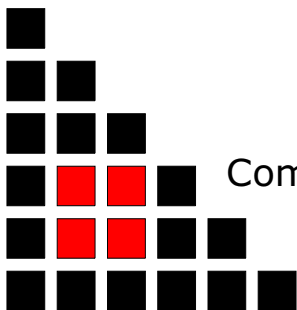


OTTER TAIL COUNTY HOUSING STUDY

City of Henning

December 2015

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



Community Partners Research, Inc.

10865 32nd Street North

Lake Elmo, MN 55042

Project Overview

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

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

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

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

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

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Demographic Data Overview

Sources of Data

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

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

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

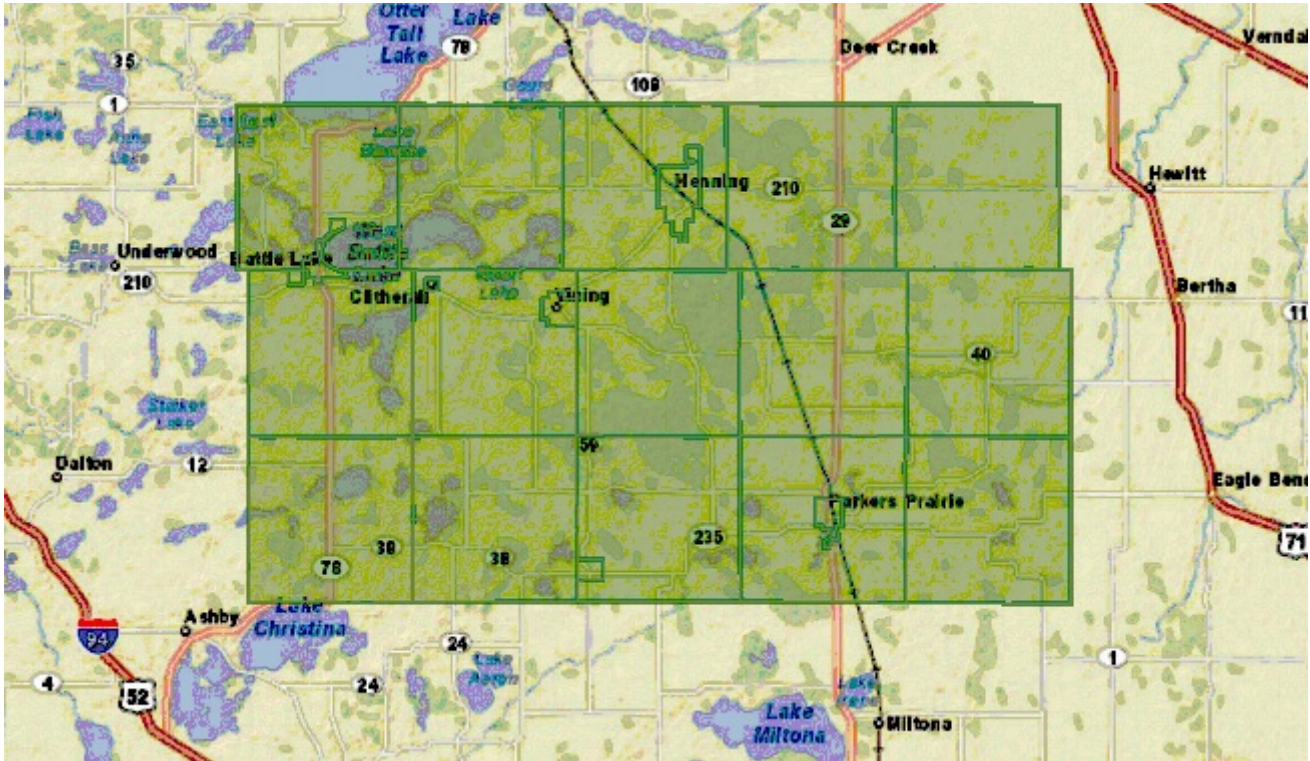
The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For the small cities in Otter Tail County, the 2013 estimates were the most current at the time of this Study. They were derived from sampling that was done over a five-year period, between 2009 and 2013.

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

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

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

Southeast Quarter of Otter Tail County



Population Trends Analysis

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

It appears that the 2000 Census failed to count 53 residents of a skilled nursing home in Henning. Instead, these people were recorded as living in Henning Township. In both the 1990 Census and the 2010 Census, these group quarter's residents were correctly attributed to the City of Henning. In the following table, the City's population in 2000 has been adjusted upward to include the nursing home residents.

Table 1 Population Trends - 1980 to 2014							
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2014 Estimate
Henning	832	738	772*	4.6%	802	3.9%	805
SE Quarter	8,599	7,902	8,594	8.8%	8,573	-0.02	8,530
Otter Tail Co.	51,937	50,714	57,159	12.7%	57,303	0.3%	57,612

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

* Includes 53 residents of a nursing home that were attributed to Henning Township

Henning has experienced some downward and upward movement in the number of City residents from decade to decade. In the 1980s, the City lost nearly 100 residents according to the Census Bureau. Some of this loss was then recovered over the next two decades. However, at the time of the 2010 Census, the City's total population was still 30 people lower than had been present in 1980.

The most recent estimate from the State Demographer shows limited recent change, with the City adding only three residents between 2010 and 2014.

Other sources show a slightly different current population level for Henning. The Census Bureau's annual population estimate for 2014 showed the City with 798 residents, seven people fewer than the State Demographer's estimate. Esri shows a 2015 estimate of 803 people, two people lower than the State Demographer's 2014 estimate.

Although there are minor differences between the estimating sources, all of them show relative stability in the City's population level since 2010.

The limited change in population in Henning, since 2010, is generally consistent with regional and countywide trends. Both the County and the jurisdictions that form the SE Quarter have also had relatively stable population levels in recent years.

From 2010 to 2014, the Demographer's Office believes that the entire SE Quarter of Otter Tail has lost 43 people, while all of Otter Tail County has added 309 residents, primarily within the County's two largest Cities of Fergus Falls and Perham.

At the time of the 2010 Census, Henning had 37 residents in group quarters housing, all living in a nursing home.

Nearly than 99% of residents identified themselves as White for race, and less than 1% of the residents were of Hispanic/Latino ethnicity.

Household Trends Analysis

The Minnesota State Demographer's Office has also issued household estimates for 2014. The Demographer's estimates are presented in the following table, along with information from past decennial censuses. The undercount of group quarters residents in the 2000 Census did not impact households. Esri estimates for 2015 have been examined in the text that follows the table. The Census Bureau does not provide annual household estimates.

Table 2 Household Trends - 1980 to 2014							
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2014 Estimate
Henning	360	337	366	8.6%	365	-0.3%	366
SE Quarter	3,145	3,112	3,491	12.2%	3,644	4.4%	3,634
Otter Tail Co.	18,549	19,510	22,671	16.2%	24,055	6.1%	24,295

Source: U.S. Census; MN State Demographer

When viewed over a longer time period, Henning has experienced a stable number of permanent resident households. Comparing 1980 to 2014, the City has added six households. During the 1980s, the City lost a number of households, according to the Census, but these were then recovered in the 1990s. Since 2000, the total number of households in the City has remained largely unchanged.

The 2015 estimate from Esri shows 363 households living in the City, three fewer than the State Demographer's 2014 estimate. No annual household estimate is available from the Census Bureau, but their population estimate for Henning was similar to the other sources, implying a similar household count.

The SE Quarter of Otter Tail County has experienced a moderate increase in the number of households. When viewed over the past 34 years, this larger region has added 489 total households, or an annual average of approximately 14 to 15 households per year. This area of Otter Tail County contains a number of attractive lakeshore living opportunities, and the growth in households could be the result of permanent residents occupying housing units that may have once been used by seasonal residents.

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

Average Household Size

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

Table 3 Average Number of Persons Per Household - 1980 to 2014					
	1980 Census	1990 Census	2000 Census	2010 Census	2014 Estimate
Henning	2.14	2.01	1.95	2.10	2.10
SE Quarter	2.67	2.47	2.40	2.31	2.30
Otter Tail Co.	2.71	2.53	2.46	2.33	2.33

Source: U.S. Census; MN State Demographer

The average household size in Henning has experienced very little change over time. In 1980, the average household size of 2.14 persons was relatively small compared to other cities in the region. By 2014, the average household size was at 2.10 persons. In 2000, the City's average household size was less than two persons per household, but has then grown slightly larger.

