



Community Development Department  
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## REQUEST FOR COUNCIL ACTION

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To: Mayor and City Council  
From: Holly Butcher, Community Development Director  
Reviewed By: Brian Fritsinger, City Administrator  
Date: May 11, 2016

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**ITEM DESCRIPTION:** Support for the Housing Tax Credit Application by the Cloquet Housing and Redevelopment Authority for the Workforce Housing Project

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### **Proposed Action**

Staff recommends the Council move to adopt **RESOLUTION NO. 16-42, A RESOLUTION BY THE CITY OF CLOQUET SUPPORTING THE HOUSING TAX CREDIT APPLICATION BY THE CLOQUET HOUSING AND REDEVELOPMENT AUTHORITY TO THE STATE OF MINNESOTA FOR A WORKFORCE HOUSING PROJECT**, approve a Payment in Lieu of Taxes (PILOT) in the amount of five (5) percent, and, direct the HRA/Commonwealth to select the third funding category of the 9% housing tax credit Non-Profit Set-Aside category.

### **Background/Overview**

The City authorized the formation of the Cloquet Housing and Redevelopment Authority (HRA) in 1968 associated with a public housing construction application to HUD that was completed in 1970 which is the Aspen Arms building. The Cloquet HRA provides public housing in Aspen Arms along with off-site Section 8 vouchers used throughout the community. With ongoing rental quality and availability concerns, increasing affordable onsite units to be managed by the Cloquet HRA is a strategic goal of this project.

With an interest in acting upon the City's 2014 Housing Study and 2014 Housing Task Force recommendations, in January 2015 the Cloquet HRA applied to Minnesota Housing Partnership (MHP) to participate in the MHP "Housing Institute." Participation in the Institute led to the identification of this 35 unit affordable housing project to be located on the Cloquet HRA property and the release of an RFP by the Cloquet HRA in December 2015. In March 2016, Commonwealth was selected as the developer for this project. An information meeting on the project was held on this project on May 4<sup>th</sup> at Aspen Arms for area neighbors and community.

The proposed project is a \$6.5 million affordable housing project for 35 housing mixed income units to be owned and managed by the Cloquet HRA with bedroom configurations, targeted incomes, and proposed rents covered in the below tables, each depending on the type of funding received by the state. The project will also utilize project based vouchers (PBVs) in the building. These are the max rents allowed for PBV units where PBV residents pay 30% of their income and the HRA fills the gap up to the max Payment Standard fulfilling the 50% AMI unit. Utility Allowance information is applied to both the PBV



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and tax credit required rents. Gross rents must be reduced by the utility allowance to ensure they are within the maximum payment standards and maximum tax credit rents.

The attached preliminary site plan shows the building location, underground and surface parking and its site relationship to the existing building. The attached site plan is not final at this point because at this juncture the project is seeking conceptual support from the City to apply to the state for viable financing. If financing is received, at a future date the site plan, parking and other aspects of this project will be brought forward to the City for approval.

### **Project Financing Sources**

This project is being proposed to be primarily financed through the use of tax credit programs through the State of Minnesota. Below is a description of how tax credits work and some of the relevant information to this project:

- Housing Tax Credits  
There are two categories of the low income housing tax credit (LIHTC) programs 1) the 9% Competitive Application Pool which is non-federally subsidized and 2) the 4% Non-Competitive Credit Pool that is federally subsidized Competitive Application Pool. Unique to this project is a third housing tax credit funding source which is the 9% Non-Profit Set-aside Competitive Application Pool which is non-federally subsidized.
- How do tax credits work?  
Individual states largely control what housing gets built using these credits. The states control the type and location of the housing built and other relevant characteristics to best serve affordable/workforce housing income targets. The state requires the housing to remain affordable for at least 30 years.

Developers apply for competitive tax credits. State agencies write regulations (called “qualified allocation plans” or “QAPs”) describing how developers will be selected and open the competition for credits. The agencies review and rate the developers’ applications and award the tax credit allocations to the most qualified developer(s).

Developers get awarded funds toward construction. Enterprise and other companies (called “fund managers” or “syndicators”) create funds to pool investor capital who then purchase a 15-year tax credit dollar for dollar (unlike New Market Tax Credits such as the Norshor Theater project which offer 39% tax credit). Syndicators then use these funds to purchase the tax credits from the developer in exchange for an equity stake in the housing development investors receive provides competitive yields.

Most importantly for investors, they receive a tax credit that reduces their taxable liability for investing in these types of projects. After the credit term is done, investors can remain owners or they can leave the ownership. With capital from investors, developers can limit the amount of money they borrow to fund construction, which reduces the developers’ debt and keeps rent affordable. Housing



is rented affordably in the community. These housing tax credit properties can only be rented to families whose income is at or less than 60 percent of the area median income.

**Proposed Project Financing**

Below are the 9% and 4% project sources and uses scenarios for this proposed project. The HRA and Commonwealth are seeking conceptual support from the City to apply to the state (Minnesota Housing Finance Agency or MHFA) for primary financing opportunities distributed via the state as described above.

RENT AND INCOME STRUCTURE						
<b>Dual 9% and 4% Application</b>						
<b>9% Tax Credit Income and Rent</b>						
<ul style="list-style-type: none"> <li>Mixed income development consisting of affordable, and homeless units.</li> <li>35 units with a combination of 1,2 and 3 bedrooms.</li> <li>Rents ranging from \$292-\$710.</li> </ul>						
INCOME	Unit Type	# Units	Rent Rate	2016 Limit	Annual	Avail. for Utility
30% CMI	One Bedroom	2	292	359	7,008	67
	Two Bedroom	8	348	431	33,408	83
	31.03% Three Bedroom	1	378	498	4,536	120
50% CMI RENTS with up to 60% INCOME 7 Homeless Units with RA from the HRA	One Bedroom	3	531	598	19,116	67
	Two Bedroom	19	635	718	144,780	83
	68.97% Three Bedroom	2	710	830	17,040	120
Gross Rental	Total/Average	35	538		255,888	

**9% Tax Credit Scenario**

RENT AND INCOME STRUCTURE						
<b>4% Tax Credit Income and Rent (back-up plan if 9% credits not awarded).</b>						
<ul style="list-style-type: none"> <li>Mixed income development consisting of affordable, and homeless units.</li> <li>35 units with a combination of 1,2 and 3 bedrooms.</li> <li>Rents ranging from \$531-\$850.</li> </ul>						
INCOME	Unit Type	# Units	Rent Rate	2015 Limit	Annual	Avail. for Utility
50% CMI RENTS with up to 60% INCOME 6 units with Rental Assistance from HRA for Homeless Units	One Bedroom	2	531	598	12,744	67
	Two Bedroom	6	635	718	60,960	83
	31.03% Three Bedroom	1	710	830	8,520	120
60% CMI	One Bedroom	3	585	718	21,060	67
	Two Bedroom	19	725	862	165,300	83
	69.0% Three Bedroom	2	850	996	20,400	120
Gross Rental	Total/Average	35	688		288,984	

**4% Tax Credit Scenario**



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FINANCIAL FEASIBILITY			
Sources 9% Application:		Sources 4% Application:	
LIHTC Equity	\$6,116,102	LIHTC Equity	\$2,253,243
First Mortgage	\$346,138	First Mortgage	\$1,005,169
Deferred Developer Fee	\$1,223	MHFA EHDC Workforce (Deferred, 0% Interest)	\$2,802,439
Total	\$6,463,463	AHP	\$500,000
		Total	\$6,560,851

THE COMMONWEALTH COMPANIES - CLOQUET APARTMENTS PROPOSAL

**Project Sources**

**9% and 4% Scenarios**

City staff has requested the Cloquet HRA project also check the box to apply for the **9% Tax Credit Non-profit Set-aside** thereby not directly competing in one category with the Sherman project.

FINANCIAL FEASIBILITY			
Budget is projected at approximately \$6.5 Million based on current construction pricing, recently completed projects, and understanding MHFA scoring to be successful including:			
<ul style="list-style-type: none"> <li>• Cost Containment</li> <li>• Green Communities Criteria</li> <li>• Intermediary (soft cost) limitations.</li> <li>• Dual application process (4% and 9% application in June 2016).</li> <li>• HRA to receive 10% of developer fee.</li> </ul>			
Uses 9% Application:		Uses 4% Application:	
Acquisition	\$ 0	Acquisition	\$0
Hard Costs	\$4,964,940	Hard Costs	\$4,735,940
Soft Costs/Reserves	\$1,498,523	Soft Costs/Reserves	\$1,824,911
Total	\$6,463,463	Total	\$6,560,851

THE COMMONWEALTH COMPANIES - CLOQUET APARTMENTS PROPOSAL

**Project Uses**

**9% and 4% Scenarios**



What Actions are Being Considered by the Council?

1. Support - First the City Council is being asked to provide written support for the project. The MHFA requires applicants pursuing applications for its tax credit programs to obtain letters or resolutions of support from the local governing jurisdiction. This is non-binding support in the context of the City's role in reviewing the project from a planning and zoning perspective. However, it does show support by the community for the pursuit of the funding sources in question.
2. Payment in Lieu of Taxes (PILOT) - A publicly owned housing development of this nature does not pay property taxes to the local governing jurisdictions under Minnesota Statute. Instead M.S. 469.040 requires the payment of a PILOT. The existing Aspen Arms facility currently pays a 10% PILOT annually. The percentage is calculated based upon the amount of rent received annually. This section of Statute allows a City to negotiate with the development to determine the PILOT, but it shall not be less than 5%.
3. MHFA has advised the City to ensure as many possible funding sources be selected, as such this project should check the third funding box for the 9% Non-profit set aside.

Policy Objectives

The proposed project, developing quality, affordable, workforce housing is supported by:

1. The findings of the Cloquet EDA commissioned and paid for 2014 Cloquet/Scanlon Housing Study that highlight significant local pressure in the Cloquet market related to any properties associated with shallow and deep rent subsidies. This proposed tax credit project, the same funding source which was used to locally construct Settlers Ridge. Aspects of this proposed project fall under both shallow and deep subsidies depending on the funding received and incomes available to target. Deep subsidies are considered those offered at 50% or below median income most commonly 30% AMI, public housing which provides tenants to pay 30% of their received incomes etc.
2. Secondly, this specific project was identified by the Cloquet/Scanlon Housing Task Force in 2014 that could be moving forward in the area to address this needed market gap.
3. Chapter 7 of the Cloquet Comprehensive Plan pages 7-7 to 7-12 highlight a number of city objectives and policies 7.2 and policies a, d, e.; housing infill projects, and the use of (starting on page 7-11) MHFA housing funding, LIHTC, Historic Tax Credits, Deferred Loan programs, and TIF to support these projects noting the strong link between housing and economic development.

