



Affordable Housing

2025 Residential Development and Affordable Housing
Production

Community Development Committee

September 8, 2026



The numbers: Development and affordable housing production



Datasets developed with local governments

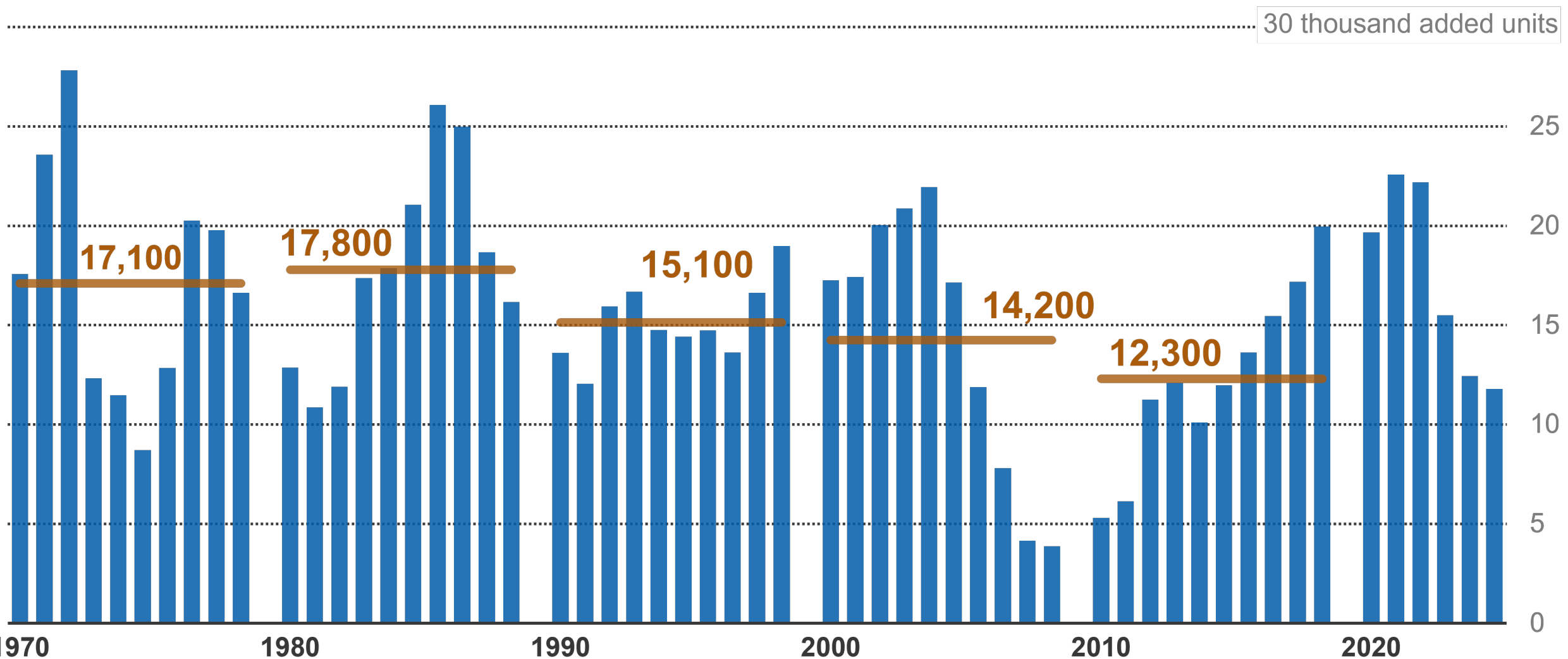


Surveys enhance accuracy and detail

- Building Permit Survey
 - Sent out to cities and townships yearly
 - Collects address-level detail on units permitted in the previous year
 - Important input into population estimates, and other models
- Affordable Housing Production data
 - Based on Building Permit Survey data
 - Records affordability level for all units added
 - Also includes existing homes brought into community land trusts or Habitat for Humanity
- Importance of completeness
- Widely used across the Met Council and region

Residential development: Regional Trend

Regional housing production continues to fall, with 11,786 units added in 2025

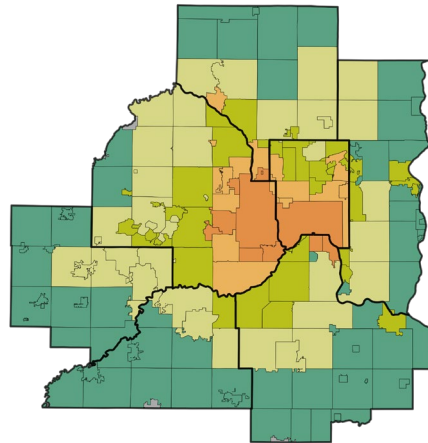


— Annual average per decade

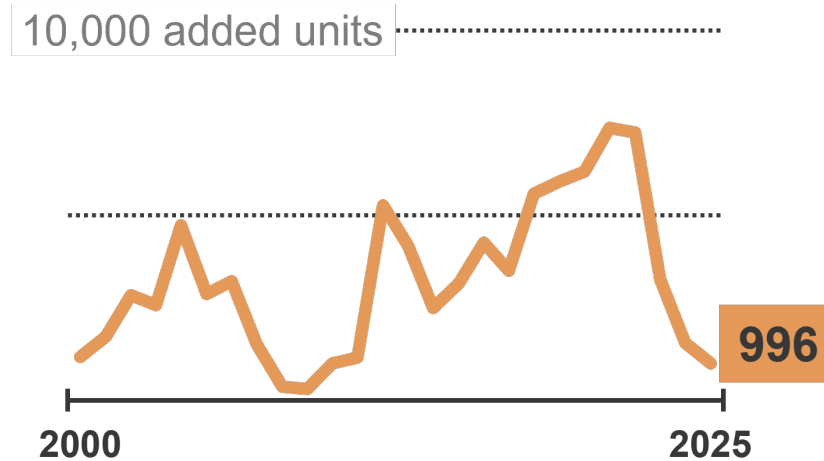
Source: Metropolitan Council's Annual Building Permit Survey, 1970-2025. Numbers for 1970-1999 show new construction permits only; numbers for 2000-2025 show net change from all permit types.

Residential development: 2050 Community Designations

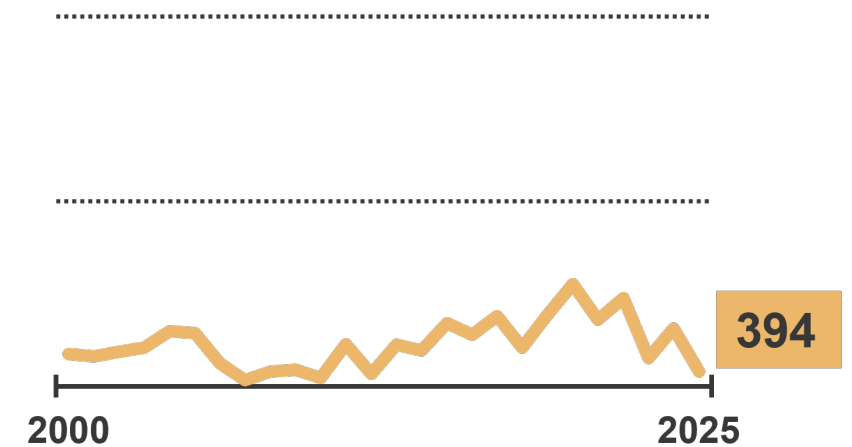
Urban and
Urban Edge
communities
have seen the
biggest drops



