

Chapter 3: Housing and Neighborhoods

Introduction:

Development of new housing continues in the City of Isanti, although not at the rate or diversity of housing types of the early 2000s. Since the Great Recession, development has centered on construction of single family houses on vacant lots or Outlots that either were already developed or had ready access to City roads and utilities. The amount of existing residential lots has been reduced as of the writing of this Chapter from 440 in 2011 to 50 lots. With the development of those lots and current housing market needs for new lots, there have been two new single family subdivisions developed in 2018 and 2019. Homes built in the last several years range from small single level patio homes and split levels, which appeal to first time and senior buyers, to larger multi-level homes for second or third time buyers. Regarding rental housing, no new facilities have been built in Isanti since the second Evergreen Apartment building was constructed in 2008. The last senior housing project, Prairie Senior Cottages, was built in 2010. It should also be noted that the City took substantial efforts during the Great Recession to work with foreclosed and successor owners to maintain and stabilize vacant single family housing in the City of Isanti. At the height of the foreclosure crisis in April 2010, the City was monitoring the condition and status of 171 homes, which at the time represented over 12% of that housing stock.

As a part of the development of the 2008 Comprehensive Plan, the City in conjunction with the Greater Minnesota Housing Fund (GMHF), developed a Housing Action Plan, which set housing goals and an action plan. With the change in the economy and severe recession, potential plans to work with GMHF on the action plan were not feasible. A review of the past GMHF housing plan indicates that some housing planning recommendations are still relevant in the planning period of this comprehensive plan update. Additional housing studies were performed in the East Central Region, which included the City of Isanti.

This Chapter will address the following regarding Housing: Framework and Assumptions, Existing Conditions, and Analysis and Recommendations.

Framework and Assumptions:

Housing is the single greatest land use in the City of Isanti. With Isanti's location on urban fringe of the Twin Cities metropolitan area, the desire and demand for low density residential housing will continue within the timeframe of this update. New residents are drawn to Isanti for the "small town feeling" and semi-rural area. They desire to have a single family home with a larger lot. A number of the new homes have unfinished space. This reduces the entry price for new owners. Most owners plan to complete the finishing of their home to increase the usable square footage. This builds equity and value in the home. This also allows the option for them to purchase a larger home. With completion of western and northwestern subdivisions, single family residential development will continue to spread east of Highway 65 in the next decade. This expansion will be based on the economy and market for new housing. Another factor will be the cost of new infrastructure.

There is also a continued demand for both multi-family rental and senior housing units in the City. The last market rate apartment building was constructed in 2008. Vacancy rates for multi-family units were below market averages in the last housing study. The need for senior housing, both owner occupied and multi-family continues. This need has been somewhat addressed by the housing market with construction of single level patio homes in the City. Seniors are also purchasing larger single family homes in order to provide accommodations for other family members. Multi-generational use in homes is not uncommon. The need for both multi-family and senior housing was recognized in the 2015 housing study.

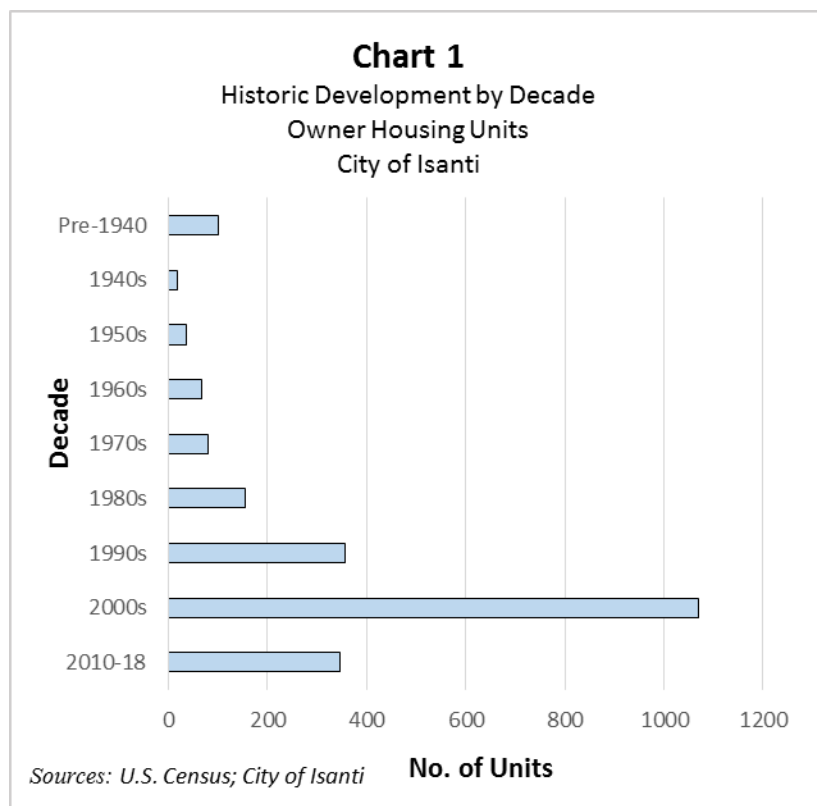
As recognized in the 2008 Comprehensive plan, housing quality, type and neighborhoods are an important indicator of quality of life. That indicator, coupled with household size and other demographic indicators, are used by commercial developers and locators in decisions whether to locate in a community. City residents not only supply customers for the business, they are also potential employees.