Financial/Budget/Grant Considerations

N/A.





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**Advisory Committee/Commission Action**

At its meeting on May 11<sup>th</sup> the Cloquet EDA recommended support for this project to the City Council and recommended a 5% PILOT. The Cloquet EDA stated that 5% PILOT would be acceptable thereby providing additional operational dollars to the HRA for managing the two facilities.

**Supporting Documentation Attached**

- Resolution No. 16-42
- Mn. Stat. 469.040
- 2014 Cloquet/Scanlon Housing Study Recommendations
- 2014 Cloquet/Scanlon Housing Task Force Recommendations
- Chapter 7, Cloquet Comprehensive Plan pages 7-7 to 7-12

**RESOLUTION NO. 16-42**  
**CITY OF CLOQUET SUPPORT FOR THE HOUSING TAX CREDIT APPLICATION**  
**BY THE CLOQUET HOUSING AND REDEVELOPMENT AUTHORITY TO THE**  
**STATE OF MINNESOTA FOR A**  
**WORKFORCE HOUSING PROJECT**

**WHEREAS**, the Cloquet Housing and Redevelopment Authority owns a previously undeveloped site located at 930 14<sup>th</sup> Street, Cloquet, MN that has easy access to shopping, dining, parks, professional services, banking and educational amenities; and

**WHEREAS**, Commonwealth Development Corporation has been selected by the Housing and Redevelopment Authority to perform Development Services related to said site; and

**WHEREAS**, the Cloquet Housing and Redevelopment Authority (HRA) proposes to construct a 35-unit affordable rental project to be owned by the HRA, to meet a locally-identified housing need of low to moderate income housing and further describe in the Cloquet/Scanlon Housing Study (2014, Stantec Consulting); and

**WHEREAS**, the City of Cloquet supports the application of the Cloquet Housing and Redevelopment Authority for Low Income Housing Tax Credits through Minnesota Housing; and

**WHEREAS**, the 2014 Cloquet/Scanlon Housing Task Force, which was composed of members from the City of Cloquet, City of Scanlon, Cloquet HRA, Carlton County, elected officials, area housing developers, area housing managers, Fond du Lac Reservation, and Arrowhead Regional Development Commission, identified additional housing in this location per Goal #6 and Goal #5 in its recommendations; and

**WHEREAS**, the Housing and Redevelopment Authority project will utilize existing infrastructure including water and sewer lines etc.; and

**WHEREAS**, the proposed project is in accordance with the Workforce Housing Cooperatively Developed Plan and Planned Community Development Plan as endorsed by the Cloquet Housing Institute in May, 2016; and

**WHEREAS**, the Cloquet HRA is required to make Payment in Lieu of Taxes per Minnesota State Statute 469.040; and

**NOW, THEREFORE, BE IT RESOLVED**, that City Council of the City of Cloquet adopts this resolution of support related to the proposal by the Cloquet Housing and Redevelopment Authority and Commonwealth Development Corporation to Minnesota Housing Finance Agency for housing tax credit funding for affordable workforce housing and as evidence of its commitment to provide ongoing assistance to bring the project to completion as deemed to be appropriate in the sole discretion of the City Council and the Economic Development Authority.

**PASSED BY THE CITY COUNCIL OF THE CITY OF CLOQUET THIS 17TH DAY OF MAY 2016.**

\_\_\_\_\_  
Dave Hallback, Mayor

ATTEST:

\_\_\_\_\_  
Brian Fritsinger, City Administrator

**469.040 TAX STATUS.**

Subdivision 1. **Declaration, essential public and governmental purposes.** The property of an authority is public property used for essential public and governmental purposes. The property and the authority shall be exempt from all real and personal property taxes of the city, the county, the state, or any political subdivision thereof. "Taxes" does not include charges for special assessments or for utilities and special services, such as heat, water, electricity, gas, sewage disposal, or garbage removal. For purposes of this subdivision, "special services" means those physical services provided to a project for which the actual cost of the governing body providing the service can be calculated. When the obligations issued by an authority to assist in financing the development of a project have been retired and federal contributions have been discontinued, or the authority is no longer obligated by contracts with the federal government to maintain a project as a low-income housing project, whichever is later, then the exemptions from taxes for that project shall terminate.

Subd. 2. **Leased property, exception.** Notwithstanding the provisions of subdivision 1, any property other than property to be operated as a parking facility that the authority leases to private individuals or corporations for development in connection with a redevelopment project shall have the same tax status as if the leased property were owned by the private individuals or corporations. This subdivision does not apply to leases by the authority to individuals or families for residential use.

Subd. 3. **Statement filed with assessor; percentage tax on rentals.** Notwithstanding the provisions of subdivision 1, after a housing project or a housing development project carried on under sections 469.016 to 469.026 has become occupied, in whole or in part, an authority shall file with the assessor, on or before April 15 of each year, a statement of the aggregate shelter rentals of that project collected during the preceding calendar year. Unless a greater amount has been agreed upon between the authority and the governing body or bodies for which the authority was created, in whose jurisdiction the project is located, five percent of the aggregate shelter rentals shall be charged to the authority as a service charge for the services and facilities to be furnished with respect to that project. The service charge shall be collected from the authority in the manner provided by law for the assessment and collection of taxes. The amount so collected shall be distributed to the several taxing bodies in the same proportion as the tax rate of each bears to the total tax rate of those taxing bodies. The governing body or bodies for which the authority has been created, in whose jurisdiction the project is located, may agree with the authority for the payment of a service charge for a housing project or a housing development project in an amount greater than five percent of the aggregate annual shelter rentals of any project, upon the basis of shelter rentals or upon another basis agreed upon. The service charge may not exceed the amount which would be payable in taxes were the property not exempt. If such an agreement is made, the service charge so agreed upon shall be collected and distributed in the manner above provided. If the project has become occupied, or if the land upon which the project is to be constructed has been acquired, the agreement shall specify the location of the project for which the agreement is made. "Shelter rental" means the total rentals of a housing project exclusive of any charge for utilities and special services such as heat, water, electricity, gas, sewage disposal, or garbage removal. "Service charge" means payment in lieu of taxes. The records of each project shall be open to inspection by the proper assessing officer.

Subd. 4. **Facilities funded from multiple sources.** In the metropolitan area, as defined in section 473.121, subdivision 2, the tax treatment provided in subdivision 3 applies to that portion of any multifamily rental housing facility represented by the ratio of (1) the number of units in the facility that are constructed with funds provided under Section 5 of the United States Housing Act of 1937, and are receiving operating subsidy under Section 9 or rental assistance under Section 8 of the United States Housing Act of 1937 as



the result of the implementation of a federal court order or consent decree to (2) the total number of units within the facility.

The housing and redevelopment authority for the city in which the facility is located, any public entity exercising the powers of such housing and redevelopment authority, or the county housing and redevelopment authority for the county in which the facility is located, shall annually certify to the assessor responsible for assessing the facility, at the time and in the manner required by the assessor, the number of units in the facility that are constructed with funds provided under Section 5 of the United States Housing Act of 1937, and are receiving operating subsidy under Section 9 or rental assistance under Section 8 of the United States Housing Act of 1937.

Nothing in this subdivision shall prevent that portion of the facility not subject to this subdivision from meeting the requirements of section 273.128, and for that purpose the total number of units in the facility must be taken into account.

**Subd. 5. Designated housing corporation.** (a) To the extent not exempt from taxation under section 272.01, subdivision 1, property located within the exterior boundaries of an Indian reservation in the state that is owned by the tribe's designated housing entity as defined in United States Code, title 25, section 4103(21), and that is a housing project or a housing development project, as defined in section 469.002, subdivisions 13 and 15, is exempt from all real and personal property taxes of the city, the county, the state, or any political subdivision thereof.

(b) Property exempt from taxation under paragraph (a) is subject to subdivision 3. A copy of those portions of the annual reports submitted on behalf of the housing entity to the Secretary of the United States Department of Housing and Urban Development for the project that contain information sufficient to determine the amount due under subdivision 3 satisfies the reporting requirements of subdivision 3 for the project.

**History:** 1987 c 291 s 40; 1989 c 277 art 2 s 61; 1990 c 532 s 9,10; 1993 c 375 art 5 s 34; 1996 c 471 art 3 s 38; 1997 c 231 art 2 s 44; 2000 c 260 s 62; 2000 c 490 art 5 s 33; 1Sp2001 c 5 art 3 s 67; 2008 c 366 art 15 s 19; 2009 c 88 art 2 s 32,33

TEMPLATE

PROFORMA ANALYSIS  
CITY, STATE

Cloquet, MN

Income Limits did not change from 2015-2016

115.71

INCOME	Unit Type	# Units	Rent Rate	2016 Limit	Annual	Avail. for Utility	Weighted Unit
30% CMI	One Bedroom	2	292	359	7,008	67	2.00
	Two Bedroom	8	348	431	33,408	83	9.20
	Three Bedroom	1	378	498	4,536	120	1.30
31.43%							
50% CMI RENTS with up to 60% INCOME	One Bedroom	4	531	598	25,488	67	4.00
	Two Bedroom	18	635	718	137,160	83	20.700
	Three Bedroom	2	710	830	17,040	120	2.30
68.57%							
Gross Rental	Total/Average	35	535		224,640		40.50
100.00%	Add: Tenant Fees	-	/unit		500		
	Add: Commercial Space Inc	-	/mo		-		
Net Rental income					225,140		53,340
	Less: Vacancy	7.00%			(15,760)		
Effective Gross Income					209,380		

EXPENSES				Utility Allowance	1BR	2BR	3BR	120
Office/Advertising	400	/unit	14,000					
Personnel	600	/unit	21,000	67		83		120
Utilities (Sewer/Water & Common Area)	800	/unit	28,000					
Payment in Lieu of Taxes	259	/unit	9,069					
Insurance	300	/unit	10,500					
LTH Support Services	2,400	/unit	16,800					
Repairs & Maint.	1,000	/unit	35,000					
Property Mgmt.	6%		12,563					
Accounting/Audit			5,500					
Third Party Compliance			1,600					
MHFA Compliance	25	/unit	875					
Replacement Reserve	300	/unit	10,500					
Total Operating Expenses	393.83	/unit	165,407					
Expense Ratio			79%					
Expense Per Unit	394	PUPM	4,726	25,072				
NET OPERATING INCOME			43,973	9,069.01				
Debt Service (Hard)			33,826	16,002.99				
Debt Coverage			1,3000	478,349				
Cash Flow			10,148	346,860				
Cash Flow After Soft Debt Payment			10,148					

