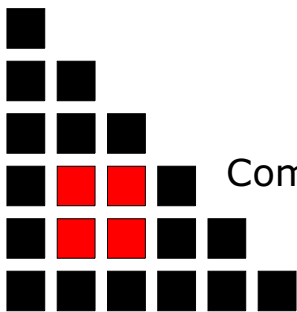


# OTTER TAIL COUNTY HOUSING STUDY

City of Battle Lake

December 2015

An analysis of the overall housing needs  
of 17 cities in Otter Tail County



Community Partners Research, Inc.

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## **Project Overview**

Community Partners Research, Inc., was hired by the Otter Tail County Housing and Redevelopment Authority to complete a housing study for 17 of the small cities in the County. These individual, city-level studies were intended to compliment similar documents that had been prepared for the Cities of Fergus Falls, Perham, Pelican Rapids and New York Mills in 2014.

The 17 cities included in the countywide study are as follows:

- ▶ Battle Lake
- ▶ Bluffton
- ▶ Clitherall
- ▶ Dalton
- ▶ Deer Creek
- ▶ Dent
- ▶ Elizabeth
- ▶ Erhard
- ▶ Henning
- ▶ Ottertail
- ▶ Parkers Prairie
- ▶ Richville
- ▶ Rothsay
- ▶ Underwood
- ▶ Urbank
- ▶ Vergas
- ▶ Vining

Research for this study was completed between August and September 2015. Each city was examined individually, although to better understand the surrounding area, the County was divided into four quarters, as will be explained further on the following page.

Primary data sources that were used in the following analysis included the U.S. Census Bureau, the Minnesota State Demographer's Office, Esri, Inc., and records maintained by Otter Tail County.

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# **Demographic Data Overview**

## **Sources of Data**

The following pages contain demographic data obtained from a variety of local, state and national sources. Both the U.S. Census Bureau and the Minnesota State Demographer's Office have released demographic estimates for the year 2014. However, these annual estimates are generally limited to basic counts, such as population and household levels.

For more detailed demographic variables, the 2010 Census is viewed as the most reliable data source. While the last Census is an accurate benchmark for demographic data, it was more limited in scope than in the past. As a result, some of the demographic items, such as income and housing cost information, are not available. To supplement the decennial Census, the Census Bureau has created the American Community Survey, an annual sampling of households.

The American Community Survey does provide detailed demographic characteristics. However, because the American Survey is an estimate, based on sampling data, there is a margin of error that exists for each estimate. For very small jurisdictions, only a limited number of surveys are completed, and the reliability of the estimates can sometimes be questioned. The following tables incorporate the 2010 Census data, when available, or the American Community Survey data, when it is viewed as reliable.

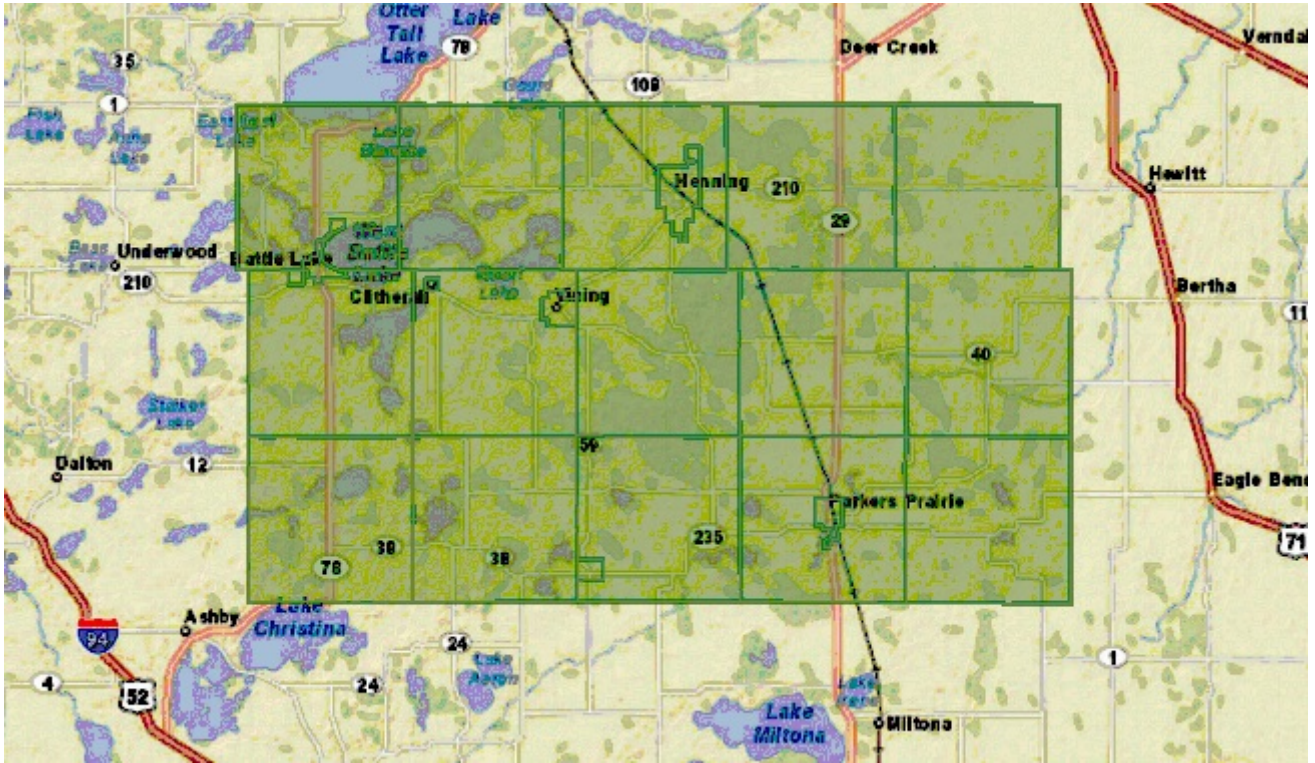
The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For the small cities in Otter Tail County, the 2013 estimates were the most current at the time of this Study. They were derived from sampling that was done over a five-year period, between 2009 and 2013.

One final data source that is used is Esri, Inc., a private data reporting service. Esri estimates are available for 2015, with projections to 2020.

In addition to demographic data for the City, we have provided information for the portion of the County where the City is located, and for all of Otter Tail County to place the City into a larger regional context.

Battle Lake is also grouped with other jurisdictions within the Southeast Quarter of the County. The other SE Quarter jurisdictions are the Cities of Clitherall, Henning, Parkers Prairie, Urbank and Vining; and the Townships of Clitherall, Eagle Lake, Eastern, Effington, Elmo, Everts, Folden, Girard, Henning, Inman, Leaf Lake, Nidaros, Oak Valley, Parkers Prairie and Woodside.

### Southeast Quarter of Otter Tail County



## Population Trends Analysis

The most recent official population estimates for Battle Lake and Otter Tail County are for 2014, and were prepared by the Minnesota State Demographer’s Office. For population, additional estimates exist from the U.S. Census Bureau, for 2014, and from Esri, Inc., a private data reporting service, which are effective for 2015. While the following table displays the 2014 estimate from the State Demographer, along with information from the last four decennial censuses, the other recent estimates are discussed in the text that follows.

<b>Table 1 Population Trends - 1980 to 2014</b>							
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2014 Estimate
Battle Lake	708	698	686	-1.7%	875	27.6%	888
SE Quarter	8,599	7,902	8,594	8.8%	8,573	-0.02	8,530
Otter Tail Co.	51,937	50,714	57,159	12.7%	57,303	0.3%	57,612

Source: U.S. Census Bureau; MN State Demographer

There appears to be some discrepancy in the past Census Bureau population totals for Battle Lake. According to the decennial censuses, the City experienced minor population losses in both the 1980s and 1990s. This was then followed by very strong population growth in the City between 2000 and 2010, when the City added 189 residents.

However, it appears that the 2000 Census did not accurately report the City’s population. The 2000 total failed to attribute a skilled nursing home to the City, instead placing those residents in neighboring Everts Township. As a result, the population total for Battle Lake in 2000 was too low. In 2010, the nursing home residents were again reported in Battle Lake, which contributed to the City’s apparent rapid gain in population when compared to 2010.

Despite the Census miscount, there is evidence that during the previous decade, the City did grow. Part of this can be attributed to new housing units and new households. It is possible that some of the housing that was permitted in 1999 was not occupied until after the 2000 Census, contributing to the rapid growth reported in the decade.

After 2010, some additional population growth has occurred, with the State Demographer showing that 13 residents have been added between 2010 and 2014.

Other sources show a slightly different current population level for Battle Lake. The Census Bureau's annual population estimate for 2014 showed the City with 879 residents, nine people fewer than the State Demographer's estimate. Esri shows a 2015 estimate of 849 people, 39 people lower than the State Demographer's 2014 estimate.

Although there are differences between the estimating sources, none of them show significant growth in the City since 2010. The rapid rate of growth that may have been present from 2000 to 2010 has not continued after 2010.

The limited change in population in Battle Lake since 2010 is generally consistent with regional and countywide trends. From 2010 to 2014, the Demographer's Office believes that the entire SE Quarter of Otter Tail has lost 43 people, while all of Otter Tail County has added 309 residents, primarily within the County's two largest Cities of Fergus Falls and Perham.