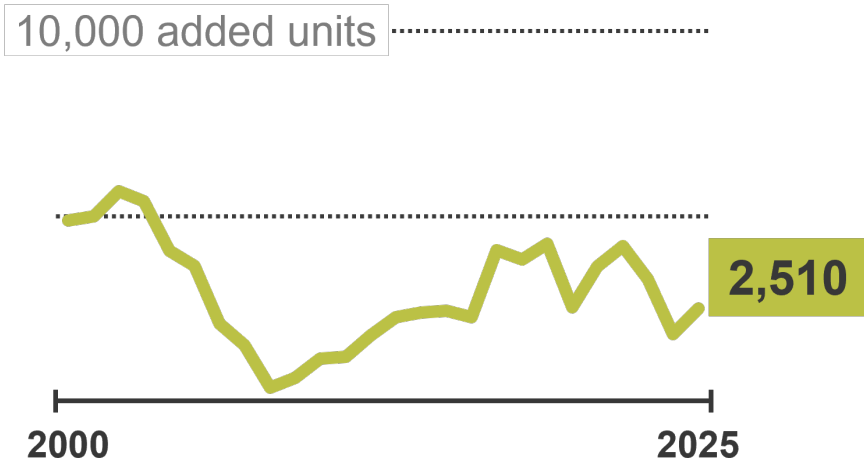
Urban



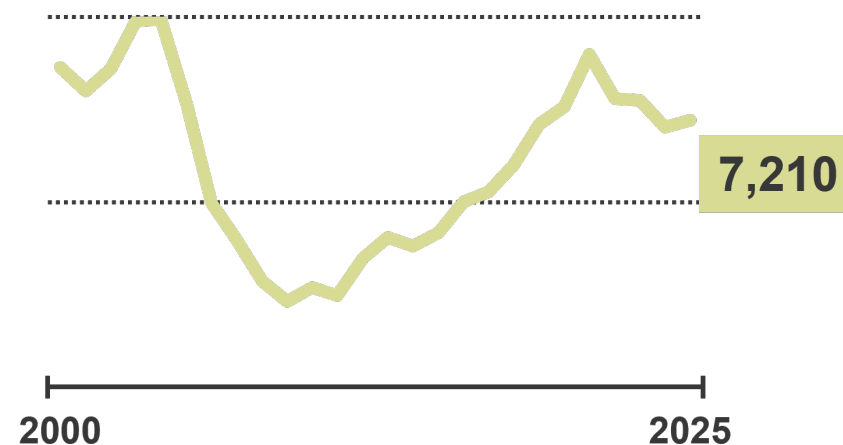
Urban Edge



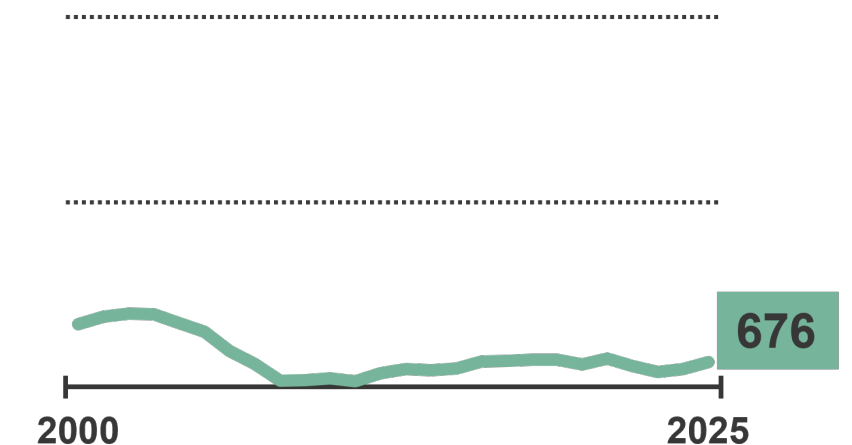
Suburban



Suburban Edge



Rural + Non-Council

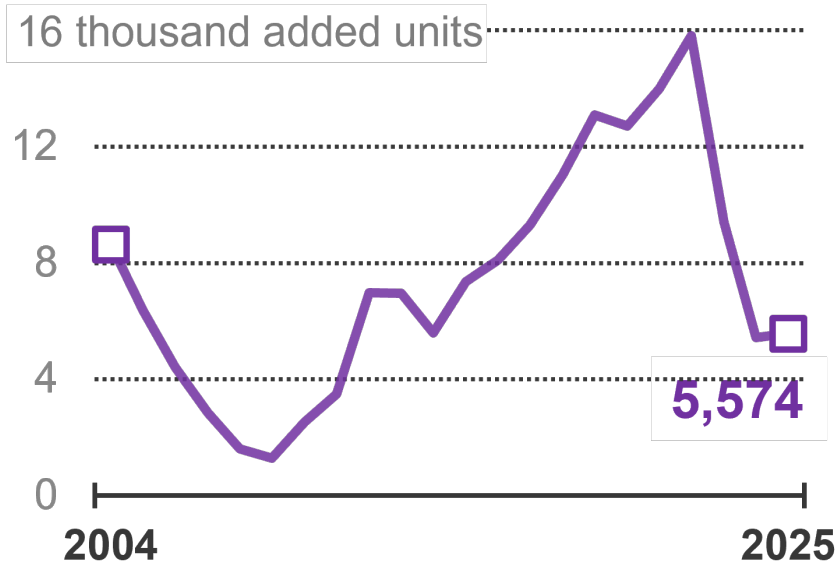


Metropolitan Council

Source: Metropolitan Council's Annual Building Permit Survey, 2000-2025. Net gain of residential units by community designation; 2025 labeled.)

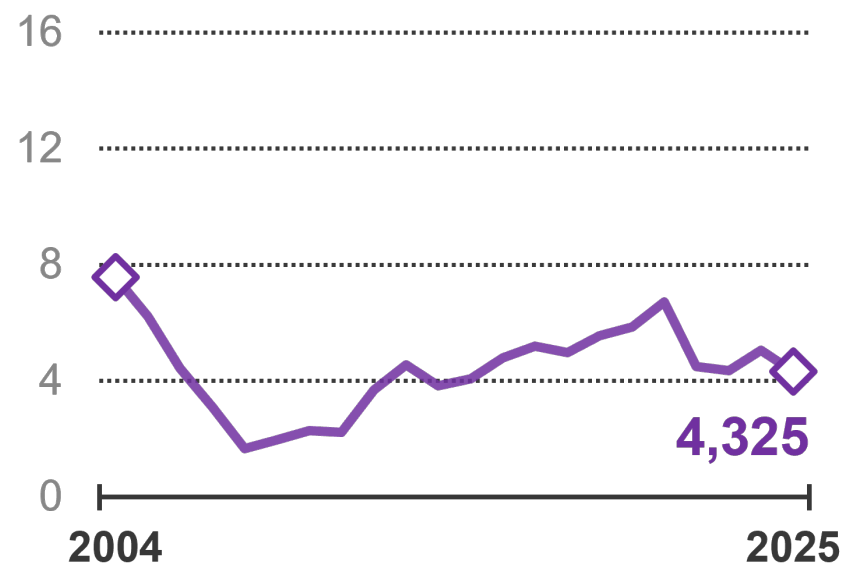
Residential development: Housing types

Multifamily (5+ units)



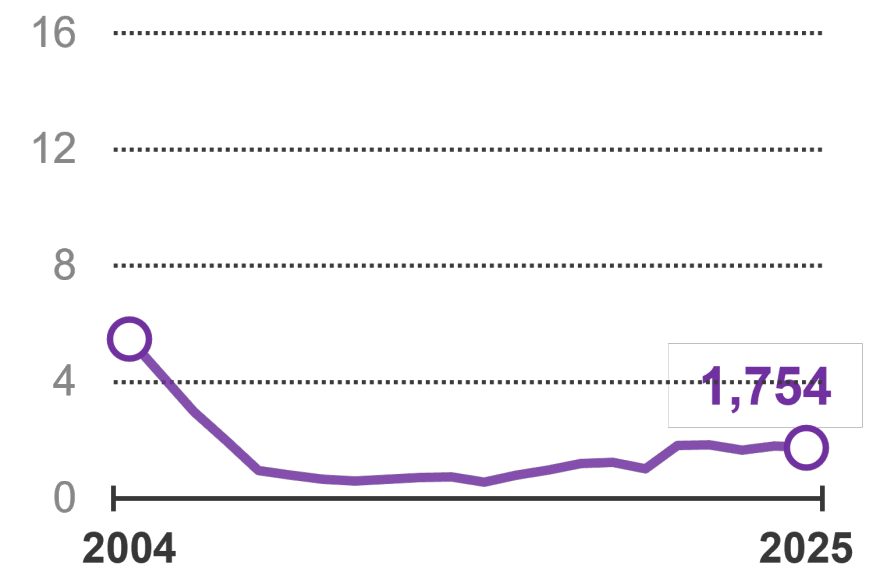
- Dropped by more than 10,000 units between 2022 and 2025, but still a plurality of all residential development in 2025.
- Drop in Urban and Urban Edge communities offset by increase in others

Detached homes



- Dropped by more than 700 units between 2024 and 2025; now at lowest level since 2015.
- Share of detached home development has stayed relatively static over the past 20 years (between 30 – 40%).

Townhomes

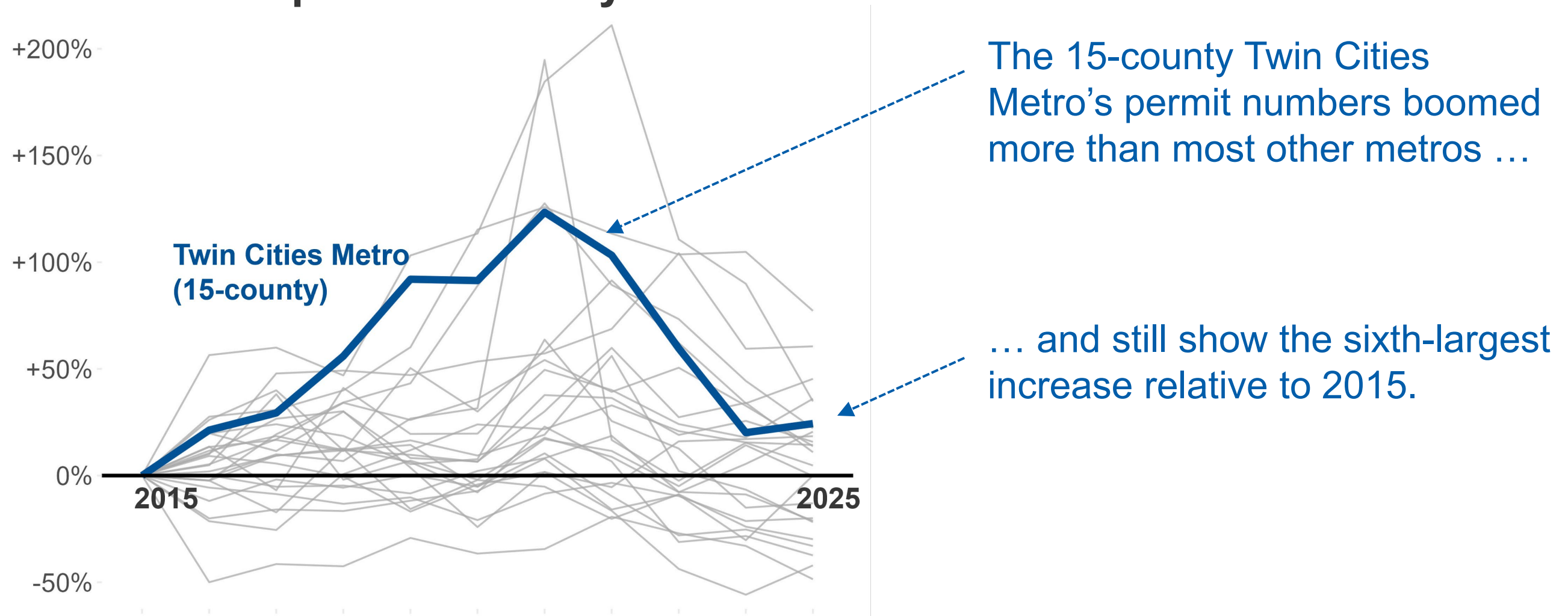


- Townhome development fell significantly during recession and has yet to fully bounce back.
- Roughly stable since 2021 despite dropoff among other types.

Source: Metropolitan Council's Annual Building Permit Survey. (Net gain of residential units by type; 2025 labeled.)

