



Housing Minnesota

Affordable Housing is Vital in Preserving Minnesota's Competitive Advantage

Minnesota's affordable housing situation compares unfavorably with its neighboring states. Vacancy rates are lower, rental and homeowner costs are higher, and home prices have increased at a faster rate in Minnesota compared to Iowa, Michigan, North and South Dakota, and Wisconsin. The following table compares affordable housing factors between the states.

	<i>Homeownership</i>				<i>Rental</i>			
	Home-owner vacancy rate ¹	Median monthly home-owner costs ²	1 year House Price Increase ³	5 year House Price Increase ⁴	Rental Vacancy Rate ⁵	Average Monthly Rental Cost ⁶	1 year Rental Price Increase ⁷	4 year Rental Price Increase ⁸
Minnesota	1.1%	\$1,044	7.57%	55.56%	4.1%	\$762	7.2%	22.4
Iowa	2.0%	\$829	2.99%	25.41%	7.0%	\$518	3.7%	10.0
Michigan	1.8%	\$972	3.63%	35.21%	7.0%	\$674	2.2%	13.8
North Dakota			3.70%	21.02%			2.9%	10.2
South Dakota	3.0%	\$818			8.1%	\$511		
South Dakota	2.1%	\$828	2.78%	24.33%	8.0%	\$543	3.1%	10.7
Wisconsin	1.4%	\$1,024	3.62%	27.57%	5.8%	\$596	1.7%	8.8

Between 1990-2000, Minnesota was the only state of the six whose population increased at a greater rate than its rate of housing production. The lack of adequate housing production makes finding housing more difficult, and the high demand makes it more expensive, for Minnesotans. It is estimated that the seven county Twin Cities metro area has a current need for 9,900 affordable units that will grow into an unmet need of 16,800 units by 2006.⁹ Furthermore, a national study of state competitiveness found Minnesota's high rental cost for a 2-bedroom apartment to be a competitive

¹ 2000 U.S. Census; <http://www.census.gov/main/www/cen2000.html>

² Median selected owner costs include mortgages, real estate taxes and utilities. 2000 U.S. Census; <http://www.census.gov/main/www/cen2000.html>

³ 1 year price increase from 9/30/01-9/30/02. Office of Federal Housing Enterprise Oversight (OFHEO) <http://www.ofheo.gov/>

⁴ 5 year price increase from 9/30/97-9/30/02. Office of Federal Housing Enterprise Oversight (OFHEO) <http://www.ofheo.gov/>

⁵ 2000 U.S. Census; <http://www.census.gov/main/www/cen2000.html>

⁶ The State's Fair Market Rent for a 2-bedroom apartment as reported in "Farther Out of Reach Than Ever." National Low Income Housing Coalition, 2002.

⁷ Change from 2001-2002 in the state's Fair Market Rent for a 2-bedroom apartment.

⁸ Change from 1999-2002 in the state's Fair Market Rent for a 2-bedroom apartment.

⁹ Maxfield Research, Inc. & GVA Marquette Advisors. September, 2001. *Workforce Housing: The Key to Ongoing Regional Prosperity*

disadvantage for the state.¹⁰ According to the study, rental costs were not considered a competitive disadvantage for any of Minnesota's neighboring states. In fact, rental costs in Wisconsin, Iowa and North Dakota were deemed competitive advantages for those states.

Currently, Minnesota ranks as one of the most competitive states in the nation. According to the Beacon Hill Institute, Minnesota is the 9th most competitive state in the country. On the *Development Report Card for States*,¹¹ Minnesota was one of only five states receiving an A in all assessed areas (the table below compares how Minnesota ranks compared with its neighboring states).

	State competitiveness Index (Rank) ¹²	Performance Grade ¹³	Business Vitality Grade ¹⁴	Development Capacity Grade ¹⁵
Minnesota	6.07 (9)	A	A	A
Iowa	5.65 (12)	B	C	C
Michigan	4.70 (30)	B	D	B
North Dakota	5.34 (18)	C	F	C
South Dakota	4.97 (23)	B	D	D
Wisconsin	4.92 (25)	A	C	B

Although Minnesota's current competitive position is favorable, the state's insufficient supply of affordable housing threatens to jeopardize its long-range competitive advantage compared to other states. Already, affordable housing shortages are having an adverse economic impact, and stifling economic growth potential. The Twin Cities region loses out on over \$256 million in consumer spending and business income because of the lack of an adequate supply of housing affordable to those in the workforce.¹⁶

The state also forgoes the economic stimulus that results when affordable housing is built. One study of the Twin Cities metro area estimates an \$8.13 return, over fifteen years, for every dollar of public money invested in constructing affordable housing.¹⁷ The Minnesota Housing Finance Agency notes that for every state dollar invested in building affordable housing approximately four additional dollars of non-state money is invested.¹⁸ In addition, for every \$10 million invested in Minnesota's housing industry, the state's economy benefits from 2,676 new jobs and \$69 million in new wages.¹⁹

It is evident from the information above that an adequate supply of affordable housing is instrumental in maintaining Minnesota's competitive advantage over other states and for the state's continued prosperity.

¹⁰ Infrastructure subindex, Beacon Hill Institute's 2001 State Competitiveness Report: <http://www.beaconhill.org/>

¹¹ Development Report Card for the States, 2002 <http://drc.cfed.org>

¹² Beacon Hill Institute's 2002 State Competitiveness Report; <http://www.beaconhill.org/>

¹³ Development Report Card for the States, 2002 <http://drc.cfed.org>

¹⁴ Ibid

¹⁵ Ibid

¹⁶ Maxfield Research, Inc. & GVA Marquette Advisors. September, 2001. *Workforce Housing: The Key to Ongoing Regional Prosperity*

¹⁷ Ibid

¹⁸ <http://www.departmentresults.state.mn.us/mhfa/#8>

¹⁹ Calculated by the Institute on Race and Poverty based on US Department of Commerce RIMS II Analysis for Minnesota, 2001.