At the time of the 2010 Census, Battle Lake had 53 residents living in group quarters housing, all in a nursing home. Nearly 99% of residents identified themselves as White for race, and less than 1% of population was of Hispanic/Latino ethnicity.

## Household Trends Analysis

The Minnesota State Demographer’s Office has also issued household estimates for 2014. Esri estimates for 2015 have also been examined in the text that follows the table. The Census Bureau does not provide annual household estimates. The Demographer’s most recent estimates are presented in the following table, along with information from past decennial censuses.

<b>Table 2 Household Trends - 1980 to 2014</b>							
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2014 Estimate
Battle Lake	297	320	327	2.2%	386	18.0%	390
SE Quarter	3,145	3,112	3,491	12.2%	3,644	4.4%	3,634
Otter Tail Co.	18,549	19,510	22,671	16.2%	24,055	6.1%	24,295

Source: U.S. Census; MN State Demographer

Battle Lake has experienced a long-term pattern of gradual growth in the number of resident households. From 2000 to 2010, the rate of growth increased significantly, but this may have been due to some errors in the 2000 Census. The net gain in households during that decade was greater than the level of housing unit construction during this same time period. However, it is also possible that some housing units permitted in 1999 were not occupied until after the 2000 Census was completed, allowing household growth at a higher level than unit construction.

Since 2010, the State Demographer’s most recent estimate shows the City adding only four additional households.

The 2015 estimate from Esri shows 376 households living in the City, 14 households lower than the State Demographer’s 2014 estimate, and 10 households below the 2010 Census. If accurate, the Esri estimate shows an outflow of households and residents from the City in recent years. Battle Lake does have a number of lake shore residential properties. These units may change over time from permanent occupancy to seasonal/recreational occupancy, which can impact the City’s total number of resident households.

The SE Quarter of Otter Tail County has experienced a moderate increase in the number of households. When viewed over the past 34 years, this larger region has added 489 total households, or an annual average of approximately 14 to 15 households per year. This area of Otter Tail County contains a number of



attractive lakeshore living opportunities, and the growth in households would probably be the result of permanent residents occupying housing units that may have once been used by seasonal residents.

Only limited household growth has occurred Countywide since 2010, but the most recent estimate from the State Demographer does show 240 households added between 2010 and 2014. However, more than 83% of this net growth Countywide is attributed to household increases in Fergus Falls and Perham, the two largest cities in Otter Tail County.

## Average Household Size

Average household size can be used to define the characteristics of residents over time. Typically, a larger average household size indicates a larger number of families with children, while a smaller average household size indicates an aging population, including more people living alone. The following table provides decennial Census information on average household size. The 2014 estimate from the State Demographer is also included.

<b>Table 3 Average Number of Persons Per Household - 1980 to 2014</b>					
	1980 Census	1990 Census	2000 Census	2010 Census	2014 Estimate
Battle Lake	2.13	1.98	2.10	2.13	2.14
SE Quarter	2.67	2.47	2.40	2.31	2.30
Otter Tail Co.	2.71	2.53	2.46	2.33	2.33

Source: U.S. Census; MN State Demographer

The average household size in Battle Lake has experienced some turnaround in recent years. In 1990, the average household size of 1.98 persons was very small compared to other cities in the region. However, by 2014, the average household size had grown to 2.14 persons. While still relatively small, most communities have not been able to sustain growth in the size of the average household. This would imply that Battle Lake has been adding some larger households, probably families with children.

There has been a steady decrease in the average household sizes in the SE Quarter and in all of Otter Tail County. However, the State Demographer’s most recent estimate shows some stability since 2010.

## Household Projections

The following table presents household projections for Battle Lake using two different sources, Esri and the Minnesota State Demographer’s Office. The Demographer has not issued household estimates at the city level, but it is possible to convert a previously issued population projection for Battle Lake into households with some basic assumptions about group quarters residents and trends in average household size.

The State Demographer’s Office has issued household projections at the county level. However, these are no longer posted on the Demographer’s website, and may have been withdrawn.

<b>Table 4 Household Projections Through 2020</b>				
	Esri		State Demographer	
	2015 Estimate	2020 Projection	2014 Estimate	2020 Projection
Battle Lake	376	373	390	400*
Otter Tail Co.	24,542	25,142	24,295	25,858

Source: Esri; MN State Demographer; \* extrapolated by Community Partners Research, Inc.

The household projection from Esri expects Battle Lake to lose three households over the next five years. Esri also believes that the City has lost 10 households between 2010 and 2015. Going forward, they expect the level of household loss to moderate.

The extrapolated projection from the State Demographer data yields probable growth of approximately 10 additional households over the next five years. To achieve the 2020 projection, the City would need to average an additional one to two households per year for the remainder of the decade, a rate of growth that seems very achievable for Battle Lake.

The household projections issued by the State Demographer’s Office for Otter Tail County are viewed as unreliable. The Demographer had expected the County to add approximately 1,800 total households over the entire decade, but through the first four of the decade, fewer than 250 households have actually been added, according to the most recent annual estimate.

Esri does expect some growth Countywide, with the addition of 600 households between 2015 and 2020. Esri estimates that Otter Tail County added nearly 500 households from 2010 to 2015, so the numeric pace of growth would increase slightly for the remainder of the decade.

## Household Age Trend Estimates and Projections

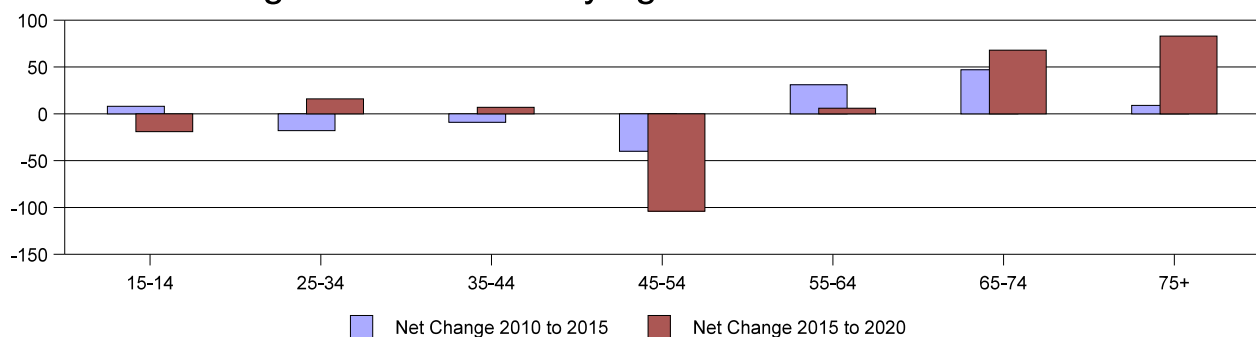
Esri has issued household estimates for 2015 and projections to 2020 based on the age of the householder. Due to the small size of the individual communities being examined in this Study, the following table has presented information for the entire quarter of the County where the city is located. The trends evident within the quarter of the County would generally be applicable to the individual city.

The following table compares households by age of householder in 2010 and 2015, to determine changes that have been occurring in recent years, and then examines the projected changes from 2015 to 2020.

Table 5 Households by Age - 2010 to 2015						
Age	SE Quarter			SE Quarter		
	2010	2015	Change	2015	2020	Change
15-24	75	83	+8	83	64	-19
25-34	346	328	-18	328	344	+16
35-44	438	429	-9	429	436	+7
45-54	671	631	-40	631	527	-104
55-64	736	767	+31	767	773	+6
65-74	710	757	+47	757	825	+68
75+	667	676	+9	676	759	+83
Total	3,643	3,671	+28	3,671	3,728	+57

Source: U.S. Census; Esri

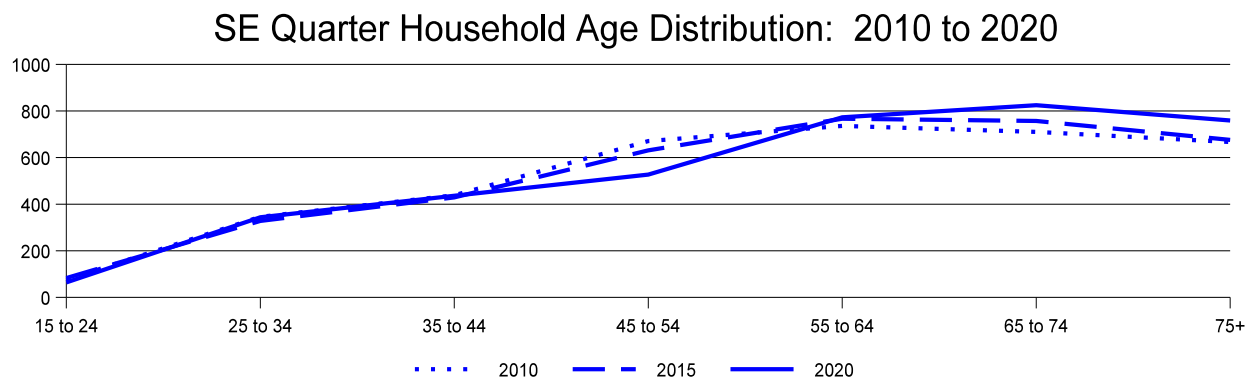
Change in Households by Age Between 2010 and 2020



According to the estimates from Esri, the Southeastern Quarter of Otter Tail County has added only 28 total households between 2010 and 2015. However, there has been a much larger change in the age distribution pattern for households. The SE Quarter had an increase of 87 households with a head of household that was age 55 or older, but a loss of 59 households with a head of household age 54 or younger.

