Is Minneapolis Having a Housing Crisis?

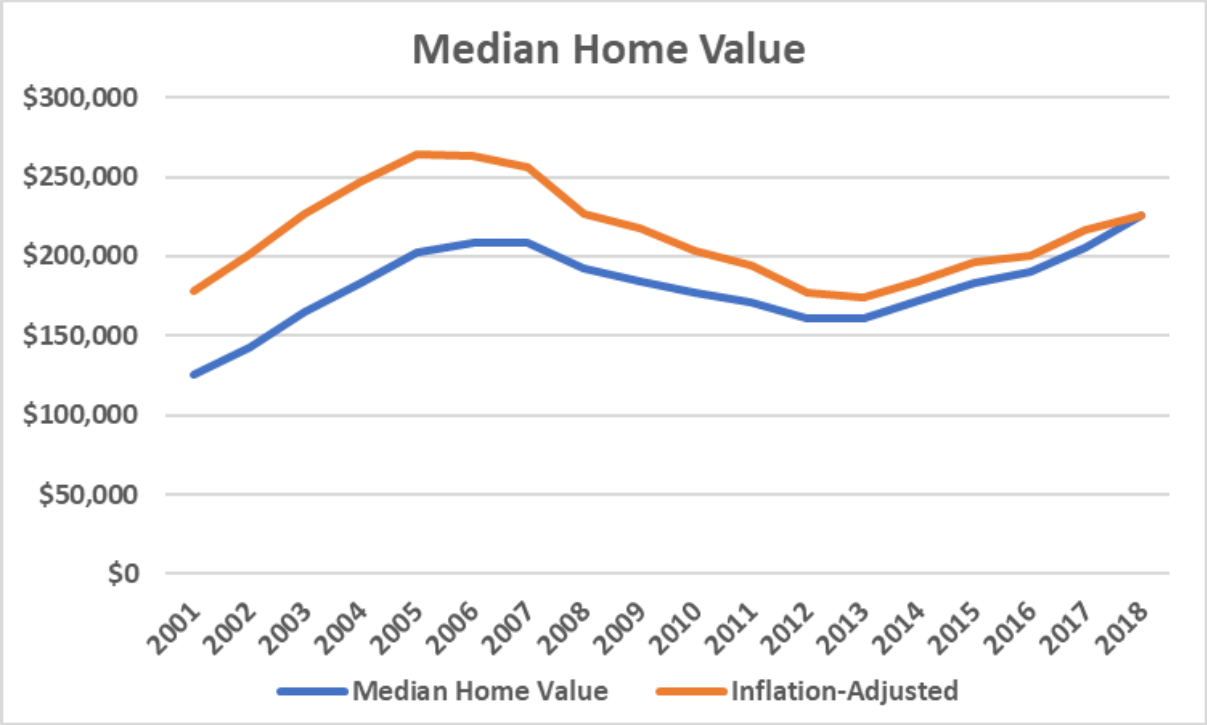
There is a question of whether we are having a housing crisis in Minneapolis and should take radical action in response. Home prices are rising and there appears to be a shortage of housing relative to demand. Some folks say this means we need to up-zone the whole city so we can demolish single family housing and replace it with higher density housing to meet this demand.

But are we really having a crisis?

There is agreement that there is a current lack of supply in housing but this is a national trend, not just a Minneapolis one. We are in the ninth year of an economic expansion. Millennials, the largest cohort ever, are entering the housing market. We have had historically low interest rates. The cost of construction has been going up. And developers have not built as much housing as current demand wants, in part because they thought demand had peaked and didn't put as much housing in the pipeline for development.

But it is also important to remember that only seven years ago, everyone was freaking out about oversupply. Below is a chart of the median home values in Minneapolis. The blue line is the Median Home Value in Minneapolis. The orange line is the median home value adjusted by the CPI. From 2007 to 2013, the median home value actually declined. The median home value today is what it was in 2003, adjusted for inflation, before the rapid run up of housing during the bubble.

Housing demand ebbs and flows. Just because we are on the increase does not mean that we will be there forever. There will be more recessions. There will be more overbuilding. The millennials will move through the home buying process and into homes and the cohort behind them will be smaller, reducing demand. Because of this, we should not overreact today to a trend that will not last.



