



CITY OF CLOQUET

**City Council Agenda
Tuesday, October 1, 2024
Work Session 5:00
Regular Meeting 6:00 p.m.
City Hall Council Chambers**

Work Session

2024 Cloquet/Scanlon Housing Study – Stantec

Regular Meeting

1. **Roll Call**
2. **Pledge of Allegiance**
3. **Approval of Agenda**
 - a. Approval of October 1, 2024 Council Agenda
4. **Approval of Council Minutes**
 - a. Regular Council Minutes from the September 17, 2024 Meeting
5. **Public Comments**

Please give your name, address, and your concern or comments. Visitors may share their concerns with the City Council on any issue of public business. Each person will have 3 minutes to speak. The Mayor reserves the right to limit an individual or successive individual's presentation if they become redundant, repetitive, irrelevant, or overly argumentative. All comments will be taken under advisement by the City Council. No action will be taken at this time.
6. **Consent Agenda**

Items on the Consent Agenda are considered routine and will be approved with one motion without discussion/debate. The Mayor will ask if any Council members wish to remove an item. If no items are to be removed, the Mayor will then ask for a motion to approve the Consent Agenda.

 - a. Resolution No. 24-63, Authorizing the Payment of Bills and Payroll
 - b. Approve Cloquet River Run 5k Street Closure Request
7. **Public Hearings**

None
8. **Presentations**
 - a. 2024 Outstanding Conservationist Award – Alyssa Boss, Carlton SWCD
 - b. Mayor's Proclamation – Indigenous Peoples' Day



CITY OF CLOQUET

City Council Agenda Tuesday, October 1, 2024 City Hall Council Chambers

9. Council Business

- a. Accept 2024 Cloquet/Scanlon Housing Study
- b. Approve Detective Appointment - Holshouser
- c. Resolution No. 24-64, Authorizing the Cloquet Police Department to Enter into a Grant Agreement in Partnership with the Carlton County Sheriff's Department and Fond du Lac Police Department to Act as Primary Agency in the Administration of the Regional Towards Zero Deaths Grant

10. Council Comments, Announcements, and Updates

11. Adjournment



CITY OF CLOQUET
Community Development Department
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COUNCIL WORK SESSION

To: Mayor and Cloquet City Council
From: Holly Hansen, Community Development Director
Reviewed By: Tim Peterson, City Administrator *TP*
Date: September 6, 2024

ITEM DESCRIPTION: 2024 Cloquet/Scanlon Housing Study

Background

The cities of Cloquet and Scanlon last conducted a housing study in 2014. A budgeted work item for 2024 is an update to the housing study for Cloquet/Scanlon. The city solicited consultant proposals earlier this year and a Selection Committee with membership from Cloquet and Scanlon recommended Stantec be hired.

On July 10, 2024, the Cloquet Economic Development Authority (EDA) held a workshop to review preliminary findings from the study with Stantec. Others in attendance included City of Scanlon staff and Cloquet Housing Redevelopment Authority staff and board members.

Jay Demma, lead project consultant from Stantec (who also conducted the 2014 Cloquet/Scanlon Housing Study) will review findings and trends with the Council during an October 1st work session with a half hour presentation followed by a half-hour of discussion prior to the start of the Council meeting. The Scanlon City Council and staff have also been invited to this work session.

During 2024, Carlton County hired consultant LOCi to conduct a countywide housing study. The summary of findings and full report for the Carlton County Housing Study are available on the Cloquet EDA website at <https://www.cloqueteda.com/cloquet-eda/community-plans>

Supporting Documents Attached

- 2024 Cloquet/Scanlon Housing Study (also available online here: <https://www.cloqueteda.com/cloquet-eda/community-plans>)



Cloquet/Scanlon Housing Study

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01
INTRODUCTION

INTRODUCTION

Cloquet/Scanlon Housing Study

Conducted during the first and second quarter of 2024, this study evaluates the residential housing needs for Cloquet and Scanlon. The study draws on a range of economic development drivers, local demographic changes, current market performance indicators, and a detailed inventory of the residential stock to determine gaps and needs in each City’s housing inventory.

By examining the current condition of the property market, identifying existing gaps, and considering potential needs, this study provides stakeholders an important source of information for guiding future residential development in the interest of enhancing the vibrancy and quality of life of in Cloquet and Scanlon.

Stantec’s methodology is detailed in the graphic on the right. Three main components were examined: 1) market indicators and drivers; 2) local demographics; and 3) the existing housing inventory. The study utilized a range of quantitative and qualitative data to assess each component, and, when evaluated collectively, the components helped identify gaps and mismatches in the supply of housing.

Methodology



Housing Inventory

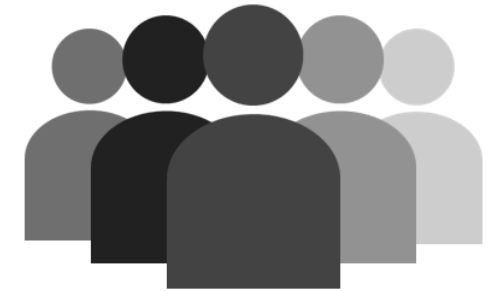
- Building type
- Condition
- Location
- Rent/home value
- Tenure
- Restricted

GAPS/ MISMATCHES



Market Indicators/Drivers

- Rent/Cost Trends
- Vacancy Trends
- Employment Trends
- Development Activity
- Conversions
- Demolitions
- Real Estate Expert Interviews



Demographics

- Age/life stages
- Household types
- Race/diversity
- Education
- Income
- Migration
- Transp. access

INTRODUCTION

Report Structure

The report is organized according to the analytical steps required to conduct the study.

The first section is an executive summary that contains key findings from the study.

The second section examines major drivers of land use in Cloquet and Scanlon. Examined are the drivers of economic growth in Cloquet County and the Duluth Metropolitan Area. Economic data includes industries driving growth, spatial clusters in the metro region, and clusters specific to the Cloquet/Scanlon region. Connections are developed that link the industrial structure to demand for housing types. Additionally, we examine commuting patterns and the broader composition of where and in what industries Cloquet and Scanlon residents work.

The third section examines the shifting demographic structure of Cloquet and Scanlon. The community's demographic structure is linked to demand for different housing types that either exist in the community or are in demand.

Fourth, we examine the housing market dynamics in Cloquet and Scanlon. The study examines market trends across a broad array of housing typologies.

Changes in home values, rents, vacancy rates, and inventory are indexed alongside housing incomes and household structure to identify current 'pain points' in the market. Interviews with developers provide additional market context. The market study and inventory are then analyzed to identify needs.

Current community needs are then juxtaposed to projected future need. Projections by number of households and by household income bracket help determine demand for different housing types and identify housing goals.

Once housing goals are identified to meet current and projected future needs, a set of strategies are identified that could aid Cloquet and Scanlon in their efforts towards securing community housing goals.

Data Resources

This study represents a compilation of data gathered from various sources, including the properties surveyed, local records, and interviews with stakeholders as well as secondary demographic material. Data is sourced from the US Census, the American Community Survey (ACS), the Longitudinal Employer-Household Dynamics study (LEHD), the Bureau of Labor Statistics (BLS), the

Bureau of Economic Affairs (BEA), the Minnesota Department of Employment and Economic Development (MN DEED, Zillow, and CoStar).

Although Stantec judges these sources to be reliable, it is impossible to authenticate all data. The analyst does not guarantee the data and assumes no liability for any errors in fact, analysis, or judgment. The secondary data used in this study are the most recent available at the time of the report preparation.

The objective of the report is to gather, analyze, and present as many market components as reasonably possible within the time constraints agreed upon. The conclusions contained in this report are based on the best judgment of the analysts; Stantec makes no guarantees or assurances that the projections or conclusions will be realized as stated. It is Stantec's function to provide our best effort in data aggregation, and to express opinions based on our evaluation.

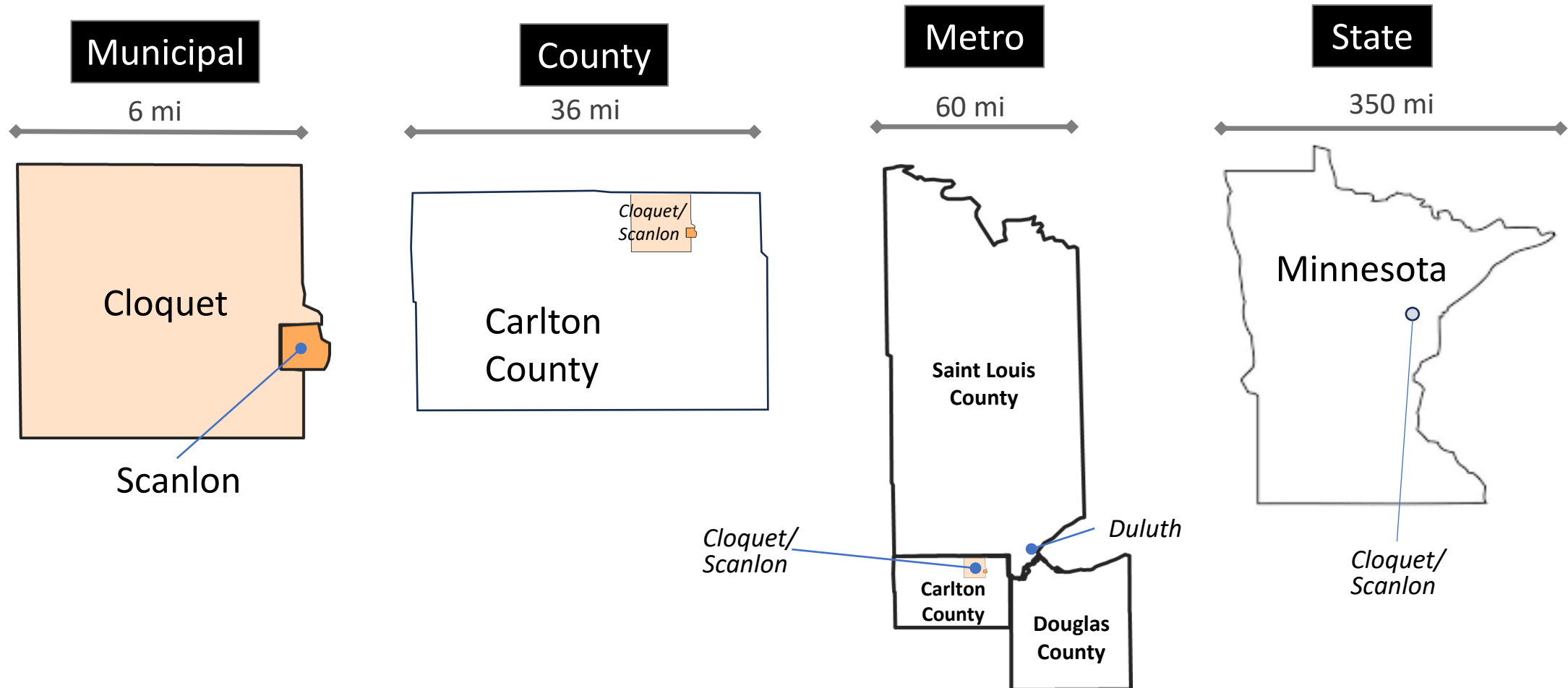


02

EXECUTIVE SUMMARY

Geographies

The study examines both Cloquet and Scanlon within the broader economic region in which they are situated. This includes the municipal level of Cloquet/Scanlon, Carlton County, the Duluth CBSA (i.e., metro area), and the State of Minnesota. This helps contextualize the Cloquet and Scanlon market.





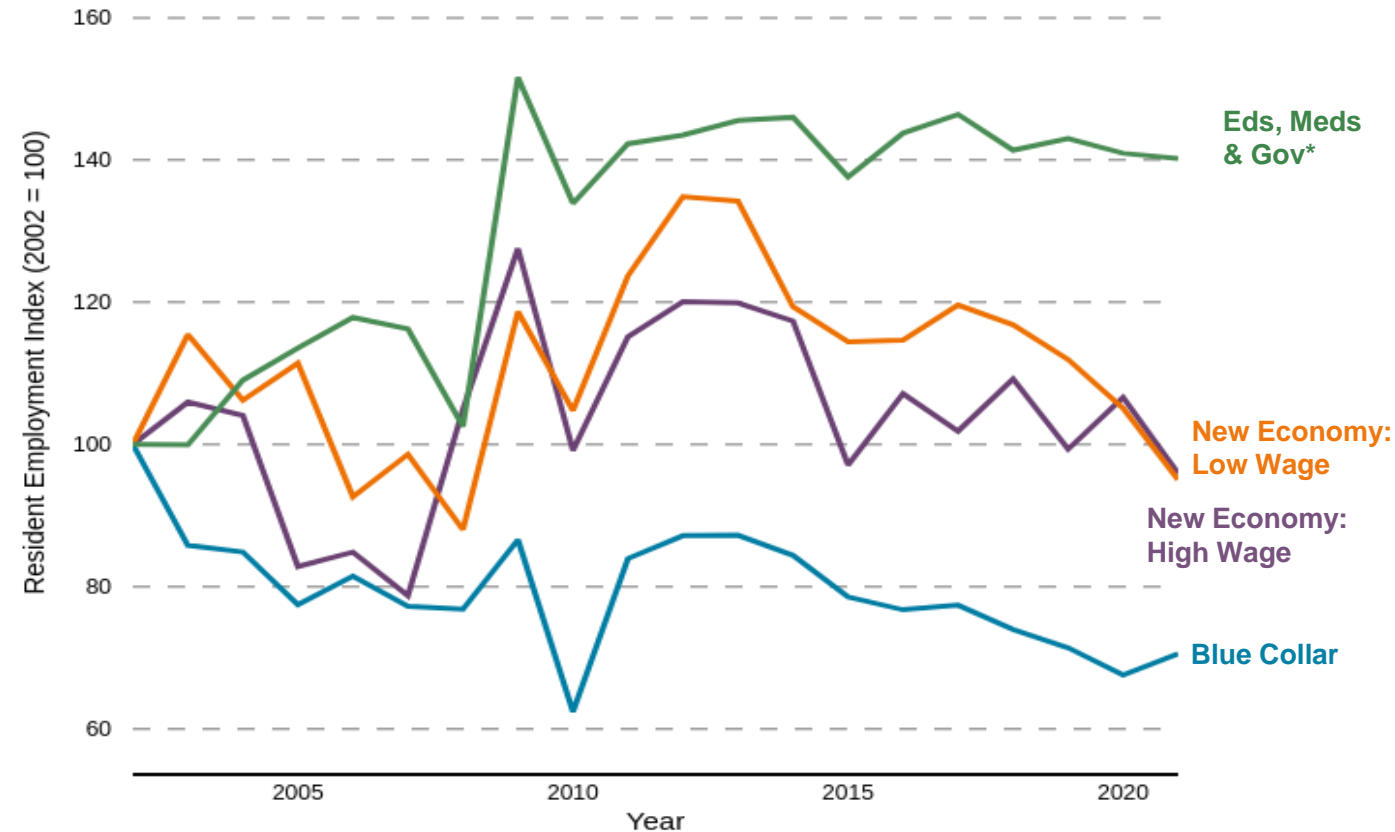
Key Findings: Economy

Manufacturing and other ‘middle income’ jobs, though still important, are being replaced by lower-wage service jobs. Median household incomes are lower, and growth has been more moderate than comparison geographies.

Impact 1: Greater demand for lower cost housing – both rented and owned. 42% of renter households are rent-burdened or pay more than 30% of their income in rent.

Impact 2: Lower income households are more likely to rent rather than own.

Cloquet & Scanlon Resident Industry Composition: Indexed



Source(s): OnTheMap 2002-2021

*Jobs on the Fond du Lac reservation (for example, the Casino) are coded as ‘Government’ related enterprises and are the major driver of employment in the Eds, Meds and Gov category.



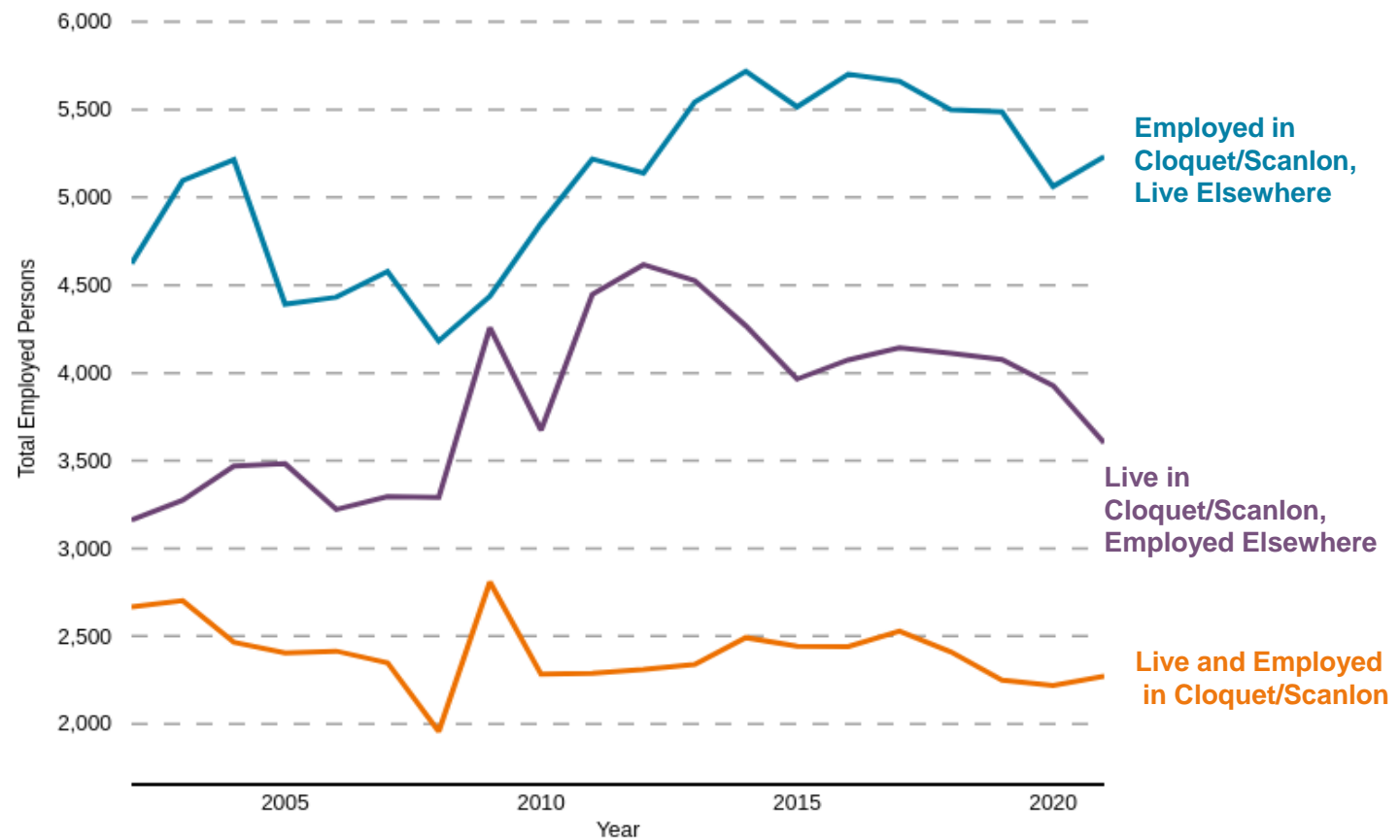
Key Findings: Economy

Cloquet and Scanlon's economy is becoming increasingly integrated with the broader Duluth metro area.

Impact 1: Households are becoming more open to longer commutes in the interest of finding attainable housing and/or employment.

Impact 2: 42% of people who live in Cloquet/Scanlon commute to Duluth for work, whereas the major source of commuters to Cloquet/Scanlon for work are from unincorporated Carlton and St. Louis Counties.

Commuting Patterns Over Time in Cloquet & Scanlon



Source(s): OnTheMap 2002-2021



Key Findings: Economy

Generationally high inflation has resulted in major ripple effects across the economy.

Impact 1: High mortgage interest rates, rising wages, and high cost of materials have conspired to drive up the cost of housing construction and/or preservation.

Impact 2: Inventory remains constrained as households with lower debt financing costs hold onto mortgages even if their current housing arrangements are unsuitable to their needs.

Impact 3: Households are more likely to rent rather than own due to low inventory, higher costs of home ownership, and lack of attainable ownership homes.

Interest Rate Impact



Interest Rate	Mortgage Payment	Household Income Required
3%	\$883.37	\$35,335
3.50%	\$940.86	\$37,634
4%	\$1,000.31	\$40,012
4.50%	\$1,061.63	\$42,465
5%	\$1,124.78	\$44,991
5.50%	\$1,189.66	\$47,586
6%	\$1,256.21	\$50,248
6.50%	\$1,324.34	\$52,974
7%	\$1,393.98	\$55,759
7.50%	\$1,465.03	\$58,601
8%	\$1,537.42	\$61,497



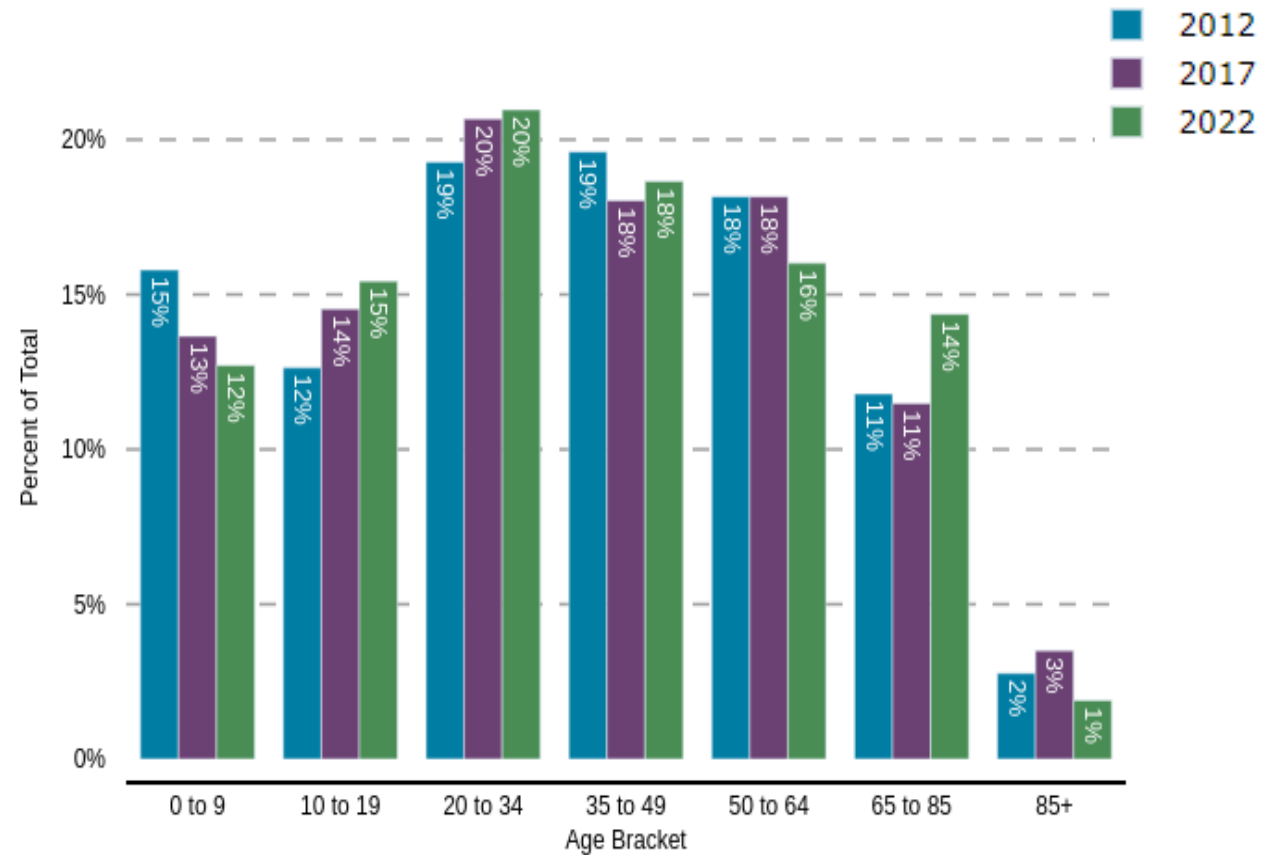
Key Findings: Demographics

Households age 75 and older are increasing, but many are staying in their existing homes.

Impact 1: This is preventing younger households from entering the ownership housing market.

Impact 2: This is locking up a lot of excess housing in the form of empty bedrooms.

Percent of Cloquet Population by Age: Net Change



Source(s): ACS, 5-year estimates, 2012/2017/2022



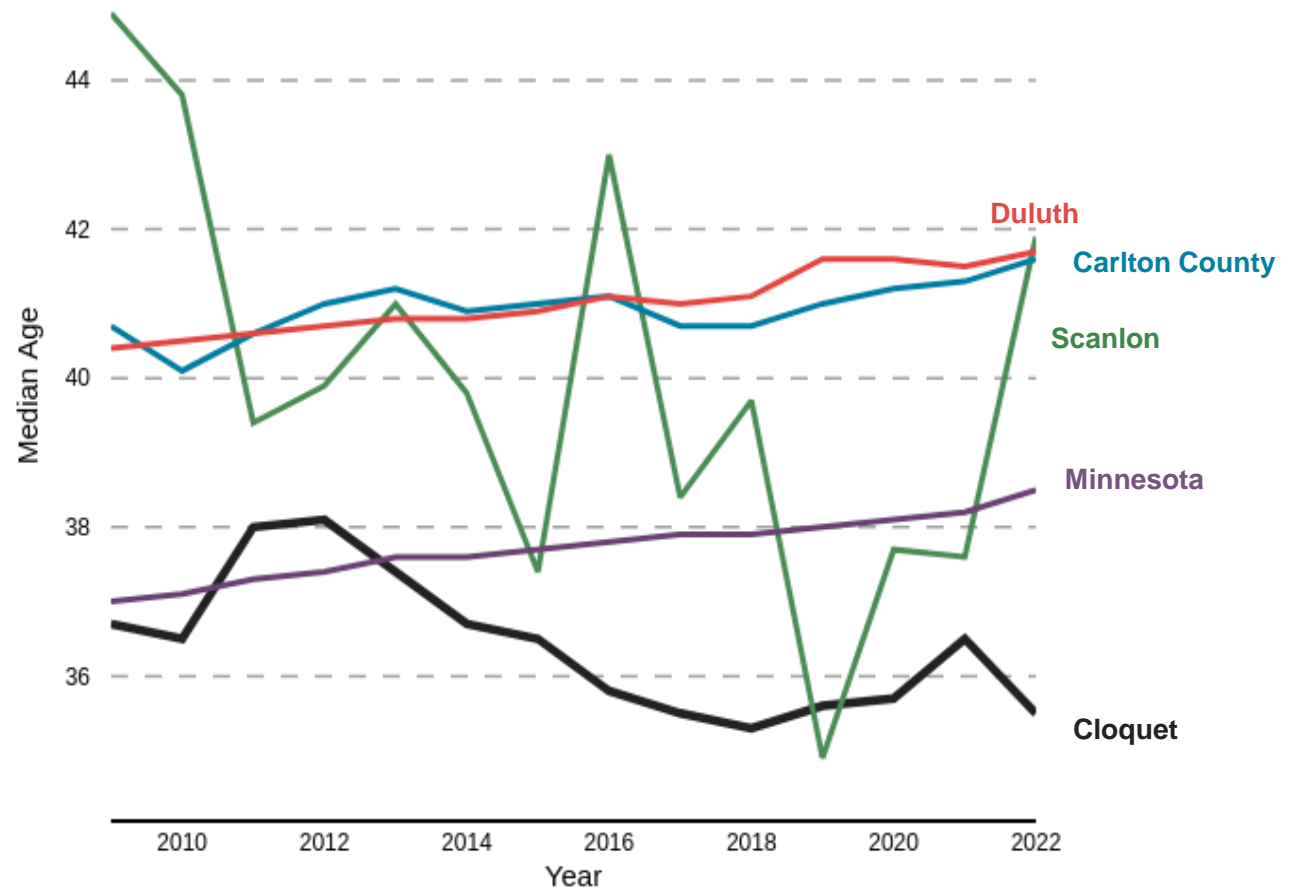
Key Findings: Demographics

Cloquet's median age is well below comparison geographies as it attracts younger households in pursuit of attainable housing.

Impact 1: Many younger households are being priced out of other communities in the region. The older, smaller, and more affordable housing in Cloquet is attracting younger people.

Impact 2: New multi-family construction may be attracting a different household mix. Households tend to be younger people living with roommates and non-family households rather than households with children.

Median Age Trends



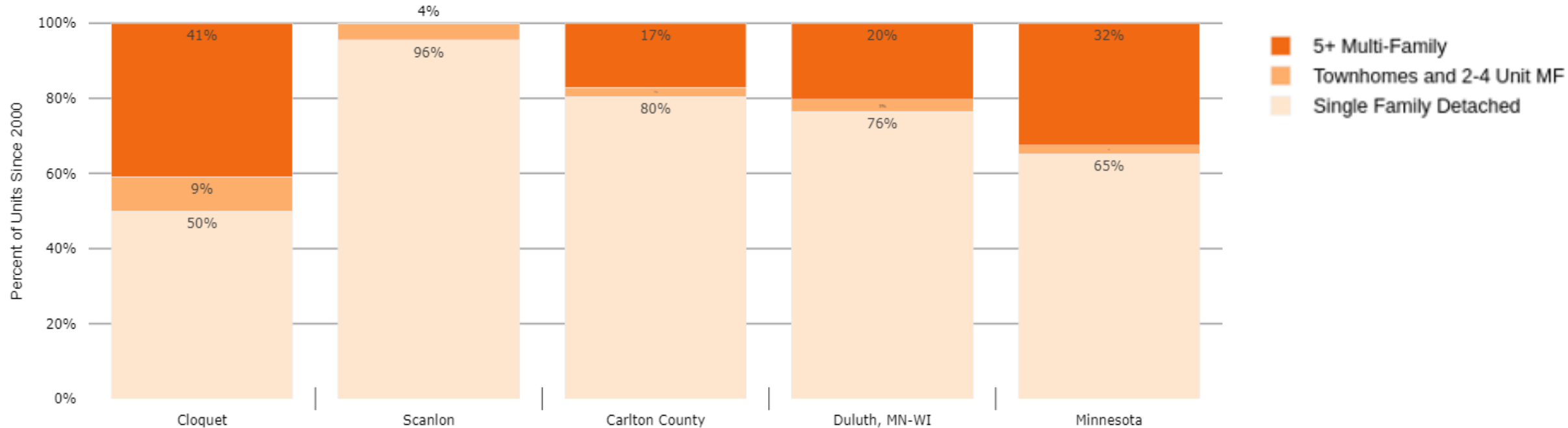
Source(s): ACS, 5-year estimates, 2009-2022



Key Findings: Housing Market

Cloquet has added proportionally more 5+ multi-family units since 2002 than comparable geographies. This is concentrated in new rental apartment units constructed since 2013.

Proportion of Units by Building Type Since 2002





Key Findings: Housing Market

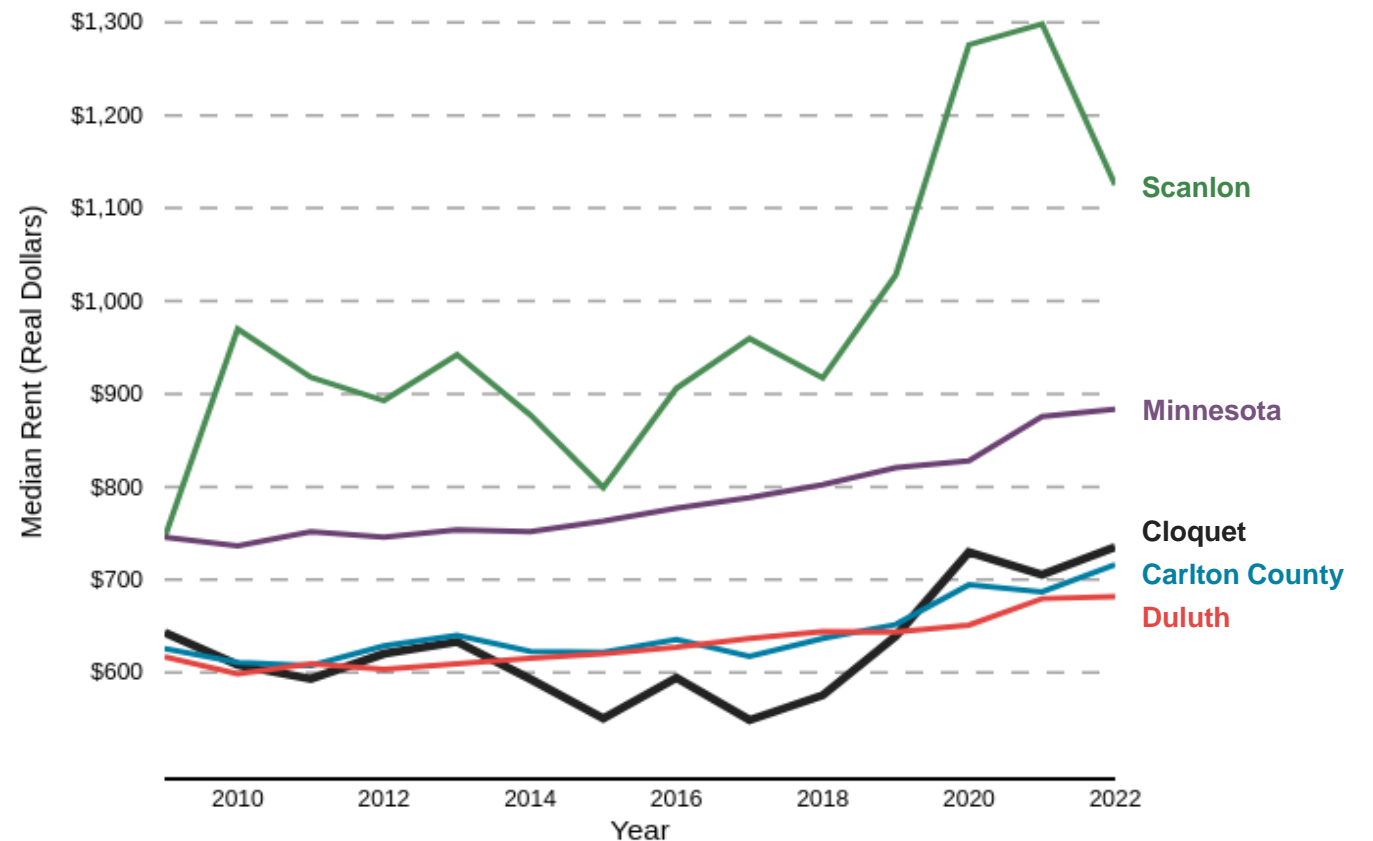
Rental demand remains robust despite recent construction, especially among lower income households. Rental vacancy rates sit below 2%.

Impact 1: Rents are increasing at a faster rate than the metro area.

Impact 2: Existing rental housing owners have less incentive to update or rehabilitate existing units.

Impact 3: Limits the availability of housing affordable for those earning prevailing wages. 42% of renters pay more than 30% of their income in rent, with a total of 17% paying 50% or more.

Median Rent: Trends





Key Findings: Housing Market

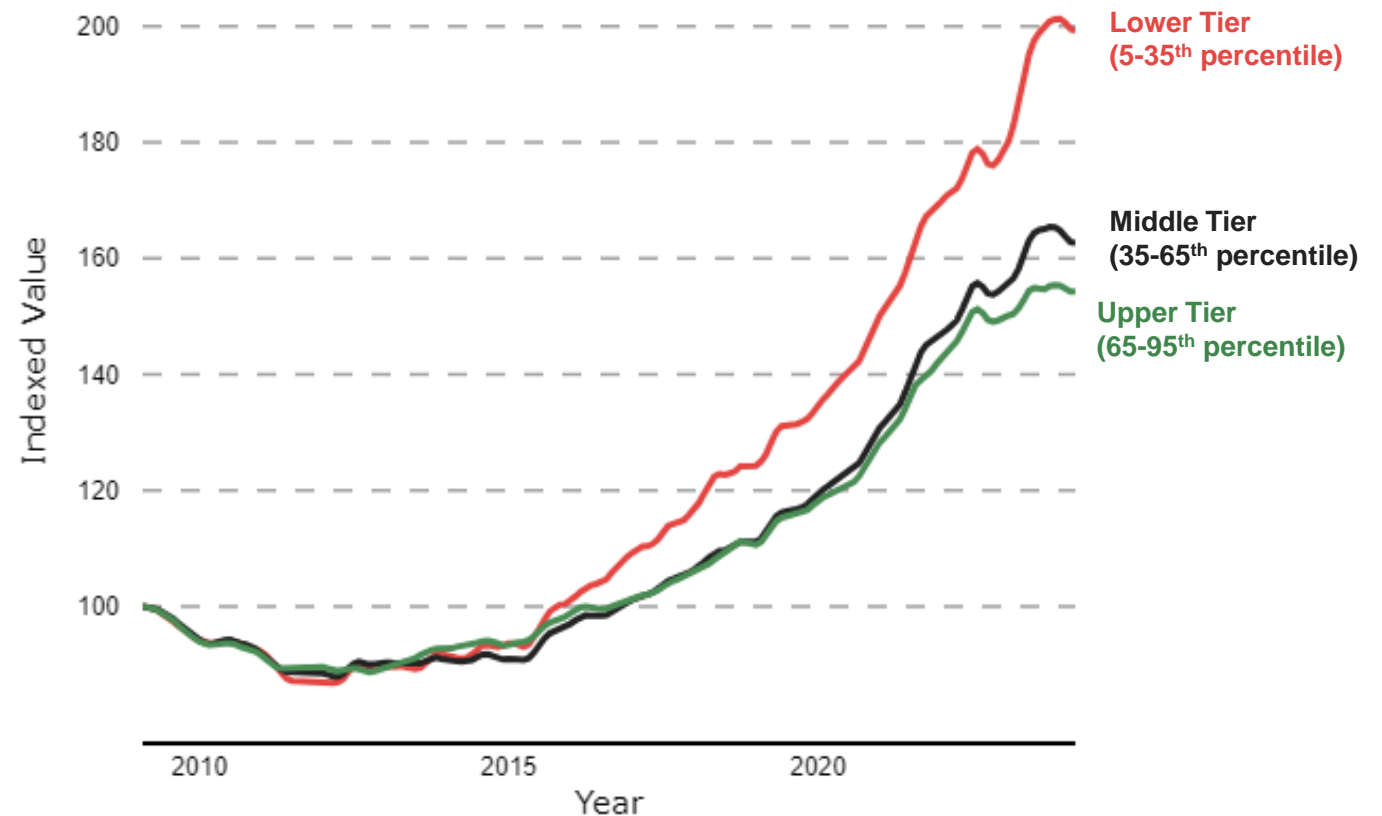
Demand for entry-level for-sale homes remains strong, with home values in the lower tier nearly doubling since 2009.

Impact 1: Median home prices are near \$225,000, which is not far from the Duluth median.

Impact 2: Lower and Middle-Income households are being squeezed out of home ownership.

Impact 3: Demand is very high for entry-level homes, but high construction and development costs makes market-rate projects at that price point don't pencil out. As a result, construction of new supply is limited to the higher end of the market.

Home Values (Indexed) Based on Tier: Cloquet



Source(s): Zillow, ZHVI Cuts by Metro, extracted 4/15/2024



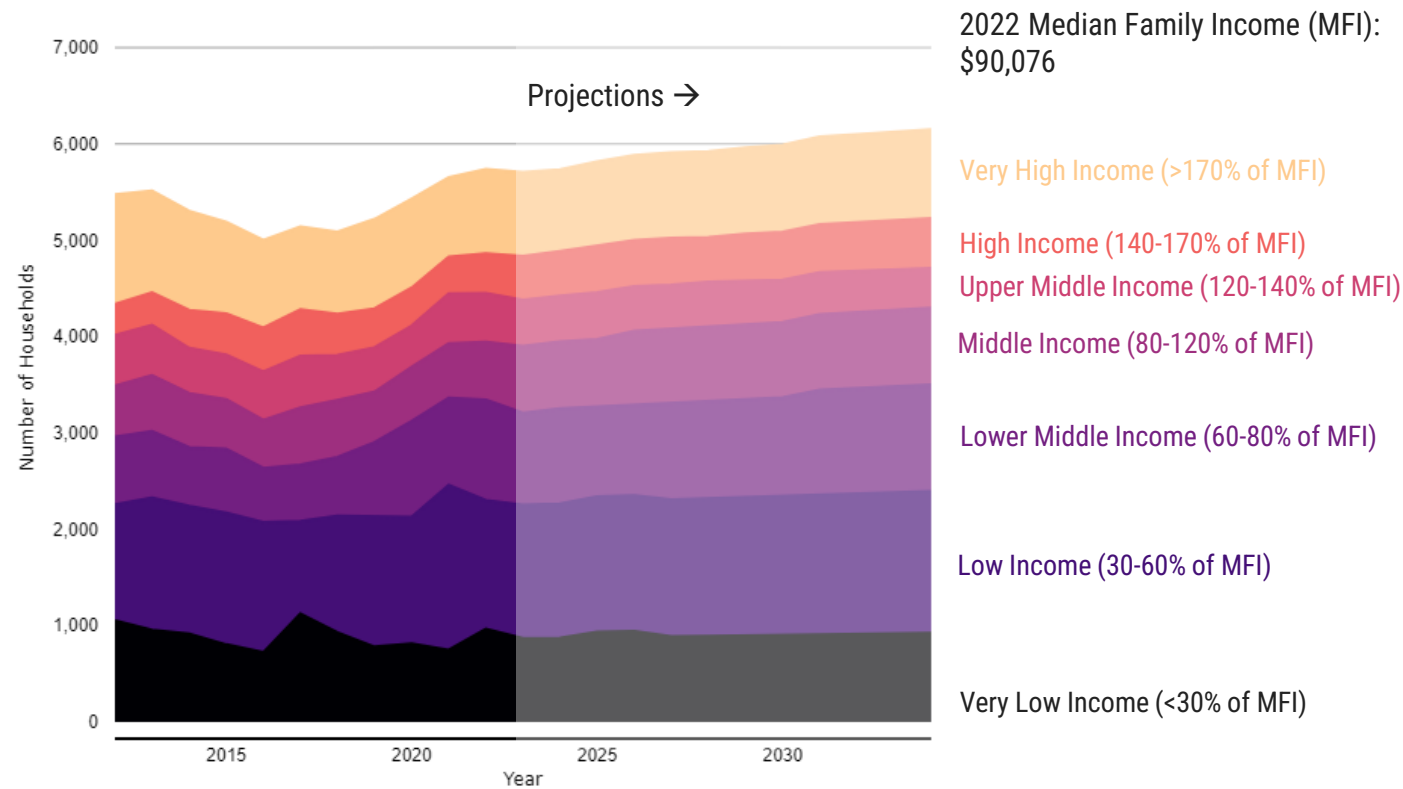
Key Findings: Housing Gap and Need

Housing needs are driven by existing shortages of attainable rental and ownership housing and projected household growth in different income brackets.

We forecast population growth based on a blended estimate of five- and ten-year historical growth rates. This yields 330 new households.

Of new households added, we predict growth will continue in the 30-80% Median Family Income (MFI) category given the higher proportion of lower middle-income service sector jobs in the region. This generates demand for affordable and market rate rents and entry level homes – many of which will require subsidy.

Total Households by Income Composition: Cloquet and Scanlon





Key Findings: Housing Gap and Need

Step 1: Projected Need

Vacancy Rate Adjustment: 51 current units would need to be added to bring the market into equilibrium.

Replacement Rate: We estimate 5 units annually would need to be built to replace demolished units, for a total of 50 over the next decade.

Household Growth: 330 Units



Step 2: Demand Model

Income Bracket	Rent				Own			
	1BR	2BR	3BR	4+ BR	1BR	2BR	3BR	4+BR
Very Low Income	5.9%	27.2%	30.8%	16.0%	0.7%	1.5%	7.3%	10.6%
Low Income	3.1%	11.9%	32.6%	21.9%	0.2%	1.1%	7.4%	21.9%
Lower Middle Income	1.0%	9.8%	21.8%	19.0%	0.2%	1.7%	10.5%	36.1%
Middle Income	1.0%	2.7%	15.4%	18.4%	0.4%	0.9%	10.0%	51.3%
Upper Middle Income	0.2%	1.9%	7.3%	12.7%	0.2%	0.1%	6.5%	71.2%
High Income	0.0%	1.3%	4.4%	14.4%	0.0%	0.3%	8.2%	71.4%
Very High Income	0.3%	1.1%	3.1%	11.1%	0.0%	0.3%	4.7%	79.5%



Step 3: Aggregate

Bracket	MFI Level	Rental	Ownership	Total
Very Low Income	<30% MFI	0	0	0
Low Income	30-60% MFI	76	34	110
Lower Middle Income	60-80% MFI	23	23	46
Middle Income	80-120% MFI	57	97	155
Upper Middle Income	120-140% MFI	0	0	0
High Income	140-170% MFI	17	67	84
Very High Income	>170% MFI	5	31	36
Total	All	178	252	431



Key Findings: Housing Gap and Need

General Residential Product Mix

Structure Type	Total Units
Multifamily	
Affordable	100
Market Rate	81
Single Family	
Manufactured Homes	56
Entry Level Homes	97
Move Up Homes	67
Executive Homes	31

Income Bracket	Household Income	Max Rent	Rental Demand Totals	Rental Product	New Product?	Max Home Value	Owner Demand Totals	Ownership Product	New Product?
Very Low Income	\$21,937.50	\$676	0	Section-8 Housing Vouchers	Vouchers	\$82,500	0	Subsidized home ownership programs	None
Low Income	\$36,562.50 <small><30% MFI</small>	\$1,351	76	Section 8 Housing Vouchers, Limited Naturally Occuring Affordable Housing	Vouchers	\$175,000	34	New single wide mobile home in existing home park	Single Wide Mobile Homes (including rent)
Lower Middle Income	\$58,500.00 <small>30-60% MFI</small>	\$1,802	24	LIHTC Housing Units, Older market rate units	LIHTC	\$237,000	23	Double Wide Trailers, Existing Mobile Homes	Double Wide Mobile Homes, Subsidized Single Family (Duluth)
Middle Income	\$87,750.00 <small>60-80% MFI</small>	\$2,702	58	Market Rate Apartments and Townhomes	Market Rate	\$360,000	97	Townhomes, condominiums, older split homes and smaller sf homes	Subsidized Single Family (Duluth) & Split Homes
Upper Middle Income	\$102,375.00 <small>80-120% MFI</small>	\$3,153	0	Market Rate Apartments, Townhomes or SF Homes	Market Rate	\$418,000	0	Single Family Homes, New Construction Split Homes	Split Homes & Single Family Homes (starter)
High Income	\$124,312.50 <small>120-140% MFI</small>	\$3,828	17	Market Rate Apartments, Townhomes or SF Homes	Market Rate	\$513,000	67	Single Family Homes, New Construction Split Homes	Single Family Homes (Move-Up)
Very High Income	> \$124,312 <small>>170% MFI</small>	--	6	Market Rate Apartments, Townhomes or SF Homes	Market Rate	--	31	Single Family Homes, New Construction SF Homes	Single Family Homes (Move-Up/Executive)



Key Findings: Housing Gap and Need

Demand Driver 1
An aging community in single-family homes – often with more bedrooms than required -owned outright.



Supply Solution
A range of affordable rental, condominium, townhome, and split-level homes with fewer maintenance requirements.



Cascading Impact
Opens-up supply of underutilized single-family homes attainable for middle income households.

Demand Driver 2
Workforce jobs drives demand for workforce housing.



Supply Solution
Affordable and market rate apartments, new manufactured housing options, preservation of existing affordable housing.



Cascading Impact
Generates sufficient supply of rental and attainable ownership housing to help stabilize rent growth, puts pressure to maintain existing properties.

Demand Driver 3
Strong demand for attainable single-family homes.



Supply Solution
Generating opportunity for home ownership for households that earn 80% MFI and above.



Cascading Impact
Lowers pricing pressure on new construction, lowers pricing pressure on the 'middle market' of existing single-family homes, increasing attainability.



Key Findings: Challenges and Opportunities

Challenge One: Mismatch between the ability to *supply* new housing at prices households can afford is an issue. This is true in rental and ownership housing.

Challenge Two: Available lots in new subdivisions connected to municipal infrastructure are rare. New development can happen such as new single-story duplex, but it is difficult to build at scale, driving costs up.

Challenge Three: It is prohibitively risky and ultimately expensive for developers to self-fund the expansion of infrastructure. Developable land remains limited.

Challenge Four: Rural areas face unique challenges attracting private development even if market fundamentals are good. Much of this is due to macro-economic factors (loss of small to mid-size builders after the Great Recession, shift in finance towards non-traditional investors/larger banks, dependence on LIHTC funding that often require ‘cookie cutter’ projects of sufficient size that is often non-sensible for a more rural location). As a result, smaller municipalities must take on additional responsibility in teeing up new development to meet community housing needs.

Single-Family Attached 609 Adams St, Cloquet

Attainable at 140% of MFI












Split-Homes

Year Built	2023
Sq Ft	1,398
Market Value	\$369,900
Monthly Cost (I+T)	\$2,771.91
Monthly Mortgage	\$2,214.27

Notes: The range for new split-home redevelopment projects range from \$325,000-370,000. This range is attainable for incomes ranging from 120-150% of MFI.



Housing Strategies

	Strategy	Type	Jurisdiction	What	Benefits
	New Subdivisions	Policy and Financing	Municipal	Induce new single-family development	Continuum of strategies; low to high public dollars
	Fee Waivers/Reductions	Policy and Financing	Municipal	Induce any type of new housing development	Can be targeted to specific housing types
	Leveraging Publicly-Owned Land	Financing	Municipal or County	Induce subsidized workforce housing (owned/rented)	Highly flexible; potential for creativity
	Tax-Increment Financing	Financing	Municipal	Induce housing construction (rental and ownership)	Minimal public dollars
	Zoning Code Revisions	Regulatory	Municipal	Allow for more housing types	Minimal public dollars
	Manufactured Home Park Cooperative	Regulatory and Financial	Municipal, County, and State	Provides attainable home ownership options	Promotes affordability, a range of new strategies
	Preservation of Naturally Occurring Affordable Housing (NOAH)	Financial and Regulatory	Municipal, County, State and the USDA MHF Act	Blanket of strategies to prevent displacement	Promotes affordability AND habitable housing
	Home Improvement Loans	Financial	Municipal, Public-Private Partnerships	Direct loans to property owners	Revolving funds can self-sustaining
	Affordable Housing Trust Fund	Financial	Municipal	Dedicated funds for a spectrum of housing initiatives	Highly flexible



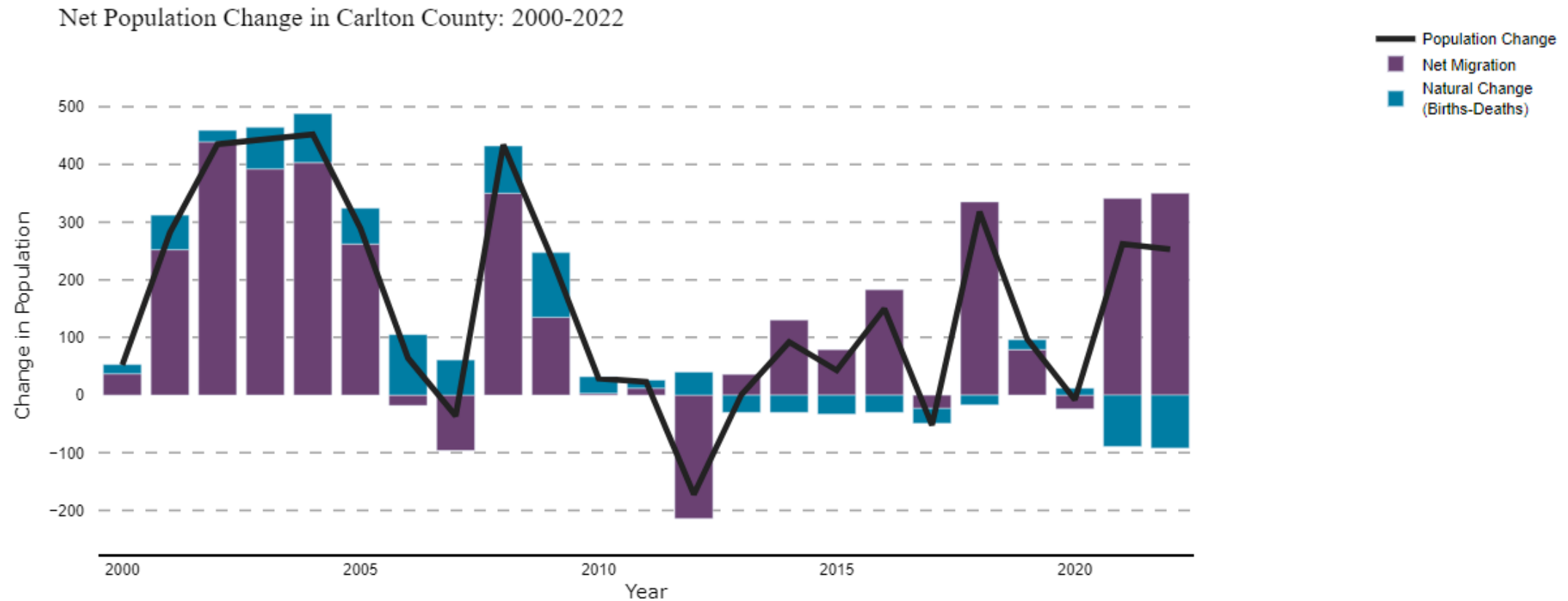
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DEVELOPMENT
DRIVERS

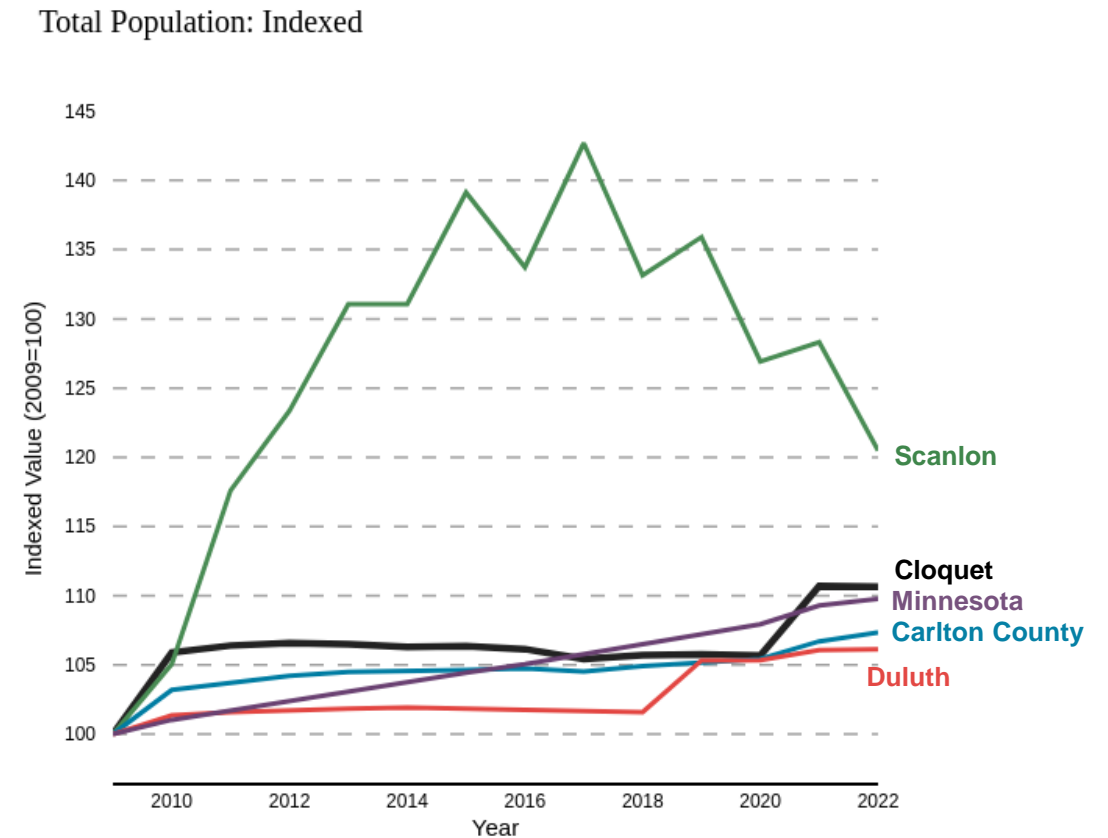
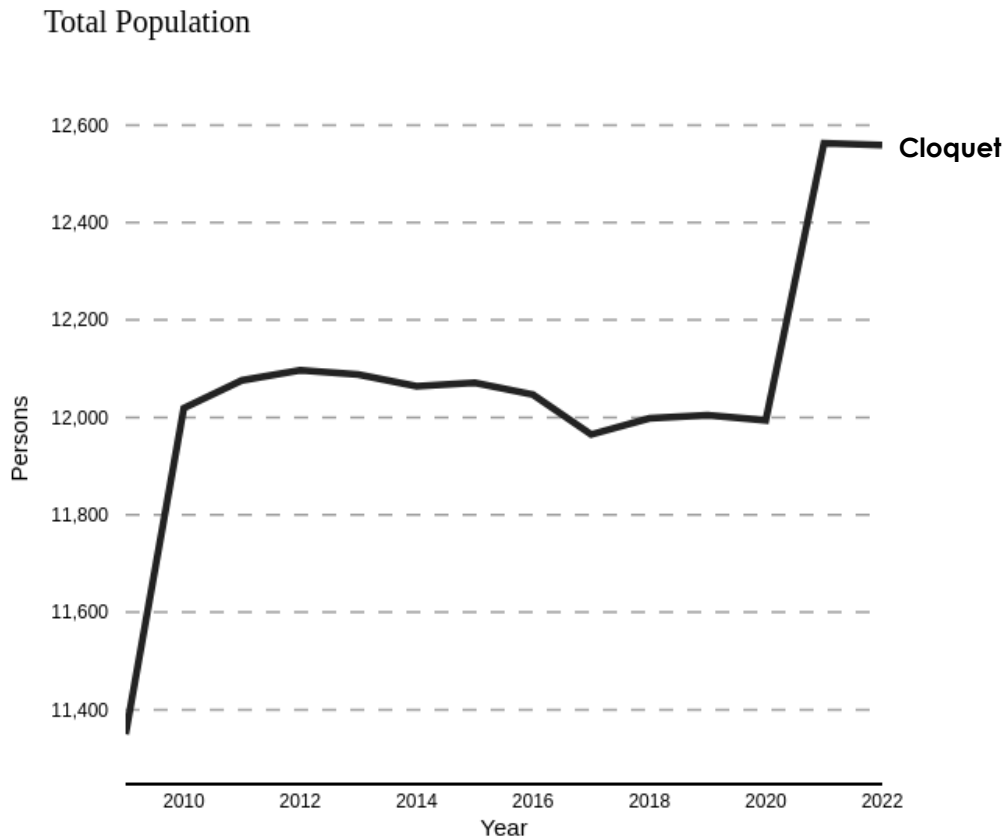
Carlton County's growth stalled in the 2010s as natural change turned negative

Since Covid-19, population growth has recovered driven by in-migration into Carlton County. The recent population growth is due to economic growth in the Duluth region and the addition of new housing supply in Carlton County, which has been readily absorbed.