The strongest numeric growth of any age cohort was among households in the 65 to 74 year old age range. The largest loss occurred among households age 45 to 54 years old.

Projecting forward over the next five years, Esri expects most of the growth to come from households age 65 and older. While some of the younger adult age groups may experience some minor growth, overall a net reduction is forecast among households age 54 and younger through the year 2020.



## Housing Tenure

The 2010 Census provided an accurate look at housing tenure patterns. The following table examines the number and percentage of owner and renter households.

<b>Table 6 Household Tenure - 2010</b>				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Battle Lake	259	67.1%	127	32.9%
SE Quarter	3,139	83.6%	614	16.4%
Otter Tail County	19,059	79.2%	4,996	20.8%
State	-	73.0%	-	27.0%

Source: U.S. Census

According to the 2010 Census, the ownership rate in Battle Lake was 67.1%, lower than the Statewide rate of 73%. Battle Lake is one of the larger cities in the Southeast portion of Otter Tail County and offers much of the multifamily rental housing that exists in this part of the County.

The SE Quarter of Otter Tail County as an aggregated area had a very high rate of owner-occupancy in 2010. Fewer than 17% of all households were renters at that time, compared to nearly 21% renter-occupancy Countywide.

At the time of the 2000 Census there were 71 renter-occupancy households in Battle Lake and 256 owner-occupants. During the course of the decade, the City added 56 renter households but only three owner-occupancy households. At the time of the 2000 Census, the home ownership rate was at 78.3% in Battle Lake, but decreased to 67.1% by 2010.

The net growth in the number of owner-occupancy households lagged well behind the number of new single family houses that were built between 2000 and 2009. At the same time, the growth in renter-occupancy households appears to have exceeded the construction of multifamily rental units. This would imply that the City experienced some level of tenure conversion, as older units such as single family houses, changed from owner to renter occupancy during the decade.

## Housing Units and Occupancy Status in 2010

The 2010 Census contained information on the housing units that existed in Battle Lake. The following table presents this information, including the types of vacant units that were present.

<b>Table 7 Occupancy Status of Housing Units - 2010</b>						
	Occupied Units		Vacant Units			
	Owner	Renter	Rental	For Sale	Seasonal Use	Other Vacant
Battle Lake	259	127	8	11	72	9
SE Quarter	3,139	614	62	99	2,353	205
Otter Tail Co.	19,059	4,996	513	588	9,635	803

Source: U.S. Census

Battle Lake had a relatively large amount of unoccupied housing at the time of the 2010 Census. Overall, the Census counted 100 unoccupied units, but 72 of these were defined as seasonal/recreational use housing. The number of seasonal/recreational use units actually increased during the decade, as only 61 units were reported in the 2000 Census.

Eleven of the unoccupied units in 2010 were intended for owner-occupancy and eight were identified as rental use housing. Nine "other vacant" units were identified, but the suitability of this housing for actual occupancy is not known.

Within the SE Quarter of Otter Tail County there was a large volume of seasonal/recreational housing. The Census recorded more than 2,350 units that were unoccupied but intended as seasonal-use housing.

There was only a limited supply of vacant rental housing in the SE Quarter, and fewer than 100 vacant owner-occupancy units.

## 2013 Income Data

The 2010 Census did not collect information on household income. However, estimates are available at the City and County level through the 2013 American Community Survey. Household income represents all independent households, including people living alone and unrelated individuals together in a housing unit. Families are two or more related individuals living in a household. No median income information exists for the aggregated jurisdictions that for the SE Quarter of Otter Tail County.

<b>Table 8 Median Income - 2000 to 2013</b>			
	2000 Median	2013 Median	% Change
Households			
Battle Lake	\$25,000	\$34,559	38.2%
Otter Tail County	\$35,395	\$48,961	38.3%
Minnesota	\$47,111	\$59,836	27.0%
Families			
Battle Lake	\$36,250	\$48,854	34.8%
Otter Tail County	\$42,740	\$61,645	44.2%
Minnesota	\$56,874	\$74,683	31.3%

Source: U.S. Census; 2013 ACS 5-year survey

According to the estimates for Battle Lake contained in the 2013 American Community Survey, the median income levels in the community have continued to grow over time. When compared to the 2000 Census, the median household income has increased by more than 38%, and the median family income has increased by nearly 35%. However, the median income levels for households and families in Battle Lake were well below the comparable Countywide levels in 2013.

Due to the limited sampling that is used for the American Community Survey, there is a margin of error contained in each estimate. However, the percentage change in income is relatively similar to Countywide patterns.

Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Battle Lake could afford approximately \$864 per month for ownership or rental housing in 2013, and a median income family could apply approximately \$1,221 to housing costs.



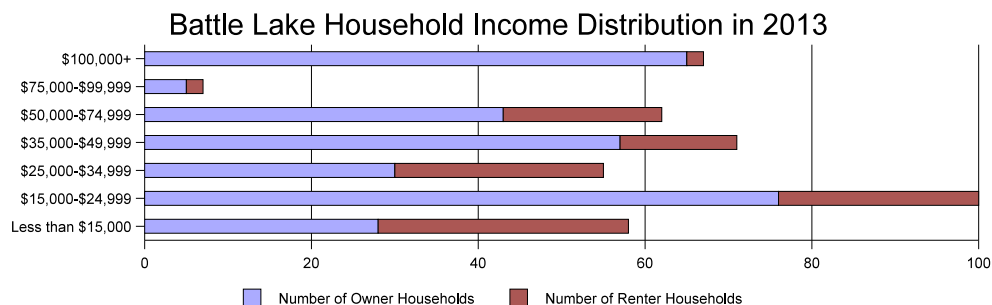
## Income Distribution by Housing Tenure

The 2013 American Community Survey provided an income estimate by owner and renter status. The following table examines income distribution within the City of Battle Lake.

The American Community Survey appears to have overestimated the total number of households in Battle Lake, when compared to other data sources. The American Community Survey reported 420 households in 2013, compared to 389 as estimated by the Minnesota State Demographer in 2013, a difference of approximately 8%. The estimates are overly high for the number of owner households, but too low for renter households. Despite the flaws, the American Community Survey still represents the best available data on income distributions by housing tenure.

<b>Table 9 Battle Lake Household Income by Tenure - 2013</b>			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	28	30	58
\$15,000 - \$19,999	27	8	35
\$20,000 - \$24,999	49	16	65
\$25,000 - \$34,999	30	25	55
\$35,000 - \$49,999	57	14	71
\$50,000 - \$74,999	43	19	62
\$75,000 - \$99,999	5	2	7
\$100,000+	65	2	67
<b>Total</b>	<b>304</b>	<b>116</b>	<b>420</b>

Source: 2013 American Community Survey 5-year estimates



Household income and housing tenure are often linked for most households. More than 68% of all renter households had an annual income below \$35,000 in 2013. At 30% of income, these households would have \$875, or less, that could be applied to monthly housing costs. The median income for all renter households was \$26,429 in 2013. If 30% of income is applied to housing, a renter at the median income level could afford approximately \$661 per month.

Conversely, most owner households had a moderate to higher income level. Approximately 56% of owner households had an annual income of \$35,000 or more in 2013. The estimated median household income for owners was \$38,833.

## **Building Permit Activity**

Very few housing units have been constructed in Battle Lake in the past few years. Between 2010 and 2014, Census Bureau reports show that only seven new houses were constructed. However, City records for 2015 show three permits issued in the current year.

Between 2000 and 2006, there were 43 new housing units constructed in the City. While most of these appeared to be single family homes, there was also one multifamily building with eight units that was constructed. Although construction had been strong in the first half of the decade, after 2006, construction activity largely stopped, and over the next nine years, only 12 new homes were built.

## **Median Year of Construction**

The 2013 American Community Survey included an estimate of the median year of construction for housing. In Battle Lake, the median year for owner-occupancy units was 1972. The median year of construction for rental housing was 1980.

The age of the housing stock in Battle Lake is reasonably similar to the Countywide averages. For all housing in Otter Tail County, the estimated median year of construction was 1974, and for rental units the median year was 1973.

## **Units by Structure Type**

The 2010 Census did not collect information about structure types. However, at the time of the 2000 Census, more than 90% of the housing units in Battle Lake were identified as one-unit or two-unit structures, such as single family detached houses, twin homes/duplexes or mobile homes.

The City does have some multifamily housing, in structures with three or more units, but at the time of the 2000 Census, only 40 total units existed in multifamily buildings. Since that time, at least one phase of development has occurred at Hammers Rentals (8 units) as well as the construction of the Lakeview Senior Living project (28 units).

## **Residential Lots**

According to City staff, Battle Lake does have some residential lots available. The largest grouping exists in Hidden Meadows, a subdivision that was created in 2006. Only two houses have been built in Hidden Meadows and nine to 10 vacant lots remain.

There were at least nine lots in Hidden Meadows were listed for sale on the Multiple Listing Service, priced at \$22,500 to \$30,500.

There were additional residential parcels identified in the Multiple Listing Service, but many of these appear to be outside the city limits, although in the immediate area of Battle Lake.

## **Municipal Infrastructure**

No specific information was obtained on the status or capacity of the City's sewer and water systems. However, the City already has a number of improved vacant lots that have City services.

