

Housing Study Update City of Fargo

Prepared for the Fargo Housing Authority
and the City of Fargo

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Executive Summary

Overview

This document is an Update of a Housing Study completed for the City of Fargo in 2000. The research for this Update included analysis of data from the 2000 U.S. Census, as well as other demographic data estimates and projections that have been released since 2000. Information from the 2000 Census was not available at the time the original Housing Study was completed. This Update also includes a review of housing market activity since the 2000 Study, including new unit construction, recent housing sales and a new telephone survey of housing vacancy rates and occupancy patterns in the affordable rental housing stock.

We have reviewed data for Fargo, Cass County and the Fargo-Moorhead Metropolitan Statistical Area (MSA). The specific housing related recommendations that were made for Fargo in the 2000 Housing Study have been reviewed, and modified as appropriate. New recommendations have also been made for the City of Fargo. A summary of the specific recommendations is contained at the end of this Executive Summary, but readers are encouraged to consult the more detailed Findings and Recommendations section later in this document.

Key Findings

- ▶ **Population Trends** - Fargo has had consistently strong population growth. Between the 1990 Census and the 2000 Census, the City's population increased by 22.2%, or 16,484 people. In recent decades, the City's population growth occurred at a faster rate than the remainder of the Fargo-Moorhead MSA.
- ▶ **Reliability of Recent Estimates** - Despite the long-established pattern of strong growth, the official data services have had a tendency to underestimate the pace of growth in the City. Estimates in the late 1990s failed to reflect the growth that was eventually documented by the 2000 Census. Likewise, U.S. Census Bureau estimates released since 2000 show very limited population growth between 2000 and 2002, and an actual loss of population between 2001 and 2002. While we cannot prove or disprove the Census Bureau's 2002 population estimate, the information that we have collected would not support a significant slowdown in growth for the City, or an actual loss of population since 2001.
- ▶ **Population Projections** - With some degree of confusion from the official sources on current population levels, as summarized in the preceding paragraph, making projections on future population levels is more difficult. Our projections for the entire Fargo-Moorhead MSA show average annual population growth of between 2,200 and 2,350 people between 2002 and 2007. We would expect that between 85% and 90% of this growth would be located in the Cities of Fargo, Moorhead and West Fargo. While Fargo will still represent the largest share of growth among these three Cities, recent increases in housing construction activity for both West Fargo and Moorhead indicate that future population growth will not be concentrated Fargo alone. Just before this Update went to

print, the Census Bureau released its 2003 County-level population estimates. The estimates for Cass County and Clay County show the addition of approximately 2,000 people between 2002 and 2003. While this estimate appears to be more accurate than the estimates released in prior years, it still shows a lower rate of population growth than we have projected in this Update.

- ▶ **Components of Population Growth** - The 2003 County-level population estimates released by the Census Bureau in April 2004 include the sources of population change since 2000. Combining the estimates for Clay County and Cass County, to form an MSA estimate, the Census Bureau attributes 67% of the population growth to natural increase, with births exceeding deaths. The remaining 33% of growth is attributed to in-migration. However, within the in-migration change, 86% of the growth is attributed to international in-migration, and only 14% to internal in-migration. According to these estimates, Cass County was a net loser of population through internal out-migration, but added a significant number of new residents through international in-migration.
- ▶ **Households** - Household formation has been increasing at a more rapid pace than population growth, due in part to a continued reduction in the average number of people per household. Between the 1990 Census and the 2000 Census the City's household level increased by more than 30%, or an increase of 9,119 households. As stated above, the Census Bureau estimates for Fargo released since the 2000 Census show a significant slowdown in growth. Although the Census Bureau does not convert their population estimates into household estimates, their 2002 population estimate would generally equate to 300 or fewer new households added in Fargo between 2000 and 2002. Our review of City building permit records shows that permits were issued for more than 1,800 new housing units in Fargo that should have been available for occupancy during this same time period. While rental housing vacancy rates are currently above-average, we did not find any evidence that household growth has lagged substantially behind new housing starts. If this were the case, we do not believe that developers would have continued with high levels of unit construction over the last two years.
- ▶ **Household Projections** - Projections represent "best guess" scenarios and are largely based on historical patterns. Between 1990 and 2000, the Fargo-Moorhead MSA had average annual household growth of more than 1,200 new households. Most of this household growth occurred within the City of Fargo, which had average annual growth of more than 900 households during this same time period. For this Update, we have used a lower annual forecast for future household growth. We have projected that between 2002 and 2010, the Fargo-Moorhead MSA will add an average of 890 to 1,090 new households per year. Past patterns of household distribution would indicate that between 85% and 90% of this household growth will occur within the City limits of Fargo, West Fargo and Moorhead. Our growth forecasts for the MSA are conservative, when compared to household growth rates in the 1990s. They have been based on a number of factors, including the recent estimates from the Census Bureau. Other factors include a continued decrease in the younger rural population in North Dakota, that has been a primary source of migration to larger communities like Fargo, and a significant decrease in international in-migration to Fargo, as post-September 11 policies have placed greater restrictions on

entry into the Country. Finally, there are projections that show an overall slow-down of population growth for the entire upper Midwest region of the United States. For these reasons, we have elected to use a more conservative approach to future household growth. It is important to note that our annual growth projection is based on a per year average through the year 2010. It is very possible that annual growth in the near-term could exceed the average, but that growth at the back end of the projection period will be at a slower pace.

- ▶ **Projections by Age** - Following the release of detailed information from the 2000 Census, the North Dakota State Data Center and the Minnesota State Demographer produced projections on future population levels by age. We have used these projections for Cass County and Clay County to generate our own projections on households by age of householder through the year 2010. If these projections are accurate, there would be a decrease in the total number of households in the MSA that are age 44 and younger between 2000 and 2010. This would result from the progression of existing younger households through the aging cycle, coupled with the lack of new household formation or in-migration from a significant number of young people over the next few years. On the growth side, there is projected to be a substantial increase in households in the age 45 to 74 year old ranges, with growth particularly strong among households age 55 to 64 years old by the year 2010. Again this is the result of a number of factors, including the age progression of existing, 'baby boomer' households, along with the likely age characteristics of households that are most probable to move into the MSA. Each of the senior age ranges is expected to grow, although most of the growth would be in the 65 to 84 year old age ranges.
- ▶ **Projections for Housing Demand** - If the age-based household projections for the MSA are compared to past household tenure patterns by age, there emerges a very strong future bias toward home ownership housing demand. Although the Fargo-Moorhead area has historically had above-average rates of renter occupancy, this has been explainable, in part, by the area's large population of young adults. The age-based projections through 2010 show this younger population decreasing, with a large increase in middle-aged, empty-nester and senior households. The age groups that are projected to grow all have an historically strong preference for owner occupied housing.
- ▶ **Housing Demand by Tenure** - For the purposes of this Update, we have elected to use a projected tenure mix for household growth that between 65% and 70% of demand will be for owner occupied housing and between 30% and 35% will be for rental housing. Since demand caused by age changes between 2000 and 2010 will be gradual, it is reasonable to assume that these anticipated tenure changes will also be gradual, with the increasing preference for home ownership options becoming more pronounced in the latter part of the decade. However, we have reduced our projections into annual average demand, and we would expect that growth will generate demand for between 575 to 760 owner occupied units per year and for 265 to 380 rental units per year. It is important to note that this calculation is for projected household growth only. Additional demand will be generated for replacement of lost units, and for construction to meet pent-up demand in certain segments of the market that are under-served.

Key Findings - Housing Data

- ▶ Fargo has added more rental units than owner occupied units in recent years. At the time of the 1990 Census, 51.9% of the City's households were renters. By the time of the 2000 Census, the percentage of renter households had increased to 52.9%. A majority of the units constructed in the City since the 2000 Census have been intended for renter occupancy, although an above average rate of unit vacancy may have resulted in little change in the percentage mix of owner and renter households.
- ▶ Renter households generally have lower incomes than owner households. At the time of the 2000 Census, nearly 71% of renter households had annual incomes below \$35,000, compared to only 21% of owner households.
- ▶ Nearly 33% of all Fargo's renter households had a housing cost burden in 2000, with 30% or more of their income needed for housing costs. Most of these households actually were paying more than 35% of their income for housing. However, this was an improvement from 1990, when nearly 38% of the City's renters reported a housing cost burden.
- ▶ Most of the households with a housing cost burden in 2000 were younger households, age 34 or under. Nearly 3,900 younger households reported paying more than 30% of their income for housing. The large number of households undoubtedly reflects the student population in the community. On a percentage basis, older renters, age 75 and above, were the most likely to have a cost burden. Nearly 47% of renter households in these age ranges were paying more than 30% of income for housing in 2000.
- ▶ Fewer homeowners reported a housing cost burden, but approximately 10% did report that 35% or more of their household income was needed for housing costs. The percentage of owners with a cost burden had increased slightly since 1990.
- ▶ Although the percentages of racial and ethnic minority households increased in Fargo between the 1990 and 2000 Census, nearly 96% of households were listed as white in the 2000 Census, and over 99% of households were non-Hispanic. According to local social service providers, the largest number of international immigrants to enter the community since 1990 have come from Bosnia or other European locations. As a result, the large influx of international immigrants is not well identified in racial and ethnic data contained in the 2000 Census.
- ▶ Minority households that were identified in the 2000 Census were primarily renters. Households identified as Asian/Pacific Islander were the only racial or ethnic minority group that had a home ownership rate of more than 30%. The City's home ownership rate for white households was above 48%.
- ▶ Fargo continues to have strong housing construction activity. Between 1999 and 2003, the City averaged 387 owner occupied housing units per year and 601 rental housing units.

- ▶ Single family detached units are still the predominant unit type for owner occupancy, but in the last 5 years, attached housing has represented nearly 44% of all units. Nearly 87% of the attached housing was in the form of twin homes, with a smaller number of townhouses and condominiums.
- ▶ Rental housing construction has remained very strong in recent years, with over 3,000 new units constructed between 1999 and 2003. We believe that approximately 88% of the new units are intended for market rate occupancy, with no income restrictions or special occupancy uses. There was some construction of tax credit-assisted rental units that do have income restrictions, and there was a small amount of special-use rental construction, primarily for on-campus housing at NDSU.
- ▶ Home values have continued to increase. Our review of sales activity in 2003 found that the median value for single family detached houses was \$121,500, compared to \$103,900 in 1999. The median sales value for attached single family units was lower than for detached houses. The median sale price for all forms of attached single family housing was \$109,700 in 2003.
- ▶ We completed a rental housing survey of the more affordable housing stock in the Fargo area. In the tax credit segment of the rental market we found a vacancy rate of 6.3% in the general occupancy units. This was lower than the 7% vacancy rate that we had found in our 1999 rental survey. In the last few years, an increasing number of new tax credit projects have been designated for senior occupancy (generally age 55 and older). Occupancy patterns in these units were much stronger. We found a vacancy rate of less than 1% in this segment of the tax credit market, although senior designated units still represent a relatively small percentage of the total inventory.
- ▶ In the subsidized segment of the market, where rent is generally affordable for very low income people, we found a low rate vacancy. In most cases, waiting lists existed, so even vacant units were generally in the process of being rented. The low vacancy rate is consistent with the findings of our 1999 survey. There was evidence that waiting lists have lengthened since that time. Few units have been added to the subsidized inventory in many years, although there has been an expansion of tenant-based vouchers through the Section 8 Existing Program.
- ▶ In the market rate segment, we have utilized information collected by Appraisal Services, Inc., which has conducted a quarterly occupancy survey in the Fargo area for many years. For 2003, they found a vacancy rate of 6.8% in Fargo, and a vacancy rate of 6.7% for the Fargo-Moorhead Area. These were the highest annual rates of vacancy in many years.
- ▶ We also looked at rental housing that catered specifically to seniors. These units ranged from completely independent housing, to units that included an intensive service package for residents. Occupancy rates in independent living units were generally better than the overall rental market. Subsidized projects and tax credit projects tended to have almost full occupancy. Independent living market rate units had some vacancies, but the survey was completed during the winter months when it is often difficult to attract new tenants. Projects that offered services with housing had wide discrepancies in occupancy rates.

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 summary of each of the recommendations is provided below.

Rental Housing Findings and Recommendations

1. ***Luxury Rental Unit Construction*** - With strongest household growth projected in the age groups 45 years old and older, we see increased demand for high amenity units. We project demand for an additional 75-100 units per year, as long as units stay price competitive with other luxury options and offer attractive amenities.
2. ***Moderate Rent Market Rate Unit Construction*** - This represents the largest segment of the local rental market and most newly constructed units in recent years are general occupancy, moderate rent units. Our projections show that annual net demand for units through the year 2010 will be lower than in the past, which should result in a lower rate of production than past years. We estimate that an average of approximately 200-300 units per year will be required to address overall household growth. Market rate rental for seniors is a potential growth area.
3. ***Tax Credit Rental Housing Construction*** - Vacancy rates remain relatively high in this segment of the market, and have been above 5% since we started tracking vacancy patterns in 2000. With reduced demand for new rental units through the end of the decade, we believe that approximately 30 units per year could be added to address household growth. More units could be justified if existing tax credit projects expire (potential for 163 expiring units within the next few years). Our calculations are based on demand for a typical tax credit unit. Projects that serve special needs populations or very low income households are more similar to subsidized housing, and could be added without negatively impacting the general tax credit vacancy rate.
4. ***Subsidized Housing Construction*** - Demand far exceeds supply in this market segment, with greatest need for deep subsidy housing units. Since 2000, the waiting lists for subsidized housing have grown. Very little unit production has occurred in recent years despite substantial household growth in the community. On a numeric basis, the greatest need is for young families with children, as that group has the largest number of households showing a “cost burden”. However, on a percentage basis, senior households 75 years old and older are most likely to have a housing cost burden.
5. ***Senior Housing with Services*** - Our research found a good balance of supply and demand at the present time. With projections to the year 2010 indicating a substantial increase in the population of senior citizens, an increase of approximately 240 to 280 additional units would be needed to maintain current distribution of units to senior citizens in the Fargo area.

6. ***Preservation of Affordable and Subsidized Rental Housing*** - Both subsidized projects and tax credit projects have contractual obligations to provide affordable rental housing for a certain period of time. When contracts expire, or obligations have been met, it is sometimes possible for these most affordable units to convert to market rate housing. With very few resources for new subsidized housing construction, it is doubtful that lost units can be replaced with equally affordable housing. Some subsidized housing has been lost in the Fargo-Moorhead area, and additional subsidized and tax credit housing could be lost in the future. Efforts to preserve affordable housing will be an important housing strategy for the community.
7. ***Other Rental Housing Needs*** - Special needs populations continue to have unmet housing needs. Existing projects that serve special needs have high rates of occupancy and waiting lists. As the Fargo area continues to grow, demand for this type of housing will also increase.
8. ***Student Housing Construction*** - Students at post-secondary institutions in Fargo and Moorhead represent a large segment of the population that is looking for rental housing. We believe that as many as 14,000 students reside in some form of off-campus housing. Developing student housing downtown could help to achieve multiple community goals. The combination of the new School of Art and Architecture in downtown Fargo and the revitalization activity within the Renaissance Zone make the development of student housing an attractive component of downtown development efforts.

Owner Occupied Housing Findings and Recommendations

9. ***Downtown Housing Development*** - The creation of the Renaissance Zone designation for much of downtown Fargo has generated new interest in condominium development. Our research, and a telephone survey conducted by Winkelman Consulting, found growing demand for condominium and townhouse units. The tax advantages offered by the Renaissance Zone provide a distinct incentive for additional downtown housing development.
10. ***Single Family Detached Housing*** - Age-based population projections show strong growth in the age groups 45 to 64 years old through the year 2010. People in these age ranges tend to own their housing with great frequency, and form a large share of the trade-up housing market. We see growing demand for owner occupied housing production and project demand for 575-760 owner occupied units per year in the MSA. Fargo could expect to see about 50% of that production level, translating into 280-400 owner occupied units per year (approximately 150-200 of those units likely to be detached). The detached units are likely to be the higher priced units in the market.
11. ***Single Family Attached Housing*** - An aging population will increasingly look for no maintenance or low maintenance housing options. Attached single family housing, primarily in the form of twin homes, has represented a large share of Fargo's new housing construction in recent years. We expect attached housing to represent as much as 55% future owner occupied housing starts (155-200 units per year in City of Fargo). We

would expect to see a shift from twin homes to townhouses and condominiums as the decade progresses, with twin homes serving a more affordable market. The Winkelman telephone survey found a preference for townhouse and condo units among households in the 55 to 64 year old age range. As more households enter this age range through the remainder of the decade, we expect growing demand for these types of attached housing.

12. ***Life-Cycle Housing Options*** - As people age, their housing needs and preferences change. The Winkelman survey of people age 55 to 64 years old found that empty-nesters and young seniors have diverse plans for their next housing option - from townhouses and condominiums to rental. Fargo has a diverse housing market, but as the area population ages, there will be expanded demand for housing options that are age-appropriate for the growing population age 55 and older.
13. ***Programs for Home Ownership and First Time Buyers*** - Fargo has in place a number of programs that promote home ownership. Continued emphasis on these types of programs is appropriate as demand grows for owner occupied housing. Models that utilize employer involvement in housing, purchase/rehabilitation/resale of older housing, lease-to-purchase arrangements, and similar approaches will help some younger, marginal income households convert to home ownership.
14. ***Future Residential Lot Development*** - Lot and land availability does not appear to be a major issue in Fargo. The City has successful land developers and builders that respond to market demands and conditions and develop lots as needed. There is at least a 2 ½ year supply of lots available or in the planning stages. However, with strong demand for owner occupied housing, an additional 1,000 residential lots should be planned in the next few years to keep up with demand.

General Housing Issues Findings and Recommendations

15. ***Neighborhood Revitalization Through Owner Occupied and Rental Housing Rehabilitation*** - The City's older, existing housing stock will always represent a large share of the most affordable housing options. Continued emphasis on maintenance and improvement is an appropriate affordable housing strategy.
16. ***Modification of the Rental Inspection Program to a Rental Registration and Inspection Program*** - With over 50% of the City's housing being rented, it is recommended that the City consider a rental registration program that monitors the supply, condition and quality of rental units.
17. ***Acquisition/Demolition Program*** - Public agencies have had recent success with 'in-fill' housing projects that provide affordable housing. Continued efforts to acquire and clear substandard properties serves multiple community goals.
18. ***Diversity Issues*** - Most of the racially and ethnically diverse populations in Fargo are due to international migration. Since 1990, nearly 4,900 people have arrived in the Fargo area from international locations. According to the most recent estimates, over 28% of the

area's population growth since 2000 is a direct result of international immigration. The home ownership rate for minority households tends to be much lower than for white households, and offers an opportunity for programs aimed specifically at this target population.

19. ***Homeless Issues*** - Since our research in 2000, two new housing projects have opened to serve people at risk of becoming homeless. These projects provide supportive services along with housing. Demand still exceeds supply, but the cost of developing and operating housing with supportive services is very expensive. Additional units should be developed as resources allow.
20. ***Mobile Home Issues*** - According to the 2000 Census, mobile homes still represented nearly 3% of the City's occupied housing stock. Mobile homes, and mobile home parks, can present unique housing issues related to unit depreciation and difficulty of repair. Communities that have experienced problems with mobile home condition and quality have generally needed to create new approaches and programs to specifically address the unique issues related to mobile homes.
21. ***'Hard to House' Tenant Issues*** - Tenant education and training is becoming an increasingly important component of addressing affordable housing needs. Tenants with poor rental histories, problem credit, or criminal backgrounds will often find that screening practices will prevent them from accessing affordable housing. Exploration of different models may be appropriate as the Fargo-Moorhead area looks for ways to expand its tenant training programs.
22. ***Promote "Fair Share" Approach to Affordable Housing Development in Fargo-Moorhead MSA*** - Creating housing that is affordable to very low income people is expensive, and will often require local resources in addition to State and Federal funding. As the regional center, Fargo is often the best location for the development of new affordable projects, providing residents with access to employment, services and transportation. While Fargo may often take a leadership role, providing affordable housing is a region-wide issue, and contributions from all communities should be part of the approach to addressing area needs.

Introduction

Overview

In 1999, Community Partners Research, Inc., was hired by the Fargo Housing Authority, the Fargo Department of Community Development, and the Fargo-Moorhead Builder's Association to conduct a study of the housing needs and conditions in the Fargo area. This Study was published in April 2000.

This document is an Update of that 2000 Housing Study. The research for this Update included analysis of data from the 2000 U.S. Census, as well as other demographic data estimates and projections that have been released since 2000. Information from the 2000 Census was not available at the time the original Housing Study was completed. This Update also includes a review of housing related activity since the 2000 Study, including new unit construction, housing sales activity and a new survey of housing vacancy rates and occupancy patterns in the affordable rental housing stock.

Goals

The multiple goals of the study include:

- ▶ Provide updated demographic data and projected demographic data
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet needs
- ▶ Examine future housing trends that the area can expect to address in the coming years
- ▶ Provide a market analysis for housing development
- ▶ Provide housing recommendations and findings

Methodology

A variety of resources were utilized to obtain information for the Update. Community Partners Research collected and analyzed data from November 2003 to April 2004. Data sources include:

- U.S. Census Bureau
- North Dakota State Data Center and Minnesota State Demographer
- Claritas, Inc., a national data reporting service
- Records and data from the City of Fargo
- Records and data maintained by the Fargo Assessor's Office
- Appraisal Services Inc.
- A telephone survey completed by Winkelman Consulting
- Interviews with elected officials and staff
- Interviews with community leaders
- Interviews with people familiar with the area's housing conditions including bankers, realtors, property managers, and developers
- State and Federal housing agencies, including North Dakota Housing Finance Agency and the U.S. Department of Housing and Urban Development
- Rental property owner surveys

Limitations

This Housing Study represents an analysis performed with the data available at the time of the Study. The findings and recommendations 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 conclusions and recommendations contained in this Housing Study.

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Demographic Data

Sources of Data

The following pages contain demographic data obtained from a variety of local, State and national sources. For population and household data, we have primarily relied on four sources, the U.S. Census Bureau, the North Dakota State Data Center, the Minnesota State Demographer's Office, and Claritas, Inc., an Arlington, VA based data reporting service.

Market Area Definition

To provide a more complete view of the City of Fargo, demographic data has also been provided for the areas that immediately surround the City. These areas include an aggregation of three jurisdictions, Fargo, West Fargo and Moorhead, that are referred to here as Fargo Metro.

For many demographic components we have also included data for Cass County, ND, and for the Fargo-Moorhead Metropolitan Statistical Area (MSA). The MSA includes all of Cass County, ND and Clay County, MN.

Population Estimates and Trends

Table 1 Population Trends - 1980-2002						
	1980 Population	1990 Population	% Change 1980-1990	2000 Population	% Change 1990-2000	2002 Estimate
Fargo	62,243	74,115	19.1%	90,599	22.2%	91,204
Fargo Metro	102,341	118,697	16.0%	137,716	16.0%	139,587
Cass County	88,248	102,874	16.6%	123,138	19.7%	125,117
MSA	137,574	153,296	11.4%	174,367	13.7%	177,064

Source: U.S. Census Bureau

- ▶ Despite consistently strong population growth for Fargo in recent decades, the most recent population estimate for Fargo shows a significant slow-down in the rate of growth. This Census Bureau estimate, for July, 1, 2002, shows that Fargo added only 605 new residents in the two years following the Census. When compared to the Census Bureau’s 2001 estimate, the more recent estimate actually shows a loss of population between 2001 and 2002. There is no explanation available for this estimated loss of population in the City over the last year. A separate housing unit (not household) estimate prepared by the Census Bureau shows growth in Fargo’s housing unit count between 2001 and 2002. For the population to decrease during this same time period implies that a large number of housing units were vacant or not yet occupied, or that fewer people were residing in each of the City’s occupied households. It is also possible that the 2002 estimate reflects a correction, and that the 2001 estimate was later judged to be too high, and the 2002 estimate better reflects actual population change from 2000 to 2002.

- ▶ Through the year 2000, Fargo had historically grown at a faster rate than the surrounding area. In the 1990s, the City’s percentage population growth was greater than 22%, while the entire Fargo-Moorhead MSA had a percentage population increase of less than 14%. However, while the Census Bureau’s 2002 estimates show very little growth in Fargo since 2000, the surrounding area has continued to add population. Excluding Fargo, the remainder of the MSA is estimated to have added nearly 2,100 new residents since 2000.

- ▶ We have also obtained population estimates from Claritas, Inc., a private company providing demographic data. The Claritas population estimate for Fargo in 2002 was 92,049. This estimate would indicate that the City added 1,450 people between 2000 and 2002, which would be more consistent with past growth trends. However, the Claritas population estimate for 2003 is 92,325, an increase of only 276 people between 2002 and 2003. It is possible that this most recent estimate has been impacted by comparison with Census Bureau estimates.

- ▶ Shortly before the release of this Update, the Census Bureau released 2003 population estimates for Counties. This estimate shows that the entire MSA has added 4,754 people between 2000 and 2003. Most of this growth, 67% is attributed to births exceeding deaths, with 33% attributable to net in-migration, primarily from international locations.

Population Projections

The following table presents population projections using different methods and sources. We have generated our own projections from growth trends for different time periods between 1980 and 2002. Our projections are for the year 2007. We have also obtained some 2007 projections from Claritas, Inc. Projections for the year 2010 have been obtained from the North Dakota State Data Center and the Minnesota State Demographer’s office which have produced County population projections.

Table 2 Population Projections Through 2007/2010					
	2002 Population	2007 Projection from 12 year growth trends	2007 Projection from 22 year growth trends	2007 Projection Claritas	2010 State Data Center Projection
Fargo	91,204	99,966	100,849	96,348	N/A
Fargo Metro	139,587	149,823	151,133	144,550	N/A
MSA	177,064	188,503	188,615	183,299	190,334

Source: Census Bureau; Community Partners Research; Claritas, Inc.; ND State Data Center; MN State Demographer

- ▶ We have calculated population projections from recent growth rates for Fargo. Our projections are higher than those available from other sources. The two calculation methods we use indicate the addition of between 8,762 and 9,645 people from 2002 to 2007, or an annual average of between 1,750 and 1,900 people per year. These projections are well ahead of the official demographic estimates, such as the Census Bureau estimate, which shows that the City has only added 605 new residents between 2000 and 2002. It is possible that our methodology over-weights the rapid growth rate of the past, and results in projections that are too high, although our projections would be more consistent with past patterns than any of the other available sources.

- ▶ The Claritas projection for the City anticipates a population level of 96,348 for the year 2007. Claritas starts from a higher base-year, 2002 estimate of 92,049. On an annualized basis, this projection would be approximately 650 people per year in an average year. Claritas expects the three-city Metro area to add an average of approximately 1,025 new residents per year over the next 5 years. The Claritas projection for the MSA expects annual average growth of approximately 1,340 people through the year 2007.

- ▶ Our trend-based projections for the Fargo Metro area and the entire Metropolitan Statistical Area (MSA) may be too high, given the Census Bureau’s estimates between 2000 and 2002. Our projections for the entire MSA anticipate the addition of between 2,200 and 2,350 people per year. We would expect most of this growth within the three Cities of Fargo, Moorhead and West Fargo. The Census Bureau estimates between 2000 and 2002 showed an average of fewer than 1,350 new residents in those years. However, the most recent estimate for 2003, released shortly before this Update went to print, shows the MSA adding approximately 2,000 people between 2002 and 2003, which would be more consistent with past patterns and our projections for future growth.

Population By Age - 2000

The following table provides percentage data from the 2000 Census on population by age.

Table 3 Percentage of Persons by Age - 2000			
Age	Fargo	Fargo Metro	Fargo-Moorhead MSA
0-19	25.4%	27.5%	28.4%
20-24	14.9%	13.9%	11.8%
25-34	16.7%	15.3%	14.5%
35-44	14.4%	14.5%	15.2%
45-54	12.2%	12.1%	12.7%
55-64	6.4%	6.4%	6.9%
65-74	5.0%	5.1%	5.3%
75-84	3.5%	3.7%	3.7%
85+	1.6%	1.6%	1.6%
Total	100%	100%	100%

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

- ▶ Because of Fargo’s size, the City’s age distribution patterns are fairly similar to the Fargo Metro aggregation and the entire Fargo-Moorhead Metropolitan Statistical Area.
- ▶ When compared to the surrounding area, Fargo does have a larger population of young adults in the age ranges between 20 and 34 years old. This is due in part to a student population at NDSU, and students enrolled at schools in Moorhead, but living in Fargo.
- ▶ The City has a smaller percentage of children, age 19 and younger, than the remainder of the area.
- ▶ The median age in Fargo and the surrounding area was relatively low. The median age for Fargo, as reported in the 2000 Census, was 30.8 years old. For the entire MSA, the median age was 31.8 years old. According to the 2000 Census, the median age in the State of Minnesota was 35.4 year old, and the median age in North Dakota was 36.2 years old.

Population By Age - Change from 1990

The following table compares numeric changes in populations by age between 1990 and 2000, along with the percentage changes.

Table 4 Persons by Age - 1990 - 2000						
Age	City of Fargo			MSA		
	1990	2000	Change	1990	2000	Change
0-19	19,701	23,046	3,345/17.0%	45,611	49,594	3,983/8.7%
20-24	10,417	13,477	3,060/29.4%	18,422	20,482	2,060/11.2%
25-34	14,866	15,144	278/1.9%	26,806	25,212	-1,594/-5.9%
35-44	10,821	13,051	2,230/20.6%	22,534	26,521	3,987/17.7%
45-54	5,864	11,054	5,190/88.5%	12,979	22,100	9,121/70.3%
55-64	4,987	5,707	720/14.4%	10,836	11,960	1,124/10.4%
65-74	3,878	4,532	654/16.9%	8,546	9,241	695/8.1%
75-84	2,484	3,171	687/27.7%	5,395	6,497	1,102/20.4%
85+	1,093	1,417	324/29.6%	2,167	2,760	593/27.4%
Total	74,111	90,599	22.2%	153,296	174,367	13.7%

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

- ▶ Over the last decade there were some large numeric and percentage changes in the age make-up of the population in the City of Fargo. The largest numeric and percentage increase occurred among middle-aged adults, age 45 to 54 years old. This age group increased in size by nearly 89% during the decade.
- ▶ The population of children, age 0 to 19 years old, represented the second largest numeric increase in the City, followed by young adults age 20 to 24 years old.
- ▶ The second largest percentage increase occurred among older seniors, age 85 and older. While this age group increased in size by nearly 30%, the actual numeric increase was only 324 people.
- ▶ Age change patterns for the entire Fargo-Moorhead MSA did show some distinct differences. The population of younger adults in the 25 to 34 year old range decreased by nearly 1,600 people in the MSA despite a slight increase in this age range within the City of Fargo.
- ▶ The remainder of the MSA also had a decrease in the 20 to 24 year old age range, although substantial growth within the City of Fargo off-set this decrease in the entire MSA.

Projected Population by Age - 2010

Both the ND State Data Center and the MN State Demographer have issued population projections by age for Counties in their respective States. The following table combines these projections for Cass County and Clay County to create a projection for the Fargo-Moorhead MSA. The following table identifies the number and percentage of the population in each age range from the 2000 Census, and from the 2010 projections, along with the projected changes.

Table 5 Percentage of Persons by Age - 2000 - 2010			
Age	Fargo-Moorhead MSA		
	2000	2010	Change 2000-2010
0-19	49,594/28.4%	47,759/25.1%	-1,835
20-24	20,482/11.7%	19,564/10.3%	-918
25-34	25,212/14.5%	26,781/14.1%	1,569
35-44	26,521/15.2%	23,849/12.5%	-2,672
45-54	22,100/12.7%	26,096/13.7%	3,996
55-64	11,960/6.9%	22,151/11.6%	10,191
65-74	9,241/5.3%	11,810/6.2%	2,569
75-84	6,497/3.7%	8,355/4.4%	1,858
85+	2,760/1.6%	3,949/2.1%	1,189
Total	174,367	190,314	15,947

Source: U.S. Census; North Dakota State Data Center; Minnesota State Demographer; Community Partners Research

- ▶ Population by age projections for the Fargo-Moorhead MSA show some significant changes between 2000 and 2010. Overall, there will be a decrease in the number of people age 44 and younger, and an increase in the population age 45 and older.
- ▶ The largest projected numeric increase is expected among people 55 to 64 years old. This is the continuation of the aging pattern that was evident from 1990 to 2000, as the bulk of the “baby boom” generation moves through the aging cycle. By the year 2010, the number of people in this age range is projected to increase by more than 10,000.
- ▶ The age ranges between 45 and 74 years old are expected to increase the most by 2010, although the senior age groups age 75 and older should also increase in size.
- ▶ The projected decrease in the 20 to 24 year old age group is somewhat surprising, given the large student population that is attracted to the Fargo area. However, much of the recent growth in enrollment has been due to older students in graduate school programs. Overall, there will probably be a decrease in the population of younger adults that are not enrolled as students in the area’s post-secondary colleges and universities.

Household Estimates and Trends

The U.S. Census Bureau and the North Dakota State Data Center do not provide annual household estimates. The 2002 household estimates in the following table have been obtained from Claritas, Inc. The Claritas estimates for 2002 population are higher than those produced by the U.S. Census Bureau, so household estimates used for this section will not correspond to some of the population estimates provided in Table 1.

