

ITASCA *project*

A water droplet is suspended in mid-air above a pool of water, creating ripples. The background is a deep blue with some lighter blue and greenish-yellow highlights, suggesting a reflection or a specific lighting effect.

# Housing affordability recommendations and next steps

Presentation to ULI Regional Council of Mayors

February 8, 2021

# About the Itasca Project's purpose and how we work

## WHY

Vibrant communities require **cross-sector collaboration** to create new opportunities and solve persistent problems.

## WHAT

The Itasca Project seeks to increase regional economic competitiveness, improve quality of life and expand prosperity for all.

## HOW

We are **employer-led** and **fact-driven leaders** who identify near-term actions our participants can take to address long-term challenges. Timely CEO engagement and impact is critical to our effectiveness. Our core functions include

- **Convening:** Bringing influential people together across sectors to create consensus on key challenges and solution paths
- **Thought leadership:** Identifying and framing the most important long-term challenges along with bold ideas to address them
- **Catalytic action:** Building early-stage partnerships to scope and operationalize the best ideas



# Itasca's housing affordability task force grew out of the 2018 Minnesota housing task force and its report "More Places to Call Home"

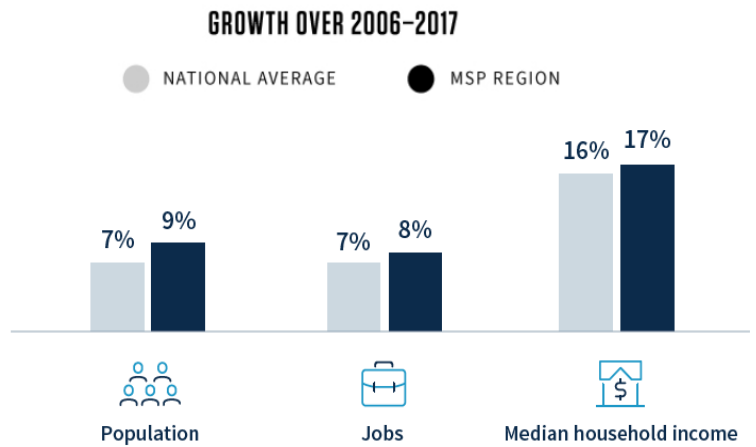
COMMIT TO HOMES AS A PRIORITY	PRESERVE THE HOMES WE HAVE	BUILD MORE HOMES	INCREASE HOME STABILITY	LINK HOMES AND SERVICES	SUPPORT & STRENGTHEN HOME-OWNERSHIP
1.1 Forecast demand, set goals	2.1 Expand rental rehab (multifamily)	3.1 Lead in housing innovation	4.1 Expand rental assistance	5.1 Make funding dependable	6.1 Focus on closing disparities
1.2 Dedicated funding sources	2.2 Incentivize private owners	3.2 Grow build trades workforce	4.2 Stop predatory landlord practices	5.2 Full range of transit. services	6.2 Promote alternative models
1.3 Public ed campaign	2.3 Expand rental rehab tools	3.3 Local gov't capability building	4.3 Strengthen tenant protections	5.3 Improve health partnerships	6.3 Encourage employer help
	2.4 Support rehab for public housing	3.4 Expand range of housing types	4.4 Improve emergency aid	5.4 Gap ID for Housing Supports	6.4 Increase financial ed
		3.5 Regulatory review panel	4.5 Expand navigation	5.5 Expand match programs	6.5 Expand alt mortgage products
			4.6 Incentivize voucher accepts.		6.6 Expand down-payment assist.
			4.7 <i>Heading Home Together</i>		

- Clear leader, current action
- Natural owner, some momentum
- No current leader, strong fit for Itasca
- No current leader

# While the Minneapolis-St Paul (MSP) region is home to many assets, **housing affordability is a key driver to our growth**

The MSP region fortunate to be **home to many assets**

-  3 million residents
-  World-class universities and colleges
-  Renowned parks systems
-  Vibrant art and music scene
-  16 Fortune 500 businesses



Over the past decades, partly due to these amenities, **the MSP region has grown faster than the national average**