## **Home Sales**

The Otter Tail County Assessor's Office maintains residential sales records that date back many years. For the following analysis, sales were reviewed for each calendar year, dating back to the year 2010.

For each year, only "qualified" sales were included. Qualified sales are considered to be "arms length" transactions, and exclude certain sales such as sales between relatives, forced sales and foreclosures, and estate transfers that are not available on the open market. The Otter Tail County Assessor's Office makes the determination of qualified sales for their annual sales ratio study.

In any defined 12-month period, the number of good sales that occur with the City may be limited, and may not be a good indicator of the typical home value. However, the annual sample does provide insight into units that become available for purchase.

The County's qualified sales data primarily look at existing homes. The information maintained by the Assessor is based on the comparison of taxable valuation to actual sales price. Since newly constructed houses do not generally have a prior value, they are not typically included in the sales sample.

The sales records reviewed were for improved residential parcels with less than four units. While it is possible that some structures had more than one living unit, such as a duplex, it is assumed that the large majority of the sales are single family houses. The adjusted sale price has been examined. This would reflect any adjustments made by the Assessor’s Office for items, such as personal property, which may have been included in the transaction.

As presented, the sales are for the calendar year. The Assessor’s Adjusted Sale Price has been used, which reflects adjustments for personal property or financial considerations included in the sale.

<b>Table 10 Median Value of Recent Residential Sales - Battle Lake</b>				
Year	Number of Sales	Median Price	Highest Price	Lowest Price
2015	10	\$78,700*	\$180,000	\$36,000
2014	19	\$83,500	\$445,6500	\$26,000
2013	7	\$92,700	\$611,950	\$51,000
2012	10	\$80,650*	\$214,800	\$42,000
2011	4	\$124,125*	\$154,700	\$48,846
2010	13	\$82,500	\$473,800	\$42,400

Source: Otter Tail County Assessor; Community Partners Research, Inc.

\* Median for 2015, 2012 and 2011 were calculated from the two closest sales  
2015 is partial-year

There has been significant variation in the number of good sales in Battle Lake from year to year. In certain years, such as 2011 or 2013, the number of annual home sales is relatively small, the median price may not be an accurate reflection of overall values. In the period from 2010 to 2014 (excluding 2011 when only four good sales were recorded), the annual median has ranged from a low of \$80,650, to a high of \$92,700. Partial-year sales activity in 2015 points to a lower median in the current year, but this may change when a full 12 months of activity is recorded.

Despite the year-to-year variation in the median price, overall home values in Battle Lake tend to be relatively low. Excluding 2011, the median price has been below \$93,000.

The table above also has information on the highest annual sale prices. Over the years reviewed, the highest valued sale was for \$611,950. Battle Lake has some lake shore properties, which can be identified in the sales records. For off-lake homes, the highest recorded price since 2010 was \$188,295.

An alternate home value estimate is available from the 2013 American Community Survey. This source places the midpoint owner-occupied house value at \$126,000, well above the median sale price that year of \$92,700.

**Bank-Owned Sales**

The sales records from Otter Tail County also provide some information on the reason that some sales were rejected, and viewed as “unqualified” sales. One of the identified rejection codes was for “bank sales”. These would generally reflect sales of distressed properties, where the lender had obtained ownership, such as foreclosures. When the lender then sells these houses back into private ownership, they are not viewed by the County as fair market transactions.

The following table tracks the number of bank sales that were listed for each year, along with the median transfer price. Sales by government agencies, such as HUD or MHFA, have also been included, when these appeared to be foreclosure-related.

<b>Table 11 Bank-Owned Sales - Battle Lake</b>		
Sales Year	Number of Bank Sales	Median Price
2015*	1	\$170,000
2014	0	N/A
2013	4	\$52,250
2012	1	\$96,500
2011	1	\$19,900
2010	0	N/A

Source: Otter Tail County Assessor; Community Partners Research, Inc.

\* 2015 is partial year

Bank-owned home sales appear to be a minor issue in Battle Lake in recent years. In 2013, there were four bank-owned residential sales, but this was the only recent year when more than one transaction was recorded.

The table displays information on when the houses were sold by the lending institution, and may not be the same year that the foreclosure action occurred. In some of the other communities in Otter Tail County, there were reports that the lending institutions did not resell the foreclosed homes for a few years in some of the smaller communities where home values were lower.

## Otter Tail County Home Foreclosure Activity

Starting in 2006, many national reports began to surface about the growing number of foreclosures. Initially linked to the popularity of adjustable rate mortgages and the expansion of sub-prime mortgage lending, as many housing markets cooled and the national economy moved into a period of recession, the foreclosure crisis spread to broader segments of the housing market.

In response to the growth in foreclosures late in the last decade, HousingLink and the Greater Minnesota Housing Fund began tracking mortgage foreclosure activity across the State. They produced annual foreclosure reports between 2007 and 2013. Their reports provide details on foreclosure activity at the County level dating back to 2005, as well as a comparison with other Counties in the State.

In addition to collecting information on the number of foreclosures, based on Sheriff’s Sale data, HousingLink has also attempted to calculate a rate of foreclosure, by comparing the annual total to the number of residential parcels in each County. While this rate calculation does not yield a perfect number, it does allow for a standardized comparison measure among all of the Counties in the State. The following table presents the actual number of foreclosures, followed by the calculated rate of foreclosure, as calculated by HousingLink.

<b>Table 12 Otter Tail County Home Foreclosures - 2005 to 2013</b>									
Foreclosures	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number	59	92	89	101	117	158	146	120	98
Rate	0.25%	0.39%	0.37%	0.42%	0.47%	0.65%	0.60%	0.49%	0.40%

Source: HousingLink; Community Partners Research

Based on the HousingLink data, Otter Tail County did experience a significant increase in the number of home foreclosures, especially between 2005 and 2010, when the number nearly tripled. However, after reaching a peak in 2010, the annual number of foreclosures declined, and the total for 2013 was comparable to the level in 2006.

HousingLink also attempts to put the rate of foreclosure in perspective, by comparing the number of foreclosures to the total number of residential parcels in the County. The foreclosure rate in Otter Tail County remained relatively low over this time period. For comparative purposes, Otter Tail County ranked 51<sup>th</sup> for the rate of foreclosure among Minnesota’s 87 Counties in 2013 (1<sup>st</sup> being the highest rate of foreclosure). In comparison, for the year 2010 when Otter Tail County recorded its highest number of foreclosures, the County ranked still ranked 55<sup>th</sup> among Minnesota’s Counties for the rate of foreclosure.

## **Rental Housing Data**

According to the 2010 Census, the City of Battle Lake had 127 occupied rental housing units, and at least eight unoccupied rental units, for a total estimated rental inventory of 135 units. The City's rental tenure rate was 32.9% in 2010, above the Statewide rental rate of 27%.

At the time of the 2000 Census, Battle Lake had 71 occupied rental units, and at least four vacant units, for a total rental housing inventory of 75 units. The City's percentage of occupied rental units in 2000, at 21%, was well below the Statewide rate of 25.4% at that time.

Between 2000 and 2010, the City added 56 renter-occupancy households, and at least 60 rental housing units. Construction records indicate that at least one phase of Hammers Rentals was constructed between 2000 and 2010, and it is possible that two phases were built during this time. There was also a 28-unit senior apartment project constructed, yielding between 36 and 44 rental units through new construction. The level of unit growth was still less than the growth in renter-occupancy households.

The remaining growth in the rental stock probably occurred through tenure conversion, as housing that was formerly owner-occupied switched to rental use. A review of building permit data indicates that nearly 40 single family houses were built in Battle Lake in the previous decade, or approximately 35 more homes than the growth in owner-occupancy households. This would imply that a number of other single family units potentially converted to rental occupancy, or were converted to seasonal/recreational use.

The rental households living in Battle Lake at the time of the 2010 Census represented approximately 21% of all renters living in the SE Quarter of the County at that time. Nearly 22% of all renter households lived in Henning in 2010, and nearly 20% of all renters lived in Parkers Prairie. These three cities contained more than 62% of all the renter households living in this portion of the County.

## **Rental Housing Survey**

From September through November, a telephone survey was conducted of multifamily rental projects in the small cities in Otter Tail County, including Battle Lake. The survey focused on rental properties with four or more units, although the complex of rental duplexes was also included. The table that follows presents information for market rate, subsidized, and senior housing with services developments separately.



Overall, the rental survey in Battle Lake was successful in contacting all of the identified multifamily rental projects. Surveyed unit totals included:

- ▶ 16 market rate units
- ▶ 16 subsidized housing units
- ▶ 28 specialized senior units with services

In total 60 rental units were contacted by the survey, representing between 45% and 50% of the total estimated rental inventory in the City.

## **Market Rate Summary**

One market rate rental project with 16 units was contacted. Hammers Rentals created town house-style rental units, with the amenities of single family living, including an attached garage.

### **Unit Mix**

The bedroom mix of units in Hammers Rentals is as follows:

- 2 Bedroom - 12 units
- 3 Bedroom - 4 units

### **Occupancy/Vacancy**

No vacant units were reported in Hammers Rentals. The manager reported strong demand and a waiting list. Despite the success of this project, the owner has no plans to proceed with additional unit development. The last phase of Hammers Rentals was constructed in 2001.