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

Household Projections

The following table presents household projections for Henning using two different sources, Esri and the Minnesota State Demographer's Office. The Demographer has not issued household estimates at the city level, but it is possible to convert a previously issued population projection for Henning into households with some basic assumptions about group quarters residents and trends in average household size. The State Demographer's Office has issued household projections at the county level. However, these are no longer posted on the Demographer's website, and may have been withdrawn.

Table 4 Household Projections Through 2020				
	Esri		State Demographer	
	2015 Estimate	2020 Projection	2014 Estimate	2020 Projection
Henning	363	365	366	380*
Otter Tail Co.	24,542	25,142	24,295	25,858

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

The household projection from Esri expects Henning to add only two households over the next five years. Esri shows a loss of two households between 2010 and 2015, but expects these households to be recovered by 2020, resulting in no change over the 10-year period.

The extrapolated projection from the State Demographer data yields a much higher household forecast for Henning in 2020, with the potential addition of 15 households between 2010 and 2020. However, this would not be consistent with recent patterns, as the City has added only one household between 2010 and 2014.

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

Esri does expect some growth Countywide, with the addition of 600 households between 2015 and 2020. Esri estimates that Otter Tail County added nearly 500 households from 2010 to 2020, so the numeric pace of growth would increase slightly for the remainder of the decade. However, very little of this projected growth is expected in the smaller cities within the County.

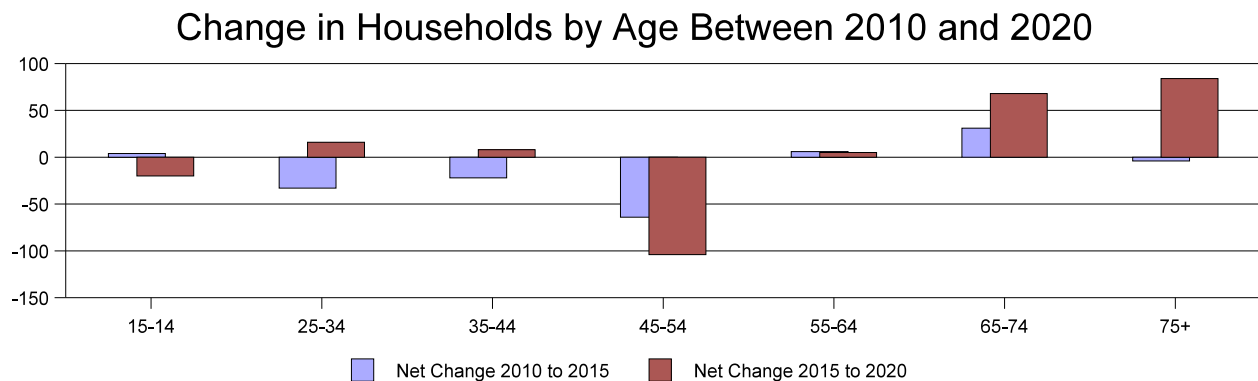
Household Age Trend Estimates and Projections

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

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

Table 5 Households by Age - 2010 to 2015						
Age	SE Quarter			SE Quarter		
	2010	2015	Change	2015	2020	Change
15-24	80	84	+4	84	64	-20
25-34	361	328	-33	328	344	+16
35-44	450	428	-22	428	436	+8
45-54	695	631	-64	631	527	-104
55-64	762	768	+6	768	773	+5
65-74	726	757	+31	757	825	+68
75+	679	675	-4	675	759	+84
Total	3,753	3,671	-82	3,671	3,728	+57

Source: U.S. Census; Esri

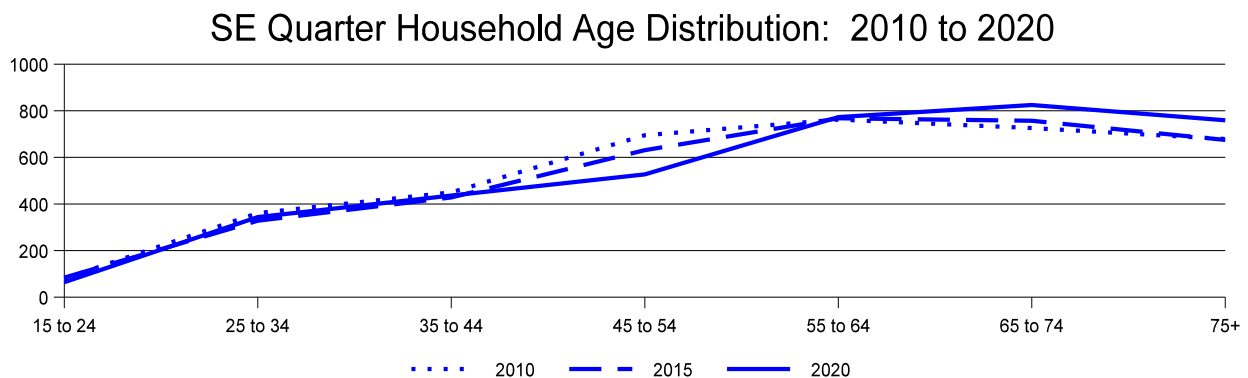


According to the estimates from Esri, the Southeastern Quarter of Otter Tail County has actually lost 82 total households between 2010 and 2015. This level of household loss is greater than other sources, as the State Demographer's most recent estimate shows a reduction of only 10 households between 2010 and 2014.

The 2015 Esri estimates show a much larger change in the age distribution pattern for households. The SE Quarter had an increase of 33 households with a head of household that was age 55 or older, but a loss of 115 households with a head of household age 54 or younger.

The strongest numeric growth of any age cohort was among households in the 65 to 74 year old age range. The largest loss occurred among households age 45 to 54 years old, as the age cohort trailing behind the baby boom generation was not as large.

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



Housing Tenure

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

Table 6 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Henning	229	62.9%	135	37.1%
SE Quarter	3,139	83.6%	614	16.4%
Otter Tail County	19,059	79.2%	4,996	20.8%
State	-	73.0%	-	27.0%

Source: U.S. Census

According to the 2010 Census, the ownership rate in Henning was 62.9%, well below the Statewide rate of 73%. Henning, along with Parkers Prairie and Battle Lake, provide most of the multifamily rental housing that exists in this part of Otter Tail County.

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

At the time of the 2000 Census there were 121 renter-occupancy households in Henning. During the course of the decade, the City added 14 renter households.

There were 245 home owners in Henning in 2000, but the City lost 16 owner-occupancy households by 2010. At the time of the 2000 Census, the home ownership rate was at 66.9% in Henning, but decreased to 62.9% by 2010.

Housing Units and Occupancy Status in 2010

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

Table 7 Occupancy Status of Housing Units - 2010						
	Occupied Units		Vacant Units			
	Owner	Renter	Rental	For Sale	Seasonal Use	Other Vacant
Henning	229	135	30	13	6	25
SE Quarter	3,139	614	62	99	2,353	205
Otter Tail Co.	19,059	4,996	513	588	9,635	803

Source: U.S. Census

Henning had a relatively large supply of unoccupied housing, according to the 2010 Census. Overall, the Census counted 74 unoccupied units, with only six of these defined as seasonal/recreational use housing.

Thirty of the unoccupied units were identified as rental housing, and 13 units were intended for owner-occupancy. Twenty-five "other vacant" units were identified, but the suitability of this housing for actual occupancy is not known.

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

There was only a limited supply of rental housing, and fewer than 100 vacant owner-occupancy units in the combined jurisdictions that form the SE Quarter of Otter Tail County.

2013 Income Data

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

Table 8 Median Income - 2000 to 2013			
	2000 Median	2013 Median	% Change
Households			
Henning	\$21,944	\$30,417	38.6%
Otter Tail County	\$35,395	\$48,961	38.3%
Minnesota	\$47,111	\$59,836	27.0%
Families			
Henning	\$36,964	\$53,438	44.6%
Otter Tail County	\$42,740	\$61,645	44.2%
Minnesota	\$56,874	\$74,683	31.3%

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

According to the estimates for Henning contained in the 2013 American Community Survey, the median income levels in the community have grown over time, and the percentage increases have been very similar to Countywide patterns. When compared to the 2000 Census, the median household income has increased by nearly 39%, and the median family income has increased by nearly 45%. However, the median income levels for households and families in Henning were still well below the comparable Countywide levels in 2013.

Due to the limited sampling that is used for the American Community Survey, there is a margin of error contained in each income estimate. It is therefore possible that the 2013 median income estimates for Henning are flawed not accurate.

