



2009 Housing Report

Moorhead, MN



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City of Moorhead 2009 Housing Report

This report reviews Moorhead's housing market for the year 2009 and compares progress to prior years' statistics. Staff will continue to provide quarterly housing updates to the Mayor and Council, as well as the general public during 2010. This 2009 Annual Housing Report and 2010 Quarterly Reports can be found at <http://www.cityofmoorhead.com/housing/index.asp>. Questions or requests for further information can be directed to Kristie Leshovsky, City Planner, 299-5332 or Kristie.Leshovsky@cityofmoorhead.com.

Executive Summary

Home sales and median home sales prices have held steady throughout the FM Metro area with "closed" sales increasing approximately 7% from 2008 to 2009. Although the housing sales market has held steady, the number of newly constructed housing units dipped in Moorhead in 2009. Estimates for production of new housing priced at \$150,000 or less in the *Regional Workforce Housing Profile for the Fargo-Moorhead Metro Area* (Profile) for the period 2005 - 2010 have been met, according to estimates based on the reported Building Permit Value. There were 38 home foreclosure sales in Moorhead in 2009, an increase of one foreclosure from 2008. A total of 35 Category 1 and 2 homes have been acquired through the voluntary flood buy-out program with an additional 15 in process.

State-Funded Property Tax Abatement Program Initiated

As part of the State of Minnesota's response to the 2009 spring flood, the legislature, at the City's request, enacted a two-year property tax abatement incentive for newly constructed homes and multifamily apartments in Moorhead and other Minnesota border cities located in the disaster area. This incentive applied to residential construction initiated in 2009 and 2010. The incentive is designed to restore market confidence and encourage building homes in Moorhead on property that is not prone to flooding. The program includes the following building incentives:

- **Two-year abatement for single family homes:** The first \$200,000 in structure value of single family attached and detached homes constructed in calendar years 2009 and 2010 [and those single family homes constructed in 2008 owned by the original builder, not previously occupied, and not subject to a purchase agreement as of March 26, 2009]. The abatement is applied each of the two assessment years following construction.
- **Two-year abatement for multifamily units:** The first \$20,000 per unit structure value for multifamily apartments constructed in 2009 and 2010 applied to each of the two assessment years following construction.

Federal Home Buyer Tax Credit Initiated

As part of the American Recovery and Reinvestment Act of 2009, first-time homebuyers are eligible for a 10 percent tax credit up to \$8,000 for homes purchased on or after January 1, 2009 and before December 1, 2009. The tax credit does not have to be repaid. Single taxpayers with incomes up to \$75,000 and married couples with incomes up to \$150,000 qualify for the full tax credit.

Looking Forward to 2010

The state-paid new construction tax abatement remains available for homes and apartments for which construction begins before December 31, 2010. Congress extended the federal tax credit for first time home buyers initial November 2009 deadline—the credit is now available for homes under contract by April 30, 2010 and purchased by June 30, 2010. Congress also expanded the tax credit to non-first time homebuyers. Current homeowners who have owned a home for five of the past eight years may qualify for a credit of up to \$6,500 or 10 percent of the purchase price. The availability of the state and federal housing incentives will be prominently featured in the City of Moorhead's spring 2010 residential marketing campaign.

Housing Sales Market (New and Existing Homes):

Home sales and median home sales prices have held steady throughout the FM Metro area with “closed” sales increasing approximately 7% from 2008 to 2009.

Table 1 – FM Metro Closed Housing Sales								
	Closed Sales 2006*	Median Sales Price 2006	Closed Sales 2007*	Median Sales Price 2007	Closed Sales 2008*	Median Sales Price 2008	Closed Sales 2009	Median Sales Price 2009
Fargo	1,431	\$135,000	1,443	\$140,000	1,255	\$141,000	1,354	\$137,000
Moorhead	593	\$130,708	635	\$138,000	548	\$138,000	550	\$138,000
West Fargo	544	\$142,850	543	\$144,700	448	\$149,900	495	\$153,350
Dilworth	87	\$136,150	75	\$136,675	52	\$145,250	66	\$139,900
Total	2,655		2,696		2,303		2,465	

Source: FMAAR – Data gathered on January 12, 2010
 Closed Sales Represents Single Family, Twinhomes, Townhomes and Condos
 *Full Year Data (January 1 – December 31)
 Note: not all closed home sales may be represented as realtors may input sales data at a later date.

