Deeply Affordable Housing in the Twin Cities Metro: Who produces it, where, and how?

Humphrey School Capstone Report

The Hubert H. Humphrey School of Public Affairs
The University of Minnesota

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PA 8081 Capstone Workshop
Section 006
Instructor: Dr. Peter Brown, FAICP, FAIA

Spring 2024

Partner Organization: Beacon Interfaith Housing Collaborative

HUMPHREY SCHOOL
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Beacon
INTERFAITH HOUSING COLLABORATIVE

Subject Keywords: housing, affordable housing, deeply affordable housing, housing finance, real estate, tax credits, vouchers, public health, Twin Cities, Minneapolis, Saint Paul, Minnesota

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Executive Summary

Overview

Despite a vibrant affordable housing industry in the seven-county Twin Cities metropolitan area, little research has focused specifically on the challenges in developing deeply affordable housing in the region. This capstone project shines light on the local landscape of deeply affordable housing, through data analysis, mapping, and stakeholder engagement. Over the past decade, deeply affordable housing development in the Twin Cities metro has been concentrated in Minneapolis and Saint Paul, and supply trails far behind demand. Amid a decades-long disinvestment in public housing at the federal level, non-profit developers are overwhelmingly responsible for providing deeply affordable housing. These developers operate on razor-thin margins and rely heavily upon subsidies from all levels of government, including tax credits, project based vouchers, tax increment financing, and various loans and grants. Because of the acute need for deeply affordable housing and the complexity in financing these projects, this project set out with the goal of understanding the unique challenges for deeply affordable housing development in the Twin Cities metro.

Methodology

Our research methodology was designed to get to the heart of our research questions: "Where is deeply affordable housing being developed, who is developing it, and how are they finding success in the development process?" To this end, we developed a blend of qualitative and quantitative research techniques to provide a comprehensive interrogation of the challenges and opportunities for developing deeply affordable housing units. To answer the first two questions, we gathered data from public subsidy providers, which was analyzed to understand the characteristics of deeply affordable units and was mapped in an interactive GIS site to show the spatial spread of units, with data points showing things like unit counts, developers, and more. To understand challenges and successes in the development process we interviewed nearly 30 individuals who worked at non-profit developers, in the public sector, and in other related positions. The interviews touched on supply and demand, challenges to development and preservation, supportive services, how projects are financed, zoning, and more.

Findings

Across all stakeholder interviews, there was consensus that there is not enough deeply affordable housing in the Twin Cities metro. Through our data analysis we found that among subsidized multifamily housing units recently developed across the metro, only 10% of subsidized units were deeply affordable. Of those 10%, 40% of deeply affordable units were built in Minneapolis, 33% were built in Saint Paul, and the rest were built around the suburbs. There is no one clear reason why a majority of deeply affordable housing developments are concentrated in the central cities, however anecdotal stories from interviews mentioned disparities in financing supports, inclusionary zoning ordinances, differing levels of community support, and the number of involved nonprofits. Few suburbs stood out as developing a significant amount of deeply affordable housing relative to the central cities, with no suburb alone adding more than 100 units over the past decade, and most suburbs which had any deeply affordable development at all adding fewer than 50 units to the metro area's supply of deeply affordable housing.

Building and operating affordable housing has become more expensive in recent years, across all levels of affordability. For market rate housing, rising costs can be counteracted by increasing rents. For many affordable units, the rent can only be raised so high as a condition of receiving necessary subsidy, so rising costs—whether from construction, insurance, security, front desk, services, or higher interest rates—can't be approached the way market rate housing approaches such challenges. Deeply affordable housing is highly dependent upon subsidies, and because of the thin margins, the developers are overwhelmingly, if not exclusively nonprofit developers. These developers primarily rely upon low income housing tax credits, housing infrastructure bonds, and other smaller layers of subsidy to piece together their financing. Receiving project based vouchers is a huge benefit for developers of deeply affordable housing as well, although the supply is very limited.

We heard frequently that there is an important distinction between the needs of the renter that needs deeply affordable housing plus wraparound services and the renter that simply needs a very cheap place to live. There is both a need to provide deeply affordable housing to households that are employed and not in need of any support other than below market rent and a need to provide deeply affordable housing with services, and policy makers can and should address these differently. Within the realm of supportive services, operators are currently facing difficulties with rising costs and limited support for ongoing operational subsidy.

Preservation was also highlighted as an important need that is often overlooked. New construction is more exciting but is also more expensive than preservation. With costs rising across the board, this dynamic is especially relevant today. There is agreement that additional supply is needed. But if 100 units of deeply affordable housing are lost—either to market rate conversion (a last resort because most operators are nonprofits who wish to keep the units affordable) or due to disrepair—replacing those 100 units in the total supply will require the development of a costly and complicated new construction project. We heard frequently that a cost effective use of public funds would ensure that preservation is seen as equally, if not more valuable to the metro area as new construction of deeply affordable units.

We found that the challenges to providing deeply affordable housing are primarily financial, however there are instances when after a long battle to line up all the necessary financing that a development gets kneecapped by exclusionary zoning ordinances and/or community opposition to affordable housing being built in their neighborhood. These issues are more prevalent the farther from the central cities one tries to develop, but we also heard that there are more allies to affordable housing development in outer ring suburbs than there were a decade ago.

Recommendations

From our data we saw that there is relatively little deeply affordable housing being built. We heard time and time again that the Twin Cities metro desperately needs more of it. Creating and preserving housing at the 30% AMI level requires a significant amount of resources. As one expert shared, "nothing is going to be solved without massive influxes of resources, especially for deeply affordable housing." Advocating for increased funding at local, state, and federal levels is crucial to support the development and preservation of affordable housing units. We recommend that subsidy providers should expand funding for successful programs already in action including housing infrastructure bonds project- and tenant based vouchers (ideally via a "Vouchers for All" approach). Additionally we highly recommend that the state take steps to adopt a previously proposed state constitutional amendment to create a "legacy fund" for housing assistance via a sales tax increase. The recently enacted Metro Sales Tax legislation is another example of an innovative way to increase overall subsidy and we encourage some of this revenue to be channeled into preservation and new development of deeply affordable housing.

We also recommend that subsidy providers prioritize preservation amidst today's current economic conditions. With high construction costs and high interest rates, new construction is very expensive.

Increased operating costs are also putting strain on already existing deeply affordable housing units. Without adequate support to ensure that units don't fall out of affordability, the Twin Cities metro will lose dearly needed affordable units which will be far more expensive to replace with new construction.

Lastly, while we believe that increased subsidy channel down avenues just discussed is paramount, it is also important to limit the smaller barriers to deeply affordable housing development that currently exist. Adopting inclusionary zoning practices across the Twin Cities metro, simplifying and streamlining applications and compliance across various sources of financing, supporting economic policies which help raise incomes for low income households, and proactively engaging with community members in advance of anticipated pushback are all steps which could reduce barriers to the development of deeply affordable housing in the Twin Cities metro.

Overall, to address the shortage of deeply affordable housing will require a multi-pronged policy approach. We hope that the research and discussion covered in the remainder of this report provides valuable insights to stakeholders and energizes community members to take action and ensure that all residents of the Twin Cities have access to safe, dignified, and affordable housing, wherever they wish to live.

Introduction

It is no secret that the Twin Cities metropolitan area, like many metropolitan areas across the country, does not have enough affordable housing. The housing landscape is still recovering from the drop off in housing production that occurred during the Great Recession, and much of the new development that has occurred has been skewed towards higher income households. Because of the insufficient supply of affordable housing, more renter households are cost burdened than at any other point in the last decade, and a disproportionate number of those who are housing cost burdened are low-income or people of color. While low-income households struggle to find affordable housing, developers are struggling to develop, preserve and operate affordable units.

The basic formula for rental housing development is that the developer has to offset construction and operating costs with the income generated from rent collection. For successful market rate and luxury developers, the future income from rents supports enough debt (e.g. a mortgage) to develop a multifamily project. For affordable housing developers, rent payments alone may not always be sufficient to support a large enough mortgage, and the developer fills the gap with public subsidy. For developers of deeply affordable housing—housing affordable to low-income households—the development is overwhelmingly dependent upon subsidy in order for it to be built and kept operational. Put simply, the private market cannot generate profit from deeply affordable housing and thus the development and preservation of deeply affordable housing is reliant upon nonprofit developers who in turn are reliant upon sustained investment from various public entities: the federal government, state agencies, city governments, county programs, and public housing authorities.

Because of the acute need for deeply affordable housing and the complexity in financing these projects, this project set out with the goal of understanding the unique challenges for deeply affordable housing development in the Twin Cities metro. This report is a student-initiated capstone project conducted by graduate students from the University of Minnesota's Humphrey School of Public Affairs, in partnership with Beacon Interfaith Housing Collaborative. Beacon is made up of dozens of congregations around the Twin Cities, working together to advance affordable housing policy, develop affordable housing, and provide supportive services. Additionally, this report incorporates a public health lens throughout, as one member of the research team is a graduate student not only at the Humphrey School but also at the University of Minnesota's School of Public Health.

This project delves into the challenge of developing and distributing deeply affordable housing in the Twin Cities metropolitan area. The project began with the question: where has deeply affordable housing been developed in the Twin Cities metro in the past decade? After understanding the spatial distribution of deeply affordable housing development, the project explored the challenges facing the many players in affordable housing development and how successful projects have been structured. Through lengthy data analysis, an in-depth review of relevant research, and nearly two dozen interviews with experts in the field, the project produced an interactive map and dashboard showing recent developments as well as policy recommendations available to various stakeholders involved in deeply affordable housing.

Why deeply affordable housing matters

For low-income renters in the Twin Cities, there are not enough homes to rent, and those who do have a place to rent are overwhelmingly cost burdened. The 7-county metro area accounts for 75% of the statewide housing shortage, estimated to be around 106,000 units.[1] Households which are cost burdened are those which spend more than 30% of their income on rent and utilities; severely cost burdened households spend more than half of their income on rent and utilities. While the cut off of 30% or 50% is arbitrary and misses many nuances to each household's unique situation, it is generally accepted that if a household is spending a more than a third or more than a half of their income on housing, then they are foregoing necessary spending on food, healthcare, childcare, clothing, education, and other essentials just in order to stay housed.

This project is focused on deeply affordable housing, which is another way of saying housing that is affordable to a low-income household. Statewide, 86% of low-income renters (households earning under $35,000) are housing cost burdened, and nearly 70% are severely cost burdened.[23] There is no shortage of stories of Minnesotan families who have endured undue hardship because the region does not have enough affordable housing, and the hardships are all the more trying for those with little to no income. Understanding the reasons why there are not enough affordable units, and uncovering patterns across successful affordable developments is important to ensuring the region's housing stock is sustainably affordable and meeting the needs of its residents.

[1] Vagle, et al., 2024

[2] National Low Income Housing Coalition

[3] Minnesota Housing Partnership, 2024

Public Health Implications

Deeply affordable housing is related to public health because of the connection of housing through quality, neighborhood, affordability, and stability.[4] All four of these factors have been shown to affect people's health by how, for example, the quality of housing is related to adequate heating and cooling and is free of pests, mold, lead, and other environmental hazards while meeting the needs of accessibility.[5]

The importance of affordability is critical, considering back in 2020, it has been found that the number of households that do not receive housing assistance and have very low incomes either live in substantially substandard housing or pay more than half their income has risen by 66% since 2001.[6] The rise in the lack of affordability creates a greater risk for families because of the difficulty of affording food, utilities, transportation, and medical care, which can result in worse health outcomes.[4]

Neighborhood affects a family's ability to have high-performing schools with safe outdoor spaces and access to transportation and jobs, which affects their quality of health by their ability to thrive and be healthy, especially if they are located in areas of concentrated poverty.[7] BIPOC communities are found to live in neighborhoods with much higher concentrations of poverty, which contributes to worse health outcomes and hinders health.[4]

Stability is important to health by how nearly 3 million families experience evictions annually in the U.S., and this has been shown to affect the health of children, the mental health of mothers, and the economic stability of the family.[8] Another factor in stability is homelessness and how beginning from prenatal through childhood, experiencing homelessness at any time has been associated with negative health, development, and educational outcomes.[4]

Homelessness is a major concern, considering that people who are homeless, on average, die 12 years sooner.[9] Homelessness also contributes to higher rates of diabetes, hypertension, heart attack, HIV, hepatitis C, depression, and substance use disorders. As shown in the image below,

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[4] Allison Bovell-Ammon et al., 2020
[5] Cook et al., 2008
[6] National Low Income Housing Coalition
[7] Williams and Collins, 2001
[8] Desmond and Kimbro, 2015
[9] National Healthcare for the Homeless Council, 2019

homelessness affects many different health conditions for individuals and families, so the importance of deeply affordable housing is paramount. Deeply affordable housing can effectively reduce homelessness by providing more housing directly or through more subsidies to assist in providing more units at deeper affordability rates.[10]

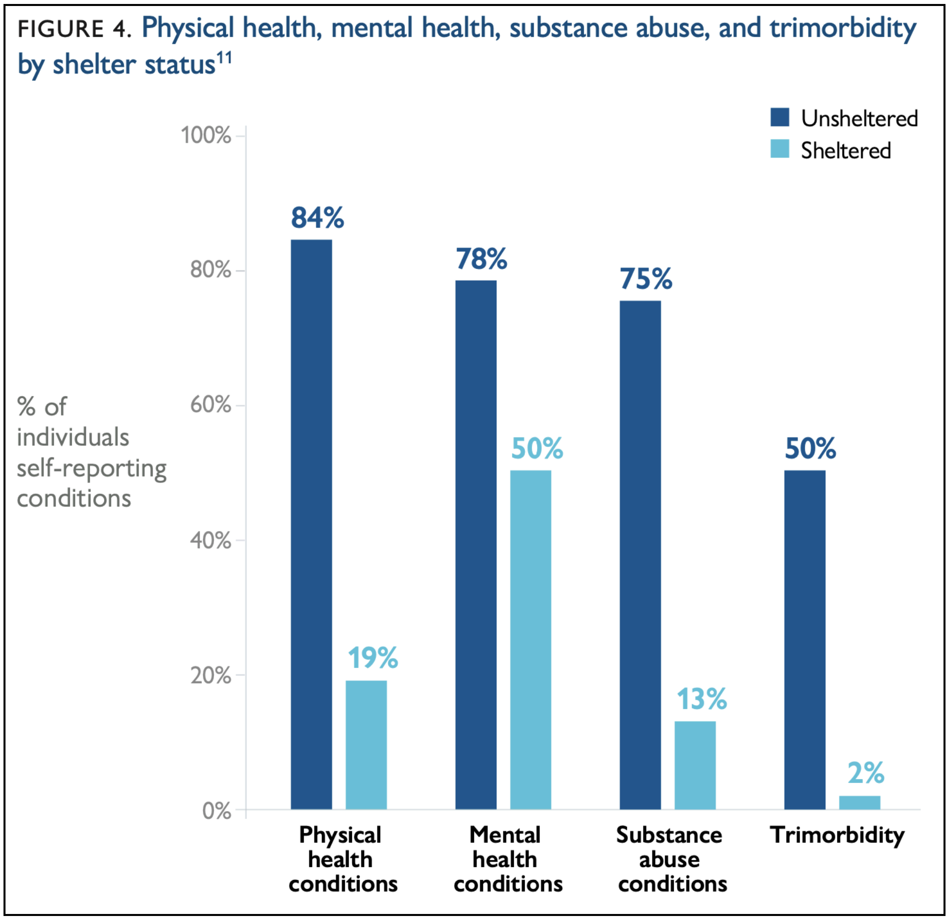

Figure 1: Health and Shelter Status (Image Credit: California Policy Lab)

[10] Horowitz et al., 2023

Key Terms and Concepts

Housing Cost Burden	A household is housing cost burdened if they spend more than 30% of their income on housing costs (rent and utilities). A household is *severely* housing cost burdened if they spend more than 50% of their income on housing costs.
Area Median Income (AMI)	The US Department of Housing and Urban Development (HUD) calculates the area median income, or AMI, for each county or multi-county metro area. AMIs are used to set the income limits which determine eligibility for many federal, state, and local housing programs. The benchmark of AMI is used to calculate "levels" of income and affordability, which are percentages of the AMI (e.g. 80% AMI, 60% AMI, 30% AMI, etc.)
Affordable Housing (re: cost burden)	Housing is considered to be affordable housing if the occupant(s) is not housing cost burdened (i.e. does not spend more than 30% of household income on rent and utilities).
Affordable Housing (re: affordability)	Another way to consider whether a housing unit is affordable is to assess whether the rent is affordable to those who make a fraction of the area median income. Housing is considered to be affordable housing if the rent is affordable to those who make 60% of the area median income or below. (Some include renters earning 80% of area median income in this definition).
Deeply Affordable Housing (re: affordability)	Housing is considered to be deeply affordable housing if the rent is affordable to those who make 30% of the area median income or below.
30% AMI	"30% AMI" is an abbreviation used frequently in this report to refer to a unit that is affordable to a household that makes 30% of the area median income, although the shorthand skims over some important nuance. Earning 30% (or less) of AMI qualifies a household to live in a 30% AMI unit, which is a unit set aside for low-income tenants, often as a condition of receiving subsidy. However, the unit is only affordable to a household earning exactly 30% of AMI. That "affordable" unit becomes *unaffordable* to a resident if they make less than 30% of AMI but still have to pay the rent amount which was set to accommodate the budget of a household making 30% (or more) of AMI, thus making them cost burdened.

