

Housing

Data for this chapter were acquired from several public and private sources, including the 2000 Census, Minneapolis Public Housing Authority, GVA Marquette Advisors, Minneapolis City Assessor's Office, the Minneapolis Department of Regulatory Services, and the Minneapolis Department of Community Planning and Economic Development.

Basic housing inventory data, as well as information about housing condition and home purchase prices within the City, were based upon the records of the Minneapolis City Assessor's Office. Information about construction and demolition of housing units was based upon the building permit files maintained by the Minneapolis Department of Regulatory Services - Division of Inspections.

GVA Marquette Advisors provided the data on apartment rental costs within the City. Information on public housing and Section 8 rental vouchers was provided by the Minneapolis Public Housing Authority. Data on City-assisted housing production and preservation was provided by the Multifamily Development Division of the Department of Community Planning and Economic Development.

Housing

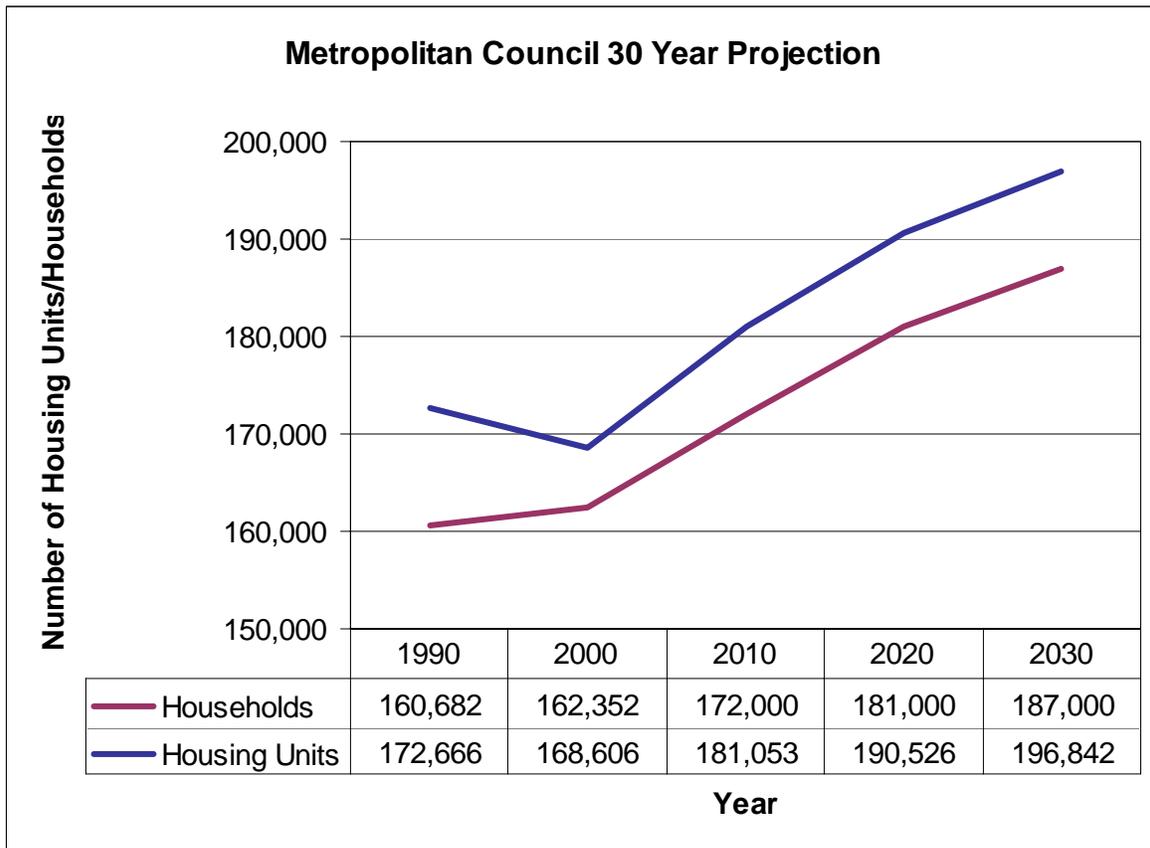
Supply

The Metropolitan Council in its *2030 Regional Development Framework* forecast the level of growth in the number of Minneapolis households over a 30 year period. According to this report, 25,000 additional households are expected between 2000 and 2030, a departure from the pattern of recent decades. The City's dramatic population decline between 1950 and 1990 was associated with the loss of housing units and a reduction in average household size. The period from 1990 to 2000 showed that the population grew slightly even as the number of housing units declined by another 4,000. In the four calendar years from 2000 through 2003, the City added housing units equivalent in number to those lost in the 1990s. Sale prices of single family houses continued to increase dramatically.