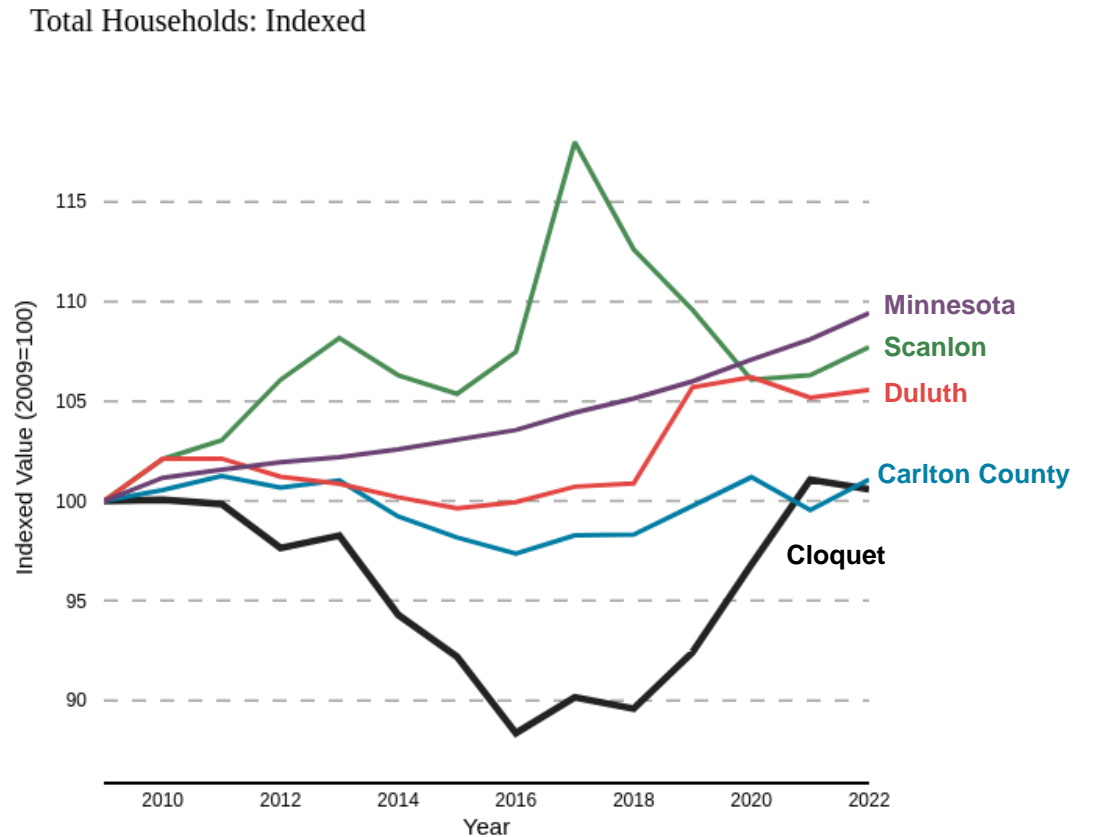
Cloquet's population is growing, especially since 2020

Cloquet's population remained stable between 2010 and 2020, but has increased by 590 persons since 2020. New housing units are leading to population growth. Cloquet's growth rate has outpaced the state, county, and Duluth metro, with Scanlon growing at an even faster rate. Absorption of new supply indicates that new housing types added are in demand.



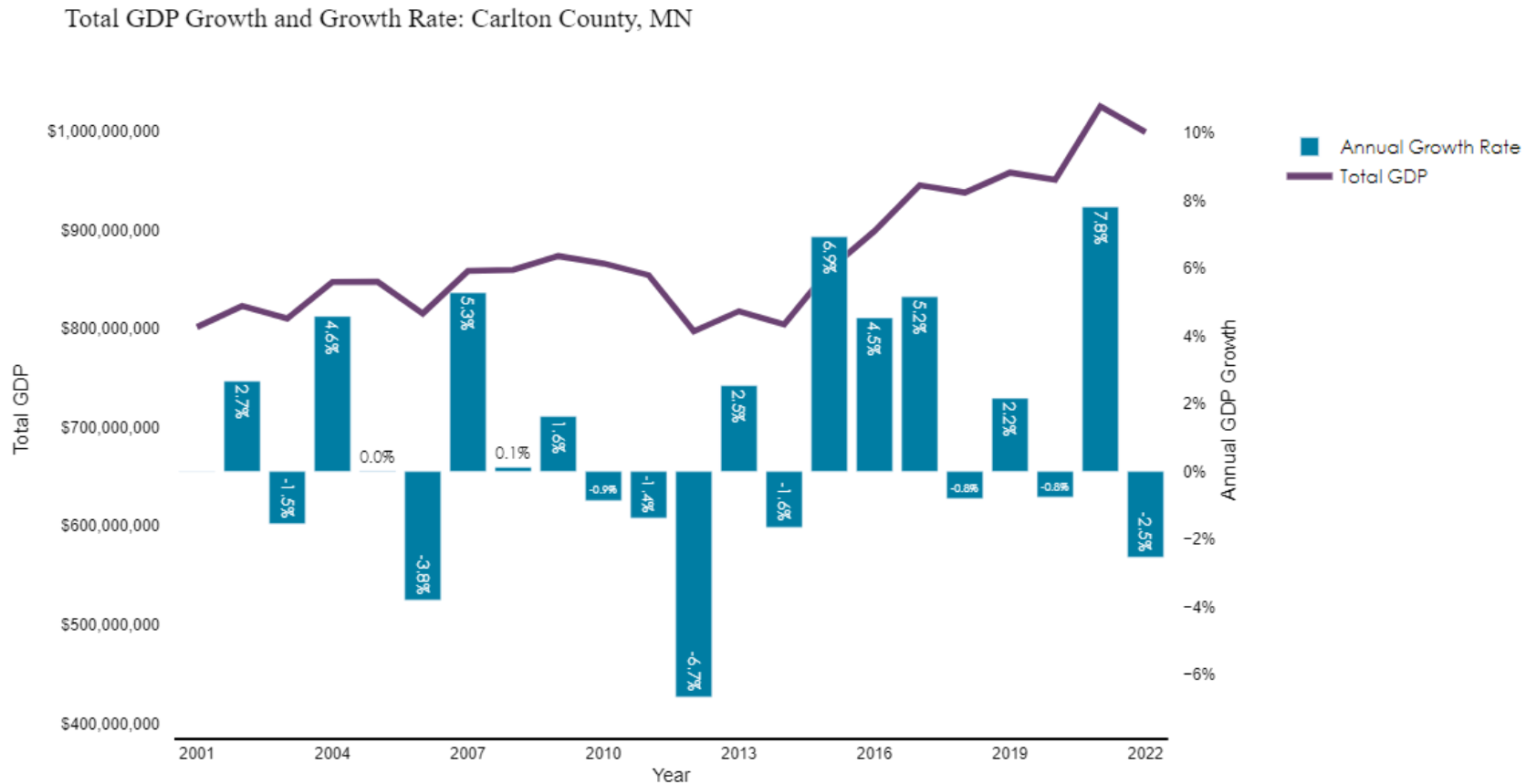
Total households dipped prior to 2016, but have since recovered

Households dipped during the 2010s as population held steady, signaling increasing household sizes. The trend reversed, though, as both population and households have increased since 2020. The decline in household size mirrors the addition of smaller rental units appropriate for smaller households. These units are in demand as household sizes are shrinking state and nation-wide.



GDP growth in Carlton has been relatively muted, although some growth occurred in the 2010s

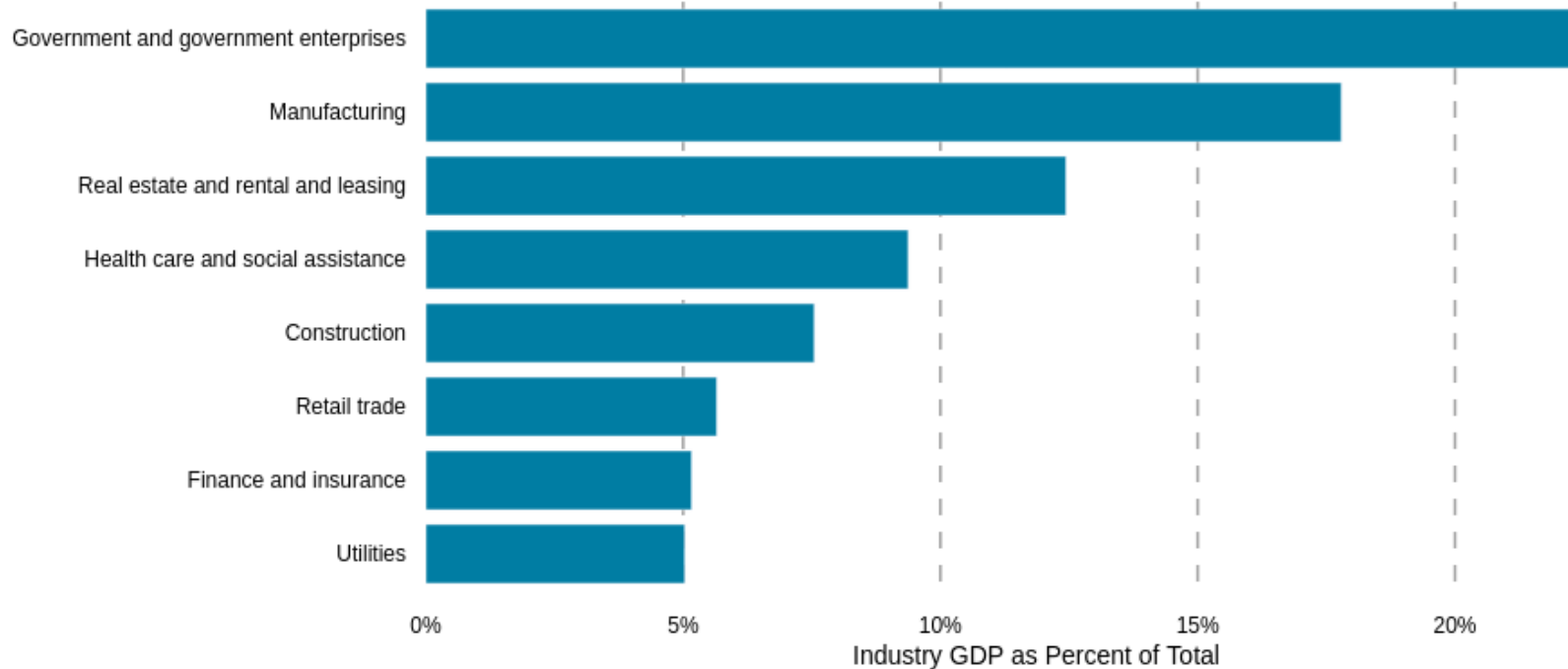
Slower growth in economic output limits overall employment growth and housing demand. Growth outpaced national averages during the mid-2010s, but has since slowed except for the growth in output during the Covid-19 recovery.



Government, manufacturing, and real estate are major drivers of GDP

Government services GDP includes wages from the Fond du Lac Band of Lake Superior Chippewa. The Fond du Lac Band is a major regional employer.

Carlton, MN GDP Output by Sector in 2022: Current Dollars



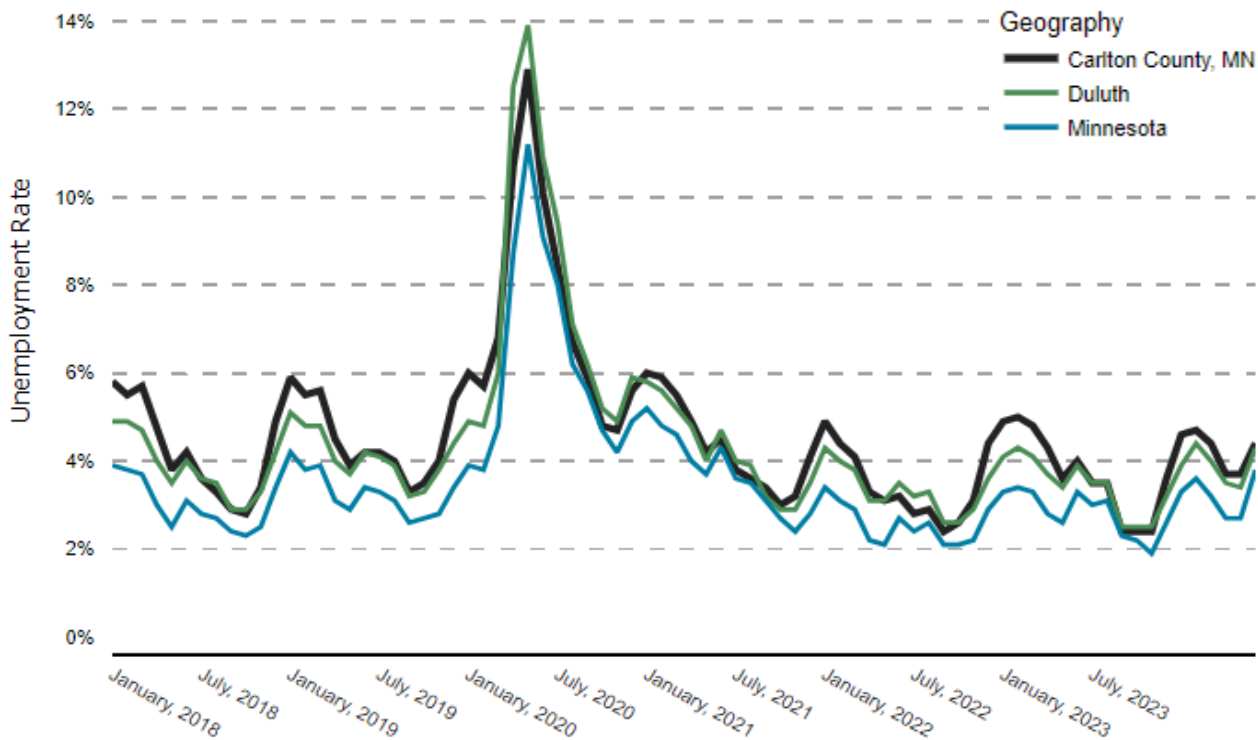
GDP is generally driven by tradeable goods. Tradeable goods often include durable manufactured goods and 'knowledge' based services such as corporate management, financial activities, or professional services.

Carlton County's economy is anchored by government services. All Fond du Lac tribal jobs are classified as government and government enterprises, which in Carlton County include the Fond du Lac Tribal and Community College, Black Bear Casino, and other tribal health and community services. Manufacturing firms include Ideal Homes (manufactured homes), Sappi Fine Paper, Upper Lakes Foods, and USG Interiors (ceiling tiles).

Unemployment rates in Carlton County trend higher than the region and state

The unemployment rate in Minnesota has remained below 4% outside Covid-19. Carlton County has slightly elevated rates of unemployment, however rates are below the commonly-held 5% market equilibrium.

Unemployment Rate: Comparison

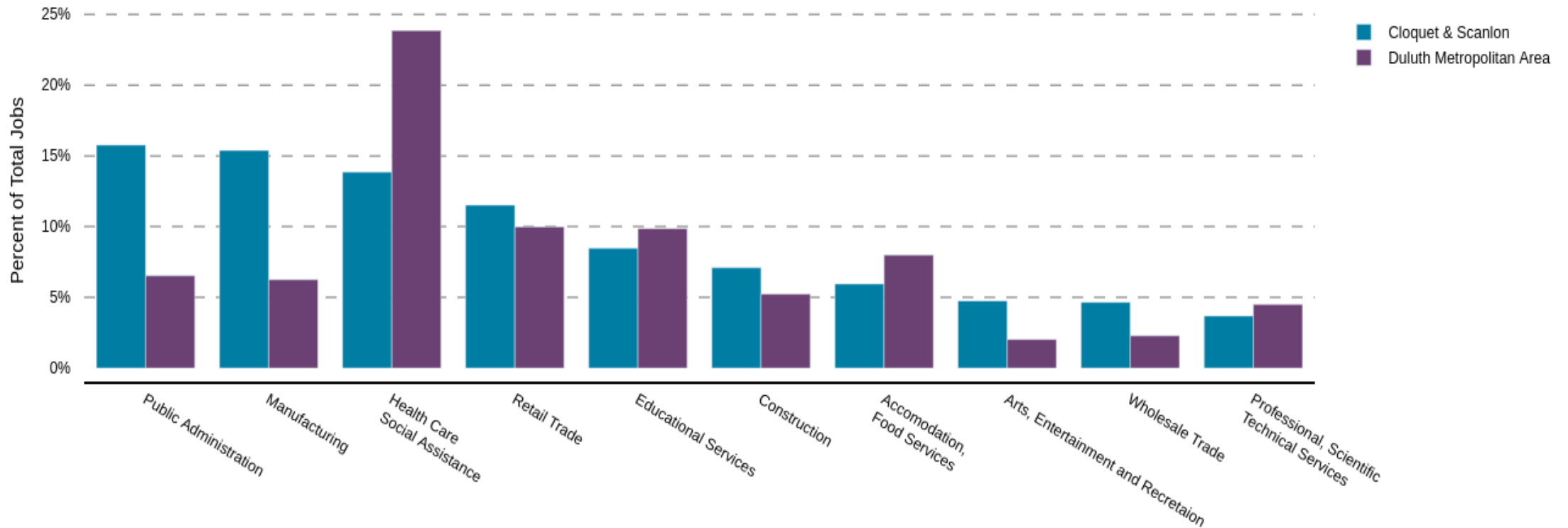


Many economists hold 5% unemployment as the market equilibrium rate. Above 5%, employers have more power based on their ability to find replacement labor. Lower than 5%, workers have more power to negotiate higher wages. Since 2018, low unemployment (outside of Covid-19) has steadily driven upward pressure on wages. Carlton County's unemployment rate runs slightly higher than Duluth and the broader metro. Seasonal variations also exist with employment peaking in the winter months.

Cloquet and Scanlon employment is rooted in public administration and manufacturing

Similar to GDP in Carlton County, employment is rooted in public administration (Fond du Lac Band employment across a hospitality, recreation, medical services, and education) and manufacturing, with higher ratios than the broader Duluth Area. On the other hand, Cloquet and Scanlon have a lower proportion of higher-wage services.

Industry Employment Comparison: Cloquet & Scanlon to Duluth Metropolitan Area



Situating the New Economy

The New Economy refers to transitions in the North American industrial structure post-globalization and the central drivers of regional economic development.

New Economy High Wage sectors are knowledge-based jobs that remain concentrated in urban centers and are historically less prone to geographical relocation. These industries remain the main catalyst for agglomeration – or spatial concentration – of industries. Knowledge production is a tradeable good that often drives urban development. Wages in these sectors drive effective demand for other service-based industries, medical services, and education.

Blue Collar sectors contain industries historically central to a manufacturing-based economy and contain tradeable goods that benefit from economies of scale. Manufacturing – in particular – is less geographically sticky in an era of globalization. These jobs often have lower educational requirements, but due to higher productivity, skill demands, and union density, wages remain higher than service sector work. They, likewise, are major drivers of regional economic development.

New Economy Low Wage sectors grow in proportion to other regional economic drivers. They are non-tradeable sectors and are ‘geographically sticky.’ Due to lower labor productivity, growth in demand is met with increased labor. Wages remain low, although exceptions exist (such as Wholesale Trade). These are generally non-tradeable goods, but often a sizeable sector in a regional economy.

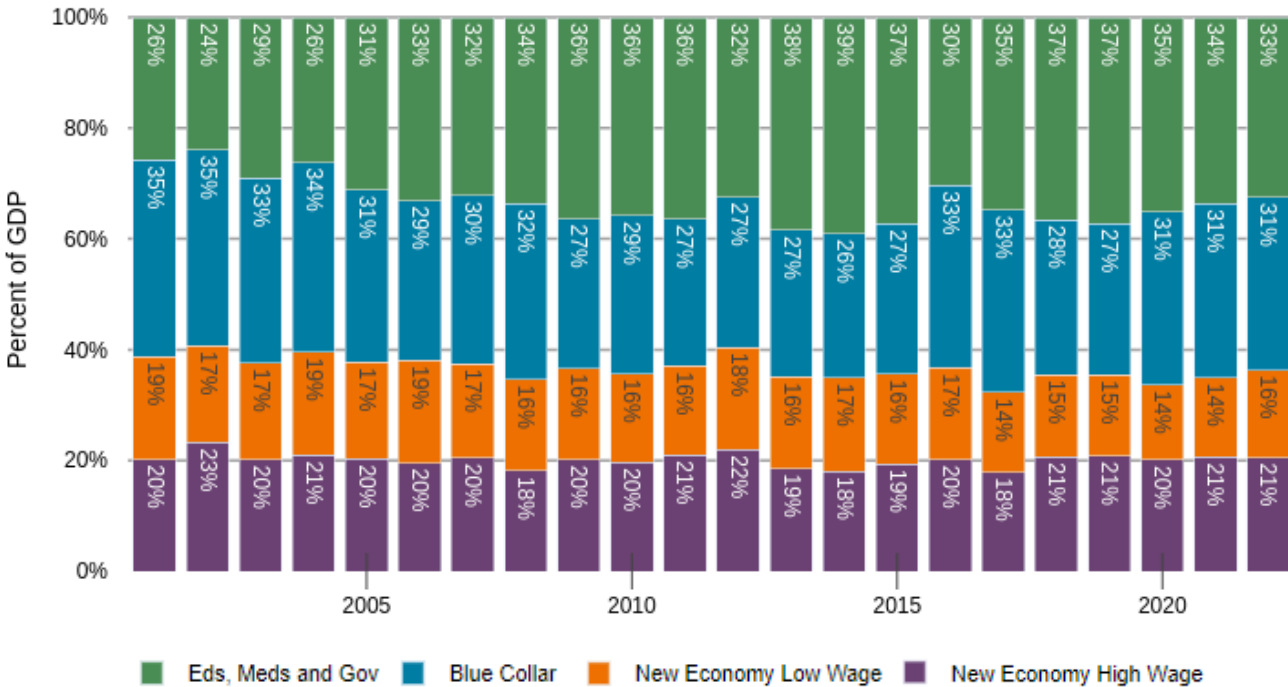
Eds, Meds and Gov contain industries that have higher proportions of middle-income wage earners due to educational requirements. These jobs concentrate both in regional hubs driven by New Economy High Wage jobs and in historic regional centers. They are non-tradeable goods and place-bound, but in the case of higher education institutions or sizeable public sector installations (Army Bases or State governance), can drive regional economic development.

Analytical Category	NAICS Sectors
New Economy: High Wage	Finance and Insurance Real Estate and Rental and Leasing Information Management of Corporations Professional and Business Services
New Economy: Low Wage	Transportation and Warehouse Wholesale Trade Retail Trade Arts, Entertainment and Recreation Accommodation and Food Services Other Services
Blue Collar	Construction Manufacturing Utilities Agriculture, Forestry, Fishing and Hunting Mining, Quarrying, and Oil and Gas Extraction
Eds, Meds and Gov	Educational Services Health Care and Social Assistance Public Administration

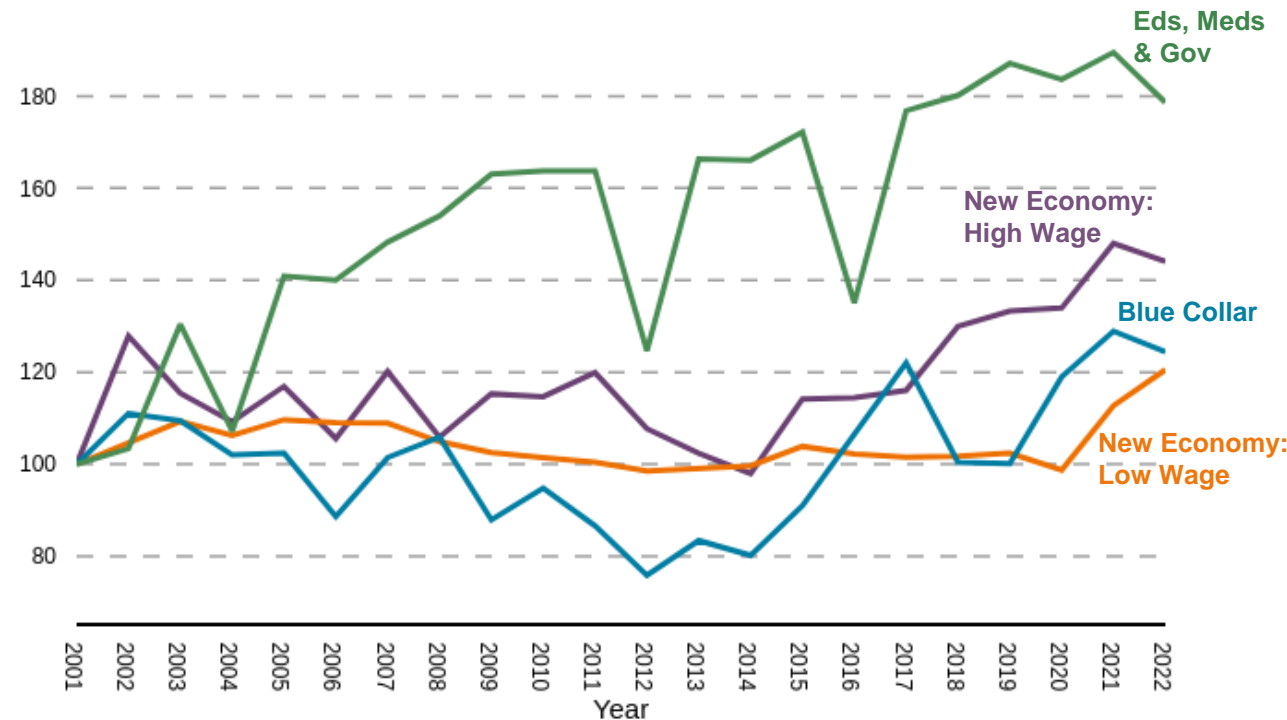
The Black Bear Resort and Casino remains a driver of GDP growth

GDP output in education, medical services, and government in Carlton County have increased both in total amounts and proportion of total income. New Economy High Wage jobs have also grown in total amounts, but proportionally remains rather consistent, whereas manufacturing’s share has declined.

Carlton, MN, GDP by Category Over Time



Carlton, MN Indexed Growth by Category



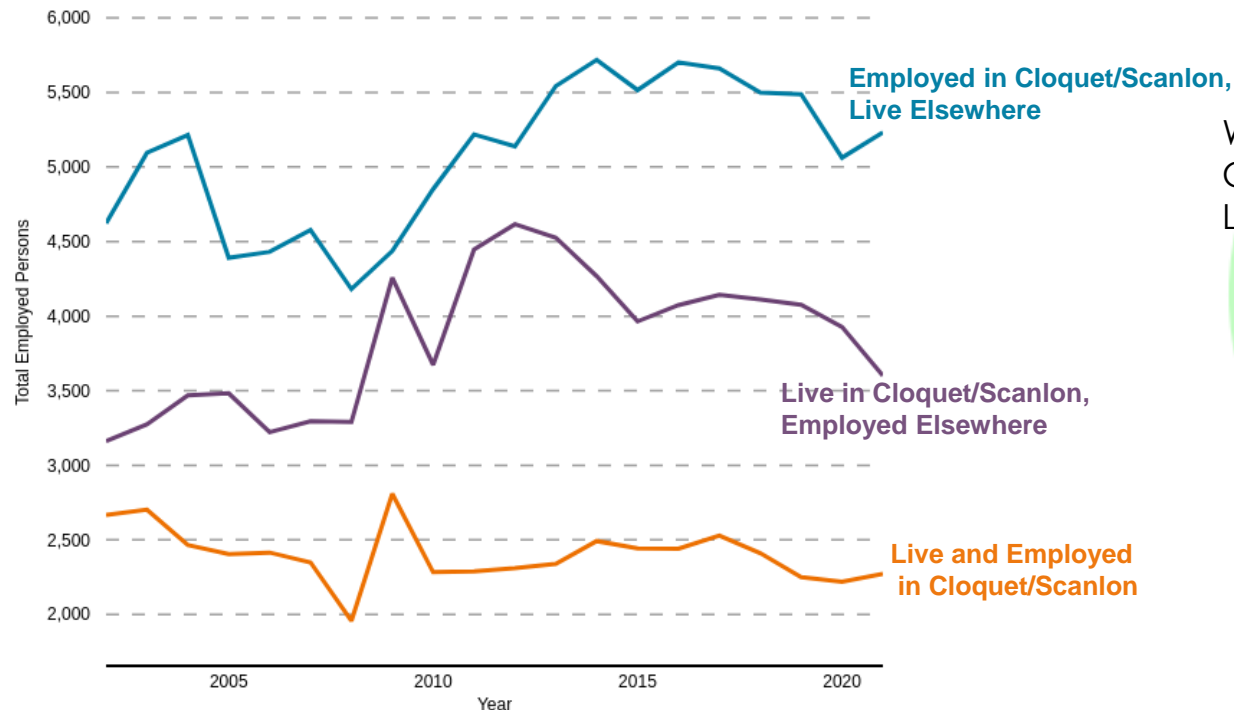
Source(s): BEA, 2000-2022

DEVELOPMENT DRIVERS | COMMUTE PATTERNS

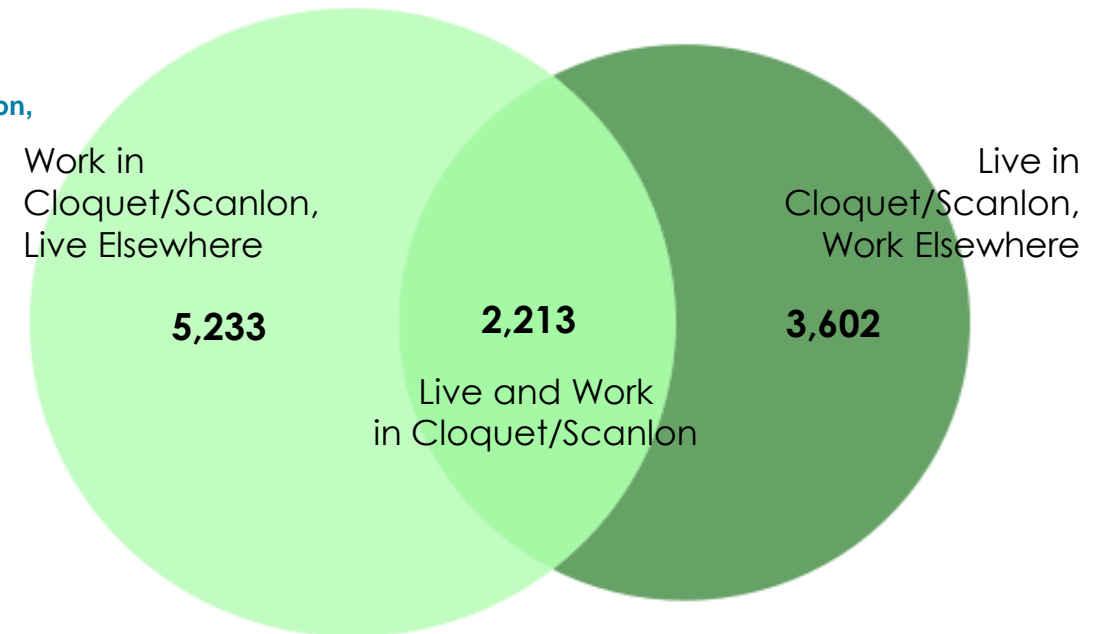
Of the 7,446 jobs in Cloquet/Scanlon, 30% live and work in town, while 70% commute into town.

Cloquet and Scanlon are increasingly integrated into the regional economy. A growing proportion are either commuting in or commuting out for work.

Commuting Patterns Over Time in Cloquet & Scanlon



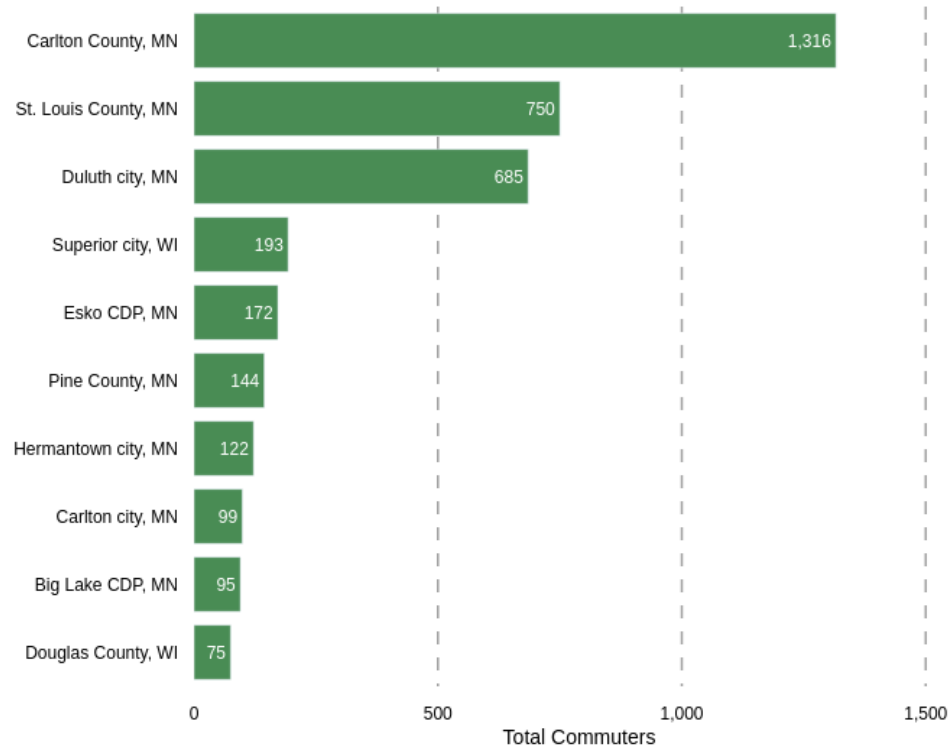
Inflow/Outflow



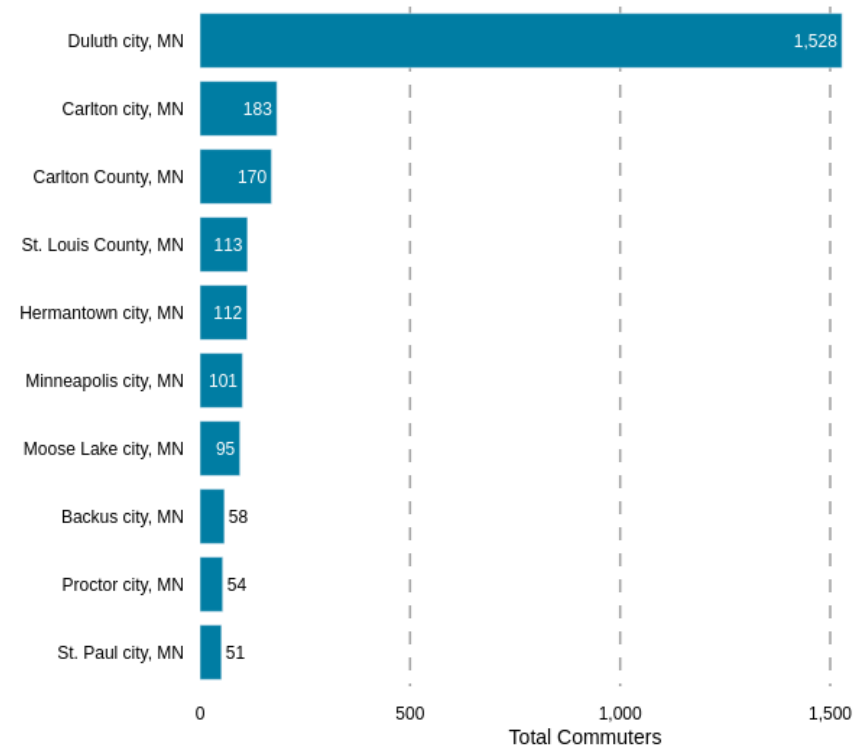
The source of labor differs from the destination of Cloquet & Scanlon commuters

Duluth remains a major employment hub for Cloquet/Scanlon commuters, whereas the majority of those commuting into Cloquet and Scanlon do so from broader Carlton and St Louis County (unincorporated).

Origin of Commuters to Cloquet & Scanlon: Top 10

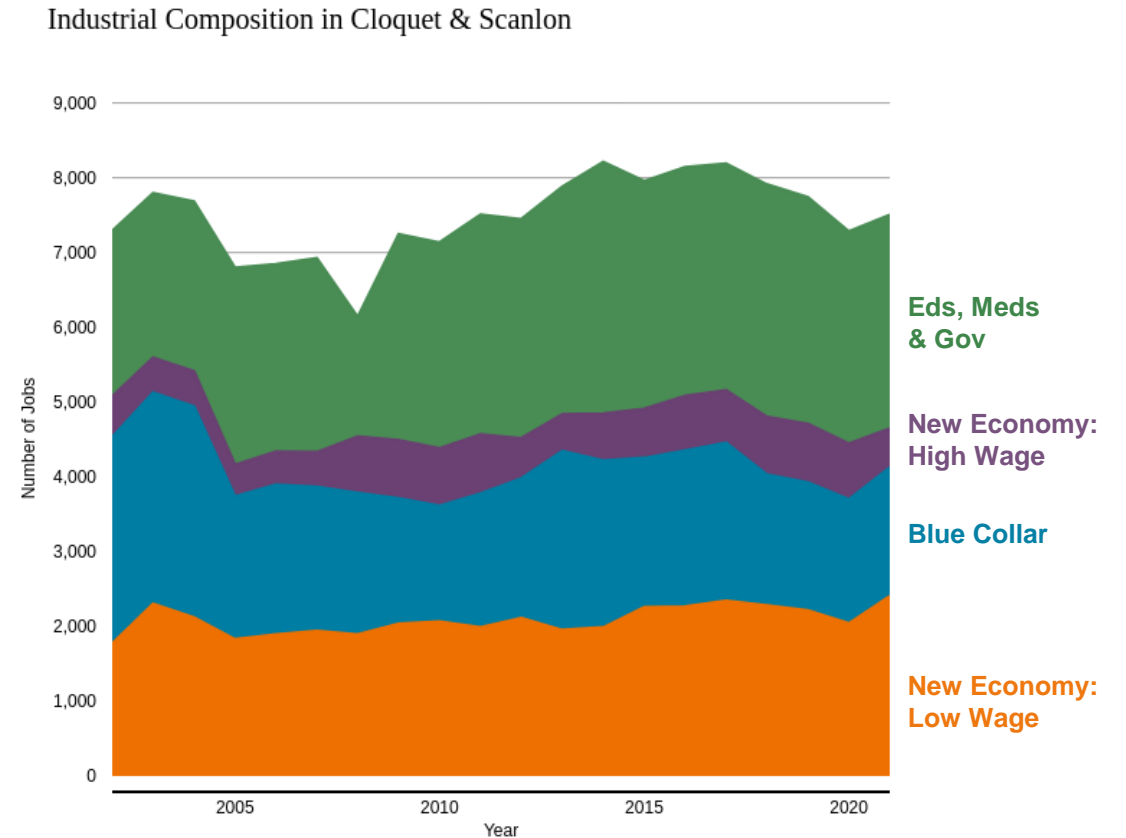
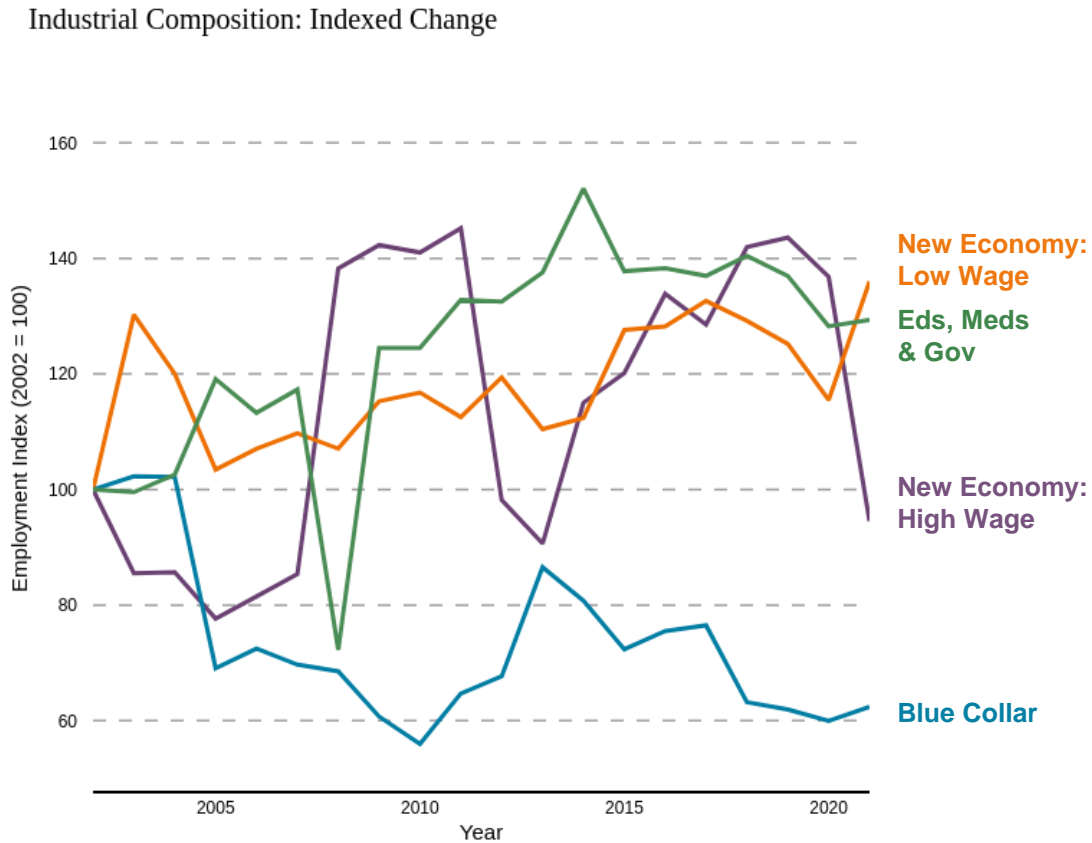


Destination of Commuters from Cloquet & Scanlon: Top 10



Cloquet and Scanlon's economy were impacted by globalization and an aging population

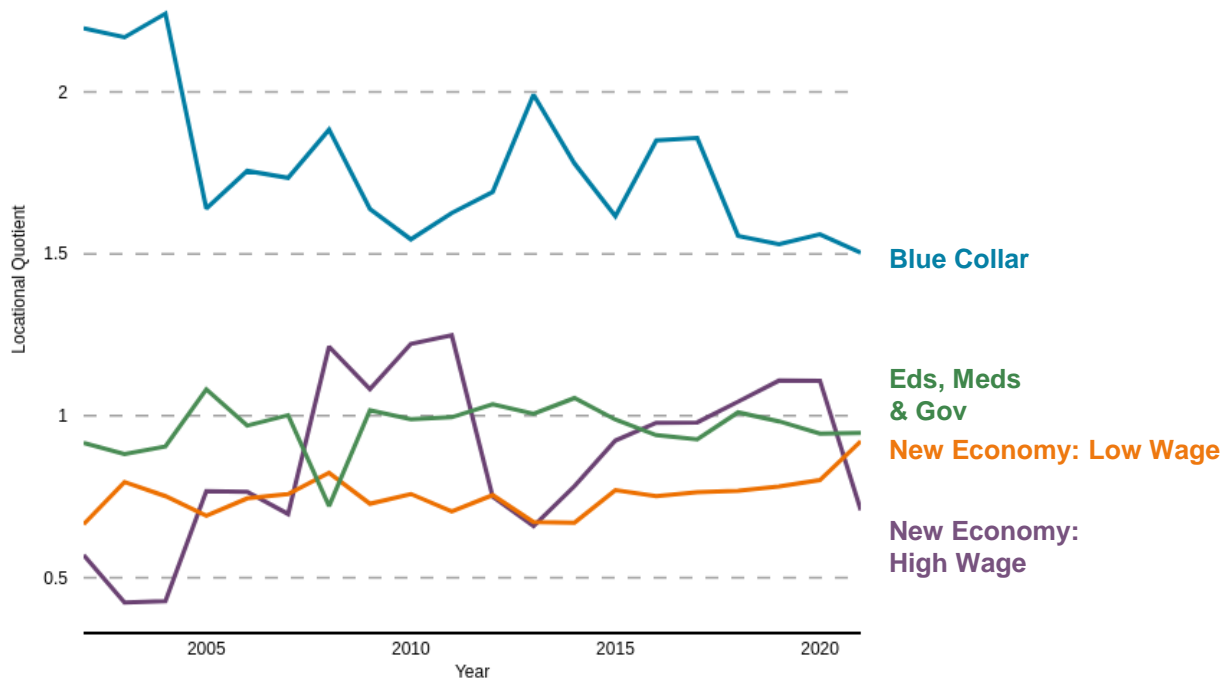
Globalization led to a net decline in manufacturing. Employees have increasingly shifted out of higher wage manufacturing jobs into government services, healthcare, and lower wage service sector jobs.



Still rooted in manufacturing, Cloquet and Scanlon’s job base remains proportionally Blue Collar

Eds, Meds and Gov jobs have been increasing at a similar rate as the broader metro, whereas blue collar manufacturing and construction jobs have been decreasing at a faster rate, but still exist in a higher proportion than the metro.

Cloquet & Scanlon Locational Quotient Relative to Duluth Metropolitan Area



A Note on Locational Quotients: Locational quotients are a measure of spatial concentration. It is calculated by taking the ratio of jobs in a sector in a sub-area divided by total jobs in the local area (the local ratio), with the local ratio then divided by the same ratio derived for a broader geography. In this case, we are comparing the ratio of jobs in Cloquet combined to the Duluth Metro.

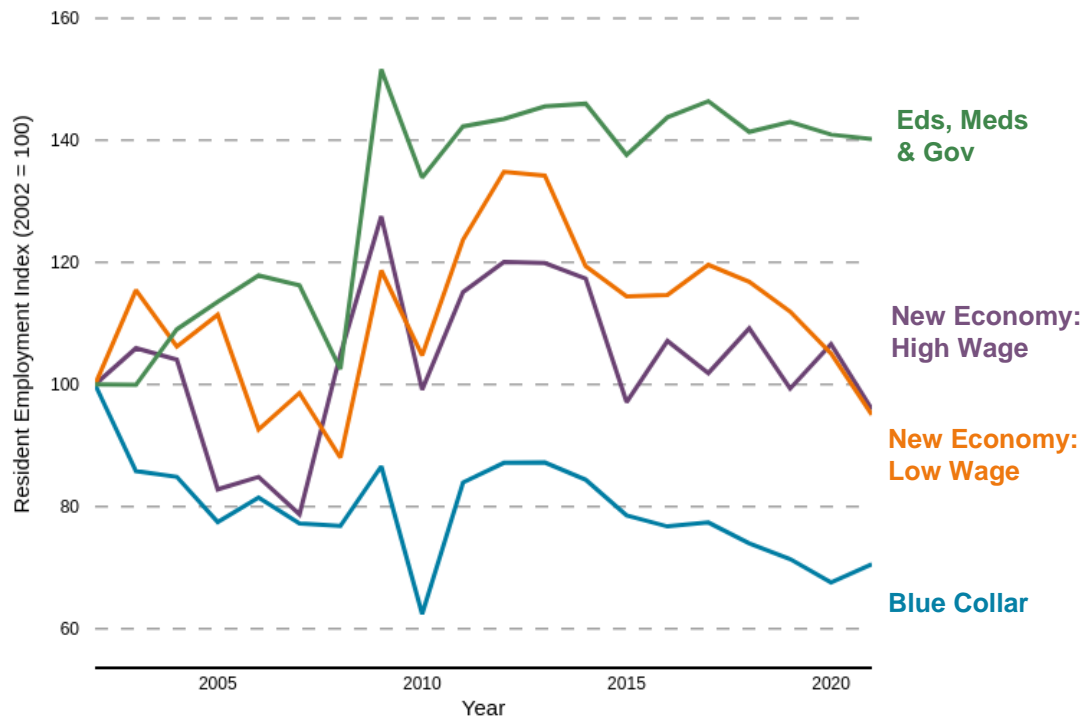
Numbers greater than 1 signify higher concentration, whereas numbers less than 1 signify lower concentrations.

When viewed longitudinally (across time), one can observe if the concentration of those jobs in a place are increasing or decreasing relative to the broader geography, signaling if a set of industries are growing as a spatial cluster, or, if those clusters are being developed elsewhere in the broader region.

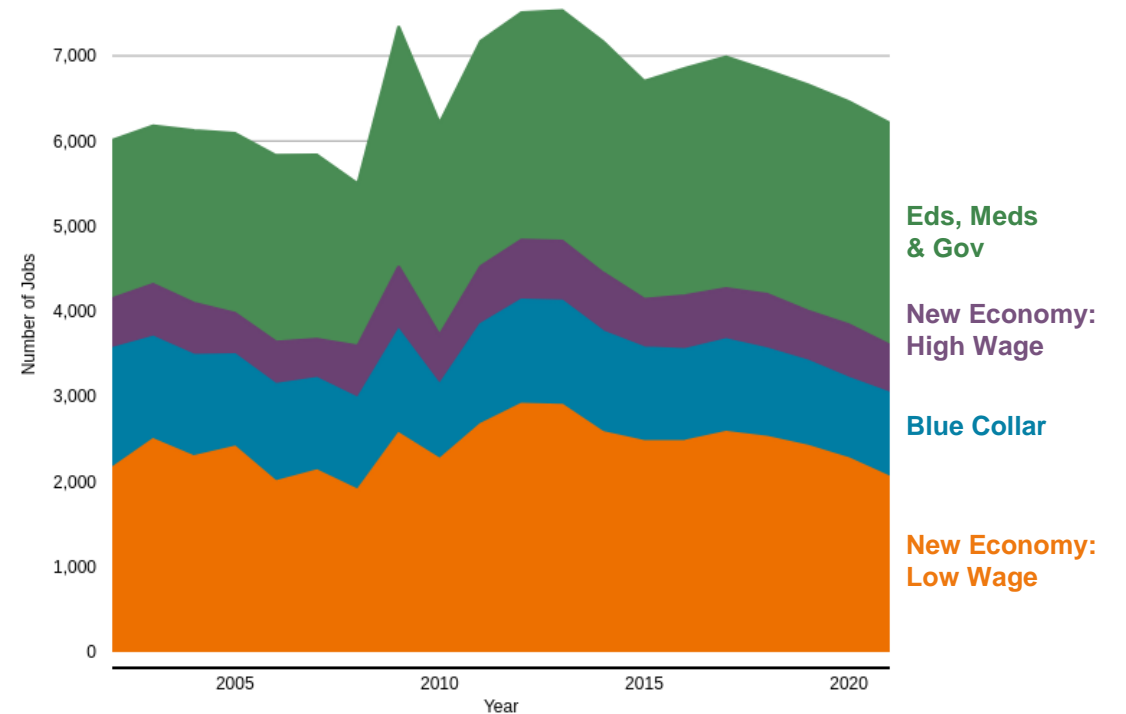
Cloquet Residents Are Slowly Exiting the Workforce, Driven by Blue Collar Retirement

Cloquet’s base of employed residents is shrinking, even though there is positive job growth. Declining employment numbers are a function of an aging community as more residents shift out of the labor force into retirement. The strongest decline is among persons who work in manufacturing, whereas there has been positive growth among those who work in Eds, Meds and Gov.

