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THE CONDOMINIUM MARKET: SURVEYS OF ACTIVITY, DEVELOPERS, AND BUYERS

Barbara Lukermann
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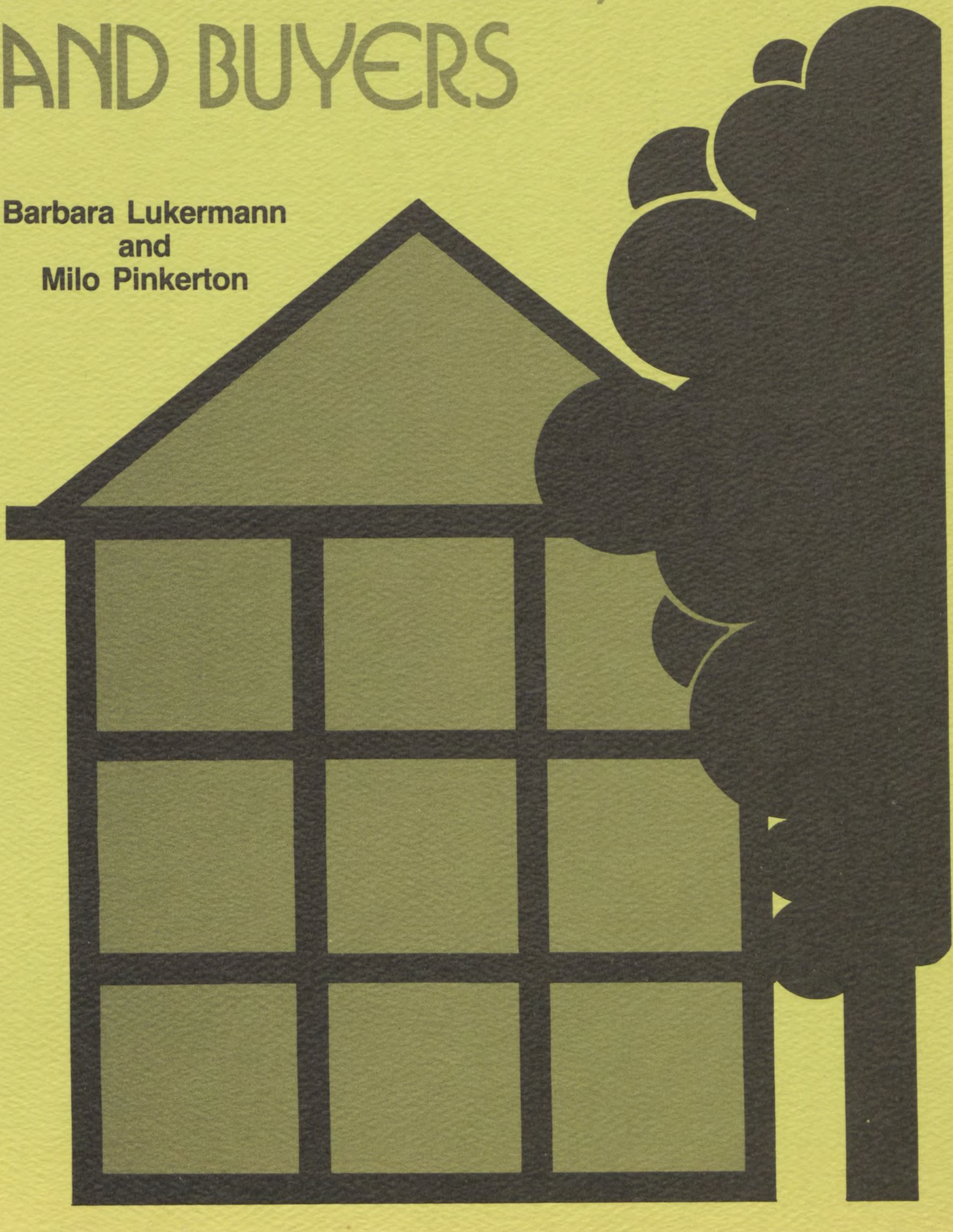
Milo Pinkerton



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by
Barbara Lukermann
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CONTENTS

FIGURES

TABLES

PUBLISHER'S NOTE

This work is part of a series of publications that developed from a study of housing conversions in the Twin Cities metropolitan area. The conversion studies were directed by Barbara Lukermann. Milo Pinkerton worked with her as project assistant. Graduate students in the Humphrey Institute of Public Affairs conducted most of the survey work in conjunction with a workshop in the Institute's Planning Program during the spring of 1980. Titles of the complete series of conversion publications are:

<u>Twin City Conversions of the Real Estate Kind</u>. Barbara Lukermann and others. CURA 81-5.

<u>Twin City Conversions. The Condominium Market: Surveys of Activity, Developers, and Buyers</u>. Barbara Lukermann and Milo Pinkerton. CURA 81-6.

<u>Twin City Conversions. The Displacement Factor: A Survey of Outmovers</u>. Thomas L. Anding and Rebecca Smith, CURA 81-7.

<u>Twin City Conversions. The Case Studies: How the Finances Work</u>. Milo Pinkerton. CURA 81-8.

<u>Twin City Conversions. The Complete Inventory: 1970-1980</u>. Milo Pinkerton. CURA 81-9.

ACKNOWLEDGEMENTS

Special thanks are given to the Center for Urban and Regional Affairs (CURA) at the University of Minnesota for providing both financial support and technical services. The technical expertise of CURA's assistant director, William Craig, was particularly valuable in the buyer survey. He served as advisor to Humphrey Institute Planning Workshop participants and took on responsibility for the computer services and data processing of the survey results.

Graduate students in the Humphrey Institute's Planning Program collectively were responsible for completing the buyer survey of condominium households. We wish especially to acknowledge the contributions of Laurie Thompson for sampling methodology and procedures, Steve Cramer and Keith Krueger for analyzing St. Paul's Historic Hill area condominium developments, Nancy Homans for analysis of Minneapolis HOP IV survey data, and Jennifer Abeln for the demographic profiles of condominium buyers. Louise Brown and Mihailo Temali's major contributions in describing the cooperative segment of the market are presented in another CURA report (CURA 81-5), but they and Jane Maracek contributed significantly to the buyer survey presented here.

DATA SOURCES

Three primary information sources were developed.

First, we prepared an inventory from County Recorder offices of all condominium (condo) and cooperative (coop) housing recorded between January 1, 1970 and December 31, 1979. The condo inventory covered the seven county metropolitan area, while the coop survey covered only Hennepin and Ramsey counties. This inventory was supplemented from County Assessor records and individual city Building Inspection Departments to confirm that a project was indeed a conversion and not a new construction activity, that the structure was a previous residential property, that the number of units recorded was correct, and to determine the date of construction of the building itself in addition to the date of its being recorded as a condo or a coop.* During this same period, the Metropolitan Council's Housing Program developed a computer inventory of all condominium and cooperative housing from County Assessor sources covering the seven-county area. This inventory was cross-checked with our own, but the two sources resulted in different totals. This report uses the Recorder Office data, except where specifically referenced.

Second, we conducted a survey of Twin City developers. An open-ended questionnaire (see Appendix A) was used in a series of personal interviews with developers. Interviews were completed with twenty-seven individuals whose collective experience covers approximately 70 percent of all condominium conversions in the past ten years. Developers of cooperative conversions were contacted primarily via telephone interviews without use of a structured questionnaire.

And third, we carried out an attitudinal survey of households purchasing converted units. A structured questionnaire (see Appendix B) for telephone interview with buyers of both condominium and cooperative units was developed by the graduate workshop at the Humphrey Institute of Public Affairs, with a subsampling of five groups identified as having potentially distinct characteristics. A total of 264 completed interviews (approximately 50 for each subsample) provide a data base for extensive analysis.

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*The complete inventory is available in another CURA publication: Twin City Conversions. The Complete Inventory: 1970-1980, Milo Pinkerton, CURA 81-9. Center for Urban and Regional Affairs, University of Minnesota, 1981.

Individual city planning department staff members supplemented our information base from their records and gave us special help with the developments that were eligible for city financial assistance. The Metropolitan Council housing unit estimates and building permit data were a further important secondary data source.

A 1980 U.S. Department of Housing and Urban Development (HUD) study on condominium and cooperative conversion activity in all major United States metropolitan markets was being completed at the same time as this study. Data from the HUD report are referenced, so that we may comment on the congruence of final tallies, but the report was not used as a data source for specific conclusions. Copies of the final HUD report are now available.

CONDOMINIUM CONVERSION ACTIVITY

AMOUNT OF CONVERSION

Table 1 lists a total of 11,516 condominium units in the seven-county metropolitan area as of January 1980, with 6,643 being units converted in the last decade. Almost 90 percent of the conversion activity has taken place in the two counties containing Minneapolis and St. Paul (Hennepin and Ramsey).

Table 1. CONDOMINIUM HOUSING IN THE TWIN CITIES METROPOLITAN AREA (January 1980)

County	Converted Units	New Units	Total Units
Anoka	0	0	0
Carver	0	143	143
Dakota	756	456	1,212
Hennepin	4,169	2,939	7,108
Ramsey	1,712	837	2,549
Scott	6	11	17
Washington	0	487	487
TOTALS	6,643	4,873	11,516
% total	57.7%	42.3%	100.0%

Sources: County Recorder Offices, County Assessor Offices, and Municipal Planning Offices

Two facts stand out: first, the importance of conversions in the overall condominium housing market (they represent 58 percent of the market); and second, the dominance of suburban areas in conversion activity (74 percent of all condominium conversions were suburban). New construction and central city conversion have thus played relatively minor roles in the growth of the condominium housing market in the Twin Cities. This contrasts sharply with the situation for cooperative conversion where only 41 percent are units in converted structures and 78 percent of all activity is located in the two central cities (Table 2).

Table 2. DISTRIBUTION OF CONVERSIONS BETWEEN CENTRAL CITIES AND SUBURBS (1970 to 1980)

	Converted Condominiums	Converted Cooperatives	Total
Central Cities	1,702 (25.6%)	778 (78.3%)	2,480 (32.5%)
Minneapolis	1,153	740	1,893
St. Paul	549	38	587
Suburbs	4,941 (74.4%)	215 (21.7%)	5,156 (67.5%)
TOTALS	6,643	993	7,636

Sources: County Recorder Offices and Metropolitan Council inventory from County Assessor Offices

How significant are 6,643 units in a total metropolitan housing market? The number represents slightly less than 1 percent of the total housing stock and 2.7 percent of all multifamily housing units (see Appendix C for a statistical summary of all housing units, by type, for the metropolitan area as of January 1980). While this may not appear to be a very large share, it is sufficient to place the Minneapolis St. Paul Standard Metropolitan Statistical Area (SMSA) as the fifth most highly impacted market in the United States according to a 1980 HUD study.* Taking into consideration gross numbers of conversions, however, the Twin Cities drops back into tenth place, and the 6,643 units converted here appear miniscule in comparison to Chicago's 79,000+ and Washington D.C.'s 39,000.

DISTRIBUTION PATTERNS

Figure 1 shows the location of new condominium construction and converted buildings put on the market between the beginning of 1970 and the end of 1979.

*U.S. Department of Housing and Urban Development, The Conversion of Rental Housing to Condominiums and Cooperatives. Washington, D.C.: U.S. Government Printing Office, June 1980, page IV-7, Table IV-2. Washington, D.C. = 7.73 percent rental stock impacted; Denver-Boulder = 6.96 percent; Chicago = 6.75 percent; Houston = 5.38 percent; Minneapolis-St. Paul = 3.42 percent. Note that these include coop conversions. HUD's third quarter 1979 conversion totals are approximately 400 larger for condos and 600 smaller for coops than listed in Table 2. The net difference in total conversions is 7,435 for HUD, but 7,636 from our study.

Central Cities

Within the central cities some interesting features emerge. The pattern of converted structures is highly localized and not reflective of the distribution of multifamily housing resources. St. Paul has the most concentrated pattern, with only the Historic Hill district west of downtown being involved in this market to date. Minneapolis conversions have spread out into neighborhoods south of downtown, toward the lakes, but there are almost no conversions on the north side or in neighborhoods adjacent to the University, where a large multifamily housing base exists, or in neighborhoods south of Lake Street.

Residential neighborhoods adjacent to downtown have attracted the greatest amount of conversion activity. And in Minneapolis, these are followed by the downtown itself. The two central business districts of Minneapolis and St. Paul do not contain a large rental reservoir to act as a pool for conversion but they have served as a magnet for activity on the rim. Out of 56 conversions in Minneapolis, 55 are in the peripheral neighborhoods, but the single downtown conversion is a large project accounting for over 43 percent of all converted units in the city. This is the Towers Condominiums (500 units), built as the first luxury high rise housing in the Gateway Renewal District in 1966 and converted to condominiums in 1973. Its St. Paul counterpart (Kellogg Square, 300 units) has not been converted to date. Conversions of some older downtown walk-up apartment buildings and former hotels are just beginning to appear on the market, but future conversions seem more likely to come from newer, higher income luxury rental buildings (such as Summit Towers) or future construction of luxury rental buildings that will later be converted to condos after the initial depreciation from limited partnerships has been taken out.