Table 6 Household Trends - 1980-2002						
	1980 Households	1990 Households	% Change 1980-1990	2000 Households	% Change 1990-2000	2002 Estimate
Fargo	23,908	30,149	26.1%	39,268	30.2%	40,299
Fargo Metro	37,209	45,642	22.7%	56,699	24.2%	58,010
Cass County	32,613	40,281	23.5%	51,315	27.4%	52,725
MSA	48,812	57,771	18.4%	69,985	21.1%	71,522

Source: U.S. Census Bureau; Claritas, Inc.

- ▶ Fargo has had consistently strong household growth in recent decades. In the 1980s, the household level increased by more than 26%. Between 1990 and 2000, the household level increased by more than 30%. Based on the 2002 estimate from Claritas, the City has added 1,031 new households since the 2000 Census.

- ▶ We view the Claritas estimate as the best available information on current household levels. The U.S. Census Bureau does not provide current year household estimates, but based on their 2002 population estimate, it is probable that their population figure would result in approximately 39,500 to 39,700 households in Fargo in 2002.

- ▶ The Claritas household estimate for 2002 for the entire MSA is 71,522, up 1,537 households since the 2000 Census. Approximately 67% of the MSA’s household growth since 2000 is attributable to new households in the City of Fargo.

- ▶ At the time of our 2000 Housing Study, we had stated that we viewed all of the available household estimates as being too low. We had generated our own household estimate, using building permit data and other sources, that estimated that there were approximately 37,400 households in Fargo in 1999. Although our estimate was higher than any of the official sources available, we still appear to have under-estimated the City’s actual household count. The 2000 Census reported 39,268 households in the City. It is unlikely that more than 1,800 households were added between 1999 and 2000, so it is probable that the household level was above our estimate and well above the other official sources available. Based on our limited history in the City, it appears that official estimating sources, including the Census Bureau, have a difficult time in accurately estimating population and household levels in Fargo for the years between the decennial Census.

Average Household Size

Table 7 Average Number of Persons Per Household 1980-2000			
	1980 Census	1990 Census	2000 Census
Fargo	2.43	2.32	2.20
Fargo Metro	2.53	2.43	2.29
MSA	2.64	2.51	2.38

Source: U.S. Census

- ▶ In general, average household sizes have been gradually decreasing in recent decades. This is not unique to the Fargo area, but has been happening in most of the U.S. This has been due to household composition changes, such as more single parent families, more senior households due to longer life spans, etc.

- ▶ Household growth has been occurring at a faster rate than population growth in recent decades due to a steady decrease in average household size. In Fargo, the average household size has decreased from 2.43 persons per household in 1980 to 2.20 persons per household in 2000. Fargo’s average household size has been consistently lower than Moorhead’s, West Fargo’s or the remainder of the MSA’s average household size.

Household Projections

Only one of the primary data sources that have been used in this Update, Claritas, Inc., provides household estimates and projections. The following table presents household levels from the 2000 Census, along with the 2002 estimates and projections prepared by Claritas, Inc. The North Dakota and Minnesota State Demographers only project future population. In the text that follows the table, we have converted these population projections into household projections.

Table 8 Claritas Household Projections Through 2007			
	2000 Census	2002 Claritas Estimate	2007 Claritas Projection
Fargo	39,268	40,299	43,271
Fargo Metro	56,699	58,010	61,775
Fargo-Moorhead MSA	69,985	71,522	75,941

Source: U.S. Census; Claritas, Inc.

- ▶ Claritas estimates that the City added just over 1,000 new households between 2000 and 2002, and projects the probable addition of nearly 3,000 more households between 2002 and 2007. On an average, annual basis, the projected growth between 2002 and 2007 would be 594 new households per year. The Claritas projection for Metro Fargo anticipates the addition of 3,765 new households, or an annual average of 753 new households. Based on this projection, Claritas expects approximately 79% of the household growth to occur within the City of Fargo, and approximately 21% in the Cities of West Fargo and Moorhead. The Claritas projection for the entire MSA expects the addition of 4,419 new households between 2002 and 2007, or an annual average of 884 new households. Based on this projection, Claritas expects more than 85% of the MSA’s household growth to occur within the three-city, Fargo Metro aggregation.

- ▶ The State Demographers for North Dakota and Minnesota have generated population projections by age for the year 2010. We have converted these population projections into household projections using population by age data compared to households by age, as reported in the 2000 Census, to arrive at an average household size for each defined age range. We have then used these average household sizes by age to generate household projections from the population by age forecasts. We have not made any adjustments for possible changes in household size, possible changes in group quarters populations, or other factors that could impact the number of new households created. Using this method, we have projected that the MSA’s household level will be approximately 80,900 households by the year 2010. To reach this level, the MSA would need to add approximately 1,090 new households per year between 2000 and 2010.

- ▶ We have used the projections from Claritas and the projection extrapolated from State Demographer data to form a range of future household growth. These methods project between 890 and 1,090 new households per year for the Fargo-Moorhead MSA over the next five to eight years. From past patterns of household distribution within the MSA, it is reasonable to assume that Fargo, West Fargo and Moorhead would expect to collectively add between 800 and 1,000 of these new households per year.

Households By Age of Householder - 1990 to 2000

The following table compares households by age of householder in 1990 and 2000, along with the percentage changes.

Table 9 Households by Age - 1990 - 2000						
Age	City of Fargo			Fargo-Moorhead MSA		
	1990	2000	% Change	1990	2000	% Change
15-24	4,293	6,371	48.4%	6,638	8,681	30.8%
25-34	8,316	8,749	5.2%	14,122	13,827	-2.1%
35-44	6,430	7,790	21.2%	12,912	15,106	17.0%
45-54	3,414	6,825	99.9%	7,402	13,166	77.9%
55-64	2,964	3,531	20.1%	6,307	7,195	14.1%
65-74	2,523	2,956	17.2%	5,540	5,906	6.6%
75+	2,209	3,046	37.9%	4,850	6,104	25.9%
Total	30,149	39,268	30.2%	57,771	69,985	21.1%

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

- ▶ With strong, overall household growth, Fargo added households in all of the defined age ranges between 1990 and 2000. However, on a percentage basis, growth among certain age groups lagged well behind the total rate of growth, while other age ranges increased in size at a much faster rate than the community as a whole.
- ▶ The largest numeric and percentage increase occurred among households in the 45 to 54 year old age group. This represented both new households that moved into the community and existing households that moved through the aging cycle. The number of households in this age cohort nearly doubled during the last decade.
- ▶ Strong percentage growth also occurred among young adult households, in the 15 to 24 year old age ranges. The number of households in this age range increased by more than 48%.
- ▶ The smallest percentage increase occurred among households in the 25 to 34 year old age range. The number of households in this age group increased by just over 5%. In the entire MSA, there was an overall loss in households age 25 to 34, despite some growth within the City of Fargo.
- ▶ Another age group that showed limited growth was the 65 to 74 year old age range. While the number of households increased by more than 17%, on a numeric basis, this age group increased in size by only 433 households in the City. In the remainder of the MSA, this age range actually decreased in size.

Projected Households by Age - 2010

The State Demographers for both North Dakota and Minnesota have generated population projections by age for Cass County and Clay County in the year 2010. The following table converts these population levels into approximate household formation projections. To generate these projections, we have used the ratio of population by defined age groups compared to households by age as reported in the 2000 Census. We have not made any adjustments for possible changes in household size, possible changes in group quarters populations, or other factors that could impact the number of new households created. To reach a household level of 80,906, the MSA would need to add approximately 1,090 new households per year between 2000 and 2010.

Table 10 Fargo-Moorhead MSA Households by Age - 2000 - 2010				
Age Range	Year 2000	Year 2010	Numeric Change	Percentage Change
15-24	8,681	8,127	-554	-6.4%
25-34	13,827	14,687	860	6.2%
35-44	15,106	13,584	-1,522	-10.1%
45-54	13,166	15,547	2,381	18.1%
55-64	7,195	13,326	6,131	85.2%
65-74	5,906	7,548	1,642	27.8%
75-84	4,462	5,738	1,276	43.1%
85+	1,642	2,349	707	11.8%
Total	69,985	80,906	10,921	15.6%

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

- ▶ Based on projected age progression patterns, household by age distribution in the Fargo-Moorhead MSA should see a substantial increase in empty-nester and senior citizen households by the year 2010. The number of households in the 45 to 84 year old age ranges should increase by more than 11,400 households between 2000 and 2010.
- ▶ The largest numeric and percentage increase should occur among households age 55 to 64 years old. The number of older senior households, 85 and older, will continue to grow as life expectancy lengthens. However, this increase will only be approximately 12%.
- ▶ The total number of younger households, age 44 and younger, should decrease by more than 1,200 households, despite a slight increase in households age 25 to 34 years old.
- ▶ The number of households age 15 to 24 years old is projected to decline, despite the large population of post-secondary students in the Fargo area. This may be a reflection of an expected decrease in younger people that are not enrolled in post-secondary programs.

Household Characteristics

The best available data on household characteristics is from the 2000 Census. Data has been presented as percentages of the total households to allow for comparative analysis between the City, Fargo Metro and the MSA.

Table 11 Households by Type - 2000								
	Married Couple Family		Male Householder No Wife Present		Female Householder No Husband Present		Non-Family Household	
	With Own Children	W/O Own Children	With Own Children	W/O Own Children	With Own Children	W/O Own Children	1 Person Household	Non-Family Household
Fargo	19.6%	22.2%	1.6%	1.6%	5.3%	2.5%	34.6%	12.6%
Fargo Metro	21.2%	23.3%	1.7%	1.5%	5.9%	2.5%	32.4%	11.4%
MSA	23.6%	25.4%	1.8%	1.5%	5.6%	2.4%	29.9%	9.9%

Source: U.S. Census

- ▶ In 2000, Fargo had a large number of households that were either one person households or households with unrelated members. In total, over 47% of the City’s households were non-family households. This is due in part to the number of students in the City. A large number of 1 person households is also common in communities with a large number of senior housing options.

- ▶ Approximately 42% of the City’s households were married couple families, either with or without their own children. Although Fargo has traditionally had a below-average percentage of married couple households, this family type continues to decrease in size. At the time of the 1990 Census, nearly 49% of the City’s households were married couple families.

- ▶ Although the percentage distribution of single parent households has increased since 1990, The City does not have an above average percentage of these households when compared to the remainder of Fargo Metro or the MSA.

- ▶ The remainder of the MSA has a larger percentage of married couple families, and a smaller percentage of non-family households. City’s percentage of 1 person households and non-family households was well above the comparable averages,

Households by Tenure

Table 12 Households by Tenure - 2000					
	Occupied Units	Owner-Occupied Units	% Owner Units	Renter-Occupied Units	% Rented Units
Fargo	39,268	18,507	47.1%	20,761	52.9%
Metro Fargo	56,699	29,886	52.7%	26,813	47.3%
MSA	69,985	41,249	58.9%	28,736	41.1%

Source: U.S. Census

- ▶ Fargo’s rate of renter-occupancy in 2000 was well above the comparable rates of renter-occupancy for the remainder of the MSA. Between the 1990 Census and the 2000 Census, the City’s rental tenure rate increased from 51.9% to 52.9%. This was counter to the national trends that saw rising rates of home ownership since 1990. Nationally, the rental tenure rate was 33.8% in 2000.
- ▶ In our 2000 Housing Study, we had estimated that the City’s rental tenure rate was approximately 54% in 1999. The 2000 Census reported the actual rate at 53%.

Table 13 Household Changes by Tenure - 1990 to 2000						
	Owned Units			Rented Units		
	Occupied Units 1990	Occupied Units 2000	Change in Owner Occupied	Occupied Units 1990	Occupied Units 2000	Change in Renter Occupied
Fargo	14,497	18,507	4,010	15,648	20,761	5,113
Metro Fargo	23,993	29,886	5,893	21,645	26,813	5,168
MSA	34,021	41,249	7,228	23,750	28,736	4,986

Source: U.S. Census

- ▶ Between 1990 and 2000, Fargo added 4,010 owner-occupied households and 5,113 renter households. The tenure mix for the 9,123 net increase in households was 44% owner occupancy and 56% renter occupancy.
- ▶ Combined, the Cities of Moorhead and West Fargo added 1,883 owner occupied households, and only 55 renter households. The tenure mix for the net increase in households was 97% owner and 3% renter.
- ▶ Excluding Fargo, the remainder of the MSA added 3,218 owner occupied households and lost 127 renter households.

Renter Households by Household Size

The following Table examines renter households by household size in 1990 and 2000. Only renter households have been analyzed as part of the planning process for additional rental housing development.

Table 14 Renter Households by Household Size - 1990 to 2000						
Renter Household Size	City of Fargo			Fargo-Moorhead MSA		
	Households in 1990	Households in 2000	Numeric Change	Households in 1990	Households in 2000	Numeric Change
1 Person	6,995	9,817	2,822	10,301	13,410	3,109
2 Person	5,183	6,855	1,672	7,466	9,036	1,570
3 Person	2,042	2,468	426	3,242	3,383	141
4 Person	979	1,053	74	1,770	1,759	-11
5 Person	313	437	124	653	747	94
6 Person	100	117	17	229	271	42
7+ Persons	35	55	20	89	110	21
Total	15,647	20,802	5,155	23,750	28,716	4,966

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

Note: Sample data from SF-3 may differ slightly from 100% data reported in SF-1.

- ▶ In the City of Fargo there has been significant growth in the number of one person and two person renter households between 1990 and 2000. Over 87% of the net growth in renter households was attributable to the increase in one and two person households.
- ▶ Because Fargo has the large majority of the area's renter households, the patterns for the MSA are similar. For the entire MSA, over 94% of the net growth in renter households was attributable to the increase in one and two person households.
- ▶ Excluding Fargo data from the remainder of the MSA, the MSA had a net loss of three, four and five person households between 1990 and 2000. The number of renter households with 2 persons declined by 13 households during the last decade.
- ▶ Although there was an increase in the number of large renter households, with five or more household members, between 1990 and 2000, on a percentage basis, this growth was relatively small. For the entire MSA, large renter households accounted for only 3.2% of all renter household growth.

Tenure by Age

The following table identifies home ownership or renter status by age of householder in the year 2000. Information is provided for the City of Fargo and for Fargo-Moorhead MSA.

Table 15 Household Tenure by Age - 2000				
Age of Householder	City of Fargo		MSA	
	Percent Owners	Percent Renters	Percent Owners	Percent Renters
15 - 24	5.6%	94.4%	8.2%	91.8%
25 - 34	34.8%	65.2%	46.0%	54.0%
35 - 44	58.9%	41.1%	69.5%	30.5%
45 - 54	68.1%	31.9%	77.0%	23.0%
55 - 64	67.3%	32.7%	78.1%	21.9%
65 - 74	65.9%	34.1%	75.2%	24.8%
75 - 84	54.1%	45.9%	63.2%	36.8%
85+	34.9%	65.1%	40.0%	60.0%

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

- ▶ Rental tenure rates for all of the defined age ranges are relatively high in the City of Fargo, but the extremely high rental rate among young adult households is the primary reason that a majority of the City’s households are renters. In the 15 to 24 year old age group, over 94% of households rent their housing. With an above average number of younger adult households in the City, the high rental tenure rate creates demand for a substantial number of rental housing units.
- ▶ In each of the age ranges between 25 and 84 years old, a majority of Fargo’s households own their housing. However, the owner tenure rate is less than 70% in all of the defined age ranges.
- ▶ Because of Fargo’s impact on the MSA, the tenure distribution patterns are somewhat similar. However, for the Fargo-Moorhead MSA the owner tenure rate is 75% or greater for each of the age ranges between 45 and 74 years old.

2000 Census Income Data

Household income represents all independent households, including people living alone and unrelated individuals in a housing unit. Families are two or more related individuals living in a household.

Table 16 Median Household Income - 1990 to 2000			
	1990 Census Median	2000 Census Median	% Change
Fargo	\$25,326	\$35,510	40.2%
MSA	\$26,529	\$38,069	43.5%

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

Table 17 Median Family Income - 1990 to 2000			
	1990 Census Median	2000 Census Median	% Change
Fargo	\$34,269	\$50,486	47.3%
MSA	\$33,824	\$50,872	50.4%

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

- ▶ Median income levels in the City of Fargo are relatively similar to those in the MSA. Fargo’s median household income is lower, and is probably due to the large percentage of student-age households in the community.
- ▶ Using the commonly accepted standard that 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Fargo could afford approximately \$888 per month for ownership or rental housing in 2000, and a median income family could afford \$1,262 per month in 2000.
- ▶ Using the “rule of thumb” that a household can afford to purchase a home that is valued at approximately 2 ½ times their income, a household earning the MSA’s median household income of \$38,069 in 2000 could afford to purchase a house priced at \$95,173. A family at the MSA’s median income level could afford approximately \$127,180 using this standard.
- ▶ Census income data shows that nearly 16% of all households in Fargo had an annual income above \$75,000 in 2000. Households at or above this income level can afford \$1,875 or more per month for housing, which is generally sufficient for the costs associated with new housing construction.
- ▶ Approximately 34% of Fargo households reported an annual income of less than \$25,000. This translates into housing affordability of \$625 per month or less.
- ▶ Nearly 18% of Fargo households reported an annual income of less than \$15,000. This translates into housing affordability of \$375 per month or less. These households may have severe housing cost burdens, unless they live in a subsidized rental housing unit that allows for rent based on income.

Household Income by Tenure - 2000 Census

The preceding page identified household income data for all households, as reported in the 2000 Census. The following table identifies income by defined ranges for owner and renter households.

Table 18 Fargo Household Income by Tenure - 2000 Census			
Household Income	Number Owner Households	Number of Renter Households	Total Households
\$0 - \$10,000	251	3,446	3,697
\$10,000 - \$19,999	722	5,062	5,784
\$20,000 - \$34,999	2,252	6,186	8,438
\$35,000 - \$49,999	2,862	3,184	6,046
\$50,000 - \$74,999	4,580	1,915	6,495
\$75,000 - \$99,999	2,146	584	2,730
\$100,000+	2,579	418	2,997
Total	15,392	20,795	36,187

Source: 2000 Census

- ▶ Income distribution patterns show that a majority of renters have annual incomes below \$35,000, while a majority of home owners have incomes above \$50,000.

- ▶ Among renters, 3,446 households, or nearly 17% of all renters, reported annual incomes below \$10,000. These very low income households have a maximum housing cost affordability level of \$250. Unless these households occupy some form of “deep subsidy” housing, they are almost certain to have a housing cost burden.

- ▶ Among renters, 5,062 households, or more than 24% of all renters, reported annual incomes between \$10,000 and \$19,999. The rental housing affordability level for these households is between \$250 and \$500 per month, without experiencing a housing cost burden. Most of these households at the lower end of this range would also need to live in a subsidized unit to avoid a housing cost burden. The median gross monthly rent in Fargo in 2000 was \$468, according to the Census.

- ▶ Among renters, 2,917 households, or approximately 14% of all renters, reported annual incomes of \$50,000 or more. These households can afford gross rent levels of \$1,250 or more and still pay less than 30% of their income for rent.

- ▶ Among owners, 3,225 households, or approximately 21% of all owners, reported annual incomes below \$35,000. These households can afford \$875 per month or less for housing costs without applying an overly high percentage of their income for housing.

2000 Income and Housing Costs - Renters

The U.S. Census collected information on housing costs. The following table provides 2000 data on the number of households that are paying different percentages of their gross household income for rent. For comparison, we have presented the same information from 1990.

Percentage of Household Income for Housing Costs	Number of Renter Households 2000	Percent of All Renter Households 2000
0% to 19.9%	8,085	38.9%
20% to 29.9%	5,423	26.1%
30% to 34.9%	1,364	6.6%
35% or more	5,391	25.9%
Not Computed	532	2.6%
Total	20,795	100%

Source: U.S. Census

- ▶ The Census reported that nearly 33% of renter households in Fargo are paying more than 30% of their income for rent, with nearly 26% of all renter households paying more than 35% of their income for housing.

Percentage of Household Income for Housing Costs	Renter Households 1990	Renter Households 2000	Numeric Change 1990 to 2000
0% to 19.9%	5,004/32.0%	8,085/38.9%	3,081
20% to 29.9%	4,405/28.2%	5,423/26.1%	1,018
30% to 34.9%	1,217/7.8%	1,364/6.6%	147
35% or more	4,696/30.0%	5,391/25.9%	695
Not Computed	317/2.0%	532/2.6%	215
Total	15,639	20,795	5,156

Source: 1990 Census; 2000 Census

- ▶ When compared to 1990, housing affordability has generally improved, although the substantial growth in the number of renter households has still generated an increase in the total number of households with affordable housing problems. In 1990, over 60% of all renter households reported paying less than 30% of their income for housing. By 2000, this percentage had increased to 65%. The percentage of households paying more than 35% of their income decreased from 30% in 1990 to approximately 26% in 2000.

2000 Income and Renter Housing Costs by Age

The previous page examined all renter households and the percentage of income used for gross rental housing costs. The following table provides further detail on households by age of householder and rental housing costs. Percentage displayed in the table below are based on the totals for the specific column.

Table 21 Fargo Renter Cost Burden by Age -2000					
Percent of Income for Housing	15 to 34 years old	35 to 54 years old	55 to 74 years old	75 years old and older	Total Households
0% to 19%	4,417/38.0%	2,571/48.3%	757/34.7%	340/20.3%	8,085/38.9%
20% to 29%	3,118/26.9%	1,319/24.8%	612/28.1%	374/22.3%	5,423/6.6%
30% to 34%	673/5.8%	354/6.6%	160/7.3%	177/10.5%	1,364/6.6%
35% or more	3,214/27.7%	899/16.9%	550/25.2%	728/43.4%	5,391/25.9%
Not Computed	189/1.6%	182/3.4%	101/4.6%	60/3.6%	532/2.6%
Total	11,611	5,325	2,180	1,679	20,795

Source: 2000 Census

- ▶ As identified earlier, a large percentage of Fargo’s renters are younger adult households, in the 15 to 34 year old age ranges. Households in these age ranges accounted for nearly 56% of all renter households in 2000. On a numeric basis, households in these age ranges had the most significant housing cost burden. Over 3,200 younger adult households reported that they were paying more than 35% of their income for rental housing in 2000.
- ▶ We are not aware of any Census data that show the connection between student households and rental housing cost burden. However, it is reasonable to assume that the large number of younger-aged households, in the 18 to 34 year old age ranges, reflect the post-secondary student population in Fargo. Approximately 31% of the City’s population in the age ranges between 18 and 35 years old is enrolled in college or graduate school. This student population may have reduced income potential during their college years, and have an impact on the large number of younger adult households that have a rental housing cost burden.
- ▶ On a percentage basis, the greatest cost burden was experienced by older senior households, age 75 and older. Over 43% of the renter households in these age groups reported paying more than 35% of their income for housing.
- ▶ Although middle aged adult households and younger senior households had a lower percentage of households with a cost burden, nearly 17% of households in the 35 to 54 year old age ranges, and more than 25% of households in the 55 to 74 year old age ranges reported that they were paying 35% or more of their monthly income for rental housing.

2000 Income and Housing Costs - Owners

The 2000 Census also provided housing cost estimates for owner-occupants. The following table provides data on the number of households that are paying different percentages of their gross household income for housing costs. For comparison, we have presented the same information from the 1990 Census.

Table 22 Fargo Home Ownership Costs as a Percentage of Household Income - 2000		
Percentage of Household Income for Housing Costs	Number of Owner Households 2000	Percent of All Owner Households 2000
0% to 19.9%	8,611	55.9%
20% to 29.9%	4,361	28.3%
30% to 34.9%	824	5.4%
35% or more	1,562	10.1%
Not Computed	34	2.2%
Total	15,392	100%

Source: 2000 Census Supplementary Survey

- ▶ Most owner-occupants, which would include both households with and without a mortgage, reported paying less than 30% of their income for housing. However, more than 10% of all home owners reported that they paid more than 35% of their income for housing.

Table 23 Fargo Home Ownership Costs Comparison - 1990-2000			
Percentage of Household Income for Housing Costs	Number/% of Owner Households 1990	Number/% of Owner Households 2000	Numeric Change 1990 to 2000
0% to 19.9%	6,334/54.4%	8,611/55.9%	2,277
20% to 29.9%	3,542/30.4%	4,361/28.3%	819
30% to 34.9%	643/5.5%	824/5.4%	181
35% or more	1,100/9.4%	1,562/10.1%	462
Not Computed	34/0.3%	34/0.2%	0
Total	11,653	15,392	3,739

Source: 1990 Census; 2000 Census

- ▶ There has been little change in owner-occupied housing affordability. In 1990, just over 54% of households paid less than 20% of their income for housing. By 2000, this had increased slightly to nearly 56%. However, the percentage paying more than 35% of income increased from 9.4% in 1990 to 10.1% in 2000.

Minority Household Demographic Data

Over the last decade, Fargo has increasingly attracted minority residents, some of whom are international immigrants. The following tables provide some basic information from the 2000 Census about households by race and households by ethnicity. It is important to note that most of the international immigration since 1990 has originated from Bosnia and other areas of Europe where the population would be classified as “white” in Census data. Despite language and cultural differences, these immigrants would not be readily apparent in Census data.

Table 24 Households by Race/Ethnicity - Fargo - 1990 to 2000				
Race/Ethnicity	1990 Households	2000 Households	Numeric Change 1990-2000	Percentage Change 1990-2000
Black/African American	79	286	207	262.0%
Native American/Alaskan	251	423	172	68.5%
Asian/Pacific Islander	288	512	224	77.8%
Other Race	62	139	77	124.2%
Two or More Races	N/A	337	N/A	N/A
White	29,469	37,571	8,102	27.5%
Total	30,149	39,268	9,119	30.2%
Hispanic	163	353	190	116.6%
Non-Hispanic	29,986	38,915	8,929	29.8%
Total	30,149	39,268	9,119	30.2%

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

- ▶ Although the large majority of Fargo’s households are white and non-Hispanic, there has been growth from minority racial and ethnic groups over the last decade. On a percentage basis, Black/African American households represented the fastest growth among racial groups, up 262% between 1990 and 2000. On a numeric basis, Asian/Pacific Islander households showed the largest growth, up 224 households between 1990 and 2000.
- ▶ The City also added 190 new Hispanic households, an increase of nearly 117% between 1990 and 2000.

Minority Households by Tenure

The following table presents information for the City of Fargo from the 2000 Census. It is important to note that some of the recent international immigration has originated from Bosnia and other areas where the population would be classified as “white” in Census data. These immigrants would not be readily apparent in Census data.

Table 25 Household Tenure by Race/Ethnicity - Fargo 2000				
Race/Ethnicity	Owner Households		Renter Households	
	Number	Percent	Number	Percent
Black/African American	33	11.5%	253	88.5%
Native American/Alaskan	72	17.0%	351	83.0%
Asian/Pacific Islander	158	30.9%	354	69.1%
Other Race	24	17.3%	115	82.7%
Two or More Races	66	19.6%	271	80.4%
White	18,155	48.3%	19,416	51.7%
Hispanic	103	29.2%	250	70.8%
White, Non-Hispanic	18,085	48.4%	19,291	51.6%

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

- ▶ Home ownership rates among all racial/ethnic groups are relatively low when compared to the White /non-Hispanic population. Only Asian/Pacific Islander households have a home ownership rate of 30% or more among the different racial minorities.
- ▶ Hispanic households have a home ownership rate of just over 29%, compared to more than 48% among White, non-Hispanic households in the City.

Existing Housing Inventory

Table 26 Fargo Occupied Housing Units by Year Built											
Pre-1940		1940-1959		1960-1979		1980-1989		1990-2000		2000-2003	
Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented
2,752	2,167	3,909	2,009	5,367	6,725	2,774	3,713	3,747	6,188	1,524	2,549

Source: 2000 Census; Building Permit Data

*The tenure and occupancy status for units constructed since 2000 is not exactly known. This table assumes tenure based on the best available information on structure type, and from the City's records.

- ▶ The occupied housing stock in Fargo is generally very new, reflecting the rapid population growth of recent decades that generated substantial new housing construction. The 2000 Census reported the median year-built for all housing units in the City was 1976. For owner occupied housing the median year built was 1972, and for renter occupied housing the median year built was 1979.

Table 27 Fargo Housing Units By Number of Units in Structure					
	Total Units 1990 Census	Total Units 2000 Census	Unit Change 1990-2000	New Units 2000-2003	Estimated Total Census+new units
1 Unit Detached	12,609	15,697	3,088	801	16,498
1 Unit Attached	1,581	2,660	1,079	85	2,745
Twin Home/ 2 Unit	1,279	1,020	-259	642	1,662
3-4 Units	2,033	1,760	-273	135	1,895
5+ Units	12,901	18,924	6,023	2,410	21,334
Mobile Home	1,139	1,216	77	N/A	1,216
Total	31,542	41,277	9,735	4,073	45,350

Source: U.S. Census; Building Permits

Note: This table does not reflect units that may have been lost since 2000 due to obsolescence, demolition or other causes.

- ▶ Based on City records, building permits have been issued for more than 4,000 new housing units in Fargo between 2000 and the end of 2003. For this 4 year period, the City has averaged more than 1,000 new units per year.
- ▶ A majority of the new units are in multifamily rental buildings with 5 or more units per structure. Fewer than 20% of the units added since 2000 are single family detached houses, although twin homes and other 2 unit structures also represent nearly 16% of new construction.
- ▶ As defined further in the following pages, we would estimate that just over 37% of the units since 2000 are intended for owner occupancy, with nearly 63% constructed for renter occupancy.

Owner Occupied Housing Construction Activity

The 2000 Housing Study included a summary on annual housing construction activity for the years prior to 1999. Partial year data was provided for 1999. The following table includes annual construction activity from 1999 through 2003.

Table 28 Owner Occupied* Housing Unit Construction Activity - 1999 to 2003						
Housing Type	1999	2000	2001	2002	2003	TOTAL
Single Family Detached	288	221	159	219	202	1,089
Twin Home	98	84	168	172	214	736
Other Attached	27	4	30	40	11	112
TOTAL	413	309	357	431	427	1,937

Source: Building Permits

* The tenure and occupancy status for units is not exactly known. This table assumes tenure based on the best available information on structure type and from City records.

- ▶ Since 1999, Fargo has averaged 387 owner occupied housing starts per year. Excluding the year 2000, when only 309 building permits were issued, the City has averaged more than 400 owner occupied units per year.
- ▶ Attached single family housing, in the form of twin homes, town houses, or condominiums continue to represent a large share of owner occupied construction activity. Over the last 5 years, attached unit construction has represented nearly 44% of all single family permit activity.
- ▶ Of the attached owner occupied housing styles, twin homes are by far the most popular unit style. Nearly 87% of the attached housing unit construction was due to twin homes.
- ▶ Although construction activity in 2002 and 2003 was generally strong, and well above the 5 year average, in the 2000 Housing Study we reviewed permit activity from the mid-1990s. At that time, we found that permits had been issued for 572 new units in 1998, well above the construction level reported in 2002 or 2003.

Rental Housing Construction Activity

The 2000 Housing Study included a summary on annual housing construction activity for the years prior to 1999. Partial year data was provided for 1999. The following table includes annual construction activity from 1999 through 2003.

Table 29 Rental Housing* Construction Activity 1999-2003						
	1999	2000	2001	2002	2003	Total
Tax Credit Rental Units	19	81	38	0	76	214
Special Use Rental Units	48	0	0	99	0	147
Market Rate Units	390	466	567	785	437	2,645
Total Rental Units	457	547	605	884	513	3,006

Source: Community Partners Research, Inc.; Building Permit data

* The tenure, use and occupancy status for units is not exactly known. This table assumes tenure and use based on the best available information on structure type and other records.

- ▶ Since 1999, Fargo has averaged just over 600 rental housing starts per year. While this construction level is significant, in our 2000 Housing Study we had found that the peak construction years for rental housing occurred between 1991 and 1995, when the City averaged more than 750 new rental housing starts per year.
- ▶ While it is often difficult to trace the market segment being served by new units, we believe that nearly 88% of the units constructed since 1999 are aimed at the general occupancy, market rate segment of renters. While these units may vary significantly in amenities and price, they do not restrict occupancy by age, income, or other factors.
- ▶ We were only able to identify two recent rental projects that we would define as 'special use' rental housing. In 1999, a building permit was issued for Pioneer House, a senior assisted living project. In 2002, a building permit was issued for a 99 unit project at NDSU, that presumably provides some type of student housing. It is very probable that some of the other projects constructed since 1999 serve specialized segments of the rental market, but this information was not readily available in the records that we reviewed.

Single Family Detached Home Sales -2003

As an indicator of home ownership affordability, we have examined sales of detached single family houses over a previous 12 month period. These sales have been recorded by the Fargo Assessor’s Office. On the pages that follow we have examined other types of attached ownership units, such as twin homes, town houses and condominiums.

Table 30 Fargo Detached Single Family Home Sales - 2003			
Number of Sales	Median Sale Price	Highest Valued Sale	Lowest Valued Sale
1,182	\$121,550	\$1,146,900	\$21,200

Source: Community Partners Research, Inc.; Fargo Assessor’s Office

- ▶ Data on single family home sales is from the Fargo Assessor’s Office. Data was reviewed on 1,182 single family houses. These houses may be renter occupied or owner occupied. Data on other housing units such as duplexes, condominiums or town homes has not been included.
- ▶ The median home sale price in 2003 was \$121,550.
- ▶ The highest valued sale was \$1,146,900. However, this sale was well above any other sale in 2003. The second highest sale price was \$651,500.
- ▶ The lowest valued sale in 2003 was for \$21,200. There were 2 sales at this price in 2003, and both of these houses were constructed in the 1940s, and had only 520 square feet of living space.

