

CITY OF ARLINGTON

HOUSING ASSESSMENT

AUGUST 2018



EXECUTIVE SUMMARY

Streetar Consulting, LLC was hired by the City of Arlington to conduct a housing needs analysis and to develop actionable next steps to attract residential housing development for the City of Arlington. Following is an executive summary of those findings.

This housing study analysis is divided into three parts. The first part analyzes the local perceptions of Arlington's desirability as a place to live and remain- using interviews with local Real Estate agents, developer/builders, public sector employees, and a mail survey to residents. The second part is a housing demand assessment, including a population and employment analysis from U.S. Census Data. The third part describes recommendations and strategies Arlington can employ to increase housing demand in the City.

Part I Key Takeaways - Arlington is a desirable place to reside according to local professionals and residents. The following bullets are the opinions and experiences of those interviewed.

Realtors:

- Realtors understand what potential home buyers are searching for, and what makes Arlington housing options stand out against the competition.
- A variety of clients who look in Arlington hope to purchase their first home, upgrade within the city, or downsize. Strategies should focus on these 3 types of purchases.
- Clients seek move in ready homes (or older homes that do not need much fixing), preferably with a yard and a garage. Existing housing stock currently meets these needs.
- Clients prioritize housing based on neighborhoods; there are many desirable neighborhoods within the city. Many residents choose Arlington based on their work location; this should inform how Arlington markets itself as a community.
- Future success of Arlington may hinge on providing diverse housing opportunities and desirable amenities for millennials and seniors.

Developers/Builders:

- Developers build cities, and it is important to understand their successes and obstacles to promote future development.
- Development processes within the city are not a deterrent for new residential development; development halted in 2009 primarily due to the

recession, and the housing market plays the greatest role in influencing housing.

- There is available land to develop upon but the cost to build is too high for developers to sell a home and turn a profit. Building solid, high quality homes is important for the longevity of the community.
- Potential home buyers face obstacles financing a home purchase - if the city can facilitate successful home-buyer financial assistance this may encourage development.
- The market is starting to improve on its own, new housing developments may be more profitable in the next 5 to 10 years.

Public Sector Employees:

- Public sector employees help provide insights on assessed housing values, the development process, other important factors related to generating new residential development.
- Houses that go on the market do not stay on the market for very long
- Assessed housing values are similar to other local communities

Residents (100 Survey Responses):

- Implicit knowledge of resident perceptions informs what exactly about Arlington makes it a desirable place to live.
- Family ties and family history generate a strong connection to the area from the perspectives of residents - part of what makes Arlington a close knit, desirable community.
- Young families made comments around needing affordable daycare, and activities for children beyond the parks such as a splash pad or more sports programs.
- Amenities such as parks, schools, hospitals, senior assisted living, and the medical center are considered desirable amenities.
- Residents reported missing amenities such as fast food, restaurant options, and jobs/work. Integrating these amenities should be considered as strategies to attract or retain residents.
- Residents supported creating low income, senior, and rental housing options (or any combination of those three) in the city, particularly on the west side of town, possibly because of location near job centers.
- Senior housing is a looming need for current residents or their family members, and senior housing should be developed to plan for the future

Part II Key Takeaways –

The amount and type of housing in demand is a function of many factors including: population growth and household formation, changes in housing preferences as people age, and job growth within the City. A well-functioning housing market provides housing options that give people in all life stages and of all economic means viable choices for safe, stable and affordable homes. Despite being highly desirable, based on demographics and the local economic situation, demand is relatively low for new residential development.

1. Local demographic characteristics - Arlington has population of around 2,100 which has decreased by 5.1% since 2010 and the population is continuing to age. As the population ages the homeowners are aging as well. Most residents in Arlington own their homes, and families are more likely to own a home. Arlington residents typically live in larger units with fewer people per household. A quarter of homeowners do not have mortgages.

2. Local economy - Arlington is recovering from the Recession and Arlington's recovery is similar to the State, and higher than the National averages. A loss of two of the city's largest employers; Technical Services for Electronics and Seneca Foods has been an issue for employment in the city - large employment centers should be maintained. Arlington Sibley East School System and the Ridgeview Sibley Medical Center provide the most employment in the City. Employment in healthcare is projected to grow the most in the region, so the City should support this industry. The local economy has the potential to thrive if it is scaled correctly to meet the needs of the region.

Closely connected to residential development is the location of jobs relative to Arlington which can be assessed by commute times. Most of Arlington commutes alone to work by car. Arlington residents are willing to have longer commutes to go to work. Many Arlington residents have limited motor vehicle access. Most Arlington residents work outside of the City, and most of the people who work in Arlington do not live there. Arlington residents commute to other communities within the region. Arlington can either market itself as a desirable bedroom community in major job centers, or increase employment in the city. The types of employment in the region can impact who is living in the City, as well as the economy. Arlington has diverse employment, meaning that the City should provide diverse housing to house all types of employees.

3. Existing single-family home market - Arlington has quality homes for most residents with a lot of small town charm and character. Most of Arlington's homes are priced between \$100,000-\$149,000 - with the median around 113,000 in 2016. Arlington housing values are slightly less than Sibley

County. Based on 95% County Median Income, Arlington first-time home buyers need to make between \$80,400 and \$92,400 to afford a home.

- 4. Existing rental housing market-** In recent years the percentage of Arlington residents in rentals has increased relative to homeowners. More renting units can accommodate residents with lower incomes.
- 5. Estimated demand for owner-occupied rental housing -** There is a demand for 65 new housing units. Some of the existing substandard housing units can also be upgraded to increase housing values. 37% of households in Sibley county are spending more than 30% of their income on rents - meaning they are rent burdened, this number may be even higher in Arlington. There is a shortage of all sizes of affordable, fair market rental housing units in Arlington, especially one-bedroom units. Additionally, there is a shortage of extra low and low income one-, two- and three-bedroom units in Arlington.

Part III - Next Steps, Strategies, and Recommendations

“our town has a large percentage of seniors. we need to have transportation and things of interest to keep them in our area. AND we need to keep, and attract younger families by having some higher paying jobs available - so we need to attract businesses. Otherwise, we won't grow- we'll stagnate at best.” - resident

Achieving increased residential construction in Arlington relies on a multifaceted approach ranging from financial resources for homebuyers to local economic development. Complete recommendations with a timeline and additional resources are outlined in Table 31 in the Appendix. Below are the top 10 recommendations based on the results from Part I & II.

