



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

July 2023



Acknowledgements

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

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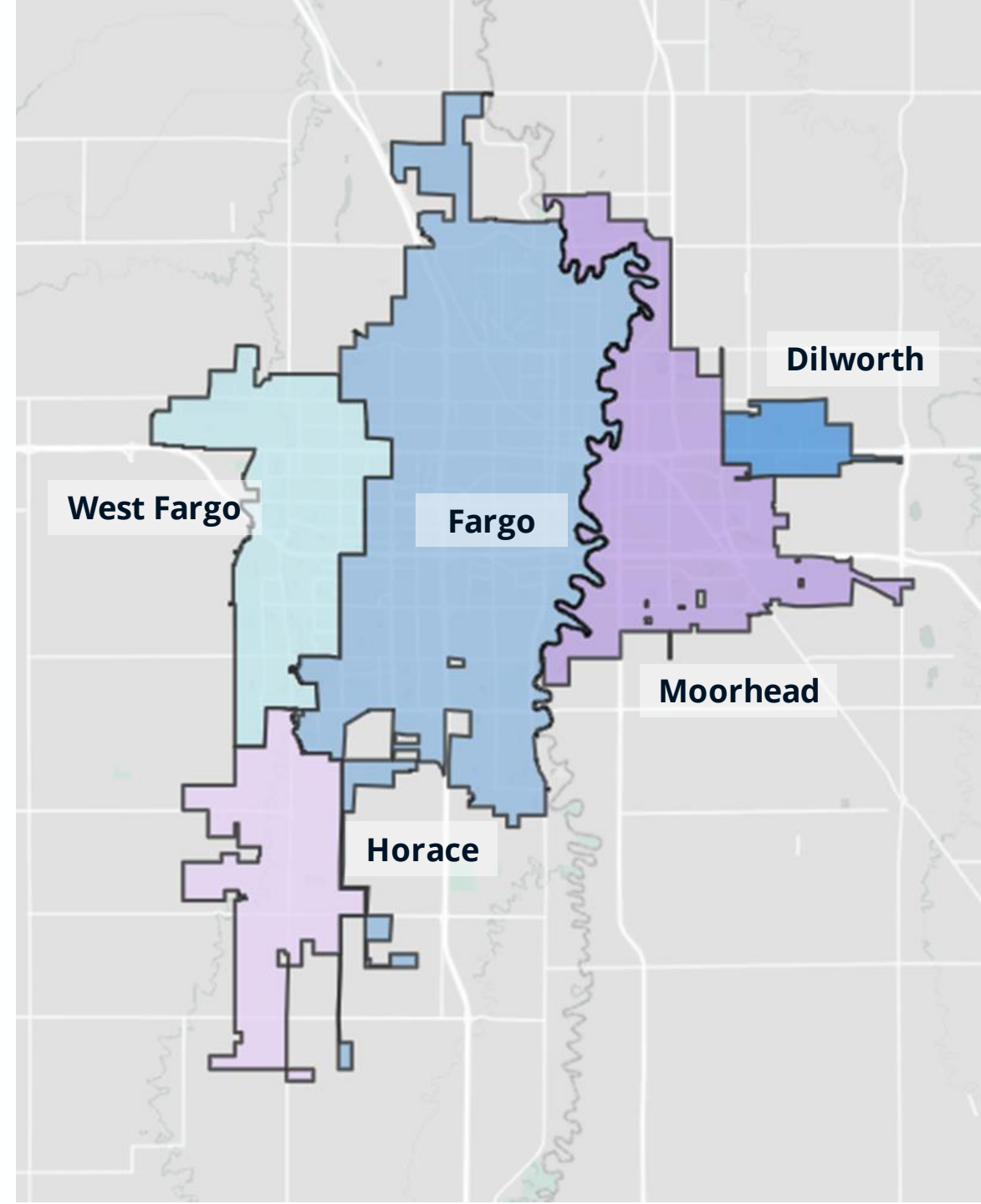
Introduction

Study Purpose

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

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

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



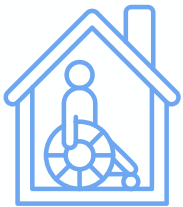
The Fargo-Moorhead region has five housing goals.