Cloquet & Scanlon Resident Industry Composition: Indexed



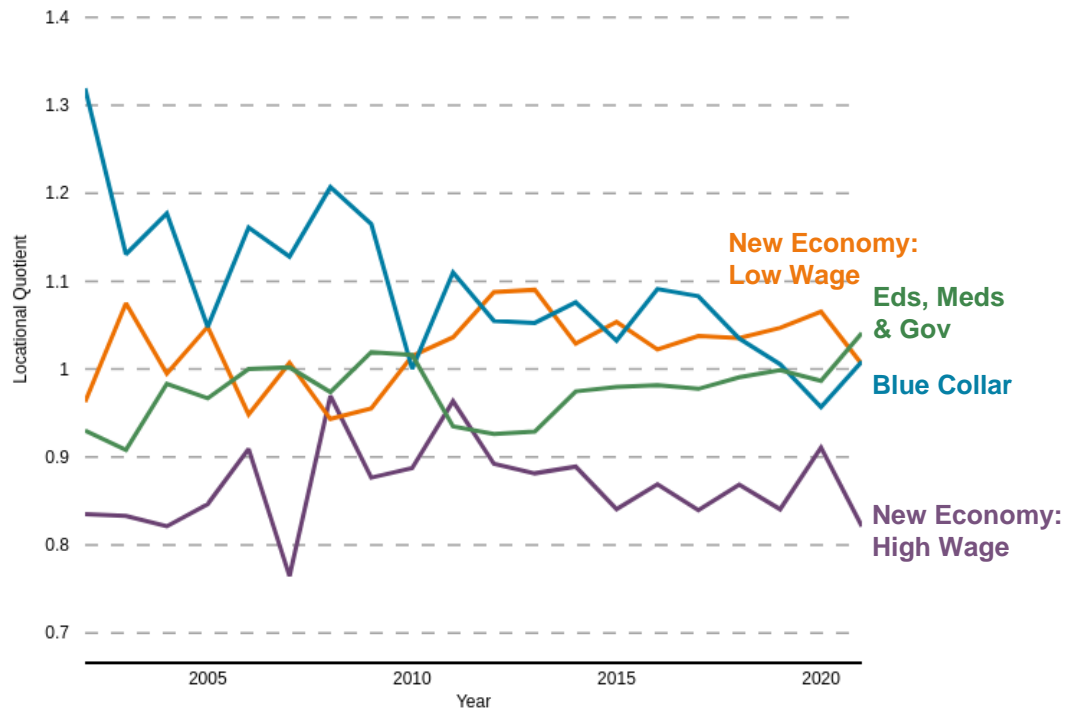
Industrial Composition of Cloquet & Scanlon Residents



Cloquet & Scanlon residents have increasingly moved towards the regional composition

As more people commute across the economic region, residents have increasingly moved towards a similar composition of jobs as the regional economy. There is a higher proportion of residents who work in lower to middle income jobs who find attainable housing in Cloquet.

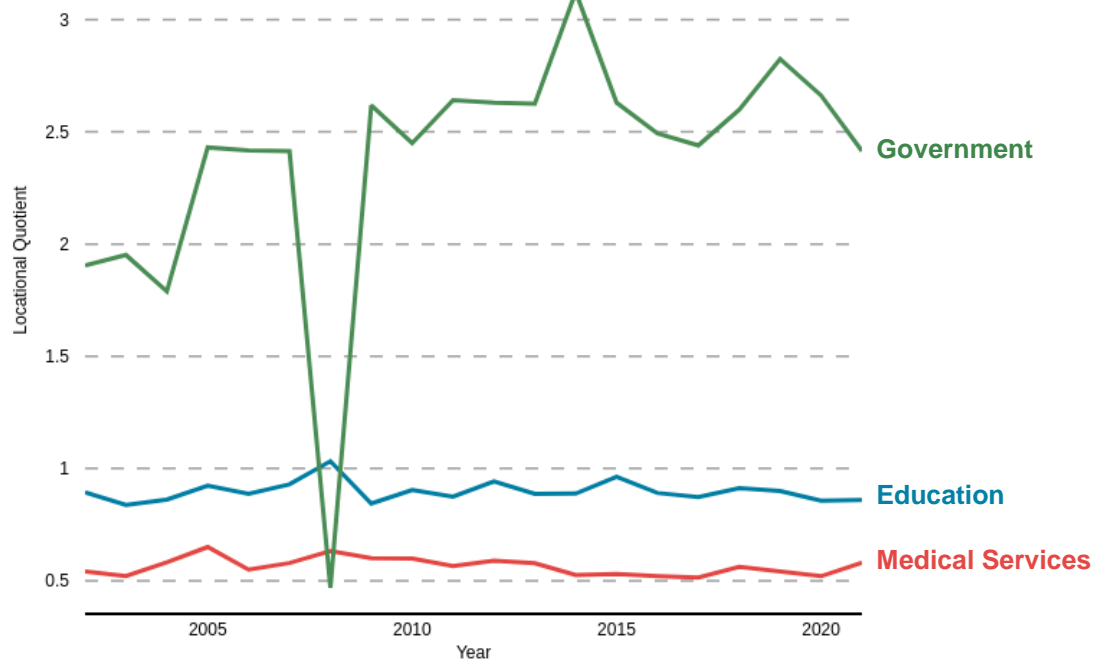
Cloquet & Scanlon Residents' Locational Quotient
Relative to Duluth Metropolitan Area



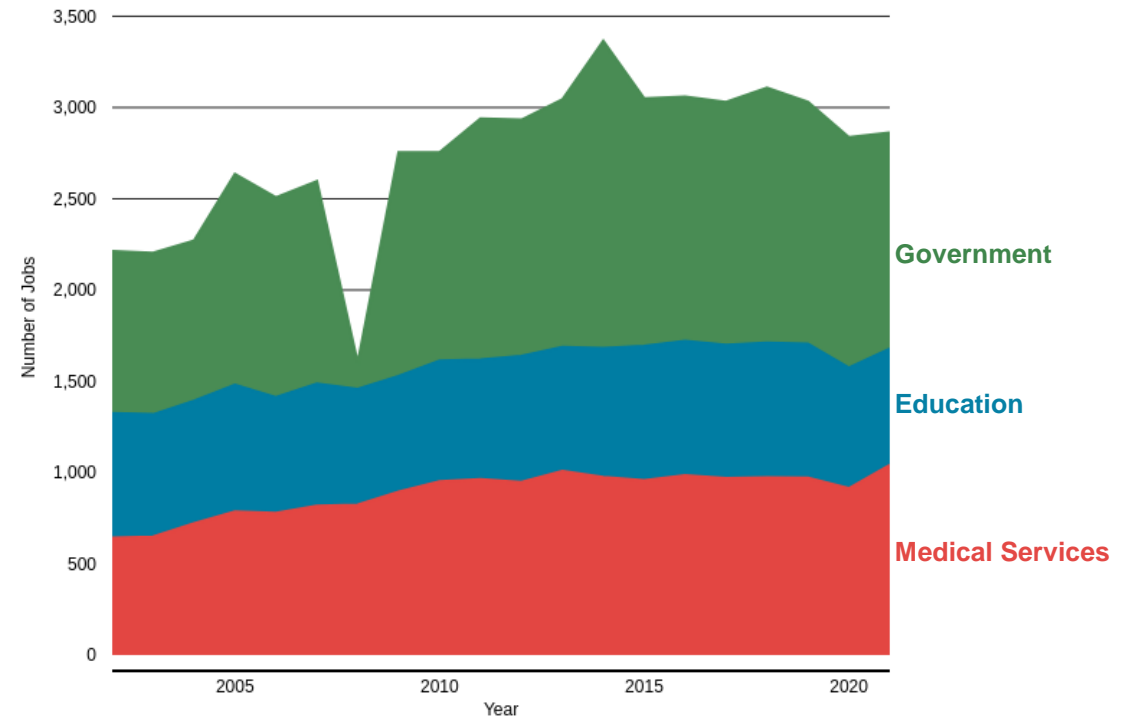
Medical services are growing, albeit at the same rate as the metro

Metro-wide, health services remain a growing segment of the economy. Conversely, growth continues to occur in public administration and government jobs, which in this case is tightly linked to the Fond du Lac Band. This includes a range of industries such as the community college, Black Bear casino, medical services, and broader services.

Eds, Meds Gov: Cloquet & Scanlon Locational Quotient Relative to Duluth Metropolitan Area



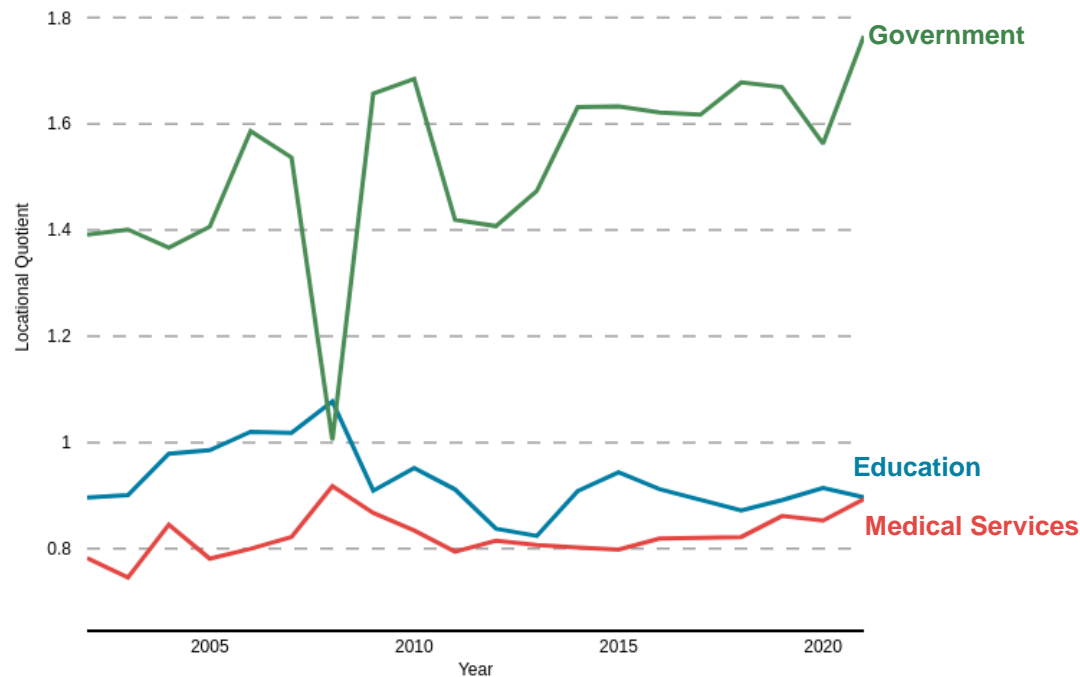
Eds, Meds and Gov Composition in Cloquet & Scanlon



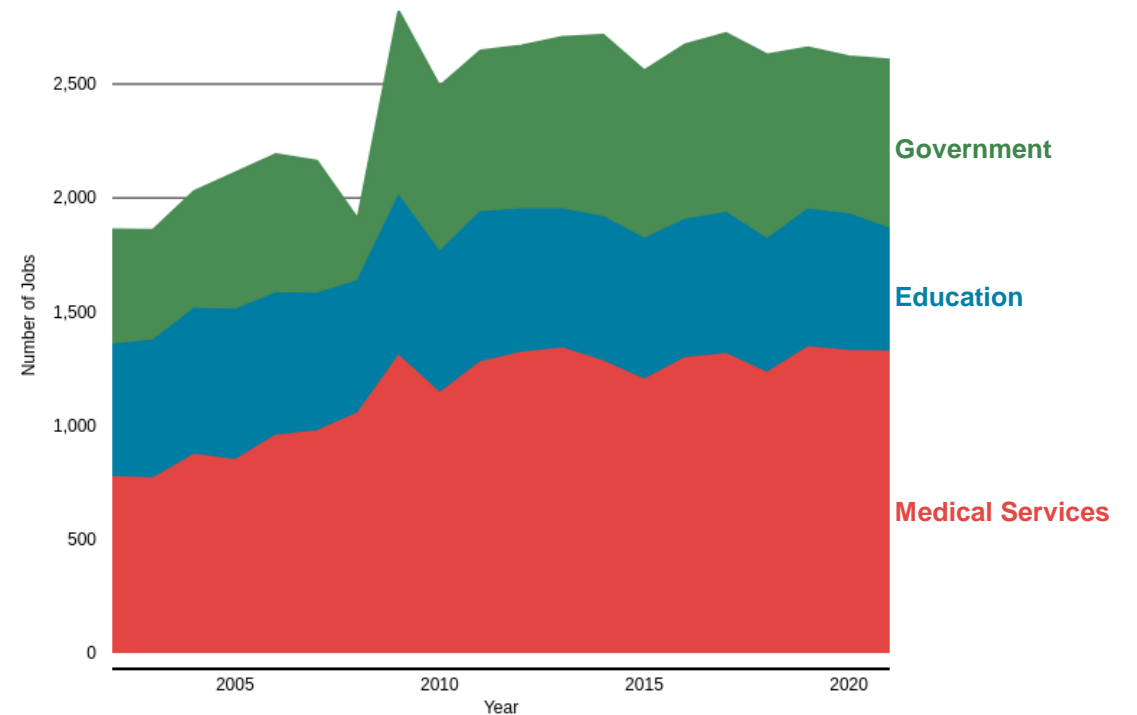
Many work in Duluth’s medical service’s industry and on the Fond du Lac Reservation

Strong growth of the medical industry is occurring region-wide, and health-care workers live in Cloquet at about the same rate as they do region wide. The higher proportion of residents who work in education and medical services – two industries that offer middle-income jobs – further reinforces the idea that many are moving outside Duluth to find attainable housing.

Eds, Meds Gov: Cloquet & Scanlon Residents' Locational Quotient Relative to Duluth Metropolitan Area



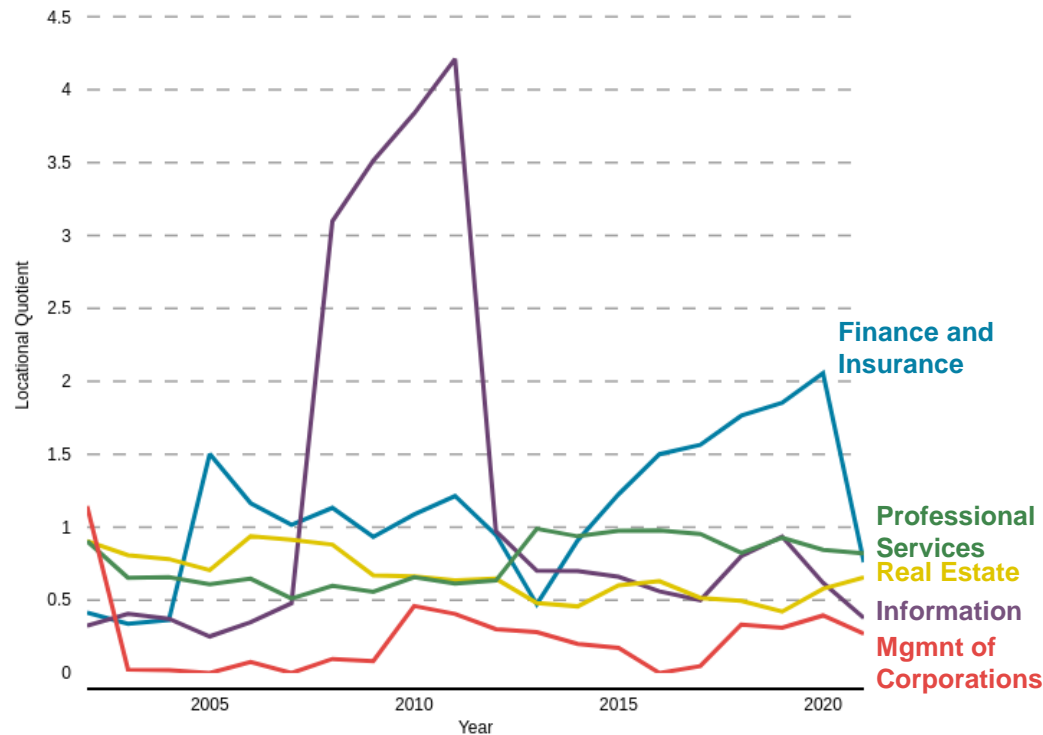
Eds, Meds and Gov Composition of Cloquet & Scanlon Residents



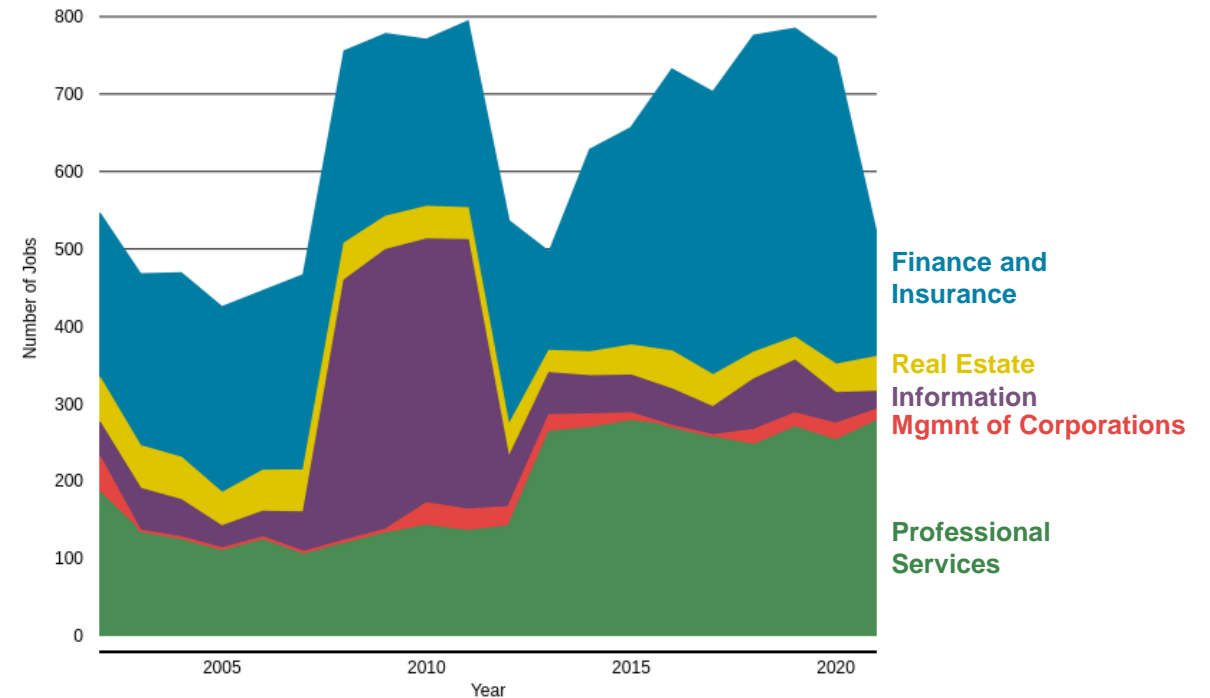
Professional Services and Finance/Insurance are employers

Of New Wage Economy High Wage jobs, professional services and finance and insurance industries are growth drivers. The proportion of folks who work in these industries is closer to the metro average.

New Economy High Wage: Cloquet & Scanlon Locational Quotient Relative to Duluth Metropolitan Area



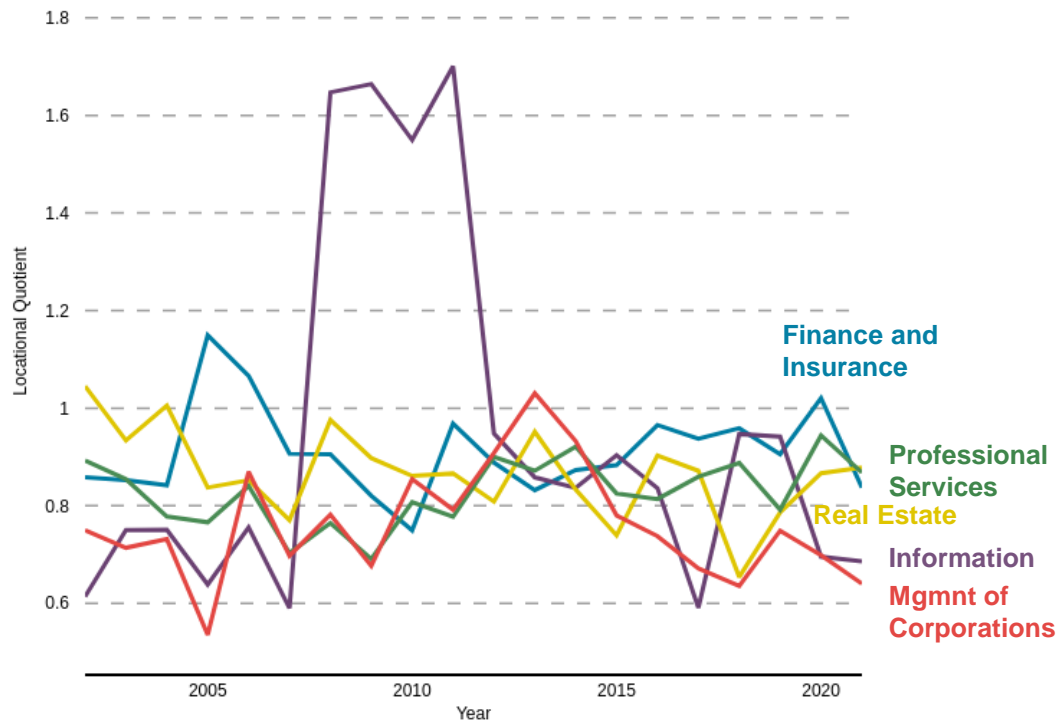
New Economy High Wage Composition in Cloquet & Scanlon



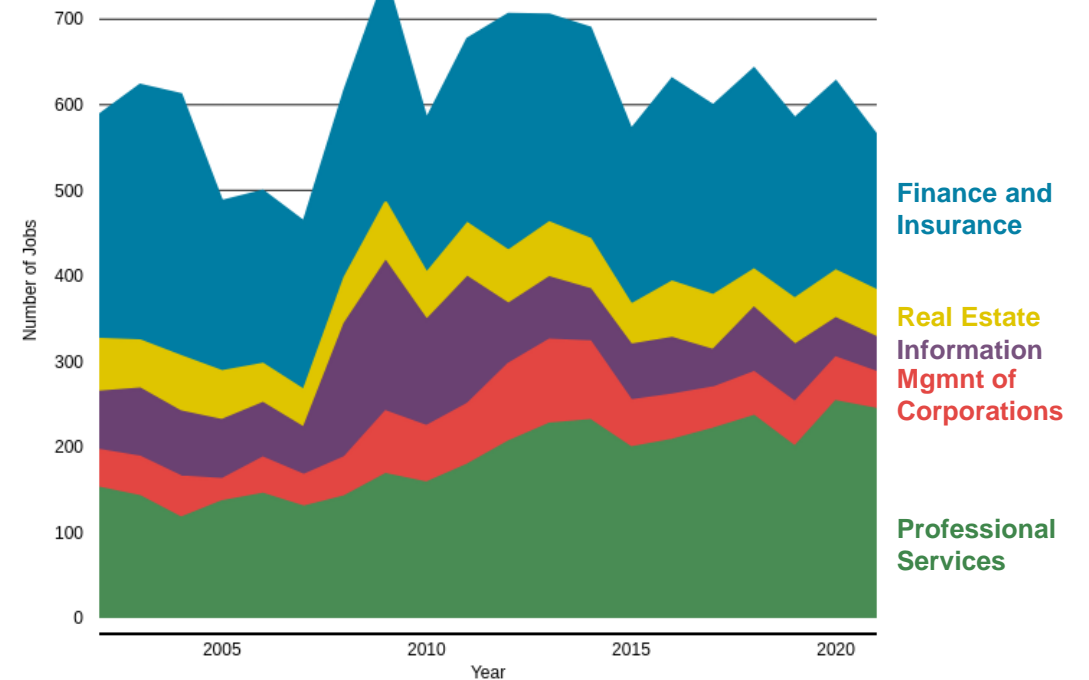
As professional services are added, more are choosing to live in Cloquet and Scanlon

While a smaller proportion of the economy, the growth in professional services and finance/insurance region wide have also led to a growth of residents who work in that industry. Cloquet and Scanlon offer a range of housing types that are attractive for upper-middle income people.

New Economy High Wage: Cloquet & Scanlon Residents' Locational Quotient Relative to Duluth Metropolitan Area



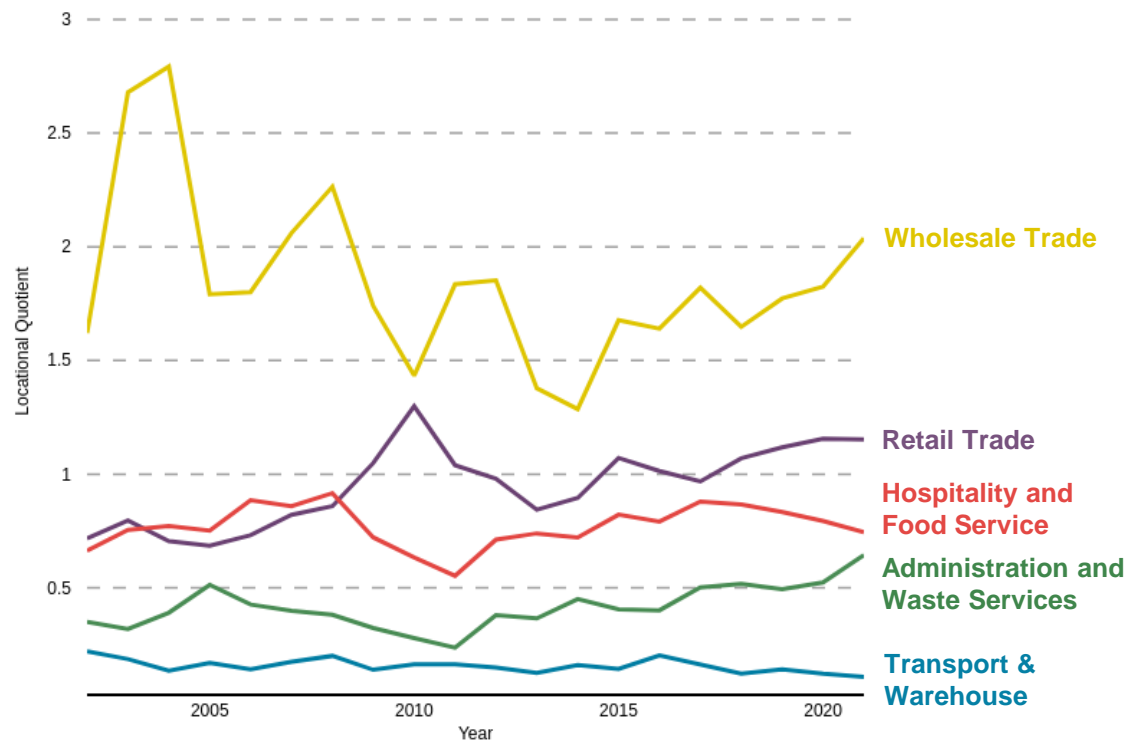
New Economy High Wage Composition of Cloquet & Scanlon Residents



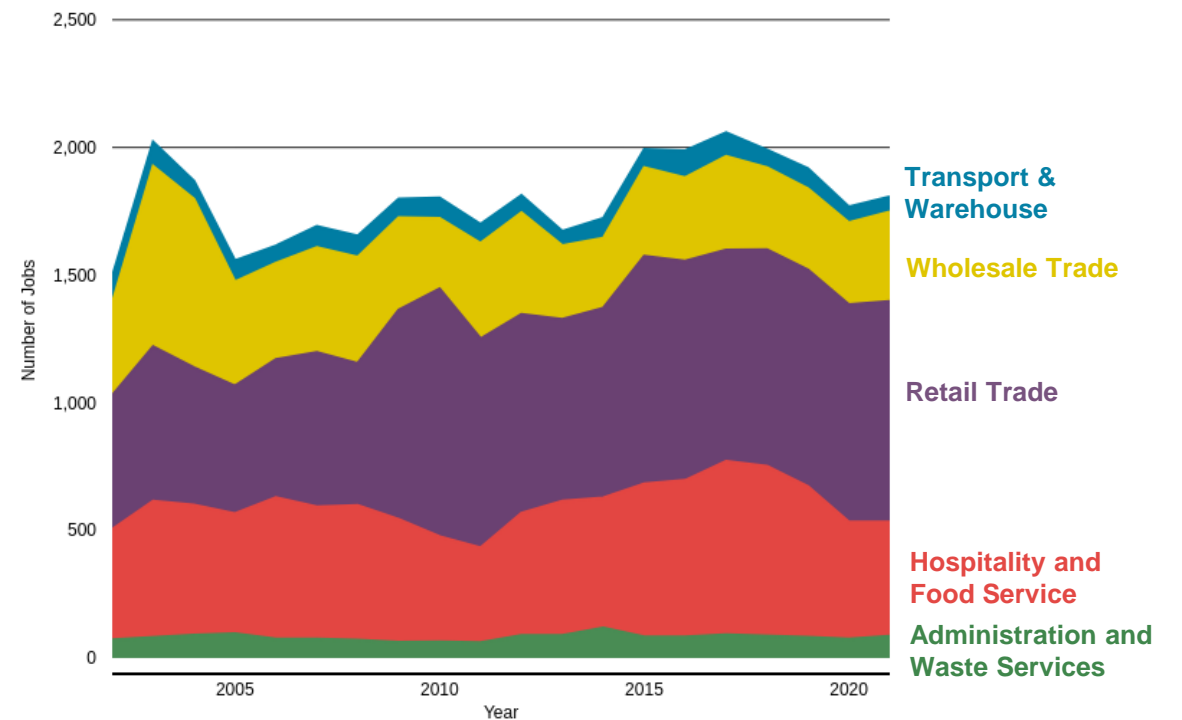
Wholesale and retail trade a major part of the local economy

Wholesale trade is connected to the manufacturing sector – their fortunes are connected. On the other hand, retail and hospitality jobs are a function of Cloquet’s role as the county’s commercial center. The concentration of retail jobs has grown.

New Economy Low Wage: Cloquet & Scanlon Locational Quotient Relative to Duluth Metropolitan Area



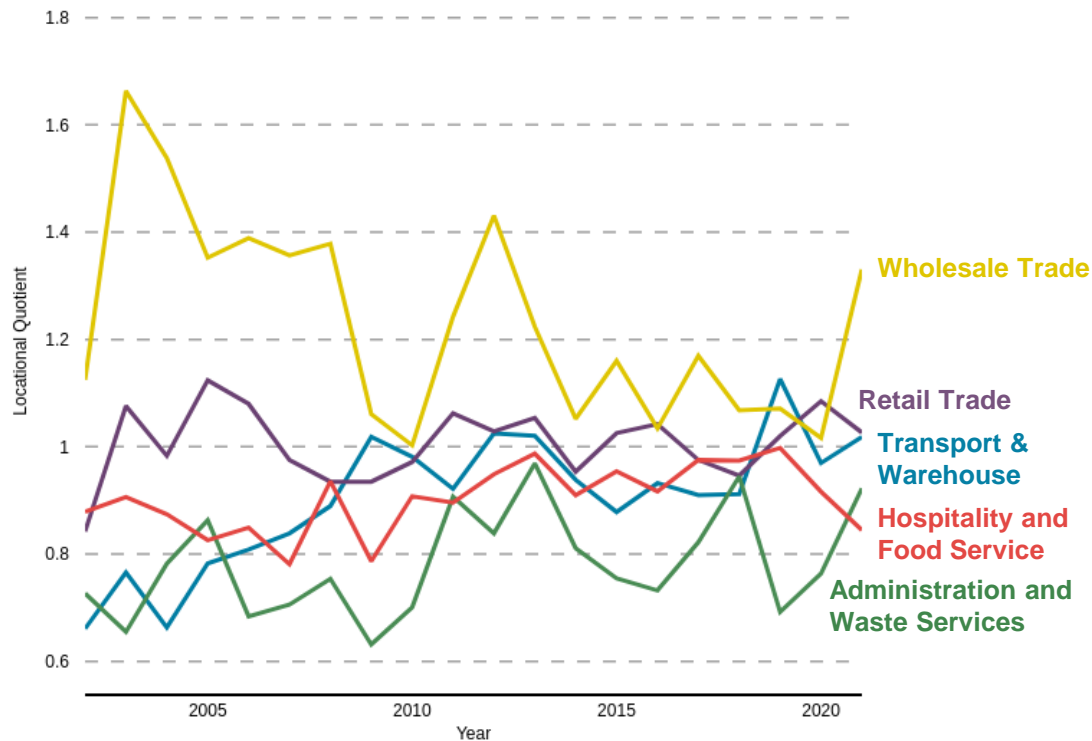
New Economy Low Wage Composition in Cloquet & Scanlon



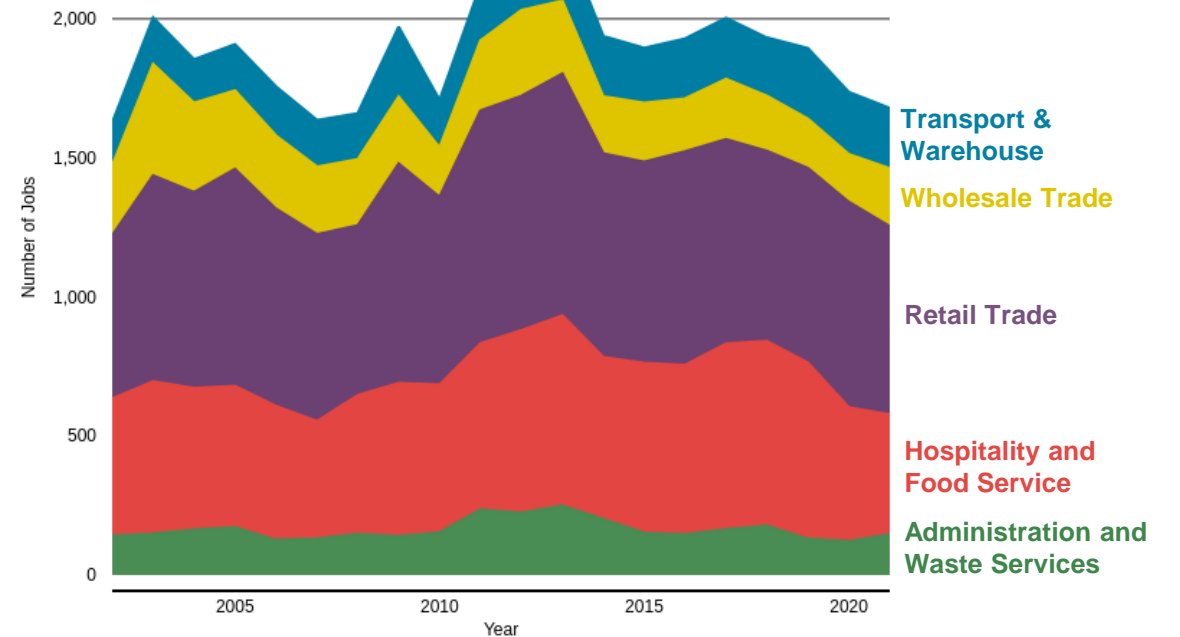
Relative affordability is driving more residents in lower wage service jobs to live in Cloquet

With housing costs rising faster in Duluth, many in lower wage service sector jobs live in higher proportions in Cloquet, with their overall regional share growing. Cloquet/Scanlon remains a more affordable suburban market for people who work in the broader region.

New Economy Low Wage: Cloquet & Scanlon Residents' Locational Quotient Relative to Duluth Metropolitan Area



New Economy Low Wage Composition of Cloquet & Scanlon Residents



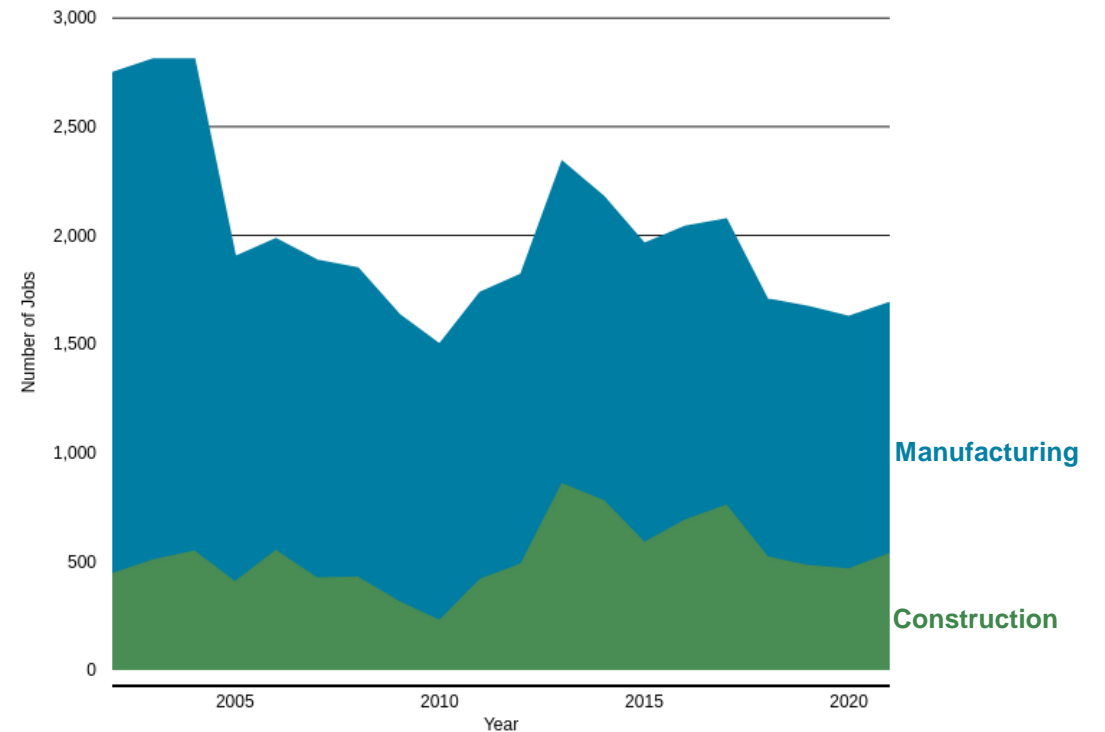
The manufacturing sector is contracting, even though regional share is still high

The manufacturing sector – crucial to providing economic growth with middle-income jobs – has contracted since 2000 due to globalization. The industry, however, has stabilized. Construction jobs grew in proportion to the casino and casino-stimulated growth.

Blue Collar Jobs: Cloquet & Scanlon Locational Quotient Relative to Duluth Metropolitan Area



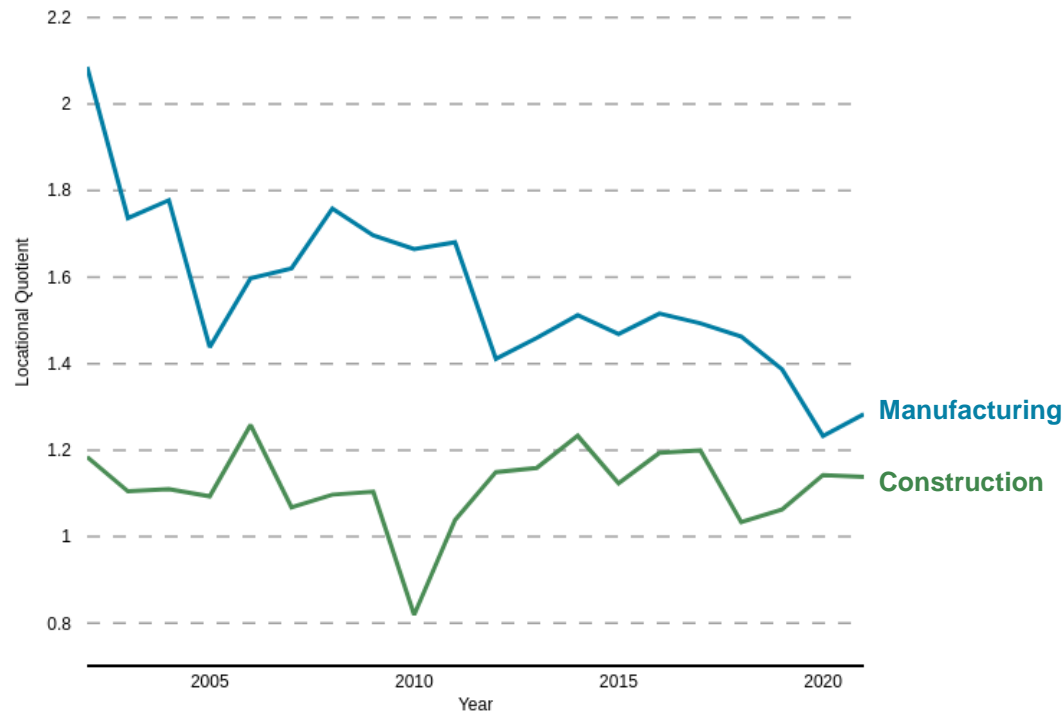
Blue Collar Composition in Cloquet & Scanlon



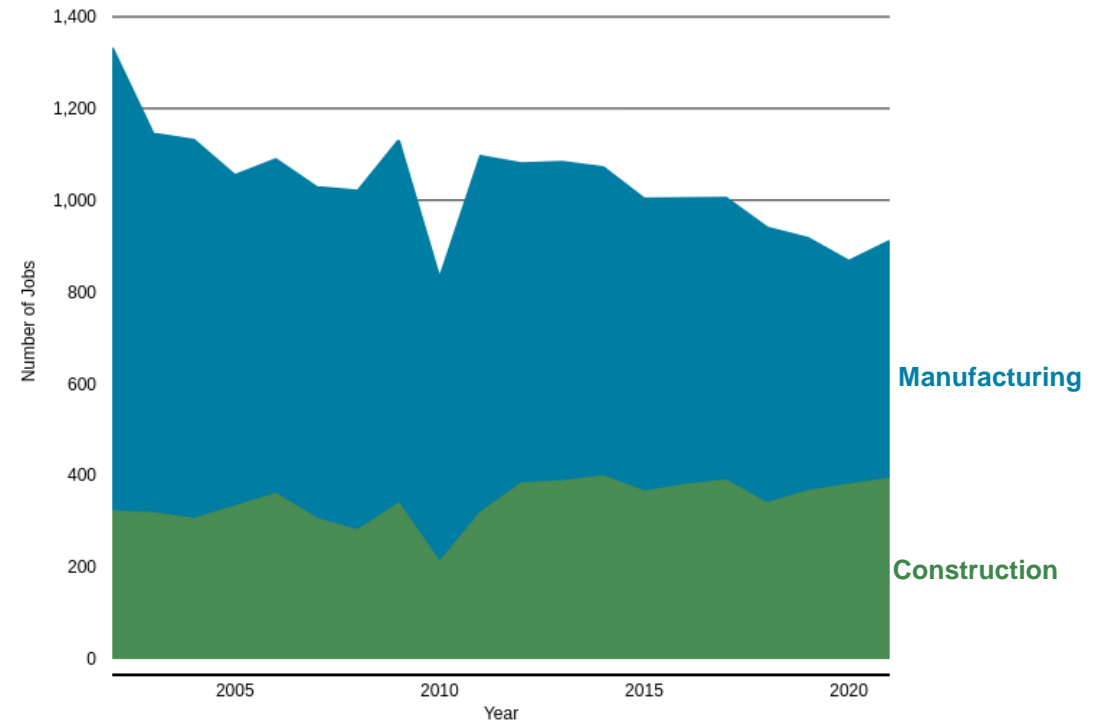
The share of residents who work in manufacturing is declining, but still remains high

As the industry has declined, so too have residents who work in the manufacturing sector. Much of the affordable ownership housing would be, and still is, attractive to middle-income householders – wages typical for manufacturing and construction related jobs.

Blue Collar Jobs: Cloquet & Scanlon Residents' Locational Quotient Relative to Duluth Metropolitan Area



Blue Collar Composition of Cloquet & Scanlon Residents



Cloquet's economy is rooted in manufacturing, government and services

The regional economy in Cloquet/Scanlon has seen a transformation in the past 25 years that is relatively typical for satellite cities in mid-size metropolitan regions. Once rooted in manufacturing, globalization has slowly diminished the size of the industry and its domination of the local employment market. The export-oriented manufacturing industry generated strong middle-income jobs with strong 'multiplier' effects, driving growth in wholesale, retail, food and accommodation related services. GDP growth stalled in the late 2000s as no new industry emerged to replace lost manufacturing jobs.

Things started to shift in the late 2000s when the Fond du Lac Reservation significantly expanded the Black Bear Casino. Government services – the NAICS category where Indian reservation related employment is typically categorized – emerged as a major GDP driver and job

generator. Cloquet's proximity to the reservation and casino has led to higher rates of geographical clustering of those who work in related reservation industries, including the Casino, the college, and in health/government services.

While the development of a secondary industry has been good for job growth and stimulated additional GDP, the wage and occupational structure of tourism and reservation-related jobs are significantly different than the manufacturing industry. This includes a shift from more middle-income households to lower to lower-middle income households. Despite the generation of more jobs, the lower spending power of those who work in these industries has meant more sluggish growth in adjacent industries. This registers in a shift in housing demand away from middle-tier single-family homes towards more affordable rental, multi-family housing and

entry-level ownership housing.

Simultaneously, Duluth's continued growth as an education and medical services center for northern Minnesota stimulated additional housing demand. Both Cloquet and Scanlon have emerged as a more affordable option for single-family home ownership for those working in middle-income occupations who prefer smaller town living. This is particularly true in Scanlon where more higher-income families have moved into the community and built new homes.

Demand drivers, then, point heavily towards need for affordable rental housing and entry-level and mid-level ownership product – two markets that can be difficult to supply without strong private-public partnerships and strategic policy tools.



04

DEMOGRAPHIC
TRENDS

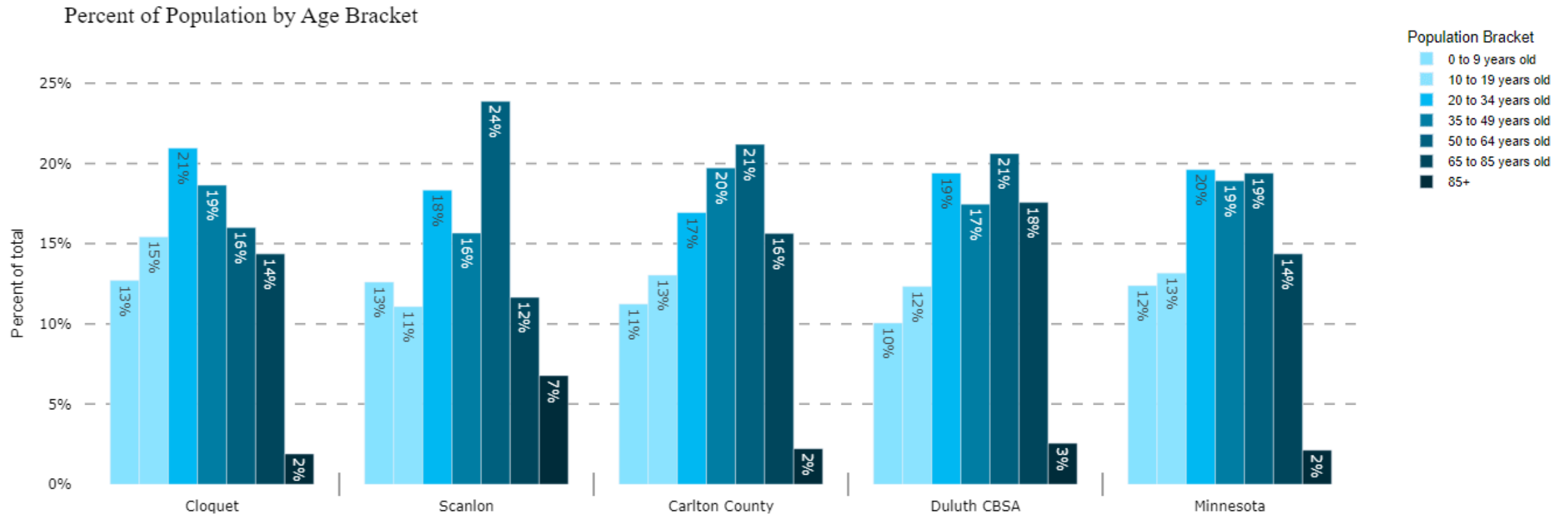
Introductory Notes

The ensuing demographic analysis compares Cloquet and Scanlon to regional “nested” geographies. These include Carlton County, the Duluth Core-Based Statistical Area (CBSA), and the state of Minnesota. The CBSA is defined by the Office of Management and Budget, and includes a large population nucleus – in this case Duluth – and adjacent communities that have a high degree of integration with that nucleus. The comparison with nested geographies helps isolate demographic factors specific to Cloquet and Scanlon.

Demographic data largely derives from the American Community Survey (ACS). The ACS acquires a representative 1% sample of the US population each year, with the “5-year” ACS representing an aggregation of the previous 5 year 1% samples, essentially creating a 5% sample. The most recent 2022 data, therefore, aggregates the 1% samples from 2018, 2019, 2020, 2021, and 2022. Trend data draws on each 5-year sample dating back to 2009, the first year this 5-year sample was compiled. In general, the ACS samples are the most dependable annual demographic sample, but do tend to have larger errors and ‘noise’ than the decennial census data which strives for 100% coverage. This is particularly true in smaller geographies like Scanlon.

Cloquet's community contains a higher proportion of younger working age households

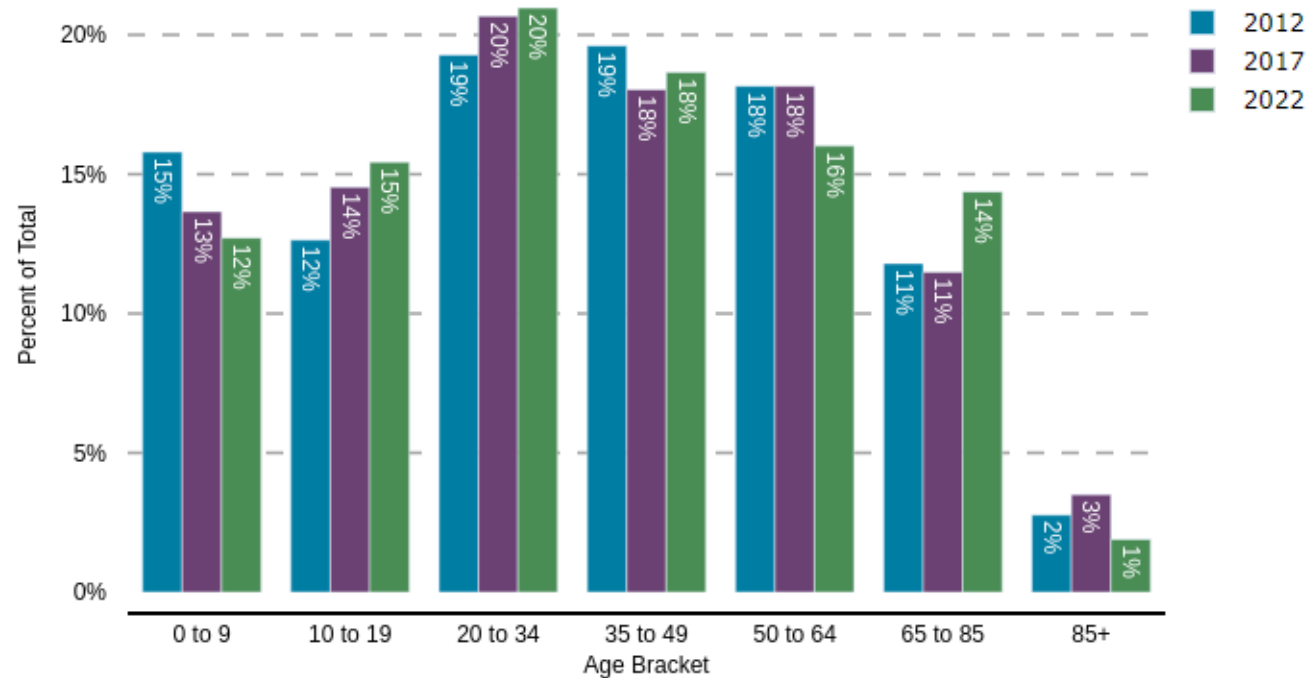
Where Scanlon, Carlton, and Duluth skew older, Cloquet is a younger town with a higher proportion of people in early to mid-career stages (20-50 years old) and families with children. 25% of the population is under 18, which is about 1.3 times the rate in Duluth. Families skew towards having older children (10-19 years old).



Single-family homes attract families, whereas new apartments attract smaller households

Interestingly, the largest shift in the past 5 years is towards households that tend to “live alone” or in smaller households, including seniors and householders aged 20-34. The addition of multi-family units may be slightly shifting the demographic profile by adding regionally necessary housing types.

