



MINNEAPOLIS AREA Association
of REALTORS®

TO: Minneapolis CPED Staff & Members of the Steering Committee

CC: Mr. Mayor, Madam President and Members of the Minneapolis City Council

DATE: July 22, 2018

RE: MAAR Submits Public Comments—Draft Minneapolis 2040 Comprehensive Plan

The Minneapolis Area Association of REALTORS® (“MAAR”) is a professional association representing more than 8,500 REALTORS® who live and work throughout the Twin Cities. Our organization’s mission is ‘Providing the resources and leadership for REALTORS® to succeed while promoting stronger, sustainable communities. Our organization’s vision is ‘To ignite professional success and grow vibrant communities as the expert resource and trusted leader in the residential real estate industry.’ Many of our members are residents of Minneapolis and many more work with clients who buy and sell homes in the community.

MAAR’s process prior to the submission of the following public comments has been quite thorough. Members of the MAAR Government Affairs Committee reviewed the draft Minneapolis 2040 Comprehensive Plan. Our organization hosted Heather Worthington, Director of Long Range Planning, City of Minneapolis on Friday, June 8, 2018. Director Worthington presented the plan and answered member questions. MAAR sought the assistance and guidance of the National Association of REALTORS® Land Use Initiative. The program offers comprehensive policy analysis to state and local REALTORS® association provided by land use experts. MAAR members have been attending neighborhood meetings, meaningfully engaging with their respective council members, and monitoring press coverage of the process and the plan. MAAR members view the plan in a wholistic manner overall and have been concerned regarding press coverage focusing solely on density (four-plex) issues, though such issues are important, and many questions remain.

The Minneapolis Area Association of REALTORS® genuinely appreciates the opportunity and respectfully submits the following comments:

1. **Lack of Meaningful “Action-Steps” Implementation Detail:** Several of the Draft Plan’s “action steps” lack any meaningful detail, causing uncertainty over the plan’s implementation. Many of provided action steps lack sufficient detail for a citizen reviewing the Draft Plan to understand the City’s plans for execution. The lack of implementation detail also makes the Draft Plan arguably insufficient under state law. Increased clarity or clarification is requested in areas of little guidance regarding implementation.
2. **Three Legally Required Elements are Missing:** The Draft Plan lacks three elements required by state law, including population forecasts, a public-facilities plan and an implementation program. According to the “Local Planning Handbook” published by the Metropolitan Council, comprehensive plans in Minnesota are required to meet certain minimum statutory requirements. A comprehensive plan must include: (1) a land use plan, including planned population distribution; (2) a local public facility plan, including capacities upon which the plan is based; and (3) and an implementation program. A major failing of the Draft Plan is that elements required by state law appear to be lacking, difficult to find, or absent. REALTORS® are concerned that the draft plan does not discuss the city’s projected population growth. Such information is necessary for

the City to comprehensively evaluate the City's future infrastructure needs and address such needs in the Draft Plan. REALTORS® are concerned that if the Draft Plan does not meet minimum requirements of the Metropolitan Land Planning Act, it will not be approved by the Metropolitan Council.

3. **Further Study on Density Needed:** Draft Plan Policy 1 calls for the allowance of up to four dwelling units on all traditional size city lots in neighborhood interiors farthest from downtown. According to one news article, fourplexes are only currently allowed on about 20% of the City's existing lots, but the Draft Plan proposes to allow fourplexes on all residentially zoned City lots. On the Built Form Map, most areas located outside of the urban core and transportation corridors are designated as an "Interior 1" and "Interior 2" form district. Interior 1 districts, according to the Draft Plan, are appropriate for "primarily small-scale residential structures on traditional size city lots with up to four dwelling units, including single-family, duplex, 3-unit, 4-unit, and accessory dwelling unit building types. Building heights should be 1 to 2.5 stories." Interior 2 districts are also intended for small-scale residential structures "with up to four dwelling units, as well as multifamily buildings on a limited number of combined lots. Building heights should be 1 to 2.5 stories."

