

# HOUSING



## Housing Mission

Housing in Duluth will promote the essential character of its neighborhoods while providing safe, clean, and equitable living space for all members of the community.





## GOVERNING PRINCIPLES FOR HOUSING

- 1 Reuse previously developed lands
- 5 Promote reinvestment in neighborhoods
- 6 Reinforce the place-specific
- 8 Encourage mix of activities, uses, & densities
- 11 Consider education systems in land use actions
- 13 Develop a healthy community
- 14 Integrate fairness into the fabric of the community

# Home Shelter

## Context Recreation

### Population & Demographics

Within the city of Duluth, there are approximately 38,000 housing units. These units are distributed in a variety of configurations, such as apartment buildings, duplexes, or detached single-family houses, among others. The number of housing units has remained steady as the city's population has fluctuated, as typical household size has changed, and as the locations of jobs in the city have moved over time.

According to the United States Census Bureau, approximately 38% of Duluth's population is under the age of 25, while 23% is aged 25 to 44, 24% is aged 45 to 64, and 15% is aged 65 and older. Typically, the 25 to 44 cohort is described as the "family formation" bracket, because this age group provides the highest demand for single-family housing units. Those cohorts outside the 25 to 44 age group, both older and younger, typically show a need for smaller housing units. Across the United States, median age is expected to increase over the next years as the baby boomer generation continues to age.

As Duluth's population has remained stable, so, too, has its number of households, levelling out at approximately 35,500. Average household size, however, has slowly decreased over time. The average household size was 2.51 in 1980 and had decreased to 2.24 by 2013, a reduction on par with national trends. Duluth's population peaked in the 1950s and 60s, with over 100,000 residents calling the city home. During the following decades, the city's population gradually decreased, and for the past 25 years has hovered around 86,000 people.

Demographics and the housing market are directly related. Data can both help clarify whether the existing market corresponds to the needs of the population and help identify possible gaps. Change in household size, for example, can be useful for evaluating what types of unit are needed: an increase in smaller households creates an increase in the need for smaller units such as apartments, condominiums, or townhomes. Residents living in the city for short periods of time, whether on short-term assignment or as part of the seasonal workforce, require housing that may not be effectively served by current housing options. Evaluating age breakdown in the city is also a means of assessing the suitability of the mix of housing unit types. Currently, more than 60% of Duluth’s housing units are concentrated in single-family homes, while only 23% of the population is in the “family formation” group that expresses the highest need for units of this style. Fluctuations in the proportions of demographic groups in the city’s population can have a pronounced effect on housing needs.

## Housing Stock

Housing may be rented or owned and a mix of both types is essential in any one market. In 1980, Duluth had 12,547 rental units and 22,816 owner-occupied units; by 2014, the number of rentals had increased to 14,293, while the number of owner-occupied units had decreased to 21,255. Regional housing options outside Duluth increased through new construction of single-family and apartment units in nearby cities, such as Hermantown, Proctor, Esko, and South Range.





Since 2012, the total number of housing units in Duluth has remained relatively constant at approximately 38,000 units. Over time, however, the average age of housing units has steadily increased. Nearly three-quarters of Duluth's housing units is at least 46 years old and a full 44% (approximately 16,500 units) is 76 years old or older. These numbers raise a significant concern: how to address an aging housing stock. A considerable part of the city's existing housing stock does not respond to current housing needs and would need substantial renovations in order to do so.

U.S. Department of Housing and Urban Development (HUD) guidelines indicate that the average lifespan of a house – without significant annual maintenance – is approximately 40 to 50 years. When older housing stock lacks routine maintenance, quality decreases and units become substandard. Repair and rehabilitation issues left unaddressed can lead to an increase in the number of units which are condemned as unsafe for habitation. According to City records, as of January 2017, 2,120 housing units aged 20 to 50 had been rehabbed and 2,307 housing units older than 50 years of age had been rehabbed at some point. Because of the age of Duluth's housing stock, rehabilitation is an important policy area; although it is expensive, rehabilitation is typically less costly than new construction, depending on the type of housing and extent of renovation. Duluth has adopted a rental licensing ordinance to address minimum quality standards of rental properties, but has not proceeded with adoption of tools such as a point-of-sale inspection process for owner-occupied housing.

The City has the authority to condemn buildings as unfit for human habitation or to require their demolition, but also to promote





renovation and rehabilitation through permitting, enforcement, and incentive programs. Promoting the use of high-quality materials in new construction and acting promptly when issues occur can help prevent problems from becoming hazards, thereby reducing the number of buildings that degrade beyond repair.

As the owner-occupied housing market is aging, so too is Duluth's rental market: a majority of rental units are located in aging buildings which are expensive to maintain, renovate, and repair. The high maintenance costs associated with older housing stock directly affect the price of rent.

