SUMMARY OF NEIGHBORHOOD AND HOUSING MARKET ANALYSIS

CORE NEIGHBORHOODS MASTER PLAN

FARGO, ND
JUNE 2020

Phase I of Fargo's Core Neighborhoods Master Plan was centered on learning about issues, trends, and conditions in the core neighborhoods to provide a foundation for strategy development. This included work by over 60 sub-area committee members to identify what's working, what's not working, and outcomes for the planning process to aim for. It also included survey feedback from 300 core neighborhood stakeholders on selling points, turn-offs, and priority issues to address.

This document summarizes another key component of Phase I: analysis of the core neighborhoods and their housing markets. Because housing is the largest land use in the core neighborhoods and is influenced by the decisions of thousands of individual property owners, the housing market reveals important information about challenges and opportunities in these neighborhoods.

This summary begins by looking at the housing market from a citywide vantage point (Part 1) before zeroing in on the core neighborhoods (Part 2) and exploring a series of issues that have arisen early in the planning process (Part 3). This document concludes by singling out the findings (Part 4) that are likely to be most critical to the process of developing responsive and implementable strategies.

PART 1
HOUSING DEMAND AT THE NEIGHBORHOOD LEVEL IN FARGO

PART 2
DEMOGRAPHIC AND HOUSING STOCK SNAPSHOT

PART 3
A DEEPER LOOK INTO ISSUES OF INTEREST

PART 4
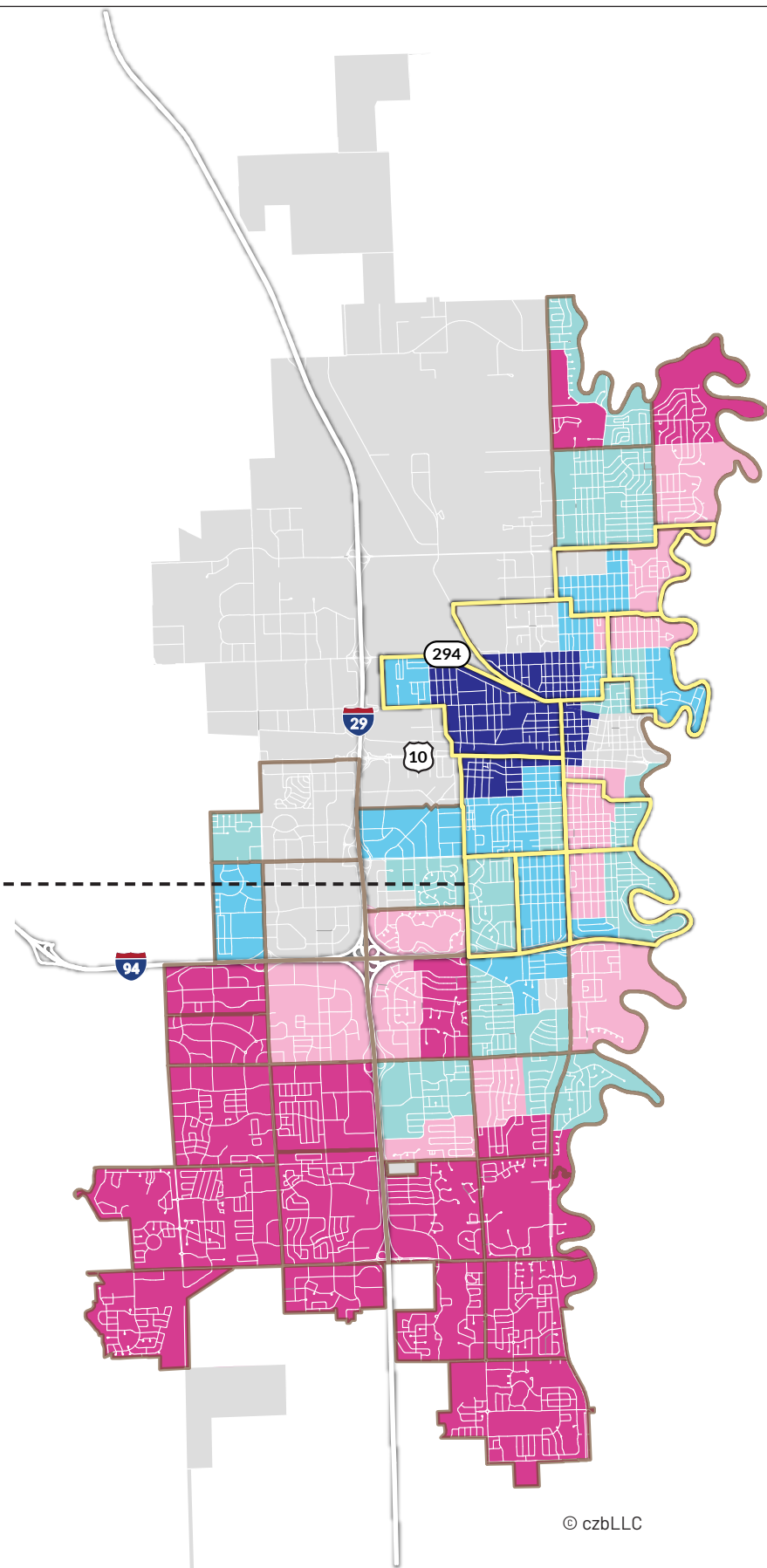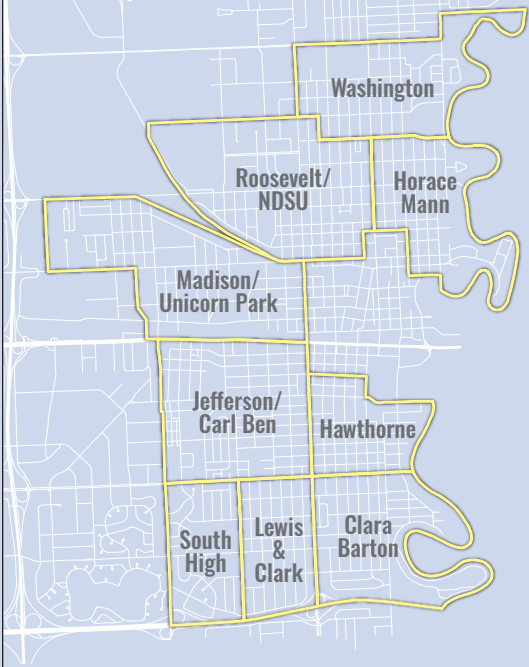KEY TAKEAWAYS FOR STRATEGY DEVELOPMENT

PART 1

HOUSING DEMAND AT THE NEIGHBORHOOD LEVEL IN FARGO

How strong is residential demand and investment in the core neighborhoods relative to citywide market conditions?
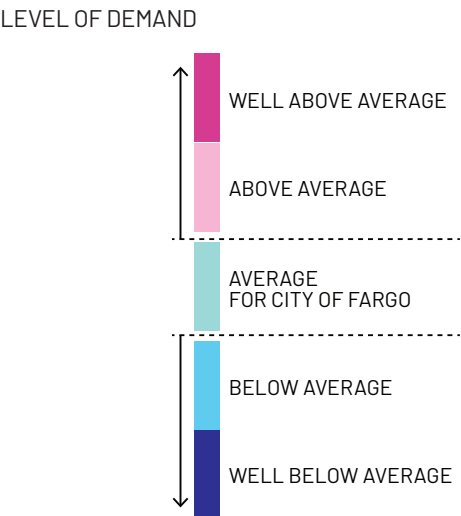
The City of Fargo's housing market is, overall, healthy and balanced. With a median home value to median income ratio of 3.7, it is a market where the supply of housing and the demand for housing are well-matched. (A ratio below 3.0 is indicative of a soft market with too much supply and where housing investment is likely to be dampened, while a ratio above 4.0 or 4.5 describes a market where demand exceeds supply and affordability is becoming a challenge for the typical household.)

No housing market is monolithic, of course, and even healthy markets have numerous sub-markets that reflect sometimes wide variations in housing conditions, levels of investment, and choices being made by households and property owners that influence neighborhood outlook. To better understand Fargo's housing sub-markets—and how the core neighborhoods fit within the context of the Fargo market—a demand-based market typology was created that blends together four indicators of housing market strength (see pages 4 and 5). The map to the right is the summary of this typology and shows how every Census Block Group in the City of Fargo was grouped into one of five market categories—from higher demand at one end to lower demand at the other end.
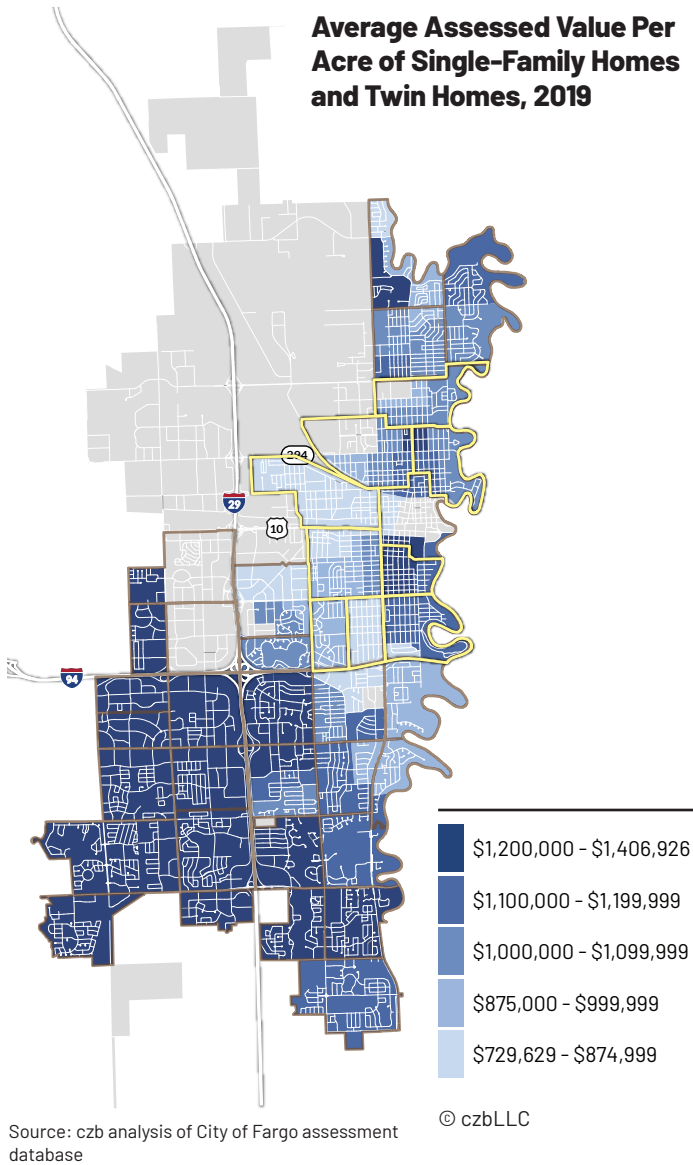
CORE NEIGHBORHOODS IN FARGO

Washington

Roosevelt/ NDSU

Horace Mann

Madison/ Unicorn Park

Jefferson/ Carl Ben

Hawthorne

South High

Lewis & Clark

Clara Barton

MARKET TYPOLOGY BY BLOCK GROUP

LEVEL OF DEMAND

WELL ABOVE AVERAGE

ABOVE AVERAGE

AVERAGE FOR CITY OF FARGO

BELOW AVERAGE

WELL BELOW AVERAGE

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The typology reveals patterns that will look familiar to most Fargo residents. Neighborhoods at the city's southern end have been experiencing the greatest levels of housing demand in recent years—in other words, households with options have been competing for space in these neighborhoods with a frequency that is clearly expressed by pricing, residential investment, and other data. Notably, some areas within the core neighborhoods—parts of Hawthorne, Clara Barton, Horace Mann, Washington, and Roosevelt—also exhibit signs of demand that exceed the citywide average, which suggests that homebuyers and current homeowners have relatively high levels of confidence about the neighborhoods and the enduring value of the housing stock.

At the same time, many parts of the core neighborhoods have below average levels of demand. While this is not necessarily a sign that these markets are in trouble, it does suggest that competition for housing is weaker in these areas due to factors that may include configuration and condition of existing homes, residential quality of life, and the pool of buyers at prevailing price points. A key potential concern for these markets is the diminishing probability that a home in need of investment will be easily paired with a buyer who is willing and able to make that investment without intervention.

Average Assessed Value Per Acre of Single-Family Homes and Twin Homes, 2019

$1,200,000 - $1,406,926
$1,100,000 - $1,199,999
$1,000,000 - $1,099,999
$875,000 - $999,999
$729,629 - $874,999

Source: czb analysis of City of Fargo assessment database

© czbLLC

Average Sale Price of Single-Family Homes and Twin Homes, 2017-2019

$300,000 - $425,642
$250,000 - $299,999
$212,500 - $249,999
$175,000 - $212,499
$131,926 - $174,999

Source: czb analysis of MLS data provided by the Fargo-Moorhead Area Association of Realtors

© czbLLC

Owner-Occupancy Rate for Single-Family Homes and Twin Homes, 2019

99%
90%
85%
85%
75%
43%

Source: czb analysis of City of Fargo assessment database

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Building and Improvement Permits Granted Per 100 Single-Family Homes and Twin Homes, 2015-2019

131
35
27.5
20
10
4.5

Source: czb analysis of City of Fargo building permit database

© czbLLC

This first component of the housing market typology measures the assessed value of residential property (land plus improvements) on a per-acre basis in 2019. Like the other components, this analysis only includes data for single-family homes and twin homes—which together account for 90% of Fargo's residential properties—for apples-to-apples comparison.

