HOUSING

The City of Two Harbors plays a role in local housing development in a number of ways. The most basic way the City is involved in residential development is through zoning and subdivision regulations. The City also provides roads and non-motorized transportation access to neighborhoods; and sewer, water, and electrical utilities. The City also plays a greater role in the housing market than many other cities. Much of the available land for housing development is owned by the City. A significant portion of developable land is also held by the County in tax forfeiture.

Housing is an important part of the City’s community development and economic development efforts. Challenges include protecting existing neighborhoods, stimulating new housing construction, increasing the customer base for local utilities, balancing natural resource protection with desired development, and providing quality and affordable housing across the range of residential needs. Providing quality, affordable housing for the workforce and an aging population will become especially important over the next decade.

2009 Lake County Comprehensive Housing Analysis

The 2008/2009 Maxfield Research Inc. Comprehensive Housing Analysis and Demand Estimates for Lake County, Minnesota commissioned by the Lake County Housing and Redevelopment Authority provides a fuller study of housing and demographics in Two Harbors. They study was referred to by the Planning Commission in developing the Two Harbors Comprehensive Plan, and should be referred to in the future should questions about housing needs arise.

The study found that Two Harbors’ needs included:

- “New construction entry-level homes for young households/families.
- Rehab of older homes; these homes are affordable to purchase, but require a substantial amount of additional investment to upgrade them to a satisfactory level.
- Additional moderately-priced independent senior housing, rentals and ownership;
- Additional service-based senior housing that would offer memory care.”

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2 Maxfield Research for Lake County HRA. Comprehensive Housing Analysis and Demand Estimates for Lake County. 2009
Among the many findings in the study the following are particularly interesting for the Two Harbors Comprehensive Plan:

- The study supports the connection between housing and economic development. "In Lake County, over 90% of households earning $35,000 or more owned homes compared to 67% with incomes of below $25,000. Many of the lower-income homeowners are seniors who live on fixed incomes but have paid off their mortgages (page 17, Maxfield Study).

- The study found that Two Harbors had the oldest housing stock in the County. The portion of housing built prior to 1940 was 47%, more than twice the state average of 21% (page 93, Maxfield Study).

- 45 units were built between 2000 and 2008 (page 93)

- "Pent-up demand typically signals a need for additional housing. Our analysis identified that the current vacancy rates in Two Harbors were below the 5% market equilibrium rate indicating a balanced market. The rental market is tight with vacancy rates below 5%, indicating more renal housing is need" (page 64, Maxfield study).

- Of the 1,537 Two Harbors homes visually surveyed - 1,288 were found to be sound, 154 need minor repair, 75 need major repair, and 20 were dilapidated (page 96, Maxfield Study).

- "The costs of rehabilitation must be weighed against replacement of the unit. At times, rehabilitation of the unit may result in a cost nearly equal to or higher than replacement of the unit. Consideration must be given to market demand and preferences as well" (page 63, Maxfield Study).

Housing Development and Relationship to Population Growth

The city’s official 2000 Census population was 3,613. In 2007, the Minnesota Demographer’s Office estimated that the city’s population would peak at 3,753 in 2025. However, estimates released in August 2010 by the same office estimate the current population at 3,578. The results of the 2010 Census will provide a more accurate population measure for the city.

The 1999 Comprehensive Plan set population goals of 4,000 by 2010 with preparation for long term growth to 5,000. The City should continue to plan for a goal of 4,000 residents but extend the timeframe to 2020. This would mean attracting more than 400 new residents to the City. In order to meet the more modest 2007 State Demographer’s estimate of 3,762 residents by 2020 the City will need to prepare for an additional 184 residents.
A quick way to estimate the number of new housing units needed to accommodate the desired growth in population is to divide the additional population by the average household size, which is 2.21 for Two Harbors. To meet the population goals discussed above the city will need an additional 83 to 191 housing units. These estimates closely resemble the 2009 Maxfield Housing Study commissioned by Lake County Housing and Redevelopment Authority which recommended an additional 163 units be developed in the city by 2020 to meet demand. The estimate can be improved by adding in the number of existing housing units that will need to be replaced due to condition and aging. The 2009 Maxfield housing analysis estimates this to be 50 units between 2008 and 2020. Housing rehabilitation can address much of the need for replacement.