Top 10 Strategies and Recommendations:

Support Home Buyers

- 1. Provide Financial Support, Tools, and Resources for Potential Home Buyers:**
Create and market an online portal on the city web page with the following resources and partnerships:
 - a. MHFA's Step Up Program for Current Homeowner Residents
 - b. MHFA's Foreclosure Prevention Program to ensure no residents are forced out of their homes before they are ready
 - c. MHFA's Start Up Program for New Residents

Expand Housing Opportunities

- 2. Create Affordable Housing Opportunities:** Ensure mixed use and multi-family (including rental and low income) developments throughout the City. Encourage developers to focus on one bedroom units and low-income units of all sizes.
- 3. Workforce Housing:** Meet with Greater Minnesota Housing Fund (GMHF) and local businesses to explore workforce housing development in the City
- 4. Senior Housing:** Meet with developers to discuss Senior Housing, and plot a timeline for senior renting development based on demographic information (plan on development projects within the next 5 years).

Remove Development Barriers

- 5. “Shovel Ready” Land:** Market available land (as is successfully done on the Arlington webpage) & create a work group to ensure land is “shovel ready” - properly zoned, guided, and has utilities. Encourage small scale developers through a streamlined, online permitting process, minimum setbacks and small lot size requirements.
- 6. Update zoning within the City:** Host workshops to ensure that land is zoned properly and identify land that can be zoned as multi use development properties.
- 7. Develop Regional Housing Committee:** Pursue developing a regional housing committee with other nearby cities who face similar obstacles to share ideas and resources.

Kick-start Economic Development

- 8. Arlington Marketing Campaign:** The City of Arlington is a community people and families want to live in and will choose longer commutes to live in Arlington. Highlight positive aspects of the Arlington bedroom community, rural character, high quality amenities in a marketing campaign that reaches major job centers to increase housing demand.
- 9. Promote/Maintain Valuable Amenities:** maintain what is desirable about the City by investing in local parks, schools, hospitals and clinics. Incorporate what may be missing to support young families.
- 10. Prepare Economic Development Plan:** Effective housing strategies do not just need to focus on housing, but economic development in order to encourage residents to stay in Arlington. This will draw more people to the community provide a labor source for local businesses. This plan should include a business retention/expansion program and support services

such as affordable childcare and work force training in the growing health care industry of the region.

Pursuing these strategies will help generate additional demand for housing, support developers, and support residents in acquiring new homes.

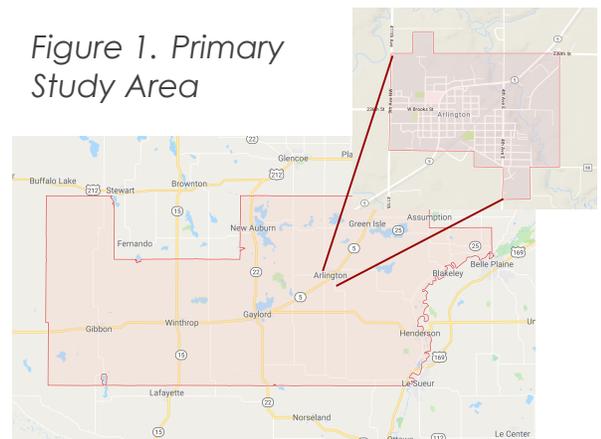
INTRODUCTION

The Primary Study Area (see figure below) consists of the City of Arlington, Minnesota - a rural community located in Sibley County over 70 miles southwest from the Twin Cities. Arlington has one highway: MN 5, which provides a north-south connection for Arlington residents. MN 5 has direct access to US Highway 212 just 12 miles to the north; and south access to MN 19: both are east-west routes. Arlington is surrounded by other communities that also attract area residents for housing. Communities include Gaylord, Henderson, Belle Plaine, and Glencoe

PART 1: MARKET & DEVELOPER/BUILDER PERCEPTIONS

"I like this town! its people are friendly, neat place, baseball park is great!" - resident

Part 1 is an assessment of the market and developer/builder perceptions of the City as a place to live and construct new housing. A series of interviews with local subject matter experts - who work or have worked in the housing and development markets in the City of Arlington and Sibley County- provide insight to the Arlington housing market and attempt to answer the question "What makes Arlington a desirable place to live?" which is explored below.



Study Objectives for Part I:

1. Interview local realtors and others to assess which factors play the greatest role in how Arlington is perceived as a place to live compared to other cities within the study area.
2. Interview developer/builders to assess which factors play the greatest role in making it easier or more difficult to construct housing in Arlington compared to other cities in the study area.
3. Interview Public Sector Employees to understand assessed housing values and the development process among other important factors related to generating new residential development.
4. Compare Arlington's development process and related fees structure with other cities in the study area.

5. Complete a resident survey to assess housing needs and community perceptions.
6. Identify available land for development or redevelopment

PROFESSIONAL INTERVIEWS

Part I, Objective 1 - A Realtor's Perspective

One realtor from Sibley County was interviewed in June 2018.

What are clients looking for? How does Arlington compare?

Arlington is competitive with other cities in the region. Most of the realtor's clients looking to buy homes are first time buyers, "step up people" (people who move for an upgrade in housing), and downsizers. Persons buying homes are typically looking for housing with larger yards, houses that have a garage, houses that are move in ready that do not require fixing. The houses can be older, as long as the house does not require major upkeep. From this realtor's experience, most residents may only switch houses twice: as a new homeowner and again to downsize as the person's age increases.

The realtor indicated that clients were typically more interested in finding housing based on neighborhoods, and that there are many desirable neighborhoods within the City. Many residents choose houses based on work location. The realtor estimated that over fifty percent of Arlington residents work outside of Sibley County, and commute toward Mankato or the Twin Cities metropolitan area.

What are some challenges with finding new housing?

Finding new housing in Arlington is not without challenges. The cost of building a new house does not always match up to what buyers are willing or able to pay. Many people looking to purchase a house can struggle to finance or get prequalified for a mortgage.

Residents looking to upgrade from their starter homes are not always able to move to a step-up property within the city. According to the interviewee, many home sellers within Arlington may end up selling to people out of town, removing "step up" opportunities from other Arlington residents.

"the need for townhouse (something) is crucial. We are considering moving because no "downsizing" is available. We have talked with others who feel the same way." - resident

What can the City do to prepare for housing needs in the future?

The realtor advised maintaining housing for key demographics of millennials and

senior citizens. Investing in amenities for these demographics (e.g. parks and trails for millennials) will give Arlington an edge over neighboring cities.

Part I, Objective 2 - A Developer/Builders Perspective

A former developer from Arlington was interviewed in June 2018. The developer was one of the main developers in Arlington until the mid-2000s.

What type of development is in demand in Arlington?

According to the interviewee, people looking for rental housing have limited options in Arlington, so there is an opportunity to develop more rentals.

What are some challenges with building new housing?

