The Twin Cities’ Housing Dilemma

By the end of this century, more people in the Twin Cities area will live in housing not yet constructed in neighborhoods not now planned than will live in the remaining 1971 inventory. This presents both a threat and a challenge. If the new housing in the new communities repeats the experience of the post-war era, the “good life” in Minnesota will seriously deteriorate, and the problems of a congestion sprawl syndrome will proliferate.

In Minnesota Land Use and Settlement, 1985, Borchert and Carroll predict total metropolitan housing production from 1970 to 1985 at 284,000 to 338,000 family units. This means an average annual metropolitan production of between 18,900 and 23,300 family units. These estimates are similar to the Metropolitan Council’s goal of 21,500 units annually during the next decade as expressed in the housing section of the Council’s Metropolitan Development Guide. These appear to be achievable goals when compared to the ability of the local housing industry to produce as reflected in actual production during the late 1960’s.

Assuming the reasonability of these total production figures for the next decade, the important questions are: What kind of housing? For whom and where?

In the Twin Cities Metropolitan Area, as in the nation, a very large proportion of families are priced out of the market for new housing. Although estimates vary, a substantial part of the metropolitan population — perhaps a majority — cannot afford the minimum new house being produced currently. Housing costs to the consumer have outrun the general price rise and his income. These housing costs are compounded by the rising costs of labor, materials, land, site improvements, money, taxes, maintenance, and utilities.

Families of limited income thereby have very limited choices in their place of residence. They are more and more locked into a fixed environment that eliminates opportunities for upward mobility. Their range of choices is limited almost entirely to old, often inadequate housing. In the meantime the cost of older housing goes up as does the land it is on. Tax increases tend to discourage home improvements and the older house supply deteriorates rapidly without being replaced.

The housing problem is a complex one related to many other problems and it cannot be handled within the confines of the family, the neighborhood or the municipality. There are four ways to close the widening gap between costs and income and thereby encourage the replacement or restoration of deteriorating housing:

1. Reduce the cost of the product.
2. Produce a more modest product (reduce the standards).
3. Increase incomes.
4. Subsidize the production of houses.

While efforts are being made to reduce the cost of the product through Project Breakthrough, for example, and through efforts to enlighten builders, two things stand in the way. First, the prices of the materials and labor which are incorporated in the house are escalating. Secondly, the actual cost of the building is a minor part of the total cost to the consumer.

Reduction of standards appears to be flying in the face of historic trends. For more than 50 years we have been trying to establish and improve standards of housing in America, providing more space and better facilities.

Increasing incomes is being attempted at the lowest end of the economic scale, but the likely effect of such efforts will be to bring into the market for subsidized housing a group of such low income that without income supplementation they could not afford even these units.

Subsidies can run either to the producer or to the consumer. Currently public housing programs and the 235 and 236 private FHA programs involve Federal subsidies. Such programs are not currently in sufficient volume to make a substantial dent in the problem, except

HOUSING DILEMMA (Cont’d on page 3)

Shippee Joins CURA

B. Warnar Shippee has recently joined the CURA staff as housing consultant to develop a program focused on significant housing and related problems in Minnesota. This will help bring to bear the resources of the University on expressed community housing problems and research needs through faculty and student involvement. Initially concentration will be on the low and moderate income housing market and the social and economic structure of economically mixed neighborhoods.
Housing the University's Students

The nation's large universities, such as the University of Minnesota, which are located in urban areas face many critical and interrelated problems; among these are inadequate public transportation, limited and expensive parking, deteriorating and overpriced housing nearby with a concentration of low income residents. These urban universities recognize that one important way to meet these problems is to provide adequate student housing on or near the campus. The general approach has been to build large dormitories on the campuses, but many of these buildings remain only partly filled because most students seem to prefer a freer life style than the isolated university dormitories can offer.

Many consider residential areas adjacent to the University of Minnesota — the West Bank Area, Dinkytown, Prospect Park and St. Anthony Park — to be stable University-related communities, but in fact, residents, students, and planners at work in these areas find signs of severe destructive stress. High rent, crowding, speculative buying, and absentee landlords plague these areas. In addition, the volume of commuters to the University places an even greater demand on these communities to give up precious land for parking.

