
Analysis of Condo Converted Properties in Minneapolis 2000-2005

Prepared for the Housing Preservation Project

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Introduction

The purpose of this report is to provide an analysis of pre-conversion rents and other property-related information for rental housing that has been converted to condominiums in Minneapolis. This analysis is being conducted on behalf of the Housing Preservation Project to provide a better understanding of the impact of condominium conversions in Minneapolis on the stock of affordable rental housing.

Methodology: Analysis of rents for condo-converted properties

HousingLink conducted an analysis of rents for the 162 properties identified by the Housing Preservation Project as condo conversions. Housing Preservation Project identified these properties through the City of Minneapolis Planning Division and Assessor's office and through searches of real estate records.

The analysis was conducted using several years of rent information from HousingLink's vacancy listing database. The database includes rent data obtained from advertised vacancies in metro and suburban daily and weekly newspapers, as well as data from rental vacancies that are listed directly with HousingLink. For each property, HousingLink conducted a search for pre-conversion rental listings at the property address. If this information was not available, HousingLink searched for comparable rents for the property address.

Year	Number of rental properties converted to condominiums	Number of units within converted properties
2000	4	14
2001	5	18
2002	19	118
2003	42	357
2004	54	1064
2005	38	763
TOTAL	162	2334

Figure 1: Minneapolis condo conversions, 2000-2005
Data source: Housing Preservation Project (As of 8/15/05)

Of 162 total records, HousingLink found rent listings for 21 of the property addresses and rent comparables for 119 converted properties. No rent information was found for the remaining 22 properties.

Rent information	# of properties	% of total properties
Property match	21	13%
Rent comparable	119	73.5%
No rent information	22	13.5%
TOTAL	162	100%

Figure 2: Type of rent information obtained

Figure 3: Rent information obtained, by unit size

Unit size	Property match	Rent comparable
0 bedroom	4	26
1 bedroom	13	83
2 bedrooms	14	83
3 bedrooms	1	4
4 bedrooms	0	0
5 bedrooms	1	0

Use of comparable rents

HousingLink conducted a market analysis to determine comparable rents for 119 of the condo-converted properties. The use of rent comparables allows for a reasonable estimation of rents when actual rents are unavailable. The method employed by HousingLink is similar to the process used by property managers and owners when they are setting rents for their units. Rent comparables are also used by HUD to determine if the rents for units occupied by Section 8 voucher holders are reasonable.

Calculating comparable rents

In identifying comparable rents, HousingLink searched through several years of historical rent data from advertised vacancies in the Twin Cities. Using this database, HousingLink identified comparable rental listings for properties based on 1) proximity to the converted properties, 2) number of bedrooms in the rental unit and 3) match between date of the rental listing with the year in which the property was converted.

- Proximity to the converted property – Comparable rents were primarily drawn from rental units within 2 blocks of the converted property. In a small number of cases, rents were drawn from properties 3-4 blocks away. In these cases, HousingLink verified that the comparable property was not separated from the converted property by any major street or highway or other boundary divisions.
- Number of bedrooms in the rental unit – If the unit sizes (by number of bedrooms) were known for the converted property, HousingLink identified comparable rents only for those unit sizes. When unit sizes were not known, HousingLink identified comparable rents for 0, 1 and 2-bedroom units as available.
- Matching date of rental listing with year of property conversion – The next step in identifying comparable rents included matching the rental listings with dates closest to the year in which the property was converted. If the comparable rent was taken from rental listings from a time period later than the conversion, the rent was adjusted based on average yearly rent changes for regions within Minneapolis as published by GVA Marquette.
- In many cases, there were several rental listings left after completing the process described above. In those cases, comparable rent amounts were calculated by taking the average of the rents.

Distribution of condo conversions by neighborhood, median gross rent and household income

Converted Condos in Minneapolis Neighborhoods

The first map (Map 1) depicts the number and distribution of apartment-to-condo conversions in Minneapolis by neighborhood. As of August 15, 2005, the Housing Preservation Project had identified 162* condo conversion projects citywide. The concentration of condo conversion projects is shown through a graduated color scheme, with black indicating the neighborhoods with the greatest number of apartment conversions and white indicating the neighborhoods with no conversions. Map 1 shows that the majority of condo conversion projects are occurring in the southwest region of the city, with the Linden Hills, Lyndale and CARAG neighborhoods containing the greatest number of projects (13-16). Other southwest neighborhoods also experiencing a significant number of conversions (8-12) include: East Harriet, East Calhoun, and Whittier. Condo conversions have occurred in southeast region of city to a much lesser degree, with the majority of

neighborhoods containing 0 to 7 projects. The Powderhorn neighborhood remains an exceptional case, with a level of conversion activity in the 8-12 range. Map 1 shows that the downtown/riverfront area is also experiencing apartment-to-condo conversion. Affected neighborhoods include: St. Anthony Main, the North Loop, and Nicollet Island. Scattered neighborhoods in northeast Minneapolis (Logan Park, Waite Park, Windom Park) also contain some conversion activity (1-7 projects).

*Only 153 of the 162 properties surveyed are depicted on the map.