Persons selling their homes are often seniors who need to sell their homes quickly. These seniors or their family members typically end up selling their property under value which may result in lower appraisals for the housing market. According to the developer, most families who are selling their homes are underselling. This may result in newly built homes appraised at lower levels. Therefore, because the cost of construction is typically higher than the appraised value of the house, the return on investment of development is still too low to build quality new houses. Another obstacle to development is that it is difficult to “pre-sell” homes given the financial situation of many potential residents - unless a potential resident is able to do a cash deal they typically cannot get the financing to afford a new build. The information from this interview supported comments from the local realtor. Increasing the values of the housing stock will make Arlington more marketable for developers.

What are the main factors driving development?

The interviewee articulated that the market is the primary driver for housing development, rather than the City. According to the developer, demand is high for housing in Arlington. There is just not the appropriate mixture of housing inventory to meet the needs of the housing market.

Part I, Objective 3 - Public Sector Employees Perspective

Public sector employees were interviewed to develop an understanding of how the public agencies impact residents. Two public sector employees were interviewed in July 2018.

One interviewee shared that Arlington’s housing values are not necessarily less than neighboring communities. Arlington housing values have been consistent compared to the neighboring communities for years. According to this interviewee, the Arlington housing values have been following the trend of other Sibley County communities. This interviewee further confirmed that houses in Arlington are not on the market very long.

“it is good to see homes being sold rather quickly now in town.” - resident

This indicates that Arlington's housing market although clearly impacted by the Great Recession, may have stagnant development that has been ongoing for much longer.

Interviewees would largely agree with the sentiment factors (such as the cost of building materials and the price of homes in the region) related to the market at primarily responsible for limited new housing development in Arlington in recent years.

Part I, Objective 4 - Development Process

All municipalities have a permitting process for new development and redevelopment of local properties. The development process consists of a standard zoning code and building code review with specific reviews as needed depending on individual proposals. The Comprehensive Plan update in 2014 allowed for twin homes in residential districts, and typically require only a simple site review and building permit issuance. Multi-family housing would require site plan review as well. After the lull in applications for new construction since 2009, a few new home permits were issued last year in the area.

An efficient and transparent permitting process can encourage developers and builders to build in a city, while an inefficient and confusing process can act as a deterrent. According to interviewees the development process does not act as a deterrent to development and construction in the City. The process should be transparent and timely to encourage development with low barriers to entry in the market. According to a planning consultant familiar with the area, fees are minimal, especially in regard to application, area, and access fees. Impact fees are calculated per lot vs. per parameter, which helps minimize costs and encourage smaller developers. The fees for the City of Arlington are much lower than in the Twin Cities Metro area. This may indicate other external factors such as demand, marketing pricing and profit margins are more important for creation of new construction in the City.

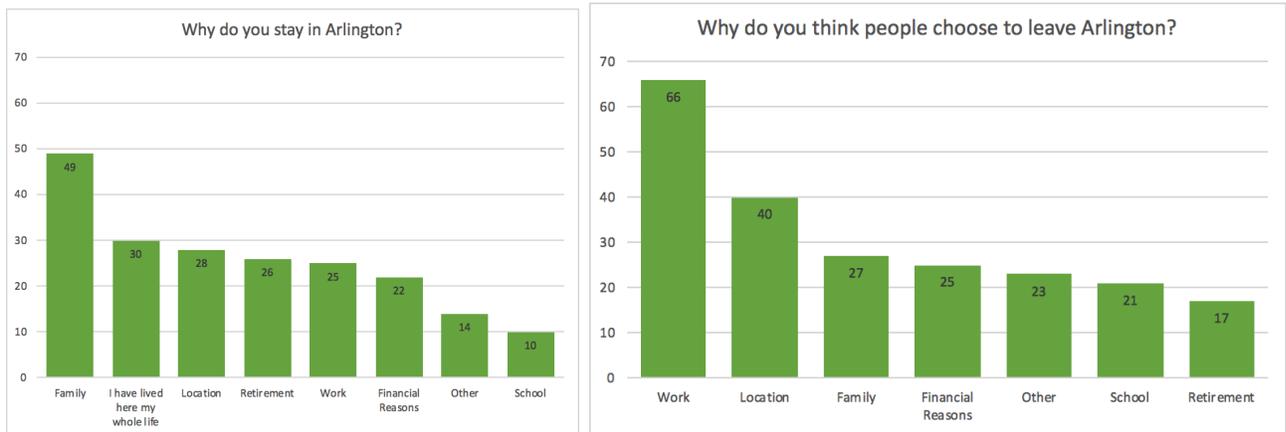
Part I, Objective 5 - Residents Perspectives

“Safe town for children. Good services - water, sewer, electricity, street maintenance, snow removal, tree pruning, main street stores and restaurants, Trailblazer bus service” - resident

Resident Survey Methods: The purpose of the Resident Survey was to assess housing needs and community perspectives. Residents were surveyed using a paper survey sent via mail. The survey was mailed to all residents who received a utility bill in the month of May 2018 and returned within the following month.

Residents were asked a series of 10 questions to understand resident perceptions of local amenities, motivations for living in the city, and some key demographic information. This report collected a total of 100 surveys – complete analysis found in the appendix. Due to the small number of responses results should be viewed as an informative, but anecdotal sampling. This survey helps give a voice to residents and provide insights into census data trends

Resident Survey Results and Discussion: The figures below demonstrate family ties and family history generate a strong connection to the area from the perspectives of residents - part of what makes Arlington a close knit, desirable community. Residents reported that people leave Arlington primarily for work related reasons. Amenities such as parks, schools, hospitals, senior assisted living, and the medical center were considered desirable amenities. Integrating missing amenities such as fast food, restaurant options, daycare, and jobs/work should be considered as strategies to attract or retain residents.



“little reason to stay. no jobs - no recreation activities - no industries to support tax base” –resident

There was a lot enthusiasm around creating low income, senior, and rental housing options (or any combination of those three) in the City, particularly on the west side of town. Senior housing is a looming need for current residents or their family members, and senior housing should be developed to plan for the future.

Part I, Objective 6: Land for Potential Development

Most of the eastern border of Arlington is zoned as undeveloped/agriculture, as is a good portion of the northwest border, and the southernmost parcel. The center of Arlington is predominately one and two-family homes. Immediately off of MN 5 is mostly industrial areas, with some business districts.

Potential sites for development are clearly listed on the [Arlington webpage](#), which is very successful in terms of marketing the land to developers. (see Figure

13 for High Island Creek Addition and Arlington Meadows) Most of the vacant lots that are available for development are they guided, zoned correctly and with sewer and water. The sale price for the lots ranges from \$10,000 to over \$30,000. The land is fairly affordable for the area, but the price of building materials is likely hindering development.