Sales data have also been used to estimate the percentage of single family houses in the City that are price-eligible for first-time home buyer mortgage loan assistance through the North Dakota Housing Finance Agency. The current purchase price maximum is \$119,409 in Cass County.

Table 31 Fargo Detached Single Family Home Sales By Specified Value Range - 2003		
Value Range	Number of Single Family Sales	Percent of Single Family Sales
\$0 - \$119,400 Eligible for first-time buyer	560	47.4%
\$119,401+ Above first-time buyer limit	622	52.6%

Source: Fargo Assessor; Community Partners Research, Inc.

- ▶ Based on single family home sales in 2003, approximately 47% of the City’s existing single family housing stock is price eligible for first-time home buyer assistance programs. This sales information does not include other owner-occupied housing options, such as town houses or condominiums.

Single Family Detached Home Sales by Value Range - 2003

To better examine the distribution of home sales in Fargo, the following table identifies the number and percentage of recent sales within defined value ranges.

Table 32 Fargo Detached Single Family Home Sales by Price Range - 2003		
Price Range	Number of Single Family Houses Sold	Percent of all Single Family Houses Sold
\$0 - \$50,000	38	3.2%
\$50,001 - \$75,000	80	6.8%
\$75,001 - \$100,000	216	18.3%
\$100,001 - \$125,000	285	24.1%
\$125,001 - \$150,000	181	15.3%
\$150,001 - \$175,000	116	9.8%
\$175,001 - \$200,000	82	6.9%
\$200,001 - \$250,000	87	7.4%
\$250,001 - \$300,000	53	4.5%
\$300,001 +	44	3.7%
Total	1,182	100%

Source: Fargo Assessor; Community Partners Research, Inc.

- ▶ Over half of Fargo’s residential sales in 2003 were in the price ranges between \$75,000 and \$150,000.
- ▶ Nearly 16% of sales were for more than \$200,000.
- ▶ 10% of recent sales were for \$75,000 or less.

Single Family Attached Home Sales - 2003

An increasing share of new housing construction is occurring in the form of attached single family housing, such as twin homes, town houses and condominiums. We have also reviewed recent sales of these types of attached housing units. These sales have been recorded by the Fargo Assessor’s Office.

Table 33 Fargo Attached Single Family Home Sales - 2003			
Number of Sales	Median Sale Price	Highest Valued Sale	Lowest Valued Sale
460	\$109,700	\$347,900	\$35,000

Source: Community Partners Research, Inc.; Fargo Assessor’s Office

- ▶ Data on single family home sales is from the Fargo Assessor’s Office. Data was reviewed on 460 attached single family units. Some of these units may be renter occupied, but the sale was for a single housing unit.
- ▶ The median home sale price in 2003 for attached housing was \$109,700, compared to a median sale price of \$121,550 for detached single family houses.
- ▶ The highest valued sale was \$347,900.
- ▶ The lowest valued sale in 2003 was for \$35,000. Most of the lowest valued sales were 1970s-built condo/apartment units with less than 1,000 square feet of living space.

Sales data have also been used to estimate the percentage of attached single family houses in the City that are price-eligible for first-time home buyer mortgage loan assistance through the North Dakota Housing Finance Agency. The current purchase price maximum is \$119,409 in Cass County.

Table 34 Fargo Attached Single Family Home Sales By Specified Value Range - 2003		
Value Range	Number of Single Family Sales	Percent of Single Family Sales
\$0 - \$119,400 Eligible for first-time buyer	301	65.4%
\$119,401+ Above first-time buyer limit	159	34.6%

Source: Fargo Assessor; Community Partners Research, Inc.

- ▶ Based on single family home sales in 2003, approximately 65% of the City’s existing attached single family housing stock is price eligible for first-time home buyer assistance programs.

Single Family Attached Home Sales by Value Range - 2003

The following table identifies the number and percentage of recent sales of attached single family homes within defined value ranges.

Table 35 Fargo Attached Single Family Home Sales by Price Range - 2003		
Price Range	Number of Attached Houses Sold	Percent of all Attached Houses Sold
\$0 - \$50,000	11	2.4%
\$50,001 - \$75,000	65	14.1%
\$75,001 - \$100,000	99	21.5%
\$100,001 - \$125,000	157	34.1%
\$125,001 - \$150,000	75	16.3%
\$150,001 - \$175,000	22	4.8%
\$175,001 - \$200,000	13	2.8%
\$200,001 - \$250,000	12	2.6%
\$250,001 - \$300,000	3	0.7%
\$300,001 +	3	0.7%
Total	460	100%

Source: Fargo Assessor; Community Partners Research, Inc.

- ▶ Over half of Fargo’s attached residential sales in 2003 were in the price ranges between \$75,000 and \$125,000, and nearly 72% of sales were between \$75,000 and \$150,000.
- ▶ Only 4% of sales were for more than \$200,000, compared to more than 16% of single detached houses in this upper price range.
- ▶ More than 16% of recent sales were for \$75,000 or less, compared to only 10% of single family detached sales in this price range.

Detached Home Sales - Historical Data

The Fargo Assessor’s Office maintains historical data on residential sales. The following table examines median home sales prices from 1999 to 2003. The median sale price is for single family detached houses only. Twin home, condominium and town house sales have been excluded from the following table.

Table 36 Detached Single Family Residential Sales - Median Value 1999 - 2003					
	1999	2000	2001	2002	2003
Median Sales Price	\$103,900	\$107,000	\$112,000	\$115,400	\$121,550

Source: Fargo Assessor; Community Partners Research, Inc.

- ▶ Historical sales data indicate that values have increased at a steady pace from 1999 to 2003. The median sale price has been taken from “good sales” or “arms length” transactions, according to the Fargo Assessor. Sales that are not “arms length” include, but are not limited to, sales between relatives, forced sales and foreclosures, and estate transfers that are not available on the open market.
- ▶ Annual increases in the median sale value have ranged from a low of 3%, between 1999 and 2000, and from 2001 to 2002, to a high of 5.3% between 2002 and 2003.

Rental Housing Inventory: Tax Credit Units

The Federal Low Income Housing Tax Credit program, also known as Section 42 housing, is the largest federal program for the production of new, affordable rental housing units. Tax Credits generally provide a “shallow” subsidy that allows for construction of units that are affordable for low and moderate income people. Tax Credit assistance alone will not generate units that are affordable to very low income people, where rent can be based on a standard of 30% of income. The “deep” subsidy programs of past decades often involved rental assistance or operating subsidies that allowed for very low rents for very low income tenants. In comparison, most of Fargo’s two-bedroom units built with tax credit assistance have gross rent levels between \$500 and \$600 per month, and are often very comparable in rent to the older market rate rental stock.

Since Tax Credit assistance first became available in the late 1980s, much of North Dakota’s annual allocation of Credits has been used for construction of units in Fargo and West Fargo. A significant number of units have also been awarded by Minnesota to cities in Clay County. The construction of Tax Credit units in Fargo and West Fargo has followed a cyclical pattern, as the following tables will show. After years when a large number of units were added, there has usually been a slow-down in production, presumably to allow the market to catch-up in the absorption of units.

The following pages provide a summary of area Tax Credit units, with information about unit type, occupancy patterns and other information. In some cases, buildings may have received tax credit assistance in addition to other federal subsidies. When these buildings are able to serve very low income households, we have elected to report the information in the Subsidized Housing section of this document.

Income Limits and Rent Restrictions

Units receiving Tax Credit assistance must be rented to low and moderate income households at affordable rent levels. Income limits and gross rental rate maximum levels are set each year by the federal government. In 2004, the estimated median family income for Cass County is \$60,700. All of the units in Cass County are designated to serve households at or below 60% of median, 50% of median or 30% of median. Those specific income limits for are as follows:

Table 37 Cass County Tax Credit Income Limits - 2004			
Household Size	30% of Median	50% of Median	60% of Median
1 Person	\$12,750	\$21,250	\$25,500
2 Person	\$14,580	\$24,300	\$29,160
3 Person	\$16,380	\$27,300	\$32,760
4 Person	\$18,210	\$30,350	\$36,420
5 Person	\$19,680	\$32,800	\$39,360
6 Person	\$21,120	\$35,200	\$42,240

Source: North Dakota Housing Finance Agency; Community Partners Research, Inc.

In addition to the tenant income limits, there are also maximum gross rent levels that can be charged for Tax Credit assisted units. The maximum rent levels by income group served for 2004 are as follows:

Table 38 Cass County Tax Credit Rent Limits - 2004			
Bedroom Size	30% of Median	50% of Median	60% of Median
1 Bedroom	\$342	\$569	\$683
2 Bedroom	\$410	\$683	\$819
3 Bedroom	\$474	\$789	\$947
4 Bedroom	\$528	\$880	\$1,056

Source: North Dakota Housing Finance Agency; Community Partners Research, Inc.

Units by Income Level Served

When an application for Tax Credits is submitted, the project must identify the number of units to be assisted and the income levels that will be served. At a minimum, all Tax Credit assisted units must be rented to people with incomes below 60% of the HUD area median family income level. In recent years, to be more competitive in the application ranking system, applications in North Dakota will dedicate a certain percentage of units to serve some tenants at lower income levels, typically some units at 50% of median income and some units at 30% of median income.

In many of the projects, some or all of the unit rents are below the Fair Market Rent levels established for the Section 8 Existing Rent Assistance Program. As a result, there will often be households that are using this rent assistance in a Tax Credit unit. In these cases, even very low income tenants can be served, and many of the projects effectively have a higher percentage of lower income tenants than they are required to have under the terms of their Tax Credit award.

Although program requirements may place upper limits on unit rents and tenant incomes, competitive pressures in the market place have also impacted the actual rents charged in Fargo. As identified above, a two bedroom unit serving households at 60% of median income is allowed to charge a maximum gross rent of \$819 per month. However, we found only a few projects that had two bedroom units with gross monthly rents above \$700 per month. These tended to be the newest projects, that were placed in service since 2001. The majority of the City’s tax credit stock had two bedroom gross rental rates of less than \$600 per month. As a result, these units are considered to be affordable to households who are at a lower income level, with many of the older Tax Credit units at or below the rents identified for households at 40% of median income.

Tax Credit Units by Year of Construction

The following table summarizes the construction of tax credit units by the year that the units were originally placed in service. The unit inventory table on following pages provides more information about each individual project. While most of the Tax Credit units were generated

through new construction, some of the projects involve the purchase and rehabilitation of existing apartment buildings in the community and do not represent newly constructed units. One of the projects awarded credits in 2003, River Square II, is not scheduled to begin construction until 2004. Limited information was available about this project.

Some of the recently funded projects do not represent a net increase in the supply of tax credit housing. These include 60 units at Graver Inn in Fargo that replaces an original tax credit award from 1989, and 38 units in Moorhead that are replacement units for Public Housing scattered site units. These projects represent the preservation of already existing affordable rental housing.

Table 39 Tax Credit Units in MSA by Year Placed in Service						
	Fargo	West Fargo	Moorhead	Dilworth	Barnsville/ Hawley	Total
1988	108	0	0	0	0	108
1989	100	24	0	0	0	124
1990	25	0	0	0	0	25
1991	54	48	0	0	0	102
1992	0	64	100	0	0	164
1993	30	0	15	30	0	75
1994	72	72	0	24	14	182
1995	192	32	14	0	0	238
1996	36	0	0	24	0	60
1997	48	22	0	0	0	70
1998	0	20	0	0	12	32
1999	0	0	0	0	0	0
2000	31	16	0	0	0	47
2001	19	0	30	0	0	49
2002	51	0	0	0	0	51
2003	128	0	24	0	0	152
2004	102*	0	38*	0	0	140
Total	996	298	221	78	26	1,619

Source: Community Partners Research, Inc.; North Dakota Housing Finance Agency; MN Housing Finance Agency
 * 2004 totals include 60 units at Graver Inn in Fargo that replaces original award from 1989, and 38 units in Moorhead that are replacement units for Public Housing scattered site units. These projects do not necessarily expand the supply of tax credit units but instead represent the preservation of already existing affordable rental housing.

Expiration of Tax Credit Requirements

The first tax credit awards in Fargo were 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, unless specific actions are taken by the property owner. However, the projects from the 1980s have nearly reached the 15 year contract period and may be converting to market rate properties in the near future.

Based on our research it would appear that as many as 232 Tax Credit units in Fargo and West Fargo would be eligible to convert to market rate housing due to contract expiration. One of these projects, the Graver Inn with 60 units, was originally awarded tax credits in 1989, and the 15 year contract period will expire in 2004. However, a new allocation of tax credits was provided in 2003 for the purchase and rehabilitation of the building, and this building will continue to comply with program regulations. Two other projects also awarded credits in 1988, Barrington Manor and Trollwood Apartments, with a combined 48 Tax Credit units, would seem to have minimal impact if they were to convert, because most of the lower income tenants also receive rent assistance, so these units would probably remain as affordable housing.

However, in the 1989 awards, there were 163 new construction Tax Credit units created. If eligible to convert, it is probable that many of these units may convert to market rate housing at the end of the 15 year contract period. While these buildings may still offer moderate rental rates, they will not have maximum rent limitations and will not be required to exclusively serve households below the applicable income limits.

Those buildings that were placed in service after 1990 also have a 15 year contract compliance requirement, along with another 15 year use restriction which could keep the units under the program guidelines for 30 years. After the first 15 years, the owners can end the relationship with the Tax Credit program by selling the property. First, they must notify the State, which has one year to attempt to find a buyer for the property that will maintain it as affordable housing. After this one year time period has elapsed, the building can be sold and converted to market rate housing by the new buyer. Because of the actual dates associated with current contracts, the State would not necessarily be notified of plans to sell post-1990 projects until the end of 2005.

Units by Bedroom Mix

The following table provides information on the bedroom mix of Tax Credit units in Fargo and West Fargo. Some buildings have identified that unit configuration may include one bedroom plus den or two bedroom plus den units. These units have been included with either one or two bedroom totals, and do not include the den as an additional bedroom.

As mentioned previously, some of the tax credit assisted projects provide housing options for special needs populations, such as transitional units for the homeless, or other specialized groups. Because these units have designated uses, they are not readily available to most households in the rental market, and these units have not been included in the table that follows.

Table 40 Tax Credit Units by Bedroom Mix - 2003					
	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Total
Fargo	127	364	174	6	671
West Fargo	8	208	66	0	282
Moorhead	4	45	44	0	93
Dilworth	4	50	24	0	78
Total	143	667	308	6	1,124

Source: North Dakota Housing Finance Agency; Community Partners Research, Inc.

Units by Senior Occupancy, General Occupancy or Special Needs Designation

At the time of our original Housing Study in 2000, the vast majority of Tax Credit units in the Fargo Area were designated for general occupancy. At that time, only the Commons at 45th I & II projects in West Fargo were designated for senior occupancy (age 55 and older). The units at Trollwood Village were not designated for senior occupancy, but did cater to an older, frail senior population by providing a light service package with their housing.

Since 2000, many of the newer Tax Credit projects in Fargo and West Fargo have served seniors or tenants with special housing needs. Bonus points have been provided for projects that serve special needs populations. Increased Tax Credit development involvement by the Fargo Housing Authority, through its nonprofit subsidiary Beyond Shelter, Inc., and the Region V Community Development Corporation, has resulted in projects that served disabled tenants, and near/homeless populations. Some of the Beyond Shelter, Inc., projects have also focused on redevelopment efforts that use infill locations or preserve housing units in downtown buildings. Combined there have been 65 tax Credit Units created in recent years in Fargo for either special populations or as part of redevelopment efforts.

Many of the recently developed Tax Credit projects by private developers have been designated for senior occupancy. The River Square Apartments, River Square II, Century Square Townhomes and Windwood Townhomes in Fargo and the Sheyenne Square Townhomes in West Fargo are all designated for senior occupancy. These projects have been placed in service since 2001. Combined, these projects offer 140 units of senior-designated Tax Credit Housing.

There have been two general occupancy projects placed in service since 2001. Foxtail Creek Townhomes and Westwinds Apartments provide a combined 132 units of general occupancy Tax Credit Housing.

Occupancy/Vacancy Patterns

As stated earlier, the Fargo Area has had a cyclical production pattern for Tax Credit units. From 1994 to 1997, there were 474 Tax Credit units placed in service in Fargo and West Fargo. This

represented approximately one-half of all the Tax Credit units in Cass County at the time of our 2000 Housing Study. In 1997 and 1998, no new Tax Credit awards were made in Fargo or West Fargo. Between 1999 and 2003, there have been two or more projects funded each year in Fargo or West Fargo, with the exception of 2002, when no awards were made in the area.

As part of the Update, we contacted each of the Tax Credit projects in Fargo and West Fargo to collect current occupancy information. Excluding units that served special needs populations or that were still under construction or rehabilitation, we were able to collect usable information from more than 1,050 Tax Credit units.

In the general occupancy segment, we found a vacancy rate of 6.3%. Approximately two-thirds of the projects that we contacted reported one or more vacant units in December 2003 or January 2004. One of the projects with the highest rate of vacancy cited a significant unit turn-over rate, due largely to tenants converting to home ownership as mortgage interest rates have reached historic low levels.

The occupancy rate in the senior-designated tax credit projects was much lower. We identified only one vacant unit of the 116 in the survey, for a vacancy rate of 0.9%. The newest senior-designated project, Windwood Townhomes, was still under construction and was excluded from our vacancy calculation. This project will add 46 senior units to the market over the next few months.

The occupancy rates in our survey for this Update are better than we found at the time of our 1999 survey. At that time, we estimated the vacancy rate at approximately 7%.

The North Dakota Housing Finance Agency tracks vacancy rates on an annual basis. They estimate that the vacancy rate in Tax Credit Housing in southeastern North Dakota is in excess of 11%, much higher than we found in December 2003/January 2004.

Appraisal Services, Inc., a private real estate services company, has tracked occupancy rates in the Fargo area for many years. At the time of our 1999 survey, we found a vacancy rate in Tax Credit projects that was higher than their overall rental vacancy rate in Fargo/West Fargo, which was approximately 4.4% in 1999. In 2003, our calculation of a 6.3% vacancy in general occupancy Tax Credit housing was fairly comparable to Appraisal Services' calculation of a 5.9% vacancy rate in all Fargo area rental housing in September 2003. We found a vacancy rate of less than 1% in senior-designated Tax Credit projects, which was well below the vacancy trends in the broader market.

Vacancy Rates and Rental Rates

Although we did not perform a statistical comparison of rental rate changes in recent years, it appears that relatively high rates of unit vacancy have helped to moderate rental rate increases. When compared to our rental rate surveys in 1999 and 2001, gross rents had generally increased by less than \$40 per month for most units in the older projects, and in more than one instance, rental rates in 2003 were the same as or actually lower than those reported in 1999. The units

most likely to have increased in recent years are the three-bedroom units, which are relatively limited in supply.

The highest tax credit rents are generally being charged by the newest projects. These projects are often in a townhouse configuration and may include an attached garage. In some of the new senior-designated projects, there are additional amenities offered, such as community rooms, security entrances and in-unit laundry hook-ups.

Table 41 Fargo/West Fargo Tax Credit Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
Fargo					
Sister's Path	12 units	N/A	N/A	N/A	New tax credit project providing supportive/permanent housing for the homeless. 2003 allocation that is under construction, with expected occupancy in June 2004.
River Square II	30 units	N/A	N/A	N/A	2003 tax credit allocation for senior-designated units next to River Square Apartments. Construction scheduled to begin in Spring 2004 with occupancy in fall 2004.
River Square Apartments	9 - 1 Bedroom 20 - 2 Bedroom	\$515 \$620 +electric	1 vacant 2 brm unit	1 unit at 30%, 1 at 50%, remainder at 60%	Senior-designated tax credit project placed in service in 2002. One story apartment building with court yard, community room, library, screen porch, and 13 car attached parking facility. Units have laundry hook-up. All units are tax credit assisted, with 1 unit at 30% and 1 nit at 50% of median income. One 2 bedroom unit vacant in December, although waiting list is maintained.
Dakotah Pioneer	10 -Efficiency 19 - 1 Bedroom 2 - 2 Bedroom	\$329 \$390 \$449 inc. utilities	Full with 28 name waiting list	Both HOME and tax credit have 60% of median limit	Tax credit and HOME program units created through rehabilitation of a historic downtown building. Placed in service in 2000. Project provides affordable transitional housing for people with mental illness, addiction, or other disabilities. Many tenants receive rent assistance through Section 8 or State supportive assistance. Strong demand with 28 name waiting list.
Church Townhomes	3 - 2 Bedroom 5 - 3 Bedroom	\$609 \$846	No vacancies	1 unit at 30%, 1 at 50%, remainder at 60%	Tax credit town house project constructed on in-fill redevelopment site. Placed in service in 2002. Units primarily serve large families, often immigrants to the City. Gross rents are at HUD Fair Market Rents so that Section 8 Existing can be used. Full occupancy.
Renaissance Partners	14 - 1 Bedroom	\$504	2 vacancies	1 unit at 30%, 1 at 50%, remainder at 60%	Tax credit units created thru rehab of housing above 2 downtown commercial buildings. Placed in service in 2002. One unit designated at 30% of median and 1 unit at 50%, but gross rent levels are maintained at FMRs, so all units are effectively at 50% rent limits. Two current vacancies due to high turnover in 1 building with noise issues.

Table 41 Fargo/West Fargo Tax Credit Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
Windwood Townhomes 45 th St. S.	46 - 2 Bedroom	\$640-\$660 +heat, elect.	New project - 4 units completed	60% of median	Tax credit townhouse units designated for senior occupancy and placed in service in 2003. Still under construction with only 4 units ready for occupancy in December 2003. Tenants pay all utilities except water, sewer and garbage. Rent does include attached garage, in-unit laundry hook-up and dishwashers.
Century Square Townhomes 3810 25 th St. S.	19 - 2 Bedroom	\$610-\$620 +heat, elect.	No vacancies	1 unit at 30%, remainder at 60%	Tax credit townhouse units designated for senior occupancy and placed in service in 2001. Tenants pay all utilities except water and sewer. Rent does include attached garage, in-unit laundry hook-up and dishwashers. One unit serves households at 30% of median income, with remainder at 60%.
Foxtail Creek Townhomes 42 nd Avenue South	16 - 2 Bedroom 10 - 3 Bedroom 4 - 4 Bedroom	\$570-\$610 \$690 \$740 +electric	No vacancies	2 units at 30%, remainder at 60%	Tax credit townhouse units placed in service in 2003. Initial full occupancy achieved in December 2003. Garage and heat included in rent but tenant pays electric. Two units serve households at 30% of median income, with remainder at 60%.
Westwinds 3500 42 nd St. SW	10 - 1 Bedroom 60 - 2 Bedroom 32 - 3 Bedroom	\$287-\$525 \$600-\$615 \$700-\$715 +electric	14 vacant units	8 units at 30%; remainder at 60%	Tax credit apartment units placed in service in 2002. Two 3 story apartment buildings with 52 units each. Garage and heat included in rent but tenant pays electric. Eight 1 bedroom units serve households at 30% of median, other units at 60%. Project has achieved full occupancy but now has 14 vacancies and 11 additional tenants have given notice. Most recent notices due to people buying their housing.
Park Apartments 4235 9 th Ave. Circle SW	1 - 1 Bedroom 11 - 2 Bedroom 6 - 3 Bedroom	\$420 \$485-\$495 \$575	No vacant units	All at 60%	Tax credit project placed in service in 1991. Three story apartment building. Rent includes garage and utilities. No vacancies at time of survey and annual occupancy rate of more than 90% in Park Apartments, Park West I And Park West II.

Table 41 Fargo/West Fargo Tax Credit Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
Park West I Apartments 4309 9 th Ave. Circle SW	1 - 1 Bedroom 11 - 2 Bedroom 6 - 3 Bedroom	\$420 \$485-\$495 \$575	No vacant units	All at 60%	Tax credit project placed in service in 1991. Three story apartment building. Rent includes garage and utilities. No vacancies at time of survey and annual occupancy rate of more than 90% in Park Apartments, Park West I And Park West II.
Park West II Apartments 4311 9 th Ave. Circle SW	1 - 1 Bedroom 11 - 2 Bedroom 6 - 3 Bedroom	\$420 \$485-\$495 \$575	1 vacant units	All at 60%	Tax credit project placed in service in 1991. Three story apartment building. Rent includes garage and utilities. One vacancy at time of survey and annual occupancy rate of more than 90% in Park Apartments, Park West I And Park West II.
Park Circle Apartments 4304 9 th Ave. Circle SW	1 - 1 Bedroom 17 - 2 Bedroom	\$420 \$475-\$495	No vacant units	All at 60%	Tax credit project placed in service in 1989. Three story apartment building. Rent includes garage and utilities. No vacancies at time of survey and annual occupancy rate of more than 90%.
Country Edge Apartments I & II 3343 and 3363 31 st Ave. SW	2 - 1 Bedroom 34 - 2 Bedroom 12 - 3 Bedroom	\$390 \$460-\$485 \$535-\$545 + electric	3 vacant units	5 at 30%, remainder at 60%	Two 24 unit apartment buildings placed in service in 1997. Three story apartment buildings. Electric and optional \$30 garage in addition to contract rent listed. Current vacancy rate is approximately 7%. Five units are designated for households at 30% of median. Some main floor 8 units are handicap adapted.
Grandview Apartments 3031 - 3061 33 rd St. SW	6 - 2 Bedroom 30 - 3 Bedroom	\$500 \$650 + electric	4 vacant units	11 at 50%, remainder at 60%	Tax credit town house project placed in serve in 1996. Six buildings with 1 two bedroom and 5 three bedroom units per building. Electric and optional \$30 garage in addition to contract rent listed. Manager reports 11% vacancy rate. Eleven units are designated for households at 50% of median, with 25 units at 60%.
Lake Apartments I, II, III 3101, 3061 32 nd St. SW	3 - 1 Bedroom 45 - 2 Bedroom 6 - 2 Bed + Den 18 - 3 Bedroom	\$415 \$485-\$495 \$520 \$570 + electric	5 vacant units	24 units at 50%, remainder at 60%	Three apartment buildings with 24 units each, placed in service in 1995. Rent includes garage but tenant pays electric in addition to rent. Manager reports that approximate 7% vacancy rate. Eight units per building are at 50% of median income limits.

Table 41 Fargo/West Fargo Tax Credit Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
Lake Apts IV, V - 3121, 3141, 3161 32 nd St SW	2 - 1 Bedroom 30 - 2 Bedroom 4 - 2 Bed + Den 18 - 3 Bedroom	\$415 \$485-\$510 \$520 \$570 + electric	3 vacant units	16 units at 50%, remainder at 60%	Two apartment buildings with 24 units each, placed in service in 1995. Rent includes garage but tenant pays electric in addition to rent. Manager reports vacancy rate. Eight units per building are designated for households at 50% of median, with remainder serving households at 60% of median.
West View Apartments 3140, 3160 33 rd St. SW	5 - 1 Bedroom 19 - 2 Bedroom 24 - 3 Bedroom	\$385 \$455 \$555 + electric	1 vacant unit	All at 60%	Two apartment buildings with 24 units each, placed in service in 1994. Rent includes garage but tenant pays electric in addition to rent. Manager reports high annual occupancy rate with only 1 or 2 units vacant each month. Rents in 2003 are lower than reported in 2001 - has helped to achieve higher occupancy rate.
South Pointe Court 3219 S.18th St.	1 - 1 Bedroom 17 - 2 Bedroom 6 - 3 Bedroom 6 - 4 Bedroom	\$385 \$460 \$585 \$740 + electric	2 vacant unit	All at 60%	Three story apartment building placed in service in 1993. Rent includes garage but tenant pays electric in addition to rent. Manager reports two current vacancies but high annual occupancy rate. Mix of tenants, including some senior citizens. Rents for 1 and 2 bedroom are lower than reported in 2001.
Park Place Apts. 2701 32 nd Ave SW 3131 27 th St. SW	36 - 2 Bedroom 36 - 3 Bedroom	\$545-\$615 \$675-\$780 +electric	10 vacant units	22 units at 50%, remainder at 60%	Three apartment buildings with 24 units each, placed in service in 1995. Rent includes garage and heat, tenant pays electric. New management in April 2003 improved vacancy rate from 30% to 14% - possibly due to different screening policies. 22 of the units are designated for households at 50% of median, with remainder serving households at 60% of median.
Westview 1802 40 th St. SW	1 - 1 Bedroom 11 - 2 bedroom 12 - 3 Bedroom	\$425 \$505 \$585 +electric	2 vacant units	All at 60%	Apartments placed in service in 1994. Rent includes heat and detached garage; tenants pays electric. Manager reports 2 units currently vacant, compared to 9 in 2001 survey - higher occupancy is probably due to relaxed screening policies.
City-Park Apts 4318, 4330, 4404,4416 9 th Ave. Circle SW	8 - 1 Bedroom 64 - 2 Bedroom	\$395 \$415	No vacant units	All units at 60%	Four 3 story apartment buildings with 18 units each. Awarded credits in 1989 - project is nearing end of 15 contract and will convert to market rate next year. Tenant pays for electric and electric heat in addition to rent. Manager reports no current vacancies.

Table 41 Fargo/West Fargo Tax Credit Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
Carlton Place Apts 1501, 1519 48 th St. SW	13 - 1 Bedroom 12 - 2 Bedroom	\$425-\$440 \$510-\$520 + electric	No vacant tax credit units	Tax credit units at 60%	Mixed income rental property with 25 tax credit assisted units, but 36 current tenants are income qualified. All tax credit units are at 60% of median. 3 market rate units are vacant. Tenant pays electric in addition to rent.
Graver Inn 115, 123 Roberts Street	58 - 1 Bedroom 2 - 2 Bedroom	\$504 \$609	Some units vacant to allow for rehab	Tax credit assistance secured in 2003 for acquisition and rehab	Acquired by the Fargo Housing Authority in 2003 - tax credits secured for acquisition and rehab. Originally a HUD Mod Rehab and tax credit project in 1988/89 of older apartment complex. Original tax credit contract had expired, and Mod Rehab contract has lapsed. Housing Authority secured 48 vouchers as part of mitigation plan and approximately 95% of tenants have Section 8 Existing rent assistance. With rehab scheduled in 2004, some units are now intentionally vacant to facilitate construction. Rents at FMRs to allow for use of Section 8 Existing.
Trollwood Village 3111, 3115, 3125 Broadway	30 Tax Credit units in complex 18 - Studio 45 - 1 Bedroom 84 - 2 Bedroom	Rent assistance available \$430 to \$1,050 + electric	No vacancies, long waiting list	30 tax credit units plus many tenants have Section 8 Existing rent assistance	Mixed income rental property built in 1988 and 1989 with 30 tax credit assisted units of 147 units in project. While not designated for senior occupancy, it primarily serves seniors. Many tenants also receive Section 8 Existing rent assistance that allows for rent on 30% of income. Rent includes light house keeping service. Tenant pays electric and optional parking for \$30. Project has 65 name waiting list for all units, including tax credit units. Plans for 38 unit expansion - 20% would be through tax credit program.
West Fargo					
Sheyenne Square Townhomes 1100 Sheyenne St.	16 - 2 Bedroom	\$620 +electric	No vacancies	1 unit at 30%, remainder at 60%	Tax credit townhouse units designated for senior occupancy and placed in service in 2000. Tenants pay electric in addition to rent. Rent does include heat, attached garage, in-unit laundry hook-up and dishwashers. One unit serves households at 30% of median income, with remainder at 60%.
Meadow Apartments 555 22 nd St. E 556 23 rd St. E	16 - 3 Bedroom	\$615-\$745 + electric	1-2 vacant units	5 units at 50%, 11 units at 60%	Apartment units placed in service in 1992. Tenant pays electric in addition to rent. Manager reports that 1 or 2 units are typically vacant.

Table 41 Fargo/West Fargo Tax Credit Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Income Level Served	Comments
Prairie Park Apartments 1318, 1336, 1354 8 th St. East	3 - 1 Bedroom 51 - 2 Bedroom 18 - 3 Bedroom	\$395 \$455-\$480 \$530-\$540 + electric	3 vacant units	24 units at 50%, remainder at 60%	Three apartment buildings with 24 units each, placed in service in 1994. Tenant pays electric in addition to rent, and optional garage for \$25. Manager reports 3 current vacant units. Eight units per building are designated for households at 50% of median, with remainder serving households at 60% of median.
Prairie West Apartment II, III & IV - 1409, 1415 and 1515 14 th Ave. E	3 - 1 Bedroom 63 - 2 Bedroom 6 - 3 Bedroom	\$375 \$410-\$445 \$495-\$505 + electric	4 vacant units	All at 60%	Three apartment buildings with 24 units each, placed in service in 1989 and 1991. Tenant pays electric in addition to rent, and optional garage for \$25. Manager reports 6% vacancy rate. All units in these buildings are designated for households at 60% of median.
Prairie West Apartment V & VI 1401, 1121 14 th Ave E	2 - 1 Bedroom 34 - 2 Bedroom 12 - 3 Bedroom	\$375-\$380 \$430 - \$470 \$505-\$520 + electric	3 vacant units	16 units at 50%, remainder at 60%	Two apartment buildings with 24 units each, placed in service in 1991 and 1992. Tenant pays electric in addition to rent, and optional garage for \$25. Manager reports average vacancy rate of 6%. Eight units per building are designated for households at 50% of median, with remainder at 60% of median.
Foxboro Court Apartments 2310 7 th Ave. E	12 - 2 Bedroom 10 - 3 Bedroom	\$355-\$625 \$705 + electric	Fully occupied	2 units at 30% 20 units at 60%	Two story town house units placed in service in 1997. Tenant pays electric in addition to rent; garage is included in rent. Manager reports no vacant units and high annual occupancy rate. Approximately half of tenants are seniors and half are single parents. Two 2 bedroom units are at 30% of median with \$355 contract rent.
Commons at 45 th I - 415, 425, 435 22 nd St. E 455 22 nd St. E	24 - 2 Bedroom 8 - 3 Bedroom	\$615-\$640 \$695-\$725 + electric	No vacancies	All at 60%	Town house style units placed in service in 1995. Units are designated for senior occupancy, age 55 and older. Manager reports no vacancies, with high annual occupancy rate. Tenant pays electric in addition to rent. Detached garages are included in rent; units with attached garages rent at higher end of range provided.
Commons at 45 th II - 470/490 23 rd St. E, 2255 Meadow Ridge	20 - 2 Bedroom	\$355-\$615 + electric	No vacancies	2 units at 30% 18 units at 60%	Town house style units placed in service in 1998. Units are designated for senior occupancy, age 55 and older. Manager reports no vacancies, with high annual occupancy rate. Tenant pays electric in addition to rent. Detached garages are included in rent.

