WHY AFFORDABILITY MATTERS

should to everyone
AMERICA’S WINNER TAKE ALL ECONOMIC MODEL

High-skill jobs
Skilled talent migration
Business re-locations
Venture capital
Economic growth
Rising incomes
Population growth

Loss of high-skill jobs
Loss of medium-skill jobs
Out-migration of skilled workers
Business closures & relocations
Declining investment
Falling incomes
Drug-addiction crisis
Population loss

Austin  San Francisco
Seattle  Washington DC
Nashville

Scranton  Dayton  Toledo  Youngstown  Memphis

San Francisco
Seattle  Washington DC
Nashville

Dayton  Toledo  Youngstown  Memphis
San Francisco has become one huge metaphor for economic inequality in America

As California’s housing crisis worsens, more residents are forced to sleep in their cars

San Francisco Bay Area 5th Worst Traffic Congestion In The World, Study Finds
Every U.S. County Has an Affordable Housing Crisis

TANVI MISRA  APR 27, 2017

This is a problem that transcends the rural-urban divide.

The affordable housing crisis has spared no county—rural or urban. From small towns like Traverse City, Michigan, to big expensive cities like San Francisco, a cheap and decent place to live is hard to come by. And it would be even harder without government support.
<table>
<thead>
<tr>
<th>Site Selection Factors</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ranking</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Highway accessibility</td>
<td>91.3</td>
<td>94.4 (1)**</td>
</tr>
<tr>
<td>2. Labor costs</td>
<td>91.1</td>
<td>89.6 (3)</td>
</tr>
<tr>
<td>3. Availability of skilled labor</td>
<td>88.8</td>
<td>89.8 (2)</td>
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<tr>
<td><strong>4. Quality of life</strong></td>
<td>87.2</td>
<td>76.4 (10)</td>
</tr>
<tr>
<td>5. Tax exemptions</td>
<td>85.9</td>
<td>79.7 (7)</td>
</tr>
<tr>
<td>5T. Occupancy or construction costs</td>
<td>85.9</td>
<td>86.0 (4)</td>
</tr>
<tr>
<td>7. Proximity to major markets</td>
<td>84.6</td>
<td>78.1 (9)</td>
</tr>
<tr>
<td>8. Corporate tax rate</td>
<td>83.2</td>
<td>82.3 (6)</td>
</tr>
<tr>
<td>9. State and local incentives</td>
<td>81.3</td>
<td>84.0 (5)</td>
</tr>
<tr>
<td>10. Available land</td>
<td>76.9</td>
<td>75.3 (12)</td>
</tr>
<tr>
<td>11. Expedited or &quot;fat-track&quot; permitting</td>
<td>76.7</td>
<td>71.7 (13)</td>
</tr>
<tr>
<td>12. Proximity to suppliers</td>
<td>76.4</td>
<td>66.0 (20)</td>
</tr>
<tr>
<td>13. Energy availability and costs</td>
<td>76.0</td>
<td>78.5 (8)</td>
</tr>
<tr>
<td>14. Available buildings</td>
<td>75.9</td>
<td>75.5 (11)</td>
</tr>
<tr>
<td>15. Right-to-work state</td>
<td>74.7</td>
<td>70.1 (16)</td>
</tr>
</tbody>
</table>

* All figures are percentages and are the total of the "very important“ and "important“ ratings of the Area Development Corporate Survey and are rounded to the nearest tenth of a percent.

** 2016 ranking

- 50% of survey respondents represent manufacturing/distribution operations

The 32nd annual survey of corporate executives conducted by Area Development Magazine
NEW REGIONAL VISION
A commitment to find a better model

The Minneapolis – Saint Paul region leads the world in inclusive economic growth by welcoming all, empowering talent & igniting innovation.
HOW WE STACK UP

Cost of Living Composite Index (U.S. = 100)

Conducted by The Council for Community and Economic Research (Q3 2018)
COST OF LIVING
How MSP Stacks Up

Greater MSP has a lower cost of living than many of the top-30 U.S. metros

91%
Overall, Greater MSP’s cost of living is 91% of the average total composite for top-30 U.S. metros.

70%
Greater MSP’s relative housing costs are 70% of the average for the top-30 U.S. metros, less than Dallas and Atlanta

Groceries: 105%  Utilities: 98%  Health Care: 106%  Misc.: 114%

100% = U.S. average
MAJOR EXPENSES

Practically speaking, housing and transportation account for the majority of household spending among those in major U.S. metros. How does Greater MSP stack up against our peers?

On average, Greater MSP residents spend the lowest percentage of their income on housing and transportation among peer regions.

Austin: 52%
Charlotte: 52%
Portland: 52%
Atlanta: 52%
Chicago: 51%
Dallas: 49%
Pittsburgh: 49%
Seattle: 49%
San Francisco: 48%
Boston: 47%
Denver: 47%
Greater MSP: 45%

"According to the Center for Housing Policy, low-income families can rent a home and commute to work more affordably in Minneapolis-Saint Paul than in all but one other major metro area. The Atlantic, 2015"

PRIORITIZING AFFORDABILITY
Greater focus on the MSP Indicators Dashboard

<table>
<thead>
<tr>
<th>MSP REGIONAL INDICATORS DASHBOARD 2018</th>
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</thead>
</table>

**Housing Affordability**

- Annual median home purchase price: $252,100

**PRIORITIZING AFFORDABILITY**

- Greater focus on the MSP Indicators Dashboard

**Trend Indicators**

- Education:
  - MSP Techs. same or better
  - High School Dropouts
  - High School Graduates