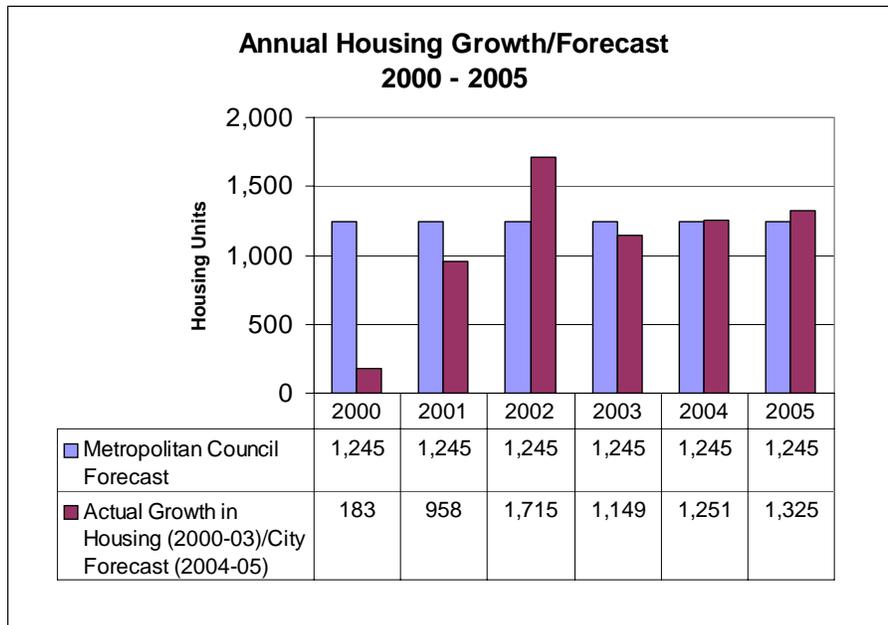
In 2003, the Minneapolis housing stock consisted of roughly 101,600 residential structures comprising some 170,800 units. These included: 75,600 single family detached homes; 25,000 duplex/triplex units; 5,700 apartments in four to five unit buildings; and almost 54,000 apartments in buildings with six or more units. Townhouse, condominium, and cooperative housing units numbered around 10,500.

Projected Growth

The following graph illustrates the Metropolitan Council's household growth projection for the City of Minneapolis. Utilizing the assumption of a 5% vacancy rate it also illustrates growth in housing units.



Over the last several years the growth in the City's housing stock has reached the forecasted level. City projections anticipate further increases in the rate of housing growth.



Construction and Demolition

According to Department of Regulatory Services - Inspections Department records, a total of 1,243 housing units were constructed in 2003. While this was a decline from the 1,866 housing units constructed in 2002, it was the second highest mark in the last decade. Also of note was a continued reduction in the annual demolition of housing units. Fewer than 100 housing units were demolished in 2003. This is the lowest mark in many years, and compared with an average of over 500 demolitions a year in the 1990s. Taking both construction and demolition into consideration, the net gain in housing units was about 1,150.

The following chart records housing construction and demolition from 1990 to 2003. Note that the housing categories change beginning in 1999. The new categories correspond better with the way permits are currently classified in Inspections Division records. Moreover, these categories make an important distinction between “townhouse style” and “condominium style” multiple family structures.