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 Henning could afford approximately \$760 per month for ownership or rental housing in 2013.

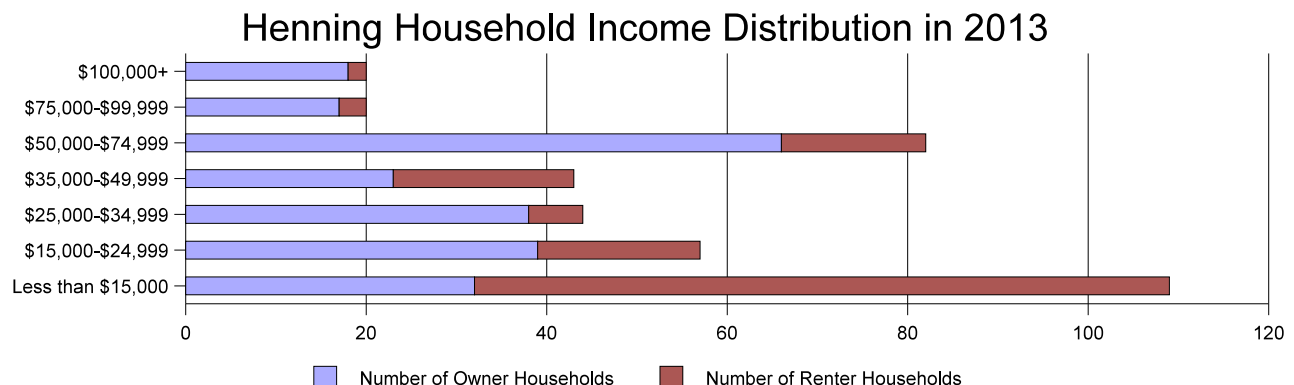
Income Distribution by Housing Tenure

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

The American Community Survey appears to have slightly overestimated the total number of households in Henning, when compared to other data sources. The American Community Survey reported 375 households in 2013, compared to 366 as estimated by the Minnesota State Demographer in 2013, a difference of between 2% and 2.5%. While recognized as a high estimate for total households, the American Community Survey still represents the best available data on income distributions by housing tenure.

Table 9 Henning Household Income by Tenure - 2013			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	32	77	109
\$15,000 - \$19,999	13	8	21
\$20,000 - \$24,999	26	10	36
\$25,000 - \$34,999	38	6	44
\$35,000 - \$49,999	23	20	43
\$50,000 - \$74,999	66	16	82
\$75,000 - \$99,999	17	3	20
\$100,000+	18	2	20
Total	233	142	375

Source: 2013 American Community Survey 5-year estimates



Household income and housing tenure are often linked for most households. More than 71% of all renter households had an annual income below \$35,000 in 2013. At 30% of income, these households would have \$875, or less, that could be applied to monthly housing costs. The median income for all renter households was \$14,250 in 2013. If 30% of income is applied to housing, a renter at the median income level could afford approximately \$356 per month.

Conversely, most owner households had a substantially higher income level. More than 53% of owner households had an annual income of \$35,000 or more in 2013. The estimated median household income for owners was \$38,125.

Building Permit Activity

Very few housing units have been constructed in Henning in recent years. Between 2010 and 2014, Census Bureau reports show that only two new houses were constructed.

Between 2000 and 2009, there were 18 new single family housing units constructed in the City, and 28 multifamily units. Nearly all of this activity occurred between 2000 and 2006. After 2007, construction activity largely stopped, and over the next seven years, only three new houses have been built.

The multifamily project was the construction of a senior living facility adjoining the skilled nursing home in Henning. It provides both independent and assisted living options.

Median Year of Construction

The 2013 American Community Survey included an estimate of the median year of construction for housing. In Henning, the median year for owner-occupancy units was 1942. The median year of construction for rental housing was 1978.

The age of the owner-occupancy housing stock in Henning is much older than the Countywide averages. For all housing in Otter Tail County, the estimated median year of construction was 1974 for owner-occupancy units. The rental stock in Henning is newer, as the median year of construction for rental units Countywide was 1973.

Units by Structure Type

The 2010 Census did not collect information about structure types. However, at the time of the 2000 Census, nearly 81% of the housing units in Henning were identified as one-unit or two-unit structures, such as single family detached houses, twin homes/duplexes or mobile homes.

The City does have some multifamily housing, in structures with three or more units, but at the time of the 2000 Census, fewer than 80 total units existed in multifamily buildings. After the 2000 Census, a 28-unit multifamily building was constructed.

Residential Lots

According to City officials, Henning has approximately six residential lots that are of good quality and suitable for new home construction. They believe that this lot supply is adequate for near-term demand, as the City averages less than one single family housing start per year.

Municipal Services

The City's municipal water and sewer systems were recently upgraded and have adequate capacity for future housing development.

Home Sales

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

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

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

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

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

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

Table 10 Median Value of Recent Residential Sales - Henning				
Year	Number of Sales	Median Price	Highest Price	Lowest Price
2015	11	\$69,150	\$94,300	\$22,000
2014	13	\$62,500	\$127,000	\$10,000
2013	10	\$50,700*	\$103,100	\$15,000
2012	4	\$22,800*	\$47,650	\$13,000
2011	12	\$64,295*	\$126,000	\$19,900
2010	7	\$68,300	\$76,967	\$31,700

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

*Medians for 2011, 2012 and 2013 were calculated from the two closest sales

2015 is partial-year

Since the number of annual home sales is relatively small, the median price in certain years may not be an accurate reflection of overall values. However, when viewed over a longer period, certain trends emerge. Excluding 2012 when only four good sales were recorded, the annual full-year median has ranged from a low of \$50,700, to a high of \$68,000. Partial-year sales activity in 2015 points to a slightly higher median in the current year, but this may change when a full 12 months of activity is recorded.

Despite the year-to-year variation in the median price, overall home values in Henning tend to be relatively low. Over the time period reviewed, the median price has not reached \$70,000 in any year.

The table above also provided information on the highest annual sale prices. Over the years reviewed, the highest valued sale was for \$127,000. During this time, only two houses in Henning have sold for \$125,000 or more.

An alternate home value estimate is available from the 2013 American Community Survey. This source places the midpoint owner-occupied house value at \$73,900, higher than the median sale price that year of \$50,700.

Multiple Listing Service

The website Realtor.com, maintained by the National Association of Realtors, includes current listings of houses on the MLS. For Henning, there were approximately nine houses that appeared to be in the city limits. These listings ranged in price from \$44,900 to \$114,900. Seven of the nine listings were priced below \$100,000.

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 11 Bank-Owned Sales - Henning		
Sales Year	Number of Bank Sales	Median Price
2015*	1	\$14,000
2014	2	\$19,100 and \$101,365
2013	1	\$13,000
2012	4	\$21,800
2011	2	\$34,900 and \$65,000
2010	5	\$24,500

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

* 2015 is partial year

Bank-owned home sales have been an issue in the past in Henning, but since 2013, only one or two bank-owned sales have been recorded per year. In 2012 there were four bank-owned residential sales, and five transactions were recorded in 2010. The median transfer price for bank-owned sales in 2012 and 2010 was well below the median sale price for qualified sales in those years.

Otter Tail County Home Foreclosure Activity

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

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

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 12 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 declined, and the total for 2013 was comparable to the level in 2006.

HousingLink also attempts to put the rate of foreclosure in perspective, by comparing the number of foreclosures to the total number of residential parcels in the County. The foreclosure rate in Otter Tail County remained relatively low over this time period. For comparative purposes, Otter Tail County ranked 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.

Rental Housing Data

According to the 2010 Census, the City of Henning had 135 occupied rental housing units, and at least 30 unoccupied rental units, for a total estimated rental inventory of 165 units. The City's rental tenure rate was 37.1% in 2010, well above the Statewide rental rate of 27%. If more of the vacant units had been filled, the rental tenure rate could have been much higher.

At the time of the 2000 Census, Henning had 121 occupied rental units, and at least eight vacant units, for a total rental housing inventory of 129 units. The City's percentage of occupied rental units in 2000, at 33.1%, was also well above the Statewide rate of 25.4% at that time.

Between 2000 and 2010, the City added 14 renter-occupancy households, and at least 36 rental housing units. Most of the net gain in rental units would have been due to the construction of a 28-unit senior assisted living project in 2003.

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

Rental Housing Survey

In September 2015, a telephone survey was conducted of multifamily rental projects in Henning. The survey focused on rental properties with four or more units. Although attempts were made, at least two smaller rental projects were not successfully contacted.