Present Value at 2.24% inte

First Mortgage:

Rate: MHFA LMIR Rate Published 5-5-16	4.750%
DCR:	1.3000
Amort:	30
Constant	6.2598%
Annual Debt Service:	33,826
Mortgage Amount	540,366
Loan to Cost:	8%

SOFT LOAN:

Rate:	0.000%
DCR (Combined):	1.3000
Amort:	30
Constant	3.3333%
Annual Debt Service:	-
Mortgage Amount	-
Loan to Cost:	0%

**SOURCES AND USES OF FUNDS**

Sources of Funds

Equity		5,817,753
First Mortgage		540,366
Other: Gap Funding	SOFT	
Other: City	SOFT	
Other: GMHF	SOFT	0.00%
Other: Commerce Brownfields Grant		-
Total Third Party Sources		6,358,119
Deferred Developer Fee		0.19% 1,164
<b>TOTAL</b>		<b>6,359,283</b>

	625,000
0.19%	(1,164)
<b>0</b>	<b>623,836</b>
<b>DFR</b>	<b>0.11</b>

TOTAL USES 6,359,283 181,693.80 TDC/unit  
 SURPLUS/DEFICIT -

Use of Funds

	Amount	Unit	Cost	9% Basis	4% Basis	Fed Hist.	State Hist.
<b>A. Land &amp; Buildings</b>							
Land	-	/unit	-	-	-	-	-
House & Lot	0%	/unit	-	-	-	-	-
Building		/unit	-	-	-	-	-
<b>Subtotal</b>			-	-	-	-	-
<b>B. Site Work</b>							
Site Work	4,285.71	/unit	150,000	150,000		-	
Off-site improvements	857.14	/unit	30,000				
Landscaping	1,428.57	/unit	50,000	50,000		-	
<b>Subtotal</b>			230,000	200,000		-	
<b>C. Rehab &amp; New Construction</b>							
Rehab Construction Costs	-	/unit	-	-		-	
New Construction	120,178	/unit	4,206,216	4,206,216			
Contingency	-		-	-			
General Requirements	6.00%	266,172	220,000	220,000			
Overhead	2.00%	88,724	88,724	88,724			
Contractor P & L	6.00%	266,172	220,000	220,000			
<b>Subtotal</b>	528,724.00	135,284	4,734,940	4,734,940		-	
<b>Construction Cost Subtotal</b>		141,855	4,964,940	4,934,940		-	
<b>E. Architectural</b>							
Architect - Design			100,000	100,000			
Architect - Supervision			10,000	10,000			
Legal			50,000	25,000			
Surveying			15,000	15,000			
Engineering			20,000	20,000			
State Plan Review			2,500	2,500			
<b>Subtotal</b>			197,500	172,500		-	

	Amount	Unit	Cost	9% Basis	4% Basis		
<b>F. Interim Costs</b>							
Construction Insurance		/unit	30,000	30,000			
Construction Period Interest			150,000	75,000			
Construction Loan Fee			40,000	40,000			
Real Estate Taxes			10,000	10,000			
Lender Inspection Fees			12,412	12,412			
LOC Fees			-	-			
<b>Subtotal</b>			242,412	167,412			
<b>G. Financing Fees &amp; Exp.</b>							
Permanent Loan Origination Fee	BofA		25,000	-			
Recording			-	-			
MHFA Inspection Fee			12,412	12,412			
Mortgage Insurance Premium			1,351				
Title & Recording	0.0030		12,500	12,500			
Other: Syndication Fees			-	-			
<b>Subtotal</b>			51,263	24,912			
<b>H. Soft Costs</b>							
Appraisal			7,500	7,500			
Market Study			5,500	5,500			
Environmental			5,000	5,000			
Tax Credit Fees	1,344	/unit	47,052	-			
Rent-up Marketing			50,000	-			
Cost Certification			5,500	5,500			
TIF Application							
Furniture			28,000	28,000			
Energy Audit and Consultant			30,000	30,000			
<b>Subtotal</b>			178,552	81,500			
<b>I. 221(d)4 Costs</b>							
SJC Fees			-	-			
HUD MIP			-	-			
HUD Exam Fee			-	-			
HUD Inspection Fee			-	-			
<b>Subtotal</b>			-	-			
<b>J. Developer's Fee</b>							
Developer's Overhead			-	-			
Developer's Profit			625,000	625,000			
Other: Consultant -			-	-			
<b>Subtotal</b>			625,000	625,000			
<b>K. Development Reserves</b>							
Noneligible Interest & Operations	-	/unit	-				
Operating Reserve	-		99,616				
Debt Service Coverage Reserve			-				
<b>Subtotal</b>			99,616	-			
<b>TOTAL DEVELOPMENT COST</b>		181,694	6,359,283	6,006,264	0	-	-
Eligible Basis				6,006,264	0	-	-
Basis Boost For Serving Lowest Income Tenants				130.0%	100.0%	0.0%	0.0%
Bonus Basis				7,808,143	0	-	-
<b>Rate</b>		13,347		9.000%	3.500%	0.000%	0.000%
<b>Annual Credit Amount</b>		17,351	702,733	\$ 702,733	\$ 0	\$ -	\$ -
<b>Limited to GAP Calculation</b>				\$ 612,456			
<b>Price</b>				\$ 0.9500	\$ -	\$ -	\$ -
<b>Equity Proceeds</b>			5,817,753	5,817,753	-	-	-

PROJECT FINANCIAL ANALYSIS  
15 YEAR PRO FORMA

FOR:

**Permanent Loan**

Rate:	4.750%
DCR:	1.300
Amort:	30
Constant	6.2598%
Annual Debt Service:	33,826
Mortgage Amount	540,366

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
<b>Rental Income from Units</b>	# Units	Variables	Annual Total														
Average Annual % Inflation		2%															
Average Monthly Rental Rates																	
One Bedroom	2	292	7,008	7,148.16	7,291.12	7,436.95	7,585.68	7,737.40	7,892.15	8,049.99	8,210.99	8,375.21	8,542.71	8,713.57	8,887.84	9,065.60	9,246.91
Two Bedroom	8	348	33,408	34,076.16	34,757.68	35,452.84	36,161.89	36,885.13	37,622.83	38,375.29	39,142.80	39,925.65	40,724.17	41,538.65	42,369.42	43,216.81	44,081.15
Three Bedroom	1	378	4,536	4,626.72	4,719.25	4,813.64	4,909.91	5,008.11	5,108.27	5,210.44	5,314.65	5,420.94	5,529.36	5,639.95	5,752.74	5,867.80	5,985.16
One Bedroom	4	531	25,488	25,997.76	26,517.72	27,048.07	27,589.03	28,140.81	28,703.63	29,277.70	29,863.25	30,460.52	31,069.73	31,691.12	32,324.95	32,971.45	33,630.87
Two Bedroom	18	635	137,160	139,903.20	142,701.26	145,555.29	148,466.40	151,435.72	154,464.44	157,553.73	160,704.80	163,918.90	167,197.27	170,541.22	173,952.04	177,431.09	180,979.71
Three Bedroom	2	710	17,040	17,380.80	17,728	18,083	18,445	18,814	19,190	19,574	19,965	20,364	20,772	21,187	21,611	22,043	22,484
	35																
<b>Total Gross Rent Revenue</b>			224,640	229,133	233,715	238,390	243,158	248,021	252,981	258,041	263,202	268,466	273,835	279,312	284,898	290,596	296,408
Laundry & Garage Income			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less Vacancy		7%	(15,725)	(16,039)	(16,360)	(16,687)	(17,021)	(17,361)	(17,709)	(18,063)	(18,424)	(18,793)	(19,168)	(19,552)	(19,943)	(20,342)	(20,749)
<b>Total Income</b>			208,915	213,094	217,355	221,702	226,137	230,659	235,272	239,978	244,777	249,673	254,666	259,760	264,955	270,254	275,659
<b>Operating Expenses and Real Estate Taxes</b>		Per Unit															
Annual % escalation		3%															
Office/Advertising	400		14,000	14,420	14,853	15,298	15,757	16,230	16,717	17,218	17,735	18,267	18,815	19,379	19,961	20,559	21,176
Personnel	600		21,000	21,630	22,279	22,947	23,636	24,345	25,075	25,827	26,602	27,400	28,222	29,069	29,941	30,839	31,764
Utilities (Sewer/Water & Common Area)	800		28,000	28,840	29,705	30,596	31,514	32,460	33,433	34,436	35,470	36,534	37,630	38,759	39,921	41,119	42,353
Payment in Lieu of Taxes	259		9,069	9,341	9,621	9,910	10,207	10,513	10,829	11,154	11,488	11,833	12,188	12,554	12,930	13,318	13,718
Insurance	300		10,500	10,815	11,139	11,474	11,818	12,172	12,538	12,914	13,301	13,700	14,111	14,534	14,970	15,420	15,882
LTH Support Servives	2,400		16,800	17,304	17,823	18,358	18,909	19,476	20,060	20,662	21,282	21,920	22,578	23,255	23,953	24,671	25,412
Repairs & Maint.	1,000		35,000	36,050	37,132	38,245	39,393	40,575	41,792	43,046	44,337	45,667	47,037	48,448	49,902	51,399	52,941
Property Mgmt.	0		12,563	12,940	13,328	13,728	14,140	14,564	15,001	15,451	15,914	16,392	16,883	17,390	17,912	18,449	19,002
Accounting/Audit	5,500		5,500	5,665	5,835	6,010	6,190	6,376	6,567	6,764	6,967	7,176	7,392	7,613	7,842	8,077	8,319
MHFA Compliance	25		875	901	928	956	985	1,014	1,045	1,076	1,108	1,142	1,176	1,211	1,248	1,285	1,324
Replacement Reserve	300		10,500	10,815	11,139	11,474	11,818	12,172	12,538	12,914	13,301	13,700	14,111	14,534	14,970	15,420	15,882
<b>Total Operating Expenses</b>	6,084		163,807	168,721	173,783	178,996	184,366	189,897	195,594	201,462	207,506	213,731	220,143	226,747	233,549	240,556	247,773
<b>Net Operating Income</b>			<b>45,108</b>	<b>44,372</b>	<b>43,573</b>	<b>42,706</b>	<b>41,771</b>	<b>40,762</b>	<b>39,679</b>	<b>38,516</b>	<b>37,272</b>	<b>35,942</b>	<b>34,524</b>	<b>33,013</b>	<b>31,406</b>	<b>29,698</b>	<b>27,887</b>
Debt Service on First Mortgage Loan			33,826	33,826	33,826	33,826	33,826	33,826	33,826	33,826	33,826	33,826	33,826	33,826	33,826	33,826	33,826
Debt Service: Second Mortgage Loan			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service: Third Mortgage Loan			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service: Fourth Mortgage Loan			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Services Prog. - Funded by Admin. Budget			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subsidy Reserve			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investor Asset Management Fee (4% Escalation)			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Cash Flow</b>			11,283	10,547	9,747	8,881	7,945	6,937	5,853	4,690	3,446	2,117	698	(813)	(2,420)	(4,127)	(5,939)
Accumulated Cash Flow			11,283	21,830	31,577	40,457	48,402	55,339	61,191	65,882	69,328	71,445	72,143	71,330	68,910	64,783	58,844
<b>Debt Service Coverage - Hard Only</b>			1.33	1.31	1.29	1.26	1.23	1.21	1.17	1.14	1.10	1.06	1.02	0.98	0.93	0.88	0.82

