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SOUTH ST. PAUL MASTER HOUSING ASSESSMENT AND STRATEGY

CITY OF SOUTH ST. PAUL

HOUSING TASK FORCE

This report is the result of the partnership between the South St. Paul Housing Task Force and the City of South St. Paul Staff.

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Introduction

The primary goal of the South St. Paul's Master Housing Assessment Strategy is to:

“Guide City Staff, City Council and our related partners to continue to work towards building and maintaining a community that is attractive to long-time and new residents.”

This strategy provides a brief assessment of the housing market, offers an insight into the strengths and challenges with housing in South St. Paul and lays out a number of short-, medium- and long-term housing programs and policies to address the housing challenges and gaps.

The mission, goals, and actions found in this document are intended to be referenced, revisited, and revised over time to prepare for and respond to opportunities and challenges the City may face.

Above all else, the Strategy strives to enhance the foundation for policymaker decisions that will help to enhance partnerships, advance programs for the continued rehabilitation and support of the city's existing housing stock and to and promote smart housing growth to sustain the community for years to come.



Before (2007)



After (2013)

The “Before” and “After” of a house renovated as a part of the “Rediscover South St. Paul” program.

Housing Analysis

According to Thrive 2040 MSP, South St. Paul is considered an Urban Center. This designation is shared by cities such as Minneapolis, Saint Paul, Hopkins and West Saint Paul. In spite of this designation, South St. Paul differs from other urban center cities by offering a healthy amount of naturally occurring affordable housing (NOAH) while lacking in newly built townhomes or multifamily properties. The following is brief analysis of housing in South St. Paul. Additional information can be found in appendices A, B and C.

Housing Stock Types (Source: American Community Survey, 2017)

Of the 9,250 units that make up the housing stock in South St. Paul:

- 518 units are publicly-owned housing.
- 8,732 units are privately-owned housing.
- 2/3 of the city's housing supply is single-family homes.
- 1/3 is a mixture of duplexes, triplexes and apartments.

Housing Stock Age (Source: American Community Survey, 2012-2016)

- 60% of South St. Paul's housing was built prior to 1960.
- 25% of the South St. Paul's housing was built prior to 1940.
 - These homes are found above the bluff (west of Concord Street), between 1st and 10th Avenues and 5th Street South and Congress Street.
 - This housing stock will need significant rehabilitation attention.
- Only 2% of the city's housing stock was built after 2009.



A "Rediscover South St. Paul" property; 2013.

The combination of an aging housing stock and a relative lack of vacant land that is readily available for the development of new housing creates a critical need to preserve and rehabilitate existing housing, and creatively position underutilized lands for redevelopment of a diversity of new housing options.

Housing Affordability (Sources: American Community Survey, 2017-2018; Dakota County, 2016; Minneapolis Area Realtors, 2020)

- Housing is considered affordable when 30% or less of a household’s income is spent on housing costs. Affordability figures are based off of the estimated Annual Area Median Income (AMI) by the Metropolitan Council. The current AMI is \$100,000.
- The average income of South St. Paul’s residents is between 50-60% AMI (between \$50,000 and \$60,000 per year).
- To be defined as “Affordable” for individuals making 50-60% AMI, home prices would fall between \$163,000 and \$200,000.
- Affordable rent for individuals making 50-60% AMI are:

Income Level	Studio	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
50% AMI	\$875	\$937	\$1,125	\$1,300	\$1,450
60% AMI	\$1,050	\$1,124	\$1,350	\$1,560	\$1,740

- 21% of owner-occupied housing units in South St. Paul are experiencing a cost burden.
 - Median Home Value: \$177,700.
 - Average Sale Price: \$205,820.
- 50% of renter-occupied housing units are experiencing a cost-burden.
 - Median Rent: \$938.
 - While rental prices in South St. Paul are more affordable than rental rates in the surrounding communities, median rents have more than doubled since the 1990s (\$422 in 1990 versus \$938 in 2018).
 - In 2016 alone, South St. Paul residents saw rent increase by 10.12% or by \$82.02 year over year.

Rental Trends (Minnesota Housing Partnership, 2018)

- As a percentage of total households, South St. Paul has the 3rd highest rental population in Dakota County (34%).
- South St. Paul saw a 22% increase in renters between 2000 and 2016; this is the 3rd smallest increase by percentage among Dakota County communities.
- 61% of households of color in South St. Paul are renters.

