

# Imagine Duluth 2035: Housing Plan & Strategy

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**Mission Statement:** Housing in Duluth will promote the essential character of its neighborhoods while providing safe, clean and equitable homes and housing for all members of the community.

## Introduction:

“Housing- Where we live”

In 2006 the housing market for residential development was very robust with over 4,000 resales annually. Then Duluth, like the rest of the Country, experienced the recession of 2008 and the burst of the housing bubble. Since the recession a number of factors tightened the residential market. First, the loss of contractors due to restrictions in funding and reduction of construction demand resulted in contractors and skilled labor exiting the market area. Second, the cost of construction rapidly increased and continues to increase, reducing the ability to replace housing units affordably. Third, the lack of competition and poor soils continues to increase cost of new construction, in a trade area without production builders who might otherwise meet a growing demand for new housing products. Fourth, the cost of extending infrastructure is often prohibitive to allow for infill or new development adjacent to built-up areas within current residential density patterns. Duluth, like the rest of Minnesota is facing a housing shortage due to the reasons described above.



## Housing Data:

Duluth's population was at its highest with over 100,000 people in the 1950s and 1960s. During the following decades, the population gradually decreased. For the past 25 years, the population in Duluth has hovered around 86,000 people.

The number of housing units has remained relatively consistent at approximately 38,000; however, the age of the housing units has increased with time. 60% of the housing units (23,124) are over 50 years old - built prior to 1965. 17,165 of these housing units (45%) were built in 1939 or earlier. These numbers illustrate a significant housing concern - how to address an aging housing stock. Without substantial renovation, the majority of existing housing units do not meet current technological needs nor do they provide desired living patterns (such as having only one second floor bathroom). These housing units encompass a majority of the buildable land in Duluth, and are located where existing services and infrastructure are located.

The average lifespan of a house according to the U.S. Department of Housing and Urban Development (HUD) guidelines is 40-

50 years without significant annual maintenance. When older housing stock lacks routine maintenance, it becomes substandard. Census data indicates that the percentage of renters and homeowners experiencing housing problems correlates closely with household income. Housing repair and rehabilitation issues that are not addressed will lead to more condemned housing units that are unsafe for habitation. According to City records, there have been 2,120 housing units aged 20 to 50 that have been rehabbed and 2,307 housing units older than 50 that have been rehabbed. However, 18,697 housing units have not been reported as having significant rehab. Given the age of housing stock in Duluth, rehabilitation will likely continue to be an important focus. Although rehabilitation is expensive, it is less costly than new construction.

Another issue with having an old housing stock is determining if the existing housing meets the community's need. The current housing stock consists of 23,610 single family homes, 3,899 duplex units, 3,105 townhouse units, 963 mobile home units, and the remaining units (over 6,570) are multifamily units (in structures that have ten or more units).

## Housing Need:

Similar to the consistent population being around 86,000; the number of households has been around 35,500. The average household size has been decreasing from 2.51 in 1980 to 2.24 in 2013, similar to national trends. Although the population has been stable, the number of occupied housing units has increased (due to households being smaller in size). This trend is exemplified with the significant increase for rental units.

According to the US Census, 39% of Duluth's population is under the age of 25; while 23% is aged 25 to 44; 24% of the population is 24 to 64 and 14% is 65 and older. As people age and go through the different lifestyles, from student to worker to retiree or have families or have their incomes change, their housing needs change.

HUD determines housing to be affordable when costs for housing are no more than 30% of a household's gross income (i.e. before taxes and deductions are removed). The average wage in Duluth for 2017 was \$45,034, while the family median income was \$67,200. Similar to the population, income levels have remained stable. Unfortunately, rents due to high demand have significantly risen and housing prices due to the reasons described earlier have also significantly risen. Many households pay more than the 30% recommended for housing. Duluth's vacancy rate has been below 3% for the past five years, a vacancy rate of 5 or 6% is considered healthy. The high cost of housing and the lack of suitable housing have been a consistent issue for city leaders.

## Housing Study:

In 2013, the City of Duluth and Duluth Economic Development Authority contracted with Maxfield Research to quantify what type of housing should be developed in Duluth to meet current and future housing needs. The study showed total housing demand for owned and rental housing was estimated at 4,470 units over the next six years.

Since then, approximately 1,400 rental units and owner-occupied homes have been built.