Infrastructure Expansion and Residential Housing Development Activity:

- Approximately 3,090 single family residential lots were platted in Moorhead between 2001 and 2009.
- For those lots, approximately 1,825 building permits have been issued.
- Of the remaining 1,270 platted lots with no building permit issued, approximately 670 represent fully-serviced buildable lots and are located in various subdivisions throughout Moorhead. The remaining 600 lots, although platted, have not been serviced with local streets and utilities.
- Three large subdivisions, Johnson Farms (platted in 2005), Stonemill Estates (platted in 2006), and Village Green 6th Addition (platted in 2006), represent approximately one-third of the new lots platted since 2001. Local streets and utilities to these three subdivisions are being completed in phases with 385 lots currently serviced and buildable.

Table 2 – Partially Serviced Subdivisions				
Subdivision	Total Lots	Serviced	Not serviced	Building Permits Issued*
Johnson Farms	368	201	167	79
Stonemill Estates	194	77	117	15
Village Green 6 th	423	107	316	72
TOTAL LOTS	985	385	600	166

*Through 2009

Status of Special Assessments for Johnson Farms, Stonemill Estates and Village Green 6th subdivisions:

- Johnson Farms: Some delinquency. Special Assessment bond payments are currently covered by a Letter of Credit.
- Stonemill Estates: Substantial delinquency. Special Assessment bond payments are being covered by an existing cash balance in a Special Assessment Fund. There is no Letter of Credit.
- Village Green 6th: No delinquency.

Lot Absorption Rates:

The average number of single family attached and detached building permits issued from 2000 through 2009 was 213 permits.

Assuming the City’s current inventory of approximately 670 fully-serviced single family attached and detached buildable lots:

- If 300 building permits are issued per year, it would take approximately 2.2 years to absorb existing lots.
- If 200 building permits are issued per year, it would take approximately 3.4 years to absorb existing lots.
- If 100 building permits are issued per year, it would take approximately 6.7 years to absorb existing lots.

New Housing Construction Activity:

Although the housing sales market has held steady, the number of newly constructed housing units dipped in Moorhead in 2009 and the total residential permit valuation was down over \$3 million from 2008.

Table 3 - Building Permits Issued in Moorhead, MN (2000 – 2009)						
YEAR	Single Family Detached Units	Single Family Attached Units	SF Attached & Detached Units	Two, Three & Four Units*	Five or More Units*	MOORHEAD TOTAL UNITS
2009	143	32	175	0	124	299
2008	153	37	190	5	217	412
2007	161	64	225	38	68	331
2006	163	166	329	8	145	482
2005	190	130	320	62	132	514
2004	176	117	293	4	178	475
2003	113	82	195	4	160	359
2002	90	110	200	38	124	362
2001	74	32	106	6	36	148
2000	69	24	93	44	0	137

*Represents number of total units, not number of permits issued
 Source: City of Moorhead Building Codes Office (excludes permits issued in Oakport)

Chart 1 - Total Number of Residential Housing Units (Single Family and Multi Family) Constructed in Moorhead, MN (2000 – 2009)

