

Appendix A

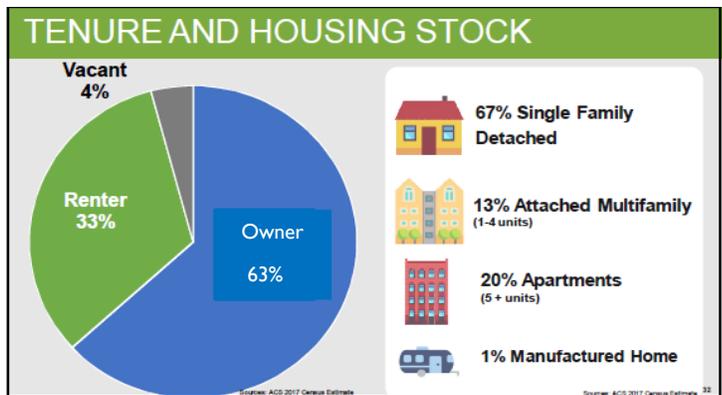
South St. Paul Housing Memo

South St. Paul is a fully developed, first-ring community. While there is little land available for new residential development, redevelopment opportunities exist throughout the City. A majority of the housing in the City is made up of single-family detached homes, many of which are over 20 years old. In the next several decades, the focus on housing in South St. Paul will continue to be on maintaining existing homes, infill development and redevelopment. Therefore, it is critical that current housing trends and statistics are utilized when making decisions for South St. Paul’s future housing strategy. The following information came from a variety of sources include the Metropolitan Council, the 2016 Dakota County Rental Market Survey, the U.S. Census Bureau, the American Community Survey and South St. Paul’s draft 2040 Comprehensive Plan.

Housing Mix

South St. Paul hosts a mix of public and private housing. According to the 2017 American Community Survey, South St. Paul has 518 public housing units and 8,732 private housing units. 63% of the housing stock in South St. Paul is single-family homes. 33% of the housing stock is multifamily units and 1% of the housing stock is manufactured homes (Figure 1).

Figure 1: Tenure and Housing Stock

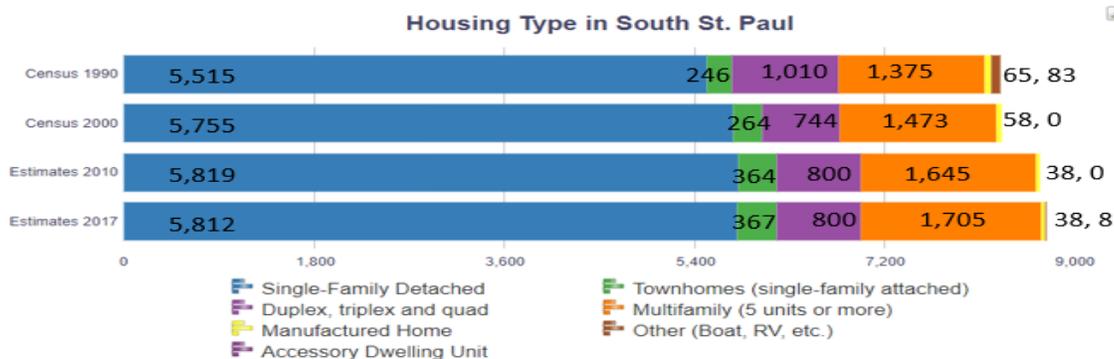


Housing Trends and Activity

Single-Family Housing

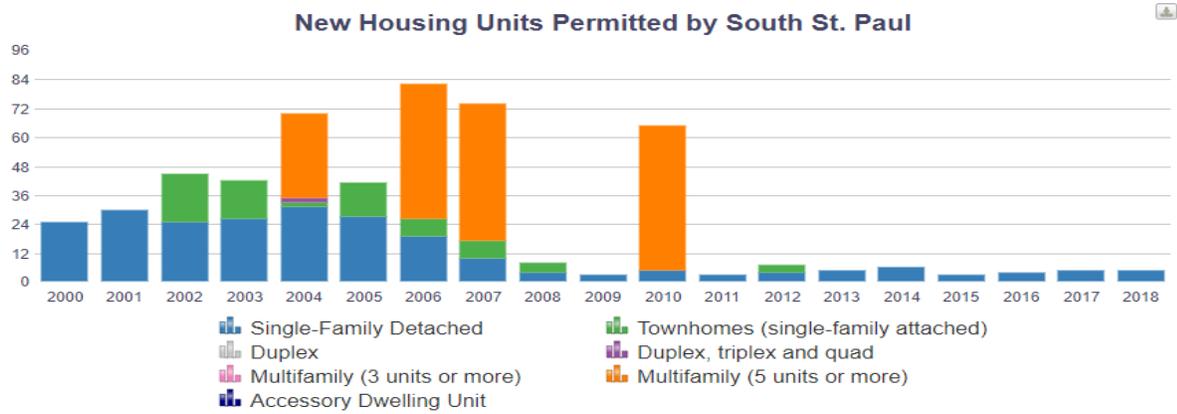
Common single-family homes in South St. Paul include single-family detached homes and townhomes. Between 1990 and 2000, 78 single-family homes were added in South St. Paul (U.S. Census Bureau). Growth of single-family homes slowed to 44 homes between 2000 and 2010 while 100 townhomes were added. Most of the detached single-family homes added during this time were built in 2004 and 2005 (Figure 2). Single-family home growth slowed after 2006, with the greatest decrease after the 2008 housing market crash. Single-family housing growth has remained consistently slow since 2008 with less than 10 residential building permits per year (Figure 3). As of 2017, South St. Paul is estimated to have 6,179 single family homes.