The assessed values were analyzed on a per acre basis to normalize for the significant differences in lot sizes between some neighborhoods.
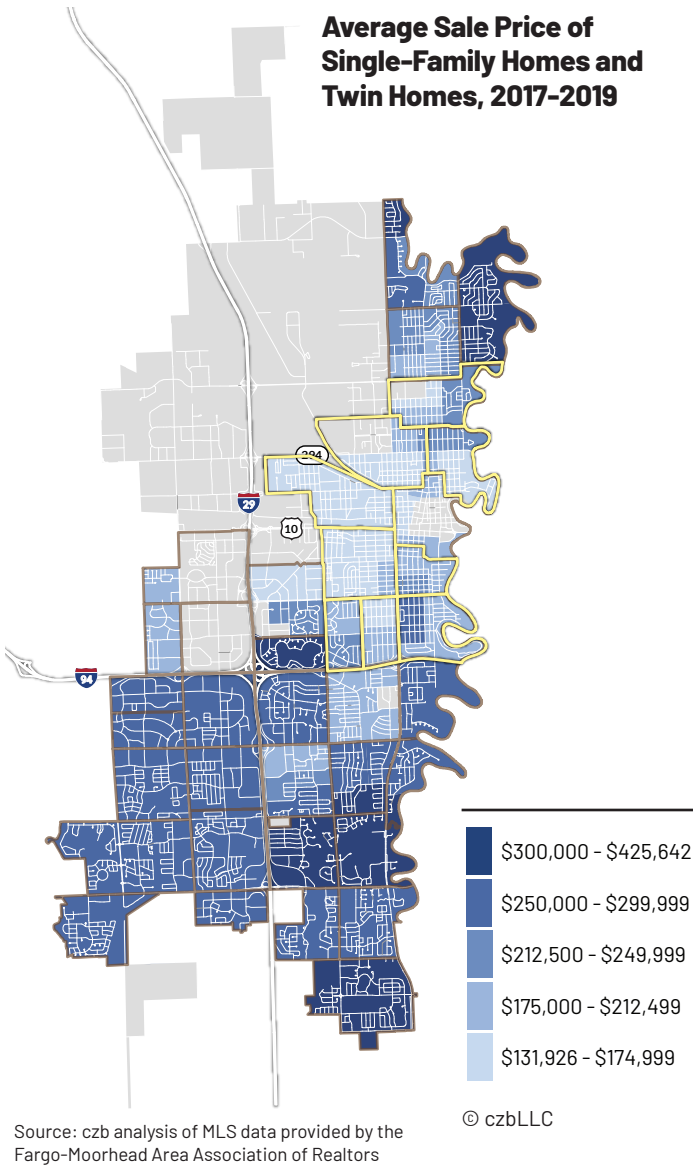
The second component looks at the average sale price of single-family homes and twin homes that sold in 2017, 2018, and 2019 in Fargo's Census Block Groups, as recorded by the Fargo-Moorhead Area Association of Realtors.

This measure was included in the typology in order to reflect pricing levels the market will bear across Fargo.
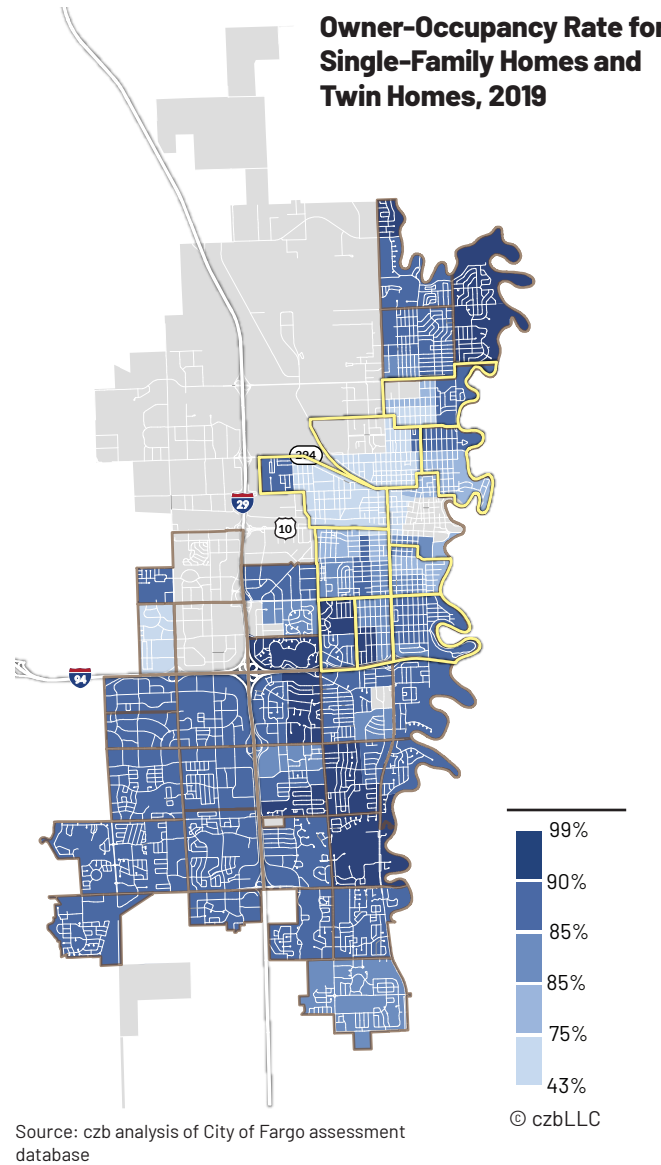
The third component estimates the owner-occupancy rate of single-family homes and twin homes in 2019 by comparing the property address with the address of the property's owner of record. When the two addresses are different, the property is assumed to be an investment property and not the primary residence of the owner.

This has been incorporated into the housing market typology because higher rates of absentee-ownership for single-family homes are a signal that a market may be losing its appeal to homeowners and that pricing is at a low enough level for investor-ownership of single-family properties to be financially feasible.
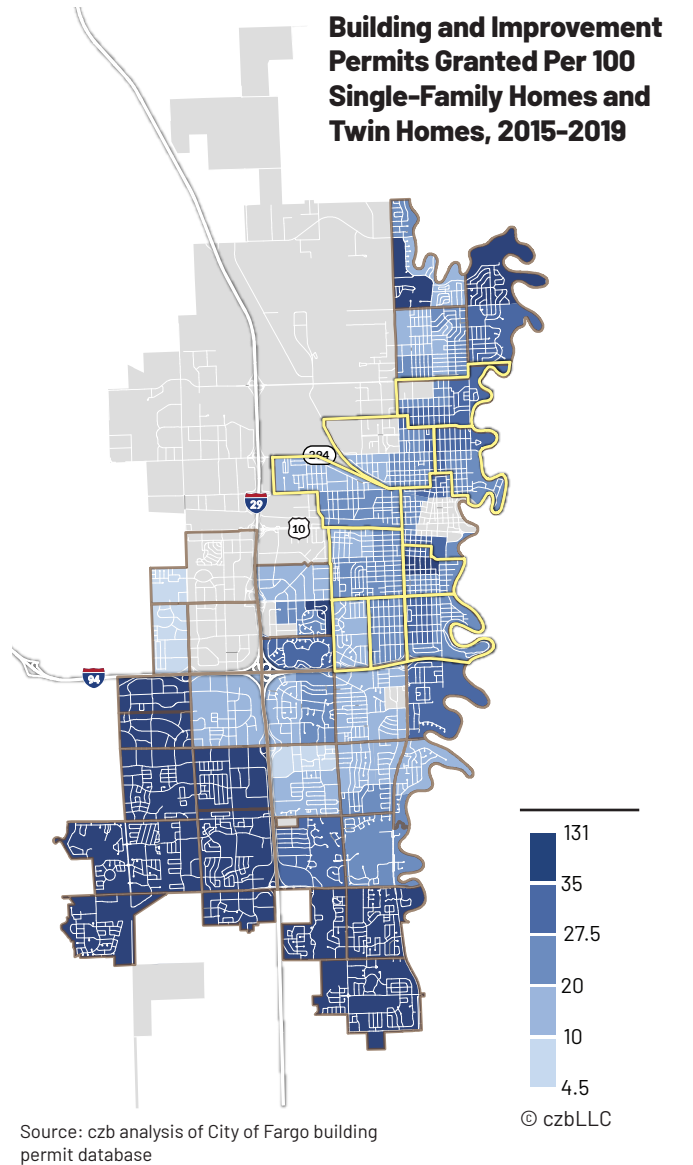
The fourth component measures concentrations of building permits in Fargo's Census Block Groups, including permits for new home construction, new garages, major remodeling, and other types of officially permitted work tied to single-family homes and twin homes.

This measurement was included within the typology to capture the presence of investment and reinvestment in the housing stock—regardless of the dollar value of that investment.

PART 2

DEMOGRAPHIC AND HOUSING STOCK SNAPSHOT

Who lives in the core neighborhoods?

The population of Fargo's core neighborhoods is a reflection of numerous forces, from the type of housing available, to the presence of institutions, to economic forces, to long-term and more recent settlement patterns. What do we know about the residents of core neighborhoods today, and are there meaningful patterns that might influence the future of these neighborhoods?

What do we know about the housing stock in the core neighborhoods?

As the oldest neighborhoods in the City of Fargo, the core neighborhoods feature housing that developed over many generations. What do we know about this housing stock, and what characteristics and patterns might be meaningful to this planning process?

Share of residents under 18

1% 10% 15% 20% 25% 37%

20%
FARGO AVERAGE

Share of residents 18-34

13% 20% 30% 40% 70% 99%

37%
FARGO AVERAGE

Share of residents 35-64

0% 20% 30% 35% 40% 55%

32%
FARGO AVERAGE
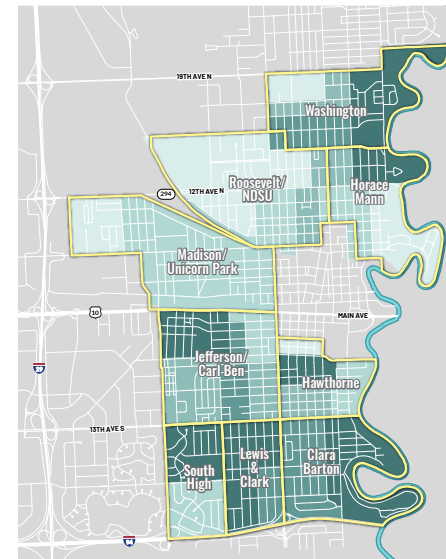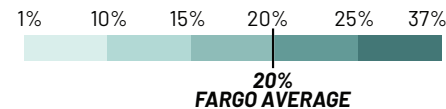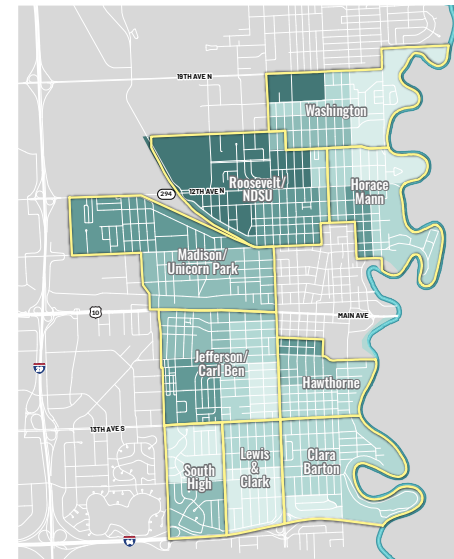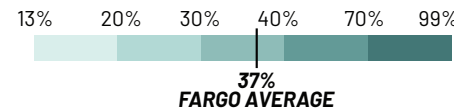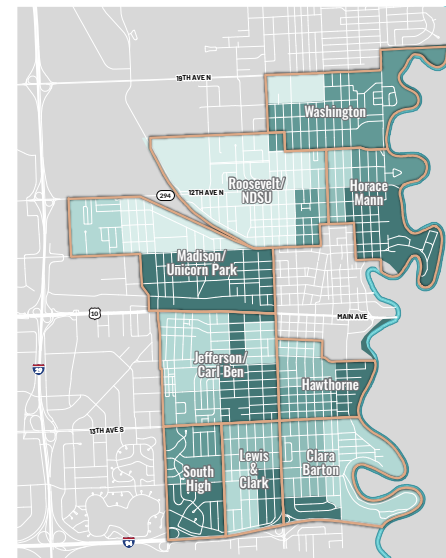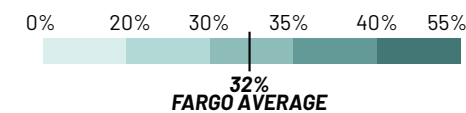
Share of residents 65 and over

0% 5% 10% 15% 23% 38%

11%
FARGO AVERAGE
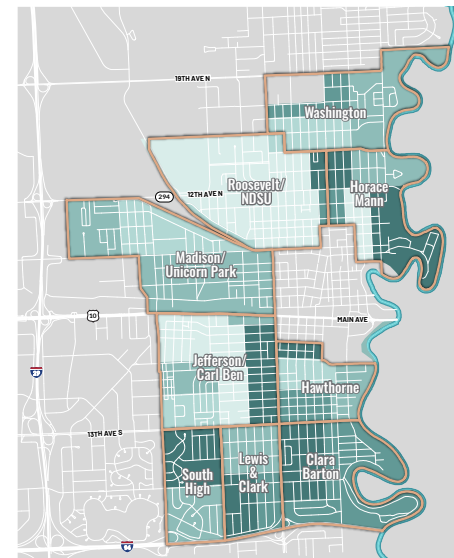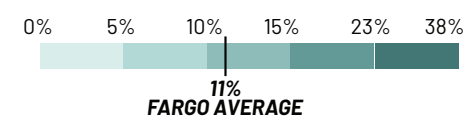
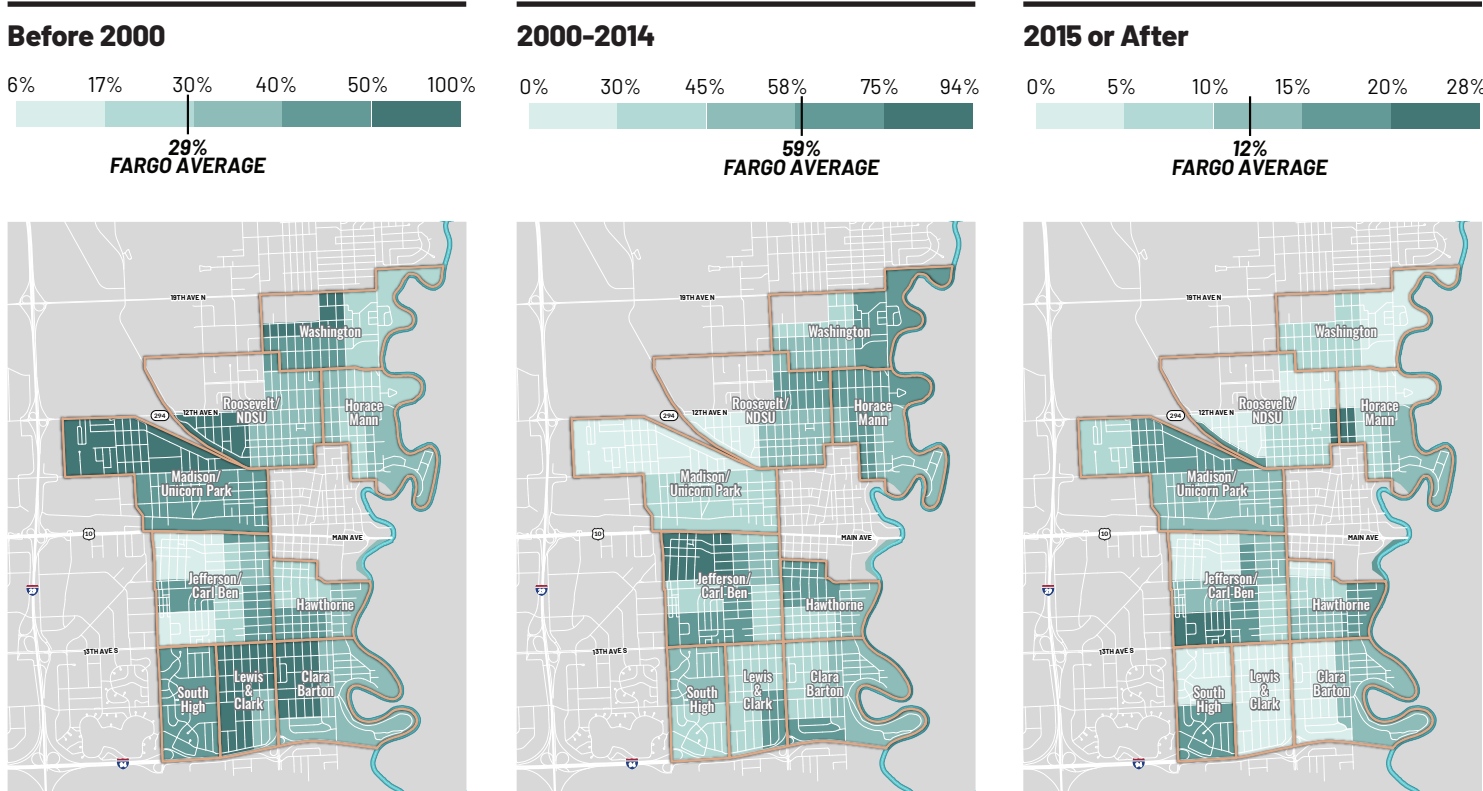Source: 2018 American Community Survey 5-Year Estimates

RESIDENT AGE

Looking at the concentrations of specific age ranges within the core neighborhoods reveals some expected and perhaps unexpected patterns that shape neighborhood life and point to evolving demographics, including:

-There are areas with relatively high concentrations of children (in the northern and southern ends of the core) and areas with relatively low concentrations of children, but few areas that are in between.

