

# CHALLENGES AND OPPORTUNITIES TO HOUSING AFFORDABILITY

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FEDERAL RESERVE BANK  
OF MINNEAPOLIS



## DISCLAIMER

The views expressed here are the presenter's and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.





## THEMES FOR TODAY'S PRESENTATION

- Expand housing supply
- Build more affordable housing
- Increase homeownership among households of color





**EXPAND HOUSING SUPPLY**

Hapag Lloyd

HLXU 637860  
4561

GL

MAX GROSS 22 500 kg  
71 650 lbs  
TARE 4 050 kg  
8 640 lbs



# EXPAND HOUSING SUPPLY

## DESPITE NEW HOUSING CONSTRUCTION, THE TWIN CITIES HAS THE LOWEST HOUSING VACANCY RATE

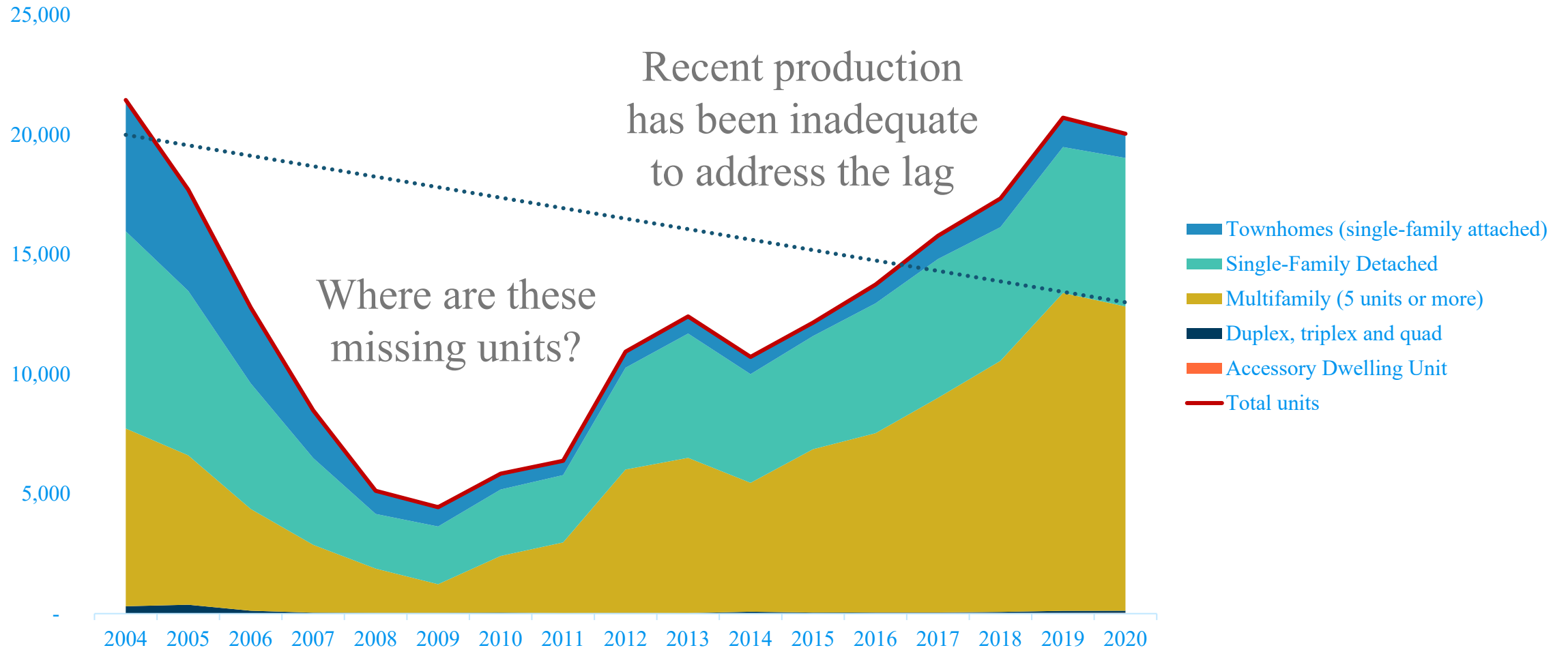
“The housing shortage in the Twin Cities is now the worst in the nation, topping even high-demand metros such as Los Angeles, Seattle, Denver and Austin, Texas. Last year a mere **4.6% of all for-sale and rental housing in the metro was vacant**, according to a new analysis of U.S. census data of the nation's 56 largest metros by the Minnesota Population Center.”