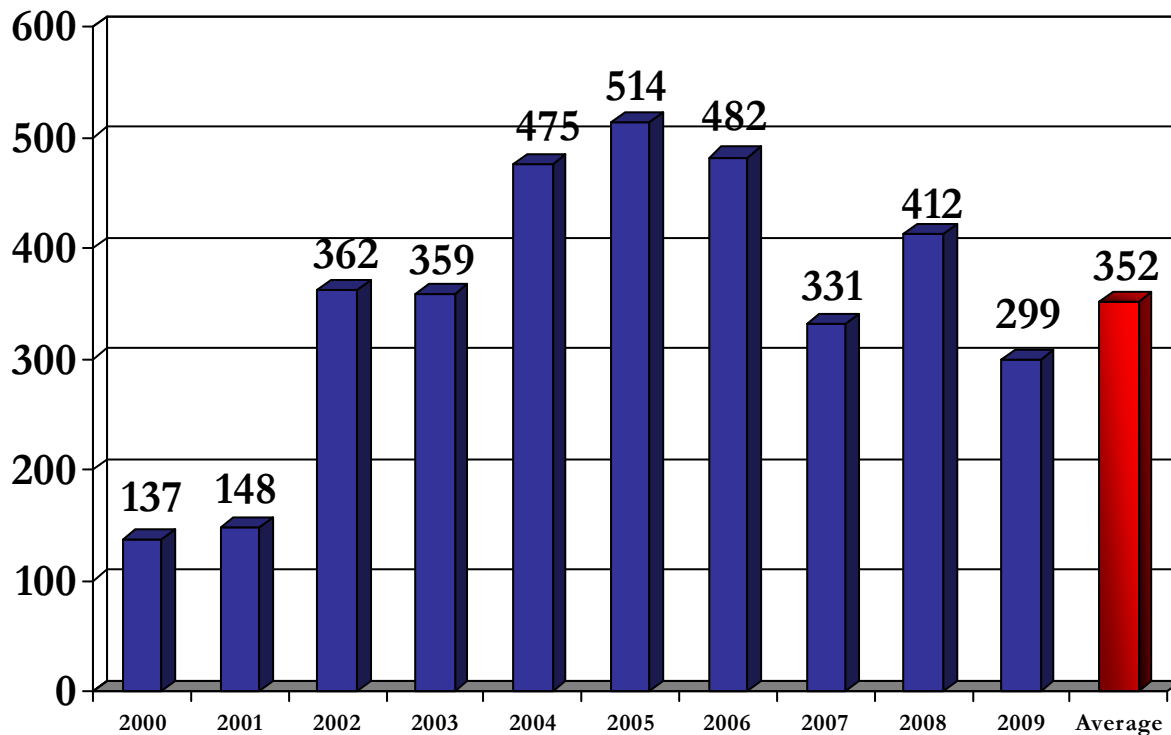


Chart 2 – Single Family Residential Permit Valuation in Moorhead, MN (2000 – 2009)