The last student housing built by the University of Minnesota was Middlebrook Hall on the West Bank of the Minneapolis campus in 1968. Middlebrook's 750 student spaces brought the percentage of students housed by the University to just

HOUSING STUDENTS (Cont'd on page 4)

Material for this article has been prepared by David Hozza and Stephen Lemay. Mr. Hozza has been assistant planning coordinator in the University of Minnesota office of Physical Planning and Design until the fall of 1971 and is now working full time with the Minnesota Student Association in the area of student housing. Mr. Lemay, now a senior in business administration at the University, gathered much of the data for this analysis through his participation in the Metro Executive Internship Program sponsored by the University YMCA in the spring of 1971 and was assigned through CURA to the University office of Physical Planning and Design.

Cost and Distribution of Student Accommodations

<table>
<thead>
<tr>
<th>100 STUDENTS ⬤</th>
<th>20 STUDENTS ●</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVERAGE RENT PER MONTH</td>
<td></td>
</tr>
<tr>
<td>sr — Single Room $30</td>
<td></td>
</tr>
<tr>
<td>e — Efficiency 100</td>
<td></td>
</tr>
<tr>
<td>1 — Bedroom 130</td>
<td></td>
</tr>
<tr>
<td>2 — Bedrooms 180</td>
<td></td>
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<tr>
<td>3 — Bedrooms 250</td>
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</tbody>
</table>


HOUSING DILEMMA (from page 1)

for public housing for the elderly in Minneapolis and St. Paul. (See “Subsidized Housing” in this issue.)

Housing is different from most other consumable products in that new production comprises a very small proportion of the total supply. Thus in the best production year in the Twin Cities Area, less than 5% was added to the inventory; the average is between 2 and 3%. This barely keeps up with in-migration and the net increase of new households over dissolved households. A great many more households move each year into previously existing housing than move into new housing. This means that any attack on the housing program through new construction on a metropolitan-wide basis will have relatively little immediate effect.

It is here that the economics of housing is directly related to social problems. The new suburbs, where large increments are made to the housing supply in a single year, are colonized by the relatively homogeneous groups of people in the market that year. This is helped along by the tendency of the contractor to build large numbers of similar accommodations whether for rental or for sale. Thus to the young family neighborhood we have neighborhoods being added for the elderly, for the single swingers, etc. Meanwhile, the old neighborhoods tend to become the province of the poor. While there is much variation in this picture across the Metro Area, Minneapolis and St. Paul and a few of the older suburbs currently provide a disproportionate share of the housing priced within the reach of low and moderate income families. The 1970 census shows 29% of the owner-occupied housing in St. Paul and 26% in Minneapolis valued at $15,000 or less. In all of the rest of the Metropolitan Area 13% fell in this category. In the seven fastest growing municipalities (which more than doubled their population between 1960 and 1970) only 6% of the owner-occupied housing was valued at under $15,000. All other considerations aside, poor people of whatever race have been largely priced out of the suburbs because they consist of new houses built during the last few years — and such houses are beyond the means of the poor.

The Metro Council’s estimated need of 12,500 units per year for low and moderate income families for the next decade greatly exceeds the rate at which developers, public, private and non-profit, have been prepared to provide subsidized housing. Likewise the developer application rate is running well ahead of the willingness of the federal government to guarantee the financing of this housing. But even if all of these applications are approved, the present effort is only a fraction of the estimated need. The creation of additional housing and redevelopment authorities in the Metropolitan Area may extend public housing programs, but in the immediate future, these programs are likely to fall far short of the projected need.

Attempting to produce large amounts of housing for low and moderate income people without concern for its location or its mixture with other housing will certainly lead to further economic and racial segregation. The one-class suburb, the typical trailer court and the large public housing project are equally bad models which tend to widen the gap between affluent communities and their have-not neighbors.

On the other hand a policy which spreads subsidized housing throughout the area and at the same time makes substantial inroads on the projected need of low and moderate income families, will tend to create ghettos on the “other side of the tracks” in present upper and upper middle income suburbs. In such places virtually all of the new housing for years to come would need to be affordable by low and moderate income families to redress the balance.