The table that follows presents information for market rate, tax credit, subsidized, and senior housing with services developments separately.

Surveyed unit totals included:

- ▶ 20 market rate units
- ▶ 8 moderate rent tax credit units
- ▶ 40 subsidized housing units
- ▶ 34 units/beds in specialized senior housing projects

A skilled nursing home with 42 beds was also contacted although these represent group quarters housing.

Market Rate Summary

Four market rate multifamily projects were successfully contacted, with a combined 26 rental units. The single largest project, Country View, has eight units. The other three projects that were contacted each had six units.

Unit Mix

The bedroom mix of the contacted units is as follows.

Efficiency - 1 unit

1 Bedroom - 7 units

2 Bedroom - 18 units

Occupancy/Vacancy

No vacant units were reported in any of the market rate properties. According to owners/managers, good demand exists, and any turnover units generally fill quickly.

Rent Structure

The rent structure in Henning varies, reflecting the diversity in the age and condition of the market rate housing stock. The newest units with the most amenities are in the Country View project, which was publicly-developed by the City EDA in the 1990s. However, even this project has a very moderate rent structure, with contract rents at \$500 for a one-bedroom and at \$600 for a two-bedroom. Tenants do pay for electricity in addition to rent, but this still yields a gross rent that would be below \$650 per month for a two-bedroom unit.

Tax Credit Summary

Henning has one rental project that received federal low income housing tax credits. Hillcrest Apartments has eight units and was constructed in the mid-1990s. It completed its initial compliance requirements and entered its extended compliance phase in 2009.

The owner of this project was unwilling to disclose details about the project, citing competition with the EDA owned units. However, the owner did indicate that all units were fully occupied at the time of the survey.

Unit Mix

Hillcrest has 5 two-bedroom and 3 three-bedroom units.

Occupancy/Vacancy

Full occupancy was reported on the date of the survey.

All units are tax credit assisted, so income limits and rent caps apply. However, in the extended compliance phase existing tenants do not need to be income-certified annually.

Rental Rates

The federal tax credit program places maximum rent limitations on assisted units. For 2015, maximum gross rents for older existing units at 60% of median income were as follows:

<u>Bedroom Size</u>	<u>Maximum Allowable Rent</u>
Two-Bedroom	\$921
Three-Bedroom	\$1,064

Although the rent levels at Hillcrest were not disclosed by the owner, they are believed to be well below the maximum tax credit limits. In some of the other older tax credit projects in Otter Tail County gross rents are often below the limits set at 40% of median income. In 2015, the 40% limits for a two-bedroom are set at \$614, and are at \$709 for a three-bedroom. While there is no guarantee that the rent structure at Hillcrest is also below the 40% limits, rents within this basic range would be more comparable to prevailing rents in the community.

Subsidized Summary

Henning has four different projects that provide subsidized rental housing. Combined, these four projects have 40 units. All of the projects are available for general occupancy.

Two of the projects, Henning Homes I and Henning Homes II, are subsidized through USDA Rural Development. The other two projects, Clement Manor and Public Housing Scattered Sites are subsidized through HUD.

Unit Mix

The subsidized rental projects range in size from 4 units to 20 units. The bedroom mix breakdown is as follows:

- ▶ 19 one-bedroom (47.5%)
- ▶ 17 two-bedroom (42.5%)
- ▶ 3 three-bedroom (7.5%)
- ▶ 1 four-bedroom (2.5%)

Although Clement Apartments offers general occupancy housing, it was originally constructed to serve senior and/or disabled tenants. A later HUD rule change then made the building available to income-qualified tenants of any age, although 18 of the 20 units in Clement Apartments have only one bedroom.

Occupancy / Vacancy

All four subsidized projects reported full occupancy. Each reported the existence of a waiting list.

The waiting list for Henning Homes I and II had only three names. There were more names on the waiting list for the Public Housing Scattered Site units, but this list is maintained by the Otter Tail County HRA, and many applicants will choose to be on the waiting list for any unit in the County, regardless of the location.

Rental Rates

Most of the subsidized units in Henning have project-based rent subsidy contracts, allowing tenants to pay rent based on 30% of income. In 10 of the Rural Development units in Henning Homes I and II, a minimum basic rent amount applies, even if it exceeds 30% of income. However, the basic rent structure in these projects tends to be very low, at \$295 or less for a two-bedroom apartment. It is also possible that a low income household could use a tenant-based Voucher in a unit that cannot offer project-based rent assistance.

Tenant-Based Rent Assistance Vouchers

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

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

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

When tenant-based rent assistance is combined with the units in the four subsidized projects, there are potentially 47 households with access to some form of subsidized housing. This represents nearly 35% of all renter households in the City.

If the 8 moderate rent tax credit units are added to the available inventory of assisted housing, more than 40% of all renter households in Henning have access to some form of either shallow subsidy or deep subsidy rental housing, although some of the Vouchers are probably being used in the tax credit units, resulting in some overlap in resources.

Senior Housing with Services Summary

Unit Inventory

Henning has a variety of specialized senior housing options in three different residential facilities. The City has a skilled nursing home, Golden Living Center, which is licensed for 42 residents in 2015. The facility had originally been licensed for 64 residents, but has gradually de-licensed beds over time. As a result, more private occupancy rooms can now be offered.

There is a publicly-owned project, Willow Creek, that offers both independent senior living and assisted living options. There are 12 apartments intended for more independent seniors and 16 apartments for more service-intensive assisted living. Although this project can be flexible, allowing residents of independent living apartments to access assisted living services, there is a need to keep a certain number of assisted living residents, due to the costs associated with the provision of higher levels of care.

Henning also has one board and lodging-style provider of assisted living, Our Home Your Home, that has six sleeping rooms.

Occupancy/Vacancy

Occupancy patterns in specialized senior housing can change rapidly, as the frail population being served can result in periods of high unit turnover. At the time that research was being completed for this Study, there were unoccupied beds in Golden Living Center, and some vacant apartments in Willow Creek, for both independent living and assisted living. Willow Creek did have a waiting list which was being used to market the available apartments.

Our Home Your Home reported full occupancy and a waiting list. Our Home Your Home is primarily occupied with lower income seniors that can use the County's Elderly Waiver assistance program. Many of the households on the assisted living waiting list at Willow Creek are also eligible for Elderly Waiver assistance, but Willow Creek generally limits the program's use to only four apartments, due to the low reimbursement rate.

Rental Rates

Rental rates for specialized senior housing are dependent on the level of care being received by the resident. The lowest entry point for an independent unit in Willow Creek starts at \$1,025 per month, while lowest entry point for an assisted living unit in Willow Creek is just under \$2,500. Additional fees would apply as more intensive services are added.

Table 13 Henning Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate					
Country Corner 218-583-2100	1 - Efficiency 4 - 1 Bedroom <u>1 - 2 Bedroom</u> 6 Total Units	\$225 \$295 \$350 +heat, electric	No vacant units	Most younger singles and families	Rental units created above a restaurant building that was constructed in 1996. Units are upstairs and primarily appeal to younger renters. Tenants pay heat and electric in addition to rent. Amenities include stove, refrigerator and AC. All units have 1 bathroom. Owner reports full occupancy, but vacancies can occur.
Country View 218-583-2402	3 - 1 Bedroom <u>5 - 2 Bedroom</u> 8 Total Units	\$500 \$600 +electric	No vacant units, waiting list	Primarily seniors	Publicly-owned market rate rental housing project developed by the EDA in the 1990s. Rent includes heat, water, sewer and garbage, with tenant paying electric. Units have stove, refrigerator and dishwasher, and some have in-unit laundry. All units have a garage included, some are attached to unit and some to hallway. Project has community room with kitchen. Square footage not available but all units have 1 bathroom. Project has been very successful with full occupancy and a waiting list reported, although 2-bedrooms are more popular than 1-bedrooms. Most tenants are age 55 and older.
Moe Apartments 218-841-8102	4 Total Units	N/A	N/A	N/A	Unable to contact for additional information. According to staff at the County HRA, this building is vacant.
Rose Apartments 763-234-6599	<u>6 - 2 Bedroom</u> 6 Total Units	\$325-\$430 +utilities	No vacant units	Mix of tenants	Apartment building from the early 1900s - renovation in 2010 using rental rehab program through the HRA. Tenant pays all utilities in addition to rent, estimated at \$150/month. Amenities include stove, refrigerator, laundry hookup, and 4 small garages for extra \$15. Lower level units have full basements. Owner reports a general mix of tenants with most working age people commuting for employment. Good demand and any turnover units fill quickly.

