

City of Fargo Housing Study

Prepared for the City of Fargo
and the Fargo Housing Authority

September 2015

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Executive Summary

Overview

Community Partners Research, Inc., was hired by the City of Fargo and the Fargo Housing Authority to take a comprehensive look and growth and housing issues in the City. The Fargo Housing Study 2015 represents research completed between January and July in 2015.

Various demographic and data sources have been utilized. While information has been examined for the entire Fargo-Moorhead Metropolitan Statistical Area (MSA), the primary focus of the project is to look at housing related issues within the City of Fargo.

This Housing Study has been divided into multiple sections, related to specific topics or segments of the local housing market. Findings and recommendations have then been made, primarily addressing rental and ownership housing issues. A short summary of the specific findings and recommendations is contained at the end of this Executive Summary, but readers are encouraged to consult the more detailed Findings and Recommendations section contained in this document.

The Study has been organized into the following sections:

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Key Demographic Findings

- ▶ **Population Growth Trends** - Fargo and the MSA have a long history of strong growth. The best available information points to accelerated numeric growth over the last five years. Based on estimates from multiple sources, the City has averaged more than 2,500 additional residents per year after 2010. If accurate, the annual incremental growth since 2010 is more than 1,000 people per year greater than the annual average achieved between 2000 and 2010.
- ▶ **Household Growth Trends** - The best current estimates point to the City adding an average of approximately 1,240 households per year from 2010 to 2015. From 2000 to 2010, the City averaged just over 750 households per year, so recent growth has been occurring at a significantly greater numeric level than in the past.
- ▶ **Fargo is the Primary Location for Recent Growth** - The estimates obtained from Esri show growth also occurring in the remainder of the MSA, but more than 57% of the population growth and nearly 60% of the household growth since 2010 is attributed to the net increases within the City of Fargo. The Census Bureau shows nearly 53% of the recent net population growth within Fargo.
- ▶ **Fargo Continues to Attract Younger Residents** - Age-based estimates show that more than 64% of Fargo's population growth since 2010 was due to an increase in people age 44 and younger. The prime baby boomer age ranges between 55 and 74 represented more than 32% of the net gain. Other age groups, including senior citizens age 75 and older, showed very limited population change over the past five years.
- ▶ **Most Fargo Households Continue to Rent** - Over time, the rate of renter-occupancy has continued to grow higher. Between 2000 and 2010, Fargo added nearly 4,600 renter-occupancy households, but fewer than 3,000 owner-occupancy households. While official tenure estimates after 2010 are not available, the distribution of new housing constructed in Fargo over the past five years would indicate that the rate of renter-occupancy has continued to increase.

Key Projections Findings

- ▶ **Previous Projections Have Been Surpassed** - As stated on the previous page, the best available information indicates that in the past few years, an accelerated numeric level of population and household growth has occurred. As a result, projections that were issued in the recent past have already been surpassed. This Study has utilized projections obtained from Esri, a private data reporting service, that appear to better reflect the current growth conditions.
- ▶ **Annual Incremental Population Growth Will Increase** - For population, Esri expects the City of Fargo to add nearly 14,900 people between 2015 and 2020. If reduced to an annual average, this would be approximately 2,980 people per year. Esri also projects population growth for the remainder of the Fargo-Moorhead MSA, but Esri expects that more than 57% of the net growth will be located in the City of Fargo.
- ▶ **Annual Incremental Household Growth Will Increase** - Projected household growth is very strong in Fargo, with an expectation that the City will add more than 7,100 total households in the five-year period to the year 2020. If viewed as an annual average this would be nearly 1,425 households per year. Once again, Esri is projecting that most of the MSA's net household growth will be located in the City of Fargo. Overall, nearly 61% of the projected net increase in households is expected within Fargo.
- ▶ **Age-based Forecasts Define Expected Growth** - The Esri forecasts show that the strongest segments of household growth in Fargo over the five-year projection period will be within the age groups between 35 and 44 years old, and then in the 65 to 74 year old age group. The expected increase in these two age groups will represent more than 54% of the net household growth in the City. The same two age groups are projected to represent the greatest net growth in the entire MSA to the year 2020, although the order is reversed. Fargo has always attracted more younger adult households, while the remainder of the MSA has been stronger with senior-headed households.
- ▶ **Projected Tenure Distribution of Future Growth** - For the net household growth expected within the City of Fargo between 2010 and 2020, a projected tenure distribution of 42% home ownership and 58% rental has been applied. These tenure projections are used as the basis for unit recommendations in the Findings and Recommendations section.

Key Income Findings

- ▶ **The Median Household Income is Approaching \$50,000** - Income estimates from the Census Bureau are somewhat dated and the most recent information is from 2013. The estimated median household income for all households in the City of Fargo was between \$44,845 and \$45,458, according to various sampling through the American Community Survey. An alternate estimate is available from ESRI for the year 2015. ESRI places the City's median household income at \$49,101. In addition to the two-year time difference between the ESRI and American Community Survey estimates, ESRI tends to have a more optimistic view of income growth over time.
- ▶ **Income Projections Continue to Show Improving Incomes** - As expected, the income levels for Fargo households have continued to improve over time. Projecting forward to 2020, Esri forecasts a significant increase in the number of households with an annual income of \$50,000 or more. However, numeric growth is also projected in the number of households with an annual income below \$15,000.
- ▶ **Despite Improvements Many Households Still have Low Incomes** - Between 25% and 26.5% of the City's households had an annual income below \$25,000 in 2013, according to the American Community Survey. When standard housing cost thresholds were applied, these households typically had less than \$625 per month that could be used for housing. ESRI estimated that nearly 23% of all households in 2015 were still below \$25,000 for annual income. While ESRI shows some improvement occurring in the lower income ranges, the number of households with very low incomes, less than \$15,000 has not been improving. Housing cost burdens were a very real possibility for these lower income people.
- ▶ **Most Lower Income Households are Renters** - As would be expected, the lower income groups are primarily renter households. Approximately 87% to 88% of all Fargo households with an annual income below \$25,000 in 2013 were renters.
- ▶ **Racial and Ethnic Minority Households Tend to have Lower Income Levels** - Only limited information exists on income differences by race and ethnicity, and due to limited sampling, it may not always be reliable. However, the reported median income estimates for Black/African American and Native American households tend to be significantly lower than for other racial groups. Black/African American and Native American households also have very low rates of home ownership.

Key Housing Data

- ▶ **Recent Housing Construction Has Been Very Strong** - In the 10-year period between January 1, 2005 and December 31, 2014, Fargo issued building permits for more than 11,150 total housing units, according to Census Bureau reports. Approximately 6,700 of these were permitted in the five-year period from 2010 to 2014. Reports assembled by the Home Builders Association shows a slightly higher level of recent construction, with approximately 6,900 units permitted from 2010 to 2014.
- ▶ **Multifamily Housing Construction Has Been Especially Strong** - The peak year for multifamily rental housing production was 2014, when nearly 1,800 multifamily units were permitted in Fargo. In 2013, nearly 1,200 multifamily units were permitted. The past two years are the only time over the 10-year period when more than 1,000 multifamily units have been permitted annually in Fargo and they were in successive years.
- ▶ **Single Family Housing Construction Has Also Continued** - The peak year for single family construction (both detached and attached units combined) was 2013, when more than 500 single family-style units were permitted. The single family activity in 2013 was higher than in 2005 or 2006, generally recognized as strong years that preceded the national housing market collapse of the late 2000s. However, the number of housing starts in 2014 was lower than in 2013. Year-to-date activity in 2015 indicates that construction is ahead of the comparable period in 2014, and may be similar to the level achieved in 2013.
- ▶ **Single Family House Values Continue to Rise** - Sales trends show an ongoing increase in the median price since 2010, the time period reviewed. For calendar year 2014, the median sale price for detached single family houses in Fargo was \$203,000, according to records from the City Assessment Office. Partial-year information for 2015 points to an even higher median price for the current year, but this cannot be verified until a full 12-month sales sample is examined. Values for attached single family units have also been rising, but in general remain lower than values for detached single family homes.
- ▶ **There Has Been Less Supply But More Demand For Single Family Housing** - Reports available from the Fargo-Moorhead Association of Realtors can be used to track both sales and listings on the Multiple Listing Service. There has been a gradual decline in the number of single family units that are listed for sale each year. At the same time, there has been a gradual increase in the number of annual sales. As a result, the gap between supply and demand has grown smaller. This has contributed to the increasing median sales prices.

- ▶ **Despite Substantial New Multifamily Construction Vacancy Rates Remain Low** - With a large addition to the multifamily rental stock due to above-average construction from 2012 to 2014, it was anticipated that the rental vacancy rate would rise. However, preliminary information through June of 2015, as tracked by Appraisal Services, Inc., shows the vacancy rate remaining relatively low. It is not known how many of the recently constructed units are reflected in the vacancy numbers. In July of 2015, nearly 1,400 new rental units in Fargo had not yet been issued a certificate of occupancy. As these units complete construction, and begin reporting occupancy information, it is probable that the rental vacancy rate will still increase later in 2015.
- ▶ **Rental Housing Downtown Represents a Strong Market Segment** - In 2015, Appraisal Services, Inc., began reporting downtown information as a separate geography. Initial reports show that occupancy rates in downtown rental housing are higher than in the broader market. Community Partners Research divided the downtown rental market into different subsets. A telephone survey that was completed found very high occupancy rates in most market segments. The rental rates being achieved by market rate projects in the downtown area also appear to be higher than the broader rental market.
- ▶ **Student Housing Demand Remains Strong Despite Limited Growth in Enrollment** - The best available information on post-secondary enrollment shows very limited growth at NDSU in recent years, and a possible decrease in students if enrollment in Moorhead is included. Despite the limited change in demand, occupancy rates appear to remain very high, especially for projects that offer a convenient location near campus buildings.
- ▶ **Tax Credit/Moderate Rent Senior Housing Remains a Strong Market Segment** - Over the past 15 years, a number of income-restricted rental projects have been built in Fargo and West Fargo using federal tax credits and/or similar assistance programs. This market segment has consistently been very strong, with vacancy rates below 1%.
- ▶ **Tax Credit General Occupancy Housing Vacancy Remains Relatively Low** - In the late 1980s, federal low income housing tax credits started being used to create income-restricted, general occupancy housing. After the 1990s, most of the development shifted to senior-designated tax credit projects. The tax credit general occupancy stock tends to be older, and has actually contracted in size. Vacancy rates in this segment are generally similar to the broader rental market.

- ▶ **Subsidized Housing and Very Affordable Housing Remains in Under-Supply** - Over the past several decades the supply of “deep subsidy” rental housing has remained largely unchanged, despite substantial growth in Fargo. Very affordable housing with rent based on income remains in short supply, with high occupancy rates and waiting lists. Overall, the number of area households needing a unit priced below \$500 per month is nearly double the actual supply of units in the rental inventory.

Key Employment and Economic Data

- ▶ **The City’s Available Labor Force Continues To Grow** - Over the past 15 years there has been solid growth in the size of the City’s resident labor force. Although there have been some year-to-year up and down movements, the long term trend has been for a growing number of residents that are looking to work. If 2014 is compared to 2000, the resident labor force has increased by more than 9,000 people, or 16.1%.
- ▶ **The Region’s Employment Continues to Grow** - There has been very strong growth in the number of employees covered by unemployment insurance that are working in Cass County. With the exception of 2008 to 2009, when the nation was in a period of economic recession, there has been year-to-year growth in the number of covered workers. From 2000 to 2013, the number of covered workers in Cass County has increased by 33.8%.
- ▶ **The Unemployment Rates Remain Very Low** - In 2014, the last full year of data, the unemployment rate in the City of Fargo was at 2.5%. For the entire Fargo-Moorhead MSA the unemployment rate was at 2.8%. This compared to a national unemployment rate of 6.2% in 2014.

Summary of Findings and Recommendations

The Findings and Recommendations section of this document provides an explanation of our analysis and our specific recommendations for future housing activities. Readers are encouraged to review this information for our interpretation of each of these issues. A shortened summary of each of the recommendations is provided below.

Rental Housing

- 1. Future Rental Production of 590 to 640 Units Per Year Should be Distributed in a Variety of Price Ranges** - The tenure-based demand calculations used for this Study indicate that between 590 and 640 additional rental units will be required in an average year through 2020. This recommended total is based on the assumption that some level of unused rental capacity already exists. Based on the distribution of Fargo renter households by income, approximately 31% of the units should be in a very affordable price range, approximately 29% of the units should be in a moderate price range, and 40% of the units should be in the conventional market rate price ranges. When adjusting for the impact of student renters, which disproportionately impact lower income ranges, more than 50% of future units can be justified in the traditional market rate price ranges. However, the economics of new construction and lack of development subsidies make the distribution of very affordable and moderately-priced units unlikely to occur.

- 2. Conventional Market Rate Housing is Expected to Represent Most of the Future Construction** - Despite the range of income levels present in Fargo renter households, up to 90% of the unit production in recent years has occurred in the traditional market rate segment. Going forward, between 80% and 90% is likely to continue within this segment, or up to 575 units per year. Development costs make more affordable rental production difficult to achieve without financial subsidies. The vacancy rate within the market rate segment was expected to rise in 2015, reflecting the substantial construction activity that occurred in 2013 and 2014, but through June, vacancy rates remain low. If the vacancy rate does rise in the market rate segment, it is probable that development activity will be suppressed somewhat in 2015 and 2016 until excess units are absorbed. However, if the newly constructed units are largely absorbed, it is probable that ongoing annual development will occur.

- 3. Additional Market Rate Unit Production in the Downtown Area can be Supported if Desirable Sites are Available** - Over the past ten or more years, there has been an increasing level of interest by housing developers to place projects in the downtown area, with most projects oriented to market rate rental housing, including students. Despite the level of activity, it is probable that fewer than 300 new units have been created downtown since 2010, or less than 5% of the total rental unit creation that has occurred in Fargo over that same time. Occupancy in the downtown is outperforming the broader rental market. If 10% of the future citywide rental development recommendation is located downtown, this would yield between 60 and 65 units in an average year. A larger number of units can be built, but downtown development will be heavily dependent upon desirable locations. If highly desirable sites can be secured, then larger projects may advance, but a project-specific evaluation should be made, as not all downtown locations are viewed as desirable for higher-priced housing.
- 4. The Downtown Area Can Also Offer Affordable Housing Options** - Historically, the downtown area has offered more affordable housing options, and the median income level for downtown residents has been lower than the citywide median. While the downtown area has become increasingly popular for higher-priced development, it is also a good location for more affordable projects, especially as amenities and services that are offered downtown continue to improve. Fargo has an under-supply of very affordable housing, and the supply of units downtown has probably grown smaller over time, making this a suitable location for future affordable projects.
- 5. Student-Oriented Housing will Largely be Dependent Upon Location and Competitive Advantage** - Students live in a variety of housing options available in Fargo. There has been ongoing unit development near the primary NDSU campus and near NDSU buildings in the downtown area. The best available information points to high occupancy rates in most student-oriented housing, but each fall some unused capacity probably exists. There is no recent evidence of enrollment growth in the area, so demand has largely been driven by location and competitive advantages for student-oriented projects. Unless enrollment growth occurs in the future, any proposed projects will need to compete for market share, and location will be a key factor in success. Additional development can occur if desirable sites can be secured, but future projects will probably have a negative impact on other housing. Similar to downtown locations, a project-specific evaluation would need to be done, depending on the proposed project location.

6. Income-Restricted Senior Housing is a Very Strong Market

Segment - Affordable senior housing, designated for households age 55 and older, has continually been developed in both Fargo and West Fargo, using financial resources awarded through the North Dakota Housing Finance Agency. Due to limits on the annual awards, the unit expansion within this segment within Fargo/West Fargo has generally been between 35 and 40 units in an average year. Despite ongoing expansion in the inventory, vacancy rates remain extremely low, and waiting lists for occupancy are common. Future production at or above the current level can be supported by existing pent-up demand, and by continued growth in the number of age-eligible households residing in the MSA. It is important to note that this form of housing has occupancy and income limits and does not serve all senior households.

7. General Occupancy Tax Credit Moderate Rent Housing Should Be Developed

- When the federal low income housing tax credit program was created in the late 1980s, nearly all of the units served the moderate rent, general occupancy segment. Starting in the early 2000s, nearly all of the development focus shifted to other market segments, primarily senior-designated housing. As some of the older projects fulfilled their affordable housing requirements, the number of units within the general occupancy segment actually decreased over time, despite substantial household growth in the MSA. Going forward, creation of additional general occupancy affordable housing would be encouraged, since this segment is not typically addressed by market rate projects. However, some level of vacancy does exist in the older existing projects, at a level that is similar to the area wide vacancy rate. This is largely a function of age and amenities. New projects would be successful, but could negatively impact older units in this segment.

8. Develop Subsidized Housing as Resources Allow

- Deep subsidy housing, with rent based on income, has generally relied on federal housing assistance programs. In recent decades, almost no resources have been available, and the number of project-based subsidized units in Fargo has actually decreased due to expiring contracts. Some of this loss has been mitigated by tenant-based rent assistance Vouchers, but over time, the percentage of renter households in Fargo with access to some form of subsidized housing has declined. With few resources available, any possible expansion of deep subsidy housing is encouraged.

9. Flood Control Project May Create Temporary Housing Needs -

Large-scale flood control projects are underway in the Fargo area, and the largest components, involving a diversion channel and control structures, will be bid in the future. With low area unemployment rates, and certain skill levels required, there is a real concern that many of the future workers will need to move temporarily to the area to fill construction-related jobs. This has the potential to create housing demand that would not otherwise exist. Attempts to quantify this potential demand cannot be made at this time. In 2015, the primary contractors have not been selected. Their eventual use of locally-based labor would then need to be evaluated. However, potential housing demand does exist, and is not necessarily reflected in the overall rental unit recommendation made in this Study. If substantial demand from temporary workers does materialize in the future, and area rental vacancy rates drop, then a higher level of unit creation may be needed. But it is also important to recognize that Fargo alone may have as many as 1,000 vacant rental units in 2015. With the large volume of rental housing in the MSA, even a relatively low rate of vacancy translates into a substantial number of unoccupied units. This should help to absorb any unexpected demand that occurs, such as a sudden influx of temporary construction workers.

Ownership Housing

- 10. Findings on Single Family Detached Housing Construction -** Most of Fargo's owner-occupancy housing construction activity continues to be in traditional single family detached houses. In the five-year period from 2010 through 2014, the City averaged approximately 295 single family detached housing starts per year. The level of owner-occupancy construction has remained well below the level of rental unit construction, and it is assumed that the City's rate of home ownership has continued to decrease after 2010. Going forward for the remainder of the decade, we would expect approximately 75% of the future demand to exist for single family detached houses. Based on the projected growth potential of 560 to 600 owner-occupancy households per year in Fargo, this would yield up to 420 to 450 single family detached houses per year through the remainder of the decade. This level of production would be only slightly higher than the number of single family houses built in 2013, but would be well above the recent annual average when viewed over a ten-year, five-year or even a three-year period.

- 11. Findings on Single Family Attached Housing** - In recent years, construction of attached units for owner-occupancy has primarily been in twin homes, followed by town houses and a small number of condominiums in multi-unit buildings. Over the previous five years, attached single family units have represented just over 23% of all single family units permitted in Fargo. Going forward, growing demand for attached single family housing options should exist through the remainder of the current decade, due in part to a larger share of households will be age 55 and older. It is probable that 25% or more of the future activity will be in the form of attached units, primarily twin homes and town houses. Based on the demand potential of 600 households per year, this would yield up to 150 units annually. Once again, this projection of potential demand is greater than the annual level of recent construction.
- 12. Findings on Existing Single Family Home Values** - For calendar year 2014, the median sale price for detached single family houses in Fargo was \$203,000. Partial-year information for 2015 points to an even higher median price, but this cannot be verified until a full 12-month sales sample is examined. The price trends show a consistent increase in the median price since 2010, the time period reviewed. The median price levels are lower for most other forms of ownership housing, but prices also are rising for twin home units, town houses and condominiums. Demand has increased while supply appears to have decreased, based on MLS listings, which has contributed to the price increases. Still, there is generally a difference between the prices for existing units and newly constructed units. As this price gap narrows, it would be expected that more households will look at new construction options.
- 13. Findings on Condominium Values and Development** - Condominiums in multi-unit buildings make up a relatively small share of the housing stock. After 2007, and the collapse of national housing markets, only one new condominium development can be identified in Fargo. With the exception of downtown lofts, condominiums tend to represent the most affordable ownership segment, although many of the units date to the 1970s and 1980s. Going forward we have applied a 2.5% share to projected single family construction. If this level can be achieved, it would yield approximately 14 to 15 units per year. This level of production would account for approximately 10% of the projected activity in attached single family housing. While it is certainly possible that an even greater market share can be achieved, there is very little market evidence to support this segment. Over the past 10 years it is probable that fewer than 10 newly developed condominiums have entered the Fargo market each year, and some of these have taken multiple years to be successfully sold.

- 14. Findings on Home Ownership by Race and Ethnicity** - The rate of home ownership in Fargo is low among all households, and has been declining with each successive decade. A specific section of this Study has presented information on income levels and housing tenure distribution patterns for households based on race and ethnicity. Black/African American and Native American households tend to have very low rates of home ownership. Black/African American households had the lowest reported rate of ownership, at less than 12%. For Native American households the home ownership rate is less than 17%. The low home ownership rates for Black/African Americans and for Native Americans were due in large part to household income levels. Although a margin of error exists with the American Community Survey estimates, this source shows the median household income level for Black/African American households at only \$14,063, and at only \$29,162 for Native American households. At 30% of income, the median household could afford to pay \$352 and \$759, respectively, toward housing each month. For comparison, the median household income for all home owners in Fargo was \$76,148 in 2013. Solving the home ownership rate disparity for Black/African American households and for Native American households will probably be based in large part on improving the annual income levels for these groups.

Fargo in Comparison

The last section of this Housing Study provides comparative information with Bismarck, Grand Forks, Sioux Falls and Rochester. Another section, Affordable Housing Analysis, includes some ranking information for the Fargo-Moorhead MSA as one of the 210 largest metropolitan areas in the U.S.

- ▶ **Fargo is Generally Similar to Peer Communities in Most Ratings -**
The comparison section looks at standardized information that can be compared between communities. In most ranking categories, Fargo is generally similar to its peer group that was used for comparison. For certain items, such as average household size, and median household income, the City ranks in the lower half, but this is largely due to the high rate of renter-occupancy housing that exists, compared to the peer group.
- ▶ **By National Standards Fargo Generally Offers Affordable Housing -**
Fargo rates well in offering affordable housing by national standards. For affordable ownership in 2014, Fargo was near the middle of the 2010 metropolitan areas examined. The median home value for Fargo was estimated at \$157,300 in the first quarter of 2014. For rental housing, the Fargo market was viewed as very affordable compared to other metropolitan areas. Only 17 rental markets had a lower rent for a two-bedroom unit, based on the HUD standard used.

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Introduction

Overview

Community Partners Research, Inc., was hired by the City of Fargo and the Fargo Housing Authority to complete a comprehensive study of housing market conditions in Fargo and the surrounding area.

Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from January to July 2015. Data sources included:

- U.S. Census Bureau
- Esri, Inc.
- Records and data from the City
- Data from the Job Service ND
- Data provided by Appraisal Services, Inc.
- Data provided by the ND Housing Finance Agency
- Statewide Housing Needs Assessment
- Data provided by the Multiple Listing Service
- Interviews with community leaders
- Interviews with people familiar with the area's housing conditions
- Area housing agencies
- Rental property owner surveys

Limitations

This Housing Study represents an analysis performed with the data available at the time of the research. Any findings are based upon current solutions and the best available information on future trends and projections. Significant changes in the area's economy, employment growth, Federal or State tax policy or other related factors could change the findings and conclusions contained in this Study.

In 2015, a number of issues continue to impact local and national housing markets. Many of these issues represent a significant departure from conditions that were present prior to 2007, and have the potential to alter traditional supply and demand calculations for housing.

In most cases, this Study has not attempted to project future economic conditions, but instead has relied on past patterns and practices, with modifications that are appropriate for the current conditions. Among the issues impacting housing markets are the following:

- ▶ Mortgage Market Liquidity - In response to rising delinquency and foreclosure rates, the mortgage market has been altered, with both primary and secondary mortgage lenders changing their standards and the availability of credit.
- ▶ Fannie Mae and Freddie Mac Bailout - The federal government was forced to take over these quasi-public agencies to help keep home mortgages available. Changes to the federal government's role in the home mortgage market have been debated in Washington.
- ▶ National Retreat in Home Prices - After many years of steady gains, the median value of single family homes dropped in some major markets in recent years. This had multiple effects, including a retreat of potential home buyers out of the market. While these issues were less evident in Fargo, they have impacted home ownership rates nationwide.
- ▶ Over Supply of Housing - Strong housing market conditions earlier in this decade resulted in above-average activity in the housing development markets, including both housing units and residential lots. In some areas, an oversupply of inventory exists, which further depresses home prices.
- ▶ Economic Recession - The economy of the United States was in a period of sustained recession in the late 2000s and early 2010s. This had an impact on housing starts and home sales nationally. Rental occupancy rates have tended to remain high, despite improvements in economic conditions.

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Demographic Data

Overview

This section of the Housing Study contains basic demographic information including recent estimates and historical trends. Information to the year 2015 is provided for the City of Fargo and the Fargo-Moorhead MSA. Various data estimates have been reviewed, but for 2015 information, the primary source is Esri, Inc., a private data reporting service. In some cases, comparisons have been made with other available sources.

Highlights of this Section

- ▶ Fargo and the MSA have been growing at a rapid rate for many decades. The best available information indicates that in the past few years, an accelerated level of population and household growth has occurred. Multiple sources point to the City adding an average of more than 2,500 people per year after 2010. If accurate, the annual incremental growth since 2010 is more than 1,000 people per year greater than the annual average in the prior decade.
- ▶ For households, the best current estimates point to the City adding an annual average of approximately 1,240 per year from 2010 to 2015. From 2000 to 2010, the City averaged just over 750 households per year, so recent growth has been occurring at a significantly greater level than in the recent past.
- ▶ The estimates obtained from Esri also show growth occurring in the remainder of the MSA, but more than 57% of the population growth and nearly 60% of the household growth since 2010 is attributed to the net increases within the City of Fargo.
- ▶ Age-based estimates show that more than 64% of Fargo's population growth since 2010 was due to an increase in people age 44 and younger. The prime baby boomer age ranges between 55 and 74 represented more than 32% of the net gain. Other age groups, including senior citizens age 75 and older, showed very limited population change over the past five years.
- ▶ Similar patterns exist for households by age. More than 47% of the net increase in households in Fargo from 2010 to 2015 was attributed to young adult households in the 10-year age range between 25 and 34 years old.

- ▶ Although Fargo has represented most of the net growth among younger adult households, the remainder of the MSA has added a large number of households in the 55 to 74 year old age group. There has also been some greater growth among older senior citizens, age 75 and above.
- ▶ Information on basic housing tenure is also reported in this section. Over time, the rate of renter-occupancy has continued to grow higher. Between 2000 and 2010, Fargo added nearly 4,600 renter-occupancy households, but fewer than 3,000 owner-occupancy households. While official tenure estimates after 2010 are not available, the distribution of new housing constructed in Fargo over the past five years would indicate that the rate of renter-occupancy has continued to increase.
- ▶ Within the entire MSA, the home ownership rate was higher than in Fargo. However, a substantial level of multifamily rental housing has also been occurring in both West Fargo and Moorhead since 2010, so it is possible that the home ownership rate has also decreased somewhat in the areas outside of Fargo.

Population and Households

Geography

In the demographic analysis that follows, Community Partners Research, Inc., has examined data specific to the City of Fargo, as well as information for the entire Fargo-Moorhead Metropolitan Statistical Area (MSA), viewed as the primary market area for housing demand. In some cases, data may only exist for the Cass County portion of the MSA.

Data Sources

One of the primary data sources is the U.S. Census Bureau, using both the decennial census and the American Community Survey. The American Community survey is based on sampling, and there is a margin of error that applies to each estimate. However, this source still represents the most recent data from a public source that are available for the Fargo area.

Another primary data source that has been examined is Esri, Inc., a private data reporting service. Esri has generated demographic estimates for 2015, with projections extending to 2020.

The analysts have also reviewed the projection information contained in the ***2012 North Dakota Statewide Housing Needs Assessment: Housing Forecast***, which was prepared for the North Dakota Housing Finance Agency.

Population Trends Analysis

The most recent population estimates from the Census Bureau are for the year 2014. To provide a “current year” estimate, the analysts have used information from Esri for 2015. Census Bureau estimates are contained in the text that follows.

Table 1 Population Trends - 1980 to 2015

	1980 Census	1990 Census	Change 1980-1990	2000 Census	Change 1990-2000	2010 Census	Change 2000-2010	2015 Esri
Fargo	62,243	74,115	19.1%	90,599	22.2%	105,549	16.5%	118,456
MSA	137,574	153,296	11.4%	174,367	13.7%	208,777	19.7%	231,285

Source: U.S. Census; Esri

The 2015 population estimate generated by Esri shows 118,456 people living in the City. When compared to the 2010 Census, Fargo has added more than 12,900 residents over a five-year time period, or an average of 2,581 people per year.

The effective date of the Esri estimate is one year forward from the official Census Bureau estimate. The estimate from the Census Bureau placed the City’s population at 115,863 people on July 1, 2014. If viewed in terms of annual average growth, the Census Bureau estimate shows the City adding approximately 2,580 people per year after 2010. The annual average growth from the Census Bureau estimate is nearly identical to the Esri average.

Both sources continue to show the rapid growth pattern that has been evident in recent decades. Between 2000 and 2010, the City added nearly 15,000 residents, for an increase of 16.5% for the decade. In the 1990s, the City’s population increased by more than 22%.

For the entire Fargo-Moorhead MSA, the Esri 2015 estimate shows 231,285 people living in the two-county area. The MSA’s population has increased by more than 22,500 from the 2010 Census, or an average of approximately 4,500 people per year over the past five years.

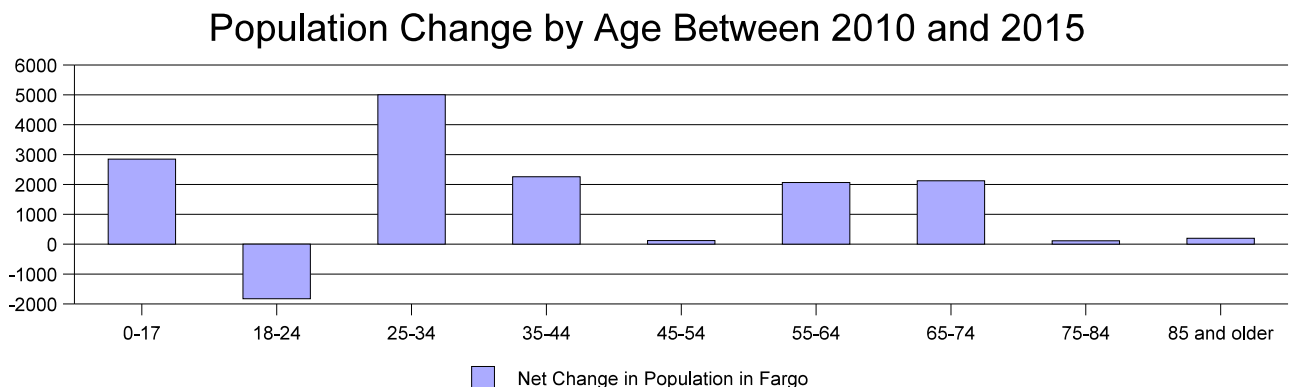
The Census Bureau’s estimate is for 2014, and placed the MSA population at 228,291 people. When viewed as an annual average from 2010 to 2014, the Census Bureau’s estimate shows 4,879 people added per year, or a larger annual increment than reported in the Esri estimate.

Population by Age in Fargo

In their 2015 population estimates, Esri also includes age-based information. The following table examines the City's estimated population by age in the year 2015, with a comparison made between the age distribution that was present at the time of the 2010 Census.

Table 2 Fargo Population by Age - 2010 to 2015			
Age	City of Fargo		
	2010	2015	Change
0-17	20,463	23,312	+2,849
18-24	20,858	19,031	-1,827
25-34	18,906	23,911	+5,005
35-44	11,702	13,960	+2,258
45-54	12,502	12,623	+121
55-64	10,425	12,489	+2,064
65-74	4,934	7,057	+2,123
75-84	3,781	3,895	+114
85+	1,978	2,178	+200
Total	105,549	118,456	+12,907

Source: U.S. Census; Esri



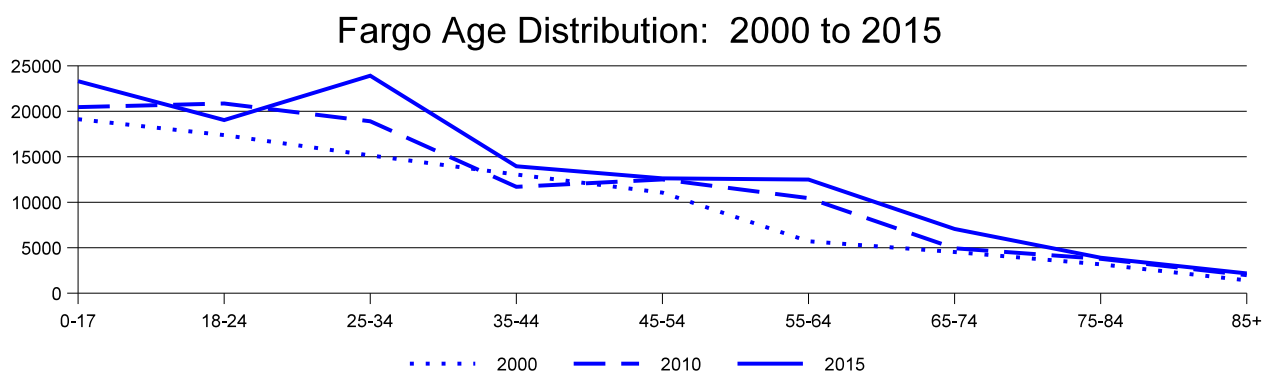
The strong citywide population growth that has occurred since 2010 is not distributed among all age groups. According to Esri, the City actually experienced a large numeric decrease in the young adult population between the ages of 18 and 24 years old. In Fargo, this group would often represent “traditional” college students. However, since enrollment data obtained from NDSU tends to show a rather stable total enrollment pattern over this time, the reduction in younger adult residents may tend to reflect younger people that are not students. It is also possible that Esri is not correct with its estimate of this youngest adult age group.

While Esri believes that young adults under the age of 25 have decreased in number, there has been solid growth in the other young adult age ranges, including people 25 to 34 years old, and people 35 to 44 years old. If all of the age ranges between 18 and 44 years old are combined, the City experienced a net gain of more than 5,400 residents between 2010 and 2015.

Solid net growth has also been occurring within the “baby boomer” age groups, with the City adding residents in the age ranges between 55 and 64, and between 65 and 74 years old. While this growth would reflect some people that have recently moved to the City, much of this would be attributed to existing residents that are moving through the aging cycle.

Despite growth in most other age groups, including younger senior citizens age 65 to 74, Fargo has not been adding older seniors, age 75 and above. According to Esri, the City had a net gain of fewer than 320 residents age 75 and older from 2010 to 2015.

The City’s age distribution patterns since 2000 can be viewed as a line chart to see the growth that has been occurring, especially in the 25 to 34 year old range and in the 55 to 64 year old range, when compared back to the year 2000.



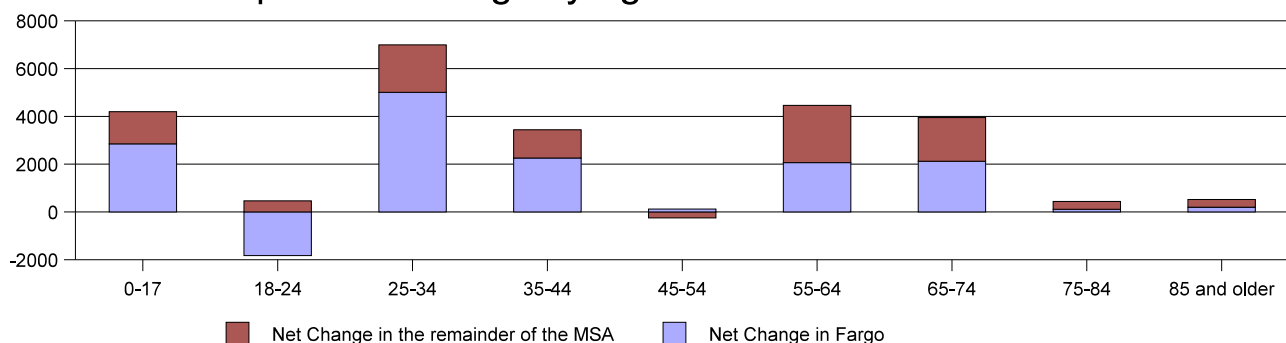
Population by Age in MSA

The same age distribution comparison can be made for the entire Fargo-Moorhead MSA, using 2015 population estimates from Esri and the age distribution that was present at the time of the 2010 Census.

Table 3 MSA Population by Age - 2010 to 2015			
Age	Fargo-Moorhead MSA		
	2010	2015	Change
0-17	46,404	50,601	+4,197
18-24	34,584	33,223	-1,361
25-34	33,344	40,335	+6,991
35-44	24,884	28,322	+3,438
45-54	26,584	26,453	-131
55-64	21,349	25,808	+4,459
65-74	10,593	14,543	+3,950
75-84	7,443	7,885	+442
85+	3,592	4,115	+523
Total	208,777	231,285	+22,508

Source: U.S. Census; Esri

Population Change by Age Between 2010 and 2015



Even if Fargo is separated from the other jurisdictions, the population by age changes within the remainder of the MSA show generally similar patterns. However, in most of the younger age ranges, Fargo has seen more change than the remainder of the MSA.

All of reduced population in the 18 to 24 year old age group can be attributed to Fargo. Excluding Fargo, the remainder of the MSA actually experienced minor growth in this age range of young adults.

Fargo has captured a very large share of the net population gain in the 25 to 34 year old age group. According to Esri, from 2010 to 2015 Fargo added more than 5,000 young adults within this 10-year age cohort, compared to fewer than 2,000 people added within the other jurisdictions that form the MSA.

Conversely, Fargo trailed behind the remainder of the MSA in the older adult age groups. For people 55 and older, Fargo had a net gain of approximately 4,500 residents, while the remainder of the MSA added nearly 4,900 people in these empty-nester and senior citizen age groups.

Although the remainder of the MSA did add more older seniors, age 75 and above, than the City of Fargo, there was still relatively limited growth. Overall, fewer than 1,000 residents were added in the MSA between 2010 and 2015 in the age ranges 75 years old and older.

Household Trends Analysis

The following table provides information on household trends for the City and MSA in recent decades, based on the decennial census. The 2015 estimate is from Esri.

Table 4 Household Trends - 1980 to 2015								
	1980 Census	1990 Census	Change 1980-1990	2000 Census	Change 1990-2000	2010 Census	Change 2000-2010	2015 Esri
Fargo	23,908	30,149	26.1%	39,268	30.2%	46,791	19.2%	52,989
MSA	48,812	57,771	18.4%	69,985	21.1%	86,178	23.1%	96,570

Source: U.S. Census; Esri

According to Esri, Fargo had 52,989 households in 2015. This represents an increase of 6,198 households from the 2010 Census count, or an annual average gain of approximately 1,240 households per year.

Fargo has continued to grow at a rapid rate in recent decades. The City added more than 7,500 households over the prior decade, for an increase of 19.2%. Over the past 35 years, the number of households in Fargo more than doubled.

Household growth also continues to be very strong for the entire MSA. The 2015 Esri estimate showed approximately 96,570 households, up by nearly 10,400 households from 2010. Between 2000 and 2010, the MSA added nearly 16,200 households, for an increase of more than 23%.

If Fargo is separated from the other jurisdictions, the remainder of the MSA has added 4,194 total households between 2010 and 2015, compared to 6,198 households within the City. Over the first half of the current decade, the City of Fargo has captured nearly 60% of the net growth that has occurred within the entire MSA.

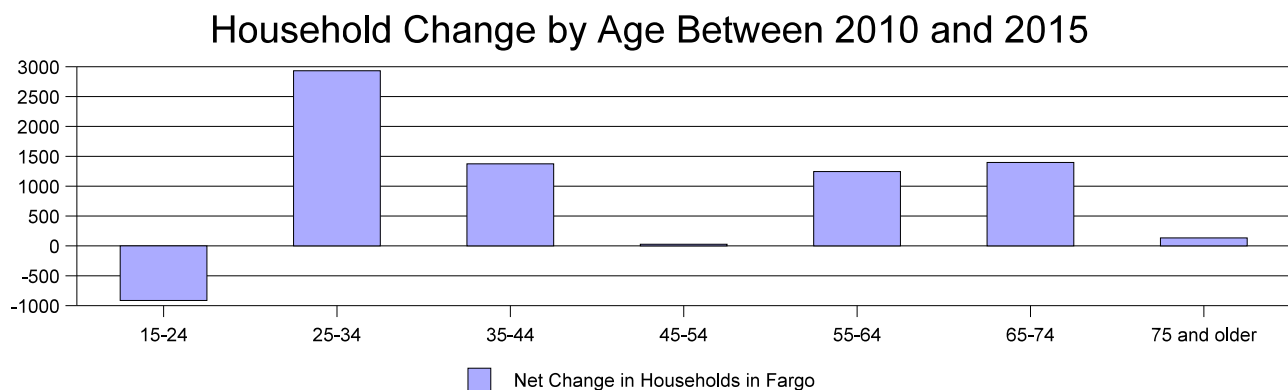
The Census Bureau does not issue annual estimates for the number of households. However, given the similarity of the population change (when adjusted for the one-year time difference), it is reasonable to assume that the Esri estimates would be similar to extrapolated household growth from Census data for Fargo. For the entire MSA, the Census data would imply a slightly larger annual household increase.

Households by Age of Householder in Fargo

Esri has also generated age-based household estimates for the year 2015. For comparison, information has been presented for 2010, using the decennial Census. Esri groups all households age 75 and older into a single range.

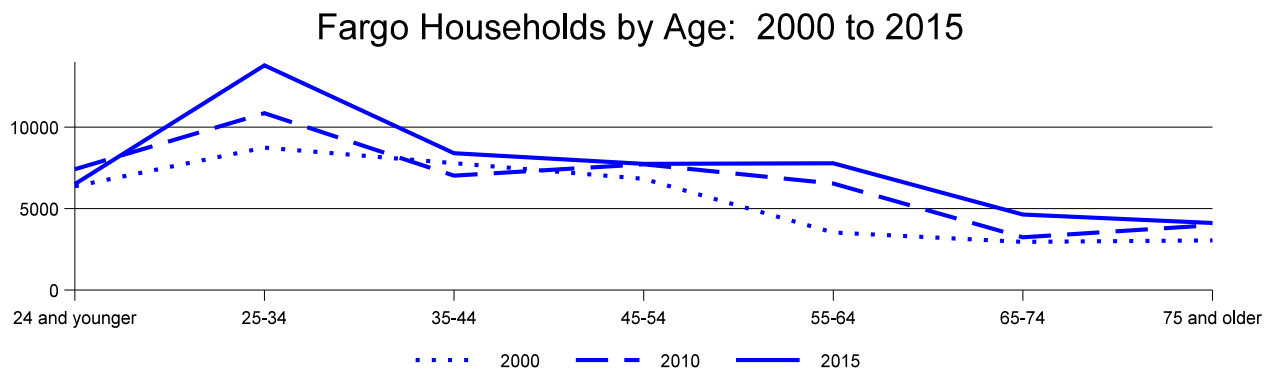
Table 5 Fargo Households by Age - 2010 to 2015			
Age	City of Fargo		
	2010	2015	Change
15-24	7,416	6,503	-913
25-34	10,863	13,795	+2,932
35-44	7,026	8,401	+1,375
45-54	7,723	7,751	+28
55-64	6,539	7,783	+1,244
65-74	3,240	4,637	+1,397
75+	3,984	4,119	+135
Total	46,791	52,989	+6,198

Source: U.S. Census; Esri



Household by age patterns are generally consistent with the age-based population changes presented previously. Based on the Esri estimates, Fargo has had strong growth in most of the younger adult age ranges, especially between 25 and 34 years old. However, there was a reduction in the number of households in the youngest group, age 24 and younger, according to Esri.

Solid growth has also been occurring within the primary baby boomer age groups. The number of households between 55 and 64 years old and 65 and 74 years old have continued to increase. However, very limited numeric change has occurred in Fargo among households age 75 and older.



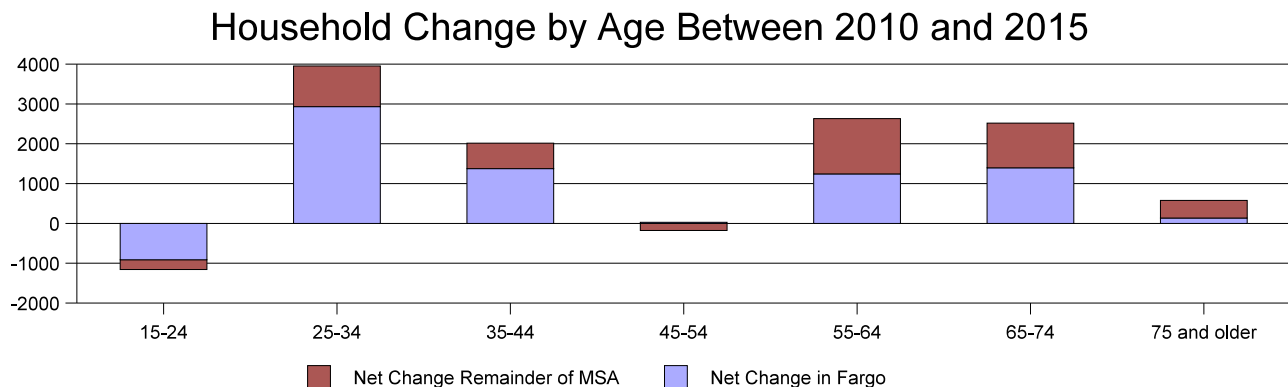
If longer-term patterns are examined, it is evident that young adult households in the 10-year range between 25 and 34, and empty-nester households, in the 10-year age range between 55 and 64, have increased substantially in number over the 15-year period from 2000 to 2015. Growth has also occurred in most of the other defined age groups, but the net numeric change is less than within the two specific age groups cited.

Households by Age of Householder in MSA

Age-based household estimates for the year 2015 for the entire MSA are also available from Esri. Comparison information has also been presented for 2010, using the decennial Census.

Table 6 MSA Households by Age - 2010 to 2015			
Age	Fargo-Moorhead MSA		
	2010	2015	Change
15-24	10,464	9,305	-1,159
25-34	18,124	22,079	+3,955
35-44	14,285	16,301	+2,016
45-54	15,733	15,585	-148
55-64	13,066	15,698	+2,632
65-74	6,773	9,292	+2,519
75+	7,733	8,310	+577
Total	86,178	96,570	+10,392

Source: U.S. Census; Esri



Similar to the population patterns, most of the changes in the younger age groups were the direct result of changes in Fargo. In each of the 10-year age cohorts 44 and younger, the net change in Fargo was much larger than the net change in the remainder of the MSA. However, in the combined age groups 55 and older, more change was present in the remainder of the MSA.

Housing Tenure Patterns

The 2010 Census provided an accurate look at housing tenure patterns. Although this information is dated, it represents that last official look at owner and renter household distribution.

Table 7 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
City of Fargo	21,433	45.8%	25,358	54.2%
Fargo-Moorhead MSA	49,799	57.8%	36,379	42.2%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in the City of Fargo was at 45.8%, with 54.2% of households renting their unit. The rate of home ownership was higher in the entire MSA. If Fargo is removed from the remainder of the MSA, the home ownership rate was at approximately 72%.

Tenure distribution in 2010 can be compared to 2000 to determine the most recent trends in household preference for ownership versus rental housing.

Table 8 Households by Housing Tenure - 2000 to 2010						
Tenure	Fargo			Fargo-Moorhead MSA		
	2000	2010	Change	2000	2010	Change
Owners	18,507	21,433	+2,926	41,249	49,799	+8,550
Renters	20,761	25,358	+4,597	28,736	36,379	+7,643
Total	39,268	46,791	+7,523	69,985	86,178	+16,193

Source: U.S. Census

The rental tenure rate for Fargo continued to increase in the previous decade, as the City added nearly 4,600 renter households but fewer than 3,000 owner households. The percentage distribution for only the net change that was recorded during the decade was approximately 39% owner and 61% renter.

Excluding Fargo, the remainder of the MSA added 5,624 owner households and 3,046 renter households. The percentage distribution for only the net change that was recorded in the remainder of the MSA was nearly 65% owner-occupancy and 35% renter-occupancy.

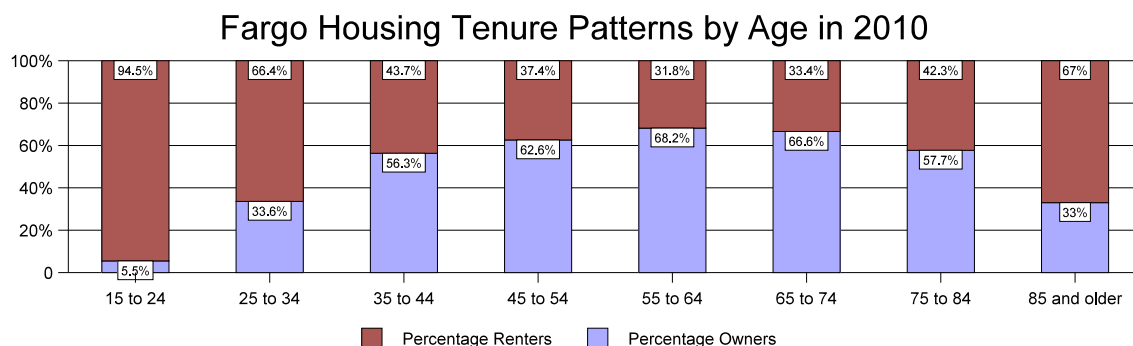
Households by Age and Tenure

Information from the Census Bureau exists on household tenure by age. The following table compares the percentage of owners versus renters in each of the defined age ranges. The 2010 Census has been used. Although this information is dated, it does provide a recent look at housing tenure preferences that were present within defined age groups. Esri, the source used for 2015 current-year data, does not have tenure by age reports.

Table 9 Households by Age and Tenure - 2010				
Age	City of Fargo		Fargo-Moorhead MSA	
	% Owners	% Renters	% Owners	% Renters
15 to 24	5.5%	94.5%	8.7%	91.3%
25 to 34	33.6%	66.4%	46.1%	53.9%
35 to 44	56.3%	43.7%	67.8%	32.2%
45 to 54	62.6%	37.4%	72.3%	27.7%
55 to 64	68.2%	31.8%	76.0%	24.0%
65 to 74	66.6%	33.4%	75.5%	24.5%
75 to 84	57.7%	42.3%	65.3%	34.7%
85+	33.0%	67.0%	40.9%	59.1%

Source: U.S. Census; American Community Survey

Age-based housing tenure patterns show a higher rate of renter occupancy within the City of Fargo, when compared to the patterns for the entire MSA. In the youngest age group, households 24 and younger, fewer than 6% of households in Fargo were home owners.



Households by Age, Tenure and Household Size

The 2013 American Community Survey provided usable information on households by age, tenure and household size. This level of detail is not available in the 2010 Census, or from the Esri estimates, so the ACS has been used. The following table provides information for the entire MSA.

Table 10 MSA Households by Age, Tenure and Household Size - 2013						
Age	One Person Households			Two or More Person Households		
	Owner	Renter	Total	Owner	Renter	Total
15 to 54	3,415	11,060	14,475	26,490	19,603	46,093
55 to 64	2,367	3,528	5,895	7,946	977	8,923
65 to 74	1,685	922	2,607	4,271	846	5,117
75+	1,837	2,870	4,707	2,328	814	3,142
Total	9,304	18,380	27,684	41,035	22,240	63,275

Source: 2013 American Community Survey 1-year estimates

Among the age-eligible households in the MSA, one-person households were more likely to be renters than two or more person households. Of the 27,684 one-person households in the MSA, the rental tenure rate was above 66%. This pattern was reversed when there were two or more persons in the household, as only 35% of the two-person(+) households were renters.

Demographic Projection Data

Overview

This section of the Housing Study contains projection information to the year 2020 for the City of Fargo and the Fargo-Moorhead MSA. The primary source for this information is Esri, Inc., a private data reporting service. In some cases, comparisons have been made with other available projection sources.

Highlights of this Section

- ▶ As documented in the Demographic section of this Study, Fargo and the MSA have been growing at a very rapid rate. The best available information indicates that in the past few years, an accelerated level of population and household growth has occurred. The projections obtained from Esri largely continue this rapid pace of growth.
- ▶ For population, Esri expects the City of Fargo to add nearly 14,900 people between 2015 and 2020. If reduced to an annual average, this would be approximately 2,980 people per year.
- ▶ Esri also projects population growth for the remainder of the Fargo-Moorhead MSA, but Esri expects that more than 57% of the net growth will be located in the City of Fargo.
- ▶ Projected household growth is very strong in Fargo, with an expectation that the City will add more than 7,100 total households in the five-year period to the year 2020. If viewed as an annual average this would be nearly 1,425 households per year.
- ▶ Once again, Esri is projecting that most of the MSA's net household growth will be located in the City of Fargo. Overall, nearly 61% of the projected net increase in households is expected within Fargo.
- ▶ Age-based forecasts also exist. These show that the strongest segments of household growth in Fargo over the five-year projection period will be within the age groups between 35 and 44 years old, and then in the 65 to 74 year old age group. The expected increase in these two age groups will represent more than 54% of the net household growth in the City.
- ▶ These same two age groups are projected to represent the greatest net growth in the entire MSA to the year 2020, although the order is reversed. Fargo has always attracted more younger adult households, while the remainder of the MSA has been stronger with seniors.

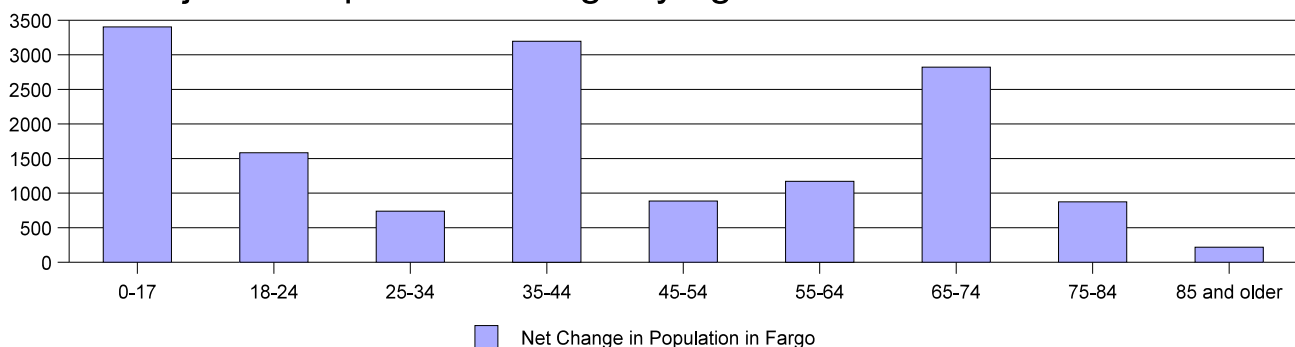
Fargo Projected Population by Age to 2020

Esri has generated population by age projections to the year 2020. These projections can be compared to the data contained in the 2015 Esri estimate.

Table 1 Fargo Projected Population by Age - 2015 to 2020				
Age	2015 Estimate	2020 Projection	Numeric Change 2015 to 2020	Percentage Change 2015 to 2020
0 to 17	23,312	26,716	+3,404	14.6%
18 to 24	19,031	20,615	+1,584	8.3%
25 to 34	23,911	24,650	+739	3.1%
35 to 44	13,960	17,157	+3,197	22.9%
45 to 54	12,623	13,509	+886	7.0%
55 to 64	12,489	13,660	+1,171	9.4%
65 to 74	7,057	9,879	+2,822	40.0%
75 to 84	3,895	4,768	+873	22.4%
85 and older	2,178	2,396	+218	10.0%
Total	118,456	133,350	+14,894	12.6%

Source: Esri; Community Partners Research

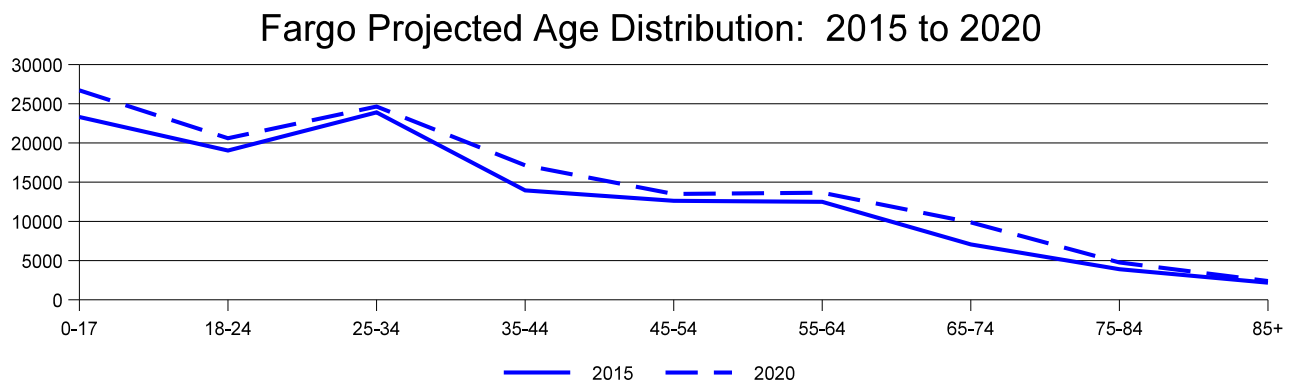
Projected Population Change by Age Between 2015 and 2020



With Esri's projection that the City's total population will increase by nearly 13% between 2015 and 2020, there is net growth expected in all of the defined age ranges. However, most of the overall growth will be generated in three ranges: among children under the age of 18, among adults in the 35 to 44 year old group, and among younger seniors, in the 65 to 74 year old age group.

Those three ranges are expected to account for more than 63% of the growth that is projected over the next five years. After some decrease in the recent past, the population of younger adults in the 18 to 24 year old ranges is expected to increase through the year 2020, and account for nearly 11% of the citywide increase.

The overall population projections from Esri highlight the accelerating growth being experienced in the City. The Statewide Housing Needs Assessment from 2012 had expected Fargo's population to reach 121,494 people by the year 2020. Esri's 2020 projection is nearly 12,000 people larger.



There is also some separate projection information that is available from the Fargo School District, which is used to plan for changes in the public school enrollment. It is not possible to make any direct comparisons in these two projections data sets, since the geographic definitions differ, as the Fargo School District boundaries are not the same as the Fargo city boundaries. However, some generalized comparisons can be made.

The Esri projection displayed above expects the City's population of children age 17 and younger to increase by 14.6% between 2015 and 2020. While this would include children too young to attend school, it does show strong growth in the number of children that are either within or soon to enter the school system.

The School District enrollment projections are expecting an increase of approximately 10.3% in enrollment, although this would reflect those children that are old enough to attend school. The school year does differ from the calendar year, but this forecast is based on the change from the 2014/15 school year to the 2019/20 year.

Based on this comparison, the projections from the School District are more conservative than the forecasts from Esri, but there are some differences in the geography used, the time span analyzed, and the age ranges included in the projections.

It is also important to note that projections for Fargo and the surrounding area have been changing rapidly, in response to the accelerating growth that seems to be underway in recent years. Community Partners Research had previously examined projection data from Esri for the time period between 2014 and 2019. At that time, the overall growth forecasts from Esri were lower, and were revised upward in their subsequent 2015 to 2020 projections.

It is therefore possible that projections from the School District will be modified in the future as actual enrollment patterns are established at the start of each academic year. Other data examined in this Study seem to indicate an accelerating level of household growth in Fargo, which may result in more school-aged children in the next several years.

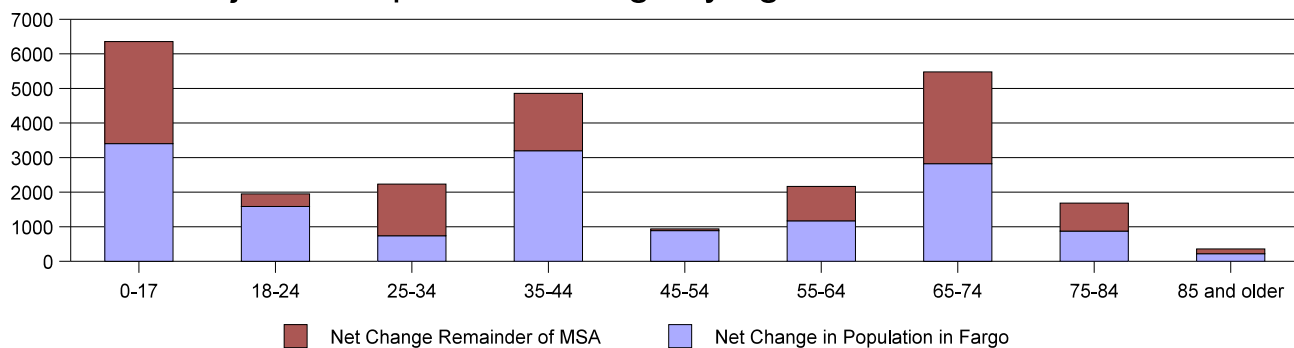
MSA Projected Population by Age to 2020

Esri population by age projections for the MSA to the year 2020 can also be compared to the data contained in their 2015 estimate.