Household Types (Maxfield Research, 2019)

Household types in South St. Paul are as follows:

- Married couples without children (including empty nesters) - 25%.
- Married with children – 18%.
- Single-parent families and unmarried couples with children – 21%.
- Individuals living alone – 29%.
- Roommates- 7%.



LeVander Estates; 2008.

61% of South St. Paul's households are made up of families without children despite the city's large single-family housing stock.

Projected Market Trends (Maxfield Research, 2019)

- Due to the aging baby-boomer generation, decline in birth rates and many couples choosing to postpone having children until later in life, the average household size has been decreasing.
- As a result the demand for more diverse housing products, such as townhomes and condominiums, has been increasing.
- From 2010 to 2017, South St. Paul saw 70 new households of individuals living alone and 187 new households of roommates.
 - Roommate households tend to be younger and prefer to live near entertainment, activities and other nightlife.
- The greatest population growth in the coming years is expected to be amongst adults without children (this includes both young married couples without children and empty nesters).
- The projected future growth of married couples without children will have the greatest impact on demand for rental housing in South St. Paul.

A Quick Look at South St. Paul Housing

Sources: American Community Survey, 2017-2018; Dakota County, 2016; Minneapolis Area Realtors, 2020; Maxfield Research, 2019



Owner-Occupied vs. Renter-Occupied

- 63% owner-occupied.
- 33% renter-occupied.
- 4% vacant



Housing Age

- 60% of housing was built before 1960.
- 2% of housing was built after 2010.



Median Monthly Expenses

- Median Rent: \$938.
- Median Housing Expenses with a Mortgage: \$1,393



Average Vacancy Rate

- 2% for rental units.
- A healthy vacancy rate is around 6%.



Affordability

- 53% of renters experience cost burden*.
- 23% of homeowners experience a cost burden*.

* Housing cost burden is when an individual's spends more than 30% of their income on housing.



Types of households

- 18% are married couples with kids.
- 21% are non-married couples with kids or single parents.
- 61% are married couples without children, roommates and individuals that live alone.

(Maxfield Research, 2019)

Strengths, Weaknesses, Opportunities and Gaps

<p>Strengths:</p> <ul style="list-style-type: none">❖ Location❖ Community❖ Strong Single-Family Housing Stock❖ Business community	<p>Weaknesses:</p> <ul style="list-style-type: none">❖ Current rent prices do not support the creation of higher-end housing.❖ NIMBY (Not In My Backyard) mentality/ attitude towards multi-family rental housing.❖ Rigid zoning code requirements for multifamily, cluster and townhomes developments create major hurdles for potential projects.❖ Two demographics looking for the same type of housing that South St. Paul does not have.
<p>Opportunities:</p> <ul style="list-style-type: none">❖ Ability to attract younger housing consumers❖ Market ripe for higher end housing❖ Concord Street redevelopment❖ Federal funding for projects (Opportunity Zones, Housing Tax Credits, Etc)	<p>Gaps:</p> <ul style="list-style-type: none">❖ Lifecycle housing❖ Higher-end (“move-up”) housing❖ Experience-based entertainment /lifestyle businesses to attract younger residents❖ Low maintenance housing (such as townhomes or condos)

Existing Resources

A variety of existing housing programs and resources are available to residents and property owners. They include the following:

Sponsoring Organization	Tool Type	Description	Amount	Income Limit	Interest Rate	What does this tool address?
Dakota County CDA	Single-Family Home Rehabilitation Loans	Deferred loan program for improvements or repairs. The interest on the loan is repayable if the loan is paid off within the first five years.	Up to \$25,000	Yes	0%	- Preserving and improving existing housing stock
	Homeowner Rehabilitation Loan Program	Loan program administered using CDBG funds. Intended for households earning 30% below AMI	Up to \$27,000	Yes	Not specified	- Preserving and improving existing housing stock
	Housing Investment Partnership Program (HOME)	Federal grant program allocated at the local level to provide funds for activities such as new construction, rehabilitation of owner and rental properties, home buyer assistance, rental assistance and acquisition.	Not specified	Not Specified	Not Specified	- Preserving and improving existing housing stock - Preserving and improve existing rental housing stock - Homebuyer assistance
	Mortgage and Downpayment Assistance	Mortgage and Downpayment assistance is offered to Dakota County Residents who are first time homebuyers or who haven't owned a home in 3 years.	- \$8,500 in downpayment and closing cost assistance. - Annual tax credit of up to \$2,000	Yes	0% until first mortgage is paid off or refinanced or the house is sold.	- Mortgage and Downpayment Assistance

