The Millennial Dilemma

Greg Lindsay
Director of Applied Research, NewCities
The Millennial Dilemma

Greg Lindsay, Director of Applied Research, NewCities

The first edition of the report was published in August 2020.

Please cite this publication as:

You can copy, download, or print this report for your own use, and you can include excerpts from NewCities Foundation publications, databases, and multimedia products in your own documents, presentations blogs, websites, and teaching materials, provided that suitable acknowledgment of the NewCities Foundation as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to contact@newcities.org. Request for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the NewCities Foundation.

Photo credits:
Introduction
Introduction

The Millennial Generation, born between 1981 and 1999, may be the most consequential for North American cities since the Baby Boomers 75 years ago. They are certainly the most misunderstood. For more than a decade, their lifestyle preferences have been perceived as contrarian compared to older cohorts, whether that meant living longer at home, forgoing a driver’s license, electing to purchase “experiences” instead of durable goods, or choosing to live in urban apartments rather than single-family suburban homes.

But even millennials get old. Their eldest members turn 40 years old next year, while more than half of the 75 million-strong cohort has already entered their 30s. In practice, this means they are increasingly pairing off, marrying or co-habitating, and starting families if they choose. With these decisions comes a change in priorities — think daycare, not dive bars — which in turn will have ramifications in the urban realm on a par with their predecessors. Just as the Greatest Generation constructed suburbia and working boomer mothers populated “edge cities,” how and where will millennials choose to live?

This was a complicated question even before the COVID-19 pandemic swept across the world in the spring of 2020, locking down much of the United States and Canada for months and instigating an unprecedented economic contraction. While relatively young people have so far proven resilient to the disease and a vaccine is on the horizon, the economic and cultural reverberations will be felt for years — along with fears of future contagion.

---

The consequences of the post-pandemic sorting for families, cities, employers, and even the planet are profound. Painstaking work by the Harvard economist Raj Chetty and others has demonstrated that how and where one lives has lifelong implications for education and incomes. Having barely survived one generation fleeing cities for the perceived safety of suburbia, are American cities facing another exodus? When the second-largest source of global carbon emissions over the last decade is sport utility vehicles, the perverse consequences of land use and long commutes becomes apparent.

Millennials will not remake America entirely in their image, but their cumulative decisions will steer it in new directions. “When two- or three- or four percent of Americans do something, it moves the market,” says Adam Ducker, senior managing director of RCLCO Real Estate Advisors. With unemployment rates swinging from historic lows to near-historic highs overnight, that shift might prove even larger.

So, as they reach middle-age, will millennials choose to stay in cities, or will they go? Or are they already on their way out the door?

To answer these questions, NewCities is proud to present the “Millennial Dilemma,” a short primer on the demographic, financial, and housing challenges facing millennial households — especially those with growing families. Aimed at public officials, housing advocates, real estate professionals, and entrepreneurs, it summarizes current trends, explodes myths about lifestyle preferences, and explores opportunities for policymakers to address severe deficits in housing, childcare, and transportation — or for the market to provide private alternatives.

The first section examines the demographic composition of millennials, their unique financial pressures as a result of not one, but now two financial crises, and how they are coping with the less-than-optimal choices available to them.

The next explores conventional wisdom about what amenities

---

matter to the cohort — particularly among its coveted highly-educated members.

These are followed by short profiles of five popular millennial destinations: Columbus, Ohio; Dallas–Fort Worth; Denver; Nashville, and Washington D.C. Each metro is grappling with national trends in the context of local politics and policies. What lessons do they offer their peers, and what ad hoc solutions may prove useful to others?

Another section broadly explores new housing typologies and products, services, and amenities being developed in response to these pressures, whether co-living and cohousing, childcare-as-a-service, millennial-marketed homes, and more.

Finally, the report concludes with a broad list of recommendations and suggestions culled from interviews with dozens of public officials, academics, developers, researchers, and others. They were unequivocal in their support for more affordable housing, zoning reform, and other policies designed to reduce financial pressures and increase available choices for everyone. These were important and pressing agenda items even before the pandemic, and they have only grown more urgent as millennials stand on the brink of becoming a lost generation.

So, if analyzing the millennial dilemma tells us where the largest generation in American history was likely to live under the former status quo, the question it raises is: where do they want to go? And how do we help them get there?
The Millennial Dilemma

newcities
Who are the millennials, and do they really differ enough from previous generations to deserve their own metric? Yes. For one thing, the largest generation in U.S. history is also the most ethnically diverse. Calculations by the demographer and Brookings Institution senior fellow William H. Frey estimate minorities comprised 44% of their cohort in 2015, versus 22% of baby boomers in 1980. More than half of all Asian millennials are migrants, along with more than a third of Hispanics.

They also mirror America’s great divergence in terms of attainment and opportunity. More than a third of millennials now in their 30s have college degrees, compared to less than a quarter in their parents’ generation. But after a pair of unprecedented economic shocks roughly a decade apart, they have also experienced slower economic growth since entering adulthood than any other generation in U.S. history. Not only have millennials suffered more in the pandemic — their 11.5% July unemployment rate was higher than both Generation X (8.1%) and boomers (8.8%) — but it had never really recovered from the last recession.

As a result, they are less likely to own homes and more likely to be in poverty than boomers at the same ages. Somewhat related, they are also marrying later (at the median ages of 27 for women and 29 for men in 2015, compared to 20 and 22 in 1950) and fertility rates are at record lows.

---

4 [https://www.brookings.edu/research/millennials/](https://www.brookings.edu/research/millennials/), pg. 6-7
5 [https://www.washingtonpost.com/business/2020/05/27/millennial-recession-covid/](https://www.washingtonpost.com/business/2020/05/27/millennial-recession-covid/)
6 pg. 9
7 pg. 11
8 [https://www.cdc.gov/nchs/nyss/births.htm](https://www.cdc.gov/nchs/nyss/births.htm)
This has profound consequences for Americans’ living arrangements over the next decade. The Joint Center for Housing Studies of Harvard University forecasts household growth of 12.2 million between 2018 and 2028, with middle-age millennials (35–44) comprising 2.9 million.\(^9\) Coupled with falling fertility rates, this means the projected rise in new households with children (1.3 million) will be less than the decline between 2003–2013 (1.6 million) as the millennials themselves grew up and moved out. This means singles and childless couples will dominate household growth for years to come, especially once boomer empty nesters are all taken into account.

So, to answer the question: millennials are more diverse, better educated, and more financially strained than previous generations, and as a result are marrying later and having children later — if at all. They are a very different cohort.

But will they act so different as they drift into middle age? For years, millennials and their changing tastes have been accused of “killing”\(^{10}\) such consumer staples as cereal, mayonnaise, bar soap, and beer. The same is said to be true when it comes to how and where they live. For example:

**Millennials are killing cars.** About a quarter of 16-year-olds had a driver’s license in 2017, compared to nearly half in 1983, according to an analysis by transportation researcher Michael Sivak.\(^{11}\) Although this technically measures the intentions of “Zoomers,” i.e. Generation Z, media outlets have trumpeted “the end of car culture” since at least 2013.\(^{12}\)

**Millennials are killing homeownership.** In addition to homeownership rates 8% below previous generations at this stage in their lives, a growing number of millennials (12.3%) claim they are prepared to “always rent” rather than save for a down payment.\(^{13}\) This dovetails with popular narratives that millennials

---


\(^{11}\) [https://www.wsj.com/articles/driving-the-kids-are-so-over-it-115555732810](https://www.wsj.com/articles/driving-the-kids-are-so-over-it-115555732810)

\(^{12}\) [https://www.nytimes.com/2013/06/30/sunday-review/the-end-of-car-culture.html](https://www.nytimes.com/2013/06/30/sunday-review/the-end-of-car-culture.html)

prefer “access” to ownership and “experiences” to physical possessions.

**Millennials are killing suburbs.** Their preference for dense, walkable neighborhoods was pivotal to the triumph-of-the-city narrative a decade ago, when the cores of large cities briefly grew faster than their outlying suburbs.\(^{14}\) That story has since flipped, with low-density suburbia once again outpacing urban tracts in terms of population growth. But millennials continue to choose cities by a significant margin – they are 21% more likely to live close to city centers than older generations.\(^ {15}\)

One difficulty in trying to predict the migratory patterns of 75 million people is that what is true today may not be true tomorrow — as COVID-19 demonstrates. A series of snapshots does not necessarily indicate their trajectory. Before confidently predicting millennials will be content to rent forever in their urban apartments once their quarantine ends, we should ask whether they’re determined to stay, or resigned to the fact they may never leave?

**Peak Millennials?**

In 2016, demographer and University of Southern California professor Dowell Myers tried his best to explode the urban generation myth.\(^ {16}\) The crux of his argument — millennials weren’t so different than previous generations, but the circumstances of their youth certainly were. “The leading edge took it on the chin during the Great Recession,” he says. “The trailing edge were still in school. But they were both hurt by the cohorts ahead of them.”

The boomers and Xers who survived the foreclosure- and financial crisis intact found themselves stranded. For example, the typical American homeowner in 2019 had spent 13 years in their home, up from eight years in 2010, according to data from Redfin.\(^ {17}\) Tenure rates are even higher

---


\(^{15}\) [https://www.researchgate.net/publication/328524870_Millennial_First-Time_Homebuyers_and_Location_Choice, pg. 7](https://www.researchgate.net/publication/328524870_Millennial_First-Time_Homebuyers_and_Location_Choice, pg. 7)


\(^{17}\) [https://www.redfin.com/blog/homeowners-staying-in-their-homes-longer](https://www.redfin.com/blog/homeowners-staying-in-their-homes-longer)
The Millennial Dilemma

in popular Sun Belt cities such as Dallas (22 years) or Austin (18 years.)
American geographic mobility overall is at its lowest point since the Census Bureau began tracking it in 1947, with less than one-in-ten Americans moving in 2018 and one-in-five of millennials aged 20-to-24.\(^\text{18}\) Fresh evidence suggests history may be repeating. The share of mortgage loans in forbearance soared from 25% on March 1, 2020 to 7.54% less than two months later — a 30-fold increase in a matter of weeks.\(^\text{19}\)

At a time when many twenty-somethings had hoped to rent or purchase affordable homes larger than their studio apartments, Myers argued, they had found their path blocked. Using a bathtub metaphor, he hypothesized that even as younger millennials poured into cities, older members were stymied from leaving by a clogged drain. But this wouldn’t last forever. Eventually, the drain would open, and with their incomes rising and biological clocks ticking, they would “catch up” to homeownership rates comparable to previous generations.

“Our conclusion was that millennials could never catch previous generations, so homeownership would decline substantially,” says Hyojung Lee, an assistant professor at Virginia Tech university and frequent collaborator with Myers. “But the recent data shows they’re actually doing it,” with ownership rates rising swiftly to historical norms. The pandemic may provide another test of this hypothesis if another wave of foreclosures clogs the bathtub again.

What of the other crimes millennials were accused of committing? While it’s true they may be more inclined to rent than own, this may be related to Americans’ $1.5 trillion in student debt — the brunt of which they bear\(^\text{20}\) — which has depressed their cohort’s homeownership rates by 20%, according to Federal Reserve data. Americans also struggle with $1.3 trillion in auto debt, which is increasingly needed to pay for larger,

more expensive vehicles such as SUVs. The average loan for new cars has risen 11% over the last decade to $32,187,\(^{21}\) which helps explain why millennials are opting for smaller, older, less expensive cars or else forgoing them altogether.

In other words, if millennials looked askance at the consumption habits of older generations, it’s not necessarily because they chose to, but because they had little choice.