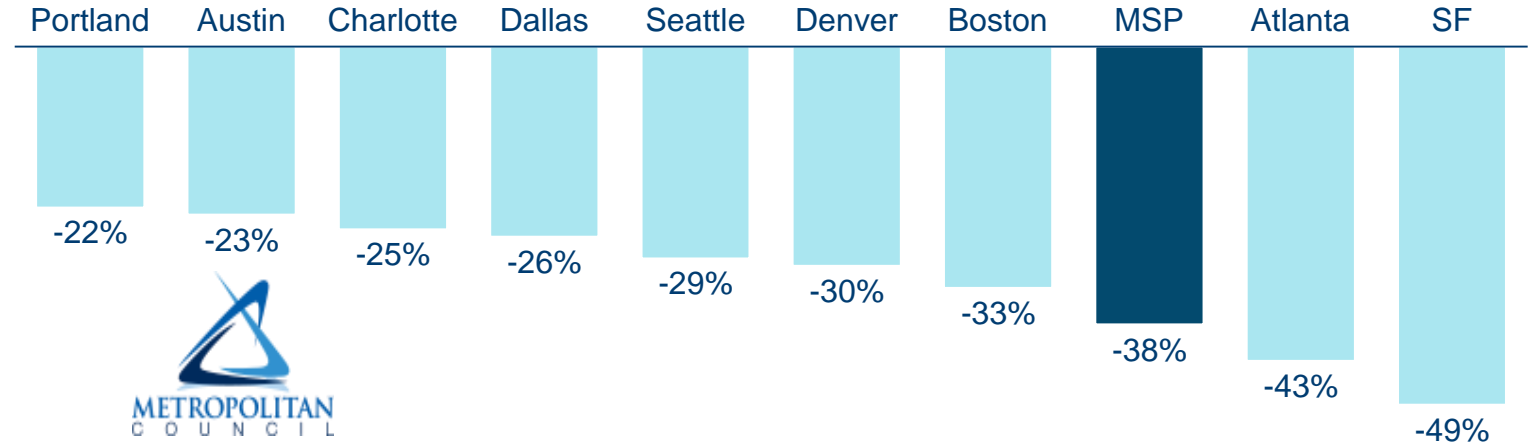
Housing has been a key driver of that strong performance: housing affordability and availability are two of the top three considerations for relocating professionals



# However, housing affordability is at risk due to a lack of supply

Percentage difference between population and housing unit growth 2010-18

Relative to population growth, **most peer regions are building more home than MSP**



Lack of housing has impacted affordability across all incomes – however, **households making less than \$75,000 are particularly challenged with both a high and rapidly increasing cost burden.**

Examples of jobs earning salaries in this range include **office clerks, truck drivers, surgical technicians and licensed practical nurses.**

**To meet projected future growth and make up for a decade of underbuilding, the MSP region needs to produce 18,000 units annually – a 30% increase over our recent average**



# Itasca will lead on housing affordability in 3 areas

## Three priority efforts for Itasca



### Develop a housing affordability dashboard.

Provide clarity through data on regional housing affordability and how it impacts residents, identify gaps needing action and measure progress against goals



### Design and pilot an innovative, housing-forward benefits package.

Encourage employers to act directly to support workforce via housing-forward benefits package



### Test and learn.

Identify new, innovative actions that private and public entities can take to spur housing production

## Where we want to be by end of 2021

- Regional housing affordability dashboard launched • *Focus today*
- At least **three** employers commit to **pilot** emergency savings accounts
- At **least two** other employers have conducted **analysis** of employees' housing cost burden
- Innovation working group launched, identified innovations to stack; has plan to move forward

Input will be gathered and shared back in three focus phases.



## Insights

**What insights are most valuable to our intended audience?**

What do you want to know?

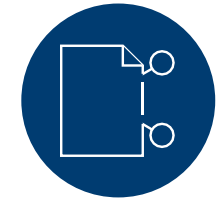
What do you want to be more widely known?