Background and Literature Review

Current Landscape of Affordable Housing in Minnesota

While the scope of this project's research and findings is focused on deeply affordable housing in the Twin Cities metropolitan area, it is worth situating the findings in the context of affordable housing in the state. The Minnesota Housing Partnership's 2024 State of the State's Housing found that housing is unaffordable to half of all renters and is unaffordable to nearly 9 in 10 low income renters.[3] For most Minnesotans, rent increases are outpacing income growth, exacerbating the severity of housing cost burden for those households. These financial pressures, compounded with the end of the pandemic era eviction moratorium, has caused greater housing instability. Evictions have increased 44% relative to the pre-COVID filing rates in the state. And when low income households are evicted, there are not enough affordable options to move to, as it is estimated that the state needs over 114,000 additional affordable rental units to meet the needs of extremely low income renters.[11]

Racial disparities persist across the housing continuum. People of color are approximately a quarter of the state's residents but account for 66% of people experiencing homelessness. While 46% of white renter households across the state are housing cost burdened, 57% of Black households are housing cost burdened. The disparity widens when looking only at families. Only 16% of white households with children were housing cost burdened, but 34% of Hispanic households with children were housing cost burdened, and 48% of Black households with children were housing cost burdened. While this report is focused on rental housing, it is also worth noting that there are deep racial disparities in the homeownership rate, with 77% of white households being homeowners but only 64% of Asian households, 49% of Hispanic households, 44% Native households, and 29% of Black households being homeowners.

Incomes and Affordability in the Twin Cities Metro

When discussing affordable housing, or deeply affordable housing, it is important to clarify what is meant by the term "affordable." Some of the basic definitions of affordability are provided in the table of Key Terms and Concepts in the previous section. But because researchers, policy makers,

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[11] National Low Income Housing Coalition

and developers often measure affordability relative to the area median income, or AMI, it is important to understand the measure and what it means in the local context. Because incomes vary across the country due to cost of living and employment dynamics, HUD calculates the median income of "areas," including the Twin Cities metropolitan area. In 2024, the AMI for a family of four in the Twin Cities metro is $124,200. In other words, if you listed the incomes of every family of four in the region in order from lowest income to highest income, the family right in the middle would have an income of $124,200. "Affordable housing" is housing that could be rented by a household making a percentage of the AMI, without having to spend more than 30% of their income on rent and utilities. The smaller the percentage, the deeper the level of affordability, since the rent could be affordable to those with lower incomes. Percentages of AMI are often set at round numbers, including 50% or 60% of AMI (affordable housing) or 30% of AMI (deeply affordable housing). In the Twin Cities metro, a housing unit which is set aside as a 60% AMI unit would be available to a family of four making less than $74,520. A deeply affordable unit which is set aside as a 30% AMI unit would be available to a family of four making less than $37,250.[12]

Based on the 2024 AMI figure for the metro area, one can calculate what an affordable rent would be for a household (not necessarily a family) at 30% of AMI, broken down by unit size, as shown in the table below:

Number of Bedrooms	**Maximum monthly rent affordable at 30% of AMI (includes rent and utilities)**
Efficiency	$652
1 Bedroom	$699
2 Bedrooms	$838
3 Bedrooms	$969
4 Bedrooms	$1,080

[12] Metropolitan Council

Literature Review

This report builds upon significant research into affordable housing and public health. A full literature review with complete citations can be found in Appendix A, but this section presents a brief summary of the findings from the literature review to provide adequate context for our subsequent findings and recommendations.

Historical Context and Background

Early 20th Century Housing Policy in the Twin Cities, influenced by national urban planning trends, included zoning laws and development codes that often led to racial segregation. Practices such as redlining and racial covenants in property deeds systematically excluded African Americans and other minorities from homeownership across the state. In 1968, the United States Federal government passed the Fair Housing Act which outlawed the practice of redlining and racial covenants methods. The impact of these segregation tools have fostered an urban landscape with disparities in housing quality and access.

During the mid-20th century, the negative effects of discriminatory housing policies and the civil rights movement led lawmakers to make policy changes that would provide equitable housing access to individuals in need. They introduced the Housing Choice Voucher program (HCV), which was created in 1974 and is administered by the U.S. Department of Housing and Urban Development (HUD) and local Public Housing Authorities. This program was designed as a safety net for low-income families, allowing them to find housing in the private market with a guarantee for potential landlords that the federal government will subsidize a portion of their rent. Amid a disinvestment in public housing, the government introduced the Low-Income Housing Tax Credit (LIHTC) 1986, marking a shift towards incentivizing private investment in affordable housing rather than direct investment in public housing. In the Twin Cities, the LIHTC has catalyzed numerous projects by allowing developers to receive tax credits in exchange for creating affordable units. These units must remain affordable for at least 15 years, but often the affordability is extended to 30 years or more through subsequent agreements. The LIHTC program, while successful in expanding the stock of affordable housing, has faced challenges. The competition for credits is stark, and the amount available often falls short of the demand. Additionally, the program has been criticized for sometimes leading to the concentration of poverty, as affordable housing developments are frequently located in lower-income neighborhoods.

While housing choice vouchers continue to play a vital role in housing development today, recent policies in the Twin Cities have shifted toward inclusionary practices and holistic, emphasizing the significance of housing in public health and community well-being. Minneapolis and St.Paul have adopted inclusionary zoning policies which require new developments to integrate a portion of affordable housing units. These policies aim to mitigate displacement linked to gentrification and maintain diversity. The adoption of the Housing First model, which provides permanent housing to the homeless without stipulations such as sobriety, marks a shift towards treating homelessness as a long-term issue rather than a temporary crisis.

Barriers and Challenges for Affordable Housing Development

Developing deeply affordable housing, especially projects that integrate health services, face significant economic and regulatory challenges. These challenges can significantly impact the progress of new developments and affect the sustainability of existing ones. The economic incentives typically offered to developers often do not align with the high costs and complex regulatory demands associated with constructing and maintaining deeply affordable housing units. The economic challenges outlined in the literature are, high development costs, limited return on investment, and complex funding mechanisms. The regulatory challenges include, zoning laws and land use regulations, building codes and safety standards, and lengthy approval processes.

Overall Policy and Strategy Recommendations from Literature

The Twin Cities metro area has significantly addressed the critical need for deeply affordable housing. However, persistent challenges related to financing, regulatory hurdles, and sustainable development practices continue to impede the expansion of these essential services. The main body of the report addresses findings and subsequent recommendations from our research, but the literature also highlights supplementary policy recommendations. This section offers comprehensive policy recommendations and strategic initiatives aimed at enhancing the provision of deeply affordable housing while also prioritizing public health outcomes, economic stability, and community resilience. Recommendations from the review included expanded incentive programs, zoning and land use reform, strengthened public-private partnerships, dedicated affordable housing funds, public land for affordable developments, use of community land trusts, use of modular and prefabricated construction, and incorporation of health and wellness facilities. For the complete literature review, please turn to Appendix A.

Approach

Our research approach was structured to answer three distinct questions about deeply affordable housing in the Twin Cities metropolitan area. First, where in the metro are deeply affordable units being developed? Second, who is developing these units? And third, how are those developers financing their projects and addressing the numerous hurdles it takes to develop and operate a project with deeply affordable units?

In part because this capstone project is undertaken in partnership with Beacon, who amongst other things is a nonprofit developer, our approach is tailored to questions which concern those involved with the development side of deeply affordable housing. This impacted how we developed our research questions. For example, our first question was about the spatial layout of deeply affordable housing in the Twin Cities metropolitan area. Rather than identifying where every deeply affordable unit was located—which might be more relevant to researching if there is sufficient supply—we focused instead on where deeply affordable units had recently been developed. The insights from this could be useful to a developer who wants to build deeply affordable housing and is wondering if there are suburbs which already have some deeply affordable housing, possibly indicating a city government which is interested in facilitating affordable housing development. Of added benefit to our additional research, identifying where recent development had occurred also dovetailed with our questions of who is active in developing deeply affordable units and how are these developments financed. Again, those subsequent questions were approached from the perspective of identifying how others who are interested in developing deeply affordable housing could find success.

Problem Statement

The Twin Cities metropolitan area is experiencing a critical shortage of deeply affordable housing. This housing crisis is experienced unequally and exacerbates socioeconomic disparities, undercutting the stability, health, and wealth of marginalized communities. Because of the narrow margins for those who develop and operate deeply affordable housing, there are few, if any, for-profit developers who contribute meaningfully to the supply of deeply affordable units. Non-profit developers who step up to develop deeply affordable housing also operate on slim margins, and depend upon an intricate web of funding mechanisms and competitive allocation processes for limited subsidy. Our research aims to distill these complexities into actionable insights not only for developers eager to produce deeply affordable units, but also for policy makers willing and able to direct adequate subsidies into developing and preserving deeply affordable housing.

Scope

This report is narrowly tailored to understand and address the critical challenges in providing deeply affordable housing within the Twin Cities metropolitan area. The Twin Cities metropolitan area is defined as the region known colloquially as the "seven-county metro," which includes Minneapolis, Saint Paul and 179 other cities and communities across Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties. While the geographic scope of the project is focused on the seven-county metro, a handful of nonprofit developers who are involved in the Twin Cities metro operate outside of the metro area as well. Additionally, there are subsidy providers such as Minnesota Housing which play significantly into the affordable housing landscape in the seven-county metro but which have a broader geographic scope to their work.

The scope is also limited to a focus on housing that is affordable for households earning 30% of AMI or less, which represents the most economically disadvantaged and housing-insecure populations in the region. While the project's focus is on deeply affordable housing development and the unique challenges it presents, the findings could be applied to other levels of affordability even though the extent is not explored in the scope of this report.

Methodology

Our research methodology was designed to get to the heart of our research questions: "Where is deeply affordable housing being developed, who is developing it, and how are they finding success in the development process?" To this end, we developed a blend of qualitative and quantitative research techniques to provide a comprehensive interrogation of the challenges and opportunities for developing deeply affordable housing units, as detailed below:

Data Analysis	To understand the landscape of deeply affordable housing, we set out to collect, clean, and analyze data about deeply affordable housing in the Twin Cities metro. Data was sourced from Minnesota Housing via Housing Link and the Center for Urban and Regional Affairs. Given the limited time to complete the project, we could not source a dataset with every deeply

	affordable development. However, an experienced researcher estimated that our dataset, comprised of all Twin Cities metro area developments with some financial support from Minnesota Housing, would represent 70% to 80% of the entire landscape of affordable housing development. The sample was limited to developments with affordable units that received funding allocation from 2012 to 2024. Additional data was sourced from the National Housing Preservation Database and the Metropolitan Council but was not included in our analysis due to the inability to link datasets, limitations with address-level analysis due to privacy concerns from data owners, and missing data in crucial variables necessary for our study.

Stakeholder Interviews	To understand the perspectives of the many people who are involved in the development of deeply affordable housing in the Twin Cities metro, we interviewed nearly 30 individuals at non-profit developers, in the public sector, and in other related positions. Over the course of two months, we interviewed: ● 12 people who work for local non-profit developers, ● 4 people who work on affordable housing development at a local city or a city's public housing authority, ● 3 people who work on affordable housing development at the county level, ● 3 people who work at the regional governing body of the Metropolitan Council, ● 3 people who work for research and advocacy nonprofits which focus on affordable housing locally ● 2 people who work for the state housing agency, and ● 2 people who work for lenders involved in local affordable housing. The interviews were semi-structured, with a list of prepared questions which were modified only to make them applicable to the interviewee. The interviews were conducted in this fashion so that we might be able to identify themes in the responses provided to prepared questions, but still allow flexibility to integrate unique and interesting lines of questioning as they arose. Separate questions were prepared for those at non-profits and those who worked in government, although the topics were uniform throughout.

	Topics included: • The need for deeply affordable housing and the adequacy of current supply, • Challenges facing developers of deeply affordable housing and steps taken to address those challenges, • Strategies for successfully developing projects with deeply affordable units, • Which subsidies or other supports are important to developing deeply affordable housing, • The role of supportive services, • The future landscape of deeply affordable housing, • Zoning, and • Community support (or lack thereof) The only question that was posed to every interviewee was the closing question of, "If you could change one thing to unlock the development of 30% AMI housing, what would it be?" Interviews often had at least two members of the research team on the call and all interviews were conducted over video or phone call. The majority of the interviews were recorded and transcribed, with the transcription being done by an AI program but ultimately reviewed by people. Each recording was made only with prior consent of the interviewee, and the recordings were only used to ensure accurate documentation of statements and will not be preserved. Meeting notes were kept in addition to the recordings.