Figure 2: Housing Types in South St. Paul



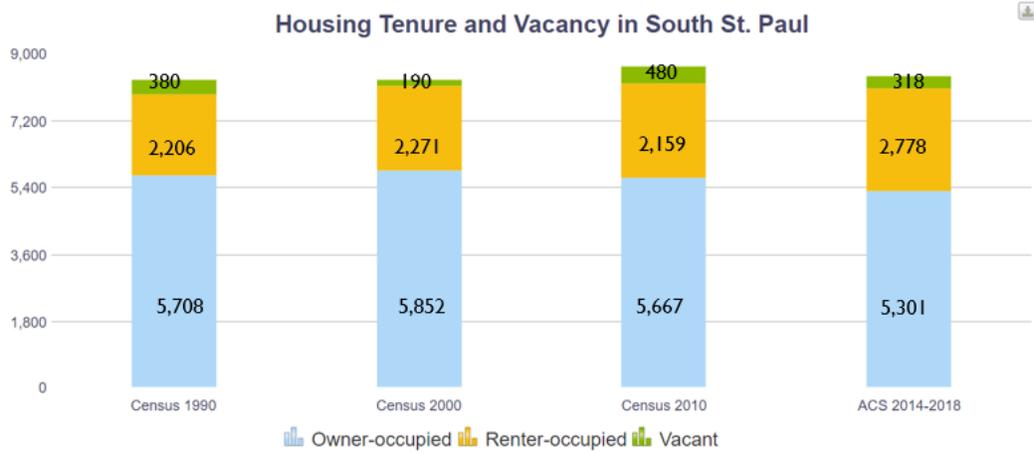
Source: U.S. Census Bureau Decennial Census and Metropolitan Council Housing Stock Estimates.

Figure 3: New Housing Units Permitted by South St. Paul

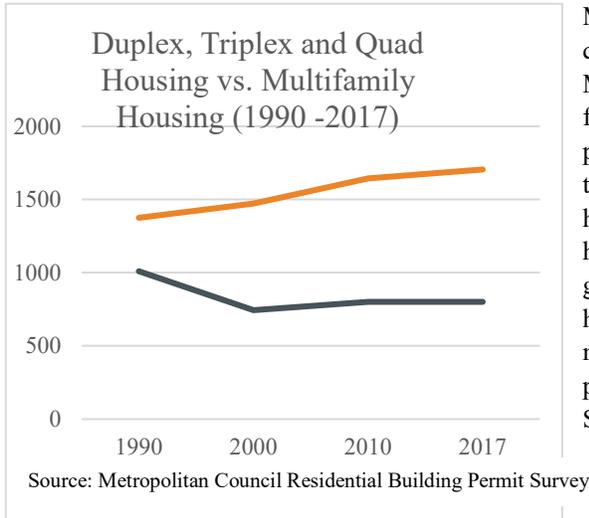


Note: Between 2003 & 2004 housing unit type definitions changed: Duplex category was expanded to include duplex, triplex and quad, and the definition of multifamily changed from 3 or more units to 5 or more units.
 Source: [Metropolitan Council Residential Building Permit Survey](#).

Figure 4: Housing Tenure and Vacancy in South St. Paul



Duplex, Triplex, Quad and Multifamily Housing



Multifamily units in South St. Paul include duplex, triplex, and quad units or multifamily (5+ units) homes (Table 2). The Metropolitan Council Residential Building Permit Survey found no permits for duplexes, triplexes or quads have been pulled since 2004 (Figure 2). This is likely due to zoning and the City’s typically small lot sizing. Multifamily (5+ units) housing has seen positive growth since 1990 in spite of the housing market changes. 2004, 2006, 2007 and 2010 saw the greatest number of building permits for multifamily (5+ unit) housing. While these numbers sounds encouraging, 3 of the 4 multifamily (5+ units) buildings constructed during that time period were Dakota County Senior Housing Buildings. South Saint Paul has seen little non-senior multifamily (5+ units) building growth in the last 15 years. South St. Paul’s future land use map anticipates and allows for more multifamily housing in the coming years.

Rental Units

According to the 2016 data from the Metropolitan Council, rental housing makes up 33% of South St. Paul’s housing stock. Figure 5, 6 and 7 show the location of rental properties in South Saint Paul circa 2015. Rental housing numbers have seen stable growth since the 1990s with 550 renter-occupied spaces being added over the last 30 years (Figure 4). According to the Dakota County Rental Market Survey, 2016 saw 22 out of the 690 rental units were vacant, giving rental housing a 2.16% vacancy rate. A healthy rental vacancy rate is around 8%. Two bedroom rental units are the most popular with three bedroom units seeing the highest vacancy rates (Table 3). These trends mirror those of Dakota County. This high demand paired with low vacancy numbers creates an inflexible rental housing market and highlights the need for more rental units of all types in South St. Paul.