- Talent Pipeline:
  - MSP Techs. same or better

- Population:
  - MSP Techs. same or better

- Job Access:
  - MSP Techs. same or better

- Energy Competitiveness:
  - MSP Techs. same or better

**Other Indicators**

- Environment:
  - MSP Techs. same or better

- Infrastructure:
  - MSP Techs. same or better

- Transportation:
  - MSP Techs. same or better
GROWTH IMPACTS TO HOUSING COST

Metro Area Median Apartment Rent and 5-Year Change in Rent (2013-2017)
GROWTH IMPACTS TO HOUSING COST

Metro Area Median Apartment Rent and 5-Year Change in Rent (2013-2017)

Population:
- San Francisco: +4.4%
- Seattle: +7.1%
- Boston: +2.9%
- Denver: +7.1%
- Portland (OR): +6.2%
- Austin: +12.3%
- Atlanta: +6.6%
- Dallas: +8.6%
- Chicago: -0.2%
- MSP: +4.1%
- Nashville: +8.3%
- Charlotte: +8.2%
- Pittsburgh: -1.1%

2013 - Median Rent
- San Francisco: $1,900
- Seattle: $1,700
- Boston: $1,500
- Denver: $1,300
- Portland (OR): $1,100
- Austin: $900
- Atlanta: $700
- Dallas: $500
- Chicago: $700
- MSP: $800
- Nashville: $900
- Charlotte: $1,000
- Pittsburgh: $1,200

2017 - Median Rent
- San Francisco: $1,900
- Seattle: $1,700
- Boston: $1,500
- Denver: $1,300
- Portland (OR): $1,100
- Austin: $900
- Atlanta: $700
- Dallas: $500
- Chicago: $700
- MSP: $800
- Nashville: $900
- Charlotte: $1,000
- Pittsburgh: $1,200

5-Year Rent Growth
- San Francisco: +4.4%
- Seattle: +7.1%
- Boston: +2.9%
- Denver: +7.1%
- Portland (OR): +6.2%
- Austin: +12.3%
- Atlanta: +6.6%
- Dallas: +8.6%
- Chicago: -0.2%
- MSP: +4.1%
- Nashville: +8.3%
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- Pittsburgh: -1.1%
MSP’S AFFORDABILITY ADVANTAGE

Minneapolis – Saint Paul  The results of economic growth are pushing up the cost of living in most major metros across the United States. In some regions, the combined cost of housing, transportation and health care are forcing out or keeping out the workers their economies desperately need.

In response to the rise of affordability as a competitive factor, the Dashboard now includes three metrics related to housing costs. Affordability is a growing challenge for many communities and residents within MSP. Yet, MSP’s housing costs and rent increases are lower and slower than many of its peer regions. Relative affordability could be a major new competitive advantage for MSP if the region can sustain current trends.
## OVERALL PEER RANK

<table>
<thead>
<tr>
<th>Year</th>
<th>Top Peers</th>
<th>Close Rivals</th>
<th>More Distant</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>San Francisco, CA 4.78</td>
<td>Minneapolis-St Paul 5.12</td>
<td>Chicago, IL 7.25</td>
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<tr>
<td></td>
<td>Minneapolis-St Paul 5.12</td>
<td>Seattle, WA 5.00</td>
<td>Charlotte, NC 7.44</td>
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<td>Seattle, WA 5.45</td>
<td>Boston, MA 5.03</td>
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<tr>
<td></td>
<td>Boston, MA 5.66</td>
<td>Minneapolis-St Paul 5.13</td>
<td>Phoenix, AZ 8.95</td>
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<tr>
<td>2017</td>
<td>San Francisco, CA 4.63</td>
<td>Austin, TX 6.11</td>
<td>Pittsburgh, PA 8.42</td>
</tr>
<tr>
<td></td>
<td>Minneapolis-St Paul 5.13</td>
<td>Denver, CO 6.11</td>
<td>Phoenix, AZ 9.35</td>
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<tr>
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<td>Seattle, WA 5.00</td>
<td>Portland, OR 6.22</td>
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<td>Chicago, IL 7.03</td>
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<td>Seattle, WA 5.00</td>
<td>Atlanta, GA 7.61</td>
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<tr>
<td></td>
<td>Boston, MA 5.03</td>
<td>Pittsburgh, PA 8.55</td>
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<tr>
<td>2016</td>
<td>San Francisco, CA 4.29</td>
<td>Portland, OR 6.55</td>
<td>Pittsburgh, PA 8.42</td>
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<tr>
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<td>Minneapolis-St Paul 4.87</td>
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<td>Seattle, WA 4.47</td>
<td>Chicago, IL 6.74</td>
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<td>Boston, MA 4.84</td>
<td>Dallas, TX 6.75</td>
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<td>Portland, OR 6.22</td>
<td>Denver, CO 6.84</td>
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<td>Dallas, TX 6.11</td>
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Happy New Year! May Your City Never Become San Francisco, New York or Seattle
Or Portland, Denver, Boston, Dallas, Houston or Los Angeles.

By Emily Badger
Dec. 28, 2018

“

There are, in other words, multiple models to creating what others see as an urban dystopia. It’s much harder to point to cities that have gotten all of this right — the growth without the congestion, the tech jobs without the homeless crisis, the affordable housing without the sprawl.

We could use a word for the condition of becoming such a place. Maybe Minneapolisization?”
THE TAKEAWAY

Housing prices - and affordability in general - are an objective challenge but a relative competitive advantage for MSP.

If we can hold down growth in housing costs, MSP could emerge as a new & better model for US economic growth.