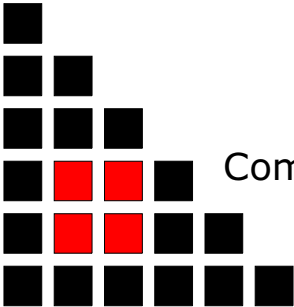


City of Fergus Falls HOUSING STUDY UPDATE

October 2014

An updated analysis of the overall housing needs
of the Fergus Falls area



Community Partners Research, Inc.

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Introduction

Overview

Community Partners Research, Inc., was hired by the City of Fergus Falls and the Fergus Falls Housing and Redevelopment Authority to update a 2005 study of housing market conditions in Fergus Falls and the surrounding area.

Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from July to October 2014. Data sources included:

- U.S. Census Bureau
- Minnesota State Demographer
- ESRI, Inc.
- Records and data from the City
- Records and data maintained by Otter Tail County
- Data from the MN Dept. of Employment and Economic Development
- Data provided by HousingLink
- Data provided by the Multiple Listing Service
- Interviews with community leaders
- Interviews with people familiar with the area's housing conditions
- Area housing agencies
- Rental property owner surveys

Limitations

This Housing Study represents an analysis performed with the data available at the time of the research. Any findings are based upon current solutions and the best available information on future trends and projections. Significant changes in the area's economy, employment growth, Federal or State tax policy or other related factors could change the findings and conclusions contained in this Study.

In 2014, a number of issues continue to negatively impact local and national housing markets. Many of these issues represent a significant departure from conditions that were present prior to 2007, and have the potential to alter traditional supply and demand calculations for housing.

In most cases, this Study has not attempted to project future economic conditions, but instead has relied on past patterns and practices, with modifications that are appropriate for the current conditions. Among the issues impacting housing markets are the following:

- ▶ High Rates of Delinquency and Foreclosure - Since 2007, many communities have witnessed an above-average level in the number of delinquent mortgages and foreclosures. As a result, there has been an above-average level of housing turnover, caused by both "short sales" and foreclosures.
- ▶ Mortgage Market Liquidity - In response to rising delinquency and foreclosure rates, the mortgage market has been altered, with both primary and secondary mortgage lenders changing their standards and the availability of credit.
- ▶ Fannie Mae and Freddie Mac Bailout - The federal government was forced to take over these quasi-public agencies to help keep home mortgages available. Changes to the federal government's role in the home mortgage market continue to be debated in Washington.
- ▶ National Retreat in Home Prices - After many years of steady gains, the median value of single family homes dropped in some major markets in recent years. This had multiple effects, including a retreat of potential home buyers out of the market until conditions stabilize. By 2014, these price trends appear to have stabilized or reversed.
- ▶ Over Supply of Housing - Strong housing market conditions earlier in this decade resulted in above-average activity in the housing development markets, including both housing units and residential lots. In some areas, an oversupply of inventory exists, which further depresses home prices.
- ▶ Economic Recession - The economy of the United States was in a period of sustained recession, and recovery remains slow in 2014. Above-average national unemployment levels exist and reduced consumer demand has been present in many areas, including housing.

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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 basic demographic estimates for the year 2013. 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 variables, 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. 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 City of Fergus Falls, the 2012 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 2008 and 2012. For Otter Tail County, two sets of 2012 estimates exist, based on sampling completed over a five-year period and over a three-year period between 2010 and 2012. To maintain consistency, the five-year sampling for all of Otter Tail County has also been used.

One final data source that was reviewed for Fergus Falls was ESRI, Inc., a private data reporting service. ESRI estimates were available for 2014, with projections to 2019.

Market Area Definition

In addition to demographic data for the City of Fergus Falls, we have provided information for a small geographic area, composed of four Townships, immediately surrounding the City. Referred to in this Study as the Greater Fergus Falls, it reflects housing activity that has been occurring in recent years just outside of the corporate limits of the City of Fergus Falls. The four Townships are Aurdal, Buse, Dane Prairie and Fergus Falls, all in Otter Tail County.

For most demographic items we have included information for all of Otter Tail County, which represents the primary market area for the City of Fergus Falls.

Population Data and Trends

Both the Minnesota State Demographer and the U.S. Census Bureau have released population estimates for the year 2013. The following table includes the 2013 estimates from the State Demographer. The 2013 Census Bureau estimates are contained in the text that follows.

Table 1 Population Trends - 1990 to 2013						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2013 Estimate
Fergus Falls	12,362	13,471	9.0%	13,138	-2.5%	13,295
Greater Fergus Falls	16,351	17,466	6.8%	16,972	-2.8%	17,159
Otter Tail Co.	50,714	57,159	12.7%	57,303	0.3%	57,558

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

According to the 2010 Census, Fergus Falls had a population loss of 333 residents between 2000 and 2010, for a percentage decrease of 2.5%. The City had added more than 1,000 residents in the 1990s, with the population increasing by 9% during that decade, but after 2000, these patterns reversed and population losses followed.

After 2010, both the Census Bureau and the State Demographer show some population growth returning in Fergus Falls. According to the State Demographer, the City added 157 people between 2010 and 2013. According to the Census Bureau's 2013 population estimates, the City has added 213 people, with nearly half of this gain occurring between 2012 and 2013.

In the 2000s, population losses also occurred in the area defined as Greater Fergus Falls. Even when Fergus Falls is removed from the aggregation, the remainder of the area lost 161 residents over the prior decade. After 2010, the State Demographer's most recent estimates show very limited population growth in the townships surrounding Fergus Falls, with a net gain of only 30 residents within the four combined townships, compared to 157 people being added within the city limits.

Population trends for all of Otter Tail County have generally been similar to those in Fergus Falls, the largest city in the County. After significant population growth in the 1990s, almost no permanent residents were added between 2000 and 2010. However, from 2010 to 2013, more than 250 have been added Countywide, including the growth within Fergus Falls. This estimate is nearly identical to the Census Bureau's 2013 estimate, which also shows the County adding 278 residents between 2010 and 2013.

In their county-level estimates, the Census Bureau also identifies the individual components that contribute to population change. Between 2010 and 2013, the County added some residents through in-migration, as more people moved into the County than moved out. However, natural change had a negative impact on the County's population, as the Census Bureau tracked more deaths than births in the County in the past few years. As a result, the County has had rather limited population growth over the three-year period.

ESRI Estimates

ESRI, a private data reporting service, has generated population estimates for area jurisdictions. Their estimate for the Greater Fergus Falls aggregation has been obtained for this Study.

For Fergus Falls and the surrounding townships, ESRI estimate shows 17,264 people in 2014, slightly lower than the 2013 estimate from the State Demographer, and reflecting some growth over the past year.

Population Characteristics

Population by Race and Ethnicity

Fergus Falls' population is primarily White and non-Hispanic. At the time of the 2010 Census, 97% of the City's residents identified themselves as White for race, and less than 2% of City residents identified themselves as Hispanic/Latino for ethnicity. Due to the City's limited diversity, no additional information has been provided in this Study.

Group Quarters Population

In 2010, the decennial Census counted 653 group quarters residents in the City, including 295 people in skilled nursing facilities, 94 people in college/university housing, 53 people in correctional facilities, and 207 people in undefined noninstitutional facilities.

At the time of the 2000 Census, there were 790 group quarters residents counted in Fergus Falls. The reduction of 137 group quarters residents over the prior decade represented more than 41% of the City's overall population loss during this time.

Between 2000 and 2010, there was a closure of a group quarters psychiatric facility in Fergus Falls, which had housed 153 residents at the time of the 2000 Census. However, there was also the addition of some student housing during the decade, as no group quarters residents were recorded in college/university housing in the 2000 Census, compared to 94 people in 2010. There was some reduction in group quarters residents between 2000 and 2010 due to nursing homes, as this population group decreased by 87 people over the decade.

The 2013 estimate from the State Demographer shows limited change in the City's group quarters population, with 672 people living in some form of group quarters housing, compared to 653 in the year 2010. The Demographer does not provide details in the annual estimates, so the segment of the group quarters population that has been growing cannot be identified.

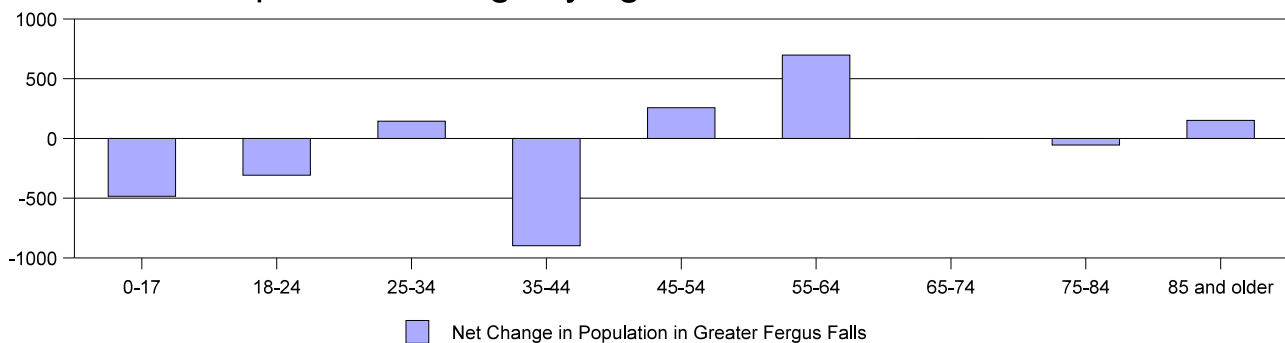
Population by Age Trends: 2000 to 2010

The demographic information from the 2010 Census allows for some analysis of the area’s changing age patterns. The following table compares population by age in 2000 and 2010, along with the numeric changes. Age changes are examined for the Greater Fergus Falls area and for all of Otter Tail County.

Table 2 Population by Age - 2000 to 2010						
Age	Greater Fergus Falls			Otter Tail County		
	2000	2010	Change	2000	2010	Change
0-17	4,219	3,735	-484	14,238	12,457	-1,781
18-24	1,602	1,294	-308	4,107	3,764	-343
25-34	1,751	1,896	+145	5,315	5,646	+331
35-44	2,597	1,699	-898	8,542	5,801	-2,741
45-54	2,330	2,587	+257	7,863	9,093	+1,230
55-64	1,510	2,208	+698	6,236	8,510	+2,274
65-74	1,439	1,439	0	5,410	6,156	+746
75-84	1,289	1,234	-55	3,718	3,888	+170
85+	729	880	+151	1,730	1,988	+258
Total	17,466	16,972	-494	57,159	57,303	+144

Source: U.S. Census

Population Change by Age Between 2000 and 2010

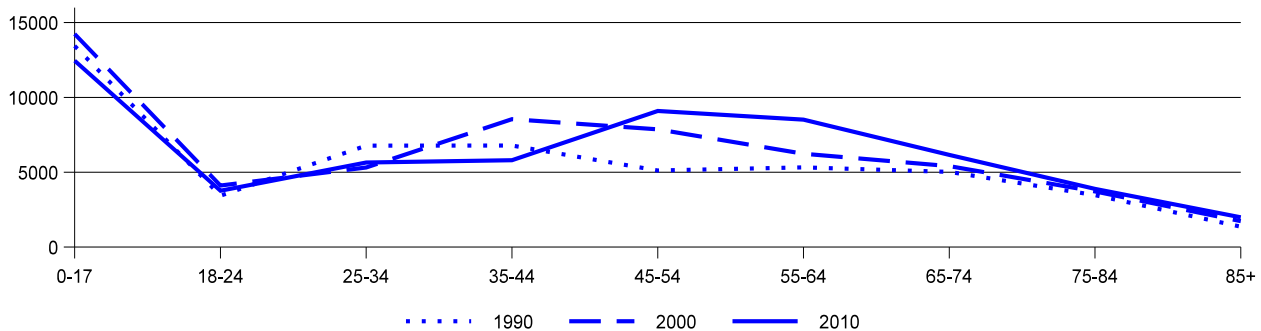


For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been very evident in the Greater Fergus Falls area. Between 2000 and 2010, Fergus Falls and the four adjoining townships had a net gain of 955 people in the age ranges between 45 and 64 years old. In 2010, nearly all of the baby boomers were within these age ranges. The numeric net gain in the 55 to 64 year old age group was the largest of any defined age cohort.

Due to both the advancing baby boomers and a reduced number of children, there was an overall reduction in the population in the younger age groups. From 2000 to 2010, there was a net reduction of 1,545 people age 44 and younger. There was a net increase of 1,051 people age 45 and older.

Age progression patterns for all of Otter Tail County were often similar to those in Greater Fergus Falls. One noticeable difference was among senior citizens, in the age ranges between 65 and 84 years old. Countywide, there was growth in the number of seniors, especially in the 65 to 74 year old range. Much of rural Otter Tail County contains attractive locations for retirees, even though there was no growth among younger seniors in the Greater Fergus Falls area.

Otter Tail County Age Distribution: 1990 to 2010



The aging trends present in Otter Tail County can be traced back over the previous decades to see the movement of the baby boom generation. One notable trend that is evident in Otter Tail County is the ‘wave’ created by the baby boom age ranges has grown progressively larger with each successive decade.

Population Projections

The following table presents population projections using two different sources. The first set of projections has been generated by Community Partners Research, Inc., using short-term trends in population change, and calculating these trends forward. The second projection is based on data from the Minnesota State Demographer’s Office, which has generated population projections for individual jurisdictions and counties in the State. Projections are provided for the years 2015 and 2020.

The State Demographer’s Office has generated more recent projections at the city and county level, which better reflect the patterns made evident in the 2010 Census. However, projections at the township level were created in late 2007, and do not reflect the most recent information on growth trends. Because of the timing, the township forecasts tend to overweight the rapid growth that was occurring in the first half of the previous decade. Instead of using the Demographer’s actual projection numbers, the following table uses the incremental change in each of the five-year periods. This helps to adjust downward for the overly high projected level expected in most of the townships in the year 2010, by readjusting the base number to the 2010 Census, and then focusing on the change going forward.

Table 3 Population Projections Through 2020					
	2013 Estimates	Community Partners Research Projection		State Demographer Projection*	
		2015	2020	2015	2020
Fergus Falls	13,295	13,400	13,665	13,396	13,588
Greater Fergus Falls	17,159	17,285	17,600	17,323	17,581
Otter Tail County	57,558	57,730	58,155	60,256	61,609

Source: U.S. Census; Community Partners Research, Inc.; MN State Demographer

* Extrapolated for Townships

The Community Partners Research projections expect moderate population growth for the Fergus Falls area through the years 2015 and 2020. Since these projections are based on past trends, they continue the patterns that have been evident in recent years, as the City and adjoining Townships have added a limited number of new residents.

The projections produced by the State Demographer's Office are generally very similar for both Fergus Falls and the Greater Fergus Falls aggregated area.

If used to form a probable range, the projected annual growth for the City of Fergus Falls from 2015 and 2020 would be between 38 and 53 people in an average year. For the entire Greater Fergus Falls area, the possible range would be 52 to 63 people in an average year.

There is much greater variation for all of Otter Tail County. The Demographer's Office has recently released county-level projections that appear to be overly high. For Otter Tail County, these latest projections would require the County to add an average approximately 270 people per between 2015 and 2020. The projection generated by Community Partners Research is based on short-term trends and expect the County to add approximately 85 people in an average year through the year 2020.

For comparative purposes, Otter Tail County has added an average of 51 people per year between 2010 and 2013, and average fewer than 15 people per year from 2000 to 2010. While both projections could be viewed as high with this historical perspective, the latest State Demographer projections would require a significant change in the rate of growth to be accurate.

ESRI Projections

Community Partners Research also reviewed projections obtained from ESRI for the aggregated Greater Fergus Falls area. ESRI's population projections are for a 5-year time period between 2014 and 2019, a slightly different increment than the other projections provided. However, the annual average change can be compared to other sources.

ESRI projects total growth of 125 people over the five-year period, or annual growth of approximately 25 people per year, less than one-half of the incremental annual projection generated by Community Partners Research for the period between 2015 and 2020.

Household Data and Trends

The Minnesota State Demographer's Office has released 2013 household estimates for individual jurisdictions, which are displayed in the following table, along with totals from previous decennial Censuses.

Table 4 Household Trends - 1980 to 2013						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2013 Estimate
Fergus Falls	5,080	5,633	10.9%	5,814	3.2%	5,907
Greater Fergus Falls	6,461	7,069	9.4%	7,270	2.8%	7,376
Otter Tail Co.	19,510	22,671	16.2%	24,055	6.1%	24,228

Source: U.S. Census; MN State Demographer

According to the 2010 Census, Fergus Falls added 181 households between 2000 and 2010. This represented household growth of 3.2%. The City added households despite losing total population. The City had grown at a much faster rate in the 1990s, with the number of households increasing by nearly 11% during that decade.

Based on the most recent estimate from the State Demographer's Office, Fergus Falls added 93 households between 2010 and 2013. This level of household growth was slightly greater than the number of housing units constructed, and if accurate, it is probable that some of the growth was due to the availability of some formerly vacant housing.

The Greater Fergus Falls area also added households in the previous decade, but this was primarily due to the growth within the City of Fergus Falls. Between 2000 and 2010, the aggregated area added 201 households, but only 20 net households in the township jurisdictions outside of Fergus Falls.

After 2010, there were 13 additional households added outside of Fergus Falls, based on the State Demographer's most recent estimates, compared to 93 households added within the city limits.

All of Otter Tail County experienced solid household growth between 2000 and 2010, despite almost no population gain. The County had an increase of nearly 1,400 households during the previous decade, after adding more than 3,100 households in the 1990s.

In the three-year period from 2010 to 2013, only 173 households were added, or approximately 58 households per year. Excluding the Greater Fergus Falls aggregation, only 63 households were added from 2010 to 2013 in the remainder of the County.

ESRI Estimates

The ESRI demographic report for the Greater Fergus Falls area also contained a household estimate to the year 2014. The ESRI estimate shows 7,493 households, 117 households greater than the State Demographer's 2013 estimate.

While it is possible that the ESRI household estimate is accurate, this level cannot be supported by housing unit construction activity, since substantially fewer new housing units have been built in recent years. For growth of this scale to occur, a substantial number of formerly vacant housing units would have needed to be occupied between 2010 and 2014.

Household by Age Trends: 2000 to 2010

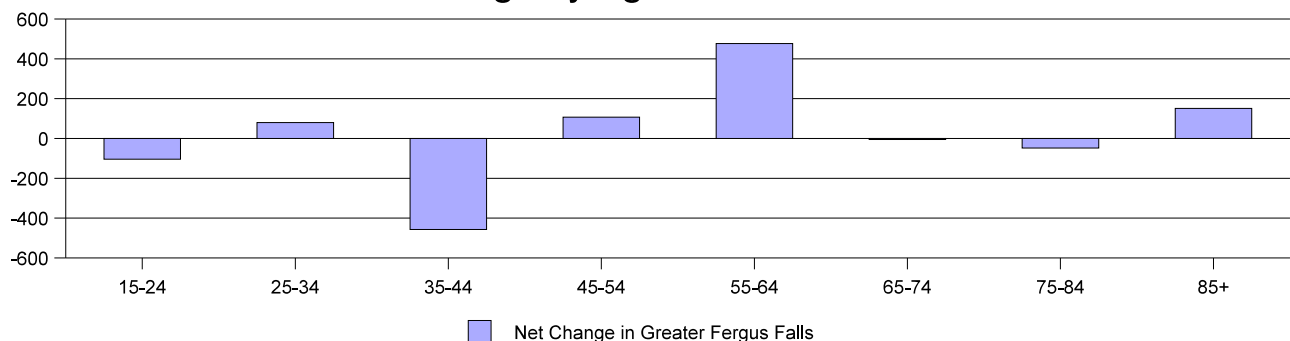
The 2010 Census allows for some analysis of the area’s changing age patterns. The following table compares households by age of householder in 2000 and 2010, along with the numeric changes.

Table 5 Households by Age - 2000 to 2010						
Age	Greater Fergus Falls			Otter Tail County		
	2000	2010	Change	2000	2010	Change
15-24	464	360	-104	929	820	-109
25-34	872	952	+80	2,548	2,727	+179
35-44	1,390	933	-457	4,512	3,049	-1,463
45-54	1,348	1,455	+107	4,426	5,038	+612
55-64	861	1,338	+477	3,443	4,886	+1,443
65-74	889	884	-5	3,329	3,708	+379
75-84	863	815	-48	2,538	2,594	+56
85+	382	533	+151	946	1,233	+287
Total	7,069	7,270	+201	22,671	24,055	+1,384

Source: U.S. Census

Consistent with the population by age data presented earlier, the household patterns show most of the net change occurring in the baby boomer age groups. For the Greater Fergus Falls area, the largest net growth in households occurred in the 10-year age group between 55 and 64 years old.

Household Change by Age Between 2000 and 2010



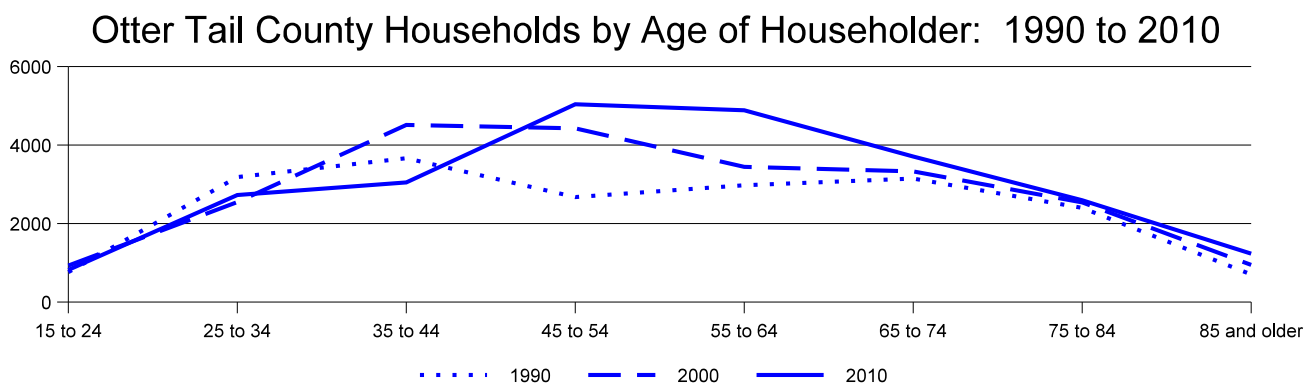
Nearly all of the net gain in households during the last decade can be attributed to the increase in households age 45 and older. The only exceptions in the older adult age ranges were in the number of senior households between 65 and 84 year years old, which showed some minor decrease.

The number of younger adult households decreased over the decade. The only younger group that increased in size was the 25 to 34 year old group. For all younger groups combined, there was a net decrease of 481 households age 44 and younger in the Greater Fergus Falls area.

Countywide, net increases occurred in all of the age ranges 45 years old and older. Growth was especially strong in the 55 to 64 year old group, as the leading edge of the baby boom generation increased substantially in numbers in Otter Tail County. There were large net decreases in most of the younger adult age groups, with an overall reduction of nearly 1,400 households age 44 and younger over the decade.

There was some overall increase in the number of older senior-headed households in Otter Tail County, age 85 and above. Much of this growth occurred with the Greater Fergus Falls area as a number of specialized senior housing options were added. However, very limited growth occurred in the next senior age group, households between 75 and 84 years old.

As with the longer-term patterns for population, it is possible to track the progression of the baby boomer households over the past 30 years, using Census information for households by the age of householder.



The trend that is once again evident in this chart is that households in the prime baby boomer age groups have been growing in size through each successive decade. Rather than the existing households simply aging in place, net immigration to Otter Tail County has continually added baby boomer households.

Average Household Size

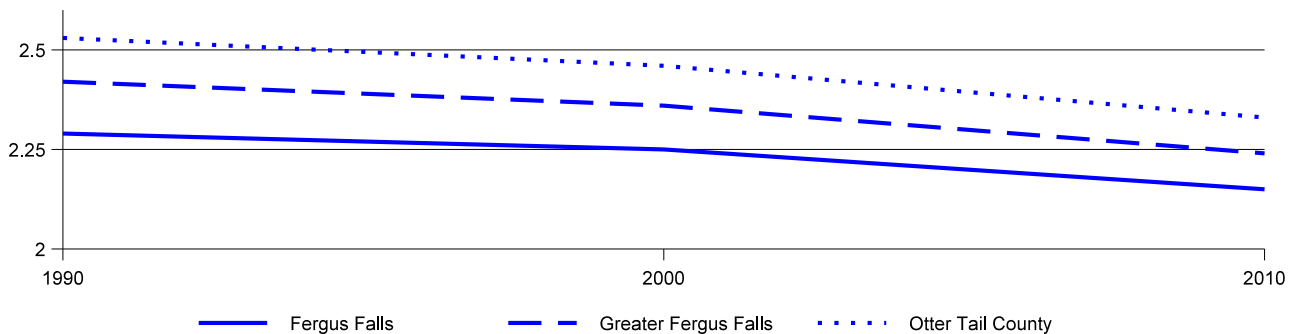
The following table provides decennial Census information on average household size. Estimates from the State Demographer for 2013 are also included.

Table 6 Average Number of Persons Per Household 1980 to 2013				
	1990 Census	2000 Census	2010 Census	2013 Estimate
Fergus Falls	2.29	2.25	2.15	2.14
Greater Fergus Falls	2.42	2.36	2.24	2.23
Otter Tail County	2.53	2.46	2.33	2.33

Source: U.S. Census; MN State Demographer

Household formation has been occurring at a different rate than population change in recent decades due to a steady decrease in average household size. This has been caused by household composition changes, such as more single person and single parent families, fewer children per family, and more senior households due to longer life spans.

Average Household Size



Although there is a long-term trend of smaller average household sizes in the Fergus Falls area and in all of Otter Tail County, the average size has remained relatively stable since 2010.

The average household size in Fergus Falls is substantially smaller than the Countywide average. Fergus Falls has a large share of the County's rental housing, including specialized housing for seniors.

Household Projections

The following table presents household projections using two different sources. As with population projections, Community Partners Research, Inc., has generated projections to the years 2015 and 2020, by examining recent patterns and trends to predict future changes.

The State Demographer’s Office had previously issued household projections at the county level. However, their more recent population projections for Otter Tail County are much higher, and do not match the initial household forecasts. At the city and township level, it is possible to extrapolate household forecasts from the population projections provided earlier in this section. In converting population to households, it is assumed that group quarter’s populations will remain largely unchanged, and that the average household size will decrease gradually.

Table 7 Household Projections Through 2015/2020					
	2013 Estimate	Community Partners Research		State Demographer	
		2015 Projection	2020 Projection	2015 Projection	2020 Projection
Fergus Falls	5,907	5,960	6,095	5,975	6,090
Greater Fergus Falls	7,376	7,455	7,650	7,490	7,645
Otter Tail County	24,228	24,350	25,650	24,991	25,858

Source: State Demographer; Community Partners Research, Inc.

After examining past growth trends, along with the aging patterns for area residents, the projections created by Community Partners Research expect the City of Fergus Falls to add approximately 25 to 30 households per year through the year 2020. The projections extrapolated from the State Demographer’s population forecasts yield very similar numbers, especially by the year 2020.

The Community Partners Research projection for Greater Fergus Falls expects nearly 40 households in an average year to the year 2020, including the growth in Fergus Falls. This would require annual growth of between 10 and 15 households per year in the four townships that surround the City.

The Community Partner's projection for all of Otter Tail County expects approximately 122 households to be added between 2013 and 2015, or 61 households in a typical year. To achieve this projection, a slightly faster pace of growth would need to occur between 2013 and 2015. Based on the most recent estimate, the County added an average of approximately 58 households per year between 2010 and 2013.

The most recent projections generated by the State Demographer's Office, which were issued after the 2010 Census, expect the County to add approximately 187 per year between 2010 and 2015, much higher than the net growth forecast from Community Partners Research.

ESRI Projections

ESRI has issued projections for the five-year period from 2014 to 2019. Over this span, ESRI projects that the Greater Fergus Falls area will add 115 total households, or approximately 23 households in an average year.

ESRI's projection for the Greater Fergus Falls area is lower than the trend-based projection from Community Partners Research of approximately 39 households per year. However, ESRI's annual incremental growth is similar to the level achieved by the Greater Fergus Falls area from 2000 to 2010.

It is important to note that while ESRI is projecting a slower pace of growth between 2014 and 2019, they believe that the Fergus Falls area has grown rapidly between 2010 and 2014. If their 2019 projected household level for Greater Fergus, 7,608 households, is compared to the 2010 Census, then the aggregated area is expected to add an average of 38 households per year over a nine-year period.

Allowing for a one-year time difference in the end date for the projection period, ESRI's 2019 projected level of 7,608 households is nearly identical to the other available projections, showing 7,645 households (extrapolated State Demographer) or 7,650 households (Community Partners Research).

Household by Age Projections to 2019/2020

Community Partners Research has generated age-based household projections for the Greater Fergus Falls area to the year 2020. The projections were created by trending forward past retention rates within defined age cohorts, and assuming that these past patterns are reasonable predictors of future age-based changes. They assume that historical patterns will continue into the near-future, especially related to household formation and household size within specific age groups.

An alternate set of age-based projections has been obtained from ESRI. However, they only extend to the year 2019. In the following table, both projection sets have been compared to the household by age distribution that existed in the Greater Fergus Falls area in the year 2010.

Table 8 Greater Fergus Falls Household Projections by Age - 2010 to 2020					
Age Range	2010 Census	ESRI		Community Partner Research	
		2019 Projection	Change from 2010	2020 Projection	Change from 2010
15-24	360	317	-43	322	-38
25-34	952	970	+18	834	-118
35-44	933	963	+30	1,080	+147
45-54	1,455	1,203	-252	1,022	-433
55-64	1,338	1,462	+124	1,599	+261
65-74	884	1,219	+335	1,389	+505
75-84	815	1,475*	+127*	877	+62
85+	533	-	-	527	-6
Total	7,270	7,608	+339	7,650	+380

Source: U.S. Census; ESRI: Community Partners Research, Inc.

* ESRI combines all households age 75 and older into a single projection

Some differences are evident when comparing the two sets of age-based forecasts displayed above. However, some of these differences are less pronounced if larger age range aggregations are examined.

Both projection sources expect relatively similar losses in the youngest age range, with a reduction of approximately 40 households age 24 and younger.