1. Promote regional coordination for housing strategies.



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



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



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



5. Create more opportunities for entry-level homeownership.

Executive Summary | **Housing Needs Assessment Findings**

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

**Strong
Employment
Growth**

**Housing Supply
Lagging Behind a
Changing
Demand**

**Opportunity for
Increased
Homeownership
Access**

**Lack of
Sufficient
Affordable
Rental Housing**

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

STRONG EMPLOYMENT GROWTH

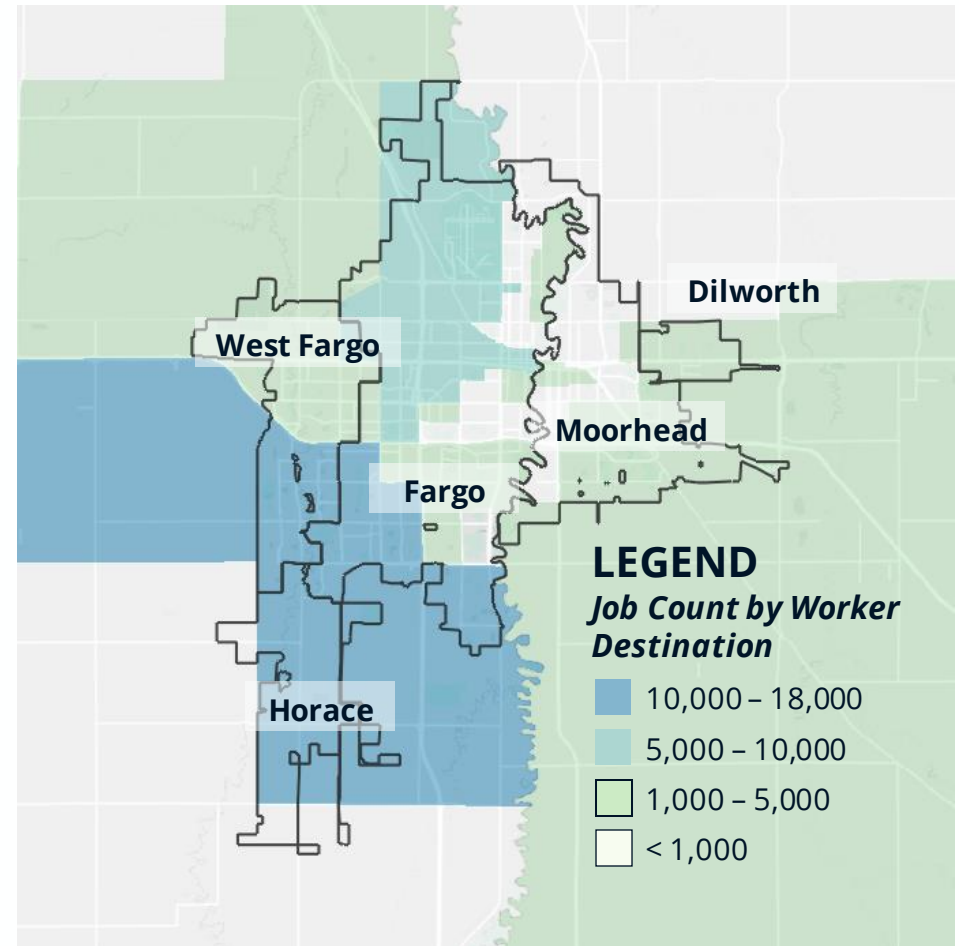
- Over the past 10 years, the region has added nearly **23,000 new jobs**, with thousands of jobs remaining unfilled and unemployment below 3% statewide.
- New regional initiatives like the F-M Diversion Construction will intensify these trends.

HOUSING SUPPLY LAGGING BEHIND A CHANGING DEMAND

- New housing unit production have not kept pace with job growth in the region. This gap is larger than the national average, **with a ratio of 1.5 jobs to units, compared with 1.3 nationwide.**
- Development of 2-9 unit buildings has not kept pace with increase in single family development and large, multifamily development.
- The majority of new housing supply production is located in the southwest of the F-M region.

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

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



Executive Summary | Housing Needs Assessment Findings

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

Regional Metrics

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

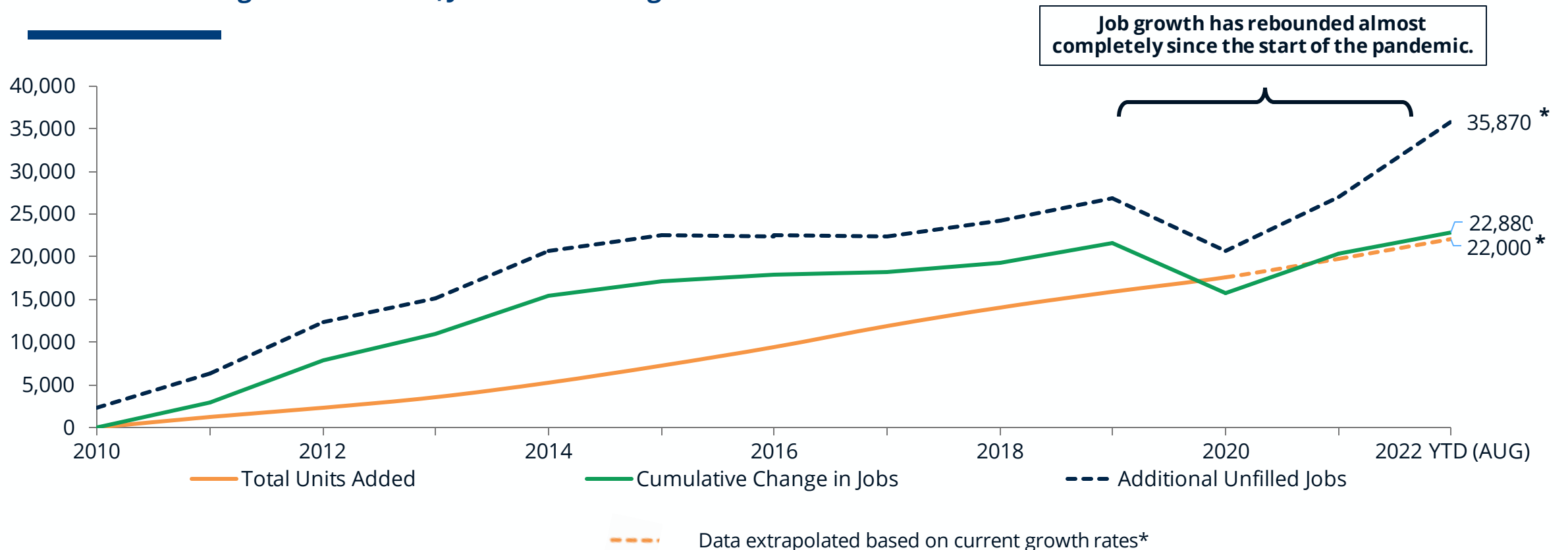
Source(s): Lightcast. Geographies are MSA level findings, over the last 10 years.