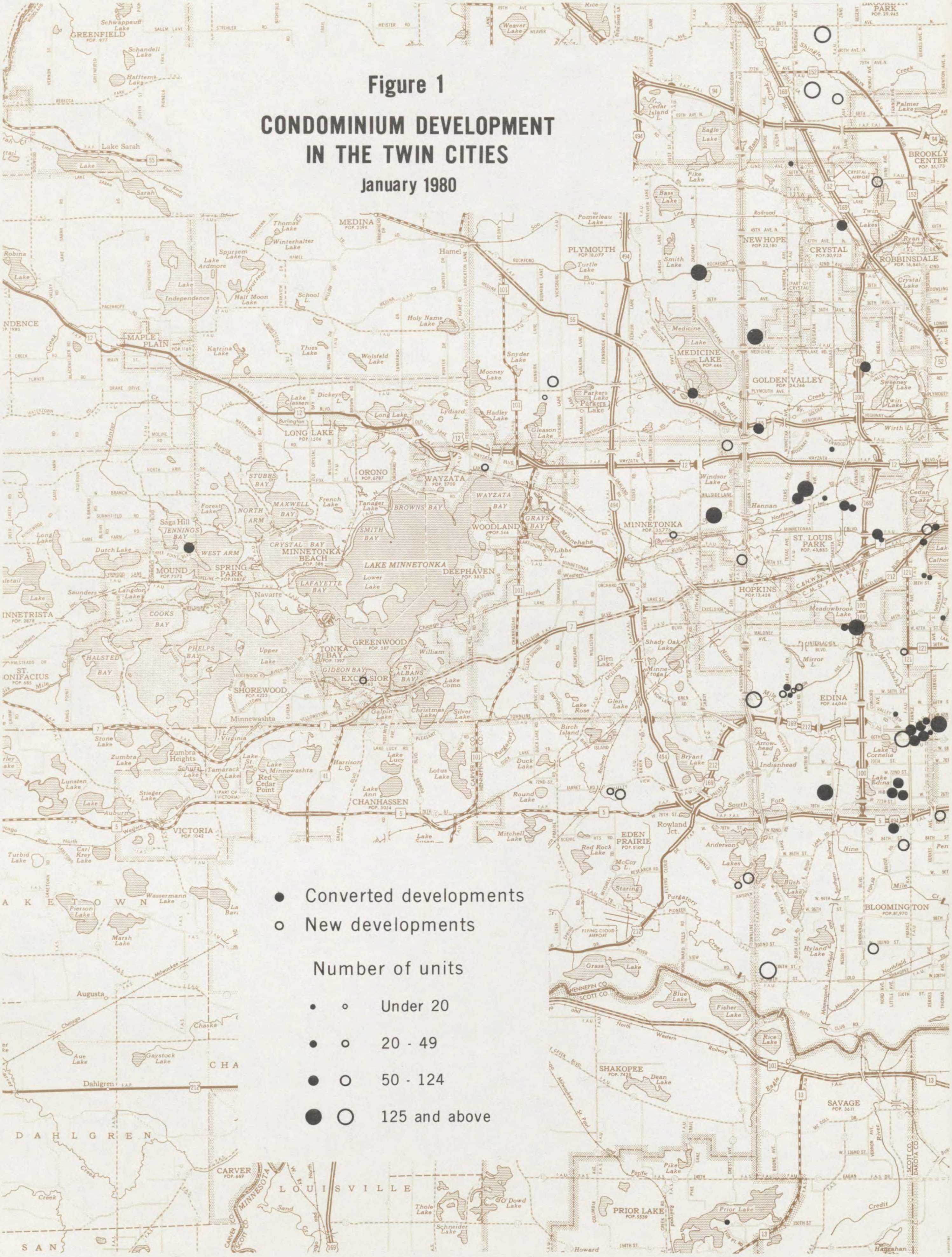
Conversions have generally been in small structures, averaging only eleven units per building project. Subtraction of the large Towers project from the total for the central cities leaves 1,202 units distributed among 114 projects, which is basically small scale development with a large number of developers participating in the market.

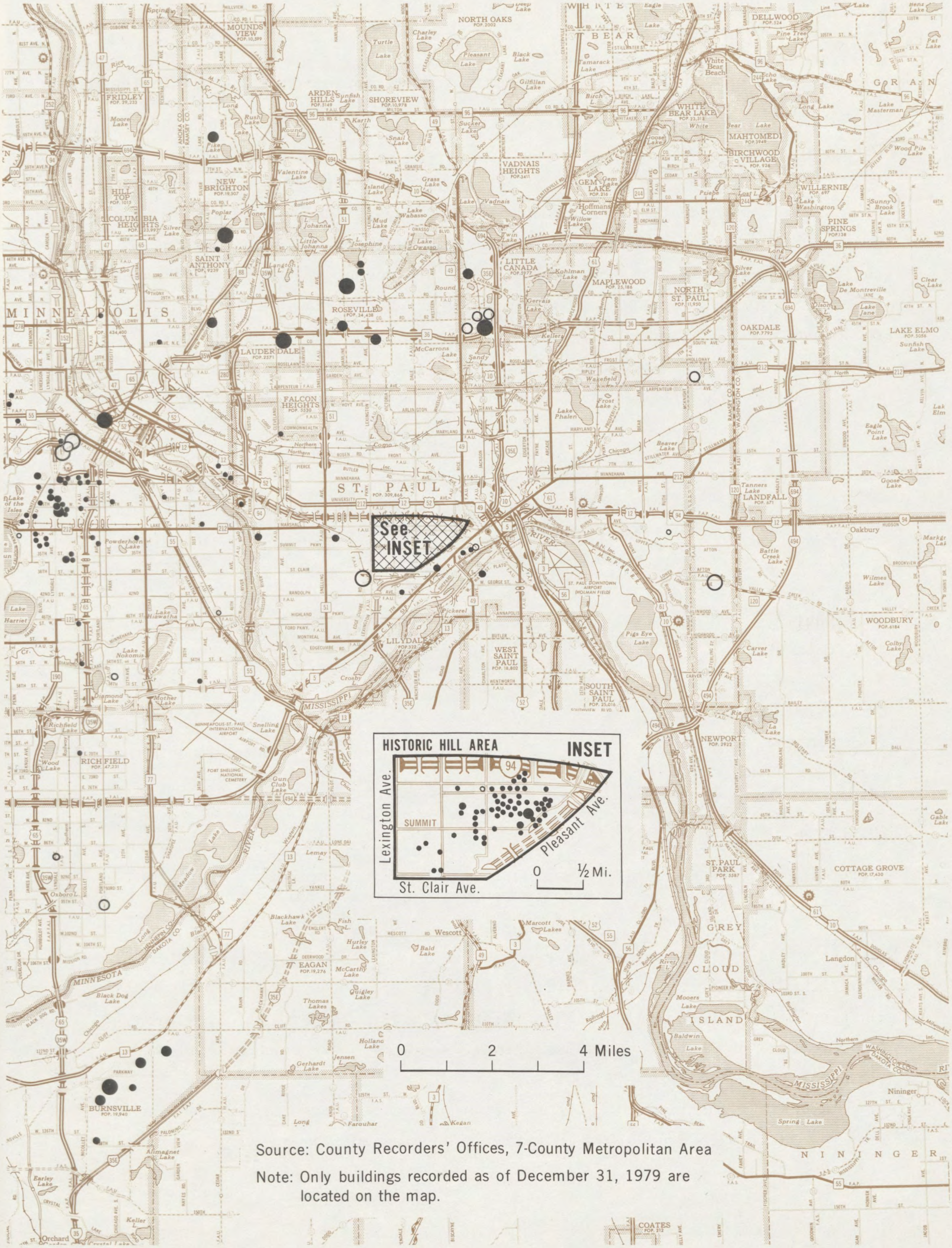
Converted structures offer much wider housing choice, both in location and in cost, as compared to new condominium construction. A household interested in a new condo within the central cities will be forced, in general, to look at high cost housing, high rise housing, and at buildings containing a large number of units. In contrast, converted structures provide alterna-

Figure 1

CONDOMINIUM DEVELOPMENT IN THE TWIN CITIES

January 1980





Source: County Recorders' Offices, 7-County Metropolitan Area

Note: Only buildings recorded as of December 31, 1979 are located on the map.

tives, and a continued potential to serve a differentiated market within the core cities.

Suburban

Turning to suburban conversion activity, different conclusions must be made. First we note that conversions have been very unequally distributed among suburban communities with no apparent correlation between the size of the available multifamily housing base and the amount of conversion. Three-quarters of all metropolitan conversions have taken place in the suburbs, but the conversions are located in only seventeen communities (see Figure 2). Seven of these seventeen cities contain 84 percent of all suburban conversions. Table 3 and Figure 3 illustrate the extent of concentration in greater detail.

Table 3. DISTRIBUTION OF CONVERTED CONDOMINIUMS IN SUBURBAN COMMUNITIES (January 1980)

Community (in Rank Order)	Number Projects	Number Units	Percent of Total Units Conv.	Number Multifamily Units in Community
1 Edina	15	1,233	25.0%	6,145
2 Burnsville	6	756	15.3	3,769
3 Roseville	7	608	12.3	4,374
4 Minnetonka	2	522	10.6	1,826
5 St. Louis Park	5	411	8.3	5,566
6 Little Canada	2	353	7.1	1,534
7 Plymouth	2	262	5.3	2,358
All other suburbs (8 in total)	12	796	16.1	21,932
TOTALS	51	4,941	100.0%	47,504

Source for multifamily units: Metropolitan Council, estimate of total housing units by type. January 1980.

Half of all suburban conversions are located in the three top cities listed in Table 3. With the exception of Little Canada, all of the high activity communities may be described as higher income suburbs. This meshes with the HUD study conclusion that conversions nationally are more numerous in areas where household incomes average $25,000 and up.

An obvious question to ask then is why are there communities (such as Brooklyn Park, with over 5,000 multifamily housing units) that have no conver-

Figure 2

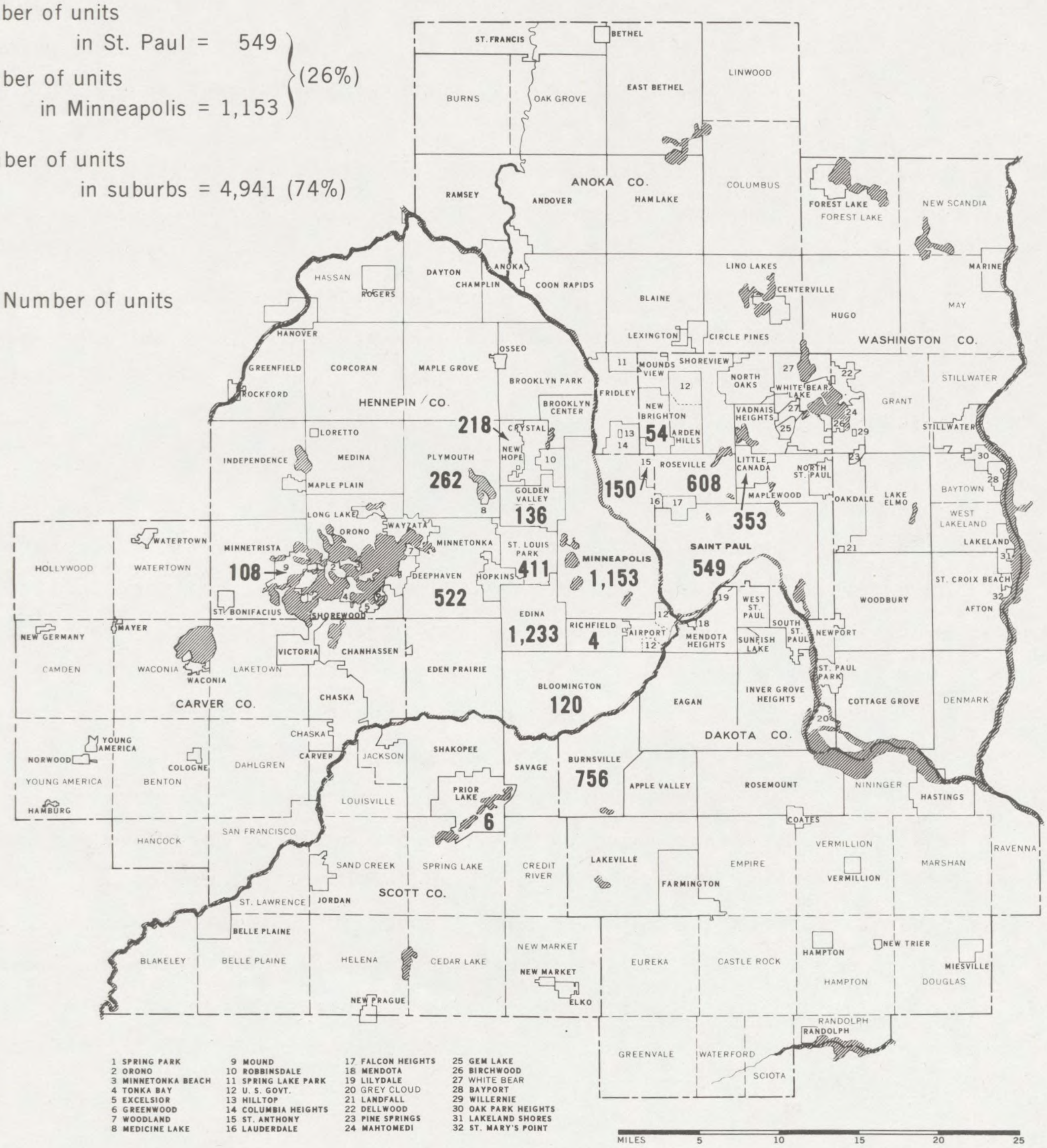
COMMUNITIES IMPACTED BY CONDOMINIUM CONVERSIONS 1970 to 1980

Total number of units = 6,643

Number of units in St. Paul = 549 } (26%)
Number of units in Minneapolis = 1,153 } (26%)

Number of units in suburbs = 4,941 (74%)

XX Number of units



Sources: County Recorders' Offices, 7-County Metropolitan Area
Metropolitan Council Data Log, Housing Unit Estimates

sion activity? And why do communities with similar demographic profiles and similar locational assets have vastly different concentrations of conversions (see Figure 3)? The data we compiled through developer interviews give some insight into why specific locations and properties were selected. The experience of the developer and the criteria for profitability are extremely important. In Burnsville overbuilding of the apartment market in the early 1970s strongly influenced the amount of conversion, but elsewhere location, price of acquisition, and time needed to complete a conversion process have been the most important factors.

A second conclusion is that suburban conversions are much larger projects than central city projects (Figure 1). The average number of units per project is 93, approximately nine times the central city average. It must be noted, however, that some projects have been converted in phases while our data group all phases of a specific project into a single project. This fact not only inflates the size of a project but also the pace of absorption into the market. Multiphased projects have been dated as of the first phase.

We may also conclude that accessibility to the freeway and arterial highway system are prime locational factors for conversions (Figure 1). A high proportion of conversions are located within or adjacent to the Interstate beltline encircling the most densely developed portion of the metropolitan area. Outlying sites, more removed from employment and shopping concentrations, are now being selected for new condo projects but conversions are close-in and reflect the locational distribution of apartment construction in the 1960s and early 1970s. Suburban zoning philosophy viewed land adjacent to heavily travelled highways as more appropriate for multifamily housing.

Finally, we note that major portions of the built-up area have not been included in the conversion market. Anoka and Washington counties both contain first ring suburbs and a population base of over 300,000 yet they show no conversion activity to date. Both contain a multifamily housing stock comparable in age of building, rental structure, and accessibility of location to communities where conversions have occurred. Many communities appear "ripe" for conversion, even though none has happened to date.