The original data came from here:

http://minneapolismn.gov/www/groups/public/documents/webcontent/wcmsp-204877.pdf

Median Value

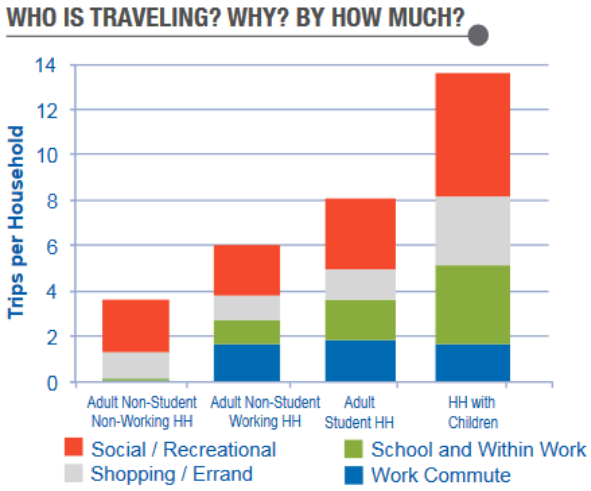
Year	Home Value	Inflation-Adjusted
2001	$125,000	$178,151
2002	$143,000	$201,503
2003	$165,000	$226,618
2004	$183,000	$246,590
2005	$202,000	$264,341
2006	$209,000	$263,020
2007	$208,000	$256,438
2008	$192,200	$227,233
2009	$184,500	$218,064
2010	$177,000	$203,847
2011	$171,500	$194,342
2012	$160,500	$176,708
2013	$161,000	$174,475
2014	$172,500	$184,032
2015	$183,500	$195,943
2016	$190,500	$200,662
2017	$205,500	$216,462
2018	$225,500	$225,500

Minneapolis: A City of Children, except in the 2040 Comp Plan

Minneapolis is a city of children. 20% of our population is under the age of 18. Another 20% of our population are parents of these children. But where are they in our proposed Comp Plan?

It is true that the Comp Plan does talk about Minneapolis Public Schools. But it is a red herring to look at the Comp Plan's statements about Minneapolis Public Schools and presume that covers everything kids need.

In many ways, the discussion about making it hard to drive is really a discussion about families with children. Households with children take almost twice as many trips every day as families with without children. Families with children take about 14 trips a day while families without take about six. When we make it hard for people to drive, when we make it take longer to drive around the City, families with children are disproportionately impacted because they have to take many more trips.



2010 Travel Behavioral Inventory.

Adults with children are more likely to drive than those adults without children. Trip mode for adults with children in their family:

Adult living with Child	Auto	Bicycle	Transit	Walk	Other
No	67.3%	5.2%	7.9%	15.6%	3.9%
Yes	78.6%	5.2%	4.1%	12.0%	0.1%

From the 2010 Travel Behavioral Inventory, Minneapolis only.

Note that the walk mode is overstated when we think about a "trip" as it includes dog walking. Half of American households have a dog. Similarly, the bike mode includes recreational bicycle trips as well as a trip to a destination outside the household.

Why do parents disproportionately drive instead of taking other modes of travel? First off, many kids are not going to school close to their homes. A quarter of Minneapolis kids are at charter schools, which can be located anywhere. Many children go to magnet schools, which were created to reduce school segregation, which also means the school is not near their home. Parents of children attending Minneapolis Public Schools are given an option of roughly eight schools generally near their home. The one I was guaranteed to get into was over a mile from my house. The one I got into was about three miles from my home. The charter school I chose is about eight miles from my home. If you do end up with a school near your home, your child will go to a different middle school and high school probably nowhere near your home. Also, the commute shed for a six year old in the morning in the winter is pretty much zero.

There are other reasons why parents predominantly drive. Few schools are on a bus line and most parents can't use transit to get there. Federal law prohibits public transit from providing school transit. Parents are pressed for time, needing to get their child to school then get themselves to work, which means they don't have the extra time required to bike or walk or take transit. The commute shed for a walking six-year-old in the morning in the winter is pretty much zero. Kids also have activities and summer care, which are often outside of the

neighborhood. There have been many days where I had to get my kid to soccer at 5:30 when I couldn't leave my job until 5:30.

Any action by government to deliberately make it harder to drive disproportionately harms families. When we force people to spend more of their lives driving, where does that time come from? Parents can't work less. They can't shop less. They can't sleep less. I can say for me, that time comes from my family. I spend less time with my child when I have to spend more time in travel. In many ways, it is one of the cruelest things about the anti-car actions that the City is taking – that they disproportionately harm parent's time with children. I was stuck on Blaisdell in a made-up traffic jam trying to get my daughter from her grandmother, watching my time with my child tick away.