* The Cost of Living Index (COLI) comes annually from C2ER and provides a baseline for understanding how regional costs of living compare to the nation and to each other. An index below 100 means the region has a lower cost of living compared to the national average.

Executive Summary | Housing Needs Assessment Findings

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

Cumulative Change in Household, Jobs and Building Permits Added



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

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

NEW HOME AFFORDABILITY

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

MULTIFAMILY PRODUCTION

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

NEED FOR MISSING MIDDLE

Ownership Opportunities

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

Rental Housing Needs

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

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

**OPPORTUNITY FOR
INCREASED ACCESS TO
HOMEOWNERSHIP**

- The F-M region had experienced steady housing cost appreciation even before the pandemic. As a result, **in 2022 the minimum income required to purchase the average home was \$81,000.**
- At this income, **less than 20% of renters** could purchase a home
- **Mortgage denial rates are higher for non-white households** in the region compared to white households, even when controlling for income.
- 64% of senior renter households and 58% of single-parent renter households are cost-burdened, making homeownership increasingly challenging to access.

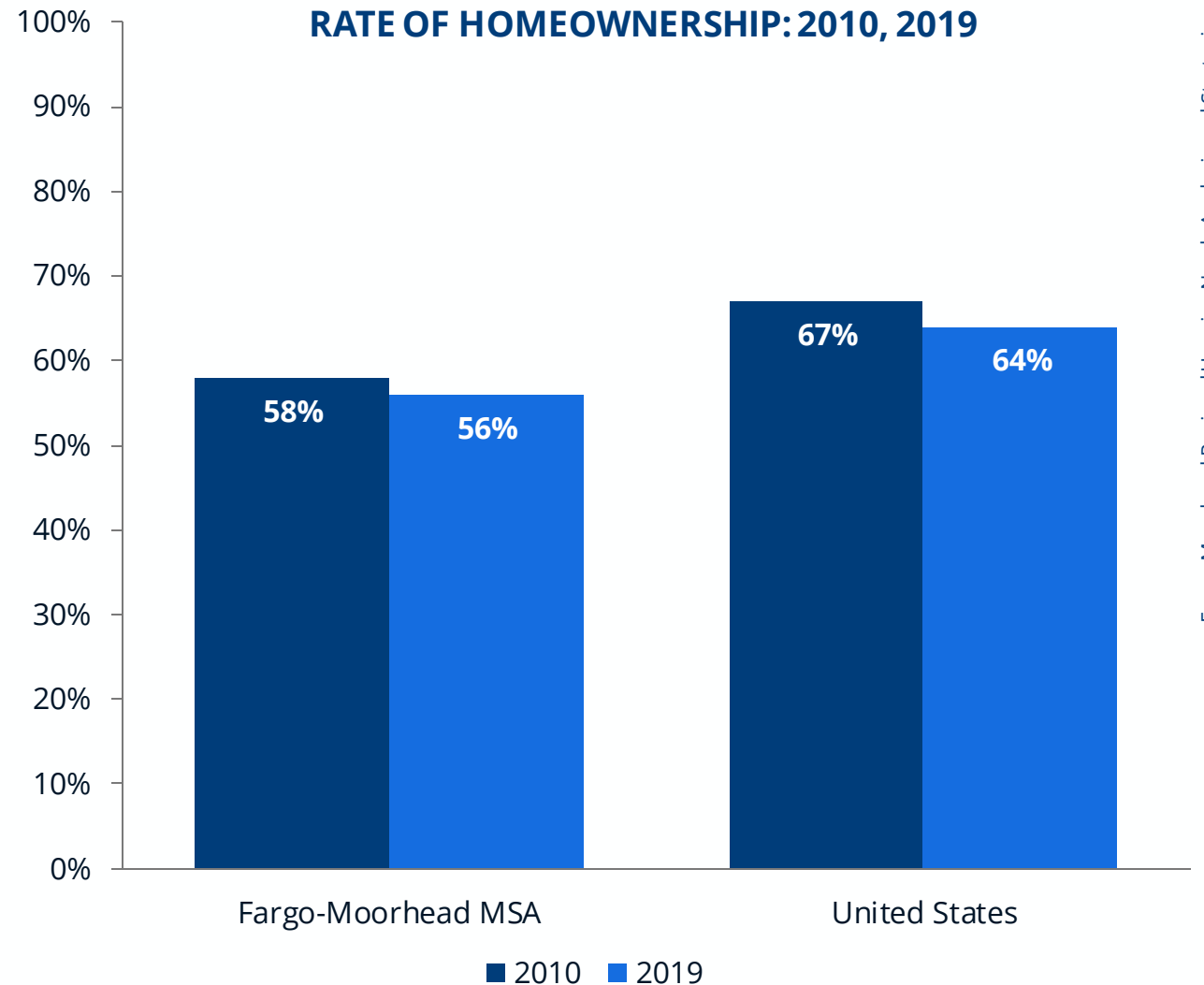
**LACK OF SUFFICIENT
AFFORDABLE RENTAL
HOUSING**