Table 2 MSA Projected Population by Age - 2015 to 2020				
Age	2015 Estimate	2020 Projection	Numeric Change 2015 to 2020	Percentage Change 2015 to 2020
0 to 17	50,601	56,955	+6,354	12.6%
18 to 24	33,223	35,173	+1,950	5.9%
25 to 34	40,335	42,569	+2,234	5.5%
35 to 44	28,322	33,179	+4,857	17.1%
45 to 54	26,453	27,390	+937	3.5%
55 to 64	25,808	27,974	+2,166	8.4%
65 to 74	14,543	20,023	+5,480	37.7%
75 to 84	7,885	9,569	+1,684	21.4%
85 and older	4,115	4,473	+358	8.7%
Total	231,285	257,305	+26,020	11.3%

Source: Esri; Community Partners Research

MSA Projected Population Change by Age Between 2015 and 2020



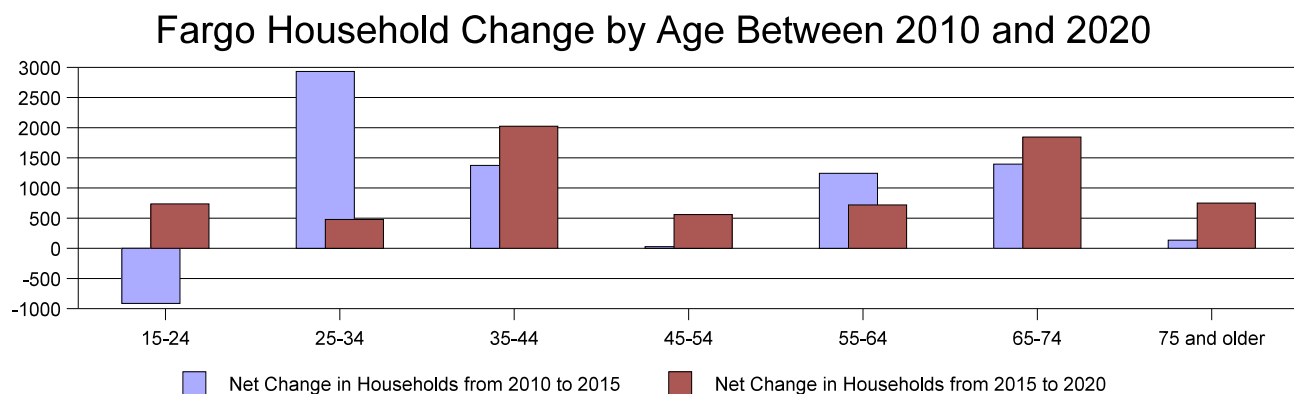
With Esri's projection that the population for the entire MSA will increase by more than 26,000 people from 2015 to 2020, there is net growth expected among all of the age ranges. Consistent with the changes in the City of Fargo, most of the growth is projected within three of the age groupings. Net growth in the remainder of the MSA should be particularly strong among children, age 17 and under, and among younger seniors, age 65 to 74 years old.

Fargo Projected Households by Age to 2020

Esri has generated age-based projections for households to the year 2020. These projections can be compared to the data contained in the 2015 Esri estimate.

Table 3 Fargo Projected Households by Age - 2015 to 2020				
Age	City of Fargo			
	2015 Estimate	2020 Projection	Numeric Change	Percentage Change
15-24	6,503	7,239	+736	11.3%
25-34	13,795	14,274	+479	3.5%
35-44	8,401	10,425	+2,024	24.1%
45-54	7,751	8,310	+559	7.2%
55-64	7,783	8,503	+720	9.3%
65-74	4,637	6,482	+1,845	39.8%
75+	4,119	4,869	+750	18.2%
Total	52,989	60,102	+7,113	13.4%

Source: Esri; Community Partners Research, Inc.



From 2010 to 2015, the greatest household growth in Fargo occurred among households in the 25 to 34 year old age group. Going forward to 2020, this younger adult age group will experience a lower level of growth. The aging of existing residents will instead result in strong growth in the age cohort between 35 and 44 years old. Solid growth should remain in the senior age cohort between 65 and 74 years old, as the baby boomer generation continues to move through the aging cycle.

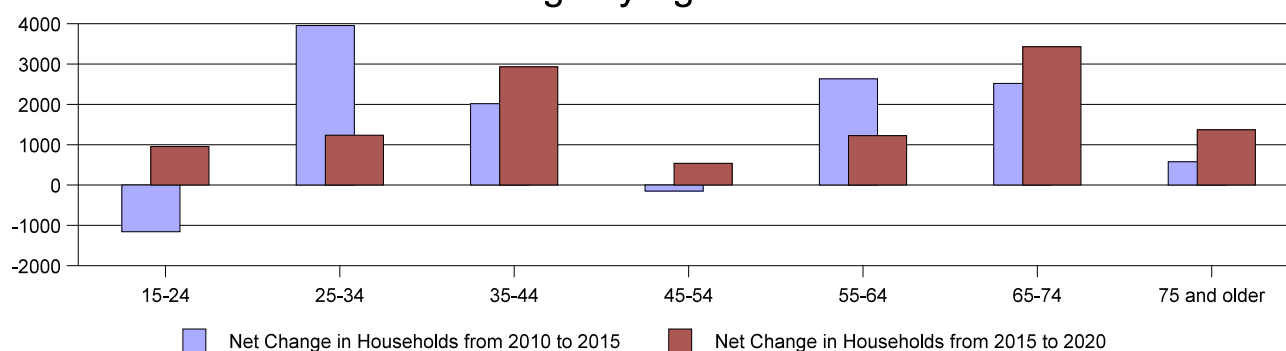
MSA Projected Households by Age to 2020

Esri has generated age-based projections for households to the year 2020 in the entire MSA. These projections can be compared to the data contained in the 2015 Esri estimate.

Table 4 MSA Projected Households by Age - 2015 to 2020				
Age	Fargo-Moorhead MSA			
	2015 Estimate	2020 Projection	Numeric Change	Percentage Change
15-24	9,305	10,260	+955	10.3%
25-34	22,079	23,315	+1,236	5.6%
35-44	16,301	19,230	+2,929	18.0%
45-54	15,585	16,123	+538	3.5%
55-64	15,698	16,923	+1,225	7.8%
65-74	9,292	12,720	+3,428	36.9%
75+	8,310	9,679	+1,369	16.5%
Total	96,570	108,250	+11,680	12.1%

Source: Esri; Community Partners Research, Inc.

MSA Household Change by Age Between 2010 and 2020



The projected household age patterns for the entire MSA are generally consistent with those expected in Fargo. However, between 2015 and 2020, the greatest numeric growth for the MSA should occur in the younger senior group, age 65 to 74. Young adults between the ages of 35 and 44 years old will show the next greatest growth, with much of this within Fargo. By 2020, stronger growth will begin to emerge among older seniors, age 75 and above. By 2020, the leading edge of the baby boom generation will begin entering this age cohort.

Growth-Generated Housing Unit Demand

This section of the Study has examined various methods of projecting future demand for housing based on home ownership versus rental tenure. After explaining differing methodologies, the analysts have defined the working projections that were selected for use in this Study.

Section Highlights

- ▶ The assumptions that are applied to recent and future household growth can result in significantly different interpretations of future housing needs. After reviewing the possibilities, the analysts have used the methodology that tracks recent housing construction patterns and short-term tenure preferences as the best indicator of future needs. This points to above-average demand for rental housing versus ownership housing in the City of Fargo.
- ▶ For the net household growth within the City of Fargo between 2010 and 2020, a tenure distribution of 42% home ownership and 58% rental has been applied. These projections are then used as the basis in the Findings and Recommendations section that follows later in this document.
- ▶ There are other projection methodologies that point to increased demand for home ownership housing through the remainder of the decade, but actual market conditions have not been following these forecasts, as rental housing construction and occupancy continue to increase, while single family housing construction remains relatively stable.

Growth-Generated Housing Unit Demand

The previous section in this Study presented the best available information on recent and projected household growth for Fargo and the surrounding area. The projections serve as the basis for calculating most of the future demand for housing unit production to the year 2020.

In the following analysis, Community Partners Research, Inc., has examined various unit demand calculations, based on historic tenure rates, the short incremental patterns of tenure change over the prior decade, apparent tenure distribution patterns since 2010, as well as tenure preferences within defined age ranges and income groups. These have then been reconciled to form growth-generated demand forecasts.

For Fargo, the working estimate from Esri shows the City adding approximately 6,200 total households in the five-year period from 2010 to 2015. Projecting forward, approximately 7,100 additional households would be expected in the City by the year 2020. Over the course of the entire decade, expected household growth would be approximately 13,300 households in Fargo.

For the Fargo-Moorhead MSA, the Esri estimate for 2015 shows a net gain of approximately 10,400 households since 2010 including Fargo, or approximately 4,200 households, excluding Fargo. Looking forward, the projections expect 11,700 households to be added between 2015 and 2020 including Fargo, or nearly 4,600 in the MSA jurisdictions outside of Fargo.

For the 10-year period from 2010 to 2020, these projections anticipate a net gain of approximately 22,000 households in the entire MSA, with this growth split between 60% in Fargo, and 40% in the remaining MSA jurisdictions.

It is important to recognize that recent and future growth has continued to accelerate for the area in numeric terms. Although the MSA has long been a growing region, it added fewer than 9,000 new households in the decade of the 1990s, and 16,200 households in the 2000s. If the projected net gain of 22,000 households is achieved in the current decade, it would represent as many as 580 more households per year, on average, over the annual incremental gain that was present between 2000 and 2010.

Growth of this scale has triggered above-average levels of annual housing unit construction in the past few years, especially in the multifamily rental market. The distribution of unit construction to household growth patterns will be examined in the following pages.

Growth-Generated Tenure Projection - Historic Patterns

One of the primary methods used to forecast future housing demand is to examine long-term patterns on the distribution of home owner versus renter households. Over time, tenure patterns can vary, but tend to remain in a relatively consistent percentage range. This is especially true if historic tenure patterns are reviewed for the entire Fargo-Moorhead MSA.

At the time of the 1990 Census, the rate of home ownership for all MSA households was nearly 58.9%. In 2000, the home ownership rate was virtually unchanged, and was just above 58.9%. According to the 2010 Census, the rate of ownership did decrease in the prior decade, but was still at 57.8% home ownership.

For the City of Fargo, the home ownership rate was at 48.1% in 1990. By 2000, the ownership rate had dropped to 47.1%. In 2010, the Census recorded a home ownership rate of 45.8% in Fargo. Over the recent decades, the specific tenure patterns in Fargo have increasingly shifted toward rental housing, but this has been counterbalanced by home ownership strength in the remainder of the MSA, resulting in a relatively stable tenure rate for the MSA from 1990 to 2010.

If an assumption is made that the MSA's tenure rates will once again remain relatively stable through 2020, the net household growth projected over the decade would result in approximate growth-generated demand for 12,700 ownership units and 9,300 rental units between 2010 and 2020.

If only the City of Fargo is examined, the 2010 Census tenure rates, when applied to the 2020 forecast, would yield growth-generated demand for approximately 6,100 owner units and approximately 7,200 rental units between 2010 and 2020.

Although this method of anticipating housing unit needs may have applied in the past, it appears to be much less reliable in predicting current preferences. Based on the best available housing construction statistics for the MSA it is probable that the tenure split for units that have been built so far this decade in the MSA are approximately 5,000 units intended for owner-occupancy and approximately 6,800 units for renter occupancy.

Through the first five years of the decade, actual construction in the entire MSA has achieved more than 73% of the projected need for rental units for the entire 10-year period, but only 39% of the expected demand for owner-occupancy housing, using historic tenure patterns as a method of calculating future needs.

Short-Term Tenure Patterns

As indicated on the previous page, the use of historic housing tenure rates may not be a good predictor of demand in the future. There does appear to be a more recent shift toward a preference for rental housing. As an alternate method of projecting demand, the analysts have also examined more recent, shorter-term tenure patterns.

If only the net household change between 2000 and 2010 is examined, the entire MSA added 8,550 owner households and 7,643 renter households. This represented an ownership rate of 52.8% and a rental rate of 47.2%. Although the incremental growth during the previous decade did continue to have an ownership preference, an increasing share of renter-occupancy was evident.

In Fargo, this trend was even more pronounced. If only the incremental growth from 2000 to 2010 is examined, the City added 2,936 home owners and 4,597 renter households. This tenure mix was only 39% home ownership and 61% rental for the decade.

If the recent tenure preference patterns that appeared in the last decade are applied to the current decade, the growth-generated demand calculations change significantly. For the entire MSA, applying short-term percentages yields expected demand for approximately 11,600 ownership units and 10,400 rental units between 2010 and 2020. When compared to actual unit construction over the first five years of the decade, approximately 43% of the expected demand for owner units has been achieved, and approximately 65% of the rental demand has already been constructed.

If this same projection method is applied to Fargo only, the expected tenure preference for the current decade would yield growth-generated demand for approximately 5,200 owner-occupancy units and 8,100 rental units. Building permit statistics for the first five years point to only 37% of the expected owner-occupancy demand, but more than 59% of the rental demand already permitted. This would imply that while some additional rental unit construction would be needed, most of the emphasis through the year 2020 should be within the home ownership market segments.

Age-Based Tenure Demand

While the previous pages examined growth-generated demand based upon the forecasts for overall household change from 2010 to 2020, a separate analysis is also possible using the expected changes within defined age ranges. Tenure preferences can vary widely based upon age, with the greatest level of home ownership typically present among middle-aged adults, but high rental rates at the youngest and oldest ends of the aging spectrum.

The age-based household forecasts presented in the Projections section can be used to predict future housing needs. In making the age-based tenure calculations, Community Partners Research, Inc., has applied the tenure rates by age that were reported in the 2010 Census.

As outlined in the Projections section of this document, certain age groups are expected to increase substantially in number during the current decade, while other age ranges show relatively little change.

For the remainder of this current decade, the largest numeric net growth in Fargo should occur among households in the 35 to 44 year old age group, followed by households in the 65 to 74 year old range. These are also the two fastest-growing age groups in the entire MSA, although the order is reversed. Many of the households in the 65 to 74 year old age range live outside of Fargo in the remainder of the MSA.

This age-based tenure forecasting method shows that most of the expected demand for the current decade should be for home ownership opportunities. This is consistent with the fact that the age segments expected to show the greatest growth tend to have above-average home ownership rates.

For the entire MSA, the age-based calculation yields growth-generated demand for approximately 14,500 ownership units and only 7,500 rental units. The tenure distribution for this growth would be approximately 66% ownership and only 34% rental. This pattern is clearly not consistent with the actual change from 2000 to 2010, or housing unit construction statistics since 2010.

The calculations for Fargo also tend to deviate substantially from actual practice. The expected age-based patterns within the City by 2020 would yield anticipated demand for approximately 7,350 ownership units and 5,950 rental units. In percentage terms, this would be more than 55% ownership and less than 45% rental. This is not consistent with the tenure changes that have been emerging in Fargo in recent decades, as the City's overall rental tenure rate is substantially higher than its ownership rate.

Income-Based Tenure Projections

One final calculation method that can be examined is based on tenure patterns that exist for households at different income levels. Historically, home ownership rates rise as household income levels increase. Conversely, rental tenure rates for low and moderate income households tend to be very high.

According to the 2013 American Community Survey, the median household income level for all households in the Fargo-Moorhead MSA was just below \$52,000. However, for all home owner households, the median income level was approximately \$75,200. For all renter households, the median income level was approximately \$29,600.

Household income projections for the year 2020 are available from Esri. In general, they expect substantial improvement in the income level for most households. When compared to the income distribution for the MSA that was reported in the 2013 American Community Survey, Esri expects the number of households with an annual income below \$50,000 to decrease by more than 700 households, and the number of households with an annual income above \$50,000 to increase by more than 18,000 households.

This anticipated growth among moderate to higher income households has the potential to yield a significant increase in demand for home ownership. In 2013, the home ownership rate among MSA households with an annual income above \$50,000 was nearly 79%. As a result, the forecasts from Esri showing a substantial increase in the number of households with an annual income of \$50,000 or more should theoretically result in demand for home ownership.

As with the age-based calculation, the income analysis is simply not consistent with actual market conditions. Despite ongoing improvement in household income levels, preference for rental housing has remained strong, while home ownership demand has lagged behind the level that is predicted by demand indicators. With housing starts in the MSA heavily oriented to multifamily rental, and the number of single family housing starts actually declining from 2013 to 2014, the predictions formed from income growth are not being transferred into actual market demand.

It is important to note, however, that the income projections from Esri do indicate that home ownership is possible for an increasing number of area households. Therefore, the preference for rental units that has existed in recent years is less restricted by economic considerations. Instead, the decision of moderate and higher income households to remain in rental housing could be viewed as a lifestyle decision.

Reconciliation of Demand Indicators Reviewed

As evident in the preceding pages, the assumptions that are applied to recent and future household growth can result in significantly different interpretations of future housing needs. After reviewing the possibilities, the analysts have used the methodology that tracks recent housing construction patterns and short-term tenure preferences as the best indicator of future needs. This points to above-average demand for rental housing versus ownership housing in the City of Fargo. The projected tenure distribution has then been adjusted somewhat to reflect the City's historic tenure pattern.

For the net household growth within the City of Fargo between 2010 and 2020, a tenure distribution of 42% home ownership and 58% rental has been applied. These projections are then used as the basis in the Findings and Recommendations section that follows later in this document.

The various prediction methods that point to a stronger percentage share for home ownership in the future are worth consideration, but actual market activity continues to run counter to any calculated indicators pointing to an expected shift toward ownership. This is primarily evident in single family housing starts, as the number of building permits issued for single family units in Fargo was lower in 2014 than in 2013. Year-to-date activity in 2015 shows some improvement when compared to 2014, but through the first five months of the year, still trailed 2013.

At the same time, extremely strong activity in the multifamily rental segment, especially from 2012 to 2014, has created a large number of rental housing choices, in both style and location. Very competitive pricing, and the probability that additional price concessions could be offered due to competition, have given renters multiple reasons to remain within this market segment.

It should be noted that home sales data from both the Fargo Assessment Department and the Area Association of Realtors do show improving conditions in the sale of single family homes, with a fairly large increase in the median sale price in Fargo. Information from the Area Association of Realtors also shows that while demand is growing, the supply of homes listed for sale is not, which should start to cause more demand for single family new construction.

Still, Fargo continues to be a community with strong rental demand, and this Study anticipates that pattern to continue for the five-year projection period to the year 2020.

Key Findings

- ▶ The strong growth that has occurred in Fargo in recent decades has been shared within most of the different racial and ethnic populations subsets. However, at the time of the 2010 Census, which represents the most accurate recent benchmark, more than 90% of the City's population was White for race, and less than 2.2% of the City's population was of Hispanic/Latino ethnicity.
- ▶ Although racial and ethnic minority populations still represented a relatively small share of all City residents, most had been experiencing rapid growth, if measured in percentage terms.
- ▶ Fargo's Black/African American population had increased by more than 209% between 2000 and 2010. The Asian/Pacific Islander population had increased by 109% during the decade. The Hispanic/Latino population of any race had increased by nearly 98% from 2000 to 2010.
- ▶ It is possible that some of the reported Census totals could reflect an undercount among certain racial and ethnic groups. This is often a concern of representatives of these minority groups, who believe that people that have recently moved to the community may not be accurately counted.
- ▶ With a very high citywide rate of renter occupancy, Fargo tends to have a lower-than-average rate of home ownership among all racial and ethnic groups. The highest rate of home ownership in 2010 was reported for White households, but this was still below 48%. All of the defined racial and ethnic minority groups had a home ownership rate that was less than 27%. Black/African American households had the lowest reported rate of ownership, at less than 12%.
- ▶ Income information for racial and ethnic minority households is only provided through the Census Bureau's American Community Survey, with the most recent estimate from 2013. Because the American Community Survey is based on limited sampling, there is a margin of error within each estimate, and for some minority groups, the information is suppressed due to the limited number of surveys. As a result, the analysts do not believe that the individual estimates can always be viewed as reliable. While the accuracy may be in question, the median household income estimates for Black/African American households and Native American households tend to be significantly lower than for other minority groups. Black/African American and Native American households also have very low rates of home ownership.

Racial and Ethnic Population Data

The following tables provide some basic information from the Census Bureau about area population and households characteristics by race and ethnicity. It is important to note that Fargo has a history of refugee international immigration, some of which originated from Bosnia and other areas of Europe where the population would potentially be classified as “white” in Census data, although these populations may still have language barriers.

Table 24 Population by Race/Ethnicity - Fargo - 1990 to 2010					
Race/Ethnicity	1990 Census	2000 Census	2010 Census	Numeric Change 2000-2010	Percentage Change 2000-2010
White	71,968	85,321	95,205	9,884	11.6%
Black/African American	260	922	2,852	1,930	209.3%
Native American	796	1,119	1,452	333	29.8%
Asian/Pacific Islander	929	1,522	3,181	1,659	109.0%
Other Race	158	400	653	253	63.3%
Two or More Races	-	1,315	2,206	891	67.8%
Total	74,111	90,599	105,549	14,950	16.5%
Hispanic/Latino	544	1,167	2,308	1,141	97.8%
Non-Hispanic	73,567	89,432	103,241	13,809	15.4%
Total	74,111	90,599	105,549	14,950	16.5%

Source: U.S. Census; Community Partners Research, Inc.

Among populations by race, the greatest numeric growth in the non-White groups was among Black/African American and Asian/Pacific Islanders, with increases of 1,930 and 1,659 people respectively, between 2000 and 2010. These two racial groups also had the greatest increases in percentage terms.

The Native American population living in Fargo has continued to increase over time, but still represents a relatively small percentage of the City’s total population. When compared to other racial groups, it has also experienced smaller percentage gains.

Hispanic/Latino populations also continue to increase from decade to decade, but in 2010, this ethnic group represented less than 2.2% of the City’s total.

Racial and Ethnic Household Data

Table 24 Households by Race/Ethnicity - Fargo - 1990 to 2010					
Race/Ethnicity	1990 Census	2000 Census	2010 Census	Numeric Change 2000-2010	Percentage Change 2000-2010
White	29,469	37,571	43,459	5,888	15.7%
Black/African American	79	286	894	608	212.6%
Native American	251	423	522	99	39.4%
Asian/Pacific Islander	288	512	1,108	596	116.4%
Other Race	62	139	240	101	72.7%
Two or More Races	N/A	337	568	231	68.5%
Total	30,149	39,268	46,791	7,523	19.2%
Hispanic	163	353	720	367	104.0%
Non-Hispanic	29,986	38,915	46,071	7,156	18.4%
Total	30,149	39,268	46,791	7,523	19.2%

Source: U.S. Census; Community Partners Research, Inc.

Although the large majority of Fargo's households are White and non-Hispanic, there has been continued growth from minority racial and ethnic groups over the last few decades. Of the net household growth achieved in Fargo between 2000 and 2010, nearly 22% was attributed to racial minority households, although they still represent just over 7% of all households in the City.

On both a numeric and percentage basis, Black/African American households represented the greatest increase among racial minority groups, followed by Asian/Pacific Islanders. Both of these groups more than doubled the number of households between 2000 and 2010.

Over the prior decade the City added 99 Native American households, an increase of more than 39%.

The number of Hispanic/Latino households in Fargo also more than doubled in the prior decade. However, Hispanic/Latino households still represented only 1.5% of all households citywide.

Race/Ethnicity Households by Tenure

The following table presents information for the City of Fargo from the 2010 Census.

Table 25 Housing Tenure by Race/Ethnicity - Fargo 2010				
Race/Ethnicity	Owner Households		Renter Households	
	Number	Percent	Number	Percent
White	20,771	47.8%	22,688	52.2%
Black/African American	103	11.5%	791	88.5%
Native American	88	16.9%	434	83.1%
Asian/Pacific Islander	290	26.2%	818	73.8%
Other Race	38	15.8%	202	84.2%
Two or More Races	143	25.2%	425	74.8%
Hispanic	160	22.2%	560	77.8%
Non-Hispanic	21,273	46.2%	24,798	53.8%

Source: U.S. Census; Community Partners Research, Inc.

Fargo has an above-average percentage of renters versus home owners, and is one the rare communities in the region where the rental tenure rate is above 50%. This tenure pattern existed in 2010 among households of all racial and ethnic groupings.

The highest rate of ownership existed among households that listed their race as White with nearly 48% of these households owning their housing unit. No other racial or ethnic group had a home ownership rate that was above 27%.

Black/African American households had the lowest rate of home ownership, which was less than 12%. This was followed by people of "other race" at less than 16% home owners, and Native Americans, with an ownership rate below 17%. Hispanic/Latino households had a home ownership rate that was just above 22%.

Although not displayed in the table above, the 2004 Fargo Housing Study had examined tenure rates reported in the 2000 Census. The only minority group that experienced an increased rate of home ownership from 2000 to 2010 was households identified as "two or more races", which had a home ownership rate below 20% in 2000, but had an ownership rate above 25% in 2010.

Median Household Income by Race/Ethnicity in 2013

The Census Bureau's American Community Survey provides greater detail on demographic and social characteristics of the population. However, since it is based on sampling, the estimates that are generated can often contain a fairly wide margin of error. Still, this source can provide information that is not readily available from other data sources.

In the following table, median household income information has been displayed from the 2013 American Community Survey. Community Partners Research has then calculated the monthly amount available for housing costs, based on 30% of income. The ACS information is based on five years of surveys completed from 2009 to 2013. The one year survey sample, which has generally been used in other sections of this Study, had suppressed information on income for some of the racial and ethnic groups.

Table 25 Median Household Income by Race/Ethnicity - Fargo 2013		
Race/Ethnicity	Median Household Income	Monthly Amount Available for Housing
White	\$47,012	\$1,175
Black/African American	\$14,063	\$352
Native American	\$29,162	\$729
Asian	\$42,276	\$1,057
Some Other Race	\$56,136	\$1,403
Hispanic/Latino	\$41,667	\$1,042
White Non-Hispanic	\$47,221	\$1,181

Source: American Community Survey; Community Partners Research, Inc.

As reported in the American Community Survey, there was wide variation in the median household income level based on the race/ethnicity of the householder. This was especially true for Black/African American Households, and Native American households. They were the only defined racial groups that had a median household income that was less than \$40,000.

When reduced to a monthly amount that was available for housing costs, based on 30% of income, Black/African American households had a very limited amount that could be applied to housing without experiencing a cost burden.

Conversely, the median income levels for most of the other racial and ethnic groups allowed for more than \$1,000 per month that could be applied to housing costs.

The relatively low rate of home ownership that exists in Fargo, especially among some of the racial and ethnic minority groups, is consistent with the reported median income levels. In 2013, the median household income for all home owners in Fargo was \$76,148. While this income amount was well above the median for any of the racial and ethnic groups, there was a substantial gap between the estimated median levels for Black/African American and Native American households.

Income Data

Highlights of this Section

The following pages examine area income levels in detail. The highlights of this analysis are as follows:

Income Facts and Figures

- ▶ Income estimates from the Census Bureau are somewhat dated and the most recent information is from 2013. The estimated median household income for all households in the City of Fargo was between \$44,845 and \$45,458, according to various sampling through the American Community Survey.
- ▶ An alternate estimate is available from Esri for the year 2015. Esri places the City's median household income at \$49,101. In addition to the two-year time difference between the Esri and American Community Survey estimates, Esri tends to have a more optimistic view of income growth over time.
- ▶ Families (households with two or more related members) tend to have higher income than non-family households, many of which have only one household member. The estimated median family income in 2013 was between \$65,000 and \$70,000 in Fargo. The median income for non-family households was between \$30,000 and \$32,500.
- ▶ The ACS medians represent the midpoint levels. While there were a large number of households near the median level, there were also many households that differed significantly from the median.
- ▶ Between 25% and 26.5% of the City's households had annual incomes below \$25,000 in 2013, according to the American Community Survey. When standard housing cost thresholds were applied, these households typically had less than \$625 per month that could be used for housing. Housing cost burdens were a very real possibility for these lower income people.
- ▶ Esri estimated that nearly 23% of all households in 2015 were still below \$25,000 for annual income. While Esri shows some improvement occurring in the lower income ranges, the number of households with very low incomes, less than \$15,000 has not been improving.

- ▶ According to the American Community Survey, between 15% and 17% of all households in Fargo had an annual income of \$100,000 or more in 2013. According to Esri, more than 21% of all Fargo households had an annual income of \$100,000 or more in 2015. These higher income households have more flexibility in their housing options. At 30% of income, a household earning \$100,000 could have applied \$2,500 per month to housing.

Demographic Details of Income

- ▶ As would be expected, the lower income groups are primarily renter households. Approximately 87% to 88% of all Fargo households with an annual income below \$25,000 in 2013 were renters.
- ▶ As household income increases, the rate of home ownership rises. For all the income ranges of \$50,000 or more, the home ownership tenure rate was greater than the rental tenure rate. For households with an annual income of \$75,000 or more, the rate of home ownership was above 76%.
- ▶ The median household income level tends to increase as people advance through their working years. After peaking in the 45 to 64 year old age range, the median then decreases again as people enter their retirement years. Esri shows the highest median income level among households in the 45 to 54 year old range.
- ▶ Only limited information exists on income differences by race and ethnicity, but income levels for non-White and Hispanic/Latino households tend to be lower than for White non-Hispanic/Latino households. Because of limited sampling in the American Community Survey, additional income details based on race and ethnicity are not always reliable.

Household Income Estimates - Data Sources

As part of this Study, Community Partners Research, Inc., has examined household income estimates from two different sources. The primary source of information is the American Community Survey released by the U.S. Census Bureau. As a secondary source, household income information was available from Esri, Inc., a private company that prepares and reports demographic data.

The information from the American Community Survey is effective for 2013. After examining the American Community Survey estimates based on one-year, three-year and five-year sampling, Community Partners Research presented the one-year sample in the following tables. While this is based on a smaller sample size, it represents the most current data. The income details obtained from Esri are for the year 2015.

In the following pages, different items related to income have been analyzed. These topics start with more generalized information, such as median household income and median family income. Then finer levels of detail are analyzed, such as income by age of householder, income by household size, income by tenure and income by race/ethnicity.

The next section of this Housing Study examines Affordable Housing, and includes a comparison of housing costs to income.

Key Definitions:

- ▶ **Median household income** represents the midpoint annual income level for all households - this includes people living alone, unrelated people living together, and families
- ▶ **Median family income** represents the midpoint for households that have two or more related individuals living together

Median Income Levels

Median income represents the midpoint for all households. This would include families as well as single individuals that are living alone, and households with two or more unrelated individuals living together. A family is a subset of all households, and requires that two or more individuals be related within the household. The median family income is typically higher than the median household income level.

Table 1 American Community Survey Median Income Levels in 2013

	Median Household	Median Family
Fargo	\$44,845	\$65,411
Fargo-Moorhead MSA	\$51,961	\$71,332

Source: ACS 1-year estimates

As reported by the Census Bureau, the median household income within the City of Fargo was \$44,845 in the year 2013. The median level increased to nearly \$52,000 when all households within the MSA are included, as income levels outside of Fargo are higher than those in the City.

As expected, the median family income was higher than the household median, at \$65,411 in Fargo, and at \$71,332 for the entire MSA. Since families by definition must have two or more household members, there are more opportunities for income-earners within family households.

An alternate median household income estimate exists from Esri for the year 2015. The Esri reports obtained by Community Partners research did not differentiate families from all households.

Table 2 Esri Median Household Income Estimate in 2015

	Median Household
Fargo	\$49,101
Fargo-Moorhead MSA	\$54,406

Source: Esri

Esri tends to have a more optimistic estimate of area income levels when compared to Census Bureau estimates, with a smaller distribution of lower income households and more households in the higher income ranges. As a result, the midpoint income levels also are higher. For 2015, Esri estimates that the median income in Fargo is \$49,101, and \$54,406 for the entire MSA.

Household Income Distribution

The 2013 ACS from the Census Bureau includes information by income range for all households in both the City and the entire MSA.

Table 3 Household Income Distribution - 2013				
Income Range	City of Fargo		Fargo-Moorhead MSA	
	Households	Percent	Households	Percent
Less than \$10,000	4,481	9.0%	6,269	6.9%
\$10,000 - \$14,999	2,837	5.7%	4,271	4.7%
\$15,000 - \$19,999	2,354	4.7%	4,026	4.4%
\$20,000 - \$24,999	3,494	7.0%	5,545	6.1%
\$25,000 - \$29,999	3,334	6.7%	5,839	6.4%
\$30,000 - \$34,999	3,242	6.5%	5,025	5.5%
\$35,000 - \$39,999	2,028	4.1%	3,946	4.3%
\$40,000 - \$44,999	3,101	6.3%	4,590	5.0%
\$45,000 - \$49,999	2,215	4.5%	4,255	4.7%
\$50,000 - \$59,999	4,415	8.9%	6,670	7.3%
\$60,000 - \$74,999	5,190	10.5%	10,865	11.9%
\$75,000 - \$99,999	6,128	12.4%	12,253	13.5%
\$100,000 - \$124,999	2,376	4.8%	6,726	7.4%
\$125,000 - \$149,999	1,724	3.5%	3,892	4.3%
\$150,000 - \$199,999	991	2.0%	3,259	3.6%
\$200,000+	1,658	3.3%	3,528	3.9%
Total	49,568	100%	90,959	100%

Source: U.S. Census ACS 1-year estimates

Within the City of Fargo, more than 26% of all households had an annual income that was below \$25,000 in 2013. This percentage dropped to approximately 22% of all households in the entire MSA. Approximately 26% of all households in the City had an annual income of \$75,000 or more, and nearly 33% of all households in the MSA were in these higher income ranges.

An alternate income distribution estimate exists for 2015 from Esri. The income ranges are less defined than from the American Community Survey.

Table 4 Household Income Distribution - 2015				
Income Range	City of Fargo		Fargo-Moorhead MSA	
	Households	Percent	Households	Percent
Less than \$15,000	6,831	12.9%	11,134	11.5%
\$15,000 - \$24,999	5,114	9.7%	8,773	9.1%
\$25,000 - \$34,999	6,568	12.4%	10,441	10.8%
\$35,000 - \$49,999	8,354	15.8%	13,999	14.5%
\$50,000 - \$74,999	7,738	14.6%	16,382	17.0%
\$75,000 - \$99,999	7,167	13.5%	14,293	14.8%
\$100,000 - \$149,999	6,672	12.6%	13,245	13.7%
\$150,000 - \$199,999	2,095	4.0%	4,546	4.7%
\$200,000+	2,452	4.6%	3,757	3.9%
Total	52,991	100%	96,570	100%

Source: Esri

The Esri estimates are two years forward from those issued by the Census Bureau. With strong local economic conditions, some improvement in income would be expected from year to year. However, even with some adjustment for time, the Esri estimates tend to be more optimistic for household income. The median estimate presented earlier showed Esri's estimated median household income for Fargo to be approximately 9.5% higher than the Census Bureau estimate for 2013. It is doubtful that the median would have increased by that amount in just two years. Readers should be cognizant of the differences in the two estimating sources.

In 2015, Esri estimates that 22.5% of all households have an annual income that is below \$25,000. This percentage dropped to approximately 20.6% of all households in the entire MSA.

According to Esri, approximately 34.7% of all households in the City had an annual income of \$75,000 or more in 2015, and more than 37.1% of all households in the MSA were in these higher income ranges.

Median Household Income by Household Size

The American Community Survey estimates for 2013 show median income levels based on the number of people in the household.

Table 5 Median Household Income by Household Size - 2013		
Household Size	Fargo	Fargo-Moorhead MSA
One Person	\$27,071	\$27,616
Two Person	\$56,013	\$63,105
Three Person	\$53,274	\$59,053
Four Person	\$83,116	\$88,473
Five Person	\$91,214	\$90,286
Six Person	\$80,511	\$89,766
Seven + Person	-	\$92,947
Median - All Households	\$44,825	\$51,961

Source: ACS 1-year estimates

When median household income is reviewed by household size, some interesting trends are evident. As would be expected, one person households have the lowest median income level. However, the median income more than doubles when a second household member is present, but drops slightly for three person households.

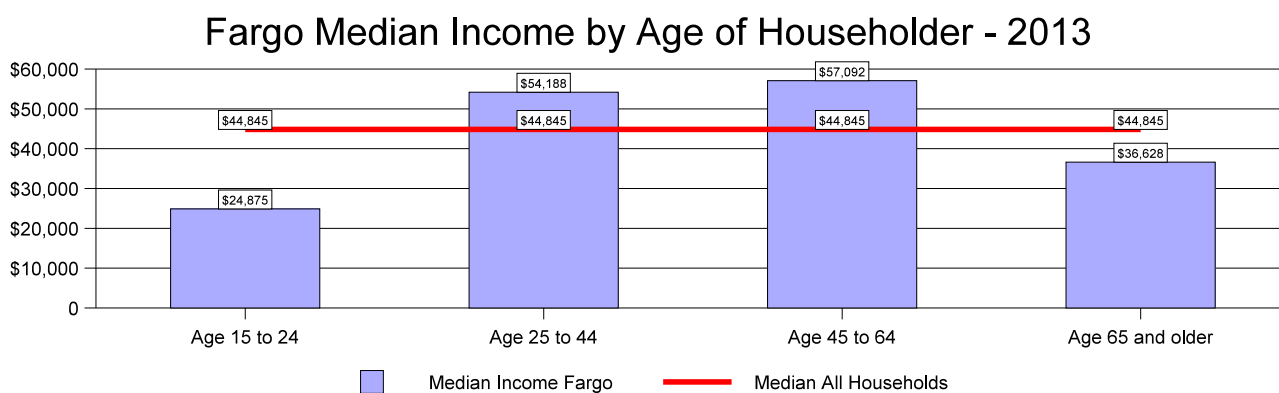
In both the City and the MSA, the highest median income level existed among five person households, but the median levels were generally high for households with four or more members.

Median Household Income by Age

The American Community Survey estimates for 2013 show median income levels based on the age of the head of household. However, the age ranges are large in the American Community Survey and are generally in 20-year increments.

Table 6 Median Household Income by Household Size - 2013		
Age Range	Fargo	Fargo-Moorhead MSA
15 to 24	\$24,875	\$25,887
25 to 44	\$54,188	\$63,304
45 to 64	\$57,092	\$67,399
65 and older	\$36,628	\$37,150
Median - All Households	\$44,845	\$51,961

Source: ACS 1-year estimates



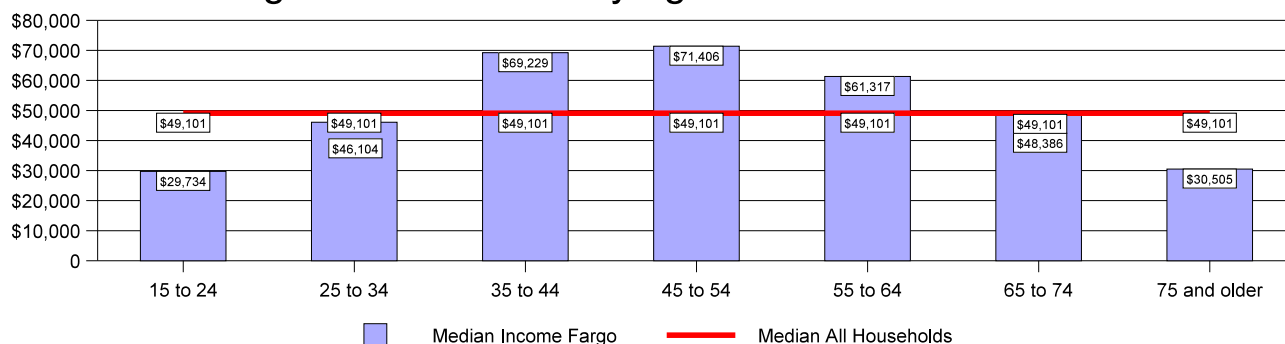
The median household income level increases rapidly as households age through their income-earning years. The median income for households age 25 to 44 years old is more than double the level for households age 24 and younger, which presumably includes a large number of student households. The median income level then peaks for households age 45 to 64 years old, before decreasing quickly as households move into retirement.

Esri has also produced income estimates by age, using 10-year age cohorts.

Table 7 Median Household Income by Household Size - 2015		
Age Range	Fargo	Fargo-Moorhead MSA
15 to 24	\$29,734	\$30,939
25 to 34	\$46,104	\$51,027
35 to 44	\$69,229	\$75,865
45 to 54	\$71,406	\$75,895
55 to 64	\$61,317	\$63,984
65 to 74	\$48,386	\$50,350
75 and older	\$30,503	\$30,367
Median - All Households	\$49,101	\$54,406

Source: Esri

Fargo Median Income by Age of Householder - 2015



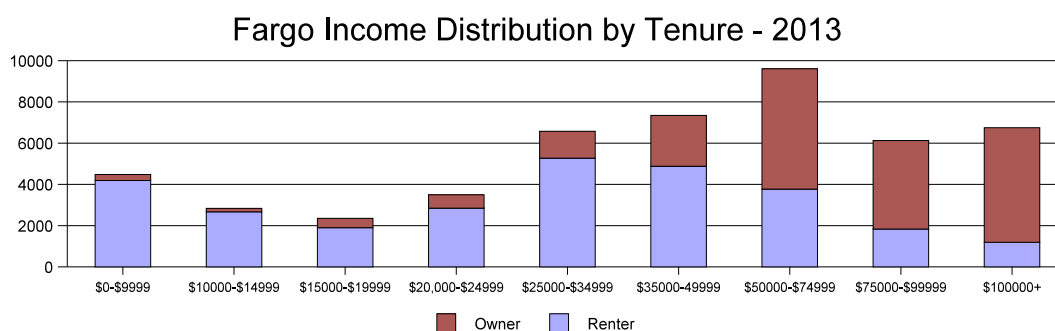
Esri's median household income estimates are available based on 10-year age groupings. The highest median income level for both the City and the MSA existed for households in the 45 to 54 year old range. The median levels for households between 35 and 64 years old were above \$61,000.

Household Income by Housing Tenure

The following table examines household income distribution in 2013 by ownership or rental tenure. The first table examines information for the City of Fargo, and the second table contains information for the entire MSA.

Table 8 Household Income Distribution by Tenure in Fargo: 2013				
Income Range	Renters		Owners	
	Households	Percent	Households	Percent
Less than \$10,000	4,189	14.7%	292	1.4%
\$10,000 - \$14,999	2,667	9.3%	170	0.8%
\$15,000 - \$19,999	1,899	6.7%	455	2.2%
\$20,000 - \$24,999	2,847	10.0%	647	3.1%
\$25,000 - \$34,999	5,270	18.5%	1,306	6.2%
\$35,000 - \$49,999	4,878	17.1%	2,466	11.7%
\$50,000 - \$74,999	3,771	13.2%	5,834	27.8%
\$75,000 - \$99,999	1,833	6.4%	4,295	20.4%
\$100,000 - \$149,999	688	2.4%	3,412	16.2%
\$150,000 +	503	1.8%	2,146	10.2%
Total	28,545	100%	21,023	100%

Source: ACS 1-year estimates



The household income by tenure patterns show that the large majority of lower income households are renters. In 2013, there were approximately 11,600 households with an annual income below \$25,000 that were renting their housing. In comparison, there were fewer than 1,600 households in this same income range that owned their housing unit.

The majority of households earning less than \$50,000 per year were renters. Above \$50,000, a majority of households within each income range were owners.

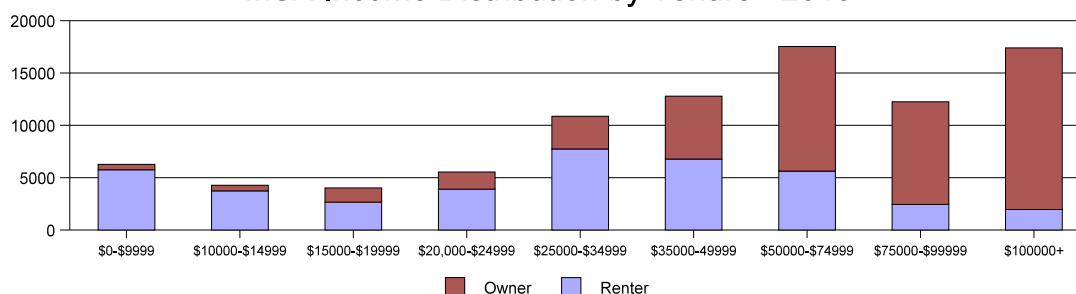
Despite the fact that households in the lower income ranges tended to be renters, there were a large number of renter households with more moderate incomes. In Fargo, more than 40% of all renter households reported an income of \$35,000 or more, and nearly 24% of all renters reported an annual income of \$50,000 or more. Using the standard of affordable rent based on 30% of income, a household with an income of \$35,000 could afford a rent of \$875 without experiencing a rent burden.

Table 9 Household Income Distribution by Tenure in MSA: 2013

Income Range	Renters		Owners	
	Households	Percent	Households	Percent
Less than \$10,000	5,755	14.2%	514	1.0%
\$10,000 - \$14,999	3,741	9.2%	530	1.1%
\$15,000 - \$19,999	2,667	6.6%	1,359	2.7%
\$20,000 - \$24,999	3,898	9.6%	1,647	3.3%
\$25,000 - \$34,999	7,749	19.1%	3,115	6.2%
\$35,000 - \$49,999	6,779	16.7%	6,012	11.9%
\$50,000 - \$74,999	5,624	13.8%	11,911	23.7%
\$75,000 - \$99,999	2,448	6.0%	9,805	19.5%
\$100,000 - \$149,999	1,384	3.4%	9,234	18.3%
\$150,000 +	575	1.4%	6,212	12.3%
Total	40,620	100%	50,339	100%

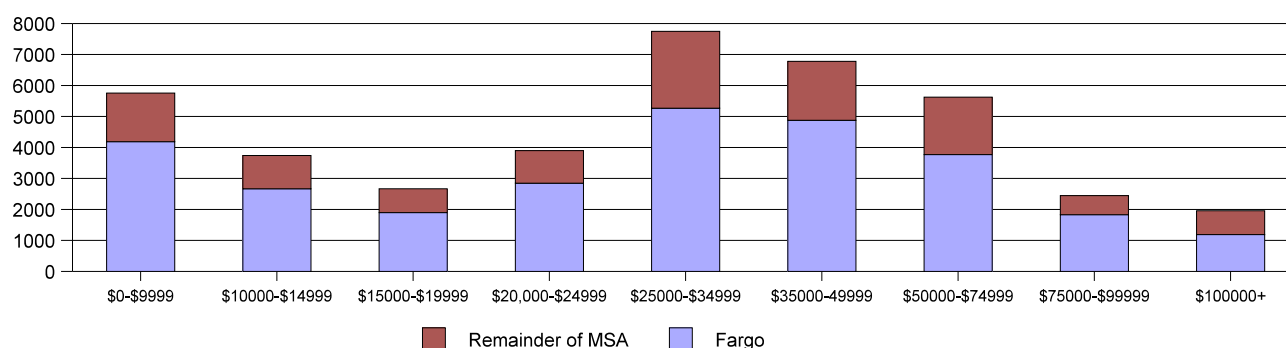
Source: ACS 1-year estimates

MSA Income Distribution by Tenure - 2013



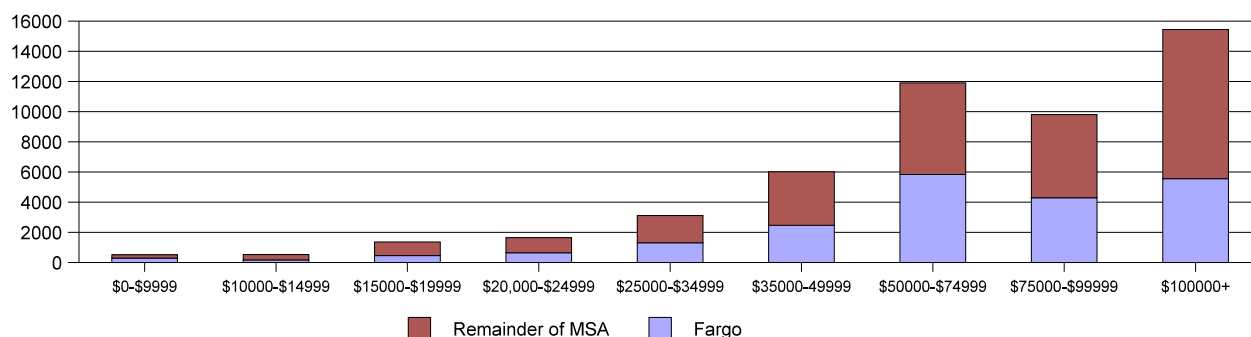
The income distribution by tenure patterns for the entire MSA are impacted by Fargo, and largely display the same trends. In the following charts, the distribution for Fargo and the remainder of the MSA are displayed separately. As the largest jurisdiction in the MSA, Fargo has most of the renter households. This is especially true in the lower income ranges. While the ACS income estimates show that approximately 70% of all MSA renter households live in the City, more than 72% of all renter households with an income below \$25,000 live in the City.

Renter Household Income Distribution - 2013



Most of the home owner households in the MSA live outside of the City of Fargo. According to the ACS income estimates, fewer than 42% of all home owners live in the City. However, in the highest income ranges, home owners with an annual income of \$100,000 or more, fewer than 36% live in the City, with more than 64% living in the other jurisdictions.

Owner Household Income Distribution - 2013



Household Income by Race/Ethnicity

The American Community Survey utilizes a small, random sample of households to generate the annual estimates. Since many of the racial and ethnic minority populations in Fargo are relatively small in size, the limited sampling does not always provide usable information. In some cases, the income information is suppressed to protect privacy. In some estimates, a large margin of error exists, due to the small number of households contacted. While the analysts view some of the information on specific racial and ethnic groups as unreliable, it is possible to derive information for racial and ethnic minority households by subtracting the White, non-Hispanic/Latino households from the Citywide totals.

Table 10 Fargo Household Income by Race/Ethnicity - 2013				
Income Range	White Households Not Hispanic/Latino		Race other than White and/or Hispanic/Latino	
	Households	Percent	Households	Percent
Less than \$10,000	3,968	8.7%	513	12.2%
\$10,000 - \$14,999	2,593	5.7%	244	5.8%
\$15,000 - \$19,999	1,847	4.1%	507	12.1%
\$20,000 - \$24,999	2,741	6.0%	753	17.9%
\$25,000 - \$29,999	2,783	6.1%	551	13.1%
\$30,000 - \$34,999	2,767	6.1%	475	11.3%
\$35,000 - \$39,999	2,028	4.5%	0	0%
\$40,000 - \$44,999	2,955	6.5%	146	3.5%
\$45,000 - \$49,999	2,188	4.8%	27	0.6%
\$50,000 - \$59,999	4,290	9.5%	125	3.0%
\$60,000 - \$74,999	4,847	10.7%	343	8.2%
\$75,000 - \$99,999	5,702	12.6%	426	10.1%
\$100,000 - \$124,999	2,282	5.0%	94	2.2%
\$125,000 - \$149,999	1,724	3.8%	0	0%
\$150,000 - \$199,999	991	2.2%	0	0%
\$200,000+	1,658	3.7%	0	0%
Total	45,364	100%	4,204	100%

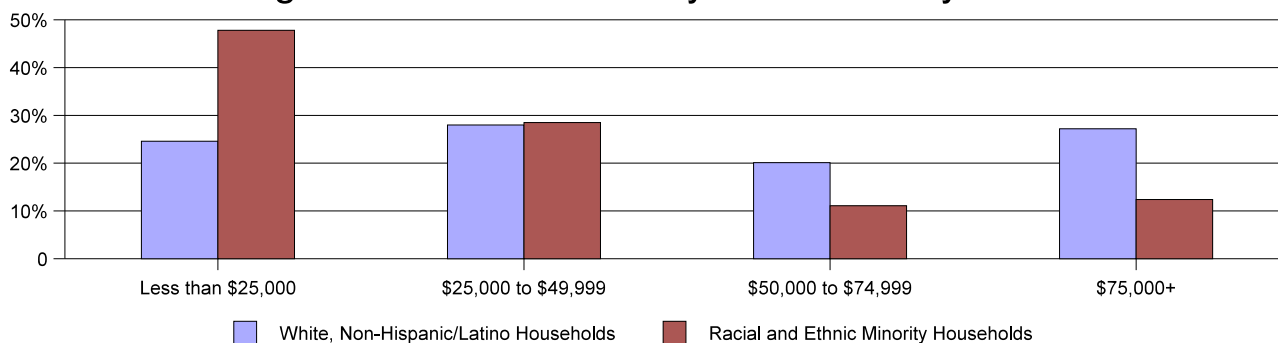
Source: ACS 1-year estimate; Community Partners Research, Inc.

When income information for White households that are not Hispanic/Latino is subtracted from the Citywide data, an estimate can be derived for all other racial and ethnic groups. This shows that a disproportionately large share of the non-White households tend to be in the lowest income range.

Although fewer than 25% of all White non-Hispanic/Latino households had an income below \$25,000 in 2013, nearly 48% of all racial and ethnic minority households were in these lower income ranges.

Minority households also had lower percentages in the higher income ranges, at \$75,000 or more per year. While more than 27% of all White, non-Hispanic/Latino households were in these moderate to higher ranges, fewer than 13% of racial and ethnic minority households were earning \$75,000 or more, according to the American Community Survey.

Fargo Income Distribution by Race/Ethnicity - 2013



Esri Income Projections

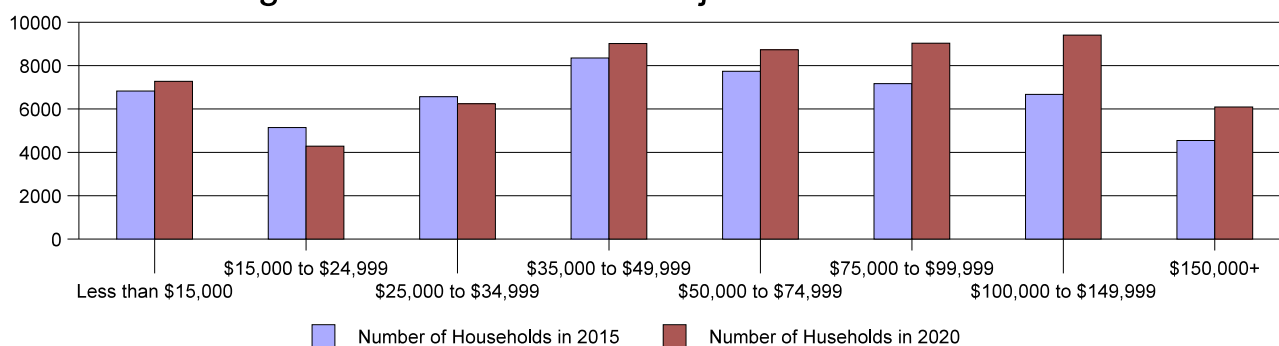
Esri, Inc., is a private data reporting service that also provides estimates and projections on household income. As stated previously, Esri tends to have a more optimistic view of area income levels, even when allowing for a two-year time difference in the effective dates of the most recent estimates. Esri sees fewer households in the lower income ranges, below \$25,000, and more households in the higher ranges, above \$75,000.

Despite the possibility that the Esri income data may be too high, this is one of the only usable sources for projected income changes to the year 2020.

Table 11 Fargo Household Income Projection to 2020				
Income Range	Households 2015	Households 2020	Numeric Change	Percentage Change
Less than \$15,000	6,831	7,278	+447	6.5%
\$15,000 - \$24,999	5,114	4,288	-826	-16.2%
\$25,000 - \$34,999	6,568	6,244	-324	-4.9%
\$35,000 - \$49,999	8,354	9,018	+664	7.9%
\$50,000 - \$74,999	7,738	8,733	+995	12.9%
\$75,000 - \$99,999	7,167	9,037	+1,870	26.1%
\$100,000 - \$149,999	6,672	9,410	+2,738	41.0%
\$150,000 +	4,547	6,094	+1,547	34.0%
Total	52,991	60,102	+7,111	13.4%

Source: Esri, Inc.

Fargo Household Income Projections: 2015 to 2020



Esri expects household income levels to show general improvement over the next five years. With the exception of some increase in the lowest income range, below \$15,000, there is an expected decrease in the number of households with an annual income below \$35,000.

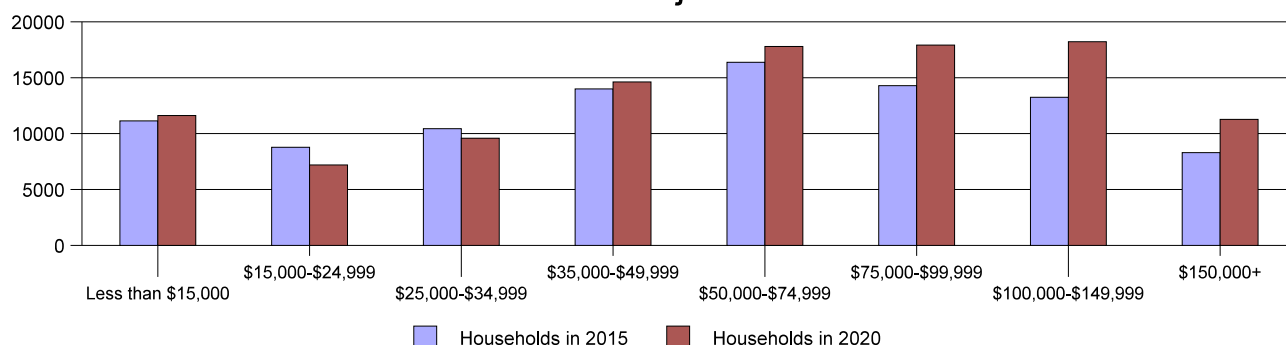
Very strong income growth is projected in the income ranges above \$75,000. Overall, Esri expects the number of households with an income of \$75,000 or more to increase by more than 6,100 households in Fargo between 2015 and 2020.

Income projections are also available for the entire Fargo-Moorhead MSA.

Table 12 MSA Household Income Projection to 2020				
Income Range	Households 2015	Households 2020	Numeric Change	Percentage Change
Less than \$15,000	11,134	11,615	+481	4.3%
\$15,000 - \$24,999	8,773	7,200	-1,573	-17.9%
\$25,000 - \$34,999	10,441	9,592	-849	-8.1%
\$35,000 - \$49,999	13,999	14,622	+623	4.5%
\$50,000 - \$74,999	16,382	17,797	+1,415	8.6%
\$75,000 - \$99,999	14,293	17,923	+3,630	25.4%
\$100,000 - \$149,999	13,245	18,225	+4,980	37.6%
\$150,000 +	8,303	11,276	+2,973	35.8%
Total	96,570	108,250	+11,680	12.1%

Source: Esri, Inc.

MSA Household Income Projection from 2015 to 2020



Consistent with the projections for Fargo, Esri expects solid income growth for the entire MSA over the next five years. Based on the forecasts, the number of households with an annual income of \$75,000 or more should increase by more than 11,500 households by 2020. Conversely, the number of households with an annual income below \$35,000 would decrease by more than 1,900 households over the five-year period.

Affordable Housing Analysis

Section Highlights

- ▶ This Study has utilized commonly accepted standards that housing should require 30% or less of household income to be considered affordable. Since the calculation of what is affordable will change for households at different income levels, various median levels have been examined.
- ▶ For a household at the Citywide median income level of approximately \$45,000 in 2013, the affordable ownership level was approximately \$136,000 to \$151,000, and was partly dependent on cash available for closing.
- ▶ For a household at the Citywide median income level of approximately \$45,000 in 2013 the affordable rent threshold for a household at the median income level was \$1,125.
- ▶ Although these affordable housing standards apply to a household at the midpoint income level in the City, most existing renter households are in lower income ranges, and most current home owners are in higher income ranges.
- ▶ In 2013, the estimated median income level for renters was approximately \$30,000 and affordable rent was defined as approximately \$750. Half of the renter households could afford less per month and half could afford to pay more. By 2015, it is possible that the median renter household income has increased to approximately \$32,750, and the affordable rent level would be approximately \$820 per month.
- ▶ In 2013, the estimated median income level for home owners was approximately \$73,300 to \$75,000. At the median level for home owners, affordable ownership was defined as approximately \$214,000 to \$230,000. Again, half of the existing owners can afford less and half can afford more. By 2015, the median income level for home owners may be as high as \$82,000, increasing the affordable home level to approximately \$250,000.
- ▶ The number of lower income renter households that are not renting a unit that is affordable at their income can be determined from American Community Survey tables on housing cost burden. In 2013, approximately 11,000 to 12,000 renter households in Fargo were paying 30% or more of their income for housing. The large majority of these households had an annual income below \$20,000.

- ▶ There has been some numeric growth in the number of extremely low income renters in Fargo, with incomes below \$20,000, even though the overall percentage of renter households in these lower ranges has decreased over time. Based on reporting to the American Community Survey, a large percentage of these households will typically have a housing cost burden, due to the limited monthly amount that can be applied to housing costs.
- ▶ There has been large numeric growth in the number of more moderate income renter households, with an annual income between \$20,000 and \$35,000. Nearly half of these households have reported a cost burden in the past, with 30% or more of income required for monthly housing costs.
- ▶ Fargo had approximately 3,900 to 4,100 owner households that also reported a housing cost burden in 2013. The large majority of these households had an annual income below \$50,000.

Comparative Data from the Center for Housing Policy

- ▶ A 2014 report titled ***Paycheck to Paycheck*** provides comparative data on housing costs for the 210 largest metropolitan areas in the U.S. In addition to Fargo, information is also available for Minneapolis-St. Paul and Sioux Falls.
- ▶ Fargo rates well in offering affordable housing by national standards. For affordable ownership in 2014, Fargo was near the middle of the 2010 metropolitan areas examined. The median home value for Fargo was estimated at \$157,300 in the first quarter of 2014.
- ▶ For rental housing, the Fargo market was viewed as very affordable compared to other metropolitan areas. Only 17 rental markets had a lower rent for a two-bedroom unit, based on the HUD standard used.
- ▶ The ***Paycheck to Paycheck*** analysis concluded that both home ownership prices and rents had increased at a moderate rate between 2013 and 2014. As a result, the amount of income required had increased by 4% for home ownership and by 7% for rental housing between 2013 and 2014.

Affordable Housing Analysis

An adequate supply of affordable housing is often cited as a need in fast-growing communities such as Fargo. An analysis of the supply and demand for affordable housing was a primary reason that Fargo elected to complete this Housing Study project.

Definition of Affordable

Affordable housing is a relative term, which depends on a given household's income and their ability to apply a certain portion of that income to housing costs. This Study has examined various standards that may be applied to determine affordable rental and ownership housing.

For rental housing, this Study has used the accepted definition of the U.S. Department of Housing and Urban Development (HUD), which allows 30% of adjusted gross income for housing costs. This standard is also used by other comparative research projects that examine affordable housing, including the National Housing Conference's ***Paycheck to Paycheck*** report, which is cited later in this section.