Residential development: National context

The drop in permitting activity is a national trend, and the Twin Cities still compares favorably with other metros



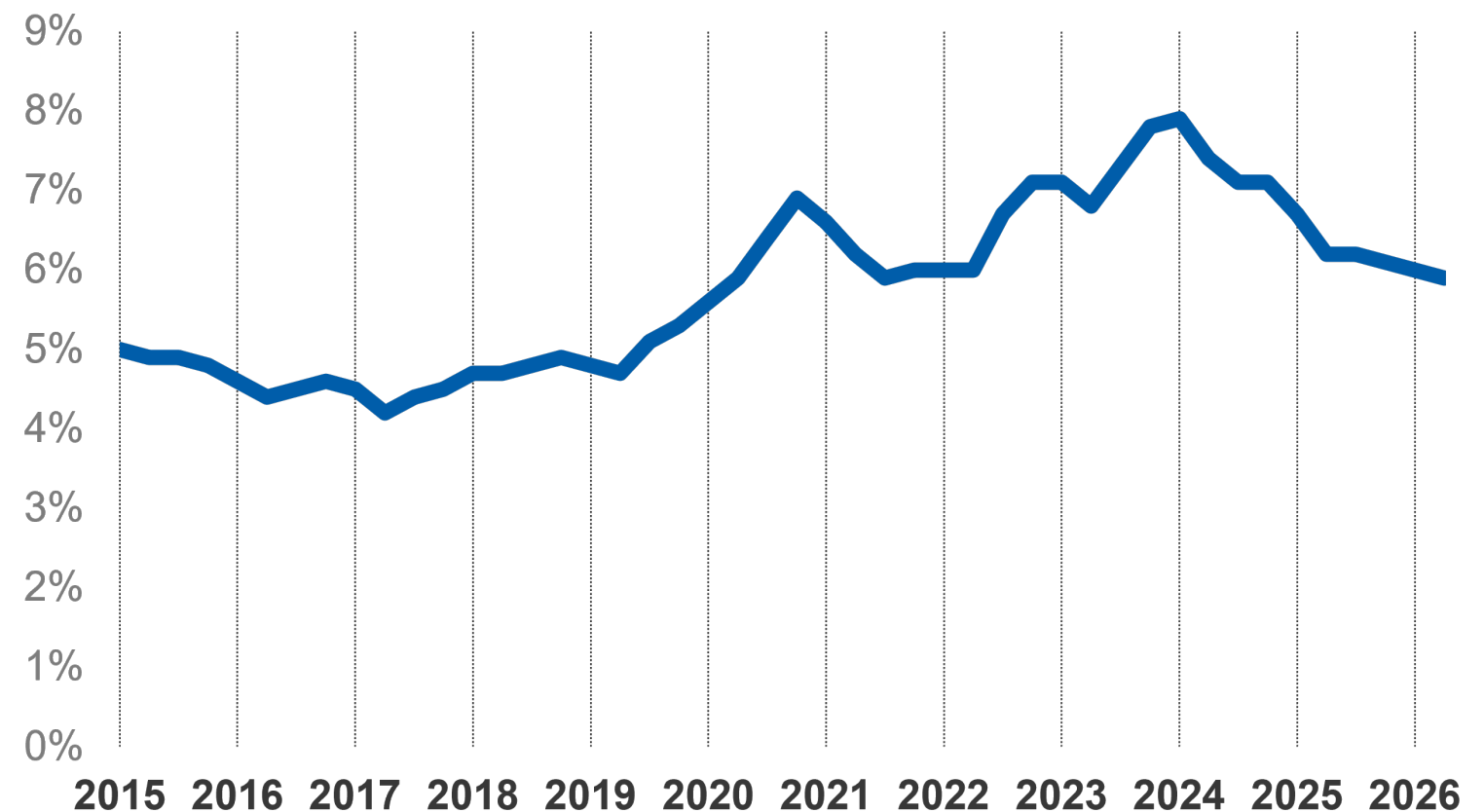
Source: U.S. Census Bureau, Building Permits Survey, 2015-2025. Chart shows the 25 most populous metropolitan statistical areas in the United States according to the Census Bureau's population estimates for 2025.

Residential multifamily development: Correction, not collapse

Industry data suggests that permitting is up

- Industry data through July 2026: total year-to-date permitted multifamily units are up 11% (~500 units) from 2025
- New apartments are still being rented across the region → vacancy rate is dropping
- Rents are still increasing more than in many other metros

Regional apartment vacancy rate is dropping



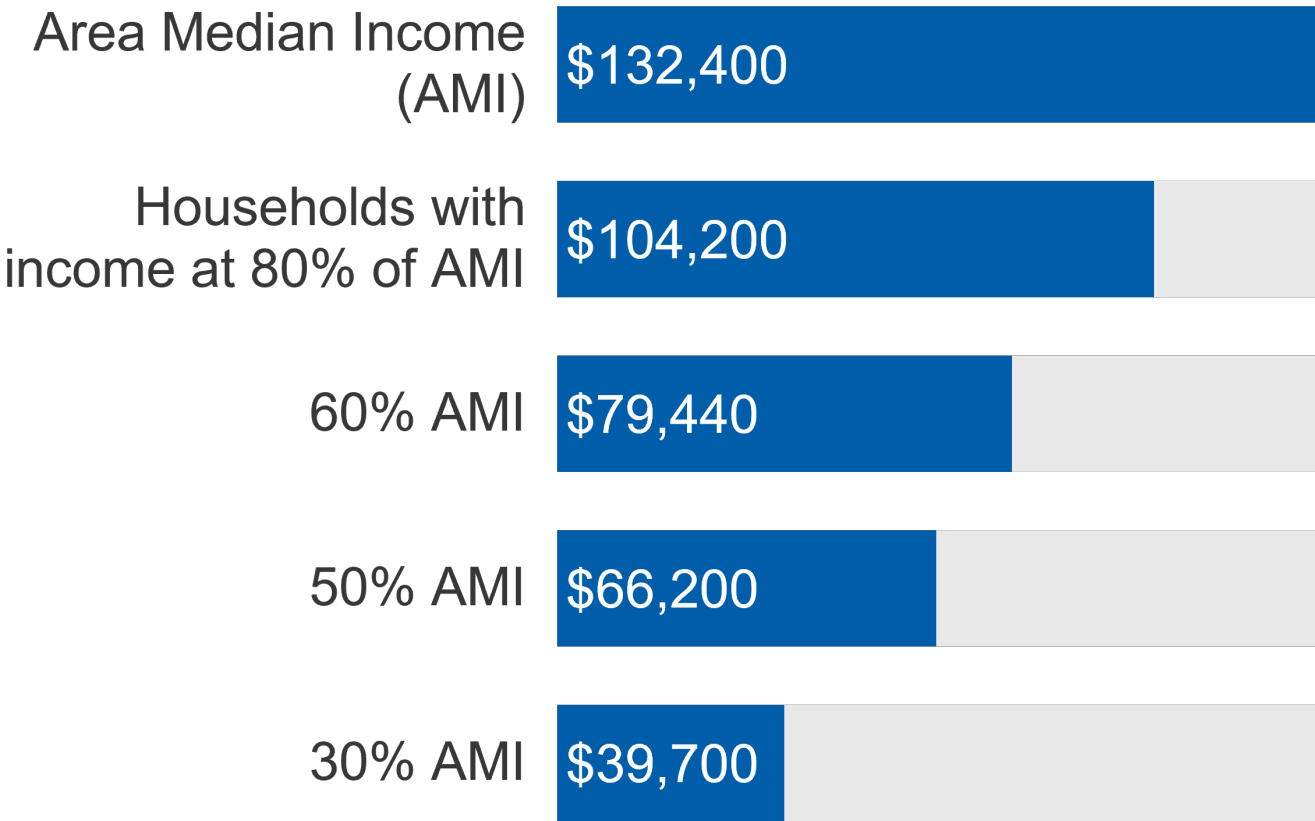
Source: Quarterly vacancy rates from CoStar Realty Information, Inc. 2015-2026. Chart gridlines show the first quarter of each year.

Affordability context: Area Median Income

Area Median Income (AMI)

- "Income limits" (thresholds) developed by HUD to determine program eligibility and housing affordability
- Specific to our metro and different household sizes

AMI income levels for a household of four in 2025

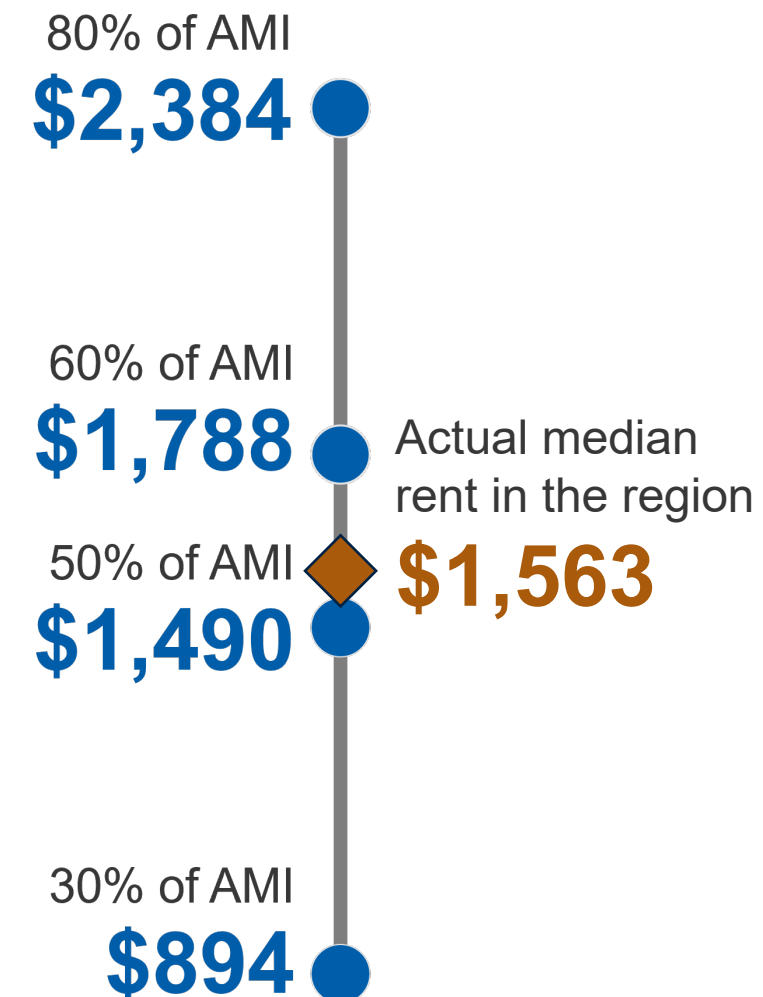


Affordability context: Rents based on Area Median Income

Affordable rent calculations

- Rents that are affordable to households at different levels of Area Median Income (AMI), based on income levels (see previous slide)
- Set at 30% of monthly income for a household that could live in the unit
- Varies by number of bedrooms