Existing Conditions:

This sections contains both historic trends of development, building trends and market values and how they relate to current and projected housing needs in the City of Isanti.

Development by Decade

As you see in the following chart (Chart 1), the historical pattern of residential growth in the City of Isanti is shown. Housing development in the time period of the 1940s to the 1970s was very low, with 201 units over those 4 decades. The pace of housing development was greatest in the time period of 2000-2010, with over 1,000 units constructed. That time period coincides with low fuel prices, favorable financing, and consumer demand. This also fueled development of alternative housing types in Isanti, including townhomes, condominiums and apartments. Large areas of the west and northwest side of Isanti were subdivided and developed, or planned for development in the near future.

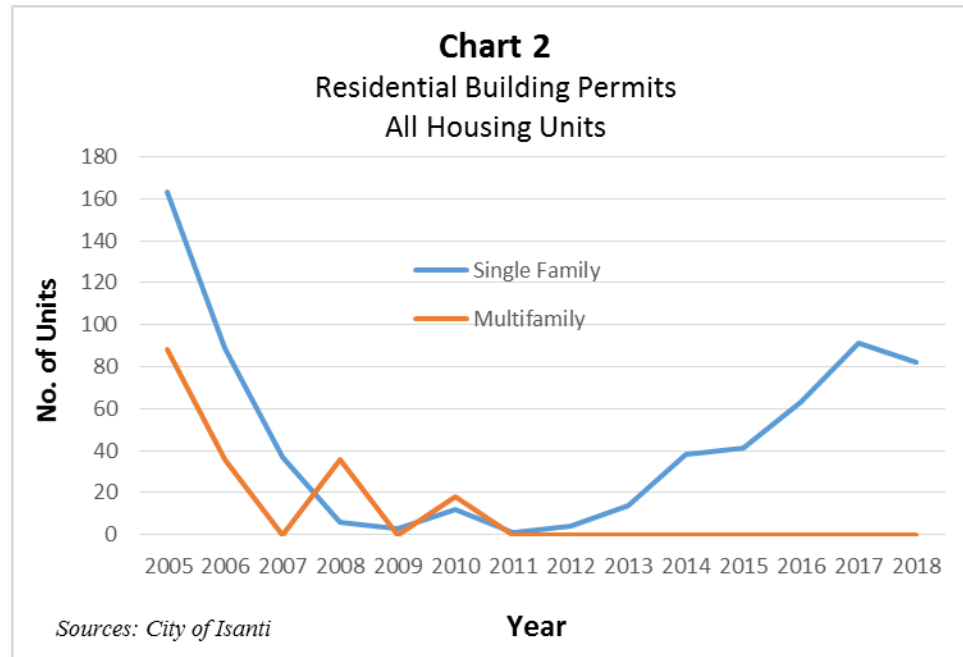


The 2008 Comprehensive Plan noted a slowing of the development of housing, but anticipated a rebounding and continued growth, with a projection from 2005 forward of over new 1,000 households in the City by 2015. The Plan could not have anticipated the Great Recession which basically halted housing development. In the depth of the foreclosure crisis in the City in 2011, only 1 new single family home was constructed that entire year. It would take until 2014, with the construction of 38 new single family homes that the City would meet its revised housing projections (30 units annually/utility connections). As discussed, single family housing development has rebounded in the City with 346 homes built since 2010, with most constructed in the past 3 years. Senior housing

needs, beyond independent living, were also partially addressed with development of Prairie Senior Cottages in 2010, adding 18 housing units for those requiring assisted congregate housing services.