Mapping (ArcGIS Dashboard)	The aim of a GIS Dashboard was to provide an interactive platform for stakeholders to visualize the landscape of deeply affordable housing in the Twin Cities metro. By integrating spatial data with visualization tools, the goal was to discern concentrations of deeply affordable housing, identify gaps, and facilitate data-driven decision-making. However, this project's geographic scope narrows the focus area to the Twin Cities metro, thereby precluding comparative analysis with other regions. The dataset for the dashboard came from Minnesota Housing, inclusive of affordable housing units tracked from 2014 to the present. This spatial dataset includes various attributes related to housing such as unit type,

	development status, and affordability levels differentiated by percentages of AMI. Before integration into the GIS platform, the data underwent a thorough cleaning process to ensure accuracy and reliability. This involved: ● standardizing entries, ● rectifying discrepancies, and ● validating the completeness of records against other housing databases. The final dataset, transformed into a clean Excel spreadsheet, was then ready for spatial analysis and representation. ArcGIS Dashboard served as the mapping and visualization tool, selected for its dynamic capabilities in showcasing real-time data through interactive maps and charts. The process began with the creation of feature layers, which were directly generated from the cleaned Excel data. Each feature layer was a compilation of geographic and descriptive data that could be symbolized and queried within the dashboard. To generate the visual representations, the dashboard was composed of various elements, each linked to its respective feature layer. These elements include pie charts, tables, maps and gauges.

Literature Review (Appendix A)	The literature review constituted a foundational element of this project. It covered a wide range of themes pertinent to deeply affordable housing, such as economic models, financing structures, policy effectiveness, and public health connections. The full list of topics covered throughout the literature review included: ● Historical Context and Background ● Current Housing Landscape ● Public Health Implications ● Affordable Housing Funding Mechanisms ● Economic Challenges ● Regulatory Challenges ● Case Studies and Promising Practices

	The review spanned a variety of sources, for varying purposes, as described below: ● Academic journals for theoretical frameworks and previous research findings (e.g., Journal of the American Planning Association), ● Government reports for data on housing developments and policy impacts (e.g., reports from the U.S. Department of Housing and Urban Development and the Metropolitan Council). ● Case studies for practical insights and real-world applications of deeply affordable housing projects. ● Media articles for contemporary discussions and public opinions on housing developments. By integrating these diverse sources, we were able to construct a detailed picture of the current landscape and the dynamics influencing the development of deeply affordable housing in the Twin Cities Metro area. Incorporating this into our overall methodology not only enriched our understanding but also enhanced the credibility and reliability of the takeaways from stakeholder interviews, paving the way for informed recommendations and strategic planning in the field of housing development.

Positionality of Research Team

Our team's positionality is integral to how we approach our research. We all have diverse experiences and academic backgrounds. Each member brings unique perspectives shaped by personal and professional encounters with housing policies, development projects, and advocacy. This variety enriches our analysis, allowing us to examine the issues from multiple angles and identify solutions that might not be apparent from a single viewpoint.

We recognize that our backgrounds also come with inherent biases—whether they stem from our education, cultural experiences, or professional sectors. By actively acknowledging these biases, we aim to mitigate their impact on our research. We strive for objectivity by engaging with a broad spectrum of stakeholders including policymakers, developers, community members, and activists to gather a comprehensive array of data and opinions. This engagement helps us to challenge our preconceptions and refine our conclusions.

GIS Dashboard

One key outcome of this project which is not included within this report is the development of a GIS dashboard. The dashboard can be accessed at the following link:
https://umnhhh.maps.arcgis.com/apps/dashboards/28a8815bad39415387ac6fd64f213ddd
The dashboard (see Figure 2 for a still image) shows the spatial layout of the deeply affordable units within our dataset. One key research question was, where is deeply affordable housing being developed in the Twin Cities metro, and what are the characteristics of developments which have been built recently (in the past decade). The thematic findings section dives more into those findings, but the GIS dashboard allows users to explore the data themselves. Interactive elements include a heat map which shows the distribution of affordable units across the metro area, a point map allows users to drill down to specific developments for detailed information, a developer list which can be sorted and queried through the dashboard interface, and various other graphs and charts to visualize breakdowns of the data. While utilizing the dashboard, we want to remind users of the limitations of our dataset, since the dataset is not inclusive of all deeply affordable units. Local housing researchers informed us that most deeply affordable units have some level of subsidy attached. The available data we worked with covered all units which recently received subsidies from Minnesota Housing (from 2012 to 2024), which a researcher estimated would provide us with 70% to 80% of the total landscape of deeply affordable units developed in the past decade.

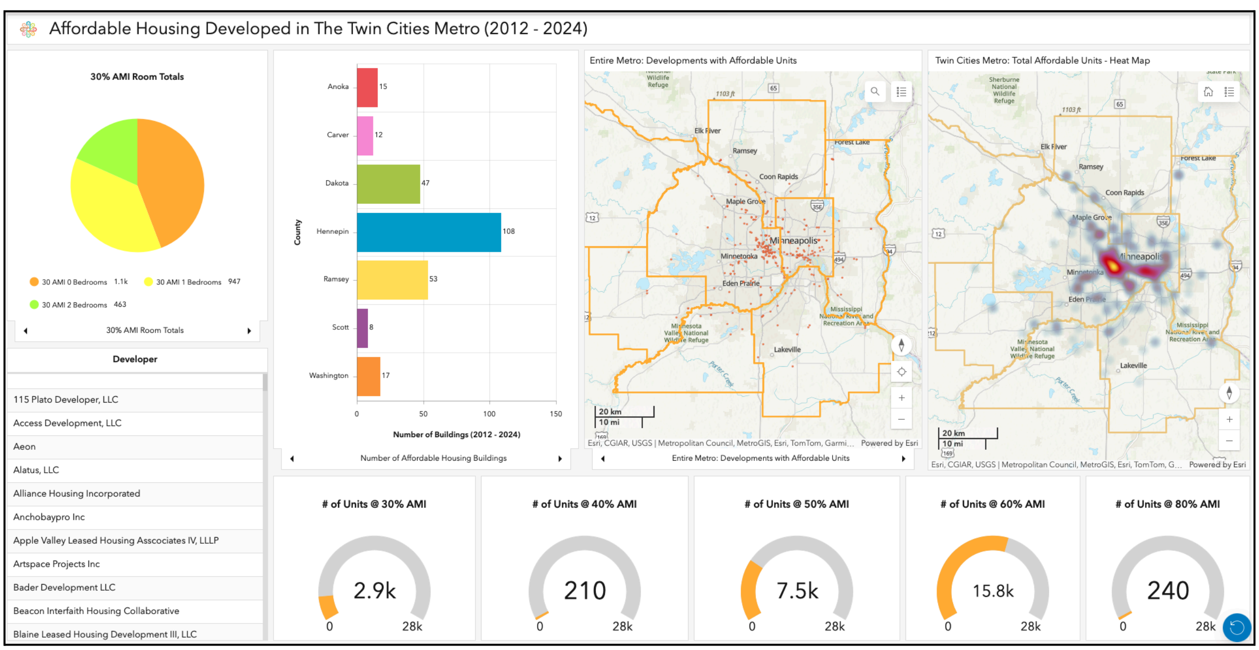

Figure 2: Screen Capture of GIS Dashboard

Thematic Findings

1) The State of Deeply Affordable Housing Development in the Twin Cities Metro

Findings

Across all stakeholder interviews, there was consensus that there is not enough deeply affordable housing in the Twin Cities metro. One research question we pursued was how much deeply affordable housing in the metro area is concentrated in the central cities of Minneapolis and Saint Paul. From our available data, we found that only 10% of units in metro area buildings which received subsidies from the state were set aside for those at 30% of AMI (see Figure 3). In other words, approximately 1 in 10 affordable units in the metro were deeply affordable units, however this was not evenly distributed across developments. Many deeply affordable units were in developments that were overwhelmingly deeply affordable in their unit mix, and the large size of a number of these projects drove much of the metro areas 10% total. We also looked at the breakdown of where those deeply affordable units were across the metro and found that 41% were in Minneapolis, 33% were in Saint Paul, leaving only 27% of deeply affordable units being developed in the suburbs. There is no one clear reason why a majority of deeply affordable housing developments are concentrated in the central cities, however anecdotal stories from interviews mentioned disparities in financing supports, inclusionary zoning ordinances, differing levels of

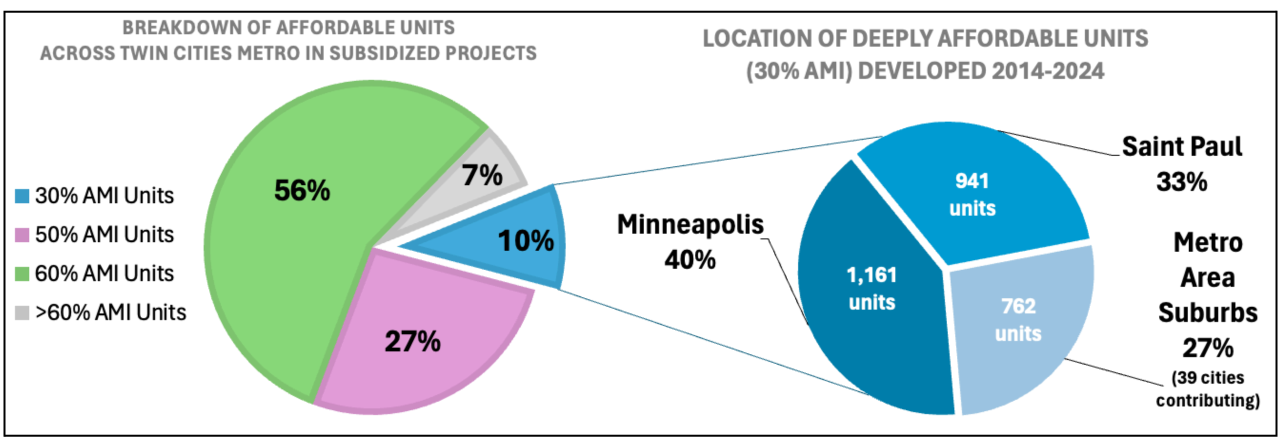

Figure 3: Totals Units by AMI Levels & Location of Deeply Affordable Housing Units Table (additional information in Appendix D)

community support, and number of involved non-profits. Individual suburbs at most accounted for 3% of the total sum of deeply affordable units, and often a suburb would have only one large development which would provide the entirety of deeply affordable housing added to their housing stock in the past twelve years. The suburbs which had the most development of deeply affordable units in the past decade were Coon Rapids (3.3% of the metro area's total deeply affordable developments), Mahtomedi (2.1%), Mounds (2.1%), Edina (1.8%), Brooklyn Center (1.8%), Brooklyn Park (1.8%), Saint Louis Park (1.6%), Maple Grove (1.2%), and Maplewood (1.1%). All other suburbs contributed to less than 1% of the metro's total stock of recently developed deeply affordable housing. For unit counts by suburb, please see Appendix D.

While our analysis found distinctions in where deeply affordable units have been developed over the past twelve years, we also found differences between cities when looking at the unit mixes which have been developed (see Figure 4). Minneapolis and Saint Paul combined account for 92% of deeply affordable studios. Among the 1,118 deeply affordable studios, 47% were built in Minneapolis and 46% were developed in Saint Paul. For 1-bedrooms, the distribution is much more even: for the 947 total units, suburbs account for 40% of deeply affordable options, Saint Paul 32%, and Minneapolis 28%. Grouping together multi-bedroom (2-5 bedrooms) units to create a general sense of what options there are for families, we found that Saint Paul fell far behind Minneapolis and the suburbs in providing deeply affordable options for families. Among the 799 units with 2 or more bedrooms, only 11% were in Saint Paul, while Minneapolis had 46% and the suburbs had 38%. For a more detailed breakdown of larger units, please see the table in Appendix D.

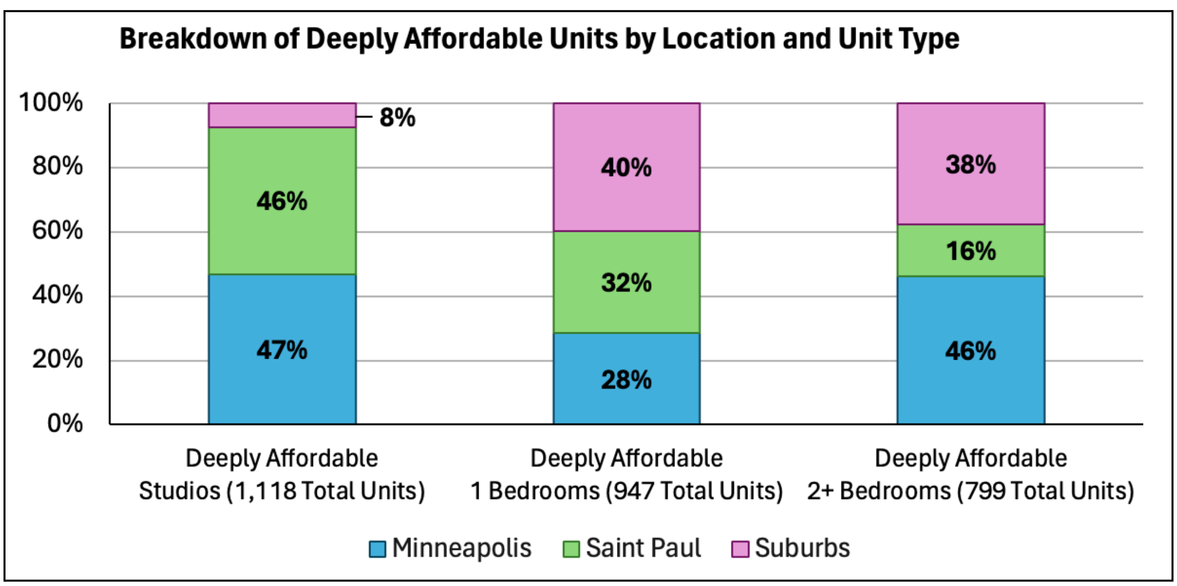

Figure 4: Deeply affordable units by location and unit type (additional information in Appendix D)

2) Low Income Housing Tax Credits and Housing Infrastructure Bonds: The bedrock of deeply affordable housing development

Overview

In the Twin Cities metropolitan area, the creation and distribution of deeply affordable housing are contingent upon a complex array of financial instruments, among which tax credits and housing infrastructure bonds are pivotal. Housing tax credits are sold to investors (who receive a 10-year reduction in tax liability) who in turn provide the capital to build eligible affordable rental housing units through new construction, rehabilitation, or acquisition and rehabilitation. In Minnesota, Low Income Housing Tax Credits (LIHTC) are allocated by Minnesota Housing, the City of Minneapolis, the City of Saint Paul, Dakota County, and Washington County. How much LIHTC subsidy exists is determined by HUD, and they allocate LIHTC to each state on a per capita basis. Housing Infrastructure Bonds (HIB) are tax-exempt bonds authorized by appropriations from the Minnesota state General Fund. HIBs support deeply affordable housing, preservation of federally assisted rental housing, and more. Both LIHTC at the federal level and HIB at the state and local level are essential funding sources for many deeply affordable housing developments.

Perspectives

Many interviewees reiterated how critical tax credits and bonds are to making the development of deeply affordable housing possible, even though the programs were described as excessively complicated. The need for LIHTC and HIB exists because rents in deeply affordable projects cannot support construction and operating costs. Some folks mentioned wanting to provide deeply affordable housing without any subsidy attached, but with rising construction and operating costs, this is increasingly difficult to pull off. The wish to have deeply affordable housing without subsidy was often desired because of the high administrative burden of acquiring and remaining compliant with the terms of the subsidy program. For many, building and operating without these subsidies are unrealistic. As one interviewee told us, "Without substantial influxes of resources, especially for deeply affordable housing, we are facing an uphill battle."