*Focus today*



## Metrics

Based on desired insights, what metrics are most useful?  
*(may be asked via survey)*



## Review draft

What improvements would you make to a near-final draft of dashboard?  
*(may be asked via survey)*



# Primary audiences for the dashboard are internal to the region; secondary audience is broader

	Audience	Details	Dashboard purpose for given audience
Primary	Policy makers	Elected officials and administrators – state and local levels	<ul style="list-style-type: none"> <li>To better inform policy and funding decisions made by public leaders to improve housing access for all and increase economic competitiveness of the region</li> </ul>
	Industry leaders	Leaders who are part of the housing production pipeline – e.g. builders, architects, financial institutions, etc.	<ul style="list-style-type: none"> <li>To better inform the business and resource allocation decisions that increases production in locations and at price-points that is needed most</li> </ul>
	Major employers	Non-housing-industry employers in the Twin Cities region from the private, public, and non-profit sectors	<ul style="list-style-type: none"> <li>To enable a better understanding of the link between housing production and cost with regional economic competitiveness</li> <li>To provide data and insight that motivates advocacy around housing that improves the economic competitiveness of the region</li> </ul>
Secondary	Community members	Residents from across the region; general public	<ul style="list-style-type: none"> <li>Raises the level of understanding of the region’s current housing situation and housing’s importance for the region</li> <li>To enable residents to hold leaders accountable for their decision making</li> </ul>
	Industry participants	Investors who may wish to invest in our region’s housing market or in other areas of the region’s economy	<ul style="list-style-type: none"> <li>Helps increase understanding of opportunity of the region’s current housing situation</li> </ul>





# For discussion: What insights will be most useful to the intended dashboard audience?

## Sample insights

The region is/not meeting **its housing production goals**.

The region is / not **building enough housing to support its job growth**.

Many households in the region **are struggling to afford their housing, with households of color more likely to be burdened by housing cost**.

The housing we are building is/is **not matched to household income distribution [and/or household size]**.

**Housing development is geographically concentrated/distributed**.

Housing affordability is something **many of my employees** may be worried about.

**My employees of color may be struggling with housing affordability**.

## Discussion

1. **Are there insights here that resonate with you?**
2. **Are there insights or data sources you rely on that you would want to see elevated?**
3. We are planning on providing some interpretation and context along with the metrics. What advice would you give about the relative balance between providing context and selecting stand-alone metrics?

# APPENDIX





# We propose organizing the data into three broad areas

	Example data points	Disaggregation
<b>Production</b>	<ul style="list-style-type: none"> <li>• Number of units built*</li> <li>• Type of units built</li> <li>• Acres of land developed*</li> </ul>	<ul style="list-style-type: none"> <li>• Breakdown units by price point, location (options include center city/suburb; regions of affluence/poverty; transit station areas)</li> </ul>
<b>Affordability</b>	<ul style="list-style-type: none"> <li>• Median rent, home price*</li> <li>• Rate of increase in median rent, home price</li> <li>• Percent households that are cost burdened*</li> <li>• Evictions and foreclosures*</li> <li>• Homelessness</li> </ul>	<ul style="list-style-type: none"> <li>• Cost burden by race, own/rent</li> <li>• Homeownership by race</li> <li>• Cost-burden by census tract</li> <li>• Foreclosures and evictions by race</li> </ul>
<b>Contextual data</b>	<ul style="list-style-type: none"> <li>• Total population</li> <li>• Household size</li> <li>• Median income, rate of increase in median income</li> </ul>	<ul style="list-style-type: none"> <li>• Median income (and wealth?) by race</li> <li>• Household size by race (?)</li> </ul>

Interactive maps could be created for the metrics with \*asterisks

## Discussion questions

- What is your **reaction to these broad categories?**
- What types of **information are missing?** Which seem **less needed?**
- **What other kinds of disaggregation should we consider?**
- Which categories are most helpful to have **benchmarked against peer regions?**



# The innovation working group will focus on combining multiple innovations into a single development

**Central question:** By combining 3-5 innovations that have already been used in the region into a single development, could an affordability target be reached with [little/no] public subsidy?