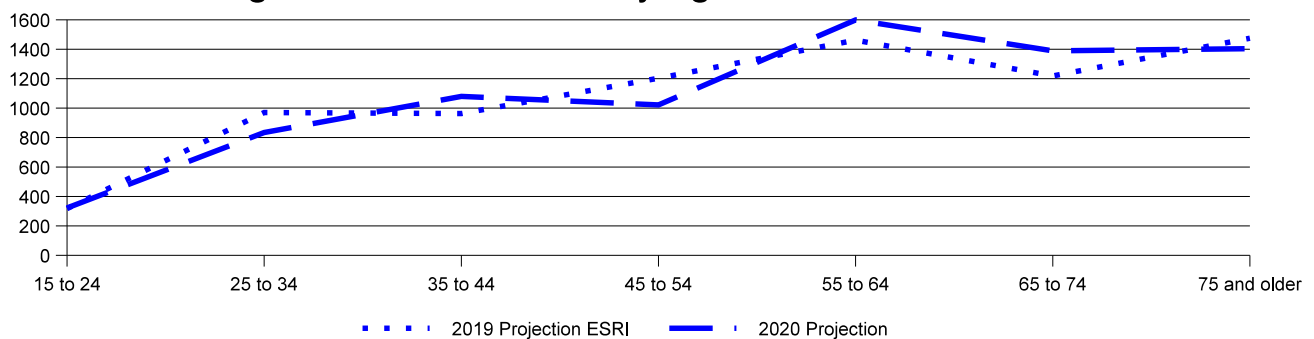
There are differences within the next two age cohorts, but if aggregated into a 20-year old range, the projections are reasonably similar. ESRI would expect nearly 50 additional households in the 25 to 44 year old age group, while Community Partners Research would expect approximately 30 additional households within this 20-year range.

Both projection sources expect a large reduction within the 45 to 54 year old group, as the advancing “baby boomers” are not replaced by the “baby bust” generation that followed. However, the Community Partners Research projections do expect a more severe reduction than ESRI.

Conversely, Community Partners Research expects larger net gains within the primary baby boomer age ranges by 2020, with the expected net gain of nearly 770 households in the 20-year age range between 55 and 74 years old. ESRI expects this 20-year age group to increase by approximately 460 total households.

Both projection sources expect some increase among older senior households, age 75 and above. ESRI expects a net gain of 127 households, compared to fewer than 60 under the Community Partners Research forecasts.

Greater Fergus Falls Households by Age of Householder: 2019/20



Although these specific forecasts do provide a possible range for future changes, these two projections are relatively similar, as can be seen when displayed as a line chart.

It is important to note that these projections are based on the past age distribution and retention patterns. It is possible that an increase in in-migration of new residents could alter the traditional age distributions.

Households by Type

The 2010 Census can be compared to statistics from 2000 to examine changes in household composition. The following table looks at household trends within the City of Fergus Falls.

Table 9 Fergus Falls Household Composition: 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with related children	1,157	922	-235
Single Parent with related children	472	533	+61
Married Couple without related children	1,499	1,578	+79
Family Householder without spouse	179	229	+50
Total Families	3,307	3,262	-45
Non-Family Households			
Single Person	2,000	2,248	+248
Two or more persons	326	304	-22
Total Non-Families	2,326	2,552	+226

Source: U.S. Census

Between 2000 and 2010, the City of Fergus Falls experienced a decrease in the number of families but an increase in the number of non-family households. The household type with the largest numeric gain was one-person households.

The decrease in family households resulted from fewer married couples with children. There were increases among all other family types, but not enough to compensate for the reduction of married couples with children.

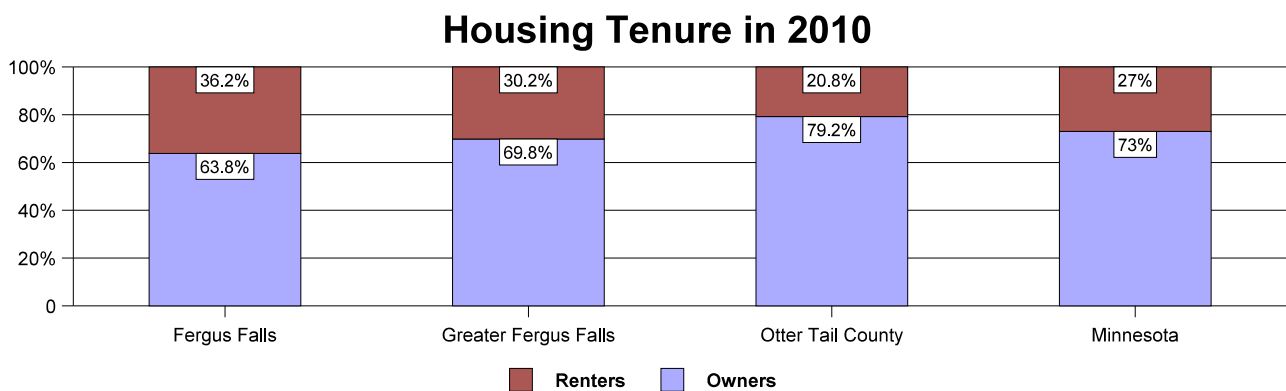
Housing Tenure

The 2010 Census provided an accurate look at housing tenure patterns. The following tables examine number and percentage of owner and renter households, along with the changes that have occurred since 2000.

Table 10 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
City of Fergus Falls	3,708	63.8%	2,106	36.2%
Greater Fergus Falls	5,077	69.8%	2,193	30.2%
Otter Tail County	19,059	79.2%	4,996	20.8%
State	-	73.0%	-	23.0%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in the City of Fergus Falls 63.8%, with the remaining 32.2% of households renting their unit. When the entire Greater Fergus Falls aggregation is reviewed, the home ownership rate increased to nearly 70%, although this was still lower than the Statewide ownership tenure rate of 73% in 2010. For all of Otter Tail County, the home ownership rate was high, at 79.2%.



Tenure rates in 2010 can be compared to 2000 to determine the most recent trends in household preference for ownership versus rental housing.

Table 11 Households by Housing Tenure - 2000 to 2010						
Tenure	Fergus Falls			Otter Tail County		
	2000	2010	Change	2000	2010	Change
Owners	3,656	3,708	+52	18,143	19,059	+916
Renters	1,977	2,106	+129	4,528	4,996	+468
Total	5,633	5,814	+181	22,671	24,055	+1,384

Source: U.S. Census

The rental tenure rate for Fergus Falls increased slightly over the last decade, from 35.1% renters in 2000 to 36.2% in 2010. Otter Tail County’s tenure patterns moved in a similar direction, although the vast majority of households still owned their unit. In 2000, the Otter Tail County rental tenure rate was at 20.0%. By 2010, it had increased to 20.8%.

Tenure by Age of Householder

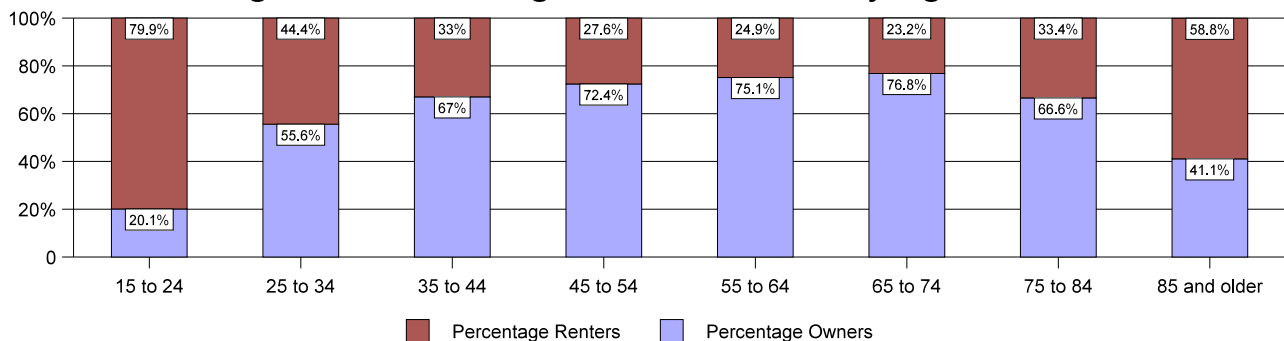
The 2010 Census provided information on the tenure distribution of households within defined age ranges. The following table examines renters and owners in each age group in the City of Fergus Falls.

Table 12 Fergus Falls Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	69	20.1%	275	79.9%
25-34	468	55.6%	374	44.4%
35-44	488	67.0%	240	33.0%
45-54	750	72.4%	286	27.6%
55-64	766	75.1%	254	24.9%
65-74	504	76.8%	152	23.2%
75-84	456	66.6%	229	33.4%
85+	207	41.1%	296	58.8%
Total	3,708	63.8%	2,106	36.2%

Source: U.S. Census

Within the defined age ranges, typical tenure patterns were present, with

Fergus Falls Housing Tenure Patterns by Age in 2010



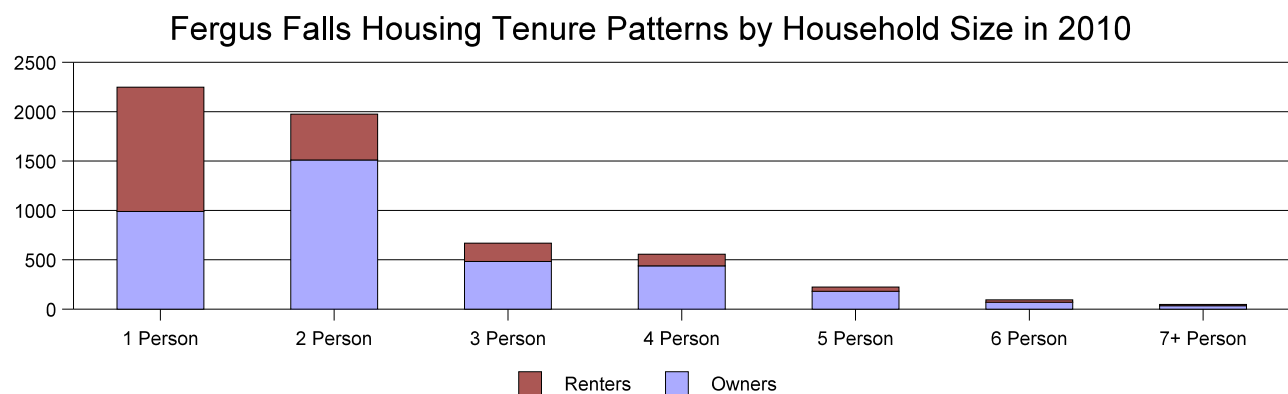
households at the lowest and highest ends of the age spectrum showing a greater frequency in renting their housing unit, while middle-aged adult households were primarily home owners. More than 66% of households age 35 to 84 years old owned their housing.

Tenure by Household Size

The 2010 Census also provided information on housing tenure by household size. This can be compared to 2000 Census information to better understand trends for housing unit needs.

Table 13 Fergus Falls Tenure by Household Size: 2000 to 2010						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	823	989	+166	1,177	1,259	+82
2-Person	1,408	1,511	+103	456	464	+8
3-Person	525	483	-42	182	185	+3
4-Person	546	439	-107	108	118	+10
5-Person	253	181	-72	38	43	+5
6-Person	69	70	+1	12	24	+12
7-Persons+	32	35	+3	4	13	+9
Total	3,656	3,708	+52	1,977	2,106	+129

Source: U.S. Census



Over the past decade, there was substantial growth in the number of smaller households. Among home owners, nearly all of the growth occurred among households with only one or two household members. The patterns were generally similar for renters, but there was also fairly strong growth among larger households, especially with six or more members. Households with only one or two household members represented more than 67% of all home owners and nearly 82% of all renters in the City in 2010.

2012 Median Income Data

The 2010 Census did not collect information on household income. However, estimates are available at the City, Township and County level through the 2012 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 was available for the jurisdictions that form the Greater Fergus Falls area, since these are three separate jurisdictions that have been aggregated for analysis in this Study.

Table 14 Median Income - 2000 to 2012			
	2000 Median	2012 Median	% Change
Households			
Fergus Falls	\$31,454	\$41,080	30.6%
Otter Tail County	\$35,395	\$47,579	34.4%
Minnesota	\$47,111	\$59,126	25.5%
Families			
Fergus Falls	\$44,280	\$57,386	29.6%
Otter Tail County	\$42,740	\$60,208	40.9%
Minnesota	\$56,874	\$74,032	30.2%

Source: U.S. Census; 2012 ACS 5-year survey

Income information contained in the 2012 American Community Survey shows solid income growth within Fergus Falls over the prior decade, when the City’s median household income level increased by nearly 30%. Although the rate of increase was well above the Statewide rate, the City’s actual median household income was still more than \$18,000 lower than the Minnesota median, and nearly \$6,500 below the Otter Tail County median. When compared to the County, Fergus Falls has a larger number of renter households and a large number of senior citizen households, both of which tend to have lower incomes.

Family household incomes tend to be higher than the overall household median, as families have at least two household members. While the median family income in Fergus Falls was higher than the median household income, it was still well below the comparable Countywide and Statewide medians for families.

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 Fergus Falls could afford approximately \$1,030 per month for ownership or rental housing in 2012. A family at the median income level for the City could afford approximately \$1,435 for housing costs.

Although households at or near the median levels do have some buying power for housing, the overall medians can be somewhat deceptive. In general, renter households tend to have incomes that are well below the overall median levels, while home owners tend to be above the medians for households or families.

In 2012, the median income level for owner households in Fergus Falls was \$59,440. The estimated median household income for renters in 2012 was only \$20,414. At 30% of income, a median income renter in the City could apply \$510 to gross rent without experiencing a housing cost burden.

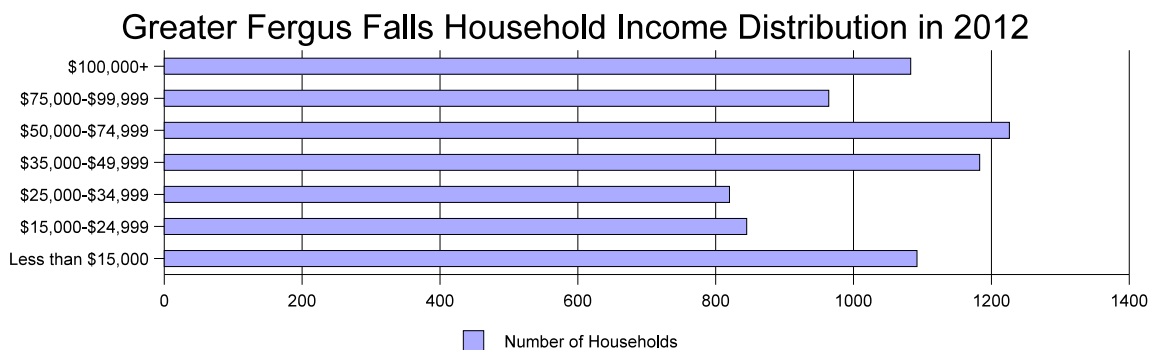
Greater Fergus Falls Household Income Distribution

The 2012 American Community Survey household income estimates for the three jurisdictions that form the Greater Fergus Falls area can be compared to the same distribution information from the 2000 Census to examine changes that have occurred over the previous 12-year period.

It does appear that the American Community Survey may have slightly underestimated the number of households in the Greater Fergus Falls area in its 2012 data. Based on the State Demographer’s estimates, there may have been 100 to 150 more households, a difference of approximately 2%. Despite the minor underestimate, the American Community Survey still provides the best comparative look at household income levels.

Table 15 Household Income Distribution - 2000 to 2012			
Household Income	Number of Households 2000	Number of Households 2012	Numeric Change 2000 to 2012
\$0 - \$14,999	1,373	1,092	-281
\$15,000 - \$24,999	1,128	845	-283
\$25,000 - \$34,999	968	820	-148
\$35,000 - \$49,999	1,205	1,183	-22
\$50,000 - \$74,999	1,342	1,226	-116
\$75,000 - \$99,999	598	964	+366
\$100,000+	444	1,083	+639
Total	7,058	7,213	+155

Source: 2012 ACS; 2000 Census



According to income estimates contained in the 2012 American Community Survey, household incomes have generally improved in the Greater Fergus Falls area, especially in the higher income ranges. When compared to the 2000 Census (1999 income), the number of households with an income of \$75,000, or more, had increased by more than 1,000 households.

Although there was a decrease in the number of households in each of the low and moderate income ranges, there were still more than 2,700 households with an annual income below \$35,000, including more than 1,000 households with an income below \$15,000.

It is important to recognize that the improvement in household incomes was impacted by the rate of inflation. During this same time period, the Consumer Price Index increased by more than 29%.

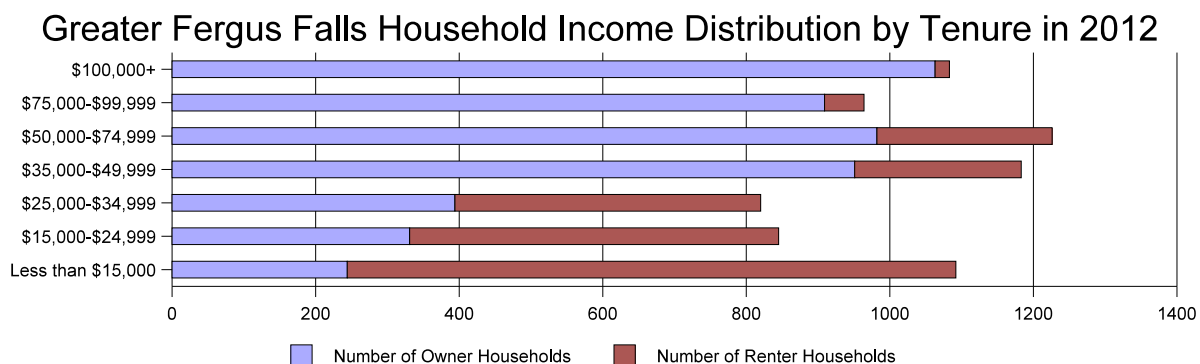
Income Distribution by Housing Tenure

The 2012 American Community Survey provides an estimate by owner and renter status. The following table examines income distribution within the Greater Fergus Falls area. The majority of the Greater Fergus Falls area renter households live within the city limits.

Although the American Community Survey is an estimate, based on limited sampling data, it was reasonably accurate for the total number of area households in 2012 (less than 2% variation from other sources). However, it was less accurate in its tenure-based estimates. When compared to the 2010 Census, the American Community Survey reported approximately 200 fewer owner households than were probably present. The renter estimate is probably slightly high when compared to the 2010 Census, but there is a two-year difference in the effective dates.

Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	244	848	1,092
\$15,000 - \$24,999	331	514	845
\$25,000 - \$34,999	394	426	820
\$35,000 - \$49,999	951	232	1,183
\$50,000 - \$74,999	982	244	1,226
\$75,000 - \$99,999	909	55	964
\$100,000+	1,063	20	1,083
Total	4,874	2,339	7,213

Source: 2012 American Community Survey



Household income and housing tenure are often linked for most households, with home owners generally having higher annual income levels, and renters having lower incomes.

In 2012, more than 76% of renter households in the Greater Fergus Falls area had an annual income below \$35,000. 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 \$20,414 in 2012.

Conversely, most owner households had a substantially higher income level. Nearly 61% of owner households had an annual income of \$50,000 or more. The estimated median household income for owners in 2012 was \$59,440.

2012 Estimated Income and Housing Costs - Renters

The American Community Survey also collected information on housing costs. The following table provides data on the number of renter households that are paying different percentages of their gross household income for housing in the Fergus Falls. Percentages are calculated by column.

Percent of Income for Housing	Households Age 24 and Younger	Households Age 25 to 64	Households Age 65 and Older	Total
Less than 20%	70 / 20.2%	239 / 19.3%	138 / 21.1%	447 / 20.0%
20% to 29.9%	97 / 28.0%	316 / 25.5%	187 / 28.5%	600 / 26.8%
30% to 34.9%	46 / 13.3%	159 / 12.8%	83 / 12.7%	288 / 12.9%
35% or more	134 / 38.6%	355 / 28.7%	210 / 32.1%	699 / 31.2%
Not Computed	0 / 0%	169 / 13.7%	37	206 / 9.2%
Total	347	1,238	655	2,240

Source: 2012 American Community Survey

According to the American Community Survey, more than 44% of all renters in the Fergus Falls area were paying 30% or more of their income for rent. The large majority of these households were actually paying 35% or more of their income for housing. Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a "rent burden". When more than 35% is required, this can be considered a "severe rent burden".

Although a housing cost burden could be caused by either high housing costs or low household income, in Fergus Falls it was primarily due to low income levels for renters. Approximately 71% of the renter households with a housing cost burden had an annual household income below \$20,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$500 or less.

Households with a rent burden were distributed in all different age ranges. Nearly 52% of younger renters, age 24 and below, reported a cost burden. This younger group may reflect student renters in the community. Among senior citizen renters (age 65 and older), approximately 45% reported a rental cost burden.

2012 Estimated Income and Housing Costs - Owners

The 2012 American Community Survey includes information on housing costs for home owners. The following table examines the percentage of income required by Greater Fergus Falls area owner households for monthly housing costs. Information is provided for owner households with and without a mortgage on their home. Percentages are calculated for each column.

Table 18 Greater Fergus Falls Owner Household Cost Burden - 2012			
Percent of Income for Housing	Households with a Mortgage	Households without a Mortgage	Total
Less than 20%	1,010 / 45.9%	973 / 80.0%	1,983 / 58.0%
20% to 29.9%	586 / 26.6%	140 / 11.5%	726 / 21.2%
30% to 34.9%	138 / 6.3%	26 / 2.1%	164 / 4.8%
35% or more	467 / 21.2%	78 / 6.4%	545 / 15.9%
Not Computed	0	0	0
Total	2,201	1,217	3,418

Source: 2012 American Community Survey 3-year estimates

Most owner-occupants, which would include both households with and without a mortgage, reported paying less than 30% of their income for housing. Mortgage lending practices generally attempt to keep monthly payments below this level of household income. However, nearly 21% of all home owners reported that they paid more than 30% of their income for housing. Most of these households were paying more than 35% of income for housing costs.

As would be expected, the large majority of cost-burden home owners had a mortgage on their home. Fewer than 9% of home owners without a mortgage reported a cost burden. In these cases, it was generally a low annual income that has caused the cost burden, such as a retiree that lived on a fixed income.

Existing Housing Data

In addition to the demographic data provided earlier, this 2014 Update has also collected information about the existing housing stock in the City of Fergus Falls. These items include:

- ▶ Housing unit construction
- ▶ Home sales
- ▶ Bank-owned sales
- ▶ Home foreclosure activity
- ▶ Housing condition analysis
- ▶ Residential lots

New Housing Construction Activity

Table 20 Fergus Falls Housing Construction Activity: 2000 to 2014*				
Year	Single Family Detached	Single Family Attached	Multifamily/ Apartments	Total Units
2014*	4	6	48	58
2013	7	0	0	7
2012	2	0	0	2
2011	4	0	69	73
2010	7	0	0	7
2009	7	0	0	7
2008	9	2	0	11
2007	17	0	0	17
2006	34	0	24	58
2005	36	0	50	86
2000-2004	154	97	80	331
TOTAL	281	105	271	657

Source: City of Fergus Falls; Census Bureau

* 2014 is through September

The table above does not include some specialized senior housing that has been constructed, such as enhanced assisted living or memory care that are not independent living units.

The City of Fergus Falls has experienced ongoing housing construction activity with approximately 657 units created from 2000 through September of 2014. While a majority of the units have been single family detached houses, there have also been a number of multifamily rental projects, including nearly 120 rental units that were issued a building permit in the past four years.

Single Family Housing

Over the 14-year period reviewed (including partial-year 2014) there were an estimated 281 single family detached houses constructed, and as many as 105 units in attached housing configurations, such as twin homes or town house units. It is assumed that most of the attached units were intended for owner-occupancy, although some may also be used as rental housing.

Much of the single family activity (both attached and detached) occurred from 2000 to 2007, at a time when state and national housing construction activity was also very strong. During this 8-year period, there were 338 single family units that were issued a building permit, or an average of approximately 42 units per year.

In addition to the single family housing for owner-occupants, a senior cooperative building was also constructed in 2004, with 49 units. If cooperative ownership is added, the annual construction of housing units oriented to home owners averaged approximately 48 units per year.

After 2007, single family activity slowed significantly. In the 6-year period from 2008 to 2013, the total number of single family units that were permitted dropped to 38, or an annual average of approximately six units per year. Partial-year activity in 2014 was above this recent average, due primarily to some twin home construction.

Multifamily Rental

Although annual single family housing construction slowed after 2007, multifamily rental production has been increasing. In the 7-year period from 2008 to 2014, building permits were issued for 117 multifamily units, or nearly 17 units per year. This total includes 13 units permitted in 2014 that will be created through a conversion project at an existing structure, and will not represent new construction activity.

The major multifamily new construction rental projects include:

- ▶ ***Kueper's Construction*** - In 2014, construction began on a 35-unit rental building. Although only limited information was available from the developer, this will be a three-level building with an elevator, providing general occupancy, market rate rental housing. City TIF assistance was provided and 20% of the units will be designated to serve low and moderate income households. This is the first phase of construction on a site that could accommodate two additional multifamily buildings, although the timing of future phases was not available.
- ▶ ***Woodland Lodge*** - Specialized senior housing serving people with advanced assisted living needs. This 33-unit project offers studio units with a private bathroom but no kitchen facilities. These units are not reflected in the building permit table presented earlier in this section, as these are not independent living units.
- ▶ ***Red River Village*** - In 2011, a building permit was issued for this 69-unit apartment project, which provides senior-designated (age 55+) market rate rental housing. Units are in a three-level building that also has underground parking.
- ▶ ***Parkview Estates*** - Specialized senior housing serving people with memory care or advanced assisted living needs. These units are not reflected in the building permit table presented earlier in this section, as these are not independent living units.
- ▶ ***Somerset Apartments*** - A 24-unit general occupancy, market rate apartment building that was permitted in 2006.
- ▶ ***Park Gardens*** - This senior housing facility was permitted in 2005, with 34 apartments for senior assisted living and 16 apartments offering independent/light services housing.

In addition to the new construction projects identified above, some additional unit creation has occurred through conversion of existing buildings into residential use, including a 2014 permit for 13 units at the former Regional Treatment Center site.

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 2005. The previous Housing Study had examined sales activity through 2005, although that analysis was based on the County's sales ratio year (October to September) rather than the calendar year.

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 year, the number of good sales that occur with the City may vary, and a 12-month sample may not always 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 looks 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.

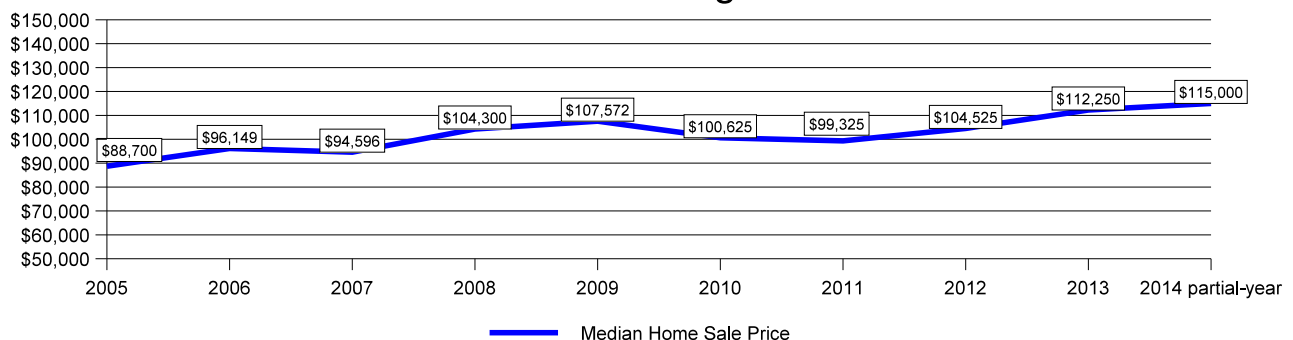
Table 21 Values for Recent Residential Sales - Fergus Falls

Sales Year	Number of Sales	Median Price	Highest Price	Lowest Price
2014*	139	\$115,000	\$320,000	\$12,000
2013	212	\$112,250	\$489,000	\$12,500
2012	184	\$104,525	\$405,000	\$10,000
2011	151	\$99,325	\$412,500	\$18,000
2010	186	\$100,625	\$396,400	\$24,450
2009	174	\$107,572	\$298,950	\$12,000
2008	157	\$104,300	\$421,500	\$24,850
2007	234	\$94,596	\$399,000	\$18,500
2006	248	\$96,149	\$462,800	\$20,000
2005	277	\$88,700	\$375,000	\$19,500

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

* 2014 is sales recorded through August 28th

Since the number of annual home sales has varied from year to year, the median price in certain years may not be an accurate reflection of overall values. For example, prior to 2008, more than 200 good sales were recorded each year. Starting in 2008, the annual sales volume dropped, reaching a low of 151 good sales in 2011. By 2013, the annual volume of good sales had once again exceeded 200 transactions.

Median Home Sale Prices in Fergus falls: 2005 to 2014*

When viewed over a longer period, certain trends emerge. From 2005 to 2014, there was a general upward trend in the midpoint sale price. However, the median price did go down after 2009, probably in response to national economic and housing market conditions. By 2013, the median sale price had recovered and moved above the 2009 median. Partial-year information for 2014 points to a probable rise in the median sale price for the current year.

Despite the longer-term increase in sale prices, overall home values in Fergus Falls tend to be relatively moderate, compared to other communities. Community Partners Research has completed a similar sales price analysis in the past year in the Cities of Alexandria and Perham, both of which have had a higher median sales value in recent years.

The table above also provided information of the highest and lowest annual sale prices. In all but one of the years reviewed, at least one existing home sale occurred for more than \$300,000. In each of the years at least one sale was recorded for less than \$25,000.

