

Webinar

ULI Minnesota: 11th Annual Housing Summit

Date: June 02, 2020

00:00:52 --> 00:00:55: Welcome everyone as you begin to sign in.

00:00:55 --> 00:00:58: We'll get started in a couple of minutes,

00:00:58 --> 00:01:00: giving people a chance to connect.

00:01:57 --> 00:01:59: Again, welcome everyone as you're signing in.

00:01:59 --> 00:02:02: We're going to give a couple of minutes.

00:02:02 --> 00:02:04: I see the numbers are still coming in,

00:02:04 --> 00:02:07: so giving people a chance to connect before we get

00:02:07 --> 00:02:07: started.

00:03:13 --> 00:03:16: OK, we are a couple minutes after 9 and there's

00:03:16 --> 00:03:19: a lot that we want to talk about and I

00:03:19 --> 00:03:22: know people are still connecting in,

00:03:22 --> 00:03:27: but I thought we would go ahead and get started.

00:03:27 --> 00:03:31: Thank you everyone for joining today for you align

00:03:31 --> 00:03:36: Minnesota's

00:03:36 --> 00:03:37: 11th annual Housing summit housing choices and market

00:03:37 --> 00:03:39: impacts in

00:03:39 --> 00:03:41: a disruptive economy.

00:03:41 --> 00:03:45: My name is Kathy Bennett.

00:03:45 --> 00:03:48: I'm the director of you Lie,

00:03:48 --> 00:03:52: Minnesota's advisory services program, and I have been with

00:03:52 --> 00:03:54: you

00:03:54 --> 00:03:59: Ally since our first annual housing Summit.

00:03:59 --> 00:04:03: There are some logistics that I wanted to review before

00:04:03 --> 00:04:07: we get started.

00:04:07 --> 00:04:12: While we've converted to virtual platform for many of our

00:04:12 --> 00:04:16: programs,

00:04:16 --> 00:04:20: this is our first official webinar,

00:04:20 --> 00:04:24: so please please be a little bit.

00:04:24 --> 00:04:28: Patient with us as we navigate through this.

00:04:28 --> 00:04:32: Our agenda today consists of our keynote speaker and then

00:04:16 --> 00:04:19: we will have a conversation with our panel.

00:04:19 --> 00:04:22: I encourage you to ask questions in the Q&A box,

00:04:22 --> 00:04:28: and I will facilitate those questions to the appropriate person.

00:04:28 --> 00:04:31: I want to 1st thank prosperity's front door.

00:04:35 --> 00:04:37: I'm sorry if you can't hear me.

00:04:37 --> 00:04:39: I'm trying to speak louder.

00:04:39 --> 00:04:42: I want to 1st thank prosperity's front door.

00:04:42 --> 00:04:45: Let me know if that's better.

00:04:45 --> 00:04:49: Spirit is front door is our event sponsor today.

00:04:49 --> 00:04:52: Minnesota Statewide Network of Business,

00:04:52 --> 00:04:57: government, community and nonprofit leaders focused on housing issues in

00:04:57 --> 00:04:58: our state.

00:05:00 --> 00:05:02: And so before we begin,

00:05:02 --> 00:05:06: I want to acknowledge that our hearts are breaking.

00:05:06 --> 00:05:10: Over the tragic and unjust death of George Floyd and

00:05:10 --> 00:05:13: the following unrest in our neighborhoods.

00:05:13 --> 00:05:17: Our main streets in our homes.

00:05:17 --> 00:05:20: I know that the impacts are unequal.

00:05:20 --> 00:05:23: And those communities most in need.

00:05:23 --> 00:05:28: Are hit the hardest. I also acknowledge that this comes

00:05:29 --> 00:05:30: from someone.

00:05:30 --> 00:05:34: With white privilege and access to opportunity that people of

00:05:34 --> 00:05:37: color in our cities and the country do not have

00:05:37 --> 00:05:39: the benefit of expressing.

00:05:39 --> 00:05:43: And all I can say is I am sorry.

00:05:43 --> 00:05:45: And that we must do better.

00:05:45 --> 00:05:49: I also know that there is power in connecting people.

00:05:49 --> 00:05:53: There is power in trusted relationships and there is power

00:05:54 --> 00:05:55: in the human spirit.

00:05:55 --> 00:06:00: That will help us move forward with heightened awareness that

00:06:00 --> 00:06:04: we cannot forget the suffering as the Community rebuilds.

00:06:04 --> 00:06:08: We cannot forget the importance of access to safe,

00:06:08 --> 00:06:13: decent and affordable homes, which is front and center even

00:06:13 --> 00:06:18: more important due to covid and the overall public health.

00:06:18 --> 00:06:21: Of people in our cities.

00:06:21 --> 00:06:24: I was reflecting this weekend on a book entitled Palaces

00:06:25 --> 00:06:28: For the People and I felt it was appropriate for

00:06:28 --> 00:06:30: what we are talking about today.

00:06:30 --> 00:06:35: The book is focused on the importance of place of

00:06:35 --> 00:06:38: community and of people.

00:06:38 --> 00:06:41: And the importance of.
 00:06:41 --> 00:06:45: Social infrastructure and how it can help fight inequality.
 00:06:45 --> 00:06:49: Polarization and the decline of civic life.
 00:06:49 --> 00:06:52: I believe that not only public places,
 00:06:52 --> 00:06:59: but housing should be considered key infrastructure available and accessible
 00:06:59 --> 00:06:59: to all.
 00:06:59 --> 00:07:03: And why I alone? Or you alone can't change systematic
 00:07:03 --> 00:07:04: injustice.
 00:07:04 --> 00:07:08: We can recognize that systematic change is imperative.
 00:07:08 --> 00:07:12: So today as we talk about attainable housing or the
 00:07:12 --> 00:07:14: missing housing for the middle incomes,
 00:07:14 --> 00:07:18: which was the basis of our work over the past
 00:07:18 --> 00:07:18: nine months,
 00:07:18 --> 00:07:23: we understand the importance of finding ways to breakdown
 00:07:23 --> 00:07:28: barriers to support unsustainable middle income housing so
 00:07:28 --> 00:07:33: that scarce
 00:07:33 --> 00:07:33: public resources are adequately directed to those most in
 00:07:33 --> 00:07:36: need.
 00:07:36 --> 00:07:38: While we may not have all the answers today,
 00:07:38 --> 00:07:38: I am hopeful for the future.
 00:07:38 --> 00:07:42: For my children who are deeply engaged in demanding
 00:07:42 --> 00:07:46: change
 00:07:46 --> 00:07:49: and for so many people with good hearts and intentions,
 00:07:49 --> 00:07:50: who want to see Equitable Path forward that includes our
 00:07:50 --> 00:07:54: partners,
 00:07:54 --> 00:07:55: our members, our mayors are cities in our communities and
 00:07:55 --> 00:07:55: the people.
 00:07:55 --> 00:07:58: So if I can leave you with anything today,
 00:07:58 --> 00:08:00: it is along with me.
 00:08:00 --> 00:08:03: Keep these questions to the forefront.
 00:08:03 --> 00:08:07: What can I do and what can we do together?
 00:08:07 --> 00:08:11: So thank you for listening to me because it was
 00:08:11 --> 00:08:15: a decision that we wanted to continue to have this
 00:08:15 --> 00:08:18: forum today and our ability to be able to talk
 00:08:18 --> 00:08:24: about the events. So with that I want to introduce
 00:08:24 --> 00:08:26: our keynote speaker.
 00:08:26 --> 00:08:29: Adam Tucker he is with our CL Co real estate
 00:08:29 --> 00:08:30: advisors.
 00:08:30 --> 00:08:34: He is a senior managing director.
 00:08:34 --> 00:08:38: And the director of Urban Real estate and Public Strategies,
 00:08:38 --> 00:08:40: Mr Ducker is Co. Author of You Lie to wilger

00:08:41 --> 00:08:44: Centers for Housing Report an attainable housing challenges,

00:08:44 --> 00:08:49: perceptions and solutions, which outlines best practices and key solutions

00:08:49 --> 00:08:54: to address the challenges and potential solutions to the problem

00:08:54 --> 00:08:57: of providing for sale and rental housing that meets the

00:08:57 --> 00:09:01: needs of middle class American households.

00:09:01 --> 00:09:04: For over 50 years, our CL Co real estate advisors

00:09:05 --> 00:09:09: have been the first call for real estate developers,

00:09:09 --> 00:09:13: investors, the public sector and non non real estate companies.

00:09:13 --> 00:09:18: By leveraging quantitative analysis, strategic thinking,

00:09:18 --> 00:09:23: market knowledge and industry experience to provide business planning and

00:09:23 --> 00:09:25: implementation solutions.

00:09:25 --> 00:09:28: So with that I will turn it over to Adam.

00:09:31 --> 00:09:34: Thank you, Kathy, and thank you for the kind of

00:09:34 --> 00:09:38: moving words and introduction inspiring indeed.

00:09:38 --> 00:09:40: When you asked me to join.

00:09:40 --> 00:09:44: The Groupon in Twin Cities back in February,

00:09:44 --> 00:09:48: I was delighted to. Had the chance to visit and.

00:09:48 --> 00:09:51: Well, I'm sorry to be doing it by zoom.

00:09:51 --> 00:09:54: I'm actually thrilled for the opportunity to engage with the

00:09:55 --> 00:09:56: community and in Minnesota,

00:09:56 --> 00:09:59: and be with you. It's really at a time that's

00:09:59 --> 00:10:01: challenging for the entire country.

00:10:01 --> 00:10:05: One of the things that I like about you Ally

00:10:05 --> 00:10:09: and one of the things that I was particularly.

00:10:09 --> 00:10:13: Excited about in the opportunity to do some of the

00:10:13 --> 00:10:14: work we've done with.

00:10:14 --> 00:10:16: Um?

00:10:16 --> 00:10:20: With the Twitter Center, is the ability to talk about

00:10:21 --> 00:10:22: issues of social equity.

00:10:22 --> 00:10:25: Through a lens of business opportunity,

00:10:25 --> 00:10:29: right? One of the things I think that are willing

00:10:29 --> 00:10:32: or cinnamon you Ally strives to do,

00:10:32 --> 00:10:34: and exciting is to say it is OK to do

00:10:34 --> 00:10:36: well and do good.

00:10:36 --> 00:10:40: In fact, if as a community as a development community,

00:10:40 --> 00:10:43: we can find ways to do well and do good,

00:10:43 --> 00:10:46: we can kind of martial our unique skills.

00:10:46 --> 00:10:49: Access to equity, political capital if you will,

00:10:49 --> 00:10:53: towards creating a more you know just and equitable.

00:10:53 --> 00:10:55: Country, and in this context,

00:10:55 --> 00:11:00: today we're talking about housing as a component of that.

00:11:00 --> 00:11:04: I'm going to share today some highlights from 2 research

00:11:04 --> 00:11:08: papers that we've done jointly sponsored with it to Willigar

00:11:08 --> 00:11:09: Center.

00:11:09 --> 00:11:14: The first unattainable housing I'll describe and define

00:11:14 --> 00:11:15: attainable housing

00:11:14 --> 00:11:15: in a minute,

00:11:15 --> 00:11:17: and the second fresh off the press,

00:11:17 --> 00:11:20: and in fact, just released on Friday.

00:11:20 --> 00:11:21: Um?

00:11:24 --> 00:11:26: Available on the center's website.

00:11:26 --> 00:11:30: Both of these reports. I think this presentation,

00:11:30 --> 00:11:33: in which I've added some material specific to the Twin

00:11:33 --> 00:11:33: Cities,

00:11:33 --> 00:11:36: will also be shared either on our website or I

00:11:37 --> 00:11:41: think Kathy said we would actually send the presentation

00:11:41 --> 00:11:41: around

00:11:41 --> 00:11:41: and you know,

00:11:41 --> 00:11:45: I think the hope and expectation is that this work

00:11:45 --> 00:11:49: gives people in different parts of the development community

00:11:49 --> 00:11:50: kind

00:11:49 --> 00:11:50: of fodder.

00:11:50 --> 00:11:52: If you will to go out and.

00:11:52 --> 00:11:54: To push the envelope, try to innovate.

00:11:54 --> 00:11:57: You know, maybe take risk again with the dual mission

00:11:57 --> 00:12:00: of finding a way to grow or enhance your business

00:12:00 --> 00:12:03: and also find a way to participate in housing in

00:12:03 --> 00:12:05: a way that really draws.

00:12:05 --> 00:12:07: Try to meet kind of a social need.

00:12:07 --> 00:12:09: So I'm going to launch into it.

00:12:09 --> 00:12:12: This might be a little bit more of a presentation

00:12:12 --> 00:12:13: than I would like,

00:12:13 --> 00:12:16: but the format does lend itself to it.

00:12:16 --> 00:12:18: I'll keep an eye on the Q&A as best I

00:12:18 --> 00:12:18: can,

00:12:18 --> 00:12:21: and they'll be plenty of time for questions at the

00:12:21 --> 00:12:22: end,

00:12:22 --> 00:12:27: so, attainable housing. Let me just spend a minute attainable.

00:12:27 --> 00:12:30: Housing is not really yet in a very well defined

00:12:30 --> 00:12:31: term.

00:12:31 --> 00:12:34: In American real estate, the way the industry seems to

00:12:35 --> 00:12:35: be using it,
00:12:35 --> 00:12:39: and the way I'm going to talk about it today
00:12:39 --> 00:12:40: is.
00:12:40 --> 00:12:43: For sale housing affordable to the middle class,
00:12:43 --> 00:12:47: right? So this is non subsidized housing.
00:12:47 --> 00:12:51: And it typically implies housing that is for sale.
00:12:51 --> 00:12:56: I'll do the same definition around family rental housing when
00:12:56 --> 00:12:57: we get to it.
00:12:57 --> 00:13:00: And then sort of some framing questions for today.
00:13:00 --> 00:13:03: You know, we're talking here about homeownership,
00:13:03 --> 00:13:07: not because. It has any moral value above renting,
00:13:07 --> 00:13:10: but simply because it's a preference of some Americans,
00:13:10 --> 00:13:14: although we put a question mark there.
00:13:14 --> 00:13:17: And that's something we'll talk about today,
00:13:17 --> 00:13:21: as as you'll hear, we do use the language of
00:13:21 --> 00:13:22: a business case.
00:13:22 --> 00:13:29: And we're talking about barriers to achieving attainable
housing.
00:13:29 --> 00:13:32: In the United States and in Minneapolis in particular,
00:13:32 --> 00:13:35: and we're not going to spend a tremendous amount of
00:13:35 --> 00:13:37: time talking about COVID-19,
00:13:37 --> 00:13:39: but also kind of hit on that as we go
00:13:39 --> 00:13:40: through.
00:13:40 --> 00:13:43: Does the health care crisis and.
00:13:43 --> 00:13:46: The social kind of an equity crisis that were kind
00:13:46 --> 00:13:47: of seeing you know,
00:13:47 --> 00:13:49: writ large at the moment.
00:13:49 --> 00:13:53: What does that? Tell us about the difficulty of housing
00:13:53 --> 00:13:55: a middle class American families,
00:13:55 --> 00:13:58: either in for sale housing as well.
00:13:58 --> 00:14:01: Talk about first born family rental housing as well.
00:14:01 --> 00:14:04: Talk about second so very quick framing questions.
00:14:04 --> 00:14:06: I think people know this.
00:14:06 --> 00:14:14: The 2008 nine, 10 so called Great financial Crisis was
00:14:14 --> 00:14:20: a blip in really a 50 year story of housing.
00:14:20 --> 00:14:23: Unavailability and you know inequality if you will.
00:14:23 --> 00:14:25: In America on the chart,
00:14:25 --> 00:14:28: at the left shows the divergent between you know median
00:14:29 --> 00:14:31: home price and median income,
00:14:31 --> 00:14:35: right and. You know, in an accelerating rate through the
00:14:35 --> 00:14:36: last cycle.
00:14:36 --> 00:14:41: Houses have become more unaffordable for those looking to

00:14:41 --> 00:14:43: buy
 00:14:43 --> 00:14:47: a home in the United States.
 00:14:47 --> 00:14:52: You know, early signs so far in that kind of
 00:14:52 --> 00:14:53: covert induced crisis are that home prices have not corrected
 00:14:53 --> 00:14:57: much.
 00:14:57 --> 00:14:59: Or declined much, and it's anticipated that incomes might,
 00:15:00 --> 00:15:03: and so we may be up all at the point
 00:15:03 --> 00:15:06: in which just sort of hoping that the typical supply
 00:15:06 --> 00:15:10: mechanism which is shown at the right,
 00:15:10 --> 00:15:14: the volume of new home building in the United States.
 00:15:14 --> 00:15:18: This is all home building rental and for sale just
 00:15:18 --> 00:15:18: simply isn't catching up with the market being left on
 00:15:18 --> 00:15:22: its own,
 00:15:22 --> 00:15:25: and if anything this this may get worse.
 00:15:25 --> 00:15:27: As we sort of suffer through another economic crisis,
 00:15:27 --> 00:15:30: which probably will result in.
 00:15:30 --> 00:15:33: A decline in new home building and not very likely
 00:15:33 --> 00:15:38: a decline in new household formation,
 00:15:38 --> 00:15:40: so a systemic problem that's many decades in the making.
 00:15:40 --> 00:15:41: And.
 00:15:41 --> 00:15:45: What we look at? Well,
 00:15:45 --> 00:15:47: what is it exactly? That's cotton produced again,
 00:15:47 --> 00:15:50: this is for sale housing.
 00:15:50 --> 00:15:55: Indexed to the 2003 to 2006.
 00:15:55 --> 00:16:00: You know what this chart demonstrates is that the luxury
 00:16:00 --> 00:16:01: segments of the for sale housing market have done just
 00:16:01 --> 00:16:04: fine.
 00:16:04 --> 00:16:08: And there's no shame in building for the luxury segment.
 00:16:08 --> 00:16:12: And maybe it's also no longer reasonable to expect it
 00:16:12 --> 00:16:14: a house that's under \$200,000 as that sort of greenish
 00:16:14 --> 00:16:18: line at the very bottom indicates.
 00:16:18 --> 00:16:21: But that 200 to 200 and.
 00:16:21 --> 00:16:21: \$99,000 range that says it all get into this little
 00:16:21 --> 00:16:25: bit,
 00:16:25 --> 00:16:30: and that's really the heart of.
 00:16:30 --> 00:16:31: The market for middle class households that market has
 00:16:31 --> 00:16:33: come
 00:16:33 --> 00:16:38: back to less than 50%
 00:16:38 --> 00:16:40: of its previous total and even the three in order
 00:16:40 --> 00:16:46: to 300 to \$4000 range,
 00:16:46 --> 00:16:47: again still below its peak until just the very last
 00:16:47 --> 00:16:47: year and.

00:16:47 --> 00:16:51: You know all evidence of from the last year and

00:16:51 --> 00:16:55: expectations for the next year is no significant uptick in

00:16:55 --> 00:16:58: the ability to produce housing at this level.

00:17:01 --> 00:17:04: You know another way of kind of looking at affordability,

00:17:04 --> 00:17:06: which I'll kind of move past little quickly in the

00:17:06 --> 00:17:07: middle of time,

00:17:07 --> 00:17:12: so. So sociologists typically define.

00:17:12 --> 00:17:15: The middle class in America.

00:17:15 --> 00:17:18: As households are making between 80%

00:17:18 --> 00:17:21: and 160% of median income,

00:17:21 --> 00:17:27: that is literally the 1/3 of households in the United

00:17:27 --> 00:17:29: States between roughly 33%

00:17:29 --> 00:17:34: and 66%. As measured by income decile.

00:17:34 --> 00:17:41: In the Twin Cities, that means households making between

00:17:41 --> 00:17:43: 55,000

00:17:43 --> 00:17:47: and \$120,000 a year.

00:17:47 --> 00:17:51: And so for the purpose of this discussion.

00:17:51 --> 00:17:51: We're talking about. Homes priced 250,000 to a high of

00:17:51 --> 00:17:54: 400,000,

00:17:54 --> 00:17:57: but again the kind of heart of that range is

00:17:57 --> 00:18:00: really in the high two hundreds and \$300,000,

00:18:00 --> 00:18:03: which you know I don't have to tell.

00:18:03 --> 00:18:06: This group is extremely difficult to deliver,

00:18:06 --> 00:18:11: at least in most parts of the Twin Cities an

00:18:11 --> 00:18:15: and particularly difficult to deliver at a size and scale

00:18:15 --> 00:18:15: that kind of accommodates middle class families.

00:18:15 --> 00:18:18: And.

00:18:18 --> 00:18:21: You know one of the reasons why.

00:18:21 --> 00:18:25: The home building community may have sort of migrated so

00:18:26 --> 00:18:30: dramatically towards the high end is not only because.

00:18:30 --> 00:18:35: The the the economics of delivering that house is better.