Center for Energy and Environment	Home Improvement Loan Program	Loan for basic livability and/or energy efficiency.	\$1,000 to \$20,000	No	4%	- Preserving and improving existing housing and rental stock
	Rental Loan Program	Loan for energy efficiency projects including new furnace, air conditioning insulation windows, hot water heaters, etc.	Up to \$20,000	Not specified	5.5%	- Preserving and improving existing rental stock
MN Housing	Fix Up Loan Program	Home improvement loan intended to serve a variety of communities. Applicant must own and live at the property. Single-family homes, duplex, triplexes and fourplexes. Are all eligible.	\$15,000 to \$50,000	Yes; \$149,000	Low interest-exact rate varies by lender	- Preserving existing housing
	Rehabilitation Loan Program	Loan intended for low income homeowners to finance basic home improvement to improve the safety, habitability, energy efficiency or accessibility of their home.	\$27,000	Yes	Low interest-exact rate varies by lender	- Preserving existing housing
	Downpayment and Closing Cost Loans	Downpayment and closing costs assistance if an individual also gets a Minnesota Housing first mortgage loan.	Up to \$15,000	Yes	Interest rate equal to your first mortgage rate	- Mortgage and Downpayment Assistance
Community Action Partnership (CAP) Agency	Energy Assistance and Weatherization Program.	A grant that can be used to reduce air leakage, insulate attics or walls, replace inefficient refrigerators, lighting or shower heads, upgrade furnaces, and other health and safety improvements	Grant-based program	Yes	None	- Preserving Existing Housing

Program and Policy Recommendations

Based on the collaborative efforts between city staff and the Housing Task Force, three waves of policies and programs are recommended to support a healthy and diverse housing market in South St. Paul:

- Short-term programs
 - Programs that staff and council could start work on immediately.
 - 1-2 year implementation timeline.
- Medium-term programs
 - Programs that will take more effort and collaboration than short-term programs.
 - Feasible in the next 2-5 years.
- Long-term programs
 - Programs that will require additional time and exploration before they can be implemented.
 - 5+ years for implementation timeline.

Short Term

- ❖ Fair Housing Policy
- ❖ Loan Education for Residents
- ❖ New Resident Packet
- ❖ Zoning Code Changes

Fair Housing Policy

Under the Fair Housing Act, it is illegal to discriminate in the sale, rental, and financing of housing based on race, color, national origin, religion, sex, familial status and disability. A Fair Housing Policy allows a city to clearly declare its fair housing commitment, to ensure it is effectively serving its citizens for the city and take advantage of opportunities to increase housing choices for all its citizens. Additionally, the adoption of a Fair Housing Policy will soon be a requirement when applying for the Metropolitan Council's Livable Community Grant.

Action Step 1: Designate a City Staff member to create a fair housing policy.

Action Step 2: Encourage public participation in the creation of a fair housing policy through a public hearing, Council Presentation or other stakeholder engagement meetings.

Action Step 3: Pass a Fair Housing Policy.

Estimated Cost: Low. This program could be included in the workload of the Economic and Community Development Department staff.

Potential Sources of Funding: Municipal General Fund; Housing and Redevelopment Authority (HRA) Levy

Home Improvement Loan Education for Local Residents

As part of the new resident packet and as a standalone document which would be available on the city's website, a list of home improvement loans options would be available for residents to reference. The City could host an evening event or seminar with a representative from each loan agency to answer questions residents have about the loans. Examples agencies would include the Minnesota Housing, Dakota County CDA, and the Center for Energy & Environment.

Action Step 1: Identify a list of loans that South St. Paul resident would be eligible for.

Action Step 2: Create 3 events for residents to come learn more about the loans through an evening session with a staff member from various loan agencies.

Action Step 3: Rate performance of each session to decide if this is a program to do again in the future.

Estimate Cost: Low. This program could be included in the workload of the Economic and Community Development Department staff.