TEMPLATE

PROFORMA ANALYSIS  
CITY, STATE

4% Bond  
Cloquet, MN

31.43

INCOME	Unit Type	# Units	Rent Rate	2015 Limit	Annual	Avail. for Utility	Weighted Unit
50% CMI RENTS with up to 60% INCOME	One Bedroom	2	531	598	12,744	67	2.00
	Two Bedroom	8	635	718	60,960	83	9.200
	Three Bedroom	1	710	830	8,520	120	1.15
31.43%							
60% CMI	One Bedroom	4	585	718	28,080	133	4.00
	Two Bedroom	18	725	862	156,600	137	20.70
	Three Bedroom	2	850	996	20,400	146	2.60
68.6%							
Market Units	One Bedroom Units				-	0	
	Two Bedroom				-	0	Cr/Unit
0.0%							
Gross Rental	Total/Average	35	684		287,304		40.65
100.00%	Add: Laundry Income	-	/unit		-		
	Add: Commercial Space In	-	/mo		-		
Net Rental income					287,304		
	Less: Vacancy	7.00%			(20,111)		
Effective Gross Income					267,193		

EXPENSES			
Office/Advertising	400	/unit	14,000
Personnel	600	/unit	21,000
Utilities (Sewer/Water & Common Area)	800	/unit	28,000
Payment In Lieu of Taxes	342	/unit	11,960
Insurance	300	/unit	10,500
Other: LTH Support Services	2,400	/unit	16,800
Repairs & Maint.	1,000	/unit	35,000
Property Mgmt.	6%		16,032
Accounting/Audit			5,500
3rd Party Compliance			1,600
MHFA Compliance	25	/unit	875
Replacement Reserve	300	/unit	10,500
Total Operating Expenses	408.97	/unit	171,766
Expense Ratio			64%
Expense Per Unit	409	PUPM	4,908
NET OPERATING INCOME			95,427

Utility Allowance

1BR	2BR	3BR	
67	83	120	

Debt Service (Hard)	73,405
Debt Coverage	1,3000
Cash Flow	22,022
Cash Flow After Soft Debt Payment	22,022

First Mortgage:

Rate: Dougherty Quote for Non-Rated Bond	5.250%	16 Year Term
DCR:	1.3000	
Amort:	35	
Constant	6.2489%	
Annual Debt Service:	73,405	
Mortgage Amount	1,174,684	
Loan to Cost:	18%	

SOFT LOAN:

Rate:	0.000%
DCR (Combined):	1.3000
Amort:	30
Constant	3.3333%
Annual Debt Service:	-
Mortgage Amount	
Loan to Cost:	0%



**SOURCES AND USES OF FUNDS**

Sources of Funds

Equity			2,065,473		
First Mortgage			1,174,684	0.179382648	650,000
Other: MHFA Gap Funding EDHC Workforce	SOFT	80,237.84	2,808,325		0.00%
Other: City	SOFT			6548481.175	650,000
Other: AHP (FHLB)	SOFT	7.64%	500,000		DFR
Other: Commerce Brownfields Grant			-		0.00
Total Third Party Sources			6,548,481	1,2	
Deferred Developer Fee		0.00%	-		
<b>TOTAL</b>			<b>6,548,481</b>	<b>3,274,240.59</b>	

TOTAL USES	6,548,481	187,099.46	TDC/unit
SURPLUS/DEFICIT	-		

Use of Funds

	Amount	Unit	Cost	9% Basis	4% Basis	Fed Hist.	State Hist.
<b>A. Land &amp; Buildings</b>							
Land	-	/unit	-	-	-	-	-
House & Lot	0%	/unit	-	-	-	-	-
Building		/unit	-	-	-	-	-
<b>Subtotal</b>			-	-	-	-	-
<b>B. Site Work</b>							
Site Work	4,285.71	/unit	150,000	150,000		-	
Off-site improvements	857.14	/unit	30,000				
Landscaping	1,428.57	/unit	50,000	50,000		-	
<b>Subtotal</b>			230,000	200,000		-	-
<b>C. Rehab &amp; New Construction</b>							
Rehab Construction Costs	-	/unit	-	-		-	
New Construction	120,178	/unit	4,206,216	4,206,216			
Contingency	-		-	-			
General Requirements	6.00%	266,173	220,000	220,000			
Overhead	2.00%	94,048	88,724	88,724			
Contractor P & L	6.00%	287,786	220,000	220,000			
<b>Subtotal</b>	528,724.00	135,284	4,734,940	4,734,940		-	
<b>Construction Cost Subtotal</b>		141,855	4,964,940	4,934,940		-	
<b>E. Architectural</b>							
Architect - Design			100,000	100,000			
Architect - Supervision			10,000	10,000			
Legal			-	-			
Surveying			15,000	15,000			
Engineering			20,000	20,000			
State Plan Review			2,500	2,500			
<b>Subtotal</b>			147,500	147,500		-	

	Amount	Unit	Cost	9% Basis	4% Basis		
<b>F. Interim Costs</b>							
Construction Insurance		/unit	30,000	30,000			
Capitalized Interest			258,000	-			
Construction Loan Fee			40,000	40,000			
Real Estate Taxes			10,000	10,000			
Lender Inspection Fees			12,412	12,412			
LOC Fees			-	-			
<b>Subtotal</b>			350,412	92,412			
<b>G. Financing Fees &amp; Exp.</b>							
Bond Issuer's Fee			12,733	-			
TIF Application			-	-			
Trustee Set-up, Initial Fee, and Printing			10,000	-			
Examined Forecast			13,000	-			
Bond and Issuer Counsel			25,000	-			
Underwriter's Discount			25,467	-			
Title & Recording	0.0030		12,500	12,500			
Other: Syndication Fees			-	-			
<b>Subtotal</b>			98,700	12,500			
<b>H. Soft Costs</b>							
Appraisal			7,500	7,500			
Market Study			5,500	5,500			
Energy Audit			20,000	20,000			
Energy Consultant			10,000	10,000			
Environmental			5,000	5,000			
Tax Credit Fees		/unit	13,944	-			
Rent-up Marketing			25,000	-			
Cost Certification			10,000	10,000			
Support Service LTH Rentup Fee			8,400	-			
Legal - Real Estate			-	-			
Furniture			28,000	28,000			
Contingency			-	-			
<b>Subtotal</b>			133,344	86,000			
<b>I. 221(d)4 Costs</b>							
SJC Fees			-	-			
HUD MIP			-	-			
HUD Exam Fee			-	-			
HUD Inspection Fee			-	-			
<b>Subtotal</b>			-	-			
<b>J. Developer's Fee</b>							
Developer's Overhead			-	-			
Developer's Profit			650,000	650,000			
Other: Consultant -			-	-			
<b>Subtotal</b>			650,000	650,000			
<b>K. Development Reserves</b>							
Noneligible Interest & Operations	-	/unit	-	-			
Operating Reserve	-		122,586	-			
Debt Service Coverage Reserve			81,000	-			
<b>Subtotal</b>			203,586	-			
<b>TOTAL DEVELOPMENT COST</b>		187,099	6,548,481	5,923,352	0	-	-
Eligible Basis				5,923,352	0	-	-
Basis Boost For Serving Lowest Income Tenants				100.0%	100.0%	0.0%	0.0%
Bonus Basis				5,923,352	0	-	-
<b>Rate</b>	13,114			3.170%	3.170%	0.000%	0.000%
<b>Annual Credit Amount</b>	4,619	187,770	\$ 187,770	\$ 0	\$ 0	\$ -	\$ -
<b>Ten year credit</b>			\$ 1,877,702.47				
<b>Price</b>			\$ 1,1000	\$ -	\$ -	\$ -	\$ -
<b>Equity Proceeds</b>			2,065,473	2,065,473	-	-	-

57,131

PROJECT FINANCIAL ANALYSIS  
15 YEAR PRO FORMA

FOR:

Permanent Loan

Rate:	5.250%
DCR:	1.300
Amort:	35
Constant	6.2489%
Annual Debt Service:	73,405
Mortgage Amount	1,174,684

