METROCOG
FM REGIONAL TRANSPORTATION PLANNING ORGANIZATION

Fargo-Moorhead Regional Housing Needs Analysis and Strategies
Joint Commissions – Report Overview

June 2023

HR&A

Today’s agenda

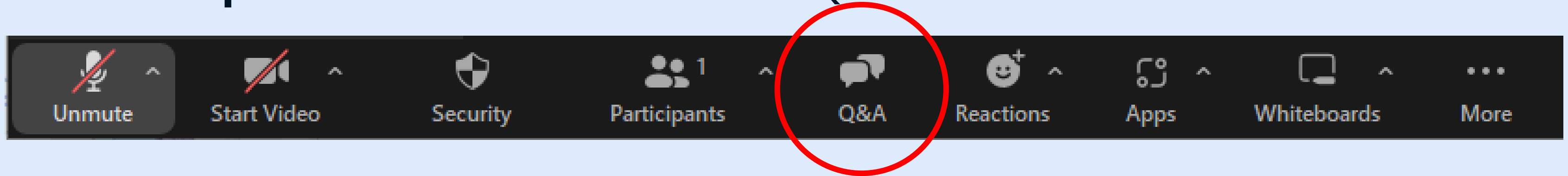
1. **Welcome and Introductions (Metro COG, 10 min)**
2. **Study Overview (HR&A Advisors, 40 min)**
3. **Q&A (15 min)**

   Please use the Q&A feature in Zoom
4. **Discussion (15 min)**
   1. How does your jurisdiction plan to use this information as you think about your individual approaches for meeting housing needs in your city? What do your next steps include?
   2. What strategies do you think should be prioritized at the regional level to support housing needs?
5. **Closing (5 min)**

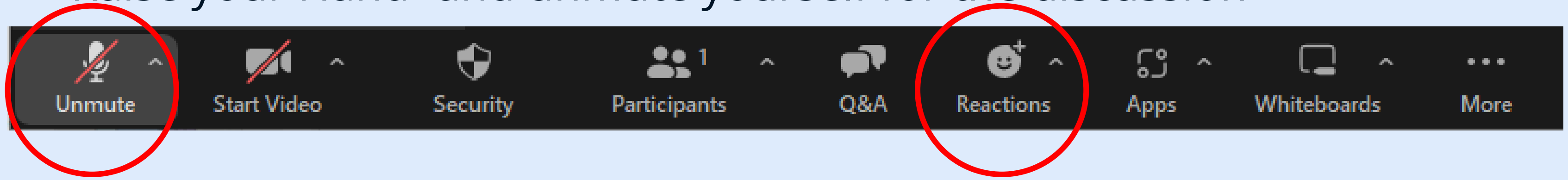
The focus of this meeting is to introduce you to the project.

Meeting Ground Rules for Commissioners:

- **Post a question** or comment in the Q&A.



- "Raise your Hand" and unmute yourself for the discussion



Meeting Ground Rules for the Public:

- **While open to the public, there will be no public comment period associated with this meeting.**

Acknowledgements

This study is the result of a community-wide effort between Metro COG, Fargo, Moorhead, West Fargo, Horace, and Dilworth, and a broader group of local stakeholders. We would like to thank the many community members, service providers, elected leaders, City staff members, Study Review Committee Members, and members of the public who provided invaluable insight and feedback.

Study Review Committee Members and City Staff:

Cindy Gray
Metro COG

Adam Altenburg
Metro COG

Jaron Capps
Metro COG

Nicole Crutchfield
Fargo Department of Planning

Kim Citrowske
Fargo Department of Planning

Robin Huston
Moorhead Department of Planning

Aaron Nelson
West Fargo Department of Planning

Malachi Petersen
West Fargo Department of Planning

Peyton Mastera
City of Dilworth

Don Lorsung
City of Dilworth, Department of Community Development

Jace Hellman
City of Horace, Department of Community Development

Grace Puppe
Cass County Office of Planning

Matt Jacobson
Clay County Office of Planning

Kayla Ver Helst
North Dakota Housing Finance Agency

Dan Madler
Beyond Shelter

Amber Carlton
FM Area Association of Realtors

Cale Dunwoody
Chamber of Commerce

Joe Raso
Greater Fargo-Moorhead Economic Development Corporation

Bryce Johnson
Home Builders Association of Fargo-Moorhead

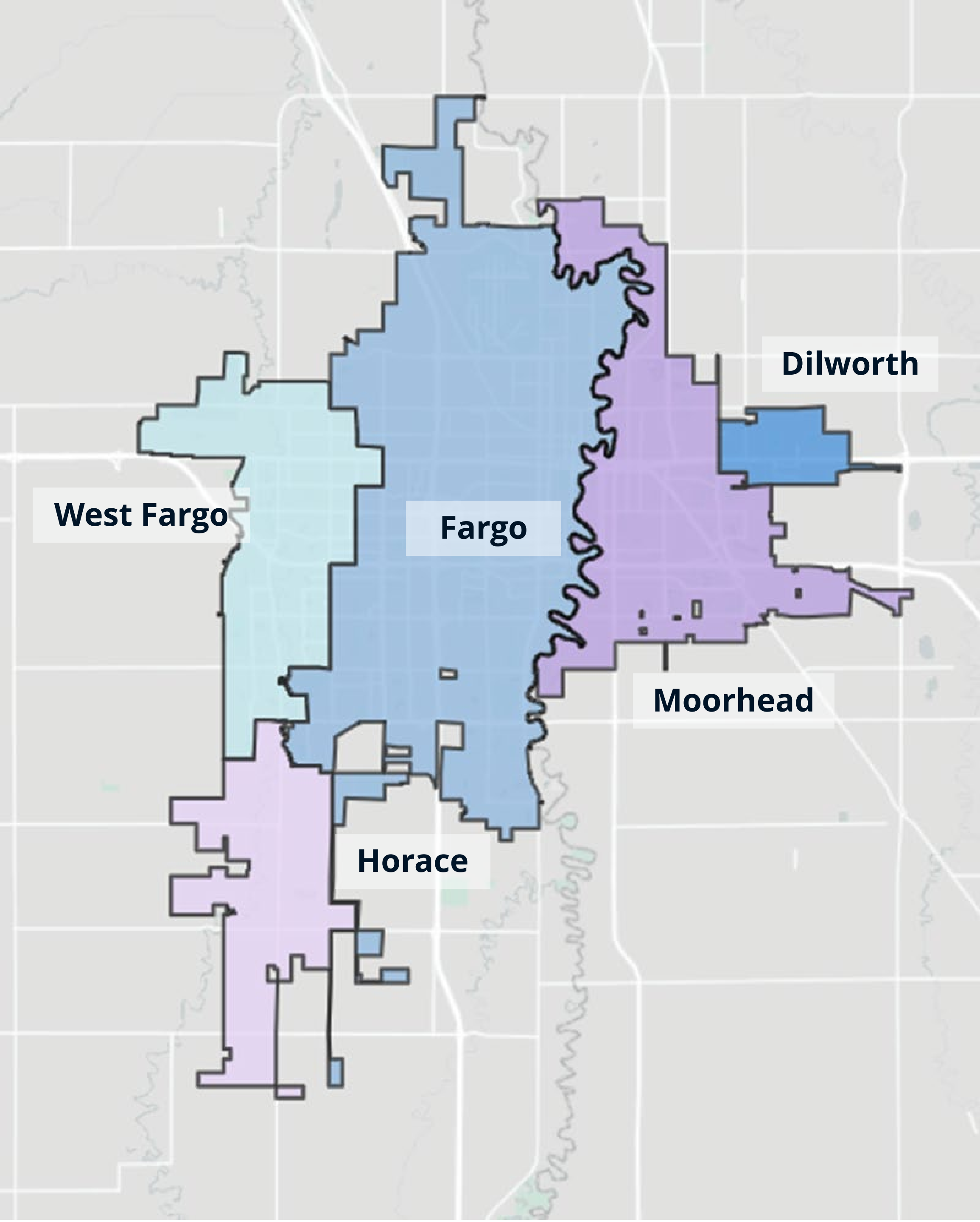
Introduction

Study Purpose

The Fargo-Moorhead Regional Housing Needs Analysis and Strategies is intended to create a robust regional understanding of housing data. Through common grounding on regional housing issues, participating cities can coordinate on policy and regional strategy.