Potential Sources of Funding: Municipal General Fund; HRA Levy

New Resident Packet

In an effort to encourage and support people to consider living in South St. Paul, a new resident housing options packet could be created to point out resources for prospective homeowners and renters in South St. Paul. Information in the packet would include information about local fees and property taxes, various financial assistance programs, inspection information, “who to call”, and more. The City should leverage its partnerships with local banks, realtors, and employers to help distribute this information.

Action Step 1: Create a list of local partners (businesses) that would be interested in being included in the new resident packet or distributing the new resident packet.

Action Step 2: Designate one to three City Staff or Council members to modify the existing new resident packet to include information about local banks, realtors, local fees and property taxes, financial programs, inspection information.

Action Step 3: Provide packet modifiers a time period of 3-6 weeks to create a new packet with above listed information.

Action Step 4: Distribute packets to local banks, realtors and local businesses to pass onto individuals within 6 months.

Estimated Cost: Low. This program could be included in the workload of the Economic and Community Development Department staff. Costs could be kept even lower with sponsorship from a local business.

Potential Sources of Funding: Municipal General Fund; HRA Levy

September—2015



New Resident Guide

City of South St. Paul



City Hall, 125 3rd Avenue North, South St. Paul, MN 55075
651-454-0300 • www.southstpaul.org

Zoning Code Changes

Based on feedback received from developers, South St. Paul's zoning code creates a number of barriers to townhomes and apartment developments. The most problematic sections of the code include Section 118-267- Multifamily residential, townhouses and cluster developments and Section 118-354 - Off-street parking requirements. Changes to these sections could alleviate red tape for future townhomes or apartment developments.

Action Step 1: Identify specific parts of 118-267 and 118-354 that are the biggest hindrance to developers.

Action Step 2: Hold a work session or series of works sessions to get the City Council and Staff on the same page about changes to be made to 118-267 and 118-354.

Action Step 3: Change City code within 1 year of the last work session.

Estimated Cost: Low. This program could be included in the workload of the Economic and Community Development Department staff.

Potential Sources of Funding: Municipal General Fund; Metropolitan Council Livable Communities Grants.



The Drover; 2018.

Medium Term

- ❖ Annual Home Improvement Expo
- ❖ Rental Property Preservation Program
- ❖ Residential Design Standards

Annual Home Improvement Expo

Much like the Minneapolis Remodeling Expo and the Inver Grove Home Improvement Expo, South St. Paul could host an annual home improvement expo to encourage and educate residents about what could be done with their property.

Action Step 1: Designate staff or a staff-council team to manage the Home Improvement Expo.

Action Step 2: Have staff or the staff-council team establish a date and location for the annual home improvement expo. An optimal location would be at Doug Woog Arena.

Action Step 3: Designate an ideal number of vendors. Set fees for vendor booths.

Action Step 4: Have a set number of vendors confirmed and paid for at least 2 months ahead of the event.

Action Step 5: Advertise the event to residents at least 3 month ahead of time.

Expected Cost: Medium if done by City Staff; High if done by an event manager.

Potential Sources of Funding: Municipal General Fund; HRA Levy; Partnership with River Heights Chamber of Commerce; Partnership with neighboring communities; Partnership with local business.

Rental Property Preservation Program

Currently, there are limited resources available to rental property owners to maintain and improve their properties in South St. Paul. Through this approach, the City would produce informational resources targeted to rental property managers/landlords, identify existing funding programs to assist with preservation, and explore the creation of additional resources/funding mechanisms to assist in preserving, restoring, and otherwise improving rental properties. This program could also act as an opportunity for the City to create a relationship with property owners in town.



Action Step 1: Create a list of rental property managers to reach out to using the Rental Licensing Program as a database.

Action Step 2: Identify funding programs for rental housing properties.

Action Step 3: Explore internal options of additional resources/funding mechanisms.

Action Step 4: Perform targeted outreach to landlord make them aware of the funding options for the upkeep and renovation of their rental property.

Action Step 5: Consider creating a Rental Property Homeowners Association similar to the Hopkins Apartment Managers Association. Determine the staff, leadership and budget that would be needed in order to create a similar group.

Expected Cost: Low. This program could be included in the workload of the Economic and Community Development Department staff.