### **Rent Structure**

The only multifamily market rate project that was contacted in Battle Lake was Hammers Rentals, which represents the upper end of the local rent structure. It is probable that older units in Battle Lake have a lower rent structure.

In the gross rents that follow, tenant-paid utilities have been estimated and added to the contract rent.

<u>Units Type</u>	<u>Identified Gross Rent</u>
2 Bedroom	\$910
3 Bedroom	\$1,050

Most of the other market rate rental options in Battle Lake are believed to exist in single family homes, two-unit buildings or similar structures. According to the American Community Survey, the estimated median gross rent was \$763 in 2013.

## **Subsidized Summary**

Battle Lake has one rental project that provides subsidized rental housing. Summit Village Apartments was constructed in the late 1970s and 16 income-based apartments.

### **Unit Mix**

Although Summit Village offers general occupancy housing, 15 of the 16 units have only one bedroom. It was originally designated for senior/disabled tenant occupancy, but the designation was later changed to general occupancy, due to insufficient demand.

### **Occupancy / Vacancy**

At the time of the rental survey, Summit Village was fully occupied, and a short waiting list existed.

### **Rental Rates**

Most of the units in Summit Village have project-based rent subsidy contracts, allowing tenants to pay rent based on 30% of income. However, in five of the units, a minimum basic rent amount applies, even if it exceeds 30% of income. It is possible that a low income household could use a tenant-based Voucher in a unit that cannot offer project-based rent assistance.

## **Tenant-Based Rent Assistance Vouchers**

In addition to the subsidized projects with project-based rent subsidies, Battle Lake also has seven households being assisted with HUD Housing Choice Vouchers. Voucher assistance is issued to income-eligible households for use in suitable, private market rental housing units. With the assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional rent amounts. The rent assistance is administered by the Otter Tail County HRA.

Since this rent assistance is tenant-based, and moves with the household, the actual number of participating households within the City can vary from month to month. It is possible that some of the households may be using their rent assistance in one of the subsidized projects, if that project does not have rent assistance available for all tenants.

In addition to Housing Choice Vouchers, the Otter Tail County HRA also administers some rent assistance programs for special need's populations, including homeless individuals and households, and people with persistent mental illness issues.

When tenant-based rent assistance is combined with the units in the four subsidized projects, there are 23 households with access to some form of subsidized housing. This represents less than 18% of all renter households in the City.

## **Senior Housing with Services Summary**

Battle Lake has specialized senior housing options available in Good Samaritan facilities.

### **Skilled Nursing Home**

Good Samaritan Battle Lake, a skilled nursing home, has been present in the community for many years. In 2015, it is licensed for 55 beds. This facility has downsized over time, and once had contained 70 beds. The de-licensing, along with a physical expansion, have allowed nearly all rooms to be used for private occupancy.

Nine of the 55 beds are dedicated to post-acute recovery use, and the remaining 46 beds would be available to longer-term residents. The annual occupancy rate was defined as being very high, based on the current licensing.

### **Housing with Services**

In 2007, the 28-unit Lakeview Senior Living project was constructed. This facility is part of the Good Samaritan system, and has the ability to serve both lighter services senior living and more service intensive assisted living.

The lighter services package includes all utilities, one daily meal, light housekeeping, an emergency call system, 24-hour staffing, and access to transportation. Additional meals, laundry, personal care services and other services can then be purchased as needed.

Specific information on the unit distribution of lighter services versus assisted living use was not available. Due to the flexible nature of this project, it is probable that a wide range of residents exist, receiving different levels of care. The project did report full occupancy and a waiting list.

### **Rental Rates**

No specific monthly rent/fee information was obtained for the assisted living or skilled nursing beds, since it is often dependent on the level of care being received by the resident.

Most of the residents of Lakeview Senior Living are private-pay, but the building will accept a limited number of tenants receiving County assistance.

<b>Table 13 Battle Lake Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Occupancy Type</b>	<b>Comments</b>
<b>Market Rate</b>					
Hammers Rentals Summit Ave 218-346-3550	6 - 2 Bedroom <u>2 - 3 Bedroom</u> 8 Total Units	\$730 \$866 +utilities	No vacant units, waiting list	Primarily middle-aged and senior tenants	Town house-style rental units constructed in 1999 in an 8-unit building. One-level units with no stairs, open floor plans and attached garage. Appliances provided include stove, refrigerator, dishwasher, disposal and washer/dryer. Tenants pay all utilities in addition to rent. Manager reports a mix of tenants but middle-aged and senior households are typical renters. Two-bedrooms have approx. 1000 sq ft and 1 bathroom; 3-bedrooms have 1200 sq ft with 1.5 bathrooms. Full occupancy and a long waiting list reported.
Hammers Rentals Moen Ave 218-346-3550	6 - 2 Bedroom <u>2 - 3 Bedroom</u> 8 Total Units	\$730 \$866 +utilities	No vacant units, waiting list	Primarily middle-aged and senior tenants	Town house-style rental units constructed in 2001 in an 8-unit building. One-level units with no stairs, open floor plans and attached garage. Appliances provided include stove, refrigerator, dishwasher, disposal and washer/dryer. Tenants pay all utilities in addition to rent. Manager reports a mix of tenants but middle-aged and senior households are typical renters. Two-bedrooms have approx. 1000 sq ft and 1 bathroom; 3-bedrooms have 1200 sq ft with 1.5 bathrooms. Full occupancy and a long waiting list reported.

**Table 13 Battle Lake Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
<b>Subsidized</b>					
Summit Village Apartments 102 Madison Ave 218-864-5400	15 - 1 Bedroom <u>1 - 2 Bedroom</u> 16 Total Units	\$415-\$505 \$445-\$530 30% of income	No vacancies, waiting list	General occupancy	Rural Development one-level apartment building constructed in late 1970s - originally for senior/disabled occupancy but lack of demand resulted in change to general occupancy. Eleven units have project-based rent subsidy that allows rent based on 30% of income, remaining tenant pays 30% of income but not less than basic or more than market rents listed. With younger tenants, only 9 of 11 rent assistance units are being used. Amenities include community laundry facilities. Manager reports full occupancy and a short waiting list.
Section 8 Housing Choice Vouchers	7 households in Battle Lake	30% of income	N/A	N/A	Formerly the Section 8 Existing Program, HUD Housing Choice Vouchers provide tenant-based rent assistance that can be used in any suitable rental unit. Tenant rent contribution is based on 30% of income, with the assistance program paying additional subsidy. In Sept. 2015, 7 households in Battle Lake were participating in the program, and 103 additional households in Otter Tail County and 157 in Fergus Falls were receiving rent assistance. Programs are authorized for more Vouchers, but budget limitations have resulted in fewer households being served. Waiting list exists for Fergus Falls but no current waiting list for Otter Tail County program.

<b>Table 13 Battle Lake Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Occupancy Type</b>	<b>Comments</b>
<b>Senior Housing with Services</b>					
Lakeview Senior Living Apartments 605 N Lake Ave 218-862-5230	9 - 1 Bedroom <u>19 - 2 Bedroom</u> 28 Total Units	\$2077+ \$2300-\$2600 +services as needed	No vacant units, waiting list	Senior housing with services	Senior housing with services apartment building constructed in 2007. Physically connected to skilled nursing home. Units are apartment style with kitchens and 1 or 2 bathrooms. Basic package at rents listed include all utilities, 1 daily meal, light housekeeping, emergency call system, 24-hour staffing and access to transportation. Additional meals, laundry, personal care services and other services can be purchased as needed. County Elderly Waiver assistance is accepted on a limited basis. Full occupancy reported and a waiting list exists, including waiting for Elderly Waiver use. Currently examining memory care addition and other possible needs.
Good Samaritan Battle Lake 105 Glenhaven Dr 218-862-5230	Licensed for 55 skilled nursing beds	N/A	High annual occupancy rate	Skilled nursing home	Skilled nursing home that is currently licensed for 55 beds in 2015. Facility had once been larger with up to 70 beds but some de-licensing has occurred over past 15 years. Attached to Lakeview Senior Assisted Living. Addition project along with de-licensing has allowed all but 3 rooms to be private occupancy. Nine beds in post-acute recovery wing and remaining beds available for longer-term residents. High annual occupancy rate reported.

Source: Community Partners Research, Inc.

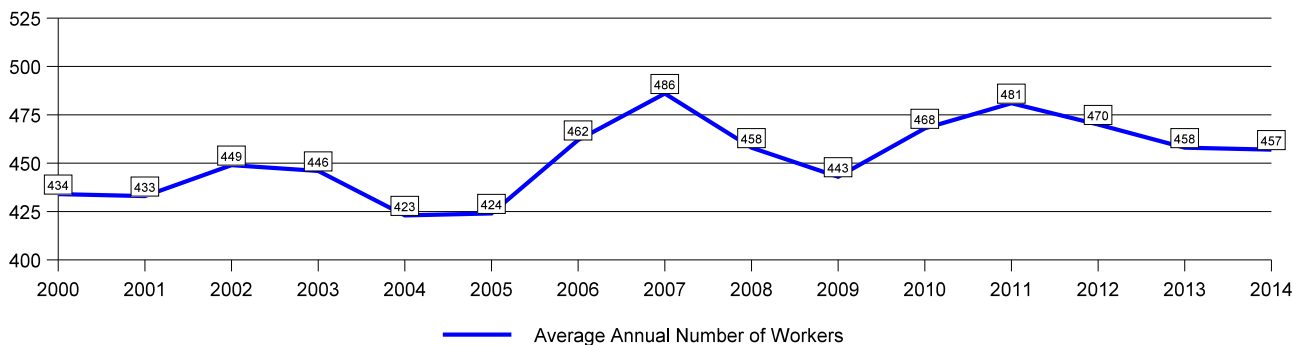
## Battle Lake Annual Covered Employment

The Quarterly Census of Covered Workers (QCEW) tracks employees covered by unemployment insurance by location of the worker, and can be used to examine longer-term patterns in the local employment level. The following table displays the total number of workers reported in Battle Lake for the years 2000 to 2015, although 2015 represents only partial-year data.