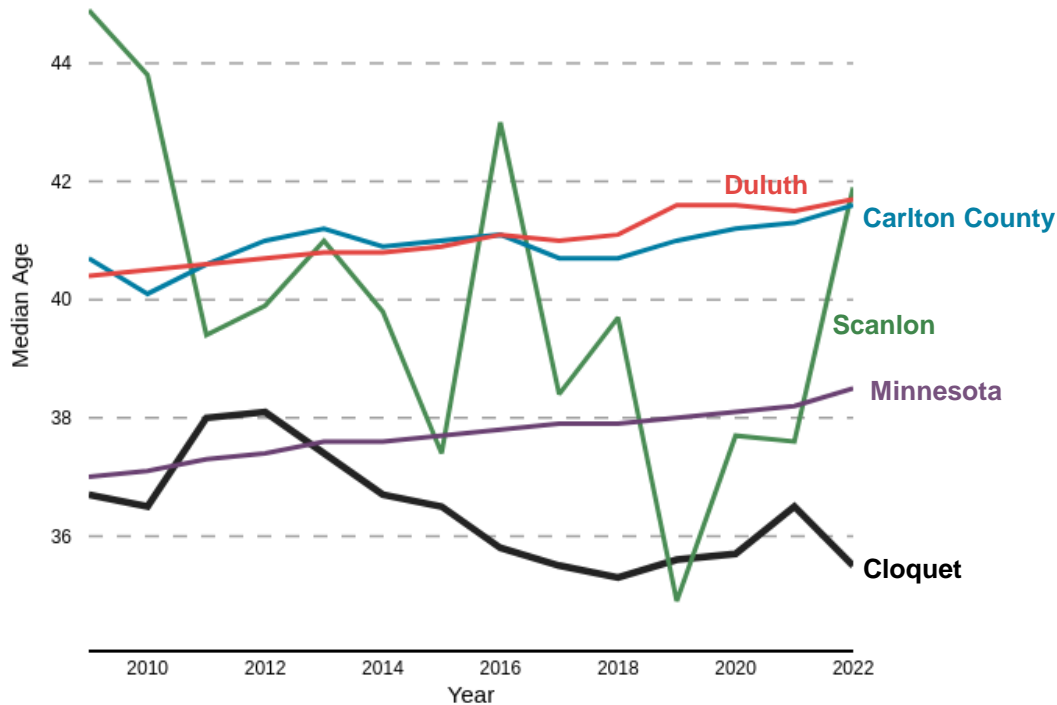
Percent of Cloquet Population by Age: Net Change



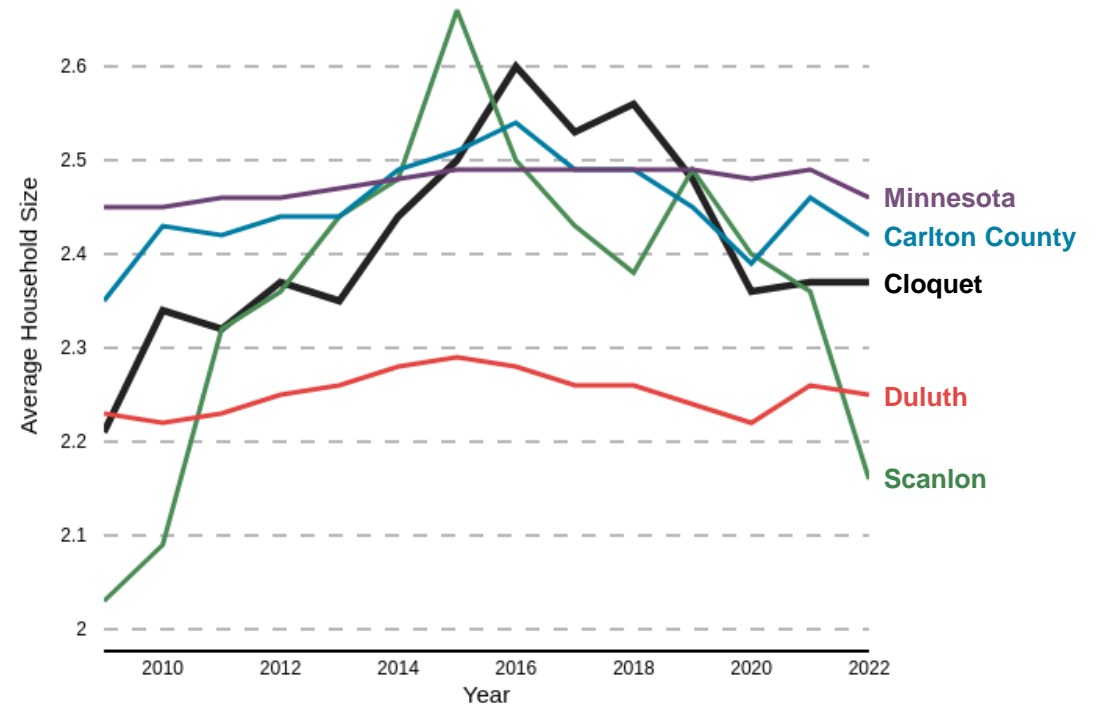
Median age continues to fall, and Cloquet is substantially younger than comparisons

While the growth in household size indicates an in-migration of families in the early part of the decade, the declining age and declining household size indicate that Cloquet is adding younger millennials in the 20-34 age range. On the whole, where Cloquet once tracked Minnesota’s average age, Cloquet has gotten younger as the surrounding areas get older.

Median Age Trends

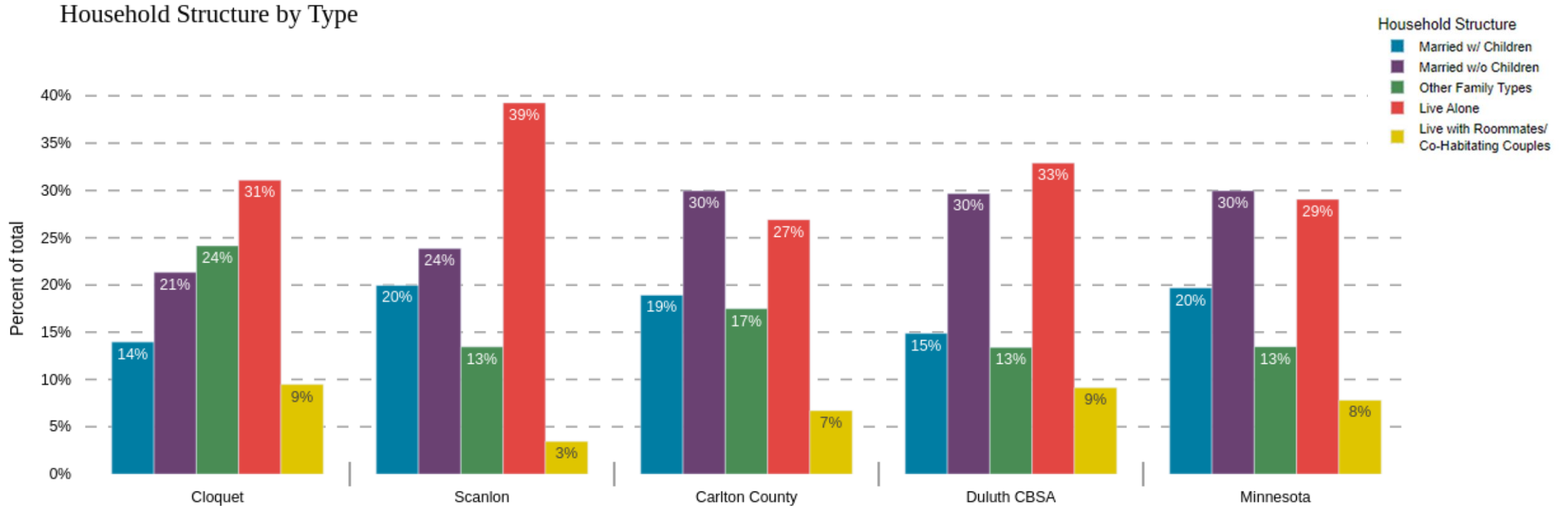


Average Household Size Trends



Household types are slightly atypical

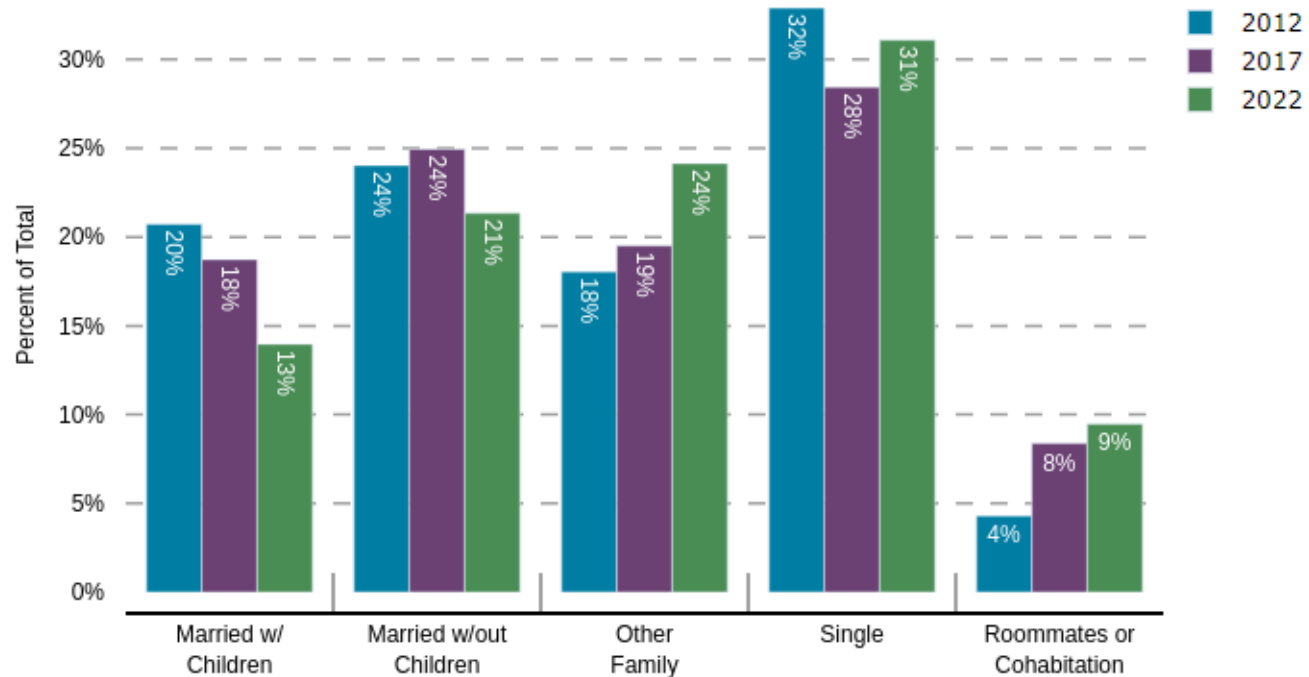
Cloquet contains high ratios of ‘other family types,’ a group that includes single parents. Single-parent households are significantly higher than Duluth and the state of Minnesota, as are younger mothers (fertility rates for women aged 20-24 is nearly double the Duluth/MN rate). There are 1.37 single-parent households for every married household with kids in Cloquet versus 0.55 for Duluth.



Shifts in household type reflect growth in non-married parents and cohabitation

Cloquet is getting younger even as the proportion of married households with children shrinks. Instead, single-parent households and roommates are a major source of growth. The addition of new multi-family housing may be an important driver in changes in household structure.

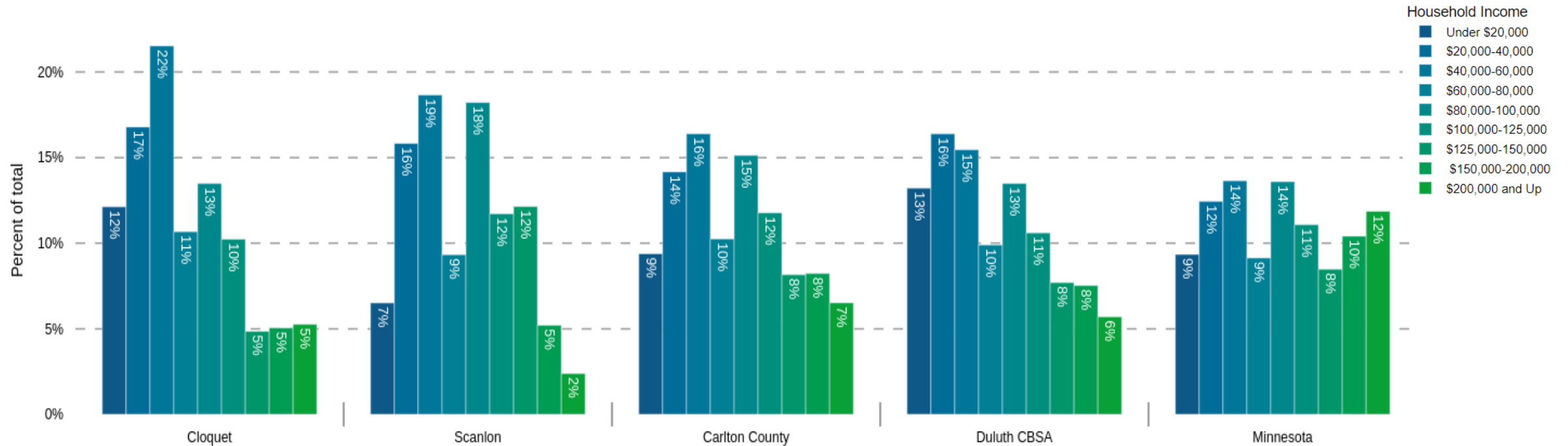
Household Type in Cloquet: Net Change



Reflecting the economic base, there is a higher proportion of households earning between \$40-80K

Cloquet households tend to reflect the wage, industry and family structure of residents. An increase in single-income and younger households in lower to middle-income earning industries is reflected in the higher proportion of households earning ‘workforce’ wages. At \$34,514 per capita, and \$59,647 for median household income, earnings are about 90% of the Duluth average.

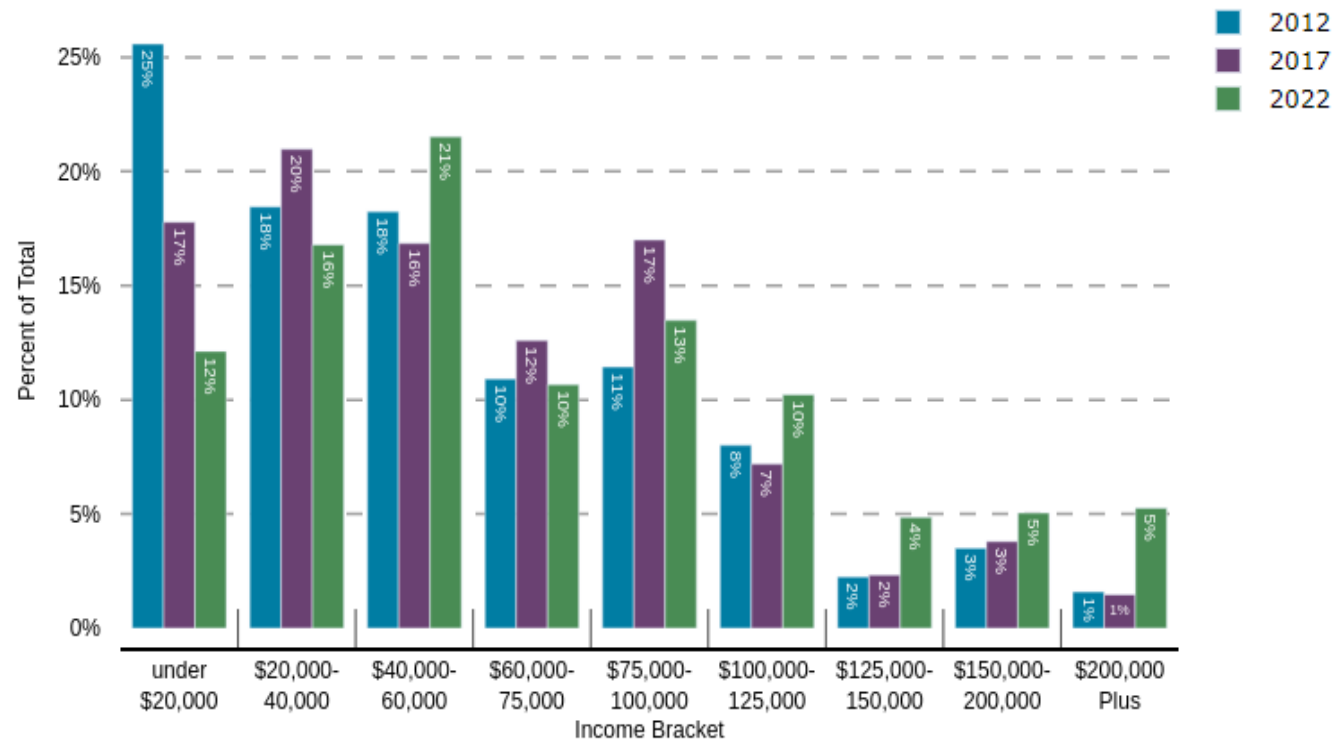
Percent of Households by Household Income Bracket



While lower than regional averages, there is growth in higher income brackets.

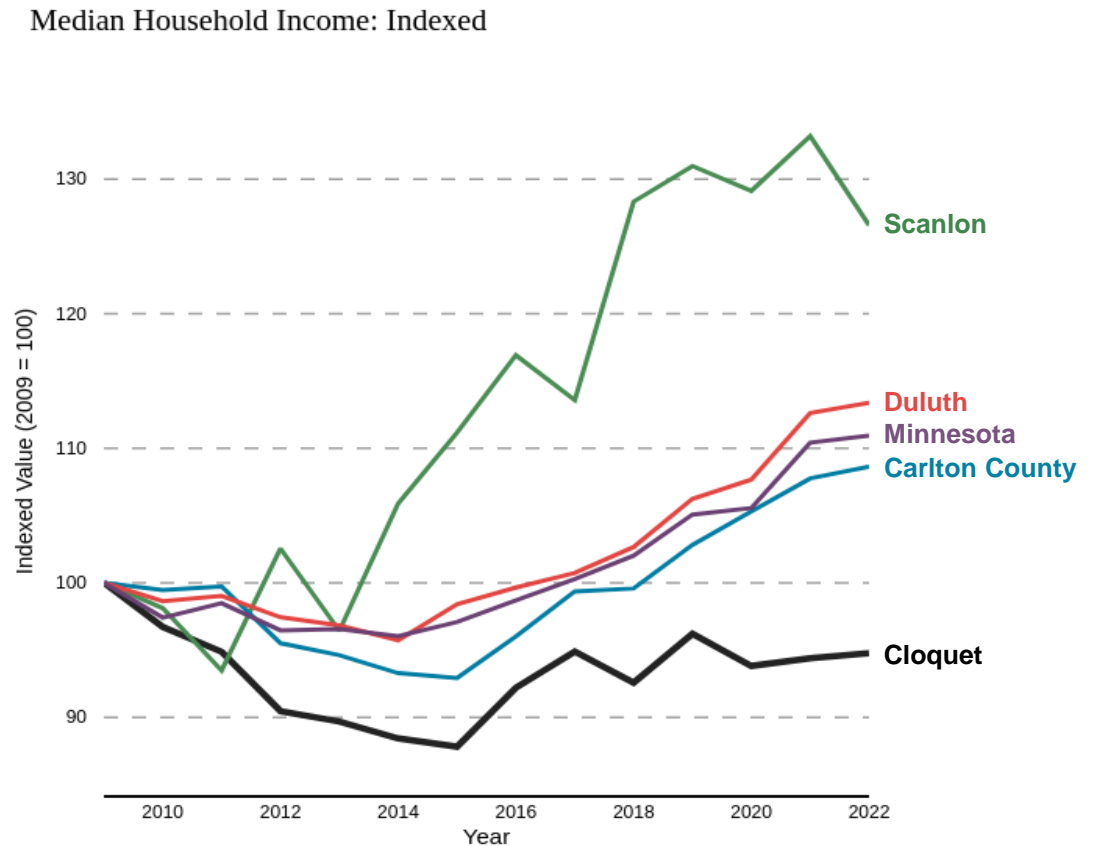
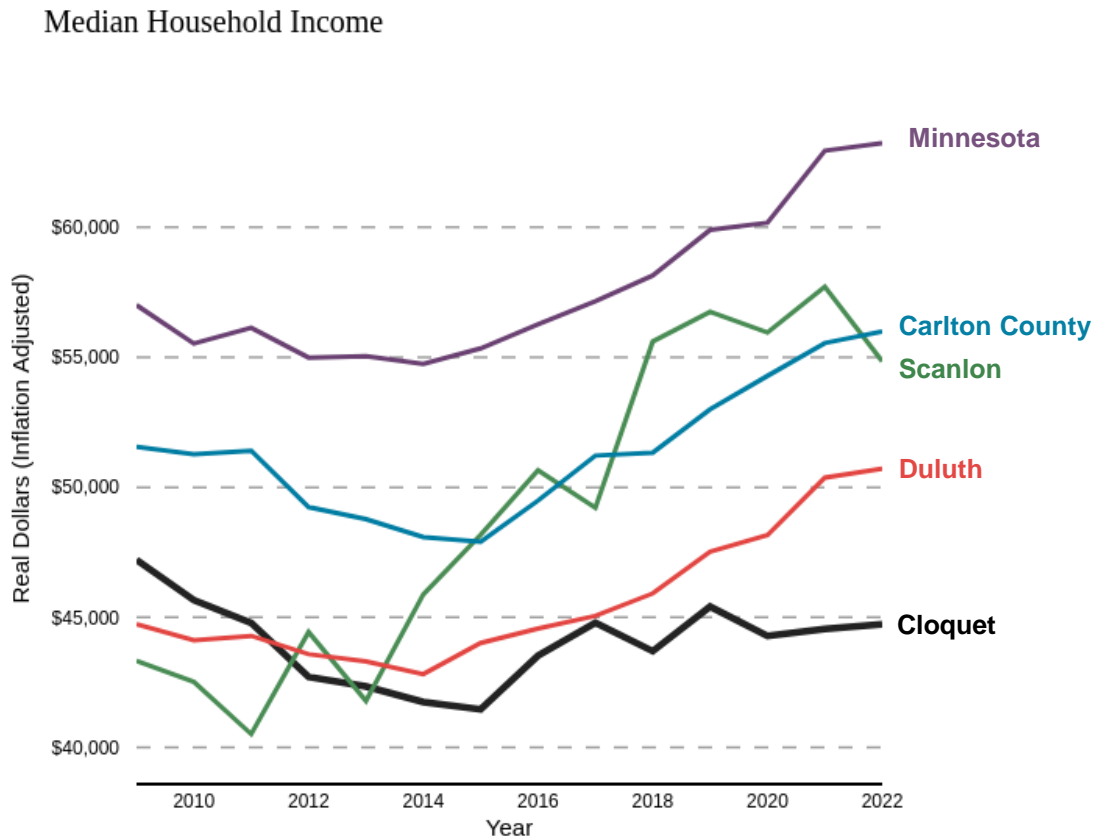
While workforce households remain the dominant norm, there is a shift towards higher income households. This likely includes the growth of people commuting into Duluth.

Household Income in Cloquet: Net Change



In real dollars, Cloquet's median income is lower than Duluth's, with that gap widening

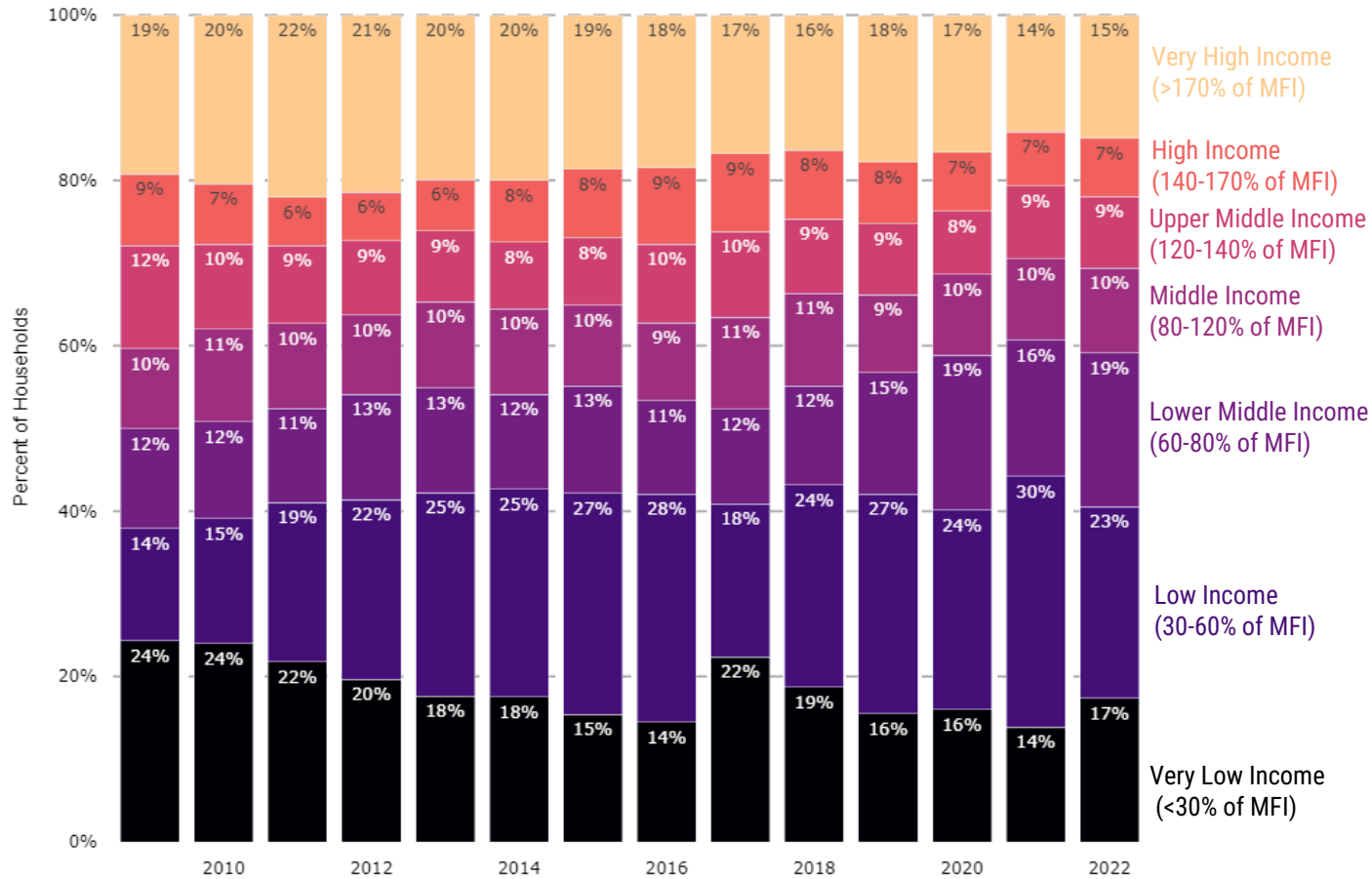
In absolute terms, Cloquet's median household income remains lower than Duluth's with that gap widening over time. In fact, in real dollars, incomes have fallen since 2009 in Cloquet. The fall in incomes is less a function of stagnant wages, but rather a shift in the occupational structure towards lower income jobs.



Source(s): ACS, 5 year estimates, 2009-2022

DEMOGRAPHIC TRENDS | HOUSEHOLD INCOME

Ratio of Households by Income Composition: Cloquet



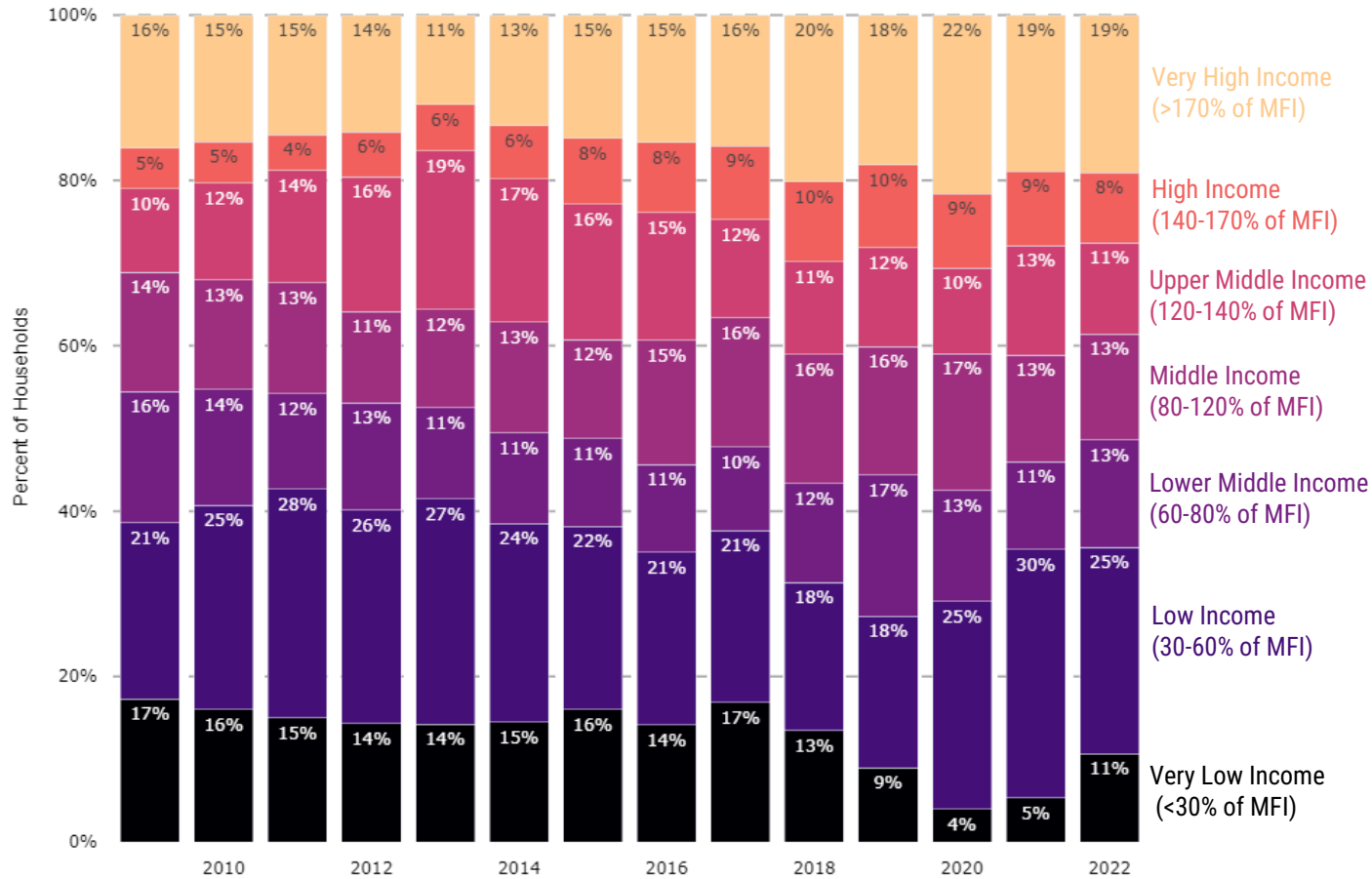
Household Income Relative to Duluth CBSA Over Time

Cloquet’s economic structure is evaluated in relation to the Duluth metro area’s Median Family Income (or MFI). The regional MFI for each year is used to then bracket Cloquet households for that year, thereby helping to control for inflation. For the Department of Housing and Urban Development, the regional MFI (or more colloquially known as AMI, or Area Median Income), is used to determine eligibility for housing subsidy. Here it is a useful bracket to understand change in incomes relative to the Metro over time.

Cloquet’s proportion of very-low-income households has been getting progressively smaller, whereas its proportion of lower-middle and low-income households has been growing. This reflects the occupational structure. LIHTC housing products match with this growing demand profile.

DEMOGRAPHIC TRENDS | HOUSEHOLD INCOME

Ratio of Households by Income Composition: Scanlon



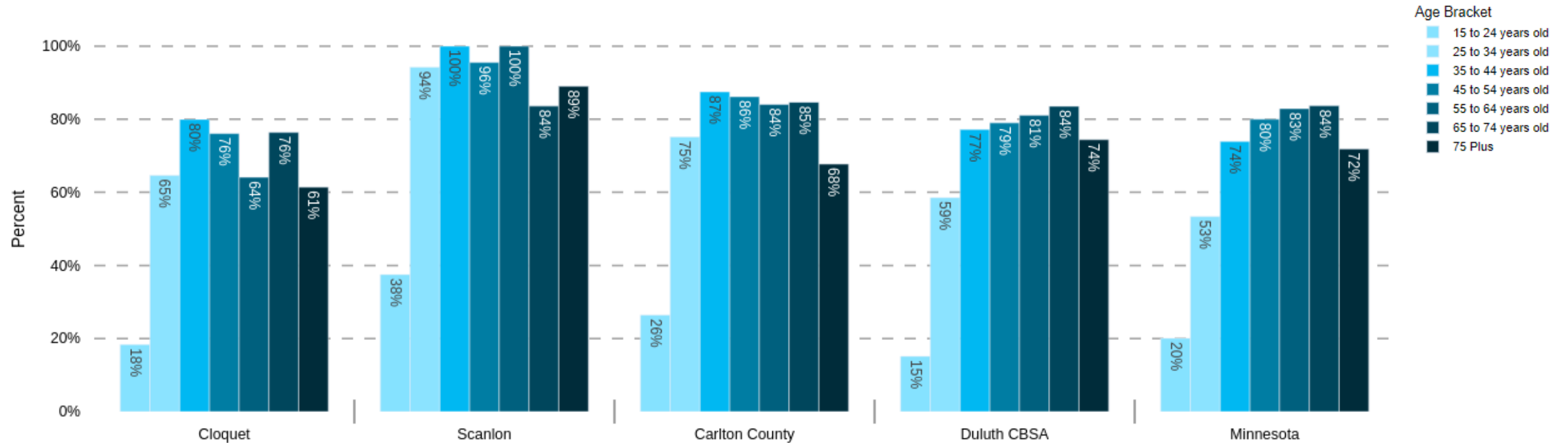
Household Income Relative to Duluth CBSA Over Time

Where there has been a contraction in higher income households in Cloquet, Scanlon has added more very high income and high-income households. At the lower end of the spectrum, there has been a rapid decline in very low-income households. The limited new housing supply added has attracted higher income households (commuters into Duluth).

The addition of multi-family housing has depressed homeownership rates across age groups

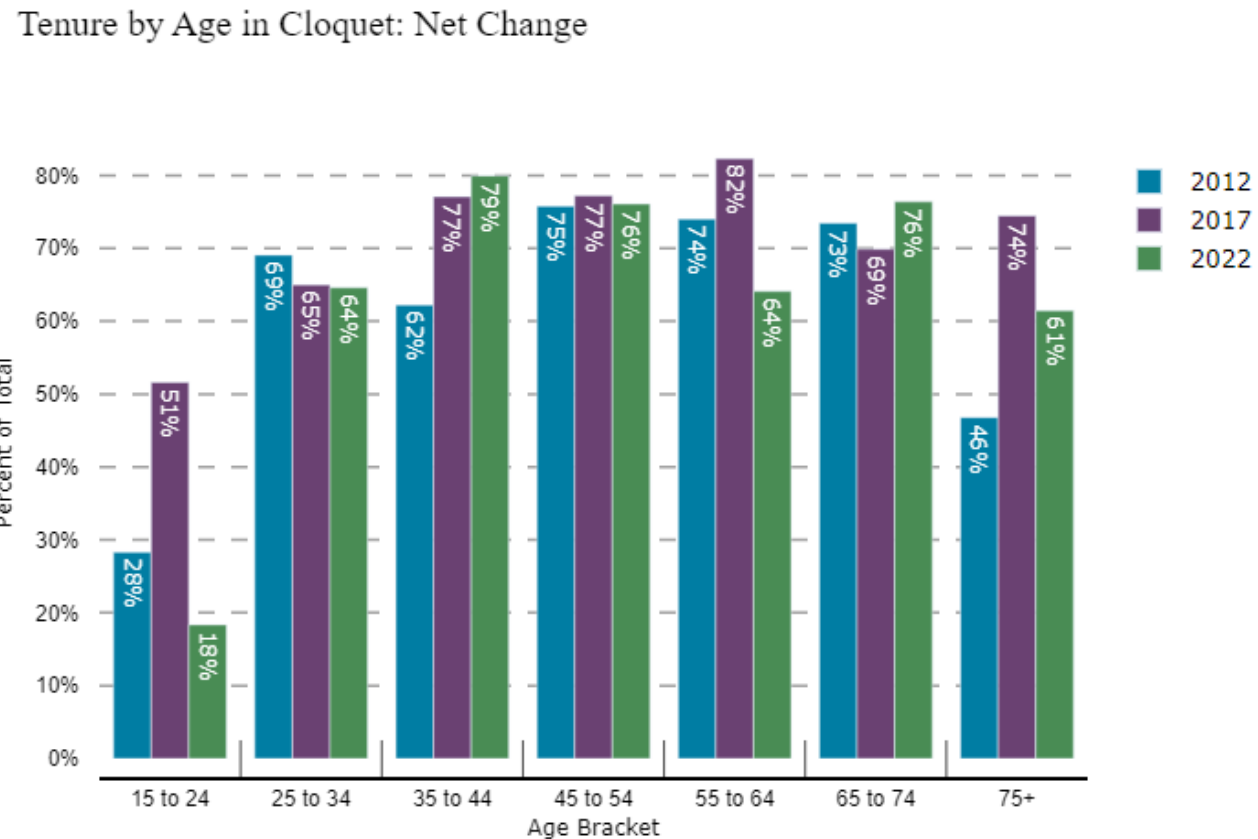
The proportion of Cloquet’s owner-occupied units is about 10% less than Duluth. Compared to regional norms, homeownership rates tend to be lower across the board, except for younger homeowners (age 25-44). About 17% of single-family homes in Cloquet are rentals – more than 1.5 times the rate of Duluth (10%) or Carlton County (9.5%).

Homeowners as Percent of Total Households in Same Age Bracket



Net change indicates a shift towards younger homeowners and some older renters

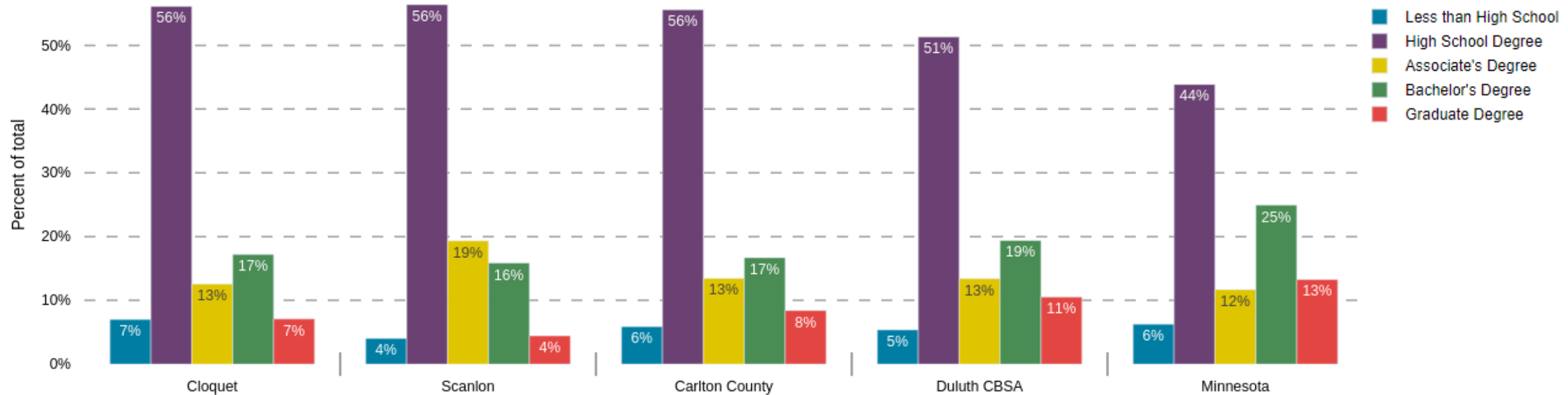
Growth in renters for households aged 55-64 may be related to changes in the housing stock. Meanwhile, homeownership rates have increased for households aged 35–44.



Education levels reflect the industrial base

In general, Cloquet is on par with the metro area in terms of educational attainment, with a slightly lower percentage of persons with graduate degrees and a slightly higher percentage of persons with associate degrees or less than high school. This reflects the presence of lower wage service and manufacturing jobs that often do not require higher education degrees.

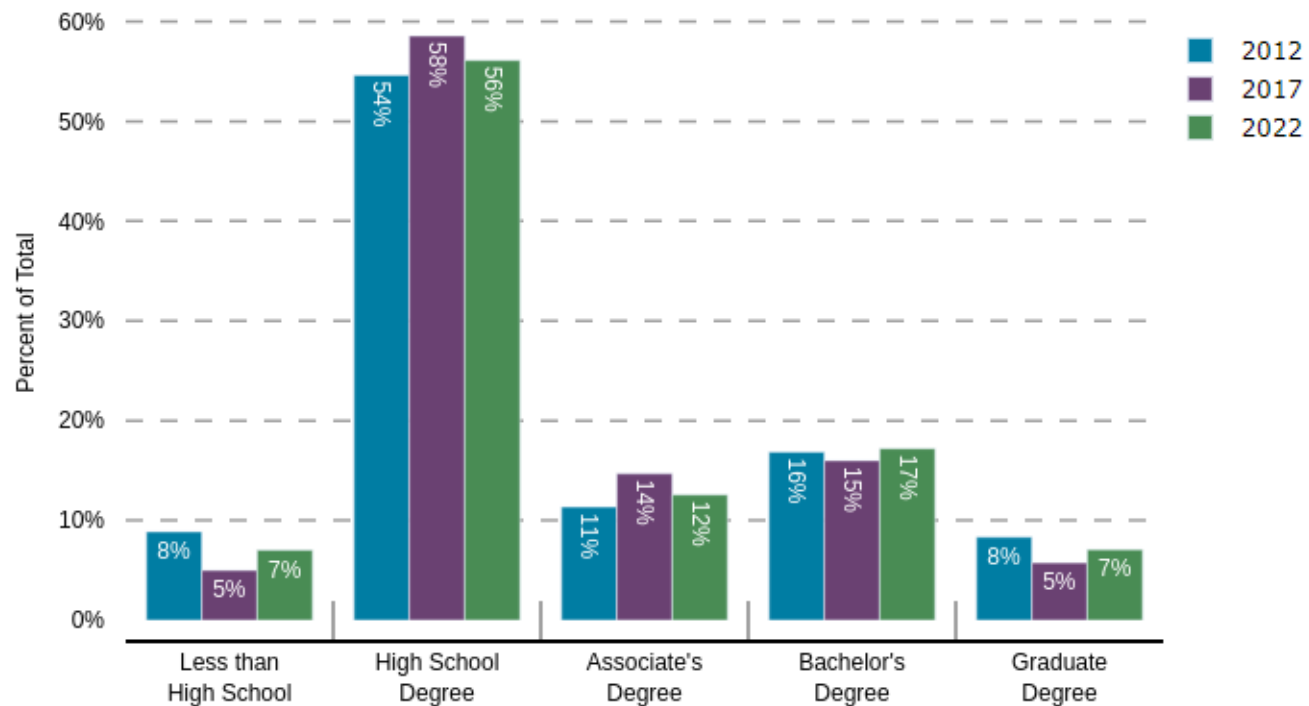
Furthest Education Achieved



Education proportions have remained consistent

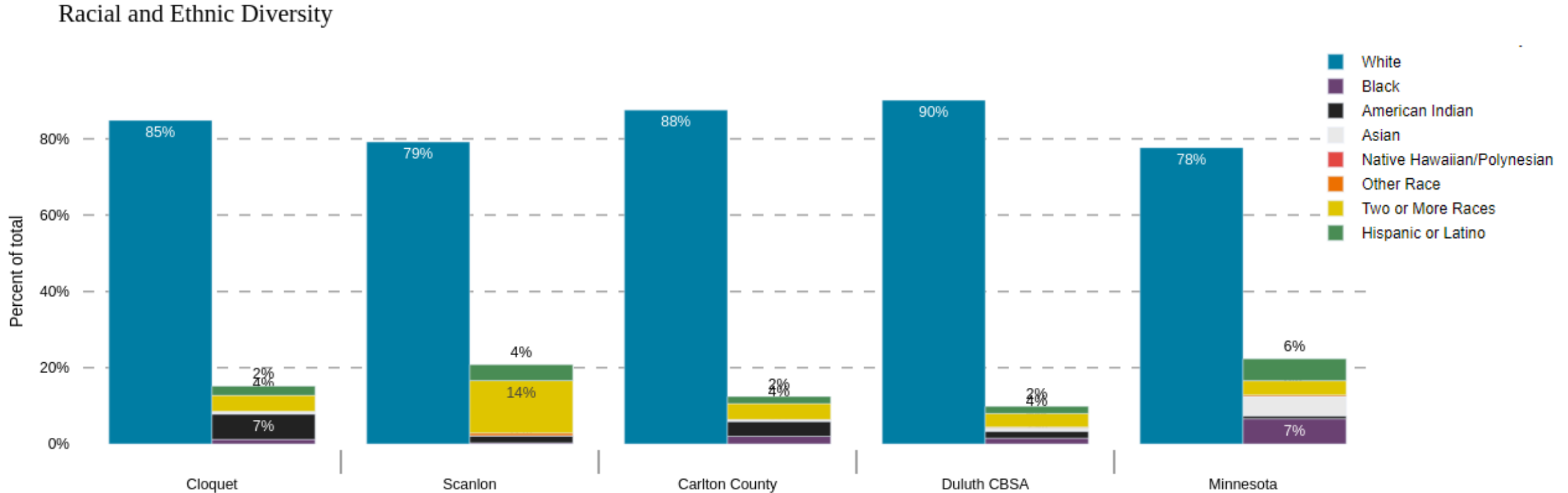
Shifting demographics have not drastically altered the education level of Cloquet residents.

Education Achieved By People in Cloquet: Net Change



Given proximity to the Fond du Lac Reservation, Cloquet has a higher ratio of Native American persons

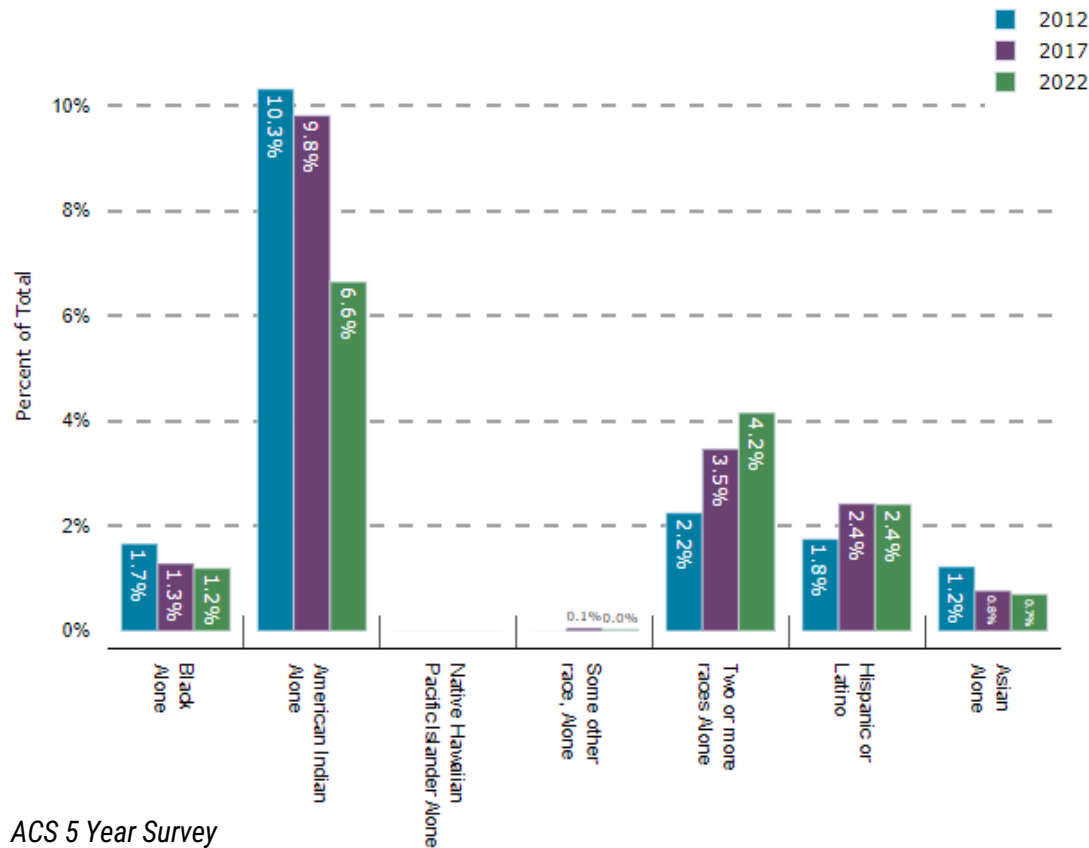
Cloquet contains a much higher proportion of Native American persons compared to Carlton County, the Duluth Metro, and the State.



Major disparities exist between white and non-white households

Strong racial and ethnic disparities exist in terms of household median income and home ownership rates, with these disparities more severe than the metro region.

Diversity in Cloquet: Net Change in Population



Race and Ethnicity	Cloquet		Duluth Metro	
	Median Household Income	Home Ownership Rate	Median Household Income	Home Ownership Rate
White	\$61,156	70.8%	\$68,940	74.9%
Native American	\$33,558	33.9%	\$37,213	37.9%
Latino	\$32,984	26.9%	\$63,450	44.7%

Economic Structure Relative to Housing Demand

Incomes remain lower than the region: The demographic composition of Cloquet and Scanlon reflect the shifting economic base in the region. Given the shift from middle-income to lower-income industries near Cloquet and the higher concentration of residents who work in those sectors that has grown *more* concentrated over time, overall median household and personal incomes remain lower than the metro average and have not grown at nearly the same rate. Simultaneously, Cloquet is younger than the broader metro – its median age (at least in recent ACS surveys), impacted by a higher proportion of younger parents.

Scanlon, on the other hand, has become more firmly established as a commuter suburb of Duluth. Newer single-family homes have targeted higher income households, and as result the overall composition of Scanlon has shifted towards more middle and upper middle income families, many of whom are likely commuting into Duluth. Recent movers into Scanlon tend to be higher income and with younger kids, with Scanlon’s median household income growing at a faster rate than the Duluth metro.

Demographic transition is accelerating: As the children of baby-boomers (i.e., the Millennial generation) are largely outside of the home, many baby-boomer households remain in the same home. Many are over-housed. As aging senior’s move into homes that can help reduce the burden of home maintenance, ease mobility, and potentially lower housing costs, the inventory of single-family homes is attractive to younger families seeking attainable housing. This transition, however, is still at the beginning phases, with many senior householders owning their home outright. The provision of senior housing (in particular split-homes, single level homes, and even active adult communities), could help aid transition and neighborhood turnover, increasing the inventory of existing family-sized homes that are currently difficult to build at incomes affordable to younger households.

Differentiator as an affordable city for young people and families: While the rest of the region is getting older, Cloquet is not. It’s range of affordable housing attracts younger households looking to get a toehold in the ownership market, or find rental housing that is affordable on workforce incomes. Continuing to provide attainable housing will continue to attract and retain a broader age range, keeping Cloquet and Scanlon a vibrant place rather than a “naturally occurring retirement community” that is common in many smaller towns.



CLOUETT HIGH SCHOOL

309 CARLTON LOFTS

05
HOUSING
INVENTORY

Housing Stock Overview

Cloquet's early development as a lumber mill town drove development of its West End communities. After a large fire in 1918 destroyed the town, older neighborhoods were rebuilt. Housing built after the fire was meant to be temporary, however many of these units persisted. About 15% of all single-family homes in Cloquet are from this era. As the town's economy diversified and grew, new residential growth expanded to the southeast, and to a lesser extent to the southwest of town towards the Fond du Lac reservation and north of the St. Louis River. Older properties remain concentrated in these areas. By the mid 1950s, the population had reached 9,000 persons, and by 1980, over 77% of the current housing stock had been constructed. Higher density

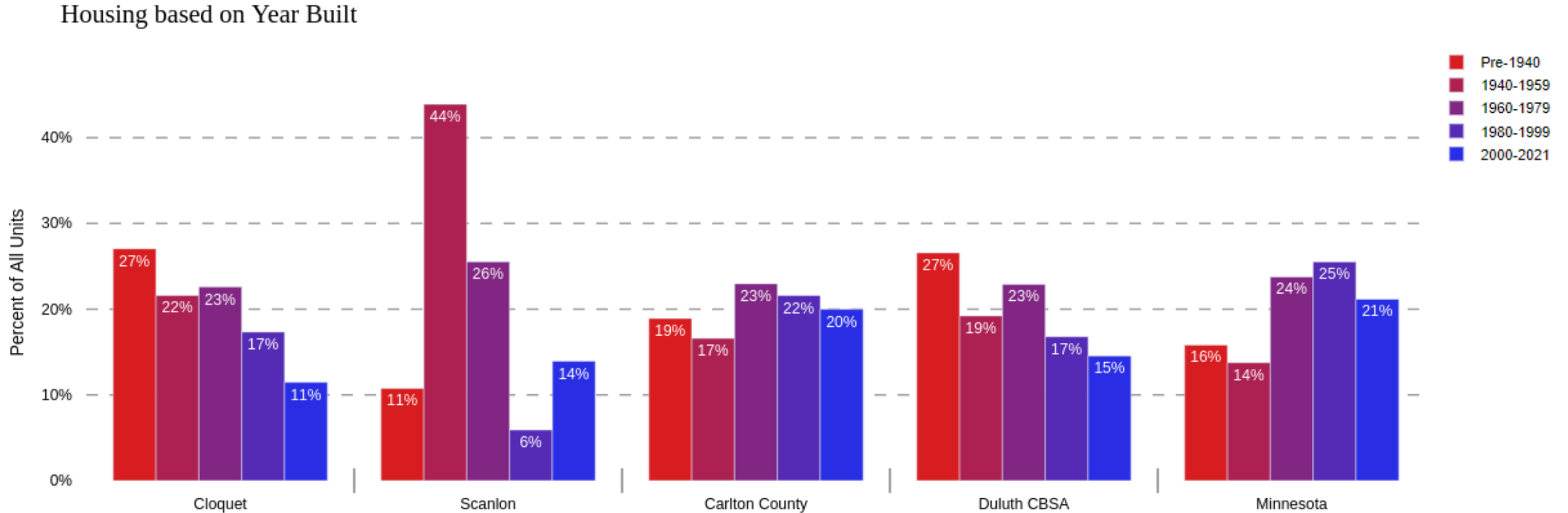
residential areas are located near major roads and areas with adequate utilities, whereas lighter density development are in areas not serviced by municipal infrastructure.

With limited expansion of municipal infrastructure, new development is rather limited. In recent years, the proportion of new multi-family units permitted and constructed are outpacing single-family homes. Multi-family housing creates much needed housing density. Many projects have taken advantage of Low Income Housing Tax Credits (LIHTC) to generate affordable units, and these developments are performing very well.

New single-family housing production is constrained by high cost of production. Consequently, recent housing development has focused on redeveloping vacant or underutilized lots within the town center that are on municipal infrastructure. The pace of development in existing subdivisions - Jolicouer Trails and Otter Creek – remains very slow, as the cost of construction for new lots not on municipal infrastructure remains high, pushing prices to the high end of attainability.

