing. This gap is driven by a combination of factors, including a lack of new housing construction, a decline in the number of rental units, and a shift in the types of housing being built. The gap is most acute for middle-income households, who are often priced out of the market by high-end housing and unable to afford the lower-end options. This gap is a significant barrier to economic mobility and social mobility, and it is a major cause of homelessness and housing insecurity.



BUILDING COMMUNITY SUPPORT FOR BUILDING MORE HOUSING RECOMMENDATIONS FOR LOCAL GOVERNMENTS

Introduction

The need for more and diverse housing options has become a critical issue for cities of all sizes across the Twin Cities region. As the population continues to expand and the demographics shift, the prioritization of new housing units and options will be essential to ensuring communities remain inclusive, economically vibrant, and attractive to current and prospective residents. Embracing diverse housing options will foster social cohesion, support economic growth, and maintain a high quality of life for all residents.

The development of new multi-family housing, especially affordable rental housing in established neighborhoods, often generates genuine anxiety and concern among residents. Some common worries include increased vehicle traffic, insufficient parking, strain on local infrastructure and services, loss of neighborhood character, and perceived risks to property values. Such concerns arise from a genuine desire to maintain a sense of community and a high quality of life, and the anxiety accompanying these concerns is a response to feelings of uncertainty and lack of control over change.

These concerns, however, can be co-opted by NIMBY (Not in My Backyard) groups who use resident apprehensions to provide cover and fuel for organized opposition to new housing rooted in more parochial interests like resisting racial and other demographic changes or preserving the current desirable neighborhood status.

NIMBYs often resist change by mobilizing media, mounting campaigns, and dominating formal public participation opportunities to amplify and stoke fear about the perceived negative aspects of new multi-family housing while ignoring, eclipsing, or detracting from the benefits new housing will bring to the community. Such opposition may lead to the stalling or cancellation of much-needed housing that, in turn, exacerbates housing shortages, affordability challenges, social inequities, and community goals.

Most local government leaders recognize the need to

provide more housing options for residents and workers.

This document provides practical recommendations and tool for

local governments to address housing needs and concerns. It provides a framework for understanding the housing market, identifying the needs of different income levels, and developing strategies to increase the supply of affordable housing. It also provides a list of resources and organizations that can provide additional support and information.

This report was developed by the Twin Cities Housing Alliance, a coalition of local housing advocates and policymakers.

THE DYNAMICS OF HOUSING SUPPLY, DEMAND & AFFORDABILITY



CONTINUUM OF RENTAL HOUSING



FINANCING



BUILDING AGE

As new housing ages, it naturally turns into affordable housing.