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	
<b>Rental Income from Units</b>	# Units	Variables	Annual Total														
Average Annual % Inflation			2%														
Average Monthly Rental Rates																	
One Bedroom	-	292	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Two Bedroom	-	348	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Three Bedroom	-	378	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
One Bedroom	4	585	28,080	28,641.60	29,214	29,799	30,395	31,003	31,623	32,255	32,900	33,558	34,229	34,914	35,612	36,324	37,051
Two Bedroom	18	725	156,600	159,732	162,927	166,185	169,509	172,899	176,357	179,884	183,482	187,151	190,895	194,712	198,607	202,579	206,630
Three Bedroom	2	850	20,400	20,808	21,224	21,649	22,082	22,523	22,974	23,433	23,902	24,380	24,867	25,365	25,872	26,390	26,917
One Bedroom	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Two Bedroom	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	35																
<b>Total Gross Rent Revenue</b>			287,304	293,050	298,911	304,889	310,987	317,207	323,551	330,022	336,622	343,355	350,222	357,226	364,371	371,658	379,092
Laundry & Garage Income			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less Vacancy	7%		(20,111)	(20,514)	(20,924)	(21,342)	(21,769)	(22,204)	(22,649)	(23,102)	(23,564)	(24,035)	(24,516)	(25,006)	(25,506)	(26,016)	(26,536)
<b>Total Income</b>			267,193	272,537	277,987	283,547	289,218	295,002	300,902	306,920	313,059	319,320	325,706	332,221	338,865	345,642	352,555
Operating Expenses and Real Estate Taxes	Per Unit																
Annual % escalation		3%															
Office/Advertising	400	14,000	14,420	14,853	15,298	15,757	16,230	16,717	17,218	17,735	18,267	18,815	19,379	19,961	20,559	21,176	
Personnel	600	21,000	21,630	22,279	22,947	23,636	24,345	25,075	25,827	26,602	27,400	28,222	29,069	29,941	30,839	31,764	
Utilities (Sewer/Water & Common Area)	800	28,000	28,840	29,705	30,596	31,514	32,460	33,433	34,436	35,470	36,534	37,630	38,759	39,921	41,119	42,353	
Payment In Lieu of Taxes	342	11,960	12,318	12,688	13,069	13,461	13,864	14,280	14,709	15,150	15,605	16,073	16,555	17,052	17,563	18,090	
Insurance	300	10,500	10,815	11,139	11,474	11,818	12,172	12,538	12,914	13,301	13,700	14,111	14,534	14,970	15,420	15,882	
Other: LTH Support Services	2,400	16,800	17,304	17,823	18,358	18,909	19,476	20,060	20,662	21,282	21,920	22,578	23,255	23,953	24,671	25,412	
Repairs & Maint.	1,000	35,000	36,050	37,132	38,245	39,393	40,575	41,792	43,046	44,337	45,667	47,037	48,448	49,902	51,399	52,941	
Property Mgmt.	0	16,032	16,513	17,008	17,518	18,044	18,585	19,143	19,717	20,308	20,918	21,545	22,191	22,857	23,543	24,249	
Accounting/Audit	-	5,500	5,665	5,835	6,010	6,190	6,376	6,567	6,764	6,967	7,176	7,392	7,613	7,842	8,077	8,319	
MHFA Compliance	25	875	901	928	956	985	1,014	1,045	1,076	1,108	1,142	1,176	1,211	1,248	1,285	1,324	
Replacement Reserve	300	10,500	10,815	11,139	11,474	11,818	12,172	12,538	12,914	13,301	13,700	14,111	14,534	14,970	15,420	15,882	
<b>Total Operating Expenses</b>	6,167	170,166	175,271	180,529	185,945	191,524	197,269	203,187	209,283	215,561	222,028	228,689	235,550	242,616	249,895	257,392	
<b>Net Operating Income</b>			97,027	97,265	97,458	97,602	97,694	97,733	97,715	97,637	97,497	97,292	97,017	96,671	96,249	95,747	95,163
Debt Service on First Mortgage Loan			73,405	73,405	73,405	73,405	73,405	73,405	73,405	73,405	73,405	73,405	73,405	73,405	73,405	73,405	73,405
Debt Service: Second Mortgage Loan			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service: Third Mortgage Loan			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service: Fourth Mortgage Loan			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Services Prog. - Funded by Admin. Budget			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subsidy Reserve			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investor Asset Management Fee (4% Escalation)			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Flow			23,622	23,860	24,053	24,197	24,289	24,328	24,310	24,232	24,092	23,887	23,612	23,266	22,844	22,342	21,758
Accumulated Cash Flow			23,622	47,482	71,535	95,732	120,021	144,349	168,659	192,892	216,984	240,871	264,483	287,749	310,592	332,935	354,693
<b>Debt Service Coverage - Hard Only</b>			1.32	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.32	1.32	1.31	1.30	1.30

# CLOQUET/SCANLON HOUSING STUDY

Multifamily Rental Market Analysis  
January 15, 2014

The following subsections present key findings from our review of Cloquet/Scanlon's rental housing market.

## 6.1 GENERAL OCCUPANCY MULTIFAMILY RENTAL MARKET CHARACTERISTICS

General-occupancy multifamily units make up the largest portion of Cloquet's rental housing supply. We surveyed 627 general-occupancy multifamily units, split between 21 different properties. Of the 627 units, 229 (37%) were market-rate units and 398 (63%) were income-restricted units. Table 15 presents data on each of the properties profiled.

**Table 15: Cloquet/Scanlon General-Occupancy Multifamily Properties**

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	
<b>Income-Restricted (Deep Subsidy)<sup>1</sup></b>																	
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					
Tall Pines Apts	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	0	30% of household income					
1503 Tall Pine Fourplexes	1503 Tall Pine Ln	Cloquet	1980	12		12			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>				<i>1985</i>	<i>290</i>	<i>33</i>	<i>109</i>	<i>148</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>			
<b>Income-Restricted (Shallow Subsidy)<sup>2</sup></b>																	
Settler's Ridge	92 Riva Ridge Dr	Cloquet	2000	22		11	11		0	0			\$590	\$645			
Whispering Pines Apts	810 & 812 Tall Pine Ln	Cloquet	1995	36	6	21	9		0	0	0		\$685	\$775	\$845		
Sahlman West THs	1501 Sahlman Ave	Cloquet	1977	50	12	12	26		0	0	0		\$610	\$710	\$895		
<i>Totals/Averages/vacancy rate</i>				<i>1988</i>	<i>108</i>	<i>18</i>	<i>44</i>	<i>46</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>\$635</i>	<i>\$711</i>	<i>\$825</i>
<b>Market Rate</b>																	
14th Street Apts II	2020 14th St	Cloquet	2013	22	5	12	5		n/a	n/a	n/a		\$495	\$665	\$865		
14th Street Apts I	2010 14th St	Cloquet	2009	18	6	6	6		0	0	0		\$665	\$865	\$915		
Oakwood Estates Apts	910 Oak St S	Cloquet	2005	30	16	10	4		1	1	0		\$730	\$880	\$1,120		
Lincoln Place Apts	2300 Lincoln Ave	Scanlon	1995	8	1	5	2		0	0	0		\$750	\$950	\$1,100		
Chateau Apts (I-IV)	820-850 Spring Lake Rd	Cloquet	1973-77	20	6	14			0	0			\$525	\$625			
Park Avenue Manor	701 Park Ave	Cloquet	1970s-r	12	5	7			0	1			\$400	\$500			
Westgate Manor	777 Laurel St	Cloquet	1974	24	12	12			1	1			\$555	\$630			
North Road Apts	603 North Rd	Cloquet	1974	12		12				0				\$630			
Woodgate Square	403 Doodridge	Cloquet	1973	24	3	21			0	3			\$760	\$820			
Viking Manor II Apts	518 4th St	Cloquet	1966	12	8	4			1	0			\$610	\$695			
Viking Manor I Apts	510 4th St	Cloquet	1963	36	24	12			3	1			\$665	\$740			
West End Apts	224 Ave A	Cloquet	1920	11	4	7			0	0			\$320	\$450			
<i>Totals/Averages/vacancy rate</i>				<i>1975</i>	<i>229</i>	<i>9</i>	<i>100</i>	<i>108</i>	<i>12</i>	<i>0</i>	<i>6</i>	<i>7</i>	<i>0</i>	<i>\$417</i>	<i>\$587</i>	<i>\$743</i>	<i>\$1,014</i>
									<i>0.0%</i>	<i>6.8%</i>	<i>6.8%</i>	<i>0.0%</i>					

n/a = not available

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

<sup>2</sup> 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

Income-restricted units receive some sort of subsidy from government or philanthropic entities to lessen the burden for moderate- or low-income households. At most of the income-restricted developments in Cloquet, tenants pay 30% of their adjusted gross household income for rent. Typically, a government subsidy program contributes the remaining gap between actual tenant payment and a fair market rent (FMR) that is established by HUD or another governing organization. The 2013 FMR for the Duluth-Superior metro area as established by HUD are as follows:

## CLOQUET/SCANLON HOUSING STUDY

Multifamily Rental Market Analysis  
January 15, 2014

### 2013 HUD Established Fair Market Rents (FMR) for the Duluth-Superior Metro Area by Unit Type

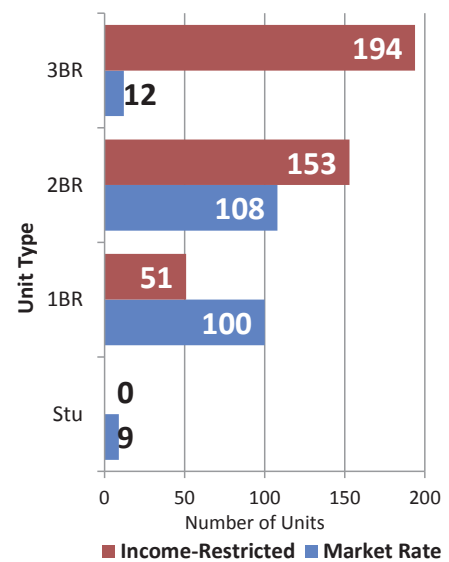
Efficiency/Studio	One-bedroom	Two-bedroom	Three-bedroom	Four-bedroom
\$459	\$552	\$725	\$945	\$1,052

Commonly recognized subsidy programs include Section 8 (project-based), public housing, Section 236, and Section 515. Properties supported through the Section 42 program (aka Low Income Housing Tax Credit program) also restrict tenancy based on income. However, tenants at Section 42 properties are obligated to pay the entire set rent, which is held below a fair market standard set by the Minnesota Housing Finance Agency.

The following bullet points and graphics summarize key findings from the general-occupancy multifamily rental review.

- Figure 17 shows the distribution of 627 general-occupancy rental units, by unit type and income restrictions. Among the market rate properties, one-bedroom and two-bedroom units comprise 93% of the total unit count, with only a small number of studio and three-bedroom units available. Among income-restricted properties, there is a much higher proportion of three-bedroom units and a much lower proportion of one-bedroom units.
- Of the 229 market-rate units surveyed, 13 were reported as vacant. This translates to an occupancy rate of 94%, indicating a balanced rental market. A rental market at 95% occupancy is considered a healthy market, as it provides for sufficient consumer choice and adequate unit turnover.
- Of the roughly 400 income-restricted properties, none were reported as vacant. Furthermore, many property managers surveyed indicated waiting lists were kept with names of interested households should the apartments become available. This indicates a very strong pent-up demand for affordable rental housing.
- Overall, the average age of a general-occupancy rental unit is about 30 years old. However, market rate units tend to be about 10 years older, on average, than income-restricted units.
- According to the survey, the average market rate rent for one-bedroom units is \$587 per month; for two-bedroom units it is \$749 per month; and for three-bedroom units it is \$1,014 per month. These average rents are slightly above the FMR set for the metro area by HUD.

Figure 17: Distribution of Rental Units by Type



## CLOQUET/SCANLON HOUSING STUDY

Multifamily Rental Market Analysis  
January 15, 2014

- Roughly three-quarters of the income-restricted units have deep subsidies that restrict tenancy to households with very low incomes. Therefore, rents are based on a sliding fee scale in which the household only pays 30% of their income toward rent. However, Cloquet/Scanlon also has several income-restricted properties in which the subsidy is much shallower and the income restrictions are more liberal. However, tenants are required to pay a set rent even though the rent may be held to levels slightly below “market.” In Cloquet, however, many “market” rate properties have rents consistent with such properties because they are older and lack a number amenities that newer properties have.