Cloquet's housing stock is old – with many layouts outdated relative to contemporary needs

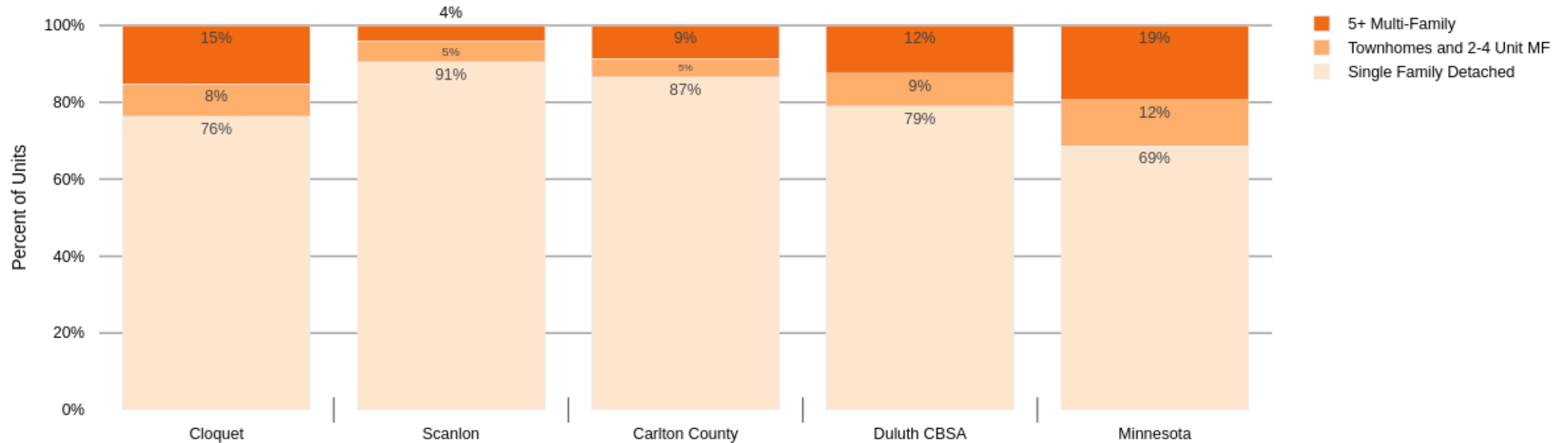
Cloquet's distribution of housing by year built closely mirrors the broader CBSA. Within Carlton County, development from 1980-2020 shifted outside the more historic town center of Cloquet. With 27% of housing built prior to 1940, the age of the housing stock may pose unique problems in terms of suitability for the current market and costs of upkeep.



Cloquet contains surprising density of multi-family housing

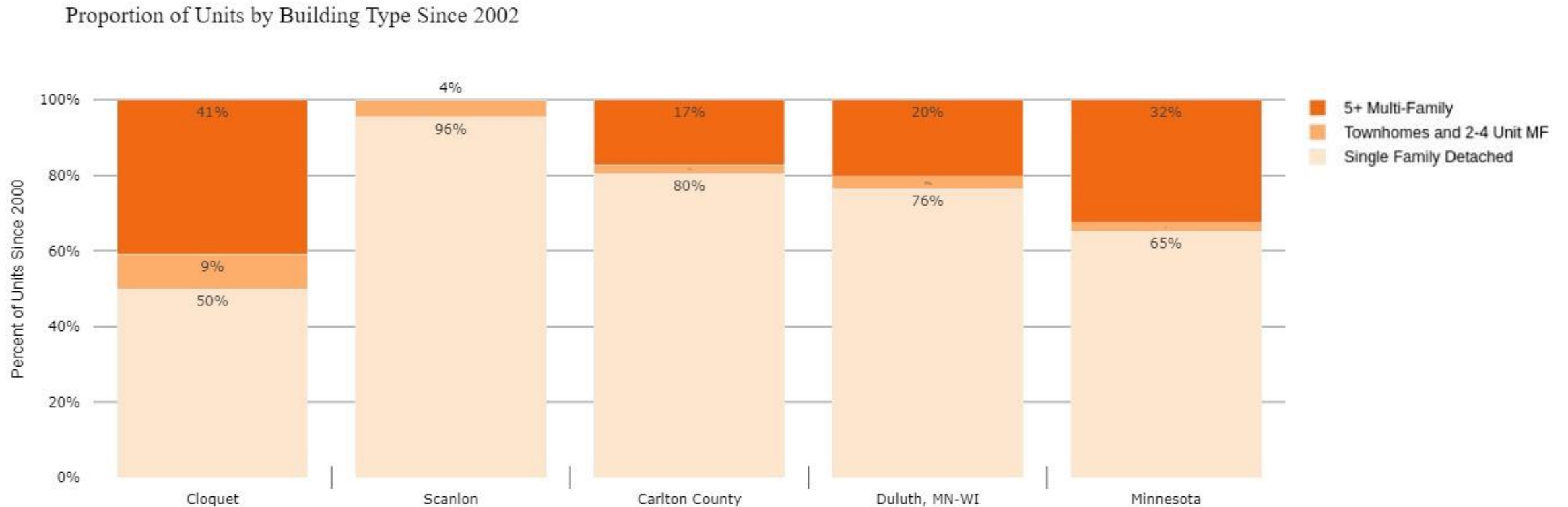
Cloquet’s density of multi-family housing is greater than the Duluth CBSA. Given the age of the housing stock, there is also more ‘missing middle’ duplex, triplex, and quadplex style developments relative to what many suburban/satellite cities typically contain.

Proportion of Units by Building Type



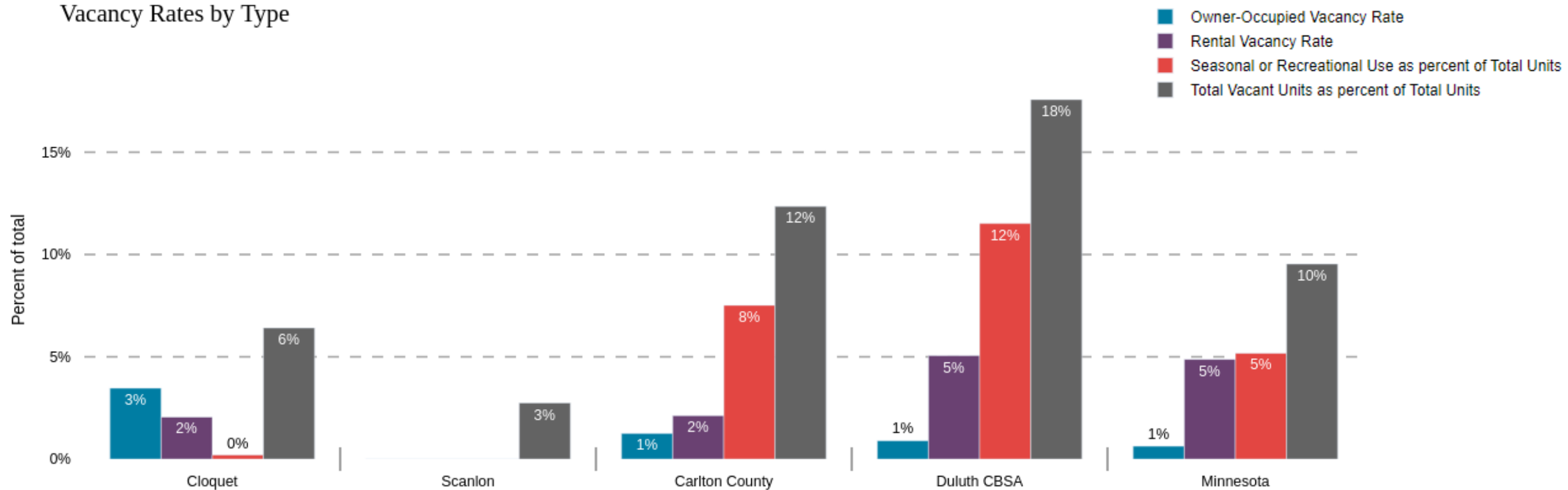
Recent development has skewed much more heavily towards Multi-Family

Cloquet's proportion of new multi-family and missing middle housing typologies in the past 20 years is uniquely high. These additions are in high demand and have been rapidly absorbed. They are the product of a direct strategy to add housing units to the community, especially those that are attainable for workforce households.



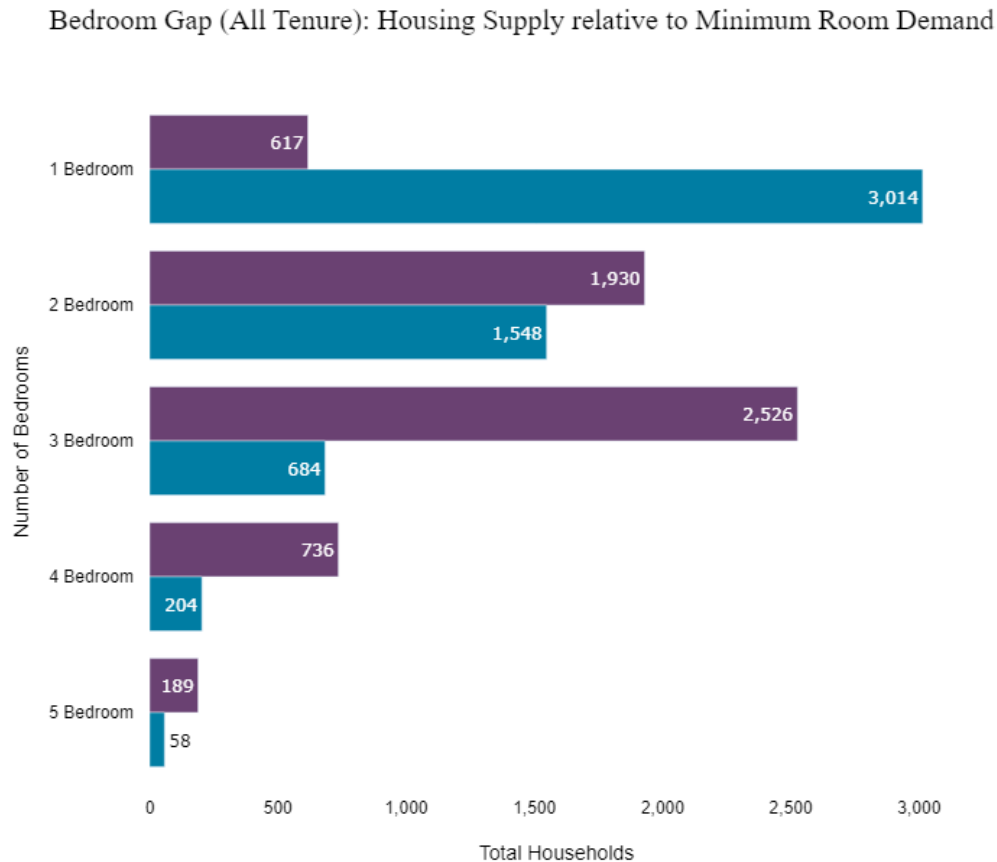
Cloquet and Scanlon both have high occupancy and few vacant properties

Both Cloquet and Scanlon have very low market-based availability, and few vacant properties. Few vacancies in the for rent and for sale market indicate inadequate supply. Constraints on the supply side have also led to redevelopment of vacant units. The lack of adequate supply is helping to drive higher home prices and rents.



Housing demand based on household size and structure points toward over-housing

As Cloquet’s population undergoes a demographic transition towards empty-nesters on one hand, and Millennials aging into their prime family raising years on the other, there is a current supply mismatch that is undergoing transition.



Empty-nesters are often over-housed, living in larger homes with more bedrooms that is needed by a household. This model uses an estimate for bedroom demand utilized by HUD to determine bedroom need. When looking at both rental housing and ownership housing combined, there are many households that only require a single bedroom (married couple, person living alone) compared to existing one-bedroom units, and far more 3 bedrooms relative to the demand (say a married couple and two teenage kids, or a married couple and two children of different genders).

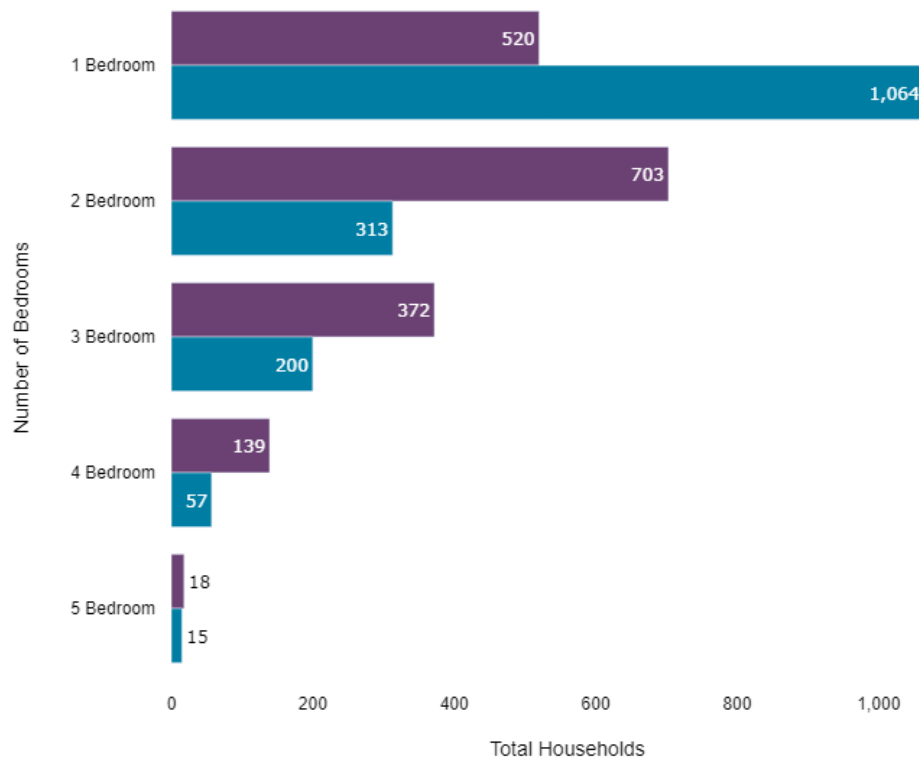
Producing sufficient supply of housing in demand for aging households can ‘open up’ existing 3-4 bedroom single-family homes for households with children. Since the community lacks sufficient housing of this type (and as interest rates remain high), this process of housing and demographic turnover can lead to over-housing on one hand, and the inability to find adequate affordable family housing on the other.

Source(s): Supply side is from ACS 5-Year Survey, 2022. Demand side is from Replica, a data-provider that generates microdata estimates for regions to forecast and model transit demand.

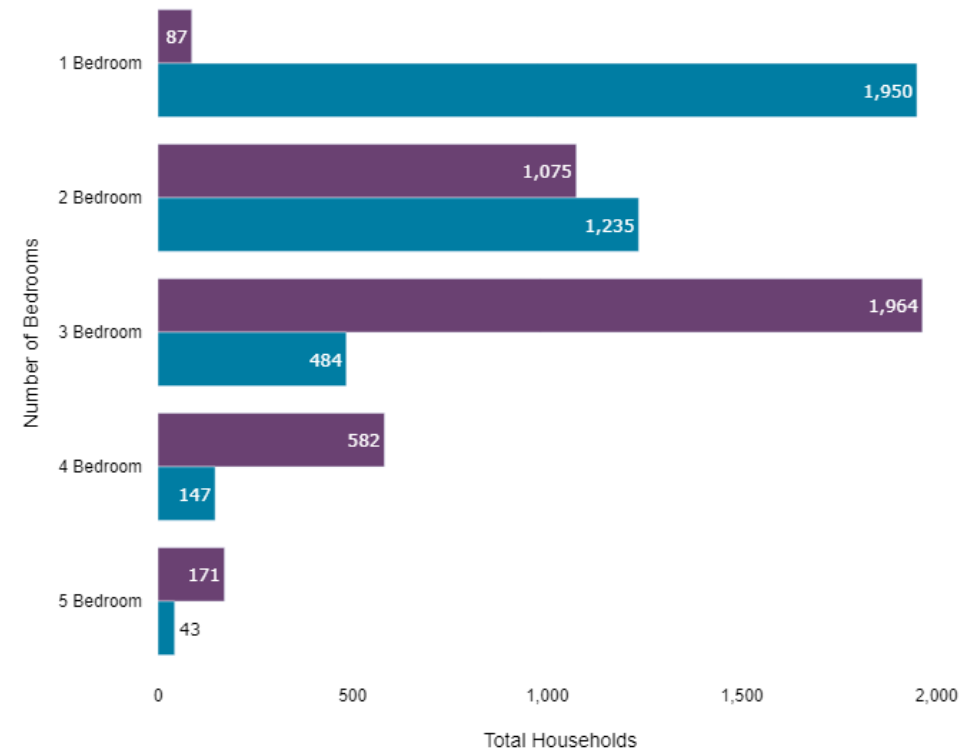
The 'over-housing' phenomena is clear in ownership housing

Demand and supply for rental housing is more closely adjusted, whereas the supply of owner-occupied housing skews towards larger units. The total supply is more substantial than demand at this size. Nonetheless, if available and suitable housing is available to accommodate aging needs, the opening up of this supply can attract regional family households.

Renter-Occupied Housing Bedroom Gap: Supply vs Minimum Demand



Owner-Occupied Housing Bedroom Gap: Supply vs Minimum Demand



Source(s): Supply side is from ACS 5-Year Survey, 2022. Demand side is from Replica, a data-provider that generates microdata estimates for regions to forecast and model transit demand.

Multi-Family Overview

Cloquet's multi-family rental market accommodates a wide variety of households. Since the Great Recession, macro-economic factors have supported the rental market. Harder access for household credit, higher rates of household debt, low-income household growth, and no new housing supply all made renting more viable. Additionally, within Cloquet and Scanlon, a decline in higher earning manufacturing and blue-collar jobs and a higher proportion of lower-wage occupations have made home ownership difficult and increased the need for affordable rental units.

Cloquet has responded to this challenge better than comparable cities. Cloquet has

pursued new opportunities to add units, leveraging Low Income Housing Tax Credits (LIHTC), TIF financing, and public-private partnerships to drive new multi-family housing development. LIHTC units are typically affordable for households earning 60% of the Duluth metro median family income, which in 2023 is \$93,500. These units have been rapidly absorbed.

Inventory

The ensuing inventory separates multi-family into two main categories. The first category is general market rentals, and the second is age-restricted housing. Within the general rental market, buildings are subdivided by income-restricted units and market rate units. Income

restrictions are designed to assist households whose income falls into one of three categories, extremely low income (less than 30%), very low income (30-50% AMI), and low income (50-80% AMI).

Within the senior category, distinctions are made based on level of care.

INVENTORY |

Cloquet contains a high number of income-restricted units. These units have been the main housing type added in the past 5 years, with Carlton Lofts and 14th Street Apts III receiving shallow subsidy and White Pine Apartments a deep subsidy property. All rent-restricted apartments are performing well, with waiting lists existing for deep-subsidy units, and few vacancies for the shallow subsidy units.

Market Rate units are also performing well with high occupancy rates. Rents are often lower in older apartment buildings than rents in shallow subsidy units due to the age of the units and the lack amenities of newer buildings.

Attainable Rent by Income Bracket

	30% AMI	50% AMI	80% AMI	AMI
Household AMI	\$28,050	\$46,750	\$74,800	\$93,500

Max Rent

	30% AMI	50% AMI	80% AMI	AMI
Studio	\$475	\$791	\$1,266	\$1,583
1 Bed	\$542	\$904	\$1,446	\$1,808
2 Bed	\$610	\$1,016	\$1,626	\$2,033
3 Bed	\$677	\$1,129	\$1,806	\$2,258

Project Name	Address	City	Year Built	Total Units	Units by Type				Vacant Units				Monthly Rent				
					Stu	1BR	2BR	3BR	Stu	1BR	2BR	3BR	Studio	1BR	2BR	3BR	
Income-Restricted (Deep Subsidy)¹																	
White Pine Apartments	930 14th St	Cloquet	2019	35		15	15	5		0	0	0			30% of household income		
Maplewood Court II*	1318 & 1322 18th St	Cloquet	1993	11		2	9			0	0				30% of household income		
Woodland Pines	201 Spruce St	Cloquet	1988	19		19				0					30% of household income		
Maplewood Apts	1326 18th St	Cloquet	1988	24		8	16			0	0				30% of household income		
McDowell-Nemmers	1514 & 1516 16th St	Cloquet	1983	8		4	4			0	0				30% of household income		
Sahlman East THs	1701 Sahlman Ave	Cloquet	1980	36			28	8			0	0			30% of household income		
McDowell Nemmers Quadplex	1503 Tall Pine Ln	Cloquet	1980	4			4				0				30% of household income		
Fond du Lac Housing	Various	Cloquet	Various	180			40	140			0	0			30% of household income		
<i>Totals/Averages/ vacancy rate</i>			1985	282		48	116	153		0	0	0					
Income-Restricted (Shallow Subsidy)²																	
Carlton Lofts	509 Carlton Ave	Cloquet	2020	57		10	33	14		0				\$865	\$1,098	\$1,383	
14th Street Apts III	2030 14th St	Cloquet	2020	36	6	18	12		0	0	0		\$730	\$979	\$1,140		
Settler's Ridge	902 Riva Ridge Dr	Cloquet	2000	22			8	14			0	0			\$827	\$888	
Whispering Pines Apts	810 & 812 Tall Pine Ln	Cloquet	1995	36		6	21	9		1	0	0		\$1,195	\$1,200	\$1,267	
<i>Totals/Averages/ vacancy rate</i>			1988	108	6	34	74	37		2	1	2	\$730	\$984	\$1,111	\$1,167	
Market Rate																	
14th Street Apts I & II	2010/2020 14th St	Cloquet	2009/13	40	10	10	10	10		0	0	0	\$952	\$1,085	\$1,300	\$1,475	
Oakwood Estates Apts	910 Oak St S	Cloquet	2005	30		4	9	17		0	0	0		\$904	\$1,056	\$1,198	
Lincoln Place Apts	2300 Lincoln Ave	Scanlon	1995	8		1	5	2		0	0	0		n/a	n/a	\$1,500	
Sahlman West THs	1501-1635 Sahlman Ave	Cloquet	1977	50		12	12	26		1	1	2		\$910	\$1,100	\$1,410	
Chateau Apts (I-IV)	820-850 Spring Lake Rd	Cloquet	1977	20		6	14			0	0			\$525	\$625		
Park Avenue Manor	701 Park Ave	Cloquet	1974	12		5	7			0	0			n/a	n/a		
Westgate Manor	777 Laurel St	Cloquet	1974	24		12	12			0	0			n/a	n/a		
North Road Apts	603 North Rd	Cloquet	1974	12			12				0				n/a		
Bachand Group	850 Spring Lake Rd	Cloquet	1974	8		8								\$1,000			
Woodgate Square	403 Doodridge	Cloquet	1973	24		3	21			0	0			\$835	\$1,134		
Viking Manor II Apts	518 4th St	Cloquet	1966	12		8	4			1	0			\$835	\$1,134		
Viking Manor I Apts	510 4th St	Cloquet	1963	36	18	6	12			3	1		\$600	\$835	\$1,134		
Downtown Apts	1106 Avenue F	Cloquet	1926	17		15	2							\$900	\$950		
218 Chestnut Ave Apartments	218 Chestnut Ave	Cloquet	1925	5			5							n/a			
West End Apts	224 Ave A	Cloquet	1920	11	4	7				0	0		n/a	n/a			
<i>Totals/Averages/ vacancy rate</i>			1966	309	32	97	125	55		0	5	2	2	\$726	\$892	\$992	\$1,360

n/a = not available

¹ Income restrictions are typically set at 60% of area median income (AMI) or less; households then pay 30% of income toward rent.

² Income restrictions are typically set anywhere between 50% and 80% of AMI; households pay a set rent, regardless of income, which is often held below market rates.

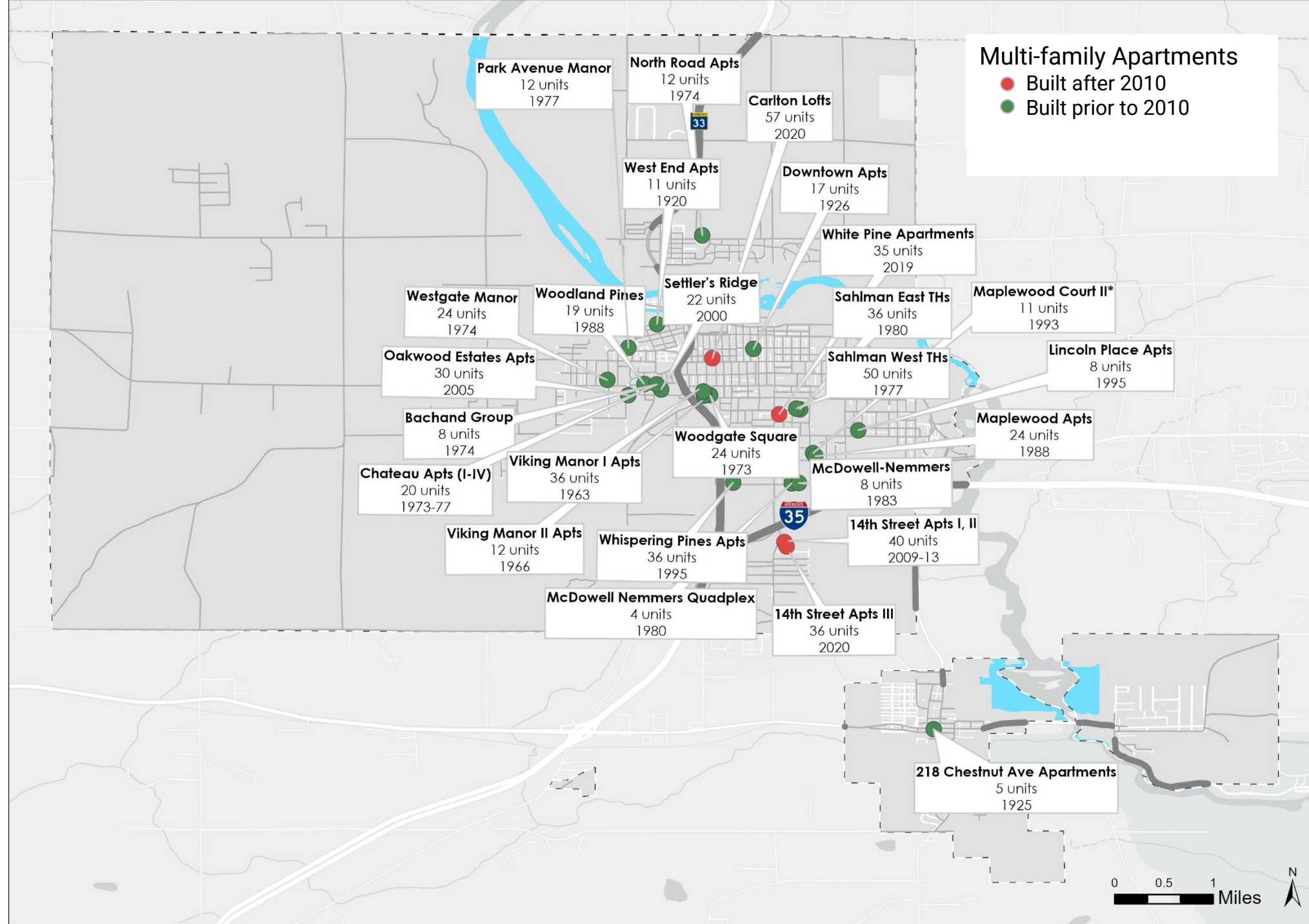
* Property also contains 11 age-restricted units

Source: Stantec

INVENTORY |

Cloquet Multi-Family

Cloquet's multi-family units are distributed across the city. Recent effort has sought to redevelop the downtown area with market rate and subsidized units. This includes Carlton Lofts, a 57-unit multi-family project that converted an old school into apartment units, and the future conversion of the Solem Hotel into 18 market-rate multi-family units (currently under development at the time of this study).

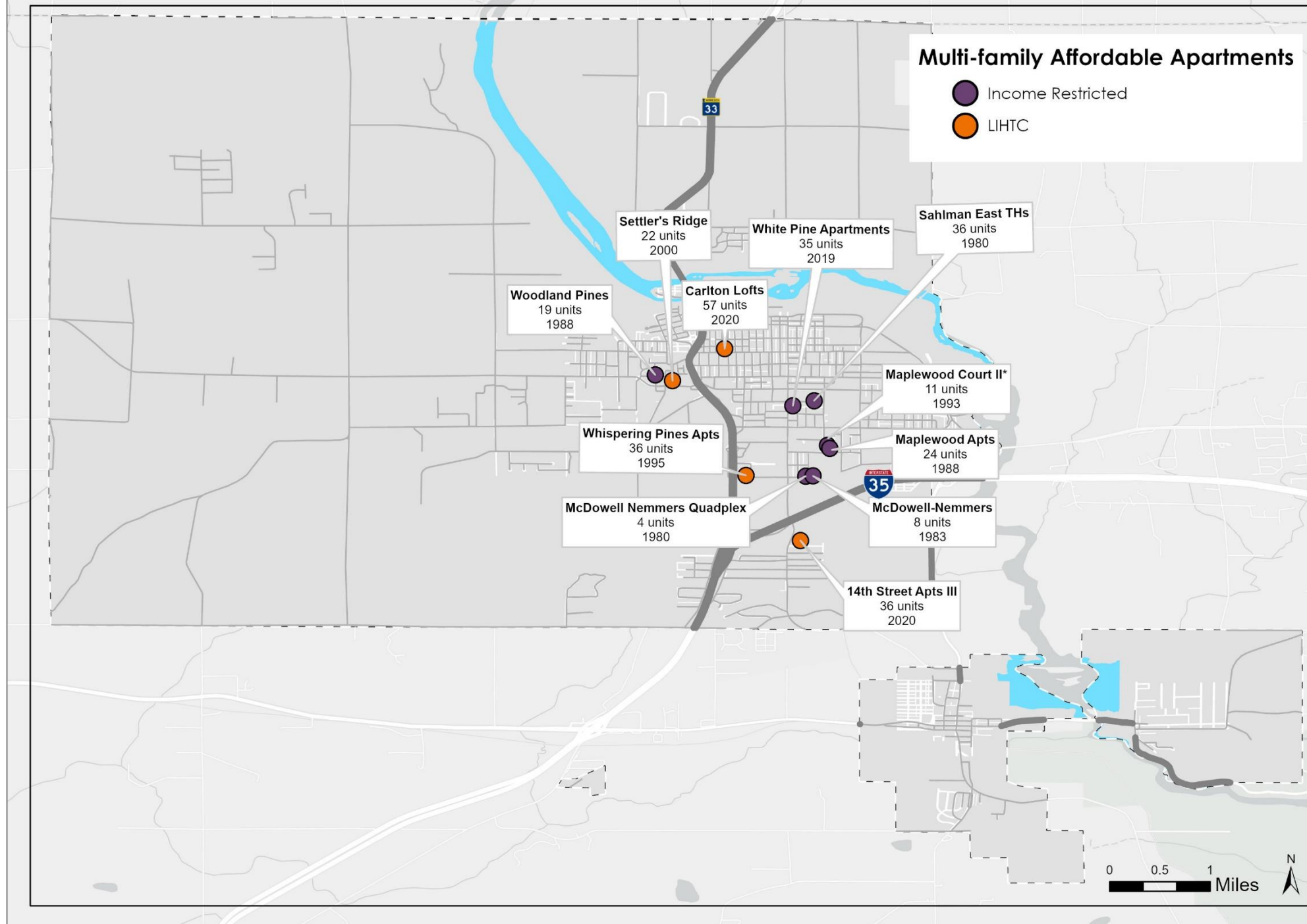


INVENTORY |

Affordable Housing

Cloquet has a range of affordable housing products. In recent years, efforts to add new apartments attainable on workforce income have increased the housing stock substantially. Demand remains very strong for attainable units at or below 60% of AMI.

Given the cost of construction and Cloquet's smaller market, subsidy is required to help new developments 'pencil out' for developers.



A strong mix of affordability, and opportunity for preservation

Cloquet continues to diversify affordable housing mix

Cloquet has a strong mix of deeply subsidized public housing where incomes are set at 30% of household income, shallow subsidized units funded by the LIHTC program that sets rent limits at 60% of the Duluth metropolitan Area Median Income (AMI, also known as the median family income, or MFI), and market rate apartments. Some level of affordability requirement exist for 390 of the 699 multi-family units profiled in this study, or 56%.

Despite this supply, demand remains strong for affordable units, with no vacancy at the deepest levels of affordability, and sporadic vacancies for shallow subsidy.

Demand is also strong for rental units across the spectrum, with vacancy rates far below 5% and below regional averages.

Naturally occurring affordable housing, a future preservation strategy?

Of market rate units that do exist, *all* units qualify as Naturally Occurring Affordable Housing (NOAH), or non-subsidized units affordable to households earning 80% of AMI. Typically, NOAH units are units built prior to 2000 and lack some of the more modern updates and conveniences of newer multi-family housing stock.

As rents increase across the board, the relationship between NOAH housing stock and new multi-family housing can be complex. In the case of inadequate rental housing supply, upward rent pressure can drive up rents in older, more affordable units, often making them attractive investments from large investors. However, when new supply is added to the market, the availability of more desirable units can attract higher income renters, generating a cascading effect on older units that encourage landlords to either make improvements to units or lower rents

to attract renters.

In some cities, creating programs to preserve or improve Naturally Occurring Affordable Housing can be a cost-effective strategy to preserve affordable units in the community in the face of persistent supply shortfalls and to encourage renovation of older units. Preservation can complement the production of new market rate units.

Senior Housing



Senior Housing Types

**Less Intensive
Care**

**More Intensive
Care**



Active Adult

Active adult communities are age-restricted housing. Age restrictions are typically 55+, and housing types can range from single-family homes, to townhomes, to multi-family units, often in the same development. Units and common amenities are designed with an aging community in mind. They can be ownership, rental, or cooperative by tenure. Low Income Housing Tax Credits (LIHTC) can be used for age-restricted housing units. Residents tend to be in their 60s and 70s.

Independent Living with Services

Independent living with services (congregate) offer limited support services such as meals and housekeeping included in rents. A larger share of the building is likely committed to common areas, often with programming targeted towards socialization. Demand for independent living with services tend to be driven by older people (75+).

Assisted Living

Assistive living facilities offer a deeper range of services for older seniors who need more active support to meet everyday needs. Personal and nursing care is often present, and meals/housekeeping are included in the monthly rent. The targeted age range is 80+, and most would require some form of nursing care if assisted living was not present. Staff are present 24 hours a day.

Nursing/Memory Care

Skilled nursing care, or long-term care, provides a living arrangement for people requiring 24-hour care. It is typical for end-of-life care, and enrolment tends to be more short term. Funding for these units can come from Medicare, Medicaid, HMOs, private insurance and/or private funds.

Memory Care are properties designed for those suffering from Alzheimer's Disease or other dementias. Typically, units are single-occupancy bedrooms with larger community areas. Staffing ratios are higher due to more intensive care needs. There is less public funding available for Memory Care units.

INVENTORY |

The majority of independent living units in the Cloquet/Scanlon area are for households earning 30-50% or less of AMI. These deep subsidy, senior restricted units are in high demand with long waiting lists.

Assisted living facilities are in demand too. General equilibrium is usually estimated to be 7-10%, this survey has market vacancy at 6%, indicating potential pent-up demand.

Survey of memory care/intensive care units also indicate that demand is adequate.

Project Name	Address	City	Year Opened	Total Units	Units by Type			Vacant Units			Monthly Rent		
					Stu	1BR	2BR	Stu	1BR	2BR	Studio	1BR	2BR
Active Adult (aka Independent Living with few services)													
Maplewood Court II ¹	1318 & 1322 18th St	Cloquet	1993	11	11			0			----- 30% of Household Income -----		
Aspen Arms ²	950 14th St	Cloquet	1971	73	71	2		0	0		----- 30% of Household Income -----		
Larson Commons ²	910 Cloquet Ave	Cloquet	1980	85	80	5		0	2		----- 30% of Household Income -----		
Fond du Lac Housing	Trettel Lane	Cloquet	1984	16	16			0			----- 30% of Household Income -----		
Cloquet Elderly Housing	905 Boozhoo Drive	Cloquet	NA	16	16						----- 30% of Household Income -----		
Trails Edge THs	17XX Trail Dr	Cloquet	2005-11	20		20							\$1,225-1,600
<i>Totals/Averages/ vacancies</i>				1982	221	194	27	0	2				\$1,412
Independent Living with Services Available													
Evergreen Knoll THs	1309 14th St	Cloquet	2006	24		24							\$1,725-1,900
<i>Totals/Averages/ vacancies</i>				2006	24	24		0					\$1,812
Assisted Living													
Evergreen Knoll	1309 14th St	Cloquet	2001	39	39			0	3		\$4,200	\$1,600-5,800	
Suncrest	2400 Washington Ave	Scanlon	2004	45	1	32	12	0	1	0	\$4,000	\$4,356	\$4,600
New Perspective	1909 Tall Pine Ln	Cloquet	2006	12	12			1			\$4,534-8,060		
New Perspective	701 Horizon Circle	Cloquet	2008	32	32			3			\$7,143-8,060		
Plainview Estates	2507 Fairview	Cloquet	NA	8	8								
Fond du Lac Housing	1571 Airport Rd	Cloquet	2009	10	10			1			----- 30% of Household Income -----		
<i>Totals/Averages/ vacancies</i>				2006	146	63	71	12	5	4	0		
Memory Care													
Diamond Willow	132 West North Rd	Cloquet	2006	20	20			4			\$7,143		
New Perspective	701 Horizon Circle	Cloquet	2008	27	27			2			\$7,143-8,060		
Evergreen Knoll	1309 14th Street	Cloquet	NA	23	23			0			NA		
<i>Totals/Averages/ vacancies</i>				2007	70	70		6			\$7,143		

¹ Property also contains 11 general occupancy units

² Property also available to low-income households with disabilities, though the majority of residents tend to be seniors

Source: Stantec

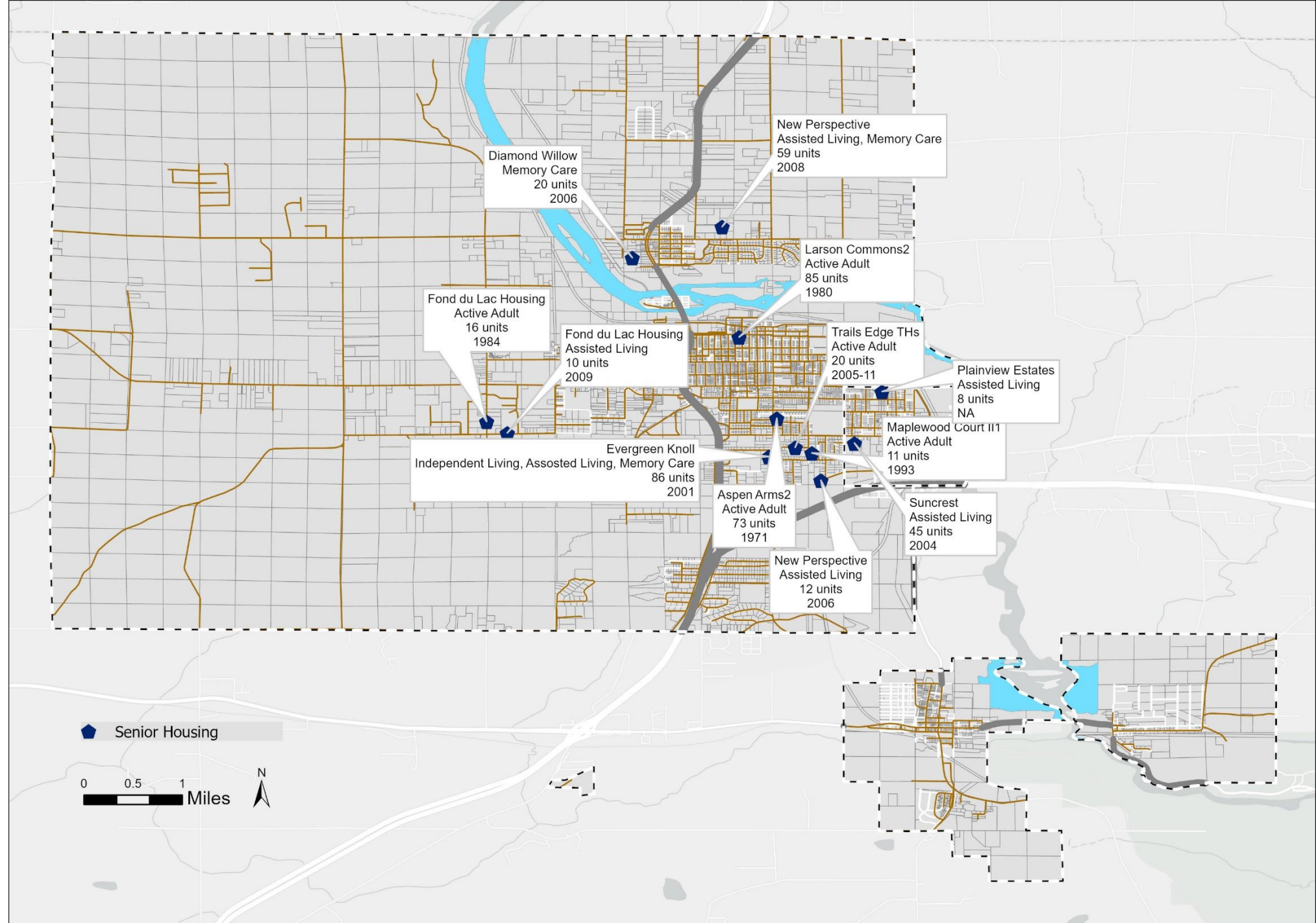
INVENTORY |

Senior Housing

Senior housing units are largely in the southeastern segment of Cloquet.

Larson Commons, an 85 unit multi-family building, is in the process of redevelopment, leveraging tax-exempt bonding to aid Steele Acquisitions upgrade and update the units.

Demand remains very strong for subsidized/affordable senior care options. Waiting lists are long.



Senior housing in demand, in particular emerging housing types

Senior Housing Remains in Demand but may look different than current inventory.

As the Baby Boomer generation ages, senior housing demand will continue to remain strong. Traditional senior housing often only includes independent living, assisted living, and nursing care facilities. These facilities are essential for seniors who need more assistance in house maintenance, hygiene, and meal preparation as they age. According to the *Comprehensive Housing Needs Analysis for Carlton County* prepared in January, 2024, the supply of this housing type is strong in the Carlton County region and in Cloquet. Projecting forward five years, no new supply is estimated to be demanded for more intensive assisted living, whereas 10-20 units are projected to be in demand as more seniors enter later stages of life (i.e., rates increase dramatically for assisted care and nursing care after the age of 75).

Active Adult and Affordable Units, strong demand but no current supply

However, senior housing typologies are diversifying nationwide, helping to tailor appropriate housing solutions to seniors at different income levels and stages of life. As emphasized earlier in the study, a large portion of seniors are 'over-housed,' or living in houses that are significantly larger than their family size. Transition to new, more suitable housing can help address this issue. Active Adult for Rental and Ownership, Senior-restricted affordable units, and independent living are filling a niche by building a range of housing typologies at different price points oriented towards building more interactive and communal facilities, offering various levels of care, and building single-level patio homes, twin homes, apartments, and condominiums to meet this need. The *Comprehensive Housing Needs Analysis* predicts robust demand for this product category in Carlton County. Specifically, there is

demand for 30-40 units of affordable senior housing, 50-60 ownership units of for sale active adult senior communities, and 30-40 unit active adult rental units. Many communities offer a variety of housing types, allowing more people to age in place in housing suitable to their needs. Once popular primarily in the Sunbelt, new supply of active adult housing types are market proven in greater Minnesota and the Midwest.

Cascading impact, a benefit for those pursuing entry-level detached single-family homes

This strong demand can have cascading impacts on the housing market. Creating new supply lacking in the market can generate additional supply of the existing larger single-family homes currently occupied by aging populations, but in demand by younger families seeking entry-level and move-up housing. We incorporate this analysis in projecting housing need in the subsequent section.



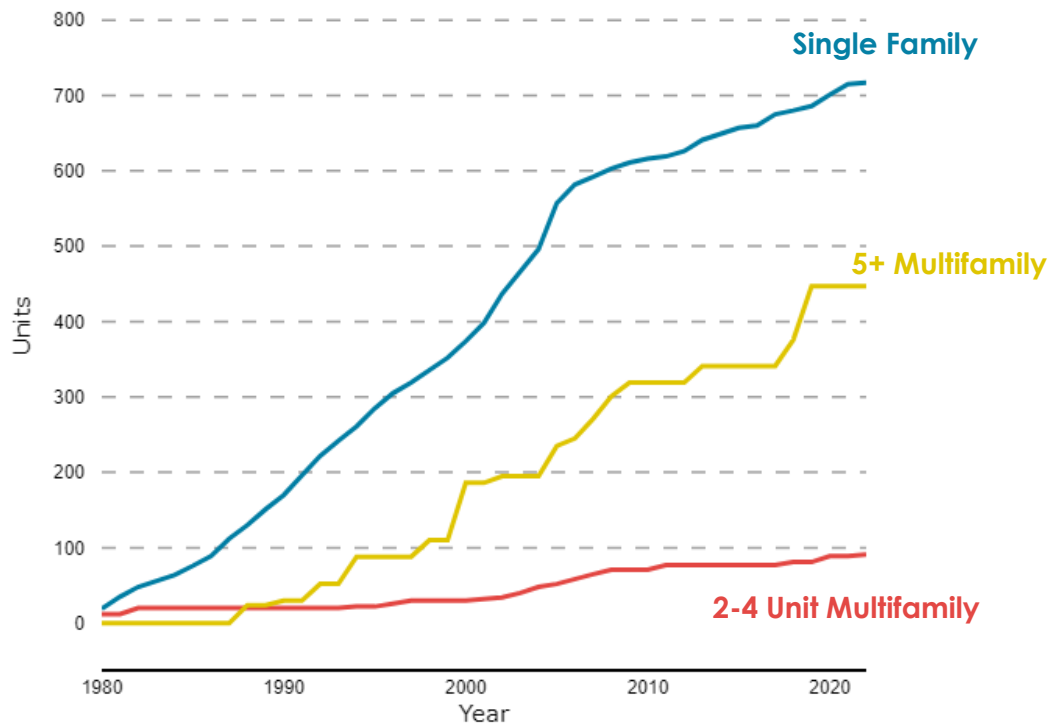
06

**MARKET
INDICATORS**

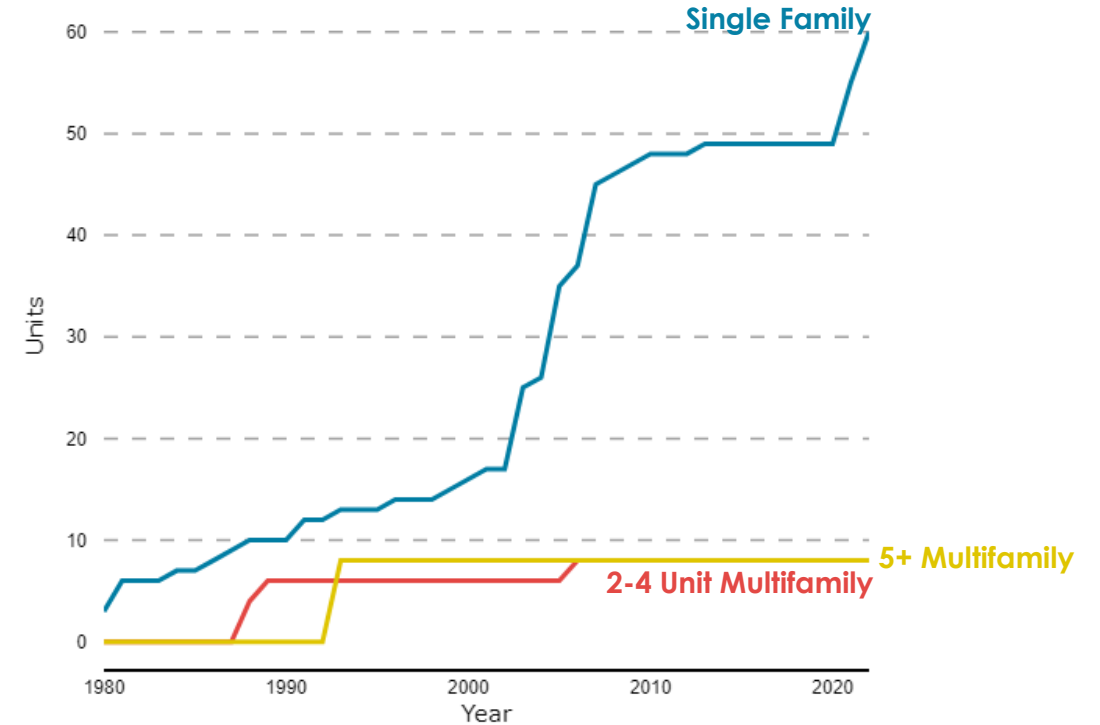
Since 2010, Cloquet has increased its proportion of 5+ multi-family units

Single family housing development before 2000, averaging 300 units per decade. That pace slowed considerably after 2000, where the development rate slowed to 50 units per decade. From 2012-2022, there has been 15% growth in single family homes and 18% growth in 2-4 Unit structures, each outpaced by 5+ multi-family which has grown by 40%.

Cumulative Housing Permits by Type since 1980: Cloquet

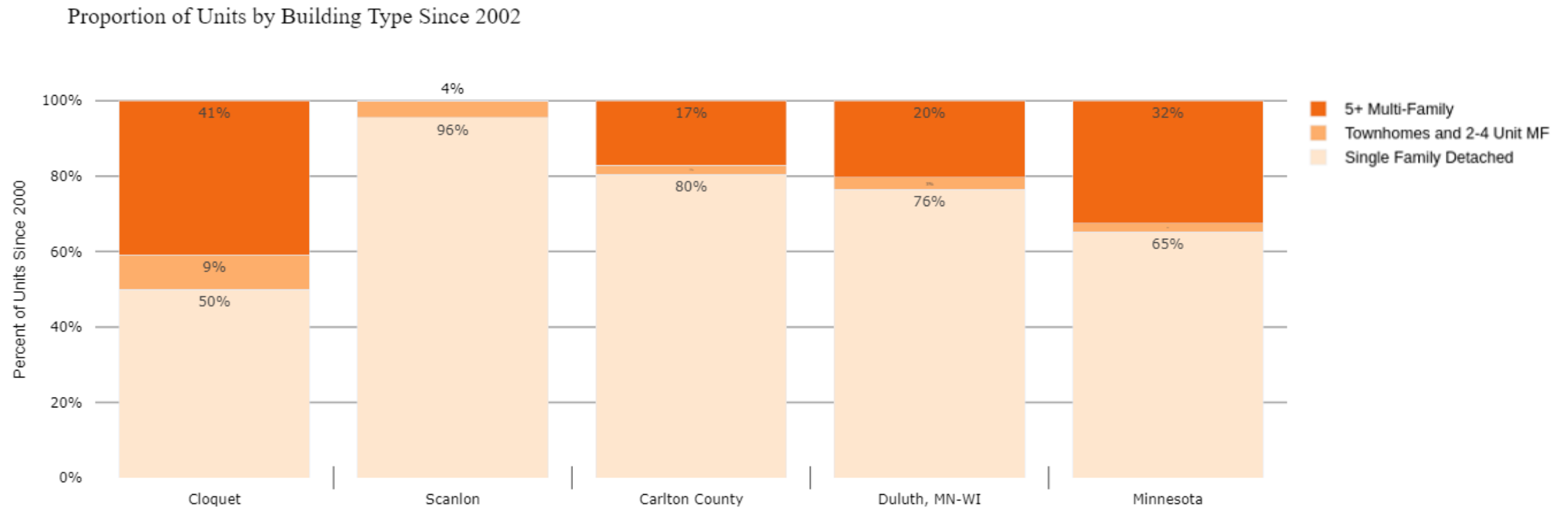


Cumulative Housing Permits by Type since 1980: Scanlon



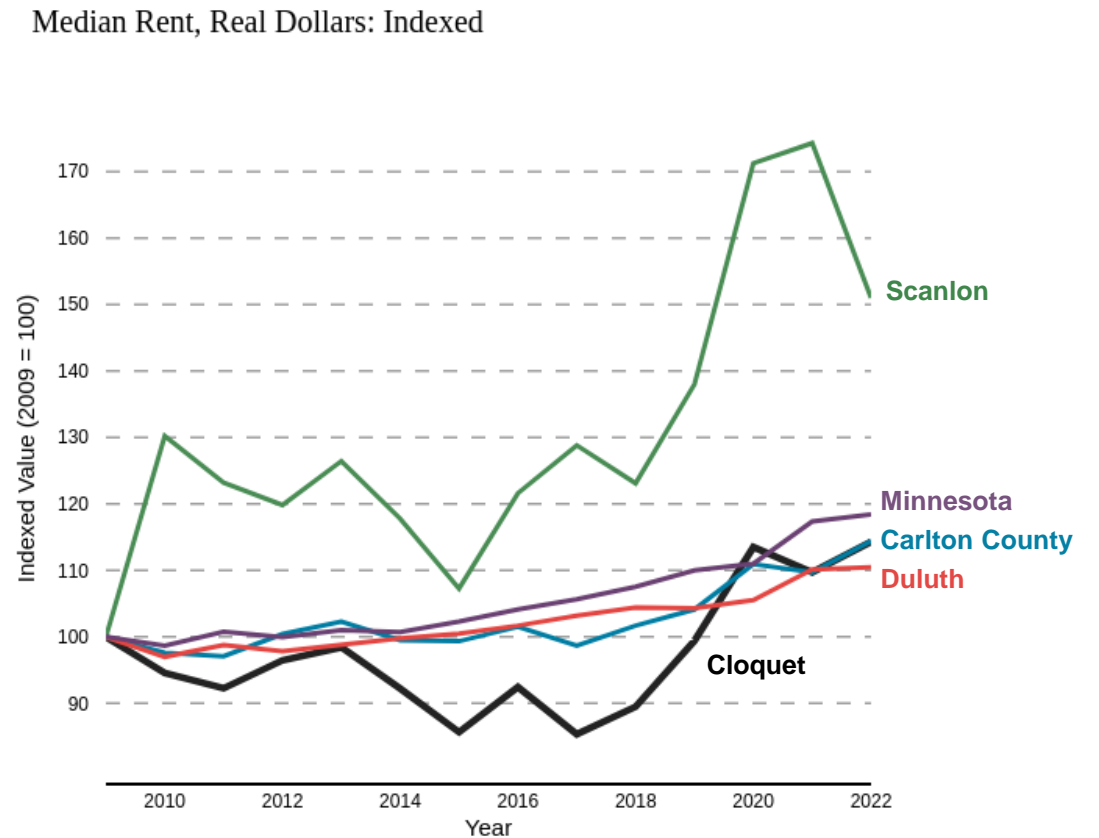
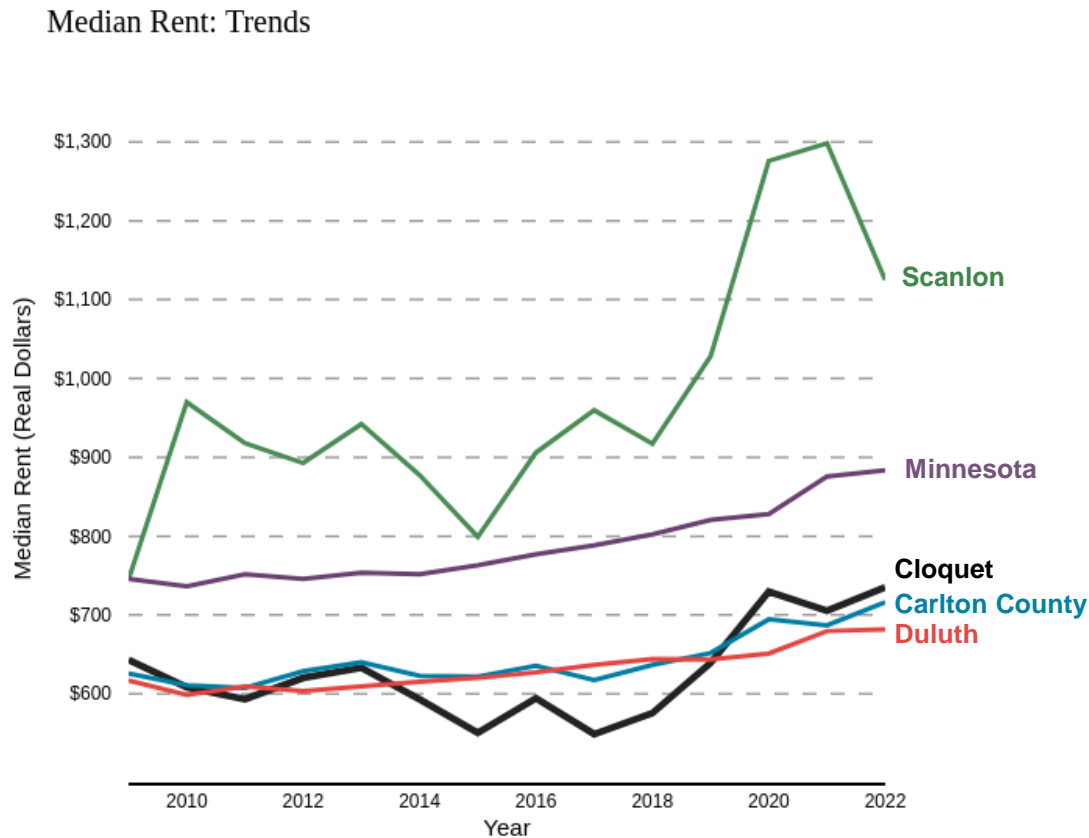
In the last two decades, 41% of new units permitted are in 5+ multi-family units

Cloquet’s housing stock has switched towards more missing middle (duplex, triplex, quadruplex, and townhome style developments that add ‘light density’) and multi-family apartment units, far outpacing state and regional averages. Occupancy rates continue to indicate that this unit mix is desirable, and often missing from the new housing stock elsewhere.