**Hypothesis:** Reviewing the MGI levers (categories below), we identified those most impactful and feasible in our region. We will work with partners to combine most or all of these into a single development and document the affordability benefits.

## Approaches to consider

### Land

- Partner with a public or private land owner to release land at lower price and/or ready land for development
- Build within the MUSA to reduce land prep

### Development

- Use modular construction
- Build in city that allows smaller units, more flexibility with exteriors and/or minimal parking requirements
- Seek partnership with a city to guarantee timing of permits

### O&M

- Build energy efficient units
- Invest in features that lower long-term cost of ownership

### Finance

- TBD which approaches are most promising in our region given changed economic landscape

## Key questions for the working group

- What projects in the region have successfully used some of these approaches?
- What affordability target should we seek?
- Who would live in these homes? What is the market that we are targeting?
- Who are the partners we would need to make this development a reality?

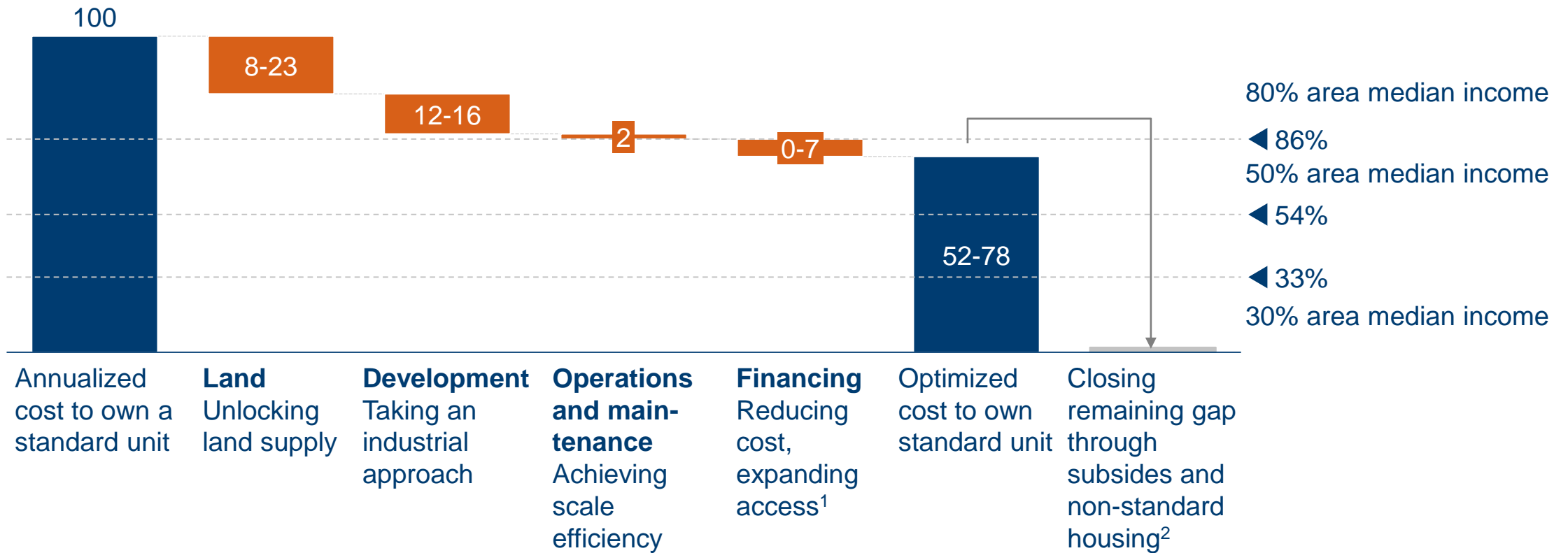


# McKinsey Global Institute identified four levers that can narrow the affordability gap globally

## Four levers can narrow the affordability gap

Impact of levers on cost of standard unit; Indexed to annualized cost of a standard unit

Percent



<sup>1</sup> Impact of reduced origination and funding costs is quantified; impact of increased access to financing is not

<sup>2</sup> Transitional use of basic housing (with communal toilets and kitchens, for example) to serve very low-income households

NOTE: Numbers may not sum due to rounding