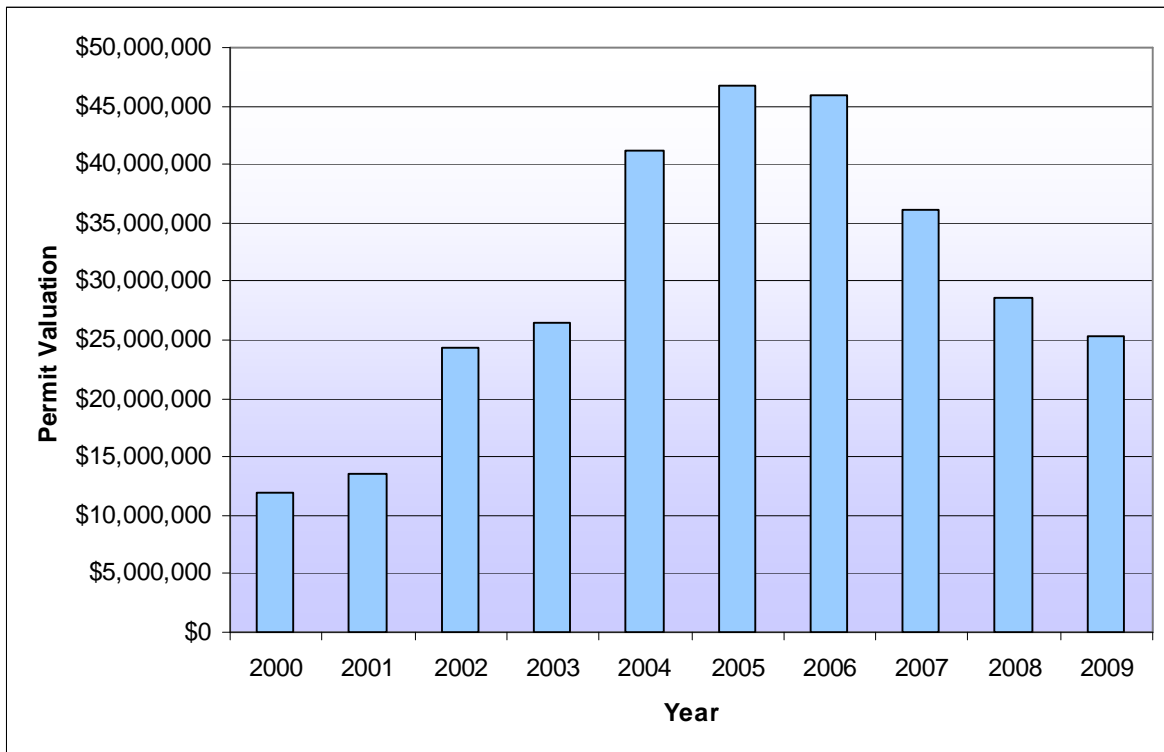
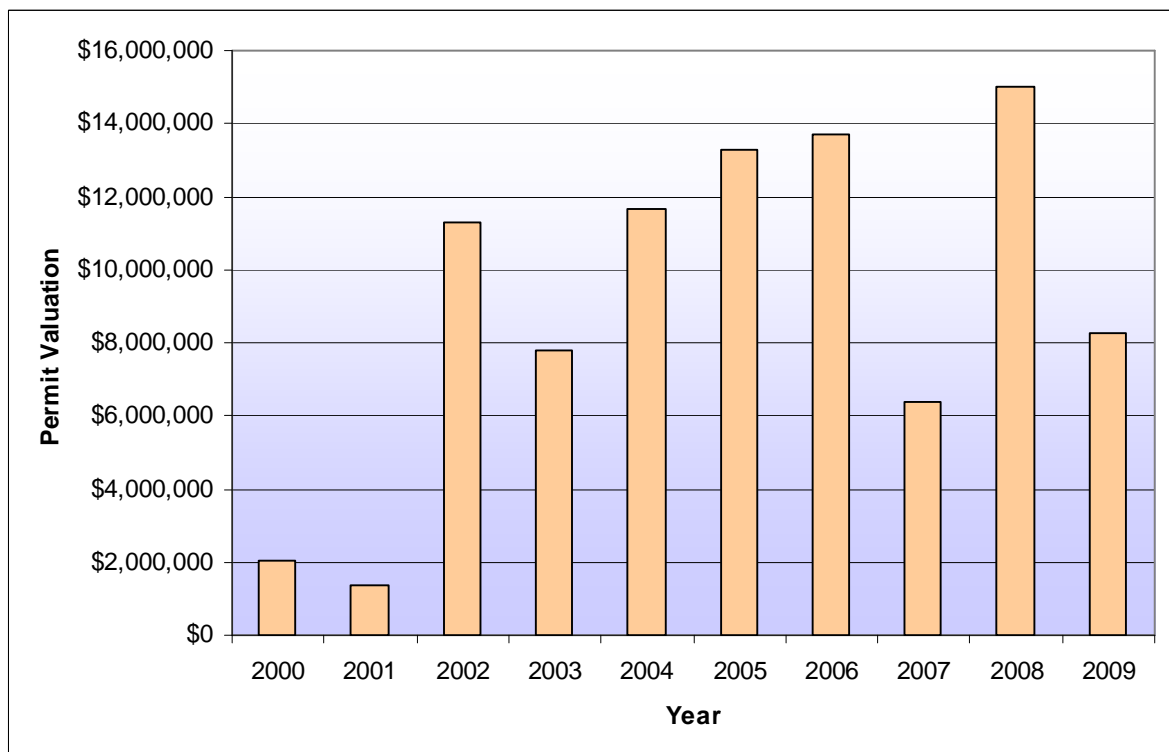