The rental units include Bluestone Lofts & Flats, Miller Hill Flats, Kenwood Village, Capstone Apartments, Grand Avenue Estates, and Endi.

The attached Housing Needs Chart breaks out by income level those units that have come on the market, and details what remains to be accomplished.

Much of the recent housing development has been targeted to market-rate rental (675 units) and single family homes with values over \$250,000 (110 newly built homes). Housing that is needed and has not be built include subsidized rental housing (290 units needed); entry level rental and ownership opportunities for households up to 50% area median income (772 rental and 165 owner units); and low-to-moderate workforce or “move up” housing for those up to 80% area median income (835 rental and 450 owner units).

## Housing Input:

On September 21, 2016, the Imagine Duluth 2035 Kick-off Celebration was held at the Denfeld High School, with over 300 community members attending and sharing their vision for the future of Duluth. Key takeaway points from the input received included that 40% of residents stated they liked where they live and want to continue living at that location; a main concern was the cost to rehabilitate existing housing; and a majority of people said “proximity to services” was a higher priority than the type of housing.

To further study the housing needs and demands, the Housing Focus Group reviewed recent housing studies, determined what areas still needed research, and talked about emerging housing issues. Their mission was to look at

the entire housing continuum, therefore they developed specific questions.

### New Development

1. Are there housing types that are missing or in short supply in the Duluth market?
2. What kinds of housing should be planned for individuals and families moving here?
3. Where should/could we target new developments, particularly in light of people saying they want convenient access to amenities (neighborhood businesses, transit, parks, jobs, etc.)?
4. A “no build” (or urban growth) boundary would limit infrastructure extensions and preserve open space at the periphery of the city; would this limit future success?
5. When redevelopment occurs, is resiliency to withstand natural disasters such as the 2012 flood being taken into consideration? How do we define resilience and how far do we want to take it?
6. Where should new subsidized housing units be located?
7. Are there areas of the City where mixed use housing and commercial buildings make sense?
8. What incentives are most effective to encourage construction of new housing?
9. Design standards could be adopted to ensure new multi-family housing projects are attractive; what are the cost implications?

### Existing Development

1. How many owner-occupied homes are in need of major repairs? How many rental properties?

2. Can older homes be modernized to fit today's preferred lifestyle with open concept, multiple bathrooms, home offices, etc.?
3. What best practices are most effective to increase energy efficiency in older houses?
4. Is the City's rental licensing program ensuring apartments are safe for tenants? Could / should there be additional standards required? How do we define "safe?" Do we care about exterior maintenance / neighborhood issues?
5. What new or revised incentives could the City use to encourage needed housing rehab?
6. Are there new or different approaches the City could use to address blighted, vacant housing that negatively impacts neighborhoods?
6. Are there appropriate housing options for Seniors that address issues of aging while allowing them to live in their preferred neighborhood?
7. Should new housing developments include universal design features?
8. At this point in time, how many new affordable housing units are needed? What type? Number of units?
9. Is the city's existing affordable housing fully occupied and well maintained? What is the total dollar value of the maintenance backlog? Are there tenants living in public housing inappropriately, or who may have a higher income potential?

The research to these questions, along with data on the maps and public input established the foundation for the four concepts that were used to develop the housing policies and strategies.

### **Housing Fairness & Equity**

1. How can we ensure there are enough quality housing options available for all households, at all income levels?
2. How do we encourage a variety of housing options in every neighborhood throughout the City?
3. What steps can we take to eliminate housing discrimination and ensure Fair Housing for all our citizens? What is missing from State/Federal law?
4. Many families and individuals of modest means have difficulty finding adequate affordable housing, what can be done to change that?
5. How should people who need assistance with daily living tasks be provided with housing?
1. Accessibility to Places to Work, Shop and Play.
2. Inclusiveness of Diverse Populations: Provide Housing for Different Needs
3. Maintain Unique Neighborhood Character While Improving Housing Options
4. Promote Affordable, Attainable Housing Opportunities

# Housing Framework:

Because of the importance and complexity of addressing affordable housing issues, Mayor Emily Larson asked the City’s Chief Administrative Officer Dave Montgomery and the Director of the Planning and Construction Services Department Keith Hamre to develop a specific plan on affordable housing opportunities. An invitational Housing Round Table was held in November, 2016, that brought together the major affordable housing and homeless service organizations in Duluth. Agencies and organizations willing to partner with the City on housing planning sent representatives to participate in the Round Table. They include the Duluth Housing & Redevelopment Authority, Local Initiatives Support Corporation, One Roof Community Housing, Center City Housing Corporation, CHUM, Loaves & Fishes, American Indian Community Housing Organization, St. Louis County, and Community Action Duluth.