Many of the areas that are designated as Interior 1 or Interior 2 on the Built Form Map are the lowest density areas of the City and are currently zoned as R-1 and R-2 Districts, which allow single or two-family homes on lots with a minimum of 5,000 to 6,000 square feet. The Draft Plan calls for a blanket allowance of up to four dwelling units on all such lots. It appears that this determination was made without a neighborhood-by-neighborhood evaluation of the current built environment, examining the market viability of such development, or neighborhood input. Without a more targeted planning effort, it is impossible to know whether fourplex development is actually appropriate for every outer neighborhood in the City.

Further, it is questionable whether fourplex housing is actually feasible on 5,000 to 6,000 square foot lots while limiting building height to 1 to 2.5 stories as recommended on the Built Form Map. As an example, a single-family home in the R1A district must be located on at least 5,000 square feet have a front yard setback of 20 feet, a rear yard of 5 feet, and side yards between 5 and 12 feet depending on lot width. The maximum floor area ratio for a dwelling in the R1A district is 0.5 or 2,500 sq. ft. of gross floor area, whichever is greater. If the City keeps these minimum setbacks and bulk requirements, it would be difficult, if not impossible for the lot to accommodate four reasonably sized dwelling units and associated parking.

REALTORS® recommend a more complete study on the feasibility of increased density on a neighborhood-by-neighborhood basis, whether fourplex development is feasible and desirable. The draft plan could be amended to state that the City will study the feasibility and desirability of adopting more permissive zoning—specifically the allowance of three- and fourplexes—on all residential lots, including in existing single-family neighborhoods. We also request city staff to calculate how many lots designated as Interior 1 and 2 are actually large enough to accommodate three or four unit buildings while maintaining the existing dimensional requirements and illustrate what those lots will look like so that individuals reviewing the Draft Plan can better understand to potential for neighborhood change.

4. **More Carefully Examine Benefits and Potential Negative Impacts of Rezoning:** The Draft Plan provides several arguments to support the premise that permitting higher residential density in almost all areas of the City will provide numerous benefits for City residents. The Draft Plan's three major arguments for increasing residential density levels are: (1) more and varied housing options increase social equity and can help build financial stability for people of all races and ethnicities; (2) more housing in the City will increase levels of "naturally occurring" affordable housing, causing less individuals to be burdened by housing costs; and (3) dense housing, especially near transit stops, has environmental benefits because it permits people to drive less and reduces aggregate CO2 emissions.

The supply of naturally occurring affordable housing—sometimes referred to with the acronym NOAH—is, according to the Draft Plan, decreasing rapidly in the City. The Draft Plan does not define NOAH, but according to the Greater Minnesota Housing Fund, NOAH "refers to residential rental properties that are

affordable but are unsubsidized by any federal program. Their rents are relatively low compared to the regional housing market.”

In addition to government-subsidized affordable housing programs, the Draft Plan presents the preservation and rehabilitation of NOAH as part of the solution to the affordable housing challenges facing the City. In order to increase access to affordable housing options, the Draft Plan recommends, in addition to other initiatives, that:

In neighborhood interiors farthest from downtown that today contain primarily single-family homes achieve greater housing supply and diversity by allowing small-scale residential structures on traditional size city lots with up to four dwelling units, including single family, duplex, 3-unit, 4-unit, and accessory dwelling unit building types.

Increasing the allowable density of existing single-family neighborhoods is arguably the most controversial element of the Draft Plan and has unfortunately rapt the attention of the public via multiple press stories regarding density. Though, proposals for increased density are often met with opposition, well-planned and well located dense development is most often a positive community asset. As an Urban Land Use Institute study explained:

“Despite the growing awareness of the complexity of the issue and growing support for higher-density development as an answer to sprawl, many still have questions and fears related to higher-density development. How will it change the neighborhood? Will it make traffic worse? What will happen to property values? And what about crime? Ample evidence—documented throughout this publication—suggests that well-designed higher density development, *properly integrated into an existing community*, can become a significant community asset that adds to the quality of life and property values for existing residents while addressing the needs of a growing and changing population.”