Unit type or style also affects the overall assessment of the city's housing stock. As they age, housing units may become insufficient or inappropriate, no longer responding to the community's needs. Older units may be inadequately equipped for modern technology or fail to provide the kind of living space that corresponds to modern preferences. Duluth's housing market currently consists of 23,610 single-family homes, 3,899 duplex units, 3,105 townhouse units, and 963 mobile home units. Units in multifamily structures (those incorporating ten or more units) account for the remainder, with more than 6,570 units located in structures of this type.

Alternative housing types such as tiny homes and accessory dwelling units have become increasingly popular in markets across the United States but not been widely implemented or understood by the real estate community in the city. These types of units could respond to the needs of members of the community that might otherwise have difficulty finding appropriate housing, and should be considered





opportunities for creative design and land use. Duluth’s housing stock has a number of “missing markets,” or housing types that are under-represented and for which the demand outweighs the supply. Notably, there are few modern townhomes in the city, particularly those that might serve the entry-level or senior housing markets. Creative and innovative designs – as well as more traditional but still under-utilized options such as row houses and townhomes – can provide solutions for small or nonconforming lots while filling in these market gaps and further providing a means of increasing density through infill development.

Housing design also has a direct impact on residents’ sense of safety. Collaboration with neighborhood groups and the Duluth Police Department using the community policing model can enhance safety within the community, while careful housing and neighborhood design can encourage interaction between neighbors and reduce social isolation.

Variety in the housing market, including a range of unit styles, unit sizes, and ownership or rental opportunities, is key for the market’s ability to meet the various needs people have at all stages of life. As people age, lifestyles change, incomes fluctuate, and housing needs also evolve. Housing design is not simply a matter of visual appeal, but also of safe and healthy communities.

## Market Conditions

At the time the 2006 Comprehensive Land Use Plan was written and adopted, Duluth’s residential housing market was robust, with more than 4,000 resales annually. In 2008, however, the national recession hit Duluth and the housing bubble burst, leading to a decline in property values, development, and sales.

Since the recession, a number of additional factors have contributed to the continuing tightening of the residential market. First, the combination of restrictions in funding and reduction of construction demand resulted in contractors and skilled labor leaving the market area. The cost of construction rapidly increased and continues to increase to this day, negatively affecting the capacity of stakeholders to replace housing units in an affordable manner. In addition to the reduction in numbers of contractors and skilled labor, Duluth’s terrain – including steep topography, challenging soil conditions, shallow

bedrock, and abundant wetlands – further increases the cost of new construction. Because of the comparatively small size of Duluth’s housing market, there are no production home builders operating within the city. As such, existing home builders are predominately focused on new construction of custom homes, generally at the higher-priced end of the housing market. Finally, given current residential density patterns, the substantial cost of extending infrastructure often discourages infill or new development adjacent to built-up areas. These diverse factors and others compound to create a housing shortage in Duluth, much like the shortages found across the state of Minnesota.

In 2013, the City of Duluth and the Duluth Economic Development Authority (DEDA) contracted with Maxfield Research to determine what types of housing should be developed in Duluth to meet current and future housing needs. The study estimated total housing demand – including both owner-occupied and rental units – to amount to approximately 4,470 units from 2014 to 2020. Of this total, over 1,300 new units were identified as needed in order to serve entry-level and low-income residents.

The Housing Units Chart is a snapshot of Duluth’s housing market in 2017. It classifies by income level those units that have been added to the market since the Maxfield study and details what remains to be accomplished. Since 2013, just over 1,400 new units have been built in Duluth: 1,257 rental units and 145 owner-occupied units.

Much of the Duluth’s recent housing development has targeted the production of market rate rentals (675 units) and single-family homes with values over \$250,000 (110 new homes). Recent rental developments include Bluestone Lofts & Flats, Miller Hill Flats, Kenwood Village, Capstone Apartments, Grand Avenue Estates, and Endi. The market is in need of a variety of styles of housing, however, including subsidized rentals – a category which incorporates supportive housing – (290 units needed), entry-level opportunities for households earning up to 50% of the area median income (772 rentals and 165 owner-occupied units needed), and low-to-moderate workforce or “move-up” housing for those earning up to 80% of the area median income (835 rentals and 450 owner-occupied units needed).

Currently, although new single-family and multi-family units are being constructed, there are more blighted single-family units being demolished than new units being built. From 2010-2016, there was a net loss of 46 single-family units, while during the same time period the net gain of multi-family units was 659.