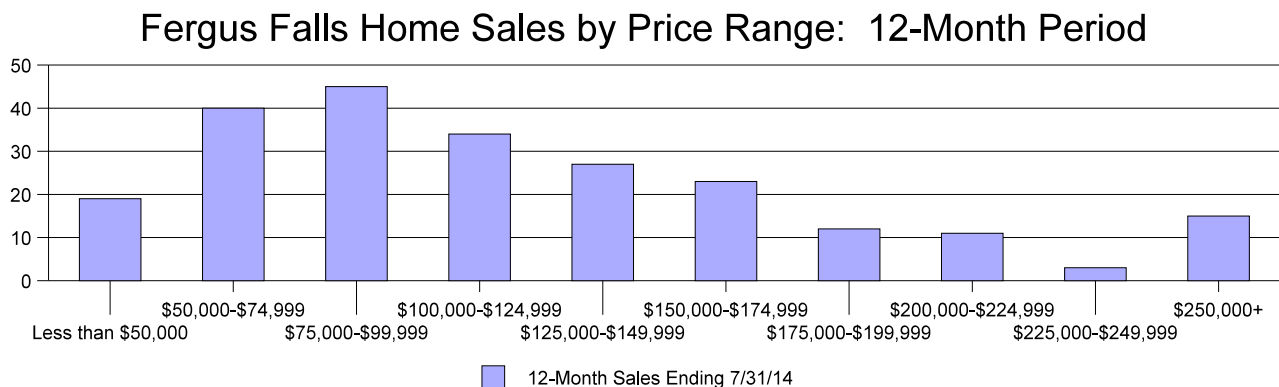
An alternate home value estimate is available from the 2012 American Community Survey. This source places the midpoint owner-occupied house value at \$114,700, above the median sale price that year of \$104,525. However, the median sale price in 2013, at \$112,250 was very similar to the American Community Survey estimate for 2012.

Home Sales by Price Range

The following table looks at single family houses that sold in a recent 12-month period, extending from August 1, 2013 to July 31, 2014. This information is from Otter Tail County's sales records.

Table 22 Fergus Falls Home Sales by Price Range Ending 7/31/14		
Sale Price	Number of Sales	Percent of Sales
Less than \$50,000	19	8.3%
\$50,000 - \$74,999	40	17.5%
\$75,000 - \$99,999	45	19.7%
\$100,000 - \$124,999	34	14.8%
\$125,000 - \$149,999	27	11.8%
\$150,000 - \$174,999	23	10.0%
\$175,000 - \$199,999	12	5.2%
\$200,000 - \$224,999	11	4.8%
\$225,000 - \$249,999	3	1.3%
\$250,000 or more	15	6.6%
Total	229	100%

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



A large majority of recent residential sales were priced less than \$150,000. Overall more than 72% of the existing home sales in Fergus Falls were in the moderate to lower price ranges. In the 12-month period reviewed, fewer than 13% of all existing home sales were for \$200,000 or more.

Active Residential Listings

The website Realtor.com, maintained by the National Association of Realtors, was used to collect information on active residential real estate listings in Fergus Falls and the surrounding area. On September 16, 2014, there were 90 single family homes (including three attached units) that were listed for sale that appeared to be within the city limits of Fergus Falls. There were a number of additional properties listed for sale that were in the immediate area but based on address or lot size, appeared to be outside of the City.

It is important to note that the active properties are those included in the Multiple Listing Service (MLS) and would generally be offered through a real estate agent. There are other properties that may be posted for sale in Fergus Falls that would not be part of the MLS, including most homes being offered “for sale by owner”. The following table examines the MLS listings by listing price.

Asking Price	Number of Listings	Percent of Listings
Less than \$50,000	8	8.9%
\$50,000 - \$74,999	10	11.1%
\$75,000 - \$99,999	26	28.9%
\$100,000 - \$124,999	9	10.0%
\$125,000 - \$149,999	13	14.4%
\$150,000 - \$174,999	6	6.7%
\$175,000 - \$199,999	7	7.8%
\$200,000+	11	12.2%
Total	90	100%

Source: Realtor.com; Community Partners Research, Inc.

Based on the listings on Realtor.com, most of the houses currently being offered for sale are priced below \$150,000. Overall, more than 73% of the active listings are priced below \$150,000. In the recent 12-month sales period analyzed earlier, most of the existing home sales in Fergus Falls in the past year were also for less than \$150,000.

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.

Table 24 Bank-Owned Sales - Fergus Falls		
Sales Year	Number of Bank Sales	Median Price
2014*	21	\$42,000
2013	28	\$36,250
2012	29	\$45,000
2011	49	\$27,200
2010	26	\$40,000
2009	25	\$36,000
2008	22	\$49,000
2007	20	\$53,250
2006	17	\$53,000
2005	16	\$60,650

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

Bank-owned home sales have been a consistent annual issue in Fergus Falls over the time period reviewed. However, the largest single-year volume of bank sales occurred in 2011, and has declined since that time, so it is possible that the problem is diminishing.

In the 10-year period from 2005 to 2014 (partial-year), the City averaged nearly 26 bank-owned sales per year. The actual median transfer price for bank sales was well below the median sale price for qualified sales.

Otter Tail County Home Foreclosure Activity

Starting in 2006, many national reports began to surface about the growing number of home 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 have produced annual foreclosure reports since 2007. 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.

Table 25 Otter Tail County Home Foreclosures - 2005 to 2013									
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 has been declining, 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 has remained relatively low over this time period.

For comparative purposes, Otter Tail County ranked 51th for the rate of foreclosure among Minnesota's 87 Counties in 2013 (1st 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 55th among Minnesota's Counties for the rate of foreclosure.

Housing Condition Survey

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of the older existing single family housing stock in three older neighborhoods in Fergus Falls. The boundaries of the neighborhoods are as follows:

- Mill/Vernon - Bordered by Vernon Avenue on the north; Mill Street on the east; Everett Avenue on the south; Calvin Street on the west

- Pebble Lake Road- Bordered by Junius Avenue on the north; block east of Peck Street on the east; Douglas Avenue on the south; Pebble Lake Road/Concord Street on the west

- Stanton/Vine - Bordered by 7th Avenue on the north; Vine Street on the east; Stanton Avenue on the south; Buse Street on the west

Houses that appeared to contain more than one residential unit were excluded from the survey.

Houses were categorized in one of four levels of physical condition, Sound, Minor Repair, Major Repair, and Dilapidated based on a visual observation of the physical condition of the exterior of each structure, which is assumed to be a reasonable indicator of the structure's interior quality.

Dilapidated was the lowest rating used and indicates that major renovation is needed to become decent, safe and sanitary housing. Some Dilapidated properties may be abandoned and may be candidates for demolition and clearance.

Major Rehabilitation is defined as a house needing multiple major improvements such as roof, windows, sidings, structural/foundation, etc. Houses in this condition category may or may not be economically feasible to rehabilitate.

Minor Repair houses are judged to be generally in good condition and require less extensive repair, such as one major improvement. Houses in this condition category will generally be good candidates for rehabilitation programs because they are generally economically feasible to repair.

Sound houses are judged to be in good, 'move-in' condition. Sound houses may contain minor code violations and still be considered Sound.

The individual neighborhoods varied in size. The percentage of units is calculated by row for each neighborhood.

Table 26 Windshield Survey Condition Estimate - 2014					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Mill/Vernon	140 / 46.2%	124 / 40.9%	38 / 12.5%	1 / 0.3%	303
Pebble Lake Road	28 / 30.8%	33 / 36.3%	27 / 29.7%	3 / 3.3%	91
Stanton/Vine	154 / 40.0%	175 / 45.5%	52 / 13.5%	4 / 1.0%	385

Source: Community Partners Research, Inc.

Although a large majority of the houses in each neighborhood were rated within one of the top two condition categories, there were also units needing more significant repair. The Pebble Lake Road neighborhood, in the southeast portion of the City, had the highest percentage of houses that were rated in the Major Repair or Dilapidated categories. However, this neighborhood has fewer than 100 total houses, and 30 were rated in one of the two lowest condition categories.

In the Mill/Vernon neighborhood, fewer than 13% of the houses were rated in the two lowest condition categories. More than 46% of the houses in this neighborhood were rated as sound, the highest rating.

In the Stanton/Vine neighborhood, fewer than 15% of the houses were in one of the two lowest condition categories. However, more than 50 houses were judged to be in need of major repair, and four houses were rated in very poor condition, and possibly suitable for demolition and clearance.

Residential Lots and Land

There are residential subdivisions within the City that offer choices for new home construction. There are also land and lot options that exist outside of the city limits, but within the immediate vicinity. Various sources of information were reviewed by the analysts to learn more about the existing inventory of residential lots and land.

Multiple Listing Service

The website Realtor.com, maintained by the National Association of Realtors, had 132 land listings in the Fergus Falls area in early October 2014. However, some of these were not individual lots for new home construction.

There were 14 parcels priced below \$20,000 that appeared to be usable for new home construction. At least 10 of these lots indicated that city services were available. One of the listings indicated that multiple lots were available from the same property owner, although possibly at different prices.

There were approximately 39 land parcels that were priced between \$20,000 and \$29,999. Most of these appeared to be outside the city limits, but approximately 16 parcels had either city services or access to city water. Many of the rural parcels were larger land tracts, up to five acres in size.

There were 20 parcels that were priced between \$30,000 and \$39,999, but most of these appeared to be outside the city limits. Four or five of the parcels identified city services as available. One of these was a larger land tract of five to 10 acres that was not improved but according to the listing, could be subdivided with access to city services.

There were 62 parcels listed for sale for \$40,000 or more, but duplicate listings existed within this group, along with some land that was described as suitable for commercial industrial use. However, up to 50 of these parcels appeared to be residential properties. Most were outside the city limits, but as many as 10 may have been within Fergus Falls. These parcels often represented land holdings of an acre or more, or were listed as water front properties on a river or lake.

Otter Tail County Property Tax Records

The Otter Tail County GIS Department provided data and maps showing undeveloped residential parcels in the City of Fergus Falls and in the surrounding Townships.

The County records showed 361 unimproved residential tax parcels within the City of Fergus Falls. However, not all of these listings may be suitable for new residential construction. Many parcels were scattered, "infill" parcels that existed in various locations around the community, including within older existing neighborhoods. Some of the parcels were also identified as "seasonal residential recreational" properties. While these may be suitable for new home construction, it is assumed that they are not necessarily available for development.

The analysts reviewed the unimproved residential parcels, looking for clusters of lots/land that would indicate potential construction areas. The following areas were identified, which may offer lots for new home construction. Clusters of five or more lots that appeared to be within the same development area have been listed. There are also multiple areas where between two and four lots exist.

Aspen - There were 45 lots within this development area, including 43 by a single owner.

Aspen Townhomes - There were 11 lots within this development area, including seven owned by the Aspen Association.

Beck's Pineridge View 1st Addition - There were six lots within this development area, including five with a single owner.

Cutler's 1st/4th Addition - There were eight lots within this development area, including five with a single owner.

Pebble Hills Estates/1st Addition - There were 17 lots within this development area, including six with a single owner.

Ridge Hollow - There were eight lots within this development area that all had the same owner.

Ridgewood View/Ridgewood View Second Addition - There were 12 lots within this development area, including 10 bank-owned parcels.

Riverdale 1st/2nd/3rd Addition - There were 22 lots within these development areas, including multiple lots by five different owners.

Timber Ridge Estates - There were six lots within this development area, including five with a single owner.

Timberline Estates - There were 11 lots within this development area, including nine with a single owner.

Valley View/Valley View Third Addition - There were eight lots within this development area.

There are also concentrations of lots that can be identified within the surrounding township areas. The County data showed 266 unimproved residential tax parcels in the five adjoining townships. This included 114 parcels identified as "seasonal residential recreational" use. The larger lot clusters, with eight or more lots, include the following:

Aurdahl River View/2nd Addition - There were 13 lots within this development area, with most listed as "seasonal residential recreational" use.

Birchwood River Estates - There were eight lots within this development area, with most owned by two different owners.

Grand Oaks Estates/1st Addition - There were nine lots within this development area, with two listed as "seasonal residential recreational" use.

Pelican River Estates - There were 25 lots within this development area, with most owned by three different owners.

Woodland Heights 2nd Addition - There were 15 lots within this development area, with 13 owned by a single owner.

In addition to these larger lot clusters, there are a number of development areas in the surrounding townships with fewer than eight lots.

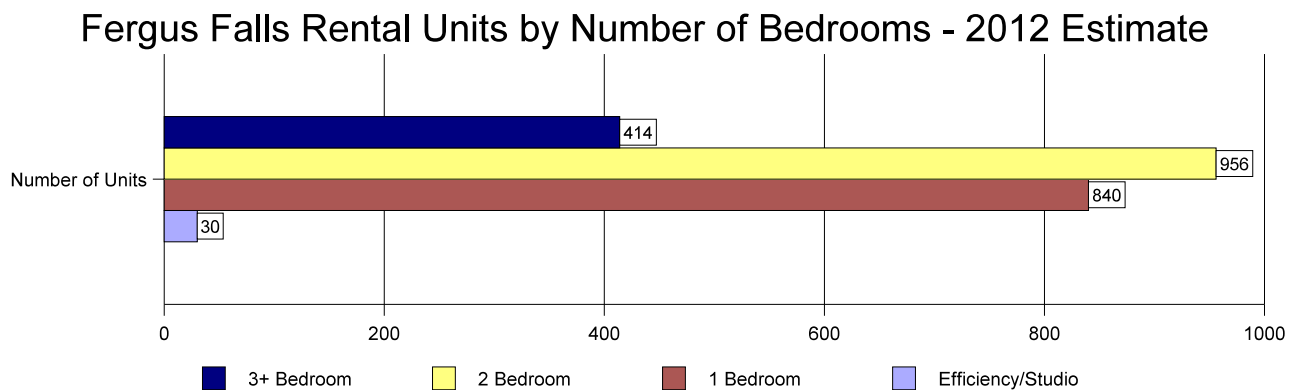
Rental Housing Costs and Comparison to Renter Incomes

American Community Survey Rental Inventory Data

The 2012 American Community Survey provides estimates on rental units in Fergus Falls and the gross rents for these units. The ACS appears to have a reasonably accurate estimate for the total number of occupied rental units in Fergus Falls. The estimated 2012 total of 2,240 renter households is 134 households higher than the count in the 2010 Census, but some rental units were added between 2010 and 2012, including Red River Village, which would represent much of the difference over the two-year period.

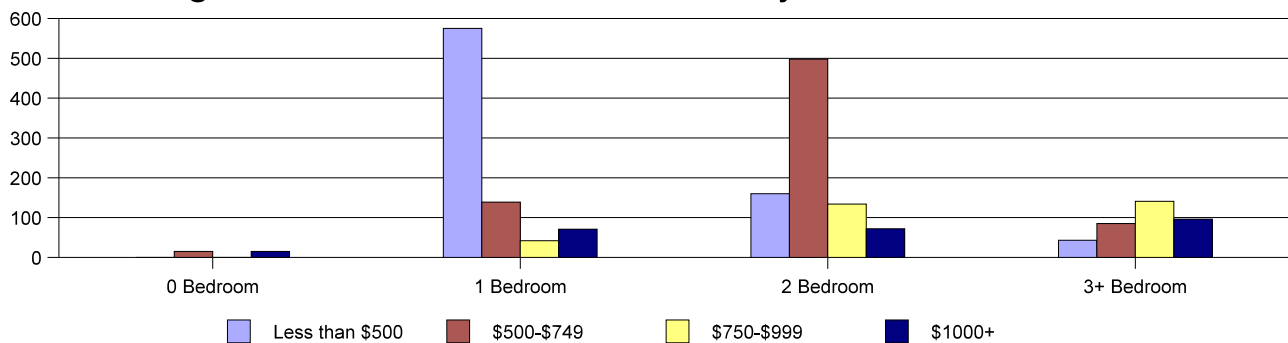
Unit Size	Rent less than \$500	Rent \$500 to \$749	Rent \$750 to \$999	Rent \$1,000+	No cash rent	Total Units
Efficiency/Studio	0	15	0	15	0	30
1 Bedroom	575	139	42	71	13	840
2 Bedroom	160	498	134	72	92	956
3+ Bedroom	43	85	141	96	49	414
Total	778	737	317	254	154	2,240

Source: 2012 American Community Survey



According to the 2012 ACS, two-bedroom rental units represented nearly 43% of all rental options in the City, and one-bedroom units accounted for nearly 38% of all rental housing. Limited sampling in the ACS appears to have resulted in a low estimate for efficiency/studio units.

Fergus Falls Gross Rent Distribution by Bedroom Size - 2012



The median gross rent for all units in 2012 was estimated at \$554 per month. A median gross rent by bedroom size was not provided, but the distribution of rents by bedroom in 2012 did define a prevailing range for units. From the distribution, it is also possible to estimate a median rent through extrapolation.

The estimate of 0-bedroom units was rather small, with rents estimated for only 30 total units. All of the reported units had a gross rent above \$500, and half had a gross rent above \$1,000. The absence of any lower priced units probably represents a sampling error, as few efficiency/studio units were surveyed. The higher priced units, above \$1,000 per month, may represent specialized senior housing with services, as some providers offer this type of housing in one room suites. Due to the limited information, no extrapolated median rent for studio/efficiency units can be generated.

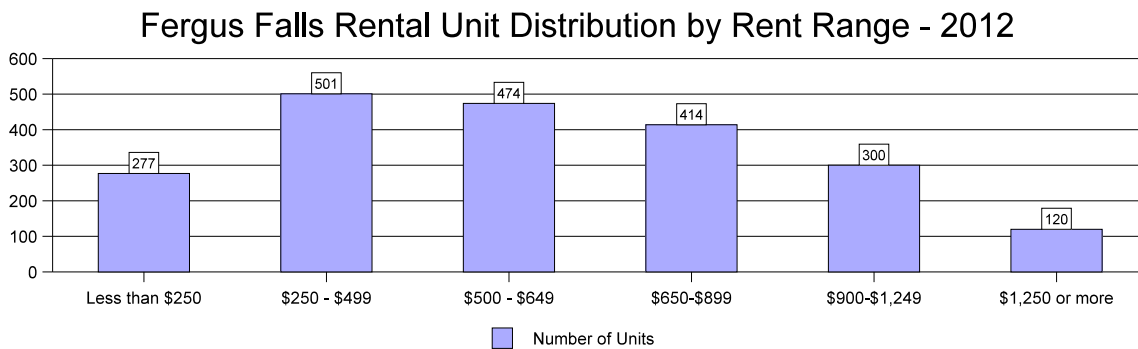
The inventory of one-bedroom units was larger, and the rent distribution would be more reliable. The largest number of units fell within a range between \$300 and \$499 per month. The extrapolated median gross rent for these units was between \$325 and \$350 per month. Based on other available data, this median is probably too low, and again may reflect limited sampling.

For two-bedroom rentals, most units fell within a range between \$500 and \$749 per month. The extrapolated median gross rent for two-bedroom units was between \$625 and \$650 per month. This appears to represent a relatively accurate median level, based on other available data.

Prices increased rapidly for larger rental units, with three or more bedrooms. For these larger units, most units were in a range between \$750 and \$999. The extrapolated median gross rent was between \$825 and \$875 per month. It is probable that many rental units with three or more bedrooms exist in single family structures, such as houses converted to rental use or in mobile homes. In these units, tenant-paid utilities would generate a higher gross rent level.

The information on gross monthly rent by the number of bedrooms used fairly broad ranges for reporting rents. The American Community Survey also presents information on gross rents within more defined price ranges, but this information is not distributed by bedroom mix.

The rent distribution tables from the 2012 American Community Survey also do not differentiate between different segments of the market. Since all types of renter households would be surveyed, the rent distribution should include subsidized units, tax credit units, and probably some specialized senior housing. However, the vast majority of units in Fergus Falls would represent conventional, market rate housing.



Gross Rent Compared to Renter Household Income

Using the overall distribution of gross monthly rents and renter households by income, presented earlier in this Study, it is possible to compare rents and income. The following chart displays the overall rent distribution within defined price ranges as estimated for all rental units in Fergus Falls. This is then compared to the number of renter households that would need a unit within this same basic price range, using a standard that 30% of income can be applied to housing costs.

Comparing supply and demand, based on the price needed versus unit distribution, shows some interesting trends. First, there were more very low income households that need a unit priced less than \$250 than there were units available in 2012. There were more than 200 households with an annual income below \$10,000 than there were units that would be considered affordable for this income range.

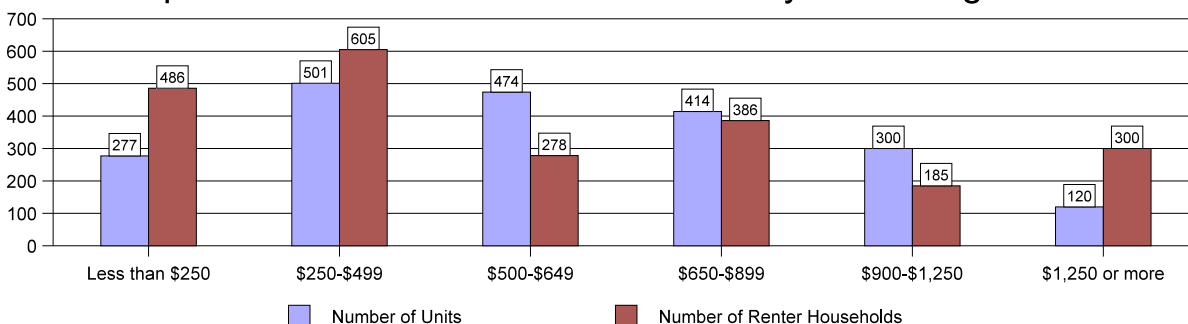
There was also an under-supply of affordable units in the next price/income range. There were more than 100 additional households that needed a unit in the \$250 to \$449 price than there were units in the rental inventory.

Within the next rent range, between \$500 to \$649 per month, the supply of units exceeded the number of households within the qualifying basic income ranges. Presumably, some of the very low income renter households that were living in a unit that was more expensive than their income level could support had moved up into more expensive housing, resulting in a rent burden. This may have been helped somewhat by rent assistance Vouchers or other public assistance programs. However, even with some assistance available, there were many lower income households that reported a housing cost burden, as detailed earlier in this Update.

The supply of units in the \$650 to \$899 price range was slightly larger than the number of renter households with an annual income between \$26,000 and \$36,000. The conventional rental market has been able to produce new units in this basic price range in recent decades, and much of the rental housing constructed in the past 20 years is generally priced below \$900 per month. Higher income households that rent a less expensive unit would potentially elect to rent a unit in this more moderate range, and would need a smaller percentage of their income applied to housing costs.

In the higher rent ranges of \$900 or more, the total supply of units was much smaller than the number of renter households with moderate to higher incomes. Overall, the American Community Survey estimates show that nearly 22% of all renter households in Fergus Falls in 2012 had an annual income of \$36,000 or more, compared to 20% of all rental units were priced at \$900 or more for gross rent.

Comparison of Income to Unit Distribution by Rent Range - 2012



Rental Housing Data

According to the 2010 U.S. Census, there were 2,106 occupied rental units, and at least 232 unoccupied rental units in Fergus Falls in 2010, for a total estimated rental inventory of approximately 2,338 units. The City's rental tenure rate, was 36.2%, based on renter-occupancy households, well above the Statewide rate in 2010 of 27% rental.

At the time of the 2000 Census, Fergus Falls had 1,977 occupied rental units, and at least 127 vacant rental units, for a total estimated rental inventory of approximately 2,104 units.

Based on a Census comparison, the City added 129 renter households, and 234 rental units during the previous decade. The growth in rental units, as recorded by the Census, exceeded the level of new unit construction that can be tracked through building permit issuance. It is therefore probable that some tenure conversion occurred, as units that had been used as owner-occupancy housing in 2000 were instead occupied by renters in 2010.

Fergus Falls contains approximately 96% of all renter households living in the Greater Fergus Falls area, and more than 42% of all renters Countywide.

Rental Construction After 2010

Fergus Falls has had some construction of multifamily rental housing in recent years. In 2011, Red River Village was permitted, with 69 senior-designated market rate units.

In 2014, the first phase of a planned three phase apartment project started construction. The first building will offer market rate rental housing and will have 35 units. Also in 2014 a permit was issued for 13 rental units through the conversion of an existing building at the former Regional Treatment Center.

One additional project, Woodland Lodge, was also constructed after the 2010 Census and offers assisted living for seniors. It is possible that these units would not be counted as rental housing by the Census Bureau, since they serve residents needing advanced care services, and the units are not suitable for independent living without kitchen facilities.

With the assumption that the specialized senior units represent group quarters housing, versus independent living units, the estimated rental inventory in 2015 will have grown to approximately 2,440 rental units in Fergus Falls.

Pending/Proposed Rental Projects

The research completed in 2014 identified only one multifamily rental project that may proceed to development within the next one or two years. The Kueper's Construction apartment building that is under construction in 2014 is the first of three planned buildings, with approximately 70 units planned in the future. The TIF agreement with the City calls for all three phases to be completed within a five-year time period.

Some other rental projects are in the early planning stages, including a proposed 80-unit project at the site of the former Regional Treatment Center, but no other projects had been issued a building permit at the time that research for this Update was being completed.

Rental Registration Program

An alternate estimate of the size of the City's rental housing inventory exists through the rental registration data. In 2014, this program shows 2,097 rental units that are subject to the registration requirements.

While this source would show a total that is more than 300 units lower than other estimates, not all properties are required to register. For example, public housing or publicly-owned units are not required to register. Other types of units, such as senior assisted living, that are subject to State licensing requirements are also exempt from registration. These types of exempt units would account for most of the difference between the available estimates for the size of the City's rental inventory.

Rental Housing Survey

As part of this Update, a telephone survey was conducted of larger rental projects in Fergus Falls. Emphasis was placed on contacting multifamily properties with four or more units. For the purposes of future construction, we believe that the larger rental properties provide the best comparison.

The survey was conducted in August and September 2014. A similar survey was completed by Community Partners Research in 2005. This past survey allows for some degree of comparison with the most recent findings.

It should be noted that the timing of a rental survey in Fergus Falls can have an impact on the results. The 2014 survey was completed in the late summer/early fall, at a time when students were active in the local rental market. Surveys conducted at the start or end of an academic term will reflect student movement. Larger-scale unit turnover typically happens in December/January or May/June, as students complete their academic programs. Leasing of the available units typically gains strength during the summer months, as students prepare for the start of the fall term.

Multiple attempts were made to contact each building. Information was tallied separately for different types of rental housing, including market rate units, tax credit units, and subsidized housing. Student-oriented housing was also included in the survey. There were 1,059 general rental units that were contacted in the survey, including student housing, but excluding specialized senior with services units.

Fergus Falls also has a relatively large inventory of senior housing with services. A separate section analyzes this segment of the market and has been provided later in this document.

The rental units analyzed in this section represent approximately 53% of all rental units estimated to exist in 2014. The breakdown of units is as follows:

- ▶ 568 market rate units (including some senior-designated)
- ▶ 20 tax credit units
- ▶ 105 general occupancy subsidized units
- ▶ 328 senior/disabled occupancy subsidized units
- ▶ 38 student housing units

In addition, a separate section of this document examines rental housing for seniors that offers some level of supportive services. More than 300 units/rooms were also surveyed and analyzed within these market segments.

Market Rate Summary

Usable information was obtained on 568 market rate rental units in 21 rental projects. However, some properties provided limited information, and in the specific analyses that follow, a smaller subset of units may have been used. For example, some properties could not specifically identify the exact bedroom mix of their units. Others were unwilling to disclose occupancy or rental rate information.

Unit Mix

The following information is the bedroom mix for units that were surveyed:

- ▶ 15 efficiency/studio units (3.3%)
- ▶ 147 one-bedroom (32.7%)
- ▶ 266 two-bedroom (59.1%)
- ▶ 21 three-bedroom (4.7%)
- ▶ 1 four-bedroom (0.2%)

Occupancy / Vacancy

Some of the market rate projects would not disclose occupancy information in the most recent survey. As a result, vacancy calculations are based on 864 multifamily units.

There were 16 units that were recorded as vacant on the date of the survey. This represented a vacancy rate of 2.8%.

Some of the properties with multiple vacancies did not disclose the specific bedroom mix of the available units. However, most of the vacant units had two bedrooms, consistent with the large number of two-bedroom offerings in the City's multifamily buildings. There were also some vacant one-bedrooms and three-bedrooms at the time of the survey.

The vacancy rate in 2014 was lower than the estimated vacancy rate of 3.3% that was recorded in a similar survey completed in the 2005 Housing Study.

Rental Rates

There is a wide variation in rental rates in Fergus Falls. A number of new, market rate units have been introduced into the market in the last 15 years which command higher rents. However, the large majority of market rate apartments in the City are 25 or more years' old, and have a much more moderate rent structure.

Some of the units include the primary utility payments with the rent, while in other cases, the tenant pays the major utilities in addition to rent. We have attempted to include tenant-paid utilities into a gross rent estimate. The Identified Range column defines the highest and lowest gross rents identified by the 2014 survey, while the Prevailing Range column defines the gross rents being charged by a majority of the units surveyed.

<u>Units Type</u>	<u>Identified Range</u>	<u>Prevailing Range</u>
Efficiency/Studio	\$300 - \$420	\$300 - \$420
1-bedroom	\$350 - \$790	\$475 - \$675
2-bedroom	\$470 - \$1050	\$600 - \$770
3-bedroom	\$775 - \$1110	\$800 - \$975

Many of the City's multifamily rental units are in a moderate rent range. This is especially true in the stock of one-bedroom and two-bedroom rentals, which are well-represented in the older apartment buildings. Many of the three-bedroom rentals are relatively new, and have a higher rent structure. The City's newest apartment building, Red River Village, represents the highest end of the rent structure presented above.

For some unit sizes, such as efficiency/studio units and three-bedroom rentals, only a small sample size existed. Only one four-bedroom unit was contacted and it had an estimated gross rent of approximately \$975 per month.

Student Housing

Fergus Falls has a student population attending Minnesota State Community and Technical College (M/State). Part of the City's rental demand is generated by student renters. Many of the market rate rental complexes have students as a portion of their tenants. However, there are two rental properties that were built as student housing and are managed by M/State. These properties, College Manor and Williams Hillside Village have been separated in the rental table that follows later in this section.

At the start of the 2014/15 academic term, neither of the student housing projects was at full capacity. Williams Hillside Village, which is newer and closer to the primary campus buildings, did have occupants for all available bedrooms. However, some bedrooms that could be used for shared occupancy were instead rented by one student. College Manor's occupancy rate was reported at 85%. The start of the year generally represents the highest level of occupancy. Through the course of the year some students may move or leave school, creating some additional vacancies.

The analysts also made repeated attempts to contact privately-owned apartment buildings that are located close to the campus, but these attempts were unsuccessful. However, based on postings in local want-ads, it appears that some vacancies exist in Westridge Apartments I and II, which are located near the campus and across the street from College Manor.

Rental rates in College Manor and Williams Hillside Village vary depending on the room size and whether it is single or shared occupancy. The lowest price starts at \$1,550 per semester for shared occupancy, to a high of \$2,150 per semester for single occupancy in a room designed for two people.