- The largest share of rental housing need is **among the most vulnerable households, families earning less than \$35,000.**
- This indicates a growing need for workforce and affordable family-sized rentals and additional funding sources for affordable housing production, particularly where federal or state funding is limited.

Executive Summary |
Housing Needs Assessment Findings

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

- Homeownership is increasingly out of reach for **households with incomes lower than \$75,000** and **elderly** populations.
- Renters that completed our community survey cited **lack of savings for a down payment** and a **low supply of affordable homes** as the largest barriers to homeownership.

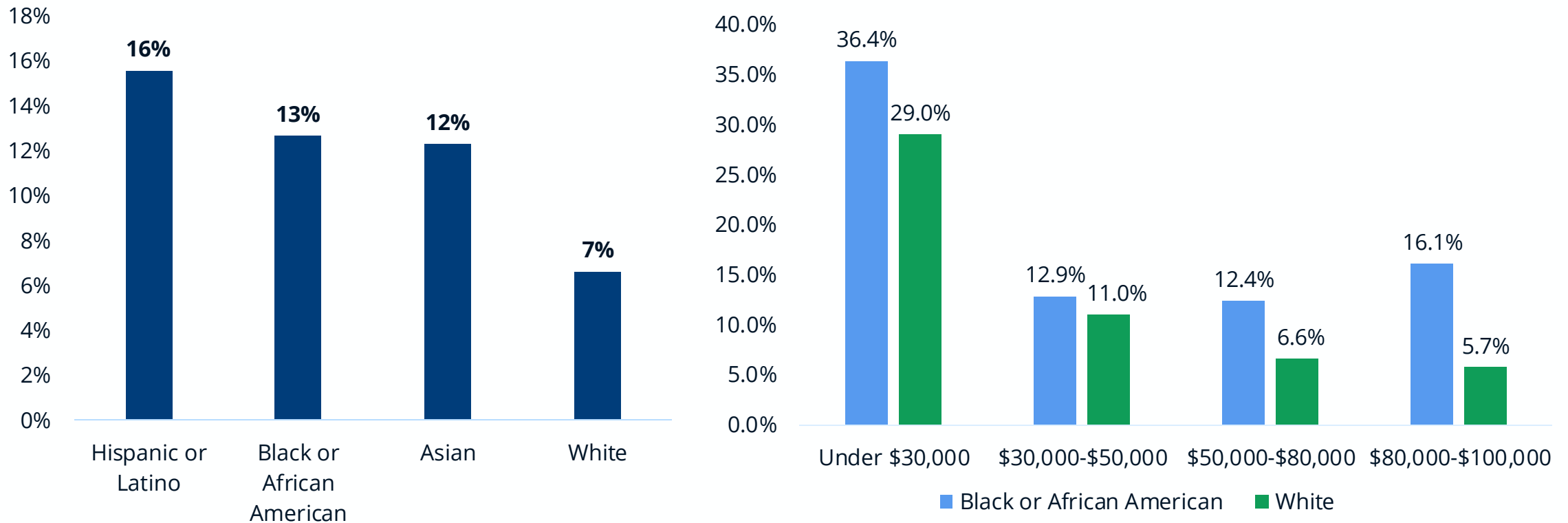


Source(s): American Community Survey 2010, 2019 5-year Estimates, U.S. Census

Executive Summary | Housing Needs Assessment Findings

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

Mortgage Denial Rates by Race and Income Level 2018-2020



Source(s): HMDA, 2020

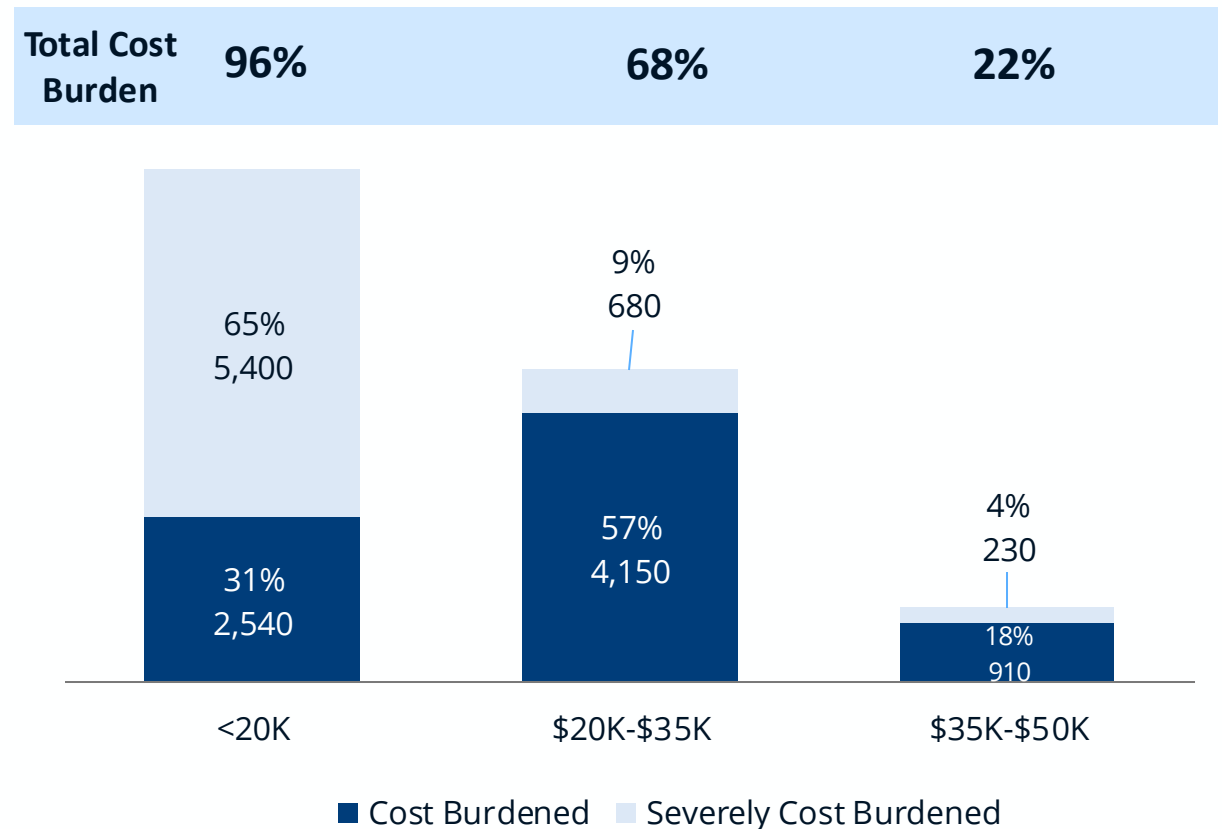
*Cost-Burden rates for BIPOC households has not been included, here, as the sample size is too small to be statistically significant For Hispanic or Latino, Asian, and Native American population, the data was not able to be analyzed due to the small sample size.

Executive Summary | Housing Needs Assessment Findings

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

- Most new multifamily units are targeted for the region's new high earners, creating a gap in supply for the lowest income residents.
- Nearly all renter households earning under **\$20,000 are cost-burdened or are paying more than 30% of their income towards housing.**

Share of Cost-Burden Renter Households by Income (2010-2020)



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