When considering the benefits of more dense development, including an increase in NOAH supplies, REALTORS® suggest the City should weigh at least the following concerns:

Teardown activity: Much of the land designated as Interior 1 and Interior 2 on the Built Form Map consist of established single-family neighborhoods. Rezoning all of these areas to permit up to four unit dwellings does not mean that such housing will be built immediately or at all. If there is sufficient market demand for small-scale multifamily housing (i.e., duplex and 3- or 4-unit dwellings), however, such a rezoning will provide an incentive for teardown activity in which existing single family homes are demolished (rather than rehabilitated) and the land is redeveloped with a fourplex. While such teardown activity would result in additional housing units, it will also cause disruption and discomfort for neighboring property owners and tenants. Teardown activity can also lead to wide-spread loss of housing stock that has unique and potentially historic characteristics. For instance, property or groups of properties that “embody the distinctive characteristics of a type, period, or method of construction” may meet the National Register criteria for historic recognition and warrant some degree of local protection. Before rezoning large areas of the City for more dense development, REALTORS® suggest the City evaluate whether the housing stock in these areas have unique or historic qualities that are worth protecting.

Loss of “starter homes”: In a recent *Star Tribune* article, Council Member Andrew Johnson expressed the concern that the Draft Plan’s proposal will “inadvertently accelerate the destruction of affordable starter homes.... Ward 12 has historically been an affordable neighborhood for families to get their first home, and we want to keep it that way.” Council Member Johnson raises a valid concern. If all R-1 and R-2 zoned properties are rezoned to allow up to four dwelling units, existing single-family homes will be replaced to some degree with two to four unit buildings. Without a market study of single family versus multifamily housing in the City, it is difficult to anticipate how quickly the City’s existing stock of affordable starter homes will be converted into fourplex dwellings. A widespread conversion of starter homes would result in

a decreased supply of affordable starter homes in the City. Under the principle of supply and demand, a reduced supply of affordable starter homes will, in turn cause the price of such starter homes to rise, making such homes increasingly unaffordable for many families. Homes that are affordable to young families also constitute part of the City's NOAH supply. To the extent that rezoning efforts make this type of property unaffordable, wide-spread rezoning of single family neighborhoods is inconsistent with the stated goal of preserving a variety of NOAH choices.

Potential for sprawl: As noted above, the redevelopment of many single-family homes into two to four unit buildings can cause a scarcity of available single-family homes within the City. As desirable as these redeveloped areas might become, the market for detached single family homes will persist. Rising single family housing costs within the City will likely push potential buyers outside of the City limits, and potentially spur higher levels of residential sprawl, including associated traffic and environmental impacts.

Parking: The City's zoning code currently requires one parking space per residential unit. Many existing lots located in the R-1 and R-2 zoning districts are as small as 5,000 square feet. Moreover, the R-1 and R-2 zoning districts both have maximum lot coverage ratios of 0.5, meaning no more than half the lot can be covered by impermeable surfaces, such as buildings and pavement. In light of the off-street parking and dimensional requirements, it is questionable whether fourplex development is feasible on lots as small as 5,000 square feet.

REALTORS® question whether the City has carefully examined the benefits and potential negative impacts of rezoning existing single-family neighborhoods, particularly those that are zoned R-1 or R-2 and are predominantly comprised of small lots for which multi-unit development may not be feasible. We suggest more extensive review in the areas of tear down activity, loss of starter homes, potential for sprawl, and parking.

The preceding comments constitute official comments of the Minneapolis Area Association of REALTORS® Government Affairs Committee after reviewing the draft, hosting city staff, and seeking expert guidance. The comments referenced above are intended in the spirit of the city's request to provide them. The Minneapolis Area Association of REALTORS® genuinely appreciates the opportunity to comment and looks forward to following the draft Minneapolis 2040 Comprehensive plan as future drafts emerge.

Sincerely,

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