Construction/Demolition by Housing Type

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Units added (Construction permits)														
SF	89	62	55	57	113	88	79	97	83	83	144	182	238	202
2F										12	20	8	2	40
2-4 Units	14	8	19	27	6	2	4	17	30					
5+ Units	693	34	0	110	98	89	44	395	217					
3+ Apartment Style										815	371	875	1587	875
3+ Townhouse Style	27	22	2	30	3	21	0	18	27	61	85	55	39	126
Total	823	126	76	224	220	200	127	527	357	971	620	1120	1866	1243
Units removed (Demolition permits)														
SF	108	98	107	139	153	149	147	121	197	274	171	92	76	58
2F														26
2-4 Units	194	197	232	280	358	296	204	158	224	222	71	38	70	
5+ Units	34	82	43	115	92	110	73	211	324	217	195	32	5	
3+ Apartment Style														10
3+ Townhouse Style														0
Total	336	377	382	534	603	555	424	490	745	713	437	162	151	94
Net Units Added	487	-251	-306	-310	-383	-355	-297	37	-388	258	183	958	1715	1149

Housing Inventory

The following tables summarize the City's housing inventory in 2003; the data were principally derived from City Assessor data. Single family homes were the dominant type of housing in the City in terms of number of structures (75% of all structures), and land area, however they represented only 44% of total housing units. About 32% of Minneapolis housing units were located in rental apartment buildings of six or more units, and 18% are in multi-family buildings of two to five units. Ownership multifamily housing units - condominiums, townhomes and cooperatives - constituted 6% of the City's housing units in 2003.

The housing stock grew at the beginning and end of 2003, but declined in the middle of the year. Infill development added to the supply of single family homes. Units in smaller multifamily structures (2 – 5 unit rental buildings) showed a net decrease. The nearly 400 new condominiums and townhomes were enough to slightly increase their share of the total housing stock. Housing units in buildings with six or more units showed the biggest growth in both number (1,311 units) and share of total housing stock.

Housing Inventory

	Single Family Units	Condo/ Townhouse Units	Duplex/ Triplex Units	Four/Five Units	Six or More Units	Total
Housing Structures	75,571	10,526	12,050	1,358	2,084	101,589
Housing Units	75,571	10,526	25,058	5,710	53,923	170,788
Change in units from 2002	169	381	-140	-50	1,311	1,671
Housing category as % of all structures	74.4%	10.4%	11.9%	1.3%	2.1%	100.0%
Housing category as % of all units	44.2%	6.2%	14.7%	3.3%	31.6%	100.0%

Geographically, most of the multi-family housing growth in 2003 occurred in the Central (downtown) and University communities. The greatest growth in single family homes was in the Near North community.

Housing Inventory by Community

	Single Family Units	Condo/ Townhouse Units	Duplex/ Triplex Units	Four/ Five Units	Six or More Units	Total Units
Calhoun-Isle	4,005	1,556	2,401	912		17,523
Camden	9,622	201	1,080	194		11,845
Central	70	3,534	149	97		16,815
Longfellow	7,775	555	1,866	256		13,361
Near North	5,766	232	2,748	379		11,309
Nokomis	13,656	564	1,372	150		16,574
Northeast	8,403	261	5,103	631		17,237
Phillips	1,018	621	1,569	424		7,185
Powderhorn	8,178	1,201	4,601	1,690		23,687
Southwest	15,154	497	2,453	525		21,633
University	1,924	1,304	1,716	452		13,619

Market

The Minneapolis housing market experienced dramatic fluctuations in recent years. Owners of apartment buildings reported that average rent levels rose 42% from 1998 to 2003 – a pace that far outstripped gains in household incomes. Over the same period the vacancy rate in Minneapolis increased from 1% to 7%. It was therefore easier in 2003 to find a vacant rental unit, but it cost quite a bit more to rent it. The cost of purchasing a house in Minneapolis has also risen significantly - between 1998 and 2003, the median sale price of a single family home increased by 97%.