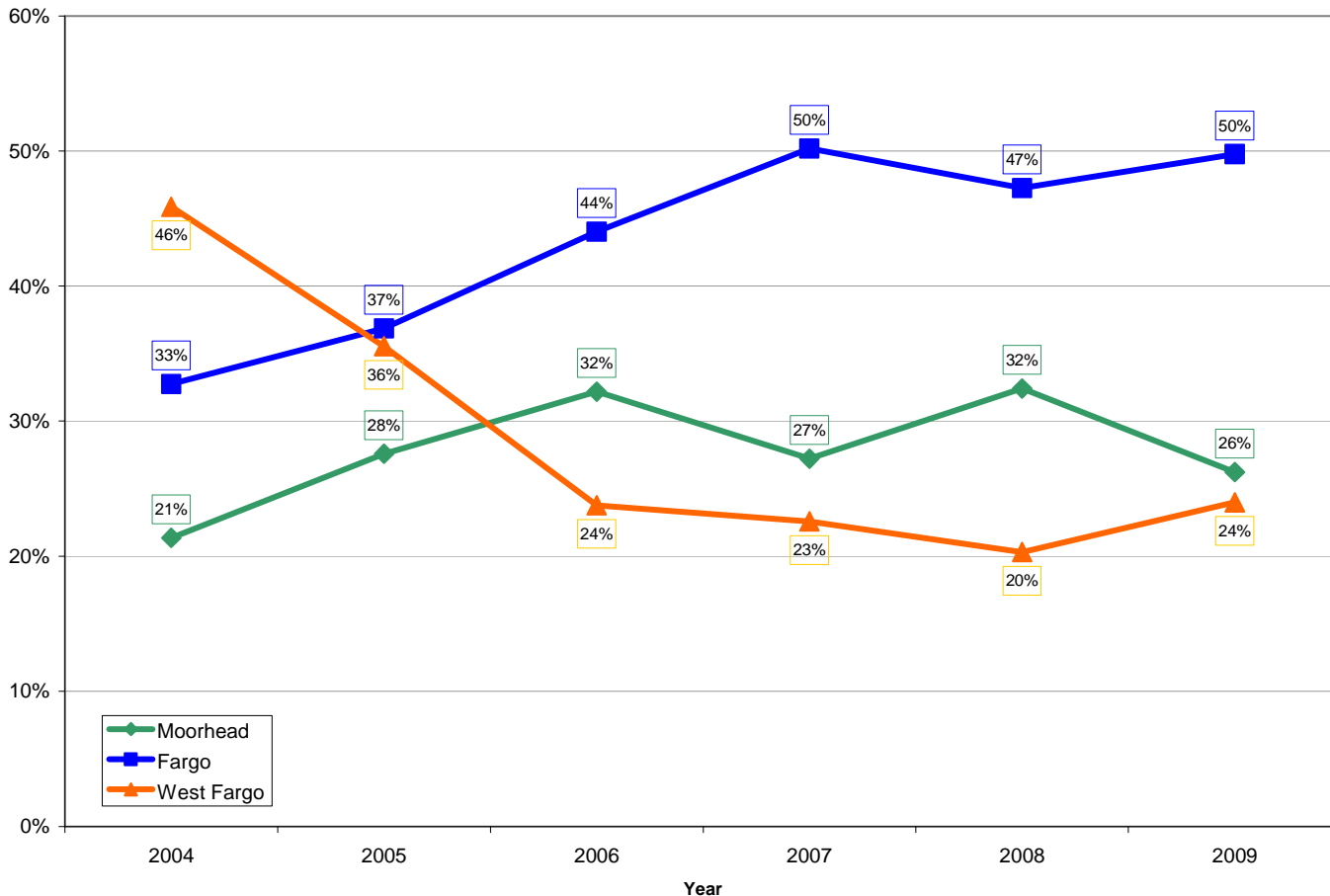


