

## **Minneapolis Affordable Housing Coalition Background on the Condominium Conversion Issue**

Since 2000, **2,803** *known units* of rental housing have been converted to condos, which is approximately 3.5% of the total rental housing stock in Minneapolis. (Total number of rental units in Minneapolis is 81,000 according to 2000 Census.)

In 2004, 1,064 known rental units in Minneapolis were converted to condos. In 2005, 1,237 known units have been converted. This activity has changed neighborhoods in Minneapolis by decreasing both the amount of affordable rental housing and the economic diversity of these neighborhoods by pushing out low income residents.

Our Coalition has identified **four main areas** in which condo conversions cause significant problems. Below is a summary of each. Please contact our Coalition for more details.

### Loss of Affordable Rental Housing

Minneapolis' Unified Housing Policy (2004) states that the City's policy is to create more units affordable at 30-50% MMI than the number of affordable units that are demolished.

However, this policy has been undermined. In 2004, the City funded 214 affordable rental units according to CPED. A study by Housing Link found that in that same year, 402 rental units that were formerly affordable had been taken off of the market through condo conversions. **Thus, condo conversions have offset the city's investment by -188 units. The cost to replace these units according to CPED: \$197,000/unit or \$37 million total.**

### Problems with Tenant Protections

Developers are required to follow an explicit state law and city ordinance that provide tenants with rights during a condo conversion. **Developers do not always follow these existing laws and there is no penalty for failure to comply.** In our survey of condo conversions in 2004 and 2005, **only about half of the developers actually gave the required notice to the city.**

### Needed Condo Buyer Protections

Recent changes to the truth-in-housing inspections mandate that prospective condo buyers are put on notice of the condition of the building's infrastructure components; however, **the buyer of the unit is still ultimately responsible for all needed repairs even though they are but one owner in the entire building.** Furthermore, association fees are not always calculated accurately, which may lead to additional unanticipated housing costs to the buyer.

### Affect on Neighborhoods/Communities

Through conversions, lower income residents are being forced out of their neighborhoods, resulting in the loss of economic diversity. Changes should be made so as to prevent the concentration of high and low income neighborhoods and preserve this diversity.

Please visit our Coalition's website for further details: [www.hppinc.org/condos.htm](http://www.hppinc.org/condos.htm)

**PROPOSED CHANGES TO CHAPTER 250  
CONDOMINIUM CONVERSIONS**

<b>CONCEPT</b>	<b>EXPLANATION</b>	<b>OTHER CITIES</b>
<b>Affordable Housing Protections</b>	<p>Propose a new provision that is meant to address the loss of affordable housing:</p> <p>If a building is affordable prior to conversion (40% of 50% of MMI), then require a certain percentage of buy in from existing residents before conversion is allowed or a contribution to the Affordable Housing Trust Fund.</p>	<p>Berkeley, CA (trust fund) Burlington, VT (trust fund) New York (buy-in)</p>
<b>Require City Approval of Conversion</b>	<p>Propose a new provision so that there is a City approval process, including permits and a review of the notice to residents before it is delivered to them.</p>	<p>Seattle, WA Village of River Forest, IL Manhattan Beach, CA</p>
<b>New Notice Requirements</b>	<p>Require additional information in the notice about each unit and the projected purchase price of the unit, as well as commitments to provide relocation assistance and make all repairs.</p>	
<b>Relocation Benefits</b>	<p>Propose relocation benefits for residents = three months rent.</p>	<p>Seattle, WA Los Angeles, CA San Diego, CA Folsom, CA Manhattan Beach, CA Connecticut D.C. (amount varies in each)</p>
<b>Burden on Developer to Make Repairs</b>	<p>Propose that the developer is responsible for all required and suggested repairs identified during the truth-in-housing inspections.</p>	<p>Seattle, WA</p>
<b>Warrant Repairs With an Escrow Fund</b>	<p>Require the developer to set up an escrow fund and warrant repairs for one year.</p>	<p>Seattle, WA (modeled after) Manhattan Beach, CA</p>
<b>Create Penalties for Violations of the Ordinance</b>	<p>Create civil and criminal penalties for a failure to comply with any of the Chapter’s provisions.</p>	<p>Seattle, WA (civil &amp; criminal penalties) Burlington, VT (civil &amp; criminal penalties) D.C. (civil penalty)</p>