Tax Credit/Moderate Rent Summary

Since the federal low income housing tax credit program was created in the mid-1980s, three rental projects in Fergus Falls have been awarded tax credit assistance. However, one of these projects, Goldenwood Apartments, also utilized federal subsidy programs, and has been included in the subsidized rental section that follows.

Another of the tax credit awards went to the creation of artist housing as part of the Hotel Kaddatz historic restoration project. There are eight affordable tax credit units in the Kaddatz Lofts, but they are leased to income-qualified artists that work on-site. As a result, this project is not available for the large majority of moderate income renter households in the Fergus Falls area.

The only moderate rent tax credit project operating in Fergus Falls is Timber Place Townhomes, a 20-unit project that was constructed in 1997. This project was developed by the Fergus Falls HRA.

Unit Mix

Timber Place Townhomes has a bedroom mix as follows:

- ▶ 4 two-bedroom
- ▶ 16 three-bedroom

Occupancy/Vacancy

At the time of our rental survey, there were no vacant units in Timber Place Townhomes. The manager reported a waiting list for both two and three-bedroom units. However, due to low turnover, the waiting list can become out of date.

Rental Rates

The federal tax credit program places maximum rent limitations on assisted units. For 2014, maximum gross rent for units at 60% of median income were as follows:

<u>Bedroom Size</u>	<u>Maximum Allowable Rent</u>
Two-Bedroom	\$867
Three-Bedroom	\$1,002

Timber Place Townhomes reported an estimated gross rent of \$605 for a two-bedroom unit and \$705 for a three-bedroom unit. These units have a gross rent level that is well below the 60% limit imposed by the tax credit program. In 2014, the gross rents are below the limits set for households at 45% of the County's median income level.

Otter Tail County Tax Credit Units

Although there are relatively few moderate rent tax credit units in Fergus Falls, there are additional units in other communities in the County. According to the Minnesota Housing Finance Agency, there are 122 moderate rent tax credit units in other Otter Tail County jurisdictions, including 38 units in Perham, 56 units in Pelican Rapids, 20 units in New York Mills, and 8 units in Henning. This count excludes tax credit projects that also utilized other federal subsidy programs.

Subsidized Summary

Fergus Falls has 11 subsidized rental projects providing rental opportunities for lower income households. These 11 projects have a combined 433 units. A majority of the units, 328, are designated for, or have a preference for, senior and/or disabled occupancy. In some cases, a waiver has been granted to allow for younger or non-disabled tenants, but in large part these units serve the senior and disabled populations. There are 105 units that offer general occupancy subsidized housing. Most of the City's subsidized units serve very low income people and charge rent based on 30% of the tenant's household income.

Unit Mix

The subsidized rental projects that we contacted range in size from 8 units to 100 units. The bedroom mix breakdown is as follows:

- ▶ 4 efficiency/studio (0.9%)
- ▶ 330 one bedroom (76.2%)
- ▶ 4 one bedroom +den (0.9%)
- ▶ 64 two bedroom (14.8%)
- ▶ 28 three bedroom (6.5%)
- ▶ 3 four bedroom (0.7%)

In addition to these subsidized projects, Fergus Falls has 158 households being assisted with HUD Housing Choice Vouchers (formerly Section 8 Existing Program). Some of these households may actually be using their rent assistance in one of the subsidized projects, if that project does not have rent assistance available for all tenants.

Housing Choice 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 Fergus Falls HRA.

The waiting list for the Voucher program had 200 names in August 2014 that were hoping to receive assistance, but few new Vouchers were being issued due to a combination of low turnover and budget limitations.

In addition to Housing Choice Vouchers, other rent assistance programs may be available for special need's populations, including homeless individuals and households, and people with persistent mental illness issues.

Occupancy / Vacancy

Our survey found only 10 vacancies in subsidized developments, which represented an overall vacancy rate of 2.3%.

Six of the 10 vacancies were reported in one bedroom units in projects oriented to senior/disabled tenant occupancy. The vacancy rate in this segment of the market was 1.8%.

Four vacancies were reported in general occupancy units, for a vacancy rate of 3.8%.

Although some vacant units were reported to the survey, all of the projects with vacancies did not have project-based rent assistance available for all units. In Rural Development subsidized properties, it is typical that some units are subject to basic rent limits, and cannot offer all units based on 30% of the tenant's income level. In each of these projects, all of the units with project-based rent assistance were occupied, and waiting lists existed for the rent assistance.

Subsidized Unit Losses

No subsidized projects in Fergus Falls have left their subsidy program since 2005, when the previous Housing Study was completed. No Otter Tail County projects were identified in the "opt-out" log maintained by the Minnesota Housing Finance Agency.

The 2005 Study had identified only one subsidized project that has been lost prior to that time. College Park Apartments was a 32-unit project that had been previously subsidized through USDA Rural Development, but it had gone into foreclosure and was sold. The project no longer had any project-based subsidies or federal requirements.

Table 28 Fergus Falls Multifamily Rental Housing Inventory

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Bert Clark Apartments 739-2975	N/A	N/A	N/A	N/A	Unable to contact.
Broadway Apartments 623 W Fir 218-736-2419	8 - 1 Bedroom <u>28 - 2 Bedroom</u> 36 Total Units	\$645 \$730-\$790 +electric	5 vacant units	Mix of tenants	Three-level walkup apartment complex constructed in 1972. Tenants pay electric in addition to rent, but heat, sewer, water and garbage are included in rent. Detached garage included in rent. Amenities include stove, refrigerator, dishwasher, microwave, wall AC, balcony/patio, community laundry, BBQ area, controlled entrance, fitness center and pets welcome. One-bedrooms have 765 sq ft and 2-bedrooms have 1000-1080 sq ft; all units have 1 bathroom. Manager reports no vacant units at time of survey.
Cavour Apartments 809 E Cavour 218-205-0929	9 - 1 Bedroom <u>6 - 2 Bedroom</u> 15 Total Units	\$450 \$525 +heat, electric	No vacant units	Mix of tenants	One of three buildings in a complex previously known as Swan Apartments, constructed in early 1970s. Tenants pay electric and heat in addition to rent; garage is included in rent. Amenities include stove, refrigerator, dishwasher, AC and community laundry. Manager reports no vacant units at time of survey and good demand.
Cavour Avenue Apartments 614-636 Cavour Ave 736-4501	<u>12 - 2 Bedroom</u> 12 Total Units	\$465 +heat, electric	No vacancies	Mix of tenants including seniors	Apartments located on East Cavour Avenue that were constructed in 1959. Two-level building but all units have private exterior entrances. Tenants pay electric and heat in addition to rent. Rent includes garage for all but 1 unit. Other amenities include stove, refrigerator and in-unit laundry. No information on unit size but all apartments are the same and have 1 bathroom. No vacancies at time of survey.
Cedar View Properties Cedar & Aurdahl	10 - 2 Bedroom <u>2 - 3 Bedroom</u> 12 Total Units	N/A	N/A	N/A	Unable to contact.

Table 28 Fergus Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
College Street Apartments	<u>16 - 2 Bedroom</u> 16 Total Units	N/A +heat, electric	N/A	N/A	Unable to contact in 2014 - information presented is from prior survey. Two apartment buildings with 8 units each, constructed in the mid-1970s. Rent includes garage; tenants pay heat and electric.
Colonial Village Apartments 1234 N Broadway 218-736-2419	12 - 1 Bedroom 43 - 2 Bedroom 6 - 3 Bedroom <u>1 - 4 Bedroom</u> 62 Total Units	\$580 \$680-\$780 \$815 \$920 +electric	No vacant units	Mix of tenants	Cottage and town house-style units in seven building complex constructed in 1968. Tenants pay electric in addition to rent; heat, water, sewer and garbage included in rent. Detached garage included in rent. Amenities include stove, refrigerator, dishwasher, wall AC, private entrance, community laundry, BBQ area and pets welcome. One-bedrooms have 625-650 sq ft; 2-bedrooms have 850-895 sq ft; 3-bedrooms have 980 sq ft; 4-bedrooms have 1100 sq ft; all units have 1 bathroom. Higher end rents for 2-bedrooms reflect recently renovated units. Manager reports no vacant units at time of survey.
Concord Properties 107 N Court 218-736-4866	Efficiency <u>1 Bedroom</u> 7 Total Units	N/A	No vacant units	Primarily singles and couples	Apartment units on upper floors above a downtown commercial building. Most tenants are singles and couples. No rent or amenity information collected. No vacancies on date of survey.
Laurel Place 816 W Laurel	4 - 1 Bedroom <u>44 - 2 Bedroom</u> 48 Total Units	\$410 \$495-\$505 +heat, electric	No vacancies	Mix of Tenants	Two-story walkup apartment complex constructed in 1976 - four buildings with 12 units each. Tenants pay heat and electric in addition to rent. Amenities include stove, refrigerator, dishwasher, disposal, AC, balcony/patio and community laundry in each building. Garages available for additional fee. Manager reports no vacant units at time of survey.

Table 28 Fergus Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Lincoln Center 125 ½ W Lincoln Ave 218-736-2419	<u>13 - 1 Bedroom</u> 13 Total Units	\$505-\$555 +heat, electric	No vacant units	Mix of tenants	Apartment units on upper floor of older, mixed-use downtown building. Amenities include stove refrigerator, dishwasher, community laundry, storage area, downtown location and pets welcome. Manager reports that units vary in size from small to very spacious, but no sq ft available. Tenants pay electric and heat in addition to rent. No vacant units at time of survey.
North Oaks Properties	<u>1 - 1 Bedroom</u> <u>11 - 2 Bedroom</u> 12 Total Units	N/A +heat, electric	N/A	N/A	Unable to contact in 2014 - information presented is from prior survey. Apartments constructed in late 1970s. Tenants pay electric and heat in addition to rent. Eight garages available for extra fee.
North Union Apartments 1004 N Union 218-205-0929	<u>1 - 1 Bedroom</u> <u>11 - 2 Bedroom</u> 12 Total Units	\$450 \$525 +heat, electric	No vacant units	Mix of tenants	Three-level walkup apartment building constructed in the 1970s. Tenants pay heat and electric in addition to rent. Amenities include stove, refrigerator, dishwasher, AC and community laundry. Garages available for additional fee. Manager reports no vacant units at time of survey and good demand.
Nyman Apartments 121 N Mill 736-5772	N/A	N/A	N/A	N/A	Unable to contact.
Otter Properties 129 ½ E Lincoln 218-205-7841	10 - 1 Bedroom <u>1 - 2 Bedroom</u> 11 Total Units	\$345 \$450 +electric	No vacant units	Mostly single tenants	Units are on upper floors of older downtown commercial building. Tenants pay electric in addition to rent, but heat is included in rent. Most tenants are singles. No vacancies at time of survey.

Table 28 Fergus Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Otter Properties 122 ½ E Lincoln	9 - 1 Bedroom <u>1 - 2 Bedroom</u> 10 Total Units	\$320 \$450 +electric	1 vacant unit 1 - 1 Bdrm	Mostly single tenants	Units are on upper floors of older downtown commercial building. Tenants pay electric in addition to rent, but heat is included in rent. One apartment was converted into community laundry in recent years. Manager reports 1 vacancy on date of survey - unit was damaged by previous tenant and has been under repair.
Park Meadows 1019 N Park	N/A	N/A	N/A	N/A	Unable to contact.
Red River Village 1060 Village Circle 218-998-4119	1 Bedroom 2 Bedroom <u>3 Bedroom</u> 69 Total Units	\$705 \$765-\$970 \$1020 +heat, electric	No vacant units	Senior-designated age 55 and older	Three-level apartment building with elevators and underground parking that opened for occupancy Sept. 2011. Designated for tenants age 55 and older. Unit amenities include in-unit laundry, dishwasher and some units have 1.5 bathrooms. Square footage information not available, but various floor plans exist, especially for 2-bedrooms. Tenants pay heat and electric in addition to rent, but other utilities and internet included in rent. Underground parking is \$50/month. According to project website, 60% of the units were pre-leased prior to project completion. Manager reports full occupancy and waiting list.
River Bluff Estates I 306 Western Ave	5 - 1 Bedroom 20 - 2 Bedroom <u>5 - 3 Bedroom</u> 30 Total Units	\$650 \$750 \$850	1 vacant unit, 1 - 2 Bdrm	Mix of Tenants	Three-story walkup apartment building constructed in 2000. Discounted rent by \$50 for 3 rd floor tenants. Rent includes all utilities. Amenities include stove, refrigerator, dishwasher, wall AC, community laundry and patios for ground level units. Garages available for additional fee. Community room available in River Bluff Estates II. One-bedrooms have approx. 750 sq ft, 2-bedrooms have 1000 sq ft and 3-bedrooms have 1200 sq ft; all units have 1 bathroom. Manager reports 1 vacant unit at time of survey.

Table 28 Fergus Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
River Bluff Estates II 320 Western Ave	4 - 1 Bedroom 20 - 2 Bedroom <u>5 - 3 Bedroom</u> 29 Total Units	\$650 \$750 \$850	1 vacant unit, 1 - 3 Bdrm	Mix of Tenants	Two-story walkup apartment building constructed in 2001. Rent includes all utilities. Amenities include stove, refrigerator, dishwasher, wall AC, community laundry and patio/balcony for ground level units. Garages available for additional fee. Community room available in River Bluff Estates II. One-bedrooms have approx. 750 sq ft, 2-bedrooms have 1000 sq ft and 3-bedrooms have 1200 sq ft; all units have 1 bathroom. Manager reports 1 vacant unit at time of survey.
River Inn Apartments 133 S Mill St 218-739-4140	7 - Efficiency 29 - 1 Bedroom <u>2 - 2 Bedroom</u> 38 Total Units	\$270-\$275 \$375-\$425 \$420-\$425 +electric	No vacant units	Mix of tenants	Historic former downtown hotel that was converted into mixed-use residential and commercial building in the late 1980s - on the National Register. Building is multi-story with elevators. Tenants pay electric but heat and other utilities included in rent. Units have stove and refrigerator, community laundry room and some off-street parking available. Efficiencies have 180 sq ft, 1-bedrooms range from 420 to 600 sq ft, and 2-bedrooms have 650 sq ft; some of the larger units have 2 bathrooms. Manager reports a mix of tenants from younger renters to seniors. Full occupancy and good demand, with limited turnover in most affordable units.
Riverside Apartments 911 E Lincoln 218-205-0929	3 - Studio 5 - Efficiency 11 - 1 Bedroom 14 - 2 Bedroom <u>2 - 3 Bedroom</u> 35 Total Units	\$250 \$360 \$450 \$525 \$680-\$700 +heat, electric	1 vacant unit, 1 - 3 Bdrm	Mix of tenants	Three-story walkup apartment building constructed in 1980. Tenants pay heat and electric in addition to rent. Upper units have balconies; 18 garages available for extra fee. Amenities include stove, refrigerator, AC, dishwashers in some units and community laundry. Studios have no kitchen. Good demand for units, with 1 vacant due to recent turnover.

Table 28 Fergus Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Somerset Apartments 1120 Somerset Rd 218-736-7633	4 - 1 Bedroom 17 - 2 Bedroom <u>3 - 3 Bedroom</u> 24 Total Units	\$650 \$795-\$825 \$935 +electric	No vacant units	Mix of tenants	Three-level walkup apartment building that was constructed in 2006. Kitchen has stove, refrigerator, dishwasher, microwave and disposal. Additional amenities include gas fireplace in some units, in-unit laundry, balcony/patio, walk-in closets in some units, AC and controlled-access entries. Rent includes heat, water, sewer and garbage, with tenant paying electric. Detached garage parking available for additional fee. One-bedrooms have 650 sq ft, 2-bedrooms have 980 to 1000 sq ft, and 3-bedrooms have 1390 sq ft. Five 2-bedrooms and all 3-bedroom units have 2 bathrooms. Manager reports good demand - always full and a waiting list exists.
Spruce Place 912 Spruce St	11 - 1 Bedroom <u>21 - 2 Bedroom</u> 32 Total Units	\$420 \$450-\$460 +heat, electric	1 vacant unit, 1 - 2 Bdrm	Mix of Tenants	Two-story apartment complex constructed in 1978 - two buildings with 12 units each, and one building with 8 units. Tenants pay heat and electric in addition to rent. Amenities include stove, refrigerator, AC and community laundry in each building. Garages available for additional rent. Manager reports 1 vacant unit at time of survey.
Stanton Avenue Apartments 618-632 Stanton Ave 736-4501	<u>8 - 2 Bedroom</u> 8 Total Units	\$440 +electric	2 vacant units, 2 - 2 Bdrm	Mix of tenants including singles	Apartments located on Stanton Avenue that were constructed in 1950s. Two-level building but all units have private exterior entrances. Rent includes garage and heat, but tenant pay electric in addition to rent. Other amenities include stove, refrigerator and community laundry. Mix of tenants including many singles and couples. No information on unit size but apartments are described as smaller units with 1 bathroom. Two vacancies at time of survey due to recent turnover - advertising is typically done through word-of-mouth.
Summit I & II 810-820 E Summit	<u>16 - 2 Bedroom</u> 16 Total Units	N/A +heat, electric	N/A	N/A	Unable to contact in 2014 - information presented is from prior survey. Two 8-unit apartment buildings constructed in early 1970s. Tenants pay electric and heat in addition to rent.

Table 28 Fergus Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Sunrise Apartments 407 W Fir	10 - 1 Bedroom <u>18 - 2 Bedroom</u> 28 Total Units	\$385-\$455 \$445-\$545 +heat, electric	No vacant units	Mostly younger tenants	Multistory apartment building constructed in the 1970s. Tenants pay heat and electric in addition to rent. Two-bedroom units get a detached garage, and unused garages can be rented for \$35 per month. A fire at the complex resulted in extensive renovations to some units and they are at the high end of the rent range listed. Some of the renovated units have dishwashers. Owner reports no vacancies and most tenants are younger, working age people.
Swan Apartments	5 - 1 Bedroom <u>22 - 2 Bedroom</u> 27 Total Units	N/A +heat, electric	N/A	N/A	Unable to contact in 2014 - information presented is from prior survey. Originally a 3-building in complex, one building with 15 units is now owned separately. Project constructed in early 1970s. Tenants pay electric and heat in addition to rent; garage is included in rent.
Synstelien Rentals 222 E Vernon 218-739-3995	N/A	N/A	N/A	N/A	Unable to contact.
Union Plaza 225 ½ W Lincoln Ave 218-736-2419	<u>7 - 1 Bedroom</u> 7 Total Units	\$530-\$570 +heat, electric	No vacancies	Mix of tenants	Apartment units on second floor of older, mixed-use downtown building. Tenants pay electric and heat in addition to rent. Amenities include stove refrigerator, dishwasher, walk-in closet, community laundry, pets welcome and downtown location. Units vary in size from have 587 to 968 sq ft and all have 1 bathroom. No vacant units at time of survey.

Table 28 Fergus Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Westtown Manor 2 nd Ave N 218-736-6683	1 Bedroom <u>2 Bedroom</u> 42 Total Units	\$400-\$475 \$650-\$695 +electric	4 vacant units, 3 - 1 Bdrm 1 - 2 Bdrm	Mix of tenants	Five building rental complex constructed in the early 1970s, with one-level and two-level structures. Tenants pay electric in addition to rent, but heat and other utilities included. Most units do get a detached garage. Units at the higher end of the rent range are larger and may have in-unit laundry hookup, patio and/or larger floor plan. Some of the 2-bedrooms are 2-level units. All units have 1 bathroom. Owner reports 4 vacancies on date of survey - increased competition from new units has impacted demand.
Westridge Apartments I 1501 College Way 218-531-1218	12 - 1 Bedroom <u>12 - 2 Bedroom</u> 24 Total Units	N/A +heat, electric	2 bedroom advertised as available	N/A	Unable to contact in 2014 - information presented is from previous surveys or secondary sources. Three-story apartment building constructed in 1978. Tenants pay heat and electric in addition to rent. 15 garages available for additional \$25 per month. In Sept. 2014 there was a 2-bedroom unit listed as available in local want-ads.
Westridge Apartments II 1515 College Way	12 - 1 Bedroom <u>12 - 2 Bedroom</u> 24 Total Units	N/A +heat, electric	1 and 2 bedrooms advertised as available	Mix of tenants	Unable to contact in 2014 - information presented is from previous surveys or secondary sources. Three-story apartment building constructed in 1978. Tenants pay heat and electric in addition to rent. 15 garages available for additional \$25 per month. In Sept. 2014 there were 1 and 2-bedroom units on the third floor listed as available in local want-ads.
West Lincoln Apartments Broadway & Lincoln 218-205-5690	8 - 1 Bedroom <u>15 - 2 Bedroom</u> 23 Total Units	N/A +heat, electric	N/A	N/A	Unable to contact in 2014 - information presented is from prior surveys. Units were constructed in 1950s. Project includes 5 buildings including 2 single family homes. Two-bedroom units have garage included in rent; tenants pay heat and electric. One bedroom units include heat in rent; tenant pays electric.

Table 28 Fergus Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Student Housing					
College Manor 710 N Tower Road 218-736-1635	<u>22 - 4 Bedroom</u> 22 Total Units	\$1,800 per semester for single occupancy	85% occupancy at start of 2014/15 term	Student housing	Student housing built in 1985 by the Fergus Falls HRA. Project is managed by the College. Bedrooms were originally offered as single or double occupancy, but in 2014 nearly all bedrooms have 1 occupant. Rent for single occupancy is \$1800/semester. Units have 2 bathrooms. Reduced enrollment in recent years has resulted in some unoccupied bedrooms - with some loss of students during the term the occupancy rate will become even lower. This building is older than Hillside Village and farther from the campus, which contribute to reduced demand.
Williams Hillside Village 801-807 Spartan Dr 218-736-1635	<u>16 - 3 Bedroom</u> 16 Total Units with a maximum of 4 people per unit	\$1850 to \$2150 per semester for single \$1550 per semester for double occupancy	All bedrooms occupied at start of 2014/15 term	Student housing	Student housing built in 1995 by the Fergus Falls HRA. Project is managed by the College. Project includes 4 2-level buildings with 4 units each. One bedroom is larger with private bathroom and set for double-occupancy, but some of these are used for single occupancy in 2014. Rent for single occupancy is \$1850/semester or \$2150/semester for single occupancy in double room. Shared occupancy is \$1550/semester. All bedrooms were occupied at start of 2014/15 term, but not all double rooms had 2 occupants, due in part to lower enrollment and resulting demand. Some loss of students typically occurs during the term.

Table 28 Fergus Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Tax Credit					
Kaddatz Artist Lofts 111 W Lincoln Ave 320-258-5230	8 - 1 Bedroom 3 - 2 Bedroom 11 units including 8 tax credit assisted	\$500 \$600	No vacant units	Designated for artist housing	Historic restoration of a former downtown hotel building into artist housing that received a 2004 tax credit award. Units are not available to general rental market - tenants must be artists that live and work onsite. Eight of the units are subject to tax credit regulations, including income limits. Manager reports full occupancy.
Timber Place Townhomes Fir & Friberg 739-3249	4 - 2 Bedroom 16 - 3 Bedroom 20 Total Units	\$525 \$610 +heat, hot water, electric	No vacancies, waiting list	60% of median income	Tax credit town house project constructed in 1997 - now I extended compliance phase. All units serve households at 60% of median income. Fergus Falls HRA is general partner. Tenants pay electric and natural gas in addition to rent, estimated at \$79/\$96 per month. Amenities include stove, refrigerator, dishwasher, disposal, in-unit laundry, AC and attached garage. Two-bedrooms have 1200 sq ft and 3-bedrooms have 1350 sq ft, with accessible 3-bedroom at 1395 sq ft; all units have 1.5 bathrooms. Manager reports 2 unoccupied units at time of survey due to turnover, but new applicants have been certified and leases have been signed. Turnover tend to be low, with approx. 4 units per year. Waiting list with 7 names for 2-bedroom and 3 names for 3-bedroom - with low turnover the waiting list is often out of date. Many applicants are over the income limits.

Table 28 Fergus Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized - General Occupancy					
Aspen Green II 720 Melody Lane	6 - 1 Bedroom <u>12 - 2 Bedroom</u> 18 Total Units	\$460-\$685 \$520-\$715 30% of income	2 vacant units, 1 - 1 Bdrm 1 - 2 Bdrm	General occupancy	Rural Development general occupancy subsidized project built in the 1980s. Two-level walkup building. Rent assistance available for 11 tenants that allows rent based on 30% of income, remainder pay 30% of income but not less than basic or more than market rents listed. Manager reports 2 vacant units at time of survey - these do not have rent assistance and are harder to fill, especially 1-bedrooms. No waiting list currently exists.
Cardinal Homes General Occupancy Springen Ave 218-739-9506	16 - 2 Bedroom 8 - 3 Bedroom <u>3 - 4 Bedroom</u> 27 Total Units	30% of income	No vacant units, waiting list	General occupancy	HUD Section 8 project constructed in 1972 that also includes senior/disabled housing. All tenants have rent assistance available that allows rent based on 30% of income. General occupancy units are in 3 buildings of 8 units each. Four bedroom units are in houses. Good demand and no vacancies in general occupancy units, and a waiting list exists, although unit turnover does occur in two and three-bedrooms.
Cascade Apartments E Vernon, Cascade St, Peck St 218-824-8403	12 - 1 Bedroom 12 - 2 Bedroom <u>12 - 3 Bedroom</u> 36 Total Units	\$491 \$578 \$656 30% of income	No vacancies, waiting list	General occupancy	MHFA/Section 8 subsidized project constructed in 1970. One-bedroom units are in traditional apartment 2-level walkup building; two and three bedroom units are in townhouses with unfinished basements. All tenants have rent assistance available that allows rent based on 30% of income, but not more than market rents listed. Amenities include stove, refrigerator, dishwasher and in-unit laundry or hookup in town homes, community laundry, AC, playground and garages available for extra fee. One-bedrooms have 675 sq ft, 2-bedrooms have 1112 sq ft and 3-bedrooms have 1485 sq ft. Town house units have 1.5 bathrooms. Manager reports full occupancy and waiting list for each bedroom size, with 10 or more names for 1 and 2-bedrooms, and 5 to 6 names for 3-bedrooms.

Table 28 Fergus Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized - General Occupancy					
Fergus Falls HRA Family Housing 218-739-3249	<u>8 -3 Bedroom</u> 8 Total Units	\$500 30% of income	No vacant units, waiting list	General occupancy	HUD Low Income Public Housing units in scattered site duplexes constructed in 1980. All tenants pay rent based on 30% of income, up to flat rent listed. Manager reports good demand for units and a waiting list of approximately 46 households.
Pleasant View 1095 Westside Dr	4 - 1 Bedroom <u>12 - 2 Bedroom</u> 16 Total Units	\$570 \$6100 30% of income	2 vacant units, 1 - 1 Bdrm 1 - 2 Bdrm waiting list	General occupancy	Rural Development subsidized general occupancy project in 2-level walkup building constructed in 1982. Twelve tenants receive rent assistance that allows rent based on 30% of income; remaining tenants pay market rents listed. However, some tenants also receive rent assistance from HRA. Amenities include controlled entrance, community laundry, extra storage, BBQ area and playground. One-bedrooms have 700 sq ft and 2-bedrooms have 800 sq ft; all units have 1 bathroom. Manager reports 3 vacant units at time of survey, but 1 unit in the process of being filled. Vacant units do not have rent assistance, and applicants on waiting list can often not afford the market rents.

Table 28 Fergus Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized - Senior/Disabled Occupancy					
Augustana Apartments 308 S Mill St	4 - Efficiency 23 - 1 Bedroom 4 - 1+Bedroom <u>10 - 2 Bedroom</u> 41 Total Units	30% of income	No vacant units, waiting list	Senior and/or disabled occupancy	HUD Section 8 project for senior (age 62+) and/or disabled occupancy built in 1972. Project originally had more efficiency units but was remodeled to created 1+ bedroom units. All tenants pay rent based on 30% of income. Manager reported no vacant units and a waiting list exists.
Cardinal Homes Senior/ Disabled Springen Ave 218-739-9506	<u>34 - 1 Bedroom</u> 34 Total Units	30% of income	No vacant units, waiting list	Senior and/or disabled occupancy	HUD Section 8 project constructed in 1972, that also includes general occupancy housing. One building with one-bedroom units is designated for senior (age 55+) and/or disabled occupancy. All tenants have rent assistance available that allows rent based on 30% of income. Remodeling project is underway and some units may be intentionally vacant but good demand exists for one-bedrooms and a waiting list exists.
Goldenwood Apartments 1145 Friberg Ave 218-770-1536	30 - 1 Bedroom <u>1 - 2 Bedroom</u> 31 Total Units	\$425-\$563 \$460-\$633 30% of income	No vacancies	Senior, disabled occupancy	Rural Development subsidized project for senior and disabled occupancy constructed in 1989. Project had also received tax credits in 1989, but tax credit compliance period has been met. Three-level apartment building with elevator. Project has rent assistance for 23 tenants that allows rent based on 30% of income; remaining tenants pay 30% of income but not less than basic or more than market rents listed. Some tenants may have Vouchers. Manager reported full occupancy on date of survey and short waiting list, although many people are not ready to move when units become available.

Table 28 Fergus Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized - Senior/Disabled Occupancy					
Page House 221 E Cavour 218-770-1536	<u>31 - 1 Bedroom</u> 31 Total Units	\$425-\$600 30% of income	4 vacant units with 2 being renovated	Senior, disabled occupancy	Rural Development subsidized project for senior and disabled occupancy constructed in 1984. Three-level apartment building with elevator. Project has rent assistance for 20 tenants that allows rent based on 30% of income; remaining tenants pay 30% of income but not less than basic or more than market rents listed. Some tenants may have Vouchers. Manager reported 4 vacant units at time of survey, but 2 were being renovated and were not available for occupancy - high turnover has recently occurred. A short waiting list exists but people are often not ready to move when vacancies occur.
River Bend Apartments 222 N Whitford St 218-736-2557	99 - 1 Bedroom <u>1 - 2 Bedroom</u> 100 Total Units	\$756 30% of income	No vacancies, waiting list	Senior and/or disabled occupancy	MHFA/Section 8 subsidized project for senior (age 62+) and/or disabled occupancy - project built in 1980. All tenants have rent assistance available that allows rent based on 30% of income up to market rent listed. Most tenants are age 62 or older, but also younger disabled tenants. Contracted assisted living through Compassion Care available 24 hours per day - approximately 25% of tenants receive services. Manager reports full occupancy with 7 name waiting list.
Riverview Heights 218-739-3249	<u>59 - 1 Bedroom</u> 59 Total Units	30% of income	No vacancies, waiting list	General occupancy with senior /disabled preference	HUD Low Income Public Housing highrise constructed in 1968. Designated as general occupancy but preference given to tenants needing assisted living, or senior/disabled households - only 2 current tenants do not have preference. All tenants pay rent based on 30% of income. Manager reports good demand for units and a waiting list of approximately 41 households. Assisted living services provided in building and 27 tenants utilize services.