-Young adults are concentrated in a few notable areas, including around NDSU and in parts of Hawthorne and Horace Mann immediately adjacent to downtown.

-There are a few areas that currently have a low presence of children and a high presence of seniors (such as the Oak Grove section of Horace Mann). But there are also areas where senior households appear to be in the process of transitioning to younger families (especially Clara Barton).

Share of Homeowners Who Moved In...

Before 2000

6% 17% 30% 40% 50% 100%

29%
FARGO AVERAGE

2000–2014

0% 30% 45% 58% 75% 94%

59%
FARGO AVERAGE

2015 or After

0% 5% 10% 15% 20% 28%

12%
FARGO AVERAGE

Source: 2018 American Community Survey 5-Year Estimates

Share of Population Non-Hispanic White, 2018

42% 66% 85% 90% 95% 100%

84%
FARGO AVERAGE

Share of Population Foreign Born, 2018

1.5% 2% 5% 10% 14%

9%
FARGO AVERAGE

Source: 2018 American Community Survey 5-Year Estimates
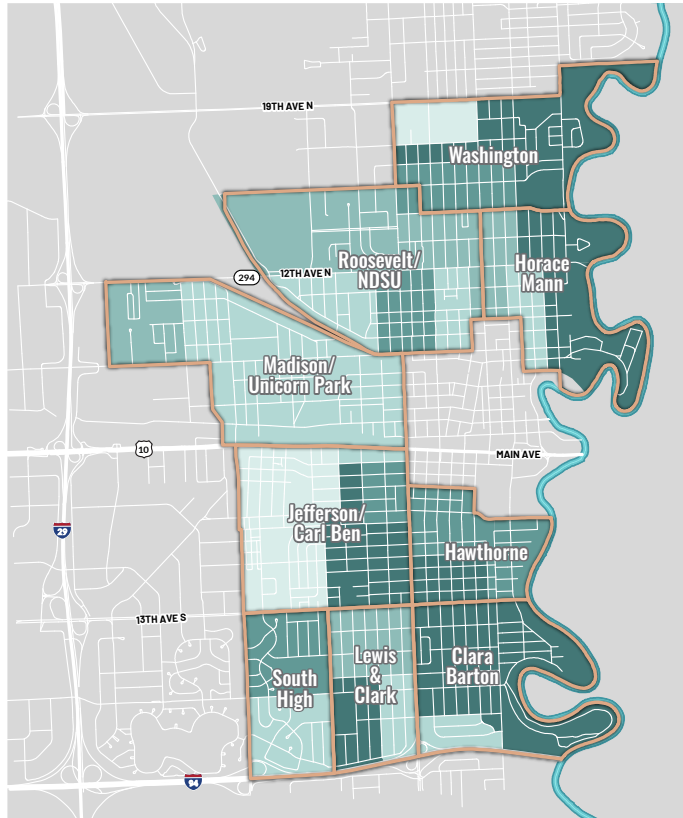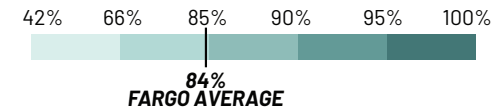
LENGTH OF RESIDENCE

Information about the length of residence for current homeowners can highlight areas where sudden transitions to new owners have been happening in recent years, as well as areas that currently have high levels of owner stability. This can have an impact on willingness to accept change within a neighborhood, levels of cohesion, knowledge of previous efforts, and other factors relevant to neighborhood planning.
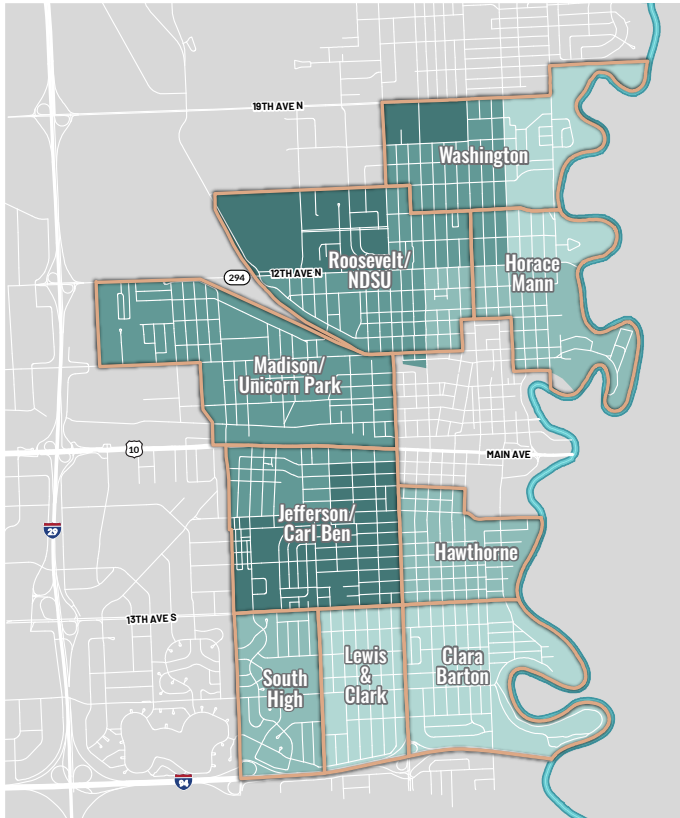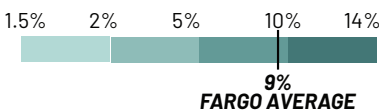
These maps of the core neighborhoods express a few interesting patterns, including:

– Pockets of relatively recent homeowners on blocks adjacent to Broadway in Horace Mann and Roosevelt.

– A few areas with notably high concentrations of longstanding owners, including the Golden Ridge section of Madison/Unicorn Park and areas south of 13th Avenue S.

DIVERSITY

Parts of the core neighborhoods are more racially and ethnically diverse than Fargo as a whole, and others are less diverse. A simple look at the share of the population that is both non-Hispanic and white (which accounts for 84% of Fargo's residents) shows that areas with relatively diverse populations in the core neighborhoods are spread around, and that most of the neighborhoods have some blocks that are more diverse than the city as a whole.

The same applies to the distribution of foreign born residents, who comprise 9% of Fargo's population. Areas with above average concentrations of foreign born residents in the core neighborhoods are located near the NDSU campus in Roosevelt and Washington (suggesting ties to the university), as well as the Jefferson / Carl Ben neighborhood where refugee resettlement has been occurring in recent years.

Median Income of Family Households

$26,607 | $35,000 | $50,000 | $75,000 | $100,000 | $127,361

$76,395
FARGO MEDIAN

Share of Adults 25 and Older with a Bachelor's Degree or Higher

11% | 20% | 35% | 45% | 60% | 85%
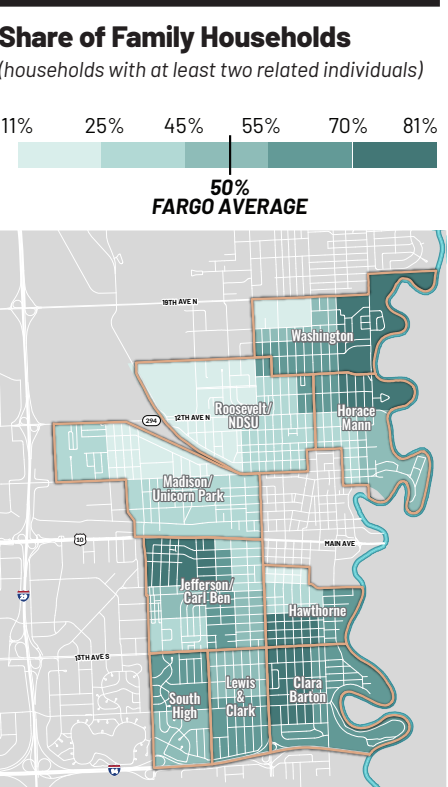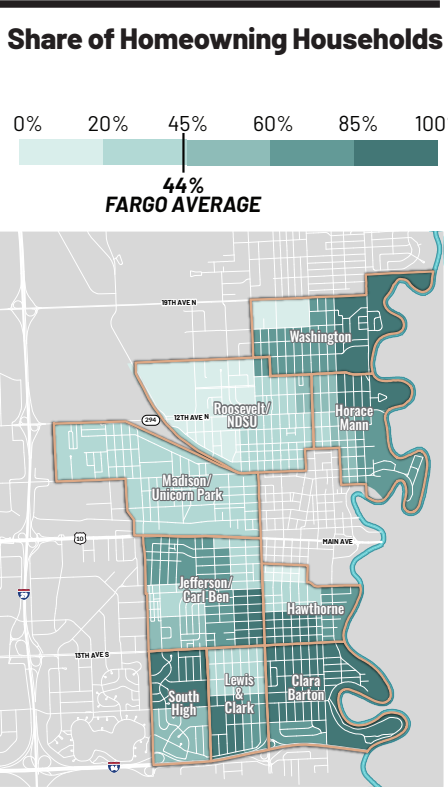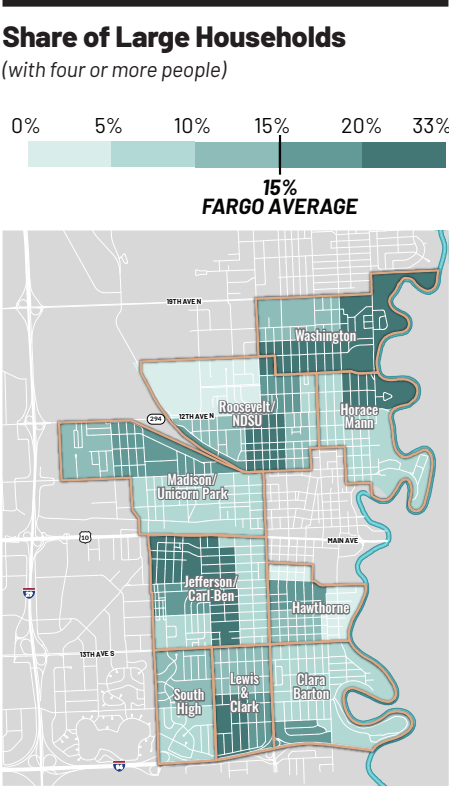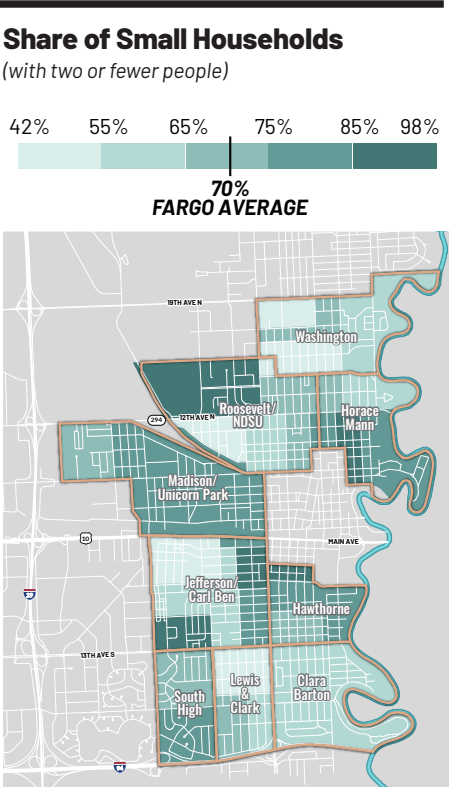
40%
FARGO AVERAGE
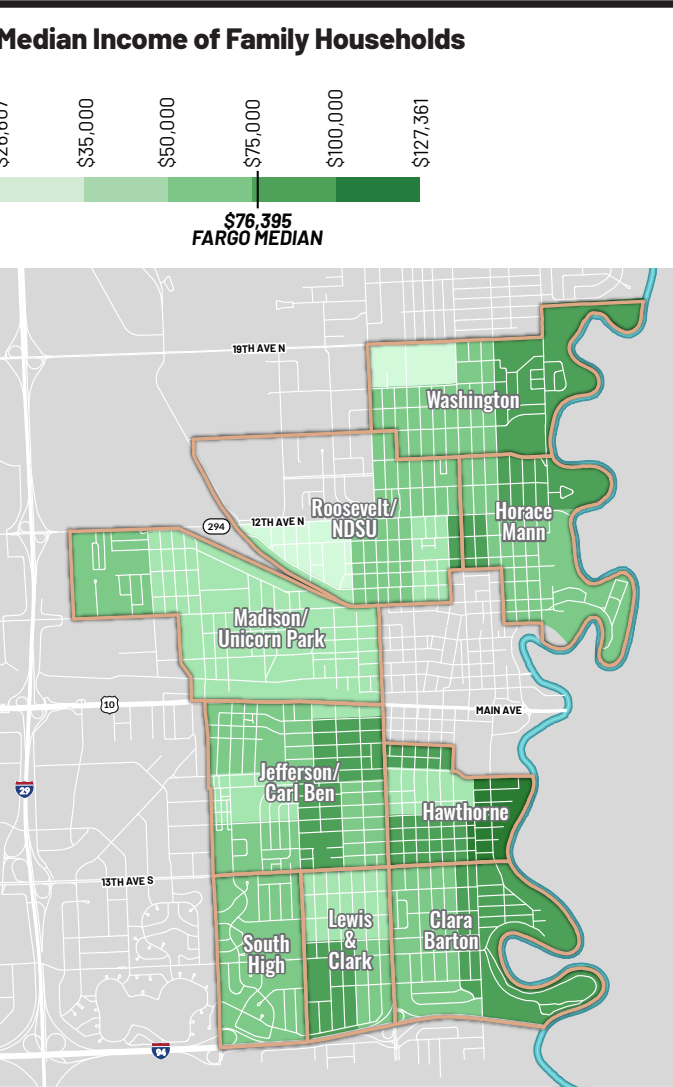
INCOME AND EDUCATION