00:18:35 --> 00:18:39: But because wealth inequality has been so dramatic,

00:18:39 --> 00:18:43: you know over the last two decades this chart shows

00:18:43 --> 00:18:44: mean income,

00:18:44 --> 00:18:49: mean, income growth by segment of the population as

00:18:49 --> 00:18:49: measured

00:18:49 --> 00:18:54: by income,

00:18:54 --> 00:18:58: and you know, as some of that data previously showed,

00:18:58 --> 00:18:58: you know very very little income growth in the middle

00:18:58 --> 00:19:01: class.

00:19:01 --> 00:19:05: The middle quintile, and the.

00:19:05 --> 00:19:06: 2nd and 4th quintile, and very very high income growth

00:19:06 --> 00:19:06: in the high point.

00:19:06 --> 00:19:08: Also, you know, to some degree,
00:19:08 --> 00:19:11: as a community of real estate producers,
00:19:11 --> 00:19:15: we have kind of followed the inequality pattern in the
00:19:15 --> 00:19:16: United States.
00:19:16 --> 00:19:18: Again, not a tremendous sin,
00:19:18 --> 00:19:22: but if we have the opportunity to kind of refocus
00:19:22 --> 00:19:23: or re calibrate,
00:19:23 --> 00:19:27: and in fact meet A.
00:19:27 --> 00:19:31: Meet out at an open market all the better.
00:19:31 --> 00:19:35: So. You know, we sit here today,
00:19:35 --> 00:19:39: it's 2020. Why should we think about attainable housing and
00:19:39 --> 00:19:42: not just kind of continue building?
00:19:42 --> 00:19:46: You know, apartments sort of already towards young people.
00:19:46 --> 00:19:50: Or, you know, follow the baby boom and you know
00:19:50 --> 00:19:55: there is a demographic change underway that suggests an
ability
00:19:55 --> 00:19:56: to house.
00:19:56 --> 00:19:58: Kind of young families, either in for sale,
00:19:58 --> 00:20:02: housing or in rental housing will talk about them in
00:20:02 --> 00:20:03: it is very compelling.
00:20:03 --> 00:20:07: This chart looks at the difference in population by age
00:20:07 --> 00:20:08: between.
00:20:10 --> 00:20:13: Households in 2020 and households in 2030 and if you
00:20:14 --> 00:20:17: look at the two areas where you see that light
00:20:17 --> 00:20:18: blue shading.
00:20:18 --> 00:20:21: That's the area where there's tremendous growth in the
number
00:20:21 --> 00:20:25: of households that's forecast over the next 10 years.
00:20:25 --> 00:20:28: And that's the baby boomers or going to be well
00:20:28 --> 00:20:29: into their 70s,
00:20:29 --> 00:20:31: or increasingly in their 70s.
00:20:31 --> 00:20:36: Their radius discovery true. But really the 70s is the
00:20:36 --> 00:20:38: growth area of the Boomers.
00:20:38 --> 00:20:42: And households between about 30 and about 50 the Classic
00:20:42 --> 00:20:45: age of family formation in the United States.
00:20:45 --> 00:20:49: The black line actually shows the percentage of households
with
00:20:49 --> 00:20:50: children.
00:20:50 --> 00:20:55: And you know much has been made about the delay
00:20:55 --> 00:20:56: and millennial.
00:20:56 --> 00:20:59: Household formation and having children,
00:20:59 --> 00:21:02: it's actually overstated in many respects,
00:21:02 --> 00:21:04: but.

00:21:04 --> 00:21:07: You know this line shows the vast majority of households

00:21:07 --> 00:21:08: in this category.

00:21:08 --> 00:21:12: Which one? So this is the group that's going to

00:21:12 --> 00:21:15: be in most need of housing is going to have

00:21:15 --> 00:21:16: the most.

00:21:16 --> 00:21:19: Significant growth you can sort of see that was this

00:21:19 --> 00:21:20: was the area or the cohort,

00:21:20 --> 00:21:23: so the so called generation X that was in their

00:21:23 --> 00:21:26: family formation years over the last.

00:21:26 --> 00:21:29: 10 to 20 years and not a lot of growth.

00:21:29 --> 00:21:31: In fact, some population decline,

00:21:31 --> 00:21:36: so the demographics suggest the need for housing or into

00:21:37 --> 00:21:40: this family for this for this market.

00:21:40 --> 00:21:42: So what do we know?

00:21:42 --> 00:21:45: A couple of different data points.

00:21:45 --> 00:21:48: To describe.

00:21:48 --> 00:21:52: Sort of general misalignment of housing available in demand.

00:21:52 --> 00:21:56: This is some work that are CL coded looking at

00:21:56 --> 00:21:58: actual home sales.

00:21:58 --> 00:22:02: Potential buyers meaning what people can really afford and the

00:22:03 --> 00:22:07: supply that's delivered in master plan communities.

00:22:07 --> 00:22:10: Master planners are not the only context in which new

00:22:10 --> 00:22:11: for sale,

00:22:11 --> 00:22:14: housing undelivered, but it's significant.

00:22:14 --> 00:22:18: And again you can see that significant over concentration in

00:22:18 --> 00:22:23: the relatively high price points and dramatic under representation.

00:22:23 --> 00:22:27: In these kind of attainable and even kind of like

00:22:27 --> 00:22:32: middle class oriented price points really below 400,000 or 450,000.

00:22:32 --> 00:22:36: This is national data, but probably not dissimilar what we

00:22:36 --> 00:22:38: see around the Twin Cities.

00:22:41 --> 00:22:45: We had an opportunity to do some survey research with

00:22:45 --> 00:22:49: members of the UI Community development Councils.

00:22:49 --> 00:22:53: Who actually define the attainable band as a 82120%

00:22:53 --> 00:22:56: of median income, and we ask them if you look

00:22:56 --> 00:22:57: at the chart at the right.

00:22:57 --> 00:23:01: Again, these are kind of senior executives in the home

00:23:01 --> 00:23:04: building and Community element business.

00:23:04 --> 00:23:07: We asked them.

00:23:07 --> 00:23:11: On the left, what share of total demand?

00:23:11 --> 00:23:14: Do you think that attainable band represents,

00:23:14 --> 00:23:16: and you know just about right,
 00:23:16 --> 00:23:19: the market says, well, you know.
 00:23:19 --> 00:23:21: About 30% said 20 to 40%
 00:23:21 --> 00:23:24: of demand. Another quarter said 40 to 60%
 00:23:24 --> 00:23:28: of demand. You know a bunch of respondents said it's
 00:23:29 --> 00:23:29: you know,
 00:23:29 --> 00:23:33: as high as 60% or even higher than that.
 00:23:33 --> 00:23:36: We ask the same group of people chart on the
 00:23:36 --> 00:23:40: right what share of housing that you're delivering and your
 00:23:40 --> 00:23:41: community.
 00:23:41 --> 00:23:44: You know fits within that attainable band.
 00:23:44 --> 00:23:45: Well, almost 40% said 0%,
 00:23:45 --> 00:23:47: and in fact 80% said 10%
 00:23:47 --> 00:23:50: or less, totaling up those first three categories.
 00:23:50 --> 00:23:55: So within the industry, there's some awareness of this
 mismatch,
 00:23:55 --> 00:23:56: and the question is why?
 00:23:56 --> 00:23:59: Why not do it? And you know you can guess
 00:23:59 --> 00:24:00: at the answer,
 00:24:00 --> 00:24:02: right? Land is too expensive,
 00:24:02 --> 00:24:04: it's just too expensive to build the home.
 00:24:04 --> 00:24:06: The finish level is too high,
 00:24:06 --> 00:24:11: the. The government regulations or the impact fees
 discourage it.
 00:24:11 --> 00:24:13: All of these things are true.
 00:24:13 --> 00:24:16: Nimbyism describes it. You know it's too hard to get
 00:24:16 --> 00:24:17: density,
 00:24:17 --> 00:24:21: so there are real challenges and they play out in
 00:24:21 --> 00:24:22: everyday life.
 00:24:22 --> 00:24:27: Um? The reality is it's going to take some.
 00:24:27 --> 00:24:31: Revolutionary change to move the needle you know is just
 00:24:31 --> 00:24:33: a few things to think about right?
 00:24:33 --> 00:24:35: Who are The Pioneers right?
 00:24:35 --> 00:24:39: Who in the home building community or community
 development you
 00:24:40 --> 00:24:43: know is going to is going to take leadership and
 00:24:43 --> 00:24:45: in fact market risk?
 00:24:45 --> 00:24:49: Again and again we here in communities around the country
 00:24:49 --> 00:24:49: and I I.
 00:24:49 --> 00:24:53: I know you know Minneapolis in some cities are ahead
 00:24:53 --> 00:24:54: of the curve,
 00:24:54 --> 00:24:57: but in many communities around Minnesota.

00:24:57 --> 00:25:00: You know single family zoning is a very,

00:25:00 --> 00:25:05: very strong impediment to the ability to be creative in

00:25:05 --> 00:25:08: shrinking the home and hitting some.

00:25:08 --> 00:25:12: In a more attainable price points.

00:25:12 --> 00:25:19: Land. Land availability and pricing and constraints on.

00:25:19 --> 00:25:22: The ability to put land in production.

00:25:22 --> 00:25:25: I think the Twin Cities has been very forward thinking

00:25:26 --> 00:25:28: and the use of process in the way that.

00:25:28 --> 00:25:31: Infrastructure has been metered into the market.

00:25:31 --> 00:25:36: But there needs to be kind of a continuing evolution

00:25:36 --> 00:25:40: of thought around how to create either through land,

00:25:40 --> 00:25:43: banking or land leasing. A way for you know,

00:25:43 --> 00:25:48: some land to be put into production in a way

00:25:48 --> 00:25:48: that.

00:25:48 --> 00:25:52: Supports balanan. There also needs to be something around

00:25:53 --> 00:25:53: impact

00:25:53 --> 00:25:57: fees.

00:25:57 --> 00:26:01: And there is an inequality to the way in which

00:26:02 --> 00:26:06: impact fees are levied like irrespective of the future user

00:26:06 --> 00:26:10: and their ability to pay right we tax progressively in

00:26:10 --> 00:26:13: so many areas of fiscal policy in the United States,

00:26:13 --> 00:26:16: but not in housing.

00:26:16 --> 00:26:18: And you know, maybe during the questions we'll come back

00:26:18 --> 00:26:20: to this topic of what other things in the Twin

00:26:20 --> 00:26:23: Cities might get in the way of this,

00:26:23 --> 00:26:27: or what other things are people in the Twin Cities,

00:26:27 --> 00:26:31: people or government? Or the public sector deficit.

00:26:31 --> 00:26:32: So just a few I'm going to spend just a

00:26:32 --> 00:26:36: minute on.

00:26:36 --> 00:26:38: Discussing a little bit of you know why there's not

00:26:38 --> 00:26:42: been a lot of energy around this,

00:26:42 --> 00:26:45: right? Business has been very good in home building.

00:26:45 --> 00:26:46: You know there's a lot of talk about millennials and

00:26:46 --> 00:26:48: how you know,

00:26:48 --> 00:26:52: eager they are to sort of live in cities.

00:26:52 --> 00:26:54: And I think as an industry we've sort of flocked

00:26:54 --> 00:26:59: to the little bit moth to the flame.

00:26:59 --> 00:27:02: The capital markets have not been encouraging people to

00:27:02 --> 00:27:03: take

00:27:03 --> 00:27:06: risks on for sale housing or to innovate and for

00:27:07 --> 00:27:10: sale housing.

00:27:07 --> 00:27:10: It is absolutely true that there is not very good

00:27:10 --> 00:27:10: market data that will support some of the technologies we're

00:27:10 --> 00:27:12: going to look at in a minute,
00:27:12 --> 00:27:15: and that really suggests that.
00:27:15 --> 00:27:20: Middle class consumers will make tradeoffs too.
00:27:20 --> 00:27:23: Find attainable housing which we're going to talk about.
00:27:23 --> 00:27:26: And it out. There is kind of a buzz in
00:27:26 --> 00:27:28: the industry that.
00:27:28 --> 00:27:31: You know the profit margins on you know small and
00:27:31 --> 00:27:35: middle class oriented housing are not compelling and just by
00:27:35 --> 00:27:36: dint of the price point,
00:27:36 --> 00:27:39: the gross profit is not as compelling,
00:27:39 --> 00:27:41: right?
00:27:41 --> 00:27:45: It's not a lot harder to build an \$800,000 home.
00:27:45 --> 00:27:48: You know, in Saint Paul that it is to be
00:27:48 --> 00:27:50: built a \$350,000 home.
00:27:50 --> 00:27:53: And if you have to make a lot less money
00:27:53 --> 00:27:54: doing it,
00:27:54 --> 00:27:58: how can we fault the home building community for not
00:27:58 --> 00:27:59: choosing to do so?
00:27:59 --> 00:28:02: So let me kind of spin through a few of
00:28:02 --> 00:28:03: these strategies.
00:28:03 --> 00:28:08: The obvious, first of which is just building smaller homes
00:28:08 --> 00:28:11: and smaller homes might be measured in,
00:28:11 --> 00:28:15: you know, 12111 hundred 1400 square feet.
00:28:15 --> 00:28:21: Again, particularly acceptable to a middle class customer
when it
00:28:21 --> 00:28:25: can be delivered with two or preferably 3 bedrooms.
00:28:25 --> 00:28:29: You know in fact. When we look back over the
00:28:29 --> 00:28:32: last five decades in the United States.
00:28:32 --> 00:28:37: Homes are that the composition of households in the chart
00:28:37 --> 00:28:39: at the left has been getting larger,
00:28:39 --> 00:28:44: meaning more people living in the typical home.
00:28:44 --> 00:28:47: Right and the the number of homes by bedroom count
00:28:47 --> 00:28:48: has gotten larger too,
00:28:48 --> 00:28:51: right? So we've talked about this all morning now.
00:28:51 --> 00:28:55: The market kind of grew migrating towards larger units.
00:28:55 --> 00:29:00: And in fact, the number of small homes has gotten.
00:29:00 --> 00:29:04: Lower or fewer? Remember coming out of the great financial
00:29:05 --> 00:29:08: crisis when everybody prognosticated that.
00:29:08 --> 00:29:11: We would build much smaller homes and you can see
00:29:11 --> 00:29:13: the lines sort of ticking up there.
00:29:13 --> 00:29:16: In 2910 Eleven 12. Well it didn't last long.
00:29:16 --> 00:29:19: And back towards the end of the decade.

00:29:19 --> 00:29:21: We're down in the five 7%
00:29:21 --> 00:29:21: range.
00:29:23 --> 00:29:27: You know, with the help of some people on the
00:29:27 --> 00:29:28: organizing call,
00:29:28 --> 00:29:31: we kind of did a scour of the Twin Cities
00:29:31 --> 00:29:31: suburbs.
00:29:31 --> 00:29:35: You can find scant evidence of this activity.
00:29:35 --> 00:29:40: Capstone homes here. This is sort of the low end
00:29:40 --> 00:29:45: of the product line that Capstone offers in terms of
00:29:45 --> 00:29:46: home sizes.
00:29:46 --> 00:29:50: You know, hitting that high 200,000 square feet?
00:29:50 --> 00:29:54: And again, I think our perspective is there's no shame
00:29:54 --> 00:29:57: in building a small home for a middle class family.
00:29:57 --> 00:30:02: In fact, middle class families seem to be delighted with
00:30:02 --> 00:30:03: housing like this.
00:30:03 --> 00:30:07: In the Twin Cities, like most places.
00:30:07 --> 00:30:11: It typically requires pushing deep into the suburbs,
00:30:11 --> 00:30:14: so there is some inequality there in terms of access
00:30:15 --> 00:30:16: to employment,
00:30:16 --> 00:30:20: there is an implied cost of transportation.
00:30:20 --> 00:30:24: This, by the way, is a very creative and efficient
00:30:24 --> 00:30:25: floor plan.
00:30:25 --> 00:30:29: And if you notice, it is kind of delivered here
00:30:29 --> 00:30:32: with an unfinished basement,
00:30:32 --> 00:30:34: but.
00:30:34 --> 00:30:37: You know plans in place as to how that basement
00:30:37 --> 00:30:40: could be kind of improved in the future.
00:30:40 --> 00:30:44: Again, I think a very appropriate response to middle class
00:30:44 --> 00:30:45: family needs,
00:30:45 --> 00:30:49: right? For for, for many years an you know American
00:30:49 --> 00:30:51: life and around the world.
00:30:51 --> 00:30:54: People have bought a home and improved it and expanded
00:30:54 --> 00:30:56: it and grown into it overtime.
00:30:56 --> 00:30:59: So I think this is a creative response and you
00:30:59 --> 00:31:02: know the kind of thing that you know.
00:31:02 --> 00:31:05: I hope in the next decade we'll see more of
00:31:05 --> 00:31:06: in more places.
00:31:06 --> 00:31:11: You know you can do this kind of floor plant
00:31:11 --> 00:31:15: even smaller and green shoot if you will.
00:31:15 --> 00:31:18: I don't love the term missing middle,
00:31:18 --> 00:31:23: but it does describe something real which is housing oriented
00:31:23 --> 00:31:27: towards the middle class in terms of income.

00:31:27 --> 00:31:32: Often at density that represent the midpoint.

00:31:32 --> 00:31:34: Um?

00:31:34 --> 00:31:38: Townhomes in in these examples shown here and very often

00:31:38 --> 00:31:43: a place that is a geographic middle between kind of the

00:31:43 --> 00:31:45: true urban parts of the region,

00:31:45 --> 00:31:49: and. The truly suburban parts of the region.

00:31:49 --> 00:31:53: Townhome production in the United States has plummeted over the

00:31:53 --> 00:31:54: last decade.

00:31:54 --> 00:31:56: It's plummeted in the Twin Cities too,

00:31:56 --> 00:32:00: so I'll talk about in a minute.

00:32:00 --> 00:32:02: You know, to a low of 5%

00:32:02 --> 00:32:07: this is all multifamily. Permits delivered and.

00:32:07 --> 00:32:10: You know less than 5%

00:32:10 --> 00:32:13: of it is for sale housing.

00:32:13 --> 00:32:16: You know, over the last decade or so,

00:32:16 --> 00:32:20: and when I started doing work in the Twin Cities

00:32:20 --> 00:32:22: back in the late 1990s.

00:32:22 --> 00:32:26: There was a wide variety of of townhome styles and

00:32:26 --> 00:32:27: price points.

00:32:27 --> 00:32:33: They were available and inner suburbs in outer suburbs.

00:32:33 --> 00:32:35: You know the back to back town home,

00:32:35 --> 00:32:38: which I know. You know was not a popular typology

00:32:38 --> 00:32:40: in the development community,

00:32:40 --> 00:32:43: but it did serve a social need which was giving

00:32:43 --> 00:32:47: young families in particular access to the for sale housing

00:32:47 --> 00:32:50: market during our planning work and sort of some scouring.

00:32:50 --> 00:32:54: Of the region, I was shocked to see how little

00:32:54 --> 00:32:56: town home development,

00:32:56 --> 00:33:00: let alone other types of creative middle density.

00:33:00 --> 00:33:05: You know, condo style single family housing that exists around

00:33:06 --> 00:33:06: the region.

00:33:06 --> 00:33:09: 1 example in New Brighton,

00:33:09 --> 00:33:11: whole communities in this case,

00:33:11 --> 00:33:16: doing both townhomes and some kind of stacked flats or

00:33:16 --> 00:33:17: condominiums.

00:33:17 --> 00:33:22: But you know the significant minority of housing delivered.

00:33:22 --> 00:33:25: In the Twin Cities housing below 4 or \$500,000 in

00:33:25 --> 00:33:27: the Twin Cities today being very,

00:33:27 --> 00:33:31: very rare and kind of attached housing which you know

00:33:31 --> 00:33:34: by dint of its density brings the land price down,

00:33:34 --> 00:33:38: it brings the construction down in a privacy and user
00:33:38 --> 00:33:41: price down so so kind of a question to ask,
00:33:41 --> 00:33:45: right? Is there something in housing policy that's discouraging this?