Affordable rents for a 2-bedroom unit in 2025

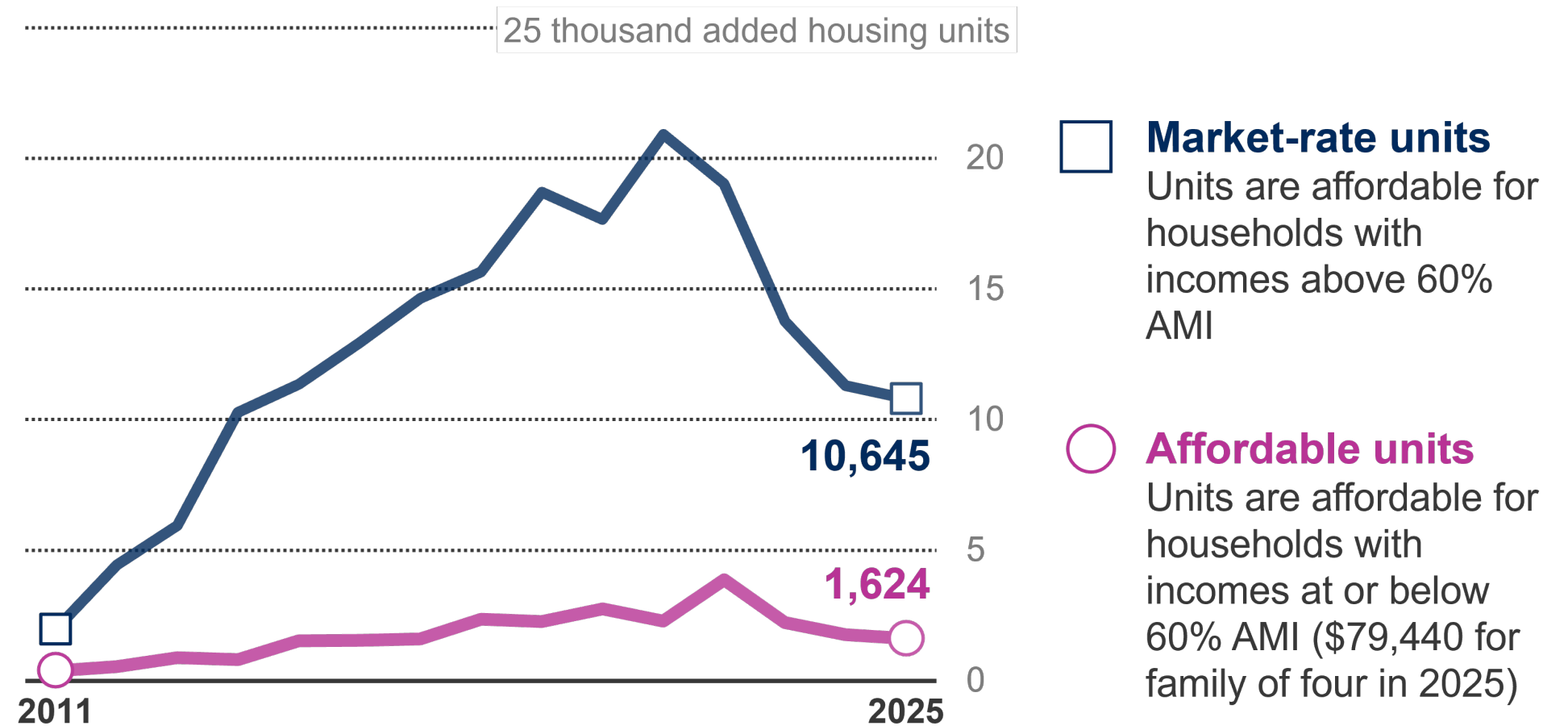


Source: Metropolitan Council affordability limits for 2025; U.S. Census Bureau, 2024 American Community Survey one-year estimates.

Development affordability: Regional Trend

- About 13% of new housing units permitted in 2025 were affordable
- This is down from previous years but still a bit higher than the 2011-2024 average (12%)

New housing units permitted by AMI level, 2011-2025

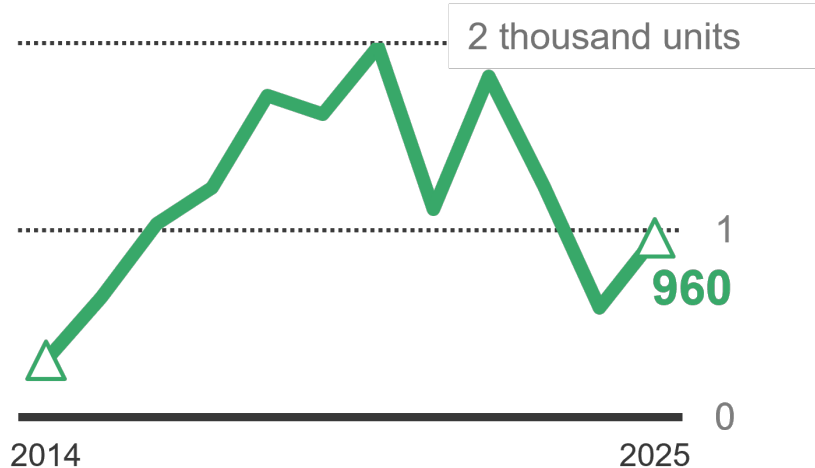


Detailed affordability | Regional Trend

Sharp dropoff in production of units affordable at or below 50% AMI

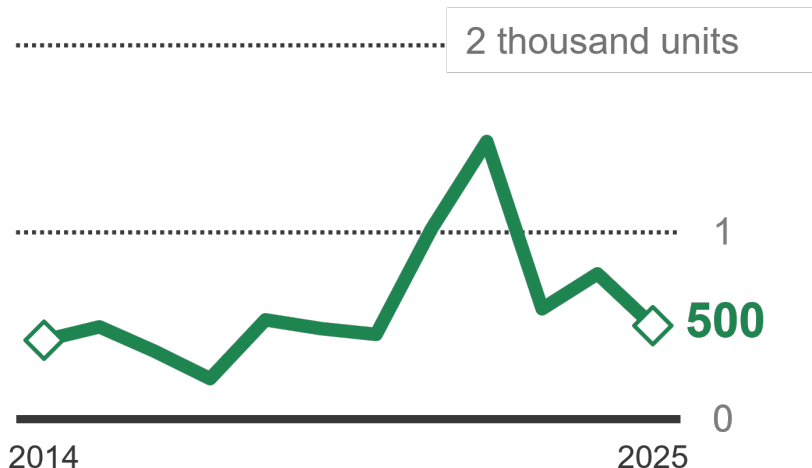
△ 51-60% AMI

Units are affordable for households with incomes above 51% AMI (\$66,200) up to 60% AMI (\$79,440)



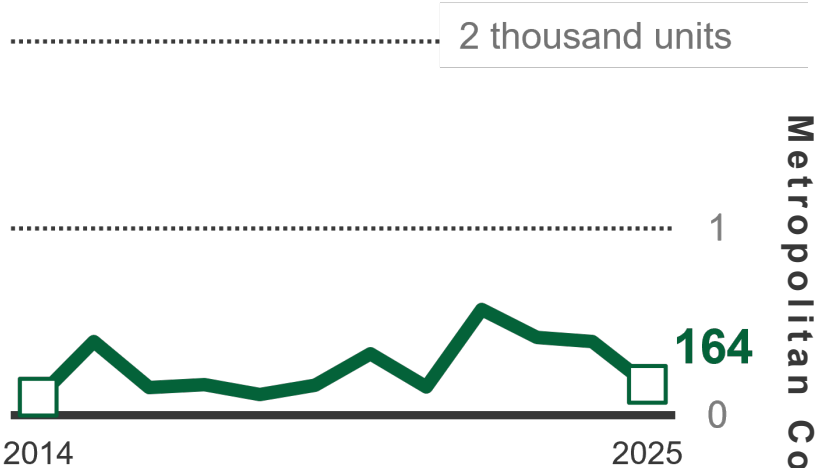
◇ 31-50% AMI

Units are affordable for households with incomes above 30% AMI (\$39,700) up to 50% AMI (\$66,200)



□ At or below 30% AMI

Units are affordable for households with incomes at or below 30% AMI (\$39,700)



Metropolitan Council

Source: Metropolitan Council's Affordable Housing Production Dataset. (Additions to housing stock only; 2025 labeled.)