Income determines how wide or narrow a household's choices are in the housing market. In a market like Fargo's, where supply and demand are generally balanced, households making at or above the city's median income have a wide range of options to choose from and may decide one neighborhood over another because the housing aligns with their purchasing power, they like and have confidence in the neighborhood, the location is convenient, amenities fit their lifestyle, along with combinations of other factors. Similar criteria are at play for households with more limited incomes, but the geography of a housing search becomes limited by purchasing power (for rent or mortgage payments).
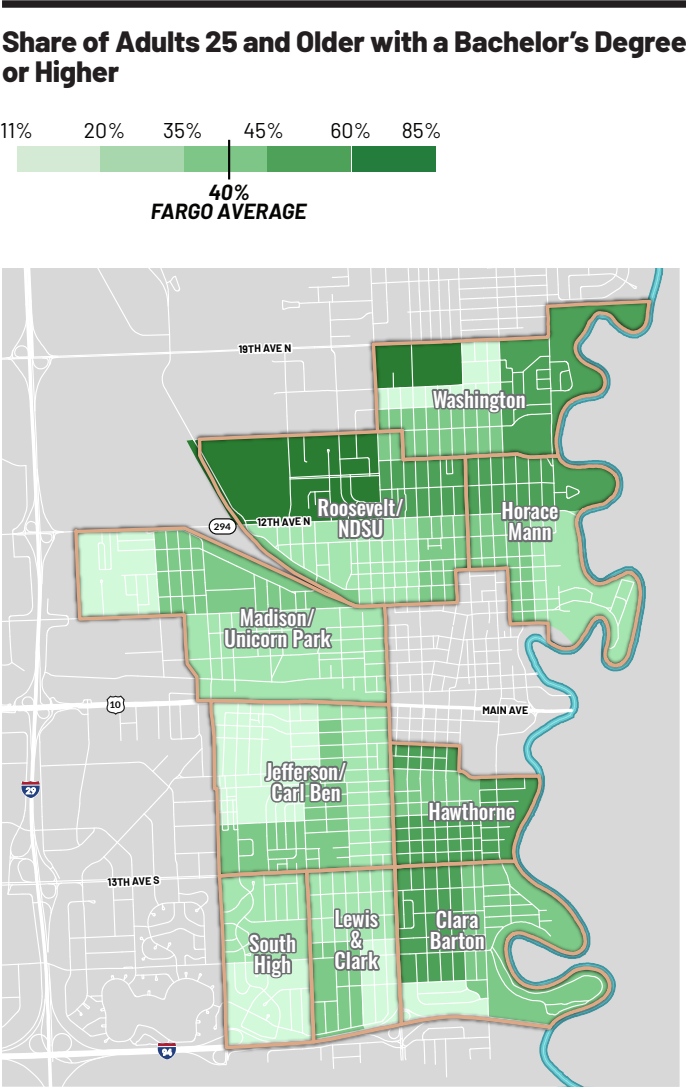
This map of median income for family households in the core neighborhoods (which excludes most college-age populations to simplify analysis) shows how families are sorted within the core by incomes. The map reveals that while there are pockets within most core neighborhoods where families commonly earn more than the median Fargo family, there are wider areas where most families earn less than the Fargo median. This may reflect the relative age and size of most housing within the core neighborhoods (older and smaller) compared to the city as a whole, which influences settlement patterns.

Similar to the income map, the map of adults with a bachelor's degree or higher—which correlates to earning potential—reveals a patchwork of areas with above average concentrations of college graduates and wider areas with below average concentrations.

Share of Small Households
(with two or fewer people)

42% | 55% | 65% | 75% | 85% | 98%

70%
FARGO AVERAGE

Share of Homeowning Households

0% | 20% | 45% | 60% | 85% | 100%

44%
FARGO AVERAGE

Share of Large Households
(with four or more people)

0% | 5% | 10% | 15% | 20% | 33%

15%
FARGO AVERAGE

Share of Family Households
(households with at least two related individuals)

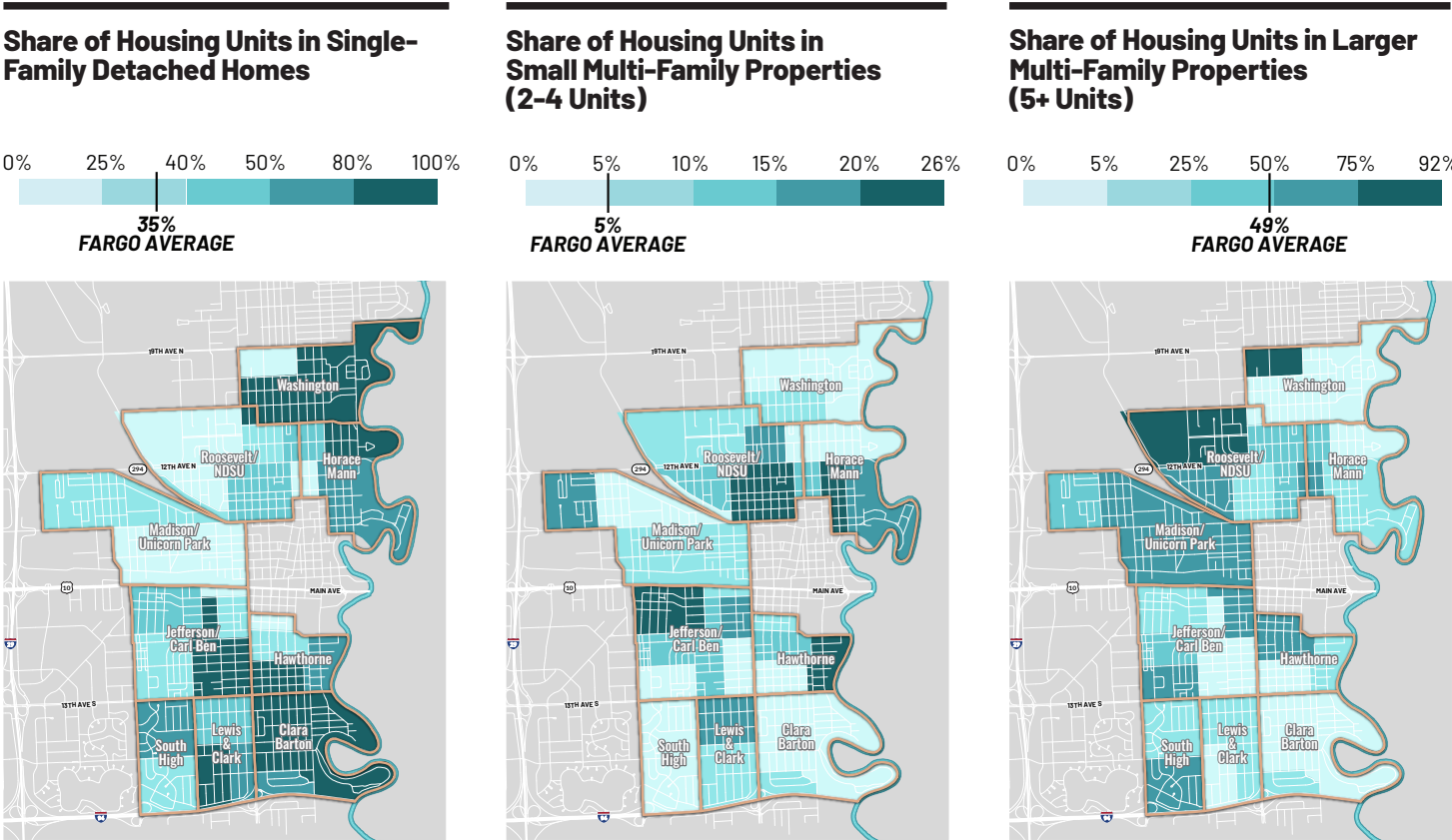11% | 25% | 45% | 55% | 70% | 81%

50%
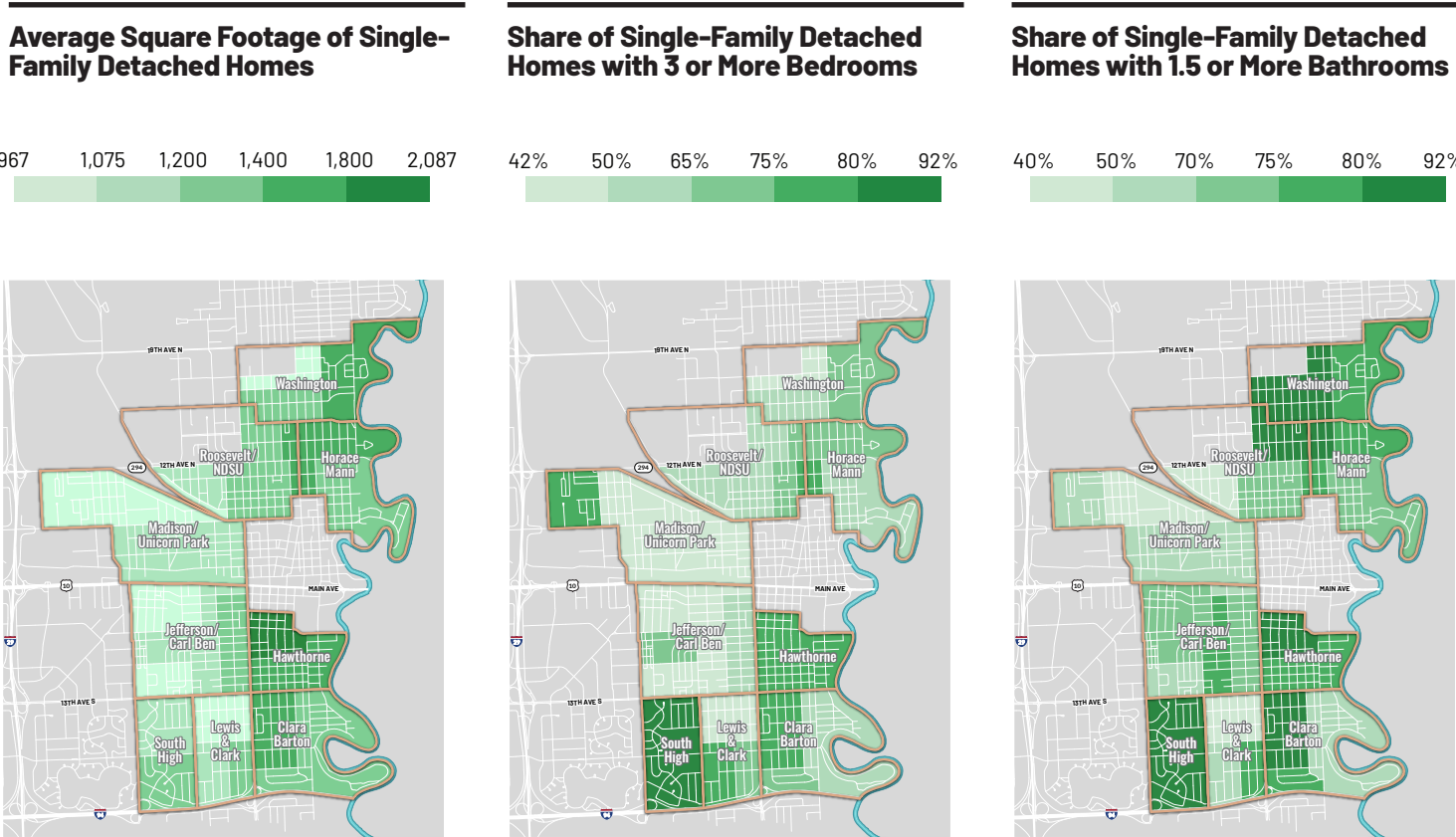**FARGO AVERAGE**

HOUSEHOLD SIZE AND TYPES

As with other demographic measures, there is great variety within the core neighborhoods when it comes to the size and types of households that currently live there. Notable patterns include:

- Small households are most highly concentrated in a ring around Downtown Fargo, as well as areas immediately adjacent to NDSU and the southwest corner of Jefferson / Carl Ben. These are areas where apartments are a significant part of the housing stock.

- Larger households are generally concentrated in areas that have higher concentrations of family households and homeownership. But that isn't always the case. Clara Barton has a high share of family households that are relatively small (possibly older families without children at home), and areas in Roosevelt have large households that tend not to be families (a household of roommates, for example).

Source: 2018 American Community Survey 5-Year Estimates

Share of Housing Units in Single-Family Detached Homes

0% 25% 40% 50% 80% 100%

35%
FARGO AVERAGE

Share of Housing Units in Small Multi-Family Properties (2-4 Units)

0% 5% 10% 15% 20% 26%

5%
FARGO AVERAGE

Share of Housing Units in Larger Multi-Family Properties (5+ Units)

0% 5% 25% 50% 75% 92%

49%
FARGO AVERAGE

Average Square Footage of Single-Family Detached Homes

967 1,075 1,200 1,400 1,800 2,087

Share of Single-Family Detached Homes with 3 or More Bedrooms

42% 50% 65% 75% 80% 92%

Share of Single-Family Detached Homes with 1.5 or More Bathrooms

40% 50% 70% 75% 80% 92%

Source: 2018 American Community Survey 5-Year Estimates

Source: czb analysis of City of Fargo assessment data

HOUSING TYPE

As would be expected, housing types line up closely with household types presented on the previous page. Concentrations of larger multi-family properties occur in a ring around Downtown Fargo, areas next to NDSU, and a few other core areas.

Smaller multi-family properties, which can include properties built as duplexes and triplexes as well as properties that have been converted into apartments, are concentrated in parts of Roosevelt, Horace Mann, Hawthorne, and older parts of Jefferson / Carl Ben.

Single-family detached properties dominate in most of Clara Barton and Washington, as well as parts of Hawthorne, Jefferson / Carl Ben, Horace Mann, and Lewis & Clark.

SIZE AND CONFIGURATION OF SINGLE-FAMILY HOMES

While single-family homes overall, attached and detached, account for 44% of Fargo's housing units, they represent 78% of all residential properties (an apartment building with 10 units is just one property). Therefore, single-family homes play an outsized role in the residential landscape of the city and its core neighborhoods.

An analysis of home size among detached single-family properties shows that the northern part of Hawthorne, where historic single-family residences predominate, has the largest homes in the core with an average above 1,800 square feet. The smallest homes, averaging close to 1,000 square feet, are found in the northern part of Lewis & Clark, across much of Jefferson / Carl Ben, and northwest of downtown.