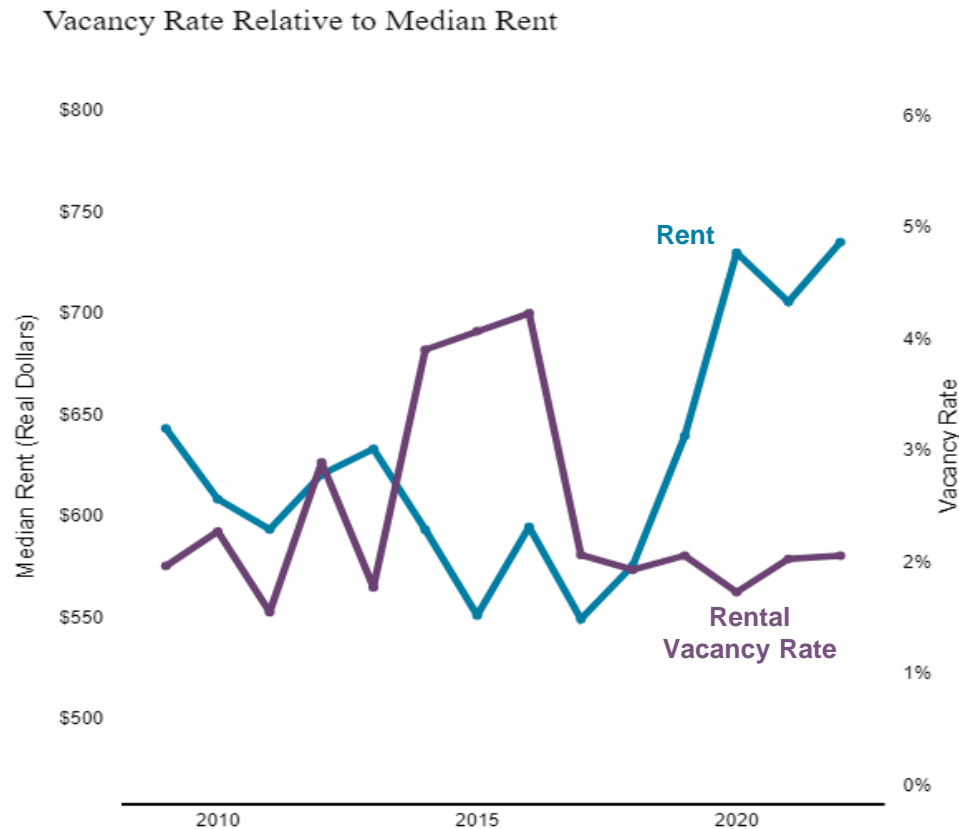
Driven by new rental housing inventory, Cloquet rent growth remains strong

Rents trailed inflation for much of the decade. However, in 2018, the slow pace of housing development region-wide started to put upward pressure on rents. Cloquet’s rents accelerated faster, especially as new inventory hit the market at rents that could earn a premium over older rental housing.



High occupancy is putting upward pressure on rents

Demand across housing types continues to be strong in Cloquet. New additions to the housing supply have been rapidly absorbed. Continued tightness in the housing market are driving rents upward. Even at its peak, rental vacancy rates never surpassed 5%, indicating that supply is not keeping up with demand in the rental housing market.



Vacancy rates are a composite of numerous types of vacancy. “Market Rate” vacancies are typically units for rent or for sale. A healthy “equilibrium” market vacancy rate is generally considered 5% for both ownership and rental markets.

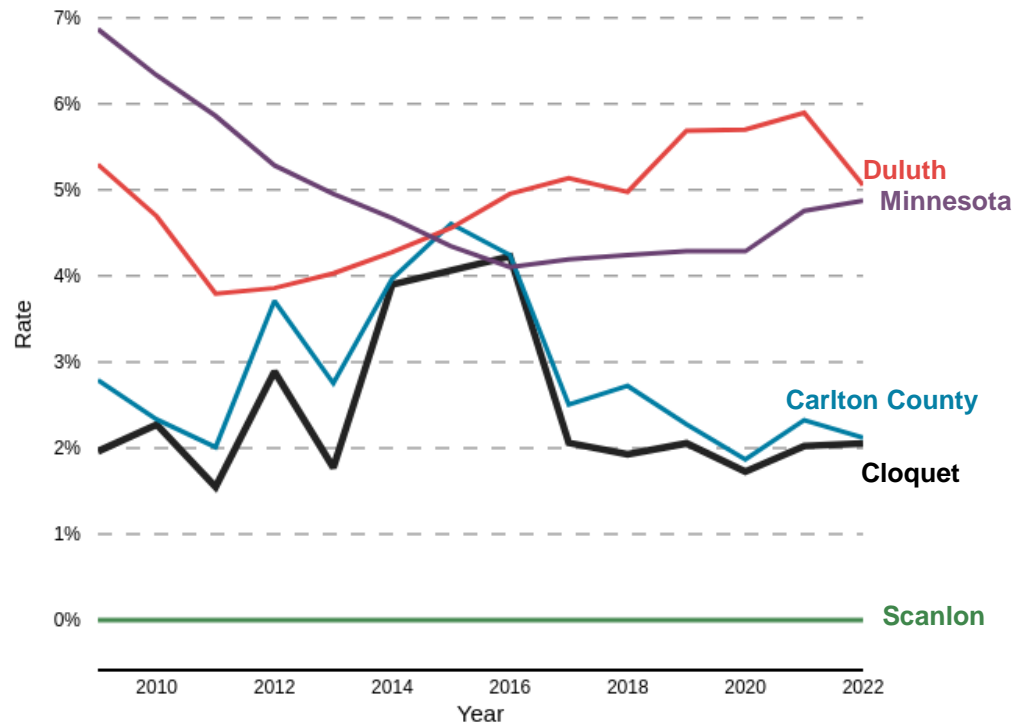
Below 5% vacancy, inventory is constrained, putting upward pressure on prices. Landlords are also less inclined to improve properties. Sustained rates below 5% send market signals to invest in new development.

Above 5%, and landlords may have difficulty filling units, leading to lower or declining prices, and an incentive to increase the quality of units, in order to compete for tenants. Sustained high vacancies can lead to under- or dis-investment.

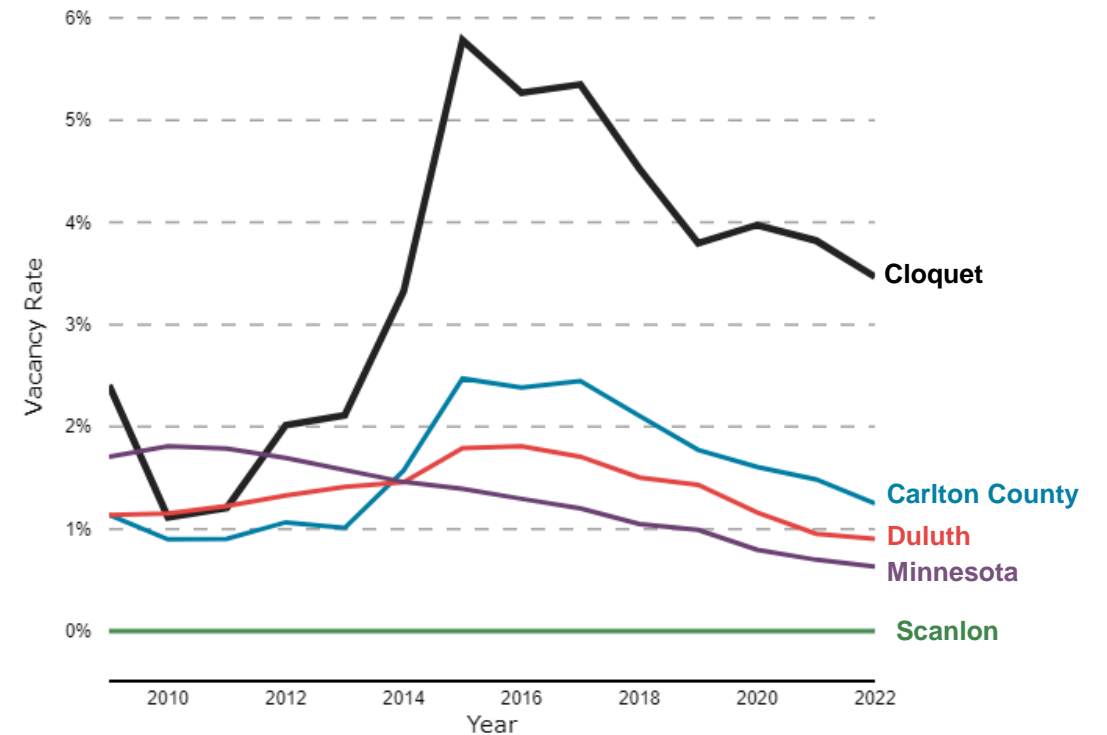
Carlton County's rental vacancy rate remains low, driving up rents

Vacancy rates remain *very low* in Cloquet for rental housing, especially compared to Duluth and broader Minnesota. Conversely, while low on its own merits, the for-sale housing market is not performing as well, with the rate of houses for sale relative to total ownership housing remains higher.

Rental Vacancy Rate

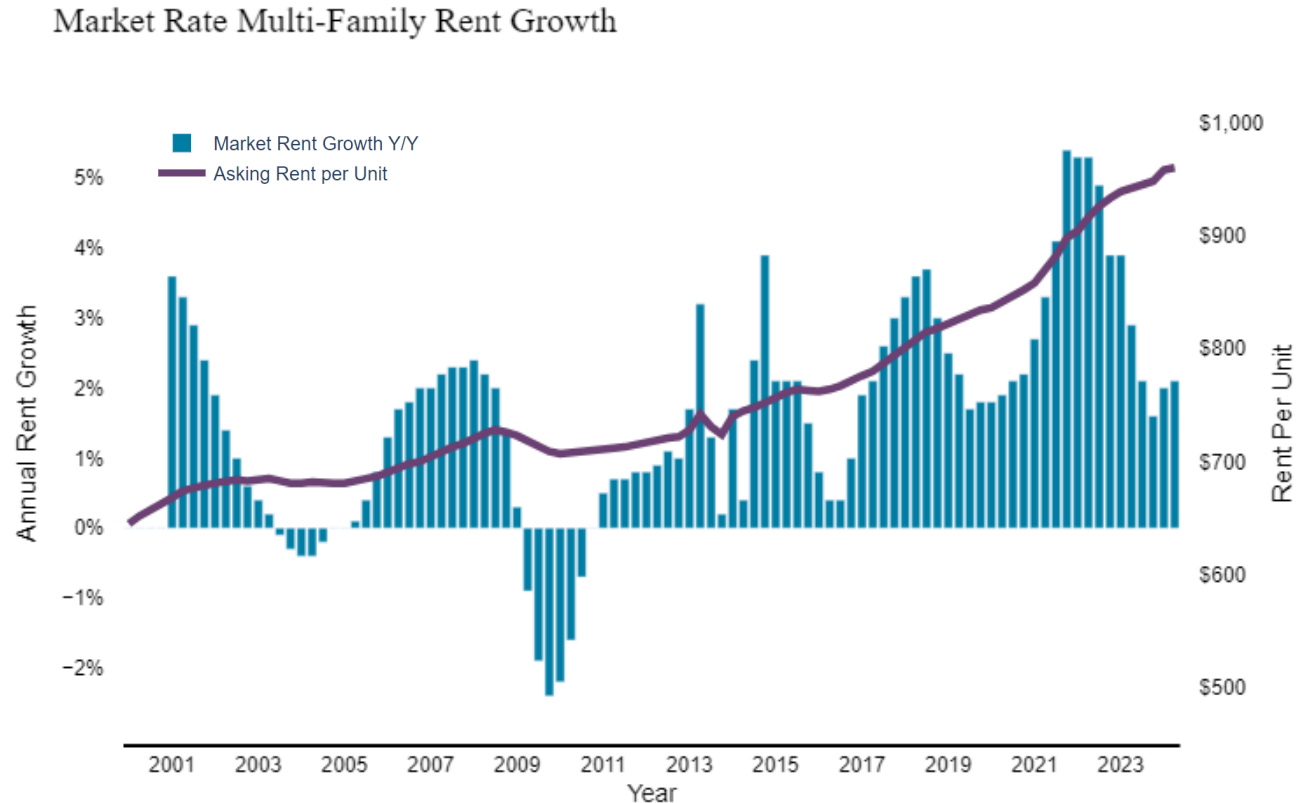


Houses for Sale Vacancy Rate



After Covid-19, market rate rent growth reached a new high of 5% Year-over-Year growth

Rent growth continues to put strain on affordability, but overall, rent growth has tended to trail real wage increases. Rent gains in Cloquet are by no means unique, but their rate of change is robust for a smaller satellite city of a mid-size metro. This helps drive down the number of rent burdened households.



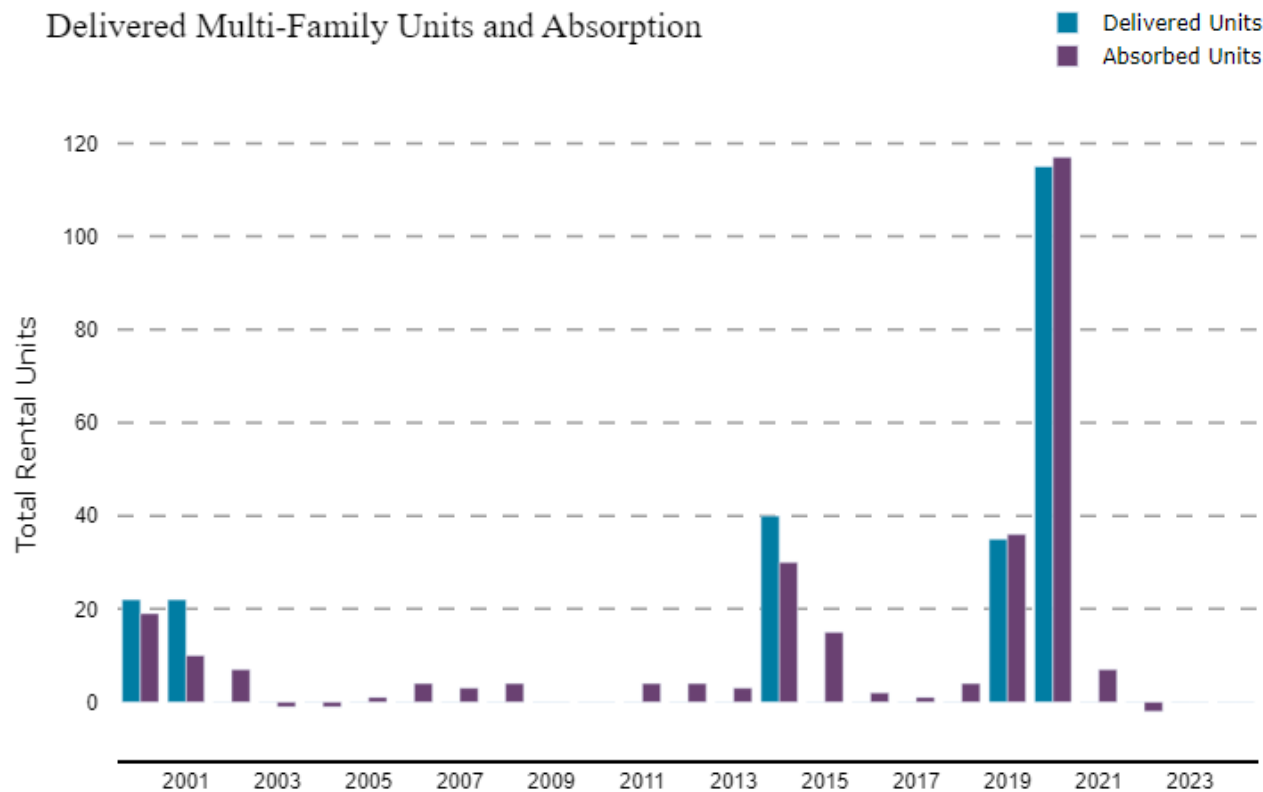
A note on data triangulation:

CoStar is a comprehensive database of commercial properties. It tracks a range of housing market metrics and commercial descriptors. In the housing market, it is strongest at tracking larger multi-family, market rate rental buildings. It does not track single-family homes for rent, duplexes, triplexes, or smaller/older multi-family complexes. In Cloquet, it fails to capture single-family homes, condominiums, or single-family homes for rent.

It is useful to triangulate data from CoStar with other data sources to get a more comprehensive understanding of the market.

New inventory has been rapidly absorbed

As new inventory hits the market, it is almost immediately absorbed. X percentage of new units are income-restricted affordable units. Their rapid absorption indicates continued strong demand for workforce related housing units in the community.



New multi-family housing includes 168 units:

White Pine Apartments: 35 units, 11 of which are 30% AMI, 7 units eligible for project-based vouchers, and 17 units at 50% AMI

14th Street Apartments: *Building 1* contains 18 units (USDA project), *Building 2* contains 22 units (5 are income restricted), and *Building 3* contains 36 units (8 of which are income restricted).

Carlton Lofts: 57 units (LIHTC, 7 place based vouchers, 12 market rate, 38 at 60% MFI).

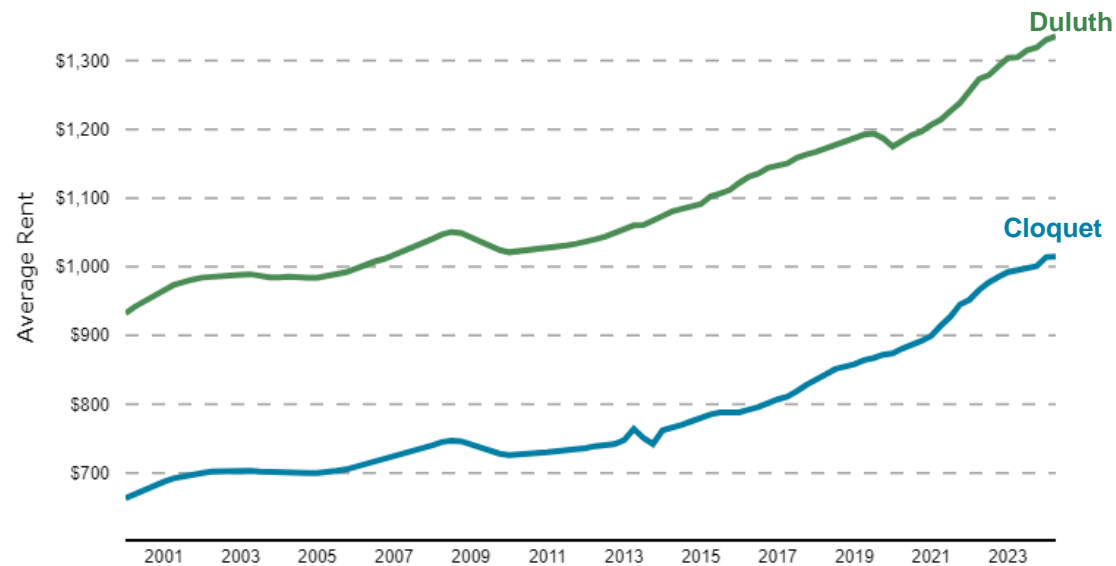
Absorption – or a measure of how many units are occupied in a market over a given period of time – has been very strong. As new inventory hits the market, it is rapidly leased up, leaving little to no vacancy. Rapid absorption and low vacancy are both very strong signs of continued pent-up demand for rental housing.

MARKET INDICATORS | RENTAL MARKET

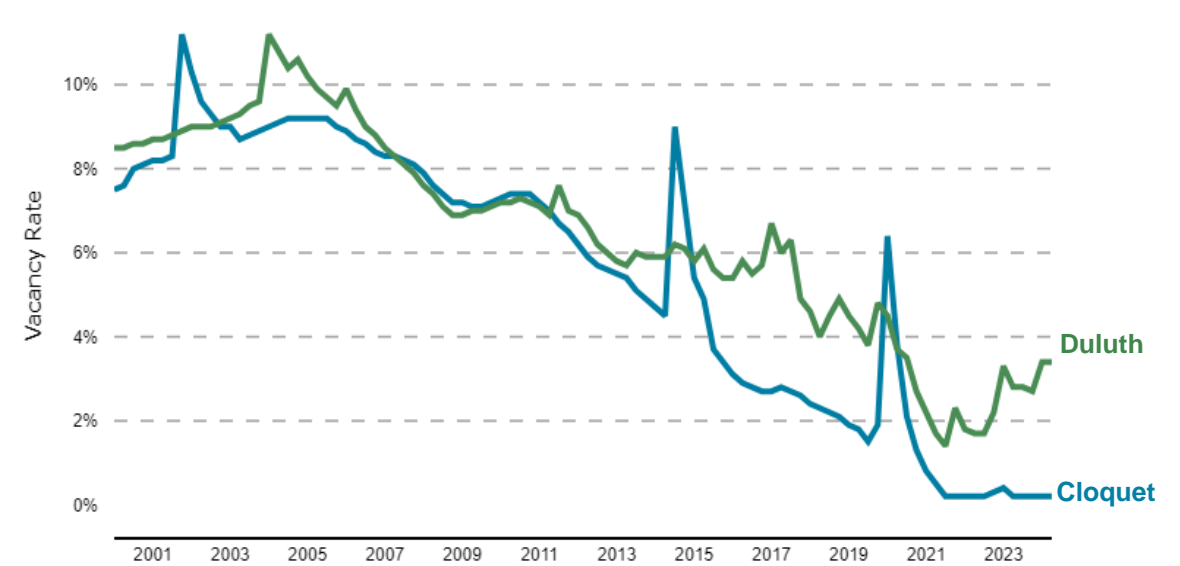
Multi-family rents have tended to trail the broader Duluth market. Affordability drives up occupancy.

More affordable average market rents and the addition of income-restricted affordable units have driven Cloquet's vacancy rate to 0%, a very strong indicator of high demand. Low vacancy rates are putting upward pressure on existing units, leading to more rapid rent growth in Cloquet than Duluth.

Multi-Family Rent in Cloquet Compared to Duluth CBSA

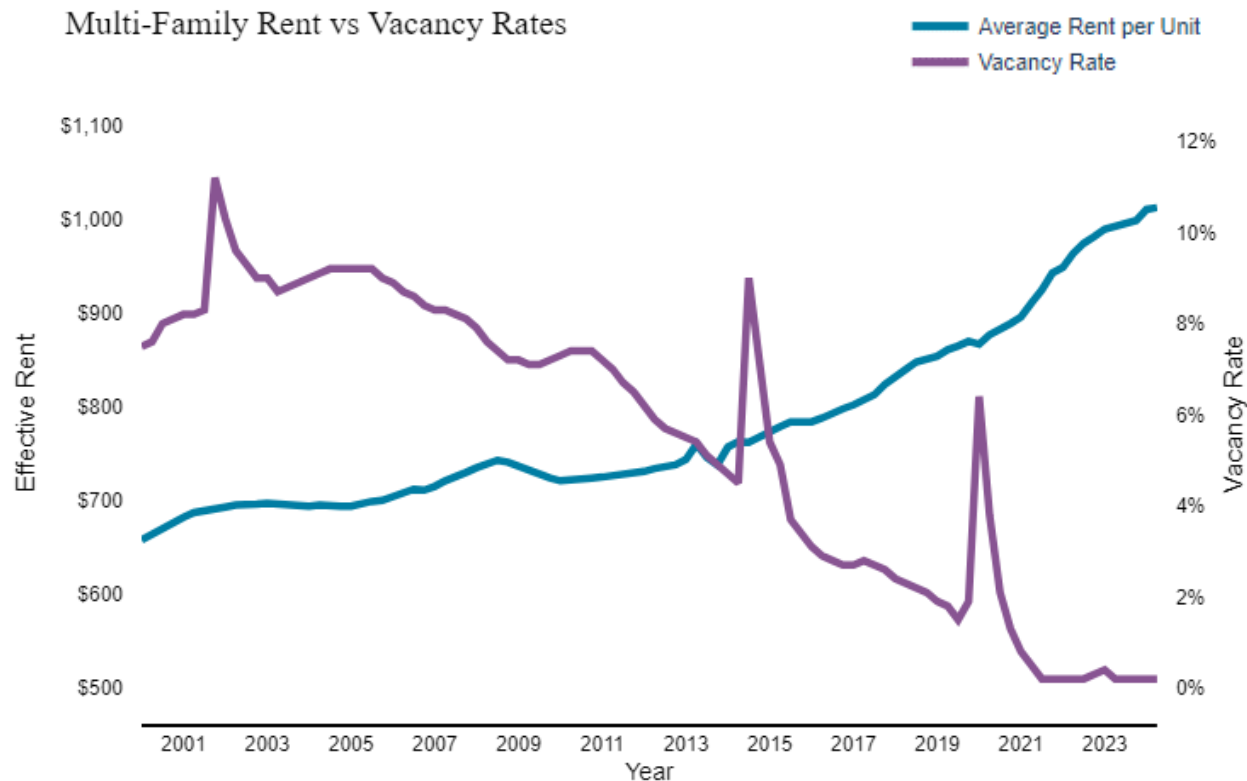


Multi-Family Vacancy Rates in Cloquet Compared to Duluth CBSA



Supply of rental housing is in demand, and undersupplied relative to market needs

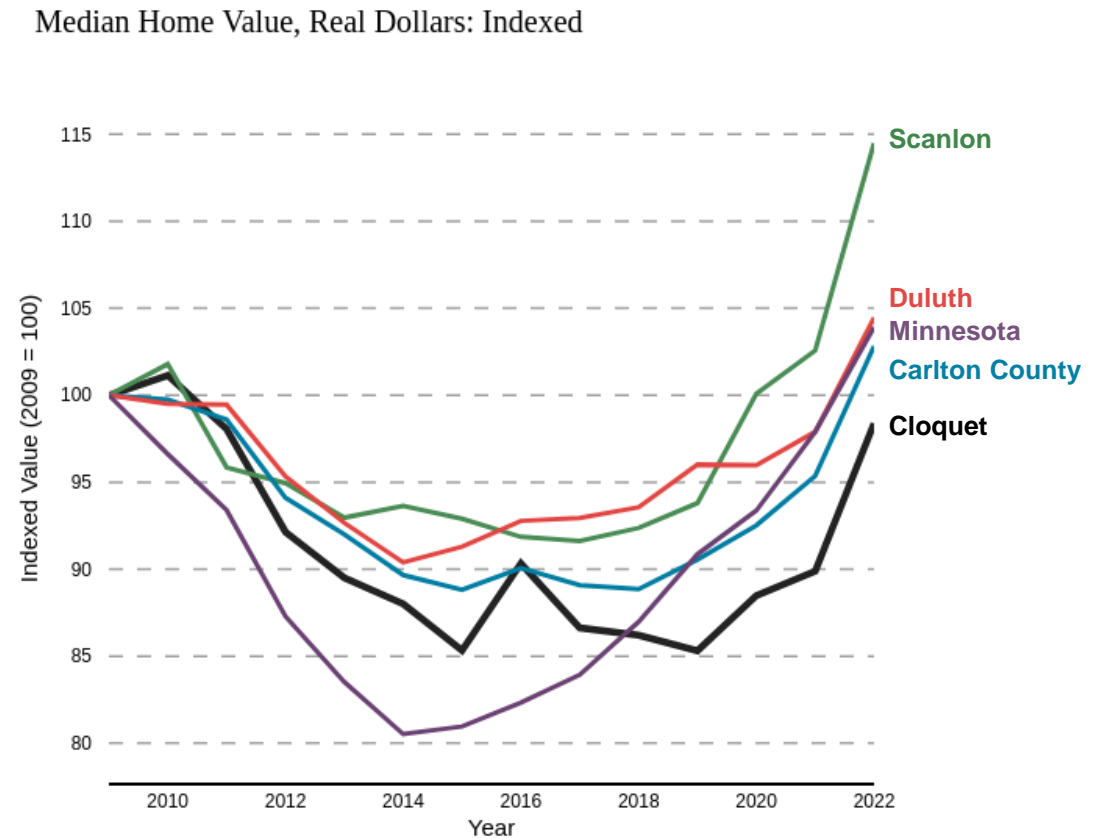
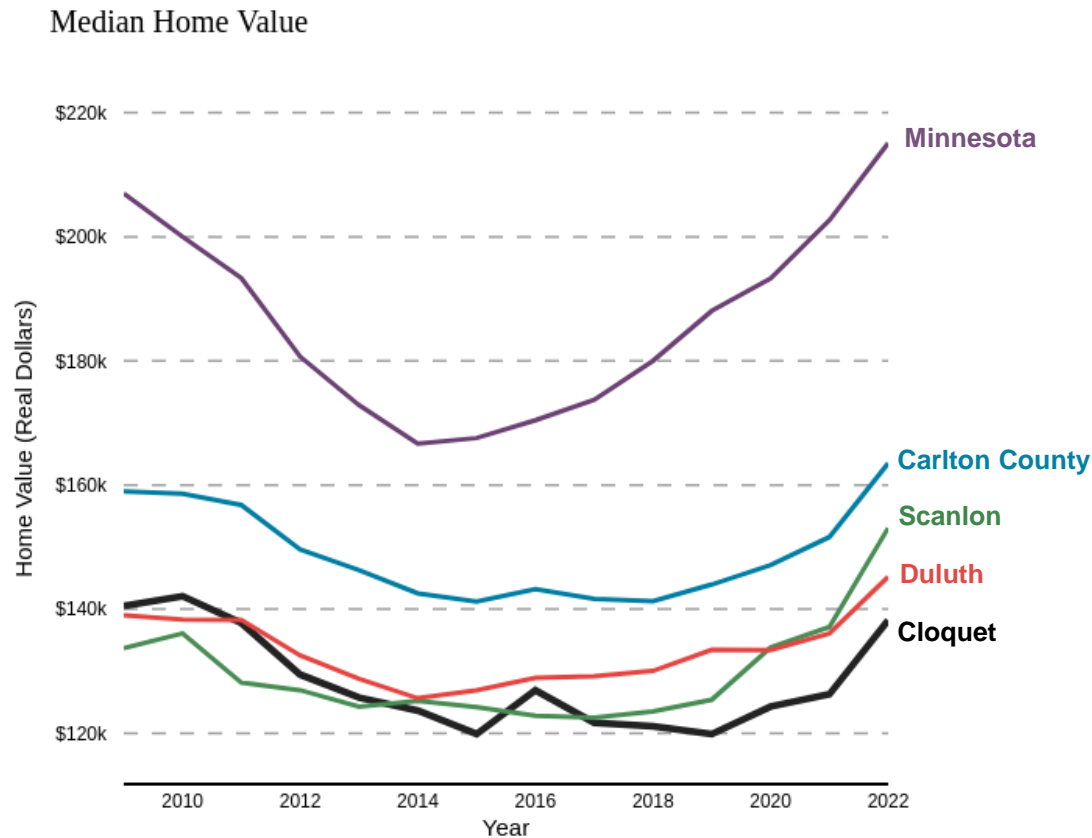
Demand for rental housing remains robust due to long-term local and macroeconomic forces. The limited supply of new rental housing continues to strain the market, driving strong year over year growth in prices. Even if many new units are designated as affordable, tightness in the market can drive up the prices of older housing units.



Rental Demand Drivers: Numerous factors are driving demand for rental housing, many of them long-term trends that will shape housing demand profiles for the foreseeable future. For younger households, higher levels of debt due to costs of higher education have reduced savings. Many younger couples are also putting off children until later in life, reducing the need to 'settle' into a neighborhood and housing type more suited for raising a family. On the other end of the age spectrum, baby boomers (the second largest generation), are entering mid to late retirement years, with many downsizing to smaller single-story units or apartments that better meet housing needs. Meanwhile, new supply of single-family housing has disproportionately focused on upper-end housing rather than starter homes due to higher costs of construction, more stringent lending standards, and the loss of single-family home developers to bankruptcy in the Great Recession. Further compounding issues, mortgage rates increased in response to raising inflation in 2022, dampening demand for mortgages. *Renting is increasingly a better economic option for numerous households, and long-term planning oriented around meeting the needs of households must consider this dynamic.*

Cloquet's median home value is affordable relative to the metro

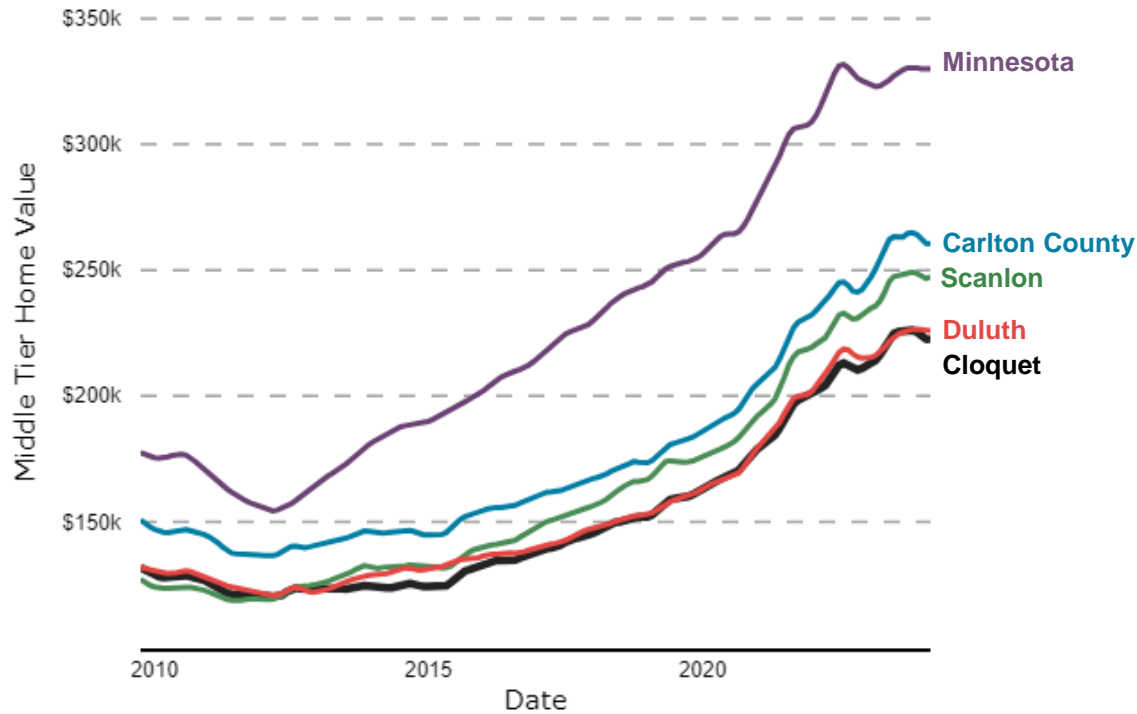
In real dollars, the median home value has yet to return to surpass 2009 housing market highs. In terms of growth rate, median values also dipped more significantly during the recession than the surrounding county and metro.



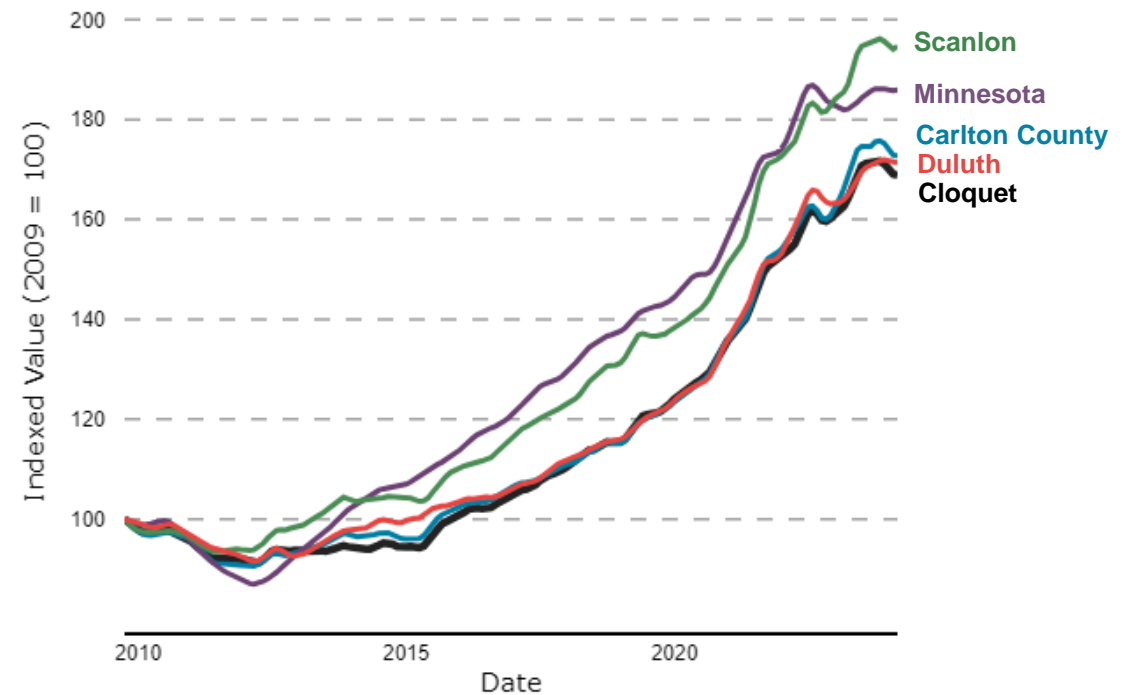
Zillow's "ZHVI" middle-tier index has Cloquet's median values more closely tracking the metro

Where Cloquet's single family housing has largely tracked the metro, Scanlon's single-family homes have increased in value at a faster rate than the state and surrounding metro region.

ZHVI Middle Tier Comparison



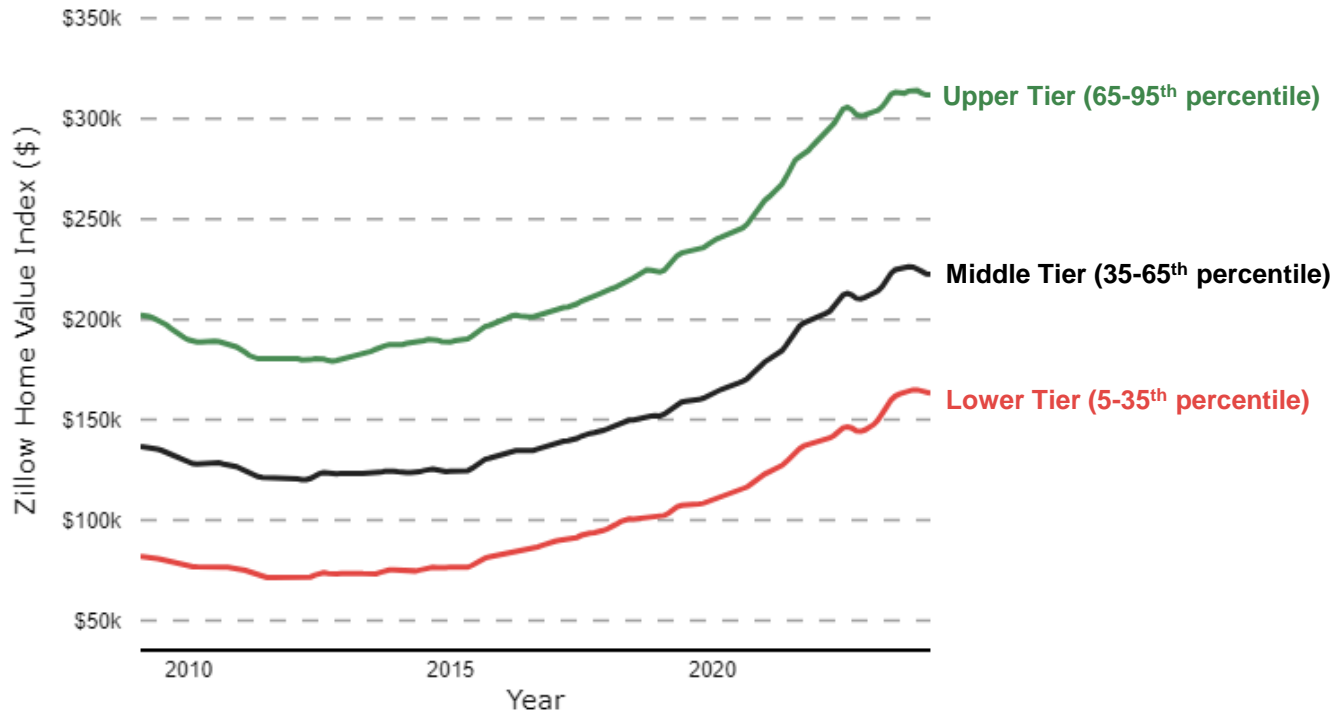
ZHVI Middle Tier Comparison: Indexed Values



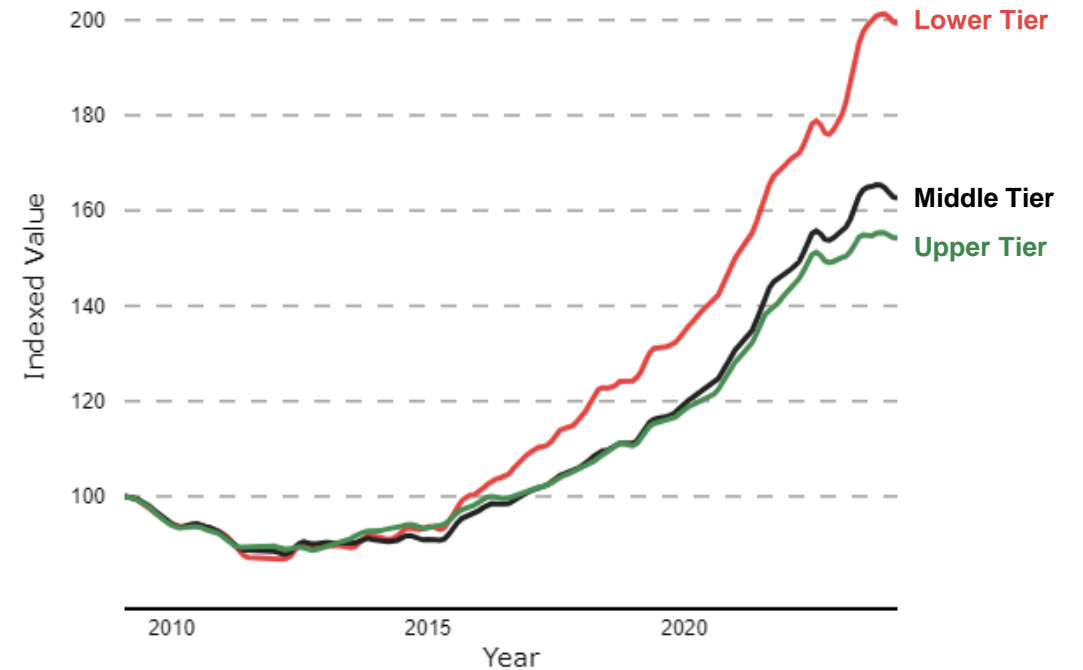
Lower-tier homes have been appreciating faster than middle and upper tier homes

Strong demand exists for entry-level homes, with 'lower tier' homes nearly doubling in value (current dollars) since 2009. This demand is driving faster appreciation of affordable homes relative to middle and upper-tier homes in the community. Entry-level homes are in short supply nationwide given the increased costs of new home construction.

Home Values Based on Tier: Cloquet



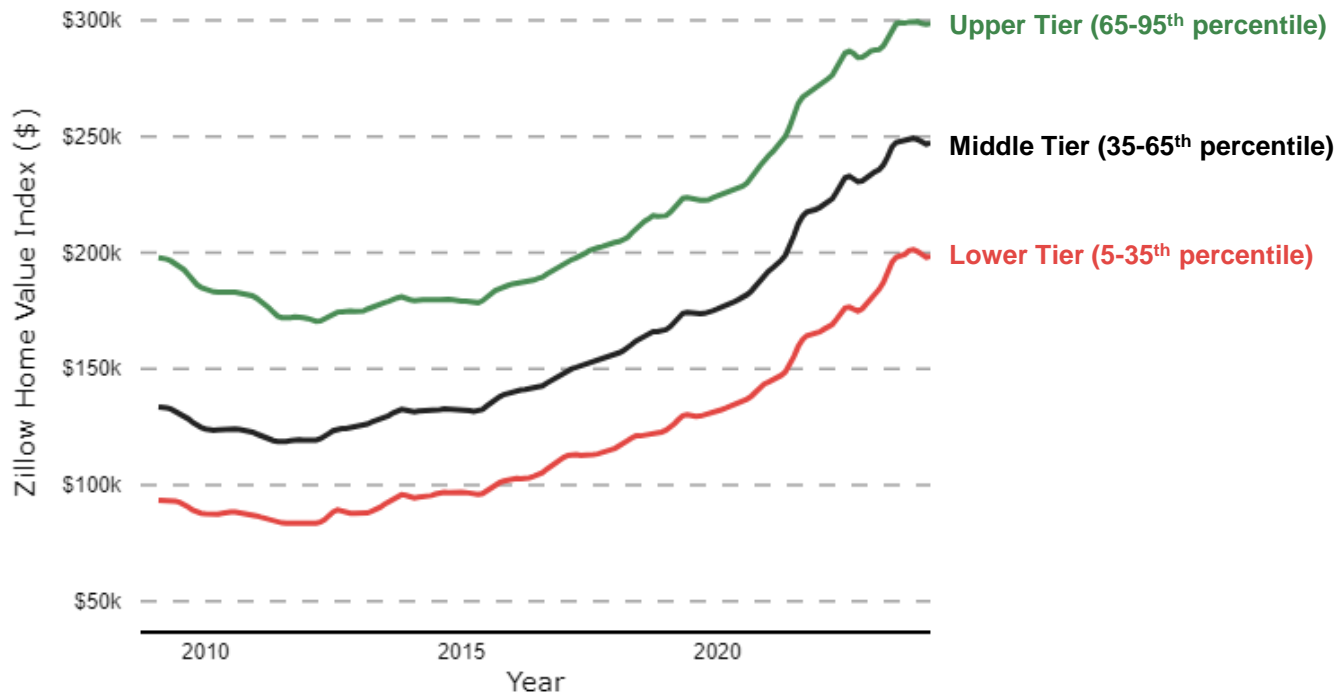
Home Values (Indexed) Based on Tier: Cloquet



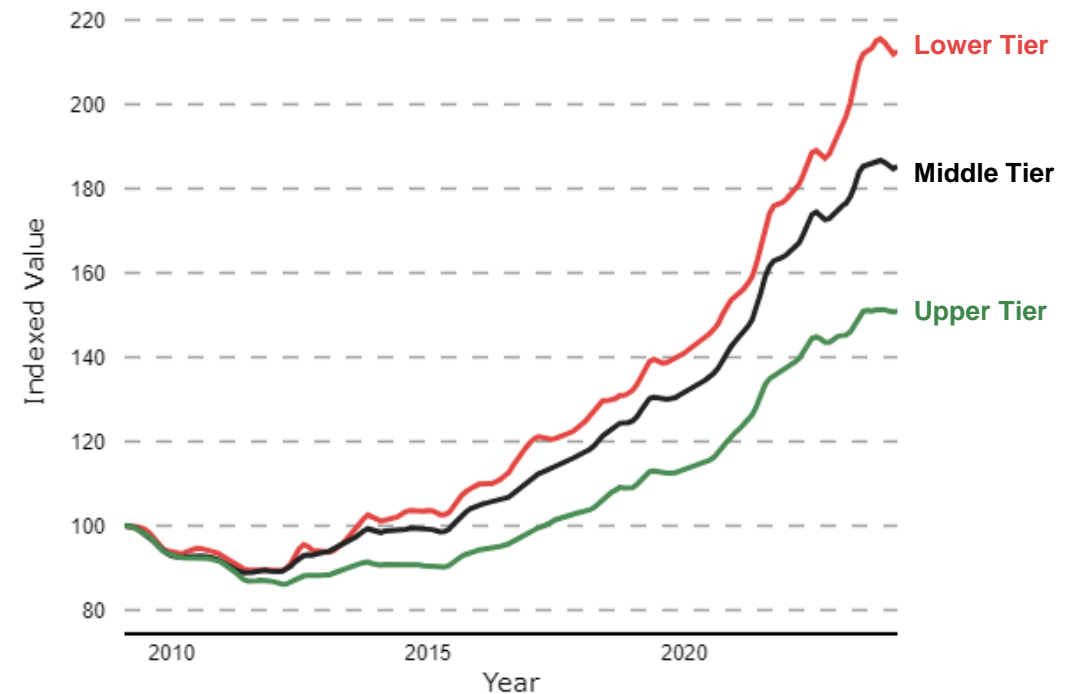
The same phenomenon is impacting Scanlon homes, but even more magnified

Entry level homes in Scanlon have appreciated even more aggressively than entry-level homes in Cloquet, whereas upper tier home price increases are more moderate. This indicates continued strong demand for entry-level ownership housing product.

Home Values Based on Tier: Scanlon

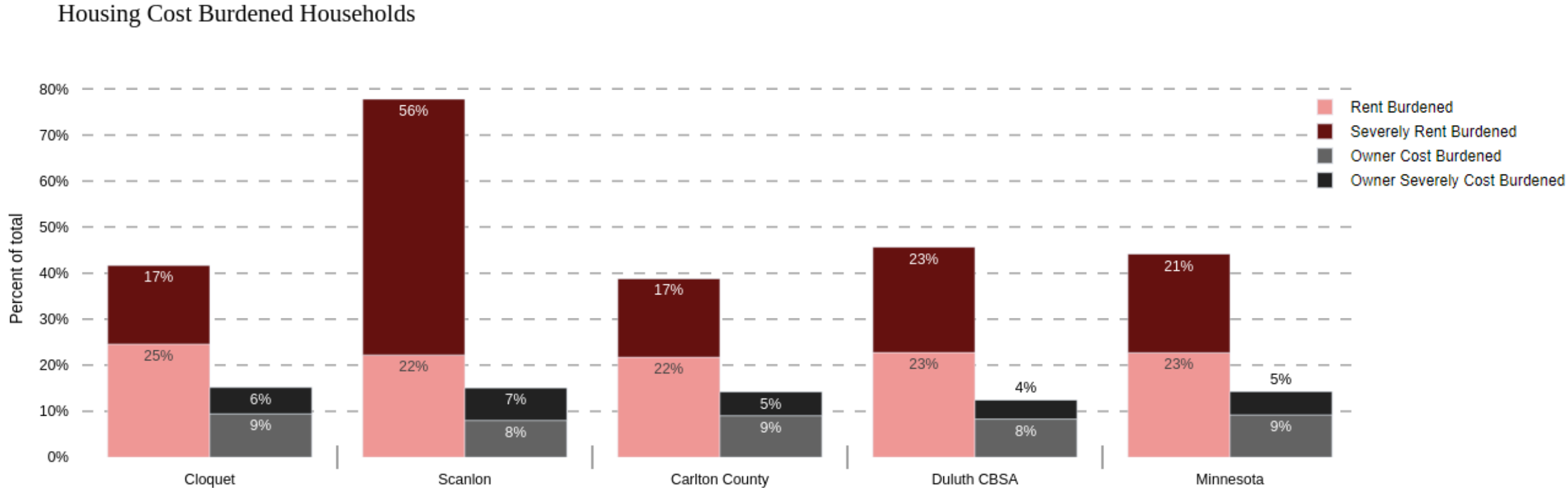


Home Values (Indexed) Based on Tier: Scanlon



The addition of new multi-family affordable housing has helped limit severe rent burdens

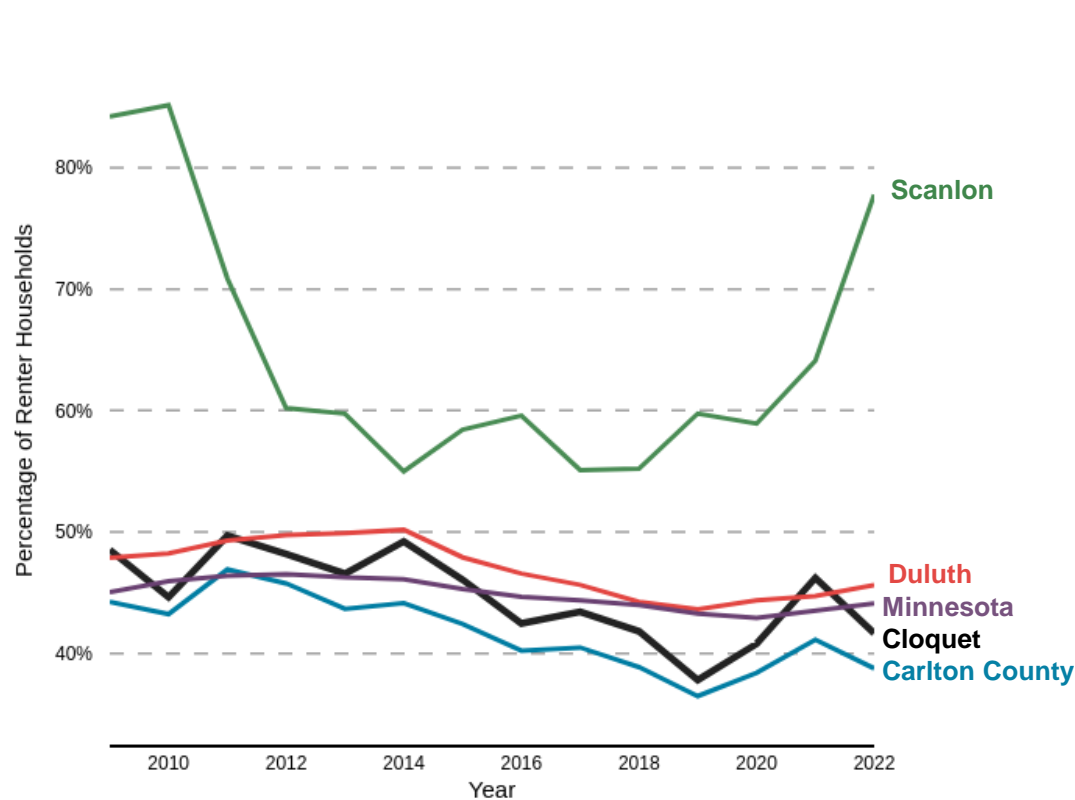
At 42% and 15% respectively for rental and ownership housing, the cost of housing still remains a major burden for households. Cloquet’s level, however, is 2% lower than the Minnesota state average for renters, and 1% higher than owners.