We heard from many that the federal government has failed to keep up with the demand, and thus states have had to be creative. One was optimistic that the newly created state housing tax could be an interesting step in the right direction, and that HIBs have been a very helpful program to fill some of the gaps left by federal underfunding.

Findings

Based on what was heard from interviews with developers, public sector employees, and researchers, it's clear that LIHTC and HIB are a crucial part of the financing of many deeply affordable projects in the metro area. LIHTC and HIB are also large percentages of many development's capital stack. Thus, when projects are not awarded the subsidy through the highly competitive allocation process, it often means that the project fails. For new construction, this means that new supply isn't added to the market. For preservation, this means that projects fall into disrepair or risk being lost to market rate housing in order to stay operational. While no secret to anyone who has seen LIHTC up close, the program is excessively complicated, which not only makes it more difficult for new developers to become involved in deeply affordable housing, but also adds additional costs which don't exist for market rate development. That said, it remains essential to development. As one interviewee said, for all its flaws, it is better to have LIHTC than to not have it, and the only hope would be to reduce complexity and increase the amount of subsidy so that more projects could be funded. While tax credits and bonds alone can't solve all challenges for deeply affordable housing development, they remain a valuable foundation for many, many projects, and additional subsidies would only increase supply given how competitive these subsidies have become.

3) Vouchers: The path to financial feasibility

Overview

HUD's project-based vouchers (PBVs) and tenant-based vouchers are important ways in which affordability is maintained in the Twin Cities metro. All vouchers cover the gap between what a household can afford to pay (30% of their income, whatever their income is) and the rent. PBVs are tied to a unit, so whoever is currently occupying the unit receives the benefit. Tenant-based vouchers are tied to a household, so wherever they live (assuming they are successful in utilizing the voucher) they would receive the benefit. The unique benefit of tenant-based vouchers is a tenant has greater choice in where they can live, although they still need to find a unit with low enough rent (the voucher will only reimburse up to a certain amount) and they need to find a unit that accepts vouchers. This latter caveat may soon be resolved as a result of legislation being drafted currently.

While PBVs do not provide the same flexibility for individual families, they help in the development process and provide security to developers that they will receive a certain income when the unit is occupied. PBVs also are seen as an asset to those underwriting deeply affordable developments, from lenders to other subsidy providers. So while both tenant- and project-based vouchers are important pieces of support in the broad scheme of affordable housing, PBVs play a more significant role in the development of deeply affordable housing.

Perspectives

There were a variety of perspectives we heard on the importance and best use of vouchers in deeply affordable housing. Speaking in support of how PBVs are helpful in successfully developing deeply affordable housing, one non-profit developer shared that while it's very helpful and important for families to have tenant-based vouchers, tenant-based vouchers don't necessarily support debt. They told us, "No bank would ever size a mortgage based on the fact that you would hope to house people with tenant-based vouchers." But if a project has project-based vouchers, then a bank can size a mortgage on the assumption that a certain amount of rent is sure to be coming in (with standard vacancy assumptions still included). In addition to helping to underwrite projects, PBVs are also critical in that they support ongoing operations. We heard from multiple non-profit developers that there is a lot of money for building buildings, but less available to support ongoing operations. With rising operating costs, the certainty inherent in PBVs is very beneficial to operators who can rely upon a secure cash stream.

One question asked to all interviewees was, "what is one thing you would do to unlock deeply affordable housing development?" While the question was intentionally open-ended, a third of respondents said increased vouchers would be their one thing (a full breakdown of the responses is shown in Appendix B). Some specifically called out tenant- or project-based vouchers, but one interviewee stated that "The shortest route to guaranteeing that nobody has cost burden is 'Vouchers for all'. If 100% of Minnesota residents who needed [vouchers] had access to them, then we wouldn't actually need to have units that were only charging 50% or 30% rents, because you could charge what you need to operate. You could still serve, still target, the same population to live in [affordable housing developments] but they would have a means to pay and not be cost burdened."

While non-profit developers spoke frequently about PBVs, those involved in distributing vouchers of all types saw PBVs from a different perspective. Housing authorities mentioned that certain rules dictate how they can allocate their vouchers by type, although Minneapolis has additional flexibility as they are a part of the Moving to Work program that HUD runs. One metric important to housing authorities is voucher utilization. One interviewee noted that some PBVs go under-utilized, especially when they are allocated to developments which are far from the central cities of Minneaoplis and Saint Paul. Acknowledging the merits of both project- and tenant-based vouchers, one expert shared that "as a housing authority, it's important that we have policies that lift up both opportunities for tenants." Across the board, housing authority employees and non-profit developers shared that vouchers are a valuable but limited resource, as demonstrated by the excessively long wait list for those who qualify for vouchers.

Findings

Our research indicates that both project- and tenant-based vouchers are important tools for affordable housing. Tenant-based vouchers for all were highlighted as one of the most straightforward ways to guarantee that everyone can afford their housing, and would solve the issue of long waitlists for those who currently qualify for vouchers. We found that demand for vouchers far outstrips supply. During the last opening of the Metro HRA waiting list, over 11,000 people applied to receive the benefit within a week of the waitlist opening, and there were only 2,000 available slots. This overwhelming demand highlights the acute need for more expansive voucher programs. On the other hand, while expanded access to tenant-based vouchers is good for household affordability, only a "Vouchers for All" program could also assist in the development of deeply affordable units. Only with a "Vouchers for All" model could a bank assume that a low-income unit would have rental assistance. Barring that expansive of a program, PBVs are an extremely necessary and valuable tool for developing deeply affordable housing. While a helpful element in pulling together financing and sizing debt, PBVs are also one of the most important methods of providing an ongoing subsidy available to developers of deeply affordable housing.

4) Facing the Funding Gap: New challenges to deeply affordable housing development

Overview

Building and operating affordable housing has become more expensive in recent years, across all levels of affordability. For market rate housing, rising costs can be counteracted by increasing rents. For many affordable units, the rent can only be raised so high as a condition of receiving necessary subsidy, so rising costs—whether from construction, insurance, security, front desk, services, or higher interest rates—can't be similarly addressed and create a funding gap. As there has been little additional funding or innovation around tax credits and vouchers, closing the funding gap requires developers to be creative in piecing together their financing, and requires policymakers to develop tools which address the exact challenges which developers face.

Perspectives

Conversations with stakeholders brought up many common challenges facing developers of deeply affordable housing, and brought to light strategies to close the funding gap facing many projects today. This highlighted not only the importance of tax credits, housing infrastructure bonds, and vouchers, as discussed in the previous sections, but also of additional subsidy layers which are critical to addressing financing challenges. Many interviewees shared that development is very challenging at the moment because of high interest rates and high costs, both on the construction side and on the ongoing operating side. Increased security costs, increased insurance premiums, and more have especially complicated the operating side of things. With the already thin margins inherent in operating deeply affordable housing, rising costs seems to have an impact on the overall supply of deeply affordable units. One non-profit developer shared that they aim to strike a balance between deeply affordable supportive housing and housing at the 50% and 60% AMI levels primarily because the resources for deeply affordable units are so scarce. Another interviewee shared the perspective of a developer which does more than just providing housing, since diversifying their work enables them to keep affordable housing developments afloat, buoyed by success in their other programming.

In response to the uniform agreement that rising costs are making it increasingly difficult to build and operate deeply affordable housing, many policymakers are using innovative tools—some new, some old—to increase the availability of deeply affordable housing. Cities, counties and more have grants and other financial incentives at their disposal which can support deeply affordable developments. Tax increment financing came up when talking to city officials, but not in great depth as there is only so much support that TIF can provide, and cities often highlighted other programs and ideas. Hennepin County has a pilot program with single room occupancy properties, which is supported by a five year grant agreement to cover the difference between operating expenses and income from 30% rents. Every year the operator requests the operating funds they need for that year. The idea is that in five years, the subsidy is renewed and things can continue. One risk is that it relies upon continued support from the Hennepin County Board, and them continuing to see it as a priority. But the approach demonstrates an innovative step to addressing unmet housing needs.

Another approach we heard of goes beyond addressing the needs of a single development. One nonprofit developer described the Stable Housing Organization Relieve Plan (SHORP) legislation, which was one-time money from the legislature to help balance the budgets for the metro area's largest housing nonprofits, as "a lifeline." SHORP was a one-time grant program providing $50 million to housing nonprofits to help them stay afloat in the wake of the economic shocks from the pandemic. Another interviewee shared that while SHORP has helped repay some losses that were incurred because of the COVID market shock, the challenges that created those losses still exist: "Nonprofit affordable housing developers have always operated on razor thin margins. The margin—post-COVID, post eviction moratorium—doesn't exist anymore."

The state legislature recently approved a sales tax increase in the metro area which supports transportation and housing programs. We heard from cities and counties across the metro who are enthusiastic about the impact that additional ongoing subsidy will have on affordable housing in their localities. Another policy idea that goes beyond the needs of one development is the proposed state constitutional amendment to create a "legacy fund" for housing assistance via a 0.375% sales tax increase. Especially as subsidies like tax credits, HIBs, and vouchers seem unlikely to see a dramatic influx in funding, the amendment would provide much needed additional funding to help address the funding gaps of individual projects as well as support the creation and preservation of additional deeply affordable units.

Findings

Developing, operating and preserving deeply affordable housing requires more money than comes in through rent payments from a 30% AMI unit. Often that means that deeply affordable housing requires ongoing support to stay afloat. There are multiple ways to think about that ongoing support. As was discussed in previous sections, the largest buckets of support for deeply affordable housing developments has been LIHTC, HIB, and PBV. But as construction and operating costs rise, those funding sources are not proving to be enough. While it would be hugely helpful if HUD had more tax credits and vouchers, additional subsidy has had to come from a variety of state and local sources. From TIF, to pilot programs with grant funding, to legislation like SHORP, to the Metro sale tax, to the proposed constitutional amendment, it's clear that fresh ideas are going to be key to filling the funding gaps emerging for deeply affordable developments today.

5) Supportive Services: When more than housing alone is needed (and when it's not)

Overview

Supportive housing is the coupling of housing and additional services to support residents, including mental health support, treatment for substance use disorders, employment assistance, and more. Many affordable housing developers integrate social services into their properties to help enhance the well-being and stability of their residents. While there are folks who simply need a cheap place to live without additional support, a meaningful percentage of residents in deeply affordable housing units experience multiple challenges to housing stability beyond cost alone. Effectively pairing supportive services with delivering deeply affordable housing is an important aspect of understanding the provision of deeply affordable housing in the Twin Cities metro.

Perspectives

One concern acknowledged by a handful of interviewees was the cost associated with providing units with supportive services. When considering the financing for supportive housing, there is an unmet need for sufficient ongoing services funding. We heard for all projects that it is hard to find operating subsidy relative to construction subsidy, and this is especially true for supportive housing services. Speaking to the importance of providing ongoing supportive services subsidy in connection to existing or recently built units, one individual shared the following comparison, "If you think education is expensive, try ignorance. If you think supportive housing is expensive, try homelessness."

Supportive service providers also shared, "we're finding that the needs are so much greater at all the income levels than they were pre pandemic" and that as need for services has increased, so has the cost of services. Developers try to "cluster" residents who need similar support to help reduce costs but this common strategy is not enough. A few people highlighted the benefit of coupling tenant-based vouchers with tailored social services to provide a comprehensive support system that extends beyond simple housing solutions. This strategy not only helps in stabilizing the residents but also in sustaining the housing projects themselves by reducing turnover and improving overall community health.

Findings

We found that there is an important distinction between residents that need a deeply affordable unit with supportive services and residents that simply need a deeply affordable unit. Providing housing for those two types of residents is very different, so it's important for policymakers to understand the additional complexities to effectively operating supportive housing, and to understand that many developers wished there was a simpler and easier way to just provide very cheap housing without layers of complexity. As has been noted before, nonprofits are the primary provider of deeply affordable housing, and many include supportive services in their mission and priorities. We found that there were many inefficiencies in the provision of supportive housing. Many of these inefficiencies have a bureaucratic logic to them but in practice they often confuse and irritate those that most need supportive services and the service providers themselves.

6) Preservation: A cost effective way to keep existing deeply affordable units online

Overview

As the LIHTC program approaches its 40th anniversary, a growing challenge is ensuring that affordable housing developments which are 15, 20, 30 years old, and older remain within the stock of affordable housing and do not fall into disrepair or get lost to market rate conversion now that the terms of their financing are expiring. Amid the overall shortage of deeply affordable units, preservation is an important way to ensure that the expensive process of new construction is not undermined by loss of existing affordable units, resulting in either a net loss of affordable units or a minimal net gain.

Perspectives

A significant issue in preserving deeply affordable developments is the physical deterioration of buildings, which requires substantial capital for renovations and repairs. Often, the financial models that support deeply affordable units do not generate sufficient revenue to cover these costs, leading to a reliance on increasingly scarce public subsidies, such as LIHTC. While a for profit owner-operator may be okay with increasing rents to market rate once the terms of the initial financing expire, most providers of deeply affordable housing are nonprofits who described losing a building to market rate as a failure. Thus many nonprofits will continue to keep buildings operational as long as possible before selling or being forced to shut down due to deteriorating conditions. Underscoring the desire to keep their projects a part of the stock of deeply affordable housing, we heard from multiple developers that they would apply multiple times for financing to preserve deeply affordable units, while all the while the buildings continued to deteriorate and be suboptimal for residents. One example told of a building with dozens of affordable units which required approximately $200,000 of support to preserve. Failing to be awarded that amount meant the building fell into further disrepair and had to be closed. To reopen that building and bring those units back online would require an investment of $1.5 million. A failure to invest in preservation resulted in dozens of units being lost from the total supply of affordable units, and the cost of returning those units to the supply is now nearly 8 times as much as the initial preservation investment would have been.

Nonprofit developers shared that they already face difficulties in addressing basic operating expenses, so finding money within their own budgets to address capital issues is extremely taxing. Many also shared the perception that subsidy providers do not provide assistance for preservation unless the documented needs are exceptionally high. One developer shared that while historically they aimed to split their efforts between new construction and preservation 70/30, in the current economy they are drawing closer to 50/50. They also mentioned that the current allocation formula for important subsidies does not align with that balance, but that they need to pursue that balance to not lose units through deterioration or sale to a market rate operator.

Findings

New construction was described as much more politically appealing than preservation, but we found that if the goal is to increase the total supply of deeply affordable units in the Twin Cities metro, then preservation needs to be higher on the agenda for subsidy providers. If a new construction deal does not get funding and goes unbuilt, there is a net zero impact on the total supply of deeply affordable units. If a preservation deal does not get funding to remain operational, then there is a net loss of units. One interviewee wished that every time there was a ribbon cutting for new development there was a mention of how many affordable units were lost because there was not enough money for preservation. Per unit costs of new developments are often higher than per unit costs of preservation, so even if both new construction and preservation are funded, it is incumbent upon policymakers to ensure that expensive new construction isn’t coming at the expense of a relatively cost effective way of ensuring that existing affordable options remain a part of the supply. Overall there is a shortage of deeply affordable units, so new construction is desperately needed, but cost effective use of public funds would ensure that preservation is seen as equally valuable to the broader picture.