Since 2010, Duluth’s market rate rental vacancy rate has remained consistently low. The rate currently hovers around 3.6%, which is much lower than the national average of approximately 7% (U.S. Census data). Typically, higher vacancy rates mean more competition among unit owners, leading to slightly lower rents and more options for renters; a vacancy rate of 5 to 6% is considered healthy. Such a low rate as that currently found in Duluth indicates that the local demand for rental units exceeds the supply.

Opportunities for new construction can be found in neighborhoods throughout Duluth. In many developed locations, infill construction is appropriate. Many existing vacant lots, however, are privately held or owned by the State due to tax delinquency. New construction in these locations is hindered by lack of comparable new development and the complexities related to land ownership and transfer.

In some areas, vacant or dilapidated buildings present opportunities for redevelopment. The city’s Life Safety and Construction Services divisions collaborate with other divisions, including Community Planning, in the identification of areas—and buildings—where blight is detrimental to neighborhood success.

## Research & Community Process

### **Affordability & Accessibility**

Census data indicates that the percentage of renters and homeowners experiencing housing difficulties correlates closely with household income.

The U.S. Department of Housing and Urban Development (HUD) considers housing affordability to be when a household contributes 30% or less of its gross income toward housing. In 2017, the average annual wage for a family in Duluth was \$67,200. Using HUD’s definition of affordability, a family making this wage could afford housing costs of \$1,680 a month. HUD’s calculations do not take into account factors such as debt, property taxes, credit score, or interest rates.

The median wage is also sometimes described as the “moderate/move-up” income level. This category includes professionals such as teachers,





healthcare practitioners, skilled laborers, police, and businesspeople, as depicted in the table below. Although the average sales price of a single-family home in Duluth in 2016 was \$191,562, the average housing unit also needed repairs and renovation due to its age and condition. According to a preliminary study by the Duluth Area Association of REALTORS, the additional renovation costs on top of purchase price can range from \$38,503 to \$96,451, significantly impacting the financial accessibility of homeownership. Some programs in Duluth, such as the community land trust program operated by One Roof Community Housing, provide a level of very long-term (99-year) affordability paired with homeownership, which improves the accessibility of homeownership to low- and moderate-income households.

Identified Housing Needs: 4,471 Units Built: 1,400 Units Remaining: 3,000 approx.										
Income Levels	Area Median Income	Monthly Rent	Rental			Home Price	Units	Homeowner		
			Rental Units	Units Built	Need to Build			Units Built	Need to Build	
<i>Subsidized/Low-Income</i>	Below 30% AMI	\$0 to \$486	500	210	290	NA	0	0	0	
<i>Entry Level</i>	30%-50% AMI	\$300 to \$700	772	0	772	up to \$150,000	180	15	165	
<i>Moderate/Move-Up</i>	50%-80% AMI	\$700 to \$1300	1207	372	835	up to \$250,000	470	20	450	
<i>Market Rate/Executive</i>	80% + AMI	\$1,300 and above	1092	675	417	over \$250,000	250	110	140	
<b>3,571</b>								<b>900</b>		
<i>Income Levels</i>	<i>Income Examples</i>	<i>Job Types</i>								
<i>Subsidized/Low-Income</i>	\$13,000 or below	Food Service, Janitor, Part-time Employment								
<i>Entry Level</i>	\$22,350 to \$31,900	Office/Admin, Food Service, Sales, Beautician, Health care support, Construction, Hospitality, Dental Assistant, Bank Clerk								
<i>Moderate/Move-Up</i>	\$35,750 to \$51,050	Teacher, Healthcare Practitioners/Technician, Skilled laborer, Management, Business person, Government worker, Police, Carpenter								
<i>Market Rate/Executive</i>	\$70,000 and above	Engineer, Lawyer, Architect								

Maxfield Research, Inc.: February 2014

The gap between homeowners' and renters' median household incomes has increased by about \$10,000 over the past decade. The median household income for renters in Duluth in 2016 was \$22,067 and the average market rate rent was \$920. Using HUD's 30% affordability formula, an affordable monthly rent for one of these median income households would be approximately \$551, a number significantly lower than the average market rate rent. These numbers indicate that more than half of all of Duluth's renter households in 2016 were unable to afford average market rate rental housing. In 2016, 20% of Duluthians were living in poverty and approximately 34% were cost-burdened, or paying more than 30% of their gross income for housing.



**Supportive housing** assists people who need temporary assistance for housing, such as victims of domestic abuse, or who need permanent housing support, such as individuals with disabilities.

Approximately 13% of Duluth’s residents are disabled. A variety of styles of accessible housing should be available in both the rental and owner-occupied markets, and should be affordable for a range of income brackets. Accessible housing units should provide the same convenience and opportunities for residents as non-accessible units, including proximity to commercial areas, public transportation, and job centers.