**The Metro Dilemma**

The consequences at city scale should have been obvious. Personal austerity coupled with soaring home prices in supply-constrained markets appears to have placed ownership permanently out of reach in cities such as New York, San Francisco, and Los Angeles, where saving for a median down payment on a median household income would require 36, 40, and 43 years, respectively,\(^{22}\) or longer than they’ve been alive.

Americans in general and millennials in particular are moving to the sprawling suburbs of Sun Belt metros because that’s where the affordable homes and jobs are. High-cost metros such as New York, LA, San Diego, and Miami are hemorrhaging millennials, according to US Census figures, as are eminently affordable (but lagging) metros such as Pittsburgh, Detroit, and Buffalo.

And that was before another wrinkle of the pandemic — the mandatory, months-long working-from-home arrangements for knowledge workers — made employees and employers alike reconsider the benefits of cloud commuting. At this moment, it’s an open question whether the co-location of home and work will remain inextricably linked (at least for the higher-income, more highly-educated members of the cohort).

As millennials catch-up to the point in their lifecycle predicted by previous generations, will these trends continue, accelerate, or reverse?

Unsurprisingly, the neighborhoods most popular with younger, childless millennials include such hip districts

---


as Denver’s River North Arts District (RiNo) and Dallas’ Uptown — both of which fit the mold of rental apartments with high accessibility scores and amenities such as the latter’s Klyde Warren Park. But the situation flips once families and home purchases enter the equation. Millennials certainly resemble previous generations when it comes to the correlation of marriage, children, and homeownership. In each of the metros studied, the majorities of unmarried renters and married homeowners mirrored each other. This life transition over time (along with the countervailing trend to not marry at all) has drastic consequences for choosing where to live. While renters opt for urban neighborhoods with high amenities, homeowners (especially those with families) overwhelmingly choose affordable ones — although not exclusively!

The picture that emerges is a generation determined to have it all — or at least trying to “satisfice” within their many constraints. The model suggests that rather than pulling up stakes and decamping for the suburban fringe as their parents once did, they are choosing mixed-density “collar” or “halo” neighborhoods\(^{23}\) named for the areas ringing downtowns, and older suburbs closer to the core in terms of both distance and character than the exurbs. What remains to be seen is how the pandemic — and resulting depression — disrupts this trend.

In Dallas, for example, the streetcar suburb of Oak Cliff opposite downtown has become a hot destination for millennial families prizing its three- and four-bedroom detached homes. “For us, it wasn’t about schools or having a yard or any of those traditional decision points; it was purely about housing product,” says Kourtney Garrett, who moved there in search of separate rooms for her school-age children. Ironically enough, she is also CEO of Downtown Dallas Inc. — and her top priority is exploring how to make downtown more accommodating to families. (See “Dallas” below.)

Millennials who ultimately find these places unaffordable as well are flung to the periphery. This explains why the Denver ZIP codes with the

The fastest-growing share of millennials include the exurban tracts of Commerce City, where a patchwork of master-planned communities with names like “Reunion” (which brands its approach as the “New Suburbanism”) appeals to those in search of maximum affordability. “If you want to see a millennial suburb,” says local developer Andrew Ghadimi, “look for where the housing starts are,” on the edge. (See “Denver” below.)

What this report predicts, then, is that the most indebted generation in history will choose to migrate from high-cost (and highly-taxed) coastal and Rust Belt metros to prosperous ones in the South, West, and Southwest. There, they will choose to live as close to urban areas as possible, until (or unless) they choose to own a home and/or marry and start a family, in which case they will struggle to maximize available amenities within the constraints of affordability. And they are likely to do all of this within the next decade.

Which means the real debate isn’t whether millennials will prove to be an urban or suburban generation, but why their actual preference — an affordable, walkable, amenity-rich neighborhood with a relatively short commute — still hasn’t been built. Without them, cities risk squandering a once-in-a-generation opportunity.

Urban, Suburban, or Both?

To be fair, these findings aren’t new. But they have been overlooked — if not studiously ignored — by public officials, landlords and developers, NIMBY homeowners, and others content to let present trends continue.

For instance, the evidence suggests millennials’ dilemma is the inevitable outcome of America’s housing crisis. Former Zillow economist Issi Romem has found that all major American metros display the same pattern — pockets of dense apartment construction near the core (e.g. Denver’s RiNo and Dallas’ Uptown) along with single-family home starts at the edge. In between lies a vast, dormant suburban interior, either guarded fiercely by NIMBYs or else increasingly impoverished by new arrivals displaced from downtowns.

---

Complicating matters further is a precipitous decline in housing starts overall, historically speaking. The 2010s saw construction start on 9.8 million new housing units — the lowest number since the 1960s. California needs an estimated 3.5 million homes by 2025; last year the state issued just 117,892 permits.

If millennials ardently desire affordable, “family-sized” (read: three bedrooms or more) housing in dense urban areas, why isn’t there a market for it? For one, developers are content to profitably build studio, one-, and two-bedroom apartments for singles and childless couples — including boomers downsizing from their McMansions. It’s unclear whether market forces are even capable of producing large-format multifamily housing.

Cities have proven equally sanguine about treating their downtowns as playgrounds for revolving cohorts of young people, rather than complementing a rich palette of nightlife with new schools, for example. Markus Moos, an urban planner and associate professor at the University of Waterloo, has branded this process “youthification.” Rather than reshape the city to accommodate millennial families, they’re expected to leave to make room for the zoomers to follow.

Second, there is also an argument that millennials will have all the urban single-family homes they’ll ever need once the boomers do the one thing they’ve sworn not to: die.

According to Romem’s calculations, roughly nine million homes are set to hit the market from 2017 through 2027 as the boomers pass on, an increase in nearly two million available homes over the previous decade. By 2037, the torrent will have become a flood, with roughly one quarter of all U.S. homes for sale — 21 million — vacated by seniors, an unprecedented glut that theoretically would more than compensate for decades of unbuilt housing. But most of those homes are in the wrong places, as far as the Millennial Dilemma is concerned —

---

26. [https://reason.com/2019/12/23/the-2010s-were-a-terrible-decade-for-housing-construction/](https://reason.com/2019/12/23/the-2010s-were-a-terrible-decade-for-housing-construction/)
in retirement communities across Florida and Arizona, or in the Rust Belt.

And many of those in the right places — such as near the heart of cities like Washington D.C. — are presently occupied by empty nesters, notes Jenny Schuetz, a housing expert and fellow at Brookings. That mismatch in bedrooms won’t be solved anytime soon; once their current owners move- or pass on, their once-affordable homes will instantly command today’s premiums. (See “Washington,” below.)

The current tension between the centripetal forces pulling millennials toward cities — high-paying jobs, short commutes, accessible amenities — and the centrifugal ones drawing them outward (chiefly affordability, but also schools and now fears of contagion) can’t be sustained indefinitely.

Nashville, for example, has seen a recent rise in rents reminiscent of the coastal metros its residents once fled.29 A 2018 transit referendum that would have raised $5.4 billion for light rail, rapid bus lines, a host of walking and biking improvements was defeated at the polls by an unlikely coalition of suburban voters and a downtown African-American community divided over gentrification and displacement. One of its staunchest supporters was the Chamber of Commerce, which argued that taming traffic was necessary to continue attracting both talent and employers like Amazon, which intends to employ 5,000 workers in the HQ2 finalist city.30 (See “Nashville” below.)

Nashville isn’t alone in its tightrope walk between growth and affordability. According to pre-pandemic forecasts by Oxford Economics, 23 metros will create 10,000 or more jobs each year between now and 2035. Orlando, Austin, Atlanta, Minneapolis, and Chicago were set to join Nashville as millennial magnets where affordability is likely to become increasingly constrained. Denver, Washington, Seattle, and Portland weren’t far behind. It’s one thing to identify where and how millennials want to live; we must use that knowledge to build more of it.

Finding the Missing Middles

In housing policy circles, the “missing middle” refers to the kinds of homes millennials (and many others) might afford if they existed in sufficient quantities — townhouses and courtyard apartments with two-, four-, six units or more. They’re large enough for growing families, but still close enough together to enable running errands on foot. It’s the kind of “gentle density” Schuetz, Romem, and others advocate for.

Simply allowing one-in-ten single-family houses to replace itself with two townhomes, for example, would boost the available housing stock in the major metros by nearly a third, according to Romem’s projections. Even in sprawling regions such as Dallas–Fort Worth, this would translate to an additional 200,000 homes by 2040, in a market otherwise projected to build 915,000.

These are the types of homes the Minneapolis City Council had in mind when they eliminated single-family zoning across 70% of the city in 2018, allowing two- and three-unit construction citywide. State legislators in Oregon soon followed suit, and lawmakers in California, Maryland, Utah, and Nebraska have proposed similar bills.

Missing middle housing is a vital tool in cities’ belts, but so are missing middle suburbs and neighborhoods. For more than a decade, the real estate developer and George Washington University professor Christopher Leinberger has championed walkable urban places, or “WalkUPs.” These knots of urban life not only include downtowns (and Uptowns), but also suburban main streets well-served by transit — such as Bethesda and Silver Spring outside Washington — and even custom-built “town centers.” Some, like Easton in Columbus, are upscale outdoor malls sprouting housing. Others, like Hall Park on the outskirts of Dallas in Frisco, Texas, are run-of-the-mill office parks receiving urbane makeovers.

In Washington, as Leinberger will excitedly tell you, the areas with

31 https://missingmiddlehousing.com
32 https://www.brookings.edu/research/gentle-density-can-save-our-neighborhoods/
33 https://www.zillow.com/research/modest-densification-new-homes-25881/)
Walk Scores of 75 or higher (on a scale of 0-100) are growing younger and appreciating faster than the typical suburb. Once again, that’s an opportunity for twentysomething renters and problematic for thirtysomething parents. Perhaps we’ll need to look a little further for where to build the millennial enclaves of the next decade.

Hyojung Lee suggests they explore the inner rings of the vast, dormant suburbs starting several miles from downtown — places that were “dead zones” for young people, as he puts it, for twenty years before they started growing faster again. Taking into account millennials’ demographics, marriage rates, and education, he projects they will grow at a rate twice the national average for the next 15 years. (And perhaps faster, if a pandemic-fueled flight from cities does take shape.) It’s in these places, where the housing is so old it can’t be gentrified or youthified, where we might start to build again.

It won’t be easy. Where millennials want to live is also where NIMBYs (“Not In My Back Yard”) are determined to stop them. There will be battles over density, zoning, school overcrowding, and traffic congestion. But there will also be opportunities for new ways of moving, working, and living, with new businesses, new services, and (hopefully) new local, state, and federal policies to support them. Read on to discover where you might live tomorrow.
Cities
Dallas–Fort Worth

Michael Nazerian sees himself as the antithesis of the stereotypical Texan in a ten-gallon hat, and so is his vision for Dallas. As the thirtysomething CEO of his family’s development firm, he’s overseeing the construction of a $42 million millennial mini-neighborhood on the edge of the Bishop Arts District in Oak Cliff. His plans call for 200 apartments with open courtyards and an obsessively curated mix of restaurants andretails to demonstrate just how patient his capital is.

Oddly for a developer, Nazerian’s lament is that he can’t build anything smaller or more slowly or else the numbers won’t pencil out. “You have to spend the same amount of time reviewing plans for a 20-unit project as I do on a 200-unit one,” he says while sipping a juice at the Instagram-ready Tribal All Day Café across the street from his project. “The market doesn’t incentivize you to try other things,” which is why missing middle housing remains absent.