Overall, approximately half of Arlington is zoned for one and two-family homes. The next largest zoned land is agricultural/undeveloped. This agricultural/undeveloped land can be potentially developed by the City of Arlington, but should be strategically developed with small lot sizes and small setbacks, and high density to promote affordability. Arlington has limited multiple family residential districts, and has no mixed-use zoning. The City can explore strategies to expand their multiple family residential districts, or try to develop their business districts to attract more development. Mixed use zoning can attract younger families, because these zones areas provide housing, shopping, and amenities within close proximity.

PART 2: HOUSING ASSESSMENT

Part 2 focuses on the existing demographics and housing population to estimate future housing demand for the City. The amount and type of housing in demand is a function many factors including population growth and household formation, changes in housing preferences as people age, and job growth within the study area. A well-functioning housing market provides housing options that give people in all life stages and of all economic means viable choices for safe, stable and affordable homes.

Study Objectives for Part 2:

Describe the local demographic characteristics

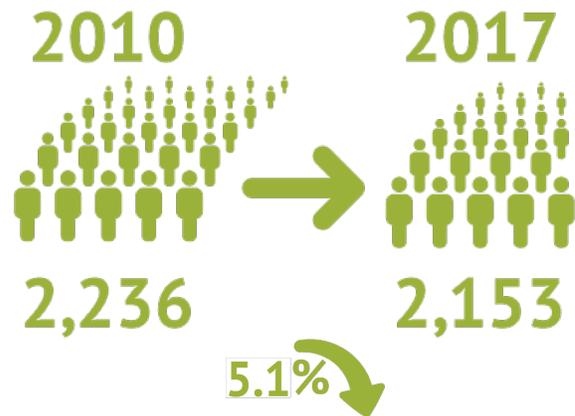
Describe the local economy

Describe existing single-family home market

Describe existing rental housing market

Estimate demand for owner-occupied and rental housing

Part II, Objective 1 - Local Demographic Characteristics
POPULATION AND HOUSING
Population Data:



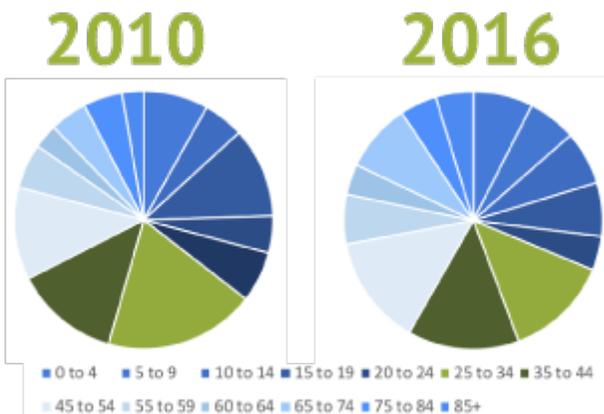
Key Takeaways:

- Arlington population is decreasing.
- Arlington population is aging.

The City of Arlington has a modest population just over 2,000 people. In Arlington, the population has been decreasing. Since 2010, the population has decreased by 5.1 percent. This population decrease is a small shift but means that new residents are not moving into the community.

As the population decreased, the number of housing units in the city increased.

Since 2010, 10 additional housing units have been added to the City. The increase in housing units indicates that Arlington is a desirable community that families are interested in residing.



The largest number and percentage of the population are age cohorts of 25 to 34 in 2010 and 35 to 44 in 2017 (Appendix Table 3). Arlington is a gradually aging community. An aging community could mean: (1) the need for step up housing for households starting a

family, and/or (2) the need for senior housing for those wishing to downsize- which could free up housing for those entering the owner-occupied market for the first time.

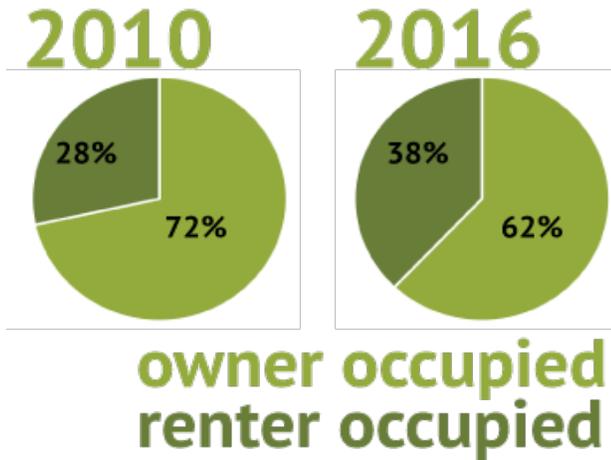
Household Data

Key Takeaways:

Most Arlington residents own their homes.



Families are more likely to own a home.



Arlington homeowners are aging and will continue to age.

Arlington residents prefer larger units with fewer people per household.

As mentioned earlier, the number of households in Arlington has increased by 10 or 0.8 percent between 2010 and 2016. This is an important driver of new housing construction. New housing is constructed when there are new households moving the community for jobs, existing households searching for

“step-up” housing, older households downsizing, or a change in the existing family structure.

People living in Arlington typically live in households with fewer people. This very modest decline in household size could be the result of children leaving the home or changes in married household status (Appendix Table 4).

There has been a change in housing tenure from 2010 and 2016 (Appendix Table 5). In 2016, owner occupied households is 62.08 percent, compared to 38 percent renter occupied units.

	Owner	Renter	
	60.7%	13.1%	Married-couple family
	6.5%	15.0%	Male householder, no wife present
	5.6%	16.5%	Female householder, no husband present
	27.2%	54.6%	Non-family household

Arlington home ownership rate decreased from 71.3% in 2010 to 62.08% in 2016. The increase of renter occupied units may indicate that housing stock does not meet demand or interest in housing even though Arlington is a desirable community. Persons who cannot purchase a house will look at rental options within the City.

60 percent of Arlington house owners are married, compared to 13 percent of renters. Renters are more likely to be non-family households, or not related to one another in (55 percent of the time). Non-family households rent until individuals change marital status, and then explore home-ownership (Appendix Table 6).