00:33:45 --> 00:33:48: Or even in the development or financing community?
00:33:48 --> 00:33:53: And again, you know townhomes have gotten a little bit
00:33:53 --> 00:33:53: of.
00:33:53 --> 00:33:57: Bad name the architecture in the history of American housing
00:33:57 --> 00:33:58: has not been terrific.
00:33:58 --> 00:34:03: But we kind of need to balance our aesthetic sensibilities
00:34:03 --> 00:34:06: with our kind of lens of social equity.
00:34:06 --> 00:34:09: And, you know the last example.
00:34:09 --> 00:34:13: I'll kind of highlight here is what we call value
00:34:13 --> 00:34:17: homes just simply stripping some of the customization.
00:34:17 --> 00:34:20: Some of the.
00:34:20 --> 00:34:22: You know, finish level out of the home.
00:34:22 --> 00:34:24: Now the builders on the on the call are rolling
00:34:24 --> 00:34:25: their eyes and saying,
00:34:25 --> 00:34:29: you know? We can do that and it saves us
00:34:29 --> 00:34:29: 2,
00:34:29 --> 00:34:33: three, 4% and doesn't move the needle on housing.
00:34:33 --> 00:34:36: So why bother? There are some builders in America,
00:34:36 --> 00:34:40: Garden Homes in the in the Research Triangle Park,
00:34:40 --> 00:34:44: North Carolina doing very very good work with still achieving
00:34:44 --> 00:34:45: true architecture.
00:34:45 --> 00:34:50: But simplifying the home. And I use this language earlier.
00:34:50 --> 00:34:55: When we ask consumers, this is RCL consumer research about
00:34:55 --> 00:35:00: their openness to make tradeoffs to afford a for sale
00:35:00 --> 00:35:01: home.
00:35:01 --> 00:35:06: Very, very high openness to trading off smaller lot size,
00:35:06 --> 00:35:11: very high openness to trading off smaller home size.
00:35:11 --> 00:35:13: Some willingness to trade off.
00:35:13 --> 00:35:17: You know, lower quality finishes that are appliances and the
00:35:17 --> 00:35:20: thing that people want to sacrifice on the least is
00:35:21 --> 00:35:21: location.
00:35:21 --> 00:35:24: Maybe not surprisingly.
00:35:24 --> 00:35:28: I'm just going to hit on two more strategies that
00:35:28 --> 00:35:32: we hope might move the needle overtime around for sale
00:35:32 --> 00:35:33: housing,
00:35:33 --> 00:35:36: one of which is building technology.
00:35:36 --> 00:35:39: And you know, we as an industry,

00:35:39 --> 00:35:43: I think. You know deserve our lashes in terms of.
 00:35:43 --> 00:35:48: Being too slow too.
 00:35:48 --> 00:35:51: Work with the technology community to change the means of
 00:35:51 --> 00:35:53: production of housing,
 00:35:53 --> 00:35:58: particularly low density housing. You know people have seen
 this
 00:35:58 --> 00:36:02: picture or version of it on the right with sort
 00:36:02 --> 00:36:06: of modular stack on site housing since the late 1990s.
 00:36:06 --> 00:36:10: And probably nobody on the call has ever done it.
 00:36:10 --> 00:36:12: Damage on the lower left is,
 00:36:12 --> 00:36:14: I think, a good example,
 00:36:14 --> 00:36:19: right? That's housing that can be delivered at something like
 00:36:19 --> 00:36:21: \$180,000 a unit.
 00:36:21 --> 00:36:26: At relatively compelling densities and you know appropriate
 to even
 00:36:26 --> 00:36:28: with the cost of land,
 00:36:28 --> 00:36:32: deliver you know housing in that plus minus \$300,000 price
 00:36:32 --> 00:36:33: range.
 00:36:33 --> 00:36:36: Two stories garage. 3 bedrooms you know,
 00:36:36 --> 00:36:38: very family appropriate. You know.
 00:36:38 --> 00:36:42: Looking a little further down the road,
 00:36:42 --> 00:36:46: newer technology on the right on site 3D printing you
 00:36:46 --> 00:36:46: know.
 00:36:46 --> 00:36:50: And again this is maybe a little bit more of
 00:36:50 --> 00:36:51: a stretch.
 00:36:51 --> 00:36:54: Imagining this housing families in the Twin Cities,
 00:36:54 --> 00:36:57: but. There does have to be some kind of way
 00:36:57 --> 00:37:01: to kind of begin accelerating the delivery of technology,
 00:37:01 --> 00:37:04: and there's a green shoots of that,
 00:37:04 --> 00:37:07: including around you all. I so keep an eye on
 00:37:07 --> 00:37:10: that and you know the last example.
 00:37:10 --> 00:37:12: I'm not going to spend a lot of time on
 00:37:12 --> 00:37:16: it is there are really good examples around the country
 00:37:16 --> 00:37:21: of putting public land into production for home building.
 00:37:21 --> 00:37:25: These are two examples that actually won Larson awards
 from.
 00:37:25 --> 00:37:27: You lie. Over the last year,
 00:37:27 --> 00:37:31: and I know you've done some really good work around
 00:37:31 --> 00:37:32: the Twin Cities in.
 00:37:32 --> 00:37:36: Kind of preserving existing affordable housing and kind of
 putting
 00:37:36 --> 00:37:39: the existing urban land and Tori back into production,
 00:37:39 --> 00:37:43: so hopefully we'll have a chance to talk about that

00:37:43 --> 00:37:44: sell.

00:37:44 --> 00:37:47: I wanna switch for a minute.

00:37:47 --> 00:37:50: Talk about family rental, housing and kind of go a

00:37:50 --> 00:37:52: little bit quickly through the setup,

00:37:52 --> 00:37:55: 'cause I've kind of covered some of this.

00:37:55 --> 00:38:00: As we go, but the idea here is the same.

00:38:00 --> 00:38:03: And and.

00:38:03 --> 00:38:07: There's been a structural shift in American life.

00:38:07 --> 00:38:12: Which is partly about economics but also partly about choice

00:38:12 --> 00:38:15: and we look at rental ship rates in the United

00:38:15 --> 00:38:16: States.

00:38:16 --> 00:38:17: By or in this case,

00:38:17 --> 00:38:21: the Twin Cities specifically. Um,

00:38:21 --> 00:38:26: we can see that. The the shift towards renting or

00:38:26 --> 00:38:31: the decline in homeownership has been true in every age.

00:38:31 --> 00:38:34: Core out quote age cohort.

00:38:34 --> 00:38:38: But of particular note is that kind of family court

00:38:38 --> 00:38:42: that we're talking about here you know 35 to 44

00:38:42 --> 00:38:48: in which the rental ship rate has increased significantly and

00:38:48 --> 00:38:52: I presented this chart earlier and made the case that

00:38:52 --> 00:38:54: this group of.

00:38:54 --> 00:38:57: Families is where a lot of the growth is going

00:38:57 --> 00:38:58: to be in the next decade.

00:38:58 --> 00:39:05: Between 2010 and 2020, there was zero percent growth in

00:39:05 --> 00:39:09: family households in the United States.

00:39:09 --> 00:39:14: Family households is simply defined as a housing unit in

00:39:14 --> 00:39:18: which there is a child under 18 living at home.

00:39:18 --> 00:39:20: Now families are incredibly varied.

00:39:20 --> 00:39:23: In the United States it will talk about in a

00:39:23 --> 00:39:23: minute,

00:39:23 --> 00:39:26: but over the last 10 years there was really no

00:39:26 --> 00:39:30: growth in household and that type in the United States

00:39:30 --> 00:39:31: over the next decade,

00:39:31 --> 00:39:33: there was projected to be an 8%

00:39:33 --> 00:39:38: total growth rate, right in a population that's measured in.

00:39:38 --> 00:39:42: As much as 40,000,000 households in that kind of

00:39:42 --> 00:39:43: demographic

00:39:42 --> 00:39:43: cohort,

00:39:43 --> 00:39:44: 8% growth is 3 million.

00:39:44 --> 00:39:49: Net new households, many of which certainly more than half

00:39:49 --> 00:39:53: of which are going to choose to rent in the

00:39:53 --> 00:39:54: United States.

00:39:54 --> 00:39:57: And this is another way of sort of looking at.

00:39:57 --> 00:40:02: The households by generation that are renter versus non renter

00:40:02 --> 00:40:03: and again you can see.

00:40:03 --> 00:40:07: In the 30s and 40s the significant.

00:40:07 --> 00:40:10: Share of those households being family households,

00:40:10 --> 00:40:13: meaning. Children living at home.

00:40:13 --> 00:40:16: This data looking at the Twin Cities in particular,

00:40:16 --> 00:40:20: although not dramatically different than the United States,

00:40:20 --> 00:40:23: and again, you know, as much as 70 to 80%

00:40:23 --> 00:40:27: of the households being family households and herself.

00:40:27 --> 00:40:31: Where do you know family renter households live in the

00:40:31 --> 00:40:35: United States today and this is interesting in some ways

00:40:35 --> 00:40:38: in which the Twin Cities are kind of different than

00:40:38 --> 00:40:40: the United States overall right?

00:40:40 --> 00:40:42: In America.

00:40:42 --> 00:40:45: About half of.

00:40:45 --> 00:40:49: Family renter is living either single family detached or single

00:40:49 --> 00:40:51: family attached housing,

00:40:51 --> 00:40:56: so that's typically. Independently owned homes that are offered.

00:40:56 --> 00:40:59: Buy rent and.

00:40:59 --> 00:41:02: You know just a hair over half living kind of

00:41:02 --> 00:41:03: conventional,

00:41:03 --> 00:41:08: multifamily where other renters or non family renters are much

00:41:08 --> 00:41:12: more significantly concentrated in conventional multifamily.

00:41:12 --> 00:41:18: A slightly higher share in the Twin Cities living in.

00:41:18 --> 00:41:20: In in a.

00:41:20 --> 00:41:25: In single family and I'm sorry in conventional multifamily but

00:41:25 --> 00:41:29: relatively fewer living in single family and an interesting Lee,

00:41:29 --> 00:41:32: a higher share living in single family attached tag.

00:41:32 --> 00:41:35: Just thinking about it for the first time,

00:41:35 --> 00:41:39: that kind of squares with my earlier comment on in

00:41:39 --> 00:41:42: the 1990s and 2000s we saw quite a bit of

00:41:42 --> 00:41:45: a for sale townhome construction around the Twin Cities.

00:41:45 --> 00:41:49: You know clearly this data would seem to suggest that

00:41:49 --> 00:41:52: that some of that inventory is being.

00:41:52 --> 00:41:54: Used today as rental housing.

00:41:54 --> 00:41:57: I'm going to talk in a minute about.

00:41:57 --> 00:41:59: You know purpose built for rent,

00:41:59 --> 00:42:02: townhome activity which we do see growing in the United

00:42:03 --> 00:42:03: States,

00:42:03 --> 00:42:08: although not very much in the Twin Cities yet.
 00:42:08 --> 00:42:10: I talked about this earlier,
 00:42:10 --> 00:42:15: right? Maybe reflecting the demographic realities of the last
 10
 00:42:15 --> 00:42:16: years,
 00:42:16 --> 00:42:20: but what we have been building in the rental housing
 00:42:20 --> 00:42:23: industry in general is smaller and smaller units.
 00:42:23 --> 00:42:28: Target to a younger an typically non family household in
 00:42:28 --> 00:42:31: the data is even more dramatic in the Twin Cities
 00:42:31 --> 00:42:33: in the United States.
 00:42:33 --> 00:42:36: Overall right? Looking back to the year 2000,
 00:42:36 --> 00:42:41: the average size of a multi family unit delivered in
 00:42:41 --> 00:42:45: the Twin Cities was over 1100 and Pekala 1100.
 00:42:45 --> 00:42:49: 57 square feet down to 845 square feet today,
 00:42:49 --> 00:42:55: right so? Typical apartment project delivered in 2000.
 00:42:55 --> 00:42:58: Lots of two bedroom and three bedroom units.
 00:42:58 --> 00:43:03: Typical apartment project delivered in the Twin Cities in
 2019.
 00:43:03 --> 00:43:07: Lots of studios and 1 bedrooms and again no sin
 00:43:07 --> 00:43:11: and that that was responding to the growth in demand
 00:43:11 --> 00:43:14: over the last decade or two and I'm making the
 00:43:14 --> 00:43:19: case that looking forward it's going to be different that
 00:43:19 --> 00:43:21: more of that family cohort.
 00:43:21 --> 00:43:24: Will be showing up in leasing centers around the Twin
 00:43:24 --> 00:43:26: Cities and around the United States.
 00:43:29 --> 00:43:32: I think one of the reasons why we think rental
 00:43:32 --> 00:43:34: housing is so interesting is because.
 00:43:34 --> 00:43:38: I'm family renters cluster a little bit more in the
 00:43:38 --> 00:43:42: lower income cohort than in the higher income cohorts,
 00:43:42 --> 00:43:46: but it's highly varied and if you look at the
 00:43:46 --> 00:43:50: chart on the right that describes the Twin Cities.
 00:43:50 --> 00:43:52: A third of rental households,
 00:43:52 --> 00:43:57: renter family households in the Twin Cities have incomes of
 00:43:57 --> 00:43:59: \$75,000 and above.
 00:43:59 --> 00:44:03: Now, some of those those renters might be unable to
 00:44:03 --> 00:44:06: find a horn home they can afford to buy,
 00:44:06 --> 00:44:09: but many of them are renting by choice fully.
 00:44:09 --> 00:44:13: 7% of the renter households in the Twin Cities have
 00:44:13 --> 00:44:15: incomes above \$150,000,
 00:44:15 --> 00:44:17: so you know there's a.
 00:44:17 --> 00:44:22: There's a debate in housing whether this so called renter
 00:44:22 --> 00:44:23: by choice.
 00:44:23 --> 00:44:26: Is kind of a fiction of the kind of economic

00:44:26 --> 00:44:29: conditions we don't think so at RCL,

00:44:29 --> 00:44:32: Cohen, I think the data in the Twin Cities would

00:44:32 --> 00:44:36: certainly suggest that there is renter family demand at every

00:44:37 --> 00:44:39: kind of price point or rental rate level,

00:44:39 --> 00:44:43: and then before we quickly turn to some examples,

00:44:43 --> 00:44:47: you know a quick look at the composition of family

00:44:47 --> 00:44:49: households which are highly varied,

00:44:49 --> 00:44:53: right? I think that's one of the things that makes

00:44:53 --> 00:44:53: them.

00:44:53 --> 00:44:56: So interesting as a cohort,

00:44:56 --> 00:45:00: so six typology's. I'll just quickly flip through,

00:45:00 --> 00:45:02: right? As I said before,

00:45:02 --> 00:45:08: you know, we do build conventional apartments with families

00:45:08 --> 00:45:08: in

00:45:08 --> 00:45:08: mind.

00:45:08 --> 00:45:11: One example in kind of Maple Grove,

00:45:11 --> 00:45:17: terrific family community rare project with an average unit

00:45:17 --> 00:45:20: size

00:45:17 --> 00:45:20: that's still above 1200 square feet.

00:45:20 --> 00:45:23: Kind of like we delivered in the 1990s.

00:45:23 --> 00:45:26: More than 50% of the units.

00:45:26 --> 00:45:30: Kind of two bedroom rents at only \$1.50 a square

00:45:30 --> 00:45:34: foot right so a family can rent an apartment for

00:45:34 --> 00:45:38: \$2000 a month or less and expect to see amenities

00:45:38 --> 00:45:42: that look like that. Image on the lower right.

00:45:42 --> 00:45:46: A lot more over the next decade as people realize

00:45:46 --> 00:45:50: that there's an ability to compete for families.

00:45:50 --> 00:45:52: Um?

00:45:52 --> 00:45:55: In the conventional multifamily market.

00:45:57 --> 00:46:00: You know there's been a lot of talk in the

00:46:00 --> 00:46:03: kind of covid era which we really haven't talked about

00:46:03 --> 00:46:08: much this morning about the tailwinds behind the single

00:46:08 --> 00:46:11: family

00:46:08 --> 00:46:11: or purpose built single family for rent.

00:46:11 --> 00:46:15: Business it is still in its infancy in the Twin

00:46:15 --> 00:46:16: Cities although.

00:46:16 --> 00:46:19: Very fast growing in Sunbelt and other places.

00:46:19 --> 00:46:23: Here is an example. I think also in Maple Grove.

00:46:23 --> 00:46:26: Again, these homes are a little bit larger,

00:46:26 --> 00:46:29: overwhelmingly two and three stories.

00:46:29 --> 00:46:32: I actually think very compelling.

00:46:32 --> 00:46:37: Architecture higher rents. But again this is giving families the

00:46:37 --> 00:46:42: ability to live in a new home with family friendly

00:46:42 --> 00:46:45: amenities at something like \$2500.

00:46:45 --> 00:46:46: A month and.

00:46:48 --> 00:46:52: Compelling, now this doesn't look particularly dense,

00:46:52 --> 00:46:54: which will.

00:46:54 --> 00:46:56: Be more common when you see kind of this product

00:46:56 --> 00:46:58: around the United States.

00:46:58 --> 00:46:59: By the way, I apologize,

00:46:59 --> 00:47:01: I should have double checked it.

00:47:01 --> 00:47:04: Some chance I may be MIS labeled this as being

00:47:04 --> 00:47:05: in Maple Grove.

00:47:05 --> 00:47:07: I apologize. Will double check before.

00:47:07 --> 00:47:09: Will send this around.

00:47:11 --> 00:47:15: Um? I couldn't find an example of this in the

00:47:15 --> 00:47:16: Twin Cities,

00:47:16 --> 00:47:20: but around the United States there is more and more

00:47:20 --> 00:47:22: kind of purpose built,

00:47:22 --> 00:47:27: rental, townhome, inventory. I prove I brought this example

00:47:27 --> 00:47:30: because

00:47:27 --> 00:47:30: this is a luxury product in Houston.

00:47:30 --> 00:47:33: \$2 and six cents is very high rent,

00:47:33 --> 00:47:37: and obviously it's gross high gross rent in any market

00:47:37 --> 00:47:39: at \$2300 a square foot.

00:47:39 --> 00:47:41: This is of course not exclusively,

00:47:41 --> 00:47:46: and it's not. Explicitly. Family housing right.

00:47:46 --> 00:47:51: Most of these product types are not explicitly labeled as

00:47:51 --> 00:47:52: family oriented,

00:47:52 --> 00:47:58: although it does serve an affluent urban rental community

00:47:58 --> 00:48:01: and

00:47:58 --> 00:48:01: I would posit that in you know some of the

00:48:01 --> 00:48:07: higher end kind of urbanising suburban locations around the

00:48:07 --> 00:48:12: Twin

00:48:07 --> 00:48:12: Cities Louisville Park. Other places like it.

00:48:12 --> 00:48:14: Some of the Lake communities,

00:48:14 --> 00:48:17: some of the sort of terrific communities on the edge

00:48:17 --> 00:48:18: of Saint Paul.

00:48:18 --> 00:48:22: I would posit that there would be tremendous appetite for

00:48:22 --> 00:48:23: this kind of product.

00:48:23 --> 00:48:26: Millennial families with the first kid or two wanna stay

00:48:26 --> 00:48:29: close in either don't want to buy or don't believe

00:48:29 --> 00:48:32: the economics of buying or compelling.

00:48:32 --> 00:48:35: And so I hope folks might explore this.

00:48:35 --> 00:48:38: I talked about this a couple of times.

00:48:38 --> 00:48:43: This was the only rental townhome example I could find

00:48:43 --> 00:48:46: around the Twin Cities located in Plymouth.

00:48:46 --> 00:48:50: Again unusual that the product is so not dense as

00:48:50 --> 00:48:54: shown here in other parts of the United States.

00:48:54 --> 00:48:57: Developers are doing detached apartments,

00:48:57 --> 00:49:01: quote unquote, so delivered with a condo map but no

00:49:01 --> 00:49:05: party walls at densities of 18 to 20 units,

00:49:05 --> 00:49:11: and. Speaker which affectively allows developers deliver a 1200 square

00:49:11 --> 00:49:12: foot.

00:49:12 --> 00:49:16: 3 bedroom you know. Freestanding home.

00:49:16 --> 00:49:21: And compete for suburban land with multifamily developers.

00:49:24 --> 00:49:30: We do have are starting to see some projects that

00:49:30 --> 00:49:31: are urban.

00:49:31 --> 00:49:35: And oriented towards families. This is an example in the

00:49:35 --> 00:49:37: Derral section of South Florida.

00:49:37 --> 00:49:41: Again, you can see the kind of family oriented amending

00:49:41 --> 00:49:42: the lower right.

00:49:42 --> 00:49:45: Again, not to the exclusion of any other.

00:49:45 --> 00:49:50: Cohort, but lots of two bedrooms and even 3 bedroom

00:49:50 --> 00:49:50: units.

00:49:50 --> 00:49:55: And then I'll kind of leave it there and.

00:49:55 --> 00:49:59: You know, reframe again these questions that we started with.

00:49:59 --> 00:50:02: I think we're right about time.

00:50:02 --> 00:50:06: And Kathy, I will turn it back to you for

00:50:06 --> 00:50:08: kind of questions.

00:50:08 --> 00:50:13: Thank you Adam. We do have a few questions.

00:50:13 --> 00:50:17: And maybe I will just start with how can developers

00:50:18 --> 00:50:23: and builders better gain support from Community leaders to limit

00:50:23 --> 00:50:24: Nimbyism?

00:50:24 --> 00:50:28: Yeah, when they come in for.

00:50:28 --> 00:50:34: You know pewds or rezoning specifically for these smaller lot

00:50:35 --> 00:50:36: smaller homes?

00:50:36 --> 00:50:39: Samples.

00:50:39 --> 00:50:41: We see examples there are,

00:50:41 --> 00:50:45: you know, three tools if you will that rise to

00:50:45 --> 00:50:47: the top if you will,

00:50:47 --> 00:50:51: and terms of their kind of expediency.

00:50:51 --> 00:50:53: You know, one of which is,

00:50:53 --> 00:50:57: which is just a move towards regionalism.

00:50:57 --> 00:51:03: Right today, Nimbyism still works in so many communities because.