The conversations about housing are also about families with children. An advocate was touting new rental housing built without government subsidies as a victory. Rents started at $900 a month but it was for a 450-sq. ft. unit, much too small for the 40% of the City who are families with children. Costs were $275,00 to $300,000 for projects funded by the 2017 Minneapolis Affordable Housing Trust Fund, far out of reach of many families if developed solely by private developers.

I recently searched Apartments.com and found 24 units in all of Minneapolis with three bedrooms. There were three with four bedrooms. Virtually all new housing is one or two bedrooms, too small for families with more than one child. A fraction of new construction is three bedrooms and virtually none is four bedrooms. Where do we have three and four-bedroom housing? In our single-family homes. Yet the Comp Plan proposes demolishing single-family homes and replacing them with fourplexes, which will have one or two bedrooms. This reduces the amount of housing available for a large portion of our population. We need to preserve our existing single-family housing for families with children.

Up-zoning will also increase the cost of housing. A lot that was once only useable for a single-family home will now be available for corporate-owned fourplexes. The amount of profit that can be gained from that property as rental is now substantially increased. Families with children are under much more financial stress than those families that don't have children. Families with children make about 10% less than those without. (2014 American Community Survey) Obviously families with children have to spend more for basic things like food and clothing because they have more people in their household. Increasing housing costs will just exacerbate the already difficult situation that most families are in.

It is one thing for you to go without – it is another thing to deprive a child. We need to do better. We need a transportation system that works for everyone. We need more affordable housing specifically for families. We need to preserve our single-family homes so we have housing for families. We need a Minneapolis that works for everyone.

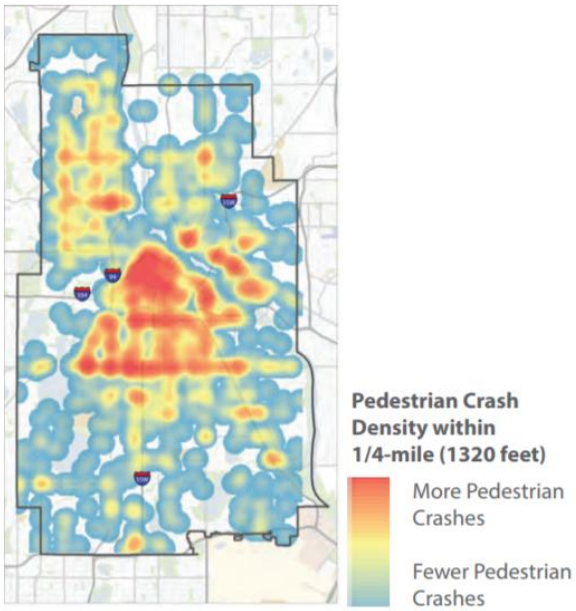
Why Narrowing 26th/28th Streets Harms Pedestrians, Reduces Transit Ridership, Hurts the Environment and is Not Needed for Bicycles.

There has been a lot of misinformation about the 26th/28th Avenue bike lanes.

First off, the bike lanes are not bike lanes. They are barriers to narrow streets. There is a much better option for bikes in the 29th Street Greenway than 26th/28th. I can say having driven that stretch of road on Mondays, at peak travel time, from 7:30 to 8:00 am past some of our largest employers outside of the downtown for two years, I did not see a single bike in the bike lane. Not one. I confirmed this with Ethan Fawley, head of the Minneapolis Bike Coalition. The barriers that are there are to simply narrow the streets.

So why put in barriers to narrow down an important travel artery? In talking to Mr. Fawley, he said that the barriers were put in to slow down cars. Why? He said that he felt that pedestrians were at risk.

This is not true, however, as the 2017 Minneapolis Pedestrian Crash Study shows (Page 5-5). It is very easy to look at the map of crashes and see that 26th and 28th do not show up on the map. The red horizontal lines in South Minneapolis are Franklin and Lake, not 26th and 28th. If speeding cars were harming pedestrians, these roads would show up clearly on the map and they do not.