Affordability and accessibility are linked concerns. In 2017, approximately 2,159 people in Duluth were living in shelters or supportive housing units. These types of housing are more expensive to provide and maintain than standard owner-occupied and rental units due to stringent regulatory codes and the cost of providing services. In order to meet the needs of all residents and prevent the concentration of poverty or populations, units of this type are needed throughout the city; future planning efforts will include evaluations of their distribution within Duluth.

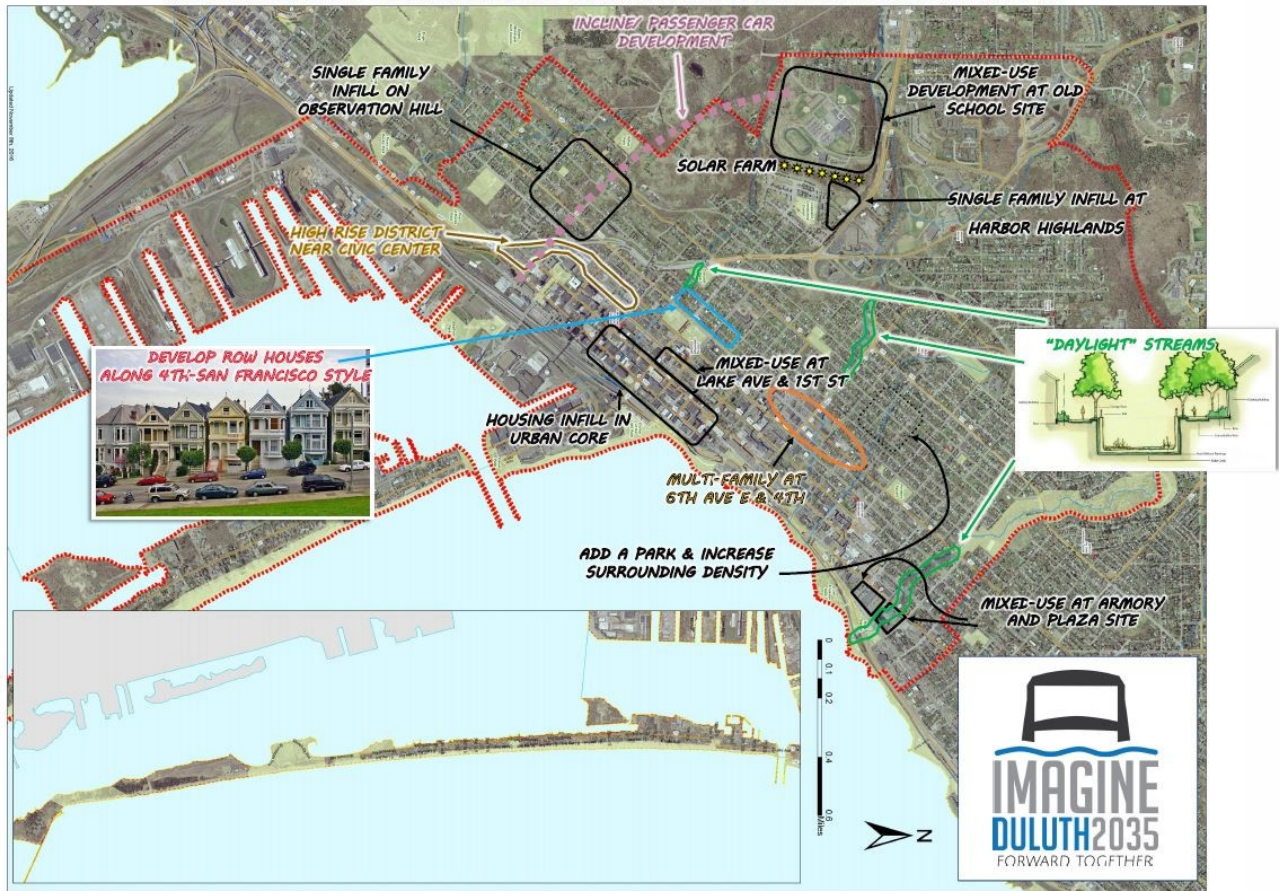
There is a distinct wealth gap between Duluth’s western and eastern neighborhoods. Just over half (56%) of Duluth’s total population of color lives in the western neighborhoods. The wealth gap and the segregation of people of color into lower-income neighborhoods are direct results of government policies. Future housing development must take these historic inequities into account in order to provide opportunities for all of Duluth’s residents. The City must work to promote fair housing practices for all Duluthians, both in its policy development and in the enforcement of anti-discrimination laws.