00:51:03 --> 00:51:08: The zoning and planning process is hyper local and when
 00:51:08 --> 00:51:13: a group of 50 people come out with pitchforks.
 00:51:13 --> 00:51:16: You know the elected people have to worry about it.
 00:51:16 --> 00:51:19: And you know the the the the more kind of
 00:51:19 --> 00:51:22: hyper local planning is in America,
 00:51:22 --> 00:51:25: the harder it's going to be resist.
 00:51:25 --> 00:51:28: Nimbyism the second, of course,
 00:51:28 --> 00:51:30: is just making more housing.
 00:51:30 --> 00:51:34: You know, legal in the United States.
 00:51:34 --> 00:51:37: Or by right. And you know,
 00:51:37 --> 00:51:40: I talked about this earlier,
 00:51:40 --> 00:51:45: you know the single family zoning is the biggest disincentive
 00:51:46 --> 00:51:47: or or obstacle,
 00:51:47 --> 00:51:49: or. Hindrance if you will,
 00:51:49 --> 00:51:52: towards the home building industry,
 00:51:52 --> 00:51:55: being able to kind of experiment with some of these
 00:51:55 --> 00:51:57: middle density middle location.
 00:51:57 --> 00:52:02: You know middle class oriented housing typologists when we
 look
 00:52:02 --> 00:52:07: at communities that have affectively remove single family
 housing like.
 00:52:07 --> 00:52:09: Portland, ore. Like Los Angeles,
 00:52:09 --> 00:52:13: you see all kinds of quirky things popping up and
 00:52:13 --> 00:52:16: single for in formerly single family neighborhoods.
 00:52:16 --> 00:52:19: Now, the neighbors still complain.
 00:52:19 --> 00:52:21: But any lot by lot basis,
 00:52:21 --> 00:52:25: small builders are able to push the needle and do
 00:52:25 --> 00:52:30: three or four unit buildings with 1200 square foot units.
 00:52:30 --> 00:52:33: And you know the neighbors don't love it,
 00:52:33 --> 00:52:36: but it's it's legal to experiment.
 00:52:38 --> 00:52:41: And then you know the last thing is,
 00:52:41 --> 00:52:46: you know we as a community of practitioners need to
 00:52:46 --> 00:52:49: continue to push the language around.
 00:52:49 --> 00:52:53: Provision of housing being an act of creating social justice
 00:52:53 --> 00:52:56: and this is a good day to say that again,
 00:52:56 --> 00:52:58: you know we lose that battle.
 00:52:58 --> 00:53:02: 'cause every time we stand up you know even people
 00:53:02 --> 00:53:05: that are that are not housing producers.
 00:53:05 --> 00:53:08: But since we lose the battle of.
 00:53:08 --> 00:53:14: Housing production being asocial goodan about providing
 you know and
 00:53:14 --> 00:53:15: accessed ords.
 00:53:15 --> 00:53:18: You know family and household stability and we just need

00:53:18 --> 00:53:20: to continue to push on that.

00:53:20 --> 00:53:24: Yeah Adam, I wanted to ask you a question about

00:53:24 --> 00:53:25: one of your slides.

00:53:25 --> 00:53:27: Yeah, he's on Slide 30.

00:53:27 --> 00:53:33: Three are housing Typology's averaged across urban and rural families

00:53:33 --> 00:53:34: in the US.

00:53:34 --> 00:53:37: Which is the top half of the page if we

00:53:37 --> 00:53:41: only consider the statistics for family that live in urban

00:53:41 --> 00:53:41: areas?

00:53:41 --> 00:53:44: Is the MSP still atypical?

00:53:44 --> 00:53:47: Our. That is a good question.

00:53:52 --> 00:53:55: I don't know is the honest answer,

00:53:55 --> 00:53:58: I would guess.

00:53:58 --> 00:54:01: Not, not really. I would guess if we really included

00:54:01 --> 00:54:05: rural areas it would be even more atypical because even

00:54:05 --> 00:54:10: more family renters would live in single family housing like

00:54:10 --> 00:54:13: truly standalone single family housing.

00:54:13 --> 00:54:17: And an even smaller share would live in conventional multifamily.

00:54:17 --> 00:54:20: But I'm guessing is the honest answer.

00:54:20 --> 00:54:23: Yeah, so I mean as a follow up then the

00:54:23 --> 00:54:23: why.

00:54:23 --> 00:54:26: Why do you think we aren't seeing more of this

00:54:26 --> 00:54:30: urban for sale townhomes or even more of the rental

00:54:30 --> 00:54:32: townhome developments in our market?

00:54:32 --> 00:54:36: Do you have any sense of why that might be?

00:54:36 --> 00:54:39: And I think we can address this to the panel

00:54:39 --> 00:54:41: as we move into the next part,

00:54:41 --> 00:54:43: but what are your thoughts?

00:54:43 --> 00:54:46: I think you know what gets built in America is

00:54:46 --> 00:54:49: very very loosely based on policy.

00:54:49 --> 00:54:53: And mostly based on thousands of developers making an individual

00:54:53 --> 00:54:56: decision when they get to work on Monday about what

00:54:57 --> 00:54:58: their net project going to be.

00:54:58 --> 00:55:00: Right and in the last 10 years,

00:55:00 --> 00:55:03: the path of least resistance.

00:55:03 --> 00:55:05: And by the way, again,

00:55:05 --> 00:55:07: no shame in this was,

00:55:07 --> 00:55:10: you know, very urban multifamily housing,

00:55:10 --> 00:55:16: very often targeted towards younger renters or occasionally buyers,

00:55:16 --> 00:55:19: but mostly renters. And you know,
 00:55:19 --> 00:55:22: some still mostly suburban, mostly luxury housing.
 00:55:22 --> 00:55:25: And that was the path of least resistance,
 00:55:25 --> 00:55:27: right? It's easy to get it approved.
 00:55:27 --> 00:55:30: I shouldn't say it's easy to get it approved.
 00:55:30 --> 00:55:32: It can be very difficult to get it approved,
 00:55:32 --> 00:55:35: but it's legal. The zoning allows it.
 00:55:35 --> 00:55:39: The Nimbyism is Las the capital markets.
 00:55:39 --> 00:55:43: Understand it. You know the Fire Marshall understands it that
 00:55:43 --> 00:55:47: you know the development community goes to where the
 brain
 00:55:47 --> 00:55:49: damage is the least.
 00:55:49 --> 00:55:53: Those that braindamage around doing those things have
 been the
 00:55:53 --> 00:55:54: least.
 00:55:54 --> 00:55:56: Doing some of the things that we're talking about,
 00:55:56 --> 00:55:58: the brain damage is more.
 00:55:58 --> 00:56:00: Right there is market risk.
 00:56:00 --> 00:56:02: You gotta convince your capital partner.
 00:56:02 --> 00:56:05: You gotta convince the fire Marshall that it is single
 00:56:05 --> 00:56:07: family that you don't need to do that.
 00:56:07 --> 00:56:09: You know again and again and again.
 00:56:09 --> 00:56:12: So we're talking about it as as a social imperative.
 00:56:12 --> 00:56:15: But we're asking that development community to do all of
 00:56:15 --> 00:56:17: the work and take all of the risk.
 00:56:17 --> 00:56:20: And you know, we think more and more of them
 00:56:20 --> 00:56:22: will see the operating will choose to do so.
 00:56:22 --> 00:56:25: We think these are green shoots but hard to find.
 00:56:25 --> 00:56:28: There will be more and more evidence of developers getting
 00:56:29 --> 00:56:29: paid to do it.
 00:56:29 --> 00:56:32: But you know, people have just flocked to what's a
 00:56:32 --> 00:56:34: business case that they can make?
 00:56:34 --> 00:56:36: And who can blame them,
 00:56:36 --> 00:56:39: right? They have to kind of like sleep at night
 00:56:40 --> 00:56:40: too.
 00:56:40 --> 00:56:42: Right, kind of as a follow up to that.
 00:56:42 --> 00:56:46: Do you do the minimum lot sizes contribute to overbuilding
 00:56:46 --> 00:56:50: of the high end homes versus more of these attainable
 00:56:50 --> 00:56:50: smaller?
 00:56:50 --> 00:56:53: Affordable homes. You know they do.
 00:56:53 --> 00:56:57: It's not so binary because you know people can build
 00:56:57 --> 00:57:00: very big homes on small lots so.

00:57:02 --> 00:57:07: It's not necessarily like. But but I think absent doing
00:57:07 --> 00:57:11: away with single family zoning in general.
00:57:11 --> 00:57:15: You know, really allowing very very small lots,
00:57:15 --> 00:57:19: which you know might kind of allow the production of
00:57:19 --> 00:57:20: something like.
00:57:20 --> 00:57:23: You know what's on the screen at the lower left?
00:57:23 --> 00:57:26: I'm not sure if I'm still sharing my screen.
00:57:26 --> 00:57:27: I think I am. Oh no,
00:57:27 --> 00:57:30: I've stop sharing your screen but but you might allow
00:57:30 --> 00:57:33: some of that very small kind of valuated single family
00:57:33 --> 00:57:34: housing,
00:57:34 --> 00:57:36: so it's a step in the right direction.
00:57:39 --> 00:57:42: So I wanted to talk about kind of the finishes
00:57:42 --> 00:57:45: because that was part of the work that we did
00:57:45 --> 00:57:47: with our work group around.
00:57:47 --> 00:57:52: You know what really? How can you bring down the
00:57:52 --> 00:57:54: cost of the finishes?
00:57:54 --> 00:57:58: Etc so in many countries they achieved affordability by
00:57:58 --> 00:57:59: building
00:57:59 --> 00:58:02: the exterior shell,
00:58:02 --> 00:58:05: kitchen, bath, corner, letting families fill it,
00:58:06 --> 00:58:08: finish the interior and then the whole piece that you
00:58:08 --> 00:58:09: mentioned about cost containment.
00:58:09 --> 00:58:11: An lower quality products etc.
00:58:11 --> 00:58:15: What are your thoughts on that?
00:58:15 --> 00:58:17: Is that really going to move the needle?
00:58:17 --> 00:58:19: Well, let me answer the question two ways.
00:58:19 --> 00:58:23: None of this. Not not any one of the strategies
00:58:23 --> 00:58:27: we described earlier is enough to make housing attainable,
00:58:27 --> 00:58:30: or to dramatically move the needle.
00:58:30 --> 00:58:34: Typically, you need to kind of do all the above
00:58:34 --> 00:58:35: right,
00:58:35 --> 00:58:42: smaller, denser. Differently built. You know favorable land.
00:58:42 --> 00:58:45: Pricing.
00:58:45 --> 00:58:47: Maybe some break on on kind of,
00:58:47 --> 00:58:50: you know, fees and the like and you know similar
00:58:50 --> 00:58:55: finishes and you know simpler finishes isn't really never
00:58:55 --> 00:58:56: going
00:58:56 --> 00:59:00: to add up.
00:59:00 --> 00:59:02: I shouldn't say never. Typically when Builders Explorer
00:59:02 --> 00:59:04: doesn't add
up to more than 3,
four, 5%.

00:59:04 --> 00:59:07: Unless you begin to go into some of the extremes

00:59:08 --> 00:59:11: that the question asked about and I really wish as

00:59:11 --> 00:59:11: a.

00:59:11 --> 00:59:15: As the community houses, we will have the confidence to

00:59:15 --> 00:59:16: do that.

00:59:16 --> 00:59:18: You know, I think today or I should say 20

00:59:18 --> 00:59:20: or 30 years ago.

00:59:20 --> 00:59:22: You know people bought, you know,

00:59:22 --> 00:59:24: unfinished homes or no homes.

00:59:24 --> 00:59:27: Even without things like a full size refrigerator.

00:59:27 --> 00:59:31: And that was just considered like a tradeoff you needed

00:59:31 --> 00:59:33: to make to like access housing.

00:59:33 --> 00:59:36: And today I think that would be kind of considered,

00:59:36 --> 00:59:40: you know, sort of morally suspect it is absolutely the

00:59:40 --> 00:59:42: case as the as the as the questioner.

00:59:42 --> 00:59:46: Poses that that's a way of creating affordability to kind

00:59:46 --> 00:59:49: of like giving folks a very simple home you know,

00:59:49 --> 00:59:53: lightly finished in some respects and you know the ability

00:59:53 --> 00:59:56: to kind of like add to it overtime.

00:59:56 --> 01:00:00: That's how middle class families create wealth and I would

01:00:00 --> 01:00:03: be delighted if we started experimenting with that,

01:00:03 --> 01:00:08: or at least doing the research to understand what tradeoff

01:00:08 --> 01:00:12: middle class consumers would accept in that respect.

01:00:12 --> 01:00:15: So I maybe want to touch on one more question

01:00:15 --> 01:00:19: and I think some of the other questions we can

01:00:19 --> 01:00:21: get to after the panel discussion.

01:00:21 --> 01:00:25: But is there any data on the influence of the

01:00:25 --> 01:00:31: psychological impacts of the foreclosure crisis on the

01:00:31 --> 01:00:33: increased preference

01:00:33 --> 01:00:37: for rental over ownership?

01:00:37 --> 01:00:39: And also the impacts of access to financing for home

01:00:39 --> 01:00:40: purchases on that trend.

01:00:40 --> 01:00:45: That's.

01:00:45 --> 01:00:49: Well, I think we're answering the question.

01:00:49 --> 01:00:49: It's there is a like a spectrum on a sliding

01:00:49 --> 01:00:53: scale,

01:00:53 --> 01:00:54: right? I think the sort of thrust of the question

01:00:54 --> 01:00:54: is,

01:00:54 --> 01:00:56: you know, want or need right?

01:00:56 --> 01:01:01: And you know that in in the very affordable segments

01:01:01 --> 01:01:05: of the economy it's kind of like 9010.

01:01:05 --> 01:01:09: And at the at the with the more affluent.

01:01:09 --> 01:01:12: Segments of the economy. It's it's 9000 and of course
01:01:12 --> 01:01:14: it varies from place to place,
01:01:14 --> 01:01:16: even within the region, right?
01:01:16 --> 01:01:18: For people who are insisting on staying,
01:01:18 --> 01:01:21: you know. In very expensive neighborhoods,
01:01:21 --> 01:01:22: on the edge of Saint Paul,
01:01:22 --> 01:01:27: right? The like economics of renting versus owning are very
01:01:27 --> 01:01:28: different.
01:01:28 --> 01:01:32: You know, then somebody sort of attracted to kind of
01:01:32 --> 01:01:34: a more suburban setting where.
01:01:34 --> 01:01:36: You know the economics are very different.
01:01:36 --> 01:01:38: I hope that up that addressed the question.
01:01:41 --> 01:01:43: So let's shift and Adam.
01:01:43 --> 01:01:46: You'll be part of the panel discussion as well as
01:01:47 --> 01:01:48: we get into this,
01:01:48 --> 01:01:49: but I'm going to ask.
01:01:49 --> 01:01:51: Our panel is number 1.
01:01:51 --> 01:01:54: Thank you very much for the thought.
01:01:54 --> 01:01:58: The information. We will share the slides and also this
01:01:58 --> 01:02:01: is being recording and some and will hope that we
01:02:01 --> 01:02:04: can get a link to the recording as well.
01:02:04 --> 01:02:07: Once it's uploaded through you alive.
01:02:07 --> 01:02:11: So Sean, Alex and Heather if you could turn your
01:02:11 --> 01:02:13: video on and.
01:02:13 --> 01:02:17: We will start to have our panel discussion again.
01:02:17 --> 01:02:21: Thank you all for your time here today for coming
01:02:21 --> 01:02:21: here.
01:02:21 --> 01:02:25: I know you all work in the industry in one
01:02:25 --> 01:02:30: way or another and you are all having different ways
01:02:30 --> 01:02:34: that you are dealing with the current crisis.
01:02:34 --> 01:02:37: But to just start and give a little bit of
01:02:37 --> 01:02:39: background you will.
01:02:39 --> 01:02:42: I Minnesota convened a group.
01:02:42 --> 01:02:46: Of about 15 developers, small and large,
01:02:46 --> 01:02:51: around the spectrum of multifamily rental as well as single
01:02:52 --> 01:02:55: family and government entities,
01:02:55 --> 01:02:58: both in suburban areas and the Metro.
01:02:58 --> 01:03:05: An Minneapolis area. And then we also included some
architects
01:03:05 --> 01:03:10: and bankers in that really to kind of look at
01:03:10 --> 01:03:14: the barriers to building the unsubsidised
01:03:14 --> 01:03:17: housing that is missing for the middle incomes.

01:03:17 --> 01:03:21: And we looked at several different factors we met over
01:03:21 --> 01:03:23: several different months.
01:03:23 --> 01:03:26: We looked at the financing barriers,
01:03:26 --> 01:03:29: we looked at the the cost and construction barriers,
01:03:29 --> 01:03:32: as well as the design barriers,
01:03:32 --> 01:03:34: and then the regulatory barriers.
01:03:34 --> 01:03:37: So Sean, Heather, and Alex are all three part of
01:03:37 --> 01:03:38: that work.
01:03:38 --> 01:03:42: We selected them because we wanted to have the diversity
01:03:42 --> 01:03:44: of the conversation that we had.
01:03:44 --> 01:03:49: I'm related to the multifamily rental to the single family
01:03:49 --> 01:03:52: ownership or rental to the government component.
01:03:52 --> 01:03:55: And so I'm going to start first with Sean.
01:03:55 --> 01:03:59: Sean was the chair of this group has been along
01:03:59 --> 01:03:59: time.
01:03:59 --> 01:04:02: You will, I member an engaged in our work and
01:04:03 --> 01:04:06: Sean if you can just give a little bit of
01:04:06 --> 01:04:08: background on your company.
01:04:08 --> 01:04:11: What you have been doing in the space in the
01:04:11 --> 01:04:13: last few years and then you know,
01:04:13 --> 01:04:18: maybe touch on. What were some of the biggest barriers
01:04:18 --> 01:04:21: that came out of this work?
01:04:21 --> 01:04:24: Well, Kathy, thank you. Thanks very much and I really
01:04:24 --> 01:04:26: appreciate being part of the group.
01:04:26 --> 01:04:29: It was a great group of people that get together.
01:04:29 --> 01:04:32: Also a great learning experience for me and I think
01:04:32 --> 01:04:35: we touched on a lot of items that were eye
01:04:35 --> 01:04:38: opening for the different people in the group and helped
01:04:38 --> 01:04:41: us really understand some of these challenges.
01:04:41 --> 01:04:44: Also want to thank Adam for your presentation.
01:04:44 --> 01:04:46: It was fantastic and a lot lot to think about
01:04:47 --> 01:04:48: and learn from there.
01:04:48 --> 01:04:51: So thank you. So yeah to Kathy's point we had
01:04:51 --> 01:04:52: a group assembled.
01:04:52 --> 01:04:55: Lots of great discussions. By way of background quickly.
01:04:55 --> 01:04:57: I think a lot of you know me,
01:04:57 --> 01:05:01: but I'm I'm Sean Sweeney for the past three years
01:05:01 --> 01:05:04: have been developing projects in Minneapolis,
01:05:04 --> 01:05:06: specifically arranging on the small end.
01:05:06 --> 01:05:09: But 12 unit project up to a larger project of
01:05:09 --> 01:05:12: 112 units and kind of everything in between.
01:05:12 --> 01:05:17: I've spent 16 years either developing or buying apartments

with

01:05:17 --> 01:05:19: various companies since I got started,

01:05:19 --> 01:05:22: so that's just quick background.

01:05:22 --> 01:05:26: Couple of the challenges I think that we identified and

01:05:26 --> 01:05:28: I think from the first meeting it was it was

01:05:28 --> 01:05:32: a great eye opening comment that was made by someone

01:05:32 --> 01:05:35: in the group was what exactly is the missing middle?

01:05:35 --> 01:05:38: And there was a lot of debate back and forth

01:05:38 --> 01:05:39: on that and part of it was,

01:05:39 --> 01:05:43: you know everybody seemed to have a different opinion.

01:05:43 --> 01:05:45: Are we talking rent levels?

01:05:45 --> 01:05:46: Are we talking to Adams Point?

01:05:46 --> 01:05:48: Are we trying to hit 60 to 80%?

01:05:48 --> 01:05:51: Am I with our rent levels at those projects or

01:05:51 --> 01:05:54: are we talking 15 to 30 unit buildings?

01:05:54 --> 01:05:56: What? What is the missing middle?

01:05:56 --> 01:05:59: And I think some of the misconception was that you

01:05:59 --> 01:06:01: can have both in a project,

01:06:01 --> 01:06:04: and I think that's one of the big takeaways that

01:06:04 --> 01:06:06: that our group found was,

01:06:06 --> 01:06:09: you know it. It's not really economically feasible to build

01:06:10 --> 01:06:11: a 15 to 30 unit building,

01:06:11 --> 01:06:14: but also have to Adams point more attainable rents.

01:06:14 --> 01:06:17: Unless you do have some subsidy.

01:06:17 --> 01:06:19: So what we found through our discussion was,

01:06:19 --> 01:06:22: you know the 15 to 30 unit projects that are

01:06:23 --> 01:06:24: being built were more.