7) Zoning: Assessing its impact on development of deeply affordable housing

Overview

In the Twin Cities metropolitan area, zoning laws play a critical role in determining the feasibility and placement of affordable housing. These regulations, designed to separate urban spaces into designated use areas, can significantly restrict where and how affordable housing is developed. Zoning determines permissible building heights, densities, and land uses, which can either facilitate or hinder the development of cost-effective, inclusive housing solutions. Zoning is determined at the city level, so across the metro area there are a variety of zoning codes. Some suburbs have zoning codes which are characterized as exclusionary, due to requirements which limit density and increase costs to develop affordable housing. Minneapolis is often seen as having one of the more inclusionary zoning policies in the nation, with the implementation of the recent 2040 comprehensive plan, although that plan is currently tied up in the courts.

Perspectives

Broadly speaking, we heard through our interviews that exclusionary zoning is a problem for providing deeply affordable housing, but some expressed reservations about how much of an impact inclusionary zoning codes would have specifically in the deeply affordable space. As one expert shared, "[inclusionary zoning] may open the door for projects to be developed where they otherwise wouldn't have been developed, but because the economics of [deeply affordable] units require a lot of subsidy, opening the door isn't going to create a flood of new deeply affordable projects. It's just going to open the door to a slow, gradual, increase in dispersed projects here and there." We heard frequently that while exclusionary zoning can create a roadblock for a deeply affordable housing development, the more significant challenge is the funding. But just because it's a less impactful factor, zoning reform is still a necessary factor to ensure that development of deeply affordable housing can occur anywhere in the metro area, and not just in a handful of cities with more inclusive zoning policies. One interviewee believed that zoning is not the issue, but that city capacity, city priorities, and city staff knowledge impact the funding picture in a much more meaningful way than zoning. They shared that denser cities—which happen to also have more inclusionary zoning—also invest more in affordable housing and have built partnerships with mission driven developers. Comments from a nonprofit developer supported this point, but added the perspective that they like to see more and more cities having inclusionary zoning, and that those cities are the cities that they want to work with.

Findings

Exclusionary zoning practices can be a fatal blow to the development of a deeply affordable housing development. As such, adopting inclusionary zoning practices helps by eliminating that barrier and making it easier for the state to produce the additional supply of deeply affordable housing that is needed to meet the demand. However, when speaking specifically about deeply affordable housing, it's important to recognize that while inclusionary zoning is a welcome reform, it has a relatively small impact because of how difficult it is to finance deeply affordable housing projects economically. Economic support has the biggest impact, but zoning reforms are still necessary, particularly in some suburban cities of the Twin Cities metro. We found that reforms should aim to lower barriers to developing multifamily units, should repeal requirements that unnecessarily increase costs, and adopt inclusive practices that allow diverse housing types across all neighborhoods, fostering more equitable community growth.

8) NIMBYism: Challenges in confronting negative perceptions of deeply affordable housing development

Overview

NIMBY or "Not in My Back Yard" an acronym used as a shorthand to describe the coalition of people who oppose certain changes within their neighborhood. This could encompass the construction of a prison, landfills, waste treatment plants, and more but in this context refers specifically to opposition to the construction of affordable housing in a neighborhood or city. NIMBYs, those who oppose affordable housing near where they live, often couch their opposition in the belief that the development will negatively affect home values, negatively impact local businesses, cause an increase in crime, and change the character of the neighborhood for the worse. NIMBYs frequently are involved in the development of affordable housing during public meetings and through communications with elected officials and city staff members.

Perspectives

A stark majority of the participants we interviewed explained that they did not encounter intense pushback from NIMBYs, however most interviewees are primarily active in Minneapolis, Saint Paul, and inner ring suburbs. As one interviewee who is familiar with the whole metro area shared, "we don't get as much NIMBY pushback in the central cities and the first ring suburbs. It's when we start going a little bit further out, and even then, I feel like there are a lot more allies than there used to be." An official at a first ring suburb shared a different perspective, telling the story of a project which received little pushback when it was initially proposed as a market rate development. However, when the project changed course and the proposal for the exact same building was for affordable housing there was increased community resistance. The interviewee believed that the NIMBY pushback was primarily due to misinformation spread by a small number of involved neighbors who opposed the affordable aspect. This misinformation can catalyze a broader community backlash that potentially halts projects.

We heard that there is generally less NIMBY resistance to preserving existing developments compared to constructing new ones, as the former are already integrated into the community fabric. Additionally, even having density nearby to demonstrate that density doesn't spell disaster for the current neighbors can go a long way in helping future projects face less pushback. Describing the instances when they have faced pushback on new developments, some interviewees emphasized the importance of hosting community engagement sessions to educate the public about the benefits of affordable housing and dispel myths that might lead to resistance. Additionally, they highlighted the importance of strategic partnerships with local stakeholders in gaining support, where emphasizing the economic and social benefits to the community can sway opinion. Some developers have found success by involving community members in planning processes to ensure that developments meet local needs while also securing broader community buy-in. One especially unique example of the flipside of community pushback was a neighborhood group in Minneapolis actively seeking out a developer to come and build affordable housing in their neighborhood, because community members believed that more density and more affordable housing options were needed in their neighborhood.

Findings

Across our interviews, we found that the intensity of NIMBY sentiment varied based on where in the metro one was trying to develop. NIMBY can be found all across the seven county metro, but overall there is more openness to affordable housing in the central cities and first ring suburbs. We heard that the best way to mitigate opposition is to foster a sense of community ownership and pride in the developments. Our interviewees emphasize the need for proactive community engagement and communication to overcome NIMBY barriers and successfully integrate new or renovated housing projects into local communities. Communities should be made aware of the benefits increased affordable housing can bring to their cities, and it is up to the stakeholders to engage with the community to demonstrate that value in advance of NIMBY pushback.

Recommendations

Increase Funding for Deeply Affordable Housing

Creating and preserving housing at the 30% AMI level requires a significant amount of resources. As one expert shared, "nothing is going to be solved without massive influxes of resources, especially for deeply affordable housing." Advocating for increased funding at local, state, and federal levels is crucial to support the development and preservation of affordable housing units. Construction costs and operating costs are increasing and additional funding is required not only to close the gap between supply and demand, but to even keep pace with keeping the same amount of deeply affordable units that currently exist. Without increased funding, the ability to create and maintain housing at the 30% AMI level becomes severely constrained, exacerbating the already dire shortage of affordable housing options for low-income individuals and families. We recommended many different avenues in which this funding could be used such as rental assistance, tenant and project-based vouchers, HIBs, dedicated funds for affordable housing development, and mechanisms that would increase incomes to reduce the affordability gap.

- **Expanded use of housing infrastructure bonds:** We encourage the Minnesota Legislature to increase their issuance of housing infrastructure bonds (HIBs) to expand the availability of deeply affordable housing units. This approach would not only stabilize funding for housing developments but also enhance the living conditions and health of low-income families by providing developers with the flexibility to utilize funds as needed. However, increasing the allocation of HIBs would require additional state funding, which might be challenging given the existing budget constraints and the significant needs. Despite these hurdles, focusing on housing infrastructure bonds as a strategic investment in the sustainability and health of deeply affordable housing is essential.
- **Increase in tenant and project based vouchers through state level programs:** Tenant and project-based vouchers play a crucial role in reducing housing cost burdens for low-income families. We recommend that Minnesota's state housing authorities increase the allocation of both types of vouchers, thereby expanding access to affordable housing for more families across the state. While increasing the allocation of these vouchers would entail substantial public investment, the socio-economic benefits individuals receive from access to sustainable housing will be reinvested into their communities.

- **Advocate for increased investment from the federal government:** Little optimism was expressed that HUD will drastically increase their financial support to the degree needed to meet the need in the Twin Cities. As a result, we have recommended the previous two policy actions (additional HIBs and additional vouchers), but it is still work acknowledging that federal action would be highly beneficial.
- **Pass Housing Constitutional Amendment:** Until the 2022 legislative session, the Minnesota state legislature invested a meager amount of the state budget into housing. These investments have been spread thin throughout the whole housing continuum. Legislators should pursue a constitutional amendment that would dedicate funding for deeply affordable housing. This amendment would provide a stable and protected funding source for housing which isn't affected by annual budget fluctuations. Because this would be a change to the state's constitution, it would need broad political and public support which could be challenging to garner. However, this constitutional amendment would be a profound commitment to ensuring that deeply affordable housing has a consistent source of funding, and the states most vulnerable residents have access to housing.
- **Adopt or create programs for operating subsidy**: With the recently enacted Metro Sales Tax in effect, it would be extremely beneficial to direct some of that revenue towards programs which support the development and operation of deeply affordable housing. Easy city and county has flexibility to determine how best to use funds, so nonprofit advocates could also work with individual cities or counties to explore pilot programs which could seek to find new and innovative ways to meet the needs of the residents of deeply affordable units and encourage the preservation and development of deeply affordable housing.

Achieve Better Balance Between Preservation and New Construction

In the context of high interest rates, high construction costs, and rising operating costs, it is more cost effective to focus resources on the preservation of existing affordable housing units rather than exclusively on new constructions. We heard that new construction is more appealing to many, but operators see the risk of ignoring preservation. We recommend striking a better balance between preserving existing affordable units and building new ones. If a new construction project fails, there is no impact to the current supply, but failing to support a preservation risks a net loss in the supply which is especially detrimental given the supply gap and with high per unit costs increasing for new construction. Put another way, imagine if a new construction project adds 75 affordable units but

100 are lost due to failure to preserve their affordability, the net loss exacerbates the housing crisis. We recommend further investments should be made to preserve the state's current housing stock.

- **Increase preservation funding:** Local governments and housing agencies should focus on preservation of existing affordable housing units. Preserving these units would not only secure the existing supply, but also the health and stability of residents who rely on low-cost housing. Legislation like HF4194 and HF4819, which propose expanded uses of housing infrastructure bonds, could help developers maintain the current house stock. We understand that increasing preservation efforts would redirect funding away from new housing projects. Nonetheless, our research shows that preserving existing housing is more cost-effective in the long run than creating new units since it reduces displacement and maintains community stability, which is consistent with the overall goals of our housing projects.

Reduce Barriers for Affordable Housing

Closing the gap between the amount of deeply affordable housing that is needed across the metro and how much currently exists will require substantial financial investment from public entities and a thoughtful balancing of new construction and preservation. But a common theme we heard was how complicated affordable housing is to develop. There are concrete challenges like complicated applications, extensive compliance requirements, exclusionary zoning, and NIMBY pushback on specific development, but there are also broader societal issues which impact the development of deeply affordable housing. The equity gaps between white residents and BIPOC residents across the metro show up not only in deeply affordable housing, but in wage and salary incomes, incarceration rates, arrest rates, home ownership rates, mortgage lending rates, test scores, reported child maltreatment rates, school disciplinary and suspension rates, and even drowning rates. Addressing equity in affordable housing is one piece of a broader need to address racial equity, which is why it is particularly important to center racial equity in all affordable housing policy. To this end, we recommend the following actions to diminish barriers to the development of deeply affordable housing and close equity gaps.

- **Support economic policies which benefit low income households:** While there are tools available to directly support the development and preservation of deeply affordable housing for low income households, it's also important to address low incomes themselves.

Efforts to raise the minimum wage, enhanced community development programs, and broad anti-poverty policy is a key way to ensure that incomes are high enough that fewer households require the limited amount of deeply affordable housing that exists.

- **Adopt inclusionary zoning practices across the Twin Cities metro:** While zoning alone is not enough to spur enough deeply affordable housing development to meet the moment, adopting inclusionary zoning is helpful in that it creates one less obstacle for developers as they try to create much needed deeply affordable housing. Reviving the state-wide zoning legislation that stalled out in the 2024 legislative session is a concrete example of what inclusionary zoning practices could entail.
- **Simplify and streamline applications for subsidy:** One reason that affordable housing is so complicated is that to finance projects, one needs to piece together many different subsidies which each require their own complicated and competitive application and involve their own compliance requirements. Simplifying this process can help make it easier to develop deeply affordable housing and increase supply across the metro.
- **Engage with community members proactively:** To avoid NIMBY pushback and misinformation getting in the way of a project which a community would benefit from, it's incumbent upon city staff and nonprofit developers to initiate productive engagement with community members.

Project Limitations

In the creation of our project we recognized our research methodology comes with its own set of limitations. Primary data sources such as interviews with community stakeholders provide invaluable insights into challenges they face, but are susceptible to several biases. Respondents may exhibit confirmation bias, emphasizing data that support their professional achievements or organizational goals, or they may under report issues due to political or economic pressures. This risk is particularly acute in discussions involving contentious issues such as NIMBYism or funding for deeply affordable housing. Secondary data poses its own challenges; reliance on existing studies and records means grappling with data that may not be up-to-date, comprehensive, or entirely relevant to the specific nuances of new policy impacts like those proposed in recent housing infrastructure bills. Such data often lack uniformity in how information is collected and reported, which can hinder accurate comparisons and analyses. Furthermore, while secondary data is beneficial for contextual benchmarking, it frequently suffers from limited availability and varying methodological quality, which can obscure deeper insights into the effectiveness of housing policies.

Areas of Future Study

The investigation into deeply affordable housing in the Twin Cities has highlighted several areas where further research is necessary to develop clearer strategies and solutions. These future studies will be pivotal in addressing the persistent challenges of housing affordability, zoning regulations, stakeholder engagement, and funding mechanisms. Below are the key areas recommended for further exploration:

- Longitudinal Impacts of Zoning Changes: Future research should examine the long-term effects of recent zoning reforms, such as the Minneapolis 2040 plan, which has significantly altered residential density limits and parking requirements to promote affordable housing. Studies could analyze changes in housing stock diversity, affordability levels, and socioeconomic integration within communities over time to assess the effectiveness of such reforms.
- Comparative Analysis of Funding Models: Investigating and comparing the financial frameworks used by different municipalities within the Twin Cities could uncover best practices and innovative funding solutions that could be replicated. This research should extend to the efficacy of housing infrastructure bonds and tax increment financing (TIF), particularly their roles in supporting or hindering the development of deeply affordable housing projects.
- Stakeholder Roles and Engagements: Further studies should focus on the engagement processes between municipalities, developers, non-profits, and community members. Research could explore how these interactions influence project outcomes and public support, particularly through the lens of community benefits agreements (CBAs) and public-private partnerships.
- Effects of Supportive Services on Housing Stability: There is a need to study the impact of integrated supportive services within deeply affordable housing projects, especially for residents at or below 30% AMI. Future research could evaluate the effectiveness of these services in improving mental health outcomes, reducing hospital stays, and enhancing overall resident stability.
- Scalability of Pilot Programs: Examining the scalability and replicability of successful pilot programs, like the Single Room Occupancy (SRO) projects initiated by Hennepin County, could provide valuable insights. Studies could assess the operational, financial, and administrative aspects that affect scalability and identify potential for broader application.