Seated next to him is Patrick Kennedy, a thirtysomething architect who sits on the board of Dallas Area Rapid Transit (DART). Kennedy has held Bishop Arts aloft as a model for redeveloping Dallas’ streetcar suburbs devastated by white flight and disinvestment. Shrink the streets, expand the sidewalks,

35 https://oakcliff.advocatemag.com/2014/10/board-approves-5-million-bishop-arts-project/
and relocate public services, he recommends. Cultivate a new crop of local, small developers and give them interest-free loans to experiment with. The city will recoup its investment many times over from the increase in property tax revenue, as Bishop Arts has shown.

But as Kennedy knows all too well, this model still has its flaws – the dilapidated home next door to his renovated craftsman is now worth more than what he paid several years ago. Rising prices and an influx of white couples are driving longtime Latino residents to sell homes they bought for $30,000 or so for ten or twenty times that today (if they’re lucky).

His friend and neighbor Kourtny Garrett – the CEO of Downtown Dallas Inc. – moved to nearby Oak Cliff from downtown after being priced out. The city center’s dearth of three- or four-bedroom homes made her family’s departure inevitable – after working with the city government for years to increase the number of schools. “It’s not even an affordability problem, it’s supply!” she says.

Garrett’s since commissioned a study explaining why the numbers for larger apartments won’t pencil out, and potential solutions. “Is there really and truly a gap” between small apartments and single-family homes? she asks. “And if so, how can we create programs to fill it? If we go to the lenders and say, ‘Here’s what the ROI looks like,’ can we convince them to finance it?” It’s in the best interests of her corporate members for the millennials to stay, as shorter commutes equal higher employee retention.

Attracting and keeping young talent is also driving the transformation of Frisco’s Hall Park from suburban offices in a sea of parking to nearly 10 million square feet of mixed-used workspace, hotels, and retail, along with more than 2,000 units of housing. Billionaire owner Craig Hall, best known for developing the downtown Dallas Arts District, says the decision to remake the site into a walkable urban archipelago was ultimately driven by his tenants.

“They wanted a package different than what we originally planned or thought,” Hall admits. But he has

---

since come around. “My strong belief – and we’re betting a lot of money on it – is that walkable urbanism is critical to sustainable development,” he adds. “That said, we have maybe the best of both worlds in Frisco.”

By that, he means the fastest growing suburb in North Texas – ahead of neighboring Plano, Allen, and McKinney – with top-ranked schools. These communities make Dallas–Fort Worth the only metro in the country to have millennial clusters around the core and more than 30 miles from downtown.38

This twin-track, twin-speed model of (re)development is America’s urban future, argues Uptown Dallas resident and Metaprop venture advisor Elie Finegold. “If the transportation is becoming multimodal” – including streetcars and scooters to go with walking and driving – “then cities are becoming multimodal, and you’re seeing different hubs at different densities,” he says. “I have no idea what’s going to happen in 50 years, but I am darn sure that for the next 10, capital is going to be invested where the people are, and that’s density – wherever you can find it.”

38 Youthification across the metropolitan system: Intra-urban residential geographies of young adults in North American metropolitan areas
Washington D.C.

Beltway real estate brokers recently noticed something strange – millennial couples routinely bidding against (and losing to) boomer empty nesters for the same housing. “We no longer have different demographic of buyers looking for different markets and product types,” broker Matt McCormick told *Washingtonian* last year.39 “They’ve all converged and are basically looking for the same thing,” e.g. small homes, townhomes, and apartments in the more walkable enclaves of greater Washington.

Of course, Washington is different from most American cities, with the peculiar dynamics of the District at its core, the Beltway suburbs encircling it, and the original edge cities such as Tysons and Reston beyond. It’s the only metro on the east coast that’s a net draw for millennials even close to the Mason-Dixon line. But one thing it has in common with fellow Southern magnets such as Atlanta or Charlotte is lower-income, mostly African-American residents at serious risk of being gentrified – or rather, youthified – out of the District.

---

into suburban poverty in neighboring Prince George’s County, Maryland. (More on that below.)

Millennials living within the Beltway would appear to be different, too. According to a pair of surveys conducted by the Urban Land Institute’s Washington chapter in 2015 and again in 2018, they have no intention of leaving anytime soon. Three years later, the respondents are older and more likely to have paired off, own homes, drive to work, and have children, but their attitude hasn’t changed – more than half “love D.C. and plan to stay forever,” and the older they are, the more strongly they feel that way.

The ones who would have left in search of a yard and better schools for their children (or future children) have already done so, says M. Leanne Lachman, a real estate consultant and demographer who conducted the surveys. “What both of them showed is that in the case of Washington, where people were concerned they would lose employment, it’s really important to be close to where the jobs are. There are only a handful of cities in the U.S. like that.”

This is the same handful of cities responsible for the majority of job growth over the last decade, a winner-take-all phenomenon emblematized by Washington’s victory in the nationwide competition for Amazon’s HQ2. ULI’s sampling was representative of this narrow slice of knowledge worker – three-quarters of respondents were white, 88% had college degrees, and the median household income for couples was $141,964 in 2017. More than half had no intention of having children in the next three years.

Millennials living outside the Beltway are less sanguine. In suburbs where commutes are longer and access to public transit – especially Metro stations – is scarce, they are more inclined to agree “my commute is killing me.” The obvious solution is to expand transit access deeper in Maryland and Northern Virginia, and Metro is doing just that with the Silver Line extension tentatively scheduled

---

41 Lachman, pg. 8, 11
42 Lachman, pg. 33
for completion in 2020.\textsuperscript{43} Tysons and Reston are reorienting development away from parking lots toward their Metro stops, where Google has stationed several hundred employees around the latter.\textsuperscript{44} The intermediate-term solution may be wider acceptance of remote work policies, which would lessen the strain of long commutes.

The most coveted real estate in greater Washington isn’t in the District, according to Christopher Leinberger’s analysis, but in the walkable suburban downtowns of Bethesda and Silver Spring. With prices rising out of millennials’ reach, developers are racing to build new pockets of urbanism – even if you have to drive to them.

In Fairfax, Virginia just beyond the Beltway, the Mosaic District combines mixed-use retail and restaurants with multi-family apartments... and is surrounded by highways.\textsuperscript{45} Federal Realty took a similar approach in creating Pike & Rose, a town center at the heart of Montgomery County, Maryland’s plan to build a new business district with as many as 20,000 residents.\textsuperscript{46} When finished, only 12.5% of Pike & Rose’s 864 apartments and condos will be reserved as affordable workforce housing in an area where the median income for a family of four was $110,000 in 2017.

To remedy this, lawmakers in both neighboring states are proposing formerly drastic measures. Last year, Virginia House Delegate Ibraheem Samirah proposed legalizing duplexes across the commonwealth.\textsuperscript{47} Meanwhile, in Maryland, House Delegate Vaughn Stewart – who represents Montgomery County – introduced a "Homes for All" package of bills that would lift zoning restrictions on housing and create a fund for publicly owned, permanently...
affordable, Vienna-style social housing.  

The flip side of Washington’s urban boom has been the suburbanization of poverty. The number of suburban residents living in poverty between 2000 and 2015 rose 66%, according to Elizabeth Kneebone, research director for the Terner Center for Housing Innovation at the University of California. That’s above the national average, but still better than other millennial magnets such as Austin, where exurban poverty in unincorporated Travis County soared 129% during the same span. “That’s a hallmark of this trend in the 2000s,” says Kneebone. “We see more pockets of distress emerging there.”

As Stewart sees it, marginalized millennials want to live in the same communities as ULI’s highly-educated, high-income sample – and will need significant policy changes to do it. “For too long, local governments have weaponized zoning codes to block people of color and the working class from high-

opportunity neighborhoods,” Stewart told CityLab in January. Both Stewart and Samirah face steep uphill battles in their state legislatures, but their bills underscore the fact that the walkable, accessible neighborhoods craved by millennials of means are effectively luxury goods rather than staples. How do we make the desirable affordable?

---

49 https://www.brookings.edu/testimonies/the-changing-geography-of-us-poverty/
The River North Art District is an archetypal millennial playground, with more than a dozen craft breweries packed into this once-industrial neighborhood near downtown. A trio of mega-developers are building a 250,000 sq. ft. tech campus-in-waiting near the local train stop, while across the tracks is Zeppelin Station – one of 450 food halls in the U.S. opened in just the last few years.  

The name isn’t a steampunk reference but a nod to the owners, local father-and-son developers Mickey and Kyle Zeppelin. Across the river is the latter’s signature achievement, a mixed-use collection of housing, commercial buildings, and offices named Taxi. A few years ago, he added 50 units of family-friendly apartments – the kind missing in downtown Dallas and elsewhere – and leased them all immediately.

Over drinks at yet another of his projects – a hotel and market known as the Source – Kyle Zeppelin feels more inclined to dwell on the shortcomings of the real estate market, local governments, and developers such as himself. “If all you’re doing is opening a window for a couple of years before they transition to something else, you’re not really solving the market,” he says. And he would know, as many of the units he designed for families have since been subdivided by young millennial roommates.

Zeppelin was inspired by Amsterdam’s 1990s transformation of its eastern docklands into a highly compact neighborhood from scratch. But Denver’s most infamous architectural invention is the “slot house” – rows of townhomes with their entrances facing inward to maximize space within the zoning envelope (and thus profit). For a time, slot houses became the shock troops of youthification, proliferating across RiNo-adjacent neighborhoods such as Highland until they were

---

52 [https://zeppelindevelopment.com](https://zeppelindevelopment.com)
54 [https://cudenvercarta.org/2016/07/13/documenting-change-in-denver/](https://cudenvercarta.org/2016/07/13/documenting-change-in-denver/)
effectively banned by the City Council in 2018.\textsuperscript{55}

Both Taxi and the vast majority of slot homes are rentals, as is most multi-family housing constructed in the last decade. Denver is a case study in the unintended consequences of regulation – in this case laws allowing condominium homeowners associations to sue developers, contractors, and architects for millions of dollars for “construction defects.” The corresponding rise in insurance costs led developers to nearly stop building condos altogether, and despite recent legal reforms, they still comprise only 3% of local housing starts.\textsuperscript{56}

As a result, Denver also displays perhaps the greatest tension between the centripetal tug inward for new arrivals and young renters, and the centrifugal push outward for older millennials who would like to own a home. Those searching for maximum affordability may find themselves driving between instant exurbs on the metro’s northeast periphery, where billboards for competing tracts priced in the “Low $300s” outnumber the street signs. Renters choosing to own here must abandon former routines and commutes done on foot in favor of an utterly car-dependent lifestyle. For them, there is little in between.

An alternative are the suburbs to the west and northwest, such as Westminster, Arvada, and Lakewood. The latter is home to the first and most influential example of transforming a dying mall into a new “town center,” Belmar. Redeveloped twenty years ago, Belmar has since replaced an ocean of asphalt with an urban street grid, upscale amenities, and 2,000 residents.\textsuperscript{57}

It indirectly inspired Westminster to demolish its own dead mall in favor of “Downtown Westminster” – a walkable enclave now under construction. With the “retail apocalypse” already expected to claim a quarter of all American malls

\textsuperscript{57} https://www.cnu.org/publicsquare/2016/06/27/dead-mall-becomes-downtown-sprawling-suburb
by 2022, according to Credit Suisse, suburbs had best move fast to make themselves more attractive and shore up their tax bases before the bottom falls out.