Table 3: Summary of South St. Paul’s Rental Market 2016

	0 BR	1BR	2BR	3BR	Totals
<u>South Saint Paul</u>					
# of Units	35	274	349	32	690
Average Rent	\$605.56	\$765.19	\$954.48	\$1,376.65	\$925.47
Number of Vacancies	2	8	9	3	22
Vacancy Rate	5.7%	2.92%	2.58%	9.38%	3.19%
<u>Dakota County</u>					
# of Units	546	7,798	10,659	1,713	20,716
Average Rent	\$702.98	\$915.87	\$1,185.47	\$1,527.34	\$1082.67
Number of Vacancies	15	125	219	89	448
Vacancy Rate	2.75%	1.60%	2.05%	5.20%	2.16%

Figure 5: Rental Licensing in South St. Paul – Map 1

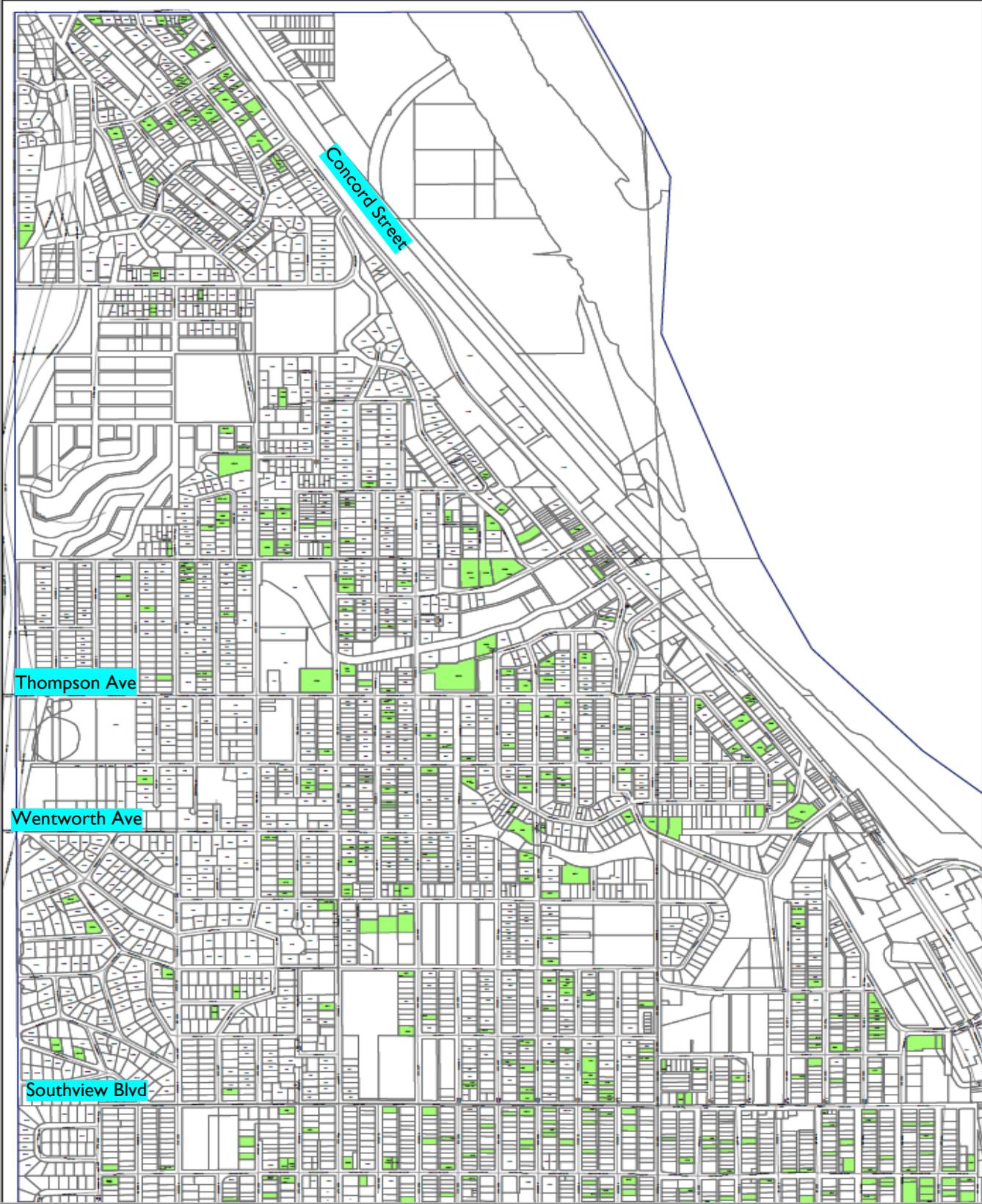


Figure 6: Rental Licensing in South St. Paul – Map 2

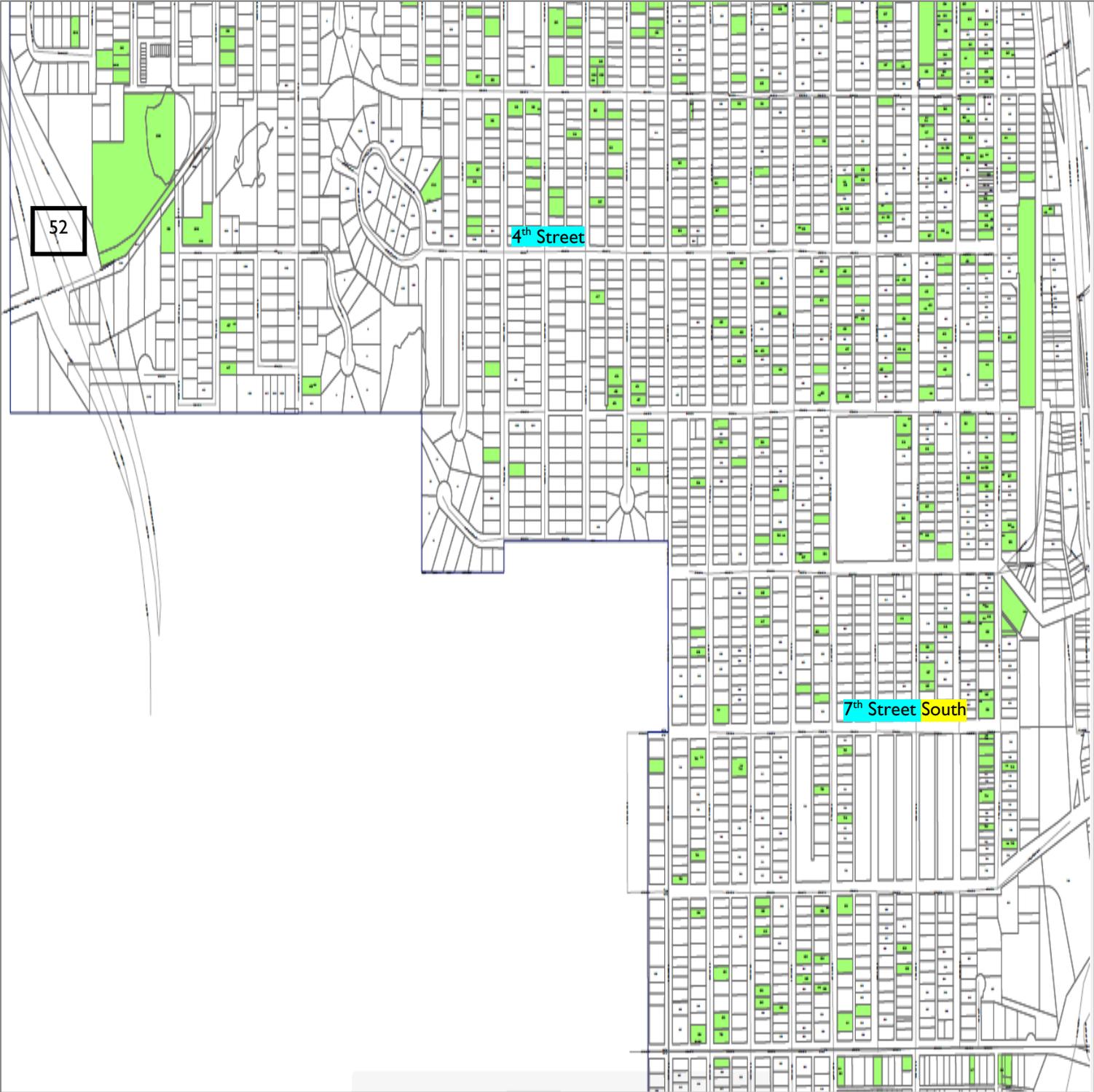
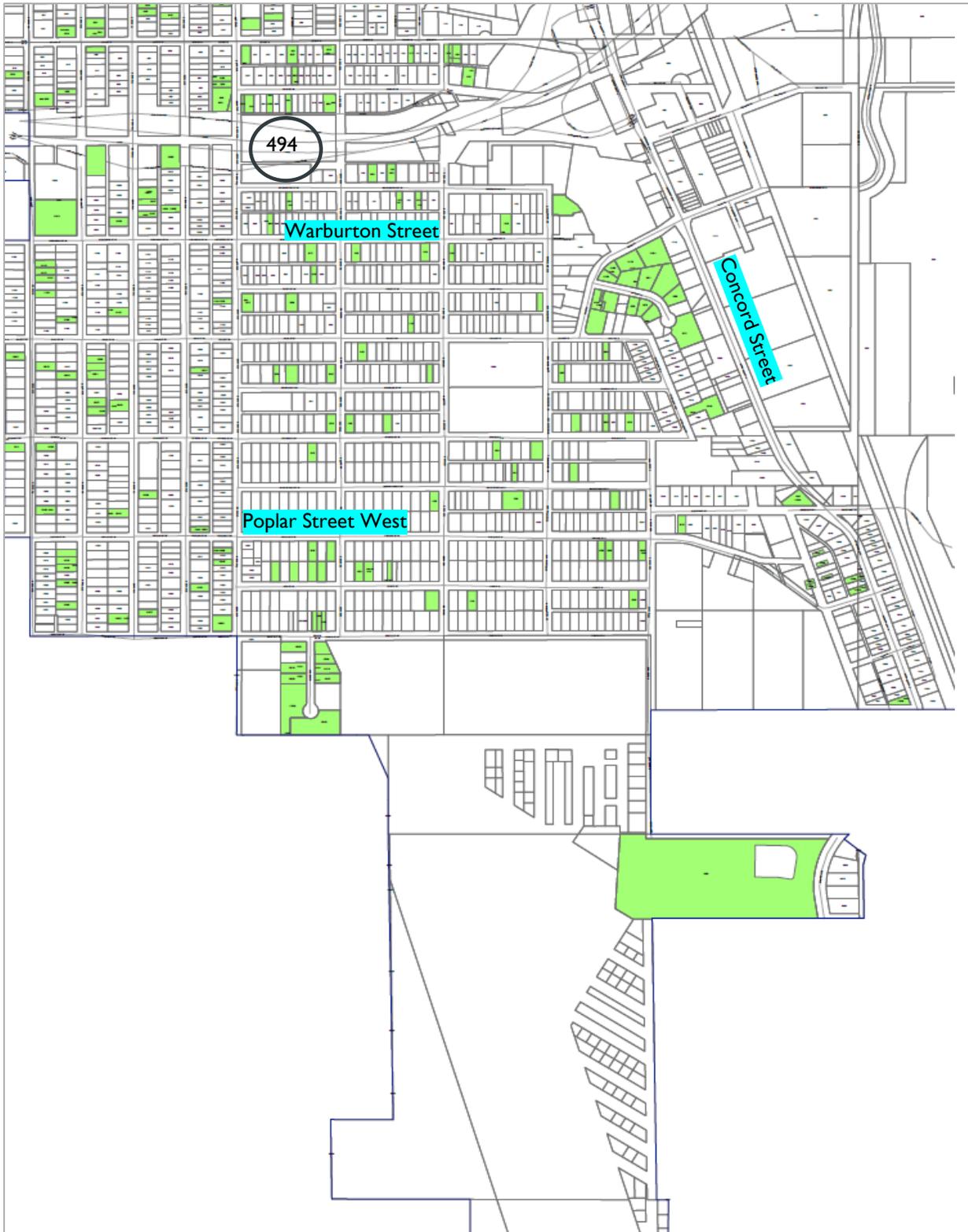