The allowable standards for home ownership are not as well defined. Since the purchase of a home will most often involve outside financing, the ultimate definition of what is and what is not affordable is determined by the lending institution. It can be argued that a generous interpretation of what is affordable contributed to the home foreclosure crisis late in the prior decade, as loans were made to home owners that could not maintain the monthly payments.

For ownership housing, the calculation of an affordable monthly payment is dependent upon the length of the loan, the interest rate, the property tax rate, and the size of the down payment that is available. This Study has used the standard lending ratio of 28% of gross income for housing expenses of principal, interest, property taxes and insurance (PITI). This is also generally consistent with the recent analysis in the ***Paycheck to Paycheck*** report, which allows for comparison of Fargo to other metropolitan areas.

While both the rental and ownership definitions are commonly accepted standards, many households will voluntarily opt to pay a higher percentage of their income for housing. For example, in the past Fannie Mae has offered mortgage programs that allow households to pay up to 33% of their income for PITI. For lower income renters, HUD's Housing Choice Voucher Program will allow participating households to pay up to 40% of their adjusted monthly income for rent in certain cases.

Different Income Estimates Exist

To compare housing costs to income, reliable income estimates must also be available. There are income estimates available from various sources. This Study has examined the income information contained in the 2013 American Community Survey from the U.S. Census Bureau. The median household estimate for Fargo was approximately \$45,000 in 2013.

Income estimates have also been reviewed from Esri, Inc., a private data reporting service. The median household income estimate for Fargo was approximately \$49,100 in 2015, approximately \$4,100 higher than the ACS estimate. While a two-year time difference in the effective dates of the estimate would explain some of the difference, Esri also has a more optimistic view on area income levels.

Another income estimate that must be acknowledged comes from the U.S. Department of Housing and Urban Development (HUD). This estimate is for all of Cass County and serves as the basis for income limits HUD housing programs, including rent assistance Vouchers, subsidized rental housing, tax credits, and Community Development Block Grant (CDBG) funds. HUD's median family income estimate for Cass County is \$76,600. Since this is a median family estimate instead of a median household estimate, it would be expected to be higher. Although the analysts have identified HUD's median family income estimate, it has not been used in the income and housing cost burden review that follows in this section.

General Definitions of Affordable Housing at Median Household Income

Using the median household income estimates from the American Community Survey and from Esri, Community Partners Research has calculated the following general ranges for affordable housing.

Table 1 Median Income and Affordable Housing Calculation		
	Affordable Rent	Affordable Ownership
Fargo	\$1,125 - \$1,230	\$136,000 to \$155,000

Source: Community Partners Research

- ▶ Based on the available estimates for the City of Fargo, rental housing with a gross monthly rent of \$1,125 to \$1,230, or less, is considered to be affordable for a median income household (with 30% of gross income available for rent and housing costs).
- ▶ Ownership housing that has a purchase price from approximately \$136,000 to \$155,000, or less is considered to be affordable for a median income household (based on 4.18% rate, 30-year fixed rate mortgage, with \$10,000 to \$15,000 available for down payment and closing costs, and \$300 per month in other fixed debt).
- ▶ The calculation of affordable housing for ownership is directly impacted by cash available for closing. The affordable ownership amount increases if additional funds are available for a down payment. However, the amount of other debt also impacts the loan amount, and households with higher debt burdens would see a lower ability to borrow.

General Definitions of Affordable Housing at Median Income by Tenure

The previous table compared the median household income level to the amount that could be applied to housing costs. While this analysis applies to all households, there is a significant difference in the median income level for renters and home owners. The following table looks at the amount of monthly income that can be used for housing based on the median income by tenure.

The 2013 American Community Survey included an estimate of the median income level for home owners and renters. No similar detail was available from Esri, but an extrapolated median by tenure can be made, based on the ratio of tenure median to overall median as reported by the American Community Survey.

Table 2 Median Income Levels by Tenure in Fargo			
Renter Median Income	Affordable Rent	Owner Median Income	Affordable Ownership
\$30,000 - \$32,750	\$750 to \$820	\$73,300 to \$82,200	\$225,000 to \$250,000

Source: Community Partners Research

- ▶ Based on the ACS and Esri estimates for the median income level for renter households in Fargo, rental housing with a gross monthly rent of \$750 to \$820, or less, is considered to be affordable for a median income household (with 30% of gross income available for rent and housing costs).
- ▶ For owner households, the median annual income is substantially higher than for renter households. Depending on which income source is used, ownership housing that has a purchase price from \$225,000 to \$250,000 or less is considered to be affordable for a median income household (based on 4.18% rate, 30-year fixed rate mortgage, with \$15,000 available for down payment and closing costs, and \$400 per month in other fixed debt).
- ▶ Once again, the calculation of affordable ownership housing is directly impacted by multiple variables, including the loan term and interest rate, the cash available for closing and other fixed debt for the household. Changes in these items can raise or lower the maximum purchase price amount.
- ▶ The affordable housing calculations presented are based on the midpoint income level. Half the households can afford more, and half can afford less.

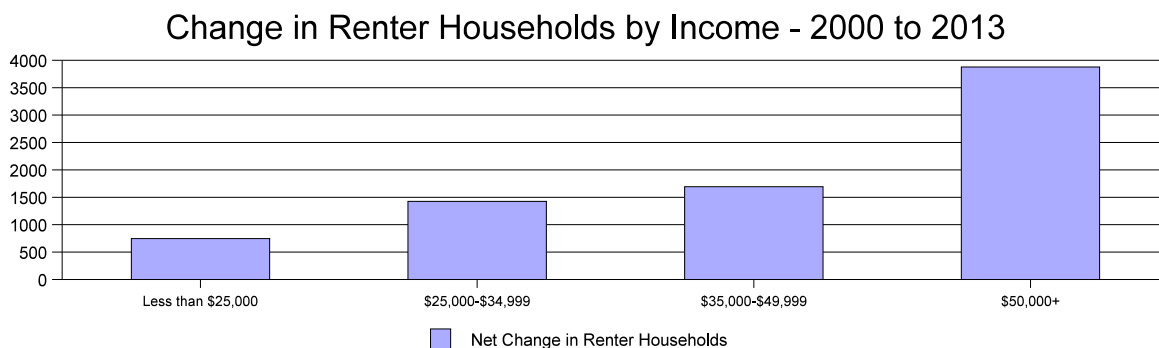
Renters: Income Trends and Housing Cost Burden

The ability to track income changes through the Census Bureau is limited, since the 2010 decennial Census did not collect income data. In addition to overall household income, sample data exists from the 2000 Census and from the 2013 American Community Survey.

Over this long time period, there was substantial growth in the number of renter households in Fargo. There has also been growth of more than 35% in the consumer price index over this basic time period. The following table examines the changes in household income for renters in Fargo.

Table 3 Fargo Renter Household Income Distribution - 2000 to 2013					
Income Range	2000 Census		2013 ACS		Numeric Change
	Number of Households	Percent	Number of Households	Percent	
\$0 - \$10,000	3,446	16.6%	4,189	14.7%	+743
\$10,000 - \$19,999	5,062	24.3%	4,566	16.0%	-496
\$20,000 - \$24,999	2,348	11.3%	2,847	10.0%	+499
\$25,000 - \$34,999	3,845	18.5%	5,270	18.5%	+1,425
\$35,000 - \$49,999	3,184	15.3%	4,878	17.1%	+1,694
\$50,000 - \$74,999	1,915	9.2%	3,771	13.2%	+1,856
\$75,000 - \$99,999	584	2.8%	1,833	6.4%	+1,249
\$100,000+	418	2.0%	1,191	4.2%	+773
Total	20,802	100%	28,545	100%	+7,743

Source: ACS 1-year estimates 2013; 2000 Census; Community Partners Research, Inc.



During the time period covered by these income estimates, the Census Bureau estimates that the City of Fargo added more than 7,700 renter households. As a result of the strong overall growth, the number of households within nearly all of the defined income ranges increased.

When percentage changes are examined, there has been an ongoing shift into the moderate to higher income ranges. The overall percentage of renter households with an annual income of \$50,000 or more increased from approximately 14% of all Fargo renters in 2000, to nearly 24% of all renters in 2013. With an annual income of \$50,000, a household could apply \$1,250 or more per month without incurring a housing cost burden. Growth in these moderate to higher income ranges is well matched to the substantial expansion of market rate housing that has occurred over time.

Within the lower income ranges below \$25,000, there has been numeric growth in the number of households, even though the percentage of all renter households has declined over time. In 2000, more than 52% of all renter households in Fargo were in these lower income groups. By 2013, fewer than 41% of all renter households had an income below \$25,000. However, in numeric terms, there were nearly 750 more households in 2013 that needed a rental unit with a gross rent of \$625 or less to avoid a housing cost burden.

In the more moderate income ranges between \$25,000 and \$49,999, there was a net increase of more than 3,100 renter households in Fargo, although the percentage of renter households increased from approximately 34% in 2000 to 36% in 2013.

From an affordable housing standpoint, there has been significant numeric growth in the number of renter households that need a moderate to lower rent unit. According to the ACS, the number of Fargo renter households with an annual income below \$35,000 has increased by more than 2,100 households from 2000 to 2013. These households would need a unit renting for \$875 or less to avoid a rent burden.

Rental Cost Burden

The household income and tenure information in the 2013 American Community Survey can be analyzed to determine the number of lower income households that experience a housing cost burden. The goal of most housing assistance programs is to keep housing costs at 30% or less of household income. When 30% or more of income is required, it is generally defined as a housing cost burden. Households applying more than 35% of income for housing may often have a severe housing cost burden.

For housing costs, the 2013 ACS had fewer distinct income ranges provided. There are also some renter households that were not included in the computations. The percentages displayed in the following table reflect households that have been included in the housing cost computation.

The one-year sample, which has been used elsewhere in this Study, did not contain data on renter incomes by housing costs. Instead, the estimates from the three-year sample have been used in the following table.

Table 4 Fargo Renter Income and Housing Costs - 2013			
Household Income	Under 30% of Income	30% or More of Income	Percent with Cost Burden
\$0 - \$9,999	243	3,082	92.7%
\$10,000 - \$19,999	441	3,638	89.2%
\$20,000 - \$34,999	3,909	3,692	48.6%
\$35,000 - \$49,999	4,114	661	12.2%
\$50,000 +	3,853	182	4.7%
Total	12,560	11,255	42.0%

Source: 2013 American Community Survey 3-Year; Community Partners Research, Inc.

Overall, approximately 42% of the renter households in Fargo in 2013 had a housing cost burden, with 30% or more of their income required for rent. Nearly 93% of these households were in the income ranges below \$35,000.

For households earning less than \$10,000 per year, nearly 93% reported paying more than 30% of their income for housing. While it would be very easy for an extremely low income household to pay more than 30% of income, this statistic may contradict other available data.

Many of the extremely low income households should either live in a subsidized unit or utilize a rent assistance Voucher. In both instances, the households monthly rent contribution should be capped at 30% of income. The fact that so many very low income households reported a cost burden would indicate that other monthly expenses have been included in the calculation.

The occurrence of a housing cost burden was also very high for households with an annual income between \$10,000 and \$19,999. More than 89% of renters in this group also reported paying more than 30% of income for housing. Once again, a number of these households should also be utilizing housing assistance programs that should cap their monthly contribution at 30% of income.

As household income improved, the frequency of a cost burden decreased rapidly. For households earning between \$20,000 and \$34,999, fewer than 49% reported paying more than 30% of income for rent. For households earning \$35,000 to \$49,999 per year, only 12.2% reported a cost burden.

Table 5 Fargo Renter Cost Burden Comparison - 2000 to 2013

Household Income	2000 30% or More	2013 30% or More	Numeric Change
\$0 - \$9,999	2,646 / 84.9%	3,082 / 92.7%	+436
\$10,000 - \$19,999	3,235 / 64.4%	3,638 / 89.2%	+403
\$20,000 - \$34,999	765 / 12.5%	3,692 / 48.6%	+2,927

Source: 2000 Census; 2013 American Community Survey 3-Year; Community Partners Research

In comparing 2000 data on income and housing costs to similar data from 2013, the impact of time must be recognized. For most households, housing costs should have increased substantially over this time period, and the expectation would be that cost burden statistics would reflect this trend. As a result, the percentage of households with a cost burden would be expected to rise in the lower income ranges.

Between the 2000 Census and 2013, the number of lower income cost burdened households did increase substantially in Fargo. For the income ranges below \$35,000, there more than 3,700 additional households that were paying more than 30% of their income for housing costs. The greatest impact occurred among households in the \$20,000 to \$34,999 income range. In 2000, fewer than 13% of the renters in this income range had a cost burden. By 2013, nearly 49% of households in this income range were paying 30% or more of their income to housing costs.

Although Fargo does have an inventory of subsidized housing and rent assistance Vouchers, that inventory is not as large as the number of lower

income renter households. Approximately 2,350 very low income renters have access to a project-based subsidized unit or a rent assistance Voucher, but there are more than 15,000 renter households with an annual income below \$35,000, including more than 10,000 reporting a rent burden.

Rent Burden by Age of Householder

The American Community survey also provided some information about housing costs by the age of householder. The following table only examines households that reported paying more than 30% of income for housing.

Table 6 Fargo Renter Cost Burden by Age - 2013		
Age of Householder	Number of Households Paying 30% or More	Percent of All Renters in Age Range
24 and younger	4,607	61.0%
25 to 34	2,158	28.5%
35 to 64	2,710	33.1%
65 and older	1,780	61.0%
Total	11,255	42.0%

Source: 2013 American Community Survey 3-Year; Community Partners Research, Inc.

Renter households in youngest and oldest age ranges reported the greatest frequency of a housing cost burden in 2013. Approximately 61% of all renters age 65 and older reported paying more than 30% of their income for rent. An equal percentage of younger renters, under the age of 25, also reported a cost burden. However, it is assumed that many of these younger renters are student households, and the cost burden is a result of their student status, which tends to limit their earning potential.

Although seniors had a high percentage of cost burdened households, in numeric terms there were substantially more households between the ages of 35 and 64 and from 25 to 34 that also reported paying more than 30% of their income for housing in 2013.

One possible factor that needs to be considered for senior households is the impact of specialized senior housing. Fargo has a number of options that provide services along with housing. Some seniors will opt to pay a large share of their monthly income for housing that may have daily meals, 24-hour staffing, emergency call systems, or assistance with daily living. While more than 30% of income may be required to live in this type of housing, this age-appropriate unit may allow seniors to continue living independently.

Home Owners: Income Trends and Housing Cost Burden

The following table examines the changes in household income for home owners in Fargo.

Table 7 Fargo Owner Household Income Distribution - 2013		
Income Range	Number of Households	Percent
Less than \$10,000	292	1.4%
\$10,000 - \$14,999	170	0.8%
\$15,000 - \$19,999	455	2.2%
\$20,000 - \$24,999	647	3.1%
\$25,000 - \$34,999	1,306	6.2%
\$35,000 - \$49,999	2,466	11.7%
\$50,000 - \$74,999	5,834	27.8%
\$75,000 - \$99,999	4,295	20.4%
\$100,000 - \$149,999	3,412	16.2%
\$150,000 +	2,146	10.2%
Total	21,023	100%

Source: 2013 ACS 1-year estimates; Community Partners Research, Inc.

Most of Fargo's home owners are in the moderate to higher income ranges. With nearly 75% of all home owners in 2013 having an income of \$50,000 or more. Fewer than 14% of all home owners had an annual income below \$35,000.

Ownership Cost Burden

The household income and tenure information in the 2013 American Community Survey can also be analyzed to determine the number of lower income home owners that experience a housing cost burden.

As stated previously, home ownership generally requires outside financing in the form of a mortgage. As a result, repayment ability is calculated at the time of the transaction. In many cases, a home owner that later experiences a housing cost burden may indicate that the household income has decreased after the purchase, or that the housing payment has increased, due to things like an adjustable rate mortgage.

For housing costs, the 2013 ACS had fewer distinct income ranges provided. There are also some owner households that were not included in the computations. The percentages displayed in the following table reflect households that have been included in the housing cost computation.

Table 8 Fargo Owner Household Income and Housing Costs - 2013			
Household Income	Under 30% of Income	30% or More	Percent with Cost Burden
\$0 - \$19,999	192	611	76.1%
\$20,000 - \$34,999	927	1,026	52.5%
\$35,000 - \$49,999	1,483	983	39.9%
\$50,000 - \$74,999	4,779	1,055	18.1%
\$75,000 +	9,744	109	1.1%
Total	17125	3784	22.1%

Source: 2013 American Community Survey 1-Year; Community Partners Research, Inc.

Overall, approximately 22% of all home owners in Fargo in 2013 were paying 30% or more of their income for housing costs. Most of these households were in the income ranges below \$50,000, although more than 1,100 households with an income of \$50,000 or more also reported a cost burden. For households with an annual income of \$75,000 or more, only 1.1% were applying 30% or more towards housing.

Comparative Data on Affordable Housing

The preceding pages of this section have provided a great level of detail on income levels and housing costs within the City of Fargo. While useful, it does not allow for comparison with the affordable housing situation that is present elsewhere around the region or the entire U.S. In an effort to allow for a direct comparison with other communities, Community Partners Research has examined the ***Paycheck to Paycheck*** database, produced by the Center for Housing Policy in Washington, DC.

The ***Paycheck to Paycheck*** reports examine home ownership and rental housing markets for the 210 largest metropolitan areas. A number of metro areas available for comparison are in the neighboring states including Minneapolis-St. Paul, Minnesota and Sioux Falls, South Dakota.

One of the ranking tables in ***Paycheck to Paycheck*** examined home ownership in 2014, by most expensive to least expensive, based on the median home price.

Table 9 Most Expensive to Least Expensive for Ownership - 2014		
Metropolitan Area	National Ranking	Median Home Price
Fargo	106	\$157,300
Minneapolis-St. Paul	67	\$185,000
Sioux Falls	112	\$153,100

Source: Center for Housing Policy; Community Partners Research

For home ownership based on the median home price, Fargo was near the middle of the 210 metropolitan areas examined. The median home value for Fargo was \$157,300 in the first quarter of 2014. The nearest metropolitan areas to Fargo for median home price were New Orleans, Corpus Christi, TX and New Haven, CT.

Minneapolis-St. Paul was less affordable than Fargo, with a median home value of \$185,000, but Sioux Falls was more affordable at \$153,100.

The home price rankings also showed a one-year change in the median home price for each market. While this was not a ranked category, it does allow for comparison between Fargo and other nearby metro areas.

Table 10 Change in Median Home Price - 2013 to 2014

Metropolitan Area	2013 Median Price	2014 Median Price	2013 National Ranking	Percent Change in Value
Fargo	\$157,100	\$157,300	90	0.1%
Minneapolis-St. Paul	\$174,000	\$185,000	68	6.3%
Sioux Falls	\$148,700	\$153,100	111	3.0%

Source: Center for Housing Policy; Community Partners Research

According to this database, the median home value in Fargo was largely unchanged from 2013 to 2014. With most other metropolitan areas showing greater home value appreciation, Fargo moved downward in the rankings, from 90th most expensive market in 2013, to 106th most expensive in 2014.

Both Minneapolis-St. Paul and Sioux Falls experienced a greater level of home value appreciation during the year, although both remained relatively stable in their national ranking.

The **Paycheck** database also ranks metro areas for affordable rental housing, but relies on HUD's Fair Market Rent calculations as an indicator of rent levels.

Table 11 Most Expensive to Least Expensive Rental Markets - 2014

Metropolitan Area	National Ranking	Two-Bedroom Rent
Fargo	193	\$684
Minneapolis-St. Paul	72	\$946
Sioux Falls	149	\$760

Source: Center for Housing Policy; Community Partners Research

To rank affordable rental housing, the report utilized the HUD Fair Market Rent (FMR) for a two-bedroom unit in each metro area in 2014.

For rental housing, the Fargo market was viewed as very affordable compared to other metropolitan areas. Only 17 rental markets had a lower FMR for a two-bedroom unit.

The Minneapolis-St. Paul metropolitan area had higher rent structure, with a two-bedroom FMR of \$946. The Minneapolis area ranked as the 72nd most expensive area. Sioux Falls ranked 149th.

The rental market rankings also showed a one-year change in the two-bedroom FMR for each market. While this was not a ranked category, it does allow for comparison between Fargo and other nearby metro areas.

Table 12 Change in Median Two-Bedroom Rent - 2013 to 2014

Metropolitan Area	2013 FMR	2014 FMR	2013 National Ranking	Percent Change in Rent
Fargo	\$639	\$684	203	7.0%
Minneapolis-St. Paul	\$920	\$946	79	2.8%
Sioux Falls	\$681	\$760	191	11.6%

Source: Center for Housing Policy; Community Partners Research

All of the comparison communities experienced an increase in the two-bedroom FMR between 2013 and 2014. In Minneapolis-St. Paul, the FMR increased by less than 3% but the FMR remained more than \$250 higher than in Fargo in 2014. Sioux Falls had an FMR increase of nearly 12% and moved from a very affordable ranking at 191 in 2013, to a less affordable ranking of 149 in 2014.

In the 2013, Fargo had ranked 203rd for metro markets. By 2014, the City had become less affordable, but was still ranked among the 20 most affordable rental areas in the U.S.

The final data tables provided in the ***Paycheck to Paycheck*** database looked at the amount of annual household income needed to purchase a home or rent a unit in each market at the median price.

For ownership, standard lending criteria were used to make the calculation, including a 30-year mortgage with 28% of income applied to principal, interest, taxes and insurance (PITI) and 10% of the median home value available for down payment. The actual qualifying income amount was not ranked, but does allow for comparison between communities.

Table 13 Qualifying Income Needed for Ownership - 2014

Metropolitan Area	Median Home Price	Qualifying Income
Fargo	\$157,300	\$43,263
Minneapolis-St. Paul	\$185,000	\$50,881
Sioux Falls	\$153,100	\$42,108

Source: Center for Housing Policy; Community Partners Research

The amount of income required to purchase a home at the median value shows that a household would need an annual income of approximately \$43,250 in Fargo. In line with home values, the highest income would be needed in Minneapolis-St. Paul, at nearly \$51,000, while an income of approximately \$42,100 would be needed in Sioux Falls.

Using the same methodology, the Center for Housing Policy compared the change in income between 2013 and 2014 that would be required to purchase a median valued home. For Fargo, the required income increased by approximately 4% between 2013 and 2014, compared to 7% in Sioux Falls, and 10% in Minneapolis-St. Paul.

Table 14 Qualifying Income Needed for Rental - 2014		
Metropolitan Area	Two-Bedroom Rent	Qualifying Income
Fargo	\$684	\$27,360
Minneapolis-St. Paul	\$946	\$37,840
Sioux Falls	\$760	\$30,400

Source: Center for Housing Policy; Community Partners Research

The amount of income required to rent a two-bedroom unit at HUD's FMR level shows that a household would need an annual income of approximately \$27,350 in Fargo. The highest income would be needed in Minneapolis-St. Paul, at nearly \$38,000, while an income of approximately \$30,400 would be needed in Sioux Falls.

Using the same methodology, the Center for Housing Policy compared the change in income between 2013 and 2014 that would be required to rent a unit. For Fargo, the required income increased by approximately 7% between 2013 and 2014, compared to nearly 12% in Sioux Falls, and less than 3% in Minneapolis-St. Paul.

New Housing Construction Summary

This section of the Housing Study examines housing construction activity that has occurred in Fargo and the surrounding area in recent years. Unit construction totals since 2010 have been included.

The 2010 Census would have counted housing units that were available for occupancy in April of that year. Presumably, housing units permitted in 2010 would not have completed construction by April, and would not have been included in the Census totals. It is also possible that some of the units permitted in 2009 would not have been available for occupancy in early 2010, but the actual status of these units cannot be determined, and the analysts have assumed that most 2009-permitted units would have been reflected in the Census data.

Section Highlights

- ▶ In the 10-year period between January 1, 2005 and December 31, 2014, Fargo issued building permits for more than 11,150 total housing units, according to Census Bureau reports. Approximately 6,700 of these were permitted in the five-year period from 2010 to 2014. Reports assembled by the Home Builders Association show a slightly higher level of construction, with approximately 6,900 units permitted from 2010 to 2014.
- ▶ For all types of housing, the peak year of production was 2014, when more than 2,000 housing units were permitted. Of the 10 years reviewed, 2014 was the only year when total unit production in Fargo was above 2,000 units. The second highest annual level was reached in 2013, at more than 1,600 total units. In the past 10 years, production had never been above 1,100 units in a single year before 2013.
- ▶ The low point for unit production during the previous 10 years was 2008, when approximately 630 units were permitted, according to Census Bureau records.
- ▶ The peak year for single family construction (both detached and attached units combined) was 2013, when more than 500 single family-style units were permitted. The single family activity in 2013 was higher than in 2005 or 2006, generally recognized as strong years that preceded the national housing market collapse of the late 2000s.

- ▶ The lowest production year was 2011, when fewer than 300 single family-style units were permitted in Fargo. Of the 10 years reviewed, 2011 was the only year when permitting was not above 300 single family units.
- ▶ The peak year for multifamily rental housing production was 2014, when nearly 1,800 multifamily units were permitted in Fargo. In 2013, nearly 1,200 multifamily units were permitted, the second highest year over the 10-years reviewed. The past two years are the only time during the period reviewed when more than 1,000 multifamily units have been permitted annually, and they were in successive years.
- ▶ The lowest production year was 2008, when 225 multifamily units were permitted, according to Census records. In 2008, the combination of a national housing market collapse and an economic recession tended to suppress housing construction in most parts of the country.
- ▶ Over the 10-years reviewed, the adjoining Cities of West Fargo and Moorhead also saw some very strong years for new housing construction. From 2012 through 2014, West Fargo had 740 or more units permitted each year. The production in these three recent years was well above the recent average, and the highest since the year 2005. In Moorhead, unit production in 2013 and 2014 was above 400 units per year and well above the recent average. Moorhead had not experienced annual unit construction above 400 units since 2006.
- ▶ Although total housing unit production for the entire MSA has reached unprecedented levels in 2013 and 2014, with more than 3,000 total units permitted each year, this has primarily been driven by multifamily activity. Single family permits in both 2013 and 2014 were lower than the level in 2005, but multifamily activity in the past two years has been well above any other year over the 10-year period reviewed. This is especially true in 2014, when nearly 2,500 multifamily permits were issued.
- ▶ This section has also included some information on the single family lot inventory in Fargo, as tracked by the City Planning Department. The improved lot inventory is estimated to contain more than 1,300 lots, with as many as 1,000 additional lots in a preliminary development stage. With annual lot absorption averaging between 425 to 450 lots per year in Fargo over the past three years, the improved lot inventory should represent a three-year supply, and the lots in the earlier development phases should accommodate demand for up to five years.

New Housing Construction Summary

Since 2010 there has been a substantial amount of new housing construction within the City of Fargo, and in the adjoining Cities of West Fargo and Moorhead. This section of the Housing Study has attempted to analyze the units that have been built, including the best available information about the type of housing.

Building Permit Trends

With the rapid growth that continues to occur in the Fargo-Moorhead MSA, there has been ongoing construction activity of new housing. While much of the U.S. suffered from a housing market “bust” in the late 2000s, which then lingered in subsequent years, building activity in the Fargo area has continued at a high annual level, although much of this is in the form of multifamily rental housing.

The following table identifies the units that have been issued a building permit in Fargo since the year 2010, based on building permit reports from the U.S. Census Bureau, summary reports compiled by the Home Builders Association of Fargo Moorhead, and reports from the City of Fargo.

It is important to note that the intended occupancy tenure of newly constructed units is not always clear from annual reports. In the following table, some of the attached housing, such as twin homes and town houses, has been listed as single family housing. Only larger-scale multifamily projects, primarily intended for renters, have been listed as multifamily housing.

Table 1 Fargo Housing Unit Construction Activity: 2010 to 2015							
Year	2010	2011	2012	2013	2014	2015*	Total
Single Family	213	231	306	411	312	173	1,646
Twin Home	76	36	58	78	30	20	298
Town House	45	16	39	32	35	59	226
Duplex	0	0	0	0	0	0	0
Multifamily	507	683	732	1,170	1,897	450	5,439
Total	841	966	1,135	1,691	2,274	702	7,609

Source: Home Builders Association of Fargo Moorhead; Census Bureau; City of Fargo

* 2015 is through July

In the five-year period from 2010 through 2014, there were building permits issued for more than 6,900 new housing units in the City of Fargo. This represented a mix of single family detached, single family attached and multifamily structures. A number of the multifamily units that were permitted in 2014 had not yet completed construction by start of 2015.

As reported by Home Builders Association, there had been an upward trend in the construction of single family detached houses from 2010 to 2013. However, in 2014 detached single family housing starts slowed, and the number of homes built was more similar to the level experienced in 2012.

Year-to-date single family activity through the first seven months of 2015 was slightly lower than the comparable period in 2013, but higher than the comparable level in 2014.

It is possible that the decrease in single family construction in 2014 was partly due to an above-average level of multifamily units that were built. In 2013 and 2014, a large volume of multifamily construction occurred. The number of multifamily units permitted in 2014 was well above the average achieved in the past.

Although multifamily unit totals in the Census Bureau's reports are slightly lower than those listed in the Home Builders annual summaries, the Census Bureau's reports track construction activity back as far as 1996. Over the past 19 years, the number of multifamily units permitted in Fargo has only been above 1,000 units in 2013 and 2014.

Because of the large volume of multifamily construction activity that has occurred each year, it is not possible to track the specific segments being served. However, nearly all of the construction of multifamily housing is believed to be occurring in the market rate, general occupancy rental sector, including student-oriented housing around NDSU.

There have been some income-based properties that have been constructed in recent years. Tax credit projects that may have been permitted since 2010 include Crossroads Senior Living (81 senior-designated units), and the first two phases of North Sky Apartments (24 senior-designated units in 2013 and 30 senior-designated units in 2014).

Some of the multifamily projects permitted since 2010 also have been oriented to seniors needing services, including assisted living or housing for people with memory care needs, but this represents only a limited amount of the total construction activity.

West Fargo

While Fargo has been the primary jurisdiction for area housing development, there has been ongoing construction in the City of West Fargo as well. The annual reports from the Home Builders Association and the Census Bureau also track activity in West Fargo.

Table 2 West Fargo Housing Construction Activity: 2010 to 2015*

Year	2010	2011	2012	2013	2014	2015*	Total
Single Family	132	154	370	399	324	185	1,564
Twin Home	35	10	40	44	108	48	285
Town House	31	46	28	28	111	50	294
Duplex	0	0	0	0	0	0	0
Multifamily	48	96	402	274	441	12	1,273
Total	246	306	840	745	984	295	3,416

Source: Home Builders Association of Fargo Moorhead; Census Bureau

* 2015 is through July

In the five-year period from 2010 through 2014, there were building permits issued for more than 3,100 new housing units in the City of West Fargo. This also represented a mix of single family detached, single family attached and multifamily structures. However, unlike Fargo, the volume of single family detached home construction in West Fargo was greater than the number of multifamily units.

Like Fargo, West Fargo has also experienced increased multifamily activity in recent years, with 1,261 total units permitted over the five-year period. While this was only 25% of the total multifamily volume achieved in Fargo over this same time, it still generally represents a significant increase in unit volume when compared to the past. The annual multifamily unit production in 2014 and 2012 represent two of the top three years dating back to the year 1996. In the year 2005 there were 638 multifamily units permitted in West Fargo. This was the only other year of the past 19 when more than 400 units were permitted in a single year.

Through the first half of 2015, single family permit issuance in West Fargo was higher than at the same time in 2014. The total number of single family-style units was also above the level achieved in 2013. However, multifamily production in 2015 was much lower.

Moorhead

The summary reports from the Home Builders Association and the Census Bureau also track construction activity in Moorhead.

Table 3 Moorhead Housing Construction Activity: 2010 to 2015*							
Year	2010	2011	2012	2013	2014	2015*	Total
Single Family	117	74	67	91	137	97	583
Twin Home	48	10	20	40	48	48	214
Town House	0	19	0	0	24	0	43
Duplex	0	2	0	2	0	0	4
Multifamily	0	60	63	274	203	240	840
Total	165	165	150	407	412	385	1,684

Source: Home Builders Association of Fargo Moorhead; Census Bureau

* 2015 is through July

In the five-year period from 2010 through 2014, there were building permits issued for nearly 1,300 new housing units in the City of Moorhead. This total included single family detached units, single family attached units and multifamily units. However, a majority of the construction in Moorhead was in one unit or two unit structures, presumably intended for owner-occupancy.

Over the entire five-year period, the total number of single family houses built in Moorhead represented approximately 33% of the single family volume that was reached in Fargo, and approximately 35% of the single family volume that was achieved in West Fargo. Through the first five months of 2015, Moorhead was already well ahead of the pace from 2013 or 2014 for single family housing starts.

Moorhead has also experienced increased multifamily activity, especially in 2013 and 2014, when permits were issued for more than 475 multifamily units. Over the five-year period from 2010 to 2014, the multifamily unit total in Moorhead was approximately 12% of the total multifamily volume achieved in Fargo over this same time.

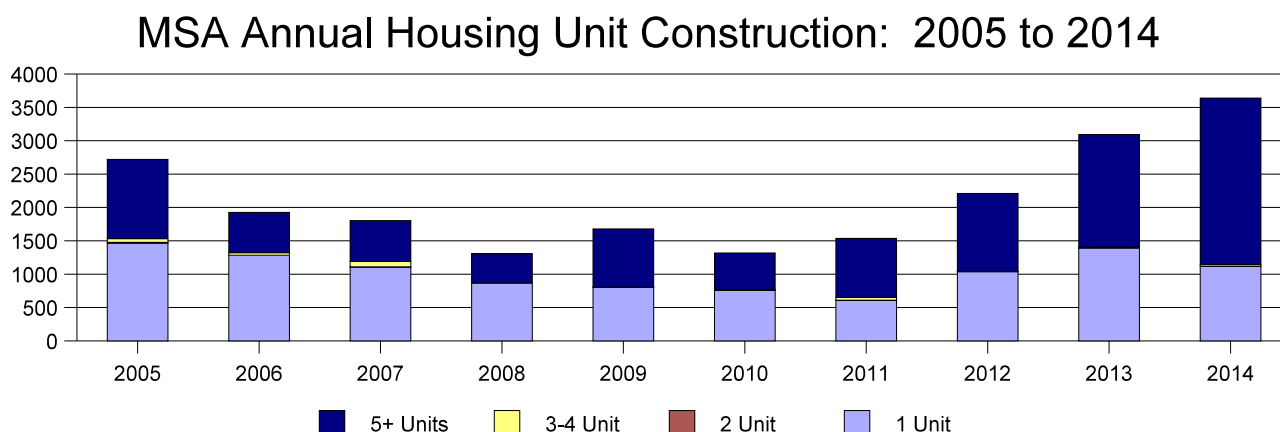
Building permit reports for Moorhead in 2015 show an above-average level of single family activity through the first half of the current year. Multifamily production is already greater in 2015 than was achieved in all of 2014.

MSA Housing Unit Construction Activity: 2005 to 2014

The unit totals reported on the Census Bureau's Building Permit website provide information for all jurisdictions within the MSA, while the annual reports issued by the Home Builders Association examine the primary cities of Fargo, West Fargo, Moorhead and Dilworth. Other slight annual differences may also exist for the individual cities, however, these differences are relatively minor for most years. One advantage of the Census Bureau reports is that they allow an analysis of the longer-term patterns for the entire Fargo-Moorhead MSA. The table below provides a ten-year summary of permit issuance.

Table 4 Regional Housing Unit Construction Activity - 2005 to 2014										
Year	City of Fargo					Fargo-Moorhead MSA				
	One Unit	Two Unit	3-4 Unit	5+ Units	Total	One Unit	Two Unit	3-4 Unit	5+ Units	Total
2014	377	0	0	1,793	2,170	1,119	0	24	2,496	3,569
2013	509	0	12	1,134	1,655	1,395	2	12	1,684	3,093
2012	403	0	3	691	1,097	1,037	2	3	1,169	2,211
2011	283	0	0	683	966	609	2	42	883	1,536
2010	334	0	0	497	831	760	2	11	545	1,318
2009	353	0	0	731	1,084	803	2	0	873	1,678
2008	404	0	0	225	629	864	6	0	436	1,306
2007	447	0	0	537	984	1,109	2	81	611	1,803
2006	470	0	4	379	853	1,283	0	39	605	1,927
2005	491	0	3	406	900	1,465	12	56	1,187	2,720
Total	4,071	0	22	7,076	11,169	10,444	30	268	10,489	21,161

Source: U.S. Census Bureau



As evident in the chart above, 2014 and 2013 represented the two highest years for new housing unit production in the MSA over the previous 10-year period. The third highest single year, 2005, pre-dated the national housing market collapse and economic recession that emerged in the late 2000s.

Although 2014 was the year with the greatest unit volume over the 10-year period, this was largely driven by multifamily construction, in buildings that contained five or more housing units. For single family construction, 2014 unit volume was only the fourth highest annual total of the 10 years reviewed. Single family volume in 2013 was the second highest total, trailing only 2005 activity, but the upward trend in single family starts was not sustained from 2013 to 2014.

It is important to note that the Census Bureau unit reporting is not as detailed as the Home Builders Association reports. The Home Builders show a greater volume of twin home, town house and row house units than are evident in the Census Bureau totals, which appear to group many single family attached and single family detached units in the one unit building totals.

Annual Average Construction

Using the Census Bureau totals for the past ten years, it is possible to compare the production that occurred in 2014 to longer-term patterns.

Table 5 Fargo Average Annual Housing Unit Production				
10-Year Annual Average	5-Year Annual Average	3-Year Annual Average	2014 Unit Construction	2014 % of 10-Year Average
1,117 units	1,344 units	1,641 units	2,170 units	194.3%

Source: Census Bureau; Community Partners Research

For the City of Fargo, the total unit construction in 2014 was substantially higher than the 10-year average. The 2,170 units in 2014, as tracked by Census Bureau report, were more than 194% of the 10-year average. It was approximately 161% of the five-year average for annual production in Fargo.

Similar patterns exist for the entire MSA, as West Fargo and Moorhead have also been experiencing strong housing construction.

Table 6 MSA Average Annual Housing Unit Production				
10-Year Annual Average	5-Year Annual Average	3-Year Annual Average	2014 Unit Construction	2014 % of 10-Year Average
2,116 units	2,345 units	2,958 units	3,569 units	168.7%

Source: Community Partners Research

For the entire Fargo-Moorhead MSA, the total unit construction in 2014 was substantially higher than the 10-year average. The 3,569 units in 2014, as tracked by Census Bureau report, were nearly 169% of the 10-year average. It was approximately 152% of the five-year average for annual production in the MSA.

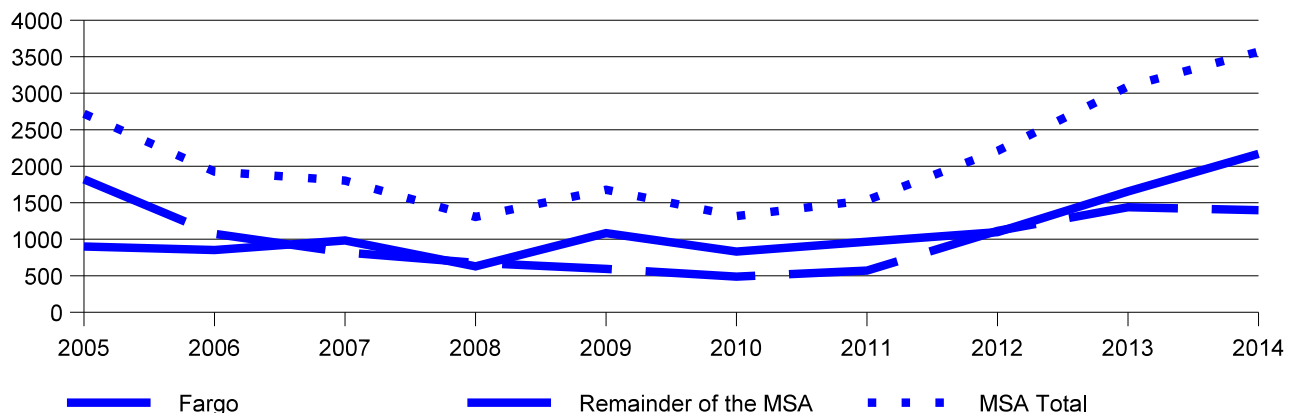
Construction by Structure Type

As the primary city in the two-county Metropolitan Statistical Area (MSA) Fargo has represented the largest share of new housing construction activity for any single jurisdiction. Over the entire ten-year period, 52.8% of all the permitted units were within the City of Fargo.

This was primary due to housing units constructed in multifamily structures with five or more units per structure. In this segment, construction in Fargo represented 67.5% of the MSA total. Although multifamily unit construction could represent different types of housing, including condominiums or cooperatively owned housing, it is assumed that the large majority of multifamily units are intended for renter-occupancy.

In one and two-unit structures, Fargo represented 38.9% of all construction activity.

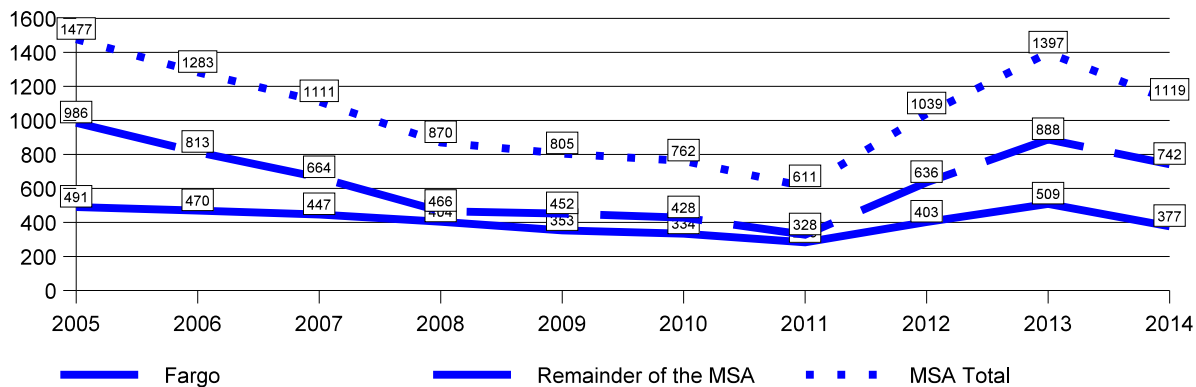
Total Annual Unit Construction: 2005 to 2014



As evident in the chart above, the MSA had a period of reduced housing unit production from 2006 to 2011, a time period that largely coincided with a national housing market downturn and economic recession. However, after 2011, annual construction began to increase, and has steadily climbed in total unit volume through 2014.

Single family unit construction (which includes some two-unit structures assumed to be twin homes) followed the same general annual pattern, with a decreasing volume in the number of units from 2005 to 2011. After 2011, the annual number of units generally rebounded, although production in 2014 was lower than in 2013.

One and Two Unit Annual Construction: 2005 to 2014

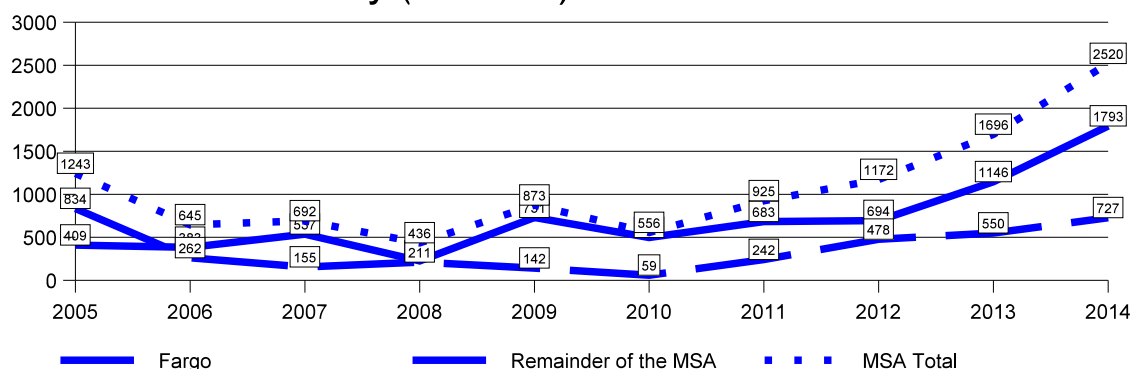


One pattern that is evident in the chart is the relative stability of year-to-year construction of single family units in Fargo. Over the entire 10-year period, the annual average in Fargo was 407 units per year. The actual annual production ranged from a high of 509 units in 2013, to a low of 283 units in 2011.

The level of year-to-year change in the remainder of the MSA was more pronounced. Excluding Fargo, the annual average over the 10-year period was 640 units per year. However, actual production ranged from a high of 986 single family-style units in 2005, to a low of 328 units in 2011.

Since 2006, the level of multifamily unit production (structures with 3 or more units) in Fargo has represented more than 50% of the MSA total. Starting in 2013, the difference in the number of units has grown even wider, as a large majority of multifamily production has been located within Fargo.

Annual Multifamily (3+ units) Construction: 2005 to 2014



Over the entire ten-year period, the annual average for multifamily unit production has been 710 units per year in Fargo, and 366 units per year in the remainder of the MSA. For the entire MSA, annual average production has been 1,076 units per year over the past 10 years.

Lots and Land

The Fargo City Planning Department keeps an inventory of residential subdivisions within the City. This includes a map of residential development areas. The Planning Department also tracks absorption of lots within the city limits. This report was last updated in January 2015, and includes permitted houses in 2014.

The Planning Department report showed the following:

- ▶ At the start of 2015 there were approximately 2,300 vacant residential lots in Fargo. Nearly 1,300 of these lots were improved with infrastructure, and approximately 1,000 lots were platted but without infrastructure.
- ▶ More than 30 subdivision phases/development areas had vacant lots, although the remaining inventory within some of these areas was less than 10 lots.
- ▶ The report also lists the year that the subdivision phase received City approval. There were 11 development areas that either received their approval in 2014, or were in preliminary approval process at the start of 2015. Within these newest areas there were 109 vacant lots with infrastructure, 642 lots without infrastructure, and 192 lots still in the preliminary approval process.

Since the Planning Department has prepared detailed information on this topic, Community Partners Research would refer readers to the City for additional details.

Some information was available on lot prices, primarily through websites maintained by the various subdivisions. In general, lots are available in a wide variety of prices, from a low of \$20,250 for an attached single family lot, up to \$155,000. Many of the traditional single family detached lots were priced between \$36,000 and \$76,000.

Home Sale and Home Value Data

This section of the Housing Study examines available information about values for owner-occupied housing units. The primary data sources are the Fargo Assessment Department and Multiple Listing Service reports from the Fargo-Moorhead Area Association of Realtors. Home value details collected by the 2013 American Community Survey are also included.

Section Highlights

- ▶ Information on the median value for existing homes in Fargo comes from recent residential sales data maintained by the Fargo Assessment Department. For calendar year 2014, the median sale price for detached single family houses in Fargo was \$203,000. Partial-year information for 2015 points to an even higher median price for the current year, but this cannot be verified until a full 12-month sales sample is examined.
- ▶ Assessment Department sales records show an ongoing increase in the median price since 2010, the time period reviewed. Similar price-appreciation trends are evident in sales reports from the Multiple Listing Service.
- ▶ Single family detached homes have a higher median sales price than most other ownership units. The only exception is downtown lofts, which are very limited in the number of sales each year. The median prices then reduce for twin home units, town house units and for a condominium unit in a multi-unit building.
- ▶ According to the Assessment Department records, approximately 46% of all single family detached home sales in 2014 in Fargo were priced between \$125,000 and \$224,999. Fewer than 12% of the sales were for less than \$125,000. Nearly 20% of the home sales were for \$300,000 or more. This largely represents the sales activity of existing houses, not new construction.
- ▶ Reports available from the Fargo-Moorhead Association of Realtors can be used to track both listings and sales on the Multiple Listing Service. There has been a gradual decline in the number of single family units that are listed for sale each year. At the same time, there has been a gradual increase in the number of annual sales. As a result, the gap between supply and demand has grown smaller.

Home Sales Data - Fargo Assessment Department

Information on home sales activity has been obtained from the Fargo Assessment Department. Following guidance from the City Assessor, only “fair market transactions” have been analyzed. There are additional sales and property transfers each year that are not viewed as fair market transactions. These may include sales between relatives, forced transfers, such as foreclosures, and other types of transactions that do not reflect open market conditions.

The records supplied by the Assessment Department allow for an analysis by calendar year. Information allows for a tracking of sales activity back to the year 2010.

The sales records differentiate the housing unit by type, allowing single family detached houses, twin homes, town houses and condominiums to be examined separately. Information was available on duplexes and three-unit structures, where all units are owned by the same owner. The multi-unit structures have not been included, based on the assumption that one or more of the units represent rental property.

The Assessment records on good sales primarily look at existing homes. The information is used for an annual sales ratio analysis which compares the taxable valuation to the actual sales price. Since newly constructed houses do not generally have a prior taxable value, they are not typically included in the sales sample.

The adjusted sale price has been examined. This would reflect any adjustments made by the Assessment Department for items, such as personal property, or seller contributions to financing or closing costs, which may have been included in the recorded transaction.

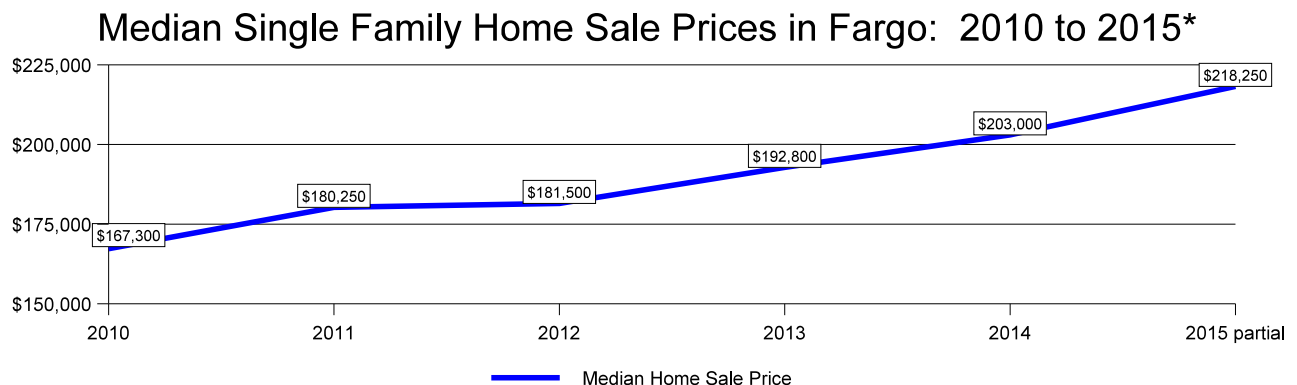
Single Family Detached Home Sales

In the following table, the median sale price has been examined. Information for 2015 represents sales that had been recorded in the first four months of the year, and the median may change when a full 12-months of activity is available.

Table 1 Median Value of Recent Single Family Home Sales		
Sales Period	Number of Sales	Median Price
2015*	292	\$218,250
2014	1,398	\$203,000
2013	1,386	\$192,800
2012	1,131	\$181,500
2011	722	\$180,250
2010	652	\$167,300

Source: Fargo Assessment Department; Community Partners Research, Inc.

* 2015 is through April



The data obtained from City sales records indicate that both the volume of annual sales as well as the median sales price has been increasing rapidly in the past few years.

In 2014, the last full year of data, the median value for single family detached home sales was above \$200,000. Although not displayed in the table above, long-term records maintained by the Assessor's Office show that 2014 represents the highest median sales price for the City. Partial-year information for 2015 indicates that an even higher median is possible in the current year, although this may change when a full 12 months of activity is recorded.

The annual volume of good sales has also increased substantially. From 2010 to 2014, the number of good sales more than doubled in Fargo. Long-term records do show that there was a general decline in the number of sales (all unit types) between 2005 and 2011. However, after 2011, the annual volume began to increase substantially.

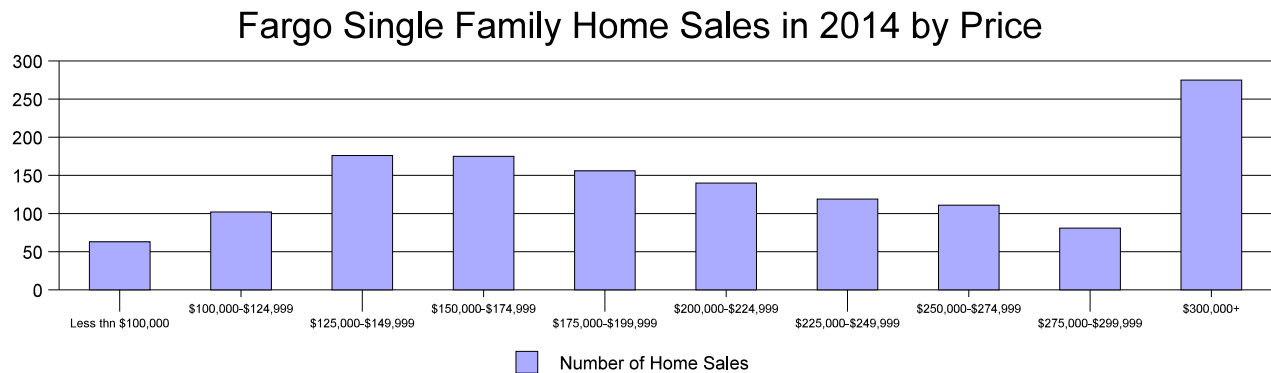
Single Family House Sales by Price Range

The City sales records can be divided into different price ranges. The following table presents information for 2014, the last full year of sales, and only represents single family detached homes.

Table 2 Single Family Detached Home Sales by Price Range - 2014		
Value	Number of Units	Percent of Units
Less than \$75,000	19	1.4%
\$75,000 - \$99,999	44	3.1%
\$100,000 - \$124,999	102	7.3%
\$125,000 - \$149,999	176	12.6%
\$150,000 - \$174,999	175	12.5%
\$175,000 - \$199,999	156	11.2%
\$200,000 - \$224,999	140	10.0%
\$225,000 - \$249,999	119	8.5%
\$250,000 - \$274,999	111	7.9%
\$275,000 - \$299,999	81	5.8%
\$300,000 - \$399,999	169	12.1%
\$400,000 - \$499,999	68	4.9%
\$500,000+	38	2.7%
Total	1,398	100%

Source: Fargo Assessment Department; Community Partners Research, Inc.

In 2014 there were single family home sales in a broad range of prices. The lowest valued sale was for \$22,000, which was an 1890-built home with one bedroom and 672 square feet of living space. The highest valued sale was for more than \$1.5 million, in a 2014-built home with more than 6,300 square feet of living space, five bedrooms, seven bathrooms, and a five-car garage.



Approximately 46% of all single family home sales in 2014 in Fargo were priced between \$125,000 and \$224,999. Fewer than 12% of the sales were for less than \$125,000. Nearly 20% of the home sales were for \$300,000 or more.

Home Sales for Attached Single Family Units

The sales records provide information on the type of residential structure that was sold. Many of the annual sales are in units that are identified as a twin home unit, a town house unit, or a condominium in a multi-unit building. The following tables present sales information for attached single family housing units. For certain types of units, the annual sales volume can be limited, and the annual median may not always indicate overall value trends.

Table 3 Median Value of Recent Attached Single Family Home Sales		
Sales Period	Number of Sales	Median Price
Twin Home Units		
2015*	48	\$169,300
2014	311	\$161,700
2013	306	\$149,800
2012	224	\$140,700
2011	122	\$141,450
2010	130	\$139,850

Table 3 Median Value of Recent Attached Single Family Home Sales		
Sales Period	Number of Sales	Median Price
Town House Units		
2015*	21	\$135,000
2014	86	\$132,750
2013	87	\$124,100
2012	73	\$135,000
2011	40	\$140,050
2010	49	\$124,000
Condominium Units		
2015*	38	\$100,550
2014	162	\$96,500
2013	122	\$84,000
2012	90	\$71,400
2011	54	\$73,150
2010	66	\$77,150
Loft Units		
2010 to 2015*	50	\$308,150

Source: Fargo Assessment Department; Community Partners Research, Inc.

* 2015 is through April

Every year there are a number of sales that occur of attached single family housing units. While most of these represent one unit in a twin home, there are also town house, condominium and loft unit sales each year.

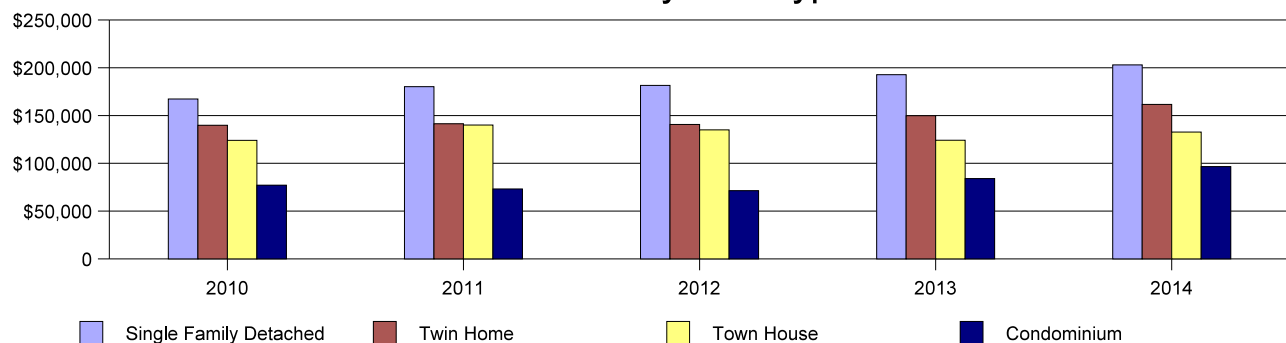
The highest median value exists for loft units, but this segment represents only a very small percentage of Fargo's overall housing stock. The loft definition generally represents condominium units that exist in the downtown area. Lofts may exist in newly constructed buildings, or in older historic buildings that have been converted/renovated. The median sales price for lofts was above \$300,000, but only 50 loft sales have been recorded since 2010, and only eight loft sales were recorded in 2014, the last full year of data.

The median value for twin home units has been gradually increasing, but does remain well below the median for detached single family homes. In 2014, the median price was \$161,700.

Town house units tend to sell for less than twin home units. In 2014, the median sales price was \$132,750. Although the annual volume of town house sales can be limited, and may not reflect overall values within this segment, there is evidence that the median value has at times decreased from year-to-year.

Condominium units, excluding those listed as lofts, generally represent the most affordable single family option in Fargo, based on sales prices. For each of the five years from 2010 to 2014, the median sales price was below \$100,000. In 2014, the median valued condominium sale represented a unit constructed in the late 1970s, with approximately 1,200 square feet of living space and two bedrooms. However, included in the 2014 sales list for condominiums were 28 units that were constructed in 2013. This represented the first identified condominiums constructed in the previous 10 years. The median sales price for these newest units was \$160,150, well above the median for all condominium sales.

Median Annual Sale Price by Unit Type: 2010 to 2014



Multiple Listing Service Sales Data for Fargo

The Fargo-Moorhead Area Association of Realtors provided reports of sales activity from the Multiple Listing Service. Reports to the year 2010 were reviewed by the analysts. Similar to the data from the Fargo Assessment Department, the sales reports separated single family detached houses from other types of units. The following tables examine the volume of sales along with the median prices by year.

Table 4 MLS Single Family Detached Sales Information for Fargo			
Year	Number of Sales	Average Price	Median Price
2015*	440	\$225,513	\$207,950
2014	1,127	\$211,853	\$190,482
2013	1,179	\$198,375	\$173,900
2012	1,088	\$188,184	\$168,000
2011	854	\$187,529	\$163,355
2010	873	\$176,146	\$154,375

Source: F-M Area Association of Realtors

According to MLS records, the median home sale price has been steadily rising in recent years. When 2014 is compared to 2010, the median sale price for a detached single family home in Fargo has increased by more than 23%, or more than \$36,000 over a five-year time period. Partial-year information for 2015 points to a fairly significant increase in the median price, but this may change once a full 12 months of activity is recorded.

The annual volume of detached home sales has also been increasing, with a large increase recorded between 2011 and 2012. However, the volume of sales was then relatively stable between 2013 and 2014. Year-to-date activity in 2015 is slightly below the same point in 2014. While this statistic may also change when a full 12-month period is reviewed, the initial indication is that the number of sales in the current year may be slightly lower than the previous two years.

In 2014, the median sale price of \$190,482 from MLS data was lower than the median of \$203,000 derived from Assessment Department records. Although both sources would generally include the same house sales, the Assessment Department had a larger volume of sales in Fargo, since this source would also include home sales that were not listed on the MLS.

Both sources show continued growth in the City's median sale price since 2010. Both sources also show that year-to-date activity in 2015 is higher than in 2014.

The MLS reports also provide some additional insights into the home buyer market in Fargo. The average number of days that a house was listed for sale in Fargo so far in 2015 is only 45 days. For all of 2014, the average number of days on the market was 52 days.

A comparison of the average sale price to the original listing price is also available. This showed that sellers in 2015 have received 100% of their listing price. This was also the case in 2014, when 100% of listing price was achieved. The rising median home sale price in the past few years, along with the 100% listing price statistic would point to very strong buyer demand for single family detached houses in Fargo.

Similar reports are available from the Fargo-Moorhead Area Association of Realtors for attached ownership units by structure type. The following tables examine twin home sales and attached units that are listed as combined condominiums/town houses.

Table 5 MLS Twin Home Unit Sales Information for Fargo			
Year	Number of Sales	Average Price	Median Price
2015*	73	\$158,493	\$159,000
2014	219	\$160,233	\$153,000
2013	246	\$152,169	\$142,450
2012	231	\$139,990	\$134,680
2011	162	\$138,428	\$130,000
2010	208	\$138,689	\$132,222

Source: F-M Area Association of Realtors

While the annual median sale price for twin home units in Fargo has generally been rising in recent years, the median for this style of home remains well below the level for a detached single family house. In 2014, the last full year of data, the median price for a twin home was only 80% of the median for a detached house.

There has been some variation in the annual volume of sales, with the number dipping between 2010 and 2011. The highest recent volume was reached in 2013, but the number of sales was then lower in 2014, and year-to-date in 2015, the number of sales is lower than at the same point in 2014. As will be detailed later in this section, the declining volume of annual sales may be due in part to a reduced supply of units that are for sale each year.