<b>Table 14 Battle Lake Average Annual Employment: 2000 to 2015*</b>			
Year	Total Covered Employment	Year	Total Covered Employment
2000	434	2008	458
2001	433	2009	443
2002	449	2010	468
2003	446	2011	481
2004	423	2012	470
2005	424	2013	458
2006	462	2014	457
2007	486	2015*	380

Source: QCEW - MN Department of Employment and Economic Development

Number of Covered Workers in Battle Lake





When viewed over a longer-term period, there has been very limited change in the number of employees covered by unemployment insurance that are working in Battle Lake. The number of covered workers in 2014 was only 23 greater than the level in 2000. However, there has been up and down annual movement over time. The City achieved its highest local employment level in 2007, with 486 employees, and the lowest point was reached in 2004 and 2005.

For 2014, the last full year of data, the reported average wage in Battle Lake was \$23,192. The reported wage for 2014 was the highest of the time period reviewed.

## Census On the Map

The Census Bureau produces reports on worker movement through its Center for Economic Studies division. This information is based on reports for the year 2013. It tracks both inflow and outflow of workers.

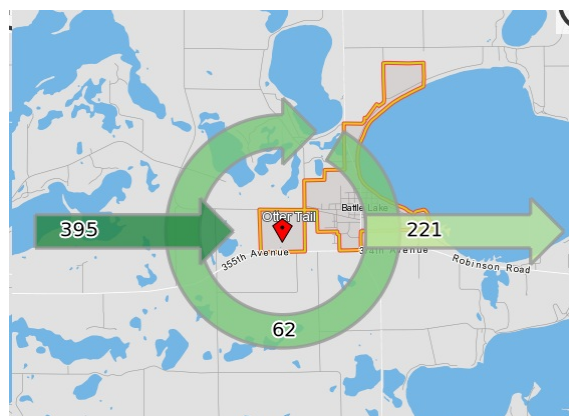
<b>Table 15 Employee Inflow/Outflow Analysis - 2013</b>			
City	Number of People Employed in the City	Percent of City Employees that also Reside in the City	Percent of City Employees that Live Outside of the City
Battle Lake	457	13.6%	86.4%
	Number of Employed People Living in the City	Percent of City Residents that also Work in the City	Percent of City Residents that Work Outside of the City
Battle Lake	283	21.9%	78.1%

Source: Census Bureau, Center for Economic Studies

According to the report for Battle Lake, there were 457 people that were employed in their primary job within the city limits in 2013. Of these city-based jobs, fewer than 14% were filled by people that also lived within Battle Lake. More than 86% of the jobs were filled by people that lived outside of the City.

Most of the working residents of the City left the community for employment. Overall, more than 78% of the workers living in Battle Lake worked outside of the City.

The On The Map reports do not indicate the direction of travel for commuters. However, according to the American Community Survey in 2013, nearly 67% of workers traveled less than 30 minutes to work.



## **Community Overview: Battle Lake**

### **Employment and Commuting**

The City of Battle Lake is located in the southeast quarter of Otter Tail County. The City is approximately 19 miles from Fergus Falls and 26 miles from Perham, the two largest cities in Otter Tail County.

Battle Lake does have employment opportunities within the community, but most residents commute for work. In 2013, Census Bureau statistics showed that more than 78% of the City's employed residents left the community for their primary job. Nearly 67% of the City's residents had a drive time of 29 minutes or less (including those that worked in Battle Lake) but approximately 33% did travel 30 minutes or more.

While there are job opportunities available locally, at least one source shows some fluctuation in the number of locally-based employment options over time. The Quarterly Census of Employment and Wages (QCEW) tracks workers that are reported for unemployment insurance. The QCEW data for Battle Lake show a decrease of 24 covered workers between 2011 and 2014. More significantly, partial-year information for 2015 shows a significant drop between 2014 and 2015, although this cannot be verified until a full 12 months of information becomes available. According to the QCEW, there were 457 covered workers in 2014, the last full year of data, but year-to-date in 2015, only 380 workers have been reported through the QCEW.

Most of the jobs that do exist in Battle Lake are filled by non-residents. However, most of the employees working in the City travel less than 20 minutes to work, and either reside in the neighboring townships or small communities in the area.

### **Past Growth**

Over the past few decades, the City has experienced some population and household growth. However, tracking population growth is difficult due to some reporting inaccuracies contained in the 2000 Census. Household counts were not impacted, and between 2000 and 2010, Battle Lake added 59 resident households. After 2010, the best available estimates show that household growth has slowed, with the probable addition of only one household per year.

## **Housing Construction/Availability**

The Census did record a net gain of 79 housing units in Battle Lake between 2000 and 2010. This is generally consistent with the level that can be tracked through building permit and local records.

Between 2000 and 2009, building permit reports show that there were 35 new single family housing units constructed in the City. There was also one multifamily rental building with eight units that was permitted. Another specialized senior project, Lakeview Senior Living with 28 apartment-style units was constructed in 2007. Lakeview does not appear in residential building permit reporting, but may have been issued a commercial/institutional permit due to the specialized care being offered.

There was one additional 8-unit project that was permitted in 1999, and it is very possible that this project was still under construction when the 2000 Census was completed. The combination of 34 single family houses, 28 specialized care apartments for seniors, and either 8 or 16 traditional rental units would result in a net gain in the housing stock that would be very similar to the net gain in housing as reported in the 2010 Census.

The net growth of 59 occupied housing units between 2000 and 2010 was less than the number of units constructed during the decade. According to the Census, the number of vacant housing units, including unoccupied seasonal/recreational use units, did increase in Battle Lake between 2000 and 2010. There was an increase of 20 vacant units, including 11 unoccupied units intended for seasonal/recreational use. The City includes shoreline on West Battle Lake, and some of the housing is not used by full-time residents.

It should be noted that while past housing construction activity has been relatively strong for a small city, most of the units were added by 2007. After 2007, construction activity slowed significantly, and from 2008 to 2015, only 13 new single family houses have been built, or an average of less than two units per year. After the Lakeview Senior Living project, no additional rental housing has been constructed.

## **Projected Growth**

Projections for small communities are often based on past patterns, which are then trended forward. For Battle Lake, there are some differences in the available projection sources.

Esri, a private data projection service that has been used extensively in this Study, believes that Battle Lake has lost 10 households since 2010, and will lose an additional three households through 2020. The rationale for this reduced household count is not known, but it is possible that Esri is tracking fewer permanent resident households while seeing more seasonal occupancy in the City.

Another data source, the MN State Demographer's Office, would show the City potentially adding up to 15 total households between 2010 and 2014, or an annual average of one to two households per year. This forecast would match their recent annual estimates which show the City growing at that approximate level between 2010 and 2014.

Battle Lake does have the potential for future population and household growth without any additional housing unit construction. This would require that some of the vacant and seasonal use units convert to permanent occupancy. With more than 70 housing units counted as seasonal/recreational housing in the 2010 Census, Battle Lake has more unused housing than any of the other small cities in the County except for Ottertail. However, since much of this is probably higher-priced lake shore housing, it is assumed that it will largely remain for seasonal/recreational use, and resident household growth will be more directly linked to new housing unit construction.

## **Housing Tenure Patterns**

Between 2000 and 2009, records indicate that as many as 38 single family houses were built in Battle Lake. But between 2000 and 2010, the City experienced a net gain of only three owner-occupancy households. There are two likely explanations for this discrepancy. It is possible that some of the new construction occurred on lake shore parcels, where a new housing unit replaced an existing unit, or was built for seasonal/recreational use. It is also possible that a number of older housing units that had once been owner-occupied were removed from the local inventory or were vacant at the time of the Census.

The City added at least eight rental units in the Hammers project, and 28 units in the Lakeview Senior Living building. It is also possible that eight additional Hammers rental units that were permitted in 1999 did not complete construction until after the 2000 Census. As a result, the potential addition of rental units through new construction is estimated between 36 and 44 units. The Census recorded a net gain of 56 renter-occupancy households during the previous decade, greater than the level of unit construction. This implies that between 12 and 20 of the renter households had occupied housing that was vacant or owner-occupied at the time of the 2000 Census.

With only a minor increase in the number of home owners, but a much larger increase in the number of renter households, the City's rate of home ownership dropped from 78.3% in 2000, to 67.1% by 2010.

## **Household Income**

According to the 2013 American Community Survey, the median household income in Battle Lake was \$34,559. This estimated median was well below the Countywide median household income level of \$48,961.

Battle Lake has a relatively large number of renter households, many of which tend to have lower income levels. The City also has a high percentage of senior-headed households, many of whom may be living on fixed retirement incomes. Both of these groups tend to lower the median household income level for the City.