Median Gross Rent by Minneapolis Block Group

The second map (Map 2) depicts the number and distribution of apartment-to-condo conversions in Minneapolis by the median gross rent of Minneapolis block groups. According to the U.S. Census Bureau, median gross rent is defined as “the amount of rent, plus the estimated average monthly cost of fuel and utilities.” The median gross rents shown on Map 2 were calculated based upon all renter-occupied housing units paying cash rent. The median gross rent paid by block group is shown through a graduated color scheme, with midnight blue representing the highest rent areas and light blue representing the lowest rent areas. White indicates that an area is either non-rental or non-residential. The vast majority of apartment-to-condo conversions in Minneapolis are taking place in moderate and lower-rent neighborhoods. Map 2 shows that more than three quarters of the conversion projects are in block areas where the median gross rent is \$770 dollars or less. Nearly one-third of the projects are taking place in block areas where the median gross rent is \$591 or less. Very few conversions are occurring in block areas that fall within the highest median gross rent bracket (\$1051 to \$1875).

Median Household Income of Renters in 1999

The third map (Map 3) depicts the number and distribution of apartment-to-condo conversions by the median household income of renters in Minneapolis according to the U.S. Census. The concentration of condo conversions by income tracts is shown through a graduated color scheme, with dark green representing the highest household income tracts and light green representing the lowest household income tracts. White indicates that an area is either non-rental or non-residential. According to Map 3, the majority of condo conversion projects are taking place in areas with household incomes in the \$33,662 to \$50,673 range. About one third of the projects are occurring in areas with household incomes ranging from \$24,168 to \$33,661. Areas with median household incomes under \$24,167 have experienced very few condo conversions to date.

Summary of findings

Analysis of rents

- 134 of the converted properties had rents or rent comparables in at least one unit size affordable at people earning 50% of the median family income or less.
- Of the 134 properties affordable at 50% of the median or less, 36 properties had rents or rent comparables in at least one unit size that were affordable at people earning 30% of the HUD median family income or less.

	Affordable at 50% of median or less	Affordable at 30% of median or less ¹
Properties	134	36
Units	1350	318

¹ Units affordable at 30% of the median family income are also affordable at 50% of the median.

- Overall, 83% of the properties had rents that were affordable for people earning 50% of the median family income or less.
- 22% of the properties had rents that were affordable for people earning 30% of the median family income or less.
- 58% of the converted units were in properties with rents or comparable rents that were affordable for people earning 50% of the median family income or less.
- 14% of the converted units were in properties with rents or comparable rents that were affordable for people earning 30% of the median family income or less.
- The average rent (including rent comparables) for a 1 bedroom unit prior to conversion was \$648. This rent amount would be affordable at a family earning \$25,960.
- The average rent (including rent comparables) for a 2 bedroom unit prior to conversion was \$836. This rent amount would be affordable at a family earning \$33,480.

Geographic distribution of condo conversions

- Nearly three quarters of the conversions took place in Wards 6,7,10 and 13.
- Over one-third of the condo conversions were in Ward 10.
- Nearly half of all condo conversions took place in five Minneapolis neighborhoods: CARAG, East Harriet, Linden Hills, Lowry Hill and Lyndale.
- The majority of condo conversions are taking place in low-to moderate-rent neighborhoods. More than three quarters of the condo conversions are in areas where the median gross rent is \$770 or less.

Limitations

HousingLink's vacancy listing database only includes units with rents that fall within certain rent limits determined to be affordable. These rent limits are based on the Department of Housing and Urban Development's (HUD's) Fair Market Rent (FMR) limits for the Twin Cities metropolitan area and Minnesota Housing Finance Agency's (MHFA's) Section 42 rent limits. Properties with rents higher than these rent limits would not appear in the vacancy listing database.

Appendix A: Figures

Note: Data for 2005 includes conversions identified through August 15, 2005.

Figure 1: Converted properties affordable at 50% of the median or less, by year

Year	% of properties with rents affordable at 50% of median family income	Properties with rents affordable at 50% of median family income	Number of properties converted
2000	75%	3	4
2001	100%	5	5
2002	95%	18	19
2003	90%	38	42
2004	72%	39	54
2005	82%	31	38
TOTAL	83%	134	162

Figure 2: Estimated number of units affordable at 50% of the median or less, by year

Year	Estimated % of units affordable to 50% of median family income	Estimated number of units affordable to 50% of median family income	Number of units converted
2000	86%	12	14
2001	100%	18	18
2002	71%	84	118
2003	85%	305	357
2004	38%	402	1064
2005*	69%	529	763
TOTAL	58%	1350	2334

Figure 3: Converted properties affordable at 30% of the median or less, by year

Year	% of properties with rents affordable to 30% of median family income	Properties with rents affordable at 30% of median family income	Number of properties converted
2000	0	0	4
2001	0	0	5
2002	26%	5	19
2003	28%	12	42
2004	20%	11	54
2005	21%	8	38
TOTAL	22%	36	162

Figure 4: Estimated number of units affordable at 30% of the median or less, by year