Despite the drop in sales volume, prices for twin homes continue to increase. In 2015, sellers have been achieving 100% of their listing price, and the average number of days that a twin home is on the market is only 15 days. For all of 2014, the average number of days on the market was 32 days. In 2014 and 2015, the average listing time for twin homes has been substantially less than for detached single family houses.

Table 6 MLS Condo/Town House Sales Information for Fargo			
Year	Number of Sales	Average Price	Median Price
2015*	99	\$151,701	\$118,000
2014	245	\$155,673	\$119,900
2013	261	\$147,468	\$108,250
2012	199	\$130,714	\$103,900
2011	176	\$156,261	\$130,950
2010	171	\$128,803	\$118,000

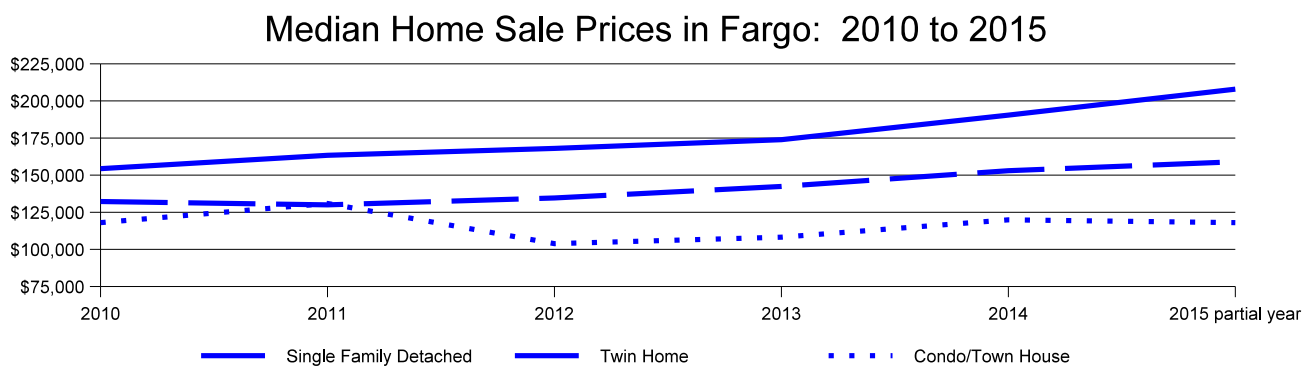
Source: F-M Area Association of Realtors

There has been some annual fluctuation in the median sale price for condominium and town house units in Fargo. The MLS reports group these unit styles together, and the year-to-year changes may reflect the diversity that exists within this housing stock. Based on the Assessment Department data, condominiums in multi-unit buildings tend to have a lower average sales price than town homes, and the unit mix in the annual MLS sample could therefore impact the median price reached in any 12-month time period.

The highest recent yearly median price was achieved in 2011, at nearly \$131,000. However, in the following year the lowest recent median price was reached, at less than \$104,000. While the median price has risen since 2012, the median achieved in 2014 was less than \$2,000 higher than the median from 2010. In all of the years reviewed, the median price for condo/town house units has been well below the median for detached houses. With the exception of 2011, the median for condo/town house units has been below the median for twin homes.

There has also been some variation in the annual volume of sales, with the largest number of sales occurring in 2013. The number of sales decreased slightly in 2014, and year-to-date in 2015, the number of sales is lower than at the same time in 2014.

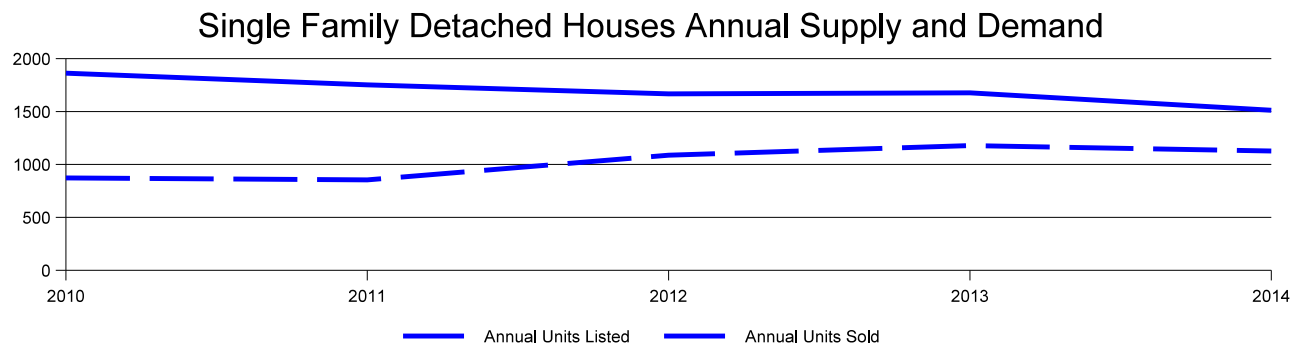
So far in 2015, sellers have been achieving 99% of their listing price, and the average number of days that a condo/town house unit is on the market is 54 days. For all of 2014, the average number of days on the market was 51 days. In 2014, the average listing time for condo/town house units was very similar to the average listing time for single family detached houses.



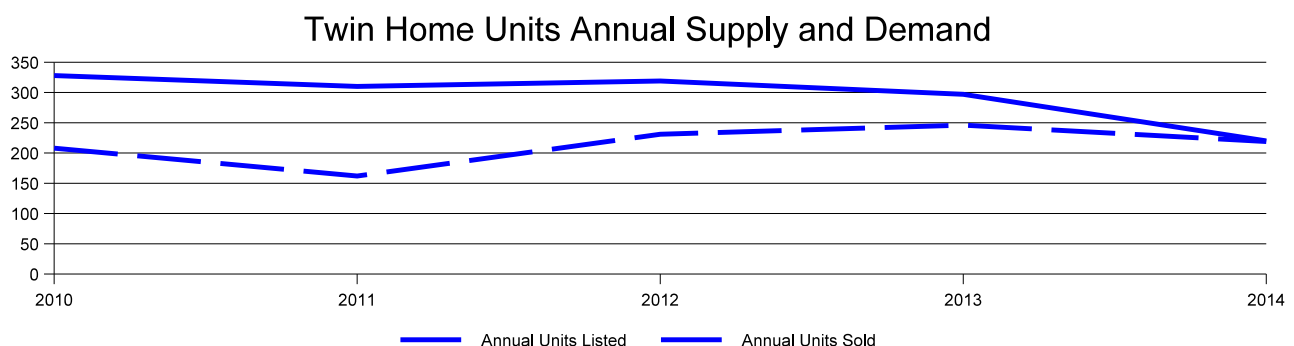
MLS Housing Annual Supply

One additional piece of information that is available from the annual reports from the Fargo-Moorhead Area Association of Realtors concerns the number of houses that are listed each year on the Multiple Listing Service. This provides some insight into the supply of units that comes available each year. When compared to the number of units actually sold each year, it also provides some perspective on the balance between supply and demand.

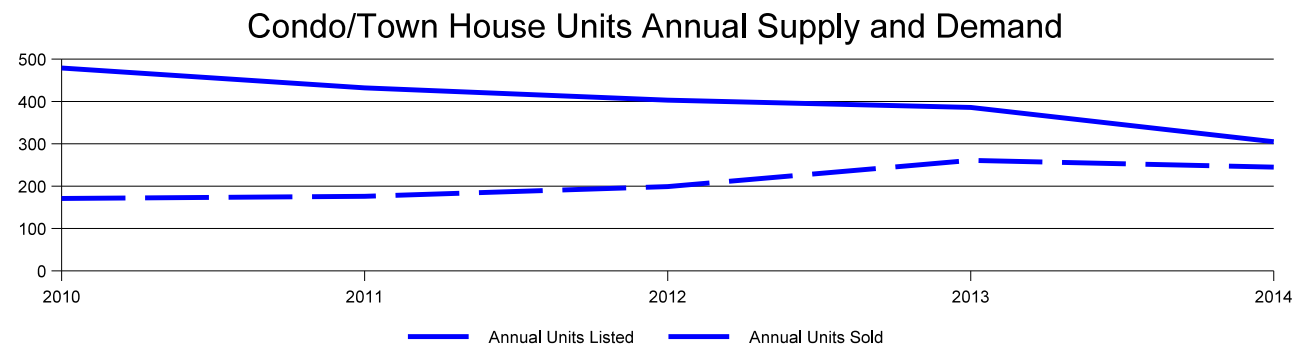
The following charts display the annual information from 2010 through 2014 on the comparison of annual listings to annual sales by unit type.



As evident in the chart above, there has been a gradual decline in the number of single family detached homes that are listed for sale each year on the Multiple Listing Service. At the same time, there has been a gradual increase in the number of annual sales. As a result, the gap between supply and demand has grown smaller. As presented previously, there has been a rising median sales price for detached houses during this time period, and in 2014, sellers on average were achieving 100% of the listing price. The slight decline in the number of sales since 2013 may be a reflection of a reduced supply of units that are available for purchase in Fargo.



A somewhat similar pattern was present for twin homes in Fargo, as the supply, based on the number of active annual listings, has generally decreased over time, while the annual number of sales has gradually been rebounding. As a result, the number of listings in 2014 was only one unit greater than the number of sales that year. As stated previously, the median price in 2014 for twin home units was the highest of the five full years reviewed, and the average listing time for sold units was only 32 days.



For condominium and town house units, there had been a much larger supply of units in 2010 and 2011, when compared to annual sales. However, over the five-year period, the number of annual listings has continually declined, while the number of sales has generally been increasing. In 2014, the gap between supply and demand was much smaller than in the recent past. In 2014, sellers were receiving an average of 99% of their listing price, and the average number of days on the market for sold units was generally similar to the number of days for detached single family houses.

Census Bureau Home Value Data

The 2013 American Community Survey for Fargo contained information on home values. It is important to note that home value estimates are self-disclosed by the owner, and may differ from true market value.

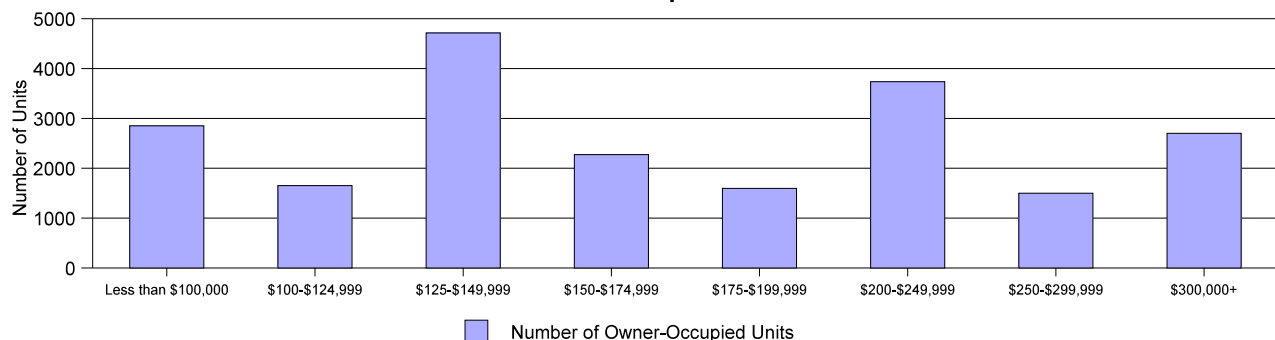
The home value information collected by the 1-year survey showed that the estimated median value in 2013 was \$164,200 for all types of owner-occupied units. This value was lower than the 2013 median sale value of approximately \$175,000 that was tracked by the Fargo Assessors Office for all types of single family housing units.

The 2013 American Community Survey also provided a breakdown of owner-occupied units by value range.

Table 7 Fargo Owner-Occupied Units by Value Range - 2013 ACS		
Value	Number of Units	Percent of Units
Less than \$100,000	2,851	13.6%
\$100,000 - \$124,999	1,651	7.9%
\$125,000 - \$149,999	4,714	22.4%
\$150,000 - \$174,999	2,274	10.8%
\$175,000 - \$199,999	1,596	7.6%
\$200,000 - \$249,999	3,737	17.8%
\$250,000 - \$299,999	1,500	7.1%
\$300,000+	2,700	12.8%
Total	21,023	100%

Source: 2013 American Community Survey 1-Year Data; Community Partners Research, Inc.

Distribution of Owner-Occupied Unit Values - 2013



Based on the 2013 American Community Survey, nearly 14% of the City's owner-occupied housing stock was valued less than \$100,000 in 2013. However, there were 580 owner-occupied mobile homes in Fargo included in the data. If all of the mobile homes are assumed to have a value below \$100,000, and are removed from the total, just over 11% of the other owner-occupied units would have been valued below \$100,000.

Approximately 49% of all owner-occupied units were valued between \$100,000 and \$199,999. Fewer than 20% of all owner-occupied units were valued at \$250,000 or more in 2013.

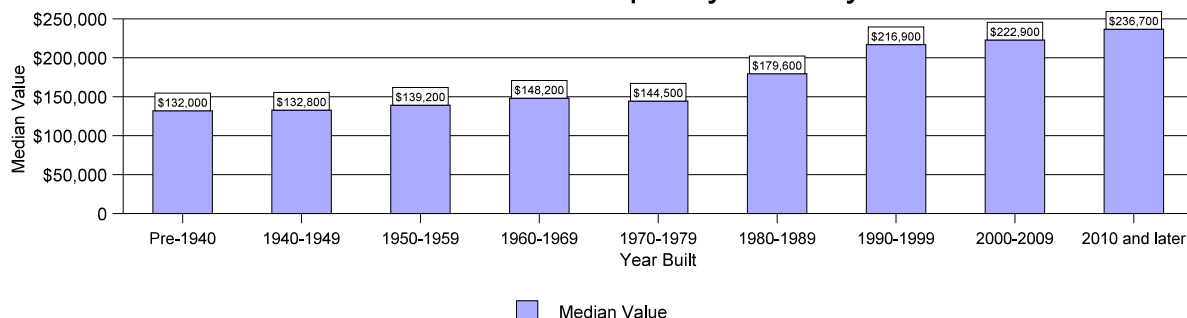
The American Community Survey also provided a median value for owner-occupied units based on the year they were constructed. This helps to better define the most affordable ownership options.

Table 8 Fargo Median Owner-Occupied Unit Value by Year Built - 2013

Value	Median Value	Percent of Citywide Median
Built 2010 or later	\$236,700	144%
Built 2000 to 2009	\$222,900	136%
Built 1990 to 1999	\$216,900	132%
Built 1980 to 1989	\$179,600	109%
Built 1970 to 1979	\$144,500	88%
Built 1960 to 1969	\$148,200	90%
Built 1950 to 1959	\$139,200	85%
Built 1940 to 1949	\$132,800	81%
Built prior to 1940	\$132,000	80%

Source: 2013 American Community Survey 1-Year Data; Community Partners Research, Inc.

Median Value of Owner-Occupancy Units by Year Built



The age of the unit had a direct impact on the value. The median value for all owner-occupied units in the City was \$164,200 according to the 2013 ACS. The median values for homes built in 1980 or later were higher than the Citywide median, while houses built before 1980 had lower median values. Houses constructed before 1940 had the lowest median value, at \$132,000.

Active Residential Listings

The website Realtor.com, maintained by the National Association of Realtors, was used to collect information on active residential real estate listings in Fargo. In mid-June 2015, there were 284 single family homes that were listed for sale that appeared to be within the city limits of Fargo. There were 22 additional units that were specifically identified as town houses, condominiums and downtown lofts that were included in the MLS. Some of the single family units may have included attached housing such as twin home units.

Some of the listed properties appeared to be model homes, or plans for model homes that could be built as sold, rather than already existing structures.

It is important to note that the active properties are those included in the Multiple Listing Service (MLS) and would generally be offered through a real estate agent. There are other properties that may be posted for sale in Fargo that would not be part of the MLS, including most homes being offered "for sale by owner". The following table examines the MLS listings by listing price.

Table 9 Fargo Active MLS Listings by Price Range - June 2015		
Asking Price	Number of Listings	Percent of Listings
Less than \$75,000	1	0.3%
\$75,000 - \$99,999	15	4.9%
\$100,000 - \$124,999	9	2.9%
\$125,000 - \$149,999	16	5.2%
\$150,000 - \$174,999	20	6.5%
\$175,000 - \$199,999	32	10.5%
\$200,000 - \$224,999	18	5.9%
\$225,000 - \$249,999	20	6.5%
\$250,000 - \$274,999	23	7.5%
\$275,000 - \$299,999	17	5.6%
\$300,000+	135	44.1%
Total	306	100%

Source: Realtor.com; Community Partners Research, Inc.

Based on the listings on Realtor.com, most of the houses currently being offered for sale are priced at \$250,000 or more. Overall, more than 57% of the active listings are priced at \$250,000 or more. In the recent 12-month sales period analyzed earlier, approximately one-third of the single family home sales in Fargo in 2014 were for \$250,000 or more. It would therefore appear that the percentage of houses in these moderate to higher price ranges is larger than recent demand.

Less than 14% of the active listings are priced below \$150,000, and a number of these are in attached unit configurations, including condominiums. It is very probable that additional homes in the lower price ranges are available for purchase in Fargo, but not listed on the MLS. This would include houses that are “for sale by owner”.

Although this section has focused on active listings in the City of Fargo, there are also 300 or more properties that are listed in West Fargo and Moorhead. In total, 600 or more homes are on the Multiple Listing Service in the three city area.

Market Rate Rental Housing

This section of the Housing Study examines the conventional inventory of rental units, referred to as market rate rental housing.

Section Highlights

- ▶ Market rate rental housing makes up the largest share of all rental units in Fargo. By the end of 2015, there will be an estimated 29,000 to 30,000 conventional market rate units in the City, or more than 90% of the total rental inventory.
- ▶ Production of new rental housing has been very strong, especially over the last three years. Based on building permit issuance, approximately 5,000 multifamily housing units have been added since 2010. Nearly all of these would be conventional rental housing intended to serve the general occupancy rental market.
- ▶ While the City has continually added thousands of new renter-occupancy households, since 2010 the rental housing supply appears to be growing at a faster level than demand. The best available household estimates point to demand growing at a level that is less than the growth in supply, which has been averaging more than 950 units per year in Fargo. As a result, vacancy rates are expected to rise. However, as tracked by vacancy surveys conducted by Appraisal Services, Inc., vacancy rates through June 2015 have remained low. However, it is probable that recent surveys have not yet reflected many of the rental units that were permitted in Fargo in 2014, which are just entering their initial occupancy phase.
- ▶ In the opinion of Community Partners Research, it is very likely that the rental vacancy rate in market rate housing will rise above 5% later in 2015, as all of the units permitted in 2014 complete construction and open for occupancy. However, as the City continues to grow and add renter households, any excess supply will continue to be absorbed, and the vacancy rate should gradually diminish in 2016 and beyond. This assumes that the level of annual new construction will slow in 2015, when compared to the previous three years.

- ▶ Only secondary information was obtained on rental rates, but the Fargo area has always had very efficient rental housing developers that have historically constructed units at very attractive prices. According to the American Community Survey in 2013, the median gross rent for a one-bedroom rental in the MSA was just above \$600, was at approximately \$700 for a two-bedroom, and below \$920 for a three-bedroom option. A national comparative data source from the Center for Housing Policy, ranked Fargo as the 18th most affordable rental market of the 210 largest metropolitan areas in the U.S.
- ▶ While the median rent structure is very affordable by national standards, there is a significant under-supply of rental units that are available for less than \$500 per month. The number of lower income renter households needing a lower priced unit in 2013 was nearly double the supply that existed in the MSA.
- ▶ The City has had strong net growth in the number of renter households with an annual income of \$35,000 or more, and most of the net gain over the past 15 years has been from households with an annual income of \$50,000 or more. As a result, the number of households that can afford to pay \$1,000 or more each month for rent has tended to greatly exceed the actual supply of these units in the inventory. However, since 2013, a large volume of new rental housing has been constructed in the MSA. Although specific pricing details are not available from these multiple projects, much of the construction of market rate housing has focused on higher-rent properties. These moderate to higher priced units would be well-matched to growing demand from renter households with an income of \$35,000 or more.
- ▶ Since Fargo has grown rapidly over the past few decades, much of the rental housing stock is relatively new. Fewer than 15% of all rental units in the City predate 1960. However, more than 30% of the City's rental stock was constructed between 1970 and 1989. These units are now between 25 and 45 years old, and may require some level of investment to remain competitive with more recently built housing. If vacancy rates rise as a result of the large local expansion of rental options, these units, which tend to offer fewer amenities than newer housing, may also experience a lower rate of occupancy.

Market Rate Rental Housing

Estimated Rental Unit Inventory

The City of Fargo has always had a large number of households that rent their housing. The most recent official tenure estimate, contained in the 2010 Census, identified 54.2% of the City's households as renters, up from 52.9% at the time of the 2000 Census.

In 2010, the Census recorded 25,358 renter-occupancy households in the City, up from 20,760 renter households at the time of the 2000 Census. Over the decade, Fargo added nearly 4,600 renter households, or an annual average of approximately 460 per year over the 10-year period.

The best available evidence would suggest that the percentage of renter households has continued to grow even larger after 2010, as construction of rental housing units has greatly exceeded construction of single family housing. However, not all of the new rental units have been occupied, so renter household growth is still lower than actual unit construction in 2015.

The most recent occupancy tenure estimates, contained in the 2013 American Community Survey (ACS), vary depending on the frequency of the surveys. The lowest estimate, contained in the 5-year survey, placed the number of renter households in Fargo at 26,306 households. The highest estimate came from 1-year survey, at 28,545 renter households. If the three 2013 ACS surveys are averaged, it would yield an estimate of 27,256 renter-occupancy households.

Assuming that the estimate of 27,256 renter households represented a reasonable estimate in 2013, it would have been an increase of approximately 1,900 renter households from the level counted in 2010. At this pace, the annual average growth after 2010 would have been greater than 630 renter households per year, well above the average from the previous decade.

This estimated renter household growth would have been lower than the probable expansion of the total rental inventory during that basic time period, as approximately 2,600 multifamily rental units were permitted in Fargo between 2009 and 2012, and may have completed construction by 2013. However, with an allowance for vacancy and the recognition that not all of the new units would have been completed and available, net growth of approximately 1,900 renter households represents a reasonable estimate for the period between 2010 and 2013.

A substantial amount of additional rental construction has occurred in Fargo after the effective date of the 2013 ACS survey. However, many of the projects permitted after May of 2014 had not completed construction by July of 2015, and no certificate of occupancy had yet been issued, based on a review of City records completed by Community Partners Research, Inc. A separate evaluation by Appraisal Services, Inc., had found as many as 1,700 new units in the Fargo-Moorhead that were not yet in the active inventory in June of 2015.

The certificate of occupancy review did find that nearly all of the multifamily units permitted in 2013 had received a certificate of occupancy. It is therefore reasonable to assume that the large majority of the multifamily developments that were permitted in 2014 will complete construction and obtain a certificate of occupancy in 2015. By the end of 2015, it is probable that the City's total rental housing inventory will eventually be as large as 32,500 to 33,000 units, including vacant or unoccupied housing, income-restricted housing, and specialized rental units.

The large majority of these rental units are in the traditional market rate segment. This stock charges market rate rents and serves the typical general occupancy rental population, although some properties may be age-restricted to seniors and near-seniors (age 55+).

Census Bureau statistics do not identify conventional units from other market segments, but the research for this Study found that approximately 1,000 units are in the tax credit/HIF programs and approximately 1,050 units are in subsidized projects. Since these units have income limits and rent restrictions, they are not considered to be part of the conventional rental market.

There are also at least 750 units that provide senior housing with some level of services. Many of these projects are private-pay facilities that charge market rates, but the inclusion of services orients these units to a specialized population of frail seniors, rather than to conventional renters.

Without adjusting for any other potential specialized segments of the market, it is estimated that approximately 29,000 to 30,000 rental housing units within the City of Fargo could be classified as conventional market rate rental housing by the end of 2015. This total would include a number of units that might be oriented to student occupancy, surrounding the NDSU campus.

There has been substantially less growth in other segments, such as income-restricted housing or specialized housing for seniors or other targeted populations.

Recent Changes in Unit Supply

A separate section of this Study provides detailed information on housing construction activity in Fargo over the past 10 years. Between 2005 and 2014, building permits were issued for more than 7,000 multifamily units that would appear to be intended for renter-occupancy. Most of these units would be in the conventional market rate segment.

Approximately 51% of this 10-year construction total was permitted from 2012 to 2014. In early 2015, many of these more recent projects are still under construction, and have not yet started any initial leasing activity.

To better estimate the supply of units that could enter to the local market rate inventory in 2015, the analysts reviewed City records for the issuance of a certificate of occupancy. This review was completed in early July 2015, and would reflect filed certificates of occupancy on that date. Based on this analysis, approximately 1,400 additional units would be expected to enter the market within the next year in Fargo.

Specific details on each development project were not available from City records, but a review of the 2014 permitted projects showed only 102 units that would not appear to be within the conventional market rate rental stock. One Eventide project with 72 units is identified as assisted living, and North Sky II, with 30 units, will offer moderate rent income-restricted housing through the State's Housing Incentive Fund.

While the following list may not be inclusive of all of the multifamily projects that were permitted in 2014, and not yet open for occupancy as of July 2015, it does identify most of the larger developments that may soon enter the market. Many of these projects represent multiple buildings, which will probably be completed in smaller phases, but the overall total for the complex has been provided, along with the best descriptive name that could be obtained from City records.

- ▶ Arbor Courts - 114 units
- ▶ Urban Plains Apartments - 152 units
- ▶ Bakken Contracting/65th Ave - 72 units
- ▶ Buchholz Construction/33rd Ave - 72 units
- ▶ Meridian/46th St - 42 units
- ▶ Paces/Timber Parkway - 72 units
- ▶ Meridian/26 - 72 units
- ▶ Maple Valley Apartments - 28
- ▶ Northtown Crossing II - 108 units

- ▶ J&O Real Estate - 78 units
- ▶ Ironwood Flats 1 & 2 - 72 units
- ▶ Paces/Timber Creek Parkway - 108 units
- ▶ Osgood 66 - 66 units
- ▶ West 29 - 168 units

In addition to these larger complexes, each year there may be building permits issued for small projects that could represent market rate rental housing. Sometimes, these units are in projects as small as duplexes, or four-unit buildings.

It should also be noted that additional multifamily projects are also expected to complete construction and enter the inventory in West Fargo and Moorhead, although the largest volume is present within the City of Fargo.

Vacancy Rates

Appraisal Services, Inc., has tracked overall rental housing vacancy patterns in the Fargo-Moorhead area for many years. Their most recent report was issued for June 2015. The vacancy rate in Fargo for the most recent quarter was 3.38%, with more than 19,800 units surveyed. This rate was lower than the 3.61% rate reported in March 2015, and very similar to the annual vacancy rate for 2014 of 3.4%.

For the entire Fargo area, including West Fargo, Moorhead and Dilworth, the vacancy rate in the June report 4.46%, based on more than 27,100 units surveyed. Once again, the June 2015 vacancy rate was lower than the first quarter of 2015, at 4.53%. Both of the last two quarters were above the area wide annual vacancy rate for 2014 of 3.8%.

Although the annual vacancy rates for Fargo and the surrounding area were still relatively low at the time of the June survey, they are expected to rise. With as many as 1,700 additional units still under construction in the metro area, there is an expectation that vacancy rates will go higher by the end of 2015.

In the text to the most recent report, Appraisal Services Inc., made the following statements:

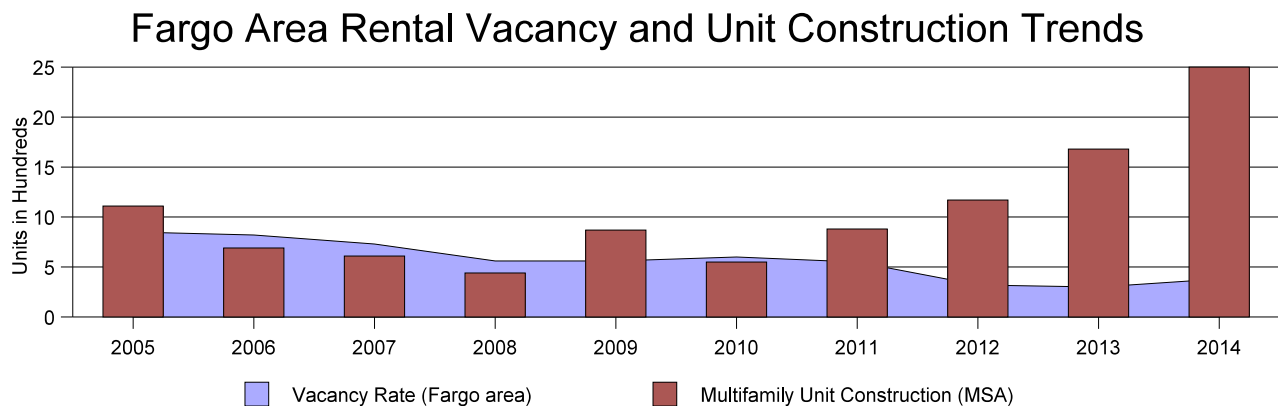
The overall 4.46% vacancy condition indicates that demand remains strong in the metro area, although year-over-year vacancies are up. Historically low vacancy rates in 2012 have been softened by the significant increase in multi-family supply that has occurred over the last 2.5 years. The metro vacancy rate has increased about 1.2% from a year ago. However, it is almost unchanged since last quarter.

New construction appears to be playing a role in supply outpacing demand in some portions of the market, notably the southwest portions of Fargo/West Fargo and Moorhead. Rental incentives are becoming commonplace in newer buildings in an effort to accelerate lease-up, while the pace of existing construction has noticeably slowed.

Prior to 2011, the annual Fargo vacancy rate had generally been above 5%. In their September 2012 quarterly report, when vacancy rates in Fargo dropped to 2.3%, Appraisal Services stated "Vacancy conditions below 5% have not been experienced in the local market since 2000-2001."

Reports from Appraisal Services can be used to track the annual vacancy trends in the Fargo Metro Area for the past ten years. In the chart below, the annual percentage vacancy has been compared to the number of multifamily housing units (3+ units per structure) that were permitted within the Fargo-Moorhead MSA, as tracked by the Census Bureau.

Although the annual vacancy rate has been below 5% in the Fargo area since 2012, it is likely to rise in the future in response to the significant expansion that is underway in unit supply. As reported earlier in this section, approximately 1,400 of the multifamily units that were permitted in Fargo in 2013 and 2014 had not yet opened for occupancy by July 10, 2015.



With the volume of units set to enter the market in 2015, it is probable that the vacancy rate will be higher by the end of the year. As the excess supply gets absorbed by anticipated household growth in 2016, the vacancy rate should drop once again, assuming that unit construction in 2015 and 2016 is substantially lower than in the recent past. Through the first seven months of 2015, fewer than 700 new multifamily units had been permitted in Fargo, Moorhead and West Fargo. While that total may rise by the end of the year, it is currently well below the number permitted in 2014.

2013 American Community Survey Rental Rate Information

The 2013 American Community Survey (ACS) also included information on gross rental rates for units in the Fargo-Moorhead MSA. However, due to the timing of the ACS surveys, almost none of the rental housing that has been permitted since 2012 would have been included.

As stated previously, three different 2013 ACS data sets exist for the City of Fargo and the Fargo-Moorhead MSA, based on 1-year, 3-year or 5-year sampling. For detailed rental information, the 1-year sample estimates have been presented, since they would generally reflect the most recent surveys and therefore better reflect near-term market conditions.

The overall median gross rent level in the MSA was \$705 in 2013. The ACS did not provide an estimated median gross rent by unit size, but it is possible to extrapolate a median for the distribution of rents provided.

Table 1 MSA Estimated Median Gross Rents - 2013				
	0-Bedroom	1-Bedroom	2-Bedroom	3-Bedroom+
Estimated Median	\$476	\$602	\$700	\$917

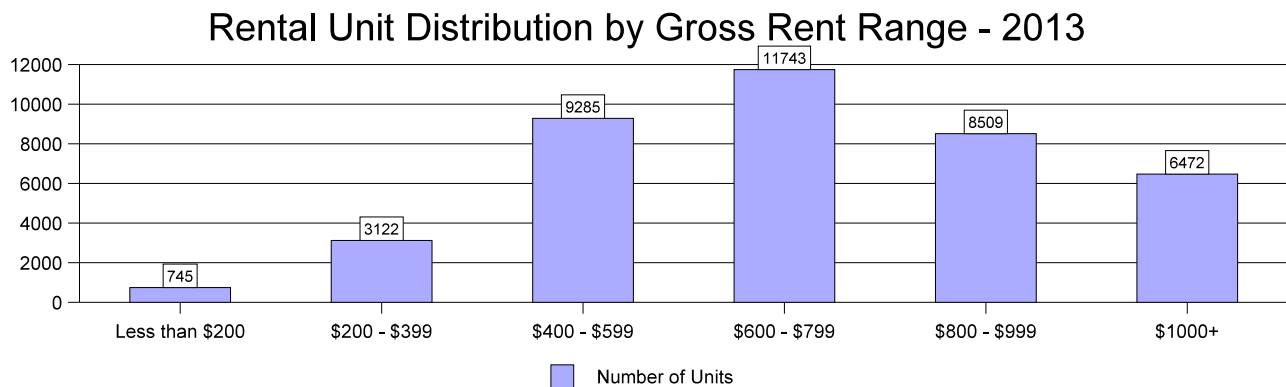
Source: Community Partners Research; 2013 American Community Survey

Although this information is for the entire MSA, the City of Fargo contains most of the area's rental housing. As a result, the estimated medians in Fargo would generally be similar to the entire MSA.

Table 2 Gross Rental Rates: 2013 Distribution in MSA		
Rental Rate	Number of Units	Percent of All Units
Less than \$100	367	0.9%
\$100 - \$149	25	0.1%
\$150 - \$199	353	0.9%
\$200 - \$249	530	1.3%
\$250 - \$299	638	1.6%
\$300 - \$349	620	1.6%
\$350 - \$399	1,334	3.3%
\$400 - \$449	861	2.2%
\$450 - \$499	1,681	4.2%

Table 2 Gross Rental Rates: 2013 Distribution in MSA		
Rental Rate	Number of Units	Percent of All Units
\$500 - \$549	3,756	9.4%
\$550 - \$599	2,987	7.5%
\$600 - \$649	2,951	7.4%
\$650 - \$699	3,465	8.7%
\$700 - \$749	3,393	8.5%
\$750 - \$799	1,934	4.9%
\$800 - \$899	4,951	12.4%
\$900 - \$999	3,558	8.9%
\$1,000 - \$1,249	3,357	8.4%
\$1,250 - \$1,499	1,578	4.0%
\$1,500-\$1,999	765	1.9%
\$2,000 +	772	1.9%
Total	39,876	100%

Source: 2013 American Community Survey



The rent distribution tables from the American Community Survey do not differentiate between different segments of the market. The table would include subsidized units, tax credit units, and probably some specialized senior housing. However, the vast majority of units would represent conventional housing.

According to the American Community survey, a large share of the rental units in the Fargo MSA have a gross monthly rent between \$600 and \$799 per month. Overall, more than 29% percent of the MSA's units are within this \$199 range. As stated previously, the estimated median rent is \$705.

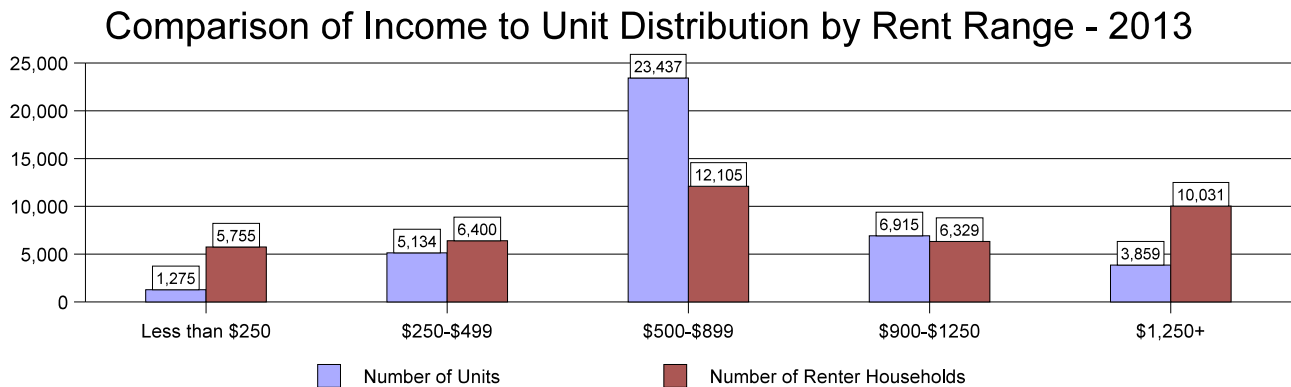
While most of the units priced between \$600 and \$799 would represent conventional housing, some of the area's tax credit inventory would be included. It is also possible that subsidized units would be reflected, if the market rent, rather than the subsidized rent, was recorded by the survey.

Only 16.2% of the MSA's rental stock in 2013 had a gross monthly rent of \$1,000 or more. However, with the substantial construction of market rate housing that has occurred in the past three years, it is probable that the share within this highest price range has grown after 2013.

Less than 10% of the rental stock in the MSA had a gross rent below \$400 in 2013.

ACS Unit Distribution - Supply and Demand

Using the 2013 ACS information on income by tenure, it is possible to compare the distribution of units to the housing needs of renters, based on ability to pay. Since the income ranges provided for renter households can be quite large, the rent ranges are also fairly large. The calculation of ability to pay assumes a goal that no more than 30% of income is used for rent.



Comparing supply and demand, based on the price needed versus unit distribution, shows some interesting trends. First, there are many more low income households that need a unit priced less than \$250 than there are units available. The number of very low income households exceeds the comparably-priced unit supply by more than 4 to 1.

This disparity in unit supply to very low income renters has also been documented in the Affordable Housing section of this report, where rental housing cost burdens were analyzed. More than 3,000 low income Fargo renter households that need a unit priced below \$250 reported paying more than 30% of their income for housing. This is a group that generally cannot be served by the conventional rental market, where very few units exist in this price range.

Some gap also exists for units priced between \$250 and \$499 per month, but the supply and demand are more closely balanced, according to the American Community Survey data. However, it is probable that many of the households needing access to a unit in this price range cannot actually secure one. As a result, more than 3,600 renter households in this price range were also paying more than 30% of their income for housing.

The unit supply in the price range between \$500 and \$899 is very large. Area developers have historically been very successful in producing moderately-priced market rate units in the past in the Fargo area, with many options within this price range.

The large supply of units in this moderate range would also be rented by lower income households that would apply more than 30% of income, and by higher income households that can afford to pay more for housing, but choose to spend less than 30% of their income for rent. For renter households with incomes of \$20,000 to \$34,999, fewer than 50% were paying more than 30% of their income for housing. However, in numeric terms, this still represented nearly 3,700 households with a rental cost burden.

In 2013, the supply of units priced between \$900 and \$1,249 was generally well-matched to the number of households within the comparable income ranges. However, there were many more renter households with an annual income of \$50,000 or more than there were units with a gross rent of \$1,250 or more. There were approximately 2.5 times as many households that could afford a gross rent of \$1,250 or more than there were units in this higher range. Since 2013, it is probable that the supply of units in these higher ranges has been expanded, due to a substantial amount of high quality construction projects.

As documented in both the Income section and the Affordable Housing section of this document, there are a large number of renter households in Fargo with incomes above \$50,000. In numeric terms, the largest net growth in renter households between 2000 and 2013 occurred in the income ranges between \$50,000 and \$75,000. However, it appears that many of these people “buy down” for housing, and elect to spend less than 30% of their income for rent.

Most of the new conventional rental housing constructed in Fargo in recent years has been oriented to moderate and higher-income renters. This housing will often have amenities not offered in older units, and charge a higher monthly rent than other conventional housing. According to renter income data, this higher-priced housing is well positioned to serve the growing market of renters with an annual income of \$50,000 or more. However, there is no guarantee that renter households will elect to rent a higher-priced unit, even though they can afford to do so, when there may be other attractive options that are available at a lower price, which requires a smaller portion of their monthly income.

Rental Housing by Year of Construction

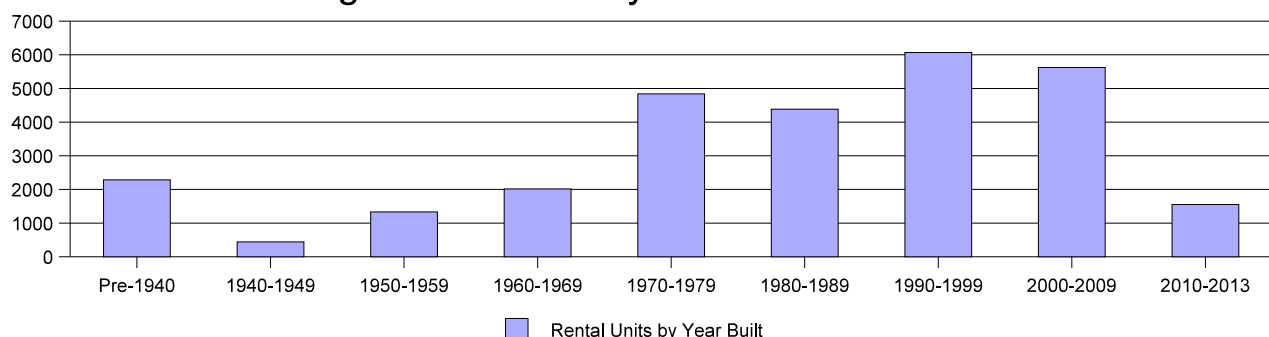
The 2013 American Community Survey presents information about the year of construction for rental units. This information has only been provided for the City of Fargo.

As stated previously, this would include all rental housing in the City, and conventional market rate units cannot be separated. However, nearly all of the older stock would be in the conventional segment of the market. Subsidized housing was typically constructed in the 1960s and 1970s. All of the area's actively-monitored tax credit inventory, and most of the senior housing with services units were built after 1990.

Table 3 Fargo Rental Units by Year of Construction		
Year Built	Number of Units	Percent
2010-2013	1,553	5.4%
2000 - 2009	5,624	19.7%
1990 - 1999	6,069	21.3%
1980 - 1989	4,383	15.4%
1970 - 1979	4,840	17.0%
1960 - 1969	2,016	7.1%
1950 - 1959	1,332	4.7%
1940 - 1949	443	1.6%
1939 and earlier	2,285	8.0%
Total	28,545	100%

Source: 2013 American Community Survey 1-Year

Fargo Rental Units by Year of Construction



Due to strong household growth in recent decades, most of the City's rental housing is relatively new. Only 8% of the units were constructed before 1940, and less than 15% of the stock is pre-1960 construction.

However, a large volume of units was constructed in the 1970s and 1980s. These units are now between 25 and 45 years old. Some of this inventory may be subsidized housing, but the large majority of these units would be market rate rental.

Tax Credit/Moderate Rent Housing Summary

This section of the Housing Study examines affordable rental housing assisted through the federal low income housing tax credit program, or similar types of assistance. This type of housing has income limits for tenants. Tax credit units are capped at 60% or less of the median income level. Other assistance programs may apply slightly different income limits, but are still targeted to moderate and lower income households. Tax credits and other affordable housing funding resources are awarded in an annual competition by the North Dakota Housing Finance Agency (NDHFA).

Section Highlights

- ▶ The first tax credit awards in the Fargo area were made in 1988. In the time period from the original 1988 allocations through 2015, there have been more than 60 separate tax credit projects that have received awards within the Cities of Fargo or West Fargo.
- ▶ Overall, there have been approximately 1,800 total rental units that have been assisted through the tax credit program in Fargo and West Fargo. Some of the initial projects have completed their compliance requirement and no longer operate under the program regulations, but approximately 1,550 units are still complying with the basic income and rent restrictions.
- ▶ Funded projects include new construction, preservation of existing rental housing and rehabilitation projects, including conversions of existing buildings. Units have been designated for general occupancy, senior occupancy (age 55+) or have been developed to address housing needs of specific at-risk populations, such as homeless individuals or people with supportive housing needs.
- ▶ When compared to the City's total rental housing inventory, as much as 4% to 5% of the rental housing stock was either constructed or rehabilitated using federal low income housing tax credit assistance. However, some of the earliest projects have fulfilled their compliance requirements, and at the end of 2015, less than 4% of the total rental inventory in the City of Fargo will operate as tax credit/moderate rent housing with some form of income restrictions.
- ▶ While new tax credit projects have been added in Fargo and West Fargo in recent years, the total inventory has not grown significantly, as the number of units leaving the program has often been similar to the number of new units being built. Longer compliance requirements for the remaining projects will limit any future loss of units.

- ▶ The rental survey conducted by Community Partners Research within this market segment has continually found a low rate of vacancy in Fargo and West Fargo projects. For senior-designated projects (age 55 and older) the vacancy rates have consistently been below 1%.
- ▶ For general occupancy units, a vacancy rate between 3% and 4% has been more typical, and this has often been comparable to the overall rental vacancy rate as tracked by Appraisal Services, Inc. Much of the general occupancy tax credit stock exists in apartment-style units that were constructed in the 1990s. Vacancy in these units can also be impacted by the processing time needed to admit new applicants. With a greater level of turnover occurring in general occupancy housing when compared to senior units, this segment can have vacancies as a result of paperwork requirements.
- ▶ A limited number of tax credit units are set aside for very low income groups. Units designated at 50% or 60% of median income cannot generally serve extremely low income households, unless rent assistance Vouchers are used. In Fargo, the Housing Authority has project-designated approximately 60 Vouchers in three senior developments. No count was available of tenant-based Vouchers being used in tax credit housing, but it is probable that some of the moderate rent units do house very low income tenants that use a Voucher.
- ▶ Although federal law allows a higher rent, up to 60% of the median income level, nearly all tax credit projects in Fargo and West Fargo charge rents that are well below the maximum allowable limits. Most tax credit projects have a rent structure that is at or below the limits set at 50% of the median income level. The lower rent structure may be a reflection of the competition that exists for tenants, between tax credit projects and moderately-price conventional rental housing.
- ▶ A listing of all active tax credit developments is provided at the end of this section.

Tax Credit Rental Housing Summary

Since the late-1980s, the federal low income housing tax credit program (also referred to as Section 42) has been the federal government's primary financial incentive for the production of more affordable rental housing.

Prior to the tax credit program, the federal government had been active in creating housing that could serve extremely low income people. Referred to in this Study as "subsidized housing", the previous federal programs had generally allowed tenants to pay rent based on 30% of their household income. To assist extremely low income households, these projects required deep subsidies, generally in the form of project-based rent assistance.

When the tax credit program was created, it was a shift away from subsidized housing for extremely low income people to an affordable rental unit that serves a more moderate income renter population.

When compared to the subsidy programs of the past, the tax credit program provides a more "shallow" form of financial assistance to developers. Tax credits allow for the construction of attractive rental housing that can serve moderate income renters, with an income limit capped at 60% of the area's median income level, as set by federal guidelines. However, unless other forms of financial assistance have also been secured by the developer, it is often very difficult to serve very low income households in tax credit projects.

As a result, most tax credit rental housing has tended to serve a more narrow band of income levels. Tax credit projects cannot accept households that earn more than 60% of median income because their income is too high, and will generally not accept households below 40% of median income because their income is too low. Rental rates for tax credit units are often similar to the moderate rent range within the older market rate rental segment.

In North Dakota, the State's Housing Finance Agency (NDHFA) has made annual awards of tax credits since 1987 for rental housing. As the largest metropolitan area in the State, housing developers in Fargo and West Fargo have received many allocations over the years, and a large number of rental housing units have been constructed or preserved due to the tax credit program.

In the past few years, the State of North Dakota created a somewhat similar state-funded program known as the Housing Incentive Fund (HIF). While HIF operates with slightly different requirements, it also helps to create moderate rent housing.

Some of the affordable projects may also have received HUD HOME funding or other various federal and state assistance, which may result in some slight differences in the regulatory requirements. HIF and HOME funded projects are included in this section.

Basic Restrictions of Tax Credit Housing

In exchange for the tax credit assistance, housing developers are required to meet certain income, rent and occupancy restrictions in the housing that is created. Although the income and rent limits may differ slightly for units assisted with HOME and HIF funds, generally similar requirements apply.

Assisted units have to serve households that are below defined annual household income levels, which are adjusted by household size. The maximum allowable income for tax credit units is based on 60% of the median family income for the County, as estimated by the U.S. Department of Housing and Urban Development (HUD). Some units may also need to meet an even lower income level, such as 30%, 40% or 50% of the area median income. Income limits are a very important operational component, as tenants must be income-certified in order to reside in an assisted unit.

Gross monthly rental rates are also capped. These maximum rents are set annually by HUD and are based on the County and the unit size. While the maximum rent levels do exist, in the Fargo area they rarely impact the operation of assisted projects, as most tax credit units are charging monthly rents that are below the maximum allowable levels set for households at 60% of the median income level.

Occupancy restrictions also apply to tax credit units during the initial contract compliance period. These will restrict certain households from occupying a unit. For example, full-time students without an income-earner would not be eligible to reside in a tax credit unit. In Fargo, these occupancy restrictions can have an impact, as the City has a large number students in the rental market.

History of Tax Credit Allocations

The first tax credit projects in Fargo were placed in service in 1988. Awards made in 1988 and 1989 required the properties to comply with income and rent limitations for a period of 15 years. For projects placed in service after 1990, this contractual period was extended, and will generally remain in effect for 30 years or more, unless specific actions are taken by the property owner.

Completed Compliance Projects

In 1988 there were three projects awarded tax credits in Fargo: Graver Inn, Barrington Manor and Trollwood Apartments. None of the initial Fargo projects were new construction, but tax credits were used for acquisition and preservation of affordable housing. The initial 15-year compliance period expired in the early 2000s for each of these projects. However, the Graver Inn received another award in 2003 and has new compliance requirements.

In 1989, the first new construction tax credit projects were placed in service in Fargo: Parkview Apartments, Carlton Place Apartments and Park Circle Apartments. There were also two new construction projects in West Fargo: Prairie West Apartments II and III. Each of these projects had completed its initial contract compliance requirements by the mid-2000s. Since there was no extended compliance requirement for these early projects, the affordable housing provisions were fully met, and these projects converted to conventional, market rate rental housing. These projects are not included in the tax credit inventory analysis that follows in this section.

History of Annual Projects by Year Placed in Service

The following table summarizes the award of tax credit units by the year that the units were originally placed in service. Units placed in service before 1991 had a compliance requirement of only 15 years and are no longer in the tax credit program, although they are displayed in the table.

Tax credit projects that were placed in service from 1991 and later all had extended use requirements after the initial 15-year compliance period. All of these projects remain under some of the basic requirements, including maximum rent caps and a required income certification at initial move-in.

While most of the tax credit units were generated through new construction, some of the projects involve the purchase and rehabilitation/preservation of existing buildings in the community and do not represent newly constructed units. Later in this section additional information has been presented on the different project types.

There are a few cases where the award of tax credits did not result in a net gain to the area's housing stock. The first awards from 1988 involved preservation efforts for existing affordable housing. Two awards have been made to the Graver Inn. One project in Moorhead constructed 38 units, but these were replacement housing for some former Public Housing units that were removed, resulting in no net affordable housing gain.

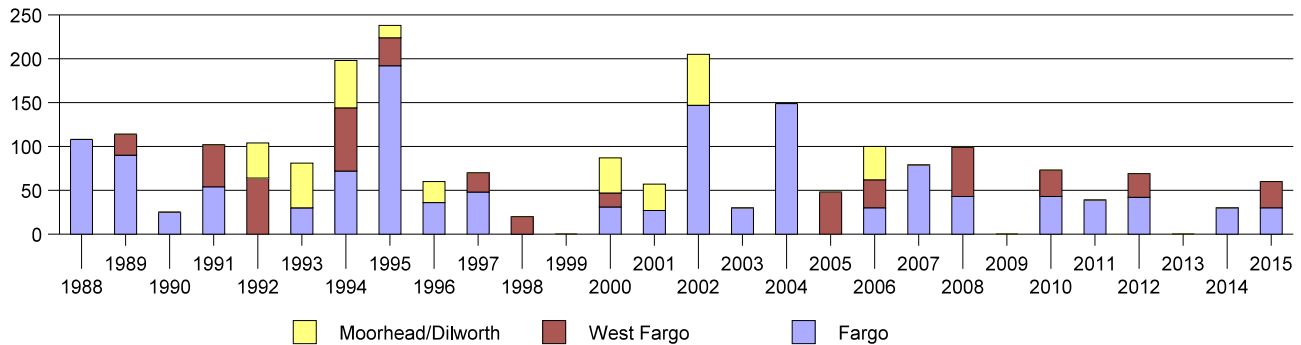
Table 1 Tax Credit Inventory by Year Placed in Service

	Fargo	West Fargo	Moorhead/Dilworth	Total
1988	108	0	0	108
1989	90	24	0	114
1990	25	0	0	25
1991	54	48	0	102
1992	0	64	40	104
1993	30	0	51	81
1994	72	72	54	198
1995	192	32	14	238
1996	36	0	24	60
1997	48	22	0	70
1998	0	20	0	20
1999	0	0	0	0
2000	31	16	40	87
2001	27	0	30	57
2002	147	0	58	205
2003	30	0	0	30
2004	149*	0	0	149
2005	0	48	0	48
2006	30	32	38	100
2007	79	0	0	79
2008	43	56	0	99
2009	0	0	0	0
2010	43	30	0	73
2011	39	0	0	39
2012	42	27	0	69
2013	0	0	0	0
2014	30**	0	0	30
2015	30	30	0	60
Total	1,375	521	349	2,245

Source: HUD; North Dakota Housing Finance Agency; Minnesota Housing Finance Agency

* Reflects second award to Graver Inn ** HIF award to North Sky I

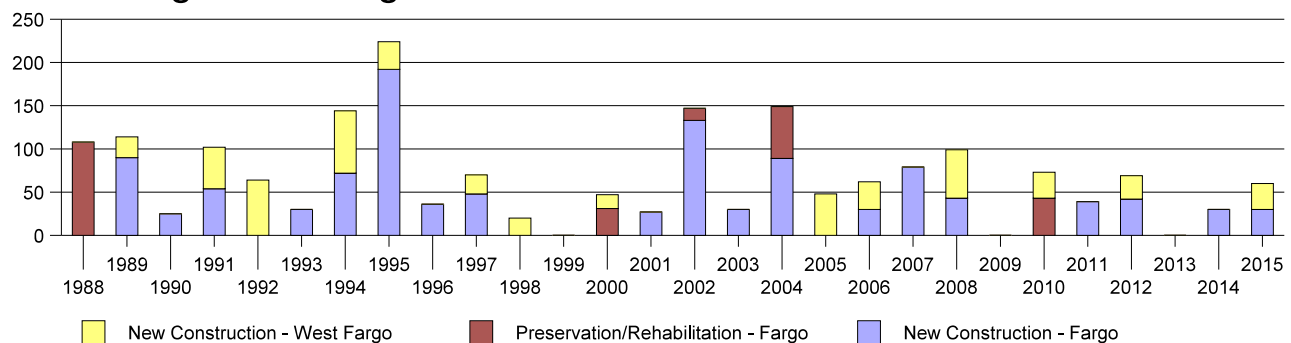
Metro Fargo Tax Credit and HIF Units - Placed in Service



Overall, there are nearly 2,200 total rental units in the Fargo metro communities that have been assisted through the tax credit program or ND HIF. In 2015, more than 1,900 are still operating under some of the affordable housing requirements. More than 60% of the total awards are for units located in Fargo, nearly 24% are in West Fargo, and the remaining 16% are in the Minnesota communities of Moorhead and Dilworth.

Prior to 2003, there was a greater level of tax credit housing activity in the Minnesota portion of the metro area. But since 2003, only one project has proceeded in Moorhead, when the 38-unit Eastern Townhomes project was constructed. The last project in Moorhead actually represented replacement housing for other units that were removed, so no net gain has occurred in the Minnesota communities since 2002. All of the tax credit activity in the metro area since 2006 has been located in Fargo or West Fargo.

Fargo/West Fargo Tax Credit and HIF Units - Placed in Service

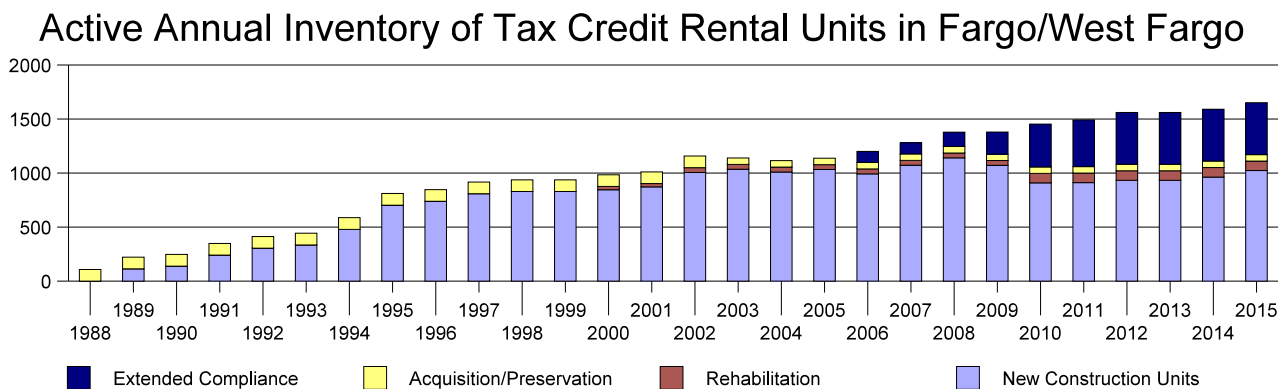


The large majority of the tax credit/HIF inventory in Fargo and West Fargo was created through new construction. The peak years for new construction activity were 1995 and 1994. The last year that more than 100 units were placed in service in a single year was 2004, and fewer than 100 units in that year were new construction, as the Graver Inn received a second tax credit award for rehabilitation, which did not add to the area's housing supply.

Compliance Status for the Fargo/West Fargo Tax Credit Housing

As stated above, tax credit projects move from a period of initial compliance, to extended compliance, to eventually fulfilling all requirements. The following chart examines the compliance status from year to year for the projects in Fargo and West Fargo. In this chart, the units that were funded in the 1980s are included during the years that they were under the compliance requirements, but then are removed from the active inventory after 15 years when they completed their compliance period.

In the following chart, Community Partners Research has attempted to define the total active inventory of tax credit rental units in Fargo and West Fargo through the years. The analysts did not have access to actual contract documents, and this represents the best interpretation of the status of units.



Due to the initial compliance period of 15 years, the Fargo/West Fargo inventory was gradually increasing in size through the year 2003, as new projects were added. However, as the projects awarded credits in the late 1980s completed their contracts and left the program, the inventory contracted slightly between 2002 and 2004, before beginning to increase once again.

Starting in approximately 2006, the projects placed in service in the early 1990s began to enter their extended compliance phase. While extended compliance projects still apply income limits at the time of initial move-in, and have rent limits in place, there are some relaxed requirements for existing tenants and the need for annual re-certifications. After the year 2020, it is possible that the 15-year extended compliance period will have been completed for some of the projects from the early 1990s.

Despite the fact that new projects have added tax credit units each year, the total active inventory has grown by fewer than 500 units when 2015 is compared to 2002. If the extended compliance units are removed, the number of tax credit units that are within the initial 15-year compliance period has actually decreased when compared to 2008.

It is important to note that any projects that complete their extended use compliance period after 2020 may still offer an affordable housing option in the future. In most cases, it is probable that the rental rates will change very little. As stated previously, few of the tax credit projects in the area charge rents that are close to the maximum allowable under the federal limits. Instead, competitive market forces tend to keep rents in a range that is similar to comparable housing options. The removal of maximum rent caps could therefore tend to have a minimal effect on contract rents.

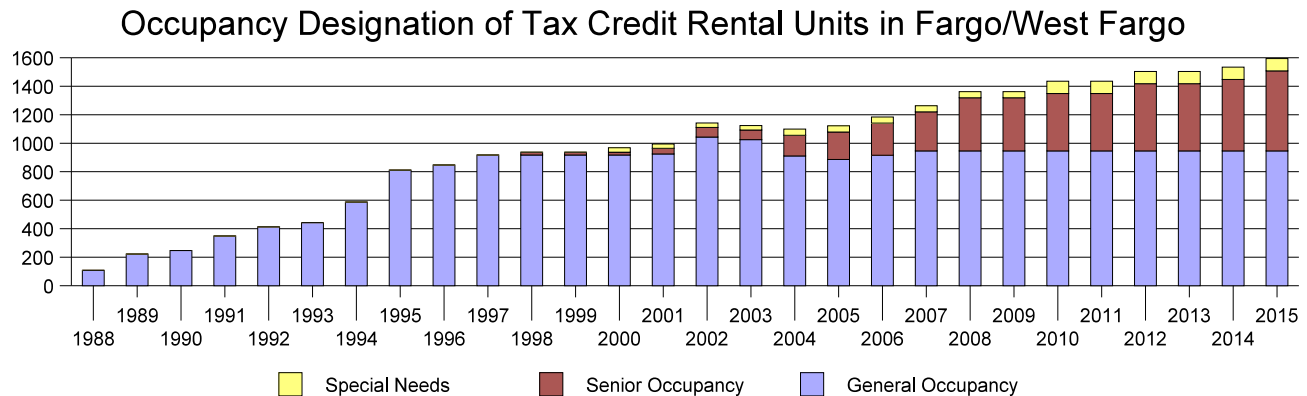
What could change is the occupancy restrictions and guarantees available during the tax credit compliance period. When a project converts to conventional market rate housing, it is no longer prevented from accepting higher income tenants. Other occupancy restrictions imposed by the federal program, such as a prohibition on admitting full-time student households, would also disappear.

Tax Credit Inventory by Occupancy Designation

The tax credit inventory in Fargo and West Fargo can be defined by the intended occupancy of the units. In the early years of the program, nearly all of the projects were designated as general occupancy housing, with the ability to serve households of any age. Later, some of the projects began to use a senior designation, serving tenants that were 55 or older.

Over time, some additional projects were developed to serve very targeted groups. For the purposes of this Study, these are grouped together as “special needs” housing. This represents a broad array of special needs populations. For example, units in Dakota Pioneer serve people with issues such as persistent mental illness. The Cooper House created units for individuals at risk of homelessness. Sister’s Path created supportive shelter units. While special needs units represent a relatively small share of the tax credit inventory, these units are generally not available to the general rental market.