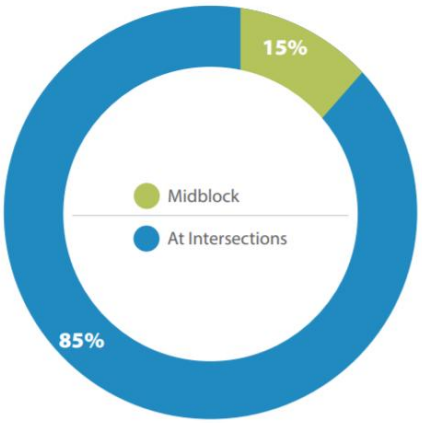
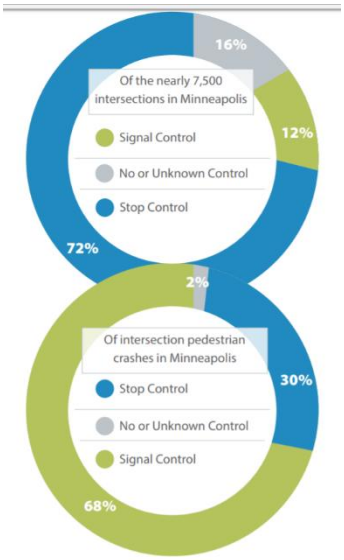


Figure 5-24. Locations of Pedestrian Crashes
Source for Pedestrian Crash Data: 10-Year Dataset

But aren't speeding cars a problem? Most car-pedestrian crashes are happening at intersections and not at mid-block. It is turning that is a problem, not speeds on straightaways. In fact, the study focuses almost exclusively on intersections. Advocates talk about the problems of cars going 45 mph but my Honda Element would roll if I tried that.



And which intersections are we talking? Intersections with stop lights make up two-thirds of car-pedestrian crashes.

So aren't the intersections for 26th/28th a problem? The study says no. The only intersections showing two or more major crashes in ten years along 26th/28th are at Cedar Avenue, the beginning of 26th as a one-way, where no one would have built up any speed. Of the 13 intersections, Cedar shows up 4 times out of 13.

Table 5-1. Intersections with Two or More Major Crashes between 2007 and 2016

Intersection		Intersection Type	Total Pedestrian Crashes	Major Pedestrian Crashes	Percent Major Crashes
Lake St W	Hennepin Ave S	Arterial-Arterial	20	4	20%
27th St E	Cedar Ave S	Local-Arterial	6	3	50%
Lake St E	28th Ave S	Arterial-Arterial	8	3	38%
Lake St E	Cedar Ave S	Arterial-Arterial	9	3	33%
Lowry Ave NE	Central Ave NE	Arterial-Arterial	11	3	27%
6th St N	Hennepin Ave S	Arterial-Arterial	14	3	21%
Vineland Place W	Lyndale Ave S	Arterial-Arterial	3	2	67%
3rd St N	2nd Ave N	Arterial-Arterial	4	2	50%
18th Ave N	Lyndale Ave N	Local-Arterial	5	2	40%
26th St E	Cedar Ave S	Arterial-Arterial	5	2	40%
University Ave SE	Central Ave SE	Arterial-Arterial	6	2	33%
Washington Ave S	Cedar Ave S	Arterial-Arterial	7	2	29%
West Broadway Ave N	Lyndale Ave N	Arterial-Arterial	23	2	9%

It should also be noted that for most of these intersections, the number are very small. It is hard to draw statistical significance for most of these intersections. This study says that something happened at 26th and Cedar five times over ten years and two of those were "major."

If 26th and 28th were such problem, they would have a high crash rate when looked at the volume of cars. But again, they show up once out of the 25 intersections with the highest crashes per vehicle and that one intersection is on Lyndale South, which shows up three times on the list.