Several developments on undeveloped property have been considered in the city in recent years developments - Heritage Creek, Harbors Hills, and Hidden Springs - and could provide an additional 242 units. Other development areas include Lighthouse Point, the old high school property, John A. Johnson property, golf course, Blue Waters, and various infill and redevelopment sites. Rehabilitation of housing units could also return units to usefulness.

The city will need a mix of single family, town homes, rental units, and senior housing. The 2009 Maxfield Study estimates needs for each category. Housing opportunities for young residents and young families can be provided when other residents move up to higher priced housing and elderly residents transition to senior housing.

Given the current housing market, economic conditions, and recent housing development trends in Two Harbors the city can expect the number of units to be developed to be on the lower end of these estimates. Development 7 to 10 units per year through 2020 seems more likely.

Given that current residential development patterns are less dense than traditional block development the City will strongly consider conducting a residential land use study focusing on density goals, redevelopment, and infill development when the city population approaches 4,000 population or the year 2020. This should be included as part of the next comprehensive plan for the City.

**Housing Goals**

1. All residents of the city must have safe and sanitary shelter.

2. Sufficient new housing should be constructed to replace housing lost to aging and demolition and to permit population growth to at least a population of 4,000 residents.

3. All existing Two Harbors neighborhoods remain or become highly livable through completion, protection, rehabilitation or restoration.
4. Residential land at several locations must be available and prepared for development in order to create a diverse market supply with choices in price, style and location. Several developers and marketing efforts are needed to increase demand for housing.

5. Our neighborhoods should be attractive to visitors and potential residents.

6. Treat Housing as an imperative component of economic development, so that lack of suitable housing not inhibit economic development and that housing be available that meets the needs for employees of existing and new businesses.

7. The City must have a balance in housing type and density within the community that accommodates the range of lifestyles, ages and incomes of existing and potential residents while maintaining the character of the community.

8. The City should stress orderly growth and development through extension of municipal utilities and services planned in accordance with proposed development.

9. Selection of areas for new residential development be based on service capacities, existing land use, and natural features, such as; topography, wetlands, and vegetative cover on the future land use map, and carefully evaluate residential development proposals to ensure compatibility with the approved Comprehensive Plan.

10. All housing developments must be in accordance with zoning and subdivision regulations and enhance the character of the surrounding areas, in terms of setback, lot size, and density requirements.

**Housing Action Steps**

1. Rezone tax forfeit land in the north Segog Addition to R-3 to encourage a mixed use residential development able to meet the needs of residents with a range of lifestyles, ages, and incomes.
   
   a. Encourage the use of conservation subdivision and/or planned unit development that phases in planned development in the tax forfeit area north of the Segog neighborhood.

2. Develop a conservation subdivision process (possibly within the PUD ordinance) that can be applied to housing developments in north Segog, Harbor Hills, and around the golf course, among other areas.
   
   a. This approach will emphasize designing around existing land use, and natural features, such as: topography, wetlands, and vegetative cover on
the future land use map, and carefully evaluate residential development proposals to ensure compatibility with the approved Comprehensive Plan.

b. This approach would be targeted towards planned developments of several lots on multiple acres, not towards subdivision of individual lots or infill development.

3. The City should partner with regional housing agencies to promote rehabilitation and redevelopment of residential properties to protect existing neighborhoods and provide quality, affordable housing options to all residents.

   a. Potential partners are Two Harbors HRA, Lake County HRA, IRR, and AEOA, Minnesota DEED.

   b. Strategies include Small Cities Development program, weatherization, demolition, and other strategies.

4. The City will maintain the split R-2 / R-3 zoning at the old high school property.

   a. The 4th Street completion makes a good boundary between the zones.

5. The City will work with the owner/developer of the residential development located South of Battaglia Boulevard, east of 15th Street, and north of Skunk Creek (named Hidden Springs in the existing PUD/plat) to amend the approved planned unit development and plat to encourage completion of that development.

6. The City should explore developing a moderate amount of upper market housing in the R-3 zone north of the golf course.