Table 13 Henning Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate					
Star City Apartments 763-234-6599	<u>6 - 2 Bedroom</u> 6 Total Units	\$325-\$365 +heat, electric	No vacant units	Mostly younger tenants	Two-story apartment building constructed in the 1980s. Rent includes water, sewer and garbage, with tenant paying heat (electric) and electricity. Amenities include in-unit laundry hookup, wall AC an car plug-in. Most tenants are younger and most commute for employment. Owner reported full occupancy and good demand. Owner plans to apply for rental rehab grant in 2016.
Tax Credit					
Hillcrest Apartments 805 Inman St 417-296-2615	<u>5 - 2 Bedroom</u> <u>3 - 3 Bedroom</u> 8 Total Units	N/A	No vacant units	All units at 60% of median	Tax credit rental project constructed in the mid-1990s and entered extended compliance in 2009. All units serve households at or below 60% of median income. Owner was not interested in discussing the property details. Units are currently full but competition exists.
Subsidized - General Occupancy					
Clement Manor 218-583-2402	<u>18 - 1 Bedroom</u> <u>2 - 2 Bedroom</u> 20 Total Units	30% of income	No vacant units, waiting list	General occupancy	Public Housing apartment building originally for senior/disabled occupancy but now available for general occupancy. All tenants pay rent based on 30% of income. Most tenants are seniors but younger tenants also in building. Project reported full occupancy with a waiting list.
Henning Homes I 706-708 Holden Ave 218-583-2711	<u>8 - 2 Bedroom</u> 8 Total Units	\$295-\$325 30% of income	No vacant units, waiting list	General occupancy	Rural Development one-level apartments building constructed in 1969. Two buildings with 4 units each, designated for general occupancy. Three units have project-based rent subsidy that allows rent based on 30% of income, remaining tenant pays 30% of income but not less than basic or more than market rents listed. Manager reports no vacant units at time of survey and a 3 name waiting list exists.

Table 13 Henning Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Subsidized - General Occupancy					
Henning Homes II 710 Holden Ave 218-583-2711	1 - 1 Bedroom 7 - 2 Bedroom 8 Total Units	\$250-\$320 \$265-\$350 30% of income	No vacant units, waiting list	General occupancy	Rural Development two-level walkup apartment building constructed in 1977 and designated for general occupancy. Three units have project-based rent subsidy that allows rent based on 30% of income, remaining tenant pays 30% of income but not less than basic or more than market rents listed. Manager reports no vacant units at time of survey and a 3 name waiting list exists.
Public Housing Scattered Site 218-739-3249	3 - 3 Bedroom 1 - 4 Bedroom 4 Total Units	30% of income	No vacant units, waiting list	General occupancy	Public Housing scattered site units in a duplex and single family houses. All tenants pay rent based on 30% of income. Amenities include garage, washer/dryer hookups, stove, refrigerator, and deck. Full occupancy reported with a waiting list used to fill any turnover units. Approximately 13 County households on Henning waiting list.
Section 8 Housing Choice Vouchers 218-739-3249	7 households in Henning	30% of income	N/A	N/A	Formerly the Section 8 Existing Program, HUD Housing Choice Vouchers provide tenant-based rent assistance that can be used in any suitable rental unit. Tenant rent contribution is based on 30% of income, with the assistance program paying additional subsidy. In Sept. 2015, 7 households in Henning were participating in the program, and 103 additional households in Otter Tail County and 157 in Fergus Falls were receiving rent assistance. Programs are authorized for more Vouchers, but budget limitations have resulted in fewer households being served. Waiting list exists for Fergus Falls but no current waiting list for Otter Tail County program.

Table 13 Henning Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Senior Housing with Services					
Willow Creek Senior Community Independent Living 500 Willow Creek Drive 218-548-6683	2 - 1 Bedroom <u>10 - 2 Bedroom</u> 12 Total Units	\$1025 \$1215	1 vacant unit 1 - 2 Bdrm waiting list	Independent living	Senior housing project constructed in 2003 and owned by the City EDA. Project was designed as 12 units of independent living and 16 units of assisted living, but occupancy can be flexible and tenants are not required to move. Rent includes heat, water, sewer and garbage, with tenant paying electric. Apartments have full kitchens with refrigerator, stove and dishwasher. Other amenities include in-unit laundry, AC, patio/balcony and emergency call system. Garage available for an additional fee. Independent tenants can purchase a noon meal, but other services are only available on assisted living package. Project amenities include community room with kitchen, fitness center, beauty/barber, game room, scheduled activities and transportation. One-bedrooms have 709 sq ft and 1 bathroom, and two-bedrooms have 1032 sq and 1 or 1.5 bathrooms. One unit vacant at time of survey but waiting list exists and will be used to fill unit.
Willow Creek Senior Community Assisted Living 500 Willow Creek Drive 218-548-6683	8 - Studio <u>8 - 1 Bedroom</u> 16 Total Units	\$2475 \$2675 +services as needed	2 vacant units, 2 - Studio waiting list	Assisted living	Senior housing project constructed in 2003 and owned by City EDA that also includes independent living. Project was designed as 12 units of independent living and 16 units of assisted living, but occupancy can be flexible and tenants are not required to move. Rent includes utilities, daily meals, emergency call system, weekly housekeeping and laundry, 24-hour staffing and skilled nursing services available. Additional personalized home care for an additional fee. Second resident in unit adds \$500. Project amenities include community room with kitchen, fitness center, beauty/barber, game room, scheduled activities and transportation. Studio units have 476 to 515 sq ft and one-bedrooms have 546 sq ft; all units have 1 bathroom. Two units vacant at time of survey due to recent turnover, but a waiting list exists - most waiting list households want to use County Elderly Waiver assistance but the facility caps this at 4 residents, unless a private-pay tenant deletes assets while a resident.

Table 13 Henning Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy / Wait List	Occupancy Type	Comments
Senior Housing with Services					
Our Home Your Home 609 Front St 218-583-4428	6 Sleeping Rooms	N/A	Full occupancy, waiting list	Assisted living	Senior board and lodging facility with services. Seven sleeping rooms with shared bathrooms. Meals, laundry, housekeeping and care services provided as needed. Full occupancy reported with a waiting list. Many residents receive County Elderly Waiver assistance.
Golden Living Center 907 Marshall Ave 218-583-2965	Licensed for 42 skilled nursing beds	N/A	Some unoccupied beds	Skilled nursing home	Skilled nursing home that is currently licensed for 42 beds - had once been as high as 64 beds but de-licensing over time, with last downsizing in 2013. Current size allows for a mix of private and shared rooms. All beds are available to longer-term residents, but typical occupancy is 20+ beds for longer-term residents and 7 to 8 beds for shorter stays.

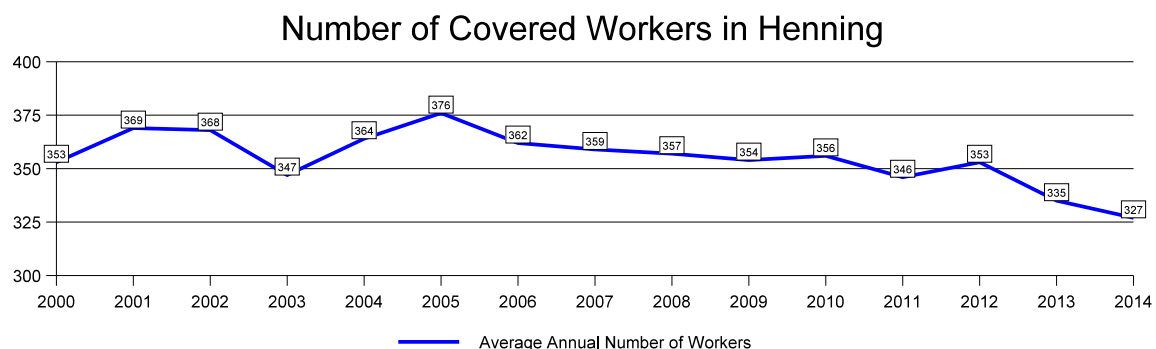
Source: Community Partners Research, Inc.