HISTORICAL TRENDS IN CONVERSION

One reason for authorizing the recent HUD conversion study was the accelerating pace of conversions in the late 1970s and a need to analyze trends so

Figure 3

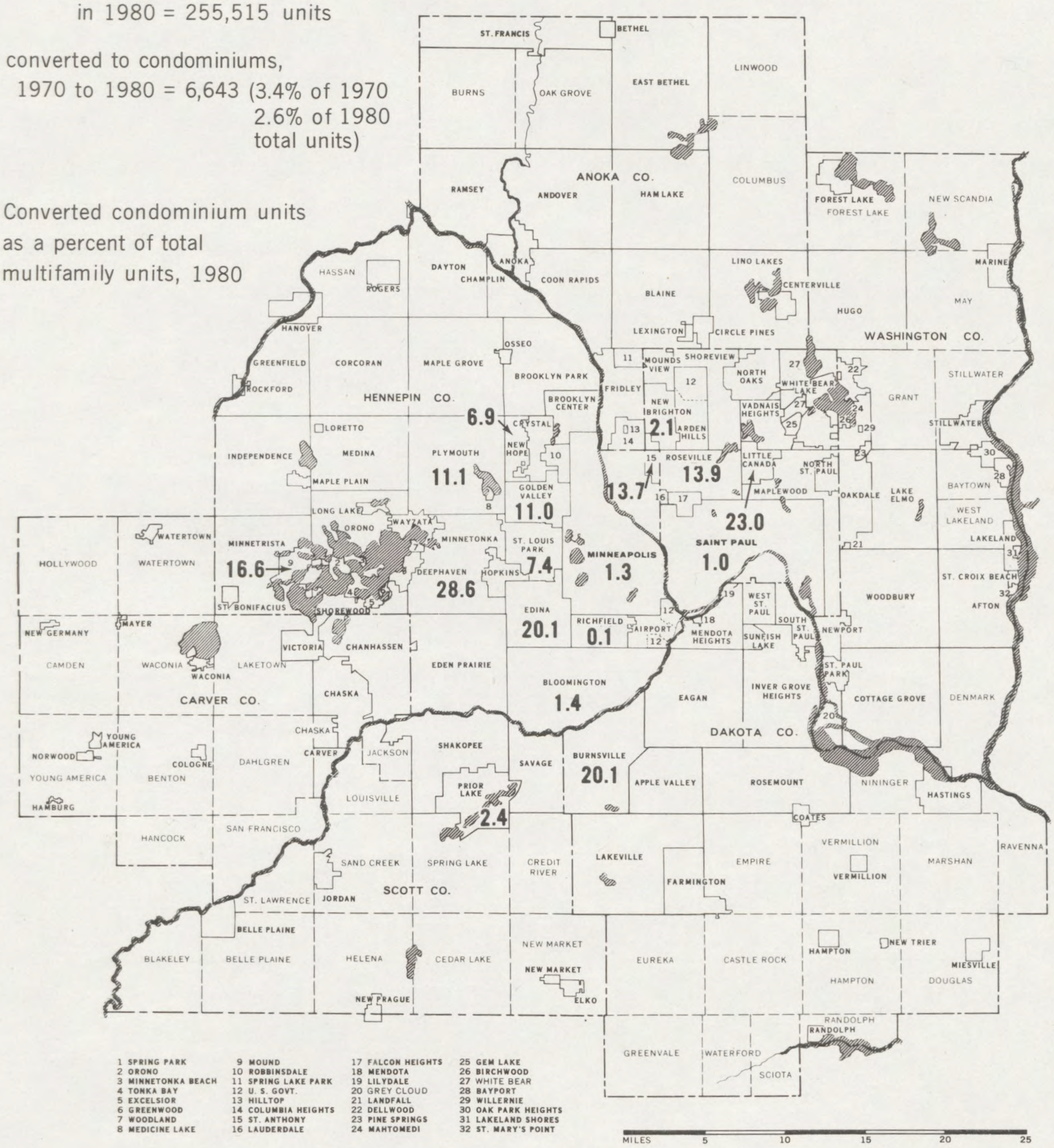
CONVERTED CONDOMINIUM UNITS AS A PERCENT OF TOTAL MULTIFAMILY UNITS

January 1980

Total multifamily housing units
in 1970 = 193,323 units
in 1980 = 255,515 units

Units converted to condominiums,
1970 to 1980 = 6,643 (3.4% of 1970
2.6% of 1980
total units)

XX.X Converted condominium units as a percent of total multifamily units, 1980



Sources: County Recorders' Offices, 7-County Metropolitan Area
Metropolitan Council Data Log, Housing Unit Estimates

as to predict future activity. In the United States 71 percent of the last decade's total conversions occurred in the final three years (1977 through 1979). For the Twin Cities the figure was 59 percent. Table 4 and Figures 4, 5, and 6 document the annual rate of conversion for both the metropolitan area as a whole, each central city, and all suburban communities.

Minneapolis does not mirror national trends since only 52 percent of its conversions occurred in the last three years of the 1970s. Conversion of the large Towers project in 1973 accounts for the different distribution, but the bar charts for Minneapolis (Figure 4) otherwise confirm a low level of conversion prior to 1977 and a sudden burst in 1979. Without the special 8 percent interest rate loans for low and moderate income households and without a portion of these loans being reserved for condominium purchase (the Home Ownership Program Number 4, HOP IV), there would have been minimal conversion

Table 4. HISTORICAL TRENDS IN CONDOMINIUM CONVERSION (1970 to 1980)

Year	Minneapolis units (projects)	St. Paul units (projects)	Total Central Cities units (projects)	Suburban Communities units (projects)	Total
1970	18 (1)	14 (1)	32 (2)	0	32 (2)
1971	0	12 (1)	12 (1)	0	12 (1)
1972	12 (1)	6 (1)	18 (2)	387 (6)	405 (8)
1973	508 (3)	26 (3)	534 (6)	346 (6)	880 (12)
1974	6 (1)	36 (2)	42 (3)	589 (5)	631 (8)
1975	5 (1)	23 (3)	28 (4)	650 (3)	678 (7)
1976	2 (1)	35 (4)	37 (5)	48 (2)	85 (7)
1977	46 (2)	74 (7)	120 (9)	861 (5)	981 (14)
1978	36 (2)	135 (16)	171 (18)	719 (10)	890 (28)
1979	520 (44)	188 (21)	708 (65)	1,341 (14)	2,049 (79)
TOTALS	1,153 (56)	549 (59)	1,702 (115)	4,941 (51)	6,643 (166)
% Total Units	17.4%	8.3%	25.6%	74.4%	100.0%
% Total Projects			69.3%	30.7%	100.0%

Source: County Recorder Offices

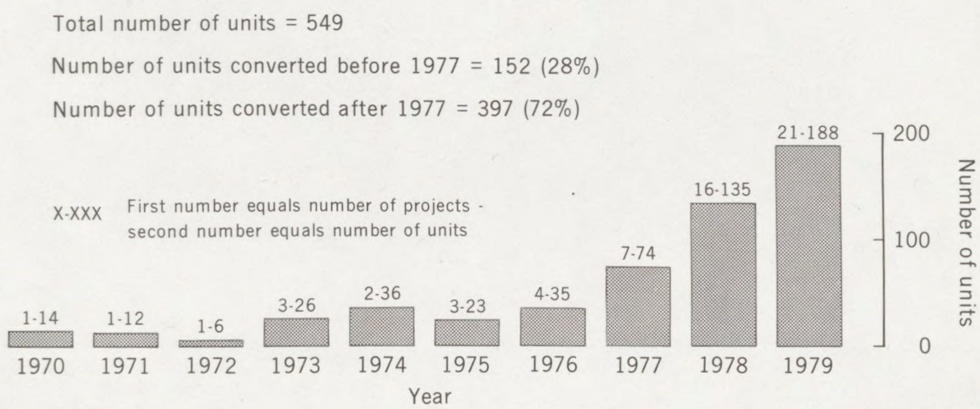
Figure 4

CONVERTED CONDOMINIUMS IN THE CITY OF MINNEAPOLIS 1970 to 1980

Source: County Recorders' Offices, 7-County Metropolitan Area

Figure 5

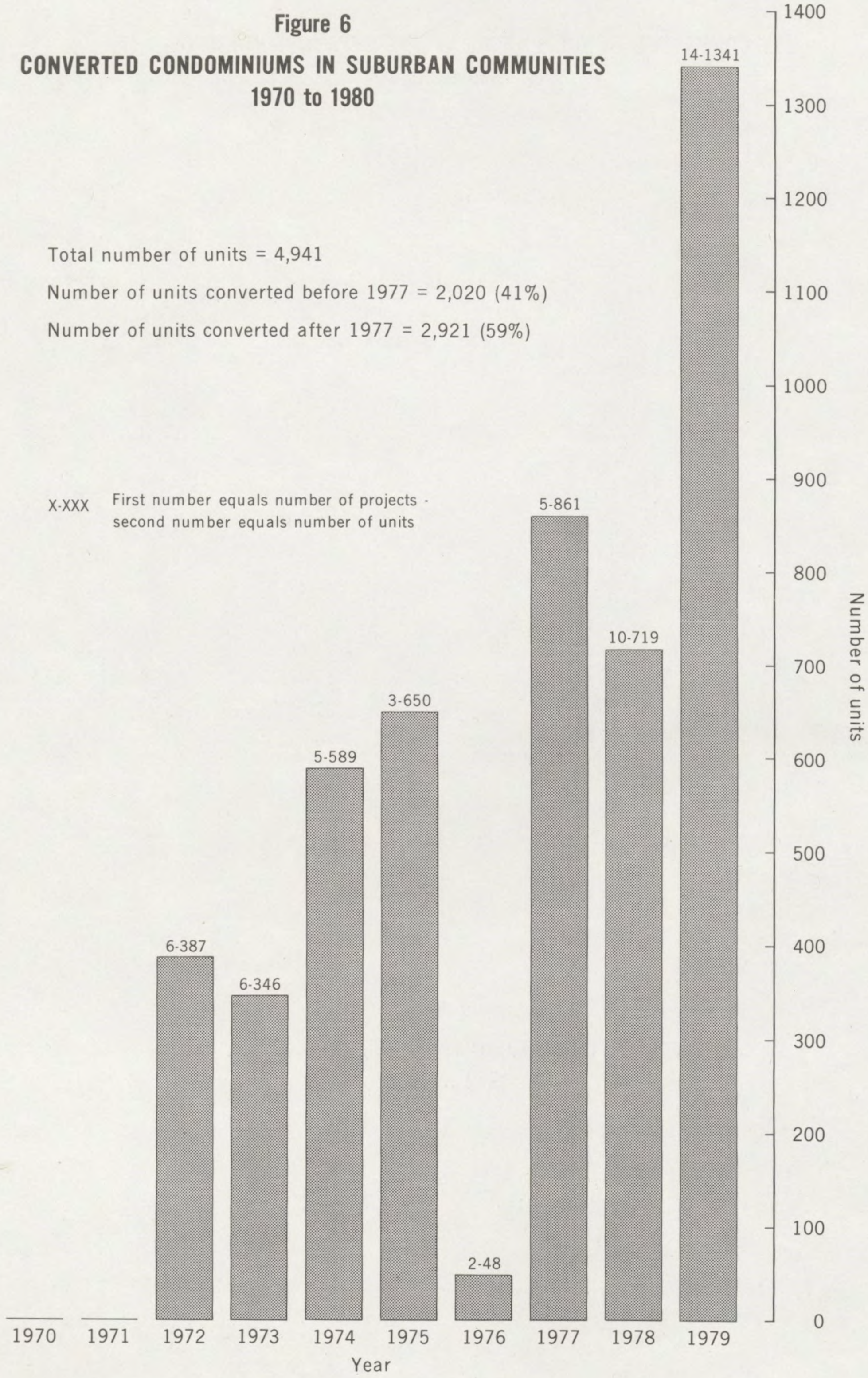
CONVERTED CONDOMINIUMS IN THE CITY OF ST. PAUL 1970 to 1980



Source: County Recorders' Offices, 7-County Metropolitan Area

Figure 6

CONVERTED CONDOMINIUMS IN SUBURBAN COMMUNITIES 1970 to 1980



Source: County Recorders' Offices, 7-County Metropolitan Area activity during 1979* and an even broader spread of units converted over the decade.

St. Paul's experience is less in total activity and more similar to national trends, with 72 percent of all units converted in the past three years. Suburban bar charts show a bimodal distribution -- major conversion between 1972 and 1975 during a large apartment construction boom period, no activity in 1976, and then another sustained high level period of conversion. Only 59 percent of suburban conversions took place in the final three years of the decade. Almost a third of all conversions took place in a single year -- 1979, thus creating major concern as to future levels of conversion and the pace at which the rental stock might be depleted.

CHARACTERISTICS OF THE STOCK CONVERTED

A brief description of the character of the housing units that were converted is presented here. In some respects it can be a useful predictor of the future, but should not be used as the most important factor affecting this market.

Age of Structure

Table 5 summarizes the number of converted units by age of the building. Virtually no apartment construction occurred in the Twin Cities suburbs prior to the early 1960s but this table shows that structures built in the 1970s are just as likely to be converted as those built a decade earlier. With three out of four conversions taking place in the suburbs, most people have been buying into structures less than 20 years old.

This profile contrasts sharply with experience in St. Paul where three out of four converted units are in buildings constructed prior to 1920. In Minneapolis only 13 percent of all conversions are in similarly older buildings. Persons converting buildings and using HOP IV financing did not concentrate on buildings of a particular age, but 55 percent of their units are in buildings constructed during the 1960s and 1970s -- similar to conversions located in suburban areas.

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*90 percent of 1979 conversions in Minneapolis were financed under the HOP IV program.

Table 5. CONDOMINIUM CONVERSIONS BY DATE OF BUILDING

Date	Minneapolis HOP IV Units (projects)	Other Minneapolis units (projects)	St. Paul Units (projects)	Suburban Units (projects)	All Units (projects)
Pre 1900	43 (5)	24 (3)	169 (21)	0	236 (29)
1900-1919	40 (6)	48 (8)	238 (28)	0	326 (42)
1920-1939	97 (10)	30 (4)	38 (4)	0	165 (18)
1940-1959	22 (1)	42 (1)	2 (1)	0	66 (3)
1960-1969	107 (7)	542 (5)	99 (4)	1,943 (28)	2,691 (44)
1970-1979	141 (4)	17 (2)	3 (1)	2,998 (23)	3,159 (30)
TOTALS	450 (33)	703 (23)	549 (59)	4,941 (51)	6,643 (166)

Source: Building Inspection Departments

St. Paul's conversions have been part of a much larger neighborhood revitalization/reinvestment process in the Summit-University neighborhood which contains a large number of old and deteriorating buildings. Historic preservation and restoration have shifted former rooming houses/rental properties into both single family homes and condominiums. Condominium conversion alone has not been responsible for the turn-around of this neighborhood but has certainly contributed to the trend. St. Paul, however, does have a large new apartment stock since there was abundant vacant land left in the city at the end of World War II, particularly on the northeast, southwest, and eastern margins. There are a large number of relatively new apartment projects within the city limits of comparable age to the buildings that constitute 88 percent of all conversions in the metropolitan area. They are as yet untouched by the conversion process. Highland Park and the east side of the city are locations to watch for new conversions.

