

CITY OF MONTICELLO

Housing Needs &
Market Demand

Executive Summary

GENERAL HOUSING CONDITIONS

ABOUT THE MONTICELLO HOUSING MARKET:

Monticello has several strengths as a community that drive the housing market - it is well positioned within the region with easy access to transportation, has amenities that attract a wide range of household types, and - especially when compared to the larger Metro - many housing options that are relatively more affordable.

Though Monticello has housing that is relatively affordable when considering incomes for the larger region, overall incomes for residents of the City are less than in studied regional peer communities, Wright County, and the 11-County Metro. But there are differences between income by tenure (rent vs. own). In the ownership market, many homes that would be considered "affordable" to moderate-income residents are disproportionately purchased by households with that can easily afford them - spending much less than they could potentially afford. This indicates that these households are actively seeking out housing that is extremely affordable to them - as they have the choice to purchase in other areas, but are attracted to the City for its combination of amenities and affordability. Even with these existing homes, values and costs of housing have been increasing quickly, doubling in value since 2010, with cost per square foot increasing more quickly than regional peer communities.

For renters who are residents of the City, most are much lower-income than their owner counterparts. Through this study, residents frequently discussed two disparate themes - one that there is a perception of an excess of affordable housing in the City, the other being that there is a lack of affordable housing that needs to be addressed through new development. Data for the City implies a middleground: there are many units with rents between what would be colloquially considered "affordable" and "luxury" rental housing. In general, rents are increasing in line with incomes - though there are many major occupation groups with incomes that do not support the levels of rent that exist in the City. Overall, the City could add up to 265 income-restricted units that would serve residents already

living in the City that don't currently have access to housing affordable to them. Overall, vacancy in the market is tight and decreasing. Bringing new units online can help to relax the tension and increasing cost in the market, but new units are needed that serve residents of all incomes, not solely low- or high-income households.

Though the City does not act as a master developer of housing, housing supply that meets the needs of local employers and employees should remain a top consideration in zoning updates, regulation and fees, and providing incentive to increase specific types of housing stock, whether entry-level or step-up.

GENERAL CONDITIONS IMPACTING THE HOUSING MARKET:

- Recent increase in average household size indicates more households with young children (p. 6)
- Aging households are the fastest increasing demographic since 2010 (p. 7)
- Aging households will be a significant portion of households through 2050 (p. 10)
- Households with children will continue to increase, driving need for larger units (p. 10)
- Monticello residents have lower average incomes compared to peer communities (p. 11)
- Monticello residents have lower degrees of educational attainment compared to the County (p. 12)
- Common occupation groups in the City indicate a need for affordable housing, especially for entry-level positions (p. 14)
- Large shares of residents (42% as of 2015) commute into metro counties daily for work. Forty-eight percent of survey respondents indicated Twin Cities or a suburb as place of employment (p. 15)
- Housing unit production has not kept pace with new households moving to the area, decreasing vacancy and increasing cost (p. 17)

OWNER & RENTAL FINDINGS

MAJOR OWNERSHIP MARKET FINDINGS:

- Though the majority of ownership housing is single-family detached, there are also many attached ownership units (p. 48)
- Owners make up a smaller portion of the overall housing market than in most regional communities (p. 50)
- The majority of owners in Monticello (53%) have incomes above the median for the entire Metro region (\$103,400 in 2020) (p. 51)
- Most homeowners can comfortably afford their current housing costs (p. 55)
- There is an ample supply of homes affordable to households at 50% AMI - though 4 out of 5 are owned by higher-income households (p. 55)
- Though affordable homes exist in the market, residents still identified the largest negative aspect of the market as lack of affordability, with more than half of survey respondents indicating that affordable housing is becoming harder to find (p. 55)
- There are generally more affordable ownership opportunities in the city core, though attached ownership units are affordable in many areas (p. 57)
- Many households are remaining in their housing longer than the 7-year national average (p. 58)
- Since 2014, home costs have drastically outpaced income growth, reducing affordability and access for potential homebuyers (p. 59)
- The median home cost has more than doubled since 2010 (p. 59)
- Cost per square foot has increased more in Monticello than in peer communities studied (p. 60)
- The median starter home in the City is approximately affordable to households earning 80% AMI and above (p. 61)
- Monticello has the current highest Sales:List price ratio among peer communities (p. 65)
- There is an opportunity for missing middle townhouse redevelopment in the core city (p. 67)