Source: Community Partners Research, Inc.

Rental Housing Inventory: Subsidized Units

Fargo has a number of rental housing developments that have received State or federal subsidies for the creation of units to serve low and moderate income people. When we refer to “subsidized” housing in this Study, we mean housing that has received a “deep” subsidy that will generally allow tenants to pay rent based upon 30% of their income, or units that have rents substantially below the prevailing market rents for the community. In most cases, subsidized units will be targeted to those low income households earning less than 50% of the area median income.

In Fargo, there is a large supply of both “tenant-based” subsidized housing and “project-based” subsidized housing serving families, seniors and handicapped/disabled populations. Tenant-based assistance is provided through the Section 8 Existing Rent Assistance Program, which is funded by HUD and is portable with the tenant household. Most of the project-based subsidized housing in Fargo received its deep subsidy assistance through the U.S. Department of Housing and Urban Development (HUD).

Income Limits

Nearly all of the City’s subsidized housing uses income limits established annually by the U.S. Department of Housing and Urban Development. The income limits are adjusted by household size, and most often are set at 50% or 60% of HUD’s estimate of the median family income level for the area. In 2003, HUD estimated the Cass County median family income to be \$60,100. A family of four at 50% of the County median income could have an annual of income of \$30,500, or less, to qualify for most of the subsidized housing in the City. However, by applying 30% of gross income, a four person household at the 50% level would be expected to pay more than \$700 each month for their housing, before any rent subsidy would generally be applied. As a result, much of the rent assistance is provided to households with incomes well below the 50% limits. Preferences are often given to these lower income households when applications are being processed.

Project Based Subsidized Inventory

Our research found 18 housing developments in Fargo with project-based subsidies. In addition to these “bricks and mortar” projects, the Section 8 Existing Rent Assistance Program also provides rent subsidy assistance to more than 1,100 households. Eleven of these projects serve the general occupancy segment of the market, and six projects are designated for occupancy by senior households, handicapped and/or disabled tenants. There is also one subsidized housing project for 40 developmentally disabled individuals in Fargo. In some of the following tables we have not included information on this special housing needs project, since it serves a very defined population group on a referral basis.

One of the subsidized projects, Barrington Manor, also received Low Income Housing Tax Credits. Since this building has project-based Section 8 Rent Assistance available for tenants, we have reported this project as subsidized housing instead of tax credit housing. Another project,

the Graver Inn, was included in our subsidized category in the 2000 Housing Study. However, the Mod Rehab contract that provided project-based rent assistance has lapsed as part of the ownership change that included the award of tax credits in 2003. The Fargo Housing Authority, the project’s new owner, has secured 48 additional Section 8 rent assistance vouchers from HUD to assist lower income tenants in this project. Although most of the tenants have rent assistance, we have reported this project in the tax credit section of this document.

In total, we found 1,097 “deep” subsidy units, and most of these charge rent based on 30% of tenant income. Of these units, 498 are general occupancy, and 559 are designated for senior, handicapped, or disabled tenant occupancy, and 40 units are for 40 developmentally disabled individuals.

We are aware of some subsidized units that have been lost since the inventory that was compiled in the 2000 Housing Study. The Fargo Housing Authority has successfully sold approximately 24 scattered site public housing units in the last few years. The other identified project is the Graver Inn with 60 units. However, even though the Mod Rehab contract has lapsed on the Graver Inn units, the Fargo Housing Authority has secured 48 additional rent assistance vouchers from HUD. These units remain very affordable and most current tenants in this building do have rent assistance available.

Table 42 Fargo Subsidized Units by Bedroom Mix - 2003				
	General Occupancy	Senior, Handicap, Disabled	Developmentally Disabled	Total
Efficiency Units	31	35	40	106
One Bedroom	60	499	0	559
Two Bedroom	260	23	0	283
Three Bedroom	124	2	0	126
Four Bedroom	23	0	0	23
Total	498	559	40	1,097

Source: Community Partners Research, Inc.

Occupancy/Vacancy Patterns in Project-Based Subsidized Housing

In the 2000 Housing Study, we found an inconsistent occupancy pattern for subsidized projects, with most buildings reporting a high occupancy rate and a long waiting list for units, while other projects reported long-standing vacancy problems.

In our rental survey in December 2003, we found that nearly all buildings reported high rates of occupancy and waiting lists. Where vacancies did exist, these were generally attributed to the time it takes to process new tenants from the waiting list when a unit turn-over occurs.

In the general occupancy segment of the subsidized market, excluding the SRO units, our survey found approximately 20 vacant units, for a vacancy rate of 4.2%. However, all of the projects with vacancies also had waiting lists for occupancy, and the existence of a vacant unit is not viewed as a demand issue. The Fargo Housing Authority's waiting list for scattered site public housing units had more than 1,100 names in December 2003, indicating substantial pent-up demand for general occupancy subsidized units.

As in our 1999 rental survey, most of the vacant subsidized units in 2003 were in the Community Homes projects, which continues to have a waiting list for occupancy. They attribute their vacancies to unit turn over and their extensive tenant screening process, which can lead to delays in filling units that have recently come available.

One of the other projects with vacancies in 1999, Barrington Manor, reported no vacancies in our 2003 survey. In 1999 this project cited a shortage of off-street parking and no showers in the units as contributing factors to reduced demand. Both of these issues have been addressed since 1999, and occupancy rates have improved.

In the segment of the subsidized housing market that serves senior citizens, handicapped and disable tenants, the occupancy rates continue to be high. Our survey in 1999 found a vacancy rate of less than 2%. In December 2003, we found approximately 11 vacant units, for a vacancy rate of approximately 2.0%.

Once again, it would appear that most vacant units have adequate demand, and the vacancy is the result of the time delay in processing a new tenant from the established waiting lists. The only project that indicated some lack of demand was The 400. This property, in downtown Fargo, expressed some concern about the lack of basic services, such as a grocery store in the immediate vicinity, and that this limited the number of potential senior, handicapped or disabled tenants that viewed this building as an acceptable residential location.

Tenant-Based Rent Assistance

In addition to the project-based subsidized units in the City, the Fargo Housing Authority also has a large Section 8 Existing Rent Assistance Program that serves approximately 1,100 lower income Fargo households. In many cases, Section 8 Existing assistance is preferred by tenant households because it allows greater flexibility and mobility in housing choices, while still allowing rent based on income. The Fargo Housing Authority has a waiting list of approximately 1,000 applicants for this Program. It is assumed that many of the names on the Section 8 Existing waiting list are also on the waiting list for scattered site public housing units.

Since our research for the 2000 Housing Study, the Housing Authority has been successful in adding to the supply of Housing Choice Vouchers through the Section 8 Existing Program. Approximately 250 households have been added to the Program since 1999. The Housing Authority has an active application for 70 new Vouchers, although if awarded, this assistance would be dedicated to disabled tenants in an attempt assist them in moving into the private rental market.

Table 43 Fargo Subsidized Multifamily Rental Housing Inventory

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Subsidy Sources	Comments
General Occupancy					
The Burrel	23 - 1 Bedroom 7 - 2 Bedroom	30% of income	1 vacant unit	Section 8/ Mod Rehab	General occupancy Section 8/Mod Rehab project. Old downtown hotel convert to rental housing. Now owned by the Fargo Housing Authority. All tenants have access to rent assistance which allows rent based on 30% of income. Manager reports 1 vacant unit. Most tenants are students or disabled.
Colonial Manor II	9 - 1 Bedroom 3 - 2 Bedroom	30% of income	No vacancies	Section 8/ Mod Rehab	General occupancy apartments built in 1960s or 1970s. Owned by the Fargo Housing Authority. Manager reports full occupancy. All tenants have access to rent assistance that allows rent based on 30% of income.
Scattered Site Public Housing	104 - 2 Bedroom 72 - 3 Bedroom 23 - 4 Bedroom	30% of income	98% annual occupancy	Low Rent Public Housing	Low Rent Public Housing scattered site single family houses and duplexes in four Fargo neighborhoods. Annual occupancy rate is approximately 98% and any vacancies are due to unit turn over. Approximately 24 units have been sold for home ownership in recent years. FHA reports waiting list of more than 1,100 names.
Community Homes I	3 - Efficiency 68 - 2 Bedroom 17 - 3 Bedroom	30% of income	10 vacant units	HUD 236/ Section 8	HUD 236/Section 8 subsidized apartments built in 1970. Manager reports 10 current vacancies. Project maintains a waiting list, but high turn-over with screening and processing results in unit vacancies. Most tenants are lower income families.
Community Homes II	4 - Efficiency 68 - 2 Bedroom 23 - 3 Bedroom	30% of income	5 vacant units	HUD 236/ Section 8	HUD 236/Section 8 subsidized apartments built in 1970. Manager reports 5 current vacancies. Project maintains a waiting list, but high turn-over with screening and processing results in unit vacancies. Most tenants are lower income families.
8 th Street Apartments	10 - 1 Bedroom 4 - 2 Bedroom	30% of income	No vacancies	Section 8/ Mod Rehab	Older apartment building that was rehabilitated through Mod Rehab. All tenants receive rent assistance. No vacant units.
9 th Street Apartments	2 - Efficiencies 4 - 1 Bedroom	30% of income	No vacancies	Section 8/ Mod Rehab	Older apartment building that was rehabilitated through Mod Rehab. All tenants receive rent assistance. No vacant units.

Table 43 Fargo Subsidized Multifamily Rental Housing Inventory					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Subsidy Sources	Comments
Barrington Manor	6 - 2 Bedroom 12 - 3 Bedroom	30% of income	No vacancies	Section8/ Mod Rehab/ Tax Credits	Combination HUD Mod Rehab and Tax Credit project. 1988 rehabilitation of older apartment complex. All tenants receive rent assistance that allows rent based on 30% of income. Manager reports no current vacancies. Addition of showers in units and off-street parking has lead to full occupancy compared to 80% rate in 2000. Mix of families with children and 3 HC/disabled tenants.
Graver Annex	10 - 1 Bedroom	30% of income	No vacant units	Section 8/ Mod Rehab	HUD Mod Rehab/Section 8 project created from 1988/89 rehabilitation of older apartment complex. Acquired by the Fargo Housing Authority in 2003. Tenants receive rent assistance that allows rent based on 30% of income. Full occupancy with a waiting list.
Sisk Apartments	4 - 1 Bedroom	30% of income	N/A	Section 8/ Mod Rehab	Older apartments rehabed under HUD Mod Rehab program in the 1980s. Tenants receive rent assistance that allows for rent based on 30% of income. Project may have expiring subsidy contract within the next few years.
Full Circle	22 - SRO	\$279	1-2 vacant units	HOME/ Section 8	Single Room Occupancy housing project developed by SE Region CAA and Fargo Housing Authority. Waiting list exists for units.
Section 8 Existing Program	1,104 housing choice vouchers	30% of income	1,000 name waiting list	Section 8 Existing	Tenant-based rent assistance program. FHA reports approximately 1,000 households on the waiting list. Approximately 250 households have been added to the program since the 1999 Housing Study.
Senior/Handicapped/Disabled Occupancy					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Subsidy Sources	Comments
Fargo/Lashkowitz High Rise	248 - 1 Bedroom 1 - 2 Bedroom	30% of income	98% to 99% annual occupancy	Low Rent Public Housing	Low Rent Public Housing project built in 1971 and owned by the Fargo Housing Authority. Manager reports annual occupancy rate of 98% to 99%.. Approximately 55% of tenants are seniors and 45% disabled tenants. Waiting list of approximately 3 months.

Table 43 Fargo Subsidized Multifamily Rental Housing Inventory

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Subsidy Sources	Comments
Bethany Towers II	35 - Studio units with no kitchen facilities	30% of income	No vacancies, no waiting list	HUD 202/ Section 8	Towers II was built in 1978 and has 35 units of project-based rent assistance of 96 total units in building. Rent assistance subsidizes rent but all services are private pay. HUD Assisted Living Conversion Program grant recently completed to improve accessibility. Services Coordinator also funded through HUD. Assisted living services include 3 meals per day, weekly light housekeeping, emergency pull cords, 24 hour staffing and home health care on site. Units are attached to nursing home which gives tenants added benefits.
Pioneer Manor	46 - 1 Bedroom	30% of income	No vacancies, waiting list	Low Rent Public Housing	Low Rent Public Housing project built in 1983 and owned by the Fargo Housing Authority. Manager reports full occupancy with 15 name waiting list. Mix of senior and disabled tenants.
New Horizons Manor	76 - 1 Bedroom 20 - 2 Bedroom 2 - 3 Bedroom	30% of income	No vacancies, waiting list	Low Rent Public Housing	Low Rent Public Housing project built in 1973 and owned by the Fargo Housing Authority. Fully accessible building. Approximately 50% of tenants are elderly and 50% are younger handicapped tenants. Manager reports full occupancy with 6 month waiting list. Assisted living program available through a contracted service provider.
University Drive Manor	90 - 1 Bedroom	30% of income	3-4 vacant units	HUD 231/ Section 8	HUD 231/Section 8 high rise built in 1977. All units are 1 bedroom with less than 500 sq. ft. All tenants pay rent based on 30% of income. Manager reports 3 to 4 vacancies due to turn-over in primarily senior tenants and time it takes for new tenants to move - demand is good. Building also houses handicapped and disabled tenants.
The 400	39 - 1 Bedroom 2 - 2 Bedroom	30% of income	4 vacant units	Section 221(d)(4)/ Section 8	HUD Section 221(d)(4)/Section 8 subsidized project for elderly, handicapped and disabled occupancy. Downtown building that was rehabed in 1982-1983. Subsidy contract is expiring but is in process of being renewed to preserve subsidized units. Primarily elderly tenants. All tenants pay rent based on 30% of income. Manager states 4 units are vacant - no grocery store downtown and parking issues result in reduced demand from some potential tenants.

Table 43 Fargo Subsidized Multifamily Rental Housing Inventory					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Subsidy Sources	Comments
Special Needs					
Fraser #4 and Fraser Hall	Single room occupancy housing for 40 people	30% of income	3 vacancies	HUD 202/ Section 8	Two buildings offering subsidized housing for developmentally disabled individuals. Fraser #4 assisted with HUD 202 program. Fraser Hall receives assistance through Section 8/Fargo Housing Authority. Tenants referred through State Human Services. Vacancies can exist if service needs of referred tenants are not compatible with the services provided by the building.

Source: Community Partners Research, Inc.

Senior Designated Housing and Senior Housing with Services

The Fargo-Moorhead Area offers a number of rental housing options for senior citizens, ranging from independent living apartments to units with advanced levels of care, such as assisted living. This section provides information on housing in and Fargo, West Fargo and Moorhead that is designated for senior occupancy (55 and older). The inventory table at the end of the section displays information on independent living options, rental projects that provide some level of services along with the housing unit, and also information on senior subsidized housing and senior-designated Tax Credit projects. The Subsidized and Tax Credit projects are also included in the sections of this Study that address those rental market segments.

Trends in Development

At the time of our research for the 2000 Housing Study, the area was experiencing a significant amount of development activity of senior housing with services. In 1999, Waterford at Harwood Groves in Fargo opened a large complex that offered a wide range of housing for seniors, from owned cottage units to recovery care following hospital or nursing home stays. Pioneer House, attached to Elim Nursing Home was scheduled to open in May 2000. Eventide Nursing Home in Moorhead also had an assisted living wing under construction for occupancy in 2000.

Our research for this 2004 Update found that very little additional development activity has occurred since 2000 for senior housing with services. There have been some assisted living units added to the inventory, but this has generally been through an ‘in house’ conversion of units to provide a higher level of care. For example, Riverview Place in Fargo has converted 56 units of independent living to assisted living. Since many of the existing projects offer a range of services and unit types within their facility, this internal adjustment of units is an effective way of responding to market demand without the cost and time required for new unit construction.

The development trend that is most evident in senior designated housing in recent years is the construction of Tax Credit units dedicated to occupancy by households age 55 and older. Both Fargo and West Fargo have placed senior designated projects in service since 2000. Minnesota’s Tax Credit application process will not generally award Credits to senior occupancy projects, so this type of housing has not been added to the Minnesota portion of the MSA.

Occupancy/Vacancy

In most cases, the senior designated housing projects in the area have vacancy rates that are lower than the vacancy rate in the general rental market. This is especially true for completely independent apartments, Tax Credit projects, and the area’s elderly subsidized housing.

Market rate rental units that had only independent living options had a vacancy rate of approximately 5%. However, this level of vacancy appears to be somewhat deceiving. Our survey of these buildings was conducted in January, and building managers stated that it was

often difficult to fill vacant units quickly during the winter months. All three of the completely independent living projects that we surveyed maintained some level of waiting list for occupancy. It appears that most of the vacancies that did exist at the time of our survey would better be classified as turn-over units, rather than true vacancies, as demand appears to be adequate to fill most of the available units. The only exception to this was the availability of some one bedroom units in Carriage House Apartments in Moorhead. This project maintains a waiting list for the larger, two bedroom units, but appears to have less demand for their one bedroom product.

Some of the other senior projects including Bethany Towers, Riverview Place and The Waterford at Harwood Groves also offer independent living units. We have elected to reflect these units in the housing with services segment since these facilities do have a service package available on-site. While tenants may not initially need to access personal and health related services when they move in, we believe the availability of these services in-house does have an impact on the selection of the housing development. Rent levels for these independent units are often nearly twice as high as the truly independent living apartments, again a reflection of the services and amenities that are available in the facility.

It is somewhat difficult to track the occupancy patterns of market rate rental projects with services. All but one of the projects that we contacted had some level of unit availability. Due to the specialized nature of housing in these projects, which can often cater to a very frail senior population, there is a relatively high rate of unit turn-over. One project manager reported that their monthly turn-over rate can be as high as 5%, because of the age and health concerns of many of their tenants. Filling vacant units can also take some time, even when a waiting list exists. As a result, these projects assume that some units will experience vacant months, even when there is relatively strong demand.

There was some evidence that supply of units currently exceeds demand, although this is project-specific, and can be unit specific. Bethany Towers I completed a major remodeling project in 2003 that required them to retain a large number of units intentionally vacant to facilitate construction. This building reported that they were attempting to refill these units, but were only at 70% occupancy at the time of our survey. Evergreens of Fargo was at approximately 80% occupancy, and Evergreens of Moorhead was designed for a shared living arrangement, although most of their units were only at single occupancy.

Many of the newest projects have intentionally located on sites that have adequate land for future phases of development. None of these projects are actively involved in new development phases, which again supports our findings that demand does not exceed supply at this time. A large number of units had either just come into the market or will be available for occupancy in 2000. As a result, there could be changes to occupancy of other developments as these new units are absorbed.

Occupancy rates in the senior designated Tax Credit and subsidized housing projects are very strong. Few unit vacancies were found in this affordable rental stock. Where vacant units do exist, they appear to be somewhat project-specific, as most buildings were at or near full occupancy.

There has been no significant addition to the supply of subsidized rental housing for seniors since the completion of our 2000 Housing Study, and it appears that some units have been lost. Occupancy rule changes implemented by HUD in the 1990s have resulted in fewer senior tenants in many of the Public Housing projects that had originally been constructed for senior occupancy. Although seniors can still reside in these projects, it is often the case that the population of younger tenants increases and the population of senior tenants decreases over time. Conversely, the supply of Tax Credit units designated for senior occupancy has increased significantly since our 2000 Housing Study. Many of the recently developed Tax Credit projects by private developers have been designated for senior occupancy. The River Square Apartments, River Square II, Century Square Townhomes and Windwood Townhomes in Fargo and the Shyenenne Square Townhomes in West Fargo are all designated for senior occupancy. These projects have been placed in service since 2001. Combined, these projects offer 140 units of senior-designated Tax Credit Housing.

These projects provide very desirable senior rental options, for households that can meet the income requirements. The projects often include amenities that appeal to seniors, including ample common space, in-unit laundry, and attached, covered parking. Occupancy patterns for these new units are very good.

Pending Projects

We are not aware of any senior rental housing projects that are in the planning or pre-development phase at the time of this Update. Two of the senior Tax Credit projects, River Square II and Windwood Townhomes are either under construction or will be constructed in 2004, but these projects have been included in our table that follows.

As mentioned above, some of the recently constructed senior projects The Waterford and Pioneer House have adequate land for future construction activity. It would not be surprising to see these projects propose additional unit development if market conditions are conducive to an expanded supply of units.

Table 44 Fargo Area Senior-Designated Housing Inventory					
Name	Location	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Comments
Independent Living, Market Rate Units					
Heritage House	Fargo	41 - 1 Bedroom 21 - 2 Bedroom	\$590-\$605 \$850 +electric	2 vacant units, waiting list	Market rate, independent living for seniors built in the late 1980s. Located next to MeritCare, this project has a number of amenities, including emergency pull cords, underground parking for \$30, beauty shop, library and exercise room. Current vacancies are due to unit turn over, but manager reports good demand for units and a waiting list for occupancy.
Cooperative Living Center	West Fargo	6 - 1 Bedroom 18 - 2 Bedroom	\$650 \$725	2 vacant units, waiting list	Senior designated development with 24 rental units and 24 condominiums. Garage rental is additional \$30. Manager reports 2 vacancies due to turn over, but good demand for units and a waiting list for occupancy.
Carriage House Apartments	Moorhead	21 - 1 Bedroom 15 - 2 Bedroom	\$577 - \$693 \$842-\$858 + electric	Some vacant 1 bedroom units	Independent living apartments designated for 55 and older occupancy; constructed in mid-1980s. Attached to Homestead Condominiums with 18 condos also for senior occupancy. Manager says that they usually have full occupancy and attributes openings to few move-ins during winter. Waiting list exists for 2 bedroom units.
Market Rate Housing with Services Available					
Bethany Towers I	Fargo	55 Efficiency units	\$1103+	70% annual occupancy	Tower I built in 1962. Tower I has 55 units and HUD mortgage. Towers are attached to nursing home and tenants can access nursing home activities. Basic rent package includes 3 daily meals and light housekeeping. Personal care and nursing services can be provided by home health care which is based on site. Renovation project in 2003 resulted in nearly 50% intentional vacancy - units have been slow to refill, and occupancy rate is approximately 70%.

Table 44 Fargo Area Senior-Designated Housing Inventory					
Name	Location	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Comments
Bethany Towers II	Fargo	96 Efficiency units	\$1,213+	98% to 99% annual occupancy	Tower II built in 1978. Tower II has 96 units and 35 tenants receive rent subsidy. Towers are attached to nursing home and tenants can access nursing home activities. Basic rent package includes 3 daily meals and light housekeeping. Personal care and nursing services can be provided by home health care which is based on site. High annual occupancy rate.
Riverview Place	Fargo	150 units Efficiency 1 bedroom 2 Bedroom; 56 assisted and 94 independent	Ranges from \$1,200-\$2,000 + services based on needs	Typically 5% of units available due to turn over	Independent living and assisted living units. Project built in 1987, with 56 assisted living units created since 2000. Rent for independent units ranges from \$1300-\$2000, with a la carte services available on-site. Assisted living ranges from \$1200-\$1600 plus 1 of 6 bundled service packages. Manager reports good demand with waiting list for specific units. Units are generally available due to high rate of unit turn over.
Evergreens of Fargo	Fargo	60 Efficiencies	\$1785-\$3125 + custodial services	80% occupancy rate	Senior designated development built in early 1990s, offering regular care, enhanced care and memory care housing. 60 units divided in 4 wings providing different levels of care. Base rate includes efficiency unit with no kitchen, daily meals, housekeeping, laundry and activities. Additional charges for other assistance with daily living services as needed by the tenant. Approximate 80% occupancy rate.
Evergreens of Moorhead	Moorhead	15 assisted living 15 memory care units	\$1,785 \$2,950 + additional services	A few assisted living units available	Senior development built in 1990 with 15 units for assisted living and 15 memory care units. Base rate includes 3 daily meals, 24 hour staffing, laundry, housekeeping, and other light services. More services available for higher fee. All memory care units are full, with a few assisted living units vacant. Units can accommodate double occupancy, so capacity could be expanded through shared living arrangement.

Table 44 Fargo Area Senior-Designated Housing Inventory					
Name	Location	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Comments
Heritage Villa	Moorhead	16 unit Board and Lodging	\$1,351	6 vacancies	Licensed as Board & Lodging facility. Services include daily meals and 24 hour staff. Light housekeeping available for extra fee. No one-on-one services provided. Manager reports some softness in market over past year, with 6 units currently vacant.
Waterford at Harwood Groves	Fargo	119 Total Units Studio 1 Bedroom 1 Bedroom+Den 2 Bedroom 2 Bedroom+Den	\$1,200-\$1,600 \$1,600-\$2,000 \$2,595 \$2,795 \$3,295	1 vacant independent unit, assisted living and memory care units available	Senior complex with a variety of housing types, including independent living rental, assisted living, Alzheimer's units, special care and recovery stay. Opened in 1999. 50 independent units, 41 assisted living, and 20 memory care units. 8 owned cottages constructed with up to 25 cottages possible. Independent living has 1 vacant unit, plus cottage potential; units available in assisted living and memory care. Site has adequate land for additional phases, but nothing planned at this time.
Pioneer House Assisted Living	Fargo	43 - 1 Bedroom 5 - 2 Bedroom	\$1900-\$2500 \$2800 + additional services	Full occupancy, waiting list	Assisted living project opened in June 2000. Attached to Elim Nursing Home. Services include 2 meals daily plus continental breakfast, weekly housekeeping, emergency pull cords, transportation and other light services. Health related services available for additional fee. Full occupancy with waiting list. Site has adequate room for future phases of development.
Linden Tree Circle	Moorhead	53 - 1 Bedroom 13 - 2 Bedroom	\$1,524+ \$2,060+	Some vacant units	Independent housing with services built in 2000 - could be licensed as assisted living, but currently licensed as housing with services. Attached to Eventide Nursing Home complex. Basic rent service package includes light housekeeping, 24 hour staffing, emergency call system, transportation and activities. Additional services paid for as needed. Some vacant 1 bedroom units, with waiting list for 2 bedroom units.
Eventide Catered Living	Moorhead	53 - 1 and 2 Bedroom units	\$1,500+	Some vacant units	Catered living facility attached to Eventide Nursing Home and Linden Tree Circle; constructed in early 1990s. Basic rent service package includes light housekeeping, 24 hour staffing, emergency call system, transportation and activities. Additional services paid for as needed. A few vacant units are available.

Table 44 Fargo Area Senior-Designated Housing Inventory					
Name	Location	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Comments
The Fairmont	Moorhead	92 units - current remodeling will reduce number of units	\$1,277+	Some vacant units	Creamery building converted to senior housing with services. Units are independent apartments but do not have kitchens - remodeling project will make some units larger and reduce number of units in building. Basic rent package includes 3 meals daily, light housekeeping, 24 hour staffing, emergency call system, transportation and activities. Additional services paid for as needed. Garden Square is 19 units in building for residents with early memory loss. Some vacant units in project.
Senior Designated Tax Credit Housing					
River Square II	Fargo	30 units	N/A	N/A	2003 tax credit allocation for senior-designated units next to River Square Apartments. Construction scheduled to begin in Spring 2004 with occupancy in fall 2004.
River Square Apartments	Fargo	9 - 1 Bedroom 20 - 2 Bedroom	\$515 \$620 +electric	1 vacant 2 brm unit	Senior-designated tax credit project placed in service in 2002. One story apartment building with court yard, community room, library, screen porch, and 13 car attached parking facility. Units have laundry hook-up. All units are tax credit assisted, with 1 unit at 30% and 1 nit at 50% of median income. One 2 bedroom unit vacant in December, although waiting list is maintained.
Windwood Townhomes 45 th St. S.	Fargo	46 - 2 Bedroom	\$640-\$660 +heat, elect.	New project - 4 units completed	Tax credit townhouse units designated for senior occupancy and placed in service in 2003. Still under construction with only 4 units ready for occupancy in December 2003. Tenants pay all utilities except water, sewer and garbage. Rent does include attached garage, in-unit laundry hook-up and dishwashers.
Century Square Townhomes 3810 25 th St. S.	Fargo	19 - 2 Bedroom	\$610-\$620 +heat, elect.	No vacancies	Tax credit townhouse units designated for senior occupancy and placed in service in 2001. Tenants pay all utilities except water and sewer. Rent does include attached garage, in-unit laundry hook-up and dishwashers. One unit serves households at 30% of median income, with remainder at 60%.

Table 44 Fargo Area Senior-Designated Housing Inventory					
Name	Location	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Comments
Sheyenne Square Townhomes 1100 Sheyenne St.	West Fargo	16 - 2 Bedroom	\$620 +electric	No vacancies	Tax credit townhouse units designated for senior occupancy and placed in service in 2000. Tenants pay electric in addition to rent. Rent does include heat, attached garage, in-unit laundry hook-up and dishwashers. One unit serves households at 30% of median income, with remainder at 60%.
Trollwood Village 3111, 3115, 3125 Broadway	Fargo	30 Tax Credit units in complex 18 - Studio 45 - 1 Bedroom 84 - 2 Bedroom	Rent assistance available \$430 to \$1,050 + electric	No vacancies, long waiting list	Mixed income rental property built in 1988 and 1989 with 30 tax credit assisted units of 147 units in project. While not designated for senior occupancy, it primarily serves seniors. Many tenants also receive Section 8 Existing rent assistance that allows for rent on 30% of income. Rent includes light house keeping service. Tenant pays electric and optional parking for \$30. Project has 65 name waiting list for all units, including tax credit units. Plans for 38 unit expansion - 20% would be through tax credit program.
Commons at 45 th I - 415, 425, 435 22 nd St. E 455 22 nd St. E	Fargo	24 - 2 Bedroom 8 - 3 Bedroom	\$615-\$640 \$695-\$725 + electric	No vacancies	Town house style units placed in service in 1995. Units are designated for senior occupancy, age 55 and older. Manager reports no vacancies, with high annual occupancy rate. Tenant pays electric in addition to rent. Detached garages are included in rent; units with attached garages rent at higher end of range provided.
Commons at 45 th II - 470/490 23 rd St. E, 2255 Meadow Ridge Parkway	Fargo	20 - 2 Bedroom	\$355-\$615 + electric	No vacancies	Town house style units placed in service in 1998. Units are designated for senior occupancy, age 55 and older. Manager reports no vacancies, with high annual occupancy rate. Tenant pays electric in addition to rent. Detached garages are included in rent.

Table 44 Fargo Area Senior-Designated Housing Inventory					
Name	Location	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Comments
Subsidized Senior Designated Housing					
Bethany Towers II	Fargo	35 - Studio units with no kitchen facilities	30% of income	No vacancies, no waiting list	Towers II was built in 1978 and has 35 units of project-based rent assistance of 96 total units in building. Rent assistance subsidizes rent but all services are private pay. HUD Assisted Living Conversion Program grant recently completed to improve accessibility. Services Coordinator also funded through HUD. Assisted living services include 3 meals per day, weekly light housekeeping, emergency pull cords, 24 hour staffing and home health care on site. Units are attached to nursing home which gives tenants added benefits.
New Horizons Manor	Fargo	76 - 1 Bedroom 20 - 2 Bedroom 2 - 3 Bedroom	30% of income	No vacancies, waiting list	Low Rent Public Housing project built in 1973 and owned by the Fargo Housing Authority. Fully accessible building. Approximately 50% of tenants are elderly and 50% are younger handicapped tenants. Manager reports full occupancy with 6 month waiting list. Assisted living program available through a contracted service provider.
Pioneer Manor	Fargo	46 - 1 Bedroom	30% of income	No vacancies, waiting list	Low Rent Public Housing project built in 1983 and owned by the Fargo Housing Authority. Manager reports full occupancy with 15 name waiting list. Mix of senior and disabled tenants.
Fargo/ Lashkowitz High Rise	Fargo	248 - 1 Bedroom 1 - 2 Bedroom	30% of income	98% to 99% annual occupancy	Low Rent Public Housing project built in 1971 and owned by the Fargo Housing Authority. Manager reports annual occupancy rate of 98% to 99%.. Approximately 55% of tenants are seniors and 45% disabled tenants. Waiting list of approximately 3 months.

