

Cambridge City Council Housing Study Meeting Minutes

Monday, July 1, 2024

A special meeting of the Cambridge City Council was held at Cambridge City Hall Council Chambers, 300 3rd Avenue NE, Cambridge, Minnesota, 55008.

Members Present: Mayor James Godfrey; Councilmembers Lisa Iverson, Aaron Berg, Mark Ziebarth, and Bob Shogren.

Staff Present: City Administrator Vogel, Deputy City Administrator Smith, Community Development Director Westover, City Planner Nosbush.

Call to Order

Godfrey called the meeting to order at 4:33 pm.

2024 Housing Study Overview

Matt Mullins, Vice President of Maxfield Research & Consulting, presented the results of the housing study, completed in the slower winter months of 2024. Data was collected in the Primary Market Area (PMA), which included 11 local townships, Cambridge, Isanti, and some of Braham.

Mullins said Cambridge had substantial population growth over the past two decades. Looking forward, strong growth rates are expected to continue over the next decade. The 65-plus age range and millennials will be the majority of the growth. There is an abundant amount of senior and one-level housing in the city. Mullins was surprised to see that single-person households dominated the market in Cambridge. Approximately two-thirds of household size is single-person. The upcoming new rental stock is expected to bring in more millennial growth. Married with child has declined, while married without child has increased in the past decade.

Millennials and Gen-Xers have the highest income, averaging \$91,000, Mullins reported. The younger generation, 25- to 34-year-olds, still have strong income, averaging \$85,117. Home owners have about 50 percent higher income and 40 times greater net worth than renter households. Cambridge is a job importer, offering 6,704 jobs within the city. Education and Health Services make up 31.7 percent of the jobs. A close second is trade, transportation, and utilities at 24.0 percent. Average wage for the city is \$47,112. Unemployment was high everywhere during the pandemic in 2020, but unemployment rates rebounded well, though is not back to the pre-pandemic work force. Employers are struggling to find qualified workers.

The current housing stock in the city is newer, mostly built in 2000 or later. In 2020, 2021, and 2023 there was a ramp up in multi-family housing construction, whereas single-family construction declined. This is mostly due to interest rate hikes and inflation. Vacancy rates in multi-family housing with eight or more units are extremely low at 1.3 percent across the board. A healthy rate should be around five percent. There is zero availability in affordable and subsidized rental units. There are many projects in the pipeline that will create an influx of new units, it is cautioned to monitor how they absorb into the market over a period of six to twelve months.

Mullins touched on Naturally Occurring Affordable Housing (NOA) stock, which has no income guidelines yet is considered affordable due to age, condition, or lack of amenities. The majority of the

existing product in the city is considered NOA. New construction should target lifestyle renters, such as the millennials and empty nesters seeking rental units with less maintenance. These demographics typically have higher income.

Mullins informed many projects are on hold due to inflation, and builders are waiting for the next rate cut. It is predicted rates may lower at the end of 2024, with more cuts to follow in 2025. If that happens, developer interest will spike. Currently, about one-third of the city's rental stock is detached, single-family homes. There is a strong demand for these types of rentals, trends show people are seeking more space and privacy, and there is a decline in available homes to purchase.

Mullins said the senior demographic is the fastest growing age cohort in Cambridge, yet the inventory for active living housing has zero availability. Assisted living and memory care have high vacancy rates. There is a need for age-restrictive, active living housing, such as senior coops or condos. Through the next decade, it is predicted there will be a need for 139 active adult senior units at market rate, 163 subsidy rentals, 109 deep subsidy rentals, and 115 ownership units.

Mullins reported there are not many single-family homes available for sale in the city, and the majority of sales that have occurred were in the price range of \$300-400,000. Multi-family sales have been lower at \$200-300,000. Typically, townhomes are bought by entry-level buyers. 18 months ago, a household income of \$60,000 was sufficient to purchase a \$300,000 home. In 2024 the required household income has risen to \$90,000 due to higher interest rates.