It should be noted that the survey of market rate rental properties did not include single-family homes, duplexes, or other buildings with fewer than four units. This was because the time and expense associated with such a broad survey would have been cost prohibitive.

Furthermore, according to the U.S. Census’s 2011 American Community Survey, about 40% of the rented units in Cloquet/Scanlon are single-family homes. Although this is a substantial proportion, we believe that by surveying over 60% of Cloquet/Scanlon’s rental units, we can gain an accurate picture of the rental market without incurring the cost of identifying and surveying all rental properties.

Nonetheless, Stantec did collect anecdotal data from the interviews conducted as part of this study as well as a brief review of on-line rental sources. Based on this supplemental data, the typical rental rate for an older house starts at about \$900 per month, whereas newer homes start at about \$1,400 per month.

### 6.1.1 Renter-Occupied Housing and Affordability

The term “housing affordability” has more than one definition. The U.S. Department of Housing and Urban Development (HUD) define a housing unit as affordable if low and moderate income households pay 30% or less of their income toward housing costs.

Rental development and assistance programs are chiefly meant to assist households at or below 50% of median income; therefore, Minnesota Housing assumes affordable units are affordable to households earning \$31,150 in 2013. The 50% of median designation is consistent with the federal Low-Income Housing Tax Credit program’s rent limits. Housing costs for rental units include both monthly rents and utilities.

Table 16 highlights the percentage of rental units in Cloquet that fall under Minnesota Housing’s definition of affordability and a more stringent definition set at 30% of area median income. It should be noted that a significant proportion of the two and three bedroom units affordable to those with incomes under 30% of AMI are owned and managed by the Fond du Lac Band. If these units were not included in the analysis, the percentage of two and three bedroom under the affordable limit would drop substantially.



## CLOQUET/SCANLON HOUSING STUDY

Multifamily Rental Market Analysis  
January 15, 2014

**Table 16: Cloquet/Scanlon Rental Units by Affordability**

Affordable Rental Housing Measures	60% of AMI	50% of AMI	30% of AMI
Area Median Family Income (AMI) = \$62,300	\$37,380	\$31,150	\$18,690
<i>Maximum affordable housing costs (rent &amp; util.):</i>			
Efficiency/studio unit	\$655	\$546	\$327
One-bedroom unit	\$702	\$585	\$351
Two-bedroom unit	\$841	\$701	\$420
Three-bedroom unit or larger	\$972	\$810	\$486
<i>Percentage of Cloquete units surveyed under "affordable" limit:</i>			
Efficiency/studio unit	100%	100%	80%
One-bedroom unit	87%	50%	22%
Two-bedroom unit	88%	63%	41%
Three-bedroom unit or larger	97%	77%	72%

### 6.2 SENIOR RENTAL MARKET CHARACTERISTICS

Senior (age-restricted) units make up the remaining portion of Cloquet's rental housing supply. Development efforts in the senior housing industry over the past 10-15 years have altered the perception of traditional rental housing for seniors. Through the creation of different types of housing and varying levels of accompanying services, the industry has tapped interest from both the senior population and the adult children of seniors in need of alternative housing.

Cloquet/Scanlon's senior rental offerings generally cover the range of senior housing options available in many communities, which are as follows:

1. **Active Adult (or independent living where few, if any, support services are provided):** rents tend to be modest, often because units are restricted to low- or moderate income households, or the units are owned in the form of a condominium or cooperative;
2. **Independent Living (or congregate housing):** support services, such as meals and light housekeeping, are available for an additional fee or included in the rent;
3. **Assisted Living:** two or three daily meals as well as basic support services such as transportation, housekeeping and/or linen changes are included in the rent. More importantly, personal care, such as assistance with bathing, grooming and dressing, is available either for an additional fee or included in the rent;
4. **Memory Care:** more rigorous and service-intensive personal care is required for people with dementia and Alzheimer's disease. Typically, support services and meal plans are similar to those found at Assisted Living facilities, but the increased levels of personal care require more staffing and higher rental fees;
5. **Skilled Nursing Care Facilities:** intensive service for frail seniors, heavily regulated by the State government.

**CLOQUET / SCANLON HOUSING TASK FORCE RECOMMENDATIONS TO IMPLEMENT CLOQUET / SCANLON HOUSING STUDY**



**SUMMARY OF CLOQUET / SCANLON HOUSING STUDY RECOMMENDATIONS (August 2014)**

1. Work with property owners to combine small vacant lots with adjacent properties (less than 7,500 square feet).
2. Strategically extend municipal services into areas with numerous vacant lots (e.g. Antus Addition) thus creating 10,000-20,000 square foot lots for move-up housing.
3. Improve aging infrastructure targeting older neighborhoods (streets, sidewalks, lighting).
4. Encourage homeownership.
5. Encourage a diverse mix of housing styles. Cloquet/Scanlon market heavy in executive and base housing markets, create entry / affordable and middle market opportunities.
6. Focus on developing owner housing that young families can obtain at 80% of median income.
7. Consistently reinvest in Cloquet/Scanlon existing housing stock to maintain community stability.

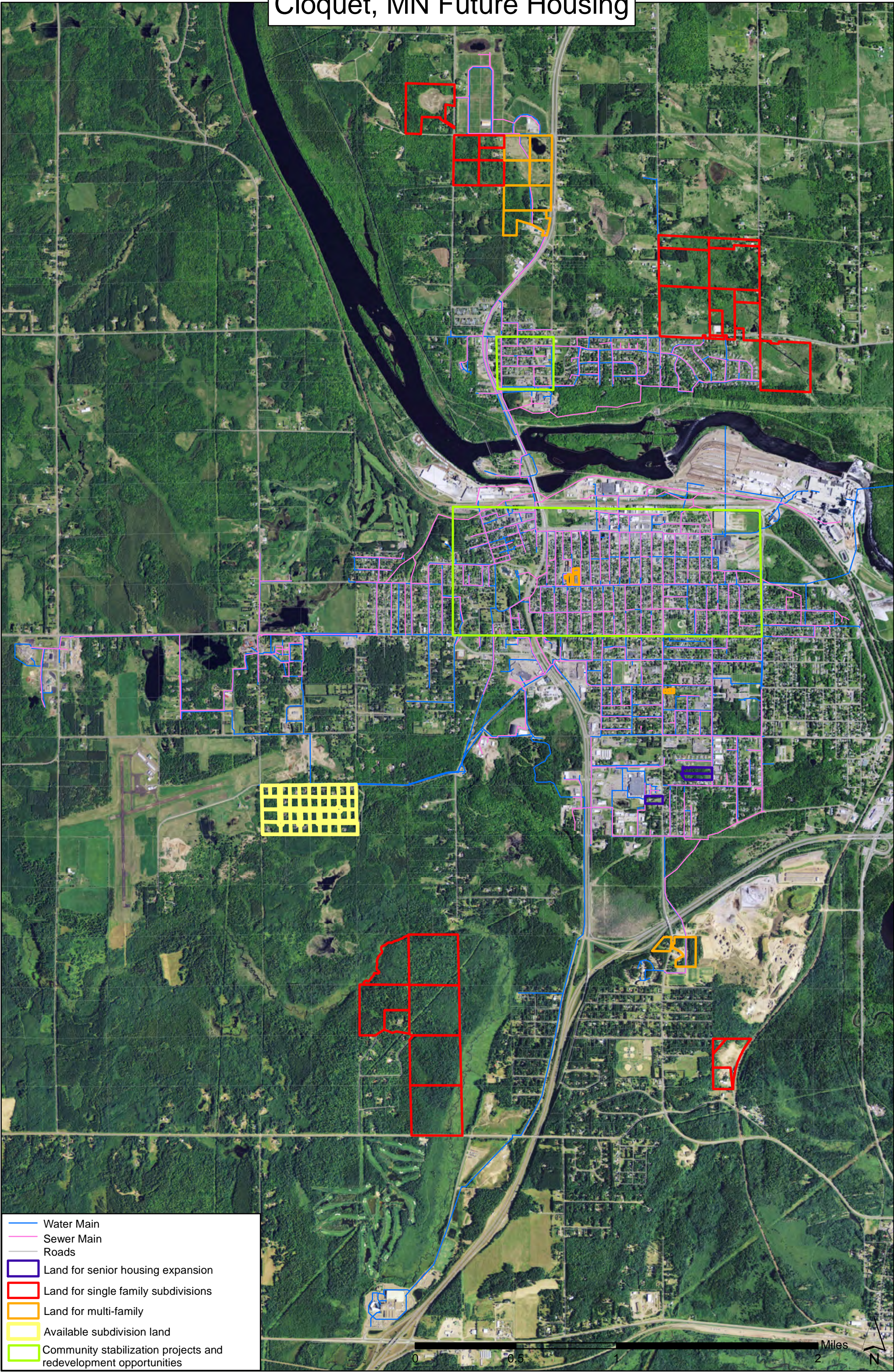
**IMPLEMENTATION ACTION PLAN (AUGUST 2014)**