Average Rent/Vacancy Rate

GVA Marquette compiles metro-wide rental market data based on a survey of rental property owners and managers. Survey participants represent approximately one quarter of Minneapolis rental units; they are self-selected and tend to own or manage larger multi-unit rental properties. Because this is a non-random sample, reported rent levels and vacancy rates will differ to some degree from the true levels reflecting the entire rental housing stock. However, the direction and general magnitude of changes in GVA Marquette-reported rents and vacancies would be expected to mirror similar trends in the overall rental market.

In GVA Marquette-sampled housing developments, rent levels grew by 2% in Minneapolis from 2002 to 2003, while levels remained relatively stable for the metropolitan area as a whole. Over the five year period from 1998 to 2003, Minneapolis rents rose about 42%. Vacancies in sampled Minneapolis rental buildings increased in 2003 from 6% to 7%. The higher metro-wide vacancy rate rose by a full percentage point to 8%.

Average Rent by Year

Year	Minneapolis Average Rent	Metro Area Average Rent
1996	\$523	
1997	\$540	
1998	\$574	
1999	\$693	
2000	\$762	\$805
2001	\$789	\$837
2002	\$799	\$841
2003	\$815	\$845

Vacancy Rate by Year

Year	Minneapolis Rental Vacancy Rate	Metro Area Rental Vacancy Rate
1996	2.9%	
1997	1.8%	
1998	1.1%	
1999	1.7%	
2000	1.7%	1.8%
2001	3.7%	4.0%
2002	6.1%	6.6%
2003	6.5%	7.6%

Rent by Unit Type

The unit type breakdown shows that rent levels appreciated for all unit types in 2003. Over a five year period from 1998 to 2003 average rents increased between 31% for studio apartments and 56% for 3+ bedroom units.

Average Rents by Unit Size

	1996	1997	1998	1999	2000	2001	2002	2003
Studio	\$387	\$394	\$419	\$466	\$512	\$522	\$543	\$550
1 BR	\$497	\$518	\$551	\$649	\$724	\$758	\$764	\$766
2 BR	\$682	\$702	\$741	\$939	\$966	\$1,031	\$1,050	\$1,075
3+ BR	\$796	\$795	\$836	\$1,109	\$929	\$1,024	\$1,294	\$1,304
Total	\$523	\$540	\$574	\$693	\$762	\$789	\$799	\$815

Single Family Home Sales

While rent increases in 2003 were modest, sale prices of single family homes continued to climb dramatically. The median sale price of a single family home in 2003 was \$184,000—a 10% increase

over the 2002 figure. Over six years from 1997 to 2003 the median sale price of a home more than doubled. The number of sales remained relatively constant over the period.

Single Family Sales Overview

	1997	1998	1999	2000	2001	2002	2003
Median Price, 1 st Qtr	\$82,148	\$89,000	\$97,750	\$118,000	\$137,000	\$152,000	\$175,000
# Reported Sales, 1 st Qtr	838	867	784	849	890	999	1,025
Median Price, Full Year					\$150,000	\$168,000	\$184,000
# Reported Sales, Full Year					5,212	5,023	5,133

The sale price of single family homes continued to rise in 2003 for all Minneapolis communities. Communities with the lowest home values seem to have experienced particularly strong growth in sale prices.