Henning Annual Covered Employment

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

Table 14 Henning Average Annual Employment: 2000 to 2015*			
Year	Total Covered Employment	Year	Total Covered Employment
2000	353	2008	357
2001	369	2009	354
2002	368	2010	356
2003	347	2011	346
2004	364	2012	353
2005	376	2013	335
2006	362	2014	327
2007	359	2015*	338

Source: QCEW - MN Department of Employment and Economic Development



When viewed over a longer-term period, there has been a minor decrease in the number of employees covered by unemployment insurance. The number of workers in 2014 was 26 jobs lower than reported in the year 2000. However, the number of jobs in the City reached its peak in 2005, at 376, before gradually declining over the next 10 years, when the City achieved its lowest employment level in 2014. For 2014, the last full year of data, the reported average wage in Henning was \$31,304, the highest of the time period reviewed. Despite a declining number of jobs, the wage rates have been rising.

Census On the Map

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

Table 15 Employee Inflow/Outflow Analysis - 2013

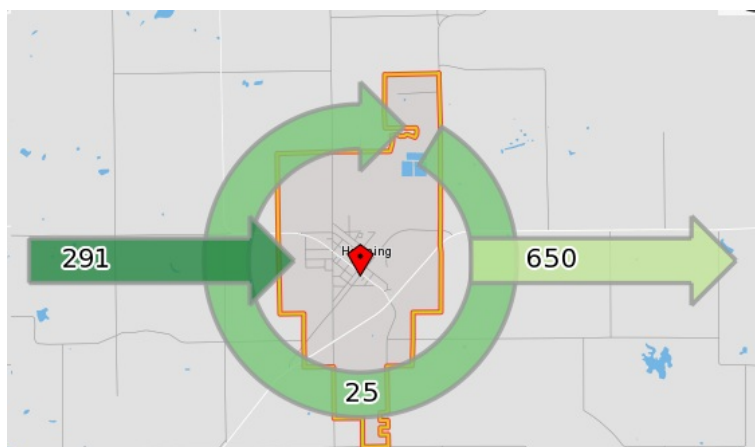
City	Number of People Employed in the City	Percent of City Employees that also Reside in the City	Percent of City Employees that Live Outside of the City
Henning	316	7.9%	92.1%
	Number of Employed People Living in the City	Percent of City Residents that also Work in the City	Percent of City Residents that Work Outside of the City
Henning	675	3.7%	96.3%

Source: Census Bureau, Center for Economic Studies

According to the report for Henning, there were 316 people that were employed in their primary job within the city limits in 2013. Of these city-based jobs, fewer than 8% were filled by people that also lived within Henning. More than 92% of the jobs were filled by people that lived outside of the City.

Most of the working residents of the City left the community for employment. Overall, more than 96% of the workers living in Henning worked outside of the City.

The On The Map reports do not indicate the direction of travel for commuters. However, according to the American Community Survey in 2013, nearly 65% of workers traveled less than 30 minutes to work.



Community Overview: Henning

Employment and Commuting

The City of Henning is located in the southeast quarter of Otter Tail County. The City is approximately 21 miles from Wadena and New York Mills, 26 miles from Perham and 34 miles from Fergus Falls.

Henning does have employment opportunities within the community, but most residents commute for work. In 2013, Census Bureau statistics showed that more than 96% of the City's employed residents left the community for their primary job. Nearly 65% of the City's residents had a drive time of 29 minutes or less (including those that worked in Henning) but approximately 35% did travel 30 minutes or more.

While there are job opportunities available locally, at least one source shows a gradual decrease in the city-based employment options over time. The Quarterly Census of Employment and Wages (QCEW) tracks workers that are reported for unemployment insurance. The QCEW data for Henning show a decrease of 49 covered workers in the 10-year period from 2005 to 2014. More than half of this decrease has occurred since 2010. According to the QCEW, there were 327 covered workers in 2014, the last full year of data. In 2010, 356 workers were reported through the QCEW.

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

Past Growth

Over the past few decades, the City has experienced very limited growth. If recent estimates for the City are compared to the year 2000, the City has added between 25 and 35 people, but almost no households.

The population growth is the direct result of more people in the average household. In the year 2000, the City's average household size was very small, at 1.95 persons. While still relatively small in 2015, at 2.10 to 2.12 persons per household, the increase in the average household size has yielded some minor population growth, within the same number of households.

Housing Construction/Availability

The absence of household growth over the past 15 years is in contrast to housing construction activity. Based on available building permit reports, the City has added as many as 20 single family houses and also a 28-unit senior housing project that provides independent living and assisted living.

The Census did record a net gain of 32 housing units in Henning between 2000 and 2010. While this was less than the number of units constructed during the decade, a majority of the constructed units were reflected in the housing stock as counted by the Census Bureau.

However, the net gain in housing that did occur largely resulted in an increase of vacant housing units, as 74 vacant units were present in 2010, compared to 40 vacant units in 2000. The household estimates released after 2010 do not show any significant increase in the number of occupied housing units in the past four or five years. This would imply that the vacant housing that was present in 2010 is still unoccupied.

Although the physical condition of vacant housing cannot be determined from Census reports, there is reason to believe that the unoccupied units may not be in habitable condition. Given the demand for housing and affordable options in the County, units that are suitable should have a better rate of occupancy.

It should be noted that while housing construction activity has been relatively strong for a small city, nearly all of the units built in Henning were added prior to the year 2007. After 2007, construction activity largely stopped, and over the next seven years, only three new houses have been built.

Projected Growth

Projections for small communities are often based on past patterns, which are then trended forward. For Henning, the very limited household growth since the year 2000 yields an expectation of very little growth to the year 2020. The most realistic projection, from Esri, expects the City to add only two households over the next five years.

If household growth does occur in Henning in the future, it will largely be linked to housing construction. While there may be vacant units in the community, the suitability of this housing is questionable, given the fact that many of these units do not appear to have been occupied in recent years. To add households, a commensurate level of housing construction will probably be required.

For this Study, Henning has also been examined as part of the SE Quarter of Otter Tail County. The projections for this aggregated area of 21 cities and townships show expected growth of only 57 total households in the five-year period from 2015 to 2020, or an average of only 11 to 12 households per year within this part of the County.

The aging of the existing residents should result in a growing number of senior-headed households, age 65 and older. While growth is possible in some of the specific younger age ranges, overall there is a projected reduction in the number of households age 54 and younger in the SE Quarter.

Housing Tenure Patterns

Between 2000 and 2009, records indicate that as many as 18 single family houses were built in Henning. However, between 2000 and 2010, the City experienced a net loss of 16 owner-occupancy households. This implies that a substantial number of older housing units that had once been owner-occupied were removed from the local inventory or were vacant at the time of the Census.

The City also added at least 28 rental units in the Willow Creek senior building. However, a net gain of only 14 renter-occupancy households was recorded during the decade.

With a loss of home owners but some gain in renters, the City's rate of home ownership dropped from 66.9% in 2000 to 62.9% in 2010.

Household Income

According to the 2013 American Community Survey, the median household income in Henning was \$30,417. This estimated median was well below the Countywide median household income level of \$48,961.

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

In defining affordable housing, 30% of the median monthly income would have allowed \$760 to be applied to monthly housing costs in 2013. Approximately half of the City's households could afford that amount or more, and the other half that amount or less.

This modest monthly amount for housing was generally well matched to costs for existing housing in the City, with a median existing value below \$75,000 and an estimated median gross rent between \$550 and \$600 per month in 2013.

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

Based on the research completed for this Study, the following findings and recommendations have been made.

1. Maintain and preserve the existing single family housing stock

Findings: Most of the housing in Henning exists in single family homes. The City also has some mobile homes, and other units in one or two-unit structures. Overall, more than 75% of all housing options in the City are believed to exist in single family or duplex structures.

Although the City had a net decrease of home owners between the 2000 Census and the 2010 Census, the home ownership tenure rate was still above 62%. The existence of affordable single family houses for families has helped the City to maintain a stable household count over the past 15 years. Over time, the average household size has increased slightly, implying that some households with children have been locating in the community.

Home values in the City are rather modest. The examination of fair market home sales dating back to 2010 did not identify any single family home selling for \$130,000 or more. The annual median sale price for a house in Henning is generally between \$60,000 and \$70,000. Another home value estimate exists from the American Community Survey, which placed the midpoint value at \$73,900 in 2013.

Part of the reason for the modest home values is the estimated age of the single family stock in Henning. According to the American Community Survey, the median year of construction for owner-occupied houses in the City is 1942. Nearly 72% of the owner-occupied units were constructed prior to 1960.