-- Jim Buchta, *Star Tribune*, September 18, 2021



# NEED FOR NEW HOUSING IN THE TWIN CITIES

STATEWIDE NEED: 40,000 ADDITIONAL UNITS



Source: Metropolitan Council, Building Permits Survey



# EXPAND HOUSING SUPPLY

## NO SINGLE STRATEGY WILL ADDRESS THE NEED FOR MORE HOUSING

- Changes to zoning (e.g., Minneapolis, Saint Paul)
- Modular housing (e.g., Mod 42 in Minneapolis)
- Review of the state building code
- Changes to property taxes
- Expedited permitting and approvals
- Reduced fees





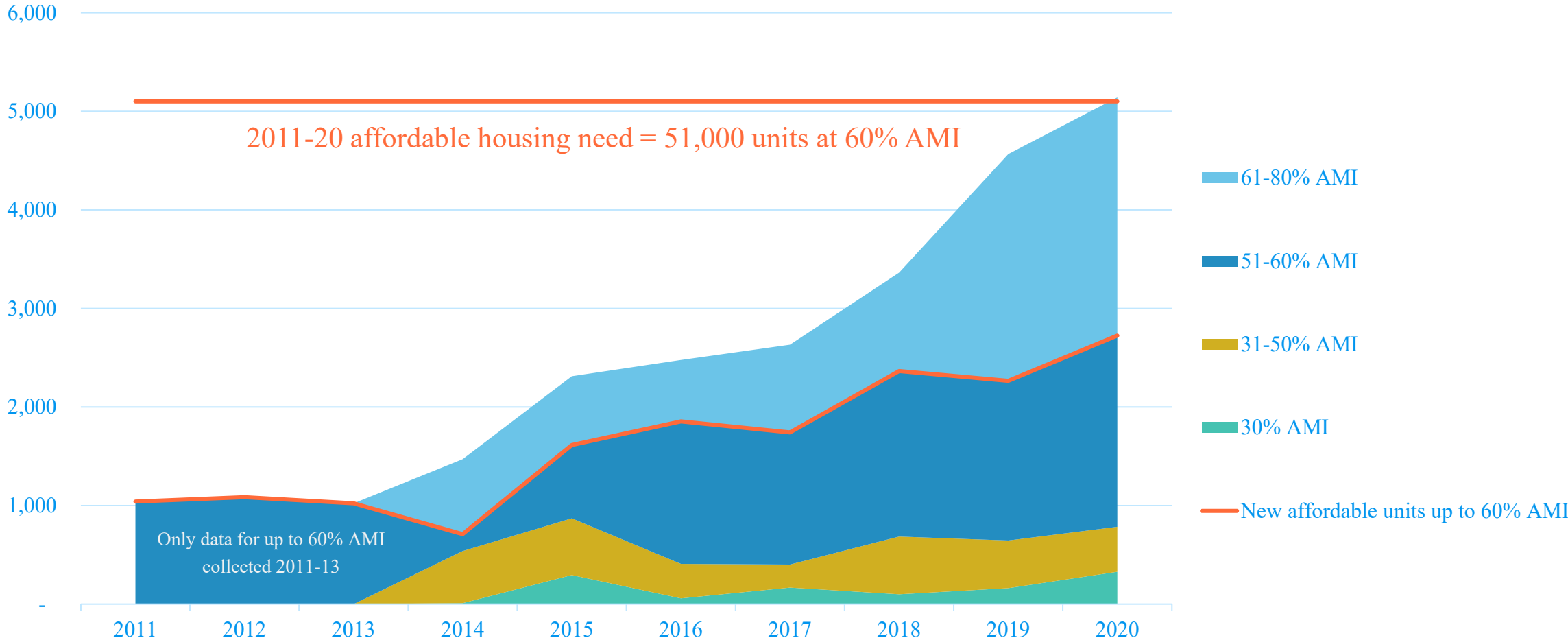
A long train of shipping containers stretches into the distance on a track. The image is overlaid with a blue tint. The text "BUILD MORE AFFORDABLE HOUSING" is centered in white, bold, sans-serif font. The containers in the foreground are white and have "Hapag Lloyd" and "GL" logos. Some containers also have identification numbers like "HLXU 637860 4561" and weight specifications.