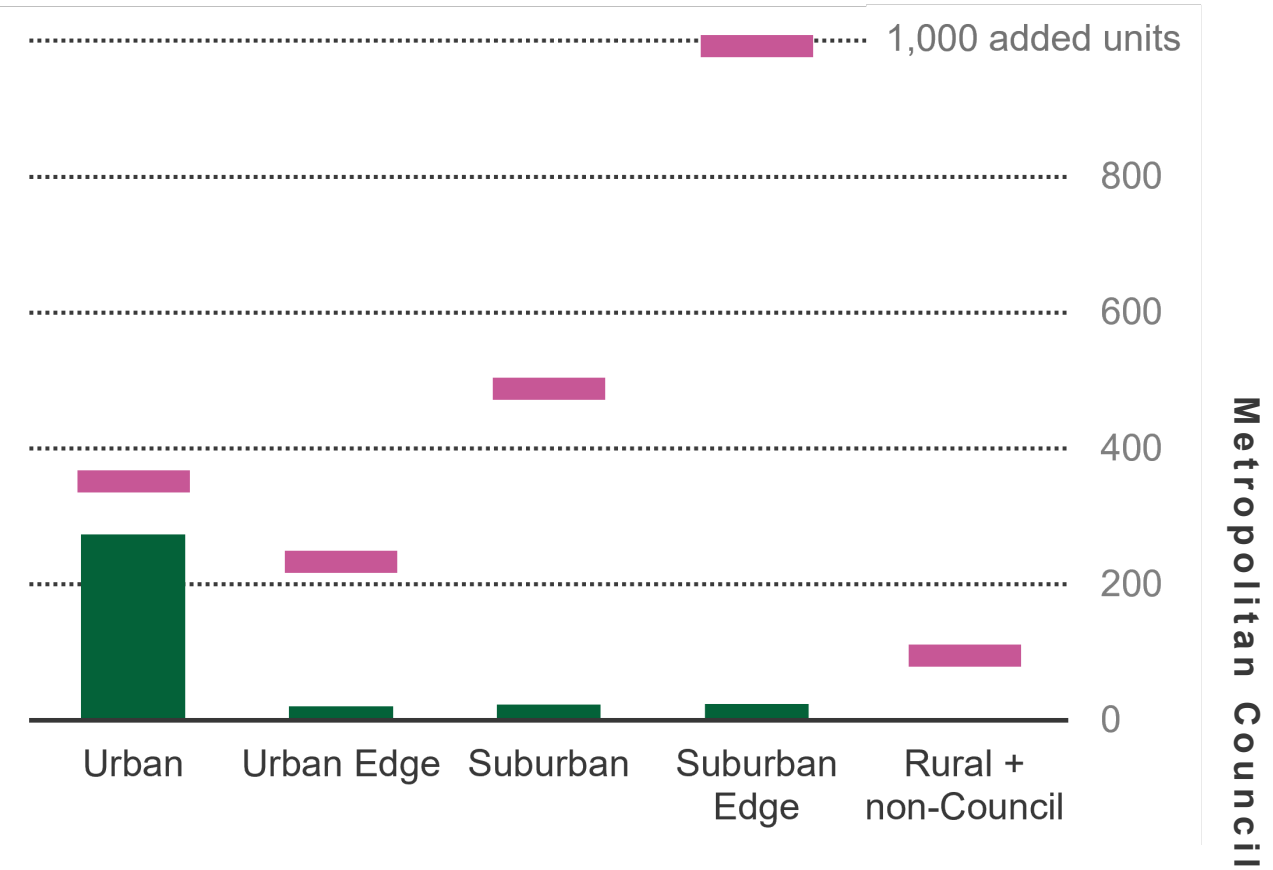
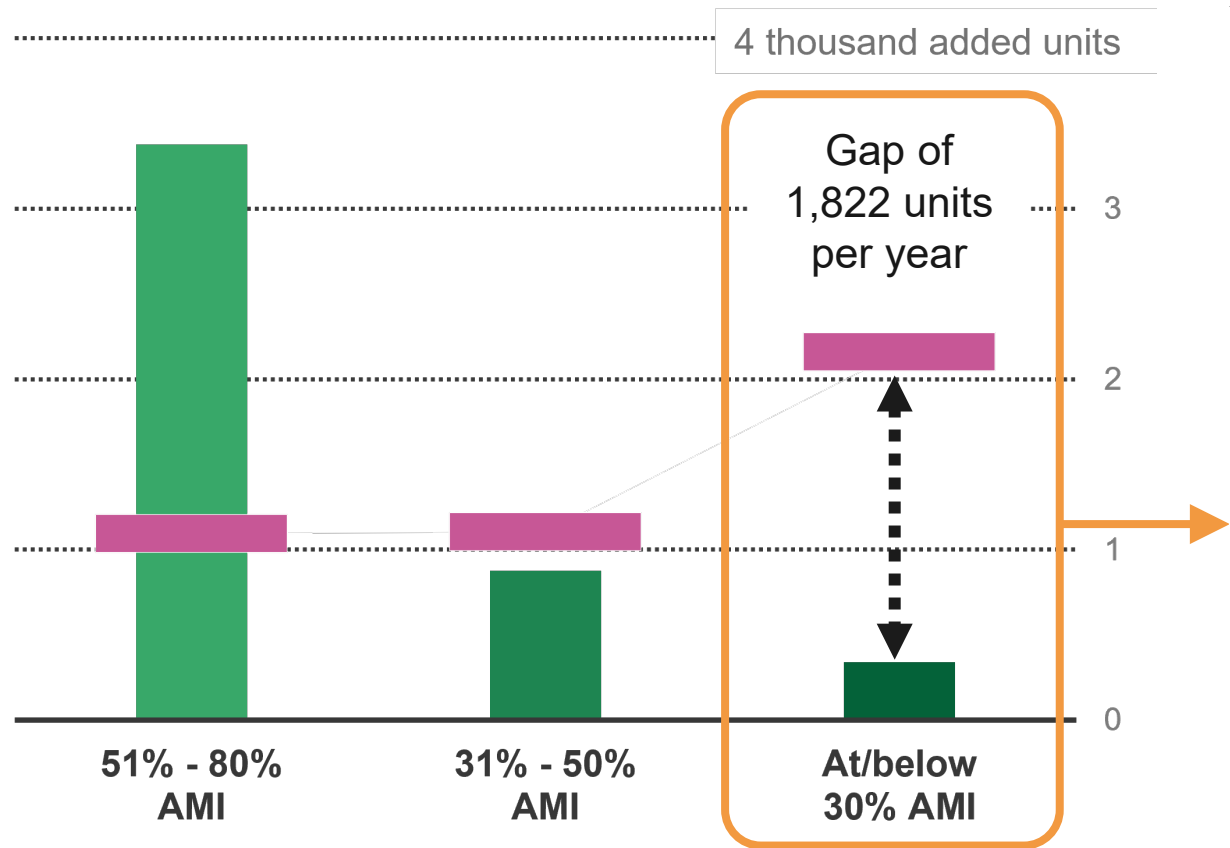
Affordable Housing Need this decade: Deficit of deeply affordable production

2021-2025: Deeply affordable production is far lower than required to meet 2021-2030 Need

The gap in deeply affordable production is quite large in suburban and edge cities

Columns:
Average annual production (2021-2025, actual)

Bars:
Average annual production required to meet 2021-2030 Need



Source: Metropolitan Council's Affordable Housing Production Dataset; Allocation of Affordable Housing Need (2021-2030).

Key Policy Takeaways

Large deficits in deeply affordable housing

- Production of 51-80% AMI units has more than met the total Need for 2021-2030
- A bit behind what's needed for meeting the 31-50% AMI Need for 2021-2030
- Large deficits in current deeply affordable housing stock and production to meet 2021-2030 Need for 30% AMI units

Too few affordable homes

- Production has slowed and vacancy rates have dropped creating a tighter market
- Housing costs are increasing, affecting those with the lowest incomes
- Homeownership options, especially for first time homeowners, are scarce

Production Gap: Deeply affordable housing (30% AMI)



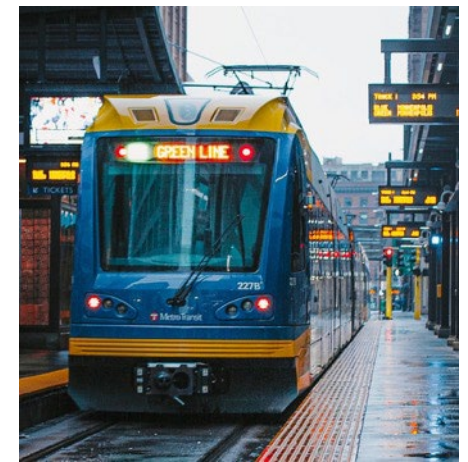
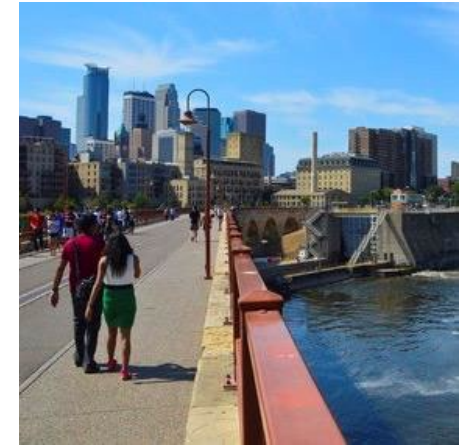
Who needs Deeply Affordable Housing?

Why do people have extremely low incomes?

- People working full-time jobs
 - 30% AMI = \$39,700 (~\$19/hour)
 - State minimum wage = \$23,150 (\$11.13/hour)
 - Minneapolis minimum wage = \$33,218 (\$15.97/hour)
- Single-parent households
- Older households
- People with disabilities (24%)
- Households in every city