Mullins said Cambridge has a sufficient new construction lot supply for the next three to five years, but it is advised to plan now for future development that will likely occur once interest rates drop. Focus should be on new product that targets move-up buyers with a price point of \$350-425,000. National builders are able to offer incentives that local builders cannot compete with. Efforts that increase affordability include smaller lot sizes and homes, and more townhomes and other attached housing.

Mullins reported that rental demand over the next decade is estimated at 900 general-occupancy units. Taking into consideration the projects under construction, it is predicted there is a need for 128 more market-rate units, 38 affordable units, 96 subsidized units, and 850 more senior housing units with focus on active and independent living.

Mullins continued, it is recommended to have a three- to five-year lot supply for single-family housing. There will be a demand for around 450 more homes after the current lots are absorbed. More diverse lot types such as walk-outs, look-outs, etc. are popular. There is a strong demand for association-maintained product that is popular with older adult and senior households.

Godfrey asked if there was a visual of the demographic breakdown on the predicted lots needed. Mullins said a lot was considered a detached home, and there was a chart that broke down need by multi-family and single-family in the report. Godfrey clarified he was looking for a breakdown of need by demographic, such as multi-family, aging population, etc. Mullins said there was a one-page summary table towards the end of the report that covered this. Godfrey asked if any projections considered the potential light rail project, Mullins said that was not considered.

Vogel asked if the need for more lots in the future was based on past demand, and if there were more lots would more people want to build and buy them? Mullins said data is calculated based on how many new units per year were being produced, and historically more homes were produced per year in the last decade. The view for the next five years for lot absorption is slower than in the past, and the lot supply need was based on selling 40 homes per year. It is important to focus on desirable lots, just because there are available lots does not mean people want to build on them. Also, some homeowners buy the lot next to theirs for more space and have no intention to build.

Ziebarth asked the top two recommended things the city should consider to help with the challenges presented, Mullins said the demographics skew heavily towards 55-plus active adult senior housing needs. This will free up additional housing as seniors move into the new units. The second thing to consider is the amount of multi-family units under construction, it is recommended to monitor them to see how they absorb.

Berg noted the baby boomer population is aging, and the millennial and Gen-X population numbers are not as high. This indicates a delicate balance on how many senior units are needed, as they may not be filled in 13 years when the boomers age out. Mullins said there has been a lot of speculation on this in the past decade. It was reported the market would drop and the single-family housing stock would not be filled when the baby boomers retire, so far this has not happened. There will be a lull for the lower Gen-X population, but millennials and Gen-Y are in par with the baby boomer population. The key is to design buildings that are adaptable and flexible to ensure a stable future.

Planning Commissioner Liddy noted the report said Cambridge is a job importer, yet there has been a shift of people from working from home after the pandemic. How is that calculated if they are working from home for a company outside the city. Mullins said that data cannot be easily tracked, so there is no clear answer. Liddy asked if infrastructure needs were considered, Mullins said the study was based only on housing needs, not infrastructure capacity or needs.

Planning Commissioner Kluck asked if the rising diversity in population was taken into consideration, Mullins said some overlying trends in diversity were addressed, though diversity growth for Cambridge is a small percentage of the overall market compared to other communities.

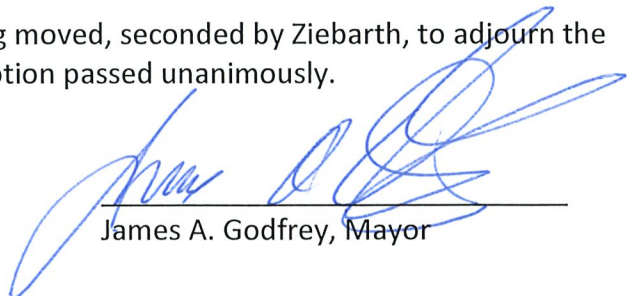
Adjournment of Council Meeting

Being no further business before the City Council, Berg moved, seconded by Ziebarth, to adjourn the special meeting at 5:52 pm. All voted aye, no nays, motion passed unanimously.

ATTEST:



Evan Vogel, City Administrator



James A. Godfrey, Mayor