Although homes in South High are often modestly sized, the bulk of the homes there tend to have at least 3 bedrooms and at least 1.5 bathrooms.
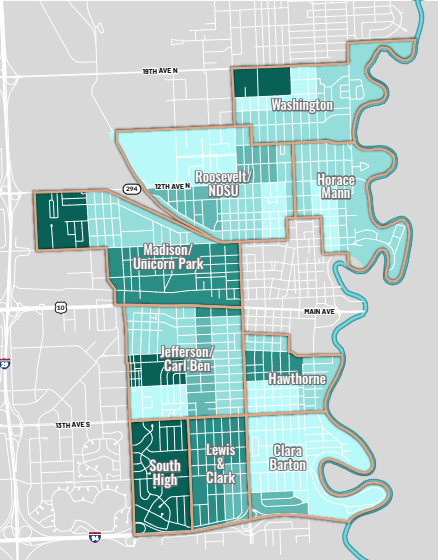
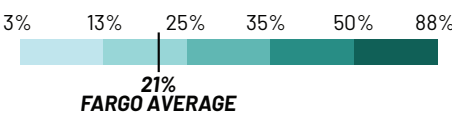## Share of Housing Units in Properties Built 1939 or Prior

0% — 6% — 12% — 40% — 55% — 91%

9%
FARGO AVERAGE
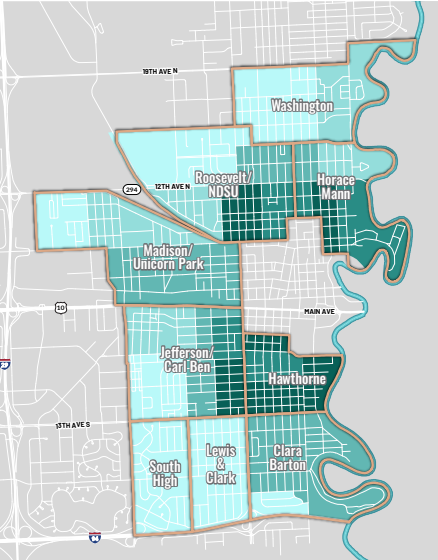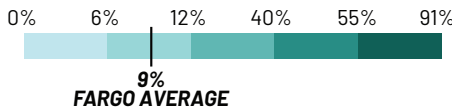
Share of Housing Units in Properties Built 1940-1959

0% — 5% — 15% — 25% — 50% — 80%
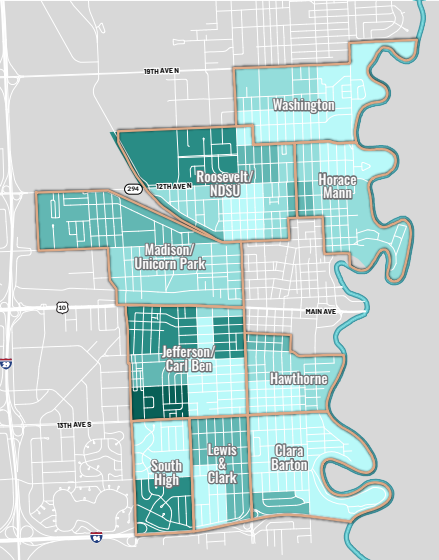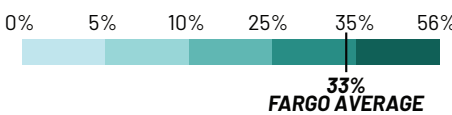
10%
FARGO AVERAGE
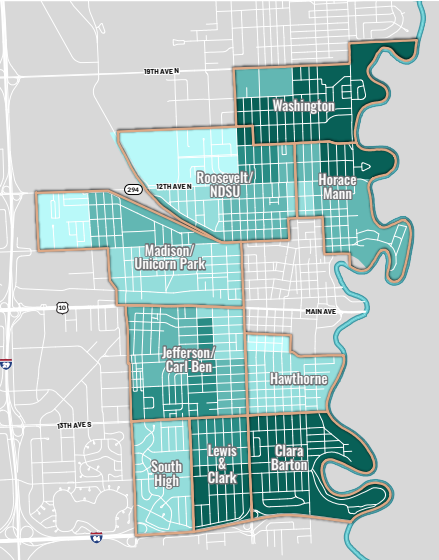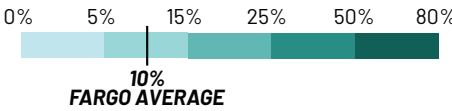
AGE OF HOUSING

The age of housing units in the core neighborhoods exhibit a typical pattern of outward expansion. Areas ringing downtown generally have the greatest concentrations of housing built before World War II. Then, Clara Barton, Lewis & Clark, and Washington feature large areas of single-family housing built in the first 15 years following the war.

South High is the newest neighborhood, with most of its housing built after 1960. Since 1980, pockets of new multi-family development, especially since 2000 near NDSU, represent instances of infill and redevelopment.
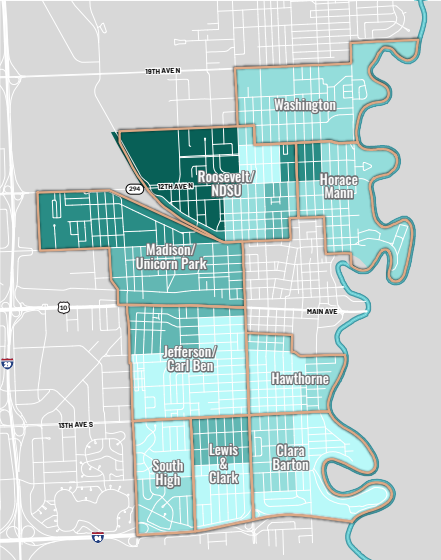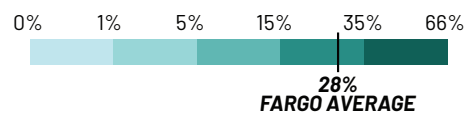
CONDITION

During April and May 2020, a combination of project volunteers and NDSU students conducted a field survey of housing conditions in the core neighborhoods, evaluating over 8,900 residential properties on the basis of visible levels of maintenance and pride. Properties that exhibited high levels of maintenance and pride of ownership received a score of "1" or "2". Properties deemed average, giving off neither negative nor positive signals, received a "3". And properties that had a few or several signs of deferred maintenance and disinvestment received a "4" or "5".
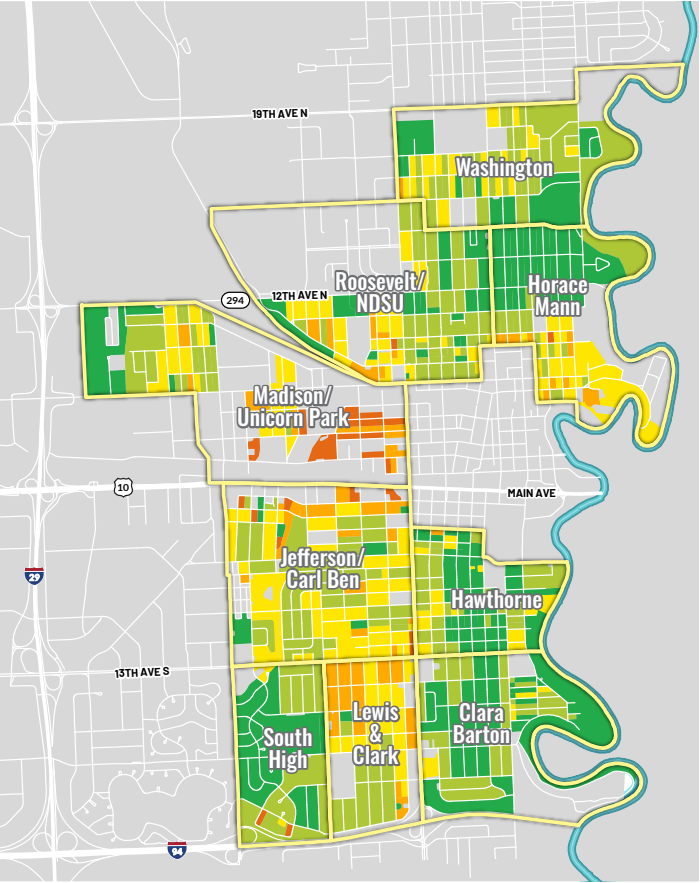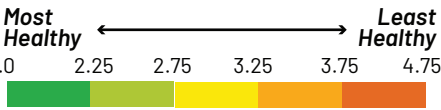
Overall, 44% of the properties scored were deemed to be healthy properties, in either excellent or good condition. That is a substantial number for a collection of older neighborhoods. However, fully 47% landed in the middle and represent a potential challenge for Fargo, as they could tip in either direction in coming years. Just under 10% of properties are already showing signs of distress.

As with other measures for the core neighborhoods, conditions sometimes vary widely between and even within neighborhoods. Areas with several consecutive blocks of healthy homes are located in Clara Barton, Hawthorne, Horace Mann, and South High. Other areas have conditions that are more mixed from block to block. And areas where there are blocks with concentrations of properties exhibiting signs of distress include Lewis & Clark, Jefferson / Carl Ben, Madison / Unicorn Park, Roosevelt / NDSU, and Horace Mann.

Average Field Survey Score by Block

Most Healthy ← → *Least Healthy*

1.0 — 2.25 — 2.75 — 3.25 — 3.75 — 4.75

Share of Housing Units in Properties Built 1960-1979

3% — 13% — 25% — 35% — 50% — 88%

21%
FARGO AVERAGE

Share of Housing Units in Properties Built 1980-1999

0% — 5% — 10% — 25% — 35% — 56%

33%
FARGO AVERAGE

Share of Housing Units in Properties Built 2000 or Later

0% — 1% — 5% — 15% — 35% — 66%

28%
FARGO AVERAGE

Average Condition of Residential Properties by Block

|	Field Survey Score		Percent of Properties
Most Healthy ↑	1	Excellent	11%
	2	Good	33%
	3	Average	47%
	4	Moderate Distress	8%
Least Healthy ↓	5	Severe Distress	1%

PART 3

A DEEPER LOOK INTO ISSUES OF INTEREST

A number of specific queries have been raised during the planning process so far that relate to a wide range of topics. In this section, data is presented for seven specific questions in order to inform the planning process and aid in identifying further analysis that might be necessary for the development of sound strategies.
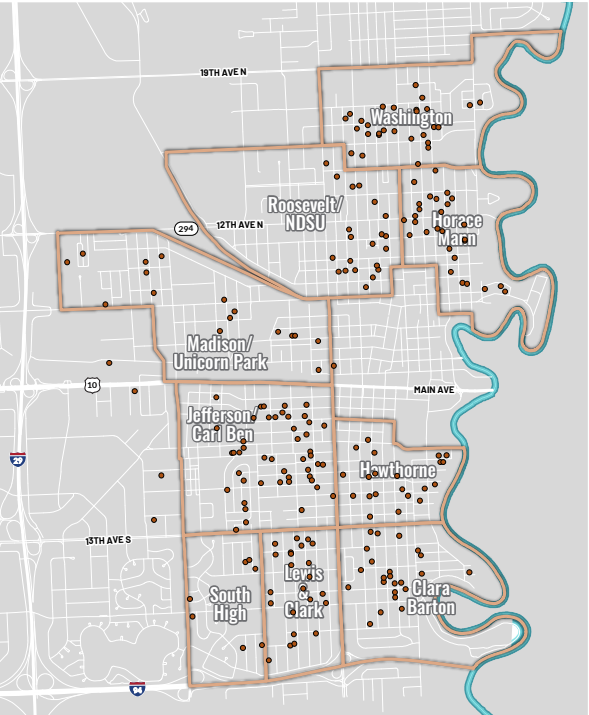
New Residential Properties Built Since 2015

● Single-family ● Twin Home Unit ● Townhouse Unit ● Apartment
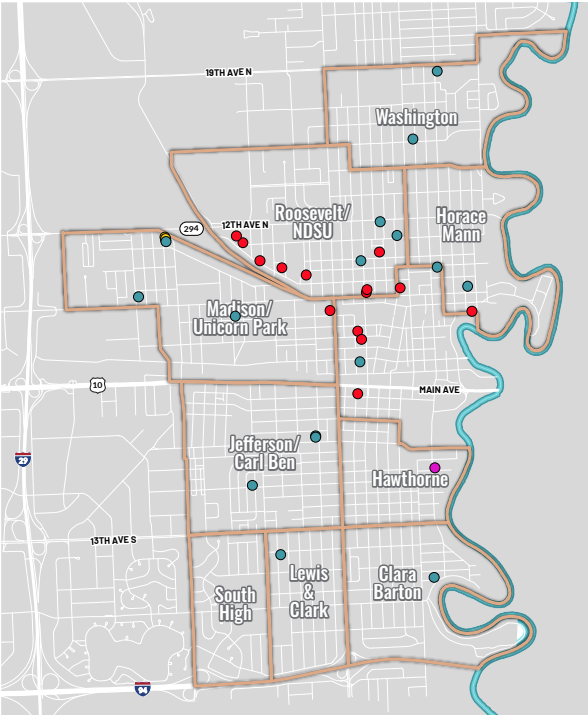
Permits Issued for Garage Construction, 2015–2019

● Garage

# Where have housing investments been occurring recently?

Residential infill projects can be a sensitive topic, raising concerns around parking, design, and neighborhood character, among other issues. Eight of the nine core neighborhoods have had at least one instance of new residential construction since January 2015, with most of these projects, a combination of single-family homes and apartment buildings, occurring around the edges of Downtown Fargo. A noteworthy concentration of apartment development has occurred along Dakota Drive near NDSU.

Rebuilt or new garages, meanwhile, have been permitted on a wider basis throughout the core neighborhoods over the past five years, with over 200 such permits being issued. While the distinction between new or rebuilt garages is not made in the data, this level of activity may represent a need to rebuild older, deteriorating garages, a desire for more garage space to accommodate the rise in vehicles per household, or the installation of a garage where one did not previously exist for convenience and future marketability.

Permits for remodeling work within existing homes, an important sign of reinvestment in the core's older housing, were issued throughout the core over the past five years. But notable concentrations of this work occurred within a few areas, including parts of Hawthorne, Clara Barton, Horace Mann, Roosevelt, and Washington.