Recommendation: Houses that are lost to disrepair are unlikely to be replaced in Henning. Based on vacancy estimates, the City has continued to lose habitable housing over time, possibly due to obsolescence or poor condition. If the supply of good quality units decreases in the future, it is probable that the City will lose households and population.

Maintenance and repair of the City's older housing will be an important strategy to maintain community stability. According to City officials, Henning is currently participating in a Small Cities Development Grant (SCDP) program application that will include owner-occupied, rental and commercial building rehabilitation activity. Approximately 20 structures would be targeted, including some commercial buildings.

2. Promote affordable home ownership options as houses become available

Findings: The existing single family houses in the City are generally in a very moderate price range. In October of 2015, there were approximately nine houses listed for sale on the MLS. Seven of the nine listings were for less than \$100,000, and the highest priced listing was at \$114,900.

Although only a limited number of home sales have occurred in Henning in recent years, the annual median sale price has generally been between \$60,000 and \$70,000. The age of the single family stock contributes to the affordable prices for most homes, as the median year of construction is estimated to be 1942 for owner-occupied units.

Recommendation: Henning represents an attractive location for potential home buyers. Although the home ownership rate has dropped in recent years, more than 62% of all households own their housing unit. Henning has some employment opportunities within the community, but most residents leave the City for their primary job. Affordable home ownership options have probably made the community a desirable location for people that are willing to commute to the region's largest employment centers.

Although few houses may come up for sale in any single year, the very affordable prices for homes in the City make it an option for many Otter Tail County households. Based on the best available information, an existing home in Henning would typically sell for less than \$75,000, less than one-half the price for a newly constructed house.

The American Community Survey can be used to compare estimated median home values between Henning and some of the larger communities in the region. In 2013, the median value in Henning was estimated at \$73,900. This was well below the median values in Perham at \$138,000, Fergus Falls at \$114,400, Wadena at \$100,400 or New York Mills at \$92,500. With higher home prices in these area employment centers, some households have been electing to live in Henning and drive each day for employment.

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

3. Monitor residential lot availability

Findings: There has been no new subdivision development activity that can be identified in Henning in many years. However, with very limited new housing construction since 2007, a residential lot inventory does remain available in 2015.

While a detailed lot inventory has not been compiled, City sources estimated that approximately six good quality vacant lots are available in Henning. There may also be infill lots that are scattered throughout the community, including sites where a previous structure was demolished and cleared.

A review of the Multiple Listing Service for Henning showed a number of vacant land parcels, but most of these appeared to be rural sites. At least two lots within the city limits could be identified, with one listed at \$10,900. The other lot was partially improved with a garage and driveway, and was listed at \$39,000.

Recommendation: Community Partners Research uses a standard that a 2 ½ year supply of lots represents an adequate inventory, based on annual construction usage. Over the last seven years the City has averaged less than one new house per year. The growth projections used for this Study also expect that fewer than one new household per year will potentially locate in the community over the next five years. As a result, the existing lot inventory is viewed as adequate to meet near-term demand.

Unless new housing construction in the future substantially exceeds our projections, we do not anticipate the need for additional lot development within the City for the next few years. If demand does accelerate, it is possible that some of the existing development areas could make some infrastructure investments to bring additional improved lots into the local market.

4. Demolish and clear substandard structures

Findings: This Housing Study did not include a visual housing condition survey. However, secondary evidence would indicate that some substandard housing exists in Henning. There has continued to be a loss of occupied units in the City over time, presumably due to condition and quality. There have probably been some substandard houses that have been removed from the community, although demolition records were not obtained.

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

In 2015, the City was participating in a rehabilitation program application that would address renovation needs of owner-occupancy housing and commercial buildings. Structures that are not economically suitable for rehabilitation should be considered for demolition and clearance.

5. Promote rental housing rehabilitation

Findings: Henning serves as one of the rental centers in the southeastern quarter of Otter Tail County, along with Parkers Prairie and Battle Lake. Between 2000 and 2010, the City added 14 renter-occupancy households, while losing 16 home owners. Recent demand for rental housing has exceeded demand for home ownership in the community.

The rental survey completed for this Study identified a mix of multifamily rental options in the City. Many of the larger apartment buildings are relatively new, and some are government subsidized, and presumed to be in good physical condition. However, most of the true market rate housing in the City, with the exception of the EDA's Country View project, exists in older properties. Between 40 and 50 market rate rental units are believed to exist in single family houses or mobile homes that have been converted to rental use. Approximately one-half of the single family rental houses were constructed before 1960 and are more than 55 years old.

According to the American Community Survey, rental rates in the City are generally in a moderate range, with most units having a gross rent between \$550 and \$600 per month, including tenant-paid utilities. This moderate rent structure would include single family home rentals, where all of the utility costs are typically paid by the tenant.

Recommendation: Rental units in larger multi-unit properties in Henning are either in newer buildings, such as the EDA eight-plex, the Willow Creek senior project, or in federally subsidized buildings, such as Clement Manor or Henning Homes. These multifamily buildings are generally assumed to be in good condition, as a result of their age or the ability to utilize federal funding.

However, more than 30 of the City's rental units exist in older housing, primarily single family homes. These units are probably in various states of repair, but based on the moderate rent structure, it is assumed that many of the single family units could benefit from rehabilitation. The Small Cities Development Program application that will be submitted in 2015 will include a rental housing rehabilitation activity.

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

6. Promote the development of additional market rate rental housing

Findings: In the late 1990s, the Henning EDA constructed eight general occupancy rental housing units, known as Country View. The units are in a one-level building with a common hallway, although some units can also be accessed directly through an attached garage. Covered parking is available for all units, although some of the garages are connected through the common hallway. Three of the units have one bedroom, and five have two bedrooms. All units have one bathroom. The complex has a community room with a kitchen.

While the units are publicly-owned, they operate as market rate housing. Based on available information, this project has been very successful. According to the manager, they are typically at full occupancy, and often appeal to tenants age 55 and older. Turnover in these units tends to be limited and a waiting list exists, especially for two-bedroom options.

Rent levels are very moderate, with estimated gross rents below \$550 for a one-bedroom unit, and below \$650 for a two-bedroom. The quality, pricing and amenities in the EDA units have made them popular with area renters.

Although the household projections used for this Study would not expect any significant household growth in Henning through the remainder of this decade, there is evidence of growing demand for rental housing, as the City added 14 renter-occupancy households in the previous decade.

There will also be continued growth among one of the primary target groups, households age 65 and older. Countywide, the number of households age 65 and older should increase by more than 15% between 2015 and 2020. In 2020, approximately 38% of all households in Otter Tail County will be in the age ranges 65 and older. In the City of Henning, projections expect nearly 52% of all household to be age 65 or older by the year 2020.

Within the SE Quarter of Otter Tail County, growth in the number of senior-headed households should not be as strong as the Countywide trends, but the number of households age 65 and older is expected to grow by between 10% to 11% over the next five years. Housing that is age-appropriate for older renters should see continued market growth.

Recommendation: Given the success of the EDA's previous project, and continued demand for rental housing, it would be appropriate to promote the development of between 12 and 16 additional market rate rental units in Henning by the year 2020. These could be targeted at the moderate to higher rent segment of the market, in a style similar to the current EDA project, or in a town house configuration. When added to the eight units in Country View, up to 16 additional units would yield approximately 15% to 20% of the City's rental stock in this higher quality housing segment.

The Country View units have proven to be very successful, and demonstrate market acceptance for this type of rental housing in the community. New units can serve younger tenants, but when examining market potential for additional units, this Study has largely assumed that older adult households would generate most of the expected demand in Henning.

Within the City and the immediately surrounding area (Vining and six townships) there were approximately 530 senior-headed households at the time of the 2010 Census. By 2020, the projections would expect this number to increase to approximately 580 to 600 senior households.

In the past, most of these senior households have owned their housing. Many of the renter households would already live in other senior-friendly options in Henning, including Country View, Clement Manor and Willow Creek.

Although some attractive rental options do exist for seniors, rental tenure rate among senior households in the Henning Area remains relatively low, at only 17.2% at the time of the 2010 Census. Countywide the rental tenure rate for senior-headed households was 21.3%, as communities such as Fergus Falls that can offer more housing options tend to capture a higher percentage of senior households.

This Study has proceeded with the assumption that a rental tenure rate of 20% would be attainable among senior households in the Henning area if attractive rental options were present. When applied to the projected number of senior-headed households in 2020, this would yield the potential for approximately 25 to 30 additional renters over the next five years within the Henning area.