Residential Building Permits

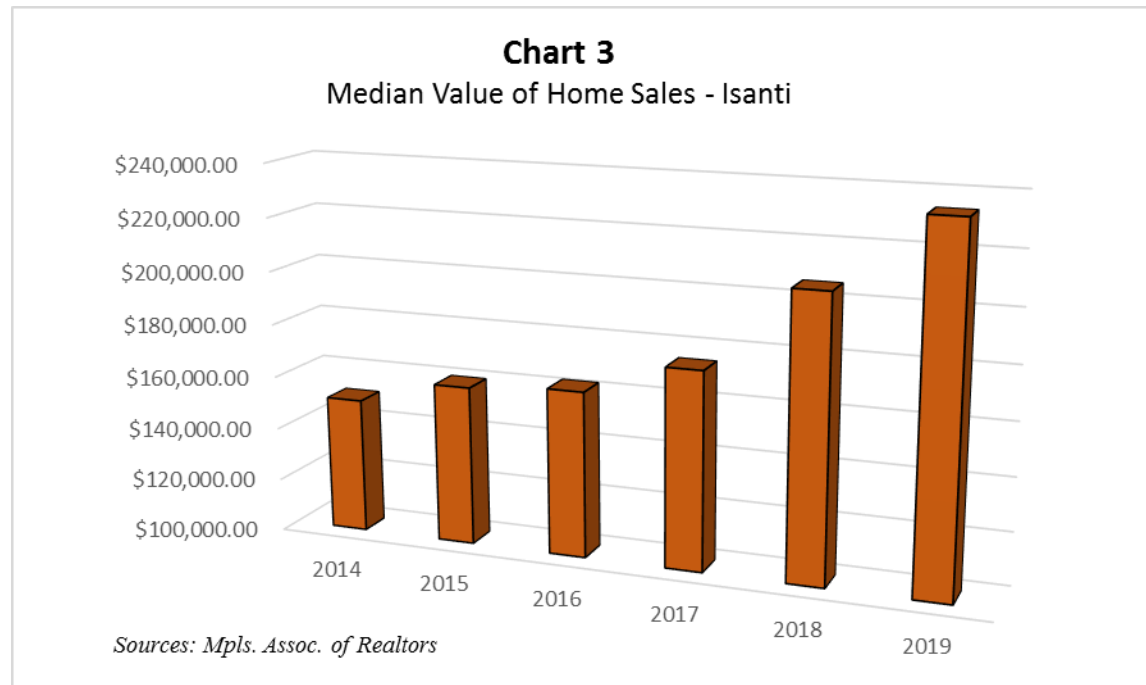
Chart 2 shows Residential Building Permits for all housing units since 2000.



The graph reflects the change in the total number of housing permits which peaked in 2005. From 1990 to 2000, residential building permits averaged 30 to 35 units. From 2000 to 2004, Isanti averaged 150 to 160 units per year. During those years, townhouses represented 25% of the new housing units produced. Housing production since 2010 has been single family homes, which have ranged from smaller one level patio homes to larger multi-level homes. Within the past 3 years, there have been larger homes built (1200 sq. ft. plus) as a percentage of all homes built for that year.

Median Home Sales

Chart 3 shows the median sale price of housing units sold in Isanti from 2014 through 2018.



As you can see in the chart, housing values have trended higher since 2014. In 2018, the single family housing market in the City of Isanti recovered to the level of the highest median value in 2005, when median values were just under \$200,000. This is due to the creep of higher metro values north and a reduced inventory of existing houses on the market. Values in 2019 have continued to rise, but signals of a slowing housing market are temporing those increases.

With the housing market regaining former values, the issue of housing affordability may become an issue in the next 10 years. The 2015 East Cental Housing Study recognized this. Their study shared that 33% of housing owners and 46% of renter households were paying more than 30% of their income for housing costs in Isanti County. The City should consider tracking this indicator to guide community and economic development decisions in the next decade.

Housing Real Estate Market

Listed below are notable aspects of the residential housing market in Isanti..