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

5 Focus Groups

Small Group Meetings

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

13 Interviews

Individual Discussion

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

Surveys

Community Survey

- 800+ Resident Responses
- Mix of homeowners and renters

Industry Survey

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

Community Survey Results



Demand for Housing Diversity

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



Most Residents Want More Senior Housing

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



Affordability is the Largest Barrier to Homeownership

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



Most Renters want to be Homeowners

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



Lack of Knowledge on Existing Programs

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

Industry Survey Results

Housing Impacts Employee Retention

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

Employers Offer Limited Housing-Related Resources

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

Most Employers are Interested in Learning About Housing-Related Resources

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



Executive Summary | Housing Needs Assessment Findings

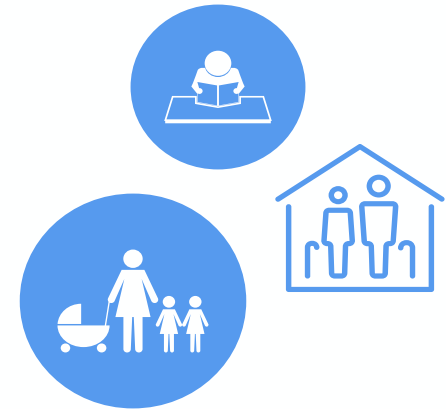
The Fargo-Moorhead Region must deliver a variety of housing typologies that are affordable and attainable in order to sustain its fast economic growth and high quality of life.



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



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



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

Executive Summary | Future Demand Analysis

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

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

This analysis accounts for:

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

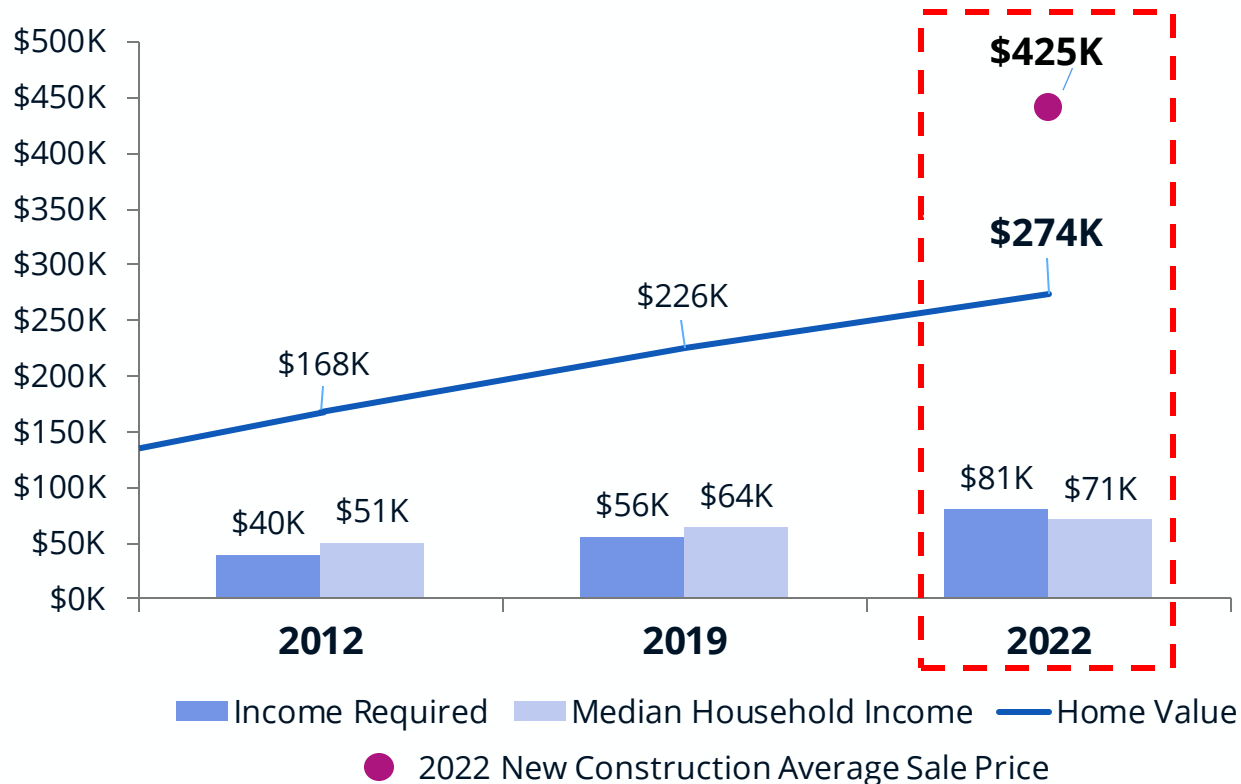
Source(s): HR&A Analysis.

* Estimates for housing demand were based on regional population growth metrics from the Metro COG Baseline 2050 Demographic Forecast.

Executive Summary | Future Demand Analysis

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

Average Home Cost and Income Required to Purchase 2010-2022



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

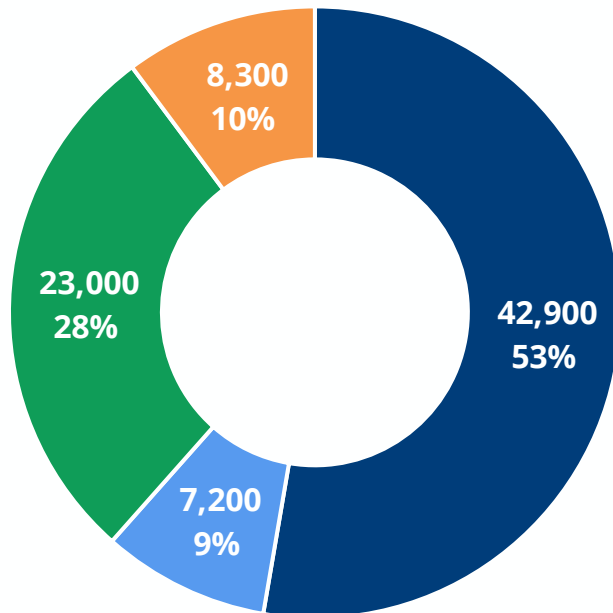
Source(s): US Census, 2010-2020, HR&A Advisors Analysis, Zillow Research Data

* Based on annual estimates of appraised and sold prices for the Fargo Moorhead Region, from Zillow Data. Median Household Income in 2020 was \$66K, while in 2022 it has increased to \$71K.

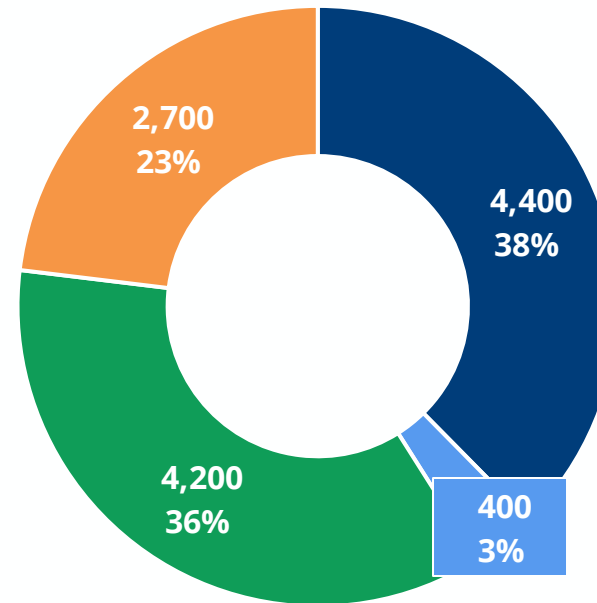
Executive Summary | Future Demand Analysis