## Community Input

Community input has been a cornerstone of the Imagine Duluth 2035 process, particularly on the subject of housing policy. This type of interaction not only encourages residents to give feedback on the City’s proposed policies, but also to take an active role in shaping the creation and redevelopment of their neighborhoods and the city as a whole. The Imagine Duluth 2035 team has endeavored to provide a variety of opportunities for input, ranging from in-person focus groups, to tables at community celebrations, to online surveys.

Over 300 community members attended the Imagine Duluth 2035 kick-off celebration, where 40% of participating residents stated they liked where they live and wanted to continue living in the same area. Many indicated that one of their primary concerns about housing was the cost associated with rehabilitating existing units. A majority of respondents also indicated that when choosing where to live, “proximity to services” was more important than type of housing.

## NEIGHBORHOOD ENGAGEMENT SESSION BRAINSTORMING: DISTRICT #3



At the November 2016 social engagement sessions, residents were asked where they would recommend development of 600 units of new housing and 1,000 new jobs. Community meetings were held in Duluth's five Council districts. Residents provided creative ideas for their Council districts, as shown in the sample map above.

## Stakeholder Input

Representatives from stakeholder groups, including major affordable housing and homeless service organizations in Duluth, gathered in a series of invitational housing meetings in late 2016. Participants included the Duluth Housing & Redevelopment Authority, Duluth LISC, One Roof Community Housing, the Center City Housing Corporation, CHUM, Loaves & Fishes, the American Indian Community Housing Organization (AICHO), St. Louis County, and Community Action Duluth.

In March 2017, the group reconvened in a strategy session to map out the best locations for rental and owner-occupied housing development and those neighborhoods in which rehabilitation and infill should be used as primary strategies. Taking into account the extensive input



provided by the community and varied stakeholders during the Imagine Duluth 2035 process, the resulting map and strategies were formed into the Housing Action Framework.

The Imagine Duluth 2035 Vision Committee, the advisory body charged with guiding the comprehensive plan update process, also weighed in on housing issues on multiple occasions throughout the two-year process. The committee set a priority for infill development near available infrastructure, rather than housing development that requires major infrastructure investments. Beyond simply providing recommendations on policies and strategies for housing investment in the city, the committee deliberated specific best practices and whether regulatory or incentive based approaches would achieve the greatest results. Time was dedicated to the challenge of housing quality, including brainstorming solutions to challenges posed by the city's rental housing stock.

## Interim & Proposed Actions

In addition to the policies and strategies laid out at the end of this chapter, a series of interim actions was developed to direct housing policy and provide guidelines for immediate action. To accommodate the need for interim planning guidance, the Housing Action Framework was adopted ahead of the Imagine Duluth plan. Its recommendations are incorporated into and expanded within this chapter.

### Housing Action Framework

The Housing Action Framework delineates two different primary approaches to housing development: reinvestment and new investment. Its intended audience was local housing developers and advocates, who were able to use the framework to make decisions that aligned with its policies. The framework's intent is to provide guidance about:

- Reinvestment focused on older neighborhoods to improve livability, address historic inequities, promote private reinvestment, and guide the development of new larger-scale buildings, such as apartment complexes.
- New investment to address the existing mismatch between jobs and housing. This line of investment includes both the development of new and affordable workforce housing for community members presently facing lengthy commutes and development aimed at creating opportunities for economic integration and neighborhood revitalization.