01:06:24 --> 01:06:28: Uh. Either boutique high-end or taking a small unit and

01:06:28 --> 01:06:31: doing a very high units to Acre on a small

01:06:31 --> 01:06:35: site to make the make the economics work and then

01:06:35 --> 01:06:37: on the other side trying to hit those 60 to

01:06:38 --> 01:06:38: 80%

01:06:38 --> 01:06:41: am I rents what we found was those projects ended

01:06:41 --> 01:06:44: up being much larger than anybody anticipated,

01:06:44 --> 01:06:46: so there was a lot of debate about what is

01:06:47 --> 01:06:49: the missing middle and I think that was a big

01:06:49 --> 01:06:50: takeaway,

01:06:50 --> 01:06:52: at least in today's market.

01:06:52 --> 01:06:54: You can't really have both.

01:06:54 --> 01:06:56: You either have to go with a smaller project.

01:06:56 --> 01:06:59: Or you have if you want to hit those 60

01:06:59 --> 01:06:59: to 80%

01:06:59 --> 01:07:01: a. My rents without subsidy.

01:07:01 --> 01:07:04: You're looking at a much larger project,

01:07:04 --> 01:07:05: probably 75 units or greater,

01:07:05 --> 01:07:08: so that was definitely one.

01:07:08 --> 01:07:11: Piece of the puzzle and another one that came out

01:07:11 --> 01:07:15: that I thought was very interesting was a number of

01:07:15 --> 01:07:17: the developers in the group.

01:07:17 --> 01:07:21: Had started building smaller projects and everyone has had

01:07:21 --> 01:07:24: and

01:07:24 --> 01:07:28: you know not that everyone was proud of this,

01:07:28 --> 01:07:31: but everyone had kind of graduated to larger projects the

01:07:31 --> 01:07:34: longer and longer they were building because I think what

01:07:34 --> 01:07:37: a lot of us found an Atom made this point

01:07:37 --> 01:07:38: about the 300,000 versus \$800,000 homes was a lot of

01:07:38 --> 01:07:41: us realized,

01:07:41 --> 01:07:44: you know, it was as much hard work risk and

01:07:44 --> 01:07:47: brain damage to deliver 15 to 20 units to the

01:07:47 --> 01:07:51: market as it is 150 units an you know with

01:07:51 --> 01:07:53: that it's not only. Profit that people are thinking about,

01:07:53 --> 01:07:57: but it's risk, right? We have investors.

01:07:57 --> 01:08:02: We have. You know we have debt service coverage ratios

01:08:02 --> 01:08:05: that banks are acquiring.

01:08:05 --> 01:08:06: We have to provide our investors and market rate return

01:08:06 --> 01:08:11: at least two to invest in a project and what

01:08:11 --> 01:08:12: we're finding is,

01:08:12 --> 01:08:15: you know, on these smaller projects with these tighter

01:08:15 --> 01:08:17: budgets,

01:08:17 --> 01:08:20: any unknowns or any cost,

01:08:20 --> 01:08:23: unforeseen cost overruns, environmental issues,

01:08:23 --> 01:08:26: anything that may come up.

01:08:26 --> 01:08:30: There's a lot less. Room for error on a small

01:08:30 --> 01:08:32: project where you have a much tighter budget so it's

01:08:32 --> 01:08:35: a lot harder for those projects to absorb any of

01:08:35 --> 01:08:37: the risks and everybody knows development is inherently

01:08:37 --> 01:08:40: risky,

01:08:40 --> 01:08:42: and so to be able to to absorb that in

01:08:42 --> 01:08:44: the smaller projects can be can be tougher,

01:08:44 --> 01:08:47: so it was interesting to see a lot of the

01:08:47 --> 01:08:50: developers had kind of started with a small project.

01:08:50 --> 01:08:52: I mean at one story.

01:08:52 --> 01:08:54: Why is it a gentleman who had developed a?

01:08:54 --> 01:08:57: I believe it was a 12 year project actually drove

01:08:57 --> 01:09:00: around town buying all the toilets installing.

01:08:50 --> 01:08:52: I'm doing all the work and kind of joked afterward,
01:08:52 --> 01:08:55: never will never do that again.
01:08:55 --> 01:08:58: Sorry, I believe his next project is 100 units,
01:08:58 --> 01:09:02: so there has to be some incentive other than being
01:09:02 --> 01:09:02: a good human,
01:09:02 --> 01:09:06: I think to incentivize developers to continue to work at
01:09:06 --> 01:09:07: that scale,
01:09:07 --> 01:09:09: especially in the 10 to 30.
01:09:09 --> 01:09:11: I think once you get over 35 or 40 units,
01:09:11 --> 01:09:14: there are ways to make those projects work,
01:09:14 --> 01:09:18: but if you really want to deliver those neighborhood boutique
01:09:18 --> 01:09:20: small projects in the 10 to 30 unit range,
01:09:20 --> 01:09:22: there has to be some other.
01:09:22 --> 01:09:25: You know, incentives, lower impact fees,
01:09:25 --> 01:09:28: something. To make the process for the developer.
01:09:30 --> 01:09:33: More palatable, I guess, is the way I would say
01:09:33 --> 01:09:33: it.
01:09:33 --> 01:09:36: You know another one. Other challenge quick was not a
01:09:36 --> 01:09:39: lot of people are working in that scale.
01:09:39 --> 01:09:42: You know, we found folks that are building duplexes or
01:09:42 --> 01:09:45: single family homes and then you know up up the
01:09:45 --> 01:09:46: larger projects.
01:09:46 --> 01:09:49: How do you find the right architect for that smaller
01:09:49 --> 01:09:49: project?
01:09:49 --> 01:09:50: How do you find the right builder?
01:09:50 --> 01:09:53: The right property manager, when not a lot of people
01:09:53 --> 01:09:55: have experience in that in that Department,
01:09:55 --> 01:09:58: so there's there was a lot of things working.
01:09:58 --> 01:10:00: Against that and and I think that's why I,
01:10:00 --> 01:10:04: primarily we've seen very small projects or very large
01:10:04 --> 01:10:05: projects
01:10:04 --> 01:10:05: in our market.
01:10:07 --> 01:10:11: Adam, just to follow up on what Sean mentioned are
01:10:11 --> 01:10:12: you seeing?
01:10:12 --> 01:10:17: Are you seeing more developers entering that space and and
01:10:17 --> 01:10:18: what is really what?
01:10:18 --> 01:10:23: What is the barrier of those smaller developers that want
01:10:23 --> 01:10:27: to really provide that scale of a project at an
01:10:27 --> 01:10:29: attainable price?
01:10:29 --> 01:10:32: Yeah, well insurance is not really.
01:10:32 --> 01:10:37: I think the hope is and you know Sean suggested
01:10:37 --> 01:10:38: it that.

01:10:38 --> 01:10:44: There is an emerging generation of young entrepreneurial, hopefully contrarian. Um?

01:10:44 --> 01:10:49: You know developers home builders,

01:10:49 --> 01:10:51: you know? I think I think the good news is

01:10:51 --> 01:10:53: that those behind people who grew up in companies like

01:10:53 --> 01:10:56: Shawn's right which took risks and achieved innovation and

01:10:56 --> 01:10:59: got

01:10:59 --> 01:11:03: paid for it and the conventional multifamily side.

01:11:03 --> 01:11:06: And they're going to kind of go out and chase

01:11:06 --> 01:11:08: the next kind of opportunity.

01:11:08 --> 01:11:12: And um, initially we did a project with a kind

01:11:12 --> 01:11:15: of a large County in Washington DC and.

01:11:15 --> 01:11:19: You know the idea was how to encourage the large

01:11:19 --> 01:11:21: builders and developers to.

01:11:21 --> 01:11:24: Kind of think about the so called missing middle opportunity

01:11:24 --> 01:11:26: and I think one thing that came around to is

01:11:26 --> 01:11:28: like it's just not going to work for a large

01:11:28 --> 01:11:28: staff.

01:11:33 --> 01:11:37: Yeah, so so Alex maybe we're going to move on

01:11:37 --> 01:11:38: to you.

01:11:38 --> 01:11:42: Alex Frank with Magnolia homes.

01:11:42 --> 01:11:43: You are in a different space,

01:11:43 --> 01:11:47: but maybe with some of the same challenges of trying

01:11:47 --> 01:11:48: to deliver a product.

01:11:48 --> 01:11:51: Whether it's for sale or ownership.

01:11:51 --> 01:11:54: For the middle incomes with without subsidies,

01:11:54 --> 01:11:57: and I think that you've worked in Minneapolis mostly,

01:11:57 --> 01:12:00: but can you describe what it is that you've doing

01:12:01 --> 01:12:04: and then maybe hit on some of the barriers that

01:12:04 --> 01:12:07: you have found and potentially some of the solutions that

01:12:07 --> 01:12:11: you think need to happen to be able to deliver

01:12:11 --> 01:12:14: the product you're trying to deliver?

01:12:14 --> 01:12:17: Yep, thank you just quickly in my background for me.

01:12:17 --> 01:12:21: I'm coming at it from a different angle into development

01:12:21 --> 01:12:21: space.

01:12:21 --> 01:12:24: I've been investing in real estate,

01:12:24 --> 01:12:27: you know, since the mid 90s and and spent time

01:12:27 --> 01:12:31: in military as well as corporate assignments and operations

01:12:31 --> 01:12:33: and

01:12:31 --> 01:12:33: in continuous improvement.

01:12:33 --> 01:12:36: So a couple of years ago I decided to become

01:12:36 --> 01:12:37: a developer.

01:12:37 --> 01:12:40: You know, as one of my my business items so

01:12:40 --> 01:12:42: and what I'm opting to focus in on,
 01:12:42 --> 01:12:44: it's kind of that workforce.
 01:12:44 --> 01:12:48: Fordable housing, and in particular the missing middle space.
 01:12:48 --> 01:12:51: So I've been looking at at this from a few
 01:12:51 --> 01:12:55: different angles and trying to bring you know what.
 01:12:55 --> 01:12:58: I've knowledge I've gained from corporate America.
 01:12:58 --> 01:13:01: You know, to this space and and so forth.
 01:13:01 --> 01:13:04: This is what what I see I see a very.
 01:13:04 --> 01:13:08: Disjoin it. Type of environment that you have.
 01:13:08 --> 01:13:12: You know government government entity really wants to do
 some
 01:13:12 --> 01:13:15: things you have developers have what they want.
 01:13:15 --> 01:13:18: As you know what they're trying to get done as
 01:13:18 --> 01:13:19: well as to consumers.
 01:13:19 --> 01:13:22: And we're really not getting to the table together and
 01:13:23 --> 01:13:26: really talk through cost containment and what that looks like
 01:13:26 --> 01:13:29: and how the decisions are impacting you.
 01:13:29 --> 01:13:32: Know each other and bringing it to the table.
 01:13:32 --> 01:13:34: Um, so I've done some single family homes.
 01:13:34 --> 01:13:38: Subsidized product through Minneapolis homes.
 01:13:38 --> 01:13:41: Lesson learned is kind of on a smaller scale St.
 01:13:41 --> 01:13:43: Before I have a broke ground,
 01:13:43 --> 01:13:46: I was saying myself I won't do that again.
 01:13:46 --> 01:13:49: You know, single family home development.
 01:13:49 --> 01:13:52: So now I'm the products I've been awarded is the
 01:13:52 --> 01:13:55: twin home and So what I'm trying to do you
 01:13:55 --> 01:13:56: work with the cities,
 01:13:56 --> 01:13:59: figure out you know what it takes to build a
 01:13:59 --> 01:14:00: home,
 01:14:00 --> 01:14:03: a smaller home on one lot City life and sell
 01:14:03 --> 01:14:06: each half to consumer and my target pricing on that
 01:14:06 --> 01:14:07: particular product.
 01:14:07 --> 01:14:11: Is about 200 and 25,000 for each side slab on
 01:14:11 --> 01:14:12: Gray,
 01:14:12 --> 01:14:15: which is different.
 01:14:15 --> 01:14:18: RE2 spacing out open floor concept one garage stall per
 01:14:18 --> 01:14:20: those kind of things,
 01:14:20 --> 01:14:22: so that's what I'm writing into as I look at
 01:14:23 --> 01:14:24: the the construction costs.
 01:14:24 --> 01:14:27: Laying that out, it's very disjointed,
 01:14:27 --> 01:14:29: you know, and bringing people to table.
 01:14:29 --> 01:14:33: Can we try some different things here to bring down

01:14:33 --> 01:14:35: some of these costs to manage it?

01:14:35 --> 01:14:38: Because it's really tough. You know what we what we

01:14:38 --> 01:14:39: see in there?

01:14:41 --> 01:14:43: Great thanks.

01:14:43 --> 01:14:48: I wanted to maybe move on to Heather.

01:14:48 --> 01:14:51: Heather Worthington you you know.

01:14:51 --> 01:14:55: For years I've been working for cities both large,

01:14:55 --> 01:15:01: both small. You led the Minneapolis 2040 plan that many

01:15:01 --> 01:15:04: around the country actually.

01:15:04 --> 01:15:08: Talk about as a step forward and then also have

01:15:08 --> 01:15:12: worked as a city manager trying to manage cities and

01:15:12 --> 01:15:17: now serving as a community development director for

01:15:17 --> 01:15:21: Bloomington and

01:15:17 --> 01:15:21: so you have worked in many different cities.

01:15:21 --> 01:15:25: Have seen cities innovate an what do you really think

01:15:25 --> 01:15:29: needs to happen to try to support both the projects

01:15:29 --> 01:15:32: that saw Shawn's trying to do as well as the

01:15:32 --> 01:15:36: project that Alex is trying to do.

01:15:36 --> 01:15:40: Thanks, Kathy. Good morning everyone.

01:15:40 --> 01:15:44: Thanks for having me. I I wanted to talk about

01:15:44 --> 01:15:47: this issue from my perspective.

01:15:47 --> 01:15:48: Kind of in two areas.

01:15:48 --> 01:15:51: One is sort of.

01:15:51 --> 01:15:54: The social services side of this discussion.

01:15:54 --> 01:15:59: So I spent seven years in County government which gave

01:15:59 --> 01:16:01: me kind of an interesting.

01:16:01 --> 01:16:07: Balance to my experience working in city government.

01:16:07 --> 01:16:10: And I wanted to say that I think one of

01:16:10 --> 01:16:13: the things that we're not doing very well on in

01:16:13 --> 01:16:18: terms of discussion around this issue in education with the

01:16:18 --> 01:16:21: public is the Inter connectivity of housing to a lot

01:16:22 --> 01:16:24: of other things that we need to address.

01:16:24 --> 01:16:27: And I think you did a nice job.

01:16:27 --> 01:16:30: Kathy of Kind of team this up very early on

01:16:30 --> 01:16:32: this morning.

01:16:32 --> 01:16:35: But I think part of the challenge that we have

01:16:35 --> 01:16:39: is that we see housing and transportation and childcare or

01:16:39 --> 01:16:43: education as sort of standalone issues when in reality they

01:16:43 --> 01:16:47: are interrelated and they really are like the legs of

01:16:47 --> 01:16:48: a stool.

01:16:48 --> 01:16:51: And if we don't get one of those things right,

01:16:51 --> 01:16:55: we don't get any of those things right so.

01:16:55 --> 01:16:58: I would, I would say that one of the things
 01:16:58 --> 01:17:02: that I've learned is the importance of housing stability in
 01:17:02 --> 01:17:05: terms of all of those other outcomes in terms of
 01:17:05 --> 01:17:08: your ability to be employed in terms of your children's
 01:17:08 --> 01:17:13: ability to learn and have adequate educational attainment in
 terms
 01:17:13 --> 01:17:16: of your ability to get to and from work.
 01:17:16 --> 01:17:19: So all of these things are interrelated and I think
 01:17:19 --> 01:17:22: when we see them as individual issues,
 01:17:22 --> 01:17:25: we lose the larger picture from a policy standpoint.
 01:17:25 --> 01:17:28: I think it's also something that a lot of privileged
 01:17:29 --> 01:17:32: white people take for granted because we have many options
 01:17:32 --> 01:17:35: when it comes to choosing where we live and how
 01:17:35 --> 01:17:38: we purchase property and live in that property.
 01:17:38 --> 01:17:41: So again, this is a this is multilayered and very
 01:17:41 --> 01:17:41: complex.
 01:17:41 --> 01:17:44: The last few days have taught us that there aren't
 01:17:44 --> 01:17:47: simple solutions to this but that we have to see
 01:17:47 --> 01:17:49: that broader kind of perspective.
 01:17:49 --> 01:17:52: The other thing I'll just say is that from a
 01:17:52 --> 01:17:53: regulatory standpoint,
 01:17:53 --> 01:17:57: so that's the other bucket that I want to keep
 01:17:57 --> 01:17:58: my comments in today.
 01:17:58 --> 01:18:02: I think that housing is an overall component to public
 01:18:02 --> 01:18:03: safety,
 01:18:03 --> 01:18:07: so when we think about how we're providing housing and
 01:18:07 --> 01:18:12: where we're providing housing and to whom we're providing
 housing,
 01:18:12 --> 01:18:14: we have to think of it in terms of that
 01:18:15 --> 01:18:16: larger picture,
 01:18:16 --> 01:18:19: and so one of the things that we tried to
 01:18:19 --> 01:18:22: do through the 2040 plan was to.
 01:18:22 --> 01:18:26: Um, try to make the land use sort of regulation
 01:18:26 --> 01:18:27: more flexible,
 01:18:27 --> 01:18:29: so we.
 01:18:29 --> 01:18:33: We did allow up to three units per residential lot
 01:18:33 --> 01:18:35: anywhere in the city of Minneapolis.
 01:18:35 --> 01:18:40: We did remove minimum parking requirements.
 01:18:40 --> 01:18:43: And we did it. We did look really critically at
 01:18:44 --> 01:18:47: lot size and regulation from a land use standpoint.
 01:18:47 --> 01:18:51: The piece that we didn't get into as much and
 01:18:51 --> 01:18:55: I think will be an important part of this conversation
 01:18:55 --> 01:18:59: today will be things around the regulation of the actual

01:18:59 --> 01:19:03: physical structures and so one of the challenges that I

01:19:03 --> 01:19:08: think cities generally have is that our codes are quite

01:19:08 --> 01:19:12: old now and they are not keeping pace with technological.

01:19:12 --> 01:19:16: Changes and innovation. And so we have a situation where

01:19:16 --> 01:19:20: developers want to do things that are more creative and

01:19:20 --> 01:19:25: innovative and efficient right from a financial and labor

standpoint.

01:19:25 --> 01:19:29: But we're not equipped to allow those things,

01:19:29 --> 01:19:30: and so we need to look,

01:19:30 --> 01:19:35: start looking really critically at that really quickly.

01:19:35 --> 01:19:39: And that's a state local partnership discussion because the

state

01:19:39 --> 01:19:42: is regulating the building code,

01:19:42 --> 01:19:44: cities are implementing it. Um,

01:19:44 --> 01:19:47: I'll give you just one quick example.

01:19:47 --> 01:19:51: Modular construction which Adam touched on is a really

tough

01:19:51 --> 01:19:55: nut to crack under the current building code,

01:19:55 --> 01:19:57: and so one of the things we can do is

01:19:57 --> 01:20:01: start to think about how we allow modular construction,

01:20:01 --> 01:20:04: in particular for multi family,

01:20:04 --> 01:20:07: but also for single family and how that can impact

01:20:07 --> 01:20:08: price.

01:20:08 --> 01:20:11: And I think that those are things we can solve

01:20:11 --> 01:20:12: for,

01:20:12 --> 01:20:16: so there's a perception that somehow building codes.

01:20:16 --> 01:20:19: Are more important in terms of safe life and safety

01:20:19 --> 01:20:24: because they're somehow rigid and that leads to better

outcomes.

01:20:24 --> 01:20:27: I would suggest that's probably not the case,

01:20:27 --> 01:20:30: given what we know about sort of the pace of

01:20:30 --> 01:20:32: innovation in the modern construct,

01:20:32 --> 01:20:36: right? And so I think that's part of the conversation.

01:20:36 --> 01:20:38: We need to have.

01:20:38 --> 01:20:41: Yeah, so Alex Sean Adam.

01:20:41 --> 01:20:46: I mean kind of what are your thoughts with regards

01:20:46 --> 01:20:50: to how do we really bring the cost down to

01:20:50 --> 01:20:54: produce the housing without subsidies?

01:20:54 --> 01:21:00: What are the particular pieces of building?

01:21:00 --> 01:21:03: Your units, whether it's the rental product or the single

01:21:03 --> 01:21:04: fraud family product,

01:21:04 --> 01:21:08: that really is going to move the needle and bring

01:21:08 --> 01:21:10: that cost per unit down.