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

Total Housing Units by Type (2019)



Housing Units Added (2010-2019)

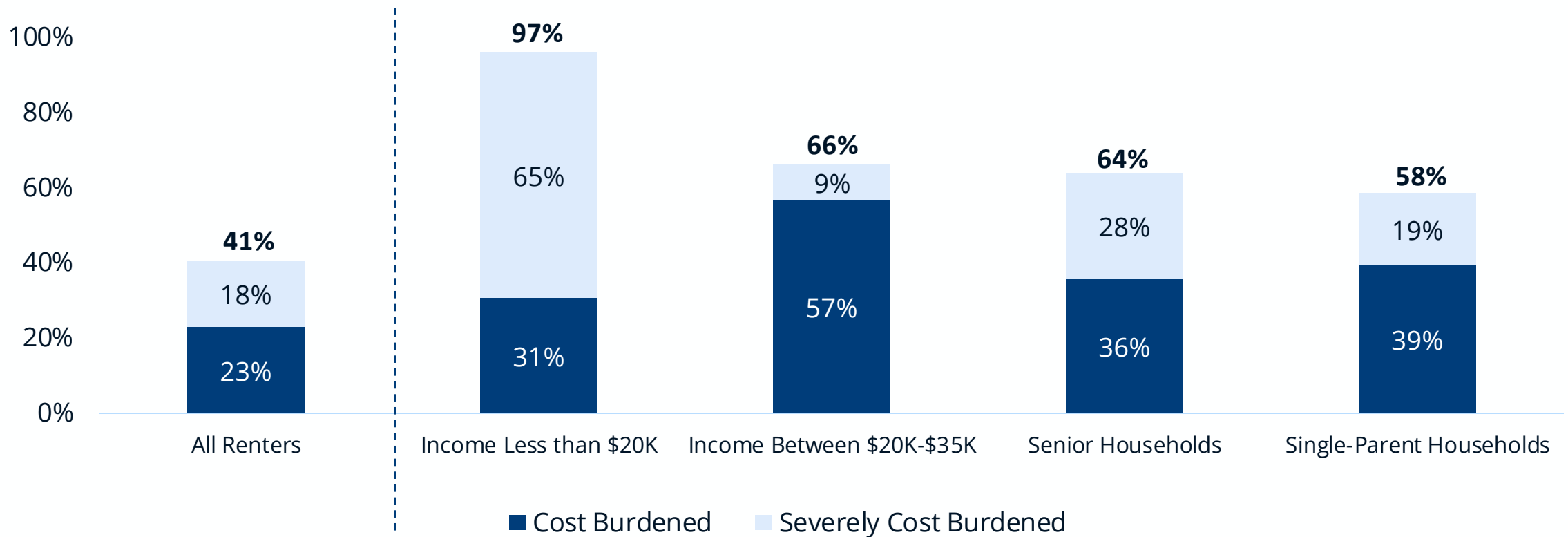


- Single-Family Home
- 2-9 Units
- 10-49 Units
- 50+ Units

Executive Summary | Future Demand Analysis

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

Existing Share of Cost-Burden Renter Households (2020)



Source(s): US Census, 2020

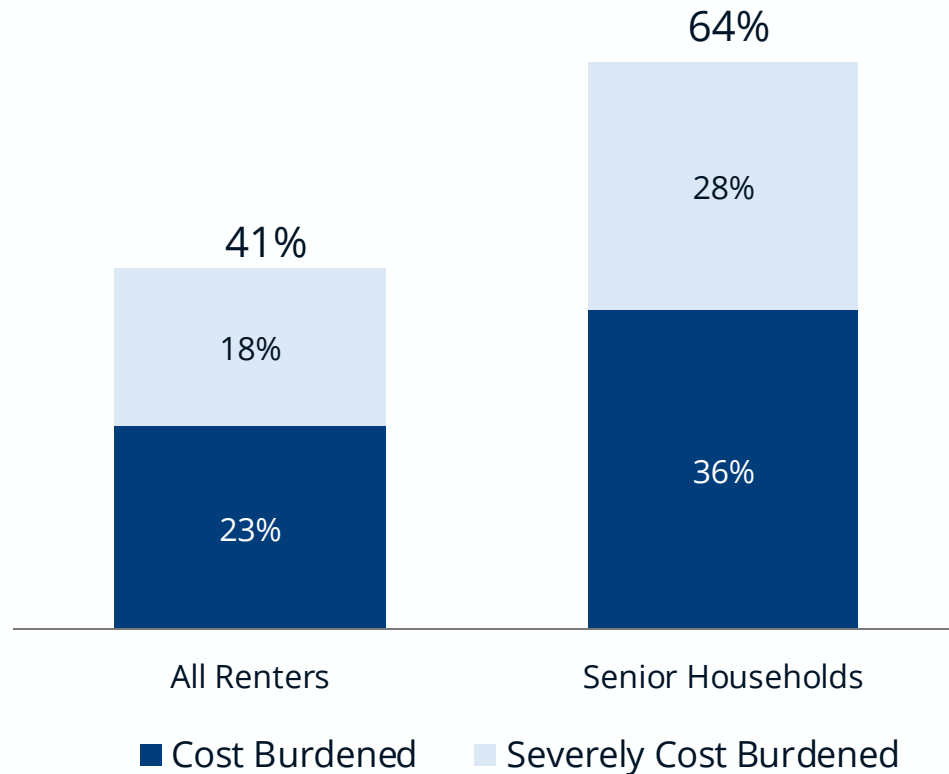
Cost Burdened is defined as when a household spends greater than 30% of their monthly income on housing costs. Severely Cost Burdened indicates if a households spends greater than 50%.