Challenges they face

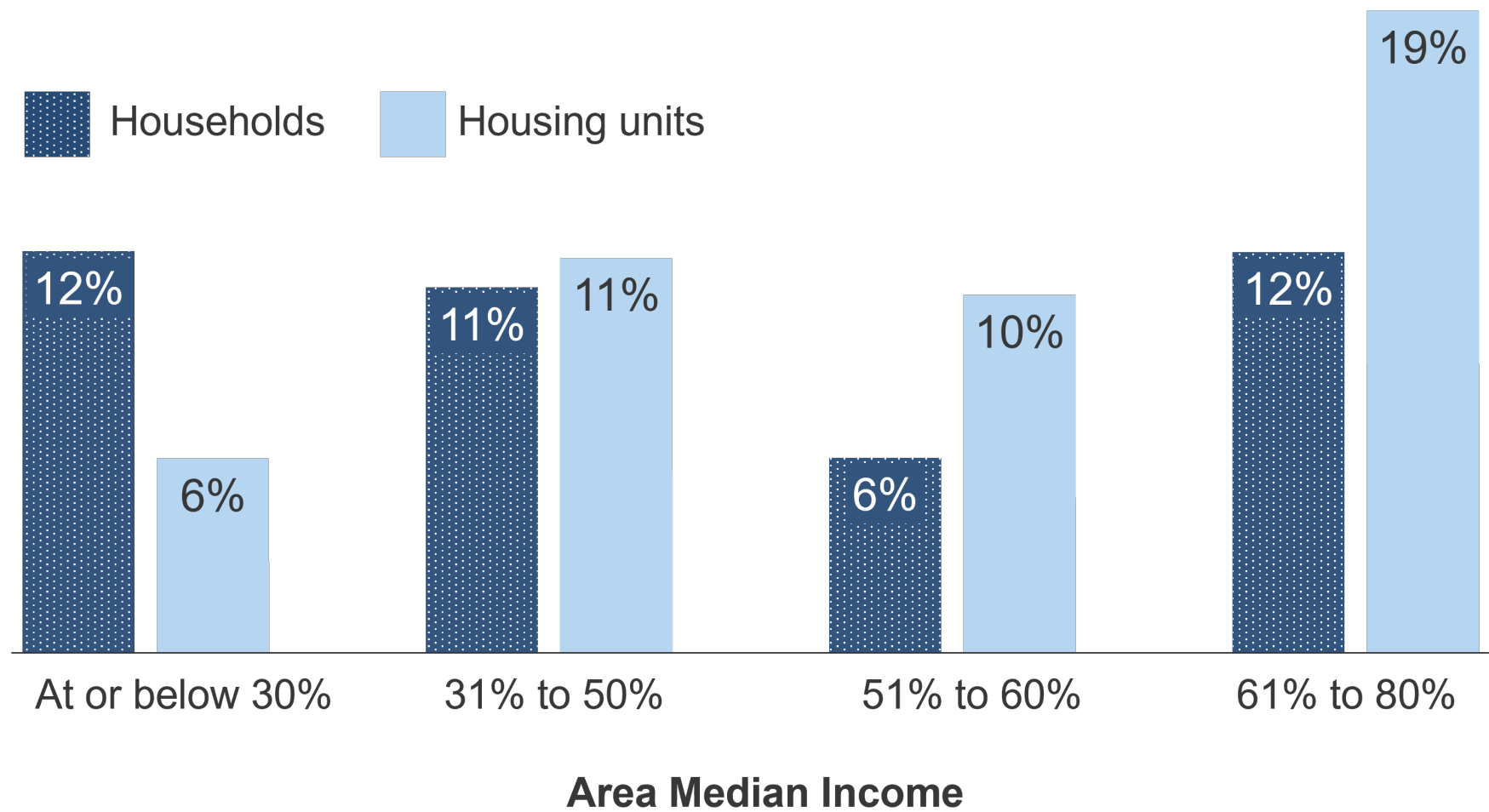
- Minimum and low wages have not kept pace with inflation
- Greatest housing cost burden
- Childcare is expensive
- Transportation costs (70% own vehicle)
- Federal policy keeps people with disabilities who are unable to work in poverty



Current deficit of deeply affordable housing

The region has more households at or below 30% of AMI than housing units affordable to them.

Households and Housing Units by AMI
(% of region total)



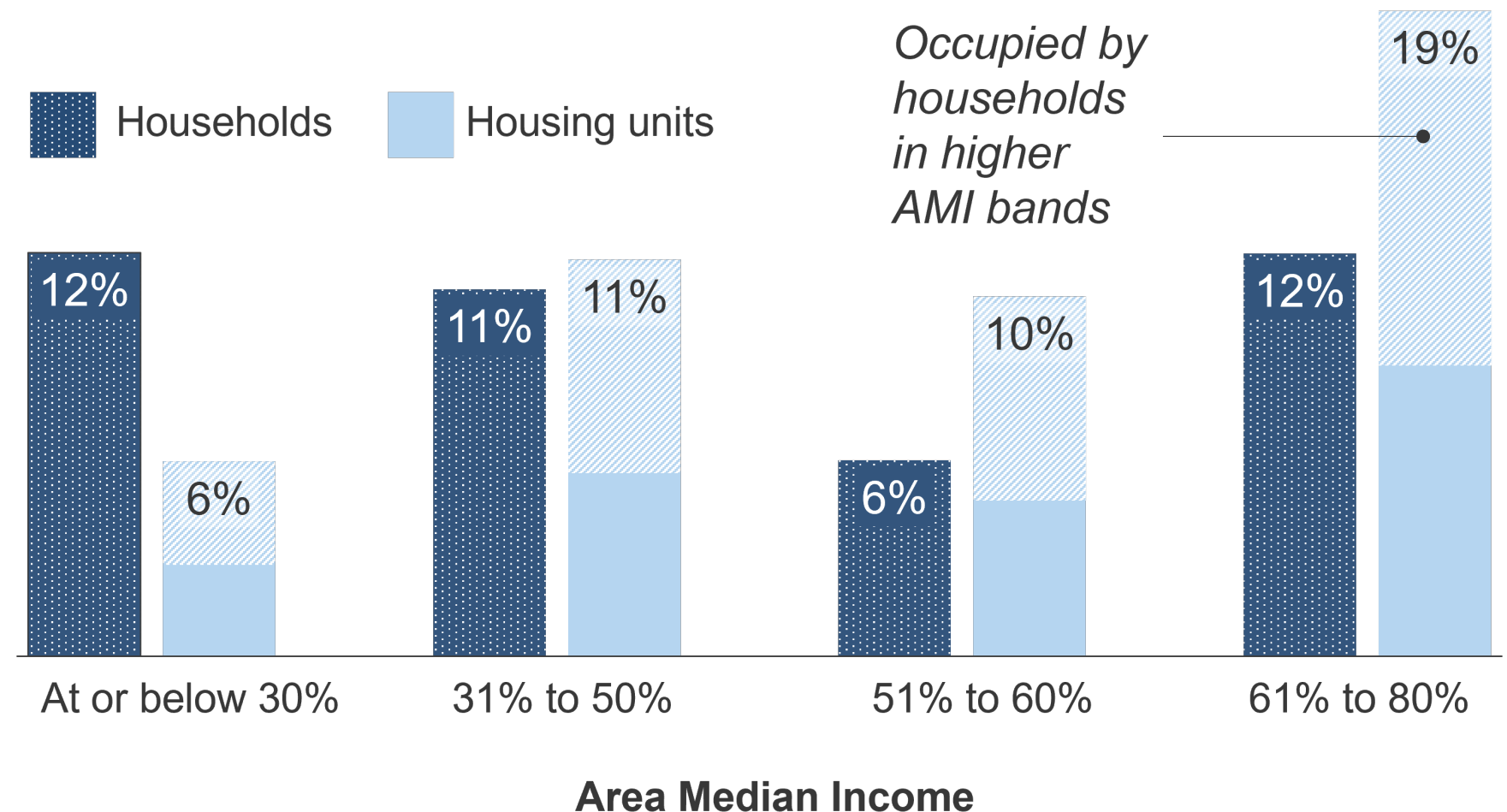
Metropolitan Council

Source: U.S. Census Bureau, 2020-2024 American Community Survey five-year Public Use Microdata Sample.

Mismatch between household income and housing affordability

- And many of those deeply affordable units are occupied by households in higher income bands.
- As a result, 88% of households at or below 30% AMI experience housing cost burden (housing costs are at least 30% of income).

**Households and Housing Units by AMI
(% of region total)**



Affordable Housing Development Market



30% AMI unit rents on their own do not cover capital or operations costs

- **External Market Forces**
 - Supply Chain
 - Limited funding
 - Loss of labor due to Metro Surge
- **Inflation**
 - Earned wages
 - Construction costs
 - Energy costs
 - Insurance rates
 - Interest Rates

Creating deeply affordable units



Developers' recent strategies

- **Capital Sources**
 - Housing Infrastructure Bonds
 - 9% Tax Credits
 - Mix of AMIs helps offset lower rents
 - 0% Debt and grants
- **Rental Assistance (not tied to unit)**
 - Housing Support (Minnesota DHS)
 - Housing Choice Vouchers (including Bring it Home)
 - American Rescue Plan Act
- **Rental Assistance (tied to unit)**
 - Project Based Vouchers (including Bring it Home)
 - County/Service Provider Set Asides (HOME/CDBG)

How to Support Deeply Affordable Housing



How The Met Council can help

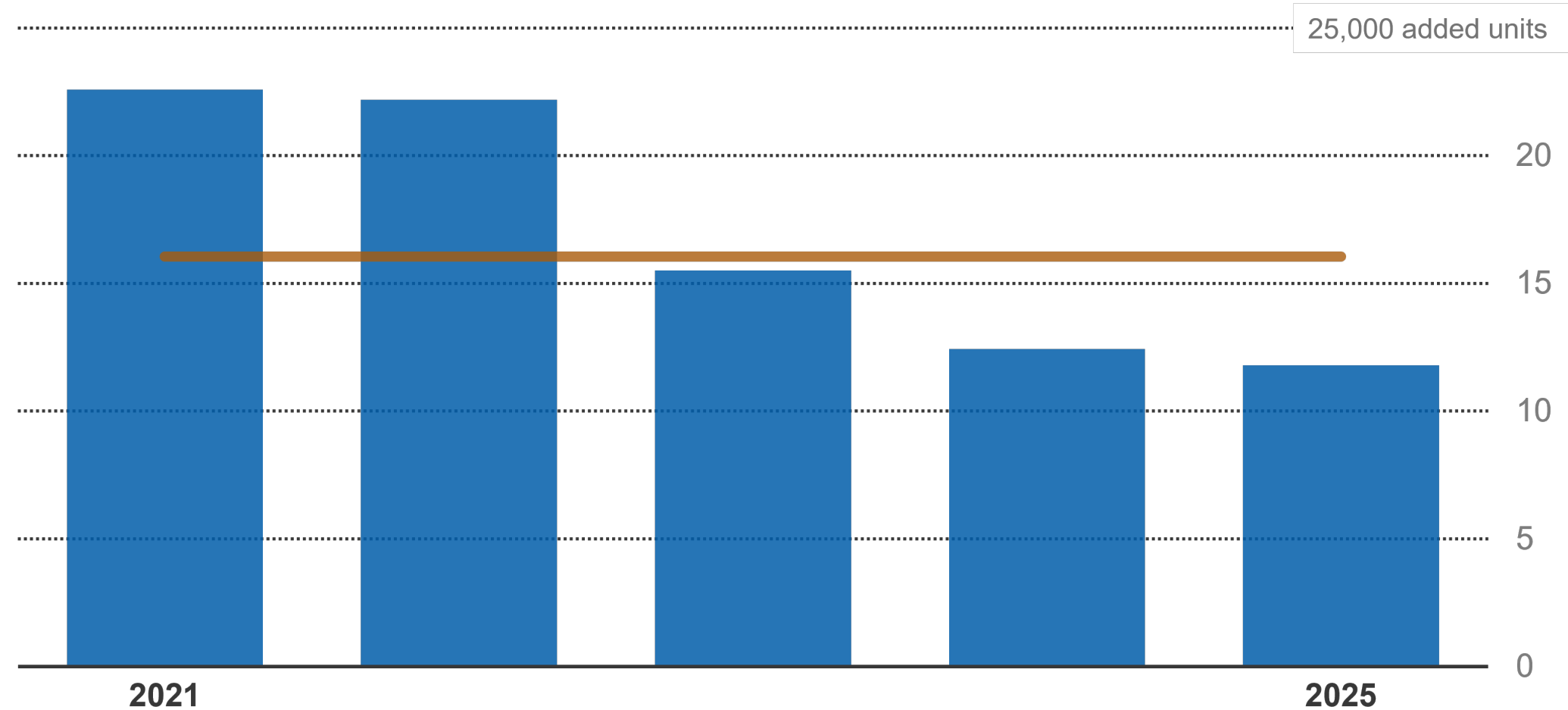
- Grants/Funding Opportunities
 - Continue to prioritize deeply affordable units in grant programs
 - Find other funding opportunities to support development
- Continue to track rate of deeply affordable units
- Increased focus on preservation and stabilization
- Promote Inclusionary Development at the local level
- Technical assistance for policies and programs