# BUILD MORE AFFORDABLE HOUSING



# NEW AFFORDABLE UNITS LAG FAR BEHIND NEED

New affordable units in the seven-county Twin Cities area



Source: Metropolitan Council, Housing Performance Scores Survey

# BUILD MORE AFFORDABLE HOUSING


## NO SINGLE STRATEGY WILL ADDRESS THE NEED FOR MORE AFFORDABLE HOUSING

- More funding to support income-restricted housing (especially deeply affordable units)
- Mixed-income housing and/or inclusionary zoning policies
- Land assembly
- Loan guarantees

*+ strategies for more housing*



*Photo credit: Paula Woessner, Minneapolis Fed*

A long train of freight cars stretching into the distance, overlaid with a blue tint and white text. The train is viewed from a high angle, receding into the distance. The text is centered over the train.

**INCREASE  
HOMEOWNERSHIP AMONG  
HOUSEHOLDS OF COLOR**

Hapag Lloyd

GL

GL

MAX WEIGHT

TAKE

22 500 kg

71 000 lbs

4 000 kg

8 800 lbs

MAX

WEIGHT

22 500 kg

71 000 lbs

4 000 kg

8 800 lbs

4581



# BARRIERS TO HOMEOWNERSHIP



**VETERANS** - if buying a Farm, Home or Business, learn about **GUARANTEED LOANS**

A fellow cannot interest and this lot is purposely sk... map shows you where it is... and gutter, stone sidewalk... beautiful lot, high and com... depth of 140 feet. Mr. Stiff... Old price \$4,000. Today... Terms, \$750 down, balance... I appeal to the instinct... most remarkable offering y... The party of the se... ises hereby conveyed sh... gaged or leased to any p... Moorish, Turkish, Negro... or descent. Said restric... land and any breach of... forfeiture of title, which ma...