Size and Type of Building

The market can be divided into three major sub-types. 1) Small buildings that require either major renovation under an historic preservation program or that can be converted fairly rapidly (without major renovation expense) in areas outside of designated historic districts. 2) Large, higher priced rental properties that can be converted rapidly and with a minimum of improvements. This category includes luxury class high rise structures (like the Towers) and a wide range of walk-up apartments, several including multiple structures in one project (like Edina West, Chelsea Woods in Plymouth, and Greenbriar in Minnetonka). 3) Medium sized, post World War II buildings at moderate rentals. This category includes a large number of HOP IV buildings in Minneapolis, but does not necessarily require below market rate interest financing. The market is generally targeted here for the younger, singles group.

Housing stock that is converted cannot be categorized neatly, although it can be allocated into these basic types. The potential choice is wide and the final selection is more likely to be motivated by the specific developer plus the financing sources available.

IMPACT OF CONDOMINIUM CONVERSION ON THE MULTIFAMILY HOUSING STOCK

As shown in Figure 2, the impact of conversion has been restricted to fifteen suburban communities and the two central cities. These municipalities, however, contain 59 percent of all metropolitan housing units, and 76 percent of all multifamily units.*

The extent to which conversion has impacted the multifamily housing base (and thereby the rental supply) in each of the affected municipalities is also described in Figure 3, where the percent converted is shown. The most severely impacted community is Minnetonka with 29 percent. Three other communities (Little Canada, Edina and Burnsville) have over 20 percent of their units now in condominiums. The proportion of units changed from rental to ownership in all other municipalities is relatively low. Less than 2 percent of central city units have been involved in this tenure shift. It is also interesting to note that none of the cities with 20 percent or more of their multifamily units converted have adopted conversion ordinances to regulate the market in order to protect the supply of rental housing.

Conversion activity should also be viewed in conjunction with the amount of new construction taking place. Table 6 provides an inventory of new multifamily construction for the metropolitan area between 1970 and 1980. When these figures are paired with the number of conversions, the "net increment" of multifamily housing for each year can be calculated. The metropolitan area has added over 59,000 new units while losing 6,643 to conversion, thus result-

*Metropolitan Council definitions of various types of housing stock are used throughout our work. See Appendix C for the exact definitions. Total housing units in these seventeen cities are 443,351 (279,882 in the central cities). Total multifamily units in the seventeen cities are 193,610 (146,106 in the central cities).

Table 7. IMPACT IN CENTRAL CITIES AND SUBURBS OF CONDOMINIUM CONVERSION ON THE MULTIFAMILY HOUSING STOCK (1970 to 1980)

	Central Cities			Suburban Communities		
	New Units Built	Converted Units	Net Increment	New Units Built	Converted Units	Net Increment
1970	4,681	32	4,649	6,620	0	6,620
1971	2,779	12	2,767	10,764	0	10,764
1972	4,210	18	4,192	9,212	387	8,825
1973	1,068	534	534	2,142	346	1,796
1974	1,033	42	991	1,961	589	1,372
1975	442	28	414	463	650	(-187)
1976	913	37	876	1,079	48	1,031
1977	1,166	120	1,046	3,859	861	2,998
1978	581	171	410	2,221	719	1,502
1979	1,382	708	674	2,526	1,341	1,185
TOTALS	18,255	1,702	16,553	40,847	4,941	35,906
Share of New Units Built	30.9%			69.1%		
Share of Conversions			25.6%		74.4%	

Source for new units built: Metropolitan Council, Annual Building Permit Records whether lower priced rentals were or were not replaced by new construction nor what proportion of conversions affected rentals at which price levels. They do not compare the number of new families formed by age group against the available housing stock of particular types and prices. What we do know today is that we have a major bulge in our population moving into their late 20s and early 30s and a rate of new household formation that exceeds the pace of new rental construction. This means that any loss to the moderately priced rental base puts a tighter squeeze on our housing supply.

A final point to remember is that not all condominiums are owner-occupied, although they are designed as a personal investment. According to County Assessor data for the end of 1979, only 57 percent of all condominiums in the Twin City metropolitan area were homesteaded (this includes new construction). Some of the other 43 percent are potentially owner-occupied and not yet recorded, some units have not been sold, but some (for example, the Towers) are owned for private investment purposes and remain as rentals on the market. How many are available as rentals has not yet been determined.

CREATION OF THE SUPPLY - RESULTS OF A DEVELOPER SURVEY

It has been claimed that all three parties to a conversion perceive benefits.* The previous building owner wins by getting a higher sales price from the converter than another landlord would have paid for the building, and avoids extra tax burdens by having someone else carry out the conversion process. The converter captures a substantial profit from the process because buyers in the market are willing to purchase at prices above sales price plus conversion expenses. The buyer wins by becoming a homeowner and joining those who enjoy substantial tax subsidies provided by federal and state governments. So far it has been a win/win/win game. Most recently, buyer gains have been fanned by rapid inflationary increases in the housing market in general and in resales in particular. There has been no evidence to suggest that the condominium buyer will gain less from this windfall increase in home values than will any other home buyer. Demand for purchase has in fact been strengthened, with more persons seeking to become owners than to remain renters.

A key link in this chain is the developer, the person who creates the supply and takes on whatever market risks there may be. During late 1979 and early 1980 we conducted a series of personal interviews with Twin Cities' developers with the objective of finding out who they were, what motivated them to enter (and remain) in this market, how they went about the process of conversion, what types of buildings they looked for, and how satisfied they were with their experience to date. We also sought to define developer's attitudes toward a series of public policy issues centering on conversion. A better understanding of how the private marketplace operates in the Twin Cities area can provide a firmer basis for considering the appropriate public sector response to issues involving conversion.

THE SURVEY COVERAGE

Creating a list of developers was an ad hoc process, with one contact leading to another, since there is no organized data source telling who converters of specific projects are in different communities. Once contacted,

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*Donald H. Haider, Economics, Housing and Condominium Development. Evanston, Illinois: Center for Urban Affairs, Northwestern University, January 1980, p. 9.

the developers gave an excellent response and were quite willing to be interviewed. Table 8 describes coverage of the metropolitan area via this process. We interviewed twenty-seven developers who were collectively responsible for 69 percent of the converted units now on the market. The lowest survey coverage was in Ramsey County and the highest in suburban Hennepin County.

Table 8. SURVEY COVERAGE FROM DEVELOPER INTERVIEWS

Area	Units Converted by Contacted Developers	Total Recorded Condo Conversions	Percent Coverage
SUBURBAN	3,545	4,941	71.7
Hennepin	2,653	3,016	88.0
Ramsey	361	1,163	31.0
Dakota	621	756	82.1
CENTRAL CITIES	1,056	1,702	62.0
Minneapolis	795	1,153	69.0
St. Paul	261	549	47.5
TOTALS	4,601	6,643	69.3

WHO ARE THE DEVELOPERS?

Tabulation and analysis of the first seven questions in the interview (see Appendix A for the complete survey) led us to categorize the developers/converters into three types.

Type A. Experienced Investors

For the most part these developers are incorporated entities, with a demonstrated track record in the housing market, either in condo conversions from other parts of the United States or in other types of housing in this local market. They are developers and investors in the real estate market on a continuing basis.

Type A developers are interested primarily in larger buildings of at least seventy-five units and deliberately seek out a "good buy;" they do not convert buildings they already own. Some may also manage apartment rentals, others link in with apartment management know-how to carry out the conversion process and ease the tenant displacement problem. Motivation for their projects is clearly a profit motive from short term investment, with the intent to continue in this market if they are successful in realizing anticipated profits. They tend to seek out projects that can be converted quickly and with a minimum of improvements.

If buyer demand in the conversion market remains strong, these developers will remain key actors. The housing stock they use is in large supply, particularly in suburban locations. (Eleven of the developers interviewed fell into this category.)

Type B. Contractors and Developers

People in this category have very different motivations, although profit is still important. They seek out buildings with special characteristics that will allow restoration and historic preservation and will tie in with neighborhood revitalization.

Type B developers have a more complex set of interests in conversion. Their efforts are directed toward extensive remodeling and major construction to create final units. For them, the business of conversion is not just a matter of investment, but involves a contracting business as well, so that their livelihood comes from two sources. Small projects are sought out, generally in the range of five to ten units. Conversion takes a long time and thus creates higher financial risks.

To date, this type of developer has concentrated in the Historic Hill and Irvine Park areas of St. Paul. The potential interest, however, could be in any buildings that offer special architectural resources. For-profit and non-profit organizations are both included in this category. Type B developers can just as easily shift to non-residential conversion since it is not the housing market per se that stimulates their initial involvement. (Eight of the developers interviewed fell into this category.)

Type C. Owners and Investors

These individuals are relatively inexperienced in the housing market as developers, although they are very likely to be owners of apartment buildings. Their motivation to enter the conversion market is opportunistic, in response to specific favorable financing mechanisms. Below market interest rate financing, for example, reduces their risk during a long sell-out period when there is no income. Generally their projects are small to moderate in size (ten to twenty units), although one developer in this category converted an apartment building with more than fifty units.

Type C developers are likely to be in and out of the condominium market, as financing terms dictate. Conversion risk is high for them in relation to the stoppages in monthly rental cash flow initiated either by remodeling requirements or their inability to retain tenants as buyers.

To date, a large number of these developers have been active in Minneapolis because of the home ownership programs and tax exempt bonding resources that the city offers. There is no reason why other communities could not become equally appealing to Type C developers if similar circumstances for buyer financing were made available. (Eight of the developers interviewed fell into this category.)

HOW DOES THE CONVERSION PROCESS WORK?

There is considerable danger in simplifying the information collected on the conversion process since each project described in the interview had unique conditions attached, but it appears that each of the above types of developers follow somewhat different processes, work with different time lines, and emphasize different phases because of their experience and/or motivations.

1. Selecting the Building to Convert

Type A seeks out buildings from owners on the basis of personal knowledge of the metropolitan real estate market, looking at the location as well as the selling price and tax benefits.

Type B seeks out buildings on the basis of their architectural features and location. Neighborhood is equally as important as structure. The building may be vacant, ready for demolition or moving, or it may be occupied at low rent.

Type C owns or can quickly use contacts to identify a specific building that will qualify for a market created by new financing conditions available to buyers. A new entity will be created for the conversion so as to evade ordinary income gains.

2. Time Taken to Convert a Building

Type A normally plans to complete the entire process in a twelve month time period, plus closings for individual units. Time is allocated equally between securing financing, making improvements, marketing at least half of the units, and final sales.

Type B takes an extended time for conversion, even up to three years. Major construction will not begin until construction financing and legal/architectural documents are finished. Delays run from four to eight months. Construction can take a year or more. Because buildings are small and there is neighborhood interaction throughout the process, actual marketing/sell-out times are cut down significantly.

Type C generally makes the quickest form of conversion, sometimes as little as six months if there is a high retention of tenants as buyers and no major rehabilitation work. Front-end time to complete documents of sale (or creation of a new entity to carry out the conversion) and secure financing is also done swiftly. This rapid pace of conversion has often resulted in favorable and highly competitive prices for buyers.

3. Tenant Relationships

It is impossible to generalize as to the way developers approach and inform tenants in buildings they plan to convert. It would be fair to state from our interviews that early projects started off with the developers not perceptive to tenants' needs. They did not take into account the hardships of forced moves and did not see any direct incentive to pay greater attention to tenants' needs.

According to several of the more experienced developers, second projects were handled differently for several reasons. First, it benefits the developer to retain tenants as buyers in many types of projects and also to maintain a minimum of public controversy if time-lines and sell-out periods are to return expected profits. Second, many developers are in the real estate market for the long pull and their reputation is important. Developers' sensitivity to their tenants' needs tends to increase in proportion to their demographic similarity to prospective buyers.

In response to the question, What would you do differently if you could do it over? most responded with regard to their tenant relationships, and not to such matters as the type of building, purchase price, or legal entity.

4. Marketing and Contacting Buyers

Here differences between types of developers again surface. Type A uses newspapers, radio media, and realtor referrals. Word of mouth advertising is minimal. Signs are generally rated as only moderately important. Where current renters are a targeted market, major efforts are directed toward providing incentives to them.

Type B conducts marketing in a more informal fashion, using word of mouth, flyers in the neighborhood, and a limited amount of newspaper advertising. Realtors are not seen as major sources. Personal friendship networks are important sources of referrals and result in a high proportion of final sales.

Type C again uses traditional marketing efforts through newspapers but uses the neighborhood "weeklies" more frequently. Flyers are also distributed in the neighborhood in some instances. There is the same general resistance to using realtor referrals as for Type B.

FUTURE INTEREST IN CONVERSIONS

Asked to describe the type of building they would be interested in for a follow-up conversion project, developers provided the responses grouped together in Table 9. Basically, they gave a "business as usual" response, with each developer wishing to remain with the same type of buildings they had converted to date. Responses, however, were not always uniform, thus indicating that our categorizing of developers was only a general way of describing them and not a typology in itself. Maps showing the location of converted structures and tables illustrating the age of converted buildings should be useful indicators in predicting how the market will operate in the future, given favorable financing conditions.

Table 9. TYPE OF BUILDING SOUGHT FOR FUTURE CONVERSIONS

	Type A Developer	Type B Developer	Type C Developer
Size	• large, 175+ units • 80-150 units mostly 1 bedrooms	• ideal 4-6 units • 12 units max. • 20 units max. mostly 2 bedrooms	• 12-20 units • 20-30 units • 40-60 units • 5-50 units • min. 45 units mostly small units
Location	• only inner city (Loring Park, SW Minneapolis) • high quality suburban -- west of Minneapolis • north of St. Paul access to shopping	• historic districts • higher rental areas	• near downtown and bus lines • south of 38th St., Minneapolis • around Diamond Lake • south of Mpls. Loop • "good" neighborhoods
Condition	• less than 15 years old • cosmetic repair only • concrete structures only • older but well-built	• complete gutting preferred • "ambience" more important than condition • old masonry structures (including warehouses)	• responses range from "cosmetic work only" to have "shell only" remain • pre-1920 buildings • 7-10 years old

DEPARTURE FROM THE CONVERSION MARKET

Responses to the question, What would have to happen to make you leave the conversion market? are tabulated in Table 10. Probably the most interesting of the responses is the developers' prospect of returning to or moving into apartment rentals if profit levels increased through rent increases that would bring income more in line with costs.

DEVELOPER ATTITUDES TOWARD PUBLIC POLICY ISSUES

Final questions in the interviews asked developers to respond to a series of statements that raised policy issues about protection of tenants' rights, protection of buyers, protection of the rental stock, management responsibilities, and the option of cooperative conversions as a more desirable alternative than condominiums for low and moderate income housholds. Responses to twelve of the twenty statements showed enough clustering to indicate a clear developers' point of view (at least 66 percent were all either in agreement or

Table 10. CONDITIONS WHICH WOULD PUSH DEVELOPERS FROM THE MARKET

	Type A Developers	Type B Developers	Type C Developers
Financial Factors	5 - profit squeezes 3 - increases in rent to make rental profitable	5 - profit squeezes 1 - tax law changes 1 - increases in rent levels	1 - lack of financing for buyers + bridge loans 4 - higher interest rate 1 - higher tax credits for condo office market
Market Factors	5 - rental vacancy rates 2 - supply of convertible buildings dries up 4 - governmental regulations and moratoria	2 - over-saturated market 2 - boredom/headaches 1 - government regulations	3 - government regulations and moratoria

all in disagreement with the statement read). The remaining eight questions did not distinguish any specific developer viewpoint (see Appendix D for a detailed tabulation of responses). The statements addressed five areas of public policy and one statement dealt with the developers' future plans.