Age distribution within the City can impact the type of housing needed. The greatest percentage of owners and renters in 2016 was in the Age 35-64 cohort of the population, followed by the

	Owner	Renter	
	18.0%	18.9%	Age 15 to 34
	51.7%	56.1%	Age 35 to 64
	30.1%	25.0%	Age 65 and over

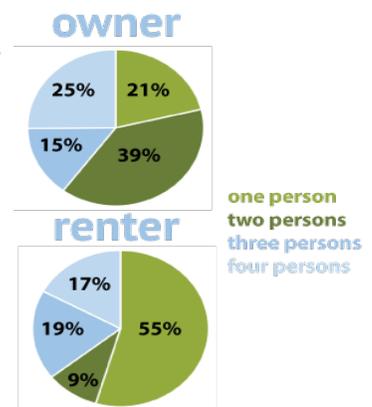
Age 65 and over cohort (Appendix Table 7). This indicates that overall, Arlington has an older population. This population will continue to age. Arlington will need to address housing supply needs, and the possibility of investment in senior housing, as their population continues to age.

owner	renter	Two or three-bedroom owner occupied units are the most common owner-occupied (over 65 percent) followed by 4+bedroom units (19 percent). Most people who live in the City prefer larger units.
0%	5%	0
0%	36%	
74%	52%	  or 
26%	7%	    +

Most owner-occupied units have multiple bedrooms. One-bedroom houses are only at 13 percent for homeowners. This confirms that homeowners are more likely to live with their families within the City.

Arlington renters are more likely to live in units with fewer bedrooms. The most common renter occupied households are 2 or 3-bedroom units at over 52 percent. The second most common is 1-bedroom units at almost 36 percent (Appendix Table 8). Renters are more likely to require less space.

Among owner occupied households, almost 39 percent are two-person households followed by 4+ Person household, at 25 percent and 1-person owner occupied households' 21 percent. Arlington has a great number of owner-occupied households, but not many persons per household.



Among renters, the majority of renters live in one-person households at almost 55 percent. The next highest concentration of renters is 3 person households at 18.6 percent and 4+ person households at 17 percent. If individuals rent, they either live alone, or live with multiple people (Appendix Table 9). Between

Owner Average
\$64,185 Income

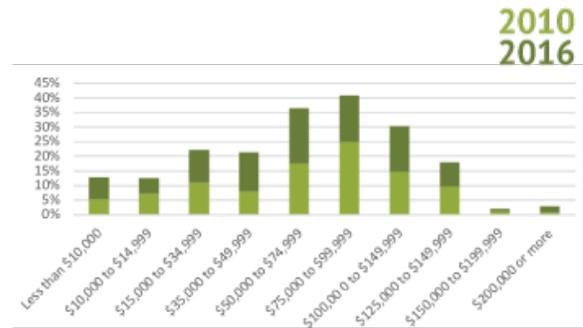
Renter Average
\$25,556 Income

homeowners and renters, a majority of people have fewer people per households, but households with multiple bedrooms. Arlington may consider incentivizing smaller households' units to meet this n

Households by Income Group

Key Takeaways:

- Home owners earn more than renters
- A quarter of homeowners do not have mortgages
- Arlington may be experiencing a hollowed out middle class
- Arlington has quality homes for most of its' residents



The average homeowner in Arlington earns over \$64,000 annually, compared to \$25,500 for renters. Income can be a factor that makes owning a home more a less affordable. In Arlington, 64 percent of residents have a mortgage, compared to 36 percent without. During the resident survey, respondents were asked whether they have a mortgage on their homes - 76 percent of respondents have a mortgage. Mortgages can indicate either that owner-occupied households either do not need a mortgage to own a home, or that they have lived in the home long enough to pay off their mortgage (Appendix Table 10).

	Mortgage	Without Mortgage	
	64	36	Census
	76	24	Resident Survey

The distribution of household income changed slightly between 2010 and 2016. Of all the income brackets, the greatest percentage in 2010 was households with incomes between \$50,000 and \$74,999, (25 percent). In 2016, the greatest percentage of households earned between \$35,000 and \$49,999 (19 percent).

In 2010, 11 percent of the population had incomes of \$100,000 or more; compared to 12 percent in 2016. In 2010, 32 percent of the population had incomes less than \$35,000; compared to 38 percent in 2016. This could indicate increasing wealth disparity between those at upper income brackets and those at lower income brackets with fewer residents earning incomes in the middle-income range - sometimes referred to as a hollowing out of the middle class.

	owner	renter
Less than \$5,000	1.7%	4.3%
\$5,000 to \$9,999	1.7%	9.8%
\$10,000 to \$14,999	1.9%	11.6%
\$15,000 to \$19,999	0.9%	8.2%
\$20,000 to \$24,999	3.2%	14.9%
\$25,000 to \$34,999	11.0%	18.0%
\$35,000 to \$49,999	20.9%	15.9%
\$50,000 to \$74,999	18.6%	11.0%
\$75,000 to \$99,999	22.3%	4.6%
\$100,000 to \$149,999	12.5%	1.8%
\$150,000 or more	5.2%	0.0%

Although over 25 percent of Arlington homeowners do not have a mortgage, the majority of Arlington homeowners have mortgages. Qualifying for a mortgage is an easy way to make owning a home more accessible for people of modest incomes. The average household income in Arlington is over \$64,000, compared to over \$67,000 in Sibley County, yet is a reasonable income to maintain a mortgage payment.

Income	Rent and mortgage paying no more than 30% of gross annual income
Less than \$10,000	< \$3,000
\$10,000 to \$14,999	\$3,000 - \$4,500
\$15,000 to \$24,999	\$4,500 - \$7,500
\$25,000 to \$34,999	\$7,500 - \$10,500
\$35,000 to \$49,999	\$10,500 - \$15,000
\$50,000 to \$74,999	\$15,000 - \$22,500
\$75,000 to \$99,999	\$22,500 - \$30,000
\$100,000 to \$149,999	\$30,000 - \$45,000
\$150,000 to \$199,999	\$45,000 - \$60,000
\$200,000 or more	> \$60,000

Based on the median home value in Arlington of \$113,000, the average monthly mortgage payment would be \$782 (see appendix for assumptions). In order to afford this mortgage amount, the homeowner would need a household income of at least \$31,280 annually. Over 67 percent of Arlington homeowners can afford this average monthly mortgage payment. Although a majority of Arlington residents can afford this monthly payment,

the City needs to consider the approximate 30 percent of Arlington homeowners who cannot afford the average mortgage estimate.

Arlington will need to develop strategies to provide housing for both lower income as well as middle income. The average income reported on the resident survey was \$58,511, only slightly lower than the 2016 census data. The median average income was slightly higher than the census data. For more information on household income distribution in Arlington, see Table 11 in the Appendix.

In 2016, the greatest percentage of owner-occupied households within Arlington had incomes in the range of \$75,000 to \$99,999 at 22 percent. The next largest concentration of income range is \$35,000 to \$49,999 at 21 percent.

Among renters, the greatest percentage is the \$25,000 to \$34,999 income bracket at 18 percent. Among renters, household income is more evenly distributed than owned households. However, only 6 percent of renters have a household income over \$75,000. Persons with higher incomes are far less likely to rent, and persons with lower incomes are far more likely to rent in Arlington. For more information on income distribution by housing tenure, see Tables 12 and 13 in the Appendix.