Lake Str

CONSULT YOUR NEAREST **VETERANS ADMINISTRATION**

1/4 Advertisement for the GI Bill 1949 WVNorton



Photo credit: Minnesota Historical Society

**The Minneapolis Tribune**  
 MORNING EDITION  
 THIRTY-TWO THOUSAND  
 MINNEAPOLIS, MINN., WEDNESDAY, JULY 26, 1933

## HOME STONED IN RACE ROW

**ALBERT B. FALL TELLS HIS STORY**

**SALE OF HOUSE TO NEGRO STIRS NEIGHBORHOOD**

**BERLIN CABINET PROMISES NEW DECREES TODAY**

**98 Is Peak in City; Heat Burns N. W.**

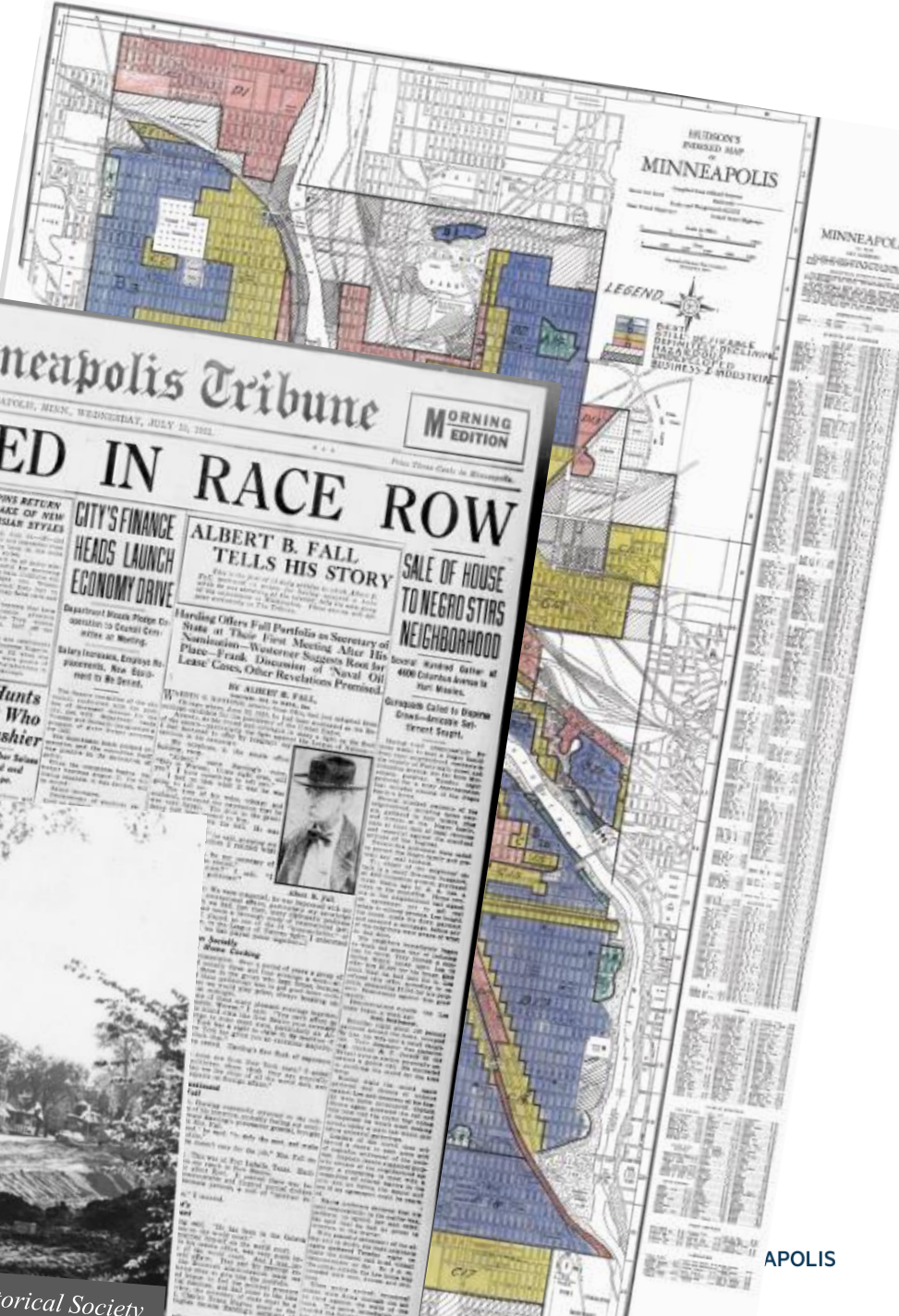
**G.O.P. ALARMED OVER GROWING WHEAT STORM**