In the following chart, the active annual inventory of tax credit/HIF units in Fargo and West Fargo is presented. As units have fully completed their contract compliance they have been removed. The active inventory after 2005 would reflect projects that are both in the initial and extended compliance phases.



The first tax credit units designated for senior occupancy appeared in 1998 in the Commons at 45th II in West Fargo. Since that time, senior-designated units have continued to expand in the local inventory, while the number of general occupancy units has remained largely unchanged since the late 1990s.

In 2015, two new senior-designated projects are expected to be placed in service, including North Sky II. With the expected addition of these units, the senior-designated inventory in Fargo and West Fargo will exceed 500 total units.

Tax Credit/HIF Housing Rental Survey

As part of the research, a telephone survey was completed of all income restricted, moderate rent projects in Fargo and West Fargo. Most of these projects are subject to the income, occupancy and rent restrictions of the federal low income housing tax credit program.

One project, North Sky I, received North Dakota Housing Incentive Fund assistance (HIF) and operates with slightly different requirements. Some of the projects may also have received HUD HOME funding or other various federal and state assistance, which may result in some slight differences in the regulatory requirements.

Within the area's inventory of income restricted, moderate rent projects there are different occupancy designations. Senior-designated properties have been analyzed separately from general occupancy or special-needs projects.

The rental survey within this market segment was primarily completed in January 2015, although some additional survey work was completed in June. Emphasis was placed on the projects located in Fargo and West Fargo. Although the Minnesota side of the MSA does have some general occupancy tax credit projects, no attempt was made to contact tax credit projects in Clay County.

Similar rental surveys have been completed by Community Partners Research in January 2014, December 2012, January 2012 and January 2010. Some of the summary information from those surveys has been compared to the most recently collected data.

Senior-Designated Tax Credit/Moderate Rent Housing

Although most of the senior-designated projects analyzed in this section have received assistance through the federal low income housing tax credit program, one recent project was assisted through the North Dakota Housing Incentive Fund. Both forms of development assistance impose rent, occupancy and income restrictions. Both are oriented to providing affordable rental housing with a low to moderate rent structure. The survey included the HIF project.

Unit Inventory

Community Partners Research was able to identify 16 tax credit development projects and one ND Housing Incentive Fund project in Fargo and West Fargo that provide senior-designated rental housing with a moderate rent structure. In each of these comparable projects, the senior designation restricts occupancy to households age 55 and older. Including the HIF units in North Sky I, Fargo and West Fargo have a combined inventory of 551 senior units that are subject to the income and rent restrictions that are generally similar to the subject property of this Study.

There are some additional senior-designated projects that have received funding awards, but that are not yet open for occupancy. These include North Sky II, North Sky III, and a project that will be built in West Fargo.

In general, the senior-designated projects tend to represent the more recently constructed units in the area's affordable rental inventory. Only one of the senior projects, the Commons at 45th II, was placed in service prior to the year 2000, and that project dates to 1998. The Commons at 45th II is the only senior-designated project that has completed its initial 15-year compliance requirement, although Sheyenne Square Townhomes in West Fargo should enter extended compliance in 2015.

As newer housing, the senior projects frequently offer attractive amenities and features that were not present in older, general occupancy tax credit properties, such as covered parking, in-unit laundry connections, and attractive community rooms.

Unit Mix

The physical inventory of senior-designated tax credit units exists in both apartment style and town house-style rental construction. There is a mix of one-bedroom and two-bedroom units, and there are also some units that have one-bedroom plus den configurations.

- 165 one-bedroom units (29.9%)
- 45 one-bedroom+den units (8.2%)
- 341 two-bedroom (61.9%)

Occupancy Rates

Occupancy rates in the senior-designated projects continue to be very high, as reported to the rental survey conducted for this Study. Within the established senior-designated projects, the estimated vacancy rate was less than 1%.

Some projects did report open units on the date of the survey, but these were often in the process of being filled. Nearly all of the senior-designated projects reported the presence of a waiting list, including those projects that had unoccupied units on the date of the survey. The processing time required to certify new residents can temporarily delay the filling of some turn over units.

The estimated vacancy rate in 2015 is very similar to the rates recorded in other recent surveys. In surveys conducted in January 2014 and in December 2012, the estimated vacancy rate was also below 1%.

Initial Lease-up Patterns

The most recent project to open for occupancy in the local market was North Sky I, which opened in December 2014. According to staff at the Fargo Housing Authority, which is managing the project, initial occupancy proceeded very well, with almost all of the units committed within the first month. North Sky I did benefit from an existing waiting list that was maintained by the Fargo Housing Authority for its Crossroads and Sunrise North senior projects.

North Sky I was assisted through the ND Housing Incentive Fund program, and has different maximum income limits than would normally apply to tax credit housing. However, according to management staff at the Housing Authority, nearly all of the initial tenants of North Sky I were under the 60% of median income limits that apply to most tax credit housing.

The rapid lease-up of units in North Sky I continues a pattern that had been present with the previous senior-designated projects. In 2012, both The Preserve and Phase II of Crossroads Senior Living were opened. According to the property manager at The Preserve, those units became available in phases between July and September 2012. All units were successfully leased within one month of their availability for occupancy. The Crossroads project was constructed in two separate development phases. According to the management staff, Crossroads received approximately 250 applications for the 81 available units.

Rental Rates

Rental rates in the senior-designated projects have tended to be well below the allowable limits set at 60% of median income by the federal guidelines. The identified range below defines the lowest and highest gross rents that were reported to the survey, including some units that may be designated for households at 30% of median income. The prevailing range defines the gross rents being charged by a majority of the units serving households at or below 60% of median income. The federal limit is the maximum allowable rent at 60% of median income for new projects opening after 2011. The limits are effective in 2015.

<u>Unit Type</u>	<u>Identified Range</u>	<u>Prevailing Range</u>	<u>Federal Limit</u>
One Bedroom	\$448 - \$688	\$560 - \$665	\$859
Two Bedroom	\$450 - \$866	\$650 - \$860	\$1,030

Nearly all of the existing tax credit units in Fargo and West Fargo have gross monthly rents that are below the limits set for households at 50% of the median income level. No units were near the maximum allowable limits that are based on 60% of median income.

Some projects do have a portion of their units that are designated for lower income households, including units at 30%, 40% or 50% of median income. Rents for these units tend to be at the lower end of the identified range.

Proposed/Pending Affordable Senior Projects

Research identified three additional affordable projects in the Fargo area that will add to the local inventory. North Sky Phase II started construction in 2014 and will add 30 senior-designated rental units. North Sky Phase III recently received a tax credit award and will add another 30 units. Another project in West Fargo was awarded tax credits in 2014. This pending project would add 30 units through new construction. After award, this project changed its planned site, which has delayed the start of construction. The revised construction time line for this project is not known by the analysts.

Assuming that all three of these pending projects are constructed as planned, the affordable inventory for senior occupancy should increase to 641 total units by the end of 2016.

Table 2 Fargo/West Fargo Tax Credit/ND HIF Senior Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
Senior-Designated (Age 55 and Older)					
Century Square Townhomes 3820 25 th St S Fargo 701-232-1887	<u>19 - 2 Bedroom</u> 19 Total Units	\$712-\$722 +electric	No vacancies, waiting list	Senior- designated with 1 unit at 30% of median, remainder at 60%	Tax credit townhouse units designated for senior occupancy, age 55 and older. Awarded credits in 1999 and placed in service in 2001. Tenants pay electric, but heat, hot water, water, sewer and garbage included in rent. Units have attached garage, in-unit laundry hookup, refrigerator, stove, dishwasher, garbage disposal and central AC. One unit serves households at 30% of median income, with remainder at 60%. Units have 1002 to 1006 sq ft and 1 bathroom. Manager reports full occupancy with a long waiting list, and low rate of turnover. Rents are largely unchanged from prior survey.
Charleston Townhomes 1312-1348 3 rd St E West Fargo 701-356-0891	<u>3 - 2 Bdrm@30%</u> <u>23 - 2 Bdrm@60%</u> 26 Total Units	\$474 \$800-\$840 +electric	No vacancies, waiting list	Senior- designated, 3 units at 30% and remainder at 60% of median income	Tax credit town house project designated for senior-occupancy, age 55 and older. Awarded credits in 2007 and opened for occupancy in 2008. Tenants pay electric, but heat, water, sewer and garbage included in rent. Amenities include attached garage, patio, in-unit laundry hookup, refrigerator, stove, dishwasher, microwave, wall AC and garbage disposal. Complex amenities include community room with kitchen, beauty/barber shop and scheduled activities. Units have 1002 to 1035 sq ft and 1 bathroom. Three units serve households below 30% of median income, and are at lowest end of rent range, with remaining units serving households below 60% of median; end units are larger and at highest rent. No vacancies at time of survey and waiting list exists for 7 projects in West Fargo. Rents listed are new prices for 2015 and have increased by \$8 for 30% units and by \$30 for 60% units from prior survey.

Table 2 Fargo/West Fargo Tax Credit/ND HIF Senior Rental Housing Inventory

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
Senior-Designated (Age 55 and Older)					
Charleston Townhomes II West Fargo 701-356-0891	6 - 2 Bdrm@30% 4 - 2 Bdrm@50% <u>20 - 2 Bdrm@60%</u> 30 Total Units	\$474 \$720 \$810-\$840 +electric	1 vacant 60% unit, waiting list	Senior- designated, 6 units at 30%, 4 units at 50% of median, remainder at 60%	Tax credit town house project designated for senior-occupancy, age 55 and older that opened in 2010. All units were pre-leased prior to completion of construction. Tenants pay electric, but heat, water, sewer and garbage included in rent. Amenities include attached garage, patio, in-unit laundry hookup, refrigerator, stove, dishwasher, microwave, central AC and garbage disposal. Complex amenities include community room with kitchen, beauty/barber shop and scheduled activities. Units have approx. 1000 sq ft and 1 bathroom. Six units serve households below 30% of median income, and are at lowest end of rent range; 4 units serve households at 50% of median with remaining units serving households below 60% of median. One vacancy at time of survey due to turnover but waiting list exists for 7 projects in West Fargo. Rents listed are for turnovers in 2015 and have increased by \$30 for 60% units from prior survey.
Commons II 470/490 23 rd St E, 2255 Meadow Ridge Parkway West Fargo 701-356-0891	2 - 2 Bdrm@30% <u>18 - 2 Bdrm@60%</u> 20 Total Units	\$474 \$760-\$775 + electric	No vacancies waiting list	Senior- designated with 2 units at 30% of median and 18 units at 60%	Town house style units awarded credits in 1996 and placed in service in 1998. This project has completed initial 15 years and now in extended compliance. Units are designated for senior occupancy, age 55 and older. Tenant pays electric in addition to rent, but heat, water, sewer and garbage are included in rent. Unit amenities include detached garage in rent, in-unit laundry hookup, refrigerator, stove, dishwasher, garbage disposal and AC. Project amenities include coin laundry and 24-hour maintenance. Units have 1020 sq ft and 1 bathroom. Two units are designated for tenants below 30% of median income and have a lower rent, with remaining units at 60% or less of median. Manager reports no vacancies, with low turnover and a waiting list for the 7 projects in West Fargo. Rents are for turnovers in 2015 and have increased by \$25 to \$35 from prior survey.

Table 2 Fargo/West Fargo Tax Credit/ND HIF Senior Rental Housing Inventory

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
Senior-Designated (Age 55 and Older)					
Crossroads Senior Living 1670 E Gateway Circle S 701-293-6262	63 - 1 Bedroom <u>18 - 2 Bedroom</u> 81 Total Units	\$460-\$510 \$615-\$650 +electric	No vacancies, waiting list	Senior- designated with units at 30%, 40%, 50% and 60% of median income	Tax credit apartment project designated for senior occupancy, age 55 and older, that was constructed in two phases. Phase I opened in 2011 and phase II opened in 2012. All units are tax credit assisted and serve households at or below 30% to 60% of median income. Amenities include in-unit laundry, dishwasher, microwave, disposal, wall AC and garage parking. Stove and refrigerator provided. Tenants pay electric but heat, hot water, water, sewer and garbage are included in rent. Building amenities include community room, fitness center and library. One-bedrooms have 705 sq ft and 2-bedrooms have 867 sq ft - all units have 1 bathroom. Project received approximately 250 applications, and most units were pre-leased during construction. Manager reported full occupancy and long waiting list at time of survey - many names are shared with Sunrise North and North Sky. Rents increase approx. 2% annually.
Fieldstone Village Senior Apartments 4574 44 th Ave S 701-235-4138	5 - 1 Bedroom 19 - 1 Bedroom <u>25 - 2 Bedroom</u> 49 Total Units	\$380 \$540 \$640 +electric	Any open units are in the process of being filled	Senior- designated with 5 units at 40% and remaining units at 60% of median	Senior-designated tax credit project that was placed in service in 2007. Three-level apartment building with elevator and attached covered parking. Project amenities include community room, fitness center, guest suite, and coin laundry facilities. Unit amenities include dishwasher, microwave, and wall AC. Rent includes heat with tenant paying electric. One-bedrooms have 632 sq ft and 2-bedrooms have 834 sq ft; all units have 1 bathroom. Five units are designated for households at 40% of median and have lower rent. Remaining units at 60% of median income. Good demand for units - open units at time of survey were being filled from waiting lists, especially for 1-bedrooms.

Table 2 Fargo/West Fargo Tax Credit/ND HIF Senior Rental Housing Inventory					
Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
Senior-Designated (Age 55 and Older)					
Heritage Commons 1327-1423 3 rd St E West Fargo 701-356-0891	2 - 2 Bdrm@50% <u>30 - 2 Bdrm@60%</u> 32 Total Units	\$735 \$765-\$795 +electric	No vacancies waiting list	Senior- designated, 2 units at 50% of median, remainder at 60%	Tax credit town house units designated for senior occupancy, age 55 and older. Awarded credits in 2004 and placed in service in 2005. Rent includes heat, hot water, water sewer, and garbage, but tenant pays electric. Most units have attached or detached garage, in-unit laundry hookup, patio, refrigerator, stove, dishwasher, garbage disposal, microwave, AC and walk-in closet. Project amenities include community room with kitchen, beauty/barber shop, walking trail and scheduled activities. Units have 1006 sq ft and 1 bathroom - lowest rent units have detached garage. Two units serve households at 50% of median and remaining units at 60% or less of median income. No vacancies at time of survey and waiting list exists for 7 projects in West Fargo. Heritage Commons tends to attract younger seniors, while companion Heritage Square attracts older seniors. Rents listed are for turnovers in 2015 and have increased by \$15-\$25 from prior survey.

Table 2 Fargo/West Fargo Tax Credit/ND HIF Senior Rental Housing Inventory					
Name	Number of Units / Bedroom Mix	Rent	Vacancy / Wait List	Income Level Served	Comments
Senior-Designated (Age 55 and Older)					
Heritage Square 1315 3 rd St E West Fargo 701-356-0891	2 - 1 Bdrm@30% 13 - 1 Bdrm@60% <u>15 - 2 Bdrm@60%</u> 30 Total Units	\$395 \$635 \$745 +electric, +garage	1 vacant 60% unit, 1 - 2 Bdrm waiting list	Senior- designated, 2 units at 30% of median, remainder at 60%	<p>Tax credit apartment units designated for senior occupancy, age 55 and older. Awarded credits in 2004 and placed in service in 2005. Building is one-level with courtyard. 15 attached garages available for extra \$30. Tenants pay electric, but heat, hot water, water, sewer and garbage are included in rent. Apartments have in-unit laundry hookup, AC, stove, refrigerator, garbage disposal, microwave, walk-in closet and 2-bedroom units have dishwashers. One-bedroom units have 636 sq ft and 1 bathroom and two-bedrooms have 937 to 951 sq ft and 1 bathroom. Project amenities include community room with kitchen, beauty/barber shop, walking trail and scheduled activities. Two units serve households below 30% of median income and have reduced rent. Remaining units at 60% or less of median income. One vacancy at time of survey due to turnover but waiting list exists for 7 projects in West Fargo. Heritage Square tends to attract older seniors due to apartment-style, while companion Heritage Commons and town house projects in complex attract younger seniors. Rents listed are for turnovers in 2015 and have increased by up to \$15 from prior survey.</p>

Table 2 Fargo/West Fargo Tax Credit/ND HIF Senior Rental Housing Inventory					
Name	Number of Units / Bedroom Mix	Rent	Vacancy / Wait List	Income Level Served	Comments
Senior-Designated (Age 55 and Older)					
North Sky I 4835 28 th Ave S Fargo 701-293-6262	5 - 1 Bdrm@30% 2 - 1 Bdrm@50% 3 - 1+Den@50% 9 - 1+Den@80% 2 - 2 Bdrm@50% <u>3 - 2 Bdrm@80%</u> 24 Total Units	\$474 \$474 \$519 \$671 \$615 \$750-\$776 +electric	Initial occupancy phase with most units leased within 1 month	Senior- designated, 5 units at 30% of median, 5 units at 50% and remainder at 80%	First phase of a planned 3-phase development project that provides affordable rental options for seniors age 55 and older. Project received ND HIF funding and City NSP funds also used, resulting in mixed-income requirements at 30%, 50% and 80% of median income. Project will offer amenities including community room with kitchen, library and fitness center. Unit amenities include in-unit laundry, dishwasher, microwave, disposal, wall AC and attached covered parking. Rent includes heat with tenant paying electric. One bedrooms have 678 to 762 sq ft, 1-bedrooms plus den have 839 sq ft and 2-bedrooms have 890 sq ft; all units have 1 bathroom; 8 units on upper floor have vaulted ceilings. Initial occupancy underway with most units pre-leased and applications received and being processed for all available units - a shared waiting list with approx. 150 names remains from North Sky, Crossroads and Sunrise North.

Table 2 Fargo/West Fargo Tax Credit/ND HIF Senior Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
Senior-Designated (Age 55 and Older)					
The Preserve 32 nd Ave and Veterans Blvd West Fargo 701-356-0891	5 - 2 Bdrm@30% <u>22 - 2 Bdrm@60%</u> 27 Total Units	\$474 \$795-\$810 +electric	No vacancies, waiting list	Senior- designated, 5 units at 30% of median, remainder at 60%	Tax credit town house project designated for senior- occupancy, age 55 and older that opened for occupancy in June 2012. Units became available between June and Sept. and all were filled within 1 month of becoming available. Tenant pays electric, but heat, hot water, water, sewer and garbage are included in rent. Amenities include attached garage, patio, in-unit laundry hookup, refrigerator, stove, microwave, garbage disposal, dishwasher and AC. Project amenities include community room with kitchen, walking trail and resident functions. Units have 918 sq ft with 966 sq ft in accessible units; all have 1 bathroom. Five units serve households below 30% of median income, and are at lowest end of rent range, with remaining units serving households below 60% of median. No vacancies at time of survey and waiting list exists for 7 projects in West Fargo. Rents listed are for turnovers in 2015 and 60% units have increased by \$15 to \$20 from prior survey.
River Square Apartments I 1251 54 th Ave S Fargo 701-364-2620	9 - 1 Bedroom <u>20 - 2 Bedroom</u> 29 Total Units	\$635 \$735 +electric	No vacancies, call list maintained	Senior designated; 60% of median income	Tax credit project that was awarded credits in 2000 and constructed in 2001 - still in initial 15-year compliance. Units are one-level apartments and designated for people age 55 and older. All units are tax credit assisted and serve households at of below 60% of median income. Rent includes heat, water, sewer and garbage, but tenant pays electric. Amenities include in-unit laundry hookup, emergency call system and garages are available for extra fee. Stove and refrigerator provided. Project amenities include community room, computer room, library, center courtyard with gardens, and sun room. Units range in size from 636 to 951 sq ft and 1 bathroom. Most tenants are age 75 or older. No vacant units at time of survey and call list is maintained - low rate of turnover so call list can be out of date. Rents have increased by \$15 from prior survey.

Table 2 Fargo/West Fargo Tax Credit/ND HIF Senior Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
Senior-Designated (Age 55 and Older)					
River Square Apartments II 1250 52 nd Ave S Fargo 701-364-2620	12 - 1 Bedroom <u>19 - 2 Bedroom</u> 31 Total Units	\$635 \$735 +electric	No vacant units, call list maintained	Senior designated; 60% of median income	Tax credit project that was awarded credits in 2003 and constructed in 2004. Units are one-level apartments and designated for people age 55 and older. All units are tax credit assisted and serve households at or below 60% of median income. Rent includes heat, water, sewer and garbage, but tenant pays electric. Amenities include in-unit laundry hookup, emergency call system and garages are available for extra fee. Stove and refrigerator provided. Project amenities include community room, computer room, library, center courtyard with gardens, and sun room. Units range in size from 636 to 951 sq ft and 1 bathroom. Most tenants are age 75 or older. No vacant units at time of survey and call list is maintained - low rate of turnover so call list can be out of date. Rents have increased by \$15 from prior survey.
Serenity Apartments 212 8 th Ave W West Fargo 701-282-3443	3 - 1 Bedroom <u>15 - 1+ Bedroom</u> 18 Total Units	\$540 \$634 +electric	No vacant units, waiting list	Senior- designated with 3 units @40% 5 units @50% 10 units@60% of median income	Senior-designated (age 55 and older) tax credit apartment project awarded credits in 2004 and placed in service in 2005. One level building with detached garages available. Most units are 1 bedroom +den. Tenants pay electric but heat, water, sewer and garbage are included in rent. Unit amenities include wall AC, refrigerator, stove, microwave, dishwasher and disposal. One-bedrooms have 702 sq ft and 1+den units have 816 sq ft; all units have 1 bathroom. Manager reports no vacancies and waiting list, with wait time of 2+ years due to low turnover. Rents have increased by \$10 to \$12 from prior survey.

Table 2 Fargo/West Fargo Tax Credit/ND HIF Senior Rental Housing Inventory

Name	Number of Units / Bedroom Mix	Rent	Vacancy / Wait List	Income Level Served	Comments
Senior-Designated (Age 55 and Older)					
Sheyenne Commons 205 14 th Ave E West Fargo 800-726-7960	18 - 1+ Bedroom <u>12 - 2 Bedroom</u> 30 Total Units	\$515 \$600 +heat, hot water, electric	No vacant units, long waiting list	Senior designated; 60% of median income	Nonprofit-owned tax credit project awarded credits in 2007 and opened for occupancy in July 2008. Designated for 55 and older occupancy. All units are tax credit assisted, and 60% of median income limits apply. Mix of one+ and two bedroom townhouse units. Amenities include in-unit laundry, attached double garage, AC, refrigerator, stove, microwave, dishwasher, disposal and ground-level units with private entrance. Project has a community room. All units have 1,172 sq. ft. of living space and 1 bathroom. Manager reports no vacancies, low turnover and a waiting list of 125 names - this is one of the only affordable senior projects with 2-car garage. Rents are up by \$20 from prior survey.
Sheyenne Square 1100 Sheyenne St West Fargo 701-356-0891	1 - 2 Bdrm@30% <u>15 - 2 Bdrm@60%</u> 16 Total Units	\$474 \$765 +electric	No vacant units, waiting list	Senior-designated, 1 unit at 30% of median, remainder at 60%	Tax credit townhouse units designated for senior occupancy, age 55 and older. Credits awarded in 1999 and placed in service in 2000 - project will complete initial 15 year compliance in 2016. Tenant pays electric, but rent includes heat, hot water, water, sewer and garbage. Amenities include attached garage, in-unit laundry hookup, refrigerator, stove, dishwasher, garbage disposal, AC, and walk-in closet. No square footage information available, but all units have 1 bathroom. One unit serves households at 30% of median income, at low end of rent range, with remainder at 60%. No vacancies reported, with waiting list for 7 projects in West Fargo. Rents for 60% units have increased by \$30 from prior survey.

Table 2 Fargo/West Fargo Tax Credit/ND HIF Senior Rental Housing Inventory

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
Senior-Designated (Age 55 and Older)					
Sunrise North Apartments 350 26 th Ave N Fargo 701-293-6262	32 - 1 Bedroom 11 - 2 Bedroom 43 Total Units	\$530-\$592 \$612-\$704 +electric	1 vacant unit, waiting list	Senior designated; 60% or less of median income	<p>Tax credit project that received an allocation of credits in 2007 and opened for occupancy in 2008. Designated for 55 and older occupancy. All units are tax credit assisted, and 60% of median income limits apply. Some units are designed to serve even lower incomes at 30%, 40% or 50% of median - rents are based on income qualification level. 27 project-based rent assistance Vouchers for lower income tenants; some residents also have tenant-based Vouchers. Unit amenities include in-unit laundry, wall AC, dishwasher, microwave and disposal. Stove and refrigerator provided. Project amenities include attached covered parking, community rooms, computer room, and in-unit laundry. Tenants pay electric but heat, hot water, water, sewer and garbage are included in rent. One-bedrooms have 700 sq ft and 2-bedrooms have 871 sq ft - all units have 1 bathroom. Long waiting list shared with Crossroads and North Sky - low rate of turnover. Rents increase approx. 2% annually.</p>
Windwood Townhomes 4401 Woodhaven Drive Fargo 701-232-1887	3 - 2 Bdrm@30% 27 - 2 Bdrm@60% 16 - 2 Bdrm@60% 46 Total Units	\$474 \$835 \$775 +electric and heat in two- level units	No vacant units, waiting list	Senior- designated, 3 units at 30% of median, remainder at 60% of median	<p>Tax credit townhouse units designated for senior occupancy, age 55 and older. Awarded credits in 2003 and placed in service in 2004. Most of the units are one level, and tenants pay only electric - these are at higher end of rent range, but 16 units are split-level and tenants pay heat (natural gas) and electric - at lower end of 2 bedroom rent range. Other utilities are included in rent. Amenities include attached garage, in-unit laundry hookup, stove, refrigerator, dishwasher, microwave, disposal and AC. Units have 1022 sq ft and 1 bathroom. Manager reports no vacant units on date of survey and a waiting list exists - greater demand for one level units but waiting list also exists for split-level. Rents for 60% units have increased by \$10 to \$45 from prior survey.</p>

Source: Community Partners Research, Inc.

General Occupancy Tax Credit Housing

Unit Inventory

Most of the tax credit inventory in Fargo and West Fargo is designated for general occupancy. In the first 10 years of the program, nearly all of the funded projects were designated for general occupancy.

The rental survey identified 23 rental projects with a total inventory of 922 tax credit rental units. The rental survey was successful in collecting information from all but 36 of the general occupancy units.

Unit Mix

The total inventory of general occupancy tax credit units is distributed in the following unit sizes:

- ▶ 5 - Efficiency/Studio (0.5%)
- ▶ 101 - One-Bedroom (11.0%)
- ▶ 476 - Two-Bedroom (51.6%)
- ▶ 5 - Two+ Bedroom (0.5%)
- ▶ 321 - Three-Bedroom (34.8%)
- ▶ 14 - Four-Bedroom (1.5%)

Occupancy Rates

Usable occupancy information was obtained from 886 of the 922 general occupancy units. There were 37 total units reported as vacant, for a vacancy rate of 4.2% in January 2015.

This rate of vacancy rate recorded in January 2015 was higher than in a comparable survey completed by Community Partners Research in January 2014, when an overall vacancy rate of 3.8% was recorded in this segment of the market.

It is important to note that the calculated vacancy rate for tax credit housing may be somewhat high. Because of the time required for income certification, and other paper work processing, vacancies can exist even in projects that also maintain waiting lists. Some of the projects with vacancies reported that processing was underway to fill the units.

Many of the older general occupancy tax credit projects, constructed in the early 1990s, have completed their initial 15-year tax credit compliance phase, and are in an extended compliance period. These extended compliance properties have fewer restrictions related to tenant re-certification requirements. In some cases, this appears to have improved the occupancy rate for the project.

Rental Rates

Rental rates in the general occupancy tax credit sector can vary widely. Most of the projects constructed since 2000 have allocated a percentage of the units to serve lower income groups, with some units dedicated to households below 30% or 40% of median income. As a result, these properties tend to have a rent schedule with some units substantially lower in price that can be offered to lower income households.

In the rent summary provided below, the Identified Range column reflects these lower-rent units, but in the Prevailing Range, the large majority of units serve households up to 60% of median income, the maximum income allowable for tax credit housing. The federal limits listed were effective for 2015.

<u>Unit Type</u>	<u>Identified Range</u>	<u>Prevailing Range</u>	<u>Federal 60%Limit</u>
Efficiency/Studio	\$375 - \$440	\$375 - \$440	\$802
One-Bedroom	\$417 - \$611	\$495 - \$600	\$859
Two-Bedroom	\$500 - \$796	\$650 - \$750	\$1,030
Three-Bedroom	\$690 - \$915	\$750 - \$900	\$1,191
Four-Bedroom	\$900 - \$1,080	\$900 - \$1,060	\$1,329

The actual rental rates being charged in the Fargo area are well below the maximum allowable limits, set at 60% of median income. In nearly all cases, the gross rent structure is less than the limits set for households at 50% of the median income level.

The maximum allowable rents set by HUD at 60% of median would often be higher than the rent structure for market rate units in the Fargo area.

Table 3 Fargo/West Fargo Tax Credit/ND HIF Rental Housing Inventory					
Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
General Occupancy					
Birchview Apartments (aka Westview) 1802 40 th St. SW Fargo	1 - 1 Bedroom 11 - 2 Bedroom <u>12 - 3 Bedroom</u> 24 Total Units	\$530 \$630 \$670 +electric	No vacant units, waiting list	General occupancy, all at 60% of median	Tax credit apartments awarded credits in 1992 and placed in service in 1994 - in extended compliance period. Rent includes heat and detached garage; tenants pays electric. All units serve households at 60% or less of median income. No units vacant at time of survey. Low turnover reported and a waiting list exists. Rents have increased by \$20 from prior survey.
Bluestem Townhomes 4518-4538 Bluestem Ct S 701-293-6262	20 - 2 Bedroom 8 - 3 Bedroom <u>2 - 4 Bedroom</u> 30 Total Units	\$610-\$670 \$850 \$945 +electric	No vacant units, waiting list	General occupancy with units at 40%, 50% and 60% of median	Tax credit town house project awarded credits in 2005 and placed in service in 2006. Rent includes heat and other utilities but tenant pays electric. Amenities include attached garage, in-unit laundry hookup, dishwasher, patio and playground. Six units serve households at 40% of median, 9 units at 50%, and 15 units at 60% of median income. Units are Voucher eligible and nearly half of the tenants use rent assistance. Shared waiting list with Bluestem Homes. No vacancies and a waiting list exists. Rents increase approx. 2% annually.

Table 3 Fargo/West Fargo Tax Credit/ND HIF Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
General Occupancy					
Bluestem Homes Bluestem Ct S Fargo 701-293-6262	4 - 2 Bedroom 18 - 3 Bedroom 8 - 4 Bedroom 30 Total Units	\$475-\$525 \$625-\$725 \$780-\$890 +all utilities for most units, electric only for town houses	No vacancies, waiting list	General occupancy with units at 40%, 50% and 60% of median	Tax credit project with single family detached homes, twin homes and townhouse style units, awarded credits in 2006 and placed in service in 2007. Bluestem Homes is considered a lease/purchase project and offers two paths to home ownership. Five percent of monthly rent is set aside for down payment assistance if tenant lives in Bluestem for at least two years and then buys a home. Tenants will also have the opportunity to purchase their Bluestem unit at the end of the 15-year tax credit compliance period. Tenants pay all utilities in houses and twin homes, but tenants in town house units pay electric only, but also have a higher contract rent at upper end of the range listed. Amenities include attached garage, in-unit laundry hookup, dishwasher, patio and playground. Three units serve households at 40% of median, 7 units at 50%, and 20 units at 60% of median income. Some units are Voucher eligible. Manager reports that turnover is low. Shared waiting list with Bluestem Townhomes. Rents are based in part on income qualification level. Rents increase approx. 2% annually.
220 Broadway Fargo 701-293-6262	2 - Efficiency 3 - 1 Bedroom 5 Total Units	\$335-\$385 \$430-\$440 +heat, electric	No vacant units	General occupancy with units at 40%, 50% and 60% of median	Five units above downtown commercial space. Tax credit rehabilitation project with 2001 allocation and placed in service in 2002. One unit serves 40% of median, 2 units at 50%, and 2 units at 60% of median income. Tenants pay heat and electric in addition to rents listed. Most tenants are singles, often working downtown. No parking available which can make units harder to rent. No vacancies at time of survey. No waiting list is kept, but downtown location results in walk-ins when vacancies occur. Some referral systems also used, such as displaced veterans. Rents increase approx. 2% annually.

Table 3 Fargo/West Fargo Tax Credit/ND HIF Rental Housing Inventory					
Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
General Occupancy					
Chestnut Ridge Apartments (formerly Lake I-V) 3101-3161 32 nd St SW Fargo 701-365-0333	5 - 1 Bedroom 80 - 2 Bedroom 5 - 2 Bed + Den <u>30 - 3 Bedroom</u> 120 Total Units	\$545 \$665-\$680 \$690 \$780 +electric	3 vacant units, 3 - 2 Bdrm w/1 bath	General occupancy, 50 units at 50% of median, rest at 60%, waiver allows some units to be at higher income	Five apartment buildings with 24 units each, awarded credits in 1993 and placed in service in 1995 - now in extended compliance phase. Income waiver granted that allows some units to be rented to higher income tenants. Rent includes heat and garage but tenant pays electric in addition to rent. Units have laundry hookup. Eight units per building are at 50% of median income with remainder at 60% of median. Manager reported 3 vacancies at time of survey. Most rents are largely unchanged from prior survey but 3-bedrooms are up by \$30.
Church Townhomes 1538 16 ½ St S Fargo 701-293-6262	3 - 2 Bedroom <u>5 - 3 Bedroom</u> 8 Total Units	\$612-\$638 \$857-\$865 +electric	No vacancies, waiting list	General occupancy with units at 40%, 50% and 60% of median	Redevelopment project that created 8 town house tax credit units that were placed in service in 2001. Units are 2-story with attached garage, in-unit laundry hookup, and playground. Rent includes heat but tenant pays electric. One unit serves 40% of median, 4 units at 50%, and 3 units at 60% of median income. Waiting list of approx. 12 to 15 names. Units are Voucher eligible and some tenants have rent assistance. Rents increase approx. 2% annually.
Country Edge Apartments I & II 3343 and 3363 31 st Ave SW Fargo 701-365-0333	2 - 1 Bedroom 34 - 2 Bedroom <u>12 - 3 Bedroom</u> 48 Total Units	\$545 \$650-\$655 \$730-\$750 +electric	2 vacant units, 2 - 2 Bdrm w/1 bath	General occupancy, 5 at 30%, remainder at 60%	Two 24-unit apartment buildings awarded credits in 1995 and placed in service in 1997 - now in extended compliance. Three story apartment buildings. Rent includes heat but tenant pays electric and optional garage for \$30 in addition to contract rent listed. Units have laundry hookup. Other amenities include community laundry, and playground. Five units are designated for households at 30% of median, with remainder at 60% of median. Some main floor units are adapted for accessibility. Two units vacant at time of survey. Rents are largely unchanged or slightly lower than prior survey.

Table 3 Fargo/West Fargo Tax Credit/ND HIF Rental Housing Inventory					
Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
General Occupancy					
Foxboro Court Townhomes 2310 7 th Ave E West Fargo 701-281-8483	2 - 2 Bdrm@30% 10 - 2 Bdrm@60% <u>10 - 3 Bdrm@60%</u> 22 Total Units	\$495 \$770 \$875 +electric	1 vacant unit	General occupancy, 2 units at 30% of median and 20 units at 60%	Two story town house units allocated credits in 1995 and placed in service in 1997 - now in extended compliance phase. Tenant pays electric in addition to rent; garage and heat is included in rent. Amenities include in-unit laundry hookup, dishwasher, disposal, AC, and some 3-bedrooms are 2-level. Two 2-bedroom units are at 30% of median income at lower rent listed, and remaining units serve households below 60% of median income. Units have 1250 sq ft, with 1 bathroom in 2-bedrooms and 2 bathrooms in 3-bedrooms. Manager reports 1 vacant unit due to eviction - no waiting list is kept. Rents are up by \$25 to \$45 from prior survey.
Foxtail Creek Townhomes 42 nd Avenue S Fargo	2 - 2 Bdrm@30% 14 - 2 Bdrm@60% 10 - 3 Bedroom <u>4 - 4 Bedroom</u> 30 Total Units	\$474 \$760 \$860 \$1040 +electric	No vacancies, waiting list for four bedrooms	General occupancy, 2 units at 30% of median and rest at 60%	Tax credit townhouse units awarded credits in 2001 and placed in service in 2003. Rent includes garage and heat, hot water, water, sewer and garbage, with tenant paying electric. Amenities include in-unit laundry hookup, microwave, dishwasher, disposal and AC. Stove and refrigerator provided. Two units serve households at 30% of median income, with remainder at 60%. Two-bedrooms have 1250 sq ft and 1 bathroom, 3-bedrooms have 1250 sq ft and 2 bathrooms, 4-bedrooms have 1325 sq ft and 2 bathrooms. Manager reported no vacant unit at time of survey and a 30-name waiting list exists for 4-bedrooms. No waiting list is kept for other units allowing first-come first-served. Rents have increased by \$10 to \$30 from prior survey.

Table 3 Fargo/West Fargo Tax Credit/ND HIF Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
General Occupancy					
Hazelwood Townhomes (formerly Grandview) 3031 - 3061 33 rd St. SW Fargo	6 - 2 Bedroom <u>30 - 3 Bedroom</u> 36 Total Units	\$650 \$790 + electric	No vacant units	General occupancy, 11 units at 50% of median, remainder at 60%	Tax credit town house project awarded credits in 1994 and placed in service in 1996 - now in extended compliance. Six buildings with 1 two-bedroom and 5 three-bedroom units per building. Formerly known as Grandview Townhomes. Rent includes heat but tenant pays electric and optional \$30 garage in addition to contract rent listed. Units have in-unit laundry. Eleven units are designated for households at 50% of median, with 25 units at 60% of median. Full occupancy reported at time of survey. Rents have increased by \$40 to \$50 from prior survey.
Graver Inn 123 Roberts Street Fargo 701-478-2549	58 - 1 Bedroom <u>2 - 2 Bedroom</u> 60 Total Units	\$515-\$520 \$517 +electric	3 vacant unit, 3 - 1 Bdrm waiting list	General occupancy at 40% and 50% of median	HUD Mod Rehab project in 1988/89 of older apartment complex. Tax credits and HOME funds awarded in 2003 for rehab and placed in service in 2004. HOME funding restrictions have now expired. Ten units are designated for 40% of median and remaining units at 50% of median - but nearly all tenants are actually very low income below 30% of median. Nearly all tenants have rent assistance Vouchers - but Voucher funding issues will result in no new issuance in 2014 except for special veterans program. Manager reports 3 vacant units at time of survey due to processing time required to certify new tenants - but long waiting list exists. People are often referred from area shelters. Rents increase approx. 2% annually.

Table 3 Fargo/West Fargo Tax Credit/ND HIF Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
General Occupancy					
Herald Square 303 Roberts St Fargo 701-293-6262	3 - Efficiency <u>6 - 1 Bedroom</u> 9 Total Units	\$325-\$370 \$440-\$460 +heat, electric	No vacant units, waiting list	General occupancy with units at 40%, 50% and 60% of median	Nine unit tax credit rehabilitation project with 2001 allocation and placed in service in 2002. One unit serves 40% of median, 4 units at 50% of median, and remaining units serve households at or below 60% of median income. Tenants pay heat and electric in addition to rent. Most tenants are singles, often working downtown. Long waiting list exists as downtown location is very popular. Some referral systems also used, such as displaced veterans. No vacant units at time of survey. Rents increase approx. 2% annually.
Maybrook (formerly South Pointe Court) 3219 18th St S Fargo 701-365-0333	1 - 1 Bedroom 17 - 2 Bedroom 10 - 3 bedroom <u>2 - 4 Bedroom</u> 30 Total Units	N/A \$650-\$665 \$750 \$860 + electric	1 vacant unit, 1 - 2 Bdrm w/1 bath	General occupancy, all at 60% or less of median income	Three story apartment building placed in service in 1994 - in extended compliance phase. Rent includes heat and garage but tenant pays electric in addition to rent. All units serve households at 60% or less of median income. Some 3-bedroom units have laundry room and 2 have been converted to 4-bedroom units. Manager reported 1 vacant unit at time of survey. Two-bedroom rents are largely unchanged but larger units are up \$20 to \$30 from prior survey.
Meadows Apartments I & II 555 22 nd St E 556 23 rd St E Fargo 701-281-8483	<u>16 - 3 Bedroom</u> 16 Total Units	\$785-\$815 +electric	No vacant units	General occupancy, 5 units at 50% of median, rest at 60%	Two tax credit apartment projects with 8 units each awarded credits in 1991 and placed in service in 1992 - in extended compliance phase. Tenant pays electric in addition to rent, but heat is included in rent. Amenities include in-unit laundry hookup in most units, double garage and balcony/patio. Units have 1,065 sq ft and 2 bathrooms. Manager reports no vacant units but no waiting list is maintained. Rents are generally unchanged from prior survey.

Table 3 Fargo/West Fargo Tax Credit/ND HIF Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
General Occupancy					
Park Apartments 4235 9 th Ave Circle SW Fargo 701-491-0699	1 - 1 Bedroom 11 - 2 Bedroom <u>6 - 3 Bedroom</u> 18 Total Units	N/A +electric	N/A	General occupancy with all units at 60% of median	Unable to contact in 2015 survey - information presented is from prior surveys. Tax credit project awarded credits in 1990 and placed in service in 1991 - now in extended compliance phase. Three story apartment building. Rent includes garage and heat, but tenant pays electric.
Park West I Apartments 4303 9 th Ave Circle SW Fargo 701-491-0699	1 - 1 Bedroom 11 - 2 Bedroom <u>6 - 3 Bedroom</u> 18 Total Units	N/A +electric	N/A	General occupancy with all units at 60% of median	Unable to contact in 2015 survey - information presented is from prior surveys. Tax credit project awarded credits in 1990 and placed in service in 1991 - now in extended compliance phase. Three story apartment building. Rent includes garage and heat, but tenant pays electric.
Park West II Apartments 4311 9 th Ave Circle S Fargo	1 - 1 Bedroom 11 - 2 Bedroom <u>6 - 3 Bedroom</u> 18 Total Units	\$550 \$650 \$750 inc. utilities	No vacant units	General occupancy with all units at 60% of median	Tax credit project placed awarded credits in 1990 and placed in service in 1991, and now in extended compliance period. Three story apartment building. Rent includes utilities and garage. Owned by Fraser LTD which serves developmentally disabled populations - approximately 40% of units are filled by clients and 60% for general rental. LSS will often refer prospective tenants from immigrant populations they work with. Manager reports full occupancy and no vacancies with low turnover. Rents are unchanged from prior survey.

Table 3 Fargo/West Fargo Tax Credit/ND HIF Rental Housing Inventory					
Name	Number of Units / Bedroom Mix	Rent	Vacancy / Wait List	Income Level Served	Comments
General Occupancy					
Park Place Apartments 2701 32 nd Ave SW 3131 27 th St. SW Fargo 701-232-1887	36 - 2 Bedroom <u>36 - 3 Bedroom</u> 72 Total Units	\$700-\$720 \$860 +electric	9 vacant units, 4 - 2 Bdrm 5 - 3 Bdrm	General occupancy, 22 units at 50%, remainder at 60%	Three 3-level apartment buildings with 24 units each, awarded credits in 1993 and placed in service in 1995. In 2010 it entered the 15-year extended compliance phase. Rent includes heat and garage, but tenant pays electric. Amenities included in-unit laundry hookup, dishwasher and balcony. 22 of the units are designated for households at 50% of median, with remainder serving households at 60% of median. Two-bedroom units have 968 to 1015 sq ft and 1 bathroom, and 3-bedrooms have 1200 sq ft and 2 bathrooms. Nine units vacant at time of survey - new management has resulted in higher turnover as poor rent history, etc., have resulted in open units. Rents have increase by \$50 to \$75 from prior survey.
Prairie Park Apartments I, II, and III 1318, 1336, 1354 8 th St. East West Fargo	3 - 1 Bedroom 51 - 2 Bedroom <u>18 - 3 Bedroom</u> 72 Total Units	\$575 \$635-\$660 \$710-\$720 +electric	13 vacant units, 1-1 Bdrm 10-2 Bdrm 1-3 Bdrm	General occupancy, 24 units at 50%, remainder at 60%, waiver allows some higher income tenants	Three apartment buildings with 24 units each, awarded credits in 1992 and placed in service in 1994. Now in extended compliance phase. Income waiver also received that allows some units to be rented to higher income tenants. Rent includes heat and tenant pays electric. Units have laundry hookup and optional garage available for extra fee. Eight units per building are designated for households at 50% of median, with remainder serving households at 60% of median. Manager reported 13 vacant units at time of survey - remodeling was completed in past year, resulting in rent increase of \$75, which lead to high turnover and vacancies.

Table 3 Fargo/West Fargo Tax Credit/ND HIF Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
General Occupancy					
Prairie West Apartments IV,V,VI 1515 14 th Ave E, 1401 12 th St E, 1121 14 th Ave E West Fargo	3 - 1 Bedroom 51 - 2 Bedroom <u>18 - 3 Bedroom</u> 72 Total Units	\$545-\$585 \$580-\$670 \$650-\$710 +electric	4 vacant units, 4 - 2 Bdrm	General occupancy, waiver allows 33 units to be at higher income	Three apartment buildings with 24 units each - 3-level walkups. Awarded credits in 1990 and placed in service in 1991 and 1992. Now in extended compliance phase. Income waiver in place that allows 11 units per building to be rented to higher income tenants. Rent includes heat and tenant pays electric. Optional garage available for extra fee. Tax credit units in these buildings are designated for households at either 50% or 60% of median income. Rent structure reflects different floor plans and locations, with ground level units at highest rents. Manager reported 4 vacant units at time of survey, with 1 application in process. Rents are largely unchanged from prior survey but some 3-bedrooms are up by \$25.
Rattenborg Apartments (formerly Commons at 45 th I) - 415, 425, 435 22 nd St E 455 22 nd St E West Fargo 218-291-1875	20 - 2 Bedroom <u>12 - 3 Bedroom</u> 32 Total Units	\$735-\$740 \$850 + electric	No vacant units	General occupancy at 60% of median income	Town house style units placed in service in 1995 - now in extended compliance phase. Units are general occupancy and serve households below 60% of median income. Tenant pays electric in addition to rent, but heat and detached garage parking are included in rent. Two-bedrooms have 800 sq ft and 3-bedrooms have 950 sq ft; all have 1 bathroom. Four units have attached garage and remainder have detached garage. Manager reports full occupancy at time of survey and full for past 4 months. Rents will increase by \$10 to \$15 in 2015.

Table 3 Fargo/West Fargo Tax Credit/ND HIF Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
General Occupancy					
Sterling Park Apartments (aka West View) 3140, 3160 33 rd St SW Fargo 701-365-0333	4 - 1 Bedroom 20 - 2 Bedroom <u>24 - 3 Bedroom</u> 48 Total Units	\$570-\$580 \$640-\$650 \$750-\$755 + electric	1 vacant unit, 1 - 3 Bdrm w/1 bath	General occupancy, all units at 60% of median	Two apartment buildings with 24 units each, awarded credits in 1993 and placed in service in 1994 - in extended compliance period. Rent includes heat and garage but tenant pays electric in addition to rent. All units serve households at or below 60% of median income. One-bedrooms have 620 sq ft, 2-bedrooms have 790 sq ft and 3-bedrooms have 1120 sq ft; all units have 1 bathroom. One vacant unit at time of survey. Rents are up by \$35 to \$55 from prior survey.
The West Winds 3500 42 nd St SW Fargo 701-232-1887	10 - 1 Bdrm@30% 2 - 1 Bdrm@60% 60 - 2 Bedroom <u>32 - 3 Bedroom</u> 104 Total Units	\$394 \$565 \$720 \$850 +electric	No vacant units	General occupancy with 10 units at 30%; remainder at 60%	Tax credit apartment units allocated credits in 2000 and 2001 and placed in service in 2002. Two 3-story apartment buildings with elevators and 52 units each. Garage and heat, hot water, water, sewer and garbage included in rent, but tenant pays electric. Ten 1-bedroom units serve households at 30% of median, other units at 60% of income. Amenities include in-unit laundry hookup, AC, microwave, dishwasher, disposal and patios. Stove and refrigerator provided. Project amenities include fitness center, community room with kitchen and playground. One-bedrooms have 777 sq ft and 1 bathroom, 2-bedrooms have 1000 to 1192 sq ft and 1 bathroom, 3-bedrooms have 1192 to 1264 sq ft and 2 bathrooms. A few vacant units at time of survey but applications had already been processed to fill units. Waiting list is not kept allowing first-come first-served. Rents have increased by \$5 to \$19 for most units from prior survey.

Source: Community Partners Research, Inc.

Special Needs Tax Credit Inventory

Some of the tax credit awards have been used for the development of affordable units to serve populations with special needs, such as homeless individuals and families, and people with mental health or chemical dependency issues.

In Fargo and West Fargo, four specific projects were identified.

- ▶ Cooper House serves individuals who are homeless or are at risk of homelessness.
- ▶ Dakota Pioneer provides transitional housing for people with mental illness, addiction, other disabilities, and/or homelessness.
- ▶ Sister's Path provides transitional housing for homeless families with children.
- ▶ Park West II was developed by Fraser, Ltd., and most of the 18 units are offered as general occupancy housing. However, some of the units are typically used for clients with developmental disabilities.

Excluding Park West II, where the units used by Fraser, Ltd., can vary, the remaining projects contain 86 units designated for special needs populations.

Most of the specialized tax credit units use a referral system or network for filling available apartments. Occupancy rates tend to be high. Most residents receive some form of rent assistance, based on their low income levels.

Table 4 Fargo/West Fargo Tax Credit/ND HIF Rental Housing Inventory					
Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
Special Needs/Populations					
Cooper House 414 11 th St N Fargo 701-478-2549	32 - Efficiency <u>11 - 1 Bedroom</u> 43 Total Units	\$450 \$545 30% of income	High occupancy rate, Waiting list	Single individuals who are homeless or at risk of homelessness	Tax credit project that provides permanent, supportive housing designed to serve single individuals who are homeless or are at risk of becoming homeless. Awarded credits in 2008 and opened 2010. Efficiency units have kitchenette facilities. The project has project-based rent assistance Vouchers available for residents, making units affordable to people with very low incomes. Applicants are rated based on vulnerability index - often through referral system. Rents increase approx. 2% annually.
Dakotah Pioneer 631 1 st Ave N Fargo	10 - Efficiency 19 - 1 Bedroom <u>2 - 2 Bedroom</u> 31 Units with 33 person capacity	N/A	Good demand - residents are through referral process	Transitional housing - mental illness, addiction, disabilities, homeless	Nonprofit-owned special-needs tax credit project that opened for occupancy in 2000, and created through rehabilitation of a historic downtown building. Project provides affordable transitional housing for people with mental illness, addiction, or other disabilities, and for homeless individuals. Most residents receive some financial assistance with rent. All residents have case worker and partnership with Human Services for referral and placement of residents.
Sister's Path 4219 9 th Ave SW Fargo 701-478-2549	9 - 2 Bedroom <u>3 - 3 Bedroom</u> 12 Total Units	\$480-\$639 \$930 30% of income	1 vacant unit but, waiting list exists and vacancies often filled through referral	Permanent supportive housing for homeless families	New construction tax credit project providing supportive/permanent housing for the homeless families, often with chemical dependency issues. 2003 tax credit allocation that was placed in service in 2004. Families can stay permanently but after 7 months they can receive a rent assistance Voucher if they progress through the training and treatment program. Shelter+care Vouchers are used to assist families while in transitional housing. Most tenants are through referral process - diligent screening is completed. Rents increase approx. 2% annually.

Source: Community Partners Research, Inc.

Subsidized Rental Housing Summary

This section of the Housing Study examines very affordable rental housing, which can charge rent that is substantially lower than conventional housing. This type of housing typically has some type of federal subsidy, provided through the U.S. Department of Housing and Urban Development.

Section Highlights

- ▶ Fargo has 1,050 subsidized housing units serving various segments of the low income rental market. These include 413 general occupancy units, 576 senior/disabled occupancy units and 61 special needs/targeted populations units.
- ▶ Fargo also has authority to issue 1,294 tenant-based rent assistance Vouchers that can be used in suitable market rate or income-restricted housing. Most of this assistance is provided through traditional Vouchers, but some additional assistance programs can also exist, serving veterans or homeless people.
- ▶ The supply of subsidized rental housing, which allows tenants to pay rent based on 30% of income, has not grown substantially in recent years. At the time of the 2010 Census, approximately 8.8% of all renter households in the City had access to some form of subsidized housing. By the end of 2015, this percentage will probably drop below 8% of all renter households in Fargo.
- ▶ Over the past 10 years, the only new subsidized project that has been added to the inventory is the 18-unit Northland Apartments, which serves renters with physical disabilities requiring accessible units. Over the past 10 years there have been some subsidized unit losses. As many as 64 units that once had project-based rent assistance have either completed their contract compliance, or have been sold as private market housing.
- ▶ The rental survey completed by Community Partners Research found that some vacant units can be present at any time, but this is largely the result of the paperwork requirements to fill the units, including an income certification. For most forms of subsidized housing long waiting lists exist.
- ▶ The tenant-based Voucher rent assistance program has maintained a long waiting list with more than 900 names in January 2015. Over time, the number of Vouchers has increased, but at a lower rate than renter household growth.

Subsidized Rental Housing Summary

Overview

The term “subsidized housing” as used in this Study defines rental projects that have utilized federal and/or State programs to provide housing for very low income people. In the City of Fargo, nearly all of the subsidized rental housing has used one or more of the various programs available through the U.S. Department of Housing and Urban Development (HUD).

With access to either project-based rent assistance or direct operating assistance, the subsidized units are generally able to charge rent based on 30% of the tenant’s household income. Most subsidized housing serves households below 50% of the HUD-estimated median income level, referred to by HUD as very low income and extremely low income renters.

Subsidized Inventory

For a city its size, Fargo has a relatively small number of housing projects that meet the definition of subsidized housing as used in this Study. They represent a mix of privately-owned subsidized buildings and housing that is owned and managed by the Fargo Housing Authority. Some of the projects provide general occupancy housing and are available to tenants of any age, while others are designated for seniors and/or disabled tenants. There are also a few projects that serve very targeted, special needs populations.

In total, the research for this Study identified 1,050 units in Fargo that offer project-based subsidized housing. The distribution of these units by market segment is as follows:

- ▶ 413 general occupancy subsidized units
- ▶ 576 senior and/or disabled occupancy subsidized units
- ▶ 61 special needs/targeted populations subsidized units

In addition to these “bricks and mortar” projects, the Housing Choice Voucher Rent Assistance Program and similar rent subsidy programs can assist nearly 1,300 households at full utilization.

In some cases, Vouchers have been assigned to certain moderate rent housing developments in the City. This “project-basing” of otherwise portable Vouchers effectively creates some additional subsidized housing, but since Vouchers are being used, the participating households are already included in the Voucher total.

Unit Gains and Losses

The research in 2015 identified some subsidized units that have been lost since the previous inventory was compiled in the 2004 Housing Study. The Fargo Housing Authority has sold approximately 16 scattered site two-bedroom public housing units since 2004.

Some of the HUD Mod Rehab projects identified in 2004 have completed their contract requirements and no longer have project-based rent subsidy contracts. These include 8th Street Apartments (aka Dutch Maid), the 9th Street Apartments (aka Rogne), Barrington Manor and the Graver Annex. Combined, these Mod Rehab projects had once offered 48 units with rent based on income. While it is very possible that these properties have relatively low rents, they can no longer offer rent based on 30% of household income.

Since the 2004 Study was completed, there has been only one new subsidized project that was constructed in Fargo. In the late 2000s the Northland Apartments project was built, creating 18 fully accessible units for people with physical disabilities.

With more units have left the subsidy programs since 2004 than were added through new construction, Fargo's physical inventory of subsidized housing has decreased by 46 rental units since the year 2004.

During this same time period, the number of rent assistance Vouchers has increased by approximately 200 Vouchers. As a result, there has been some net gain in subsidized housing resources in Fargo, but it is probable that this represents only 150 additional households having access to housing that can charge rent based on household income.

Total Supply of Subsidized Rental Housing

When tenant-based Vouchers are combined with the inventory of project-based units, there were approximately 2,350 renter households that had access to some form of subsidized housing. Although the exact number of renter households in Fargo is not clearly defined, this Study has used a working estimate that approximately 29,500 renter households will be present in Fargo later in 2015. Compared to the total number of renter households, those with access to rent subsidies represent approximately 8% of all renter households.

At the time of the 2010 Census, more than 8.8% of all Fargo renters would have had access to subsidized housing. At the time of the 2000 Census, approximately 9.4% of all renters in Fargo had access to subsidized housing.

Subsidized Housing Unit/Bedroom Mix

One of the subsidized projects, Northland Apartments, could not specifically identify the unit mix by number of bedrooms. In the following table, the analysts have assumed that 10 one-bedroom and 8 two-bedroom apartments are in this project, based on the general description that was provided by the manager.

Table 1 Fargo Subsidized Units by Bedroom Mix - 2015				
	General Occupancy	Senior/Disabled	Special Needs	Total
Efficiency/SRO	7	35	61	103
One Bedroom	38	507	0	545
Two Bedroom	232	33	0	265
Three Bedroom	113	1	0	114
Four Bedroom	23	0	0	23
Total	413	576	61	1,050

Source: Community Partners Research, Inc.

Since a majority of the subsidized housing in Fargo was constructed to serve senior and/or disabled households, most units have one or fewer bedrooms. Overall, nearly 62% of the inventory exists in one-bedroom, efficiency or single room occupancy housing options. Approximately 25% of the units have two bedrooms, and the remaining 13% has three or more bedrooms.

Fargo General Occupancy Subsidized Rental Survey

The general occupancy subsidized inventory in Fargo was often developed in phases, and may represent multiple projects when viewed as HUD contracts. However, most of the units are in two groupings. The Fargo Housing Authority has 183 scattered site units in multiple locations around Fargo. The other large development, Community Homes, has a combined 184 subsidized units in Community Homes I and II.

In addition to these projects, there are 30 units in the Burrell, 12 units in the Colonial, and four units in the Sisk Apartments. Each of these projects involved the rehabilitation of older structures, completed a number of years ago when HUD offered the Mod Rehab program. At least four other Mod Rehab projects that had once operated in Fargo have completed their contractual requirements and no longer offer project-based subsidized housing.

Combined, the remaining projects offer 413 subsidized rental units that are designated for general occupancy, with rent based on 30% of household income.

Unit Mix

General occupancy housing is often viewed as family housing, and most of this inventory has two or more bedrooms.

For reported units, the bedroom mix is as follows:

- ▶ 7 (1.7%) studio/efficiency units
- ▶ 38 (9.2%) one-bedroom
- ▶ 232 (56.2%) two-bedroom
- ▶ 113 (27.4%) three-bedroom
- ▶ 23 (5.6%) four-bedroom

Occupancy/Vacancy

The telephone survey of subsidized properties was conducted in May and June of 2015. The survey found some unoccupied units in the subsidized properties designated for general occupancy. The estimated vacancy rate was approximately 3.1%.

However, this rate may be artificially high. Most properties had waiting lists, and the unoccupied units reflected the processing time required to certify a new applicant and have them move into the available unit.

Community Homes reported that waiting lists are especially long for efficiency apartments, which were limited in supply, and for three-bedrooms, which are less likely to turn over.

The Fargo Housing Authority has recently been purging its waiting list, but still had more than 200 active names for its units. In addition to the scattered site Public Housing, the Housing Authority also owns and manages the Burrell and the Colonial.

Subsidized Unit Gains and Losses

As stated previously, there has been a reduction of general occupancy subsidized housing over the past 10 years. Overall, an estimated 64 units have been removed, primarily through contract completion. No new general occupancy units have been created in many years, although some of the Voucher growth may be attributable to efforts by HUD to mitigate project-based subsidy contract termination.

Although no future unit losses can be identified, the 4-unit Sisk Apartments is the only remaining HUD Mod Rehab project that is privately-owned. Since most of the other Mod Rehab projects have completed their contract compliance periods, it is possible that Sisk Apartments may end its subsidy agreement in the future.

Fargo Senior/Disabled Subsidized Rental Survey

Seven subsidized rental projects were identified in Fargo that primarily serve senior and/or disabled renter households. Seniors must generally be age 62 or older to qualify, but younger tenants with a disability are also eligible.

Three of the seven subsidized projects for senior/disabled occupancy are owned by the Fargo Housing Authority and include Lashkowitz/Fargo Highrise, New Horizons Manor and Pioneer Manor. Combined, these Public Housing projects contain 392 apartments.

University Drive Manor is a privately-owned subsidized project with 90 units.

Bethany Towers II is owned by a nonprofit that offers specialized senior housing. There are 35 subsidized units in Bethany Towers II, along with additional units that are not income-based.

The 400 is privately-owned and involved the renovation of a historic downtown building into subsidized senior/disabled housing. The 400 has 41 units and the project was completed in the early 1980s.

The most recent addition to the senior/disabled inventory is Northland Apartments, which was constructed in the past 10 years. Developed by Accessible Space, Inc., Northland has 18 units that are fully accessible to serve tenants of any age that have a qualifying disability.

Combined, these seven projects offer 576 subsidized rental units that are available to senior/disabled tenants, with rent based on 30% of household income.

Unit Mix

With a designation for senior and/or disabled tenant occupancy, this segment of the subsidized market primarily offers smaller rental units. Northland Apartments was unable to supply specific information about the bedroom mix. However, the manager did indicate that most of the apartments have one bedroom.

For reported units, the bedroom mix is as follows:

- 35 (6.3%) studio/efficiency units
- 497 (89.0%) one-bedroom
- 25 (4.5%) two-bedroom
- 1 (0.2%) three-bedroom

Occupancy/Vacancy

A telephone survey of subsidized properties was conducted in January 2015, with some follow-up calls made in April 2015. The survey found some unoccupied units in the subsidized properties designated for senior/disabled tenant occupancy. However, the actual estimated vacancy rate would be very low.