Executive Summary | Future Demand Analysis

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

Share of Cost-Burden Senior Renter Households

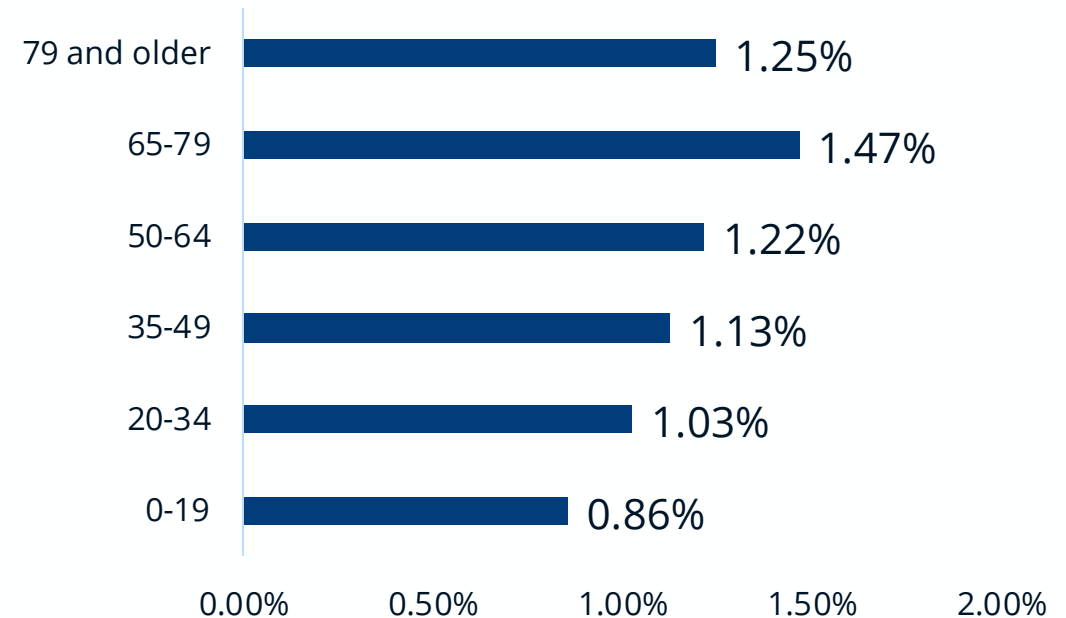
(2020)



MSA Average Compound Growth Rate

(2025-2050)

(2020)



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

Executive Summary | Future Demand Analysis

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



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

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

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

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

No. of units	1 unit	35 units	11 units	100 units
Land Area	0.26 acres	2.6 acres	.5 acre	1.3 acres
Density Calculation	3.8* units per net acre	13.5 units per net acre	22 units per gross acre	76.9 units per gross acre

Source(s): Thomsen Homes; Eagle Ridge Development; Skaff Apartments

**Assumes an additional .07 acre per home, to accommodate roadways, sidewalk, and other infrastructure.*

Executive Summary | Call to Action

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

Addressing Immediate Housing Needs

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



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

	Land Use Policies	Funding Strategies	Laying the Groundwork for Future Growth
Cities	<ul style="list-style-type: none"> • Allow for and Reduce Barriers to Soft Density (2-9 Unit structures) • Support and Reduce Barriers for Multifamily within Regional Employment Nodes • Prioritize Transit-Oriented Development • Allow and incentivize the construction of Accessory Dwelling Units (ADUs) 	<ul style="list-style-type: none"> • Provide Multifamily Rental Gap Financing • Create a Naturally Occurring Affordable Housing (NOAH) Preservation Strategy • Maintain and Increase Investments to Services for Low-Income and Homeless Residents • Market Publicly Owned Land Nationally • Expand Capacity / Aid Growth of the Cass Clay CLT 	<ul style="list-style-type: none"> • Establish a Regional Housing Committee • Educate Staff and Coordinate Planning Efforts among Municipalities • Invest in transportation, childcare and education to meet the needs of future and current residents
Regional	<ul style="list-style-type: none"> • Regional Coordination on a Comprehensive Growth Strategy 	<ul style="list-style-type: none"> • Establish a Regional Housing Trust Fund • Pursue Additional State and Federal Funding 	<ul style="list-style-type: none"> • Establish Clear Guidance on Future Infrastructure Investments • Grow National Developer Interest in the F-M Region



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