INCOME-LEVEL



JOB TYPES REPRESENTED

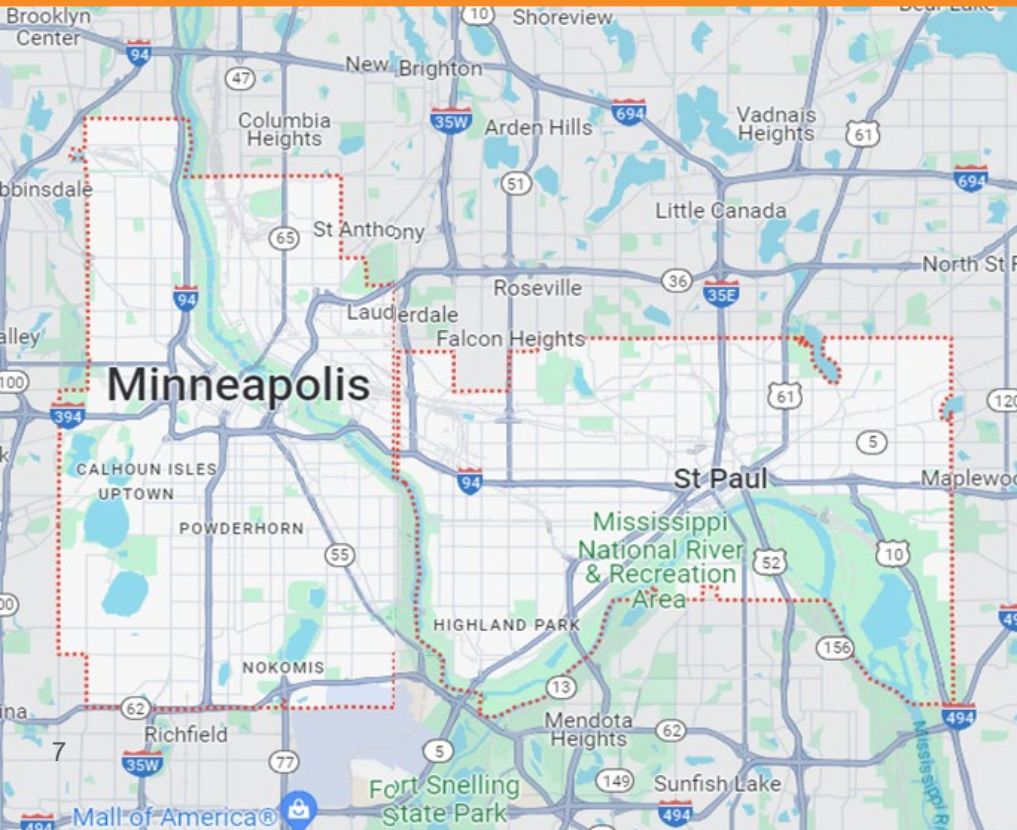


As demand for rental housing increases and rising costs slow production of new rental housing, the resulting imbalance between demand and supply puts pressure on the availability of units that are affordable for lower income households.



Increasing the production of new housing corrects the imbalance between supply and demand, allowing higher income households to shift their demand to newly-built units thereby opening up more affordable units for lower income households. According to a 2019 study by the UpJohn Institute, producing 100 new units of market-rate housing creates 70 additional vacancies of units affordable to middle income households.

Where are the Twin Cities?



- The Minneapolis/St. Paul metropolitan area is home to 3.5 million residents and is the 16th largest metro area in the US
- Our five largest cities:
 - Minneapolis, our largest city, 412,517
 - St. Paul, our capital, 300,353
 - Rochester, home to the Mayo Clinic, 111,907
 - Bloomington, home to the Mall of America, 87,224
 - Duluth, our major shipping port on Lake Superior, 86,597



Case Study: A tale of two cities

MINNEAPOLIS



Populations and People

Total Population
429,954



Employment

Employment Rate
68.9%



Families and Living Arrangements

Total Households
193,694



Income and Poverty

Median Household Income
\$74,473



Housing

Total Housing Units
199,143



Race and Ethnicity

Hispanic or Latino (of any race)
44,513

ST. PAUL



Populations and People

Total Population
311,527



Employment

Employment Rate
67.2%



Families and Living Arrangements

Total Households
126,654



Income and Poverty

Median Household Income
\$67,725



Housing

Total Housing Units
127,392



Race and Ethnicity

Hispanic or Latino (of any race)
30,084



Minneapolis' Strategy: Increase Supply

Pew

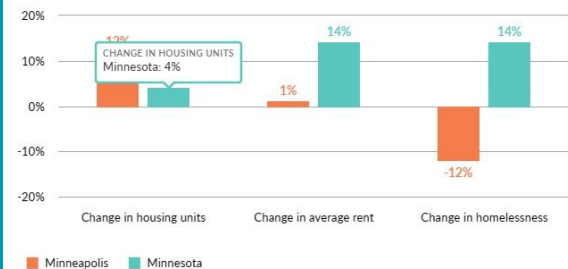
TOPICS PROJECTS FEATURES ABOUT GET INVOLVED SEARCH

Minneapolis Land Use Reforms Offer a Blueprint for Housing Affordability

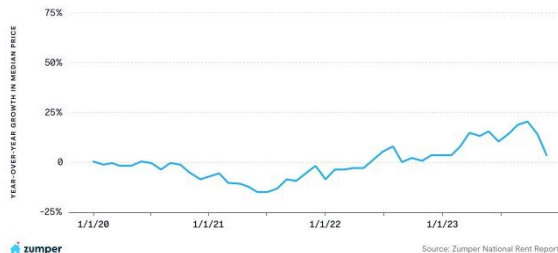
Rents stayed flat as more apartments were built, even as the rest of Minnesota saw increases

ARTICLE | January 4, 2024 | By: Linlin Liang, Adam Staveski & Alex Horowitz | Read time: 4 min
Projects: Housing Policy

Figure 2
Minneapolis' Rent Growth Was Much Lower Than Minnesota's
Percentage change in housing stock, average rent, and homelessness, 2017-22



Minneapolis rent growth (2020-2023)