**HAT PINS RETURN IN WAKE OF NEW PARISIAN STYLES**

**CITY'S FINANCE HEADS LAUNCH ECONOMY DRIVE**

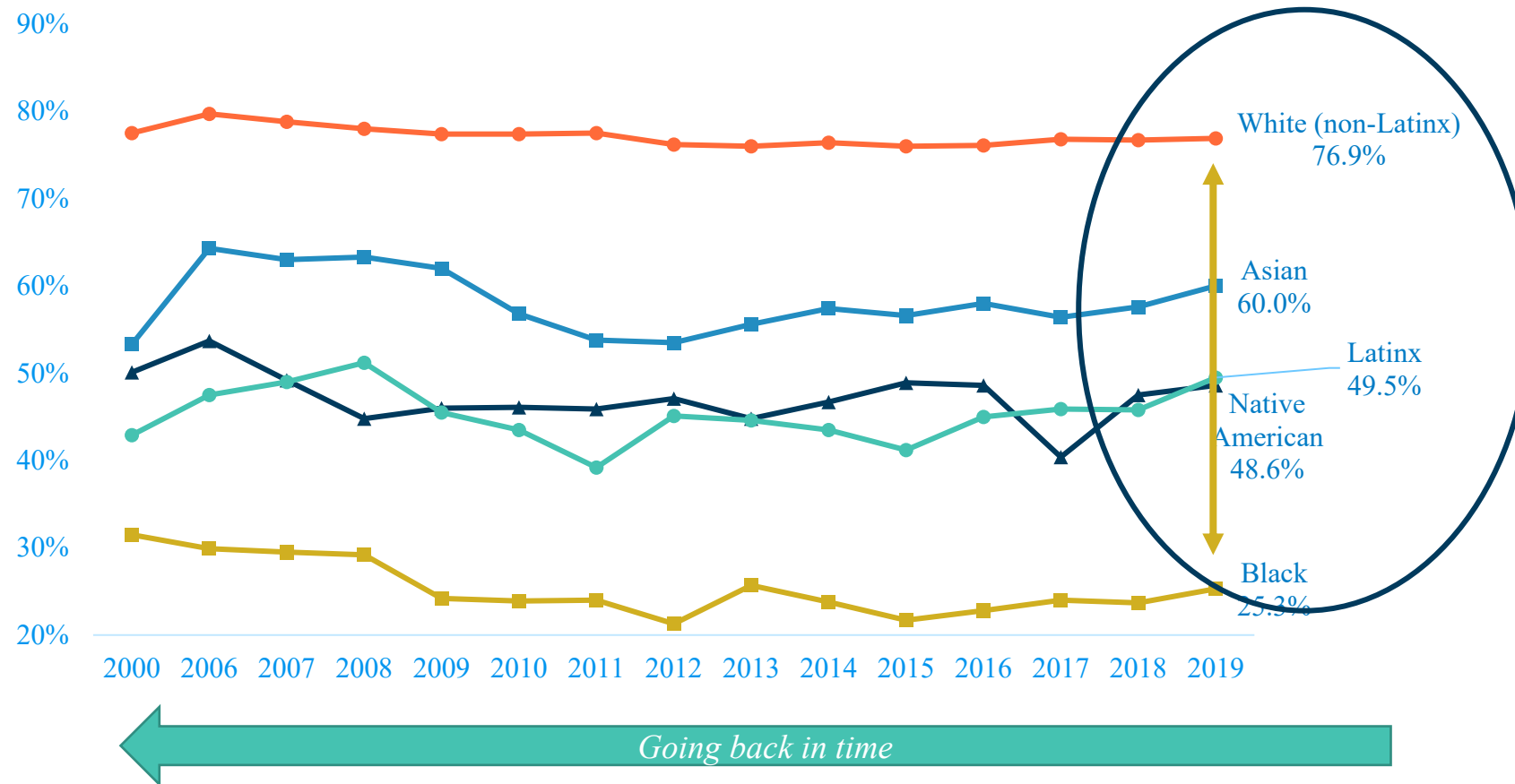
**Posse Hunts Bandit Who Shot Cashier**

**White Bear Ribbon Seizes \$1,200 in Raid and Makes Escape**



# INCREASE HOMEOWNERSHIP AMONG HOUSEHOLDS OF COLOR

## WHITE HOUSEHOLDS LEAD OTHER GROUPS IN HOMEOWNERSHIP IN MINNESOTA



- One of the highest homeownership rates
- Among the highest homeownership rates for White households
- One of the largest gaps between White households and households of color