On Tenants Rights (statements 1, 2, 6)

The developers gave strong support to provide tenants with the exclusive right to purchase for at least sixty days (25 in favor out of 27 total). They also strongly supported not discriminating against tenants on purchase price (21 agreed that lower prices could not be offered to non-tenants). There was strong disagreement with the idea of giving tenant associations legal rights to negotiate purchase of the building (19 disagreed). And developers rejected the notion that relocation payments to tenants would help the conversion process rather than hurt the developer (only 4 supported the concept).

On Buyer Protection (statements 3, 4, 5, 12, 13, 17)

Reactions here showed that developers would give greater support to providing warranties on major appliances than on structural condition and on heating, air conditioning, and ventilation systems (19 agreed on appliances, 15 on structural conditions). The greatest support for escrowing funds to cover warranties on structural condition came from developers involved with major rehabilitations (7 out of 8); the least support from developers in programs such as HOP IV (2 out of 8). Experienced developers and investors split down the middle (6 to 5) on this question. There was strong opposition to escrowing funds so that the condominium association could tap the fund, even under appropriate legal constraints (17 disagreed, 8 agreed with the escrow policy). Less than half (11) agreed that it is a good idea to pass over control of the condo association to the new buyers once 50 percent of the units are sold. This attitude may be affected by developer belief that new buyers do not understand property management responsibilities well. No one agreed that buyers understand these responsibilities well and only 9 tended to agree that they do. Developers do not see their obligations to the buyer as their single most important responsibility (none agreed with this statement though 11 tended to agree). The group placing highest priority on buyer interests was developers involved in major rehabilitation and historic preservation. Many of the buildings they converted were vacant or had limited tenant displacement and thus tenant rights had not been an issue.

<u>On Rental Stock Protection</u> (statements 7, 19, 20)

Defining a tight rental market as one with a 4 percent rental vacancy will undoubtedly provoke argument among developers (12 agreed and 12 disagreed with this definition). Only lukewarm agreement was evident for the statement that cities have an obligation to protect the size of the rental stock for low and moderate income households (12 agreed and 14 disagreed). Only the developer group working with major rehabilitation agreed strongly with this statement (6 out of 8). Greatest disagreement came from experienced developers in larger projects (3 agreed while 8 disagreed that the stock should be protected). There was strong agreement that home ownership is a better personal investment today than renting (18 agreed).

<u>On Public Intervention in the Conversion Market</u> (statements 10, 11, 14, 16)

The developers showed strong support for Minnesota's legislative action in 1980 to adopt the Uniform Condominium Act (19 agree it was needed). They uniformly disagreed with the statement that tenant relocation payments should be required (22 disagreed). They had a tendency to agree that public restrictions on conversions would increase the rate at which rents will rise in the future (4 strongly agreed and an additional 12 tended to agree while 11 disagreed). The developers seemed unwilling to look at rent control and condo conversion as related in a cause and effect way. More experienced developers tended to refuse to answer the question as not relevant. For those who answered the question, twice as many believed controlling conversion was preferable to rent control (12 agreed and 5 disagreed).

On the Alternative of Cooperatives (statements 8, 9)

None of the developers were involved in cooperative conversions but all took a strong position that coop conversions do not provide better protection to tenants as compared to condos (22 felt this way). They strongly disagreed with the statement that coops make a better investment for low and moderate income housholds (25 disagreed).

On Future Involvement in Conversion (statements 15, 18)

Despite the fact that the preponderance of conversions these developers had made were in the suburbs, they all showed more interest in conversions in the central cities in the future (24 responses). There was strong agreement that conversions have bid up the sales prices of apartment buildings in the last two years (20 agreed, with 10 of them agreeing strongly).

SUMMARY OF DEVELOPER SURVEY FINDINGS

Diversity among developers makes it difficult to either promulgate a specific "industry viewpoint" or to predict where the industry may go in the immediate future. Categorizing developer interests in our three sub-groups should be useful in looking at public policy issues and deciding what might be in the best public interest when regulating or intervening in the private marketplace. It is evident that the public sector has strongly motivated the private sector through financial incentives at the local level; it is even more apparent that state and federal financial incentives propel developer interest into different parts of the housing market wherever profit margins and risk levels are to their best advantages. Incentives to return to the rental market would most likely diminish conversion activity although there will be some segments of the industry which will remain, particularly those involved in major rehabilitation and neighborhood reinvestment activities.

It is generally acknowledged by those in the industry that buyer and tenant protection are legitimate public interest questions, but they disagree on how far the protection should go. There is far less acknowledgement that the public interest is served by preserving rental housing for low and moderate income households. It is probably fair to state that there is a philosophical opposition to the concept of "preserving" a market (for whatever reasons) as an artifical and unneeded constraint over supply.

If local financial incentives dry up and acquisition prices of apartment buildings continue to escalate, it is quite likely that little conversion will take place in the immediate future, despite the availability of a large suburban rental supply. Developer interest in the central city rental stock seems at odds with experience to date, but perhaps can be explained by anticipation that central city local governments are more likely to provide the financial incentives, as compared with suburban governments.

SOURCES OF DEMAND - RESULTS OF A BUYER SURVEY

There are multiple reasons for completing a metropolitan wide attitudinal survey of households that have bought a converted condominium unit. First, no one has done so, despite considerable speculation on who is buying what in this submarket, and a profile of the buyer is a useful indicator of future demand levels. Second, many important public policy questions cannot be answered simply by an inventory of the housing stock or by queries to the developers. For both of these reasons it was decided to take the pulse of the Twin City demand side of the market through a survey of condominium buyers.

THE SURVEY PROCESS

The process started out by our listing key local policy questions and then asking how an attitudinal questionnaire might provide answers. The list included the following:

To what extent are conversions

1. displacing or retaining tenants as buyers?
2. increasing home ownership or shifting owners from one form of ownership to another?
3. freeing up larger single family homes for other households?
4. opening up alternative housing for neighborhood residents?
5. increasing monthly housing costs without necessarily improving housing quality?
6. requiring new households to allocate an increasing proportion of income for shelter?
7. providing adequate information to buyers about the nature and quality of their investment?
8. attracting households with a long term commitment to the neighborhood?

The final questionnaire, developed for telephone interview of approximately 250 households randomly sampled from converted units throughout the metropolitan area, was designed to provide data on as many of these questions as possible (see Appendix B for the complete questionnaire).* In addition, information was collected for a demographic profile of buyer households and their expectations or motivations in purchasing a converted housing unit.

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*The questions on displacement and increasing monthly costs (1 and 5) could clearly not be answered appropriately through a buyer survey, but would require additional research on tenants and earlier rental levels in the converted buildings.

An introductory letter was mailed to each prospective person to be surveyed explaining the purpose of the survey and requesting cooperation. Only 5 percent of the "pool" of names declined to be interviewed.

SAMPLING PROCESS

Based on the findings of the conversion inventory it was decided to stratify the sample into five subgroups. This would allow us to isolate relatively homogeneous submarkets in the conversion market and thus be able to draw conclusions for each of these submarkets. Cooperatives constituted one group. Condominiums were further subdivided into central cities and suburban. The central cities sample was finally subdivided into three: St. Paul, Minneapolis non-subsidized, and Minneapolis subsidized (HOP IV). A sample of approximately fifty interviews would be completed for each of the subgroups -- the actual number of completed interviews are listed in Table 11. The sample size as a percent of the total number of units in the market differs for each group as a result of this approach. It is important to note that each group was sampled on a random basis and as a separate universe. No weighting has been assigned in the subsequent analysis of results.

Table 11. COMPLETED BUYER INTERVIEWS BY SUBGROUP

Group	# Completed Interviews	# Total Units	Percent Interviewed
HOP IV*	56	450	12.4%
Other Mpls.	48	703	6.8
St. Paul	50	549	9.1
Suburban	47	4,941	1.0
All Condos	201	6,643	3.0
Coops	63	993	6.3
TOTAL	264		

*Housing Ownership Program in Minneapolis, Number 4

The sampling methodology required that eighty-eight names be drawn initially for each subgroup in a random sampling process. Because of a large number of unoccupied buildings in St. Paul and difficulties in verifying directory listed households in the suburbs as owners rather than former tenants, additional names had to be drawn. In total 501 "verified" households resulted in 264 completed interviews. From the large suburban pool, the sampling process resulted in twenty-three out of the fifty-two converted projects being included in final interviews. The objective, however, was not to be representative within each community but to gain an overall randomness throughout the metropolitan area for the five subgroups within the conversion market.

GENERAL OVERVIEW OF SURVEY FINDINGS

Comments here refer to all the survey responses (N = 264) and thus include households living in cooperatives in addition to condominiums. A more detailed analysis of condominium buyers follows in the next section.

The Buyers

- Seventy-one percent of the households were headed by a single individual. Single women accounted for 45 percent of all households.
- Household size was small: 1.41 persons. Only 5 percent had children and the median age of respondents was 44 years.
- The median household income was $17,900, with 21 percent of all households having a second income contributing to that figure.
- Two-thirds (68 percent) were first buyers. One-third had made their purchase from a previous condominium owner.
- Eighty-seven percent had postsecondary education; median years completed were 3.4.
- Three-quarters of the moves into the converted unit involved no change in the number of persons in the household, but 25 percent moved at a time when this number decreased either as a move out of a family home by a young adult, as an empty nester when the last child left home, or as a change in marital status.
- A high proportion of buyers had moved in quite recently. Forty percent had lived in their present home for a year or less.
- Buyers came primarily from the two central cities (65 percent), although only 32 percent of all converted units were located in the core cities.

Less than a third had previously lived in the suburbs; almost half of all buyers had lived in Minneapolis before moving to their condominium or cooperative.

- One out of five had lived in a single family home prior to buying, with 60 percent of these former single family owners coming from the central cities. Former single family owners were older, with a median age of around 60 years.
- Conversion has shifted renters into ownership status, rather than providing new options for owners. Two-thirds had been renting prior to buying their present unit. Thus to date, conversion has not provided a large housing resource that creates alternatives for long-term home owners.
- Twenty-three percent of all owners had earlier rented in the same building.
- Over half (54 percent) of the respondents were in professional/technical or administrative/management occupations, 12 percent were retired, and the remainder were primarily in clerical and sales occupations. A similar occupational distribution was noted for second wage earners in a family.
- While single males occupied 26 percent of all units, they were clustered in the younger age groups (40 percent of households under the age of 30 were headed by single men). Only 6 percent of the 60 and over age group were single men. In total, 21 percent of all households were under the age of 30 and 31 percent were over the age of 60.

The Costs

- Median price of the home (at time of purchase) was $33,000. Median monthly housing cost (current) was $340 which included association fees and heating in addition to repayment on mortgage obligations and insurance.
- A move into a condominium or cooperative resulted in many more households decreasing their monthly housing costs rather than increasing them. (The HUD study arrived at the opposite conclusion in their 1980 report on trends across the United States.) Our survey showed the breakdown on housing costs as follows:

  59 percent decreased monthly costs .... median decrease of $90
  23 percent increased monthly costs .... median increase of $75
  14 percent incurred no change
  4 percent no data

- Monthly housing costs were related significantly to household income (as measured by a chi square test) but costs were also a direct function of the number of years lived in the same unit. The longer the residence, the lower the monthly cost, due to both inflationary trends and increases in interest rates over the past two years. Table 12 groups survey responses into different cost groups and lists the percent paying these amounts by income and by length of residence. The lowest income group (bottom 20 percent) earned less than $14,000 a year, the middle 20 percent earned between $18 and $21,000 and the top 20 percent earned over $30,000. The differences are startling for all income groups.

Table 12. COMPARISON OF HOUSING COSTS BY INCOME AND LENGTH OF RESIDENCE

Monthly Costs	Current Income Under $14,000 N = 124			Current Income $18-21,000 N = 50			Current Income Over $30,000 N = 41		
	recent	3-5yrs	6+yrs	recent	3-5yrs	6+yrs	recent	3-5yrs	6+yrs
Under $250	30%	67%	77%	3%	40%	50%	5%	8%	20%
$250 - 349	52	17	23	23	50	17	5	15	10
$350 - 449	13	17	0	58	10	0	5	31	20
$450 - 549	4	0	0	16	0	33	26	0	30
Over $550	0	0	0	0	0	0	58	46	20

The Purchase

- Reasons for buying either a condo or a coop were strongly related to investment prospects from a future resale (33 percent) and affordable price and maintenance considerations (33 percent together). A variety of reasons were given by the last 33 percent including "precipitated purchase" for those who were previously renting in the same building.
- The single most important factor in selecting a specific building was location (45 percent), with characteristics of the building (16 percent) and financing sources (10 percent) falling into second and third ranks.
- Relatively little major reinvestment appears to have resulted from conversions as a whole: 40 percent said no improvements were made to the unit while 11 percent stated that their building was essentially gutted and re-

modeled. Improvements to buildings not gutted included mechanical and roof (19 percent) or none (47 percent).

Satisfaction

- A very large proportion of owners believed that developers provided all or most of the information they should have had at time of purchase (70 percent). Fourteen percent said they were misled by the developer; but this seems to have had no long lasting impact on overall satisfaction level with the decision to buy. Ninety-three percent say they would do it over again.
- Satisfaction levels with association management also were high (76 percent stated that they were very satisfied). Satisfaction may be related to the fact that 60 percent were doing the management themselves (as a volunteer association). Only 5 percent said that the developer was still performing management functions.
- The general expectation was that present owners would remain for a long time (56 percent indicated ten or more years). Approximately 15 percent saw this as their home for two years or less.
- Over a third said they knew other people in their building very well and this number increased in buildings with twenty or fewer units. A quarter said they had very little contact with other people in the building.

In summary, the survey results showed buyers were generally satisfied with their personal experiences in buying a converted unit, with their current situation vis-a-vis management, and with their expectations for investment gains. Units have attracted a large proportion of single person households and provided ownership opportunities at relatively low monthly costs for people earning somewhat below the metropolitan average. Conversions have not been as attractive to former single family owners as they have been to renters. Since 35 percent of new owners had previously lived in the same neighborhood, conversions have provided an alternative form of owner occupied housing for neighborhood residents.