As part of the Fargo-Moorhead Housing Needs Analysis, the consultant team collected data and documented housing needs and demands for the region. This document presents findings at the regional scale, with underlying analysis including data for specific municipalities: Dilworth, Fargo, Horace, Moorhead, and West Fargo.

The robust data analysis led to the development of potential short term and long-term strategies for meeting the housing needs and demands for the region. The consultant team provided case study examples of potential near- and long-term housing solutions.

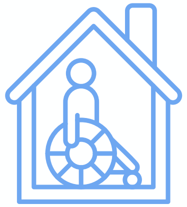


Introduction

The Fargo-Moorhead region has five housing goals.

1. Promote regional coordination for housing strategies.

2. Educate city and county staff, elected officials, and residents on key housing challenges facing the region.



3. Help current residents stay, grow, and age in the region.

4. Accommodate new population and job growth by supporting more housing choice through different tenures and building types.

5. Create more opportunities for entry-level homeownership.

The Housing Needs Assessment identified four primary themes necessary for understanding the Fargo-Moorhead housing market.

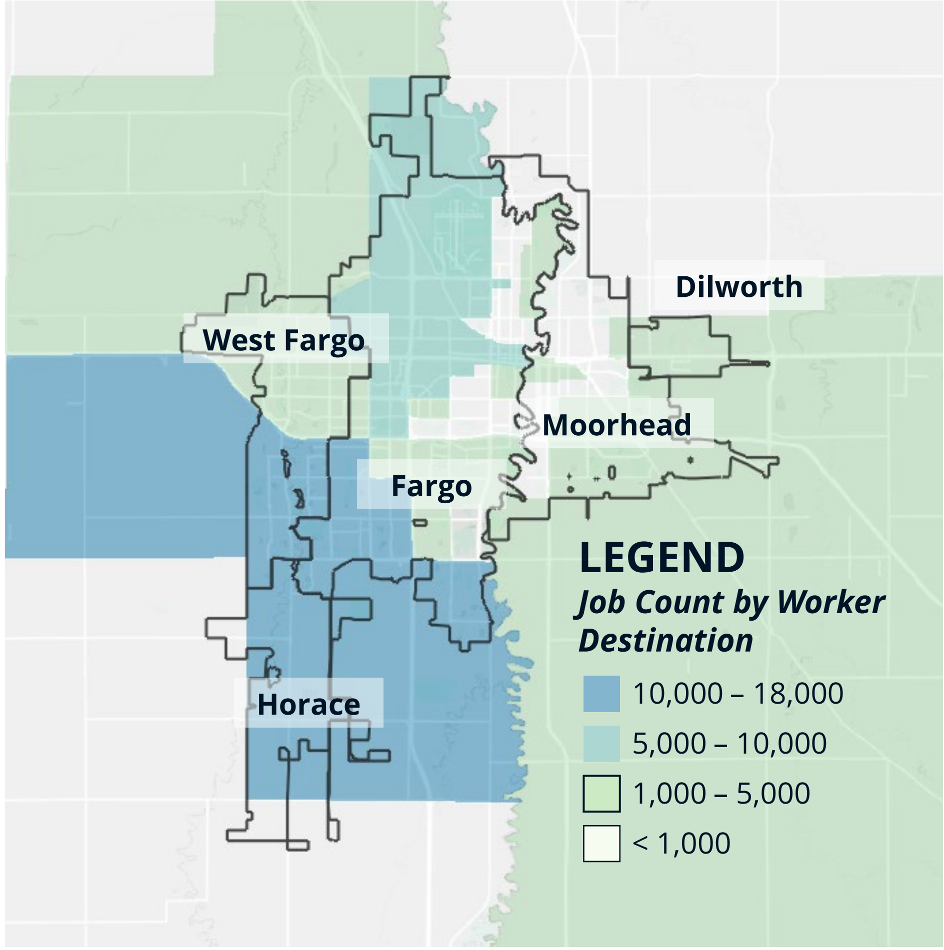
Strong Employment Growth	**Housing Supply Lagging Behind a Changing Demand**	**Opportunity for Increased Homeownership Access**	**Lack of Sufficient Affordable Rental Housing**

Through the Housing Needs Assessment, HR&A identified the following themes necessary to understand the Fargo-Moorhead market.

STRONG EMPLOYMENT GROWTH	• Over the past 10 years, the region has added nearly **23,000 new jobs,** with thousands of jobs remaining unfilled and unemployment below 3% statewide. • New regional initiatives like the F-M Diversion Construction will intensify these trends.
HOUSING SUPPLY LAGGING BEHIND A CHANGING DEMAND	• New housing unit production has not kept pace with job growth in the region. This gap is larger than the national average, **with a ratio of 1.5 jobs to units, compared with 1.3 nationwide.** • Development of 2-9 unit buildings has not kept pace with increase in single family development and large, multifamily development. • The majority of new housing supply production is located in the southwest of the F-M region.

The Fargo-Moorhead region has a robust, growing economy – with increasingly economically and racially diverse residents.

- **Over the past 10 years, the region has added nearly 23,000 new jobs**, with thousands of jobs remaining unfilled and unemployment hovering below 3% statewide.
- High growth industries, including healthcare and manufacturing, have added numerous high-paying jobs, increasing demand for entry-level homeownership products.
- **Average salaries for these high growth industries are above $70,000**, which is higher than the region's median income of $66,000.
- New regional initiatives like the F-M Diversion construction will intensify these trends, anticipated to draw both temporary and full-time workers.



Relative to comparable markets, the Fargo-Moorhead region has the highest population growth and faster job growth than the Twin Cities and Rochester, MN.