Single Family Median Sale Price by Community

Community	1 st Qtr 1997	1 st Qtr 1998	1 st Qtr 1999	1 st Qtr 2000	1 st Qtr 2001	1 st Qtr 2002	1 st Qtr 2003	Full Year 2001	Full Year 2002	Full Year 2003	2002- 2003 Change
Calhoun Isles	\$216,250	\$186,000	\$300,000	\$210,500	\$299,900	\$316,000	\$417,000	\$341,125	\$349,500	\$409,950	17%
Camden	\$60,000	\$67,950	\$74,900	\$94,250	\$112,200	\$125,200	\$138,000	\$118,900	\$131,000	\$145,000	11%
Central	NA*	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Longfellow	\$75,900	\$81,950	\$85,353	\$104,500	\$135,000	\$156,500	\$175,000	\$150,000	\$169,900	\$180,147	6%
Near-North	49,900	54,950	\$62,450	\$72,250	\$95,000	\$115,000	\$135,000	\$103,000	\$115,000	\$135,000	17%
Nokomis	\$92,000	\$95,000	\$109,950	\$133,650	\$153,800	\$164,900	\$187,500	\$164,900	\$183,000	\$200,000	9%
Northeast	\$78,450	\$79,500	\$89,900	\$103,785	\$140,000	\$155,500	\$172,224	\$145,900	\$159,900	\$178,250	11%
Phillips	NA	\$108,950	\$130,000	\$155,000	19%						
Powderhorn	\$65,000	\$72,590	\$75,000	\$92,900	\$133,700	\$141,000	\$166,000	\$139,900	\$159,900	\$172,000	8%
Southwest	\$127,500	\$138,375	\$152,200	\$173,500	\$190,000	\$224,100	\$268,950	\$209,500	\$235,000	\$261,000	11%
University	NA	\$164,825	\$186,000	\$207,000	11%						

*Price not shown where fewer than 20 sales.

Housing Mix

The 2003 housing profile showed that nearly 83% of all residential structures in the City were owner-occupied. Because the great majority of these were single family homes or condominium units as opposed to multi-family apartment buildings, this represented about 49% of the City's housing units. The age of residential buildings in the City reflects an older housing supply. Only 14% of all housing units were constructed in 1960 or later. Of the City's residential structures, 4% are rated below average by the City Assessor's Office.

Housing Profile by Housing Type

Across all housing categories, fewer properties were homesteaded in 2003 than in 2002. The 49% of housing units that were homesteaded in 2003 compares with 50% in 2002. The biggest decline in homesteaded units was in the percentage of two and three unit buildings homesteaded. A five year frame of reference, however, shows that the number of housing units homesteaded has grown in comparison with the 47% of housing units that were homesteaded in 1998.

Most Minneapolis residential property was developed prior to 1960, but the average year of construction differs by type of housing. About 66% of duplexes and triplexes, and 56% of four and five unit buildings were built before 1920. But 74% of condominium and townhouse units, and almost half of all large multifamily apartment buildings, were built after 1959. The majority of single family homes were built between 1920 and 1960.

Condition was related to age of structure, owner occupancy and, for rental property, management capacity. Two to five unit buildings were generally not owner occupied, and were of a size that poses challenges for efficient management. This may explain the relatively high number of city duplexes and triplexes rated below average. The City Assessor's Office rates around 9% of two to five unit buildings below average, while only 3% of single family properties and 0.3% of condominium properties are rated below average.

2002 and 2003 condition ratings are not comparable with condition ratings prior to 2002. In 2002, the City Assessor's Office went from a nine-point condition rating scale to a seven-point condition rating scale; 2002 was the first full year under the new rating scale.

Housing Profile by Housing Type 2003

	Single Family Units	Condo/ Townhouse Units	Duplex/ Triplex Units	Four/ Five Units	Six or More Units	All Properties/Units
All Residential Properties	75,571	10,526	12,050	1,358	2,084	101,589
Homesteaded Properties	68,058	8,670	6,840	301	51	83,920
% Properties Homesteaded	90.1%	82.4%	56.8%	22.2%	2.4%	82.6%
% Units Homesteaded	90.1%	82.4%	27.3%	5.3%	0.1%	49.1%
% Structures Built Before 1920	35.3%	18.2%	65.9%	56.4%	23.3%	37.3%
% Structures Built 1920 to 1959	58.4%	7.8%	28.3%	35.0%	28.6%	49.0%
% Structures Built 1960 and Later	6.2%	74.0%	5.7%	8.6%	48.1%	13.7%
% Structures Above Average Condition	4.9%	29.8%	1.4%	1.9%	4.2%	6.9%
% Structures Average Condition	92.1%	69.9%	89.9%	86.2%	92.1%	89.5%
% Structures Below Average Condition	3.1%	0.3%	8.7%	11.9%	3.8%	3.6%