GOAL	ACTION STEPS	RESPONSIBLE AGENCY	MEASURED BY	DATE
<b>1) EDUCATE COMMUNITY ABOUT HOUSING PROGRAMS</b>	Hold Housing Summit to Inform <b>Home Owners</b> and <b>Rental Owners</b> of Rehabilitation Programs offered by Regional CAP and CHDO agencies (Lakes & Pines, One Roof, and CMHP). Inform <b>Developers</b> about Housing Programs available via city - county tools, programs offered by MHFA, GMF, and USDA. Increase <b>marketing</b> outreach from CMHP and One Roof for Homeownership classes within the community.	<b>Participating Agencies</b> <b>City of Cloquet</b> non-utility bill based mailing that is direct to non-homesteaded props; newspaper, social media rental registry etc. <b>City of Scanlon</b> <b>Cloquet HRA</b> use mailing & newsletter to reach rental owners	<b>Summit Meeting held</b> (one day summit with different topics throughout the day for different groups)	Q2 2015
<b>2) IMPROVE THE AVAILABILITY, DIVERSITY, AND EFFECTIVENESS OF HOUSING SERVICE DELIVERY WITHIN CARLTON COUNTY</b>	Discuss and act to change <b>multiple agency coverage for Carlton County</b> as it relates to administration of housing programs by CAP and CHDO agencies, to align with transportation, planning, and economic boundaries. In 2005 the US Census added Carlton Co. into the Duluth-Superior Metropolitan Statistical Area. Consider collaboration of partners in the conversation Legislators, Aitkin County, MHFA, DHS, MnCAP etc.	<b>Carlton County/Cloquet</b> <b>Lakes &amp; Pine, CMHP</b> <b>MnCAP, DHS</b>	Change or improve service delivery of program opportunities (gaps also exist related to homelessness and the lack of a shelter)	ongoing
<b>3) INFORM REGIONAL STATE AND LOCAL DEVELOPERS ABOUT HOUSING NEEDS FROM STUDY</b>	Develop a succinct <b>marketing document</b> that clearly states Cloquet and Scanlon's housing message.	<b>City of Cloquet</b> <b>City of Scanlon</b>	Send materials, schedule conference calls etc.	Q1 2015
<b>4) INFORM POLITICIANS ABOUT HOUSING NEEDS FROM STUDY</b>	Inform <b>Legislators</b> about local housing needs. Cities meet with County Commissioners to review needs from study and task force recommendations.	<b>City of Cloquet</b> <b>City of Scanlon</b>	Send materials, schedule conference calls etc.	Q4 2014
<b>5) SUPPORT AFFORDABLE HOUSING DEVELOPMENT PROJECTS OF 60-80% OR LESS OF MEDIAN INCOME</b>	Work with EDA, Developers, & One Roof Community Housing on community / neighborhood stabilization revitalization projects in central core of each city such as land trust home development & other affordable housing projects (Oak St to 22nd St; Prospect north to the River; original street grid of Sunnyside; original core Scanlon).	<b>City of Cloquet</b> <b>City of Scanlon</b> <b>Cloquet HRA</b>	Project concepts moving forward to EDA, Planning Commission and Council and Cloquet HRA	ongoing
<b>6) BUILD AFFORDABLE HOUSING AT 20-60% OF MEDIAN INCOME THAT IS AVAILABLE FOR HRA HOUSING VOUCHERS AND/OR SENIOR HOUSING</b>	Cloquet HRA expand onsite Section 8 Housing Development or partner with agencies such as One Roof to construct additional affordable housing - need for both seniors and younger separated buildings. Work with Developers or Agencies to construct new senior housing downtown which is income and rent restricted (Larson Commons has 2 year waiting list).	<b>Cloquet HRA</b> <b>One Roof</b> <b>Habitat for Humanity</b> <b>Cloquet EDA</b> <b>Scanlon</b> <b>County EDA</b>	Project concepts moving forward.	ongoing
<b>7) INVESTIGATE AND UNDERSTAND THE CLOQUET HRA CHARTER OUTLINING POWERS AND ACTIVITIES</b>	Possibly broaden HRA activities in the community related to affordable housing, bonding for projects etc.	<b>City of Cloquet</b> <b>Cloquet HRA</b> <b>Cloquet EDA</b>	Project concepts moving forward	Q1 2015
<b>8) INCREASE THE DIVERSITY OF HOUSING OPTIONS</b>	Examine new <b>diverse housing mix options</b> such as cooperative housing for seniors improve housing retention through diversity in options, identify examples of successful developments of this type to use in discussions with developers.	<b>Developers</b> <b>ARDC</b> <b>City of Cloquet</b> <b>City of Scanlon</b>	Discuss and consider a wide range of housing types for all incomes	ongoing

GOAL	ACTION STEPS	RESPONSIBLE AGENCY	MEASURED BY	DATE
9) SUPPORT HOUSING STABILIZATION AND REINVESTMENT PROJECTS IN EXISTING NEIGHBORHOODS ALONG WITH REDEVELOPMENT PROJECTS TO REMOVE BLIGHT AND DETERIORATED HOMES	<b>Target areas for housing stabilization and reinvestment in existing housing stock in the original core of Cloquet and Scanlon.</b> In Cloquet specifically that means: Oak St to 22nd St; and Prospect Ave north to the river and the original streetgrid of Sunnyside. Areas for potential housing redevelopment include: the Cloquet Middle School Site. Each city will create a map of blighted blocks needing redevelopment. Each city should apply for SCDP for owner occupied, commercial, and multifamily improvements. Each city should examine enhancements to city code with tools such as vacant building registry for both residential and commercial properties; property maintenance code or blight ordinance.	City of Cloquet City of Scanlon Legislators Cloquet HRA County EDA	Diverse projects moving forward in cities for stabilization activities. Map distressed areas to address. Apply for SCDP.	Q2 2015 ongoing
10) SUPPORT NEW SINGLE FAMILY SUBDIVISION PROJECTS ESPECIALLY THOSE THAT WILL CONNECT WITH PUBLIC UTILITIES	Antus Addition Area, north of North Rd; Along Freeman Rd; Along N Hwy 33; South Oak St; Otter Creek Subdivision Expansion; Eastern Edge of Erickson Acres; Scanlon Expansion areas: 22nd St. south and then east along Tall Pine Lane- "move-up housing needed."	City of Cloquet City of Scanlon	New subdivision plans proposed. Connection between this goal and study to be included in 2015 CIP by engineering need to be explored by Cloquet.	ongoing
11) TARGET OLDER NEIGHBORHOODS FOR PUBLIC INFRASTRUCTURE INVESTMENT TO IMPROVE STREET, SIDEWALK, AND LIGHTING CONDITIONS	Work with the City Engineer to incorporate into CIP targeting Central City Core and West End areas.	City of Cloquet City of Scanlon	Annually CIP engineering projects continuously list original city neighborhood projects for street improvements.	ongoing
12) SUPPORT PROJECTS THAT IMPROVE AND EXPAND DOWNTOWN LOFT APARTMENTS ABOVE COMMERCIAL PROPERTIES	Ensure zoning continues to allow for <b>Mixed Use High Density Downtown.</b>	City of Cloquet City of Scanlon	Improvement projects and plans being proposed. Cat-7 program feature.	ongoing
13) EXTEND INFRASTRUCTURE TO SUPPORT HOUSING	<b>Cloquet Expansion areas:</b> Utilize Landfill Host Fee to Extend utilities into the Antus Addition Area to ensure adequate land supply available for housing development; Find other funds to extend north of North Rd; Along Freeman Rd; Along N Hwy 33; South Oak St; Eastern Edge of Erickson Acres Scanlon Expansion areas: 22nd St south and then east along Tall Pine Lane.	City of Cloquet City of Scanlon	Proactive plans in CIP to extend utilities for housing growth. Connection between this goal and study to be included in 2015 CIP by engineering need to be explored by Cloquet.	ongoing
14) WORK WITH THE CHAMBER TO HOST A LUNCHEON WITH BUSINESS OWNERS TO INFORM THEM ON HOUSING ISSUES AND INITIATIVES	Work with Chamber to see if topic could fit luncheon session.	City of Cloquet City of Scanlon	Luncheon held	ongoing
15) LOT COMBINATIONS IN THE CENTRAL CORE OF THE CITY	Identify parcels that are smaller than 7,500 sf and work with adjacent property owners on lot combinations to create more marketable lots allowing expansion space on existing properties.	City of Cloquet City of Scanlon	Use the parcel map created by Stantec, City Planner will craft a letter to be mailed to adjacent parcels.	ongoing
16) DEVELOP A HOUSING INVENTORY MAP OF CLOQUET AND SCANLON	Identify and map undeveloped land available for housing and determine the appropriate housing type. Identify blighted properties needing redevelopment. Identify and map potential lot combinations. Map existing and potential mixed use commercial and housing properties.	City of Cloquet City of Scanlon ARDC	Map created	Q1 2015
17) IMPROVE QUALITY OF RENTAL HOUSING STOCK	Pass rental registry. Pass a Rental Housing Ordinance with licensing and inspections. Apply for SCDP to enhance rental properties. Hold housing summit on rental improvement programs.	City of Cloquet City of Scanlon	Approval by Council Approval by Council Completed application Hold Housing Summit	Q4 2014 Q4 2017 Q1 2015 Q2 2015
18) SUPPORT NEW MULTI-FAMILY DEVELOPMENT PROJECTS	Areas for potential multifamily development include Hwy 33 N area, 14th Street Apartment expansion, other infill sites central core of the City.	City of Cloquet City of Scanlon	Improvement projects and plans proposed	ongoing



# Cloquet, MN Future Housing



- Water Main
- Sewer Main
- Roads
- Land for senior housing expansion
- Land for single family subdivisions
- Land for multi-family
- Available subdivision land
- Community stabilization projects and redevelopment opportunities



### Move Up Buyers

Move up buyers are typically in their 30s and 40s. They move up from the smaller, less expensive house that they had purchased earlier. From an economic growth perspective, this is an important group of people. Typically, move up buyers have children in school and they have established jobs, so they are less apt to move to another community and start over. Also, professionals who are moving to a community to advance their career are generally looking to move up to a more expensive house than what they had in their previous community. Cloquet must ensure that it has adequate choices for those who are looking for move up housing that will satisfy their needs until they are in their late 50s and beyond.

### Empty Nesters and Young Seniors

Empty nesters and young seniors are generally in their 50s and 60s. Often, their children have moved out of their house and left them with a larger house than needed or desired. Empty nesters and young seniors frequently want to live in a smaller house, such as a townhouse, that has less maintenance. As the baby boom generation moves into this age group, this population will increase in Cloquet. In recent years, Cloquet has seen an increase in townhouses and condominiums that empty nesters and young seniors typically seek. Cloquet will need to work to increase housing choices for empty nesters and young seniors. If there are not adequate housing choices for this age group, young seniors may be apt to leave the City after they retire.

### Older Seniors

Those in their 80s and older are often looking for low maintenance or assisted living housing. As the population ages, Cloquet must continually ensure that it has adequate housing to meet the needs of seniors. In recent years, Cloquet has made great progress in providing additional senior housing. Cloquet should continue to be a senior-friendly community that values the contributions of seniors to the community.



*Assisted Living*

## GOALS, OBJECTIVES, AND POLICIES

### Goal: Cloquet provides diverse and attractive housing to meet the needs of residents.

Objective 7.1: Encourage the preservation and enhancement of the existing housing stock to provide for the needs of current residents and to accommodate anticipated future population growth.

Policy 7.1.a: Continue to work with the Minnesota Housing Finance Agency and others to help provide financial assistance to rehabilitate housing.

Policy 7.1.b: Explore opportunities to amend the Zoning Ordinance to reflect identified housing needs. For example, consider amending the Zoning Ordinance to allow accessory living units in single-family residential districts to help address the housing needs of seniors and those with special needs.

Policy 7.1.c: Explore opportunities to develop and make available a handbook to guide homeowners in rehabilitation of their property.

Policy 7.1.d: Where appropriate, encourage green building/sustainable design concepts for new housing and housing renovations.