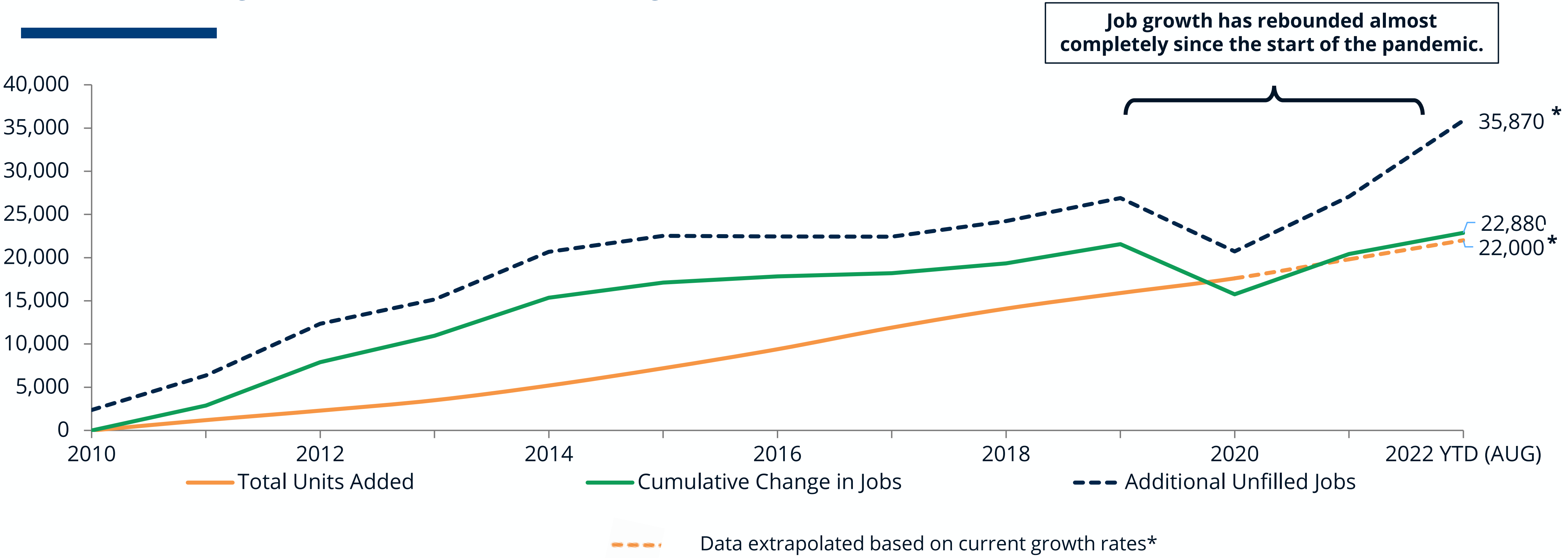
Regional Metrics

	Fargo-Moorhead, ND-MN	Sioux Falls, SD	Des Moines, IA	Rochester, MN	Bismarck, ND	Minneapolis-St. Paul, MN	Omaha, NE	St. Cloud, MN	Mankato, MN
Population (2020)	**249,000**	274,000	708,000	223,000	130,000	3,700,000	1,000,000	202,000	103,000
Population Change % (2010 – 2020)	**19%**	19%	16%	8%	17%	10%	10%	7%	6%
Jobs Change % (2010 – 2020)	**11%**	16%	13%	8%	8%	7%	6%	5%	3%
Cost of Living (COL) Index*	**101.1**	105.4	98.5	103.9	105.7	104.5	99.2	98.5	101.0
Median Household Income (2020)	**$66,000**	$68,000	$71,000	$77,000	$73,000	$83,000	$69,000	$64,000	$63,000

Source(s): Lightcast, *Geographies are MSA level findings, over the last 10 years.*
***** *The Cost of Living Index (COLI) comes annually from C2ER and provides a baseline for understanding how regional costs of living compare to the nation and to each other. An index below 100 means the region has a lower cost of living compared to the national average.*

Housing unit development has not kept pace with job growth in the region. This gap is larger than the national average, with a ratio of 1.5 jobs to units, compared with 1.3 nationwide.

Cumulative Change in Household, Jobs and Building Permits Added



Source(s): *ACS 5-Year Data, 2010-2022, Lightcast 2010-2022, MN Department of Employment and Economic Development LMI, ND LMI.*
Additional Unfilled Jobs Figures based on annualized job opening rates for the economic development regions around Cass and Clay County.

Housing supply is limited across income levels for both homeowners and renters. This is particularly true for renter and owner households earning under $75,000, which constitutes over half of the region's households.

NEW HOME AFFORDABILITY

- Single family continues to be the dominant housing typology in the region, with limited production of 2–9-unit buildings.
- Areas of growth have pushed the boundaries of the metro region over the last 10 years.
- New home typologies do not align with price range or desires of households.

MULTIFAMILY PRODUCTION

- While multifamily production increased in the early 2010's, it has declined in recent years, while vacancy rates have also declined.
- Construction costs, zoning restrictions, sewer capacity, and community pushback have limited multifamily production in some new areas.

NEED FOR MISSING MIDDLE

Ownership Opportunities

- Over the last year, average prices of homes sold have increased by 18%. There are limited new construction products affordable to the average resident.

Rental Housing Needs

- On average, new multifamily units are targeted for the region's new high earners, creating a gap in supply for low-income residents.

Source(s): *US Census, 1990-2020, EMSI, Local Permit Data. Under the Need for Missing Middle section, region's new high earners indicates households above area median income.*

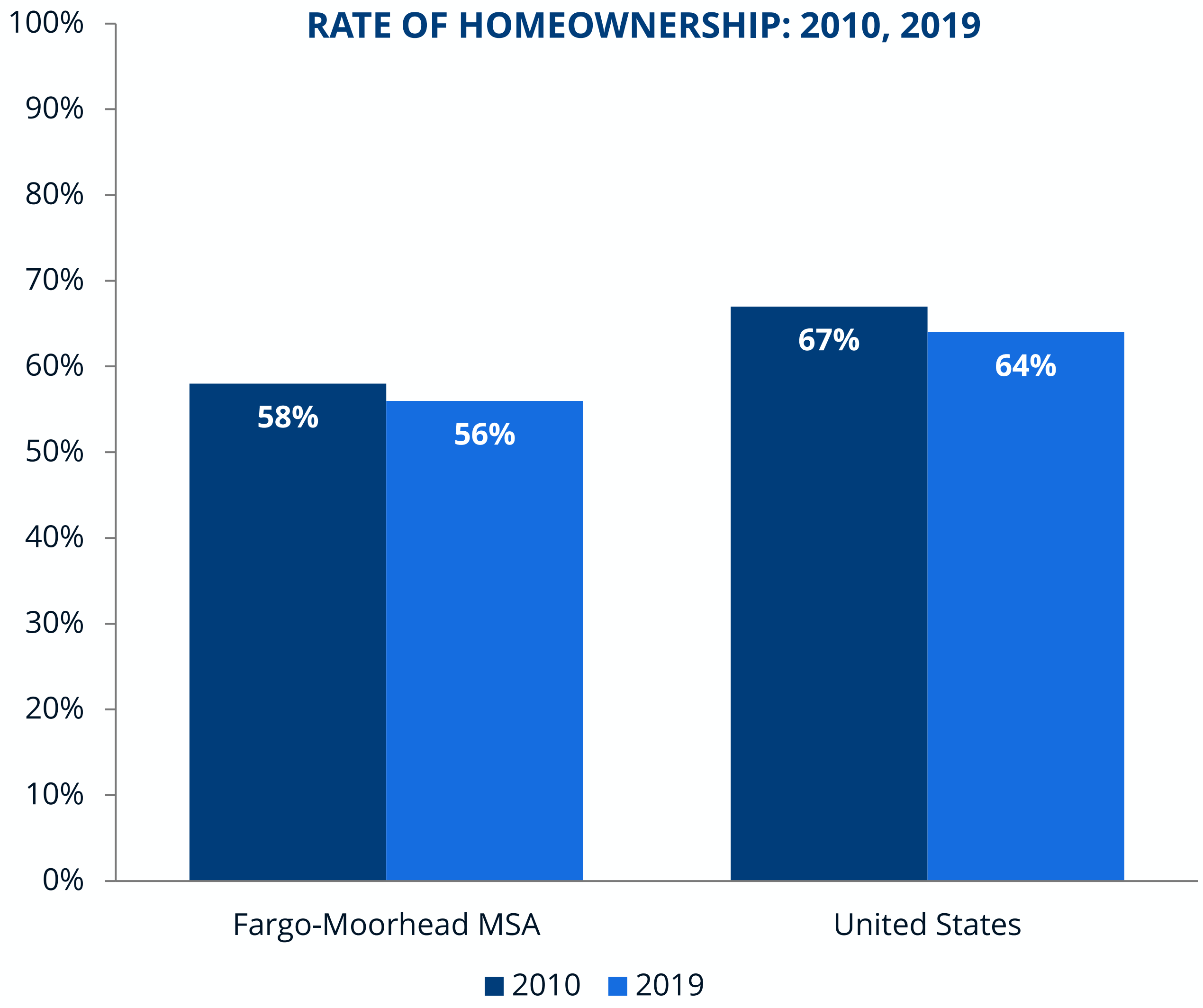
Through the Housing Needs Assessment, HR&A identified the following themes necessary to understand the Fargo-Moorhead market.