But that doesn’t resolve the dilemma faced by public officials worried about their constituents’ displacement. “What Denver does amazingly is recruit talent,” says Albus Brooks, a former City Council president whose district abutting RiNo is the city’s millennial ground zero, running the gamut demographically from affluent arrivals to minority residents in danger of imminent youthification. “What we do horribly is finding opportunities for our own millennials in this city,” he adds. “Of course, I want my city to be a vibrant and thriving place for a skilled workforce. But I want that workforce to grow up here and not be pushed to the suburbs.”

Among his regrets during his time on the council: not pushing for a higher percentage of affordable housing developed on city-owned land. “I’d also think about not selling and partnering with a developer instead,” he says. Brooks is also in favor of a Minneapolis-style ban on single-family zoning, “but it’s politically untenable in Denver.”

Perhaps not for long. In June 2019, Brooks lost re-election to a 32-year-old policy wonk and community organizer named Candi CdeBaca who ran unabashedly as a socialist. She’s endorsed granting her constituents the “right to build,” which in practice means the power to build housing without obtaining the typical permissions. Desperate times call for more radical measures.

---

58 https://plus.credit-suisse.com/rpc4/ravDocView?docid=V6JtRW2AF-WErMUC
Nashville

Other cities have economic development strategies. Nashville has bachelorette parties. Over the last decade, roaming packs of bridesmaids became an indelible part of the booming city’s image – by far the most visible of its 14 million annual tourists. Some no doubt settle here as the millennial contingent of the city’s roughly 100 daily arrivals.⁶⁰

Nashville has long been hailed as the exemplar of a second-tier city absorbing new residents from overheated coastal metros and continued brain drain from the Rust Belt. Employers, in turn, have followed. Amazon’s half-an-HQ2 may be the biggest trophy, but only after AllianceBernstein moved its headquarters here, along with dozens of other companies. Its unemployment rate dropped to 2.7% in February 2018 – the lowest in the country.⁶¹ Although the situation has changed drastically since, the city remains poised to recover quickly.

Unfortunately, Nashville also runs the risk of becoming emblematic of second-tier cities with first-rate

---

⁶⁰ https://s3.amazonaws.com/nashvillechamber.com/PDFs/VS_2018_LM_FINAL.pdf, pg. 5
⁶¹ https://qz.com/1251382/nashville-tennessee-has-the-uss-lowest-unemployment/
problems. It already exhibits the spiraling housing unaffordability and inequality of its much larger peers. The average cost of a home has increased $75,000 over the last decade, according to the city’s data,\(^{62}\) while Zillow offers the telling stat that the size of the city’s million-dollar homes shrank 28% over the last five years, as affordability for the 1% was redefined in real-time.\(^ {63}\)

As a result, much of the city’s African American population has been uprooted from historic streetcar suburbs such as East Nashville and displaced to the metro’s northern periphery, with their old homes demolished in favor of “tall skinnys” – local slang for two townhomes on a lot.\(^ {64}\) Collar neighborhoods such as Edgehill and Germantown have been gentrified and youthified at lightning speed.

Nashville’s spatial inequality has taken a slightly different dimension from its larger peers due to its size and sprawling character: traffic congestion. One reason walkable neighborhoods close to downtown are so coveted are the increasingly intolerable commutes – a pattern that impacts displaced communities at the fringes the most.

To address this disparity, former mayor Megan Barry and her successor David Briley championed a $5.4 billion transit referendum that would have added 26 miles of light rail, four rapid bus lines and expanded service on current routes, a downtown tunnel, and a host of walking and biking improvements. The Chamber of Commerce threw itself behind the mayor(s), arguing the upgrades were necessary to continue attracting both employers and talent to a city at a risk of gridlock.

On May 1, 2018, the measure was defeated at the polls by an unlikely coalition of suburban voters and a dwindling downtown African-American community afraid of hastening their eventual displacement. Briley was defeated for re-election the following year.

---


by current mayor John Cooper, who argued “you do not need a transportation plan that is fundamentally about benefiting tourism, or people who have not moved here yet,” during one of the mayoral debates.65

“There’s a lot of people who believe if we vote to stop the growth, maybe the growth will stop coming,” says Erin Hafkenschiel, former director of the Nashville Mayor’s Office of Transportation and Sustainability under Barry and Briley.

Nashville’s dilemma – which has as much to do with socio-economic mobility as transportation – is the same faced by millennial metros across America. On Election Day 2016, for instance, Angelenos overwhelmingly voted to raise the sales tax a half-cent to generate more than $120 billion over 40 years for five new Metro lines and other improvements. Besides LA, Charlotte, Phoenix, and Houston have all recently passed financial measures to raise funds for transit – a necessary step to keep up with growth, and a respite for millennials struggling with transportation costs (especially if the alternative is an SUV).

With transit ridership shattered by the virus nationwide, Nashville — along with suburban Atlanta, which rejected yet another extension of Marta66 — is set to be a test case for whether and how smaller metros will accommodate growth if they refuse to densify and continue to sprawl. Will congestion cause downtowns like Nashville’s to seize up altogether? Will remote work flatten the curve of daily commuting? Or will employers learn to love suburban office parks again?


Columbus

Like its southern peers Austin and Nashville, and unlike its in-state neighbors, Columbus is the only city in the Rust Belt to hit the trifecta of a state capital, flagship university, and abundant white-collar jobs. As such, it’s one of the Midwest’s few lures for millennials, along with St. Paul/Minneapolis and Madison. What draws them here, instead of heading west or south? The city’s leadership wasn’t sure, so a few years ago, it convened a millennial focus group to ask.

The results of those sessions, overseen by the Create Columbus Commission (CCC)\(^\text{67}\) charged with nurturing the city’s “young professionals,” included many aspirational statements and several useful insights. One suggested creating “startup zones” with relaxed zoning and building codes to lower the costs of entry for small businesses.\(^\text{68}\)

Another recommendation called for bolstering active and public transportation in the city’s urban areas, including subsidizing alternatives to owning vehicles. Perhaps it was no coincidence that in 2016, Columbus beat 77 other cities to win the U.S. Department of Transportation Smart City Challenge, with a prize of $40 million and another $10 million from Paul Allen’s Vulcan, Inc.\(^\text{69}\)

While the work continues on “Smart Columbus,” local institutions are exploring how to put these millennial-friendly ideas into practice. In May 2019, the city and its partners (including the Central Ohio Transit Authority and local chapter of the Urban Land Institute) published a “Corridor Concepts” plan to funnel future growth downtown and along five spines stretching deep into the suburbs.\(^\text{70}\) Reflecting millennial priorities, the concepts call for “compact, walkable, mixed use development,” with more than half of all new housing in multi-family apartments, and nearly tripling the share of jobs accessible by transit by 2050.

\(^\text{67}\) http://createcolumbus
\(^\text{68}\) “Create Columbus Community Experience Project, Phase I: Research, 2016-2017,” pgs. 45-46.
\(^\text{69}\) https://www.columbus.gov/smartcity/
“I think planners and urban economists should look at the costs of mobility and housing as one lump sum,” says Yaromir Steiner, CEO of Steiner + Associates and chair of ULI Columbus. “You have to make a choice. You can live downtown and walk to the office, or you can live in the suburbs and drive. I think we’re going to see more and more of the former as transit options improve.”

Steiner is best known locally for Easton Town Center — one of the earliest and most successful examples of the quasi-urban shopping mall format currently in the midst of a $500 million expansion that will add its first homes and its own bike-sharing scheme.71 As in Dallas and elsewhere, those homes will be aimed at singles, childless couples, and empty nesters. But Steiner can see a time — and a real estate product — for middle-aged millennials resigned to renting.

“It’s a category we don’t have — we’re seeing it on the horizon,” Steiner says. “A stripped-down, simple apartment with three bedrooms and two-and-a-half baths — maybe 1,800 square feet. Instead of saving for a down payment, they can live happily ever after here on a five- to 10-year lease. I’m dreaming of the thing I haven’t had the guts to do yet.”

Although it is still too soon to tell, Steiner’s dream may sink below the horizon if there are successive waves of coronavirus — or if the United States grimly accepts 3,000 deaths per day as the cost of doing business. In which case, the detached single-family home with a yard — much like oversized SUVs — once again becomes the default for families with young children seeking maximal space, “just to be safe.”

Dallas–Fort Worth (Texas)

Dallas is the only metro in America with millennial clusters around the core and more than 30 miles from downtown. The map depicts both gentrifying collar neighborhoods such as Oak Cliff and Deep Ellum, as well as wealthy suburbs like Frisco and McKinney.

### Housing Price Index

- **0 - 101**
- **101 - 125**
- **125 - 151**
- **151 - 175**
- **175 - 3000**

**Units:** Index 2000=100  
**Not Seasonally Adjusted  
Frequency:** Annual

**Source:** HPI ZIP5 Map | Federal Housing Finance Agency, 2018.

### Millennial Population

- **0 - 7000**
- **7000 - 14000**
- **14000 - 21000**
- **21000 - 28000**
- **28000 - 36000**

**Source:** US Census, 2019.
Denver (Colorado)

Denver’s map, scaled to encompass much of the Front Range, demonstrates the metro’s centripetal tug of jobs and amenities pulling millennials to rental apartments in the city center, and the centrifugal forces of cheap land and housing start propelling them to homeownership on the periphery.
Market Responses
Market Responses

Where some lament millennials “killing” the trappings of the American middle class – whether due to changing preferences or being caught in a financial vise – entrepreneurs see opportunity. Landlords, banks, homebuilders, automakers, retailers, startups, and more are all vying to disrupt the lifestyle boomers took for granted – a home, a car, steady employment, childcare, and so forth. The list below is by no means comprehensive, but offers a brief survey of the new industries and business models being brought to bear on millennial pain points, which have only grown more acute.

Resurrecting the Starter Home

Once as endangered as a sensible sedan in an SUV world, the starter home has staged a comeback a decade after the housing crash. Millennials comprise 37% of homebuyers – the largest share by generation – but sales of new single-family homes and townhomes priced less than $299,000 lagged behind at 30% in 2017 and 2018. That gap finally began to close last year.72

America’s largest homebuilder, D.R. Horton, began offering its Express line of homes in 2014, promising “the new home of your dreams at a price you can afford.” The second-largest builder, Lennar, bills its Next Gen model as “the home within the home” – the layout features self-contained living quarters for multigenerational occupiers (or a listing on Airbnb).73

Still others have speculated on the future of millennial living. In 2016, Tri Pointe Group’s Pardee Homes of Las Vegas convened a brain trust of architects, researchers, and marketers to create “responsive

72 https://www.usatoday.com/story/money/2020/01/10/buying-home-millennials-may-now-able-afford-new-house/2850016001/
73 https://www.lennar.com/ProductsAndServices/NextGen#Explore%20Next%20Gen%20Living
homes,” a pair of showhouses exhibiting open floor plans, indoor/outdoor living spaces, and solar panels standard. Although never taken to production, they remain indicative of homebuilders’ perception of millennial buyers.

Remote Work as a Solution for Commuting

One point of differentiation between millennials and prior generations is their relative intolerance for driving. In a 2018 survey by the insurance analytics firm Arity, a majority (59%) of millennials said they would “rather spend time doing more productive tasks than driving” and about a third said the amount of time they spend in cars is “very frustrating.”

This is especially problematic given the concentration of technology and other high-paying jobs in urban districts, rather than following the rooftops as edge city employers did a generation ago. “And that means as the city gets larger, your drive from the center to the edge gets longer and longer,” says Issi Romem. Coronavirus may have given them another option.

Although telecommuting rates had hardly budged from around 4% historically before the pandemic, working from home instantly became the new normal for millions of white collar workers under lockdown. With a return to open-plan offices being unlikely anytime soon, corporate executives are suddenly wondering whether they need all of that real estate anyway.