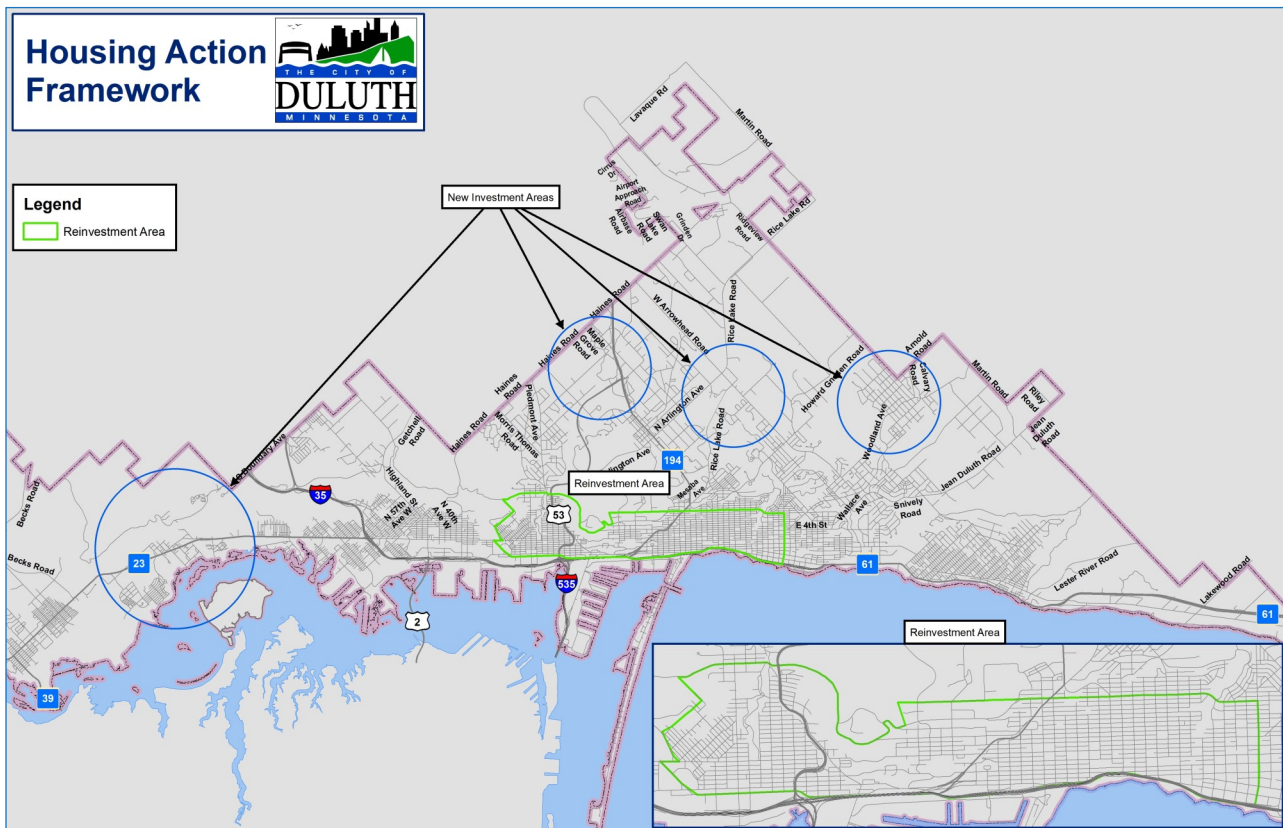
# Reinvestment

Reinvestment is the primary approach for the Lincoln Park, Central Hillside, and East Hillside neighborhoods. As the geographic areas that saw the first significant density in Duluth, these neighborhoods contain the city’s oldest housing stock and opportunities for infill. Some of the most affordable housing options in Duluth are also located in these areas, but many of these units are in need of repair and modernization.

Input received during Imagine Duluth 2035’s public engagement phase found that many young families would like to move into these neighborhoods, with the new Lincoln Park Middle School a particular draw. The need for renovation of the existing housing stock in these areas, however, is often perceived as a barrier.

The zone outlined in green on the map has been designated as Duluth’s reinvestment area. The specific 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 that become tax forfeit through the use of profit-sharing incentives.





- Generate additional funds to promote owner-occupied stabilization for reinvestment in those units with no income guidelines.
- Stimulate mixed-income and market-rate housing development on infill sites.
- Reinvest in neighborhood amenities that create 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 East Hillside's 4<sup>th</sup> Street and Plaza business districts.
- Support continuing efforts to acquire and rehabilitate tax forfeit and abandoned single-family properties, bringing them back into the housing market.
- Locate new supportive housing in areas that provide access to healthcare, social services, other goods and services, public transportation, and employment opportunities.

Redevelopment of key sites within the reinvestment area would result in positive impacts consistent with many years of City planning and policy decisions. These sites include the Esmond Building in Lincoln Park, the Harbor Highlands area of the Hillside, and the currently vacant Central High School site.

The City of Duluth and St. Louis County work together continuously to evaluate and address tax forfeit parcels throughout the city, a process more fully addressed in the Open Space chapter of this plan. In 2016, approximately 13% of Duluth's total land area was in some state of tax forfeiture. Efficient collaboration can turn tax forfeit land into opportunities for redevelopment, particularly for infill housing.

The Housing Action Framework also sets forth guidelines for defining and naming two areas as Specialized Improvement Areas (SIAs) in order to focus strategic and targeted investment. SIAs are selected based on their concentrations of vacant land, tax forfeit parcels, and condemned houses. Areas in Lincoln Park and the Hillside were chosen as the first SIAs. Targeted SIA investment over a two- to three-year period includes the identification of specific housing strategies tailored to each SIA, based on the specific challenges faced in that location. This level of customization is intended to allow community partners to organically choose the best strategies for each unique location and to include neighborhood input, rather than having their strategy dictated by adopted policy.