Policy 7.1.e: Strive to identify blighted properties that are vacant or for sale in the city center and other appropriate areas of the city. Consider acquiring the properties and improving them, or explore redevelopment opportunities. Seek private rehabilitation support where desirable.

Policy 7.1.f: Promote neighborhood cleanup programs. Hold cleanup days for appliances, furniture, and general neighborhood cleanup.

Policy 7.1.g: Where appropriate, consider providing loans and/or other assistance to enhance property maintenance.

Objective 7.2: Encourage the development or redevelopment of housing for all income levels, special needs, and stages of life.

Policy 7.2.a: Explore creating regulations and incentives that encourage development of low and moderate-income housing, as well as housing for those with special needs.

Policy 7.2.b: Where appropriate, encourage infill housing in areas currently served by public utilities.

Policy 7.2.c: Encourage the creation of mixed-use development in the city center that includes housing, employment, shopping, and recreation opportunities in a compact, pedestrian setting. Where appropriate, encourage housing above businesses in the city center. Periodically update the City's master plan for the downtown (city center) area.

Policy 7.2.d: Use and promote government programs to assist with the development of multi-family rental housing, first time homebuyers, and similar housing needs.

Policy 7.2.e: Explore opportunities to develop and implement housing programs or tools to help develop affordable housing, transitional housing, and other housing needed in the community. Possible tools may include density bonuses, reduced building setbacks, and reduced parking requirements.

Policy 7.2.f: Where appropriate, support programs, such as Habitat for Humanity, that help address Cloquet's housing needs.

Policy 7.2.g: Explore opportunities to develop "traditional neighborhood design" ordinances and subdivision regulations. Where appropriate, encourage traditional neighborhood design developments as a means to provide attractive housing for young families.

## HOUSING PLAN

This section expands on the key concepts and actions described in the inventory and analysis section and the goals, objectives, and policies section of this chapter. In general, the City will help guide housing in Cloquet by regulating existing and proposed housing and by promoting and offering programs that help people acquire and maintain housing. General steps that the City will strive to accomplish include the following:

- Promote housing infill, redevelopment, and maintenance;
- Promote an appropriate housing mix;



- Guide and zone property to address housing expansion needs;
- Address issues relating to rural residential development within the city and near the city;
- Promote housing assistance programs; and
- Promote housing that respects economic, social, and natural resources.

A more detailed description of the Housing Plan follows.

## HOUSING INFILL, REDEVELOPMENT, AND MAINTENANCE

The Housing Plan promotes housing infill and redevelopment, particularly in those areas of the city that are currently served by public sewer and water. Housing infill and redevelopment is generally cost effective because it allows the City and developers to use existing infrastructure and community facilities. It also helps grow and support the surrounding neighborhood. However, to help promote housing infill and redevelopment, developers and landowners should have some assurance that the surrounding neighborhood will be well maintained. It is difficult to promote infill development in a declining neighborhood.



*Opportunity for Housing Infill on 14<sup>th</sup> Street*

Roughly 58.6% of the housing in Cloquet was built before 1960. Maintenance, energy efficiency, and safety concerns will become more prevalent in Cloquet as the housing stock ages. Consequently, in key areas of the City and at opportune times, the City will strive to evaluate the existing condition of older housing stock and recommend strategies to address priority needs, rehabilitate or remove existing problem housing, fund maintenance efforts, and improve housing maintenance.

The City will also work with others to promote programs that help housing become more energy efficient. Reduced energy consumption can help make housing more affordable and it can help protect the natural environment. Where appropriate, the City will also encourage well-planned rehabilitation projects that enhance or restore the historic character of existing housing.

## HOUSING MIX

The Housing Plan promotes an appropriate mix of housing types intended to serve the diverse needs of the community. It promotes life-cycle housing that allows a young resident to start out in Cloquet by renting an apartment, then move to a starter house, then to a move-up house, and finally to senior housing or assisted living. The goal is to provide adequate housing at all stages of a person's life.

The Plan also recognizes that Cloquet's demographic characteristics are changing. More people are choosing to remain single, people are living longer, and there are more single parent families. Although these demographic changes may occur gradually, the City must be sensitive to the fact that housing needs are changing and that Cloquet should have an appropriate mix of housing to meet those needs.

Although there is a need to provide a full range of housing types, the Plan recognizes a special need to provide additional housing choices for young families. The City must attract young families if it is to grow and sustain its population. The Plan also recognizes a need to provide additional housing for its growing population of young seniors, empty nesters, and older seniors.

## KEY HOUSING EXPANSION OPPORTUNITIES

In addition to infill development opportunities, the Comprehensive Plan guides the following key areas in the city for future housing expansion.

### Housing in the City Center

The Comprehensive Plan promotes a strong and vibrant city center (downtown). A mixture of additional housing in the city center would help bring a critical mass of people to the city center, thereby strengthening existing businesses and promoting new businesses. New housing can be developed above existing businesses, but opportunities also exist to develop or redevelop standalone housing in the area. Housing in the city center would especially appeal to young seniors, empty nesters, older seniors, and singles and couples without children.

### Housing North and East of the River

The area north and east of the St. Louis River on both sides of State Highway 33 provides an excellent opportunity to provide a significant amount and mixture of new housing in Cloquet (refer to Chapter 3: Land Use). The City can reasonably and logically serve this area with public sewer and water. The Comprehensive Plan guides this area for a mixture of residential uses including single-family detached housing, single-family attached housing, and multi-family housing. The Plan also promotes diverse housing that accommodates people of all income ranges.

## EXISTING AND FUTURE RURAL RESIDENTIAL

As discussed in Chapter 5: Utilities and Community Facilities, there are several rural residential developments in Cloquet that are not served by public sewer and water. Some of these developments existed before the 1975 merger of Knife Falls Township and the City of Cloquet. Pursuant to the merger agreement between the City and Township, developments in the former Township have a reduced tax rate until such time that the City provides these developments with public sewer and water. While rural residential developments contribute positively to Cloquet's housing mix, their reduced tax rate strains the City's ability to recoup its costs for providing these developments with City services, including police and fire protection and road maintenance.

As discussed in Chapter 3: Land Use, the City can reasonably and logically over time extend public sewer and water to many of these rural residences. As the City plans for logical expansion of public sewer and water into rural residential areas, it will need to consider the cost and benefits of doing so for the City as well as individual property owners. Public sewer and water that replaces failing septic systems and wells benefits the general public and individual property owners. In addition, some property owners may benefit by being able to subdivide their property once they have public sewer and water. However, others may not be able to subdivide (or may not wish to subdivide). For them, the costs of City sewer and water may be difficult to absorb without careful planning. Consequently, the City and rural residential property owners must work together to address this situation in a positive and fair manner.

The City must also carefully consider the costs and benefits associated with future rural residential development in the city. In recent years, the City approved two significant rural subdivisions: Jolicouer



*Rural Residential Development*

Trails, which has 27 lots on 60 acres, and Otter Creek, which has 25 lots on 40 acres with potential future subdivisions on an adjacent 120 acres. All of these lots are served by septic systems and private wells, and all of these lots have an area of at least one acre, with most lots having an area of 1.5 to 2.5 acres. Again, these developments contribute positively to Cloquet's housing mix, but the City must analyze the costs and benefits of allowing additional significant rural subdivisions in the city.

The Plan recognizes that all property owners, even those without access to public sewer and water, have the right to develop their property in a manner consistent with the City's Comprehensive Plan and Zoning Ordinance. However, where appropriate, the City will promote conservation subdivisions, clustering, and other techniques that will allow rural residential development, while encouraging the preservation of significant natural areas.

### **Housing Development in the Adjacent Towns and on Fond du Lac Reservation in Cloquet**

The towns adjacent to Cloquet are growing at a faster rate than the City of Cloquet (see Chapter 2: Community Background). Pressure to extend City utilities into the township will likely grow as the City extends public sewer and water into the rural areas of the city and closer to adjacent townships. In turn, that raises the need to discuss the possibilities of annexation. Therefore, the City and townships must cooperate on future housing developments in and near the townships. Likewise, the Fond du Lac Reservation has a need for additional housing as its population continues to grow. The Fond du Lac Band will provide additional housing on Reservation land in Cloquet, but the City and Fond du Lac Reservation must coordinate housing efforts, in part, to ensure that all residents have adequate access to community facilities and services, such as parks.

## **THE CLOQUET HOUSING AND REDEVELOPMENT AUTHORITY AND HOUSING ASSISTANCE PROGRAMS**

The Cloquet Housing and Redevelopment Authority (HRA) promotes safe, decent, and affordable housing in Cloquet. In particular, the HRA assists households through the Section 8 Program. The HRA and the City of Cloquet will continue to work with various housing agencies and programs to promote housing in the city. Key agencies and programs include the following:

- Minnesota Housing Finance Agency
- Housing Trust Fund
- Economic Development and Challenge Program
- Minnesota Families Affordable Rental Investment Program
- Innovative Housing Loan Program
- Low Income Housing Tax Credits
- Historic Tax Credits
- Community Activity Set-Aside Program
- HOME Program Rental Rehabilitation Grant Program
- Deferred Loan Program
- Great Minnesota Fix-Up Fund
- Greater Minnesota Housing Fund for Multi-Family and Single-Family Assistance
- The Community Development Block Grant – Small Cities Development Program

- USDA Rural Development: Rural Housing Home Loan, 504 Program, Rural Rental Housing Loans, and Public Facilities Program
- Central Minnesota Housing Partnership: Home Rental Rehabilitation, Rental Rehabilitation Loan Program, Affordable Mortgage Products, Gap Financing, and Project Packaging and Technical Assistance
- Predevelopment Loan Program
- Essential Function Bonds, and
- Tax Increment Financing

## **CONCLUSIONS**

A strong link exists between housing and economic development. The Housing Plan promotes housing choices that reflect existing and planned economic conditions. For example, it promotes housing in the city center where residents can live, work, and play within a compact, pedestrian-oriented setting. The Plan also promotes sustainable development techniques that may include (where appropriate) green architecture, reduced street widths, reduced lot size, and clustering techniques. Implementing sustainable techniques can help reduce development costs and make housing more affordable.

The Plan promotes a sensitive mixture of housing that allows people of all ages and incomes to interact. For example, seniors can help care for youth while a single parent is working, and youth can help seniors with maintenance issues. The Plan also promotes the integration of trails, parks, limited commercial nodes, and traditional neighborhood design principles that strengthen the social fabric of the neighborhood.

The Plan respects Cloquet's natural features. It promotes housing development and redevelopment in areas already served by public sewer and water, thereby preserving existing open space. It allows rural residential development, but it encourages development to respect natural features.

Refer to Figure 7-1: General Housing Plan for a graphical representation of the key concepts of the Housing Plan.