“We’ve proven we can operate with no footprint,” the CEO of Morgan Stanley, James Gorman, said in April. “Can I see a future where part of every week, certainly part of every month, a lot of our employees will be at home? Absolutely.”

While many workers were quick to embrace this sentiment in one form or another, this may prove to be a devil’s bargain, requiring employees to cover the costs themselves through home offices (offset somewhat by tax deductions). In one scenario, employers might

74 https://urbanland.uli.org/planning-design/responsive-home-will-turn-millennials-homeowners/
75 https://www.arity.com/move/patient-change-gonna-come/
pass some of the real estate savings along as stipends, making larger-footprint homes even more affordable and attractive.

In another scenario, the binary of working-from-home/working-from-the-office is complemented by a third option, locally shared workspaces. Coworking and flexible workspaces, which for all intents and purposes didn’t exist a decade ago, are projected to account for 13% of total U.S. office supply by 2030. Made famous by WeWork, shared workspaces have proven to be a more effective option for hosting remote workers than telecommuting. In Plano, Texas, for instance, WeWork operates two different offices at Legacy Town Center, offering a walkable urban alternative to the nearby campuses of Toyota, Chase, J.C. Penney, and PepsiCo.

Competing chains such as Serendipity Labs are expressly pursuing coworkers in the suburbs of Dallas, Denver, Washington, and Columbus, among others. This may prove to be a good bet if the urban concentration of jobs is suddenly reversed due to the pandemic.

Research by the University of North Carolina’s Emil Malizia suggests small, high-growth firms make little distinction between urban or suburban locales. Instead, they prefer “vibrant places” possessing density and compactness, a diversity of land uses, walkability, and accessibility to transit, among other criteria. When mapped against Greater Washington D.C., for example, they are just as likely to prefer working from dense nodes along Metro corridors in Maryland and Virginia as they are in the District. Shared workspaces may prove to be the solution for millennials looking to live – and work – in the suburbs.

Co-living, Cohousing, and Childcare-as-a-Service

Back in the happier times of 2015, WeWork announced WeLive, following the logical progression from coworking to “co-living.” Just as its members had traded desks for couches and socializing after-hours, prospective tenants were offered tiny furnished, serviced apartments at a discount with the promise of a community, not just neighbors.
WeLive has since fizzled, but co-living is thriving for all the reasons one might expect – trading space for savings in the midst of a housing crisis makes too much sense for single- and/or childless millennials at the younger end of the cohort. Competitors such as Common, Ollie, and Starcity collectively had an estimated 3,000 beds in 2019, with that number poised to triple given announced projects in the pipeline.\(^\text{80}\)

Common, for example, offers a shared suite in Chicago for $975 a month or a studio in Brooklyn for around $2,150, compared to the median rents in those cities of $1,893 and $2,695 per month, respectively. It claims a 98% occupancy rate across its properties in six metros – including New York, San Francisco, and Seattle – and has raised $63 million in venture capital to date.\(^\text{81}\)

Those aren’t the only resources at its disposal. In March 2019, Common signed a $100 million deal with Proper Development to build seven new properties with 600 beds in the next several years.\(^\text{82}\) A week later, it signed an even more audacious deal with Tishman Speyer to launch Kin – branded apartments explicitly designed for young families, with playrooms, child-friendly two- and three-bedroom layouts, and a social network for connecting available nannies with parents. Call it “childcare-as-a-service.”\(^\text{83}\)

Although currently only available in a single building in Queens, Kin points to several new directions for urban multifamily living. One is the recombination of co-living with the particular needs of different demographics, whether parents or senior living.\(^\text{84}\) Another is the advent of a specific real estate product type aimed squarely at urban families – the downtown missing middle in Dallas and other cities. And third is the potentially disruptive economics of effectively subsidizing rents through other services. We’re

---

\(^\text{83}\) A play on “software-as-a-service” in technology circles and “space-as-a-service” in real estate.
not trying to sell it as a premium, or undercut the market, either," says Brad Hargreaves, founder and CEO of Common. "Where the savings come from is facilitating shared childcare."

Kin’s model has two great limitations for growing families. One is that apartments are only intended for children under the age of seven, Hargreaves says, meaning they’re merely stopgaps before seeking larger accommodations. Second is the equity model problematic to co-living as a whole – residents technically aren’t tenants but "members," with none of the legal protections guaranteed to the former. This makes it impossible for developers and residents alike to develop a rent-to-own model for co-living.

"Nobody has cracked the ownership model yet," says Hargreaves. "We’ve thought about creating a co-living co-op at one point, in which people bought a brownstone by the bedroom. The issue is two-fold. One, it’s unclear legally how that would work. Also, who’s lending the money? You’re not creating a lower rung on the ownership ladder unless you can take out a mortgage. You’d need a group of people on a mortgage together, which is too complex in practice."

Or maybe not. Collectively designed- and-financed homes known as “cohousing” offer an alternative to corporate co-living. In Berlin, multifamily apartments dubbed baugruppen ("building groups") pool the finances of participants to commission and build entire buildings. Working in tandem with their architects, the owners dictate the layout of private homes and public amenities, saving on development costs due to their freedom from turning a profit. That, in turn, opens the door to alternative finance streams such as credit unions or even crowdfunding in addition to traditional mortgages.

Although they represent only the tiniest fractions of the overall housing market, both co-living and cohousing are indicative of the creativity being applied to financing, building, and provisioning new ways of living.

---

The Companies That Want You to Rent Forever

A decade ago, the founder of Invitation Homes began a private equity-backed buying spree of roughly 30,000 "distressed" suburban homes across the country, eventually spending more than $10 billion to acquire, refurbish, lease, and manage them as rentals. The company reports the typical tenant is approaching 40-years-old with a child or two, and a household income of roughly $100,000. In other words, Invitation Homes bought the houses that would have otherwise belonged to millennials.

While USC’s Dowell Myers and others wait for them to catch up to historical rates of homeownership, institutional investors have been busy. Invitation and its competitors, since joined by mom-and-pops, purchased 11.3% of homes for sale in 2018 — a rate even higher than the frenzy after the crash. As a result, about 19% of U.S. households with six-figure incomes rented in 2019, up from about 12% in 2006. This translates to roughly 3.4 million new renters who might have been homeowners if it weren’t for the crash — and the unaffordability crisis that followed.

Nor is the conversion of single family homes into rentals about to abate any time soon. The key to Invitation Homes’ unprecedented rollup of standalone properties was the development of software capable of sifting through millions of deals, managing concurrent bids on thousands of properties, and coordinating with contractors and property managers in dozens of cities. As the real estate consultant Dror Poleg notes, “technology made it possible to turn single-family housing into an institutional asset class.” And that was just the beginning.

Airbnb, iBuyers, and One-Click Housing

In August 2018, residents of the Olmsted apartments in the bachelorette-thronged SoBro

89 https://www.wsj.com/articles/so-you-make-100-000-it-still-might-not-be-enough-to-buy-a-home-11571149819?mod=article_inline
90 Rethinking Real Estate, pg. 157
district of Nashville were stunned to discover their neighbors would soon be strangers. Without warning, the building’s owner was rebranding it as “Niido Powered by Airbnb” – the second of what it promised would be more than a dozen properties in which tenants would not only be allowed but encouraged to host their apartments on Airbnb. A calculator on Niido’s homepage helpfully demonstrates what’s in it for them – with a monthly rent of $2,066 for a one-bedroom, a week on Airbnb would defray the costs by 46.2%. (The landlord, meanwhile, keeps 25% on top of that.)

Niido is just one example of how Airbnb – transformed potentially every home near the center of popular tourist destinations like Nashville into revenue-generating property pre-COVID. (Its sister brand Natiivo takes this a step further with Airbnb condo hotels in Miami and Austin.) Although AirBnB and its hosts have been rocked by the recession, this logic, combined with the tools developed by Blackstone and others, has led to an unprecedented degree of liquidity in the housing market (for those who can afford a down payment). And that, in turn, has inspired a number of startups to make millennials an offer they can’t refuse.

Unison, for instance, is a startup offering homebuyers a “co-investment” rather than a loan. It contributes up to 15% of an applicant’s down payment, and profits from appreciation in the home’s value instead of interest. In other words, it offers financing otherwise unavailable to cash-strapped millennials, extending a lifeline in the short run in order to capture gains in the long run.

Perhaps the most influential of these startups is Opendoor, which aims to do for individual home purchases and sales what Invitation Homes did for rentals. Would-be sellers visiting the site enter their address, complete

---

92 https://www.niido.com/live-here/nashville
93 https://www.curbed.com/2019/7/2/20679910/airbnb-hotel-miami-austin-natiivo-niido
95 https://www.unison.com/how_it_works_homebuyer#hb-total-cost-calculator
a questionnaire, and receive a cash offer within 24 hours. If the seller accepts, the company sends a representative to verify its condition, and the owners can move out within days. For homebuyers, the process is reversed – renovated homes are posted on its site, available to visit at all hours, and move-in ready. No brokers, open houses, or closings required.\(^\text{96}\)

Opendoor was merely the first so-called “iBuyer;” Redfin and Zillow have both since added instant offer buttons to their sites. But it’s done the most to turn homes into semi-liquid assets, even partnering with Lennar to create a trade-in program for upscaling or downsizing homes.\(^\text{97}\)

iBuyers are still only a fraction of a fraction of the overall housing market, but they – like Unison, Niido, and ordinary homeowners turning to Airbnb – are harbingers of a millennial housing market with more choices (and arguably fewer options) than ever before. As they evolve and grow, we can expect the challenges that Airbnb has posed to policymakers – how it exacerbated the housing crisis in dense cities, and how they should regulate it – to metastasize.

### Homes in the Cloud

Just as a number of startups are jockeying to unbundle homes financially, another breed aims to do the same to the house itself. Makespace, for example, is a startup bringing the cloud storage model of Dropbox bear on closets. For a flat fee starting at $69 per month, its movers remove and return items from storage as needed, with each object visible via app. Currently available in four cities (New York, Los Angeles, Chicago, and Washington, D.C), the company has raised $103 million and partnered with enterprise storage giant Iron Mountain to tap millions of its available square feet. Although still tiny relative to the $38 billion self-storage industry, one can imagine how at scale it might erode the need for large homes and make smaller urban footprints more appealing.\(^\text{98}\)

Bumblebee Spaces has taken this a step further with its home robotics systems designed to hide storage,\(^\text{98}\)

\(^{96}\) Rethinking Real Estate, pg. 159

\(^{97}\) [https://www.opendoor.com/w/builder/lennar](https://www.opendoor.com/w/builder/lennar)

\(^{98}\) [https://venturebeat.com/2019/03/20/makespace-raises-30-million-to-pick-up-and-stow-your-stuff/](https://venturebeat.com/2019/03/20/makespace-raises-30-million-to-pick-up-and-stow-your-stuff/)
closets, and even beds inside the ceilings of home – a cloud of stuff literally above your head, cataloged by an app.\(^99\) Ori Living offers a competing home transformer system in 13 cities across the U.S. – including apartments in Columbus, Bethesda, and the suburbs of New Rochelle and Harrison, NJ outside New York\(^100\) – with backing from Sidewalk Labs and IKEA, the latter of which will begin selling its systems in Hong Kong and Japan this year.\(^101\)

In June 2019, IKEA unveiled its own vision of a millennial-friendly neighborhood in the form of “The Urban Village Project” – a modular approach to retrofitting city blocks with affordable wooden homes, shared amenities such as daycare and transportation, its own internal social network, and even the option of buying “shares” in local projects in lieu of paying rent.\(^102\) Given the size and scope of IKEA’s supply chain and financial heft, it could begin developing these villages practically overnight, but has not announced any plans to do so.