## New Investment

Affordable housing opportunities have historically been concentrated in the core areas of the city. This housing is often geographically distant from employment; for example, those job opportunities located in the Duluth Heights neighborhood at the top of the hill. Producing a variety of new housing developments in Duluth Heights and other key neighborhoods would increase options for



low- and moderate-income families and individuals. Throughout the Imagine Duluth 2035 process, residents frequently expressed their desire for “live/work” communities, or places which would allow them to live within walking distance of neighborhood business districts, near job centers, and in close proximity to transit lines. The neighborhood centers that could provide these desired amenities are indicated in the Transformative Opportunities chapter. Deliberately concentrating new housing in these areas would both provide housing options in proximity to amenity centers and, more generally, add to the variety of housing options across Duluth.

Increasing housing is not synonymous with encouraging sprawl. One of Imagine Duluth 2035’s main goals is to better use existing underutilized infrastructure by strategically increasing density. Infrastructure is currently under capacity in all of the new investment areas designated on the map. New housing development in these areas would simultaneously serve to increase Duluth’s resiliency and to assist in funding long-term infrastructure maintenance by improving efficiency.

The City can also proactively act to avoid sprawl by creating a base catalogue of available lots for infill or new development and allowing the establishment of additional sites only as existing lots are used. Intentional development phasing can promote density and strategic land use. Working together with partners such as St. Louis County and adjacent cities and townships to create an urban growth boundary, as further explained in the Transformative Opportunities chapter, would provide cohesive and straightforward direction for future development

Strategies to promote housing development in the new investment areas include:

- Use City resources such as tax increment financing and tax abatement in ways consistent with City policies for housing subsidies, to assist only those housing developments that align with Imagine Duluth 2035 principles and regulations and that contribute to the creation of affordable units.





- Promote inclusive neighborhoods with diverse populations by providing additional affordable housing options across Duluth.
- Implement policies for new housing development that limit the extension of City utilities and infrastructure.
- Prioritize new supportive housing options in areas that will provide easy, efficient access to healthcare, social services, other goods and services, public transportation, and employment opportunities.

The community land trust model for new home ownership by low- and moderate-income individuals is a priority for the City. New or rehabbed CLT homes can be constructed or rehabbed citywide, as they meet the goals for priority neighborhoods and also for those areas which lack adequate homeownership opportunity for all income levels.

## Core Investment Areas

Core Investment Areas (CIAs), explained further in the Transformative Opportunities chapter, are predominately geared toward the development of neighborhood nodes. Improvements in the CIAs would include updates to the built environment such as new trail connections or improved public streetscape amenities. Evaluation of the appropriateness of new housing opportunities would also take place, with consideration of whether investment in senior housing, a greater mix of affordable housing in certain locations, or new higher density housing to support retail areas would best fit each individual area.

In those CIAs where demographic conditions mean that existing housing and new construction at a market rate results in a limited supply of affordable units within a concentrated area, construction of new affordable housing will be a high priority.

## Small Area Plans

Previous research developed into plans such as the Riverside, Lincoln Park, Park Point, or Gary/New Duluth Small Area Plans, to name a few, provides additional focus for housing development in specific neighborhoods. These plans have influenced the formulation of Imagine Duluth 2035's policies and strategies and will continue to serve as references during implementation.



## Funding & Resource Needs

Construction costs and resource availability repeatedly surfaced as dominant themes throughout the Imagine Duluth 2035 process. These concerns further break down into the following categories:

- Additional public resources to support housing development
- Operational support for supportive housing
- Construction costs for multi-family new construction
- Construction costs for single-family new construction

The City has collaborated with the Duluth Area Association of REALTORS to evaluate factors leading to high costs of single-family construction. This collaboration has provided an opportunity to analyze how housing construction costs in Duluth compare to those found in other cities across the Upper Midwest; the results of the study will serve to inform Imagine Duluth 2035 implementation.

Stakeholder input via the Housing Action Framework and its definition of new investment and reinvestment areas sets forth priorities for where limited resources should be allocated.

The table on the right outlines local government support for housing investment and reinvestment. The City receives funding on an annual basis from The US Department of Housing and Urban Development (HUD). These funds are provided based on Duluth’s status as an Entitlement Community – as defined by HUD – and are intended to help support decent housing, suitable living environments, and economic opportunities for low- and moderate-income individuals. Annual funding sources include Community Development Block Grants (CDBG), the Emergency Solutions Grants Program (ESG), and the HOME Investment Partnerships Program. Each year, the City’s Community Development Committee develops priorities, reviews applications, and makes recommendations for the disbursement of these funds.