Table 44 Fargo Area Senior-Designated Housing Inventory					
Name	Location	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Comments
University Drive Manor	Fargo	90 - 1 Bedroom	30% of income	3-4 vacant units	HUD 231/Section 8 high rise built in 1977. All units are 1 bedroom with less than 500 sq. ft. All tenants pay rent based on 30% of income. Manager reports 3 to 4 vacancies due to turnover in primarily senior tenants and time it takes for new tenants to move - demand is good. Building also houses handicapped and disabled tenants.
The 400	Fargo	39 - 1 Bedroom 2 - 2 Bedroom	30% of income	4 vacant units	HUD Section 221(d)(4)/Section 8 subsidized project for elderly, handicapped and disabled occupancy. Downtown building that was rehabed in 1982-1983. Subsidy contract is expiring but is in process of being renewed to preserve subsidized units. Primarily elderly tenants. All tenants pay rent based on 30% of income. Manager states 4 units are vacant - no grocery store downtown and parking issues result in reduced demand from some potential tenants.
West Fargo High Rise	West Fargo	59 - 1 Bedroom	30% of income	No vacancies, waiting list	Low Rent Public Housing high rise built in 1968. Manager reports full occupancy with a combined waiting list with West Fargo Low Rise. Primarily senior occupancy.
West Fargo Low Rise	West Fargo	38 - Efficiencies 20 - 1 Bedroom 2 - 2 Bedroom	30% of income	No vacancies, waiting list	Low Rent Public Housing project built in 1967. Manager reports full occupancy with a combined waiting list with West Fargo High Rise. Approximately 80% of tenants are seniors.
Eventide Living Center	Moorhead	46 - 1 Bedroom	30% of income	No vacancies	HUD 202/Section 8 subsidized senior project attached to Eventide Nursing Home and assisted living projects. All tenants pay rent based on 30% of income. Fully occupied.
Sharpview Manor	Moorhead	45 - 1 Bedroom 2 - 2 Bedroom	30% of income	Near 100% occupancy	Low Rent Public Housing designated for senior occupancy. Moorhead Highrise used to provide senior housing, but 10% of tenants are now seniors. Waiting list for Sharpview Manor.

Source: Community Partners Research, Inc.

Student Housing

The Fargo-Moorhead Area has a large student population, primarily at four colleges/universities. The large student population is one of the contributing factors to the high rate of renter occupancy in Fargo. This section provides information on the size of the student population and the housing options specifically provided for students.

Current Student Population

Reports indicate that the size of the student population has been growing in recent years. The 1990 Census actually reported a larger population of students in the MSA in 1990 than in 2000. However, it appears that after declining in the early 1990s, the area's population of students has since grown steadily.

In our 2000, we reported that some of the post-secondary institutions in the MSA were experiencing record enrollments. In many cases, enrollment levels have increased even further. Enrollment levels for 2003 and projections for 2004 are as follows:

- ▶ North Dakota State University - 2003 enrollment of 11,004 - 2004 projected enrollment of 12,200-12,400 students
- ▶ Moorhead State University - 2003 enrollment of 7,700 - 2004 projected enrollment of 7,500 students
- ▶ Concordia College - 2003 enrollment of 2,856 - 2004 projected enrollment of 2,850 students
- ▶ MN State Community and Technical College - 2003 enrollment of 1,560 - 2004 projected enrollment of up to 2,000 students

Based on these enrollment levels at the start of the 2003 academic year, there were an estimated 23,120 post-secondary students in the Fargo-Moorhead area who were attending one of the four large colleges or universities. At the start of the 1999 academic year we found 21,226 post-secondary students, for an increase of nearly 9% since 1999. Although we do not have a 2003 population estimate for the Fargo-Moorhead MSA, comparing the 2003 enrollment with the 2002 population estimate indicates that as much as 13% of the total population of the Metropolitan Statistical Area is in the student population.

The largest single institution, NDSU, also has the largest reported increase in student enrollment. At the time of our 1999 research, NDSU reported record enrollment with 9,800 students. The school's projections for 2004 expect enrollment to exceed 12,200 students. According to school officials, both under-graduate and graduate enrollments have increased, but graduate school enrollment accounts for a majority of the past increases and the projected future increases. Housing needs for graduate students are different than for under-graduate students.

Existing Student Housing

Three of the four institutions provide student housing options in the form of residence halls/dormitories and/or student apartments. MN State Community and Technical College does not have student housing. The following table summarizes the number of units.

Occupancy rates in student housing can vary depending on the time of the year. For example, NDSU reported a residence hall occupancy rate of approximately 91% in January 2004, but the residence halls were above 100% occupancy at the start of the academic year. As some students leave the school, or move into other housing options, the occupancy rates decline. However, in most cases, the available housing capacity is generally put to use for part of the school year.

Table 45 Student Housing - 2004			
	Residence Halls	Apartment Units	Total Number of Students
NDSU	2,871	450	3,321
Moorhead State	1,625	142	1,767
Concordia	1,450	314	1,764
Total	5,946	906	6,852

Source: Community Partners Research, Inc.

- ▶ Based on the phone survey, we estimate that between 29% and 30% of the area’s student population is housed in campus-owned facilities. This is similar to the percentage found in our 1999 survey. While the student population has grown since 1999, there has also been some increase in on-campus housing options. This data would suggest that as many as 16,000 students are housed off-campus, although some of these students may live outside of the Fargo-Moorhead area.
- ▶ All of the schools reported that they are at or near full occupancy at the start of the fall academic year. As the school year progresses, there is a decrease in occupancy rates as some students leave school or move to off-campus housing. Moorhead State did report some unused dormitory space, but this was due to a specific residency hall and the configuration of the living units.
- ▶ There have been additions to student housing since our 2000 Housing Study. NDSU has added 167 residence hall beds at the Living and Learning Center, which opened for occupancy in 2003. NDSU is also in the process of reconstructing Bison Court, which will nearly double its capacity to 100 students. Moorhead State has added 142 beds through a new addition. Concordia is nearing completion on a 28 unit apartment project that will provide capacity for 72 students.

- ▶ We were not able to identify any privately owned housing that was specifically for student occupancy. Each of the colleges/universities identified a number of rental housing options that exist in the neighborhoods around each campus. While these units are predominantly occupied by students, they are not restricted to student occupancy.

- ▶ Although NDSU will be adding some educational facilities in downtown Fargo, it is our understanding that the University has concluded that downtown student housing is not practical at this time. Students attending the downtown campus facilities will not be attending classes exclusively downtown, and student housing staff believe that if students want to live near the site of their classes, they will prefer to be near the main campus, to have easier access to the other amenities of campus life. Those students that are prepared to live off-campus and commute to school would be more inclined to live in the newer areas of Fargo, closer to the primary employment, retail and entertainment opportunities.

2000 Census Data

According to the 2000 Census, there were 21,449 college or graduate school students residing in the MSA. This represented 12.3% of the MSA's population in 2000. Although the 1990 Census provided fewer details on students, there were 22,570 college students in the MSA at that time. This represented 14.7% of the MSA's total population. Between 1990 there was a decrease of more than 1,000 college and graduate school students in the area.

Most of the college and graduate school students in 2000 were in the age ranges between 18 and 24 years old. Over 77% were in this 6-year age range. The vast majority of the remaining students were older than 24 years old.

Over 95% of the student population lived within the Cities of Fargo, Moorhead or West Fargo. In total, 13,086 college or graduate school students lived in Fargo in 2000, or 61% of the entire MSA's student population. Approximately 30% of the population lived in Moorhead, just over 3% lived in West Fargo, and the remaining 6% lived in other jurisdictions within Cass or Clay Counties.

The Census also reported that 2,646 students in Fargo and 3,030 students in Moorhead were residing in dormitories or similar group quarters housing. Based on this information, it would appear that more than 10,400 students living in Fargo and 3,475 students living in Moorhead resided in some form of off-campus housing in 2000.

In our 2000 Housing Study, we had surveyed the major colleges and universities for enrollment information. At that time, we estimated that there were 21,226 post-secondary students enrolled at the four institutions. This number is very similar to the 21,449 that the 2000 Census reported as living in the MSA. The research for our Study found a reported enrollment of 9,800 students at NDSU, and 11,426 students at the three schools in Moorhead. Subtracting the student population housed in dormitories in 2000, from the estimated enrollment, we would estimate that approximately 7,150 NDSU students, and approximately 8,400 Minnesota-enrolled students were living outside of student housing in 2000.

The Census information documents the fact that Fargo has a disproportionately large share of the area's students that live off-campus. Although as many as 8,500 students at Minnesota schools lived off-campus, there were only 3,475 students in 2000 that appeared to live in private housing in that City. And while there were an estimated 7,150 NDSU students living off-campus, there were more than 10,400 students apparently living in private housing in Fargo in 2000.

Market Rate Rental Housing

The largest share of Fargo’s rental housing stock is general occupancy, market rate rental housing. Market rate housing has minimal restrictions for occupancy. There are no income limits, age restrictions or maximum rent limitations. This housing is market-driven, and rental rates are a function of demand, supply and desirability.

Following changes to tax laws in the late 1980s, production of new market rate rental housing slowed significantly in many parts of the country. However, this slow-down in production did not seem to occur in Fargo. Our review of building permit activity indicates that 350 or more units have been constructed in Fargo each year from 1990 to 2003, and in most years, the number of new units produced was greater than 400. In two years, 1995 and 2002, market rate unit construction was above 700 units.

In the 1990s, an average of more than 560 new market rate units were constructed in Fargo each year. The production of new market rate rental housing in the 1990s was nearly 50% greater than all owner-occupied housing starts. Between 2000 and 2003, the City also averaged more than 560 new market rate rental units per year. During this same time period, the City averaged approximately 380 owner-occupied units per year, based on building permit issuance. The ratio of rental unit to owner occupied unit construction has remained relatively stable in Fargo for many years.

Occupancy/Vacancy Rates

Appraisal Services Inc., a Fargo-based real estate appraisal company, has been monitoring rental housing construction activity and area vacancy rates for many years. The company conducts a quarterly survey of the occupancy patterns of the largest rental property owners and managers. Their annual survey for 2003 obtained information from more than 15,000 rental units in Fargo, or between 65% and 70% of all rental units in the City. In addition to Fargo data, they also collect occupancy information from more than 3,000 in West Fargo, Moorhead, and Dilworth.

The following table displays annual vacancy rate data for Fargo and the Fargo area (Fargo, Moorhead, West Fargo, Dilworth) for the years 1999 through 2003, taken from the Appraisal Services Inc. survey. While the survey may capture information about other segments of the rental market, including subsidized units, tax credit units, and senior-designated housing, the large majority of the rental housing data collected by the survey represents market rate, general occupancy housing units, and the vacancy patterns are viewed as an accurate reflection of this large segment of the market.

Table 46 Annual Rental Housing Vacancy Rates					
	1999	2000	2001	2002	2003
Fargo	4.4%	4.3%	4.7%	6.0%	6.8%
Fargo Area	4.7%	4.5%	4.6%	5.9%	6.7%

Source: Appraisal Services Inc.; Community Partners Research, Inc.

Trends of Construction

Fargo has experienced a somewhat cyclical pattern of market rate rental development. As tracked by Appraisal Services, Inc., data, the City has seen periods of high new unit production that tend to drive up vacancy rates, which are then followed by slower production years until the influx of new units is absorbed. In the 1990s, production peaked in 1995 and 1996, when 753 and 696 units were issued building permits. Vacancy rates for the Fargo area increased to 6.7% in 1996, and did not move below 5.0% until 1999.

In 2002, a new production spike occurred as approximately 785 market rate rental units were issued a building permit. This is the highest, single year for construction activity in the period we tracked since 1990. Low interest rates helped to contribute to above average levels of new unit construction. In the last quarter of 2003, the vacancy rate for the Fargo moved above 7%. The annual vacancy rate for the Fargo area was 6.7%. In 1996 the annual vacancy rate for the Fargo area was also at 6.7%. This is the only other year that the annual vacancy rate was above 6%, as tracked by Appraisal Services, Inc., surveys since 1993.

Market Rate Survey

Due to the availability of reliable data from the Appraisal Services Inc., we conducted only a limited survey of market rate rental units in Fargo. We attempted to contact some of the larger rental properties constructed in the last few years.

The newer buildings that we surveyed, generally reported occupancy rates that are equal to or better than the 6.7% vacancy rate reported for the overall rental market. A number of the newer projects are providing high quality units, often with amenities such as in-unit laundry, underground parking, pool/spa facilities and exercise rooms. Because these high amenity projects make up a relatively small share of the overall rental market, these units have generally been well received by moderate to higher income tenants who are looking for a high quality unit.

Although the larger buildings that we contacted were generally traditional, multi-story apartment projects, there are reports that some of the new rental development has also been of townhouse-style units. At the time of our 2000 Housing Study, Tucker Point was having success with this type of unit, and it appears that other recent projects have used this style of construction. Anecdotal reports indicated that some of the townhouse units could be sold for owner occupancy or maintained as single family rental housing.

Rental Rates

With the large number of rental options in Fargo, there is a wide variety of rental rates.

The 2000 U.S. Census included information on rental rates in the City. According to the Census, the median gross rent in Fargo was \$468 in 2000.

The distribution of contract rents, before the inclusion of any tenant-paid utilities, are presented in the following table.

Table 47 Fargo Contract Rents for Occupied Housing Units - 2000 Census		
Cash Contract Rent	Number of Units	Percent of Units
Less than \$200	1,271	6.2%
\$200-\$299	2,571	12.5%
\$300-\$399	4,443	21.6%
\$400-\$499	5,604	27.3%
\$500-\$599	3,367	16.4%
\$600-\$699	1,541	7.5%
\$700-\$799	862	4.2%
\$800-\$899	277	1.3%
\$900+	587	2.9%

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

- ▶ At the time of the 2000 Census, contract rental rates in Fargo were generally very moderate. Over 65% of the occupied units with cash rent were in a range between \$300 and \$600 per month.
- ▶ Fewer than 16% of rental units had a contract rent of \$600 or more.
- ▶ Although most unit rental rates have probably increased since 2000, or rental surveys of tax credit units in the area indicate that increases have not been large. A relatively high vacancy rate in recent years has helped to keep rents relatively stable for most units. Notable exceptions would be for highly desirable units, or for units that are in relatively short supply in the market place. For example, a unit with attached, covered parking may be highly desirable and in relatively short supply, which could result in a rental rate increase for this type of unit.

Luxury Rental Market

In the late 1990s, an increasing amount of construction began to address the higher end of the rental market. Offering amenities such as underground parking, in-unit laundry, swimming pools, or large town house-style units, these properties were well received in the market, based on the rental survey completed for the 2000 Housing Study.

Although we contacted only a small number of new luxury projects for this Update, the occupancy reports would still indicate that this segment of the market is doing as well as or better than the broader rental market.

Despite the amenities being offered in these newest projects, rents remain surprising reasonable. In the four luxury-type projects that we surveyed, all of which had been constructed since 2000, gross rental rates were \$900 or less for a two bedroom unit, and many of the two bedrooms had gross rental rates under \$800 per month. Although we do not have a basis for comparison on these newer units, it appears that competition for tenants has helped to keep rates in these new projects very competitive, despite the inclusion of amenities with the unit.

There has also been some reported increase in construction of town house units for rental housing. In some cases, these units may be available for either sale or rent. These units provide a single family housing opportunity for renter households, with large units, attached garages and other amenities comparable to home ownership.

Downtown Housing Options

The downtown area for the City of Fargo provides a large number of housing options. Based on research completed by the Fargo Planning Department and the Fargo Assessor's Office, there are more than 2,700 housing units exist in the downtown and additional units are under construction.

In recent years, a portion of the City's downtown has been declared as a 'Renaissance Zone'. The original Renaissance Zone was adopted by the City in 1999, and approved by the State of North Dakota later that year. The Renaissance Zone designation was viewed as an "innovative way to spur development and increase investor confidence in downtown Fargo". Approved development and investment activity that takes place in the Renaissance Zone is eligible for a variety of tax exemptions and/or credits, some of which are defined below.

Income Tax Exemption

- ▶ An individual taxpayer that purchases a single-family residence as primary residence may qualify for an exemption of up to \$10,000 in income tax liability for 5 taxable years, starting with date of occupancy. Single-family residence includes single-family detached homes and single units in a duplex, townhouse, and condominium.
- ▶ Any taxpayer that purchases, leases, or rehabilitates residential or commercial property for any business or investment purpose, as a zone project, is exempt from any tax on income derived from the business or investment locations within the zone for five taxable years, beginning with the date of purchase, lease, or completion of rehabilitation.

Property Tax

- ▶ A municipality may grant a partial or complete exemption from ad valorem taxation of single-family residential property, exclusive of the land on which it is situated, if the property was purchased or rehabilitated by an individual for the individual's primary place of residence as a zone project.
- ▶ A municipality may grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements purchased or rehabilitated as a zone project for any business or investment purpose.
- ▶ All exemptions are determined by the municipality and may be partial or complete. Maximum length of exemption is 5 years from date of investment.

In addition to these benefits, historic preservation and renovation tax credits can be available and Renaissance Zone Funds financial investments can be part of projects in the Zone.

Downtown Housing Inventory

Table 48 Fargo Downtown Housing Inventory - 2004			
	Rental Units	Owner Occupied Units	Total Units
Existing Units	2,446	278	2,724
Units under Development (February 2004)	12	23	35
Total	2,458	301	2,759

Source: Fargo Planning Department; City Assessor

According to City records, in February 2004 there were more than 2,700 housing units in the downtown area. This represented approximately 6% of all housing in the City at that time. The large majority of these units were rental housing, with more than 10% of the City’s rental housing located in the downtown area.

In February 2004, there were both rental and owner occupied housing development projects underway in the downtown. These projects will add 35 additional housing units.

Since the Renaissance Zone was created in a portion of the downtown area, there has been an increased level of housing development that can be directly linked to the creation of the Zone. According to City staff, there are 51 condominium units that have been built, or that are under construction. As many as 70 additional units are in the preliminary planning stage. Based on our interviews, we believe that most of this development has focused on a higher-priced condominium product, generally in the \$200,000 to \$300,000 price range. The development of this type of housing had not been occurring prior to the establishment of the Renaissance Zone.

The income tax exemption of up to \$10,000, plus a potential reduction in property tax liability, will provide the greatest financial benefit to higher income households. As a result, the product that has been constructed offers the amenities and qualities to serve the higher income segment of the market.

Rental housing creation or renovation that has occurred in the Renaissance Zone has largely served the moderate to lower rent segment of the market. There has not been any new construction of larger rental projects as a result of the tax incentives downtown. Although luxury rental development is certainly possible in the downtown area, the Renaissance Zone benefits would largely be realized by the developer/owner of the project. Higher income renter households would not receive the same direct income tax or property tax benefits that are available to owner-occupants. Rental housing developers that we talked to indicated that luxury rental projects are likely to be located in the City’s newer development areas.

We believe that most of the existing rental stock downtown serves lower income tenants. This is the result of planned development, including a large number of publicly assisted and subsidized housing units, as well as market-driven causes, as a large number of units are in older buildings that are not competitive with newer rental housing.

Census data does provide some insight into the downtown rental housing inventory. Census Tract 7 covers much of the core downtown area, and contained over half of the downtown housing units. In 2000, the median gross rent reported in Census Tract 7 was \$283. City-wide, the Census reported a median gross rent of \$483. In 2000, fewer than 4% of the rental units in Census Tract 7 had a gross rental rate of \$700 or more, compared to nearly 13% of rental units in this price range in the remainder of the City.

Market Potential for Housing Development Downtown

Based on our research for this Update, we do believe that there is market potential for the creation of new housing in the downtown area through new construction or renovation of existing buildings. The projections we are using anticipate that the Fargo-Moorhead MSA will add an average of between 890 and 1,090 new households per year. We would expect approximately 85% to 90% of this growth will occur within Fargo, Moorhead and West Fargo.

Our projections indicate that between 65% and 70% of this demand will be for owner-occupied housing, based on the projected age distribution patterns of the area's population between now and the year 2010. The largest increases by age group should occur among households in the 55 to 64 year old age range. The 45 to 54 year old age range and the 65 to 74 year old age range should also increase in size. We view growth in these age groups to be very supportive of downtown housing development. The empty-nester and retired population will be a prime target market for no-maintenance housing, such as condominiums. When households in these age ranges elect to rent their housing, they will generally have more disposable income, and will look for high-amenity housing options.

While we do not know the actual buyer profile of the people buying condominium units in the downtown area, but we believe that households in the 55 to 74 year old range would represent a significant part of the market. Between 2000 and 2010, the number of households in these age ranges should increase in number by more than 59%, if age-based projections are accurate. When combined with greater market acceptance of this product, we believe that there will be a significant increase in demand for owner occupied housing in the downtown area.

There are also opportunities to create housing that would be desirable for students. The area has a large and expanding student population. This population is growing at a faster rate than on-campus housing construction. The location of some NDSU educational facilities in the downtown area will generate potential demand for housing that caters to students.

While the downtown area can be a desirable location for both condominium development and luxury rental development, there are factors that will hinder development activity. Based on the interviews that we completed for this Update, the following issues were identified:

- ▶ **Access to basic services** - One of the factors cited for vacancies in some of the existing rental housing downtown was the lack of basic services, such as a grocery store in the immediate vicinity. The property manager that identified this issue had a rental building that primarily served lower income, elderly, handicapped and disabled tenants.

- ▶ **Redevelopment complications** - While some open tracts of land may exist in the downtown area, it is probable that most new construction will be part of redevelopment efforts that will require the assembly of land and the removal of existing buildings. This can add time, expense and unforeseen complications to the development project. Housing developments that are completed through renovation or conversion of existing structures can eliminate some of these issues, but these projects are often limited in the design or amenities that can be added cost-effectively to the project.
- ▶ **Competition from new development areas** - Fargo has generally been growing to the west and to the south. Future development activity will also be occurring on the northern edge of the community. Large tracts of vacant land exist in these areas. Much of the developable land is already under the control of the area's largest housing developers. As a result, most of the area's most successful developers have little incentive to change their development focus away from vacant tracts of land that they already control to take on development projects in the downtown. These developers have also established successful track records in designing and developing certain styles of housing in a cost-effective manner. As a result, we believe that most new housing development will continue to occur in the new development areas of the City, while downtown housing will serve smaller, niche markets.
- ▶ **Student housing competition** - While we see market potential for student housing in the downtown area, there will be strong competition for these tenants. Currently, most students are housed in the general rental market. In 2003 there was an above average vacancy rate in the City. Vacant units provide multiple options for students and have a moderating impact on rents. Interviews with student housing staff at the area colleges and universities has given us the impression that for most off-campus students, housing choices are made for lifestyle and/or employment reasons rather than location near the school. For example, many of the off-campus students at Concordia, Moorhead State and MN State Community and Technical College elect to live in Fargo rather than Moorhead. Social life and proximity to employment are the reasons cited for this decision of many students to commute to school rather than live near campus and commute to work.
- ▶ **Impact of Renaissance Zone incentives expiration** - The Renaissance Zone tax benefits were effective in the year 2000, but nearly all of the condominium units that have since been constructed have been occupied for two years or less. The term of the income tax exemption and property tax relief for a maximum term of 5 years. Once the benefits term has expired, subsequent owners of the unit will not receive similar benefits. The impact of expiring tax incentives cannot yet be determined. It is logical to assume that there will be a disadvantage to market a unit for resale if comparable new unit with the Renaissance Zone tax advantages is also for sale.
- ▶ **Off-Street Parking** - One of the advantages of new apartment construction on bare land is the ability to provide convenient parking options for tenants. One of the disadvantages of downtown redevelopment projects could be the difficulty in assembling a site that can provide adequate off-street parking for tenants.

Findings and Recommendations

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Findings and Recommendations

Overview

Before addressing specific issues and recommendations for action, we have provided a summary of our findings on projected household growth, and the changing age patterns of the Fargo-Moorhead area. While demand for housing will also be generated by factors other than growth, such as replacement of lost units, household growth will have the largest impact on future housing development needs. As a result, the following summary of household growth projections, age-based growth projections and housing unit demand, provides our interpretation of these key issues and our methodology for projecting future housing unit needs.

Household Growth Projections

Fargo and the surrounding Metropolitan Statistical Area (MSA) have historically experienced strong, annual household growth. Between the 1990 Census and the 2000 Census, the City of Fargo added more than 9,000 new households, while the entire MSA, including Fargo, added more than 12,000 new households.

Despite the area's well-established history of adding population and households, there has been a pattern in the official demographic data sources of under-estimating the actual pace of growth. In our 2000 Housing Study, we had examined household estimates from a number of different sources. We believed that all of these estimates were too low, and we generated our own estimate of 37,400 households in Fargo in 1999. Even this estimate was too low, as the 2000 Census reported 39,268 households in the City.

We believe that this tendency to under-estimate growth in the City has continued following the 2000 Census. The U.S. Census Bureau's most recent population estimate for the City of Fargo shows that the City has added only 605 new residents between the time of the 2000 Census and July 1, 2002, the effective date of their population estimate. While this does show some population growth for the City, the 2002 estimate is actually lower than the Census Bureau's previously released 2001 estimate, implying that an out-flow of population occurred from the City between 2001 and 2002. Although the Census Bureau does not convert their population estimates into household estimates, the 605 new residents would generally equate to 300 or fewer new households.

While we cannot prove or disprove the Census Bureau's 2002 population estimate, the information that we have collected would not support a significant slow-down in growth for the City, or an actual loss of population since 2001. Our review of City building permit records shows that permits were issued for more than 1,800 new housing units in Fargo in calendar years 2000 and 2001. These two years of construction activity are relevant to the Census Bureau data because a building permit issued in 2000 would generally not have been constructed and suitable for occupancy in April 2000, when the Census was completed, but permits issued in 2000 and 2001 would generally have been constructed and available for occupancy by July 1, 2002, the effective date of the Census Bureau's 2000 estimate.

If the Census Bureau was correct, and the City added fewer than 300 new households between 2000 and July 1, 2002, then there should have been as many as 1,500 additional vacant housing units evident in the City to account for the housing unit growth during that same time period. This level of unit vacancy would have been in addition to more than 1,900 housing units reported as vacant in the 2000 Census. While there is strong evidence that rental housing vacancy rates have been above the long-term average, and were at approximately 6% vacant in late 2002, the extent of these vacancies would not support the mass vacancy levels that should have been evident if the Census Bureau's conservative population and household estimates were correct.

As a further indication of healthy population and household growth, building permit issuance since 2001 has been accelerating. Our review of building permit data shows that permits were issued for more than 2,250 new housing units in the two-year period of 2002 and 2003. If household growth had slowed significantly, and thousands of units were unoccupied, we do not believe that housing developers would have been actively constructing this level of new housing within the City.

While we disagree with the Census Bureau's estimates of recent growth in the City of Fargo, we are mindful of demographic predictions that show the potential for a slower rate of future population and household growth in the broader, upper Midwest region of the United States. Growth in the Fargo area could easily run counter to regional trends, but we believe that it is prudent to apply a more conservative approach to projecting future household levels in the Fargo-Moorhead area.

Between 1990 and 2000, the Fargo-Moorhead MSA had annual average household growth of more than 1,200 new households. The projections that we have elected to use for our Housing Study Update are based on future annual average household growth of between 890 and 1,090 new households per year for the entire MSA.

Past patterns of household distribution would indicate that between 85% and 90% of this household growth will occur within the City limits of Fargo, West Fargo and Moorhead. As a result we would expect these 3 Cities to collectively add between 800 and 1,000 new households per year, through the year 2010. Again, we view this as a relatively conservative forecast. Fargo alone has been averaging housing unit construction of approximately 1,000 units per year, on average, since 2000.

Age-Based Growth Projections

In addition to overall household growth in the region, there will be demand for specific housing unit types that will be generated by the changing life-cycle housing needs of the area population as it ages. To calculate age-based demand projections, we have used population by age forecasts that have been generated by the North Dakota State Data Center and the Minnesota State Demographer's Office. We have converted the population forecasts into household forecasts, using historical ratios of population by age to households by age. Our methodology assumes that through the year 2010 there will not be large changes in average household size within defined age groups and that there will not be a significant proportional change in the area's group quarters population to household population.

These age-based household projections show some interesting trends. For example, if these projections are accurate, there would be a significant decrease in the total number of households in the MSA that are age 44 and younger between 2000 and 2010. This would result from the progression of existing younger households through the aging cycle, coupled with the lack of new household formation or in-migration from a significant number of young people over the next few years.

On the growth side, there is projected to be a substantial increase in households in the age 45 to 74 year old ranges, with growth particularly strong among households age 55 to 64 years old by the year 2010. Again this is the result of a number of factors, including the age progression of existing, 'baby boomer' households, along with the likely age characteristics of households that are most probable to move into the MSA.

Each of the senior age ranges is expected to grow, although most of the growth would be in the 65 to 84 year old age ranges.

We had identified this age-progression trend in the 2000 Housing Study, but data available at that time was from estimates derived from the 1990 Census. The release of 2000 Census data has allowed for a more complete analysis of aging patterns, along with providing a better base for projecting future demand.

In response to the age projection data contained in this Update, the City of Fargo contracted with Winkelman Consulting to complete a telephone survey of the anticipated housing needs of residents age 55 to 64 in the Fargo metro area. A draft report of this survey was released in March 2004. Using age-based population projections from The North Dakota and Minnesota State Demographer's Offices, this 10-year age cohort is expected to increase by more than 10,000 people in the Fargo-Moorhead MSA between 2000 and 2010. The Winkelman survey included people who are currently within this age range, to better understand their housing needs, and as an indication of the future housing needs of the population that will move into this age group by the year 2010. The draft findings of the survey have been incorporated into some of the specific recommendations that follow.

Projected Housing Unit Demand Due To Growth

If the age-based household projections for the MSA are compared to past household tenure patterns by age, there emerges a very strong future bias toward home ownership housing demand. Although the Fargo-Moorhead area has historically had above-average rates of renter occupancy, this has been explainable, in part, by the area's large population of young adults. The age-based projections through 2010 show this younger population decreasing, with a large increase in middle-aged, empty-nester and young senior households. The age groups that are projected to grow all have an historically strong preference for owner occupied housing.

Applying projected tenure patterns to projected household growth by age group results in a forecast that through the year 2010, as much as 70% to 75% of housing demand will be for an owner occupied unit. In the decade between 1990 and 2000, net demand for owner occupied housing represented less than 60% of total demand.

When compared to recent housing unit production trends in Fargo, this would result in a change in the type and tenure of future housing construction. In recent years, the City of Fargo has had annual average rental unit production of more than 600 new units per year. While this has represented the large majority of rental housing production in the entire MSA, the past development patterns in Fargo exceed the future demand levels that we are projecting for the entire MSA.

If future tenure by age patterns are similar to historic patterns, we would expect demand from growth in the MSA to be for between 625 and 815 owner occupied housing starts per year, and between 250 to 325 new rental unit housing starts per year.

However, if one assumes that historical patterns are less relevant to predict the housing choices of future households, and that the above-average preference for rental housing will continue independent of life-cycle age changes, then projected household growth would generate demand for between 525 and 625 owner occupied housing starts per year and between 365 and 465 renter housing starts per year.

For the purposes of this Update, we have elected to use a projected tenure mix for household growth that between 65% and 70% of demand will be for owner occupied housing and between 30% and 35% will be for rental housing. Since demand caused by age changes between 2000 and 2010 will be gradual, it is reasonable to assume that these anticipated tenure changes will also be gradual, with the increasing preference for home ownership options becoming more pronounced in the latter part of the decade. However, we have reduced our projections into annual average demand, and we would expect that growth will generate demand for between 575 to 760 owner occupied units per year and for 265 to 380 rental units per year.

It is important to note that this calculation is for projected household growth only. Additional demand will be generated for replacement of lost units, and for the construction to meet some level of pent-up demand in certain segments of the market that are under-served. We will incorporate these additional demand-generators in the recommendations that follow.

Shortly before the release of this Update, a telephone survey was completed by Winkelman consulting on the anticipated housing needs of residents age 55 to 64 in the Fargo metro area. We believe that the key findings of this survey support our projections for future household demand.

The Winkelman telephone survey found a high rate of owner-occupancy within the 55 to 64 year old age range at 85.9%. This was even higher than the ownership rate reported in the 2000 Census. With a substantial increase of households in this age range by the year 2010, there should be strong demand for owner occupied housing products.

Survey respondents who were at least somewhat likely to move within the next 10 years and anticipated staying in the community were asked about future housing preferences. Over 65% of these households intended to purchase their next housing, while over 28% intended to rent, and over 6% were undecided. With a 10 year time horizon, it should be noted that respondents currently in the age 55 to 64 year old age cohort may very well be in the 65 to 74 year old age cohort before this anticipated move is initiated.

Households intending to purchase their next housing expressed the greatest preference for condominiums (over 24%), townhouses (21%), single family detached (over 18%), and twin homes (over 14%). This unit preference was very different from their current housing situation, as nearly 67% of these respondents lived in single family detached housing, nearly 9% lived in a twin home, over 6% in a townhouse, and nearly 6% in a condominium.

The draft summary did not include questions for anticipated owners on the reasons that they preferred condominium and townhouse units, but future renters were asked about the reason they preferred to rent. Sixty-six percent of these households identified “less maintenance/responsibility, health reasons” as the motivation for renting in the future. It is reasonable to assume that a strong contributing factor for future condominium and townhouse owners would also be a preference for less maintenance and responsibility in their future housing.