Permits Issued for Remodeling/Renovation Work on Residential Properties, 2015–2019

10% 13% 16% 20% 25% 29%
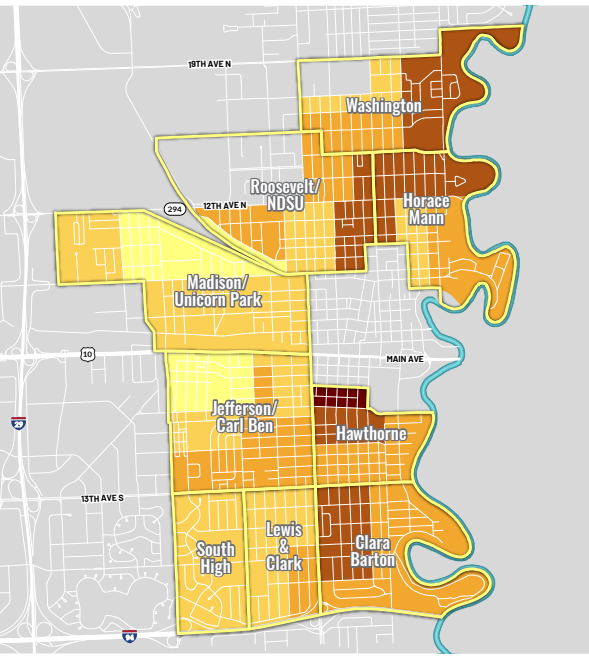
Source: czb analysis of City of Fargo building permit database

Where are single-family homes transitioning to rentals?

The transition of older single-family homes into rented properties is not a new phenomenon, but it has gained momentum across the U.S. since the 2008 financial crisis and Fargo is no exception.
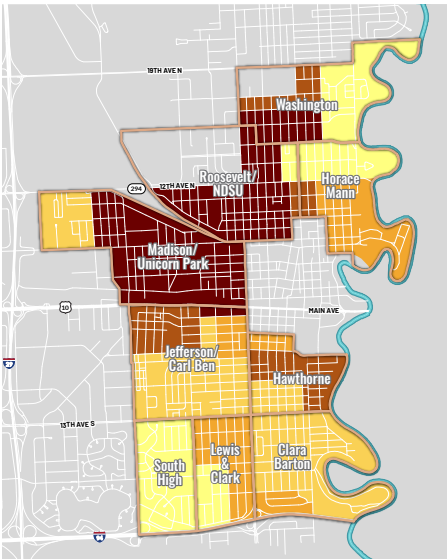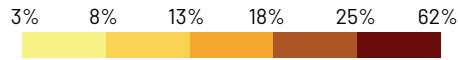
As of 2019, more than 25% of single-family homes are assumed to be rental properties (based on analysis of owner address) in much of Madison / Unicorn Park and Roosevelt, and in parts of Washington. Parts of Hawthorne, Jefferson / Carl Ben, and Horace Mann also have notable concentrations of these properties.

Since 2011, the number of absentee-owned single-family properties has increased in most parts of the core neighborhoods, with the most significant increases occurring in areas adjacent to NDSU. At the same time, there were small decreases in a few areas, including Horace Mann near downtown, the northern sections of South High and Lewis & Clark, and the Golden Ridge area of Madison / Unicorn Park.

Analysis of size, value, and condition of single-family properties by ownership status reveals a clear pattern: those that are absentee-owned are, on average, 10% smaller, have assessed values that are 17% lower, and average field survey conditions that are less healthy than their owner-occupied counterparts.

While rental pressures around NDSU can be expected to influence the transition from owner to rental occupancy, the transition in other parts of the core may be driven by homes that are difficult to market to home buyers (due to configuration and condition) and that drop in

price to a level that makes them profitable to investors. A key question when this occurs: will the investor make substantial and long-deferred upgrades to these properties, or does their business model depend on bare minimum repairs?

Share of Single-Family Homes That Are Absentee-Owned, 2019

3%   8%   13%   18%   25%   62%

Change in Absentee-Ownership of Single-Family Homes, 2011-2019

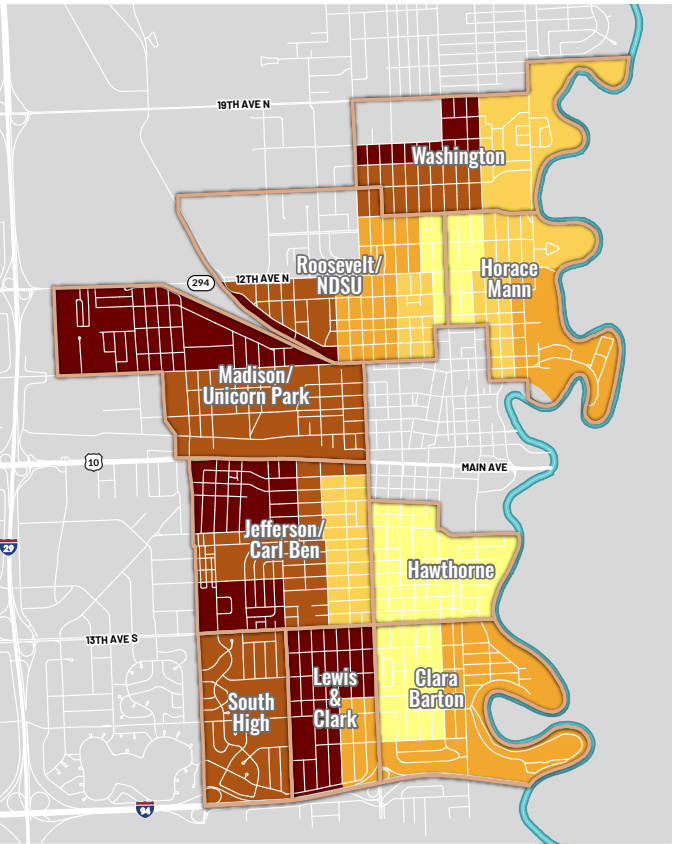-5%   -2%   0%   2%   5%   21%

← DECREASE   INCREASE →
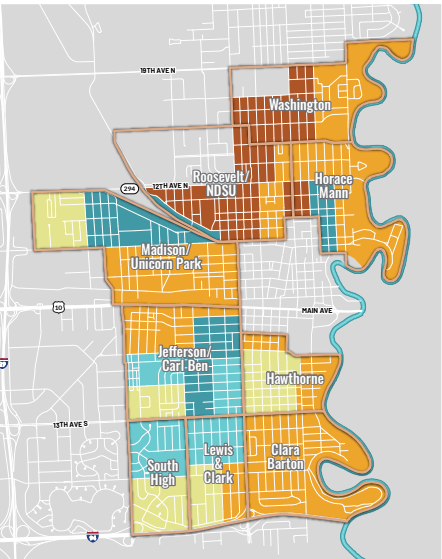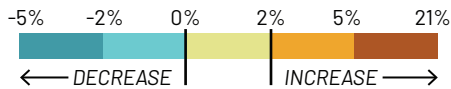
Characteristics of Single-Family Properties in the Core Neighborhoods, by Ownership Status

Ownership Status of Single-Family Properties	Number of Properties	Average Size of Property (Square Feet)	Average Assessed Value, 2019	Average Field Survey Score (lower score indicates better condition)
Absentee-Owned	**1,202**	**1,168**	**$153,063**	**2.94**
Owner-Occupied	**6,366**	**1,307**	**$184,892**	**2.46**

Where are small homes concentrated, and how are they fairing in the market?

If smaller single-family homes are more likely to transition into rental properties than larger ones, where are these homes concentrated and what do we know about them? As this map demonstrates, homes with less than 1,250 square feet represent a dominant share of the single-family stock in a large swath of territory west of University Drive and also north of 14th Avenue N.

Most commonly, these homes have two bedrooms and were built before World War II. Two bedroom, one bathroom homes, which total over 1,300 in the core neighborhoods, tend to be the oldest small houses, have the least market value, the highest rate of renter-occupancy (23%), and the worst physical conditions.

Share of Single-Family Houses Under 1,250 Sq. Ft.

16%   35%   50%   60%   75%   93%

Characteristics of Small Homes by Common Configurations in the Core Neighborhoods

Most Common Small Home Configurations (in order of frequency)	Average Year Built	Average Assessed Value	% Owner-Occupied	Average Field Survey Score (lower score indicates better condition)
2 bedrooms / 2 bathrooms	1939	$150,353	82%	2.67
2 bedrooms / 1 bathroom	1937	$132,175	77%	2.84
3 bedrooms / 2 bathrooms	1948	$165,795	86%	2.59
3 bedrooms / 1 bathroom	1943	$148,893	82%	2.74

Scale: Most Healthy 1.0 — 2.25 — 2.75 — 3.25 — 3.75 — 4.75 Least Healthy

ource: czb analysis of City of Fargo assessment data

Share of Properties that are Slipping or Distressed According to Field Survey

| 0% | 10% | 25% | 50% | 75% | 100% |

17%
Average for Core Neighborhoods
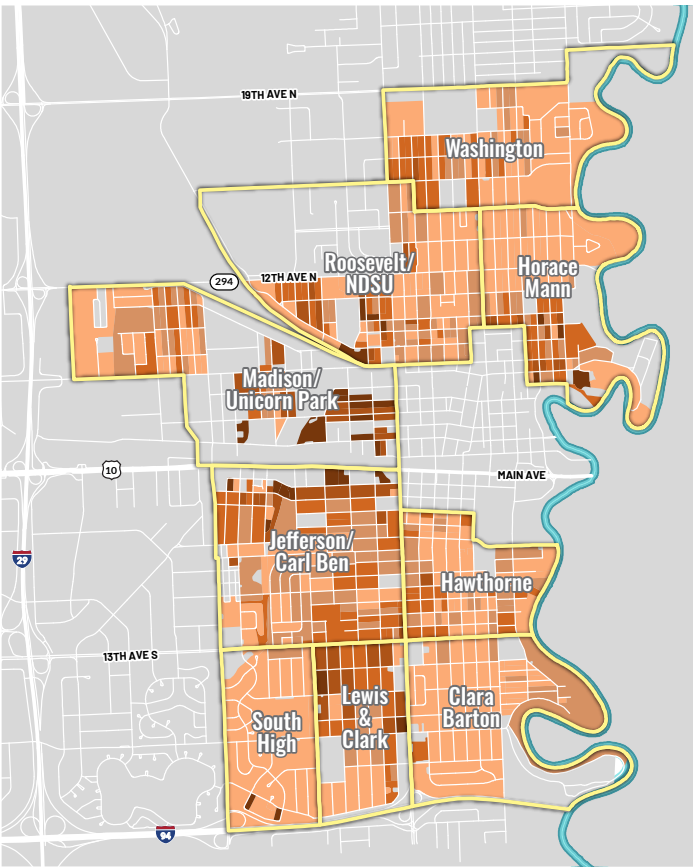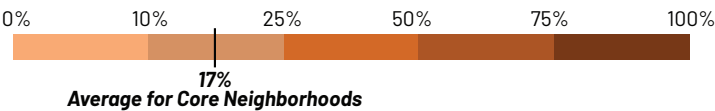
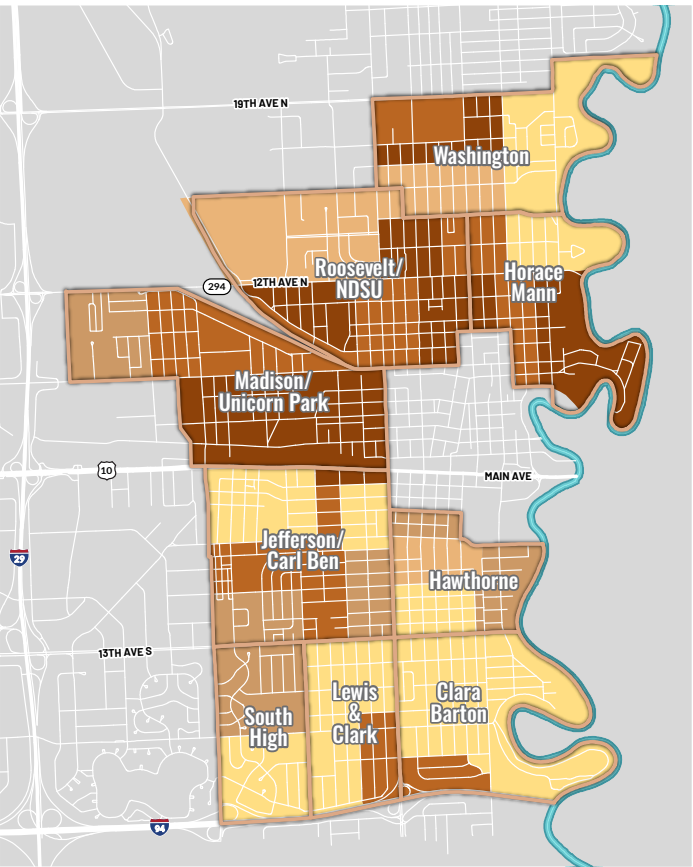Source: 2020 Field Survey of Residential Conditions

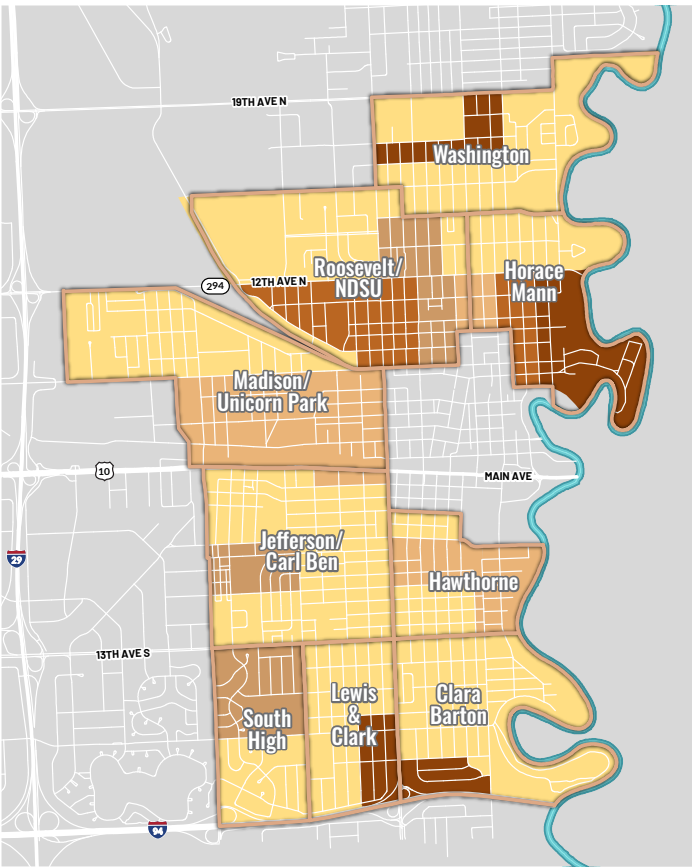## Properties Owing 2017 or Earlier Taxes

● Tax Delinquent Property
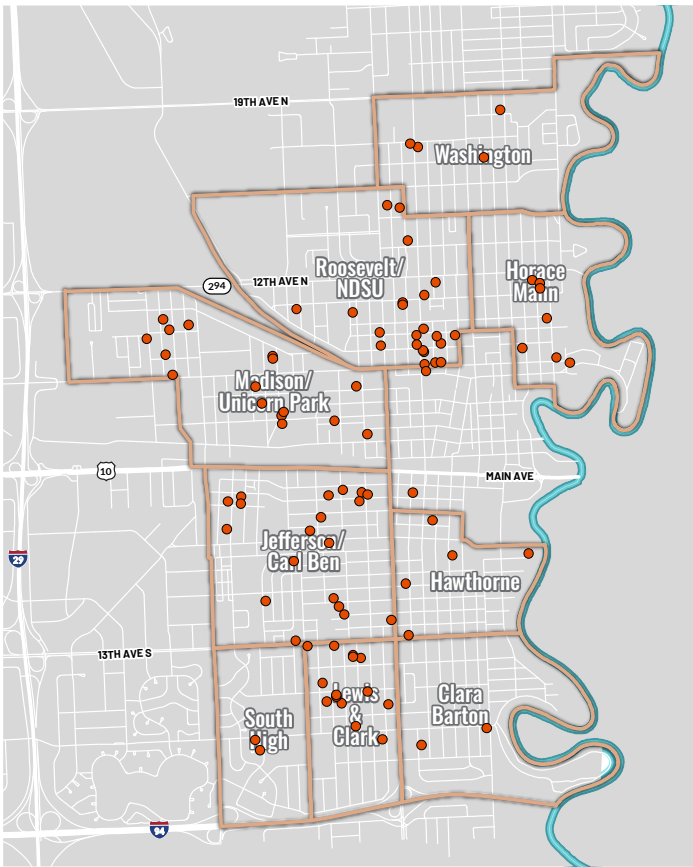
Source: czb analysis of City of Fargo tax delinquency records

Vacant Housing Units, 2018

| 0% | 3% | 5% | 10% | 20% | 32% |

Source: 2018 American Community Survey 5-Year Estimates

Chronically Vacant Housing Units, 2018

| 0% | 3% | 5% | 8% | 10% | 17% |

Source: 2018 American Community Survey 5-Year Estimates

How are "problem properties" distributed in the core neighborhoods?