Figure 7: Rental Licensing in South St. Paul – Map 3



Senior/Tax Credit/Assisted Living

The Dakota County Rental Market Survey has identified Senior, Tax Credit and Assisted Living Facilities in South St. Paul. There are three senior housing developments: Dakota Heights (56 units), River Heights Terrace (40 units) and Thompson Heights (60 units). South St. Paul has two tax credit developments: Kaposia Terrace Townhomes (20 units) and Rose Apartments (48 units). These two developments are part of Clarke Place Apartment & Townhomes. Finally, South St. Paul has one congregate/assisted living facility: Vista Prairie Heights (60 units).

Additionally, the City of South St. Paul owns two public, senior housing buildings: John Carroll Building (165 units) and Nan Mckay Building (131 units).

Challenges in South St. Paul Housing

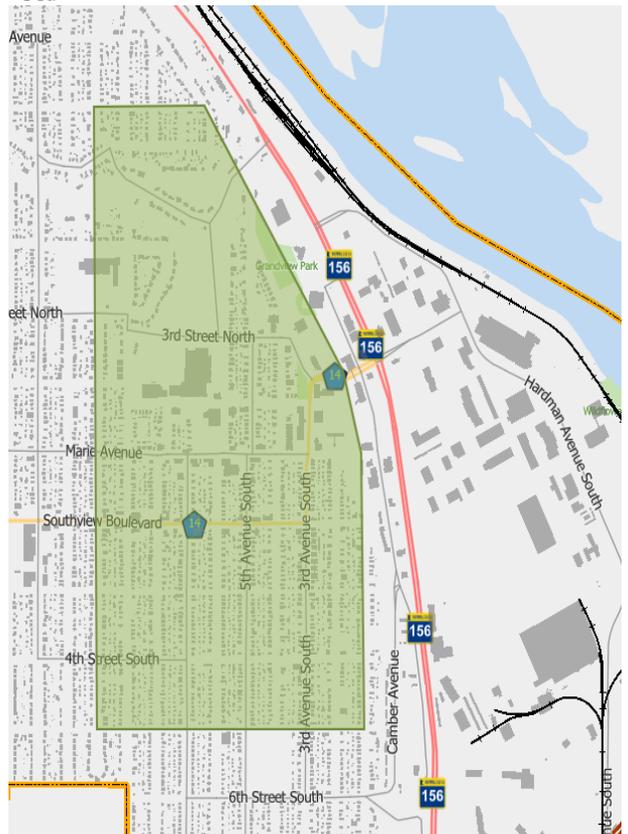
Aging Housing Stock

A large number of the 6,177 single-family homes in South St. Paul are over 60 years old. Some of the oldest housing in South St. Paul is over 80 years old. These homes are found above the bluff (west of Concord Street), between 1st and 10th Avenues and 5th Street South and Congress Street, as seen in Figure 8. Many of these homes are low and medium income households. Maintenance of these homes is critical to the vitality of housing and neighborhood stabilization. Given the cost burden associated with older home maintenance and the demographics of homeowners in this area, it is important that the City has resources available for residents to maintain their homes.

Affordable Housing

A residency is considered affordable when 30% or less of the household’s income is spent on housing. If a household spends more than 30% of their gross income on housing, it is experiencing a “Housing Cost Burden.” According to the American Community Survey, the median household income in South St. Paul is \$58,000 (Figure 12). For an average income household, spending \$17,400 or less on housing per year is considered affordable. While South St. Paul is considered to be more affordable than other Dakota County communities, 1/3 of all householders in South St. Paul experience housing cost burden (Table 4).