OPPORTUNITY FOR INCREASED ACCESS TO HOMEOWNERSHIP	• The F-M region had experienced steady housing cost appreciation even before the pandemic. As a result, **in 2022 the minimum income required to purchase the average home was $81,000.** • At this income, **less than 20% of renters** could purchase a home • **Mortgage denial rates are higher for non-white households** in the region compared to white households, even when controlling for income. • 64% of senior renter households and 58% of single-parent renter households are cost-burdened, making homeownership increasingly challenging to access.
LACK OF SUFFICIENT AFFORDABLE RENTAL HOUSING	• The largest share of rental housing need is **among the most vulnerable households, families earning less than $35,000**. • This indicates a growing need for workforce and affordable family-sized rentals and additional funding sources for affordable housing production, particularly where federal or state funding is limited.

The Fargo-Moorhead homeownership rate is lower than the national average.

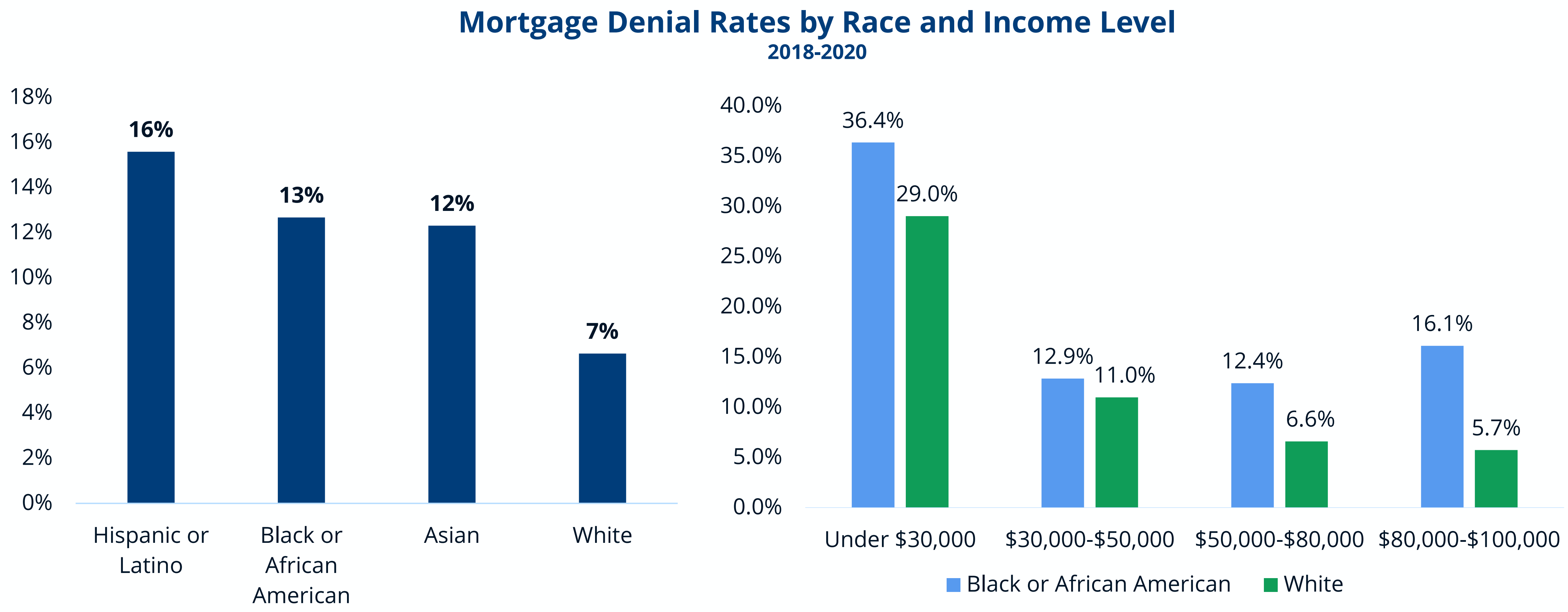
- Homeownership is increasingly out of reach for **households with incomes lower than $75,000** and **elderly** populations.

- Renters that completed our community survey cited **lack of savings for a down payment** and a **low supply of affordable homes** as the largest barriers to homeownership.



***Source(s)**: American Community Survey 2010, 2019 5-year Estimates, U.S. Census*

For non-white households in the region, mortgage denial rates are higher, even when controlling for income.



Source(s): *HMDA, 2020*
**Cost-Burden rates for BIPOC households has not been included, here, as the sample size is too small to be statistically significant For Hispanic or Latino, Asian, and Native American population, the data was not able to be analyzed due to the small sample size.*