New rental housing will have a higher rent structure than typically exists within the community, including the rents being charged at Country View. In general, households with an annual income of approximately \$30,000 or more would be income-qualified for a newly constructed market rate unit. In the Henning area, approximately 65% of senior-headed households have an annual income at or above this level. This would yield potential demand from approximately 16 to 19 households.

While we view Henning as the best location to build this rental housing, it is recognized that not all of the potential households will choose to locate in the City. As a result, approximately 75% to 80% of the units have been recommended.

It is important to note that the calculations above assume that nearly all of the demand will come from senior renters. There is certainly potential for younger households to live in newly constructed units, and we would not recommend a senior-designation for a new project. However, it must also be recognized that the number of younger households, age 54 and under is projected to decrease in the Henning area over the next five years, so demand from younger adult households will be more limited.

The primary challenge to constructing new units will be the probable price disparity between the EDA project that already exists and the costs associated with new construction. In Country View, two-bedroom/one-bathroom units have an estimated gross monthly rent below \$650, including garage parking.

Although specific information on the size of these units was not available, the estimated rent per square foot for these units is assumed to be lower than comparable costs for new construction.

Other cities in Otter Tail County, including New York Mills and Perham, have recently had new rental units constructed that could serve as a model for future development in Henning. These projects were privately developed, and created patio homes, with a two-car attached garage. Both projects advanced in 2014. For the project in Perham, gross rents were below \$850 for a two-bedroom unit with one bathroom and approximately 950 square feet of living space.

The actual gross rents being achieved in these patio home projects are as much as \$200 per month higher than the Country View units in Henning. While floor plans at Country View were not available, it is probable that the units developed in New York Mills and Perham are larger, which justifies some of the difference in rent.

Another compensating factor for a higher rent structure could be the presence of a second garage stall, and the availability of in-unit laundry in all units. Both of these features were offered in Perham and New York Mills. In both projects, approximately one-third of the units are in three-bedroom/two bathroom configurations, although gross rents for these larger units have been above \$1,000 per month. Placing 25% to 33% of the units in a new project in Henning with three bedrooms would also help to expand the rental choices in the higher quality market segment.

With an existing waiting list at Country View, it would be possible for the EDA to conduct a survey to collect information on unit preferences. This could help to define the next phases of construction, including the willingness to pay a higher rent amount for a newly built unit.

7. Monitor the need for and availability of income-restricted housing resources

Findings: For a relatively small city, Henning has a number of income-restricted rental options for low and moderate income households. The City has subsidized housing for families and oriented to seniors and single person households. Henning also has a moderate rent tax credit project offering some larger three-bedroom options.

Henning Homes I and II, along with the Public Housing scattered site units, offer income-based housing that is suitable for families. Although Clement Manor is considered general occupancy housing as well, it was originally constructed for senior/disabled tenant occupancy.

Most of the units in these developments can offer project-based rent subsidy, allowing tenants to pay rent based on 30% of income. There were also seven tenant-based rent assistance Vouchers also being used in Henning at the time of the research for this Study.

Henning has one rental project that received federal low income housing tax credits. Hillcrest Apartments has eight units and was constructed in the mid-1990s. It completed its initial compliance requirements and entered its extended compliance phase in 2009. Although the owner of this project was unwilling to disclose details about the project, the analysts believe that this project would have a moderate rent structure, generally similar to market rate housing in the community.

If the moderate rent tax credit units are added to the available inventory of income-based subsidized housing and tenant-based Vouchers, more than 40% of all renter households in Henning have access to some form of either shallow subsidy or deep subsidy rental housing. It is probable that some of the Vouchers are being used in the tax credit units, resulting in some overlap in resources, but a large share of renters already access some form of income-restricted housing. Based on comparable communities, this represents a large percentage of income-restricted housing.

Despite the large supply of units, occupancy rates were high at the time of the rental survey. Waiting lists tended to exist for subsidized housing, although these lists were not necessarily long. For example, there were three names on the waiting list for Henning Homes I and II. There was no waiting list reported for Otter Tail County's Voucher Program, although a waiting list did exist for the Fergus Falls Voucher Program.

Recommendation: There is conflicting evidence on the need for very affordable subsidized housing in Henning. Statistics on income and rent burden do show that more than 50% of renter households in Henning need to apply 30% or more of their income for rental housing. This is generally defined as a "housing cost burden". However, Henning also has a relatively large supply of income-based housing, with more than 40% of all renters having access to some form of subsidized housing.

With very few resources available to expand the deep subsidy housing inventory, we would recommend that the community attempt to preserve its existing resources, and monitor opportunities to add units as needed in the future. This could include expanded promotion of rent assistance Vouchers through Otter Tail County.

The demographic projections through 2020 show the potential for reduced demand for family subsidized housing, due to a declining number of households in the age ranges 54 and younger. However, this assumes that an overall decrease in the number of households will also result in a decrease of lower income households.

Net growth is expected to occur among senior households, although this is primarily from households in the 65 to 74 year old group. For lower income seniors, Clement Manor can offer income-based housing. Over time, more younger tenants have moved into Clement Manor, but growth in the local senior population could result in some additional demand from renters age 65 and older.

While the need for new development should be monitored, it will be important to preserve the stock of existing subsidized units. In 2015 there was no evidence that any existing projects were at risk of leaving the subsidized program. None of the existing projects was on the subsidized housing opt-out list maintained by the Minnesota Housing Finance Agency. Hillcrest Apartments did enter its extended compliance phase in 2009, but this should extend to the year 2024.

8. Monitor senior housing with services needs

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

Golden Living Center, a skilled nursing home, has been present in the community for many years. In 2015, it is licensed for 42 beds. This facility has downsized over time, and once had contained 64 beds. The de-licensing has allowed more rooms to be used as private occupancy.

In the early 2000s, the 28-unit Willow Creek project was constructed, which is owned and operated by the City's EDA. Willow Creek contains units for both independent senior living and assisted living.

The City is also home to a smaller board and lodging-style assisted living facility known as Our Home Your Home. This residential setting contains six sleeping rooms, and residents share other living quarters.

Despite the relatively large number of units, occupancy rates are generally high, especially in the independent living and assisted living units. Some unoccupied beds typically exist in the nursing home, despite the de-licensing that has occurred.

The immediate market area surrounding Henning, including Vining and six nearby townships, contained 370 older senior citizens, age 75 and above, at the time of the 2010 Census. This total would have included residents of the specialized care facilities in the City. There were 255 households age 75 and older living in the immediate area. Although some growth may have occurred within the older senior demographic segments since 2010, this growth appears to be limited. There has been significant growth in the number of younger senior households, age 65 to 74 years old, but the number of older senior households has remained relatively stable, based on the available estimates.

With as many as 22 units/rooms available for assisted living, a capture rate of approximately 8.6% would be needed among older senior households to maintain full occupancy in 2015.

Willow Creek also has up to 12 units that can offer lighter services housing, but in the same assisted living building. Subtracting the households living in assisted living, a capture rate of approximately 5.2% would be required to fill all 12 units in Willow Creek that are designed for independent living.

While there are differences in the levels of care in the Willow Creek units, they primarily appeal to seniors that need or will soon need services with their housing. The monthly rental rates in the independent units are relatively high when compared with other rental housing in Henning and reflect the added security offered through living in Willow Creek. To fill all 28 units in Willow Creek plus the six rooms in Our Home Your Home, the specialized senior units need to capture more than 13% of all older senior households living in the Henning area in 2015.

This is a relatively high capture rate for older seniors in the immediate area. In all probability, the options in Henning have attracted residents from an even larger geographical area. However, specialized senior housing also exists in many nearby communities, including New York Mills, Perham, Parkers Prairie, Battle Lake and Fergus Falls, so the ability to attract older seniors from a large area is limited by direct competition.

Recommendation: Based on the number of units, beds and options that already exist in Henning, we would recommend that the need for additional specialized senior housing be monitored. For the next few years, only limited growth is expected countywide in the population of older senior citizens, age 75 and above. After 2020, more growth should begin to occur as the baby boom generation continues to advance through the aging cycle.

Willow Creek does maintain waiting lists for occupancy. These lists can be the best single indicator of growing demand for additional specialized senior options. If appropriate, a small expansion of specialized care housing could be considered in the future.

The units in Willow Creek have offered residents some degree of flexibility in obtaining services. Tenants of an independent living apartment can change to assisted living without having to move within the building. If adequate demand exists within the waiting list, additional flexible units could be added as needed.