While these are speculative ventures, together they hint at how technology and services might cause the physical layout and composition of homes to evolve – and to lessen the tradeoffs growing families will need to make between private space and public amenities.

**Building the Post–Car Suburb**

The Segway is a punchline – a sight gag associated with mall cops and tourists – but twenty years ago, no less than Jeff Bezos and Steve Jobs predicted we would one day build cities around them. They may have the last laugh.\(^103\)

The Segway directly evolved into the scooters deployed by billion-dollar startups Bird and Lime, not to mention competitors Hop, Skip, and Jump.\(^104\) For a generation that intensely dislikes driving (but is often forced to do it anyway), scooters and a whole raft of other

\(^99\) [https://www.bumblebeespaces.com](https://www.bumblebeespaces.com)
\(^100\) [https://oriliving.com/locations](https://oriliving.com/locations)
\(^102\) [https://space10.com/project/urban-village-project/](https://space10.com/project/urban-village-project/)
\(^103\) [http://content.time.com/time/business/article/0,8599,186660,00.html](http://content.time.com/time/business/article/0,8599,186660,00.html)
\(^104\) The latter technically uses e-bikes, but still.
mobility innovations – ride-hailing, e-bikes, autonomous shuttles – offer a legitimate alternative to the automobile. Which means there’s an opportunity for an alternative to the typical suburb.

Late last year, a startup named Culdesac announced plans for a first-of-its-kind development that will explicitly ban cars from the site. Located in Tempe, Arizona – a Phoenix suburb and home to Arizona State University – the $140 million, 1,000-person rental community will devote space to millennial catnip like a food hall and parks instead of parking.105

Although pitched as revolutionary, a car-free development next to a stop on Phoenix’ light-rail system in a city where the median age is under 30 makes perfect financial sense. Building parking is expensive, and usually that cost is passed along to tenants. Seattle’s Sightline Institute estimates that city’s tenants pay $246 each month to subsidize residential parking – whether they own a car or not.106 Striking that line item is one way to build housing for young millennial budgets.

Developers and mobility companies alike are catching on. In May 2016, Uber announced a partnership with the owners of Parkmerced — an 8,900-unit master-planned development on the edge of San Francisco — to supply car-free residents with a $100 monthly transportation stipend, $30 of which must be spent with Uber. Given the state of the city’s housing market, Parkmerced’s owners were understandably eager to minimize parking in favor of maximizing developable land.

Lyft, meanwhile, has challenged residents of Chicago and other cities to live car-free for a month, giving them $550 in credits for bike-sharing and ride-hailing services along with public transit.107 Both companies are pivoting from car-centric models to “mobility-as-a-service,” testing monthly subscriptions and other packages which landlords might extend to tenants in lieu of parking.

The scooter company Spin, for

106 https://www.sightline.org/research_item/who-pays-for-parking/
example, has struck a deal with Chicago-based Magnolia Capital to install its “Spin Hubs” at apartment buildings in Chicago, Los Angeles, and Portland as part of its plans to deploy nearly 1,000 such stations nationwide.  

From Dead Malls to “Metroburbs”

Few thought Ralph Zuckerman was getting a good deal when his Somerset Properties bought the former Bell Labs in Holmdel, New Jersey for $27 million in 2013. While the Eero Saarinen–designed icon was mammoth – 2 million square feet set on hundreds of acres – it had been empty for years. Zuckerman promptly began remaking the secluded campus into what he calls a “metrourb” – installing shops and cafes around the ground floors of the atrium, attracting local startups and small businesses, and even winning approvals to eventually replace some of the 4,000 parking spaces with 550 townhomes and apartments. Today, the rebranded Bell Works is nearly 100% leased.

“People wake up one day and say, ‘I want to work in Manhattan, Philadelphia, Chicago,’” says Zuckerman. “I’ve never heard anyone say they want to work in a suburban office park. And yet we get a constant stream of people saying, ‘I want to work in this building.’ Why? People want urban cool and convenience – they don’t care where.”

The metrourb is his formula for bringing urbanity to the suburbs (i.e. “hipsturbia”) – both to give local millennials an alternative to punishingly long commutes, and to assist municipalities struggling with the fallout of a sprawling growth model that has left states like New Jersey littered with dead malls and empty offices. According to a 2016 report from Plan Smart NJ, the state has more than 300 commercial “stranded assets” totaling seven Bell Works’ worth of space.

Sprawl repair and retrofitting suburbia has been at the top of urbanists’ to-do lists for years, with relatively few successes. That has
begun to change for many of the reasons outlined above – changes in mobility, the desire for walkability, the vibrancy of mixed-use typologies – that has fueled the rise of town centers across the Sun Belt, from Belmar and Downtown Westminster in Denver to Legacy Town Center and Hall Park in Dallas to Easton in Columbus to Pike & Rose and Mosaic in greater Washington.

The pandemic’s aftermath may only reinforce this trend, providing recent suburban arrivals seeking safety or affordability with a semblance of the urban centers they left behind. And it may prove easier for developers to provide an evolving mix of housing products of various densities around revamped commercial centers such as Bell Works.

Cities willing to relax zoning restrictions, expand available uses, and invest in infrastructure such as extending walkable street grids through the sites of former malls such as Belmar will find a warm reception from millennials searching for even a smidgen of their old neighborhood’s character. And more metroburbs will follow.
It is impossible to predict where millennials will choose to live as they enter middle age, because the type of neighborhoods they would prefer by and large do not exist, or are so scant they command prices placing them out of reach. What follows are a list of recommendations at the local, state, and federal levels culled from research, interviews with experts, pending legislation, and proposals by current and former U.S. presidential candidates.

The most pressing recommendations are unsurprisingly concerned with housing — how to quickly and cheaply produce more of it, protect and enhance the rights of renters, and regulate corporate landlords targeting middle class millennial families. To this end, eliminating both single-family zoning and parking minimums to address the "missing middle" is also key. Other pain points include transit, childcare, schools, student debt, parks, and financing. (Notably absent from this list: COVID-19. Given how quickly and fluidly the post-pandemic response is evolving, any recommendations risk being instantly outdated.)

Once again, this list is by no means comprehensive, but is meant to highlight critical areas for intervention and suggested policy responses.

Expand and Protect Housing Supply

Millennials’ crisis is a housing crisis. At both the metro- and neighborhood levels, they are moving to places with abundant jobs and affordable housing; metros with only one or the other have been unable to convince them to come (or stay). While one can debate whether America’s cultural obsession with homeownership is ultimately counterproductive, millennials face lower rates of wealth accumulation as a result, fueling intergenerational and geographic inequality. In 1990, the thirtysomething cohort of boomers owned a third of America’s
The Millennial Dilemma  

Policy Recommendations

real estate by value; today’s millennials own just 4%.\(^{11}\)

They are also more rent-burdened than previous generations, spending 45% of their income on rent in their twenties.\(^{12}\) Exacerbating the situation is the rise of corporate investors such as Invitation Homes, which have been charged by tenants with shoddy maintenance, increasing fees, and than-average eviction rates.\(^{13}\)

Policies designed to promote affordable housing on the metropolitan periphery typically fail to take transportation and other costs into account. Nearly half of technically affordable housing residents in remote locations spend 15% or more of their household incomes on commuting.\(^{14}\) By some measures (accounting for local median incomes), sprawling metros such as Dallas-Fort Worth and Houston are less affordable than New York City.\(^{15}\)

American metros must quickly expand (and protect) their supply of affordable housing — not just for millennials, but all residents. In addition to expanding existing tax credits and other such tools for aiding lower income residents, municipal-, state-, and the federal government should promote new- and non-traditional arrangements as well. These include, but are not limited to:

**Upzoning job – and transit-rich areas.** The obvious (but not simple) solution is to build new housing where millennials want to be. This is the aim of ambitious state measures such as California’s SB-50, which would have upzoned residential areas across broad swaths of the state and especially along transit routes around transit centers.\(^{16}\) Existing tools such as California’s “density bonus” program or Los Angeles’ Transit Oriented Communities program

^{14}\) [https://www.tandfonline.com/doi/abs/10.1080/10511482.2015.1123753](https://www.tandfonline.com/doi/abs/10.1080/10511482.2015.1123753)  
^{15}\) [https://cbcny.org/research/rent-and-ride](https://cbcny.org/research/rent-and-ride)  
also offer tools for promoting affordable housing near transit.\textsuperscript{117} (More on this below.)

**Fast-track cohousing and co-living arrangements.** In addition to conventional housing types — whether single-family homes or rental apartments — new models such as co-living and cohousing offer more flexible alternatives tailored to millennial lifestyles. Cities and regulators should seek to work with both co-living managers and cohousing co-ops to fast-track permitting and non-residential building conversions, promote equity investment (i.e. “co-live to own”) and enable prudent non-traditional financing approaches.

**Increase public investment and re-invigorate social housing.** The leftward turn by the progressive wing of the Democratic Party has led to renewed enthusiasm for updated models of social- and public housing. Whether pitched under the rubric of “Homes for All” or the “Green New Deal for Public Housing,”\textsuperscript{118} policy proposals by Senators Elizabeth Warren and Bernie Sanders, along with Representatives Alexandria Ocasio-Cortez and Ilhan Omar, would spend literally trillions of dollars on retrofitting and building millions of units of public housing. At the state level, Maryland’s proposed Social Housing Act of 2020 seeks to do the same at smaller scale, funded by real-estate transfer taxes and other fees. While the appetite for renewed investment in government owned-and-administered housing remains unclear — former Vice-President Joe Biden would prefer to make Section 8 housing vouchers an entitlement instead — it may be a serious option depending on the outcome of the 2020 presidential election and subsequent efforts to inject stimulus into the U.S. economy.

**Expand tenant protections.** The centerpiece of Sanders’ housing platform during his presidential run was a proposal to cap annual rent increases at either 3 percent or 1.5 times the consumer price index (whichever is higher). A handful of states, including California\textsuperscript{119}

\textsuperscript{117} https://planning.lacity.org/plans-policies/transit-oriented-communities-incentive-program
\textsuperscript{118} https://www.dataforprogress.org/green-new-deal-public-housing
\textsuperscript{119}
and New York, have instituted rent control measures; Sanders would have done so nationwide. Rent control has proven popular in progressive circles and unpopular among housing economists, who argue it discourages new construction and fuels gentrification. Advocates, in turn, point to a plunge in evictions since the passage of New York’s law. Warren’s presidential housing proposals included the creation of a Tenant Protection Bureau within the Department of Housing and Urban Development (HUD) to field complaints about discriminatory practices, and would have punished corporate landlords and their private equity owners by denying federal funds to “end the pipeline of foreclosed homes from Federal agencies to private equity firms.”

Promote accessory dwelling units, micro-units, and co-living for seniors. Rather than build homes for millennials, an oblique solution is to provide new housing for aging boomers instead, accelerating generational handover and increasing the supply of single-family homes for redevelopment in urban areas. An example is ADUs — small homes, typically less than 1,000 square feet, built on homeowners’ property. Theoretically, they could allow empty nesters to age in place — literally in their back yards — while their millennial children raise a family in the main house. Estimated to create as many as 10,000 new homes a year, ADUs are a drop in the bucket of California’s housing needs, but are another tool ripe for broader adoption.

Co-living potentially offers another tool, hybridizing traditional senior care with more contemporary models of managed living.