Housing and income is an important relationship for residents. The housing stock needs to match the desire for persons living in the City. Housing needs to be updated regularly to maintain desirability of the City. In Arlington, there are 51 owner-occupied and 39 renter occupied housing units as substandard and temporary housing units. These are units that should be replaced. The supply of rented housing is more likely to be substandard in Arlington. This consists of a

small percentage of the housing stocks in the City; however, Arlington needs to be maintain their lower valued-homes to make Arlington livable for the lower class. The City can consider strategies to develop quality rental units or upgrade existing in Arlington. For more information about housing that should be replaced, see Table 14 in the Appendix.

Part II, Objective 2 - Local Economy

EMPLOYMENT AND ECONOMY

Many factors influence the need for housing, including employment opportunities. Without jobs and competitive wages, people are less likely to be able to afford a home. Diverse employment opportunities can create thriving economic development within cities. Housing can be impacted by employment in many ways: including type of employment, wage level, and working conditions. These factors can influence what type of housing is needed and the level of affordability. Major employers in Arlington are employers with over seventy employees. Ridgeview Sibley Medical Center and Sibley East Schools are the two major employers within Arlington.

Employment Data

Key Takeaways:

- Arlington Sibley East School System and the Ridgeview Sibley Medical Center provide the most employment in the City.
- Diverse employment requires diverse housing.
- The large employment centers should be maintained in the City.
- Healthcare will grow in the region.

The types of employment in the region can impact who is living in the City, as well as the economy. Arlington has diverse employment, meaning that the City should provide diverse housing to house all types of employees.

Health care and social assistance is the largest employer for Arlington. Health Care and Social Assistance provides jobs through the Ridgeview Sibley Medical Center located just off of MN 5. Retail is also a large employment provider for

Health Care & Social Assistance	19%
Retail Trade	17%
Education Services	16%
Accommodations & Food Services	12%

the city: Arlington has a number of small retail shops located throughout the town to contribute to the retail trade positions.

The Sibley East School system provides a number of jobs for

Arlington residents. Accommodations and Food Services employers include a number of restaurants located throughout town and a motel just off of MN 5.

Other current larger employers include Arlington Good Samaritan Center, a nursing care facilities, Golden Hearts, Inc., and home health care service, and Scott Equipment Company. These companies and organizations are important for the City of Arlington, and should be maintained in future City planning. For more information about employment sectors, see Tables 15 and 16 in the Appendix.

The City of Arlington needs to plan the housing stock based on future employment growth. Healthcare Support will increase the most in the region, giving the City the opportunity to develop and expand its health care services within Arlington (Appendix Table 17).

Health Care Support will increase in the region by 22 percent by 2024

Arlington benefits from having a large population working in health care and education, these occupations earn decent weekly wages. According to the resident survey these community amenities are very valuable which may provide some long-term stability in this industry. Persons working in educational services also earn decent wages. However, persons working in Food Services

Health Care and Social Assistance employees

\$822 on average per week

Educational Services employees

\$808 on average per week

Accomodation and Food Services employees

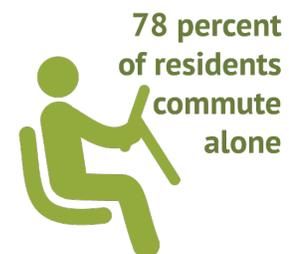
\$263 on average per week

industries only earn approximately \$250 per week (Appendix Table 18). Food Services provides a large amount of jobs in the City, therefore Arlington needs to provide diverse housing for all incomes, including the large portion of population working in the food & services industry.

Employment and Commuting Trends

Key Takeaways:

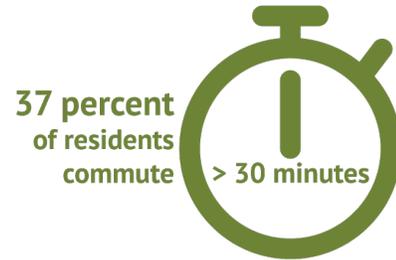
- Most of Arlington commutes alone.
- Arlington residents are willing to have longer commutes.
- Many Arlington residents have limited motor vehicle access.



Just as economic development can impact housing, so can commute travel

times. Housing and transportation are typically the largest expenses of a household monthly income. Households ideally try to balance housing and transportation costs. If individuals live in more cost-effective housing, they are more likely to invest more money into their commutes. Persons who spend less on transportation to work are more likely to invest in

more expensive homes. The City of Arlington is a community people and families want to live in and will choose longer commutes to live in Arlington. Most individuals drive alone to work in Arlington. Almost 43 percent of employed Arlington residents have commutes under 15 minutes. These residents most likely either work in Arlington or a neighboring community, such as Green Isle, Henderson, or Gaylord. Over 37 percent of the city’s population have commutes over half-an-hour. These individuals are more likely the commute in larger employment centers, such as Mankato or the Twin Cities metropolitan area (Appendix Table 19).



A lot of Arlington residents have limited or no access to motor vehicles. Exploring further ride sharing or public transit may be an effective strategy for the City of Arlington to connect residents with limited vehicle access to jobs. Locating new housing developments near transit opportunities would further enhance the utility of this strategy.

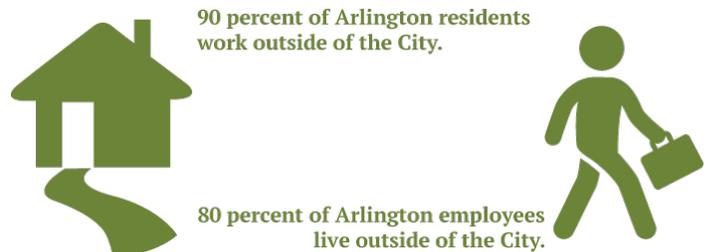
Community and Labor Shed

8 percent of Arlington residents have access to zero vehicles
37 percent of Arlington residents have access to only one vehicle

Key Takeaways:

- Most Arlington residents work outside of the City.
- Arlington residents commute to other communities within the region.

Arlington has more residents than jobs. Even if Arlington residents wanted to work in the City, it is difficult to get a job within the City. Only 13 percent of Arlington residents work within the City. Most residents work toward the Twin Cities metropolitan area, including Shakopee and Chaska. Only 23 percent of Arlington jobs are held by Arlington residents. Many Arlington employees live



outside of the city, throughout the Sibley County region.