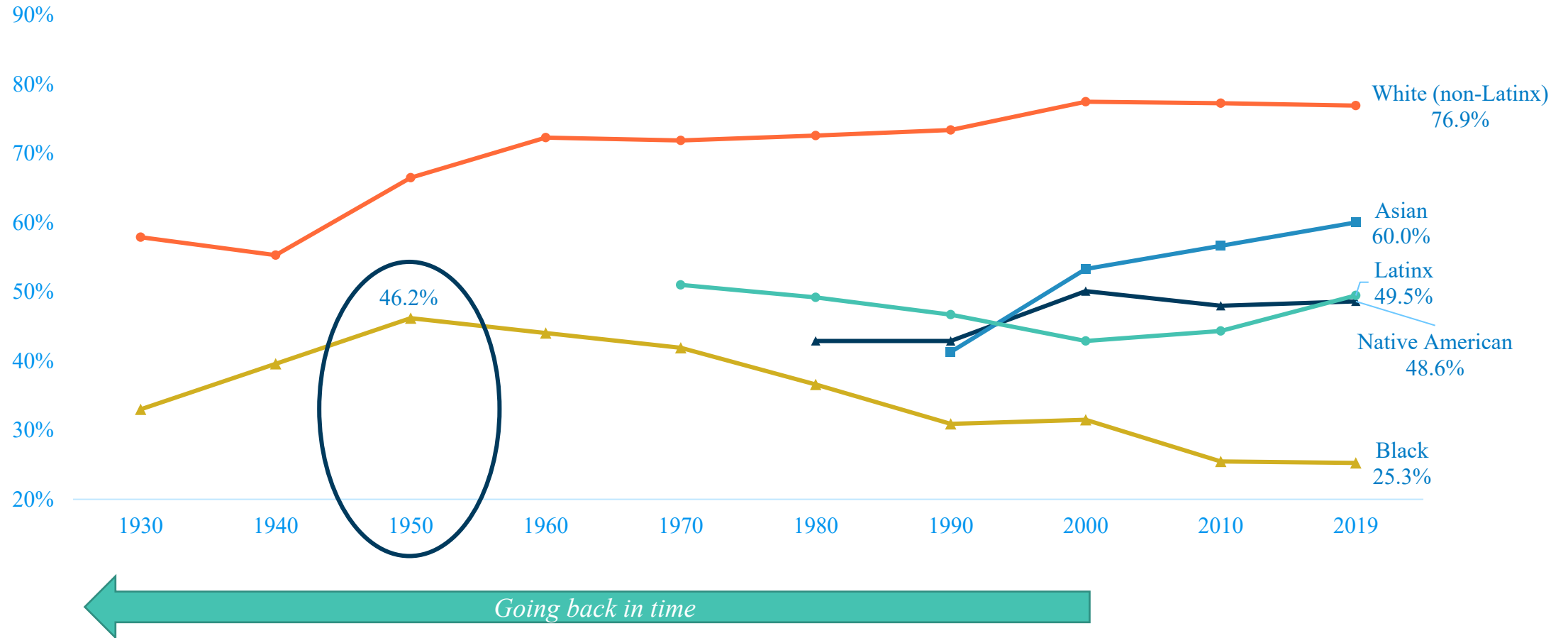
Source: American Community Survey 1-year data set, U.S. Census Bureau