In March, 2017 the Housing Round Table reconvened in a strategy session to map out the best locations for rental and ownership housing development, and to define those neighborhoods where rehabilitation and infill housing was the highest priority. Taking into account the extensive input secured during the Comprehensive Planning effort, the resulting map and strategies were formed into the following Housing Action Framework. [Map – Housing Action Framework, original]

## Specialized Improvement Areas

Within the Reinvestment Zone, two Specialized Improvement Areas (SIAs) have been identified for targeted neighborhood reinvestment. Beginning in July 2017, this programmatic approach will include:

- Acquisition of tax-forfeit and condemned properties, and disposition of these and vacant lots in coordination with neighborhood partners.
- Targeted single and multi-family rehabilitation funding, including exterior rehabilitation.
- Livability factors such as enhanced rental license and blight enforcement, traffic calming, pedestrian safety, and tree planting.
- Enhanced collaboration with the Duluth Police and Fire Departments.
- Establishment of SIA metrics to evaluate progress and efficacy of program components.

The preceding map delineates two different primary approaches to housing development: Reinvestment and New Investment. The first addresses the core neighborhoods of Lincoln Park, and Central and East Hillside. As the geographic areas first settled in Duluth, these neighborhoods have the oldest housing stock, with many properties built over a hundred years ago. It is also home to some of the most affordable housing options in the City, though much of this housing stock is in need of repair and modernization. Historically, these neighborhoods have the most diverse population and highest concentration of low-income households. Input received during the public engagement phase of the Comprehensive Plan found many younger families would like to move into these neighborhoods, with the new Lincoln Park Middle School as a major draw. But the need for renovation of the existing housing is perceived as a barrier.

## **Reinvestment Zone:**

The areas outlined in green on the map, encompassing the Lincoln Park and Hillside neighborhoods, has been designated as

Duluth's "Reinvestment Area". The housing strategies for this area are:

- Concentrate current income eligible rental and homeowner housing rehabilitation programs in this area.
- Encourage private developers and contractors to renovate houses that have been vacant or become tax forfeit through the use of profit sharing incentives.
- Generate additional funds to promote owner occupied stabilization for reinvestment in the units with no income guidelines
- Stimulate mixed income and market rate housing development on infill sites.
- Reinvestment in neighborhood amenities using City resources creating visible impact, such as improvements to sidewalks and streets, parks, lighting, etc.
- Encourage mixed use housing options in the commercial district in Lincoln Park, in Downtown Duluth, and in the East Hillside's 4<sup>th</sup> Street and Plaza business districts.
- Support the continued effort to acquire and rehabilitate tax forfeit and abandoned single family properties, bringing them back into the housing stock.
- Locate new supportive housing in areas that provide access to health, social services, other goods and services, public transportation and employment opportunities.

### **New Investment Area:**

Affordable housing opportunities have historically been concentrated in the core areas of the City, distant from many job opportunities created over the past 20-30

years closer to the Duluth Heights neighborhood at the top of the City's bluff. Dispersing a variety of new housing developments to Duluth Heights and other neighborhoods will greatly increase living options for more low and moderate income families and individuals. A clear message received during the Comprehensive Plan public outreach was the expressed desire to live within walking distance to neighborhood business districts, near job centers, and in close proximity to transit lines (depicted in red on the map). The neighborhood centers that will provide the amenities desired by homeowners and tenants alike are within the blue circles on the map. By concentrating the expansion of new housing in these areas, it will also help to provide a wider choice of options throughout the City.

This expansion of housing is not intended to encourage "sprawl" to undeveloped areas within City boundaries. A main goal of the Comprehensive Plan is to maximize existing underutilized infrastructure by creating more density. The blue New Investment Areas on the map are all well below infrastructure capacity, so new housing development in these areas will serve to increase the City's resiliency and improve utilization to assist in funding long-term infrastructure maintenance.

Strategies to promote housing development in the New Investment Areas include:

- Ensure the housing portion of the updated Comprehensive Land Use Plan encourages the construction of workforce housing in areas outside the core neighborhoods, but conveniently located near transit, commercial nodes, and employment opportunities.
- Use City resources, such as tax increment financing and tax

abatement, to assist only those housing developments that aligned with Comprehensive Plan principles and regulations and create more affordable units.