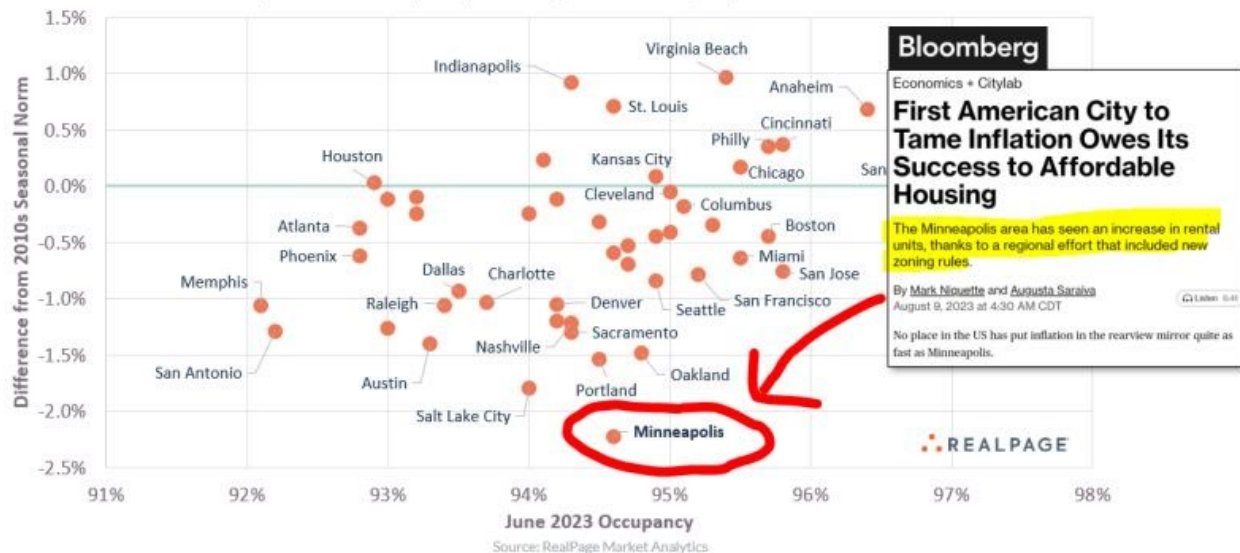
City's 2040 Plan

- Eliminate minimum parking requirements for new developments
- Encourage apartment development on commercial corridors
- Permit duplex and triplex construction on all residential lots
- Establish building height minimums in high-density zones
- Increase Funding Support for Affordable Housing

Minneapolis' Strategy: Increase Supply

Occupancy in Minneapolis Drops Furthest Below its Long-Term Norm

Current Apartment Occupancy vs. Long-Term Norm, Top 50 Metro Areas



- From 2018-23, City Invested \$320 Million
- Produced 6x the number of deeply affordable units than the previous 6 years
- In 2022-23, produced over 3,000 new housing units
- Kept rent growth at 1%

St. Paul's Strategy: Policy Changes

St. Paul City Council passes largest zoning change in decades, makes way for more multi-unit homes

Emily Baude KSTP
October 19, 2023 - 11:19 AM



- Permit duplex, fourplex (and in some areas sixplex) in single-family residential zoned areas
- Allow more flexibility in building in those areas – more floor space, increased FAR
- Cap size of new single-family homes – McMansion Ban
- Eliminate minimum parking requirements

St. Paul's Strategy: Policy Changes

St. Paul Just Implemented the Nation's Strictest Rent Control Law. It's Already Backfiring Tremendously

It's one of the strictest rent control measures in the US—if not the world.

Tuesday, November 16, 2021

- 3% Cap on all rental properties
- Within 4 month permits down 80%

Housing

St. Paul City Council approves changes to rent control ordinance

The changes are exemptions to the 3 percent rent increase cap voters approved last fall.

Sarah Thamer September 22, 2022 5:25 AM

- New Construction Exemption
- Added Several Exceptions
 - Reasonable Return on Investment
 - Just Cause Vacancy

St. Paul's Strategy: Elevated Public Investment

ST. PAUL

Developer makes deal with St. Paul for millions in tax breaks if rent control is imposed

Sherman Associates is redeveloping a downtown office tower into market-rate apartments.

By Katie Galioto Star Tribune | JANUARY 26, 2024 — 5:00AM



Landmark Towers are located in downtown St. Paul, Minn.