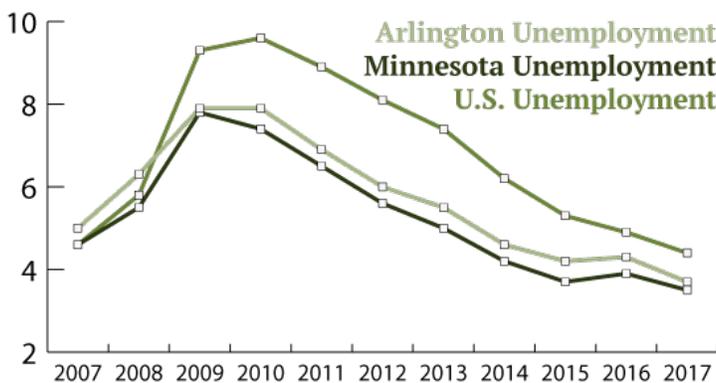
This may indicate a lack of housing opportunities or may indicate a lack of job opportunities with the City. There is a mismatch between the employment and housing opportunities in Arlington. Persons employed in Arlington but living outside Arlington may represent a potential housing market.

Where Arlington Residents are Employed		Where Arlington Employees Live	
Location	Percent	Location	Percent
Arlington, MN	13.3%	Arlington, MN	23.1%
Gaylord, MN	8.5%	Gaylord, MN	5.0%
Waconia, MN	8.3%	Henderson, MN	3.7%
Le Sueur, MN	7.7%	Le Sueur, MN	2.9%
Shakopee, MN	4.2%	Glencoe, MN	2.6%
Glencoe, MN	3.9%	Hutchinson, MN	2.0%
St. Peter, MN	3.3%	Mankato, MN	1.8%
Chaska, MN	2.6%	St. Peter, MN	1.7%
St. Paul, MN	2.3%	Norwood Young America, MN	1.2%
Eden Prairie, MN	2.0%	New Aubror, MN	0.9%
All Other Locations, MN	43.8%	All Other Locations, MN	55.1%

Employment Data

Key Takeaways:

- Arlington is recovering from the Recession.
- Arlington's recovery is similar to the State, and higher than the National averages.



Following a peak in 2009, Sibley County's average unemployment rate has been on a steady decline, dropping from 7.9 percent in 2009 to 3.7 percent in 2017. In 2009, Sibley County had a higher unemployment rate than the State of Minnesota, but lower than the national unemployment rate. In 2017, Sibley County was above the State of Minnesota

level of unemployment, at 3.7 and 3.5 percent respectively. Both unemployment rates are less than the national unemployment rate at 4.4 percent. The unemployment in Sibley County is the lowest it has been in ten years. Arlington may experience unemployment trends similar to Sibley County. (Appendix Table 21).

Part II, Objective 3

SINGLE FAMILY HOME MARKET

Key Takeaways:

- Arlington housing values are slightly less than Sibley County.
- Most of Arlington's homes are priced between \$100,000-\$149,000.

The median house value in Sibley County is \$134,300, compared to \$113,000 in the City of Arlington. At both the County and City level, the greatest number of houses are assessed between \$100,000-\$149,000. Less than 10 percent of Arlington homes are valued over \$200,000, compared to 26 percent at the County level. However, although Arlington houses may value less than Sibley County, Arlington houses are valued higher than neighboring communities, including Gaylord, Winthrop, Gibbon, and New Auburn.

The average house in Arlington is worth \$113,000



The average house in Sibley County is worth \$134,300

Arlington is consistent with the other cities in terms of assessment value changes. This is consistent with information from public sector employees. This may indicate Arlington housing values are consistent with market changes. The City can employ strategies to encourage development as the market improves. Housing values can impact tax rates for the City as well as the sale value for families selling their homes. Low housing values can negatively impact the City. For more information on housing values, see Tables 22 and 23 in the Appendix.

DEMAND FOR MARKET RATE SINGLE FAMILY HOMES TO PURCHASE

Single Family First Time Home Buyer Housing Demand

Key Takeaways:

- Arlington first-time home buyers need to make a certain wage to afford a home (\$80,400 and \$92,400).
- More renting units can accommodate residents with lower incomes.

Home buyers require a certain income to be able to afford a home. In Sibley County, first-time homeowners require Household incomes between \$80,400 and \$92,400 (Appendix Tables 24 and 25) This can impact the ability of residents to purchase a home. Purchasing a home can be impacted by multiple personal finance obstacles, including income, poor credit rating and lack of down payment. Persons who do not make as much money will be less likely to purchase a home in the City - especially the large population of individuals working in the Food Services in the City. This may explain why many people who work in Arlington do not live there.

Arlington needs to provide adequate housing supply for various incomes to create diverse choices. There is evidence of demand of households for first-time buyers and step-up home buyers in the City. Under a more conservative estimate of demand based on 25 percent of potential homebuyers meeting lender requirements, only 65 homes need to be available for first-time home buyers. Some of this demand can be met by updating some of the substandard housing within the City. For more information on housing demand, see Tables 26, 27, and 28 in the Appendix.

Only 65 housing units need to be available for first-time home buyers.

Part II, Objective 4 and 5

RENTAL HOUSING MARKET

DEMAND FOR MULTI-FAMILY RENTAL HOUSING DEMAND

Key Takeaways:

- There is a shortage of all sizes of affordable, fair market rental housing units in Arlington, especially one-bedroom units.
- There is a shortage of extra low and low income one-, two- and three-bedroom units in Arlington.

EXISTING RENTAL HOUSING STOCK

Because affording a house requires a certain income, the City of Arlington needs to supply renting to individuals who cannot currently afford a home. Below is a list of Arlington's renting units and a table summarizing multi-family rental housing demand. Currently, there are no rental vacancies in the City. Arlington should provide additional rental units for residents. For more information on rental housing demand calculation, see Tables 27, 28, 29 and 30 in the Appendix.

APARTMENTS

Name	No. of units/ Bed mix	Rent	Vacancy
Amberfield Senior Occupancy	1 and 2 bed		
	30 Total Units		0 vac.
Amberfield General Occupancy	1, 2, 3 bed		
	26 Total Units		0 vac.
Parkview Apartments	1 - 1 bed		
	7 - 2 bed		
	8 Total Units		0 vac.
Highland Commons	31 - 1 bed		
	2 - 3 bed		
	33 Total Units		0 vac.
Shamrock Apartments	8 - 1 bed	Most of the units are housed by low income families and only pay certain rate based on 30% of their income	
	8 - 2 bed		
	16 Total Units		0 vac.