The goal should be to open up a wide variety of housing opportunities for low and moderate income people in a large number of well designed economically and racially heterogeneous communities throughout the Metropolitan Area. To do this on more than a token basis will require heroic efforts on the part of developers, municipal and metropolitan officials and citizen support groups. There are encouraging signs that such efforts are being attempted. Some expansion of housing for low and moderate income groups is promised through new state aids provided by the State Housing Finance Act and through the potentially greater capability of local housing and redevelopment authorities made possible through the 1971 amendments to the Minnesota Municipal Housing and Redevelopment Act.

Persuasive insistence on economic mix, good design, and amenity by municipal, metropolitan, State and Federal reviewing agencies is a first step. The use of Planned Unit Development (PUD) with its attendant controls is another.

Much new development during the next decade will be concentrated in larger packages and built under such planned unit development provisions. This can encourage improved residential design, greater amenity and enhanced livability. PUD calls for more sophisticated planning with many more detailed controls in the hands of the local planning commission than in the past. Town houses, patio houses and various types of manufactured housing will play a much more significant role while condominium and cooperative types of financing and home ownership will be increasingly important. Much more variety in size of household and differing life styles can be accommodated.

Local prototypes of such planned developments are already underway. Near the West Bank Campus of the University, Cedar-Riverside Associates’ First Stage of 1,299 apartments is now under construction, reflecting several years of thoughtful planning. This first stage represents the inauguration of a twenty year building program of some 12,000 units which will encompass various building types ranging upward to 40 stories, with rentals from $45 to over $400, all within the same small area. Financing draws upon various HUD sources as well as the private conventional market. Planning for mixed developments in a number of suburban locations is also well advanced, as in Jonathan, Minnesota’s first “new community”.

If the planned unit approach is to be fully effective, major efforts need to be exerted by local municipal officials and planning commissioners, and the practitioners in planning, the design professions and the house building industry. Presently only a relatively few Metropolitan municipalities have PUD provisions in their zoning ordinances and many of these go only part way towards being fully effective. Through its housing staff, the Metropolitan Council is providing advice to municipalities on planned unit development and is developing suggested model ordinances.

Planned Unit Development can help to provide better designed and more livable neighborhoods, but is only one way of increasing the supply of housing available to low and moderate income families. To further encourage such housing, perhaps a mix as required in the Fairfax
County, Virginia zoning ordinance might be considered. Amendments to the Fairfax County ordinance taking effect September 1971, provide that builders must include at least 9% moderate income and 6% low income units in any residential development of 50 units or more, except single family detached homes or high-rise apartments.

This minimum quota approach assures that there is a delivery system for subsidized housing in every part of the area. Currently this is not the case in the Twin Cities Metropolitan Area. Only seventeen municipalities and Dakota County have housing and redevelopment authorities and therefore are able to provide housing for low income people effectively. The Metropolitan Housing Agency bill which failed in the 1971 legislature would have established metropolitan-wide capability. While a number of new municipal housing authorities undoubtedly will be established in the next few years, much of the area will remain without the ability to participate in the public housing programs which currently are the only source of new housing for low income people.

Close collaboration between the new HUD area office, the Metropolitan Council and municipalities fostering planned unit development will be needed if new planned communities and neighborhoods are to share in the limited allocations of FHA 235 and 236 units for moderate income families. Encouraging developers to include such housing early in their construction schedules to assure an economically integrated pattern of development right from the start will be useless unless the Federal and State Agencies controlling subsidies are able to deliver. While difficulties in achieving well designed communities with a healthy economic and racial mix are great, there has been a considerable change in the climate of opinion at very low level. The probability that a number of such communities will be built is much greater than it ever was.

Effectively meeting the housing needs of the Twin Cities Area may not be possible until there is a greater awareness of the housing crisis and its consequences, careful consideration of optimum neighborhood composition and population mix and a broad public-private commitment to do something about it.

HOUSING STUDENTS (from page 2)

over 10 percent. After the completion of Middlebrook, the University demolished three older dormitories on the St. Paul campus, and through the University's construction and expansion program, hundreds of older housing units have been demolished in the surrounding communities. This has forced students to move further into the surrounding community, thus competing with existing residents for already scarce housing and adding to the parking-transportation problem as they live at greater distances from the campus. Students who wish to live near the campus are, at the same time, forced to pay rents substantially higher than for comparable housing in other parts of the Twin Cities Area.