In the context of this neighborhood and housing market analysis, a problem property is one that has a high probability of becoming an issue to neighbors and the City (if it isn't already) due to declining condition, an unstable ownership situation, or vacancy.

By using the 2020 field survey of conditions and focusing on concentrations of residential properties that are on the verge of slipping into distress (receiving a score of 3 minus) or actively in distress (receiving a score of 4 or 5), areas of real concern become clear. Areas adjacent to Main Avenue in

Jefferson / Carl Ben and Madison / Unicorn Park have a quarter or more properties with accumulating issues of deferred maintenance, as does the northern part of Lewis & Clark and blocks just south of the NDSU campus. Tax delinquent properties are concentrated in many of these areas, along with a notable cluster in the southeastern corner of Roosevelt.

The latest Census data on housing unit vacancy from the American Community Survey shows the highest vacancy rates in areas surrounding downtown to the north and west. This includes units that were for rent or for sale, as well as units
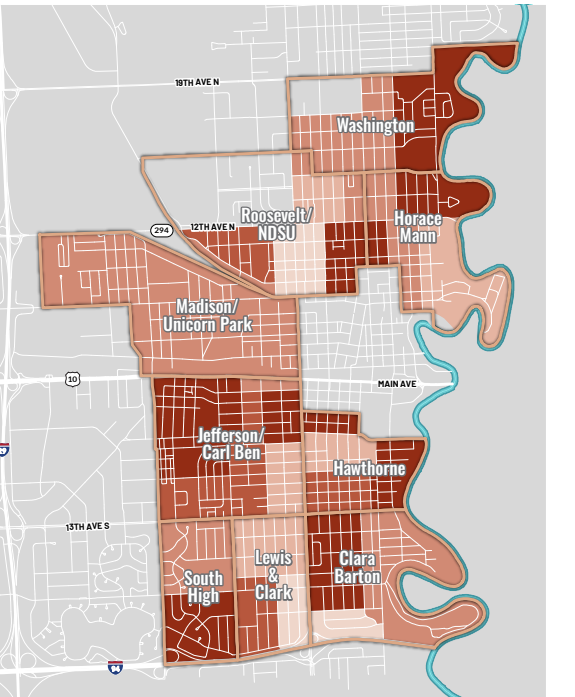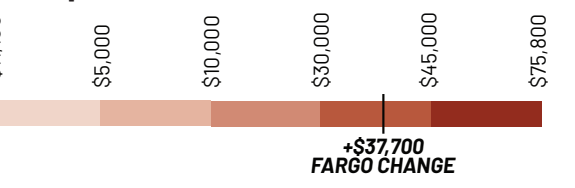
with seasonal occupancy patterns and chronically vacant units. A focus on chronically vacant and potentially abandoned units (those that are vacant but neither seasonal nor actively on the market) shows that such units were typically concentrated on the northern edge of downtown as well as slices of Washington, Lewis & Clark, and Clara Barton.

Owner-Occupied Homes

Median Value of All Owner-Occupied Homes, 2018

$92,900 | $115,000 | $150,000 | $175,000 | $200,000 | $236,300

$199,700
FARGO AVERAGE
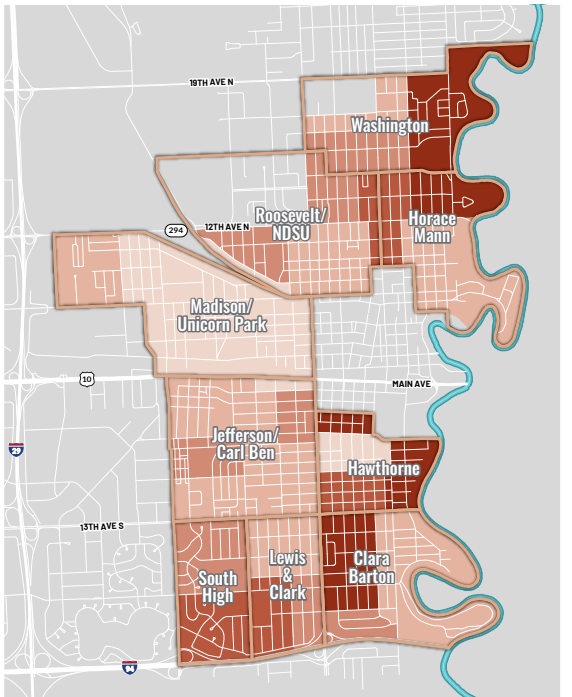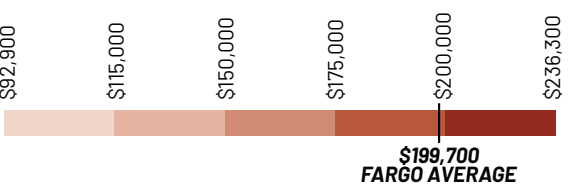
Change in Median Value of All Owner-Occupied Homes, 2014–2018

-$11,100 | $5,000 | $10,000 | $30,000 | $45,000 | $75,800

+$37,700
FARGO CHANGE

Source: 2018 and 2014 American Community Survey 5-Year Estimates

Rental Units

Median Gross Rent, 2018

$571 | $675 | $800 | $900 | $1,250 | $1,647

$796
FARGO MEDIAN
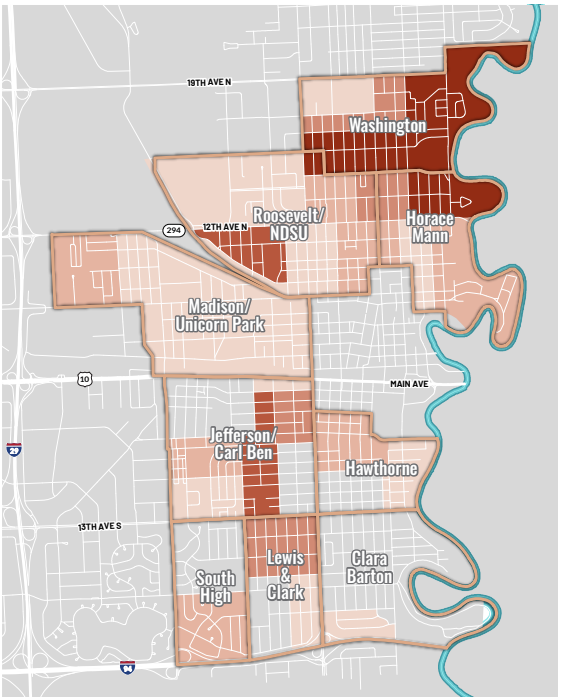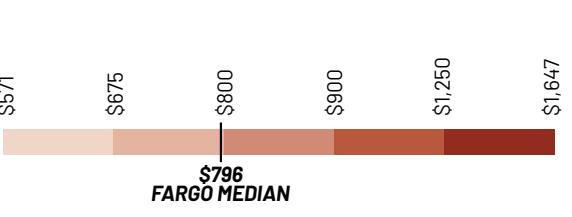
Change in Median Gross Rent, 2014–2018

-$99 | $0 | $100 | $175 | $250 | $561

+$106
FARGO CHANGE
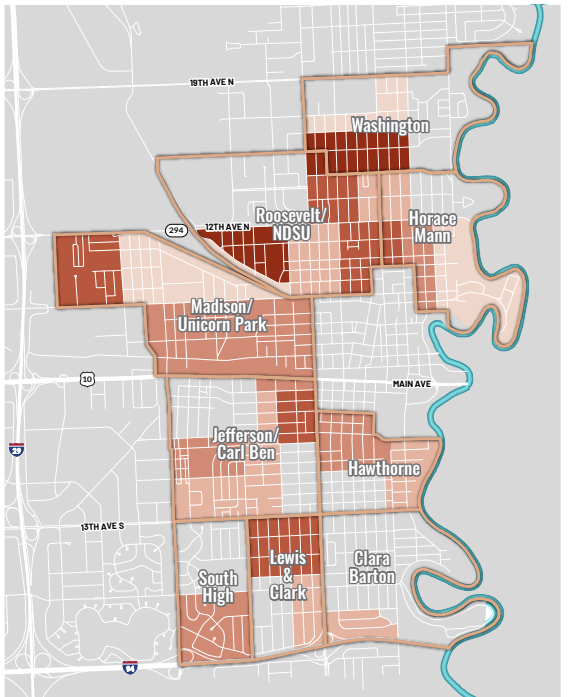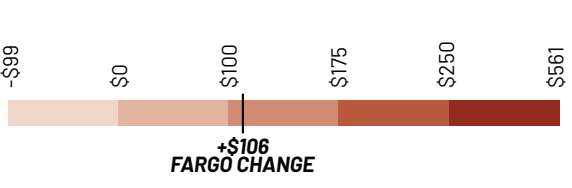
Source: 2018 and 2014 American Community Survey 5-Year Estimates
Note: Gray areas had rental sample sizes that were too small for one or both of the years analyzed.

How have values, prices, and rents been changing? And where do they stand now?

The American Community Survey is a useful tool for analyzing the cost of housing because it provides data on both owner-occupied homes and rented housing units. The most recent data for median home value (2018) show patterns that largely match other datasets, with the highest values in the core neighborhoods concentrated within certain blocks of Hawthorne, Clara Barton, Horace Mann, and Washington, where median values of over $200,000 are greater than the citywide median. For most of the core neighborhoods, values are below (sometimes far below) the citywide median.

Areas with the highest median values also experienced increases in value between 2014 and 2018 that outpaced value growth citywide. But areas of South High, Jefferson / Carl Ben, and Roosevelt also experienced notable increases in value over that period, while a few areas experienced stagnant or declines in value.

Shifting to local sales data and narrowing the focus to single-family homes that sold over two different periods from the last decade (2013-2015 and 2017-2019) reveals a slightly different pattern. One notable difference is significant growth in pricing between the two periods in parts of Madison / Unicorn Park, blocks just south of NDSU, and along Broadway north of downtown, where homes that sold more recently were purchased for an average of $50,000 more than average prices paid in the same areas earlier in the decade.

In terms of rental costs, figures for median gross rent from the American Community Survey (which includes contract rent plus utilities) showed a wide variety of rental rates across the core neighborhoods in 2018. Areas in the northeast corner of the core had median rents of above $1,250 per month, while most of the core had levels that were closer to or below the citywide median of $796. When figures from 2018 are compared to figures from the same survey in 2014, the result is a very uneven pattern of change.

Change in Average Prices of Single-Family Homes Sold, Period 2013-2015 Versus Period 2017-2019

-$42,415 | $0 | $15,000 | $35,000 | $50,000 | $65,036

Source: czb analysis of MLS data from the Fargo-Moorhead Area Association of Realtors
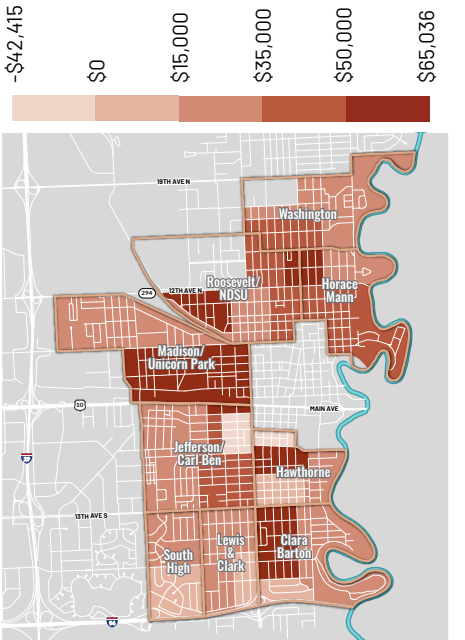
Affordability of Core Neighborhoods to Fargo's Median Household *(with income of $53,300 in 2018)*