Some of the vacancies were intentional, to facilitate rehabilitation. In other cases, such as University Drive Manor, all of the vacancies were in the process of being filled from an existing waiting list.

The only property that indicated some difficulty filling all units was the 400 Broadway, which had three unoccupied units and no current waiting list. 400 Broadway is located in downtown Fargo and has expressed some concern about the lack of basic services, such as a grocery store in the immediate vicinity, which impacts demand.

Much of the senior/disabled subsidized housing is owned and managed by the Fargo Housing Authority. The HRA generally maintains waiting long lists for its projects. The waiting lists are then used whenever a unit becomes available.

Subsidized Unit Gains and Losses

The local inventory of subsidized housing has remained largely unchanged over the past few decades, as the federal government has not been active in funding new deep subsidy housing. However, within the past 10 years one new project was constructed in Fargo. Northland Apartments has 18 fully accessible units and was constructed using HUD Section 811/Section 8 funds. All units in Northland have access to project-based rent assistance.

Although no unit losses have been identified, there are some units that could be lost in the future. Bethany Towers II is a mixed-income project that includes 35 income-based studio units funded through HUD's Section 202/Section 8 programs. Bethany Towers II is investigating the possibility of remodeling these small studio units into one-bedroom apartments by combining units. If converted to one-bedrooms, the project-based rent assistance would end. The probability of this conversion, along with the number of units impacted, could not be obtained.

Fargo Special Needs Subsidized Inventory

There are three HUD subsidized projects in Fargo that the analysts have categorized as “special needs” housing, since the units serve very targeted populations.

Fraser Hall has 24 single room occupancy (SRO) units and houses homeless young adults, generally defined as between the ages of 18 and 26. Fraser #4 has 15 SRO units and serves individuals with developmental disabilities. Full Circle has 22 SRO units and serves homeless individuals include people with disabilities.

Since each of these projects has targeted population groups, the units are generally not available outside of a referral or social services network. No further research was completed within this housing segment.

Table 2 Fargo Subsidized Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Subsidy Sources	Comments
General Occupancy					
The Burrell 409 4 th St N 701-239-7255	24 - 1 Bedroom <u>6 - 2 Bedroom</u> 30 Total Units	\$580 \$699 30% of income	No vacant units, waiting list	HUD Mod Rehab/ Section 8	General occupancy HUD Mod Rehab/Section 8 project that converted an old downtown hotel building into rental housing. Owned by the Fargo Housing Authority with project-based rent assistance thru NDHFA. All tenants have access to rent assistance which allows rent based on 30% of income, up to maximum rents listed. Most tenants are working-age singles. Manager reports full occupancy and a waiting list.
The Colonial 355 4 th Ave N 701-239-7255	10 - 1 Bedroom <u>2 - 2 Bedroom</u> 12 Total Units	\$481 \$565 30% of income	No vacant units, waiting list	HUD Mod Rehab/ Section 8	General occupancy HUD Mod Rehab/Section 8 project that dates to the 1960s or 1970s. Owned by the Fargo Housing Authority with project-based rent assistance thru NDHFA. All tenants have access to rent assistance which allows rent based on 30% of income, up to maximum rents listed. Most tenants are working-age singles. Manager reports full occupancy and a waiting list.
Community Homes I 702 23 rd St S 701-293-6014	3 - Efficiency 68 - 2 Bedroom <u>17 - 3 Bedroom</u> 88 Total Units	\$443 \$520 \$651 30% of income	3 vacant units	HUD Section 8	HUD Section 8 subsidized general occupancy apartments built in 1970. Three-level walkup apartment buildings. Amenities include wall AC, off-street parking and coin laundry facilities. Manager reported 3 vacant units at time of survey but this is partly due to need to rehab units at turn over, and the processing time to certify new tenants. A waiting list exists, and is especially long for efficiencies, which rarely become available and 3-bedrooms. Many singles apply but few efficiencies in project.
Community Homes II 702 23 rd St S 701-293-6014	4 - Efficiency 68 - 2 Bedroom <u>24 - 3 Bedroom</u> 96 Total Units	\$443 \$520 \$651 30% of income	8 vacant units	HUD Section 8	HUD Section 8 subsidized general occupancy apartments built in 1970. Three-level walkup apartment buildings. Amenities include wall AC, off-street parking and coin laundry facilities. Manager reported 8 vacant units at time of survey but this is partly due to need to rehab units at turn over, and the processing time to certify new tenants. A waiting list exists, and is especially long for efficiencies, which rarely become available and 3-bedrooms. Many singles apply but few efficiencies in project.

Table 2 Fargo Subsidized Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Subsidy Sources	Comments
General Occupancy					
Scattered Site Public Housing 701-293-6262	88 - 2 Bedroom 72 - 3 Bedroom <u>23 - 4 Bedroom</u> 183 Total Units	\$430-\$465 \$515-\$615 \$680 +utilities 30% of income	99% annual occupancy rate, waiting list	Low Rent Public Housing	General occupancy Low Rent Public Housing scattered site single family houses and duplexes in four Fargo neighborhoods. Units vary in size, and rent range reflects lowest and highest flat rents, plus tenant pays all utilities. Most tenants pay rent based on 30% of income, but preference given to working tenants with goal to eventually have 1/3 of tenants at flat rent levels. Annual occupancy rate is approximately 99% and any vacancies are due to processing time at unit turn over. Approximately 40 units have been sold for home ownership over the past 20 years - the proceeds from the sale were applied to affordable housing development by Beyond Shelter, although operating subsidies did not transfer. FHA reports waiting list of more than 200+ names.
Sisk Apartments 625 9 th Ave N 701-293-3059	<u>4 - 1 Bedroom</u> 4 Total Units	30% of income	N/A	Section 8/ Mod Rehab	Older apartments rehabbed under HUD Mod Rehab program in the 1980s. Tenants receive rent assistance that allows for rent based on 30% of income. Due to the age of the project, it is possible that full contract compliance will be achieved at some point, but no specific details could be obtained. No information provided on occupancy, but Fargo Housing Authority can help refer prospective tenants when turn over occurs.
Housing Choice Voucher Program 701-478-2551	Authorized for 1,294 Vouchers, with utilization at 98% to 99% annually	30% of income	900+ name waiting list	Section 8 Existing	Tenant-based Voucher rent assistance program. FHA reports more than 900 names on program waiting list in Jan. 2014. Authorized for approx. 1,294 Vouchers including households assisted through Shelter Plus Care and veterans assisted with special rent assistance programs. But funding concerns have resulted in 98% to 99% annual utilization.

Table 2 Fargo Subsidized Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Subsidy Source	Comments
Senior/Disabled Occupancy/Preference					
Bethany Towers II 1333 3 rd Ave S 701-239-3000	35 - Studio 35 Subsidized Units in a larger senior housing complex	30% of income	2 vacant units	HUD 202/ Section 8	Towers II was built in 1978 and has 35 units of HUD subsidized senior housing in 96 total units in building. Tenants pay rent based on 30% of income - assistance subsidizes rent but any services are private pay. Units do not have kitchens but tenants can bring in a refrigerator and microwave. Services Coordinator on site that can help arrange services such as daily meals, weekly light housekeeping, emergency pull cords - 24-hour staffing and home health care on site. Manager says that some tenants use services and some are independent. Two units vacant at time of survey due to turnover, but available units generally fill quickly. Project is proposing to reconfigure some of the studios into larger 1-bedrooms, which would end the subsidy contract, but timing and number of lost units was not disclosed.
Fargo/ Lashkowitz High Rise 701-293-6262	247 - 1 Bedroom <u>1 - 2 Bedroom</u> 248 Total Units	\$300 30% of income	Any available units are filled from a long waiting list	HUD Low Rent Public Housing	Low Rent Public Housing project built in 1971 and owned by the Fargo Housing Authority. Tenants pay rent based on 30% of income, up to ceiling rent of \$300 for 1 bedroom units. Approximately 33% of tenants are seniors (62+), and 67% to 70% are younger, low income tenants. Most younger tenants are disabled, but approximately 30 are lower income, non-disabled tenants. Occupancy preference given to senior, disabled and veterans - building has seen gradual increase in younger tenants over time as fewer seniors apply for waiting list. Manager reports 11 unoccupied units at time of survey, but a 200+ name waiting list exists and vacancies are due to processing time for new tenants.

Table 2 Fargo Subsidized Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Subsidy Source	Comments
Senior/Disabled Occupancy/Preference					
The 400 400 Broadway 701-232-9412	39 - 1 Bedroom <u>2 - 2 Bedroom</u> 41 Total Units	\$529 \$684 30% of income	3 vacant units	HUD Section 221(d)(4) /Section 8	HUD Section 221(d)(4)/Section 8 subsidized project for senior (age 62+) or disabled tenant occupancy. 100-year old downtown hotel building that was converted to rental in 1982-1983. All tenants pay rent based on 30% of income up to maximum rents listed. Amenities include elevators, community laundry, craft room, community room and some off-street parking. Manager reported 3 vacant unit at time of survey and no waiting list - units are rather small and tenants with Vouchers will often move to newer housing and pay the same amount of rent. Downtown location has benefits and drawbacks, such as no grocery store downtown and limited parking options. Most tenants are still seniors but over time the younger disabled population has been growing.
New Horizons Manor 701-478-2567	76 - 1 Bedroom 22 - 2 Bedroom <u>1 - 3 Bedroom</u> 99 Total Units	\$415 \$540 \$540 30% of income	4 units intentional vacancy, waiting list	HUD Low Rent Public Housing	Low Rent Public Housing project built in 1973 and owned by the Fargo Housing Authority. Fully accessible building, and designated for senior (62+) or disabled occupancy. 24-hour assisted living program available. Tenants pay rent based on 30% of income, up to ceiling rents listed. Four units intentionally vacant to facilitate rehab but a long waiting list exists. Fully accessible building and 24-hour staffing result in long waiting list for this project. Ceiling rents are listed.
Northland Apartments 1115 23 rd St 651-645-7271	1 Bedroom <u>2 Bedroom</u> 18 Total Units	\$588 30% of income	1 vacant uni, short waiting list	HUD Section 811/ Section 8	Wheelchair accessible apartments constructed in the late 2000s serving tenants with qualified disabilities. All tenants have access to rent assistance that allows rent based on 30% of income up to maximum rent listed. Most units are 1-bedroom. Amenities include elevator, controlled entry, community laundry and community room. Manager reported 1 vacant unit at time of survey and only a short waiting list - very limited turnover occurs so waiting list is generally limited since people have generally found other housing options by the time a unit is available.

Table 2 Fargo Subsidized Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Subsidy Source	Comments
Senior/Disabled Occupancy/Preference					
Pioneer Manor 701-478-2567	<u>45 - 1 Bedroom</u> 45 Total Units	\$360 30% of income	4 units intentional vacancy, waiting list	HUD Low Rent Public Housing	Low Rent Public Housing project built in 1983 and owned by the Fargo Housing Authority. Designated for senior (62+) occupancy. Tenants pay rent based on 30% of income, up to ceiling rent listed. Four units intentionally vacant to facilitate rehab but a long waiting list exists.
University Drive Manor 701-232-4423	<u>90 - 1 Bedroom</u> 90 Total Units	\$550 30% of income	5 unoccupied units but application processing underway	HUD 231/236 Section 8	HUD 231/236 high rise built in 1977. Designated for senior age (62+) and/or disabled occupancy. All units are 1 bedroom with just less than 500 sq. ft. of living space. Tenants pay rent based on 30% of income up to ceiling rent listed. Manager reported 5 unoccupied units at time of survey, due in part to some recent evictions, but applications from an existing waiting list were being processed to fill units. Approx 52% of current tenants are seniors and 48% are younger disabled tenants. Limited demand from seniors and trend has been to younger disabled applicants. Ceiling rent has increased by \$11.

Table 2 Fargo Subsidized Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Subsidy Sources	Comments
Special Populations					
Fraser #4 717 S University Dr 701-232-3301	<u>15 - SRO Units</u> 15 Total Units	30% of income	N/A	HUD 202/ Section 8	HUD Section 202 subsidized housing project serving individuals with developmental disabilities. Single room occupancy units with shared bathrooms and community dining and living spaces. Residents are through referral process and through Fraser system. In general, there is more demand than units, but referral process and specific services needed by tenants will impact occupancy.
Fraser Hall 711 S University Dr 701-232-3301	<u>24 - SRO units</u> 24 Total Units	30% of income	Renovation underway and most units are not available for occupancy	HUD Section 8	HUD Section 8 subsidized housing providing permanent supportive housing for homeless young adults, generally between the ages of 18 and 26. This project had originally served developmentally disabled individuals, but changed focus a few years ago. A major renovation process is underway in 2015 and more than half of the units are off-line during construction. Demand exceeds supply, but residents are placed in permanent supportive housing as they progress from homelessness.
Full Circle SRO 701-293-6262	<u>22 - SRO Units</u> 22 Total Units	30% of income	N/A	HOME/ SRO Section 8	Publicly-owned single room occupancy housing project that utilized HUD HOME and SRO Section 8 programs serving homeless and disabled populations. Developed by SE Human Services and the Fargo Housing Authority in the mid-1990s, and part of the continuum of care system. Project-based rent assistance that allows tenants to pay rent based on 30% of income.

Source: Community Partners Research, Inc.

Downtown Fargo

As part of this Housing Study project, the City of Fargo had requested a specific analysis of housing in the downtown area. An exact definition of the boundaries that form the downtown can vary, but this Study has proceeded with an area that is defined by the Census Bureau as Tract 7, which allows for some demographic comparisons over time.

Section Highlights

- ▶ Census Tract 7, which represents the City's urban core, has historically contained less than 2% of the total population of Fargo, and approximately 3% or less of all households.
- ▶ Historically, most downtown residents were less than 40 years old, predominantly male, often living alone, and having a very moderate annual income level. According to the 2013 American Community Survey, the median household income for downtown residents was only \$19,238. This was less than one-half the median income Citywide in 2013 of \$45,458.
- ▶ Over the past ten or more years, there has been an increasing level of interest by housing developers to place projects in the downtown area. While this has included some limited condominium development, most projects have been oriented to market rate rental housing. Some have been targeted to students living in the downtown area.
- ▶ With each new downtown housing project, the demographic profile of downtown residents may change, but a lag in Census Bureau reporting will not necessarily reflect the new information until 2015 or 2016 estimates are released. Most of the recent projects have created market rate housing through new construction or building conversion.
- ▶ In 2015, Appraisal Services, Inc., began reporting downtown information as a separate geography. Initial reports show that occupancy rates in downtown rental housing are higher than in the broader market.
- ▶ Community Partners Research divided the downtown rental market into different subsets. A telephone survey that was completed found very high occupancy rates in most market segments. The rental rates being achieved by market rate projects in the downtown area also appear to be higher than the broader rental market.

Demographic Overview

The first issue to be resolved is a geographic definition of downtown Fargo. At least four separate geographic designations have been reviewed by the analysts as part of the research.

The Downtown Community Partnership for the City has defined a Business Improvement District (BID) which is based on a self-taxing assessment area. In geographic terms, the BID represents the largest physical area of the three definitions that were examined. The approximate boundaries follow the Red River (east) to 9th Avenue North (north) to University Drive (west) to 1st Avenue South (south).

Another possible definition that exists is based on the approximate borders of the Renaissance Zone, authorized under State statute. The Renaissance Zone allows for special tax treatment for buildings and parcels. Although there are some single blocks that may extend outside this irregularly-shaped area, the basic boundaries are the Red River (east) and University Avenue (west), consistent with the BID definition. However, the Renaissance Zone's northern boundary ends at either 4th Avenue North or 6th Avenue North, compared to 9th Avenue North for the BID. On the southern edge, there are seven individual blocks that extend south of 1st Avenue South, which represents the southern border of the BID.

A third definition exists in rental market analysis that is completed quarterly by Appraisal Services, Inc. In response to increased activity in the core downtown area, Appraisal Services added a downtown area to its reports beginning in 2015. This area is defined by the River on the east, University Avenue on the west, 2nd Avenue on the south, and 7th Avenue on the north, although a portion of the northern border extends to 9th Avenue.

One final definition is based on geographic definitions contained in the 2010 Decennial Census. Census Tract 7 encompass much of the core area of the City's downtown. However, this area generally represents the most compact downtown geographic definition of the three that were examined. The basic boundaries of Census Tract 7 are the Red River (east), 5th Avenue North (north), 8th Street North (west), and 1st Avenue South (south).

After review of the different possibilities that exist for the definition of Downtown Fargo, the analysts have largely proceeded with an analysis of the area that largely represents Census Tract 7. This allows for a more detailed look at demographic patterns and other data reported through the decennial Census.

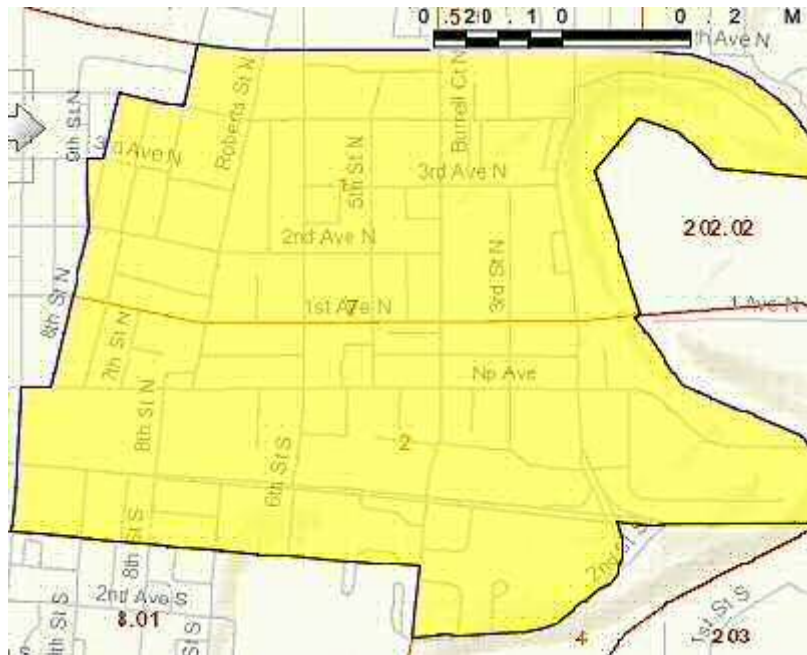
In the opinion of the analysts, Census Tract 7 incorporates the portions of the downtown area with the most urban land uses. Those blocks that are west of 8th Street North and north of the railroad tracks often represent transitional blocks, with land uses that are changing from the central business district into more traditional residential neighborhoods. The BID blocks that are not within Census Tract 7 will often contain a mix of traditional single family houses, multifamily rental structures, along with a mix of commercial industrial uses. Census Tract 7 does include all or part of 40 of the 48 blocks designated as the Renaissance Zone.

When compared to the BID definition used by the Downtown Community Partnership, Census Tract 7 does not include that portion of the City that extends west of 8th Street North out to University Avenue. It also excludes the area that is north of the railroad tracks, extending as far north as 9th Avenue North.

When compared to the Renaissance Zone, Census Tract 7 has a relatively similar border on the east and north, but the Renaissance Zone extends farther west out to University Avenue, and also includes seven additional blocks that are south of 1st Avenue South.

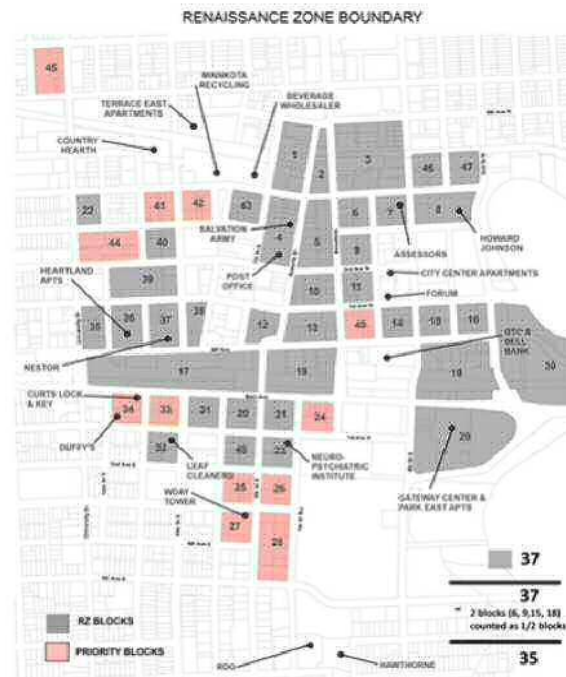
When compared to the Appraisal Services, Inc., definition of downtown, Census Tract 7 is slightly smaller, and does not include a few blocks on the southern, western and northern edges.

A map showing the physical boundaries of Census Tract 7 is included on the following page.



Census Tract 7

2015 Renaissance Zone Map



Census Tract 7 Demographic Data

Basic demographic data exist for Census Tract 7 in the 2000 Census, the 2010 Census and in the 2013 American Community Survey.

Table 1 Population Trends - 2000 to 2013				
	2000 Census	2010 Census	% Change 2000-2010	2013 ACS Estimate
Census Tract 7	1,667	1,715	2.9%	1,758
Fargo	90,599	105,549	16.5%	108,371

Source: U.S. Census Bureau

According to the Census Bureau, the downtown area of Fargo has experienced very limited population change in recent years. If 2013 is compared to 2000, fewer than 100 additional residents have been added. Some new rental housing has been built in the downtown area, which would not have been included in the most recent estimate from 2013, but even with these additional units, only limited population growth will be present in 2015.

Over time, the percentage of the City's population living in the downtown area has grown smaller. At the time of the 2000 Census, approximately 1.8% of all Fargo residents lived in the downtown area as defined by Census Tract 7. By 2010, this had decreased to 1.6%. Based on the American Community Survey estimates for 2013, the percentage of people living in the downtown area has remained stable at 1.6%.

Table 2 Household Trends - 2000 to 2013				
	2000 Census	2010 Census	% Change 2000-2010	2013 ACS Estimate
Census Tract 7	1,214	1,281	5.7%	1,338
Fargo	39,268	46,791	19.2%	48,044

Source: U.S. Census Bureau

Although still limited in actual numeric terms, there has been a greater level of household growth than population growth in Census Tract 7. While this area of the downtown has added fewer than 100 residents, there has been an estimated gain of 124 households between 2000 and 2013.

In the year 2000, downtown households represented 3.1% of all Fargo households. By 2010, this had dropped to 2.7% of all City households. The 2013 ACS estimate shows that this percentage had grown to nearly 2.9%, although this was still lower than the level that existed in 2000.

Over the past several years there has been ongoing construction of housing units within the downtown area. However, this has not necessarily resulted in a commensurate level of household growth. It is possible that some older housing units have been lost over this same time period, resulted in a smaller net increase in the available housing inventory. In 2015, one large rental complex, Park East Apartments with 122 units, will be cleared as part of the City's flood control efforts. This removal will generally negate much of the new unit construction that has occurred in the downtown area since 2010.

There are a number of other demographic highlights that can be observed in the Census Bureau data that exist for Tract 7, representing the core of the downtown area. These items include:

Average Household Size - At the time of the 2010 Census, the average household in Tract 7 had only 1.27 persons, compared to 2.15 persons per household Citywide. Consistent with this small average household size, nearly 78% of all households living downtown had only one household member. Citywide, only 37% of all households had only one household member.

Housing Tenure - At the time of the 2010 Census, 96.5% of the households living in Census Tract 7 were renters, compared to a rental tenure rate of 54.2% Citywide.

Median Age - At the time of the 2010 Census, the median age of downtown residents was 37.2 years, compared to 30.1 years Citywide. While this appears to indicate that an older population tends to live in the downtown area, it is actually a reflection of the fact that almost no children live downtown. Fewer than 5% of the downtown residents were under the age of 20, compared to 24% of residents Citywide. In the downtown area, approximately 51% of the residents were in the age ranges between 20 and 39 years old. Fewer than 8% of the downtown households had a head-of-household that was age 65 or older, compared to more than 15% of all Fargo households being in the senior age ranges.

Gender - At the time of the 2010 Census, more than 61% of the downtown residents were male, compared to only 50.4% of all City residents being male.

Median Income - According to the 2013 American Community Survey, the median household income for downtown residents was only \$19,238. This was less than one-half the median income Citywide in 2013 of \$45,458.

Renter Income Distribution - According to the 2013 American Community Survey, approximately 25% of all renter households in the downtown area had an annual income of \$35,000 or more. Citywide, more than 41% of all renter households in Fargo had an annual income of \$35,000 or more.

Median Gross Rent - According to the 2013 American Community Survey, the median gross rent for a downtown unit was \$535, lower than the median gross rent of \$668 for all units in Fargo.

Income Required for Rental Housing - The 2013 American Community Survey compares income to housing costs. For renters in the downtown area, the median percentage of income that is applied to housing costs was 30.2%, compared to 27.3% Citywide.

Student Status - According to the 2013 American Community Survey, more than 28% of all downtown residents age 18 and older were enrolled in college or graduate school, compared to more than 21% Citywide.

Rental Housing Median Year Built - The 2013 American Community Survey contained information on age of housing by tenure. For rental units in downtown Fargo, the median year of construction was estimated to be 1943. Citywide, the median year of construction for rental housing was 1984.

Rental Bedroom Mix - According to the 2013 American Community Survey, nearly 78% of the rental units in downtown Fargo have zero or only one bedroom. Citywide, fewer than 34% of all rental units have one or fewer bedrooms.

Downtown Demographic Summary

The demographic and housing highlights presented above provide a general picture of the housing options that have historically existed within downtown Fargo. Much of the rental housing that has traditionally been available in the downtown area is older, rents at a lower rate, and is occupied by one working-age person with a lower income level, including an above-average number of students.

However, the profile of downtown housing and downtown residents continues to change. There have been a substantial number of newer rental housing developments that have been constructed in the downtown area over the past 10 years. It does appear that the 2013 American Community Survey results have underestimated this segment of the market, as only 70 rental units were reported to have been constructed since the year 2000. There have been significantly more units built since that time, which would presumably change the calculations of median gross rent and bedroom mix, as well as possibly impacting the demographic profile of downtown residents. The American Community Survey is based on limited sampling, and can under-represent certain data.

Trends in Residential Construction

In recent years there has been increased creation of housing opportunities in the downtown area. The newest projects that were identified are summarized below. Each of these projects was identified as entering the rental market since 2009, and represent a mix of new construction and renovations of existing structures.

- ▶ **Alexandra Marie** - This new construction apartment project opened in 2014 with 36 conventional market rate units.
- ▶ **Billmeyer** - This major renovation project occurred in 2012 when older apartments in a 1910-built structure were improved and now offer 23 higher-rent market rate housing units.
- ▶ **8th Street Lofts** - This new construction apartment project opened in 2011 with 48 conventional market rate units.
- ▶ **The Marks Apartments** - This new construction apartment project opened in 2011 with 45 conventional market rate units.
- ▶ **CityScapes Plaza** - This new construction apartment project opened in 2010 with 104 market rate units. This project was initially oriented to student-occupancy, and was originally managed by NDSU residential Life, but was later changed to a conventional rental building.
- ▶ **Urban Crossing** - This new construction apartment project opened in 2009 with 20 conventional market rate units.
- ▶ **Lofts 23** - Renovation project in 2014 that created 18 conventional market rate units.
- ▶ **8 7th Street Flats** - Renovation project in 2009 that created 18 conventional market rate units.

Over the six-year period from 2009 through 2014, the projects listed above added 312 total units, or an annual average of approximately 52 units per year. While it is probable that some additional unit creation may have occurred in smaller projects, especially conversions, the projects identified do represent the largest unit introductions.

However, it is also known that some unit losses have occurred, most notably with the relocation of tenants in the Park East Apartments project, which is being removed as part of the City's flood control project. Park East had 122 total market rate apartments. The removal of this single project from the area defined as Census Tract 7 negated more than 42% of the gain from the recent new construction/renovation projects elsewhere in the downtown area.

The research of recent projects did not identify any housing being added since 2009 that serves an affordable, or more moderate rent segment.

Rental Housing Survey

In an attempt to better understand the market conditions that exist within the downtown area, Community Partners Research attempted to contact the larger downtown multifamily rental projects. The telephone survey was conducted in April 2015. Multiple attempts were made to contact each of the identified properties.

The survey discovered multiple segments within the local rental market. In the following analysis and table, the market rate rental units have been listed separately from those that have some type of income or rent restriction.

Starting with their March 2015 quarterly survey, Appraisal Services, Inc., also included a specific downtown area for more detailed analysis. In the past, the downtown area had been included with the portion of the City lying north of Main Avenue. With the downtown core now divided from the remainder of the City, ongoing tracking of vacancy patterns will be possible.

In their March 2015 report, Appraisal Services, Inc., recorded a vacancy rate of 3.29% in the downtown area, compared to 3.61% in all of Fargo. This represented all types of downtown rental housing. In the analysis that follows, Community Partners research has divided the downtown rental options into different market segments.

Market Rate New Construction Projects

There have been five larger-scale new construction projects in the downtown area over the past 10 years. Based on the information collected from the rental survey, these projects all provide market rate housing and generally represent the moderate to higher rent segments.

These projects tend to offer features and amenities consistent with newer housing that are often not present in the older downtown rental developments, such as attached covered parking and community spaces. It should be noted, however, that some of these projects are oriented to student rentals, and the level of amenities in these projects tend to be lower, although the units are still attractive new construction.

The specific projects that the analysts have included in the new construction market segment are:

- ▶ Alexandra Marie (2014) - 36 units
- ▶ 8th Street Lofts (2011) - 48 units
- ▶ The Marks Apartments (2011) - 45 units
- ▶ CityScapes Plaza (2010) - 104 units
- ▶ Urban Crossing (2009) - 20 units

In total, these new construction projects have 253 rental units.

Unit Mix

Specific information was available on the unit mix within each project, as follows:

- ▶ Studio/Efficiency - 41 (16.2%)
- ▶ One Bedroom - 79 (31.2%)
- ▶ Two Bedroom - 90 (35.6%)
- ▶ Three Bedroom - 28 (11.1%)
- ▶ Four Bedroom - 15 (5.9%)

While there is a broad distribution of unit sizes represented in the new construction options, including some four-bedroom apartments, approximately 83% of the inventory has two or fewer bedrooms.

The bedroom mix will often vary depending upon the specific location of the project. Some of these properties are oriented to students, especially those near NDSU's downtown campus buildings, which can impact their unit mix, including both small efficiency/studio units and large, shared occupancy three and four bedroom options. For example, CityScapes Plaza was originally constructed to appeal to student renters and was initially managed by NDSU. CityScapes contains most of the three-bedroom and four-bedroom units within this market segment, although the project no longer orients to student renters.

Occupancy/Vacancy

As reported to the telephone rental survey, occupancy rates in the newer construction projects tend to be very high. In the April 2015 occupancy survey, only one vacant unit was identified within the 253 units within this market segment.

The vacancy findings within this downtown market segment were lower than the region-wide vacancy rate of 4% or more, so the high quality units in downtown Fargo are outperforming the broader rental market.

Rental Rates

Although these newer construction projects tend to represent the higher end of the pricing structure within the Fargo area, there is also variation in the gross rental rates. This is based on unit sizes, project amenities, and the availability of certain features, such as attached covered parking versus no off-street parking options.

The monthly added cost for covered parking can range from \$80 to \$125 per month, depending on the building. Since some projects include covered parking within their contract rent, a downward adjustment has been applied of \$100/parking space for those units that include parking in the basic rent amount.

With a general estimate for the inclusion of tenant-paid utilities, the newest projects tend to fall within the following approximate rental range:

<u>Unit Size</u>	<u>Gross Rent</u>
Efficiency/Studio	\$630-\$730
One Bedroom	\$735-\$935
Two Bedroom	\$920-\$1530
Three Bedroom	\$1345-\$1585
Four Bedroom	\$1700-\$1750

While the information above defines the range of gross rents being charged in the downtown area for projects constructed over the past 10 years, there can still be variation in unit square footage. It is also probable that amenity differences exist from unit to unit, but the analysts had minimal information at this level of detail. The ranges below have only been adjusted on the basis of gross rent per square foot of living space, without covered parking.

<u>Unit Size</u>	<u>Gross Rent/Sq.Ft.</u>
Efficiency/Studio	\$1.00-\$1.57
One Bedroom	\$1.02-\$1.39
Two Bedroom	\$1.03-\$1.56
Three Bedroom	\$1.11-\$1.27
Four Bedroom	\$1.17-\$1.20

There are fewer projects that contain larger, three and four-bedroom apartments, so the range is more compact.

Market Rate Conversion/Renovation Projects

Area developers have remained active in renovating existing downtown buildings into high quality rental housing. In some cases, these projects have taken buildings that were used for other purposes and converted them into residential use. In other cases, the buildings were previously being used as housing, but major renovation was completed to upgrade the quality and price of the units. Most of these conversion/renovation projects can also be described as historic restorations, as older buildings are often used that can highlight unique architectural and structural features that add to the appeal of the housing.

The specific conversion/renovation projects that were identified and contacted in the core downtown area include:

- ▶ **Lofts 23** - 2014 renovation that included 18 rental units in a mixed-use building
- ▶ **Lofts on Roberts** (14 Roberts Street) - not contacted
- ▶ **Billmeyer** - 2012 project that renovated 23 of 27 apartments in an older downtown building
- ▶ **506 Roberts** - Renovation project completed in the mid-2000s with 12 rental units
- ▶ **8 7th Street Flats** - 2009 renovation that included 18 rental units in a mixed-use building
- ▶ **Warehouse Apartments** - 2006 renovation of former lumber buildings that created 15 rental units near downtown NDSU buildings
- ▶ **The Lofts on Roberts** (309 Roberts Street) - 2008 renovation of 21 units in a mixed-use building

In total, the projects that represent this segment of the downtown market contain 125 higher-quality units. The analysts recognize that additional renovation/conversion projects probably exist in the downtown area, although the list above is believed to include most of the larger-scale housing developments completed over the past 10 years.

One additional project that is currently underway is known as the Historic Union. The location of this property is just outside the boundaries of Census Tract 7, used in this Study as the definition of the downtown area, but it is immediately adjacent to the western border. While no direct information was obtained, secondary sources indicate that 40 rental units will be created in one to three-bedroom configurations. Preliminary contract rents were proposed at \$735 to \$1,300. Occupancy of this project is projected to occur in September 2015.

Unit Mix

Specific information was available on the unit mix within each project, with the exception of the Lofts at 14 Roberts Street. For the other projects, the reported bedroom mix is as follows:

- ▶ Studio/Efficiency - 31 (29.0%)
- ▶ One Bedroom - 57 (53.3%)
- ▶ Two Bedroom - 3 (2.8%)
- ▶ Three Bedroom - 16 (15.0%)

Most of the recent renovation/conversion projects in the downtown area have created small units, with one or fewer bedrooms. Nearly all of the three-bedroom options that were identified are in a single project, Warehouse Apartments, which is located near the NDSU Schools of Business and Architecture. Excluding this student-oriented conversion, nearly all of the remaining units are in efficiency or one-bedroom apartments.

The preliminary information that is available of the Historic Union project indicates that 26 of the 40 proposed units will also have one bedroom.

Occupancy/Vacancy

As reported to the telephone rental survey, occupancy rates in the newer renovation/conversion projects tend to be very high. In the April 2015 occupancy survey, only two vacant units were identified within the 125 units within this market segment, and these two units were still in the initial occupancy phase, having only become available in 2014.

Region-wide information points to a vacancy rate of 4% or more, so the high quality renovation/conversion units in downtown Fargo are outperforming the broader rental market.

Rental Rates

Although most of these newer renovation/conversion projects represent the higher end of the pricing structure within the Fargo area, some are targeted to students and are in a more moderate price range. The higher-rent projects tend to highlight unique design features, and the historic nature of the original structure that was renovated.

Renovation/conversion projects typically do not offer attached covered parking, due to the constraints of existing structure being used. However, the Historic Union project, which is still under construction, will include to option of attached parking for a portion of its units. In the newest renovation/conversion projects, off-street parking will generally be provided in a surface lot, although in some cases these parking areas are not immediately contiguous to the building. No adjustment has been made for parking availability.

With a general estimate for the inclusion of tenant-paid utilities, the newest projects tend to fall within the following approximate rental range:

<u>Unit Size</u>	<u>Gross Rent</u>
Efficiency/Studio	\$550-\$700
One Bedroom	\$585-\$1030
Two Bedroom	\$685-\$920
Three Bedroom	\$1115-\$2000

While the information above defines the range of gross rents being charged in the downtown area for renovation/conversion projects completed over the past 10 years, there can still be variation in unit square footage. Since most of these units also represent unique floor plans and features, it is recognized that amenity differences exist, but the analysts had minimal information at this level of detail. The ranges below have only been calculated on the basis of gross rent per square foot of living space, without covered parking.

<u>Unit Size</u>	<u>Gross Rent/Sq.Ft.</u>
Efficiency/Studio	\$1.22-\$1.50
One Bedroom	\$1.14-\$1.76

The inventory of two-bedroom and three-bedroom units was limited in this market segment, and unit square footage was not readily available for many of the units. As a result, the calculation of rent per square foot is not reliable. The total gross rent and the calculated gross rent per square foot for the better quality renovation/conversion units are generally similar to those being charged in the newer downtown new construction projects.

Older/Moderate Rent Market Rate

Historically, the downtown area has also contained affordable market rate housing, as many of the residential options are in older structures and units. As identified earlier in this section, the gross rent estimates in the American Community Survey show the median rent in the downtown area was as much as \$150 lower than the citywide median, reflecting the affordable nature of many of the older units.

It is probable that many of the more affordable market rate units in the downtown area were not directly identified or contacted. This would include small clusters of rental units that may exist above downtown buildings. The smallest rental project that was identified and surveyed in this section of the Study had 12 units.

There can also be significant variation in the quality and age of the older units located downtown. Some may exist in buildings that are more than 100 years old, while others exist in apartment buildings dating to the 1980s. As a result of the variety of units represented, a lesser degree of analysis has been completed. The specific projects examined include:

- ▶ **Block 6 Apartments Crystal Square** - 36 unit apartment building constructed in the mid-1980s
- ▶ **Block 6 Apartments deLendrecies** - 52 apartments constructed above an existing building in the mid-1980s
- ▶ **Block 6 Apartments Waldorf Square** - 36 unit apartment building constructed in the mid-1980s
- ▶ **City Center Apartments** - 27 unit apartment building in 100-year old structure that was later converted to rental housing
- ▶ **The Gardner** - 121 units apartment building that converted a 100-year old hotel into residential use in the 1970s
- ▶ **Heartland Apartment Homes** - 87 unit apartment building constructed in the early 1970s
- ▶ **Ivers Roberts Street** - 34 units in a 1929-built mixed use building
- ▶ **8th Street Flats** - 28 units in a former motel building that was later converted into residential apartments

The projects identified above contain 421 total units within this older, market rate segment.

One additional property in this segment, Park East Apartments with 122 units, is in the process of being vacated. It will be demolished as part of the City's flood control efforts and the tenants have been relocated. Park East has not been included in the analysis that follows.

Unit Mix

Specific information was not available on the unit mix for all of the projects within this segment. The Block 6 deLendrecies Apartments, and Ivers Roberts Street were unable to define their exact unit mix. For the other projects, the reported bedroom mix is as follows:

- ▶ Studio/Efficiency - 86 (25.7%)
- ▶ One Bedroom - 191 (57.0%)
- ▶ Two Bedroom - 58 (17.3%)

Most of the units in the older downtown rental projects are oriented to smaller rental households, with nearly 83% of the surveyed units having only one bedroom, or offering an efficiency/studio apartment. This is consistent with the Census Bureau's demographic data provided earlier showing a large number of one and two person households living downtown.

Occupancy/Vacancy

As reported to the telephone rental survey, occupancy rates in the older moderate rent market rate inventory are high. In the April 2015 occupancy survey, only two vacant units were identified within the 421 units within this market segment, for a vacancy rate of less than 0.5%. Both reported vacancies were in Heartland Apartments, which primarily houses students.

Region-wide information points to a vacancy rate of 4% or more, so this segment of the downtown market is also outperforming the broader rental market.

It should be noted that the large Park East Apartments complex, with 122 total units, was in the process of being closed and removed as part of the City's flood control efforts. Tenants were being relocated to suitable replacement housing, and the high rate of occupancy in other downtown buildings may partly reflect the large-scale relocation efforts in Park East.

Rental Rates

The rent structure within this segment of the market is more difficult to analyze because of the wide variation in units. Some of the projects grouped as older market rate housing are traditional apartment complexes that date to the 1980s, while others represent buildings from the early 1900s that were either built as housing or long ago converted to that use. There is also less consistency in unit sizes or building amenities.

Most of the older market rate projects do not offer attached covered parking, but the Block 6 complex shares an attached covered parking garage that is shared between the buildings. Since this requires an additional \$50 payment that is in addition to rent, it is not reflected in the monthly rental rate. No other adjustments have been made for parking availability, such as access to a surface lot.

With a general estimate for the inclusion of tenant-paid utilities, the newest projects tend to fall within the following approximate rental range:

<u>Unit Size</u>	<u>Gross Rent</u>
Efficiency/Studio	\$360-\$680
One Bedroom	\$430-\$800
Two Bedroom	\$625-\$1000

There was very limited information on unit sizes within this market segment, especially in the older buildings that often had very inconsistent floor plans. In general, this segment is achieving a lower gross rent than in the newest construction/renovation projects, but in some cases, attractive downtown locations result in a rent structure that is probably higher than for other older apartment projects in Fargo. Based on the limited information that was obtained, the following general rent ranges apply to some of the buildings in this segment of the market.

<u>Unit Size</u>	<u>Gross Rent/Sq.Ft.</u>
Efficiency/Studio	\$0.85-\$1.25
One Bedroom	\$0.95-\$1.27
Two Bedroom	\$0.75-\$1.08

Income-Restricted Rental Housing

The downtown area of Fargo contains a number of income-restricted buildings designed to serve low and moderate income renters. In most cases, these properties offer project-based rent subsidies, allowing tenants to pay rent based on 30% of household income. Most of the projects are owned and/or managed by the Fargo Housing Authority.

The specific projects identified in the downtown area that are included in this market segment are:

- ▶ **The Burrell** - a 30-unit HUD Mod Rehab project with project-based rent subsidy
- ▶ **The Colonial** - a 12-unit HUD Mod Rehab project with project-based rent subsidy
- ▶ **The 400** - a 41-unit HUD subsidized project for senior/disabled tenant occupancy
- ▶ **Fargo/Lashkowitz Highrise** - a 248-unit HUD subsidized project with an occupancy preference for senior/disabled tenants or veterans
- ▶ **Graver Inn** - a 60-unit project that has received various forms of assistance over time but currently operates under tax credit regulations and serves households below 50% of the area's median income level
- ▶ **Pioneer Manor** - a 45-unit HUD subsidized project for senior occupancy
- ▶ **University Drive Manor** - a 90-unit HUD subsidized project for senior/disabled tenant occupancy

Combined, these income-restricted properties have 526 units that primarily serve low and moderate income renters. Approximately 81% of these units are oriented toward occupancy by senior or disabled tenant households, through either an occupancy designation or an occupancy preference.

Unit Mix

The reported bedroom mix is as follows:

- ▶ One Bedroom - 513 (97.5%)
- ▶ Two Bedroom - 13 (2.5%)

Occupancy/Vacancy

As reported to the survey, the occupancy rates in the supply of income-restricted housing in the downtown area are high. While some unoccupied units were reported, this was generally attributed to the processing time required to income-certify new tenants. Most projects maintained waiting lists that were used whenever a unit was vacated.

The only exception was The 400, a senior/disabled building that had three vacancies at the time of the survey and no waiting list. The manager attributed some of the demand issues to the downtown location, which was not convenient to grocery stores or some other basic retail services. Parking limitations also reduced demand from some prospective tenants.

Rental Rates

Most of the income-restricted properties downtown have project-based rent assistance, allowing tenants to pay rent based on 30% of income. In certain projects, such as the Graver Inn, there is no project-based rent assistance, but tenants are often able to secure and use a rent assistance Voucher from the Fargo Housing Authority.

Table 3 Fargo Downtown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - New Construction					
Alexandra Marie 711 NP Ave 701-232-1355	3 - Efficiency 27 - 1 Bedroom 3 - 2 Bdrm/1 Bath <u>3 - 2 Bdrm/2 Bath</u> 36 Total Units	\$775 \$775-\$910 \$1355 \$1555 +heat, electric	1 vacant unit 1 - 2 Bdrm	Mix of tenants including young professionals and students	Four-level apartment building that opened for occupancy in Aug. 2014, with parking on ground level and apartments on upper 3 floors. Located near NDSU Renaissance Hall. Tenant pays heat and electric in addition to rent. Amenities include stove, refrigerator, dishwasher, microwave, AC and patio. Building amenities include elevator, secured entrance and attached covered parking included in rent. Efficiencies have approx. 720-730 sq ft and 1 bathroom, 1-bedrooms have 720-730 sq ft and 1 bathroom, 2-bedrooms have approx. 1000 sq ft and 1 bathroom or 1140 sq ft and 2 bathrooms; 2-bedrooms get 2 parking spaces. Manager reported that initial lease-up proceeded faster than projected, with only 1 unit unoccupied on date of survey. Waiting list has developed for units that come available during the summer. Most tenants are younger professionals, with approx. 15% of tenants being students, including graduate students.
CityScapes Plaza 1 st Ave N 701-356-7600	18 - Studio 18 - 1 Bedroom 37 - 2 Bedroom 20 - 3 Bedroom <u>11- 4 Bedroom</u> 104 Total Units	\$575 \$825-\$850 \$1100-\$1460 \$1300-\$1500 \$1600-\$1650 +heat, electric	No vacant units, waiting list	Mix of tenants but primarily younger professionals	Five-level mixed use building that opened for occupancy in 2010, with commercial uses on street level and apartments above. When originally constructed the apartments were intended for student occupancy and for first 2 years the building was managed by NDSU Residential Life - but insufficient demand resulted into change to general occupancy housing and end of NDSU management. Rent includes water, sewer and garbage, with tenant paying heat and electric. Underground parking for 76 cars for \$125/month. Unit amenities include fully equipped kitchen, in-unit laundry hook in most units. Studio units have 402 sq ft and 1-bedrooms have 740 sq ft and 1 bathroom, 2-bedrooms have 982 sq ft, 3-bedrooms have 1250 sq ft and 4-bedrooms have 1453 sq ft and have 2 bathrooms. Manager reports full occupancy with a waiting list - many tenants are younger professionals.

Table 3 Fargo Downtown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - New Construction					
8 th Street Lofts 21 8 th St N 701-232-7368	20 - Studio 4 - 1 Bedroom 20 - 2 Bedroom 4 - 4 Bedroom <u>48 Total Units</u>	\$600-\$650 \$770-\$800 \$980-\$1050 \$1600 +heat, hot water, electric	No vacant units	Mix of tenants including young professionals and students	Five-level apartment building constructed in the 2011, with lobby and parking on ground level and apartments on upper 4 floors. Rent includes water, sewer, garbage, internet and cable, with tenant paying heat, hot water and electric. Parking garage on main level for \$80/month. Located near NDSU Renaissance Hall. Amenities include stove, refrigerator, dishwasher, microwave, AC and patio. Building amenities include elevator, secured entrance, community laundry and work-out room. Studios have 465-545 sq ft and 1 bathroom, 1-bedrooms have 620 sq ft and 1 bathroom, 2-bedrooms have 910-1083 sq ft and 2 bathrooms, and 4-bedrooms have 1445 sq ft and 3 bathrooms. One larger penthouse unit also exists with more than 1800 sq ft. Manager reports that project has a mix of younger professionals and students - with approx. 40% of units leased to students. Full occupancy at time of survey but units will turn over at end of term.
The Marks Apartments 408 Roberts St 701-491-3085	30 - 1 Bedroom 15 - 2 Bedroom <u>45 Total Units</u>	\$850-\$990 \$1195-\$1350 +heat, hot water, electric	No vacant units	Mix of tenants including professionals and students	Four-level building constructed in 2013, with parking on main level and residential use on upper floors. Rent includes water, sewer, garbage and internet, with tenant paying heat, hot water and electric - units have individual heat/AC. Amenities include in-unit laundry, upgraded kitchens with black appliances, hardwood floors and granite countertops, and some units have balcony. Project amenities include drive-in heated parking and elevator. Unit sizes can vary but 1-bedrooms have approx. 700-800 sq ft and 1 bathroom and 2-bedrooms have 1000 sq ft and 2 bathrooms. Manager reported a mix of tenants from students to seniors, but many tenants are professional including medical students and doctors. Full occupancy reported.

Table 3 Fargo Downtown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - New Construction					
Urban Crossing 1102 1 st Ave N 701-630-2187	8 - 2 Bdrm/1 Bath 4 - 2 Bdrm/2 Bath <u>8 - 3 Bdrm/2 Bath</u> 20 Total Units	\$850 \$870 \$1260 +heat, hot water, electric	No vacant units	Primarily students	Three-level apartment building constructed in 2009. Located near NDSU Schools of Business and Architecture. Tenant pays heat, hot water and electric, and rent includes water, sewer, garbage and internet. Building amenities include secured entry, community laundry and off-street parking lot. Unit amenities include stove, refrigerator, dishwasher, microwave, disposal and balcony. Square footage not available, but higher priced 2-bedrooms have 2 bathrooms, and 3-bedrooms have 2 bathrooms and in-unit laundry. Manager reports full occupancy and a waiting list - most tenants are students and a waiting list develops for the next term.
Riverfront, Bridgeview, Woodlawn, Kassenborg Moorhead 701-271-1551	1 Bedroom 2 Bedroom <u>3 Bedroom</u> 120 Total Units	\$700-\$850 \$850-\$1000 \$1100-\$1400 +utilities	No vacant units	Mix of tenants	Riverfront apartment buildings in Moorhead just across the River, with the newest, Riverfront, constructed in 2010. The entire complex has 120 units, with various floor plans. Riverfront is a 4-level building with elevator and heated underground parking. Amenities include in-unit laundry, AC, stove, refrigerator, dishwasher, microwave and fitness center. A 1 bed/1 bathroom in Riverfront with 744 sq ft rents for \$700+utilities. A 3-bedroom in Bridgeview has 1383 sq ft and 2 bathrooms for \$1200+utilities. Manager reports a broad mix of tenants including students, seniors and medical professionals. Full occupancy and a waiting list.

Table 3 Fargo Downtown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - Recent Conversion/Renovation Projects					
Billmeyer 37 7 th St N 701-232-1355	2 - Effic. Basement 2-1 Bdrm Basement <u>23 - 1 Bdrm Upper</u> 27 Total Units	\$400 \$450 \$705-\$880 +electric	No vacant units	Mix of tenants including young professionals and students	Renovation project in 2012 that improved units in 1910-built building - 23 of 27 units were improved substantially with exposed historic features. Rent includes heat but tenant pays electric. Renovated units have historic brick, restored hardwood floors and radiators and stainless steel appliances including microwave. Off-street parking lot provided at remote site in area. Unit sizes can vary, but most 1-bedrooms have 500-600 sq ft and 1 bathroom, although some larger units with nearly 800 sq ft. Four basement units were not renovated and are at a lower rent structure. Manager reports a mix of tenants including younger singles and couples, students, and students in basement units. Strong demand reported with full occupancy and a waiting list.
Lofts 23 23 Broadway 701-630-0309	15 - 1 Bedroom <u>3 - 3 Bedroom</u> 18 Total Units	\$1000 \$1800-\$1950 +electric	2 vacant units, 2 - 1 Bdrm	Mix of tenants with most working downtown	Renovation of an existing downtown building in 2014 into mixed-use with commercial on street level and residential units on the upper 3 floor. Rent includes heat, hot water, water, sewer and garbage with tenant paying electric. Some units have in-unit laundry, and community laundry available. Kitchens have stainless steel appliance including microwave and dishwasher. No parking but some tenants lease parking in nearby transit ramp. One-bedrooms range from 585 to 695 sq ft and 1 bathroom, and 3-bedrooms have 1100 to 1225 sq ft and 1 or 2 bathrooms. Still in initial occupancy phase with 2 units available. Many tenants are from other parts of the country and are willing to pay higher rent for downtown living.

Table 3 Fargo Downtown Multifamily Rental Housing Inventory

Name	Number of Units / Bedroom Mix	Rent	Vacancy / Wait List	Occupancy Type	Comments
Market Rate - Recent Conversion/Renovation Projects					
Lofts on Roberts 14 Roberts St 701-630-0309	Efficiency 1 Bedroom 2 Bedroom 18 Total Units	N/A +heat, electric	N/A	N/A	Unable to contact for detailed information. Renovation of an existing downtown building. Rent includes water, sewer and garbage with tenant paying heat and electric. Amenities include community laundry and secure building access.
The Lofts on Roberts 309 Roberts St 701-239-2652	15 - Efficiency 6 - 1 Bedroom 21 Total Units	\$600-\$660 \$790-\$900 +electric	No vacant units	Mix of approx. ½ students and ½ younger singles and couples	Conversion of a 100-year old downtown warehouse building into rental housing completed in 2008. Loft-style units with exposed building features including large windows and high ceilings. Rent includes water, sewer, hot water and garbage, with tenant paying heat and electric. Units have stove, refrigerator, dishwasher, microwave. Building amenities include elevator, community laundry and secured entrance. Off-street parking provided a block away. Efficiency units range from 490 to 560 sq ft and 3 1-bedrooms at 600 sq ft and 3 at 750 sq ft; all units have 1 bathroom. Manager reports that approx. half of tenants are students and half are working age singles and couples. No vacant units at time of survey, although turnover does occur as some people eventually look for larger units.
506 Roberts 701-367-9295	10 - 1 Bedroom 2 - 2 Bedroom 12 Total Units	\$525-\$650 \$795-\$850 +heat, electric	No vacant units	Younger singles, couples and students	Historic building that was renovated as rental housing in the mid-2000s. The 2-bedrooms are 2-level loft-style units. Rent includes water and sewer, with tenant paying heat (electric) and electricity. Amenities include stove, refrigerator, dishwasher, microwave, central AC and off-street parking lot. Floor plans are unique but largest 2-bedroom has approx. 873 sq ft and 1 bathroom. Owner reports full occupancy and good demand - with 50% of tenants being downtown NDSU students and remainder younger singles and couples.

Table 3 Fargo Downtown Multifamily Rental Housing Inventory

Name	Number of Units / Bedroom Mix	Rent	Vacancy / Wait List	Occupancy Type	Comments
Market Rate - Recent Conversion/Renovation Projects					
8 7 th Street Flats 8 7 th St N 701-239-4198	16 - Efficiency <u>2 - 1 Bedroom</u> 18 Total Units	\$575-\$675 \$775 +electric	No vacant units	Mix of younger singles and students	Mixed-use historic downtown building with rental units on upper 2 floors that was renovated in 2009. Rent includes heat, water, sewer and garbage, with tenant paying electric. Amenities include AC, storage lockers on each floor, community laundry and 1 off-street parking space for each unit at \$45/month. Efficiencies units have kitchens and range from 400 to 550 sq ft. Owner reports good demand with full occupancy and a waiting list. Up to half of tenants are generally students with remainder being younger working people - most do not work downtown.
Warehouse Apartments 24 8 th St N 701-630-2187	1 - 1 Bedroom 1 - 2 Bedroom <u>13 - 3 Bedroom</u> 15 Total Units	\$625 \$870 \$1065 +electric	No vacant units	Primarily students	Renovation and conversion of former lumber buildings into rental housing in 2006. Located near NDSU Schools of Business and Architecture. Tenant pays electric but rent includes heat, water, sewer, garbage, basic cable and internet. Building amenities include keyless entry, AC, controlled access entry, community laundry and on-site parking. Unit amenities include stove, refrigerator, dishwasher, microwave and disposal. Square footage not available, but 1 and 2-bedrooms have 1 bathroom, and 3-bedrooms have 2 bathrooms. Manager reports full occupancy and a waiting list - most tenants are students and a waiting list develops for the next term.

Table 3 Fargo Downtown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - Older/Moderate Rent Projects					
Block 6 Apartments Crystal Square 20 7 th St S 701-235-0553	16 - 1 Bedroom <u>20 - 2 Bedroom</u> 36 Total Units	\$650-\$700 \$750-\$800 +heat, hot water, electric	No vacant units	Mix of tenants	Four level apartment with elevator project constructed in the 1985. Part of Block 6 complex that includes deLendrecies and Waldorf Square Apartments. Rent includes water, sewer and garbage, with tenant paying heat, hot water and electric. Amenities include dishwasher, microwave, disposal, balcony and window AC. Drive-in parking structure available for \$50/month and off-street parking lot. One-bedrooms have 650 sq ft and 1 bathroom, 2-bedrooms have 880-905 sq ft and 1 bathroom. Manager reports a mix of tenants and full occupancy.
Block 6 Apartments deLendrecies 624 Main Ave 701-235-0553	Studio 1 Bedroom <u>2 Bedroom</u> 52 Total Units	\$390-\$500 \$650-\$725 \$900 +heat, hot water, electric	No vacant units	Mix of tenants	Apartments constructed above historic building in the 1987. Part of Block 6 complex that includes Waldorf and Crystal Square Apartments. Rent includes water, sewer and garbage, with tenant paying heat, hot water and electric. Amenities include dishwasher, microwave, disposal, balcony and window AC. Drive-in parking structure available for \$50/month and off-street parking lot. Floor plans vary but studios have approx. 400 sq ft and 1 bathroom, 1-bedrooms range from 570-840 sq ft and 1 bathroom, and 2-bedrooms have 1340 sq ft and 1 bathroom. Manager reports a mix of tenants and full occupancy.
Block 6 Apartments Waldorf Square 20 7 th St S 701-235-0553	16 - 1 Bedroom <u>20 - 2 Bedroom</u> 36 Total Units	\$650-\$700 \$750-\$800 +heat, hot water, electric	No vacant units	Mix of tenants	Four level apartment with elevator project constructed in the 1985. Part of Block 6 complex that includes deLendrecies and Crystal Square Apartments. Rent includes water, sewer and garbage, with tenant paying heat, hot water and electric. Amenities include dishwasher, microwave, disposal, balcony and window AC. Drive-in parking structure available for \$50/month and off-street parking lot. One-bedrooms have 650 sq ft and 1 bathroom, 2-bedrooms have 880-905 sq ft and 1 bathroom. Manager reports a mix of tenants and full occupancy.

Table 3 Fargo Downtown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - Older/Moderate Rent Projects					
City Center Apartments 121 5 th St N 701-200-8509	14 - 1 Bedroom <u>13 - 2 Bedroom</u> 27 Total Units	\$600 \$735-\$800 +electric	No vacant units	Mix of tenants with many that work downtown	Older building that was originally constructed in the early 1900s but was converted to apartments many years ago. Multiple renovations over time. Rent includes heat, water, sewer and garbage, with tenant paying electric. Unit amenities include stove, refrigerator, dishwasher in some units and AC. Smaller 2-bedrooms have 720 sq ft; all units have 1 bathroom. No off-street parking but tenants can get permit from City. General mix of tenants including students and seniors, but most orient to downtown for job or school. Manager reports no vacancies and good demand for downtown options.
The Gardner 26 Robert St 701-280-2369	58 - Efficiency 58 - 1 Bedroom <u>5 - 2 Bedroom</u> 121 Total Units	\$330-\$450 \$390-\$550 \$585-\$700 +electric	No vacant units	Mix of tenants including students and seniors	Former hotel built in 1908 that was converted to rental housing in the early 1970s. Mixed-use building with commercial uses on street level and residential use above. Units have full kitchen or kitchenette with microwave. Amenities include central AC, community laundry, controlled access and elevator. Private parking is available for extra fee - parking is an issue in downtown area. Rent includes heat and other utilities with tenant paying electric. Contract rent varies by unit and length of lease. Good demand reported with full occupancy at time of survey. Wide range of tenants including students, seniors and working-age adults.
Heartland Apartment Homes 11 12 th St N 701-232-6500	<u>87 - 1 Bedroom</u> 87 Total Units	\$425-\$485 +heat, hot water, electric	2 vacant units	Primarily students	Three-level apartment building constructed in the early 1970s. Rent includes water, sewer and garbage, with tenant paying electricity, which includes heat and hot water. Amenities include full kitchen with dishwasher, window AC, secured entrance, community laundry and off-street parking. Unit square footage not available but apartments are described as large with 1 bathroom. Two units vacant at time of survey due to normal turnover. Approx. 95% of tenants are students, including students from Moorhead.

Table 3 Fargo Downtown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - Older/Moderate Rent Projects					
Ivers Roberts Street 654 4 th Ave N 701-491-3085	Efficiency 1 Bedroom <u>6 - 2 Bedroom</u> 34 Total Units	\$585-\$605 \$685-\$725 \$815-\$875 +electric	No vacant units	Mix of tenants including young professionals and students	Historic 1929-built 6-story mixed-use building with office uses on street level and residential use above. Rent includes heat, water, sewer and garbage, with tenant paying electric. Amenities include dishwasher, elevator, controlled-access entry, community laundry and off-street parking. Historic building has unique floor plans with some efficiency units at nearly 800 sq ft and some 1-bedrooms up to 1000 sq ft. Manager reports a mix of tenants including some seniors but most tenants are students or young professionals that work in immediate area. No vacancies on date of survey and vacancies are rare.
Park East Apartments 1 2 nd St S 701-237-6448	1 Bedroom 2 Bedroom <u>3 Bedroom</u> 122 Total Units	\$735 \$860 \$1160 includes utilities	Building will be removed in 2015 for flood control	Mix of tenants	This complex has been acquired as part of the flood control project and will be vacated by July 2015 and demolished. Four-level apartment complex with elevators. Attached covered parking structure, included in rent. Rent includes all utilities. Unit amenities include range, disposal, dishwasher, microwave, and frost-free refrigerator. Project amenities include indoor heated pool, exercise room, party room and guest room. One-bedrooms have 760-1116 sq ft and 1 bathroom, 2-bedrooms have 927-1116 sq ft and 1 or 2 bathrooms and 3-bedrooms have 1272 sq ft and 2 bathrooms. Manager estimates that 20% to 25% of units were occupied by students. Also many long-term tenants - some have been relocated in immediate area.

Table 3 Fargo Downtown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - Older/Moderate Rent Projects					
The 8 th Street Flats 120 8 th St N 701-478-4310	<u>28 - Efficiency</u> 28 Total Units	\$495-\$625 +heat, electric	No vacant units	Mix of younger singles and students	Former 3-level motel structure that was later renovated and converted into rental housing. Amenities include kitchen with dishwasher, AC, community laundry, outdoor pool and jacuzzi, and off-street parking. Tenants pay heat (electric) and electricity in addition to rent. Units have 390 sq ft and 1 bathroom - some are larger and have been recently renovated at are at higher end of rent range. Manager reports full occupancy with most tenants being students or younger singles.