In defining affordable housing, 30% of the median monthly income would have allowed \$864 to be applied to monthly housing costs in 2013. Approximately half of the City's households could afford that amount or more, and the other half that amount or less.

This relatively modest monthly amount for housing was generally well matched to costs for existing housing in the City, with a median existing value below \$100,000(excluding lake homes) and an estimated median gross rent between \$750 and \$800 per month in 2013.

While costs for existing housing are relatively moderate in Battle Lake, the costs associated with new construction are substantially higher, making new housing development difficult in the City.

Based on the research completed for this Study, and the limited growth projected Battle Lake, only limited recommendations have been made.

## **1. Maintain and preserve the existing single family housing stock**

**Findings:** Most of the housing in Battle Lake exists in single family homes. The City also has some mobile homes, and other units in one or two-unit structures. Overall, more than 83% of all occupied housing options in the City are believed to exist in one or two unit structures.

Although the City had only a minimal increase in the number of home owners between the 2000 Census and the 2010 Census, the home ownership tenure rate was still above 67%. Over time, the average household size has been increasing, implying that households with children have been locating in the community, possibly in response to attractive single family housing options.

Home values in the City are rather modest. The examination of fair market home sales dating back to 2010 did not identify any off-lake single family home selling for \$190,000 or more. The annual median sale price for a house in Battle Lake has been between \$80,000 and \$93,000 in recent years.

Another home value estimate exists from the American Community Survey, which placed the midpoint value at \$126,000 in 2013. This estimated median is well above the median derived from recent sales, and may be a reflection of lake shore homes in the community.

When compared to some of the other small communities in the County, Battle Lake does tend to have a slightly newer housing stock. The estimated median year of construction for owner-occupied houses in the City is 1972, according to the American Community Survey. However, nearly 37% of the owner-occupied units were constructed prior to 1960.

**Recommendation:** Houses that are lost to disrepair reduce the affordable housing stock as they are unlikely to be replaced in Battle Lake in a similar price range. It also appears that some level of tenure conversion has been occurring, as some houses have changed from owner to renter occupancy. This most often occurs in lower valued homes that have less appeal to potential home owners, and instead are purchased by investors that then make them available for rental use.

Maintenance and repair of the City's older housing will be an important strategy to maintain community stability. Battle Lake participated in a Small Cities Development Program (SCDP) grant from 2011 to 2013 that included both housing rehabilitation and commercial rehabilitation activities. Ongoing use of these types of programs is encouraged as the City attempts to maintain its stock of more affordable housing.

## **2. Promote affordable home ownership options as houses become available**

**Findings:** The houses in the City are generally in a moderate price range. Two sources of information exist on home values. The American Community Survey estimated that the median value for owner-occupied units was approximately \$126,000 in 2013. However, this estimated value is well above the median level for recent sales, and may reflect the impact of higher-valued lake shore homes that also are present in the City. For existing houses that have been sold in recent years, the annual median sale price has been between \$80,000 and \$93,000.

**Recommendation:** Battle Lake can represent an attractive location for potential home buyers. Although the home ownership rate has dropped in recent years, more than 67% of all households own their housing unit.

Battle Lake has some employment opportunities within the community, but most residents leave the City for their primary job. Affordable home ownership options have probably made the community a desirable location for people that are willing to commute to the region's largest employment centers, including Fergus Falls and Perham.

Although only a limited number of houses may come up for sale in any single year, the affordable prices for homes in the City make it an option for many Otter Tail County households. Based on the best available information, an existing home in Battle Lake would typically sell for less than \$100,000.

Although the American Community Survey estimate shows a higher median price for the City, this may represent the impact of lake shore houses. When only recent sales are analyzed, the median sales price in Battle Lake tends to be well below the median prices in either Perham or Fergus Falls. As a result, some households have been electing to live in Battle Lake and drive each day for employment.



The community should promote the attractive existing housing options and access any available resources that exist to assist with home ownership, including down payment and/or first-time home buyer programs. Some area communities, such as Rothsay, have offered home ownership incentives. The City could examine the potential for financial incentives to promote home ownership.

### **3. Monitor residential lot availability**

**Findings:** There has been no new subdivision development activity that can be identified in Battle Lake for nearly 10 years. However, a residential lot inventory of 10 or more lots does remain available in 2015.

Over the past six years, there have been 10 new homes constructed in Battle Lake, or an annual average of less than two houses per year. Some of the past construction of single family houses may have utilized existing lots, and could have replaced an existing house. Battle Lake has attractive lake shore residential properties. Over time, the number of seasonal/recreational use housing units has increased, and some of the housing construction may have been seasonal lake shore homes.

A review of the Multiple Listing Service also showed a number of vacant land parcels in the Battle Lake area, but most of these appeared to be rural sites. During to housing boom years in the early 2000s, a large number of rural subdivisions were created in Otter Tail County, especially in areas close to Fergus Falls. As a result, a large remaining lot inventory still exists for people looking for a larger parcel for a new home.

**Recommendation:** Community Partners Research uses a standard that a 2 ½ year supply of lots represents an adequate inventory, based on annual construction usage. Over the last six years the City has averaged less than two new houses per year. Based on this level of lot absorption, the current inventory should be adequate to meet near-term demand. However, as the remaining lot supply is utilized over the next few years, it will be necessary to plan for additional subdivision development.

The growth projections used for this Study expect that approximately one to two new households per year will potentially locate in the community over the next five years. If only this level of growth is achieved, future demand for lots

will remain limited. The City's existing active subdivision, Hidden Meadows, was developed in 2006 and in 2015 still had up to 10 unsold lots. Future developers need to be aware that lot absorption will be gradual, unless area home building activity returns to the levels that existed prior to 2007.

#### **4. Demolish and clear any substandard structures**

**Findings:** This Housing Study did not include a visual housing condition survey. However, secondary evidence would indicate that some substandard housing may exist in Battle Lake. Over time, there is evidence that some single family units have either been removed from the usable housing inventory or have been converted to rental use.

**Recommendation:** Ongoing efforts to clear severely substandard structures are encouraged. This will help to enhance the appearance and appeal of the community as a residential location.

#### **5. Promote rental housing rehabilitation**

**Findings:** Battle Lake serves one of the rental centers in the southeastern quarter of Otter Tail County, along with Parkers Prairie and Henning. Between 2000 and 2010, the City added 59 renter-occupancy households, while adding only three home owners. Recent demand for rental housing has exceeded demand for home ownership in the community.

The rental survey completed for this Study identified a mix of multifamily rental options in the City. Many of the larger apartment buildings are relatively new, and some are government subsidized, and presumed to be in good physical condition.

However, with the exception of the Hammers Rentals, most of the remaining market rate housing in the City exists in older properties. Between 40 and 45 market rate rental units are believed to exist in structures built before 1960, primarily single family houses that have been converted to rental use.

According to the American Community Survey, rental rates in the City are generally in a moderate range, with most units having a gross rent between \$750 and \$800 per month, including tenant-paid utilities. This moderate rent structure would include single family home rentals, where all of the utility costs

are typically paid by the tenant. The median rent level also appears to be impacted by Lakeview Senior Living, which adds a number of units with a monthly rent above \$1,500. If Lakeview units were removed, the median rent level for more traditional rental housing would be lower.

**Recommendation:** Rental units in larger multi-unit properties in Battle Lake are either in newer buildings, such as the Hammers Rentals, the Lakeview senior project, or in federally subsidized buildings, such as Summit Village. These multifamily buildings are generally assumed to be in good condition, as a result of their age or the ability to utilize federal funding. However, more than 40 of the City's rental units exist in older housing, primarily single family homes. These units are probably in various states of repair, but based on the moderate rent structure, it is assumed that many of the single family units could benefit from rehabilitation.

When possible, "spot" rehabilitation would be encouraged to maintain the condition and quality of rental houses, helping to assure that renter households have access to decent, safe and sanitary housing. If left to deteriorate, older housing may eventually be removed from Battle Lake, resulting in a possible loss of households and population.

## **6. Promote the development of additional market rate rental housing**

**Findings:** In the late 1990s and early 2000s, a private developer constructed two 8-unit rental town house projects. The units are one-level with no stairs, open floor plans and attached garage. Twelve of the units have two bedrooms and one bathroom, and four have three bedrooms and 1.5 bathrooms.

Based on available information, this project has been successful. According to the manager, they are at full occupancy with a long waiting list. The units can attract tenants of any age, but often appeal to households age 55 and older.

Rent levels are higher than typically seen in the smaller cities in the County, with estimated gross rents approaching \$900 for a two-bedroom unit, and \$1,050 for a three-bedroom. This estimate includes all utilities that are tenant-paid. Despite a higher rent structure, the quality, pricing and amenities in these units have made them popular with area renters. The same developer has also achieved success with similar market rate units in Perham and New York Mills. Despite the presence of a long waiting list in Battle Lake, the owner has no plans for additional construction phases.

Although the household projections used for this Study would not expect any significant household growth in Battle Lake through the remainder of this decade, there is evidence of growing demand for rental housing, as the City added 56 renter-occupancy households in the previous decade. There will also be continued growth among one of the primary target groups, households age 55 and older. Countywide, the number of households age 55 and older should increase by more than 9% between 2015 and 2020. In the Southeast Quarter of Otter Tail County, nearly all of the projected household growth over the next five years will be due to households age 55 and older.