The University, under the leadership of Hale Champion, former vice-president of planning, finance, and operations, recognized the problem and worked with the Southeast Minneapolis community to develop a plan to replace some of the units destroyed by expansion, as well as provide additional adequate, reasonably priced housing for students—especially married students. The plan called for building 550 units of housing on the site of the Como Avenue athletic fields, presently used for intramural sports.

An interim commission of the Minnesota Legislature, the Legislative Building Commission, asked the University to stop the project. The Commission felt that additional housing necessary for students should be provided by private capital. The Commission members felt that neither the state of Minnesota nor the University should continue in the housing business. The Legislature did not disapprove the Como Project or bar it from being built with non-state funds, but it did refuse to provide state funds for housing and expressed concern that student housing should in the future be left up to private developers. The University complied with the request, with the understanding that the issue would get a full hearing before the Legislature.

The University of Minnesota Board of Regents has not yet approved the Como Project. They are reluctant to move ahead without the expressed blessing of the Legislative Building Commission. Meanwhile, the University applied for and received a 3 percent College Housing Loan from the Department of Housing and Urban Development. This Grant would provide for the construction of 276 units of the Como Project, about half those originally planned.

No action has been taken to build these units and the problem remains. Students and residents have become discontent with the University's efforts and are looking for their own solution to the problem.

Recently, the Board of Regents approved a $1.00 per quarter student fee increase to be used by the Minnesota Student Association (MSA) to provide services for students. This money put MSA in a position to effectively enter into the housing controversy. It is, in fact, the students who must live with the housing shortage. A recent poll conducted by the Housing Office of the University revealed that while 53 percent of the students live at home with parents, only 18 percent wish to do so; 72 percent would prefer to live in private rental units while only 33 percent actually do. Thus it was not surprising that the housing issue was one of the most discussed issues in last spring's MSA elections.

As a result of those elections and the fee increase allocated to MSA, the student association has formed a housing committee that is presently investigating different possibilities for student housing. The committee visited several other campuses—including Berkeley, Portland State, the University of Wisconsin and the University of Michigan to see what is being done by students themselves in the housing field. At Portland State the students operate 400 units of housing and are in the process of building 200 more units with the assistance of a HUD College Housing Loan. This housing will be operated by a non-profit corporation owned and controlled by the students. At Berkeley, Wisconsin, and Michigan, the cooperative form of housing is popular and quite successful.

Cooperatives at Berkeley house almost 2,000 students. Residents of these coops pay $233 per quarter for room and board. University of Minnesota students pay almost twice that much to live in dormitories. Not only are the students providing their own housing at Berkeley, but at a substantial cost saving to the student.

The Minnesota Student Association is sponsoring a housing workshop for members of the University administration, students, representatives of the surrounding community, and people involved in various aspects of housing. While it is still to early to tell exactly how successful these efforts will be, or what direction the University's housing policy will take, there are now, at least, some serious attempts to meet students' housing needs.
SUBSIDIZED HOUSING in the Twin Cities Area

The Metropolitan Council has recently completed an examination of the types and distribution of federally subsidized housing for low and moderate income persons within the seven county Twin Cities Metropolitan Area. That analysis indicates that housing opportunities for lower income persons are increasing slowly throughout the Metropolitan Area, with a total of 54 municipalities in the Region having some subsidized housing, either planned or existing.

There is a disproportionate concentration of subsidized housing in the two center cities. Minneapolis, for example, has 24 percent of the Area’s population and 57 percent of the Area’s subsidized housing. St. Paul has 17 percent of the Area’s population and 31 percent of its subsidized housing. While the suburban portions of the Area contain about 60 percent of the total population, they include only 12 percent of all federally subsidized housing.

Several Communities in addition to Minneapolis and St. Paul do have slightly greater percentages of subsidized housing than their corresponding percentage of population, but the units in these communities represent less than three percent of all subsidized housing in the Metropolitan Area. Several others are approaching the point where their supply of subsidized housing is nearly proportionate to their size, but the majority of the communities in the Area, have no subsidized housing at all.