Table 3 Fargo Downtown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Income-Restricted Projects					
The Burrell 409 4 th St N 701-239-7255	24 - 1 Bedroom <u>6 - 2 Bedroom</u> 30 Total Units	\$580 \$699 30% of income	No vacant units, waiting list	HUD Mod Rehab/ Section 8	General occupancy HUD Mod Rehab/Section 8 project that converted an old downtown hotel building into rental housing. Owned by the Fargo Housing Authority with project-based rent assistance thru NDHFA. All tenants have access to rent assistance which allows rent based on 30% of income, up to maximum rents listed. Most tenants are working-age singles. Manager reports full occupancy and a waiting list.
The Colonial 355 4 th Ave N 701-239-7255	10 - 1 Bedroom <u>2 - 2 Bedroom</u> 12 Total Units	\$481 \$565 30% of income	No vacant units, waiting list	HUD Mod Rehab/ Section 8	General occupancy HUD Mod Rehab/Section 8 project that dates to the 1960s or 1970s. Owned by the Fargo Housing Authority with project-based rent assistance thru NDHFA. All tenants have access to rent assistance which allows rent based on 30% of income, up to maximum rents listed. Most tenants are working-age singles. Manager reports full occupancy and a waiting list.
The 400 400 Broadway 701-232-9412	39 - 1 Bedroom <u>2 - 2 Bedroom</u> 41 Total Units	\$529 \$684 30% of income	3 vacant units	HUD Section 221(d)(4)/ Section 8	HUD Section 221(d)(4)/Section 8 subsidized project for senior (age 62+) or disabled tenant occupancy. 100-year old downtown hotel building that was converted to rental in 1982-1983. All tenants pay rent based on 30% of income up to maximum rents listed. Amenities include elevators, community laundry, craft room, community room and some off-street parking. Manager reported 3 vacant unit at time of survey and no waiting list - units are rather small and tenants with Vouchers will often move to newer housing and pay the same amount of rent. Downtown location has benefits and drawbacks, such as no grocery store downtown and limited parking options. Most tenants are still seniors but over time the younger disabled population has been growing.

Table 3 Fargo Downtown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Income-Restricted Projects					
Fargo/ Lashkowitz High Rise 701-293-6262	247 - 1 Bedroom <u>1 - 2 Bedroom</u> 248 Total Units	\$300 30% of income	Any available units are filled from a long waiting list	Low Rent Public Housing	Low Rent Public Housing project built in 1971 and owned by the Fargo Housing Authority. Tenants pay rent based on 30% of income, up to ceiling rent of \$300 for 1 bedroom units. Approximately 33% of tenants are seniors (62+), and 67% to 70% are younger, low income tenants. Most younger tenants are disabled, but approximately 30 are lower income, non-disabled tenants. Occupancy preference given to senior, disabled and veterans - building has seen gradual increase in younger tenants over time as fewer seniors apply for waiting list. Manager reports 11 unoccupied units at time of survey, but a 200+ name waiting list exists and vacancies are due to processing time for new tenants.
Graver Inn 123 Roberts Street Fargo 701-478-2549	58 - 1 Bedroom <u>2 - 2 Bedroom</u> 60 Total Units	\$515-\$520 \$517 +electric	3 vacant unit, 3 - 1 Bdrm waiting list	General occupancy at 40% and 50% of median	HUD Mod Rehab project in 1988/89 of older apartment complex. Tax credits and HOME funds awarded in 2003 for rehab and placed in service in 2004. HOME funding restrictions have now expired. Ten units are designated for 40% of median and remaining units at 50% of median - but nearly all tenants are actually very low income below 30% of median. Nearly all tenants have rent assistance Vouchers - but Voucher funding issues resulted in no new issuance in 2014 except for special veterans program. Manager reports 3 vacant units at time of survey due to processing time required to certify new tenants - but long waiting list with approx. names exist. People are often referred from area shelters. Rents increase approx. 2% annually.

Table 3 Fargo Downtown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Income-Restricted Projects					
Pioneer Manor 2 nd Ave N & 11 th St 701-478-2567	<u>45 - 1 Bedroom</u> 45 Total Units	\$360 30% of income	4 units intentional vacancy, waiting list	Low Rent Public Housing	Low Rent Public Housing project built in 1983 and owned by the Fargo Housing Authority. Designated for senior (62+) occupancy. Tenants pay rent based on 30% of income, up to ceiling rent listed. Four units intentionally vacant to facilitate rehab but a long waiting list exists.
University Drive Manor 1201 2 nd Ave N 701-232-4423	<u>90 - 1 Bedroom</u> 90 Total Units	\$550 30% of income	5 unoccupied units but application processing underway	HUD 231/236 Section 8	HUD 231/236 high rise built in 1977. Designated for senior age (62+) and/or disabled occupancy. All units are 1 bedroom with just less than 500 sq. ft. of living space. Tenants pay rent based on 30% of income up to ceiling rent listed. Manager reported 5 unoccupied units at time of survey, due in part to some recent evictions, but applications from an existing waiting list were being processed to fill units. Approx 52% of current tenants are seniors and 48% are younger disabled tenants. Limited demand from seniors and trend has been to younger disabled applicants. Ceiling rent has increased by \$11.

Source: Community Partners Research, Inc.

Student Populations and Student Housing

Key Findings

- ▶ The best available information indicates that overall enrollment of post-secondary students in the in the Fargo-Moorhead area has not been growing in recent years. Minor increases at NDSU have generally been more than offset by enrollment reductions elsewhere, especially at MSU Moorhead and Concordia College.
- ▶ Despite the fact that enrollment has not grown, ongoing construction of student-oriented rental housing has continued to occur in Fargo. This includes projects near the primary NDSU campus in north Fargo, and projects in the downtown area that are located near the NDSU academic buildings located downtown.
- ▶ Occupancy rates appear to be generally high, although the timing of the research for this Study did not coincide with the start of the academic year. Telephone calls to some of the larger buildings near the NDSU campus indicated that strong pre-leasing had already occurred for 2015/16, with some projects already leased for the fall term by June of 2015.
- ▶ NDSU officials indicated in interviews that it has been typical to see some level of unit availability still evident at the start of the fall academic term in the rental areas surrounding the campus. This was not always the case in the past, but an ongoing expansion of unit supply, combined with limited enrollment growth at NDSU, of less than 350 additional students over the past five years, has allowed supply and demand to become more balanced. Some of the property managers that were contacted expected to have some vacancies at the start of the 2015 fall term, although no one expressed concerns about excessive vacancies.
- ▶ The quarterly vacancy surveys reported by Appraisal Services, Inc., group all of north Fargo into a single reporting area. However, much of the rental stock would exist in the neighborhoods immediately surrounding NDSU. The reported vacancy rate for north Fargo in the March 2015 survey was 3.46%, compared to 3.61% citywide. In each of the past four years, the vacancy rate in north Fargo has been below the citywide vacancy rate, but some unit availability has also been present.

- ▶ With a substantial increase in rental housing expected in 2015, as more than 1,600 units permitted in Fargo in 2014 are expected to come online, it is probable that the citywide vacancy rate in Fargo will rise. This could put additional price pressure on rental options near NDSU. However, most of the newly built rental housing is in south Fargo or West Fargo, and well removed from the NDSU campus. As a result, projects that are located close to campus facilities will have a distinct competitive advantage in attracting students based on location.
- ▶ In the opinion of the analysts, the success of newer rental projects oriented to students is primarily due to competitive market positioning, as students that in the past may have lived farther from the main campus, now have choices that located much closer to NDSU. Unit location, quality and pricing are viewed as bigger factors in determining lease-up success. Demand has not been driven by increased enrollment or a shortage of other housing options in the community.
- ▶ With a combination of factors including no significant growth in enrollment, a substantial number of new conventional units expected to come online elsewhere in the community in 2015, and the fact that some level of vacancy already exists within the student-oriented housing sector, there is no pressing need to develop additional student units. However, competitive market forces will undoubtedly result in some additional projects being advanced through the remainder of the decade. These projects are likely to advance when a developer secures a piece of property that is located near the NDSU campuses, and that represents an attractive location for a new project. However, unless enrollment once again begins to grow, especially at NDSU, it is probable that new projects will simply take market share away from other existing rental options. If enrollment does begin to grow in the future, that a commensurate level of new unit construction could be justified.
- ▶ Given the fact that most student-oriented housing projects will be looking to locate near the campuses, and these sites are not readily available, unit introductions would be expected to occur in phases of less than 100 units per project. In a rental market with more than 40,000 rental housing units, any individual project will have very limited impact on existing rental housing within the MSA.

Student Population Data

The Fargo-Moorhead area has a large population of post-secondary students, primarily attending North Dakota State University (NDSU), Minnesota State University Moorhead, Concordia College in Moorhead, and Minnesota State Community and Technical College Moorhead.

Students have a major impact on the local housing market, especially in the neighborhoods that surround the respective campuses. This section of the Housing Study provides additional information about student enrollment and student housing. Information was obtained from various sources, including the U.S. Census Bureau, but primarily came from reports and staff interviews at area post-secondary institutions.

Student Populations in the Fargo Area - Census Bureau Estimates

Prior to 2010, the U.S. Census Bureau had collected information in the decennial census on post-secondary educational enrollment. However, this information was not collected in the 2010 Census. While the decennial Census no longer reports enrollment, the Census Bureau's American Community Survey does provide an estimate of the size of the student population. This is based on random sampling and does have a margin of error that applies to the estimate.

In 2013, the American Community Survey estimated that there were 24,968 residents of Fargo, Moorhead and West Fargo that were enrolled in college undergraduate programs, and an additional 3,198 people enrolled in graduate/professional school programs, for a total of 28,166 students. When compared to the total population estimate for the three cities, the post-secondary student population represented more than 19% of the total population in 2013.

Fargo was the primary residential location for students, with more than 67% of the undergraduates and nearly 82% of the graduate students living in the City. More than 27% of the undergraduates lived in Moorhead, with only a small share living in West Fargo.

The only student information that was collected in the 2010 decennial Census related to group quarters residents that were living in some form of college/university housing. In 2010, there were 3,270 people in Fargo and 3,146 people in Moorhead living in these types of residences. While the 2010 Census and the 2013 American Community Survey are different data sets, comparisons can be made. In Moorhead, nearly 44% of post-secondary students residing in the City may have been living in group quarters student housing. In Fargo, fewer than 17% of students were living in a group quarters unit.

American Community Survey

There are two Census Tracts that immediately border the main NDSU campus, to the south and east. While these two tracts do not contain all of the student-oriented housing near NDSU, they would represent a number of the larger rental complexes within easy walking distance of the campus.

At the time of the 2012 American Community Survey, which is the most recent data set for these specific Census Tracts, there were more than 2,000 rental housing units in Tracts 4 and 5.02. More than 1,100 units were occupied by renter households age 24 and younger, and more than 1,500 units were occupied by households age 34 and younger. Nearly 39% of the residents of these two Census Tracts were enrolled as either a college undergraduate, or in a graduate/professional school.

The estimated vacancy rate for rental housing in these two combined Census Tracts was between 5% and 6% in 2012. Most of these vacancies were in Tract 5.02, which is directly south of the NDSU campus and contains many of the larger rental complexes oriented to students.

Post-Secondary Student Enrollment

North Dakota State University

The Registrar's Office at NDSU provides an enrollment census dating back to 1890. The enrollment report is made in the fall, at the start of the academic year.

The NDSU census includes both graduate and undergraduate students. The count provides some additional level of detail. Recent reports include "distance only" enrollment, which would include enrollment in on-line courses. However, many of these on-line students may also be taking traditional classes at the Fargo campus, so subtraction of these students is not appropriate, although it is recognized that some may not be Fargo-based.

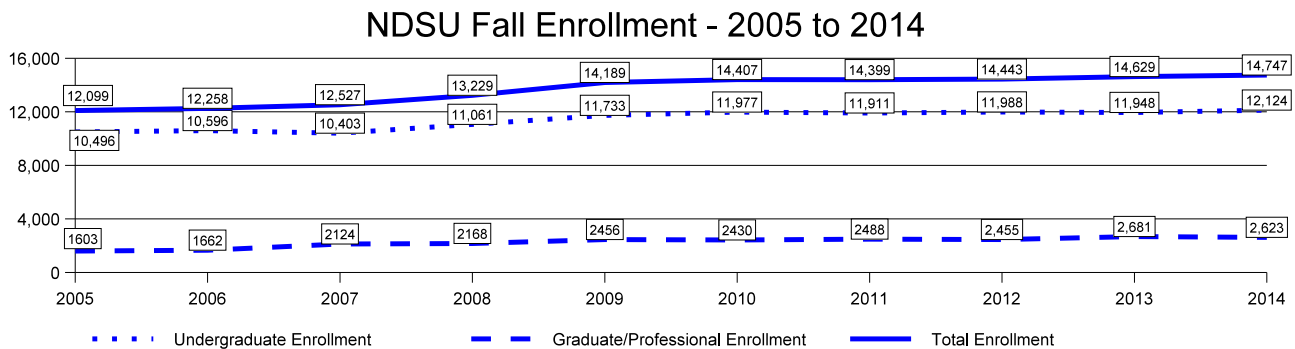
In the table and chart that follow, professional and graduate students have been separated from undergraduate students, with a total enrollment also provided.

Table 1 NDSU Fall Enrollment - 2005 to 2014			
	Undergraduate	Graduate/Professional	Total
Fall 2014	12,124	2,623	14,747
Fall 2013	11,948	2,681	14,629
Fall 2012	11,988	2,455	14,443
Fall 2011	11,911	2,488	14,399
Fall 2010	11,977	2,430	14,407
Fall 2009	11,733	2,456	14,189
Fall 2008	11,061	2,168	13,229
Fall 2007	10,403	2,124	12,527
Fall 2006	10,596	1,662	12,258
Fall 2005	10,496	1,603	12,099

Source: Registrar NDSU

The total estimated enrollment at NDSU at the start of the 2014/2015 academic year was 14,747 students. It is recognized that more than 500 of these enrolled students were taking on-line classes and are probably not located in

the Fargo area, but the exact number cannot be determined, and on-line enrollment is not available for prior years, so total enrollment figures have been provided for consistent, annual comparison.



Over the 10-year period there has been some annual fluctuation of total enrollment, especially prior to 2010. From 2005 to 2010, total enrollment increased by more than 2,300 students, or more than 19%. However, the annual changes then became more moderate, and from 2010 through 2014, total enrollment increased by 340 students, or less than 2.4%.

Minnesota State University Moorhead

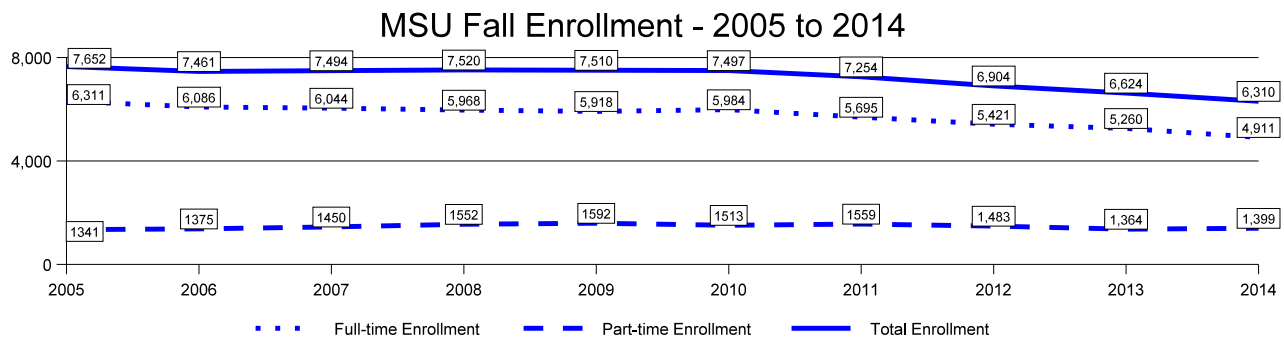
Minnesota State University Moorhead (MSU) produces annual enrollment reports showing full-time and part-time students, enrolled in undergraduate and graduate programs. The student count is made at the end of the fall semester, not the beginning, so students that leave the University within the first few months of the term are not reflected in the numbers.

The level of detail in the reports does not allow for any additional adjustments to be made, such as students that may not actually be in Moorhead but take classes on-line, or high school students that take advantage of opportunities to take college-level courses. However, according to MSU staff, there are few students that only take on-line courses. There are also few high school students, estimated at 35 or less per term. As a result, the numbers in the table below may be slightly higher than actual student enrollment on campus, but generally reflect the population that would be taking courses in Moorhead and living in the immediate area.

Table 2 MSU Fall Enrollment - 2005 to 2014

	Undergraduate		Graduate		Total
	Full-time	Part-time	Full-time	Part-time	
Fall 2014	4,731	1,007	180	392	6,310
Fall 2013	5,107	1,051	153	313	6,624
Fall 2012	5,276	1,150	145	333	6,904
Fall 2011	5,569	1,221	126	338	7,254
Fall 2010	5,830	1,182	154	331	7,497
Fall 2009	5,773	1,177	145	415	7,510
Fall 2008	5,862	1,193	106	359	7,520
Fall 2007	5,934	1,106	110	344	7,494
Fall 2006	6,000	1,039	86	336	7,461
Fall 2005	6,198	1,044	113	297	7,652

Source: MSU Office of Institutional Effectiveness
The 2014 report was not yet available.



When viewed over a ten-year time period, there has been a gradual decrease in the number of students enrolled at MSU Moorhead. The total enrollment, counting graduate and undergraduate students, decrease by more than 1,300 people from 2005 to 2014. All of this can be attributed to full-time enrollment decreases, as the number of part-time students in 2014 was slightly higher than the count in 2005.

Concordia College - Moorhead

Concordia College is a private, four-year liberal arts college located in Moorhead, has had an enrollment of approximately 2,300 to 2,400 students in recent years. Enrollment had been somewhat higher in the late 2000s, but then declined to the current level. No further details were available, but as a private, liberal arts institution, nearly all of the school's enrollment is believed to be attending classes at the Moorhead campus.

Minnesota State Community and Technical College Moorhead

Minnesota State Community and Technical College has a campus in Moorhead (M State Moorhead). Attempts to contact representatives in the Admissions Department for enrollment details were unsuccessful. However, some past admissions totals were available in printed reports. It is possible that some of the reported enrollment could include students that do not actually attend classes in Moorhead, such as on-line learners.

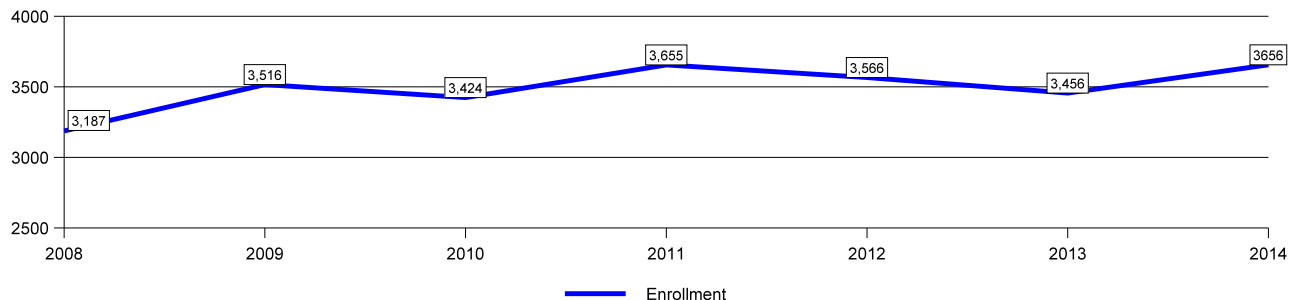
Table 3 M State Moorhead Fall Enrollment - 2007 to 2015

	2008	2009	2010	2011	2012	2013	2014	2015
Enrollment	3,187	3,516	3,424	3,655	3,566	3,456	3,656	N/A

Source: M State Fact Book

As reported, there have been year-to-year fluctuations in the M State Moorhead enrollment levels. Between 2008 and 2011, nearly 470 students were added. However, from 2011 through 2013, enrollment then declined by nearly 200 students. By 2014, these losses had been recovered, and the reported enrollment is 2014 was nearly identical to the level in 2011.

M State Moorhead Enrollment - 2008 to 2014



Projected Enrollment in Fargo-Moorhead

No formal enrollment projections were available from NDSU at the time of the research for this Study. A draft strategic planning process was underway, which may eventually include target enrollments for various university components, but these were not officially established in 2015.

In recent years, Concordia College has maintained a relatively stable enrollment level of 2,300 to 2,400 students. According to staff, the College expects future enrollment to remain at this level.

No enrollment projections could be obtained from MSU Moorhead or M State Moorhead.

Regional Trends Impacting Future Enrollment

The Western Interstate Commission for Higher Education (WICHE) has issued projections for all 50 states for the number of high school graduates. The most recent projections were generated in 2012. WICHE examined actual trends between 1996/97 to 2008/09, and then projects high school graduation data going forward.

Community Partners Research examined this information for North Dakota, South Dakota and Minnesota. According to information obtained from the NDSU Registrar, approximately 93% of enrollment from U.S. citizens comes from Minnesota or North Dakota. Enrollment at the other post-secondary institutions has also been originating from the immediate region in recent years.

For the period between 2008/09 and 2019/20, WICHE expects the number of high school graduates nationwide to decrease by 2%. However, this projected change will be unevenly distributed, with some growth occurring in the South, and the largest losses expected in the Midwest and Northeast.

For the Midwest region, which includes Minnesota, the decrease in the number of graduates is projected to be 8% between 2008/09 and 2019/20. For the State of Minnesota, the projected decrease is 6%.

For the West region, which includes both North and South Dakota, the projected decrease is 6%. However, the decrease in North Dakota is projected to be 4%, while South Dakota is expected to see a 3% increase in the number of high school graduates. It should be noted that the time period used to establish the projections would have largely pre-dated much of the energy-related growth in population that has taken place in North Dakota.

Although the number of high school graduates in the immediate region may not impact enrollment in the Fargo-Moorhead area, the projected decrease will result in increased competition for students.

Student Housing Options

North Dakota State University On-Campus Housing

Housing for MSU students is provided in both on-campus housing options that are part of the University system, and through off-campus housing controlled by the private market.

NDSU provides some on-campus housing through residence hall options. The University requires most first-year students to live on-campus, and therefore guarantees housing to this incoming class. In total, traditional residence hall options can house approximately 3,300 students, and 2,300 to 2,400 of these beds are typically taken by first-year students with the on-campus living requirement. Beds in the residence halls that are not used for first-year students are then made available to returning students that want a residence hall option. At the start of each academic year, the residence halls are generally filled to capacity, and a waiting list is maintained.

NDSU also provides “on-campus” housing options in apartment-style buildings. There are 531 apartment units, in various configurations from studio apartments to three-bedroom units. Depending on household composition, between 1,100 and 1,200 students will typically be housed. This represents a mix of undergraduate and graduate students, including students with families. This type of student housing also has a high initial occupancy rate, although some attrition may occur after the start of the term. The apartment housing options also maintain a waiting list at the start of the term.

According to the Office of Residential Life, the University will generally house between 29% and 32% of the total enrollment. This is a higher percentage than most comparable institutions, but also reflects the fact that the large majority of students live in some form of off-campus housing.

In the neighborhoods that surround NDSU there are a number of large multifamily rental complexes that have been built, including some additions within the past 10 years. Although NDSU staff does not complete any formal vacancy survey, they indicated that in recent years there have been rental units available within the private market options around campus, with “for rent” signs visible in the area after the start of the fall term.

Concordia College On-Campus Housing

Most Concordia students live in on-campus housing. According to the Director of Residential Life, the typical distribution has been 65% in student housing and 35% living off-campus. Current capacity in the on-campus housing options total between 1,400 and 1,500 beds.

A survey completed in 2013 found that only 20% of the students living off-campus lived outside of the City of Moorhead. In most years, this would yield fewer than 200 students that would potentially live in Fargo.

The College has been making some changes to its on-campus housing options, but the total number of beds is expected to remain stable at 1,400 to 1,500 beds in the next few years.

MSU Moorhead

According to the Office of Institutional Effectiveness, approximately 25% of all students at MSU live in on-campus housing. Based on the total enrollment reported in the fall of 2013, this would yield approximately 4,900 to 5,000 students that were living in some form of off-campus housing. While exact statistics are not available, MSU staff believes that the majority of these students actually live in Moorhead.

The supply of on-campus housing has remained stable in recent years. There are eight residence halls and one apartment-style building oriented to upper class students. The apartment building provides two-bedroom, two bathroom units. While specific occupancy statistics were not obtained, MSU tends to have unused capacity in its on-campus housing options each year.

M State

M State Community and Technical College does not have any student housing that is under their control. Community and technical colleges in Minnesota do not typically construct residence halls or similar college-owned housing, although some have cooperated with college foundations, HRAs, or other groups to construct units that are oriented to students.

M State Community and Technical College does have an arrangement with MSU Moorhead that allows M State students to live in MSU dormitories. While exact utilization statistics were not obtained, M State staff indicated that this option was not widely used. The on-campus room and board options at MSU are often viewed by students as expensive, compared to private market options that exist in the community.

Private Market Housing

The best available information on students would indicate that most post-secondary students residing in or around Fargo live in private market housing, primarily rental housing. A limited telephone survey of the larger student-oriented complexes near the NDSU campus in Fargo was completed, and information is presented from the general findings of that survey.

Community Partners Research contacted the following student-oriented rental projects by telephone to obtain some basic information about occupancy. The calls were made in May and June of 2015. The timing of this informal survey largely coincided with the end of the 2014/15 academic year. In most cases, student leases had been completed and some move-outs had occurred. The properties were actively leasing units for occupancy in the 2015/16 academic term.

- ▶ East Bridge Apartments - 1951 Dakota Drive North
- ▶ Thunder Creek Apartments - 1920 Dakota Drive North
- ▶ Bison Arms - 1120 16th Street North
- ▶ T Lofts - 1515 11th Avenue North
- ▶ Bison Crossing - 1142 14th Street North
- ▶ Infill Townhouse Units - 24 units in various locations

Although most of these projects were still leasing units for the fall term, high rates of occupancy were already apparent in most of the properties by June. For example, T Lofts Apartments with 180 total units, had only one unit remaining for the fall. Another project, East Bridge Apartments with 58 units, was already 95% leased at the beginning of June.

There were some projects that reported that some limited vacancies had existed in the last year, and were probable for the fall 2015/16 term. These included some of the older projects that did not contain the same types of features and amenities as newly-built housing. Rents were also lower, but new projects were generally more successful, despite a higher rent structure. Some vacancies also existed in some of the newer, infill town house projects that have developed in the surrounding neighborhoods. In these units, the potential vacancies were generally linked to price, as the inclusion of tenant-paid utilities resulted in a higher gross rent than many of the other options.

While an exact vacancy calculation cannot be completed, based on the timing of the research, it does appear that some unused capacity will exist in the student-orient housing supply around the NDSU campus for the start of the 2015/16 academic year.

It is probable that this vacancy level will not be excessively high, and will be present in select buildings and units. While some projects have already achieved full occupancy, others are likely to carry some available units into the fall. However, changes in enrollment from year to year would probably alter this pattern, especially future enrollment growth, as the properties located near the campus will have a competitive advantage due to location.

Employment and Wages by Industry

The following table shows the annual employment and average annual wages by major employment sector in 2013, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment in Cass County. Some groups, including self-employment, are not represented. This information is only for the North Dakota portion of the Fargo-Moorhead Metropolitan Statistical Area (MSA).

Table 1 Cass County Average Weekly Wage by Industry - 2013		
Industry	Employment	Average Weekly Wage
Total All Industry	109,499	\$851
Accommodation and Food Services	9,867	\$295
Administrative and Waste Services	5,800	\$549
Ag/Forestry/Fishing/Hunting	333	\$1,301
Arts, Entertainment, and Recreation	2,022	\$305
Construction	6,977	\$1,013
Educational Services	6,970	\$889
Finance and Insurance	7,225	\$1,098
Health Care and Social Assistance	16,534	\$982
Information	3,131	\$1,319
Management of Companies/Enterprises	3,175	\$1,194
Manufacturing	9,034	\$951
Mining	19	\$615
Other Services	3,676	\$516
Professional and Technical Services	5,430	\$1,165
Public Administration	2,641	\$1,061
Real Estate, Rental and Leasing	1,592	\$652
Retail Trade	12,903	\$522
Transportation and Warehousing	4,105	\$827
Utilities	166	\$1,552
Wholesale Trade	7,900	\$1,219

Source: Job Service North Dakota

The average weekly wage for all industry in Cass County in 2013 was \$851. At full time employment, this would equate to an annual wage of \$44,252.

In 2013, there were nine industry sectors with an average weekly wage that was above \$1,000. The highest paying wage sector was Utilities at \$1,552 per week. However, Utilities was only a small employment sector, with fewer than 200 reported. Information was the second highest wage sector and had more than 3,100 employees. The other industry sectors in Cass County with an average weekly wage above \$1,000 were Agriculture/Forestry/Fishing/Hunting, Construction, Finance and Insurance, Management of Companies and Enterprises, Professional and Technical Services, Public Administration, and Wholesale Trade.

The lowest paying wage sectors were Accommodation and Food Services, at \$295, and Arts, Entertainment and Recreation, at \$305 per week. At full-time employment, the average annual wages in these sectors were below \$15,900 per year.

The single largest employment sector, Health Care and Social Assistance, had an average weekly wage of \$982, above the overall average.

Major Employers

Information on the 10 large employers is available for the Cass County portion of the Fargo-Moorhead MSA through Job Service North Dakota. Specific employment numbers are not provided, but all of these are believed to have 500 or more employees:

1. Sanford Health
2. North Dakota State University
3. Fargo Public Schools
4. Noridian Mutual Insurance Co.
5. Essentia Health
6. US Bank
7. West Fargo Public School District
8. CNH America
9. VA Medical Center
10. Undisclosed

Source: Job Service North Dakota

Labor Force, Work Force and Unemployment

Job Service ND provides employment information for the City of Fargo and for the entire Fargo-Moorhead MSA. The following tables present data from 2000 through 2014.

Table 2 Fargo Labor Force and Employment: 2000 - 2014						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - City	Unemployment Rate - ND	Unemployment Rate - US
2000	56,036	54,806	1,230	2.2%	2.9%	4.0%
2001	56,559	55,322	1,237	2.2%	2.8%	4.7%
2002	56,519	54,869	1,650	2.9%	3.5%	5.8%
2003	57,627	55,870	1,757	3.0%	3.6%	6.0%
2004	60,031	58,367	1,664	2.8%	3.5%	5.6%
2005	58,035	56,484	1,551	2.7%	3.4%	5.1%
2006	58,384	56,919	1,465	2.5%	3.2%	4.6%
2007	60,309	58,766	1,543	2.6%	3.1%	4.6%
2008	60,723	59,079	1,644	2.7%	3.1%	5.8%
2009	59,866	57,373	2,493	4.2%	4.1%	9.3%
2010	62,743	60,528	2,215	3.5%	3.8%	9.6%
2011	63,222	61,155	2,067	3.3%	3.4%	8.9%
2012	63,019	61,183	1,836	2.9%	3.0%	8.1%
2013	63,933	62,147	1,786	2.8%	3.2%	7.4%
2014	65,038	63,435	1,603	2.5%	2.7%	6.2%

Source: Job Service North Dakota

Over the 15 year time period reviewed, there has been solid growth in the size of the City's resident labor force. Although there have been some year-to-year up and down movement, the long term trend has been for a growing number of residents that are looking to work. If 2014 is compared to 2000, the resident labor force has increased by more than 9,000 people, or 16.1%

The employed resident work force in Fargo has also grown over time. From 2000 to 2014, the number of employed residents increased by more than 8,600 people, or 15.7%.

Fargo Labor Force and Employed Work Force: 2000 to 2014

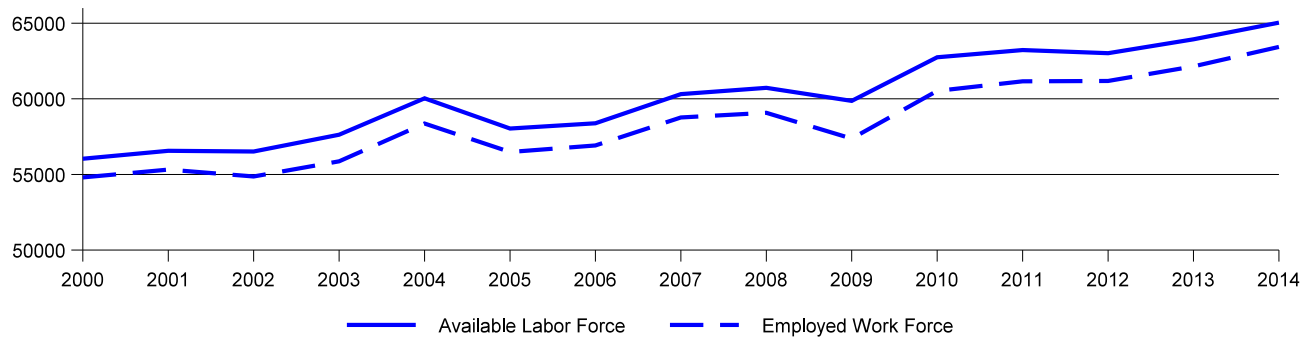


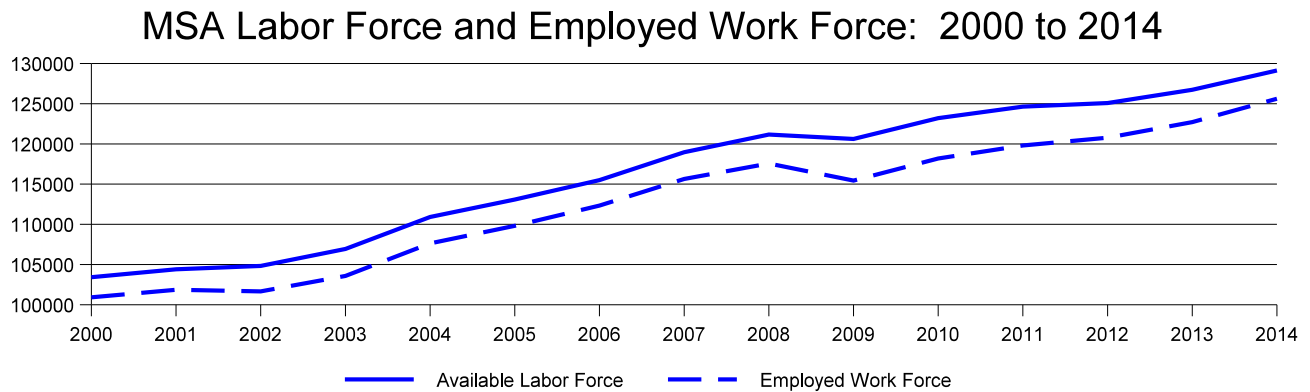
Table 3 MSA Labor Force and Employment: 2000 - 2014

Year	Labor Force	Employed	Unemployed	Unemployment Rate - MSA	Unemployment Rate - ND	Unemployment Rate - US
2000	103,433	100,925	2,508	2.4%	2.9%	4.0%
2001	104,412	101,862	2,550	2.4%	2.8%	4.7%
2002	104,825	101,663	3,162	2.9%	3.5%	5.8%
2003	106,935	103,581	3,354	3.1%	3.6%	6.0%
2004	110,913	107,637	3,276	3.0%	3.5%	5.6%
2005	113,082	109,814	3,268	2.9%	3.4%	5.1%
2006	115,493	112,331	3,162	2.7%	3.2%	4.6%
2007	118,970	115,648	3,322	2.8%	3.1%	4.6%
2008	121,171	117,572	3,599	2.9%	3.1%	5.8%
2009	120,624	115,441	5,183	4.3%	4.1%	9.3%
2010	123,202	118,186	5,016	4.1%	3.8%	9.6%
2011	124,638	119,802	4,836	3.9%	3.4%	8.9%
2012	125,083	120,771	4,312	3.4%	3.0%	8.1%
2013	126,733	122,710	4,023	3.2%	3.2%	7.4%
2014	129,128	125,618	3,510	2.8%	2.7%	6.2%

Source: Job Service North Dakota

* 2014 is through November

There has been significant growth in the size of the MSA's available labor force over the last 15 years. The MSA's available labor force in 2014 had increased by nearly 25,700 people when compared to the year 2000, or nearly 25%. The employed work force has increased by nearly 24,700 people during the same time period.



One notable trend in the data for the MSA is the rapid growth that has occurred in just the past few years. Between 2012 and 2014, the number of employed residents of the MSA increased by more than 4,800 people, and since 2009, by more than 10,000 people.

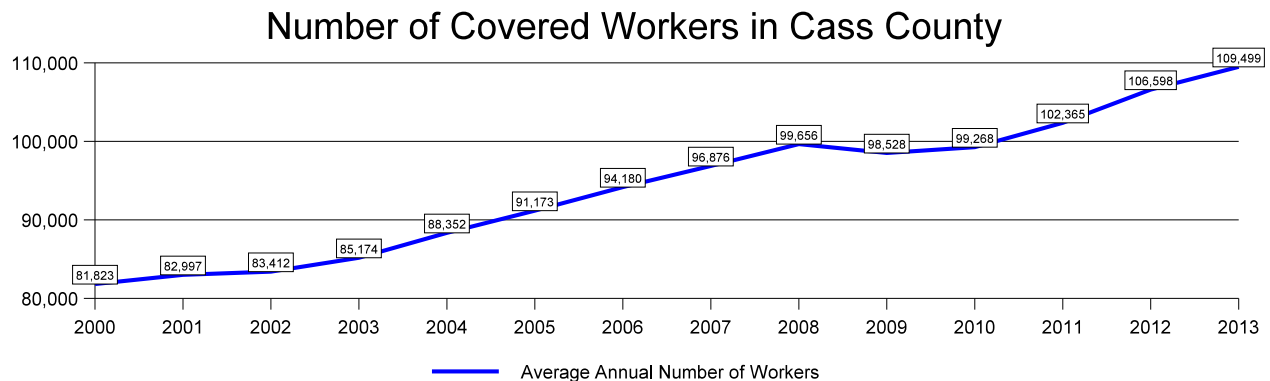
While there has been significant net growth in the labor force and employed work force since 2000, there had also been some up and down movement from year to year. In both 2009 and 2010, the MSA's unemployment rate was above 4%. However, the unemployment rate in the MSA was at only 2.8% for, less than half of the national rate for the year.

Cass County Annual Covered Employment

The Quarterly Census of Covered Workers (QCEW) tracks employees covered by unemployment insurance by location of the worker and it is possible to examine longer-term patterns in the employment level. The following table displays the total number of workers reported in Cass County back to the year 2000.

Table 4 Cass County Average Annual Employment: 2000 to 2013			
Year	Total Covered Employment	Year	Total Covered Employment
2000	81,823	2007	96,876
2001	82,997	2008	99,656
2002	83,412	2009	98,528
2003	85,174	2010	99,268
2004	88,352	2011	102,365
2005	91,173	2012	106,598
2006	94,180	2013	109,499

Source: QCEW - Job Service North Dakota



Over the 14-year time period reviewed, there has been very strong growth in the number of employees covered by unemployment insurance that are working in Cass County. With the exception of 2008 to 2009, when the nation was in a period of economic recession, there has been year-to-year growth in the number of covered workers. From 2000 to 2013, the number of covered workers in Cass County has increased by 33.8%.

Commuting Patterns of Area Workers

Information is available on area workers that commute for employment. The best information is from the 2013 American Community Survey and has been examined for the City of Fargo. This table examines commute times for people age 16 and older that lived in Fargo and did not work at home.

Table 5 Travel Times for Fargo Residents - 2013		
Travel Time to Work	Number	Percent
Less than 10 minutes	12,700	20.3%
10 to 19 minutes	35,266	56.4%
20 to 29 minutes	10,005	16.0%
30 to 44 minutes	2,483	4.0%
45 minutes or more	2,058	3.3%
Total	62,512	100%

Source: 2013 American Community Survey 1-year estimates

A large majority of Fargo's residents were commuting less than 20 minutes to work in 2013. Overall, nearly 77% of residents commuted less than 20 minutes for employment, and more than 92% had a commute time of less than 30 minutes. Approximately 7.3% of residents did commute 30 minutes or more for employment.

The American Community Survey also provides travel time information based on place of employment. For people that worked within the City of Fargo, the following commute times were identified.

Table 6 Travel Times for Fargo-based Employees - 2013

Travel Time to Work	Number	Percent
Less than 10 minutes	15,204	17.5%
10 to 19 minutes	44,560	51.2%
20 to 29 minutes	15,927	18.3%
30 to 44 minutes	6,035	6.9%
45 minutes or more	5,346	6.1%
Total	87072	100%

Source: 2013 American Community Survey 1-year estimates

The travel time information for Fargo-based employment would include residents that both live and work within the City. It would also reflect people living outside of Fargo that travel to the City for work.

The large majority of Fargo-based employees lived within the immediate area, with nearly 69% of workers traveling less than 20 minutes, and 87% have a commute time that was less than 30 minutes.

Census On the Map

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on reports for the year 2011, but provides a further breakdown of worker movement.

According to the report for Fargo, there were 81,421 people that were employed in the Fargo city limits in 2011. Of these city-based employees, 37,717 (46.3%) also lived in Fargo. The remaining 43,704 employees (53.7%) worked in Fargo but did not live in the City.

On The Map also tracks worker out-flow. There were 13,235 Fargo residents that left the community for employment. However, most residents both lived and worked within Fargo.

Findings and Recommendations

Overview

In April 2004, Community Partners Research, Inc., completed a comprehensive housing study for the City of Fargo. In 2015, the current project was initiated to once again examine issues related to growth, housing development and anticipated demand. This 2015 document has often followed the format of that previous report from 2004, and presents findings and recommendations on similar topics based on the recent research process.

Before addressing specific issues and recommendations for action, we have provided a summary of our conclusions on the City's projected growth, the changing age patterns that will be present in this future growth, and the probable housing tenure distribution that will generate demand for new housing creation.

While each of these factors will impact overall housing unit demand, household growth in Fargo will be the largest single factor that will dictate future housing development needs. Developing a realistic growth forecast for Fargo and the surrounding area is critical before making any recommendations for resulting housing development.

Household Growth Projections

Based on the best information available in 2015, the City of Fargo and the remainder of the Fargo-Moorhead MSA are currently experiencing an accelerated period of population and household growth. While the area has a long-established history of strong growth, the numeric pace of recent activity is substantially greater than past patterns had indicated. As a result, previously generated projections are already proving to be out of date.

For example, a Statewide Housing Needs Assessment produced for NDHFA in 2012 had expected Fargo's population to reach 121,494 people by the year 2020. Based on the most recent estimates, the City is on course to surpass that projected level by 2016 or early 2017. By 2020, it is now probable that the City's population will be 10,000 or more people greater than a forecast that was issued only a few years ago. This reference to a previous projection is not intended as a criticism of the methodology. Instead, it is a statement on the difficulty of projecting growth when it does not follow established past patterns.

The pace of growth can be best illustrated when examined as an annual average over time. Single years may have been above or below the average level, but over a five or ten year period, a pattern generally emerges. Between the 1990 Census and the 2000 Census, the City of Fargo averaged 912 additional households per year. From 2000 to 2010, annual incremental growth slowed, but the City still averaged 753 additional households per year.

Since 2010, the best available estimates point to a much greater level of growth. This Study has used demographic estimates and projections from Esri, Inc., a private data reporting service as a primary source. According to Esri, Fargo has averaged annual incremental growth of 1,240 households per year in the five-year period from 2010 through 2015. When viewed as an average, Fargo has been adding nearly 490 more households each year than had been achieved annually in the previous decade.

While the analysts acknowledge that Esri's 2015 information is an unofficial estimate, there are supporting data available. The Census Bureau does not issue annual estimates for households, but does issue an annual population estimate. There is a one-year data lag, but the Census Bureau's 2014 population estimate for Fargo showed the City adding an average of 2,580 people per year between 2010 and 2014. The incremental annual growth is nearly identical to Esri's population estimate for the City between 2010 and 2015. As a result, the Census Bureau's most recent population estimate would strongly support Esri's household estimate for 2015.

There is also supporting information that is evident in housing construction patterns. In the six-year period spanning 2009 through 2014, building permit issuance in Fargo averaged more than 1,330 units per year. Some of the units permitted in 2014 have not yet completed construction and become available for occupancy yet in 2015, but the overall growth in the City's housing stock has been increasing in recent years, presumably reflecting household growth and demand for housing.

While this growth summary has focused on Fargo, strong annual growth continues to occur within the remaining jurisdictions outside of Fargo that are part of the Fargo-Moorhead MSA. However, according to the Esri estimates, the numeric rate of growth within the other MSA jurisdictions has remained relatively stable since 2010, when compared to the prior decade. It is within the City of Fargo that growth has been accelerating, as an above-average share of the households and people living within the MSA are locating within the City limits.

Growth Projections

As highlighted on the previous pages, finding reliable projection sources is difficult, as the accelerating numeric growth over the past few years has quickly changed expectations going forward. The primary projection source used by this Study is from Esri, and spans the five-year period between 2015 and 2020.

For Fargo, the working estimate from Esri shows the City adding approximately 6,200 total households in the five-year period from 2010 to 2015. Projecting forward, approximately 7,100 additional households would be expected in the City by the year 2020. Over the entire decade from 2010 to 2020, expected household growth would be approximately 13,300 households in Fargo.

For the entire Fargo-Moorhead MSA, including Fargo, the Esri estimate for 2015 shows a net gain of approximately 10,400 households since 2010, or approximately 4,200 households added in the jurisdictions outside of Fargo. Looking forward, the projections expected an additional 11,700 households to be added between 2015 and 2020, or nearly 4,600 in the MSA jurisdictions outside of Fargo. For the entire 10-year period from 2010 to 2020, these projections anticipate a net gain of approximately 22,000 households in the entire MSA, with this growth split between 60% in Fargo, and 40% in the remaining MSA jurisdictions.

It is important to recognize that recent and future growth has continued to accelerate for the area in numeric terms. Although the MSA has long been a growing region, it added fewer than 9,000 households in the 1990s, and 16,200 households in the 2000s. If the projected net gain of 22,000 households is achieved in the current decade, it would represent as many as 580 more households per year in the MSA over the annual incremental gain that was present between 2000 and 2010.

Age-Based Growth Projections

The previous studies conducted for Fargo, including the 2004 document, had included information on the changing age patterns of area households. The research in 2015 has continued this review of age progression and in-migration trends.

With Esri projecting strong overall household growth in Fargo between 2015 and 2020, there should be an increasing number of households in all age ranges. However, two specific 10-year age groupings will contain most of the expected net growth. For the remainder of this current decade, the largest numeric growth in Fargo should occur among households in the 35 to 44 year old age group, followed by households in the 65 to 74 year old range.

These should also be the two fastest-growing age groups in the entire MSA according to Esri, although the order is reversed. Many of the households in the 65 to 74 year old age range live outside of Fargo in the remainder of the MSA. Conversely, a larger share of the younger adult households live in Fargo.

Overall, Esri is forecasting that Fargo will add nearly 3,800 households age 54 and younger, and more than 3,300 households age 55 and older. If only the net change over the five-year period is analyzed, this indicates that of the 7,100 households that will be added, more than 53% will be age 54 and younger and nearly 47% will be age 55 and older.

The age-based projections for the remainder of the MSA, excluding Fargo, show a greater share of the net growth occurring among households age 55 and older. If the Fargo forecasts are removed, Esri expects approximately 60% of the net growth in the remaining jurisdictions to be from households age 55 and older, and only 40% to be among households age 54 and younger.

Fargo's popularity as a location for younger households could be attributed in part to the presence of NDSU, and the resulting student population. However, Esri is projecting fairly modest net growth in the number of households age 24 and younger, which would often represent traditional students. Instead most of the growth among younger adult households will be between 25 and 54 years old. In the recent past, Fargo has continued to develop housing options, primarily multifamily rental, that has the potential to serve people in the younger adult age groups.

Rental Housing Demand Overview

Previous sections of this document have examined issues related to rental housing development. This includes overall household growth, changing age and income patterns, trends in recent construction and housing occupancy rates. Readers are encouraged to review these specific portions of the Study for supporting information.

Depending on the assumptions that are used for the remainder of the current decade, there can be broad swings in the expected rental versus home ownership housing demand. The section of this document titled Growth-Generated Housing Unit Demand Projections identifies the various demand projection methods that were examined and the conclusions that have been used by the analysts in forming unit recommendations to the year 2020.

In planning for future housing demand and development needs, this Study has proceeded with the assumption that over the course of the current decade, the tenure distribution of net household growth in Fargo will be approximately 58% renter households and 42% owner households for housing preference. When applied to the total projected household growth for Fargo from 2010 to 2020 of approximately 13,300 total households, this yields growth-generated demand for approximately 7,700 total rental housing units and nearly 5,600 ownership units over the entire decade. To the extent that actual growth exceeds or falls short of the projected level of 13,300 households, the calculated rental demand would need to be adjusted accordingly.

There are other factors that also yield some additional demand for housing development, but in Fargo, growth-generated demand is the largest single factor in calculating unit absorption and housing development needs. Growth could be generated from households moving into the community from other locations, as well as new household formation that occurs within the existing population.

Unit replacement needs are difficult to quantify, but on average approximately 40 to 50 rental units may be lost in Fargo in an average year, based on a reconciliation of Census Bureau records. Over a 10-year period, this could justify between 400 and 500 additional units. Pent-up demand can also be present, but this typically exists in market segments that are extremely difficult to serve, such as very affordable subsidized housing.

With the inclusion of unit replacement and growth-generated demand, these calculations expect that Fargo would need to add approximately 8,150 rental housing units to the local inventory during the current decade. Given the construction time required for new units to move from permitting to occupancy, especially for multifamily housing, it is appropriate to examine building permits that were issued in 2009 as part of the supply and demand calculation.

For rental housing, building permit reports would point to approximately 5,700 units that have been added by the end of 2014 (including those still under construction), or approximately 950 units in an average year. This production level is above the annual projected demand of approximately 815 renter households per year. Based on the estimated growth in demand over this time, it is probable that 800 or more rental units have been created above the growth in actual demand. These excess units would add to the level of vacant rental housing that already existed, which was generally between 3% and 5% of all units.

With the growth in supply exceeding growth in demand, people with knowledge of the local housing markets have been expecting rental vacancy rates to rise in 2015, as the large number of units that were permitted in 2013 and 2014 become available for occupancy. This view would be supported by the findings of the research for this Study.

While there is evidence of overproduction, especially over the past three years, the size of the MSA's rental housing market, with more than 40,000 total units, helps to mitigate the impact of this excess supply. As a result, a large upward spike in the rental housing vacancy rate would not be expected, although an overall rental vacancy rate above 6% is very possible when the large inventory of units permitted in 2014 fully enters the market.

Depending upon the construction activity that proceeds in 2015, the excess supply does have the opportunity to be gradually absorbed, bringing the City's rental vacancy rate down below 5% within the next one to two years. Only limited information was yet available about multifamily permits in Fargo for 2015, but through the first seven months of the year, 450 additional units had been permitted. While this number may still potentially increase by the end of the year, a lower annual production level is possible in 2015. If the projected average annual demand of 815 renter households materializes, the City will already begin to absorb some of the excess production that appears to have occurred in the 2013 and 2014 multifamily projects.

After subtracting the production that has already occurred by 2014, annual average rental housing production of 590 to 650 units per year would be recommended through the remainder of the decade. Current vacancies would address some of the future demand, and ongoing construction could keep pace with growth. If actual demand exceeds our projection, and vacancy rates begin to drop below 3%, then a greater level of annual construction would be justified later in the decade.

While recent annual rental construction has exceeded actual growth in demand, ownership housing has lagged behind our projected need calculation. From 2009 through the end of 2014, approximately 2,250 single family-style units had been constructed in Fargo, or approximately 375 units in an average year. Unit construction in the current decade has been well below the projected demand based on anticipated household growth of nearly 560 households per year looking for owner-occupancy housing options. For the remainder of the decade, owner-occupancy unit production of 560 to 600 units per year would be recommended to help balance ownership versus renter household growth.

Based upon these projections, an analysis of unit potential within the various rental market segments follows.

1. Future Rental Production of 590 to 640 Units Per Year Should be Distributed in a Variety of Price Ranges

Findings: As stated above, a combination of factors, primarily driven by household growth, should yield adequate demand for the development of 590 to 640 additional rental housing units per year in the City of Fargo for the remainder of the current decade. While this is presented as an annual average, a lower level would be recommended in 2015 and possibly 2016, to allow excess vacant units to be absorbed, then followed by higher annual production through the year 2020, keeping pace with growing demand. Through the first seven months of 2015, the number of newly permitted units in Fargo was below the recommended level.

An ideal development strategy would distribute these units into various market segments, as follows:

- ▶ Approximately 31% of all renter households in Fargo had an annual income below \$20,000 in the year 2013, and an affordable unit would be defined as a gross rent below \$500. The analysts recognize that this would include student renters that may have limited incomes while attending school, but most of the lower income households are not traditional students. Even with a downward adjustment to remove students, a substantial percentage of future units would need to be produced with a gross rent below \$500 per month.
- ▶ Nearly 29% of all Fargo renter households were in a low to moderate income range in 2013. For these households, unit creation with gross rents between \$500 and \$875 would yield an affordable unit. To achieve significant production within this price range would probably require some type of public financial assistance, such as low income housing tax credits, North Dakota Housing Incentive Funds or Community Development Block Grant funding. These programs often have occupancy limitations attached, and it is probable that some of the moderate income households could not qualify, due to household composition, or student status. Ideally, moderate rent units would exist both in publicly-assisted housing and in conventional rental units.
- ▶ In 2013, approximately 40% of the City's renter households did have an annual income to afford \$825 or more per month for housing, a cost that might typically be required for new market rate units. Recent income estimates and projection sources show solid growth occurring within the moderate to higher income ranges for renter households. This continues to expand the potential for new market rate construction.

With improving household incomes for renters, and a recognition of the student impact on renter income levels, it is reasonable to justify that more than 50% of future production should serve the traditional market rate segment. However, based on past practice, it is probable that 80% to 90% of the future rental development in Fargo will create traditional market rate housing. While Fargo's private development community has been extremely effective in generating market rate housing, development costs result in most of the units being created in the higher rent ranges.

Producing up to 50% of future units within the low to moderate rent price ranges will be nearly impossible, since this would generally require significant financial resources, and these have not existed in recent decades. There have been very few examples of moderately-priced housing being created in Fargo in recent years. The only known projects were developed by the Fargo Housing Authority, Or Beyond Shelter, Inc., a housing nonprofit, using federal or state assistance programs. No deep subsidy rental housing has been created in Fargo in more than five years, and only one small subsidized project can be identified in the past 10 years.

Instead of developing moderately-priced and lower cost units, nearly all of the recent past production has been in the form of traditional market rate housing. However, any expansions of housing will allow for tenant movement. As some tenants move from older, lower cost apartments into newly constructed housing, opportunities for low and moderate income renters may be created in the older, existing rental stock.

Recommendation: The information contained in the preceding pages largely represents a theoretical discussion of affordable housing needs. In a large rental market like Fargo, future rental production should occur in all price ranges. In practice, nearly all of the future development is likely to occur within the price ranges typically associated with market rate housing.

Without a significant increase in the sources of assistance for affordable housing, this pattern will not change. Going forward, the large majority of the units constructed in Fargo will require households to have an annual income of \$35,000 or more to avoid a housing cost burden. Fortunately, there is strong income growth in the moderate to higher income ranges. However, lower income households that remain will still need affordable housing opportunities.

2. Conventional Market Rate Housing is Expected to Represent Most of the Future Construction

Findings: The large majority of the rental units in Fargo can be classified as market rate rental housing. These units are generally free of any specific occupancy restrictions, although some projects may be designated for senior occupancy. Market rate rental housing does not have any maximum income limits in place, and tenants are accepted based on their ability to pay. This housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

There is no readily available inventory of the number of conventional units in Fargo. However, based on Census records and information collected on other segments of the rental market, Community Partners Research estimates that by the end of 2015, there will be an estimated 29,000 to 30,000 conventional market rate units in the City, or more than 90% of the total rental inventory.

A specific section of this Study has focused on market rate rental housing, and readers are encouraged to review this section for additional details on this portion of the local housing inventory.

New construction activity in the market rate segment has historically been extremely strong in Fargo, and the City has had a rental housing tenure rate above 50% since at least 1990. As tracked by the decennial Census in each succeeding decade, the rental tenure rate has continued to increase.

Since 2010, an extremely large number of new rental units have been permitted in Fargo. Based on building permit issuance, approximately 5,000 multifamily housing units have been added since 2010. While tracking the intended occupancy for each of these new projects is not possible, especially with a large volume still under construction at the time of this Study, the best available evidence indicates that nearly all of the new units would fit the definition of conventional, market rate rental housing.

The Fargo area has benefitted over time from research that has been completed by Appraisal Services, Inc., which tracks quarterly vacancy rates in Fargo and the surrounding area. These reports date back many years, and also show the annual rental unit construction and resulting impact on vacancy rates.

The substantial increase in rental housing construction, especially in the three-year period from 2012 through 2014, is expected to affect occupancy patterns. However, the first three quarterly reports issued in 2015 still show that the vacancy rate has remained below 5%.

However, it is probable that many of the newest units are yet reporting, as some are still under construction, while others have just started initial occupancy. In early July of 2015, there were approximately 1,400 rental units that had been permitted in 2013 or 2014 that had not yet opened for initial occupancy. Expectations are that the vacancy rate will continue to grow higher in 2015, as more units that were permitted in 2014 complete construction.

Although the current vacancy rate appears to be low in percentage terms, when spread over the entire inventory, it does indicate that a large number of units are unoccupied. If the calculated vacancy rate of 3.4% is applied to the total estimated inventory of 29,000 to 30,000 market rate units in Fargo, then as many as 1,000 units were probably unoccupied in June of 2015.

In response to the above-average level of construction in the previous three years, and some probable rise in vacancy rates, new construction activity for 2015 appears to have slowed. Based on building permit issuance in the first seven months of the year, 450 new multifamily units had been issued a permit in Fargo, well below the level in 2013 or 2014.

Fargo has an established pattern of cyclical rental housing development over recent decades, with periods of above average annual construction followed by below average years, until excess units are absorbed. It is probable that new unit construction in 2015 and 2016 will remain below the recent average, unless vacancy rates do not increase as expected.

Rental rates in the market rate segment can vary widely. Some of the older rental stock can be in the lower rent ranges, but nearly all of the recent new construction is in the upper end of the prevailing range. It should be noted, however, that developers in Fargo have generally been extremely efficient, and the rents being achieved are often very competitive when compared to other communities. In 2015, there were some reports of rent concessions beginning to appear as new buildings entered the market and were competing for tenants.

The most complete information on the distribution of rent levels citywide comes from the 2013 American Community Survey. This data would not include the significant level of construction that was permitted between 2012 and 2014. Over time, the City has had strong net growth in the number of renter households with an annual income of \$35,000 or more, and most of the net gain over the past 15 years has been from households with an annual income of \$50,000 or more. As a result, the number of households that can afford to pay \$1,000 or more each month for rent has tended to greatly exceed the actual

supply of these units in the inventory. However, since most of the units permitted since 2012 are probably in the higher rent ranges, this gap continues to be reduced.

The low to moderate end of the income range, especially renters with an annual income below \$25,000, is a difficult market to serve with new market rate housing. Other recommendations in this section, address moderate rent and subsidized units. Within the market rate segment, it is possible that some more moderate rent units have been created through conversion projects, using older structures. However, creating affordable market rate units through new construction is generally not practical, given development costs.

Recommendations: Conventional market rate rental housing production has been the most successful development segment in Fargo. Private-sector developers have been very active, especially from 2012 to 2014, when an above-average level of unit permitting occurred each year.

The supply and demand calculations presented previously would indicate that the net gain to the rental stock is greater than the growth in the number of rental households. As a result, vacancy rates should rise, although they are not expected to reach excessive levels in Fargo or the surrounding area.

Going forward over the next five years, the projections used for this Study would expect annual demand for rental housing in Fargo to be between 590 and 640 units per year. This represents projected demand from all market segments, including more affordable, income-restricted housing. Based on the distribution of renter household income levels, only 50% to 60% of the demand would be present from traditional market rate renters.

However, past practice would indicate that production in the low and moderate rent ranges is unlikely to occur at any significant level, and that between 80% to 90% of the units may advance in the conventional market rate sector.

This will be dependent upon vacancy patterns. To the extent that units permitted in 2013 and 2014, many of which are just reaching initial lease-up, are successfully occupied, further development is likely. If the vacancy rate increases as expected, it is probable that annual production in 2015, and possibly in 2016, will be lower. As renter household growth absorbs units over time, we would expect to see annual production within the projected range for the remainder of the decade.

It is important to state that our recommendations for market rate housing are based on a broad review of supply and demand. We cannot offer an opinion on competitive market positioning for any single proposed project. Although the rental vacancy rate in Fargo may rise above 5% in the future, there will be many rental projects that will significantly outperform the larger market.

For example, rental projects in the central downtown area, or adjacent to the NDSU campus generally have a lower rate of vacancy than the larger metro market. Any newly constructed project has the potential to achieve market success, based on location, rent structure and unit type.

As new market rate rental projects are being planned, there are some demographic trends that should be considered. First, the projections reviewed for this Study indicate that most of the net household growth expected in Fargo through the year 2020 will occur in two defined age groups, households 35 to 44 years old, and households 65 to 74 years old. Since 2010, much of the growth was due to younger households, age 34 and younger, but going forward, middle-aged and senior-headed households will be the fastest-growing demographic segments.

Fargo has not had many projects that are senior-designated, in part because of the large population of younger residents that tend to live in the City. However, as the baby boom generation advances through the aging cycle, there will be a larger percentage of households in the age ranges 55 and older. Projects that can serve this growing segment should find increasing demand through the remainder of the decade.

3. Additional Market Rate Unit Production in the Downtown Area can be Supported if Desirable Sites are Available

Findings: A specific section of this 2015 Study has examined demographic and housing conditions within the City's downtown core. Readers are encouraged to review this section for more detailed information.