Executive Summary |
Housing Needs Assessment Findings

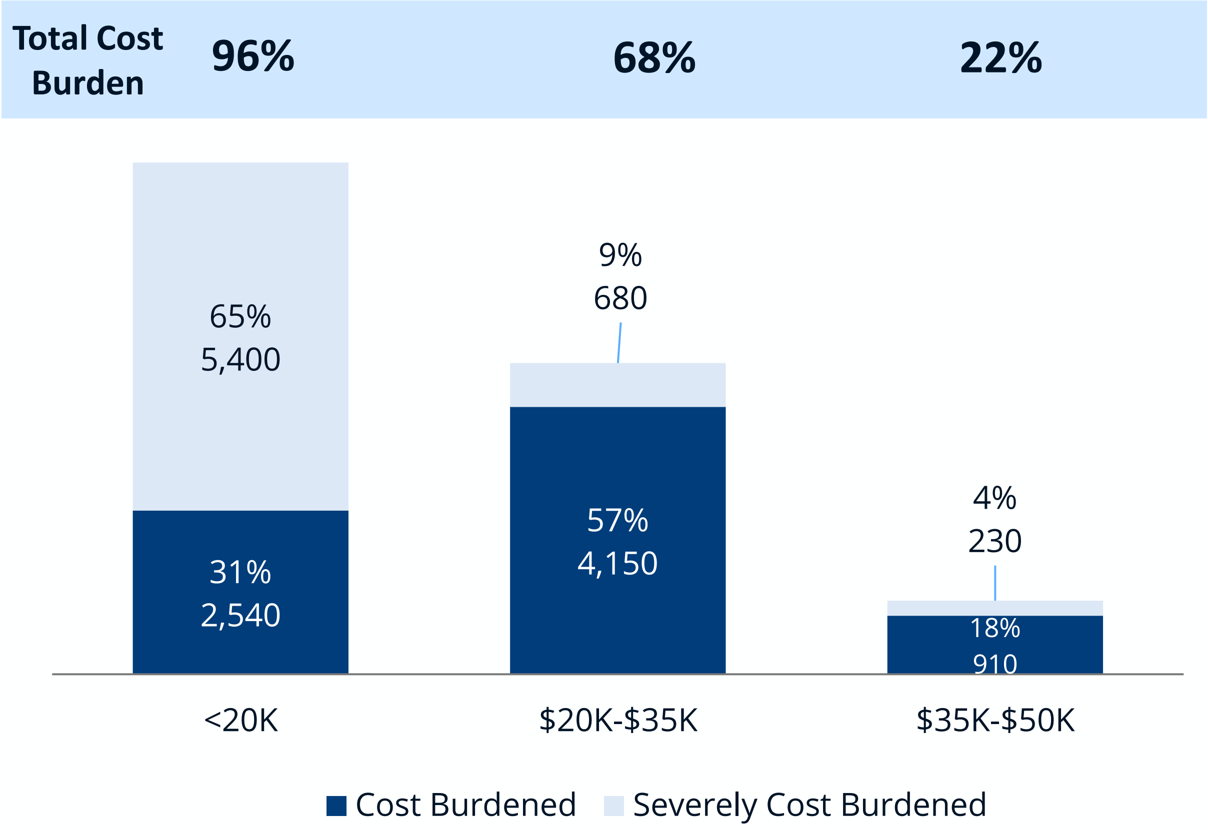
The largest share of rental housing need is among the most vulnerable households, families earning less than $35,000.

- Most new multifamily units are targeted for the region's new high earners, creating a gap in supply for the lowest income residents.

- Nearly all renter households earning under **$20,000 are cost-burdened or are paying more than 30% of their income towards housing.**

Share of Cost-Burden Renter Households by Income

(2010-2020)



***Source(s)**: American Community Survey 2010-2019 5-year Estimates, U.S. Census*

In addition to the housing needs assessment, the consultant team conducted focus groups, interviews, and public surveys to gather qualitative knowledge on existing housing needs and trends.

5 Focus Groups

Small Group Meetings

- Housing Assistance Organizations
- Housing Finance Organizations
- City Planning and Community Development Professionals
- Economic Development Professionals
- Home Builders Association

13 Interviews

Individual Discussion

- Single-Family Developers
- Multifamily Developers
- Mixed-Use Developers
- Affordable Housing Developers
- Residential Real Estate Professionals
- Commercial Real Estate Professionals

Surveys

Community Survey

- 800+ Resident Responses
- Mix of homeowners and renters

Industry Survey

- 35+ Individual Employer Responses
- Mix of small (<50 employees), medium (50-500), and large (500+) firms

Community Survey Results

Demand for Housing Diversity

Most respondents want to see the same or more townhomes and duplexes. Demand for mixed-use is significantly stronger than multifamily housing.

Most Residents Want More Senior Housing

Over 90% of respondents want to see more senior housing in the region.

Affordability is the Largest Barrier to Homeownership

60% of residents don't have enough money for a down payment and 55% can't find an affordable home to purchase.

Most Renters want to be Homeowners

Only 10% of renters indicated they do not wish to own a home.

Lack of Knowledge on Existing Programs

65% of renters do not know about existing local homeownership programs.

Industry Survey Results

Housing Impacts Employee Retention

Housing ranked **fourth amongst factors impacting the attraction and retention** of employees, behind compensation, company culture, and quality of life.

Employers Offer Limited Housing-Related Resources

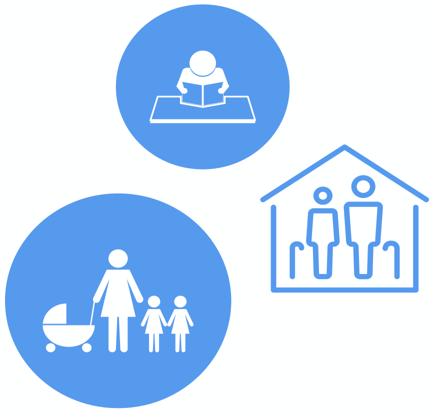
Only 16% of employers offer resources related to housing their employees. Some of these incentives include relocation assistance and bank-led sessions on mortgage options.

Most Employers are Interested in Learning About Housing-Related Resources

71% of respondents are interested in learning about the housing incentives discussed in the Housing Needs Analysis Final Report.

Image by InForum

The Fargo-Moorhead Region must deliver a variety of housing typologies that are affordable and attainable in order to sustain its fast economic growth and high quality of life.



- The region has added nearly 23,000 new jobs.
- Unemployment has remained below 3%.

- Housing unit development has not kept pace with job growth.
- Development of 2-9 unit buildings has not kept pace with single family or large, multifamily development.

- 67% of renter households earning less than $50,000 are paying more than 30% of their income towards housing.
- Average prices of homes sold have increased by 18%, outpacing most renter incomes.

Over the next 10 years, Cass and Clay Counties will need at least 16,400 additional units.

Municipality	Additional Households Demand*	Renter Households (2030)	Homeowner Households (2030)	Additional Units Needed by 2032
Cass & Clay Counties	**14,200**	**6,250**	**7,950**	**16,400**
Outside 5-City Region	500	150	350	**500**
Total 5 City Region	**13,700**	6,100	7,600	**15,900**
Fargo	7,100	4,130	2,970	8,300
Moorhead	3,200	1,340	1,860	3,700
West Fargo	1,400	530	870	1,600
Horace	1,700	50	1,650	1,900
Dilworth	300	50	250	400