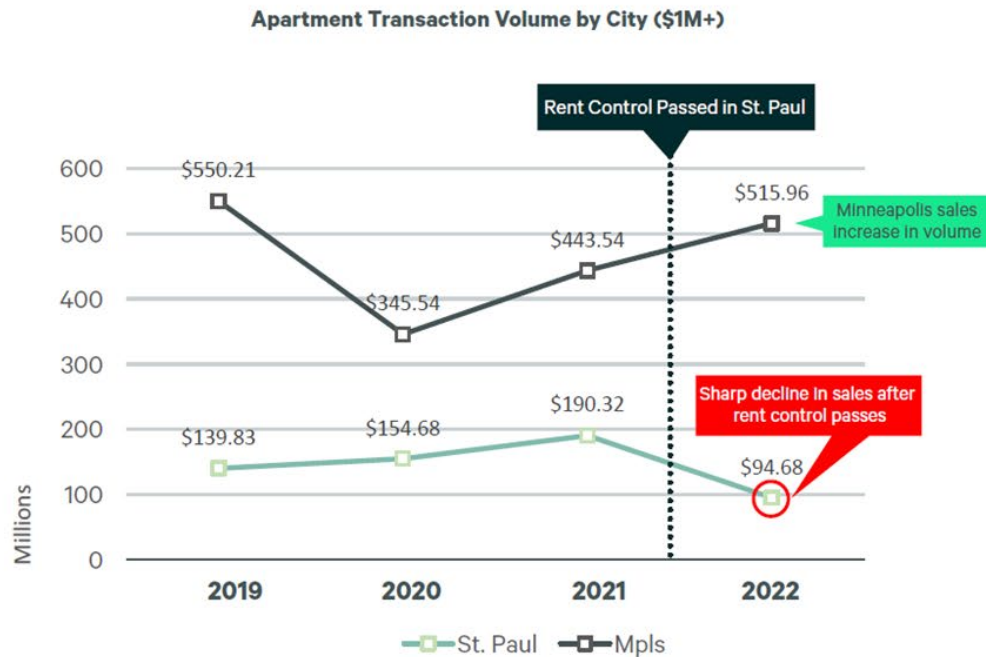
NANCY KUEHN | MSPBJ

- Office to Housing Conversion
- With rent control the project needs nearly 20% more in public assistance to mitigate the added risk

Local Policies Matter

Minneapolis vs. Saint Paul – Total Volume

- Apartment transaction volume in Saint Paul fell 50.3% in 2022 from 2021 after the passage of rent control; apartment transaction volume in Minneapolis grew over that same time frame.
- In 2022, Minneapolis's transaction volume was 5.5x that of Saint Paul; despite Minneapolis only having 1.4x the population.