Overview to Recommendations

As we identified in the 2000 Housing Study, the City of Fargo does an excellent job of addressing its housing needs. In general, the housing market remains very healthy. Building permit issuance through the end of 2003 shows that the City continues to produce approximately 1,000 new housing units per year, continuing a pattern that has existed since the 1990s. The only potential weakness that was evident from our recent research is the continued dominance of rental housing production in the City, despite some degree of effort to generate a greater level of owner occupancy unit production.

The private sector has been very active in producing housing units of all types and in a variety of price ranges, from affordable home ownership options to affordable general occupancy rental. While this Update does make recommendations for action, this should not be viewed as a significantly different approach to what has been accomplished in the past. The City is to be commended on its progressive approach to growth.

In formulating the findings and recommendations for Fargo, we attempted to consider four major objectives, and to balance our recommendations accordingly:

- ▶ **Preservation and Improvement of the Existing Housing Stock**
Fargo's most valuable asset is its existing housing stock. The housing stock includes over 45,000 housing units valued at more than \$3 billion. The existing housing stock provides real estate taxes to maintain governmental operations and maintain the existing quality of life. The existing housing stock also provides and will continue to provide the most affordable housing opportunities for Fargo, now and into the future.

- ▶ **Promote Home Ownership**
Home ownership is generally the preferred option for the majority of households in the Fargo-Moorhead area, but Fargo trails the remainder of the MSA in the rate of home ownership. Home ownership assists in creating stability and a commitment to the community. Fargo is an attractive community that continues to draw new residents. While many of the new residents will initially choose to rent their housing, the community has an interest in encouraging residents to eventually purchase a home in Fargo.

- ▶ **Promote Life Cycle Housing**
It is vital for a community that serves as a regional center to provide housing opportunities for all ages and household types. Diverse housing opportunities enable a community to thrive, promote economic development and allow households to live in the community throughout their lives. Fargo has long been a preferred location for area residents looking for specific housing choices, from first time buyers to frail seniors looking for housing with service options. By promoting a mix of housing development, the community assures that residents will find appropriate choices for their life styles as they age.

▶ **Promote New Construction**

New construction provides housing opportunities, stimulates the economy and upgrades the community's housing stock. Continued new construction will also be required to sustain the growth of the City. Both new owner occupied single family homes and rental units are needed to provide households in Fargo with housing options and to assure a healthy housing stock.

It can be difficult to meet all four objectives as the balance of the objectives can be sensitive. An overly aggressive or overly passive approach to any of the four objectives can cause problems in achieving the other objectives. For example, overbuilding new rental housing units could lead to vacancy problems in older, less marketable units in the community, causing these units to deteriorate in quality, which can affect neighborhood stability. The recommendations of this section attempt to provide a balanced approach to addressing the housing needs of Fargo.

Recommendations have been grouped into three broad categories:

- ▶ Rental Housing
- ▶ Owner Occupied Housing
- ▶ General Housing Issues

Rental Housing

Overview: Fargo serves as a rental housing center for the surrounding region. Due to employment opportunities, service and retail options, educational institutions and life-style choices, the City has been, and will continue to be, a preferred location for area renters.

The City has an above average percentage of rental occupancy when compared to most communities. At the time of the 1990 Census, nearly 52% of the housing units in Fargo were renter occupied. At the time of the 2000 Census, the rental tenure rate had increased to nearly 53%. New housing construction activity since 2000 indicates that rental unit creation still exceeds owner occupied unit creation. However, an above-average rate of vacancy in the rental housing stock indicates that supply has grown faster than demand, and it is probable that the rental tenure rate for occupied housing in 2004 is similar to the rate reported in the 2000 Census.

In the 2000 Housing Study we cited the fact that while the rate of renter occupancy seemed high by North Dakota and Minnesota standards, the presence of a large student population was a major reason why a large number of renter households existed. When comparing Fargo to other Cities with large student populations, such as Madison, WI, or Lincoln, NE, the consistently high rate of rental tenure between 1990 and 2000 is similar. However, in other comparably-sized communities in the region, such as Sioux Falls, SD, Rochester, MN and St. Cloud, MN, there was a significant increase in the owner occupied tenure rate between 1990 and 2000.

Despite the large inventory of rental housing that already exists, Fargo continues to have strong production of new rental units. Our comparison of building permits by unit type shows that between 2000 and 2003, rental unit production was approximately 67% greater than owner occupied unit construction in the City. Even accounting for the housing impact of growth in the student population, it appears that rental production in the City has been weighted toward rental housing production.

Rental housing vacancy rates, as tracked on a quarterly and annual basis by Appraisal Services, Inc., show that vacancy rates in the City and the surrounding area have been increasing. The annual vacancy rate in Fargo for 2003 was 6.8%, and the annual vacancy rate for the Fargo-Moorhead area was 6.7%. The annual vacancy rate for the Fargo area in 2003 was the highest since 1996, when the vacancy rate also reached 6.7%. The annual vacancy rate for Fargo was the highest recorded level, based on a review of data since 1994.

Appraisal Services, Inc., typically collects occupancy data from between 65% to 70% of Fargo's rental housing stock. Applying the 6.7% vacancy rate in 2003 to the estimated supply of rental units in the City, we believe that as many as 1,500 to 1,600 rental units may have been vacant in Fargo. For the Fargo-Moorhead area, it appears that as many as 1,800 to 1,900 units were vacant in 2003.

As stated earlier in this section, our household growth projections show some important trends that relate to future rental demand. First, our projections show slower future growth for the area than was witnessed in the past. The projections that we are using for this Update expect that the

Fargo-Moorhead MSA will add an average of between 890 and 1,090 new households per year through the year 2010. Second, the projected changes in households by age would indicate that the net change in housing demand will be more heavily weighted towards owner-occupancy than in the past. As a result, we are projecting an annual average demand for rental units of between 265 and 380 rental units per year for the entire MSA due to household growth. We would expect the vast majority of these units to be constructed within the City of Fargo.

In addition to demand from growth, there will be some annual production required to replace existing rental housing that will be lost from the inventory. While this number is difficult to predict, past patterns, as reported in the Census, would indicate that in an average year, between 80 and 90 rental housing units are lost from the City's inventory.

While some additional demand could be generated by pent-up demand for certain segments of rental housing, this does not significantly impact our current calculations. With above average rates of vacancy in the market place, pent-up demand is not significant. If, for example, a number additional subsidized rental units could be built to address long waiting lists that exist in this segment of the market, the tenants that would fill these units would generally come from market rate rental units. As a result, there would be tenant movement within the existing market, but this would not impact overall demand for rental housing.

Using our calculations from demand caused by growth and from replacement of units, we would estimate that annual production of rental housing in Fargo area would need to be approximately 325 to 450 new units per year to keep pace with demand. The impact of age-based household changes on tenure patterns will tend to be gradual, with increasing demand for owner-occupancy through the decade. As a result, our demand calculations, which are based on average annual need, tend to under-estimate near-term demand, and over-estimate demand in the years closer to 2010. However, at the end of 2003, there was an above average supply of vacant rental housing in Fargo. A more moderate level of near-term rental production, combined with on-going absorption of the vacant, existing units, should have the impact of reducing vacancy rates, but also providing a net increase in available units.

Our calculations will appear to be overly conservative based on the construction patterns of the last 15 years, when an annual average of more than 600 new rental housing units have been added in Fargo. However, the current rate of unit vacancy indicates that supply has been exceeding demand. When coupled with the projections of slower household growth and changing age patterns in the population, a more modest rate of future rental production is appropriate.

The specific recommendations that follow provide unit production forecasts for different types of rental housing, including luxury rental units, moderate rent market rate units, tax credit units, subsidized units, and senior housing with services. The individual recommendations for specific market segments do not necessarily equal the total number of units that we have calculated based on potential demand. This is based on the assumption that not all of the units recommended within a certain market segment will actually be constructed. This also allows for some adjustment to changing market conditions over the projection period.

1. “Luxury” Rental Unit Construction

2000 Findings: In the 2000 Housing Study we identified an increasing number of units constructed to serve higher income tenants looking for a rental unit with luxury features. While no clear definition exists for luxury rental, these higher-end units will typically include features such as attached or underground parking, in-unit laundry hook-ups, fireplaces, community and fitness rooms, and other amenities, including swimming pools.

We had identified at least 10 rental projects in Fargo that appeared to offer upscale rental housing. Our demand calculations indicated that between 150 and 175 additional luxury units were needed in Fargo by the year 2004. Our calculation of demand was largely based on the growing number of middle-aged households in the community, age 45 to 64 years old. We believed that households in these age ranges that elected to rent their housing would have more disposable income, and would be in the market for a high amenity unit.

2004 Findings: We believe that between 200 and 300 “luxury” rental units have probably been constructed in Fargo since the completion of our 2000 Housing Study. Based on our telephone survey, occupancy rates in these properties are generally strong. Although some of the newest buildings were in their initial occupancy phase, most reported that occupancy rates were 90% or better.

The newest properties often have gross rent levels that were not substantially higher than prevailing market rents in Fargo, despite having amenities like underground parking and indoor swimming pools. Although some of the luxury units are as much as 50% higher than prevailing market rates, other new units are only 20% to 30% above the prevailing rates. Gross rental rates in some of the newest properties for a two-bedroom unit were generally under \$900 per month, and in many cases, below \$800 per month. We had expected that rents for these units would have been higher, given the amenities that were included in the rent. The lower than expected rent structure may be due to the vacancy rate in the Fargo rental market, which has tended to limit rent increases overall. To be competitive, even the luxury rental units may be leasing at a lower rate than would be the case if vacancy rates were lower.

Our age based projections show household growth in each of the age ranges 45 years old and older between the year 2000 and 2010. The 55 to 64 year old age range is expected to show the greatest growth. Households in these middle-aged to empty-nester age ranges that elect to rent will often have more disposable income for housing, and will tend to look for a unit that can provide a high level of amenities.

The Winkelman survey looked at the future housing needs of people that are currently in the 55 to 64 year old age range, asked collected information on their future housing needs over the next 5 to 10 years. Respondents who are likely to move, stay in the community, and rent their next residence were asked what types of amenities, features, or conveniences they need or expect in a rental property. The largest proportion of respondents want or expect a rental property to have a garage (64.2%), be a security building (34.0%), be designed for retired people (28.3%), have a good layout (26.4%), and have a washer and dryer in their unit (26.4%). While many of these features can be found in the more moderate rent segment of the market, it also demonstrates that future renters, particularly the growing population of empty-nesters and senior citizens, do have quality expectations that may not be available in some of the older, lower amenity properties.

2004 Recommendation: We continue to believe that there will be growing demand for higher-end, luxury rental housing. We would expect that demand will be adequate to construct between 75 and 100 additional units per year to serve this segment of the market. The gross rental rates for recently constructed units have not been substantially higher than the prevailing rental rates in the City. If future units can be produced in a similar, price-competitive range, it would be possible to construct even a greater number of these types of units.

With a larger share of the City's renters in the middle-aged and older age ranges, we believe that there will be an increasing level of interest in units that provide amenities and features that are greater than those typically found in the City's older rental housing.

2. Moderate Rent Market Rate Unit Construction

2000 Findings: The largest segment of rental housing in Fargo was in the moderate rent, general occupancy housing stock. This type of housing did not have income or occupancy limitations. Private developers in Fargo had done a tremendous job of producing affordable new units in the past. Production levels had varied from year to year, and were somewhat dependent upon occupancy rates. As tracked by Appraisal Services, Inc., in periods of low vacancy, production of new units would increase. As new units were introduced, vacancy rates would tend to increase, which would have a moderating effect on new production until units were absorbed. The overall rental housing vacancy rate in Fargo was 4.4% in 1999.

We had expressed concerns about the ability to continue with private production of affordable market rate units in 2000 due to rising land costs and rising interest rates. We had projected demand for between 660 and 720 additional rental units to serve this segment of the rental market in Fargo through the year 2004.

2004 Findings: The largest component of the current rental housing stock continues to be the moderate rent segment of the general occupancy market. By moderate rent, we mean units that are within the prevailing rent range for much of the City's rental housing, with rent of approximately \$450 to \$575 for one bedroom units, \$525 to \$650 for two bedroom units, and \$725 to \$850 for three bedroom units. Units in this price range are affordable to a large percentage of potential renters.

Production in this segment of the market has remained extremely strong in recent years. Since 2000, the City has probably averaged more than 400 moderate rent units per year from new construction. The production of more than 1,200 market rate units since 2000 was significantly greater than our demand calculations had indicated. Above-average construction has contributed to the vacancy rate of 6.8% in 2003, that was the highest level of vacancy in Fargo over the last 10 years. It would appear that as many as 1,500 or more rental units were vacant in the City in 2003.

Contrary to our concerns in 2000 about rising interest rates, recent production of market rate housing has exceeded long-term averages, due in part to historic lows for mortgage interest rates. Anecdotal evidence from our interviews for this Update indicates that some rental housing developers have accelerated their plans for new unit construction to take advantage of attractive long-term financing. Despite relatively high rates of vacancy, these developers have proceeded with unit construction to lock in low mortgage interest rates, and are prepared to accept an above-average rate of vacancy in exchange for cost-effective unit production.

Our concerns in 2000 about rising land prices also do not appear to have had an overly large impact on new rental production. A large majority of rental development in Fargo is done by local companies that have extensive experience in the market. These developers often have large tracts of undeveloped land in their ownership or control. As a result, they have been less impacted by cost increases for raw land, and have continued to generate a very affordable rental housing product.

2004 Recommendation: Although the production of new, market rate housing will be needed in Fargo in coming years, we believe that the level of production will be lower than in the past. We would recommend annual construction of between 200 and 300 market rate units in an average year. This level of future production is well below the pace of recent years, when an average of more than 400 market rate units were produced annually.

Production between 1999 and 2003 exceeded the number of units we had recommended in our 2000 Housing Study. Although our projections of demand may have been somewhat conservative, it appears that an over-production of units has actually occurred, as vacancy rates in the City were at a 10 year high in 2003. Total production of market rate rental units appears to have exceeded our recommendation by approximately 600 to 700 market rate units. The absence of these units would have potentially reduced the vacancy level from an estimated 1,500 to 1,600 units in the City to approximately 900 to 1,000 vacant units. This would potentially have reduced the vacancy rate to an approximate range of 3.7% to 4.1%.

As outlined previously, a reduction in demand for rental housing due to age-changes and slower rates of household growth will be a gradual process. As the decade progresses, we would expect to see an increasing preference shift to home ownership housing options. Over the next few years, it is probable that actual rental demand growth could exceed our recommended production level. However, with an above average supply of available, vacant rental units in the community, this current supply of housing will help to address the near-term needs.

It is important to note that our market rate unit recommendations are based on our calculations of net growth in unit demand. This should not be viewed as an opinion that production of units beyond our recommended level will not be successful. On the contrary, newly constructed units may be well received in the market place, and may achieve a high rate of occupancy. However, if this unit creation exceeds demand, then a commensurate level of vacancies will occur in other parts of the existing rental stock, and overall community-wide vacancy rates will remain above the historic levels.

One market niche that may be particularly successful is the creation of market rate rental housing designated for senior occupancy (typically age 55 and older). Our age-based forecasts show that strong household growth will occur in each of the age ranges 45 years old and older, with the 55 to 64 year old age range showing the largest increase between 2000 and 2010. Market rate rental housing that serves this segment of the market should prove extremely popular. In recent years, much of the rental construction utilizing tax credits has been designated for senior occupancy. These projects tend to have vacancy rates well below the general rental market in the Fargo area. A similar product without the income restrictions imposed by tax credits would find a growing market with the area's changing age mix.

3. Tax Credit Rental Housing Construction

2000 Findings: In the 2000 Housing Study we had identified 671 tax credit assisted units in the City of Fargo, and a total of more than 1,100 units that had been constructed in the Fargo-Moorhead MSA. Federal low income housing tax credits had been the major production program for affordable rental housing development.

At that time, we found mixed reports on the local demand for tax credit units. While most of the projects reported high occupancy rates, some of the buildings had persistent vacancy problems. Many of the newer tax credit developments were constructed as town house style units, and these had generally been well received in the market. Some of the older projects were walk-up apartments, and these buildings tended to have more competition for tenants with the large number of lower-priced market rate units in Fargo.

We had estimated the vacancy rate in tax credit housing in the Cass County portion of the MSA at approximately 7%. This was well above the overall housing vacancy rate in Fargo of 4.4% at that time.

Based heavily on the vacancy rate, we had conservatively recommended the construction of 96 to 108 additional tax credit units in Fargo between 1999 and 2004. We had assumed that most of the new units would serve households up to 60% of median income. We had stated that if units serving lower income households could be created, then additional unit construction would be justified.

2004 Findings: A specific section of this document provides detailed information on the current supply and configuration of tax credit rental housing in the Fargo area. Readers are encouraged to review that section for additional information.

Since the completion of the 2000 Housing Study, approximately 221 tax credit units have been awarded for new unit construction in the Cass County portion of the MSA. Approximately 84 of these units have not yet been constructed, or are under construction, but not yet ready for occupancy, so the net increase to the tax credit inventory at the time of this Update is 139 units. An additional award of credits was made to preserve existing tax credit housing in the Graver Inn, but this award did not add to the available supply.

Vacancy rates in the tax credit segment of the market remain relatively high. In the Fargo and West Fargo tax credit projects we found a vacancy rate of 5.7%. Many of the newest projects constructed since 2000 have been designated for senior occupancy. These projects have an almost non-existent vacancy rate. Excluding the senior designated units, the remainder of Fargo/West Fargo's tax credit housing had a vacancy rate of 6.3%. This is lower than the level reported in 1999, and lower than the overall rental vacancy rate in the Fargo area in 2003.

Rental rates in most tax credit units have not increased significantly since the time of our rental survey in 1999, or a follow-up survey completed in 2001. With many projects experiencing an on-going pattern of unit vacancies, and with significant competition from the lower rent market rate segment, there has been pressure on keeping rents low.

One significant issue that has changed since our 2000 Housing Study is the potential that some tax credit units could be lost in the next few years. The first North Dakota tax credit awards in the Fargo area were 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, unless specific actions are taken by the property owner. However, the projects from the 1980s have nearly reached the 15 year contract period and may be converting to market rate properties in the near future.

Based on our research it would appear that as many as 232 tax credit units in Fargo and West Fargo would be eligible to convert to market rate housing due to contract expiration. One of these projects, the Graver Inn with 60 units, has been preserved due to the efforts of the Fargo Housing Authority. Two other projects also awarded credits in 1988, Barrington Manor and Trollwood Apartments, with a combined 48 tax credit units, would seem to have minimal impact if they were to convert, because most of the lower income tenants also receive rent assistance, so these units would probably remain as affordable housing.

However, in the 1989 awards, there were 163 new construction tax credit units created. If eligible, it is probable that many of these units may convert to market rate housing at the end of the 15 year contract period. While these buildings may still offer moderate rental rates after conversion, they will not have maximum rent caps and will not be required to exclusively serve households below the applicable income limits.

If all or part of these 163 units are lost from the tax credit inventory, it would be appropriate to replace these units, ideally with new tax credit projects that offer units in a similar price range. It would be possible to replace these units within the next few years to adjust for their removal from the tax credit inventory. When added to the demand generated from growth, it is feasible to assume that above-average levels of tax credit housing would be required over the next few years to meet demand generated by a combination of expiring units and household growth.

2004 Recommendation: On-going production of new tax credit housing will be needed in Fargo for the foreseeable future, to assure that affordable, new units are continually added to the local market. Our projections would show annual average production of up to 30 units to accommodate projected household growth. Up to 163 additional units could be needed within the next few years to replace tax credit units that may withdraw from the program as their contractual obligations expire. This could raise the necessary production level to 70 or 80 new units per year, for the next few years.

Additional market potential, caused by tenant movement also exists, but may reflect a policy decision by the funding agencies. There are existing rental units that are vacant in both the moderate rent segment of the market, and in the area's older tax credit projects. While a higher level of production will generally result in successful new projects due to competitive advantages, it will probably have a negative occupancy impact on other parts of Fargo's existing rental market.

We would continue to recommend that future developments be comparable in scale to the most recently developed projects, with configurations of 30 units or less to prevent a saturation of new units into the market. This will allow for unit absorption with minimal impact on the other properties in the area.

Some recent tax credit projects have been constructed to serve special needs populations, such as disabled individuals or near-homeless families. Our demand calculations do not include the needs of special populations, and additional tax credit awards could be made for these projects without having an adverse effect on the remaining tax credit inventory.

In July 2002, an analysis of the Fargo-Moorhead rental market was completed by George Antoine, HUD Economist in Denver. Much of Mr. Antoine's work was focused on the tax credit housing in the area. He cited the fact that very few units in the market are targeted to households below 40% of median income. This is further documented in the separate tax credit section of this report. Mr. Antoine indicated a need for additional units to serve very low income households.

We agree with his findings on this issue. Units that serve households below 40% of median income would be more comparable to subsidized housing, which is in short supply in the Fargo area. However, producing tax credit units for very low income households will require additional financial subsidies above and beyond the tax credits. Our unit recommendations for tax credit housing are based on the creation of more moderate rent units, that typically target households between 50% and 60% of median income. Any units that serve lower income households would be good additions to the local affordable housing supply.

4. Subsidized Rental Unit Construction

2000 Findings: In the 2000 Housing Study we identified a number of subsidized rental housing units serving both seniors and general occupancy. The rental inventory found 534 senior units and 518 general occupancy units. Nearly all of these subsidized units had “deep” subsidies that allowed tenant rent to be based on 30% of income. In addition, the Section 8 Existing tenant-based rent assistance program provided assistance to nearly 850 lower income households, and also based rent on approximately 30% of income.

We found that most of the subsidized units surveyed had high occupancy rates, with waiting lists for occupancy. The waiting lists maintained by the Fargo Housing Authority were especially lengthy, with a combined Public Housing and Section 8 Program waiting list of more than 700 names.

At that time, we did not find any subsidized projects in imminent danger of being lost. We did find one area rental development that had recently converted to a market rate project - a project in West Fargo with 89 units. Lower income tenants in this development were given vouchers at the time of the conversion to lessen the immediate financial impact.

We had also cited the probable conversion of 45 to 50 scattered site public housing units to tenant home ownership. The Fargo Housing Authority was planning to sell off some of their existing units to existing tenants. The Housing Authority had plans to use the proceeds to develop new affordable housing units in the community.

Our research in 2000 indicated a need for subsidized housing to serve between 400 and 450 lower income households. We stated that the most realistic way of addressing this need for units was through new Section 8 Existing rent assistance program, since very few deep subsidy production resources were available to construct new subsidized buildings.

2004 Findings: A specific section of this document provides detailed information on the current supply and configuration of subsidized rental housing in the Fargo area.

The subsidized housing sector continues to be the most under-served segment of the local rental housing market. Vacancy rates remain extremely low, and as regional and national economic conditions have deteriorated since 2001, waiting lists for occupancy have grown.

The rental survey completed for the 2004 Update found 1,097 “deep” subsidy units in Fargo. Most of these units charge rent based on 30% of tenant income. Of these units, 498 are general occupancy, 559 are designated for senior, handicapped, or disabled tenant occupancy, and 40 units are for developmentally disabled individuals. The unit total in 2004 is slightly higher than reported in the 2000 Housing Study due to some units that were inadvertently missed in 2000. The inventory of subsidized units has not grown due to new construction.

We are aware of some subsidized units that have been lost since the inventory that was compiled in the 2000 Housing Study. The Fargo Housing Authority has successfully sold approximately

24 scattered site public housing units in the last few years. The other identified loss is 60 units at the Graver Inn, which had a HUD Mod Rehab contract expiration. However, even though the Mod Rehab contract has lapsed on these units, tax credit assistance and additional rent assistance vouchers have been secured and these units are still very affordable. The Fargo Housing Authority now owns the Graver Inn which should result in its long-term availability as affordable housing.

There has been growth in the supply of Section 8 Existing rent assistance since 2000. In 2004, approximately 1,100 households were receiving Section 8 Existing rent subsidies, compared to approximately 850 households in 2000.

According to the 2000 Census, over 32% of Fargo's renter households had a housing cost burden. More than 6,700 renter households reported that they were paying more than 30% of their income for housing. Nearly 5,400 of these households actually reported that more than 35% of their income was needed for their rental housing expenses.

The Census also provided insight into the age make-up of renter households with a housing cost burden. The largest number of households paying 35% or more of their income for rental housing were in the 15 to 34 year old age ranges. More than 3,200 younger adult households reported a significant cost burden. Presumably, many of these households are in the community's large post-secondary population.

On a percentage basis, the greatest burden was experienced by older senior renter households, age 75 and older. Over 43% of renter households in this age range reported paying more than 35% of their income for housing.

2004 Recommendation: The supply of subsidized rental housing, with rent based on tenant income, should be increased whenever possible. Demand for deep subsidy units has been growing faster than the supply. Waiting lists maintained by the Fargo Housing Authority for public housing and Section 8 Existing rent assistance have continued to grow, despite the incremental addition of nearly 250 households to the Section 8 program. Currently more than 1,000 households are on the Housing Authority's waiting lists.

Based on the Census data from 2000 on rental housing costs, it would be appropriate to provide additional subsidized housing resources for all age groups, if possible. However, the highest priority would be to focus on younger adult families with children, that may have the largest number of households with a housing cost burden.

One demographic factor that could help this situation is the projection that the number of younger adult households, age 34 and younger, will be in decline through the end of this decade. As these households age, it is probable that most will experience an increase in income and assets, and a large number will move toward home ownership, if possible. This may have the impact of reducing the length of waiting lists for subsidized housing opportunities.

However, the number of senior citizen households will continue to grow through the decade. Although smaller in number than younger adult households, on a percentage basis more senior

households experience a housing cost burden. It is probable that there will be some growth in waiting lists for senior subsidized housing.

In the 2000 Housing Study we commented on the decreasing supply of three and four bedroom subsidized units. These units were already in short supply, and the subsidized unit losses that had occurred had primarily reduced the inventory of units for large families. The expansion of the Section 8 Existing Program should have had a positive impact for large families, since the assistance is tenant-based, rather than project-specific. However, large families must still be able to locate and secure a suitable, large rental unit in the private rental market in order to utilize the assistance.

It would still appear that the best way to expand the supply of subsidized housing in Fargo is to continue with efforts to expand the Section 8 Existing Program. There has been no significant increase in subsidized housing production programs in recent years that would allow for the development of project-based subsidized housing. Also, at the time of this Update, the private rental market in Fargo was experiencing a record level of unit vacancies. Privately owned units are more available than ever, and the competition for tenants has helped to suppress rent increases. The expansion of the Section 8 Existing Program can both help lower income tenants and more effectively use the existing rental housing stock.

5. Senior Housing with Services

2000 Findings: One of the emerging construction trends at the time of the 2000 Housing Study was the development of rental projects that served senior households requiring some level of services to remain living independently. Three major senior housing projects had either just opened for occupancy or were under construction.

Our rental inventory at that time found over 800 units in Fargo, West Fargo and Moorhead that provided senior housing with some level of services available. Some of these units were identified as “independent living”, but we elected to treat them as senior housing with services due to the fact that services were readily available within the facility. Rent levels in most of these projects were well above prevailing unit rents in Fargo, reflecting the added security and benefit of on-site service packages.

We had recommended that the area monitor the need for additional units, since some of the projects were so new, or still under construction. We had identified projected growth in the senior population, which indicated that demand for this type of housing was expected to grow.

2004 Findings: A specific section of this Update provides detailed information on the senior housing with services projects in the Fargo-Moorhead area. Readers are encouraged to review this section for specific information on individual projects.

Our research for this 2004 Update found that very little additional development activity has occurred since 2000 of senior housing with services. There have been some assisted living units added to the inventory, but this has generally been through an ‘in house’ conversion of units to provide a higher level of care. For example, Riverview Place in Fargo has converted 56 units of independent living to assisted living. Since many of the existing projects offer a range of services and unit types within their facility, this internal adjustment of units is an effective way of responding to market demand without the cost and time required for new construction.

It is somewhat difficult to track the occupancy patterns of market rate rental projects with services. All but one of the projects that we contacted had some level of unit availability. Due to the specialized nature of housing in these projects, which can often cater to a very frail senior population, there is a relatively high rate of unit turn-over. One project manager reported that their monthly turn-over rate can be as high as 5%, because of the age and health concerns of many of their tenants. Filling vacant units can also take some time, even when a waiting list exists. As a result, these projects assume that some units will experience vacant months, even when there is relatively strong demand.

There was some evidence that supply of units currently exceeds demand, although this is project-specific, and can be unit specific. Bethany Towers I completed a major remodeling project in 2003 that required them to retain a large portion of the building intentionally vacant to facilitate construction. This building reported that they were attempting to refill these units, but were only at 70% occupancy at the time of our survey. Evergreens of Fargo was at approximately 80% occupancy, and Evergreens of Moorhead was designed for a shared living arrangement, although most of their units were only at single occupancy.

Many of the newest projects have intentionally located on sites that have adequate land for future phases of development. None of these projects are actively involved in new development phases, which again supports our findings that demand does not exceed supply at this time.

The age-based projections used for this Update show continued population growth in all of the senior citizen age ranges between 2000 and 2010. Growth forecasts show especially strong percentage population growth of older seniors, age 85 and older. This population group may increase in size by as much as 43% by the year 2010. The older senior population tends to rent their housing with greater frequency as they age, and will often look for housing that provides some level of assistance with daily living.

2004 Recommendation: Our research would indicate that the supply and demand for senior housing with services are in relatively good balance at this time. However, senior housing with services can provide a wide range of options, from minimal care in a light service package, to intensive, skilled nursing care. Within this type of housing there will be changing demands for the type of units and services required by the area's senior population. Many of the existing senior projects are very adept at adjusting to these changes in demand, and can reconfigure available units to meet market needs.

Based on the projections of an aging population in the Fargo-Moorhead area, there will be a need to expand senior housing with services options within the next few years. A substantial percentage increase in the population of senior citizens age 85 and older by the year 2010 should serve to generate an increase in this type of senior housing.

Making specific unit recommendations is very complex, and requires extensive research into specific assistance with daily living needs of the general population. Many of the existing providers have the ability to expand their operations through new construction. We were not aware of any pending projects or planned expansions at the time of this Update. This is an indication that the existing service providers do not see sufficient pent-up demand at this time. Housing with services, particularly those projects providing intensive services, tend to have a high rate of unit turn-over. As a result, they would need to see significant demand for units before proceeding with additional unit development.

Our calculations of the available inventory compared with the senior population in the MSA show that the current supply of units would require that between 4% and 5% of all seniors in the Fargo-Moorhead MSA would need to live in senior housing with services to generate full occupancy. With the range of housing types offered, this is a reasonable market penetration rate for this type of housing. If the population of senior citizens grows as expected, the area would need approximately 240 to 280 additional units in the inventory by the year 2010, to maintain the same distribution ratio of units to senior citizens.

6. The Importance of Preservation of Subsidized Housing and Affordable Housing as a Community Housing Strategy

2000 Findings: In the 2000 Housing Study we discussed the need to preserve and protect the City's supply of affordable rental housing, particularly the area's subsidized housing projects that could be at risk of opting-out of federal subsidy contracts. Although no 'at risk' projects were identified at that time, we believed that preservation of lower income housing units was an important strategy for providing affordable opportunities into the future. One project in West Fargo had converted to market rate housing prior to our 2000 Housing Study.

2004 Findings: Since the 2000 Housing Study was completed, it does appear that many subsidized units have been lost in the area. The Fargo Housing Authority has successfully sold 24 of its older scattered site public housing units, most often to the families that had been renting the units. While this represents a loss of subsidized housing, the Housing Authority has used the proceeds of the sale to construct new affordable housing units in the community.

The Graver Inn, with 60 units, was a tax credit/HUD Mod Rehab project in downtown Fargo that was originally awarded tax credits in 1989, with the 15 year tax credit contract period set to expire in 2004. However, a new allocation of tax credits was provided in 2003 for the purchase and rehabilitation of the building, and this building will continue to comply with program regulations. The Fargo Housing Authority has taken ownership of this project as part of the preservation plan. Although the Mod Rehab contract has lapsed, the Housing Authority will maintain this project as affordable housing, and has secured a one-for-one allocation of Section 8 Existing vouchers from HUD to replace the subsidies that were lost.

It appears that two subsidized projects in Moorhead have opted-out of their subsidy contracts, although we were unable to confirm that this had actually taken place. The two projects, Village Green Manor with 50 units and South Park Apartments with 102 units, had filed impact statements with the State of Minnesota that they intended to terminate their subsidy contracts in 2002 and 2003, respectively.

As outlined earlier in this section, there were also a number of tax credit rental projects in Fargo and West Fargo that were eligible to end their program compliance within the next few years. Two of these projects, Barrington Manor and Trollwood Apartments, with a combined 48 Tax Credit units, were awarded credits in 1988, and are end the end of their compliance period. These would seem to have minimal impact if they were to convert, because most of the lower income tenants also receive rent assistance, so these units would probably remain as affordable housing.

In the 1989 awards, there were 163 new construction tax credit units created. If eligible to convert, it is probable that many of these units may convert to market rate housing at the end of the 15 year contract period. While these buildings may still offer moderate rental rates, they will not have maximum rent caps and will not be required to exclusively serve households below the applicable income limits.