- Technological Innovations in Housing Development: Exploring the potential of new technologies, such as modular construction and green building practices, in reducing costs and speeding up the development process of deeply affordable housing could be crucial. Research should investigate the economic viability, sustainability, and community impacts of these technological approaches.
- Regulatory Impact Assessments: There is a critical need to systematically assess how local and state regulations affect the feasibility and cost of developing deeply affordable housing. Future studies could map the regulatory landscape and provide recommendations for streamlining processes that currently serve as barriers to development.
- Impact of Voucher Distribution Strategies: Analyzing the effectiveness of project-based vs. tenant-based voucher distribution in promoting geographic diversity of affordable housing would be valuable. This research could help in understanding how voucher allocation strategies impact access to resources like education, healthcare, and employment.
- NIMBYism and Community Opposition: Further qualitative and quantitative research is needed to understand the dynamics of neighborhood resistance to affordable housing (NIMBYism). Studies could explore strategies to mitigate such opposition through community engagement and education, examining cases where such efforts have either succeeded or failed.
- Connection of Public Health to Homelessness and Deeply Affordable Housing: Analyze the impact of deeply affordable housing on people experiencing homelessness and how it affects their health to substantiate the impact of dollars spent on affordable housing compared to money saved from medical services. By connecting health to housing, this analysis would help build more support for housing being a human right.

Addressing these areas through targeted research, policymakers, developers, and community advocates can better understand the complexities of housing development and implement more effective and sustainable affordable housing solutions in the Twin Cities and beyond.

Conclusion

This project seeks to fill a gap in local research by addressing the unique challenges facing development and preservation of deeply affordable housing. We found that deeply affordable housing is extremely complicated to develop, as the projects are, more than any other housing type, reliant upon adequate subsidy to finance the developments. In spite of the demand for deeply affordable housing, the Twin Cities metro falls far short in providing adequate supply, with the central cities of Minneapolis and Saint Paul accounting for nearly 75% of recent development of deeply affordable units. As costs have increased across the board, and with rents capped to preserve affordability, deeply affordable housing is reliant upon subsidy even more than usual.

To address the challenges we heard over the course of our research, we strongly recommend that policymakers increase funding for programs like housing infrastructure bonds and vouchers. We encourage the use of metro sales tax revenue on deeply affordable housing projects, and recommend that the state take steps to pass an affordable housing constitutional amendment to provide a greater pool of subsidy which can increase supply and also ensure that existing affordable housing is preserved. Lastly, we encourage public officials to streamline administrative burdens and compliance measures, adopt inclusionary zoning practices, and center racial equity in their work to close equity gaps across the housing continuum. We hope that this project has been informative and we encourage anyone to get in contact with the research team with any questions.

Appendix A: Extended Literature Review

Introduction

This literature review sets the stage for an in-depth exploration of the economic, policy, and health dimensions of deeply affordable housing in the Twin Cities Metropolitan area. This review will offer valuable insights into the challenges and opportunities that shape the housing landscape by examining the intricate web of funding structures, policy impacts, and their health implications. The findings are intended to inform policymakers, community advocates, and developers, guiding them toward research-based, practical solutions that address the lack of deeply affordable housing and contribute to the overall vitality and sustainability of the Twin Cities metro's housing market. This comprehensive analysis will illuminate paths to improving current practices and foster innovative approaches to urban development and housing equity. This literature review supports the broader capstone report by exploring the following:

- **Economic Models and Financing Structures**: Analyzing how projects are funded through mechanisms such as the Low-Income Housing Tax Credit (LIHTC) and state or local subsidies, including impacts from recent federal stimulus measures.
- **Policy Effectiveness and Regulatory Impact:** Evaluating current housing policies, zoning laws, and the implications of comprehensive plans like the Minneapolis 2040 initiative on the availability of deeply affordable units.
- **Public Health Connections**: This project investigates the intersection of housing stability and public health, particularly how housing insecurity affects physical and mental health outcomes among low-income populations.

Methodological Framework

This review synthesizes information from various sources, including academic research, governmental reports, and case studies relevant to deeply affordable housing. It utilizes databases and repositories to extract data using key phrases such as "deeply affordable housing," "30% AMI housing in Twin Cities," and "public health impacts of housing instability." The selection criteria for sources include scholarly relevance, empirical evidence, and applicability to the context of the Twin Cities metro. The sources included peer-reviewed academic journals, government and policy reports, credible news articles, and publications from respected housing and urban development organizations. Each source was evaluated for its scholarly relevance, credibility, and empirical contribution to themes such as policy development, economic strategies, demographic impacts, and public health outcomes. The themes, and their relevant source types, are explained below:

Policy Development

Sources that focused on policy development provided insights into the historical and current legislative frameworks shaping profoundly affordable housing. Essential resources included comprehensive plans like the Minneapolis 2040 plan, zoning law revisions, and housing policy analyses from governmental agencies such as the Metropolitan Council. These documents were instrumental in tracing the evolution of housing policies and their impacts on the availability of affordable housing. Notable among these were studies that critiqued the effectiveness of inclusionary zoning and public funding initiatives, which helped highlight the successes and gaps in current policy measures.

Economic Strategies

Economic strategies were central to understanding the financing and sustainability of deeply affordable housing. The literature reviewed encompassed a range of economic analyses, including evaluations of the Low-Income Housing Tax Credit (LIHTC) and other federal, state, and local funding mechanisms. Reports from the U.S. Department of Housing and Urban Development (HUD) and local financial audits provided data on the allocation and use of these funds. Additionally, scholarly articles on the economic impact of housing subsidies on local economies gave depth to the discussion, illustrating the broader economic implications of deeply affordable housing investments.

Demographic Impacts

Housing needs assessments by the Metropolitan Council and demographic studies from academic institutions explored the demographic impacts of deeply affordable housing. These sources offered detailed descriptions of the populations most affected by housing insecurity, including statistical breakdowns by age, race, income, and disability status. Insights from these studies were critical in identifying the specific needs of low-income families, seniors, and disabled residents in the Twin Cities, informing discussions on targeted housing solutions.

Public Health Outcomes

Finally, the review addressed the public health outcomes associated with housing stability. Research articles and health studies provided evidence of the correlation between stable, affordable housing and improved health metrics. This included reduced hospitalizations, better mental health outcomes, and lower public health expenditures. Sources such as policy briefs from public health departments and white papers on social determinants of health articulated how deeply affordable housing serves as a pivotal element of a healthy community.

Synthesis Approach

The synthesis of the selected sources involved categorizing the findings into the aforementioned themes and identifying intersections among them. This thematic approach clarified the multifaceted impacts of deeply affordable housing and highlighted the complex interdependencies between economic policies, demographic realities, and public health. By weaving together these strands, the literature review paints a comprehensive picture of the challenges and opportunities in realizing deeply affordable housing in the Twin Cities, setting the stage for informed policy recommendations and strategic planning in the subsequent sections of the study.

The synthesis of these sources aims to provide a layered understanding of the systemic efforts required to enhance housing accessibility and affordability in the Twin Cities. Through this evaluation and synthesis of sources, the literature review ensures that the report's analysis is grounded in empirical evidence and reflects a broad spectrum of perspectives and expertise. This foundation is crucial for developing effective solutions that address the nuanced needs of the Twin Cities' most vulnerable populations.

Historical Context and Background

The landscape of deeply affordable housing in the Twin Cities Metro is profoundly shaped by its historical housing policies, which have evolved significantly over the years due to socio-political changes and progressive reforms. This section delves into the origins of these policies, their evolution, and the recent innovations to improve housing diversity and accessibility.

Early 20th Century Housing Policy

Early housing policies in the Twin Cities were influenced by nationwide urban planning trends that emerged in the early 20th century, including the use of zoning laws and development codes that often institutionalized racial segregation.[13] Practices such as redlining and the implementation of racial covenants in property deeds systematically excluded African Americans and other minority populations from homeownership in certain neighborhoods or from accessing loans and insurance.[15]

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[13] CBS News, 2022

Redlining, initiated by the Home Owners' Loan Corporation (HOLC) and later enforced by private banks and insurance companies, was the practice of defining areas deemed "high risk" for investment, with risk being explicitly connected to the racial makeup of a block. This practice restricted access to mortgage financing in these areas and led to prolonged disinvestment.[14] Racial covenants were agreements embedded in property deeds that prohibited certain groups' purchase, lease, or occupation of a property based on race or ethnicity. They were legally enforceable until 1968, when the Fair Housing Act declared them unenforceable. These early discriminatory practices created a segregated urban landscape, leading to significant disparities in housing quality and access that have echoed into the present day.[15]

Evolution of Housing Policy: Fair Housing, Vouchers, and More

By the mid-20th century, the adverse impacts of these discriminatory housing policies and the broader civil rights movement prompted a series of legislative and policy changes.[16] The federal government began investing in public housing projects to address urban poverty, although these projects were often segregated and concentrated poverty in certain areas. In the Twin Cities, projects like the St. Paul Public Housing Agency's developments initially provided housing but were criticized[17] for poor living conditions and isolating low-income residents. With the establishment of the Section 8 Housing Choice Voucher program and other subsidized rental initiatives in the 1970s to 1990s, there was a move away from public housing complexes to more dispersed, voucher-based housing assistance.[18] These programs aimed to integrate low-income families into mixed income communities, although challenges with funding, market participation, and continued discrimination affected their reach and effectiveness.[19] The introduction of the Low-Income Housing Tax Credit (LIHTC) program in 1986 provided tax incentives for developers to create affordable housing, which significantly increased the production of such units and led to collaborations between city governments and developers to fund projects that specifically targeted deeply affordable housing thresholds.[20]

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[14] PBS NewsHour
[15] University of Minnesota Mapping Prejudice
[16] U.S. Department of Housing and Urban Development
[17] Horowitz et al., 2021
[18] Federal Reserve Bank of Minneapolis, 2019
[19] Tegeler, 2020
[20] Scally et al., 2018

Recent Innovations and Policies

While vouchers and LIHTC remain essential to current development, the most recent phase of housing policy in the Twin Cities has focused on inclusionary practices and holistic models that recognize housing as a crucial element of public health and community well-being. Minneapolis and St. Paul have implemented inclusionary zoning policies that require new residential developments to include a percentage of affordable housing units.[21] These policies aim to prevent the displacement that often accompanies gentrification and to ensure ongoing diversity in rapidly developing areas. Reflecting a nationwide shift in homelessness alleviation strategies, the Housing First model has been adopted, which prioritizes providing permanent housing to homeless individuals without requiring sobriety or treatment as a prerequisite to being housed.[22] This approach has shifted the paradigm from managing homelessness as a temporary crisis to a more sustainable and supportive process that facilitates long-term stability for the affected individuals.

These recent policies underscore that policy makers are acknowledging the public health impacts of permanent housing. By increasing the availability of affordable housing and reducing the number of homeless residents, these policies help to promote better health outcomes, decrease public health expenditures, and improve the overall quality of life for all residents.[23] This comprehensive examination of the Twin Cities' housing policies—from their origins to modern innovations—sets the stage for a detailed analysis of the current challenges and opportunities in providing deeply affordable housing. By understanding this historical backdrop, policymakers, advocates, and developers can better navigate the complexities of the housing market and implement effective solutions that address the needs of the most vulnerable populations.

Current Local Landscape and Examples

Urban planning and policy shifts, particularly implementing the Minneapolis 2040 Comprehensive Plan, have profoundly influenced the density and diversity of housing developments. This comprehensive plan has reformed zoning laws to allow for the construction of multifamily units in traditionally single-family zones, aiming to significantly increase the housing stock and integrate affordable housing units across various neighborhoods.[23]

[21] Minneapolis 2040 Plan

[22] Catholic Charities Twin Cities

[23] Dohler et al., 2016

By permitting higher-density residential developments, the plan facilitates alleviating the housing demand pressures in areas like Uptown and the North Loop. The plan encourages diverse housing types—including triplexes, fourplexes, and townhouses—to accommodate a broader range of family sizes and economic situations, promoting socioeconomic diversity within communities.[23]

The increase in housing density and diversity under the Minneapolis 2040 plan is expected to foster healthier communities physically and mentally. Integrating mixed-income developments, enhanced access to health services, and improved living conditions contribute to these outcomes. Moreover, the plan's strategic approach to distributing deeply affordable housing throughout the city intends to reduce spatial disparities in health access and outcomes. For instance, introducing affordable housing options in wealthier neighborhoods enables lower-income families to access higher-quality amenities and healthcare services, which are typically out of reach.

The evolving framework of deeply affordable housing in the Twin Cities, driven by innovative urban planning and integrative policy approaches, highlights a proactive stride towards creating equitable, diverse, and healthy urban communities. The Minneapolis 2040 plan, focusing on increasing housing density and diversity, not only seeks to expand the availability of affordable housing but also to enhance public health metrics and reduce disparities. This strategy exemplifies the crucial role of thoughtful urban planning in achieving deeply affordable housing goals, offering a replicable model for other metropolitan areas grappling with similar challenges. A detailed examination of current housing projects and policy shifts shows that successful, deeply affordable housing initiatives must incorporate a comprehensive blend of supportive services, economic opportunities, and healthful living environments to transform the lives of the most economically vulnerable citizens truly.

Multifamily complexes are a predominant form of affordable housing in the Twin Cities.[24] These complexes often provide more than just housing; they include supportive services such as job training, educational programs, and healthcare services, which are vital for helping residents maintain stability and improve their life outcomes.[25] For instance, Riverside Plaza in Minneapolis, a large-scale multifamily complex, offers over 4,000 residents units specifically earmarked for deeply affordable living, complemented by extensive on-site healthcare facilities.[26]

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[24] MetroStats, 2019

[25] Congressional Research Services, 2023

[26] Sherman Associates Riverside Plaza

In addition to multifamily complexes, the Twin Cities also host community-integrated developments emphasizing resident interaction and community support. These projects often feature shared spaces such as community gardens, playgrounds, and meeting rooms that not only foster social interactions among residents but also promote collective well-being. Heritage Park in Minneapolis exemplifies this approach with its mixed-income housing strategy coupled with robust community facilities, including parks and a community center that host various social and health services.[27] Particularly critical within the realm of deeply affordable housing are permanent supportive housing developments, which cater to the most vulnerable populations, such as the chronically unhoused or those with severe disabilities. These facilities provide comprehensive care services, including mental health support, substance abuse counseling, and ongoing rehabilitative services, crucial for residents requiring long-term assistance. Higher Ground Minneapolis is a poignant example, offering 335 units with round-the-clock support, counseling, and medical care, showcasing the depth of integration between housing stability and supportive health services.[28]

The integration of these health and social services within housing projects is critical; they contribute significantly to the residents' immediate and long-term health and well-being. By providing mental health counseling, addiction recovery programs, and access to medical care, these services help stabilize vulnerable populations. Moreover, educational and job training programs embedded within these housing projects support economic independence and stability, underpinning the holistic approach needed to enhance life outcomes for residents.[25]

Implications for Public Health

Stable, affordable housing is widely recognized as a critical social determinant of health. It underpins physical and mental well-being, influences public health outcomes, and shapes the quality of life for individuals and communities. In the Twin Cities, where the disparity in housing affordability is pronounced, the implications of housing stability extend beyond simple shelter. Housing stability achieved through deeply affordable housing projects not only improves health outcomes but also substantially reduces hospital stays and decreases public health expenditures, thereby contributing positively to the broader public health system.[29]

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[27] Willams, 2003
[28] Office of Policy Development and Research, 2020
[29] Maqbool et al., 2015

Health Outcomes and Hospital Stays

Research consistently shows that stable and affordable housing contributes to significant health benefits, including fewer chronic diseases, better access to healthcare, and improved mental health. For example, projects like "Dorothy Day Place" in St. Paul, which provide housing combined with health services, have noted marked decreases in emergency room visits and hospital stays among their residents.[30] This decrease is primarily due to the improved management of chronic conditions such as diabetes and hypertension, which can be more effectively controlled in a stable living environment.