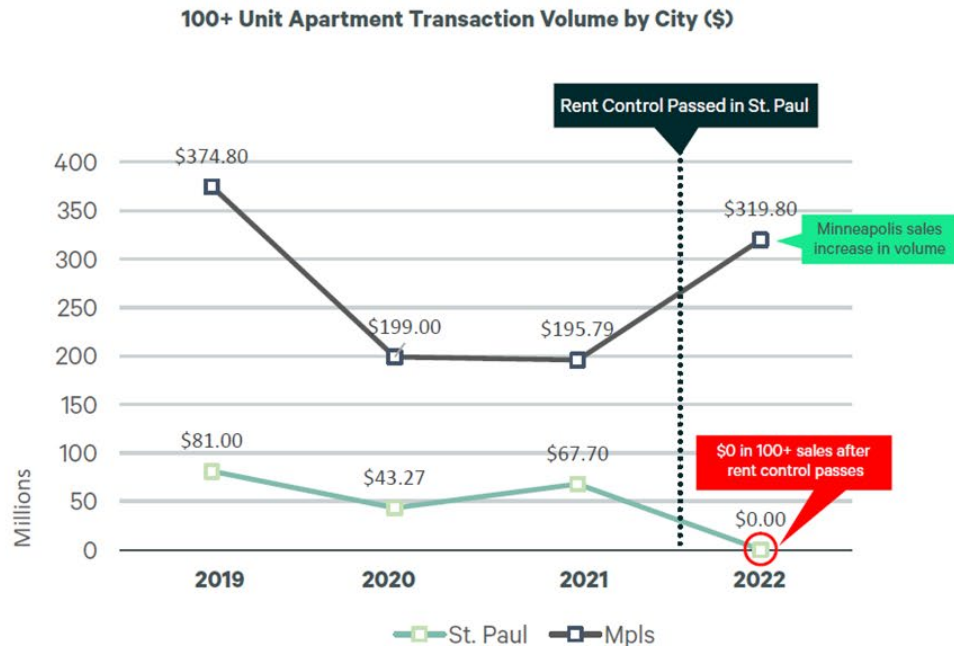


Local Policies Matter

Minneapolis vs. Saint Paul – 100 Unit + Volume

- The sale of large apartments (100+ units) fell to \$0 in Saint Paul after the passage of rent control. This indicates that institutional apartment investors have limited interest in purchasing buildings in the city.
- Conversely, in Minneapolis the volume of large apartment (100+ units) sales increased 63.3% from 2021, although are still below pre-pandemic levels.

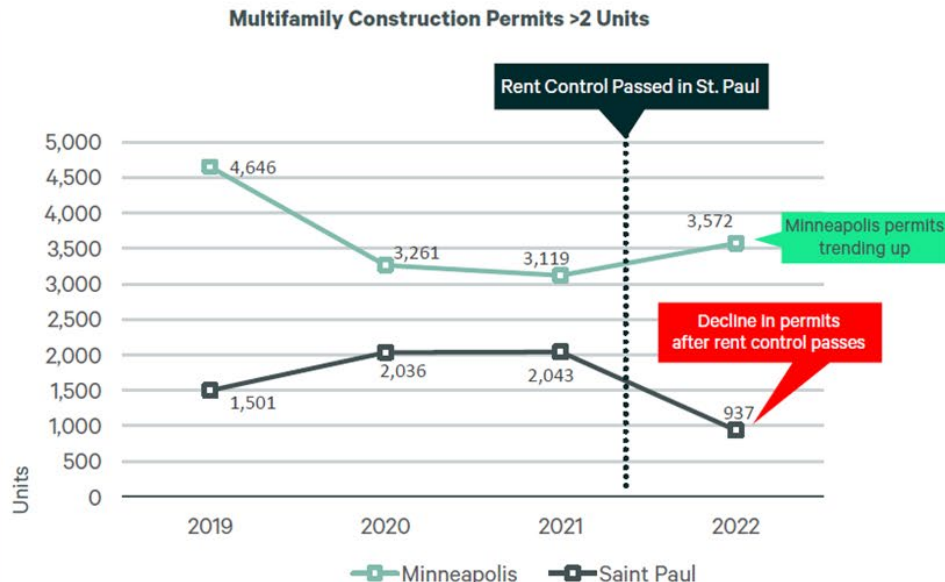
This data corroborates a Jan 2022 NMHC Survey – which polled 78 CEOs & Senior Executives of apartment-related firms nationwide where 73% of respondents said that they have either cut back on investment, are considering cutting back, or would not consider operating in markets that have imposed any form of rent controls.



Local Policies Matter

Minneapolis vs. Saint Paul – HUD Building Permits

- Despite the long lead-time of construction projects, the 2022 issuance of new building permits is already starting to reflect the diverging investment between the two cities.



*Data From US Department of Housing & Urban Development

A Framework for Moving Forward



PRESERVE NOAH HOUSING

- **Maintain affordability**
- **Prevent deterioration**
- **Support acquisition, reinvestment**

4D Tax Program

Affordable Housing Trust Fund

NOAH Preservation Fund

Capital & Operating Subsidies

Tax Incentives & Low-Income Housing Tax Credits

Create Supportive Relationships

Support with Carrots Rather than Sticks

Swiftly Enforce Code Violations



PROTECT VULNERABLE RESIDENTS

- **Reduce displacement**
- **Support housing choice/mobility**
- **Promote safe & fair housing**

Ongoing Direct Rental or Income Assistance

Increase Availability of Tenant Based Vouchers

Enforcement of Tenant & Fair Housing Practices



PRODUCE NEW HOUSING

- **Increase # of units produced**
- **Accelerate pace of development**
- **Support mixed income housing**

Allow Higher Densities

Reduce Local Fees

Clarify & Standardize Approvals

Relax Parking Requirements

Expand Use of Project Based Vouchers

Flexible Tax Increment Financing

Housing Trusts Funds

Density Bonuses

Expedited Permitting

Simply Legal Negotiations

Overcome NIMBYism

Invest in State Housing Tax Credit Contribution Fund



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