- The Isanti housing market continues to be sizable, with 1,034 units marketed in the past 3 years.
- Single family home median values have increased from \$177,900 in 2016 to \$220,000 in 2018.
- The single family housing market includes starter and senior housing with building square footages averaging 1000 sq. ft. on the main level to larger move-up homes with 1230-1300 sq. ft. on the main floor, with total finished square footage over 2500 sq.ft.
- In recent years single family homes with larger square footages on multiple floors have averaged 44 % of the housing market.
- No townhomes have been built in the post recession time period. Builders have shared that the market is not there for this housing product.
- Existing homes requiring major updates (roofs, windows and doors) are being improved as the value of such properties is increasing.

Rental Housing

Since the Great Recession there has not been construction of new market rate or subsidized multi-family apartment buildings or seniorassisted congregate housing in Isanti since 2010. There have been proposed market rate and senior assisted living proposals in Isanti since that time, but none have constructed. The 2015 East Central Minnesota Housing Study determined that market rate rental vacancy rates were very low (1.3%) and that additional rental housing in Isanti was needed. In a healthy rental market vacancy rates average 5%.

There has been much discussion in the past regarding the need for rental housing in Isanti. In a community that addresses life cycle housing for all age groups, rental housing is needed for the following residents:

- Seniors who desire to downsize and reduce home maintenance responsibilities and desire to remain in the City.
- Newly employed households that need housing but cannot afford to relocate here and buy a home.

- Newly formed households of adults that were raised in the community and need affordable housing. These households may move up to starter homes and it is in the City's interest to retain them.
- Households that need to downsize due to economic reasons and desire to remain in the City since they may have family members in the school system, and/or are closed to extended family.

Another part of the rental housing equation is availability of land for development. There is limited land for development of multi-family housing in Isanti. Areas near commercial and transportation corridors should be evaluated for suitability for multi-family housing. Since population numbers and residential density are strong considerations by commercial developers, the City needs to consider how these land uses could work together as the City develops.

Other Housing

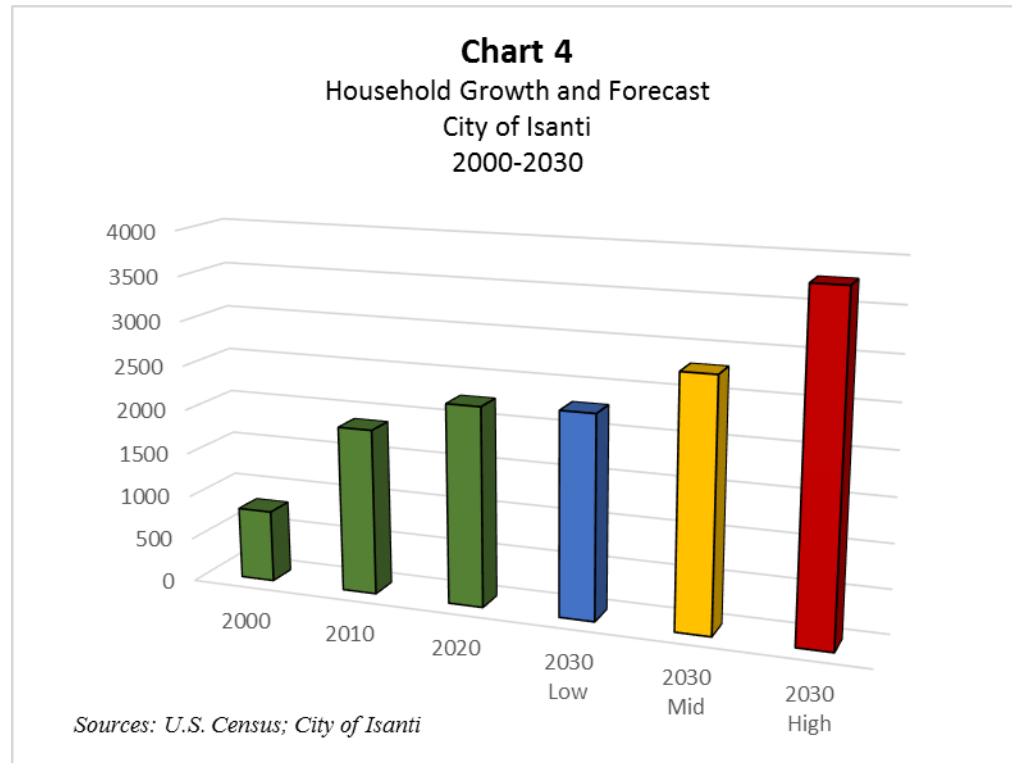
Past housing plans and studies have shown the need for senior assisted and congregate housing. Isanti has one facility that serves this need. Other facilities have been developed in adjacent cities to address these needs. These developments often serve residents of all income levels and a financial subsidy is needed to assist in their development. The City will need to consider the need for such facilities in Isanti and its policies for financial subsidies, if it is to provide for these housing facilities in the community. Demand for this housing option, with ancillary services will increase in the next decade as the population ages and seniors increase in numbers.