Furthermore, the reduction in hospital stays is also attributed to the preventative care embedded within these housing projects. By providing residents with regular access to healthcare services, including preventive screenings and vaccinations, deeply affordable housing helps mitigate the severity of potential health issues that could lead to hospitalization.[31]

Decreased Public Health Expenditures

The link between stable, affordable housing and lower public health costs is clear, as evidenced by the savings from reduced emergency medical services, shorter hospital stays, and decreased use of acute care. Starting in 2012, Los Angeles County began targeting frequent health service users, providing them with supportive housing, and addressing their health needs on-site through a Housing for Health program. Before the program's initiation, these individuals had collectively cost the county $34 million annually. This expense dropped to under $14 million the following year—a $20 million decrease in county expenditures. Even after accounting for the program's costs of approximately $13.5 million, the county still netted a saving of over $6.5 million. In other words, every dollar spent by the county saved about $1.20. These savings highlight the economic benefits of combining affordable housing with health services, demonstrating the broad value of such initiatives beyond their health advantages.[31]

Impact on Vulnerable Populations

Deeply affordable housing significantly impacts vulnerable populations, including the elderly, disabled, and low-income families. These groups often face heightened risks of adverse health outcomes exacerbated by unstable and inadequate living conditions. By providing stable housing,

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[30] Ramsey County, 2019

[31] RAND, 2018

these risks are mitigated, with substantial improvements noted in mental health and chronic disease management.[32]

- Elderly Populations: For aging populations, stable housing can dramatically enhance quality of life and extend life expectancy. Developments such as Heritage Park Senior Services Center in Minneapolis not only offer affordable, stable environments but also provide tailored healthcare programs that address the specific needs of seniors. These programs often include on-site nursing care, physical therapy, and social activities that help reduce feelings of isolation and depression, common concerns among the elderly.[29]
- Disabled Populations: Stable, accessible housing is crucial for individuals with disabilities. Facilities like Rolling Hills Residence, which feature ground-level access, wheelchair-friendly layouts, and on-site medical care, empower disabled residents to live independently while managing their health effectively. The stability of such housing significantly reduces complications related to various disabilities and enhances overall well-being.[33]
- Low-Income Families: The intersection of affordable housing and health is particularly significant for low-income families. Housing instability often leads to heightened stress, which can exacerbate mental health issues and complicate the management of chronic diseases. Affordable housing projects that provide additional support services, such as The Family Housing Fund apartments in Minneapolis, help these families secure stable housing and access critical health and wellness services.[34] This support is vital for managing stress and mental health, contributing to residents' physical and psychological stability.

Providing deeply affordable housing in the Twin Cities is more than just a housing policy; it is a public health strategy. By improving housing stability, these initiatives provide foundational benefits that extend into health outcomes, public health expenditures, and the community's overall well-being. Especially for vulnerable populations, integrating affordable housing with tailored health and social services can transform lives, offering stability and care that mitigate the cyclical nature of poverty and health disparities. This holistic approach not only underscores the role of housing as a pivotal social determinant of health but also highlights the transformative potential of strategic urban planning and policy-making in addressing complex public health challenges. Through comprehensive planning and community-focused strategies, deeply affordable housing can continue to serve as a cornerstone of public health and social equity in the Twin Cities.

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[32] Cohen, 2011
[33] Barrett Care Center
[34] Family Housing Fund

Affordable Housing Funding Mechanisms

The development of deeply affordable housing in the Twin Cities Metro area is significantly supported by various funding sources that span federal, state, and local levels. These funding mechanisms not only facilitate the construction and maintenance of housing projects but also ensure the integration of essential health services, which are crucial for improving the overall well-being of vulnerable populations.[35]

Federal Funding Mechanisms

- Low-Income Housing Tax Credit (LIHTC): This federal subsidy is used for developing affordable housing and is the most substantial source of new affordable housing in the U.S. It provides tax incentives for private investors to provide capital to new and rehabilitated projects for low-income tenants. Organizations like Beacon Interfaith Housing Collaborative in St. Paul have effectively utilized LIHTC to create sustainable housing solutions.[36]
- American Rescue Plan Act (ARPA): In response to the COVID-19 pandemic, the ARPA has allocated billions in aid to various sectors, including housing. The funds are aimed at stabilizing housing markets and preventing future crises with significant allocations aimed at supporting housing stability for underserved populations, including emergency rental assistance, support for homelessness alleviation programs, and new developments in deeply affordable housing.[37] However, the funding is temporary and is not a permanent federal funding mechanism.

State and Local Funding Mechanisms

- Tax Increment Financing (TIF): This public financing method is frequently used to subsidize infrastructure and community improvement projects, including affordable housing. By capturing the future tax benefits of real estate improvements, TIF provides the necessary funds upfront, which are essential for the development of deeply affordable housing projects. The Twin Cities have utilized TIF to support projects in neighborhoods undergoing significant redevelopment to include affordable units.
- Housing Infrastructure Bonds (HIBs): Minnesota has issued HIBs to fund deeply affordable housing developments. These bonds are critical for financing the construction of new

[35] City of Saint Paul, 2024
[36] Stamm, 2020
[37] U.S. Department of Treasury, 2022

housing units or rehabilitating existing ones, especially for populations with special needs, such as the elderly or disabled.[38]

Local Efforts and Innovations

Several localities within the Twin Cities are pioneering efforts to integrate health and housing services through innovative funding strategies. For example, the Hennepin County Housing and Redevelopment Authority utilizes local property taxes and fees to fund the development of affordable housing that includes health services on-site, thereby addressing both housing and health needs simultaneously.[39]

Barriers and Challenges for Affordable Housing Development

Developing deeply affordable housing, particularly those projects that integrate health-focused services, faces many economic and regulatory hurdles. These challenges can significantly impede the progress of new developments and affect the sustainability of existing ones. The economic incentives typically offered to developers often do not align with the high costs and complex regulatory demands associated with constructing and maintaining deeply affordable housing units, especially those that include comprehensive health services.[31]

Economic Challenges

- **High Development Costs:** The cost of developing deeply affordable housing projects is substantially higher than that of standard residential projects due to the additional requirements for integrating health services, such as building clinic spaces and installing specialized medical equipment. For example, projects like the Rose Apartments in Minneapolis, which offer extensive mental health support services, have faced considerable financial challenges due to the high upfront costs of incorporating these specialized facilities.[40]
- **Limited Return on Investment (ROI):** For many developers, the lower ROI on deeply affordable housing projects, compared to market-rate projects, discourages investment. The rent restrictions necessary to maintain deep affordability mean that revenue from these properties often needs to cover the operating costs and debt service, and generate a profit.

[38] Minnesota Housing Finance Agency

[39] Hennepin County Consortium, 2023

[40] Urban Institute

This economic reality makes it difficult to attract the private investment needed to fund these projects.[41]

- **Complex Funding Mechanisms:** Utilizing funding sources like the Low-Income Housing Tax Credit (LIHTC) or Tax Increment Financing (TIF) involves navigating complex application processes and compliance requirements.[42] The bureaucratic overhead delays project timelines and requires developers to have advanced knowledge and resources, often necessitating partnerships with legal and financial experts.

Regulatory Challenges

- **Zoning Laws and Land Use Regulations:** Zoning laws in many parts of the Twin Cities restrict the type and density of housing developments, which can prevent the construction of multifamily deeply affordable housing projects. For instance, in certain suburban areas around Minneapolis, zoning laws favor single-family homes and limit the construction of apartment buildings, which are typically more affordable.[43]
- **Building Codes and Safety Standards:** While necessary for ensuring safety and livability, building codes can also add significant costs and complications to housing projects. For deeply affordable housing, these regulations can be even more stringent, especially if the project aims to meet sustainability goals or integrate health services, which often require additional compliance to medical facility standards.[44]
- **Lengthy Approval Processes:** Obtaining the necessary approvals for housing projects can be lengthy and unpredictable. This affects the project timeline and adds uncertainty and risk to the development process. Delays in approval can lead to increased costs and may ultimately jeopardize the financing of the project.[45]

Impact on Health-Focused Housing Projects

Developing deeply affordable, health-focused housing in the Twin Cities is fraught with economic and regulatory challenges that discourage investment and complicate project planning and execution. These barriers include high development costs, limited ROI, complex funding mechanisms, restrictive zoning laws, stringent building codes, and lengthy approval processes.[46] To

[41] Brennan et al., 2017
[42] Minnesota House Research Department, 2017
[43] Liang et al., 2024
[44] Minnesota Housing Partnership Research
[45] Manville et al., 2022
[46] Nolan, 2024

overcome these obstacles, there is a need for innovative solutions that streamline regulatory processes, enhance economic incentives, and encourage private investment in deeply affordable housing. Such measures include simplifying the LIHTC application process, revising zoning laws for greater density, and providing financial bonuses or tax relief for projects that include health services.

Addressing these challenges effectively will facilitate the development of deeply affordable housing and ensure that these projects fully contribute to public health and well-being. It requires a coordinated effort among government agencies, developers, financiers, and community organizations to create a regulatory and economic environment that actively supports integrating health services into affordable housing projects. Only through such comprehensive and collaborative efforts can the Twin Cities hope to meet its most vulnerable populations' housing and health needs.

Local Case Studies and Models of Success

Several case studies highlight various projects' innovative approaches and successful outcomes in exploring deeply affordable housing within the Twin Cities. These models of success provide valuable insights into effective practices for integrating housing with health services, overcoming economic and regulatory hurdles, and supporting vulnerable populations such as the elderly, disabled, and low-income families. This section examines distinct projects that have effectively utilized unique strategies and collaborations to achieve their goals, serving as exemplary models for future developments.

Case Study 1: Jackson Square (Minneapolis, MN)

Project Overview: Jackson Square is a pioneering affordable housing project in the heart of Minneapolis that exemplifies the successful integration of deeply affordable units with essential services. The project features 84 units, of which 30% are designated as deeply affordable, targeted at individuals and families earning at or below 30% of the AMI.

Strategies and Innovations: One of the key innovations of Jackson Square is its partnership with local health organizations to provide on-site health services, including mental health support and substance abuse programs. This integration not only improves the well-being of residents but also reduces public health expenditures by decreasing the need for external healthcare services.[47]

[47] Olson, 2023

Outcomes: The success of Jackson Square is evident in its high occupancy rates and positive resident feedback regarding the availability and quality of on-site services. The project has provided stable housing and significantly improved health outcomes for its residents, serving as a model for similar developments.

Case Study 2: The Heritage Park Complex (Minneapolis, MN)

Project Overview: Heritage Park in Minneapolis is another excellent example of deeply affordable housing done right. This complex offers over 400 units, with 35% reserved for deeply affordable housing. The complex caters particularly to elderly residents and those with disabilities.

Strategies and Innovations: Heritage Park's success lies in its comprehensive community services, including a senior center that provides healthcare coordination and recreational activities designed to improve residents' quality of life. Additionally, the complex has implemented sustainable building practices that reduce utility costs for residents, further enhancing affordability.[50]

Outcomes: The impact of Heritage Park extends beyond providing affordable housing; it has fostered a vibrant community where residents enjoy access to health services and social activities that enhance their well-being. The project's focus on sustainability and resident services has made it a standout example of multifunctional affordable housing.

Case Study 3: Riverside Plaza (Minneapolis, MN)

Project Overview: Riverside Plaza is a large residential complex that offers many deeply affordable apartments within a diverse, multicultural setting. The complex includes units specifically designed to be accessible for disabled residents, and it incorporates several green building features to promote environmental sustainability.

Strategies and Innovations: A key feature of Riverside Plaza is its robust tenant support program, which includes language translation services, job training programs, and a variety of health and wellness workshops. These programs are critical for helping residents from diverse backgrounds to integrate into the community and access necessary services.[48]

[48] Case study: Riverside Plaza, 2023

Outcomes: Riverside Plaza's comprehensive approach to tenant support has dramatically improved living conditions and resident satisfaction. The complex's focus on inclusivity and accessibility has not only enhanced the lives of its residents but also enriched the surrounding community.

Comparative Analysis with Peer Metropolitan Areas (Fiscal Lens)

A comparative analysis between the Twin Cities and other metropolitan areas reveals various best practices and innovative funding solutions that prioritize housing affordability and positive health outcomes. This analysis underscores the importance of tailored, region-specific strategies that leverage public and private investments.

Overview of Peer Metropolitan Areas:

- Seattle, WA: Known for its Housing Levy program, Seattle uses property tax levies to fund affordable housing development. This program has been instrumental in building thousands of affordable units and providing services to residents. Seattle's approach demonstrates the potential of local tax initiatives to support extensive, affordable housing projects with long-term sustainability.[49]
- Denver, CO: Denver has implemented a Combination of Property Tax and Sales Tax to fund its affordable housing initiative. This approach not only diversifies the funding streams but also includes provisions for health services within housing projects, ensuring residents receive comprehensive care.[50]
- Austin, TX: Austin's General Obligation Bonds are a testament to the city's commitment to affordable housing. These bonds fund housing development directly and have provisions for integrating health and social services, showcasing an effective model of using public debt for social good.[51]

Best Practices and Innovations

- Diversified Funding Streams: Utilizing a mix of property taxes, sales taxes, and bonds can provide a robust financial base for affordable housing projects.
- Integration of Services: Embedding health services within housing projects, as seen in Denver and Austin, helps address the broader social determinants of health.

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[49] Seattle Housing Levy, 2023
[50] Denver Dedicated Affordable Housing
[51] Austin Texas Affordable Housing Bond Program

- Public-Private Partnerships (PPPs): Engaging private investors through incentives like LIHTC, as practiced widely in the Twin Cities and Seattle, encourages affordable housing development without overly relying on public funds.

The funding frameworks and mechanisms crucial for supporting deeply affordable housing in the Twin Cities highlight the need for innovative fiscal strategies that encompass sustainability and essential health services. By comparing these strategies with those employed in other metropolitan areas, it is evident that while no one-size-fits-all solution exists, integrating diversified funding sources, strong public-private partnerships, and a focus on service integration can lead to successful outcomes in affordable housing initiatives. These fiscal analyses shed light on best practices and encourage cities to adopt adaptive and forward-thinking approaches to meet their unique needs, ultimately benefiting many populations, including the elderly, disabled, and low-income families. Cities can create stable, healthy, and inclusive communities through comprehensive planning and strategic funding.

Comparative Analysis with Peer Metropolitan Areas (Public Health Lens)

Overview of Peer Metropolitan Areas:

- San Francisco, CA: San Francisco's Tenderloin District is home to several deeply affordable housing projects similar to those in the Twin Cities. Like Riverside Plaza, these projects combine housing with critical services, but they also face challenges related to high development costs and stringent regulations. However, the Tenderloin's success stories underscore the importance of community-based management and the integration of comprehensive health and social services to support residents effectively.[52]
- Chicago, IL: The revitalization of Chicago's Cabrini-Green neighborhood presents a case where mixed-income housing replaced high-density public housing, similar to the approach taken in Heritage Park. Cabrini-Green's transformation involved significant community input and focused on improving public safety and integrating health services, which have been crucial to its success.[53]

[52] Chinatown Community Development Center, 2015
[53] Wittich, 2023

The case studies from the Twin Cities, with their emphasis on integrating health services, sustainable practices, and comprehensive community supports, provide valuable lessons for deeply affordable housing projects elsewhere. By examining these models of success and comparing them with projects in other major cities, we can identify best practices that address the immediate needs of housing and contribute to long-term health and well-being. These examples highlight the effectiveness of innovative funding strategies, community partnerships, and holistic design in overcoming the challenges associated with deeply affordable housing. These insights will be invaluable in guiding future housing initiatives to support vulnerable populations more effectively.