01:21:10 --> 01:21:13: Is it modular? I know we talked about this in
 01:21:13 --> 01:21:16: our work group and we don't know if it is
 01:21:16 --> 01:21:16: yet,
 01:21:16 --> 01:21:21: but what are those pieces that maybe we need to
 01:21:21 --> 01:21:22: dig deeper on?
 01:21:22 --> 01:21:26: Yeah, I started. I think some of the earlier indication,
 01:21:26 --> 01:21:29: let's say with module. I know some of the nonprofits
 01:21:29 --> 01:21:34: actually brought modulars to the market in North
 Minneapolis,
 01:21:34 --> 01:21:38: and I've had discussions with project managers and what
 they
 01:21:38 --> 01:21:40: found the cost.
 01:21:40 --> 01:21:44: And surprisingly, the time based on actual line time was
 01:21:44 --> 01:21:48: either the same or at times more than traditional stick
 01:21:48 --> 01:21:49: built on site.
 01:21:49 --> 01:21:53: So there's some things around from a process flow and
 01:21:53 --> 01:21:57: expectations that needs to happen with modular to make
 sure
 01:21:57 --> 01:21:59: to bring it to the table,
 01:21:59 --> 01:22:03: because what some of the Subs were saying as they
 01:22:03 --> 01:22:05: fell on these modular pieces?
 01:22:05 --> 01:22:09: Who's responsible for all the stuff that's behind the walls
 01:22:10 --> 01:22:11: when the AC guy on site?
 01:22:11 --> 01:22:15: Ties in, you know, the duct work.
 01:22:15 --> 01:22:19: You know who provides the warranty information so that
 some
 01:22:19 --> 01:22:21: things we have to work work out locally as well
 01:22:21 --> 01:22:22: as electrician.
 01:22:22 --> 01:22:24: What that looks like, you know,
 01:22:24 --> 01:22:27: if I had to bring the cost down some other
 01:22:27 --> 01:22:27: areas,
 01:22:27 --> 01:22:32: what I'm seeing? Again, it gets back to this partnership
 01:22:32 --> 01:22:35: because I think a study came out to said,
 01:22:35 --> 01:22:38: you know, to build a house in Minneapolis,
 01:22:38 --> 01:22:41: MN. Cost about \$25,000 more than Wisconsin.
 01:22:41 --> 01:22:44: So this is not a comparison to Texas,
 01:22:44 --> 01:22:46: Louisiana, which is, you know,
 01:22:46 --> 01:22:50: totally different environment. So why is that so?
 01:22:50 --> 01:22:53: It's a comp is a mixture of the fees.
 01:22:53 --> 01:22:55: You know what we expect from,
 01:22:55 --> 01:22:58: potentially, you know, you know installation and even I
 design
 01:22:59 --> 01:23:02: this is there's a point system inside Minneapolis book with

01:23:02 --> 01:23:03: Heather,
 01:23:03 --> 01:23:05: you know, talked about. Yet the 2040 plan,
 01:23:05 --> 01:23:09: which is great and but the devil's in the details.
 01:23:09 --> 01:23:11: So as you compare to go with zoning is telling
 01:23:11 --> 01:23:13: us when you go to Bill,
 01:23:13 --> 01:23:16: you know we all, for you know far reaching want
 01:23:16 --> 01:23:17: to innovate.
 01:23:17 --> 01:23:20: But when you sit down with zoning you look at
 01:23:20 --> 01:23:23: there's a point system per your bill that says 17
 01:23:23 --> 01:23:23: points.
 01:23:23 --> 01:23:26: And you look at how that is structured.
 01:23:26 --> 01:23:28: You know, if you get your,
 01:23:28 --> 01:23:31: you know your points to 17 to be acceptable design.
 01:23:31 --> 01:23:36: Let's say from Minneapolis certain archaic things have to be
 01:23:36 --> 01:23:36: in place.
 01:23:36 --> 01:23:39: You must have a.
 01:23:39 --> 01:23:42: I'm on the outside to be other than vinyl.
 01:23:42 --> 01:23:46: You want a basement or front porch gets you points
 01:23:46 --> 01:23:48: certain amount of window.
 01:23:48 --> 01:23:51: You know coverage and all the same and you look
 01:23:51 --> 01:23:51: at it.
 01:23:51 --> 01:23:56: It's pointing to in restricting you to a certain design
 01:23:56 --> 01:23:58: as well as floor area ratio.
 01:23:58 --> 01:24:00: On the lots, you know,
 01:24:00 --> 01:24:01: so you can take up more.
 01:24:01 --> 01:24:04: So all that you know play plays into it.
 01:24:04 --> 01:24:07: So I think having those honest discussions and updating the
 01:24:07 --> 01:24:10: zoning to really release the innovation.
 01:24:10 --> 01:24:13: That's kind of, you know out there can help.
 01:24:15 --> 01:24:17: I just jump in quick to to,
 01:24:17 --> 01:24:22: you know to Heather's point about the regulatory
 01:24:22 --> 01:24:22: environment I
 01:24:22 --> 01:24:22: think.
 01:24:22 --> 01:24:25: I think with the exception of one,
 01:24:25 --> 01:24:28: it probably the largest project I'm working on right now.
 01:24:28 --> 01:24:31: I have run into an issue on every single one
 01:24:31 --> 01:24:35: in the field related to design innovation that either you
 01:24:35 --> 01:24:38: made it through planning and made it through PDR and
 01:24:38 --> 01:24:41: was approved and then on site there was some disconnect
 01:24:41 --> 01:24:45: between the site inspectors and what had been approved
 01:24:45 --> 01:24:45: and
 01:24:45 --> 01:24:48: you know caused us to have to add ceiling fans

01:24:48 --> 01:24:51: in certain buildings and lower walls in bedrooms.

01:24:51 --> 01:24:52: Do things on the fly.

01:24:52 --> 01:24:55: That in a 20 unit or 12 unit or 40

01:24:55 --> 01:24:58: unit project or a really big deal and you know,

01:24:58 --> 01:25:00: we talked to the city as much as we could

01:25:00 --> 01:25:03: try to have as many helpful conversations,

01:25:03 --> 01:25:05: and I think we're making progress,

01:25:05 --> 01:25:07: but Heather will hit the nail on the head.

01:25:07 --> 01:25:11: There's definitely a disconnect between you know the code for

01:25:11 --> 01:25:14: a 200 unit building and the requirements and some of

01:25:15 --> 01:25:17: the innovations on these smaller buildings.

01:25:17 --> 01:25:21: You know smaller units using petax instead of magic packs

01:25:21 --> 01:25:23: or other heating and cooling systems.

01:25:23 --> 01:25:27: There's there's still a disconnect between putting those pieces together

01:25:27 --> 01:25:29: and at the end of the day when it adds

01:25:29 --> 01:25:30: cost of the developer.

01:25:30 --> 01:25:32: When it add cost to the project,

01:25:32 --> 01:25:34: it just you know, trying to keep rents at a

01:25:34 --> 01:25:35: certain point,

01:25:35 --> 01:25:36: it becomes impossible.

01:25:38 --> 01:25:43: So is it a matter of the practice?

01:25:43 --> 01:25:46: Coming in line with the policy Heather and does that

01:25:46 --> 01:25:49: take time or is there a way when these policies

01:25:49 --> 01:25:52: are put in place that the practice can be right

01:25:52 --> 01:25:56: there behind him and ready to go?

01:25:56 --> 01:25:57: Yeah, I think you're. I think you're can.

01:25:57 --> 01:26:01: You hear me? OK, I switched headphones 'cause I knew

01:26:01 --> 01:26:05: some people were getting some intermittent cut out.

01:26:05 --> 01:26:08: I think that there's I think there's a couple of

01:26:08 --> 01:26:08: thoughts.

01:26:08 --> 01:26:11: I'll just share. One is that I think it is

01:26:11 --> 01:26:15: possible to be nimble and have policy and practice come

01:26:15 --> 01:26:16: into play at the same time.

01:26:16 --> 01:26:20: I think that's possible. I think that there are varying

01:26:20 --> 01:26:25: degrees of possibility depending on the local unit of government.

01:26:25 --> 01:26:28: And then the other thing that I would just say

01:26:28 --> 01:26:30: is that I think we have in Minnesota anyway,

01:26:30 --> 01:26:34: and I think this is probably not unique to Minnesota.

01:26:34 --> 01:26:37: But Minnesota is probably leading the nation in this regard.

01:26:37 --> 01:26:40: We have a lot of layers of government,

01:26:40 --> 01:26:42: an A lot of layers of regulation,
 01:26:42 --> 01:26:45: and so we have a situation where you know the
 01:26:45 --> 01:26:47: state has a role to play in this cities have
 01:26:47 --> 01:26:49: a role to play in this,
 01:26:49 --> 01:26:52: some counties do. In Greater Minnesota we just have a
 01:26:52 --> 01:26:56: very complex landscape and then you add in the watershed
 01:26:56 --> 01:26:57: districts and a lot of.
 01:26:57 --> 01:27:02: Additional sort of regulation for in particular for construction
 for
 01:27:02 --> 01:27:03: development an,
 01:27:03 --> 01:27:07: I think that that is something we need to take
 01:27:07 --> 01:27:10: a really close look at in Minnesota,
 01:27:10 --> 01:27:13: because that does have a cost associated with it.
 01:27:13 --> 01:27:16: I'm not sure that I can entirely by into the
 01:27:16 --> 01:27:20: argument that it's \$25,000 per single family unit,
 01:27:20 --> 01:27:22: but it's a lot of money,
 01:27:22 --> 01:27:25: right? And I think we have tended to look at
 01:27:25 --> 01:27:28: development as a way to provide.
 01:27:28 --> 01:27:32: Services and amenities. In our cities that offset the property
 01:27:32 --> 01:27:33: tax impact right.
 01:27:33 --> 01:27:36: And so this is also tide in with how we
 01:27:36 --> 01:27:40: fund a local government and how we think about service
 01:27:40 --> 01:27:40: provision.
 01:27:40 --> 01:27:44: So for instance, I'll just pick on the park dedication
 01:27:44 --> 01:27:44: fee.
 01:27:44 --> 01:27:47: We really looked at that for many years as a
 01:27:47 --> 01:27:50: way to try to make sure that new residents were
 01:27:50 --> 01:27:55: also participating in the costs associated with the
 development of
 01:27:55 --> 01:27:59: parks, specially when it came to suburban and exurban
 growth
 01:27:59 --> 01:28:03: boundaries and those communities that were really growing.
 01:28:03 --> 01:28:07: And maybe they had like 100 square miles within their
 01:28:07 --> 01:28:10: jurisdiction and they were adding parks right?
 01:28:10 --> 01:28:13: But the other challenge was that we also looked at
 01:28:13 --> 01:28:16: it for the core cities as a way to try
 01:28:16 --> 01:28:19: to re balance the lack of investment that we had
 01:28:19 --> 01:28:21: made for more than 30 years.
 01:28:21 --> 01:28:24: So that's that's a kind of complex discussion.
 01:28:24 --> 01:28:27: I don't want to get too deep in the weeds,
 01:28:27 --> 01:28:30: but I will suggest to you that one of the
 01:28:30 --> 01:28:33: things that we're not doing so much in the public
 01:28:33 --> 01:28:34: sector right now.

01:28:34 --> 01:28:38: Is we're not so much having the conversation about priorities,
01:28:38 --> 01:28:42: but we are always having a conversation about resources
and
01:28:42 --> 01:28:46: something that somebody said early on was that we have
01:28:46 --> 01:28:50: scarce resources and I would just suggest that our resources
01:28:50 --> 01:28:53: are substantial in the Twin Cities were one of the
01:28:53 --> 01:28:57: richest metros in the nation in terms of real wealth,
01:28:57 --> 01:28:59: personal wealth and institutional wealth.
01:28:59 --> 01:29:01: So we have a lot of resources,
01:29:01 --> 01:29:05: but we don't tend to have a discussion that is
01:29:05 --> 01:29:06: rooted in prioritization.
01:29:06 --> 01:29:09: We tend to have a conversation that is rooted in
01:29:09 --> 01:29:12: scarcity and so that's something I think we could do
01:29:12 --> 01:29:15: a lot differently and the development community,
01:29:15 --> 01:29:18: I think would benefit from that because one of the
01:29:18 --> 01:29:21: conversations that we're continually having is we,
01:29:21 --> 01:29:24: you, gotta you gotta whittle down your performing.
01:29:24 --> 01:29:25: You've got to make this work.
01:29:25 --> 01:29:29: We've got to have these attributes within a development.
01:29:29 --> 01:29:31: You have to figure out how to pencil that out,
01:29:31 --> 01:29:34: and I think the conversation has gotten to the point
01:29:35 --> 01:29:38: where maybe we have over relied on the private sector.
01:29:38 --> 01:29:40: In building attainable and affordable housing,
01:29:40 --> 01:29:43: maybe we have pushed that as far as we can.
01:29:43 --> 01:29:46: I don't know, but I think that's something we have
01:29:46 --> 01:29:49: to begin to discuss in the context of the overall
01:29:49 --> 01:29:52: fian regulatory cost of doing development in our cities.
01:29:55 --> 01:29:57: Adam.
01:29:57 --> 01:29:59: That's you're on mute, Adam.
01:30:02 --> 01:30:04: No, I was just going to say well said,
01:30:04 --> 01:30:06: I do think that's an important.
01:30:06 --> 01:30:09: Framing change that we should come at this from a
01:30:09 --> 01:30:12: position of of opportunity and not a provision.
01:30:12 --> 01:30:14: Position of scarcity.
01:30:14 --> 01:30:18: And and you know, Heather and I,
01:30:18 --> 01:30:23: Alex and Sean. You work mostly in the core cities,
01:30:23 --> 01:30:30: but are these issues similar in the suburban areas?
01:30:30 --> 01:30:33: I know how there you're working in Bloomington now.
01:30:33 --> 01:30:37: You've worked across Ramsey County and some of the
suburban
01:30:37 --> 01:30:37: cities.
01:30:37 --> 01:30:42: Is the connection between the policy and practice.

01:30:42 --> 01:30:46: Needs to be more aligned in the suburban areas as well.

01:30:46 --> 01:30:46: I, I mean I, I think it does.

01:30:46 --> 01:30:48: I think that the especially the inner ring of suburbs

01:30:48 --> 01:30:52: is starting to deal with these issues that the core

01:30:52 --> 01:30:57: cities were dealing with 10 and 20 years ago.

01:30:57 --> 01:31:00: An example would be in Bloomington.

01:31:00 --> 01:31:03: Right now we're doing a major Noah preservation project with

01:31:03 --> 01:31:07: Aon,

01:31:07 --> 01:31:07: which is the Village club apartments.

01:31:07 --> 01:31:10: And there's quite a few,

01:31:10 --> 01:31:12: three and four bedroom units in that project,

01:31:12 --> 01:31:15: and the reason is that Bloomington is starting to realize

01:31:15 --> 01:31:19: we have a family need.

01:31:19 --> 01:31:21: We have a family size need for those larger units,

01:31:21 --> 01:31:25: larger bedroom count, and we haven't been keeping pace with

01:31:25 --> 01:31:29: that as a inner ring suburb.

01:31:29 --> 01:31:32: And the other thing I'll just say is that I

01:31:32 --> 01:31:35: think current building codes are not very friendly to innovation

01:31:35 --> 01:31:40: in terms of the building type,

01:31:40 --> 01:31:42: so the typology of development is really really very focused

01:31:42 --> 01:31:47: either on multifamily or single family,

01:31:47 --> 01:31:50: and the market really wants to see innovation around things

01:31:50 --> 01:31:55: like a cottage court typology or a shared wall typology

01:31:55 --> 01:31:59: that allows for an extended family.

01:31:59 --> 01:32:02: To live on one site and we don't have provisions

01:32:02 --> 01:32:06: in our codes for those types of products,

01:32:06 --> 01:32:09: so that's something that I think the inner ring suburbs

01:32:09 --> 01:32:13: are really poised to address.

01:32:13 --> 01:32:15: And are, I think, able to be nimble and innovative

01:32:15 --> 01:32:19: in ways that can be challenging for the two larger

01:32:19 --> 01:32:23: cities.

01:32:23 --> 01:32:23: Kathy, I'll just make one comment about that as well.

01:32:23 --> 01:32:27: Heather mentioned in the 2040 plan the reduction of required

01:32:27 --> 01:32:30: parking in Minneapolis and one of the important points is

01:32:30 --> 01:32:34: you can't build missing middle in Minneapolis without Lesson

01:32:34 --> 01:32:38: 1

01:32:38 --> 01:32:40: to one parking it doesn't.

01:32:40 --> 01:32:42: I mean, there's no way to pencil it out,

01:32:42 --> 01:32:44: so you've got, you know,

01:32:44 --> 01:32:47: the only reason that it's happening is you can build

01:32:47 --> 01:32:50: a 40 unit building with 20 parking spots or 12
 01:32:50 --> 01:32:52: unit building with no parking spots.
 01:32:52 --> 01:32:54: Or you know, but that has to be.
 01:32:54 --> 01:32:56: At least the market thus far,
 01:32:56 --> 01:32:57: that has to be in the city.
 01:32:57 --> 01:33:00: It has to be somewhere where you can sell the
 01:33:00 --> 01:33:01: neighborhood as the amenity,
 01:33:01 --> 01:33:04: where you can convince somebody that you don't need a
 01:33:04 --> 01:33:06: car because you're within six blocks.
 01:33:06 --> 01:33:08: You have your gym, your yoga studio,
 01:33:08 --> 01:33:11: all the restaurants and bars you want to go to,
 01:33:11 --> 01:33:12: anything else you may need.
 01:33:12 --> 01:33:14: You know you can do that there.
 01:33:14 --> 01:33:17: I've looked at various sites in the suburbs to try
 01:33:17 --> 01:33:19: to do some of these types of projects and you
 01:33:20 --> 01:33:21: know there's two issues that I see.
 01:33:21 --> 01:33:24: The parking requirement in the suburbs is usually.
 01:33:24 --> 01:33:26: If not one to one per unit,
 01:33:26 --> 01:33:28: it's sometimes one to one bedroom,
 01:33:28 --> 01:33:31: so you end up with an exorbitant amount of parking.
 01:33:31 --> 01:33:33: It may be needed, but it's hard to build smaller
 01:33:33 --> 01:33:34: housing at that scale.
 01:33:34 --> 01:33:37: With the construction, the other one is the units per
 01:33:37 --> 01:33:38: acre.
 01:33:38 --> 01:33:41: A lot of times allowed in the suburbs even in places
 01:33:41 --> 01:33:43: like Saint Louis Park and you know,
 01:33:43 --> 01:33:45: Bloomington and some of these closer in suburbs.
 01:33:45 --> 01:33:48: Sometimes you're only allowed 15 units an acre or 30
 01:33:48 --> 01:33:49: minutes an acre.
 01:33:49 --> 01:33:51: So to build, you know a 40 unit project.
 01:33:51 --> 01:33:53: You're buying an acre and a half,
 01:33:53 --> 01:33:55: and that maybe \$2,000,000. Right,
 01:33:55 --> 01:33:58: it's a lot easier to pay \$2,000,000 and build 120
 01:33:58 --> 01:33:59: units on that site,
 01:33:59 --> 01:34:00: so we've got a lot of.
 01:34:00 --> 01:34:02: There's some mismatches there too.
 01:34:02 --> 01:34:05: As far as the codes and just the requirements in
 01:34:05 --> 01:34:07: different municipalities,
 01:34:07 --> 01:34:09: so that's why I think a lot of what you
 01:34:09 --> 01:34:12: are seeing from a missing middle you're seeing primarily in
 01:34:12 --> 01:34:15: in Minneapolis and and somewhere in Saint Paul also.
 01:34:19 --> 01:34:21: Yeah.