Potential Sources of Funding: Municipal General Fund; HRA Levy

Residential Design Standards

In order to help maintain the quality of the built environment, residential design standards offer the ability to integrate a variety of housing types into one cohesive neighborhood fabric. Design guidelines would not prescribe a specific architectural style and do not encourage direct limitation of existing styles. Instead design standards look to increase the aesthetic quality of the built environment in South St. Paul. This could apply to new construction or substantial renovations for some or all of single-, two-, and potentially multiple-family housing (at a later date).

Action Step 1: Hold a work session or series of work session to determine what staff, council and residents would want to see out of residential design standards. Provide work session information to the City Planner to create a set of residential design standards.



Action Step 2: Have residential design standards in place within one year of the final work session.

Expected Cost: Low. This program could be included in the workload of the Economic and Community Development Department staff.

Potential Sources of Funding: Municipal General Fund; HRA Levy

Long Term (foreseeable policies and programs)

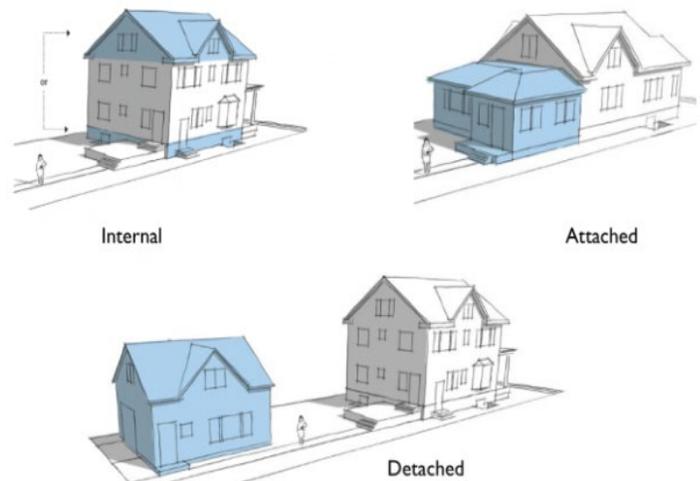
- ❖ Accessory Dwelling Unit Policy
- ❖ De-conversion from Multifamily/Rental property to Single-Family
- ❖ Formal Housing Evaluation Criteria
- ❖ Housing Improvement Loan (non-CDBG)
- ❖ Mixed-Income Housing Policy

Accessory Dwelling Unit Policy

Accessory Dwelling Units (ADUs) are an approach to creating new living units that doesn't involve the creation of a whole new

building lot, but rather involves the intensification of an existing residential lot (typically single-family) to create a smaller "accessory" dwelling. Some communities use this approach to help residents that want to age in place (the "mother-in-law" unit approach) and remain in their community/close to friends and families but do not want or need a home the size of a typical single-family home. This can also be a way for homeowners to build additional equity by living in the principal residence on the site while renting out the accessory unit, which may be its own standalone unit (detached), or

integrated as an expansion/addition to an existing home.



De-conversion from Multifamily/Rental to Single-family

South St. Paul has a high stock of single-family homes which have been converted into multi-tenant and/or rental units. To help foster reinvestment and ownership into existing housing stock, the city could offer an incentive for a landlord or buyer of a property to de-convert rental or multifamily units back into a single-family home.

Formal Housing Evaluation Criteria

The City could more proactively assess and evaluate housing conditions in the community – currently the “triggers” for any evaluation are “reactive” and relate to code enforcement, time of sale, or rental licensing. Through this approach, the City would establish a framework for evaluating the condition of housing in the community and utilize that framework for identifying whether/where some of the aforementioned programs/policies would be best put in to action, if necessary.

Housing Improvement Loan



Currently home improvement loans are available through Dakota County CDA via Community Development Block Grant funds. These funds are restricted to households below a certain income threshold only. In an effort to further invest into South St. Paul Homes, the city could structure a program that wasn't income restricted, but may be targeted at homes with certain characteristics that might warrant reinvestment, such as older homes, homes with disproportionately lower property values, or homes with a history of code issues.

Mixed-Income Housing Policy

The City's long-range Comprehensive Plan calls for the preservation and creation of housing that is attainable for a diversity of household types, at various life-stages, and for households of all income levels. One way to put this objective in to action could be by instituting a requirement that any new development would need to include a minimum number of homes made available to varying income levels. Or, rather than making it a requirement, the City could “incentivize” new developments that include a range of price points, for example by allowing for additional density, reducing development fees, or offering flexibility from other requirements.

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