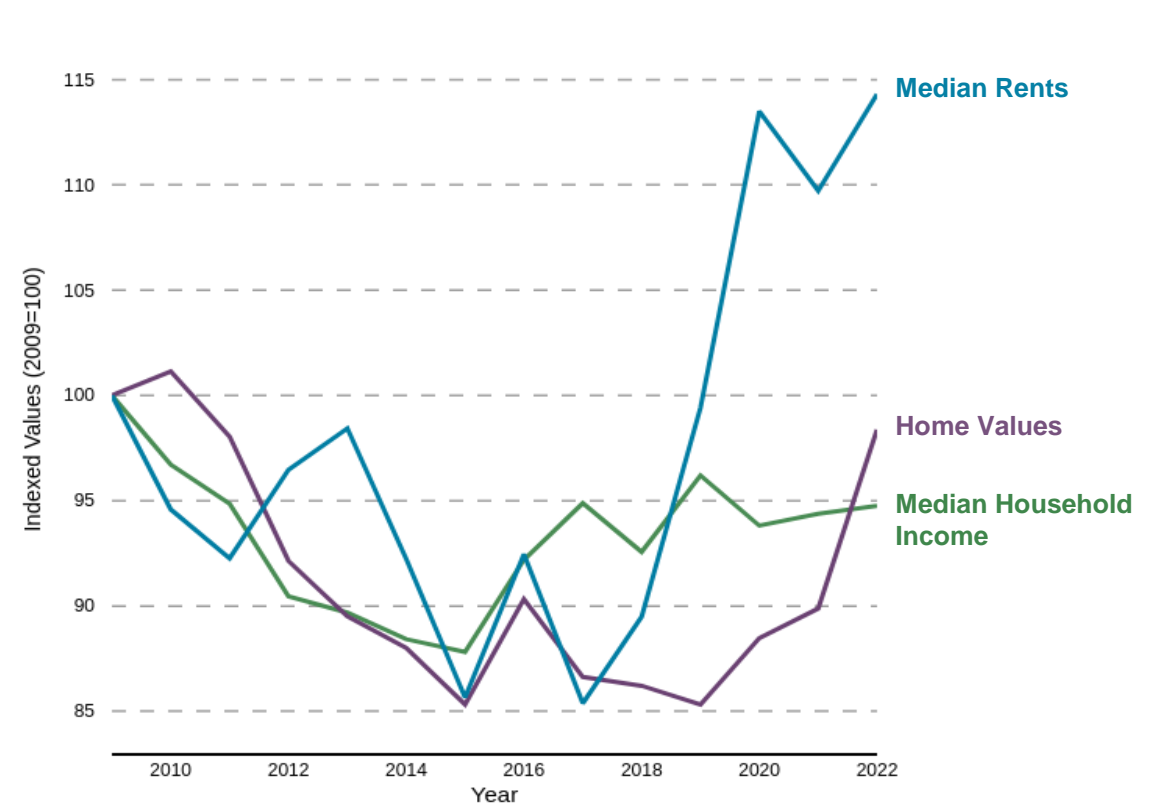
In real dollars, rents have outpaced median household income in Cloquet

Median household income, here, is not necessarily a proxy for wages. However, Cloquet follows major nationwide trends where median rents have outpaced real income gains. The proportion of rent burdened households has fallen, however, for households across the spectrum. Slight drops in rent burdened levels may be related to lower unemployment.

Percent of Renters Cost Burdened: Trends



Change in Income Relative to Housing Costs



Employers identify the lack of attainable housing as a growing issue

Affordable rental housing is an issue for recruitment and training

When this study was last conducted in 2014, no employers identified affordable housing as a major issue facing the company. This included both efforts for recruitment and finding attainable housing for workforce.

This has changed in the past decade. Companies are finding that the cost of living, in particular housing, have made Cloquet less competitive compared to lower-cost regions. This is an issue because labor recruitment is crucial to attracting new workers. This is particularly true in rental housing, as some firms rely on seasonal outside labor and have a tough time finding affordable rental units.

Both the high cost of housing and its unavailability have overlapping impacts. First, it puts upward pressure on wages as current wages are disproportionately going to housing costs. For production jobs, incomes are higher than 'affordable' limits, but available housing attainable at those wages can be very difficult to find. Currently, it's a growing problem, and, if issues persist, companies will be forced to explore the provision of affordable workforce housing.

For firms less dependent on recruiting and short-term rentals, the regional housing market still seems sufficient

However, others see housing as less of a major challenge, outside of workforce affordability. Many workers live within a thirty-minute commute of

Cloquet and can find housing in that broad of a radius. Cloquet once had an advantage over Duluth, but that is less the case.

Housing does seem less accessible, especially for first-time buyers

Households with incomes and careers that would enable entry into homeownership are finding it difficult, with both entry-level and move-up housing inventory/supply very limited. Where more accessible entry-level housing once helped attract professionals such as teachers to live and work in Cloquet, this competitive advantage is starting to dwindle.

Developers still see opportunity, but high costs remain an issue for new development

The cost of single-family homes generates a pricing problem

The cost of new housing construction remains a major issue. Supply chain issues impacted the price of input goods (i.e., lumber, electrical good, etc.), the cost of labor continues to increase, and the cost of land/infrastructure development remains high. Although input prices are stabilizing, it is difficult to build a new single-family home that is affordable to the median-income homebuyer.

This is particularly true in Cloquet where developable land is scarce. Individual parcels exist, and twin-home style infill development can reach the market in the low to mid \$300,000 range. This is attractive product for empty-nesters who want to live in the city – a strong market. But these projects take time to acquire and prepare the right

land, and the returns on investment are low given that building at scale is prohibitive. This makes it a challenging prospect for housing developers to add new supply.

Demand is still very strong for entry and mid-level single-family 3-bedroom homes. Outside of infill redevelopment, the economies of scale required to build new homes requires both land and utilities. Right now, the cost of utility infrastructure makes final market prices prohibitive. One home builder argues that several years ago they could build a standard 3BR ranch home with 1,800 sf for \$329K, but now it's closer to \$475K. So even though demand is there for homes, there is a pricing problem.

Affordable Housing Demand Remains High

In an interview with an affordable housing

developer, demand remains ever-present for affordable housing, both for general market and senior housing.

Older Multi-Family apartments are facing disinvestment/low incentives for improvement

Some stakeholders commented that some of the older multi-family housing stock is run down and increasingly uninhabitable. They argue that with market supply as limited as it is, and higher rents achievable in a low vacancy market, landlords have little vested interest in maintaining or improving properties. Rehabilitation can be costly for smaller property owners.

Takeaway 1: Rental Demand Remains Robust

1) Rental Demand Remains Robust, Especially for Lower Incomes

A combination of factors are driving strong rental rate increases.

First, the occupational structure in Cloquet leans towards higher rates of New Economy Low Wage workforce jobs where individual incomes are below the regional median. Lower income households have a more difficult route to homeownership, especially with more strict lending standards since the housing crash of 2007. Renting remains a more economically sound decision for many households.

Second, increases in household debt, especially from rising prices of college education, make entry to homeownership more difficult. Higher interest rates compound increased debt, making it difficult to save for a down payment on a home.

Third, and more recently, rapid inflation drove a spike in mortgage interest rates. Higher rates have had a cascading impact on the housing market. First-time homebuyers – or groups most exposed to interest rate hikes – face a market with limited supply as homeowners who secured lower mortgages prior to 2021 are reluctant to move.

Join these forces together, and renting is far more common for households across the income spectrum. Demand for rental product, however, has been met insufficient new supply. A lack of new supply has driven down vacancy rates. As vacancy rates began to approach zero, rent growth has been dramatic across the spectrum, with real rent prices outpacing median household incomes. Low vacancy rates drive up rents across the rental housing spectrum, while also lowering the pressure on landlords to improve existing rental housing.

Cloquet responded to the demand for affordable

rental housing with a burst of new supply. New supply that has been added – especially affordable housing – has been rapidly snatched up, helping to at least dampen overall rent growth.

Solution: Interest rates remain outside of local control. Adding new supply remains crucial, especially affordable housing units. Demand is likely to persist for market rate housing. New market-rate construction alongside preservation of existing affordable units can help ensure adequate rental supply.

Takeaway 2: Home Demand For Entry-Level Households Remains Strong

Pricing pressure is highest for entry level homes, but supply is lacking across the spectrum

Home prices – while experiencing a near decade long surge since 2014 – only recently surpassed 2007 levels. Real wages have actually outpaced real home price growth, at least through 2022.

Nonetheless, the rapid ascension of home prices emerges in the context of continued regional growth and limited new supply.

New supply is limited by the cost of new production and challenges of assembling developable land on city infrastructure. Developable land and existing subdivisions that do exist lack connection to city sewer and water, driving up prices as houses are built-to-spec on large lots. Demand for this product is driven from the upper-end of the housing market – in particular by higher-income commuters who seek larger single-family housing on lots large enough for off-the-grid septic and well water. Scanlon, given its closer proximity to Duluth, has seen its home prices grow faster than both Scanlon

and broader Duluth. Demand also remains strong for new product as well, with split homes priced attractively for households earning between 120-140% of AMI and designed to be more senior friendly with single-floor living selling well. Despite strong demand, the rate of new supply of ownership housing remains limited.

As for existing housing, Cloquet’s housing market remains priced below the regional median and remains attractive for households earning 60-100% of AMI. Demand remains most robust, however, on the lower end of the market, with lower-tier homes appreciating much faster than middle and upper tier homes. With a lack of new inventory in this price range but a larger bundle of households demanding this product, demand for existing entry-level homes is limited to existing inventory.

If the lack of new construction is one chokepoint in generating new supply, a second are high interest rates. With rates spiking from 2021 to 2024, available inventory relative to households is at a post World War II low nationwide, with no exception

in Minnesota. The impact cascades across the housing market. First time homeowners face high borrowing costs, leading to higher competition for lower priced homes to make financing work. Existing homeowners with low interest rates secured prior to 2021 are unlikely to ‘trade up’ and absorb a higher rate. The result is limited supply of existing housing that continues to trail demand indicators. A loosening of interest rates could have a dramatic impact of increasing the supply of existing homes, helping to lower prices, especially on the lower to mid-priced side of the housing market, increasing overall affordability.

Solution: Interest rates are controlled by the Federal Reserve, so local control is limited to adding new supply. Due to limited developable land on existing infrastructure, townhome and lighter density development is very limited, as is building at scale for single-family homes. Creative solutions to address building at scale can be explored, many of which are detailed in the strategies chapter.



07

**HOUSING
NEEDS**

Projected Household Growth and Housing Need

Methods Overview

Forecasting housing need is a combination of understanding the *current need* identified in the gaps section, and projected future household need determined by projected household growth. New housing stock should serve overlapping functions: It should address current gaps in the community by ensuring adequate supply that is undersupplied relative to demand, while also ensuring new supply of housing to meet the future needs of the region.

Future Household Growth: Carlton County

Future household growth was determined by examining a combination of existing projections from the Minnesota State Demographic Center for Carlton County and historic household formation trends and growth rates specific to Cloquet and Scanlon. The State Demographic Center creates detailed cohort-based population growth models for each county in the state. Population data is converted to households based on subtracting the historic proportion of the population who live in Group Quarters (nursing homes, detention facilities, or dormitories), then dividing population based on historic changes in household size. This generates a forecast of total households for the Carlton Region.

Future Household Growth: Cloquet & Scanlon

Household projections are then computed for Cloquet and Scanlon. Methodologically, historic compound annual growth rates (smoothed via 5-year averages) and historic capture rates (proportion of county households in each geography) are examined for both Cloquet and Scanlon. Drawing on both historic rates and analyst judgement for future growth, future households are forecasted to generate an estimate of total growth.

New Households by Income

New households are then broken down by income category. Historical growth trends of income brackets are utilized to distribute new households by income. Income brackets adjust for inflation by using the distribution of households around the median income for each year and use these brackets to project future income levels.

Housing Choice Model

Once households are distributed by income, a housing choice model is used to determine allocation by tenure and bedroom size. Using census microdata, the model examines how

households by different income brackets who have moved in the past 3 years have chosen housing by size and tenure. To assure an adequate sample size, the model is based on the expressed preference of households from lower density geographies but still within a metropolitan CBSA for the upper Midwest census division, thereby approximating the Cloquet/Scanlon area as close as possible. In general, this model predicts that lower incomes are likely to rent, and more likely to have smaller units due to both smaller household sizes (single incomes) and income restraints. As incomes increase, households are more likely to pursue ownership housing and larger units. Using this model, future households are metered by expected tenure and bedroom size.

Future housing need

Using 30% of incomes as the maximum affordable monthly cost, housing typologies are determined that could help meet projected need. This estimate is then combined with existing needs to determine a future housing needs by tenure, size, and price range.

HOUSING NEEDS | HOUSEHOLD PROJECTIONS

Projected Household Growth for Cloquet and Scanlon remains moderate

Future household growth draws on the Minnesota State Demographer’s office’s projections for household growth, which are cross-checked with our own estimates. Cloquet and Scanlon growth is then determined by historic 5-year rolling Compound Annual Growth Rates (CAGR) and capture rates (proportion of households within the town’s boundaries).

Households: Projected Growth

		Carlton County			Cloquet			Scanlon			
		Year	Total Housholds	Annual Change	5-Year Rolling CAGR	Total Housholds	Capture Rate	5-Year Rolling CAGR	Total Housholds	Capture Rate	5-Year Rolling CAGR
10-Year Forecasted Horizon	Second 5-Year Horizon	2034	14,538	0.27%	0.31%	5,667	38.98%	0.55%	470	3.24%	0.15%
		2033	14,499	0.29%	0.34%	5,636	38.87%	0.55%	470	3.24%	0.15%
		2032	14,458	0.31%	0.36%	5,606	38.77%	0.57%	469	3.24%	0.15%
		2031	14,412	0.34%	0.39%	5,575	38.68%	0.59%	468	3.25%	0.15%
		2030	14,364	0.36%	0.41%	5,545	38.60%	0.61%	468	3.25%	0.15%
	Short-term time horizon	2029	14,312	0.39%	0.44%	5,514	38.53%	0.63%	467	3.26%	0.15%
		2028	14,257	0.41%	0.46%	5,484	38.46%	0.65%	466	3.27%	0.15%
		2027	14,198	0.44%	0.58%	5,449	38.38%	0.65%	465	3.28%	0.15%
		2026	14,136	0.46%	0.80%	5,414	38.30%	0.83%	465	3.29%	0.42%
		2025	14,072	0.48%	0.37%	5,379	38.23%	1.57%	464	3.30%	0.44%
Estimate	2024	14,005	0.50%	0.57%	5,344	38.16%	2.39%	463	3.31%	-0.24%	
Historical Trend Data	2023	13,935	1.01%	0.76%	5,309	38.10%	2.89%	463	3.32%	-0.82%	
	2022	13,795	1.53%	0.56%	5,275	38.24%	2.62%	462	3.35%	-1.77%	
	2021	13,587	-1.62%	0.44%	5,195	38.24%	2.72%	455	3.35%	-0.22%	
	2020	13,811	1.45%	0.61%	4,976	36.03%	0.98%	454	3.29%	0.13%	
	2019	13,613	1.45%	0.10%	4,750	34.89%	-0.40%	469	3.45%	0.61%	
	2018	13,418	0.04%	-0.54%	4,605	34.32%	-1.83%	482	3.59%	0.81%	
	2017	13,413	0.93%	-0.48%	4,634	34.55%	-1.58%	505	3.77%	2.15%	
	2016	13,289	-0.81%	-0.78%	4,542	34.18%	-2.41%	460	3.46%	0.85%	
	2015	13,398	-1.06%	-0.48%	4,739	35.37%	-1.62%	451	3.37%	0.63%	
	2014	13,542	-1.79%	-0.16%	4,847	35.79%	-1.17%	455	3.36%	1.23%	
	2013	13,789	0.36%	0.00%	5,051	36.63%	0.00%	463	3.36%	0.00%	
2012	13,739	-0.59%	0.00%	5,019	36.53%	0.00%	454	3.30%	0.00%		

Capture rates have risen in Cloquet due to multi-family housing concentrated in the more urbanized area. We expect continued demand for multi-family, thereby reinforcing existing capture rates moving forward. Scanlon’s capture rate remains within historic norms, although slightly dipping as more dense housing is developed elsewhere (Cloquet).

Assumptions	Carlton County	Cloquet	Scanlon
Historical CAGR			
5 year rate	0.56%	2.62%	-1.77%
10 year rate	0.04%	0.50%	0.17%
Projected CAGR			
2024-2029	0.39%	0.63%	0.15%
2029-2034	0.27%	0.55%	0.15%
Percent Change			
2012-2022	0.41%	4.4%	4.4%
2024-2034	3.8%	6.0%	2.2%

Results	Carlton County	Cloquet	Scanlon
10 Year Total	533	323	7

Projected Future Growth: 330 Households

HOUSING NEEDS | HOUSING NEED, AMENDMENTS

Amendments are oriented towards increasing supply of rental housing due to historically low vacancy rates

The methods here are adopted from HUD and California housing studies to ensure adequate housing supply relative to current market needs and future growth. These adjustments account for achieving market equilibrium in the rental and ownership market, to correct for substandard housing, to adjust for current overcrowding, and to replace lost units.

Vacancy (Ownership)	2.00%	Threshold Market Health	3.20%	Cloquet/Scanlon Rate	--	Vacancy Adjustment
Vacancy (Rental)	5.00%	Threshold Market Health	2.01%	Cloquet/Scanlon Rate	51	Vacancy Adjustment
Substandard (no plumbing/kitchen)	1.20%	Theshold nat'l avg	1%	Cloquet/Scanlon Rate	--	Substandard Adjustment
Overcrowding (>1 occupant/room)	3.35%	Theshold nat'l avg	1.32%	Cloquet/Scanlon Rate	--	Overcrowding Adjustment
Replacement (per year)	0.09%	Annual Need	5	Annual Units	50	Replacement Housing
Household Growth					330	Household Growth
10-Year Production Target: 431 Units						

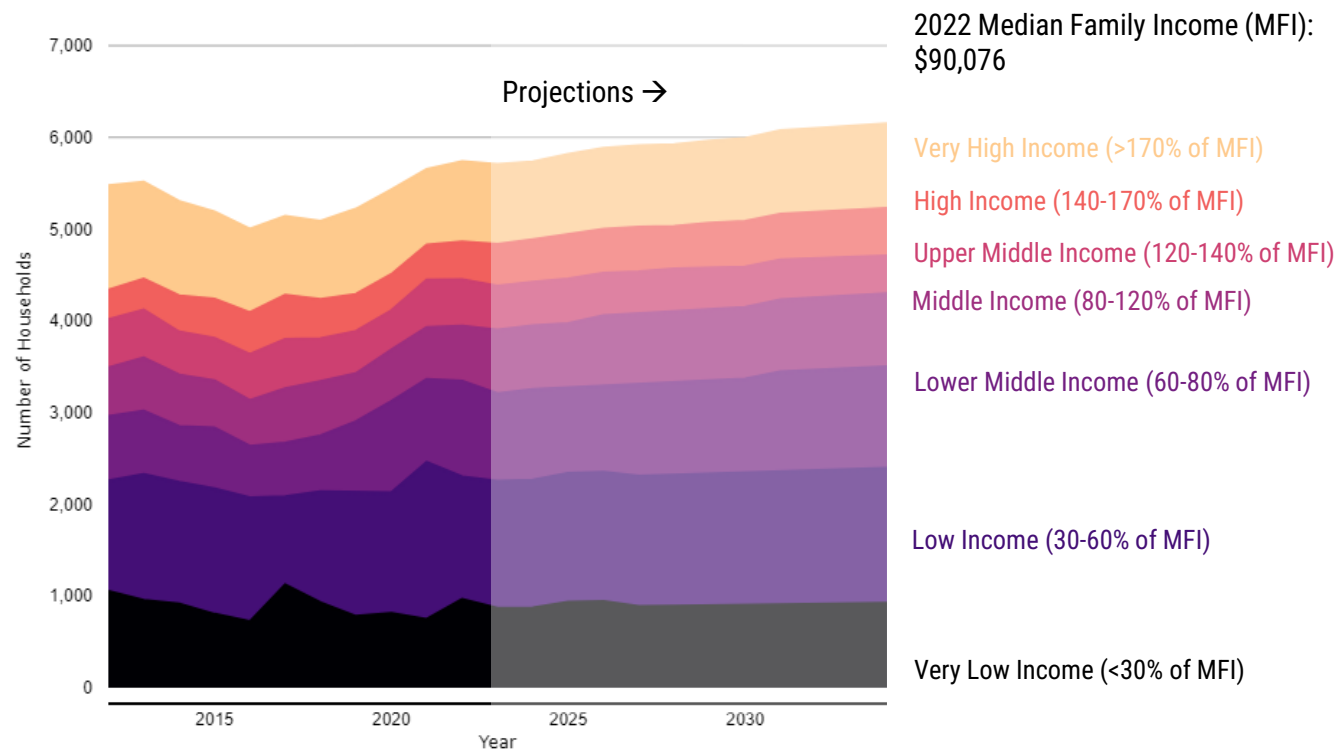
Total New Housing: 431 Units

Additional amendments are made to total unit demand based on the need to add supply to meet market equilibrium thresholds. These include adjustments of the rental market to move the market towards greater equilibrium, commonly held at 5%. Due to very low vacancies, this would require an additional 51 units. Additionally, an adjustment is made for replacing demolished homes. The replacement rate – a national average used for HUD housing studies – closely mirrors the local demolition pace. No adjustments are necessary to meet overcrowding thresholds or to adjust for substandard housing (defined as no plumbing or kitchen facilities). These amendments are added on to total units required to meet additional household growth.

Projected Household Growth for Cloquet and Scanlon remains moderate

The projected future housing need is then distributed by income bracket to understand growth in particular market sectors based on new household additions.

Total Households by Income Composition: Cloquet and Scanlon



Methods

To account for inflation, brackets were determined based on the median income for each year. Existing brackets pose challenges for forecasting – general wage inflation means fewer households are within lower income brackets, whereas the proportion in higher income brackets tends to rise. This method helps to account for inflation. Using the most detailed ACS income brackets, households are apportioned into each bracket for that year. Using the historic proportions and trends, a linear regression model is used as a baseline for future growth and is then modulated based on judgment.

Based on these predictions, the proportion of very-low income households continues to decline, whereas overall growth in the ‘middle’ ranges (60-140% of the median household income) continues its more recent expansionary trend. Growth on the higher end remains limited. Note that these predictions are a function of historical Cloquet and Scanlon growth patterns – the addition of new housing supply in different brackets can attract households from across the metro, or, conversely, a lack of new housing would lead to slow overall growth and faster increases in lower-middle income households as the existing housing stock ages.

Totals	Very High Income	High	Upper Middle	Middle	Lower Middle	Low	Very Low	Total
2024-2034	36	84	0	155	46	110	0	431

HOUSING NEEDS | HOUSING NEED PROJECTIONS

Household Demand is strongest for larger ownership units and affordable rental housing.

Income Bracket	Rent				Own			
	1BR	2BR	3BR	4+ BR	1BR	2BR	3BR	4+BR
Very Low Income	5.9%	27.2%	30.8%	16.0%	0.7%	1.5%	7.3%	10.6%
Low Income	3.1%	11.9%	32.6%	21.9%	0.2%	1.1%	7.4%	21.9%
Lower Middle Income	1.0%	9.8%	21.8%	19.0%	0.2%	1.7%	10.5%	36.1%
Middle Income	1.0%	2.7%	15.4%	18.4%	0.4%	0.9%	10.0%	51.3%
Upper Middle Income	0.2%	1.9%	7.3%	12.7%	0.2%	0.1%	6.5%	71.2%
High Income	0.0%	1.3%	4.4%	14.4%	0.0%	0.3%	8.2%	71.4%
Very High Income	0.3%	1.1%	3.1%	11.1%	0.0%	0.3%	4.7%	79.5%

The odds here are determined based on the expressed preference of households in lower density portions of CBSA areas who have moved in the past 3 years in the Upper Midwest census division. In general, the relationship between household income and bedroom size and tenure is proportional. Lower income households are more likely to rent and occupy smaller units, whereas higher income households are more likely to own and occupy larger units.

The 431 projected housing unit need are then apportioned based on these proportions to get an estimate of distribution of future household demand by tenure, bedroom size, and cost range. Note that in the past 5 years, a higher proportion of households are choosing to rent than is historically the case. Renting is increasingly common due to a range of macroeconomic factors.

Income Bracket	Definition	Max Affordable Monthly Housing Costs	Rent				Own				Sum Totals		
			1BR	2BR	3BR	4+ BR	1BR	2BR	3BR	4+BR	Rent	Own	Combined
Very Low Income	<30% MHI	\$676	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0	
Low Income	30-60% MHI	\$1,351	3.4	13.0	35.7	24.0	0.2	1.2	8.1	24.0	76	34	110
Lower Middle Income	60-80% MHI	\$1,802	0.4	4.5	10.1	8.8	0.1	0.8	4.9	16.7	24	23	46
Middle Income	80%-120% MHI	\$2,702	1.6	4.1	23.8	28.6	0.6	1.4	15.5	79.5	58	97	155
Upper Middle Income	120%-140% MHI	\$3,153	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0	
High Income	140-170% AMI	\$3,828	0.0	1.1	3.7	12.1	0.0	0.2	6.9	59.8	17	67	84
Very High Income	>170% MHI	--	0.1	0.4	1.1	4.0	0.0	0.1	1.7	28.8	6	31	36
<i>Median Household Income (MHI): \$90,076</i>		<i>sums</i>	5.5	23.1	74.4	77.5	0.9	3.7	37.1	208.8	181	251	431

Maximum affordable monthly housing costs are determined by 30% of household income based on the MFI of \$90,076 for Cloquet, as Cloquet is part of the Duluth Metro Area. This estimate is based on 2022 median incomes- the most readily available median income data. Accordingly, housing cost affordability is based on 2022 dollars.

HOUSING NEEDS | HOUSING TYPOLOGIES

Affordable Units (LIHTC)

Carlton Lofts
509 Carlton Ave

Units Attainable at 60% of MFI



Notes: LIHTC units can provide a mix of market rate units (typically affordable at 80-100% of MFI), and rent restricted units affordable to households earning 60% of AMI, depending on the type of credit. This is the primary mechanism for providing housing attainable to income earning 60% or below MFI.

Market Rate Apartments

14 St Apartments III

Attainable at 80% of MFI



Market Rate Apartments

Year Built	2020
Total Units	36
1BR Rent	\$732
2BR Rent	\$979
3BR Rent	\$1,141

Notes: New apartments can be attainable for households earning 80-100% of MFI.

Single-Family Attached

609 Adams St, Cloquet

Attainable at 140% of MFI



Split-Homes

Year Built	2023
Sq Ft	1,398
Market Value	\$369,900
Monthly Cost (I+T)	\$2,771.91
Monthly Mortgage	\$2,214.27

Notes: The range for new split-home redevelopment projects range from \$325,000-370,000. This range is attainable for incomes ranging from 120-150% of MFI.

Single-Family Detached

1605 Slate St, Cloquet

Erickson Acres

Attainable at 170% of MFI



SF Detached

Year Built	2020
Sq Ft	1,650
Market Value	\$425,000
Monthly Cost (I+T)	\$3,181.70
Monthly Mortgage	\$2,578.26

Notes: Stand alone single-family homes built since 2000 are priced at the low end for households earning 180% of the MFI to above 180% for the majority. New homes off city infrastructure are currently priced north of \$450,000.

HOUSING NEEDS | HOUSING TYPES

The Challenge of High Housing Costs:

The cost of new construction poses distinct challenges for providing attainable housing across the income spectrum. For lower-middle to middle income renters, new market-rate apartments can meet demand. On the ownership side, mobile home parks with manufactured homes can provide lower cost housing, however new construction of housing (in particular twin-home and single-family homes) *begins* at \$320,000 and quickly rises from there.

Instead of generating new housing across the demand spectrum, generating new supply in most needed areas can help 'open up' supply elsewhere in the housing market. We describe this logic more on the next page.

General Residential Product Mix	
Structure Type	Total Units
Multifamily	
Affordable	100
Market Rate	81
Single Family	
Manufactured Homes	56
Entry Level Homes	97
Move Up Homes	67
Executive Homes	31

Income Bracket	Household Income	Max Rent	Rental Demand Totals	Rental Product	New Product?	Max Home Value	Owner Demand Totals	Ownership Product	New Product?
Very Low Income	\$21,937.50	\$676	0	Section-8 Housing Vouchers	Vouchers	\$82,500	0	Subsidized home ownership programs	None
Low Income	\$36,562.50	\$1,351	76	Section 8 Housing Vouchers, Limited Naturally Occurring Affordable Housing	Vouchers	\$175,000	34	New single wide mobile home in existing home park	Single Wide Mobile Homes (including rent)
Lower Middle Income	\$58,500.00	\$1,802	24	LIHTC Housing Units, Older market rate units	LIHTC	\$237,000	23	Double Wide Trailers, Existing Mobile Homes	Double Wide Mobile Homes, Subsidized Single Family (Duluth)
Middle Income	\$87,750.00	\$2,702	58	Market Rate Apartments and Townhomes	Market Rate	\$360,000	97	Townhomes, condominiums, older split homes and smaller sf homes	Subsidized Single Family (Duluth) & Split Homes
Upper Middle Income	\$102,375.00	\$3,153	0	Market Rate Apartments, Townhomes or SF Homes	Market Rate	\$418,000	0	Single Family Homes, New Construction Split Homes	Split Homes & Single Family Homes (starter)
High Income	\$124,312.50	\$3,828	17	Market Rate Apartments, Townhomes or SF Homes	Market Rate	\$513,000	67	Single Family Homes, New Construction Split Homes	Single Family Homes (Move-Up)
Very High Income	> \$124,312	--	6	Market Rate Apartments, Townhomes or SF Homes	Market Rate	--	31	Single Family Homes, New Construction SF Homes	Single Family Homes (Move-Up/Executive)

Future housing need relative to existing demand – a balancing act.

Blending Forecasted Need with Existing Need: An overview

Balancing future need for projected household growth relative to existing need is a balancing act. Housing markets are complex, movement from different housing types based on housing suited to current household needs changes alongside the community. Adding new supply plays into this complex ecology. Consideration should be made to understand how adding new supply fits into a location's housing ecology.

For example, while Cloquet and Scanlon are projected to require additional 4+ Bedroom single-family homes, this inventory already exists in the community, but is largely occupied by empty-nester households who may prefer to downsize homes. If inadequate supply exists of smaller, single-story homes in desired price ranges, these households are unlikely to move from current housing that may be more adequate for a different family type. However, if new housing supply meets the *existing* need for housing desired by empty-nester households, the homes they are selling can meet the need of new households in the market for more moderately priced family sized homes.

Likewise, new supply is constrained by the costs of providing housing. Given inflationary pressures in construction, labor, and infrastructure costs and the lack of current homebuilders oriented towards building entry-level homes, producing new homes affordable to first-time and lower-middle incomes is distinctly challenging. However, providing new construction attainable for those at higher incomes can have a cascading impact on ownership costs. Those who can afford those homes move into new housing stock, while older single-family homes can become more affordable as demand pressure for existing inventory falls. Cloquet and Scanlon – like most locations nationwide – have not been adding adequate new supply which continues to put upward pressure on home prices across the market.

Similarly, the cost of construction for new market rate rental units rarely come under 80-100% AMI. However, high quality market rate rentals that may meet the needs of households who prefer to rent and who can afford market rate rents can help weaken demand pressure on existing supply. This includes lowering the pricing pressure on existing older housing stock, ensuring a greater range of affordable housing.

These market pressures must also be balanced, however, by the income and occupational structure of a community. The ability to absorb higher construction may be fundamentally limited as supply outstrips the demand of those able to pay. Adding more affordable units is a priority everything, in particular in communities that have a higher proportion of workforce households such as Cloquet and Scanlon. Adding new entry-level housing supply and affordable housing supply – when possible – can help meet the ongoing demand for housing appropriately priced for workforce households.

Based on these dynamics, Stantec's analysis seeks to apply this understanding of current supply and demand, existing housing gaps, and future housing demand to create a recommended 'portfolio' of housing types that can make the largest impact in meeting community housing needs.

HOUSING NEEDS | DEMAND DRIVERS AND SUPPLY SOLUTIONS

Demand Driver 1
An aging community in larger single-family homes owned outright



Supply Solution
A range of affordable rental, condominium, townhome, and split-level homes that offer lower maintenance and cost



Cascading Impact
Opens-up supply of underutilized single-family homes attainable for middle income households

Demand Driver 2
Workforce jobs drives demand for workforce housing



Supply Solution
Affordable and market rate apartments, new manufactured housing options, preservation of existing affordable housing



Cascading Impact
Generates sufficient supply of rental and attainable ownership housing to help stabilize rent growth, puts pressure to maintain existing properties

Demand Driver 3
Strong demand for attainable single-family homes



Supply Solution
Generating opportunity for home ownership for households that earn 80% MFI and above



Cascading Impact
Lowers pricing pressure on new construction, lowers pricing pressure on the 'middle market' of existing single-family homes, increasing attainability



08

**HOUSING
STRATEGIES**

Affordable Housing Trust Funds

The Cloquet Housing Trust Fund (HTF) established in 2024 and the Carlton Housing Trust Fund are flexible tools to finance preservation, rehabilitation, and new affordable housing production.

Type	Financial
Jurisdiction	Municipal
Target	Fund New Housing Projects
Example	Cloquet Housing Trust Fund, MHP Manual

Local Housing Trust Fund (LHTFs) are funds established by a local government by dedicating local public revenue for housing. Funding sources are diverse, ranging from one-time matching funds from state policy, to recurring contributions from income-generating properties, to allocations from TIF pools or housing specific levies. They are a flexible resource for housing within a local jurisdiction that can be applied to a range of uses (see right).

They are increasingly popular tools in more rural areas that may struggle to attract affordable developers that typically concentrate in more urban areas like the Twin Cities.

Cloquet’s HTF was established in 2024. It received \$64,810 in aid from the Statewide Affordable Housing Aid bill in 2023 and will receive a second contribution of the same amount in 2024.

Cloquet’s fund could be used alongside other grants or financing sources for the rehabilitation and

preservation of existing affordable housing, redevelopment of tax forfeited properties, bridge/loans grants for new housing development, and strategic land acquisition.

Key to the future of Cloquet’s HTF is finding a steady stream of funding into the fund and determining priorities for the fund’s usage. Options for funding include TIF Pooling from the current TIF district (2023 legislation expanded the amount that can be pooled for use outside of the district if moneys are deposited in an HTF), local or regional employer contributions, recurrent contributions from income-generating properties, or an EDA/HRA levy that specifically raises funds for investment. Cloquet/Scanlon do not receive Community Development Block Grant (CDBG) dollars.

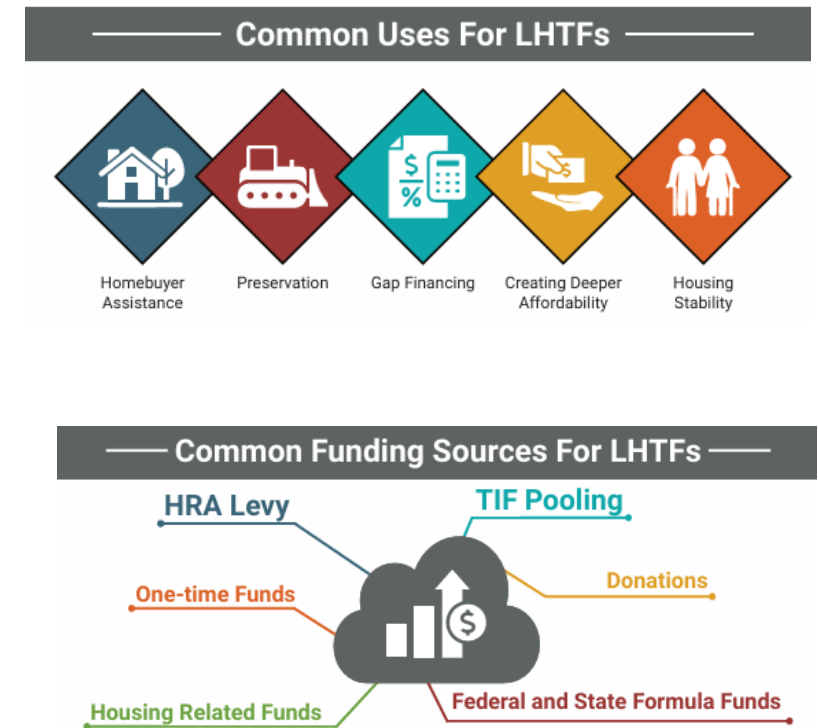


Image credit: Minnesota Housing Partnership

New Subdivisions

The overall supply of homes has a great impact on price, so increasing the rate of home building in an ongoing way will make Cloquet and Scanlon more affordable places to live.

Type	Policy and Financing
Jurisdiction	Municipal
Target	Induce New Housing Construction
Example	See Next Page

Context: Homebuilding is a major source of housing growth. New homebuilding in Cloquet and Scanlon is happening at a slow rate as new developable land connected to city infrastructure remains very limited. There are many factors that hinder more rapid subdivision development. A key factor is high cost of development, which translates to housing costs that price homes outside the demand profile for typical home buyers. A second factor is risk, with the pre-acquisition and infrastructure development process increasing the risk for developers.

A Continuum of Strategies: Most development costs are independent of public sector influence. However, the elements that are impacted by public sector policies and practices make an important difference in the overall cost of development. A very important consideration is rethinking the provision and financing of public infrastructure.

Cities have discretion over how and when the cost of infrastructure must be paid for (see next slide). At one

end of the spectrum, the City of Saskatoon in Saskatchewan, Canada works with a partner organization Saskatoon Land that acquires land, finances the provision of infrastructure for most new subdivisions, and master plans new development. At the other end of the spectrum, the developer is responsible for all street and utility construction and do not see a return on that investment until new homes are sold. That adds cost because private financing is more expensive than public financing, while also adding risk to the developer.

Many cities have landed on a middle ground, where they fund public infrastructure and recoup costs at the time of platting, or through special assessments. If this path is taken, good communication with homebuyers will allow the City to convey that, although special assessments can feel like an add-on, the development partnership will have reduced the price of the home overall.

A New Policy Frontier?

State legislators understand that rural and smaller city housing production is an issue throughout the state. The most recent legislative sessions have introduced new pilot policies to help cities build infrastructure for new housing.

2023 Greater Minnesota Housing Infrastructure Grant Program

- A housing related infrastructure program that matches up to 50% of the capital costs of public infrastructure, including sewer, water, streets and utilities. No affordability requirement. One-time funding of \$8 million in 2024.

SAHA Dollars

- Grants (ones currently used by Cloquet) that can be added to a Local Housing Trust Fund and can be used for infrastructure related investment. Affordability requirements exist.

Local Housing Trust Fund Match Program

- For cities like Cloquet that have a HTF, matched dollars can be used for infrastructure related programs.

Continuum of Public Private Partnerships for Housing Development

High Levels of Municipal Investment

Low Levels of Municipal Investment



Municipal Land Developer and Land Bank

What: Municipal Land Bank and Land Developer
Where: Saskatoon, Saskatchewan CA.
Who: Saskatoon Land is a self-financed municipal Land Bank that buys, develops, and sells land since 1954. All operations are financed by the sale of land rather than tax revenue.
How: Saskatoon Land owns a developable land and strategically sells residential, commercial, and industrial land to private developers. Sales generate capital for capital projects and purchasing new land. A long-term fund is generated that doesn't rely on bond financing that creates a flywheel for new development.
Result: Saskatoon Land saves taxpayers money by lowering borrowing costs to pay for capital improvements, ensures the orderly and affordable development of new communities, and provides leadership to design and generate new growth.
Applicability: Municipal land banks are more common in larger geographic areas or municipalities. Developing a capital fund and land development process requires long-term vision and capacity building.

Bond-Financed Municipal Land Development

What: Land development with infrastructure
Where: Sleepy Eye, MN (other examples include Kasson, MN)
Who: The city of Sleepy Eye, City of Wadena
How: The city used a municipal bond to purchase land and develop utilities for new market rate housing construction, and a second project for multi-family housing. Individuals bought lots from the land and contracted with builders to build homes. A tax abatement was used to pay off the city's portion of the investment.
Result: Sleepy Eye led new development by lowering risk for developers and helping tee-up new construction. Savings were passed down to eventual consumers, and new/needed supply was added to the market that also helps stabilize prices.
Applicability: Very applicable. However, risk is displaced from developer to the municipality if the development stalls, thereby requiring the city to draw on other funds to make bond payments.

City-Financed Infrastructure Development

What: Infrastructure Development
Where: Maple Grove, (frequent strategy)
Who: The city of Maple Grove
How: The city uses a municipal bond to finance utility provision. Tax abatements, development fees, and/or assessments re-cooperate costs. A development agreement is common.
Result: The city leverages access to capital markets at lower rates to build new infrastructure for new housing and commercial development. Other grants may be pursued to help access lower-cost capital unique to public infrastructure. Lower costs can be passed down to final consumers as they are individually assessed for infrastructure development.
Applicability: Very applicable. However, risk is displaced from developer to the municipality if the development stalls, thereby requiring the city to draw on other funds to make bond payments. There is less risk, however, than owning and developing the land. Requires collaboration with local landowner and is best when operating at scale.

Developer Financed

What: New Market Rate Subdivisions
Where: Common
Who: Real estate developers and the City
How: The developer pays the city to build roads and utility infrastructure, often financed through private loans and equity. The city builds the roads and utility infrastructure.
Result: A new subdivision is connected to municipal infrastructure. The costs of infrastructure development are included in home price sales or special assessments. This can drive up the price of homes, especially for a smaller development where there is less economies of scale, or be too much risk in the first place, limiting new supply.
Applicability: Applicable, however there are few developers willing to take on that risk or up-front capital cost. This is particularly true where including costs price homes out of the local market, limiting total demand. As a result, little new housing gets built.

Fee Waivers/Reductions

A range of tools exist to match demand and new supply in conditions where new housing is too expensive for local markets.

Type	Policy and Financing
Jurisdiction	Municipal
Target	Induce New Housing Construction
Example	Rochester Fee Reimbursement Program

New single-family homes are expensive to build. These costs can often put them out of reach for the majority of households. Some strategies exist to help first-time homebuyers afford new homes, thereby lowering risk of generating new supply.

Fee Waivers for New Homebuyers:

Strong growth in Rochester, MN has put strong upward pressure on home values. Changes in the interest rate environment have also produced immense constraints on housing inventory as many homeowners hold on to mortgages refinanced or purchased in a low-rate environment.

Even as demand skyrockets, new home construction continues to stall as the cost of new homes often remains prohibitive for new buyers.

To induce greater market churn, the City of Rochester pioneered an experimental home program that reimbursed homeowners \$20,000 for city fees for

households earning 115% of AMI and for house prices set at an affordability limit. The fee largely acted as down payment assistance. The program helped induce the development of 35 new homes.

The program can also be tied to new specific home developments. For example, developers can seek subsidies when 50 new homes are built as long as enough homes are kept within a defined affordable price range, thereby helping developers sell homes and limit their risk of absorbing new development costs.

The project was initially funded by American Rescue Plan Act funds, but new funding measures are being explored to continue the program.



Using City-Owned Land For Affordable/Market Rate Housing

Smaller cities can catalyze development by leveraging city-owned land and city infrastructure to drive multi-family development, often in exchange for affordability requirements.

Type	Financing
Jurisdiction	County or Municipal
Target	Subsidized Workforce Housing for Ownership/Rent
Example	City of Wadena

In areas with relatively high land costs, few development sites available, or places that struggle to attract private sector development, offering publicly owned land or land that can be acquired by the City for affordable housing development creates an opportunity to increase the affordable housing supply where market forces otherwise challenge such production. In this model, municipalities offer vacant, underutilized, or otherwise surplus property to developers who agree to build all affordable or mixed-income housing on the site. The municipality may reduce the price of the land (or grant it at no cost) to close the financing gap a conventional affordable housing development would otherwise face locally.

Because land costs constitute between 10-20% of a typical multifamily housing development, granting the land at a reduced cost – or at no cost – effectively represents a significant subsidy that can allow the developer to add a substantial affordability

component while preserving a housing development project’s feasibility.

In Minnesota cities with inclusionary zoning requirements, cities may require a mix of affordable and market-rate units. In greater Minnesota, small to mid-sized towns like Sleepy Eye and the city of Wadena have used city-owned land to partner with housing developers to build new market-rate housing. Effort is often made to ensure new units are priced at levels affordable for workforce needs and requirements.

In Cloquet, city-owned vacant parcels on city-owned land can be redeveloped for single-family homes – a strategy the EDA has pursued in the past. Partnerships with new Cloquet Housing Trust Fund or Carlton County Housing Trust Fund may be utilized to finance land preparation or drive new infill development, similar to the City of Duluth’s Housing Trust Fund.



Image credit: Harvard Joint Center for Housing Studies

TIFs, Now and in the Future

The city of Cloquet already created a Tax Increment Financing strategy downtown to drive redevelopment.

Type	Financing
Jurisdiction	Municipal
Target	Subsidized Affordable and Workforce, Apartments
Example	Solem Hotel Redevelopment in Cloquet

Tax Increment Finance (TIF) districts remain very popular and effective tools for inducing market-rate development in municipalities. The tool uses a baseline tax value of existing properties and calculates the difference tax value based on new development. The ‘incremental’ difference is used by the city to fund additional redevelopment or make up financing gaps. New multi-family infill development in Cloquet such as the Solem Project that seeks to convert a condemned hotel into a market-rate urban redevelopment leverages this strategy. Tax revenue captured from the project helps pay for remediation and rehabilitation that otherwise would not happen without the TIF financing tool.

New legislative changes may be on the horizon. A new house bill (HF654) would allow the economic development TIF to be used for workforce housing, here defined as market-rate rental housing. The project is aimed towards cities that have low rental vacancy rates (below 3% for a trailing two-year period). This would enable a TIF to drive new

workforce housing construction, helping bridge affordability gaps that currently exist between the cost of building market rate housing units and unit demand. This comes close to the HOTIF (Housing TIF) model created in Indiana that captures the incremental assessed values of residential properties to develop affordable housing.

Demand remains strong for more market rate development projects. Identifying future sites in the downtown TIF district and partnering with market-rate developers can continue to drive new apartment creation.

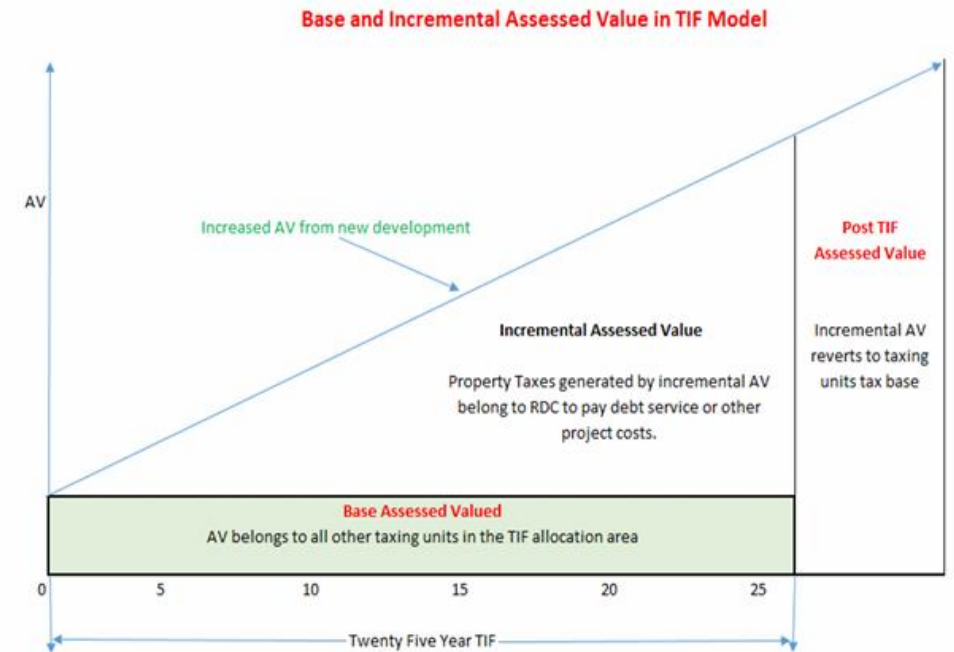


Image credit: State Government of Indiana TIF Overview

TIFs for Single-Family Homeownership

Scale up successful projects such as the County Club Patio Homes Project that used a single family TIF district to provide affordable homes for households earning 115% AMI or below.

Type	Financing
Jurisdiction	Municipal
Target	Entry-level Housing
Example	County Club Patio Homes Project, Cloquet

Single-family TIF districts are a proven tool in Cloquet to induce single-family home construction that is attainable/affordable for workforce households. Single-family TIFs requires 95% of all units to be affordable to households earning 115% of MFI. The TIF designation helps a developer offset some of the costs of infrastructure and housing development, thereby adjusting prices to be more affordable.

In Cloquet, one of the most successful subdivision projects in the past 15 years is the County Club Patio Homes Project. The project was a partnership between Blackhoof Development and Dynamic Homes that created 12 units of high quality, stick-frame modular homes. The TIF was approved in 2017 for a term of 26 years. The TIF and innovations in home construction technology enabled homes to be affordable to households earning 115% of AMI. Homeowners paid the assessed value property taxes, with the difference between the market assessed value and the base assessed value returned to the

developer. While the sale of the properties was slightly delayed due to income restrictions, all 12 units were sold by 2019.

Single-family TIFs could be again implemented – potentially in conjunction with other financing mechanisms – to help create new subdivisions with entry-level homes affordable for households earning workforce incomes.

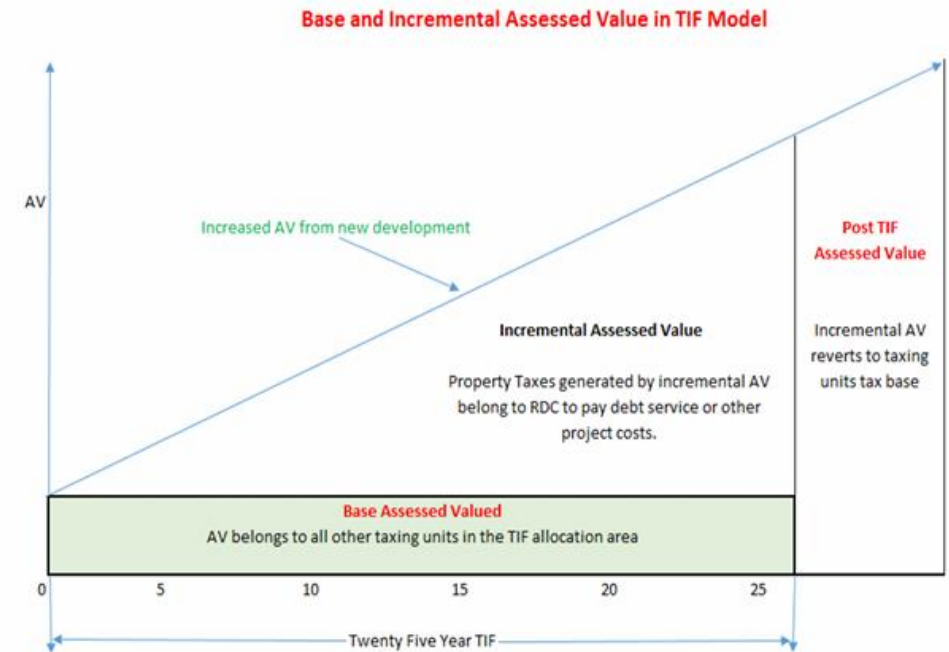


Image credit: State Government of Indiana TIF Overview

Revise zoning code requirements to induce development

Type	Regulatory
Jurisdiction	Municipal
Target	Missing Middle and Multi-Family Housing Supply
Example	Minneapolis 2040 Plan

Context: Zoning code requirements can be a hindrance to new development by increasing costs. Low-density single-family zoning can limit ‘missing middle’ duplexes, triplexes, and townhomes that can add ownership and rental supply at lower costs.

In 2024, two multi-family homes were permitted in a neighborhood originally zoned for single-family residences. The variance was approved by city council in response to the continued housing crisis in the region. Further consideration of how current zoning or building codes restrict supply should be reviewed and revised.

Objective: Remove hindrances to housing development to increase the pace and variety of housing development.

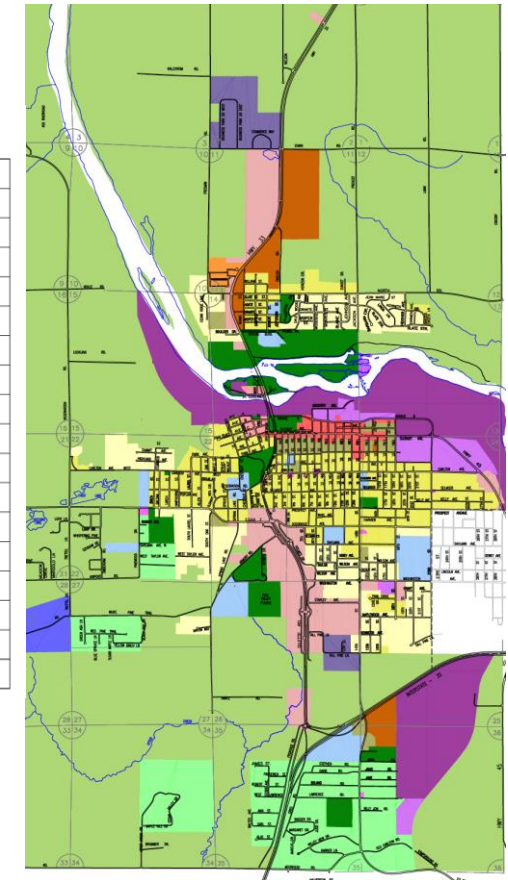
Strategy: Review and modify unnecessary zoning code provisions that may dampen housing production. Upzone where appropriate to allow a greater diversity of housing types. This includes

more historic R-2 neighborhoods that currently allow for one and two family residential and R-1 Single Family Residential Zones.