01:34:21 --> 01:34:24: Great, so let's get to some of the questions and
 01:34:24 --> 01:34:27: if you have other questions from the audience,
 01:34:27 --> 01:34:31: just put it in the Q&A and I'll try to
 01:34:31 --> 01:34:33: get us to as many as I can.
 01:34:33 --> 01:34:36: I have a question here about both Sean and Alain.
 01:34:36 --> 01:34:41: Adam mentioned the importance of having architects and
 developers develop
 01:34:41 --> 01:34:45: news designs that are more efficient and smaller.
 01:34:45 --> 01:34:49: Did the working group talk about potentially supporting a
 design
 01:34:49 --> 01:34:52: competition that focuses not only on design but also on
 01:34:52 --> 01:34:55: the intersection with the public process,
 01:34:55 --> 01:34:58: public design standards and building codes,
 01:34:58 --> 01:35:01: and I will say, I know we did talk about
 01:35:01 --> 01:35:03: process a lot.
 01:35:03 --> 01:35:06: And I think we did not talk about a design
 01:35:06 --> 01:35:06: competition,
 01:35:06 --> 01:35:11: but we did talk about process and importance of breaking
 01:35:11 --> 01:35:14: down the process to develop.
 01:35:14 --> 01:35:17: This type of housing and I don't know Alex John,
 01:35:17 --> 01:35:19: Heather. If you have other comments on that,
 01:35:19 --> 01:35:23: yeah, there's there's one thing that came up with the
 01:35:23 --> 01:35:23: group.
 01:35:23 --> 01:35:25: I believe it was mentioned,
 01:35:25 --> 01:35:28: I think, years ago one organization in the Twin Cities
 01:35:28 --> 01:35:32: had just open source and single family home designs and
 01:35:32 --> 01:35:33: saying hey,
 01:35:33 --> 01:35:36: this could get through the process for permitting.
 01:35:36 --> 01:35:38: Use it and enjoy. So now if the what they
 01:35:39 --> 01:35:39: thought was,
 01:35:39 --> 01:35:42: you know should we get some people together to come
 01:35:43 --> 01:35:44: up with some duplex triplexes?
 01:35:44 --> 01:35:48: Four Plex designs optimize them to fit on the lots
 01:35:48 --> 01:35:48: you know,
 01:35:48 --> 01:35:49: like a maybe a 80%
 01:35:49 --> 01:35:51: solution and just say hey,
 01:35:51 --> 01:35:54: this is free to you because it has a small
 01:35:54 --> 01:35:57: developer 'cause what we find out that's who's going to
 01:35:57 --> 01:36:00: be nimble enough to navigate in this in the city.
 01:36:00 --> 01:36:03: In dealing with this, if we can take that burden
 01:36:03 --> 01:36:06: off of them to have some designs that can get
 01:36:06 --> 01:36:07: through the process,

01:36:07 --> 01:36:09: you know that, may you know,
 01:36:09 --> 01:36:11: get some inventory out there,
 01:36:11 --> 01:36:14: you know faster and reduce some of the risk and
 01:36:14 --> 01:36:16: costs associated with it.
 01:36:16 --> 01:36:18: So that did that come up and the other the
 01:36:18 --> 01:36:19: other piece on process,
 01:36:19 --> 01:36:22: and I may articulate this little bit earlier too is
 01:36:22 --> 01:36:23: you know it takes.
 01:36:23 --> 01:36:26: It's basically the same pre development process for me to
 01:36:26 --> 01:36:29: develop 12 unit building as it is for me to
 01:36:29 --> 01:36:32: develop 112 unit building the same amount of time I
 01:36:32 --> 01:36:35: have to do all the same environmental studies I have
 01:36:35 --> 01:36:37: to do the same architectural work I have to go.
 01:36:37 --> 01:36:40: I have a 12 unit building under construction that I
 01:36:40 --> 01:36:43: had to go through the Committee of the whole added
 01:36:43 --> 01:36:45: two more months to my process and it was you
 01:36:45 --> 01:36:48: know. Maybe I didn't get any comments and you know
 01:36:48 --> 01:36:51: you can afford those types of pre development risks when
 01:36:52 --> 01:36:54: your back end delivery is 100 plus units when you're
 01:36:54 --> 01:36:58: trying to build a small little project on a shoestring
 01:36:58 --> 01:36:59: budget as a small developer,
 01:36:59 --> 01:37:02: you know every month that's added to the process.
 01:37:02 --> 01:37:05: Every twist and turn you know just adds exponential risk
 01:37:05 --> 01:37:06: to your ability.
 01:37:06 --> 01:37:08: Deliver it and you know,
 01:37:08 --> 01:37:10: as I said, a lot of us that have gotten
 01:37:10 --> 01:37:13: to the finish line and some of those projects look
 01:37:13 --> 01:37:14: back and say,
 01:37:14 --> 01:37:16: geez, are we really going to do that again or?
 01:37:16 --> 01:37:19: Why not do that same process and we deliver 100
 01:37:19 --> 01:37:20: units of housing the next time?
 01:37:20 --> 01:37:24: Yeah, I think this is this is the imperative for
 01:37:24 --> 01:37:28: local governments right now is to fix our process limitations
 01:37:28 --> 01:37:31: to achieve the goals that we say we want.
 01:37:31 --> 01:37:34: And I think that that that again,
 01:37:34 --> 01:37:39: that's multilayered, right? Because the process is working
 exactly like
 01:37:39 --> 01:37:40: it should,
 01:37:40 --> 01:37:43: right? I mean, I think I think that's the challenges
 01:37:44 --> 01:37:48: that the processes we've put in place are specifically to
 01:37:48 --> 01:37:51: address the kind of NIMBY problems that a lot of
 01:37:51 --> 01:37:56: communities are facing. People don't want infill development

01:37:56 --> 01:37:56: next door

01:37:56 --> 01:37:59: to them.

01:37:59 --> 01:38:02: People don't want that 12 unit building,

01:38:02 --> 01:38:04: but our policy makers and the people who are helping

01:38:04 --> 01:38:06: to write that policy or saying.

01:38:06 --> 01:38:08: But this is the way that we can solve for

01:38:08 --> 01:38:10: some of our housing needs.

01:38:10 --> 01:38:13: So we have to have that balanced approach.

01:38:14 --> 01:38:16: But we've we've not done a great job educating the

01:38:16 --> 01:38:18: public about what that looks like.

01:38:18 --> 01:38:20: And I think that that burden is on us.

01:38:20 --> 01:38:21: I think we have to solve for that,

01:38:21 --> 01:38:24: and I like to say,

01:38:24 --> 01:38:25: you know, systems work the way they work for a

01:38:25 --> 01:38:28: reason.

01:38:28 --> 01:38:32: And these systems are working exactly like we built them,

01:38:32 --> 01:38:36: so we have to think differently about those systems and

01:38:36 --> 01:38:39: you shouldn't have to go through a massive amount of

01:38:39 --> 01:38:42: regulation to build a product on several different sites.

01:38:42 --> 01:38:45: You should be able to build as of right,

01:38:45 --> 01:38:48: and that that is something that I think a lot

01:38:48 --> 01:38:52: of American cities are starting to realize is part of

01:38:52 --> 01:38:56: the challenge that we're all facing is that the burden

01:38:56 --> 01:38:59: on developers is high when it comes to cost for.

01:38:59 --> 01:39:05: Trying to solve for every eventuality,

01:39:05 --> 01:39:06: every process challenge and so finding ways we can

01:39:06 --> 01:39:09: streamline

01:39:09 --> 01:39:13: that.

01:39:13 --> 01:39:16: In in ways that are not antithetical to our community,

01:39:16 --> 01:39:17: goals around safety and accountability but but,

01:39:17 --> 01:39:20: but let's the kind of introducing balance back in this

01:39:20 --> 01:39:21: conversation.

01:39:21 --> 01:39:24: I think one other quick comment I would add to

01:39:24 --> 01:39:25: that is,

01:39:25 --> 01:39:29: you know, I think what also gets lost or or

01:39:29 --> 01:39:30: isn't understood.

01:39:30 --> 01:39:34: Sometimes in the process is you know the construction loan

01:39:34 --> 01:39:37: that a developer takes out.

01:39:37 --> 01:39:42: I mean, especially smaller nimble groups myself and I mean,

01:39:42 --> 01:39:45: there's you know there's. A bunch of us,

01:39:45 --> 01:39:48: you know. We're personally guaranteeing these construction

01:39:48 --> 01:39:51: loans with everything

01:39:42 --> 01:39:44: we've got every time we build the project.

01:39:44 --> 01:39:47: And so you know the risk that we take is

01:39:47 --> 01:39:48: tremendous.

01:39:48 --> 01:39:51: And that's why the process and clarity of process and

01:39:51 --> 01:39:54: knowing how to get from the beginning to the end

01:39:54 --> 01:39:57: is paramount to us because every twist and turn makes

01:39:57 --> 01:40:00: it that much riskier and you're that much less incentivized

01:40:01 --> 01:40:03: to want to fight to build a 20 unit project.

01:40:03 --> 01:40:06: I think, yeah, I just I want to just follow

01:40:06 --> 01:40:09: up and just say that I think are regulations.

01:40:09 --> 01:40:12: In some ways are driving scarcity right?

01:40:12 --> 01:40:15: We are regulating to the point where that is having

01:40:15 --> 01:40:18: a real economic impact on on project delivery.

01:40:18 --> 01:40:20: Go ahead Adam. Sorry as I say,

01:40:20 --> 01:40:23: this is a very good conversation and then tie it

01:40:23 --> 01:40:24: back to design.

01:40:24 --> 01:40:29: You know the architecture of attainable and affordable

01:40:29 --> 01:40:30: housing should

01:40:29 --> 01:40:30: be good,

01:40:30 --> 01:40:33: but we also need to begin to allow.

01:40:33 --> 01:40:36: Replik ability and standardization, and it's not a sin.

01:40:36 --> 01:40:39: You know. Not every solution can be a bespoke solution

01:40:39 --> 01:40:40: every single time,

01:40:40 --> 01:40:42: and be affordable. And actually,

01:40:42 --> 01:40:45: I think some of that like engineering contractors,

01:40:45 --> 01:40:49: even some of the construction companies are starting to

01:40:49 --> 01:40:50: push

01:40:49 --> 01:40:50: in the direction of like.

01:40:50 --> 01:40:52: This is a system that can kind of work,

01:40:52 --> 01:40:55: and the architecture can be good and there can be

01:40:55 --> 01:40:56: some variation.

01:40:56 --> 01:41:00: But that will also be one of the like.

01:41:00 --> 01:41:03: You know pieces that helps move the needle and we

01:41:03 --> 01:41:05: kind of need to get reconciled to that.

01:41:05 --> 01:41:08: That that's not going to be the end of our

01:41:08 --> 01:41:08: cities,

01:41:08 --> 01:41:12: right? Don't forget that great cities like Paris and Vienna

01:41:12 --> 01:41:14: had replicable housing models.

01:41:14 --> 01:41:17: The Houseman apartment is a is a replicable model and

01:41:17 --> 01:41:20: it is through every erendis mall in the city.

01:41:20 --> 01:41:22: So you can't. You can't ignore that.

01:41:22 --> 01:41:24: Good design can come over applicability.

01:41:24 --> 01:41:26: I think that's that's, uh,

01:41:26 --> 01:41:29: that is maybe uniquely American sort of rejection.

01:41:29 --> 01:41:33: But, but that's something that I think we have to

01:41:33 --> 01:41:33: look at.

01:41:33 --> 01:41:37: Yeah, we're seeing this in a small way and we

01:41:38 --> 01:41:42: talked about this not in great detail in the workgroup,

01:41:42 --> 01:41:47: but to some extent 480 use accessory dwelling units.

01:41:47 --> 01:41:52: Is there a way that communities cities can approve just

01:41:52 --> 01:41:58: some standard designs that work on typical single family lots

01:41:58 --> 01:42:00: and allow it by right?

01:42:00 --> 01:42:02: That takes out that process,

01:42:02 --> 01:42:06: costs that process time. I think Encinitas,

01:42:06 --> 01:42:11: CA. There's some other California cities that are doing this,

01:42:11 --> 01:42:15: and so maybe if we start small.

01:42:15 --> 01:42:20: With the etios it can build to other reference replicable

01:42:20 --> 01:42:20: models.

01:42:20 --> 01:42:23: Yeah, and that's starting to happen,

01:42:23 --> 01:42:27: but one of the things that people are finding out

01:42:27 --> 01:42:28: is great concept.

01:42:28 --> 01:42:30: But how do you finance it?

01:42:30 --> 01:42:34: So this is where our financing partners are little behind

01:42:34 --> 01:42:37: and supporting homeowners to bring.

01:42:37 --> 01:42:40: You know that unit you know to fruition in New

01:42:40 --> 01:42:41: York?

01:42:41 --> 01:42:44: Yeah, I think that's one of the things that we

01:42:44 --> 01:42:47: need to dig deeper on you will I Chicago did

01:42:47 --> 01:42:49: some work for about a year.

01:42:49 --> 01:42:53: Long work on trying to identify financing alternatives.

01:42:53 --> 01:42:56: For 80, use and so potentially building off.

01:42:56 --> 01:43:01: That is something that can come out of this work.

01:43:01 --> 01:43:02: Yeah, go ahead you is,

01:43:02 --> 01:43:04: you know. And this is just a first hand example

01:43:05 --> 01:43:07: of being running my business out of my bedroom the

01:43:07 --> 01:43:08: past three months.

01:43:08 --> 01:43:11: You know, it's for I unfortunately live in a single

01:43:11 --> 01:43:12: family home.

01:43:12 --> 01:43:13: I have a decent sized garage,

01:43:13 --> 01:43:16: a detached garage on my alley in South Minneapolis and

01:43:16 --> 01:43:19: started looking into what could I do to add a

01:43:19 --> 01:43:21: bedroom up there or just an officer?

01:43:21 --> 01:43:24: Frankly, something to get away from my 3 year old

01:43:24 --> 01:43:26: so I can be somewhat professional.

01:43:26 --> 01:43:29: At least half the day and.

01:43:29 --> 01:43:32: Turns out my neighbor 6 houses away designs 80 use

01:43:32 --> 01:43:33: and over took a look.

01:43:33 --> 01:43:36: I have a slab on grade garage and he said

01:43:36 --> 01:43:38: by code you can't add a second floor.

01:43:38 --> 01:43:40: I mean it basically became.

01:43:40 --> 01:43:43: I thought. You know maybe there's a low cost way

01:43:43 --> 01:43:46: to add a small office or something and basically it

01:43:46 --> 01:43:48: came down to it's a 250 to \$400,000 project.

01:43:48 --> 01:43:52: You have to scrap your \$40,000 garage that you just

01:43:52 --> 01:43:55: built three years ago and start over and I've looked

01:43:55 --> 01:43:58: and and I understand I'm coming from a place of

01:43:58 --> 01:44:00: privilege an. I looked at him and said yeah,

01:44:00 --> 01:44:02: thanks thanks but no thanks.

01:44:02 --> 01:44:03: You know that's not. I mean,

01:44:03 --> 01:44:05: it's not even a feasible thing.

01:44:05 --> 01:44:08: I think there's been a couple built thus far.

01:44:08 --> 01:44:11: We've had, I think in Minneapolis are spent about 150

01:44:11 --> 01:44:12: built.

01:44:12 --> 01:44:15: They typically range in the range of about 125 to

01:44:15 --> 01:44:17: \$200,000 depending on finish,

01:44:17 --> 01:44:20: but I'll tell you that you know big chunk of

01:44:20 --> 01:44:24: the ATU problem is again what Alex brought up early

01:44:24 --> 01:44:24: on,

01:44:24 --> 01:44:27: which is those fees. And so when you do an

01:44:27 --> 01:44:28: ATU,

01:44:28 --> 01:44:29: you pay a second whack.

01:44:29 --> 01:44:31: You pay your building permit,

01:44:31 --> 01:44:36: which can be substantial depending on the jurisdiction and then

01:44:36 --> 01:44:37: you're paying for,

01:44:37 --> 01:44:41: as you say, Sean, you're paying for Frost footings.

01:44:41 --> 01:44:44: And all of the you're basically building a small house

01:44:44 --> 01:44:45: in your backyard,

01:44:45 --> 01:44:47: so so you know that it has a lot of

01:44:47 --> 01:44:49: costs associated with that.

01:44:49 --> 01:44:52: One thing that I was outta you Ally Advisory Services

01:44:52 --> 01:44:55: panel out in Washington DC last year and one of

01:44:55 --> 01:44:58: the things we said was maybe there's a way for

01:44:58 --> 01:45:02: local governments to underwrite or offset the cost of the

01:45:02 --> 01:45:03: utility connections.

01:45:03 --> 01:45:06: So that would be one way to really help drive

01:45:06 --> 01:45:07: the construction of 80.

01:45:07 --> 01:45:11: Use not unlike how we incentivize affordable housing,

01:45:11 --> 01:45:15: for instance so. Um? I think that that's that's something

01:45:15 --> 01:45:18: that we could we could look at Ann and try

01:45:18 --> 01:45:21: to understand the real costs of that.

01:45:21 --> 01:45:25: More more accurately, I understand that our second whack

01:45:25 --> 01:45:26: fees

01:45:25 --> 01:45:26: exist for reason,

01:45:26 --> 01:45:28: but again, I think we should be.

01:45:28 --> 01:45:32: We should be looking at what's the offset between the

01:45:32 --> 01:45:36: goals around adding housing to existing lots and the fee

01:45:36 --> 01:45:38: structure that's in place.

01:45:38 --> 01:45:39: So those things are again,

01:45:39 --> 01:45:44: it's the interrelation of of all these issues.

01:45:44 --> 01:45:47: Yeah, I want to get to a couple more of

01:45:47 --> 01:45:51: the questions in our last a few minutes here.

01:45:51 --> 01:45:55: There's an interesting question about does the data suggest

01:45:55 --> 01:45:59: empty

01:45:55 --> 01:45:59: nesters staying in larger single family homes then they then

01:45:59 --> 01:46:03: they use or something or sometimes can efficiently maintain

01:46:03 --> 01:46:07: contribute

01:46:03 --> 01:46:07: to a supply issue? Are there policies that contribute to

01:46:07 --> 01:46:07: that?

01:46:07 --> 01:46:11: Exempting a home as an asset when determining support of

01:46:11 --> 01:46:12: assisted housing?

01:46:12 --> 01:46:15: Or is it more of a cultural societal pressure to

01:46:15 --> 01:46:16: stay in the home?

01:46:16 --> 01:46:17: And so I'm going to?

01:46:17 --> 01:46:20: I'm going to jump in on this one because I

01:46:20 --> 01:46:24: think in Minneapolis the data doesn't lie since 1950.

01:46:24 --> 01:46:27: There were in 1950 there were about 7 human beings

01:46:27 --> 01:46:30: in every unit of housing in the city,

01:46:30 --> 01:46:33: and today there are just shy of three,

01:46:33 --> 01:46:36: so we know that people are staying in larger homes

01:46:36 --> 01:46:37: longer.

01:46:37 --> 01:46:39: As to that, I think there's.

01:46:39 --> 01:46:42: I think there's some economic reasons for that,

01:46:42 --> 01:46:46: right? I mean, you, it is your largest investment.

01:46:46 --> 01:46:50: The housing market can be really difficult to predict,

01:46:50 --> 01:46:53: and it can be very fluid and some people just

01:46:53 --> 01:46:54: can't cash out.

01:46:54 --> 01:46:57: Can't move into something, but I think one of the

01:46:57 --> 01:47:01: biggest problems facing people in that decision is that if

01:47:01 --> 01:47:04: they want to stay in that area where they're living
 01:47:04 --> 01:47:06: currently next to their friends,
 01:47:06 --> 01:47:09: their church, the businesses that they frequent,
 01:47:09 --> 01:47:12: there aren't a lot of options for them in terms
 01:47:12 --> 01:47:14: of that downsizing move,
 01:47:14 --> 01:47:17: and so they tend to have this very binary decision
 01:47:17 --> 01:47:17: to make,
 01:47:17 --> 01:47:20: which is moved to the suburbs.
 01:47:20 --> 01:47:23: And be car dependent or stay in my home so
 01:47:23 --> 01:47:27: we're not really offering options for folks.
 01:47:30 --> 01:47:33: There there are interesting green shoots of you know,
 01:47:33 --> 01:47:36: new people trying to make that product available and in
 01:47:36 --> 01:47:37: communities,
 01:47:37 --> 01:47:40: but. You know it's still a very,
 01:47:40 --> 01:47:41: very early and.
 01:47:43 --> 01:47:44: You know a huge opportunity.
 01:47:44 --> 01:47:47: I do hope that people kind of respond to the
 01:47:47 --> 01:47:47: challenge,
 01:47:47 --> 01:47:47: but.
 01:47:50 --> 01:47:53: So I have an interesting question here based upon what
 01:47:53 --> 01:47:58: you mentioned Heather about cost supports for affordable
 housing,
 01:47:58 --> 01:48:01: is there a possible vehicle for the state to create
 01:48:01 --> 01:48:05: a companion program like low Income Housing Trust for this
 01:48:05 --> 01:48:07: missing middle housing?
 01:48:07 --> 01:48:08: Maybe that is a doable,
 01:48:08 --> 01:48:11: but what are your thoughts?
 01:48:11 --> 01:48:13: I think I'll just jump in,
 01:48:13 --> 01:48:16: but then let Sean and Alex and Adam answer too,
 01:48:16 --> 01:48:20: but I actually think that incentivizing missing middle housing,
 01:48:20 --> 01:48:25: an more attainable housing, and affordable housing on single
 family
 01:48:25 --> 01:48:26: lots is is a good idea.
 01:48:26 --> 01:48:28: I think that that is,
 01:48:28 --> 01:48:31: you know, this issue needs a lot of solutions and
 01:48:31 --> 01:48:34: I don't think there's anyone answer,
 01:48:34 --> 01:48:37: so I think actually saying that you as a single
 01:48:37 --> 01:48:41: single family homeowner could be eligible for some kind of
 01:48:41 --> 01:48:43: incentive if you built an ATU,
 01:48:43 --> 01:48:45: for instance. I think that's brilliant.
 01:48:45 --> 01:48:47: You know, I think that's a really easy way to
 01:48:47 --> 01:48:48: do that.
 01:48:48 --> 01:48:50: I think you're going to get NIMBY pushback,