The distinct character of Minneapolis communities was largely a function of when development occurred in that community; the era of development influenced the mix of housing types developed. Further implications related to property conditions, and the likelihood of property to be owner occupied because multi-family structures were less likely to be owner occupied than single family homes. In the Near North, Phillips, Powderhorn, and University communities, over 50% of residential properties were developed by 1920. In the Nokomis, Southwest, and Camden communities, most properties were developed between 1920 and 1959. The downtown-area Central community is unique in that three quarters of residential properties were developed after 1959.

Communities varied widely in terms of owner occupancy. While five of every six housing units were homesteaded in Nokomis, less than a quarter of housing units were homesteaded in the Central and Phillips communities. The percentage of homesteaded properties declined between 2002 and 2003 by more than a percentage point in the Near North, Camden, Northeast and University communities. While the Near North and Phillips communities had the largest number of housing structures that are in disrepair, these two communities also showed the greatest decline in the number and percentage of properties rated in "below average" condition.

Housing Profile by Community

	Calhoun-Isles	Camden	Central	Longfellow	Near North	Nokomis	Northeast	Phillips	Powderhorn	Southwest	University
Total Residential Properties	7,278	10,446	3,958	9,400	7,529	14,985	11,436	2,600	12,428	17,135	4,394
Homesteaded Properties	5,737	8,861	2,836	8,358	5,098	13,766	9,602	1,628	9,564	15,554	2,916
% Properties Homesteaded	78.8%	84.8%	71.7%	88.9%	67.7%	91.9%	84.0%	62.6%	77.0%	90.8%	66.4%
% Units Homesteaded	32.7%	74.8%	16.9%	62.6%	45.1%	83.1%	55.7%	22.7%	40.4%	71.9%	21.4%
% Built Before 1920	50.2%	24.8%	22.5%	42.2%	50.5%	10.0%	44.0%	68.1%	59.2%	30.2%	51.8%
% Built 1920 - 1959	29.0%	66.9%	4.5%	47.5%	33.3%	83.4%	43.0%	9.8%	29.4%	65.1%	21.2%
% Built 1960 To Date	20.8%	8.2%	73.0%	10.3%	16.2%	6.7%	13.0%	22.1%	11.4%	4.7%	27.0%
% Above Average Condition	15.7%	3.6%	33.0%	1.6%	9.7%	5.4%	6.6%	10.1%	3.7%	3.7%	9.6%
% Average Condition	81.1%	94.7%	66.4%	94.8%	79.2%	92.7%	90.4%	78.0%	90.8%	94.7%	87.6%
% Below Average Condition	3.2%	1.7%	0.7%	3.6%	11.1%	1.9%	3.0%	11.9%	5.4%	1.6%	2.8%

The City's inventory of registered vacant buildings provided another window into the condition of the City's housing stock, and how it has changed over time. The decline in vacant, boarded buildings was an indicator that investment in rehabilitation and maintenance of property more commonly brought a financial return. It also reflected the use of new tools on the part of the City's Inspections Division to compel maintenance and repair of rental property before vacancy and condemnation were required.

Affordable Housing

At the time of the 2000 Census, approximately 47,000 rental housing units (61% of the total rental housing stock) were priced at a rent level that was affordable to households making 50% or less of the Metropolitan Median Income (MMI). Of these, the majority were "market rate" affordable units. That is, no contract or conditions of development financing prevented the rent level from rising with changes in the rental market. Indeed, since Minneapolis rents rose an average of 15% between mid-1999 (when citizens returned their Census forms) and 2002, it is certain that some of these units were no longer rented at an affordable level utilizing the above definition.

