

Itasca Project Housing Affordability Report: Build more homes

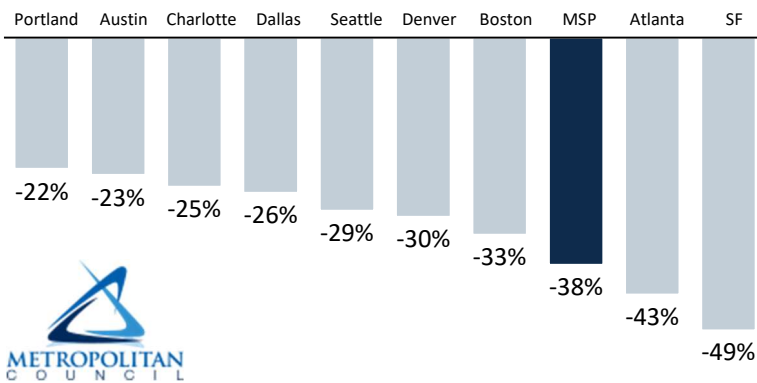
SEPTEMBER 2020

There is not enough housing being built in the Twin Cities and existing housing is too expensive for many residents. This lack of housing affordability puts at risk the vitality and prosperity of the region and will make existing racial and economic gaps worse. Leaders of corporations, government, nonprofits and all organizations must work together now to turn the tide before we become as unaffordable as coastal cities. The COVID-19 pandemic has only made the need to act more urgent.



Most peer regions are building more than MSP

Percentage difference between population growth and housing unit growth 2010-2018



SOURCE: U.S. Census Bureau population estimates. Population growth rate includes only people in households. Pittsburgh and Chicago were excluded; they lost population; housing growth exceeds population growth.

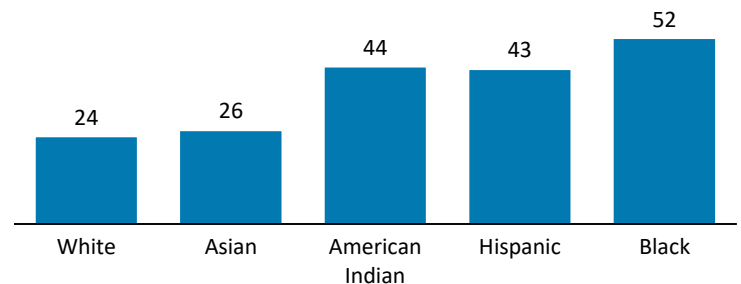
If we do not act quickly on housing affordability, the MSP region may experience a longer recovery and slower growth, attract less talent, and provide a lower quality of life for all residents. The region's job growth compared to peers had already fallen to ninth out of twelve and it is projected to recover from the current economic downturn more slowly.

We cannot allow the economic crisis to slow housing production and lessen housing affordability. Families, firms, and the region will face massive challenges if we lose our housing advantage.

The Itasca Project participants and the broader business community believe that we now have a window to act to spur regional recovery, support our residents, and avoid these bad outcomes.

Cost burdened¹ rate by race in the Twin Cities

Percent of households



What do we need to do to make this happen? Simply put, our region must build more housing. Only then will housing become more affordable. **For the MSP region to meet its projected future growth and make up for a decade of underbuilding, we will need to produce a total of nearly 18,000 housing units per year -- roughly \$4 billion in annual investment and a more than 30% increase over the 2000-2016 average of 12,900.** This substantial increase in housing production is necessary to achieve a balanced market that is both affordable and available. As the region creates more homes, it must simultaneously address the racial and economic gaps that plague the area.

¹ Defined as households who pay more than 30% of their income in rent. The overall rate for the region is 30%.

How Itasca participants will lead

Itasca is far from the first to highlight the housing affordability problem and call for action. Our work builds on a 2018 Task Force on Housing established by Governor Dayton. Itasca seeks to carry forward just a few focused recommendations, which fit with its mission and capabilities, where others are not already active. Our recommendations are designed to disproportionately benefit households making less than \$75,000 a year – a group under severe and increasing cost pressure.

Finally, to be successful it will be critical to address a history of discriminatory policies and practices; every implementation team will incorporate ways to close racially-based gaps in housing affordability into their efforts.



Itasca participants will lead through three key efforts:



1. **Provide clarity through data** on the affordability challenges in our region and how they impact all residents, identifying gaps needing action and measuring progress against goals

Rationale: Our region lacks of common structure to generate insights into housing affordability.

Next steps: Itasca will convene a group of partners to create a housing affordability dashboard with the goal of launching mid-2021, likely as a companion to the Regional Indicators Dashboard.



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

Rationale: While increased production will drive long-term affordability, in the near term, many employers are looking to support their employees' housing needs.

Next steps: Convene a broad group of Itasca employers to design and pilot an innovative, housing-forward benefits package. In parallel, design a broad data gathering effort to understand employee housing needs.



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

Rationale: Targeting critical levers – land, development, operating expenses, and financing – of cost savings in housing construction can stimulate production, lower prices and drive economic recovery.

Next steps: Itasca Project will convene meetings with policy makers, developers, construction firms, and financial institutions to identify 1-2 priority actions to increase production and lower costs.

About the Itasca Project

The Itasca Project is an employer-led alliance that seeks new and better ways to improve our future economic competitiveness and quality of life in the Twin Cities area. Its 70-plus participants include private-sector CEOs, public-sector leaders, and the leaders of major foundations based in the Twin Cities region.

To learn more, please visit theitascaproject.com