Chart 3 – Multifamily Residential Permit Valuation in Moorhead, MN (2000 – 2009)



US Census Population Estimates for 2008 show that Moorhead comprises 23.5% of the population in the Fargo-Moorhead MSA and new single family residential construction in Moorhead comprised 26% of the total single family units constructed in Fargo, West Fargo and Moorhead in 2009.

Chart 4 – Fargo – West Fargo – Moorhead: Percent of Total New Single Family Residential Units (2004-2009)



Workforce Housing:

→ The *Regional Workforce Housing Profile for the Fargo-Moorhead Metro Area (Profile)* estimated that, between 2005 and 2010, Moorhead could support a projected demand of an additional 1,050 newly constructed for-sale units within the following price range:

Below \$150,000.....	300 Units	29%
\$150,000-\$199,999	425 Units	40%
\$200,000-\$299,999	250 Units	24%
\$300,000 and higher.....	75 Units	7%

→ Moorhead issued 1,238 single family attached and detached building permits from 2005 through the 2009 and the permit data indicates that Moorhead is providing the number and type of housing units suggested in the Profile.

Table 4 Estimated Cost* of Attached and Detached Homes (2005 – 2009)						
	<\$110,000	\$110-149,999	\$150-199,999	\$200-299,999	>\$300,000	Totals
2009	38	53	42	25	17	175
2008	32	45	71	29	13	190
2007	45	57	70	34	19	225
2006	125	58	74	55	16	328
2005	109	75	69	49	18	320
Totals	348	273	319	188	79	1,238

*Building Permit Value less than \$125,000: add 14% to account for lot price and special assessments

*Building Permit Value between \$125,000 and \$175,000: add 17% to account for lot price and special assessments

*Building Permit Value above \$175,000: add 20% to account for lot price and special assessments

**These percentages are estimates and were based on average lot prices and special assessments for new homes constructed from 2005-2006

→ When comparing the projected demand from the Profile and the estimated cost of new homes, the projected demand has been obtained in four years and those homes estimated to cost less than \$150,000 have outnumbered the demand projected in the Profile.

Foreclosure Sales In Moorhead (2005 to 2009)

Moorhead’s residential foreclosure rate is not at a significant level when compared with other urban areas in Minnesota and across the country; however, at the time this issue became problematic nationwide, foreclosures in Moorhead did increase. Foreclosures for the past three years have been relatively stable in number, although higher than previous years.

Table 5 Foreclosures Sales 2005-2009	
2005	16
2006	20
2007	42
2008	37
2009	38
Total	153

Voluntary Flood Acquisitions:

A contract with Minnesota Department of Natural Resources (DNR) was approved by the Moorhead City Council on July 13, 2009 which authorized the City to commence with property acquisition. A list of properties whose owners have expressed interest in a flood buyout has been developed in the months since the spring flood.

What do each of the 3 categories for acquisition mean?

Category 1: Eligible for FEMA funding (meets federal cost-benefit analysis and land not needed for construction of flood control structures.)

Category 2: 2009 acquisitions based upon substantial property damage, difficulty to protect with temporary measures, or needed for near term flood mitigation construction

Category 3: 2010 or later acquisition based upon the likelihood the property will be needed for future flood protection and flood risk

Overview of 2009 Flood Acquisitions – Category 1 & 2

- 35 CLOSED
- 5 Offer Accepted/Closing Pending
- 2 Offer Pending with Seller
- 8 Appraisals in Process

TOTAL of 50 Category 1 & 2 flood acquisitions

Funding Source

Category 1	75.0% FEMA/HMGP
	12.5% DNR
	12.5% CITY
Category 2	87.5% DNR
	12.5% CITY
Category 3	100% DNR

Table 6 Flood Acquisitions – Category 1 & 2 Funding Sources			
CATEGORY 1	FEMA/HMGP	DNR	CITY
\$598,000	\$448,500	\$74,750	\$74,750
CATEGORY 2			
\$9,140,637	N/A	\$7,998,057	\$1,142,580
TOTAL 1 & 2			
\$9,738,637*	\$448,500	\$8,072,807	\$1,217,330

*Inclusive of actual closing settlement, estimated acquisition of pending buyouts and demolition

Overview of 2010 Flood Acquisitions – Category 3

48 Projected Acquisitions – Pending Legislation/funding

Properties ranked by elevation and flood risk

Table 7 Flood Acquisitions – Category 3 Funding Source			
CATEGORY 3	FEMA/HMGP	DNR	CITY
\$11,851,575*		\$11,569,700	

*Inclusive of estimated acquisition and demolition

Current Status of flood buyout structures

- Many structures have a short term lease back to the seller to allow for flexibility during the closing, finding their next residence and moving.
- Structures are secured and winterized upon the sale or end of lease.
- Grass and sidewalks will be maintained by the city.
- Limited training by emergency services is allowed before environmental testing.
- Salvage of homes not targeted for moving is allowed first by the seller, second by third parties and then by Habitat for Humanity. All salvage is done by written application, seller and third party are charged salvage values set by the assessment staff.

2010 Winter and Spring Activities

- Winter/spring environmental testing, remediation and demolition is pending.
- Aggressive training including burning structures will be allowed after environmental testing and will be coordinated with the demolition process.

Disposition of the Structures

50	Total Buyouts Anticipated
24	Targeted for demolition
25	Targeted for sale/move
1	Land only parcel

Properties are slated for demolition due to damage by flooding and/or age. Assessment staff will value the salvage values of the homes for moving. Staff’s first effort will be to work with a Developer to sell and move all or most homes into a clustered area within Moorhead. The second option will be to sell the homes with a series of open houses and listing the structures for sale on the city web site. Some houses, due to size, shape or story height may not be feasible to move. Any structures remaining will need to be demolished by late spring to clear the property for flood mitigation projects. Program income generated by leasing, salvage and sales are used for additional flood mitigation.