01:48:50 --> 01:48:53: but again, I feel like I'm so many public policy
 01:48:53 --> 01:48:53: issues,
 01:48:53 --> 01:48:56: we jump to solutions without educating the public.
 01:48:56 --> 01:48:58: And so we we need to do that deeper work
 01:48:58 --> 01:49:00: of educating people about the need.
 01:49:00 --> 01:49:01: An my husband and I,
 01:49:01 --> 01:49:04: for instance, have talked about building an ATU primarily
 because
 01:49:04 --> 01:49:06: we have a small home on a small lot that's
 01:49:06 --> 01:49:08: very close to transit,
 01:49:08 --> 01:49:09: and we we think, you know,
 01:49:09 --> 01:49:11: just probably makes sense for us to stay here.
 01:49:11 --> 01:49:14: But one of the things that we talked about is.
 01:49:14 --> 01:49:16: Also, from the standpoint of that,
 01:49:16 --> 01:49:20: a Du being utilized for maybe a living caregiver at
 01:49:20 --> 01:49:24: some point so that we actually have more flexibility in
 01:49:24 --> 01:49:27: terms of that decision as it as it looms in
 01:49:27 --> 01:49:28: the near future for us.
 01:49:28 --> 01:49:30: So thanks.
 01:49:30 --> 01:49:35: Alex Frank yeah, I think something else is out there
 01:49:35 --> 01:49:36: as we look at,
 01:49:36 --> 01:49:38: you know the government subsidy.
 01:49:38 --> 01:49:41: But if we take a step back and say you
 01:49:41 --> 01:49:44: know what is a product that's not available in the
 01:49:44 --> 01:49:47: state that could really help out and kind of go
 01:49:47 --> 01:49:51: back. You know we all creatures of our background.
 01:49:51 --> 01:49:54: The first Prophet I ever bought my mid 20s.
 01:49:54 --> 01:49:57: I bought a condo. It was a three story building.
 01:49:57 --> 01:50:00: I was on the top floor did no elevators.
 01:50:00 --> 01:50:03: It had surface parking so the question becomes why?
 01:50:03 --> 01:50:08: In Minnesota you people only building luxury condos or how
 01:50:08 --> 01:50:09: could we enable?
 01:50:09 --> 01:50:12: To bring back the market of affordable,
 01:50:12 --> 01:50:16: attainable condos back into state and understand you know
 what's
 01:50:16 --> 01:50:19: happening there and how can we mitigate some of those
 01:50:19 --> 01:50:20: risks now?
 01:50:20 --> 01:50:23: Do you need a trust fund or something for the
 01:50:23 --> 01:50:27: insurance companies or whatever to be able to manage that
 01:50:27 --> 01:50:30: risk for developers to be able to build that product?
 01:50:30 --> 01:50:33: 'cause we know there's a need?
 01:50:33 --> 01:50:35: You know for that, so I think that's the other

01:50:35 --> 01:50:38: piece that equation what's happening out there,
01:50:38 --> 01:50:41: and I environment that we can come together to bring
01:50:41 --> 01:50:44: that product to the table that can fit that need.
01:50:44 --> 01:50:45: And I think there's a lot,
01:50:45 --> 01:50:47: Alex, I think that's a great point.
01:50:47 --> 01:50:49: And Heather, I think you made some some very good
01:50:49 --> 01:50:50: points.
01:50:50 --> 01:50:53: You know, I I tell people all the time.
01:50:53 --> 01:50:56: I don't know a single developer that doesn't believe in
01:50:56 --> 01:50:59: affordable housing that that wouldn't if there was a similar
01:50:59 --> 01:51:02: process to providing affordable housing that wouldn't,
01:51:02 --> 01:51:04: maybe it doesn't become the focus of their practice,
01:51:04 --> 01:51:08: but that wouldn't be also building affordable housing in in
01:51:08 --> 01:51:10: lockstep with market rate housing.
01:51:10 --> 01:51:12: The hard part is and you know the cost of
01:51:12 --> 01:51:15: a piece of wood is the same whether you're going
01:51:15 --> 01:51:17: to pay \$600 a month in rent for that piece
01:51:17 --> 01:51:18: of wood or \$2000 a month.
01:51:18 --> 01:51:20: The bricks cost the same.
01:51:20 --> 01:51:21: The concrete cost is same,
01:51:21 --> 01:51:24: right? So it's a simple math equation at the end
01:51:24 --> 01:51:27: of the day that most developers that aren't building affordable
01:51:27 --> 01:51:30: housing aren't doing it because they don't want to,
01:51:30 --> 01:51:32: or because they don't believe in it.
01:51:32 --> 01:51:34: It's because.
01:51:34 --> 01:51:36: Without subsidy.
01:51:36 --> 01:51:39: Just you, you build something that is worth less than
01:51:39 --> 01:51:40: you spend to build it,
01:51:40 --> 01:51:42: and that you can't get a bank loan.
01:51:42 --> 01:51:45: To do that. You can't find investors to do that,
01:51:45 --> 01:51:47: so there does need to be some other mechanism and
01:51:48 --> 01:51:49: there are they are out there.
01:51:49 --> 01:51:51: And I recognize that that you know,
01:51:51 --> 01:51:53: there's a number of different buckets out there,
01:51:53 --> 01:51:56: but I think to heathers point and into the question,
01:51:56 --> 01:51:57: if there was a simpler,
01:51:57 --> 01:52:00: more streamlined, more easy to understand.
01:52:00 --> 01:52:03: Way to get some of that subsidy to help build
01:52:03 --> 01:52:04: some of these projects.
01:52:04 --> 01:52:07: I personally think you'd see a lot of developers jumping
01:52:07 --> 01:52:08: in to do it,
01:52:08 --> 01:52:11: but to the point about process earlier.

01:52:11 --> 01:52:14: It's frankly easier to build 100 units of market rate housing than it is to try to figure out how to build a 40 unit affordable deal.

01:52:14 --> 01:52:16:

01:52:16 --> 01:52:18:

01:52:18 --> 01:52:21: And it's substantially easier and you can build it in about 1/3 of the time.

01:52:21 --> 01:52:22:

01:52:22 --> 01:52:25: In most cases we have to do something to change that if we want to deliver more product.

01:52:25 --> 01:52:28:

01:52:28 --> 01:52:31: Adam, I know you have to jump off a couple minutes early,

01:52:31 --> 01:52:32:

01:52:32 --> 01:52:35: so anything that you would like to say and then I'm going to have a final question for each one of our panelists you know,

01:52:35 --> 01:52:38:

01:52:38 --> 01:52:40:

01:52:40 --> 01:52:43: just just kudos to the District Council for doing this work for taking it seriously for engaging the broader membership

01:52:44 --> 01:52:48:

01:52:48 --> 01:52:48: and,

01:52:48 --> 01:52:51: um. I really do think you will like and be part of the solution.

01:52:51 --> 01:52:52:

01:52:52 --> 01:52:54: Maybe even the driver of the solution.

01:52:54 --> 01:52:56: So keep up the good work guys.

01:52:56 --> 01:52:57: It's nice to join him.

01:52:59 --> 01:53:02: So panellists

01:53:02 --> 01:53:05: I wanted to ask a question about what do you think the next step?

01:53:05 --> 01:53:06:

01:53:06 --> 01:53:09: I mean, I know I didn't prep you on this one so you're kind of going off the cuff,

01:53:09 --> 01:53:11:

01:53:11 --> 01:53:15: but you know Heather, you talked about prioritization and the importance of prioritization.

01:53:15 --> 01:53:17:

01:53:17 --> 01:53:20: So what do you think is the next step to kind of move the needle?

01:53:20 --> 01:53:22:

01:53:22 --> 01:53:24: Whoever wants to go 1st jump in.

01:53:26 --> 01:53:28: Washer, go ahead, go ahead,

01:53:28 --> 01:53:31: I'll join, you know I was just gonna say I'm sure Alex and Heather will have a more intelligent, articulate answer to this. So I was going to let them lead and then try to follow up at the end with just copying.

01:53:34 --> 01:53:37:

01:53:37 --> 01:53:40:

01:53:40 --> 01:53:41:

01:53:41 --> 01:53:44: But I guess what I would say in whether it's touched on this a lot is.

01:53:44 --> 01:53:46:

01:53:46 --> 01:53:48: It's just the communication I think.

01:53:48 --> 01:53:50: I think we have a real issue and I think you know you're seeing it in Minneapolis today,

01:53:50 --> 01:53:53:

01:53:53 --> 01:53:55: right where we're having. I mean,
 01:53:55 --> 01:53:56: the last week has been,
 01:53:56 --> 01:54:00: you know, just absolutely atrocious in so many different ways.
 01:54:00 --> 01:54:03: And you know what you're seeing on social media and
 01:54:03 --> 01:54:04: what you're seeing out.
 01:54:04 --> 01:54:07: There is all the destruction and all the issues.
 01:54:07 --> 01:54:10: What you're not seeing a lot of is the majority
 01:54:10 --> 01:54:12: of Minnesotans are getting out there.
 01:54:12 --> 01:54:15: They're coming out in force to assist with cleanup,
 01:54:15 --> 01:54:18: raise money, do other things to try to help.
 01:54:18 --> 01:54:21: And I think what gets losted sometimes I I find
 01:54:21 --> 01:54:23: this a community meetings all the time.
 01:54:23 --> 01:54:26: You know we come in and there's obviously opposition and
 01:54:26 --> 01:54:30: I start every community meeting by explaining how affordable housing
 01:54:30 --> 01:54:32: gets built and then launching into.
 01:54:32 --> 01:54:36: Here's why I'm building micro units in this location with
 01:54:36 --> 01:54:38: limited parking or some of that edit it.
 01:54:38 --> 01:54:40: I did it once kind of by mistake and it
 01:54:40 --> 01:54:43: seemed to work and it you realize a lot of
 01:54:43 --> 01:54:43: it is,
 01:54:43 --> 01:54:45: we're all on the same team and on the same
 01:54:45 --> 01:54:46: page,
 01:54:46 --> 01:54:49: but there's just a lack of understanding and communication on
 01:54:49 --> 01:54:50: the process.
 01:54:50 --> 01:54:53: On why we're building the product we're building on how
 01:54:53 --> 01:54:55: development gets done on.
 01:54:55 --> 01:54:58: I mean it, you know we can talk about this
 01:54:58 --> 01:54:59: for hours and hours,
 01:54:59 --> 01:55:02: but I think the one thing that I think is
 01:55:02 --> 01:55:05: is we need to figure out a better mechanism is
 01:55:05 --> 01:55:09: communication across the whole spectrum of the stakeholders that are
 01:55:09 --> 01:55:12: involved in how a building gets built up.
 01:55:12 --> 01:55:15: I think for me or what I see is.
 01:55:15 --> 01:55:18: I'll describe it as leadership and this is what I
 01:55:18 --> 01:55:19: mean by that.
 01:55:19 --> 01:55:21: The opportunity for us. I,
 01:55:21 --> 01:55:23: you know, I dealt with primarily,
 01:55:23 --> 01:55:28: you know Minneapolis. I have one part of Minneapolis who's.
 01:55:28 --> 01:55:32: Gray driving innovative. Then you have another part that's

01:55:33 --> 01:55:33: kind
of the silos.

01:55:33 --> 01:55:37: So the question becomes, how can we provide that leadership

01:55:37 --> 01:55:39: to go across all these silos?

01:55:39 --> 01:55:43: And let's get together and have the honest dialogue and

01:55:43 --> 01:55:43: conversation.

01:55:43 --> 01:55:46: What do we need to put in place to enable

01:55:46 --> 01:55:46: this?

01:55:46 --> 01:55:48: 'cause the goal is affordable,

01:55:48 --> 01:55:51: you know, attainable housing. For people,

01:55:51 --> 01:55:53: let's look at what can we do?

01:55:53 --> 01:55:56: An what are those barriers and go after eliminate?

01:55:56 --> 01:55:59: And if we have to quickly get with legislature.

01:55:59 --> 01:56:03: Or change this policy. Get with you know city councils.

01:56:03 --> 01:56:05: Let's all sit together and do that.

01:56:05 --> 01:56:08: I don't. I just keep seeing these silos and I

01:56:08 --> 01:56:11: bang my head against trying to break down your so

01:56:11 --> 01:56:14: many silos and get them to work together.

01:56:14 --> 01:56:16: So for that, that's what I see.

01:56:16 --> 01:56:20: We're all together we can get this thing done.

01:56:20 --> 01:56:22: Yeah, I think I, Alex and Sean.

01:56:22 --> 01:56:25: I agree. I think I think there's a I mean.

01:56:25 --> 01:56:28: A couple of thoughts that I have about this and

01:56:28 --> 01:56:31: certainly you know I live four blocks from the midway

01:56:31 --> 01:56:32: target,

01:56:32 --> 01:56:34: so this has been heavy on my mind the last

01:56:34 --> 01:56:35: week or so.

01:56:35 --> 01:56:38: And you know, the truly.

01:56:38 --> 01:56:40: What we're seeing, I think,

01:56:40 --> 01:56:43: is an outgrowth of a lack of investment that a

01:56:43 --> 01:56:45: lack of shared values were.

01:56:45 --> 01:56:51: Whereas a community witnessing an incredible opportunity to pivot an

01:56:51 --> 01:56:52: address these issues,

01:56:52 --> 01:56:56: it will take a lot of intestinal fortitude.

01:56:56 --> 01:56:58: Is my mother use like to say,

01:56:58 --> 01:57:01: and I think I think we have that within us.

01:57:01 --> 01:57:04: I think this state has done that before,

01:57:04 --> 01:57:08: and so I actually think if we if we look

01:57:08 --> 01:57:10: back we can see a time when.

01:57:10 --> 01:57:13: When the city is the Twin Cities and the the

01:57:13 --> 01:57:16: urban sort of suburban area did look at these issues
 01:57:16 --> 01:57:19: in depth and did correct them and that was in
 01:57:19 --> 01:57:23: the late 1960s when we created the Metropolitan Council and
 01:57:23 --> 01:57:27: the Metropolitan Council is like any other unit of government.
 01:57:27 --> 01:57:30: It's deeply imperfect, but it exists for a really important
 01:57:30 --> 01:57:31: reason,
 01:57:31 --> 01:57:34: and that is that we had a looming environmental crisis,
 01:57:34 --> 01:57:37: and we said we have to solve for this.
 01:57:37 --> 01:57:40: We can't have 180 cities on separate sewer systems.
 01:57:40 --> 01:57:43: And largely on septic systems and so today,
 01:57:43 --> 01:57:47: we actually benefit greatly from the the policy.
 01:57:47 --> 01:57:50: The deep policy work that a group of people did
 01:57:51 --> 01:57:53: to create the Metropolitan Council.
 01:57:53 --> 01:57:57: I think a similar effort would be useful here in
 01:57:57 --> 01:58:02: recognizing that the Twin Cities have shared values around
 housing
 01:58:02 --> 01:58:06: and transportation an employment and wealth creation.
 01:58:06 --> 01:58:08: We have shared values in that space.
 01:58:08 --> 01:58:12: Yes, there are some loud voices that are shouting us
 01:58:12 --> 01:58:13: down.
 01:58:13 --> 01:58:16: But I think in in the majority sense people can
 01:58:17 --> 01:58:20: can agree that these are good things that we need
 01:58:20 --> 01:58:24: to invest in what we haven't seen is a discussion
 01:58:24 --> 01:58:29: in parallel about budget. An prioritization and so Kathy.
 01:58:29 --> 01:58:31: You asked about this and I,
 01:58:31 --> 01:58:35: I think when people started questioning the ability of the
 01:58:35 --> 01:58:36: city of Minneapolis,
 01:58:36 --> 01:58:38: for instance, to do certain things,
 01:58:38 --> 01:58:40: I started to say to people.
 01:58:40 --> 01:58:43: Well, that's not really a resource question.
 01:58:43 --> 01:58:46: That's really a prioritization question.
 01:58:46 --> 01:58:48: And so if you say as a city,
 01:58:48 --> 01:58:51: any city, that housing is one of the most important
 01:58:51 --> 01:58:52: things we can do.
 01:58:52 --> 01:58:56: Then we have to match our spending with that priority,
 01:58:56 --> 01:59:00: right with that goal. And that's something we're not doing,
 01:59:00 --> 01:59:03: and so I think having a broader conversation about,
 01:59:03 --> 01:59:05: for instance, what constitutes public safety.
 01:59:05 --> 01:59:08: I would argue that public safety is not just about
 01:59:08 --> 01:59:08: policing,
 01:59:08 --> 01:59:11: for instance. It's also about safe and affordable housing,
 01:59:11 --> 01:59:15: effective transportation, living wage. There are all these

01:59:15 --> 01:59:16: things that
 01:59:16 --> 01:59:19: are interconnected,
 01:59:19 --> 01:59:22: right? And so that's something that I think I think
 01:59:22 --> 01:59:24: we can have a very constructive conversation about that.
 01:59:24 --> 01:59:27: But we need people who are willing to step up.
 01:59:27 --> 01:59:28: And frankly, everybody on this call today needs to step
 01:59:28 --> 01:59:29: up.
 01:59:29 --> 01:59:32: Everybody has a role to play.
 01:59:32 --> 01:59:34: Everybody has responsibility for that outcome,
 01:59:34 --> 01:59:35: and two, I think too much in the last 72
 01:59:35 --> 01:59:37: hours.
 01:59:37 --> 01:59:40: What we've seen is a lot of finger pointing that
 01:59:40 --> 01:59:42: this is the governor's problem where it's mayor,
 01:59:42 --> 01:59:45: fries problem or Mayor Carter's problem,
 01:59:45 --> 01:59:46: but in reality we are the problem and we are
 01:59:46 --> 01:59:48: the solution.
 01:59:48 --> 01:59:50: So I think that's that's what we have to do.
 01:59:50 --> 01:59:53: And now he will step off my soapbox.
 01:59:53 --> 01:59:54: But I mean, that's that's really quickly what I think
 01:59:54 --> 01:59:57: is going on here,
 01:59:57 --> 01:59:57: and I think I think we have the tools to
 01:59:57 --> 01:59:58: fix it.
 01:59:58 --> 02:00:00: We have a giant brains,
 02:00:00 --> 02:00:04: we have only to use them.
 02:00:04 --> 02:00:06: So, so let's get to work.
 02:00:06 --> 02:00:09: Father, I couldn't say it any better,
 02:00:09 --> 02:00:13: so thank you and I'm glad that you're on our
 02:00:13 --> 02:00:13: management committee to be able to see what role you
 02:00:13 --> 02:00:15: align.
 02:00:15 --> 02:00:18: Minnesota can play in this,
 02:00:18 --> 02:00:19: and I think we do have a role with you
 02:00:19 --> 02:00:22: alive,
 02:00:22 --> 02:00:25: Minnesota and the Regional Council of Mayors in trying to
 02:00:25 --> 02:00:29: move this prioritization forward,
 02:00:29 --> 02:00:32: that housing is just as important as everything else and
 02:00:32 --> 02:00:35: it is part of the puzzle and part of the
 02:00:35 --> 02:00:36: three legged stool like you mentioned.
 02:00:36 --> 02:00:38: So I want to thank Shawn,
 02:00:38 --> 02:00:41: Alex, Heather. For your time.
 02:00:41 --> 02:00:42: I want to thank everybody who is on the call
 02:00:42 --> 02:00:45: for listening.
 02:00:45 --> 02:00:45: I don't know if I got to everybody's question,

02:00:45 --> 02:00:47: but we tried to navigate that.

02:00:47 --> 02:00:51: As mentioned, everything will be shared with you who are

02:00:51 --> 02:00:52: on the call today,

02:00:52 --> 02:00:55: and if there's one last thing that I can leave

02:00:55 --> 02:00:56: with you,

02:00:56 --> 02:00:58: kind of in the spirit of you.

02:00:58 --> 02:00:59: Well, I, what can I do?

02:00:59 --> 02:01:01: What can we do together?

02:01:01 --> 02:01:05: I think something that we all want to do is.

02:01:05 --> 02:01:08: Find a way that we can have purpose and help

02:01:09 --> 02:01:12: and so if there are ways to donate to some

02:01:12 --> 02:01:13: of the.

02:01:13 --> 02:01:17: The areas that need business assistance to get the

02:01:17 --> 02:01:20: businesses back up and going that are so key and

02:01:20 --> 02:01:23: a part of our community as well as food banks.

02:01:23 --> 02:01:26: I'm sure you're all doing this,

02:01:26 --> 02:01:28: but I'll just put a plea to everyone to

02:01:28 --> 02:01:32: continue to do that to continue to come together,

02:01:32 --> 02:01:35: help clean up and then we will work together on

02:01:35 --> 02:01:37: some of the other solutions.

02:01:37 --> 02:01:41: So thank you all. I appreciate it.

02:01:41 --> 02:01:41: Phoenix.

02:01:45 --> 02:01:46: Thanks everybody.

02:01:48 --> 02:01:53: All done well done. You could have a great day

02:01:53 --> 02:01:54: everybody.

02:01:54 --> 02:01:54: 2.

02:02:09 --> 02:02:10: Rachel

02:02:16 --> 02:02:19: Rachel, can we save the comments and questions?

02:02:28 --> 02:02:30: Yes, I will see what we're able to do.

02:02:30 --> 02:02:33: I've been documenting the questions as we go.

02:02:33 --> 02:02:36: The the comments, the chat box comments,

02:02:36 --> 02:02:39: yes, thank you, thank you.

02:02:39 --> 02:02:42: Thank you Andrea Adrian for staying on.

02:02:42 --> 02:02:44: I appreciate it.

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