Survey totals, however, tend to mask important differences within the market. The market is in fact segmented and our decision to work with five separate subsamples was justified on the basis of the survey results. The following section probes in greater detail the characteristics of condominium buyers and the four subgroups that apply to condominium buyers. A detailed discussion of cooperative buyers is available in another work in this series.*

CONDOMINIUM BUYER FINDINGS

In the following discussion the market is divided into two groups for the City of Minneapolis (buyers that used the Housing Ownership Program # IV (HOP IV) and all others), one group for St. Paul, and a final group for suburban buyers. Figures 7 and 8 identify the specific locations of converted projects for the HOP IV sample and for St. Paul's Historic Hill area, where the majority of St. Paul conversions have occurred. The maps help to measure the concentration and dispersion patterns and to locate the types of neighborhoods where condominium buyers are living.

Demographic Profile of Buyers

Table 13 summarizes the key demographic characteristics of buyer households by subsample and also describes households that had earlier been renters in the same buildings.

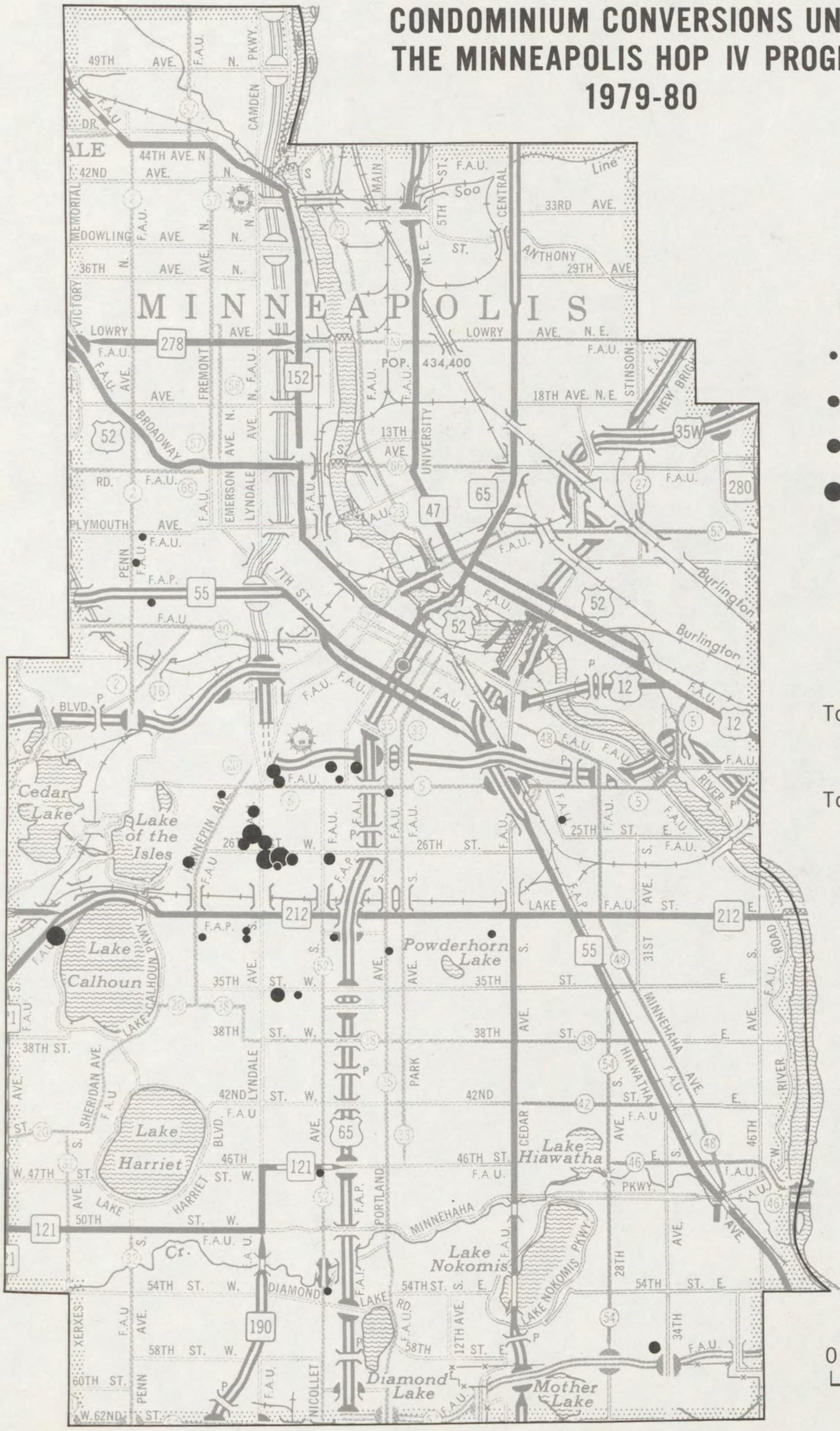
In general, the buyers were predominantly single, covering a broad age spectrum, highly educated, and with a median income of around $19,000. A third of the households had two wage earners. This was less than the metropolitan area average for all households, but reflective of the high number of single person households in the pool. Two-thirds were employed in the central cities, with more suburban residents working in the central cities than vice versa. How does this profile differ among subgroups?

HOP IV buyers were much younger, included an even larger number of single persons but with more male owners than average. They earned less income but had extensive postsecondary education. An above average proportion held professional or technical jobs. Almost 60 percent worked in the City of Minneapolis and a third worked in the downtown area of the city. One may characterize these households as potentially upwardly mobile, people who entered the home ownership market earlier than normally expected. Except for age and income, however, they are very similar in profile to the other Minneapolis buyers.

*Barbara Lukermann and others, Twin Cities Conversions of the Real Estate Kind. CURA 81-5. Minneapolis: Center for Urban and Regional Affairs, University of Minnesota, Minneapolis, 1981.

Figure 7

CONDOMINIUM CONVERSIONS UNDER THE MINNEAPOLIS HOP IV PROGRAM 1979-80



Number of units

- Under 10
- 10 - 19
- 20 - 29
- 30 and above

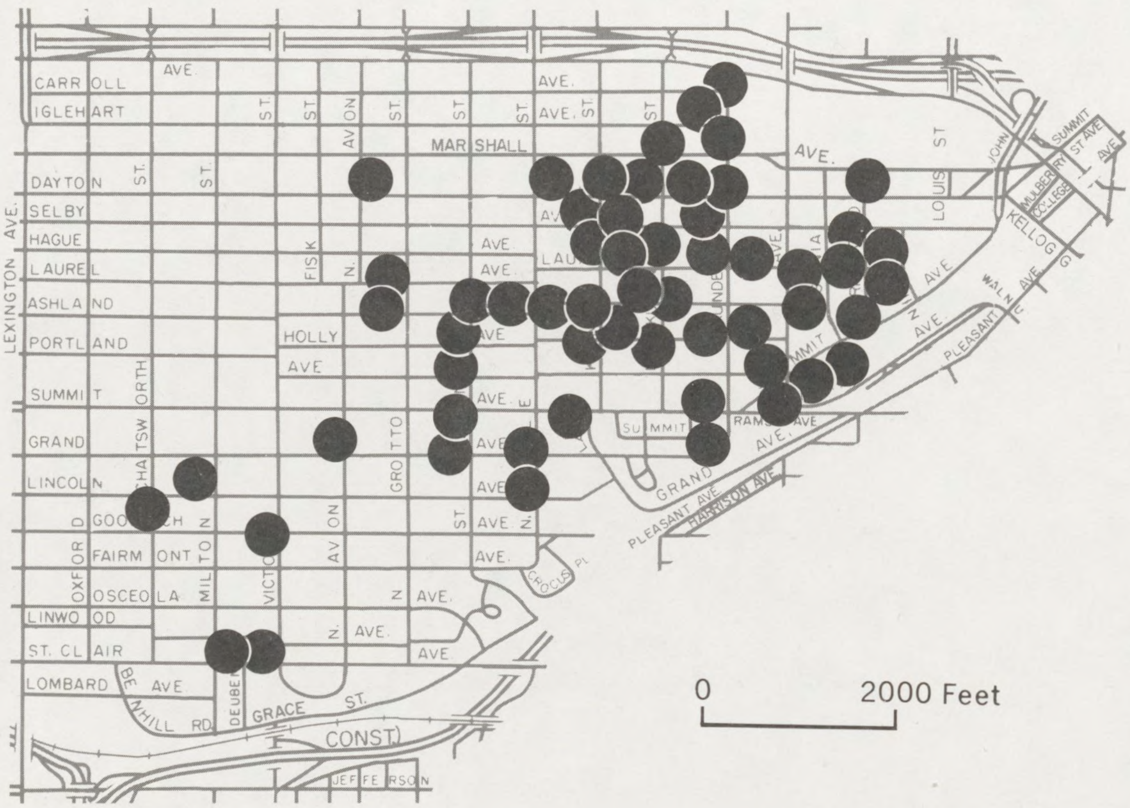
Total number of projects = 33

Total number of units = 450

0 Miles 1

Source: Minneapolis Housing and Redevelopment Authority

Figure 8
CONDOMINIUM CONVERSIONS IN THE HISTORIC HILL AREA OF ST. PAUL



Source: Ramsey County Recorder's Office

Table 13. DEMOGRAPHIC PROFILE OF CONDOMINIUM BUYERS

Characteristic	All Buyers N = 201	HOP IV N = 56	Other MPLS. N = 48	St. Paul N = 50	Suburban N = 47	Tenant/ Buyers N = 38
Household						
single head	71%	89%	89%	52%	50%	69%
(female)	42	48	54	30	35	45
(male)	29	41	35	22	15	24
with children	5	4	0	7	20	1
Age						
Under 30	26	45	2	25	28	10
30 - 39	28	34	38	29	9	24
40 - 49	13	11	11	15	15	16
50 - 59	15	5	18	15	26	16
60 - 69	11	3	20	10	13	24
Over 70	7	2	11	6	9	10
Median age	37 years					
Household Income						
Under $15,000	23	40	22	9	16	9
$15 - 19,999	28	36	27	16	30	34
$20 - 29,999	27	22	22	35	30	25
$30 - 39,999	10	2	14	19	8	15
$40,000 & up	12	0	16	21	16	15
Median income	$18,650	$16,400	$20,225	$27,150	$21,400	
Occupation						
Prof./technical	34	45	35	43	12	27
Admin./management	20	9	9	30	37	24
Sales/clerical	24	29	26	6	33	24
Crafts/operative/service	7	14	7	4	0	3
Retired	12	2	22	11	16	19
Student/homemaker	3	2	2	6	2	3
Postsecondary Educ.						
None	10	9	4	4	24	3
1-2 years	19	23	29	9	15	24
3-4 years	38	42	32	35	45	43
5 or more years	32	26	35	52	16	30
Median years	3.4					
Place of Work						
Minneapolis	45	58	61	26	34	N/A
downtown	26	34	36	9	18	
other	19	24	25	17	16	
St. Paul	20	9	11	50	11	
downtown	11	7	8	21	8	
other	9	2	3	29	3	
Suburbs	27	27	18	14	45	
Minneapolis	22	23	15	9	37	
St. Paul	5	4	3	5	8	
Other	8	6	10	10	10	

In contrast, St. Paul buyers are much more affluent, more are employed in administrative and management positions and many more households have two adults. They mirror the profile of a larger group of newcomers to the Historic Hill area and part of what has been termed the "gentrification" of an older neighborhood, where higher income households are replacing lower income households.

Suburban buyers tend to be older, with above average income for condo buyers as a whole. Half are husband and wife families and, interestingly, this is the group with the least amount of education after high school.

Figures 9 and 10 illustrate the income and occupational differences between these groups.

Figure 9

HOUSEHOLD INCOME OF CONDOMINIUM BUYERS

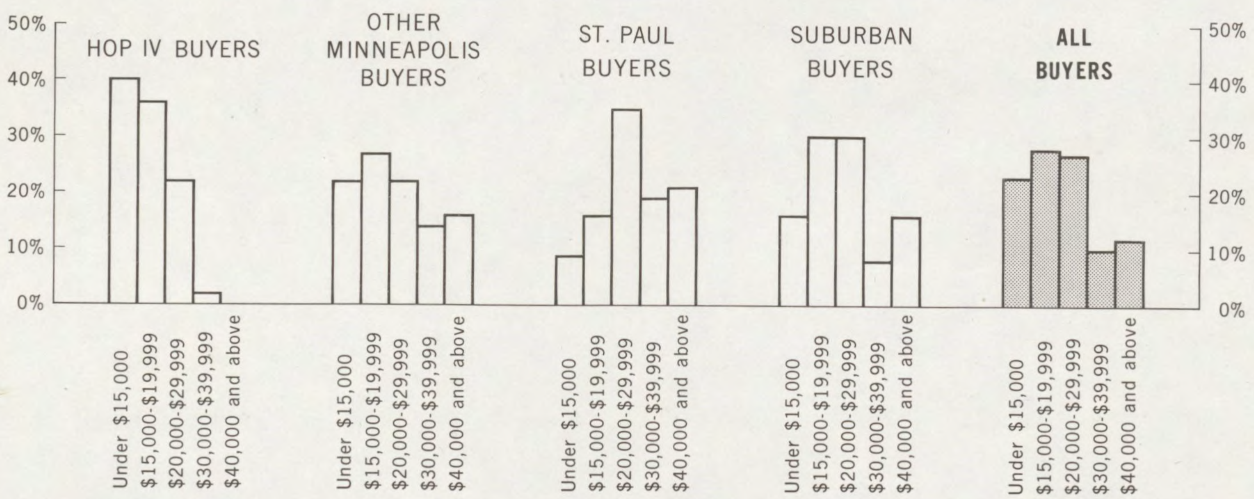
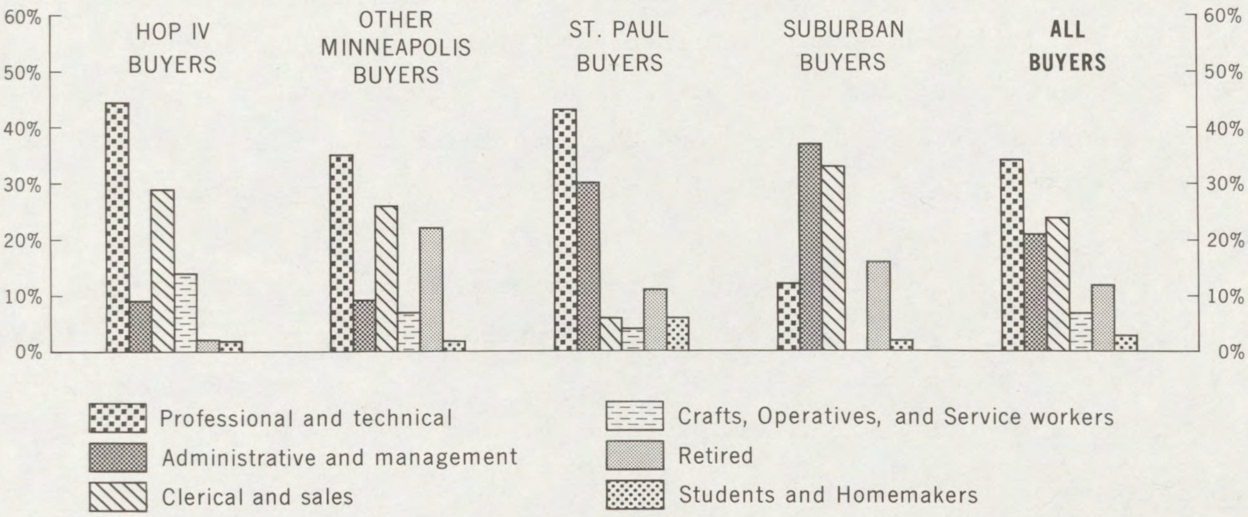


Figure 10

OCCUPATIONS OF CONDOMINIUM BUYERS



Retention of Tenants as Buyers

Only one out of five current owners had previously rented in the building, although the Towers condominiums were able to retain a significantly higher proportion as shown in Table 14. The low figure in St. Paul is partially due to the nature of conversions there, where a number of vacant or low occupancy buildings have been rehabilitated.* It is not possible, therefore, to claim that St. Paul conversions have resulted in an 86 percent displacement factor.