In 2020, approximately 59% of all households in Otter Tail County will be in the age ranges 55 and older. In the SE Quarter of the County approximately 63% of all households will be age 55 or older in 2010, and in the City of Battle Lake, projections expect nearly 68% of all household to be age 55 or older.

**Recommendation:** Given the success of the Hammer's units, and continued demand for rental housing, it would be appropriate to promote the development of between 10 and 14 additional rental units in Battle Lake by the year 2020. These could be targeted at the moderate to higher rent segment of the market, in a style similar to the Hammer's town house project. When added to the 16 units in Hammers Rentals, up to 14 additional units would yield approximately 20% of the City's rental stock in this higher quality housing segment.

This recommendation is largely based on anticipated local demand for higher quality rental housing. Given Battle Lake's location within reasonable commuting distance of Fergus Falls, it can be argued that rental development has the potential to serve a larger region. If the recommended new rental development succeeds in attracting households from a greater distance, then additional phases of construction should be considered.

The Hammers units have proven to be very successful, and demonstrate market acceptance for higher quality rental housing in the community. In addition to serving area seniors and empty-nesters, new units can also serve younger tenants.

A primary challenge to constructing new units will be to remain competitive with the high quality units that already exist. The most comparable form of housing is in the Hammers units, where two-bedroom/one-bathroom units have an estimated gross monthly rent of approximately \$900, including garage parking.

New York Mills and Perham are two of the cities in the County that have had recent success with new rental development, which could serve as a model for Battle Lake. These projects were privately developed, and created patio homes, with a two-car attached garage. Both projects advanced in 2014. For the project in Perham, gross rents were below \$850 for a two-bedroom unit with one bathroom and approximately 950 square feet.

The gross rents being achieved in these patio home projects would be generally comparable to the existing units in Hammers Rentals. In both New York Mills and Perham, approximately one-third of the units are three-bedroom/two bathroom options, although gross rents for these larger units have been above \$1,000 per month. In the Hammers projects, 25% of the units have three bedrooms.

## **7. Promote affordable rental housing creation when possible**

**Findings:** The previous recommendation had addressed the potential for developing additional rental housing in Battle Lake to serve moderate to higher income households. The economics of new housing construction will generally require substantially higher gross rental rates than otherwise exist in independent rental housing in the community. The higher housing costs therefore serve to limit the number of new units that can be feasibly absorbed in a smaller community.

Battle Lake, like most of the other small cities in Otter Tail County, could also benefit from the creation of even more rental units in the future, provided these are affordable to the typical renter household. Countywide, the median household income for all renters in 2013 was only \$21,417. If a median income household were to apply 30% of income to housing costs, this would yield an affordable gross rent of only \$535 per month. Half of all renter households in the County would ideally need a unit that is at or below this rent threshold.

Creating rental housing units at or below this rent level will generally require a significant financial subsidy. These types of development resources are not typically available to small communities, unless they come from locally-generated sources. As a result, expanding the supply of affordable rental housing has not been occurring in most small cities.

The shortage of affordable units becomes magnified when some lower income households are able to access tenant-based rent subsidies. The Housing Voucher Program has maximum rent levels that apply to the use of this assistance. The current payment standard for a two-bedroom rental unit is \$657. Voucher holders will often have a difficult time locating a unit that is vacant, below this payment standard, and able to pass the basic housing quality standards inspection.

Since adding affordable units can generally not happen through new construction, in the smaller cities in the County, the supply of units has remained fixed, unless older single family houses have been converted to rental use, resulting in fewer affordable ownership options.

**Recommendation:** In the opinion of the analysts, Battle Lake would benefit from affordable rental housing creation. This would help attract residents to the community, could expand the available labor force, and would ease housing pressure caused by low vacancy rates.

However, there is no easy way to address the financial gap between affordable rental housing and the costs associated with building new units. This Study would encourage the City to look for ways to add to the rental supply, through better utilizing existing structures, such as downtown buildings with unused space, or by securing grant assistance that is intended for affordable rental housing. Target rents for affordable units should be at or below the levels allowed by the Housing Voucher Program.

In a number of the small cities in the County, it appears that older houses that had once been owner-occupied have shifted to rental use in recent years. While this does effectively create some additional rental options, it reduces the affordable home ownership opportunities. It can also negatively impact community stability, as fewer home owners often results in more household turnover and fewer residents with long-term ties to the city. Ideally, the expansion of affordable rental housing would not result in a reduction of affordable ownership housing.

## **8. Monitor senior housing with services needs**

**Findings:** Although Battle Lake is a relatively small community of fewer than 1,000 people, it has developed a range of housing options for seniors as they move through the aging cycle.

Good Samaritan Battle Lake, a skilled nursing home, has been present in the community for many years. In 2015, it is licensed for 55 beds. This facility has downsized over time, and once had contained 70 beds. The de-licensing, along with a physical expansion, have allowed nearly all rooms to be used for private occupancy. Nine of the 55 beds are dedicated to post-acute recovery use, and the remaining 46 beds would be available to longer-term residents. The annual occupancy rate was defined as being very high, based on the current licensing.

In 2007, the 28-unit Lakeview Senior Living project was constructed. This facility is part of the Good Samaritan system, and has the ability to serve both lighter services senior living and more service intensive assisted living. The lighter services package includes all utilities, one daily meal, light housekeeping, an emergency call system, 24-hour staffing, and access to transportation. Additional meals, laundry, personal care services and other services can then be purchased as needed.

Specific information on the unit distribution of lighter services versus assisted living use was not available. Due to the flexible nature of this project, it is probable that a wide range of residents exist, receiving different levels of care. The project did report full occupancy and a waiting list.

Good Samaritan is currently in the process of examining the senior housing needs in the area, including the need for specialized memory care units. This may result in an expansion of the housing options available in Battle Lake.

While Battle Lake has the potential to serve a larger potential market area, given its location less than 20 miles from Fergus Falls, it must also compete with senior projects in the largest city in the County. Fergus Falls has a large number of specialized care options for seniors, and also has a hospital and other medical services that are not available in Battle Lake. Many of the options in Fergus Falls are in senior campuses, where a continuum of care can be offered.

The immediate market area surrounding Battle Lake, including Underwood, Clitherall and six nearby townships, contained 479 older senior citizens, age 75 and above, at the time of the 2010 Census. This total would have included residents of the specialized care facilities in the City. There were 317 households age 75 and older living in the immediate area.

With 28 units available for assisted living or lighter services housing in Lakeview, a capture rate of approximately 8.8% would be needed among older senior households to maintain full occupancy. With the probability that options in Battle Lake can attract seniors from an even larger area, this percentage would be lower, depending on the primary market area used.

There are other specialized senior housing options in the small cities of Otter Tail County that have been able to capture an even larger share of older seniors that live within the immediate vicinity. However, Battle Lake does compete more directly with Fergus Falls, and changes in that community could have a direct impact on demand in Battle Lake.

**Recommendation:** According to the administrator for Good Samaritan, that organization is currently conducting its own study of senior housing needs in the Battle Lake area, and elsewhere in Otter Tail County. This specific analysis will provide a more detailed look at senior demand. Working directly with Good Samaritan, it will have access to details on market area, waiting lists and occupancy patterns that were not available to Community Partners Research. As a result, it should be viewed as a more thorough review of the potential for future senior housing development in Battle Lake.

However, this 2015 Otter Tail County Housing Study can offer some general observations about senior housing. Based on the occupancy patterns and waiting list at Lakeview, it is evident that some level of pent-up demand currently exists, although the length of the waiting list was not disclosed. Based on the size of the immediate market area, only a limited unit expansion would be needed. Using 2010 statistics, a capture rate of approximately 8.8% of older senior households was being achieved. If this were to increase to 10% or even 12% it would only yield between four and 10 additional units.

There has probably been some growth in the number of older senior households in the area since 2010, but Esri projects that the number of households age 75 and older in the SE Quarter of the County has remained largely unchanged between 2010 and 2015. In the entire SE Quarter of Otter Tail County, Esri projects that approximately 83 older senior households will be added between 2015 and 2020.



For the next few years, only limited growth is expected countywide in the population of older senior citizens, age 75 and above. After 2020, more growth should begin to occur as the baby boom generation continues to advance through the aging cycle.

Part of the senior study currently being completed by Good Samaritan is also looking at the need for memory care housing. Although other small communities in the area, including Henning and Parkers Prairie have specialized senior options, there are no providers of memory care housing in the SE Quarter of Otter Tail County. Memory care options do exist in Fergus Falls, with approximately 66 beds, and in New York Mills, with 8 dedicated beds in a skilled nursing home. In 2014, some memory care beds were being planned in Perham, but the current status of this project is not known.

With an estimated 74 memory care beds Countywide, the required capture rate among older senior residents of the County in 2010 was approximately 1.4%, excluding older seniors already living in a skilled nursing home. This relatively low capture rate would indicate that some additional units/beds could be added in the County, such as the possible project in Perham.

Located less than 20 miles from Fergus Falls, Battle Residents looking for a specialized memory care option do have access to most of the County's current offerings. If a memory care facility were to be developed in Battle Lake, a capture rate of 1.5% to 2% of the locally based population of older seniors present in 2010 would yield approximately seven to nine beds. It is very possible that Good Samaritan would be examining the potential of an even larger facility, intended to serve a larger segment of the County.