Table 28 Fergus Falls Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized - Senior/Disabled Occupancy					
Silverleaf Apartments 124 E Summit 218-770-1536	<u>32 - 1 Bedroom</u> 32 Total Units	\$425-\$620 30% of income	4 vacant units, 4 - 1 Bdrm	Senior, disabled occupancy	Rural Development subsidized project for senior and disabled occupancy constructed in 1985. Three-level apartment building with elevator. Project has rent assistance for 19 tenants that allows rent based on 30% of income; remaining tenants pay 30% of income but not less than basic or more than market rents listed. Some tenants may have Vouchers. Manager reported approx. 4 vacant units at time of survey - high turnover has recently occurred. A short waiting list exists but people are often not ready to move when vacancies occur.
Tenant-Based Rent Assistance					
Section 8 Housing Choice Vouchers	158 households in Fergus Falls	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 August 2014, 158 households in Fergus Falls were participating in the program, and 128 additional households in Otter Tail County were receiving rent assistance. Program is authorized for more Vouchers, but budget limitations have resulted in fewer households being served. Approximately 200 names on the waiting list in Aug. 2014, with 70% being local applicants - but few new Vouchers being issued.

Source: Community Partners Research, Inc.

Senior Housing with Services Summary

Senior housing with services is a broad classification that encompasses a wide range of housing options, from nearly independent housing to advanced assisted living and memory care. The following definitions of units by type have been made by Community Partners Research based on our understanding of the housing being offered at each facility. These definitions may not always match with the technicalities of licensing through the State of Minnesota.

Units by Type

The Minnesota Department of Health identifies a number of licensed providers of senior housing with services in Fergus Falls. This list was used to contact housing providers. The projects have been summarized below.

Subsidized Housing with Services Available

Two of the identified providers on the State list are subsidized apartment projects in the City that facilitate service delivery through home health care providers. These projects are River Bend and Riverview Heights.

Although services may be available in each of these buildings, the project itself does not provide the services. Instead, they are delivered under a contract arrangement between the tenant and the home health care provider. In both of these buildings, a home health care agency has been provided with an apartment that can be used to offer an on-site staff person on a 24-hour basis.

Since the individual tenant must contract directly with the service provider, the number of units in these buildings that have services will vary, depending on the needs of the specific tenants in occupancy. At the time of the research for this Update, 27 of the 59 tenants in Riverview Heights, and approximately 25 of the 100 tenants in River bend were contracting for services. Based on the research completed in 2005, the number of participating tenants is lower in 2014.

These buildings do represent an important resource for lower income seniors, but are not directly comparable to the senior projects that are built specifically to provide housing with services.

Light Services/Congregate Senior Housing

There are currently three separate senior housing projects in Fergus Falls that are able to address the lighter services segment of the senior market. Each of these three projects is part of a larger senior complex that can offer more intensive services if needed by the resident.

Park Gardens is the newest addition to this market segment, having been constructed in 2006. Units in Park Gardens can be occupied by largely independent seniors or households needing assisted living services. At the time that research was completed for this Update, the manager estimated that 16 of the 34 units were occupied by households receiving only light services. The basic monthly fee includes a noon meal, light housekeeping, utilities, an emergency call system, 24-hour staffing in the building and access to additional services as needed. Over time, more units have shifted to assisted living use.

Pioneer Pointe opened for occupancy in 1997 and is part of a larger senior complex that includes the Pioneer Care Center nursing home, memory care and enhanced assisted living options. Pioneer Point has 44 total units. The project provides congregate-style senior housing with an assisted living home care license. The basic monthly rent includes weekly bathroom cleaning, use of facilities, and an emergency call system. Additional services can be purchased including a recommended noon meal, light housekeeping, and laundry.

Sheridan House opened in 2001 and has 33 apartments offering light services housing. It is part of the Broen senior complex that includes a nursing home, assisted living, hospice and home health care. The basic monthly rent includes weekly light housekeeping, an emergency call system, all utilities and 24-hour staffing through adjoining Alcott Manor. Optional services are available, such as 3 meals daily in café on campus. Home health care services can also be purchased.

One additional light services project that had operated in 2005, known as Pioneer Main, no longer exists. It had occupied part of the former Pioneer Care Center and had nine efficiency apartments. When Pioneer Care Center relocated into a new building, Pioneer Main was closed.

These three current providers have approximately 93 rental units that could be accessed by seniors wishing to acquire some level of services with their housing. A shift in the use of flexible units in Park Gardens could increase or decrease the number of light services units in the local inventory.

Occupancy rates in this segment of the senior market in Fergus Falls appear to be quite high. Each project reported full occupancy to the rental survey.

Rental rates in senior housing with services projects can vary depending on what services are actually included in the basic package. In Sheridan House, the lowest monthly rent starts at \$1,195, but does not include a noon meal. In Park Gardens, the lowest monthly rent starts at \$1,360, but does include a noon meal.

Assisted Living - Apartment-style

There are five larger-scale, apartment-style rental projects that provide assisted living services. In these buildings, residents may not have a completely independent living unit, including features like a kitchen, but the buildings are larger, apartment-style complexes and differ from the residential setting typically found in a board and lodging-style facility.

The apartment-style assisted living projects in Fergus Falls are Alcott Manor with 26 units, Mill Street Residence with 64 units, Park Gardens is a flexible project with 18 units offering assisted living in 2014, Pioneer Care Suites has 20 units, and Woodland Lodge has 33 units described as enhanced assisted living.

Alcott Manor is part of the Broen senior community, and began offering assisted living services in 2004. Woodland Lodge is also part of the Broen campus and is the newest assisted living facility, having opened in 2013.

As described previously, Park Gardens can offer flexible units that may be occupied by largely independent seniors or tenants needing assisted living. Park Gardens opened in 2006. Over time, more units have shifted to assisted living use, with approximately 18 tenants receiving a higher level of services at the time research was completed for this Update.

Mill Street Residence is the largest single assisted living project with 64 apartment-style units. Mill Street was also one of the first providers of assisted living, opening in 1996.

Pioneer Care Suites represents one of the more recent addition to the assisted living inventory, having opened in 2011 with 20 suites. However, Pioneer Care Suites was not a new construction project but was created through the conversion of a portion of the former Pioneer Care Center nursing home. Walls were removed to create the 20 suites from former nursing home rooms. Each suite has a private bathroom. Pioneer Care Suites is identified as offering enhanced assisted living, with a higher level of care available.

Including the enhanced care options, these assisted living providers offer approximately 161 units of higher services housing.

While most of the assisted living providers in Fergus Falls reported high rates of occupancy, there was some unused capacity, primarily in Woodland Lodge, which was still in its initial occupancy phase. Since opening in 2013, this project has not achieved full occupancy, with five or six vacant units in September 2014.

All of the assisted living providers in Fergus Falls will accept residents with County assistance, through Elderly Waiver or similar programs. In most cases, only a limited number of assisted residents will be accepted at any time. This helps lower income seniors secure needed services. However, since the reimbursement rate for public assistance is low, there are some facilities around the State that will not accept County assistance programs, if there is adequate demand from private pay residents. The widespread acceptance of Elderly Waiver in Fergus Falls may be an indication that there is not enough demand from private-pay clients.

Monthly rates for assisted living varied widely. In some cases, a basic package is purchased and more intensive services are added on an 'a la carte' basis. In other cases, more services are included in the monthly fee. As a result, rate information is not directly comparable.

Assisted Living - Residential Setting

There are also two facilities that provide assisted living services in a smaller, residential setting, similar to a board and lodging arrangement. Residents have a private or shared sleeping room, and other facilities are shared. There are no kitchens in the sleeping rooms.

Golden Manor has six sleeping rooms, each with a private bathroom. Golden Manor has been operating since the late 1990s.

Valkommen-Hen Inn also has six sleeping rooms, with shared bathrooms. This facility was created in 2007 when an older home was converted.

Combined, these two facilities have capacity for approximately 12 single-occupancy residents in 2014 in residential-style assisted living facilities. There was unused capacity in the board and lodging-style facilities.

Similar to the larger-scale assisted living facilities, the board and lodging-style providers will work with residents using County assistance programs. Monthly fees are often less in these residential settings, although this can vary based on the level of care.

Memory Care Housing

There are two projects in Fergus Falls that specifically serve residents with memory care housing needs. Pioneer Senior Cottages has capacity for 52 residents. Parkview Estates has capacity for 14 residents. Both of the memory care housing providers are part of larger senior complexes that offer a range of care options. Combined, these facilities have capacity for 66 people.

At the time of the 2006 Housing Study, 13 memory care beds had existed in a dedicated wing of Broen Memorial Home, but these are no longer offered in 2014.

The utilization rate in this specialized segment was generally high, despite ongoing turnover that typically occurs within this market segment. Waiting lists can exist, but people needing this specialized form of housing are often unable to wait an extended period of time. Like other forms of housing for frail senior populations, there can be times when above-average turnover may occur, resulting in some unused capacity.

It is important to note that some elderly residents with memory care needs are residing in other forms of specialized housing, including assisted living, enhanced assisted living and skilled nursing homes. If these people are able to function successfully in more traditional forms of senior housing, they may not need to transfer to a specialized memory care facility.

Skilled Nursing Homes

There are three licensed skilled nursing homes in Fergus Falls. However, one of these is a Minnesota Veteran's Home. While some residents may be local, this facility serves a larger region of the State, and is not accessible to the general population. As a result, this Update has not examined the Veteran's Home as a option for most Fergus Falls' residents.

The other nursing homes are Broen Memorial Home, licensed for 107 beds, and Pioneer Care Center, licensed for 105 beds. Combined, these two facilities are licensed for 212 total beds.

There has been some de-licensing of beds over time, particularly at Broen Memorial Home, which was once licensed for 207 total beds. Over many years the licensing has gradually reduced, including 17 beds de-licensed in 2013. At the time of the 2006 Housing Study, Broen was licensed for 153 beds. The 2006 total had included 13 beds in a special memory care wing that no longer exists in 2014.

There is less long-term information available from Pioneer Care Center, but they were licensed for 105 beds in 2006, the same count as 2014. However, since that time, a new building has been constructed with most rooms designed for single occupancy. With a newly constructed building, it is doubtful that any de-licensing would be expected in the near future, although with 10 shared occupancy rooms, it would be possible for some additional single occupancy use in the future.

Although 213 beds are still available in the two nursing homes, some are designated for specific uses. In Pioneer Care Center, up to 30 beds are set aside for short-term rehab/recovery stays. In Broen Memorial Home, 22 beds are in a recovery/rehab wing. Based on this information, approximately 161 beds are available to longer-term nursing home residents.

Annual occupancy was generally high, with Broen reporting 90% or better, and the new Pioneer Care Center reporting annual occupancy of 98% or higher.

Senior Demographics and Market Share

Housing with services projects can attract seniors of any age, but typically have the greatest utilization by older seniors. To better analyze the market share for the various forms of housing in Fergus Falls and Otter Tail County, Community Partners Research has compared the supply of various types of units to demographic data for older seniors, age 75 and above, residing in the Greater Fergus Falls area.

The analysts recognize that the potential market area for specialized senior housing in Fergus Falls extends well beyond the immediately adjoining townships that surround Fergus Falls. However, the immediate area does provide a reference for comparative information, including the expected age patterns of the next five years.

The 2010 Census provides the most accurate information on the area's senior population. In April 2010, there were 3,553 senior citizens (age 65+) living in Greater Fergus Falls, including 2,114 people age 75 or older.

The population of senior citizens experienced only modest growth during the previous decade. Between 2000 and 2010, the Greater Fergus Falls area added fewer than 100 people age 65 and older, although all of the net growth did occur within the oldest senior group, age 85 and older. Much of the growth among older seniors was probably the direct result of the specialized senior options available within the City, which helped to attract or retain people needing services with their housing.

All of Otter Tail County did add seniors between 2000 and 2010, although most of this net growth occurred in the youngest senior range, between 65 and 74 years old.

The best available estimates would point to some additional growth in the senior population between 2010 and 2014, although most of this has probably occurred within the youngest senior group, age 74 and younger. Fewer than 50 people have probably been added in the age groups age 75 and older through 2014.

For senior-headed households, there were 2,232 households in Greater Fergus Falls that had a householder age 65 or older at the time of the 2010 Census. Of these households, 1,350 had a householder age 75 or older.

Available projection data would show some expected growth in the number of older senior households, however, in numeric terms, the expected net growth would be somewhat limited. For the Greater Fergus Falls aggregation, the age-based forecasts from ESRI and Community Partners Research would point to net growth of approximately 60 to 90 older senior households between 2014 and 2020.

It is important to note that the senior population statistics would include seniors already residing in senior housing, including nursing homes, assisted living and memory care facilities. Adjustments to the senior population and the number of senior-headed households will be made for each of the different housing types reviewed. For example, when examining the seniors that form a potential market for an assisted living unit, it is necessary to subtract the seniors that already reside in more service intensive forms of senior housing, such as nursing homes or memory care units.

Skilled Nursing Homes

Since utilization of nursing home beds varies by short-term versus longer-term stays, some assumptions need to be applied to this segment of the market. After talking to representatives of the skilled nursing homes in Fergus Falls, it is estimated approximately 130 skilled nursing beds are generally occupied by longer-term residents. Although the Minnesota Veterans Home attracts people from a larger region, those seniors living in that facility would also have been counted by the 2010 Census. As a result, as many as 250 of the older seniors counted by the 2010 Census were probably long-term nursing home residents.

When compared to the older senior population in Greater Fergus Falls, the available supply of longer-term nursing home beds represented a capture rate of approximately 11.8% of the total population of older seniors (age 75+).

It is important to note that the supply of licensed nursing home beds has continued to decrease in recent years even though the population of older seniors has remained relatively stable or grown slightly. The required capture rate in 2014 is lower than it would have been in the past. It also needs to be acknowledged that seniors will come from outside the jurisdictions that define Greater Fergus Falls, but a comparison of beds to the local population provides a reference for future changes.

Although calculations have been performed on the market share for nursing homes, there has been a long-standing moratorium on adding beds, and any new nursing home facilities are typically limited to replacing existing beds, rather than adding to the total inventory, such as occurred at Pioneer Care

Center. As a result, no additional capture by nursing homes would be expected in the future. Instead, it appears that the supply of longer-term occupancy beds may decrease, as more beds are devoted to rehab/recovery stays or are de-licensed in the future.

The annual bed utilization rates reported by the City's skilled nursing homes were generally high for each facility, although some beds were unoccupied in the Broen Memorial Home. The reduction of long-term bed capacity over time has probably contributed to the current occupancy rate of 90% or higher.

Memory Care Housing

Fergus Falls currently has capacity for approximately 66 people in specialized memory care units. This segment of the market has changed in recent years as Parkview Estates added 14 units in 2010. However, another provider, Pioneer Care Center, closed a dedicated memory care wing with 13 beds when it relocated in 2011. As a result, the total person capacity has changed very little from 2006.

When compared to the estimated primary target population in 2014, the current supply of memory care beds represents more than 3.6% of the Greater Fergus Falls area's older senior population. Since memory care is a very specialized form of housing, the only adjustment that has been made is for seniors residing in long-term nursing home beds.

As reported to the rental survey, utilization rates in the existing supply of memory care beds/units tends to be high. There was evidence of unmet demand in the form of waiting lists.

Assisted Living

Some changes have also occurred within the assisted living segment of the market. Since the 2006 Study was completed, both Parkview Gardens and Woodland Lodge have been added to the assisted living inventory. Woodland Lodge, which opened in 2013, is still in its initial occupancy phase.

When examining market demand for assisted living, the supply of units has been compared to the number of older senior households, rather than population. Older seniors living in some other intensive form of senior housing, such as nursing homes or memory care, would not have been counted as a household by the 2010 Census.

In Greater Fergus Falls there are approximately 1,360 to 1,390 older senior households, age 75 and above, that are estimated to be present in 2014. This group has been growing slowly since 2010, based on aging patterns for the area, and should continue to grow by approximately 10 to 20 additional households per year through the year 2020.

Calculating the actual supply of assisted living units is somewhat difficult, due to the flexible approach used by some of the City's housing with services providers. However, the analysts have estimated that approximately 161 units are available in larger, apartment or campus-style projects, including those offering enhanced assisted living. Added to this total are some options that exist in smaller, residential-style projects. If all types of assisted living options are reviewed, more than 170 people can be served in Fergus Falls.

The existing assisted living inventory would require a capture rate of approximately 12.4% of all older senior citizen households living in the Greater Fergus Falls area. This calculation groups all types of assisted living options together, but there are variations in the focus and services offered between the various providers.

The rental survey found some current unused capacity within this specialized segment of the senior market, although occupancy varied by provider. The most recently constructed project, Woodland Lodge has not yet achieved full initial occupancy, with approximately five to six unoccupied units at the time of this Update.

Housing with Light Services

There has been very little change within this market segment in recent years, although Pioneer Main was removed from the inventory when the Pioneer Care Center relocated to a new building. No additional light services projects have been built since Park Gardens opened in 2006.

Light services units are typically compared to the distribution of all older senior households, rather than population. Housing with light services can serve a more active and independent senior, and it is more common to see couples reside in this housing, as well as single person households.

After adjusting for senior households that already live in more service-intensive assisted living, we would estimate the target market at approximately 1,210 total households in Greater Fergus Falls in 2014.

Estimating the actual supply of light services units is impacted by the use of units in the flexible service model. Currently, there are approximately 93 lighter services apartment options in Fergus Falls.

The estimated supply of market rate light services units at the end of 2014 would require a market capture rate of approximately 7.8% of the target market of older senior households (after adjustments for more service-intensive forms of housing).

Table 29 Fergus Falls Senior Housing with Services Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Skilled Nursing Homes					
Broen Memorial Home 824 S Sheridan 218-998-7300	107 licensed beds	N/A	Approx. 90% occupancy rate	Skilled Nursing Home	Skilled nursing home that is licensed for 107 beds in 2014, including 22 beds in shorter-term rehab/recovery wing. Facility had once been licensed for 207 beds, but gradual de-licensing over the years, including 17 bed reduction in 2013. Most rooms are now single occupancy. Part of a larger senior complex that includes independent senior living, assisted living, enhanced assisted living, hospice and home health care. Part of the facility had once had 13 beds for memory care but this was dropped. Occupancy rate of approximately 90%.
MN Veterans Home 1821 N Park 218-736-0400	106 licensed beds including 21-bed memory care wing	N/A	99% occupancy rate	Nursing home for Veterans	State nursing home serving MN veterans and spouses - not all military veterans qualify but entrance criteria exist. Serves a regional demand but also some local residents. Annual occupancy is 99% and unmet demand exists.
Pioneer Care Center 1131 S Mabelle Ave 218-998-1500	105 licensed beds	N/A	Annual occupancy of 98% or higher	Skilled Nursing Home	Skilled nursing home that was constructed in 2011 replacing an older facility. Part of a larger senior campus that also includes enhanced assisted living, memory care and independent senior housing. The new building offers 10 shared occupancy rooms and 85 private rooms. Up to 30 beds are set aside for short-term rehab/recovery stays. Annual occupancy is 98% or higher.

Table 29 Fergus Falls Senior Housing with Services Inventory

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Memory Care					
Parkview Estates 215 E Skogmo Blvd 218-998-4444	<u>Efficiency Units</u> 14 person capacity	N/A	No vacant units, waiting list	Memory care/ enhanced assisted living	Senior housing facility constructed in 2010 as a specialized wing of the Park Gardens senior complex which offers lighter services housing and assisted living. Parkview Estates provides housing for people with specialized memory care needs and enhanced assisted living. All units occupied at time of survey and a waiting lists exists.
Pioneer Senior Cottages 1305-1327 Mabelle Ave S 218-998-9970	6 units with 52 person capacity	\$3,750 private \$3,450 companion	High rate of occupancy	Memory care housing	Memory care housing project constructed in phases between 2001 and 2005. Three twin home-style buildings with 8 to 9 residents per unit, and 52 person total capacity. Cottages are connected to allow for movement of residents between units. Units are part of the Pioneer Care Center complex but are physically separated from other buildings. High annual occupancy reported despite ongoing turnover.

Table 29 Fergus Falls Senior Housing with Services Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Assisted Living					
Alcott Manor (formerly Northwestern Manor) 418 Alcott Ave 218-998-7400	10 - Studio 2 - 1 Bdrm small <u>13 - 1 Bdrm large</u> 26 Total Units	\$1750 \$1850 \$1950 +services as needed	1 vacant unit, waiting list	Senior assisted living	Originally constructed in early 1900s and later converted to senior independent living, and then converted to senior assisted living (age 55+) in 2004. Connected to Broen senior complex that includes nursing home, independent and assisted senior living, hospice and home health care. Project was originally intended to serve lower income seniors in need of assisted living - in 2014 up to 8 residents with County Elderly Waiver assistance are accepted in studio units with the remainder private-pay residents. Basic monthly rent includes utilities and meals. Additional services are purchased as package or a la carte. All residents are encouraged to buy a basic package that includes laundry, housekeeping and emergency call system fro \$250/month. Personal care assistance then purchased as needed. Amenities include beauty/barber shop, religious services, and physical connection to other Broen complex offerings. One unit vacant at time of survey due to turnover, but waiting list now exists.
Golden Manor 124 W Oriole Dr 218-739-1119	6 sleeping rooms	Rent dependent on services	1 vacant room	Assisted living	Senior assisted living constructed in late 1990s. Units are sleeping room with private bathroom. All meals provided. Rent depends on service needs of residents. One vacant room at time of survey due to recent turnover. Many residents receive County assistance.

Table 29 Fergus Falls Senior Housing with Services Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Assisted Living					
Mill Street Residence 802 S Mill St 218-739-2900	41 - Studio 17 - 1 Bedroom 3 - 1+ Bedroom <u>3 - 2 Bedroom</u> 64 Total Units	\$2200 to \$3200 +\$217 +services	No vacant units, waiting list	Senior assisted living	Senior assisted living apartments constructed in 1996. In addition to rent, tenants are required to purchase a basic monthly service package for \$217. Rent/service package includes home care services, all utilities, 2 meals, weekly housekeeping, emergency call system, and daily wellness check. Additional services, such as more housekeeping, grocery shopping, etc., can also be purchased. Four levels of assisted living care can be purchased as needed. Project was fully occupied at time of survey, with a waiting list. Some County Elderly Waiver accepted but most residents are private-pay.
Park Gardens Assisted Living 215 E Skogmo Blvd 218-998-4444	1 Bedroom <u>2 Bedroom</u> 34 Total Units for assisted living plus 16 independent	\$2772 \$2978 +service package as needed	No vacant units, waiting list	Assisted Living	Senior housing facility constructed in 2006 with flexible units offering lighter services housing or assisted living. Memory care wing added in 2010. Assisted living has apartments with stove and refrigerator, but all meals provided along with light housekeeping, laundry, utilities, emergency call system and 24-hour staffing. Services evaluation completed and 3 care packages can be purchased - some residents use assisted living without additional services package for prices listed. Over time, more units have shifted to assisted living use, with 34 apartments used for light services in 2014. County Elderly Waiver assistance accepted for up to 10 residents. All units occupied at time of survey and a waiting lists exists.

Table 29 Fergus Falls Senior Housing with Services Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Assisted Living					
Pioneer Care Suites 1006 S Sheridan 218-998-1518	Studio Suites <u>1 Bedroom Suites</u> 20 Total Units	\$900+ \$1200+ +Personal care fees from \$2700 to \$3700	High annual occupancy rate	Enhanced assisted living	Enhanced assisted living units created in 2011 when part of the former Pioneer Care Center building was converted. Part of the senior campus that includes the new nursing home, memory care and independent senior housing. Existing rooms were joined to create efficiency suites and 1-bedroom suites with private bathroom and kitchenette facilities. The base rents listed includes 3 meals/day, utilities, concierge services, chaplaincy services, local medical transportation, and a nurse call system. Personal care level fees range from \$2700 to \$3700/month depending on assessed need. County Elderly Waiver accepted and up to half of residents typically receive assistance. High rate of annual occupancy and waiting list.
Valkommen-Hen Inn 328 14 th St E 218-998-3712	6 sleeping rooms	N/A	2 vacant rooms	Assisted living	Assisted living option created in 2007 when older house was converted to assisted living. Six sleeping rooms on two floors with 3 shared bathrooms and common living areas. Residents receive care as needed and 24-hour staffing. Most residents receive County assistance and social services case worker involved in care needs. Two rooms available at time of survey due to recent moves - most rooms fill through referral/word of mouth.

Table 29 Fergus Falls Senior Housing with Services Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Assisted Living					
Woodland Lodge 394 Woodland Dr 218-998-6100	6-Studio/Small 15-Studio/Standard 6-Studio w/balcony <u>8 - Studio/Large</u> 33 Total Units	\$2500 to \$4450 +additional services	Initial occupancy phase at approx. 82%	Enhanced Assisted Living	Part of the Broen senior complex and offering enhanced assisted living care for seniors - opened for occupancy in 2013. Complex includes nursing home, independent and assisted senior living, hospice and home health care. Studio units with private bathrooms and showers - units do not have kitchens but are suitable for couples. Family kitchen, beauty/barber shop and religious facilities in complex. 24-hour staffing with skilled nursing staff. Basic rent includes all meals, laundry, cable TV and utilities. Additional service packages purchased as needed. Still in initial occupancy phase with 27 of the rooms leased. County Elderly Waiver assistance accepted for up to 8 residents, with remainder private-pay. One or more units are made available for hospice use.

Table 29 Fergus Falls Senior Housing with Services Inventory

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Housing with Light Services					
Park Gardens Independent 215 E Skogmo Blvd 218-998-4444	1 Bedroom <u>2 Bedroom</u> 16 Total Units for independent living plus 34 assisted living	\$1360 \$1565	No vacant units, waiting list	Senior housing with light services	Senior housing facility constructed in 2006 with flexible units offering lighter services housing or assisted living. Memory care wing added in 2010. Independent living has apartments with stove and refrigerator. Monthly fee includes noon meal, light housekeeping, utilities, emergency call system, 24-hour staffing and access to additional services. Over time, more units have shifted to assisted living use, but 16 apartments used for light services in 2014. All units occupied at time of survey and a waiting lists exists.
Pioneer Pointe 411 Everett Ave E 218-739-7703	30 - 1 Bedroom <u>14 - 2 Bedroom</u> 44 Total Units	\$1350+ \$1550+ +additional services	No vacant units	Senior housing with assisted living home care	Senior housing project that opened for occupancy in 1997. Part of a senior complex that includes nursing home, memory care and enhanced assisted living. Project is congregate-style senior housing with an assisted living home care license. Rent includes weekly bathroom cleaning, use of facilities, and emergency call system. Additional services can be purchased including a recommended noon meal, light housekeeping, and laundry. Underground parking available for additional fee. Project is fully occupied.
Sheridan House 808 S Sheridan St 218-998-7400	19 - 1 Bedroom <u>14 - 2 Bedroom</u> 33 Total Units	\$1195 \$1400 +additional services	No vacant units, waiting list	Senior housing with light services	Senior (age 55+) independent housing project that opened for occupancy in 2001. Part of the Broen senior complex that includes nursing home, assisted living, hospice and home health care. Rent includes basic services, such as weekly light housekeeping, emergency call system, all utilities and 24-hour staffing through adjoining Alcott Manor. Optional services also available, such as 3 meals daily in café on campus. Home health care services can also be purchased. Full occupancy at time of survey, and waiting list.

Table 29 Fergus Falls Senior Housing with Services Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized Housing with Services Available					
River Bend Apartments 222 N Whitford St 218-736-2557	99 - 1 Bedroom <u>1 - 2 Bedroom</u> 100 Total Units	\$756 30% of income	No vacancies, waiting list	Senior and/or disabled occupancy	MHFA/Section 8 subsidized project for senior (age 62+) and/or disabled occupancy - project built in 1980. All tenants have rent assistance available that allows rent based on 30% of income up to market rent listed. Most tenants are age 62 or older, but also younger disabled tenants. Contracted assisted living through Compassion Care available 24 hours per day - approximately 25% of tenants receive services. Manager reports full occupancy with 7 name waiting list.
Riverview Heights 218-739-3249	<u>59 - 1 Bedroom</u> 59 Total Units	30% of income	No vacancies, waiting list	General occupancy with senior /disabled preference	HUD Low Income Public Housing highrise constructed in 1968. Designated as general occupancy but preference given to tenants needing assisted living, or senior/disabled households - only 2 current tenants do not have preference. All tenants pay rent based on 30% of income. Manager reports good demand for units and a waiting list of approximately 41 households. Assisted living services provided in building and 27 tenants utilize services.

Source: Community Partners Research, Inc.

Employment and Local Economic Trends Analysis

While many factors influence the need for housing, employment opportunities represent a predominant demand generator. Without jobs and corresponding wages, the means to afford housing is severely limited.

Employment opportunities may be provided by a broad range of private and public business sectors. Jobs may be available in manufacturing, commercial services, agriculture, public administration, and other industries. The type of employment, wage level, and working conditions will each influence the kind of housing that is needed and at what level of affordability.

Major employers in Fergus Falls include:

- ▶ Lake Region Healthcare Corporation
- ▶ Otter Tail Power Co.
- ▶ Otter Tail County
- ▶ ISD #544
- ▶ Pioneer Home Inc.
- ▶ LB Homes
- ▶ Veterans Home
- ▶ Northern Contours
- ▶ City of Fergus Falls
- ▶ Minnesota State Community and Technical College
- ▶ Productive Alternatives
- ▶ Lakeland Mental Health Center

Source: 2013 Comprehensive Annual Financial Report

Work Force and Unemployment Rates

The MN Department of Employment and Economic Development provides labor force and employment information. Due to the size of the community, information is available specifically for Fergus Falls. The following table looks at information for the City since 2000.