120 https://berniesanders.com/issues/housing-all/
121 https://www.brookings.edu/research/what-does-economic-evidence-tell-us-about-the-effects-of-rent-control/
123 https://elizabethwarren.com/plans/protecting-empowering-renters
Legalize Multi-Family Zoning

It’s difficult, if not impossible, to expand housing supply for millennials when 75% of the residential land in American cities is zoned solely for single-family homes. But finding the “missing middle” would go a long way toward alleviating cities’ housing shortages — to reprise Romem’s calculations, simply replacing one-in-ten single-family homes with two townhomes would increase the available housing stock within major metros by nearly a third. At the high end of the scale, allowing every single-family lot to accommodate a fourplex of townhomes or apartments would increase projected housing production in Dallas by a factor of six.

Last year, Minneapolis became the first city to legalize multi-family zoning citywide, allowing construction of two- or three-family buildings by right in all residential neighborhoods across the city. Although Portland, Oregon has since followed suit, the reality is that small-scale multi-family homes are vanishing in many American cities. In Chicago, for instance, the number of “two-flat” apartments fell by 13.5% between 2000 and 2017, a net loss of more than 27,000 housing units. The culprits? Conversion to single-family homes in affluent areas, and demolition in lower-income ones.

To rectify these problems, cities should:

**Eliminate single-family zoning and allow multi-family construction by right.** The question isn’t whether to do it; it’s about how much and providing adequate protections against eviction and speculation. Minneapolis, Portland, and proposals in California, Virginia, and elsewhere allow multi-family to varying degrees — no one is proposing high rises on every block. Given millennials’ propensity to purchase older single-family homes in cities and the inner rings of suburbs where housing starts have mostly stopped, cities could start by introducing “gentle” increases in density by

---

encouraging redevelopment of poorly maintained older homes on large lots into two- to six-unit apartments or townhomes.\textsuperscript{129}

\textbf{Mandate inclusionary zoning in overheated housing markets.}

This perhaps-necessary-but-insufficient tool requires developers to provide affordable housing units as part of any new project. A number of cities, such as New York and New Orleans, have made the practice mandatory, with mixed results. While inclusionary zoning shifts the financial onus onto private actors and increases the supply of technically affordable units, it also discourages development overall. (A criticism it shares with rent control.)\textsuperscript{130}

\textbf{Use federal housing and transportation grants to incentivize density.}

Both the Warren and Sanders housing plans contained provisions that would coerce local governments into zoning reform by offering or withholding money from federal housing and transportation funds. Warren would have offered a proverbial carrot in the form of a $10 billion competitive grant program communities could use on infrastructure, roads, parks, or schools. Sanders would have employed a stick by making current funds contingent on reform. Biden’s housing proposal borrows elements of both, requiring states receiving block grants to develop strategies for inclusionary zoning while also providing $300 million in technical assistance and planning support.\textsuperscript{131} (Housing experts are skeptical that affluent suburban municipalities are reliant enough on these funds to comply.)\textsuperscript{132}

\textbf{Eliminate Parking Minimums}

Before it became the first city to ban single-family zoning, Minneapolis joined a growing list of cities including Hartford, Buffalo, and later San Francisco to eliminate minimum parking requirements. The legal obligation to provide a space regardless of whether a tenant owns

\textsuperscript{129} https://www.brookings.edu/research/gentle-density-can-save-our-neighborhoods/
\textsuperscript{130} https://www.citylab.com/equity/2018/07/citylab-university-inclusionary-zoning/565181/
\textsuperscript{131} https://joebiden.com/housing/
\textsuperscript{132} https://www.curbed.com/2019/7/22/20699372/yimby-cory-booker-elizabeth-warren-election-2020
a car adds an estimated $20,000-$50,000 in construction costs to an apartment in San Francisco, according to the city’s planning department. Those costs are invariably passed along to tenants, leading to higher rents.

Eliminating parking minimums removes the perverse incentive to own a vehicle (which then in turn perversely incentivizes residents to consider a more car-friendly suburban lifestyle) and lowers rents. As an alternative to an outright ban, Seattle passed a series of reforms in 2018 decoupling rents and parking in the city’s densest “urban villages.” Developers aren’t required to build off-street parking in newly expanded areas with frequent transit service, and they’re allowed to rent spaces to owners who don’t live or work in a specific building, rationalizing the market.

Rep. Ocasio-Cortez has made parking reform a plank of her own housing proposal, introduced in September 2019. Under her “Place to Prosper Act,” any jurisdiction banning car-free homes by requiring on-site parking would be forbidden from receiving a share of $43 billion in annual federal highway spending. Coupled with legalizing multi-family zoning and expanding housing supply, these reforms would help millennials find the housing they want without being forced to choose between artificially expensive urban and artificially affordable suburban lifestyles. They would reduce displacement of lower-income millennials from neighborhoods near jobs and transit, and jumpstart construction in previously dormant areas with relatively easy access to amenities. And they would do at a time when early indications point to at least a temporary resolve to rely more heavily on private vehicles in the pandemic’s wake, potentially bolstering resistance the longer cities wait.

In the longer term, the elimination of parking will free up nearly inconceivable amounts of land for redevelopment. Los Angeles, for example, has an estimated 100 square miles devoted to parking. Cities should begin planning how best to repurpose municipal-owned lots for green space and affordable housing.

133 https://sf-planning.org/what-problem-parking
Reinvest in Public Transit

As noted above and elsewhere in this report, driving-dependent neighborhoods and lifestyles carry deceptively high costs for those who can afford them and constrained opportunities and incomes for those who can’t. The illusory affordability of owning a single-family home on the urban periphery is undermined by rising vehicle prices, long-term automotive debt, and the variable costs of fuel. On the flip side, the typical resident of an American city can reach only about 30% of jobs via transit in less than 90 minutes.\textsuperscript{135} Compared to prior generations, millennials — especially highly-educated, high-earning millennials — have a noted aversion to long commutes and a greater propensity for taking public transport, partly due to the fact that they are more likely to rent in transit-rich areas.\textsuperscript{136}

That was before COVID-19. Nationwide lockdowns caused daily ridership to plunge 80-95% in large cities, with consumer sentiment surveys suggesting anywhere from 20% to 50% may not return any time soon.\textsuperscript{137} Making things worse, the resulting depression will hammer municipal and state budgets, which as of this writing had yet to receive meaningful financial relief from Congress. While a $25 billion federal bailout helped initially, most U.S. transit systems have fallen into a deep financial hole from which they may never recover.

Rather than abandon them to austerity, it is imperative for cities to rethink and re-invest in transit to bolster gains in density from increased multi-family zoning, provide relief to millennials with outsize financial burdens from vehicle ownership, and stave off a future move to auto-friendly suburban communities or another metro altogether.

In recent years, Los Angeles, Seattle, Phoenix, and Houston have all passed voter referendums raising billions of dollars over decades for transportation improvements ranging from five new metro lines in LA to light rail expansions in

\textsuperscript{135} https://www.brookings.edu/research/missed-opportunity-transit-and-jobs-in-metropolitan-america/
\textsuperscript{136} https://www.sciencedirect.com/science/article/pii/S0264275118312010?via%3Dihub
Seattle and Phoenix, to bus rapid transit corridors, protected cycling lanes, and more. (Nashville’s 2018 referendum is the notable failure.) Before going to the polls in future elections, cities should first:

**Redesign transit systems to better connect residents to jobs.** Despite the importance of transit to millennials, transit ridership in America has declined precipitously since its peak in 2014. Much of this decline is due to the well-publicized troubles of the New York City subway and Washington Metro. But other millennial magnets including Seattle and Minneapolis have posted gains during that time thanks to reliable, frequent service. Other cities should examine their existing systems and route structures and determine whether they accurately reflect how and where millennials work. Recent bus network redesigns in Columbus and Houston have boosted ridership, and Los Angeles is preparing to do the same. As LADOT general manager Seleta Reynolds noted in January, Angelenos can currently reach 12 times as many jobs in an hour by car than by bus. “If you can’t afford a car or you don’t drive, you don’t get economic mobility.”

**Partner with transit-friendly modes and services to expand first/last mile connectivity.** From an individual standpoint, transit will always be at a disadvantage to privately-owned vehicles due to the latter’s point-to-point connectivity. Hence the hunt for new modes and services that can plug the so-called first/last mile gap and make transit more attractive to riders who might otherwise drive. For a time, it was hoped ride-hailing services such as Uber and Lyft might play that role, but it now appears those hopes were in vain. More recently, the appearance of “micromobility” services such as shared electric bikes and scooters have transport officials feeling optimistic again. Last year, Pittsburgh created a public/private consortium named the Micromobility Collective to

---

138 https://twitter.com/laura_nelson/status/1220439484967333889?s=20
139 https://www.thedrive.com/tech/29728/has-public-transit-finally-found-its-first-mile-last-mile-partner-in-micromobility
Policy Recommendations

Create “mobility hubs” near transit stations around the city.\textsuperscript{140} New partnership models mean new opportunities to provide cost- and time-effective alternatives to private vehicles.

**Explore making transit free.**

Perhaps the fastest way to boost ridership and reduce the financial strain on millennials would be to make public transport free — as nearly a hundred cities around the world have seen, most notably the capital of Estonia.\textsuperscript{141} In December, Kansas City voted to become the first city in the U.S. to follow suit, at an estimated cost of $9 million annually, which represents foregone fares.\textsuperscript{142}

While debates rage over free transit’s effectiveness — it does little to reduce vehicular traffic, and has mixed results in aiding marginalized residents — it opens the door to further exploring reduced fares and other tools to attract and keep riders who might otherwise turn to cars.

Provide Universal Child Care

Millennial parents differ from previous generations in their increasing reliance on child care outside the home. The necessity of a two-income household coupled with the accelerating tempo of work and a decrease in hourly flexibility means many young families are dependent on child care arrangements lasting ten hours a day or more. This translates to an average cost of care of more than $20,000 annually for an infant in Massachusetts, or $13,761 in California. That, in turn, translates to 17.2% of household income in the former state and 15.9% in the latter — well above the 7% threshold officially considered burdensome.\textsuperscript{143}

America’s high child care costs constrain socio-economic and geographic mobility. Millennial parents relying on extended family for help are unable to move to new opportunities — or perhaps even elsewhere in the same metro. In surveys, it is the number one reason why they choose to have smaller

\begin{itemize}
  \item \textsuperscript{140} https://www.citylab.com/transportation/2019/10/pittsburgh-micromobility-collective-waze-spin-swiftmile-zipcar/599779/
  \item \textsuperscript{141} https://www.nytimes.com/2020/01/14/us/free-public-transit.html
  \item \textsuperscript{142} https://www.citylab.com/transportation/2019/12/free-transit-how-much-cost-kansas-city-bus-streetcar-fare/603397/
  \item \textsuperscript{143} https://www.childcareaware.org/wp-content/uploads/2017/12/2017_CCA_High_Cost_Report_FINAL.pdf
\end{itemize}
families—or choose not to have children at all.\footnote{https://www.nytimes.com/2018/07/05/upshot/americans-are-having-fewer-babies-they-told-us-why.html}

As with everything else, the pandemic has only exacerbated this crisis. Without federal support, half the country’s child care supply—4.5 million slots—is at risk of closing permanently, according to an analysis by the Center for American Progress.\footnote{https://www.americanprogress.org/issues/early-childhood/news/2020/04/24/483817/coronavirus-pandemic-lead-permanent-loss-nearly-4-5-million-child-care-slots/} To that end, a pair of bills in Congress would earmark $50 billion in the next round of stimulus to support child care providers, but they are just a short-term measure, assuming such legislation ever passes.\footnote{https://www.nytimes.com/2020/05/27/upshot/virus-childcare-bailout-democrats.html?action=click&module=Spotlight&pgtype=Homepage}

The longterm solution: universal child care for infants and toddlers, just as the United States provides free public education. Senator Elizabeth Warren made just such a plan the centerpiece of her presidential campaign, providing federal grants to states, cities, schools, nonprofits, and other partners to “create a network of child care options that would be available to every family,” with families’ contributions capped at 7% of their incomes. (The Warren administration would have paid for it with a tax on the wealthiest Americans.\footnote{https://medium.com/@teamwarren/my-plan-for-universal-child-care-762535e6c20a})

Alternatives include the Child Care For Working Families bill, introduced in 2019 by Senator Patty Murray and Representative Bobby Scott, which would also cap child care contributions at 7% of household income for families earning less than 150 percent of their state’s median income.\footnote{https://www.help.senate.gov/imo/media/doc/CCFWFA%20Fact%20Sheet%2016th%20Congress%20FINAL.pdf} There is also the Universal Child Development Credit proposed by the Robins Foundation’s Elliot Haspel, which would provide a $15,000 cash voucher to every family to spend at their discretion.\footnote{https://qz.com/1770935/a-15000-universal-credit-could-solve-americas-childcare-crisis} And last year the People’s Policy Project, a progressive think tank, published the “Family Fun Pack,” a combination of paid parental leave, free child care,
The Millennial Dilemma  Policy Recommendations

free pre-K, free health insurance for everyone under the age of 26, and more — proposals that have more in common with the Canadian or Western European social safety nets than current U.S. policy.160

As with several of the social housing proposals above and student debt relief below, all of these visions rely on a Democratic-controlled Congress — and likely Democratic president — to have any chance of being realized.