Table 14. PERCENT OF BUYERS PREVIOUSLY RENTING IN SAME BUILDING

Total	HOP IV	Other Mpls.	St. Paul	Suburban
19%	14%	29%	14%	20%

As would be expected, former tenants decided to purchase on grounds somewhat different from survey respondents as a whole. Only 40 percent said that investment opportunities, asking price, and maintenance savings were their

*Displacement in St. Paul, Summary. St. Paul: St. Paul Division of Planning, Department of Planning and Economic Development, January 1981, states on p. 7 that 57 percent of all converted units were in buildings only partially occupied prior to conversion.

prime reasons (more than 60 percent in the total survey gave these reasons). A miscellaneous "other" category primarily lists comments on the difficult choice between buying and being forced to move and the resulting decision that the location and the building itself were sufficient incentive to become an owner. Two-thirds of the tenant/buyer group gave location as the most important reason for deciding to stay, and they continued to be satisfied with their decision. Only 3 percent said they now have misgivings about that decision.

In demographic profile the tenant buyer households match the average condo buyer in proportion of single heads of household, but a greater proportion are retired. Their median age is 50 as compared to the survey median of 37. Slightly more of these households are single women than the survey average.

Condominiums as an Alternative to Single Family Housing in the Same Neighborhood

To date converted condominiums have not provided a significant resource for households wishing to move from their single family home, particularly in Minneapolis as illustrated in Table 15.

Table 15. PERCENT LIVING IN A SINGLE FAMILY HOME PRIOR TO PURCHASE

Total	HOP IV	Other Mpls.	St. Paul	Suburban
15%	7%	8%	22%	26%

Two-thirds of all buyers moved from a rental status, but there is a strong connection between previous place of residence as a renter and the new condo location. An average 37 percent of all respondents moved within the same neighborhood (ranging from 33 percent to 40 percent by subgroup). Thus condominiums are creating an option for people who want to change housing and remain in the neighborhood even though they are not "freeing up" the larger single family homes for larger families. More than two-thirds of central city condominium buyers were previous residents of their present city.

Future Commitment to the Neighborhood

Four indicators have been pulled from the survey to provide a measure of possible future commitment of condo buyers to the neighborhood where they now live. These questions relate to previous place of residence, anticipated length of stay at the present home, reasons for buying, and current shopping patterns. Findings are summarized in Table 16.

Table 16. MEASURES OF COMMITMENT TO NEIGHBORHOOD

Indicator	HOP IV	Other Mpls.	St. Paul	Suburban	Condo Average
Percent of total that:					
Remained in same neighborhood in buying condo	40%	33%	38%	35%	37%
Expect to stay less than 5 years	70	24	27	45	35
Expect to stay more than 10 years	19	67	62	48	56
Gave location as prime reason for buying	46	79	34	21	45
Do more than 3 types of convenience shopping in local area	33	28	27	41	31
Do no shopping in local area	6	4	18	4	10

The subgroups did not differ a great deal in previous neighborhood residence but there was a major difference in the proportions who saw themselves as relatively short term owners. HOP IV buyers were likely to be very mobile, followed by suburban households. Other condos in Minneapolis and condos in St. Paul have attracted buyers who anticipate long term occupancy. There is no significant correlation between local shopping and potential commitment to the neighborhood. This is simply a function of land use and choices now available in close proximity. Many families indicated an interest in having more choice available for their daily convenience shopping.

One problem in drawing any conclusion on future length of residence is the very recent nature of the conversion process. Sixty percent of all units have been on the market for three years or less (100 percent for HOP IV homes). Minneapolis has had 76 percent of its non-HOP IV units on the market for more than 5 years and survey results indicate that only 33 percent have lived in their present home for this length of time. Turnover has occurred, but only a little more than 5 percent a year, which is not a high mobility factor. All other subgroups have too short a history for one to draw conclusions.

Affordability and Cost of Housing

New home buyers across the nation are increasingly having to allocate more than 25 percent of their gross income to cover monthly housing costs.* The 1980 HUD study also concluded that many new buyers of converted units are increasing their monthly housing costs to do so. Findings from this survey tend to draw different conclusions. Median monthly housing costs for condo owners were $370 in 1980, with an estimated median of 24 percent of gross income allocated to housing. From Table 17 it is estimated that a third of the lowest income households will be paying more than 25 percent of their income and less than 10 percent of the middle income group will be paying over that proportion.

Table 17. COMPARISON BETWEEN MONTHLY HOUSING COSTS AND HOUSEHOLD INCOMES

Monthly Housing Costs	Bottom Quintile(20%) Under $14,000 N = 12	Middle Quintile $17 - $21,000 N = 10	Top Quintile Over $30,000 N = 13
Percent of households paying:			
Less than $250	67%	40%	8%
$250 - $349	17	50	15
$350 - $449	16	10	31
$450 and up	0	0	46
Estimate of 25% gross income	Under $290	$395	Over $625

Median monthly housing costs of all condominium owners. $370

Estimated percent allocated to housing. 24%

(Note: 43% of all buyers had lived in their unit for one year or less; 12% had lived there for more than 5 years)

*United States League of Savings Association, Homeownership: Coping with Inflation. Chicago: U.S. League of Savings Associations (111 East Wacker Drive), 1980. Their survey findings conclude that 54 percent of all new home buyers in Minneapolis-St. Paul during 1979 were spending more than 25 percent of their income on housing; 38 percent of all condominium buyers (U.S. average, all condos) were spending more than 25 percent.

A more detailed breakdown of housing costs, income, and proportion of income allocated to housing is provided for the subgroups in Table 18. Housing costs as a percent of gross income are in inverse relationship to the median number of years that the home has been owned. All of these monthly costs appear to be significantly lower than what can now be put on the market in new rental units.*

Table 18. COMPARISON OF MONTHLY HOUSING COSTS, INCOME, AND LENGTH OF RESIDENCE BY SUBGROUP

Indicator	HOP IV	Other Mpls.	St. Paul	Suburban
A. Monthly Housing Costs				
Under $150	2%	7%	2%	10%
$150-249	6	9	5	10
$250-349	46	33	18	23
$350-449	41	19	32	33
$450-549	6	7	18	20
$550 & up	0	26	25	5
Median Cost	$340	$364	$428	$370
B. Median Household Income	$16,400	$20,225	$27,150	$21,400
% income allocated to housing (est.)	25%	16%	19%	21%
C. Length of Residence				
% living in unit 3 years or more	0	69%	36%	41%
Median years in unit	0.33	3.00	1.75	1.60

Motivation to Purchase

Survey results point to the opportunity to benefit from rapidly rising sales prices for both new and older homes as the key motivation for condominium buyers. Investment rather than shelter per se is of increasing importance to the new buyers. Table 19 separates owners into three categories according to length of residence to substantiate the above claim. The purchase price is

*Recent estimates from the Minnesota Housing Finance Agency are that a new two-bedroom apartment financed at 10 1/2 percent under their program would have to be $597/month. Under a market rate of 16 percent plus 10 percent return to the developer, the rent would be $941/month.

also becoming more important; maintenance was important in the 1975-77 period, but relatively insignificant during other periods.

Table 19. REASONS FOR PURCHASING A CONDOMINIUM BY LENGTH OF OWNERSHIP

Main Reason	Owned 1-2 years	Owned 3-5 years	Owned 6 or more years
Investment	41%	31%	18%
Price	20	13	9
Maintenance	14	27	13
Other	25	29	60

Maintenance savings only become important to households when their income exceeds $17,000. Investment and price are important to all groups. Financing opportunities are important to all groups except those earning over $30,000. Young buyers (under 30 years) put investment in top place 56 percent of the time; older buyers (over 60 years) put greater emphasis on maintenance factors (30 percent).

Management and Satisfaction Levels

Over half of all condominiums are now managed by their owners, with the second highest percentage being associations hiring their own management firms. Slightly under 20 percent are still managed by the developer, or a firm responsible to the developer, primarily in the newer HOP IV buildings and in the suburbs.

Table 20. FORM OF CONDOMINIUM MANAGEMENT BY SUBGROUP

Type	HOP IV	Other Mpls.	St. Paul	Suburban
Association/Owners	55%	30%	90%	34%
Firm hired by association	13	62	0	25
Developer or firm hired by developer	28	6	2	39
Other	4	2	8	2

On the whole people are very satisfied with the current type of management for their building although some volunteered comments about difficulties with earlier management firms or with new contracts working out better than old ones. Suburban owners expressed least satisfaction (60 percent v. 70 percent for all other groups), but differences between the subgroups appeared to be insignificant.

When asked how they felt about information provided at the time they decided to buy, most buyers agreed that all or most of what they needed was given.

Table 21. SATISFACTION WITH INFORMATION PROVIDED BY DEVELOPERS

Information Level:	HOP IV	Other Mpls.	St. Paul	Suburban
All given	55%	69%	74%	67%
Most given	32	25	16	20
Little or none	13	6	10	13

Social Interaction

Respondents were asked how well they knew other people in their building. An analysis of their replies was completed by cross-tabulating responses by years of residence, type of management, extent of remodeling taking place, size of project, and so on. From this analysis it was determined that there are two conditions that seem to foster a higher level of social interaction: the type of management and the size of the project. When association members themselves manage their building and there are twenty or fewer units in the building, personal friendship patterns do develop quite strongly. The number of years a person has owned a unit or the extent of the remodeling of the project have no significant correlation with knowing other people. When association members carry out the management responsibilities, 73 percent say they know other people in the building very well; when the developer is still in charge of management, the percent falls to 10 percent. In St. Paul where smaller projects are coupled with self-management, 96 percent say they know their neighbors either very well or quite well. In Minneapolis and suburban projects, approximately 10 percent say they do not know anyone in their building.

CONCLUSIONS

Some of the policy questions we began with have been addressed by the information provided from the buyer survey, but not all. The survey has not given useable information on the question of whether or not households are paying more under condominium ownership than renters of the same space paid earlier. We were not able to quantify the amount of new investment put into housing as a consequence of conversion to determine if cost increases were related directly to infusion of new quality. Another part of our study of conversions examined the financial aspects of three specific case studies and provides more useful information on this question.*

While conversions have not retained a high proportion of former tenants as buyers they have made it possible for a large number of previous renters to become owners in the same neighborhood. Conversions have not freed up many single family homes for families with children, but they do seem to have provided a viable alternative to persons wishing to change tenure status but remain in the same neighborhood. The process of conversion in the Twin Cities metropolitan market has not been riddled with consumer abuses; on the contrary, buyers express high satisfaction levels with their individual purchase and with their contacts with developers. It is not possible to conclude whether or not condominium owners are going to remain long term residents since the stock is so new. Length of residence appears to be directly related to price and the youth of the buyer. For older buyers condominium purchase appears to be a long term commitment.

One of the more important conclusions is that the condominium market is far from being homogeneous. Different financing programs, neighborhood revitalization trends, and general shifts in lifestyle preferences have provided a wide range of options within the conversion market itself. It would be a grave mistake to treat conversion as a single faceted phenomenon, at least from the demographic and attitudinal information gained from this particular survey.

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*See Milo Pinkerton, Twin Cities Conversions. The Case Studies: How the Finances Work. CURA 81-8. Minneapolis: Center for Urban and Regional Affairs, University of Minnesota, 1981.

APPENDIX A

DEVELOPER SURVEY OF CONDOMINIUM CONVERSIONS, TWIN CITIES METROPOLITAN AREA

Interview made with: ______________________________ tel ________________

Interviewer : ___________________________________ Date: _______________

---

1. Could you briefly describe to me your personal role in condominium conversions

2. How many condo conversion projects have you been involved with in the Twin Cities Metropolitan ARea? Please list locations, number of units and dates

Location	No. Units	Date

3. Have you had experience in condo conversion in other cities? If so, please describe.

4. Are you involved with other types of real estate development? If so, what types? Has this included any cooperative developments? If so, please identify by name/location/date

5. I would like to discuss your most RECENT COMPLETED project, and the process of converting it.

   a. where was this located? ____________________________________

   b. How did you find this building? was it previously owned by you, up for sale, or did you have to seek it out?

   ____

   c. If you sought it out, how did you go about the process?

d. Did you take out options on other properties prior to concluding a purchase on this building? If so, how many times and how much investment was lost via non-refundable options?

What led to your not exercising these options identified above?

___

e. What factors were MOST important, leading to your decision to enter into this specific project?

___

___

Did you evaluate the purchase price of the building in terms of a gross sell-out multiplier? ___

f. What is the LEGAL entity for this project? ___

___

g. Who acted as the DEVELOPER for this project? ___

h. How long did it take, from the time you made the first financial commitment (as you define it) to the time you sold the last unit?

___

i. Can you briefly describe how much time EACH MAJOR STEP in the conversion process took? What time lines are most critical and why?

j. What efforts did you make to retain TENANTS as BUYERS in this project?

k. If you could do it over again, what would you do differently and why?

6. If you were to seek out a new project, NOW, what kind of building (location, size of project, cost, etc.) would you be looking for and why?

____

____

7. What kinds of ownership entities have you been involved with in your condominium conversion projects? (private individual, corporation formed just for this project, series of projects, joint venture, etc.)

____

____

8. What role do you play, if any, in obtaining mortgage commitments for prospective buyers of the units?

____

____

Note: do you purchase a commitment from a lending institution at a set rate? ________

9. At what point in the conversion process do you get hard commitments for future buyers. Why then? What financial terms do you require?

____

____

10. How do you go about contacting future buyers?

____

11. Can you "generalize" as to where final buyers come from, what motivates them to buy into a specific project?

____

12. Do you personally have specific minimum criteria for you to evalute whether you get into a condo conversion proejct? If so, what are they?