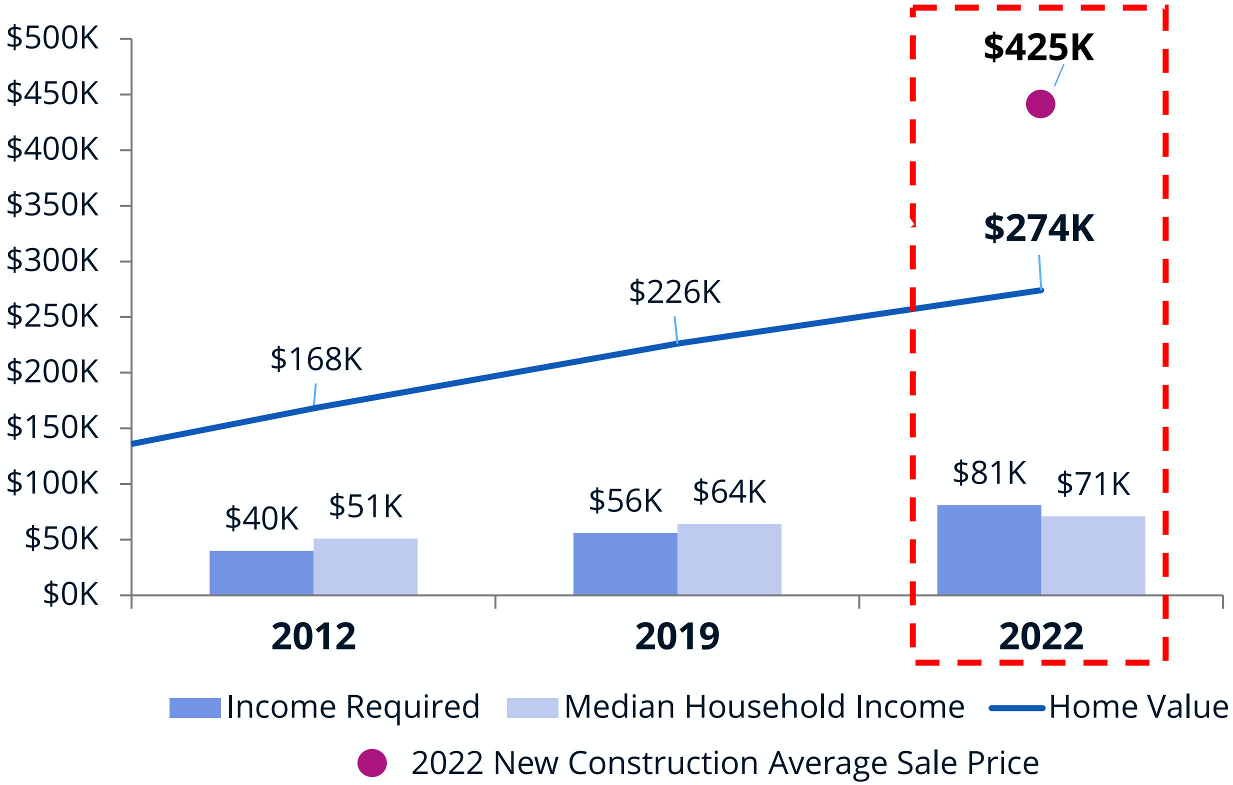
This analysis accounts for:

- The number of net new households in the region;
- Assumptions on the rate of stock depreciation (or number of housing units taken offline each year);
- Natural vacancy rates, due to turnover of units and the time it takes for a new tenant to move in;
- Percentage of seasonally used homes (such as second-homes); and
- Assumptions on tenure split between renter and owner-occupied units.

Source(s): *HR&A Analysis.*
** Estimates for housing demand were based on regional population growth metrics from the Metro COG Baseline 2050 Demographic Forecast.*

While construction of these 16,400+ units may be feasible based on existing levels of production, the cost of these new homes will be out of reach for most residents.

Average Home Cost and Income Required to Purchase
2010-2022

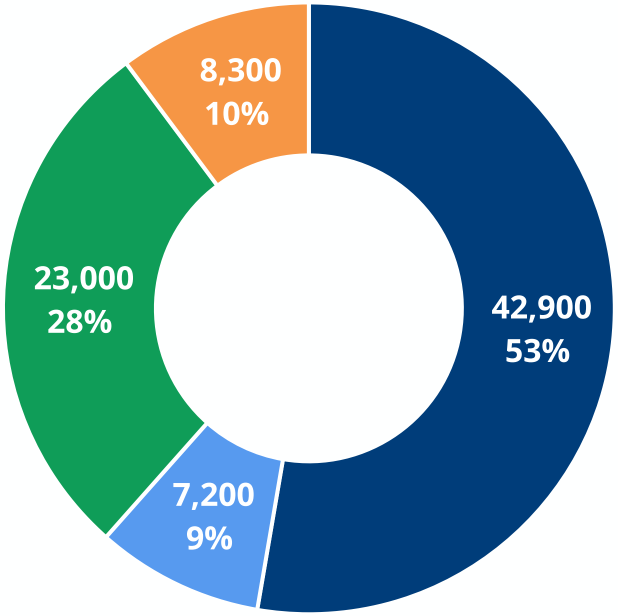


- **Less than 20% of renters** and **50% of all residents** can afford the average home value of $274K**.**
- New construction of all homes are already unaffordable for most in the region, **in 2022, these homes were sold or appraised on average at $425K***. Less than 30% of the region's residents can afford to buy a home priced at this amount.

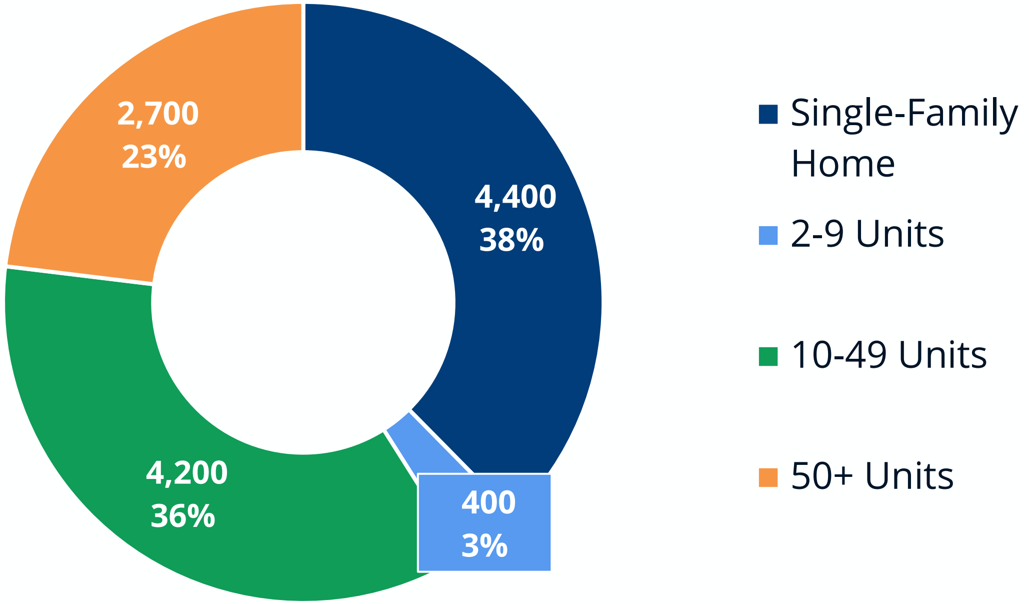
Source(s): *US Census, 2010-2020, HR&A Advisors Analysis, Zillow Research Data*
** Based on annual estimates of appraised and sold prices for the Fargo Moorhead Region, from Zillow Data. Median Household Income in 2020 was $66K, while in 2022 it has increased to $71K.*

In the past 10 years, the region has produced more multifamily units than in the prior decades. Despite this uptick, there is still significant demand for multifamily and affordable homeownership options.