In 2002, there were about 17,100 "controlled affordable" housing units—those that for legal or contractual reasons must remain affordable for a certain period of time. This represented about 20% of all rental housing units in Minneapolis. Controlled affordable units fell in three major categories. First, the Minneapolis Public Housing Authority owned and managed about 5,800 units of public housing. Second, the Department of Community Planning and Economic Development – Housing Division had redevelopment contracts with approximately 8,000 housing units that restricted rents to affordable levels. Finally, federally subsidized housing projects represented roughly 3,300 affordable housing units. In addition to these site-based types of affordable housing, the Minneapolis Public Housing Authority distributed around 3,700 Section 8 portable housing vouchers.

Minneapolis Public Housing Authority

The mission of the Minneapolis Public Housing Authority (MPHA) was “to promote and deliver quality, well-managed homes to a diverse low-income population, and as a valued partner, contribute to the well-being of the individuals, families and community we serve”. The MPHA was responsible for administering public housing and Section 8 rent assistance programs for eligible individuals and families in Minneapolis, and was the largest public housing authority in Minnesota. Through its public housing and Section 8 programs, it provided some 21,000 persons in the community with decent, safe and affordable housing.

In all, the MPHA owned and managed around 5,900 housing units, most of which were located in one of its 40 highrise apartment buildings. 1,500 units were in highrises specifically designated for seniors. Scattered site public housing was located in every community in Minneapolis. MPHA maintained 99% to 100% occupancy in its available housing units. It had around 4,000 families on its family public housing waiting list, 5,000 individuals on its highrise public housing waiting list and 2,300 families on its Section 8 waiting list.

Public Housing in the City of Minneapolis 2003

	Calhoun-Isles	Camden	Central	Longfellow	Near North	Nokomis	Northeast	Phillips	Powderhorn	South-west	University	Scattered Site	Total
Family	0	0	0	0	0	0	0	0	0	0	183	733	916
Elderly	0	220	0	151	84	0	704	0	370	0	0	0	1,529
General Occupancy	0	31	964	166	560	0	240	664	163	0	539	0	3,327
Mixed Finance Developments	0	8	0	0	105	0	0	0	6	0	0	0	119
Section 8 Vouchers												4,100	4,100

Minneapolis Department of Community Planning and Economic Development.

Although the housing market was extremely active in Minneapolis, there were unique and multiple challenges associated with developing new housing in a fully developed city. Moreover, the city had placed a strong priority on the development of affordable housing units. For these reasons, most new housing development in Minneapolis was catalyzed or supported through some form of City assistance.

In 2003, 31 multifamily housing projects were completed with the assistance of the City’s Department of Community Planning and Economic Development (CPED) – Housing Division. This resulted in the construction, preservation, or rehabilitation of 1,869 total units; of these, 1,195 were new units. Eighteen different categories of CPED-administered funds were drawn upon to assist these projects. Households of a variety of income levels were supported by these activities, as indicated by the column headings of the below table. (MMI refers to Metropolitan Median Income—the median income of the Twin Cities metropolitan area.) Around a third of the units produced were restricted to households earning 30% or less of MMI. These numbers included assistance to existing shelters representing 306 shelter beds. Around 40% of units produced in City-assisted projects were not rent restricted. The rent levels of these housing units floated with the housing market. These units were generally in “mixed income” projects where some units were designated for low

income occupancy and others were unrestricted.

City-Assisted Multifamily Rental Housing

	Household Income				Market Rate	Total
	Restricted					
	30% MMI	50% MMI	60% MMI	80% MMI		
New						
Production/Conversion	235	111	167	0	414	927
Rehabilitation	97	145	49	0	142	433
Shelter	306	0	0	0	0	306
Total	638	256	216	0	556	1,666

City Assisted Multifamily Ownership Housing

	Household Income				Market Rate	Total
	Restricted					
	30% MMI	50% MMI	60% MMI	80% MMI		
New						
Production/Conversion	0	0	0	0	203	203
Rehabilitation	0	0	0	0	0	0
Total	0	0	0	0	203	203