Table 5-2. Intersections with Highest Total Pedestrian Crashes

Rank	Street On	Cross Street	Total Pedestrian Crashes	Crash Rate Crashes per million Entering Vehicles per Year	Entering Volume	Intersection Control
1	Lake St W	Lyndale Av S	24	0.17	37,950	Signalized
2	West Broadway Av N	Lyndale Av N	23	0.23	28,000	Signalized
3	Franklin Av W	Nicollet Av S	21	0.18	31,600	Signalized
4	Lake St W	Hennepin Av S	20	0.21	26,300	Signalized
5	Lake St W	Pillsbury Av S	17	0.18	25,400	Signalized
6	Lake St W	Blaisdell Av S	17	0.18	26,500	Signalized
7	4th St S	Cedar Av S	16	0.22	19,650	Signalized
8	Franklin Av E	Chicago Av S	16	0.17	25,150	Signalized
9	Franklin Av E	Portland Av S	16	0.14	30,350	Signalized
10	26th St W	Lyndale Av S	15	0.14	29,700	Signalized
11	4th St SE	Central Av SE	14	0.13	28,700	Signalized
12	6th St N	Hennepin Av S	14	0.13	30,200	Signalized
13	4th St N	1st Av N	13	0.15	23,200	Signalized
14	Lake St E	Bloomington Av S	13	0.12	30,500	Signalized
15	9th St N	Hennepin Av S	13	0.10	34,100	Signalized
16	7th St N	Hennepin Av S	13	0.09	38,500	Signalized
17	4th St N	Hennepin Av S	13	0.09	38,800	Signalized
18	Franklin Av W	Hennepin Av S	12	0.14	24,325	Signalized
19	Lowry Av NE	Central Av NE	11	0.11	26,500	Signalized
20	Lake St E	1st Av S	11	0.12	24,900	Signalized
21	Franklin Av E	3rd Av S	11	0.12	25,675	Signalized
22	Lagoon Av W	Hennepin Av S	11	0.11	27,600	Signalized
23	Franklin Av W	Lyndale Av S	11	0.08	37,100	Signalized
24	Grant St W	Nicollet Mall S	10	0.31	8,800	Signalized
25	2nd St S	3rd Av S	10	0.17	15,675	Signalized

So what does cause car-pedestrian crashes? The map makes it obvious. Cars turning on streets with high numbers of pedestrians. When you think about it, this makes sense. The more pedestrians, the more likely to have a pedestrian-car crash. The lower the number of pedestrians, the less likely for this to happen. If you care about pedestrians, you want to do everything you can to remove cars from high pedestrian streets.

So why were 26th and 28th created in the first place? To take cars off high pedestrian streets. We see similar streets on 31st next to Lake Street and Blasdell, which is a parallel to Nicollet. These streets were created to make pedestrians safer by removing cars from high pedestrian streets.

So what happened when we have narrowed 26th and 28th and caused unnecessary traffic jams? The cars have not disappeared. They just drive somewhere else. I know I do. I don't drive 26th and 28th any more. I won't be a chump, suckered into a made-up, unnecessary traffic jam. I go on Franklin or Lake, exactly the place that you don't want a car if you care about pedestrians. If you care about pedestrians, you want to get cars off streets with high levels of pedestrians and narrowing 26th and 28th has done the exact opposite.

Now does hard data support my experience? I talked to the City's Traffic Department and they are not planning to actually answer this question until 2019 or 2020. So, there is no actual hard data yet. But I can say from my own experience, the traffic on Franklin and Lake is worse. And this is exactly the thing you do not want if you care about pedestrians.

It is also not what you want if you care about transit. People ride busses for three major reasons. First, people choose transit when they have no access to a car for that trip. According to Metro Transit's 2014 Onboard survey, that is about 50% of riders. Many are also poor, as about 50% of bus riders make $24,000 or less a year. They are what are called "captured" ridership, with no other options.

But for the other 50%, what are called "choice" riders, they are riding transit either because it is cheaper or it is faster than driving their car. By snarling traffic, especially peak travel when most riders are riding, you make bus travel slower, making it less likely people with alternatives choose transit. So if you care about transit ridership, you have to care about a good flow of vehicles to make transit more attractive to choice riders.

So what about the environment? Cars are snarled in traffic both on 26th/28th and on Franklin/Lake. Transit ridership is suppressed. Both of these things mean cars are idling and taking longer to take trips. If you care about the environment, you want cars to run as little as possible. Narrowing 26th and 28th makes the environment worse.

Now I believe that people had good intentions when they advocated for narrowing 26th and 28th. But there is no free lunch in government. When you squeeze down a balloon on one side, it pops out on another. When you narrow down one street, the cars don't magically go away. Those cars go somewhere else. And this has not been a good thing. We need to take out those barriers and protect pedestrians, improve transit and improve the environment.

Fourplexes Do Not Create Density

I wanted to respond to Adam Miller's post on why we need density. Mr. Miller argues that fourplexes will create density, a density that will create walkable neighborhood shops and stores. These shops and stores would reduce travel overall as individuals will be able to walk and bike to the necessities of life.