Limited affordable home options



Annual average housing production is on track

Production has slowed but housing supply is on track

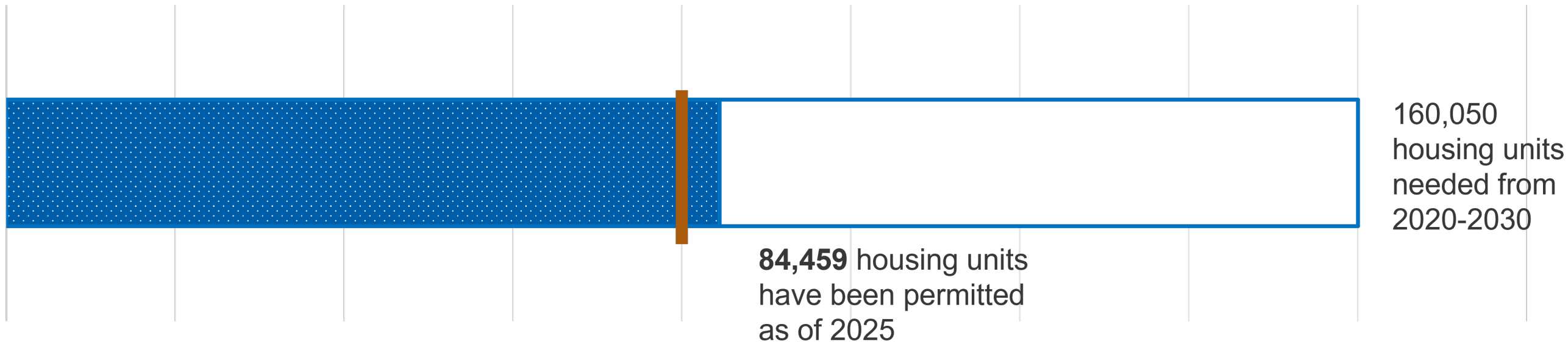


— Annual needed per year

Source: Metropolitan Council's Annual Building Permit Survey and Met Council 2020-2030 Forecasts, 2023 assuming a vacancy rate of 1.25% for ownership and 6% for rental as well as the inclusion of a 7,650 preexisting housing unit deficit and inclusion of an additional 38,400 units as replacement of estimated loss.

Overall housing production is on track

As of 2025 supply has kept up with forecasted growth, but affordability has not increased



— Amount needed to be on track

Source: Metropolitan Council's Annual Building Permit Survey and Met Council 2020-2030 Forecasts, 2023, assuming a vacancy rate of 1.25% for ownership and 6% for rental as well as the inclusion of a 7,650 preexisting housing unit deficit and inclusion of an additional 38,400 units as replacement of estimated loss.

Vacancies for rental market

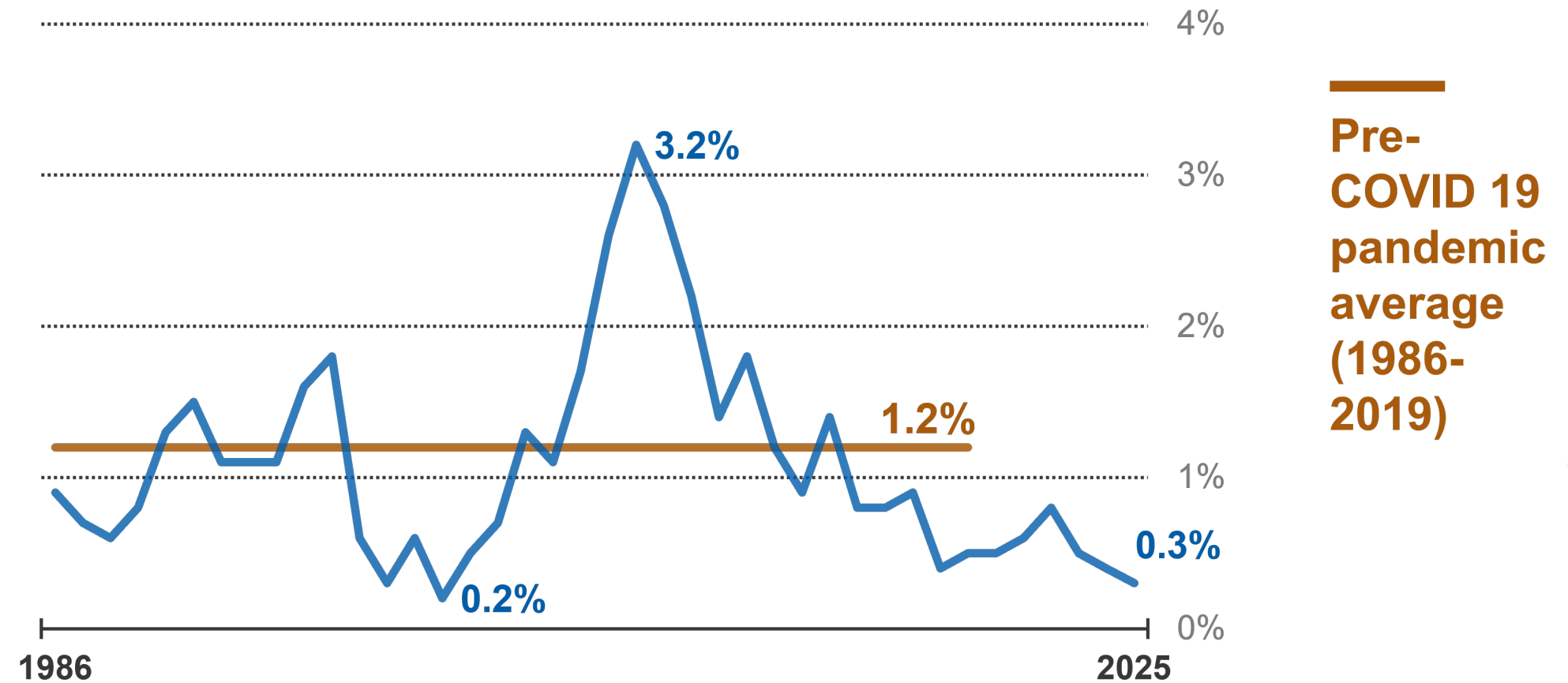
Affordability Level	Rental vacancy rate	Rent for 1 bedroom
At or below 30%	3.1%	\$744
31%-50%	5.3%	\$1,241
51%-60%	6.3%	\$1,489
61%-80%	6.3%	\$1,985
81%-100%	9.4%	\$2,482
101%-115%	9.8%	\$2,854
Above 115%	19.9%	+

Source: U.S. Census Bureau, 2020-2024 American Community Survey five-year Public Use Microdata Sample.

Fewer available homes add constraints

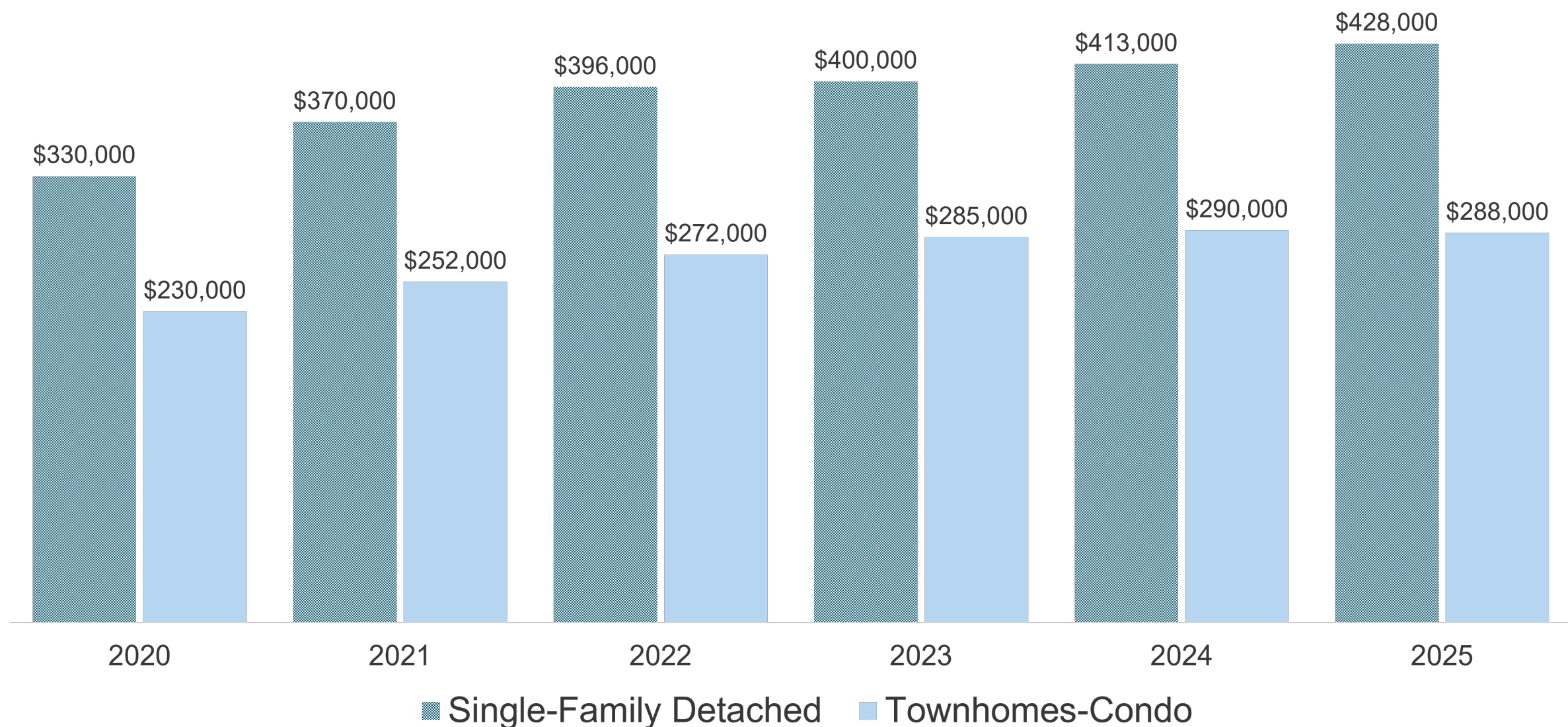
The homeownership vacancy rate in 2025 was 0.3% -- statistically indistinguishable from the lowest it's ever been (0.2% in 2000).