Those buildings that were placed in service after 1990 also have a 15 year contract compliance requirement, along with another 15 year use restriction which could keep the units under the program guidelines for 30 years. After the first 15 years, the owners can end the relationship with the tax credit program by selling the property. First, they must notify the State, which has one year to attempt to find a buyer for the property that will maintain it as affordable housing. After this one year time period has elapsed, the building can be sold and converted to market rate housing by the new buyer. Because of the actual dates associated with current contracts, the State would not necessarily be notified of plans to sell post-1990 projects until the end of 2005.

2004 Recommendation: The Fargo Housing Authority has already been active in preserving affordable rental housing, most recently with the acquisition of the Graver Inn. The volume of potential preservation projects could increase, depending on the plans of some of the area's older tax credit buildings, which are nearing completion of their contract obligations.

We believe that it is especially important to preserve subsidized housing opportunities. Vacancy rates in subsidized buildings are almost non-existent, and waiting lists for occupancy are generally long. Project-based subsidized units that are lost cannot be replaced due to the absence of deep subsidy production programs from the federal government.

The potential loss of older tax credit housing may have less of an immediate impact on affordable rental options in the community. While these older projects, built in the late 1980s, often have very affordable rent levels, the units are generally less desirable in style and design than the more recently constructed tax credit projects. Overall, vacancy rates in the tax credit sector have been relatively high, between 6% and 7% in recent years. It is often the older projects that have the greatest difficulty maintaining full occupancy. A decision by a public or nonprofit agency to get involved in preserving tax credit units may need to be determined on a case-by-case basis. Preservation of these units would generally be cost-effective, compared to new construction, but the long-term viability of the units compared to a new tax credit project would also have to be evaluated.

7. Other Rental Housing Needs

2000 Findings: In the 2000 Housing Study we focused on the broad-based rental housing needs of the City. We acknowledged that demand for other types of specialized rental housing production also existed, but demand was difficult to quantify through traditional sources. Some examples of special needs housing in Fargo included housing for disabled and handicapped tenants, single room occupancy housing, and transitional housing units.

2004 Findings: There was only limited new information on special needs units in Fargo. Since the 2000 Housing Study was completed, there have been some new units created, often using low income housing tax credits. Dakota Pioneer is a 31 unit project that provides transitional housing opportunities. This project utilized tax credits and federal HOME funds, and opened for occupancy in 2000. This project has a 28 name waiting list for occupancy. Sister's Path is a 12 unit tax credit project that will provide support/permanent housing for the homeless. This project is scheduled for occupancy in 2004.

Most of the public housing high rises in the Fargo-Moorhead area provide housing for a large number of younger handicapped and disabled tenants. In the Fargo Housing Authority's projects, as many as 50% of tenants are non-seniors. These projects have high rates of occupancy, and generally have waiting lists, indicating that pent-up demand exists for very affordable rental housing.

2004 Recommendation: As the Fargo area continues to grow, there will be additional development needs for special populations. The Fargo Housing Authority and area nonprofits have been active in constructing new affordable housing to serve specific target markets. We believe that there will also be on-going needs for other special population rental housing units. The existing provider networks and social service agencies are in touch with the needs for this type of housing. The difficulty will often be in finding resources to construct the needed units.

Many of the projects that serve special populations maintain waiting lists for occupancy, indicating that pent-up demand exists. As the area grows, we would expect this demand to increase.

8. Downtown Student Housing Construction

2004 Findings: This issue was not specifically addressed in the 2000 Housing Study, but has been added for this Update.

In 2004, NDSU will open the School of Arts and Architecture in the downtown area of Fargo. This facility will bring as many as 400 students into the downtown area for some of their classes. A separate section of this document provides additional details on the area's student population and on-campus housing opportunities. This information on the area's student population has been reviewed to determine the market potential for downtown student housing.

The Fargo-Moorhead MSA has a large number of students in post-secondary programs. According to the 2000 Census, there were 21,449 college or graduate school students residing in the MSA. Most of the college and graduate school students in 2000 were in the age ranges between 18 and 24 years old. Over 77% were in this 6-year age range. The vast majority of the remaining students were older than 24 years old.

Based on reported enrollments from the area's four largest colleges and universities, enrollment has increased since the 2000 school year. Projected enrollment for the 2004-2005 school year indicates that even more students are expected. Most of the projected increase for next year is due to expected increases at NDSU. NDSU reports that most of its enrollment increase is from students in the graduate school programs.

Based on 2000 Census information, we believe that more than 10,400 students living in Fargo and 3,475 students living in Moorhead resided in some form of off-campus housing. Since enrollment has increased at a greater level than on-campus student housing growth, we believe that the off-campus population is larger in 2004 than in 2000.

The Census information documents the fact that Fargo has a disproportionately large share of the area's students that live off-campus. It would appear that more than half of the students enrolled at Minnesota-based schools, who choose to live off-campus, reside in Fargo, rather than Moorhead.

Interviews with student housing staff at the area colleges and universities indicated that there are multiple reasons that students elect to live in Fargo. One of the primary reasons is the availability of a large supply of good quality, relatively affordable rental housing. However, even when similar units exist in Moorhead, it appears that students prefer to live in Fargo for life-style or similar reasons. Proximity to employment, services, entertainment and other amenities also appear to contribute to many students' decision to live in Fargo.

Because of the continued level of new rental unit construction in Fargo, there has generally been a good supply of units available. In 2003, the rental housing vacancy rate in Fargo was 6.8%, the highest level in 10 years. With an above-average level of unit vacancy, competition for tenants has tended to keep rent increases at a moderate level. As a result, students electing to rent in Fargo have multiple choices of rental units, at a relatively affordable price.

We talked with a student housing representative at NDSU about their opinion on the need for downtown student housing. This idea had been considered, but the general consensus was that constructing units downtown did not make economic sense for NDSU. This was based on a number of factors. One issue was that most students would not gain a clear locational advantage by being downtown, since some of their course work would also take place at the main NDSU campus. While these students would be close to their classes at the School of Art and Architecture, they would still need to commute to the main campus for some course work and other events. Another reason cited was the fact that most of the students attending the downtown campus would be third or fourth year students. There was a belief that these students would have already established a residence pattern in the community, and would be less likely to move to a new location for only one or two years.

2004 Recommendation: With the availability of other housing for students in the private rental market, the creation of additional student housing would not seem to be a high priority housing issue. However, the concept of providing new student housing in Fargo's downtown area achieves more than just housing goals. The project could contribute to the revitalization of under-used downtown land, and could contribute to a critical-mass of activity in the downtown area to help support retail and service offerings.

Although there are no comparable projects that we are aware of in the area, we do believe that a moderately-sized housing project near the new downtown campus would be successful. There were more than 10,400 students in Fargo and over 3,400 students in Moorhead that were living off-campus in private housing in 2000. According to the 2000 Census, nearly 200 post-secondary students were living in Census Tract 7, which includes part of Fargo's downtown area. Although only a small percentage were living downtown in 2000, there exists a large potential market to draw tenants for a new downtown housing project.

Downtown housing, in general, has proved to be popular. There are more than 2,700 housing units in Fargo's basic downtown area. Over 10% of all the City's rental units are in the downtown. While much of the downtown housing is low or moderate rent units, there has been increasing activity in producing higher-priced housing. Since the creation of the Renaissance Zone in 2000, there has been on-going activity in construction upper-end condominium units. Future construction of owner-occupied housing is anticipated, based on the success of the initial condo projects.

Initially, we had focused on a housing project that was targeted to the student population at the downtown School of Arts and Architecture. If a project is developed primarily for this purpose, we believe that it would be a reasonable goal to consider the development of apartment units to provide housing for approximately 10% to 15% of the students who will be attending the downtown campus, or housing for approximately 40 to 60 students. Since the primary target market would be third and fourth year students, we believe that a traditional apartment-style project, with a mix of one- and two-bedroom units would be an appropriate configuration.

However, rental housing in the downtown area would also appeal to the general student population, attending institutions in both Fargo and Moorhead. The downtown area would provide easy access to Moorhead, for the thousands of students attending school in that

community but residing in Fargo. With between 13,000 and 14,000 post-secondary students living off-campus in the Fargo area, there is market potential for a large number of rental units designed for students in downtown Fargo.

As with any new housing development, the most important factor for success will be price and amenities. There is strong competition for students in other rental housing in the Fargo area. With a current vacancy rate of more than 6% in rental housing, and a historical vacancy rate of 4% or more, there has not generally been a shortage of housing options for students, except in the areas that immediately surround the respective campuses.

Unit pricing and amenities for downtown units would need to be comparable to other apartment options in the City. Since most students will still need to commute to remote campuses, the decision to locate downtown will not provide any significant locational advantages when compared to other off-campus rental options in the City. The downtown location may actually provide a greater commute for students who are employed in the City's retail and service businesses, which are heavily concentrated in the western part of the City.

A project that provides housing for 100 or more students would need a very small market penetration rate among the estimated 14,000 students that currently live in off-campus housing. This should not be a difficult task if the housing is attractive and price-competitive with other private market options available in the area.

A previous section of this Update includes data on the City's downtown housing stock. In this section, we have identified some of the challenges that are unique to downtown housing development. These issues, in many cases, would be relevant to any rental housing created in the downtown area to serve student populations.

Owner Occupied Housing

Overview: Although most of Fargo's new housing construction activity continues to be oriented toward multifamily rental units, the City does have consistent production of units intended for owner occupancy. In our 2000 Housing Study, we found that the City had been averaging approximately 380 new owner occupied housing starts per year since 1990. Our review of building permit activity between 2000 and 2003 indicates that the City has been averaging 381 owner occupied units per year over the last 4 years. However, in both 2002 and 2003, production was above the long-term average, as building permit activity in both of these years was greater than 425 units per year.

Owner occupied housing construction activity has been on the increase in neighboring jurisdictions as well. In 2002 and 2003, the City of Moorhead averaged over 200 single family (both attached and detached) houses per year. This was approximately double their long-term average for years prior to 2002.

In 2003, the City of West Fargo had record construction of single family housing, with building permit issuance for more than 500 units. Based on records since 1996, this is the first time that single family construction activity in West Fargo has exceeded production in Fargo. West Fargo's unit total in 2003 was more than double that City's average construction between 2000 and 2002.

While low mortgage interest rates have contributed significantly to the increase in owner occupied housing construction in Fargo, Moorhead and West Fargo over the last two years, we believe that it is also a result of the demographic trends that we have highlighted in this Update. The age progression of the existing population, combined with the typical age patterns of in-migration households are strongly weighted toward growth in the middle-aged and older adult households. While the area continues to have a strong post-secondary student population, the largest increases are being experienced in the age 45 and older population. By the year 2010, projections show that a large increase will occur in the 55 to 64 year old population group, due primarily to the continued aging of the existing population.

While the middle-aged adult households in Fargo tend to rent with greater frequency than in other parts of the country, we believe that these adult age groups will increasingly establish a preference for owner occupied housing opportunities through the end of this decade. Applying projected tenure patterns to projected household growth by age group results in a forecast that through the year 2010, as much as 70% to 75% of housing demand will be for an owner occupied unit. In the decade between 1990 and 2000, net demand for owner occupied housing represented less than 60% of total demand.

While a change in tenure preference patterns of this magnitude seems logical based on statistical data, it would appear to be extreme, given the strong rental housing history pattern that has been established by many Fargo households. As a result, for the purposes of this Update, we have elected to use a projected tenure mix that between 65% and 70% of demand will be for owner occupied housing and between 30% and 35% will be for rental housing. Since demand caused by age changes between 2000 and 2010 will be gradual, it is reasonable to assume that these

anticipated tenure changes will also be gradual, with the increasing preference for home ownership options becoming more pronounced in the latter part of the decade. However, we have reduced our projections into annual average demand, and we would expect that growth will generate demand for between 575 to 760 owner occupied units per year.

This demand calculation is based on the assumption that net household growth will average between 890 and 1,090 new households in the MSA in an average year. Growth at a faster rate could very possibly occur. In the year 2003, there were more than 1,100 single family housing starts in the MSA, based on building permit issuance in Fargo, West Fargo and Moorhead.

It is important to note that demand for owner occupied housing will be directly impacted by economic conditions. Low mortgage interest rates in the last few years have enabled and/or encouraged many households to enter into the home ownership market. Low interest rates have also generated increased interest in trade-up housing activity, that frees up lower priced units in the market for entry-level buyers. Our projections for future home ownership demand assume that the area's economy will remain strong, and that mortgage interest rates, construction costs and similar factors will remain conducive to on-going ownership activity.

Shortly before the release of this Update, a telephone survey was completed by Winkelman Consulting on the anticipated housing needs of residents age 55 to 64 in the Fargo area. We believe that the key findings of this survey support our projections for future household demand.

The Winkelman telephone survey found a high rate of owner-occupancy within the 55 to 64 year old age range at 85.9%. This was even higher than the ownership rate reported in the 2000 Census. With a substantial increase of households in this age range by the year 2010, there should be strong demand for owner occupied housing products.

Survey respondents who were at least somewhat likely to move within the next 10 years and anticipated staying in the community were asked about future housing preferences. Over 65% of these households intended to purchase their next housing, while over 28% intended to rent, and over 6% were undecided. With a 10 year time horizon, it should be noted that respondents currently in the age 55 to 64 year old age cohort may very well be in the 65 to 74 year old age cohort before this anticipated move is initiated.

Households intending to purchase their next housing expressed the greatest preference for condominiums (over 24%), townhouses (21%), single family detached (over 18%), and twin homes (over 14%). This unit preference was very different from their current housing situation, as nearly 67% of these respondents lived in single family detached housing, nearly 9% lived in a twin home, over 6% in a townhouse, and nearly 6% in a condominium.

The draft summary did not include questions for anticipated owners on the reasons that they preferred condominium and townhouse units, but future renters were asked about the reason they preferred to rent. Sixty-six percent of these households identified "less maintenance/responsibility, health reasons" as the motivation for renting in the future. It is reasonable to assume that a strong contributing factor for future condominium and townhouse owners would also be a preference for less maintenance and responsibility in their future housing.

9. Downtown Housing Development

2004 Findings: This issue was not specifically addressed in the 2000 Housing Study, but has been added for this Update. Although this section of the recommendations focuses on owner occupied housing issues, we have also included some discussion of downtown rental housing development in this recommendation.

Although the downtown area contains more than 10% of all of Fargo's existing rental stock, nearly all of the new rental housing construction activity in recent decades has been in the newer development areas of the City. Some rental creation has occurred, but this has largely been through conversion of existing structures into rental housing. Between the 1990 Census and the 2000 Census, only 68 rental housing units were added in Census Tract 7, which includes much of the downtown area. City-wide, between 5,000 and 6,000 rental housing units were added between 1990 and 2000.

The projections that we have used for this Update suggest that much of the Fargo-Moorhead MSA's future housing demand will be for owner occupied housing options. However, even with a shift in tenure preference, we still see demand for between 265 to 380 rental units in an average year, plus some additional units to replace lost rental housing. As stated earlier, past development patterns for the MSA would indicate that a large majority of future rental units will be constructed in Fargo.

We see future demand for all types of rental housing, from luxury rental units to subsidized projects for low income households. The downtown area could be a suitable location for some of this rental housing development.

Since the creation of the Renaissance Zone in part of downtown Fargo, the downtown area has been successful in attracting new condominium development for owner occupancy. According to City staff, there are 51 condominium units that have been built, or that are under construction. As many as 70 additional units are in the preliminary planning stage. Based on our interviews, we believe that most of this development has focused on a higher-priced condominium product, generally in the \$200,000 to \$300,000 price range. The development of this type of housing had not been occurring prior to the establishment of the Renaissance Zone.

The income tax exemption of up to \$10,000, plus a potential reduction in property tax liability, will provide the greatest financial benefit to higher income households that purchase a home for their primary residence. As a result, the product that has been constructed offers the amenities and qualities to serve the higher income segment of the market.

Rental housing creation or renovation that has occurred in the Renaissance Zone has largely served the moderate to lower rent segment of the market. There has not been any new construction of larger rental projects as a result of the tax incentives downtown. Although luxury rental development is certainly possible in the downtown area, the Renaissance Zone benefits would largely be realized by the developer/owner of the project. Higher income renter households would not receive the same direct income tax or property tax benefits that are available to owner-occupants. Rental housing developers that we interviewed indicated that

luxury rental projects are likely to be located in the City's newer development areas, rather than in the City's downtown.

We believe that most of the existing rental stock downtown serves lower income tenants. This is the result of planned development, including a large number of publicly assisted and subsidized housing units, as well as market-driven causes, as a large number of units are in older buildings that are not competitive with newer rental housing. Census data does provide some insight into the downtown rental housing inventory. Census Tract 7 covers much of the core downtown area, and contained over half of the downtown housing units. In 2000, the median gross rent reported in Census Tract 7 was \$283. City-wide, the median gross rent was \$483. In 2000, fewer than 4% of the rental units in Census Tract 7 had a gross rental rate of \$700 or more, compared to nearly 13% of rental units in this price range in the remainder of the City.

In July 2000, a specific analysis of market potential was prepared for downtown Fargo by Maxfield Research Inc., of Minneapolis, MN. This analysis looked at retail, office, lodging and housing demand. At that time, Maxfield calculated demand for downtown housing to be 435 additional units between 2000 and 2010, with a tenure split of 60% rental and 40% owner.

At the time of the Maxfield analysis, it does not appear that the impact of the Renaissance Zone designation for downtown Fargo was known or that it was viewed as a significant factor for future development. The tax benefits, particularly for residential owner-occupants, have contributed to an increased level of housing unit construction. Maxfield had calculated demand for 175 units of owner occupied housing between 2000 and 2010. By 2004, over 120 units were either under construction or in the planning stage. No significant development of rental housing had occurred, due largely to the fact that owner occupied housing realizes greater tax benefits under the Renaissance Zone regulations.

2004 Recommendation: Based on our research for this Update, we do believe that there is market potential for the creation of new housing in the downtown area through new construction or renovation of existing buildings. The projections we are using anticipate that the MSA will add an average of between 890 and 1,090 new households per year. We would expect approximately 85% to 90% of this growth will occur within Fargo, Moorhead and West Fargo.

The greatest potential for development would appear to be continued construction of owner occupied condominium units that take advantage of income and property tax breaks in the Renaissance Zone. Our projections indicate that between 65% and 70% of the future housing demand in the Fargo-Moorhead area will be for owner occupied housing, based on the projected age distribution patterns of the area's population between now and the year 2010.

The largest increases by age group should occur among households in the 55 to 64 year old age range. The 45 to 54 and the 65 to 74 year old age ranges should also increase in size. We view growth in these age groups to be very supportive of downtown housing development. The empty-nester and retired population will be a prime target market for no-maintenance housing, such as condominiums. When households in these age ranges elect to rent their housing, they will generally have more disposable income, and will look for high-amenity housing options.

While we do not know the actual household profile of the people buying condominium units in the downtown area, we believe that households in the 55 to 74 year old range would represent a significant part of the market. Between 2000 and 2010, the number of households in these age ranges should increase in number by more than 59%, if age-based projections are accurate.

When combined with greater market acceptance of this product, we believe that there will be a significant increase in demand for owner occupied housing in the downtown area.

The Winkelman telephone survey of people within the 55 to 64 year old age range who were at least somewhat likely to move within the next 10 years and anticipated staying in the community found that over 65% of these households intended to purchase their next housing, while over 28% intended to rent, and over 6% were undecided.

Households intending to purchase their next housing expressed the greatest preference for condominiums (over 24%), townhouses (21%), single family detached (over 18%), and twin homes (over 14%). This unit preference was very different from their current housing situation, as nearly 67% of these respondents lived in single family detached housing, nearly 9% lived in a twin home, over 6% in a townhouse, and nearly 6% in a condominium.

The draft summary did not include questions for anticipated owners on the reasons that they preferred condominium and townhouse units, but future renters were asked about the reason they preferred to rent. Sixty-six percent of these households identified "less maintenance/responsibility, health reasons" as the motivation for renting in the future. It is reasonable to assume that a strong contributing factor for future condominium and townhouse owners would also be a preference for less maintenance and responsibility in their future housing.

The findings of the Winkelman survey are very supportive of continued condominium development in the downtown area. In addition to a growing preference for condominium units, the Renaissance Zone tax incentives have made this an attractive development option.

According to City staff, there has also been some discussion of townhouse development intended for owner occupancy near the downtown area. Our age based projections and the Winkelman survey findings would be supportive of townhouse unit construction. If these units could qualify for the Renaissance Zone tax advantages, we believe that this could also be an attractive product. However, townhouses represent a relatively low density style of development, and finding adequate sites may be more difficult in a developed area, such as downtown Fargo. While the downtown fringe may have greater potential for site assembly, these areas may be outside of the defined Renaissance Zone, and could be at a competitive disadvantage to new units within the Zone.

While the downtown area can be a desirable location for condominium, townhouse and luxury rental development, there are factors unique to downtown areas that will hinder development activity. A previous section of this Update provides data on the downtown housing inventory and lists some of the identified challenges to downtown development.

One additional factor for condominium development is the impact of expiring tax incentives. The Renaissance Zone tax benefits were effective in the year 2000, but nearly all of the

condominium units that have since been constructed have been occupied for two years or less. The term of the income tax exemption and property tax relief is for a maximum of 5 years. Once the benefits term has expired, subsequent owners of the unit will not receive similar benefits. The impact of expiring tax incentives cannot yet be determined. It is logical to assume that there will be a disadvantage to market a unit for resale if comparable a new unit with the Renaissance Zone tax advantages is also for sale.

10. Single Family Detached Housing

2004 Findings: This issue was not specifically addressed in the 2000 Housing Study, but this analysis has been added for the Update.

Most of Fargo's owner occupied housing construction activity is single family detached housing. In the 2000 Housing Study, we tracked single family building permit issuance between 1990 and 1999. During that 10 year time, Fargo averaged approximately 285 single family detached houses per year, although the single year activity ranged from a high of 381 to a low of 212 houses. Over that 10 year period, detached houses represented more than 74% of all owner occupied construction activity. Twin homes were the primary type of attached housing, with more than 18% of single family housing permits. On an average annual basis, attached housing of all types represented approximately 98 new units per year.

For this Update, we have reviewed building permit activity from 2000 to 2003. During this four year period, the amount of detached housing construction decreased to an average of 200 houses per year. Again, the yearly construction total ranged widely, from a high of 221 houses to a low of 159 houses.

Although the construction of detached houses has slowed in recent years, there has been an increase number of attached units. Between 2000 and 2003, the City averaged 181 single family attached units per year. The lowest production year was 2000, when 88 attached units were built. The highest level of production was 2003, when 225 attached units were constructed. Our review of building permit activity since 2000 indicates that attached housing now represents more than 47% of all owner occupied housing construction, with twin homes representing the largest type of attached unit construction.

Single family detached housing tends to represent the higher end of the price range for new housing. Based on building permit construction value for 2003, we would estimate that the median value for new detached homes was in the \$150,000 to \$175,000 price range. For twin homes, the dominant attached housing style, we would estimate that the median value was between \$100,000 and \$125,000 for new construction units.

The difference in home values between detached and attached housing products was also evident in the resale of existing homes. For 2003, we found the median sale price for existing detached houses was \$121,550. The median sale price for attached houses was \$109,700. Approximately 16% of last year's detached sales were for more than \$200,000, compared to only 4% of attached housing sales in this price range.

Our projections show an increased market share for owner occupied housing, versus rental housing, based on the large percentage of the MSA's households that will be in the age ranges between 45 and 84 years old through the remainder of this decade. This will continue to provide good demand for owner occupied housing construction. Since these age ranges also represent the prime market for trade-up housing, we would expect to see continued demand for higher priced

new construction. Although attached housing will represent an increasing share of this higher-end product, detached houses will represent the large majority of new houses valued at \$200,000 or more.

2004 Recommendation: Although we believe that owner occupied housing will represent a larger share of future housing demand, we are also proceeding under the assumption that household growth will be slowing. We have used a projected range of 890 to 1,090 new households per year in the MSA through the year 2010. We believe that this will translate into demand for between 575 to 760 new owner occupied housing starts per year, in an average year. This projected level of construction is well below the number of units constructed in the MSA in the last few years, when both Moorhead and West Fargo have had record production years. If our projections for growth are low in the near-term, additional housing construction will occur. However, we would expect the tenure distribution pattern for demand to be approximately 65% to 70% for owner occupied housing.

Until 2002, new house construction in Fargo represented a majority of the construction activity in the entire MSA. With above average construction of single family houses in West Fargo and Moorhead, Fargo's share of all owner occupied housing production dropped below 40% in the MSA.

We would expect that future production in Fargo will represent 50% or more of all owner occupied home construction. Based on our demand projections, this would be in a range from approximately 280 to 400 single family housing starts per year through the end of the decade. For single family detached housing only, we would expect annual construction to average between 155 and 200 houses per year.

From a price perspective, we would expect that single family houses will generally represent a majority of the higher priced construction. As land and development costs rise, we believe that an even larger share of the lower price segment of the market will move toward twin homes or town house units.

We would project that between 20% and 25% of the detached housing demand will be for units priced at \$250,000 or more. Approximately 45% to 50% of demand will be for detached houses in the \$175,000 to \$250,000 price range, and the remaining 25% to 30% of detached demand will be for units priced between \$100,000 and \$175,000.

11. Single Family Attached Housing

2004 Findings: This issue was not specifically addressed in the 2000 Housing Study, but this analysis has been added for the Update.

As documented above, a growing share of Fargo's owner occupied housing construction activity has been in the form of attached single family units. While twin homes have represented the largest share of this segment of the market, there has also been some construction of condominium and town house units. Between 1990 and 1999, attached housing of all types accounted for approximately 98 new units per year. Between 2000 and 2003, the City averaged 181 single family attached units per year. The lowest production year was 2000, when 88 attached units were built. The highest level of production was 2003, when 225 attached units were constructed.

Our review of building permit activity between 2000 and the end of 2003 indicates that attached housing now represents more than 47% of all owner occupied housing construction, with twin homes representing the largest type of attached unit construction.

Single family attached housing, primarily twin homes, tends to represent the lower end of the price range for new housing. Based on building permit construction value for 2003, we would estimate that the median value for new detached homes was in the \$150,000 to \$175,000 price range. For twin homes, the dominant attached housing style, we would estimate that the median value was between \$100,000 and \$125,000 for new construction units.

The difference in home values between detached and attached housing products was also evident in the resale of existing homes. For 2003, we found the median sale price for existing detached houses was \$121,550. The median sale price for attached houses was \$109,700. Approximately 16% of last year's detached sales were for more than \$200,000, compared to only 4% of attached housing sales in this price range.

The projections used for this Update that show an increased future market share for owner occupied housing would also indicate that demand for attached housing options will remain strong. Some of the increased home ownership demand will come from middle-aged adult households that have been renting their housing. These households will often look for entry-level housing options. A large segment of the twin home market has been oriented to lower price units.

We also see growing demand for attached housing from empty-nester and senior citizen households. By the year 2010, the number of households in these age ranges should increase by as much as 50%. While a portion of this market will want to trade-up in quality and price, another large segment of this market will look to downsize, and acquire a house that has little or no maintenance responsibility. For this reason, we would project that there will be more emphasis on town house and condominium units through the end of this decade. Fargo has traditionally had few town house developments with organized associations that provide for maintenance and repairs. We believe that the empty-nester and senior market growth will tend to prefer this type of product in greater numbers in the future. While twin home development

will also occur, we would expect this style of housing to increasingly serve younger, entry level buyers, or buyers who are more price-conscious.

Interviews with both housing developers and City staff have indicated that infrastructure development costs have been rising rapidly, and have an impact on sale prices for newly constructed units. Attached housing will generally result in higher unit density levels, and can help to lower the attributable costs per unit for sewer, water, streets and other public infrastructure.

2004 Recommendation: In recent years, attached housing of all forms has represented approximately 47% of Fargo's owner occupied housing construction activity. In the future we would expect that attached housing will represent as much as 55% of all owner occupied housing starts in the City.

In response to the age projection data contained in this Update, the City of Fargo contracted with Winkelman Consulting to complete a telephone survey of the anticipated housing needs of residents age 55 to 64 in the Fargo metro area. A draft report of this survey was released in March 2004. This defined age group was identified for further research because it is expected to increase in size during this decade. Using age-based population projections from the North Dakota and Minnesota State Demographer's Offices, this 10-year age cohort is expected to increase by more than 10,000 people in the Fargo-Moorhead MSA between 2000 and 2010.

Our interpretations of the draft survey report from Winkelman Consulting are as follows:

- ▶ The telephone survey found a high rate of owner-occupancy within this age range at 85.9%. This was even higher than the ownership rate reported in the 2000 Census.
- ▶ Approximately 35% of these households reported that they are "very likely, likely, or somewhat likely" to move within the next 5 years, and 54% reported that they are "very likely, likely, or somewhat likely" to move in the next 10 years.
- ▶ Survey respondents who were at least somewhat likely to move within the next 10 years and anticipated staying in the community were asked about future housing preferences. Over 65% of these households intended to purchase their next housing, while over 28% intended to rent, and over 6% were undecided. With a 10 year time horizon, it should be noted that respondents currently in the age 55 to 64 year old age cohort may very well be in the 65 to 74 year old age cohort before this anticipated move is initiated.
- ▶ Households intending to purchase their next housing expressed the greatest preference for condominiums (over 24%), townhouses (21%), single family detached (over 18%), and twin homes (over 14%). This unit preference was very different from their current housing situation, as nearly 67% of these respondents lived in single family detached housing, nearly 9% lived in a twin home, over 6% in a townhouse, and nearly 6% in a condominium.

- ▶ The draft summary did not include questions for anticipated owners on the reasons that they preferred condominium and townhouse units, but future renters were asked about the reason they preferred to rent. Sixty-six percent of these households identified “less maintenance/responsibility, health reasons” as the motivation for renting in the future. It is reasonable to assume that a strong contributing factor for future condominium and townhouse owners would also be a preference for less maintenance and responsibility in their future housing.

The draft Winkelman Consulting report was prepared after most of this Update had been completed in draft form, but we believe that the findings of this attitudinal survey are very consistent with our findings and recommendations. This is particularly true of our projection for growing demand for owner occupied housing opportunities, as the fastest growing age cohort has a home ownership rate of nearly 86%, and our belief that attached owner occupied housing, in the form of condominiums, townhouses and twin homes, will command a large share of Fargo’s future housing demand.

Based on our household growth projections and demand for owner occupied housing in Fargo, as defined at the beginning of this section, we would expect that future demand for attached housing will be between 150 and 200 units per year, in an average year. In the near-term, it is probable that as much as 70% of this production will be in the form of twin homes. Our belief that twin homes will account for most of the near-term construction is based on the City’s current production patterns of these types of units. There is an active community of developers and builders that have had success with this product, and who will continue to produce these units until demand changes.

However, as the decade progresses, we would expect other forms of attached housing, particularly town homes and condominiums, to represent an increased share of the City’s attached housing development. The Winkelman Consulting survey supports this projection, as condominium and townhouse units were the most preferred options for the people included in the telephone survey who were at least somewhat likely to move within the next 5 to 10 years.

In the near-term, we would project that attached housing will primarily serve the more affordable end of the market, with 60% to 70% of production in the \$150,000 or lower price range. However, as demand for other forms of attached housing grows from more affluent empty-nesters and retired households, the expectations for larger units with more amenities will also grow. The percentage of units priced at \$175,000 or more should continue to increase through the decade.

12. Life-Cycle Housing Options

2000 Findings: The 2000 Housing Study addressed the importance of promoting the development of life-cycle housing options, catering to the changing housing needs of residents as they age. At that time, the private housing market was doing an excellent job of providing diverse housing choices, and these options were well received in the market. Attached ownership housing had been accounting for more than 30% of single family housing starts, a wide-range of rental unit production was occurring, and new senior housing with services projects were under construction.

We had recommended continued emphasis on attached housing construction, citing the growing population of empty-nester and senior citizen households. We had acknowledged that limited public action was required, as the private development market was addressing the needs of the community.

Appropriate public roles were assuring that adequate land, infrastructure and necessary planning approvals were available to facilitate this type of development. We also identified a possible public role in providing financial assistance to assure that opportunities were provided for lower income people.

2004 Findings: The development of diverse housing types continues to occur that can address the changing life-cycle housing needs of residents. Attached housing for owner occupancy has represented more than 47% of building permit issuance in the City since 2000. While this is primarily in the form of twin homes, there has been increasing construction of condominium units in the Renaissance Zone portion of the downtown.

Rental housing production has remained strong. Increasingly, new rental complexes have focused on higher-amenity units, with underground parking, indoor fitness rooms, swimming pools and other luxury features. Tax credit rental housing production has also increased in recent years, with senior-designated (age 55 and older) projects becoming more common.

In the last few years, the Fargo Housing Authority became more involved in housing development, with the construction of some small tax credit rental projects as part of redevelopment efforts and to serve special needs populations. In 2003, the Housing Authority acquired a 7 acre parcel in a new development area with plans for both affordable rental and ownership housing construction.

The telephone survey of people age 55 to 64 years old, completed by Winkelman Consulting, has helped to document the changing housing needs of one segment of the population. Households intending to purchase their next housing expressed the greatest preference for condominiums (over 24%), townhouses (21%), single family detached (over 18%), and twin homes (over 14%). This unit preference was very different from their current housing situation, as nearly 67% of these respondents lived in single family detached housing, nearly 9% lived in a twin home, over 6% in a townhouse, and nearly 6% in a condominium.