Total Housing Units by Type
(2019)

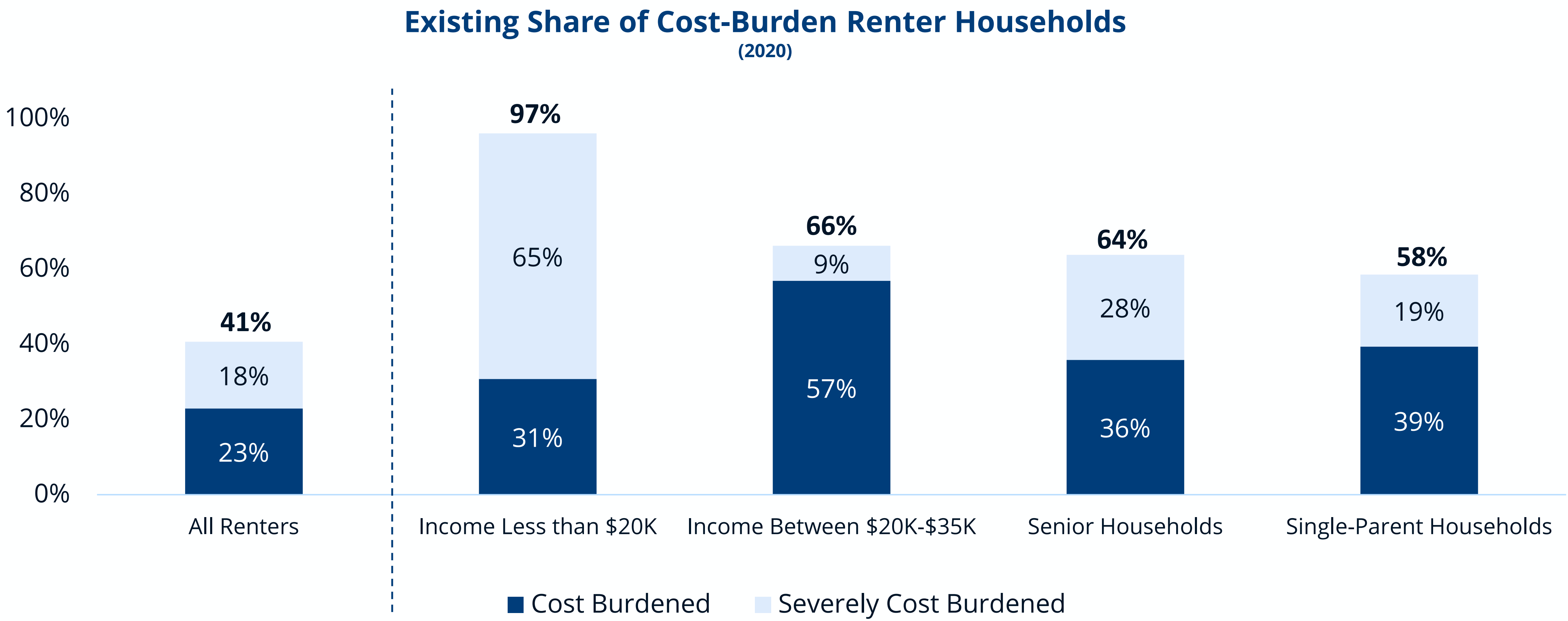


Housing Units Added
(2010-2019)



Source(s): *US Census, 2010-2020*

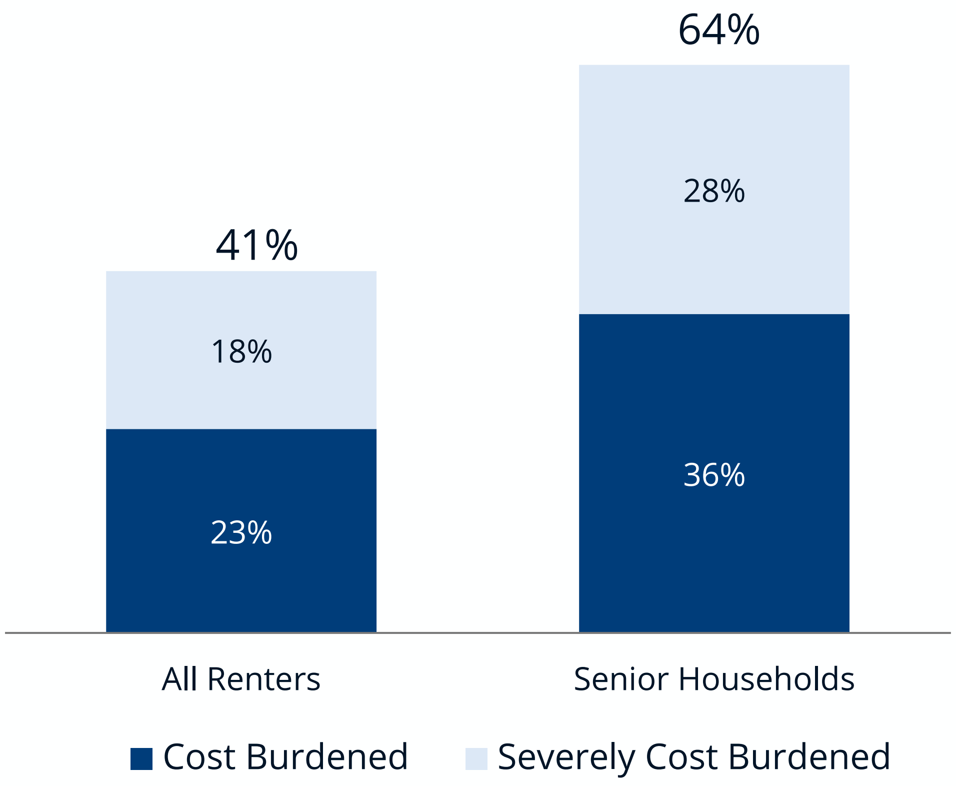
There will be increased demand for affordable rental options, or housing for residents making less than 100% of area median income (AMI), as more residents become housing cost-burdened.



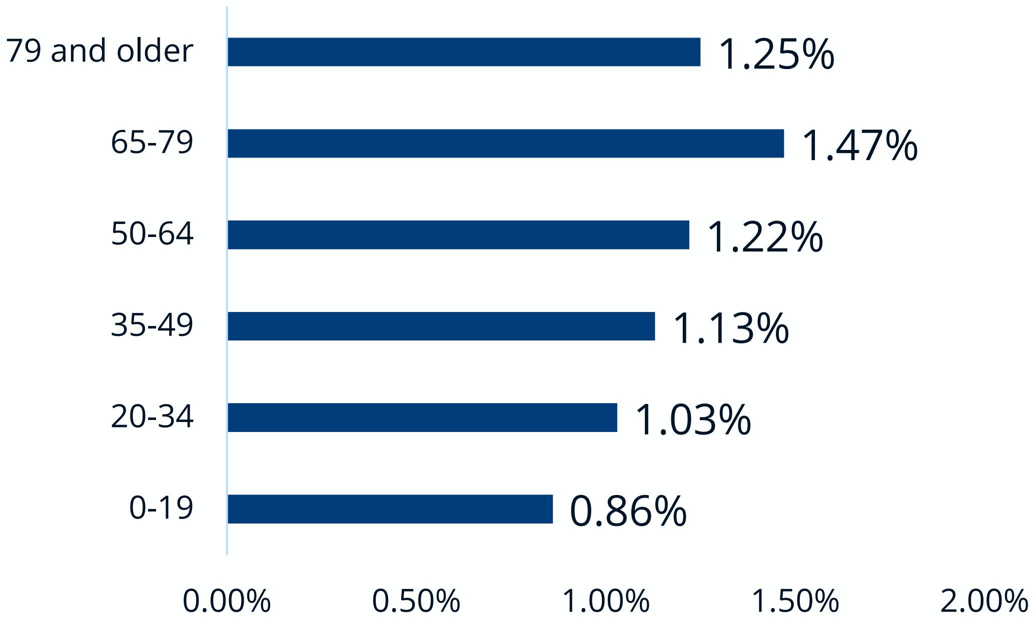
Source(s): *US Census, 2020*
Cost Burdened is defined as when a household spends greater than 30% of their monthly income on housing costs. Severely Cost Burdened indicates if a households spends greater than 50%.

There will be significant and growing demand for senior housing. The cohorts over the age of 50 are the fastest growing cohorts in the region and most of these households are cost burdened.