- Promote inclusive neighborhoods with diverse populations, by dispersing additional affordable housing options throughout Duluth.
- Implement City policies that limit any extension of City utilities and infrastructure beyond what is currently in place for new housing development.
- Prioritize new Supportive Housing options in areas that will provide easy, efficient access to health, social services, other goods and services, public transportation and employment opportunities.

### **Strategic Improvement Areas:**

Out of the Housing Action Framework came a concept to focus on two primary areas for strategic, targeted investment through the selection of Strategic Investment Areas (SIAs). These areas (one in Lincoln Park, one in the Hillside) would be selected based on concentrations of vacant, tax-forfeit, and condemned houses. Strategies for addressing the housing opportunities in the SIAs will be evaluated with housing partners, including those who participated in the Housing Round Table. The intent is for targeted SIA investment over a 2-3 year period, with specific evaluation measures to ensure certain levels of value through the reinvestment in these areas.

### Maps:

- *Where will you live*
- *Social center*
- *Pop density*
- *Housing unit density*
- *Home value map*
- *Housing action framework map*

# Housing Policies and Strategies

The following draft Housing Policies and Strategies were developed using the information from the Housing Data, Needs, Study, Input and Framework sections. They apply uniformly to all of Duluth.

## ***P1: Increase density in and around the designated Core Investment Areas.***

**S1:** *Promote infill development with a mix of densities appropriate to the context of the surrounding neighborhood.*

**S2:** *Encourage and incentivize live/work opportunities.*

**S3:** *Explore opportunities to increase amenities to create livable and walkable neighborhoods.*

**S4:** *Focus on creative housing options of a non-traditional neighborhood design, such as homeownership through dense attached or detached single family housing development fronting a pedestrianized street.*

## ***P2: Provide affordable, attainable housing opportunities.***

**S1:** *Establish new parameters and a framework for communication and collaboration for financing new rental housing and additional homeownership in the community.*

**S2:** *Align funding, resources, and zoning to implement Reinvestment Area goals.*

**S3:** *Develop a cost-effective housing replacement and reinvestment strategy that includes a variety of housing types that encourage homeownership.*

**S4:** *Catalogue available lots and develop a schedule for development phasing. Bring new development sites online only as existing lots are finally developed.*

**S5:** *Foster opportunities for creative housing types and concepts, including tiny houses, townhomes, housing for individuals in Duluth on a temporary basis, and passive energy homes.*

**S6:** *Continue to adjust applicable UDC criteria for housing development to encourage innovation and to simplify and accelerate the development process.*

## ***P3: Prioritize inclusive housing policies to reflect the city's social, cultural, economic, and historic diversity and development patterns.***

**S1:** *Plan for a mix of housing types in all neighborhoods, available to a variety of income levels, including a prioritization for housing with ADA accessible design[AF1].*

**S2:** *Actively enforce anti-discrimination laws and act to promote fair housing practices.*

**S3:** *Promote housing and neighborhood design that encourages safety, interaction between neighbors, fosters a sense of community, and reduces social isolation.*

## ***P4: Improve the quality of the city's housing stock and neighborhoods.***

**S1:** Reduce slum and blight conditions by promptly addressing vacant structures, strategically razing blighted buildings, and promoting the use of high quality materials in new construction.

**S2:** Promote and curb appeal of neighborhoods, with consideration of elements such as lighting, trees and boulevards, streets and sidewalks, and well-maintained structures[AF2] .

**S3:** Continue to expand enforcement of the adopted housing and property maintenance codes, with a focus on rental housing.

**S4:** Encourage healthy and safe housing that provides high indoor air quality, noise protection, and is free of hazardous materials and conditions.

**P5: Expand the cohesiveness of “One Duluth” by expanding a variety of housing opportunities throughout the city while maintaining unique community characteristics within distinct individual neighborhoods.**

**S4:** Expand opportunities for temporary and permanent installations of art of all types in neighborhoods.

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**S1:** Proceed with implementation of neighborhood plans and other neighborhood initiatives previously adopted.

**S2:** Continue collaboration between neighborhoods and the Duluth Police Department using the community policing model to enhance safety within the community.

**S3:** Support platforms, whether physical and public or private, electronic, institutional that encourage neighborhood events, activities, and communication.