Overall Policy and Strategy Recommendations from Literature

The Twin Cities metro area has significantly addressed the critical need for deeply affordable housing. However, persistent challenges related to financing, regulatory hurdles, and sustainable development practices continue to impede the expansion of these essential services. The main body of the report addresses findings and subsequent recommendations from our research, but the literature also highlights supplementary policy recommendations. This section offers comprehensive policy recommendations and strategic initiatives aimed at enhancing the provision of deeply affordable housing while also prioritizing public health outcomes, economic stability, and community resilience.

Expand Incentive Programs for Developers

- Increase financial incentives for developers to build deeply affordable housing units through tax credits, subsidized loans, and grants. Programs similar to the Low-Income Housing Tax Credit (LIHTC) should be expanded and combined with new local incentives that reduce upfront costs and enhance ROI for developers focusing on deeply affordable projects.
- Example: The success of the LIHTC program in funding projects like the Riverside Plaza should be a model for state and local governments to follow, potentially introducing a tiered incentive program that offers greater benefits for projects with higher percentages of deeply affordable units.

Reform Zoning and Land Use Policies

- Implement zoning reforms that encourage the development of high-density, mixed-use affordable housing. This should include relaxing height restrictions, reducing parking requirements for new developments, and allowing more flexibility in land use.

- Example: The Minneapolis 2040 plan's approach to upzoning, which permits multifamily units on previously single-family plots, can be replicated and expanded to more areas within the Twin Cities to facilitate the development of affordable housing.[23]

Strengthen Public-Private Partnerships (PPPs)

- Foster collaborations between the public sector, private developers, and non-profit organizations to pool resources, share risks, and leverage each sector's strengths in developing deeply affordable housing.
- Example: Partnerships like the one that led to the development of the Heritage Park in Minneapolis, where the city collaborated with multiple non-profit organizations, can serve as a model for future projects, combining public funding and private innovation.

Create Dedicated Affordable Housing Funds

- Establish and capitalize dedicated funds to support developing and maintaining deeply affordable housing. These funds can be sourced from property taxes, developer fees, and portions of state and municipal budgets.
- Example: Similar to the Affordable Housing Trust Funds used in many cities across the country, the Twin Cities could implement a localized version that supports new developments and refurbishes older buildings into deeply affordable housing units.

Utilize Public Land for Affordable Developments

- Identify and repurpose underutilized public lands for affordable housing projects, particularly those near transit hubs and essential services like hospitals and schools.
- Example: The conversion of publicly owned parcels in underused industrial zones into affordable housing developments has been successful in cities like Portland, Oregon, and can be replicated in the Twin Cities.[54]

Enhance Community Land Trusts (CLTs)

- Support and expand community land trusts to keep property prices affordable over the long term. CLTs can play a crucial role in preserving housing affordability without the continual infusion of government subsidies.[55]

[54] City of Saint Paul Housing Trust fund, 2022
[55] Taylor, 2022

- Example: The City of Lakes Community Land Trust in Minneapolis has successfully used this model to maintain affordable housing despite rising property values, ensuring long-term residency without displacement.[56]

Promote Modular and Prefabricated Construction

- Encourage using modular and prefabricated construction methods to reduce the costs and time associated with building deeply affordable housing.[57]
- Example: The use of prefabricated units in the construction of the Cornerstone Creek Apartments in Golden Valley, MN, demonstrated a reduction in construction costs by 20%, making it a viable model for reducing expenses in deeply affordable housing projects.[58]

Incorporate Health and Wellness Facilities

- Mandate the inclusion of health and wellness facilities within new deeply affordable housing developments to address the comprehensive needs of low-income residents effectively.
- Example: Integrating small health clinics or wellness centers within housing complexes, as seen in the Aeon project in Minneapolis, not only improves residents' health outcomes but also reduces overall public health expenditures.

Connecting Housing Policy to Public Health Outcomes

Integrating health and housing is fundamental to addressing the broader determinants of health affecting low-income populations. Throughout the Twin Cities, successful, deeply affordable housing initiatives have demonstrated that incorporating health services within housing developments can significantly improve public health outcomes. This section proposes strategic enhancements and policy reforms to strengthen the nexus between housing affordability and health services. These recommendations are designed to ensure that housing developments do more than provide shelter; they should also offer a conduit for comprehensive health and wellness services that improve residents' overall quality of life.[29]

Expand Use of Zoning and Land Use Reforms

- Proposal: Implement zoning reforms that facilitate the development of mixed-use affordable housing, including health facilities within residential buildings. Specific measures can

[56] City of Lakes Community Land Trust, 2020
[57] Zonta, 2024
[58] Emerson, 2017

include upzoning areas near hospitals and clinics to allow for higher-density housing developments with integrated health services.[59]

- Rationale: Zoning reforms can significantly lower the barriers to developing housing that meets the need for affordability and enhances access to health services, thereby improving health outcomes for residents.

Enhance Funding Mechanisms

- Proposal: Increase allocations from sources such as the Low-Income Housing Tax Credit (LIHTC) and Tax Increment Financing (TIF) specifically for projects integrating health services. Additionally, new state and local funding initiatives should be introduced to prioritize these developments.
- Rationale: Enhanced and targeted funding would directly support the development of housing projects that are not only affordable but are also health-centered, addressing both the housing and health needs of the community.

Develop Health Service Integration Models

- Proposal: Create and promote model development plans that demonstrate how to integrate health services into housing projects effectively. These models should provide frameworks for various health services based on community needs, such as in-house mental health support, addiction recovery programs, and chronic disease management clinics.
- Example: The Riverside Plaza model, which integrates language services, job training, and health education programs, could be adapted to include specific health service integrations that address the prevalent health issues in the community.[60]

Community-Based Health and Wellness Programs

- Proposal: Support the establishment of community-driven health programs within residential projects. These programs could include community gardens to promote nutrition, fitness centers to encourage physical activity and spaces for mental health workshops.
- Example: Heritage Park's community center model provides an excellent template for how such spaces can serve dual functions for health promotion and community building.[61]

[59] Davis, 2024
[60] Riverside Plaza Tenants Association
[61] McCormack Baron Salazar

Strengthen Resident Health Advisory Services

- Proposal: Each housing project should have a resident health advisor or team coordinating health services and wellness programs. This team would collaborate with local health providers to ensure that residents' health needs are met promptly and effectively.
- Example: A resident advisory service in a project like Higher Ground Minneapolis could coordinate with nearby healthcare providers to facilitate regular health screenings and emergency medical support for its residents.[62]

Monitoring and Evaluation

- Proposal: Establish a robust monitoring and evaluation framework to regularly assess the health outcomes of housing project residents. This should include tracking improvements in mental health, reductions in hospital visits, and overall resident satisfaction with integrated health services.
- Rationale: Use data collected from these assessments to continuously refine and adapt health service offerings. This dynamic approach will ensure that the services provided are responsive to the changing needs of the residents and can address new health challenges as they arise.

The recommended policy reforms and practical initiatives outlined above are designed to strengthen the integration of health and housing in the Twin Cities. By incentivizing public-private partnerships, expanding the use of zoning and land use reforms, and enhancing funding mechanisms, it is possible to create deeply affordable housing projects that provide safe, stable shelter and actively contribute to residents' physical and mental health. These strategic enhancements will require collaborative efforts among policymakers, developers, health professionals, and community advocates to forge a holistic approach to housing and health. With these efforts, deeply affordable housing can evolve from a mere necessity to a cornerstone of community health and wellness.

Literature Review Conclusion

This literature review has extensively explored the intricacies of deeply affordable housing in the Twin Cities Metro, emphasizing its critical role in providing shelter and enhancing public health, economic stability, and community well-being. The review has highlighted the profound interconnections between housing affordability and public health outcomes, illuminated by various

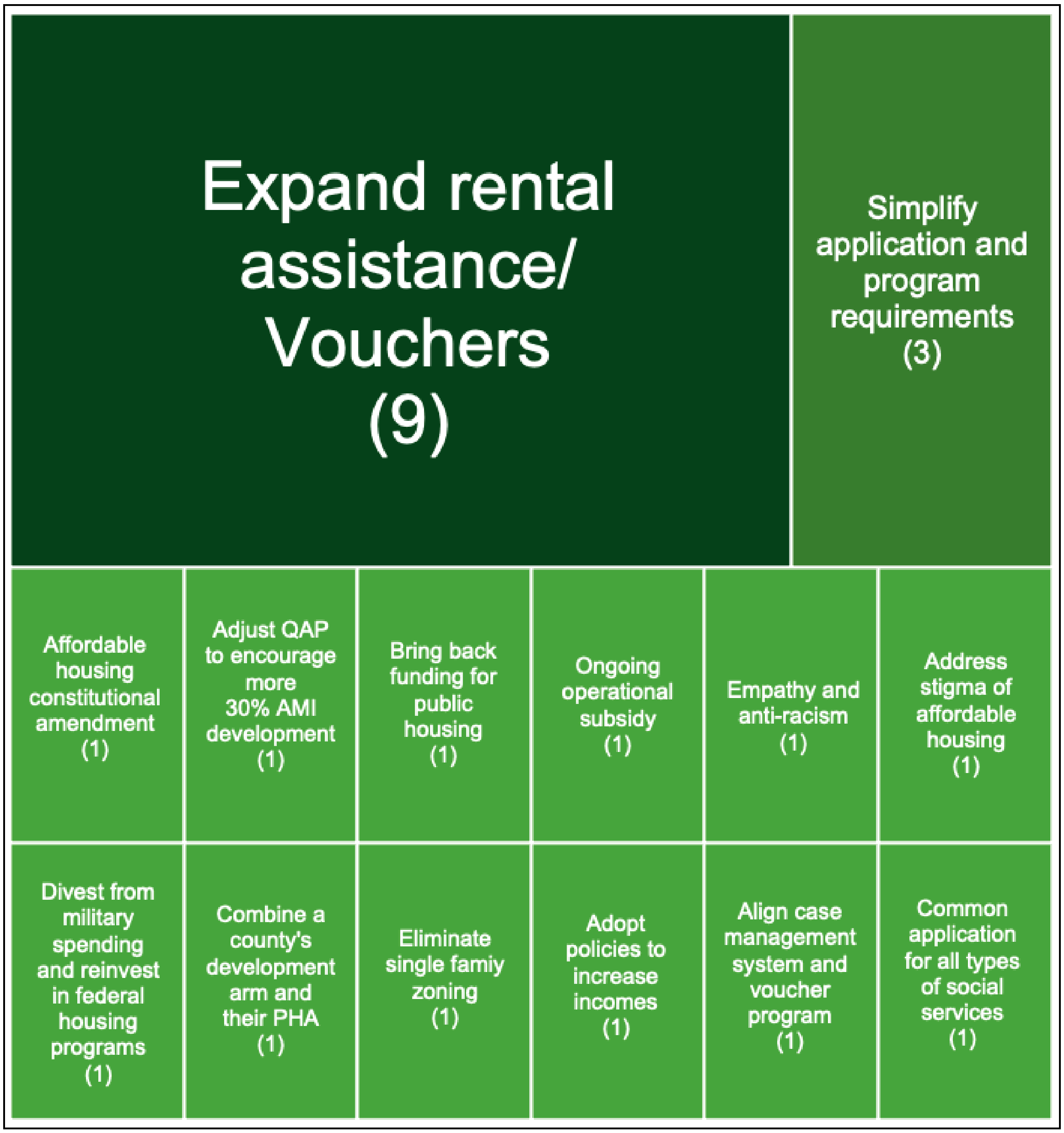
[62] High Ground Minneapolis Shelter

case studies and models of success that underscore the effectiveness of integrated health and housing initiatives. The insights gained from this review should inform future research and policy-making, aiming to expand and improve the provision of deeply affordable housing.

The findings from this literature review underscore the necessity of deeply affordable housing as a cornerstone of healthy, economically stable, and equitable communities. By continuing to innovate in policy and practice and further integrating health services within housing developments, the Twin Cities can create sustainable and inclusive urban environments. The path forward involves a collaborative approach that engages all stakeholders — from policymakers to developers to residents — to ensure that deeply affordable housing expands and evolves in ways that meet the community's diverse needs. With targeted research, thoughtful policy reforms, and strategic partnerships, deeply affordable housing can continue to enhance public health and well-being across the Twin Cities.

Appendix B: "What is one thing to unlock deeply affordable housing development?"

Across the stakeholder interview portion of our research, the only question that was posed to nearly every interviewee was the closing question of, "If you could change one thing to unlock the development of 30% AMI housing, what would it be?" The following visualization shows the distribution and range of responses we received, with numbers in parentheses indicating the number of responses that provided that answer.



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Appendix D: Tables

Data supporting Figure 3

Breakdown of affordable levels in projects developed in Twin Cities Metro from 2014-2024 (total units = 2,864)	
30% AMI Units	10%
50% AMI Units	27%
60% AMI Units	56%
Above 60% AMI Units	7%

Data supporting Figure 3

OVERVIEW: Location of deeply affordable units (30% AMI) developed in Twin Cities Metro from 2014-2024 (total units = 2,864)	
City/Region	**Share of deeply affordable units in metro**
Minneapolis	40%
Saint Paul	33%
Metro Area Suburbs (39 cities contributing)	27%

DETAILED BREAKDOWN: Location of deeply affordable units (30% AMI) developed in Twin Cities Metro from 2014-2024 (total units = 2,864), totals approximate	
City	**Number of units**
Minneapolis	1161
Saint Paul	941
Coon Rapids	95
Mahtomedi	60
Mound	59
Edina	52
Brooklyn Center	51
Brooklyn Park	50

DETAILED BREAKDOWN: Location of deeply affordable units (30% AMI) developed in Twin Cities Metro from 2014-2024 (total units = 2,864), totals approximate	
City	**Number of recent deeply affordable units**
Saint Louis Park	45
Maple Grove	34
Maplewood	33
Bloomington	28
Forest Lake	28
Hastings	19
Shakopee	17
Woodbury	15
Golden Valley	14
Eden Prairie	13
Mounds View	12
Little Canada	12
Lauderdale	11
Newport	11
Rogers	10
Dayton	9
Roseville	8
Ramsey	8
Waconia	8
Chaska	8
Medina	8
Hopkins	6
All Other Cities (all with 5 or fewer units)	38

Data supporting Figure 4

Breakdown of deeply affordable units in projects developed in Twin Cities Metro from 2014-2024 by unit type and location (total units = 2,864)			
Unit Type	**Minneapolis**	**Saint Paul**	**Metro Area Suburbs**
Studio (1,118 total units)	47%	46%	8%
1 Bedroom (947 total units)	28%	32%	40%
2 Bedroom (463 total units)	41%	11%	48%
3 Bedroom (295 total units)	54%	23%	23%
4+ Bedroom (41 total units)	46%	29%	24%