Figure 8. South St. Paul Housing Stock Over 80 Years Old



Affordable housing stock tends to be limited to communities with older housing stock. South St. Paul is fortunate to have a good amount “Naturally Occurring Affordable Housing” or NOAH. NOAH is typically comprised of older housing, on smaller lots that are affordable for moderate income households.

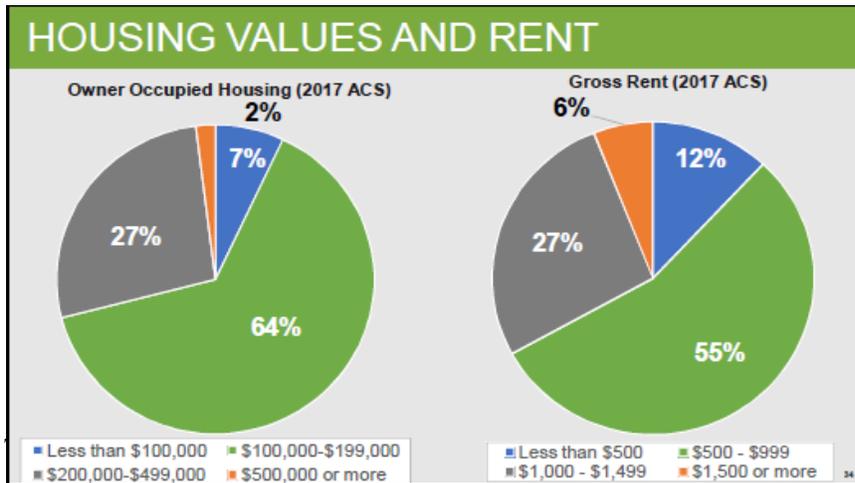
Table 4: Housing Cost Burdened Households, 2016

	Renter Occupied	Owner Occupied	All Households
South St. Paul	53%	23%	33%
Dakota County	46%	21%	27%
TC Metro Region	49%	22%	31%

Source: American Community Survey 2012-2016.

71% of owner-occupied housing units in South St. Paul are considered affordable, with home values between \$100,000 and \$200,000 (Figure 9). Figure 10 discussing the number of owner occupied and rental units built within or out of the affordability threshold since 2003.

53% of renter occupied households in South St. Paul are experiencing a cost burden. While rental prices in South St. Paul are more affordable than rental rates in surrounding communities (Table 6), rental rates have nearly doubled since the 1990 (Figure 11). In 2016 alone, South St. Paul residents saw rent increase by 10.12% or \$82.02 (Dakota County). Figure 12 allows for comparison of how rent rates have changed as median income has changed in South St. Paul.



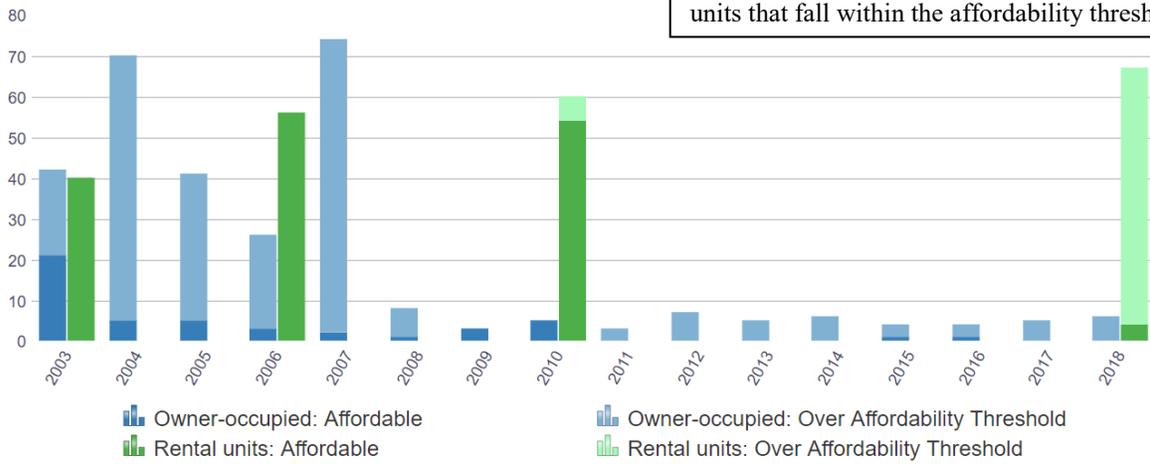
Source: ACS 2017

Number of Bedrooms	South St. Paul Average Rent	Dakota County Average Rent
0 Bedroom / Efficiency	\$605.56	\$702.98
1 Bedroom	\$765.19	\$915.87
2 Bedroom	\$954.48	\$1,185.47
3 Bedroom	\$1,376.65	\$1,527.34
Average	\$925.47	\$1082.67

Source: Dakota County Rental Market Survey, 2016.