Over the past ten or more years, there has been an increasing level of interest by housing developers to place projects in the downtown area. While this has included some limited condominium development, most projects have been oriented to market rate rental housing. Some have been targeted to students living in the downtown area.

A precise geographic definition of the downtown area is open to interpretation, but a number of projects have been located in the central core of the downtown, within walking distance of some of the attractive downtown amenities. In the section of this Study addressing the downtown area, many of these more recent construction and conversion/renovation projects have been profiled.

While increased activity has been occurring downtown, this area still contains a relatively small share of all housing options in Fargo. At the time of the 2010 Census, fewer than 3% of all Fargo households were living in the central core of the downtown. While the number of people downtown has increased since 2010, the entire City has also been growing at a rapid rate, and there has been limited change in the percentage of people living downtown.

Although rental projects have continued to occur downtown, through both new construction and building conversion/renovation, it is probable that fewer than 300 new units have been created since 2010, or less than 5% of the total rental unit creation that has occurred in Fargo over that same time.

When examining future potential for market rate housing downtown, two observations stand out. First, is that occupancy rates downtown, as tracked by the research for this Study, are very high in 2015, and are better than reported occupancy rates citywide. Second, there was evidence that attractive downtown rental options were able to achieve a higher gross rent than comparable housing that was elsewhere in the community. These factors support the belief that downtown Fargo has become an increasingly popular residential location.

Recommendation: Based on the success of recent downtown projects, there is adequate reason to promote additional development of market rate housing downtown. Overall, we have projected development demand for between 590 and 640 rental units in an average year for the remainder of the decade. If up to 10% of the total citywide rental development recommendation is located downtown, this would yield approximately 60 to 65 units in an average year. Since consistent production has rarely occurred every year, between 90 and 130 units every few years becomes a realistic development expectation for the future.

The realistic expectation that up to 65 units per year are practical recognizes the difficulties inherent in working in a previously developed area of the City. Downtown locations can pose significant challenges for housing developers. The successful market rate projects have been able to secure attractive locations in the downtown area. Not all downtown locations would be equally attractive. There are busy transportation routes, an active railroad track, a mix of industrial uses and other incompatible land uses, and other factors that limit the potential of many downtown sites from being used as market rate housing locations.

The farther a project is located from the central downtown area, the less desirable it may be to prospective renters. As a result, any proposed development would need specific analysis including a review of the location. Some of the pending rental projects are farther removed from the central core, and their lease-up experience can serve as an indicator of future demand as prime downtown sites are less available.

Conversely, the ability to secure a very attractive site could yield an even larger development potential. In Moorhead, some multifamily buildings were able to use sites along the River, with attractive views. No similar projects have occurred in Fargo. A highly desirable riverfront location, for example, could justify a larger-scale project.

One demographic factor that will impact future market rate housing downtown is the projected age patterns over the next five years. One of the primary tenant groups to locate downtown is younger renters, representing both students and young adults in the work force. Most downtown renter households are relatively young, in one or two person households, and without children.

Between 2010 and 2015, the best available estimates show that Fargo experienced very strong growth in the number of households in the age range between 25 and 34 years old. This would have been well-matched to attractive

downtown housing options. Projecting forward to the year 2020, most of the growth should occur in the age range between 35 and 44 years old, and in the 65 to 74 year old range. While the number of households age 25 to 34 will continue to increase as well, the net growth will be much lower than was present in the first half of the decade.

To the extent that households age 35 to 44 remain in the rental market, this should sustain strong demand for higher quality rental units, including downtown locations. There has been less evidence that older households have been locating in the downtown area, other than in the income-restricted properties. Future high quality housing developed in the downtown area should be cognizant of these shifting age patterns.

4. The Downtown Area Can Also Offer Affordable Housing Options

Findings: The high quality market rate housing that has been created in downtown Fargo in the past 10 years has been changing the demographic profile of downtown residents, but historically this part of the City has also offered very affordable housing. There are a number of older downtown projects that have a more moderate rent structure. The downtown area also contains a large share of the very affordable subsidized housing options in Fargo.

The demographic profile that was contained in the Census Bureau's 2013 American Community Survey highlights the mix of downtown residents. According to that estimate, most downtown residents were less than 40 years old, predominantly male, often living alone, and having a very moderate annual income level. According to the 2013 American Community Survey, the median household income for downtown residents was only \$19,238. This was less than one-half the median income Citywide in 2013 of \$45,458.

The demographic profile for downtown residents was partly a function of the housing options that have historically been offered downtown, including rental housing in older buildings that have often commanded a lower rent structure. In 2013, the median gross rent for a downtown unit was \$535, lower than the median gross rent of \$668 for all units in Fargo.

As documented elsewhere in this Study, Fargo has an under-supply of very affordable rental housing, compared to the number of lower income households. The existence of affordable units downtown has attracted many lower income renters, especially people living alone or households without children.

What is less evident from the data is whether downtown is actually the preferred location for these households. For example, if there was readily available housing that was very affordable outside of the downtown, it is not clear whether some of these households would move. This discussion is generally not relevant, since a large volume of affordable housing is very unlikely to be developed elsewhere in the City, but the location of lower income renters downtown may be a result of the affordable housing that exists, rather than a strong preference to actually live downtown.

Others would reasonably argue that the downtown does represent a preferred location, with ample employment within walking distance. Access to public transportation and services are also attractive features for lower income renters.

The section on Downtown Fargo contained in this Study also identifies some of the larger affordable rental projects in the core area of the City. In total, more than 44% of the very affordable subsidized housing stock in Fargo that offers project-based assistance is located in the basic downtown area. This percentage grows even higher if only the subsidized segment oriented to senior/disabled occupancy is examined.

Occupancy rates in the affordable stock of housing downtown, both subsidized and unsubsidized tends to be very high. The only possible exception is in demand for senior/disable subsidized units, due to the large supply that is present.

Recommendation: The Fargo Housing Authority and other affordable housing developers have used the downtown area as a location for projects that serve low and moderate income renters. These projects have largely succeeded, and evidence of strong demand remains, including waiting lists for occupancy for certain projects. However, the assistance programs that were used for development, generally through HUD, no longer exist to help develop very affordable housing.

Regardless of location, Fargo has a shortage of very affordable rental housing. As documented elsewhere in this Study, in 2013 there were nearly twice as many renter households in Fargo that needed a rent unit priced at \$500 or less than there were units in this very affordable inventory. This was a major factor in the presence of a rent burden, as most lower income households needed to apply 30% or more of their income to rental housing costs.

Going forward, the downtown area can represent a good location for additional affordable housing development, if resources are available. There is evidence that the supply of affordable housing has probably been growing smaller in recent years, as some of the market rate conversion projects have taken older, low rent units, and renovated them into higher rent, luxury housing. Some of the income-restricted projects have also fulfilled their compliance requirements.

While affordable housing development would also be encouraged elsewhere in Fargo, the downtown area has a successful record of attracting low and moderate income renters, especially in one and two person households. The downtown is viewed as a less attractive location for families with children.

5. Student-Oriented Housing will Largely be Dependent Upon Location and Competitive Advantage

Findings: Fargo and the Fargo-Moorhead area contain a large number of post-secondary students. Over time, the Census Bureau has done less tracking of students, but the last available estimate from 2013 identified more than 19% of the combined population of Fargo, Moorhead and West Fargo as post-secondary students.

At that time, Fargo was the primary residential location for students, with more than 67% of the undergraduates and nearly 82% of the graduate students living in the City. More than 27% of the undergraduates lived in Moorhead, with only a small share living in West Fargo.

Students live in all forms of housing in the community, but private market rental housing is the predominant option, especially for students attending NDSU. According to the Office of Residential Life, NDSU will generally house between 29% and 32% of the total enrollment in on-campus student housing. Traditional residence halls typically house approximately 3,300 undergraduate students, and campus apartments can house up to 1,200 graduate and undergraduate students.

Students living in private market housing are distributed through the community, but housing options near both the main NDSU campus and the downtown Fargo academic buildings offer a competitive advantage based on location. While private rental options near the campuses are not restricted to student occupancy, they generally serve a very high percentage of students.

In a metropolitan area with more than 40,000 rental housing units, and more than 28,000 post-secondary students, a precise measurement of supply and demand is extremely difficult to achieve. However, the research for this Study has identified the following factors that directly impact the future demand for housing oriented to students.

- ▶ **Overall Enrollment is Largely Stable** - NDSU has the largest number of students. From 2010 through 2014, total enrollment increased by 340 students, or less than 2.4%. However, during this same time period, it appears that enrollment at MSU Moorhead and Concordia College Moorhead decreased by an even larger amount. As a result, there is no evidence that growing enrollment has generated additional demand for student housing.

- ▶ ***Some Level of Rental Vacancy Exists*** - The timing of the research for this Study was not conducive to an evaluation of the vacancy rate in student-oriented housing around the NDSU main campus. However, a limited survey of select buildings near campus in May and June found that pre-leasing for the fall term was very strong in most properties. However, a few of the contacted projects anticipated that they would have some available units into the fall, based on recent conditions. This expected vacancy level was relatively low, but did indicate that the supply of units was slightly greater than demand. This would be consistent with reports from NDSU staff in the Office of Residential Life, who stated that in recent years there have been rental units available within the private market options around campus, with “for rent” signs visible in the area after the start of the fall term. Vacancy tracking by Appraisal Services, Inc., has shown some vacancies in recent years in north Fargo, although the vacancy rate has often been lower than in the entire City.
- ▶ ***Some Level of Student-Oriented Housing Development has Continued*** - Although enrollment growth has not been occurring, developers have continued to look for opportunities in the neighborhoods immediately adjoining the NDSU campus. When a desirable site can be secured, new unit construction has taken place. In general, these newer projects have been very successful, provided they are competitively-priced with other options. Over time, the availability of larger parcels has been less common, and some recent projects have proceeded in phases as small as four to six units per site, using infill opportunities when smaller structures have been removed.
- ▶ ***Occupancy Rates Around the Downtown Campus are Very High*** - Over the past 10 years, NDSU has moved some of its campus facilities into the downtown area, including the Schools of Architecture and Business. While most downtown housing serves a broad array of tenants, projects immediately adjacent to campus buildings tend to be occupied primarily by students. Occupancy rates in the downtown area tend to be very high, due in part to students electing to live downtown. It should be noted that projects that are primarily housing students are often in the more moderate rent range, although some of the highest rent projects also include students.

Recommendation: In the opinion of the analysts, additional rental housing development oriented to students can be justified, based on strong demand and high rates of occupancy in comparable housing that is near the campuses. However, specific development recommendations will be largely dependent upon site availability.

To be successful, projects that are located close to the main NDSU campus will have a competitive advantage in attracting students. Projects that are farther removed will experience greater competition, as some level of unused capacity tends to exist in the larger rental market.

The same location-dependent considerations also apply to student-oriented housing in the downtown area, but projects that are farther removed from the campus buildings can also have potential to serve the broader housing market downtown. A separate recommendation in this section has specifically discussed the development potential for market rate housing in the downtown area.

Although student housing exists in a variety of price ranges, there has been some evidence that units at the higher end of the price range have more difficulty remaining full. CityScapes Plaza, one of the higher-priced downtown rental projects, was originally constructed to appeal to student renters and was initially managed by NDSU. After a short time, however, the focus changed, and this project now offers housing primarily to young professionals, as student demand did not materialize as expected. Although the rental rates being charged in 2010 are not known, in 2015 CityScapes tends to represent the upper end of the downtown rent spectrum. The price per bedroom in the larger units can reach or exceed \$500.

There is also some evidence of price-resistance in newer infill town house units that have been constructed near the main NDSU campus, with a number of them still available in June. Although they offer attractive amenities, such as attached garage parking, the inclusion of tenant-paid utilities can also take these units to a rental rate per bedroom of \$500 or more in the large units.

We found no evidence of significant enrollment growth over the past five years. We therefore believe that demand for student-oriented housing has largely been stable, and the success of newly developed projects is due to their specific location and amenities. If enrollment begins to increase substantially at NDSU, then growth-generated demand would return to this market segment, but in the near-term, new development opportunities will generally result from competitive positioning.

It should also be noted that the vacancy rate in the entire Fargo-Moorhead area is likely to rise in the near-future, as a substantial number of new units enter the market in 2015. While most of this new housing is distant from the NDSU campus, there could be price competition that develops. Part of the location advantage offered by projects near NDSU could be negated by price concessions that could develop elsewhere in the community.

6. Income-Restricted Senior Housing is a Very Strong Market Segment

Findings: Since the late 1980s, federal efforts to generate affordable housing development have largely been based on the use of low income housing tax credits. This form of financial assistance does not generate housing for very low income people, with rent based on 30% of income, but can be used to produce moderate rent housing.

In Fargo, other forms of assistance have also applied over time to affordable rental development. These may include HUD funding through CDBG or the HOME Programs, financial resources available to the Fargo Housing Authority, or the recently created North Dakota Housing Incentive Fund (HIF).

A specific section of this Study examines Tax Credit/Moderate Rent housing options in the Fargo/West Fargo area. Over time, a substantial unit inventory has been developed serving the senior and the general occupancy segments of the market.

The first senior-designated project (age 55 and older) was developed in 1998 in the Commons at 45th II in West Fargo. Since that time, senior-designated units have continued to expand in the local inventory. In 2015, two new senior-designated projects are expected to be placed in service, including North Sky II in Fargo and an unnamed project in West Fargo. With the expected addition of these units, the senior-designated inventory in Fargo and West Fargo will exceed 500 total units.

Tax credit projects have an initial compliance period that extends for 15 years, and then an extended compliance period that follows. While some of the earliest senior-designated projects have fulfilled their initial 15-year period, all are still operating under the basic requirements of the tax credit program, and no project should fully complete all requirements within the next 10 years.

Although the senior-designated inventory has continued to grow as new projects are constructed, the occupancy rates in this segment remain extremely high, and evidence of unmet demand exists in the form of waiting lists.

The most recent vacancy survey completed by Community Partners Research was in January 2015, which found an estimated vacancy rate below 1% in the senior-designated inventory. The estimated vacancy rate in 2015 was very similar to the rates recorded in other recent surveys. In surveys conducted in January 2014 and in December 2012, the estimated vacancy rate was also below 1%.

Lease-up patterns in new projects have also been extremely strong. Most of the new projects in both Fargo and in West Fargo have been developed by entities that operate other senior-designated tax credit projects. As a result, existing waiting lists are maintained, and referrals are made when new units become available for occupancy. As a result, the large majority of units tend to be pre-leased before the completion of construction.

While the overall vacancy rate in the Fargo area has remained low in recent years, the affordable segment designated for senior occupancy has outperformed the larger market. Waiting lists have also consistently demonstrated pent-up demand for this type of affordable housing.

It is important to note that tax credit senior housing does have income limits for tenants, generally capped at 60% of median. Other forms of assistance may apply slightly different income limits, but in general, this housing segment serves moderate to lower income seniors.

As part of the application process for funding resources, each tax credit/moderate rent senior project must prepare a project-specific market analysis, which documents need. This analysis examines unit details, including proposed rental rates in determining potential demand and lease-up. Without detailed information on any proposed development, only more generalized conclusions can be reached on future demand.

In the last project-specific study completed by Community Partners Research, for Phase III of North Sky, the analysts concluded that adequate annual demand existed for more than 300 typical tax credit units per year serving the senior market segments. If lower rents could be achieved, or rent assistance Vouchers were available, that demand more than doubled. These calculations were for the entire Fargo-Moorhead area, although this form of moderate rent housing has not been developed on the Minnesota side of the MSA. Recent projects have been built in both Fargo and West Fargo.

The annual calculations do assume multiple demand-generators, including tenant movement, as some tenants will leave an existing rental unit to locate into a new affordable project. If area wide vacancy rates increase in 2015 and 2016, then tenant movement becomes a less important reason to construct new senior-designated units, since they could potentially contribute to vacant units elsewhere. However, the North Sky III analysis also concluded that growth-generated demand alone could justify at least 115 units per year from age and income-qualified households.

The latest projections contained in this Study are more recent than those used for North Sky III, and continue to point to a large expected increase in the number of age-eligible households, as the large baby boom generation advances through the aging cycle. In 2010, 32% of all households in the MSA had a head of household that was age 55 or older. By 2015, nearly 34.5% of all households will be age eligible. In 2020, more than 36.3% of all MSA households will be age-eligible. Continued growth among households age 55 and older will only add to the demand for age-designated housing.

Recommendation: Tax credit senior housing or similarly-assisted moderate rent unit construction is effectively capped by the limited financial resources that are available each year in the Fargo area. Since 2010 Fargo/West Fargo have averaged between 35 and 40 additional senior-designated tax credit/moderate rent units per year, and part of this total was funded through North Dakota's HIF Program. Excluding West Fargo, there have been fewer than 25 additional senior-designated tax credit/moderate rent units per year. Due to strong competition for these resources, securing tax credit assistance for an even larger number of units per year may be difficult.

As evidenced by high occupancy rates, rapid initial lease-up and waiting lists for existing projects, both growth-generated demand and pent-up demand do exist for this form of affordable housing. Going forward, continued production of 30 or more units each year can be supported in the City of Fargo, or approximately 5% of the overall rental unit recommendation made for Fargo earlier in this section.

A higher level of annual production is possible, but the analysts have assumed that some senior-designated units will also be developed in West Fargo over the next five years. Since 2010, one than one-third of the units that have been developed within this segment are in West Fargo. Between Fargo and West Fargo, it is possible that the area will average up to 50 additional units per year serving moderate income senior households.

7. General Occupancy Tax Credit Moderate Rent Housing Should Be Developed

Findings: When the low income housing tax credit was created in the late 1980s, it was primarily used for affordable rental housing available for general occupancy. The first project awards were made to renovate and/or preserve existing affordable projects, but in 1989 the first awards were made for new construction projects.

Over the next 10 years, all of the awards were made to general occupancy housing. In 1998, the first senior-designated project was funded in West Fargo. After that time, very few projects added to the new construction inventory of general occupancy housing, as nearly all of the other Fargo/West Fargo projects since that time created senior-designated units, or housing targeted to special population groups, such as homeless individuals.

Since the first project awards from the 1980s only had 15-year compliance requirements, some of the original tax credit projects fully completed their obligations and no longer operate under the income, rent and occupancy restrictions of the tax credit program. As a result, the actual inventory of tax credit units designated for general occupancy in Fargo/West Fargo is smaller in 2015 than had been present in 2002. During that same time period, the number of renter households in Fargo/West Fargo has probably increased by more than 8,000 households.

It should be noted that some additional general occupancy tax credit housing does exist on the Minnesota side of the MSA, primarily in Moorhead. Unlike senior-designated projects, which are rarely funded in Minnesota, general occupancy new construction and preservation awards have been made. However, the last project that was placed in service in Moorhead dates to 2006, and that project created replacement housing for a project that was demolished. The last net gain of affordable general occupancy units in Moorhead was in the year 2002.

Despite the fact that there has been a net reduction of general occupancy tax credit housing in Fargo and West Fargo after the inventory reached its peak in 2002, there has generally been some level of vacancy that is present. The telephone survey completed in January 2015 found a vacancy rate of 4.2% within this market segment. The vacancy rate recorded in January 2015 was higher than in a comparable survey completed by Community Partners Research in January 2014, when an overall vacancy rate of 3.8% was recorded in this segment of the market.

It is important to note that the calculated vacancy rate for tax credit housing may be artificially high. Because of the time required for income certification and other paper work processing, vacancies can exist even in projects that also maintain waiting lists. Some of the projects with vacancies reported that processing was underway to fill the units.

Although vacancy rates in existing projects are not excessive, they are well above the rates reported in the affordable senior-designated projects. There are probably multiple reasons for the lower demand. Since the large majority of the general occupancy tax credit units were built in the 1990s, nearly all of this stock is now between 15 and 25 years old. Most units were constructed in traditional multi-level apartment buildings. This style of rental housing is very common in Fargo, and the general occupancy tax credit projects directly compete with the City's large supply of older market rate housing. Since tax credit units have income and occupancy restrictions, they compete for tenants but are also more limited in which applicants can be accepted.

Nearly all of the general occupancy projects in Fargo and West Fargo have completed their initial 15-year compliance requirements. They have either left the tax credit program or are operating under the extended compliance. Under extended compliance, some of the certification requirements are relaxed. For example, some projects were able to admit student households that previously may not have qualified. Annual re-certification requirements are also reduced. These relaxed requirements have helped some of the older projects maintain or improve their occupancy rates.

Recommendation: Although this segment of the affordable housing market has not expanded in Fargo and West Fargo in more than 10 years, there is less evidence of unmet need for general occupancy tax credit units. With a very large supply of older, market rate rental housing in the area, which often has a relatively similar rent structure, this market segment has historically maintained some level of vacancy in past rental surveys.

However, while vacancies have often existed in some of the projects within this housing segment, other projects do maintain waiting lists. Vacancies are generally present in the traditional apartment buildings. Projects that offer town house-style units will generally have waiting lists, reflecting the preference for this type of housing. A number of projects are managed by the Fargo Housing Authority, and waiting lists exist. With a large portfolio or rental options, the Housing Authority can use its waiting lists to cross-market various options that are available.

While there is less evidence of pent-up demand for general occupancy tax credit units, it is the opinion of the analysts that any newly constructed project would be successful within the local market. New housing, with below-market, affordable rents would be well-received by area renters. This would be especially true if attractive modern rental amenities could be offered, such as in-unit laundry facilities and attached garage parking.

General occupancy units in town houses with an attached garage have been very popular with area renters, such as the Bluestem Townhomes or Foxtail Creek Townhomes. Both of these projects include three and four-bedroom units for large families and maintain waiting lists for these large units.

The Fargo Housing Authority and Beyond Shelter, Inc., a local nonprofit, have also had past success creating general occupancy units for smaller renter households, including projects in the downtown area that primarily serve moderate income single renters. Although it has been many years since these projects were developed, Herald Square, 220 Broadway and the Graver Inn have been successful and maintain waiting lists for occupancy.

Going forward to the year 2020, a goal of adding 30 to 40 moderate rent general occupancy units per year would help to address the need to expand the more affordable inventory. In the past, private developers have been successful in constructing higher rent market rate housing, but no real expansion has occurred in the moderate rent ranges. If general occupancy and senior-designated tax credit units are developed as recommended, then between 10% and 15% of the annual rental unit production identified for Fargo over the next five years could address the housing needs of moderate and lower income households.

It is important to note that the examination of tax credit/moderate rent housing has assumed that most future tenants would be within the low to moderate income ranges, generally defined as 40% to 60% of median income. There have been some recent projects where allocations of tenant-based rent assistance Vouchers have been made to specific projects, effectively making the units similar to subsidized housing, with rent based on income. This effectively expands the potential target market for the tax credit units, allowing very low income households the ability to live in the units. However, it also diverts resources that would be used elsewhere in the community, and does not expand the overall supply of very affordable housing.

8. Develop Subsidized Housing as Resources Allow

Findings: As explained in the Affordable Housing data section provided earlier in this Study, the term “affordable” is a function of household income in relation to costs for housing. As the income level for a household increases, the amount each month that is available for housing grows, and housing options that are affordable are greatly expanded. However, for extremely low income households, there are generally very few available options that are affordable.

For very low income households, such as those with an annual income below \$20,000, an affordable unit would be defined as having a gross rent below \$500 per month. Many of the most affordable opportunities for these households would be provided through some form of federally subsidized housing.

Fargo has 1,050 subsidized housing units serving various segments of the low income rental market. These include 413 general occupancy units, 576 senior/disabled occupancy units and 61 special needs/targeted populations units. Fargo also has authority to issue 1,294 tenant-based rent assistance Vouchers that can be used in suitable market rate or income-restricted housing. Most of this assistance is provided through Vouchers, but some additional assistance programs can also exist, serving veterans or homeless people. Combined, these resources allow approximately 2,340 households the ability to pay rent based on income.

Although these resources exist, the supply of subsidized rental housing has not grown substantially in recent years. Over time, the number of units with project-based rent subsidies has actually declined, as some older projects have fully completed their contract requirements and have terminated their rent subsidy agreements. Some of this loss may have been mitigated by the issuance of new Vouchers, but the overall supply of resources has not been growing.

At the time of the 2010 Census, approximately 8.8% of all renter households in the City had access to some form of subsidized housing. By the end of 2015, this percentage will probably drop below 8% of all renter households in Fargo. By 2020, it is probable that only 7% of all renter households in Fargo will have access to subsidized housing, unless there is an increase in the overall supply.

The number of lower income renter households that are not renting a unit that is affordable at their income level can be determined from American Community Survey tables on housing cost burden. In 2013, approximately 11,000 to 12,000 renter households in Fargo were paying 30% or more of their income

for housing. The large majority of these households had an annual income below \$20,000. Over time, there has been some numeric growth in the number of extremely low income renters in Fargo with incomes below \$20,000, even though the overall percentage of renter households in these lower ranges has been decreasing.

With a growing number of low income renter households, but no expansion in the supply of subsidized units, other than some potential increase in authorized Vouchers, demand has continued to exceed supply.

The rental survey completed by Community Partners Research found that some vacant units can be present at any time, but this is largely the result of the paperwork requirements to fill the units, including an income certification. For most forms of subsidized housing long waiting lists tend to exist. The tenant-based Voucher rent assistance program has maintained a long waiting list with more than 900 names in January 2015.

Recommendations: While it is relatively easy to document the need for affordable housing to serve extremely low income renters, it is very difficult to actually develop new units. Based on demand from extremely low income households, an expanded supply of thousands of very affordable units can be justified in Fargo, just to address rent burden issues.

Although this Study would recommend the construction of very affordable rental housing, it is recognized that a large-scale expansion of subsidized housing cannot be accomplished with the resources currently available. A more modest goal would need to be established that would attempt to address a portion of the problem over a number of years. A goal within a range of 40 to 50 units annually may be practical, given the significant investment required to produce each unit.

The subsidized rental complexes in Fargo and the Housing Choice Voucher Program are both funded through the federal government, primarily from the U.S. Department of Housing and Urban Development (HUD). In the past two decades, very few HUD resources have been available for new construction projects. Over the last 10 years, the only unit addition in Fargo has been from the Northland Apartments, developed by Accessible Space, Inc., for people with qualifying physical disabilities. This project added 18 accessible apartments with rent based on 30% of income.

Without federal subsidies, it is very unlikely that units can charge rent based on 30% of household income. With a large federal deficit and mounting pressure to reduce government spending, the prospects of additional subsidy resources from Washington are not expected to increase, and could actually diminish over the next five years.

The most realistic opportunities to gain a modest expansion of extremely affordable rental housing would be a combination of approaches, including the following:

- ▶ ***Look to Expand the Supply of Rent Assistance Vouchers*** - Housing Choice Vouchers are tenant-based rent subsidies. They compliment the private rental market by utilizing existing conventional and tax credit rental housing, but use the monthly rent supplement payment to make the unit more affordable for extremely low income renters. The chances of expansion within this federally funded program are limited, but any new incremental assistance should be pursued as it is made available.
- ▶ ***Look to Construct Additional Project-Based Subsidized Housing*** - While difficult to secure, there has been a limited amount of funding for new construction projects, such as the Northland Apartments, funded through HUD's Section 811/Section 8 Programs. The City may need to work with area nonprofit groups that could pursue resources for any subsidized housing resources that may exist.
- ▶ ***Preserve Existing Subsidized Resources*** - While adding very affordable units is the primary goal, it will be important not to lose existing subsidized housing in the City. The Fargo Housing Authority has looked to replace the units in the Fargo Highrise, but this should not result in a reduction of subsidized units. Subsidized housing that is privately-owned would generally be viewed as a greater risk for potential loss than units owned by public or nonprofit entities.
- ▶ ***Look for Opportunities to Create Very Affordable Units in Future Tax Credit/Moderate Rent Developments*** - The federal low income housing tax credit program has been widely used in Fargo to generate new units for more moderate income renters. The tax credit program does not generally create housing for extremely low income renters that are below 30% of the median income level. However, most recent projects do include a small percentage of units that are designated for households at the 30% of median income limits.

9. Flood Control Project May Create Temporary Housing Needs

Findings: The Fargo area has started work on a large-scale flood control project to mitigate the potential for future damage. Multiple projects will be completed within the city limits and in the surrounding areas, including a diversion channel and control structures.

In 2015, some work had started, but the largest components had not yet been bid for construction. In anticipation of an increase in temporary construction workers for the flood control project, City officials had requested that research be completed on the potential housing impact.

Community Partners Research contacted people with direct knowledge of the project, and reviewed summary information that exists on City and Corps of Engineers project websites. In general, the project is at a stage where the potential impacts are not yet defined. The following information is presented based on what is known and anticipated about the project in the future.

The two largest components have not yet been bid. The diversion channel would extend approximately 36 miles through North Dakota. The Control structures south of the City would serve as the staging area and diversion point for water in flood events.

As currently planned, the diversion channel would be bid by the local sponsors, and a single contract would be awarded for design/build. As a single bid, this would be a very large project, and it is expected that it would attract potential bidders from across the country. It is anticipated that national bidders will attempt to partner with local and regional companies, but the scale of the project does have the potential that many workers would need to come from outside the immediate region. Since the diversion channel is being advanced through the local sponsors, it is not necessarily dependent upon federal appropriations to begin.

The Corps of Engineers would bid the control structures portion of the project. This too could attract bidders from outside the immediate region. Since this portion of the project would involve more federal participation, it would require appropriations from Congress.

The flood control project in Fargo-Moorhead represents the largest single project that has been done through the District Office of the Corps of Engineers. Project representatives with the Corps could not identify a comparable example that could provide insight on worker housing demand.

Local representatives are concerned about worker housing. With a low unemployment rate in Fargo and all of the surrounding region, they anticipate difficulty in finding an adequate supply of local workers. This is compounded by the skill requirements that will be needed, including heavy equipment operators. As a result, there is an opinion that a substantial number of workers will come from outside the immediate area. Officials do acknowledge the potential need for worker housing complexes, such as the “man camps” that have developed in western North Dakota in response to an inflow of workers.

No estimate on the size of the potential work force could be obtained by the analysts. This will be dependent on a number of factors, including the successful bidder and their ability to subcontract with local or regional companies.

The timeline for the projects is partially dependent on funding. There are also some environmental and legal concerns with parts of the project that are not resolved. However, larger-scale construction activity is expected to begin in 2016. A six-year to eight-year construction period is then anticipated.

Recommendation: With the information that is available in 2015, no meaningful conclusions can be reached on the housing impact of the flood control projects. The selection of the primary contractors for the large phases of the project will provide some additional insight, as well as their use of locally-based workers as subcontractors. The scheduling of workers over a six to eight year project time period will also dictate annual housing needs.

While the need for temporary worker housing will become more defined over time, it is important to recognize that Fargo and the surrounding area do have capacity to absorb some workers, especially in rental housing. At the time of the 2010 Census, there were more than 1,800 vacant rental units reported in Fargo, and nearly 2,800 in the entire MSA. As tracked by Appraisal Services, Inc., the vacancy rate in 2015 would be lower than the vacancy rate that existed in 2010. However, the rental inventory has also expanded in size, so there were still more than 1,000 vacant rental units in Fargo in June of 2015, and that number was expected to grow.

The large inventory of rental units allows for some immediate absorption of workers. In 2015, the best indications point to a rising rate of vacancy in the near-term due to the substantial multifamily construction that occurred in 2014, which is still entering the local market. A large inflow of construction workers at one time could rapidly reduce the vacancy rate, but with the multiple stages in the flood control project, spread over a number of years, the existing rental housing stock should be able to meet the initial demand.

If construction worker demand is sustained, or continues to grow over time, it would have the potential to add to the area's rental unit needs. The demand forecasts for rental housing calling for 590 to 640 additional units per year in Fargo are based on traditional growth expectations. Outside impacts, such as temporary worker demand could add to the expected housing needs.

Ownership Housing Demand

Overview: Consistent with the findings of previous housing research completed for the City of Fargo, most of City's new housing construction activity continues to be oriented toward multifamily rental housing. As a result, the City's home ownership rate has grown smaller over time. In 1990, 48.1% of all Fargo households owned their unit. By 2000, the ownership tenure rate had decreased to 47.1%. According to the 2010 Census, the ownership rate continued to decrease over the prior decade to 45.8%.

Although there are no official estimates since 2010 on the tenure distribution of households, the rate of home ownership has almost certainly continued to decrease through the year 2015, based on growth in the housing stock in recent years. From 2009 through the end of 2014, approximately 2,250 single family-style units had been constructed in Fargo, or nearly 375 units in an average year. This compared to approximately 5,700 multifamily units that had been permitted by the end of 2014, or nearly 950 in an average year.

It is important to note that some of the multifamily units were still being constructed, and others may have been available but unoccupied, so permitted units exceed occupied units in the recent rental construction. Still, it is evident from the unit distribution that rental housing construction has been between two and three times greater than single family construction in Fargo.

Although renter household growth has continued to exceed home ownership growth, the City has consistently built single family housing. The recent peak year for single family construction, both detached and attached units combined, was 2013, when more than 500 single family units were permitted. The single family activity in 2013 was higher than in 2005 or 2006, generally recognized as strong years that preceded the national housing market collapse of the late 2000s.

However, in 2014 detached single family housing starts slowed, and the number of homes built was lower than the level achieved in 2012. Year-to-date activity through the first six months of 2015 was higher than the comparable period in 2014, but still below the level that was reached through June of 2013. If current patterns hold, 2015, will be an improvement over 2014, but still slightly below the recent peak level for single family units reached in 2013.

Fargo is the primarily MSA location for renter households and rental housing construction, but faces greater competition for single family activity. Over the five-year period from 2010 to 2014, the total number of detached single family houses that were built in West Fargo was nearly equal to the total in Fargo.

If an assumption is made that units reported as town houses and twin homes are also primarily for owner-occupancy in both cities, then the single family unit totals for the two cities differ by fewer than 60 units over the five-year period.

In 2010, the home ownership rate in West Fargo was at 66.5%. Since 2010, West Fargo has constructed more single family-style units than multifamily units. In Moorhead, the home ownership rate was at 61.5% in 2010, and Moorhead has also experienced more single family than multifamily unit construction since 2010. Presumably, the rate of home ownership has grown somewhat in these two cities over the past five years.

The relative weakness of the home ownership market in Fargo has run contrary to some of the basic demographic data analyzed earlier in this document. The aging patterns for Fargo households indicate that stronger demand should exist for ownership housing. This is based on the fact that the demographic age groups that are increasing the most in size have historically had relatively high rates of home ownership.

Income patterns also support increased demand for home ownership. Household income and housing tenure are linked. As household income levels improve, the rate of home ownership climbs. However, despite improvements in household income in Fargo over time, the home ownership rate has continued to decrease.

A previous section of this Study, titled Growth-Generated Housing Demand, has examined some of the different factors that should indicate potential growth in home ownership in Fargo. Even though there are various reasons to believe that home ownership demand will increase in the future, actual market activity in Fargo continues to be more heavily weighted toward rental housing.

In recognition of Fargo's past and present tenure preference, this Study has used an allocation that approximately 42% of the household growth in the City of Fargo during the current decade will look for owner-occupancy housing options. This yields a demand projection that approximately 560 to 600 households per year will look for owner-occupancy units. This has not been achieved through 2014.

If this level of home ownership growth can be achieved going forward, it would represent a substantial improvement in the number of home ownership housing starts. In the prior 10 years, the City has averaged fewer than 420 owner-occupancy housing units per year through new construction.

10. Findings on Single Family Detached Housing Construction

Findings: Most of Fargo's owner-occupancy housing construction activity continues to be in traditional single family detached houses. In the five-year period from 2010 through 2014, the City averaged approximately 295 single family housing starts per year.

This recent average was impacted by slower construction years in 2010 and 2011, as the U.S. was still recovering from a period of economic recession and a collapse of the national housing market. If only the past three years are examined, Fargo has averaged nearly 345 single family detached housing starts per year. Partial-year information for 2015 indicates that the City is on course to reach or exceed that average in the current year.

Single family detached housing tends to represent the higher end of the price range for housing in Fargo. While limited information exists on the actual prices for newly built homes, building permit values can provide some indication of relative pricing. According to reports from the Home Builders Association, the average permit value for a single family detached home in Fargo was approximately \$241,500 in 2014, the last full year of data. This compared to an average permit value of approximately \$196,300 for a twin home, and \$147,700 for a town house/condo unit.

2004 Recommendation: Going forward for the remainder of the decade, we would expect approximately 75% of the future demand to exist for single family detached houses. Based on the projected growth potential of 560 to 600 owner-occupancy households per year in Fargo, this would yield up to 420 to 450 single family detached houses per year through the remainder of the decade. This level of production would be only slightly higher than the number of units built in 2013, but would be well above the recent annual average when viewed over a ten-year, five-year or even three-year period.

The large share of this activity should continue to occur in the moderate to higher price ranges, above \$200,000. Some new construction demand will be present for lower-priced new homes, but 80% to 90% of the future activity is likely in the moderate to higher ranges.

Through the year 2020, City will see a growing number of households in the age ranges between 35 and 44 years old. While this age range should increasingly move into home ownership, it is a group that has been renting at a high rate in the past. Part of the success in reaching the projected goal of increased single family construction activity will be dependent upon attracting these younger to middle-aged adult households.

Fargo will also see strong numeric growth in the age range between 65 and 74 years old, representing the leading edge of the baby boom generation. While this group is growing in Fargo, there is even greater numeric growth in the other MSA jurisdictions outside of Fargo. To the extent that attractive housing options can be offered to this younger senior group, the City has the potential to add to its single family construction activity. Empty-nesters and younger seniors will often look for age-appropriate housing, which has one-level living and lower maintenance requirements.

11. Findings on Single Family Attached Housing

Findings: Fargo has continued to have single family production in the form of attached single family units. In the past, this has included twin homes, town houses and condominiums in multifamily buildings. In recent years there is limited evidence of new condominium construction, but twin home and town house activity has been ongoing.

Based on construction records and information obtained from the Home Builders Association, Fargo has averaged approximately 96 owner-occupancy attached units per year through new construction. This has been distributed between twin homes, which have accounted for more than 57% of the recent activity, town houses, which have represented nearly 34% of the units constructed, and condominiums, which have represented approximately 7% of the development total.

Over the previous five years, attached single family units have represented just over 23% of all single family units permitted in Fargo. In 2013, the recent peak year for single family construction, attached units represented just over 21% of the permits.

As stated in the previous recommendation, the average construction value for twin homes and town houses has been lower than for detached houses. However, in 2014, the average permit value for a twin home unit was greater than \$196,000. The average permit value for a town house was below \$150,000 in 2014.

Recommendation: The research for this Study would indicate growing demand for attached single family housing options through the remainder of the current decade, as a larger share of households will be age 55 and older. It is probable that 25% or more of the future activity will be in the form of attached units, primarily twin homes and town houses. Based on the demand potential of 560 to 600 households per year, this would yield up to 150 units annually. Once again, the projection of potential demand is greater than the annual level of recent construction.

It is important to note that in the early 2000s, attached single family units represented an even larger share of single family housing starts. This was due to a combination of factors, including rising land and construction costs, and efforts by local builders to offer a lower-priced housing product.

As the national housing market began to collapse in the late 2000s, people became increasingly concerned about owning less traditional housing products, and the share of attached construction dropped. Through the end of 2014, the percentage share achieved in the early 2000s has not returned.

Price distribution information on recently built units was not readily available. In general, buyers of twin homes and town houses are spending less than for new detached single family houses. However, new attached single family units priced up to \$417,000 were also listed for sale.

12. Findings on Existing Single Family Home Values

Findings: A specific section of this Study has examined information on recent home sales activity and home values. Although ongoing single family construction will be required to keep pace with household growth in the City, most of the home ownership demand will be met through sales of existing homes.

For calendar year 2014, the median sale price for detached single family houses in Fargo was \$203,000. Partial-year information for 2015 points to an even higher median price for the current year, but this cannot be verified until a full 12-month sales sample is examined. The price trends show a consistent increase in the median price since 2010, the time period reviewed.

Single family detached homes have a higher median sales price than most other ownership units. The only exception is downtown loft sales, which are very limited in supply and in the number sold each year. The median prices then reduce for twin home units, town house units and for condominium units in multi-unit buildings.

Although existing units sell for less than the average permit value for new construction units, there is evidence of increased demand and prices for existing homes. Between 2013 and 2014, the median sale price for detached houses increased by more than \$11,000. The median price for attached single family units was lower, but increased by nearly \$12,000 for twin homes, more than \$8,500 for town houses, and by \$12,500 for condominiums (excluding downtown condos), from 2013 to 2014.

Consistent with the evidence of upward price pressure, the difference between the supply of units and demand has been growing smaller. The Fargo-Moorhead Area Association of Realtors compiles annual reports on a variety of home sales statistics. One of the reports looks at the number of houses that are listed for sale during the year, compared to the number that are sold. There has been a gradual decline in the number of single family detached homes that are listed for sale each year on the Multiple Listing Service. At the same time, there has been a gradual increase in the number of annual sales. In the last year, the average seller was receiving 100% of their listing price, according to this data.

The difference in supply and demand had also grown tighter for attached single family units. This was especially true for twin homes, as the number of listed units was nearly identical to the number of units sold in 2014. The average listing time for a twin home in 2014 was only 32 days.

Recommendation: There are very strong indications of increased demand for existing homes in Fargo. This is resulting in shorter listing times, upward price pressure and competition for units. In theory, this should result in more demand for new housing construction. However, the number of single family housing starts in 2014 was lower than in 2013.

People interviewed as part of the research process relayed stories of strong demand for houses priced below \$225,000. In 2014, 58% of the detached house sales in Fargo were priced below \$225,000. In 2014, the average building permit value for a new single family detached home in Fargo was above \$241,000. The price difference between the average existing home and newly built housing may explain the increased pressure that seems to exist in the used housing market.

In the future, this Study has assumed that a greater level of new construction will occur in Fargo. As the price gap between new home and existing home prices becomes closer, there should be added demand for new construction.

13. Findings on Condominium Values and Development

The previous housing studies for Fargo that were completed by Community Partners Research did not specifically address ownership housing in the form of condominiums in multi-unit buildings. In Fargo, town house units/row house units may be referred to as condominiums, but for this study, town houses have been analyzed separately as a form of single family attached housing.

Condominium units in multi-unit structures represent a relatively small part of the overall home ownership market. For attached single family housing options, town houses and twin homes have accounted most of the activity over time.

Prior to the housing bubble collapse in the late 2000s, condominium construction activity was growing in popularity, especially in larger urban areas. However, activity slowed significantly after 2007, as unsold inventory resulted in default or foreclosure for some projects. Developments that did succeed often needed a long time period for full unit absorption.

In Fargo, condominium units in multi-unit structures can generally be grouped into two different segments. Most of the condominium inventory exists in older buildings, often constructed between the late 1960s and early 1990s, although there were also some additional condominium buildings constructed in Fargo in the early 2000s, and one project that was constructed in 2013.

The other condominium segment that exists is often referred to as downtown lofts, located in the central core of the City. These units were created either through new construction projects, or through the conversion of older historic buildings. Downtown lofts represent a very small segment of the overall housing inventory, but this segment has seen some development activity within the past 10 years.

Regardless of the location of condominiums, either in the downtown or elsewhere in the community, this style of housing has experienced very limited recent development activity. According to the American Community Survey in 2013, fewer than 125 total ownership units existed in multifamily structures that were constructed from the year 2000 forward. This would not include as many as 35 condominium units that were apparently constructed in 2013, but even with these units, fewer than 175 condominiums appear to have been constructed in the past 15 years.

There is some value information available on condominium projects, primarily from sales activity. Sales records from the Fargo Assessment Department have been presented in the Home Sales Data section of this Study.

Excluding downtown lofts, the median sale price for a condominium unit in Fargo was less than \$100,000 for each of the years from 2010 through 2014. Partial-year information for 2015 shows the median price just above \$100,000. In 2014 and 2015, there have been 35 condominium sales of units that were constructed in 2013. The median price for these newest units was \$147,900.

In 2014 there were 162 condominium sales, the largest volume of sales during the five-year time period reviewed. For comparison, there were 1,398 detached single family houses and 311 twin home units sold in 2014.

In contrast to the relatively low median sale price for condominium units, the downtown lofts tended to sell for much higher prices. However, from 2010 through April of 2015, only 50 downtown loft sales had been recorded. The median price for this multi-year sales sample was group was above \$308,000.

Based on the sales records, 25 of the 50 downtown loft sales represented units that were constructed in either 2004 or 2007. The remaining 25 loft sales had a year of construction between 1913 and 1917, and are assumed to be recent renovation/conversion projects. The median price for the units constructed in the 2000s was \$388,000. The median price for units originally built before 1920 was \$195,100.

Although higher prices have been achieved for downtown lofts, compared to other ownership unit styles, the sales history of the newest downtown project has been mixed. In 300 Broadway, 14 higher-priced condos were constructed on the upper floors of a mixed-use commercial/residential building. Pre-sales started in 2008. Sales were generally slow, and by January 2013, there were still five units that had not been sold. However, four of the five remaining units sold in 2013.

Prices in 300 Broadway ranged from approximately \$300,000 to more than \$1.5 million. According to a Realtor that was involved in the project, Renaissance Zone income tax credits were available and were as high as \$10,000 per year for five years. Property tax breaks were also available. Some of the units were purchased as second homes by wealthy area residents who could benefit from the tax breaks.

Although unit sales may have been slow, past research work completed by Community Partners Research has found that downtown condominium projects in Fargo were generally more successful than in communities such as Sioux Falls, SD, where downtown units were very slow to sell, and many were eventually converted to rental use. The Renaissance Zone tax advantages in downtown Fargo are assumed to have had a positive impact on unit sales.

Recommendation: Condominium projects have the potential to serve different market segments, depending on the amenities, location and pricing of the units. When condominium development was more active, demand calculations were generally based on primarily serving a target market of “empty-nesters” in the age ranges between 55 and 74 years old, that also had sufficiently high income to afford new construction. The condominium project in 2013 was senior-designated. However, in Fargo, there is also some potential to serve younger professionals.

Over the previous five years, condominium units represented less than 2% of all owner-occupancy housing starts in Fargo. With recognition that construction within this segment has been suppressed, going forward we have applied a 2.5% share to projected single family construction. If this level can be achieved, it would yield approximately 14 to 15 units per year, or between 70 and 75 new units by the year 2020. This level of production would account for approximately 10% of the projected activity in attached single family housing.

While it is certainly possible that an even greater market share can be achieved, there is very little market evidence to support this belief. Over the past 10 years it is probable that fewer than 10 newly developed condominiums have entered the Fargo market each year. Some of these have taken multiple years to be successfully sold.

Any developer of condominium units may need to first complete a significant amount of unit pre-sales. Some condominium projects that were built before the national housing downturn were unable to fund their associations when sales slowed. As a result, lenders may now require pre-funding the condominium associations, which is expensive for developers, or delaying the start of construction until most units are pre-sold.

The most recent project offered units in a lower price range, with more than 90% of the units priced below \$200,000. Sales in this project had been proceeding at a rate of approximately three to four units per month. Conversely, nearly all of the downtown loft units have been above \$200,000, although some of these units were slow to sell.

14. Findings of Home Ownership by Race and Ethnicity

Findings: As stated previously, the rate of home ownership in Fargo is low among all households, and has been declining with each successive decade. A specific section of this Study has presented information on income levels and housing tenure distribution patterns for households based on race and ethnicity.

It is important to note that for many of the specific racial and ethnic minority groups, the number of households living in Fargo is relatively small. As a result the Census Bureau reporting is often very limited. For example, the American Community Survey is based on limited sampling of households. Each year, the surveys that are completed within specific minority groups may not be sufficient to derive an estimate. When an estimate is made from a small sample it may have a wide margin of error. As a result, the use of the American Community Survey is not always a reliable data source. The 2010 Census provides more reliable information but does not reflect the recent changes that may have occurred.

For housing tenure, no defined racial or ethnic group had a home ownership rate of 50% or higher. The highest rate of home ownership in 2010 was reported for White households, but this was still below 48%. All of the defined racial and ethnic minority groups had a home ownership rate that was less than 27%.

Income information for racial and ethnic minority households is only provided through the Census Bureau's American Community Survey, with the most recent estimate from 2013. As stated previously, the analysts do not believe that the individual estimates can always be viewed as reliable. While the accuracy may be in question, the median household income estimates for Black/African American households and Native American households tend to be significantly lower than for other minority groups.

Black/African American and Native American households also have very low rates of home ownership. Black/African American households had the lowest reported rate of ownership, at less than 12%. For Native American households the home ownership rate is less than 17%.

Part of the low ownership rate for Black African American households may be due to their relatively recent arrival in the community. Between 2000 and 2010, the number of Black/African American households living in Fargo had increased by more than 212%. The tenure statistics, recorded in 2010, may have reflected some households that had only been in the community for a few years. It is believed that some of the growth was the result of international immigration, and the high rate of renter occupancy may somewhat reflect the time living in Fargo.

For Native American households, there was significantly less net change from 2000 to 2010, with fewer than 100 net households added. However, even though the number of households did not grow substantially, the rental rate remained high over the decade.

Recommendation: The City of Fargo has recognized the disparity in home ownership rates between White households and some of the defined racial and ethnic minority groups. The City has taken past actions and developed special programs to assist with home buying, but these efforts have not necessarily had a large impact. The City has continued to acknowledge the housing issues being experienced by racial and ethnic minority groups, including discussion in the 2015 Consolidated Plan.

The City has also taken action to create a Native American Commission, which potentially could address housing issues of Native American residents.

The low home ownership rate for Black/African Americans and for Native Americans is due in large part to household income levels. Although a margin of error exists with the American Community Survey estimates, this source shows the median household income level for Black/African American households at only \$14,063, and at only \$29,162 for Native American households. At 30% of income, the median household could afford to pay \$352 and \$759, respectively, toward housing each month.

In 2013, the median household income for all home owners in Fargo was \$76,148. While this income amount was well above the median for any of the racial and ethnic groups, there was a substantial gap between the estimated median levels for Black/African American and Native American households.

Solving the home ownership rate disparity for Black/African American households and for Native American households will probably be based in large part on improving the annual income levels for these groups.

Fargo in Comparison to Other Cities

This section of the Study compares Fargo to other larger communities in North Dakota and in neighboring states, including Bismarck, Grand Forks, Sioux Falls, SD and Rochester, MN. Although Bismarck and Grand Forks are substantially smaller communities than Fargo, they do represent North Dakota cities that may directly compete with Fargo in attracting new residents.

A previous section of this Study had examined affordable housing issues, and some comparative data were provided from the ***Paycheck to Paycheck*** database, produced by the Center for Housing Policy in Washington, DC. This information is only available for the 210 largest metropolitan areas. To collect standardized comparative data in this section, U.S. Census Bureau information has been used, including information from the 2013 American Community Survey.

For information on household income and housing costs, the best source is the Census Bureau's American Community Survey, which collects sample data within each community and then generates estimates from these samples. There can be a significant margin of error in these estimates, depending upon the specific variable being examined. However, the same methodology would be used in each city, so a standardized process is being used.

American Community Survey data can be estimated from different samples. Estimates for larger communities may be based on one-year to five-years of surveys. In some of the sections presented earlier, the one-year American Community Survey estimates for Fargo were typically used. However, based on the comparison cities used, the three-year survey, conducted between 2010 and 2013 have been used in the following comparisons.

There are challenges in making direct comparisons between communities. One of the biggest challenges relates to actual geographic definition. In the following analyses we have examined only city-level data.

Population in 2014

The most recent official population estimates for all of the comparison cities are from Census Bureau's annual estimates program, effective for the year 2014. This provides for a comparison of the relative size of each community.

Table 1 Comparison of Population in 2014		
City	Estimated Population in 2014	Rank 1 = Largest population
Fargo	115,863	2
Bismarck	68,896	4
Grand Forks	56,057	5
Sioux Falls	168,586	1
Rochester	111,402	3

Source: Census Bureau; Community Partners Research, Inc.

The City of Sioux Falls had the largest population of the communities included in this comparison section. Fargo and Rochester ranked second and third. Among the comparison communities used, Rochester is the most similar to Fargo in total population. However, Rochester does not have any adjoining cities that also have a substantial number of residents, such as Moorhead or West Fargo.

The Cities of Bismarck and Grand Forks are much smaller, but do represent the second and third largest cities in North Dakota, behind Fargo.

Percentage Population Growth from 2010 to 2014

The 2014 population estimates from the Census Bureau can be compared to the 2010 Census totals to examine growth during the current decade.

Table 2 Comparison of Population Growth Rates		
City	Estimated Population Change 2010 to 2014	Rank 1 = Largest Percentage
Fargo	10,314 / 9.8%	2
Bismarck	7,624 / 12.4%	1
Grand Forks	3,219 / 5.7%	4
Sioux Falls	14,698 / 9.6%	3
Rochester	4,633 / 4.3%	5

Source: Census Bureau; Community Partners Research, Inc.

For population growth in recent years, the City of Bismarck has shown the greatest percentage increase since the 2010 Census, growing by 12.4% through 2014. Fargo ranked second, with an increase of 9.8%, followed by Sioux Falls at 9.6%.

Population growth has been more limited in Grand Forks and Rochester, both having a population increase below 6% since 2010.

Median Age in 2013

Table 3 Comparison of Median Age in 2013		
City	Median Age	Rank 1 = Lowest Median Age
Fargo	30.4	2
Bismarck	36.7	5
Grand Forks	28.5	1
Sioux Falls	33.9	3
Rochester	35.4	4

Source: American Community Survey; Community Partners Research, Inc.

The 2013 American Community Survey contained an estimate of the median age for each city. It is important to note that all of the comparison cities have some post-secondary student populations, but Fargo and Grand Forks each have a large state university campus, while the other three communities have a substantially smaller student population. The presence of post-secondary students does have an impact on median age calculations.

The youngest median age existed in Grand Forks in 2013, at 28.5 years. Fargo was second at 30.4 years.

All of the comparison communities had a relatively young median age. The oldest was in Bismarck at 36.7 years.

Average Household Size in 2013

Table 4 Comparison of Average Household Size in 2013		
City	Average Household Size	Rank 1 = Largest Median Size
Fargo	2.18	4T
Bismarck	2.23	3
Grand Forks	2.18	4T
Sioux Falls	2.43	2
Rochester	2.45	1

Source: American Community Survey; Community Partners Research, Inc.

The American Community Survey contains an estimate of average household size. The most recent estimates are for 2013. A small average household size often indicates an aging population, with many people living alone, while a larger size is generally an indication of more children in the community. The post-secondary student population living in off-campus housing could also affect average household size.

Rochester had the largest average household size of the comparison communities, followed by Sioux Falls. When compared to Fargo, these two cities have much higher rates of owner-occupancy, and potentially more families residing within the city limits.

Fargo and Grand Forks were tied with the smallest average household size. Students and a large number of renter households may explain the smaller number of people per household. In the Fargo area, both West Fargo and Moorhead have a higher rate of owner-occupancy.

Median Household Income in 2013

The American Community Survey issues estimates for the median income for all households in each city. The most recent estimates are for 2013.

Table 5 Estimated Median Household Income in 2013		
City	Median Income	Rank 1 = Highest Median Income
Fargo	\$44,227	4
Bismarck	\$56,266	2
Grand Forks	\$43,647	5
Sioux Falls	\$51,099	3
Rochester	\$62,105	1

Source: American Community Survey; Community Partners Research, Inc.

Rochester ranked as the city with the highest median income, at \$62,105. The median in Rochester was nearly \$6,000 higher than in Bismarck, which was second among the comparison communities.

Grand Forks and Fargo had the lowest household median income levels. Once again, it is possible that the large population of post-secondary students directly impact the citywide statistics.

Median Home Value in 2013

The 2013 American Community Survey contains an estimated median value for owner-occupied houses in each City.

Table 6 Estimated Median Home Values in 2013		
City	Median Owner-Occupied Home Value	Rank 1 = Highest Median Value
Fargo	\$161,600	3
Bismarck	\$167,500	1
Grand Forks	\$159,000	4
Sioux Falls	\$152,600	5
Rochester	\$162,000	2

Source: American Community Survey; Community Partners Research, Inc.

Home values are self-reported by survey participants. Bismarck had the highest median home values of the comparison communities, at \$167,500, followed by Rochester at \$162,000. Fargo had the third highest value at \$161,600.

Sioux Falls had the lowest reported median home value at \$152,600 in 2013.

Although a higher median value can make home ownership more difficult, a higher value generally reflects stronger demand, and may indicate better quality units. However, Sioux Falls is also a fast-growing community, with good demand for housing, and the lower median price in that community may be due to other factors, such as lower land costs or builder efficiency.

Median Owner-Occupancy Household Income in 2013

The American Community Survey issues estimates for the median income for all households in each city based on housing tenure. The most recent estimates are for 2013.

Table 7 Comparison of Estimated Owner Household Income in 2013		
City	Median Income - Home Owners	Rank 1 = Highest Median Income
Fargo	\$76,579	2
Bismarck	\$71,729	4
Grand Forks	\$74,403	3
Sioux Falls	\$69,426	5
Rochester	\$77,327	1

Source: American Community Survey; Community Partners Research, Inc.

Rochester had the highest median household income for owner-occupants, at more than \$77,000. The median income for home owners in Fargo was very similar at nearly \$76,600.

Sioux Falls was the only comparison City with a median income below \$70,000 for home owners in 2013, but the median was still above \$69,400.

Percentage of Household Income Required for Home Ownership in 2013

The American Community Survey collects information on household incomes as well as housing costs. An estimate is then made of the percentage of household income that is required for ownership costs. This includes households with and without a mortgage.

Table 8 Comparison of Estimated Median Ownership Costs in 2013

City	Median Percentage of Household Income Applied to Home Ownership Costs	Rank 1 = Lowest Median Percentage
Fargo	18.1%	4
Bismarck	16.3%	1
Grand Forks	17.0%	2
Sioux Falls	18.9%	5
Rochester	18.0%	3

Source: American Community Survey; Community Partners Research, Inc.

Bismarck had the lowest percentage of income required for home ownership. This was due in part to the number of home owners that do not have a mortgage, as Bismarck actually had the highest median home value of the comparison cities.

Fargo ranked fourth among the comparison communities, with 18.1% of income. Only Sioux Falls had a higher percentage of income required for home ownership.

In all of the comparison communities, less than 20% of income was required by the median household for ownership costs. Although home values are relatively strong in each of the communities, the mid-priced home is below \$170,000.

Median Gross Rent in 2013

The American Community Survey contains an estimated median for gross rent (rent plus tenant-paid utilities) in each city.

Table 9 Comparison of Estimated Median Gross Rent in 2013		
City	Median Gross Rent	Rank 1 = Highest Median Rent
Fargo	\$677	5
Bismarck	\$701	3
Grand Forks	\$690	4
Sioux Falls	\$712	2
Rochester	\$782	1

Source: American Community Survey; Community Partners Research, Inc.

Fargo had the lowest median gross rent of the comparison cities at \$677 per month. The City has a large supply of rental housing, and the lower median price may be a reflection of the competition that exists.

The highest median gross rent was in Rochester, and was more than \$100 per month higher than in Fargo.

Median Renter Household Income in 2013

The American Community Survey issues estimates for the median income for all households in each city, based on owner or renter status. The most recent estimates are for 2013.

Table 10 Comparison of Estimated Median Renter Income in 2013		
City	Median Income - Renters	Rank 1 = Highest Median Income
Fargo	\$30,583	4
Bismarck	\$36,490	1
Grand Forks	\$24,241	5
Sioux Falls	\$31,640	2
Rochester	\$31,585	3

Source: American Community Survey; Community Partners Research, Inc.

Grand Forks and Fargo had the lowest median household income levels for renters, at \$24,241 and \$30,583, respectively. As stated earlier, these two communities would also have the largest populations of post-secondary students, including many living in rental housing.

Bismarck had the highest median household income for renters, at nearly \$36,500. While Bismarck's median income level for renters was nearly \$5,000 higher than any of the other comparison communities, it was approximately one-half the median for home owners in that city.

Percentage of Household Income Needed for Rental Costs in 2013

The American Community Survey collects information on household incomes as well as housing costs. An estimate is then made of the percentage of household income that is required for monthly rent.

Table 11 Comparison of Estimated Median Renter Costs in 2013		
City	Median Percentage of Household Income Applied to Gross Rent	Rank 1 = Lowest Median Percentage
Fargo	27.0%	3
Bismarck	23.2%	1
Grand Forks	31.4%	5
Sioux Falls	26.7%	2
Rochester	29.7%	4

Source: American Community Survey; Community Partners Research, Inc.

The goal of most affordable housing programs is to achieve a rent that requires less than 30% of household income. Only Grand Forks had a median percentage of income for rent that was above 30% in 2013. As reported previously, the median household income for renters in Grand Forks was substantially lower than the other comparison communities, resulting in the rent burden.

Bismarck had the most affordable situation for renters, due in large part to the higher median income level for renter households.

Fargo was in the middle of the comparison group, with the median renter household applying 27% of income to gross rent.

Median Year Built: Owner-Occupancy Housing

The American Community Survey issues estimates for the median year of construction for owned and rented housing units.

Table 12 Median Year of Construction for Owner-Occupied Housing		
City	Median Year Built	Rank 1 = Newest Median
Fargo	1980	3
Bismarck	1978	4
Grand Forks	1973	5
Sioux Falls	1985	1
Rochester	1982	2

Source: American Community Survey; Community Partners Research, Inc.

Most of the comparison communities have experienced very strong growth in recent decades. As a result, a substantial amount of housing has been constructed, and the median year for owner-occupancy units is relatively new.

The median year of construction for Fargo was 1980, in the middle of the comparison group.

Sioux Falls had the newest median at 1985, while Grand Forks had the oldest median at 1973.

Median Year Built: Renter-Occupancy Housing

The American Community Survey issues estimates for the median year of construction for owned and rented housing units.

Table 13 Median Year of Construction for Renter-Occupied Housing		
City	Median Year Built	Rank 1 = Newest Median
Fargo	1986	1
Bismarck	1977	4T
Grand Forks	1979	3
Sioux Falls	1980	2
Rochester	1977	4T

Source: American Community Survey; Community Partners Research, Inc.

Fargo had the newest rental stock of the comparison communities, with a median year of construction in 1886. Sioux Falls was the only other community with a median year in the 1980s.

Bismarck and Rochester both had a median year of construction in 1977.