Subsidized housing programs are based on a recognition that the gap between the cost of housing and the ability of low-and-moderate-income people to pay for housing cannot be bridged without governmental financial assistance. Such assistance for low-and-moderate-income people in the Metropolitan Area comes from federal funding administered through three basic types of housing programs: first, municipal Housing and Redevelopment Authorities

SUBSIDIZED HOUSING (Cont’d on page 6)

Population and Subsidized Housing in the Twin Cities Area

<table>
<thead>
<tr>
<th>County</th>
<th>Per Cent of Area Population</th>
<th>Per Cent of Subsidized Housing Units, Both Approved and Proposed (000) Number of Units (Metropolitan Area Total Units: 24,191)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anoka</td>
<td>8.2%</td>
<td>2.5% (612)</td>
</tr>
<tr>
<td>Carver</td>
<td>1.5%</td>
<td>1.4% (344)</td>
</tr>
<tr>
<td>Dakota</td>
<td>7.4%</td>
<td>2.8% (683)</td>
</tr>
<tr>
<td>Suburban</td>
<td>3.2%</td>
<td>28.1%</td>
</tr>
<tr>
<td>Hennepin</td>
<td>23.7%</td>
<td>56.8% (13,737)</td>
</tr>
<tr>
<td>Hennepin</td>
<td>8.9%</td>
<td>31.1% (7,516)</td>
</tr>
<tr>
<td>Suburban</td>
<td>0.8%</td>
<td>16.5% (199)</td>
</tr>
<tr>
<td>Ramsey</td>
<td>0.4%</td>
<td>4.4% (102)</td>
</tr>
<tr>
<td>St. Paul</td>
<td>4.4%</td>
<td>1.7% (302)</td>
</tr>
<tr>
<td>Scott</td>
<td>1.0%</td>
<td>0.4% (102)</td>
</tr>
<tr>
<td>Washington</td>
<td>4.4%</td>
<td>1.0% (234)</td>
</tr>
<tr>
<td>Mpls. and St. Paul</td>
<td>39.7%</td>
<td>87.9% (21,263)</td>
</tr>
<tr>
<td>Rest of Area</td>
<td>12.1% (2,938)</td>
<td>60.3%</td>
</tr>
</tbody>
</table>
SUBSIDIZED HOUSING (from page 5) (HRA's) that develop what is commonly known as "public housing" for lower-income persons; second, the Federal Housing Administration (FHA) 236 and 221-D3 Programs under which non-profit or limited profit corporations develop rental housing for moderate-income people; and third, the FHA 235 Program, which was set up to encourage home ownership for moderate-income families. Accounting for two-thirds of all subsidized housing in the Metropolitan Area, public housing is financed entirely from federal funds and requires the creation of a local HRA to administer the program. Income ceilings limit occupancy of public housing generally to lower-income persons.

Public housing is heavily concentrated in the center cities; ninety-eight percent of all such existing units are located in Minneapolis and St. Paul. There are presently 18 HRA's established within the Metropolitan Area and the number is gradually increasing. Minneapolis, St. Paul, Forest Lake, and South St. Paul are the only communities in the Region with public housing currently available for occupancy, although eight more municipalities with HRA's have some public housing units in the construction or proposal stages. Most of these public housing units - (70 percent in the two central cities, 98 percent in suburban and rural areas) have been built or are being planned for the elderly.

In contrast to public housing programs, the FHA 236, 221-D3, and 235 Programs are aimed primarily at moderate-income people. Under the 236 Program, the FHA guarantees mortgage loans to private non-profit or limited profit developers and makes monthly payments to the mortgagees to reduce the effective rate of interest on the loan. As a result, developers are able to lease the units to eligible occupants at a lower monthly rental. Like public housing, FHA 236 rental housing is concentrated mainly in Minneapolis and St. Paul. The two central cities contain 81 percent of all such housing with approved federal funding. The FHA 235 Program is designed to encourage home ownership for moderate-income families. The financing mechanism that lowers mortgage payments for such families is similar to that used to reduce rental charges for occupants of FHA 236 housing -- FHA loan guarantee in combination with a program of monthly payments to reduce monthly mortgage payments. With fifty percent of FHA 235 housing units located outside the central cities, these units are dispersed throughout the Metropolitan Area to a greater extent than subsidized housing developed under the other federal programs.

The number of subsidized housing units in the Metropolitan Area is gradually increasing but continues to be unevenly distributed. This pattern of distribution means, first, that some communities are providing housing opportunities for low-and-moderate-income people disproportionately to their size; and second, that low-and-moderate-income people have a very restricted range of choices in residential locations in the Metropolitan Area.