Table 30 Fergus Falls Labor Statistics: 2000 to 2014*						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - MN	Unemployment Rate - US
2000	6,821	6,526	295	4.3%	3.1%	4.0%
2001	6,948	6,604	344	5.0%	3.8%	4.7%
2002	6,975	6,579	396	5.7%	4.5%	5.8%
2003	7,045	6,615	430	6.1%	4.9%	6.0%
2004	6,962	6,583	379	5.4%	4.6%	5.6%
2005	6,902	6,569	333	4.8%	4.2%	5.1%
2006	6,846	6,486	360	5.3%	4.1%	4.6%
2007	6,883	6,472	411	6.0%	4.7%	4.6%
2008	6,939	6,495	444	6.4%	5.4%	5.8%
2009	7,087	6,458	629	8.9%	8.0%	9.3%
2010	7,273	6,725	548	7.5%	7.4%	9.6%
2011	7,218	6,748	470	6.5%	6.5%	8.9%
2012	6,997	6,576	421	6.0%	5.6%	8.1%
2013	6,971	6,566	405	5.8%	5.1%	7.4%
2014*	7,057	6,637	420	6.3%	4.8%	6.5%

Source: MN Department of Employment and Economic Development
 * 2014 is through August

The Local Area Unemployment Statistics data (LAUS) tracks employment by place of residence. It shows how many City residents are actively in the labor force, and their employment status, regardless of where they actually work.

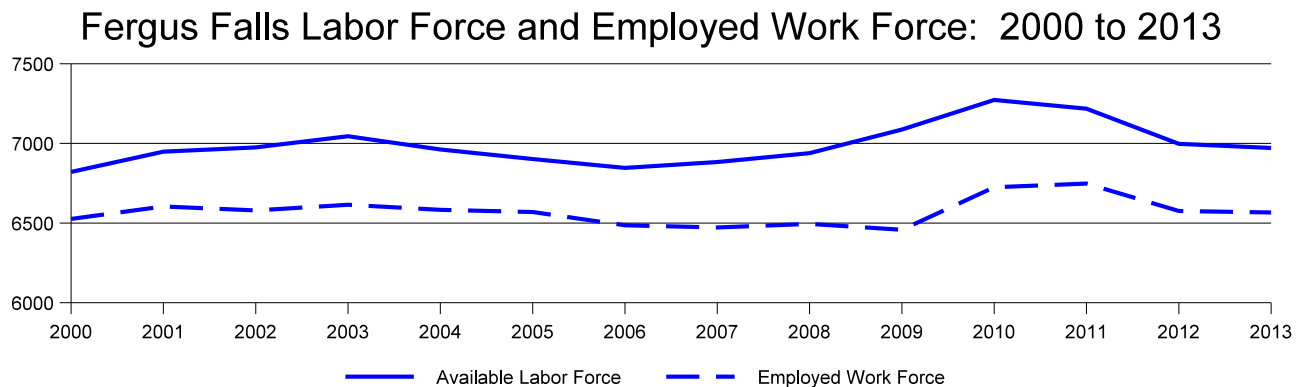
When viewed over a longer time period there has been limited growth in the size of the City’s available labor force, even though there has been upward and downward movement from year to year. When comparing 2013 (the last full year of data) to 2000, the City’s labor force increased by 150 people, or 2.2%.

However, the size of the labor force actually reached its peak level in 2010, and then gradually decreased in size over the next three years. Partial-year information shows some possible growth in 2014, but this may change when the last four months of the year are added.

The employed work force has shown similar patterns, when viewed over a longer time period. From 2000 to 2013, the number of employed City residents increased by only 40, or 0.6%. Since the employed resident population increased at a lower rate than the growth in the available work force, the City's unemployment rate increased from 4.3% in 2000 to 5.8% in 2013.

The City's unemployment rate reached its highest level in 2009, at 8.9%, but has steadily declined since that time. The unemployment rate in the City has been comparable to or slightly higher than the Statewide rate in recent years, and has remained below the national unemployment rate since 2009.

There have been some cyclical changes over the previous 14 years, as displayed in the following chart showing the size of the available labor force and in the employed work force in Fergus Falls.



The large Regional Treatment Center complex, which had been a major employer in the City for many years, was gradually closed during the mid-2000s. The reduction in the employed work force that occurred between 2003 and 2007 may partially reflect this event.

Employment and Wages by Industry

The following table shows the annual employment and average annual wages by major employment sector for 2013. It is important to note that the major employment sectors listed do not represent all employment in the City. Some groups, including self-employment, are not represented.

The table only provides information for the City of Fergus Falls. The previous table, which provided information on the City’s labor force, represents the location of the worker by their home residence. The following table, represents the location of the job.

Table 31 Fergus Falls Average Annual Wages by Industry - 2013		
Industry	Employment	Average Annual Wage
Total All Industry	10,041	\$37,024
Natural Resources, Mining	N/A	N/A
Construction	N/A	N/A
Manufacturing	961	\$44,512
Trade, Transportation, Utilities	2,464	\$37,908
Information	161	\$33,436
Financial Activities	291	\$46,748
Professional and Business Services	352	\$40,664
Education and Health Services	3,608	\$36,556
Leisure and Hospitality	855	\$12,584
Other Services	306	\$19,552
Public Administration	813	\$53,872

Source: MN Department of Employment and Economic Development

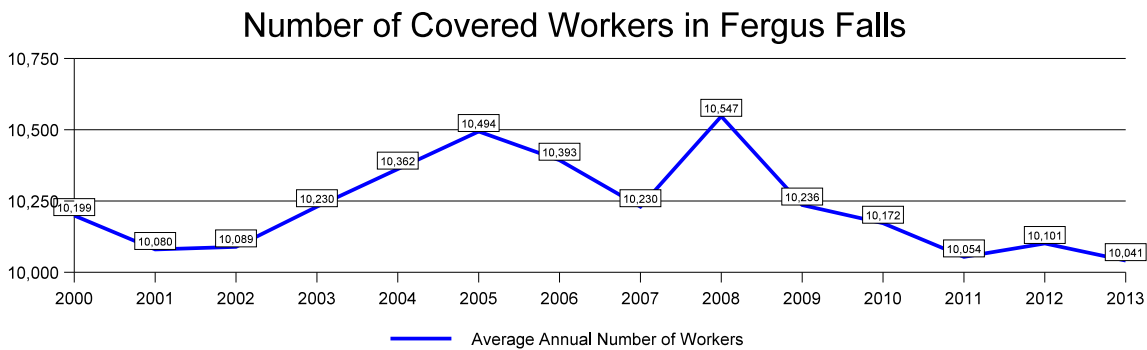
The average annual wage in Fergus Falls for all industry was \$37,024 in 2013. This assumes full-time employment for 52 weeks at the average weekly rate. The highest paying sectors were Public Administration, and Financial Activities, at \$53,872 and \$46,748, respectively. Education and Health Services, and Trade, Transportation and Utilities were the two largest employment sectors in the City, representing more than 60% of all reported workers. The average annual wage in these sectors impacted the overall average wage citywide. The lowest paying wage sectors were Leisure and Hospitality and Other Services, both with an average annual wage below \$20,000.

Fergus Falls Annual Covered Employment

Since the Quarterly Census of Covered Workers (QCEW) tracks employees covered by unemployment insurance by location of the worker, it is possible to examine longer-term patterns in the employment level. The following table displays the total number of workers reported in Fergus Falls back to the year 2000.

Year	Total Covered Employment	Year	Total Covered Employment
2000	10,199	2007	10,230
2001	10,080	2008	10,547
2002	10,089	2009	10,236
2003	10,230	2010	10,172
2004	10,362	2011	10,054
2005	10,494	2012	10,101
2006	10,393	2013	10,041

Source: QCEW - MN Department of Employment and Economic Development



Over a longer-term period, there has been no growth in the number of employees covered by unemployment insurance that are working in Fergus Falls. Growth had been occurring between 2001 and 2005, but then reversed, possibly due to the closing of the Regional Treatment Center. As national economic conditions began to deteriorate in 2008, the number of covered workers began to drop again, and reached the lowest level in 2013.

Projected Employment

There are two available sources of information on employment projections for the area. The State Demographer’s Office has issued projections for the size of the available labor force at the County level. Overall, the Demographer projects a stable labor force in Otter Tail County. Between 2010 and 2015, this projection source expects the labor force to increase by 150 people, but then decrease by 150 people between 2015 and 2020, for no change over the entire decade.

The second available data source is the MN Department of Employment and Economic Development. Their projections are for the region, which includes 26 Counties in northwestern Minnesota. For the 10-year projection period, between 2010 and 2020, they believe that total employment growth in northwestern Minnesota will be at a rate of 14.4%, with more than 36,000 jobs added.

Commuting Patterns of Area Workers

Limited information is available on area workers that commute for employment. The best information is from the 2012 American Community Survey, and has been examined for the City of Fergus Falls. The first table only examines people that lived in the City, and tracked their drive time to work. It excludes people that work at home.

Table 33 Commuting Times for Fergus Falls Residents - 2012		
Travel Time	Number	Percent
Less than 15 minutes	4,442	75.2%
15 to 24 minutes	814	13.8%
25 to 34 minutes	233	3.9%
35 minutes or more	419	7.1%
Total	5,908	100%

Source: 2012 American Community Survey 5-year estimates

The large majority of Fergus Falls residents were commuting less than 15 minutes to work in 2012. Presumably, most residents were working within the City limits, or in the immediately surrounding area. Overall, more than 75% of residents commuted 14 minutes or less to work. Only 7.1% of residents traveled 35 minutes or more for employment in 2012.

The American Community Survey also identifies travel time by location of employment. For people that worked in Fergus Falls, the following travel times were identified.

Table 34 Commuting Times for Fergus Falls Employees - 2012		
Travel Time	Number	Percent
Less than 15 minutes	5,185	52.3%
15 to 24 minutes	2,340	23.6%
25 to 34 minutes	1,373	13.9%
30 minutes +	1,009	10.2%
Total	9,907	100%

Source: 2012 American Community Survey 5-year estimates

For people that worked in Fergus Falls, approximately 24% traveled 25 minutes or more. Overall, nearly 2,400 people traveled to Fergus Falls from these greater distances. However, more than 52% of workers had a commute time of 14 minutes or less, and would either be City residents, or were living reasonably close to the city limits.

Census On the Map

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on reports for the year 2011, but provides a further breakdown of worker movement.

According to the report for Fergus Falls, there were 8,485 people that were employed in their primary job within the city limits in 2011. Of these city-based employees, 3,430 (40.4%) also lived within the City. The remaining 5,055 employees (59.6%) worked in the City but lived outside the City limits.

The On the Map reporting service can be used to make comparisons between communities in the region. The following table presents information for other communities along the Highway 10. It looks at the percentage of people in each community that both live and work in their home city, as well as the percentage of workers that come from outside of each city.

Table 35 Employee Inflow/Outflow Analysis - 2011			
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
Fergus Falls	8,485	40.4%	59.6%
Perham	3,843	17.7%	82.3%
Wadena	3,145	24.1%	75.9%
Detroit Lakes	9,936	18.4%	81.6%
Alexandria	12,251	23.7%	76.3%

Source: Census Bureau, Center for Economic Studies

As indicated in the table above, although most of the jobs based in Fergus Falls are actually filled by people that live outside the City, Fergus Falls does have a higher capture rate than other cities in the region. In 2011, more than 40% of the people working within the City were also City residents. None of the other comparison communities had even 25% of the local jobs filled by city residents.

In the City of Alexandria, the most comparable community for size, more than 76% of the jobs were filled by people living outside the city limits. However, surrounding Alexandria there is a high density of development in the adjoining townships. The impact of people living close to but not within the city limits can not be measured from this data source.

Detroit Lakes is the most comparable community for the number of city-based jobs. However in Detroit Lakes, more than 81% of the jobs are filled by commuters.

Despite the large number of jobs located in Fergus Falls, more than 1,200 City residents were leaving the City in 2011 and commuting elsewhere for work.

Findings and Recommendations

Overview

Community Partners Research, Inc., completed a citywide housing study for Fergus Falls in 2005. This Update has examined the findings and recommendations made in the last report, and made revisions to reflect the research completed in 2014.

The research that was completed for the 2005 Study coincided with a peak period of growth for the Fergus Falls area. Housing construction activity, especially for single family units, was proceeding at a pace that was much greater than in the past. The growth assumptions and tenure patterns that were evident at that time were used in making projections and recommendations.

While construction activity continued at a similar rate through 2005 and 2006, a combination of factors including a national housing market collapse and prolonged period of economic recession changed the City's level of growth and home building starting in 2007. As a result, most of the projections contained in the 2005 report were not achieved.

This 2014 Update has utilized the most recent information about growth, housing construction and tenure preference patterns to make new forecasts of expected activity through the year 2020.

Projections to the Year 2020

Going forward, a household projection of approximately 40 households per year appears to be a realistic forecast for the Greater Fergus Falls area to the year 2020. This would require a slight increase in annual growth when compared to the first three years of the current decade.

The projected annual household growth through 2020 would generally be consistent with longer-term patterns for the Greater Fergus Falls area. Over the 20-year period from 1990 to 2010 the aggregated area averaged 40 households per year, although most of this growth occurred between 1990 and 2000. After slowing to 20 households per year between 2000 and 2010, the aggregated area has averaged approximately 35 households per year from 2010 to 2013. As economic and housing market conditions improve, annual average growth of 40 households per year appears realistic through 2020.

Although recent annual single family construction levels remain below the longer-term average, the area does have in place the means to add new housing, including residential lots both inside and outside the city limits. Multifamily developers have been bringing new rental projects into the community, including market rate housing and specialized projects oriented to seniors. Most of the household growth that has occurred after 2010 has probably been due to an increase in the number of renter households. With some additional rental construction either proposed or underway, housing unit growth has the potential to accommodate household growth at the level projected in this Update.

The analysts acknowledge that differing projections do exist for the area's growth potential. ESRI, a national demographic forecasting service, projects that the Greater Fergus Falls area will add an average of only 23 households per year between 2014 and 2019. However, ESRI also believes that the area has been growing at a faster rate through the first four years of the current decade. If their projected household count for 2019 is compared to a starting point in 2010, their annual projection over a nine-year period results in average growth of approximately 38 households per year, very similar to the projected annual level used for this Update.

Projected Growth by Age Range

This Update has tracked the changing age patterns of area residents, and includes projections about the future changes in households by age of householder. A forecast of the movement between 2010 and 2020 has been made, using 2010 Census data as the basis for the projections. The age-based projections have also been compared to those available from ESRI, and are reasonably similar for expected future changes.

By the year 2020, most of the net household change in the area should be due to an increasing number of households in the age ranges between 55 and 74 years old. Overall, the Greater Fergus Falls area could have approximately 600 to 800 additional households age 55 and older, when compared to the number present in the year 2010. Conversely, a net reduction of 250 to 450 households age 54 and younger would also be expected by the year 2020. The reduced number of younger adult households is a direct result of the smaller demographic groups that followed the baby boom generation.

Although a significant increase should occur within the age ranges 55 and older, the 20-year age cohort between 55 and 74 years old should experience most of the net change. The number of older senior citizen households, age 75 and above, should experience more limited numeric growth. After the year 2020, the leading edge of the baby boom generation will begin to advance into the older senior age ranges, and growth from households age 75 and older will be more significant.

Housing Unit Demand Generated by Household Growth

The household growth projections used in this Update serve as the basis for calculating growth-generated demand for housing in the Greater Fergus Falls area over the next several years. Community Partners Research has examined long-term historic tenure rates, the short-term incremental patterns of tenure change over the last decade, as well as tenure preferences within defined age ranges in forming these growth-generated demand forecasts.

For the Greater Fergus Falls area, the potential annual growth of approximately 40 additional households in a typical year yields a housing tenure forecast of 15 to 20 owner-occupancy units and 20 to 25 renter-occupancy units annually over a five-year projection period.

Although this expected tenure distribution assumes that 50% to 55% of the net growth in households will be looking for rental housing, it is still less heavily weighted toward rental housing than the pattern that was evident between 2000 and 2010 (41% owner/59% renter). It can be argued that rental demand after 2010 has remained very strong, but as the home ownership portion of the market continues to recover, we would expect to see housing tenure distribution patterns return to nearly 50% ownership demand in the future.

The review of building permit issuance indicates that annual production of rental housing in Fergus Falls over the ten-year time period from 2005 to 2014 was averaging approximately 18 rental housing units per year, slightly below our future demand forecast. However, it is probable that additional rental housing was added through unit conversion from owner to renter-occupancy, allowing the rental inventory to keep pace with actual demand.

At the same time, owner-occupancy housing construction has trailed well behind our forecasts of future potential growth-generated demand. Over the seven-year period from 2008 to 2014, the number of units constructed within Fergus Falls has been approximately six single family houses per year, well below the future projected demand potential. No specific information could be obtained from the individual Townships that surround Fergus Falls. It is probable that some additional homes were constructed in these rural areas, but the level of construction is believed to be large in recent years, and some could be seasonal/recreational homes.

In summary, in the recent past the Fergus Falls area has not achieved the level of new housing construction that is projected in this Update.

Additional Housing Demand Generators

In addition to growth-generated demand, calculations for total future housing needs can also be based on factors such as replacement of lost housing units, and pent-up, or existing demand for units that is not being served.

Demand from Unit Replacement

There will always be some level of unit replacement that is required, as each year there are existing units that are probably removed from the usable housing inventory. A variety of factors can contribute to unit loss, including demolition, obsolescence, natural disasters, or redevelopment activities. Forecasts of future losses are difficult to accurately predict, but past history can be an indicator.

Rental Housing

It is known that Fergus Falls has a large stock of older rental housing. According to the most recent American Community Survey estimates, approximately 34% of the City's rental stock exists in pre-1960 built housing, including nearly 300 units that were constructed before 1940. While older housing does not necessarily translate to unit replacement needs, older units have greater potential to fall into disrepair or obsolescence.

Although some potential does exist for rental unit replacement, a comparison of past decennial Census records shows that Fergus Falls did not experience any significant loss of rental units between the 2000 Census and the 2010 Census. This may have been due in part to strong demand that existed. With high rates of occupancy, owners of rental property have been motivated to maintain their units as suitable housing.

A comparison of rental unit growth to rental housing construction between 2000 and 2010 indicates that the local rental inventory grew by a larger number than newly constructed units. This would probably have been due to some level of unit conversion, as houses that had once been owner-occupied changed to renter-occupancy, effectively negating any unit removal that may also have occurred.

For the purposes of this Update, no allowance has been made for unit replacement in the local rental market. It is important to recognize that this is based on overall unit availability, and does not imply that all existing units represent housing that is in standard condition. It is probable that some sub-

standard units should be replaced, but they currently are available for occupancy and have not been removed from the local inventory.

It is also important to recognize that unit replacement has been viewed in terms of overall supply and demand. There is no available information on the value or pricing of lost units. For example, it is reasonable to assume that any rental units that are lost each year represent the lower end of the housing stock, in condition, quality and price. While they may be replaced by conversion or new construction, there is no guarantee that the replacement unit has the same monthly gross rent amount.

Owner Housing

There is also little evidence of lost owner-occupancy housing. Despite the fact that tenure conversion has probably reduced the stock of older homes available to owner-occupants in recent years, unit replacement for home ownership is also viewed as an issue that is not significantly contributing to overall demand. This is largely due to the volume of single family home construction that occurred in the Greater Fergus Falls area, especially in the earlier part of the last decade.

From 2000 to 2009, the level of single family unit construction in Fergus Falls appears to have greatly exceeded the growth in the number of home owners. It is assumed that single family houses permitted through 2009 would have been completed and ready for occupancy when the Census was conducted in April 2010.

Building permit records from 2000 to 2009 show that more than 250 single family houses were permitted in Fergus Falls, and approximately 100 attached single family units were issued a building permit. Although some of the attached units, such as twin homes and town houses may have been intended for rental use, most of these were probably built as owner-occupancy units.

However, between the 2000 Census and the 2010 Census, Fergus Falls added only 52 owner-occupancy households, a level that was less than 20% of the new construction volume.

Part of the discrepancy between units constructed and units occupied by home owners can be explained by housing vacancy. Between 2000 and 2010 the Census reported a net increase of approximately 90 to 100 vacant owner-occupancy units in the City. There was also an increase of more than 20 seasonal/recreational use units, as some homes were no longer occupied by permanent residents.

Even with adjustments for seasonal use and vacant housing, it appears that the level of single family activity in the previous decade significantly exceeded ownership demand from permanent residents. An oversupply of houses probably contributed to some of the tenure conversion that likely occurred. The actual converted units may have been older, existing houses, as it is doubtful that newly built houses would be economical to use longer-term for renter-occupancy.

Going forward, unit replacement is not considered to be a significant contributor to overall demand for owner-occupancy housing. However, older homes that are demolished or converted to rental use are probably lower-valued houses that cannot be replaced by new construction.

Pent-Up Demand

Rental Housing

A final demand generator can be based on the potential need to add units to the rental inventory to address the low rate of vacancy that exists in the Fergus Falls area. When units are not readily available, tenant movement is suppressed and there is upward pressure on contract rents. People who are attempting to move into the community may not be able to find suitable housing, and may be forced to live elsewhere. Ideally, there should be some moderate level of vacancy to allow for tenant choice.

Pent-up demand varies by market segment. There appears to be an under-supply of very affordable, subsidized units, but resources to expand the inventory have not been available in recent decades. Production is more practical in the market rate segment, which serves traditional renter households.

With some market rate rental production occurring in the past few years, the vacancy rates in the 2014 survey were below a desirable level, but some vacancies did exist. This would imply that overall pent-up demand can justify some additional rental production, but this demand-generator is not as significant as overall household growth.

With a market rate housing vacancy rate below 3%, some additional production would be appropriate. The addition of 25 to 35 units within the conventional, market rate segment would help to address pent-up demand. These units would be in addition to any demand generated by household growth.

Owner Housing

Some pent-up demand may also exist for owner-occupants, but this is generally viewed as less of an issue, especially for market rate housing. Potential home owners have the ability to construct a home that is suitable to their needs by working with local builders and developers.

The demand-based calculations for both rental and owner housing will be incorporated into the specific unit recommendations that follow later in this section.

Rental Housing Recommendations

Overview: The City of Fergus Falls has historically had a large supply of rental housing units. According to the 2010 Census, there were more than 2,300 rental units in Fergus Falls at that time. The City's rental tenure rate, based on renter-occupancy households, was above 36%, well above the Statewide average in 2010 of 27% rental. As the largest city in the county, it is typical to see a higher rental tenure rate.

Actual rental demand has been greater than owner-occupancy demand in the recent past, as tracked by changes in tenure patterns. From 2000 to 2010, the Census tracked net growth of 129 renter-occupancy households in Fergus Falls, compared to net growth of only 52 home owners. The net change for the decade represented more than 71% rental housing. These patterns eased somewhat (59% renters) when the impact of the adjoining Townships was included.

After 2010, it is likely that the same tenure preference patterns have continued, as more rental units have been constructed than single family homes. With some large-scale rental projects underway or in the planning phase, it is probable that renter household growth will continue to exceed home ownership growth over the next few years.

In the 2005 Housing Study completed for Fergus Falls, we had recommended the development of at least 100 to 115 additional rental units over a five-year period to address expected growth and unit replacement. Pent-up demand was also evident in the most affordable rental segment, including moderate rent tax credit units and subsidized housing.

However, in the years that followed, limited new construction occurred. The only conventional rental project that was constructed between 2005 and 2010 was Somerset Apartments, with 24 market rate units. A 50-unit specialized senior project, Park Gardens, was also constructed in 2005, but most of the units in this project offer assisted living with a high level of services.

Although actual rental construction lagged well behind our 2005 forecast, there is evidence that the rental inventory increased in size, as tenure conversion occurred, probably in older single family housing. As a result, renter household growth was accommodated, despite limited new construction.

After 2010, two conventional new construction rental projects have been developed. In 2011, a 69-unit project known as Red River Village opened for occupancy. It is senior-designated, for tenants age 55 and older, but offers independent living in market rate apartment units. In 2014, construction was actively underway on the first phase of a three-phase apartment complex that would add 105 total units. The first phase has approximately 35 apartments, including seven that are TIF-assisted and will offer more affordable housing.

Some additional rental units have been created through building conversion projects and some additional concepts are in the early planning stages and may advance to construction in the near-future.

While it is certainly possible that some level of tenure conversion has continued to occur after 2010, the conditions that contributed to the trend have changed. The number of home foreclosures and/or short sales has been reduced, as the national economy has improved. Single family housing starts have also dropped, due in part to an excess single family inventory had once existed in Fergus Falls. Going forward, it is probable that rental demand will need to be addressed through new construction, rather than conversion of existing housing to rental use.

1. Updated Findings on Market Rate Rental Housing

Findings: As used in this Update, market rate housing defines conventional rental units that are free of any specific occupancy restrictions, such as financial status, student enrollment, or other similar features. Market rate housing may have some age restrictions, such as projects that are designated for households age 55 and older. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace. Some market rate projects may have a percentage of units that are income-designated as a result of City assistance such as Tax Increment Financing.

In 2014, we would estimate that the entire rental inventory in the City of Fergus Falls includes approximately 2,440 total units, excluding the most specialized senior housing with services. Approximately 1,900 of these units are best described as market rate rental housing. Fergus Falls has almost all of the rental housing that exists within the area defined as Greater Fergus Falls, as the surrounding Townships primarily provide housing for owner-occupants.

After years of limited new construction, some market rate projects have been built in the City over the past 10 years. In 2006, the 24-unit Somerset Apartments opened for occupancy. In 2011, a 69-unit senior-designated project, Red River Village was built. In 2014, Kueper's Construction started the first phase of a rental complex that could have 105 total units, with the second phase potentially proceeding in 2015. A 13-unit conversion project also was initiated in 2014.

The rental market telephone survey that was completed for this Update collected information from most of the City's larger general occupancy market rate projects. In total, some usable information was obtained from more than 560 market rate units. The 2014 survey found an estimated vacancy rate of 2.8% in this segment of the market. This was down from the vacancy rate of 4.9% that was found in a similar survey in the 2005 Study.

A commonly used standard is that a vacancy rate from 3% to 5% is considered acceptable, to offer some degree of unit choice while still providing rental property owners with a good return on their investment. The vacancy rate that we found in our survey at 2.8% would indicate that some additional unit production could be justified to expand unit choices for prospective tenants.

The vacancies that were recorded in the 2014 survey were in a number of different properties, and were not concentrated in a single project. However, most of the vacancies did exist in older rental housing, such as apartment buildings constructed in the 1970s. The vacancy rate was lower in properties constructed over the past 20 years, indicating that pent-up demand does exist for newer rental units.

Recommendation: The demand calculations presented earlier are largely focused on adding units to keep pace with anticipated household growth. Some additional production can be justified to increase unit choices. Overall, the addition of at least 125 to 160 rental housing units would be recommended over the next five years. Ideally, these units would be allocated into different market segments, including some very affordable units. However, in practice it is probable that most of these units will be added in the conventional, market rate segment, consistent with the development patterns of the past 15 years.

One project that will address much of this projected demand is already under construction in 2014, with scheduled completion in 2015. Kueper's Construction has a 35-unit apartment building that represents the first of three construction phases. Limited information was available about this project, but based on similar developments in other communities, these will probably be in a moderate rent range for newly constructed units.

One-bedroom designs generally have one bathroom and a floor plan with approximately 600 square feet, and two-bedrooms have approximately 820 square feet with one bathroom. Estimated gross rents could be in a range of approximately \$750 or less for a market rate one-bedroom and \$850 or less for a two-bedroom. It is important to note that the analysts collected this information from secondary sources, and it may not represent the size and price of units being built in Fergus Falls.

A slightly higher rent structure is being achieved at Red River Village, the senior-designated market rate project that was constructed in 2011. Although unit sizes were not available, one-bedrooms have an estimated gross rent of below \$800, excluding garage, and some two-bedrooms would be at or below \$850 per month, excluding garage parking. Some two-bedrooms and three-bedroom options in Red River have a higher contract rent. It is probable that the units in Red River Village are larger than those in the new Kueper's Construction project, although this could not be verified.

Although the rents being charged in the newest projects are higher than the prevailing rents for older market rate units, they are still very attractive for newly constructed housing. They are consistent with development patterns in other cities in the region, where good quality projects have been constructed in a more moderate rent range. In Alexandria, recent projects producing less expensive units, even if they are smaller in size and have only one bathroom, have been better received in the local rental market. In Alexandria, gross rents below \$900 for a two-bedroom (excluding garage) have generally been more successful than higher-priced units that offered more amenities.

Moderately-priced apartment production has also been very successful in Perham, in northern Otter Tail County. A local group of investors, known as Grow Perham, has constructed five buildings with 70 total apartments over the past six years. Two-bedroom apartments in Grow Perham's newest Clearwater buildings tend to have a gross rent between \$740 and \$760 per month, and are oriented to that area's growing work force demand.

Based on the research for this Update, area developers are actively addressing the need for additional market rate rental housing. With two future phases planned at the Kueper's project, up to 70 additional units could be introduced into the local market in the next few years. While some of the Kueper's units are TIF-assisted, and may offer below-market rent levels, approximately 55 market rate apartment units may be added in this complex. Other rental projects, some involving mixed-income developments have also been proposed. These should assure that future production keeps pace with expected growth.

2. Updated Findings on Senior-Designated Market Rate Rental Housing

Findings: At the time of the 2005 Study there were no market rate senior-designated rental projects in Fergus Falls that offered completely independent living. There were some light services congregate projects, but they offered features like a noon meal, laundry or housekeeping services, and were not oriented to completely independent senior renters. As a result, tenants paid a higher unit rent for the services that were available in-house.

There were a number of subsidized properties in Fergus Falls that were senior-designated or that provided an occupancy preference for senior or disabled households. However, these projects applied income limits to occupancy. These projects remain available in 2014, however higher income senior households will generally not be allowed to live in these projects without an occupancy waiver.

In 2005, construction was underway for the Village Cooperative of Fergus Falls which is senior-designated (age 55 and older). This cooperatively owned project, with 49 units, has operated successfully for nearly 10 years. While not offering rental housing, cooperative ownership does present an alternative for seniors looking to move from a traditional single family home.

In 2011, Red River Village opened for occupancy with 69 senior-designated (age 55+) rental units. It offers amenities such as underground parking and in-unit laundry that appeal to households looking for a high quality rental option. This project has been very well-received, with a high rate of occupancy reported in 2014. Over half of the units were pre-leased in this project before it opened for initial occupancy.

Based on the rental survey, Red River Village represents the upper end of the rent range in Fergus Falls, and was the only conventional rental project with some two-bedroom units above \$1,000 per month for gross rent.