____

13. Have you been involved in any conversion that you would term "unsuccessful"? If so, why do you say they were not successful?

____

____

14. Have you ever started out on a project, and then voluntarily "aborted it"? If so, why?

____

15. What would have to happen to make you decide to leave condo conversions and move to other types of development?

____

The final section of the interview is to get your opinions on a series of issues. We have selected a series of statements reflective of attitudes toward condominium conversions and the responsibilities of the developer.

For EACH statement, could you tell me whether you strongly agree, tend to agree --- tend to disagree or strongly disagree? Please add any qualifying statement or explanation of your attitudes if you would like to do so.

Some of the statements represent extreme viewpoints and are stated as extremes to elicit your response.

Statement	Opinion	Reasons/qualifyers
1. Existing tenants in a building should ALL be given rights to purchase their unit, with exclusive rights for at least 60 days		
2. Developers can NOT offer LOWER PRICES to non-tenants for any unit . .		
3. Developers should give warranties for the structural condition of the building, including HVAC (2 yrs) . .		
4. Developers should give warranties for major appliances, workmanship etc. (1 year)		
5. Developers should escrow money to cover warranties, with the Condo Association able to tap this fund under appropriate legal constraints		
6. Tenant associations should be given legal rights to negotiate a full purchase of a building prior to any condo sales		
7. A tight rental market can be defined as under 4% vacancy in a city		
8. Cooperatives make a better investment for low and moderate income households as compared to condominiums		
9. Cooperative conversions can provide greater protection for tenants as compared to condominiums		

statements, continued	Opinion	Reasons/qualifyers
10. Restrictions on condo conversions are preferable to any rent control program		
11. Restrictions on the condo conversion process will escalate the rate at which rents rise in the market area		
12. Control of the condo association should go to new buyers once over 50% of the units are sold		
13. Protection of the BUYER is the most important responsibility of the developer		
14. Requirements to make relocation payments to displaced tenants would have the effect of PROMOTING MORE conversion,rather than less.		
15. Condo conversion has bid up the sale prices of apartment buildings in the last two years.		
16. The State of Minnesota should pass the Uniform Condominium Act		
17. Property management responsibilites are well understood by new buyers . .		
18. I am more interested in converting future buildings in the suburbs, rather than either central city . . .		
19. Cities have an obligation to protect the SIZE of the rental stock for low and moderate income households . . .		
20. Home ownership is a better personal investment today than rental in the Twin Cities market area		

Other issues on which you would like to comment?

WOULD YOU BE WILLING TO SHARE DETAILED INFORMATION ON A SPECIFIC CASE STUDY (not to be identified by name) THAT YOU HAVE BEEN INVOLVED WITH?
WE WOULD LIKE TO FOLLOW THROUGH ON A SMALL NUMBER OF CASE STUDIES IN GREATER DETAIL, BUT WOULD NEED ACCESS TO DOCUMENTS AND PRO FORMAS.
Response: ______________________________

MANY THANKS FOR YOUR COOPERATION. IT IS TRULY APPRECIATED.

APPENDIX B

TELEPHONE SURVEY OF CONDOMINIUM AND COOPERATIVE
BUYERS OF CONVERTED UNITS

Sample Identification No. _____;

Name of Respondent initially called ______________________________

Name of Owner/person interviewed ______________________________

Address ______________________ Unit # ______ Telephone __________ __________
initial call / final interview

____

Dates and Time of Calls:

1st call ____________ ____________; 2nd call ____________ ____________

3rd call ____________ ____________; 4th call ____________ ____________

Hello, may I talk to ________(owner)________ (if that person is no longer at that number only continue interview if the present owner of the unit in question is there.)

I am with the Humphrey Institute at the University of Minnesota.

I am calling in regard to the letter we sent you; do you remember it? (If "NO", then briefly explain).

The interview will take a little of your time; is now convenient? (If "NO", get call back time ____________ and day ________________________).

(If "YES") May we begin?

SURVEY IDENTIFICATION NUMBER 1. ___ ___ ___

First, I would like a little background information.

1. How long have you owned your present home? 4. ___

_____ (put into whole years; less than 6 months = 0)

2. Did you purchase this home from a previous owner or did you buy it new directly from the developer? 5. ___

_____(1) New (from developer/builder)

_____(2) From previous owner

3. Where did you live BEFORE you bought your present home? 6. ___

street	city	state	zip

(CODE LATER)

_____(0) Out of Twin City area

_____(1) Minneapolis

_____(2) St. Paul

_____(3) Suburb North of Minneapolis

_____(4) Suburb South of Minneapolis

_____(5) Suburb West of Minneapolis

_____(6) Suburb North of St. Paul

_____(7) Suburb South of St. Paul

_____(8) Suburb East of St. Paul

_____(9) Don't know--No Response/Refuse

4. Was this: 7. ____

____(1) at home with your family

____(2) a rental unit in same building

____(3) a rental unit elsewhere

____(4) a single family home that you owned - how many bedrooms did this house have? _______ (do not code)

____(5) other ______________________________, describe.

5. Did the number of people who lived with you change when you moved here? 8. ____

____(1) Yes - increased

____(2) Yes - decreased

____(3) No - stayed the same

6. What major improvements were made to your unit just before you moved in? (listen and code first three mentioned) 9. __ __ __

____(0) None

____(1) Don't know

____(2) Total gutting and remodeling

____(3) Painting and decorating only

____(4) New stove, refrigerator, etc.

____(5) Carpeting/flooring

____(6) Other ______________________________, describe

7. What major improvements were made to the building right before you moved in? (listen and code first three mentioned) 12. __ __ __

____(0) None

____(1) Mechanical (furnace, plumbing, air cond., etc.)

____(2) Roof repair or new roof

____(3) Parking lot improvements

____(4) Other ______________________________

____(5) Don't know

8. Why did you originally choose to buy into a condo (or coop?) (listen and code major reason) 15. ____

____(1) ease of maintenance

____(2) lower price than other homes

____(3) investment (build equity and/or tax reasons)

____(4) other ________________________________

9. Why did you pick this building? (listen and code major reason) 16. ____

____(1) location (work, school? what) ____________________

____(2) special characteristics (i.e., security system, charm, pool, etc.)

____(3) particular ease of financing

____(4) other ________________________________

10. How many bedrooms are in your home? 17. ____

____(none/efficiency=0, 1=1, 2=2, 3=3, etc.)

11. What was the approximate price of your home (or shares) at the time of purchase? 18. ___ ___ ___

$____________________(round off to thousands, eg. $64,975=065)
(999 = refuse/no response)

12. Could you break down your present MONTHLY housing costs? (code total) 21. ___ ___ ___ ___

$__ __ __ __: Principal, interest, taxes plus insurance (PITI)

$__ __ __ __: Association or monthly maintenance fees

$__ __ __ __: Average additional monthly utility costs

$__ __ __ __: Any additional costs -- for what? _____

$__ __ __ __: TOTAL/MONTH

Note: 9999 = Don't know/Refusal

13. Did you pay MORE, LESS or the SAME for monthly housing costs where you lived before? (999 = more than $999) (000 = don't know/refusal)

____ MORE...about $________ a month — MORE 25. ___ ___ ___

____ LESS...about $________ a month — LESS 28. ___ ___ ___

____ (1) SAME — (1) SAME 31. ___

14. Who manages the building now? (listen and code) 32. ____

____ (1) an Association or Cooperative

____ (2) the Developer of the building

____ an outside firm (3) chosen by the developer ____ or;
(4) chosen by the home owners/cooperative association ____

____ (5) other ____

____ (9) don't know

15. How satisfied are you with the management services you now get? 33. ____

____ (1) very satisfied (Skip next question)

____ (2) somewhat satisfied

____ (3) somewhat dissatisfied

____ (4) very dissatisfied

16. Could you tell me why you feel this way? (record verbatim)
(remember you are only half-way through, keep them on the subject)

____

____

____

17. Before you bought your home, were you given ALL the information you SHOULD have had about the costs, conditions and responsibilities? (listen and code) 34. ____

____ (0) None ____ (2) Most

____ (1) Little ____ (3) All

18. Would you say that the seller MISLED you? (i.e., promising lower costs, better environment/facilities, etc.) Or would you say they pretty much "told it like it was"? 35. ____

____(1) Misled

____(2) Told it like it was (skip next question)

19. In what ways did you feel misled? (Record verbatim)

____

____

20. How much longer do you think you will own this unit? (listen and code in a category) 36. ____

____(0) less than one year

____(1) 1-2 years

____(2) 3-5 years

____(3) 6-10 years

____(4) More than 10 years, until I die, etc.

____(9) No response

21. If you had to do it over again, would you buy into this home? 37. ____

____(1) Yes: why? ______________________________

____(2) No: why not? ______________________________

22. How well do you know other people in your building? 38. ____

____(0) not at all

____(1) not much

____(2) somewhat

____(3) very well

23. What type of shopping do you do in your local neighborhood? (listen and check all that apply. Code all responses. If more than 3 responses, code: 8)

____(1) Groceries

____(2) Gas

____(3) Bank

____(4) Hardware

____(5) Drug Store

____(6) Other (describe)________________________________

____(7) None

____ TOTAL NUMBER CHECKED 39. ___ ___ ___

24. Would you do more shopping in your neighborhood if there was more variety or a better quality of stores nearby?

____(0) No

____(1) Yes, if more variety 42. ____

____(2) Yes, if better quality

25. How many adults (over 17 years of age) live in your home, including you?

____Males Males 43. ____

____Females Females 44. ____

26. How many children (17 years or younger) live in your home? 45. ____

____(actual number, none=0)
(if none, skip next question)

27. Of these children how many are in grades ONE through TWELVE? 46. ____
____(actual number)

28. And, what is your age? 47. __

__ __ Age
(99 = no response/refusal)

29. Have any of the adults in your household had any post-high school education?
(if yes) How many years for each adult?

Respondant __________ 49. ____

Other Adult__________ 50. ____

Other Adult__________ 51. ____

30. Where do the adults who live in your home work and what is their occupation?

Respondent:__________ (location; __________ (occupation) 52. ____ ____ ____

Other Adult:__________ (location; __________ (occupation) 55. ____ ____ ____

Other Adult:__________ (location; __________ (occupation) 58. ____ ____ ____

LOCATION CODE	OCCUPATION CODE
(1) Downtown Mpls.	(01) Professional/Technical
(2) Elsewhere in Mpls.	(02) Managers/ Administrators
(3) Downtown St. Paul	(03) Sales
(4) Elsewhere in St. Paul	(04) Clerical
(5) Suburb of Mpls.	(05) Craftsmen/Foremen
(6) Suburb of St. Paul	(06) Operatives, Transport, Laborers
(7) Other	(07) Service
(9) No response/refuse	(08) Retired
	(09) Not Applicable

31. What was your TOTAL HOUSEHOLD INCOME in 1979, before taxes?
(round off to nearest $1000)
(greater than $50,000 = 51)
(below $10,000 = 09)
(ask for nearest $5,000 if no initial response)

$__ __, __ __ __ 61. ____ ____

(REFUSAL = 99)

THANK YOU FOR YOUR TIME AND COOPERATION. YOUR HELP IS APPRECIATED. GOODBYE.

Interviewer fill in after interview is complete.

32. Code for number of adults employed. 63. ____

33. Code for current home location (use same options as for question three. 64. ____

34. Code for whether current home location is in the same neighborhood as previous address (see front page vs. question 3). 65. ____
__Yes same neigh. (1), __No different Neigh. (2)
__No response (9)

35. Code for home ownership number. (office use only) 66. ___ ___ ___

APPENDIX C

TWIN CITIES METROPOLITAN AREA HOUSING UNIT
ESTIMATES BY TYPE* JANUARY, 1980

County	Single Family	Town-houses	Multi-family**	Occupied Mobile Homes	Total Units
Anoka	47,639	1,079	10,048	3,865	62,631
Carver	9,387	240	2,057	947	12,631
Dakota	43,957	3,730	16,155	3,241	67,083
Hennepin	223,798	7,727	145,427	1,350	378,302
Mpls.	76,138	1,108	89,408	0	166,654
Ramsey	99,677	2,360	74,915	2,643	179,595
St. Paul	56,419	103	56,698	8	113,228
Scott	11,571	196	1,879	786	14,432
Washington	29,460	1,313	5,034	1,357	37,164
TOTALS	465,489	16,645	255,515	14,189	751,838

*Includes existing housing stock plus building permits

**Multifamily units include all structures with two or more dwelling units, except for recorded townhouse developments (attached units sharing a common party wall).

Source: Twin Cities Metropolitan Council, Information Bulletin, 1980.

APPENDIX D

DEVELOPER ATTITUDES TOWARD PUBLIC POLICY
STATEMENTS - A TABULATION OF ANSWERS TO QUESTION
15 OF THE DEVELOPER SURVEY ARRANGED BY DEVELOPER TYPE

	Type A Developers*				
Statement #	Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree	No Response
1	3	4	1	0	0
2	5	1	1	1	0
3	0	2	2	4	0
4	5	1	0	2	0
5	1	3	2	2	0
6	1	2	0	5	0
7	0	3	2	2	1
8	0	1	2	5	0
9	0	2	1	5	0
10	2	4	2	0	0
11	1	4	1	2	0
12	3	1	3	1	0
13	0	0	4	3	1
14	0	3	3	2	0
15	3	1	1	3	0
16	3	3	0	0	2
17	0	1	4	3	0
18	0	0	3	5	0
19	2	1	3	1	1
20	5	2	1	0	0

*First time, small developments, HOP IV

State- ment #	Type B Developers* Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree	No Response
1	5	2	1	0	0
2	6	0	1	1	0
3	3	4	1	0	0
4	7	0	0	1	0
5	0	2	4	2	0
6	1	1	1	4	1
7	2	4	0	1	1
8	0	1	2	3	2
9	0	0	4	1	3
10	2	2	0	1	3
11	1	3	3	1	0
12	4	0	3	0	1
13	0	3	4	1	0
14	0	1	5	2	0
15	4	3	0	0	1
16	2	2	1	0	3
17	0	5	2	1	0
18	0	0	0	8	0
19	6	0	1	1	0
20	6	1	0	0	1

*St. Paul, rehabilitation, historic

State-ment #	Type C Developers* Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree	No Response
1	7	4	0	0	0
2	5	4	0	2	0
3	3	3	2	3	0
4	4	2	2	3	0
5	0	2	4	5	0
6	0	2	4	5	0
7	1	2	4	3	1
8	0	0	5	6	0
9	0	0	3	8	0
10	0	2	1	1	7
11	2	5	2	2	0
12	1	2	6	2	1
13	2	6	2	0	0
14	0	0	3	7	1
15	3	6	0	2	0
16	2	7	0	1	1
17	0	3	6	2	0
18	0	2	3	6	0
19	1	2	3	5	0
20	3	1	1	2	4

*Experienced, larger developments

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