Mr. Miller and I are aligned on the need to have density. Walkable environments supported by transit. High density employment. All of these are good. But where we differ is on the impact of the 2040 Plan.

Now let's do a thought experiment. You have a city. It has 200,000 housing units. You need to find a place to put 1000 housing units a year or about a ½ percent a year increase. (This is the number from the Metropolitan Council that we have to be in conformance with.)

Now some constraints. The current transit system has a small number of high frequency bus routes. Only a tiny fraction of the city can walk to these routes. Service through the rest of the system is only suitable for peak travel to and from employment. There is no money to substantially increase the bus system. You may possibly see an increase in the light rail system in the next 20 years. This will not substantially impact travel in your city as it primarily exists to bring suburbanites into the downtown employment core.

No new affordable housing will be built without government subsidies as new construction costs are too high. Why this constraint? If you look at how much it costs to build new affordable housing, it is substantially more than would be affordable to lower income people. How do I know this? Look at the term sheets for housing being built by the Affordable Housing Trust and it is in the $275,000 to $300,000 per unit. https://lims.minneapolismn.gov/RCA/1318.

You cannot save existing low-income housing in your city by building more housing. The City is less than 10% of the regional housing market and too small to materially affect the housing market.

Your city has three distinct development patterns.

- Homes that were built before WW1 on a streetcar/walking plan. High frequency transit is available in some parts of these areas. Some of these areas have walkable retail but most retail is accessed by car.
- Homes built after WW1 through the 1960's, which are lower density and built primarily around auto travel. These areas have very little walkable retail. Most retail is accessed by car.
- Homes built primarily since 1970 in the downtown core and select other high-density locations. The downtown core had no real residential development even into the 1980's but in the last 20-30 years has created 35,000-person neighborhood. These are walkable neighborhoods, with local retail supported by walkable populations. There is functional transit because of the high densities of jobs.

Now you have two options.

Option 1: Open up your pre-WWI and your WWI – to the 1960's housing to up-zoning. This will sprinkle your ½% a year growth through dozens of square miles. It will not lead to any new retail. It will not increase transit usage. It will not create new dense housing locations. It will not support high concentrations of employment, which is the largest requisite for transit usage.

Option 2: Zone to concentrate your new housing in the downtown and at strategic existing high-density locations. This will take advantage of existing walkable environments by enhancing and expanding them. It will put housing where real, usable transit exists. It will put housing near walkable high density employment.

Now Mr. Miller and his folks are advocating for Option 1. Me and my folks are advocating for Option 2. Which one of us are advocates for density and transit?

Fourplexes will Not Create Affordable Housing

The Minneapolis Comprehensive Plan has proposed that we open all single-family homes and duplexes to being bulldozed and replaced with fourplexes. It proposes that we build skyscrapers along transit corridors. The presumption is that somehow this will result in affordable housing.

First, no new affordable housing will be built without government subsidies as new construction costs are too high. If you look at how much it costs to build new affordable housing, it is substantially more than would be affordable to lower income people. How do I know this? Look at the term sheets for housing being built by the Minneapolis Affordable Housing Trust. Units are $275,000 to $300,000.

https://lims.minneapolismn.gov/RCA/1318.

The absolute bare minimum I have heard people talk about, a room with a bathroom and minimal kitchen is $140,000. Obviously, this is not usable by anyone except a single person. Even this creates housing beyond what a low-income person can afford.

No new affordable housing will be built without government subsidies.

What about preserving existing affordable housing? Won't increasing the supply of housing by adding fourplexes preserve affordable housing? In theory - yes. In simple terms of supply and demand, if you add more supply, then cost should go down. But in reality? No. Minneapolis is less than 10% of the housing market. Minneapolis is too small to unilaterally affect the housing market. The housing market is dependent upon what all the municipalities in the region do, not the unilateral actions of one city, even the largest one in the region. Minneapolis cannot build the region into lower home prices.

Also, affordable housing is dependent as much on demand as supply, the other side of the equation. The problem of affordability is as much a problem of the wages of those who could purchase homes as it is of home prices. Wages have not grown for many residents. Others struggle to find jobs. Even by increasing the availability of homes, it does not mean that people will be able to afford them. We need more education and job training programs. We need to attract more businesses to Minneapolis to increase competition for employees. We need to help people to get out of poverty and get jobs that will allow them to purchase homes at the cost that it takes to produce housing.