Stringent parking requirements, setback requirements, and lot size requirements are common code requirements that can hinder new housing development.

OFFICIAL ZONING MAP

AIR	Airport
CC	City Center
FM	Forest Management
FR	Farm Residential
HC	General Commercial - Historic
HI	Heavy Industrial
LI	Light Industrial
MHC	Manufactured Home Community
MRC	Mixed Residential/Commercial
NC	Neighborhood Commercial
O/M	Office/Manufacturing
PI	Public/Institutional
PP	Public Park
R-1	Single Family Residential Sewered
R-2	One and Two Family Residential
R-3	Multi-Family Residential
RC	Regional (Highway) Commercial
SR	Suburban Residential



Modular Home Parks for Affordable Ownership

Resident-Owned Communities can be a great option to keep manufactured communities affordable for the long-term.

Type	Regulatory and Financial
Jurisdiction	Municipal, County and State
Target	Workforce Ownership Housing
Example	Northfield Manufactured Home Coop

Context: Modular and manufactured Homes are a crucial means to provide non-subsidized affordable housing for lower income residents. In the United States, the average cost of a new manufactured home is \$77,000 compared to \$295,000 for a new build home. In Minnesota, [investing in manufactured housing infrastructure is an emerging area of interest for the public sector](#), including Minnesota Housing’s Manufactured Home Community Redevelopment Program. HF3210 – a new housing bill currently under consideration with the House Housing Finance and Policy Committee - explores using housing bond money to match City and County funds to build cooperative manufactured home park infrastructure.

Public-private partnerships may emerge as a new tool in creating manufactured home parks. In the past decade, many parks have been targeted by private equity firms who increase land costs to maximize profits, displacing long-term residents. As a result, Resident-Owned Communities (ROCs) are an

increasingly popular tool to keep manufactured home parks affordable.

ROCs are manufactured housing neighborhoods (sometimes called mobile home or trailer parks) where the land is community-owned and managed. Approximately 18 million people in the United States live in manufactured housing, making it a significant source of affordable housing. This structure allows residents to avoid displacement pressures that occur in commercially-oriented manufactured housing neighborhoods. ROCs give residents direct control over their community’s affairs, ensuring stability and resiliency.

Examples of the creation of new cooperatives: In Minnesota, Northcountry Cooperative Foundation is in the early stages of creating a new manufactured home cooperative in Northfield, MN on land owned by the Northfield HRA. The project received \$300,000 from the 2023 State Tax Bill to match city funds to build infrastructure for a new manufactured home

community, which the city will own and operate. The ground-up community will feature net-zero energy efficient homes. The target owner will be a household with an income of about \$75,000 annually.



Image credit: Northfield, MN

Naturally Occurring Affordable Housing

NOAH projects preserve existing non-subsidized affordable housing and can be a tool to rehabilitate older multi-family apartments that remain crucial to a city’s housing stock.

Type	Financial and Regulatory
Jurisdiction	State, County, or Municipal
Target	Market rate and low income
Example	4d(1) Program FAQs NOAH Impact Fund Notification of Sale and Non-Profit Matching Policies

What is Noah?

A majority of units affordable to workforce households are unsubsidized housing, or NOAH. These units are often attractive for investors, especially in areas with fast growing rents. Preserving affordable housing is more cost-effective than building new affordable housing units. Several strategies exist to identify, acquire, and preserve NOAH housing.

Strategy 1: Tax Incentives

First, several Minnesota cities (including Edina, St Louis Park, and Golden Valley) offer tax incentives like 4d tax classification status which helps building owners reduce their property taxes by keeping 20% or more of their rental units affordable at certain income limits set by the policy.

Strategy 2: Rehabilitate and Preserve

A second strategy is to tie rehabilitation loans or grants to preservation of affordability. In Minnesota, Saint Paul offers a Rental

Rehabilitation Loan Program that offers loans for rehabilitation in exchange for preserving apartment affordability. In Cloquet and Scanlon, a program could serve two purposes of targeted reinvestment and maintenance in key locations and targeted affordability preservation.

Strategy 3: Acquisition and Preservation

Third, the Greater Minnesota Housing Fund helps nonprofit housing companies to acquire affordable housing and preserve long-term affordability. The Cloquet Housing Trust Fund or Carlton County Housing Trust Fund can also be important sources of finance in the future. For example, the Duluth Housing Trust fund is pursuing preservation as a key strategy in partnership with LISC Duluth. Nonprofit buyers include Aeon and CommonBond Communities for buildings with 50+ units. City’s in the 7-County Twin Cities metro have also developed loan programs to assist with NOAH acquisition.

Strategy 4: Policy to Convert to Non-Profit Ownership

Cities can aid nonprofit process by identifying potential acquisition targets, developing an understanding of when properties may be available for purchase, and coordinating with non-profit agencies and financing sources to target acquisitions. Policies can include notice periods for NOAH housing sales which may provide time for non-profit partners to match or right of first refusal for tenant or non-profit operators to purchase buildings (Tenant Opportunity to Purchase Act, or TOPA, was similar legislation in Minneapolis).



Home Improvement Loans

State funds could be complemented by municipal offerings

Type	Financial
Jurisdiction	Municipal, Public-Private Partnerships
Target	Market rate and low income
Example	Vadnais Heights Home Improvement Program MN Housing Fix Up Program

Context: Low-income households may struggle to access loans to improve and rehabilitate owner-occupied housing.

State Tools: Minnesota Housing offers the Fix Up Home Improvement Loan Program which helps homeowners make essential repairs or updates. To qualify, household income must be below \$155,000 for loan amounts up to \$75,000 with fixed interest rates. Small multi-family properties (duplexes, triplexes, quadruplexes) may be eligible.

Local Tools: Municipalities can also offer a rehabilitation loan program to buttress State programs, or partner with private non-profits like the Center for Energy and the Environment for efficiency related home loans. Funds can be allocated from a HTF or raised through traditional levy programs. The key is ensuring that landlords and income-qualifying households are aware of existing programs.

Some cities – such as Burnsville, MN – also combine strong code enforcement with a rotating loan fund to help property owners address outstanding violations.

Housing fairs for landlords and homeowners can be a means of increasing awareness about available home and rental property improvement programs and the numerous partnerships/grant programs the city already leverages (i.e. USDA, One Root, Lakes and Pines, etc.). Awareness of available programs is often low.

Example: The City of Vadnais Heights offers a Home Improvement Loan Program that offers up to \$25,000 to encourage home renovations in the city, and partners with NeighborWorks, a non-profit institution. Loans are available for families of three or more who earn up to 115% of AMI.



Cloquet City Hall Council Chambers
6:00 P.M. September 17, 2024

Roll Call

Councilors Present: Carlson, Lamb, Keller, Kolodge, Jaakola, Wilkinson

Councilors Absent: Mayor Maki

Pledge of Allegiance

AGENDA

MOTION: Councilor Lamb moved and Councilor Keller seconded the motion to approve the September 17, 2024 agenda as presented. The motion carried unanimously (6-0).

MINUTES

MOTION: Councilor Jaakola moved and Councilor Carlson seconded the motion to approve the Regular Meeting minutes of September 3, 2024 as presented. The motion carried unanimously (6-0).

PUBLIC COMMENTS

There were none.

CONSENT AGENDA

MOTION: Councilor Kolodge moved and Councilor Lamb seconded the motion to adopt the Consent Agenda of September 17, 2024, approving the necessary motions and resolutions. The motion carried unanimously (6-0).

- a. Resolution No. 24-58, Authorizing the Payment of Bills
- b. Authorize the Purchase of 3,000 Cubic Yards of Class 5 Gravel from DeCaigny Excavating
- c. Resolution No. 24-62, Approving Exempt Permit for the North Shore Wrestling Club
- d. Approve Minnesota Cycling Association's Request for City Sponsorship

PUBLIC HEARINGS

There were none.

PRESENTATIONS

There were none.

2025 PRELIMINARY PROPERTY TAX LEVY

Administrator Peterson reviewed the proposed levy documents and reminded Council that there can be a decrease of the proposed levy by the December adoption but not an increase to the proposed levy. Peterson mentioned that the main reason for such an increase in 2025 is due to wages and benefit increases due to the most recent contract negotiations.

Discussion took place on how the city could lower the levy from an 11.53% increase to a 5-6% increase and how that would impact the city as a whole. Peterson stated that to maintain the same level of service that the city currently provides, the proposed levy at this time is an 11.53% increase which totals \$3,937,922.

Further discussion was had regarding the expenses of operating the hockey arenas. Peterson mentioned that the costs are quite high and the city has worked with the different users including the school district, Cloquet Amateur Hockey Association, and Wilderness to raise the lease amounts to help offset some of the rising costs we are experiencing.

MOTION: Councilor Keller moved and Councilor Lamb seconded the motion to set the Truth in Taxation meeting for December 3, 2024. The motion carried unanimously (6-0).

MOTION: Councilor Carlson moved and Councilor Kolodge seconded the motion to set the 2025 property tax levy at \$3,937,922.00 or 11.23%. The motion passed unanimously (6-0).

SECOND READING – ORDINANCE NO. 513A, AMENDING CHAPTER 10

MOTION: Councilor Carlson moved and Councilor Kolodge seconded the motion to approve **ORDINANCE NO. 513A, AMENDING CLOQUET CITY CODE CHAPTER 10, BUILDING AND HOUSING BY REPLACEMENT IN ITS ENTIRETY, TO INCLUDE THEREIN THE ADOPTION OF THE INTERNATIONAL PROPERTY MAINTENANCE CODE, AND OTHER MINOR CORRECTIONS AND MODIFICATIONS.** The motion carried unanimously (6-0).

The City Council of the City of Cloquet does hereby ordain as follows:

Section 1. City Code Amendment. That the Cloquet City Code be amended by replacing in its entirety City Code Chapter 10 – Building and Housing, with the following Chapter 10 – Building and Housing, attached hereto as **Exhibit A** as amended according to the Summary of Ordinance No. 513A attached hereto as **Exhibit B**.

Section 2. Publication of Summary of Ordinance. That the Summary of Ordinance No. 513A attached hereto as **Exhibit B** is approved for publication as a proper summary of the amended Ordinance.

Section 3. Effective Date. This ordinance shall take effect and be in force from and after its passage publication of the approved Summary in accordance with law.

MOTION: Councilor Lamb moved and Councilor Keller seconded the motion to approve **RESOLUTION NO. 24-59, AUTHORIZING THE PUBLICATION OF A SUMMARY OF ORDINANCE NO. 513A.** The motion carried unanimously (6-0).

On September 17, 2024, at its regular City Council meeting, the City of Cloquet adopted Ordinance 513A. The purpose of the Ordinance is to adopt the International Property Maintenance Code, and minor modifications to Chapter 10 of Cloquet City Code.

The specific title of the Ordinance adopted is “*An Ordinance Amending Cloquet City Code Chapter 10 – Building and Housing by Replacement in its Entirety, to Include Therein the Adoption of the International Property Maintenance Code, and Other Minor Corrections and Modifications*”.

The purpose of the new Ordinance is to adopt the International Property Maintenance Code (IPMC) to provide widespread property maintenance standards for all properties – residential, rental, commercial, industrial and provide ongoing amendments by the International Code Council (ICC). Maintenance codes regulate and govern conditions and maintenance of all property, buildings and structures; by providing the standards for supplied utilities and facilities and other physical things and conditions essential to ensure that structures are safe, sanitary and fit for occupation and use; and the condemnation of buildings and structures unfit for human occupancy and use, and the demolition of such existing structures are provided issuance of notices and collection of fees. The policy objective of a municipality adopting the IPMC increases the tools in their toolbox across departments to cite property maintenance issues seeking enforcement. Other minor edits to Chapter 10 of Cloquet City Code correct state statutory references, remove outdated sections that no longer apply to City Code or are covered in other sections of existing City Code, or reflect structural changes to state building code.

The full copy of Ordinance 513A is available to the public at the City Clerk’s Office during regular business hours.

HOUSING TRUST FUND POLICIES AND GUIDELINES, MARKETING FLYER AND UPDATED APPLICATION

MOTION: Councilor Keller moved and Councilor Jaakola seconded the motion to approve the Cloquet Housing Trust Fund (#207) Policies and Guidelines, Housing Trust Fund program/marketing flyer, and the updated Cloquet Revolving Loan Application with additional housing related language. The motion carried unanimously (6-0).

CONDITIONAL USE PERMIT - JAMES NORDQUIST

MOTION: Councilor Lamb moved and Councilor Keller seconded the motion to approve **RESOLUTION NO. 24-60, APPROVING THE CONDITIONAL USE PERMIT FOR JAMES NORDQUIST, FOR A CLASS”B” MANUFACTURED HOME IN THE R-2 ONE-AND TWO-FAMILY RESIDENCE DISTRICT.** The motion carried unanimously (6-0).

WHEREAS, James Nordquist is proposing a Conditional Use Permit for a Class “B” Manufactured Home in the R-2 – One- and Two-Family Residence District; and

WHEREAS, As required by ordinance, notification was advertised in the Pine Knot on August 30, 2024, and property owners within 350 feet were sent notice. A public hearing was held to consider the application at the regular meeting of the Cloquet Planning Commission on September 10, 2024, at which time Zoning Case / Development Review No. 24-16 was heard and discussed; and

WHEREAS, the property of the proposed Conditional Use Permit is located at 410 Broadway Street:

South 18 feet of Lot 2 and North 32 feet of Lot 3, Block A, City of Cloquet Original Plat, Carlton County, Minnesota; and

WHEREAS, the Planning Commission reviewed the staff report and recommends approval of the Conditional Use Permit.

NOW, THEREFORE, BE IT RESOLVED, BY THE CITY COUNCIL OF THE CITY OF CLOQUET, MINNESOTA, that it approves Zoning Case 24-16

for James Nordquist for Class “B” Manufactured Home in the R-2 – One- and Two-Family Residence District subject to the following conditions:

1. A Building Permit be issued prior to beginning any work.
2. A permit for sewer and water service is required along with associated fees and charges before any work may take place to extend service to the new building

SETTING PUBLIC HEARING DATE ON PROPOSED 2025 IMPROVEMENT OF ARMORY ROAD

MOTION: Councilor Kolodge moved and Councilor Carlson seconded the motion to adopt **RESOLUTION NO. 24-61, SETTING A PUBLIC HEARING DATE ON THE PROPOSED 2025 IMPROVEMENT OF ARMORY ROAD** with a proposed hearing date of October 15, 2024. The motion carried unanimously (6-0).

WHEREAS, In accordance with the City of Cloquet’s Capital Improvement Program and approved budget, preliminary plans and a feasibility study have been prepared for the improvement of Armory Road; and

WHEREAS, The feasibility study provides information regarding whether the proposed improvements are necessary, cost-effective and feasible; and

WHEREAS, It is anticipated that benefitted properties will be assessed for a portion of the project costs, pursuant to Minnesota Statutes, Chapter 429 and Chapter 12 of City Code.

NOW, THEREFORE, BE IT RESOLVED, BY THE CITY COUNCIL OF THE CITY OF CLOQUET, MINNESOTA:

1. That the Council will consider the reconstruction of Armory Road in accordance with said feasibility study and the possible assessment of abutting property for a portion of the cost of the improvements pursuant to Minnesota Statute, Chapter 429 at an estimated total cost of \$1,847,663
2. A public hearing shall be held on October 15, 2024, at 6:00 p.m.
3. The City Administrator shall give mailed and published notice of such hearing and improvement as required by law.

COUNCIL COMMENTS, ANNOUNCEMENTS, AND UPDATES

Councilor Keller commented that the West End Celebration was a fun event with a great turnout.

ADJOURNMENT

On a motion duly carried by a unanimous yeas vote of all members present on roll call, the Council adjourned.

Tim Peterson, City Administrator



ADMINISTRATIVE OFFICES

101 14th Street • Cloquet MN 55720
Phone: 218-879-3347 • Fax: 218-879-6555
www.cloquetmn.gov

REQUEST FOR COUNCIL ACTION

To: Mayor and City Council
From: Ann Michaud, Assistant Finance Director
Reviewed by: Tim Peterson, City Administrator **TCP**
Date: October 1, 2024

ITEM DESCRIPTION: Payment of Bills and Payroll

Proposed Action

Staff recommends the Council move to adopt **RESOLUTION NO. 24-63, A RESOLUTION AUTHORIZING THE PAYMENT OF BILLS AND PAYROLL.**

Background/Overview

Statutory Cities are required to have most claims authorized by the city council.

Policy Objectives

MN State Statute sections 412.271, Claims and Disbursements for Statutory Cities.

Financial/Budget/Grant Considerations

See resolution for amounts charged to each individual fund.

Advisory Committee/Commission Action

Not applicable.

Supporting Documents Attached

- a. Resolution Authorizing the Payment of Bills and Payroll
- b. Vendor Summary Report
- c. Department Summary Report

STATE OF MINNESOTA

RESOLUTION NO. 24-63

A RESOLUTION AUTHORIZING THE PAYMENT OF BILLS AND PAYROLL

WHEREAS, The City has various bills and payroll each month that require payment.

NOW, THEREFORE, BE IT RESOLVED, BY THE CITY COUNCIL OF THE CITY OF CLOQUET, MINNESOTA, That the bills and payroll be paid and charged to the following funds:

101	General Fund	\$	545,474.52
202	Federal CDBG Loan (EDA)		1,422.00
231	Public Works Reserve		3,272.52
403	Capital Projects - Revolving		134,953.92
406	City Sales Tax - Pine Valley		2,250.00
600	Water - Lake Superior Waterline		70,870.90
601	Water - In Town		48,302.88
602	Sewer Fund		36,299.33
605	Stormwater Fund		1,187.50
701	Employee Severance		167.04
	TOTAL:	\$	<u>844,200.61</u>

**PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF CLOQUET
THIS 1ST DAY OF OCTOBER, 2024.**

ATTEST:

Roger Maki, Mayor

Tim Peterson, City Administrator

INVOICES DUE ON/BEFORE 10/01/2024

VENDOR #	NAME	PAID THIS FISCAL YEAR	AMOUNT DUE
109400	A-1 EXCAVATING LLC	1,085,476.56	134,953.92
118600	APPLIED INDUSTRIAL TECH.	919.15	48.80
128025	BP BUILDERS LLC	24,604.00	23,067.00
134300	CARLTON COUNTY RECORDER	506.00	92.00
137310	CENTURY LINK	4,483.69	229.53
139025	CINTAS	2,980.51	189.69
139030	CINTAS CORPORATION	22,869.56	630.21
139800	CLOQUET AREA CHAMBER OF COMMER	49,912.37	9,009.01
142925	CLOQUET SERVICE CENTER	5,894.98	2,586.78
147050	CONSOLIDATED TELEPHONE COMPANY	26,405.67	3,270.41
150100	IMPERIAL DADE	7,620.13	318.68
152775	DELTA DENTAL OF MINNESOTA	8,074.64	1,029.38
157300	DULUTH READY MIX INC	12,478.75	3,159.04
165375	FERGUSON WATERWORKS #2516	12,661.18	1,576.16
166625	FIRST AID CORP	3,173.51	349.21
171100	FRYBERGER, BUCHANAN, SMITH &	219,219.62	2,765.54
172300	GARTNER REFRIGERATION COMPANY	41,149.72	212.00
178500	GUARDIAN PEST SOLUTIONS INC	456.58	57.00
180500	HAWKINS INC	95,546.93	6,365.09
192850	JOHN HENRY FOSTER	284.83	296.54
198900	LAKE SUPERIOR ENERGY COMPANY	4,338.25	8,500.00
202300	LEAGUE OF MN CITIES	267,509.00	4,638.00
203400	LHB, INC	3,375.00	2,250.00
205050	LOFFLER COMPANIES INC	917.88	26.77
211400	MENARDS INC	9,943.04	111.22
212400	MICHAUD DIST INC	997.66	39.34
215500	MINNESOTA HOIST INSPECTION, INC	0.00	359.03
219067	MN DEPT OF ADMINISTRATION	8,007.02	832.52
227575	MPOWER TECHNOLOGIES, INC	0.00	4,750.00
236101	NORTHLAND CONSTRUCTORS	21,990.52	6,532.76
239300	OFFICE OF MNIT SERVICES	458.40	38.20
241950	PACE ANALYTICAL SERVICES INC	5,003.00	480.00
242850	PARSONS ELECTRIC LLC	279,813.09	1,655.65
244300	BRENT BELICH	2,978.17	385.00
246425	FERGUSON ENT	0.00	57.36
251300	RADIOLOGISTS ASSOCIATED IN	0.00	41.00
252000	RANGE CREDIT BUREAU INC	25.00	25.00
263950	SINNOTT GROUP INC	0.00	1,950.00
268790	STOCK TIRE AND REPAIR COMPANY	9,897.11	31.56
271975	TEAMSTERS JOINT COUNCIL 32	882,200.00	107,521.00
279100	U S BANK EQUIPMENT FINANCE	5,240.37	559.44
281500	UNITED TRUCK BODY CO INC	8,005.10	2,090.00
283700	HD SUPPLY, INC	11,598.57	7.55
284580	VC3	128,245.75	9,224.15

DATE: 09/25/2024
TIME: 15:13:13
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CITY OF CLOQUET
VENDOR SUMMARY REPORT

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INVOICES DUE ON/BEFORE 10/01/2024

VENDOR #	NAME	PAID THIS FISCAL YEAR	AMOUNT DUE
285400	VIKING ELECTRIC SUPPLY	1,771.76	124.80
285500	VIKING INDUSTRIAL CENTER	1,195.87	83.60
288100	WARNING LITES OF MN, INC.	240.00	240.00
290000	WHITE CAP	245.94	220.00
290900	DENNIS EDWARD ROSS JR	11,362.93	350.00
R0002490	BLAKE MARTIN	0.00	12.00
R0002491	RAY RIIHILUOMA INC	0.00	24.86
R0002492	DALE V CARLSON	0.00	24.00
R0002493	CYNTHIA BONNEVILLE	0.00	4,000.00
R0002494	ALYSON BERGGRAFF	0.00	31.10
TOTAL ALL VENDORS:			347,421.90

City of Cloquet
Vendor Summary Report Reconciliation
Invoices Due On/Before 10/1/2024

Bills	347,421.90
Less: CAFD	0.00
Less: Library	(582.72)
Bills approved	346,839.18
Other:	
Payroll	591,974.77
Payroll - benefits	<u>(94,613.34)</u>
Total Bills and Payroll Approved	<u><u>844,200.61</u></u>

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CITY OF CLOQUET
DEPARTMENT SUMMARY REPORT

PAGE: 1

INVOICES DUE ON/BEFORE 10/01/2024

VENDOR #	NAME	PAID THIS FISCAL YEAR	AMOUNT DUE

GENERAL FUND			
00			
152775	DELTA DENTAL OF MINNESOTA	8,074.64	862.34
271975	TEAMSTERS JOINT COUNCIL 32	882,200.00	93,751.00
			94,613.34
41	GENERAL GOVERNMENT		
139030	CINTAS CORPORATION	22,869.56	34.58
147050	CONSOLIDATED TELEPHONE COMPANY	26,405.67	456.00
150100	IMPERIAL DADE	7,620.13	159.34
171100	FRYBERGER, BUCHANAN, SMITH &	219,219.62	1,435.54
202300	LEAGUE OF MN CITIES	267,509.00	4,638.00
211400	MENARDS INC	9,943.04	28.68
212400	MICHAUD DIST INC	997.66	11.24
279100	U S BANK EQUIPMENT FINANCE	5,240.37	302.75
284580	VC3	128,245.75	4,280.65
285400	VIKING ELECTRIC SUPPLY	1,771.76	62.40
	GENERAL GOVERNMENT		11,409.18
42	PUBLIC SAFETY		
139030	CINTAS CORPORATION	22,869.56	56.02
142925	CLOQUET SERVICE CENTER	5,894.98	2,586.78
147050	CONSOLIDATED TELEPHONE COMPANY	26,405.67	842.83
150100	IMPERIAL DADE	7,620.13	159.34
211400	MENARDS INC	9,943.04	28.68
212400	MICHAUD DIST INC	997.66	28.10
239300	OFFICE OF MNIT SERVICES	458.40	38.20
251300	RADIOLOGISTS ASSOCIATED IN		41.00
252000	RANGE CREDIT BUREAU INC	25.00	25.00
271975	TEAMSTERS JOINT COUNCIL 32	882,200.00	13,770.00
284580	VC3	128,245.75	3,752.25
285400	VIKING ELECTRIC SUPPLY	1,771.76	62.40
	PUBLIC SAFETY		21,390.60
43	PUBLIC WORKS		
118600	APPLIED INDUSTRIAL TECH.	919.15	48.80
139025	CINTAS	2,980.51	51.26

INVOICES DUE ON/BEFORE 10/01/2024

VENDOR #	NAME	PAID THIS FISCAL YEAR	AMOUNT DUE

GENERAL FUND			
43	PUBLIC WORKS		
139030	CINTAS CORPORATION	22,869.56	76.13
147050	CONSOLIDATED TELEPHONE COMPANY	26,405.67	262.39
157300	DULUTH READY MIX INC	12,478.75	3,159.04
166625	FIRST AID CORP	3,173.51	289.21
215500	MINNESOTA HOIST INSPECTION, INC		359.03
227575	MPOWER TECHNOLOGIES, INC		1,187.50
236101	NORTHLAND CONSTRUCTORS	21,990.52	6,532.76
242850	PARSONS ELECTRIC LLC	279,813.09	1,655.65
268790	STOCK TIRE AND REPAIR COMPANY	9,897.11	31.56
279100	U S BANK EQUIPMENT FINANCE	5,240.37	38.81
284580	VC3	128,245.75	1,191.25
288100	WARNING LITES OF MN, INC.	240.00	240.00
	PUBLIC WORKS		15,123.39
45	CULTURE AND RECREATION		
128025	BP BUILDERS LLC	24,604.00	23,067.00
137310	CENTURY LINK	4,483.69	136.06
139030	CINTAS CORPORATION	22,869.56	410.91
147050	CONSOLIDATED TELEPHONE COMPANY	26,405.67	465.05
166625	FIRST AID CORP	3,173.51	60.00
172300	GARTNER REFRIGERATION COMPANY	41,149.72	212.00
178500	GUARDIAN PEST SOLUTIONS INC	456.58	57.00
244300	BRENT BELICH	2,978.17	385.00
290000	WHITE CAP	245.94	220.00
	CULTURE AND RECREATION		25,013.02
46	COMMUNITY DEVELOPMENT		
139800	CLOQUET AREA CHAMBER OF COMMER	49,912.37	9,009.01
147050	CONSOLIDATED TELEPHONE COMPANY	26,405.67	65.14
279100	U S BANK EQUIPMENT FINANCE	5,240.37	81.25
	COMMUNITY DEVELOPMENT		9,155.40
FEDERAL CDBG LOAN (EDA)			
46	COMMUNITY DEVELOPMENT		
134300	CARLTON COUNTY RECORDER	506.00	92.00

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CITY OF CLOQUET
DEPARTMENT SUMMARY REPORT

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INVOICES DUE ON/BEFORE 10/01/2024

VENDOR #	NAME	PAID THIS FISCAL YEAR	AMOUNT DUE

FEDERAL CDBG LOAN (EDA)			
46	COMMUNITY DEVELOPMENT		
171100	FRYBERGER, BUCHANAN, SMITH &	219,219.62	1,330.00
	COMMUNITY DEVELOPMENT		1,422.00
LIBRARY FUND			
45	CULTURE AND RECREATION		
147050	CONSOLIDATED TELEPHONE COMPANY	26,405.67	582.72
	CULTURE AND RECREATION		582.72
PUBLIC WORKS RESERVE			
42	PUBLIC SAFETY		
219067	MN DEPT OF ADMINISTRATION	8,007.02	832.52
290900	DENNIS EDWARD ROSS JR	11,362.93	350.00
	PUBLIC SAFETY		1,182.52
43	PUBLIC WORKS		
281500	UNITED TRUCK BODY CO INC	8,005.10	2,090.00
	PUBLIC WORKS		2,090.00
CAPITAL PROJECTS - REVOLVING			
00			
109400	A-1 EXCAVATING LLC	1,085,476.56	-7,102.84
			-7,102.84
81	SPECIAL PROJECTS		
109400	A-1 EXCAVATING LLC	1,085,476.56	142,056.76
	SPECIAL PROJECTS		142,056.76

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CITY OF CLOQUET
 DEPARTMENT SUMMARY REPORT

PAGE: 4

INVOICES DUE ON/BEFORE 10/01/2024

VENDOR #	NAME	PAID THIS FISCAL YEAR	AMOUNT DUE

CITY SALES TAX	PINE VALLEY		
81	SPECIAL PROJECTS		
203400	LHB, INC	3,375.00	2,250.00
	SPECIAL PROJECTS		2,250.00
WATER - LAKE SUPERIOR WATERLIN			
51	STATION 2		
137310	CENTURY LINK	4,483.69	93.47
139025	CINTAS	2,980.51	87.18
139030	CINTAS CORPORATION	22,869.56	19.80
180500	HAWKINS INC	95,546.93	30.00
198900	LAKE SUPERIOR ENERGY COMPANY	4,338.25	8,500.00
263950	SINNOTT GROUP INC		1,950.00
	STATION 2		10,680.45
52 LAKE SUPERIOR WATERLINE			
139030	CINTAS CORPORATION	22,869.56	3.90
211400	MENARDS INC	9,943.04	53.86
	LAKE SUPERIOR WATERLINE		57.76
WATER - IN TOWN SYSTEM			
00			
R0002490	BLAKE MARTIN		12.00
R0002491	RAY RIIHILUOMA INC		24.86
R0002492	DALE V CARLSON		24.00
R0002494	ALYSON BERGGRAFF		31.10
			91.96
49 CLOQUET			
139025	CINTAS	2,980.51	30.75
139030	CINTAS CORPORATION	22,869.56	10.88
165375	FERGUSON WATERWORKS #2516	12,661.18	1,576.16
180500	HAWKINS INC	95,546.93	6,335.09
192850	JOHN HENRY FOSTER	284.83	296.54

DATE: 09/25/24
TIME: 15:13:35
ID: AP443000.WOW

CITY OF CLOQUET
DEPARTMENT SUMMARY REPORT

PAGE: 5

INVOICES DUE ON/BEFORE 10/01/2024

VENDOR #	NAME	PAID THIS FISCAL YEAR	AMOUNT DUE

WATER - IN TOWN SYSTEM			
49	CLOQUET		
205050	LOFFLER COMPANIES INC	917.88	26.77
241950	PACE ANALYTICAL SERVICES INC	5,003.00	480.00
246425	FERGUSON ENT		57.36
283700	HD SUPPLY, INC	11,598.57	7.55
285500	VIKING INDUSTRIAL CENTER	1,195.87	83.60
	CLOQUET		8,904.70
54	BILLING & COLLECTION		
279100	U S BANK EQUIPMENT FINANCE	5,240.37	59.00
	BILLING & COLLECTION		59.00
57	ADMINISTRATION & GENERAL		
147050	CONSOLIDATED TELEPHONE COMPANY	26,405.67	413.16
227575	MPOWER TECHNOLOGIES, INC		1,187.50
279100	U S BANK EQUIPMENT FINANCE	5,240.37	38.81
	ADMINISTRATION & GENERAL		1,639.47
ENTERPRISE FUND - SEWER			
55	SANITARY SEWER		
139025	CINTAS	2,980.51	20.50
139030	CINTAS CORPORATION	22,869.56	17.99
	SANITARY SEWER		38.49
57	ADMINISTRATION & GENERAL		
147050	CONSOLIDATED TELEPHONE COMPANY	26,405.67	183.12
227575	MPOWER TECHNOLOGIES, INC		1,187.50
279100	U S BANK EQUIPMENT FINANCE	5,240.37	38.82
R0002493	CYNTHIA BONNEVILLE		4,000.00
	ADMINISTRATION & GENERAL		5,409.44

DATE: 09/25/24
TIME: 15:13:35
ID: AP443000.WOW

CITY OF CLOQUET
DEPARTMENT SUMMARY REPORT

INVOICES DUE ON/BEFORE 10/01/2024

VENDOR #	NAME	PAID THIS FISCAL YEAR	AMOUNT DUE

STORM WATER UTILITY			
57	ADMINISTRATION & GENERAL		
227575	MPOWER TECHNOLOGIES, INC		1,187.50
	ADMINISTRATION & GENERAL		1,187.50
EMPLOYEE SEVERANCE			
45	EMPLOYEE VACATION & SICK		
152775	DELTA DENTAL OF MINNESOTA	8,074.64	167.04
	EMPLOYEE VACATION & SICK		167.04
	TOTAL ALL DEPARTMENTS		347,421.90

CITY *of* CLOQUET

Proclamation

WHEREAS, Minnesota is home to 11 federally recognized tribes, seven of them are Anishinaabe (Ojibwe) and four are Dakota Oyate (Dakota); and

WHEREAS, the lands that make up Cloquet are the original homelands of the Anishinaabe (Ojibwe) people; and

WHEREAS, celebrating Indigenous peoples on this day brings a moment for education and awareness of the genocide that Indigenous communities endured during the arrival of settler-colonialism; and

WHEREAS, this day is an opportunity to recognize the contributions of Indigenous peoples in our city, state, and nation, including all the ways they have helped create a more just and inclusive community for all; and

WHEREAS, Indigenous nations in Minnesota continue to face the effects of colonization and continued discrimination against their way of life, language, traditions, and history through the legacy of the Indian removal act, Indian boarding school policies, and other policies that infringed on Indigenous rights; and

WHEREAS, Indigenous communities are fighting for justice in the historical and present crisis of Missing and Murdered Indigenous Women and Relatives; and

WHEREAS, the community of Cloquet is called to reflect and work towards better policies and practices that center around Indigenous experiences and honor Indigenous sovereignty; and

WHEREAS, Cloquet has a commitment to being a leader in race, equity and inclusion, and encourages our community to honor Indigenous People's Day by taking the time to learn about, support, and connect with Indigenous communities and organizations.

NOW, THEREFORE, BE IT RESOLVED, that the mayor of the City of Cloquet, Minnesota, hereby honors **October 14, 2024, as Indigenous People's Day** in our community.

Indigenous Peoples' Day

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the City of Cloquet, Minnesota, to be affixed on this 1st day of October 2024.



Roger Maki, Mayor



CITY OF CLOQUET
Community Development Department
101 14th ST • Cloquet MN 55720
Phone: 218-879-2507 • Fax: 218-879-6555

REQUEST FOR COUNCIL ACTION

To: Mayor and Cloquet City Council
From: Holly Hansen, Community Development Director
Reviewed By: Tim Peterson, City Administrator *TRP*
Date: September 6, 2024

ITEM DESCRIPTION: 2024 CLOQUET/SCANLON HOUSING STUDY

Proposed Action

Staff recommends the Council accept the 2024 Cloquet/Scanlon Housing Study prepared by hired consultant Stantec.

Background

Previously, the cities of Cloquet and Scanlon joined to hire the 2014 Cloquet/Scanlon Housing Study. The information was useful and led to several focused community efforts, projects, and programs to add and rehabilitate housing in the area. In November 2023, the City released a Request for Proposals to update the Cloquet/Scanlon Housing Study. Six proposals were received and three were interviewed during January 2024 by the Selection Committee (subcommittee of the EDA and City of Scanlon). The Selection Committee unanimously selected Stantec as the team with the strongest presentation and approach to conducting the study for the cities of Cloquet and Scanlon. Stantec also conducted the 2014 Cloquet/Scanlon Housing Study.

Policy Objectives

A top policy goal for the City and Cloquet EDA this year is to update the Cloquet/Scanlon Housing Study to ensure the City promotes the development, and maintenance, of housing by implementing the housing study to ensure that the City's housing stock supports the needs of local employers, employees, and targeted businesses including the adequate marketing of the City's housing re/development opportunities.

Financial Impacts

In February, the City Council hired Stantec as the consultant to conduct the Cloquet/Scanlon Housing Study 2024 in the amount not to exceed \$29,960. The City of Scanlon confirmed support for the study at the expense of 7% of the study's cost, as Scanlon is 7% of the Cloquet-Scanlon population. With the completion of the study, an invoice has been sent to the City of Scanlon for \$2,097.20 and Cloquet will spend \$27,862.80 towards the study.

Supporting Documents Attached

- 2024 Cloquet/Scanlon Housing Study (also available online here: <https://www.cloqueteda.com/cloquet-eda/community-plans>)



CLOQUET POLICE DEPARTMENT

DEREK W. RANDALL
Chief of Police

101 14th Street
CLOQUET, MINNESOTA 55720
records@cloquetmn.gov

Phone 218-879-1247
Fax 218-879-1190

REQUEST FOR COUNCIL ACTION

To: Mayor and City Council
From: Derek W. Randall, Chief of Police
Reviewed By: Tim Peterson, City Administrator *TCP*
Date: October 1, 2024

Item Description: Appointment of Officer Holshouser to the Position of Detective

Proposed Action

Staff recommends that the City Council approve the appointment of Kevin Holshouser to the position of Detective effective October 1, 2024.

Background/Overview

The 2024 budget includes approved funding for 24 sworn officers who provide services to Cloquet, Scanlon, and a portion of the Fond du Lac Indian Reservation. These staffing levels are consistent with the 2014 Law Enforcement Analysis of the Cloquet Police Department by the Upper Midwest Community Policing Institute, in conjunction with the Minnesota Chiefs of Police Association's identified best practices and optimum staffing levels to provide and manage police services. The latest Novak Consulting firm's 2019 assessment of the department also supports this staffing number.

Previously, the Investigations Division consisted of three promoted positions. Later, the Command staff decided to replace one position with an "Officer in Investigations" position. The rationale was that the detective positions could be occupied, in some instances, for 20 years. With the number of new employees, we believed it was in the employees' and department's best interest to allow for a temporary "employee enrichment" position in investigations to allow for [multiple] officer enrichment opportunities.

Detective Kristina Sather resigned from the position of Detective effective September 2, 2024. Detective Sather's resignation created a vacancy that needed to be filled. Due to the resignation, the investigations division currently has one detective, Detective Timmons, and one officer in an investigations position, Officer Holshouser, leaving one vacant detective position.

In July, an internal posting was completed as required under the Teamsters 346 labor agreement. There were four applicants for this position. Interviews were held on September 17, 2024.

The internal posting consisted of an application, resume, letter of interest, a case study/presentation, and an interview panel of the CPD command staff and the Citizen's Advisory Board. After the process, Officer Holshouser was the choice among the panelists.

To Mayor and Council
Holshouser Detective Appointment
October 1, 2024
Page 2

Before coming to Cloquet, Officer Holshouser was a corrections officer for the Minnesota Department of Corrections and later as an officer with the Fond du Lac Tribal Police Department.

Officer Holshouser started at CPD in 2020 as an officer before being assigned as the officer in investigations position. Along with those duties, Holshouser is also a use of force instructor and field training officer, trained in drug interdiction, and works closely with other drug investigators in our area.

The detective position is critical to the overall success of the department. Some of the job duties of a detective are to investigate various incidents, criminal and non-criminal; question witnesses; perform undercover work as required; examine crime scenes to obtain clues and gather evidence; process and supervise crime scenes through the collection, preservation, documentation, and analysis of evidence, prepares and files detailed investigative reports, interact with other law enforcement agencies and the prosecutor's office to collect and distribute criminal intelligence information, process evidence, prepare court cases, and provide legal testimony, supervises law enforcement personnel at crime scenes, and performs miscellaneous job-related duties as assigned.

Police Objectives

The hiring of this position is consistent with previous actions of the City Council. It will allow the Police Department to continue striving to provide full service to our community by maintaining adequate staffing levels.

Financial/Budget/Grant Considerations

There are no other financial implications for the City as the positions are included in the 2024 budget.

Advisory Committee/Commission Action

The Police Citizen Advisory Board assisted the administration with creating the current eligibility list.

Supporting Documentation Attached

Detective Job Description



City of Cloquet Job Description

POSITION: Detective
DEPARTMENT: Police
REPORTS TO: Investigative/Administrative Commander

SUMMARY

Responsible for the preservation of law and order, the protection of life and property, the prevention and detection of crime, the provision of emergency services, and the enforcement of laws and ordinances. Detectives are responsible for the investigation of crime, enforcement of all state, federal laws, and City codes.

ESSENTIAL FUNCTIONS OF THE JOB

Conduct/assist with investigations/surveillance on own initiative or request of management

Develops informants for ongoing investigations

Investigates all criminal allegations including child abuse and neglect, manages and protects crime scenes

Locates and apprehends violators

Interviews and interrogates suspects

Coordinates and performs crime scene processing and evidence gathering

Analyses crime trends and patterns

Obtain and execute search warrants

Monitor predatory offenders within the community

Coordinates with clerical staff to ensure all reports are completed and distributed through the court systems per Minnesota statutes

Coordinates with County Attorney's Office the signing of all juvenile petitions, criminal complaints, search warrants, and court orders

Advises, assists, and supervises all officers during an investigation

Controls, secures, returns, and makes final disposition of all evidence obtained

Assists administration in employee background investigations

Responds to calls for police service, including domestic disputes, auto accidents, crimes in progress, and medical emergencies

Investigates complaints involving violation of City codes, and State and Federal laws

Patrols streets and highways, residential and business areas, and buildings to prevent and protect against criminal activities

Participates in crime prevention, community policing and neighborhood watch activities

Takes crime reports from citizens, files reports and logs activities

Investigates traffic accidents, including preparing reports and gathering evidence

May perform specialized assignments such as Canine Handler, Range Officer, Field Training Officer, DMT operator, crime prevention training, evidence technician, etc.

Ensures proper maintenance and safe operation of all vehicles and equipment

Monitor and keep abreast of incident reports, other logs, emails, bulletins, and teletypes

Supervises patrol officers at crime scenes

Reviews patrol officers' reports to ensure accuracy, completeness, and clarity in reporting

Coordinates activities and ensures that all applicable directives, policies, and procedures are adhered to

Testifies in court

Performs other duties as apparent or assigned

SUPERVISORY RESPONSIBILITIES

Carries out supervisory responsibilities following the City's policies and applicable laws. Responsibilities include training employees; planning, assigning, and directing work; appraising performance; rewarding and disciplining employees; addressing complaints and problems.

QUALIFICATION REQUIREMENTS

To perform this job successfully, an individual must be able to perform each essential duty satisfactorily. The requirements listed below are representative of the knowledge, skill, and ability required. Reasonable accommodation may be made to enable individuals with disabilities to perform the essential functions.

EDUCATION AND EXPERIENCE

Associate degree (A.A.) or equivalent from two-year college or technical school in law enforcement; and three to five (3-5) years minimum experience as a patrol officer, investigative experience preferred. Must attend additional specialized schools (homicide investigation, crime scene, First Witness, etc.)

LANGUAGE SKILLS

Ability to read and interpret documents such as safety rules, operating and maintenance instructions, and procedure manuals. Ability to prepare reports and correspondence. Ability to give verbal presentations and speeches. Ability to interview and interrogate suspects, victims, and witnesses. Ability to communicate with all facets of the judicial system and testify in both civil and criminal trials. Ability to communicate with private and business sectors of the community in a daily public relations setting.

MATHEMATICAL SKILLS

Ability to define problems, collect data, establish facts, and draw valid conclusions. Ability to interpret a wide variety of technical instructions in mathematical or diagram form and deal with several abstract and concrete variables.

OTHER KNOWLEDGE, SKILLS, AND ABILITIES

Thorough knowledge of State and Federal laws, City codes, traffic laws, and regulations.

Knowledge of approved practices, procedures, and techniques required in performing daily law enforcement duties.

Knowledge of rules of evidence, arrest, search, and seizure.

General knowledge of computers, cameras, and video equipment.

Ability to prepare and review reports.

Knowledge of first aid and ability to apply first aid promptly in emergencies.

Ability to supervise personnel and provide effective leadership.

Ability to operate law enforcement related equipment, including firearms.

Knowledge of the collection and preservation of evidence and crime scene processing.

Knowledge and the ability to operate specialized equipment.

Ability to identify controlled substances.

Knowledge of photographic equipment and crime scene photography techniques (crime scenes, accidents, autopsies, injured victims, etc.).

CERTIFICATES, LICENSES AND REGISTRATIONS

Minnesota Police Officer License.

Minnesota Class D Driver's License.

Specialized certification (crime scene technician, homicide investigation, arson investigation, accident reconstruction, First Witness, bias-motivated crimes, etc.) is desired.

PHYSICAL DEMANDS

The physical demands described here are representative of those that must be met by an employee to perform the essential functions of this job successfully. Reasonable accommodation may be made to enable individuals with disabilities to perform the essential functions.

While performing the duties of this job, the employee is regularly required to use hands to finger, handle, or feel objects, tools, or controls; reach with hands and arms, and talk or hear. The employee frequently is required to sit. The employee is occasionally required to stand; walk; climb or balance; stoop, kneel, crouch, or crawl; and taste or smell.

The employee must occasionally lift or move more than 100 pounds. Specific vision abilities required by this job include close vision, distance vision; color vision; peripheral vision; depth perception; and the ability to adjust focus.

WORK ENVIRONMENT

The work environment characteristics described here are representative of those an employee encounters while performing the essential functions of this job. Reasonable accommodation may be made to enable individuals with disabilities to perform the essential functions.

While performing the duties of this job, the employee frequently works in outside weather conditions. The employee is occasionally exposed to fumes or airborne particles, toxic or caustic chemicals, extreme heat, and risk of electrical shock.

The noise level in the work environment is usually moderate.



CLOQUET POLICE DEPARTMENT

DEREK RANDALL
Chief of Police

101 14TH Street
CLOQUET, MINNESOTA 55720-1799
records@ccloquetmn.gov

Phone 218-879-1247
Fax 218-879-1190

REQUEST FOR COUNCIL ACTION

To: Mayor and City Council
From: Chief Derek Randall
Reviewed By: Tim Peterson, City Administrator *TP*
Date: October 1, 2024

Item Description: 2025 Towards Zero Deaths (TZD) Enhancement Grant

Proposed Action

Staff recommends the City Council move to adopt **RESOLUTION NO. 24-64, A RESOLUTION AUTHORIZING THE CLOQUET POLICE DEPARTMENT TO ENTER INTO A GRANT AGREEMENT IN PARTNERSHIP WITH THE CARLTON COUNTY SHERIFF'S DEPARTMENT AND FOND DU LAC POLICE DEPARTMENT TO ACT AS PRIMARY AGENCY IN THE ADMINISTRATION OF THE REGIONAL TOWARDS ZERO DEATHS (TZD) GRANT** in the amount of \$18,700.00.

Background/Overview

Minnesota Towards Zero Deaths (TZD) is the state's cornerstone traffic safety program, employing an interdisciplinary approach to reducing traffic crashes, injuries, and deaths on Minnesota roads. While individual disciplines have a long history of successful traffic safety programs, TZD aims to tie these together with a common vision and mission for greater success. The TZD program uses data to target areas for improvement and employs proven countermeasures.

The TZD program is administered at the state level by the Office of Traffic Safety (OTS) within the Minnesota Department of Public Safety and the Office of Traffic, Safety, and Technology within the Minnesota Department of Transportation.

The TZD program team partners with local agencies and communities to improve the traffic safety of a designated area. TZD provides technical assistance, materials, and guidance to local groups committed to reducing crashes, fatalities, and severe injuries resulting from them. Periodic enforcement efforts typically focus on traffic safety issues, including speed, DWI, seat belt use, and distracted driving.

The Cloquet Police Department has participated in the TZD program for over a decade. The Cloquet Police Department has been the primary agency administering the program for several years.

To Mayor and Council
TZD Grant
October 1, 2024
Page 2

Policy Objectives

Participating in this program allows the police department to enhance community education related to traffic safety and increase enforcement efforts to reduce crashes. It will allow the Police Department to continue to provide a full level of service to our community.

Financial/Budget/Grant Considerations

Participation in this grant program allows the Cloquet Police Department to be reimbursed for overtime expenses incurred during the enforcement waves.

Supporting Documentation Attached

- Resolution No. 24-64
- Grant Contract Agreement

**CITY OF CLOQUET
COUNTY OF CARLTON
STATE OF MINNESOTA**

RESOLUTION NO. 24-64

**A RESOLUTION AUTHORIZING THE CLOQUET POLICE DEPARTMENT
TO ENTER INTO A GRANT AGREEMENT, IN PARTNERSHIP WITH THE CARLTON
COUNTY SHERIFF'S DEPARTMENT AND FOND DU LAC POLICE DEPARTMENT,
TO ACT AS THE PRIMARY AGENCY IN THE ADMINISTRATION OF THE
REGIONAL TOWARDS ZERO DEATHS GRANT**

WHEREAS, The Towards Zero Deaths (TZD) Program provides technical assistance, materials, and guidance to local groups that are committed to reducing crashes and fatalities; and

WHEREAS, The Cloquet Police Department has been a participating member in the TZD Program for over a decade; and

WHEREAS, In order to be awarded the TZD Grant, the Department of Public Safety requires a Resolution authorizing participation in the project; and

NOW, THEREFORE, BE IT RESOLVED, BY THE CITY COUNCIL OF THE CITY OF CLOQUET, MINNESOTA, That the Cloquet Police Department be authorized to enter into a grant agreement with the Minnesota Department of Public Safety for traffic safety enforcement projects during the period from October 1, 2024 through September 30, 2025.

BE IT FURTHER RESOLVED that the Cloquet Police Department, through Chief of Police, Derek Randall, Commander David O'Connor and/or Officer Brett Reinsch, are hereby authorized to execute such agreements and amendments as necessary to implement the project on behalf of the Cloquet Police Department and to be the fiscal agent and administer the grant.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF CLOQUET THIS 1ST DAY OF OCTOBER 2024.

Roger Maki, Mayor

ATTEST:

Tim Peterson, City Administrator



Minnesota Department of Public Safety (“State”) Office of Traffic Safety 445 Minnesota Street, Suite 1620 Saint Paul, Minn., 55101	Grant Program: 2025 Enforcement Grant Contract Agreement No.: A-ENFRC25-2025-CLOQUEPD-010
Grantee: Cloquet Police Department 101 14 ST Cloquet, Minn. 55720-1799	Grant Contract Agreement Term: Effective Date: Oct. 1, 2024 Expiration Date: Sept. 30, 2025
Grantee’s Authorized Representative: Officer Brett Reinsch Cloquet Police Department 101 14 ST Cloquet, Minn. 55720-1799 (218) 879-1247 breinsch@cloquetmn.gov	Grant Contract Agreement Amount: Original Agreement \$ 18,700.00 Matching Requirement* \$0.00 See special conditions
State’s Authorized Representative: Kammy Huneke Office of Traffic Safety 445 Minnesota Street, Suite 1620 Saint Paul, Minn., 55101 (651) 356-5101 kammy.huneke@state.mn.us	Federal Funding: CFDA/ALN: 20.608, 20.600 FAIN: 69A37523300004020MNO, 69A37523300001640MNA State Funding: N/A *Special Conditions: If equipment is purchased, a 50 percent match of the item is required. Refer to program manual.

Under Minn. Stat. § 299A.01, Subd 2 (4) the State is empowered to enter into this grant contract agreement.

Term: Per Minn. Stat. §16B.98, Subd. 5, the Grantee must not begin work until this grant contract agreement is fully executed and the State's Authorized Representative has notified the Grantee that work may commence. Per Minn.Stat. §16B.98 Subd. 7, no payments will be made to the Grantee until this grant contract agreement is fully executed. Once this grant contract agreement is fully executed, the Grantee may claim reimbursement for expenditures incurred pursuant to the Payment clause of this grant contract agreement. Reimbursements will only be made for those expenditures made according to the terms of this grant contract agreement. Expiration date is the date shown above or until all obligations have been satisfactorily fulfilled, whichever occurs first.

The Grantee, who is not a state employee, will:
Perform and accomplish such purposes and activities as specified herein and in the Grantee’s approved 2025 Enforcement Application [“Application”] which is incorporated by reference into this grant contract agreement and on file with the State at 445 Minnesota Street, Suite 1620, Saint Paul, Minnesota 55101. The Grantee shall also comply with all requirements referenced in the 2025 Enforcement Guidelines and Application which includes the Terms and Conditions and Grant Program Guidelines (<https://app.dps.mn.gov/EGrants>), which are incorporated by reference into this grant contract agreement.

Budget Revisions: The breakdown of costs of the Grantee’s Budget is contained in Exhibit A, which is attached and incorporated into this grant contract agreement. As stated in the Grantee’s Application and Grant Program Guidelines, the Grantee will submit a written change request for any substitution of budget items or any deviation and in accordance with the Grant Program Guidelines. Requests must be approved prior to any expenditure by the Grantee.

Matching Requirements: (If applicable.) As stated in the Grantee’s Application, the Grantee certifies that the



matching requirement will be met by the Grantee.

Payment: As stated in the Grantee’s Application and Grant Program Guidance, the State will promptly pay the Grantee after the Grantee presents an invoice for the services actually performed and the State's Authorized Representative accepts the invoiced services and in accordance with the Grant Program Guidelines. Payment will not be made if the Grantee has not satisfied reporting requirements.

Certification Regarding Lobbying: (If applicable.) Grantees receiving federal funds over \$100,000.00 must complete and return the Certification Regarding Lobbying form provided by the State to the Grantee.

1. ENCUMBRANCE VERIFICATION

Individual certifies that funds have been encumbered as required by Minn. Stat. § 16A.15.

Signed: _____

Date: _____

Grant Contract Agreement No./ P.O. No.
A-ENFRC25-2025-CLOQUEPD-010/3000098216

Project No. 25-04-01

3. STATE AGENCY

Signed: _____
(with delegated authority)

Title: _____

Date: _____

2. GRANTEE

The Grantee certifies that the appropriate person(s) have executed the grant contract agreement on behalf of the Grantee as required by applicable articles, bylaws, resolutions, or ordinances.

Signed: _____

Print Name: _____

Title: _____

Date: _____

Signed: _____

Print Name: _____

Title: _____

Date: _____

Distribution: DPS/FAS
Grantee
State’s Authorized Representative

Organization: Cloquet Police Department

2025 Enforcement

EXHIBIT A

A-ENFRC25-2025-CLOQUEPD-010

Budget Summary

Budget				
Budget Category	State Reimbursement	Local Match		
Enforcement- Distract/Speed/MO/Belt				
Enf-Distract/Speed/MO/Belt	\$11,500.00	\$0.00		
Total	\$11,500.00	\$0.00		
Enforcement- Impaired				
Enforcement-Impaired	\$5,200.00	\$0.00		
Total	\$5,200.00	\$0.00		
Match – Mileage Expenses				
Match-Mileage Expenses	\$0.00	\$0.00		
Total	\$0.00	\$0.00		
Optional Activities- Impaired				
OptionalActivities-Impaired	\$1,000.00	\$0.00		
Total	\$1,000.00	\$0.00		
Optional Activities- Other				
Optional Activities-Other	\$1,000.00	\$0.00		
Total	\$1,000.00	\$0.00		
Total	\$18,700.00	\$0.00		