Prior to the national economic recession and housing market collapse of the late 2000s, there had been an increasing level of owner-occupancy housing, such as twin homes and town houses, that could serve empty-nester and senior households. However, almost no new construction has happened within this segment in the past eight years, and people looking for no/low maintenance housing have instead been served by multifamily projects, such as the Village Cooperative and Red River Village Apartments.

Over the past 15 years the number of households age 55 and older residing in the Greater Fergus Falls area has continued to grow. In the year 2000, more than 42% of all households in the area had a head of household age 55 older. By 2010, this had increased to more than 49% of all households. The age-based projections used for this Update would expect that 55% to 57% of all households will be in the 55 and older age ranges by the year 2020. The strongest net growth will occur among households in the 20-year range between 55 to 74 years old.

In numeric terms, the age-based projections from Community Partners Research and ESRI would expect the number of households in the 20-year range from 55 to 74 years old to increase by approximately 450 to 750 net households during the current decade. Although home ownership rates have tended to be relatively high within these age cohorts, it is probable that between 110 and 180 renter households will be added in the 55 to 74 year old age group between 2010 and 2020.

Much of the future demand for rental housing will be driven by net growth from households age 55 and older. Rental projects that can appeal to empty-nesters and seniors, even if the projects are not senior-designated, will realize a larger potential tenant base.

Recommendation: By the year 2015 it is probable that more than 50% of all households residing in the Greater Fergus Falls area will have a householder age 55 or older. By the year 2020, it is possible that more than 55% of all households will be in these older adult age ranges. Although conventional rental housing can appeal to empty-nesters and seniors, there will also be an opportunity for additional senior-designated projects to be developed in the future.

Red River Village, the last market rate rental project to open in Fergus Falls has been very successful in serving mature renters. The project reported full occupancy and a waiting list. Village Cooperative has also been successful. Offering cooperatively-owned housing, not rental housing, this project still appeals to empty-nesters and seniors looking to move out of a traditional single family home. A waiting list is maintained by Village Cooperative for available units.

One rental product that is not readily available in Fergus Falls is town house-style rental options for seniors. This type of rental housing has been successfully developed in other Otter Tail County communities including Perham and New York Mills. In Perham, construction was completed in 2014 on the Pine Edge Townhomes project, with 32 town house-style units in two and three-

bedroom configurations. These units offer many of the advantages of single family living, including a private entrance and attached garage parking.

The company developing these units has a successful history of building this type of housing, including 18 similar units in New York Mills in 2005, with 16 additional units constructed in 2014. Gross unit rents in both New York Mills and Perham are below \$850 for a two-bedroom and below \$1,000 for a three-bedroom. In both projects, Tax Increment Financing was used, requiring a certain portion of the units to be designated for moderate income households.

It is important to note that the town house-style projects in Perham and New York Mills are not senior-designated, but according to the owner, most units are eventually filled by renters age 55 and older. This is partly due to the lower level of unit turnover that typically occurs among senior renters. Over time, younger tenants tend to move while older tenants tend to stay.

Although other forms of senior-designated housing could be developed, town house-style units oriented to active senior households would be well-matched to the growing number of households in the 55 to 74 year old age ranges. The town house-style projects in Perham and New York Mills could serve as a model for similar development in Fergus Falls.

3. Findings on Moderate Rent Market Rate Housing

Findings: A later recommendation will focus on the creation of additional moderate rent housing through the federal low income housing tax credit program. This recommendation addresses other methods of creating more affordable rental units using local resources, such as Tax Increment Financing.

The City of Fergus Falls has been willing to support affordable rental housing production through the use of TIF. The new Kueper's Construction apartment project that is underway will use TIF assistance, and 20% of the units will serve households at or below 50% of the median income level. For example, a two-person household earning less than \$24,300 in 2014 would be eligible for one of these units. If two future phases of the Kueper's project advance, an estimated 14 TIF-assisted units would be added to the local rental inventory. While specific rent information was not obtained from the developer, it is possible that the TIF units may have a lower rent structure, in addition to any tenant income limits that apply.

It is not known if TIF assistance was also used in Red River Village, the other recently constructed apartment project in the City.

Units within the moderate rent ranges, such as those that may be created through TIF assistance, are generally more compatible with the income levels of most area renter households. The 2012 American Community Survey estimated the median renter household income at only \$20,414 for Fergus Falls renters. At 50% of income, a limit typically used for TIF assistance, a three-person household would need a unit priced at approximately \$685 or less to be considered affordable.

Income distribution information is also provided in the American Community Survey. Overall, more than 76% of all renter households in Greater Fergus Falls in 2012 had an annual income below \$35,000. If 30% of gross income is applied to housing costs, these households would need to have a gross rent of \$875, or less, to avoid a housing cost burden. Most of these households would need even lower housing expenses. More than 58% of all renter households had an annual income below \$25,000. These households would need a gross rent level of \$625, or less, per month to avoid a housing cost burden.

To serve more moderate income renter households, rents would generally need to be within a range of \$600 to \$750 per month. Even at these levels, a rent burden would exist for some moderate income households, but the rents would be better matched to income. Some of the City's older rental housing stock has gross rents that are at or below this level of affordability. However, most newly built market rate housing will be above this affordable rent structure. TIF-assisted units may be able to achieve this more affordable price range.

Recommendation: Overall, between 125 and 160 additional rental units have been recommended in Fergus Falls over a five-year time period. Ideally, a portion of these units would be available to the moderate-rent, moderate-income segment of the market. However, given the costs associated with new construction, and the limited development assistance that can be offered, it is recognized that only a limited number of units will probably be created.

It is possible that up to 20% of future units may have TIF requirements that result in a lower rent structure. It could be argued that TIF units are not truly market rate housing, as income limits do apply. However, the limits do allow a majority of Fergus Falls area renter households to qualify.

TIF units do not have other types of occupancy restrictions that often apply to other forms of affordable housing. TIF units can serve one person renter households, students and senior renters, groups that cannot typically be targeted by other forms of affordable rental housing, including projects using low income housing tax credits.

For Fergus Falls, gross two-bedroom rents below \$800 per month would be a goal, but an even lower rent structure would be better matched to renter household incomes. While new units at these rents would still be above the level deemed affordable at the median income, they can still help to address the demand created by the large majority of renter households that have very modest annual incomes, generally below \$30,000 per year.

Producing market rate two-bedroom units in the future with gross rents below \$800 per month will prove to be very difficult. However, attempts should be made to promote the construction of more-affordable rental housing. Shallow subsidy sources such as tax increment financing and affordable housing grants should be utilized as available. In some cases, these shallow subsidy sources will impose occupancy restrictions such as income level or family composition. Ideally, the goal would be to produce affordable units with as few restrictions as possible, so that a broad base of the local renter population can be served.

It is also likely that future projects aimed at the more affordable segment of the market will need to use a mixed-income approach to make the project financially feasible. In order to create some lower-priced units, some higher-priced units may also need to be incorporated into the development plan. In addition to the financial benefits that may be achieved in a mixed-income development, there can also be some secondary advantages, including the public perception of the project, which can help to minimize potential opposition.

4. Updated Findings on Tax Credit Moderate Rent Housing

Findings: Since the late 1980s, the federal low income housing tax credit program has been the primary assistance program used for the creation of more affordable rental housing in the communities in Greater Minnesota. Tax credits alone do not produce "deep subsidy" rental units that can serve very low income people, but tax credits do provide a "shallow subsidy" that allows for the construction of units that can serve households at or below 60% of the median income level established for the County. When other resources are combined with tax credits, even lower income households may be served.

Since the tax credit program became available in the late 1980s, there have been only three rental projects in Fergus Falls have been awarded tax credit assistance. However, one of these projects, Goldenwood Apartments, also utilized federal subsidy programs, and has been included in the subsidized rental section, since it can offer rent based on household income.

Another of the tax credit awards went to the creation of artist housing as part of the Hotel Kaddatz historic restoration project. There are eight affordable tax credit units in the Kaddatz Lofts, but they are leased to income-qualified artists that work on-site. As a result, this project is not available for the large majority of moderate income renter households in the Fergus Falls area.

The only moderate rent tax credit project operating in Fergus Falls is Timber Place Townhomes, a 20-unit project that was constructed in 1997. This project was developed by the Fergus Falls HRA. In the 2014 rental survey, Timber Place reported full occupancy and a waiting list. The rent levels in Timber Place are below the limits set for households at 45% of the County's median income level.

The use of federal tax credits does impose income and occupancy restrictions on tenants. For new construction projects, priority is generally given to units with two or more bedrooms, often oriented to work force housing needs. Full-time students are generally prohibited from living in tax credit housing.

Without any adjustment for student renters, the inventory of moderate rent tax credit housing in Fergus Falls is very small, and represents fewer than 1% of all rental options in 2014. In neighboring Alexandria, which also has a student population, there are 114 moderate rent units operating under the tax credit regulations, including 24 town house units that just opened for occupancy in 2014. In Alexandria, between 3% and 4% of all rental options in the City operate under the moderate rent tax credit provisions.

Recommendation: Applications for tax credits are highly competitive, and the Minnesota Housing Finance Agency (MHFA) requires that a very detailed, project-specific analysis be completed. This 2014 Update has taken a broader view of tax credit housing, and does not serve as a project-specific study. We continue to believe that additional construction of tax credit housing in Fergus Falls is appropriate. This would help to add units in a moderate price range that is more compatible with area renter household income levels.

In the 2005 Study, the construction of 70 or more tax credit units had been recommended. Since that time, only eight units have been added within this market segment, but these are in the Hotel Kaddatz, and can only be occupied by working artists. It is possible that one or more applications have been submitted since 2005, but no information was found on any pending projects that are currently being considered in Fergus Falls.

Based on the successful examples in other nearby communities, it is probable that any successful tax credit projects in the future would be achieved in moderately-sized development phases. Deer Ridge Townhomes in Alexandria created 24 town house units equally split between two-bedroom and three-bedroom options. These units have an attached garage and amenities typical of single family living. Gross monthly rents are estimated at \$740 and \$820 for two and three-bedroom options. While these rents are higher than many older market rate units in Fergus Falls, they are town homes that offer large floor plans and an attached garage, an attractive unit for families.

The American Community Survey income data from 2012 show that approximately 76% of renter households in the Greater Fergus Falls area had an annual income below \$35,000. Although this would include student renters, most low to moderate income renters were age 25 or older. 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 \$20,414 in 2012.

Although adjustments would need to be made for students, seniors, and one person households per MHFA guidance, it is clear that a large percentage of renter households in the Fergus Falls area would be income-eligible for moderate rent tax credit rental units.

The Minnesota Housing Finance Agency (MHFA) awards additional application points based on various rating factors. For work force housing, MHFA examines items such as commuting patterns and the number of low/moderate wage jobs within the community. Based on MHFA's interactive website, Fergus Falls would score well on certain items, such as the low unemployment rate, but would not score as well in other factors, such as household growth or rental cost burden.

New construction tax credit applications are highly competitive, and the ability to secure points based on these rated criteria can impact the chances for a successful project. These community rating factors would need to be more closely evaluated to determine the City's competitive positioning.

5. Updated Findings on Subsidized Rental Housing

Findings: The term subsidized housing, as used in this Update, refers to rental units that have been constructed to serve low and moderate income people. In nearly all cases, subsidized housing has utilized federal resources that provide a “deep subsidy”, allowing very low income people access to the housing at an affordable price. Much of the subsidized housing has project-based rent assistance, or a similar subsidy available, that allows tenant rent to be based on 30% of the household’s monthly income.

The inventory of subsidized rental opportunities in Fergus Falls is unchanged from 2005. There are still 11 operating projects providing rental opportunities for 433 lower income households. A majority of the units, 328, are still designated for, or have a preference for, senior and/or disabled occupancy, although in some cases, a waiver has been granted to allow for younger non-disabled tenants. There are still 105 units that are general occupancy subsidized housing. Most of the 433 units serve very low income people and charge rent based on 30% of the tenant's household income.

There has been some downward change in the number of households assisted with tenant-based Vouchers. In 2005, approximately 185 households were being assisted. In 2014, this had dropped to approximately 158 households. Budget limitations, including a higher subsidy cost per household has reduced the workable number of Vouchers over time. The waiting list for the Voucher program had 200 names in August 2014 that were hoping to receive assistance, but few new Vouchers were being issued due to a combination of low turnover and budget limitations.

The 2005 Study had not identified any of the project-based subsidized buildings as at risk of terminating their subsidy contract. Since 2005 no unit losses have occurred, and no projects are considered at risk in 2014.

The 2014 rental survey found only 10 vacancies in subsidized developments, for an overall vacancy rate of 2.3%. Six of the 10 vacancies were reported in one-bedroom units in projects oriented to senior/disabled tenant occupancy. The vacancy rate in this segment of the market was 1.8%. Four vacancies were reported in general occupancy units, for a vacancy rate of 3.8%.

Although some vacant units were reported to the survey, all of the vacancies were in units that could not offer project-based rent assistance. In Rural Development subsidized properties, it is typical that some units are subject to basic rent limits, and cannot offer all units based on 30% of the tenant’s income level. In each of these projects, all of the units with project-based rent assistance were occupied, and waiting lists existed for the rent assistance.

The 2010 Census reported that more than 44% of all renters in the Fergus Falls area were paying 30% or more of their income for rent. The large majority of these households were actually paying 35% or more of their income for housing.

Although a housing cost burden could be caused by either high housing costs or low household income, in Fergus Falls it was primarily due to low income levels for renters. Approximately 71% of the renter households with a housing cost burden had an annual household income below \$20,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$500 or less. Most of the households with a rent burden would be under the income limits for subsidized housing.

Households with a rent burden were distributed in all different age ranges. Nearly 52% of younger renters, age 24 and below, reported a cost burden. This younger group may reflect student renters in the community. Among senior citizen renters (age 65 and older), approximately 45% reported a rental cost burden. Although all age ranges reported rent cost burdens, most of the households paying 30% or more of their income for housing were in the age groups between 25 and 64 years old.

Recommendation: Consistent with the previous study for Fergus Falls, additional subsidized rental units are recommended. However, with almost no funding at the federal level, it has largely been impossible to add to the inventory of project-based subsidized housing over the past 20 years. The last new construction project in the City was Goldenwood Apartments, which dates to the late 1980s.

We would encourage the City, and its private development partners, to look for opportunities to secure subsidized housing resources. This could be in the form of project-based subsidized housing, or tenant-based rent assistance Vouchers. If resources for a new subsidized project can be secured, we would recommend a goal of constructing at least 20 to 30 additional units.

It is important to acknowledge that this is a goal, rather than an estimate of need. Based on waiting lists, income estimates and cost burden data, substantially more units could be successfully absorbed. But with very few resources available to develop “deep subsidy” housing, any expansion of supply is encouraged.

As stated in a previous recommendation for affordable market rate rental development, future projects may need to involve a mixed-income approach, incorporating very low income units into projects that also include moderate

rent and higher rent options. This may be the only way to make the development of lower income units financially feasible.

Another important strategy will be to prevent the future loss of any of the existing project-based subsidized housing. Fergus Falls has not lost subsidized housing in recent years, but losses have continued to occur in other communities in the region. If units are at risk in the future, it may be appropriate for public or nonprofit housing agencies to become involved in attempts to preserve the remaining subsidized housing resources.

6. Updated Findings on Senior Housing with Services

Findings: Senior housing with services can cover a wide range of housing types. Assisted living and memory care housing are generally the most service-intensive units outside of nursing homes. High-service housing provides 24 hour staffing and a high level of assistance with daily living needs of residents.

Congregate senior housing generally offers a lower level of services, such as a daily meal and weekly light housekeeping. However, most congregate senior projects do have additional services that can be purchased as needed, and with contracted home health care services, even skilled medical services can often be available to residents of congregate units on a part-time basis.

Fergus Falls has a number of different providers of specialized senior housing. Some of these offer senior campuses, where an array of housing is available. Others represent stand-alone facilities, that offer services to one specific subset of the market.

Specialized senior housing has been a very active component of overall construction activity in Fergus Falls over the past 20 years. Since the 2005 Study was completed, at least four specialized senior projects have advanced. Park Gardens was permitted in 2005, with 34 apartments for senior assisted living and 16 apartments offering independent/light services housing. Parkview Estates added 14 beds for memory care residents in 2010. In 2011, Pioneer Care Center built a new skilled nursing home facility. While this did not add any additional beds, it is one of only a few new nursing homes around the State. The most recent project, Woodland Lodge, opened in 2013 with 33 advanced assisted living units.

A separate section of this Update addresses the existing inventory of specialized senior housing. It also compares the distribution of units by type to the target populations of senior citizens in living in the Greater Fergus Falls area.

Although this Update has collected information on the current supply of various types of senior housing, this is a very complex segment of the housing market, and any new project would need to complete extensive, project-specific research before advancing to construction. Community Partners Research has made the following general observations about the status of specialized senior housing in 2014.

Skilled Nursing Homes - There are three licensed skilled nursing homes in Fergus Falls. However, one of these is a Minnesota Veterans Home that would not be available to most of the older seniors living in the Fergus Falls area. The other two nursing homes are Pioneer Care Center and Broen Memorial Home. Combined, these two facilities have approximately 130 skilled nursing beds are generally occupied by longer-term residents. There are additional beds that are used for short-term rehab/recovery stays. Occupancy rates are very high in Pioneer, which just built a new building in 2011, and most rooms are now used for single occupancy. Broen reported an annual occupancy rate of 90% or higher. Broen has de-licensed beds over time in response to demand De-licensing has also allowed most rooms to be used for single occupancy.

A long-stand moratorium exists for creating new nursing home beds, although unit replacement is sometimes completed, such as the new Pioneer Care Center in 2011. Despite some growth in the population of older senior citizens in the future, no expansion, and a possible reduction of nursing home beds would be expected through the year 2020.

Memory Care - Fergus Falls currently has capacity for approximately 66 people in specialized memory care units. This segment of the market has changed in recent years as Parkview Estates added 14 units in 2010. However, another provider, Pioneer Care Center, closed a dedicated memory care wing with 13 beds when it relocated in 2011. As a result, the total person capacity has changed very little from 2005.

Utilization rates in the existing supply of memory care beds/units tends to be high. There was also evidence of unmet demand in the form of waiting lists. It is probable that expansions will continue within this market segment, similar to the 14 beds added at Parkview Estates in the recent past.

Assisted Living - Fergus Falls has a number of providers of assisted living. There are five larger-scale, apartment-style rental projects that provide assisted living, with approximately 161 units. There are also two facilities that provide assisted living services in a smaller, residential setting, similar to a board and lodging arrangement. Combined they can serve 12 residents.

Some changes have occurred within the assisted living segment of the market since 2005. Both Parkview Gardens and Woodland Lodge have been added to the assisted living inventory. Woodland Lodge, which opened in 2013, is still in its initial occupancy phase.

All of the assisted living providers in Fergus Falls will accept residents with County assistance, through Elderly Waiver or similar programs. In most cases, however, only a limited number of assisted residents will be accepted at any time due to the low reimbursement rate.

While it is possible that some additional expansion of assisted living will be proposed in Fergus Falls in the near future, there is some unused capacity that currently exists. It is also possible that some facilities will reduce their acceptance of County-assisted residents if demand increases within the private-pay segment.

Senior Housing with Light Services - There are currently three separate senior housing projects in Fergus Falls that are able to address the lighter services segment of the senior market. Each of these three projects is part of a larger senior complex that can offer more intensive services if needed by the resident. These three current providers have approximately 93 rental units that could be accessed by seniors wishing to acquire some level of services with their housing.

The most recent expansion within this segment of the market occurred in 2006, when Park Gardens added flexible units that can be used for either assisted living or lighter services housing. Over time, more units in Park Gardens have shifted to assisted living use as existing residents age in place and require more services.

Occupancy rates in this segment of the senior market in Fergus Falls appear to be quite high. Each project reported full occupancy to the rental survey. In the opinion of Community Partners Research, this segment of the senior market is likely to expand within the near future. The aging of the baby boomer generation through the remainder of this decade will substantially increase the number of younger seniors in the 65 to 74 year old age range. As they begin to access housing with services, most of these younger seniors will initially be attracted to lighter services projects.

Recommendation: Fergus Falls has a well-established group of senior housing providers that have responded to market conditions. Over the past 15 to 20 years a number of specialized care options have been created to serve seniors needing some level of care with their housing.

The projections used for this Update do anticipate growth in senior populations for the remainder of this decade, but this will primarily occur among younger seniors who are less likely to need housing with services. The age-based projections generated by Community Partners Research expect fewer than 60 households to be added in the age groups 75 and older from 2010 to 2020 in the Greater Fergus Falls area. Age-based projections from ESRI expect a net increase of approximately 127 households to be added during the decade.

While ESRI's numeric projection is larger, it still represents an increase of less than 10% in the number of older senior households (age 75+) over the entire decade.

A much larger numeric and percentage increase will continue to occur in the empty-nester and younger senior age groups, between 55 and 74 years old. Over the longer-term, these aging baby boomers should create additional demand for specialized senior housing, but this will primarily occur after the year 2020.

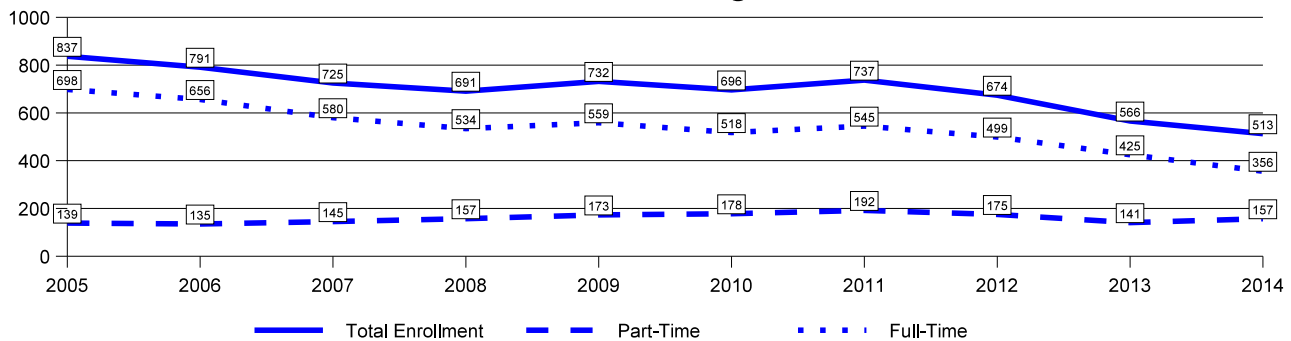
7. Updated Findings on Student Housing

Findings: Minnesota State Community and Technical College (M/State) has a campus in Fergus Falls. Students have on-campus housing options through the Department of Residential Life, as well as private market housing available within the community. The college-managed housing exists in Williams Hillside Village and College Manor, each offering apartment-style living. While managed by M/State, these two student housing projects were developed by the Fergus Falls Housing and Redevelopment Authority.

Interviews with officials from M/State point to a more "traditional" student population at this institution, with most students being male and in the 18 to 20 year old range. As a result, many look for roommate living arrangements to share housing costs.

According to staff, student enrollment has been declining for the last several years, reflecting broader regional trends with fewer high school graduates. The chart below shows total enrollment at M/State Fergus Falls.

Student Enrollment at M/State Fergus Falls - 2005 to 2014



As evident in the chart, there has been a long-term trend of decreasing enrollment over the past 10 years. When enrollment in 2014 is compared to 2005, total enrollment has decreased by 324 students, or nearly 39%. The decrease in the number of full-time students is even more significant, with a reduction of 342 students, or nearly 49%, during this 10-year period.

Despite a declining enrollment, occupancy in the college-managed housing projects has remained relatively strong. This is especially true at Williams Hillside Village, which is located closest to the campus. At the start of the 2014/2015 academic year, all of the bedrooms in Williams were occupied, although some of the rooms available for double-occupancy were instead rented by a single student.

Occupancy was not as strong at College Manor, which is farther removed from other campus buildings. College Manor is also 10 years older than Williams Hillside Village, having been constructed in 1985. The occupancy in College Manor was at 85% at the start of the current year, and most rooms had only single occupancy, even though most bedrooms could be shared.

Limited information was obtained from other rental projects oriented to students. Repeated attempts were made to contact Westridge Apartments I and II, which are across the street from College Manor, but no direct information was obtained from these buildings. However, both were advertising available units in September through local want-ads. These vacancies appeared to exist after the start of the academic year.

Recommendation: Based on the enrollment trends at M/State and the occupancy patterns in existing student housing projects, we would recommend that the need for any additional student housing be monitored. For the 2014/15 academic year, neither College Manor nor Hillside Village is at maximum capacity. This would be consistent with a lowered student total for full-time students.

No projected enrollment information was available. M/State will make projections for the 2015/16 academic year as part of its budgeting process, but these were not available at the time that the research for this Housing Study was being completed.

The need for additional student housing can be impacted by a number of factors, including the mix of 'traditional' to 'non-traditional' students, and the College's recruitment patterns. If enrollment starts to increase in the future, then additional units may be needed. However, a general expansion of rental housing, including the new Kueper's Construction complex that is in its first development phase can also serve the student renter segment of the market.

While unmet demand from students is not a factor that would generate a need for new unit construction in 2014/15, it should be noted that unit quality and location could still be a reason for future construction. According to M/State staff involved in the management of the two current buildings, Williams Hillside Village has a better occupancy patterns than College Manor. This is due to its location, which is closer to campus facilities. It is also newer housing, having been built in 1995, compared to 1985 for College Manor. It is reasonable to assume that a new college housing option, built close to campus with modern features and amenities would be more appealing to future students. However, without an increase in demand, any new building would tend to negatively impact the occupancy rates in other college housing options.

Home Ownership Housing Recommendations

Findings: At the time that research was completed for the 2005 Housing Study, new single family construction activity was at its peak level. During the five-year period from 2000 to 2004, building permits had been issued for more than 150 single family detached houses in Fergus Falls. Nearly 100 attached single family units had also been permitted. While fewer details were available on the attached units, most were believed to be twin homes and town houses that were intended for owner-occupants. Including both detached and attached housing, the City was averaging approximately 50 new construction units per year.

Building activity for detached houses remained relatively strong in Fergus Falls in 2005 and 2006, with an average of 35 houses per year. However, as a national housing market collapse began in 2007, followed by a national economic recession in 2008, the new construction activity in Fergus Falls slowed substantially.

By 2007, only 17 detached houses were permitted, half of the average in the preceding years. In 2008, only nine single family houses were permitted. The lowest point was reached in 2012 when only two new houses were permitted. Over the six-year period from 2008 to 2013, the City averaged only six detached single family houses per year, and only one twin home was constructed, based on Census Bureau reports.

Only partial-year information is available for 2014, but it is probable that 10 or fewer single family detached housing starts will occur. However, there three twin homes that have been permitted this year, adding six attached single family units. Based on construction records, this would be the first attached housing for owner-occupancy in more than five years.

As stated previously, the level of new home construction that occurred in Fergus Falls from 2000 to 2007 appears to have greatly exceeded actual home ownership growth. The analysts have assumed that single family houses permitted from 2000 through 2009 would have been completed and ready for occupancy when the Census was conducted in April 2010. Building permit records show that more than 250 single family houses were permitted in Fergus Falls, and approximately 100 attached single family units were issued a building permit during this time. Although some of the attached units, such as twin homes and town houses may have been intended for rental use, most of these were probably intended as owner-occupancy units.

However, between the 2000 Census and the 2010 Census, Fergus Falls added only 52 owner-occupancy households, a level that was less than 20% of the new construction volume.

Part of the discrepancy between units constructed and units occupied by home owners can be explained by housing vacancy. Between 2000 and 2010 the Census reported a net increase of approximately 90 to 100 vacant owner-occupancy units in the City. There was also an increase of more than 20 seasonal/recreational use units, as some homes were no longer occupied by permanent residents.

Even with adjustments for seasonal use and vacant housing, it appears that the level of single family activity in the previous decade significantly exceeded ownership demand from permanent residents. An oversupply of houses probably contributed to the construction slowdown that occurred after 2007. It is also probable that some tenure conversion took place. The actual converted units may have been older, existing houses, as it is doubtful that newly built houses would be economical to use longer-term for renter-occupancy.

The growth projections used for this 2014 Update do anticipate some future improvement in demand for owner-occupied housing construction. For the Greater Fergus Falls area, the potential annual growth of approximately 40 additional households yields a housing tenure forecast of demand for 15 to 20 owner-occupancy units in an average year. This tenure distribution is still heavily weighted to demand for rental housing, but does anticipate improving market conditions for housing intended for owner-occupants. If this demand potential can be realized, it would be nearly double the annual average achieved over the previous six years.

The private housing market has generally been responsive to area demands. Builder and lot capacity does exist to meet near-term construction needs. In 2014 there are some signs of increased interest in the development of attached single family units, which would be well-matched to the area's growing population of empty-nester and senior households.

The following topics and recommendations from the 2005 Study have been revised to update information on current market conditions.

8. Updated Findings on Affordable New Housing Construction/Affordable Subdivision Development

Findings: At the time of the 2005 Housing Study, housing construction activity in most market segments was underway in Fergus Falls. Private developers were active in the affordable ownership segment, including the Aspen Addition, which was an affordable residential subdivision. That project had utilized innovative approaches to creating affordable ownership opportunities, including City Tax Increment Financing assistance (TIF). Some single family homes were selling in the \$120,000 price range.

When overall market conditions changed, especially after 2007, all types of housing construction slowed significantly in Fergus Falls. This included housing starts in the most affordable price ranges.

Although multiple factors have contributed to changes in housing construction patterns, the demographic profile of the area has also impacted demand. While households of all ages may look for affordable newly constructed homes, this market segment is often associated with younger buyers. In the year 2000, there were more than 2,700 households in the Greater Fergus Falls area that had a head of household age 44 or younger. This represented nearly 39% of all households residing in the area. By the year 2010, the number of households in these younger adult age groups had decreased to 2,245 total households, or approximately 31% of all households residing in the Greater Fergus Falls area. Projections to the end of the current decade point to no numeric growth within these younger adult age groups, although the percentage of younger households will represent fewer than 30% of all area households by the year 2020, due to growth in the older age ranges.

While younger households have represented a declining market share, it is important to realize that they do still create demand for home ownership opportunities. However, it does not represent as much of the potential market as was present in the early 2000s, when affordable home construction was proceeding at a faster pace in the community.