MAJOR RENTAL MARKET FINDINGS:

- There is good geographic distribution of rental units throughout the City (p. 26)
- Renter households have been increasing slightly as a total percentage of City households since 2010 (p. 29)
- Lower-income households are much more likely to be renters (p. 29)
- Rental housing in the City is easily accessible within the region, with good access and amenities (p. 30)
- Monticello has the 2nd highest rate of renter households among peer communities studied (p. 30)
- Rates of cost burden is much higher for renter than owner households (p. 31)
- There are significant housing gaps at both the top and bottom of the rental housing market (low- and high-cost) (p. 32)
- There is a lack of units appropriately priced for low-income households already living in the City (265 units), indicating need for subsidized, income-restricted units (p. 32)
- Most renters that are housing cost burdened pay more than 50% of their income toward housing costs (p. 33)
- There are very few rental options in 2-4 unit structures in the City (p. 36)
- New units are needed to bring the vacancy rate back to healthy and balanced levels (p. 39)
- 3+ bedroom units will be needed at all price points for projected household growth (p. 40)
- Fiber internet is a key rental amenity that is attractive to households throughout the region (p. 41)
- Housing subsidies (both local and state/federal) will be needed to offset increasing construction costs and ensure lower-income households can afford rental costs (p. 44)

UNIT DEMAND

This study projects the need for net new housing of various types through 2025, including units to accommodate growth and units to restore healthy vacancy rates. Two growth scenarios are offered - above (2.4%) and below (1.7%) Monticello 2040 projections.

New Construction Ownership Housing Demand to 2025 - Low Estimate			
SF-Detached Supply Gap	153 units	SF-Attached Supply Gap	33 units
Additional Need for Vacancy	43 units	Additional Need for Vacancy	18 units
Total SF-Detached Need	196 units	Total SF-Attached Need	51 units
Total Unit Need for New Developed Lots (not platted) = 247 units			

New Construction Ownership Housing Demand to 2025 - High Estimate			
SF-Detached Supply Gap	300 units	SF-Attached Supply Gap	95 units
Additional Need for Vacancy	46 units	Additional Need for Vacancy	19 units
Total SF-Detached Need	346 units	Total SF-Attached Need	114 units
Total Unit Need for New Developed Lots (not platted) = 460 units			

New Construction Rental Housing Demand to 2025 - Low Estimate					
New Affordable Demand	93 units	New Mid-Level Demand	75 units	New High Market Demand	19 units
Additional Need for Vacancy	52 units	Additional Need for Vacancy	32 units	Additional Need for Vacancy	19 units
Total Affordable Need	145 units	Total Mid-Level Need	107 units	Total High Market Need	38 units
Total Unit Need = 290 units					

New Construction Rental Housing Demand to 2025 - High Estimate					
New Affordable Demand	127 units	New Mid-Level Demand	102 units	New High Market Demand	25 units
Additional Need for Vacancy	54 units	Additional Need for Vacancy	34 units	Additional Need for Vacancy	20 units
Total Affordable Need	181 units	Total Mid-Level Need	136 units	Total High Market Need	45 units
Total Unit Need = 362 units					

Unit need is also calculated for senior and aging households as part of this study. Due to Monticello's amenities within the region, slightly higher rates of in-migration are projected for senior households. All demand calculations and recommendations are found on pages 96-108 of the full study.