		One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom	Total
General Occupancy	Fair Market Rents	106	30	29	11	177
	Extra Low Income (<30% CMI)	18	13	17	6	53
	Very Low Income (30% - 50% CMI)	0	0	21	6	27
	Low Income (50% - 80% CMI)	0	0	22	8	30
Age 55+	Extra Low Income (<30% CMI)	4	3	4	1	11
	Very Low Income (30% - 50% CMI)	0	0	4	1	5
	Low Income (50% - 80% CMI)	0	0	6	2	8

PART III - NEXT STEPS, STRATEGIES, AND RECOMMENDATIONS

HOW HOUSING IMPACTS CITIES

Providing adequate and standard housing for all welcomes new residents to cities and keeps long term residents. The City of Arlington excels at keeping residents, but can struggle to bring in new residents. Both types of residents are important for shaping cities. Meeting housing demand, despite a declining population and personal financial obstacles of home buyers is a challenge.

Cities are not just shaped by housing. There is an important relationship between housing and economic development. Sustainable cities cannot just provide thriving housing or economic development: both are crucial to creating strong communities that attract people and residents. Economic development considers the quality of jobs, creates a standard of living within a city, and ensures diverse housing options for everyone.

HOUSING GOALS

The City of Arlington's primary goal is to increase housing demand in Arlington.

Goal: Increase Housing Demand in Arlington

Arlington can increase housing demand through two objectives: 1) Promote Arlington as a residential community; 2) Promote economic development to encourage job growth in the City.

Both objectives are explored below with specific housing strategies.

HOUSING STRATEGY IMPLEMENTATION

Arlington is a place people want to live. The City is currently designed as a city residents live in, and travel outside of the City for employment. To fully market the City as a community for residents, the City of Arlington can create strategies for housing opportunities for both homeowners and renters - especially focusing on developing 1 bedroom rentals and low-income housing. The City has a large portion of homeowners within the City. In order to welcome new populations to the City, the City will create more opportunities for renters. Homeowners and renters experience cities and housing differently: strategies are provided for both homeowners and renters.

HOUSE OWNER STRATEGIES

The City of Arlington has a strong supply of households within the City. Because of this, strategies focus on how the City can work with individual homeowners. These strategies will help the City assist homeowners with potential home owning

issues.

RENTER STRATEGIES

The City of Arlington does not have a large supply of rental units and there is currently 0% rental vacancy. As such, many of these strategies focus on efforts the City can utilize to attract or bring rental units to Arlington.

ECONOMIC DEVELOPMENT GOALS

Arlington can attract new housing opportunities by focusing on jobs in the City, but also providing support services for young families and work force training in growing fields, such as healthcare. Arlington already attracts employees from outside of the community. The City can work to have the employment demand match the housing demand. The City of Arlington is currently working with the University of Minnesota Extension to improve economic and community development in the City. This report advocates for this partnership.

Arlington is actively working to develop into a job creating and sustaining community. Developing new jobs will create a new demand for housing. The **Top 10 Strategies** are short term strategies the City can employ immediately. More long-term strategies to attract economic development include a business assessment for livable wages and to analyze the local land inventory to determine potential sites to purchase; see Table 31 in the Appendix.

STRATEGIES TO IMPLEMENT TODAY

To increase housing demand, the following strategies can be implemented in the City of Arlington. These are strategies that should be implemented within 18 months. For more secondary strategies, see Table 31 Appendix.

Top 10 Strategies and Recommendations:

Support Home Buyers

- 1. Provide Financial Support, Tools, and Resources for Potential Home Buyers:**
Create and market an online portal on the city web page with the following resources and partnerships:
 - a. MHFA's Step Up Program for Current Homeowner Residents
 - b. MHFA's Foreclosure Prevention Program to ensure no residents are forced out of their homes before they are ready
 - c. MHFA's Start Up Program for New Residents

Create Housing Opportunities

- 2. Create Affordable Housing Opportunities:** Ensure mixed use and multi-family (including rental and low income) developments throughout the

City. Encourage developers to focus on one bedroom units and low-income units of all sizes.

3. **Workforce Housing:** Meet with Greater Minnesota Housing Fund (GMHF) and local businesses to explore workforce housing development in the City.
4. **Senior Housing:** Meet with developers to discuss Senior Housing, and plot a timeline for senior development based on demographic information (plan on development projects within the next 5 years).

Remove Development Barriers

5. **“Shovel Ready” Land:** Market available land (as is successfully done on the Arlington webpage) & create a work group to ensure land is “shovel ready” - properly zoned, guided, and has utilities. Encourage small scale developers through a streamlined, online permitting process, minimum setbacks and small lot size requirements.
6. **Update zoning within the City:** Host workshops to ensure that land is zoned properly and identify land that can be zoned as multi use development properties.
7. **Develop Regional Housing Committee:** Pursue developing a regional housing committee with other nearby cities who face similar obstacles to share ideas and resources.

Kick-start Economic Development

8. **Arlington Marketing Campaign:** The City of Arlington is a community people and families want to live in and will choose longer commutes to live in Arlington. Highlight positive aspects of the Arlington bedroom community, rural character, high quality amenities in a marketing campaign that reaches major job centers to increase housing demand.
9. **Promote/Maintain Valuable Amenities:** maintain what is desirable about the City by investing in local parks, schools, hospitals and clinics. Incorporate what may be missing to support young families.
10. **Prepare Economic Development Plan:** Effective housing strategies do not just need to focus on housing, but economic development in order to encourage residents to stay in Arlington. This will draw more people to the community provide a labor source for local businesses. This plan should include a business retention/expansion program and support services such as affordable childcare and work force training in the growing health care industry of the region.

CONCLUSION AND NEXT STEPS

The City of Arlington aims to increase its housing stock, but currently has a stagnant population and housing stock. Arlington can identify itself as a residential community or work to position itself as a developing community with job growth. Both housing and economic development strategies and programs need to be considered.

If Arlington chooses to market itself as a residential community, there are many houses available within the City. Current home owner strategies need to assist connecting existing homeowners to programs and resources for upgrading their homes from starter homes and to provide seniors options for selling their homes.

If the City chooses to market itself as a developing community with job growth, Arlington needs to attract rental development. This will help residents who are employed in the service industry to be able to afford to live and work in the City, and stay on pace with the trend that increasingly more Arlington residents choose rental units. Both Millennials and Seniors are more likely to rent than purchase a home. Existing Arlington residents should be able to transition into Senior Housing within the City. New apartment developments can attract new, younger residents.

Arlington is a charming community where people want to reside. If Arlington wants to grow it should work to attract either more diverse housing or develop employment centers, or perhaps a bit of both strategy types. Attracting new rental development may require economic development strategies from the City. By prioritizing its residents, the City can create effective strategies to ensure a stronger future for Arlington.

Contact Information: arlingtonhousingstudy2018@gmail.com

Ashely Hartle
Peiyu Phua
Liz Scherber