Year	Community Development Funding CDBG/HOME	Housing & Redevelopment Authority (HRA) General Fund Levy
2017	\$1,450,099	\$1,008,855
2016	\$1,485,679	\$974,879
2015	\$1,147,806	\$933,342

Other federal resources designated for housing include U.S. Environmental Protection Agency grants supporting site redevelopment and Department of Housing and Urban Development programs targeted for redevelopment. Occasionally, resources such as Historic or New Market tax credit programs are applicable to certain redevelopment or





development contexts. Exploration of HUD's Section 108 Loan Guarantee Program, which can be used to leverage other resources, may also at times be appropriate to encourage development of new affordable housing.

State and federal resources include the low-income housing tax credit process, often paired with other programs administered by the Minnesota Housing Finance Agency (MHFA).

Local assistance for development can include tax increment financing (TIF), tax abatement financing (TAF), and contributions from private foundations and nonprofits. Partners such as the local chapter of the Local Initiatives Support Corporation have been influential both for identifying resources and building capacity in local nonprofit organizations.

Duluth's Housing and Redevelopment Authority (HRA) receives local funding through a general tax levy. These funds are allocated as follows:

- 25% to support the HRA's federal programs, such as Section 8 housing and Public Housing;
- 25% to provide public benefits, such as police support in HRA buildings and the operation of community facilities such as the Rainbow Center;
- 50% to support development and redevelopment services to the community.

Aside from the HRA's levy authority and the City's contributions through its CDBG and HOME Investment Partnership programs, resources dedicated to the construction of new housing are generally allocated on a site-by-site basis and rely on tax abatement or tax-increment financing.



Supportive housing needs additional long-term funding sources. Currently, the resources used to provide assistance such as counseling services related to mental health, housing, and employment come primarily from non-local sources. Additional supportive housing units are needed in Duluth, both for transitional situations and for individuals in need of permanent supportive housing. State and federal resources that can be applied, however, have either stagnated or declined over the past several years.



Preservation and new construction of multi-family housing, whether affordable or market rate, has also been faced with flat or declining resources. Over the past decade, gap financing from local support has provided important contributions to new market rate developments in Duluth. New market rate multi-family construction has proceeded through partnerships with local and national financial institutions. The innovations of local developers, including collaborations across a wide range of local financial groups, have been important in allowing new development to proceed. In the case of affordable multi-family development, local and regional markets have relied extensively on the Low-Income Housing Tax Credit program administered by the MHFA. Gap financing has been provided through the use of TAF and TIF.

In addition to the development of additional financial sources, cost reduction measures are also critical. Site costs are frequently elevated in Duluth due to heavy clay soils and exposed bedrock throughout the city. Innovative design may reduce a portion of site costs and be encouraged through City policy, while growth in the number of contractors in the region would allow for the overall development rate to increase.

Further permanent financing sources have yet to be identified, but are vital for future housing development. The evaluation and development of potential sources will take place as the implementation of Imagine Duluth 2035 proceeds.



# Policies & Strategies

The research and input throughout Imagine Duluth 2035 led to development of five broad policies that also reflect the Governing Principles. Each policy was then further expanded into specific strategies to be carried forward to implementation.



## Policy #1 – 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.
- S5.** Create walk-to-work incentives for employers to support housing near employment centers.





## Policy #2 – 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 strategy for housing replacement and reinvestment that includes a variety of housing types and encourages homeownership.
- S4.** Catalog available lots and develop a schedule for development phasing. Bring new development sites online only after existing lots are 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.

## Policy #3 – 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.
- S2.** Actively enforce anti-discrimination laws and act to promote fair housing practices in coordination with the Human Rights Officer.
- S3.** Promote housing and neighborhood design that encourages safety, supports interaction between neighbors, fosters a sense of community, and reduces social isolation.
- S4.** Prioritize opportunities for permanent affordability, including affordable ownership programs, in neighborhoods throughout the city.



## Policy #4 – 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 curb appeal of neighborhoods, with consideration of elements such as lighting, trees and boulevards, streets and sidewalks, and well-maintained structures
- S3.** Seek new sources of funding to increase resources dedicated to construction of new housing and renovation of existing housing throughout the city.
- S4.** Continue to expand enforcement of the adopted housing and property maintenance codes, with a focus on rental housing. Evaluate measures to expand penalties for non-compliant properties.
- S5.** Encourage healthy and safe housing that provides high indoor air quality, noise protection, and that is free of hazardous materials and conditions.
- S6.** Consider programs to support contractors, including contractor capacity-building programs to encourage business growth that will be supportive of new housing options.

## Policy #5 – 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

- 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 or electronic, public or private, institutional or informal, that encourage neighborhood events, activities, and communication.
- S4.** Expand opportunities for temporary and permanent installations of art of all types in neighborhoods.
- S5.** Expand partnerships with St. Louis County to evaluate and develop tax forfeit parcels in appropriate locations for housing.