# INCREASE HOMEOWNERSHIP AMONG HOUSEHOLDS OF COLOR

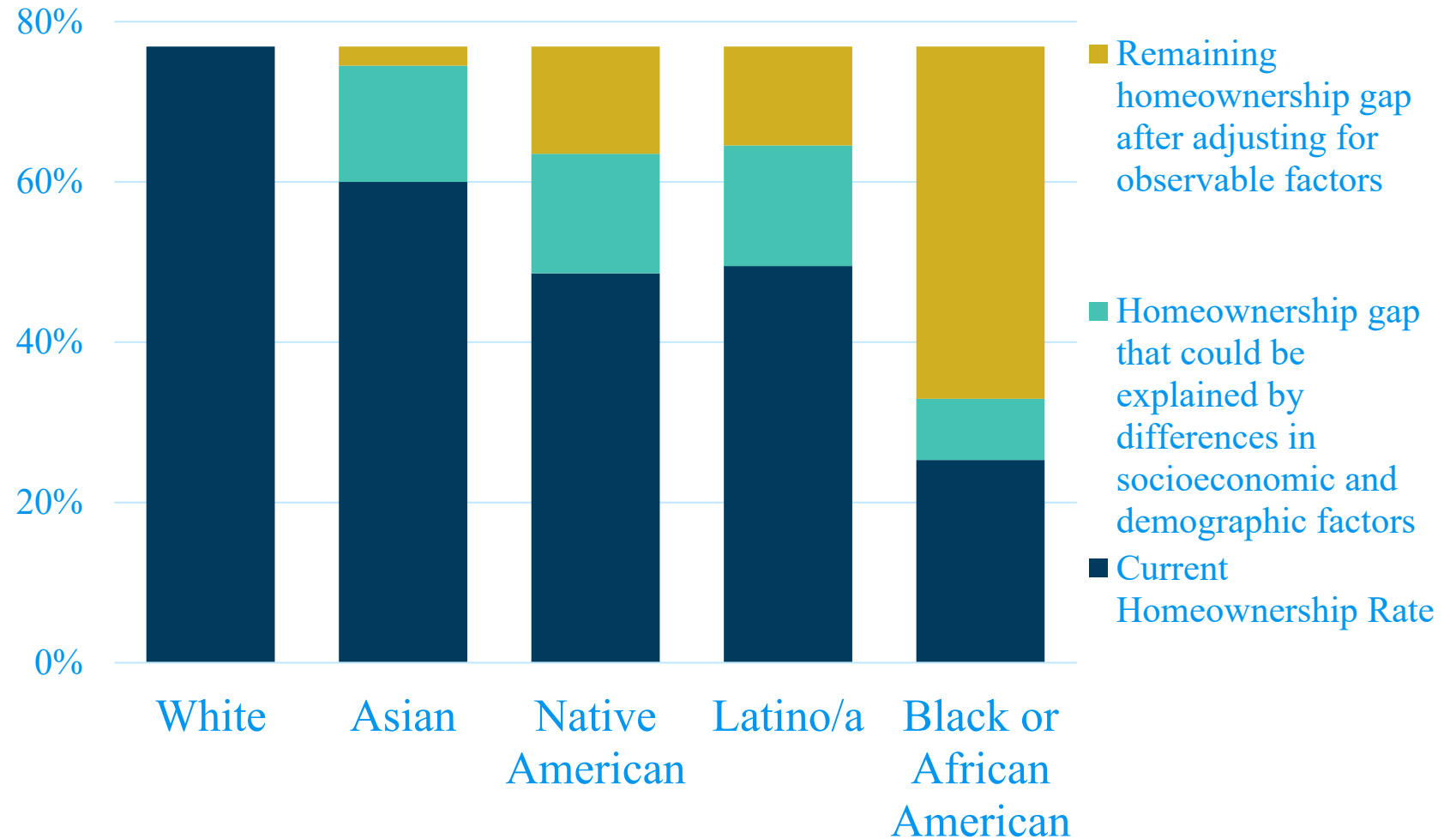
## PEAK BLACK HOMEOWNERSHIP IN MINNESOTA IN 1950