Future renters were asked about the reason they preferred to rent. Sixty-six percent of these households identified “less maintenance/responsibility, health reasons” as the motivation for renting in the future. It is reasonable to assume that a strong contributing factor for future condominium and townhouse owners would also be a preference for less maintenance and responsibility in their future housing.

2004 Recommendation: Similar to our research in 2000, the Fargo housing market continues to function very well in producing a wide array of housing options to serve life-cycle needs. While Cities like West Fargo and Moorhead have been providing an increasing share of home ownership opportunities, Fargo has continued to serve a broad range of markets.

In the 2000 Housing Study, we stated that there appeared to be a limited public role required to facilitate development of diverse housing types in Fargo, as the private market was producing a wide range of units in varying styles and prices.

However, based on the preferences expressed in the Winkelman survey, there will need to be some shifts toward condominiums and townhouses as the area population continues to age. Currently, twin homes make up a large majority of the attached housing units built in Fargo.

The Housing Authority’s increased involvement in larger-scale development activity has the potential to increase the options available for lower income households, which is a segment of the market that the for-profit housing developers have more difficulty serving.

13. Programs and Initiatives for Home Ownership and First Time Buyers

2000 Findings: In the 2000 Housing Study we had included a number of recommendations related to the promotion of home ownership opportunities, particularly for first time buyers. These recommendations included:

- ▶ The exploration of additional financial incentives, including the “First Homes” model being used in Rochester, MN
- ▶ Ideas on employer-assisted housing programs
- ▶ The development of an ‘urban homesteading’ program for the purchase, rehabilitation and resale of older houses
- ▶ The development of a Lease-to-Purchase Program

2004 Findings: Demographic patterns through the end of the decade are very conducive to expanded market interest in home ownership. However, the profile of first time buyers in the future may not be the same as in the past. Excluding students, the Fargo area is projected to have a declining population of younger adult households, age 44 and younger. The typical first time buyer in the future may well be a middle-aged household that has a long history of renting in the community. Part of the decision to convert to home ownership will be the financial implications of ownership. Financial incentives, and other programs that assist with home ownership, could well be the deciding factor in influencing the household to purchase their housing.

Over the past few years, Fargo has seen a steady to increasing level of new owner occupied housing construction. However, the City has lost market-share. Single family home construction in West Fargo in 2003 exceeded the level in Fargo for the first time. Single family housing construction in Moorhead was more than double their long-term average.

Our research for this Update found the following information concerning home ownership programs:

- ▶ The City has been continuing with first time home buyer efforts, and has extended the property tax waiver program for new housing.
- ▶ According to staff at the Fargo Housing Authority, Fannie Mae is actively promoting an employer assisted homeownership program in the City, and at least one local bank is involved.
- ▶ The City Planning Department is operating a program called "Neighborhood Revitalization Initiative" (NRI) that is modeled after an urban homestead program. Under the program, the City will buy a dilapidated home and offer it along with a grant/loan to a qualified buyer who will complete the necessary rehabilitation work.
- ▶ The Fargo Housing Authority has become involved in programs that convert renters to owners. In the last few years, the Authority has sold 24 scattered site public housing units to the former tenants of these units.

- ▶ In 2003, the Housing Authority acquired 7 acres in a new development parcel. Part of this land will be used for the development of single family housing using federal low income housing tax credits. These units will be sold through a rent-to-own arrangement.

There has been a steady, upward increase in the price of existing homes. Annual appreciation of median home sales prices has ranged from 3% to more than 5%. In 2003, the median detached single family home sale price was \$121,550. As homes increase in value, it will be more difficult for marginal buyers to move into home ownership, unless assistance programs are available.

2004 Recommendation: The City has in place a number of initiatives to promote home ownership. With our projections showing increased demand for owner occupied housing for the next several years, we believe that the City should continue with its existing efforts to encourage home ownership. In addition, new models should be explored. The “First Homes” program in the Rochester, MN area has contributed to the creation of more than 400 houses. The City of Rochester has also been active in providing assistance using Tax Increment Financing funds to qualified, affordable ownership projects. City TIF assistance can be up to \$10,000, and can be combined with the First Homes Program. The intent of the First Homes Program is not only to bridge the affordability gap, but also to create a strong financial incentive to consider home ownership. These goals are very appropriate for a similar program in Fargo. More information about this program can be found at www.firsthomes.org.

The obvious barrier to increased incentives for home ownership is the ability to raise funds for this type of endeavor. In Rochester, a combination of funding sources were used, but the primary contributions have come from local foundations and employers who view the promotion of home ownership as a way to strengthen the community and create a stable work force.

14. Future Residential Lot Development

2000 Findings: Our review of building permit activity between 1990 and 1999 found a relatively consistent level of single family housing construction activity in the City. During that time period, the City had averaged approximately 380 owner-occupied housing starts per year, including twin home and town house construction for owner-occupancy.

We did not identify a shortage of residential lots as a limiting factor for future housing development, as private developers had been creating new subdivisions as needed to accommodate construction activity.

2004 Findings: We did not identify residential lot availability as a significant factor impacting development potential. Developers and builders that we interviewed identified both existing and planned subdivisions in the City that could accommodate future housing construction activity. A range of lot quality and price also seemed to be available, for everything from starter homes to high priced new construction.

While overall lot availability appears to be good, there were some concerns expressed that a handful of developers control most of the developable land in the fastest growing portions of the community. Some of these developers have long-established working relationships with home builders, and the platting and subdivision development process is staged to coordinate with the annual capacity of these builders. As a result, the available lot inventory may not appear to be overly large at any given time, but the ability to develop new phases as needed is a cost-effective way to create new lots.

There was also some concern that raw land prices have continued to escalate, in response to development demands. By some reports, the cost for residential land has nearly doubled over the last 5 years. However, because some of the most active land developers have large tracts of land in their control, it does not appear that raw land prices have had an overly large impact on lot pricing. We were told that lower priced lots could be purchased for less than \$16,000 plus the cost of special assessments. A lot in this price range would typically be 80' x 130', and could be used for construction of a \$125,000 to \$200,000 new home.

The increasingly important role of twin homes in the market has also helped to lessen the impact of higher raw land prices. One of the main factors cited for the popularity of twin homes is the price advantage that buyers realize compared to a similar sized detached single family home.

In 2004, a new development area known as Osgood Farms will begin that could add approximately 350 lots. The Fargo Housing Authority owns 7 acres in this project that will be used for more affordable development projects. Another major builder has acquired a large parcel in the north end of the community, which should result in increased construction activity in that part of the City. In the recent past, most of the growth has been to the west or southwest.

2004 Recommendation: Although we do not have access to a comprehensive lot inventory for Fargo, we do not believe that land availability is an issue that is limiting housing development at

this time. Developers and builders that we interviewed believed that lots could be developed as needed. While a large inventory of lots may not exist, developers are adept at phasing in new lot development to keep pace with construction activity. New development projects scheduled for 2004 and beyond should continue to offer a range of residential lots that are suitable for different styles and price ranges of future housing construction.

As raw land prices escalate, there may be some concern for the cost impact on future development. Favorable land prices may be one of the contributing reasons for an above-average market share of new single family home construction in West Fargo and Moorhead over the last two years. However, land prices are driven by market conditions, and there is limited public action that can be taken to address this issue. The increasing popularity of attached single family housing units may be one market response to rising land prices, as greater unit density can help to negate increasing land costs.

Our projections for the area expect slower future household growth rates than in the past. However, we believe that owner occupied housing will represent an increasing share of future demand. In an average year, we would expect net demand for new owner occupied units to be between 575 to 760 units in the MSA. Construction activity in Fargo has generally averaged between 380 and 400 owner occupied units per year.

Based on a standard that a 2 ½ year supply of lots should be available or in the planning stages, Fargo would need approximately 1,000 lots to be developed or planned within the next few years. We have every reason to expect that the private sector will develop these lots as needed, but the availability of lots in the development pipeline should be monitored to make sure that an adequate supply of both single family and attached housing lots remains available to accommodate projected growth.

General Housing Issues

Overview: The previous series of recommendations focused on rental housing development issues and home ownership development and promotion. The following recommendations are on miscellaneous topics that also impact Fargo's housing situation.

15. Neighborhood Revitalization Through Owner-Occupied and Rental Rehabilitation

2000 Findings: In the 2000 Housing Study we commented on the City's on-going efforts to provide for owner occupied and rental housing improvement programs. The City had in place an owner occupied housing rehabilitation program that was funded annually with CDBG and HOME allocations. The City had also initiated a rental housing inspection program.

2004 Findings: We did not complete any significant research for this Update on rehabilitation activity. The City continues to proceed with both of the programs identified in 2000 to address owner occupied and rental housing conditions.

In addition, the Housing Authority has taken a more direct role in redevelopment initiatives. The Authority has constructed a small tax credit rental project on a redevelopment site, and has also constructed some for-sale town house units on a small redevelopment parcel.

In 2003, the Housing Authority also acquired the Graver Inn, a 60 unit affordable rental project in downtown Fargo. This action not only preserved some affordable rental units, but the Authority is proceeding with significant rehabilitation activity to the building.

2004 Recommendation: Although Fargo has a relatively new housing stock overall, there are neighborhoods in the City that have large numbers of older housing units. On-going use of rehabilitation programs and other redevelopment efforts can help to promote neighborhood stability in parts of the City where much of the most affordable housing exists.

16. Modification of the Rental Inspection Program to a Rental Registration and Inspection Program

2000 Findings: In the 2000 Housing Study we had proposed that the City consider expanding its rental housing inspection program into a rental registration or licencing program. We viewed this as a systematic way to annually monitor units that are used for rental housing. We believed that this was an appropriate strategy for consideration given the large volume of rental units in the City and large student population. The presence of a large student renter population can lead to the use of substandard structures for rental use.

2004 Findings: We are not aware of any action that has been taken to expand the existing rental inspection program.

2004 Recommendation: We believe that this is still an appropriate issue for consideration. However, since the completion of the 2000 Housing Study, rental housing vacancy rates in the City have increased. At the end of 2003, the vacancy rate was estimated to be 6.8% in Fargo. Higher vacancy rates generally result in less demand for substandard rental units, as tenants have choices of better quality units that are readily available. Rental property owners also have greater incentive to repair substandard units due to competition for tenants.

17. Acquisition/Demolition Program

2000 Findings: In our research for the 2000 Housing Study there was some evidence that a few severely substandard houses existed in the City. Although the number of houses in poor condition was small, we had recommended a program that would acquire and clear dilapidated houses as part of neighborhood revitalization efforts.

2004 Findings: As part of the City's Neighborhood Revitalization Initiative (NRI) mentioned above, the City has been acquiring and demolishing units that are deteriorated beyond repair.

2004 Recommendation: This recommendation from the 2000 Housing Study is being addressed. In the last few years, the Fargo Housing Authority has completed a small affordable rental development project and a small ownership town house project on redevelopment sites in older neighborhoods. This successful re-use of available redevelopment sites is a good match with efforts to acquire and clear dilapidated structures.

18. Diversity issues

2000 Findings: At the time of the 2000 Housing Study, the City of Fargo was experiencing substantial growth due to international in-migration. Domestic in-migration was also leading to a more diverse racial and ethnic community.

Our research found that the community was well prepared to address issues surrounding the in-migration of new residents from international locations. Lutheran Social Services had created an extensive network of people to assist immigrants in adjusting to the new community.

2004 Findings: The 2000 Census reported on racial minorities and ethnicities in the City. While the percentage increase in households of color were large, the numeric increases were relatively small. In total, the City added fewer than 1,000 new households between 1990 and 2000 that identified themselves in one of the racial groupings other than white. Fewer than 200 additional Hispanic households were added between the 1990 and 2000 Census.

According to the Census, home ownership rates for racial and ethnic minorities are much lower than for the white population.

A separate section has been provided in this Update on minority and international refugee housing issues. According to the records of social service agencies that work with new immigrants, over 1,700 of the international immigrants since 1990 were from Bosnia. Including other immigrants from eastern and southern Europe, nearly 45% of international arrivals are from this part of the world. Based on the racial and ethnic categories collected by the 2000 Census, European immigrants are generally not identifiable in Census data.

Since September of 2001, there has been a significant slow-down in international in-migration. However, local officials are estimating that annual in migration of refugees will be in the 150-200 range over the next several years.

2004 Recommendation: Fargo continues to have an excellent network of agencies and social service providers that work with arriving immigrants. The expansion of affordable ownership and rental housing opportunities will help these new households in their transition to a new country.

Special efforts to increase the rate of home ownership among racial and ethnic minorities may be worth consideration. Asian/Pacific Islanders are the only minority group in the City that has a home ownership rate of more than 30%.

Shortly before this Update was printed, the U.S. Census Bureau issued its 2003 population estimates for Cass and Clay Counties. These estimates contained the estimated components of population change since 2000. Although natural increase (births exceeding deaths) was the largest factor contributing to population growth, net international in-migration accounted for over 28% of the MSA's population growth. During this same time, net domestic in-migration represented less than 5% of the area's growth.

19. Homeless Issues

2000 Findings: In the 2000 Housing Study we acknowledged the presence of a homeless population in the Fargo area, that was impacted by seasonal influxes, including a migrant worker population that arrives each summer to work in the area's agricultural industries. There were few data sources that provided any information about the size of homeless populations.

We had identified a possible funding source for Publicly Owned Transitional Housing that could potentially be accessed on the Minnesota side of the MSA.

2004 Findings: We are not aware of any additional information that would better document the size of the homeless or near homeless population in the Fargo area.

In the last few years, there have been at least two affordable rental projects developed that could help address homeless issues. Dakota Pioneer is a 31 unit project that utilized federal low income housing tax credits and other assistance. This project provides transitional housing for people with persistent mental illness, drug addiction, or other disabilities.

Sister's Path is a 12 unit project that will provide supportive/permanent housing for the homeless. This project also used federal low income housing tax credit assistance and is scheduled for occupancy in 2004.

Public and nonprofit agencies in the Fargo area are involved with the North Dakota Continuum of Care (ND CoC). The ND CoC is a long term, comprehensive planning and development initiative that will identify the causes of homelessness, the needs of the people who are homeless, and how to prevent homelessness. The statewide effort also seeks to help move families and individuals into stable, permanent housing. The Fargo Housing Authority was the recipient of one of the initial grants issued for the creation of supportive/permanent housing.

2004 Recommendation: When combined with other housing options for the homeless and near-homeless, the addition of Dakota Pioneer and Sister's Path has expanded the resources available in the Fargo area. Substantial subsidy resources have been required for the creation of these new projects. In addition to the costs related to housing development, the service component, that is an important part of homeless prevention, requires ongoing resources. As the Fargo area continues to grow, demand for additional permanent supportive housing will also increase. The Continuum of Care process will focus attention on the needs of homeless populations, and will be a potential source of funding for future projects that address the housing and service needs of vulnerable populations.

20. Mobile Homes Issues

2000 Findings: In the 2000 Housing Study we estimated that Fargo had as many as 1,400 mobile homes. Mobile homes represented nearly 3.5% of the City's total housing stock at that time. Because mobile home parks generally have a large number of households in a small area, mobile homes and mobile home parks generally have unique issues and problems.

We had identified some innovative programs that were being used in other communities to address mobile homes and mobile home park issues.

2004 Findings: The 2000 Census identified 1,216 occupied mobile homes in Fargo in 2000. While this count was lower than our estimate, mobile homes still represented nearly 3% of all occupied units in the City.

2004 Recommendation: With a large volume of mobile homes in the community, we still believe that it is appropriate to consider the development of housing programs that specifically address mobile home quality and condition issues.

21. “Hard to House” Tenant Issues

2004 Findings: This issue was not included in the 2000 Housing Study.

The difficulty in providing affordable housing is multi-faceted. Low incomes for some households severely restrict buying-power for housing. Lack of supply is another factor, as is the cost of building new units. The human element is also partly responsible, as there are some tenants that have unmet housing needs because they are “hard to house”. These tenants may have affordable housing available to them, but are unable to gain access to the housing due to poor rental histories, criminal back grounds, or other similar factors.

It is becoming more common for rental property managers to perform diligent tenant screening as part of the process to fill vacant units. The Fargo Housing Authority and the largest rental management companies all screen tenants before filling unit vacancies. As tenant screening becomes more common among owners of smaller rental buildings, it will become increasingly difficult for some tenants to secure affordable units. The development of additional affordable rental units is not the solution for the “hard to house” as they would still not be admitted into units because of the screening process.

According to staff from the Fargo Housing Authority, the area does have an active Tenant Education Program. Participation in the program is required for all applicants to the Fargo Housing Authority’s waiting lists and encouraged for all prospective tenants for the private sector as well. Both the City of Fargo and the City of Moorhead support the program.

2004 Recommendation: It appears that this issue is already being addressed within the community.

We are also aware of other models for tenant education that are being used in other states. The University of Wisconsin has developed a renter education program known as *Rent Smart*. The *Rent Smart* courses have been used widely in Wisconsin, and there are some reports that cooperative efforts have been formed with landlords in an attempt to improve renter household participation. Some landlords require a smaller security deposit from tenants that have completed the curriculum.

Communities in Minnesota have also been increasing their efforts in tenant training. In some cases, the *Rent Smart* program has been used. In 2002, the Minnesota Housing Finance Agency provided funding for two pilot projects that provide tenant education and certification for “high risk” tenants. One of the pilot projects is in Duluth, and the other serves Dakota, Hennepin and Ramsey Counties.

22. Promote “Fair Share” Approach to Affordable Housing Development Throughout the Fargo-Moorhead MSA

2004 Findings: This issue was not included in the 2000 Housing Study but has been added for the Update.

The City of Fargo is the largest city in the two county Fargo-Moorhead Metropolitan Statistical Area (MSA). The City’s estimated population in 2002 represented nearly 52% of the MSA’s total population. While Fargo is the regional center for the area, and therefore the logical location for much of the area’s affordable housing, it will be important that other jurisdictions share in the creation of new units. Affordable housing is a region-wide issue, and a fair-share housing production approach is appropriate.

At the time of the 2000 Census, Fargo had more than 72% of all the occupied rental housing units in the entire MSA. Since the inception of the tax credit program in the late 1980s, nearly 62% of all the area’s tax credit units have been placed in Fargo. The City has the large majority of the area’s deep subsidy rental housing opportunities. Most of the special needs housing projects are also located in Fargo.

Although there is a relatively high vacancy rate in the area’s rental housing stock at the time of this Update, vacancy rates remained low in the most affordable segments of the rental market. Waiting lists for subsidized housing have lengthened since our rental survey in 2000. While the supply of market rate rental housing and tax credit housing at 60% of median income has continued to increase, there has been very little growth in the supply of deep subsidy housing in recent years. Federal production programs have largely disappeared, and resources such as tax credits are unable to generate very affordable units without the infusion of other subsidy sources to lower the rents.

Recommendation: The City of Fargo has generally taken the lead role in the production of very affordable housing. To make new units available to very low income people, a substantial amount of subsidy will be required for each new unit. It will be important that all communities in the MSA share in the production of future affordable housing options.

Housing Needs of the City's Immigrant/Refugee Population

Introduction

Since at least 1990, Fargo has been a destination for international immigrant and refugee populations. The Housing Study completed in April 2000 included a section providing additional information on Fargo's immigrant/refugee population. We have reviewed the data and recommendations that were provided in the 2000 Housing Study and we have updated the information when appropriate. To update this Section, we conducted several interviews with individuals that are working with the refugee population. We have also reviewed available data including the 2000 U.S. Census and data that has been gathered by local agencies.

Estimated Population, School Enrollment, Employment

Population

Lutheran Social Services and Cass County Social Services have provided data on the number of refugees that have moved into Fargo from international locations from 1990 to 2003. According to these agencies, a total of 4,889 refugees have moved into Fargo during the 14-year period from 1990 to 2003. Please note that this number only includes refugees that have arrived from international locations. Local officials have reported that a substantial number of refugees have moved to Fargo from United States locations. These refugees, for local reporting purposes, are called 'secondaries'. There presently is not a reliable estimate on the number of refugees (secondaries) that have moved to Fargo from United States locations. Refugees have also moved from Fargo to other United States locations. However, there is no again data available on the movement of secondaries who leave the City for other destinations.

The peak years for in migration of refugees were 1998 through 2000. An average of 626 refugees moved to Fargo annually during this three-year period. An annual average of 349 refugees moved to Fargo during the overall 14-year period from 1990 through 2003. Since 9/11 the average refugee in migration has decreased substantially. In 2002 and 2003 a total of 197 refugees have moved to Fargo from international locations. In 2004, 61 refugees have moved to Fargo from international locations through April.

The U.S. Census Bureau also provides estimates of net migration from international locations. The Census Bureau's estimate of refugee migration to Fargo over the 14-year period, 1990 to 2003, is 4,504 refugees which is relatively consistent with local data.

Refugees have moved to Fargo from over 40 countries during the 14-year period from 1990 to 2003. The countries of origin that have provided the most refugees include:

Bosnia	- 1,736 people
Vietnam	- 719 people
Sudan	- 453 people
Kurdish (several countries)	- 400 people
Somalia	- 354 people

Table 49 International Immigrant Populations - County of Origin - 1990-2003						
Country/Ethnicity	2003	2002	2001	2000	1999-1990	Total
African						
Burundi	0	0	0	0	11	11
Central African Republic	0	0	0	0	1	1
Congo	0	0	3	1	0	4
Djibouti	0	0	0	0	17	17
Ethiopia	0	0	0	10	19	29
Kenya	0	0	0	0	3	3
Liberia	28	0	0	0	8	36
Nigeria	0	0	0	0	24	24
Rwanda	1	0	0	0	0	1
Sierra Leone	13	0	0	0	5	18
Somalia	25	8	24	43	254	354
Sudan	29	2	78	90	254	453
Togo	0	0	0	2	8	10
Zaire	0	0	0	0	1	1
African - not defined	0	0	0	0	80	80
Subtotal	96	10	105	146	685	1,042
Eastern Europe						
Albania	0	0	1	0	129	130
Armenia	0	0	0	0	239	239
Bosnia	14	36	191	438	1,057	1,736
Croatia	0	0	0	0	4	4
Kosovo	14	0	0	0	0	14
Russia	0	0	0	0	36	36
Serbia	0	9	0	17	3	29
Ukraine	0	0	0	10	22	32
Yugoslavia	0	0	0	0	1	1

Table 49 International Immigrant Populations - County of Origin - 1990-2003						
Country/Ethnicity	2003	2002	2001	2000	1999-1990	Total
Eastern Europe - not defined	0	0	0	0	34	34
<i>Subtotal</i>	<i>2031</i>	<i>2047</i>	<i>2193</i>	<i>2465</i>	<i>1,525</i>	<i>2,255</i>
Middle East						
Afghanistan	0	5	0	0	17	22
Iran	0	0	0	0	43	43
Iraq	4	0	0	4	104	112
Kurdish - not defined	0	0	0	16	384	400
Kuwait	0	0	0	0	1	1
Tajikistan	0	0	0	11	10	21
<i>Subtotal</i>	<i>4</i>	<i>5</i>	<i>0</i>	<i>31</i>	<i>559</i>	<i>599</i>
Caribbean/Central America						
Central America - not defined	7	0	0	0	1	8
Cuba	0	0	6	12	130	148
Haiti	0	0	0	7	95	102
<i>Subtotal</i>	<i>7</i>	<i>0</i>	<i>6</i>	<i>19</i>	<i>226</i>	<i>258</i>
Asian/Pacific						
Cambodia	0	0	0	0	8	8
Tamil	0	0	0	3	5	8
Vietnam	2	0	2	1	714	719
<i>Subtotal</i>	<i>2</i>	<i>0</i>	<i>2</i>	<i>4</i>	<i>727</i>	<i>735</i>
Total	137	60	305	665	3,722	4,889

Source: Cultural Diversity Resources/Lutheran Social Services - 1990 to 2002 data; Cass County Social Services - 2003 data; Community Partners Research, Inc.

Because world events and federal policy will dictate the number of refugees that will migrate to Fargo in the future, it is not possible to predict the future in migration of refugees. However, local officials are estimating that annual in migration of refugees will be in the 150-200 range over the next several years.

School Enrollment

It is estimated that 715 immigrant/refugee students are enrolled in the Fargo School System.

The Fargo School System's English as a Second Language (ESL) Office has provided statistics on the immigrant/refugee students that it serves. Not all of the immigrant/refugee students in the school district are in the ESL Program, but these statistics do provide an excellent representation of the diversity that exists in the school system. Currently, the ESL Program is serving 615 refugee students. At the time of the 2000 Study the ESL Program was serving 551 ESL students. The student breakdown by ethnic group in the ESL program is as follows:

Bosnian	- 41%
Sudanese	- 15%
Asian	- 15%
Somali	- 9%
Kurdish	- 5%
Hispanic	- 5%
Liberian	- 4%
Other	- 6%

Employment

In the 2000 Study we had determined, through interviews that the major employers and employment sectors of the refugee population in the Fargo area were:

- ▶ Solid Comfort
- ▶ Leaf Cleaners
- ▶ Cardinal IG
- ▶ Pan-O-Gold Bakery
- ▶ Nursing Homes
- ▶ Food Service Industry
- ▶ Hotel Industry

These employers and employment sectors continue to provide the refugees with employment. Two additional major employers have been identified, Integrity Windows and Sun Valley Products.

As in 2000, job opportunities are available for the refugee population, however, many of the jobs are entry level. Thus, many refugees are under employed and many refugees have several jobs to support their family. However, there are a significant number of refugees that have secured jobs that provide adequate wages and benefits.

There are still a number of refugees that have difficulty finding or maintaining employment. The major factor is the language barrier, however, there are additional factors including cultural differences, lack of transportation, lack of daycare, lack of job training, etc.

Driving Forces Behind the Growth of the Immigrant/Refugee Population

Although the in migration of refugees has decreased since 9/11, Fargo continues to be a popular destination for refugees. The driving forces for Fargo's popularity as a destination for refugees are consistent with the driving forces that existed in 2000.

Jobs – Fargo has a significant number of jobs that do not require the employee to speak English or to be highly skilled.

Housing availability – Although housing is a problem, Fargo does have a high number of affordable rental units and affordable housing opportunities do exist. The rental housing stock has a significant vacancy rate.

Section 8 Certificates and Vouchers – Although there is a waiting list, Section 8 Certificates or Vouchers are available. According to Fargo Housing Authority staff, the waiting list for Section 8 Vouchers is over 600 households, which is approximately an 18-month time period.

Word of Mouth – The refugee individuals who are currently located in Fargo inform their friends and relatives of the job opportunities and support network that exists.

Embracing diversity – Although, isolated problems do exist, Fargo and its major employers have embraced diversity.

Support services and resources – Support services and resources are currently available for the refugee population.

Track Record – There is currently a solid track record for the resettlement of refugees in Fargo and a significant resettlement community currently exists.

Agencies which provide support – The Center for New Americans, Cass County Social Services, the Fargo Housing Authority, Cultural Diversity Resources, the CHARISM Center and several other agencies provide a wide range of support and services to refugees. Although several agencies have had budget and staff cuts due to 9/11 and the decrease in refugees moving to Fargo, an excellent support system is still in place. Agency staff have indicated that the Fargo refugee support system can adequately serve approximately 250 refugees annually. The agencies provide the following services:

- ▶ Case Management
- ▶ Extended Case Management
- ▶ Employment Programs
- ▶ Resource Development
- ▶ Cultural Panels
- ▶ Medical Assistance
- ▶ Library with Multi-cultural Services
- ▶ Multi-ethnic Leadership Training

- ▶ Community Interpreter Services
- ▶ Tenant Education Programs
- ▶ Diversity Training
- ▶ Community Education
- ▶ Housing Services
- ▶ Community Organizing
- ▶ Tutoring
- ▶ Volunteer Organizing
- ▶ Information and Referral
- ▶ Language and cultural barriers counseling and training
- ▶ Organizing cultural/diversity events and celebrations
- ▶ After school programs

Barriers in Securing Housing

The barriers that refugees experience in securing housing in Fargo are essentially the same as in 2000, although, significant progress has been made to minimize these barriers.

- ▶ **Same barriers as other low-income households** – A high percentage of refugee households are low income and experience the same barriers as many non-immigrant/refugee households, in finding affordable, safe and sanitary housing.
- ▶ **Communication** – Many refugee individuals cannot speak English, which causes communication problems when searching for housing.
- ▶ **Cultural differences** – The refugee households have cultural differences, which can conflict with generally accepted standards. For example, the number of people per unit may be acceptable to the refugee household, but is considered overcrowding by the City Housing Code.
- ▶ **Short-term residents** – Some landlords require six-month or one-year leases. Some refugee individuals are located in Fargo on a short-term basis and cannot sign a long-term lease.
- ▶ **Paying interest** – Islam, the religion practiced by some in the immigrant populations, does not allow them to pay interest, including mortgage interest.
- ▶ **Large Housing Units** – Many refugee families are very large and need large housing units, which are in short supply.
- ▶ **Transportation** – Transportation is a problem because many immigrant/refugee individuals do not have vehicles, driver's licenses or insurance.
- ▶ **Security Deposit/Down Payment** – Many refugee individuals do not have the savings to pay a rent deposit or to make a down payment.

- ▶ **Discrimination** – There may be isolated cases by landlords against refugee households. Although discrimination can exist, minority households may also be denied housing for legitimate reasons such as no credit, no references, etc.

Strengths in Securing Housing

The City of Fargo continues to have strengths which assist refugee households in securing housing.

- ▶ **Affordable housing** – Affordable housing does exist in Fargo. There are a significant number of rental units that have affordable rents and there are affordable homes that can be purchased. The rental housing stock also has a significant vacancy rate.
- ▶ **Jobs** – Jobs are available, thus, the refugee population has the opportunity to earn income.
- ▶ **Transit System** – Fargo has a Public Transit System.
- ▶ **Rental Registration Program** – Fargo has developed a rental inspection program. This may help to assure that inspected rental units meet minimum standards.
- ▶ **Sponsorships** – Many refugee households are sponsored by families and churches that assist them with meeting their housing needs.
- ▶ **Section 8 Certificates and Vouchers** – Section 8 Certificates and Vouchers assist with rent payments.
- ▶ **Support Agencies** – The Center for New Americans, Cultural Diversity Resources, Cass County Social Services, the CHARISM Center and several other agencies assist the refugee population with their needs, including housing.
- ▶ **Fargo Housing and Redevelopment Authority** – The Fargo Housing and Redevelopment Authority provides assistance to the refugee households on an on-going basis.

Housing Strategies

The strategies identified in the 2000 Housing Study are still pertinent in assisting the refugee populations with meeting their housing needs. Several new strategies have also been identified and are listed below.

- ▶ **Study Recommendations** – Most of the recommendations included in this study also pertain to the refugee populations.

- ▶ **Community education** – The Center for New Americans, Cultural Diversity Resources, the City, the Housing and Redevelopment Authority, the CHARISM Center, media and employers should continue to educate the community at every opportunity about diversity and refugee populations. Education usually results in more tolerance and understanding. Conversely, the refugee population must continue to educate themselves about Fargo and integrate into the community.
- ▶ **Employer Involvement** – Several employers have been involved with assisting its refugee employees. This involvement must continue and other employers may have to get more involved in assisting its employees with housing and other issues.
- ▶ **English speaking classes** – English speaking classes are offered and refugee individuals should take advantage of these classes to eliminate language barriers.
- ▶ **Interpreters** – The support agencies should expand its pool of interpreters. With the increase in the number of refugees and the expanding number of countries of origin, the availability of the interpreters is an ongoing problem.
- ▶ **Training & Education** – Employers should provide training and refugee individuals should take advantage of this training and also continue to seek other educational opportunities. Training and education usually results in a better job, which means a higher income. A higher income can solve many problems including housing needs.
- ▶ **Transit System** – The City should continue to communicate with the refugee populations to determine if the City's Transit System can better meet their transportation needs.
- ▶ **Continue to work with landlords that provide housing for the immigrant/refugee populations** – A number of landlords are providing housing for the refugee populations. The Center for New Americans, the Housing and Redevelopment Authority and the CHARISM Center should continue to meet and communicate with these landlords to address their concerns and determine how the agencies can continue to work with the landlords to better address the refugee population's housing needs.
- ▶ **Financial Institutions** – The Financial Institutions can play a vital role in the refugee population's opportunity to own a home. The Housing and Redevelopment Authority and Center for New Americans should meet with the representatives of the financial institutions to consider strategies and determine how they can better serve the refugee population.
- ▶ **Home Ownership Programs** – Many refugee households have a strong desire to own a home. The Housing and Redevelopment Authority has an opportunity to expand its Home Ownership Programs to assist refugee households with the purchase of homes.
- ▶ **Continue to enforce housing and anti-discrimination laws and ordinances** – Anti-discrimination ordinances and laws should continue to be enforced. These ordinances and

laws assure that minimum standards are being met and that refugee populations are protected from discrimination.

- ▶ **Construction of Large Housing Units** – Many refugee families are very large and need a four or more bedroom unit. Large units are in short supply. There is an opportunity to construct large housing units with affordable rents to serve this population.
- ▶ **Tenant Training** – Tenant training programs for refugee households should continue and should include all aspects of rental housing as well as the cultural differences that may exist.
- ▶ **Lease to Own Program** – A lease to own program may be beneficial for refugee households as leasing to own would provide the opportunity for refugee households to eventually own a home without having the front end down payment or credit which refugee households often do not have when they move to Fargo.