Homeownership vacancy rate, 1986 - 2025



Source: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey, Annual Homeowner Vacancy Rates, 1986-2025. The homeowner vacancy rate is the number of vacant units for sale as a share of owner-occupied units, vacant units for sale, and units that have recently been sold but are not yet occupied. Seasonal/recreational properties are not included.

Median sale prices have increased dramatically



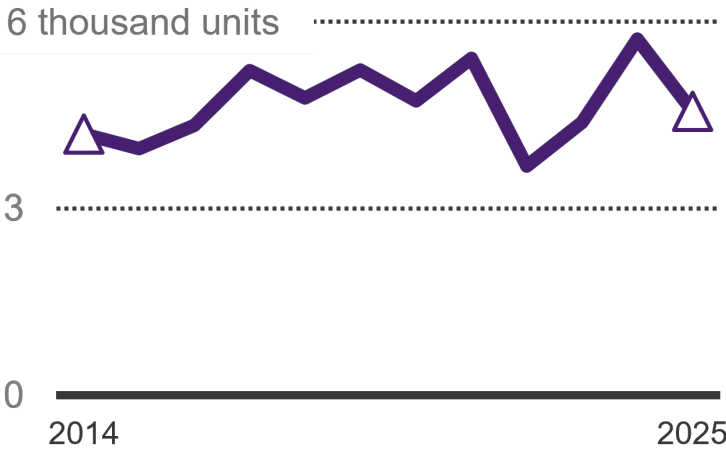
The median sales price for all ownership units in 2025 was \$390,000

Ownership affordability: Regional Trend

Ownership production affordable to low- and moderate-income households is dwindling

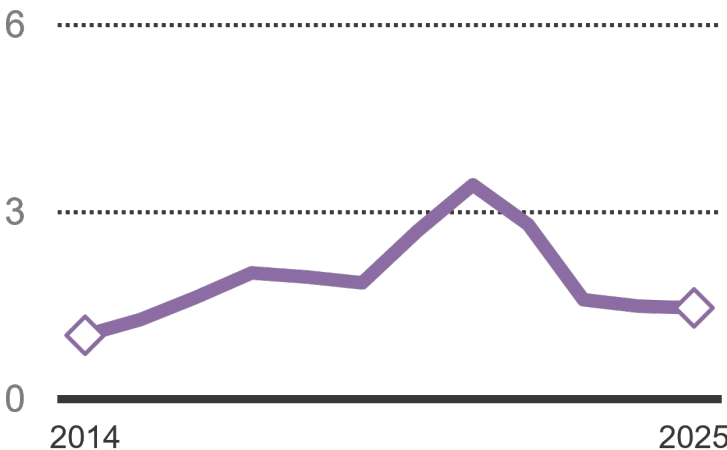
△ Above 115% AMI

Units are affordable for households with incomes above 115% AMI (\$152,260) which is a \$461,909 home or more



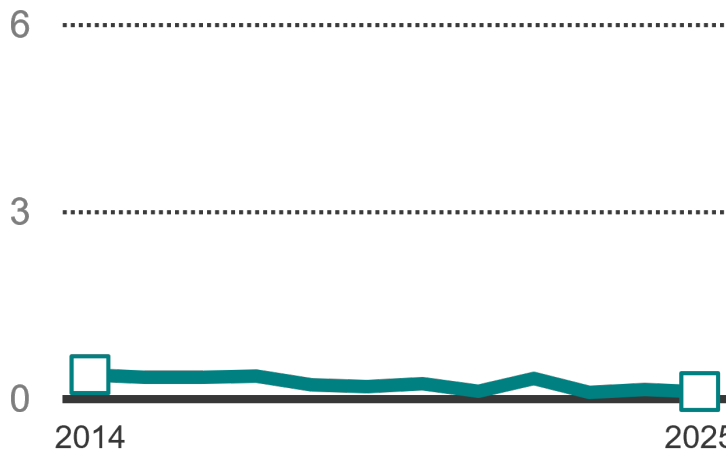
◇ 81-115% AMI

Units are affordable for households with incomes above 80% AMI (\$104,200) up to 115% AMI (\$152,260)



□ At or below 80% AMI

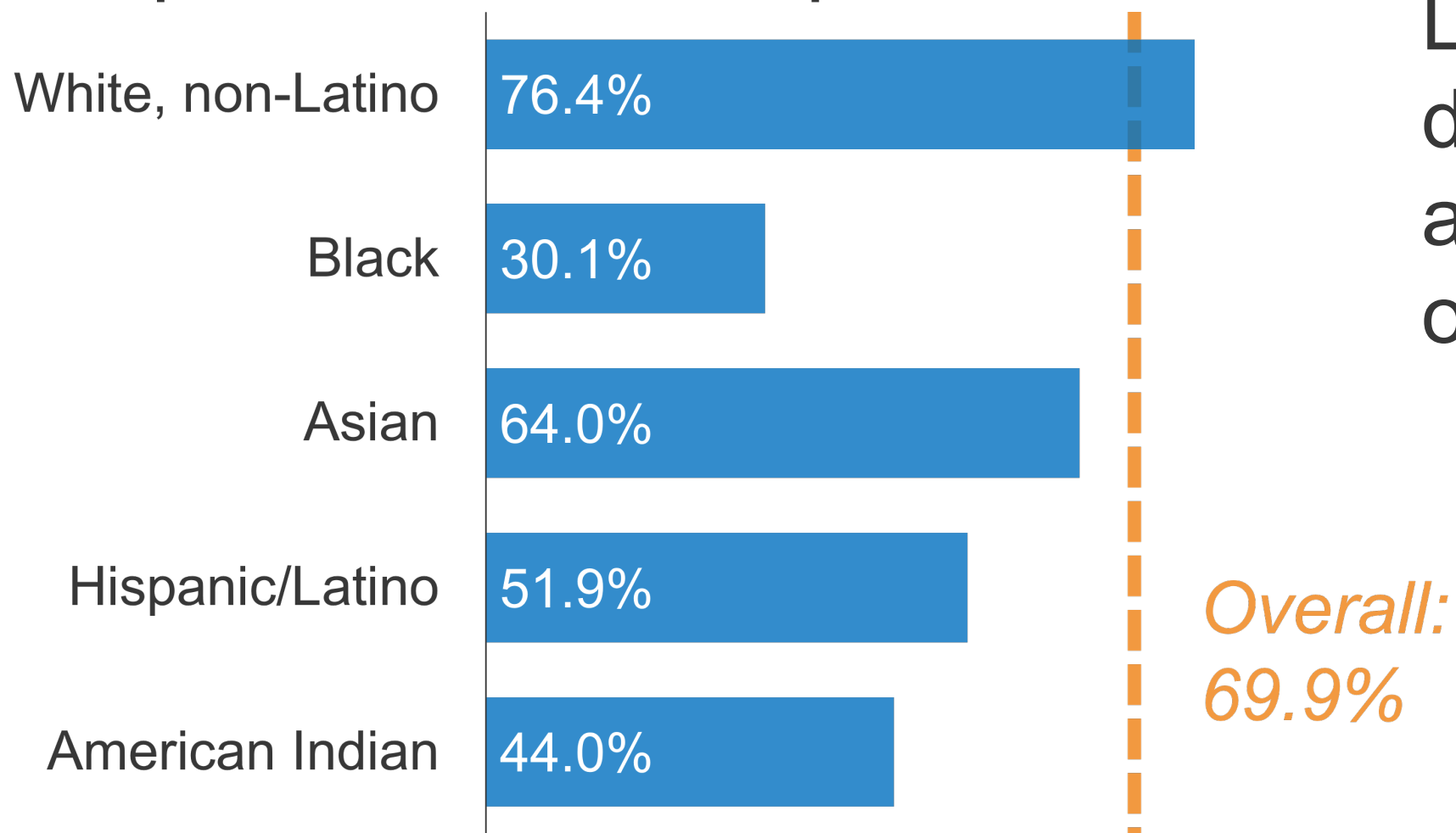
Units are affordable for households with incomes at or below 80% AMI (\$104,200) which is a \$306,500 house or less



Source: Metropolitan Council's Housing Policy and Production Survey; additions to housing stock only and 2025 labeled.

Homeownership racial disparities

Wide disparities in homeownership rates



Lack of supply can deepen disparities in access to affordable ownership options

Source: U.S. Census Bureau, 2024 American Community Survey 1-Year Estimates (15-county MSP metro area)

How to Support Affordable Homeownership



How The Met Council can help:

- Grants/Funding
 - Affordable Homeownership
 - Continue to explore with the HRA on ways to create homeownership opportunities for voucher holders
 - Ensure education and support
- Encourage diverse ownership opportunities – townhomes, manufactured housing, co-ops, shared equity
- Continue to provide technical assistance to local governments to support affordable homeownership



Thank you

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