Provide Student Debt Relief

While we’re on the subject of relieving millennials’ financial burdens, they are unique among generations in holding the majority of an unprecedented $1.6 trillion in student debt owed by roughly 45 million Americans — an average of $34,000 per borrower. More than two million have defaulted on their loans in the last six years alone.151 This crushing debt load influences millennials’ decisions in almost every major sphere — from which job to take, to when to get married and start a family, to the ability to purchase a home. Perhaps unsurprisingly, researchers have even found a direct correlation between levels of student debt and the likelihood of moving back in with their parents.162

Nearly all of that debt is held by the U.S. federal government — the result of policies going back to the 1960s designed to expand access to higher education. That “experiment with debt-financed education went terribly wrong,” Warren declared in January. “Instead of getting ahead, millions of student loan borrowers are barely treading water.”163 First out of the gate among presidential candidates with a student debt forgiveness plan, she further pledged to use her executive authority to cancel up to $50,000 in debt for 95% of student loan borrowers.

While Warren’s plan was criticized on philosophical grounds for moral hazard (why punish the families of college graduates who either paid up front or have since repaid their loans?), the economic advantages are clear. A November 2019 analysis by Moody’s Investor Service

150 https://www.peoplespolicyproject.org/projects/family-fun-pack/
153 https://elizabethwarren.com/plans/student-loan-debt-day-one
The Millennial Dilemma  Policy Recommendations

concluded student debt cancellation would add between $86 billion and $108 billion a year to GDP over a decade.

“Over the longer term, debt forgiveness could lead to an improvement in small business and household formation, as well as increased homeownership,” William Foster, the firm’s senior credit analyst, wrote.154

The National Association of Realtors concurs with the potential increase in homeownership, citing its own surveys showing millennials are deferring purchases by five to seven years due to student debt. “Home sales could be, say, 300,000 higher annually if people were not saddled with large student debt,” its chief economist Lawrence Yun, told NPR. It would be “a boost to the housing sector as well as the economy.”155

Reimagine Parks as Urban Infrastructure

Dallas’ Klyde Warren Park, opened in 2012, has been heralded by the Dallas Morning News as “the most significant urban achievement of the last decade.”156 Built at a cost of $112 million to cover the Woodall Rodgers Freeway, it has not only connected millennial-friendly downtown and Uptown, but arguably become the center of the city. “The [central business district] is effectively now a half-mile radius around the park,” says DART board member Patrick Kennedy.

Cities around the world are investing in a new generation of parks reclaimed from railways, highways, and other pieces of marginalized infrastructure. New York City’s High Line may be the most Instagrammable example, but Klyde Warren and Atlanta’s BeltLine are better models. The latter plans to convert a 22-mile loop of former rail lines into a greenbelt with transit options and 5,600 units of permanently affordable housing along its route (although only a fraction has been built).157 Atlanta is also exploring parks over highways,

Policy Recommendations

The Millennial Dilemma

a la Klyde Warren,¹⁵⁸ and opening schools’ green space to the public outside of school hours,¹⁵⁹ all in an effort to make the city more amenable to families who might otherwise decamp to the suburbs.

“In order for millennials to mature in place, cities and developers should be investing in green spaces that are more than just aesthetics — that are there for activity areas,” says Elie Finegold, Metaprop venture advisor and Dallas Uptown resident. Cities should take a page from Atlanta — and Dallas, which is inching toward building a massive new park along the Trinity River between downtown and Oak Cliff — and invest in a new generation of green spaces that double both as “urban living rooms” with ample space for social distancing (e.g. Klyde Warren) and the armature for future developments and improvements.

Assist and Promote Urban Schools

There may be no phrase in American parenting discourse more loaded than the desire for “good schools” — an amenity of overweening importance with undertones of white flight and racism, reflected through the prism of test scores and the percentage of students receiving free and reduced-price meals. Unpacking quality education from the toxic narratives surrounding it is a project that has already taken decades, with mixed (at best) results. But with the bulk of millennials on the cusp of having school-aged children, they represent a once-in-a-generation opportunity. “If you can convince them to stay in cities and send their kids to local schools, what could we have? School integration,” says Deirdre Pfieffer, an associate professor at Arizona State University and co-editor of The Millennial City.

But how? Many of the experts interviewed for this report expressed a hope bordering on naiveté that millennial parents will roll up their sleeves and “fix” urban public schools themselves. In cities with school systems as segregated and unequal as New York’s, this most commonly translates to P.T.A.s that act more like Super PACs. For example, the P.T.A. for Brooklyn’s P.S. 29 in gentrified Cobble Hill raised more than $1.7 million, or

¹⁵⁹ https://nextcity.org/daily/entry/atlantas-schoolyards-to-become-after-hours-green-space
more than $1,800 per student, in the last school year. At the opposite end of the spectrum, P.S. 6X in the Bronx raised just $5,793.82, or less than $11 per student. (The New York Times editorial board has called upon the city to follow Portland’s lead and reallocate at least some of the funds.)

Reforming U.S. education funding is beyond the scope of this paper, but it may not be necessary. Urban school performance has steadily improved – a 2016 study by the Urban Institute found that while all public-school students made gains over the previous decade, the gain for those in large cities was double the national average, closing the overall gap between them and their suburban counterparts by roughly a third. But perceptions lag behind (to say nothing of desegregation, a chicken-and-the-egg problem for white parents silently concerned about sending their children to majority-minority schools). How best to remedy this, at least?

Pepperdine University’s Kfir Mordechay suggests public schools actively court what he calls “gentrifier families” through local advertising, social media, school tours, and open houses. They should invite prospective parents to community workshops and forums to co-create new programs such as full-day childcare and extracurricular programs. And they might also consider outreach to local realtors, keeping them abreast of new developments and enlisting them as allies, as the Pasadena Unified School District has done.

Championing urban public education through word-of-mouth may be necessary but insufficient. But before we can expect millennial parents to invest the time and effort in improving their children’s schools, a good first step would be convincing them that the pursuit of “good schools” will not inevitably lead them to the suburbs.

---

161 https://www.urban.org/research/publication/making-grade-americas-cities-assessing-student-achievement-urban-districts
162 https://epaa.asu.edu/ojs/article/viewFile/3659/2108
Conclusion
Conclusion

At the risk of making a sweeping generalization near the end of a report that is, by necessity, filled with them, millennials have proven themselves to be a resilient generation, struggling to make the best choices for themselves and their families within the constraints forced upon them. In the wake of COVID-19, they are being tested like never before.

The Millennial Dilemma aims to decipher these choices so that readers of this report — public officials, policymakers, private actors, and millennials themselves — might imagine a different America, one more responsive to their needs. It’s up to all of us to build it.
Austin (Texas)

Austin’s largest millennial magnet is San Marcos, the seat of neighboring Hayes County — one of the fastest-growing in the country last decade. It’s also rapidly becoming one of the most unaffordable, where a 2017 report found that residents would have to spend more than half their monthly income on average to rent or own a three-bedroom home there.


Houston (Texas)

Houston’s largest concentration of millennials is on the city’s west side in walkable neighborhoods such as Addicks and Eldridge–West Oaks. The sprawling metro’s outer districts and inner suburbs offer a ring of relative affordability to families.
Los Angeles (California)

California’s housing crisis means Los Angeles has one of the highest outflows of millennials of any metro in the country. Those who stay are more likely to live in the neighborhoods of south and east LA — or far-flung exurbs such as Palmdale — than well-publicized playgrounds like Downtown.


New York (New York State)

While Brooklyn is millennial ground zero in America’s mind’s eye, they are more likely to live in Queens. First-generation immigrant enclaves in Elmhurst and Corona were among those hardest-hit by Coronavirus. At the opposite end of the socio-economic spectrum, Manhattan’s Financial District has been settled almost exclusively by millennials with means.

San Francisco (California)

Despite its extreme housing costs, the Bay Area remains a draw for millennials in technology — but for how much longer in the post-COVID remote work era? Once again, they are alternately drawn to rent in fast-gentrifying neighborhoods such as the Mission, or else decamp to the East Bay and beyond (e.g. Antioch).


The Millennial Dilemma Mapping

The Housing Price Index (HPI) is a weighted aggregate of the PND and PED. The weights represent the annual total value of purchase prices of newly built dwellings and existing dwellings. The weight is calculated by summing up the selling prices of all dwellings sold in a year. Each year new weights are calculated by price index for newly built dwellings (PND) and price index for existing dwellings (PED) (Statistics Netherlands, CBS, 2018).

“HPI for Five-Digit ZIP Codes (All-Transactions Index) Experimental Indexes Showing Cumulative (Nominal) Annual Appreciation”

These annual ZIP5 indexes should be considered developmental. As with the standard FHFA HPIs, revisions to these indexes may reflect the impact of new data or technical adjustments. Indexes are calibrated using appraisal values and sales prices for mortgages bought or guaranteed by Fannie Mae and Freddie Mac (HPI ZIP5 Map | Federal Housing Finance Agency, 2018).

References

Ffhagov. 2018. HPI ZIP5 Map | Federal Housing Finance Agency. Method Description and data.


About NewCities

NewCities is a global nonprofit committed to shaping a better urban future, headquartered in Canada.

We have a decade’s experience curating and producing innovative content about the most important emerging urban trends. We do this through our events, our knowledge-sharing platforms, and actionable research.

NewCities brings a ‘whole-city’ approach – we convene and connect the key stakeholders of the urban ecosystem: the residents, governments, academic institutions, civil society organizations, and business communities of a city.

Our activities are inspired and supported by our global network of members, whose insights help us determine the most pressing topics in cities.

www.newcities.org

About Geodesign Hub

Geodesign Hub is software for collaborative geodesign. It enables teams to create and share concepts, to design collaboratively, and to receive change-assessments instantly – all in a highly synergetic, efficient and easy to use environment. It is especially effective in the early stages of a complex study or project, when many alternatives must be rapidly created & considered.

www.geodesignhub.com
The Millennial Dilemma