Year	Estimated % of units with rents affordable to 30% of median family income	Estimated number of units affordable to 30% of median family income	Number of units converted
2000	0	0	14
2001	0	0	18
2002	26%	31	118
2003	18%	64	357
2004	10%	106	1064
2005	15%	117	763
TOTAL	14%	318	2334

Figure 5: Conversions by ward

Ward	# of properties	# of units	# of properties with rents affordable at 50% or less	Estimated # of units affordable at 50% or less
1	4	21	3	19
2	1	2	1	2
3	5	158	3	10
4	0	0	0	0
5	0	0	0	0
6	23	258	21	252
7	20	879	9	94
8	14	109	14	109
9	4	28	2	16
10	57	419	53	407
11	9	55	8	53
12	3	8	2	6
13	22	397	18	382
TOTAL	162	2334	134	1350

Figure 6: Conversions of properties affordable at 50% of the median or less by ward and year

Ward	# of properties/units affordable at 50% or less converted in 2000	# of properties/units affordable at 50% or less converted in 2001	# of properties/units affordable at 50% or less converted in 2002	# of properties/units affordable at 50% or less converted in 2003	# of properties/units affordable at 50% or less converted in 2004	# of properties/units affordable at 50% or less converted in 2005
1	0/0	1/3	0/0	1/4	0/0	1/12
2	0/0	1/2	0/0	0/0	0/0	0/0
3	0/0	0/0	1/2	0/0	2/8	0/0
4	0/0	0/0	0/0	0/0	0/0	0/0
5	0/0	0/0	0/0	0/0	0/0	0/0
6	0/0	0/0	2/23	5/44	9/108	5/77
7	0/0	0/0	2/4	2/7	1/23	4/60
8	0/0	0/0	1/4	2/8	9/75	2/22
9	0/0	0/0	0/0	0/0	2/16	0/0
10	1/4	1/2	7/31	21/108	8/43	15/219
11	2/8	0/0	1/6	1/5	2/11	2/23
12	0/0	0/0	0/0	0/0	2/6	0/0
13	0/0	2/11	4/14	6/129	4/112	2/116
TOTAL	3 properties/ 12 units	5 properties/ 18 units	18 properties/ 84 units	38 properties/ 305 units	39 properties/ 402 units	31 properties/ 529 units

Figure 7: Type of rent information obtained, by ward

Ward	Rent property match	Rent comparable	No rent information	Total properties
1	2	2	0	4
2	0	1	0	1
3	1	1	3	5
4	0	0	0	0
5	0	0	0	0
6	5	17	1	23
7	1	10	8	19
8	1	13	0	14
9	0	2	2	4
10	7	49	1	57
11	1	7	1	9
12	1	1	1	3
13	2	16	4	22

Figure 8: Conversions by neighborhood

Neighborhood	# of converted properties	% of converted properties
Bottineau	1	.6
CARAG	14	8.6
Central	2	1.2
Downtown	1	.6
East Harriet	12	7.4
East Isles	7	4.3
ECCO	9	5.6
Elliot Park	4	2.5
Field	1	.6
Hiawatha	1	.6
Howe	1	.6
Kenwood	1	.6
King Field	8	4.9
Linden Hills	15	9.3
Logan Park	1	.6
Lowry Hill	16	9.9
Lyndale	15	9.3
Lynnhurst	1	.6
Marcy-Holmes	1	.6

Minnehaha	2	1.2
Nicollet Island/East Bank	1	.6
Northloop	2	1.2
Powderhorn	9	5.6
Seward	1	.6
St. Anthony	2	1.2
Stevens	10	6.2
Tangletown	4	2.5
Ventura	1	.6
Waite Park	1	.6
West Calhoun	2	1.2
Whittier	12	7.4
Windom Park	4	2.5
Total	162	100

Figure 9: Average rents by unit size

Unit size (by # of bedrooms)	2000	2001	2002	2003	2004	2005	TOTAL
0	-	-	\$514.00	\$502.00	\$527.00	\$515.00	\$515.00
1	\$781.00	\$767.00	\$661.00	\$644.00	\$643.00	\$624.00	\$648.00
2	\$863.00	\$830.00	\$840.00	\$831.00	\$838.00	\$840.00	\$836.00
3	-	-	\$1095.00	\$1200.00	\$1085.00	\$1425.00	\$1200.00
4	-	-	-	-	-	-	-
5	-	-	-		\$1,500.00		\$1500.00

The average rent numbers include both rents from property matches and rent comparables.

Appendix B

HUD Median Family Income, 2000-2005 Minneapolis-St. Paul MSA

Year	MFI	50%	30%
2000	73,993	36,996	22,197
2001	74,700	37,350	22,410
2002	76,700	38,350	23,010
2003	75,300	37,650	22,590
2004	76,400	38,200	22,920
2005	77,000	38,500	23,100
Average	75,775	37,887	22,732

Affordable rents based on HUD Median Family Income, 2000-2005 Minneapolis-St. Paul MSA

Year	50% MFI	30% MFI
2000	\$925	\$555
2001	\$934	\$560
2002	\$958	\$575
2003	\$941	\$565
2004	\$955	\$573
2005	\$963	\$577