

CHISAGO COUNTY

Housing and Redevelopment Authority
Economic Development Authority

Chisago City
10625 Railroad Ave.
Chisago City, MN 55013

May 31, 2019

RE: Letter of Recommendation

Dear Chisago City Mayor, City Council and Planning Commission,

The Chisago County HRA-EDA supports the Swedish Trail homes based upon data outlined in the recent Housing Study commissioned by the Chisago County EDA/HRA for Cities within the County of Chisago we would like to summarize the need and economic imperative of providing new multifamily housing options in Chisago City.

According to the study, there is a need for an additional 214 units of rental housing between 2017-2030 in the Chisago Lakes submarket which includes Chisago City, Lindstrom, Center City. This need is broken out as follows:

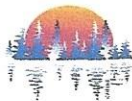
- 107 market rate rental units
- 43 affordable rental units
- 64 subsidized affordable rental units

The study indicated the need for both traditional market rate rental housing units and townhome rentals that offer larger units targeted to families. Due to the low vacancy rates across all rental units, new rental housing is needed immediately to meet the demand for rental housing households.

The study specifically indicated the following related to the need for new market rate general occupancy rental units.

“Our competitive inventory identified 2.9% vacancy rate among the general occupancy rental product as of 4th Quarter 2017 and 1st Quarter 2018. Due to the age and positioning of most of the existing rental supply, a portion of units are priced at or below guidelines for affordable housing, which indirectly satisfies demand from households that income-qualify for financially assisted housing. However, the renter base is seeking newer rental properties with additional and updated amenities that are not offered in older developments. New rental housing can be developed immediately and will continue to be in demand through this decade especially if new job growth is attracted to Chisago County.”

“We recommend local jurisdictions take a proactive and flexible approach that will permit other



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- **More people equals more customers** to support the local economy. In Chisago City's case, locating rental multi-family development within walking distance of the shopping and the downtown would directly support local businesses. The younger generation, as well as the baby boomers, are seeking living arrangements that are walkable to local services and natural amenities.
- **More people equals more taxpayers** that contributes to funding needed to pay for aging infrastructure such as local roads, sidewalks, pipes and parks.
- **More people means more workers** to support the local labor force. Our labor market is facing historic stagnation in growth. For communities to stay vibrant it is important to provide housing for needed workers to live near their jobs. The housing study included a phone interview with several local employers in the County. The key finding from these interviews found that:
 - o The availability of adequate housing that met the standards of employees impacted where their existing employees resided or their ability to hire new employees.
 - o Rental housing is often desired among newer and younger employees. Other employees would prefer to rent before they establish their roots in the community and purchase a home. Most employees tend to be renters initially, and then start looking for a home to buy.
 - o One of the biggest barriers for their employees in moving to Chisago County was that they didn't want to deal with the hassle of finding new housing that was as nice as their current living situation.
 - o New hires have commented on the lack of housing, some potential candidates investigate the housing market prior to accepting a position, and this hinders recruitment and retention according to some employers.
- **Development interest will not always be around.** So, don't miss out on the opportunity to capitalize on new market interest in the city. Based upon professionals in the industry the **housing boom will eventually slow** so it is important to accept new development while we can and while the market is willing to build it particularly in rural, exurban cities.
- **New market rate housing does not hurt the need for more affordable housing.** Even the recent Governor's Housing Task Force report indicated that we need more housing across all spectrums to meet the current demand. In addition, most studies indicate that adding new market rate supply will naturally reduce the pressure on existing rental housing helping to increase its affordability or at least stabilization of the existing rents.
- **Finally, many wonder** why rents are so high? This translates directly into the cost to construct the housing. Fannie Mae reported an average of \$192 per square foot for apartment buildings in 2017. This translates directly to monthly rent: depending on the assumptions you make (and there are many), the minimum viable rent for an average-sized apartment in that building might easily be over \$1,500 per month, or even \$2,000.

Based upon this information, the Chisago County EDA/HRA would encourage the Chisago City to consider this data and national trends and studies in their evaluation of this new rental housing understanding that your role is to evaluate all factors in ensuring that new development fits within your communities goals and objectives.

The Swedish Trail Homes project help to fill the void of rental housing in this area. Thank you for your consideration of this project.

Sincerely,



Nancy Hoffman on behalf of the
Chisago County HRA-EDA

cc: Randy Kempenich