Homeownership

Ratio of Median Home Value to Fargo's Median Household Income

1.79	2.25	2.75	3.15	4.00	4.56

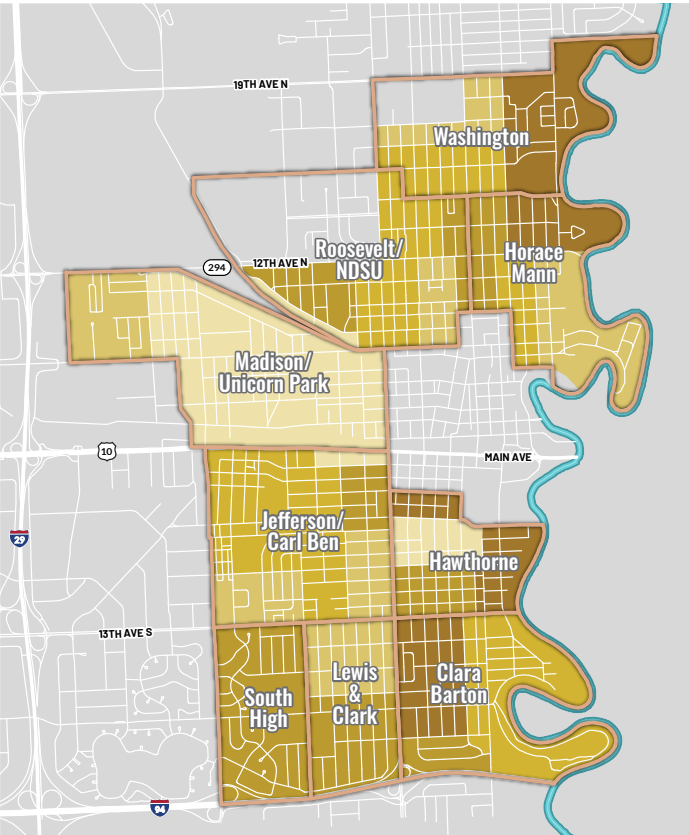Areas where the ratio is between 3.00 and 4.00 are at the top of the price range for Fargo's median household.
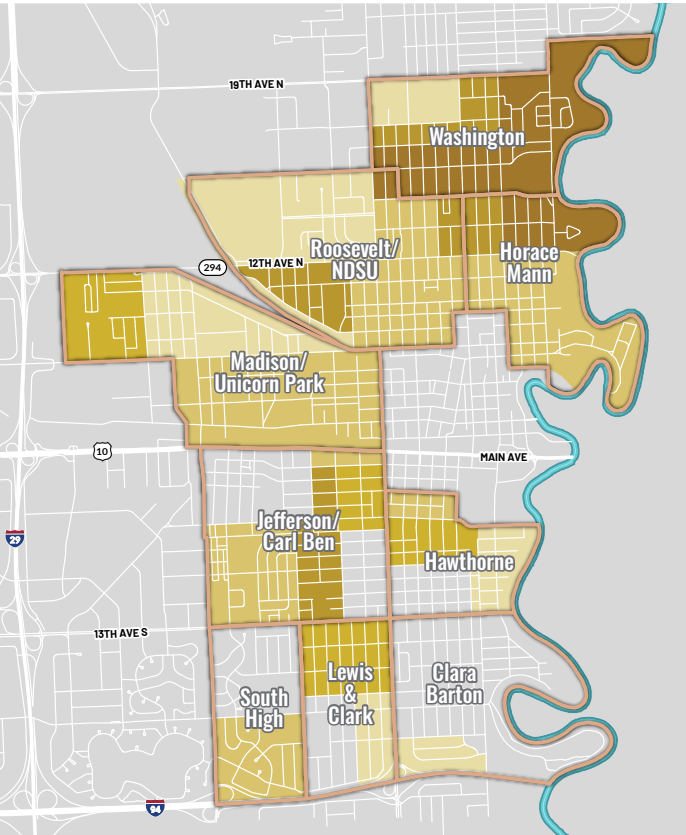
Areas above 4.00 exceed their price range.

Renting

Gross Median Rent as a % of Fargo's Median Income

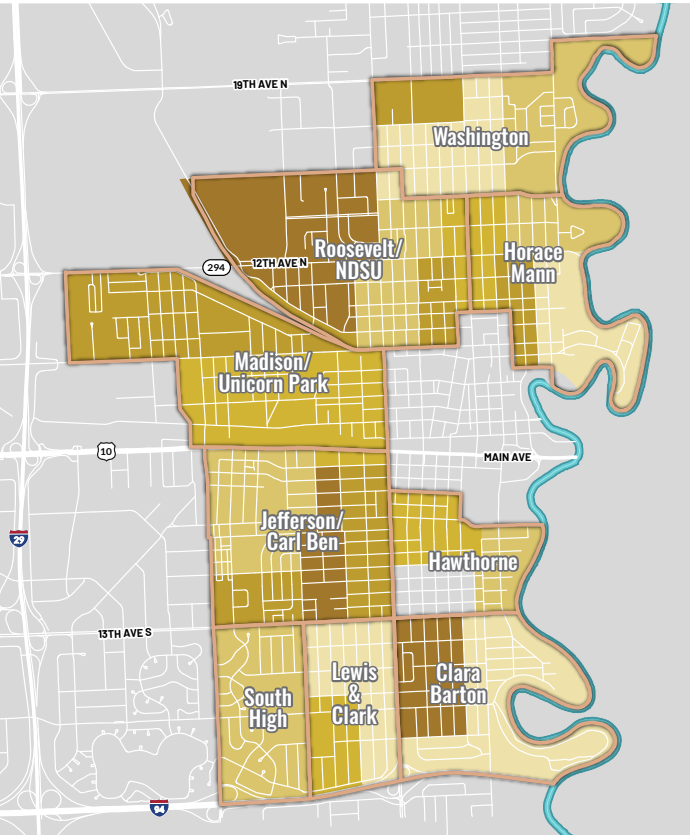| 13%	15%	17.5%	20%	30%	38%

Areas where median gross rent exceeds 30% of Fargo's median household income are unaffordable to the typical Fargo household.

Source: czb analysis of Amercian Community Survey 5-Year Estimates, 2018, for housing costs and income

### Share of Current Renters Who Pay More than 30% of Their Income on Rent

0%	25%	40%	50%	75%	100%

Source: czb analysis of American Community Survey 5-Year Estimates, 2018, for current renter cost burdens

Share of Households Making $25,000 or Less Compared to Expected Share Under "Fair Share" Scenario for City of Fargo

0.23	.50	1.00	1.50	2.00	5.61

← **LESS** Than Fair Share | **AT OR NEAR** Fair Share | **MORE** Than Fair Share →
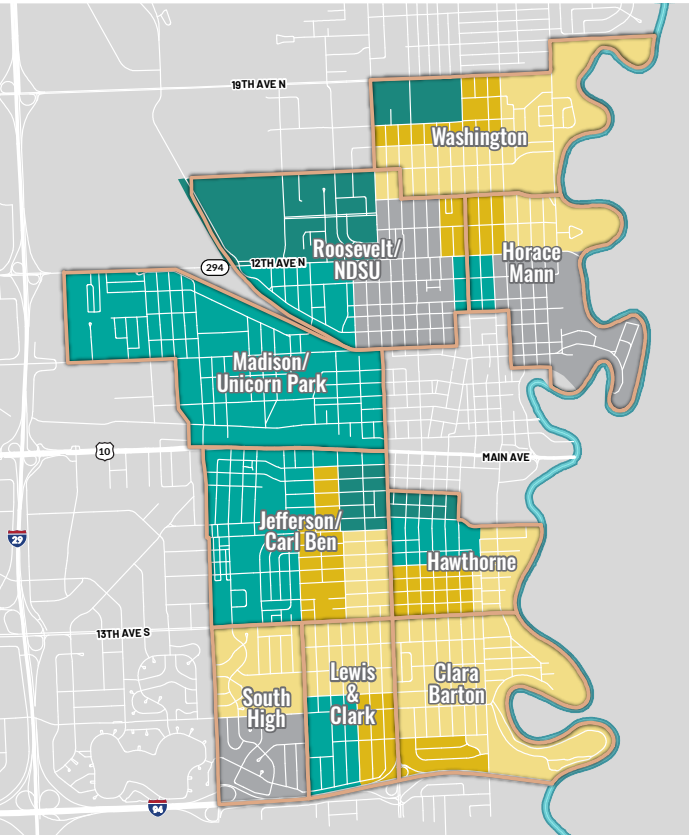
Source: czb analysis of household income distributions in the City of Fargo from the American Community Survey 5-Year Estimates, 2018

Where and how is affordable housing an issue in core neighborhoods?

Housing is generally considered to be affordable if a household is spending no more than 30% of their income on housing costs, whether that be rent or mortgage payments (principal, interest, taxes, and insurance) on a house.

For the median household in Fargo, with an income of $53,300 in 2018, this 30% rule equates to spending no more than $1,330 per month on housing. That capacity to spend on housing well exceeded the city's median gross rent of $796 in 2018 and was equivalent to the median monthly payment for a homeowner with a mortgage ($1,382). In other words, the Fargo market as a whole is considered affordable to the typical household.

How does that same household fair within the core neighborhoods? When it comes to purchasing a home, an affordable purchase price is generally considered to be 3.0x to 3.5x a household's annual income. When that ratio is applied to current median home values in the core neighborhoods, as in the map above, most of the core neighborhoods are within or below the price range for a household making $53,300, though parts of Clara Barton, Hawthorne, Horace Mann, and Washington are above their affordable purchase range. In terms of rents in the core neighborhoods, the median Fargo household would be paying under 30% of their income on rent in all but the far northeastern part of the core.

But what about households who already live in the core neighborhoods? An analysis of areas where current renters pay more than 30% of their income on housing shows that these households are located throughout the core neighborhoods but are especially concentrated near NDSU (where student households are part of the picture) and other areas ringing the downtown area. A pocket of cost-burdened renters in Clara Barton is hard to explain due to the limited rental stock in that area and may be influenced by a small number of renters in single-family homes.

Given the general affordability of the core neighborhoods to Fargo's median household, affordability for existing households in the core neighborhoods is primarily a function of low incomes rather than high housing costs. As a fair share analysis of Fargo households making $25,000 or less (and who can afford to spend no more than $625 per month on housing) demonstrates, these households are disproportionately located in areas shaded in green while being disproportionately low in share in areas shaded in yellow. In Fargo or anywhere in the U.S., these households will generally struggle to afford high-quality housing without some assistance.

Average Sale Prices, 2015–2020, by Market

Five Most Common Home Configurations in Core Neighborhoods *(in order of prevalence)*

Core Neighborhood Markets

| ABOVE AVERAGE | AVERAGE | BELOW AVERAGE | WELL BELOW AVERAGE |

Cases where core market prices are on par with or above one or more regional comparison markets

3 bedrooms, 2 bathrooms

- $204,828 | $187,638 | $165,748 | $162,434
- $200,765 City of West Fargo
- $193,623 City of Fargo
- $182,034 City of Moorhead

2 bedrooms, 2 bathrooms

- $186,247 | $158,661 | $141,487 | $132,395
- $187,114 City of West Fargo
- $186,436 City of Fargo
- $166,356 City of Moorhead

2 bedrooms, 1 bathroom

- $161,034 | $116,860 | $115,893 | $108,082
- $132,535 City of West Fargo
- $120,536 City of Moorhead
- $116,623 City of Fargo

3 bedrooms, 1 bathroom

- $165,293 | $155,565 | $151,116 | $130,173
- $150,792 City of Fargo
- $141,685 City of West Fargo
- $140,858 City of Moorhead

3 bedrooms, 3 bathrooms

- $247,022 | $217,890 | $201,865 | $221,491
- $265,815 City of Fargo
- 252,028 City of West Fargo
- $241,810 City of Moorhead

What is the regional competitive position of the Core Neighborhoods?

While the demand-based housing market typology presented in Part 1 shows that some parts of the core neighborhoods feature market conditions that are above average or average compared to the City of Fargo as a whole, how well do those markets compete when compared to other regional markets?

To gauge the competitive position of the core neighborhood markets on a more regional basis, average sales prices for the most common home configurations in

the core neighborhoods were compared to prices for the same configurations in Moorhead, West Fargo, and the City of Fargo as a whole.

What this analysis reveals is that, for all of these most common home configurations, the above average markets in the core neighborhoods are on par with or exceed their regional competition in terms of recent pricing. This suggests that demand for these neighborhoods — and for their

combination of housing stock, location, amenities, and other factors — is strong regionally as well as citywide. For three of the five home configurations, the core's average markets were also shown to be competitive with similar configurations on a regional basis.

PART 4

KEY TAKEAWAYS FOR STRATEGY DEVELOPMENT

This Neighborhood and Housing Market Analysis for Phase I of the Core Neighborhoods Master Plan underscores and gives greater definition to something that was evident to all from the outset of this project: that Fargo's core neighborhoods—home to over 30,000 residents in an area the size of a small city—are a series of distinctive places, and that a one-size-fits-all plan would provide inadequate guidance for the City, neighborhood leaders, and other stakeholders to address challenges and opportunities throughout the core.

At the same time, a public survey and steering committee work during Phase I revealed that many of the core neighborhoods share similar concerns, are proud of similar assets, and have similar or related outcomes in mind for the coming decade.

Given these general impressions from Phase I, the following represent czb's key takeaways for the next steps in the planning process, especially strategy development:

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1. Variations in market condition are substantial within the core and strategies should reflect this variety.

The market typology map featured in Part 1 of the report is a tool for understanding differences in demand within the core neighborhoods. This matters because the strength of the market helps determine the extent to which the private sector (individual property owners and home buyers) can be counted on as a driving force for solving problems related to disinvestment, and the degree to which public or non-profit interventions will be needed to shoulder a greater share of the work.

For example, the future health of small, older properties may be an important issue in multiple neighborhoods. But a responsive strategy to improve the probability of healthy outcomes for a 2 bedroom, 1 bathroom home in Horace Mann—where such properties have an average value of $159,000 and 83% are owner-occupied—will need to be calibrated differently for a similar home in Madison / Unicorn Park, where the average value for the same configuration is $114,000 and only 60% are owner-occupied.

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2. The absence of abject distress in Fargo's core neighborhoods is an important advantage to leverage over the coming decade.

In many American cities, a master plan for core neighborhoods would have to address the reality that entire neighborhoods are deeply distressed and have been for years, and that the cost to make a substantial improvement in those neighborhoods—where the market has essentially ceased to function—far exceeds the resources available.

Fargo does not face that predicament. While there are certainly areas of the core that are struggling with the consequences of chronic underinvestment in the housing stock, there are no swaths of abject distress. What this offers Fargo over the coming decade is an opportunity to leverage this advantage by rapidly addressing disinvestment and declining conditions where they exist—before they get worse, and while the cost of doing so can still be realistically covered by a combination of private and public dollars.

This plan can provide a blueprint for surgically addressing disinvestment with a range of partnerships and tools. It will require a commitment of resources and patience, but not seizing this opportunity now would cost Fargo far more in the long run.

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3. Levels of inequality in the core neighborhoods, though not as stark as in many cities, are still noticeable. The overall strength of the core provides an opportunity to address housing inequalities in a substantial way.

As is noted in a few different parts of this document, the Fargo housing market is healthy and balanced in a way that makes it widely affordable to most households. Indeed, the city's median gross rent in 2018—$796—was affordable to a household making $32,000. And half of Fargo's rental units rented for less than that rate.

In other words, high housing costs are not a problem to solve in Fargo like they are in some coastal cities where rising land prices have led to ballooning housing costs that even middle-class households struggle to afford. But that doesn't mean that many households in Fargo aren't struggling to pay for housing, especially those making under $25,000. And as analysis in Part 3 of this document shows, these households tend to concentrated in areas of the core neighborhoods where housing prices are lower because the housing stock is in poorer condition and construction quality may have been marginal to begin with.

Without intervention, concentrations of lower income households in areas where the housing stock has been declining in condition can be expected to continue. The Core Neighborhoods Master Plan has an opportunity to provide direction on how best to invest in these areas over the coming decade and how best to distribute affordable housing investments and resources within the core so that inequalities become less pronounced over time.

SUMMARY OF NEIGHBORHOOD AND HOUSING MARKET ANALYSIS
CORE NEIGHBORHOODS MASTER PLAN

FARGO, ND
JUNE 2020

Prepared by czbLLC