# INCREASE HOMEOWNERSHIP AMONG HOUSEHOLDS OF COLOR

The homeownership gap remains beyond what variation in demographic factors can explain

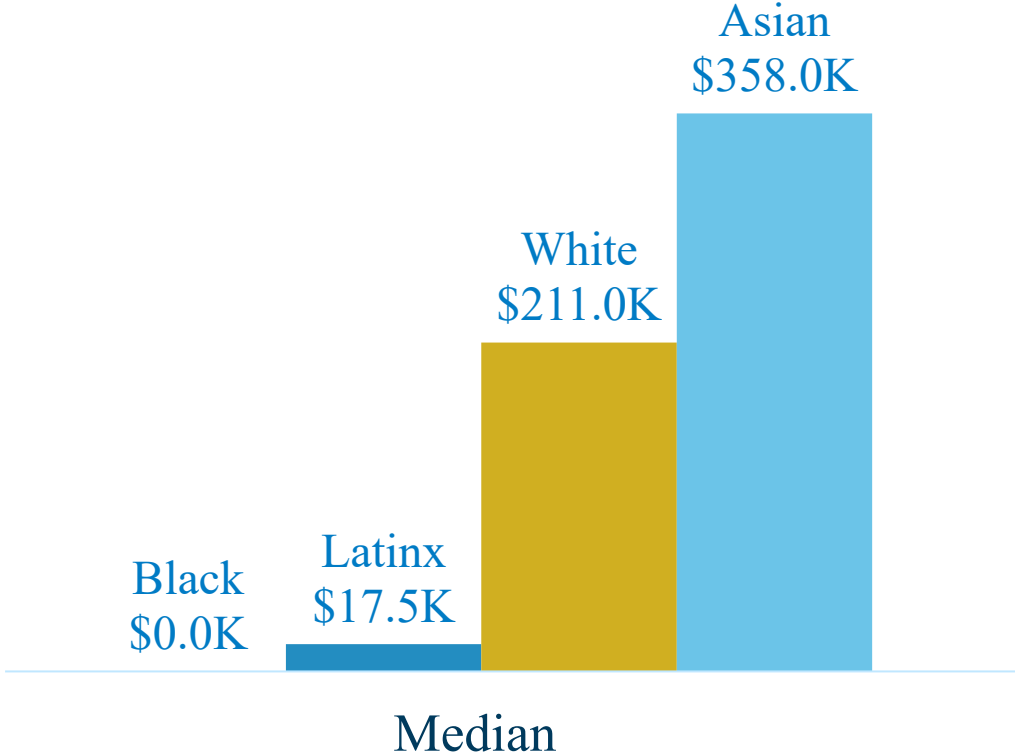


Source: American Community Survey 1-year data set, U.S. Census Bureau, calculations by Federal Reserve Bank of Minneapolis staff



# WHITE HOUSEHOLDS HAVE A WEALTH ADVANTAGE

## HOUSEHOLD WEALTH IN MINNESOTA



Source: 2014 Survey of Income and Program Participation, U.S. Census Bureau, calculations by Federal Reserve Bank of Minneapolis staff

## POLICY CHANGES TO ADDRESS DISPARITIES IN HOMEOWNERSHIP RATES

- Close gaps in income and wealth
- Close gaps in appraisals and tax assessments
- Expand alternative models of homeownership: community land trusts, cooperative ownership
- Provide downpayment assistance / first-time homebuyer assistance
- Reduce processing timelines that disadvantage lower-income homebuyers



*Photo credit: MoMo Productions/Getty Images*







## UPCOMING RELEASES FROM THE MINNEAPOLIS FED

- Investor-owned single-family homes in the Twin Cities: Where they are, how trends have evolved
- Minneapolis 2040 Housing Indicators
- Racial disparities in mortgage lending





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**THANK YOU!**

For more information: [libby.starling@mpls.frb.org](mailto:libby.starling@mpls.frb.org)

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