Another factor that has probably impacted entry-level demand is the relatively affordable stock of existing houses in Fergus Falls. This Update has tracked existing home sales activity from 2005 to 2014 (partial year). During this time, the highest median sale price in any year is \$115,000, which is the year-to-date median for 2014. In four of the previous 10 years the median home sale price was below \$100,000. A large stock of relatively affordable existing houses has provided ownership options to area residents at prices that can be well below the cost of a newly constructed home.

Lower demand and construction activity is not unique to Fergus Falls. Other communities in the region have generally experienced the same patterns. In the northern portion of Otter Tail County, activity in the affordable segment has been slow in both Perham and New York Mills, despite local incentives and low-cost lot options.

In Perham, three affordable spec homes constructed by the Perham HRA and West Central Communities Action have been very slow to sell. A publicly-owned affordable subdivision in Perham has also had very few lot sales in recent years, despite some gap funding assistance programs and employer matching grants. In New York Mills, City-owned lots have been offered for as low as \$1,000 for new home construction but no lots have been sold in recent years.

In Detroit Lakes, a local nonprofit developer, Midwest Minnesota Community Development Corporation (MMCDC) had been active in developing more affordable ownership opportunities. Lot sales and home building activity in the current phase of an affordable subdivision have proceeded slowly. In the past few years, only one or two homes per year have been constructed. MMCDC's goal is to produce affordable ownership options, but recently constructed houses have generally been above \$200,000, due to construction and building materials costs.

Recommendation: Although demand for very affordable new construction has been limited during the housing downturn, entry-level buyers do still represent a portion of the local market. We have allocated approximately 20% of the future ownership demand into the more affordable market segment, representing between three and four affordable new construction units in a typical year.

While our projections do not expect any significant increase in the number of younger adult households through the year 2020, employment opportunities Countywide do hold the potential that younger households could be attracted to the area in the future.

The City has experienced past success in affordable home ownership efforts. Possible model programs utilizing employer-assisted incentives are also in existence in communities such as Perham and New York Mills.

9. Updated Findings on Attached Single Family Ownership Housing Development

Findings: The timing of the 2005 Housing Study for Fergus Falls was matched to a peak level of development activity in alternate forms of home ownership construction. From 2000 to 2004, attached single family units, including twin homes and town houses, were a very active part of the local market. More than 90 attached single family units had been constructed over that five-year period, primarily intended for owner-occupancy. At the time, attached unit construction was representing between 30% and 40% of the single family housing starts each year.

The 2005 Study had cited multiple factors for the sudden popularity of these attached housing styles. One factor was cost savings, as reduced land, infrastructure and construction costs per unit resulted in a lower sale price. Another factor was lifestyle preference, as no/low maintenance housing appealed to the area's growing number of empty-nester and senior citizen households.

However, as national economic and housing market conditions began to change, construction activity slowed significantly. After 2005, only one twin home can be identified through Census Bureau building permit reports. It is very possible that some additional attached single family units were constructed after 2005, but are not readily identifiable in the annual reports.

As the national housing markets retreated in the late 2000s, alternative housing products, such as attached single family, often suffered the greatest hit. When people became concerned about owning or investing in new construction, they became even more concerned about less traditional products.

Discussions with City staff point to some possible improvement in 2014, with three twin homes, representing six units, being permitted in the current construction season. Interviews conducted with real estate experts as part of the research process for this Update also identified that pent-up demand exists for these types of attached housing options in Fergus Falls.

The age-based projections used for this Update continue to show strong overall net household growth between 2010 and 2020 in the 20-year age range between 55 and 74 years old. By the year 2020, all members of the baby boom generation will be age 55 or older. These age cohorts have historically had very high rates of owner-occupancy. They also represent primary target markets for attached single family housing that offers no maintenance or low maintenance living.

Recommendation: The demand calculations used for this Update expect that overall demand for single family housing should improve to an annual average level of 15 to 20 units per year. As confidence returns, approximately 20% to 25% of the demand could potentially be met through attached single family housing, such as twin homes and town house units. Over a five-year time period, an annual average of four to five units per year should be achievable. We would expect demand for attached housing products to continue to grow throughout the projection period to 2020. Since attached housing projects may occur in clustered phases, it is very possible that the volume of units constructed in a single year will be above or below this annual average.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes. These existing homes then become available for younger families. It is important for the community to offer a range of life-cycle housing options.

Most communities experiencing a rebound in attached housing construction have found the greatest success in the more moderate price ranges, with units up to \$250,000. Design features conducive to older adult households, such as one-level living, are well-suited to the growing target population.

One issue that did emerge after the national housing market difficulties of the late 2000s relates to attached housing projects that offer resident associations. As unit sales slowed, projects that had associations were sometimes unable to get the monthly payments out of unsold or foreclosed units. As a result, people that had bought into the project were required to pay extra amounts to support the association. In response, some lenders may now require attached housing projects to demonstrate a certain percentage of pre-sale activity as a condition of securing financing.

10. Updated Findings on Moderate to Higher Priced Housing

Findings: Consistent with the findings of the 2005 Study completed for Fergus Falls, the area has a strong history of moderate to higher priced home construction. The City and the surrounding Townships that form Greater Fergus Falls, have high quality residential options, including opportunities for construction along rivers, water bodies, and in rural settings.

The economic and housing market downturn that started in 2007 did have a significant impact on home building. From 2000 to 2006, the City of Fergus Falls had been averaging more than 30 single family detached units per year, with some additional construction occurring in the adjoining Townships. The number of single family housing starts in Fergus Falls in 2007 dropped to

approximately one-half the previous average. The number of housing starts continued to decrease until a low of only two single family permits was reached in 2012.

Although new housing construction activity remains well below the levels achieved in the first half of the previous decade, some rebound has started to occur. In 2014 it is probable that 10 or more single family permits will be issued in Fergus Falls, including some twin home activity. In 2013, the average construction cost per unit was above \$220,000, based on building permit issuance.

Recommendation: The analysis of projected demographic trends continues to indicate that the strongest demand should be for trade-up housing, especially units that are age-appropriate for empty nesters and young seniors. Age-based projections to the year 2020 indicate that households in the age ranges between 55 and 74 years old will experience the largest net growth. We would expect that 80% or more of the single family construction will be in the moderate to higher price ranges. This would be within a range of 12 to 16 units in an average year for the next few years.

Households in the 55 to 74 year old age ranges are important for moderate to higher priced housing as these households are typically in their peak earning years and have accumulated assets, including equity in their existing home. Net growth in the number of households in these age ranges should sustain demand for new houses that have amenities and features consistent with their needs and expectations as they move through the aging cycle. Home ownership rates within the 55 to 74 year old age groups have historically been high, and were above 75% in Fergus Falls in 2010.

The move into trade-up new construction will be impacted by the ability to sell an existing home. The review of median home sale prices, presented earlier in this document, showed some retreat in the median price for existing home sales after 2009. However, by 2013, the median sale price was higher than the level in 2009, and partial-year activity for 2014 shows the current year on pace to have a higher median than in 2013. As prices continue to improve for existing homes, there will be incentives to look at trade-up options.

Housing that serves the moderate to higher price ranges will not generally require any active public role. This segment of the market can be well-served by the private development community. However, in Fergus Falls it is possible that some additional lot/subdivision development may be needed in the near-future, so public infrastructure extensions may be required.

The 2012 income estimates for Fergus Falls also show that household incomes have continued to improve, with significant net growth occurring among households with an annual income of \$75,000 or more. The comparative data section presented later in this document shows that Fergus Falls has the highest median household income for home owners, when compared to Alexandria, Detroit Lakes and Breckenridge.

It is important to note that demand for higher priced houses will be dependent on consumer confidence. Most of the demographic and income trends cited in this section have been in place in recent years, yet new home construction has remained below the long-term average. Changes to the local economy or fears of home devaluation can have an impact on decisions to trade-up to more expensive housing.

11. Updated Findings on Lot Availability and Development

Findings: As part of the research for this Study, we attempted to identify the inventory of available residential lots for new single family housing construction. There was no definitive list of subdivisions and lots that could be obtained by the analysts, but information was available that provided some insights into the lot supply. Most people knowledgeable on residential development believed that some lots still exist, both inside and outside the city limits, but the inventory is not viewed as overly large.

The website Realtor.com, maintained by the National Association of Realtors, had 132 land listings in the Fergus Falls area. However, many of these were not individual lots for new home construction.

There were 14 parcels priced below \$20,000 that appeared to be usable for new home construction. At least 10 of these lots indicated that city services were available. One of the listings indicated that multiple lots were available from the same property owner, although possibly at different prices.

There were approximately 39 land parcels that were priced between \$20,000 and \$29,999. Most of these appeared to be outside the city limits, but approximately 16 parcels had either city services or access to city water. Many of the rural parcels were larger tracts, up to five acres in size.

There were 20 parcels that were priced between \$30,000 and \$39,999, but most of these appeared to be outside the city limits. Four or five of the parcels identified city services as available. One of these was a larger land tract that was not improved but could be subdivided with access to city services.

There were 62 parcels listed for sale for \$40,000 or more, but duplicate listings existed, along with some land that was suitable for commercial industrial use. However, up to 50 of these parcels appeared to be residential properties. Most were outside the city limits, but as many as 10 may have been within Fergus Falls. These parcels often represented land holdings of an acre or more, or were listed as water front properties on a river or lake.

County tax parcel information supplied by the GIS Department showed multiple areas in the City and surrounding townships where clusters of unimproved residential lots existed in 2014. Within the largest development areas in Fergus Falls, as many as 150 unimproved lots appeared to exist. However, it is possible that some of these lots are not suitable for new home construction. It is also probable that some of these lots are privately-owned and not actively listed for sale.

In the five townships that surround Fergus Falls, more than 70 unimproved parcels could be identified within the largest clusters. Once again, it is possible that not all of these lots are listed for sale.

Recommendation: Many communities around the State were left with excess residential lot capacity when housing markets began to slow in the late 2000s. While difficult to accurately document, this does not appear to be the case in Fergus Falls. The City does have some active subdivisions with improved lots, but in most cases, the supply is not viewed as excessive. Due to limited lot utilization over the past five years, lot availability has not been a significant issue for the community, but as home construction activity increases, it may be necessary for additional lots to be created in the future.

We apply a standard that a 2 ½ year supply of lots should be available in the marketplace, based on annual usage. Using our projections that between 15 and 20 new houses will be constructed per year, the Fergus Falls area would need approximately 40 to 50 residential lots available to meet the expected demand. This could include lots that are currently buildable, as well as lots in the advanced planning stages that could be available in the near-future.

Using this standard, the City appears to have an adequate residential lot inventory for the next two or more years. However, as the current supply is used, additional development activity will be required, and the number of lots should be monitored to make sure than an adequate supply of both single family and attached housing lots are available to accommodate anticipated growth.

In addition to overall lot availability, there may also be needs for specific types of lots that should be monitored. For example, we believe that attached single family housing in the form of twin homes and town houses should recover and begin to capture a share of the market in future years. Lots to facilitate this style of construction may be needed.

While lot availability could be an issue for the City in the future, it should be stated that in the past, private developers in Fergus Falls have responded to market demands.

12. Updated Findings on Very Affordable Home Ownership Initiatives

Findings: With the strength of the housing market that existed at the time of the 2005 Study, there were nonprofit groups and housing agencies that were actively working to provide affordable home ownership opportunities for low income people. This included Habitat for Humanity, which had been building new homes and rehabilitating older homes. The West Central MN Housing Partnership was active using the MURL Program to rehabilitate and sell older houses to lower income households. Otter Tail/Wadena Community Action (now Mahube-Otwa) was constructing houses in Otter Tail County utilizing sentence to serve work crews through the State Correctional System.

As housing market conditions deteriorated late in the last decade, State programs supporting very affordable home ownership programs were cut back or eliminated. MHFA no longer has new funding for the MURL Program, although recycled funds may still be available. Otter Tail/Wadena Community Action no longer exists, and a Community Action Agency serving neighboring counties has extended their jurisdiction. Funding Agencies such as the Greater MN Housing Fund and the Small Cities Development Program shifted their focus away from new housing construction, and towards preservation activities.

While some of the State funding agencies did reduce their involvement in new housing construction after some markets collapsed late in the last decade, there has been some recent involvement related to work force housing growth. Appropriations from the State Legislature have allowed for some work force housing initiative at both MHFA and DEED. This may indicate that additional support will begin to develop in the future to spur very affordable housing construction.

The Small Cities Development Program (SCDP) is not active in funding new housing construction projects. Housing development is not an activity identified in the Program's current action plan.

Recommendation : A limited amount of very affordable new home construction has occurred in Fergus Falls in recent years to generate home ownership opportunities for lower income people. However, many of the agencies and funding sources that were active in the previous decade are no longer available. Habitat for Humanity has continued to build some homes in the area. Other nonprofit groups may also be active, but not at the level that was present in the first half of the previous decade.

Information available through the Otter Tail County GIS Departments can be used to help identify infill lot options and potential redevelopment sites in Fergus Falls that could be used for affordable development projects. With some strengthening in housing markets continuing to occur, efforts to promote very affordable home ownership are encouraged. Finding resources for these efforts may be difficult.

Housing Rehabilitation Recommendations

Findings: Fergus Falls has a significant affordable housing asset in its existing housing stock. Older units represent the large majority of the affordable housing opportunities. Existing houses generally sell at a discount to their replacement value. Older rental units are usually lower priced than newer apartments. However, efforts and investment in housing rehabilitation activities will be critical to offering affordable housing opportunities, as units that are not maintained and improved may slip into disrepair and be lost from the usable housing stock.

The City of Fergus Falls and the Fergus Falls Housing and Redevelopment Authority have been active in housing rehabilitation activities over the years. As this existing stock ages, ongoing maintenance and repair will be required. Without rehabilitation assistance, there is a chance that this affordable stock could shrink, creating an even more difficult affordability situation at the same time the City experiences household growth.

The following updated recommendations are made to address the housing rehabilitation needs.

13. Updated Findings on Rental Housing Rehabilitation

Findings: The American Community Survey for Fergus Falls provides some updated information on the age of the rental housing stock. According to this source, the median year of construction for rental housing in Fergus Falls is 1972. While the median year for rentals is substantially newer than the median for owner-occupancy units (1960), it still shows that most of the City's rental housing is more than 40 years old.

Additional details are also available in the ACS on the stock of older rental housing. Rental units that were constructed prior to 1960 primarily exist in smaller structures. Approximately 46% of the pre-1960 rental units are in one unit structures, such as single family houses. Approximately 30% of the pre-1960 units are in structures with only two to four units. Only 24% of the older rental housing is in multifamily buildings with five or more units.

There is some evidence that tenure conversion has occurred over the past 15 years, as the number of rental housing units added to the City has exceeded the level of multifamily construction that has occurred. When conversions do occur, it is most likely in older homes that can be purchased by investors.

Recommendation: Fergus Falls has been active in securing grant funds for housing rehabilitation, including rental units. Past programs have also used local funding to assist with neighborhood revitalization efforts. In 2015 the City is looking to submit an application for new funding through the Small Cities Development Program.

This Update has included a housing condition analysis in some of the City's older neighborhoods. While this windshield survey could not determine tenure information for the houses in each neighborhood, it does provide an overall look at areas that may be a priority for future rehab programs. With a relatively large number of single family houses used as rental properties, these neighborhoods do include units that would benefit from rental rehabilitation programs.

14. Updated Findings on Owner-occupied Housing Rehabilitation

Findings: The American Community Survey also provides estimates on the age of the owner-occupancy units in Fergus Falls. According to this source, the median year of construction for owner-occupied housing is 1960, with most houses in the City more than 50 years old. Fergus Falls has an older housing stock than in the comparison cities examined later in this document.

This Update has included a housing condition analysis in some of the City's older neighborhoods. While this windshield survey could not determine tenure information for the houses in each neighborhood, it does provide an overall look at areas that may be a priority for future rehab programs.

Since most single family houses are owner-occupied, it is assumed that a majority of the rated houses represent owner housing. Within the three defined neighborhoods, a large majority of the houses were rated in one of the top two condition categories, defined as sound or needing only minor repair. However, more than 120 houses were rated in one of the two lowest condition categories. Most of these houses were identified as needing major repair, but eight houses were rated in the lowest condition category, and may be suitable for demolition and clearance.

Recommendation: Fergus Falls has been active in securing grant funds for housing rehabilitation, including owner-occupancy units. Past programs have also used local funding to assist with neighborhood revitalization efforts. In 2015 the City is looking to submit an application for new funding through the Small Cities Development Program.

This Update has included a housing condition analysis in some of the City's older neighborhoods. While this windshield survey could not determine tenure information for the houses in each neighborhood, it does provide an overall look at areas that may be a priority for future rehab programs. Most of the houses in these neighborhoods are probably owner-occupied.

15. Updated Findings on Mobile Homes

Findings: Limited research was completed on mobile homes as part of this 2014 Update. Some information is available from the Census Bureau's American Community Survey. There were an estimated 203 owner-occupied mobile homes and 42 renter-occupied mobile homes in 2012. If this estimate is accurate, the City added more than 30 mobile homes when compared to the 2000 Census. The 2010 Census did not collect information on the type of housing in the City.

According to the ACS estimates, approximately two-thirds of the City's mobile homes were built before 1980 and are older units. The estimated median value for all mobile homes in 2012 was \$10,000.

Recommendation: The 2005 Study had identified initiatives used in other communities to address issues created by substandard mobile homes. No additional information is offered in 2014.

Fergus Falls in Comparison to Other Cities

This section of the Update compares Fergus Falls to other larger communities in the region, including Alexandria, Detroit Lakes and Breckenridge. Although Breckenridge is considerably smaller than Fergus Falls, it has a sister city in Wahpeton, ND, immediately across the State border. The detailed demographic information presented is only for Breckenridge, but would generally reflect the impact of the community's location in a larger area. These comparison cities represent a group of regional centers that exist in western Minnesota and are viewed as a group that is relatively comparable for housing purposes.

In 2014 there are sources of comparative data from standardized providers. For demographic items such as population and household growth the decennial U.S. Census, along with more recent estimates by the Minnesota State Demographer's Office have been used.

For information on household income and housing costs, the best source is the Census Bureau's American Community Survey, which collects sample data within each community and then generates estimates from these samples. There can be a significant margin of error in these estimates, depending upon the specific variable being examined. However, the same methodology would be used in each city, so a standardized process is being used.

American Community Survey data can be estimated from different samples. Estimates for larger communities may be based on three years of surveys. In the demographic section that was presented earlier, the 5-year American Community Survey estimates were typically used, based on surveys conducted between 2008 and 2012. For consistency, the following comparisons are all based on five-year surveys within each community.

There are challenges in making direct comparisons between communities. One of the biggest challenges relates to actual geographic definition. In the following analyses we have examined only city-level data. For example, in most of these communities, including Fergus Falls, there are township areas that immediately adjoin the City. It can be argued that each of the comparison communities has a significant number of households that live nearby, yet outside of the actual city limits. For consistency in both data reporting and comparison, we have not attempted to capture a "market area" that may exist around each city.

Population in 2013

The most recent official population estimates are from the Minnesota Demographer’s Office and are effective for the year 2013. This provides for a comparison of the relative size of each community.

Table 36 Comparison of Population in 2013		
City	Estimated Population in 2013	Rank 1 = Largest population
Fergus Falls	13,295	1
Alexandria	13,045	2
Detroit Lakes	8,851	3
Breckenridge	3,369	4

Source: State Demographer; Community Partners Research, Inc.

The City of Fergus Falls has the largest population of the communities included in this comparison section. However, the City of Alexandria is very similar in size.

The City of Breckenridge is much smaller, but would be more comparable with the addition of Wahpeton, ND. In 2013, the estimated population of the two combined cities would be 11,222 people, reasonably similar to Fergus Falls. While the impact of Wahpeton statistics is not reported, the size of the combined community would impact overall housing costs, income levels and other variable reported for Breckenridge.

A comparison of past population growth is not useful, as certain communities, including Alexandria, have added population through annexation activity while others have not.

Household Estimate in 2013

Table 37 Comparison of Households in 2013		
City	Estimated Households in 2013	Rank 1 = Most households
Fergus Falls	5,907	2
Alexandria	6,149	1
Detroit Lakes	4,011	3
Breckenridge	1,452	4

Source: State Demographer; Community Partners Research, Inc.

Although Fergus Falls had the largest population level of the four communities, it had the second highest number of households in 2013, trailing Alexandria. This is largely caused by the size of the average household and the impact of groups quarters populations living in specialized housing and not counted as households.

As with population, any comparison of growth rates is not useful due to the impact of recent annexation activity in some communities such as Alexandria.

Median Age in 2010

Table 38 Comparison of Median Age in 2010		
City	Median Age - 2010 Census	Rank 1 = Lowest Median Age
Fergus Falls	43.4	4
Alexandria	38.8	1
Detroit Lakes	41.6	2
Breckenridge	43.3	3

Source: U.S. Census; Community Partners Research, Inc.

The 2010 Census included a calculation of the median age for all residents. A higher median age is typically an indicator of both an older population, and fewer children within a community.

Fergus Falls had the highest median age of the comparison cities, at 43.4 years. Alexandria had the lowest median age, at 38.8 years. Each of these communities probably have some students in their population, although the post-secondary options near Breckenridge are located across the border in Wahpeton. Despite the impact of some students, each of the communities had a median age that was relatively high. The Statewide median age for Minnesota in 2010 was 37.4 years.

Average Household Size in 2013

Table 39 Comparison of Average Household Size in 2012		
City	Average Household Size 2013 MN State Demographer	Rank 1 = Largest Median Size
Fergus Falls	2.14	2
Alexandria	2.06	4
Detroit Lakes	2.12	3
Breckenridge	2.22	1

Source: U.S. Census; Community Partners Research, Inc.

The Minnesota State demographer’s Office has issued estimates of average household size. The most recent estimates are for 2013. Similar to median age, a small average household size generally indicates an aging population, with many people living alone, as well as fewer children in the community.

Fergus Falls had the second largest household size of the comparison communities, trailing Breckenridge. However, each of the Cities had a relatively small average household size, probably due to a concentration of renter households and specialized senior housing.

Alexandria had the smallest household size of the comparison communities, with a very small average of only 2.06 persons.

For comparison, the average household size in Minnesota in the year 2010 was 2.48 persons per household.

Median Household Income in 2012

Table 40 Comparison of Estimated Median Household Income in 2012		
City	Median Income - 2012 ACS	Rank 1 = Highest Median Income
Fergus Falls	\$41,080	2
Alexandria	\$36,211	4
Detroit Lakes	\$39,846	3
Breckenridge	\$49,500	1

Source: 2012 American Community Survey; Community Partners Research, Inc.

The American Community Survey issues estimates for the median income for all households in each City. The most recent estimates are for 2012.

Fergus Falls ranked as the second highest median income, at \$41,080. Breckenridge had the highest median household income of the comparison cities, at \$49,500.

Alexandria had the lowest median income at \$36,211.

Median Home Value in 2012

Table 41 Comparison of Estimated Median Home Values in 2012		
City	Median Owner-Occupied Home Value - 2012 ACS	Rank 1 = Highest Median Value
Fergus Falls	\$114,700	3
Alexandria	\$153,500	2
Detroit Lakes	\$154,900	1
Breckenridge	\$101,400	4

Source: 2012 American Community Survey; Community Partners Research, Inc.

The 2012 American Community Survey contains an estimated median value for owner-occupied houses in each City. Detroit Lakes and Alexandria had the highest median home values of the comparison communities, at \$154,900 and \$153,500, respectively. These medians were nearly \$40,000 higher than in Fergus Falls. Both Detroit Lakes and Alexandria contain some lake shore options within the City limits which would probably have some upward impact on the median level.

Although a higher median value can make home ownership more difficult, a higher value generally reflects stronger demand, and may indicate better quality units.

The lowest median home value was in Breckenridge, at \$101,400.

Median Owner-Occupancy Household Income in 2012

Table 42 Comparison of Estimated Owner Household Income in 2012		
City	Median Income - 2012 ACS	Rank 1 = Highest Median Income
Fergus Falls	\$59,440	1
Alexandria	\$52,650	4
Detroit Lakes	\$58,598	3
Breckenridge	\$58,704	2

Source: 2012 American Community Survey; Community Partners Research, Inc.

The American Community Survey issues estimates for the median income for all households in each city based on housing tenure. The most recent estimates are for 2012.

Fergus Falls had the highest median income for owner-occupants, at \$59,440. Median home owner incomes in Breckenridge and Detroit Lakes were very similar and less than \$1,000 below the level in Fergus Falls.

Alexandria had the lowest median income for home owners, but it was still above \$52,000.

Percentage of Household Income Required for Home Ownership in 2012

Table 43 Comparison of Estimated Median Ownership Costs in 2012		
City	Median Percentage of Household Income Applied to Home Ownership Costs - 2012 ACS	Rank 1 = Lowest Median Percentage
Fergus Falls	17.7%	1
Alexandria	20.9%	4
Detroit Lakes	18.9%	3
Breckenridge	18.2%	2

Source: 2012 American Community Survey; Community Partners Research, Inc.

The American Community Survey collects information on household incomes as well as housing costs. An estimate is then made of the percentage of household income that is required for ownership costs. This includes households with and without a mortgage.

Fergus Falls had the lowest percentage of income required for ownership. As displayed in previous tables, the City's median home value was relatively low but the median household income for home owners was higher than the other comparison communities.

Alexandria had the second highest median home value among the comparison cities, yet the lowest median income for home owners. As a result, a higher percentage of income was required to own a home in that community.

Percentage of Household Income Required for Home Ownership in 2012 - Owners with a Mortgage

While the previous table was useful in examining ownership housing costs, it included all home owners, including those without a mortgage. The following table only examines households with a mortgage in 2012.

Table 44 Estimated Median Ownership Costs with Mortgage in 2012		
City	Median Percentage of Household Income Applied to Home Ownership Costs - 2012 ACS	Rank 1 = Lowest Median Percentage
Fergus Falls	21.4%	2
Alexandria	25.3%	4
Detroit Lakes	23.5%	3
Breckenridge	20.9%	1

Source: 2012 American Community Survey; Community Partners Research, Inc.

The American Community Survey collects information on household incomes as well as housing costs. An estimate is then made of the percentage of household income that is required for ownership costs. The table above displays this percentage for only those home owners with a mortgage.

Fergus Falls had the second lowest percentage of income required for ownership for households with a mortgage. As stated previously, the City did have a higher median income level than the other cities, which probably contributes to this reduced percentage. Only Breckenridge had a lower percentage of income needed for ownership costs among households with a mortgage.

Alexandria once again had the highest percentage of income required for home ownership for mortgage holders.

Median Gross Rent in 2012

Table 45 Comparison of Estimated Median Gross Rent in 2012		
City	Median Gross Rent - 2012 ACS	Rank 1 = Highest Median Rent
Fergus Falls	\$554	3
Alexandria	\$608	1
Detroit Lakes	\$608	1
Breckenridge	\$511	4

Source: 2012 American Community Survey; Community Partners Research, Inc.

The 2012 American Community Survey contains an estimated median for gross rent (rent plus tenant-paid utilities) in each city. Fergus Falls had the third lowest gross rent of the comparison cities at \$554 per month.

While a lower rent structure makes housing more affordable, it may be a reflection of more limited demand. It can also be an indicator of condition and quality, as there may be a small supply of newer units with high quality amenities.

The highest gross rents were being charged in Alexandria and Detroit Lakes, at \$608 per month.

Breckenridge had the lowest median gross rent at \$511 per month.

Median Renter Household Income in 2012

Table 46 Comparison of Estimated Median Renter Income in 2012		
City	Median Income - 2012 ACS	Rank 1 = Highest Median Income
Fergus Falls	\$20,414	4
Alexandria	\$22,083	2
Detroit Lakes	\$21,901	3
Breckenridge	\$27,750	1

Source: 2012 American Community Survey; Community Partners Research, Inc.

The American Community Survey issues estimates for the median income for all households in each city, based on owner or renter status. The most recent estimates are for 2012.

Fergus Falls had the lowest median at \$20,414. Breckenridge had the highest renter median income, at \$27,750.

Excluding Breckenridge, the median renter income levels were generally very similar for the other comparison cities.

Percentage of Household Income Needed for Rental Costs in 2012

Table 47 Comparison of Estimated Median Renter Costs in 2012		
City	Median Percentage of Household Income Applied to Gross Rent - 2012 ACS	Rank 1 = Lowest Median Percentage
Fergus Falls	29.4%	2
Alexandria	31.4%	4
Detroit Lakes	30.2%	3
Breckenridge	24.4%	1

Source: 2012 American Community Survey; Community Partners Research, Inc.

The American Community Survey collects information on household incomes as well as housing costs. An estimate is then made of the percentage of household income that is required for monthly rent.

The goal of most affordable housing programs is to achieve a rent that requires less than 30% of household income. Three of the comparison cities, including Alexandria, require the median household to pay 30% or more of income for rental housing.

Fergus Falls had the second lowest percentage of income required for rental, at 29.4%. Only renters in Breckenridge needed to apply a smaller share of their income for housing in 2012.

In both Detroit Lakes and Alexandria more than 30% of household income was required for monthly rent. These two cities both had a median gross rent level above \$600 per month in 2012.

Median Year Built: Owner-Occupancy Housing

Table 48 Median Year of Construction for Owner-Occupied Housing		
City	Median Year Built - 2012 ACS	Rank 1 = Newest Median
Fergus Falls	1960	4
Alexandria	1976	1
Detroit Lakes	1968	2
Breckenridge	1963	3

Source: 2012 American Community Survey; Community Partners Research, Inc.

The American Community Survey issues estimates for the median year of construction for owned and rented housing units.

Fergus Falls had the oldest housing stock for owner-occupancy of the comparison cities. The median year of construction for owner-occupied units was 1960. Only Alexandria had a median year of construction that was after 1970.

Median Year Built: Renter-Occupancy Housing

Table 49 Median Year of Construction for Renter-Occupied Housing		
City	Median Year Built - 2012 ACS	Rank 1 = Newest Median
Fergus Falls	1972	3
Alexandria	1977	1
Detroit Lakes	1976	2
Breckenridge	1970	4

Source: 2012 American Community Survey; Community Partners Research, Inc.

The American Community Survey issues estimates for the median year of construction for owned and rented housing units. There was greater uniformity in the rental stock, with all cities having a median year of construction between 1970 and 1977.

Fergus Falls had the second oldest housing stock with 1972 as the median year of construction for rental units.

Alexandria had the newest rental stock with a 1977 median year of construction.

Breckenridge had the oldest housing stock with 1970 as the median year of construction for rental units.