

## NEWS

# This is why low-income housing is so costly in the Twin Cities

## Where should affordable housing be built?

The Met Council has set targets for each city, with the number of new affordable units needed to be built between 2011 and 2020. This list includes east metro cities over 5,000 population, in order of the size of their targets.

Minneapolis	4,224	Arden Hills	288
St. Paul	2,625	Stillwater	233
Lakeville	2,260	Roseville	201
Woodbury	2,057	Oakdale	184
Blaine	1,865	Vadnais Heights	136
Apple Valley	1,307	White Bear Township	113
Eagan	1,034	North St. Paul	108
Rosemount	1,000	West St. Paul	104
Cottage Grove	985	South St. Paul	104
Inver Grove Heights	872	Hastings	99
Lino Lakes	560	Shoreview	94
Forest Lake	551	Little Canada	72
Farmington	492	Mounds View	65
Lake Elmo	465	White Bear Lake	65
St. Paul Park	438	Mendota Heights	43
Maplewood	388	Mahtomedi	27

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This is why low-income housing is so costly in the Twin Cities

By **BOB SHAW** | Pioneer Press

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- [Twin Cities low-cost housing is drying up – especially in suburbs](#)

**Editor's note:** *This story has been revised to correct the cost of building low-income apartments at the Hamline Green Line Station in St. Paul.*

New low-income housing can cost as much — or more — as any other kind.

Ironically, government-subsidized “affordable housing” is often built at twice the cost of market-rate homes.

“They are so expensive because of the dysfunctional nature of how they are produced,” said Alan Arthur, CEO of nonprofit housing developer Aeon in the Twin Cities.

The homes are called “affordable” because low-income people can afford the subsidized rents. But they are more expensive to build, with the government paying the cost.

Critics say giving low-income people such expensive homes is like feeding the hungry with caviar. It's wasteful, they say, at a time when affordable housing is becoming a crisis.

“The shortage is devastating. It is definitely getting worse,” said Eric Hauge, tenant organizer with Homeline, a nonprofit Minnesota advocacy group.

Low-income apartments in St. Paul's Green Line Hamline Station are being built for \$263,000 each, nearly \$100,000 more than the median home value in St. Paul.

Other affordable units also cost more than market-rate housing. For \$296,000 apiece, affordable units were built in the Project for Pride in Living in St. Paul. In Minneapolis, the Franklin-Portland Gateway project in 2012 produced 97 affordable units for \$260,000 to \$341,000 each.

#### **Why does low-income housing have such high price tags?**

Developers and housing advocates say it's because of high financing costs, expensive urban locations, housing regulations and a failure to embrace lower-cost types of housing.

#### **Affordable housing costs more because of the cumbersome way it is financed.**

In newly built affordable projects — defined as costing 30 percent of a household's income — government subsidies normally pay 50 percent to 90 percent. The money can come from dozens of federal, state and local programs.

While a private developer can make a single call to a bank to finance a project, a typical affordable project requires funding from about 15 sources, according to Aeon's Arthur.

“That means 15 lawyers, 15 sets of rules for compliance,” he said.

The Gateway project in Minneapolis, for example, received money from more than two dozen funding sources, Arthur said. In the various stages of that project, government programs paid for up to 92 percent of the cost.

But government subsidies are the only way to build affordable housing, said Jonathan Sage-Martinson, director of St. Paul's Department of Planning and Development.

He said private developers won't build affordable housing where cities want it. Sage-Martinson is trying to blend households of various incomes, but to do that, he must deal with the awkward financing process of bundling investors.

"The only way we are able to pull together funding is to have a variety of investors," he said.

**Affordable housing costs more because it tends to be built in cities, not suburbs.**

It costs about \$38,000 less to build comparable units in the suburbs compared with St. Paul, said Myron Orfield, a University of Minnesota law professor who has written extensively about affordable housing.

Even though building is less expensive in the suburbs, it's concentrated in the core cities. Minneapolis and St. Paul — with 25 percent of the metro-area population — have 51 percent of the affordable housing.

But St. Paul's Sage-Martinson said the extra cost is worth it. Building in cities allows low-income people access to public transportation, which allows people without cars to get to work, schools and shopping areas.

**Affordable housing costs more because of regulations.**

In Minnesota, you can be busted for speeding, drug use or stealing — or for building affordable housing, because of regulations. Experts say new homes can no longer be legally built to be affordable, defined as costing \$1,250 a month for a family of four earning \$50,000 a year.

The regulations are needed to ensure minimum levels of quality, said Libby Starling, the Metropolitan Council's manager of regional policy and research. "We need to meet the community standards of decency," she said.

But others say state and city regulations make low-cost building impossible.

"We are at a point where we can't create affordable housing and have it be safe and healthy," said Sage-Martinson. "We are at a point where we can't make it cheaper and meet our basic codes."

Home builders must comply with hundreds of rules regarding high-efficiency appliances, fire sprinklers, window size and placement, and even the type of glue to be used. And no exceptions are made for affordable housing.

"These are all based on great ideas," said John Duffy, a Twin Cities developer of affordable housing. "But they all add up."

Regulations pose a quandary for housing advocates, too. Is it better to boost quality? Or help more low-income people?

"We support safety and healthy standards. At the same time, if people do not get housing, they are going to live in the streets," said Sue Watlov Phillips, director of the Metropolitan Interfaith Council on Affordable Housing.

**Affordable housing also costs more because officials turn down lower-cost options.**

Mobile-home parks, for example, are full of affordable housing. Units are for sale in the metro area for \$30,000 to \$60,000.

"You could make the argument that if we just bought 1,000 mobile homes, that would be better than what (low-income residents) have now," said developer Duffy.

Hundreds of foreclosed homes are sitting vacant in the metro area, too. Housing advocates have asked if these could be renovated for low-income residents, but regulations make the rehabbing expensive and difficult.

Less expensive housing could be built, said professor Orfield, but the “poverty housing industry” is fighting against it. He said big developers have made millions with expensive apartments near transit lines, and they don’t want suburbs to build cheaper, lower-profit housing.

“They would not like that. They are spending \$300 million a year on bricks and mortar,” said Orfield.

Other countries have creative housing solutions. Some have retro-fitted railroad cars and shipping containers with bathrooms, windows and kitchens, creating housing that low-income people can afford without subsidies.

“If we put our minds to it, I think we could do something like that,” said developer Arthur.

But for the most part, officials argue that such options would be degrading.

“We do not want to warehouse people,” said Tom Musil, professor of real estate at the University of St. Thomas.

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Bob is a 40-year veteran (yes, he is grizzled) who edited one Pulitzer Prize winner and wrote two that were nominated. He has also worked in Des Moines, Colorado Springs and Palo Alto. He writes about the suburbs, the environment, housing, religion -- anything but politics. Secret pleasures: Kayaking on the Mississippi on the way to work, doughnuts brought in by someone else. Best office prank: Piling more papers onto Fred Melo’s already trash-covered desk.

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