Share of Cost-Burden Senior Renter Households
(2020)



MSA Average Compound Growth Rate
(2025-2050)
(2020)



Based on the community survey, most residents want to see more senior housing in the region.

Source(s): *US Census, 2020, FM Metro Population Projections, FM Metro COG*

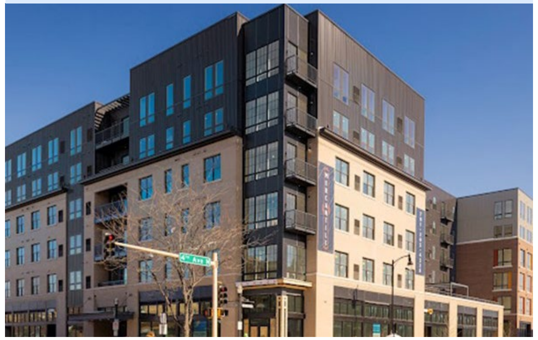
A continued development model that prioritizes single family, detached housing will produce significantly fewer total units with significant new infrastructure costs.

SF-Detached
Single Family Home
Share of all housing: 53%

Townhome Community
2-10 units
Share of all housing: 9%

Low-Rise Apartment
10-49 units
Share of all housing: 28%

Mid-Rise Apartment
50+ units
Share of all housing: 10%



	SF-Detached	Townhome Community	Low-Rise Apartment	Mid-Rise Apartment
No. of units	1 unit	35 units	11 units	100 units
Land Area	0.26 acres	2.6 acres	.5 acre	1.3 acres
Density Calculation	**3.8* units per net acre**	**13.5 units per net acre**	**22 units per gross acre**	**76.9 units per gross acre**

Source(s)*: Thomsen Homes; Eagle Ridge Development; Skaff Apartments*
**Assumes an additional .07 acre per home, to accommodate roadways, sidewalk, and other infrastructure.*

Executive Summary | **Call to Action**

To ensure new employees can afford to work and live in the region, local jurisdictions and employers should consider a unique set of housing tools.

Addressing Immediate Housing Needs

Cities	**Hotel and Office Conversions**	Identify sites well-suited for hotel or office to residential conversions and proactively work with developers.
Cities	**Provide Education Opportunities for Employers**	Encourage major employers within the FM-Region to disseminate information on existing homeownership programs to employees.
Regional	**Employer-Assisted Housing (EAH) Programs**	Aid and support for employer-assisted housing programs to meet short-term housing needs for new job openings.

There are three categories of long-term housing strategies. Interventions from all three categories will be needed to create and preserve the necessary housing in the region.

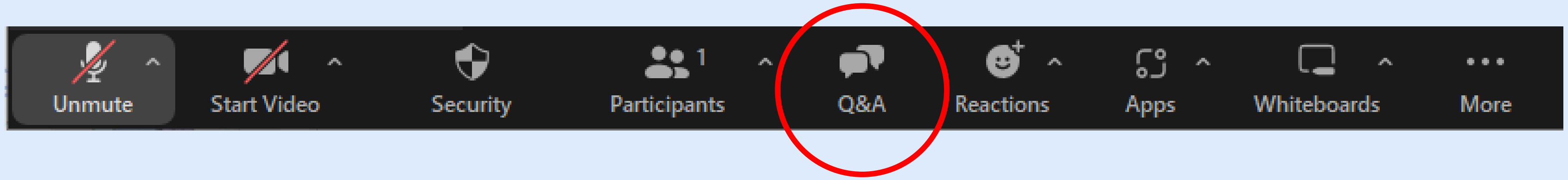
	Land Use Policies	Funding Strategies	Laying the Groundwork for Future Growth
Cities	• Allow for and Reduce Barriers to Soft Density (2-9 Unit structures) • Support and Reduce Barriers for Multifamily within Regional Employment Nodes • Prioritize Transit-Oriented Development • Allow and incentivize the construction of Accessory Dwelling Units (ADUs)	• Provide Multifamily Rental Gap Financing • Create a Naturally Occurring Affordable Housing (NOAH) Preservation Strategy • Maintain and Increase Investments to Services for Low-Income and Homeless Residents • Market Publicly Owned Land Nationally • Expand Capacity / Aid Growth of the Cass Clay CLT	• Establish a Regional Housing Committee • Educate Staff and Coordinate Planning Efforts among Municipalities • Invest in transportation, childcare and education to meet the needs of future and current residents
Regional	• Regional Coordination on a Comprehensive Growth Strategy	• Establish a Regional Housing Trust Fund • Pursue Additional State and Federal Funding	• Establish Clear Guidance on Future Infrastructure Investments • Grow National Developer Interest in the F-M Region

There are three categories of long-term housing strategies. Interventions from all three categories will be needed to create and preserve the necessary housing in the region.

	Land Use Policies	Funding Strategies	Laying the Groundwork for Future Growth
Cities	• Allow for and Reduce Barriers to Soft Density (2-9 Unit structures) • Support and Reduce Barriers for Multifamily within Regional Employment Nodes • Prioritize Transit-Oriented Development • Allow and incentivize the construction of Accessory Dwelling Units (ADUs)	• Provide Multifamily Rental Gap Financing • Create a Naturally Occurring Affordable Housing (NOAH) Preservation Strategy • Maintain and Increase Investments to Services for Low-Income and Homeless Residents • Market Publicly Owned Land Nationally • Expand Capacity / Aid Growth of the Cass Clay CLT	• Establish a Regional Housing Committee • Educate Staff and Coordinate Planning Efforts among Municipalities • Invest in transportation, childcare and education to meet the needs of future and current residents
Regional	• Regional Coordination on a Comprehensive Growth Strategy	• Establish a Regional Housing Trust Fund • Pursue Additional State and Federal Funding	• Establish Clear Guidance on Future Infrastructure Investments • Grow National Developer Interest in the F-M Region

Questions

Post a question or comment directly in the Q&A.

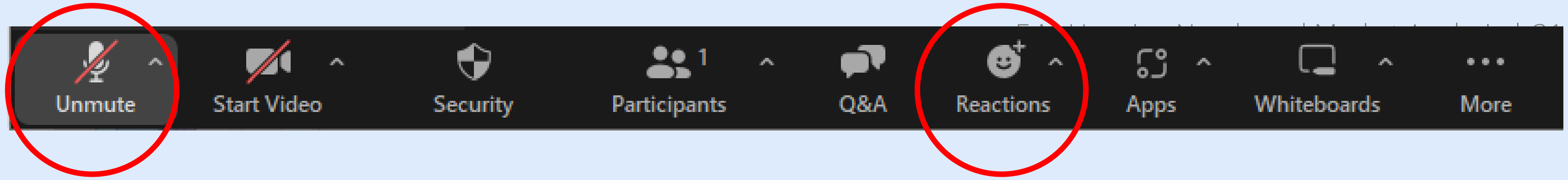


Meeting Ground Rules for the Public:

- **While open to the public, there will be no public comment period associated with this meeting.**

Discussion

Commissioners and City Staff only: "Raise your Hand" and unmute yourself for the discussion



1. How does your jurisdiction plan to use this information as you think about your individual approaches for meeting housing needs in your city? What do your next steps include?

2. What strategies do you think should be prioritized at the regional level to support housing needs?

METROCOG
FM REGIONAL TRANSPORTATION PLANNING ORGANIZATION

Fargo-Moorhead Regional Housing Needs Analysis and Strategies
Joint Commissions – Report Overview

June 2023

HR&A