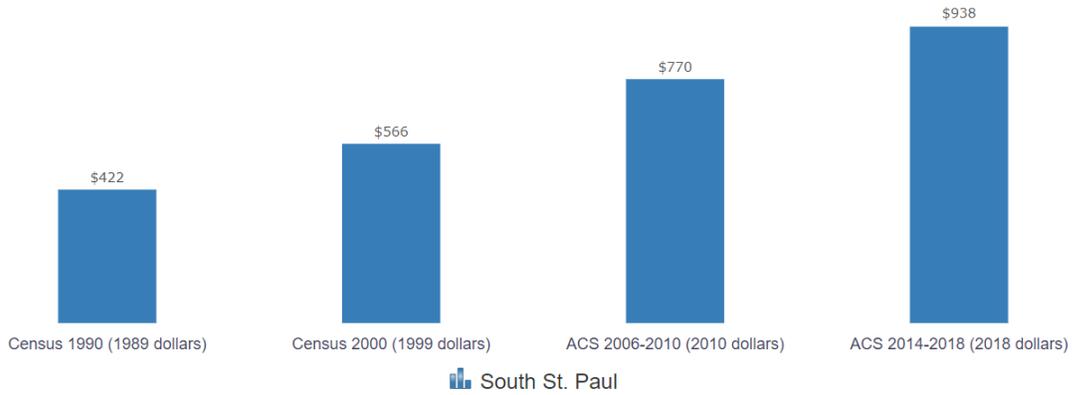
Figure 10: Affordability of New Units Added by South St. Paul

Note: Darker colored bars represent housing units that fall within the affordability threshold



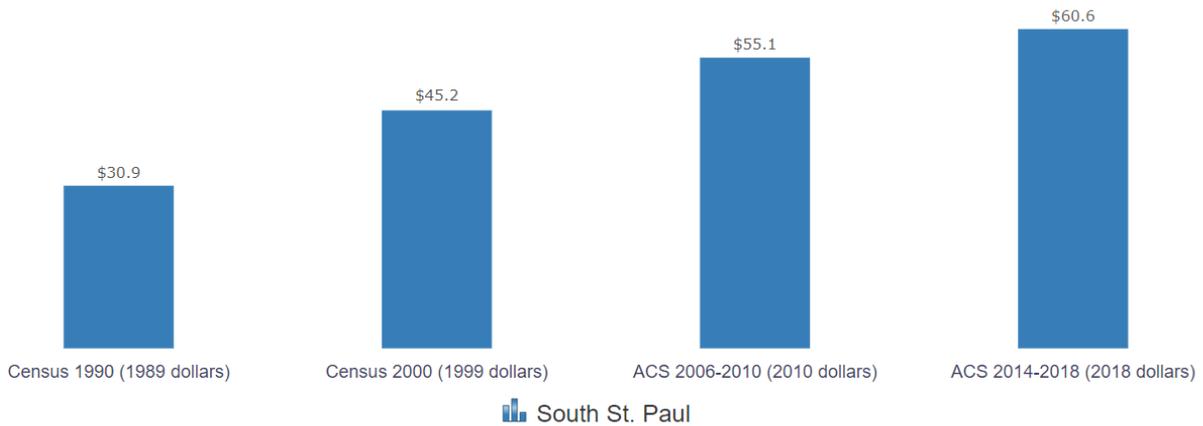
Source: Metropolitan Council Affordable Housing Production Survey.

Figure 11: Median Gross Rent in South St. Paul



Source: U.S. Census Bureau Decennial Census and American Community Survey.

Figure 12: Median Household Income in South St. Paul (in \$000)



Source: U.S. Census Bureau Decennial Census and American Community Survey

Affordable Housing Needs

Affordable housing needs for South St. Paul are shown in Table 7. The way that communities address affordable housing needs is by designating adequate vacant land or redevelopable land at minimum densities (units/acre) that are high enough for affordable housing to be an option. Essentially, the more units/acre allowed on a site, the less cost per unit to be built, which makes the development an option for affordable housing developers as well as market-rate developers. According to the Metropolitan Council, for the Twin Cities Metro area, any residential future land use designation that has a minimum density of six units per acre or more can count towards affordable housing allocation calculations for AMI 51%-80% and any future land uses with minimum densities of 12 units per acre or higher may count towards the allocation for AMI at or below 50%.

As seen in Table 8, land designated as High Density Residential (HDR) and Mixed Use (MU) will have minimum densities consistent with the 20 units per acre requirement and will allow South St. Paul to meet its allocation of affordable housing need.

South St. Paul Home Improvement Trends

Building Permit Trends

With an aging housing population, it is important to understand how homeowners are maintaining their housing stock. This information can be determined by reviewing building permits and what kind of projects homeowners are doing with their permits. Projects such as foundation repairs, or roofing and siding show maintenance care for home. Alterations/remodels and additions add values to homes. Table 9 includes the most common home maintenance building permits pulled since 2014 and average cost of the home maintenance project (when data was available). The most common home improvements are roofing replacements or reroofing (“Roofing”). 1/8 homes in South St. Paul have been reroofed in the last 5 years. Housing remodels and alterations were the second most common. Housing remodels typically included kitchen remodels, bathroom remodels, and basement finishes.

Home Improvement Loan Program Trends

In 2015, the Dakota County Community Development Agency (CDA) began offering Home Improvement Loans of up to \$25,000 (\$35,000 on a trial basis during 2018) for home improvements such as roof or furnace replacements, bathroom or kitchen modifications or insulation costs.