Neighborhoods/Housing Developments

The 2008 Comprehensive Plan addressed neighborhood patterns and housing developments in the City of Isanti. Through past land use planning by the City, new subdivisions and neighborhoods have been developed in a phased planned method that was also dependent on available land, street and utility systems. Unless specifically guided as a Planned Unit Development, most lots are in the 10,000 to 12,000 sq. ft. range in size. The majority of housing in these neighborhoods is single family housing. While there was development of townhouses in the early 2000s, most of the remaining land guided for that use was later developed as single family housing, with the majority one level patio or split level homes.

Residential neighborhoods have been developed in the northwest, west and southwest areas of the City. There is some room for expansion within the City limits in the south and southwest areas, but the remainder of the areas described

above will be filled with new single family housing within the first 5 years of the next decade. There are areas on the east side of Highway 65 that are available for single family housing development. This will be further reviewed in this comprehensive plan update under land use.



Analysis and Recommendations

So far in this Chapter, the existing housing, market conditions and locations have been reviewed. Chart 4 above shows projected growth of households in the City. New housing will be needed to accommodate these new households. Since the Great Recession, single family housing has been built on existing and newly platted lots. Recommendations for the guidance of housing in the next decade are as follows:

- In the 2008 comprehensive planning process, there was much concern regarding neighborhood quality and design. This is still a concern today, with new residents desiring single family neighborhoods with larger lots and a “small town feel” in the City. Demographics show that the need for single family housing, both starter and second homes, are needed in the City. Land use guidelines for housing types, lots sizes, and coverages should be reviewed to ensure quality design. Diversity through planned unit developments should continue to be considered and used to create unique neighborhoods that are desirable and attractive. The emphasis

should be balanced housing development, with a continued push towards construction of larger second homes or executive homes.

- There is a continued need for multi-family housing in the City. This type of housing ranges from market rate apartments to senior congregate housing. The 2015 housing study should be updated. Data from the update would assist in verifying housing needs. The location of multi-family housing should be near major transportation corridors. There may be opportunities to place such housing adjacent to commercial areas. This density of housing may assist with development of those commercial areas. This should be taken into consideration with land use planning near the Highway 65 and Heritage Boulevard commercial corridors. The Downtown area should be also looked at for expansion of housing, especially first floor commercial redevelopment with upper level housing.
- Conservation development is important in the City of Isanti. In considering new residential development, Isanti's natural areas, systems and those amenities should be incorporated through subdivision design or planned developments. Existing wooded areas, wetlands and wildlife corridors should be retained as a part of development. Public open space to preserve natural amenities, either through land donations, easements or associations, should be part of the planning process for development of those areas.
- Utility system capacities and facility planning should be incorporated in the phasing of residential development. The current wastewater and water treatment plants have capacity for additional residential growth, but this capacity and expansion of existing or new utility systems should be in conjunction with a phased plan for residential growth.
- The City should consider an update to the 2008 Housing Action Plan to set priorities for housing development in the next decade. This planning effort would first require an update to the 2015 housing study.

Goals/Strategies

- Continue to study housing goals, needs and resources. Watch for changing housing market conditions and opportunities/projects to meet City housing needs and create life cycle housing choices for residents.
- Create desirable neighborhoods through inclusion of natural amenities, parks, sidewalk and trail systems. Include natural systems in planning so that these amenities and wildlife corridors are maintained.

- Encourage a diversity of housing units through architectural design styles, building placement, density and lot size to create unique neighborhoods in the City.
- Monitor condition of existing housing. If market prices stabilize or decline, the City may need programs to assist with renovation of older housing in the community. Multi family housing building conditions should also be monitored with rental license renewals.