In the four years the program has been running, 59 South St. Paul residents have taken advantage of the loan program and have received over \$1,300,000 from the CDA. 2016 and 2018 saw the highest number of homeowners using the loan program. The average loan amount was \$23,140.70. The highest loan was \$35,000 while the lowest amount was \$2,120.50.

Table 7. Affordable Housing Need Allocation

Level	# of Units
At or below 30% AMI	33
30 to 50% AMI	5
51 to 80% AMI	30
Total Units	68

Table 8. Affordable Housing Potential

Future Land Use	Density (u/oc)		% Res	Net Acres	2021-2030	
	Min	Max			Min Units	Max Units
High Density Residential	20	60	100%	16.0	320	961
Mixed Use	25	60	40%	18.1	181	434
Total				34.1	501	1,395

Source: 2040 Draft Comprehensive Plan

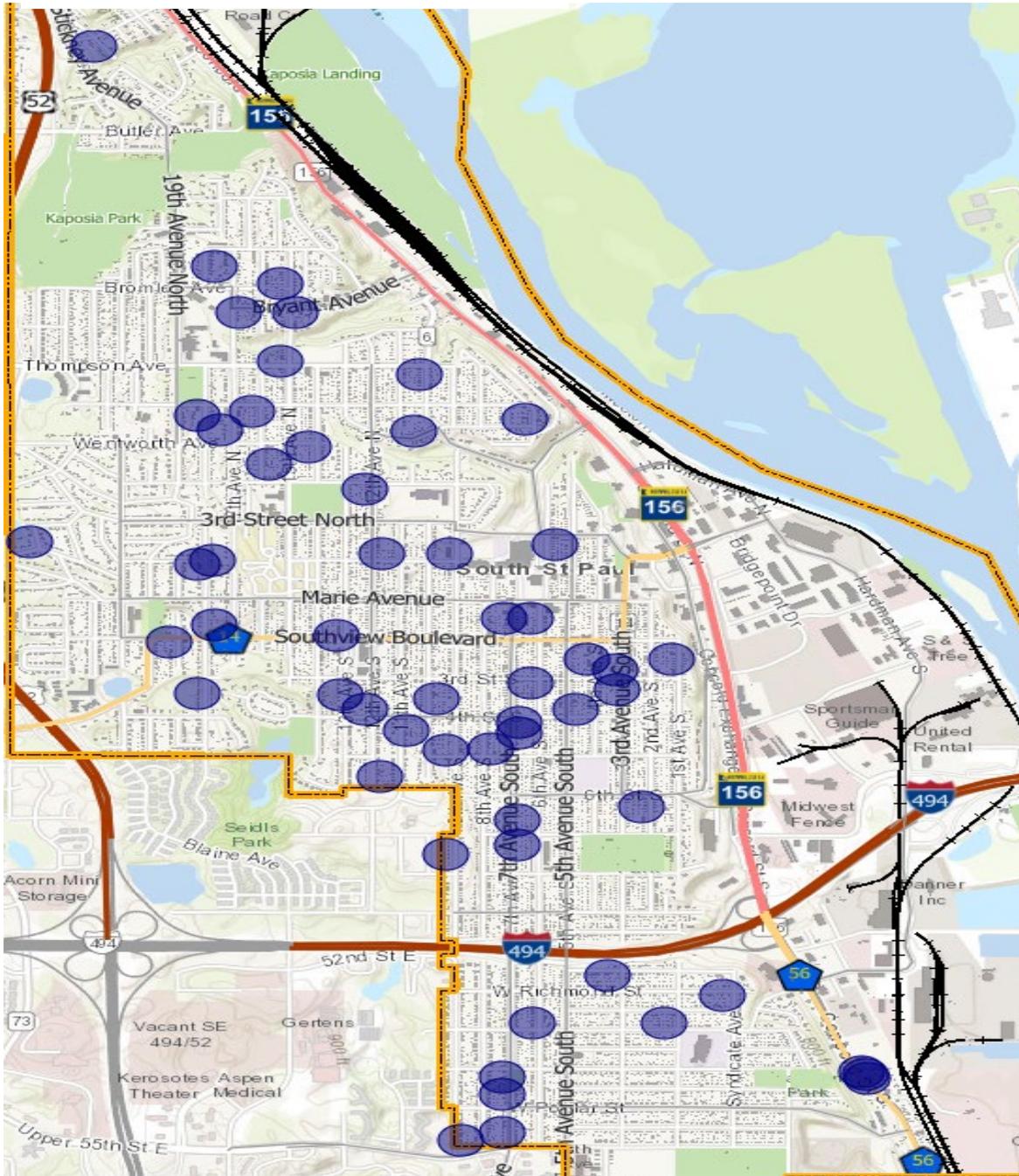
Table 9 includes the most common home maintenance building permits pulled since 2014 and average cost of the home maintenance project (when data was available). The most common home improvements are roofing replacements or reroofing (“Roofing”).

Table 9: Building Permits Since 2014

Building Permit Type	Number of Permits	Average Cost
Alteration/Remodel	450	\$13,995.75
Additions	33	\$38,750.00
Foundation	17	\$5,172.30
Roofing	1,259	-
Roofing and Siding	24	-
Roofing, Siding and Windows	10	-
Siding	114	-

Loans were most often used for Lead Work, Window replacements and HVAC systems. Roofing, gutters and doors were also common home improvements.

Figure 13: Home Improvement Loan Program Homes



Source: Dakota County